May 30, 2022

To shareholders:

Matters to be Disclosed by the Internet in Association with the Notice on the 99th Annual General Meeting of Shareholders

The above matters are presented to shareholders by posting on the Company's website (http://www.nof.co.jp/) in accordance with laws and regulations as well as the provisions of Article 15 in the Articles of Incorporation of the Company.

NOF CORPORATION

System for Ensuring Appropriate Conduct of Operations

(1) Outline of the System for Ensuring Appropriate Conduct of Operations

Internal control system for further enhancing the appropriateness of the operations of the Company and Group companies

1) Systems for ensuring that the Directors and employees perform their duties in accordance with laws, regulations, and the Articles of Incorporation

a. The Board of Directors makes decisions regarding matters related to systems for ensuring that the Directors perform their duties in accordance with laws, regulations, and the Articles of Incorporation.

b. The Directors and employees comply with corporate ethics based on the NOF Code of Ethical Conduct.

c. The Compliance Committee promotes compliance throughout the Company.

d. The Secretariat of the Compliance Committee is responsible for performing contact point operations that allow employees to directly report or consult regarding issues related to compliance. Reporters of issues shall not be treated disadvantageously.

2) System for the storage and management of information regarding the execution of duties by Directors

a. Information in documents, etc., concerning the execution of duties by Directors is retained and managed as stipulated in laws and regulations and internal rules such as rules on document handling and rules on information security management.

b. Security systems are used to protect data on electronic media concerning the execution of duties by Directors from leakage due to unauthorized access, etc.

c. Directors or employees designated by Directors can view or copy documents or data on electronic media at any time.

3) Rules and other systems for managing risks of loss

a. Specialist committees such as the Risk Management Committee, the Responsible Care Committee, and the Quality Management Committee analyze business risks, consider countermeasures, and report to the Board of Directors. The Board of Directors receives reports on various business risks such as compliance, information management, environmental and safety risks, and confirmation and evaluation of risk comprehensiveness, and deliberates on the risks as necessary.

b. In the event of an emergency, an Emergency Task Force is established in accordance with the emergency response regulations to establish a system for ensuring the safety of personnel and minimizing economic losses.

4) System for ensuring that the duties of the Directors are efficiently performed
   a. In order to ensure that Directors perform their duties efficiently, the Board of Directors meets regularly once a month, and additionally as necessary, and makes decisions regarding important matters concerning management and business execution.
   b. In the event of urgent important issues for which there is not enough time for Board of Directors' decision-making, these issues may be handled as they arise, provided that the decisions do not violate the laws and regulations or the Articles of Incorporation, and approved at the next meeting of the Board of Directors.
   c. Management decision-making and supervision functions are separated from business execution functions, and an Operating Officer system is adopted to reinforce both of these functions.
   d. Directors and employees comply with internal rules such as rules on office organization.
   e. Goals are defined for the entire Group and shared by Directors and employees. Mid-term Management Plans are formulated based on these goals while fostering the permeation of the goals throughout the Group, and are decided by the Board of Directors. Annual plans are formulated based on Mid-term Management Plans and decided by the Board of Directors.
   f. As a general rule, Strategic Meetings are held once a week to ensure speedy management decision-making.

5) System for ensuring appropriate conduct of operations by the Group composed of the Company and Group companies
   a. The Company permeates the Corporate Philosophy and Code of Conduct it has formulated throughout Group companies and promotes business activities. Furthermore, Group companies formulate policies based on the basic policies and annual policies of the Mid-term Management Plan formulated by the Company.
   b. The Company manages the businesses of Group companies in accordance with the rules on the management of Group companies, and requests regular reports of business execution status, financial conditions, etc.
   c. The Company's Board of Directors shall approve important matters which have been deemed to have a significant impact on the assets and profits or losses of the Company and Group companies.
   d. The Company monitors the risk management of Group companies in accordance with the rules on the management of Group companies. Furthermore, specialist committees such as the Risk Management Committee, the Responsible Care Committee, and the Quality Management Committee analyze risks, consider countermeasures, and report to the Board of Directors. The Board of Directors receives reports on various business risks such as compliance, information management, environmental and safety risks, and confirmation and evaluation of risk comprehensiveness. The Board of Directors then provides advice, etc., to Group companies as necessary via the specialist committees.
   e. Group companies with a significant impact on Group business results must deliberate with the Company regarding important management matters, attend the Company's management meetings, and gain an understanding of the Group's overall business performance.
   f. The Company holds a Group company meeting once a year to provide an opportunity to share information necessary for efficient Group-wide operation.
   g. As a system to prevent legal violations, etc., the Company has established whistle-blowing contact points where employees of the Company or Group companies can use to directly report and consult regarding issues.
   h. To ensure that Directors and employees of Group companies perform their duties in accordance with laws, regulations, and the Articles of Incorporation, the Company requires Group companies to report on the status of compliance with laws and regulations, and provides advice, etc., as necessary.
   i. The Internal Control Department regularly audits the operations of the Company and Group companies.

6) Matters concerning employees that the Audit and Supervisory Committee requests to be assigned in order to assist its duties, matters regarding the independence of said employees from Directors, and matters regarding assurance of the effectiveness of instructions issued by the Audit and Supervisory Committee to said employees
   a. The Audit and Supervisory Committee's Office shall be established as an organization directly under the control of the Audit and Supervisory Committee, and employees who assist the duties of the Audit and Supervisory Committee shall be assigned to the Office.
   b. Employees with the necessary knowledge and capabilities are assigned to assist the duties of the Audit and Supervisory Committee.
   c. Said employees who assist the duties of the Audit and Supervisory Committee shall not accept orders or instructions from Directors or persons in senior positions.
   d. In order to ensure the independence of employees that assist the duties of the Audit and Supervisory Committee from Directors and persons in senior positions, and to ensure the effectiveness of instructions issued by the Audit and Supervisory Committee, decisions regarding the assignments, transfers, and other personnel matters related to said employees require the approval of the Audit and Supervisory Committee.

7) System for reporting from Directors and employees to the Audit and Supervisory Committee, system for reporting from Group company Directors or employees, or persons who have received reports from Group company Directors or employees, to the Company's Audit and Supervisory Committee, and other matters regarding reporting to the Audit and Supervisory Committee
   a. Directors and employees of the Company report important results of business execution based on decisions by the Board of Directors, Executive Committee, etc., to the Audit and Supervisory Committee.
   b. If Directors or employees of the Company discover serious legal violations or matters with the potential to cause major losses for the Company, said Directors or employees shall promptly report these matters to the Audit and Supervisory Committee.
   c. If Directors or employees of a Group company, or persons who have received reports from Directors or employees of a Group company, discover serious legal violations or matters with the potential to cause major losses for the Company, said persons shall promptly report these matters to the Audit and Supervisory Committee.
   d. The Internal Control Department regularly reports the business audit plan and the results of operation audits to the Audit and Supervisory Committee.
   e. In order for the Audit and Supervisory Committee to ascertain the status of the execution of duties by Directors, Audit and Supervisory Committee Members attend meetings of the Board of Directors, meetings of the Executive Committee, and other important meetings. Furthermore, the Company shall ensure the establishment of a system that allows Audit and Supervisory Committee Members to view important documents related to decisions made in business execution, such as minutes and approval documents.

8) System for ensuring that the person who has reported issues to the Audit and Supervisory Committee is not subject to disadvantageous treatment
   a. The Company shall ensure the establishment of a system that prohibits the disadvantageous treatment of the person who has reported issues to the Audit and Supervisory Committee.

9) Matters related to policies regarding the procedures for advance payment or reimbursement of expenses arising from the execution of duties by the Audit and Supervisory Committee and the processing of other expenses or financial obligations resulting from the execution of duties by the Audit and Supervisory Committee
   a. The Company shall promptly respond to requests for the advance payment of expenses arising from the execution of duties by the Audit and Supervisory Committee, reimbursement of paid expenses, and payment for incurred financial obligations.

10) System for ensuring that audits by the Audit and Supervisory Committee are conducted effectively

a. The Audit and Supervisory Committee conducts audits in accordance with the Audit and Supervisory Committee auditing standards defined by the Audit and Supervisory Committee. As necessary, they give out instructions on inspections, etc. to the Internal Control Department, etc., and deliberate with Directors to improve the effectiveness of their audits.

b. Accounting Auditors regularly report audit plans and audit results to the Audit and Supervisory Committee. When necessary, the Audit and Supervisory Committee shares information and exchanges opinions with Accounting Auditors, each department of the Company, and Group companies.

c. The Audit and Supervisory Committee has regular meetings with Representative Directors, where opinions are exchanged regarding the issues to be addressed by the Company, the status of the auditing and supervisory environment of the Audit and Supervisory Committee, important issues related to auditing, etc., thereby developing deeper mutual understanding and trust.

11) System for ensuring the reliability of financial reporting

a. In order to ensure the reliability of the financial reporting of the Company and Group companies, and to effectively and appropriately submit the internal control reports stipulated in the Financial Instruments and Exchange Act, the Internal Control Department builds and maintains internal control systems related to financial reporting and strives to enhance control activities related to important financial reporting processes.

(2) Outline of the Status of Implementation of the System for Ensuring Appropriate Conduct of Operations

Based on the above policy, the Company strives to improve its internal control system and operate it appropriately. The main initiatives carried out during the fiscal year under review were as follows.

(Measures aimed at ensuring appropriate conduct of operations by the Company and Group companies)

The Company held a regular meeting of the Board of Directors once each month and held five extraordinary meetings of the Board of Directors over the course of the fiscal year. In addition to regularly reported matters, the Board of Directors also confirmed and decided on important matters stipulated in the rules of the Board of Directors and monitored the status of the execution of the duties of Directors. Group companies requested approval from and reported on important matters stipulated in the rules on the management of Group companies to the Company.

(Compliance measures)

The Compliance Committee led the improvement of compliance related regulations such as compliance manuals, operation of whistle-blowing contact points, and provision of ongoing compliance training for all Group companies, both in Japan and abroad, including the Company.

During the fiscal year under review, the basic policy on preventing bribery and corruption and the human rights policy were formulated. The policies were shared between Group companies, thereby enhancing the system.

(Risk management measures)

Led by the Risk Management Committee, the Company shall conduct company-wide risk assessments and comprehensively ascertain, analyze, and evaluate business risks. With regard to risk management, specialist committees such as the Risk Management Committee, the Responsible Care Committee, and the Quality Management Committee monitor their respective operation fields, including Group companies, analyze results, and report measures and countermeasures to the Board of Directors. The Board of Directors receives reports on various business risks such as compliance, information management, environmental and safety risks, and confirmation and evaluation of risk comprehensiveness, and deliberates on the risks as necessary.

Furthermore, during the fiscal year under review, as a measure in response to COVID-19, an Emergency Task Force was established, and the Group is enhancing its critical risk management including risks that affect business continuity.

(Measures for ensuring the effectiveness of audits by the Audit and Supervisory Committee)

The Audit and Supervisory Committee provides opportunities for regular deliberations with the Internal Control Department and Accounting Auditors, and coordinates with them closely. On top of this, Audit and Supervisory Committee Members attend important meetings such the meetings of the Board of Directors, Executive Committee, CSR Committee, and specialist committees; visit offices, branches, business sites, and the like; and conduct interviews with business departments and Group companies. Through this, they strive to ensure the effectiveness of their audits.

Audit and Supervisory Committee Members are provided with necessary information through explanations by Directors or internal related departments regarding the state of important decision-making or the execution of duties, or the details of said duties, and by viewing related important documents. These information are reported appropriately to Audit and Supervisory Committee Members.

(Evaluation of operating status of internal control system)

The internal control system is reviewed and revised annually. At the meeting of the Board of Directors held in April 2022, the Company evaluated operating status during the fiscal year under review with respect to the matters stipulated in the policy on the improvement of the internal control system, and confirmed that the system was operating appropriately.

Consolidated Statement of Changes in Net Assets

(From April 1, 2021 to March 31, 2022)

(millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	**17,742**	**15,115**	**154,793**	**(7,984)**	**179,666**
Cumulative effects of changes in accounting policies			73		73
Restated balance	**17,742**	**15,115**	**154,867**	**(7,984)**	**179,740**
Changes during the period					
Cash dividends			(6,943)		(6,943)
Profit attributable to owners of parent			26,690		26,690
Purchase of treasury stock				(3,871)	(3,871)
Disposal of treasury stock				10	10
Cancellation of treasury stock			(8,552)	8,552	–
Net changes in items other than shareholders' equity					
Total changes during the period	**–**	**–**	**11,194**	**4,692**	**15,887**
Balance at the end of the period	**17,742**	**15,115**	**166,062**	**(3,292)**	**195,627**

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized holding gain on securities	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance at beginning of the period	**24,039**	**(967)**	**49**	**23,121**	**727**	**203,516**
Cumulative effects of changes in accounting policies						73
Restated balance	**24,039**	**(967)**	**49**	**23,121**	**727**	**203,589**
Changes during the period						
Cash dividends						(6,943)
Profit attributable to owners of parent						26,690
Purchase of treasury stock						(3,871)
Disposal of treasury stock						10
Cancellation of treasury stock						–
Net changes in items other than shareholders' equity	186	1,777	215	2,179	49	2,229
Total changes during the period	**186**	**1,777**	**215**	**2,179**	**49**	**18,116**
Balance at the end of the period	**24,226**	**809**	**264**	**25,300**	**777**	**221,706**

Notes to Consolidated Financial Statements

Notes to Basis for Preparation of Consolidated Financial Statements

1. Matters related to scope of consolidation

(1) Number of consolidated subsidiaries and the names of major consolidated subsidiaries

Number of consolidated subsidiaries: 25

Names of major consolidated subsidiaries

Nippon Koki Co., Ltd., NiGK Corporation, HOKKAIDO NOF CORPORATION, NOF METAL COATINGS ASIA PACIFIC CO., LTD., JAPEX Corp., Nichiyu Trading Co., Ltd., Yuka Sangyo Co., Ltd., Changshu NOF Chemical Co., Ltd., PT. NOF MAS Chemical Industries, NOF AMERICA CORPORATION, NOF METAL COATINGS EUROPE S.A., NOF (Shanghai) Co., Ltd., NOF EUROPE GmbH

(2) Names of major non-consolidated subsidiaries, etc.

Names of major non-consolidated subsidiaries

There are no major non-consolidated subsidiaries.

Reason for excluding the non-consolidated subsidiaries from the scope of consolidation

They are excluded from the scope of consolidation because their combined amounts of respective categories of total assets, net sales, profit and loss (corresponding to equity interest) and retained earnings (corresponding to equity interest) are smaller than the consolidated subsidiaries' such combined amounts, and have no significant impact on the consolidated financial statements.

2. Matters related to application of equity method

(1) Number of non-consolidated subsidiaries and affiliates accounted for using the equity method, and the names of major entities accounted for by using the equity method

Not applicable.

(2) Names, etc. of major non-consolidated subsidiaries and affiliates not accounted for using the equity method

Non-consolidated subsidiary: There are no major non-consolidated subsidiaries.

Affiliate: Amagasaki Utility Services CO., Ltd.

Reason for not accounted for using the equity method

These non-consolidated subsidiaries and affiliates are not accounted for using the equity method because they individually do not have significant impact on profit and loss (corresponding to equity interest) and retained earnings (corresponding to equity interest), etc., and the impact is immaterial also on a combined basis.

3. Fiscal year, etc. of consolidated subsidiaries

The balance sheet date of consolidated subsidiaries NOF METAL COATINGS ASIA PACIFIC Co., Ltd., Changshu NOF Chemical Co., Ltd., P.T. NOF MAS Chemical Industries, NOF AMERICA CORPORATION, NOF METAL COATINGS NORTH AMERICA INC., NIKKA COATING Co., Ltd., NOF METAL COATINGS EUROPE S.A., NOF METAL COATINGS EUROPE N.V., NOF METAL COATINGS KOREA Co., Ltd., NOF METAL COATINGS SOUTH AMERICA Ind. E Com. Ltda., SIE s.r.l., NOF (Shanghai) Co., Ltd., NOF EUROPE GmbH and NOF METAL COATINGS SHANGHAI CO., Ltd. is December 31 each year.

In the preparation of consolidated financial statements, financial statements of each subsidiary at their respective balance sheet dates are used, and any significant transaction that took place between those balance sheet dates and the consolidated balance sheet date is subjected to necessary consolidation adjustments. Balance sheet date of all consolidated subsidiaries other than the listed above is the same as the consolidated balance sheet date of March 31 each year.

4. Matters related to accounting policies

(1) Standards and methods of valuation of assets

(i) Standards and methods of valuation of securities

Other securities

Available-for-sale securities other than shares, etc. without market value

Mainly by the market value method based on the average market price over a period of one month prior to the consolidated balance sheet date

(Net unrealized gains or losses on those securities are reported as a separate component of net assets and costs of securities sold are determined primarily using the moving average method.)

Shares, etc. without market value

Mainly by the cost method using the moving-average method

(ii) Standards and methods of valuation of inventories

Mainly by the cost method using the total-average method (Consolidated balance sheet amounts are written down subject to decline in profitability.)

(2) Methods of depreciation and amortization of fixed assets

(i) Property, plant and equipment (excluding leased assets)

Straight-line method

(ii) Intangible assets (excluding leased assets)

Straight-line method; For software (for in-house use), straight-line method over licensing period for internal use (five years)

(iii) Leased assets

Leased assets used in finance lease transactions that do not transfer ownership to the lessee

Straight-line method, assuming the useful life as the lease period with residual value at nil

(3) Standards of providing allowances

(i) Allowance for doubtful accounts

To prepare for possible credit losses, estimated uncollectible amounts have been recorded based on collection losses for general receivables, while on individual assessment of collectability for certain receivables such as doubtful receivables.

(ii) Accrued bonuses for employees

To prepare for the payment of employees' bonuses, the Company and its major consolidated subsidiaries have recorded estimated amounts of employees' bonuses attributable to the consolidated fiscal year ended March 31, 2022.

(iii) Accrued retirement benefits for executive officers

To prepare for the expenditure of retirement benefits for executive officers, etc. of the Company, the amount to be paid at the end of the consolidated fiscal year ended March 31, 2022 has been recorded according to the internal rules.

(4) Standards for revenue and expense recognition

Revenue from contracts with customers

Based on the following five-step approach, the Group recognizes revenue when a promised product or service is transferred to a customer and the customer gains control over said product or service.

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Calculate the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the corporation fulfills the performance obligations

The Group's main business is the manufacturing and sale of products in the Functional Chemicals Segment, the Life Science Segment and the Explosive & Propulsion Segment. With regard to the sale of these products, generally, at the time of delivery, it is deemed that the customer has gained control over the product and the performance obligation has been fulfilled. Accordingly, the Group recognizes revenue at the time of delivery, etc. of said product. For domestic sales, since the period from the time of shipment to the time when the control of the product is transferred to the customer is the normal period, the Group applies the handling of shipping standards, etc. stipulated in Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition, and recognizes revenue at the time of shipment.

Revenue is calculated by deducting returns, discounts, and rebates, etc. from the consideration promised in the contract with the customer, within the range where there is a high possibility that there will be no significant reversal of funds into revenue. The promised consideration is collected mainly within one year from the time of the fulfillment of the performance obligation, and does not include significant financial factors.

For transactions involving the Group as an agent, the net amount of revenue is recognized.

Regarding a portion of the performance obligations in the Explosive & Propulsion Segment, since control over products or services is transferred over a certain period of time, the degree of progress is measured using a method that faithfully depicts the fulfillment of the obligations, and revenue is recognized over a certain period of time.

(5) Other basis for preparation of consolidated financial statements

(i) Hedge accounting

Method of hedge accounting

Deferral hedge accounting is adopted. As for foreign currency-denominated monetary claims and obligations under forward foreign exchange contracts, allocation treatment is adopted when requirements for such treatment are met.

Hedging instruments and hedged items

Hedging instruments: forward exchange contracts

Hedged items: forward exchange contracts and foreign currency denominated trading transactions

(ii) Methods of accounting retirement benefits

To prepare for retirement benefits of employees, retirement benefit liability has been recorded at the amount of the retirement benefit obligation less pension plan assets based on the estimation as of the end of the consolidated fiscal year ended March 31, 2022.

Prior service cost is amortized as incurred by the straight-line method over certain period (10 years), within the average remaining service years of the employees.

Actuarial gain or loss is amortized from the fiscal year following the year in which the gain or loss is recognized by the straight-line method over certain period (10 years), within the average remaining service years of the employees.

Unrecognized actuarial gain or loss and unrecognized prior service cost are recorded as retirement benefits liability adjustments in accumulated other comprehensive income under net assets after tax effect adjustments.

In calculating the retirement benefit liability, the estimated amount of retirement benefits is attributed mainly by benefit formula to the period up to the end of the consolidated fiscal year ended March 31, 2022.

Notes regarding Changes in Accounting Policies

Application of Accounting Standard for Revenue Recognition, etc.

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") and the "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 31, 2020) have been applied from the beginning of the consolidated fiscal year ended March 31, 2022. Accordingly, revenue is recognized when control of a promised good or service is transferred to a customer, in an amount that reflects the consideration to which the Group expects to receive in exchange for those goods and services.

As a result, if the promise with the customer is a performance obligation to arrange goods or services to be provided by another party, the Group recognizes the net amount of revenue as an agent.

The Revenue Recognition Standard, etc. is applied in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the consolidated fiscal year under review, with the new accounting policies applied from the beginning balance.

As a result, net sales for the consolidated fiscal year under review decreased by ¥5,994 million and operating income increased by ¥309 million. Ordinary income and profit before income taxes were not affected. In addition, the beginning balance of retained earnings increased by ¥73 million.

Application of Accounting Standard for Fair Value Measurement, etc.

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard") and other standards have been applied from the beginning of the consolidated fiscal year ended March 31, 2022. The Group will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). As a result, among available-for-sale securities, shares with market value, which previously adopted the market value method based on the average market price over a period of one month prior to the balance sheet date, shall from the consolidated fiscal year ended March 31, 2022 change to adopting the market price method based on the market price on the balance sheet date.

In addition, the Group will include notes on the breakdown, etc. of the fair value of financial instruments by level within the fair value hierarchy in "Notes regarding Financial Instruments."

Notes regarding Important Accounting Estimates

1. Recoverability of deferred tax assets

(1) Amount recorded on the consolidated financial statements for the consolidated fiscal year under review

¥999 million in deferred tax assets, net concerning consolidated subsidiaries, which fall under “Category 3” pursuant to Paragraph 29 of the “Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26)”

(2) Information regarding contents of accounting estimates concerning items identified

i. Method of calculation

The recoverability of deferred tax assets is determined through an estimate of taxable income based on future earning capacity, in contrast with future deductible amounts.

ii. Main assumptions

The estimate of taxable income based on future earning capacity uses the budget for the next fiscal year and the Mid-Term Management Plan as the foundation, and its main assumption is the future estimated sales volume. The said business plan has been formulated in consideration of the impact associated with the conditions of the COVID-19 pandemic, but the Group has deemed that the impact will be limited.

iii. Impact on consolidated financial statements for the next fiscal year

Regarding the main assumption stated in ii, if ex post facto results deviate from the assumption due to factors such as economic trends in the future, and there is a decrease in taxable income in the next fiscal year or later, there may be a review of the recoverability of deferred tax assets.

2. Impairment of fixed assets

(1) Amount recorded on the consolidated financial statements for the consolidated fiscal year under review

¥51 million in impairment loss on fixed assets, ¥62,891 million in property, plant and equipment and intangible assets

(2) Information regarding contents of accounting estimates concerning items identified

i. Method of calculation

The Group groups business-use assets primarily according to the operating division, and assesses impairment. For assets and asset groups with indications of impairment, the Group estimates undiscounted future cash flows based on the business plan of each business, and assesses the necessity of impairment.

ii. Main assumptions

The estimate of undiscounted future cash flows uses the business plan of each business as the foundation, and its main assumption is the future estimated sales volume. The said business plans have been formulated in consideration of the impact associated with the conditions of the COVID-19 pandemic, but the Group has deemed that the impact will be limited.

iii. Impact on consolidated financial statements for the next fiscal year

Regarding the main assumption stated in ii, if ex post facto results deviate from the assumption due to factors such as economic trends in the future, and an asset group shows new indications of impairment, or if undiscounted future cash flows fall below the book value of fixed assets in asset groups, there may be impairment loss on fixed assets in the next fiscal year.

Additional Information

Board Benefit Trust (BBT)

Based on the resolution at the 96th Annual General Meeting of Shareholders held on June 27, 2019, the Company introduced in the fiscal year ended March 31, 2020 a performance-linked stock compensation plan (the Board Benefit Trust (BBT)) for Directors (excluding Outside Directors) and Operating Officers with titles (hereinafter collectively referred to as the "Directors, etc.") (hereinafter referred to as the "Plan").

The purpose of the Plan is to further clarify the linkage between compensation of Directors, etc., financial results of the Company and the value of the Company's shares, and have Directors, etc. share the risk of stock value fluctuation with the shareholders, thereby strengthening the awareness of Directors, etc. of their contribution to the medium- to long-term improvement in financial results and enhancement of corporate value.

(1) Overview of the transactions under the Plan

Under the Plan, the Company's shares are acquired through a trust using funds contributed by the Company (hereinafter, such trust established pursuant to the Plan is referred to as the "Trust"), and the Company's shares and cash equivalents of such shares at their market value (hereinafter collectively referred to as the "Company's Shares, etc.") are distributed through the Trust to the Directors, etc., pursuant to the Officer Stock Distribution Rules established by the Company. The Directors, etc. shall receive the Company's Shares, etc. upon their retirement, in principle. Accounting treatment of the trust agreement hereunder is subjected to the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No. 30, March 26, 2015).

(2) The Company's shares remaining in the trust

The Company records the Company's shares remaining in the Trust at their book value (excluding incidental costs) at the Trust, as treasury stock under net assets. At the end of the consolidated fiscal year ended March 31, 2022, such treasury stock stood at ¥164 million of book value and the number of such shares was 48,200.

Notes to Consolidated Balance Sheet

1. Balances of receivables from contracts with customers, contract assets and contract liabilities

Receivables from contracts with customers	41,936 million yen
Contract assets	488 million yen
Contract liabilities	3,452 million yen

2. Assets pledged as collateral and collateralized obligation

(1) Assets pledged as collateral

Buildings and structures	58 million yen
Land	163 million yen
Investment securities	24 million yen
Total	245 million yen

(2) Collateralized obligation

Long-term debt (including current portion)	0 million yen
Accounts payable, etc.	198 million yen
Total	199 million yen

3. Accumulated depreciation of property, plant and equipment 159,315 million yen

4. Accumulated advanced depreciation for property, plant and equipment due to acceptance of national subsidies

Accumulated advanced depreciation for property, plant and equipment due to acceptance of national subsidies are ¥512 million for buildings and structures, ¥448 million for machinery, equipment and vehicles, and ¥21 million for others, totaling ¥982 million.

5. Repurchase obligation associated with the liquidation of receivables 1,514 million yen

6. Commitment line agreements

In order to efficiently procure working capital, the Company has concluded commitment line agreements with major financial institutions that it transacts with. The balance of unexecuted loans, etc. at the end of the consolidated fiscal year is as follows.

Total amount of commitment line agreements	5,000 million yen
Balance of loans executed	–
Balance	5,000 million yen

Notes to Consolidated Statement of Income

1. Revenue from contracts with customers

Regarding net sales, revenue from contracts with customers and other revenues are not stated separately. The amount of revenue from contracts with customers is as stated in “Notes on Revenue Recognition, 1. Disaggregation of revenue from contracts with customers.”

2. Profit and loss reflecting reduced profitability of inventories held for regular sales purpose

Write-down of book value reflecting the reduced profitability (after offsetting the reversal in the previous fiscal year)
(393) million yen

3. Impairment loss on fixed assets

The Group recorded impairment loss for the following assets in the consolidated fiscal year ended March 31, 2022.

Location	Use	Type	Impairment losses
Taketoyo-cho, Chita-gun, Aichi	Warehouse	Buildings	8 million yen
Kawagoe-city, Saitama	Production facilities, etc.	Buildings, etc.	43 million yen

The Group groups business-use assets primarily according to the operating division and idle assets on an individual basis or on an asset group basis, and assesses impairment.

Since the assets of Taketoyo-cho, Chita-gun, Aichi have little prospect of recovery in operating earnings due to declined profitability of the relevant business operation, book values of the assets with the recoverable amount falling short of the book value were written down to their respective recoverable amounts, and such reductions were recorded as impairment loss on fixed assets (¥8 million) under extraordinary losses.

Since the assets of Kawagoe-city, Saitama have little prospect of recovery in operating earnings due to declined profitability of the relevant business operation, book values of the assets with the recoverable amount falling short of the book value were written down to their respective recoverable amounts, and such reductions were recorded as impairment loss on fixed assets (¥43 million) under extraordinary losses.

The recoverable amount of each asset is measured at value in use. Values in use of assets of Taketoyo-cho, Chita-gun, Aichi and of Kawagoe-city, Saitama are not discounted as their future cash flows are negative.

The aforementioned impairment losses consisted of ¥49 million for buildings and structures, ¥0 million for machinery and vehicles, ¥1 million for tools, furniture and fixtures, and ¥0 million for intangible assets.

Notes to Consolidated Statement of Changes in Net Assets

1. Type and number of shares issued and outstanding at the end of the consolidated fiscal year ended March 31, 2022

Common stock	82,841,376

2. Matters related to cash dividends

(1) Dividends paid

Relevant resolutions	Type of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Record dates	Effective dates
The Annual General Meeting of Shareholders held on June 29, 2021	Common stock	3,397	41	March 31, 2021	June 30, 2021
The Board of Directors meeting held on November 4, 2021	Common stock	3,545	43	September 30, 2021	December 1, 2021
Total		6,943			

Notes: 1. The total amount of dividends determined to be paid by the resolution at the Annual General Meeting of Shareholders held on June 29, 2021 includes dividends of ¥2 million to the Company's shares held by the Board Benefit Trust (BBT).

2. The total amount of dividends determined to be paid by the resolution of the Board of Directors meeting held on November 4, 2021 includes dividends of ¥2 million to the Company's shares held by the Board Benefit Trust (BBT).

(2) Dividends for which the record date falls in the consolidated fiscal year ended March 31, 2022, but the effective date falls in the consolidated fiscal year ending March 31, 2023

The Company will submit a proposal on dividends for common stock as follows at the Annual General Meeting of Shareholders scheduled to be held on June 28, 2022.

(i) Total dividends	3,861 million yen
(ii) Dividends per share	47 yen
(iii) Record date	March 31, 2022
(iv) Effective date	June 29, 2022

Dividends shall be funded by retained earnings.

Notes regarding Financial Instruments

1. Matters regarding financial instruments

(1) Policy on financial instruments

The Group manages its funds through short-term deposits, while financing working capital and capital expenditure by internal funds or bank borrowings. Meanwhile, derivatives are not used for speculative trading, but for reducing risks.

(2) Types of financial instruments held and associated risks, and risk management system

Trade receivables such as trade notes, accounts receivable and electronically recorded obligations – operating are exposed to credit risk associated with customers. These risks are managed according to the Group's internal rules for credit control, etc. Investment securities such as shares are generally exposed to the risk of market price fluctuations, and held by the companies in business relationship with the Group, and the listed shares are marked to market on a quarterly basis for mitigating such a market risk.

Short-term bank loans and long-term debt are used mainly for financing capital expenditures and are exposed to the risk of interest rate fluctuations. To avoid such interest rate risks, fixed rate deals are primarily used for the long-term debt. Trade payables, which are exposed to liquidity risks, are managed under the Group's financing plan.

Details of the Group's hedge accounting are described in "(5) Other basis for preparation of consolidated financial statements," in "4. Matters related to accounting policies," under "Notes to Basis for Preparation of Consolidated Financial Statements."

(3) Supplementary information on fair values of financial instruments

Fair values of financial instruments are calculated by taking into account variable factors, and are subject to fluctuations due to changes in underlying assumptions.

2. Fair value of financial instruments

The values recorded on the consolidated balance sheet as of March 31, 2022, their fair values, and the differences between them are as follows. Shares, etc. without a fair value are not included herein. (See Note 2). Also, the value of "Cash" is omitted. Furthermore, as "Time deposits," "Notes and accounts receivable," "Electronically recorded monetary claims - operating," "Notes and accounts payable," "Electronically recorded obligations - operating" and "Short-term bank loans" are settled in a short period of time and their fair values approximate their book values, their values are omitted.

(Millions of yen)

	Values recorded on the consolidated balance sheet (*1)	Fair values (*1)	Differences
(1) Securities and investment securities	46,600	46,600	–
(2) Long-term debt (including current portion)	(3,410)	(3,406)	(3)

*1: Liabilities are shown in parenthesis.

Note 1. Method of measuring fair value of financial instruments and information relating to securities

(1) Securities and investment securities

The fair value of shares is measured at their price quoted on the stock exchange.

(2) Long-term debt

The fair value of long-term debt is determined at its present value, which is calculated by discounting future cash flows of a periodically divided portion of the debt using the discount rates reflecting the length of periods up to maturity as well as credit risk associated with each such portion.

Note 2. Values recorded on the consolidated balance sheet for shares, etc. without a fair value

(Millions of yen)

Classification	Amounts recorded on the consolidated balance sheet
Unlisted stock	1,211
Fund certificate	0

3. Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments measured at fair value

	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities Available-for-sale securities Shares	46,600	–	–	46,600
Total assets	46,600	–	–	46,600

(2) Financial instruments other than those measured at fair value

	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Long-term debt	–	3,406	–	3,406
Total liabilities	–	3,406	–	3,406

Note: A description of the valuation technique(s) and inputs used in the fair value measurements

Securities and investment securities

Listed shares are valued using quoted prices. As listed shares are traded in active markets, their fair value is classified as Level 1.

Long-term debt

The fair value of these items is measured using the discounted cash flow method based on the sum of principal and interest, remaining maturities and an interest rate reflecting credit risk, and is classified as Level 2.

Notes on Revenue Recognition

1. Disaggregation of revenue from contracts with customers

The Group's net sales are mainly revenue recognized from contracts with customers, and a breakdown of the Group's reportable segments disaggregated by region is as follows.

Breakdown by region

(millions of yen)

	Reportable segments				Others (Note 1)	Total
	Functional Chemicals	Life Science	Explosive & Propulsion	Total		
Net sales						
Japan	79,861	19,479	29,793	129,133	387	129,521
Asia	31,674	1,497	151	33,323	81	33,404
Other regions	16,881	12,768	67	29,717	–	29,717
Net sales to external customers	128,416	33,745	30,012	192,173	468	192,642

Note 1. The "Others" segment is a business segment that is not included in the reportable segments, and consists of transportation, sale of real estate, and management operations.

Note 2. Revenue recognized from contracts with customers constitutes nearly all of net sales. Revenue recognized from other sources is not stated separately, as it is immaterial.

2. Basic information for understanding revenue from contracts with customers

The basic information for understanding revenue is as presented in "4. Matters related to accounting policies (4) Standards for revenue and expense recognition."

3. Information for understanding the amount of revenue in the consolidated fiscal year under review, the next fiscal year and beyond

(1) Balances of contract assets and contract liabilities, etc.

The breakdown of receivables, contract assets, and contract liabilities from contracts with customers is as follows:

(millions of yen)

	Consolidated fiscal year under review
Receivables from contracts with customers (beginning balance)	39,220
Receivables from contracts with customers (ending balance)	41,936
Contract assets (beginning balance)	308
Contract assets (ending balance)	488
Contract liabilities (beginning balance)	1,753
Contract liabilities (ending balance)	3,452

Note 1. Contract assets are related to consideration recognized based on the fulfillment of performance obligations in relation to the Explosive & Propulsion Segment, and are included in "Notes and accounts receivable - trade, and contract assets" on the consolidated balance sheet.

Note 2. Contract liabilities are related to advances received from customers and are included in "Other current liabilities" under current liabilities on the consolidated balance sheet.

Note 3. Out of the revenue recognized in the consolidated fiscal year under review, the amount included in the beginning balance of contract liabilities is ¥1,052 million. Also, in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard, the cumulative impact of retrospectively applying the new accounting policies to prior periods (¥671 million) is added to retained earnings.

Note 4. In the consolidated fiscal year under review, the amount of revenue recognized from performance obligations that have been fulfilled (or partially fulfilled) in previous fiscal years is immaterial.

(2) Transaction price allocated to the remaining performance obligations

In the consolidated fiscal year under review, the transaction price allocated to the remaining performance obligations is ¥12,027 million. If contractual assumptions are met, this amount is expected to be recognized as revenue within approximately 4 years from the end of the consolidated fiscal year ended March 31, 2022.

The Group has applied the practical expedient to the notes on transaction prices allocated to the remaining performance obligations. Contracts with an original expected duration of one year or less and sales-based or usage-based royalty promised in exchange for a license of intellectual property are not included in the amount above.

The total transaction price allocated to the remaining performance obligations and the time frame in which the Group expects to recognize revenue are as follows:

(millions of yen)

	Consolidated fiscal year under review
Within one year	5,917
Over one year	6,110
Total	12,027

Notes to Per Share Information

Net assets per share 2,690.65 yen

Profit per share 323.77 yen

Note: The Company's shares held by the Board Benefit Trust (BBT) are included in treasury stock subject to exclusion.

Number of shares issued at the end of the fiscal year that were excluded for the purpose of calculating per share information 48,200

Average number of shares issued during the fiscal year that were excluded for the purpose of calculating per share information 49,185

Notes to Significant Subsequent Event

Not applicable.

Other Notes

Amounts and values stated in these consolidated financial statements are rounded down to the unit of presentation.

Non-Consolidated Statement of Changes in Net Assets
(From April 1, 2021 to March 31, 2022)

(millions of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Common stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for tax purpose reduction entry of fixed assets	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of the fiscal year	**17,742**	**15,113**	**–**	**15,113**	**3,156**	**3,382**	**27,800**	**80,206**	**114,547**
Cumulative effects of changes in accounting policies								28	28
Restated balance	**17,742**	**15,113**	**–**	**15,113**	**3,156**	**3,382**	**27,800**	**80,235**	**114,575**
Changes during the fiscal year									
Cash dividends								(6,943)	(6,943)
Reversal of reserve for tax purpose reduction entry of fixed assets						(51)		51	–
Profit								23,256	23,256
Purchase of treasury stock									
Disposal of treasury stock									
Cancellation of treasury stock			(8,552)	(8,552)					
Transfer from retained earnings to capital surplus			8,552	8,552				(8,552)	(8,552)
Net change in items other than shareholders' equity during the fiscal year									
Total changes during the fiscal year	**–**	**–**	**–**	**–**	**–**	**(51)**	**–**	**7,812**	**7,760**
Balance at end of the fiscal year	**17,742**	**15,113**	**–**	**15,113**	**3,156**	**3,331**	**27,800**	**88,047**	**122,336**

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Unrealized holding gain on securities	Total valuation and translation adjustments	
Balance at beginning of the fiscal year	**(7,984)**	**139,417**	**22,859**	**22,859**	**162,277**
Cumulative effects of changes in accounting policies		28			28
Restated balance	**(7,984)**	**139,446**	**22,859**	**22,859**	**162,306**
Changes during the fiscal year					
Cash dividends		(6,943)			(6,943)
Reversal of reserve for tax purpose reduction entry of fixed assets		–			–
Profit		23,256			23,256
Purchase of treasury stock	(3,871)	(3,871)			(3,871)
Disposal of treasury stock	10	10			10
Cancellation of treasury stock	8,552	–			–
Transfer from retained earnings to capital surplus		–			–
Net change in items other than shareholders' equity during the fiscal year			249	249	249
Total changes during the fiscal year	**4,692**	**12,452**	**249**	**249**	**12,701**
Balance at end of the fiscal year	**(3,292)**	**151,899**	**23,108**	**23,108**	**175,008**

Notes to Non-Consolidated Financial Statements

Notes to Matters related to Significant Accounting Policies

1. Standards and methods of valuation of assets

(1) Standards and methods of valuation of securities

Shares of subsidiaries and affiliates

Cost method using the moving-average method

Other securities

Available-for-sale securities other than shares, etc. without market value

Market value method

(Net unrealized gains or losses on those securities are reported as a separate component of net assets and costs of securities sold are determined using the moving average method.)

Shares, etc. without market value

Cost method using the moving-average method

(2) Standards and methods of valuation of inventories

The cost method using the total-average method (Balance sheet amounts are written down subject to decline in profitability.)

2. Method of depreciation and amortization of fixed assets

(1) Property, plant and equipment (excluding leased assets)

Straight-line method

(2) Intangible assets (excluding leased assets)

Straight-line method; For software (for in-house use), straight-line method over licensing period for internal use (five years)

(3) Leased assets

Leased assets used in finance lease transactions that do not transfer ownership to the lessee

Straight-line method, assuming the useful life as the lease period with residual value at nil

3. Standards of providing allowances

(1) Allowance for doubtful accounts

To prepare for possible credit losses, estimated uncollectible amounts have been recorded based on actual collection losses for general receivables, while on individual assessment of collectability for certain receivables such as doubtful receivables.

(2) Accrued bonuses for employees

To prepare for the payment of employees' bonuses, the estimated amount of employees' bonuses attributable to the fiscal year ended March 31, 2022 has been recorded.

(3) Provision for retirement benefits

To prepare for retirement benefits of employees, the estimated amount of retirement benefit obligation and pension plan assets at the end of the fiscal year ended March 31, 2022 have been recorded.

As the estimated pension plan assets exceed the estimated retirement benefit obligation, the excess is recorded as prepaid pension cost.

Actuarial gain or loss is amortized from the fiscal year following the year in which the gain or loss is recognized by the straight-line method over certain period (10 years), within the average remaining service years of the employees.

In calculating the retirement benefit liability, the estimated amount of retirement benefits is attributed by benefit formula to the period up to the end of the fiscal year ended March 31, 2022.

(4) Accrued retirement benefits for officers

To prepare for the expenditure of retirement benefits for executive officers, etc., the amount to be paid at the end of the fiscal year ended March 31, 2022 has been recorded according to the internal rules.

4. Standards for revenue and expense recognition

Revenue from contracts with customers

Based on the following five-step approach, the Company recognizes revenue when a promised product or service is transferred to a customer and the customer gains control over said product or service.

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Calculate the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the corporation fulfills the performance obligations

The Company's main business is the manufacturing and sale of products in the Functional Chemicals Segment, the Life Science Segment and the Explosive & Propulsion Segment. With regard to the sale of these products, generally, at the time of delivery, it is deemed that the customer has gained control over the product and the performance obligation has been fulfilled. Accordingly, the Group recognizes revenue at the time of delivery, etc. of said product. For domestic sales, since the period from the time of shipment to the time when the control of the product is transferred to the customer is the normal period, the Group applies the handling of shipping standards, etc. stipulated in Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition, and recognizes revenue at the time of shipment.

Revenue is calculated by deducting returns, discounts, and rebates, etc. from the consideration promised in the contract with the customer, within the range where there is a high possibility that there will be no significant reversal of funds into revenue. The promised consideration is collected mainly within one year from the time of the fulfillment of the performance obligation, and does not include significant financial factors.

For transactions involving the Company as an agent, the net amount of revenue is recognized.

5. Other basis for preparation of non-consolidated financial statements

Method of hedge accounting

Deferral hedge accounting is adopted. As for foreign currency-denominated monetary claims and obligations under forward foreign exchange contracts, allocation treatment is adopted when requirements for such treatment are met.

Notes regarding Changes in Accounting Policies

Application of Accounting Standard for Revenue Recognition, etc.

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") and the "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 31, 2020) have been applied from the beginning of the fiscal year ended March 31, 2022. Accordingly, revenue is recognized when control of a promised good or service is transferred to a customer, in an amount that reflects the consideration to which the Group expects to receive in exchange for those goods and services. As a result, if the promise with the customer is a performance obligation to arrange goods or services to be provided by another party, the Group recognizes the net amount of revenue as an agent.

The Revenue Recognition Standard, etc. is applied in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings brought forward at the beginning of the fiscal year under review, with the new accounting policies applied from the beginning balance.

As a result, net sales for the fiscal year under review decreased by ¥1,341 million and operating income increased by ¥305 million. Ordinary income and profit before income taxes were not affected. In addition, the beginning balance of retained earnings brought forward increased by ¥28 million.

Application of Accounting Standard for Fair Value Measurement, etc.

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard") and other standards have been applied from the beginning of the fiscal year ended March 31, 2022. The Group will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). As a result, among available-for-sale securities, shares with market value, which previously adopted the market value method based on the average market price over a period of one month prior to the balance sheet date, shall from the fiscal year ended March 31, 2022 change to adopting the market price method based on the market price on the balance sheet date.

Notes regarding Important Accounting Estimates

Impairment of fixed assets

(1) Amount recorded on the non-consolidated financial statements for the fiscal year under review
¥8 million in impairment loss on fixed assets, ¥41,475 million in property, plant and equipment and intangible assets

(2) Information regarding contents of important accounting estimates concerning items identified
Notes on this issue are omitted as the same information is contained in “Notes regarding Important Accounting Estimates” under “Notes to Consolidated Financial Statements.”

Additional Information

Board Benefit Trust (BBT)
Notes on this issue are omitted as the same information is contained in “Additional Information” under “Notes to Consolidated Financial Statements.”

Notes to Non-consolidated Balance Sheet

1. Assets pledged as collateral and collateralized obligation

(1) Assets pledged as collateral

Buildings	58 million yen
Structures	0 million yen
Land	3 million yen
Total	61 million yen

(2) Collateralized Obligation

Long-term debt (including current portion)	0 million yen

2. Accumulated depreciation of property, plant and equipment	110,386 million yen

3. Accumulated tax purpose reduction entries for property, plant and equipment due to acceptance of national subsidies
Accumulated tax purpose reduction entries for property, plant and equipment due to acceptance of national subsidies are ¥462 million for buildings, ¥18 million for structures, ¥415 million for machinery and equipment, while ¥20 million for tools, furniture and fixtures, totaling ¥917 million.

4. Guarantee obligations

(1) The Company provides guarantees for other companies’ loan obligations to financial institutions.

P.T. NOF MAS Chemical Industries	1,517 million yen

(2) The Company provides guarantees for obligations of subsidiaries and associates associated with the liquidation of receivables.

Yuka Sangyo Co., Ltd. and one other company	431 million yen

5. Repurchase obligation associated with the liquidation of receivables	1,082 million yen

6. Monetary claims against, and monetary obligations to subsidiaries and associates

Short-term monetary claims	21,678 million yen
Long-term monetary claims	477 million yen
Short-term monetary obligations	26,333 million yen
Long-term monetary obligations	119 million yen

7. CMS lending limit for subsidiaries and associates
For the purpose of efficient fund management and fund procurement across the Group, a cash management system (hereinafter referred to as “CMS”) is in place, whereunder the Company has concluded the CMS Basic Agreement with 16 of the Group companies and established the CMS lending limit for the Group companies.

Unused lending limit available as of the end of the fiscal year ended March 31, 2022 is as follows:

Total CMS lending limit	13,880 million yen
Lending limit used	4,812 million yen
Lending limit unused	9,067 million yen

8. Commitment line agreements

In order to efficiently procure working capital, the Company has concluded commitment line agreements with major financial institutions that it transacts with. The balance of unexecuted loans, etc. at the end of the fiscal year is as follows.

Total amount of commitment line agreements	5,000 million yen
Balance of loans executed	–
Balance	5,000 million yen

Notes to Non-consolidated Statement of Income

1. Amount of transactions with subsidiaries and associates

Trading transactions

Net sales	51,178 million yen
Purchases	10,141 million yen
Other trading transactions	8,187 million yen
Transactions other than trading transactions	2,463 million yen

2. Profit and loss reflecting reduced profitability of inventories held for regular sales purpose

Write-down of book value reflecting the reduced profitability (after offsetting the reversal in the previous fiscal year) (346) million yen

Notes to Non-consolidated Statement of Changes in Net Assets

Type and number of shares of treasury stock issued and outstanding at the end of the fiscal year ended March 31, 2022

Common stock	731,913

Note: Number of shares of treasury stock at the end of the fiscal year ended March 31, 2022 includes 48,200 shares held by the Board Benefit Trust (BBT).

Notes to Tax Effect Accounting

(1) Deferred tax assets and deferred tax liabilities classified by main reason of accrual

Deferred tax assets	
Accrued bonuses for employees	716 million yen
Provision for retirement benefits	783 million yen
Loss on valuation of inventories	121 million yen
Accrued enterprise tax	283 million yen
Impairment loss on fixed assets	233 million yen
Accrued retirement benefits for executive officers	14 million yen
Accrued expenses	9 million yen
Loss on valuation of golf club membership	22 million yen
Loss on retirement of fixed assets	166 million yen
Loss on valuation of shares of subsidiaries and associates and investment securities	296 million yen
Deemed dividends in the form of non-cash dividends	2,125 million yen
Other	793 million yen
Deferred tax assets – subtotal:	5,566 million yen
Valuation allowance	(2,586) million yen
Deferred tax assets - total	2,979 million yen
Deferred tax liabilities	
Unrealized holding gain on securities	(10,158) million yen
Reserve for tax purpose reduction entry of fixed assets	(1,496) million yen
Gain on contribution of securities to retirement benefit trust	(633) million yen
Other	(188) million yen
Deferred tax liabilities - total	(12,477) million yen
Net deferred tax liabilities	(9,498) million yen

(2) Major components of significant differences arising between the effective statutory tax rate and the rate of corporate taxes, etc. after application of tax-effect accounting

Effective statutory tax rate	31.00 %
(Adjustments)	
Items excluded from gross profit such as dividend income	(2.33)
Tax exemption	(1.18)
Other	(0.27)
Corporate tax rate after the application of tax effect accounting	27.22

Notes to the Transactions with Related Parties

Subsidiaries and affiliates

(Millions of yen)

Type	Name of entity	Voting rights ownership ratio	Relationship with related parties	Description of transactions	Amount of transactions	Items	Fiscal year-end balance
Subsidiary	Nippon Koki Co., Ltd.,	Direct ownership 95%	Manufacture of the Company's products Lending of funds	Lending of funds (Note 2)	50 0	Short-term loans receivable Long-term loans receivable	2,194 352
Subsidiary	NiGK Corporation	Direct ownership 100%	Manufacture of the Company's products Deposit-taking of funds	Repayment of funds (Note 2)	(76)	Deposit received	9,096
Subsidiary	NOF METAL COATINGS ASIA PACIFIC CO., LTD.	Direct ownership 100%	Deposit-taking of funds	Deposit-taking of funds (Note 2)	871	Deposit received	6,878
Subsidiary	Yuka Sangyo Co., Ltd.	Direct ownership 100%	Sale of the Company's products Deposit-taking of funds	Sale of products (Note 1) Deposit-taking of funds (Note 2)	25,460 358	Accounts receivable Deposit received	10,925 3,802
Subsidiary	NOF AMERICA CORPORATION	Direct ownership 100%	Sale of the Company's products	Sale of products (Note 1)	11,835	Accounts receivable	1,962
Subsidiary	NOF EUROPE GmbH	Direct ownership 100%	Sale of the Company's products	Sale of products (Note 1)	8,949	Accounts receivable	1,876

Conditions of transactions and the policy for their establishment

Note 1. Price and other conditions of transactions are based mainly on market prices and cost of manufacturing.

Note 2. Interest rates applicable to deposit-taking and lending of funds are determined based on market rates. The Company is not engaged in accepting or providing collateral.

Notes to Per Share Information

Net assets per share 2,131.40 yen

Net income per share 282.11 yen

Note: The Company's shares held by the Board Benefit Trust (BBT) are included in treasury stock for exclusion.

Number of shares issued at the end of the fiscal year under review excluded for the purpose of calculating per share information 48,200

Average number of shares issued during the fiscal year under review excluded for the purpose of calculating per share information 49,185

Notes to Significant Subsequent Event

Not applicable.

Other Notes

Amounts and values stated in these non-consolidated financial statements are rounded down to the unit of presentation.