

INTEGRATED REPORT 2022

NOF's story

1937 1969

Established as a general oleochemical company Diversification of business in response to change

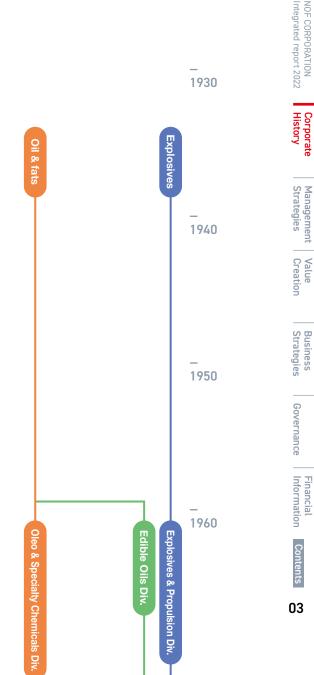
NOF's story 1937 - 1969

Expanding our business areas to include petrochemicals, centered on oils and fats Supporting rapid economic growth with products ahead of their time

Japan's oils and fats industry began with the export of hardened oil as a raw material for soap and margarine. As exports surged during the Showa period, Nippon Food Industries, Kokusan Industry Fuji Paint Works, Velvet Soap, and Associated Oil and Fats, which were under the Nippon Sangyo Group, merged to form the first Nippon Oil and Fats in June 1937. The company began operations as a general oleochemical company aiming for integrated production of cosmetic soap and detergent.

After the end of World War II, there was a period of turmoil that included financial difficulties for obtaining basic necessities and soaring commodity prices. In July 1949, the company once again took the name "Nippon Oil and Fats" as a chemical manufacturer with four divisions: oils and fats, coatings, explosives, and welding rods. Fish oil replaced beef tallow and coconut oil as the raw material for fats and oils, and uses of derivatives of simple fatty acids, developed through innovations in refining technology, expanded to include use as disinfectants and emulsifiers. The company also expanded into the field of edible oils such as margarine and shortening.

In the 1950s, as the petrochemical industry took off, the leading materials shifted from natural rubber to synthetic rubber, and from wood, metal, and glass to synthetic resin. The company focused on expanding sales channels to a wide range of industrial fields in response to the trend of rapid growth of large assembled products such as the "3Cs" (color TVs, cars, and coolers) due to high economic growth. The company developed derivatives along with various simple fatty acids to enhance its non-ionic surfactant product line. Applications as emulsifiers, modifiers, and stabilizers were also developed, and gained customers in a wide range of fields, including pharmaceuticals, cosmetics, toiletries, paper and pulp, and civil engineering and construction. Furthermore, efforts were made to mass produce organic peroxides, which are indispensable for the manufacture of synthetic rubber and synthetic resins, and production of edible oils increased rapidly due to the expanding market for western-style confections and baked sweets. In addition, the company diversified its business with efforts such as developing solid propellants for artificial satellite launch plans of the National Space Development Agency of Japan.



NOF's story

970 2006

From economic expansion to the burst of the bubble Endeavoring to develop high value-added products

1980

New Business Development De

nal Foods

1970

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NOF's story | 1970 - 2006

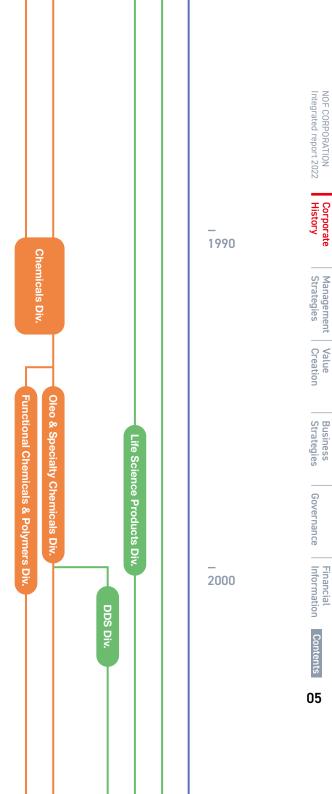
Focusing on the pharmaceutical industry, centered on biotechnology Focusing on R&D of new materials to expand our product lineup

In 1968, Japan's gross national product (GNP), which was soaring due to the Izanagi Boom, surpassed that of West Germany to become the second highest in the world However, the first oil crisis in 1973 caused a sharp rise in the price of imported crude oil and a major downturn in Japan's economy. In order to secure stable supplies of raw materials, the company accelerated its overseas expansion, including by investing in Malaysia, a palm oil producing country. At the same time, the company focused on fine chemicals as high value-added products. The BLEMMER series of world-class polymer modifiers expanded its sales channels in fields such as coatings, adhesives, and resist materials, and the company also advanced the development of finer organic peroxides. In 1983, the Tsukuba Research Laboratory was established for R&D of new materials. The Laboratory became a stepping stone for offering high value-added products by linking lipids to promising biotechnology, focusing on the pharmaceutical industry, developing high-purity unsaturated fatty acids, and other means.

After the Japanese economy reached its peak in the 1980s, the bubble economy collapsed in the early

1990s, ushering in an era in which product development capabilities would determine the future of the company. When the Life Science Products Division was established in 1999, the company expanded its manufacturing capacity in anticipation of increased demand for cleaning and storage solutions for contact lenses as well as cosmetic ingredients. In 2001, the DDS Business Development Department was established, after the company had established a track record in the development of high-purity activated PEG, phospholipids, and other products. In 2004, in addition to the establishment of a local subsidiary in China to supply organic peroxides to synthetic resin manufacturers, the Kawasaki Works was completed as a new production base for processed edible oils, with the basic principle of "food safety and security" to ensure traceability of the raw materials used. Furthermore, in 2006, although the company established a new division to oversee the anti-corrosion business that had been operating in Japan, the United States, and Europe, it also made selections and concentrated its businesses, including discontinuing the welding and coating business and transferring it to another company.

Electronic Materials Business Dev



NOF's story

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2007 2022

Focus on three prioritized business fields Pursuing technological innovation with our cultivated expertise

splay Materials Di

Functiona

Anti-corro

Corporate History

NOF's story | 2007 - 2022

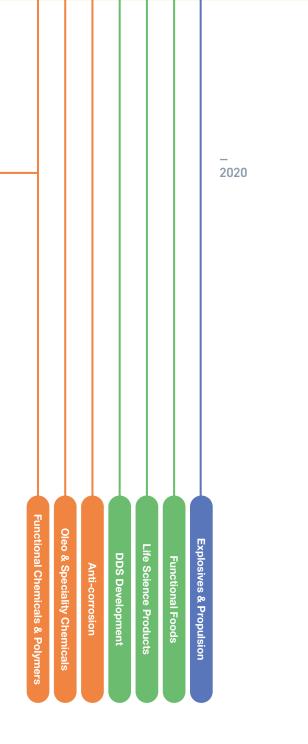
Global expansion with seven forms of business that generate the NOF brand Promoting innovation toward a sustainable society

In October 2007, the 70th anniversary of our founding, the company name was changed from Nippon Oil and Fats to Nichiyu with the aim of further expanding our business areas. In addition to the four core businesses of oleo & specialty chemicals, functional chemicals & polymers, explosives & propulsion systems, and functional foods, the company's organizational structure now also includes life science products, DDS development, and anti-corrosion. Under the slogan "From the Biosphere to Outer Space," we have taken the first step toward becoming a global general chemical manufacturer equipped with cutting-edge technologies.

As environmental and social issues continue to mount on a global scale, expectations are increasing for innovation toward a sustainable society. Therefore, in our Mid-term Management Plan for the 2010s and beyond, we identified three fields where future demand is expected to grow: Environment/Energy, Life/Healthcare, and Electronics/IT. In the Life/Healthcare field, for example, we are working on the development of new materials through co-creation in industry-government-academia collaboration, with a focus on advanced medical technique and regenerative medicine, which are attracting worldwide attention.

In the DDS business, which was created by integrating NOF's technologies, such as high purification and cutting-edge molecular design technologies, we provide a wide range of materials to the biopharmaceuticals field, which is expected to grow significantly in the future. Among these, the main product, activated PEG, is used in many biopharmaceuticals, including protein drugs and peptide drugs, and holds the largest share in the global market. In addition, functional lipids such as ionic lipids and PEG lipids are being developed for use in nucleic acid drugs, including expected applications in gene medicine. In response to the increase in the number of pharmaceuticals in which NOF's products are used as raw materials, we plan to make a capital investment of ¥10 billion in our Aichi Works by 2025, including the expansion of manufacturing facilities at our Kawasaki Works in 2021.

Going forward, we will continue to develop our global business under our Mid-term Management Plan "NOF VISION 2025" launched in 2020, with 13 consolidated subsidiaries in Japan and 12 bases in nine countries overseas.



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From the Biosphere to Outer Space

The NOF Group is a chemical manufacturer that provides products in a wide variety of fields, ranging from the biosphere to outer space.

We believe that for a chemical manufacturer to engage in sustained business activities, its activities and products should be not only useful to society but also in harmony with the social environment and natural environment so that they can be recognized, appreciated and accepted by society.

- We intend to deliver products that truly fit the needs of society and people's lives.
- The NOF Group supports customers around the world through various businesses at anytime and anywhere.

Corporate Philosophy

The NOF Group is dedicated to contributing to mankind and society through the creation of new value "from the biosphere to outer space."

- Satisfy customer needs by providing the highest quality products and services on a global basis.
- 2 Leverage the Group's collective strengths to develop cutting-edge technologies and superior products that open up new possibilities.
- **3** Work in harmony with the environment and ensure the safety of products and business activities.
- 4 Maintain suitable levels of earnings and reward stakeholders with fair return.
- 5 Encourage employees to take on new challenges, working to create a rewarding place to work and fulfilling lifestyles.

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We will create new value that will contribute to mankind and society in a wide variety of fields from the biosphere to outer space.

President and Chief Executive Officer Takeo Miyaji

Thank you very much for your interest in the Integrated Report 2022 of the NOF Group.

The NOF Group is engaged in multifaceted business operations offering innovative products under the Corporate Philosophy of "Contributing to Mankind and Society through the Creation of New Value from the Biosphere to Outer Space" in our three prioritized business fields of "life/healthcare," "environment/energy," and "electron-ics/IT."

This fiscal year marks the final year of the "2022 Mid-term Management Plan" (Stage I: Strengthening Foundation), which encompassed the first three years of NOF VISION 2025, which the NOF Group is promoting. To achieve our goals, we will proceed as planned with initiatives such as active investment in growth areas and enhancement of profitability.

The COVID-19 pandemic has been spreading globally for more than two years. As social life and corporate activities are greatly restricted, people have steadily grown increasingly conscious of safety and security, and interest in various social issues, such as climate change and other global environmental issues and human rights issues, is rapidly growing.

The NOF Group will face such social changes, endeavor to create new value with the power of people and chemistry, and continue to meet the expectations of all of our stakeholders, with the aim of achieving a secure and affluent society. We shall be grateful if you would give your further support to the NOF Group and express your candid opinions.

Reflecting on fiscal 2021 and assessing conditions in fiscal 2022

"

In fiscal 2021, the NOF Group's net sales, operating income, ordinary income, and net income all exceeded the previous fiscal year's results.

Consolidated net sales and consolidated operating income for fiscal 2021 significantly exceeded the previous year's results.

Looking at the results by segment, in the Functional Chemicals Segment, toiletries-related demand became generally strong due to a recovery in demand from the COVID-19 pandemic, and demand for base materials for refrigerating oils was also stable in China, resulting in an increase in sales. Sales of special corrosion prevention agents increased throughout the year despite concerns about the impact of automobile production cutbacks toward the end of the fiscal year. NOF CORPORATION Integrated report 2022

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In the Life Science Segment, sales of biocompatible material-related products decreased due to sluggish demand, but sales of edible oils increased due to steady demand for functional fats and oils. Sales of raw materials for DDS drug formulations increased, supported by growing demand for COVID-19 vaccines and strong demand for other biotech products.

In the Explosives & Propulsion Segment, sales of industrial explosives increased due to strong demand, but sales of space rocket products decreased due to the postponement of the launch of a key next-generation rocket.

Cons

Consolidated net sales for fiscal 2022 are projected to increase year-on-year.

With regard to COVID-19 infections, although there are concerns about the resurgence of infections

due to variants, the impact is expected to gradually diminish due to the further increase in vaccinations and policies aimed at compatibility with socioeconomic activities in the future. With demand expected to recover from the COVID-19 pandemic in many fields, we expect the overall biopharmaceutical market to grow, but demand for COVID-19 vaccines to abate.

The Ukraine crisis is still far from being resolved, and we are concerned about continuing supply chain disruptions due to high raw material and fuel prices and short supply of semiconductors.

We expect total consolidated net sales for fiscal 2022 to exceed that of fiscal 2021, driven primarily by growth in Functional Chemicals with a continuing trend of recovery in demand. Raw materials for DDS drug formulations are used as ingredients in the development of various pharmaceuticals. As evaluation of biopharmaceuticals in general continues to advance, development related to nucleic acid drugs in particular is accelerating. Demand for biopharmaceuticals is expected to drive significant growth in raw materials for DDS drug formulations.

With regard to consolidated operating income, although it is impacted by higher raw fuel prices, we will implement measures aimed at achieving the total operating income result that we forecast at the beginning of the fiscal year.

Update on Stage I of NOF VISION 2025 (2022 Mid-term Management Plan)

"

Through strategic investments, we aim to expand our business areas in the future.

In the Functional Chemicals and Life Science segments, for which demand continues to recover and expand, we will promote strategic investments to capture this demand in order to realize further growth. In addition, with regard to expansion into

overseas markets, we will promote production in optimal locations for each business field and product to meet local demand.

For the life/healthcare field, we are focusing on R&D, capital investment, and other such initiatives. To strengthen the promotion of open innovation related to advanced medical technique and regenerative medicine through industry-academia collaboration, a new GMP-compliant small-lot production system was established at the Kawasaki Works. We will strengthen the supply of samples using this trial experiment facility to create new business.

The new DDS Plant at the Kawasaki Works, which was completed last year to capture the growth of the biopharmaceutical market, started commercial operation smoothly. Furthermore, we have initiated a plan to build a new plant for DDS business at the Aichi Works at a cost of over ¥10 billion, aiming to start operation in 2025. This new plant is envisioned to not only meet the growing demand in the biopharmaceutical market, but also to function as a model plant by utilizing a large number of smart factory technologies that leverage digital data.



6

We implemented industry-academia collaborative projects that contribute to solving social issues.

In order to realize a sustainable society, the NOF Group conducted the "Call for commissioned industry-academia research" as one of its external collaborative activities with the aim of providing next-generation materials that are in harmony with society and eco-friendly. In the first fiscal year, we received more than 20 applications through public offering in two fields to contribute to decarbonization and resource recycling: bio-chemicals which replace petroleum-derived raw materials with renewable raw materials, and thermal control materials which provide advanced control of heat storage, insulation, and dissipation. We have selected six projects after examining aspects such as the feasibility of commercialization at our company.

In fiscal 2022, we will start the commissioned research on the adopted themes of these six projects, and will accelerate our open innovation initiatives by further expanding the fields of research in the future.

We will work to improve productivity.

We will actively promote digital transformation (DX)

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for efforts including improving the efficiency of R&D in the R&D Division and realizing smart factories in the Production Division.

In the R&D Division, toward improving R&D efficiency through the introduction of materials informatics (MI), we conducted a proof-of-concept experiment in fiscal 2021 and confirmed usefulness for several research themes. We expect to be able to accelerate our R&D by developing distinctive new compounds and formulations and designing optimal reaction conditions.

The Production Division plans to promote creation of a smart factory utilizing digital data, including for optimal manufacturing conditions, quality, inventory control, and equipment maintenance, at the planned new plant for DDS business, positioning the new plant as a model plant and deploying smart technology at other existing plants. It is believed that the establishment of optimal product design and manufacturing conditions through the creation of the smart factory will be effective in providing products with low energy consumption, and this is expected to contribute to the reduction of greenhouse gas

emissions.

We will advance responses to climate change.

In April 2022, the NOF Group announced its support for the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations and created a roadmap toward carbon neutrality. We have revised our greenhouse gas emission reduction targets, aiming for a 40% reduction in greenhouse gas emissions by fiscal 2030 compared to fiscal 2013, and carbon neutrality by fiscal 2050.

In supporting the TCFD recommendations, we conducted an assessment of the climate change-related risks and opportunities for the NOF Group, including external knowledge. Amidst this, we reconfirmed the size of our target in terms of opportunities to contribute to addressing climate change through the products offered by the NOF Group, despite the existence of diverse risks. In addition to our efforts to reduce greenhouse gas emissions by fiscal 2030, we will actively contribute to supporting the response to climate change through our products.

As one specific measure, we have converted 100% of the electricity purchased at our Kawasaki



Works to renewable energy sources from April 2022. We will gradually expand the application of this system to other works going forward.

A company is its people

The NOF Group has been enhancing systems to support the diverse career and life plans of our employees. In addition, in November 2021, we also established our Human Rights Policy to clarify our company's stance.

Since assuming the position of President, I have told our employees at every opportunity that "a company is its people" and that human resources are the source of corporate growth. As we are now facing a business environment where uncertainty is the norm, we perceive "people" as an important asset supporting corporate performance more than ever before. In the next Mid-term Management Plan, we will strengthen measures for human capital.

Toward the next Mid-term Management Plan

The 2025 Mid-term Management Plan, with fiscal 2023 as its first year, faces a difficult business environment, including no outlook on the impact of the Ukraine crisis, soaring raw material and fuel prices, semiconductor supply shortages, and supply chain disruptions. However, we will monitor changes and deepen our consideration of profit planning for the latter three years (Stage II : Expanding Profit) of NOF VISION 2025. In the future, even if the spread of the COVID-19 pandemic is contained, we expect the way we work and our social systems, which have drastically altered, will further continue to change without returning to what they used to be. Under NOF VISION 2025, we will continue to create the

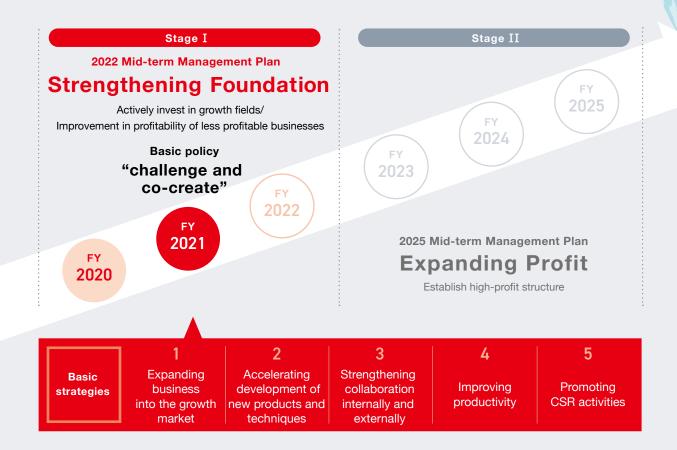
NOF Group's system that is attuned to these changes as we prepare for our next leap forward.

In an ever-changing society, corporate social responsibility (CSR) is a never-changing important issue. Being a part of efforts to achieve the SDGs and contributing to realizing a sustainable society is not only our duty as a corporate citizen but also a challenge to be tackled. It is vital to have the mindset of trying to achieve greater wealth of society as a whole while trying to increase earnings for ourselves as a company. The NOF Group will steadily implement its CSR initiatives and continue to contribute to the realization of a sustainable society.

Mid-term Management Plan

NOF VISION 2025

As we enter the final fiscal year of Stage I: Strengthening Foundation which started in 2020, we will strive to achieve the targets for the five basic strategies and build a system for the upcoming Stage II: Expanding Profit.



Vision

A corporate group that co-creates new value with the power of chemistry in the three business fields of "Life/Healthcare", "Environment/Energy", and "Electronics/IT", in order to realize a prosperous and sustainable society

[Mid-term Management Plan Targets]

FY2022

Operating income

Ratio of operating income to net sales

¥29.0 billion

over15%

FY2025

Operating income

Ratio of operating income to net sales

¥**38_0**billion

over15%

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Mid-term Management Plan

| - | he 2022 Mid-term Ma nundreds of millions of yen) | anagement | Plan | | 2.115 | tainable growth | |
|------------------------------|---|-------------|--|-------------------------|--------------------------|----------------------|-----------------------------|
| 400 — | | | | 355 | 345 | 290 | 380 |
| 300 — 200 — | 243 | 269 | 266 | | | 290 | |
| 100 — | 153 | | | | | | |
| 0 | FY FY 2013 2016 | FY 2019 | FY 2020 (Results) | FY 2021 (Results) | FY 2022 (Forecast) | FY 2022 (Plan) | FY 2025 (Plan) |
| | Net sales (hundreds of millions of | yen) | 1,726 | 1,926 | 2,130 | 1,790 (1,880) | 2,100 (2,200) |
| | Operating income (hundreds of millions of | | 266 | 355 | 345 | 290 | 380 |
| Plan Targets | Operating income t | o net sales | 15.4 | 18.5 | 16.2 | over 15 | over 15 |
| | ROA (return on assets, ratio of ordinary income to total assets (%)) | | 11.4 | 13.4 | over 10 | over 10 | - |
| | ROE (return on equity, ratio of net income to shareholders equity (%)) | | 12.2 | 12.6 | over 10 | over 10 | - |
| Basic strategies 1 | Expanding business • Strengthen supply capacity for high-function, high-value-added products, and focus on overseas markets with growth potential | | | | | | |
| Basic strategies 2 | Accelerating development of new products and techniques • Focus on exploring new research themes and expanding the number of themes in order to accelerate the development of new business | | | | | | |
| Basic strategies 3 | Strengthening collaboration internally and externally and participation in national projects and open innovation | | | | | | - |
| Basic strategies | Improving produc | tivity | In addition to facility e and increase operation | | | | |
| Basic strategies 5 | Promoting CSR ac | ctivities | Develop measures cer including contribution | | | | |

Sales figures in parentheses are prior to the adoption of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), etc.

Three fields in which the NOF Group aims to capitalize on the changes in the times

Making the shift to EVs a business opportunity

The shift from gasoline-powered vehicles to EVs will significantly change the components of vehicles. In addition to anti-corrosive coatings for bolts and nuts, new demand is expected for resin additives to prevent abnormal noise and antifogging agents for LED headlamps. In addition, lubricants used in offshore wind power generation, ship screws, and other areas are more biodegradable than mineral oil, which reduces environmental impact.

People's health and QOL

We offer new materials needed for medicine and medical care. We also contribute to the improvement of quality of life (QOL) through additives that prolong the efficacy of eye drops, formulas for cosmetics that are quick to catch on to trends, supplements that meet health needs, and research on improving the texture and flavor of meat alternatives, which have been the focus of much attention recently.

Life / Healthcare

field

Advances in communication technology and miniaturization

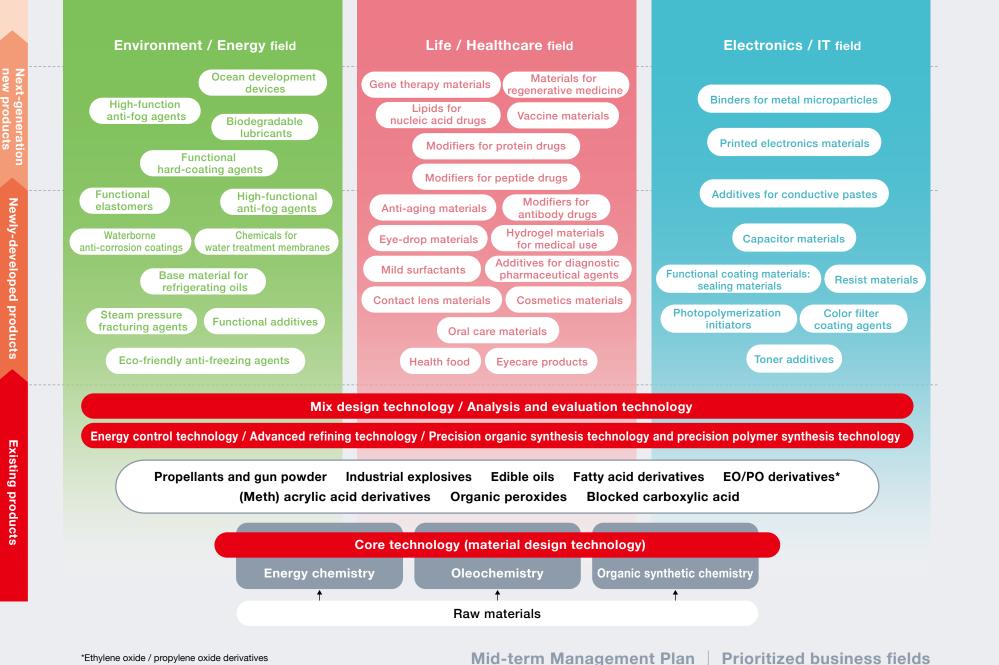
As telecommunication standards advance from 4G to 5G due to improvement in electronic technology, the amount of information transmitted will increase significantly, electronic components will become smaller, and there will be a shift to low-dielectric materials. Accordingly, it is expected that there will be increased demand for highly photosensitive materials, additives for electronic components, and curing agents for low-dielectric materials.

Electronics / IT



Social issues





Newly-developed products

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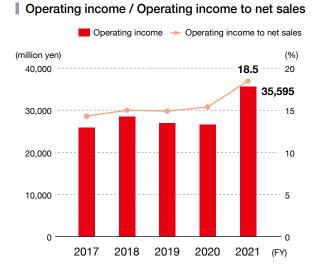
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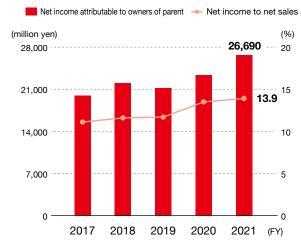
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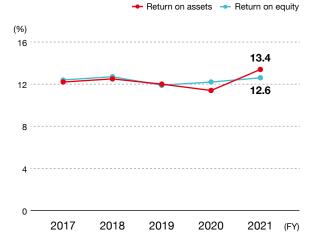
Financial Highlights

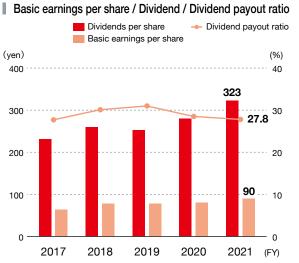


Net income attributable to owners of parent / Net income to net sales

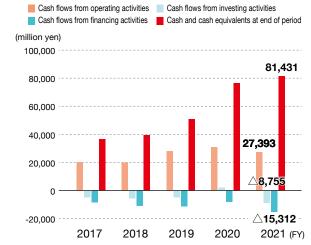


Return on assets (ROA) / Return on equity (ROE)

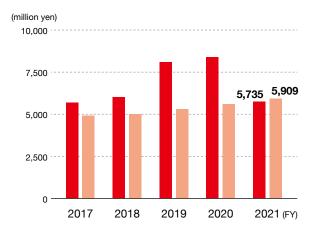




Cash Flows

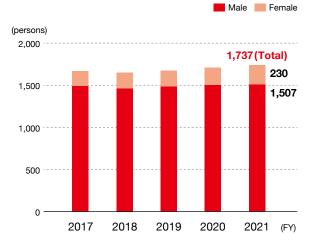


Capital Expenditure / Depreciation



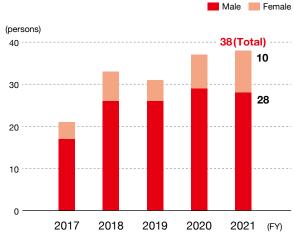
Capital Expenditure (Acceptance Basis) Depreciation

Non-financial Highlights

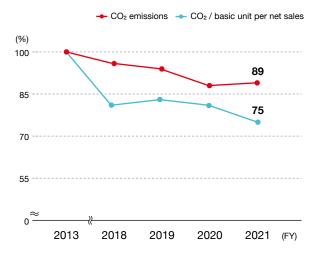


Number of employees (non-consolidated)

Number of employees utilizing childcare leave (non-consolidated)

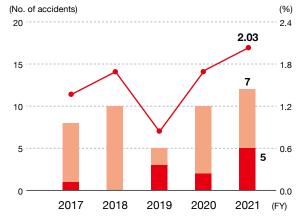


Results of CO₂ emissions and basic unit per net sales (reference year: FY2013)

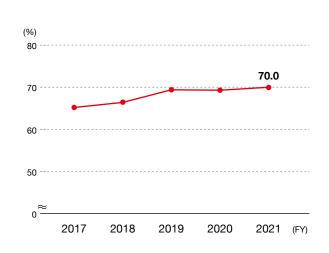


Number of Labor Accidents and Frequency Rates

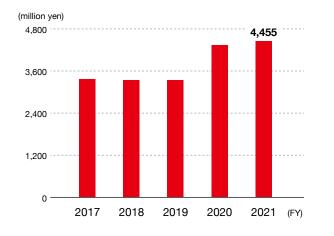
Accidents with lost workdays Accidents without lost workdays



Utilization rate of yearly paid holidays (non-consolidated)



Environmental Expenses





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NOF develops products by combining core technologies cultivated in a wide range of business areas in the three fields of "Life/Healthcare," "Environment/Energy," and "Electronics/IT."

NOF's

NOF's Strengths

Support through technology from general consumer goods to advanced materials

The NOF Group has created a wide variety of products as a chemical manufacturer supplying materials to companies in Japan and abroad. We have a long history spanning 85 years since our founding. We support our customers' manufacturing with our technical capabilities and our ability to flexibly respond to the current conditions.



Diverse management

We are characterized by our wide range of business areas, from raw materials for familiar products such as cosmetics, foods, and pharmaceuticals to electronics-related products and solid propellants for rockets. While possessing proprietary technologies and products in each of these areas, we continue to create original products that are increasingly complex and highly functional, including the fusion of oleochemical and petrochemical technologies. ² Global expansion

trengt

Since entering the overseas market in 1984, we have promoted active overseas expansion, including the establishment of sales bases in the United States and Europe and production sites in Indonesia and China. Currently, we have 12 consolidated subsidiaries in the United States, Europe, Asia, and South America, providing products and technologies to the entire world. We will further develop new business to meet the expectations of the untapped global market.

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Advanced technology development

We are engaged in development at the research facilities of our divisions, and in research on original and pioneering materials and technologies for the next generation at our Advanced Technology Research Laboratory. In addition, we are promoting our basic policy of "challenge and co-create," which involves the search for new materials and technologies by leveraging our connections outside the company, including open innovation through industry-academia-government collaboration in advanced medical technique and regenerative medicine, as well as internal synergies for new development.

Business Model

Integrated support from development to mass production based on customer needs

While utilizing our core technologies, we work closely with our customers in their product development efforts, proposing materials in accordance with their objectives and needs.

In addition, in accordance with our Responsible Care (RC) Activities, we are committed to safety management and make efforts for quality improvement throughout the entire value chain.



R&D

[Material design and precision synthesis technology]

Flexible design for customer requirements

We can flexibly design a variety of derivatives and polymers based on fats, oils, and petrochemicals, combined with our proprietary synthesis and refining technologies. This enables speedy product development that meets customer requirements.

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[Technologies for formulation, analysis, and evaluation]

Possible to propose functions desired by customers

We have advanced analysis and evaluation technologies that enable us to propose functions for our customers' fields. The wealth of accumulated data obtained from this enables advanced formulation design and rapid feedback for material design.



Procurement

Stable securing of raw materials with our BCP in mind

We strive for stable procurement under our business continuity plan. At the same time, we conduct CSR questionnaires for our suppliers and work to procure raw materials with consideration for human rights, the work environment, legal compliance, and the environment and safety.

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Manufacturing

Stable supply of products and consideration for the environment

We always strive to provide a stable supply of products under our advanced quality control system and thorough safety management. In addition, we are committed to eco-friendly manufacturing, giving due consideration to energy conservation and reduction of chemical substance emissions.

Delivery

Safety-conscious logistics with low environmental impact

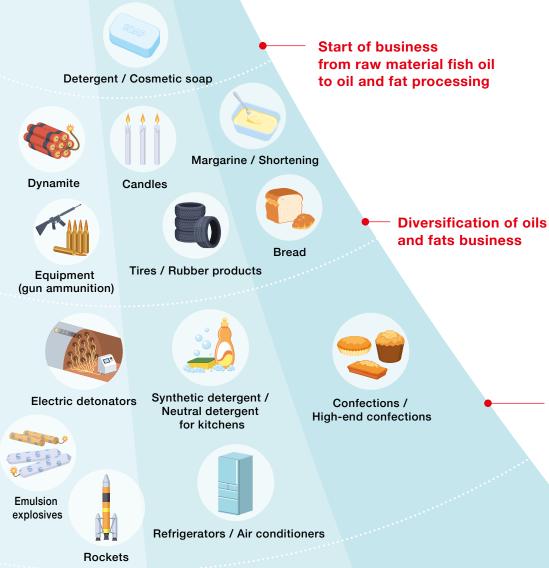
To ensure safe delivery of our products, we use safety data sheets (SDS) and GHS labels to thoroughly manage hazard information. In addition, we are promoting modal shifts and joint deliveries to reduce greenhouse gas emissions.



Corporate History

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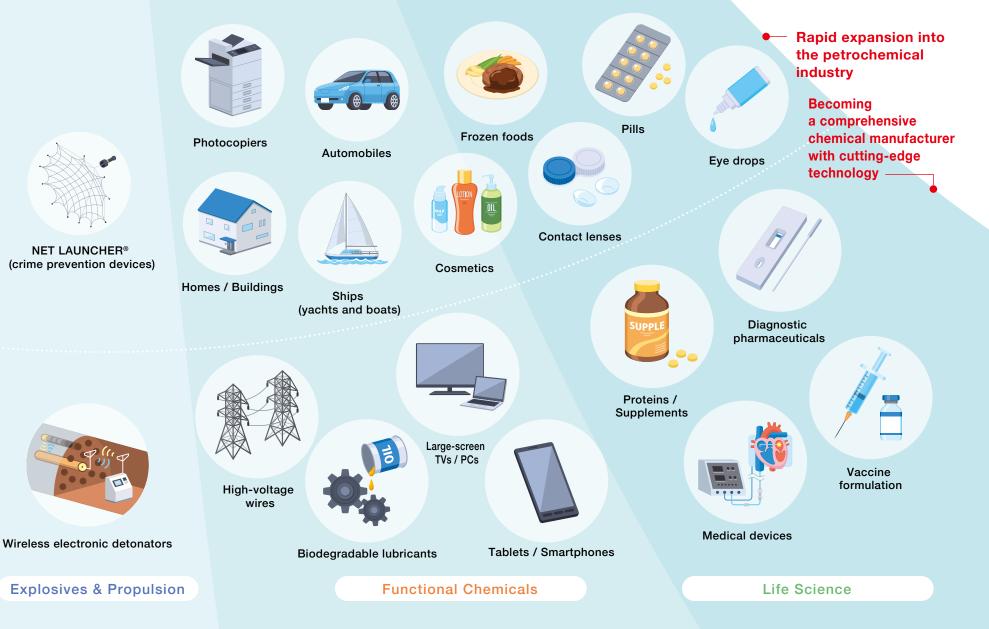
Everyday Products Created from NOF's Products



The World Created through NOF's Technology

When NOF began operations in 1937 as an oleochemical manufacturer, we offered only a limited range of products. Later, in response to changes in industrial structures and global needs, we expanded our operations into the area of petrochemicals from the 1970s. Furthermore, amidst intensifying global competition, we have developed a wide range of customer segments, including life science and DDS. As a result, NOF materials are used in a wide variety of products that you see in your daily life, from daily necessities such as food, pharmaceuticals, and cosmetics to industrial products such as automobiles, home appliances, construction products, and electricity-related products.

Expansion of product lineup



Everyday Products Created from NOF's Products

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NOF CORPORATION Integrated report 2022

Corporate History

Management Strategies

Value Creation

Business Strategies

Governance

Financial Information

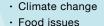
Contents

Value Creation Process

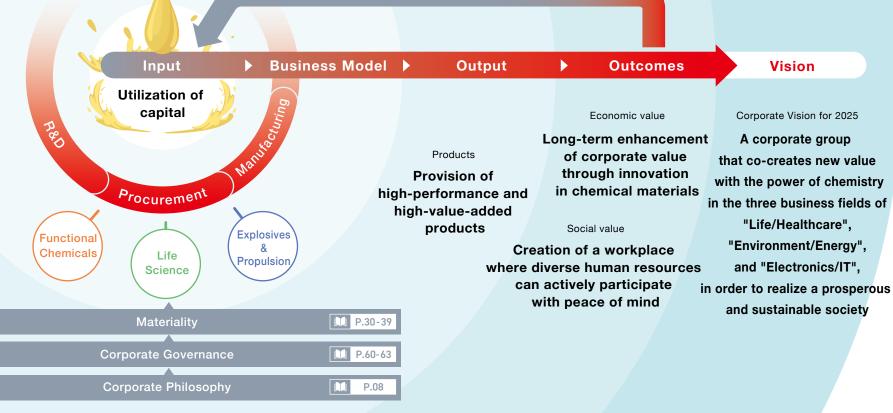
Creating products, value, and a new future with the power of chemistry

We propose new technologies and new products by combining the core technologies we have acquired in our diverse business areas. To solve various social issues, we aim to grow sustainably centered on our three prioritized business fields.





- Resource depletion
- Declining birthrate/aging population
- Health issues
 - Achieving smart operations



Value Creation Process

| Input | Business Model | ► Output | Outcomes |
|---|--|--|---|
| Financial capital | Three strengths developed through now | Product lineup for a wide range of industries | Financial capital |
| R&I (Rating and Investment Information, Inc., | Diverse management Global expansion Advanced technology development | Functional Chemicals Products Fatty acids Fatty acid derivatives Surfactants Ethylene oxide/ propylene oxide derivatives Organic peroxides Petrochemical products (polybutene, etc. | Operating income ¥35.5 billion Dividends |
| Capital investment … ¥5.7billion Manufacturing sites (Works and plants) 4 sites (Consolidated subsidiaries) 16 sites | Seven forms of business in three segments | Functional polymers Electronic materials (LCD materials, etc.) Special corrosion prevention agents | |
| Intellectual capital R&D spending | Oleo & Speciality Chemicals Functional Chemicals & Polymers Anti-corrosion | Life Science Products Raw materials for DDS drug formulations (activated PEG, functional lipids, surfactants for drugs) Biocompatible materials | Intellectual capital Number of patent applications |
| Social capital Number of suppliers1,100companies Commissioned research to universities and research institutes | Life Science Segment DDS Development Life Science Products Functional Foods | (MPC polymers, MPC monomers) Edible oils Functional foods (nutritional products, health-related products) | Social capital Countries sold to58 countries Industry-government-academia joint research62 |
| Natural capital Raw materials ···· 260,000 tons | Explosives & Propulsion Segment | Explosives & Propulsion Products Industrial explosives | Natural capital |
| Total energy input ···2.892 million GJ Volume of water used ···151,000 m³ *Water input – water discharged | Explosives & Propulsion | Space rocket products Defense products | GHG emissions |
| (FY2021 Results) | M P.45-55 | Functional products | (FY2021 Results) |

Contents

Materiality

Identification of 11 materiality issues (important issues)

The NOF Group has set KPIs and their targets for each issue in order to realize the ideal conditions contained in the NOF VISION 2025. Gaps between target figures and actual results are evaluated, and targets are re-set for the following year and beyond to achieve them.

Process of identifying materiality

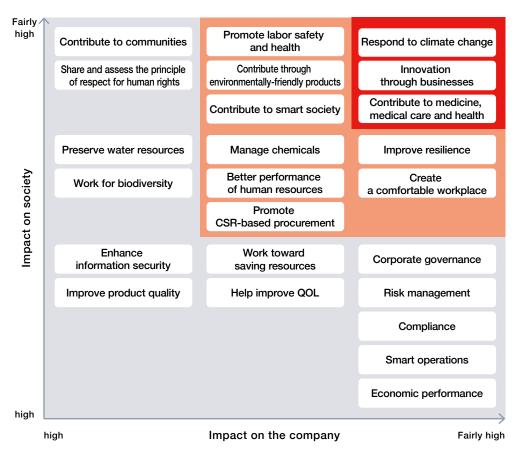
| STEP Identify | STEP | STEP | STEP | | |
|--|--|--|--|--|--|
| social challenges | 2 Set priority levels | 3 Approval | 4 Review | | |
| First, we drew up a list of 64 | We assessed the priority levels with which to tackle the 24 factors based on the two axes of "degree of impact on society" and "degree of impact on the company." We also added the following elements to our considerations. Results of evaluation of the Company by ESG rating agencies ESG-related opinions received from shareholders in the past twelve months | The 11 important | The 11 important | | |
| potential themes. Furthermore, | | issues were approved | issues will undergo | | |
| after adding and categorizing | | by the Board of | periodic reviews. By | | |
| the themes that were set in | | Directors. The KPIs | incorporating internal | | |
| previous CSR activity plans, | | and numerical targets | and external stake- | | |
| we narrowed them down into | | of each important | holders' opinions into | | |
| 24 factors. | | issue were also | the important issues, | | |
| Reference material ISO26000 GRI Standards SASB CHEMICALS SDGs Competitors' materiality issues In-house workshops | Perspectives of issues pursued by the NOF Group in past CSR activity plans After summing up the opinions of the individual divisions that handle the promotion of CSR activities, we held discussions at Strategic Meetings, which comprise Operating Officers with a title, and in the CSR Committee chaired by the President, and selected 11 important issues. The lead divisions and divisions tasked with handling the important issues also drafted KPIs and numerical targets. | adjusted as required based on the opinions of the Board of Directors. Based on this, the individual divisions will carry out their respective activities. | Steps 1-3 will be followed again and the important issues will be reviewed. | | |

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Materiality

Materiality matrix

The 24 materiality factors were mapped according to the two axes of "degree of impact on society" and "degree of impact on the company" to create a materiality matrix. The 11 items shown in the below domain were identified as important issues (materiality).



Three categories and the main initiatives

The 11 important issues arranged in the Materiality Matrix were divided into three main categories.



Provide new values to realize a prosperous and sustainable society

Targeting the three prioritized business fields, we will aim to offer new value by combining the core technologies we have cultivated through our diverse business development.



Strengthen the business foundation

As well as building a corporate culture that accepts diversity of values, we will appropriately identify changes in the environment and technological progress and enhance our resilience.

P.36-37



Promote responsible care activities

By securing the environment, safety, and health in all processes, from product development and manufacture to disposal, we will aim to be a corporate group that is trusted by the whole of society.



Materiality | KPI

| | FY2021 | | | | | FY2022 | | |
|---|--|--|--|---------------|--|--|--|---------------|
| Materiality | Details of major initiatives | Goals (KPI) | Numerical targets | Target year | Results | Goals (KPI) | Numerical targets | Target year |
| Provide new values | s to realize a prosperou | is and sustainable | e society | | | | | |
| Innovation | Call for commissioned industry-academia research Promotion of joint research Enhancement of R&D capabilities | R&D investment | 3-year cumulative total: ¥21.6 billion | 2022 | ¥6.1 billion (Cumulative total: ¥11.8 billion) | R&D investment | 3-year cumulative total: ¥21.6 billion | 2022 |
| through business | | Number of patent applications | 3-year cumulative total: 450 | 2022 | 156 (Cumulative total: 319) | Number of patent applications | 3-year cumulative total: 450 | 2022 |
| Contribution to medicine, medical care, and health | Supply high-function and high-value added products to the Life/Healthcare field | Sales in the Life/ Healthcare field | Up 5% year-on-year | Every year | 123.9 *If the previous year is 100 | Sales in the Life/ Healthcare field | Up 5% year-on-year | Every year |
| Contribution of environmentally- friendly products (reduction of environmental burden) | Supply high-function and high-value added products to the Environment/Energy field | Sales in the Environment/ Energy field | Up 5% year-on-year | Every year | 114.9 *If the previous year is 100 | Sales in the Environment/ Energy field | Up 5% year-on-year | Every year |
| Contribution to smart society | Supply high-function and high-value added products to the Electronics/IT field | Sales in the Electronics/ IT field | Up 5% year-on-year | Every year | 124.9 *If the previous year is 100 | Sales in the Electronics/ IT field | Up 5% year-on-year | Every year |

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| | | FY2022 | | | | | | |
|---------------------------------------|--|--|------------------------------------|------------------|--|--|--|------------------|
| Materiality | Details of major initiatives | Goals (KPI) | Numerical targets | Target year | Results | Goals (KPI) | Numerical targets | Target year |
| strengthen the bus | iness foundation | | | | | | | |
| Creation of | Promotion of work-life balance Promotion of health-conscious management Support for childcare and nursing care | Utilization rate of yearly paid holidays | 70% or more | 2022 | 70.0% (2020/9~2021/9) | Utilization rate of yearly paid holidays | 70% or more | 2022 |
| comfortable workplace | | Percentage of employee who took stress tests | s 100% | Every year | 100% | - | _ | _ |
| Better performance of human resources | Promotion of the active participation of women Promotion of employment of people with disabilities | Percentage of women among career-track hires | 30% or more | Every year | 36.1% *1 (Recruitment activities in FY2021, entering company in April 2022) | Percentage of women among career-track hire | 30% s or more | Every year |
| | | Percentage of employee with disabilities | s 2.30% or more | By March 2022 | 2.43% (As of the end of March 2022) | Percentage of employee with disabilities | es 2.30% or more | By March 2023 |
| Promotion of CSR procurement | Conduct CSR questionnaire for suppliers | Coverage rate of CSR questionnaire (based on value of purchases) | 70% or more | 2022 | 84% ^{*2} (2022 Mid-term Management Plan period) | Coverage rate of CSR questionnaire (based on value of purchases) | 70% or more | 2022 |
| Resilience enhancement | Revision and dissemination of the BCP manual Implementation of BCP training Confirmation of location activities through BCP audits | BCP education and training hours | Total of 3,000 hours or more | Every year | Total of 4,200 hours | BCP education and training hours | Total of 3,000 hours or more | Every year |
| romote responsib | le care activities | | | | | | | |
| Responses to climate change | Planning and implementation of greenhouse gas reduction measures Grasp the status of energy management Discomination of the cardeon partrelity | CO2 emissions/ net sales | Compared with FY2013 | 2030 | Compared with FY2013 25% reduction | CO2 emissions | Compared with FY2013 40% reduction | 2030 |
| | Dissemination of the carbon neutrality policy | | 30% reduction | | 20% reduction | Carbon neutrality | Aim for achievemen | t 2050 |
| | Responding to revisions in the PRTR*3 Act | | Identification of | | Setting of reduction targets: FY2030 | Emissions of | | |

Identification of

emission of

chemicals

Setting of

reduction targets

0

0

2021

Every

year

Every

year

Emissions of

to PRTR Act

after revision

Frequency rate

labor accidents

Number of

of labor accidents

substances subject

NOF CORPORATION Integrated report 2022

*1 Recruitment activities in FY2020, 42.9% of new graduate career-track hires in April 2021. Until now, the number of new employees hired in the reporting fiscal year was reported, but this has been changed to the number of new employees hired in the reporting year and entering the company on April 1 of the following year.

and regulations, as well as planning and

implementation of reduction measures

Implementation of emissions forecasts

Survey of statuses of other companies

Enhancement of sensitivity

Reduction of disaster risks

towards danger and thorough

enforcement of safety actions

following the revision

and NOF

Management of

chemicals

Labor safety

*2 Reference: Cumulative total for the 2019 Mid-term management plan period: 66%

170 tons or less

Compared to FY2010

41% reduction (consolidated) 155 tons of emissions

44% reduction (non-consolidated)

117 tons of emissions

2.03

12

*3 Act on Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management thereof (PRTR Act)

170 tons or less

/ year

_

0

Every

vear

Every

year

Emissions of

to PRTR Act

after revision

in FY2021

Number of

accidents

substances subject

_

lost workday-involving

Materiality | Theme 1

Provide new values to realize a prosperous and sustainable society

Promote open innovation through concentrated efforts for in-house R&D as well as co-creation

As environmental and social issues continue to mount on a global scale, expectations are increasing for innovation in the chemical materials field. The NOF Group engages in the development of new technologies and products with its three prioritized business fields as themes.

The Corporate R&D Division plans and proposes company-wide research strategies and focuses efforts on the creation of new business. The Advanced Technology Research Laboratory has developed creative and pioneering materials and technologies that drive future markets, and engaged in basic research for their application. It has also established a base in the Innovation Center of NanoMedicine (iCONM), where, in collaboration with government and academia, it is promoting open innovation with the theme of advanced medical technique and regenerative medicine in the Life/Healthcare field. We have also introduced Materials Informatics (MI), a method that uses artificial intelligence, to improve our R&D system for greater efficiency. New value created through co-creation Decision on those selected for the "NOF call for commissioned industry-academia research"













The "NOF call for commissioned industry-academia research" for this project for commercialization through an external open call was open for two months from December 2021. We received applications from universities, research institutes, and startups from all over Japan. We selected six technologies after carefully evaluating and inspecting aspects such as the feasibility of commercialization at the NOF Group. Those selected will be provided with commissioned research funds to conduct research over a period of one year toward contributing to society.

Materiality | Theme 1

Environment/Energy field



In the Environment/Energy field, as demand for air conditioners and refrigerators increases worldwide due to rising temperatures caused by global warming, demand can be expected for base material for refrigerating oils used as lubricants for refrigerators and polybutene for putty used for air conditioners. In addition, as offshore wind power generation gains momentum for development centered on Japan and other Asian countries, the need for eco-friendly products such as biodegradable lubricants made from raw materials derived from natural oils and fats and anti-corrosive coatings for bolts is increasing in order to prevent marine pollution. In addition, as EVs become the norm, it is necessary to develop products with even more advanced functions. including anti-fog agents for LED headlamps, for which needs are expected to grow due to the increase in LEDs, and agents to prevent abnormal noises in order to maintain a guiet car interior.



Life/Healthcare field



For pharmaceuticals, we are developing functional lipids and activated PEG as DDS materials for biopharmaceuticals through precision synthesis and advanced refining technologies and high-level quality control systems. We are also developing monodispersed PEG for antibody and nucleic acid drugs and ionic lipids for nucleic acid delivery. For medical care, we are developing the LIPIDURE® Series of MPC polymers as biocompatible materials in areas such as eye-care, diagnostic pharmaceuticals, and medical equipment-related fields. We are also pursuing the development of new high-function materials for the regenerative medicine sector. For cosmetics, we have a wealth of expertise in areas such as biocompatible materials, natural bioavailable substances, interface control technology, and mix design technology. We use this expertise to respond rapidly to functional advances and changing consumer needs.



Electronics/IT field



In the telecommunications field, the need for curing agents for low-dielectric materials is increasing as the volume of information transmitted increases with the transition from 4G to 5G. Demand for highly photosensitive materials and additives for electronic components is also increasing as electronic components become smaller. The shift to EVs in automobiles also requires miniaturization of electronic components, and we are working to add more value to these products. In addition, the increase in number and larger size of LCD panels in EVs is expected to raise demand for overcoat materials for LCD color filters.



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Materiality Theme 2

Strengthen the Business Foundation

Value having a culture in which employees with diverse values are active and tackling challenges is welcomed

NOF, which was founded as a chemicals producer using natural oils and fats, has ceaselessly taken on the challenge of entering new fields to address the ever-changing and diversifying needs of the market. Today, under the corporate slogan "From the Biosphere to Outer Space," we are developing seven forms of business. What is important to the NOF Group is to support the activities of the employees who support each of its businesses and to create an environment in which they can continue to work in a lively manner. We are focusing our efforts on creating a workplace where human resources can be active and work easily, so that employees with diverse values can fully demonstrate their abilities.



* FY2021 recruitment activities, new graduate career-track employees who joined the company on April 1, 2022 (FY2020 recruitment activities, 20 male and 15 female new graduate career-track employees who joined the company in April 2021).

Until now, the number of new employees hired in the reporting fiscal year was reported, but this has been changed to the number of new employees hired in the reporting year and entering the company on April 1 of the following year.



The NOF Group clearly stipulates and promotes "Respect for Human Rights" in its Basic CSR Policy and Code of Ethical Conduct based on its corporate philosophy. We deeply recognize that human rights are indispensable to the pursuit of happiness and fulfilling lives for all people. Beyond following laws and regulations, we clearly indicate our responsibility and stance on respecting human rights based on the International Bill of Human Rights, the Declaration on Fundamental Principles and Rights at Work of the International Labor Organization (ILO), the UN Guiding Principles on Business and Human Rights, and the Government of Japan's National Action Plan on Business and Human Rights (2020-2025).

The NOF Group Human Rights Policy was established on November 1, 2021.

Materiality | Theme 2



Better performance of human resources

People are what make up an entity, and it is important that diverse human resources of different specialties and expertise collaborate, inspire each other, and lift each other up. For this reason, NOF will proactively recruit mid-career workers and returnees from abroad, regardless of whether they are new-graduates or mid-career recruits, as well as foreign nationals including exchange students.

| In addition to attributes such as nationality, gender, race, and disability, the policy accepts and respects diversity in conditions such as work style, employment status, and work location. We aim to be an organization in which willing and capable employees are properly evaluated on aspects including recruitment, treatment after recruitment, and promotions, and can work actively. |
|---|
| In addition to the active recruitment of women, NOF strives to enhance its workplace environment in which women are able to participate actively. Since fiscal 2016, we have set a target of 30% or more for the percentage of female new graduates recruited for career-track positions. Our goal is to more than triple the number of female management-level employees by FY2030 compared to the end of FY2021. |
| We recognize the importance of securing excellent human resources regardless of nationality, and aim to secure them appropriately, especially in our overseas operations, including hiring experienced personnel. Our overseas local subsidiaries are continuing to step up their efforts to recruit local employees and promote them to management positions. |
| NOF promotes a multifaceted talent development system including "correspondence courses" in which each employee is allowed to choose his/her own training menu, "training at the organizational level" depending on job post, as well as "training regarding specific issues," which raises the expertise of employees. We support talent development in line with each individual's personality and goals. |
| |



Creating an environment that is easy to work in

Data Book P.41-43

In order for each and every employee to grow and be active, it is important to create a fulfilling work environment. NOF is developing a work environment in which the staff can work in their own way, while attaching due importance to the work-life balance between work and non-work activities including childbirth, childcare, nursing care, hobbies, studies, rest and leisure, and other community activities.

| Promotion of work-life balance | We support diverse work styles, such as telecommuting and flextime systems, to help employees enrich their on- and off-the-job lives. We also encourage employees to take their annua paid leave and raise awareness of self-care through stress tests. | | | |
|--|--|---|--|--|
| Promotion of health-conscious management | In order to realize a fulfilling life for our employe efforts to maintain and improve the health of ou aiming to create a safe and comfortable work en creating a pleasant working environment. | r employees by | | |
| | Priority areas | FY2021 results | | |
| | 1. Creation of a pleasant working environment (Example) Encouraged to take at least 8 days of yearly paid holidays | Utilization rate of yearly paid holidays 70.0% | | |
| | 2. Mental healthcare (Example) Encourage employees to take stress tests | Rate of taking tests | | |
| | 3. Maintenance and promotion of health (Example) Recommend employees to participate in "walking to promote health" | Participation rate | | |
| Support for child-rearing and nursing care | To support work-life balance, we are enhancing our systems by raising the eligible age of children under the short hours work system for childcare and expanding the duration of childcare and nursing care leave, as well as introducing a childcare support program and creating a handbook. | | | |

* Excluding people absent from work, etc.

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Materiality | Theme 3

Promote Responsible Care Activities

Establish a solid management system with the aim of protecting the environment, health, and safety

RC activities are promoted by the chemical industry on a worldwide basis, with the aim of ensuring environmental sustainability, health, and safety, through the entire life cycle of chemicals. The NOF Group considers RC activities as our core CSR activities and instituted the Management Policy Regarding Responsible Care and the Responsible Care (RC) rules in 1995. Furthermore, in 2014, NOF became a signatory of the Responsible Care Global Charter, proposed by the International Council of Chemical Associations. We classify our RC activities into Five Core Components including "environmental safety," "labor safety," "plant safety," "product safety," and "transportation safety." We assign RC managers and personnel in charge to all NOF manufacturing locations and affiliates, and have established a supervision and support system by the RC Committee.

Data Book P.51-52

Initiatives in the supply chain **Product development** Data Book P.05-09, 69 Data Book P.68 Management system We are promoting the development of eco-friendly products that are Product biodegradable and do not contain hazardous substances, which contribute to recycling and energy conservation for the final products. In addition, we development conduct screening tests on the risks and harms of all chemical substances we handle during design screening of new products and assessments in the commercial production transition phase, thereby developing products with low environmental impact.

Product stewardship refers to activities to safely manage chemicals throughout the supply chain. We manage chemicals in accordance with the Japan Initiative of Product Stewardship (JIPS), which is promoted by the Japan Chemical Industry Association as a voluntary activity, from the procurement of raw materials, through the development, production, distribution, and use of products, to their final disposal.

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Materiality | Theme 3

Procurement of raw materials

Data Book P.74

Data Book

P.70

We conduct CSR procurement for the raw materials we use, which considers impact on the environment and health in addition to quality, cost, and delivery time. The list of controlled substances regarding hazards and toxicity is determined based on the POPs Convention, RoHS Directive, REACH regulations, and Japan's Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc., Industrial Safety and Health Act, and Poisonous and Deleterious Substances Control Act. The list is reviewed once a year.

Distribution and use

(chemicals management and information provision)

In fiscal 2020, NOF built and introduced an SDS creation support system, and has centralized management of SDS throughout the company. This system enables us to manage all chemical substances used in our products on a company-wide server, and to provide our customers with the latest information on chemical substances in our products through timely updates of SDS and GHS labels to reflect changes in the laws and regulations. We will quickly respond to the PRTR Law from fiscal 2023 and the revised Industrial Safety and Health Act from fiscal 2024. In addition, by applying this support system, a company-wide chemical substance management database has been developed. and a chemical substance management system is currently being built to centrally manage the quantity control of all chemical substances, management for laws and regulations, and control of environmentally hazardous substances throughout the company. Furthermore, the NOF Group is a member of the Joint Article Management Promotion-consortium (JAMP) and utilizes the chemSHER-PA tool to share information on chemical substances contained in our products with customers.

Labor safety initiatives

Data Book P.62-64

We are aiming to eliminate occupational accidents, including those for cooperating companies assigned to NOF's works. In order to clearly express our determination to make our workplaces secure and safe for all the workers, NOF set forth its Occupational Safety and Health Policy in April 2006. Group-wide labor safety targets are set every year and RC audits are conducted for further improvement.

Procurement

Production

Distribution and use

Disposal and recycling

Production

We verify that new products are manufactured according to plan before commencing commercial production. We work to reduce environmental impact through stable operation of our environmental treatment facilities and optimizing the collection conditions of chemical substances. We started working on Chemical Substances Risk Assessment (RA) in 2008, before relevant laws and regulations came into effect in 2016. We conduct a risk assessment and review of chemical substances as needed to contribute to employee health and safety.

Meeting laws and regulations

Data Book P.68-69

Data Book

The NOF Group established its "Laws and Regulations Monitoring System" in fiscal 2021, Laws and regulations monitoring personnel have been assigned to all development. manufacturing, logistics, quality control, and other departments in Japan to comprehensively monitor the status of revisions to laws and regulations to ensure that we can guickly respond to any revisions. In addition, we provide training on laws and regulations and conduct an audit every year for divisions in charge to ensure that they acquire correct knowledge of laws and regulations and improve their management capabilities. For overseas countries, we respond to each regulated substance according to its regulation content. Furthermore, the Security Export Management Task Force has been organized to ensure constant compliance with the Foreign Exchange and Foreign Trade Act and other government ordinances, ministry ordinances, directives, etc. based on the Act (Foreign Exchange and Foreign Trade Act, etc.).

Management of emission of chemical substances

We manage each location by using self-management values that are even stricter than laws and regulations to comply with environmental standards. In fiscal 2021, we installed a cumene recovery system at the Kinuura Plant, achieving an 8-ton reduction in cumene emissions per year. We have set an emissions target of 170 tons per year or less in response to newly designated substances that will come into effect from fiscal 2023, and the entire Group will continue efforts to reduce emissions.

Disposal and recycling

Data Book P.57

P.58-59

We are conducting activities with the target of a zero emissions rate* of 0.1% or less. Substances that are no longer needed are separated. The useful substances are put in the recycling process, while those that are not are thermally recycled. In addition, we promote the separate collection and recycling of waste plastics and work to recycle them. With regard to waste disposal destination, we outsource the waste treatment to external companies that not only have received certification of excellence by the government but also satisfy our certification requirements. We provide them with information on hazard assessment and conduct audits on a regular basis to ensure compliance with the Waste Management and Public Cleansing Act.



Special Feature Response to Climate Change

Contributing to Climate Change Countermeasures with the Power of Chemistry

Climate change is an urgent issue shared by the entire world. It poses various threats, including an increase in abnormal weather conditions, adverse effects on ecosystems, and a decrease in water resources. The NOF Group has set the reduction of greenhouse gas emissions as one of the goals of its Responsible Care activities, and has been working on various energy-saving measures. In view of the 2050 Carbon Neutral Declaration announced by the government in October 2020 and its new targets to reduce greenhouse gas emissions announced in April 2021, the NOF Group has decided to set new targets to reduce greenhouse gas emissions. By recognizing the risks and opportunities posed by climate change and promoting countermeasures, the NOF Group will co-create new value with the power of chemistry toward the realization of a prosperous and sustainable society as stated in the NOF VISION 2025. In this Special Feature, we cover areas with high growth potential for the future and introduce specific projects.

🛄 Data Book P.13



Electric vehicles

Oleo & Speciality Chemicals Functional Chemicals & Polymers Anti-corrosion

As the shift to EVs progresses, the number of screws that hold electronic components (passive components) and electric unit components in place is expected to increase, as well as the number and size of LCD panels. This is expected to increase demand for additives for in-vehicle electronic components, lubricants for electric units, anti-corrosive coatings, and overcoat materials for LCD color filters. In addition, because LEDs are effective in reducing power consumption of EVs, the need for antifogging agents for LED headlamps is expected to grow. Furthermore, EVs will make vehicles quieter, which is expected to increase demand for resin additives, such as agents that prevent abnormal noises caused by resins rubbing against each other in interior parts.

Special Feature | Response to Climate Change



Wind and solar power

Oleo & Speciality Chemicals Functional Chemicals & Polymers Anti-corrosion

Wind power is one of the promising natural energy sources for the future in Japan, a maritime nation with little flat land. Demand is expected to increase for anti-corrosion coatings for bolts used in wind turbine blades and biodegradable lubricant required for gear lubrication. Demand is also expected to increase for organic peroxides for cross-linked polyethylene, which is used as a coating material for ultra-high-voltage and high-voltage electric wires needed to transmit electricity from wind and solar power generation facilities.

Oils and fats for meat alternatives

Functional Foods

The livestock industry places a significant burden on the global environment, including deforestation, methane gas emissions, and massive consumption of water resources. As gradually converting meat eaten as food to meat alternatives will help reduce greenhouse gas emissions, there are growing expectations for meat alternatives, which are plant-based foods made from soybeans and other plant-based ingredients. Because reproducing the texture and flavor of meat has been a challenge for meat alternatives, demand is expected to increase for meat alternative oils and fats that contribute to improving the flavor and texture of such plant-based meat alternatives.



Contents

Air conditioners and refrigerators

Oleo & Speciality Chemicals Functional Chemicals & Polymers

As temperatures rise due to global warming, the need for air conditioners and refrigerators is increasing, especially in developing countries. This is expected to increase demand for refrigerating machine oil, a lubricant for refrigeration equipment, and polybutene for putty in air conditioners. Among these, the base material for refrigerating oils sold by the NOF Group is for alternative CFC refrigerants and thus contributes to climate change adaptation.





Diagnostic pharmaceuticals / Pharmaceutical raw materials

Life Science Products DDS Development

There are concerns that the effects of climate change could contribute to causing new outbreaks of infectious diseases. As a result, demand is expected to increase for disinfectants for infectious disease control and additives for diagnostic pharmaceuticals, as well as for pharmaceutical raw materials due to the growing lineup of pharmaceutical products.

Environmental information, disaster prevention and mitigation

Explosives & Propulsion

As climate change progresses, the need to survey the entire world, including various data measurements such as seawater temperatures, will increase, and the amount of marine equipment, rocket launches, etc., may increase. In addition, there may be increased applications for temperature indicator materials (labels, stickers, etc.) for temperature control that change color when a specific temperature is reached. Furthermore, increased embankment construction due to increased risks of storm surges and other such conditions is expected to raise the demand for industrial explosives to procure rock and soil from mountainous areas.





Support for the TCFD recommendations

In April 2022, the NOF Group announced its support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Based on the TCFD recommendations, the Group will work to reduce climate-related risks and create opportunities for growth, as well as expand our information disclosure.



Contents





NOF's **Business Strategies**

We operate seven divisions in three main segments: "Functional Chemicals," "Life Science," and "Explosives & Propulsion".

Seven forms of business in three segments

Oleo & Speciality – Chemicals

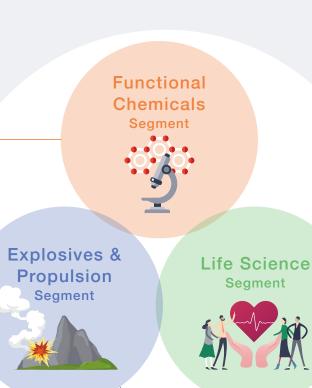
As an oleochemical pioneer, we develop high-function and high-value-added products in oleochemistry and petrochemistry based on our proprietary technologies, and conduct business with a presence in state of the art fields.

Functional Chemicals & Polymers

In addition to organic peroxides, we focus on the development of cutting-edge materials and pioneer new fields of chemicals, with functional polymers, petrochemicals, and electronics/IT products as our mainstays.

Anti-corrosion

With our unique corrosion prevention agents at the core, we have accumulated cutting-edge surface treatment technologies to become the global standard for corrosion prevention treatment of vehicle parts. Eco-friendly surface treatments are our top priority.



DDS Development

We globally provide high-quality pharmaceutical raw ingredients developed through molecular design, synthesis, and refining technologies under a quality control system in conformity with GMP standards.

Life Science Products

With the successful development of LIPIDURE[®] with phospholipid polar groups, we have been developing original and innovative products for the market as biocompatible materials.

Functional Foods

We innovate refining and processing technology for edible oils ahead of other companies. We contribute to society by developing edible oils and health-related business in pursuit of an abundant diet.

Explosives & Propulsion

As one of the world's leading integrated explosives manufacturers, we utilize cutting-edge pyrotechnics to advance our industrial explosives, defense and space explosives, and consumer products businesses. Governance

Seven forms of business in three segments

| Segment | Reflection on fiscal 2021 and prediction of conditions in fiscal 2022 | Net sales composition ratio | Operating income composition ratio | Changes in business results |
|-------------------------------|---|---------------------------------------|--|---|
| Functional Chemicals | Our sales have grown significantly due to progress in recovery of demand from the COVID-19 pandemic, recovery in demand for base materials for refrigerating oils and cosmetic raw materials, and strong demand for special corrosion prevention agents for vehicles. On the other hand, raw material and fuel prices have continued to rise, and we have worked to reduce costs and revise prices. Although the demand recovery trend will continue in fiscal 2022 due to increased sales, operating income is projected to be ¥1.2 billion lower. | in FY2021 ¥128.4 billion | (Billion | lions of yen) Net sales Operating income (; ; indicates plan targets) 160.0 120.0 40.0 0 2018 2019 2020 2021 2022 (Forecast) |
| Life Science | Sales of raw materials for pharmaceutical formulations grew significantly due to increased demand for COVID-19 vaccines and biopharmaceuticals. Sales of edible oils for food also remained strong due to a recovery in personal consumption. In fiscal 2022, we expect operating income to increase by ¥1.7 billion year-on-year due to continued strong demand for biopharmaceuticals and an expected recovery in demand for biocompatible materials. | in FY2021 ¥ 33.7 billion | (Bill in FY2021 ¥ 1 4.1 billion | lions of yen) Net sales Operating income (::: indicates plan targets) 40.0 30.0 20.0 10.0 2018 2019 2020 2021 2022 (Forecast) |
| Explosives & Propulsion | Although demand for industrial explosives was strong for infrastructure development such as the Hokkaido Shinkan- sen and Linear Shinkansen lines, sales of space-related products declined due to the postponement of the launch of a key rocket. In fiscal 2022, production of NOF products is expected to be affected by temporary issues at raw material suppliers. Due to this, operating income is projected to be ¥0.9 billion lower year-on-year. | in FY2021 ¥ 30.0 billion | (Billion | lions of yen) Net sales Operating income (,,, indicates plan targets) 40.0 30.0 20.0 20.0 20.0 2018 2019 2020 2021 2022 (Forecast) |

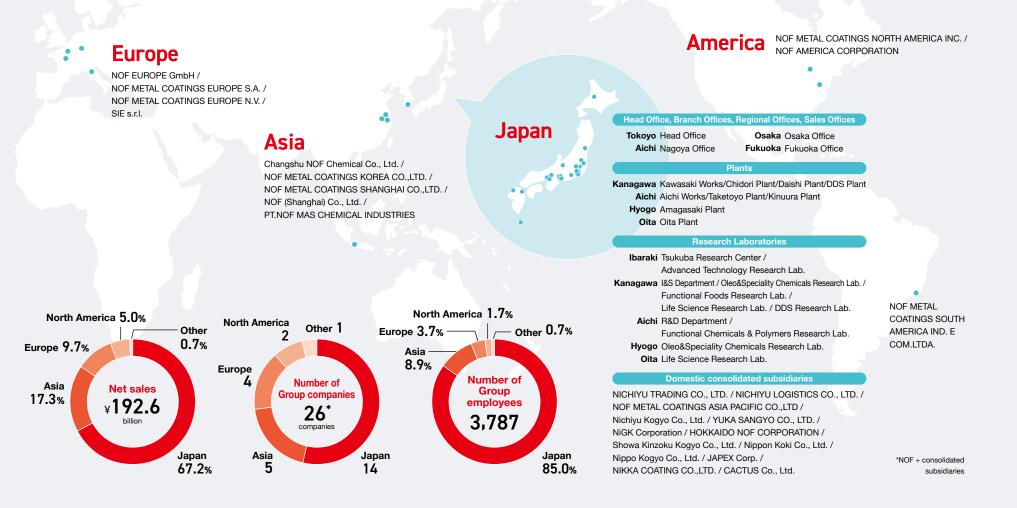
NOF CORPORATION Integrated report 2022

(Forecast)

Business bases

Developing global business through our domestic and overseas bases

The NOF Group has 13 consolidated subsidiaries in Japan, covering each region from Hokkaido to Kyushu. Overseas, we have 12 bases in nine countries, and are developing our business with locally based sales and production systems.



Business overview | Functional Chemicals Segment

Oleo & Speciality Chemicals

Business strengths

- Covers diverse industries, centered on fatty acid derivatives
- Top-class lineup of cosmetic materials in Japan
- Highly advanced technology for miniaturization of electronic components



Main products and end uses

Fatty acids

(for tires, rubber, and other resin products, etc.) $$NAA^{\circledast}$$

- Fatty acid derivatives
 (for base material for refrigerating oils, toner for printing machines, lubricants, gear oil, etc.)
 UNISTER®. MILLUBE®. ELECTOL®
- Surfactants

(for various detergents, cosmetics, etc.) UNILUBE®, DIAPON®, STAFOAM®, LUMINOVEIL®

• Ethylene oxide propylene oxide (EO/PO) derivatives (for electronic components, coatings, adhesives, etc.) WILBRIDE®, MALIALIM®, BLEMMER®

Strategy for the 2022 Mid-term Management Plan

Our core products are a variety of derivatives made from fatty acids produced by hydrolyzing oils and fats. We offer diverse products to a wide range of industries, including surfactants and other functional agents for cosmetics manufacturers, additives for resin and rubber material manufacturers, and high-guality activators for electronic component manufacturers. In the Life/Healthcare field, we propose products with functions in demand among customers, such as anti-aging products for preventing wrinkles, beautiful skin, and moisturizing, and men's cosmetics for which demand is expected to increase. In the Electronics/IT field, we will supply high-quality products responding to miniaturization and mass production as additives for electronic components, for which there are growing needs as a result of the expansion of the telecommunications 5G market and the diffusion of smartphones, high-performance home appliances, and electric vehicles.

Contribute to social issues

Expectations for naturally-derived products in response to tighter environmental regulations



Unlike mineral oils, which do not decompose naturally, the materials used by NOF are biodegradable, naturally-derived oils and fats. Even if lubricants leak from rotating parts of machines, environmental pollution can be prevented. As wind power generation is increasingly used as a renewable energy source, demand for lubricants will rise. The usage of oiled products is expected to increase as the use of polymer surfactants for condensers grows with the shift to EVs and as the need for air conditioners increases due to global warming, the use of alternative CFC refrigerants will grow.

Business overview | Functional Chemicals Segment

Functional Chemicals & Polymers

Business

- Developing high-performance products in collaboration with resin manufacturers
- Reliable technological capabilities in refining, synthesis, formulation, and more
- Promoting global business development by increasing the overseas sales ratio



Main products and end uses

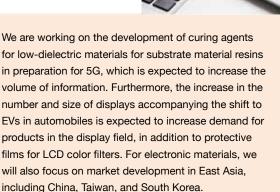
Strategy for the 2022 Mid-term Management Plan

- Organic peroxides

 (for various plastic products, rubber products, golf balls, home appliances, construction materials, automobile interiors and exteriors, etc.)
 PERBUTYL®, PERHEXYL®, PERCUMYL®, PEROYL®
- Petrochemical Products (for lubricants, various kinds of tape, adhesive plasters/pastes, coatings, etc.)
 Polybutene, EMAWET[®], NA Solvent[™]
- Functional polymers (for lamps, air ducts and other automotive parts, bathtubs, etc.) MODIPER®, NOFALLOY®
- Electronic materials (for LCD panels of PCs and smartphones, coatings, etc.) NOFCURE®

We are developing products such as polybutene, polymers, and blocked acids, centered on organic peroxides used as polymerization initiators and cross-linking agents to add functions to resins or to add properties to the surface of resins. Our products are used in a wide range of applications, including building materials for housing, Styrofoam, cases for home appliances, golf balls, and adhesive tapes, as well as anti-fogging agents for LED lamps, agents to prevent abnormal noises in vehicle interiors, and the like accompanying the shift to EVs. In addition, demand for cross-linking agents for high-voltage power cables is increasing due to the promotion of renewable energy. Shipments to solar panel manufacturers in China, centered on Changshu NOF Chemical Co., Ltd., are expanding. As NOF's business partners focus on overseas expansion, we will introduce new products and establish a system to increase production in order to expand sales in the Asian market.

Contribute to social issues The shifts to 5G communication and EVs make development of new products an urgent task



Business overview | Functional Chemicals Segment

Anti-corrosion

Business strenaths

- Contributing to the prevention of corrosion of automotive parts in Japan and overseas
- Also used in railroads, buildings, and wind power generation equipment
- Creating a global standard for corrosion prevention through global expansion



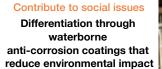
Main products and end uses

Corrosion prevention for automotive parts and other metals

GEOMET®, GEOMET PLUS®, DACROTIZED®

Strategy for the 2022 Mid-term Management Plan

We have been offering anti-corrosive coatings to prevent rusting mainly on automotive parts, but also on joints of buildings, bolts fastening rails of Shinkansen bullet trains, and metal parts of photovoltaic power generation equipment. To contribute to the Environment/Energy field, we are developing products that do not use hazardous substances and low-temperature baking type anti-corrosive coatings that reduce the energy load of electricity and gas. In addition, as the shift to EVs in automobiles progresses, the need for next-generation anti-corrosion agents is expected to increase. Furthermore, offshore wind power generation is rapidly expanding in East Asia, including China. In Japan, it is expected that these products will be widely used, for example, in bolts to fasten the blades of wind power generation facilities and in anchors to be buried in the seabed.





Unlike "solvent-based anti-corrosion coatings" offered by competitors in Europe and the United States, NOF's products are characterized by the fact that they are "waterborne anti-corrosion coatings." As the need to reduce environmental impact increases, expectations for eco-friendly GEOMET[®] have been increasing.

Business overview | Life Science Segment

DDS Development

Business

- World's No.1 share of activated PEG
- Contributing to the development of biopharmaceuticals and nucleic acid druas
- Supporting pharmaceutical companies from research to commercialization



Main products and end uses

- Activated PEG (for various pharmaceuticals) SUNBRIGHT[®] Series, PUREBRIGHT[®] Series
- Functional lipids COATSOME® series
- Surfactant for drugs (for injection and vaccine preparations) Polysorbate 80 (HX2)™

Strategy for the 2022 Mid-term Management Plan

In the pharmaceutical industry, a number of pharmaceuticals utilizing Drug Delivery Systems (DDS) that maximize the therapeutic effects of drugs have been commercialized. NOF is involved from development to commercialization at pharmaceutical companies, manufacturing and providing high-purity activated PEG desired by customers under an advanced guality control system in conformity with GMP standards. The quality of activated PEG provided by NOF is highly evaluated in the industry and accounts for the No. 1 share of the global market. In recent years, NOF has been developing and proposing more functional products for biopharmaceuticals such as protein drugs and peptide drugs, as well as for nucleic acid drugs (mRNA drugs) applications, which are attracting particular attention. We will continue to develop new high-quality products globally and contribute to the development of the DDS field.



DDS is a technology that enhances the effects of drugs by adjusting their physiological activity, targeting lesions, yielding chemical stability, adjusting metabolic activity, and other means, so that they act at the required place in the body in the required amount for the required time. This technology makes it possible to reduce the side effects of drugs and the frequency of daily injections, thereby contributing to improving the QOL of patients who need these drugs.





Corporate History

Management Strategies

Value Creation

Business overview | Life Science Segment

Life Science Products

- Widely used in eye care, medicine, and medical care fields
 - Highly biocompatible and safe
 - Expansion of LIPIDURE[®] lineup



Main products and end uses

 Biocompatible materials (for contact lenses, drugs and diagnostic pharmaceuticals, medical devices, etc.) LIPIDURE[®]

Strategy for the 2022 Mid-term Management Plan

The main products are LIPIDURE[®] materials for soft contact lenses, which reduce discomfort when worn in the eye, and LIPIDURE[®] used in lens cleaning and storage solutions. LIPIDURE[®] is also used as an additive in eye drops, hand sanitizers, mouthwash, and more; as a surface coating material for medical devices such as artificial lungs and catheters; and as a material for diagnostic kits for infectious diseases. In the Life/Healthcare field, we are developing new contact lens materials and additives for diagnostic kits by leveraging their excellent biocompatibility and hydrophilic properties.

Contribute to social issues

Focusing on the development of diagnostic pharmaceutical agent technologies in the wake of the outbreak of infectious disease



The novel coronavirus is raging around the world. PCR test kits and antigen test kits have been widely used as diagnostic pharmaceuticals. Going forward, as global warming progresses and new infectious diseases emerge, the demand for diagnostic pharmaceuticals is expected to increase. Therefore, in order to contribute to people's health and hygiene, NOF is promoting the development of technologies that contribute to improving the quality and performance of diagnostic pharmaceuticals. NOF CORPORATION Integrated report 2022

Corporate History

Business overview | Life Science Segment

Functional Foods

- Business strenaths
- Providing edible oils with a wide range of functions
 - Strong sales network for bread-making and confectionery production
 - Developing new markets with high value-added products



Main products and end uses

Edible oils

(for bread, confections, etc.) CRUMB SOFT®SK, BREADY®SA, SUNSHORT®, COOKRICH®

Functional foods

Komecosanol®, NICHIYU®PS50

Strategy for the 2022 Mid-term Management Plan

We have been providing edible oils with various functions, mainly margarine and shortening, to bread and confectionery manufacturers. Our products offer not only delicious taste, but also softness and fluffiness. Recently, we have been proposing functions that improve efficiency, such as shortening time and reducing workload, as well as functions that contribute to improved product yield, such as keeping ingredients homogeneous. For functional foods, in addition to ODM manufacturing of oil and fat-coated products and supplements, we are also developing and manufacturing high-protein beverages, which have recently become a hot topic. While demand for food service in Japan is sluggish, the market for ready-made meals is expected to grow. We are developing high value-added products, such as proposing oils and fats with new functions to add flavor and juiciness to frozen foods.

Contribute to social issues Supporting

the development of food ingredients that can replace meat, which has a high environmental impact



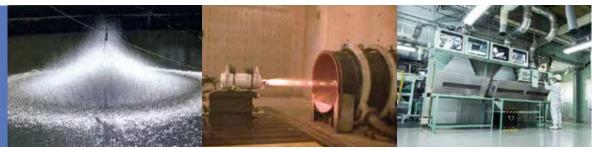
Plant-derived meat alternatives are attracting attention as plant-based foods with both environmental and health-related value. Based on this trend in Japan as well, food manufacturers are actively working to improve the quality of their products as they commercialize them. In response, NOF has begun to develop ingredients with functions to improve taste and texture. Meanwhile, we are also providing function-related support for new materials created by university research laboratories and food ventures.

Business overview | Explosives & Propulsion Segment

Explosives & Propulsion

Business strengths

- There are continuous needs for space and defense-related products
- Solid propellants for rockets are the best technology in Japan
- Development of energy control technologies for a wide variety of consumer products



Main products and end uses

Industrial Explosives (for quarries, tunnels, etc.) Emulsion Explosives, ANFO Explosives, Electric Detonator

 Space Rocket Products
 Solid Propellant (SRB-A, SRB-3), Pyrotechnic Devices for the Space Rocket

Defense Products

Gun Propellant / Rocket Propellant, Pyrotechnic Devices for the Missile, Defense equipment

• Functional Products (Consumer products)

Temperature Label® (temperature indicator), UV Label®, Sterilization Indicator, Antifreezing Agent, NET LAUNCHER® (Security Goods), Vapor pressure crushing agent (GANSIZER®)

Strategy for the 2022 Mid-term Management Plan

Our industrial explosives are used in public works for the purpose of quarrying and tunnel excavation. Our space-related products are mainly used as solid propellant for rockets, and our defense-related products are used for Self-Defense Forces equipment (firearms and guided missiles). In addition, we have diverse functional products. THERMO LABEL® was created from the technology of Thermo Paint[®] (paint that indicates temperature), which had its sales launch in 1965. Furthermore, demand for UV Labels® has grown as sales have increased for disinfection equipment using sterilizing ultraviolet rays to prevent the spread of novel coronavirus infections. For the Environment/Energy field, we are promoting research on gunpowder compositions that reduce CO2 emissions, substituting eco-friendly gunpowder that does not use lead, and developing solid propellants for small rockets that have less environmental impact.

Contribute to social issues Focusing efforts on space and defense-related businesses from a medium- to long-term perspective



The NOF Group has long supported the space business, starting with the Japan Aerospace Exploration Agency (JAXA). It can be predicted that information from satellites will become increasingly necessary for industries in Japan and abroad going forward, such as in the evolution of communications and the commercialization of automated driving. On the other hand, launching a rocket with high accuracy is not easy, and constant technological innovation is required. Space and defense-related business is an essential part of national policy. We will continue to focus our efforts on contributing to society while earning stable profits.



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NOF's Governance

In order to realize stable and sustainable growth and development, the NOF Group aims to continue to be a company valued by all kinds of stakeholders through fulfilling its corporate social responsibility as a member of our society, such as by protecting the natural environment and securing health and safety, in addition to compliance.

Officers



Corporate History

Management Value Strategies Creation

Business Strategies

Officers | Table showing expected skills

| | | | | | | | | | (As c | of June 28, 2022) |
|------------------|---------|------------------------|--|---------------------------------|--|---|--------------------------------|---------------------------------|---|------------------------------|
| | | Name | Position | Years in current position | Business management, business administration, DX | R&D,quality and production technologies | Sales and marketing, SCM | Overseas business, global | Legal and ESG, environment and safety, HR and labor | Finance and accounting |
| | | 1 Takeo Miyaji | President and Chief Executive Officer | 4 years | • | | ٠ | | • | • |
| | | 2 Kazuhito Maeda | Representative Director and Senior Executive Operating Officer | 2 years | • | • | • | • | | |
| Director | | 3 Masanobu Miyo | Director and Executive Operating Officer | 2 years | • | | • | • | | |
| ctor | | 4 Kazuyoshi Yamauchi | Director and Executive Operating Officer | 1 years | | • | | • | • | |
| Out | Outside | 5 Shingo Unami | Outside Directors | 1 years | • | | | | • | • |
| | side | 6 Izumi Hayashi | Outside Directors | 1 years | | | | • | • | |
| | | 7 Tsuneharu Miyazaki | Director and Audit and Supervisory Committee member | 1 years | • | • | • | | | |
| Outside Audit | | 8 Kunimitsu Itou | Outside Director and Audit and Supervisory Committee member | 1 years | | | | • | | • |
| | Outside | 9 Yuriko Sagara | Outside Director and Audit and Supervisory Committee member | 1 years | | | | • | • | |
| | | 10 Keiichi Miura | Outside Director and Audit and Supervisory Committee member | 1 years | ٠ | • | | | • | |

*The • marks indicate skills that are particularly expected of each director. *The above table does not indicate all professional skills possessed by each individual.

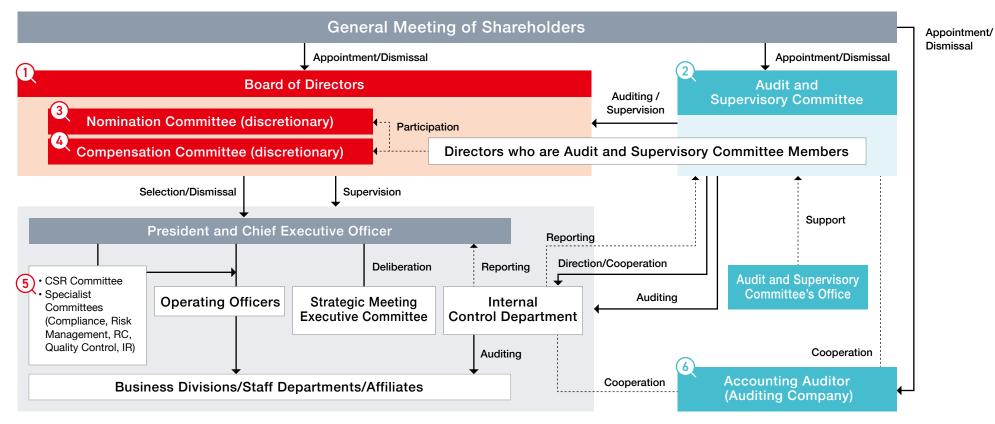
(As of June 28, 2022)

Corporate Governance

Our fundamental view

In order to respond precisely to changes in the business environment and the intensifying competition between companies, NOF strives to speed up management decisions and, from the perspective of securing transparency and improving accountability, recognizes that the strengthening of corporate governance is an important issue, and endeavors to secure the effectiveness thereof.

Corporate governance diagram



Data Book P.26-27

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Corporate Governance

(3)

Board of Directors

The Board of Directors holds one regular meeting every month and extraordinary sessions are also convened as required. Besides deciding on important matters, such as basic management policies and internal control system, based on laws, regulations, the articles of incorporation, and the rules of the Board of Directors, the Board supervises the state of business execution. In addition, the Executive Committee deliberates as necessary on the company's overall business execution policies and the implementation of important operations, and the Strategic Meeting is held once a week as a general rule. Any important matter to be referred to the Board of Directors goes through case deliberation at the meeting Executive Committee or at the Strategic Meeting, intended to ensure appropriate decision making. Of the ten members comprising the Board of Directors, five are independent Outside Directors (including Audit and Supervisory Committee Members).

Audit and Supervisory Committee

The Audit and Supervisory Committee supervises the Directors' execution of business. It cooperates effectively with other entities such as the Internal Audit Division, in accordance with auditing policy and standards, and standing Audit and Supervisory Committee Members play a leading role in attending various important meetings including meetings of the Executive Committee. The Audit and Supervisory Committee maintains close cooperation with the Accounting Auditor, including regular meetings, and exchanges information on audit plans and audit reports. With regard to the internal control system, the Company receives audit reports from the Internal Control Department, requests investigations as necessary, and provides specific instructions, thereby ensuring mutual cooperation with the Accounting Auditor and effective cooperation with the Internal Control Division.

Nomination Committee

In order to improve the oversight function of the Board of Directors and strengthen the corporate governance system, the Nomination Committee, which is a voluntary advisory committee to the Board of Directors, has been established.

In consultation with the Board of Directors, the Nomination Committee deliberates and reports to the Board of Directors on matters such as the election and dismissal of directors (excluding Audit Committee members), the selection and dismissal of representative directors, and succession planning for such directors. The committee is chaired by an independent Outside Director, and consists of five independent Outside Directors and one Internal Director. This ensures the committee's independence and objectivity.

(4) **Compensation Committee**

2

In order to improve the oversight function of the Board of Directors and strengthen the corporate governance system, the Compensation Committee, which is a voluntary advisory committee to the Board of Directors, has been established.

The Compensation Committee, in consultation with the Board of Directors, deliberates and reports to the Board of Directors on matters related to the compensation of Directors, excluding Audit and Supervisory Committee members. The committee is chaired by an independent Outside Director, and consists of five independent Outside Directors and one Internal Director. This ensures the committee's independence and objectivity.

Specialist committees

5

For management risks, the **Risk Management Committee** takes the lead in conducting company-wide risk assessments. The Risk Management Committee, Responsible Care Committee, Quality Control Committee, and other specialized committees analyze risks, consider countermeasures, analyze and evaluate matters under their jurisdiction, and report to the Board of Directors.

Accounting Auditor

Ernst & Young ShinNihon LLC has been selected as the Accounting Auditor.

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Governance

Outside Directors

| Name | Audit and Supervisory Committee | Independent Director/ Auditor | Reasons for Election |
|-------------------|---------------------------------------|-------------------------------------|---|
| Shingo Unami | | • | He has abundant experience and advanced insight in the financial industry, as well as broad experience and knowledge in corporate management, and provides appropriate opinions on overall management from a fair and objective standpoint. The Company deemed that he can play a role going forward in advising management and appropri- ately supervising business execution from a professional perspective, including HR and labor matters and financial accounting. |
| Izumi Hayashi | | • | As an attorney, she is well versed in corporate legal affairs and has advanced knowledge of intellectual property and corporate compliance. The Company deemed that she can play a role going forward in advising management and appropriately supervising business execution from a global perspective, including legal and risk management. |
| Kunimitsu Itou | • | • | He is well-versed in accounting and tax practices. He actively comments in Board of Directors meetings using that perspective, and appropriately fulfilled his responsibili- ties as an Outside Director of the Company, such as through the oversight of business execution. The Company deemed that he can perform his duties such as appropriate auditing and supervision of business execution based on his professional knowledge, including accounting and taxation. |
| Yuriko Sagara | • | • | She has a high level of expertise and global-based knowledge as an attorney. In addition, as a patent attorney, she has a deep level of insight on intellectual property. The Company deemed that she can perform her duties such as appropriate auditing and supervision of business execution based on her professional knowledge, her global perspective on legal affairs and intellectual property. |
| Keiichi Miura | ● | • | He has abundant experience and advanced insight and capabilities regarding research planning and the like. He has served as an outside director in the chemical industry and has a wide range of experience and knowledge. The Company deemed that he will be able to fulfill the responsibilities of conducting appropriate auditing and oversight, etc. over business execution, based on his abundant experience and knowledge of advanced technology as a corporate manager. |

Evaluation of the effectiveness of the Directors

Data Book

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NOF analyzes and evaluates the effectiveness of the Board of Directors once a year, in principle.

Since fiscal 2016, NOF has implemented an effectiveness evaluation every year. In fiscal 2021, the Company employed a questionnaire form crafted by an external institution, and implemented the Board of Directors effectiveness evaluation questionnaire by surveying all 10 Directors.

Summary of results for fiscal 2021 effectiveness evaluation

The NOF Board of Directors ensures a suitable diversity of knowledge, experience, and abilities necessary in light of management strategies and provides appropriate opportunities to utilize the experience and expertise of Outside Directors. Through this, it was confirmed that the Board of Directors is generally operating appropriately, with Outside Directors freely and openly expressing their opinions based on their careers and expertise, and open and active discussions taking place as a Board of Directors.

Among the challenges identified in the fiscal 2020 effectiveness evaluation, regarding the top management succession plan, although improvement was seen including the Board of Directors sharing the status of discussions at the Nominating Committee, there were some comments that it should still be recognized as a challenge.

Points of improvement for the future

In addition to improving the top management succession plan, which was recognized as an ongoing challenge, it was confirmed that NOF will enhance its efforts to engage in constructive dialogue with shareholders.

Overview of the policy on determining compensation

Under the policy to promote sustainable growth and medium- to long-term enhancement of corporate value based on the Company's Corporate Philosophy and reward Directors for business results and other achievements through an appropriate level of compensation with decisions made through a fair and transparent process, compensation for Directors, excluding Audit and Supervisory Committee members, consists of fixed compensation, bonuses, and stock compensation. In order to maintain incentives, at least a third of the compensation paid is set as performance-linked compensation (bonuses, stock compensation). Compensation for Outside Directors is limited to fixed compensation. In addition, the compensation system, compensation levels, individual compensation, and other such matters are deliberated by the Compensation Committee.

Compensation system

| Compensation | n system |
|-----------------------|--|
| Туре | Deliberation and resolution method |
| Fixed compensation | Calculation methods, etc. of fixed compensation for Directors are deliberated by the Compensation Committee and resolved at the Board of Directors meeting. In addition, with regard to the determination of the specific details of the amount of fixed compensation for each individual director, excluding members of the Audit and Supervisory Committee, a resolution is passed by the Board of Directors after deliberation by the Compensation Committee. |
| Bonuses | Calculation methods, etc. of bonuses for Directors (excluding Outside Directors) are deliberated by the Compensation Committee and resolved at the Board of Directors meeting. The calculation method of the said bonuses is based on consolidated operating income, an important indicator related to the Group's business performance evaluation. The Compensation Committee verifies the said calculation method and the amount paid to Directors (excluding Outside Directors and Audit and Supervisory Committee members) in each term. |
| Stock compensation | Based on the resolution of the 96th Annual General Meeting of Shareholders held on June 27, 2019, a new performance-linked stock compensation plan (Board Benefit Trust) was introduced. At the 98th Annual General Meeting of Shareholders held on June 29, 2021, NOF transitioned to being a company with an Audit and Supervisory Committee. In conjunction with this transition, the plan applies to Directors who concurrently serve as Operating Officers and Operating Officers with a title (excluding Outside Directors and Audit and Supervisory Committee members, hereinafter collectively "Directors, etc."). For each fiscal year, the Directors, etc. are awarded points, the number of which is to be decided taking into account their respective positions, achievement level of their performance, etc. based on the Officer Stock Distribution Rules. Each point awarded to the Directors, etc. is converted into one share of the Company's common stock at the time of the distribution of the Company's shares, etc. (In the event of a stock split, allotment of shares without contribution, or a consolidation of shares, the maximum number of points, the number of points already granted, and the conversion ratio will be reasonably adjusted in accordance with such ratio, etc.) The number of points held by a Director, etc., which will be used as the basis for the distribution of the Company's shares, etc., is, in principle, the number of points awarded to |

The Officer Stock Distribution Rules, which determine the calculation method, etc., which considers such matters as the respective positions and achievement level of performance targets of the Directors, etc., is deliberated by the Compensation Committee and then resolved by the Board of Directors.

the said Director, etc. by the time of his/her retirement.

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Risk Management

Our fundamental view

- 1. The NOF Group comprehensively identifies various management risks surrounding its business, and conducts risk assessment based on the impact and frequency of each factor in order to identify risks that need to be addressed as a priority.
- 2. We work to minimize the impact on management by taking appropriate measures to reduce the impact of risks that have materialized, as well as measures to reduce the probability of occurrence.
- 3. We work to objectively verify the effectiveness of risk countermeasures by periodically conducting risk assessments, while working to recognize and evaluate new risks.
- 4. Under the leadership of the Risk Management Task Force, we promote the risk management of the NOF Group by implementing the above risk management cycle.

Risk management system

The Risk Management Committee, the Compliance Committee, the RC Committee, and the Quality Control Committee analyze management risks, consider countermeasures, and report to the Board of Directors. The Board of Directors receives reports and deliberates as necessary on various business risks, including those related to compliance, information management, and environment and safety, as well as confirmation and evaluation of the comprehensiveness of risks.

We manage and monitor Group companies in accordance with the rules on the management of group companies, and offer advice, as necessary; while any important matters that are deemed to materially impact the subsidiary's assets or profit and loss are approved by the NOF Board of Directors or the Executive Committee.

Confirming "major risks" and identifying "priority risks"

The NOF Group works to comprehensively identify management risks surrounding the Group, considering the characteristics of each business as well as external environments, including political, economic and social changes. In addition, we evaluate the impact and the frequency of occurrence of each identified risk on Group management, confirming major risks and taking appropriate measures against risks identified as "priority risks." which necessitate enhanced resilience.

Flow of Risk Assessment

Conducting a

survey using the

Aggregating

survey results

Workshop by

directors

Completing

a risk map

Identifying

priority risks

- Identify expected risks of the NOF Group and prepare a list of risks
- Prepare a questionnaire sheet for risk evaluation based on the list of risks
- Managers of each department conduct a risk evaluation based on the questionnaire sheet
- Aggregate the survey results and evaluate the impact and frequency of occurrence of risks within the NOF Group
- Directors hold discussions based on the survey results, and confirm the evaluation of the impact and frequency of occurrence of each risk
- Prepare a risk map for the entire NOF Group based on the evaluation of the impact and frequency of occurrence of each risk
- Confirm the major risks in the risk map
- Identify priority risks, based on countermeasure status

Overview of major Risks and Status of Countermeasures (excerpt)

| major risk | Risk description | Ongoing Countermeasures (excerpt) |
|--|--|---|
| Earthquakes/tsunami | Possible interruption of production activities or business activities, including sales and distribution, due to earthquakes, tsunami, or other natural disasters | Formulate a business continuity plan (BCP) Implement internal audits and training regarding the BCP |
| Violation of lawsand regulations | Possible suspension of business activities and possible payments of surcharge, etc. following administrative dispositions taken in response to violations of laws and regulations | Prepare a Global Compliance Manual and country-specific compliance manuals based on the legal systems of each country Establish compliance training and contact points for whistle-blowing/consultation |
| Inadequate governance of overseas bases | Possible decline in trust in the Company due to fraud, such as violations of laws and regulations, as a result of inadequate governance at overseas bases | Develop a system for ensuring the appropriateness of business operations Request a regular report on the state of business execution and financial condition, etc.; conduct business audits |
| Cyberattacks Information system failures | Possible information leaks and interruption of business activities, due to illicit accesses from outside such as cyberattacks and information system failures | Establish the information security management rules and appointed a person responsible for information security management, etc. Implement safety measures at appropriate and rational levels, including development of a defense system against illicit accesses and data backup |
| Fires/explosions | Possible casualties among employees and neighborhood residents, possible suspension of business activities, and possible compensation for damages as a result of large-scale fires and explosion accidents at plants | Reinforce the maintenance of facilities that manufacture hazardous materials, and promote measures for aging facilities Formulate emergency response manuals and implement trainings Implement joint disaster prevention drills and dialogue activities with local municipalities |
| Intellectual property infringement, etc. | Possible compensation for damages and possible orders to suspend manufacturing and shipment, due to infringements of intellectual property rights | Develop a check system for intellectual property management and patent infringement Educate employees on intellectual property including patents and trademarks |
| Technology leaks | Possible decline in the Group's competitiveness, due to leakages of technology and technical information, and similar products/technologies provided by competitors | Establish rules for trade secrets Develop a management system for trade secrets |
| Quality fraud | Possible decline in trust in the Company due to quality fraud, falsification of quality inspection results, and other situations | Ensure strict management of data related to quality control Enlighten and train employees |
| Harassment Human rights abuse | Possible decline in trust in the Company due to human rights abuse, such as abuse of authority and sexual harassment at workplace | Establish the Code of Ethical Conduct and the Compliance Manual Set up consultation desks each staffed with a male consultant and a female consultant |
| Delays in fostering human resources | Possible stall in development of human resources who will be responsible for the growth of the NOF Group, due to a delay in efforts to foster human resources or an unsuccessful human resource development plan | Promote rank-specific trainings for next-generation human resources for specific issues Promote/foster international human resources and human resource rotation |

Compliance

Our fundamental view

NOF and its subsidiaries have developed an internal control system for ensuring adherence to laws and regulations, the Articles of Incorporation, and various internal rules of the Company and appropriateness of business operations. Regarding observance of social norms and laws and regulations, the Company's code of conduct is formally spelled out as the NOF Code of Ethical Conduct, based on the NOF Basic CSR Policy, and the Compliance Committee is established to ensure thorough adherence to the code.

Organizational setup

Regular meetings of the Compliance Committee are held twice every year. The Committee also meets as required when a compliance issues arises, identifies issues, and analyzes countermeasures. The results are reported to the Board of Directors and deliberated as necessary.

Basic CSR Policy

We will fulfill our corporate social responsibility and conduct sustainable business activities.

- 1. We will, each and all, act in accordance with the highest standards of corporate ethics.
- 2. We will respect human rights, and enable a diversity of personnel to demonstrate their abilities.
- 3. We will promote responsible care activities, based on the five kinds of safety.
- 4. We will consider the interests of all our stakeholders.
- 5. We will contribute to society in cooperation with local communities.

Manuals

Compliance Manual

In order to instill a sense of compliance in its executives and employees, the NOF Group has prepared a Compliance Manual, which explains the Code of Ethical Conduct in detail and in easily understood terms. The universal Global Compliance Manual has been published in eleven different languages.

Data Book

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Country-specific compliance manuals

The NOF Group is preparing country-specific compliance manuals based on the legal systems of each country. Following the publication of versions for the U.S.A., China, Indonesia, France, Germany, Belgium, Italy, South Korea, and Brazil where the Group has a large number of employees, the manuals are being utilized in Group companies.

Governance

Contents

Compliance-related training

The NOF Group regularly holds compliance-related training sessions for employees. In fiscal 2021, we continued compliance training for new employees and mid-career hires, as well as ensuring awareness of precautions related to the Act against Delay in Payment of Subcontract Proceeds, Etc. for Subcontractors. In addition, we implemented training on the subcontract act for materials-related personnel of affiliates.

Obtaining information on the enactment and revision of laws and regulations

We have obtained information on the enactment and revision of laws and regulations by utilizing various sources on a continual basis while taking appropriate actions. In order to reduce risk of overlooking information on the enactment and revision of laws and regulations, the whole Group has introduced a system that enables us to automatically receive information on the enactment and revision of laws and regulations by email.

Raising awareness by internal magazine

NOF uses its quarterly internal magazine to help raise employees' awareness of compliance. NOF continues activities to raise awareness through relatable articles using cartoon characters.



Whistle-blowing system

Consultation desks in Japanese, English, Chinese (Simplified Chinese), Korean, Indonesian, and Portuguese have been set up at external thirdparty institutions as contact points for whistle-blowing/consultation in overseas countries where NOF's business bases are located. Employees can contact the desks if they become aware of a violation or potential violation of compliance rules. Persons who report or consult on a violation or potential violation of compliance rules will not be treated disadvantageously because of the report or consultation, and the report or consultation will be handled with confidentiality. This system and contact points are communicated to executives and employees of the Group companies worldwide on a regular basis.

Data Book

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There was one report in fiscal 2021, which concerned an issue related to workplace operation. We conducted investigations on all cases in a swift and careful manner, and have taken corrective and preventive measures.

Basic anti-bribery policy

In today's society, preventing corruption related to business activities is recognized as one of the major issues for companies. NOF set forth the NOF Group's basic anti-bribery policy and announced it in the name of the President. We have also promoted its adoption at the Group companies in each country. We will ensure adherence to anti-bribery and corruption regulations in each country and region that have become increasingly strict in recent years.

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Financial Information



NOF's Financial Information

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Financial Information

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Consolidated business performance indicators

| | | | | | | (Millions of yen) |
|--------------------------------|------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | | 95th fiscal year March 2018 | 96th fiscal year March 2019 | 97th fiscal year March 2020 | 98th fiscal year March 2021 | 99th fiscal year March 2022 |
| Net sales | | 179,935 | 189,152 | 180,917 | 172,645 | 192,642 |
| Ordinary profit | | 27,430 | 30,099 | 28,830 | 28,870 | 37,624 |
| Profit attributable to owners | of parent | 19,913 | 22,034 | 21,140 | 23,302 | 26,690 |
| Comprehensive income | | 25,364 | 19,226 | 11,810 | 31,606 | 28,922 |
| Net assets | | 169,572 | 178,285 | 178,716 | 203,516 | 221,706 |
| Total assets | | 235,874 | 244,533 | 235,248 | 271,536 | 289,630 |
| Net assets per share | (Yen) | 1,980.14 | 2,108.77 | 2,140.98 | 2,448.60 | 2,690.65 |
| Basic earnings per share | (Yen) | 230.96 | 259.29 | 251.72 | 280.49 | 323.77 |
| Diluted earnings per share | (Yen) | - | _ | _ | - | _ |
| Equity-to-asset ratio | (%) | 71.56 | 72.59 | 75.64 | 74.68 | 76.28 |
| Rate of return on equity | (%) | 12.42 | 12.73 | 11.90 | 12.24 | 12.60 |
| Price-earnings ratio | (Times) | 13.62 | 14.54 | 13.63 | 20.64 | 15.50 |
| Net cash provided by operati | ing activities | 20,211 | 19,864 | 27,837 | 30,726 | 27,393 |
| Net cash provided by (used in) |) investing activities | (4,881) | (5,540) | (4,838) | 1,894 | (8,755) |
| Net cash used in financing a | ctivities | (8,490) | (10,814) | (11,287) | (8,042) | (15,312) |
| Cash and cash equivalents | | 36,465 | 39,357 | 50,684 | 76,596 | 81,431 |
| Number of employees | (Number of persons) | 3,721 | 3,725 | 3,718 | 3,755 | 3,787 |

 Diluted net income per share for the period has also been omitted because there was no potentially dilutive common shares. * The Company has introduced the Board Benefit Trust (BBT) on the 97th fiscal year. In the calculation of the Profit per share and net assets per share, The Company's shares held by the Board Benefit Trust (BBT) are included in treasury shares subject to exclusion.

* The Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018) from the beginning of 99th fiscal year. Figures regarding the business performance indicators for the 99th term have been adjusted based on the adoption of the above standards.

Consolidated Balance Sheet

| | | (Millions of yer) |
|--|----------------------|----------------------|
| | As of March 31, 2021 | As of March 31, 2022 |
| Assets | | |
| Current assets | | |
| Cash and deposits | 78,669 | 85,430 |
| Notes and accounts receivable - trade | 39,529 | _ |
| Notes and accounts receivable - trade, and contract assets | - | 42,424 |
| Electronically recorded monetary claims - operating | 2,441 | 2,813 |
| Merchandise and finished goods | 18,860 | 25,655 |
| Work in process | 2,898 | 1,693 |
| Raw materials and supplies | 10,568 | 12,552 |
| Other | 2,415 | 2,937 |
| Allowance for doubtful accounts | (205) | (185) |
| Total current assets | 155,176 | 173,322 |

(Millions of yen)

(Millions of yen)

| | As of March 31, 2021 | As of March 31, 2022 |
|--|----------------------|----------------------|
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 73,842 | 75,771 |
| Accumulated depreciation | (49,891) | (51,758) |
| Buildings and structures, net | 23,951 | 24,013 |
| Machinery, equipment and vehicles | 103,485 | 106,729 |
| Accumulated depreciation | (91,163) | (93,181) |
| Machinery, equipment and vehicles, net | 12,322 | 13,547 |
| Land | 20,327 | 20,706 |
| Leased assets | 426 | 438 |
| Accumulated depreciation | (186) | (242) |
| Leased assets, net | 239 | 196 |
| Construction in progress | 3,291 | 1,423 |
| Other | 15,759 | 16,191 |
| Accumulated depreciation | (13,679) | (14,132) |
| Other, net | 2,080 | 2,058 |
| Total property, plant and equipment | 62,212 | 61,944 |
| Intangible assets | | |
| Other | 989 | 947 |
| Total intangible assets | 989 | 947 |
| Investments and other assets | | |
| Investment securities | 47,744 | 47,812 |
| Long-term loans receivable | 5 | 2 |
| Deferred tax assets | 918 | 985 |
| Retirement benefit asset | 2,856 | 3,148 |
| Other | 1,688 | 1,521 |
| Allowance for doubtful accounts | (54) | (53) |
| Total investments and other assets | 53,158 | 53,416 |
| Total non-current assets | 116,360 | 116,308 |
| Total assets | 271,536 | 289,630 |
| | | |

Consolidated Balance Sheet

| | | (Millions of yen) |
|--|----------------------|----------------------|
| | As of March 31, 2021 | As of March 31, 2022 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 17,129 | 21,262 |
| Electronically recorded obligations - operating | 798 | 584 |
| Short-term borrowings | 1,570 | 1,997 |
| Current portion of long-term borrowings | 5,000 | 2,800 |
| Lease liabilities | 157 | 130 |
| Accrued expenses | 1,487 | 1,514 |
| Income taxes payable | 6,311 | 5,879 |
| Deposits received | 3,801 | 3,803 |
| Provision for bonuses | 3,391 | 3,473 |
| Asset retirement obligations | 156 | 169 |
| Other | 8,553 | 8,853 |
| Total current liabilities | 48,360 | 50,468 |
| Non-current liabilities | | |
| Long-term borrowings | 3,053 | 610 |
| Lease liabilities | 164 | 92 |
| Deferred tax liabilities | 10,625 | 11,117 |
| Provision for officers' retirement benefits | 83 | 48 |
| Provision for retirement benefits for directors (and other officers) | 0 | - |
| Retirement benefit liability | 4,923 | 4,992 |
| Asset retirement obligations | 399 | 388 |
| Other | 411 | 206 |
| Total non-current liabilities | 19,659 | 17,455 |
| Total liabilities | 68,020 | 67,924 |

| | | (Millions of yen) |
|---|----------------------|----------------------|
| | As of March 31, 2021 | As of March 31, 2022 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 17,742 | 17,742 |
| Capital surplus | 15,115 | 15,115 |
| Retained earnings | 154,793 | 166,062 |
| Treasury shares | (7,984) | (3,292) |
| Total shareholders' equity | 179,666 | 195,627 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 24,039 | 24,226 |
| Foreign currency translation adjustment | (967) | 809 |
| Remeasurements of defined benefit plans | 49 | 264 |
| Total accumulated other comprehensive income | 23,121 | 25,300 |
| Non-controlling interests | 727 | 777 |
| Total net assets | 203,516 | 221,706 |
| | | |
| Total liabilities and net assets | 271,536 | 289,630 |
| | | |

(Millions of yen)

Consolidated Statement of Income / Consolidated Statement of Comprehensive Income

(Millions of yen)

Consolidated Statement of Income

| | | (· · · · · · · · · · · · · · · · · · · | | |
|---|-------------------------------------|---|--|--|
| | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 | | |
| Net sales | 172,645 | 192,642 | | |
| Cost of sales | 115,259 | 123,713 | | |
| Gross profit | 57,385 | 68,928 | | |
| Selling, general and administrative expenses | 30,783 | 33,333 | | |
| Operating profit | 26,602 | 35,595 | | |
| Non-operating income | | | | |
| Interest income | 83 | 137 | | |
| Dividend income | 1,108 | 993 | | |
| Rental income from real estate | 267 | 272 | | |
| Foreign exchange gains | 237 | 681 | | |
| Other | 1,044 | 457 | | |
| Total non-operating income | 2,741 | 2,543 | | |
| Non-operating expenses | | · · · · · · · · · · · · · · · · · · · | | |
| Interest expenses | 61 | 60 | | |
| Expenses for conditional assignment | 28 | 29 | | |
| Rental expenses on real estate | 80 | 85 | | |
| Expenses for disposal of fixed assets | 183 | 156 | | |
| Other | 118 | 182 | | |
| Total non-operating expenses | 472 | 514 | | |
| Ordinary profit | 28,870 | 37,624 | | |
| Extraordinary income | | | | |
| Gain on sale of non-current assets | 11 | 1,154 | | |
| Gain on sale of investment securities | 5,408 | 63 | | |
| Total extraordinary income | 5,420 | 1,218 | | |
| Extraordinary losses | | | | |
| Loss on sale of non-current assets | 4 | 0 | | |
| Impairment losses | 45 | 51 | | |
| Loss on retirement of non-current assets | 37 | 51 | | |
| Loss on tax purpose reduction entry of non-current assets | _ | 697 | | |
| Loss on sale of investment securities | 32 | 44 | | |
| Loss on valuation of investment securities | 12 | - | | |
| Settlement payments | 48 | - | | |
| Other | _ | 18 | | |
| Total extraordinary losses | 181 | 864 | | |

Consolidated Statement of Income (Continued)

| | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 |
|--|-------------------------------------|-------------------------------------|
| Profit before income taxes | 34,109 | 37,977 |
| Income taxes - current | 10,598 | 11,026 |
| Income taxes - deferred | 195 | 228 |
| Total income taxes | 10,794 | 11,255 |
| Profit | 23,315 | 26,722 |
| Profit attributable to non-controlling interests | 13 | 31 |
| Profit attributable to owners of parent | 23,302 | 26,690 |

Consolidated Statement of Comprehensive Income (Millions of yen)

| | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 |
|---|-------------------------------------|-------------------------------------|
| Profit | 23,315 | 26,722 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 7,112 | 185 |
| Foreign currency translation adjustment | (150) | 1,796 |
| Remeasurements of defined benefit plans, net of tax | 1,329 | 217 |
| Total other comprehensive income | 8,291 | 2,200 |
| Comprehensive income | 31,606 | 28,922 |
| Comprehensive income attributable to | | |
| Owners of parent | 31,655 | 28,869 |
| Non-controlling interests | (48) | 52 |

(Millions of yen)

NOF CORPORATION Integrated report 2022

Consolidated Statement of Changes in Net Assets

| | | | | | | | | | | | (Millions of yen) |
|---|----------------------|--------------------|----------------------|--------------------|--|---|---|---|--|--------------------------|-------------------|
| | Shareholders' equity | | | | Accumulated other comprehensive income | | | Non- | Total | | |
| (For the Year Ended March 31, 2021) | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | controlling interests | net assets |
| Balance at beginning of period | 17,742 | 15,115 | 136,643 | (6,333) | 163,167 | 16,933 | (883) | (1,280) | 14,768 | 780 | 178,716 |
| Cumulative effects of changes in accounting policies | | | | | _ | | | | | | _ |
| Restated balance | 17,742 | 15,115 | 136,643 | (6,333) | 163,167 | 16,933 | (883) | (1,280) | 14,768 | 780 | 178,716 |
| Changes during period | | | | | | | | | | | |
| Dividends of surplus | | | (6,486) | | (6,486) | | | | | | (6,486) |
| Profit attributable to owners of parent | | | 23,302 | | 23,302 | | | | | | 23,302 |
| Purchase of treasury shares | | | | (1,655) | (1,655) | | | | | | (1,655) |
| Disposal of treasury shares | | | | 4 | 4 | | | | | | 4 |
| Cancellation of treasury shares | | | | | _ | | | | | | _ |
| Change in scope of consolidation | | | 1,334 | | 1,334 | | | | | | 1,334 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | 0 | | | 0 | | | | | | 0 |
| Net changes in items other than shareholders' equity | | | | | | 7,106 | (83) | 1,330 | 8,352 | (52) | 8,300 |
| Total changes during period | _ | 0 | 18,150 | (1,650) | 16,499 | 7,106 | (83) | 1,330 | 8,352 | (52) | 24,799 |
| Balance at end of period | 17,742 | 15,115 | 154,793 | (7,984) | 179,666 | 24,039 | (967) | 49 | 23,121 | 727 | 203,516 |

| | | | Shareholders' e | quity | | Accumulated other comprehensive income | | | Non- | T | |
|---|------------------|--------------------|----------------------|--------------------|----------------------------------|---|---|---|--|-------------|---------------------|
| (For the Year Ended March 31, 2022) | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | controlling | Total net assets |
| Balance at beginning of period | 17,742 | 15,115 | 154,793 | (7,984) | 179,666 | 24,039 | (967) | 49 | 23,121 | 727 | 203,516 |
| Cumulative effects of changes in accounting policies | | | 73 | | 73 | | | | | | 73 |
| Restated balance | 17,742 | 15,115 | 154,867 | (7,984) | 179,740 | 24,039 | (967) | 49 | 23,121 | 727 | 203,589 |
| Changes during period | | | | | | | | | | | |
| Dividends of surplus | | | (6,943) | | (6,943) | | | | | | (6,943) |
| Profit attributable to owners of parent | | | 26,690 | | 26,690 | | | | | | 26,690 |
| Purchase of treasury shares | | | | (3,871) | (3,871) | | | | | | (3,871) |
| Disposal of treasury shares | | | | 10 | 10 | | | | | | 10 |
| Cancellation of treasury shares | | | (8,552) | 8,552 | _ | | | | | | _ |
| Change in scope of consolidation | | | | | _ | | | | | | _ |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | _ | | | | | | _ |
| Net changes in items other than shareholders' equity | | | | | | 186 | 1,777 | 215 | 2,179 | 49 | 2,229 |
| Total changes during period | _ | _ | 11,194 | 4,692 | 15,887 | 186 | 1,777 | 215 | 2,179 | 49 | 18,116 |
| Balance at end of period | 17,742 | 15,115 | 166,062 | (3,292) | 195,627 | 24,226 | 809 | 264 | 25,300 | 777 | 221,706 |

Consolidated Statement of Cash Flows

| | | (Millions of yen) |
|---|-------------------------------------|-------------------------------------|
| | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 |
| Cash flows from operating activities | | |
| Profit before income taxes | 34,109 | 37,977 |
| Depreciation | 5,553 | 5,909 |
| Impairment losses | 45 | 51 |
| Decrease in retirement benefit liability | (0) | (21) |
| Interest and dividend income | (1,191) | (1,131) |
| Interest expenses | 61 | 60 |
| Gain on sale of non-current assets | (6) | (1,154) |
| Loss on tax purpose reduction entry of non-current assets | _ | 697 |
| Loss on valuation of investment securities | 12 | _ |
| Gain on sale of investment securities | (5,376) | (18) |
| Increase in trade receivables | (561) | (2,494) |
| Decrease (increase) in inventories | 2,742 | (7,301) |
| Increase in trade payables | 1,656 | 3,088 |
| Other, net | 832 | 2,250 |
| Subtotal | 37,876 | 37,915 |
| Interest and dividends received | 1,192 | 1,113 |
| Interest paid | (61) | (61) |
| Income taxes paid | (8,335) | (11,574) |
| Proceeds from insurance income | 54 | _ |
| Net cash provided by operating activities | 30,726 | 27,393 |

| | | (Millions of yen) |
|---|-------------------------------------|-------------------------------------|
| | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 |
| Cash flows from investing activities | | |
| Purchase of investment securities | (27) | (29) |
| Proceeds from sale of investment securities | 8,837 | 246 |
| Purchase of property, plant and equipment and intangible assets | (5,982) | (7,416) |
| Proceeds from sale of property, plant and equipment and intangible assets | 11 | 136 |
| Net decrease (increase) in short-term loans receivable | 149 | (120) |
| Long-term loan advances | (8) | - |
| Proceeds from collection of long-term loans receivable | 3 | 4 |
| Other, net | (1,090) | (1,577) |
| Net cash provided by (used in) investing activities | 1,894 | (8,755) |
| Cash flows from financing activities | | |
| Net increase in short-term borrowings | 247 | 308 |
| Proceeds from long-term borrowings | _ | 329 |
| Repayments of long-term borrowings | (0) | (5,000) |
| Proceeds from sale of treasury shares | _ | 2 |
| Purchase of treasury shares | (1,655) | (3,871) |
| Purchase of treasury shares of subsidiaries | (1) | _ |
| Repayments of finance lease liabilities | (166) | (159) |
| Dividends paid | (6,465) | (6,919) |
| Dividends paid to non-controlling interests | (2) | (2) |
| Net cash used in financing activities | (8,042) | (15,312) |
| | | |
| Effect of exchange rate change on cash and cash equivalents | (40) | 1,510 |
| Net increase in cash and cash equivalents | 24,537 | 4,835 |
| Cash and cash equivalents at beginning of period | 50,684 | 76,596 |
| Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation | 1,374 | - |
| Cash and cash equivalents at end of period | 76,596 | 81,431 |

Corporate Information

(As of March 31, 2022)

Name NOF CORPORATION

Head Office 20-3 Ebisu 4-chome, Shibuya-ku, Tokyo, Japan

Established June 1, 1937

Incorporated July 1, 1949

Capital ¥17,742 million

Employees

1,737 (consolidated: 3,787)

Consolidated subsidiary

25 subsidiaries

Accounting Auditor

Ernst & Young ShinNihon LLC

Stock Information

(As of March 31, 2022)

Listed Stock Exchange

Tokyo Stock Exchange, Prime Market

| Securities Code 4403 | Number of Shareholders 12,565 |
|--|-------------------------------------|
| Total Number of Authorized 347,000,000 | Shares |
| Total Number of | Shares Issued |
| 82,157,663 (Excluding 683 | ,713 treasury shares) |

Status of Major Shareholders

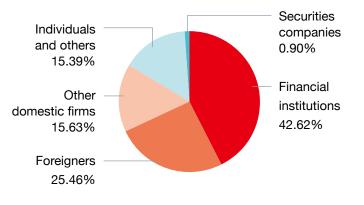
| Name / Company Name | Number of Shares Owned | Percentage (%) |
|--|------------------------|----------------|
| The Master Trust Bank of Japan, Ltd. (Trust account) | 17,709 | 21.55 |
| Custody Bank of Japan, Ltd. (Trust Account) | 4,556 | 5.54 |
| Meiji Yasuda Life Insurance Company | 3,128 | 3.80 |
| Mizuho Bank, Ltd. | 1,926 | 2.34 |
| NOF Shineikai | 1,797 | 2.18 |
| MSCO CUSTOMER SECURITIES | 1,743 | 2.12 |
| BNYM AS AGT/CLTS 10 PERCENT | 1,428 | 1.73 |
| NOF Kyoeikai | 1,375 | 1.67 |
| The Nomura Trust and Banking Co., Ltd. (Trust account) | 1,261 | 1.53 |
| Sompo Japan Insurance Inc. | 1,110 | 1.35 |

* The number of shares is rounded down to the nearest thousand shares.

* Percentage of ownership excludes 683,713 shares of treasury stock.

* Percentage of ownership is rounded down to the second decimal place.

Distribution of shares by type of shareholde



Editorial Policy

To demonstrate the sustainable growth of the NOF Group to our broad range of stakeholders, this report mainly focuses on management strategies, business overview, financial information, and non-financial information (E: Environmental, S: Social, G: Governance), among other matters. Information that is not included in this report will be published on our website as the ESG DATA BOOK, which complements the information in this report.

We regard this report as a tool for dialogue with our stakeholders and will strive to enrich the content.

Reporting Period

Fiscal 2021

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

* Activities or information before or after the reporting period have also been included if considered necessary for deepening readers' understanding.

Published

September 2022

The next report is scheduled to be published in September 2023 (the previous report was published in October 2021)

Guidelines Referenced

ISO26000: 2010 Guidance on Social Responsibility, Japanese Standards Association GRI Sustainability Reporting Guidelines Standard

Scope of the Report

The Report covers the entire NOF Group.

If it is necessary to specify the scope of coverage, the following terms are used.

- The terms "NOF Group" and "Our Group" are used to refer to the whole Group.
- The terms "NOF" and "Our Company" are used to refer to NOF CORPO-RATION alone.

Disclaime

This Report contains forward-looking statements based on management plans and expectations at the time of publication, as well as past and present facts regarding the NOF Group. These forward-looking statements comprise assumptions and judgments based on currently available information, and thus the actual events and outcome of future business activities may differ from those predicted due to changes in various conditions.

For more information

NOF website

www.nof.co.jp/english



CSR Information www.nof.co.jp/english/csr



Investor Information

www.nof.co.jp/english/ir



Naruhodo NOF!

www.nof.co.jp/contents/about/



Corporate Governance Report

www.nof.co.jp/files/ir/english/home/corporate_governance.pdf

Annual Securities Report

www.nof.co.jp/english/ir/library/financial-statements

ESG DATA BOOK

www.nof.co.jp/english/csr/detail/416

Please see the ESG DATA BOOK for the GRI Standards Content Index.

8 NOF CORPORATION • Yebisu Garden Place Tower, 20-3 Ebisu 4-chome, Shibuya-ku, Tokyo, 150-6019, Japan L https://www.nof.co.jp/english Inquiries : Corporate Planning & Strategy Department **\$\$ +81-3-5424-6626**, (Fax:+81-3-5424-6804) **\$\$ g_rce@nof.co.jp** * Our corporate name and marks are registered trademarks of NOF CORPORATION in Japan and several other countries. * The product names which are marked "®" in this Report are registered trademarks of NOF CORPORATION in Japan except for those with notices. 0 \cap **TIXI**

