



Message from the President

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We create new value through
the fusion of innovation and
a future-focused approach.

President and Chief Executive Officer

Koji Sawamura





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Thank you very much for your interest in the Integrated Report 2024 of the NOF Group.

With “contributing to humanity and society as a corporate group that creates new value through the power of chemistry, ‘from the biosphere to outer space’” as its corporate philosophy, the NOF Group is engaged in multifaceted business operations offering innovative products in its three prioritized business fields of Life/Healthcare, Environment/Energy, and Electronics/IT.

We aim to make a leap forward as a global company through innovative approaches and proactive reforms by implementing NOF VISION 2030, which was formulated as our strategic policy for the future.

Under NOF VISION 2030, the NOF Group has positioned the 2025 Mid-term Management Plan, which started in fiscal 2023, as Stage II, the profit expansion stage, and the 2028 Mid-term Management Plan as Stage III, the business domains expansion stage, and we will promote various measures to achieve further growth.

Today, there is rapidly increasing interest in various social issues, including global environmental issues such as climate change as well as human rights issues.

The NOF Group will face social issues with sincerity, endeavor to create new value with the power of chemistry, and continue to meet the expectations of all of our stakeholders in our efforts to achieve a secure and affluent society.



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For a sustainable society

We aim to contribute to society by solving our customers' business issues

The NOF Group has grown together with its customers in various industries over the years. In the process, we have always striven to gain a deep understanding of our customer's business challenges and provide the best solutions to resolve them. As a B to B materials manufacturer, we aim to contribute widely to society by supporting the sustainable growth of our customers. We believe that our customers' success, in turn, leads to improving local communities and the global environment. We hope to go beyond mere business success and contribute to the achievement of a sustainable society. Therefore, we selected the three fields of "Life/Healthcare," "Environment/Energy," and "Electronics/IT," which are set forth in NOF VISION 2030, including the perspective of sustainability.

Life/Healthcare field

New products in the Life/Healthcare field directly improve people's health and welfare. DDS materials and biocompatible materials for pharmaceutical and medical care applications, foods and supplements for improving health, and cosmetics with formulations to keep up with trends, etc., also promote our customer's development, alongside contributing to the improvement of quality of life (QOL) of general consumers.

As part of this field, we place the Life Science business for pharmaceuticals and medical care at the center of our Group strategy, aiming to contribute to society as a whole by providing innovative solutions and improving health and welfare through these processes.

Environment/Energy field

New products in the "Environment/Energy" field are essential for protecting the global environment and the supply of sustainable energy. These technological innovations will contribute greatly to reducing environmental impacts and the achievement of a sustainable society.

Toward the shift to EVs and renewable energy, we provide environmentally friendly products that are biodegradable and energy-saving, as well as having lubricating and anti-corrosive properties. We aim to contribute to the reduction of environmental impacts together with our customers while satisfying their requirements for quality and performance.

Electronics/IT field

New products in the "Electronics/IT" field will contribute to the development of the Life/Healthcare and Environment/Energy fields as a foundation for supporting these fields. In addition, advances in telemedicine and smart grid technology, which are driven by the development and spread of telecommunications technology, will make medical care more efficient and energy management more effective.

For electronic components and materials undergoing miniaturization and shifting to lower-dielectric materials, we aim to contribute to the promotion of our customers' development of new materials by providing products with high photosensitivity, low dielectric properties, dispersibility,



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and adsorption through our unique molecular design and evaluation technologies.

Innovative new products in these three fields will improve people's health and welfare, protect the global environment, and promote the efficient use of resources. Interactions between each field will allow us to build a path to a sustainable future.

We will continue to work as a united Group to solve problems and create new value together with our customers.

Reflection on FY2023

We set a new record for highest profit

Net sales increased ¥4.5 billion year-on-year to ¥222.3 billion, operating income increased ¥1.5 billion to ¥42.1 billion, ordinary income increased ¥2.4 billion to ¥45.6 billion, and net income reached ¥34.0 billion, with operating income, ordinary income, and net income all reaching record highs. The annual dividend for fiscal 2023

has been set at ¥114 per share, an increase of ¥6 per share over the previous year. In the Pharmaceuticals, Medicals and Health segment, DDS pharmaceutical raw materials have enjoyed healthy demand and contributed to profit. In addition, the spread of price revisions in the Functional Foods business was also a positive factor. In contrast, in the Functional Chemicals segment, we faced a difficult business environment due to sluggish demand in Japan and overseas, particularly for plastic and rubber-related products. In general, we were also supported by the external environment due to the weak yen and stability of raw material prices.

Forecast of business results for FY2024

We expect increased revenue but decreased profit in FY2024

In fiscal 2024, the second year of the 2025 Mid-term Management Plan, we have forecast consolidated net sales of ¥232.0 billion, up from

the same period last year. However, on the profit side, we have forecast consolidated operating income of ¥40.5 billion, ordinary income of ¥41.6 billion, and net income of ¥33.0 billion, down from the same period last year. The ¥9.7 billion increase in consolidated net sales is due to a general return in demand in the Functional Chemicals segment and an expected increase in net sales of defense products in the Explosives & Propulsion segment. The decrease in consolidated operating income of ¥1.5 billion is mainly due to an expected temporary leveling off of demand for DDS pharmaceutical raw materials in the Pharmaceuticals, Medicals and Health segment.

Progress of the 2025 Mid-term Management Plan

The 2025 Mid-term Management Plan is progressing as planned

Under NOF VISION 2030, the target for operating income is ¥46.0 billion in fiscal 2025 and ¥60.0

* Net income in the text refers to "net income attributable to owners of parent."



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billion in fiscal 2030. While we expect an increase in revenue and decline in profit in fiscal 2024, we aim to achieve the targets of the 2025 Mid-term Management Plan by making proactive investments, including strategic investments (upfront investments aimed at the business domains expansion stage).

In the Functional Chemicals segment, we aim to achieve the targets of the plan by leveraging synergies from the integration of business divisions, multiplying the strengths of existing businesses, creating new value, and accelerating product development in new markets.

In the Pharmaceuticals, Medicals and Health segment, we expect demand for launched pharmaceuticals to grow from fiscal 2025 onward. To meet this demand, we are making progress in constructing a manufacturing facility for pharmaceutical raw materials (PEG modifiers) toward starting operations in September 2025. We will steadily integrate increasing demand for DDS materials, such as peptide and protein pharmaceuticals.

In the Explosives & Propulsion segment, we will promote measures to strengthen defense capabilities against geopolitical risks.

We will establish revenue bases in each segment as soon as possible and strengthen profitability in all businesses by revitalizing production and sales activities. In addition, we will strive toward achieving our targets by actively promoting strategic investments to expand our business domains and advancing into new business domains. We plan for growth through the 2028 Mid-term Management Plan, focusing on both the Functional Chemicals and Pharmaceuticals, Medical Care, and Healthcare segments. The domestic Group is working to mitigate climate change in its business activities, creating a roadmap toward reducing greenhouse gas emissions with the target of reducing greenhouse gas emissions in 2030 by 40% compared to fiscal 2013 levels. Considering the possibility of an increase in emissions due to business expansion, we have decided to make a strategic investment of ¥2.1 billion in our environmental response in our 2025 Mid-term Management Plan, and are working on the conversion to renewable energy sources as Phase 2. Moreover, as Phase 3, the NOF Group will aim to become carbon neutral in 2050 by starting to consider new processes and technologies alongside reducing the financial burden

associated with transition risks.

We will also continue to give consideration to the sustainability of the raw materials we procure. The purchase ratio of RSPO-certified oil in fiscal 2023 was about 13%, about double that of fiscal 2022. As customers' understanding of RSPO certification and cost increases is growing, we will continue aiming to increase the ratio of certified oil.

Status of strategic investment

Continuing to develop as a global company

In the 2025 Mid-term Management Plan, we set “Practice and Breakthrough” as our basic policy for the three years of the Plan, aiming to realize our corporate vision for fiscal 2030 as described in NOF VISION 2030. We will put into practice measures to increase earnings by bringing to fruition the measures to strengthen the earnings bases that were undertaken in the 2022 Mid-term Management Plan. We will also promote “strategic investments” to sow the seeds for future business



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pillars, and make “breakthroughs” toward our corporate vision for fiscal 2030.

In order to realize our corporate vision for fiscal 2030, we have set a strategic investment framework of approximately ¥70.0 billion in the 2025 Mid-term Management Plan. The following are descriptions of the situation of strategic investments comprising facility investment, research and development investment, and human capital investment.

Facility investment

Increasing production capacity in areas of continued growth

During the period of the 2025 Mid-term Management Plan, we plan to invest approximately three times the amount of the 2022 Mid-term Management Plan by making facility investments for expanded demand as strategic investments, improving productivity, and investing in the environment, in addition to existing facility investment. In respect of investments in manufacturing

facilities, we are generally proceeding as initially planned with the construction and expansion of manufacturing facilities in continually growing fields, including DDS pharmaceutical raw materials, cosmetics materials, and anti-fog agents.

In terms of investments in increased productivity, we are making progress in investments for improving operational efficiencies by promoting automation and labor-saving, and for increasing the use of data in production and sales, including the introduction of DX-related technologies. We will continue to actively consider investments, including those related to information systems, and develop an environment for highly productive business operations. In terms of investments in



environmental response, we are promoting investment in energy conservation and efficiency improvement of manufacturing facilities to address the regulatory control of CFCs and reduce CO₂ emissions. We will promote facility investment toward achieving carbon neutrality by 2050.

To achieve the 2025 Mid-term Management Plan and further growth, we will continue to make proactive facility investments, including strategic investments.

Research and development investment

Actively participating in open innovation

In respect of R&D investment, we have launched industry-academia collaborative projects and are recruiting partners to promote R&D aimed at creating new businesses in the three target fields of “Life/Healthcare,” “Environment/Energy,” and “Electronics/IT.” In fiscal 2023, we chose selected organizations in the electronics field and began commissioned research into four technologies with



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the aim of creating new businesses in the field of “Electronics/IT.” In fiscal 2024, we decided to adopt three materials and technologies in areas where future market growth and the utilization of NOF technologies are anticipated from among those in the medical care and medical device field, and will begin commissioned research.

We also leverage government R&D projects to promote industry-government-academia collaboration. We are participating in projects in the Explosives & Propulsion and Life Science businesses. For R&D, we will continue to develop new research areas with a sense of speed and provide new products and value by actively promoting collaboration with external parties without being restricted by internal knowledge resources.

Human capital investment

**Growth of human resources
is the foundation
of management**

One of the keys to achieving NOF VISION 2030 is

the development of human resources with a long-term perspective. Amid a rapidly growing interest in human capital, we have been actively sharing opinions on a broad range of matters related to human resources development at Board of Directors meetings, Sustainability Committee meetings attended by all Directors, and human resources meetings attended by those responsible for business execution. As the discussions deepen, we have become even more cognizant that employee growth is at the heart of shaping the future of the company.

In fiscal 2023, we launched the 2025 Mid-term Management Plan, and we are promoting various measures to encourage the growth of human resources who embody the values of the NOF Group of “Challenge,” “Fairness,” and “Harmony” to create new value.

One of the measures is to strengthen the development of “autonomous human resources,” which are one type of ideal person that we are looking for. We will foster a positive corporate culture: a climate in which employees are responsible for taking on challenges from their respective positions in all situations, and in which these challenges are celebrated and valued. In fiscal

2023, we held workshops for all employees using my video message as an entry point in order to promote autonomous growth. In addition, we have been working to strengthen support for self-education and development, such as distance learning and e-learning programs, to encourage employees to learn by themselves. Through these measures, we expect our employees to demonstrate their abilities to the maximum and actively take on challenges toward achieving NOF VISION 2030.

Another important issue is to maintain and improve employee motivation. In addition to emphasizing diversity and striving to promote the active participation of women, we are also promoting initiatives to increase employee motivation and job satisfaction by providing comfortable working environments for employees through suitable incentives and compensation systems and by ensuring flexible working styles. Following the introduction of a system that enables flexible working styles in accordance with each life stage by fiscal 2023, we plan to also focus on supporting career design between fiscal 2024 and fiscal 2025.

Career design is a process that enables employees to independently think about, plan for, and achieve the vision of their own future, and we



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consider it an important element in achieving self-fulfillment and satisfaction. The NOF Group interprets career design as a vision for human resources development itself that goes beyond mere job selection to include a broad perspective that relates to an individual's overall lifestyle and working style. In today's rapidly diversifying labor market, we expect to contribute to company growth by supporting employees in career design and encouraging employee growth.

Through various initiatives based on the three pillars of "human resources development," "diversity and inclusion," and "employee engagement," the NOF Group will continue to work tirelessly to achieve sustainable growth and create new value, creating a corporate culture in which each employee can independently design his or her own career and where organizational growth and individual growth are in harmony.

Looking ahead to FY2030

We will sell cross-shareholdings based on the target of reducing the ratio thereof with consolidated net assets to 15% or less during the 2025

Mid-term Management Plan period, and will consider further reduction in the next Mid-term Management Plan toward fiscal 2030. We will set the target level of total return ratio for fiscal 2025 at around 50%, and will continue to maintain and improve shareholder returns while ensuring a balance with strategic investments, with an awareness of continuing to improve capital efficiency.

Contributing to realizing a sustainable society is not only our duty as a corporate citizen, but also a challenge to be tackled. In this context, raising awareness of fairness, including fair trade in the supply chain and respect for human rights, is fundamental to a corporation's survival.

We are committed to high ethical standards in accordance with our own values of "Challenge," "Fairness," and "Harmony." Moreover, toward fiscal 2030, we will continue to contribute to the achievement of a sustainable society by providing innovative solutions to our customers. We will achieve NOF VISION 2030 and enhance our presence as a global company.

