

Message from the Management

We deeply appreciate the exceptional support you have provided us.

Along with the report on the Company's businesses for the 98th Fiscal Year (April 1, 2020–March 31, 2021), we hereby include the following message.

During the fiscal year under review, due to the spread of COVID-19 worldwide, the Japanese economy deteriorated rapidly. Nonetheless, there were signs of a recovery in certain areas toward the end of the fiscal year. However, due to the spread of COVID-19 virus variants, restrictions on economic activities were further enhanced, resulting in an uncertain outlook for the economy and harsh conditions continuing.

In preparation for the next leap forward, the NOF Group (the "Group") has formulated "NOF Vision 2025" with the year 2020 as the starting point. The first three years represented by the "2022 Mid-Term Management Plan" shall be Stage I, a period of strengthening foundations. The latter three years shall be Stage II, a period of expanding profits. We shall promote initiatives such as the promotion of active investments in growth fields and the strengthening of profitability. In response to the COVID-19 pandemic, as we continue striving to maintain our production activities, as well as our sales and distribution functions, we shall take a variety of infection prevention measures, in order to ensure the safety of Group employees and all other related parties.

For the fiscal year ended March 31, 2021, although consolidated net sales and consolidated operating income decreased compared with the previous fiscal year, consolidated ordinary income stayed on par with the previous fiscal year, and net income attributable to owners of the parent increased compared with the previous fiscal year.

The Group will flexibly adapt to changes in market needs in its three prioritized business fields of life/healthcare, electronics/IT, and environment/energy, while engaging in the initiatives of further accelerating the development of new products and new technologies and improving productivity. Going forward, by creating new value through the power of humans and chemistry and continuously living up to the trust that all stakeholders have placed in us, we will continue challenging ourselves to realize a safe and abundant society.

We kindly ask all shareholders for your continuing support.

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 7, 2021

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 98TH 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 98th 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 via one of the methods stated below. Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights.

- 1. Date and Time:** Tuesday, June 29, 2021, 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 98th Fiscal Year (April 1, 2020–March 31, 2021), 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 98th Fiscal Year (April 1, 2020–March 31, 2021)

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 Six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members)
- Proposal No. 4:** Election of Four (4) Directors who are Audit and Supervisory Committee Members
- Proposal No. 5:** Establishment of Compensation Amount for Directors (excluding Directors who are Audit and Supervisory Committee Members)
- Proposal No. 6:** Establishment of Compensation Amount for Directors who are Audit and Supervisory Committee Members
- Proposal No. 7:** Establishment of Compensation Category concerning the Performance-linked Stock Compensation Plan for Directors

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 28, 2021 (Monday), Japan time.

(2) Exercise of Voting Rights via the Internet, etc.

Please access the Web site for exercising voting rights stated on the enclosed Voting Rights Exercise Form, and indicate your votes for or against each of the proposals by 5:30 p.m. on June 28, 2021 (Monday), Japan time (please refer to pages 4 and 5 for more details).

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 98TH 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 98TH ANNUAL GENERAL MEETING OF SHAREHOLDERS.
 - (1) Consolidated Statement of Changes in Net Assets, Notes to Consolidated Financial Statements
 - (2) Non-Consolidated Statement of Changes in Net Assets, 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 98th 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 29, 2021 (Tuesday), 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 98TH 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 28, 2021 (Monday), 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 28, 2021 (Monday), 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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Usage of Electronic Voting Rights Exercise Platform for Institutional Investors

If application for use has been made in advance, nominal shareholders such as management trust banks (including the standing proxy) may use the electronic voting rights exercise platform for institutional investors operated by ICJ, Inc. as another method for exercising voting rights via electromagnetic means in the Company's General Meeting of Shareholders.

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 29, 2021, 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 28, 2021, 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 28, 2021, 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:

¥41 per share of the Company's common stock for a total of ¥3,397,640,234.

As the Company paid ¥39 per share as an interim dividend, the annual dividend is ¥80 per share for the fiscal year under review.

(3) Effective date of distribution of surplus:

June 30, 2021

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

1. Reasons for amendments

In order to accurately respond to changes in the business environment and to enhance corporate value sustainably, the Company recognizes that the strengthening of corporate governance is an important issue, and strives to ensure its effectiveness.

The Company has decided to transition to a Company with an Audit and Supervisory Committee, so as to further strengthen the Board of Directors' supervision function such as through having Directors who are Audit and Supervisory Committee Members hold voting rights in the Board of Directors, to raise efficiency of the management by enabling flexible decision-making, and to further enhance corporate governance.

In line with this transition, the necessary amendments required for the transition to a Company with an Audit and Supervisory Committee shall be made, including the establishment of new provisions regarding Directors who are Audit and Supervisory Committee Members and regarding Audit and Supervisory Committee Members, and the deletion of provisions regarding Corporate Auditors and the Board of Corporate Auditors.

Other necessary amendments such as changes in wording due to the revision of laws and regulations shall also be conducted.

The amendments to the Articles of Incorporation hereby proposed shall take effect at the conclusion of this year's Annual General Meeting of Shareholders.

2. Details of amendments

The details of the amendments are as indicated below.

(Amendments are underlined.)

Current Articles of Incorporation	Proposed Amendments
<p>(Objects) Article 2. The objects of the Company shall be to engage in the following businesses: (1)-(4) (Omitted) (5) Manufacture of industrial chemicals, medicines, quasi-medicines, medical supplies, <u>medical instruments</u>, medicines for animal use, agricultural chemicals, chemical drugs and cosmetics. (6)-(25) (Omitted)</p>	<p>(Objects) Article 2. (Unchanged) (1)-(4) (Unchanged) (5) Manufacture of industrial chemicals, medicines, quasi-medicines, medical supplies, <u>medical equipment</u>, medicines for animal use, agricultural chemicals, chemical drugs and cosmetics. (6)-(25) (Unchanged)</p>
<p>(Number of Directors) Article 18. The number of Directors of the Company shall be twelve or less. (New)</p>	<p>(Number of Directors) Article 18. The number of Directors <u>(excluding those who are Audit and Supervisory Committee Members)</u> of the Company shall be twelve or less. <u>2 The number of Directors who are Audit and Supervisory Committee Members of the Company shall be five or less.</u></p>

Current Articles of Incorporation	Proposed Amendments
<p>(Election of Directors) Article 19. Directors shall be elected at a general meeting of shareholders.</p> <p>2 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. Directors shall be elected by <u>by distinguishing Directors who are Audit and Supervisory Committee Members from other Directors</u> at a general meeting of shareholders. 2 (Unchanged)</p>
<p>(Term of office of Directors) Article 20. The term of office of Directors shall expire at the close of the ordinary general meeting of shareholders relating to the last business year which ends within one year from their election.</p> <p>(New)</p> <p>(New)</p>	<p>(Term of office of Directors) Article 20. The term of office of Directors <u>(excluding those who are Audit and Supervisory Committee Members)</u> shall expire at the close of the ordinary general meeting of shareholders relating to the last business year which ends within one year from their election. 2 <u>The term of office of Directors who are Audit and Supervisory Committee Members shall expire at the close of the ordinary general meeting of shareholders relating to the last business year which ends within two years from their election; provided, however, that the term of office of a Director who is an Audit and Supervisory Committee Member elected to fill a vacancy, created by the retirement of a Director who is an Audit and Supervisory Committee Member before expiration of his term of office, shall be until the expiration of the term of office of the retired Director who is an Audit and Supervisory Committee Member.</u> 3 <u>The validity of pre-election of a substitute Director who is an Audit and Supervisory Committee Member shall continue until the beginning of the ordinary general meeting of shareholders relating to the last business year which ends within two years after the election.</u></p>
<p>(Appointment of Representative Directors) Article 22. Representative Directors of the Company shall be appointed by resolution of the Board of Directors.</p>	<p>(Appointment of Representative Directors) Article 22. Representative Directors of the Company shall be appointed <u>from among the Directors (excluding those who are Audit and Supervisory Committee Members)</u> by resolution of the Board of Directors.</p>
<p>(Directors with specific titles) Article 23. The Board of Directors may by its resolution appoint directors with specific titles.</p>	<p>(Directors with specific titles) Article 23. The Board of Directors may by its resolution appoint directors with specific titles <u>from among the Directors (excluding those who are Audit and Supervisory Committee Members).</u></p>
<p>(Convening of meeting of Board of Directors) Article 27. Notice for convening of a meeting of the Board of Directors shall be dispatched to each Director <u>and each Statutory Auditor</u> not later than two days prior to the date of the meeting; provided, however, that, in case of urgent necessity, such</p>	<p>(Convening of meeting of Board of Directors) Article 27. Notice for convening of a meeting of the Board of Directors shall be dispatched to each Director not later than two days prior to the date of the meeting; provided, however, that, in case of urgent necessity, such period of notice may be</p>

Current Articles of Incorporation	Proposed Amendments
period of notice may be further shortened with the consent of each Director <u>and each Statutory Auditor.</u>	further shortened with the consent of each Director.
(New)	<u>(Delegation of decisions on execution of important operations)</u> <u>Article 28. Pursuant to the provisions of Article 399-13, Paragraph 6 of the Companies Act, the Company may delegate all or part of the decisions on the execution of important operations (excluding matters listed in each item of Paragraph 5 of the same Article) to Directors by resolution of the Board of Directors.</u>
Articles <u>28.-29.</u> (Omitted)	Articles <u>29.-30.</u> (Unchanged)
(Remuneration etc. of Directors) Article <u>30.</u> The remuneration, bonuses and other benefits (hereinafter “Remuneration Etc.”) received by Directors as payment for the execution of their duties shall be determined by resolution of a general meeting of shareholders.	(Remuneration etc. of Directors) Article <u>31.</u> The remuneration, bonuses and other benefits (hereinafter “Remuneration Etc.”) received by Directors as payment for the execution of their duties shall be determined by resolution of a general meeting of shareholders, <u>by distinguishing those for Directors who are Audit and Supervisory Committee Members from those for other Directors.</u>
Article <u>31.</u> (Omitted)	Article <u>32.</u> (Unchanged)
<u>Chapter V. Statutory Auditors and Board of Statutory Auditors</u>	(Deleted)
<u>(Establishment of Statutory Auditors and Board of Statutory Auditors)</u> Article <u>32.</u> The Company shall establish Statutory Auditors and the Board of Statutory Auditors.	(Deleted)
<u>(Election of Statutory Auditors)</u> Article <u>33.</u> Statutory Auditors shall be elected at a general meeting of shareholders. <u>2 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.</u>	(Deleted)
<u>(Validity of pre-election of substitute Statutory Auditor)</u> Article <u>34.</u> The validity of pre-election of a substitute Statutory Auditor shall continue until the beginning of the ordinary general meeting of shareholders relating to the last business year which ends within two years after the election.	(Deleted)
<u>(Term of office of Statutory Auditors)</u> Article <u>35.</u> The term of office of Statutory Auditors shall expire at the close of the ordinary general meeting of shareholders relating to the last business year which ends within four years after their election; provided, however, that the term of office of a Statutory Auditor elected to fill a vacancy created by the retirement of a Statutory Auditor before expiration of his term of office	(Deleted)

Current Articles of Incorporation	Proposed Amendments
<u>shall expire at such time as the term of office of the retired Statutory Auditor expires.</u>	
(Full-time Statutory Auditors) <u>Article 36. The Board of Statutory Auditors shall elect full-time Statutory Auditors by its resolution.</u>	(Deleted)
(Power of Board of Statutory Auditors) <u>Article 37. In addition to the matters provided for in laws and ordinances, the Board of Statutory Auditors shall make decisions on important matters relating to the execution of duties of Statutory Auditors as long as the exercise by Statutory Auditors of their powers is not precluded thereby.</u>	(Deleted)
(Convening of meeting of Board of Statutory Auditors) <u>Article 38. Notice for convening of meeting of the Board of Statutory Auditors shall be dispatched to each Statutory Auditor not later than two days prior to the date of the meeting; provided, however, that such period of notice may be further shortened with the consent of each Statutory Auditor.</u>	(Deleted)
(Regulations of Board of Statutory Auditors) <u>Article 39. With respect to matters relative to the Board of Statutory Auditors, the Regulations of the Board of Statutory Auditors to be established by the Board of Statutory Auditors shall govern, in addition to laws and ordinances or these Articles.</u>	(Deleted)
(Remuneration Etc. of Statutory Auditors) <u>Article 40. The Remuneration Etc. of Statutory Auditors shall be determined by resolution of a general meeting of shareholders.</u>	(Deleted)
(Exoneration of Statutory Auditors from liability) <u>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 Statutory Auditor (including a person who was a Statutory 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.</u> <u>2 The Company may, pursuant to Sub-Article 1 of Article 427 of the Companies Act, conclude an agreement with a Statutory 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>	(Deleted)
(New)	<u>Chapter V. Audit and Supervisory Committee</u>
(New)	<u>(Establishment of Audit and Supervisory Committee)</u> <u>Article 33. The Company shall establish an Audit and Supervisory Committee.</u>

Current Articles of Incorporation	Proposed Amendments
(New)	<u>(Notice for convening of Audit and Supervisory Committee meeting)</u> <u>Article 34. Notice for convening of an Audit and Supervisory Committee meeting shall be dispatched to each Audit and Supervisory Committee Member not later than two days prior to the date of the meeting; provided, however, that such period of notice may be further shortened with the consent of each Audit and Supervisory Committee Member.</u>
(New)	<u>(Regulations of Audit and Supervisory Committee)</u> <u>Article 35. With respect to matters relative to the Audit and Supervisory Committee, the Regulations of the Audit and Supervisory Committee to be established by the Audit and Supervisory Committee shall govern, in addition to laws and ordinances or these Articles.</u>
Articles <u>42.-44.</u> (Omitted)	Articles <u>36.-38.</u> (Unchanged)
(Remuneration Etc. of Accounting Auditors) Article <u>45.</u> The Remuneration Etc. of Accounting Auditors shall be determined by the Representative Director with the agreement of the Board of Statutory Auditors.	(Remuneration Etc. of Accounting Auditors) Article <u>39.</u> The Remuneration Etc. of Accounting Auditors shall be determined by the Representative Director with the agreement of the Audit and Supervisory Committee.
Articles <u>46.-49.</u> (Omitted)	Articles <u>40.-43.</u> (Unchanged)
(New)	<u>Supplementary Provisions</u> <u>(Transitional Measures regarding Exoneration of Statutory Auditors from liability)</u> <u>1. The Company may, by resolution of the Board of Directors, exonerate a person who is a Statutory Auditor (including a person who was a Statutory Auditor) until the conclusion of the 98th Annual General Meeting of Shareholders held in June 2021, from his liability for damages set forth in Sub-Article 1 of Article 423 of the Companies Act relating to his conduct, to the extent allowable under laws and ordinances.</u> <u>2. Regarding the agreement that limits the liability for damages set forth in Sub-Article 1 of Article 423 of the Companies Act relating to the conduct of a person who is a Statutory Auditor (including a person who was a Statutory Auditor) until the conclusion of the 98th Annual General Meeting of Shareholders held in June 2021, the agreement shall adhere to stipulations of Article 41-2 before the amendments to the Articles of Incorporation, as per the resolution at the said Annual General Meeting of Shareholders.</u>

Proposal No. 3: Election of Six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members)

If Proposal No. 2 “Partial Amendments to the Articles of Incorporation” is approved as originally proposed, the Company will transition to a Company with an Audit and Supervisory Committee, and the terms of office of all seven (7) Directors will expire when the amendments to the Articles of Incorporation come into effect.

Accordingly, the Company proposes the election of six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members; the same applies hereinafter for this proposal).

This proposal shall become effective subject to the amendments to the Articles of Incorporation in Proposal No. 2 “Partial Amendments to the Articles of Incorporation” coming into effect.

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]	Representative Director and Senior Executive Operating Officer	17 out of 17 (100%)
3	Masanobu Miyo [Reappointment]	Director and Executive Operating Officer	13 out of 13 (100%)
4	Kazuyoshi Yamauchi [New appointment]	Operating Officer; General Manager, Kawasaki Works; General Manager, Daishi Plant; General Manager, Operations Dept., Kawasaki Works	-
5	Shingo Unami [New appointment] [Outside] [Independent]	-	-
6	Izumi Hayashi [New appointment] [Outside] [Independent]	Corporate Auditor	13 out of 13 (100%)

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%) [Term of office as Director (At the end of this year's Annual General Meeting of Shareholders)] 10 years [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>	19,200

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</p> <p>June 2020 Representative Director and Senior Executive Operating Officer of the Company (to present)</p> <p>[Attendance at meetings of the Board of Directors] 17 out of 17 (100%) [Term of office as Director (At the end of this year's Annual General Meeting of Shareholders)] 10 years [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 and oversight function of the Board of Directors drawing on his extensive experience, including work at an overseas research institute, and performance.</p>	16,200

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
3	Masanobu Miyo (January 4, 1961) [Reappointment]	<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</p> <p>June 2020 Director and Executive Operating Officer; General Manager, Oleo & Speciality Chemicals Div. of the Company</p> <p>April 2021 Director and Executive Operating Officer of the Company (to present)</p> <p>[Attendance at meetings of the Board of Directors] 13 out of 13 (100%) [Term of office as Director (At the end of this year's Annual General Meeting of Shareholders)] 1 year [Reason for nomination as a candidate for Director] Masanobu Miyo has been engaged in the management of the Functional Chemicals business and the Life Science Products business at the Company. The Company nominates him as a candidate for Director, expecting him to help strengthen the decision-making function and oversight function of the Board of Directors drawing on his extensive experience and performance.</p>	5,100

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
4	Kazuyoshi Yamauchi (December 27, 1963) [New appointment]	<p>April 1987 Joined the Company</p> <p>August 2009 General Manager, Manufacturing Dept., Chidori Plant, Kawasaki Works of the Company</p> <p>June 2014 General Manager, Technology Dept., Amagasaki Plant of the Company</p> <p>February 2016 General Manager, Kinuura Plant of the Company</p> <p>June 2019 General Manager, Kawasaki Works; General Manager, Daishi Plant; General Manager, Operations Dept., Kawasaki Works of the Company</p> <p>June 2020 Operating Officer; General Manager, Kawasaki Works; General Manager, Daishi Plant; General Manager, Operations Dept., Kawasaki Works of the Company (to present)</p> <p>[Reason for nomination as a candidate for Director] Kazuyoshi Yamauchi has been engaged in the operations of manufacturing, technology and such at the Company. The Company nominates him as a candidate for Director, expecting him to help strengthen the decision-making function and oversight function of the Board of Directors drawing on his extensive experience and performance.</p>	2,613

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
5	<p data-bbox="193 775 410 831">Shingo Unami (November 27, 1957)</p> <p data-bbox="201 864 402 954">[New appointment] [Outside] [Independent]</p>	<p data-bbox="432 248 1294 645"> April 1981 Joined The Yasuda Trust and Banking Company, Ltd. (currently Mizuho Trust & Banking Co., Ltd.) April 2008 Executive Officer; General Manager of Human Resources Dept., Mizuho Trust & Banking Co., Ltd. April 2009 Executive Officer; General Manager of Nagoya Branch, Mizuho Trust & Banking Co., Ltd. (Resigned from the position in April 2011) April 2011 Senior Executive Operating Officer, Heisei Buildings Co., Ltd. (Resigned from the position in March 2013) April 2013 Director and Executive Vice-President, Mizuho Trust Systems Co., Ltd. (Resigned from the position in April 2018) April 2018 Senior Director, Mizuho Corporate Pension Fund (Resigned from the position in April 2021) </p> <p data-bbox="432 656 1294 954"> [Reason for nomination as a candidate for Outside Director and overview of expected role] Shingo Unami has abundant experience, as well as advanced insight and capabilities in the financial industry. Furthermore, as he has been responsible for the management, etc. of multiple companies, he has a broad range of experience and knowledge regarding corporate management. For the reasons above, the Company deems that he will be able to fulfill the responsibilities of conducting appropriate oversight, etc. over business execution and provide advice to the Company’s management, based on his abundant experience and deep insight as a corporate manager. Therefore, the Company nominates him as a candidate for Outside Director. </p> <p data-bbox="432 965 1294 1137"> [Views on Independence] Shingo Unami 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 Shingo Unami’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 data-bbox="432 1149 1294 1447"> Shingo Unami formerly had an executive role in Mizuho Trust & Banking Co., Ltd., with which the Company engages in transactions. However, as of the fiscal year ended March 31, 2021, the Company’s total loans from this financial institution account for 3.7% 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 Trust & Banking Co., Ltd. and the Company is not equivalent to that of the relationship with 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. </p>	0

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
6	Izumi Hayashi (August 20, 1958) [New appointment] [Outside Director] [Independent]	<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> <p>June 2020 Corporate Auditor of the Company (to present)</p> <p>[Attendance at meetings of the Board of Directors] 13 out of 13 (100%)</p> <p>[Term of office as Auditor (At the end of this year's Annual General Meeting of Shareholders)] 1 year</p> <p>[Reason for nomination as a candidate for Outside Director and overview of expected role] Besides being well-versed in corporate law as an attorney, Izumi Hayashi has advanced knowledge on topics including intellectual property and corporate compliance. She actively comments in Board of Directors meetings using the said perspective, and appropriately fulfilled her responsibilities as an Outside Corporate Auditor of the Company, such as through the auditing and oversight of business execution. Although she has never been involved in corporate management except as an outside officer, for the reasons above, the Company deems that she will be able to fulfill the responsibilities of conducting appropriate oversight, etc. over business execution and provide advice to the Company's management, based on her specialized knowledge. Therefore, the Company nominates her as a candidate for Outside Director.</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.</p> <p>The Company has no history of payments to this office in the past three years.</p>	0

Note: Izumi Hayashi's name as indicated in her family register is Izumi Sakamoto.

- Notes:
1. There is no special interest between the candidates and the Company.
 2. Pursuant to Sub-Article 1 of Article 427 of the Companies Act, the Company has concluded an agreement with Izumi Hayashi that limits her liability for damages indicated in Sub-Article 1 of Article 423 of the same Act (a limitation of liability agreement) as a Corporate Auditor. The amount of limitation of liability for damages based on such an agreement is the amount stipulated by laws and ordinances. If Shingo Unami and Izumi Hayashi are elected as Directors, the Company intends to enter into limitation of liability agreements with them with the same contents.
 3. The Company has entered into a Directors and Officers liability insurance (D&O insurance) contract with an insurance company. In the event of claims for damages by shareholders or other third parties, arising from actions or omissions in the execution of duties by the insured Directors or Corporate Auditors, the said insurance contract will cover damage incurred by the said Director or Corporate Auditor. If the candidates are elected as Director, they shall be insured under the said insurance contract, and the Company plans to renew the said insurance contract during their terms of office.

Proposal No. 4: Election of Four (4) Directors who are Audit and Supervisory Committee Members

If Proposal No. 2 “Partial Amendments to the Articles of Incorporation” is approved as originally proposed, the Company will transition to a Company with an Audit and Supervisory Committee.

Accordingly, the Company proposes the election of four (4) Directors who are Audit and Supervisory Committee Members.

The Board of Corporate Auditors has already given its approval for this proposal to be submitted to the General Meeting of Shareholders.

This proposal shall become effective subject to the amendments to the Articles of Incorporation in Proposal No. 2 “Partial Amendments to the Articles of Incorporation” coming into effect.

The candidates are as follows.

No.	Name	Positions and responsibilities at the Company	Attendance at meetings of the Board of Directors
1	Tsuneharu Miyazaki [New appointment]	Executive Operating Officer; General Manager, DDS Development Div.	-
2	Kunimitsu Ito [New appointment] [Outside] [Independent]	Director	13 out of 13 (100%)
3	Yuriko Sagara [New appointment] [Outside] [Independent]	-	-
4	Keiichi Miura [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	Tsuneharu Miyazaki (January 26, 1958) [New appointment]	<p>April 1980 Joined the Company</p> <p>March 2007 General Manager, Activator-Related Sales Dept., Oleo & Speciality Chemicals Sales Div., Oleo & Speciality Chemicals Div. of the Company</p> <p>January 2012 General Manager, Amagasaki Plant of the Company</p> <p>June 2013 General Manager, Life Science Products Div. of the Company</p> <p>June 2014 Operating Officer; General Manager, Life Science Products Div. of the Company</p> <p>June 2016 Operating Officer; General Manager, DDS Development Div. of the Company</p> <p>June 2019 Executive Operating Officer; General Manager, DDS Development Div. of the Company (to present)</p> <p>[Reason for nomination as a candidate for Director who is an Audit and Supervisory Committee Member] Tsuneharu Miyazaki has been engaged in businesses in the life science field and operations of factory management, etc. The Company nominates him as a candidate for Director who is an Audit and Supervisory Committee Member, expecting him to help strengthen the auditing and oversight functions, drawing on his extensive experience and wide range of insight.</p>	5,100

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
2	<p data-bbox="204 779 399 835">Kunimitsu Ito (August 18, 1958)</p> <p data-bbox="204 869 399 958">[New appointment] [Outside Director] [Independent]</p>	<p data-bbox="432 282 1246 595"> October 1984 Joined Arthur & Young Certified Public Accountant Joint Office (merged with Asahi Shinwa & Co. (currently KPMG AZSA LLC) in 1986) March 1989 Registered as Certified Public Accountant May 2009 Partner of KPMG AZSA LLC (Resigned in June 2017) May 2017 Registered as Certified Tax Accountant July 2017 Joined ITAKO Accounting Office (Resigned in November 2018) December 2018 Representative of ITO ACCOUNTING FIRM (to present) June 2020 Director of the Company (to present) </p> <p data-bbox="432 600 1297 1444"> [Attendance at meetings of the Board of Directors] 13 out of 13 (100%) [Term of office as Director (At the end of this year’s Annual General Meeting of Shareholders)] 1 year [Reason for nomination as a candidate for Outside Director and overview of expected role] Kunimitsu Ito is well-versed in accounting and tax practices. He actively comments in Board of Directors meetings using the said perspective, and appropriately fulfilled his responsibilities as an Outside Director of the Company, such as through the oversight of business execution. As the chairman of the Compensation Committee and a member of the Nomination Committee, he attended committee meetings and actively gave his opinions. Although he has never been involved in corporate management except as an outside officer, for the reasons above, the Company deems that he will be able to fulfill the responsibilities of conducting appropriate auditing and oversight, etc. over business execution, based on his specialized knowledge. Therefore, the Company nominates him as a candidate for Outside Director who is an Audit and Supervisory Committee Member. [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. 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>	800

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
3	<p data-bbox="197 555 400 613">Yuriko Sagara (September 6, 1974)</p> <p data-bbox="197 645 400 734">[New appointment] [Outside Director] [Independent]</p>	<p data-bbox="432 248 1283 461"> October 2001 Registered as Attorney (Daini Tokyo Bar Association) Joined Nakamura & Partners August 2005 Registered as Patent Attorney February 2010 Registered as U.S. New York State Attorney January 2013 Partner of Nakamura & Partners (to present) June 2019 Director serving as Audit and Supervisory Committee Member, TOKYO SEIMITSU CO., LTD. (to present) </p> <p data-bbox="432 468 1283 526">[Reason for nomination as a candidate for Outside Director and overview of expected role]</p> <p data-bbox="432 533 1283 768">Yuriko Sagara has a high level of expertise and global-based knowledge as an attorney. In addition, as a patent attorney, she has a deep level of insight on intellectual property. Although she has never been involved in corporate management except as an outside officer, for the reasons above, the Company deems that she will be able to fulfill the responsibilities of conducting appropriate auditing and oversight, etc. over business execution, based on her specialized knowledge. Therefore, the Company nominates her as a candidate for Outside Director who is an Audit and Supervisory Committee Member.</p> <p data-bbox="432 775 1283 954">[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." 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 data-bbox="432 960 1283 1041">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>	0

Note: Yuriko Sagara's name as indicated in her family register is Yuriko Hayakawa.

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
4	Keiichi Miura (November 13, 1956) [New appointment] [Outside Director] [Independent]	<p>April 1980 Joined Onoda Cement Co., Ltd. (currently TAIHEIYO CEMENT CORPORATION)</p> <p>April 2012 General Manager, Central Research Laboratory, TAIHEIYO CEMENT CORPORATION</p> <p>June 2013 Executive Officer, TAIHEIYO CEMENT CORPORATION</p> <p>April 2016 Managing Executive Officer, TAIHEIYO CEMENT CORPORATION</p> <p>June 2016 Director and Managing Executive Officer, TAIHEIYO CEMENT CORPORATION</p> <p>April 2019 Director and Senior Executive Officer, TAIHEIYO CEMENT CORPORATION</p> <p>April 2020 Director, TAIHEIYO CEMENT CORPORATION (Resigned from the position in June 2020)</p> <p>June 2020 Director, Tosoh Corporation (to present)</p> <p>[Reason for nomination as a candidate for Outside Director and overview of expected role] Keiichi Miura has been engaged in the management of TAIHEIYO CEMENT CORPORATION, and has abundant experience and advanced insight and capabilities regarding research planning, etc. Furthermore, having served as an outside director in the chemicals industry, he has a wide range of experience and knowledge. For the reasons above, the Company deems that he will be able to fulfill the responsibilities of conducting appropriate auditing and oversight, etc. over business execution, based on his abundant experience and knowledge of advanced technology as a corporate manager. Therefore, the Company nominates him as a candidate for Outside Director who is an Audit and Supervisory Committee Member.</p> <p>[Views on Independence] Keiichi Miura 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 Keiichi Miura'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>Keiichi Miura formerly had an executive role in TAIHEIYO CEMENT CORPORATION, but there are no transactional relationships between the Company and this company.</p>	0

- Notes: 1. There is no special interest between the candidates and the Company.
2. Pursuant to Sub-Article 1 of Article 427 of the Companies Act, the Company has concluded an agreement with Kunimitsu Ito that limits his liability for damages indicated in Sub-Article 1 of Article 423 of the same Act (a limitation of liability agreement) as a Director. The amount of limitation of liability for damages based on such an agreement is the amount stipulated by laws and ordinances. If Tsuneharu Miyazaki, Kunimitsu Ito, Yuriko Sagara and Keiichi Miura are elected as Directors who are Audit and Supervisory Committee Members, the Company intends to enter into limitation of liability agreements with them with the same contents.
3. The Company has entered into a Directors and Officers liability insurance (D&O insurance) contract with an insurance company. In the event of claims for damages by shareholders or other third parties, arising from actions or omissions in the execution of duties by the insured Directors or Corporate Auditors, the said insurance contract will cover damage incurred by the said Director or Corporate Auditor. If Tsuneharu Miyazaki, Kunimitsu Ito, Yuriko Sagara and Keiichi Miura are elected as Directors who are Audit and Supervisory Committee Members, they shall be insured under the said insurance contract, and the Company plans to renew the said insurance contract during their terms of office.

(Reference)

Standards for Determination of the Independence of Outside Officers

The Company has defined the following standards for determining the independence of Outside Directors (including Outside Directors who are Audit and Supervisory Committee Members; hereinafter collectively referred to as “Outside Officers”). When selecting Outside Officer candidates, the Company shall 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), a standing audit and supervisory committee member 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.

Proposal No. 5: Establishment of Compensation Amount for Directors (excluding Directors who are Audit and Supervisory Committee Members)

If Proposal No. 2 “Partial Amendments to the Articles of Incorporation” is approved as originally proposed, the Company will transition to a Company with an Audit and Supervisory Committee.

Compensation for Directors of the Company was resolved to be within 360 million yen per year (excluding employee salaries) at the 83rd Annual General Meeting of Shareholders held on June 29, 2006. In line with the transition to a Company with an Audit and Supervisory Committee, the Company proposes for this resolution to be abolished, and for the new establishment of the compensation amount for Directors (excluding Directors who are Audit and Supervisory Committee Members). In consideration of various factors including the compensation for Directors up until now, the Company’s financial status and economic conditions, the Company proposes that the said compensation amount be within 360 million yen per year (including compensation of within 40 million yen per year for Outside Directors; excluding employee salaries).

While there are currently seven (7) Directors (including two (2) Outside Directors), if Proposal No. 2 “Partial Amendments to the Articles of Incorporation” and Proposal No. 3 “Election of Six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members)” are approved as originally proposed, there will be six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members) (including two (2) Outside Directors).

The compensation of Directors shall be based on the Company’s Corporate Philosophy, promote sustained growth and improvement of corporate value in the medium to long term, and reward business performance, etc. through appropriate compensation levels. In addition, decisions on compensation shall be made through a fair and transparent process. In light of these policies on the determination of details of compensation, etc. of individual Directors of the Company, the details of this proposal are necessary and rational. Therefore, the Company believes that this proposal is reasonable. The details of this proposal have been deliberated by the Compensation Committee, whose majority members are Outside Directors.

This proposal shall become effective subject to the amendments to the Articles of Incorporation in Proposal No. 2 “Partial Amendments to the Articles of Incorporation” coming into effect.

Proposal No. 6: Establishment of Compensation Amount for Directors who are Audit and Supervisory Committee Members

If Proposal No. 2 “Partial Amendments to the Articles of Incorporation” is approved as originally proposed, the Company will transition to a Company with an Audit and Supervisory Committee.

Accordingly, the Company proposes that the compensation amount for Directors who are Audit and Supervisory Committee Members be set as within 80 million year per year.

If Proposal No. 2 “Partial Amendments to the Articles of Incorporation” and Proposal No. 4 “Election of Four (4) Directors who are Audit and Supervisory Committee Members)” are approved as originally proposed, there will be four (4) Directors who are Audit and Supervisory Committee Members.

The Company uses companies in Japan in the same industry or of a similar scale as its main benchmark. In view of various factors including how the responsibilities of Audit and Supervisory Committee Members have increased greatly in recent years, the Company’s financial status and economic conditions, the Company believes the contents of this proposal are reasonable.

This proposal shall become effective subject to the amendments to the Articles of Incorporation in Proposal No. 2 “Partial Amendments to the Articles of Incorporation” coming into effect.

Proposal No. 7: Establishment of Compensation Category concerning the Performance-linked Stock Compensation Plan for Directors

1. Reasons for the proposal and why it is reasonable

At the 96th Annual General Meeting of Shareholders held on June 27, 2019, the Company's introduction of a performance-linked stock compensation plan (Board Benefit Trust, or BBT, hereinafter referred to as the "Plan") for the Company's Directors who concurrently serve as Operating Officers (excluding Outside Directors) and for Operating Officers with a title was approved (hereinafter the resolution in the above General Meeting of Shareholders is referred to as the "Original Resolution"), and has continued until today. However, contingent upon Proposal No. 2 "Partial Amendments to the Articles of Incorporation" being approved as originally proposed, the Company will transition to a Company with an Audit and Supervisory Committee. In line with this transition, the Company proposes that the current compensation category for Directors (excluding Outside Directors) associated with the Plan be abolished, and a new compensation category for Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members, hereinafter the same applies, unless otherwise stated) associated with the performance-linked stock compensation plan be established, and requests for the approval thereof.

As per the Original Resolution, the purpose of this proposal is to further clarify the linkage between compensation of the Company's Directors who concurrently serve as Operating Officers and of Operating Officers with a title (hereinafter collectively "Directors, etc.") and financial results of the Company and the value of the Company's shares, and have Directors, etc. share the risk of stock value fluctuation with the shareholders, thereby strengthening the willingness of Directors, etc. to contribute to the medium- to long-term improvement of financial results and enhancement of corporate value. The compensation for Directors shall be based on the Company's Corporate Philosophy, promote sustained growth and improvement of corporate value in the medium to long term, and reward business performance, etc. through appropriate compensation levels. In addition, decisions on compensation shall be made through a fair and transparent process. This proposal is congruent with these policies on determining the details of compensation, etc. of individual Directors. Therefore, the Company believes the details of this proposal are reasonable. The details of this proposal have been deliberated by the Compensation Committee, whose majority members are Outside Directors.

This proposal requests approval for the amount, etc. and the specific details of the compensation to be paid to the Company's Directors based on the Plan, in a separate category from the compensation amount for Directors (excluding Directors who are Audit and Supervisory Committee Members) for which the Company requested approval in Proposal No. 5. Regarding the details of the Plan, the Company would like to request you to leave them to the discretion of the Board of Directors within the scope of 2. below.

If Proposal No. 2 "Partial Amendments to the Articles of Incorporation" and Proposal No. 3 "Election of Six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members)" are approved as originally proposed, there will be four (4) Directors eligible for the Plan.

As preconditions for this proposal to be effective, Proposal No. 2 "Partial Amendments to the Articles of Incorporation" must be approved as originally proposed, and the amendments to the Articles of Incorporation via the resolution of the same proposal must come into effect.

2. Specific calculation method and contents of the amount of compensation, etc. concerning the Plan

(1) Overview of the Plan

The Plan is a performance-linked stock compensation plan whereby the Company's shares are acquired through a trust using funds contributed by the Company (hereinafter, such trust established pursuant to the Plan is referred to as the "Trust"), and the Company's shares and cash equivalents of such shares at their market value (hereinafter collectively referred to as "Company's Shares, etc.") are distributed through the Trust to the Company's Directors, etc. pursuant to the Officer Stock Distribution Rules established by the Company. The Company's Directors, etc. shall receive the Company's Shares, etc. upon their retirement, in principle.

(2) Persons eligible for the Plan

Directors who concurrently serve as Operating Officers and Operating Officers with a title (Outside Directors and Directors who are Audit and Supervisory Committee Members are not eligible for the Plan.)

(3) Trust period

From August 2019 until the termination of the trust (No particular date of termination is specified for the trust period of the Trust and the Trust shall continue as long as the Plan continues. The Plan will be terminated in such case as delisting of the Company's shares, abolition of the Officer Stock Distribution Rules, etc.)

(4) Trust amount

The Company has introduced the Plan for the four fiscal years from the fiscal year ended on March 31, 2020 to the fiscal year ending on March 31, 2023 (hereinafter, the said four fiscal years shall be referred to as the "Initial Applicable Period" and each period consisting of three fiscal years starting after the Initial Applicable Period has passed shall be referred to as a "Next Applicable Period." Moreover, the Initial Applicable Period and the Next Applicable Periods shall be collectively referred to as the "Applicable Period.") and each Next Applicable Period. Regarding the Initial Applicable Period, as funds for acquiring shares to distribute to the Company's Directors, etc. based on the Plan, the Company contributed 180 million yen in cash. Directors, etc. who meet the requirements for a beneficiary are designated as beneficiaries of the Trust. Using money entrusted by the Company as funds, the Trust acquired 52,700 shares of the Company's stock for the Initial Applicable Period.

Moreover, after the Initial Applicable Period has passed and until the Plan comes to an end, the Company will, in principle, make an additional contribution to the Trust for each Next Applicable Period, by reasonably estimating the number of shares needed for distribution to the Company's Directors, etc. based on the Plan, and contributing funds deemed necessary for the Trust to make an advance acquisition. However, if, at the time of such additional contribution, the Company's shares (excluding the Company's shares corresponding to the points awarded to the Directors, etc. concerning the most recent Applicable Periods whose distribution to the Directors, etc. has not been completed) and cash (hereinafter collectively referred to as the "Remaining Shares, etc.") remain in the trust assets, the Remaining Shares, etc. shall be appropriated as funds for distribution based on the Plan in the subsequent Applicable Periods, and the Company shall calculate the amount of additional contribution after considering the Remaining Shares, etc.

When the Company decides to make any additional contribution, it shall disclose the fact appropriately in a timely manner.

(5) The method of acquiring the Company's shares and the number of shares to be acquired

The Trust shall acquire the Company's shares on the exchange market or by underwriting the disposition of the Company's treasury shares, using the funds contributed by (4) above.

During the Initial Applicable Period, the Trust shall acquire shares within the upper limit of 60 thousand shares. During each Next Applicable Period, the Trust shall acquire shares within the upper limit of 45 thousand shares.

Details of acquisition of the Company's shares by the Trust shall be disclosed appropriately in a timely manner.

(6) Maximum number of the Company's Shares, etc. to be distributed to the Directors, etc.

For each fiscal year, the Directors, etc. shall be awarded points, the number of which is to be decided taking into account their respective positions, achievement level of performance targets, etc. based on the Officer Stock Distribution Rules. The maximum number of points that can be awarded to Directors in a fiscal year is a total of 12,000 points, while the maximum number of points that can be awarded to Operating Officers with a title in a fiscal year is a total of 15,000 points. As these figures were decided after comprehensively considering factors including current levels of officer compensation, trends in the number of Directors, etc., and future predictions, the Company believes they are reasonable.

Each point awarded to the Directors, etc. shall be converted into one (1) share of the Company's common stock at the time of the distribution of the Company's Shares, etc. as described in (7) below (provided, however, that if in regard to the Company's shares, a share split, allotment of shares without contribution, or consolidation of shares, etc., is carried out after the approval of this proposal, the maximum number of points, the points already awarded, and the conversion ratio shall be adjusted in a rational manner in proportion to the relevant ratio etc.).

As a reference, multiplying the number of shares (15,000 shares) corresponding to the maximum number of points that can be awarded to Directors, etc. in a fiscal year, by the final share value of 5,780 yen on April 30, 2021 gives around 87 million yen.

The ratio of the number of shares (12,000 shares) corresponding to the maximum number of points that can be awarded to Directors in a fiscal year to the total number of shares issued (as of March 31, 2021, after deducting treasury stock) is 0.014%.

The number of points held by a Director, etc., which will be used as the basis for the distribution of the Company's Shares, etc. as described in (7) below shall be, in principle, the number of points awarded to the said Director, etc. by the time of his/her retirement (hereinafter, the number of points calculated in such manner shall be referred to as the "Defined Number of Points").

(7) Granting of the Company's Shares, etc. and specific calculation method for amount of compensation, etc.

When a Director, etc. of the Company retires and he/she meets the requirements for the beneficiary stipulated in the Officer Stock Distribution Rules, the said Director, etc. may receive the number of the Company's shares from the Trust in accordance with the Defined Number of Points, which is, in principle, determined in accordance with (6) above after his/her retirement, provided that he/she takes the stipulated procedures to define the beneficiary.

However, if the said Director, etc. meets the requirements separately stipulated in the Officer Stock Distribution Rules, in respect of a certain percentage of the points awarded to him/her, he/she may receive the amount of cash equivalent to the market value of the Company's shares in lieu of the Company's shares. The

Trust may sell the Company's shares in order to provide cash.

Even if Directors, etc. have been awarded points, they will not obtain the right to receive the distribution in the following cases: if they are dismissed through a resolution of the General Meeting of Shareholders or the Board of Directors; if they retire due to conducting illegal activities during their term of office; or if they have committed inappropriate acts, etc. that will bring about damage to the Company during their term of office.

The basis of the amount of compensation, etc. received by Directors, etc. is calculated through multiplying the total number of points, determined by considering factors including the achievement level of performance targets, etc. in the relevant fiscal years, by the per share book value of the Company's shares held by the Trust (provided, however, that if in regard to the Company's shares, a share split, allotment of shares without contribution, or consolidation of shares, etc., is carried out, the value shall be adjusted in a rational manner in proportion to the relevant ratio etc.). If it is deemed reasonable when the distribution of money is made as an exception in accordance with the Officer Stock Distribution Rules, the said amount shall be added to the amount of compensation, etc.

(8) Exercise of voting rights

Voting rights pertaining to the Company's shares in the Trust account shall not be exercised without exception in accordance with the instructions of the trust administrator. This will assure the neutrality of the Company's management in relation to exercise of the voting rights of such shares.

(9) Handling of Dividends

Dividends on the Company's shares in the Trust account will be received by the Trust, and will be applied to payment for acquisition of the Company's shares, trust fees for the trustee pertaining to the Trust, etc. Dividends etc. remaining in the Trust when the Trust comes to an end will be distributed to Directors, etc. in office at that point in time in proportion to the number of points held by each Director, etc.

(10) Handling at the time of termination of the Trust

The Trust will be terminated in such cases as delisting of the Company's shares and abolition of the Officer Stock Distribution Rules, etc.

Of the property remaining in the Trust at the time of termination of the Trust, the Company plans to acquire all of the Company's shares without contribution and retire them by a resolution of the Board of Directors. Of the property remaining in the Trust at the time of termination of the Trust, the amount of cash remaining after deducting cash to be distributed to Directors, etc. in accordance with (9) above will be distributed to the Company.

Business Report

1. Current Status of the NOF Group

(1) Progress and Results of Operations

During the fiscal year under review, amid the spread of COVID-19, due to factors such as decreased consumer spending because of voluntary restraints on outings, etc., and a reduction in exports due to the downturn in the global economy, the deterioration of the Japanese economy became more prominent. Nonetheless, from the second quarter onwards, a portion of production and export activities, etc. showed signs of a recovery.

Overseas, various restrictions to curb the spread of COVID-19 have caused a slowdown in economic activities as well. The economies of some countries are on the road to recovery, including China, which resumed economic activities before most other countries, and the United States, which is promoting large-scale economic policies. However, as there are countries and regions where virus variants are rapidly spreading, the outlook for the global economy remains uncertain, and conditions remain harsh.

The business environment surrounding the Group faced extremely harsh conditions, due to the disappearance of inbound demand in Japan, as well as the impact of the slowdown in economies worldwide stemming from factors such as a decline in automobile production. Nonetheless, toward the end of the fiscal year, there were signs of a recovery in demand from the healthcare and automobile fields.

In such a business environment, with the basic policy of “Challenge and Co-create,” the Group engaged in each initiative—“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.”—under the three-year 2022 Mid-Term Management Plan, for its first year in the fiscal year under review. The Group also 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 accelerating new product and new technology development, the Group established a new business development office within the Corporate R&D Division, and worked 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 promoted the strengthening of the Company’s production capacity in the Functional Chemicals Segment and the Life Science Segment, as well as investments to raise efficiency.

As a result of such management efforts, for the consolidated fiscal year ended March 31, 2021, although consolidated net sales decreased 4.6% year over year to ¥172,645 million, and consolidated operating income declined 1.0% to ¥26,602 million, consolidated ordinary income rose 0.1% to ¥28,870 million, and profit attributable to owners of the parent were up 10.2% to ¥23,302 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 were on par with the previous fiscal year as demand for toiletry products recovered toward the end of the fiscal year.

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

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

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

As a result, in the Functional Chemicals Segment, consolidated net sales decreased 6.4% to ¥109,822 million and consolidated operating income decreased 10.9% to ¥15,655 million.

Life Science

Regarding edible oils, net sales decreased due to sluggish demand for functional oils for confectionary and bread.

In functional foods, net sales decreased.

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

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

As a result, in the Life Science Segment, consolidated net sales increased 2.8% to ¥31,232 million and consolidated operating income increased 21.9% to ¥10,310 million.

Explosive & Propulsion

In industrial explosives, net sales were on par with the previous fiscal year.

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 decreased.

As a result, in the Explosive & Propulsion Segment, consolidated net sales decreased 5.5% to ¥30,078 million, while consolidated operating income increased 6.3% to ¥2,036 million due to the impact of the product mix.

Others

The Others Segment consists of the transportation and real estate businesses. In the Others Segment, consolidated net sales increased 5.1% to ¥1,511 million and consolidated operating income increased 10.0% to ¥228 million.

(2) Future Tasks

With regard to the Japanese economy, economic conditions are slowly recovering back to pre-COVID levels, as a result of progress in improvements of the employment and income environments, owing to efforts to strike a balance between preventing the spread of COVID-19 and social economic activities. Regarding the global economy, owing to the distribution of vaccines for COVID-19 and the positive effects of each country's economic policies, overseas economies are expected to gradually head toward recovery, even though there are differences depending on the country or region. However, due to the impact of virus variants, as well as concerns over instability in the supply chain and a rise in prices of raw fuel stemming from the prolonged friction between the United States and China, an uncertain outlook for the economy is expected to continue.

Under these circumstances, the Group will flexibly adapt to changes in market needs in our three prioritized business fields of Life/Healthcare, Electronics/IT, and Environment/Energy. Furthermore, as a functional materials manufacturer that can provide innovative products to the global market, we will create new value through the power of humans and chemistry, and by continuously living up to the trust that all stakeholders have placed in us, we will continue challenging ourselves to realize a safe and abundant society.

In this fiscal year, we will continue implementing the three-year 2022 Mid-Term Management Plan, which started in the fiscal year 2020. In accordance with the basic policy of the 2022 Mid-Term Management Plan, "Challenge and Co-create," 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, last year, at the new business development office that the Group established within the Corporate R&D Division, the Group worked to commercialize the business of materials related to leading edge medicine and medical treatments, such as regenerative medicine. The Group will continue striving to expand into new business domains.

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 expediting research and development via materials informatics, a materials development method that utilizes AI technologies and such.

In the promotion of CSR activities, the Group reviewed CSR activities from the perspective of ESG (environment, social, and governance) including SDGs, and based upon the opinions and evaluations of external stakeholders, the Group eventually specified 11 items of materiality. By dividing these into three major categories, "Provision of new value to realize an abundant and sustainable society," "Strengthening of business foundation," and "Promotion of responsible care activities," the Group determined the department in charge of each category, set targets (KPIs) for each item, and is promoting relevant initiatives. Regarding "Provision of new value to realize an abundant and sustainable society," we shall strive to provide products that utilize the Company's original technologies and materials in our three prioritized business fields, in order to contribute to the variety of demands, including advanced medical treatment and medicine, human health and anti-aging, reduction of environmental burden, recycling of resources, and a smart society. Regarding "Strengthening of business foundation," the Group will conduct initiatives including the following: strengthen profitability by reviewing unprofitable businesses, etc.; promote work style reforms aimed at realizing work-

life balance; create a corporate culture that accepts diverse values; and enhance the business continuity plan to improve resilience. Regarding “Promotion of responsible care activities,” we shall consider measures aimed at responding to global warming, and further deepen initiatives such as the management of chemical substances.

In order to contribute to the realization of a sustainable society, the Group will implement these initiatives and promote further business reform to establish a tough corporate structure with international competitiveness.

With regard to the COVID-19 pandemic, we will place our highest priority on ensuring the safety of Group employees and all other related parties. We will do our utmost to 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, 2021, capital investment amounted to 8.4 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, 2021

Project name/company name	Project type/segment name	Content of facilities
The Company		
Kinuura Plant	Functional Chemicals	Strengthened environmental facilities
Amagasaki Plant/ Kinuura Plant	Functional Chemicals	Strengthened capacity of Functional Chemicals manufacturing facility

(ii) New and expanded facilities during the consolidated fiscal year ended March 31, 2021

Project name/company name	Project type/segment name	Content of facilities
The Company		
Head Office	Company-wide (Shared)	Renewal of welfare facilities
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
Taketoyo Plant	Explosive & Propulsion	Strengthened capacity of explosive and processed goods manufacturing facility

(iii) Sales, disposal, or destruction of important fixed assets during the consolidated fiscal year ended March 31, 2021

None applicable.

(4) Financing

None applicable.

(5) Business Results and Summary of Assets

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

Category			95th Term (April 2017 – March 2018)	96th Term (April 2018 – March 2019)	97th Term (April 2019 – March 2020)	98th Term (April 2020 – March 2021)
Business performance	Net sales	(millions of yen)	179,935	189,152	180,917	172,645
	Operating income	(millions of yen)	25,816	28,442	26,874	26,602
	Ordinary income	(millions of yen)	27,430	30,099	28,830	28,870
	Profit attributable to owners of parent	(millions of yen)	19,913	22,034	21,140	23,302
	Profit per share	(yen)	230.96	259.29	251.72	280.49
Condition of assets	Total assets	(millions of yen)	235,874	244,533	235,248	271,536
	Net assets	(millions of yen)	169,572	178,285	178,716	203,516
	Net assets per share	(yen)	1,980.14	2,108.77	2,140.98	2,448.60
Number of companies	Consolidated Subsidiaries		25	24	24	25
	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			95th Term (April 2017 – March 2018)	96th Term (April 2018 – March 2019)	97th Term (April 2019 – March 2020)	98th Term (April 2020 – March 2021)
Business performance	Net sales	(millions of yen)	125,333	130,943	122,371	119,168
	Operating income	(millions of yen)	20,018	21,396	19,636	20,090
	Ordinary income	(millions of yen)	22,943	24,759	23,071	24,196
	Profit	(millions of yen)	17,531	18,869	18,308	21,495
	Profit per share	(yen)	203.34	222.04	218.00	258.74
Condition of assets	Total assets	(millions of yen)	204,397	210,018	201,890	233,654
	Net assets	(millions of yen)	137,014	143,356	142,251	162,277
	Net assets per share	(yen)	1,607.27	1,703.19	1,711.62	1,959.45

- 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 EUROPE S.A.	3,000 thousand Euros	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 25 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 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, lipids, 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] 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

(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 EUROPE S.A.	Head Office	France
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
3,755	+37

- Notes: 1. The number of employees is the number of working personnel.
2. In addition to the above, there are also 183 temporary employees.

(ii) Status of Company employees

Number of employees	Year-on-year	Average age	Average length of service (years)
1,715	+40	43.4	18.9

- Notes: 1. The number of employees is the number of working personnel, and includes 13 people that were dispatched to the Company from outside the Company.
2. In addition to the above, there are also 59 temporary employees and 120 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 82,869,274

(Excluding 1,972,102 shares of treasury stock, including 51,400 shares (514 voting rights) of the Company held by Custody Bank of Japan, Ltd. as trust property of the Board Benefit Trust (BBT). The said 514 voting rights shall not be exercised.)

(3) Number of shareholders 12,545

(Down 260 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)	9,984	12.04
Custody Bank of Japan, Ltd. (Trust Account)	4,575	5.52
Custody Bank of Japan, Ltd. (Trust Account 9)	3,145	3.79
Meiji Yasuda Life Insurance Company	3,128	3.77
Mizuho Bank, Ltd.	2,889	3.48
Nichiyu Shin Ei Kai	1,937	2.33
THE CHASE MANHATTAN BANK 385036	1,749	2.11
MSCO CUSTOMER SECURITIES	1,453	1.75
Nichiyu Kyo Ei Kai	1,354	1.63
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	1,202	1.45

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

2. Percentage of ownership excludes 1,972,102 shares of treasury stock.

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

(5) Status of shares issued to Officers of the Company in the fiscal year under review in exchange for their execution of duties

Category	Number of shares	Number of persons who received issuance
Directors (excluding Outside Directors)	1,300	2
Outside Directors	—	—
Audit & Supervisory Board Members	—	—

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
President & Chief Executive Officer*	Takeo Miyaji	
Representative Director*	Kazuhito Maeda	
Director*	Kengo Inoue	
Director*	Hideaki Sakahashi	
Director*	Masanobu Miyo	
Outside Director	Yasuyuki Arima	President, Hotsukyo
Outside Director	Kunimitsu Ito	Representative of ITO ACCOUNTING FIRM
Standing Audit & Supervisory Board Member	Kazushige Kato	
Outside Audit & Supervisory Board Member	Shinichiro Tanaka	
Outside Audit & Supervisory Board Member	Ryouichi Tahara	
Outside Audit & Supervisory Board Member	Izumi Hayashi	Partner of Sakurazaka Law Offices Audit & Supervisory Board Member, Weathernews Inc.

- Notes: 1. Directors Yasuyuki Arima and Kunimitsu Ito are Outside Directors as stipulated in the Companies Act.
2. Audit & Supervisory Board Members Shinichiro Tanaka, Ryouichi Tahara, and Izumi Hayashi 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 Kunimitsu Ito, Audit & Supervisory Board Member Shinichiro Tanaka, Audit & Supervisory Board Member Ryouichi Tahara, and Audit & Supervisory Board Member Izumi Hayashi 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. As of the conclusion of the 97th Annual General Meeting of Shareholders held on June 26, 2020, Audit & Supervisory Board Member Toshiyuki Hayashi resigned and retired from his position.
9. The Company has adopted an operating officer system. The Operating Officers as of the end of the fiscal year are as indicated below.

President & Chief Executive Officer	Takeo Miyaji	
Senior Executive Operating Officer	Kazuhito Maeda	In charge of Anti-Corrosion Coatings Group, Corporate Planning & Strategy Group, and Human Resources & General Affairs Group
Executive Operating Officer	Hidefumi Ishiguro	General Manager, Explosives & Propulsion Div.
Executive Operating Officer	Kengo Inoue	General Manager, Responsible Care & Production Engineering Dept.
Executive Operating Officer	Hiroyuki Enomoto	General Manager, Corporate R&D Div.
Executive Operating Officer	Hideaki Sakahashi	In charge of Finance Group, Purchasing Group, and Systems 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 Chemicals & Polymers Group, and Functional Foods Group
Operating Officer	Ryoichi Ishigaki	General Manager, Corporate Planning & Strategy Dept.
Operating Officer	Naoya Umebara	General Manager, Functional Chemicals & Polymers Div.
Operating Officer	Yasuhiko Sumi	General Manager, Human Resources & General Affairs Dept.
Operating Officer	Manabu Saito	General Manager, Functional Foods Div.
Operating Officer	Shintaro Tabuchi	General Manager, Internal Control Dept.
Operating Officer	Akira Furukawa	General Manager, Purchasing Dept.
Operating Officer	Kazuyoshi Yamauchi	Chief of Kawasaki Works, General Manager of Daishi Plant, and Operations Manager of Kawasaki Works

(2) Overview of contents of limitation of liability agreement

Pursuant to Sub-Article 1 of Article 427 of the Companies Act, the Company has concluded an agreement with all Outside Directors and Audit & Supervisory Board Members that limits their liability for damages indicated in Sub-Article 1 of Article 423 of the same Act (a limitation of liability agreement). The amount of limitation of liability for damages based on such an agreement is the amount stipulated by laws and ordinances.

(3) Overview of contents of D&O insurance contract

The Company has entered into a Directors and Officers liability insurance (D&O insurance) contract with an insurance company.

All Directors and Audit & Supervisory Board Members are insured under the said insurance contract. The insurance fee for the policy and all added special clauses is borne by the Company and no substantial

insurance fee is borne by the insured.

In the event of claims for damages by shareholders or other third parties, arising from actions or omissions in the execution of duties by the insured Directors or Audit & Supervisory Board Members, the said insurance contract will cover damage incurred by the said Director or Audit & Supervisory Board Member. However, there are certain exemptions. For instance, in case of actions taken with the knowledge that such actions are in violation of the law (including cases where there are sound reasons to deem that the insured had such knowledge), the damages arising from such a case will not be covered.

(4) Compensation, etc. of Directors and Audit & Supervisory Board Members

i. Compensation, etc. paid to Directors and Audit & Supervisory Board Members

Category	Number of persons paid	Total amount of compensation, etc.	Total amount of compensation, etc. by type		
			Fixed compensation	Performance-linked compensation	
				Bonuses	Stock compensation
Director (of which Outside Director)	10 (3)	¥248 million (¥17 million)	¥164 million (¥17 million)	¥72 million (—)	¥11 million (—)
Audit & Supervisory Board Member (of which Outside Audit & Supervisory Board Member)	5 (3)	¥43 million (¥16 million)	¥43 million (¥16 million)	—	—
Total (of which Outside Director and Outside Audit & Supervisory Board Member)	15 (6)	¥292 million (¥34 million)	¥208 million (¥34 million)	¥72 million (—)	¥11 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 three Directors and one Audit & Supervisory Board Member who retired during the current fiscal year.
3. The annual compensation limit for Directors (however, this excludes employee salaries) was set to ¥360 million at the 83rd Annual General Meeting of Shareholders held on June 29, 2006. There were eight (8) Directors as of the conclusion of the said Annual General Meeting of Shareholders.
4. In the resolution at the 96th Annual General Meeting of Shareholders held on June 27, 2019, regarding the performance-linked stock compensation plan “Board Benefit Trust” (non-monetary compensation) for the Company’s Directors who concurrently serve as Operating Officers, the maximum amount of money that the Company can contribute to the trust was set as ¥152 million during the four fiscal years, from the fiscal year ended March 31, 2020 to the fiscal year ending March 31, 2023. There were six (6) Directors who concurrently served as Operating Officers as of the conclusion of the said Annual General Meeting of Shareholders.
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. There were three (3) Audit & Supervisory Board Members as of the conclusion of the said Annual General Meeting of Shareholders.
6. Figures are rounded down to the nearest million yen.

ii. Method of determining compensation, etc.

a. Method of determining policy concerning details of compensation, etc. of individual Directors

Regarding the policy on compensation of Directors, after undergoing deliberation by the Compensation Committee, established via a resolution of the Board of Directors as an advisory committee for the Board of Directors, a resolution was reached at the Board of Directors meeting held on June 26, 2019.

b. Overview of contents of determination policy

The compensation of Directors is based on the Company’s Corporate Philosophy, promotes sustained growth and improvement of corporate value in the medium to long term, and rewards business performance, etc. through appropriate compensation levels. Under such a policy, compensation consists of fixed compensation, bonuses and stock compensation. In order to increase the relevant incentives, at

least a third of the compensation paid is set as performance-linked compensation (bonuses, stock compensation) (Outside Directors only receive fixed compensation).

c. Reasons why Board of Directors deemed that details of compensation, etc. of individual Directors concerning the fiscal year under review aligned with the determination policy

For matters regarding the compensation system and policy concerning Directors, matters regarding the calculation method in determining specific compensation amounts for Directors, and individual compensation amounts, etc., the Compensation Committee conducts deliberations from a multi-faceted perspective, including compliance with the policy on compensation of Directors. The Board of Directors respects the results of the deliberations, and deems that they are aligned with the said policy.

The said Compensation Committee comprises three members, namely two independent Outside Directors and the President and Chief Executive Officer, and is chaired by an independent Outside Director (held meetings in May, June and November of 2020, and in January and February of 2021, in the fiscal year under review).

iii. Fixed compensation (delegation of decisions on compensation, etc. of individual Directors)

After undergoing deliberation by the Compensation Committee, the calculation method, etc. for fixed compensation of Directors was resolved at the Board of Directors meeting held on June 26, 2019. In the fiscal year under review, regarding decisions on the specific details of the fixed compensation amount of individual Directors, it was resolved at the Board of Directors meeting held on June 26, 2020 that the decisions will be delegated to Takeo Miyaji, the President and Chief Executive Officer. The reason is that the President and Chief Executive Officer is the most suitable person to evaluate the roles and commissioned duties of each Director, while overlooking the overall performance of the Company. Provided that he respects the deliberations and recommendations of the Compensation Committee, the decisions are made by the President and Chief Executive Officer. In the next term, the system shall be changed to requiring compensation, etc. of individual Directors to be resolved at a Board of Directors meeting, provided the deliberations and recommendations of the Compensation Committee are respected.

iv. Bonuses

After undergoing deliberation by the Compensation Committee, the calculation method, etc. for bonuses of Directors (excluding Outside Directors) was resolved at the Board of Directors meeting held on June 26, 2019. The calculation method of the said bonuses are based on consolidated operating income, an important indicator related to the Group's business performance evaluation. The Compensation Committee verifies the said calculation method and the amount paid to Directors (excluding Outside Directors) in each term.

v. Stock compensation

Through a resolution at the 96th Annual General Meeting of Shareholders held on June 27, 2019, the Company introduced a performance-linked stock compensation plan, the "Board Benefit Trust" (BBT),

for the Company's Directors who concurrently serve as Operating Officers (excluding Outside Directors) and for Operating Officers with a title (hereinafter collectively "Directors, etc."). The purpose of the plan was to further clarify the linkage between compensation, financial results of the Company and the value of the Company's shares, thereby strengthening the willingness of Directors, etc. to contribute to the medium- to long-term improvement of financial results and enhancement of corporate value.

For each fiscal year, the Directors, etc. shall be awarded points, the number of which is to be decided taking into account their respective positions, achievement level of performance targets, etc. based on the Officer Stock Distribution Rules. Each point awarded to the Directors, etc. shall be converted into one (1) share of the Company's common stock at the time of the distribution of the Company's shares, etc. The number of points held by a Director, etc., which will be used as the basis for the distribution of the Company's shares, etc., shall be in principle, the number of points awarded to the said Director, etc. by the time of his/her retirement (hereinafter, the number of points calculated in such manner shall be referred to as the "Defined Number of Points").

At the Board of Directors meeting held on June 27, 2019, the Compensation Committee deliberated and resolved the said calculation method and such, which consider the respective positions, achievement level of performance targets, etc. of the Directors, etc.

i. Calculation method for awarding of points

The consolidated operating income of the Mid-Term Management Plan is an important indicator related to the Group's business performance evaluation. A performance evaluation score is determined based on the achievement level, etc. of consolidated operating income. Multiplying this score by the position points determined for each position gives the number of points.

(Calculation formula)

Position points × Performance evaluation score

*The performance evaluation score fluctuates between 0 and 1.5 in view of the achievement level, etc.

ii. Method of distribution

After a Director, etc. of the Company retires, he/she will receive the Company's shares and money (money will be paid to the bereaved family if the Director, etc. has passed away) in an amount equivalent to the Defined Number of Points

iii. Achievement level of consolidated operating income of the Mid-Term Management Plan in the fiscal year under review

The planned target for consolidated operating income in the 2022 Mid-Term Management Plan is 29.0 billion yen (final year of the said plan). The actual result of consolidated operating income in the fiscal year under review was 26.6 billion yen, representing a 96.4% achievement level in the fiscal year ended March 31, 2021, calculated according to the level of growth in the period of the 2022 Mid-Term Management Plan. The Compensation Committee verifies the number of points awarded based on the defined calculation method in each term.

(5) External Officers

Status of major activities

Position	Name	Status of major activities
Outside Director	Yasuyuki Arima	<p>Yasuyuki Arima attended all 17 meetings of the Board of Directors held during the fiscal year under review. He actively made statements regarding the outline of operating audits and governance-related reports, based on his extensive experience and deep insight as an executive.</p> <p>At meetings of the Nomination and Compensation Committees, he deliberated on the candidates for Director, the successor nurturing process, etc., and made confirmations regarding bonuses and stock compensation for Directors who concurrently serve as Operating Officers. In the deliberation regarding the Board of Directors' selection of the type of institution, he also actively gave his opinion as the chairman of the Nomination Committee and a member of the Compensation Committee.</p>
Outside Director	Kunimitsu Ito	<p>Kunimitsu Ito attended all 13 meetings of the Board of Directors held after he assumed office on June 26, 2020. He actively made statements regarding the outline of operating audits and governance-related reports, based on his expert viewpoint in accounting and tax, etc.</p> <p>At meetings of the Nomination and Compensation Committees, he deliberated on the candidates for Director, the successor nurturing process, etc., and made confirmations regarding bonuses and stock compensation for Directors who concurrently serve as Operating Officers. In the deliberation regarding the Board of Directors' selection of the type of institution, he also actively gave his opinion as the chairman of the Compensation Committee and a member of the Nomination Committee.</p>
Outside Audit & Supervisory Board Member	Shinichiro Tanaka	<p>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 actively made statements based on his extensive experience and deep insight as an executive.</p>
Outside Audit & Supervisory Board Member	Ryouichi Tahara	<p>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 actively made statements based on his extensive experience and deep insight as an executive.</p>
Outside Audit & Supervisory Board Member	Izumi Hayashi	<p>Izumi Hayashi attended all 13 meetings of the Board of Directors and all 11 meetings of the Audit & Supervisory Board held after she assumed office on June 26, 2020. She actively made statements based on her expert viewpoint on corporate law, etc.</p>

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	¥69 million
2) The total amount of money and property interests paid or payable to the Accounting Auditor from the Company and subsidiaries	¥114 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 EUROPE S.A. was audited by Ernst & Young Audit. 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 applied 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 Compliance Committee promotes compliance throughout the Company.
 - d. The Secretariat of the Compliance Committee is responsible for performing contact point operations that allow employees to directly report or consult regarding issues related to compliance. 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 Risk Management Committee, the Responsible Care Committee, the Quality Control Committee, and the Information Security Management Committee analyze business risks, consider countermeasures, and report to the CSR Committee. The CSR Committee aggregates and evaluates various business risks such as compliance, information management, environmental and safety risks, and confirms and evaluates risk comprehensiveness. 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 Risk Management Committee, the Responsible Care Committee, the Quality Control Committee, and the Information Security Management Committee analyze risks, consider countermeasures, and report to the CSR Committee. The CSR Committee aggregates and evaluates various business risks such as compliance, information management, environmental and safety risks, and confirms and evaluates risk comprehensiveness. 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, etc., 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.

(Compliance measures)

The Compliance Committee led the improvement of compliance related regulations such as 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 Risk Management Committee, the Responsible Care Committee, the Quality Control Committee, and the Information Security 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 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, as a measure 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; and conduct interviews with business departments and Group companies. 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 2021, 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, 2021)

Account item	Current fiscal year
(Assets)	(millions of yen)
Current assets	155,176
Cash and time deposits	78,669
Notes and accounts receivable	39,529
Electronically recorded monetary claims-operating	2,441
Merchandise and finished goods	18,860
Work in process	2,898
Raw materials and supplies	10,568
Other current assets	2,415
Allowance for doubtful accounts	(205)
Fixed assets	116,360
Property, plant and equipment	62,212
Buildings and structures	23,951
Machinery, equipment and vehicles	12,322
Land	20,327
Construction in progress	3,291
Others	2,320
Intangible assets	989
Investments and other assets	53,158
Investments securities	47,744
Long term loans	5
Deferred tax assets	918
Assets for retirement benefits	2,856
Other assets	1,688
Allowance for doubtful accounts	(54)
Total assets	271,536

Account item	Current fiscal year
(Liabilities)	(millions of yen)
Current liabilities	48,360
Notes and accounts payable	17,129
Electronically recorded obligations - operating	798
Short-term bank loans	1,570
Current portion of long-term debt	5,000
Lease obligations	157
Accrued expenses	1,487
Income taxes payable	6,311
Deposits received	3,801
Accrued bonuses for employees	3,391
Asset retirement obligations	156
Other current liabilities	8,553
Long-term liabilities	19,659
Long-term debt	3,053
Lease obligations	164
Deferred tax liabilities	10,625
Accrued retirement benefits for officers	83
Accrued retirement benefits for directors	0
Liabilities for retirement benefits	4,923
Asset retirement obligations	399
Other long-term liabilities	411
Total liabilities	68,020
(Net assets)	
Shareholders' equity	179,666
Common stock	17,742
Capital surplus	15,115
Retained earnings	154,793
Treasury stock, at cost	(7,984)
Accumulated other comprehensive income	23,121
Unrealized holding gain on securities	24,039
Translation adjustments	(967)
Retirement benefits liability adjustments	49
Non-controlling interests	727
Total net assets	203,516
Total liabilities and net assets	271,536

CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2020 to March 31, 2021)

Account item	Current fiscal year
	(millions of yen)
Net sales	172,645
Cost of sales	115,259
Gross profit	57,385
Selling, general and administrative expenses	30,783
Operating income	26,602
Non-operating income	2,741
Interest and dividend income	1,191
Foreign exchange gains	237
Others	1,311
Non-operating expenses	472
Interest expenses	61
Others	411
Ordinary income	28,870
Extraordinary income	5,420
Gain on sale of fixed assets	11
Gain on sale of investments in securities	5,408
Extraordinary losses	181
Loss on sale of fixed assets	4
Impairment loss on fixed assets	45
Loss on retirement of fixed assets	37
Loss on sale of investment securities	32
Loss on valuation of investment securities	12
Settlement package	48
Profit before income taxes	34,109
Income taxes	10,794
Income taxes - current	10,598
Income taxes - deferred	195
Profit	23,315
Profit attributable to non-controlling interests	13
Profit attributable to owners of parent	23,302

NON-CONSOLIDATED BALANCE SHEET

(As of March 31, 2021)

Account item	Current fiscal year
(Assets)	(millions of yen)
Current assets	127,410
Cash and time deposits	64,560
Notes receivable	72
Accounts receivable - trade	36,177
Merchandise and finished goods	12,811
Work in process	1,290
Raw materials and supplies	6,109
Prepaid expenses	454
Short-term loans receivable	4,619
Accounts receivable - other	1,013
Other	323
Allowance for doubtful accounts	(21)
Fixed assets	106,243
Property, plant and equipment	41,184
Buildings	13,619
Structures	4,239
Machinery and equipment	8,164
Vehicles	49
Tools, furniture and fixtures	1,473
Land	11,100
Leased assets	8
Construction in progress	2,529
Intangible assets	655
Leasehold interests in land	126
Software	390
Leased assets	104
Other	33
Investments and other assets	64,403
Investment securities	44,968
Shares of subsidiaries and associates	12,354
Investments in capitals of subsidiaries and associates	2,739
Long term loans	677
Long-term prepaid expenses	234
Prepaid pension cost	2,762
Other	666
Allowance for doubtful accounts	(0)
Total assets	233,654

Account item	Current fiscal year
(Liabilities)	(millions of yen)
Current liabilities	58,222
Accounts payable - trade	14,179
Short-term bank loans	700
Current portion of long-term debt	5,000
Accounts payable - other	5,856
Accrued expenses	805
Income taxes payable	5,384
Accrued consumption taxes	543
Deposits received	23,159
Accrued bonuses for employees	2,258
Asset retirement obligations	142
Other	192
Long-term liabilities	13,153
Long-term debt	2,950
Deferred tax liabilities	9,221
Accrued retirement benefits for officers	73
Asset retirement obligations	392
Other	516
Total liabilities	71,376
(Net assets)	
Shareholders' equity	139,417
Common stock	17,742
Capital surplus	15,113
Legal capital surplus	15,113
Retained earnings	114,547
Legal retained earnings	3,156
Other retained earnings	111,390
Reserve for tax purpose reduction entry of fixed assets	3,382
General reserve	27,800
Retained earnings brought forward	80,206
Treasury stock	(7,984)
Valuation and translation adjustments	22,859
Unrealized holding gain on securities	22,859
Total net assets	162,277
Total liabilities and net assets	233,654

NON-CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2020 to March 31, 2021)

Account item	Current fiscal year
	(millions of yen)
Net sales	119,168
Cost of sales	81,055
Gross profit	38,113
Selling, general and administrative expenses	18,022
Operating income	20,090
Non-operating income	4,525
Interest and dividend income	3,258
Rent income on real estate	310
Foreign exchange gains	251
Others	705
Non-operating expenses	420
Interest expenses	85
Others	334
Ordinary income	24,196
Extraordinary income	5,409
Gain on sale of fixed assets	0
Gain on sale of investments in securities	5,408
Extraordinary loss	68
Impairment loss on fixed assets	8
Loss on retirement of fixed assets	27
Loss on sale of investment securities	32
Profit before income taxes	29,536
Income taxes	8,041
Income taxes - current	8,321
Income taxes - deferred	(279)
Profit	21,495

(Translation)

Independent Auditor's Report

May 19, 2021

The Board of Directors of
NOF CORPORATION

Ernst & Young ShinNihon LLC
Tokyo Office

Noriaki Kenmochi
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, 2020 through March 31, 2021.

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, 2021

The Board of Directors of
NOF CORPORATION

Ernst & Young ShinNihon LLC
Tokyo Office

Noriaki Kenmochi
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 98th fiscal year from April 1, 2020 through March 31, 2021.

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, 2021, 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 98th fiscal year from April 1, 2020 through March 31, 2021, 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, 2021.

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, 2021

Audit & Supervisory Board of NOF CORPORATION

Audit & Supervisory

Board Member

Kazushige Kato

(standing)

Outside Audit &

Supervisory Board

Shinichiro Tanaka

Member

Outside Audit &

Supervisory Board

Ryouichi Tahara

Member

Outside Audit &

Supervisory Board

Izumi Hayashi

Member