

Message from the Management

We deeply appreciate the exceptional support you have provided to us.

Along with NOF CORPORATION's financial results for the first half (April 1, 2021 to September 30, 2021) of the 99th fiscal year, we hereby include the following message.

During the period under review, although the COVID-19 pandemic continued, there was a growing trend towards normalization of economic activities along with the relaxation of various restrictions primarily in countries and regions where vaccines became widely available. In Japan, personal consumption was sluggish due to the impact from restrictions on outings owing to the government's declaration of a state of emergency, but in some areas, such as production goods, there were signs of recovery supported by overseas demand and public investment, which are on a recovery track.

The NOF Group (the "Group") has been working to achieve NOF VISION 2025, which kicked off in 2020, and promoting active investment in growth areas and enhancement of profitability. The Group has flexibly adapted to changes in market needs in the three prioritized business fields of life/healthcare, electronics/IT, and environment/energy, and committed itself to accelerating new product and new technology development and improving productivity. As a result, for the first half of the current fiscal year, consolidated net sales, consolidated operating income, consolidated ordinary income, and net income attributable to owners of the parent all increased compared with the same term of the previous fiscal year.

For the second half of the fiscal year, although the economy is expected to recover due to reopening of economic activities, the Group will continue to closely monitor various risks such as supply chain instability caused by semiconductor shortage and tensions between the United States and China, as well as higher raw fuel prices. In addition, there has been an accelerating trend to call for the reduction of greenhouse gas emissions due to growing social demands for measures against global warming. In addition to its continued efforts to reduce CO₂ emissions, the Group will work on redefining targets and creating a roadmap in line with national policies such as the government's declaration to achieve carbon neutrality by 2050.

The Group will continue to endeavor to create new value with the power of people and chemistry, and meet expectations of all of our stakeholders with the aim of achieving a secure and affluent society.

We kindly ask all shareholders for your continuing support.

Takeo Miyaji
President & Chief Executive Officer

Business Overview

During the first half of the fiscal year under review, although the COVID-19 pandemic continued, there was a growing trend towards normalization of economic activities along with the relaxation of various restrictions primarily in countries and regions where vaccines became widely available. In Japan, personal consumption was sluggish due to factors such as restrictions on outings owing to a rapid expansion of infections, but in some areas, such as production goods, there were signs of recovery supported by overseas demand and public investment, which are on a recovery track.

In the business environment surrounding the Group, there remained concerns over the impacts from various issues including higher raw fuel prices in addition to other risk factors such as supply chain instability due to the global semiconductor shortage and tensions between the United States and China. However, demand in the healthcare and automobile-related fields remained on a recovery track.

Amid this business environment, the Group has launched a three-year Mid-Term Management Plan starting in fiscal year 2020. Embracing the basic policy of “Challenge and Co-create,” the Group has engaged in each initiative of “Expanding business in growth markets,” “Accelerating new product and new technology development,” “Enhancing coordination inside and outside NOF CORPORATION,” “Improving productivity,” and “Promoting CSR activities,” in an effort to explore new markets and expand sales of its high-function and high-value-added products and reduce production costs for our sustainable growth.

With regard to the initiative of “Expanding business in growth markets,” the Group proceeded to expand manufacturing facilities for raw materials for DDS drug formations at the Kawasaki Works in order to enhance the production system in the Life Science Segment. Regarding “Accelerating new product and new technology development,” the Group is promoting active participation in open innovation through industrial-governmental-academic collaboration and working on building a company-wide research and development system to streamline research and development activities by introducing materials informatics (MI) that utilizes data science.

As a result, for the first half of the fiscal year ending March 31, 2022, consolidated net sales were ¥90,127 million (¥76,046 million for the same period last year). Consolidated operating income was ¥18,514 million (¥9,774 million for the same period last year), consolidated ordinary income was ¥19,254 million (¥10,593 million for the same period last year), and profit attributable to owners of the parent was ¥13,331 million (¥6,852 million for the same period last year). The adoption of the Accounting Standard for Revenue Recognition and other standards had the effect of decreasing sales by ¥2,942 million and the effect of increasing profit by ¥108 million.

The interim dividend has been set at ¥43 per share.

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

(1) Functional Chemicals

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

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 coatings and toiletry products.

In organic peroxides, net sales increased due to strong demand in Japan and Asia.

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 ¥62,120 million (¥49,635 million for the same period last year), and consolidated operating income was ¥11,079 million (¥6,060 million for the same period last year). The adoption of the Accounting Standard for Revenue Recognition and other standards had the effect of decreasing sales by ¥2,077 million and the effect of increasing profit by ¥15 million.

(2) Life Science

Regarding edible oils, net sales were flat year on year due to steady demand for functional oils for confectionary and bread.

In functional foods, net sales decreased.

In biocompatible materials, net sales decreased due to cooling demand for our products for 2-

Methacryloyloxyethyl phosphorylcholine (MPC) polymer-related products.

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

As a result, in the Life Science Segment, consolidated net sales were ¥17,121 million (¥14,564 million for the same period last year), and consolidated operating income was ¥8,247 million (¥4,148 million for the same period last year). The adoption of the Accounting Standard for Revenue Recognition and other standards had the effect of decreasing sales by ¥339 million and the effect of increasing profit by ¥89 million.

(3) Explosive & Propulsion

In industrial explosives, net sales increased.

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

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

In the field of functional products, net sales increased.

As a result, in the Explosive & Propulsion Segment, consolidated net sales were ¥10,645 million (¥11,102 million for the same period last year), and consolidated operating loss was ¥40 million (¥250 million consolidated operating income for the same period last year). The adoption of the Accounting Standard for Revenue Recognition and other standards had the effect of decreasing sales by ¥85 million and the effect of increasing profit by ¥4 million.

(4) Others

The Others Segment consists of the transportation and real estate businesses. In the Others Segment, consolidated net sales were ¥240 million (¥743 million for the same period last year), and consolidated operating income was ¥159 million (¥79 million for the same period last year). The adoption of the Accounting Standard for Revenue Recognition and other standards had the effect of decreasing sales by ¥439 million.

Consolidated Financial Statements

Consolidated Balance Sheet

Account item	As of September 30, 2021	As of March 31, 2021
(Assets)	(millions of yen)	(millions of yen)
Current assets	160,546	155,176
Cash and time deposits	82,371	78,669
Notes and accounts receivable - trade, and contract assets	33,959	39,529
Electronically recorded monetary claims - operating	2,794	2,441
Merchandise and finished goods	23,047	18,860
Work in process	4,199	2,898
Raw materials and supplies	11,796	10,568
Other current assets	2,560	2,415
Allowance for doubtful accounts	(183)	(205)
Fixed assets	118,969	116,360
Property, plant and equipment	62,486	62,212
Buildings and structures	23,831	23,951
Land	20,360	20,327
Others	18,294	17,934
Intangible assets	903	989
Investments and other assets	55,578	53,158
Investment securities	50,127	47,744
Assets for retirement benefits	2,915	2,856
Other assets	2,589	2,611
Allowance for doubtful accounts	(54)	(54)
Total assets	279,516	271,536
(Liabilities)		
Current liabilities	47,793	48,360
Notes and accounts payable	16,303	17,129
Electronically recorded obligations - operating	929	798
Short-term bank loans	1,541	1,570
Current portion of long-term debt	7,475	5,000
Income taxes payable	5,781	6,311
Accrued bonuses for employees	3,540	3,391
Other current liabilities	12,220	14,156
Long-term liabilities	17,714	19,659
Long-term debt	585	3,053
Liabilities for retirement benefits	4,981	4,923
Other long-term liabilities	12,147	11,683
Total liabilities	65,507	68,020
(Net assets)		
Shareholders' equity	187,315	179,666
Common stock	17,742	17,742
Capital surplus	15,115	15,115
Retained earnings	156,249	154,793
Treasury stock, at cost	(1,791)	(7,984)
Accumulated other comprehensive income	25,945	23,121
Unrealized holding gain on securities	25,680	24,039
Translation adjustments	186	(967)
Retirement benefits liability adjustments	78	49
Non-controlling interests	747	727
Total net assets	214,008	203,516
Total liabilities and net assets	279,516	271,536

Consolidated Statement of Income

Account item	April 1, 2021– September 30, 2021	April 1, 2020– September 30, 2020
	(millions of yen)	(millions of yen)
Net sales	90,127	76,046
Cost of sales	55,560	51,303
Gross profit	34,567	24,743
Selling, general and administrative expenses	16,052	14,968
Operating income	18,514	9,774
Non-operating income	966	1,146
Interest and dividend income	562	639
Others	403	506
Non-operating expenses	227	327
Interest expenses	29	32
Others	197	295
Ordinary income	19,254	10,593
Extraordinary income	21	5
Extraordinary losses	6	25
Profit before income taxes	19,268	10,573
Income taxes	5,928	3,727
Profit	13,340	6,845
Profit (loss) attributable to non-controlling interests	9	(6)
Profit attributable to owners of the parent	13,331	6,852

Consolidated Statement of Cash Flows

Account item	April 1, 2021– September 30, 2021	April 1, 2020– September 30, 2020
	(millions of yen)	(millions of yen)
Net cash provided by (used in) operating activities	13,208	12,392
Net cash provided by (used in) investing activities	(4,456)	(3,290)
Net cash provided by (used in) financing activities	(5,883)	(3,259)
Effect of exchange rate changes on cash and cash equivalents	757	(363)
Net increase (decrease) in cash and cash equivalents	3,627	5,479
Cash and cash equivalents at beginning of year	76,596	50,684
Net increase in cash and cash equivalents due to new consolidation	-	1,374
Cash and cash equivalents at end of period	80,223	57,537

(Subsidiaries subject to consolidated financial statements)

Nippon Koki Co., Ltd.
NiGK Corporation
HOKKAIDO NOF CORPORATION
NOF METAL COATINGS ASIA PACIFIC CO., LTD
JAPEX Corp.
NICHYU TRADING CO., LTD.
YUKA SANGYO CO., LTD.
Changshu NOF Chemical Co., Ltd.
PT. NOF MAS CHEMICAL INDUSTRIES
NOF METAL COATINGS NORTH AMERICA INC.
NOF AMERICA CORPORATION
NOF (Shanghai) Co., Ltd.
NOF EUROPE GmbH

Total number of consolidated subsidiaries: 25 (including the 13 companies indicated above)

Principal Business (as of September 30, 2021)

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

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

Corporate Information (as of September 30, 2021)

Name	NOF CORPORATION
Established	June 1, 1937
Incorporated	July 1, 1949
Capital	¥17,742 million
Offices	
Head Office	20-3, Ebisu 4-chome, Shibuya-ku, Tokyo, Japan
Regional Offices/Branch Offices	Osaka Office (Osaka) Nagoya Office (Nagoya) Fukuoka Office (Fukuoka)
Plants	Amagasaki Plant (Hyogo) Kawasaki Works [Chidori Plant, Daishi Plant, DDS Plant] (Kanagawa) Oita Plant (Oita) Aichi Works [Kinuura Plant, Taketoyo Plant] (Aichi)
Research Laboratories	Advanced Technology Research Laboratory (Ibaraki) Oleo & Speciality Chemicals Research Laboratory (Hyogo, Kanagawa) Functional Chemicals & Polymers Research Laboratory (Aichi) Functional Foods Research Laboratory (Kanagawa) Life Science Research Laboratory (Kanagawa) DDS Research Laboratory (Kanagawa)

Status of Shareholding (as of September 30, 2021)

Total number of shares authorized	347,000,000
Total number of shares issued	82,460,880 (Excluding 380,496 shares of treasury stock, and including 48,200 shares (482 units of voting rights) of the Company's stock held by Custody Bank of Japan, Ltd. as trust assets of the Board Benefit Trust (BBT). The 482 units of voting rights are not exercisable.
Number of shareholders	11,862

Major shareholders (Top 10)

Name	Number of shares (thousands)	Percentage of ownership
The Master Trust Bank of Japan, Ltd. (Trust Account)	13,675	16.58
Custody Bank of Japan, Ltd. (Trust Account)	4,724	5.72
Custody Bank of Japan, Ltd. (Trust Account 9)	3,503	4.24
Meiji Yasuda Life Insurance Company	3,128	3.79
Mizuho Bank, Ltd.	2,889	3.50
Nichiyu Shin Ei Kai	1,952	2.36
MSCO CUSTOMER SECURITIES	1,667	2.02
Nichiyu Kyo Ei Kai	1,367	1.65
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	1,235	1.49
Sompo Japan Insurance Inc.	1,110	1.34

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

2. Percentage of ownership excludes 380,496 shares of treasury stock.

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

Distribution of shares by type of shareholder

Category	Number of shareholders	Percentage	Number of shares	Percentage
Government and local public bodies	0	0.00	0	0.00
Financial institutions	43	0.36	36,339,969	43.86
Securities companies	46	0.38	460,209	0.55
Other domestic firms	290	2.44	12,987,071	15.67
Foreign corporations, etc.	299	2.52	20,658,707	24.93
Individuals and others	11,183	94.27	12,014,924	14.50
Treasury shares	1	0.00	380,496	0.45
Total	11,862	100.00	82,841,376	100.00

Officers (as of September 30, 2021)

Directors

President & Chief Executive Officer*	Takeo Miyaji
Representative Director*	Kazuhito Maeda
Director*	Masanobu Miyo
Director*	Kazuyoshi Yamauchi
Outside Director	Shingo Unami
Outside Director	Izumi Hayashi
Director Audit & Supervisory Committee Member	Tsuneharu Miyazaki
Outside Director Audit & Supervisory Committee Member	Kunimitsu Ito
Outside Director Audit & Supervisory Committee Member	Yuriko Sagara
Outside Director Audit & Supervisory Committee Member	Keiichi Miura

- Notes: 1. Directors Shingo Unami and Izumi Hayashi, and Directors Audit & Supervisory Committee Members Kunimitsu Ito, Yuriko Sagara and Keiichi Miura are Outside Directors as stipulated in the Companies Act.
2. The Company has designated Directors Shingo Unami and Izumi Hayashi, and Director Audit & 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.
3. Directors with an asterisk (*) next to their title concurrently serve as Operating Officers.

Operating Officers

Chief Executive Officer	Takeo Miyaji
Senior Executive Operating Officer	Kazuhito Maeda In charge of Life Science Products Group, DDS Group, and 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	Masanobu Miyo In charge of Oleo & Speciality Chemicals Group, Functional Chemicals & Polymers Group, and Purchasing Group
Operating Officer	Yasuhiko Kazumi General Manager, Human Resources & General Affairs Dept.
Operating Officer	Koji Sawamura General Manager, DDS Development Div.
Operating Officer	Kenshiro Shuto General Manager, Functional Chemicals & Polymers 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.
Operating Officer	Kazuyoshi Yamauchi General Manager, Responsible Care & Production Engineering Dept.

Memorandum for Shareholders

Fiscal year	April 1 to March 31
Annual General Meeting of Shareholders	June
Record date	(1) Exercise of voting rights at Annual General Meeting of Shareholders: March 31 (2) Year-end dividend: March 31 (3) Interim dividend: September 30 (4) If necessary, another day may be designated as a record date with public announcement.
Method of public notice	We provide public announcement by electronic means. However, when accidents or other unavoidable reasons prevent us from using the method of electronic announcement, we will make announcements in the <i>Nikkei</i> newspaper. URL for public announcements: http://www.nof.co.jp/ (in Japanese)
Share unit	100
Stock listing	Tokyo Stock Exchange, Inc.
Shareholder registry administrator (Special account management institution)	Mizuho Trust & Banking Co., Ltd. 1-3-3, Marunouchi, Chiyoda-ku, Tokyo, Japan

General Information on Shares

	Shareholders who have an account with a securities company	Shareholders who do not have an account with a securities company (or who have a special account)
Mailing address	Your securities company	Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd. 8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-8507, Japan
Telephone referral		Toll-free (in Japan): 0120-288-324 (9:00am-5:00pm except on weekends and holidays)
Agencies for procedures such as change of address, change of method for receiving dividends, etc.		Mizuho Securities Co., Ltd.: Head office and branches nationwide, and Planet Booths (consulting booths inside Mizuho Bank branches) in Japan Mizuho Trust & Banking Co., Ltd.: Head office and branches nationwide (excluding Trust Lounges)
Payment of dividends payable	Mizuho Trust & Banking Co., Ltd.: Head office and all branches nationwide Mizuho Bank, Ltd.: Head office and all branches nationwide Note: Mizuho Securities Co., Ltd. is an agency-only broker.	

Program That Allows Shareholders to Purchase Additional Shares to Attain a Whole Unit

We offer a program that allows shareholders to purchase additional shares to attain a whole unit.

Any shareholder may request us to sell them the exact number of shares that would constitute one whole unit of shares, together with the shares less than one unit owned by the shareholder. For more detail, contact the securities company with which you have an account. If you do not have an account with any securities companies and instead have opened a special amount, contact our special account management institution (Mizuho Trust & Banking Co., Ltd.).

We will continue acceptance of requests for purchase of shares less than one unit.

The latest IR information, including our financial statements and summaries, are available at our website: <http://www.nof.co.jp/> (in Japanese).