

Presentation Material

Financial Results

For the Second Quarter Ended September 30, 2023

November 17, 2023

 **NOF CORPORATION**

Agenda

1. Financial Results for the Second Quarter Ended September 30, 2023
2. Full Year Forecast for the Fiscal Year Ending March 31, 2024

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1. Financial Results for the Second Quarter Ended September 30, 2023
2. Full Year Forecast for the Fiscal Year Ending March 31, 2024

Comparative Income Statement(Consolidated)

- ◆ Demand declined in the Functional Chemicals Segment due to a difficult business environment
- ◆ Remain Steady in the Pharmaceuticals, Medicals and Health Segment

[¥100 million]

	FY2022-2Q	FY2023-2Q	Change	
	Apr-Sep	Apr-Sep	Amount	%
Net sales	1,038	1,018	(20)	(1.9%)
Gross profit	376	380	5	1.2%
% of Net Sales	36.2%	37.4%		
SG&A *1	171	180	8	
Operating income	204	201	(4)	(1.9%)
% of Net Sales	19.7%	19.7%		
Non-operating income/loss	21	22	1	
Ordinary income	226	223	(3)	(1.4%)
Extraordinary income/loss	26	12	(14)	
Net income before taxes and other adjustments	251	234	(17)	(6.7%)
Taxes and other adjustments	77	71	(6)	
Net income*2	174	163	(11)	(6.4%)

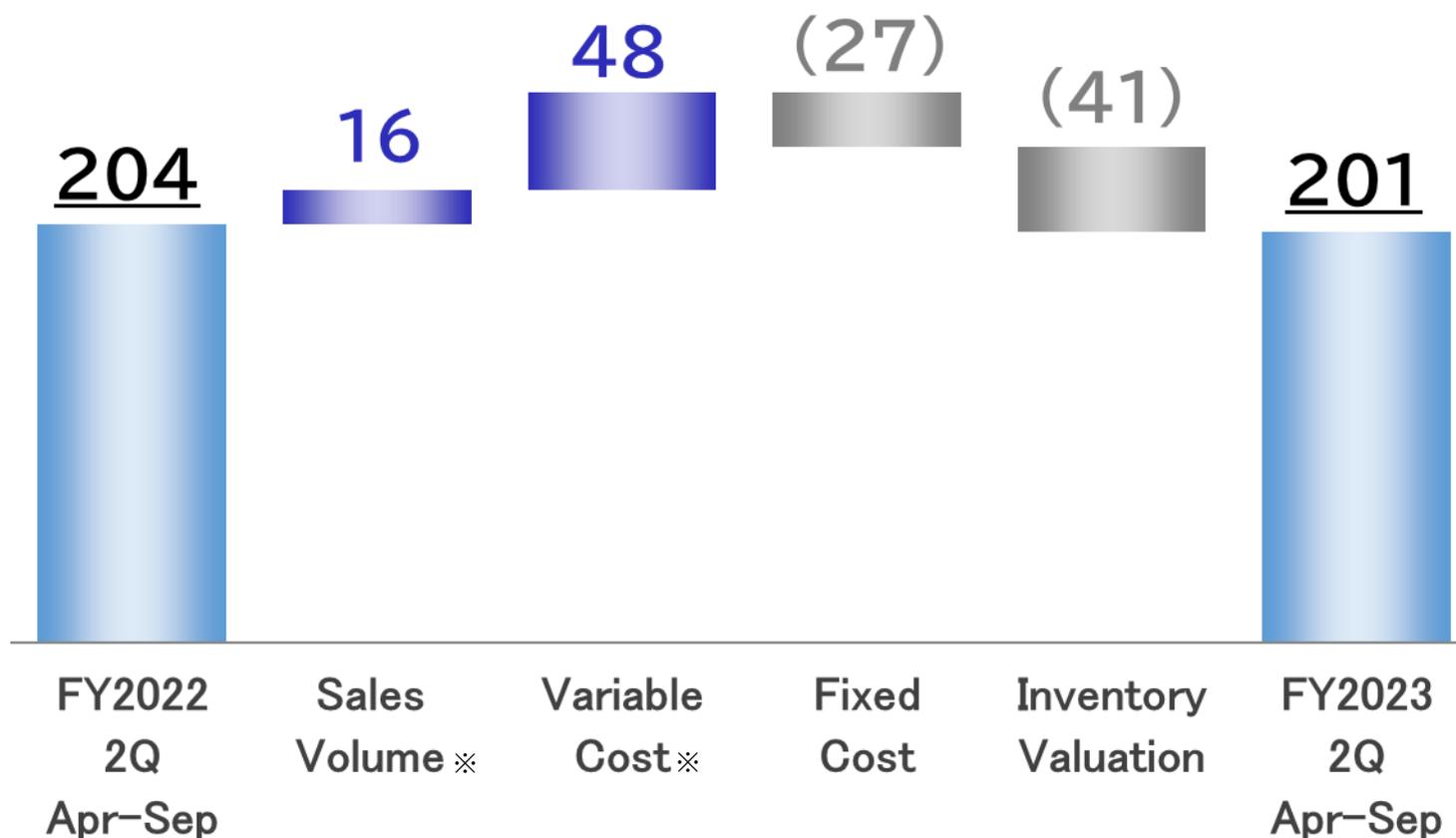
*1 SG&A=Selling, general and administrative expenses

*2 Net income=Net income attributable to owners of parent

Changes in Operating Income

(2Q FY2023 Actual vs. 2Q FY2022 Actual)

[¥100 million]



※Foreign exchange impact of +0.9 billion yen in sales volume and variable costs

Functional Chemicals Segment Results

Overview of the Second Quarter of FY2023

[¥100 million]

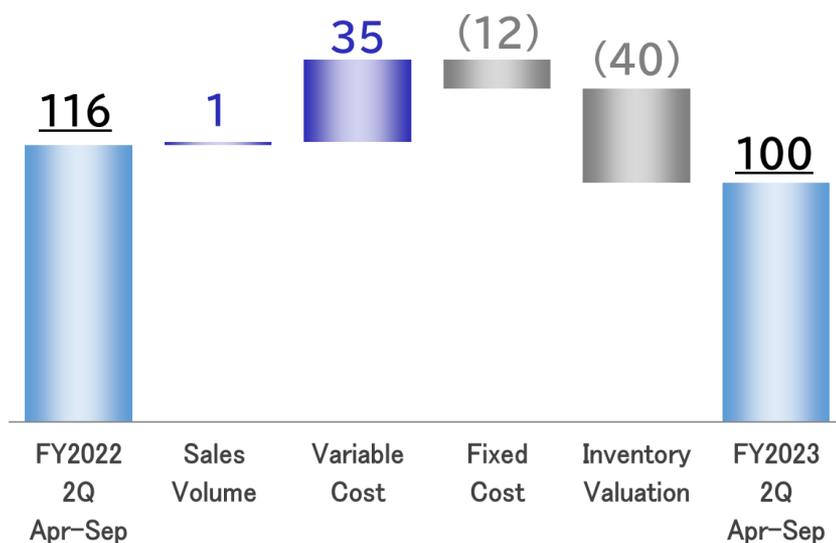
	FY2022-2Q Apr-Sep	FY2023-2Q Apr-Sep	Change
Net sales	672	637	(35)
Op.income*	116	100	(16)
% of Net Sales	17.3%	15.7%	

* Op.income=Operating income

The consolidated subsidiary NOF EUROPE GmbH was previously included in the Functional Chemicals segment, it is now shown in the Pharmaceuticals, Medicals and Health segment.

The year-on-year comparisons are based on figures that were reclassified to reflect the changes to the reportable segments.

Analysis of Changes in operating income



- ◆ Decrease in sales and income
- ◆ Decline in demand in a difficult business environment

Main Factors of Sales (YOY)

- Special anti-corrosion agents
⇒ Firm demand in the overseas automobile industry
- Surfactants
⇒ Decline in demand for toiletries
⇒ Firm demand for cosmetic raw materials
- Fatty acid derivatives
⇒ Decline in demand for environmental energy-related products in Asia

※ Foreign exchange impact of (0.1) billion yen in sales volume and variable costs

Pharmaceuticals, Medicals and Health Segment Results

Overview of the Second Quarter of FY2023

[¥100 million]

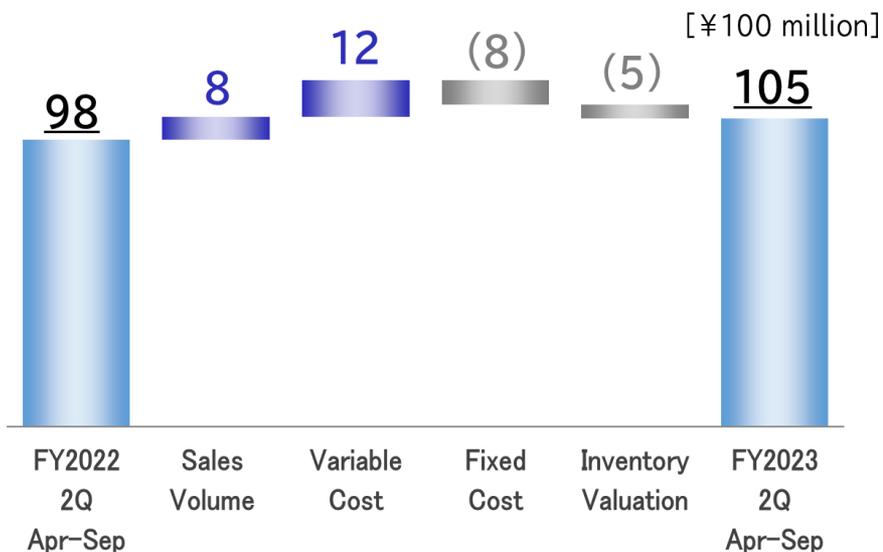
	FY2022-2Q Apr-Sep	FY2023-2Q Apr-Sep	Change
Net sales	264	264	0
Op.income*	98	105	7
% of Net Sales	37.0%	39.8%	

* Op.income=Operating income

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Analysis of Changes in operating income



- ◆ Increase in sales and income
- ◆ Foreign exchange impact in the Life Science business

Main Factors of Sales (YOY)

- Raw materials for DDS drug formulations
 - ⇒ Firm demand in the United States and Europe
 - ⇒ Foreign exchange impact on foreign currencies-denominated sales
- Processed edible oil/Functional food materials
 - ⇒ Despite subdued demand, sales prices being revised in response to surging raw material and fuel prices
- Biocompatible materials
 - ⇒ Decline in demand for MPC related products

※ Foreign exchange impact of +1 billion yen in sales volume and variable costs

Explosives & Propulsion Segment Results

Overview of the Second Quarter of FY2023

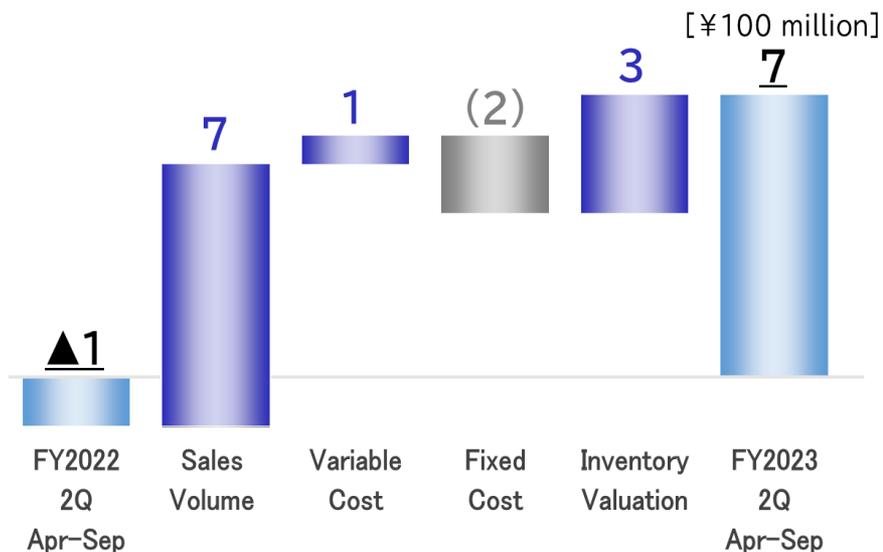
[¥100 million]

	FY2022-2Q Apr-Sep	FY2023-2Q Apr-Sep	Change
Net sales	100	114	15
Op.income*	(1)	7	9
% of Net Sales	(1.3%)	6.5%	

* Op.income=Operating income

- ◆ Increase in sales and income
- ◆ The impact of the Taketoyo Plant accident on our consolidated business results was negligible.

Analysis of Changes in operating income



Main Factors of Sales (YOY)

- Defense-related products
⇒ Sales increased
- Space-related products
⇒ Sales increased due to an increase in demand for rocket products
- Industrial explosives
⇒ Sales increased
- Functional products
⇒ Sales decreased

Performance Trends

(First half of FY2023)

Segment	Products	Net sales trends	Operating income trends	Major factors of changes in operating income
Functional Chemicals	Surfactants			Decline in demand for toiletries
	Fatty acid derivatives			Decline in demand for environmental energy-related products in Asia
	Special anti-corrosion agents			Same level as previous year due to the impact of raw materials and fuel despite firm demand in the overseas automobile industry
Pharmaceuticals, Medicals and Health	Raw materials for DDS drug formulations			Firm demand in the United States and Europe as well as favorable foreign exchange impact
	Processed edible oil Functional food materials			Sales prices being revised in response to surging raw material and fuel prices
Explosives & Propulsion	Defense-related products			Increase in sales
	Space-related products			Increase in demand for rocket products

Comparative Balance Sheets(Consolidated)

[¥100 million]

	Mar. 31 2023	Sep. 30 2023	Change		Mar. 31 2023	Sep. 30 2023	Change
Cash and time deposits	925	941	16	Notes and accounts payable	197	215	18
Notes and accounts receivable	490	481	(9)	Interest-bearing debt	48	49	0
Inventories	497	529	32	Deferred tax liabilities	98	112	14
Other current assets	25	32	6	Other liabilities	350	329	(21)
Property, plant and equipment and Intangible assets	650	718	68	Total Liabilities	694	705	11
Investments securities	447	482	35	Total shareholder's equity	2,146	2,237	92
Other long-term assets	60	59	(1)	Accumulated other comprehensive income	246	291	45
				Non-controlling interests	8	9	0
				Total Net Assets	2,400	2,537	137
Total Assets	3,094	3,242	148	Total Liabilities and Total Net Assets	3,094	3,242	148

Statements of Cash Flows(Consolidated)

	[¥100 million]	
	FY2022-2Q Apr-Sep	FY2023-2Q Apr-Sep
1. Cash flows from operating activities	112	145
2. Cash flows from investing activities	1	(71)
3. Cash flows from financing activities	(77)	(73)
Increase(Decrease) in borrowing	(13)	(1)
Purchase of treasury stock	(25)	(25)
Cash dividends paid	(38)	(47)
others	(1)	(0)
4. Others	15	10
Total of 1~4	50	11
5. Cash and cash equivalents at end of period	865	902
Free Cash Flow	113	74

Financial Indicators

		FY2022-2Q Apr-Sep	FY2023-2Q Apr-Sep	Change
Ratio of operating income to net sales	[%]	19.7	19.7	0.0
Ratio of ordinary income to net sales	[%]	21.8	21.9	0.1
Debt to Equity ratio	[X]	0.02	0.02	0.0
Net income attributable to owners of parent per share	[¥]	213.4	202.9	(10.5)
Net assets per share	[¥]	2,830.8	2,975.3	144.5
Our stock price (end of September)	[¥]	5,220	5,976	
cf. Nikkei stock average		25,937	31,858	
Price book-value ratio	[X]	1.84	2.01	0.17

Agenda

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2. Full Year Forecast for the Fiscal Year Ending March 31, 2024

Expected business environment in FY2023

- Elevated prices of raw materials and fuel, persistent global inflation, and financial disruption
- The impact of a downturn caused by the prolongation of the slump in the Chinese economy, even though domestic economic conditions is gradually recovering
- Continuation of yen depreciation

		FY2022 Actual	FY2023 Forecast May.11	FY2023 Forecast Nov.1
Palm oil*	USD/MT	1,150	950	950
Domestically produced naphtha	JPY/KL	76,500	69,000	69,000
Exchange rates	JPY/USD	135	130	145
	JPY/EUR	141	140	155

* FOB Malaysia

Full Year Revised Forecast for FY2023

- ◆ Operating income, ordinary income, and net income forecasts have been revised upward from those announced in May.

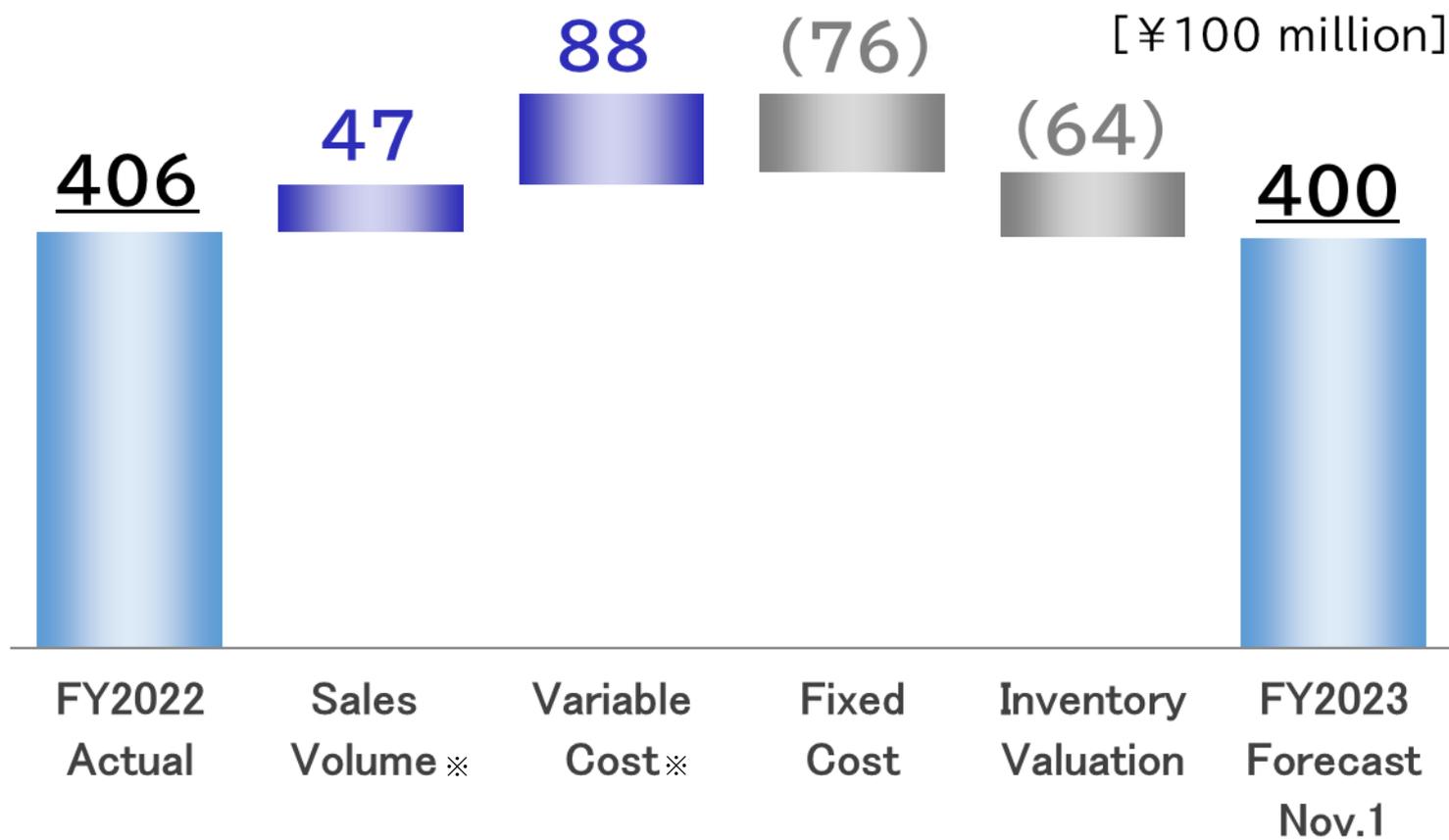
[¥100 million]

	FY2022 Actual	FY2023 Forecast May.11	FY2023 Forecast Nov.1	Change	
				Amount	%
Net sales	2,177	2,300	2,200	(100)	(4.3%)
Operating income	406	370	400	30	8.1%
% of Net Sales	18.7%	16.1%	18.2%		
Ordinary income	432	380	425	45	11.8%
Net income*	340	284	325	41	14.4%
Net income per share	¥417.0	¥351.5	¥404.0	¥52.5	

* Net income=Net income attributable to owners of parent

Changes in Operating Income

(FY 2023 Forecast Nov.1 vs. FY 2022 Actual)



※Foreign exchange impact of +1.7 billion yen in sales volume and variable costs

Functional Chemicals Segment

Forecast for FY2023

[¥100 million]

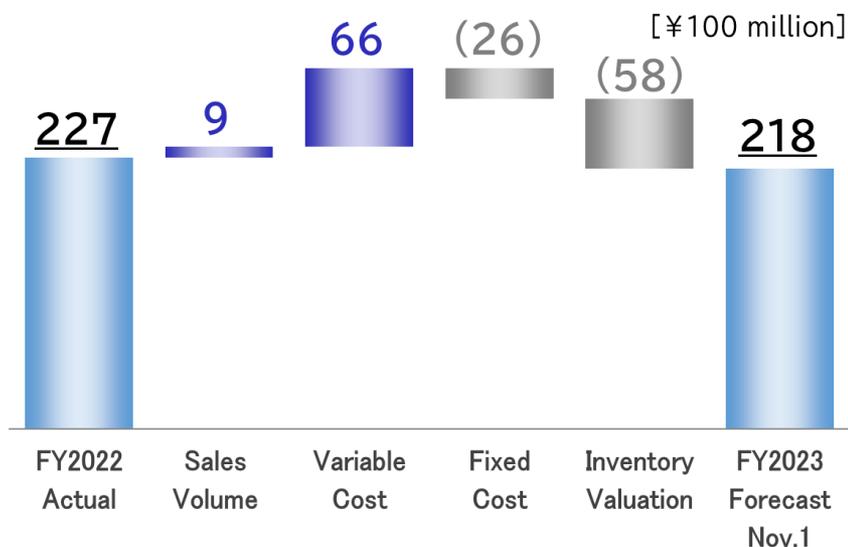
	FY2022 Actual	FY2023 Forecast Nov.1	Change
Net sales	1,360	1,325	(35)
Op.income*	227	218	(9)
% of Net Sales	16.7%	16.5%	

* Op.income=Operating income

The consolidated subsidiary NOF EUROPE GmbH was previously included in the Functional Chemicals segment, it is now shown in the Pharmaceuticals, Medicals and Health segment.

The year-on-year comparisons are based on figures that were reclassified to reflect the changes to the reportable segments.

Analysis of Changes in operating income



- ◆ Decrease in sales and income
- ◆ Continuation of difficult business environment from the first half

Sales Trend (YOY)

- Special anti-corrosion agents
⇒Firm demand in the overseas automobile industry
- Surfactants
⇒Weak demand for toiletries
⇒Firm demand for cosmetic raw materials
- Fatty acid derivatives
⇒Weak demand for environmental energy-related products in Asia

※Foreign exchange impact of (0.1) billion yen in sales volume and variable costs

Pharmaceuticals, Medicals and Health Segment

Forecast for FY2023

[¥100 million]

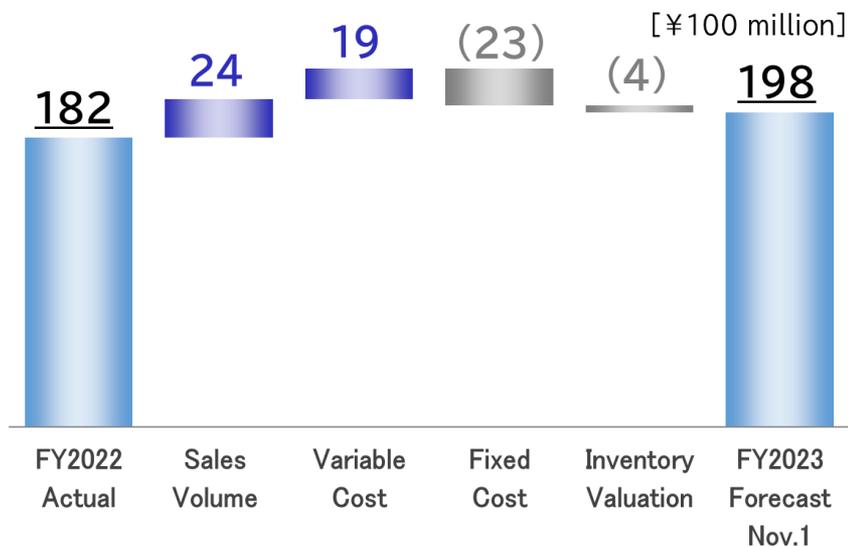
	FY2022 Actual	FY2023 Forecast Nov.1	Change
Net sales	514	529	15
Op.income*	182	198	16
% of Net Sales	35.5%	37.4%	

* Op.income=Operating income

The consolidated subsidiary NOF EUROPE GmbH was previously included in the Functional Chemicals segment, it is now shown in the Pharmaceuticals, Medicals and Health segment.

The year-on-year comparisons are based on figures that were reclassified to reflect the changes to the reportable segments.

Analysis of Changes in operating income



- ◆ Increase in sales and income
- ◆ Steady growth in the second half

Sales Trend (YOY)

- Raw materials for DDS drug formulations
 - ⇒ Firm demand in the United States and Europe
 - ⇒ Foreign exchange impact on foreign currencies-denominated sales
- Processed edible oil/Functional food materials
 - ⇒ Firm demand
- Biocompatible materials
 - ⇒ Weak demand for MPC related products

※ Foreign exchange impact of +1.8 billion yen in sales volume and variable costs

Explosives & Propulsion Segment Forecast

Forecast for FY2023

[¥100 million]

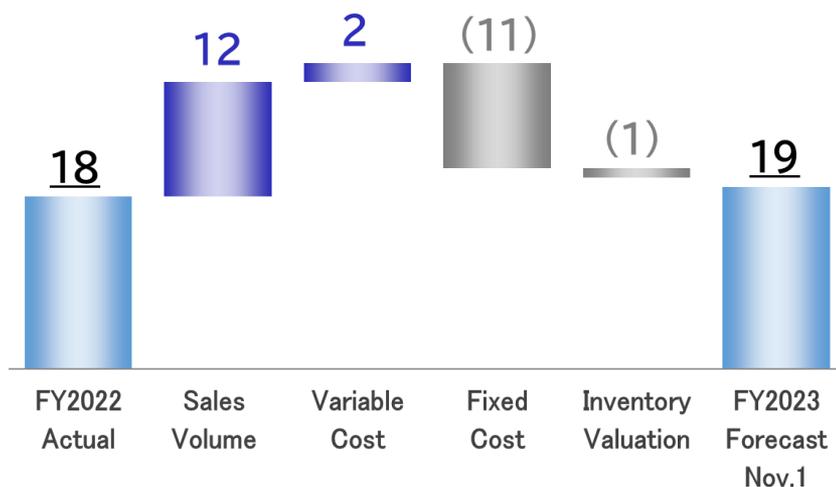
	FY2022 Actual	FY2023 Forecast Nov.1	Change
Net sales	299	342	43
Op.income*	18	19	1
% of Net Sales	5.9%	5.6%	

* Op.income=Operating income

- ◆ Increase in sales and income
- ◆ The impact of the Taketoyo Plant accident on our consolidated business results for the current fiscal year is negligible.

Analysis of Changes in operating income

[¥100 million]



Sales Trend (YOY)

- Defense-related products
⇒ Sales are expected to increase
- Space-related products
⇒ Sales are expected to remain at the same level as the previous year

Changes in Operating Income by Segment

(FY 2023 Forecast Nov.1 vs. FY 2023 Forecast May.11)

[¥100 million]

Segment	FY2023 Forecast May.11	Changes				Total	FY2023 Forecast Nov.1
		Sales Volume	Variable Cost	Fixed Cost	Inventory Valuation		
Functional Chemicals	228	(41) ※1	37 ※1	1	(6)	(10)	218
Pharmaceuticals, Medicals and Health	164	17 ※2	12 ※2	5	0	34	198
Explosives & Propulsion	15	5	1	1	(2)	4	19
Others	(37)	(1)	—	3	—	2	(35)
Total	370	(21) ※3	50 ※3	9	(8)	30	400

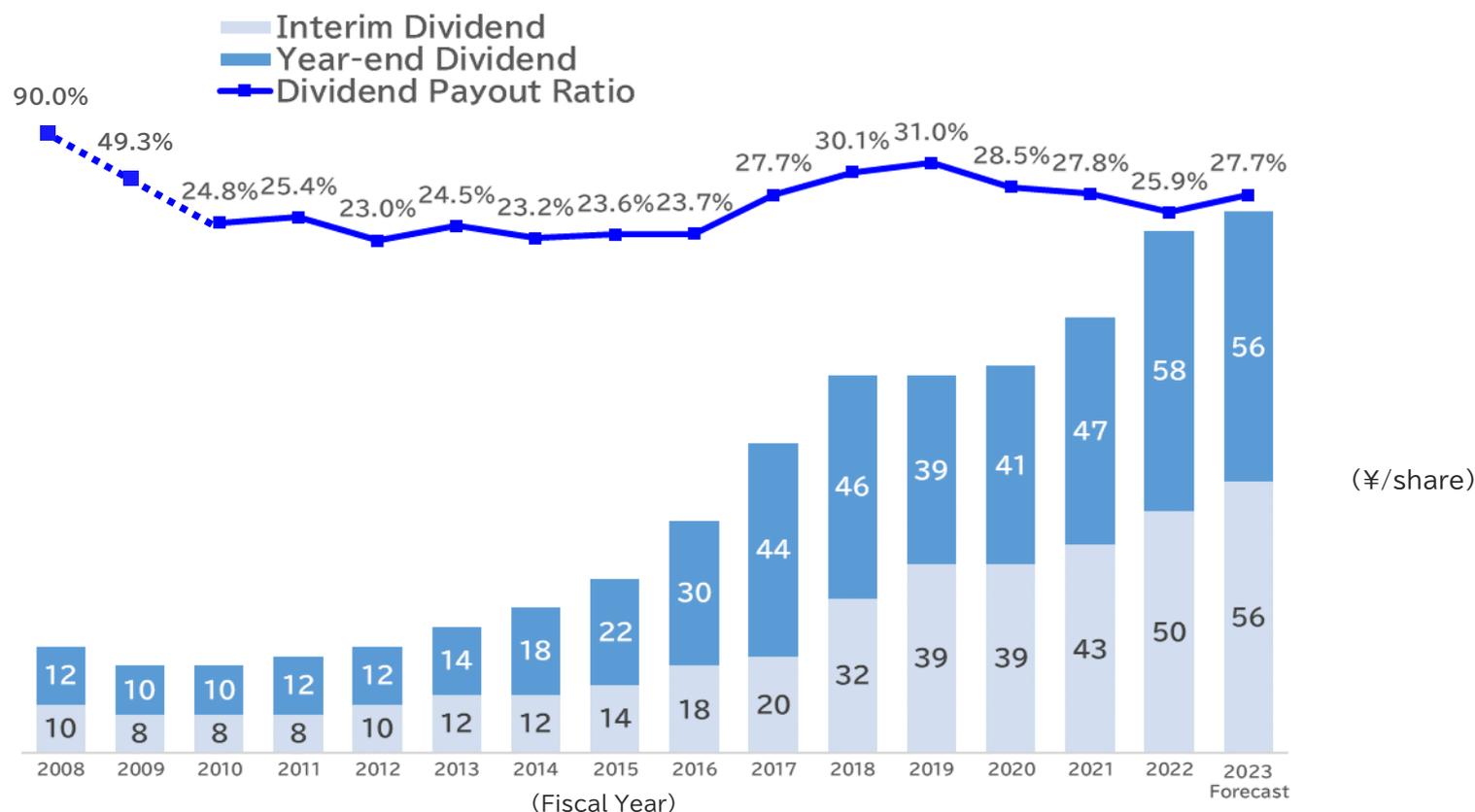
※1 Foreign exchange impact of +0.1 billion yen in sales volume and variable costs

※2 Foreign exchange impact of +1.9 billion yen in sales volume and variable costs

※3 Foreign exchange impact of +2.0 billion yen in sales volume and variable costs

Shareholder Returns

- ◆ Annual dividend per share forecast rises from ¥108 to ¥112
- ◆ Continuing to pay progressive dividends since FY2009
- ◆ ¥3 billion share buyback(November 2, 2023 -January 31, 2024)
- ◆ The total return ratio of 50% as the target level



NOF conducted a reverse stock split on October 1, 2017, at a ratio of 1 share for every 2 shares of common stock. The dividends prior to the interim dividend of fiscal year 2017 in the above graph are indicated in the amount assuming a share consolidation of one share for every two common shares.

- This material is intended to provide an explanation of the company and its business, not to induce investment or any other action.
- The results forecasts presented in this document are based upon currently available information and assumptions deemed rational. A variety of factors could cause actual results to differ materially from forecasts.
- Please be aware that decisions regarding investments are the responsibility of the users themselves.
- Please note that, in this material, amounts less than ¥100 million have been rounded off.

Contact us : NOF CORPORATION

Investor Relations Office

Corporate Communications Dept.

Address : 20-3,EBISU 4-CHOME,SHIBUYA-KU,TOKYO 150-6012

E-mail : iroffice@nof.co.jp

Homepage : <http://www.nof.co.jp>