

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 100th Fiscal Year (April 1, 2022–March 31, 2023), we hereby include the following message.

During the fiscal year under review, while restrictions were relaxed and normalization of economic activities progressed mainly in countries and regions with widespread distribution of COVID-19 vaccines, the future outlook remained uncertain due to the zero-Covid policy in China, crisis in Ukraine, continued rise in resource and energy prices, accelerating global inflation and financial turmoil.

The NOF Group (the "Group") has positioned "2022 Mid-Term Management Plan" from fiscal year 2020 to fiscal year 2022 as a period of strengthening foundations, and we proceeded with our initiatives such as the promotion of active investments in growth fields and the strengthening of revenue base. For the fiscal year ended March 31, 2023, as a result of the above initiatives, consolidated net sales, consolidated operating income, consolidated ordinary income, and profit attributable to owners of parent all increased compared with the previous fiscal year.

To realize an abundant and sustainable society, the Group aims to become a corporate group that continuously creates new value through the power of chemistry in its three prioritized business fields of life/healthcare, electronics/IT, and environment/energy. To that end, we formulated "NOF Vision 2030" that describes our target for fiscal year 2030. Under "2025 Mid-Term Management Plan" starting in fiscal year 2023, we will focus on expanding profit through active execution of strategic investment as a pathway to future growth, in addition to expanding business by addressing changes in the markets, accelerating development of new products and new technologies and improving productivity, toward achieving the targets upheld in "NOF Vision 2030."

Furthermore, in order to promote the achievement of carbon neutrality by 2050, we will support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and focus on initiatives to reduce greenhouse gas emissions, as well as technological development that can contribute to the prevention of global warming.

Going forward, by continuously creating new value through the power of 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 damage arising from the translation.

(Stock Exchange Code 4403)

June 5, 2023

(Commencement date of electronic provision measures: May 29, 2023)

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 100TH 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 100th Annual General Meeting of Shareholders of NOF CORPORATION (the “Company”). Details of the meeting are as described below.

In convening this Annual General Meeting of Shareholders, the Company has taken measures for electronic provision, which have been applied to information contained in the reference documents for the general meeting of shareholders, etc. (matters to be provided electronically). These matters are posted on the Company’s website as “NOTICE OF THE 100TH ANNUAL GENERAL MEETING OF SHAREHOLDERS.” Shareholders are kindly requested to access the Company’s website shown below to confirm these matters.

The Company website: <https://www.nof.co.jp/english/ir/stocks/notice>

The matters to be provided electronically are posted on the website of Tokyo Stock Exchange (TSE), in addition to the aforementioned website. Please access the TSE website shown below (TSE Listed Company Search), enter the issue name (NOF) or stock exchange code (4403) to search for the Company, and select “Basic information” and “Documents for public inspection/PR information” for confirmation of these matters.

TSE website (TSE Listed Company Search):

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

If you are unable to attend the meeting, you can exercise your voting rights via one of the methods stated below. Please review the Reference Documents for the General Meeting of Shareholders provided in matters to be provided electronically and exercise your voting rights.

- 1. Date and Time:** Tuesday, June 27, 2023, 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 100th Fiscal Year (April 1, 2022–March 31, 2023), and the results of audits on the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Committee
 2. Non-Consolidated Financial Statements for the Company's 100th Fiscal Year (April 1, 2022–March 31, 2023)

Proposals to be resolved:

- Proposal No. 1:** Appropriation of Surplus
- Proposal No. 2:** Election of Six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members)
- Proposal No. 3:** Election of Four (4) Directors who are Audit and Supervisory Committee Members

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 26, 2023 (Monday), Japan time. If there is no indication of a vote for or against a specific proposal on the Voting Rights Exercise Form, it shall be deemed as an indication of approval to that proposal.

(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 26, 2023 (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, etc., the vote via the Internet, etc. shall prevail. In the event that voting rights are exercised multiple times via the Internet, etc. 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 100TH ANNUAL GENERAL MEETING OF SHAREHOLDERS with you to the meeting.
- ⊙ Should any revisions occur to the matters to be provided electronically, the revisions will be posted on each of the websites where the revisions are posted.
- ⊙ 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 27, 2023 (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 100TH 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 26, 2023 (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 26, 2023 (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 provided in matters to be provided electronically 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 27, 2023, 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 26, 2023, 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 26, 2023, 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:

¥58 per share of the Company's common stock for a total of ¥4,688,475,298.

As the Company paid ¥50 per share as an interim dividend, the annual dividend is ¥108 per share for the fiscal year under review.

(3) Effective date of distribution of surplus:

June 28, 2023

Proposal No. 2: Election of Six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members)

The terms of office of all six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members; the same applies hereinafter for this proposal) will expire at the end of this year's Annual General Meeting of Shareholders.

Accordingly, the Company proposes the election of six (6) Directors.

Candidates for Director are decided by the Board of Directors after consultation with the Nomination Committee (voluntary). The Company obtained the opinion of the Audit and Supervisory Committee that it was appropriate to nominate the individuals proposed in this proposal as candidates.

The candidates are as follows.

| No. | Name | Gender | Current positions and responsibilities at the Company | Attendance at meetings of the Board of Directors |
|-----|---|--------|---|--|
| 1 | Takeo Miyaji [Reappointment] | Male | President and Chief Executive Officer | 17 out of 17 (100%) |
| 2 | Koji Sawamura [New appointment] | Male | Executive Operating Officer; General Manager, Life Science Div. | - |
| 3 | Manabu Saito [New appointment] | Male | Executive Operating Officer; General Manager, Functional Foods Div. | - |
| 4 | Kazuyoshi Yamauchi [Reappointment] | Male | Director and Executive Operating Officer; General Manager, Corporate Technical Div. | 17 out of 17 (100%) |
| 5 | Shingo Unami [Reappointment] [Outside] [Independent] | Male | Director | 17 out of 17 (100%) |
| 6 | Izumi Hayashi [Reappointment] [Outside] [Independent] | Female | Director | 17 out of 17 (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)] 12 years [Reason for nomination as a candidate for Director] Takeo Miyaji has been in charge of management of the Company for many years and has extensive knowledge and experience required for managerial decision-making and business execution. The Company nominates him as a candidate for Director, expecting him to strive for the enhancement of the oversight functions of the Board of Directors, management innovation through DX, etc., and the promotion of ESG initiatives.</p> | 22,400 |

| No. | Name (Date of birth) | Past experience, positions, responsibilities, and significant concurrent positions | Number of shares of the Company held |
|-----|--|---|--|
| 2 | Koji Sawamura (February 6, 1965) [New appointment] | <p>April 1988 Joined the Company</p> <p>January 2017 General Manager, Sales Dept., DDS Development Div. of the Company</p> <p>June 2021 Operating Officer; General Manager, DDS Development Div. of the Company</p> <p>June 2022 Executive Operating Officer; General Manager, DDS Development Div. of the Company</p> <p>April 2023 Executive Operating Officer; General Manager, Life Science Div. of the Company (to present)</p> <p>[Reason for nomination as a candidate for Director] Koji Sawamura is well-versed in operations such as research and development at the Company. He has also been engaged in management of overseas business and Life Science business, and has extensive knowledge and experience required for managerial decision-making and business execution. The Company nominates him as a candidate for Director, expecting him to strive for the enhancement of the oversight functions of the Board of Directors and expansion of overseas business, etc.</p> | 1,864 |

| No. | Name (Date of birth) | Past experience, positions, responsibilities, and significant concurrent positions | Number of shares of the Company held |
|---|--|--|--|
| 3 | Manabu Saito (August 15, 1962) [New appointment] | April 1985 Joined the Company | 1,114 |
| | | June 2006 General Manager, Functional Foods Sales Dept., Functional Foods Div. of the Company | |
| | | August 2010 General Manager, Operations Dept., Kawasaki Works of the Company | |
| | | June 2011 General Manager, Secretariat Office of the Company | |
| | | December 2012 General Manager, Human Resources & General Affairs Dept. of the Company | |
| | | June 2015 Director; General Manager, Administration Dept. of NICHYU TRADING CO., LTD. | |
| | | June 2017 Director; General Manager, General Affairs Dept. of NICHYU LOGISTICS CO., LTD. | |
| | | June 2020 Operating Officer; General Manager, Functional Foods Div. of the Company | |
| | | June 2021 Executive Operating Officer; General Manager, Functional Foods Div. of the Company | |
| | | April 2023 Executive Operating Officer; General Manager, Functional Foods Div. of the Company (to present) | |
| <p data-bbox="416 790 1299 822">[Reason for nomination as a candidate for Director]</p> <p data-bbox="416 822 1299 994">Manabu Saito is well-versed in operations such as personnel and labor affairs of the Company. He has also been engaged in management mainly of Functional Foods business, and has extensive knowledge and experience required for managerial decision-making and business execution. The Company nominates him as a candidate for Director, expecting him to strive for the enhancement of the oversight functions of the Board of Directors and the promotion of ESG initiatives, etc.</p> | | | |

| 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) [Reappointment] | <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</p> <p>June 2021 Director and Operating Officer; General Manager, Responsible Care & Production Engineering Dept. of the Company</p> <p>June 2022 Director and Executive Operating Officer; General Manager, Responsible Care & Production Engineering Dept. of the Company</p> <p>April 2023 Director and Executive Operating Officer; General Manager, Corporate Technical Div. of the Company (to present)</p> | 3,600 |
| | | <p>[Attendance at meetings of the Board of Directors] 17 out of 17 (100%)</p> <p>[Term of office as Director (At the end of this year's Annual General Meeting of Shareholders)] 2 years</p> <p>[Reason for nomination as a candidate for Director] Kazuyoshi Yamauchi is well versed in the operations of manufacturing, technology and such at the Company and has extensive knowledge and experience required for managerial decision-making and business execution. The Company nominates him as a candidate for Director, expecting him to strive for the enhancement of the decision-making and oversight functions of the Board of Directors, and also for the enhancement of production and quality control systems of the Company's group companies in Japan and overseas and the environmental investment plan that aims to achieve carbon neutrality.</p> | |

| No. | Name (Date of birth) | Past experience, positions, responsibilities, and significant concurrent positions | Number of shares of the Company held |
|-----|--|--|--|
| 5 | Shingo Unami (November 27, 1957) [Reappointment] [Outside] [Independent] | <p>April 1981 Joined The Yasuda Trust and Banking Company, Ltd. (currently Mizuho Trust & Banking Co., Ltd.)</p> <p>April 2008 Executive Officer; General Manager of Human Resources Dept., Mizuho Trust & Banking Co., Ltd.</p> <p>April 2009 Executive Officer; General Manager of Nagoya Branch, Mizuho Trust & Banking Co., Ltd. (Resigned from the position in April 2011)</p> <p>April 2011 Senior Executive Operating Officer, Heisei Buildings Co., Ltd. (Resigned from the position in March 2013)</p> <p>April 2013 Director and Executive Vice-President, Mizuho Trust Systems Co., Ltd. (Resigned from the position in April 2018)</p> <p>April 2018 Senior Director, Mizuho Corporate Pension Fund (Resigned from the position in April 2021)</p> <p>June 2021 Director of the Company (to present)</p> <p>[Attendance at meetings of the Board of Directors] 17 out of 17 (100%)</p> <p>[Term of office as Director (At the end of this year's Annual General Meeting of Shareholders)] 2 years</p> <p>[Reason for nomination as a candidate for Outside Director and overview of expected role] Shingo Unami has abundant experience and advanced insight in the financial industry, a broad range of experience and knowledge regarding corporate management, and expresses appropriate opinions on all aspects of the management from a fair and objective standpoint. Serving as the chairman of the Compensation Committee and a member of the Nomination Committee, and attending meetings of the Sustainability Committee as a member, he has also engaged in the deliberations, etc. of these committees. The Company expects him to continue fulfilling the role of conducting appropriate oversight, etc. over business execution and providing advice to management, based on his professional viewpoint, including his advanced knowledge on human resources, labor, finance and accounting. Therefore, the Company nominates him as a candidate for Outside Director.</p> <p>[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. 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, 2023, the Company's total loans from this financial institution account for 1.3% 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> | 700 |

| 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) [Reappointment] [Outside] [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 2017)</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</p> <p>June 2021 Director of the Company (to present)</p> <p>[Attendance at meetings of the Board of Directors] 17 out of 17 (100%)</p> <p>[Term of office as Director (At the end of this year's Annual General Meeting of Shareholders)] 2 years</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, and has fulfilled the role as an Outside Director of the Company. Serving as the chairman of the Nomination Committee and a member of the Compensation Committee, and attending meetings of the Sustainability Committee as a member, she has also engaged in the deliberations, etc. of these committees. Although she has never been involved in corporate management except as an outside officer, for the reasons above, the Company expects her to continue fulfilling the role of conducting appropriate oversight, etc. over business execution and providing advice to management, based on her professional viewpoint, including her global perspective on legal affairs and risk management. 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. The Company has no history of payments to this office in the past three years.</p> | 400 |

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 Shingo Unami and Izumi Hayashi that limits their 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 the candidates are elected as Directors, the Company plans to continue the said agreement with them.
 3. The Company has concluded an indemnity agreement indicated in Sub-Article 1 of Article 430-2 of the Companies Act with Takeo Miyaji, Kazuyoshi Yamauchi, Shingo Unami and Izumi Hayashi to indemnify expenses under Item 1 of said Sub-Article and losses under Item 2 of said Sub-Article to the extent stipulated by laws and ordinances. If the candidates are elected, the Company plans to continue the said agreement with them. If the newly nominated candidates, Koji Sawamura and Manabu Saito are elected as Directors, the Company plans to conclude the agreement with them.
 4. 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, the said insurance contract will cover damage incurred by the said Director. 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.

Opinions of the Audit and Supervisory Committee

Three Outside Directors who are Audit and Supervisory Committee Members attended meetings of the Nomination Committee, a voluntary advisory committee, as members. By confirming the details of the proposal and expressing their opinions regarding the selection of candidates for Director excluding Directors who are Audit and Supervisory Committee Members, they facilitate cooperation between the Audit and Supervisory Committee and the Nomination Committee. The Nomination Committee has established guidelines for conducting deliberations from the perspective of harmonization of the overall composition of the Board of Directors, maintaining and improving diversity, and maintaining the appropriate number of members. Members of the Nomination Committee exchanged opinions and determined that the selection of candidates for Director excluding Directors who are Audit and Supervisory Committee Members was appropriate.

After verifying the opinion of the Nomination Committee, the Audit and Supervisory Committee determined that it was appropriate to nominate the individuals proposed in this proposal as candidates.

Proposal No. 3: Election of Four (4) Directors who are Audit and Supervisory Committee Members

The terms of office of all four (4) Directors who are Audit and Supervisory Committee Members will expire at the end of this year's Annual General Meeting of Shareholders.

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

The Company obtained the Audit and Supervisory Committee's consent to this proposal to be submitted to the General Meeting of Shareholders and its opinion that it was appropriate to nominate the individuals proposed in this proposal as candidates.

The candidates are as follows.

| No. | Name | Gender | Current positions and responsibilities at the Company | Attendance at meetings of the Board of Directors |
|-----|---|--------|---|--|
| 1 | Masanobu Miyo [New appointment] | Male | Director and Executive Operating Officer | 17 out of 17 (100%) |
| 2 | Kunimitsu Ito [Reappointment] [Outside] [Independent] | Male | Director Audit and Supervisory Committee Member | 17 out of 17 (100%) |
| 3 | Yuriko Sagara [Reappointment] [Outside] [Independent] | Female | Director Audit and Supervisory Committee Member | 16 out of 17 (94%) |
| 4 | Keiichi Miura [Reappointment] [Outside] [Independent] | Male | Director Audit and Supervisory Committee Member | 17 out of 17 (100%) |

| No. | Name (Date of birth) | Past experience, positions, responsibilities, and significant concurrent positions | Number of shares of the Company held |
|-----|---|---|--|
| 1 | <p data-bbox="209 573 392 633">Masanobu Miyo (January 4, 1961)</p> <p data-bbox="196 667 405 696">[New appointment]</p> | <p data-bbox="432 282 1265 555"> April 1985 Joined the Company June 2014 Operating Officer; General Manager, Oleo & Speciality Chemicals Div. of the Company June 2018 Executive Operating Officer; General Manager, Oleo & Speciality Chemicals Div. of the Company June 2020 Director and Executive Operating Officer; General Manager, Oleo & Speciality Chemicals Div. of the Company April 2021 Director and Executive Operating Officer of the Company (to present) </p> <p data-bbox="432 562 1265 958"> [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)] 3 years [Reason for nomination as a candidate for Director who is an Audit and Supervisory Committee Member] Masanobu Miyo has been engaged in the management of the Functional Chemicals business and the Life Science business, and promoting risk management across the Company as the chairman of the Risk Management Committee at the Company. The Company nominates him as a candidate for Director who is an Audit and Supervisory Committee Member, expecting him to strive for the enhancement of audit and supervision, etc. by drawing on his extensive experience and broad insight. </p> | 6,900 |

| No. | Name (Date of birth) | Past experience, positions, responsibilities, and significant concurrent positions | Number of shares of the Company held |
|-----|--|---|--|
| 2 | <p data-bbox="209 786 395 842">Kunimitsu Ito (August 18, 1958)</p> <p data-bbox="209 880 395 965">[Reappointment] [Outside Director] [Independent]</p> | <p data-bbox="432 248 1299 584"> 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 June 2021 Director, Audit and Supervisory Committee Member of the Company (to present) </p> <p data-bbox="432 591 1299 1496"> [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)] 3 years [Term of office as Audit and Supervisory Committee Member (At the end of this year’s Annual General Meeting of Shareholders)] 2 years [Reason for nomination as a candidate for Outside Director and overview of expected role] Kunimitsu Ito has deep knowledge in accounting and tax practices as a certified public accountant and a certified tax accountant. Serving as a member of the Nomination Committee and the Compensation Committee, and attending meetings of the Sustainability Committee as a member, he has also engaged in the deliberations, etc. of these committees. 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 continue fulfilling 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> | 1,300 |

| No. | Name (Date of birth) | Past experience, positions, responsibilities, and significant concurrent positions | Number of shares of the Company held |
|-----|--|--|--|
| 3 | <p data-bbox="194 696 408 752">Yuriko Sagara (September 6, 1974)</p> <p data-bbox="194 786 408 875">[Reappointment] [Outside Director] [Independent]</p> | <p data-bbox="427 248 1289 521"> 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) June 2021 Director, Audit and Supervisory Committee Member of the Company (to present) </p> <p data-bbox="427 528 1299 1317"> [Attendance at meetings of the Board of Directors] 16 out of 17 (94%) [Term of office as Director (At the end of this year's Annual General Meeting of Shareholders)] 2 years [Reason for nomination as a candidate for Outside Director and overview of expected role] 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. Serving as a member of the Nomination Committee and the Compensation Committee, and attending meetings of the Sustainability Committee as a member, she has also engaged in the deliberations, etc. of these committees. 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 continue fulfilling 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. [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. 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 100,000 yen to this office each year over the past three years. </p> | 300 |

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 | <p data-bbox="188 831 410 898">Keiichi Miura (November 13, 1956)</p> <p data-bbox="209 927 389 1016">[Reappointment] [Outside Director] [Independent]</p> | <p data-bbox="422 248 1292 741"> April 1980 Joined Onoda Cement Co., Ltd. (currently TAIHEIYO CEMENT CORPORATION) April 2012 General Manager, Central Research Laboratory, TAIHEIYO CEMENT CORPORATION June 2013 Executive Officer, TAIHEIYO CEMENT CORPORATION April 2016 Managing Executive Officer, TAIHEIYO CEMENT CORPORATION June 2016 Director and Managing Executive Officer, TAIHEIYO CEMENT CORPORATION April 2019 Director and Senior Executive Officer, TAIHEIYO CEMENT CORPORATION April 2020 Director, TAIHEIYO CEMENT CORPORATION (Resigned from the position in June 2020) June 2020 Director, Tosoh Corporation (to present) June 2021 Director, Audit and Supervisory Committee Member of the Company (to present) </p> <p data-bbox="422 748 1292 1594"> [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)] 2 years [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. Serving as a member of the Nomination Committee and the Compensation Committee, and attending meetings of the Sustainability Committee as a member, he has also engaged in the deliberations, etc. of these committees. For the reasons above, the Company deems that he will be able to continue fulfilling 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. [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. Keiichi Miura formerly had an executive role in TAIHEIYO CEMENT CORPORATION, but there are no transactional relationships between the Company and this company. </p> | 300 |

- 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, Yuriko Sagara and Keiichi Miura that limits their 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 the candidates are elected as Directors who are Audit and Supervisory Committee Members, the Company plans to continue the said agreement with them. If the newly nominated candidate, Masanobu Miyo is elected as Director who is an Audit and Supervisory Committee Member, the Company plans to conclude the agreement with him.
 3. The Company has concluded an indemnity agreement indicated in Sub-Article 1 of Article 430-2 of the Companies Act with Masanobu Miyo, Kunimitsu Ito, Yuriko Sagara and Keiichi Miura to indemnify expenses under Item 1 of said Sub-Article and losses under Item 2 of said Sub-Article to the extent stipulated by laws and ordinances. If the candidates are elected as Directors who are Audit and Supervisory Committee Members, the Company plans to continue the said agreement with them.
 4. 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, the said insurance contract will cover damage incurred by the said Director. If the candidates 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 million 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.

(Reference) System of the Board of Directors after approval of Proposal No. 2 and Proposal No. 3 at the 100th Annual General Meeting of Shareholders (Planned)

| Name | Titles | Corporate Management, Business Management, DX | R&D, Quality and Production Technology | Sales and Marketing , SCM | Overseas Business, Global | Legal and ESG, Environment and Safety, Human Resources Management | Finance and Accounting |
|--------------------|--|---|--|---------------------------|---------------------------|---|------------------------|
| Takeo Miyaji | Chairman and Chief Executive Officer | ● | | ● | | ● | ● |
| Koji Sawamura | President and Chief Executive Officer | ● | ● | ● | ● | | |
| Manabu Saito | Director and Executive Operating Officer | ● | | ● | | ● | ● |
| Kazuyoshi Yamauchi | Director and Executive Operating Officer | ● | ● | | ● | ● | |
| Shingo Unami | Outside Director | ● | | | | ● | ● |
| Izumi Hayashi | Outside Director | | | | ● | ● | |
| Masanobu Miyo | Audit and Supervisory Committee Member; Director | ● | | ● | ● | | |
| Kunimitsu Ito | Audit and Supervisory Committee Member; Outside Director | | | | ● | | ● |
| Yuriko Sagara | Audit and Supervisory Committee Member; Outside Director | | | | ● | ● | |
| Keiichi Miura | Audit and Supervisory Committee Member; Outside Director | ● | ● | | | ● | |

The ● symbol indicates the skills that are particularly expected of each Director.

The above list does not show all the professional skills that each person possesses.

(Reference)

Cross-Shareholdings

(Policy on Cross-Shareholdings)

In order to improve the Company's corporate value over the mid- to long-term by maintaining and enforcing smooth business operations and business relationships, the Company holds shares as cross-shareholdings only when it is deemed reasonable, after comprehensively considering factors such as risks of holding and the capital cost. It is our basic policy to reduce cross-shareholdings for which the significance of holding is deemed to have diminished.

(Efforts to reduce cross-shareholdings)

Under the basic policy, each year, the Board of Directors shall individually examine cross-shareholdings and review the pros and cons of continuing the holding. As a result of the review, the Company sold 12 stocks in fiscal year 2022, resulting in a ratio of cross-shareholdings to net assets of 17.5%.

Number of stocks and the values recorded on the balance sheet in fiscal year 2022

| | Number of stocks | Total values recorded on the balance sheet (Millions of yen) |
|----------------------------------|------------------|---|
| Unlisted stock | 29 | 842 |
| Shares other than unlisted stock | 37 | 39,960 |

In addition to the above, one stock is held as a deemed shareholding (1,314 million yen)

Stocks whose numbers were reduced in fiscal year 2022

| | Number of stocks | Total sale values associated with the reduction in the number of stocks (Millions of yen) |
|----------------------------------|------------------|---|
| Unlisted stock | 1 | 105 |
| Shares other than unlisted stock | 11 | 5,120 |

Business Report (From April 1, 2022 to March 31, 2023)

1. Current Status of the NOF Group

(1) Progress and Results of Operations

During the fiscal year under review, relaxation of various restrictions and normalization of economic activities advanced further primarily in countries and regions where COVID-19 vaccines became widely available. Meanwhile, economic uncertainties deepened due to such factors as sluggish economic activities in China owing to the trend in its zero-COVID policy, continuation of the Ukraine crisis and the rise in resource and energy prices, and acceleration of inflation and financial turmoil across the globe. In Japan, there were signs of recovery in individual consumption, capital expenditure and production activities, in line with the progress in normalization of social economic activities.

Although concerns persisted for the business environment surrounding the Group, such as the global rise in fuel prices, the continued shortage in semiconductor supply, and geopolitical risks such as the Ukraine crisis, overall demand remained solid both in Japan and overseas.

Amid this business environment, under the three-year 2022 Mid-Term Management Plan ended in fiscal year 2022, the Group upheld the basic policy of “Challenge and Co-create.” With the basic policy, the Group has tackled its challenges, namely, “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,” strived to explore new markets, expand sales and reduce production costs, while striving to maintain right prices, and made continuous management efforts to achieve sustainable growth.

To further strengthen its efforts in “Expanding business in growth markets,” the Group worked to improve productivity and enhance quality management in line with the start of operation of manufacturing facilities for raw materials for DDS drug formations at Kawasaki Works, and strived to strengthen the supply capacity for products in the Life Science Segment. Following the business co-creation through open innovation on biochemical products and thermal control materials in the previous fiscal year, we made efforts in “Enhancing coordination inside and outside the Company” during the fiscal year under review, by publicly soliciting themes for co-creation in the fields of electronics and health food products.

As a result of the above, for the consolidated fiscal year ended March 31, 2023, consolidated net sales were ¥217,709 million, or up 13.0% from the previous fiscal year. Consolidated operating income was ¥40,624million, or up 14.1% year on year, consolidated ordinary income was ¥43,183 million, or up 14.8% year on year, and profit attributable to owners of parent was ¥33,973 million, or up 27.3% year on 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 increased due to strong demand in the environmental/energy field and the revision of sales prices to cope with the rise in fuel prices.

With regard to surfactants, net sales increased due to strong demand for toiletry products.

In ethylene oxide/propylene oxide derivatives, net sales increased due to strong demand for toiletry products, synthetic resin and resin treatment and for coatings, as well as the revision of sales prices to cope with the rise in fuel prices.

In organic peroxides, net sales increased due to strong demand in Japan and Asia and a revision of sales prices to cope with the rise in fuel prices.

In special anti-corrosion agents, net sales increased as a result of strong automobile-related demand both in Japan and overseas.

As a result, in the Functional Chemicals Segment, consolidated net sales were ¥146,422 million, or up 14.0%, and consolidated operating income was ¥22,901 million, or up 6.7% year on year.

Life Science

Regarding edible oils, net sales increased as a result of revision of sales prices to cope with the rise in fuel prices, although demand for functional oils for confectionary and bread slowed down.

In functional foods, net sales decreased, as shipments of health food products decreased.

In biocompatible materials, net sales increased due to strong demand for 2-Methacryloyloxyethyl phosphorylcholine (MPC)-related products.

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

As a result, in the Life Science Segment, consolidated net sales were ¥40,907 million, or up 21.2% year on year, and consolidated operating income was ¥18,003 million, or up 27.6% year on year.

Explosive & Propulsion

In industrial explosives, net sales decreased.

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

In the field of defense-related explosives, net sales decreased.

In the field of functional products, net sales decreased.

As a result, in the Explosive & Propulsion Segment, consolidated net sales were ¥29,871 million, or down 0.5% year on year and consolidated operating income was ¥1,751 million, or down 0.7% year on year.

Others

The Others Segment consists of the transportation and real estate businesses. In the Others Segment, consolidated net sales were ¥509 million, up 8.6% year on year, and consolidated operating income was ¥209 million, down 28.2% year on year.

(2) Future Tasks

The impact of the COVID-19 pandemic is expected to gradually decrease going forward, now that it has been reclassified as Class V Infectious Disease under the Infectious Diseases Act in Japan. However, uncertainty in the outlook for the global economy is expected to continue, due to concerns over the Ukraine crisis, the intensified conflict between the United States and China, continuously high fuel prices, and the ongoing inflation and financial turmoil across the globe, among others.

Under these circumstances, the Group formulated “NOF Vision 2030” with fiscal year 2030 being the final year. Segmenting the period starting in fiscal year 2023 into a period covered by the 2025 Mid-Term Management Plan, a stage positioned for expanding profit, and a period of 2028 Mid-Term Management Plan, which is a stage for business domain expansion, we will seek to pursue our vision for fiscal year 2030.

We will also flexibly adapt to changes in market needs in our three prioritized business fields of life/healthcare, electronics/IT, and environment/energy. Furthermore, we will continue to create new value through the power of 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.

The basic policy of the 2025 Mid-Term Management Plan is “Practice and Breakthrough,” under which the Group will continue to engage in each initiative of “Expanding business by addressing changes in markets,” “Accelerating new product and new technology development,” “Improving productivity,” “Pursuing safety and security,” and “Promoting CSR.”

To accelerate efforts in “Expanding business by addressing changes in markets,” the Group will actively promote strategic investment in the three prioritized fields. In the Functional Chemicals Segment, the Group will proceed with its plan to install additional production lines at Aichi Works for original design manufacturing (ODM: design and manufacture under other companies brands) of cosmetic products. In the Life Science Business Segment, in anticipation of future growth in the biopharmaceutical market including in nucleic acid drugs, the Group will proceed with its plan to newly install manufacturing facilities for raw materials for DDS drug formations at Aichi Works.

With regard to “Accelerating new product and new technology development,” the Group will promote business co-creation through open innovation targeting the key fields of biochemical products, thermal control materials, electronics and health food products, so as to accelerate development of new products and new technologies.

As for “Improving productivity,” the Group will continue efforts for nurturing human resources regarding Digital Transformation (DX) across the company, and engage in efforts to improve R&D efficiency through searching for new compounds and optimizing blending composition, etc. using Materials Informatics (MI), which utilizes data science, and to make a transition into smart factories through the introduction of a production and quality control system, the construction of a network, and such.

Regarding “Pursuing safety and security,” the Group will strive to perform appropriate business activities by providing safe and secure products, giving attention to safety of social and natural environments, and by ensuring safety, disaster prevention and occupational safety.

With regard to “Promoting CSR,” the Group specified 11 items of materiality regarding Sustainability. 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

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 a variety of demands, including advanced medical treatment and medicine, human beauty, health and anti-aging, reduction of environmental burden, recycling of resources, and a smart society. Regarding “Strengthening of business foundation,” the Group will put greater effort into initiatives including the following: strengthen profitability; 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 will consider measures aimed at realizing carbon neutrality by 2050, and implement measures such as the management of chemical substances. Furthermore, the Group supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and shall work to expand climate-related information disclosure.

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.

We kindly ask all shareholders for your continuing support.

(3) Capital Investment

During the consolidated fiscal year ended March 31, 2023, capital investment amounted to ¥7.8 billion.

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

(i) Main facilities completed during the consolidated fiscal year ended March 31, 2023

| Project type/segment name | Project name/company name | Content of facilities |
|---------------------------|-------------------------------|---|
| Life Science | The Company Kawasaki Works | Strengthened capacity of Life Science products manufacturing facility |

(ii) New and expanded facilities during the consolidated fiscal year ended March 31, 2023

| Project type/segment name | Project name/company name | Content of facilities |
|---------------------------|----------------------------|--|
| Company-wide (Shared) | The Company Head Office | Renewal of welfare facilities |
| Company-wide (Shared) | Head Office | Strengthened information infrastructure for core system |
| Functional Chemicals | Amagasaki Plant | New Functional Chemicals research facility |
| Functional Chemicals | Aichi Works | New / strengthened capacity of Functional Chemicals research facility |
| Functional Chemicals | Aichi Works | Strengthened capacity of Functional Chemicals research facility |
| Life Science | Kawasaki Works | Introduction of a quality and production control system, and construction of a network |
| Life Science | Kawasaki Works | Introduced environmentally-friendly facility |
| Life Science | Aichi Works | New Life Science products manufacturing facility |
| Life Science | Aichi Works | Construction of Life Science products manufacturing facility |
| Explosive & Propulsion | Aichi Works | Strengthened capacity of explosive and processed goods manufacturing facility |
| Explosive & Propulsion | Nippon Koki | 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, 2023

None applicable.

(4) Financing

None applicable.

(5) Business Results and Summary of Assets

(i) Business results and summary of assets of the Group

| Category | | | 97th Term (April 2019 – March 2020) | 98th Term (April 2020 – March 2021) | 99th Term (April 2021 – March 2022) | 100th Term (April 2022 – March 2023) |
|-------------------------|--|----------------------|--|--|--|---|
| Business performance | Net sales | (millions of yen) | 180,917 | 172,645 | 192,642 | 217,709 |
| | Operating income | (millions of yen) | 26,874 | 26,602 | 35,595 | 40,624 |
| | Ordinary income | (millions of yen) | 28,830 | 28,870 | 37,624 | 43,183 |
| | Profit attributable to owners of parent | (millions of yen) | 21,140 | 23,302 | 26,690 | 33,973 |
| | Profit per share | (yen) | 251.72 | 280.49 | 323.77 | 417.02 |
| Condition of assets | Total assets | (millions of yen) | 235,248 | 271,536 | 289,630 | 309,438 |
| | Net assets | (millions of yen) | 178,716 | 203,516 | 221,706 | 240,002 |
| | Net assets per share | (yen) | 2,140.98 | 2,448.60 | 2,690.65 | 2,960.56 |
| Number of companies | Consolidated subsidiaries | | 24 | 25 | 25 | 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 has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the 99th term. Figures regarding the operating results and financial status of the 99th term and 100th term have been adjusted based on the retrospective adoption of the above standards.

(ii) Business results and summary of assets of the Company

| Category | | | 97th Term (April 2019 – March 2020) | 98th Term (April 2020 – March 2021) | 99th Term (April 2021 – March 2022) | 100th Term (April 2022 – March 2023) |
|-------------------------|----------------------|----------------------|---|---|---|--|
| Business performance | Net sales | (millions of yen) | 122,371 | 119,168 | 135,865 | 155,139 |
| | Operating income | (millions of yen) | 19,636 | 20,090 | 27,499 | 32,071 |
| | Ordinary income | (millions of yen) | 23,071 | 24,196 | 31,528 | 38,259 |
| | Profit | (millions of yen) | 18,308 | 21,495 | 23,256 | 31,334 |
| | Profit per share | (yen) | 218.00 | 258.74 | 282.11 | 384.63 |
| Condition of assets | Total assets | (millions of yen) | 201,890 | 233,654 | 243,027 | 258,496 |
| | Net assets | (millions of yen) | 142,251 | 162,277 | 175,008 | 188,866 |
| | Net assets per share | (yen) | 1,711.62 | 1,959.45 | 2,131.40 | 2,337.81 |

- 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 has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the 99th term. Figures regarding the operating results and financial status of the 99th term and 100th 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 (nutritional food products, health-related products) Biocompatible materials (MPC polymers, MPC monomers, etc.) Raw materials for DDS drug formulations (activated PEG, functional 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 |
|---------------------|--------------|
| 3,818 | +31 |

- Notes: 1. The number of employees is the number of working personnel.
2. In addition to the above, there are also 176 temporary employees.

(ii) Status of Company employees

| Number of employees | Year-on-year | Average age | Average length of service (years) |
|---------------------|--------------|-------------|-----------------------------------|
| 1,762 | +25 | 43.6 | 18.9 |

- Notes: 1. The number of employees is the number of working personnel, and includes 10 people that were dispatched to the Company from outside the Company.
2. In addition to the above, there are also 57 temporary employees and 123 dispatched employees.

(10) Major Creditors

| Creditors | Loan Outstanding |
|----------------------------------|-------------------|
| MUFG Bank, Ltd. | 1,200 million yen |
| Mizuho Trust & Banking Co., Ltd. | 600 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 80,835,781

(Excluding 2,005,595 shares of treasury stock, including 48,200 shares (482 voting rights) of the Company held by Custody Bank of Japan, Ltd. as trust property of the Board Benefit Trust (BBT). The said 482 voting rights shall not be exercised.)

(3) Number of shareholders 12,577

(Up 12 from the previous fiscal year-end)

(4) Major shareholders

| Name | Number of shares (thousands) | Percentage of Ownership (%) |
|--|---------------------------------|-----------------------------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 17,173 | 21.24 |
| Custody Bank of Japan, Ltd. (Trust Account) | 5,180 | 6.40 |
| Meiji Yasuda Life Insurance Company | 3,128 | 3.86 |
| Nichiyu Shin Ei Kai | 1,715 | 2.12 |
| BNYM AS AGT/CLTS 10 PERCENT | 1,521 | 1.88 |
| Mizuho Bank, Ltd. | 1,463 | 1.81 |
| Nichiyu Kyo Ei Kai | 1,331 | 1.64 |
| NORTHERN TRUST CO.(AVFC) RE FIDELITY FUNDS | 1,275 | 1.57 |
| SUMITOMO LIFE INSURANCE COMPANY | 1,245 | 1.54 |
| Sompo Japan Insurance Inc. | 1,110 | 1.37 |

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

2. Percentage of ownership excludes 2,005,595 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 Directors who are Audit and Supervisory Committee Members and Outside Directors) | — | — |
| Outside Directors (excluding Directors who are Audit and Supervisory Committee Members) | — | — |
| Directors who are Audit and Supervisory Committee Members | — | — |

3. Matters concerning stock acquisition rights

None applicable.

4. Officers of the Company

(1) Directors

| Position | Name | Gender | Significant concurrent positions |
|---|--------------------|--------|--|
| President & Chief Executive Officer* | Takeo Miyaji | Male | |
| Representative Director* | Kazuhito Maeda | Male | |
| Director* | Masanobu Miyo | Male | |
| Director* | Kazuyoshi Yamauchi | Male | |
| Outside Director | Shingo Unami | Male | |
| Outside Director | Izumi Hayashi | Female | Partner of Sakurazaka Law Offices Audit & Supervisory Board Member, Weathernews Inc. |
| Director, Standing Audit and Supervisory Committee Member | Tsuneharu Miyazaki | Male | |
| Outside Director, Audit and Supervisory Committee Member | Kunimitsu Ito | Male | Representative of ITO ACCOUNTING FIRM |
| Outside Director, Audit and Supervisory Committee Member | Yuriko Sagara | Female | Partner of Nakamura & Partners Director serving as Audit and Supervisory Committee Member, TOKYO SEIMITSU CO., LTD. |
| Outside Director, Audit and Supervisory Committee Member | Keiichi Miura | Male | Director, Tosoh Corporation |

- Notes: 1. Directors Shingo Unami and Izumi Hayashi as well as Directors who are Audit and Supervisory Committee Members Kunimitsu Ito, Yuriko Sagara, and Keiichi Miura are Outside Directors as stipulated in the Companies Act.
2. Director who is an Audit and Supervisory Committee Member Kunimitsu Ito is a Certified Public Accountant, and has extensive knowledge regarding finance and accounting.
3. Director who is an Audit and Supervisory Committee Member Tsuneharu Miyazaki has knowledge on the Company's operations, and can ensure the effectiveness of the audit and supervisory functions of the Audit and Supervisory Committee, by collecting information through attending important meetings, etc., and through cooperation with the Internal Audit Department, etc. Therefore, the Company has selected him as a Standing Audit and Supervisory Committee Member.
4. There are no special relationships between the Company and the following corporations: Sakurazaka Law Offices, Weathernews Inc., ITO ACCOUNTING FIRM, Nakamura & Partners, TOKYO SEIMITSU CO., LTD., and Tosoh Corporation.
5. The Company has designated Directors Shingo Unami and Izumi Hayashi as well as Directors who are Audit and Supervisory Committee Members Kunimitsu Ito, Yuriko Sagara, and Keiichi Miura as Independent Directors as stipulated in Rule 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange.
6. Directors with an asterisk (*) next to their title concurrently serve as Operating Officers.
7. The Company has adopted an operating officer system. The Operating Officers as of the end of the fiscal year are as indicated below.

| Position | Name | Assignment |
|-------------------------------------|--------------------|---|
| President & Chief Executive Officer | Takeo Miyaji | |
| Senior Executive Operating Officer | Kazuhito Maeda | In charge of Human Resources & General Affairs Group |
| Executive Operating Officer | Hidefumi Ishiguro | General Manager, Explosives & Propulsion Div. |
| Executive Operating Officer | Naoya Umehara | General Manager, Corporate Planning & Strategy Dept., in charge of Systems Group |
| Executive Operating Officer | Hiroyuki Enomoto | General Manager, Corporate R&D Div., in charge of Anti-Corrosion Coatings Group |
| Executive Operating Officer | Manabu Saito | General Manager, Functional Foods Div., in charge of Finance Group |
| Executive Operating Officer | Koji Sawamura | General Manager, Life Science Div.; General Manager, DDS Development Div. |
| Executive Operating Officer | Masanobu Miyo | In charge of Oleo & Speciality Chemicals Group, Functional Chemicals & Polymers Group, and Purchasing Group |
| Executive Operating Officer | Kazuyoshi Yamauchi | General Manager, Responsible Care & Production Engineering Dept. |
| Operating Officer | Yasuhiko Kazumi | General Manager, Human Resources & General Affairs Dept. |
| Operating Officer | Eui-Chul Kang | General Manager, R&D Planning Dept., Corporate R&D Div. |
| Operating Officer | Kenshiro Shuto | General Manager, Functional Chemicals & Polymers Div. |
| Operating Officer | Motoji Takimizu | General Manager, Oleo & Speciality Chemicals Div. |
| Operating Officer | Kuniaki Tsuruoka | General Manager, Anti-Corrosion Coatings Group |
| Operating Officer | Hideru Furukawa | General Manager, Purchasing Dept. |
| Operating Officer | Tomoaki Mori | General Manager, Finance Dept. |

(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 Directors who are Audit and Supervisory Committee 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 indemnity agreement

The Company has entered into an indemnity agreement indicated in Sub-Article 1 of Article 430-2 of the Companies Act with Directors to indemnify expenses under Item 1 of said Sub-Article and losses under Item 2 of said Sub-Article to the extent stipulated by laws and ordinances. To ensure that appropriateness of Directors' execution of duties is not impaired, the agreement stipulates the maximum amount of the indemnity, Directors' obligation for reporting and submitting materials, and procedures for claiming indemnity to the Board of Directors, etc.

(4) 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 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, the said insurance contract will cover damage incurred by the said Director. 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 damage arising from such a case will not be covered.

(5) Compensation, etc. of Directors and Corporate Auditors

(i) Compensation, etc. paid to Directors and Corporate Auditors

| 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 |
| Directors (excluding Audit and Supervisory Committee Members) | 6 | ¥222 million | ¥136 million | ¥68 million | ¥16 million |
| [of which Outside Directors] | [2] | [¥18 million] | [¥18 million] | [—] | [—] |
| Directors (Audit and Supervisory Committee Members) | 4 | ¥51 million | ¥51 million | — | — |
| [of which Outside Directors] | [3] | [¥27 million] | [¥27 million] | | |
| Total | (Total) 10 | ¥273 million | ¥187 million | ¥68 million | ¥16 million |
| [of which Outside Officers] | (Total) [5] | [¥45 million] | [¥45 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 annual compensation limit for Directors (excluding Directors who are Audit and Supervisory Committee Members) was set to ¥360 million (including compensation of within ¥40 million per year for Outside Directors; excluding employee salaries) at the 98th Annual General Meeting of Shareholders held on June 29, 2021. There were six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members; including two (2) Outside Directors) as of the conclusion of the said Annual General Meeting of Shareholders.
3. At the 98th Annual General Meeting of Shareholders held on June 29, 2021, regarding the performance-linked stock compensation plan “Board Benefit Trust” for Directors who concurrently serve as Operating Officers, it was resolved that the maximum number of points that can be awarded to Directors in a fiscal year is a total of 12,000 points (each point awarded 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.). There were four (4) Directors who concurrently served as Operating Officers as of the conclusion of the said Annual General Meeting of Shareholders.
4. The annual compensation limit for Directors who are Audit and Supervisory Committee Members was set to ¥80 million at the 98th Annual General Meeting of Shareholders held on June 29, 2021. There were four (4) Directors who were Audit and Supervisory Committee Members as of the conclusion of the said Annual General Meeting of Shareholders.
5. 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 excluding Audit and Supervisory Committee Members, after undergoing deliberation by the Compensation Committee, an advisory committee for the Board of Directors, a resolution was reached on a partial review of the policy at the Board of Directors meeting held on January 27, 2023.

b. Overview of contents of determination policy

The compensation of Directors excluding Audit and Supervisory Committee Members 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. Also, compensation shall be determined through a fair and transparent process. Under such a policy, compensation consists of monthly compensation, bonuses and stock compensation. The proportion of incentive compensation that is linked to short-term or mid- to long-term performance is set to about 40% (a standard proportion) (Outside Directors are paid compensation that is not linked to performance indicators). In addition, the Compensation Committee deliberates on compensation systems, compensation levels, and individual compensation, etc.

- 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 excluding Audit and Supervisory Committee Members, 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 excluding Audit and Supervisory Committee Members. 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 six members, namely five independent Outside Directors and the President and Chief Executive Officer, and is chaired by an independent Outside Director (held meetings in May, July and November of 2022, and in March of 2023, 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. Regarding decisions on the specific details of the fixed compensation amount of individual Directors excluding Audit and Supervisory Committee Members, they are resolved at a Board of Directors meeting, after undergoing deliberation by the Compensation Committee.

- (iv) Performance-linked compensation (Bonuses)

After undergoing deliberation by the Compensation Committee, the calculation method, etc. for bonuses of Directors excluding Audit and Supervisory Committee Members and Outside Directors was resolved at a Board of Directors meeting. The calculation method of the said bonuses are based on consolidated operating income, an important indicator related to the Group's business performance evaluation, and by multiplying a predetermined coefficient determined for each position by a base amount. The Compensation Committee verifies the said calculation method and the amount paid to Directors excluding Audit and Supervisory Committee Members (excluding Outside Directors) in each term.

A Board of Directors meeting held on January 27, 2023 resolved a method to calculate a portion of compensation using achievement level of ESG indicators, etc. for Directors excluding Audit and Supervisory Committee Members and Outside Directors for the next fiscal year.

(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). Subsequently, the Company transitioned to a Company with an Audit and Supervisory Committee through the 98th Annual General Meeting of Shareholders held on June 29, 2021. Accordingly, the persons currently eligible for the BBT are as follows: Directors who concurrently serve as Operating Officers and Operating Officers with a title (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors; hereinafter collectively “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. 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. (in the event of a stock split, stock allotment without contribution, or stock consolidation, etc., reasonable adjustments will be made to the maximum number of points, the number of points awarded or the conversion ratio, according to the said ratio, etc. of the event). 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”).

After undergoing deliberation by the Compensation Committee, the Officer Stock Distribution Rules, which stipulate the said calculation method, etc. after taking into account the respective positions, achievement level of performance targets, etc. of the Directors, etc., was resolved at a Board of Directors meeting.

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 coefficient is determined based on the achievement level, etc. of this indicator. Multiplying this coefficient by the position points determined for each position gives the number of points.

(Calculation formula)

Position points × Performance evaluation coefficient

*The performance evaluation coefficient 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 (final year of the said plan). The actual result of consolidated operating income in the fiscal year under review was ¥40.6 billion, representing a 140.08% achievement level in the consolidated fiscal year ended March 31, 2023, 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.

(6) Outside Officers

Status of major activities

| Position | Name | Status of major activities and outline of duties executed regarding roles expected of Outside Directors |
|---|---------------|---|
| Outside Director | Shingo Unami | <p>Shingo Unami attended all 17 meetings of the Board of Directors held in the fiscal year under review. At Board of Directors meetings, he actively expressed opinions from a professional viewpoint, including his advanced knowledge on human resources, labor, finance and accounting, thereby fulfilling his role of providing advice to management, supervising business execution, etc.</p> <p>He served as the chairman of the Compensation Committee and a member of the Nomination Committee, attended meetings of the Sustainability Committee, and made valuable remarks. He also attended a risk assessment workshop for officers, and actively expressed his views.</p> |
| Outside Director | Izumi Hayashi | <p>Izumi Hayashi attended all 17 meetings of the Board of Directors held in the fiscal year under review. At Board of Directors meetings, she actively expressed opinions from a professional viewpoint, based on her global perspective on legal affairs and risk management, etc., thereby fulfilling her role of providing advice to management, supervising business execution, etc.</p> <p>She served as the chairman of the Nomination Committee and a member of the Compensation Committee, attended meetings of the Sustainability Committee, and made valuable remarks. She also attended a risk assessment workshop for officers, and actively expressed her views.</p> |
| Outside Director (Audit and Supervisory Committee Member) | Kunimitsu Ito | <p>Kunimitsu Ito attended all 17 meetings of the Board of Directors and all 15 meetings of the Audit and Supervisory Committee held in the fiscal year under review. At Board of Directors meetings, he actively expressed opinions from a skillful and professional viewpoint on accounting, taxation and auditing, thereby fulfilling his role as an Audit and Supervisory Committee Member.</p> <p>He served as a member of the Nomination Committee and a member of the Compensation Committee, attended meetings of the Sustainability Committee, and made valuable remarks. He also attended a risk assessment workshop for officers, and actively expressed his views.</p> |

| Position | Name | Status of major activities and outline of duties executed regarding roles expected of Outside Directors |
|---|---------------|--|
| Outside Director (Audit and Supervisory Committee Member) | Yuriko Sagara | <p>Yuriko Sagara attended 16 out of 17 meetings of the Board of Directors and all 15 meetings of the Audit and Supervisory Committee held in the fiscal year under review. At Board of Directors meetings, she actively expressed opinions from a professional viewpoint, based on her global perspective regarding risk management and intellectual property management, thereby fulfilling her role as an Audit and Supervisory Committee Member.</p> <p>She served as a member of the Nomination Committee and a member of the Compensation Committee, attended meetings of the Sustainability Committee, and made valuable remarks. She also attended a risk assessment workshop for officers, and actively expressed her views.</p> |
| Outside Director (Audit and Supervisory Committee Member) | Keiichi Miura | <p>Keiichi Miura attended all 17 meetings of the Board of Directors and all 15 meetings of the Audit and Supervisory Committee held in the fiscal year under review. At Board of Directors meetings, he actively expressed opinions from a professional viewpoint, based on his advanced knowledge on R&D and ESG initiatives, thereby fulfilling his role as an Audit and Supervisory Committee Member.</p> <p>He served as a member of the Nomination Committee and a member of the Compensation Committee, attended meetings of the Sustainability Committee, and made valuable remarks. He also attended a risk assessment workshop for officers, and actively expressed his views.</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 | ¥72 million |
| 2) The total amount of money and property interests paid or payable to the Accounting Auditor from the Company and subsidiaries | ¥93 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 and Supervisory Committee 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. and four other companies were audited (solely under the provisions of the Companies Act or the Financial Instruments and Exchange Act (including foreign laws and regulations equivalent thereto)) by accounting auditors other than the Company's Accounting Auditor (including those with equivalent foreign qualifications).
4. Figures are rounded down to the nearest million yen.

(4) Content of non-audit operations

Advice for the application of accounting standards and other services were provided to the Company.

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

If the Audit and Supervisory Committee 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 and Supervisory Committee. In this case, an Audit and Supervisory Committee Member designated by the Audit and Supervisory Committee 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 or employees designated by Directors 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, and the Quality Management Committee analyze business risks, consider countermeasures, and report to the Board of Directors. The Board of Directors receives reports on various business risks such as compliance, information management, environmental and safety risks, and confirmation and evaluation of risk comprehensiveness, and deliberates on the risks 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, and the Quality Management Committee analyze risks, consider countermeasures, and report to the Board of Directors. The Board of Directors receives reports on various business risks such as compliance, information management, environmental and safety risks, and confirmation and evaluation of risk comprehensiveness. The Board of Directors 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. The Internal Control Department regularly audits the operations of the Company and Group companies.
- 6) Matters concerning employees that the Audit and Supervisory Committee requests to be assigned in order to assist its duties, matters regarding the independence of said employees from Directors, and matters regarding assurance of the effectiveness of instructions issued by the Audit and Supervisory Committee to said employees
- a. The Audit and Supervisory Committee's Office shall be established as an organization directly under the control of the Audit and Supervisory Committee, and employees who assist the duties of the Audit and Supervisory Committee shall be assigned to the Office.
 - b. Employees with the necessary knowledge and capabilities are assigned to assist the duties of the Audit and Supervisory Committee.
 - c. Said employees who assist the duties of the Audit and Supervisory Committee shall not accept orders or instructions from Directors or persons in senior positions.
 - d. In order to ensure the independence of employees that assist the duties of the Audit and Supervisory Committee from Directors and persons in senior positions, and to ensure the effectiveness of instructions issued by the Audit and Supervisory Committee, decisions regarding the assignments, transfers, and other personnel matters related to said employees require the approval of the Audit and Supervisory Committee.
- 7) System for reporting from Directors and employees to the Audit and Supervisory Committee, 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 and Supervisory Committee, and other matters regarding reporting to the Audit and Supervisory Committee
- a. Directors and employees of the Company report important results of business execution based on decisions by the Board of Directors, Executive Committee, etc., to the Audit and Supervisory Committee.

- b. 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 the Audit and Supervisory Committee.
 - c. 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 the Audit and Supervisory Committee.
 - d. The Internal Control Department regularly reports the business audit plan and the results of operation audits to the Audit and Supervisory Committee.
 - e. In order for the Audit and Supervisory Committee to ascertain the status of the execution of duties by Directors, Audit and Supervisory Committee Members attend meetings of the Board of Directors, meetings of the Executive Committee, and other important meetings. Furthermore, the Company shall ensure the establishment of a system that allows Audit and Supervisory Committee Members to view important documents related to decisions made in business execution, such as minutes and approval documents.
- 8) System for ensuring that the person who has reported issues to the Audit and Supervisory Committee is not subject to disadvantageous treatment
- a. The Company shall ensure the establishment of a system that prohibits the disadvantageous treatment of the person who has reported issues to the Audit and Supervisory Committee.
- 9) Matters related to policies regarding the procedures for advance payment or reimbursement of expenses arising from the execution of duties by the Audit and Supervisory Committee and the processing of other expenses or financial obligations resulting from the execution of duties by the Audit and Supervisory Committee
- a. The Company shall promptly respond to requests for the advance payment of expenses arising from the execution of duties by the Audit and Supervisory Committee, reimbursement of paid expenses, and payment for incurred financial obligations.
- 10) System for ensuring that audits by the Audit and Supervisory Committee are conducted effectively
- a. The Audit and Supervisory Committee conducts audits in accordance with the Audit and Supervisory Committee auditing standards defined by the Audit and Supervisory Committee. As necessary, they give out instructions on inspections, etc. to the Internal Control Department, etc., and deliberate with Directors to improve the effectiveness of their audits.
 - b. Accounting Auditors regularly report audit plans and audit results to the Audit and Supervisory Committee. When necessary, the Audit and Supervisory Committee shares information and exchanges opinions with Accounting Auditors, each department of the Company, and Group companies.

- c. The Audit and Supervisory Committee has regular meetings with Representative Directors, where opinions are exchanged regarding the issues to be addressed by the Company, the status of the auditing and supervisory environment of the Audit and Supervisory Committee, important issues related to auditing, etc., thereby developing 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 meeting 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, the Company promoted human rights due diligence based on the human rights policy and announced the Declaration of Partnership Building, thereby enhancing the compliance system for the entire Group.

(Risk management measures)

Led by the Risk Management Committee, the Company shall conduct company-wide risk assessments and comprehensively ascertain, analyze, and evaluate business risks. With regard to risk management, specialist committees such as the Risk Management Committee, the Responsible Care Committee, and the Quality Management Committee monitor their respective operation fields, including Group companies, analyze results, and report measures and countermeasures to the Board of Directors. The Board of Directors receives reports on various business risks such as compliance, information management, environmental and safety risks, and confirmation and evaluation of risk comprehensiveness, and deliberates on the risks as necessary.

Furthermore, during the fiscal year under review, the Company reviewed the result of climate change-related risk analysis, and focused its efforts on developing an internal system to address Sustainability-related risks.

(Measures for ensuring the effectiveness of audits by the Audit and Supervisory Committee)

The Audit and Supervisory Committee provides opportunities for regular deliberations with the Internal Control Department and Accounting Auditors, and coordinates with them closely. On top of this, Audit and Supervisory Committee Members attend important meetings such the meetings of the Board of Directors, Executive Committee, Sustainability 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 and Supervisory Committee 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 and Supervisory Committee 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 2023, 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, 2023)

| Account item | Current fiscal year |
|--|---------------------|
| (Assets) | (millions of yen) |
| Current assets | 193,750 |
| Cash and time deposits | 92,520 |
| Notes and accounts receivable - trade, and contract assets | 45,971 |
| Electronically recorded monetary claims-operating | 3,014 |
| Merchandise and finished goods | 30,079 |
| Work in process | 3,412 |
| Raw materials and supplies | 16,245 |
| Other current assets | 2,706 |
| Allowance for doubtful accounts | (199) |
| Fixed assets | 115,688 |
| Property, plant and equipment | 63,863 |
| Buildings and structures | 23,181 |
| Machinery, equipment and vehicles | 13,424 |
| Land | 20,790 |
| Construction in progress | 3,927 |
| Others | 2,539 |
| Intangible assets | 1,148 |
| Investments and other assets | 50,675 |
| Investments securities | 44,719 |
| Long term loans | 5 |
| Deferred tax assets | 950 |
| Assets for retirement benefits | 3,071 |
| Other assets | 1,988 |
| Allowance for doubtful accounts | (60) |
| Total assets | 309,438 |

| Account item | Current fiscal year |
|---|---------------------|
| (Liabilities) | (millions of yen) |
| Current liabilities | 51,598 |
| Notes and accounts payable | 18,496 |
| Electronically recorded obligations - operating | 1,230 |
| Short-term bank loans | 2,080 |
| Current portion of long-term debt | 150 |
| Lease obligations | 103 |
| Accrued expenses | 1,585 |
| Income taxes payable | 8,626 |
| Deposits received | 4,137 |
| Accrued bonuses for employees | 3,521 |
| Asset retirement obligations | 168 |
| Other current liabilities | 11,496 |
| Long-term liabilities | 17,837 |
| Long-term debt | 2,332 |
| Lease obligations | 178 |
| Deferred tax liabilities | 9,820 |
| Accrued retirement benefits for officers | 56 |
| Liabilities for retirement benefits | 4,842 |
| Asset retirement obligations | 388 |
| Other long-term liabilities | 219 |
| Total liabilities | 69,436 |
| (Net assets) | |
| Shareholders' equity | 214,588 |
| Common stock | 17,742 |
| Capital surplus | 15,052 |
| Retained earnings | 192,092 |
| Treasury stock, at cost | (10,299) |
| Accumulated other comprehensive income | 24,588 |
| Unrealized holding gain on securities | 21,725 |
| Translation adjustments | 2,683 |
| Retirement benefits liability adjustments | 180 |
| Non-controlling interests | 825 |
| Total net assets | 240,002 |
| Total liabilities and net assets | 309,438 |

CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2022 to March 31, 2023)

| Account item | Current fiscal year |
|---|---------------------|
| | (millions of yen) |
| Net sales | 217,709 |
| Cost of sales | 141,766 |
| Gross profit | 75,943 |
| Selling, general and administrative expenses | 35,318 |
| Operating income | 40,624 |
| Non-operating income | 2,973 |
| Interest and dividend income | 1,371 |
| Foreign exchange gains | 793 |
| Others | 808 |
| Non-operating expenses | 415 |
| Interest expenses | 80 |
| Others | 334 |
| Ordinary income | 43,183 |
| Extraordinary income | 4,882 |
| Gain on sale of fixed assets | 7 |
| Gain on sale of investment securities | 4,840 |
| Gain on extinguishment of tie-in shares | 34 |
| Extraordinary losses | 25 |
| Loss on sale of fixed assets | 0 |
| Impairment loss on fixed assets | 1 |
| Loss on retirement of fixed assets | 23 |
| Loss on sale of investment securities | 0 |
| Profit before income taxes | 48,040 |
| Income taxes | 14,025 |
| Income taxes - current | 14,114 |
| Income taxes - deferred | (89) |
| Profit | 34,015 |
| Profit attributable to non-controlling interests | 42 |
| Profit attributable to owners of parent | 33,973 |

Consolidated Statement of Changes in Net Assets

(From April 1, 2022 to March 31, 2023)

(millions of yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at beginning of the period | 17,742 | 15,115 | 166,062 | (3,292) | 195,627 |
| Changes during the period | | | | | |
| Cash dividends | | | (7,943) | | (7,943) |
| Profit attributable to owners of parent | | | 33,973 | | 33,973 |
| Purchase of treasury stock | | | | (7,007) | (7,007) |
| Disposal of treasury stock | | 0 | | 0 | 0 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | (62) | | | (62) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during the period | — | (62) | 26,030 | (7,007) | 18,960 |
| Balance at the end of the period | 17,742 | 15,052 | 192,092 | (10,299) | 214,588 |

| | Accumulated other comprehensive income | | | | Non-controlling interests | Total net assets |
|---|--|-------------------------|---|--|---------------------------|------------------|
| | Unrealized holding gain on securities | Translation adjustments | Retirement benefits liability adjustments | Total accumulated other comprehensive income | | |
| Balance at beginning of the period | 24,226 | 809 | 264 | 25,300 | 777 | 221,706 |
| Changes during the period | | | | | | |
| Cash dividends | | | | | | (7,943) |
| Profit attributable to owners of parent | | | | | | 33,973 |
| Purchase of treasury stock | | | | | | (7,007) |
| Disposal of treasury stock | | | | | | 0 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | (62) |
| Net changes in items other than shareholders' equity | (2,501) | 1,874 | (84) | (711) | 47 | (663) |
| Total changes during the period | (2,501) | 1,874 | (84) | (711) | 47 | 18,296 |
| Balance at the end of the period | 21,725 | 2,683 | 180 | 24,588 | 825 | 240,002 |

Notes to Consolidated Financial Statements

Notes to Basis for Preparation of Consolidated Financial Statements

1. Matters related to scope of consolidation

(1) Number of consolidated subsidiaries and the names of major consolidated subsidiaries

Number of consolidated subsidiaries: 25

Names of major consolidated subsidiaries

Nippon Koki Co., Ltd., NiGK Corporation, HOKKAIDO NOF CORPORATION, NOF METAL COATINGS ASIA PACIFIC CO., LTD., JAPEX Corp., Nichiyu Trading Co., Ltd., Yuka Sangyo Co., Ltd., Changshu NOF Chemical Co., Ltd., PT. NOF MAS Chemical Industries, NOF AMERICA CORPORATION, NOF METAL COATINGS EUROPE S.A., NOF (Shanghai) Co., Ltd., NOF EUROPE GmbH

(2) Names of major non-consolidated subsidiaries, etc.

Names of major non-consolidated subsidiaries

There are no major non-consolidated subsidiaries.

Reason for excluding the non-consolidated subsidiaries from the scope of consolidation

They are excluded from the scope of consolidation because their combined amounts of respective categories of total assets, net sales, profit and loss (corresponding to equity interest) and retained earnings (corresponding to equity interest) are smaller than the consolidated subsidiaries' such combined amounts, and have no significant impact on the consolidated financial statements.

2. Matters related to application of equity method

(1) Number of non-consolidated subsidiaries and affiliates accounted for using the equity method, and the names of major entities accounted for by using the equity method

Not applicable.

(2) Names, etc. of major non-consolidated subsidiaries and affiliates not accounted for using the equity method

Non-consolidated subsidiary: There are no major non-consolidated subsidiaries.

Affiliate: Amagasaki Utility Services CO., Ltd.

Reason for not accounted for using the equity method

These non-consolidated subsidiaries and affiliates are not accounted for using the equity method because they individually do not have significant impact on profit and loss (corresponding to equity interest) and retained earnings (corresponding to equity interest), etc., and the impact is immaterial also on a combined basis.

3. Fiscal year, etc. of consolidated subsidiaries

The balance sheet date of consolidated subsidiaries NOF METAL COATINGS ASIA PACIFIC Co., Ltd., Changshu NOF Chemical Co., Ltd., P.T. NOF MAS Chemical Industries, NOF AMERICA CORPORATION, NOF METAL COATINGS NORTH AMERICA INC., NIKKA COATING Co., Ltd., NOF METAL COATINGS EUROPE S.A., NOF METAL COATINGS EUROPE N.V., NOF METAL COATINGS KOREA Co., Ltd., NOF METAL COATINGS SOUTH AMERICA Ind. E Com. Ltda., NOF METAL COATINGS EUROPE s.r.l., NOF (Shanghai) Co., Ltd., NOF EUROPE GmbH and NOF METAL COATINGS SHANGHAI CO., Ltd. is December 31 each year.

In the preparation of consolidated financial statements, financial statements of each subsidiary at their respective balance sheet dates are used, and any significant transaction that took place between those balance sheet dates and the consolidated balance sheet date is subjected to necessary consolidation adjustments. Balance sheet date of all consolidated subsidiaries other than the listed above is the same as the consolidated balance sheet date of March 31 each year.

4. Matters related to accounting policies
- (1) Standards and methods of valuation of assets
- (i) Standards and methods of valuation of securities
- Held-to-maturity debt securities
- Amortized cost method (straight-line method)
- Other securities
- Available-for-sale securities other than shares, etc. without market value
- Mainly by the market value method based on the average market price over a period of one month prior to the consolidated balance sheet date
- (Net unrealized gains or losses on those securities are reported as a separate component of net assets and costs of securities sold are determined primarily using the moving average method.)
- Shares, etc. without market value
- Mainly by the cost method using the moving-average method
- (ii) Standards and methods of valuation of inventories
- Mainly by the cost method using the total-average method (Consolidated balance sheet amounts are written down subject to decline in profitability.)
- (2) Methods of depreciation and amortization of fixed assets
- (i) Property, plant and equipment (excluding leased assets)
- Straight-line method
- (ii) Intangible assets (excluding leased assets)
- Straight-line method; For software (for in-house use), straight-line method over licensing period for internal use (five years)
- (iii) Leased assets
- Leased assets used in finance lease transactions that do not transfer ownership to the lessee
- Straight-line method, assuming the useful life as the lease period with residual value at nil
- (3) Standards of providing allowances
- (i) Allowance for doubtful accounts
- To prepare for possible credit losses, estimated uncollectible amounts have been recorded based on collection losses for general receivables, while on individual assessment of collectability for certain receivables such as doubtful receivables.
- (ii) Accrued bonuses for employees
- To prepare for the payment of employees' bonuses, the Company and its major consolidated subsidiaries have recorded estimated amounts of employees' bonuses attributable to the consolidated fiscal year ended March 31, 2023.
- (iii) Accrued retirement benefits for executive officers
- To prepare for the expenditure of retirement benefits for executive officers, etc. of the Company, the amount to be paid at the end of the consolidated fiscal year ended March 31, 2023 has been recorded according to the internal rules.
- (4) Standards for revenue and expense recognition
- Revenue from contracts with customers
- Based on the following five-step approach, the Group recognizes revenue when a promised product or service is transferred to a customer and the customer gains control over said product or service.
- Step 1: Identify the contract with the customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Calculate the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the corporation fulfills the performance obligations
- The Group's main business is the manufacturing and sale of products in the Functional Chemicals Segment, the Life Science Segment and the Explosive & Propulsion Segment. With regard to the sale of these products, generally, at the time of delivery, it is deemed that the customer has gained control over the product and the performance obligation has been fulfilled. Accordingly, the Group recognizes revenue at the time of delivery, etc. of said product. For domestic sales, since the period from the time of shipment to the time when the control of the product is transferred to the customer is the normal period, the Group applies the handling of shipping standards, etc. stipulated in Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition, and recognizes revenue at the time of shipment.
- Revenue is calculated by deducting returns, discounts, and rebates, etc. from the consideration promised in the contract with the customer, within the range where there is a high possibility that there will be no significant

reversal of funds into revenue. The promised consideration is collected mainly within one year from the time of the fulfillment of the performance obligation, and does not include significant financial factors.

For transactions involving the Group as an agent, the net amount of revenue is recognized.

Regarding a portion of the performance obligations in the Explosive & Propulsion Segment, since control over products or services is transferred over a certain period of time, the degree of progress is measured using a method that faithfully depicts the fulfillment of the obligations, and revenue is recognized over a certain period of time.

(5) Other basis for preparation of consolidated financial statements

(i) Hedge accounting

Method of hedge accounting

Deferral hedge accounting is adopted. As for foreign currency-denominated monetary claims and obligations under forward foreign exchange contracts, allocation treatment is adopted when requirements for such treatment are met.

Hedging instruments and hedged items

Hedging instruments: forward exchange contracts

Hedged items: forward exchange contracts and foreign currency denominated trading transactions

(ii) Methods of accounting retirement benefits

To prepare for retirement benefits of employees, retirement benefit liability has been recorded at the amount of the retirement benefit obligation less pension plan assets based on the estimation as of the end of the consolidated fiscal year ended March 31, 2023.

Prior service cost is amortized as incurred by the straight-line method over certain period (10 years), within the average remaining service years of the employees.

Actuarial gain or loss is amortized from the fiscal year following the year in which the gain or loss is recognized by the straight-line method over certain period (10 years), within the average remaining service years of the employees.

Unrecognized actuarial gain or loss and unrecognized prior service cost are recorded as retirement benefits liability adjustments in accumulated other comprehensive income under net assets after tax effect adjustments.

In calculating the retirement benefit liability, the estimated amount of retirement benefits is attributed mainly by benefit formula to the period up to the end of the consolidated fiscal year ended March 31, 2023.

Notes regarding Important Accounting Estimates

1. Recoverability of deferred tax assets

- (1) Amount recorded on the consolidated financial statements for the consolidated fiscal year under review
¥961 million in deferred tax assets, net concerning consolidated subsidiaries, which fall under “Category 3” pursuant to Paragraph 29 of the “Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26)”
- (2) Information regarding contents of accounting estimates concerning items identified
 - i. Method of calculation
The recoverability of deferred tax assets is determined through an estimate of taxable income based on future earning capacity, in contrast with future deductible amounts.
 - ii. Main assumptions
The estimate of taxable income based on future earning capacity uses the budget for the next fiscal year and the Mid-Term Management Plan as the foundation, and its main assumption is the future estimated sales volume.
 - iii. Impact on consolidated financial statements for the next fiscal year
Regarding the main assumption stated in ii, if ex post facto results deviate from the assumption due to factors such as economic trends in the future, and there is a decrease in taxable income in the next fiscal year or later, there may be a review of the recoverability of deferred tax assets.

2. Impairment of fixed assets

- (1) Amount recorded on the consolidated financial statements for the consolidated fiscal year under review
¥1 million in impairment loss on fixed assets, ¥65,012 million in property, plant and equipment and intangible assets
- (2) Information regarding contents of accounting estimates concerning items identified
 - i. Method of calculation
The Group groups business-use assets primarily according to the operating division, and assesses impairment. For assets and asset groups with indications of impairment, the Group estimates undiscounted future cash flows based on the business plan of each business, and assesses the necessity of impairment. As a result of the assessment, if a total of undiscounted future cash flows falls below the book value and the recognition of impairment is deemed necessary, the book value is written down to a recoverable amount (net realizable value or value in use, whichever is higher), and a reduction in the book value is recorded as an impairment loss.
In the consolidated fiscal year ended March 31, 2023, certain asset groups of the Life Science Segment (property, plant and equipment, etc.: 4,318 million yen) showed indications of impairment due to declined profitability given the rise in fuel prices; however, as a total of undiscounted future cash flows expected to be generated from the asset groups exceeds the book value of the asset groups, the Group does not recognize an impairment loss.
 - ii. Main assumptions
The estimate of undiscounted future cash flows uses the business plan of each business as the foundation, and its main assumption is the future estimated sales volume. The certain asset groups of the Life Science Segment that showed indications of impairment in the consolidated fiscal year ended March 31, 2023 use future estimated sales, and sales prices and variable costs that factor in the trends in future fuel prices as their main assumptions.
 - iii. Impact on consolidated financial statements for the next fiscal year
Regarding the main assumption stated in ii, if ex post facto results deviate from the assumption due to factors such as economic trends in the future, and an asset group shows new indications of impairment, or if undiscounted future cash flows fall below the book value of fixed assets in asset groups, there may be impairment loss on fixed assets in the next fiscal year.

Additional Information

Board Benefit Trust (BBT)

Based on the resolution at the 96th Annual General Meeting of Shareholders held on June 27, 2019, the Company introduced in the fiscal year ended March 31, 2020 a performance-linked stock compensation plan (the Board Benefit Trust (BBT)) for Directors (excluding Outside Directors) and Operating Officers with titles (hereinafter collectively referred to as the “Directors, etc.”) (hereinafter referred to as the “Plan”).

The purpose of the Plan is to further clarify the linkage between compensation of Directors, etc., 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 awareness of Directors, etc. of their contribution to the medium- to long-term improvement in financial results and enhancement of corporate value.

(1) Overview of the transactions under the Plan

Under the Plan, 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 the “Company’s Shares, etc.”) are distributed through the Trust to the Directors, etc., pursuant to the Officer Stock Distribution Rules established by the Company. The Directors, etc. shall receive the Company’s Shares, etc. upon their retirement, in principle. Accounting treatment of the trust agreement hereunder is subjected to the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (PITF No. 30, March 26, 2015).

(2) The Company’s shares remaining in the trust

The Company records the Company’s shares remaining in the Trust at their book value (excluding incidental costs) at the Trust, as treasury stock under net assets. At the end of the consolidated fiscal year ended March 31, 2023, such treasury stock stood at ¥164 million of book value and the number of such shares was 48,200.

Notes to Consolidated Balance Sheet

1. Balances of receivables from contracts with customers, contract assets and contract liabilities

| | |
|---|--------------------|
| Receivables from contracts with customers | 48,558 million yen |
| Contract assets | 427 million yen |
| Contract liabilities | 5,241 million yen |

2. Assets pledged as collateral and collateralized obligation

(1) Assets pledged as collateral

| | |
|------|-----------------|
| Land | 160 million yen |
|------|-----------------|

(2) Collateralized obligation

| | |
|------------------------|-----------------|
| Accounts payable, etc. | 153 million yen |
|------------------------|-----------------|

3. Accumulated depreciation of property, plant and equipment

| | |
|--|---------------------|
| | 165,150 million yen |
|--|---------------------|

4. Accumulated advanced depreciation for property, plant and equipment due to acceptance of national subsidies

Accumulated advanced depreciation for property, plant and equipment due to acceptance of national subsidies are ¥512 million for buildings and structures, ¥448 million for machinery, equipment and vehicles, and ¥21 million for others, totaling ¥981 million.

5. Repurchase obligation associated with the liquidation of receivables

| | |
|--|-------------------|
| | 1,686 million yen |
|--|-------------------|

6. Commitment line agreements

In order to efficiently procure working capital, the Company has concluded commitment line agreements with major financial institutions that it transacts with. The balance of unexecuted loans, etc. at the end of the consolidated fiscal year is as follows.

| | |
|--|-------------------|
| Total amount of commitment line agreements | 5,000 million yen |
| Balance of loans executed | — |
| Balance | 5,000 million yen |

Notes to Consolidated Statement of Income

1. Revenue from contracts with customers

Regarding net sales, revenue from contracts with customers and other revenues are not stated separately. The amount of revenue from contracts with customers is as stated in “Notes on Revenue Recognition, 1. Disaggregation of revenue from contracts with customers.”

2. Profit and loss reflecting reduced profitability of inventories held for regular sales purpose

Write-down of book value reflecting the reduced profitability (after offsetting the reversal in the previous fiscal year)

189 million yen

3. Impairment loss on fixed assets

The Group recorded impairment loss for the following assets in the consolidated fiscal year ended March 31, 2023.

| Location | Use | Type | Impairment losses |
|-----------------------|-----------------------------|-----------------|-------------------|
| Kawagoe-city, Saitama | Production facilities, etc. | Buildings, etc. | 1 million yen |

The Group groups business-use assets primarily according to the operating division and idle assets on an individual basis or on an asset group basis, and assesses impairment.

Since the assets of Kawagoe-city, Saitama have little prospect of recovery in operating earnings due to declined profitability of the relevant business operation, book values of the assets with the recoverable amount falling short of the book value were written down to their respective recoverable amounts, and such reductions were recorded as impairment loss on fixed assets (¥1 million) under extraordinary losses.

The recoverable amount of each asset is measured at value in use. Values in use of assets of Kawagoe-city, Saitama are not discounted as their future cash flows are negative.

The aforementioned impairment losses consisted of ¥1 million for buildings and structures.

Notes to Consolidated Statement of Changes in Net Assets

1. Type and number of shares issued and outstanding at the end of the consolidated fiscal year ended March 31, 2023

Common stock 82,841,376

2. Matters related to cash dividends

(1) Dividends paid

| Relevant resolutions | Type of shares | Total dividends (Millions of yen) | Dividends per share (yen) | Record dates | Effective dates |
|--|----------------|-----------------------------------|---------------------------|--------------------|------------------|
| The Annual General Meeting of Shareholders held on June 28, 2022 | Common stock | 3,861 | 47 | March 31, 2022 | June 29, 2022 |
| The Board of Directors meeting held on November 2, 2022 | Common stock | 4,081 | 50 | September 30, 2022 | December 1, 2022 |
| Total | | 7,943 | | | |

Notes: 1. The total amount of dividends determined to be paid by the resolution at the Annual General Meeting of Shareholders held on June 28, 2022 includes dividends of ¥2 million to the Company's shares held by the Board Benefit Trust (BBT).

2. The total amount of dividends determined to be paid by the resolution of the Board of Directors meeting held on November 2, 2022 includes dividends of ¥2 million to the Company's shares held by the Board Benefit Trust (BBT).

(2) Dividends for which the record date falls in the consolidated fiscal year ended March 31, 2023, but the effective date falls in the consolidated fiscal year ending March 31, 2024

The Company will submit a proposal on dividends for common stock as follows at the Annual General Meeting of Shareholders scheduled to be held on June 27, 2023.

| | |
|--------------------------|-------------------|
| (i) Total dividends | 4,688 million yen |
| (ii) Dividends per share | 58 yen |
| (iii) Record date | March 31, 2023 |
| (iv) Effective date | June 28, 2023 |

Dividends shall be funded by retained earnings.

Notes regarding Financial Instruments

1. Matters regarding financial instruments

(1) Policy on financial instruments

The Group manages its funds through short-term deposits, while financing working capital and capital expenditure by internal funds or bank borrowings. Meanwhile, derivatives are not used for speculative trading, but for reducing risks.

(2) Types of financial instruments held and associated risks, and risk management system

Trade receivables such as trade notes, accounts receivable and electronically recorded obligations – operating are exposed to credit risk associated with customers. These risks are managed according to the Group’s internal rules for credit control, etc. Securities and investment securities are mainly held-to-maturity debt securities and shares of companies in business relationship with the Group, which are exposed to the risk of market price fluctuations. To mitigate such risk, the Group regularly confirms fair values or financial standing of issuers (business partners), and examines the shareholding status in consideration of the relationship with business partners on an ongoing basis. Regarding held-to-maturity debt securities, the Group invests solely in highly secure debt securities according to its fund management operation guidelines and therefore the credit risk is minimal.

Short-term bank loans and long-term debt are used mainly for financing capital expenditures and are exposed to the risk of interest rate fluctuations. To avoid such interest rate risks, fixed rate deals are primarily used for the long-term debt. Trade payables, which are exposed to liquidity risks, are managed under the Group’s financing plan.

Details of the Group’s hedge accounting are described in “(5) Other basis for preparation of consolidated financial statements,” in “4. Matters related to accounting policies,” under “Notes to Basis for Preparation of Consolidated Financial Statements.”

(3) Supplementary information on fair values of financial instruments

Fair values of financial instruments are calculated by taking into account variable factors, and are subject to fluctuations due to changes in underlying assumptions.

2. Fair value of financial instruments

The values recorded on the consolidated balance sheet as of March 31, 2023, their fair values, and the differences between them are as follows. Shares, etc. without a fair value are not included herein. (See Note 2). Also, the value of “Cash” is omitted. Furthermore, as “Time deposits,” “Notes and accounts receivable,” “Electronically recorded monetary claims - operating,” “Notes and accounts payable,” “Electronically recorded obligations - operating” and “Short-term bank loans” are settled in a short period of time and their fair values approximate their book values, their values are omitted.

(Millions of yen)

| | Values recorded on the consolidated balance sheet (*) | Fair values (*) | Differences |
|--|---|-----------------|-------------|
| 1. Assets | | | |
| (1) Securities and investment securities | | | |
| Held-to-maturity debt securities | 1,300 | 1,295 | (4) |
| Available-for-sale securities | 42,218 | 42,218 | — |
| Total assets | 43,518 | 43,514 | (4) |
| 2. Liabilities | | | |
| (1) Long-term debt (including current portion) | (2,482) | (2,473) | (8) |
| Total liabilities | (2,482) | (2,473) | (8) |

*1: Liabilities are shown in parenthesis.

(Note) Values recorded on the consolidated balance sheet for shares, etc. without a fair value

(Millions of yen)

| Classification | Amounts recorded on the consolidated balance sheet |
|------------------|--|
| Unlisted stock | 1,200 |
| Fund certificate | 0 |

3. Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments measured at fair value

| | Fair value (millions of yen) | | | |
|--------------------------------------|------------------------------|---------|---------|--------|
| | Level 1 | Level 2 | Level 3 | Total |
| Securities and investment securities | | | | |
| Available-for-sale securities | | | | |
| Shares | 42,218 | – | – | 42,218 |
| Total assets | 42,218 | – | – | 42,218 |

(2) Financial instruments other than those measured at fair value

| | Fair value (millions of yen) | | | |
|--|------------------------------|---------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total |
| Securities and investment securities | | | | |
| Held-to-maturity debt securities | | | | |
| Bonds | – | 1,295 | – | 1,295 |
| Total assets | – | 1,295 | – | 1,295 |
| Long-term debt (including current portion) | – | 2,473 | – | 2,473 |
| Total liabilities | – | 2,473 | – | 2,473 |

Note: A description of the valuation technique(s) and inputs used in the fair value measurements

Securities and investment securities

Listed shares are valued using quoted prices. As listed shares are traded in active markets, their fair value is classified as Level 1. Meanwhile, as bonds held by the Company are not traded in markets frequently, and are not deemed to have quoted prices in active markets, the fair value is classified as Level 2.

Long-term debt

The fair value of these items is measured using the discounted cash flow method based on the sum of principal and interest, remaining maturities and an interest rate reflecting credit risk, and is classified as Level 2.

Notes on Revenue Recognition

1. Disaggregation of revenue from contracts with customers

The Group's net sales are mainly revenue recognized from contracts with customers, and a breakdown of the Group's reportable segments disaggregated by region is as follows.

Breakdown by region

(millions of yen)

| | Reportable segments | | | | Others (Note 1) | Total |
|------------------------------------|-------------------------|--------------|---------------------------|---------|--------------------|---------|
| | Functional Chemicals | Life Science | Explosive & Propulsion | Total | | |
| Net sales | | | | | | |
| Japan | 91,210 | 23,033 | 29,677 | 143,922 | 457 | 144,380 |
| Asia | 36,683 | 1,249 | 144 | 38,078 | 51 | 38,130 |
| Other regions | 18,527 | 16,623 | 48 | 35,199 | – | 35,199 |
| Net sales to external customers | 146,422 | 40,907 | 29,871 | 217,200 | 509 | 217,709 |

Note 1. The "Others" segment is a business segment that is not included in the reportable segments, and consists of transportation, sale of real estate, and management operations.

Note 2. Revenue recognized from contracts with customers constitutes nearly all of net sales. Revenue recognized from other sources is not stated separately, as it is immaterial.

2. Basic information for understanding revenue from contracts with customers

The basic information for understanding revenue is as presented in "4. Matters related to accounting policies (4) Standards for revenue and expense recognition."

3. Relationship between fulfillment of performance obligations based on contracts with customers and cash flows from the contracts, and the amount or revenue expected to be recognized in the next fiscal year onward and the period thereof in consideration of the remaining contracts with customers as of the end of the fiscal year under review

(1) Balances of contract assets and contract liabilities, etc.

The breakdown of receivables, contract assets, and contract liabilities from contracts with customers is as follows:

(millions of yen)

| | Consolidated fiscal year under review |
|---|--|
| Receivables from contracts with customers (beginning balance) | 41,936 |
| Receivables from contracts with customers (ending balance) | 48,558 |
| Contract assets (beginning balance) | 488 |
| Contract assets (ending balance) | 427 |
| Contract liabilities (beginning balance) | 3,452 |
| Contract liabilities (ending balance) | 5,241 |

Note 1. Contract assets are related to consideration recognized based on the fulfillment of performance obligations in relation to the Explosive & Propulsion Segment, and are included in "Notes and accounts receivable - trade, and contract assets" on the consolidated balance sheet.

Note 2. Contract liabilities are related to advances received from customers and are included in "Other current liabilities" under current liabilities on the consolidated balance sheet.

Note 3. Out of the revenue recognized in the consolidated fiscal year under review, the amount included in the beginning balance of contract liabilities is ¥3,080 million.

Note 4. In the consolidated fiscal year under review, the amount of revenue recognized from performance obligations that have been fulfilled (or partially fulfilled) in previous fiscal years is immaterial.

(2) Transaction price allocated to the remaining performance obligations

In the consolidated fiscal year under review, the transaction price allocated to the remaining performance obligations is ¥25,476 million. If contractual assumptions are met, this amount is expected to be recognized as revenue within approximately 5 years from the end of the consolidated fiscal year ended March 31, 2023.

The Group has applied the practical expedient to the notes on transaction prices allocated to the remaining performance obligations. Contracts with an original expected duration of one year or less and sales-based or usage-based royalty promised in exchange for a license of intellectual property are not included in the amount above.

The total transaction price allocated to the remaining performance obligations and the time frame in which the Group expects to recognize revenue are as follows:

| | (millions of yen) |
|-----------------|--|
| | Consolidated fiscal year under review |
| Within one year | 7,510 |
| Over one year | 17,965 |
| Total | 25,476 |

Notes to Per Share Information

Net assets per share 2,960.56 yen

Profit per share 417.02 yen

Note: The Company's shares held by the Board Benefit Trust (BBT) are included in treasury stock subject to exclusion.

Number of shares issued at the end of the fiscal year that were excluded for the purpose of calculating per share information 48,200

Average number of shares issued during the fiscal year that were excluded for the purpose of calculating per share information 49,200

Notes to Significant Subsequent Event

Not applicable.

Other Notes

Amounts and values stated in these consolidated financial statements are rounded down to the unit of presentation.

NON-CONSOLIDATED BALANCE SHEET

(As of March 31, 2023)

| Account item | Current fiscal year |
|--|---------------------|
| (Assets) | (millions of yen) |
| Current assets | 153,473 |
| Cash and time deposits | 71,150 |
| Notes receivable | 50 |
| Accounts receivable - trade | 41,569 |
| Merchandise and finished goods | 21,382 |
| Work in process | 1,313 |
| Raw materials and supplies | 9,779 |
| Prepaid expenses | 610 |
| Short-term loans receivable | 6,685 |
| Accounts receivable - other | 562 |
| Other | 390 |
| Allowance for doubtful accounts | (22) |
| Fixed assets | 105,022 |
| Property, plant and equipment | 42,465 |
| Buildings | 12,960 |
| Structures | 3,900 |
| Machinery and equipment | 9,281 |
| Vehicles | 24 |
| Tools, furniture and fixtures | 1,583 |
| Land | 11,437 |
| Leased assets | 13 |
| Construction in progress | 3,263 |
| Intangible assets | 764 |
| Leasehold interests in land | 126 |
| Software | 608 |
| Other | 28 |
| Investments and other assets | 61,792 |
| Investment securities | 42,103 |
| Shares of subsidiaries and associates | 12,354 |
| Investments in capitals of subsidiaries and associates | 2,739 |
| Long term loans | 352 |
| Long-term prepaid expenses | 708 |
| Prepaid pension cost | 2,886 |
| Other | 647 |
| Allowance for doubtful accounts | (0) |
| Total assets | 258,496 |

| Account item | Current fiscal year |
|---|---------------------|
| (Liabilities) | (millions of yen) |
| Current liabilities | 58,641 |
| Accounts payable - trade | 16,323 |
| Short-term bank loans | 700 |
| Current portion of long-term debt | 150 |
| Accounts payable - other | 5,425 |
| Accrued expenses | 875 |
| Income taxes payable | 7,494 |
| Accrued consumption taxes | 137 |
| Deposits received | 24,764 |
| Accrued bonuses for employees | 2,417 |
| Asset retirement obligations | 153 |
| Other | 198 |
| Long-term liabilities | 10,989 |
| Long-term debt | 2,200 |
| Deferred tax liabilities | 8,122 |
| Accrued retirement benefits for officers | 53 |
| Asset retirement obligations | 382 |
| Other | 231 |
| Total liabilities | 69,630 |
| (Net assets) | |
| Shareholders' equity | 168,283 |
| Common stock | 17,742 |
| Capital surplus | 15,113 |
| Legal capital surplus | 15,113 |
| Other capital surplus | 0 |
| Retained earnings | 145,727 |
| Legal retained earnings | 3,156 |
| Other retained earnings | 142,570 |
| Reserve for tax purpose reduction entry of fixed assets | 3,279 |
| General reserve | 27,800 |
| Retained earnings brought forward | 111,490 |
| Treasury stock | (10,299) |
| Valuation and translation adjustments | 20,582 |
| Unrealized holding gain on securities | 20,582 |
| Total net assets | 188,866 |
| Total liabilities and net assets | 258,496 |

NON-CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2022 to March 31, 2023)

| Account item | Current fiscal year |
|---|---------------------|
| | (millions of yen) |
| Net sales | 155,139 |
| Cost of sales | 102,553 |
| Gross profit | 52,585 |
| Selling, general and administrative expenses | 20,514 |
| Operating income | 32,071 |
| Non-operating income | 6,548 |
| Interest and dividend income | 4,906 |
| Rent income on real estate | 319 |
| Foreign exchange gains | 1,010 |
| Others | 312 |
| Non-operating expenses | 361 |
| Interest expenses | 82 |
| Others | 278 |
| Ordinary income | 38,259 |
| Extraordinary income | 4,561 |
| Gain on sale of fixed assets | 2 |
| Gain on sale of investment securities | 4,559 |
| Extraordinary loss | 11 |
| Loss on retirement of fixed assets | 11 |
| Profit before income taxes | 42,810 |
| Income taxes | 11,475 |
| Income taxes - current | 11,719 |
| Income taxes - deferred | (243) |
| Profit | 31,334 |

Non-Consolidated Statement of Changes in Net Assets

(From April 1, 2022 to March 31, 2023)

(millions of yen)

| | Shareholders' equity | | | | | | | | |
|--|----------------------|-----------------------|-----------------------|-----------------------|-------------------------|---|-----------------|-----------------------------------|-------------------------|
| | Common stock | Capital surplus | | | Legal retained earnings | Retained earnings | | | |
| | | Legal capital surplus | Other capital surplus | Total capital surplus | | Other retained earnings | | | Total retained earnings |
| | | | | | | Reserve for tax purpose reduction entry of fixed assets | General reserve | Retained earnings brought forward | |
| Balance at beginning of the fiscal year | 17,742 | 15,113 | - | 15,113 | 3,156 | 3,331 | 27,800 | 88,047 | 122,336 |
| Changes during the fiscal year | | | | | | | | | |
| Cash dividends | | | | | | | | (7,943) | (7,943) |
| Reversal of reserve for tax purpose reduction entry of fixed assets | | | | | | (51) | | 51 | - |
| Profit | | | | | | | | 31,334 | 31,334 |
| Purchase of treasury stock | | | | | | | | | |
| Disposal of treasury stock | | | 0 | 0 | | | | | |
| Net change in items other than shareholders' equity during the fiscal year | | | | | | | | | |
| Total changes during the fiscal year | - | - | 0 | 0 | - | (51) | - | 23,442 | 23,391 |
| Balance at end of the fiscal year | 17,742 | 15,113 | 0 | 15,113 | 3,156 | 3,279 | 27,800 | 111,490 | 145,727 |

| | Shareholders' equity | | Valuation and translation adjustments | | Total net assets |
|--|----------------------|----------------------------|---------------------------------------|---|------------------|
| | Treasury stock | Total shareholders' equity | Unrealized holding gain on securities | Total valuation and translation adjustments | |
| Balance at beginning of the fiscal year | (3,292) | 151,899 | 23,108 | 23,108 | 175,008 |
| Changes during the fiscal year | | | | | |
| Cash dividends | | (7,943) | | | (7,943) |
| Reversal of reserve for tax purpose reduction entry of fixed assets | | - | | | - |
| Profit | | 31,334 | | | 31,334 |
| Purchase of treasury stock | (7,007) | (7,007) | | | (7,007) |
| Disposal of treasury stock | 0 | 0 | | | 0 |
| Net change in items other than shareholders' equity during the fiscal year | | | (2,525) | (2,525) | (2,525) |
| Total changes during the fiscal year | (7,007) | 16,383 | (2,525) | (2,525) | 13,858 |
| Balance at end of the fiscal year | (10,299) | 168,283 | 20,582 | 20,582 | 188,866 |

Notes to Non-Consolidated Financial Statements

Notes to Matters related to Significant Accounting Policies

1. Standards and methods of valuation of assets

(1) Standards and methods of valuation of securities

Shares of subsidiaries and affiliates

Cost method using the moving-average method

Held-to-maturity debt securities

Amortized cost method (straight-line method)

Other securities

Available-for-sale securities other than shares, etc. without market value

Market value method

(Net unrealized gains or losses on those securities are reported as a separate component of net assets and costs of securities sold are determined using the moving average method.)

Shares, etc. without market value

Cost method using the moving-average method

(2) Standards and methods of valuation of inventories

The cost method using the total-average method (Balance sheet amounts are written down subject to decline in profitability.)

2. Method of depreciation and amortization of fixed assets

(1) Property, plant and equipment (excluding leased assets)

Straight-line method

(2) Intangible assets (excluding leased assets)

Straight-line method; For software (for in-house use), straight-line method over licensing period for internal use (five years)

(3) Leased assets

Leased assets used in finance lease transactions that do not transfer ownership to the lessee

Straight-line method, assuming the useful life as the lease period with residual value at nil

3. Standards of providing allowances

(1) Allowance for doubtful accounts

To prepare for possible credit losses, estimated uncollectible amounts have been recorded based on actual collection losses for general receivables, while on individual assessment of collectability for certain receivables such as doubtful receivables.

(2) Accrued bonuses for employees

To prepare for the payment of employees' bonuses, the estimated amount of employees' bonuses attributable to the fiscal year ended March 31, 2023 has been recorded.

(3) Provision for retirement benefits

To prepare for retirement benefits of employees, the estimated amount of retirement benefit obligation and pension plan assets at the end of the fiscal year ended March 31, 2023 have been recorded.

As the estimated pension plan assets exceed the estimated retirement benefit obligation, the excess is recorded as prepaid pension cost.

Actuarial gain or loss is amortized from the fiscal year following the year in which the gain or loss is recognized by the straight-line method over certain period (10 years), within the average remaining service years of the employees.

In calculating the retirement benefit liability, the estimated amount of retirement benefits is attributed by benefit formula to the period up to the end of the fiscal year ended March 31, 2023.

(4) Accrued retirement benefits for officers

To prepare for the expenditure of retirement benefits for executive officers, etc., the amount to be paid at the end of the fiscal year ended March 31, 2023 has been recorded according to the internal rules.

4. Standards for revenue and expense recognition

Revenue from contracts with customers

Based on the following five-step approach, the Company recognizes revenue when a promised product or service is transferred to a customer and the customer gains control over said product or service.

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Calculate the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the corporation fulfills the performance obligations

The Company's main business is the manufacturing and sale of products in the Functional Chemicals Segment, the Life Science Segment and the Explosive & Propulsion Segment. With regard to the sale of these products, generally, at the time of delivery, it is deemed that the customer has gained control over the product and the performance obligation has been fulfilled. Accordingly, the Group recognizes revenue at the time of delivery, etc. of said product. For domestic sales, since the period from the time of shipment to the time when the control of the product is transferred to the customer is the normal period, the Group applies the handling of shipping standards, etc. stipulated in Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition, and recognizes revenue at the time of shipment.

Revenue is calculated by deducting returns, discounts, and rebates, etc. from the consideration promised in the contract with the customer, within the range where there is a high possibility that there will be no significant reversal of funds into revenue. The promised consideration is collected mainly within one year from the time of the fulfillment of the performance obligation, and does not include significant financial factors.

For transactions involving the Company as an agent, the net amount of revenue is recognized.

5. Other basis for preparation of non-consolidated financial statements

Method of hedge accounting

Deferral hedge accounting is adopted. As for foreign currency-denominated monetary claims and obligations under forward foreign exchange contracts, allocation treatment is adopted when requirements for such treatment are met.

Notes regarding Important Accounting Estimates

Impairment of fixed assets

- (1) Amount recorded on the non-consolidated financial statements for the fiscal year under review
¥43,230 million in property, plant and equipment and intangible assets
- (2) Information regarding contents of important accounting estimates concerning items identified
Notes on this issue are omitted as the same information is contained in “Notes regarding Important Accounting Estimates” under “Notes to Consolidated Financial Statements.”

Additional Information

Board Benefit Trust (BBT)

Notes on this issue are omitted as the same information is contained in “Additional Information” under “Notes to Consolidated Financial Statements.”

Notes to Non-consolidated Balance Sheet

1. Accumulated depreciation of property, plant and equipment 113,765 million yen
2. Accumulated tax purpose reduction entries for property, plant and equipment due to acceptance of national subsidies
Accumulated tax purpose reduction entries for property, plant and equipment due to acceptance of national subsidies are ¥462 million for buildings, ¥18 million for structures, ¥414 million for machinery and equipment, while ¥20 million for tools, furniture and fixtures, totaling ¥916 million.
3. Guarantee obligations
 - (1) The Company provides guarantees for other companies’ loan obligations to financial institutions.

| | |
|----------------------------------|-------------------|
| P.T. NOF MAS Chemical Industries | 1,522 million yen |
| NOF EUROPE GmbH | 4 million yen |
 - (2) The Company provides guarantees for obligations of subsidiaries and associates associated with the liquidation of receivables.

| | |
|---|-----------------|
| Yuka Sangyo Co., Ltd. and one other company | 503 million yen |
|---|-----------------|
4. Repurchase obligation associated with the liquidation of receivables 1,183 million yen
5. Monetary claims against, and monetary obligations to subsidiaries and associates

| | |
|---------------------------------|--------------------|
| Short-term monetary claims | 26,800 million yen |
| Long-term monetary claims | 352 million yen |
| Short-term monetary obligations | 25,972 million yen |
| Long-term monetary obligations | 119 million yen |
6. CMS lending limit for subsidiaries and associates
For the purpose of efficient fund management and fund procurement across the Group, a cash management system (hereinafter referred to as “CMS”) is in place, whereunder the Company has concluded the CMS Basic Agreement with 16 of the Group companies and established the CMS lending limit for the Group companies.

Unused lending limit available as of the end of the fiscal year ended March 31, 2023 is as follows:

| | |
|-------------------------|--------------------------|
| Total CMS lending limit | 13,780 million yen |
| Lending limit used | <u>6,560 million yen</u> |
| Lending limit unused | 7,219 million yen |
7. Commitment line agreements
In order to efficiently procure working capital, the Company has concluded commitment line agreements with major financial institutions that it transacts with. The balance of unexecuted loans, etc. at the end of the fiscal year is as follows.

| | |
|--|-------------------|
| Total amount of commitment line agreements | 5,000 million yen |
| Balance of loans executed | <u>—</u> |
| Balance | 5,000 million yen |

Notes to Non-consolidated Statement of Income

1. Amount of transactions with subsidiaries and associates

| | |
|--|--------------------|
| Trading transactions | |
| Net sales | 60,063 million yen |
| Purchases | 10,672 million yen |
| Other trading transactions | 8,063 million yen |
| Transactions other than trading transactions | 3,989 million yen |

2. Profit and loss reflecting reduced profitability of inventories held for regular sales purpose

| | |
|---|----------------|
| Write-down of book value reflecting the reduced profitability (after offsetting the reversal in the previous fiscal year) | 85 million yen |
|---|----------------|

Notes to Non-consolidated Statement of Changes in Net Assets

Type and number of shares of treasury stock issued and outstanding at the end of the fiscal year ended March 31, 2023

| | |
|--------------|-----------|
| Common stock | 2,053,795 |
|--------------|-----------|

Note: Number of shares of treasury stock at the end of the fiscal year ended March 31, 2023 includes 48,200 shares held by the Board Benefit Trust (BBT).

Notes to Tax Effect Accounting

(1) Deferred tax assets and deferred tax liabilities classified by main reason of accrual

| Deferred tax assets | |
|--|-----------------------------|
| Accrued bonuses for employees | 749 million yen |
| Provision for retirement benefits | 757 million yen |
| Loss on valuation of inventories | 154 million yen |
| Accrued enterprise tax | 428 million yen |
| Impairment loss on fixed assets | 204 million yen |
| Accrued retirement benefits for executive officers | 16 million yen |
| Accrued expenses | 11 million yen |
| Loss on valuation of golf club membership | 22 million yen |
| Loss on retirement of fixed assets | 166 million yen |
| Loss on valuation of shares of subsidiaries and associates and investment securities | 292 million yen |
| Deemed dividends in the form of non-cash dividends | 2,125 million yen |
| Other | 822 million yen |
| Deferred tax assets – subtotal: | <u>5,751 million yen</u> |
| Valuation allowance | (2,582) million yen |
| Deferred tax assets - total | <u>3,168 million yen</u> |
| Deferred tax liabilities | |
| Unrealized holding gain on securities | (9,026) million yen |
| Reserve for tax purpose reduction entry of fixed assets | (1,473) million yen |
| Gain on contribution of securities to retirement benefit trust | (633) million yen |
| Other | (157) million yen |
| Deferred tax liabilities - total | <u>(11,291) million yen</u> |
| Net deferred tax liabilities | <u>(8,122) million yen</u> |

(2) Major components of significant differences arising between the effective statutory tax rate and the rate of corporate taxes, etc. after application of tax-effect accounting

| | |
|---|---------------|
| Effective statutory tax rate | 31.00 % |
| (Adjustments) | |
| Items excluded from gross profit such as dividend income | (2.82) |
| Tax exemption | (1.16) |
| Other | <u>(0.21)</u> |
| Corporate tax rate after the application of tax effect accounting | 26.81 |

Notes to the Transactions with Related Parties
Subsidiaries and affiliates

(Millions of yen)

| Type | Name of entity | Voting rights ownership ratio | Relationship with related parties | Description of transactions | Amount of transactions | Items | Fiscal year-end balance |
|------------|---|-------------------------------|--|--|------------------------|---|-------------------------|
| Subsidiary | Nippon Koki Co., Ltd., | Direct ownership 95% | Manufacture of the Company's products Lending of funds | Lending of funds (Note 2) | 1,566 | Short-term loans receivable Long-term loans receivable | 3,760 352 |
| Subsidiary | NiGK Corporation | Direct ownership 100% | Manufacture of the Company's products Deposit-taking of funds | Repayment of funds (Note 2) | (676) | Deposit received | 8,419 |
| Subsidiary | NOF METAL COATINGS ASIA PACIFIC CO., LTD. | Direct ownership 100% | Deposit-taking of funds | Deposit-taking of funds (Note 2) | 772 | Deposit received | 7,650 |
| Subsidiary | Yuka Sangyo Co., Ltd. | Direct ownership 100% | Sale of the Company's products Deposit-taking of funds | Sale of products (Note 1) Repayment of funds (Note 2) | 28,867 (274) | Accounts receivable Deposit received | 11,495 3,528 |
| Subsidiary | NOF AMERICA CORPORATION | Direct ownership 100% | Sale of the Company's products | Sale of products (Note 1) | 15,276 | Accounts receivable | 3,546 |
| Subsidiary | NOF EUROPE GmbH | Direct ownership 100% | Sale of the Company's products | Sale of products (Note 1) | 10,125 | Accounts receivable | 2,862 |

Conditions of transactions and the policy for their establishment

Note 1. Price and other conditions of transactions are based mainly on market prices and cost of manufacturing.

Note 2. Interest rates applicable to deposit-taking and lending of funds are determined based on market rates. The Company is not engaged in accepting or providing collateral.

Notes to Per Share Information

Net assets per share 2,337.81 yen

Net income per share 384.63 yen

Note: The Company's shares held by the Board Benefit Trust (BBT) are included in treasury stock for exclusion.

Number of shares issued at the end of the fiscal year under review excluded for the purpose of calculating per share information 48,200

Average number of shares issued during the fiscal year under review excluded for the purpose of calculating per share information 48,200

Notes to Significant Subsequent Event

Not applicable.

Other Notes

Amounts and values stated in these non-consolidated financial statements are rounded down to the unit of presentation.

(Translation)

Independent Auditor's Report

May 19, 2023

The Board of Directors of
NOF CORPORATION

Ernst & Young ShinNihon LLC
Tokyo Office

Shigeyuki Kano
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, 2022 through March 31, 2023.

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.

Other Required Information

Other required information refers to the Business Report and the accompanying supplementary schedules. Management is responsible for the preparation and disclosure of other required information. In addition, the Audit and Supervisory Committee is responsible for monitoring the execution of duties by Directors in the development and operation of the reporting process for other required information.

As the scope of our audit opinions on the consolidated financial statements does not include other required information, we shall not express our opinion on other required information.

Our responsibility in auditing the consolidated financial statements is to read through other required information and through the process thereof, examine whether there are any material differences between other required information and the consolidated financial statements or the knowledge acquired in the course of our audit, and to pay attention to whether there are any signs of a material error in other required information, on top of the material differences.

Based on the operations we conduct, if we deem that there is a material error in other required information, we are required to report the fact.

There are no matters to report on regarding other required information.

Responsibilities of Management and the Audit and Supervisory Committee 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.

The Audit and Supervisory Committee is 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 the Audit and Supervisory Committee 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 the Audit and Supervisory Committee 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, 2023

The Board of Directors of
NOF CORPORATION

Ernst & Young ShinNihon LLC
Tokyo Office

Shigeyuki Kano
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 100th fiscal year from April 1, 2022 through March 31, 2023.

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, 2023, 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.

Other Required Information

Other required information refers to the Business Report and the accompanying supplementary schedules. Management is responsible for the preparation and disclosure of other required information. In addition, the Audit and Supervisory Committee is responsible for monitoring the execution of duties by Directors in the development and operation of the reporting process for other required information.

As the scope of our audit opinions on the financial statements does not include other required information, we shall not express our opinion on other required information.

Our responsibility in auditing the financial statements is to read through other required information and through the process thereof, examine whether there are any material differences between other required information and the financial statements or the knowledge acquired in the course of our audit, and to pay attention to whether there are any signs of a material error in other required information, on top of the material differences.

Based on the operations we conduct, if we deem that there is a material error in other required information, we are required to report the fact.

There are no matters to report on regarding other required information.

Responsibilities of Management and the Audit and Supervisory Committee 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.

The Audit and Supervisory Committee is 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 the Audit and Supervisory Committee 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 the Audit and Supervisory Committee 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 and Supervisory Committee's Audit Report

Audit Report

The Audit and Supervisory Committee audited the execution of duties of the Directors during the 100th fiscal year from April 1, 2022 through March 31, 2023. The procedures and details of the audits are as follows.

1. Procedures and details of the audits

(1) Regarding matters listed in Article 399-13, Paragraph 1, Item 1 (b) and (c) of the Companies Act, in accordance with the audit policies and the division of duties for the fiscal year under review, while endeavoring to communicate with Directors, internal audit staff, and other employees, collecting information and maintaining and improving the audit environment, the Audit and Supervisory Committee conducted the audit based on the following procedures.

- 1) Each Audit and Supervisory Committee 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. In addition, each Audit and Supervisory Committee Member communicated and shared information with the Directors and Audit and Supervisory Committee 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 2 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 and Supervisory Committee 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 and Supervisory Committee 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.
- 4) With regard to the status of implementation and details of the audits, the Standing Audit and Supervisory Committee Member reported to the Audit and Supervisory Committee as appropriate, communicated and exchanged information with other Audit and Supervisory Committee Members, and worked to form appropriate audit opinions.

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 22, 2023

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| Audit and Supervisory Committee of NOF CORPORATION | |
| Standing Audit and Supervisory Committee Member (Director) | Tsuneharu Miyazaki |
| Audit and Supervisory Committee Member (Outside Director) | Kunimitsu Ito |
| Audit and Supervisory Committee Member (Outside Director) | Yuriko Sagara |
| Audit and Supervisory Committee Member (Outside Director) | Keiichi Miura |