

Message from the Management

We deeply appreciate the exceptional understanding and support that our shareholders have extended to the corporate activities of the NOF Group.

The COVID-19 pandemic has generally subsided, marking a major social and economic turning point on a global scale. The major changes brought about by the pandemic have had a profound impact on people's lives.

In this environment, the Group has formulated the "NOF Vision 2030" as a strategic policy for the future, based on the establishment of new values and technological advances. The 2025 Mid-Term Management Plan, a stage positioned for expanding profit within the policy, has commenced this fiscal year. In the first half of the current fiscal year, the first year of our new Mid-Term Management Plan, although the Functional Chemicals Segment faced a challenging business environment, the Pharmaceuticals, Medicals and Health Segment performed well, making steady progress against the annual plan. The interim dividend has been set at ¥56 per share (an increase of ¥6 from the previous year's interim dividend), and the amount allocated for the purchase of treasury stock has been set at ¥3,000 million.

In addition, concerning the forecast of our consolidated financial results for the current fiscal year, we have revised upward the figures announced in May 2023 for operating income, ordinary income, and profit attributable to owners of parent, based on the current business environment and demand forecast.

The Group aims to make a leap forward as a global company through innovative approaches and proactive reforms. We will provide products and services that meet new needs while fully leveraging the possibilities offered by technological advances and responding swiftly to market changes. We will promote business activities that emphasize sustainability and social responsibility in order to meet the demands of society while keeping up with changing values.

Today, there is rapidly increasing interest in various social issues, including global environmental issues such as climate change as well as human rights issues. The Group will face social changes with sincerity, endeavor to create new value with the power of chemistry, and continue to meet the 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.

Business Overview

During the first half of the fiscal year under review, the future outlook for the global economy remained uncertain, particularly because of concerns about the crisis in Ukraine, US-China rivalry, elevated prices of raw materials and fuel, persistent global inflation, and financial disruption. In Japan, the positioning of COVID-19 under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases was downgraded to Class V Infectious Disease, and partly as a result of this, social and economic activity began to normalize and there were signs of a gradual recovery in mainly consumer spending, capital investment, and production activity.

In the business environment surrounding the Group, although domestic economic conditions were gradually recovering, the impact of a downturn caused by the prolonged economic stagnation in China was a cause for concern.

Amid this business environment, under the three-year 2025 Mid-Term Management Plan, which kicked off this fiscal year, the Group upheld the basic policy of “Practice and Breakthrough.” With the basic policy, the Group has tackled its challenges, namely, “Expanding business by addressing changes in markets,” “Accelerating new product and new technology development,” “Improving productivity,” “Pursuing safety and security,” and “Promoting CSR,” strived to explore new markets, expand sales and reduce production costs, and made continuous management efforts to achieve sustainable growth.

With regard to the initiative of “Expanding business by addressing changes in markets,” we have been promoting a shift to a solution business model by enhancing business domain expansion with a focus on the three business fields of life/healthcare, electronics/IT, and environment/energy. In addition, we have been promoting “Accelerating new product and new technology development” by implementing initiatives for business co-creation through open innovation, which were implemented in the fields of electronics and health food products in the previous fiscal year, in medical and medical device fields this fiscal year.

As a result, for the first half of the fiscal year ending March 31, 2024, consolidated net sales were ¥101,804 million, a year-on-year decrease of 1.9%. Consolidated operating income was ¥20,051 million, a year-on-year decrease of 1.9%, consolidated ordinary income was ¥22,274 million, a year-on-year decrease of 1.4%, and profit attributable to owners of parent was ¥16,330 million, a year-on-year decrease of 6.4%.

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

From the current fiscal year, the name of the reportable segment that was previously shown as “Life Science” was changed to “Pharmaceuticals, Medicals and Health.” In addition, changes have been made to the naming of major products. “edible oils” has been renamed to “processed edible oils and functional food materials” and “functional foods (nutritional food products and health-related products)” has been renamed to “healthcare foods products.”

Also, the consolidated subsidiary NOF EUROPE GmbH was previously included in the Functional Chemicals segment, but owing to a review of the business management category for this subsidiary, it is now shown in Pharmaceuticals, Medicals and Health.

In the year-on-year comparisons provided below, the comparisons are based on figures that were reclassified to reflect the changes to the reportable segments.

(1) Functional Chemicals

In the field of fatty acid derivatives, net sales decreased, as shipments of environmental/energy products in Asia decreased.

With regard to surfactants, net sales decreased, as shipments of toiletry products decreased.

In ethylene oxide and propylene oxide derivatives, net sales decreased due to sluggish overseas demand.

In organic peroxides, net sales decreased on the back of weaker demand in Japan.

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

As a result, in the Functional Chemicals Segment, net sales were ¥63,663 million (down 5.2% year on year), and operating income was ¥9,997 million (down 13.8% year on year).

(2) Pharmaceuticals, Medicals and Health

Regarding processed edible oils and functional food materials, net sales increased due to sales prices being revised in response to surging raw material and fuel prices, although demand for use in bread, confectionary, and processed foods slowed down.

In healthcare foods products, net sales increased due to an increase in shipments for health foods.

In biocompatible materials, net sales decreased, as shipments of 2-Methacryloyloxyethyl phosphorylcholine (MPC)-related products decreased.

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

As a result, in the Pharmaceuticals, Medicals and Health Segment, net sales were ¥26,410 million (up 0.0% year on year), and operating income was ¥10,498 million (up 7.6% year on year).

(3) Explosive & Propulsion

In industrial explosives, net sales increased.

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 increased.

In the field of functional materials and devices, net sales decreased.

As a result, in the Explosive & Propulsion Segment, net sales were ¥11,437 million (up 14.5% year on year), and operating income was ¥739 million (operating loss of ¥127 million for the same period in the previous fiscal year).

(4) Others

The Others Segment consists of the transportation and real estate businesses. In the Others Segment, net sales were ¥292 million (up 23.5% year on year), and operating income was ¥99 million (down 11.5% year on year).

Consolidated Financial Statements

Consolidated Balance Sheet

Account item	As of September 30, 2023	As of March 31, 2023
(Assets)	(millions of yen)	(millions of yen)
Current assets	198,317	193,750
Cash and time deposits	94,119	92,520
Notes and accounts receivable - trade, and contract assets	44,860	45,971
Electronically recorded monetary claims - operating	3,262	3,014
Merchandise and finished goods	29,900	30,079
Work in process	5,774	3,412
Raw materials and supplies	17,246	16,245
Other current assets	3,373	2,706
Allowance for doubtful accounts	(218)	(199)
Fixed assets	125,921	115,688
Property, plant and equipment	70,517	63,863
Buildings and structures	25,337	23,181
Land	20,857	20,790
Others	24,322	19,891
Intangible assets	1,332	1,148
Investments and other assets	54,071	50,675
Investment securities	48,197	44,719
Assets for retirement benefits	3,090	3,071
Other assets	2,844	2,944
Allowance for doubtful accounts	(60)	(60)
Total assets	324,238	309,438
(Liabilities)		
Current liabilities	51,666	51,598
Notes and accounts payable	19,965	18,496
Electronically recorded obligations - operating	1,547	1,230
Short-term bank loans	2,062	2,080
Current portion of long-term debt	150	150
Income taxes payable	7,041	8,626
Accrued bonuses for employees	3,566	3,521
Other current liabilities	17,332	17,492
Long-term liabilities	18,836	17,837
Long-term debt	2,344	2,332
Liabilities for retirement benefits	4,861	4,842
Other long-term liabilities	11,630	10,662
Total liabilities	70,503	69,436
(Net assets)		
Shareholders' equity	223,749	214,588
Common stock	17,742	17,742
Capital surplus	15,052	15,052
Retained earnings	203,735	192,092
Treasury stock, at cost	(12,780)	(10,299)
Accumulated other comprehensive income	29,131	24,588
Unrealized holding gain on securities	24,340	21,725
Translation adjustments	4,606	2,683
Retirement benefits liability adjustments	184	180
Non-controlling interests	853	825
Total net assets	253,734	240,002
Total liabilities and net assets	324,238	309,438

Consolidated Statement of Income

Account item	April 1, 2023– September 30, 2023	April 1, 2022– September 30, 2022
	(millions of yen)	(millions of yen)
Net sales	101,804	103,808
Cost of sales	63,774	66,244
Gross profit	38,030	37,564
Selling, general and administrative expenses	17,978	17,129
Operating income	20,051	20,434
Non-operating income	2,509	2,339
Interest and dividend income	742	728
Others	1,767	1,610
Non-operating expenses	285	193
Interest expenses	62	31
Others	223	162
Ordinary income	22,274	22,580
Extraordinary income	1,198	2,568
Extraordinary losses	27	13
Profit before income taxes	23,446	25,136
Income taxes	7,100	7,690
Profit	16,345	17,445
Profit attributable to non-controlling interests	14	0
Profit attributable to owners of parent	16,330	17,444

Consolidated Statement of Cash Flows

Account item	April 1, 2023– September 30, 2023	April 1, 2022– September 30, 2022
	(millions of yen)	(millions of yen)
Net cash provided by (used in) operating activities	14,477	11,223
Net cash provided by (used in) investing activities	(7,073)	64
Net cash provided by (used in) financing activities	(7,330)	(7,733)
Effect of exchange rate changes on cash and cash equivalents	1,047	1,429
Net increase (decrease) in cash and cash equivalents	1,121	4,982
Cash and cash equivalents at beginning of year	89,081	81,431
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	-	55
Cash and cash equivalents at end of period	90,203	86,470

(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, 2023)

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 (polybutene, etc.) Functional polymers Electronic materials (LCD materials, etc.) Special anti-corrosion agents
Pharmaceuticals, Medicals and Health	Processed edible oils and functional food materials Healthcare foods 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, 2023)

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 (Aichi) Fukuoka Office (Fukuoka)
Plants	Amagasaki Plant (Hyogo) Kawasaki Works [Chidori Plant, Daishi Plant, DDS Plant] (Kanagawa) Oita Plant (Oita)
Research Laboratories	Aichi Works [Taketooyo Plant, Kinuura Plant] (Aichi) Advanced Technology Research Laboratory (Ibaraki) Amagasaki Research Laboratory (Hyogo) Chidori Research Laboratory (Kanagawa) Kinuura Research Laboratory (Aichi) Functional Foods Research Laboratory (Kanagawa) Life Science Research Laboratory (Kanagawa, Aichi, and Oita)

Status of Shareholding (as of September 30, 2023)

Total number of shares authorized	347,000,000
Total number of shares issued	80,425,766 (Excluding 2,415,610 shares of treasury stock, and including 38,700 shares (387 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 387 units of voting rights are not exercisable.
Number of shareholders	12,093

Major shareholders (Top 10)

Name	Number of shares (thousands)	Percentage of ownership
The Master Trust Bank of Japan, Ltd. (Trust Account)	15,117	18.79
Custody Bank of Japan, Ltd. (Trust Account)	5,154	6.40
Meiji Yasuda Life Insurance Company	3,128	3.88
Nichiyu Shin Ei Kai	1,673	2.08
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	1,652	2.05
SSBTC CLIENT OMNIBUS ACCOUNT	1,629	2.02
BNYM AS AGT/CLTS 10 PERCENT	1,553	1.93
Mizuho Bank, Ltd.	1,463	1.81
Nichiyu Kyo Ei Kai	1,344	1.67
BNYM AS AGT/CLTS NON TREATY JASDEC	1,304	1.62

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

2. Percentage of ownership excludes 2,415,610 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	31	0.25	30,724,044	37.08
Securities companies	54	0.44	645,115	0.77
Other domestic firms	287	2.37	11,459,578	13.83
Foreign corporations, etc.	296	2.44	26,155,551	31.57
Individuals and others	11,424	94.46	11,441,478	13.81
Treasury shares	1	0.00	2,415,610	2.91
Total	12,093	100.00	82,841,376	100.00

Officers (as of September 30, 2023)

Directors

Chairman & Chief Executive Officer*	Takeo Miyaji
President & Chief Executive Officer*	Koji Sawamura
Director*	Manabu Saito
Director*	Kazuyoshi Yamauchi
Outside Director	Shingo Unami
Outside Director	Izumi Hayashi
Director Audit & Supervisory Committee Member	Masanobu Miyo
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
Chief Executive Officer	Koji Sawamura
Executive Operating Officer	Naoya Umehara General Manager, Corporate Planning & Strategy Dept., in charge of Finance Group
Executive Operating Officer	Eui-Chul Kang General Manager, Corporate R&D Div., in charge of Life Science Products Group
Executive Operating Officer	Manabu Saito In charge of Functional Foods Group, Human Resources & General Affairs Group, and Legal Group
Executive Operating Officer	Kenshiro Shuto General Manager, Functional Materials Div., in charge of Purchasing Group
Executive Operating Officer	Kazuhito Narumi General Manager, Explosives & Propulsion Div.

Executive Operating Officer	Kazuyoshi Yamauchi General Manager, Corporate Technical Div., in charge of Corporate Communications Group, and Systems Group
Operating Officer	Satoshi Kataoka General Manager, Purchasing Dept.
Operating Officer	Hirofumi Kato General Manager, Functional Foods Div.
Operating Officer	Motoji Takimizu General Manager, Information Systems Dept.
Operating Officer	Kuniaki Tsuruoka General Manager, Anti-Corrosion Coatings Group
Operating Officer	Hideru Furukawa General Manager, Corporate Communications Dept.
Operating Officer	Akihisa Maeda General Manager, Human Resources & General Affairs Dept.
Operating Officer	Tomoaki Mori General Manager, Finance 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: https://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 Toll-free (in Japan): 0120-288-324 (9:00am-5:00pm except on weekends and holidays)
Telephone referral		
Agencies for procedures such as change of address, change of method for receiving dividends, etc.		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	
System for electronic provision of materials for general meeting of shareholders (request for delivery of a paper copy)	Your securities company or Mizuho Trust & Banking Co., Ltd. (Dedicated number for the electronic provision system: 0120-524-324 (9:00am-5:00pm except on weekends and holidays))	

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: <https://www.nof.co.jp> (in Japanese).