

Message from the CFO



Our financial strategy to realize
the 2025 Mid-term Management Plan will
**support the promotion of
NOF VISION 2030**

Executive Operating
Officer and CFO

Naoya Umehara

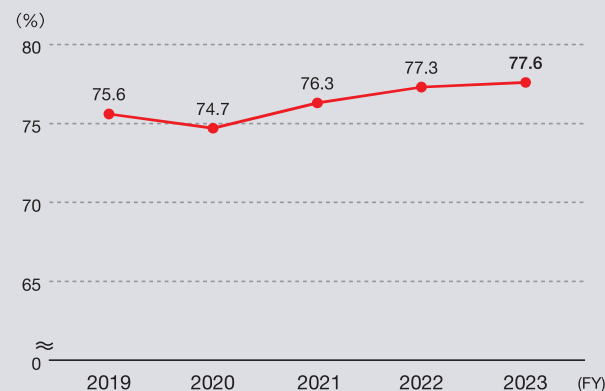
As the NOF Group aims to expand its business domains in its Mid-term Management Plan NOF VISION 2030, the Group has positioned the 2025 Mid-term Management Plan, which ends in fiscal 2025, as a stage for expanding profit, and has envisioned a strategic investment framework for active investment implementation.

The financial strategy to support this is based on the basic policies of “ensuring financial soundness,” “enhancing shareholder returns,” “enhancing capital efficiency,” and “dialogue with investors,” and we will work to optimize the balance between these four policies.

1. Ensuring financial soundness

We believe that financial discipline is necessary in executing strategic investments to enhance corporate value. Our financial soundness is ensured by our efforts to date, with an equity-to-asset ratio of over 70%, a liquidity ratio of over 2 months, and a net D/E ratio of 0.02. In addition, we have obtained an A+ rating from R&I (Rating and Investment Information, Inc.). The 2025 Mid-term Management Plan envisions a total of 70 billion yen in its strategic investment framework over three years. We will make active investments in the three themes of facility investment (production and environment), R&D, and human investment. We will continue to aim for both financial soundness and investment in growth domains.

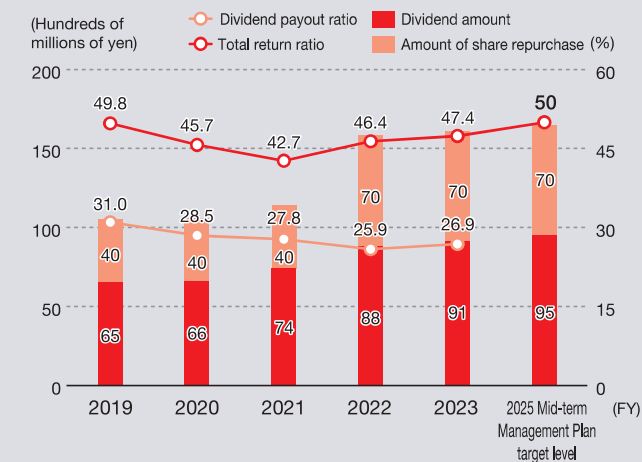
Equity-to-asset ratio



2. Enhancing shareholder returns

We will pay stable and continuous dividends while maintaining a balance between business growth and financial soundness, targeting a total return ratio of approximately 50% in fiscal 2025. In addition, we will purchase treasury shares in a flexible and appropriate timing, taking into consideration the liquidity on hand and cash flow at the time. We will realize improvement of TSR* and enhance corporate value through improvement of the capital structure.

Dividend amount / Amount of share repurchase / Dividend payout ratio / Total return ratio



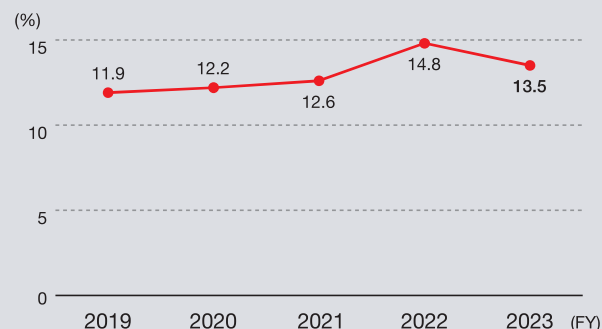
*Total shareholder return

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3. Improving capital efficiency

Regarding ROA and ROE, which are representative indicators of capital efficiency, we will continue to aim for ROA of at least 13% and ROE of at least 12% in fiscal 2025, the final year of the 2025 Mid-term Management Plan. Toward improving capital efficiency, we will continue to invest management resources in profitable businesses and promote management with an awareness of investment returns that exceed the cost of shareholders' equity (around 8%).

Return on equity (ROE)

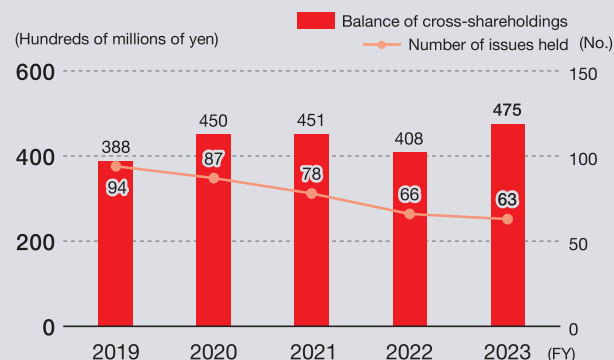


Reduction of cross-shareholdings

Listed shares held by subsidiaries are also included in the scope of consideration for reduction, and the NOF Group is steadily reducing its holdings. In fiscal 2023, including partial sales, NOF sold six issues on a non-consolidated basis. In the three years starting from fiscal 2021, the number of issues held individu-

ally by NOF was reduced from 78 to 63, and the number of issues held by subsidiaries was reduced by 11. We will create corporate value by reducing the ratio of cross-shareholdings to consolidated net assets to 15% or less by the end of fiscal 2025 and linking the cash generated to strategic investments.

Balance of cross-shareholdings / Number of issues held



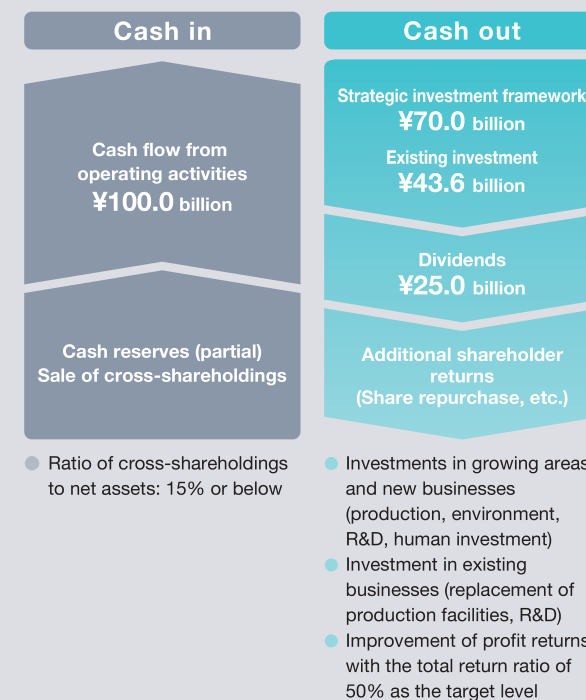
Ratio of cross-shareholdings to net assets



Cash allocation plan

As we make active strategic investments, we will pursue a cash allocation plan that emphasizes an appropriate balance between financial soundness, capital efficiency improvement, and shareholder returns.

Cash allocation plan



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4. Dialogue with investors

NOF established the Corporate Communications Department in April 2023 and an IR Office within the Department. We will enhance information disclosure and strengthen our collaboration system for dialogue with investors to deepen their understanding of the NOF Group's business strategies, which will be utilized in our efforts to enhance corporate value. Opinions received through IR activities are reported to the Board of Directors and others, and information is shared with them. In addition, the NOF Group is addressing new social and environmental issues such as ESG and other sustainability issues in order to grow sustainably with society, and communicates this through IR activities.

Moreover, NOF conducted a split of common stock at the ratio of 1 share to 3 shares with a record date of March 31, 2024. Through this split, we lowered the minimum investment amount and made it easier for more people to invest in our stock.

Conclusion

As the basis of our financial strategy, we will continue to ensure a sound financial foundation, while effectively allocating cash for investment in growth and shareholder returns based on cash generated from business activities and reduction

of cross-shareholdings. Furthermore, we will maintain and strengthen our financial position, take appropriate financing measures as necessary, and support our growth strategy, thereby promoting the NOF Group's leap forward through new value creation.

Financial KPIs (results)

	97th fiscal year (ended March 2020)	98th fiscal year (ended March 2021)	99th fiscal year (ended March 2022)	100th fiscal year (ended March 2023)	101st fiscal year (ended March 2024)
Operating income	¥26.9 billion	¥26.6 billion	¥35.6 billion	¥40.6 billion	¥42.1 billion
Ratio of operating income to net sales	14.9%	15.4%	18.5%	18.7%	19.0%
ROA	12.0%	11.4%	13.4%	14.4%	14.0%
ROE	11.9%	12.2%	12.6%	14.8%	13.5%
Equity-to-asset ratio	75.6%	74.7%	76.3%	77.3%	77.6%
D/E ratio	0.06	0.05	0.03	0.02	0.02
Rating (R&I)	A	A	A+	A+	A+
Total return ratio	49.8%	45.7%	42.7%	46.4%	47.4%