

Message from the Management

We express our heartfelt condolences for all those who have lost their lives to COVID-19, and their bereaved families. We pray for the rapid recovery of all those currently afflicted with the disease and those who are suffering from the situation, as well as the prompt cessation of this pandemic.

We deeply appreciate the exceptional support you have provided us.

Along with the report on the Company's businesses for the 97th Fiscal Year (April 1, 2019–March 31, 2020), we hereby include the following message.

During the fiscal year under review, despite sluggish exports and production, the moderate recovery trend of the Japanese economy continued due to improvement in the employment and income environments and the results of policy measures. However, consumer spending was sluggish for the latter half of the fiscal year, due to factors such as the consumption tax increase and the impact of large typhoons. Since January, the impact of COVID-19 caused an even more widespread economic slowdown. Overseas, trade problems slowed the growth of the Chinese economy, and the rapid spread of COVID-19 caused a prominent slowdown of the global economy at the end of the fiscal year.

Under these circumstances, the NOF Group (the "Group"), with the basic policy of "Creating and expanding innovative value," promoted each initiative—"Creating products and markets," "Improving productivity," "Enhancing Group management" and "Promoting CSR activities"—under the three-year 2019 Mid-Term Management Plan, for its final year in the fiscal year 2019. At the same time, the Group undertook many management efforts toward sustainable growth to explore new markets by leveraging its high-function, high-value-added products, expanding sales of such products and reducing production costs.

Despite these efforts, for the fiscal year ended March 31, 2020, consolidated net sales, consolidated operating income, consolidated ordinary income and net income attributable to owners of the parent all decreased compared with the previous fiscal year due to the severe business environment.

Under the three-year 2022 Mid-Term Management Plan, which starts in the fiscal year 2020, the Group defined life/healthcare, electronics/IT, and environment/energy as its three prioritized business fields. The current life science business segment will transform into the life/healthcare business segment with the aim of creating value in a broader range of fields. Although the outlook of the business environment is uncertain due to the spread of COVID-19, the Group will flexibly adapt to changes in market needs in its three prioritized business fields, and will engage in each initiative of "Expanding business in growth markets," "Accelerating new product and new technology development," "Enhancing coordination inside and outside the Company," "Improving productivity" and "Promoting CSR activities." We thereby aim to evolve further as a functional materials manufacturer that can provide unique products to the global market and continue our efforts to be a trusted business group with a strong presence.

We kindly ask all shareholders for your continuing support.

Akiharu Kobayashi
Chairman & Chief Executive Officer

Takeo Miyaji
President & Chief Executive Officer

Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

(Stock Exchange Code 4403)
June 4, 2020

To Shareholders with Voting Rights:

Takeo Miyaji
President & Chief Executive Officer
NOF CORPORATION
20-3, Ebisu 4-chome, Shibuya-ku,
Tokyo, Japan

**NOTICE OF
THE 97TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We would like to express our appreciation for your continued support and patronage.

You are cordially invited to attend the 97th Annual General Meeting of Shareholders of NOF CORPORATION (the “Company”). Details of the meeting are as described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet. Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights.

- 1. Date and Time:** Friday, June 26, 2020, at 10:00 a.m. Japan time
2. Place: The Garden Hall (inside Yebisu Garden Place)
13-2, Mita 1-chome, Meguro-ku, Tokyo, Japan

3. Meeting Agenda:

- Matters to be reported:**
1. Business Report and Consolidated Financial Statements for the Company’s 97th Fiscal Year (April 1, 2019–March 31, 2020), and the results of audits on the Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate Auditors
 2. Non-Consolidated Financial Statements for the Company’s 97th Fiscal Year (April 1, 2019–March 31, 2020)

Proposals to be resolved:

- Proposal No. 1:** Appropriation of Surplus
Proposal No. 2: Partial Amendments to the Articles of Incorporation
Proposal No. 3: Election of Seven (7) Directors
Proposal No. 4: Election of One (1) Corporate Auditor
Proposal No. 5: Election of One (1) Substitute Corporate Auditor

4. Exercise of Voting Rights

(1) Exercise of Voting Rights in Writing (by Mail)

Please indicate your votes for or against each of the proposals on the enclosed Voting Rights Exercise Form, and return the form for arrival by 5:30 p.m. on June 25, 2020 (Thursday), Japan time.

(2) Exercise of Voting Rights via the Internet

Please access the Web site for exercising voting rights indicated in the enclosed Voting Rights Exercise Form and indicate your votes for or against each of the proposals by 5:30 p.m. on June 25, 2020 (Thursday), Japan time (see pages 4 and 5).

In the event that voting rights are exercised both by mail and via the Internet, the vote via the Internet shall prevail.

In the event that voting rights are exercised multiple times via the Internet, the most recent vote shall prevail.

- ◎ When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk. Please bring this NOTICE OF THE 97TH ANNUAL GENERAL MEETING OF SHAREHOLDERS with you to the meeting.
- ◎ In accordance with the laws and ordinances and Article 15 of the Company's Articles of Incorporation, information on the following matters is posted on the Company's Web site (<http://www.nof.co.jp/>), so it is not attached to this NOTICE OF THE 97TH ANNUAL GENERAL MEETING OF SHAREHOLDERS.
 - (1) Notes to Consolidated Financial Statements
 - (2) Notes to Non-Consolidated Financial Statements
- ◎ Should any revisions occur to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements for the Company's 97th Fiscal Year, the revisions will be posted on the Company's Web site (<http://www.nof.co.jp/>).
- ◎ Shareholders are asked to come in casual clothes to the Annual General Meeting of Shareholders.

Method of Exercising Your Voting Rights

Those attending the Annual General Meeting of Shareholders in person

Date and time of the Annual General Meeting of Shareholders: 10:00 a.m., June 26, 2020 (Friday), Japan time

(Reception will start at 9:00 a.m.)

When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk. In order to conserve resources, please bring this NOTICE OF THE 97TH ANNUAL GENERAL MEETING OF SHAREHOLDERS with you to the meeting.

Those who are unable to attend the Annual General Meeting of Shareholders in person

[Exercise of Voting Rights in Writing]

Voting deadline: Arrival by 5:30 p.m., June 25, 2020 (Thursday), Japan time

Please indicate your votes for or against each of the proposals on the enclosed Voting Rights Exercise Form, and return the form for arrival by the voting deadline.

[Exercise of Voting Rights via the Internet]

Please refer to the next page for details.

Voting deadline: 5:30 p.m., June 25, 2020 (Thursday), Japan time

Please access the Web site for exercising voting rights specified by the Company, and send your votes for or against each of the proposals by the voting deadline.

The Web site for exercising voting rights: <https://soukai.mizuho-tb.co.jp/>

■ Exercise of voting rights multiple times

- 1) In the event that voting rights are exercised both by mail and via the Internet, the vote via the Internet shall prevail.
 - 2) In the event that voting rights are exercised multiple times via the Internet, the most recent vote shall prevail.
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Voting rights are important rights that enable shareholders to participate in the management of the Company. Voting rights can be exercised using the methods below. Please refer to the Reference Documents for the General Meeting of Shareholders when exercising your voting rights.

Those attending the Annual General Meeting of Shareholders in person

Please bring the enclosed Voting Rights Exercise Form with you and **submit it at the reception desk.**

Please also bring this pamphlet with you as a reference material for the meeting.

Date and time of the Annual General Meeting of Shareholders:

10:00 a.m., June 26, 2020, Japan time

Those exercising their voting rights by mail

Please indicate your votes for or against each of the proposals on the enclosed Voting Rights Exercise Form, and return the form.

Please exercise your voting rights without delay.

The Company receives many Voting Rights Exercise Forms after the voting deadline. Please submit your votes early.

Voting deadline:

Arrival by 5:30 p.m., June 25, 2020, Japan time

Those exercising their voting rights via the Internet

Please enter your votes for or against each of the proposals on the Web site for exercising voting rights specified by the Company.

Voting deadline: 5:30 p.m., June 25, 2020, Japan time

Voting method by scanning the QR code

You can log in to the Web site for exercising voting rights without entering your voting rights exercise code or password.

1. Scan the QR code at the bottom right of the Voting Rights Exercise Form with your smartphone.
2. Follow the on-screen instructions to enter your votes.

Voting rights can only be exercised once with the above method using the QR code.

If you wish to exercise your voting rights again, or if you wish to exercise your voting rights without using the QR code, see the right for the voting method by entering your voting rights exercise code and password.

Voting method by entering your voting rights exercise code and password

Web site for exercising voting rights:
<https://soukai.mizuho-tb.co.jp>

1. Access the above Web site for exercising voting rights from your computer, smartphone, or mobile phone.
2. Enter the voting rights exercise code and password indicated on the Voting Rights Exercise Form and click “Register.”
3. Follow the on-screen instructions to enter your votes.

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal No. 1: Appropriation of Surplus

Recognizing the profit distribution to shareholders as one of the most important managerial issues, the Company strives to strengthen its financial position and management foundation, while improving the dividend amounts.

Concerning the year-end dividend for the fiscal year under review, taking into account the business results for the fiscal year under review, future business developments and other factors, we hereby propose the details as follows.

(1) Type of property for dividends:

Cash

(2) Allotment of property for dividends to shareholders and total amount thereof:

¥39 per share of the Company's common stock for a total of ¥3,243,316,167.

As the Company paid ¥39 per share as an interim dividend, the annual dividend is ¥78 per share for the fiscal year under review.

(3) Effective date of distribution of surplus:

June 29, 2020

Proposal No. 2: Partial Amendments to the Articles of Incorporation

1. Reasons for amendments

New provisions will be established for Article 31 and Article 42 of the Articles of Incorporation stipulating that limitation of liability agreements can be concluded between the Company and Directors (excluding persons who are executive directors, etc.) and Corporate Auditors, in order to secure personnel who are qualified to serve as Directors (excluding persons who are executive directors, etc.) and Corporate Auditors, and ensure that they can fulfill their roles sufficiently.

All Corporate Auditors have given their consent to the establishment of Sub-Article 2 of Article 31 in the Articles of Incorporation.

In addition, since sub-article numbers are not indicated in the current Articles of Incorporation, they will be newly indicated.

2. Content of amendments

The content of the amendments is as indicated below.

(Amendments are underlined.)

Current Articles of Incorporation	Proposed Amendments
<p>(Share Registrar) Article 11. The Company shall have a share registrar. The share registrar and its business office shall be determined by resolution of the Board of Directors and the public notice shall be given of such matters. The preparation and retention of the register of shareholders of the Company, the register of stock option rights and other business relating thereto shall be entrusted to the share registrar and not handled by the Company.</p>	<p>(Share Registrar) Article 11. (Unchanged) <u>2</u> (Unchanged) <u>3</u> (Unchanged)</p>
<p>(Record date) Article 12. The Company shall regard the shareholders which have voting rights and are entered or recorded in the final register of shareholders as of March 31 for each business year as the shareholders entitled to exercise their voting rights at the ordinary general meeting of shareholders relating to such business year. In addition to the stipulations in the preceding paragraph, the Company may, upon prior public notice, set an extraordinary record date by resolution of the Board of Directors, if necessary.</p>	<p>(Record date) Article 12. (Unchanged) <u>2</u> (Unchanged)</p>

Current Articles of Incorporation	Proposed Amendments
<p>(Convener and Chairman of general meeting) Article 14. The President & Chief Executive Officer shall act as the convener and chairman of a general meeting of shareholders. If the office of the President & Chief Executive Officer is vacant or if the President & Chief Executive Officer is unable to act, another Director shall convene a general meeting of shareholders and act as chairman in the order previously determined by the Board of Directors. The chairman shall maintain order and coordinate the proceedings at the general meeting.</p>	<p>(Convener and Chairman of general meeting) Article 14. (Unchanged)</p> <p><u>2</u> (Unchanged)</p> <p><u>3</u> (Unchanged)</p>
<p>(Resolution of general meeting) Article 16. Unless otherwise provided in laws and ordinances or in these Articles, resolutions of a general meeting of shareholders shall be adopted by a majority of the votes of the shareholders present which can exercise the voting rights. The resolution as provided in Sub-Article 2 of Article 309 of the Companies Act shall be adopted by two thirds or more of the votes of the shareholders which are present at the shareholders meeting where the shareholders which hold one third or more of the votes of the Company and can exercise voting rights attend.</p>	<p>(Resolution of general meeting) Article 16. (Unchanged)</p> <p><u>2</u> (Unchanged)</p>
<p>(Exercise of voting rights by proxy) Article 17. A shareholder may exercise his voting rights by one proxy who is also a shareholder of the Company entitled to vote. In that case, the shareholder or proxy must submit at each general meeting of shareholders a written document to the Company certifying the proxy's authority.</p>	<p>(Exercise of voting rights by proxy) Article 17. (Unchanged)</p> <p><u>2</u> (Unchanged)</p>
<p>(Election of Directors) Article 19. Directors shall be elected at a general meeting of shareholders. Such election shall be made at a general meeting of shareholders at which the holders of shares representing one third or more of the voting rights of the whole shareholders which can exercise voting rights shall be present and by a majority of the votes of the shareholders present; provided, however, that no cumulative voting shall be used for that purpose.</p>	<p>(Election of Directors) Article 19. (Unchanged)</p> <p><u>2</u> (Unchanged)</p>

Current Articles of Incorporation	Proposed Amendments
<p>(Exoneration of Directors from liability) Article 31. The Company may, by resolution of the Board of Directors pursuant to Sub-Article 1 of Article 426 of the Companies Act, exonerate a Director (including a person who was a Director) from his liability set forth in Sub-Article 1 of Article 423 to the extent allowable under laws and ordinances. (New)</p>	<p>(Exoneration of Directors from liability) Article 31. (Unchanged)</p> <p><u>2 The Company may, pursuant to Sub-Article 1 of Article 427 of the Companies Act, conclude an agreement with a Director (excluding a person who is an executive director, etc.) that limits the liability for damages set forth in Sub-Article 1 of Article 423 of the Law. However, the maximum amount of liability for damages based on said agreement shall be the amount stipulated by laws and ordinances.</u></p>
<p>(Election of Corporate Auditors) Article 33. Corporate Auditors shall be elected at a general meeting of shareholders. Such election shall be made at a general meeting of shareholders at which the holders of shares representing one third or more of voting rights of the whole shareholders which can exercise the voting rights shall be present and by a majority of the votes of the shareholders present.</p>	<p>(Election of Corporate Auditors) Article 33. (Unchanged)</p> <p><u>2 (Unchanged)</u></p>
<p>(Exoneration of Corporate Auditors from liability) Article 41. The Company may, by resolution of the Board of Directors pursuant to Sub-Article 1 of Article 426 of the Companies Act, exonerate a Corporate Auditor (including a person who was a Corporate Auditor) from his liability set forth in Sub-Article 1 of Article 423 of the said law to the extent allowable under laws and ordinances. (New)</p>	<p>(Exoneration of Corporate Auditors from liability) Article 41. (Unchanged)</p> <p><u>2 The Company may, pursuant to Sub-Article 1 of Article 427 of the Companies Act, conclude an agreement with a Corporate Auditor that limits the liability for damages set forth in Sub-Article 1 of Article 423 of the Law. However, the maximum amount of liability for damages based on said agreement shall be the amount stipulated by laws and ordinances.</u></p>
<p>(Term of office of Accounting Auditors) Article 44. The term of office of Accounting Auditors shall expire at the close of the ordinary general meeting of shareholders relating to the last business year which ends within one year after their election. Unless otherwise resolved at the ordinary general meeting of shareholders mentioned in the preceding sentence, the Accounting Auditors shall be deemed to be reelected at the said meeting.</p>	<p>(Term of office of Accounting Auditors) Article 44. (Unchanged)</p> <p><u>2 (Unchanged)</u></p>

Proposal No. 3: Election of Seven (7) Directors

The terms of office of all eight (8) Directors will expire at the conclusion of this year's Annual General Meeting of Shareholders. The Company proposes the election of seven (7) Directors.

The candidates are as follows.

Candidates for Director are decided by the Board of Directors after consultation with the Nomination Committee (voluntary).

No.	Name	Positions and responsibilities at the Company	Attendance at meetings of the Board of Directors
1	Takeo Miyaji [Reappointment]	President and Chief Executive Officer	17 out of 17 (100%)
2	Kazuhito Maeda [Reappointment]	Director and Executive Operating Officer; General Manager, Anti-Corrosion Coatings Group	17 out of 17 (100%)
3	Kengo Inoue [Reappointment]	Director and Executive Operating Officer; General Manager, Responsible Care & Production Engineering Dept.	17 out of 17 (100%)
4	Hideaki Sakahashi [Reappointment]	Director and Executive Operating Officer; General Manager, Corporate Planning & Strategy Dept.	17 out of 17 (100%)
5	Masanobu Miyo [New appointment]	Executive Operating Officer; General Manager, Oleo & Speciality Chemicals Div.	-
6	Yasuyuki Arima [Reappointment] [Outside] [Independent]	Director	17 out of 17 (100%)
7	Kunimitsu Ito [New appointment] [Outside] [Independent]	-	-

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
1	Takeo Miyaji (January 12, 1956) [Reappointment]	<p>April 1980 Joined the Company</p> <p>June 2010 Operating Officer; General Manager, Human Resources & General Affairs Dept. of the Company</p> <p>June 2011 Director and Operating Officer; General Manager, Human Resources & General Affairs Dept. of the Company</p> <p>June 2012 Director and Executive Operating Officer; General Manager, Human Resources & General Affairs Dept. of the Company</p> <p>December 2012 Director and Executive Operating Officer of the Company</p> <p>June 2018 President and Chief Executive Officer of the Company (to present)</p> <p>[Attendance at meetings of the Board of Directors] 17 out of 17 (100%)</p> <p>[Term of office (At the end of this year's Annual General Meeting of Shareholders)] 9 years</p> <p>[Reason for nomination as a candidate for Director] Takeo Miyaji has been in charge of management of the Company for many years. The Company nominates him as a candidate for Director, expecting him to help strengthen the decision-making and supervision functions of the Board of Directors drawing on his extensive experience and performance.</p>	17,500

- There is no special interest between the candidate and the Company.

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
2	Kazuhito Maeda (November 1, 1956) [Reappointment]	<p>April 1981 Joined the Company</p> <p>June 2010 Operating Officer; General Manager, DDS Development Div. of the Company</p> <p>June 2011 Director and Operating Officer; General Manager, DDS Development Div. of the Company</p> <p>June 2012 Director and Executive Operating Officer; General Manager, DDS Development Div. of the Company</p> <p>June 2013 Director and Executive Operating Officer of the Company</p> <p>June 2016 Director and Executive Operating Officer; General Manager, Anti-Corrosion Coatings Group of the Company (to present)</p> <p>[Attendance at meetings of the Board of Directors] 17 out of 17 (100%)</p> <p>[Term of office (At the end of this year's Annual General Meeting of Shareholders)] 9 years</p> <p>[Reason for nomination as a candidate for Director] Kazuhito Maeda has been in charge of management of the Company for many years. The Company nominates him as a candidate for Director, expecting him to help strengthen the decision-making function of the Board of Directors drawing on his extensive experience, including work at an overseas research institute, and performance.</p>	15,400

- There is no special interest between the candidate and the Company.

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
3	Kengo Inoue (March 18, 1957) [Reappointment]	<p>April 1981 Joined the Company</p> <p>June 2011 Operating Officer; General Manager, Functional Chemicals & Polymers Div. of the Company</p> <p>June 2014 Operating Officer; General Manager, Display Materials Div. of the Company</p> <p>June 2015 Director and Operating Officer; General Manager, Display Materials Div. of the Company</p> <p>June 2016 Director and Executive Operating Officer; General Manager, Display Materials Div.; and General Manager, Responsible Care & Production Engineering Dept. of the Company</p> <p>February 2017 Director and Executive Operating Officer; General Manager, Responsible Care & Production Engineering Dept. of the Company (to present)</p>	11,600
		<p>[Attendance at meetings of the Board of Directors] 17 out of 17 (100%)</p> <p>[Term of office (At the end of this year's Annual General Meeting of Shareholders)] 5 years</p> <p>[Reason for nomination as a candidate for Director] Kengo Inoue has been engaged in the Functional Chemicals & Polymers business and the Display Materials business. The Company nominates him as a candidate for Director, expecting him to help strengthen the decision-making function of the Board of Directors drawing on his extensive experience, including overseas assignments, and performance.</p>	

- There is no special interest between the candidate and the Company.

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
4	Hideaki Sakahashi (May 14, 1959) [Reappointment]	<p>April 1983 Joined the Company</p> <p>June 2008 General Manager, Planning Dept., Oleo & Speciality Chemicals Div. of the Company</p> <p>October 2012 General Manager, Planning Dept., Functional Chemicals & Polymers Div. of the Company</p> <p>June 2014 Operating Officer; General Manager, Functional Chemicals & Polymers Div. of the Company</p> <p>June 2016 Director and Operating Officer; General Manager, Corporate Planning & Strategy Dept. of the Company</p> <p>June 2018 Director and Executive Operating Officer; General Manager, Corporate Planning & Strategy Dept. of the Company (to present)</p>	5,300
		<p>[Attendance at meetings of the Board of Directors] 17 out of 17 (100%)</p> <p>[Term of office (At the end of this year's Annual General Meeting of Shareholders)] 4 years</p> <p>[Reason for nomination as a candidate for Director] Hideaki Sakahashi has been engaged in the management and planning of the Oleo & Speciality Chemicals business and the Functional Chemicals & Polymers business. The Company nominates him as a candidate for Director, expecting him to help strengthen the decision-making and supervision functions of the Board of Directors drawing on his extensive experience and performance.</p>	

- There is no special interest between the candidate and the Company.

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
5	Masanobu Miyo (January 4, 1961) [New appointment]	<p>April 1985 Joined the Company</p> <p>June 2005 General Manager, Functional Materials Sales Dept. 2, Sales Div., Oleo & Speciality Chemicals Div. of the Company</p> <p>April 2008 General Manager, Industrial Functional Materials Sales Dept., Oleo & Speciality Chemicals Sales Div., Oleo & Speciality Chemicals Div. of the Company</p> <p>June 2010 General Manager, Oleo & Speciality Chemicals Sales Div., Oleo & Speciality Chemicals Div. of the Company</p> <p>April 2014 General Manager, Oleo & Speciality Chemicals Div. of the Company</p> <p>June 2014 Operating Officer; General Manager, Oleo & Specialty Chemicals Div. of the Company</p> <p>June 2018 Executive Operating Officer; General Manager, Oleo & Speciality Chemicals Div. of the Company (to present)</p> <p>[Reason for nomination as a candidate for Director] Masanobu Miyo has been engaged in the Oleo & Speciality Chemicals business. The Company nominates him as a candidate for Director, expecting him to help strengthen the decision-making function of the Board of Directors drawing on his extensive experience and performance.</p>	4,600

- There is no special interest between the candidate and the Company.

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
6	<p data-bbox="199 806 399 873">Yasuyuki Arima (January 10, 1953)</p> <p data-bbox="199 896 399 1019">[Reappointment] [Outside Director] [Independent Director]</p>	<p data-bbox="430 268 1292 705"> April 1975 Joined The Fuji Bank, Limited (currently Mizuho Bank, Ltd.) April 2004 Executive Officer; General Manager, Financial Planning Div. of Mizuho Trust & Banking Co., Ltd. May 2004 Executive Officer, Mizuho Trust & Banking Co., Ltd. April 2005 Managing Executive Officer, Mizuho Trust & Banking Co., Ltd. June 2005 Managing Director, Mizuho Trust & Banking Co., Ltd. April 2007 Director, Mizuho Trust & Banking Co., Ltd. (Resigned from the position in June 2007) June 2007 Representative Director and President, Fuyo Auto Lease Co., Ltd. April 2016 Director, Fuyo Auto Lease Co., Ltd. (Resigned from the position in May 2016) June 2016 Director of the Company (to present); President, Hotsukyo (to present) </p> <p data-bbox="430 705 1292 1545"> [Attendance at meetings of the Board of Directors] 17 out of 17 (100%) [Term of office (At the end of this year’s Annual General Meeting of Shareholders)] 4 years [Reason for nomination as a candidate for Outside Director] The Company nominates Yasuyuki Arima as Outside Director because for the past four years, as an Outside Director of the Company, he has been providing appropriate opinions with regard to the Company’s overall management from a fair and objective standpoint, reflecting his extensive experience and a wide range of knowledge as a Director in the Company’s management, therefore the Company expects him to be able to continue to fulfill his role as a Director from an expert perspective. [Views on Independence] Yasuyuki Arima formerly had an executive role in The Fuji Bank, Limited (currently Mizuho Bank, Ltd.), with which the Company engages in transactions. However, as of the fiscal year ended March 31, 2020, the Company’s total loans from this financial institution account for 4.1% of the Company’s total assets, which is a low percentage. Furthermore, the Company has ongoing transactions with multiple financial institutions and is not dependent on any particular financial institution. For these reasons, the influence of the business relationship between Mizuho Bank, Ltd. and the Company is not equivalent to that of the relationship between a parent company and a subsidiary or an affiliate, the standard for consideration as a “major business partner” with regard to the decision-making of the Company’s business execution. Yasuyuki Arima meets the Tokyo Stock Exchange’s requirements for Independent Directors/Auditors and satisfies the Company’s “Standards for Determination of the Independence of Outside Officers.” The Company has deemed there to be no conflict of interests between Yasuyuki Arima and general shareholders, and has registered to the Tokyo Stock Exchange that he is an Independent Director/Auditor as defined by the Tokyo Stock Exchange. </p>	2,800

- Notes: 1. There is no special interest between the candidate and the Company.
2. If Proposal 2 is approved at this year’s Annual General Meeting of Shareholders, the Company plans to conclude an agreement with Yasuyuki Arima that limits his liability for damages indicated in Sub-Article 1 of Article 423 of the Companies Act (a limitation of liability agreement). The amount of limitation of liability for damages based on such agreement is the amount stipulated by laws and ordinances.

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
7	Kunimitsu Ito (August 18, 1958) [New appointment] [Outside Director] [Independent Director]	<p>October 1984 Joined Arthur & Young Certified Public Accountant Joint Office (merged with Asahi Shinwa & Co. (currently KPMG AZSA LLC) in 1986)</p> <p>March 1989 Registered as Certified Public Accountant</p> <p>May 2009 Partner of KPMG AZSA LLC (Resigned in June 2017)</p> <p>May 2017 Registered as Certified Tax Accountant</p> <p>July 2017 Joined ITAKO Accounting Office (Resigned in November 2018)</p> <p>December 2018 Representative of ITO ACCOUNTING FIRM (to present)</p>	700
		<p>[Reason for nomination as a candidate for Outside Director] Kunimitsu Ito is well versed in accounting and tax practices. Therefore, the Company expects him to be able to fulfill his role as a Director from an expert perspective and nominates him as a candidate for Outside Director.</p> <p>[Views on Independence] Kunimitsu Ito meets the Tokyo Stock Exchange's requirements for Independent Directors/Auditors and satisfies the Company's "Standards for Determination of the Independence of Outside Officers." If Kunimitsu Ito's appointment is approved, the Company will register to the Tokyo Stock Exchange that he is an Independent Director/Auditor as defined by the Tokyo Stock Exchange.</p> <p>Kunimitsu Ito is the representative of ITO ACCOUNTING FIRM, but there are no consulting or other relationships involving commissioning of accounting and tax services between the Company and this firm. The Company has no history of payments to this firm.</p>	

- Notes:
1. There is no special interest between the candidate and the Company.
 2. If Proposal 2 is approved at this year's Annual General Meeting of Shareholders, the Company plans to conclude an agreement with Kunimitsu Ito that limits his liability for damages indicated in Sub-Article 1 of Article 423 of the Companies Act (a limitation of liability agreement). The amount of limitation of liability for damages based on such agreement is the amount stipulated by laws and ordinances.

Proposal No. 4: Election of One (1) Corporate Auditor

Corporate Auditor Toshiyuki Hayashi will resign at the conclusion of this year's Annual General Meeting of Shareholders. The Company proposes the election of one (1) Corporate Auditor as his substitute.

The Board of Corporate Auditors gave prior consent to putting this Proposal on the agenda of this year's Annual General Meeting of Shareholders.

The candidate is as follows:

Name (Date of birth)	Past experience, positions, and significant concurrent positions	Number of shares of the Company held
Izumi Hayashi (August 20, 1958)	<p>April 1986 Public Prosecutor at the Nagoya District Public Prosecutors Office</p> <p>March 1987 Registered as Attorney (Tokyo Bar Association) Joined Logan, Takashima & Nemoto</p> <p>March 1993 Partner of Eitai Sogo Law Offices</p> <p>November 2013 Director of Cool Japan Fund Inc. (Resigned in June 2019)</p> <p>January 2015 Partner of Sakurazaka Law Offices (to present)</p> <p>June 2015 Member of the Board, SEIKAGAKU CORPORATION (Resigned in June 2019)</p> <p>August 2019 Audit & Supervisory Board Member, Weathernews Inc. (to present)</p>	0
<p>[New appointment] [Outside Corporate Auditor] [Independent Auditor]</p>	<p>[Reason for nomination as a candidate for Outside Corporate Auditor] Izumi Hayashi is well versed in corporate law. Therefore, the Company expects her to be able to fulfill her role as a Corporate Auditor from an expert perspective and nominates her as a candidate for Outside Corporate Auditor.</p> <p>[Views on Independence] Izumi Hayashi meets the Tokyo Stock Exchange's requirements for Independent Directors/Auditors and satisfies the Company's "Standards for Determination of the Independence of Outside Officers." If Izumi Hayashi's appointment is approved, the Company will register to the Tokyo Stock Exchange that she is an Independent Director/Auditor as defined by the Tokyo Stock Exchange.</p> <p>Izumi Hayashi is a partner of Sakurazaka Law Offices, but there are no consulting or other relationships involving commissioning of legal services between the Company and this office. The Company has no history of payments to this office in the past three years.</p>	

- Notes: 1. There is no special interest between the candidate and the Company.
2. Izumi Hayashi's name as indicated in her family register is Izumi Sakamoto.
3. If Proposal 2 is approved at this year's Annual General Meeting of Shareholders, the Company plans to conclude an agreement with Izumi Hayashi that limits her liability for damages indicated in Sub-Article 1 of Article 423 of the Companies Act (a limitation of liability agreement). The amount of limitation of liability for damages based on such agreement is the amount stipulated by laws and ordinances.

(Reference) Corporate Auditors who will remain in their current positions

Name	Current position
Kazushige Kato	[Incumbent] Standing Corporate Auditor
Shinichiro Tanaka	[Incumbent] [Outside] [Independent] Corporate Auditor
Ryouichi Tahara	[Incumbent] [Outside] [Independent] Corporate Auditor

Proposal No. 5: Election of One (1) Substitute Corporate Auditor

Because the effect of the election of the current Substitute Corporate Auditor shall be until the start of this year’s Annual General Meeting of Shareholders, to prepare for the event that the number of Corporate Auditors falls below the required number stipulated by laws and ordinances, the Company proposes the election of one (1) Substitute Corporate Auditor.

The Board of Corporate Auditors gave prior consent to putting this Proposal on the agenda of this year’s Annual General Meeting of Shareholders.

The candidate for the position of Substitute Corporate Auditor is as follows:

Name (Date of birth)	Past experience, positions, and significant concurrent positions	Number of shares of the Company held
<p>Yuriko Sagara (September 6, 1974)</p> <p>[New appointment] [Outside Corporate Auditor] [[Independent Auditor]</p>	<p>October 2001 Registered as Attorney (Daini Tokyo Bar Association) Joined Nakamura & Partners</p> <p>August 2005 Registered as Patent Attorney</p> <p>February 2010 Registered as U.S. New York State Attorney</p> <p>January 2013 Partner of Nakamura & Partners (to present)</p> <p>June 2019 Director serving as Audit and Supervisory Committee Member, TOKYO SEIMITSU CO., LTD. (to present)</p>	<p>0</p>
	<p>[Reason for nomination as a candidate for Substitute Outside Corporate Auditor] Yuriko Sagara is well versed in corporate law. Therefore, the Company expects her to be able to fulfill her role as a Corporate Auditor from an expert perspective and nominates her as a candidate for Substitute Outside Corporate Auditor.</p> <p>[Views on Independence] Yuriko Sagara meets the Tokyo Stock Exchange’s requirements for Independent Directors/Auditors and satisfies the Company’s “Standards for Determination of the Independence of Outside Officers.” The Company has deemed there to be no conflict of interests between Yuriko Sagara and general shareholders. If Yuriko Sagara’s appointment is approved, the Company will register to the Tokyo Stock Exchange that she is an Independent Director/Auditor as defined by the Tokyo Stock Exchange.</p> <p>Yuriko Sagara is a partner of Nakamura & Partners, but there is no consulting relationship between the Company and this office. The Company has paid an average of approximately 300,000 yen to this office each year over the past three years.</p>	

- Notes:
1. There is no special interest between the candidate and the Company.
 2. Yuriko Sagara’s name as indicated in her family register is Yuriko Hayakawa.
 3. If Proposal 2 is approved at this year’s Annual General Meeting of Shareholders and Yuriko Sagara is appointed as Corporate Auditor, the Company plans to conclude an agreement with her that limits her liability for damages indicated in Sub-Article 1 of Article 423 of the Companies Act (a limitation of liability agreement). The amount of limitation of liability for damages based on such agreement is the amount stipulated by laws and ordinances.

(Reference)

Standards for Determination of the Independence of Outside Officers

The Company has defined the following standards for determining the independence of Outside Directors and Outside Corporate Auditors (hereinafter collectively referred to as “Outside Officers”). When selecting Outside Officer candidates, the Company will select persons that meet not only the standards stipulated by the Companies Act and the Tokyo Stock Exchange, but also the Company’s “Standards for Determination of the Independence of Outside Officers.”

If none of the following apply to an Outside Officer, that Outside Officer is deemed to be independent.

- (1) The Group is a major business partner of the person (a payment amount of 2% or more of the person’s consolidated net sales in the most recent fiscal year were received from the Company) or is an executive in such a party (Note 1)
- (2) The person is a major business partner of the Group (a payment amount of 2% or more of the Company’s consolidated net sales in the most recent fiscal year were received from the person) or is an executive in such a party (Note 1)
- (3) The person is a major borrower of the Group (an amount of 2% or more of the Company’s consolidated total assets in the most recent fiscal year were lent to the Company by the person) or is an executive in such a party (Note 1)
- (4) The person is a major shareholder of the Company (the person directly or indirectly possesses 10% or more of the Company’s total voting rights) or is an executive in such a party (Note 1)
- (5) The person is a member of the auditing firm that is the Group’s Accounting Auditor
- (6) The person is an attorney, tax accountant, consultant, etc. that has received a large amount (Note 2) of money or other financial benefit from the Group other than officer remuneration
- (7) The person has received a large amount (Note 2) of donations or support from the Group, or is a director or executive in a company, union, or other organization to which this applies (Note 1)
- (8) The person is an executive director (Note 3) or a standing corporate auditor of the Group, is concurrently an outside director or outside corporate auditor of another company, and is an executive in said company (Note 1)
- (9) Any of (1) through (8) above have applied within the past three years

Note 1: Executives refer to executives as stipulated in the Regulation for Enforcement of the Companies Act. This includes executive directors, executive officers, and other employees.

Note 2: A large amount refers to an average of 10,000,000 yen per year over the past three fiscal years in the case of individuals, or an amount exceeding 2% of the total consolidated net sales or income of a company, union, or other organization per year as an average over the past three fiscal years.

Note 3: Executive directors refer to executive directors as stipulated in the Companies Act, and applies to representative directors and directors that execute the operations of a company.

Business Report

1. Current Status of the NOF Group

(1) Progress and Results of Operations

During the fiscal year under review, despite sluggish exports and production, the moderate recovery trend of the Japanese economy continued due to improvement in the employment and income environments and the results of policy measures. However, consumer spending was sluggish for the latter half of the fiscal year, due to factors such as the consumption tax increase and the impact of large typhoons. Since January, the impact of COVID-19 caused an even more widespread economic slowdown. Overseas, trade problems slowed the growth of the Chinese economy, and the rapid spread of COVID-19 caused an even more prominent slowdown of the global economy towards the end of the fiscal year.

The business environment surrounding the Group faced concerns of the stagnation of supply chains and the decline in inbound tourism demand caused by the spread of COVID-19, in addition to sluggish market conditions in China and Asia as a result of the persisting trade friction between the United States and China.

In such a business environment, with the basic policy of “Creating and expanding innovative value,” the Group promoted each initiative—“Creating products and markets,” “Improving productivity,” “Enhancing Group management” and “Promoting CSR activities”—under the three-year 2019 Mid-Term Management Plan, for its final year in the fiscal year 2019. At the same time, the Group undertook many management efforts toward sustainable growth to explore new markets by leveraging its high-function, high-value-added products, expanding sales of such products and reducing production costs.

In the creation of products and markets, the Group strove to expand research themes by further promoting the enhancement of industrial-governmental-academic collaborations in Japan and overseas and introduction of new technologies, and to accelerate the accurate understanding of user needs and the launching of new products in markets by rotating personnel between research and sales departments. The Group also strove to expand sales in overseas markets by strengthening its overseas sales personnel. In the improvement of productivity, the Group aggressively promoted investments to raise efficiency while strengthening production capacity to respond to expanding demand for high-function, high-value-added products, enhancing operation performance by digitization, and promoting research and development through the use of materials informatics, a material development method that uses technologies such as AI.

Despite such management efforts, for the consolidated fiscal year ended March 31, 2020, consolidated net sales decreased 4.4% year over year to ¥180,917 million, consolidated operating income declined 5.5% to ¥26,874 million; consolidated ordinary income fell 4.2% to ¥28,830 million; and profit attributable to owners of the parent were down 4.1% to ¥21,140 million compared with the previous consolidated fiscal year.

The outline of the performance in each business segment of the Group is explained below.

Functional Chemicals

In the field of fatty acid derivatives, net sales decreased due to sluggish demand in the environmental/energy field.

With regard to surfactants, net sales decreased due to sluggish demand in for toiletry products.

In ethylene oxide/propylene oxide derivatives, net sales decreased due to sluggish demand for synthetic resin and resin processing.

In organic peroxides, net sales decreased due to sluggish demand in Japan and Asia.

In display materials, net sales decreased due to lower shipments for our products for small to medium-sized liquid crystal panels.

In special anti-corrosion agents, net sales decreased as the result of sluggish automobile-related demand in Japan and Europe.

As a result, in the Functional Chemicals Segment, consolidated net sales decreased 8.0% to ¥117,270 million and consolidated operating income decreased 13.5% to ¥17,562 million.

Life Science

Regarding edible oils, net sales were level with the previous fiscal year, supported by firm demand for functional oils for confectionary and bread.

In functional foods, net sales decreased.

In biocompatible materials, net sales increased supported by firm demand for our products for 2-Methacryloyloxyethyl phosphorylcholine polymer (MPC)-related eye-care products.

In the field of raw materials for DDS (drug delivery system) drug formations, net sales increased with a rise in shipments to Europe and the United States.

As a result, in the Life Science Segment, consolidated net sales increased 9.2% to ¥30,369 million and consolidated operating income increased 14.4% to ¥8,456 million.

Explosive & Propulsion

In industrial explosives, net sales decreased.

In the field of space rocket products, net sales decreased due to lower shipments of our products for rockets.

In the field of defense-related explosives, net sales were level with the previous fiscal year.

In the field of functional products, net sales increased.

As a result, in the Explosive & Propulsion Segment, consolidated net sales decreased 1.1% to ¥31,838 million and consolidated operating income decreased 2.6% to ¥1,916 million.

Others

The Others Segment consists of the transportation and real estate businesses. In the Others Segment, consolidated net sales decreased 11.3% to ¥1,438 million and consolidated operating income decreased 16.2% to ¥207 million.

(2) Future Tasks

With regard to the Japanese economy, economic conditions are projected to remain extremely uncertain. Not only is the economy forecast to experience a downturn as a result of the decline in inbound tourism demand and the decline in demand due to voluntary restraints on outings caused by the spread of COVID-19, but it is also difficult to predict when the situation will settle, or the scope of impact of the infection. Likewise, the overseas economies suffered a severe downturn due to the decline in demand caused by worldwide lockdowns and stagnated supply chains, as COVID-19 spread throughout Europe and the United States. In addition, there are concerns of risk factors such as financial uncertainty and crude oil price fluctuations, and the future outlook is expected to remain exceedingly harsh.

Under these circumstances, the Group defined the three fields of Life/Healthcare, Electronics/IT, and Environment/Energy as its prioritized business fields under the three-year 2022 Mid-Term Management Plan, which starts in the fiscal year 2020. The current Life Science business segment will transform into the Life/Healthcare business segment with the aim of creating value in a broader range of fields. The Group will flexibly adapt to changes in the market needs in our three prioritized business fields, evolve further as a functional materials manufacturer that can provide innovative products to the global market, and continue our efforts to be a trusted business group with a strong presence.

The basic policy of the 2022 Mid-Term Management Plan is “Challenge and Co-create.” Under the Plan, the Group will engage in each initiative of “Expanding business in growth markets,” “Accelerating new product and new technology development,” “Enhancing coordination inside and outside the Company,” “Improving productivity” and “Promoting CSR activities.”

With respect to expanding business in growth markets, the Group will actively carry out strategic investment in the three prioritized fields. In accelerating new product and new technology development, the Group will establish a new business development office within the Corporate R&D Division, and work to create new projects and enhance coordination both inside and outside the Group, such as by expanding its range of research topics through joint research with other parties from both Japan and overseas.

In the improvement of productivity, the Group will actively engage in investments to raise efficiency, including strengthening of the Company’s production capacity for high-function and high value-added products, and digitalization.

In the promotion of CSR activities, the Company will engage in each initiative of environment (E), social (S), and governance (G) according to their order of priority. Moreover, to contribute to the achievement of Sustainable Development Goals (SDGs), the Company will implement Responsible Care activities and supply the market with innovative products. The Company will continue to strive to reinforce the corporate governance structure that serves as the foundation of these activities, in compliance with social codes and corporate ethics. It will also strive to disclose financial and non-financial information appropriately and at appropriate times, and to enhance the transparency and soundness of management. Regarding the risk management system, we will institute revisions such as the transition of the Risk Management Task Force to a Committee and enrich its comprehensive risk management functions, and will enhance management in collaboration with expert committees with specific areas of expertise with the ability to delve deeply into specialized topics. Also, we will continue to strengthen the Group’s safety management system to ensure safe operations.

We will implement these initiatives and promote further business reform to establish a tough corporate structure with international competitiveness.

The Group is also being considerably affected by the COVID-19 pandemic, which is having a tremendous impact on the global economy, and it is unclear when the situation will settle. Although we cannot as yet determine the scale of its impact on the Group, we will place our highest priority on ensuring the safety of Group employees and all other related parties. We will do our utmost to fulfil our social responsibility and perform appropriate business activities, while striving to prevent the spread of the disease and keeping a close eye on societal and economic conditions after the situation settles.

We kindly ask all shareholders for your continuing support.

(3) Capital Investment

During the consolidated fiscal year ended March 31, 2020, capital investment amounted to 8.0 billion yen.

The main completed and ongoing investments on facilities are as indicated below.

(i) Main facilities completed during the consolidated fiscal year ended March 31, 2020

Project name/company name	Project type/segment name	Content of facilities
The Company		
Kinuura Plant	Functional Chemicals	Construction of Kinuura Plant General Building
Kinuura Plant	Functional Chemicals	Strengthened capacity of Functional Chemicals manufacturing facility

(ii) New and expanded facilities during the consolidated fiscal year ended March 31, 2020

The Company		
Amagasaki Plant	Functional Chemicals	Strengthened environmental facilities
Amagasaki Plant	Functional Chemicals	Strengthened capacity of Functional Chemicals manufacturing facility
Chidori Plant	Functional Chemicals	Strengthened capacity of Functional Chemicals manufacturing facility
DDS Plant	Life Science	Strengthened capacity of Life Science products manufacturing facility
Kinuura Plant	Functional Chemicals	Strengthened environmental facilities
Taketoyo Plant	Explosive & Propulsion	Strengthened capacity of explosive and processed goods manufacturing facility
Amagasaki Plant/ Kinuura Plant	Functional Chemicals	Strengthened capacity of Functional Chemicals manufacturing facility

(iii) Sales, disposal, or destruction of important fixed assets during the consolidated fiscal year ended March 31, 2020

None applicable.

(4) Financing

None applicable.

(5) Business Results and Summary of Assets

(i) Business Results and Summary of Assets of the Group

Category		94th Term (April 2016 – March 2017)	95th Term (April 2017 – March 2018)	96th Term (April 2018 – March 2019)	97th Term (April 2019 – March 2020)	
Business performance	Net sales	(millions of yen)	174,057	179,935	189,152	180,917
	Operating income	(millions of yen)	24,336	25,816	28,442	26,874
	Ordinary income	(millions of yen)	25,001	27,430	30,099	28,830
	Profit attributable to owners of parent	(millions of yen)	17,586	19,913	22,034	21,140
	Profit per share	(yen)	101.14	230.96	259.29	251.72
Condition of assets	Total assets	(millions of yen)	217,127	235,874	244,533	235,248
	Net assets	(millions of yen)	152,564	169,572	178,285	178,716
	Net assets per share	(yen)	876.72	1,980.14	2,108.77	2,140.98
Number of companies	Consolidated Subsidiaries		25	25	24	24
	Equity Method Affiliates		0	0	0	0

- Notes: 1. Figures for net sales, operating income, ordinary income, profit attributable to owners of the parent, total assets, and net assets are rounded down to the nearest million yen.
2. Figures for profit per share and net assets per share are rounded to the third decimal place.
3. The Company conducted a consolidation of common stock at the ratio of 2 shares to 1 share effective October 1, 2017. Profit per share and net assets per share are calculated based on the assumption that the consolidation was implemented at the beginning of the 95th term.
4. The Company has adopted “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) from the beginning of the 96th term. Figures regarding the financial conditions for the 95th term have been adjusted based on the retrospective adoption of the above standards.

(ii) Business Results and Summary of Assets of the Company

Category			94th Term (April 2016 – March 2017)	95th Term (April 2017 – March 2018)	96th Term (April 2018 – March 2019)	97th Term (April 2019 – March 2020)
Business performance	Net sales	(millions of yen)	119,058	125,333	130,943	122,371
	Operating income	(millions of yen)	17,688	20,018	21,396	19,636
	Ordinary income	(millions of yen)	19,947	22,943	24,759	23,071
	Profit	(millions of yen)	14,435	17,531	18,869	18,308
	Profit per share	(yen)	83.02	203.34	222.04	218.00
Condition of assets	Total assets	(millions of yen)	189,027	204,397	210,018	201,890
	Net assets	(millions of yen)	124,302	137,014	143,356	142,251
	Net assets per share	(yen)	718.08	1,607.27	1,703.19	1,711.62

- Notes: 1. Figures for net sales, operating income, ordinary income, profit, total assets, and net assets are rounded down to the nearest million yen.
2. Figures for profit per share and net assets per share are rounded to the third decimal place.
3. The Company conducted a consolidation of common stock at the ratio of 2 shares to 1 share effective October 1, 2017. Profit per share and net assets per share are calculated based on the assumption that the consolidation was implemented at the beginning of the 95th term.
4. The Company has adopted “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) from the beginning of the 96th term. Figures regarding the financial conditions for the 95th term have been adjusted based on the retrospective adoption of the above standards.

(6) Status of the Parent Company and Principal Subsidiaries

(i) Status of the Parent Company

None applicable.

(ii) Status of Principal Subsidiaries

Name	Common stock	Percentage of voting rights owned by the Company	Principal business
Nippon Koki Co., Ltd.	2,000 million yen	95.0%	Production and sales of defense equipment, industrial explosives, pyrotechnics and crime prevention products
NiGK Corporation	1,478 million yen	100.0%	Production and sales of thermal indicator materials for temperature control, sterilized medical materials, construction materials, electrical materials, rocket components, processed chemical materials and marine equipment
HOKKAIDO NOF CORPORATION	220 million yen	100.0%	Production and sales of industrial explosives and road anti-icing agents
NOF METAL COATINGS ASIA PACIFIC CO., LTD	186 million yen	100.0%	Production and sales of special anti-corrosion agents
JAPEX Corp.	100 million yen	70.0% (including indirect shareholding of 25.0%)	Production and sale of industrial explosives
NICHIYU TRADING CO., LTD.	60 million yen	100.0%	Sales of coatings, construction materials, edible oils, and health-related products Property insurance agency
YUKA SANGYO CO., LTD.	44 million yen	100.0%	Sales of oleochemical products, organic peroxides, Functional Chemicals, surfactants, metalworking fluid, cosmetics base ingredients, soap base ingredients, and pharmaceuticals
Changshu NOF Chemical Co., Ltd.	156,852 thousand Chinese yuan	100.0%	Production and sales of fatty acid derivatives and organic peroxides
PT. NOF MAS CHEMICAL INDUSTRIES	17,500 thousand U.S. dollars	89.6%	Production and sale of organic peroxides
NOF METAL COATINGS NORTH AMERICA INC.	1 thousand U.S. dollars	100.0%	Production and sale of special anti-corrosion agents
NOF AMERICA CORPORATION	100 U.S. dollars	100.0%	Export, import and sales of chemicals, etc.
NOF (Shanghai) Co., Ltd.	12,794 thousand Chinese yuan	100.0%	Export, import and sales of chemicals, etc.
NOF EUROPE GmbH	25 thousand Euros	100.0%	Export, import and sales of chemicals, etc.

Notes: 1. Figures for common stock are rounded down to the nearest million yen.

2. Percentage for voting rights owned by the Company are rounded down to the second decimal place.

(iii) Status of Corporate Mergers

The Company has 24 consolidated subsidiaries, including the 13 companies whose status was indicated in the above section of (ii) Status of Principal Subsidiaries. There are no affiliates accounted for using the equity method.

(7) Principal Business of the Company

The Group's business and main products are as indicated below.

Segment	Products
Functional Chemicals	Fatty acids and fatty acid derivatives Surfactants Ethylene oxide and propylene oxide derivatives Organic peroxides Petrochemical products (polybutane, etc.) Functional polymers Functional films Electronic materials (LCD materials, etc.) Special anti-corrosion agents
Life Science	Edible oils Functional foods (medical nutritional products, health-related products) Biocompatible materials (MPC polymers, MPC monomers, etc.) Raw materials for DDS drug formulations (activated PEG, phospholipids, pharmaceutical surfactants)
Explosive & Propulsion	Industrial explosives Space rocket products Defense-related explosives Functional materials and devices
Others	Transportation Real estate

(8) Principal Offices and Plants

(i) The Company

Head Office	20-3, Ebisu 4-chome, Shibuya-ku, Tokyo	
Regional Offices/ Branch Offices	Osaka Office	Kita-ku, Osaka, Osaka
	Nagoya Office	Nakamura-ku, Nagoya, Aichi
	Fukuoka Office	Chuo-ku, Fukuoka, Fukuoka
Plants	Kawasaki Works	[Chidori Plant, Daishi Plant, DDS Plant] Kawasaki-ku, Kawasaki, Kanagawa
	Aichi Works	[Taketoyo Plant, Kinuura Plant, Display materials Plant] Taketoyo-cho, Chita-gun, Aichi
	Amagasaki Plant	Amagasaki, Hyogo
	Oita Plant	Oita, Oita
Research Laboratories	Advanced Technology Research Lab.	Tsukuba, Ibaraki
	Oleo & Speciality Chemicals Research Lab.	Amagasaki, Hyogo / Kawasaki-ku, Kawasaki, Kanagawa
	Functional Chemicals & Polymers Research Lab.	Taketoyo-cho, Chita-gun, Aichi
	Functional Foods Research Lab.	Kawasaki-ku, Kawasaki, Kanagawa
	Life Science Research Lab.	Kawasaki-ku, Kawasaki, Kanagawa
	DDS Research Lab.	Kawasaki-ku, Kawasaki, Kanagawa
	Display Materials Research Lab.	Taketoyo-cho, Chita-gun, Aichi

(ii) Subsidiaries

Nippon Koki Co., Ltd.	Head Office	Minato-ku, Tokyo
NiGK Corporation	Head Office	Kawagoe, Saitama
HOKKAIDO NOF CORPORATION	Head Office	Bibai, Hokkaido
NOF METAL COATINGS ASIA PACIFIC CO., LTD	Head Office	Kawasaki-ku, Kawasaki, Kanagawa
JAPEX Corp.	Head Office	Minato-ku, Tokyo
NICHIYU TRADING CO., LTD.	Head Office	Shibuya-ku, Tokyo
YUKA SANGYO CO., LTD.	Head Office	Shibuya-ku, Tokyo
Changshu NOF Chemical Co., Ltd.	Head Office	China
PT. NOF MAS CHEMICAL INDUSTRIES	Head Office	Indonesia
NOF METAL COATINGS NORTH AMERICA INC.	Head Office	U.S.A.
NOF AMERICA CORPORATION	Head Office	U.S.A.
NOF (Shanghai) Co., Ltd.	Head Office	China
NOF EUROPE GmbH	Head Office	Germany

(9) Employees

(i) Status of Group employees

Number of employees	Year-on-year
3,718	-7

- Notes: 1. The number of employees is the number of working personnel.
2. In addition to the above, there are also 205 temporary employees.

(ii) Status of Company employees

Number of employees	Year-on-year	Average age	Average length of service (years)
1,675	+27	43.4	19.0

- Notes: 1. The number of employees is the number of working personnel, and includes 11 people that were dispatched to the Company from outside the Company.
2. In addition to the above, there are also 55 temporary employees and 127 dispatched employees.

(10) Major Creditors

Creditors	Loan Outstanding
MUFG Bank, Ltd.	1,100 million yen
Mizuho Trust & Banking Co., Ltd.	700 million yen
The Norinchukin Bank	700 million yen

Note: Figures for outstanding loan are rounded down to the nearest million yen.

2. Shares of the Company

(1) Total number of shares authorized 347,000,000

(2) Total number of shares issued 83,161,953

(Excluding 1,679,423 shares of treasury stock)

(3) Number of shareholders 12,805

(Down 694 from the previous fiscal year)

(4) Major shareholders

Name	Number of shares (thousands)	Percentage of Ownership
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,033	9.66
Japan Trustee Services Bank, Ltd. (Trust Account)	4,396	5.28
Mizuho Bank, Ltd.	3,230	3.88
Japan Trustee Services Bank, Ltd. (Trust Account 9)	3,182	3.82
Meiji Yasuda Life Insurance Company	3,128	3.76
Nichiyu Shin Ei Kai	1,948	2.34
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,500	1.80
The Nomura Trust and Banking Co., Ltd.	1,455	1.75
RBC IST 15 PCT LENDING ACCOUNT-CLIENT ACCOUNT	1,438	1.73
Nichiyu Kyo Ei Kai	1,387	1.66

Notes: 1. The number of shares is rounded down to the nearest thousand shares.

2. Percentage of ownership excludes 1,679,423 shares of treasury stock.

3. Percentage of ownership is rounded down to the second decimal place.

3. Matters concerning stock acquisition rights

None applicable.

4. Officers of the Company

(1) Directors and Audit & Supervisory Board Members

Position	Name	Significant concurrent positions
Chairman & Chief Executive Officer*	Akiharu Kobayashi	
President & Chief Executive Officer*	Takeo Miyaji	
Director*	Kengo Inoue	
Director*	Makoto Ihuri	
Director*	Hideaki Sakahashi	
Director*	Kazuhito Maeda	
Outside Director	Yasuyuki Arima	President, Hotsukyo
Outside Director	Masayuki Kodera	
Standing Audit & Supervisory Board Member	Kazushige Kato	
Standing Audit & Supervisory Board Member	Toshiyuki Hayashi	
Outside Audit & Supervisory Board Member	Shinichiro Tanaka	
Outside Audit & Supervisory Board Member	Ryouichi Tahara	

- Notes: 1. Directors Yasuyuki Arima and Masayuki Kodera are Outside Directors as stipulated in the Companies Act.
2. Audit & Supervisory Board Members Shinichiro Tanaka and Ryouichi Tahara are Outside Audit & Supervisory Board Members as stipulated in the Companies Act.
3. Audit & Supervisory Board Member Shinichiro Tanaka has long experience working at a financial institution and, accordingly, has extensive knowledge regarding finance and accounting.
4. Audit & Supervisory Board Member Ryouichi Tahara has long experience working at a financial institution and, accordingly, has extensive knowledge regarding finance and accounting.
5. There are no special relationship between Hotsukyo and the Company.
6. The Company has designated Director Yasuyuki Arima, Director Masayuki Kodera, Audit & Supervisory Board Member Shinichiro Tanaka, and Audit & Supervisory Board Member Ryouichi Tahara as Independent Directors/Auditors as stipulated in Rule 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange.
7. Directors with an asterisk (*) next to their title concurrently serve as Operating Officers.
8. The Company has adopted an operating officer system. The Operating Officers as of the end of the fiscal year are as indicated below.

Position	Name	Assignment
Chairman & Chief Executive Officer	Akiharu Kobayashi	
President & Chief Executive Officer	Takeo Miyaji	
Executive Operating Officer	Kengo Inoue	General Manager, Responsible Care & Production Engineering Dept., in charge of Functional Chemicals & Polymers Group
Executive Operating Officer	Hideaki Sakahashi	General Manager, Corporate Planning & Strategy Dept., in charge of Finance Group and Systems Group
Executive Operating Officer	Kazuhito Maeda	General Manager, Anti-Corrosion Coatings Group, in charge of R&D Group and Human Resources & General Affairs Group
Executive Operating Officer	Tsuneharu Miyazaki	General Manager, DDS Development Div., in charge of Life Science Products Group
Executive Operating Officer	Masanobu Miyo	General Manager, Oleo & Speciality Chemicals Div., in charge of Functional Foods Group and Display Materials Group
Operating Officer	Ryoichi Ishigaki	General Manager, Finance Dept.
Operating Officer	Hidefumi Ishiguro	General Manager, Explosives & Propulsion Div.
Operating Officer	Makoto Ihuri	General Manager, Purchasing Dept., in charge of Explosives & Propulsion Group
Operating Officer	Hiroyuki Enomoto	General Manager, Corporate R&D Div.
Operating Officer	Shintaro Tabuchi	Office Manager, Osaka Office
Operating Officer	Nobuyuki Tsubaki	General Manager, Functional Chemicals & Polymers Div. and General Manager, China Project Unit
Operating Officer	Kazuhiko Hirata	General Manager, Display materials Div. and General Manager, Planning Dept.
Operating Officer	Akira Furukawa	General Manager, Functional Foods Div.

(2) Compensation paid to Directors and Audit & Supervisory Board Members

Category	Number of persons paid	Amount of compensation
Director (of which Outside Director)	8 (2)	¥284 million (¥18 million)
Audit & Supervisory Board Member (of which Outside Audit & Supervisory Board Member)	5 (2)	¥55 million (¥12 million)
Total (of which Outside Director and Outside Audit & Supervisory Board Member)	13 (4)	¥339 million (¥31 million)

- Notes: 1. The above payment amounts do not include employee portion of salaries or bonuses for Directors who concurrently serve as employees.
2. The above payment amounts include the compensation paid to one Audit & Supervisory Board Member who retired during the current fiscal year.
3. The Company has contributed ¥19 million (for the current fiscal year) for Directors (excluding Outside Directors) under the performance-linked stock compensation plan in accordance with the Officer Stock Distribution Rules.
4. The annual compensation limit for Directors (excluding employee salaries) was set to ¥360 million at the 83rd Annual General Meeting of Shareholders held on June 29, 2006.
5. The monthly compensation limit for Audit & Supervisory Board Members was set to ¥6 million at the 65th Annual General Meeting of Shareholders held on June 29, 1988.
6. Figures are rounded down to the nearest million yen.

(3) External Officers

1) Status of major activities

Position	Name	Status of major activities
Outside Director	Yasuyuki Arima	Yasuyuki Arima attended all 17 meetings of the Board of Directors held during the fiscal year under review. He made statements as necessary, mainly from the perspective of an executive with extensive experience.
Outside Director	Masayuki Koderu	Masayuki Koderu attended all 17 meetings of the Board of Directors held during the fiscal year under review. He made statements as necessary, mainly from the perspective of an executive with extensive experience.
Outside Audit & Supervisory Board Member	Shinichiro Tanaka	Shinichiro Tanaka attended all 17 meetings of the Board of Directors and all 16 meetings of the Audit & Supervisory Board held during the fiscal year under review. He made statements as necessary, mainly from the perspective of an executive with extensive experience.
Outside Audit & Supervisory Board Member	Ryouichi Tahara	Ryouichi Tahara attended all 17 meetings of the Board of Directors and all 16 meetings of the Audit & Supervisory Board held during the fiscal year under review. He made statements as necessary, mainly from the perspective of an executive with extensive experience.

2) Outline of the contents of liability limitation agreement

None applicable.

5. Accounting Auditors

(1) Name of Accounting Auditor

Ernst & Young ShinNihon LLC

(2) Outline of the contents of liability limitation agreement

None applicable.

(3) Compensation paid to Accounting Auditor for the fiscal year under review

	Classification	Amount paid
1)	Compensation paid or payable to the Accounting Auditor concerning the audit services for the fiscal year under review	¥64 million
2)	The total amount of money and property interests paid or payable to the Accounting Auditor from the Company and subsidiaries	¥124 million

- Notes: 1. The audit contract between the Company and the Accounting Auditor does not separate compensation concerning audits described by the Companies Act from compensation concerning audits described by the Financial Instruments and Exchange Act, and these compensation amounts are not practically possible to distinguish. Accordingly, the amount of compensation for the current fiscal year is the total amount of these two types of compensation.
2. The Audit & Supervisory Board of the Company conducted necessary verification of whether the contents of the Accounting Auditor's auditing plans, status of the execution of duties of the audit plan, basis for calculating estimated compensation, etc., were appropriate, and has decided to agree on the compensation amount, etc.
3. Of the Company's important subsidiaries, NOF METAL COATINGS NORTH AMERICA INC. was audited by Ernst & Young LLP (Cleveland). PT. NOF MAS CHEMICAL INDUSTRIES was audited by Ernst & Young Purwantono, Sungkoro & Surja.
4. Figures are rounded down to the nearest million yen.

(4) Content of non-audit operations

Advisory services related to audit of English financial statements and new accounting standards to be implemented were provided to the Company.

(5) Policy for determining the dismissal or non-reappointment of Accounting Auditor

If the Audit & Supervisory Board has judged that it is necessary, such as when the execution of duties by an Accounting Auditor is hindered, it will determine the contents for proposals for dismissal or non-reappointment of the Accounting Auditor to be submitted at the General Meeting of Shareholders.

If an Accounting Auditor is deemed to fall under any of the items of Article 340, Paragraph 1 of the Companies Act, such Accounting Auditor shall be dismissed subject to the unanimous approval at the Audit & Supervisory Board. In this case, an Audit & Supervisory Board Member designated by the Audit & Supervisory Board shall report the dismissal of the Accounting Auditor and the reason for the dismissal at the first General Meeting of Shareholders to be convened after the dismissal.

6. System for Ensuring Appropriate Conduct of Operations

(1) Outline of the System for Ensuring Appropriate Conduct of Operations

Internal control system for further enhancing the appropriateness of the operations of the Company and Group companies

- 1) Systems for ensuring that the Directors and employees perform their duties in accordance with laws, regulations, and the Articles of Incorporation
 - a. The Board of Directors makes decisions regarding matters related to systems for ensuring that the Directors perform their duties in accordance with laws, regulations, and the Articles of Incorporation.
 - b. The Directors and employees comply with corporate ethics based on the NOF Code of Ethical Conduct.
 - c. The Ethics Committee promotes compliance with ethics laws and regulations throughout the Company.
 - d. The Secretariat of the Ethics Committee is responsible for performing contact point operations that allow employees to directly report or consult regarding issues related to compliance with ethics laws and regulations. Reporters of issues shall not be treated disadvantageously.

- 2) System for the storage and management of information regarding the execution of duties by Directors
 - a. Information in documents, etc., concerning the execution of duties by Directors is retained and managed as stipulated in laws and regulations and internal rules such as rules on document handling and rules on information security management.
 - b. Security systems are used to protect data on electronic media concerning the execution of duties by Directors from leakage due to unauthorized access, etc.
 - c. Directors, Audit & Supervisory Board Members, and employees designated by Directors or Audit & Supervisory Board Members can view or copy documents or data on electronic media at any time.

- 3) Rules and other systems for managing risks of loss
 - a. Specialist committees such as the Responsible Care Committee, the Quality Control Committee, the Information Security Management Committee, and the Credit Management Committee analyze business risks, consider countermeasures, and report to the CSR Committee. The Risk Management Task Force established under the CSR Committee confirms and evaluates risk comprehensiveness, proposes risk management measures, and reports to the CSR Committee. The CSR Committee aggregates and evaluates various business risks such as compliance, information management, environmental and safety risks and evaluates the activities of the Risk Management Task Force. These are deliberated on by the Board of Directors as necessary.

 - b. In the event of an emergency, an Emergency Task Force is established in accordance with the emergency response regulations to establish a system for ensuring the safety of personnel and

minimizing economic losses.

4) System for ensuring that the duties of the Directors are efficiently performed

- a. In order to ensure that Directors perform their duties efficiently, the Board of Directors meets regularly once a month, and additionally as necessary, and makes decisions regarding important matters concerning management and business execution.
- b. In the event of urgent important issues for which there is not enough time for Board of Directors' decision-making, these issues may be handled as they arise, provided that the decisions do not violate the laws and regulations or the Articles of Incorporation, and approved at the next meeting of the Board of Directors.
- c. Management decision-making and supervision functions are separated from business execution functions, and an Operating Officer system is adopted to reinforce both of these functions.
- d. Directors and employees comply with internal rules such as rules on office organization.
- e. Goals are defined for the entire Group and shared by Directors and employees. Mid-term Management Plans are formulated based on these goals while fostering the permeation of the goals throughout the Group, and are decided by the Board of Directors. Annual plans are formulated based on Mid-term Management Plans and decided by the Board of Directors.
- f. As a general rule, Strategic Meetings are held once a week to ensure speedy management decision-making.

5) System for ensuring appropriate conduct of operations by the Group composed of the Company and Group companies

- a. The Company permeates the Corporate Philosophy and Code of Conduct it has formulated throughout Group companies and promotes business activities. Furthermore, Group companies formulate policies based on the basic policies and annual policies of the Mid-term Management Plan formulated by the Company.
- b. The Company manages the businesses of Group companies in accordance with the rules on the management of Group companies, and requests regular reports of business execution status, financial conditions, etc.
- c. The Company's Board of Directors shall approve important matters which have been deemed to have a significant impact on the assets and profits or losses of the Company and Group companies.
- d. The Company monitors the risk management of Group companies in accordance with the rules on the management of Group companies. Furthermore, specialist committees such as the Responsible Care Committee, the Quality Control Committee, the Information Security Management Committee, and the Credit Management Committee analyze risks, consider countermeasures, and report to the CSR Committee. The Risk Management Task Force established under the CSR Committee confirms and evaluates risk comprehensiveness, proposes risk management measures, and reports to the CSR

Committee. The CSR Committee aggregates and evaluates various business risks such as compliance, information management, environmental and safety risks and evaluates the activities of the Risk Management Task Force. The CSR Committee then provides advice, etc., to Group companies as necessary via the specialist committees.

- e. Group companies with a significant impact on Group business results must deliberate with the Company regarding important management matters, attend the Company's management meetings, and gain an understanding of the Group's overall business performance.
 - f. The Company holds a Group company meeting once a year to provide an opportunity to share information necessary for efficient Group-wide operation.
 - g. As a system to prevent legal violations, etc., the Company has established whistle-blowing contact points where employees of the Company or Group companies can use to directly report and consult regarding issues.
 - h. To ensure that Directors and employees of Group companies perform their duties in accordance with laws, regulations, and the Articles of Incorporation, the Company requires Group companies to report on the status of compliance with laws and regulations, and provides advice as necessary.
 - i. Audit & Supervisory Board Members regularly audit the operations of the Company and Group companies.
 - j. The Internal Control Department regularly audits the operations of the Company and Group companies.
- 6) Matters concerning employees that Audit & Supervisory Board Members request to be assigned in order to assist their duties, matters regarding the independence of said employees from Directors, and matters regarding assurance of the effectiveness of instructions issued by Audit & Supervisory Board Members to said employees
- a. If Audit & Supervisory Board Members request that employees be assigned in order to assist their duties, the employees that are assigned must have the knowledge and capabilities needed to assist auditing operations.
 - b. When employees assist the duties of Audit & Supervisory Board Members, said employees shall not accept orders or instructions from Directors or person in senior position.
 - c. In order to ensure the independence of employees that assist the duties of Audit & Supervisory Board Members from Directors and person in senior position, and to ensure the effectiveness of instructions issued by Audit & Supervisory Board Members, decisions regarding the assignments, transfers, and other personnel matters related to said employees require the approval of Audit & Supervisory Board Members.
- 7) System for reporting from Directors and employees to Audit & Supervisory Board Members, system for reporting from Group company Directors or employees, or persons who have received reports from

Group company Directors or employees, to the Company's Audit & Supervisory Board Members, and other matters regarding reporting to Audit & Supervisory Board Members

- a. Audit & Supervisory Board Members attend meetings of the Board of Directors and other important meetings.
 - b. Directors and employees of the Company report important results of business execution based on decisions by the Board of Directors, Executive Committee, etc., to Audit & Supervisory Board Members.
 - c. If Directors or employees of the Company discover serious legal violations or matters with the potential to cause major losses for the Company, said Directors or employees shall promptly report these matters to Audit & Supervisory Board Members.
 - d. The Internal Control Department regularly reports the results of operation audits to Audit & Supervisory Board Members.
 - e. If Directors or employees of a Group company, or persons who have received reports from Directors or employees of a Group company, discover serious legal violations or matters with the potential to cause major losses for the Company, said persons shall promptly report these matters to Audit & Supervisory Board Members.
- 8) System for ensuring that the person who has reported issues to Audit & Supervisory Board Members are not subject to disadvantageous treatment
- a. The Company shall not treat the person who has reported issues to Audit & Supervisory Board members disadvantageously.
- 9) Matters related to policies regarding the procedures for advance payment or reimbursement of expenses arising from the execution of duties by Audit & Supervisory Board Members and the processing of other expenses or financial obligations resulting from the execution of duties by Audit & Supervisory Board Members
- a. The Company shall promptly respond to requests for the advance payment of expenses arising from the execution of duties by Audit & Supervisory Board Members, reimbursement of paid expenses, and payment for incurred financial obligations.
- 10) System for ensuring that audits by Audit & Supervisory Board Members are conducted effectively
- a. Audit & Supervisory Board Members conduct audits in accordance with the Audit & Supervisory Board Member auditing standards defined by the Audit & Supervisory Board. As necessary, they deliberate with Directors to improve the effectiveness of their audits.
 - b. Accounting Auditors regularly report audit plans and audit results to Audit & Supervisory Board Members. When necessary, Audit & Supervisory Board members share information and exchange

opinions with Accounting Auditors, each department of the Company, and Group companies.

- c. Audit & Supervisory Board Members have regular meetings with Representative Directors, and share their opinions regarding the issues to be addressed by the Company, the status of the auditing environment of Audit & Supervisory Board Members, important issues related to auditing, etc., and develop deeper mutual understanding and trust.

11) System for ensuring the reliability of financial reporting

- a. In order to ensure the reliability of the financial reporting of the Company and Group companies, and to effectively and appropriately submit the internal control reports stipulated in the Financial Instruments and Exchange Act, the Internal Control Department builds and maintains internal control systems related to financial reporting and strives to enhance control activities related to important financial reporting processes.

(2) Outline of the Status of Implementation of the System for Ensuring Appropriate Conduct of Operations

Based on the above policy, the Company strives to improve its internal control system and operate it appropriately. The main initiatives carried out during the fiscal year under review were as follows.

(Measures aimed at ensuring appropriate conduct of operations by the Company and Group companies)

The Company held a regular meetings of the Board of Directors once each month and held five extraordinary meetings of the Board of Directors over the course of the fiscal year. In addition to regularly reported matters, the Board of Directors also confirmed and decided on important matters stipulated in the rules of the Board of Directors and monitored the status of the execution of the duties of Directors. Group companies requested approval from and reported on important matters stipulated in the rules on the management of Group companies to the Company.

During the fiscal year under review, the reorganization of specialist committees was considered with the aim of enhancing their functions. As a result, on April 1, 2020, the Risk Management Committee was established and several specialist committees have been merged into the newly established committee, which will strive to further enhance risk management. The Ethics Committee has been renamed to the Compliance Committee and the membership composition of the committee has been reviewed and revised in order to enhance its functionality.

(Compliance measures)

The Ethics Committee led the improvement of compliance related regulations such as global compliance manuals, operation of whistle-blowing contact points, and provision of ongoing compliance training for all Group companies, both in Japan and abroad, including the Company.

During the fiscal year under review, progress was made in the preparation of country-specific

compliance manuals in local languages and in Japanese, based on the features of the legal systems in each country and region. These manuals are shared between Group companies.

(Risk management measures)

With regard to risk management, specialist committees such as the Responsible Care Committee, the Quality Control Committee, the Information Security Management Committee, and the Credit Management Committee monitor their respective operation fields, including Group companies, analyze results, and report measures and countermeasures to the CSR Committee, which is chaired by the President. The Risk Management Task Force established under the CSR Committee confirms and evaluates risk comprehensiveness, proposes risk management measures, and reports to the CSR Committee. The CSR Committee aggregates and evaluates various management risks, such as compliance, information management, and environmental and safety risks, and confirms and evaluates the comprehensiveness of these risks.

Furthermore, during the fiscal year under review, in response to COVID-19, an Emergency Task Force was established, and the Group is enhancing its critical risk management including risks that affect business continuity.

(Measures for ensuring the effectiveness of audits by Audit & Supervisory Board members)

Audit & Supervisory Board Members provide opportunities for regular deliberations with the Internal Control Department and Accounting Auditors, and coordinate with them closely. On top of this, Audit & Supervisory Board Members attend important meetings such the meetings of the Board of Directors, Executive Committee, CSR Committee, and specialist committees; visit offices, branches, business sites, and the like; conduct interviews with business departments and Group companies; and hold liaison meetings with Group Audit & Supervisory Board Members (to enable Audit & Supervisory Board Members of the Company and Audit & Supervisory Board Members of the Group companies to share information). Through this, they strive to ensure the effectiveness of their audits.

Audit & Supervisory Board Members are provided with necessary information through explanations by Directors or internal related departments regarding the state of important decision-making or the execution of duties, or the details of said duties, and by viewing related important documents. These information are reported appropriately to Audit & Supervisory Board Members.

(Evaluation of operating status of internal control system)

The internal control system is reviewed and revised annually. At the meeting of the Board of Directors held in April 2020, the Company evaluated operating status during the fiscal year under review with respect to the matters stipulated in the policy on the improvement of the internal control system, and confirmed that the system was operating appropriately.

CONSOLIDATED BALANCE SHEET

(As of March 31, 2020)

Account item	Current fiscal year
(Assets)	(millions of yen)
Current assets	130,115
Cash and time deposits	51,849
Notes and accounts receivable	38,625
Electronically recorded monetary claims-operating	2,467
Merchandise and finished goods	21,261
Work in process	3,299
Raw materials and supplies	10,353
Other current assets	2,446
Allowance for doubtful accounts	(188)
Fixed assets	105,132
Property, plant and equipment	59,258
Buildings and structures	23,888
Machinery, equipment and vehicles	11,750
Land	20,332
Construction in progress	1,117
Others	2,169
Intangible assets	1,050
Investments and other assets	44,823
Investments securities	40,868
Long term loans	2
Deferred tax assets	1,012
Assets for retirement benefits	1,153
Other assets	1,846
Allowance for doubtful accounts	(59)
Total assets	235,248

Account item	Current fiscal year
(Liabilities)	(millions of yen)
Current liabilities	36,114
Notes and accounts payable	14,998
Electronically recorded obligations - operating	852
Short-term bank loans	1,353
Current portion of long-term debt	0
Lease obligations	161
Accrued expenses	1,696
Income taxes payable	4,067
Deposits received	4,045
Accrued bonuses for employees	3,227
Asset retirement obligations	156
Other current liabilities	5,555
Long-term liabilities	20,417
Long-term debt	8,059
Lease obligations	289
Deferred tax liabilities	6,629
Accrued retirement benefits for officers	106
Accrued retirement benefits for directors	0
Liabilities for retirement benefits	4,841
Asset retirement obligations	34
Other long-term liabilities	454
Total liabilities	56,532
(Net assets)	
Shareholders' equity	163,167
Common stock	17,742
Capital surplus	15,115
Retained earnings	136,643
Treasury stock, at cost	(6,333)
Accumulated other comprehensive income	14,768
Unrealized holding gain on securities	16,933
Translation adjustments	(883)
Retirement benefits liability adjustments	(1,280)
Non-controlling interests	780
Total net assets	178,716
Total liabilities and net assets	235,248

CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2019 to March 31, 2020)

Account item	Current fiscal year
	(millions of yen)
Net sales	180,917
Cost of sales	122,313
Gross profit	58,604
Selling, general and administrative expenses	31,730
Operating income	26,874
Non-operating income	2,712
Interest and dividend income	1,657
Others	1,054
Non-operating expenses	755
Interest expenses	69
Foreign exchange losses, net	221
Others	464
Ordinary income	28,830
Extraordinary income	2,423
Gain on sale of fixed assets	58
Gain on sale of investments in securities	1,994
Insurance income	371
Extraordinary losses	1,015
Loss on sale of fixed assets	5
Impairment loss on fixed assets	449
Loss on disaster	216
Loss on retirement of fixed assets	123
Loss on business withdrawal	87
Office relocation expenses	108
Others	25
Profit before income taxes	30,238
Income taxes	9,065
Income taxes - current	8,949
Income taxes - deferred	116
Profit	21,172
Profit attributable to non-controlling interests	32
Profit attributable to owners of parent	21,140

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(From April 1, 2019 to March 31, 2020)

(millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	17,742	15,115	122,657	(2,145)	153,369
Changes during the period					
Cash dividends			(7,154)		(7,154)
Profit attributable to owners of parent			21,140		21,140
Purchase of treasury stock				(4,188)	(4,188)
Change in stock of parent arising from transactions with non-controlling interest shareholders		0			0
Net changes in items other than shareholders' equity					
Total changes during the period	-	0	13,985	(4,188)	9,797
Balance at the end of the period	17,742	15,115	136,643	(6,333)	163,167

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized holding gain on securities	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance at beginning of the period	25,224	(423)	(675)	24,125	790	178,285
Changes during the period						
Cash dividends						(7,154)
Profit attributable to owners of parent						21,140
Purchase of treasury stock						(4,188)
Change in stock of parent arising from transactions with non-controlling interest shareholders						0
Net changes in items other than shareholders' equity	(8,291)	(460)	(604)	(9,357)	(10)	(9,367)
Total changes during the period	(8,291)	(460)	(604)	(9,357)	(10)	430
Balance at the end of the period	16,933	(883)	(1,280)	14,768	780	178,716

NON-CONSOLIDATED BALANCE SHEET

(As of March 31, 2020)

Account item	Current fiscal year
(Assets)	(millions of yen)
Current assets	104,476
Cash and time deposits	40,868
Notes receivable	56
Accounts receivable - trade	35,461
Merchandise and finished goods	14,418
Work in process	1,539
Raw materials and supplies	5,707
Prepaid expenses	385
Short-term loans receivable	5,071
Accounts receivable - other	759
Other	229
Allowance for doubtful accounts	(21)
Fixed assets	97,414
Property, plant and equipment	38,201
Buildings	13,791
Structures	3,817
Machinery and equipment	7,635
Vehicles	55
Tools, furniture and fixtures	1,266
Land	11,088
Leased assets	9
Construction in progress	536
Intangible assets	696
Leasehold interests in land	88
Software	409
Leased assets	164
Other	34
Investments and other assets	58,516
Investment securities	38,763
Shares of subsidiaries and associates	12,354
Investments in capitals of subsidiaries and associates	2,739
Long term loans	704
Long-term prepaid expenses	308
Prepaid pension cost	2,977
Other	667
Allowance for doubtful accounts	(0)
Total assets	201,890

Account item	Current fiscal year
(Liabilities)	(millions of yen)
Current liabilities	44,734
Accounts payable - trade	13,084
Short-term bank loans	700
Current portion of long-term debt	0
Accounts payable - other	3,328
Accrued expenses	761
Income taxes payable	3,282
Accrued consumption taxes	293
Deposits received	20,851
Accrued bonuses for employees	2,116
Asset retirement obligations	142
Other	173
Long-term liabilities	14,904
Long-term debt	7,950
Deferred tax liabilities	6,505
Accrued retirement benefits for officers	100
Asset retirement obligations	27
Other	320
Total liabilities	59,638
(Net assets)	
Shareholders' equity	126,059
Common stock	17,742
Capital surplus	15,113
Legal capital surplus	15,113
Retained earnings	99,538
Legal retained earnings	3,156
Other retained earnings	96,381
Reserve for tax purpose reduction entry of fixed assets	3,442
General reserve	27,800
Retained earnings brought forward	65,138
Treasury stock	(6,333)
Valuation and translation adjustments	16,192
Unrealized holding gain on securities	16,192
Total net assets	142,251
Total liabilities and net assets	201,890

NON-CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2019 to March 31, 2020)

Account item	Current fiscal year
	(millions of yen)
Net sales	122,371
Cost of sales	84,400
Gross profit	37,970
Selling, general and administrative expenses	18,334
Operating income	19,636
Non-operating income	4,092
Interest and dividend income	3,292
Rent income on real estate	296
Others	503
Non-operating expenses	656
Interest expenses	86
Foreign exchange losses, net	197
Others	372
Ordinary income	23,071
Extraordinary income	2,229
Gain on sale of fixed assets	56
Gain on sale of investments in securities	1,994
Insurance income	178
Extraordinary loss	208
Loss on sale of fixed assets	4
Impairment loss on fixed assets	19
Loss on retirement of fixed assets	51
Office relocation expenses	108
Others	25
Profit before income taxes	25,092
Income taxes	6,784
Income taxes - current	6,779
Income taxes - deferred	5
Profit	18,308

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(From April 1, 2019 to March 31, 2020)

(millions of yen)

	Shareholders' equity							
	Common stock	Capital surplus		Legal retained earnings	Retained earnings			
		Legal capital surplus	Total capital surplus		Other retained earnings			Total retained earnings
					Reserve for tax purpose reduction entry of fixed assets	General reserve	Retained earnings brought forward	
Balance at beginning of the fiscal year	17,742	15,113	15,113	3,156	3,502	27,800	53,924	88,384
Changes during the fiscal year								
Cash dividends							(7,154)	(7,154)
Reversal of reserve for tax purpose reduction entry of fixed assets					(59)		59	–
Profit							18,308	18,308
Purchase of treasury stock								
Net change in items other than shareholders' equity during the fiscal year								
Total changes during the fiscal year	–	–	–	–	(59)	–	11,213	11,153
Balance at end of the fiscal year	17,742	15,113	15,113	3,156	3,442	27,800	65,138	99,538

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Unrealized holding gain on securities	Total valuation and translation adjustments	
Balance at beginning of the fiscal year	(2,145)	119,094	24,262	24,262	143,356
Changes during the fiscal year					
Cash dividends		(7,154)			(7,154)
Reversal of reserve for tax purpose reduction entry of fixed assets		–			–
Profit		18,308			18,308
Purchase of treasury stock	(4,188)	(4,188)			(4,188)
Net change in items other than shareholders' equity during the fiscal year			(8,070)	(8,070)	(8,070)
Total changes during the fiscal year	(4,188)	6,965	(8,070)	(8,070)	(1,105)
Balance at end of the fiscal year	(6,333)	126,059	16,192	16,192	142,251

(Translation)
Independent Auditor's Report

May 19, 2020

The Board of Directors of
NOF CORPORATION

Ernst & Young ShinNihon LLC
Tokyo Office

Motoaki Ikeuchi
Certified Public Accountant
Designated and Engagement Partner

Tetsuya Kawawaki
Certified Public Accountant
Designated and Engagement Partner

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of NOF CORPORATION (the "Company") for the fiscal year from April 1, 2019 through March 31, 2020.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of NOF CORPORATION, which consists of the Company and its consolidated subsidiaries, for the period covered by the consolidated financial statements in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining

to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.

- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

(Translation)

Independent Auditor's Report

May 19, 2020

The Board of Directors of
NOF CORPORATION

Ernst & Young ShinNihon LLC
Tokyo Office

Motoaki Ikeuchi
Certified Public Accountant
Designated and Engagement Partner

Tetsuya Kawawaki
Certified Public Accountant
Designated and Engagement Partner

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the accompanying supplementary schedules of NOF CORPORATION (the "Company") for the 97th fiscal year from April 1, 2019 through March 31, 2020.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2020, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules." We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements and the Accompanying Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the financial statements and the accompanying supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules

Our responsibility is to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements and the accompanying supplementary schedules from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements and the accompanying supplementary schedules.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements and the accompanying supplementary schedules on the premise of a going concern and, based on the audit

evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements and the accompanying supplementary schedules in the audit report, or if the notes to the financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements and the accompanying supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.

- Besides assessing whether the presentation of and notes to the financial statements and the accompanying supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements and the accompanying supplementary schedules including related notes, and whether the financial statements and the accompanying supplementary schedules fairly present the transactions and accounting events on which they are based.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

Audit & Supervisory Board's Audit Report

Audit Report

The Audit & Supervisory Board received and discussed the audit report concerning the execution of duties of the Directors during the 97th fiscal year from April 1, 2019 through March 31, 2020, which was prepared by each Audit & Supervisory Board Member, and, as a result of discussions, prepared this Audit Report as the consensus of all the Audit & Supervisory Board Members as follows:

1. Procedures and details of the audits conducted by the Audit & Supervisory Board Members and Audit & Supervisory Board
 - (1) The Audit & Supervisory Board established the audit policies for the fiscal year under review, division of duties, and other relevant matters, and received a report from each Audit & Supervisory Board Member regarding the performance of audits and results thereof, as well as reports from the Directors, other relevant personnel, and the Accounting Auditor regarding the execution of their duties, and requested explanations as necessary.
 - (2) Based on the audit standards determined by the Audit & Supervisory Board, and in accordance with the audit policies and the division of duties, each Audit & Supervisory Board Member, while endeavoring to communicate with Directors, internal audit staff, and other employees, collecting information and maintaining and improving the audit environment, conducted the audit based on the following procedures.
 - 1) Each Audit & Supervisory Board member attended the Board of Directors' meeting and other important meetings to receive reports on the status of execution of their duties from Directors and employees, requested explanations as necessary, inspected the important approval documents, etc., and examined the status of operations and conditions of assets at the Company's head office and principal offices. In addition, each Audit & Supervisory Board Member communicated and shared information with the Directors and Audit & Supervisory Board Members of the subsidiaries and received their business reports as necessary.
 - 2) With respect to details of the resolutions by the Board of Directors regarding the establishment of systems necessary to ensure that the execution of duties by Directors stated in the Business Report complies with laws and regulations and the Articles of Incorporation and other systems prescribed by Article 100, Paragraphs 1 and 3 of the Regulation for Enforcement of the Companies Act as systems necessary to ensure the properness of operations of the corporate group comprising the Company and its subsidiaries, as well as the system established based on such resolutions (hereinafter collectively, "Internal Control System"), each Audit & Supervisory Board Member periodically received reports from Directors and employees on the development and operation of the Internal Control System, requested explanations as necessary, and expressed his or her opinions.
 - 3) The Audit & Supervisory Board Members monitored and verified that the Accounting Auditor maintains its independence and conducts the audits appropriately, as well as received reports on the status of the execution of duties from the Accounting Auditor, and requested explanations as necessary. In addition, we were informed by the Accounting Auditor that it had arranged the "System for Ensuring Properness in Execution of Duties" (matters stipulated in the items of Article 131 of the Regulation on Corporate Accounting) in accordance with "Standards for Quality Control of Audits" (Business Accounting Council, October 28, 2005), and requested explanations as necessary.

Based on the procedures mentioned above, we reviewed the Business Report and the related supplementary schedules, the Non-consolidated Financial Statements, which comprise the Balance Sheet, Statement of Income, Statement of Changes in Net Assets, Notes to Non-consolidated Financial Statements, and the related supplementary schedules, as well as the Consolidated Financial Statements, which comprise the Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Changes in Net Assets, and Notes to Consolidated Financial Statements for the year ended March 31, 2020.

2. Results of Audit

(1) Results of the audit of Business Report, etc.

We acknowledge that:

- 1) The business report and supplementary schedules present fairly the financial condition of the Company in conformity with related laws, regulations, and the Articles of Incorporation of the Company;
- 2) Regarding the execution of duties by Directors, there were no instances of misconduct or material matters concerning violation of laws, regulations, or the Articles of Incorporation of the Company; and
- 3) The resolution of the Board of Directors regarding the Internal Control System is fair and reasonable.

There are no matters or findings to be brought up regarding details stated in the Business Report and the execution of duties by Directors in relation to such internal control system.

- (2) Results of the audit of Non-consolidated Financial Statements and supplementary schedules
We acknowledge that the audit methods used and the audit results issued of the Accounting Auditor, Ernst & Young ShinNihon LLC are fair and reasonable.
- (3) Results of the audit of Consolidated Financial Statements and supplementary schedules
We acknowledge that the audit methods used and the audit results issued of the Accounting Auditor, Ernst & Young ShinNihon LLC are fair and reasonable.

May 19, 2020

Audit & Supervisory Board of NOF CORPORATION	
Audit & Supervisory Board Member (standing)	Kazushige Kato
Audit & Supervisory Board Member (standing)	Toshiyuki Hayashi
Outside Audit & Supervisory Board Member	Shinichiro Tanaka
Outside Audit & Supervisory Board Member	Ryouichi Tahara