

NOF CORPORATION

Consolidated Financial Statements

For the years ended March 31, 2026 and 2025

Independent Auditor's Report

The Board of Directors
NOF CORPORATION

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of NOF CORPORATION (the Company) and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2026, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2026, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, including those applicable to audits of financial statements of public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition in the Pharmaceuticals, Medicals and Health Segment	
Description of Key Audit Matter	Auditor's Response
As stated in Note 37 (Segment Information), the Company has recorded sales to customers amounting to ¥49,931 million in the Pharmaceuticals, Medicals and Health Segment for the year ended March 31, 2026. The Pharmaceuticals, Medicals and Health Segment manufactures and sells processed edible oils, functional food materials, healthcare foods products, biocompatible materials, and raw materials for DDS (drug delivery system). Some sales transactions in the Pharmaceuticals, Medicals and Health Segment have relatively high margin of profit and are made primarily with overseas customers. The Company recognizes these revenues based on the terms of transaction specified in the contract or the purchase order. For these transactions, it is necessary to determine the point in time of revenue recognition based on the terms of the transactions. The impact on the consolidated financial statements of these transactions is large because of the relatively high margin of profit. Based on the above, we have determined that appropriateness of revenue recognition in the Pharmaceuticals, Medicals and Health Segment as a key audit matter.	We conducted the following audit procedures, among others, to examine the appropriateness of revenue recognition in the Pharmaceuticals, Medicals and Health Segment: • We obtained an understanding of the sales process, and evaluated the design of the relevant internal controls and tested their operating effectiveness. • To understand the nature of sales transactions and their terms and conditions, we held discussions with management and personnel responsible for the Pharmaceuticals, Medicals and Health Segment. • To evaluate whether the point in time of revenue recognition is in line with the terms of transaction, we reviewed the contract or the purchase order, the shipping documents, the delivery record of the delivery company and the exporter. • We performed an external confirmation procedure for the year end balances of accounts receivable, which were selected on the basis of risk and significance of the balances.

Revenue recognition for transactions related to defense-related equipment for rapid acquisition in Explosives & Propulsion Segment, for which performance obligations are satisfied over time

Description of Key Audit Matter	Auditor's Response
As described in Note 3 (Significant Accounting Estimates), the Group recognized revenue of ¥11,767 million from certain transactions related to defense-related equipment for rapid acquisition in the Explosives & Propulsion Segment, for contracts that had not yet been completed as of March 31, 2026. These transactions involve the recovery of initial costs related to investments in defense-related equipment for rapid acquisition, and the related capital investment projects extend over multiple years. Revenue is recognized over time based on management's estimate of progress toward satisfaction of the related performance obligations. These transactions are significant in amount and extend over multiple years, resulting in a significant impact on the consolidated financial statements. In addition, the estimate of total contract costs may be affected by changes in the economic environment. Accordingly, we determined this matter to be a key audit matter.	We conducted the following audit procedures, among others, to examine the appropriateness of revenue recognition for transactions related to defense-related equipment for rapid acquisition in Explosives & Propulsion Segment, for which performance obligations are satisfied over time: • We obtained an understanding of the accounting process for revenue recognition for these transactions, evaluated the design of the relevant internal controls, and tested their operating effectiveness. • To understand the nature and terms and conditions of the transactions, we held discussions with management and personnel responsible for Explosives & Propulsion Segment and reviewed minutes of meetings of the Board of Directors and relevant contractual documents. • To verify that progress was appropriately calculated, we performed confirmation procedures with the contractors responsible for the construction work regarding progress as of the fiscal year-end. • We inspected the facilities and assessed whether the status of the projects was consistent with the progress used for revenue recognition. • We recalculated the revenue recognized based on progress and compared the estimates of total revenue and total costs with the underlying purchase orders and quotations.

	• We inquired of personnel responsible for Explosives & Propulsion Segment about changes to the contracts, the expected completion of the projects, and whether revisions to the estimates of total costs were considered necessary as of the end of the current fiscal year. We assessed the reasonableness of their responses in light of the progress of the projects and economic conditions.
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Other Information

Other information comprises the information included in disclosure documents that contain audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that other information does not exist. Accordingly, we have not performed any work related to other information.

Responsibilities of Management, the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of 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 the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are 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 issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2026 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 7 to the consolidated financial statements.

Fee-related Information

The fees for the audits of the financial statements of NOF CORPORATION and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2026 are 124 million yen and 39 million yen, respectively.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

September 30, 2026

狩野 茂行

Shigeyuki Kano
Designated Engagement Partner
Certified Public Accountant

丸山 高雄

Takao Maruyama
Designated Engagement Partner
Certified Public Accountant

NOF CORPORATION and Subsidiaries

Consolidated Balance Sheet

As of March 31,

Thousands of
U.S. dollars
(Note 7)

	Millions of yen		
	2026	2025	2026
ASSETS			
Current assets:			
Cash and deposits (Notes 26 and 28).....	¥ 88,364	¥ 87,064	\$ 552,690
Notes and accounts receivable - trade, and contract assets (Notes 8 ,12 ,28 and 36).....	74,776	59,238	467,702
Electronically recorded monetary claims-operating (Note 28)...	3,731	3,561	23,340
Merchandise and finished goods.....	32,293	28,419	201,983
Work in process	8,153	6,722	50,995
Raw materials and supplies.....	23,880	22,185	149,364
Other	5,881	4,992	36,785
Allowance for doubtful accounts	(254)	(206)	(1,592)
Total current assets	236,825	211,978	1,481,269
Non-current assets:			
Property, plant and equipment (Notes 9 and 10):			
Buildings and structures	105,496	85,849	659,847
Accumulated depreciation	(71,110)	(57,365)	(444,772)
Buildings and structures, net.....	34,386	28,483	215,075
Machinery, equipment and vehicles	127,822	116,620	799,490
Accumulated depreciation	(104,164)	(99,468)	(651,516)
Machinery, equipment and vehicles, net.....	23,658	17,151	147,974
Land.....	20,645	20,343	129,132
Leased assets.....	504	573	3,158
Accumulated depreciation	(122)	(495)	(763)
Leased asset, net	382	77	2,394
Construction in progress	13,776	15,854	86,164
Other	20,400	18,856	127,597
Accumulated depreciation	(16,522)	(15,698)	(103,341)
Other, net	3,878	3,157	24,255
Total property, plant and equipment	96,726	85,069	604,997
Intangible assets:			
Other	1,918	1,950	12,000
Total Intangible assets	1,918	1,950	12,000
Investments and other assets:			
Investment securities (Notes 11 ,28 and 30)	46,086	41,864	288,254
Long-term loans receivable	6	8	42
Deferred tax assets (Note 33).....	1,159	1,212	7,254
Retirement benefit asset (Note 31)	13,054	9,557	81,654
Other	3,459	5,707	21,640
Allowance for doubtful accounts	(70)	(151)	(438)
Total investments and other assets	63,697	58,198	398,409
Total non-current assets	162,343	145,218	1,015,407
Total assets	¥ 399,168	¥ 357,196	\$ 2,496,677

The accompanying notes are an integral part of the statements.

NOF CORPORATION and Subsidiaries

Consolidated Balance Sheet (continued)

As of March 31,

Thousands of
U.S. dollars
(Note 7)

	Millions of yen		
	2026	2025	2026
Liabilities			
Current liabilities:			
Notes and accounts payable - trade.....	¥ 21,429	¥ 22,305	\$ 134,032
Electronically recorded obligations-operating.....	493	1,580	3,087
Short-term borrowings (Notes 28 and 29)	1,341	1,490	8,393
Current portion of long-term borrowings (Notes 28 and 29)	1,013	816	6,336
Lease liabilities	269	254	1,684
Accrued expenses	2,017	1,904	12,617
Income taxes payable.....	14,690	7,682	91,887
Deposits received.....	4,585	4,328	28,683
Provision for bonuses	4,163	3,915	26,040
Asset retirement obligations (Note 35)	109	174	683
Other	36,127	13,871	225,964
Total current liabilities	86,241	58,325	539,412
Non-current liabilities:			
Long-term borrowings (Notes 28 and 29)	1,961	2,008	12,266
Lease liabilities	555	473	3,475
Deferred tax liabilities (Note 33)	9,581	11,561	59,929
Provision for officers' retirement benefits.....	6	8	42
Retirement benefit liability (Note 31).....	3,404	4,976	21,293
Asset retirement obligations (Note 35)	23	22	146
Other	929	269	5,812
Total non-current liabilities	16,461	19,321	102,964
Total liabilities	102,703	77,646	642,377
Commitments and contingencies (Note 12)			
Net assets:			
Shareholders' equity			
Share capital	17,742	17,742	110,970
Authorized: 970,000,000 shares at March 31, 2026 and 970,000,000 shares at March 31, 2025			
Issued: 236,524,128 shares at March 31, 2026 and 236,524,128 shares at March 31, 2025			
Capital surplus	15,058	15,058	94,184
Retained earnings.....	249,159	220,195	1,558,417
Treasury shares	(26,276)	(6,271)	(164,350)
Total shareholders' equity.....	255,683	246,724	1,599,222
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities.....	25,271	21,072	158,063
Foreign currency translation adjustment.....	7,973	6,437	49,870
Remeasurements of defined benefit plans.....	6,417	4,294	40,139
Total accumulated other comprehensive income	39,662	31,803	248,073
Non-controlling interests	1,119	1,022	7,004
Total net assets	296,465	279,550	1,854,300
Total liabilities and net assets	¥ 399,168	¥ 357,196	\$ 2,496,677

The accompanying notes are an integral part of the statements.

NOF CORPORATION and Subsidiaries

Consolidated Statement of Income

For the Year Ended March 31,

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Net sales (Note 14)	¥ 257,967	¥ 238,310	\$ 1,613,504
Cost of sales (Notes 15 and 17)	168,874	153,156	1,056,255
Gross profit.....	89,092	85,153	557,248
Selling, general and administrative expenses (Notes 16 and 17)	41,681	39,845	260,706
Operating profit.....	47,411	45,308	296,542
Non-operating income:			
Interest income	455	500	2,846
Dividend income.....	1,166	1,193	7,298
Rental income from real estate	268	272	1,681
Foreign exchange gains	823	—	5,150
Insurance claim income	486	23	3,044
Other	552	436	3,455
Total non-operating income	<u>3,753</u>	<u>2,426</u>	<u>23,475</u>
Non-operating expenses:			
Interest expenses.....	145	137	911
Expenses for conditional assignment.....	59	49	370
Rental expenses on real estate	79	85	494
Expenses for disposal of fixed assets.....	220	239	1,380
Foreign exchange losses	—	319	—
Loss on disposal of inventories.....	199	—	1,249
Other	93	331	582
Total non-operating expenses	<u>797</u>	<u>1,162</u>	<u>4,989</u>
Ordinary profit	<u>50,366</u>	<u>46,572</u>	<u>315,028</u>
Extraordinary income:			
Gain on sale of non-current assets (Note 18).....	7	447	43
Gain on sale of investment securities (Note 30)	8,770	3,670	54,854
Compensation income (Note 19)	—	220	—
Gain on revision of retirement benefit plan	58	—	366
Other	4	1	25
Total extraordinary income	<u>¥ 8,839</u>	<u>¥ 4,340</u>	<u>\$ 55,290</u>

NOF CORPORATION and Subsidiaries

Consolidated Statement of Income (continued)

For the Year Ended March 31,

Thousands of
U.S. dollars
(Note 7)

	Millions of yen		
	2026	2025	2026
Extraordinary losses:			
Loss on sale of non-current assets (Note 20)	6	1	43
Loss on retirement of non-current assets (Note 21)	230	109	1,441
Loss on tax purpose reduction entry of non-current assets (Note 22)	—	1	—
Loss on valuation of investment securities (Notes 23 and 30)	—	20	—
Loss on valuation of investments in capital of subsidiaries and associates	1,639	—	10,253
Other	—	1	—
Total extraordinary losses	<u>1,876</u>	<u>133</u>	<u>11,737</u>
Profit before income taxes	<u>57,329</u>	<u>50,778</u>	<u>358,581</u>
Income taxes - current	21,558	14,680	134,841
Income taxes - deferred	(4,886)	(506)	(30,565)
Total income taxes (Note 33)	<u>16,671</u>	<u>14,173</u>	<u>104,275</u>
Profit	<u>¥ 40,658</u>	<u>¥ 36,605</u>	<u>\$ 254,305</u>
Profit attributable to non-controlling interests	107	107	675
Profit attributable to owners of parent (Note 39)	40,550	36,497	253,630

The accompanying notes are an integral part of the statements.

NOF CORPORATION and Subsidiaries
Consolidated Statement of Comprehensive Income

For the Year Ended March 31,

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Profit	¥ 40,658	¥ 36,605	\$ 254,305
Other comprehensive income (Note 24)			
Valuation difference on available-for-sale securities.....	4,204	(5,613)	26,295
Foreign currency translation adjustment.....	1,533	2,040	9,590
Remeasurements of defined benefit plans, net of tax	2,129	2,301	13,317
Total other comprehensive income	7,866	(1,271)	49,203
Comprehensive income	¥ 48,525	¥ 35,333	\$ 303,509
Total comprehensive income attributable to:			
Owners of parent.....	48,409	35,192	302,783
Non-controlling interests	115	140	725

The accompanying notes are an integral part of the statements.

NOF CORPORATION and Subsidiaries

Consolidated Statement of Changes in Net Assets

For the Year Ended March 31, 2026 and 2025

	Number of shares of common stock (thousands)						Millions of yen					
		Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for- sale securities	Foreign currency translation adjustment	Remeasurement s of defined benefit plans	Total accumulated other comprehensive income	Non- controlling interests	Total net assets
Balance at March 31, 2024.....	80,841	¥ 17,742	¥ 15,052	¥ 206,309	¥ (7,209)	¥ 231,894	¥ 26,685	¥ 4,429	¥ 1,993	¥ 33,108	¥ 904	¥ 265,907
Dividends of surplus	—	—	—	(9,622)	—	(9,622)	—	—	—	—	—	(9,622)
Profit attributable to owners of parent	—	—	—	36,497	—	36,497	—	—	—	—	—	36,497
Purchase of treasury shares	—	—	—	—	(12,007)	(12,007)	—	—	—	—	—	(12,007)
Disposal of treasury shares	—	—	—	—	—	—	—	—	—	—	—	—
Cancellation of treasury shares	(6,000)	—	(12,945)	—	12,945	—	—	—	—	—	—	—
Transfer of loss on disposal of treasury shares.....	—	—	12,945	(12,945)	—	—	—	—	—	—	—	—
Adjustment to reserve due to change in tax rate	—	—	—	(44)	—	(44)	—	—	—	—	—	(44)
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	5	—	—	5	—	—	—	—	—	5
Others	161,682	—	—	—	—	—	—	—	—	—	—	—
Net changes in items other than shareholders' equity.....	—	—	—	—	—	—	(5,613)	2,008	2,300	(1,305)	118	(1,186)
Total changes during period.....	155,682	—	5	13,885	938	14,829	(5,613)	2,008	2,300	(1,305)	118	13,642
Balance at March 31, 2025.....	236,524	¥ 17,742	¥ 15,058	¥ 220,195	¥ (6,271)	¥ 246,724	¥ 21,072	¥ 6,437	¥ 4,294	¥ 31,803	¥ 1,022	¥ 279,550
Dividends of surplus	—	—	—	(11,586)	—	(11,586)	—	—	—	—	—	(11,586)
Profit attributable to owners of parent	—	—	—	40,550	—	40,550	—	—	—	—	—	40,550
Purchase of treasury shares	—	—	—	—	(20,006)	(20,006)	—	—	—	—	—	(20,006)
Disposal of treasury shares	—	—	(0)	—	2	2	—	—	—	—	—	2
Cancellation of treasury shares	—	—	—	—	—	—	—	—	—	—	—	—
Transfer of loss on disposal of treasury shares.....	—	—	0	(0)	—	—	—	—	—	—	—	—
Adjustment to reserve due to change in tax rate	—	—	—	—	—	—	—	—	—	—	—	—
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	0	—	—	0	—	—	—	—	—	0
Others	—	—	—	—	—	—	—	—	—	—	—	—
Net changes in items other than shareholders' equity.....	—	—	—	—	—	—	(4,199)	1,535	2,123	7,858	97	7,955
Total changes during period.....	—	—	0	28,964	(20,004)	8,959	(4,199)	1,535	2,123	7,858	97	16,915
Balance at March 31, 2026.....	236,524	¥ 17,742	¥ 15,058	¥ 249,159	¥ (26,276)	¥ 255,683	¥ 25,271	¥ 7,973	¥ 6,417	¥ 39,662	¥ 1,119	¥ 296,465

For the Year Ended March 31, 2026

<u>For the Year Ended March 31, 2026</u>	Thousands of U.S. dollars (Note 7)											
	Number of shares of common stock (thousands)	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for- sale securities	Foreign currency translation adjustment	Remeasurement s of defined benefit plans	Total accumulated other comprehensive income	Non- controlling interests	Total net assets
Balance at March 31, 2025.....	236,524	\$ 110,970	\$ 94,184	\$ 1,377,254	\$ (39,227)	\$ 1,543,182	\$ 131,798	\$ 40,263	\$ 26,857	\$ 198,920	\$ 6,396	\$ 1,748,499
Dividends of surplus	—	—	—	(72,467)	—	(72,467)	—	—	—	—	—	(72,467)
Profit attributable to owners of parent	—	—	—	253,630	—	253,630	—	—	—	—	—	253,630
Purchase of treasury shares	—	—	—	—	(125,137)	(125,137)	—	—	—	—	—	(125,137)
Disposal of treasury shares	—	—	(0)	—	14	14	—	—	—	—	—	14
Cancellation of treasury shares	—	—	—	—	—	—	—	—	—	—	—	—
Transfer of loss on disposal of treasury shares.....	—	—	0	(0)	—	—	—	—	—	—	—	—
Adjustment to reserve due to change in tax rate	—	—	—	—	—	—	—	—	—	—	—	—
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	0	—	—	0	—	—	—	—	—	0
Others	—	—	—	—	—	—	—	—	—	—	—	—
Net changes in items other than shareholders' equity.....	—	—	—	—	—	—	26,264	9,606	13,281	49,153	608	49,761
Total changes during period.....	—	—	0	181,162	(125,123)	56,039	26,264	9,606	13,281	49,153	608	105,801
Balance at March 31, 2026.....	236,524	\$ 110,970	\$ 94,184	\$ 1,558,417	\$ (164,350)	\$ 1,599,222	\$ 158,063	\$ 49,870	\$ 40,139	\$ 248,073	\$ 7,004	\$ 1,854,300

The accompanying notes are an integral part of the statements.

NOF CORPORATION and Subsidiaries

Consolidated Statement of Cash Flows

For the Year Ended March 31,

Thousands of
U.S. dollars
(Note 7)

	Millions of yen		
	2026	2025	2026
Cash flows from operating activities:			
Profit before income taxes	¥ 57,329	¥ 50,778	\$ 358,581
Depreciation	22,116	7,965	138,334
Increase (decrease) in retirement benefit liability	(1,434)	(102)	(8,969)
Interest and dividend income	(1,621)	(1,693)	(10,144)
Interest expenses	145	137	911
Loss (gain) on sale of non-current assets	(0)	(446)	(0)
Loss (gain) on sale of investment securities	(8,770)	(3,670)	(54,854)
Loss on valuation of investments in capital of subsidiaries and associates	1,639	—	10,253
Compensation income	—	(220)	—
Gain on revision of retirement benefit plan	(58)	—	(366)
Decrease (increase) in trade receivables	(15,154)	(4,168)	(94,785)
Decrease (increase) in inventories	(6,727)	(5,982)	(42,078)
Increase (decrease) in trade payables	(2,402)	(232)	(15,028)
Increase (decrease) in advances received	11,740	955	73,431
Increase in non-current assets for rapid acquisition (Note 26)	(11,839)	—	(74,051)
Other, net	4,415	(1,488)	27,618
Sub total	49,378	41,831	308,849
Interest and dividends received	1,636	1,681	10,233
Interest paid	(145)	(137)	(909)
Income taxes paid	(15,003)	(14,620)	(93,842)
Proceeds from compensation	—	220	—
Net cash provided by (used in) operating activities	35,865	28,975	224,330
Cash flows from investing activities:			
Purchase of investment securities	(103)	(2)	(646)
Proceeds from sale of investment securities	10,811	5,205	67,623
Purchase of property, plant and equipment and intangible assets	(14,391)	(16,336)	(90,013)
Proceeds from sale of property, plant and equipment and intangible assets	7	554	49
Net decrease (increase) in short-term loans receivable	114	163	715
Long-term loan advances	(4)	(9)	(26)
Proceeds from collection of long-term loans receivable	6	8	38
Payments for investments in capital of subsidiaries and associates	—	(3,063)	—
Other, net	(869)	(269)	(5,436)
Net cash provided by (used in) investing activities	(4,427)	(13,749)	(27,695)

NOF CORPORATION and Subsidiaries

Consolidated Statement of Cash Flows (continued)

For the Year Ended March 31,

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Cash flows from financing activities:			
Net increase in short-term borrowings	(134)	(212)	(842)
Proceeds from long-term borrowings	165	—	1,032
Repayments of long-term borrowings	(23)	—	(145)
Purchase of treasury shares	(20,006)	(12,007)	(125,137)
Purchase of treasury shares of subsidiaries	(1)	(5)	(10)
Proceeds from sale and leaseback transactions	350	—	2,189
Repayments of finance lease liabilities	(193)	(186)	(1,208)
Dividends paid	(11,546)	(9,593)	(72,218)
Dividends paid to non-controlling interests	(17)	(11)	(107)
Net cash provided by (used in) financing activities	(31,407)	(22,015)	(196,446)
Effect of exchange rate change on cash and cash equivalents	236	1,987	1,478
Net increase (decrease) in cash and cash equivalents	266	(4,802)	1,667
Cash and cash equivalents at beginning of period	82,706	87,509	517,303
Cash and cash equivalents at end of period (Note 26)	¥ 82,973	¥ 82,706	\$ 518,971

The accompanying notes are an integral part of these statements.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

1. Basis of presentation

NOF CORPORATION (the “Company”) and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its foreign subsidiaries maintain their accounting records in conformity with those of their countries of domicile. Effective April 1, 2008, the Company adopted the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (PITF No. 18). In accordance with PITF No. 18, the accompanying consolidated financial statements have been prepared by using the accounts of foreign consolidated subsidiaries prepared in accordance with either International Financial Reporting Standards (IFRS) or accounting principles generally accepted in the United States as adjusted for certain items including those for goodwill, actuarial differences and capitalized development costs. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of IFRS, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

As permitted by the Financial instruments and Exchanges Act of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

Certain prior year amounts have been reclassified to conform to the current year’s presentation.

2. Summary of significant accounting policies

(1) Scope of consolidation

The Company had 30 subsidiaries (majority-owned companies) as of March 31, 2026 (30 for 2025). The accompanying consolidated financial statements include the accounts of the Company and 24 of its subsidiaries (collectively, the “Group”) for the year ended March 31, 2026 (24 for 2025).

The remaining 6 (6 for 2025) subsidiaries, whose combined assets, net sales, net income and retained earnings in the aggregate are not significant in relation to those of the consolidated financial statements of the Group, have been excluded from consolidation.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2026 and 2025

The above mentioned 24 majority-owned subsidiaries are listed below:

Name of subsidiaries	Percentage of voting rights owned by the Company
%	
(Domestic subsidiaries)	
Nippon Koki Co., Ltd.	95.4
NiGK Corporation	100.0
NOF METAL COATINGS ASIA PACIFIC Co., Ltd.	100.0
Showa Kinzoku Kogyo Co., Ltd.	98.4
JAPEX Corp.	70.0
NICHIYU TRADING CO., LTD.	100.0
NICHIYU LOGISTICS CO., LTD.	100.0
Nippo Kogyo Co., Ltd.	99.2
YUKA SANGYO CO., LTD.	100.0
Nichiyu Kogyo Co., Ltd.	100.0
NIKKA COATING Co., Ltd.	100.0
CACTUS Co., Ltd.	100.0
(Foreign subsidiaries)	
Changshu NOF Chemical Co., Ltd.	100.0
P.T. NOF MAS CHEMICAL INDUSTRIES.....	89.6
NOF METAL COATINGS NORTH AMERICA Inc.	100.0
NOF AMERICA CORPORATION	100.0
NOF (Shanghai) Co., Ltd.	100.0
NOF EUROPE GmbH.....	100.0
NOF METAL COATINGS EUROPE S.A.	100.0
NOF METAL COATINGS EUROPE N.V.	100.0
NOF METAL COATINGS KOREA CO., LTD.	100.0
NOF METAL COATINGS EUROPE S.r.l.	100.0
NOF METAL COATINGS SOUTH AMERICA IND.E COM.LTDA....	100.0
NOF METAL COATINGS SHANGHAI CO., LTD.	100.0

The Company and all of its consolidated subsidiaries use a fiscal year ended March 31, except for NOF METAL COATINGS ASIA PACIFIC Co., Ltd., NIKKA COATING Co., Ltd. and foreign subsidiaries. Those subsidiaries use a fiscal year ended December 31. The accounts of those subsidiaries have been consolidated by using the results of operations and account balances for the fiscal year, and necessary adjustments have been made for any material transactions that occurred between the different fiscal year-ends.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

(2) Application of the equity method

There are no affiliates accounted for using the equity method.

The unconsolidated subsidiaries and affiliates, whose combined net income and retained earnings in the aggregate are not significant in relation to those of the consolidated financial statements of the Group, have not been accounted for using the equity method.

There are no major unconsolidated subsidiaries.

The major affiliate is Amagasaki Utility Services CO., Ltd.

(3) Investment securities

Held-to-maturity securities are stated at amortized cost (straight-line method).

Available-for-sale securities for which market quotations are available are stated at the fair value method based on their fiscal year-end market prices of the balance sheet date. Net unrealized gains or losses on those securities are reported as a separate component of net assets at a net-of-tax amount.

Available-for-sale securities for which market quotations are unavailable are stated at cost, principally determined by the moving-average method.

Investments in investment partnerships (those deemed to be securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are treated as the net amount, which is the amount corresponding to equity based on the most recent financial report available according to the reporting date stipulated in the partnership agreement.

(4) Inventories

Inventories are principally stated at the lower of cost, determined by the total-average method, or net selling value.

(5) Property, plant and equipment (except for leased assets)

Depreciation of property is principally computed using the straight-line method, based on the estimated useful lives of the assets. The principal range of useful lives is principally from 7 to 50 years for buildings and structures and from 5 to 10 years for machinery, equipment and vehicles.

(6) Intangible assets (except for leased assets)

Intangible assets are amortized using the straight-line method.

Software for internal use is amortized using the straight-line method over the useful life of the software, which is 5 years.

(7) Leased assets

Leased assets under finance lease transactions that do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the term of contract as the useful life.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

(8) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at amounts sufficient to cover probable losses on collection. It consists of the estimated uncollectible amounts with respect to identified doubtful accounts and an amount calculated by a formula based on actual collection losses incurred in the past with respect to the remaining receivables.

(9) Provision for bonuses

Certain consolidated subsidiaries recognized the estimated amount of employees' bonuses to be paid in the subsequent period that is attributable to the current fiscal year.

(10) Provision for officers' retirement benefits

The Company calculates the amount that would be required, based on the pertinent rules of the Company, if all officers retired at the balance sheet date, and accounts for it as provision for officers' retirement benefits, which was presented as provision for officers' retirement benefits.

(11) Retirement benefit

Accrued retirement benefits and prepaid pension cost for employees have been recorded mainly at the amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date.

The retirement benefit obligation for employees is attributed to each period by the benefit formula method.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods (mainly 10 years), which are shorter than the average remaining years of service of the employees.

Prior service cost is being amortized as incurred by the straight-line method over periods (mainly 10 years), which are shorter than the average remaining years of service of the employees.

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

Certain consolidated subsidiaries adopt a simplified method in calculating the retirement benefit obligation and retirement benefit expenses. The retirement benefit liability calculated using the simplified method is determined to be equal to the required amount if all the employees retired voluntarily at the balance sheet date.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

(12) Reporting of significant revenue and expenses

The Company recognizes revenue when promised products and services are transferred to customers and customers gain control over the products and services based on the following five-step approach.

- Step 1: Identify the contract with customers
- 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 entity satisfies the performance obligations

The Company's principal business activities are the manufacture and sale of products in the Functional Chemicals Segment, the Pharmaceuticals, Medicals and Health Segment and the Explosives & Propulsion Segment. With regard to the sale of these products, The Company recognizes revenue at the time of delivery, which is generally deemed that control of the products has been transferred to the customer and the relevant performance obligation has been satisfied. However, for domestic sales, the Company recognizes revenue at the time of shipment under the Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition because the period from the time of shipment to the time when the control over the products is transferred to the customers is the normal period. Additionally, for certain transactions in the Explosives & Propulsion Segment, since the performance obligations are satisfied over time, the degree of progress is measured using a method that faithfully depicts the satisfaction of the obligations, and revenue is recognized over time.

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 a significant reversal will not occur. The promised consideration is collected mainly within one year from the time of the satisfaction 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.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

(13) Hedge accounting

The Company has entered into forward foreign exchange contracts to reduce its exposure to the risk of fluctuation in foreign exchange rates related to its trade accounts receivable and payables. It is the Company's policy not to enter into any speculative derivatives transactions.

Gains or losses arising from changes in fair value of hedging instruments are deferred as assets or liabilities until the related gains or losses on the hedged items are recognized.

If forward foreign exchange contracts meet certain hedging criteria, however, the existing foreign currency receivables or payables are translated at their forward rates.

The Company evaluates the effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(14) Goodwill

Goodwill for which the useful life can be reliably estimated is amortized over the estimated useful life. Other goodwill is amortized using the straight-line method over five years.

(15) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash in hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuations in value.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

3. Significant accounting estimates

(1) Recoverability of deferred tax assets

A. Amount recorded on the consolidated financial statements as of March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Deferred tax assets, net	¥ 1,567	¥ 1,231	\$ 9,801

The amounts of deferred tax assets 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)”

B. Details of significant accounting estimates related to the identified items

1) 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 differences.

2) 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.

3) Impact on consolidated financial statements for the next fiscal year

Regarding the main assumption stated in 2), if actual 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.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

(2) Impairment of fixed assets

A. Amount recorded on the consolidated financial statements as of March 31, 2026 and 2025 are as follows

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Impairment losses	¥ —	¥ —	\$ —
Property, plant and equipment and intangible assets	98,645	87,020	616,998

B. Details of significant accounting estimates related to the identified items

1) Method of calculation

The Group determines its asset groupings primarily according to the operating division, and assesses impairment. For assets and groups of assets 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 impairment assessment, if the recoverable amount is determined to be lower than the book value, the book value is reduced to the recoverable amount (the higher of net selling value and value in use) and the reduction is recognized as impairment loss.

In the current fiscal year, for a certain asset group within the Pharmaceuticals, Medicals, and Health Segment (property, plant and equipment, etc., amounting to ¥455 million (US\$2,848 thousand)), indications of impairment were identified due to a decrease in demand caused by delays in clinical development by biotech ventures, resulting from a slow recovery of the investment environment in the United States. However, since the total amount of undiscounted future cash flows expected from this asset group exceeds the book value of the asset group, no impairment loss has been recognized.

2) 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.

3) Impact on consolidated financial statements for the next fiscal year

Regarding the main assumption stated in 2), if actual results deviate from the assumption due to factors such as economic trends in the future, and a group of assets shows new indications of impairment, or if undiscounted future cash flows fall below the book value of fixed assets in groups of assets, there may be

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

impairment loss on fixed assets in the next fiscal year.

- (3) Estimate of progress toward satisfaction of performance obligations for revenue recognized over time

A. Amount recorded on the consolidated financial statements as of March 31, 2026 and 2025 are as follows

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Net sales	¥11,767	¥ —	\$ 73,605

(Note) This section pertains to revenue from contracts for certain transactions related to defense-related equipment for rapid acquisition in the Explosives & Propulsion Segment, where revenue is recognized based on the satisfaction of performance obligations over time. It includes only revenue from contracts that were incomplete as of the end of the current fiscal year. (Contracts for which all performance obligations have been satisfied are not included.)

B. Details of significant accounting estimates related to the identified items

1) Method of calculation

For contracts where revenue is recognized over time according to the satisfaction of performance obligations, the total revenue, the total cost, and the progress as of the end of the fiscal year are reasonably estimated, and revenue is recorded accordingly.

The total cost, which forms the basis for revenue recognition, is estimated as the expected cost for each contract and is appropriately reviewed at the end of the fiscal year. Progress is calculated based on the degree of completion for each contract.

2) Main assumptions

The main assumption is the estimation of total costs, which is objectively calculated for each contract by aggregating costs based on estimates, etc. obtained from external sources.

3) Impact on consolidated financial statements for the next fiscal year

Changes in the estimated total costs due to economic conditions may affect the amount of revenue recognized in the consolidated financial statements according to the progress.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

4. Accounting standards issued but not yet effective

The Accounting Standards Board of Japan (ASBJ) issued the following revised accounting standards and revised implementation guidance:

- “Accounting Standard for Leases” (ASBJ Statement No. 34, September 13, 2024)
- “Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024)

(1) Overview

As part of the efforts taken by the ASBJ to align Japanese accounting standards with international standards, discussions have been held regarding the development of accounting standards for leases that require the recognition of assets and liabilities for all lessee leases, taking international accounting standards into consideration. The guiding principle is to base these standards on a single accounting model for lessees as outlined in IFRS 16; however, rather than adopting all the provisions of IFRS 16, the aim is to primarily incorporate the key provisions. This approach seeks to create a lease accounting standard that is simple, convenient, and, in principle, does not require modifications when applying the provisions of IFRS 16 to stand-alone financial statements.

For the accounting treatment of lessees concerning lease expense allocation, a single accounting model is applied for all leases, regardless of whether they are finance leases or operating leases, as outlined in IFRS 16. This model requires the recording of depreciation expense related to the right-of-use assets and interest expense related to the lease liability.

(2) Scheduled date of adoption

The Company expects to adopt the accounting standards and related implementation guidance from the beginning of the fiscal year ending March 31, 2029.

(3) Impact of adoption of revised accounting standard and related implementation guidance

The Company is currently evaluating the effect of the adoption of the Accounting Standard for Leases and related implementation guidance on its consolidated financial statements.

5. Changes in presentation

Consolidated statement of income

Insurance claim income, which was included in Other under Non-operating income in the previous fiscal year, has been presented separately from the current fiscal year, since the significance of the monetary amount has increased. To reflect this change in the method of presentation, the figures for the previous fiscal year shown in the consolidated financial statements have been reclassified.

Consequently, ¥460 million previously presented in Other under Non-operating income in the consolidated statements of income for the previous fiscal year has been reclassified as ¥23 million in Insurance claim income and ¥436 million in Other.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

Consolidated Statement of Cash Flows

Increase (decrease) in advances received, which was included in Other under Cash flows from operating activities in the previous fiscal year, has been presented separately from the current fiscal year, since the significance of the monetary amount has increased. To reflect this change in the method of presentation, the figures for the previous fiscal year shown in the consolidated financial statements have been reclassified.

Consequently, negative ¥532 million previously presented in Other under Cash flows from operating activities in the consolidated statements of cash flows for the previous fiscal year has been reclassified as ¥955 million in Increase (decrease) in advances received and negative ¥1,488 million in Other.

6. 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 Executive Operating Officers (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 share under net assets. Such treasury share stood at ¥129 million of book value at March 31, 2026 and ¥131 million of book value at March 31, 2025.

The number of such shares was 114,100 at March 31, 2026 and 116,100 at March 31, 2025.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

7. United States dollar amounts

The Company maintains its accounting records in yen, with amounts rounded down to the nearest million yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetical results of translating yen to U.S. dollars on the basis of ¥159.88 = US\$1, the approximate rate of exchange prevailing on the latest balance sheet date of March 31, 2026, and were rounded down to the thousand. The inclusion of such dollar amounts is solely for convenience of the reader and is not intended to imply that yen amounts have been or could be converted, realized or settled in U.S. dollars at ¥159.88 = US\$1 or at any other rate. As a result, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

8. Receivables from contracts with customers and contract assets

Receivables from contracts with customers and contract assets as of March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Notes.....	¥ 113	¥ 976	\$ 712
Accounts Receivable	72,401	57,364	452,852
Contract assets	2,260	897	14,138

9. Collateral

The Company's assets pledged as collateral for long-term borrowings and to obtain credit from banks, other financial institutions (including the current portion), and suppliers of ¥160 million (US\$1,006 thousand) at March 31, 2026, and ¥189 million at March 31, 2025 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Land.....	¥ 160	¥ 160	\$ 1,000
Total.....	¥ 160	¥ 160	\$ 1,000

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

10. Government grants which were deducted from acquisition costs of property, plant and equipment

The accumulative effects related to the Government grants which were deducted from acquisition costs of property, plant and equipment for the purpose of a reduction in taxable income as of March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Buildings and structures.....	¥ 511	¥ 528	\$ 3,197
Machinery, equipment and vehicles	435	439	2,725
Other	13	13	85
Total	<u>¥ 960</u>	<u>¥ 981</u>	<u>\$ 6,008</u>

11. Investments in unconsolidated subsidiaries and affiliates

Investments in unconsolidated subsidiaries and affiliates as of March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Investments in securities.....	¥ 342	¥ 342	\$ 2,141
Capital contribution	1,532	3,171	9,583
Total	<u>¥ 1,874</u>	<u>¥ 3,513</u>	<u>\$ 11,724</u>

12. Commitments and contingencies

(1) As of March 31, 2026 and 2025 the Company was contingently liable for the conditional assignment of ¥589 million (US\$3,688 thousand) and ¥892 million, respectively, of trade notes and accounts receivable with recourse obligations.

(2) As of March 31, 2026 and 2025 the Company had unused commitment agreements amounting to ¥5,000 million (US\$31,273 thousand) and ¥5,000 million, respectively, with banks and other financial institutions.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

13. Contract liabilities

Contract liabilities included in “Other” on Current liabilities as of March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Contract liabilities	¥ 16,855	¥ 5,218	\$ 105,425

14. Revenue from contracts with customers

With regard to the sales, revenue from contracts with customers and other revenue are not separately presented. For details of the amount of revenue from contracts with customers, please refer to “36. Revenue Recognition (1) Information about breakdown of revenue from contracts with customers”.

15. Inventories

Write-downs of inventories for the years ended March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Cost of sales	¥ (156)	¥ (569)	\$ (978)

16. Selling, general and administrative expenses

Major elements of selling, general and administrative expenses for the years ended March 31, 2026 and 2025 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Delivery and storage charges	¥ 6,374	¥ 6,218	\$ 39,869
Salaries and bonuses	10,380	10,015	64,929
Retirement benefit expenses	275	425	1,723
Accrued bonuses	1,355	1,246	8,478
Research and development costs	7,108	7,031	44,459
Allowance for doubtful accounts	59	4	370

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

17. Research and development costs

Research and development costs for the years ended March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Research and development costs	¥ 8,075	¥ 7,928	\$ 50,512

18. Gain on sale of non-current assets

Gain on sale of non-current assets for the years ended March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Machinery, equipment and vehicles	¥ 6	¥ 37	\$ 43
Land	—	410	—
Others (tools, furniture and fixtures etc.)..	0	—	0
Total	¥ 7	¥ 447	\$ 43

19. Compensation income

Compensation income for the years ended March 31, 2025 is due to compensation for the discontinued supply of raw materials from our business partners.
There were no applicable items for the year ended March 31, 2026.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

20. Loss on sale of non-current assets

Loss on sale of non-current assets for the years ended March 31, 2026 and 2025 are as follows

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Buildings and structures.....	¥ 5	¥ 1	\$ 33
Lands.....	1	—	9
Total	¥ 6	¥ 1	\$ 43

21. Loss on retirement of non-current assets

Loss on retirement of non-current assets for the years ended March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Buildings and structures.....	¥ 37	¥ 82	\$ 236
Machinery, equipment and vehicles	186	7	1,168
Other (tools, furniture and fixtures etc.) ...	5	19	37
Total	¥ 230	¥ 109	\$ 1,441

22. Loss on tax purpose reduction entry of non-current assets

Loss on tax purpose reduction entry of non-current assets for the years ended March 31, 2026 and 2025 are as follows

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Buildings and structures.....	¥ —	¥ 1	\$ —
Total	¥ —	¥ 1	\$ —

23. Loss on valuation of investment securities

Loss on valuation of investment securities for the year ended March 31, 2025 is due to a significant decline in the value of one unlisted stock in our investment portfolio, compared to its acquisition cost. This decrease resulted in the recognition of an impairment loss. There were no applicable items for the year ended March 31, 2026.

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24. Other comprehensive income

Reclassification adjustments and tax effects of each component of other comprehensive income for the years ended March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥ 17,055	¥ (4,051)	\$ 106,675
Reclassification adjustments for gains and losses included in net income.....	(8,770)	(3,670)	(54,854)
Amount before tax effect	8,285	(7,721)	51,820
Tax effect	(4,080)	2,107	(25,524)
Valuation difference on available-for-sale securities.....	4,204	(5,613)	26,295
Foreign currency translation adjustment:			
Amount arising during the year	1,533	2,040	9,590
Remeasurements of defined benefit plans, net of tax:			
Amount arising during the year	3,601	3,671	22,527
Reclassification adjustments for gains and losses included in net income.....	(474)	(246)	(2,967)
Amount before tax effect	3,127	3,424	19,560
Tax effect	(998)	(1,122)	(6,243)
Remeasurements of defined benefit plans, net of tax.....	2,129	2,301	13,317
Total other comprehensive income	¥ 7,866	¥ (1,271)	\$ 49,203

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Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

25. Net assets

Information regarding changes in net assets for the years ended March 31, 2026 and 2025 are as follows:

(1) Shares issued and outstanding / Treasury share

Thousands of shares				
2026				
	Number of shares at March 31, 2025	Increase	Decrease	Number of shares at March 31, 2026
Common stock	236,524	—	—	236,524
Treasury share	2,991	7,099	2	10,089

The increase in treasury share during the year ended March 31, 2026 was due to the purchase of odd-lot shares (2 thousand shares) and the market purchases (7,097 thousand shares).

The decrease in treasury share during the year ended March 31, 2026 was due to the sale of odd-lot shares (0 thousand shares) and benefit payment of the Board Benefit Trust (BBT) (2 thousand shares).

Number of shares of treasury share at the beginning of the current fiscal year includes 116 thousand shares held by the Board Benefit Trust (BBT). Number of shares of treasury share at the end of the current fiscal year includes 114 thousand shares held by the Board Benefit Trust (BBT).

Thousands of shares				
2025				
	Number of shares at March 31, 2024	Increase	Decrease	Number of shares at March 31, 2025
Common stock	80,841	161,682	6,000	236,524
Treasury share	1,189	7,801	6,000	2,991

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The increase in common stock during the year ended March 31, 2025 was due to a 3-for-1 common share split on April 1, 2024 (161,682 thousand shares).

The decrease in common stock during the year ended March 31, 2025 was due to the disposal of treasury shares (6,000 thousand shares).

The increase in treasury share during the year ended March 31, 2025 was due to a 3-for-1 common share split on April 1, 2024 (2,378 thousand shares), the purchase of odd-lot shares (3 thousand shares), and the market purchases (5,420 thousand shares).

The decrease in treasury share during the year ended March 31, 2025 was due to the disposal of treasury shares (6,000 thousand shares).

Number of shares of treasury share at the beginning of the previous fiscal year includes 38 thousand shares (before share split) held by the Board Benefit Trust (BBT). Number of shares of treasury share at the end of the previous fiscal year includes 116 thousand shares held by the Board Benefit Trust (BBT).

(2) Cash dividends

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) shall be transferred to the capital reserve or the legal reserve until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

Appropriations are not accrued in the consolidated financial statements for the period to which they relate, but are recorded in the subsequent accounting period when the shareholders' approval has been obtained.

Dividends paid for the year ended March 31, 2026:

	Type of shares	Millions of yen	Yen
		Total dividends	Dividends per share
Annual general meeting of the stockholders on June 27, 2025	Common stock	¥ 5,607	¥ 24
Meeting of the Board of Directors on November 6, 2025	Common stock	¥ 5,978	¥ 26

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Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

	Type of shares	Thousands of U.S. dollars (Note 7)	U.S. dollars (Note 7)
		Total dividends	Dividends per share
Annual general meeting of the stockholders on June 27, 2025	Common stock	\$ 35,073	\$ 0.15
Meeting of the Board of Directors on November 6, 2025	Common stock	\$ 37,394	\$ 0.16

Total dividends ¥5,607 million by Annual general meeting of the stockholders on June 27, 2025 includes ¥2 million of dividends for shares held by the Board Benefit Trust (BBT).

Total dividends ¥5,978 million by Meeting of the Board of Directors on November 6, 2025 includes ¥2 million of dividends for shares held by the Board Benefit Trust (BBT).

Dividends paid for the year ended March 31, 2025:

	Type of shares	Millions of yen	Yen
		Total dividends	Dividends per share
Annual general meeting of the stockholders on June 27, 2024	Common stock	¥ 4,622	¥ 58
Meeting of the Board of Directors on November 7, 2024	Common stock	¥ 5,000	¥ 21

Total dividends ¥4,622 million by Annual general meeting of the stockholders on June 27, 2024 includes ¥2 million of dividends for shares held by the Board Benefit Trust (BBT).

Total dividends ¥5,000 million by Meeting of the Board of Directors on November 7, 2024 includes ¥2 million of dividends for shares held by the Board Benefit Trust (BBT).

The dividend amount per share, as resolved at the annual general meeting of the stockholders on June 27, 2024, is based on the number of shares before the share split, as the dividend record date is set for March 31, 2024.

Dividends with the cut-off date in the year ended March 31, 2026 and the effective date in the year ending March 31, 2027:

	Type of shares	Millions of yen	Yen
		Total dividends	Dividends per share
Annual general meeting of the stockholders on June 26, 2026	Common stock	¥ 7,929	¥ 35

	Type of shares	Thousands of U.S. dollars (Note 7)	U.S. dollars (Note 7)
		Total dividends	Dividends per share
Annual general meeting of the stockholders on June 26, 2026	Common stock	\$ 49,594	\$ 0.22

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Total dividends ¥7,929 million by Annual general meeting of the stockholders on June 26, 2026 includes ¥3 million of dividends for shares held by the Board Benefit Trust (BBT).

26. Supplementary cash flow information

- (1) Cash and cash equivalents as of March 31, 2026 and 2025 are reconciled to cash and deposits in the consolidated balance sheet as follows:

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Cash and time deposits	¥ 88,364	¥ 87,064	\$ 552,690
Time deposits with maturity of more than three months.....	(5,381)	(4,349)	(33,660)
Separate deposit (Board Benefit Trust)	(9)	(8)	(58)
Cash and cash equivalents	<u>¥ 82,973</u>	<u>¥ 82,706</u>	<u>\$ 518,971</u>

- (2) Transactions related to defense-related equipment for rapid acquisition in the Explosives & Propulsion Segment are classified as operating activities, and changes in assets and liabilities related to these transactions are presented as cash flows from operating activities.
- (3) Depreciation includes the amount expensed in connection with investments in defense-related equipment for rapid acquisition in the Explosives & Propulsion Segment.

27. Leases

The Group leases certain machinery, equipment and vehicles, software and other assets. Obligations under non-cancelable operating leases as of March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Due within one year.....	¥ 55	¥ 55	\$ 344
Due after one year.....	46	79	291
Total	<u>¥ 101</u>	<u>¥ 134</u>	<u>\$ 636</u>

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28. Financial instruments

(1) Policy for financial instruments

In consideration of plans for capital investment, the Company and its consolidated subsidiaries raise funds through bank borrowings. The Group manages temporary cash surpluses through low-risk financial assets. Further, the Group raises short-term capital through bank borrowings. The Group uses derivatives for the purpose of reducing risk and does not enter into derivatives for speculative or trading purposes.

(2) Types of financial instruments and related risk and risk management system

Trade receivables—Notes and accounts receivable—are exposed to credit risk in relation to customers.

In accordance with the internal policies of the Group for managing credit risk arising from receivables, each relevant division periodically monitors the creditworthiness of major customers, and monitors due dates and outstanding balances by individual customer.

Investment securities are exposed to market risk. Those securities consist mainly of held-to-maturity securities and the shares of common stock of other companies with which the Group has business relationships, or affiliated companies.

The Group regularly monitors market prices and the financial status of issuers (business partners), and reviews our shares in consideration of the relationship with business partners.

The Group considers the credit risk of held-to-maturity securities to be negligible because only highly safe bonds are held in accordance with internal guidelines.

The Group also has loans receivable from other companies with which it has business relationships.

Short-term borrowings are raised mainly in connection with business activities, and Long-term borrowings are taken out principally for the purpose of making capital investments. Long-term borrowings with variable interest rates are exposed to interest rate fluctuation risk.

However, to reduce such risk for Long-term borrowings bearing interest at variable rates, the Group mainly utilizes fixed interest.

The group policy for hedge accounting is indicated in Note 2 “Summary of significant accounting policies” (13) “Hedge accounting”.

(3) Supplemental information on the fair value of financial instruments

The Group calculates the fair value of financial instruments. These estimates involve variable factors and are subject to fluctuation due to changes in underlying assumptions.

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(4) Fair value of financial instruments

The carrying value, the estimated fair value and the difference of the financial instruments on the balance sheet as of March 31, 2026 and 2025 are as follows.

"Cash" is omitted and "Deposits," "Notes and accounts receivable - trade," "Electronically recorded monetary claims-operating," "Notes and accounts payable," "Electronically recorded obligations-operating," and "Short-term borrowings" are also omitted since these accounts are settled in a short period of time and the fair value approximates the book value.

Millions of yen			
2026			
	Carrying value	Estimated fair value	Difference
Assets			
Investment securities			
Held-to-maturity securities	¥ 1,300	¥ 1,277	¥ (22)
Available-for-sale securities	43,325	43,325	—
Total assets	¥ 44,625	¥ 44,602	¥ (22)
Liabilities			
Long-term borrowings from banks and other financial institutions	¥ 2,974	¥ 2,906	¥ (67)
Total liabilities	¥ 2,974	¥ 2,906	¥ (67)
Millions of yen			
2025			
	Carrying value	Estimated fair value	Difference
Assets			
Investment securities			
Held-to-maturity securities	¥ 1,300	¥ 1,279	¥ (20)
Available-for-sale securities	39,186	39,186	—
Total assets	¥ 40,486	¥ 40,465	¥ (20)
Liabilities			
Long-term borrowings from banks and other financial institutions	¥ 2,824	¥ 2,778	¥ (46)
Total liabilities	¥ 2,824	¥ 2,778	¥ (46)

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	Thousands of U.S. dollars (Note 7)		
	2026		
	Carrying value	Estimated fair value	Difference
Assets			
Investment securities			
Held-to-maturity securities	\$ 8,131	\$ 7,988	\$ (142)
Available-for-sale securities	270,986	270,986	—
Total assets	<u>\$ 279,117</u>	<u>\$ 278,975</u>	<u>\$ (142)</u>
Liabilities			
Long-term borrowings from banks and other financial institutions	\$ 18,602	\$ 18,178	\$ (424)
Total liabilities	<u>\$ 18,602</u>	<u>\$ 18,178</u>	<u>\$ (424)</u>

Financial instruments that do not have market prices are not included in “Available-for-sale securities”. The consolidated balance sheet amount of these financial instruments is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Unlisted stock	¥ 1,174	¥ 1,177	\$ 7,348
Fund certificate	0	0	0
Investment limited partnership	285	200	1,787

(Note) Investments in investment limited partnership are not subject to disclosure of fair value in accordance with paragraph 24-16 of the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31)

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Redemption schedule for receivables and securities with maturities as of March 31, 2026 and 2025 are as follows:

	Millions of yen			
	2026			
	Within a year	1 to 5 years	5 to 10 years	Over 10 years
Cash and time deposits	¥ 88,356	¥ —	¥ —	¥ —
Notes	113	—	—	—
Accounts Receivable	72,401	—	—	—
Electronically recorded monetary claims-operating	3,731	—	—	—
Investment securities Held-to-maturity securities Corporate bonds	—	300	1,000	—

	Millions of yen			
	2025			
	Within a year	1 to 5 years	5 to 10 years	Over 10 years
Cash and time deposits	¥ 87,057	¥ —	¥ —	¥ —
Notes	976	—	—	—
Accounts Receivable	57,364	—	—	—
Electronically recorded monetary claims-operating	3,561	—	—	—
Investment securities Held-to-maturity securities Corporate bonds	—	300	1,000	—

	Thousands of U.S. dollars (Note 7)			
	2026			
	Within a year	1 to 5 years	5 to 10 years	Over 10 years
Cash and time deposits	\$ 552,639	\$ —	\$ —	\$ —
Notes	712	—	—	—
Accounts Receivable	452,852	—	—	—
Electronically recorded monetary claims-operating	23,340	—	—	—
Investment securities Held-to-maturity securities Corporate bonds	—	1,876	6,254	—

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(5) Fair Value of Financial Instruments by levels

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

Level 1: Fair value derived from quoted prices in active markets for identical assets or liabilities.

Level 2: Fair value derived from observable inputs that are not included in Level 1 inputs.

Level 3: Fair value derived from unobservable inputs.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is classified at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

1) Financial instruments measured at fair value on the consolidated balance sheet as of March 31, 2026 and 2025 are as follows.

Millions of yen				
2026				
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stock	¥ 43,325	¥ –	¥ –	¥ 43,325
Total assets	¥ 43,325	¥ –	¥ –	¥ 43,325
Millions of yen				
2025				
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stock	¥ 39,186	¥ –	¥ –	¥ 39,186
Total assets	¥ 39,186	¥ –	¥ –	¥ 39,186

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Thousands of U.S. dollars (Note 7)				
2026				
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stock	\$ 270,986	\$ —	\$ —	\$ 270,986
Total assets	<u>\$ 270,986</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 270,986</u>

2) Financial instruments other than those measured at fair value on the consolidated balance sheet as of March 31, 2026 and 2025 are as follows.

Millions of yen				
2026				
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity securities				
Corporate bonds.....	¥ —	¥ 1,277	¥ —	¥ 1,277
Total assets	<u>¥ —</u>	<u>¥ 1,277</u>	<u>¥ —</u>	<u>¥ 1,277</u>
Long-term borrowings.....	¥ —	¥ 2,906	¥ —	¥ 2,906
Total liabilities.....	<u>¥ —</u>	<u>¥ 2,906</u>	<u>¥ —</u>	<u>¥ 2,906</u>

Millions of yen				
2025				
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity securities				
Corporate bonds.....	¥ —	¥ 1,279	¥ —	¥ 1,279
Total assets	<u>¥ —</u>	<u>¥ 1,279</u>	<u>¥ —</u>	<u>¥ 1,279</u>
Long-term borrowings.....	¥ —	¥ 2,778	¥ —	¥ 2,778
Total liabilities.....	<u>¥ —</u>	<u>¥ 2,778</u>	<u>¥ —</u>	<u>¥ 2,778</u>

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	Thousands of U.S. dollars (Note 7)			
	2026			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity securities				
Corporate bonds.....	\$ —	\$ 7,988	\$ —	\$ 7,988
Total assets	\$ —	\$ 7,988	\$ —	\$ 7,988
Long-term borrowings.....	\$ —	\$ 18,178	\$ —	\$ 18,178
Total liabilities.....	\$ —	\$ 18,178	\$ —	\$ 18,178

Note: Valuation techniques and inputs are as follows:

Investment securities:

Fair value of listed stocks is based on the price on the stock exchange. They are classified in Level 1, because they are traded in an active market. However, the fair value of corporate bonds are classified in Level 2 due to quoted price in inactive market with low trade frequency.

Long-term borrowings:

Fair value is calculated based on the present value estimated by discounting the total principal and interest, using discount rates reflecting the remaining term and credit risk and is classified as Level 2 fair value.

29. Short-term borrowings and Long-term borrowings

Short-term borrowings outstanding are generally represented by notes payable issued by the Company to banks with weighted average interest rates of 1.23% at March 31, 2026, and 1.29% at March 31, 2025.

Long-term borrowings as of March 31, 2026 and 2025 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Loans, principally from banks and insurance companies, due May 2027 to September 2030 with average interest rates of 1.32% at March 31, 2026, and 1.23% at March 31, 2025.....	¥ 2,974	¥ 2,824	\$ 18,602
Less: Current maturities of:			
Long-term borrowings.....	1,013	816	6,336
Total.....	¥ 1,961	¥ 2,008	\$ 12,266

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Aggregate annual maturities of Long-term borrowings subsequent to March 31, 2026 are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 7)
2028	¥ 1,191	\$ 7,450
2029	185	1,161
2030	36	229
2031	537	3,364
2032 and thereafter	9	60
Total	¥ 1,961	\$ 12,266

30. Investments in securities

- (1) The fair value, book value and unrealized gains or losses on held-to-maturity securities with fair value as of March 31, 2026 and 2025 are as follows:

Description	Millions of yen		
	2026		
	Fair value	Book value	Unrealized gain or loss
Book value in excess of acquisition cost			
Government bonds, local government bonds, etc.	¥ —	¥ —	¥ —
Corporate bonds	—	—	—
Others	—	—	—
Sub total	¥ —	¥ —	¥ —
Book value not in excess of acquisition cost			
Government bonds, local government bonds, etc.	—	—	—
Corporate bonds	¥ 1,277	¥ 1,300	¥ (22)
Others	—	—	—
Sub total	¥ 1,277	¥ 1,300	¥ (22)
Total	¥ 1,277	¥ 1,300	¥ (22)

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Description	Millions of yen		
	2025		
	Fair value	Book value	Unrealized gain or loss
Book value in excess of acquisition cost			
Government bonds, local government bonds, etc.	¥ —	¥ —	¥ —
Corporate bonds	—	—	—
Others	—	—	—
Sub total	¥ —	¥ —	¥ —
Book value not in excess of acquisition cost			
Government bonds, local government bonds, etc.	—	—	—
Corporate bonds	¥ 1,279	¥ 1,300	¥ (20)
Others	—	—	—
Sub total	¥ 1,279	¥ 1,300	¥ (20)
Total	¥ 1,279	¥ 1,300	¥ (20)

Description	Thousands of U.S. dollars (Note 7)		
	2026		
	Fair value	Book value	Unrealized gain or loss
Book value in excess of acquisition cost			
Government bonds, local government bonds, etc.	\$ —	\$ —	\$ —
Corporate bonds	—	—	—
Others	—	—	—
Sub total	\$ —	\$ —	\$ —
Book value not in excess of acquisition cost			
Government bonds, local government bonds, etc.	—	—	—
Corporate bonds	\$ 7,988	\$ 8,131	\$ (142)
Others	—	—	—
Sub total	\$ 7,988	\$ 8,131	\$ (142)
Total	\$ 7,988	\$ 8,131	\$ (142)

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- (2) The acquisition cost, book value and unrealized gains or losses on available-for-sale securities with fair value as of March 31, 2026 and 2025 are as follows:

Description	Millions of yen		
	2026		
	Acquisition cost	Book value (fair value)	Unrealized gain or loss
Book value in excess of acquisition cost			
Stocks	¥ 6,345	¥ 43,324	¥ 36,979
Bonds	—	—	—
Others	—	—	—
Sub total	¥ 6,345	¥ 43,324	¥ 36,979
Book value not in excess of acquisition cost			
Stocks	¥ 0	¥ 0	¥ (0)
Bonds	—	—	—
Others	—	—	—
Sub total	¥ 0	¥ 0	¥ (0)
Total	¥ 6,346	¥ 43,325	¥ 36,979

Description	Millions of yen		
	2025		
	Acquisition cost	Book value (fair value)	Unrealized gain or loss
Book value in excess of acquisition cost			
Stocks	¥ 8,382	¥ 39,186	¥ 30,803
Bonds	—	—	—
Others	—	—	—
Sub total	¥ 8,382	¥ 39,186	¥ 30,803
Book value not in excess of acquisition cost			
Stocks	¥ —	¥ —	¥ —
Bonds	—	—	—
Others	—	—	—
Sub total	¥ —	¥ —	¥ —
Total	¥ 8,382	¥ 39,186	¥ 30,803

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Description	Thousands of U.S. dollars (Note 7)		
	2026		
	Acquisition cost	Book value (fair value)	Unrealized gain or loss
Book value in excess of acquisition cost			
Stocks	\$ 39,689	\$ 270,982	\$ 231,292
Bonds	—	—	—
Others	—	—	—
Sub total	\$ 39,689	\$ 270,982	\$ 231,292
Book value not in excess of acquisition cost			
Stocks	\$ 4	\$ 4	\$ (0)
Bonds	—	—	—
Others	—	—	—
Sub total	\$ 4	\$ 4	\$ (0)
Total	\$ 39,694	\$ 270,986	\$ 231,292

- (3) Available-for-sale securities sold during the years ended March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Proceeds from sale of available-for-sale securities	¥ 10,811	¥ 5,205	\$ 67,623
Realized gain	8,770	3,670	54,854
Realized loss	—	—	—

- (4) Impaired securities

Due to impairment, a loss on valuation of investment securities of ¥20 million (US\$134 thousand) was recorded for the year ended March 31, 2025.
There were no applicable items for the year ended March 31, 2026.

- (5) The book value of major securities without fair value as of March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Unlisted stocks	¥ 1,174	¥ 1,177	\$ 7,348
Fund certificates	0	0	0
Investment limited partnership	285	200	1,787

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31. Retirement benefit plans

The Company and its consolidated subsidiaries have either funded and unfunded defined benefit plans and/or defined contribution plans for benefit payments to their employees. For defined benefit plans (all funded plans), a lump-sum payment or annual pension calculated based on salary paid and length of service provided will be paid. For certain lump-sum retirement plans, the lump-sum payments are also determined based on salary paid and length of service provided. For defined benefit corporate pension plans and retirement lump-sum plans offered by certain consolidated subsidiaries, net defined benefit liability and retirement benefit expenses are calculated by a simplified method. In addition, certain consolidated subsidiaries adopt a smaller enterprise retirement allowance mutual plan and defined contribution pension plans. Certain consolidated subsidiaries transitioned part of their defined benefit plans to defined contribution pension plans in April 2025.

Defined benefit plan

- (1) The changes in retirement benefit obligation during the years ended March 31, 2026 and 2025 are as follows (excluding plans using the simplified method):

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Beginning balance of retirement benefit obligation.....	¥ 21,369	¥ 23,924	\$ 133,656
Service cost.....	1,065	1,253	6,663
Interest cost.....	313	36	1,958
Actuarial loss.....	(584)	(3,160)	(3,654)
Retirement benefits paid.....	(569)	(724)	(3,563)
Prior service cost.....	299	-	1,874
Decrease due to transition to defined contribution pension plans.....	(1,381)	-	(8,640)
Other.....	13	39	85
Ending balance of retirement benefit obligation.....	¥ 20,525	¥ 21,369	\$ 128,379

- (2) The changes in plan assets during the years ended March 31, 2026 and 2025 are as follows (excluding plans using the simplified method):

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Beginning balance of plan assets.....	¥ 27,628	¥ 26,406	\$ 172,809
Expected return on plan assets.....	475	466	2,974
Actuarial loss.....	3,294	490	20,608
Contributions by the Company.....	806	777	5,045
Retirement benefits paid.....	(358)	(469)	(2,240)
Other.....	(10)	(41)	(63)
Ending balance of plan assets.....	¥ 31,837	¥ 27,628	\$ 199,133

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Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

- (3) The changes in liabilities for retirement benefits calculated by using the simplified method during the years ended March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Beginning balance of net defined benefit liability	¥ 1,679	¥ 1,646	\$ 10,502
Retirement benefit expenses.....	133	271	837
Retirement benefits paid.....	(92)	(133)	(580)
Contributions by the Company.....	(58)	(104)	(368)
Ending balance of net defined benefit liability.....	¥ 1,661	¥ 1,679	\$ 10,392

- (4) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2026 and 2025 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Funded retirement benefit obligation	¥ 20,953	¥ 20,295	\$ 131,060
Plan assets.....	(33,452)	(29,287)	(209,233)
	(12,498)	(8,991)	(78,173)
Unfunded retirement benefit obligation	2,847	4,411	17,811
Net liabilities in consolidated balance sheet.....	(9,650)	(4,580)	(60,361)
Retirement benefit asset	(13,054)	(9,557)	(81,654)
Retirement benefit liability.....	3,404	4,976	21,293
Net liabilities in consolidated balance sheet.....	¥ (9,650)	¥ (4,580)	\$ (60,361)

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Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

- (5) The components of retirement benefit expense for the years ended March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Service cost.....	¥ 1,065	¥ 1,253	\$ 6,663
Interest cost.....	313	36	1,958
Expected return on plan assets	(475)	(466)	(2,974)
Amortization of actuarial loss	(476)	(226)	(2,977)
Amortization of prior service cost.....	29	—	187
Retirement benefit expenses for simplified method.....	133	271	837
Retirement benefit expenses for defined benefit plans	¥ 590	¥ 868	\$ 3,694

(Note) In addition to the above, during the current fiscal year, a transition of part of the defined benefit plans to defined contribution pension plans resulted in the recording of ¥58 million (US\$366 thousand) as extraordinary income.

- (6) The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Prior service cost	¥ 269	¥ —	\$ 1,687
Actuarial loss	(3,397)	(3,424)	(21,247)
Total.....	¥ (3,127)	¥ (3,424)	\$ (19,560)

- (7) The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Unrecognized prior service cost.....	¥ 269	¥ —	\$ 1,687
Unrecognized actuarial loss	(9,709)	(6,312)	(60,731)
Total	¥ (9,440)	¥ (6,312)	\$ (59,044)

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Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

- (8) 1) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2026 and 2025 are as follows:

	2026	2025
Equity securities	20%	31%
Debt securities	27%	24%
General accounts	24%	26%
Other.....	29%	19%
Total	100%	100%

Note:

The plan assets include 17% and 14% of the retirement pension trusts for corporate pension plans as of March 31, 2026 and 2025, respectively.

- 2) The long-term expected rate of return on plan assets has been estimated based on the current and projected pension asset allocations and the current and projected return rate on various assets comprising plan assets.

- (9) The assumptions used in accounting for the above plans are as follows:

	2026	2025
Discount rate	mainly 1.57%	mainly 1.57%
Long-term expected rate of return on plan assets	mainly 2.00%	mainly 2.00%
Expected rate of salary increase.....	1.00 ~ 5.71%	1.00 ~ 5.53%

Defined contribution plans

The required contributions to the defined contribution plan for certain consolidated subsidiaries for the years ended March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Defined contribution plans.....	¥ 196	¥ 115	\$ 1,228

32. Stock option

There were no applicable items.

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Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

33. Income taxes

(1) Significant components of deferred tax assets and liabilities

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Deferred tax assets:			
Provision for bonuses	¥ 1,342	¥ 1,228	\$ 8,395
Retirement benefit liability	1,904	2,471	11,912
Elimination of intercompany profits .	636	618	3,980
Valuation loss on inventories	398	366	2,489
Accrued enterprise tax.....	822	463	5,142
Impairment losses.....	282	307	1,767
Provision for officers' retirement benefits and retirement benefits for directors (and other officers).....	2	2	14
Loss on valuation of investment securities.....	190	196	1,189
Loss on valuation of investments in capital of subsidiaries and associates.....	524	-	3,280
Deemed dividend by distribution in kind	2,193	2,193	13,720
Investment related to the initial costs	5,314	747	33,238
Others	1,036	1,019	6,480
Subtotal	14,646	9,615	91,612
Valuation allowance.....	(3,231)	(2,578)	(20,210)
Total deferred tax assets.....	11,415	7,037	71,402
Deferred tax liabilities:			
Valuation difference on available- for-sale securities	(11,694)	(9,723)	(73,143)
Reserve for advanced depreciation of property, plant and equipment.....	(1,428)	(1,449)	(8,936)
Gain on revaluation of assets trusted for retirement benefit.....	-	(654)	-
Valuation differences	(1,514)	(1,513)	(9,475)
Others	(5,199)	(4,045)	(32,521)
Total deferred tax liabilities	(19,837)	(17,386)	(124,076)
Net deferred tax liabilities	¥ (8,421)	¥ (10,349)	\$ (52,674)

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Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

(Changes in Presentation)

Investment related to the initial costs, which was included in Others under Deferred tax assets in the previous fiscal year, has been presented separately from the current fiscal year, since the significance of the monetary amount has increased. To reflect this change in the method of presentation, the figures for the previous fiscal year shown in the consolidated financial statements have been reclassified.

Consequently, ¥1,766 million previously presented in Others under Deferred tax assets for the previous fiscal year has been reclassified as ¥747 million in Investment related to the initial costs and ¥1,019 million in Others.

(2) Reconciliation of the effective statutory tax rate to the Company's effective tax rate

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in statutory rates of approximately 31.0% for the years ended March 31, 2026 and 2025. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The reconciliation between the effective tax rates reflected in the consolidated statement of income and the effective statutory tax rate for the years ended March 31, 2026 and 2025 was as follows:

	2026	2025
Effective statutory tax rate	31.0%	31.0%
Non-deductible expenses	0.1	0.1
Tax credits	(1.8)	(2.2)
Valuation allowance	1.1	0.2
Inhabitants' per capita taxes	0.1	0.1
Deduction of dividends received.....	0.1	0.1
Different tax rates applied to foreign subsidiaries	(1.1)	(1.7)
Other.....	(0.4)	0.4
Effective tax rates.....	29.1%	27.9%

34. Business combination

There were no applicable items.

35. Asset retirement obligations

Information on the asset retirement obligations recorded on the consolidated balance sheet at March 31, 2026 and 2025 are as follows:

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

A. Outline of the asset retirement obligations

Expenses allocated for obligations to remove harmful materials such as fluorocarbon and PCB (polychlorinated biphenyl) from fixed assets and for removal of company dormitory.

B. Calculation method of asset retirement obligations

An estimated period of use of 2-38 years and a discount rate of 0.00%-2.27% are used to calculate the amount of the asset retirement obligations.

C. Changes in the total amount of the asset retirement obligations for the fiscal years ended March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Balance at beginning of year	¥ 197	¥ 557	\$ 1,233
Increase due to acquisition of property, plant and equipment	2	4	16
Accretion expenses	0	0	0
Decrease due to fulfillment of asset retirement obligations	(2)	(365)	(15)
Decrease due to changes in estimates ..	(64)	—	(404)
Balance at the end of year	¥ 132	¥ 197	\$ 830

36. Revenue Recognition

(1) Information about breakdown of revenue from contracts with customers

The sales of the Company are mainly revenue recognized from contracts with customers, and the breakdown of the reportable segments of the Company by region for the years ended March 31, 2026 and 2025 are as follows:

	Millions of yen					
	2026					
	Reportable segments					
	Functional Chemicals	Pharmaceuti cals, Medicals and Health	Explosives & Propulsion	Subtotal	Others	Total
Net sales						
Japan	¥ 100,397	¥ 23,868	¥ 61,514	¥ 185,780	¥ 490	¥ 186,271
Asia	33,433	3,489	128	37,051	117	37,168
Europe	6,821	10,358	32	17,212	—	17,212
Others	5,098	12,214	1	17,314	—	17,314
Sales to customers ...	¥ 145,751	¥ 49,931	¥ 61,675	¥ 257,358	¥ 608	¥ 257,967

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Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

Millions of yen						
2025						
Reportable segments						
	Functional Chemicals	Pharmaceuticals, Medicals and Health	Explosives & Propulsion	Subtotal	Others	Total
Net sales						
Japan	¥ 104,749	¥ 22,042	¥ 38,646	¥ 165,439	¥ 469	¥ 165,908
Asia	34,800	2,518	87	37,406	116	37,523
Europe	6,513	13,946	24	20,484	—	20,484
Others	4,851	9,524	17	14,393	—	14,393
Sales to customers ...	¥ 150,915	¥ 48,033	¥ 38,775	¥ 237,724	¥ 585	¥ 238,310

Thousands of U.S. dollars (Note 7)						
2026						
Reportable segments						
	Functional Chemicals	Pharmaceuticals, Medicals and Health	Explosives & Propulsion	Subtotal	Others	Total
Net sales						
Japan	\$ 627,957	\$ 149,289	\$ 384,751	\$ 1,161,998	\$ 3,070	\$ 1,165,069
Asia	209,117	21,824	800	231,742	734	232,477
Europe	42,667	64,792	201	107,661	—	107,661
Others	31,887	76,400	8	108,295	—	108,295
Sales to customers ...	\$ 911,630	\$ 312,306	\$ 385,762	\$ 1,609,699	\$ 3,804	\$ 1,613,504

Notes:

1. The “Others” category represents segments other than the reportable segments, which includes transportation, real estate sales and administrative operations.
2. Sales are mostly revenue recognized from contracts with customers, and revenue recognized from other sources is not presented separately as it is not material.
- (2) Basic information to understand revenue from contracts with customers
For details, please refer to Note 2 “Summary of significant accounting policies” (12) “Reporting of significant revenue and expenses”.
- (3) Information about the relationship between the satisfaction of performance obligations based on contracts with customers and cash flows arising from the contracts, and the amount and timing of revenues from contracts with customers existing at the end of the fiscal year that are expected to be recognized in the following fiscal years.

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Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

- 1) Balance of contract assets and contract liabilities, etc. as of March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Receivables from contracts with customers:			
Balance at beginning of year	¥ 61,901	¥ 57,706	\$ 387,177
Balance at end of year	76,247	61,901	476,904
Contract assets:			
Balance at beginning of year	897	456	5,612
Balance at end of year	2,260	897	14,138
Contract liabilities:			
Balance at beginning of year	5,218	3,903	32,637
Balance at end of year	16,855	5,218	105,425

Notes:

- Contract assets are related to consideration recognized based on the satisfaction of performance obligations of the Functional Chemicals Segment and the Explosives & Propulsion Segment, and are included in “Notes and accounts receivable - trade, and contract assets” on the consolidated balance sheet.
- Contract liabilities are related to advances received from customers and are included in “Other current liabilities” under current liabilities on the consolidated balance sheet.
- Out of the revenue recognized in the fiscal year, the amount included in the beginning balance of contract liabilities is ¥3,532 million (US\$22,092 thousand) at March 31, 2026, and ¥3,741 million (US\$25,022 thousand) at March 31, 2025.
- In the current fiscal year, the amount of revenue recognized from performance obligations that have been satisfied (or partially satisfied) in previous fiscal years is immaterial.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

2) Transaction price allocated to the remaining performance obligations

In the current fiscal year, the transaction price allocated to the remaining performance obligations is ¥84,986 million (US\$531,561 thousand). If contractual assumptions are met, this amount is expected to be recognized as revenue within approximately 4 years from the end of the current fiscal year.

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 royalties 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		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Within one year	¥ 53,667	¥ 18,277	\$ 335,671
After one year	31,318	28,791	195,890
Total.....	<u>¥ 84,986</u>	<u>¥ 47,068</u>	<u>\$ 531,561</u>

37. Segment information

- (1) The Company's reportable segments are the business units for which the Company is able to obtain respective financial information separately in order for the highest decision-making body to conduct periodic investigations to determine the distribution of management resources and evaluate their business results. The Company formulates comprehensive domestic and overseas strategies for the products it handles and engages in business activities.

The Company's reportable segments are as follows:

1. Functional Chemicals --- fatty acids, fatty acid derivatives, surfactants, ethylene oxide/propylene oxide derivatives, organic peroxides, petrochemicals, functional polymers, electronic materials, and special anti-corrosion coatings.
2. Pharmaceuticals, Medicals and Health
--- processed edible oils, functional food materials, healthcare foods products, biocompatible materials, and raw materials for DDS (drug delivery system).

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

3. Explosives & Propulsion --- industrial explosives, space-related products, defense-related products, and functional products.

The accounting policies of the reportable segments are mostly the same as those in Note 2 “Summary of significant accounting policies”

Profit by reportable segment is the figure for operating profit.

Inter-segment transaction prices and transfer prices are based primarily on market prices and manufacturing costs.

Millions of yen								
2026								
Reportable segments								
Functional Chemicals	Pharmaceuticals, Medicals and Health	Explosives & Propulsion	Subtotal	Others	Total	Adjustments	Consolidated	
Net sales								
Sales to external customers.....	¥ 145,751	¥ 49,931	¥ 61,675	¥ 257,358	¥ 608	¥ 257,967	¥ —	¥ 257,967
Intersegment sales or transfers.....	4,655	1,091	17	5,764	9,503	15,267	(15,267)	—
Total.....	150,407	51,022	61,693	263,123	10,111	273,234	(15,267)	257,967
Segment profit.....	¥ 26,846	¥ 15,816	¥ 7,979	¥ 50,642	¥ 434	¥ 51,076	¥ (3,665)	¥ 47,411
Segment assets	141,835	52,974	99,956	294,767	4,984	299,751	99,417	399,168
Other items								
Depreciation.....	3,745	2,073	15,725	21,544	84	21,628	488	22,116
Increase in property, plant and equipment and intangible assets	5,888	2,288	25,733	33,910	130	34,040	398	34,438

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Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

Thousands of U.S. dollars (Note 7)								
2026								
	Reportable segments				Others	Total	Adjustments	Consolidated
	Functional Chemicals	Pharmaceuticals, Medicals and Health	Explosives & Propulsion	Subtotal				
Net sales								
Sales to external customers.....	\$ 911,630	\$ 312,306	\$ 385,762	\$ 1,609,699	\$ 3,804	\$ 1,613,504	\$ –	\$ 1,613,504
Intersegment sales or transfers.....	29,120	6,825	110	36,055	59,440	95,495	(95,495)	–
Total.....	940,750	319,131	385,872	1,645,754	63,244	1,708,999	(95,495)	1,613,504
Segment profit.....	\$ 167,915	\$ 98,929	\$ 49,907	\$ 316,751	\$ 2,715	\$ 319,467	\$ (22,925)	\$ 296,542
Segment assets	887,137	331,341	625,199	1,843,677	31,174	1,874,851	621,825	2,496,677
Other items								
Depreciation.....	23,426	12,969	98,358	134,753	526	135,279	3,054	138,334
Increase in property, plant and equipment and intangible assets	36,829	14,316	160,953	212,098	815	212,914	2,490	215,405

Notes:

1. The “Others” category consists of business that is not included in reportable segments. It includes transportation, real estate sales, and management services, etc.
2. An adjustment is as follows
 - 1) An adjustment of negative ¥3,665 million (negative US\$22,925 thousand) in segment profit includes negative ¥26 million (negative US\$162 thousand) eliminated for intersegment transactions, and negative ¥3,639 million (negative US\$22,762 thousand) for company-wide expenses that is not allocated for each reportable segment. Company-wide expenses mainly include general and administrative expenses that are not attributable to reportable segments.
 - 2) The adjustment of ¥99,417 million (US\$621,825 thousand) for segment assets includes intersegment elimination of negative ¥40,026 million (negative US\$250,351 thousand) and ¥139,443 million (US\$872,177 thousand) for company-wide assets that are not allocated for each reportable segment. Company-wide assets mainly include assets related to administrative divisions that are not attributable to reportable segments.
 - 3) The adjustment of ¥488 million (US\$3,054 thousand) for depreciation represents depreciation related to company-wide assets.
 - 4) The adjustment of ¥398 million (US\$2,490 thousand) for increase in property, plant and equipment and intangible assets represents an increase in company-wide assets.

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Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

3. Segment profit is adjusted with operating profit in the consolidated statements of income.
4. In “Explosives & Propulsion”, Depreciation (under Other items) includes the amount expensed in connection with investments in defense-related equipment for rapid acquisition.
5. In “Explosives & Propulsion”, Increase in property, plant and equipment and intangible assets (under Other items) includes the amount related to investments in defense-related equipment for rapid acquisition.

Millions of yen								
2025								
Reportable segments								
Functional Chemicals	Pharmaceuticals, Medicals and Health	Explosives & Propulsion	Subtotal	Others	Total	Adjustments	Consolidated	
Net sales								
Sales to external customers.....	¥ 150,915	¥ 48,033	¥ 38,775	¥ 237,724	¥ 585	¥ 238,310	¥ –	¥ 238,310
Intersegment sales or transfers.....	3,775	1,111	12	4,899	8,918	13,818	(13,818)	–
Total.....	154,691	49,144	38,788	242,624	9,504	252,128	(13,818)	238,310
Segment profit.....	¥ 29,797	¥ 15,697	¥ 3,130	¥ 48,625	¥ 348	¥ 48,974	¥ (3,665)	¥ 45,308
Segment assets	133,322	54,911	77,144	265,377	4,624	270,001	87,194	357,196
Other items								
Depreciation.....	3,614	1,391	2,393	7,399	94	7,494	470	7,965
Increase in property, plant and equipment and intangible assets	6,374	7,825	3,722	17,922	99	18,021	359	18,381

Notes:

1. The “Others” category consists of business that is not included in reportable segments. It includes transportation, real estate sales, and management services, etc.
2. An adjustment is as follows
 - 1) An adjustment of negative ¥3,665 million in segment profit includes ¥46 million eliminated for intersegment transactions, and negative ¥3,712 million for company-wide expenses that is not allocated for each reportable segment. Company-wide expenses mainly include general and administrative expenses that are not attributable to reportable segments.
 - 2) The adjustment of ¥87,194 million for segment assets includes intersegment elimination of negative ¥34,978 million and ¥122,172 million for company-wide assets that are not allocated for each reportable segment. Company-wide assets mainly include assets related to administrative divisions that are not attributable to reportable segments.

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Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

- 3) The adjustment of ¥470 million for depreciation represents depreciation related to company-wide assets.
- 4) The adjustment of ¥359 million for increase in property, plant and equipment and intangible assets represents an increase in company-wide assets.
3. Segment profit is adjusted with operating profit in the consolidated statements of income.

(2) Information related to reportable segments

- 1) The Group's sales by geographical area for the years ended March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Japan	¥ 186,271	¥ 165,908	\$ 1,165,069
Asia	37,168	37,523	232,477
Europe	17,212	20,484	107,661
Others	17,314	14,393	108,295
Total	<u>¥ 257,967</u>	<u>¥ 238,310</u>	<u>\$ 1,613,504</u>

- 2) The Group's property, plant and equipment by geographical area as of March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Japan	¥ 87,889	¥ 77,188	\$ 549,718
Others	8,837	7,881	55,278
Total	<u>¥ 96,726</u>	<u>¥ 85,069</u>	<u>\$ 604,997</u>

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Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

3) Information for each of main customers:

【Related segment】 Functional Chemicals	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Customer :			
Ryohin Keikaku Co., Ltd.	Net sales	¥ 29,475 ¥ 32,237	\$ 184,362

38. Related party transactions

The information for the fiscal years ended March 31, 2026 and 2025 was not disclosed because there were no significant transactions with related parties.

39. Per share information

Profit attributable to owners of parent per share of common stock is based upon the weighted average number of shares outstanding during each fiscal year.

	Yen		U.S. dollars (Note 7)
	2026	2025	2026
Profit attributable to owners of parent:			
Basic earnings per share	¥ 176.34	¥ 153.88	\$ 1.10
Cash dividends applicable to the year	61.00	45.00	0.38
Net assets per share.....	1,304.33	1,192.67	8.16

Profit attributable to owners of parent – diluted for the years ended March 31, 2026 and 2025 are not disclosed because there are no diluted shares.

Cash dividends per share applicable to the period for the current fiscal year, comprise interim dividends of ¥26.00 and year-end dividends of ¥35.00.

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

Number of shares issued that were excluded for the purpose of calculating per share information 114,100 at March 31, 2026, and 116,100 at March 31, 2025.

Average number of shares that were deducted for the purpose of calculating per share information 114,715 during the year ended March 31, 2026 and 116,100 during the year ended March 31, 2025.

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For the years ended March 31, 2026 and 2025

Basis for calculating profit attributable to owners of parent:

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2026	2025	2026
Profit attributable to owners of parent	¥ 40,550	¥ 36,497	\$ 253,630
Amount not available to common shareholders	—	—	—
Profit attributable to owners of parent related to common shares	¥ 40,550	¥ 36,497	\$ 253,630
Average number of shares outstanding (1,000 shares).....	<u>229,950</u>	<u>237,181</u>	

40. Subsequent events

(Purchase of treasury shares)

The Company has resolved the following matters pertaining to the purchase of its treasury shares pursuant to the provisions of Article 156 of the Companies Act, applied by replacing terms pursuant to the provisions of Article 165, paragraph (3) of said Act, at the meeting of the Board of Directors held on May 11, 2026.

1. Reasons for purchase of treasury shares

The Company recognizes the stable return of profits to its shareholders as an important managerial issue.

For the dividend policy set forth in the Mid-Term Management Plan “NOF VISION 2030 Stage II” (FY2023 to FY2025) that was announced in May 2023, the Company has established a basic policy of maintaining a stable return of profits and set a target level for the total payout ratio of around 50% for the final fiscal year of the current Mid-Term Management Plan (FY2025).

In order to further return profits to shareholders with an awareness of improving capital efficiency, the Company has decided to purchase treasury shares.

In the next Mid-Term Management Plan “NOF VISION 2030 Stage III” (FY2026 to FY2028), the Company will continue to focus on providing the stable returns of profits to its shareholders.

2. Details of the Board of Directors resolution regarding the purchase

- | | |
|---|--|
| (1) Class of shares to be purchased: | Common shares of the Company |
| (2) Total number of shares to be purchased: | 1,700,000 shares (maximum) |
| (3) Total purchase price of shares: | ¥5,000,000,000 (maximum) |
| (4) Period of purchase: | From May 12, 2026
through June 30, 2026 |

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements For the years ended March 31, 2026 and 2025

(5) Method of purchase:	Open-market purchase on the Tokyo Stock Exchange
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(Purchase and cancellation of treasury shares)

The Company has resolved the matters pertaining to the purchase of its treasury shares pursuant to the provisions of Article 156 of the Companies Act, applied by replacing terms pursuant to the provisions of Article 165, paragraph (3) of said Act, and the matters pertaining to the cancellation of its treasury shares pursuant to the provisions of Article 178 of the Companies Act, at the meeting of the Board of Directors held on August 5, 2026.

1. Reasons for purchase and cancellation of treasury shares

The Company recognizes the stable return of profits to its shareholders as an important managerial issue.

In the Mid-Term Management Plan “NOF VISION 2030 Stage III” (FY2026 to FY2028) that was announced in May 2026, the Company maintains a basic policy of stable shareholder returns and has set a target total payout ratio of 70% or more. Based on this basic policy, the Company has decided to purchase and cancel treasury shares.

2. Details of the Board of Directors resolution regarding the purchase

(1) Class of shares to be purchased:	Common shares of the Company
(2) Total number of shares to be purchased:	2,000,000 shares (maximum)
(3) Total purchase price of shares:	¥5,000,000,000 (maximum)
(4) Period of purchase:	From August 6, 2026 through September 30, 2026
(5) Method of purchase:	Open-market purchase on the Tokyo Stock Exchange

3. Details of the Board of Directors resolution regarding the cancellation

(1) Class of shares to be cancelled:	Common shares of the Company
(2) Total number of shares to be cancelled:	10,000,000 shares
(3) Scheduled date of cancellation:	September 30, 2026
(4) Total number of outstanding shares after the cancellation:	226,524,128 shares