

Presentation Material  
For the Second Quarter Ended September 30, 2024

# Financial Results

November 20, 2024



Good morning.

I am Sawamura, President of NOF CORPORATION.

Thank you for taking the time to attend our financial results briefing today. I would also like to take this opportunity to express our gratitude to you for your continued support.

Now, I will give you a briefing on our financial results for the second quarter of the fiscal year ending March 31, 2025.

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Let me show you what I will explain.

## Contents

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First, I will talk about our financial results for the first half of FY2024.

## Comparative Income Statement(Consolidated)

- ◆ The Functional Chemicals Segment performed well
- ◆ In the Pharmaceuticals, Medicals and Health Segment,  
a temporary leveling off of demand in raw materials for DDS drug formulations

[¥100 million]

	FY2023 H1	FY2024 H1	Change	
			Amount	%
Net sales	1,018	1,105	87	8.5%
Gross profit	380	425	45	11.8%
% of Net Sales	37.4%	38.5%		
SG&A *1	180	192	12	
Operating profit	201	233	33	16.3%
% of Net Sales	19.7%	21.1%		
Non-operating income/expenses	22	3	(20)	
Ordinary profit	223	236	13	5.9%
Extraordinary income/losses	12	8	(4)	
Profit before income taxes	234	244	9	3.9%
Income taxes	71	73	2	
Profit*2	163	170	7	4.2%

\*1 SG&A=Selling, general and administrative expenses  
\*2 Profit=Profit attributable to owners of parent

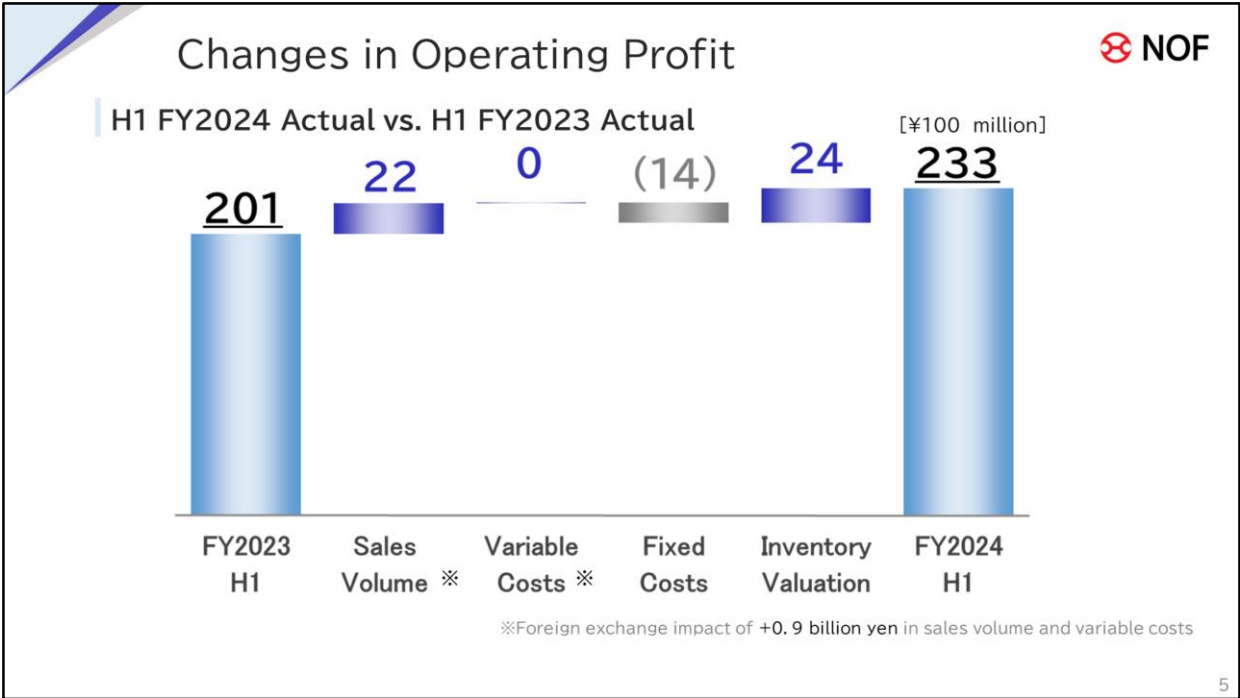
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Let me start with the consolidated income statement.

In H1 FY2024, raw materials for DDS drug formulations in the Pharmaceuticals, Medicals and Health segment experienced a temporary leveling off in demand, but the Functional Chemicals segment performed well. Compared to the same period last year, net sales increased by 8.7 billion yen (up 8.5%) to 110.5 billion yen, operating profit increased by 3.3 billion yen (up 16.3%) to 23.3 billion yen, ordinary profit increased by 1.3 billion yen (up 5.9%) to 23.6 billion yen, and profit after deducting income taxes and other items increased by 0.7 billion yen (up 4.2%) to 17.0 billion yen.

Net sales, operating profit, and ordinary profit reached a record high as H1 results.

Next, I will move on to changes in consolidated operating profit.



The graph shows the underlying factors for the year-on-year change in consolidated operating profit for H1 FY2024.

Compared to the same period last year, consolidated operating profit increased by 3.3 billion yen, of which an increase of 2.2 billion yen is attributable to an increase in sales volume, a decrease of 1.4 billion yen is attributable to an increase in fixed costs, and an increase of 2.4 billion is attributable to inventory valuation.

Next, I will explain our financial results by segment.

# Functional Chemicals Segment

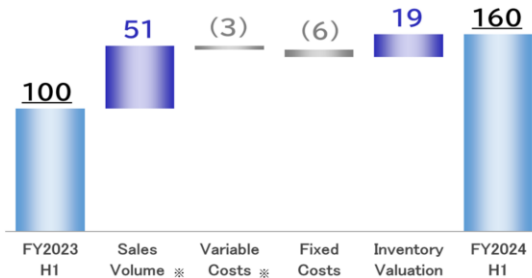


## Overview of H1 FY2024

	FY2023 H1	FY2024 H1	Change
Net sales	637	755	118
Op.profit*	100	160	60
% of Net Sales	15.7%	21.3%	

\* Op.profit=Operating profit

### Analysis of Changes in operating profit



※Foreign exchange impact of +0.2 billion yen in sales volume and variable costs

- ◆ Increase in sales and profit
- ◆ Cosmetics-related and automobile-related products performed well

### Overview

#### •Surfactants

⇒Strong demand for toiletries  
⇒Cosmetics-related products performed well due to a recovery in demand for skincare products as well as demand as a result of inventory building by some customers

#### •Special anti-corrosion agents

⇒strong domestic and overseas demand

#### •Functional Chemicals segment in general

⇒Generally steady, although some products were sluggish

Let me explain the results of the Functional Chemicals segment in comparison to the same period last year.

For the first half of FY2024, segment net sales increased by 11.8 billion yen to 75.5 billion yen, and segment operating profit increased by 6.0 billion yen to 16.0 billion yen.

Of the increase of 6.0 billion yen in operating profit for the first half, an increase of 5.1 billion yen is attributable to an increase in sales volume driven by strong demand for cosmetics-related products and automobile-related products, a decrease of 0.3 billion yen is attributable to an increase in variable costs, a decrease of 0.6 billion yen is attributable to an increase in fixed costs, such as labor costs, and an increase of 1.9 billion yen is attributable to inventory valuation.

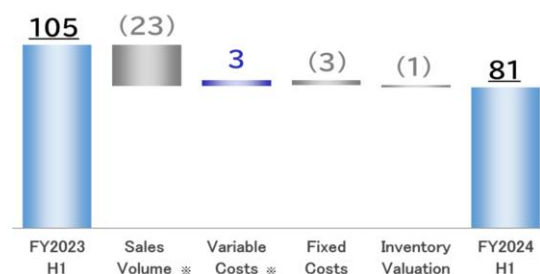
## Pharmaceuticals, Medicals and Health Segment

### Overview of H1 FY2024

	FY2023 H1	FY2024 H1	Change
Net sales	264	230	(34)
Op.profit*	105	81	(24)
% of Net Sales	39.8%	35.1%	

\* Op.profit=Operating profit

### Analysis of Changes in operating profit [¥100 million]



※Foreign exchange impact of +0.8 billion yen in sales volume and variable costs

- ◆ Decrease in sales and profit
- ◆ Temporary leveling off of demand in raw materials for DDS drug formulations

#### Overview

- **Raw materials for DDS drug formulations**
  - ⇒ Decrease in shipments as a result of inventory adjustments for some customers
  - ⇒ Delays in clinical development as a result of monetary tightening in the United States and Europe
- **Processed edible oil/Functional food materials**
  - ⇒ Reorganization of the product line and expansion of the sales of functional food materials
- **Biocompatible materials**
  - ⇒ Firm demand for MPC related products

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Now, let's move on to the Pharmaceuticals, Medicals and Health segment. For the first half of FY2024, segment net sales decreased by 3.4 billion yen to 23.0 billion yen, and segment operating profit decreased by 2.4 billion yen to 8.1 billion yen.

Of the decrease of 2.4 billion yen in operating profit for the first half, a decrease of 2.3 billion yen is attributable to a decrease in sales volume due to a temporary leveling off in demand for raw materials for DDS drug formulations, which is caused by a decrease in shipments resulting from inventory adjustment at some customers and delays in clinical development resulting from a continued decrease in capital inflow to bio-venture companies on the back of monetary tightening in the U.S. and Europe. It also includes an increase of 0.3 billion yen attributable to a decrease in variable costs, a decrease of 0.3 billion yen attributable to an increase in fixed costs, such as labor costs, and a decrease of 0.1 billion yen attributable to inventory valuation.

# Explosives & Propulsion Segment

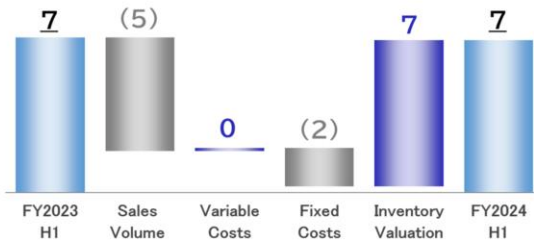


## Overview of H1 FY2024

	[¥100 million]		
	FY2023 H1	FY2024 H1	Change
Net sales	114	117	2
Op.profit*	7	7	(0)
% of Net Sales	6.5%	6.2%	

\* Op.profit=Operating profit

### Analysis of Changes in operating profit [¥100 million]



- ◆ Increase in sales and profit
- ◆ Steady progress in general

### Overview















- **Defense-related products**  
⇒ Sales declined (Progressed as planned for the full year)
- **Space-related products**  
⇒ Increase in demand for rocket products
- **Industrial explosives**  
⇒ Weak demand
- **Functional products**  
⇒ Strong demand

Now, let's move on to the Explosives & Propulsion segment. For the first half of FY2024, segment net sales increased by 0.2 billion yen to 11.7 billion yen, and segment operating profit remained flat from the same period last year at 0.7 billion yen.

Operating profit remained flat from the same period last year as a result of a decrease of 0.5 billion yen attributable to a decrease in sales volume of defense-related products, a decrease of 0.2 billion yen attributable to an increase in fixed costs, such as labor costs, and an increase of 0.7 billion yen attributable to inventory valuation.



## Performance Trends of Main Products(H1 FY2024 YoY) NOF

Segment	Products	Net sales	Operating income	Performance trends
Functional Chemicals	Surfactants			Operating profit increased due to strong demand for toiletries and cosmetics-related products
	Special anti-corrosion agents			Operating profit increased due to strong domestic and overseas demand
	Fatty acid Derivatives			Operating profit increased due to steady shipments of base materials for refrigerating oils in China
Pharmaceuticals, Medicals and Health	Raw materials for DDS drug formulations			Operating profit decreased due to a temporary leveling off of demand caused by inventory adjustments for some customers, and due to delays in clinical development, which were attributable to monetary tightening in the United States and Europe
	Processed edible oil Functional food materials			Profitability improved and operating profit increased due to product line reorganization and expanded sales of functional food materials
Explosives & Propulsion	Defense-related products			Operating profit decreased due to lower shipments
	Space-related products			Operating profit increased due to an increase in demand for rocket products

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Next, I will explain performance trends of our main products.

In the Functional Chemicals segment, operating profit from surfactants increased due to strong demand for toiletries and cosmetics-related products.

Operating profit from special anti-corrosion agents increased due to strong domestic and overseas demand for automobile-related products.

Operating profit from fatty acid derivatives increased due to steady shipments of base materials for refrigerating oils in China.

In the Pharmaceuticals, Medicals and Health segment, operating profit from raw materials for DDS drug formulations decreased due to a temporary leveling off in demand.

Operating profit from processed edible oil and functional food materials increased due to product line reorganization and expanded sales of functional food materials.

In the Explosives & Propulsion segment, operating profit from defense-related products decreased due to lower shipments.

Operating profit from space-related products increased due to an increase in shipments of rocket products.

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Next, I will explain our full-year financial forecast for FY2024.

# Expected business environment in FY2024



Even though domestic economic conditions are gradually recovering, there are concerns over the impact of a downturn caused by rising prices mainly due to elevated prices of raw material and fuel, and rapid fluctuations of foreign exchange rates  
Prolongation of the slump in the Chinese economy

		FY2023 Actual	FY2024 Forecast May.9	FY2024 Forecast Nov.7
Palm oil ※	US\$/MT	907	1,050	1,000
Domestically produced naphtha	円/KL	69,050	76,000	78,000
Exchange rates	円/US\$	144	145	150
	円/EUR	156	155	160

※FOB Malaysia

First, let me discuss the business environment surrounding the Group in FY2024.

Although domestic economic conditions are gradually recovering, there are concerns over the impact of economic downturn caused by continuously high raw material and fuel prices, rapid fluctuations of foreign exchange rates, and prolongation of the slump in the Chinese economy.

In view of the current trends in material prices and exchange rates, we have revised assumptions as you can see in this table.

## Full Year Revised Forecast for FY2024



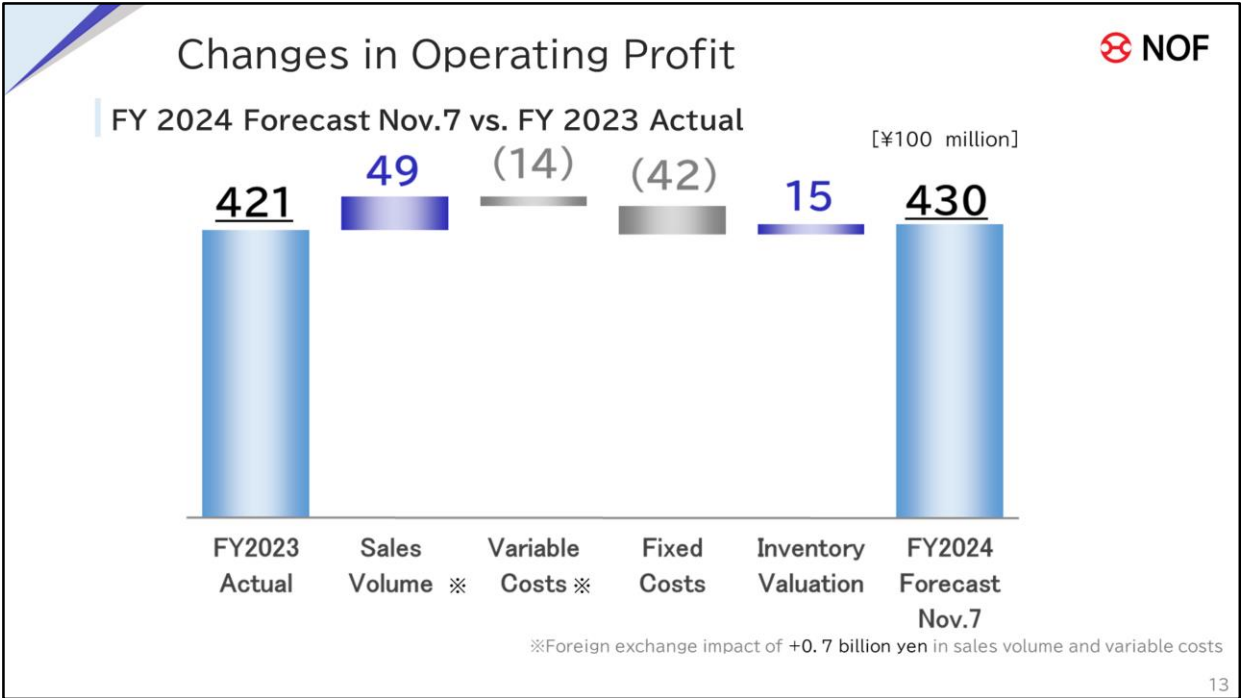
	FY2023 Actual	FY2024 Forecast May.9	FY2024 Forecast Nov.7	[ ¥100 million] Change	
				Amount	%
Net sales	2,223	2,320	2,390	70	3.0%
Operating profit	421	405	430	25	6.2%
% of Net Sales	19.0%	17.5%	18.0%		
Ordinary profit	456	416	438	22	5.3%
Profit*	340	330	349	19	5.8%
Basic earnings per share	¥141.2	¥138.1	¥146.5	¥8.4	

\* Profit=Profit attributable to owners of parent

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Next, I will show you the outline of our full-year consolidated financial forecast for FY2024.

We have revised our net sales and profit forecasts upward from the previous forecast. More specifically, forecasts for net sales increased by 7.0 billion yen from the previous forecast to 239.0 billion yen, operating profit increased by 2.5 billion yen to 43.0 billion yen, ordinary profit increased by 2.2 billion yen to 43.8 billion yen, and profit increased by 1.9 billion yen to 34.9 billion yen. Basic earnings per share is forecast to be 146.5 yen.



Please look at the graph that shows the underlying factors for the differences in consolidated operating profit between the revised forecast for FY2024 and financial results for the previous fiscal year.

Operating profit for FY2024 is forecast to increase by 0.9 billion yen to 43.0 billion yen from 42.1 billion yen for FY2023, which is shown on the left in the graph, due to an increase of 4.9 billion yen attributable to an increase in sales volume, a decrease of 1.4 billion yen attributable to an increase in variable costs, a decrease of 4.2 billion yen attributable to an increase in fixed costs, and an increase of 1.5 billion yen attributable to inventory valuation. Next, I will explain our financial forecast by segment.

## Functional Chemicals Segment

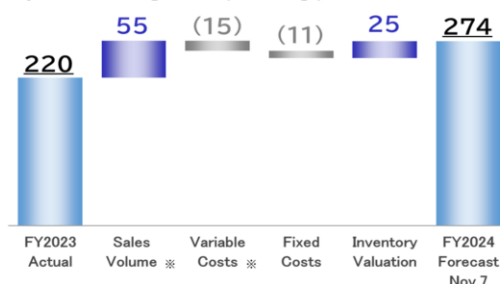


### Forecast for FY2024

	FY2023 Actual	FY2024 Forecast Nov.7	Change
Net sales	1,336	1,486	150
Op.profit*	220	274	54
% of Net Sales	16.5%	18.5%	

\* Op.profit=Operating profit

### Analysis of Changes in operating profit [¥100 million]



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

- ◆ Increase in sales and profit
- ◆ Strong demand for cosmetics-related products

### Outlook

#### •Surfactants

⇒While demand for cosmetics-related products remains strong, a decline is expected due to the unwinding of previous inventory building by some customers

#### •Special anti-corrosion agents

⇒Firm demand for automobile-related products overseas

#### •Functional Chemicals segment in general

⇒Expected to remain generally steady, despite some anticipated sluggishness in certain products

Let me explain our forecast for FY2024 by segment in comparison to the results for the previous fiscal year. First, let's look at the Functional Chemicals segment. For FY2024, we forecast that segment net sales will increase by 15.0 billion yen to 148.6 billion yen, and segment operating profit will increase by 5.4 billion yen to 27.4 billion yen. Both net sales and profit are expected to increase significantly mainly due to strong demand from cosmetics-related products.

The increase of 5.4 billion yen in operating profit for FY2024 can be broken down into an increase of 5.5 billion yen attributable to an increase in sales volume driven by strong demand for cosmetics-related products and generally solid performance of the segment as a whole; a decrease of 1.5 billion yen attributable to an increase in variable costs, including the effect of elevated raw material and fuel prices and selling price revisions; a decrease of 1.1 billion yen attributable to an increase in fixed costs, and an increase of 2.5 billion yen attributable to inventory valuation.

Regarding cosmetics-related products, please note that although we forecast a strong demand for the whole year, sales are expected to decrease in the second half of the year because sales in the first half included shipments to some customers whose inventory increased.

In the Functional Chemicals segment, we will capture growing demand for cosmetics-related products and other products while continuing to create new values and accelerate product launches in new markets.

## Pharmaceuticals, Medicals and Health Segment

### Forecast for FY2024

	FY2023 Actual	FY2024 Forecast Nov.7	Change
Net sales	540	497	(43)
Op.profit*	206	166	(40)
% of Net Sales	38.1%	33.4%	

\* Op.profit=Operating profit

### Analysis of Changes in operating profit [¥100 million]



※Foreign exchange impact of +0.7 billion yen in sales volume and variable costs

- ◆ Decrease in sales and profit
- ◆ Temporary leveling off of demand in raw materials for DDS drug formulations

### Outlook

#### •Raw materials for DDS drug formulations

- ⇒ Decrease in shipments as a result of inventory adjustments for some customers
- ⇒ Delays in clinical development as a result of monetary tightening in the United States and Europe

#### •Processed edible oil/Functional food materials

- ⇒ Reorganization of the product line and expansion of the sales of functional food materials

#### •Biocompatible materials

- ⇒ Firm demand for MPC related products

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Next, we have the Pharmaceuticals, Medicals and Health segment.

For FY2024, we forecast that segment net sales will decrease by 4.3 billion yen to 49.7 billion yen, and segment operating profit will decrease by 4.0 billion yen to 16.6 billion yen.

Profitability in processed edible oil and functional food materials has increased due to product line reorganization and expanded sales of functional food materials, and demand for biocompatible materials is firm. However, both net sales and profit are expected to decrease due to a temporary leveling off in demand for raw materials for DDS drug formulations, which is caused by a decrease in shipments resulting from inventory adjustment at some customers and delays in clinical development resulting from a continued decrease in capital inflow to bio-venture companies on the back of monetary tightening in the U.S. and Europe.

Of the decrease of 4.0 billion yen in operating profit for FY2024, a decrease of 2.6 billion yen is attributable to a decrease in sales volume of raw materials for DDS drug formulations, a decrease of 1.2 billion yen is attributable to an increase in fixed costs mainly due to strategic investments, and a decrease of 0.2 billion yen is attributable to inventory valuation.

Expansion of the DDS business will be explained later today by Mr. Yamamoto, General Manager of the Life Science Division. Despite a temporary leveling off in demand for raw materials for DDS drug formulations in FY2024, our plan to achieve a CAGR exceeding 10% through FY2030 remains unchanged, and we will continue to contribute to the development of pharmaceutical and the medical industry on a global basis by providing innovative solutions.

## Explosives & Propulsion Segment

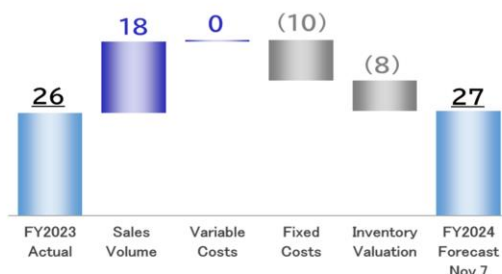


### Forecast for FY2024

	FY2023 Actual	FY2024 Forecast Nov.7	Change
Net sales	341	402	61
Op.profit*	26	27	1
% of Net Sales	7.7%	6.7%	

\* Op.profit=Operating profit

### Analysis of Changes in operating profit [¥100 million]



- ◆ Increase in sales and profit
- ◆ Net sales of defense-related products are expected to increase

### Outlook

#### •Defense-related products

⇒Steady delivery of products

#### •Space-related products

⇒The 4 H3 Launch Vehicle launched on November 4, 2024

⇒Supply of solid rocket booster propellant for flagship Launch Vehicle

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Next is the Explosives & Propulsion segment. For FY2024, we forecast that segment net sales will increase by 6.1 billion yen to 40.2 billion yen, and segment operating profit will increase by 0.1 billion yen to 2.7 billion yen. Although net sales will increase mainly in defense-related products, operating profit is expected to increase only slightly due to the absence in this fiscal year of the positive effect of inventory valuation that boosted operating profit in the previous fiscal year.

Of the increase of 0.1 billion yen in operating profit for FY2024, an increase of 1.8 billion yen is attributable to an increase in sales volume of defense-related products, a decrease of 1.0 billion yen is attributable to an increase in fixed costs mainly reflecting higher labor costs and an increase in production activities, and a decrease of 0.8 billion yen is attributable to inventory valuation.

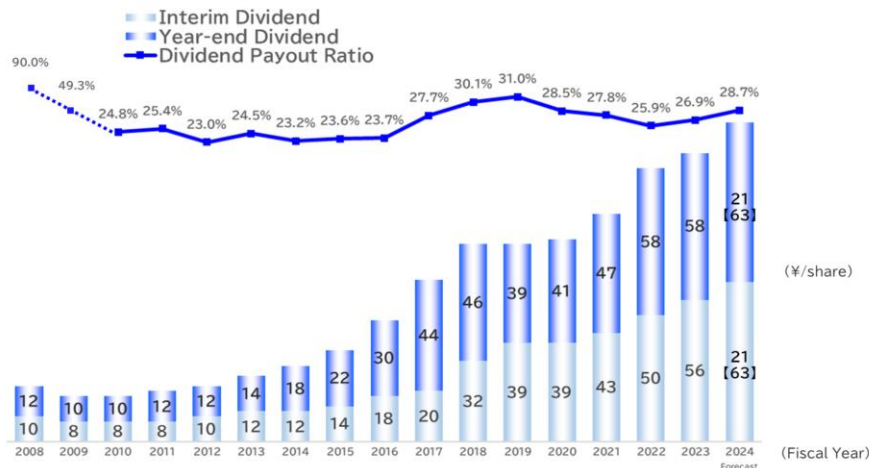
In the Explosives & Propulsion segment, we will make steady progress in playing the roles expected of us in order to respond to increases in defense budget going forward.



# Dividends for FY2024



- ◆The annual dividend for FY 2024 was revised upward to 42 yen, an increase of 2 yen compared to the previous forecast.
- ◆Continuing to pay progressive dividends since FY2009



NOF conducted a reverse share 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. In addition, 3-for-1 common share split effective on April 1, 2024. Figures in [ ] in the FY2024 forecast are pre-split conversion figures. The graphs are based on the pre-stock-split basis.

Now, I will show you a graph of trends in dividend and dividend payout ratio. We forecast that interim dividend will be 21 yen and year-end dividend will be 21 yen for FY2024, revising the annual dividend forecast upward to 42 yen, an increase of 2 yen compared to the previous forecast. We also forecast that the dividend payout ratio will be 28.7%.

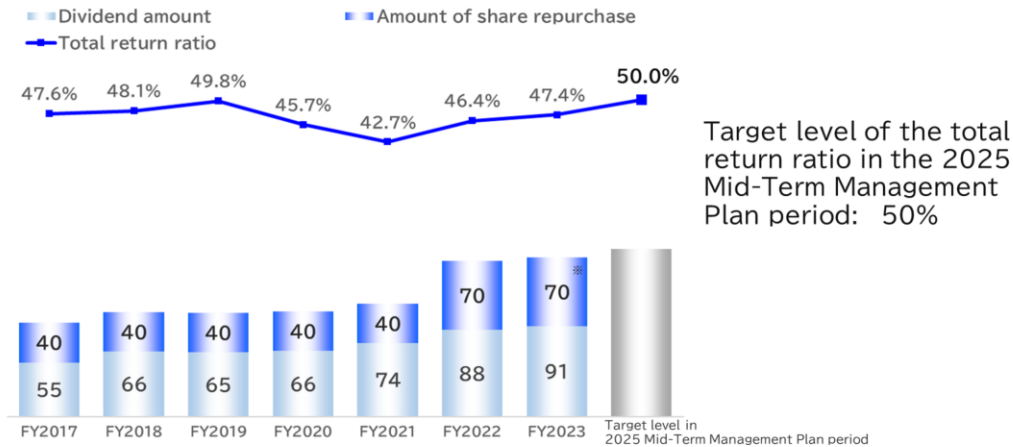
Every year since FY2009, our annual dividend has continued either to increase or to remain flat from the previous year, and our basic dividend policy remains the maintenance and continuation of stable dividend going forward.

# Shareholder returns

## Total return ratio



- ◆ ¥5 billion share buyback (November 8, 2024 - December 31, 2024)
- ◆ Return profits to shareholders while being aware of the improvement in capital efficiency, strive to maintain and increase shareholder returns by striking a balance with strategic investments.



※ Amount of share repurchase for FY2023 includes 2 billion yen repurchase decided on May 9, 2024.  
Period of purchase: From May 10, 2024 through June 28, 2024

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The next graph shows trends in the total return ratio.

We recognize return of profit to shareholders as one of the most important management issues, so we will conduct share repurchases as part of shareholder return, in addition to maintaining and continuing stable dividend. During the period from November 8, 2024 to December 31, 2024, we will conduct share repurchases subject to the upper limit of 5.0 billion yen in total. While targeting a total return ratio of 50%, we will continue to implement a stable return of profit, including share repurchases as necessary, while continuing to be conscious of improvement in capital efficiency and to strike a balance with strategic investments.

- 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.
- In the event of any discrepancy between the Japanese original and this English translation, the original shall prevail.

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This concludes my presentation. Thank you for your attention.  
Now, Mr. Yamamoto will give you further information.