

Achieve flexible management with an awareness of strategic investments and capital efficiency

Toshiaki Sakaino

Executive Operating Officer and CFO

Promoting a strategy balancing both growth and soundness

My name is Toshiaki Sakaino, and I was appointed to the position of CFO effective June 26, 2026. Since joining the Company in 1992, I have been mainly engaged in planning and administrative work in business divisions and overseas subsidiaries. I worked on company-wide issues as General Manager of the Corporate Planning & Strategy Department for two years from 2024, and now I keenly feel the weight of my responsibilities as CFO.

With our aim of achieving “NOF VISION 2030,” we went from the “Strengthening Foundation” stage of the 2022 Mid-term Management Plan, through the “Expanding Profit” stage of the 2025 Mid-term Management Plan, and now the first year of the 2028 Mid-term Management Plan—the “Business Domain Expansion” stage—has started. With major changes occurring in the business environment, the role of the CFO here is to determine the optimal allocation of management resources, by assessing the balance between capital efficiency, profitability, investment in growth, and risk management. And I believe it is also to disseminate our value creation story in an easy-to-understand manner to stakeholders, both inside and outside the Company. Our Company has long viewed “diversity,” where each segment grows existing businesses across a broad range of operations while also expanding into new fields, as a strength. We will promote a financial strategy for the future by balancing both investment in growth and financial soundness and working to achieve the target of ROE of 15% or more set forth in “NOF VISION 2030,” with the aim of achieving not only short-term results but also the enhancement of corporate value

Message from the CFO

over the medium to long term.

The NOF Group is currently conducting business activities as a comprehensive chemical manufacturer positioned in the “midstream” sector, centered mainly on various raw materials and functional materials, while focusing on the three prioritized business fields. The chemical industry is facing a wide variety of risks, and when it comes to the global issues of climate change and biodiversity, we need to advance R&D and create products that contribute to sustainability. And by increasing the sophistication and added value of products and services, we will advance toward a profit structure that is resilient to environmental change. The recent increase in geopolitical risks is also having a major impact on the Japanese economy, and our Company is no exception. We will secure multiple suppliers and strengthen our BCP framework in preparation of soaring raw fuel and material prices and supply chain instabilities.

Promoting strategic investment and achieving management targets

Looking back at the 2025 Mid-term Management Plan, while growth in the DDS business slowed temporarily, growth in cosmetics, automobile and defense-related products led to consolidated net sales of ¥257.9 billion, consolidated operating profit of ¥47.4 billion, and Operating margin of 18.4%. As a result of maintaining a balance between strategic investment and capital efficiency, we achieved a total return ratio of 70.5%, a dividend payout ratio of 34.6% and ROE of 14.1%, significantly exceeding the assumed cost of capital of 8%. We have also maintained an equity-to-asset ratio of approximately 75%, thereby securing a

Financial KPIs (results)

	99th fiscal year (ended March 2022)	100th fiscal year (ended March 2023)	101st fiscal year (ended March 2024)	102nd fiscal year (ended March 2025)	103rd fiscal year (ended March 2026)
Operating profit	¥35.6 billion	¥40.6 billion	¥42.1 billion	¥45.3 billion	¥47.4 billion
Operating margin	18.5%	18.7%	19.0%	19.0%	18.4%
ROE	12.6%	14.8%	13.5%	13.4%	14.1%
Equity-to-asset ratio	76.3%	77.3%	77.6%	78.0%	74.0%
D/E ratio	0.03-fold	0.02-fold	0.02-fold	0.02-fold	0.02-fold
Rating (R&I)	A+	A+	A+	A+	A+
Total return ratio	42.7%	46.4%	47.4%	83.9%	70.5%

stable financial foundation.

However, while targets were achieved overall, differences in the degree of achievement arose by segment. While the base material for refrigerating oils declined in the Chinese market, the Functional Chemicals segment achieved its plan, as cosmetics-related products and automobile-related products such as special anti-corrosion coatings remained strong. The Pharmaceuticals, Medicals and Health segment was unable to achieve its plan due to the impact of delays in clinical development at biotech ventures caused by monetary tightening in Europe and the United States, as well as delays in the market rollout of launched products. However, demand is expected to be sufficient going forward, so we will continue the drug discovery support business. The Explosives & Propulsion segment saw operating profit increase significantly beyond the plan, as contracts related to initial costs for rapid acquisition in defense-related fields were identified as

transactions. And for products other than initial costs, we will also continue working on sales expansion and reducing production cost.

For strategic investment, actual results came to ¥60.4 billion due to project reviews and delays, against the plan of ¥70.0 billion. Among major capital expenditures, ¥16.6 billion was allocated to the new DDS plant. At Aichi Works and Nippon Koki, ¥24.8 billion was allocated toward defense-related rapid acquisitions. We also invested ¥2.9 billion in expanding the cosmetics ODM facility, while also focusing on investment in Phosphorex and research and development investment. The new DDS plant is in the demonstration stage before mass production of supplied products, so results are expected from 2027 onward. In contrast, cosmetics ODM is already showing a positive impact on performance, and we believe this has been an investment that is showing future potential.

Message from the CFO

Taking on the challenge of the new Mid-term Management Plan through further investment in growth

I believe that Stage III of the new Mid-term Management Plan, based on the theme of business domain expansion, has a higher bar than Stages I and II so far. We need to increase earnings with existing products over the short term, while over the medium to long term we need to draw up new growth strategies.

The new Mid-term Management Plan sets out two policies. We envisage a strategic investment framework of ¥200.0 billion (including initial costs related to rapid acquisition) as upfront investment that will contribute to maintaining and improving sustainable ROE, and will promote investment toward business domain expansion and strengthening the management base. At the same time, we will move ahead with stable profit returns with a total return ratio of 70% or more and a dividend payout ratio of around 40% as guidelines, while maintaining financial soundness.

Policy 1

Dynamic resource allocation to create growth drivers

We are planning three major types of investment under strategic investment. The first is “investment toward business domain expansion,” which includes new businesses, R&D, and land acquisition. In April 2026, we established the Health Science Research Laboratory and Material Science Research Laboratory within the Corporate R&D Division, which has sites in Kawasaki and Tsukuba. The R&D functions of the Corporate R&D Division, which focuses on six new areas, and of the

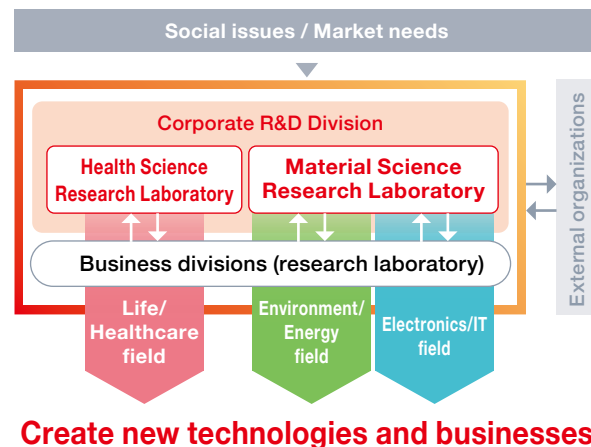
business divisions will operate in a more integrated manner unbound by traditional frameworks, accelerating

Capital expenditure by segment (Hundreds of millions of yen)

By segment	2025 Mid-term Management Plan (actual)		2028 Mid-term Management Plan (plan)	
	FY2025 Results	Cumulative total	FY2026 Plan	Cumulative total
Functional Chemicals	59	180	81	581
Pharmaceuticals, Medicals and Health	23	192	18	58
Explosives & Propulsion	257	315	577	1,308
(Breakdown) Initial costs related to rapid acquisition	229	248	547	1,150
Corporate (group-wide)	5	27	29	134
Group total	344	715	705	2,080

* Acceptance basis

Create new technologies and businesses faster by strengthening the R&D structure



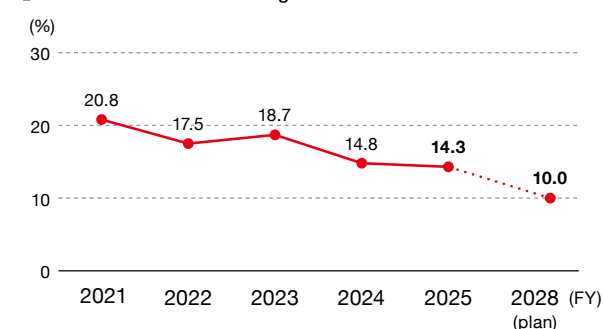
the creation of new technologies and new businesses. We will also make use of the land acquired adjacent to Kawasaki Works. The second, “investment toward the expansion of growth businesses,” includes expanding facilities for cosmetics ODM and defense-related fields, as well as looking into M&A that can be expected to generate synergies with existing businesses. The third, “investment toward strengthening the management base,” primarily focuses on investment in human capital. We will also be investing in company housing, in addition to developing human resources and strengthening training, recruiting experienced personnel who are expected to drive innovation, and improving employee productivity through DX including the use of AI.

Policy 2

Maximizing shareholder value through optimization of capital allocation

Under the 2028 Mid-term Management Plan, we are planning capital allocation aimed at maximizing shareholder value. In addition to the cash flows generation capability that was enhanced under the 2025 Mid-term Management Plan, we will also allocate funds by using cash reserves, reducing cross-shareholdings,

Ratio of cross-shareholdings to net assets



Message from the CFO

and making strategic investment and shareholder returns using borrowings as necessary. Through these measures, we will maintain financial soundness while carrying out investment in growth for the future and improving capital efficiency.

The NOF Group has also introduced ROIC as an indicator for understanding the relationship between invested capital and profitability, as well as for the purpose of internal business evaluations. Likewise, we will carry out capital expenditure with an eye to the future and aim for management that is able to balance long-term business growth and shareholder returns.

We established a local subsidiary in India in June 2026 as one measure toward business domain expansion, and began sales activities in July centered on the Functional Materials Business and the Metal Coatings Business. Companies such as Japanese automakers and consumer goods manufacturers have already expanded into India, and this will be our Company's first site there, where growth is expected. While this is a small start, with two expatriates including the president and two locally hired employees, we decided to enter the market in order to further expand globally.

Even with overseas expansion, human capital is the "source" of business growth. I myself also have experience of being posted at overseas sites for about five years. In Indonesia, in particular, I struggled greatly with communicating with local staff, conveying my own thoughts, and at times dealing with them in a strict manner while understanding the differences in culture, values, and attitudes toward work from those of Japanese employees. What will be important is to continue conveying the philosophy and values of the NOF Group. Going forward, as CFO, I would also like to contribute to enhancing value in non-financial areas.

Reaffirming our strengths toward achieving our 2030 targets

Since assuming the position of CFO in June, I have attended many one-on-one meetings together with the General Manager of the IR Office and others, engaging in ongoing dialogue with investors. We held 425 meetings in FY2025, and meetings are increasing at a pace that will exceed that number in FY2026, making me keenly aware of expectations for the NOF Group. While the main topics of discussion have been progress under the Mid-term Management Plan, measures to improve capital efficiency, and the policy on shareholder returns, we have also delved deeper into our story of sustainable value creation. The market perspectives gained through dialogue will be fed back to the Board of Directors and management, and utilized to support appropriate management decisions and stronger governance.

Together with the formulation of the new Mid-term Management Plan, we revised the financial target of "NOF VISION 2030" upward raising operating profit to ¥65.0 billion. We have also set a high target for our vision in 2030 with a ROE of 15% or more. This target

will not be easy to achieve. To do so, increasing operating profit and improving management efficiency are indispensable. After clearly identifying the issues in each business, I believe it is important to execute measures in a thorough manner to solve them and further enhance earning power. And as the foundation for enhancing management efficiency, talent development is one of the most important issues. To drive transformation through digital utilization, the NOF Group will continue focusing its efforts on the development of DX talent. By 2030, we will translate these initiatives into results in a steady manner, and aim to achieve our target of ROE of 15% or more.

What I consider to be the strength of the NOF Group is that we possess diverse business domains, as expressed in our corporate philosophy of "from the biosphere to outer space." And that strength also lies with strong resilience, through which business segments are able to complement one another in response to changes in the times and needs. The "business domain expansion" stage of the new Mid-term Management Plan is a three-year period to make "NOF VISION 2030" even more achievable. We will work across the entire Company to execute these measures.

■ ROE (return on equity)

