

Integrated Report 2021



From the Biosphere to Outer Space

 **NOF CORPORATION**

From the Biosphere to Outer Space

Sustainable Chemistry for You

The NOF Group is a chemical manufacturer that provides products in a wide variety of fields, ranging from the biosphere to outer space.

We believe that, for a chemical manufacturer to engage in sustained business activities, its activities and products should be not only useful to society but also in harmony with social environment and natural environment so that they can be recognized, appreciated and accepted by society.

We intend to convey products that truly fit the needs of society and people's lives.

The NOF Group supports customers around the world through various businesses at anytime and anywhere.

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Corporate Philosophy

The NOF Group is dedicated to contributing to mankind and society through the creation of new value "from the biosphere to outer space."

1. Satisfy customer needs by providing the highest quality products and services on a global basis.
2. Leverage the Group's collective strengths to develop cutting-edge technologies and superior products that open up new possibilities.
3. Work in harmony with the environment and ensure the safety of products and business activities.
4. Maintain suitable levels of earnings and reward stakeholders with fair return.
5. Encourage employees to take on new challenges, working to create a rewarding place to work and fulfilling lifestyles.

Message from the President



We will create new value that will contribute to mankind and society in a wide variety of fields from the biosphere to outer space.

Thank you very much for your interest in the Integrated Report 2021 of the NOF Group.

The NOF Group is engaged in multifaceted business operations offering innovative products under the Corporate Philosophy of “Contributing to Mankind and Society through the Creation of New Value in Wide-ranging Fields from the Biosphere to Outer Space” in our three prioritized business fields of “life/healthcare,” “electronics/IT” and “environment/energy.”

To take its next leap forward, the NOF Group formulated NOF VISION 2025, which kicked off in 2020. We have defined the first three years of the vision, or the period covered by our 2022 Mid-term Management Plan, as Stage I: Strengthening Foundation, and the latter three years as Stage II: Expanding Profit. Under this scheme, we are pursuing initiatives such as investing actively in growth areas and enhancing our profitability.

Today, society is facing many challenges, including climate change, shortages of water and food resources, and human rights issues, and the expectations and demands on companies regarding the achievement of the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015 are growing year by year. Especially this past year, ambitious policies were announced by Japan and other countries around the world to combat climate change and achieve decarbonized societies. Strong calls for companies to reduce their greenhouse gas emissions also became even more accelerated.

The COVID-19 pandemic has also been spreading globally for more than a year. As social life and corporate activities have been greatly restricted, social systems have changed centered on digitization, while people have grown increasingly conscious of safety and security.

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

We shall be grateful if you would give your further support to the NOF Group and express your candid opinions.

President and Chief
Executive Officer

Takeo Miyaji



We will accurately assess and respond to changes in the business environment and boldly take on new challenges.

President and Chief Executive Officer
Takeo Miyaji

Reflecting on fiscal 2020 and assessing conditions in fiscal 2021

Business environment remains uncertain as the impact of the COVID-19 pandemic continues

Fiscal 2020 experienced a rapid deterioration of the economy due to the global spread of COVID-19 infections, but there were some signs of recovery toward the end of the fiscal year. Economic conditions remain challenging in fiscal 2021 as variants of the virus spread and restrictions on economic activities are once again tightened.

While we expect to see continued impact from COVID-19, we anticipate further recovery in economic levels and demand driven by the economic stimulus measures of governments around the world and increased vaccine availability. At the same time, we see such risks as supply chain instability caused by prolonged tensions between the United States and China, as well as higher raw fuel prices. As such, uncertainty persists in our business environment.

Although net sales and operating income were down year-on-year, consolidated ordinary income remained on par with the previous year's level in fiscal 2020

In fiscal 2020, consolidated net sales were down from the previous fiscal year. In the Life Science Segment, demand increased for MPC-related products and raw materials for drug formulations. However, in the Functional Chemicals and Explosives & Propulsion segments, demand decreased and net sales fell sharply due to factors such as reduced automobile production and the loss of inbound tourism demand caused by the COVID-19 pandemic. Consolidated operating income did not reach the previous year's level despite growth in the Life Science Segment offsetting the decline in the Functional Chemicals Segment.

In the latter half of fiscal 2021, the impact from the pandemic is expected to be mitigated and demand is projected to recover in many fields. However, we also anticipate that demand for MPC-related products will become subdued while demand for raw materials for drug formulations will continue.

We expect total consolidated net sales for fiscal 2021 to recover to a level exceeding that of fiscal 2020, driven primarily by growth in the Functional Chemicals Segment on the back of a recovery in demand. As with net sales, we expect consolidated operating income to recover in fiscal 2021, driven primarily by the Functional Chemicals Segment, and while we expect to see impact from higher raw fuel prices, we will implement initiatives aimed at achieving the total operating income result that we forecast at the beginning of the fiscal year.

Update on Stage I of NOF VISION 2025 (2022 Mid-term Management Plan)

Striving to achieve 2022 Mid-term Management Plan

Under NOF Vision 2025, we have defined the period covered by our 2022 Mid-term Management Plan as Stage I: Strengthening Foundation. During this stage, we have been investing actively in growth fields and working to bolster the earnings bases of businesses with low profitability. Given the importance placed on diversity and the extremely rapid pace of changes in the social environment today, the NOF Group is being called on as a functional materials manufacturer to create diverse materials based on more flexible thinking than ever before. In keeping with our 2022 Mid-term Management Plan's basic policy of "Challenge and Co-Cre-ate," we will create new value by taking on changes and pursuing synergies both within and outside the Group. In fiscal 2022, the final year of this stage, we plan to achieve operating income of ¥29.0 billion, an operating income margin of at least 15%, and both ROA and ROE of at least 10%, and implement various measures to realize our vision for fiscal 2025.

Striving to provide new value in our three prioritized business fields of “life/healthcare,” “electronics/IT,” and “environment/energy”

In our efforts to provide new values to realize a prosperous and sustainable society, we have identified the following four materiality items: “innovation through business,” “contribution to medicine, medical care, and health,” “contribution through environmentally-friendly products,” and “contribution to smart society.” We have incorporated these items into our 2022 Mid-term Management Plan in the form of three basic strategies: “expanding business into the growth market,” “accelerating development of new products and techniques,” and “strengthening collaboration internally and externally,” and we will undertake concrete initiatives based on these strategies.

In the “life/healthcare” and “environment/energy” fields, we have already developed new products capable of responding to new demand and will be rolling those out to the market. In the “electronics/IT” field, we will work on developing technologies that address changes in demand such as the advent of 5G.

In fiscal 2020, net sales of high-function and high-value added products in the “life/healthcare” field rose to 107.8 if the previous fiscal year’s level is set at 100. We intend to continue to focus on this field as we can expect continued growth of the market.

Investing actively in growth fields

At our Kawasaki Works, we completed additional construction of a manufacturing facility for life science products on schedule, spending roughly ¥2.4 billion, and the facility is expected to start its operation in the autumn of 2021. We have booked a wide variety of projects ranging from research to clinical trials and approved drugs in the field of biotech drugs using the likes of proteins and antibodies. We will fulfill this abundant demand.

Other investments in growth areas include additional construction of manufacturing facilities for functional chemicals products at our Amagasaki Plant and Kawasaki Works. We expect both facilities to be completed and start operation on schedule.

Our capital investment totaled ¥8.4 billion in fiscal 2020, and we will continue our active investment, as we plan ¥9.1 billion in capital investment for fiscal 2021.

Increasing R&D spending with a focus on Life Science Segment and Corporate R&D Division

In fiscal 2020, we established the I&S (Innovation & Solution) department and opened an R&D facility at iCONM (Innovation Center of NanoMedicine, Kawasaki Institute of Industrial Promotion). In addition to undertaking research into next-generation materials and technologies at our Advanced Technology Research Laboratory, we will use our newly established I&S department and the research base at iCONM to promote open innovation related to advanced medical technique and regenerative medicine in the “life/healthcare” field in collaboration with government and academia.

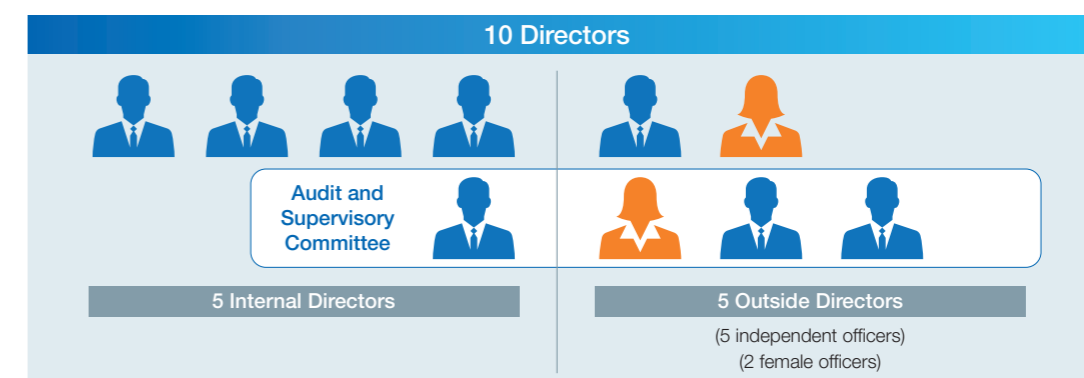
In fiscal 2021, we will expand our research themes centered on iCONM’s research base and build a system for providing new products by installing GMP-compliant small-lot production system. Furthermore, with the aim of discovering new materials and developing new formulations using materials informatics (MI), we will work toward the introduction of MI, while undertaking a proof-of-concept experiment.

More robust governance

A new Board of Directors

At the 98th General Meeting of Shareholders held in June 2021, NOF transitioned to a Company with an Audit and Supervisory Committee, for the purpose of further strengthening the oversight function of the Board of Directors and enabling flexible decision-making in order to enhance management efficiency. In addition, we formed a new Board of Directors comprised of five Internal Directors and five Outside Directors, two of whom are female Directors.

With the ratio of Outside Directors increased to 50% and the ratio of female Directors increased to 20%, the new board will endeavor to ensure more objective and fair management.



Creating a comfortable workplace

Work-from-home system made into an official system after a yearlong trial period

The NOF Group is working to ensure the safety of Group employees and other relevant parties by taking a variety of measures to prevent COVID-19 infections. As of April 2021, we made the work-from-home scheme, which had been practiced on a trial basis as a means of preventing infections, into an official system. Our objective is not only to ensure business continuity in the event of emergency and to respond to societal demands, but also to enable flexible working styles.

The NOF Group has been preparing systems to support working styles that emphasize a balance between work and life outside of work, such as childbirth, parenting, and nursing care. These systems are intended to allow individual employees to choose flexible working styles suited to each stage of life. We have decided to give our employees an additional working style option by establishing the new work-from-home system.

The NOF Group will continue to create systems that enable all its employees to demonstrate their maximum potential.

Combatting climate change

Creating a roadmap to carbon neutrality

Japan's prime minister declared in October 2020 that Japan would achieve carbon neutrality by 2050. In April 2021, it was also announced that Japan would target a 46% cut in greenhouse gas emissions in fiscal 2030 compared to the fiscal 2013 level. In response to these announcements, the NOF Group also began specific discussions on measures for reaching carbon neutrality by 2050. At present, the NOF Group continues to engage in initiatives to reduce greenhouse gas emissions with a target of reducing our CO₂ emissions/basic unit per net sales by 30% in fiscal 2030 compared to the fiscal 2013 level. In parallel to these efforts, we will finalize a broad outline of key measures during the period covered by our 2022 Mid-term Management Plan.

The NOF Group is a chemical manufacturer engaged in B2B businesses whereby we manufacture a variety of chemical products to be used as raw materials for the products of our client companies. Approximately 90% of the greenhouse gases that we emit originate from energy. One example of such energy is the electricity used to operate equipment in our plants (mixers, pumps, measuring equipment, freezers), keep our products and materials stored at low temperatures, and provide light. Other examples include the fuels such as the utility gas and LPG that powers the boilers that we use to create steam for applying heat. For

this reason, we will work to reduce our greenhouse gas emissions by focusing on achieving low-carbon or zero-carbon manufacturing processes.

Decarbonization by using power generated from renewable sources such as solar or wind is a major direction in our efforts, and the NOF Group will proceed with efforts to electrify our non-electric equipment. However, there are also many external and internal challenges to be overcome, including the fact that we are not necessarily able to procure 100% of our power from renewable sources, that there is a possibility that some manufacturing processes remain unable to be electrified, and that there will be some by-products that need to be incinerated. In order to achieve decarbonization, we will need to strive for carbon neutrality by combining low-carbon (i.e., transitional) technologies and negative emission technologies. To that end, we will also consider proactively adopting externally developed technologies.

In order for a product to be carbon neutral throughout its life cycle, it is important to design it with intentions to achieve carbon neutrality from the R&D stage. It is essential that we establish specifications and mechanisms conscious of carbon neutrality in all processes, ranging from raw material procurement, through manufacturing, sales and logistics, and usage, to disposal. For that purpose, I believe that we are required to conduct R&D activities that break away from traditional ones.

Looking ahead to fiscal 2025



In the future, even if the spread of the COVID-19 pandemic is contained, we expect the way we work and our social systems, which have drastically altered, will further continue to change without returning to what they used to be. Under NOF VISION 2025, we will continue to create the NOF Group's system that is attuned to these changes as we prepare for our next leap forward.

In an ever-changing society, corporate social responsibility (CSR) is a never-changing important issue. Being a part of efforts to achieve the SDGs and contributing to realizing a sustainable society is not only our duty as a corporate citizen but also a challenge to be tackled. It is vital to have the mindset of trying to achieve greater wealth of society as a whole while trying to increase earnings for ourselves as a company. The NOF Group will steadily implement its CSR initiatives and continue to contribute to the realization of a sustainable society.

Mid-term Management Plan

Toward Our Vision for 2025

Vision

A corporate group that co-creates new value with the power of chemistry in the three business fields of “Life/Healthcare,” “Electronics/IT,” and “Environment/Energy,” in order to realize a prosperous and sustainable society

NOF VISION 2025

2022 Mid-Term Plan - Stage I

2025 Mid-Term Plan - Stage II

Strengthening Foundation

- Actively invest in growth fields
- Improvement in profitability of less profitable businesses

Expanding Profit

- Establish high-profit structure

FY2022

Operating income **¥29.0billion**
Ratio of operating income to net sales **over 15%**

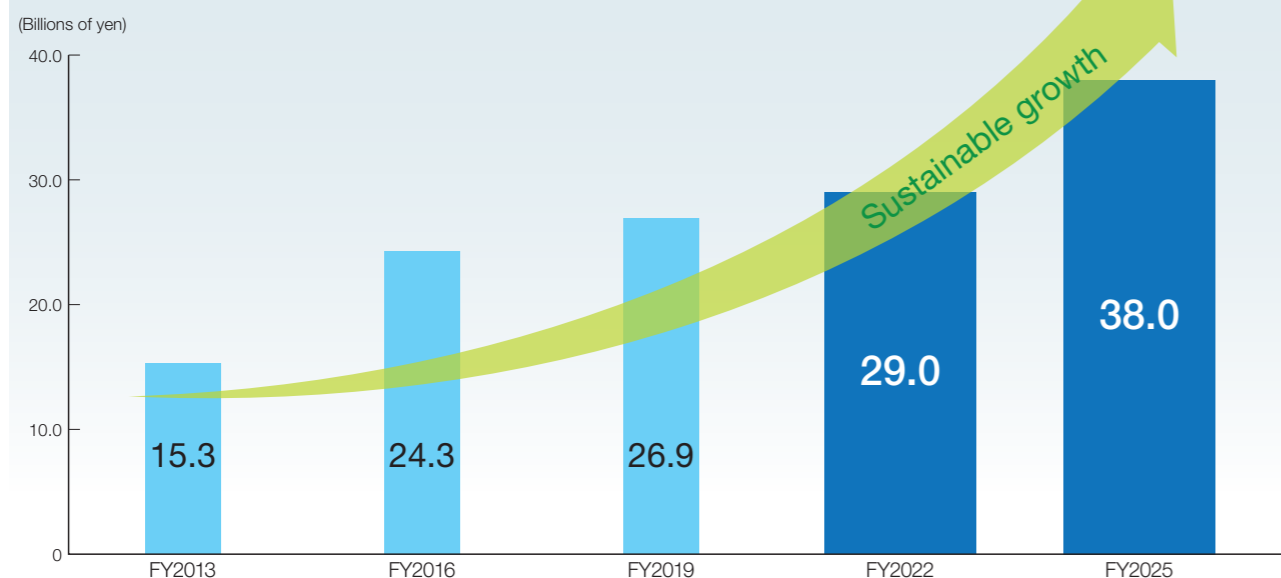
FY2025

Operating income **¥38.0billion**
Ratio of operating income to net sales **over 15%**

Basic policy for 2022 Mid-Term Plan

challenge and co-create

basic strategies 1	basic strategies 2	basic strategies 3	basic strategies 4	basic strategies 5
Expanding business into the growth market	Accelerating development of new products and techniques	Strengthening collaboration internally and externally	Improving productivity	Promoting CSR activities



2022 Mid-Term Plan Targets

(Billions of yen, %)

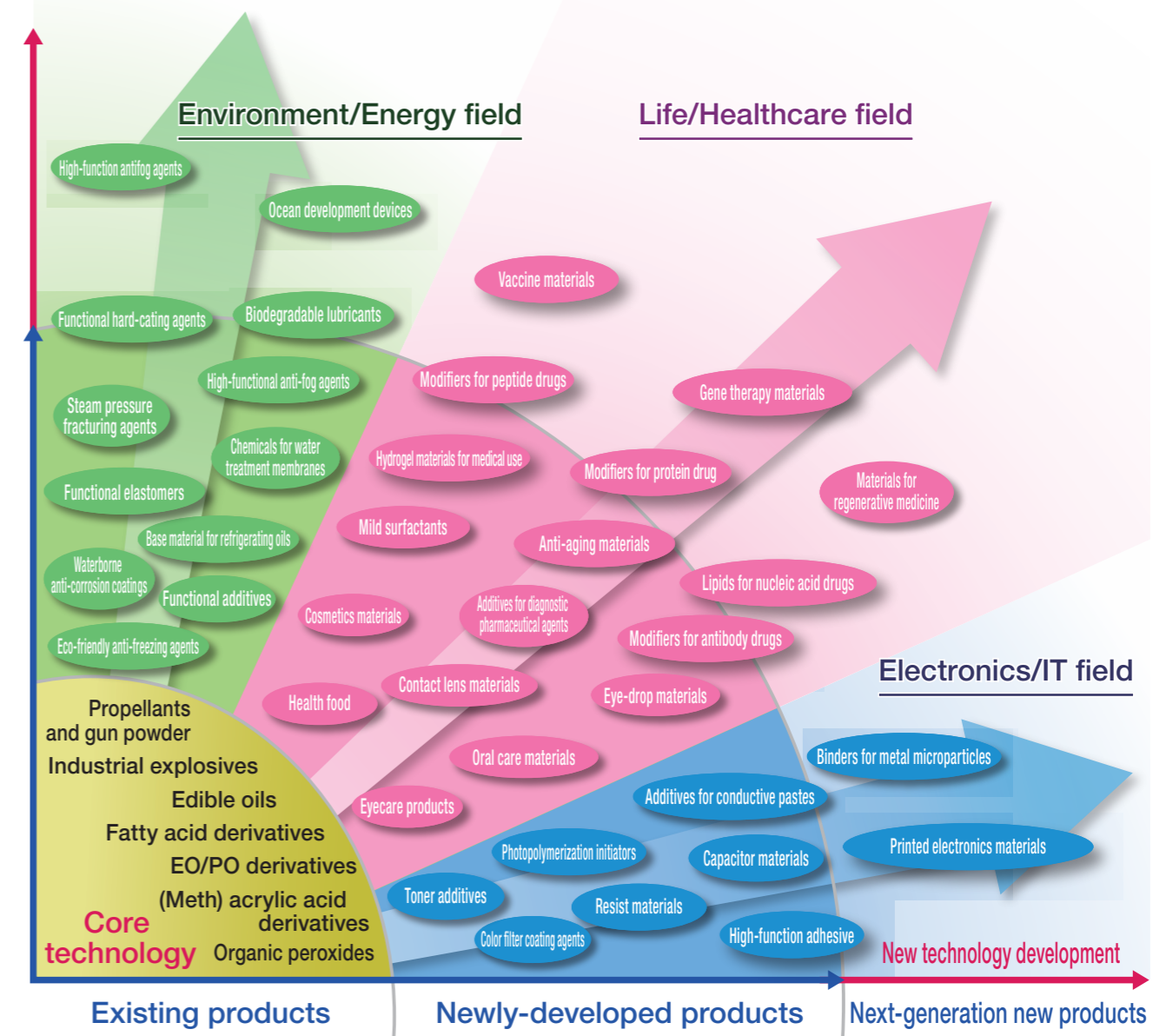
	FY2020 Results	FY2021 Forecast	FY2022 Plan	FY2025 Plan
Net sales	172.6	175.0 (183.7)	179.0 (188.0)	210.0 (222.0)
Operating income	26.6	26.5	29.0	38.0
Ratio of operating income to net sales	15.4	15.1 (14.4)	over 15	over 15
ROA ^{*1}	11.4	over 10	over 10	—
ROE ^{*2}	12.2	over 10	over 10	—

Figures in parentheses are prior to the adoption of the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), etc.

*1 : ROA: Return on assets, ratio of ordinary income to total assets

*2 : ROE: Return on equity, ratio of net income to shareholders equity

Prioritized business fields of the NOF Group



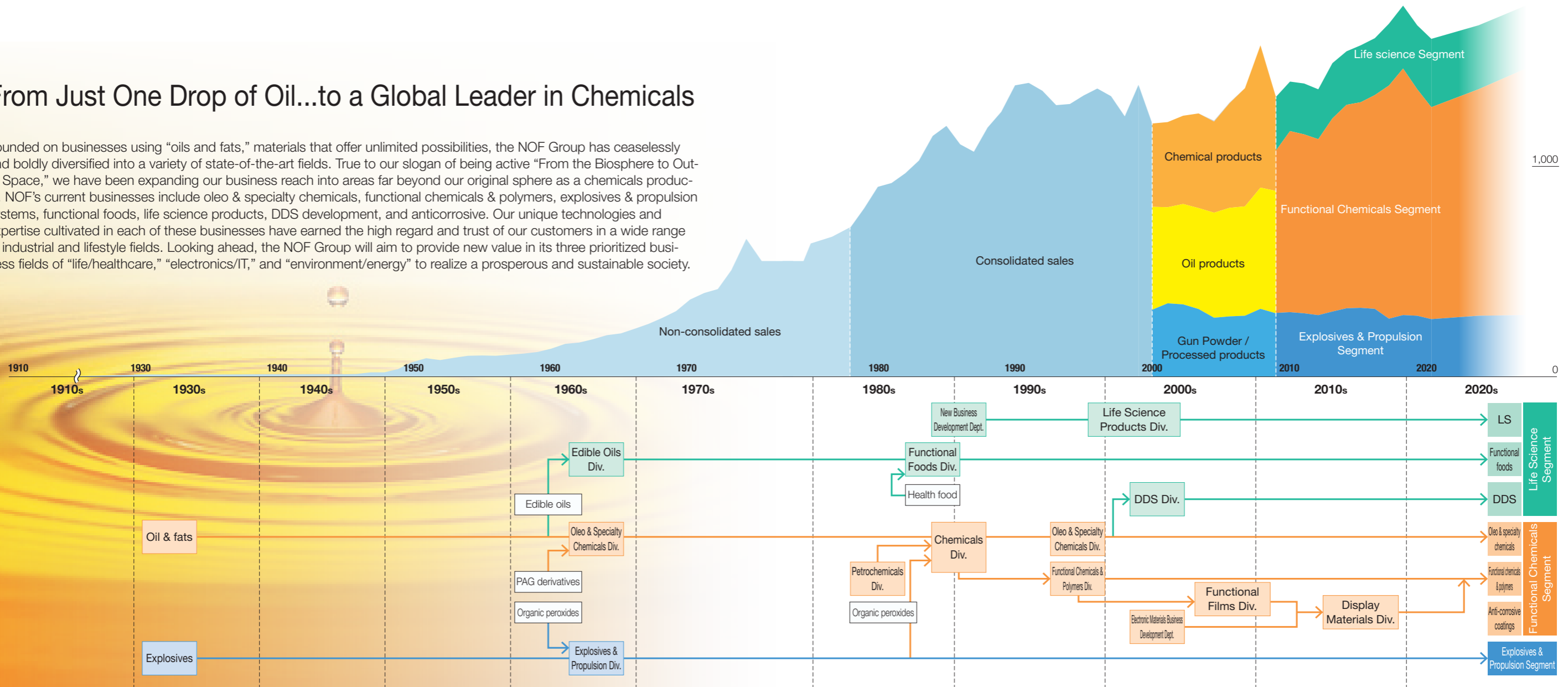
(Note) Ethylene oxide/propylene oxide derivatives PAGE 8

Corporate History

Net sales (billions of yen)
2,000

From Just One Drop of Oil...to a Global Leader in Chemicals

Founded on businesses using “oils and fats,” materials that offer unlimited possibilities, the NOF Group has ceaselessly and boldly diversified into a variety of state-of-the-art fields. True to our slogan of being active “From the Biosphere to Outer Space,” we have been expanding our business reach into areas far beyond our original sphere as a chemicals producer. NOF’s current businesses include oleo & specialty chemicals, functional chemicals & polymers, explosives & propulsion systems, functional foods, life science products, DDS development, and anticorrosive. Our unique technologies and expertise cultivated in each of these businesses have earned the high regard and trust of our customers in a wide range of industrial and lifestyle fields. Looking ahead, the NOF Group will aim to provide new value in its three prioritized business fields of “life/healthcare,” “electronics/IT,” and “environment/energy” to realize a prosperous and sustainable society.



1937~

NOF was established as the first Nippon Oil & Fats in June 1937 when its forerunner, Associated Oil and Fats, merged with three companies in the Nippon Sangyo Group – Nippon Food Industries, Kokusan Industry Fuji Paint Works, and Velvet Soap.

After its founding, the Company continued to diversify through mergers with leading companies in other sectors, including Teikoku Explosives Industries, to ultimately grow into a widely diversified chemical industry manufacturer.

Societal Changes and Challenges

Japan's Modernization

- Development of water supply infrastructure
- Insufficient agricultural land
- Recovery from the Great Kanto Earthquake of 1923
- Industrial advancement

1949~

In 1945 the Company acquired the chemical division of Nippon Mining Co., Ltd. and changed its name to Nissan Chemical Industries, Ltd. In 1949, in accordance with the Corporation Reconstruction and Reorganization Law, the Company inherited the oil and fats, explosives, coating, and welding divisions of Nissan Chemical Industries, and once again took the name Nippon Oil and Fats. During this time, the Company entered the petrochemical field, establishing the Chidori Plant in 1961 and the Oita Plant in 1969. In 1983, NOF became one of the first companies to set up a research facility in Tsukuba City. The facility's expertise has been used to good advantage in the pharmaceutical field.

Japan's Postwar Recovery and Rapid Economic Growth

- Shortages of food and daily necessities
- Insufficient electric power
- Transition to heavy and chemical industries
- Increase in plants constructed overseas

1984~

In 1984, NOF moved into the US market for the first time with an investment in METAL COATINGS INTERNATIONAL INC. (now NOF METAL COATINGS NORTH AMERICA INC.), followed by the establishment of NOF AMERICA CORPORATION in 1988. In 1991, the Company moved into Europe. In 2014, it established a German subsidiary, NOF Europe GmbH. In Southeast Asia, NOF set up an Indonesian organic peroxide joint venture in 1995. In addition, to take advantage of China's extraordinary development, the Company established a company in 2004 to manufacture and market fatty acid derivatives and organic peroxides.

An Increasingly Digitalized Society

- Growth of the ozone hole, desertification, and global warming
- Insufficient waste disposal sites
- Creating a resource-recycling society
- Growth of the semiconductor market and increasing demand for semiconductors

1999~

As new business ventures, the Company embarked on the life sciences business in 1999 and the DDS business in 2001. Today both businesses form part of the Company's business operations along with its core business operation consisting of oleo & specialty chemicals, functional chemicals & polymers, explosives & propulsion systems, functional foods, and anti-corrosive. In addition, in 2000, to meet the need to focus and consolidate business territory and management resources, the Company transferred its welding business to TASETO Co., Ltd. and its coatings business to BASF NOF Coatings Co., Ltd. (now BASF Japan Ltd.).

Further, the Company established the Daishi Plant, a new factory for manufacturing edible oils in Kawasaki City in 2004, and the DDS Plant in 2005.

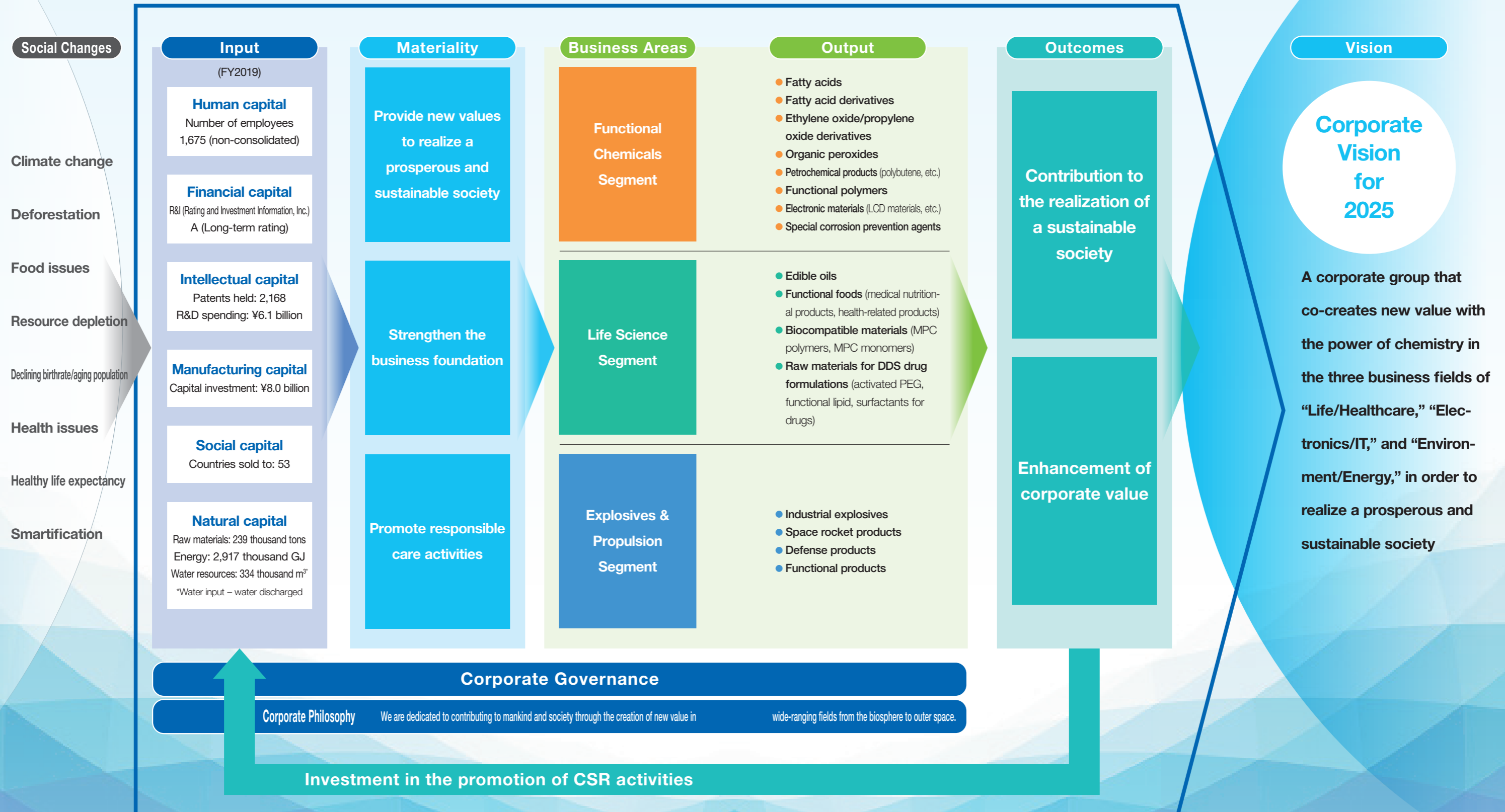
Seeking a Sustainable Society

- Greater interest in environmental issues and stronger measures to prevent global warming
- Increased demand for measures to conserve energy and increase efficiency
- Sudden inflows of rainwater, due primarily to the heat island effect
- Advancement in ICT and accelerated semiconductor technology innovation

Value Creation Process

The NOF Group will roll out new products, created by combining the core technologies we have cultivated through our diverse business developments, in our three prioritized business fields.

By promoting initiatives to address the materialities identified on the basis of various challenges and changes to society, we will achieve growth while maintaining harmony with society.



Materiality

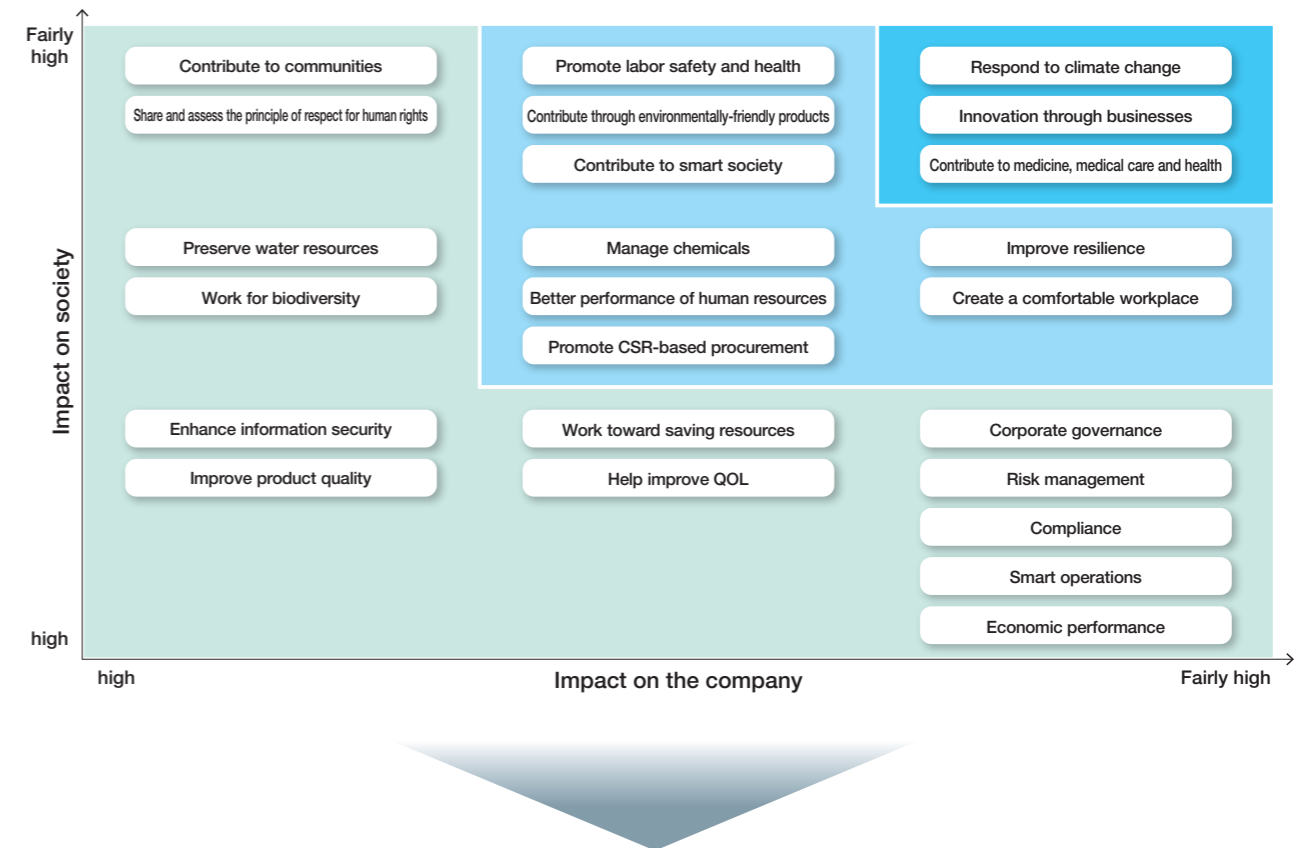
The NOF Group has identified the materialities it needs to address to realize the vision contained in NOF VISION 2025.

Process of identifying materialities



Materiality matrix

The 24 materiality factors were mapped according to the two axes of "degree of impact on society" and "degree of impact on the company" to create a materiality matrix. The 11 items shown in the top right domain were identified as materialities.



The 11 materialities are broadly divided into three categories, and KPIs and numerical targets set (next page) and put into action.

Materiality	Details of major initiatives
Provide new values to realize a prosperous and sustainable society	Targeting the three prioritized business fields, we will aim to offer new value by combining the core technologies we have cultivated through our diverse business development.
Strengthen the business foundation	As well as building a corporate culture that accepts diversity of values, we will appropriately identify changes in the environment and technological progress and enhance our resilience.
Promote responsible care activities	By securing the environment, safety, and health in all processes, from product development and manufacture to disposal, we will aim to be a corporate group that is trusted by the whole of society.

Materiality		Details of major initiatives		Goals (KPI)	Numerical targets	Target year	FY2020 Results
Provide new values to realize a prosperous and sustainable society	Innovation through business	<ul style="list-style-type: none"> Promote joint research Enhance R&D capabilities 	R&D investment	3-year cumulative: ¥21.6 billion	2022	R&D investment: ¥5.7 billion	
			Number of patent applications	3-year cumulative: 450	2022	Number of patent applications: 163	
	Contribution to medicine, medical care, and health	<ul style="list-style-type: none"> Supply high-function and high-value added products to the life/healthcare field 	Net sales of high-function and high-value added products to the life/healthcare field	Average 5% increase per year	2022	If the previous year is 100, 107.8	
	Contribution of environmentally-friendly products (reduction of environmental burden)	<ul style="list-style-type: none"> Supply high-function and high-value added products to the environment/energy field 	Net sales of high-function and high-value added products to the environment/energy field	Average 5% increase per year	2022	If the previous year is 100, 91.2	
	Contribution to smart society	<ul style="list-style-type: none"> Supply high-function and high-value added products to the electronics/IT field 	Net sales of high-function and high-value added products to the electronics/IT field	Average 5% increase per year	2022	If the previous year is 100, 87.3	
Strengthen the business foundation	Creation of comfortable workplace	<ul style="list-style-type: none"> Promote work-life balance Health-conscious management Support childcare and nursing care 	Annual paid leave usage rate	70% or more	2022	Annual paid leave usage rate: 69.3% (Sept. 2019 - Sept. 2020)	
			Percentage of employees who took stress tests	100%	Every year	100%	
	Better performance of human resources	<ul style="list-style-type: none"> Promote the active participation of women Promote employment of people with disabilities 	Percentage of women among career-track hires	30% or more	Every year	Percentage of women among career-track hires: 35.3% (joined in April 2020)	
			Percentage of employees with disabilities	2.30% or more	By March 2022	Percentage of employees with disabilities: 2.301% (as of Mar. 31, 2021)	
	Promotion of CSR procurement	<ul style="list-style-type: none"> Conduct CSR questionnaire for suppliers 	Coverage rate of CSR questionnaire (based on value of purchases)	70% or more	2022	Cumulative coverage rate of CSR questionnaire: 48%	
Resilience enhancement	<ul style="list-style-type: none"> Develop a BCP and conduct BCP audits 	BCP education and training hours	Total of 3,000 hours or more	Every year	Total of 3,900 hours or more		
Promote responsible care activities	Responses to climate change	<ul style="list-style-type: none"> Promote energy saving through improvements to equipment and processes Adopt renewable energies 	CO ₂ emissions/net sales	Compared with FY2013 30% reduction	2030	Greenhouse gases emissions: 10% reduction compared with 2013 Power generated from renewable energies: 17 MWh/year	
	Management of chemicals	<ul style="list-style-type: none"> Reduce (control) emissions of PRTR Act-controlled substances Reduce industrial waste 	Emissions of substances subject to PRTR Act after revision	Identification of emission of chemicals Setting of reduction targets	2021	Reductions of 44% (consolidated) and 47% (non-consolidated) compared with FY2010	
	Labor safety	<ul style="list-style-type: none"> Promote safety education Promote intrinsic safety through equipment improvements 	Frequency rate of labor accidents	0	Every year	1.70	
Number of labor accidents			0	Every year	10		

Provide New Values to Realize a Prosperous and Sustainable Society (R&D)

As long-term challenges become increasingly serious on a global scale, such as global warming, food shortages due to rising populations, and the depletion of resources and energy, there are more and more expectations for innovations in the field of chemical materials to move toward a sustainable society.

To respond to these challenges, the Company is engaged in the development of new technologies and products in its three prioritized business fields of "life/healthcare," "electronics/IT," and "environment/energy." This development is being pursued by research laboratories in its core business units of Oleo & Specialty Chemicals, Functional Chemicals & Polymers, Explosives & Propulsion, Functional Foods, and in two research laboratories in its priority business areas of Life science and DDS.

The Corporate R&D Division, meanwhile, plans and proposes company-wide research strategies and implements various measures aimed at the creation of new business. The Corporate R&D Division's Advanced Technology Research Laboratory develops creative and pioneering materials and technologies that have the potential to drive future markets, and engages in basic research for their application. It has also established a research base in the Innovation Center of NanoMedicine (iCONM), where, in

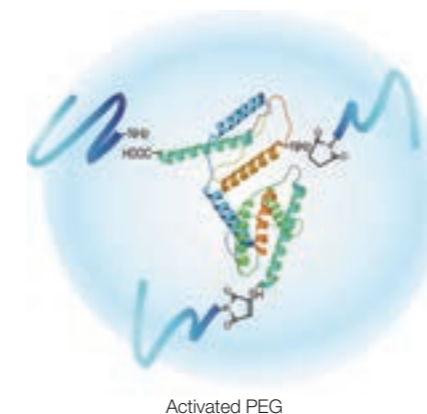
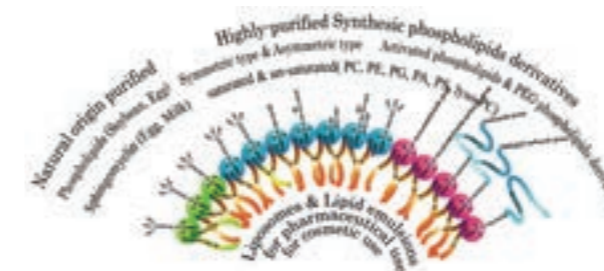
collaboration with government and academia, it is promoting open innovation related to advanced medical technique and regenerative medicine in the life/healthcare field for new business creation.

Going forward, we will further expand our contribution to a sustainable society. To that end, we will proceed with sustainable technological development that takes into account not only raw materials procurement, but also the production front, in order to provide products that are more environmentally friendly. We will proceed with environmentally friendly product development by developing and introducing technologies that utilize biotechnology and fermentation to enable a shift from petroleum-derived materials to sustainable materials, as well as technologies that reduce environmental load during production. We will engage in these efforts in cooperation with companies, universities, and research institutions inside and outside Japan.

For the further promotion of R&D, we are aiming to build company-wide R&D frameworks for the introduction and utilization of material informatics (MI), which is a method that uses artificial intelligence (AI) to make materials development more efficient, as a way of improving R&D efficiency.

Life/Healthcare field

In the pharmaceuticals field, using precision synthesis, advanced refining technology, and high-level quality control systems, we are developing business in phospholipids (COATSOME® Series) and activated PEG (polyethylene glycol; SUNBRIGHT® Series) as DDS (drug delivery system) materials for biotech drugs, with a focus on protein pharmaceuticals. We are also developing mono-dispersed PEG and cationic lipids for nucleic acid delivery for use in antibody drugs and nucleic acid drugs.



In the medical field, we are developing business in MPC polymers (LIPIDURE® Series) as biocompatible materials in areas such as eye-care, diagnostics, and medical equipment-related fields. We are also pursuing the development of new high-function materials for the regenerative medicine sector.



Diagnostics

Contact lenses

In the cosmetics field, we have a wealth of expertise in areas such as various types of biocompatible materials, natural bioavailable substances, interface control technology, and mix design technology. We will use this expertise to respond rapidly to functional advances and changing consumer needs.



Cosmetics

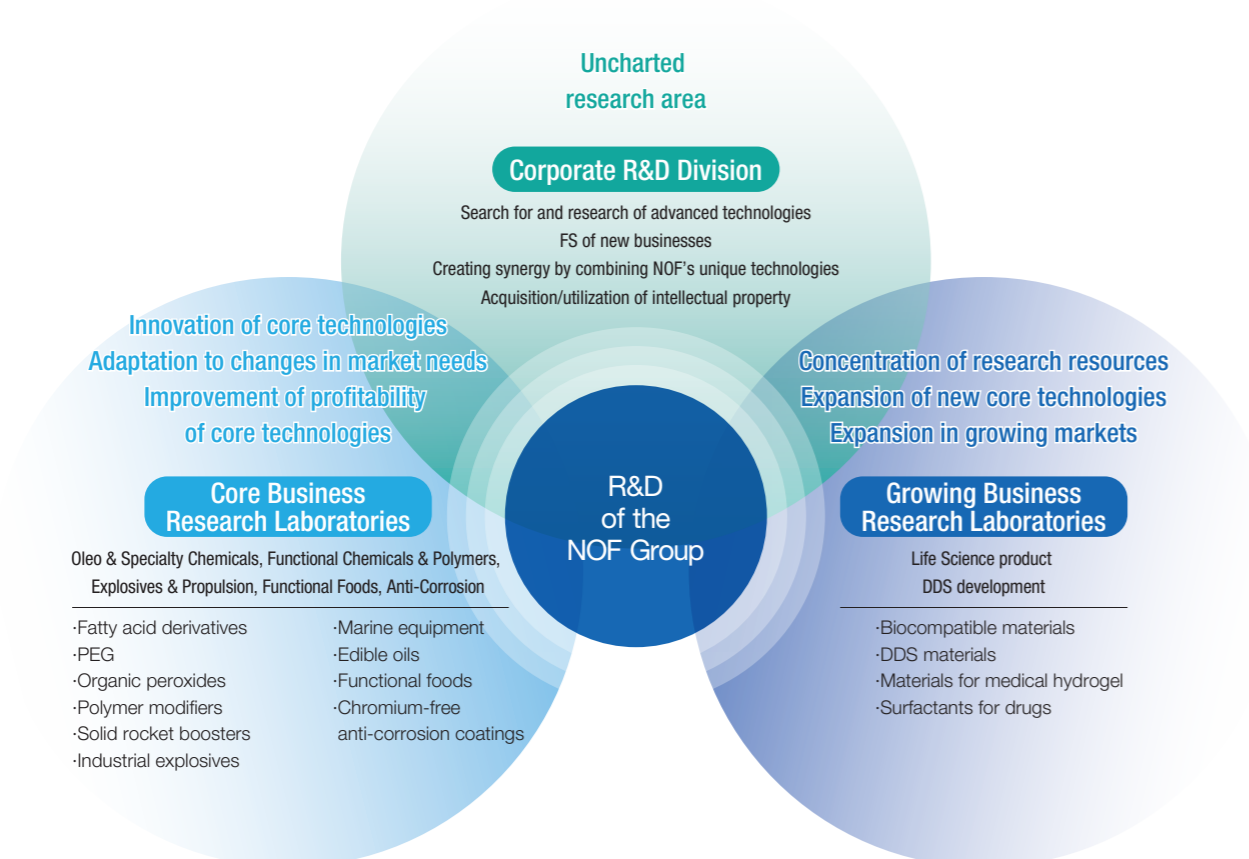
Electronics/IT field

In the telecommunications and electric vehicle fields, we are conducting business in products such as LCD protective agents, wetting and dispersing additives for metals, ceramics, etc., and copper inks. Going forward, we will also strengthen our response to the CASE trends that the automotive manufacturers are pursuing.

Environment/Energy field

In the environment/energy field, we are contributing to the environment and safety with the development of eco-friendly products including biodegradable lubricants made with materials derived from natural oils and fats, base materials for refrigerating oils designed for next-generation refrigerants with a low global warming coefficient, as well as high-function products including dispersing agents for inorganic particles for next-generation high-capacity fuel cells.

R&D at NOF



Strengthen the Business Foundation

Better performance of human resources

NOF, which began as a chemicals producer using natural oils and fats, has ceaselessly taken on the challenge of entering new fields to earnestly address the ever-changing and diversifying needs of the market. Today, we are expanding our businesses into a wide range of fields from the biosphere to outer space.

In order to support and further expand its wide range of businesses, NOF engages in recruiting activities that respect the individualism and values of diverse human resources.

“People” are what make up an entity, and it is important that diverse human resources of different specialties and expertise collaborate, inspire each other and lift each other up. For this reason, NOF will proactively promote the recruitment of mid-career workers and returnees from abroad, regardless of whether they are new-graduates or mid-career recruits, as well as foreign nationals including exchange students.

For the recruitment and selection of candidates graduating with bachelor's or master's degrees for fiscal 2021, NOF is engaged in proper recruitment activities that “enable students to engage in job-hunting activities with peace of mind while ensuring sufficient time for their studies,” based on the government's “Approach to Job-hunting and Recruitment Activity Schedules.”

Approach to diversity

In order to fulfill our Corporate Philosophy to “Encourage employees to take on new challenges, working to create a rewarding place to work and fulfilling lifestyles,” NOF accepts and respects diversity in the attributes of our people, such as nationality, gender, race, and whether or not they have a disability. That acceptance and respect also extends to diversity of work styles, including shortened working hours, and of working conditions, such as employment status and working location. NOF aims to establish and is currently building an organization in which willing and capable employees are properly evaluated in every aspect including recruitment, treatment after recruitment and promotions, and are allowed to demonstrate their capabilities.

Employee-related data (NOF non-consolidated)

		FY2016	FY2017	FY2018	FY2019	FY2020
Number of employees	Male	1,494	1,490	1,462	1,480	1,505
	Female	164	178	186	195	210
Number of new employees	Male	30	27	33	33	41
	Female	18	18	14	15	16
Re-employment of retirees		12	6	20	27	15

Promotion of international human resources

Recognizing the importance of securing superior human resources regardless of nationality, the NOF Group intends to secure appropriate human resources, including experienced workers, particularly for the expansion of its overseas businesses. Our overseas Group companies (overseas local subsidiaries) are continuing to step up their efforts to recruit local employees and promote them to management positions.

Promote the active participation of women

In addition to the active recruitment of women, NOF strives to enhance its workplace environment in which women are able to participate actively. Specifically, in fiscal 2016, we set a target of 30% or more for the percentage of female new graduates recruited for career-track positions, and we conduct ongoing training of new-graduate employees and newly appointed managers every year to promote the active participation of female employees.

Talent development

NOF promotes a multifaceted talent development system including support for “correspondence courses,” in which each employee is allowed to choose his/her own training menu, “training at the organizational level,” which is designed for employees with different issues in different hierarchy, as well as “training regarding specific issues,” which is suited to enhance the employees' expertise and is made in accordance with specific issues that arise in execution of duties.

This system effectively promotes talent development suited to each individual and his/her work, while at the same time making work more rewarding, invigorating the organization, establishing a sustainable business foundation and enabling stable employment.

Creation of comfortable workplace

NOF is developing a work environment in which the staff can work well motivated while attaching due importance to the work-life balance between work and non-work activities including child care, nursing care, hobbies, studies, rest and community activities.

Promotion of work-life balance

For each and every employee to enthusiastically take on the challenge of business innovation and their own innovation, it is important to create a rewarding workplace environment and to strive to realize a fulfilling life through the enhancement of both work and life outside work. To promote work-life balance, NOF is creating an environment that supports diverse workstyles by means of measures such as work-from-home and flextime systems. In addition, we are working on initiatives such as the reduction of working hours through the improvement of productivity and operational efficiency and encouraging employees to take their yearly paid holidays (target: 70% or more). We are also striving to improve the workplace environment, while raising awareness of the need for self-care by increasing the percentage of employees taking stress tests.

Employee-related data (NOF non-consolidated)

		FY2017	FY2018	FY2019	FY2020
Number of employees utilizing childcare leave	Male	17	26	26	29
	Female	4	7	5	8
Utilization rate of yearly paid holidays		65.2%	66.4%	69.4%	69.3%
Monthly average overtime work hours		13.6 hours	14.7 hours	14.1 hours	13.0 hours

*Based on the data as of March 31 each year.

*The utilization rate of yearly paid holidays is calculated for the period from September 21 of the previous year to September 20 of the current year (12-month period to take yearly paid holidays at NOF).

*Monthly average overtime work hours for previous years are recalculated based on objective data.

Promotion of health-conscious management

In the belief that ensuring the health and safety of our employees and creating comfortable workplace environments are the foundation for a company to achieve sustainable growth, NOF is pursuing the creation of safe and comfortable workplace environments to enable employees to live spiritually rich lives. With the aim of creating workplaces in which employees can work with vitality, we are promoting initiatives for the maintenance and promotion of employees' health.



Priority areas

1. Creation of a pleasant working environment

- Promote operational efficiency and curb long working hours
- Further expand programs to assist the balance of work and family life
- Prevent passive smoking

<Examples of initiatives>

Encouraged to take at least 8 days of yearly paid holidays

Target utilization rate of yearly paid holidays	
FY2019	69% (results)
FY2020	69% (results)
FY2022	70% or more

2. Mental healthcare

- Encourage employees to take stress tests
- Raise awareness of self-care through mental health training
- Enhance mental health consultation framework

<Examples of initiatives>

Aimed to raise self-care awareness and encouraged to take stress tests

Target percentage of tests taken	
FY2019	99% (results)
FY2020	100% (results)
FY2021	Maintain 99% or more

3. Maintenance and promotion of health

- Ensure to implement health examinations and appropriate health guidance
- Encourage follow-up examinations and understanding of results
- Promote exercise in daily life

<Examples of initiatives>

For the maintenance and promotion of health, encouraged to participate in the “Health Promotion Walking” program run by the NOF Health Insurance Association

Target participation rate	
FY2019	48% (results)
FY2020	48% (results)
FY2021	50% or more

Support for child-rearing and nursing care

To support employees in balancing work with child-rearing/nursing care, NOF is expanding its programs, including raising the age limit for children subject to short hour work system and extending the duration of childcare leave and nursing care leave. We are also expanding our support measures, including the introduction of a childcare support program to assist employees while on childcare leave, and preparing a handbook to assist the balance of work and nursing care.



Promote Responsible Care Activities

Responsible Care (RC) activities are ones that the chemical industry is promoting on a worldwide basis. It is an optimal method for managing safety of chemicals, with the aim of ensuring environmental sustainability, health, and safety, through the entire life cycle of chemicals. The NOF Group is a chemical manufacturer, and nearly all of the chemicals we manufacture are used as raw materials for products of client companies. Therefore, we consider RC activities as our core CSR activities and instituted the Management Policy Regarding Responsible Care and the Responsible Care (RC) rules in 1995, and we have been promoting our RC activities since then. Furthermore, NOF became a signatory of the Responsible Care Global Charter, proposed by the International Council of Chemical Associations in 2014, and declared its support of the Charter and its commitment to practice RC activities both in Japan and overseas.

The NOF Group classifies its RC activities into Five Core Components including “environmental safety,” “labor safety,” “plant safety,” “product safety,” and “transportation safety” and assigns RC managers to all business units, works, and affiliates involved in its business activities, and has established a supervision and support system by the RC Committee.

Please see page 23 of the ESG Data Book

Management of chemicals

Management system

Product stewardship refers to activities to safely manage chemicals throughout the supply chain, and it is one of the initiatives of the RC activities. The NOF Group manages all chemical substances it handles throughout their life cycle, from the procurement of raw materials, through the development, production, distribution, and use of products, to their final disposal, in accordance with the Japan Initiative of Product Stewardship (JIPS), which is promoted by the Japan Chemical Industry Association as a voluntary activity.

Please see page 36 of the ESG Data Book

Initiatives in the supply chain

Procurement of raw materials

In deciding on suppliers, we place importance on the initiatives to protect health, safety, and the environment as well as social responsibility, and in the procurement process, we prepare a list of controlled substances with respect to risks and hazards and strive to collect information on the safety of raw materials. We conduct CSR procurement for the raw materials we use, which considers impact on the environment and health in addition to quality, cost, and delivery time.

The list of controlled substances is decided on the basis of the POPs convention, RoHS directives, REACH regulations, Japan's Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc., Industrial Safety and Health Act, and the Poisonous and Deleterious Substance Control Act, and is reviewed once a year.

Please see page 40 of the ESG Data Book

Product development

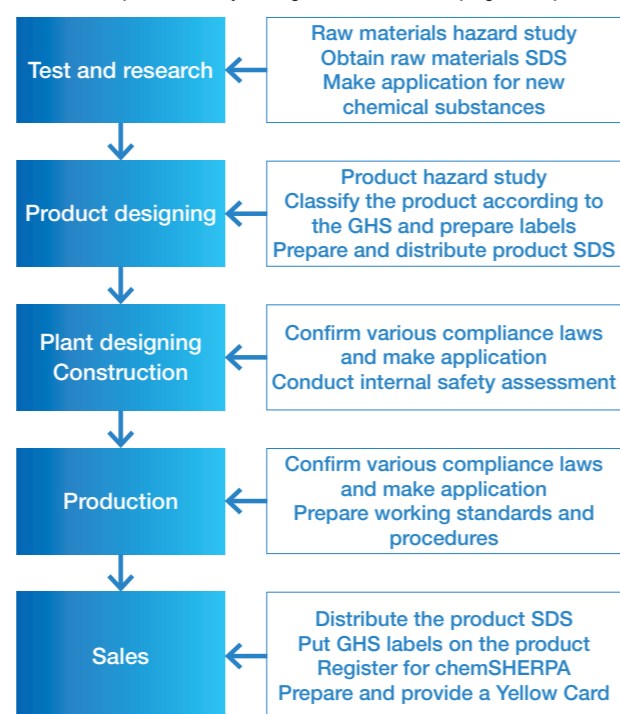
In order to realize a sustainable society, the NOF Group is developing products that contribute to recycling and energy-saving of the end products and eco-friendly products that are biodegradable or that do not contain harmful substances in an effort to reduce environmental impact.

Please see page 4 of the ESG Data Book

In addition, we conduct screening tests on the risks and harms of all chemical substances we handle, including raw materials, products, and byproducts, during design screening in the product development phase and assessments in the commercial production transition phase of new products, thereby developing products with low environmental impact.

Please see page 37 of the ESG Data Book

Flowchart of product safety management when developing a new product



Production

As for new products, we verify that they are manufactured according to the development plan before commencing commercial production. We work to reduce environmental impact by stable operation of our environmental treatment facilities that minimize the environmental release of substances and optimizing the recovery conditions. Furthermore, we started working on Chemical Substances Risk Assessment (RA) in 2008, before relevant laws and regulations came into effect in 2016. We conduct risk assessment and review of chemical substances as needed to prevent accidents caused by chemical substances and ensure safe production.

Distribution and use (providing information to customers)

We conduct hazard assessment and related evaluation for the products to be distributed in the market, use this data as the basis to classify planned products according to the GHS, and prepare safety data sheets (SDS), which are managed centrally in a company-wide system. We put GHS labels on our products and provide them to customers with SDS. In addition, we have close communication with transport operators involved and provide yellow cards for bulk transportation products to ensure safe transportation. In this way, our products are securely delivered to the customer and used safely.

The NOF Group is a member of the Joint Article Management Promotion-consortium (JAMP) and utilizes the chemSHERPA tool to share information on chemical substances contained in our products with customers.

Please see page 38 of the ESG Data Book

Disposal and recycling

The NOF Group is promoting activities with the goal of Zero Emissions, which involves reducing the final disposal of waste by landfill to 0.1% or less of the total amount of waste generated.

Chemical substances discharged from production processes that are no longer needed are separated and treated in each works. Useful chemical substances are put on the market-wide recycling process as valuables, while those that are not put on the recycling process are thermally recycled. With regard to waste disposal, we outsource the waste treatment to external companies that not only have received certification of excellence by the government but also satisfy our certification requirements. We provide them with information on hazard assessment and related evaluation of chemical substances discharged, and conduct audits on a regular basis to ensure compliance with the Waste Management and Public Cleansing Act.

Please see page 30 of the ESG Data Book

Meeting laws and regulations

In Japan, we comply with the prior notification of new chemical substances for products we handle in the product development phase, pursuant to the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. and the Industrial Safety and Health Act. In order to make proper notifications, when launching a new chemical substance on the market, we confirm compliance with laws and implement thorough control to ensure that there are no excesses beyond the volume that has been authorized for manufacture or import. We also train our responsible personnel regarding related regulatory matters in order to keep them informed of the latest information. Furthermore, we provide training on laws and regulations and conduct an audit every year for researchers engaged in R&D to ensure that they acquire correct knowledge of laws and regulations and improve their management capabilities.

As for our overseas business, the NOF Group engages in active exports to the EU region and complies with REACH in accordance with the export volume of the

chemical substances subject to control under the regulation. In addition, as for exports, the Security Export Management Task Force has been organized to ensure that products are always exported in compliance with the Foreign Exchange and Foreign Trade Act and other government ordinances, ministry ordinances, directives, etc. based on the Act (Foreign Exchange and Foreign Trade Act, etc.).

Please see pages 36-37 of the ESG Data Book

Management of emission of chemical substances

The NOF Group strictly manages chemical substances emissions in order to comply with environmental standards. Furthermore, we manage each location by using self-management values to prevent disasters and improve the environment.

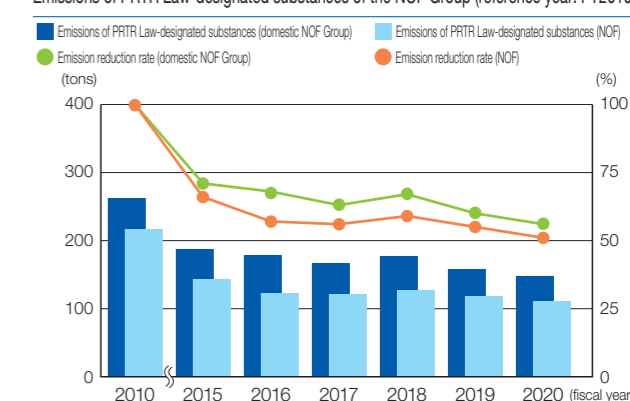
We work to assess and reduce emissions of PRTR Law-designated substances, including voluntarily controlled substances designated by JCIA. The emissions of PRTR Law-designated substances were 147 tons in fiscal 2020, a reduction of 11 tons compared to fiscal 2019 and 122 tons (45%) from the level of our reference year of fiscal 2010.

Regarding measures to reduce emissions of PRTR Law-designated substances, we substantially reduced the emission volume by installing cumene deodorizing equipment at the Kinuura Plant and an allyl chloride (3-chloropropene) recovery system at the Chidori Plant in 2015. At NOF Metal Coatings Asia Pacific Co., Ltd., we had been studying the use of alternative solvents to dichloromethane that was used in large quantities in the metal cleaning process prior to the application of GEOMET®, a corrosion prevention agent. The study work was completed in fiscal 2020 and we have completely abolished the use of dichloromethane in our facilities. In addition, a cumene recovery system is scheduled to be installed at the Kinuura Plant in fiscal 2021, and we will further reduce emissions of PRTR Law-designated substances.

For fiscal 2021, we plan to assess actual emissions of new PRTR Law-designated substances, which will come into effect in fiscal 2022, to set new reduction targets. We will work on further reduction of such substances on a group-wide basis.

Please see page 31 of the ESG Data Book

Emissions of PRTR Law-designated substances of the NOF Group (reference year: FY2010)



Responses to climate change

The NOF Group has set reducing greenhouse gas emissions as our internal target, and worked on measures including promoting energy saving activities and remodeling facilities since fiscal 1998. In fiscal 2020, we set a goal of “reducing CO₂ emissions/basic unit per net sales by 30% by fiscal 2030 compared to the fiscal 2013 level” as a KPI for the materiality “Promote Responsible Care Activities: Responses to climate change” to further clarify the relationship between our business performance and greenhouse gas emissions as the Group as a whole aims to expand its business.

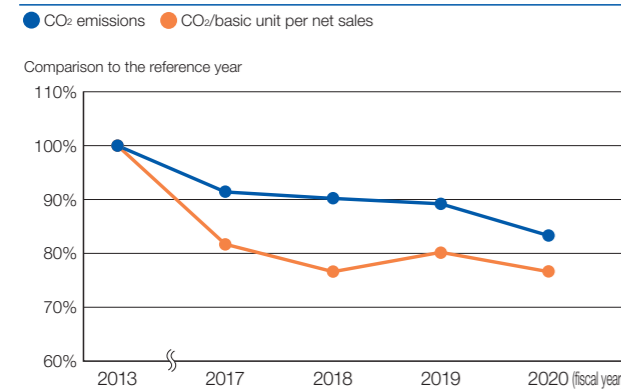
In fiscal 2020, we reduced energy-derived CO₂ emissions by about 7,000 tons by improving equipment through utilization of a steam diagnostic program and accelerating the use of LED lamps at each factory, and replacing air conditioners and refrigerators with high-efficiency models. As a result, the Group as a whole reduced greenhouse gas emissions by about 33,000 tons (approx. 17% reduction compared to the fiscal 2013 level), and reduced CO₂ emissions/basic unit per net sales by approx. 23% (compared to the fiscal 2013 level).

In response to the declaration by the Japanese Government to realize a carbon-neutral, decarbonized society by 2050 in October 2020 and a new target to reduce greenhouse gas emissions (by 46% reduction compared to the fiscal 2013 level) announced in April 2021, we will reset our target in accordance with the national policy and prepare a roadmap for the period up to fiscal 2030 during the period of the 2022 Mid-term Management Plan.



Please see pages 27-29 of the ESG Data Book

Results of CO₂ emissions and basic unit per net sales (reference year: FY2013)



Adoption of renewable energy

As for the NOF Group’s initiatives in the area of renewable energy, solar power generation facilities were installed in the Kawasaki Works in 2018 and NiGK Corporation in November 2020 to use renewable energy to provide part of the electricity used in production activities in an effort to realize a low carbon society.

In fiscal 2020, power generation output at the Kawasaki Works was 18MWh/year, and 7MWh/year (equivalent to approx. 20MWh/year in annual operation) at NiGK Corporation.

Please see page 28 of the ESG Data Book

Labor safety initiatives

The whole NOF Group, including the staff of cooperating companies assigned to NOF’s works, is making all-out efforts to eradicate occupational accidents. In order to clearly express the Group’s determination to make its workplaces secure and safe for all the workers involved in its activities and to realize this ideal, NOF set forth its labor safety and health policy in April 2006. Under this policy, a company-wide labor safety target is set every year and RC audits are conducted on a regular basis. Through these efforts, we keep the cycle of PDCA (plan-do-check-act) running, whereby pursuing better management and further improvement.

In fiscal 2020, we set labor safety targets of “completely zero occupational accidents” for occupational accidents and “zero injury and self-caused-injury accidents” for traffic accidents, and worked on the key issues of “elimination of unsafe behavior and unsafe conditions” and “elimination of traffic accidents” throughout the Group. We had a total of 10 occupational accidents, including two lost workday accidents and eight accidents not involving lost workdays, while we had 13 injury and self-caused-injury traffic accidents. As the occupational accidents that occurred in fiscal 2020 were mainly due to lack of identification of risk factors, in fiscal 2021 we will work to offer education and training to enhance the ability to predict hazards in order to take appropriate action. To that end, we have set “enhancing the ability to predict hazards” as one of the items for labor safety initiatives to be implemented under the NOF Group’s targets in RC activities, and the entire Group will work on it.

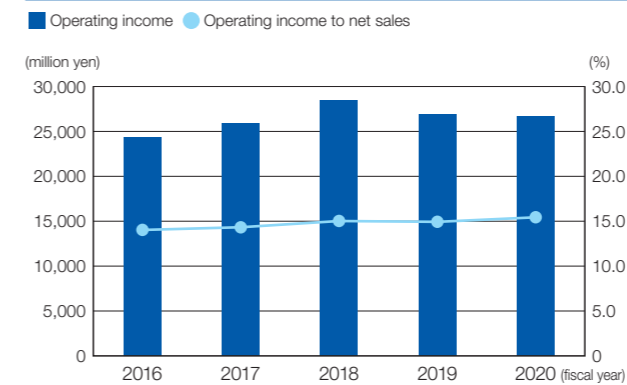
Please see pages 33-34 of the ESG Data Book

Relationship between RC activities and the SDGs

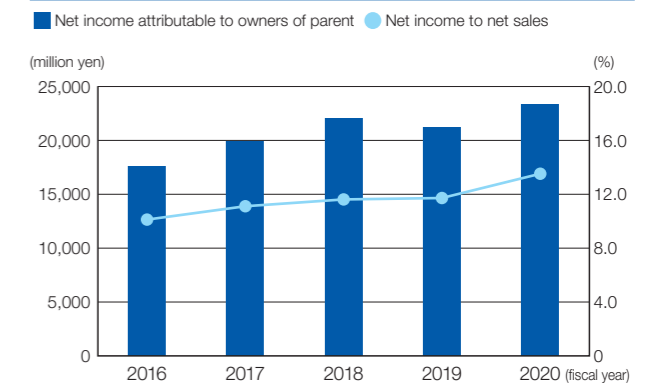
The NOF Group classifies its RC activities into Five Core Components including “environmental safety,” “labor safety,” “plant safety,” “product safety,” and “transportation safety.” Adding “dialogue with society” to the Five Core Components, we are engaged in specific activities. These activities are connected with the SDGs. In particular, “(1) reduce greenhouse gas emissions and (2) reduce chemical emission volumes” in “environmental safety” activities are assigned high priority, and we are focusing on these themes. We will play a part in achieving the SDGs by continuing the promotion of Responsible Care activities.

Financial & Non-financial Highlights

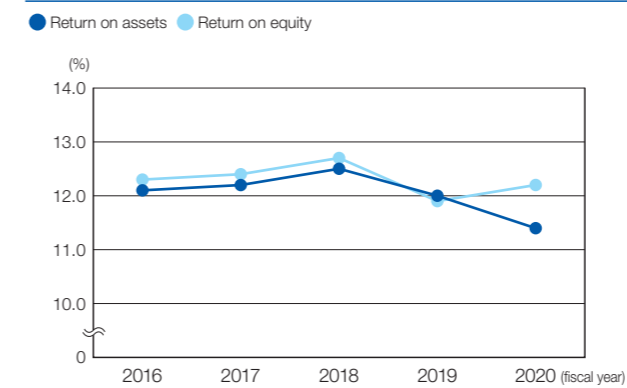
Operating income/Operating income to net sales



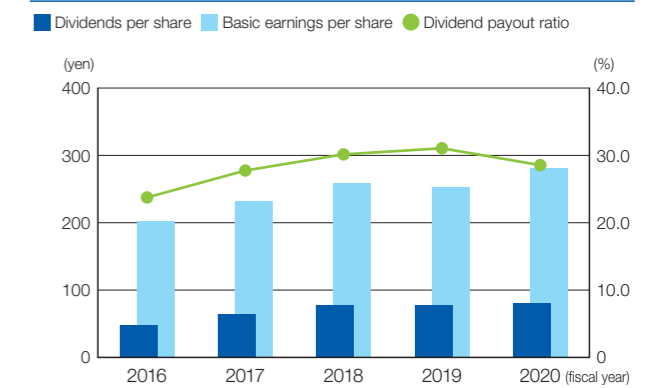
Net income attributable to owners of parent/Net income to net sales



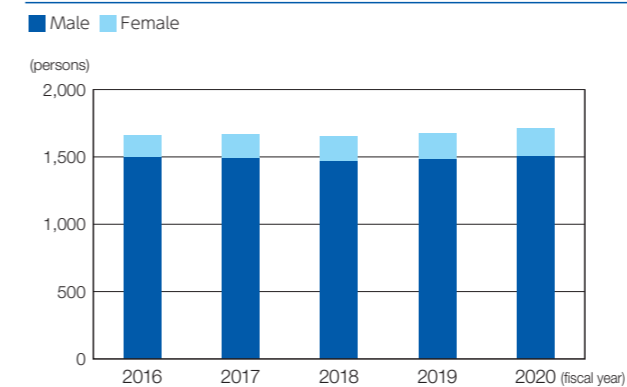
Return on assets (ROA)/Return on equity (ROE)



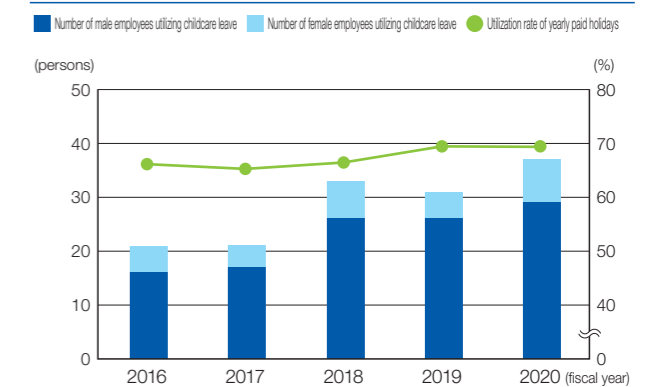
Basic earnings per share/Dividend/Dividend payout ratio



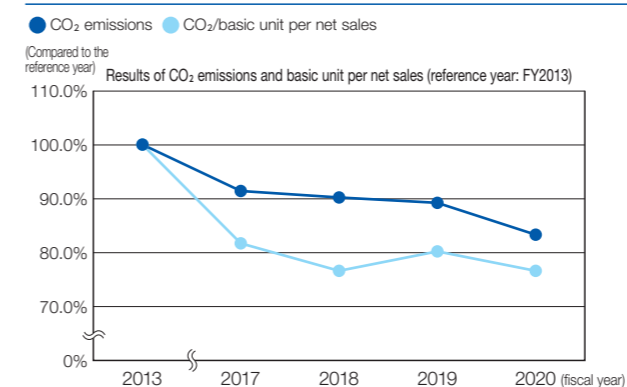
Number of employees (non-consolidated)



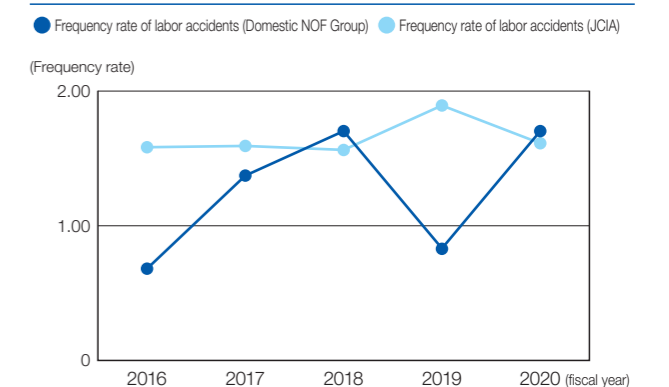
Number of employees utilizing childcare leave (non-consolidated)/Utilization rate of yearly paid holidays (non-consolidated)



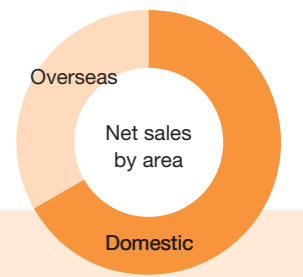
CO₂ emissions and basic unit per net sales (index with reference year 2013=100)



Frequency rate of labor accidents



Business Segment



Functional Chemicals Segment

Business overview

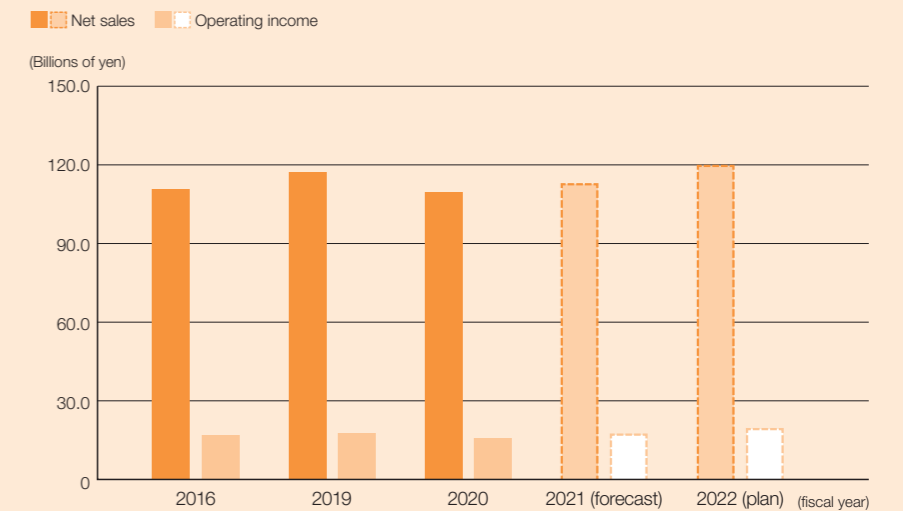
In the Functional Chemicals Segment, NOF manufactures a variety of derivatives from two main types of raw materials: oil-derived raw materials made in-house by refining domestically and internationally procured natural oils and fats, and petroleum-derived raw materials purchased from petroleum industrial complexes and other facilities.

Combination of technologies for refinement to high purity, for precise synthesis of derivatives, and for formulation based on accumulated data enables us to develop various new products and offer them to growth fields where remarkable technological innovation takes place. The Functional Chemicals Segment constitutes the principal business of the NOF Group, accounting for more than 60% of the total income. In fiscal 2020, 33% of the net sales was for overseas.

Net sales
109.8 Billions of yen

Operating income
15.7 Billions of yen

Changes in the business results of the Functional Chemicals Segment and the 2022 Mid-term Management Plan



Main products

Fatty acids

NAA®

Fatty acid derivatives

UNISTER®, ALFLOW®, MILLUBE®, ELECTOL®

Surfactants

UNILUBE®, DIAPON®, STAFAM®, LUMINOVEL®

Ethylene oxide Propylene oxide derivatives

WILBRIDE®, MALIALIM®, BLEMMER®

Organic peroxides

PERBUTYL®, PERHEXYL®, PERCUMYL®, PEROYL®

Petrochemical Products

NA Solvent™, EMAWET®

Functional polymers

LIPIDURE®, CERACUTE®, MODIPER®, NOFALLOY®

Electronic Materials

NOFCURE®

Special corrosion prevention agents

GEOMET®, GEOMET PLUS®

Strength of the business

The Functional Chemicals Segment has successfully shifted its focus to high-function and high-value added products. The segment has the following strengths:

- We offer approximately 3,000 types of products.
- We have business connections with domestic and overseas companies from diverse industries.
- We offer a number of products with competitive advantage despite we operate business in a niche market.

Value creation in the 2022 Mid-term Management Plan

NOF will expand the sales of high-function and high-value added products in the growth market of the three prioritized business fields of life/healthcare, environment/energy, and electronics/IT.

Followings are examples of specific products for which we focus on the sales expansion.

For the life/healthcare field



- **Surfactants**
Hypoallergenic surfactant
LUMINOVEL®
- **Ethylene oxide Propylene oxide derivatives**
Cosmetic additives
WILBRIDE®
- **Functional polymers**
Cosmetic ingredients
LIPIDURE®, CERACUTE®, PARLEAM®

For the environment/energy field



- **High-performance ester**
Biodegradable lubricant
MILLUBE®
- **Special corrosion prevention agents**
Water-based chrome-free
Rust inhibitor
GEOMET®, GEOMET PLUS®

Topics

Sustainable procurement of oils and fats

Palm oil, which is extracted from the fruit of oil palms grown in the tropics, is the most widely produced vegetable oil in the world, and it is one of the most important raw materials for NOF. Meanwhile, rapid expansion and improper management of oil palm plantations have caused a variety of problems for the environment and local communities, including deforestation of tropical and peat swamp forests, extinction of biodiversity, climate change, violation of workers' rights, and child labor.

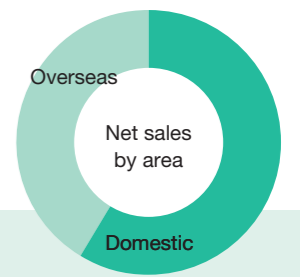
The Roundtable on Sustainable Palm Oil (RSPO) was established in 2004 to work to solve these problems, with the vision of transforming markets in order to make sustainable palms properly produced in accordance with principles and criteria the norm.

NOF endorsed the RSPO's philosophy and joined the RSPO in 2012. In 2014, NOF obtained supply chain certification from the organization and

started to procure RSPO certified raw materials. Furthermore in 2019, NOF became a founding member of the Japan Sustainable Palm Oil Network (JaSPON), which is comprised of corporations and organizations in Japan, and has engaged in activities to encourage procurement and consumption of sustainable palm oil in the Japanese market to contribute to solving environmental and social issues in the palm oil industry.



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Life Science Segment

Business overview

The Life Science Segment consists of three main lines of products: edible oils, biocompatible materials, and raw materials for drug formulations. Edible oil products, manufactured based on refining and processing technologies in pursuit of tasty and healthy food for an abundant diet, are sold mainly to domestic companies.

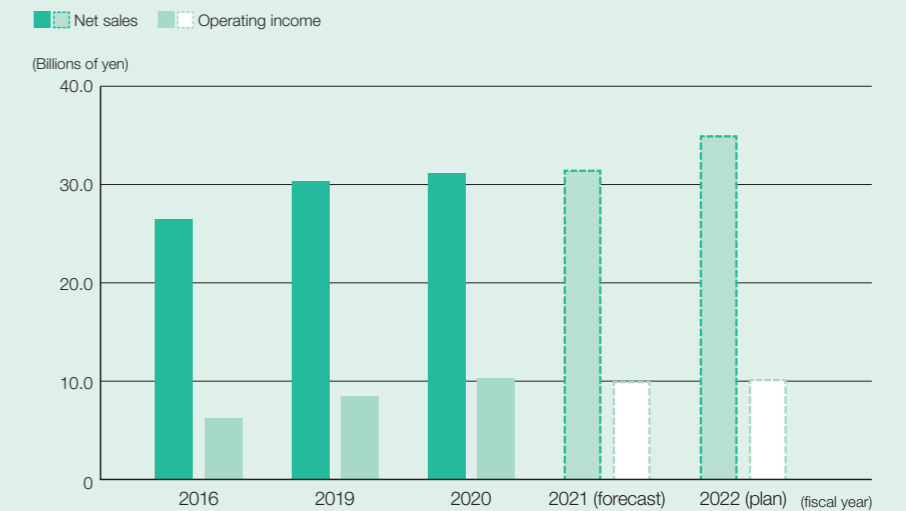
As for biocompatible materials, 2-Methacryloyloxyethyl phosphorylcholine (MPC) polymer-related products are sold to domestic and overseas companies in the fields of pharmaceuticals, medical devices, and diagnostics.

Raw materials for DDS (drug delivery system) drug formulations are sold mainly to companies in Europe and the United States. Highly creative raw materials for drug formulations, such as PEG (polyethylene glycol) and functional lipid, are developed based on our proprietary synthesis and refining technologies and manufactured under a sophisticated quality management system in conformity with GMP standards.

Net sales
31.2 Billions of yen

Operating income
10.3 Billions of yen

Changes in the business results of the Life Science Segment and the 2022 Mid-term Management Plan



Main products

Edible oils

- CRUMB SOFT® SK
- BREADY® SA

Functional foods

- Komecosanol®

Biocompatible materials

- MPC polymer/monomer
- LIPIDURE®

Plant-derived ingredients

- Plant-derived Proteoglycan

Raw materials for DDS drug formulations

Activated PEG

- SUNBRIGHT®, PUREBRIGHT®

Functional lipid

- COATSOME®

Surfactant for drugs

- Polysorbate80(HX2)

Strength of the business

- For edible oils (functional oils), we have accumulated formulation technologies that improve the texture of bread and sweets by adding enzymes, emulsifiers, and others to oils.
- With regard to biocompatible materials, we are capable of stable supply of a large amount of super-hydrophilic MPC monomers and MPC polymers.
- We offer unrivalled, high-purity raw materials for DDS drug formulations. Customizing molecular design is also possible.

Value creation in the 2022 Mid-term Management Plan

NOF will expand the sales of high-function and high-value added products in the growth market in the life/healthcare field among the three prioritized business fields.

Followings are examples of specific products for which we focus on the sales expansion.



● **Edible oils**
Functional fats and oils
CRUMB SOFT® SK



● **Biocompatible materials**
Eye care / pharmaceutical materials
LIPIDURE® series



● **Raw materials for DDS drug formulations**
Lipids for DDS formulations
COAT SOME® series

Topics

Contributing to DDS innovation by utilizing high-purity materials and new technologies

In the pharmaceutical industry, a number of pharmaceuticals utilizing DDS (Drug Delivery System) that maximize the therapeutic effects of drugs have been commercialized.

DDS is a technology that enhances the effectiveness of pharmaceuticals by allowing them to act on the body in the required place and in the required quantities for the required time. It is attracting attention for its effectiveness in the treatment of a variety of diseases.

In the DDS field, highly creative raw materials for drug formulations, such as polyethylene glycol (PEG) derivatives, mono-dispersed PEG, lipids for nucleic acid/gene-delivery, PEG lipids, and high-purity polysorbate, are developed from our proprietary molecular design, synthesis, and refining technologies and provided under a sophisticated quality management system in conformity with GMP.



DDS Laboratory



Amagasaki Factory AL Plant



Photo courtesy JAXA

Explosives & Propulsion Segment

Business overview

The Explosives & Propulsion Segment consists of four main lines of products: industrial explosives, space rocket products, defense products, and functional products.

Industrial explosives are used in the development of social infrastructure, such as tunnel excavation; at quarries; and on other occasions. They are sold to domestic major construction contractors and quarry owners.

Space rocket products and defense products are developed and delivered in accordance with the procurement plans of government agencies.

Diverse functional products are developed based on energy control technologies and sold mainly to domestic companies. Some products are sold to overseas companies.

Main products

Industrial Explosives

- HIGHJEX®
- Electric Detonator
- ANFO Explosives

Space Rocket Products

- Solid Propellant (SRB-A, SRB-3)
- Pyrotechnic Devices for the Space Rocket

Defense Products

- Gun Propellant / Rocket Propellant
- Guided Missile Assembly
- Pyrotechnic Devices for the Missile

Functional Products(Consumer products business)

- (Hokkaido Nichiyu Co., Ltd.)
- Antifreezing Agent : KAMAGU®
- (NiGK Corporation)
- Temperature Indicator : Temperature Label®
- Sterilization Indicator : BD PACK®
- (Nippon Koki Co., Ltd.)
- Security Goods : NET LAUNCHER®
- GANSIZER®

Strength of the business

- Demand for industrial explosives, space rocket products, and defense products is steady, although a significant increase cannot be expected.
- Energy control technologies we have accumulated can potentially be used for a range of consumer products.

Value creation in the 2022 Mid-term Management Plan

NOF will strive for steady product development and stable product supply, in accordance with the trends in the development of maglev bullet trains and other infrastructure, as well as in defense and space development, and meet the demand based on procurement plans of utility companies and government agencies.

In addition, we will aim for the rollout and sales expansion of functional products in the field of environment/energy, with "safety" as a keyword.



● Space Rocket Products

Solid rocket booster for H3 rocket (SRB-3)

Photo courtesy of JAXA



● Industrial Explosives

HIGHJEX®



● Functional Products

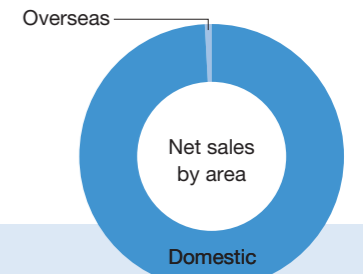
Temperature Indicator : Temperature Label
(NiGK Corporation)

Temperature Indicator : Temperature Label®

Net sales
30.1 Billions of yen

Operating income
2.0 Billions of yen

Changes in the business results of the Explosives & Propulsion Segment and the 2022 Mid-term Management Plan



Topics

UV Label for ensuring safety (NiGK Corporation)

In 1965, we started selling Thermo Paint (heat-sensitive paint), which was born out of the search for new technologies in the explosive and propulsion business, and the product began to be used for equipment and process management purposes. Later, in response to requests from users such as electric power companies and electrical manufacturers for producing the product as a label, Thermo Label, the prototype of UV Label, was created.

UV Label was created in the process of enriching the product lineup by incorporating the needs of users, with visualization of energy as its main function.

UV Label helps select the location of disinfection equipment by visualizing the exposure of bactericidal lamps to food, drugs, cleaning water, clean rooms, and other places indoors (for virus disinfection). This is useful because users cannot directly look at bactericidal lamps during their operation. Inquiries for UV Label, which is used for visualizing the dose of UV radiation, have been increasing amid growing sales of virus disinfection equipment using ultraviolet rays that have

bactericidal effect to prevent the spread of COVID-19 infection.

In response to the COVID-19 pandemic, virus disinfection equipment and air purifiers using UV are being introduced in medical institutions and libraries, and also by companies for disinfecting tablets and keyboards shared by employees. Under these circumstances, this product, which allows users to visually check the dose of UV radiation without needing a dedicated measuring device, is being widely used by general users as well.



Corporate Governance

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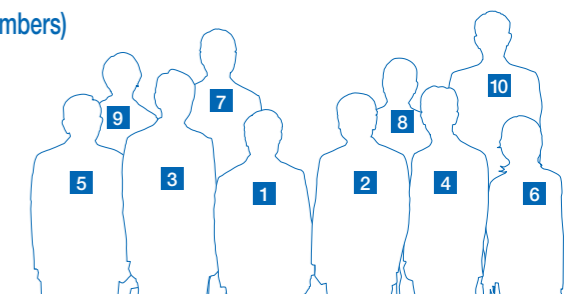
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Officers



Director (Excluding directors who are Audit and Supervisory Committee members)

1	President and Chief Executive Officer	Takeo Miyaji
2	Representative Director	Kazuhito Maeda
3	Director	Masanobu Miyo
4	Director	Kazuyoshi Yamauchi
5	Director	Shingo Unami (Outside director)
6	Director	Izumi Hayashi (Outside director)



Board member who is an Audit and Supervisory Committee member

7	Director	Tsuneharu Miyazaki
8	Director	Kunimitsu Itou (Outside director)
9	Director	Yuriko Sagara (Outside director)
10	Director	Keiichi Miura (Outside director)

*Officers who have the same job title are listed in the order of the Japanese syllabary.

Corporate Governance Initiatives

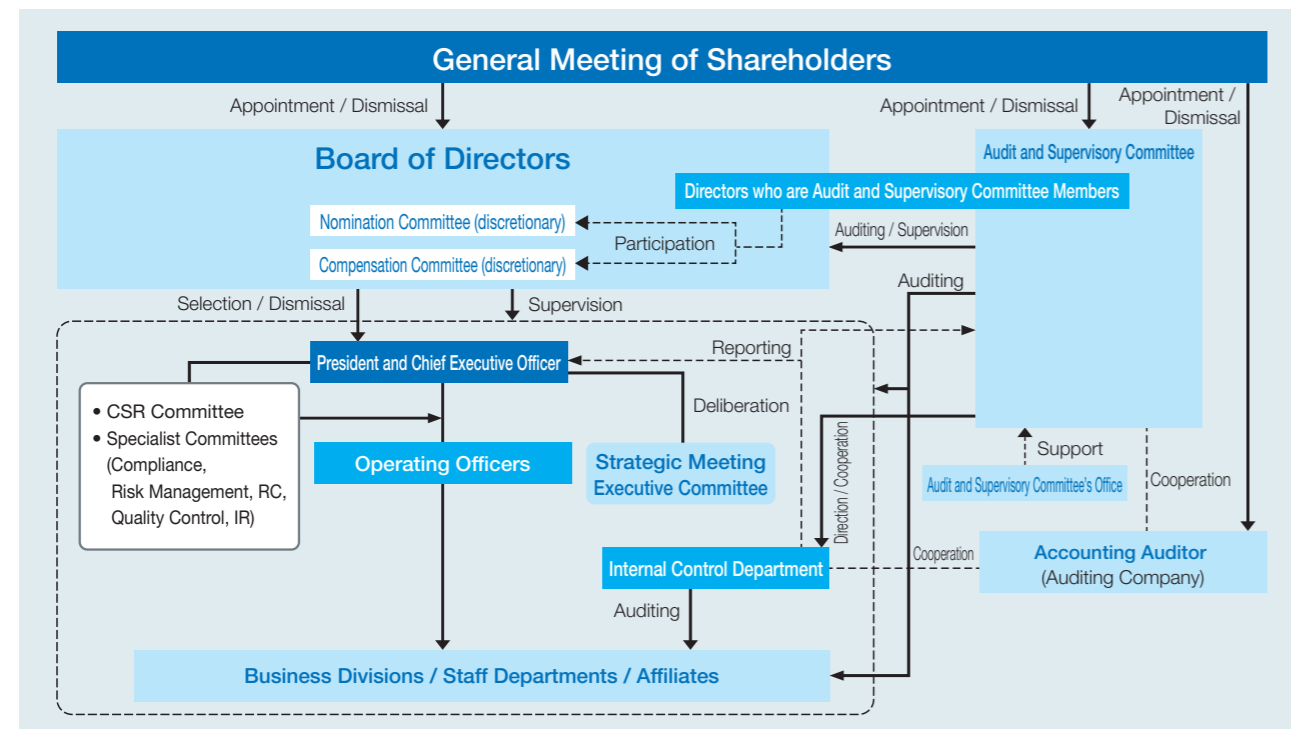
Basic concept of corporate governance

Under the corporate philosophy of “contributing to mankind and society through the creation of new value in wide-ranging fields from the biosphere to outer space,” the Company aims to realize stable and sustainable growth and development, as well as to continue to be a company valued by all kinds of stakeholders through fulfilling its corporate social responsibility as a member of our society, such as by protecting the natural environment and securing health and safety, in addition to compliance.

In order to respond precisely to changes in the business environment and the intensifying competition between companies, the Company strives to speed up

management decisions and, from the perspective of securing transparency and improving accountability, recognizes that the strengthening of corporate governance is an important issue, and endeavors to secure the effectiveness thereof.

In 2021, the Company has transitioned to a Company with an Audit and Supervisory Committee, so as to further strengthen the Board of Directors’ supervision function such as through having Directors who are Audit and Supervisory Committee Members hold voting rights in the Board of Directors, to raise efficiency of the management by enabling flexible decision-making, and to further enhance corporate governance.



Board of Directors

One regular meeting of the Board of Directors is held every month and extraordinary sessions are also convened as required, to decide on important matters set forth by laws and regulations, the Articles of Incorporation and the Rules of the Board of Directors, and the status of business execution is also supervised.

In addition, the Executive Committee, which is a deliberative body for the Company’s overall business execution policies and important business execution, meets as required, and the Strategic Meeting is held once a week as a general rule to facilitate prompt business judgements. Any important matter to be referred to the Board of Directors goes through preliminary deliberation at the meeting Executive Committee or at the Strategic Meeting, intended to ensure appropriate decision making.

Of the ten members comprising the Board of Directors, five are independent Outside Directors (including Audit and Supervisory Committee Members).

Nomination Committee and Compensation Committee

In order to deliberate on the nomination and compensation of Directors and to improve the oversight function of the Board of Directors and strengthen the corporate governance system, the Nomination Committee and Compensation Committee, which are voluntary advisory committees to the Board of Directors, have been established. Both Committees consist of five independent Outside Directors and one President and Chief Executive Officer, and an independent Outside Director serves as the Chairperson.

Audit and Supervisory Committee

The Audit and Supervisory Committee supervises the Directors’ execution of business: it cooperates effectively with other entities such as the Internal Audit Division, in accordance with auditing policy and standards, and standing Audit and Supervisory Committee Members play a leading role in attending various important meetings including meetings of the Executive Committee.

Accounting Auditor

Ernst & Young ShinNihon LLC has been selected as the Accounting Auditor.

Specialist committees

The Risk Management Committee, the Compliance Committee, the RC (Responsible Care) Committee, and the Quality Control Committee analyze management risks, consider countermeasures, and report to the CSR Committee chaired by the President. The CSR Committee conducts integrated assessment of various business risks, including those related to compliance, information management, and environment and safety, as well as confirmation and evaluation of the comprehensiveness of risks. The risks are deliberated at the Board of Directors as necessary.

Name	Audit and Supervisory Committee Member	Independent Director/Auditor	Reasons for Election
Shingo Unami		○	Mr. Shingo Unami has abundant experience, as well as advanced insight and capabilities in the financial industry. Furthermore, as he has been responsible for the management, etc. of multiple companies, he has a broad range of experience and knowledge regarding corporate management. For the reasons above, the Company deems that he will be able to fulfill the responsibilities of conducting appropriate oversight, etc. over business execution and provide advice to the Company’s management, based on his abundant experience and deep insight as a corporate manager. Therefore, the Company has elected him.
Izumi Hayashi		○	Besides being well-versed in corporate law as an attorney, Ms. Izumi Hayashi has advanced knowledge on topics including intellectual property and corporate compliance. She actively comments in Board of Directors meetings using the said perspective, and appropriately fulfilled her responsibilities as an Outside Corporate Auditor of the Company, such as through the auditing and oversight of business execution. Although she has never been involved in corporate management except as an outside officer, for the reasons above, the Company deems that she will be able to fulfill the responsibilities of conducting appropriate oversight, etc. over business execution and provide advice to the Company’s management, based on her specialized knowledge. Therefore, the Company has elected her.
Kunimitsu Ito		○	Mr. Kunimitsu Ito is well-versed in accounting and tax practices. He actively comments in Board of Directors meetings using the said perspective, and appropriately fulfilled his responsibilities as an Outside Director of the Company, such as through the oversight of business execution. As the chairman of the Compensation Committee and a member of the Nomination Committee, he attended committee meetings and actively gave his opinions. Although he has never been involved in corporate management except as an outside officer, for the reasons above, the Company deems that he will be able to fulfill the responsibilities of conducting appropriate auditing and oversight, etc. over business execution, based on his specialized knowledge. Therefore, the Company has elected him.
Yuriko Sagara		○	Ms. Yuriko Sagara has a high level of expertise and global-based knowledge as an attorney. In addition, as a patent attorney, she has a deep level of insight on intellectual property. Although she has never been involved in corporate management except as an outside officer, for the reasons above, the Company deems that she will be able to fulfill the responsibilities of conducting appropriate auditing and oversight, etc. over business execution, based on her specialized knowledge. Therefore, the Company has elected her.
Keiichi Miura		○	Mr. Keiichi Miura has been engaged in the management of TAIHEIYO CEMENT CORPORATION, and has abundant experience and advanced insight and capabilities regarding research planning, etc. Furthermore, having served as an outside director in the chemicals industry, he has a wide range of experience and knowledge. For the reasons above, the Company deems that he will be able to fulfill the responsibilities of conducting appropriate auditing and oversight, etc. over business execution, based on his abundant experience and knowledge of advanced technology as a corporate manager. Therefore, the Company has elected him.

Policy on determining compensation

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

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

Overview of contents of determination policy

Under the policy to promote sustainable growth and medium- to long-term enhancement of corporate value based on the Company’s Corporate Philosophy and reward Directors for business results and other achievements through an appropriate level of compensation, compensation for Directors consists of fixed compensation, bonuses, and stock compensation. In order to maintain incentives, at least a third of the compensation paid is set as performance-linked compensation (bonus, stock compensation). Compensation for Outside Directors is limited to fixed compensation.

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

For matters regarding the compensation system and policy concerning Directors, matters regarding the calculation method in determining specific compensation amounts for Directors, and individual compensation amounts, etc., the Compensation Committee conducts deliberations from a multi-faceted perspective, including compliance with the policy on compensation of Directors. The Board of Directors respects the results of the deliberations, and deems that they are aligned with the said policy. The said Compensation Committee comprises three members, namely two independent Outside Directors and the President and Chief Executive Officer, and is chaired by an independent Outside Director (held meetings in May, June, and November of 2020, and in January and February of 2021, in the fiscal year under review).

● **Fixed compensation** (delegation of decisions on compensation, etc. of individual Directors)
Calculation methods, etc. of fixed compensation for Directors were deliberated by the Compensation Committee and resolved at the Board of Directors meeting held on June 26, 2019. The compensation, etc. of individual Directors elected at the Annual General Meeting of Shareholders held on June 29, 2021 (excluding Directors who are Audit and Supervisory Committee Members) was resolved at a Board of Directors meeting after undergoing deliberation by the Compensation Committee.

● Bonuses

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

● Stock compensation

Based on the resolution of the 96th Annual General Meeting of Shareholders held on June 27, 2019, a new performance-linked stock compensation plan (Board Benefit Trust) has been introduced to further clarify the linkage between compensation for Directors who concurrently serve as Operating Officers (excluding Outside Directors) and Operating Officers with a title (hereinafter collectively "Directors, etc.") and financial results of the Company as well as the value of the Company's shares, and to strengthen the awareness of their contribution to

the medium- to long-term improvement of financial results and enhancement of corporate value.

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

The said calculation method, etc., which considers such matters as the respective positions and achievement level of performance targets of the Directors, etc. was deliberated by the Compensation Committee and resolved at the Board of Directors meeting held on June 27, 2019.

(i) Calculation methods of points awarded

The number of points awarded is calculated by multiplying the number of position-based points, decided for each position, by the performance evaluation coefficient, which is determined by the achievement level, etc. of consolidated operating income in the Mid-term Management Plan, an important index for the evaluation of the Group's business performance.

(Formula)Number of position-based points × Performance evaluation coefficient

*Taking into account the achievement level of performance, the value of the performance evaluation coefficient varies between 0 and 1.5.

(ii) Distribution methods

Distribution takes place after the retirement of Directors, etc., and the Company's shares and cash, equivalent to the Defined Number of Points, are distributed (when distributed as survivor benefits, cash is distributed).

(iii) Achievement level of the target for consolidated operating income in the Mid-term Management Plan during the fiscal year under review

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

Activities of the Nomination Committee and Compensation Committee

The Nomination Committee receives requests for consultation from the Board of Directors and deliberates on matters concerning the election and dismissal of Directors, as well as matters concerning candidates for President and Chief Executive Officer and plans to foster the candidates (during fiscal 2020 the Committee met six times, deliberating on matters including organizational configuration).

The Compensation Committee receives requests for consultation from the Board of Directors and deliberates on matters concerning the compensation of Directors, including compensation systems and policies for Directors, matters concerning calculation methods in determining the actual amounts of compensation, and the amounts of compensation for individual Directors (during fiscal 2020 the Committee met five times, deliberating on matters including organizational configuration).

Total amount of compensation, etc. by officer category, total amount of compensation, etc. by type, and number of eligible officers

(in million yen, persons)

Category	Total amount of compensation, etc.	Total amount of compensation, etc. by type			Number of eligible officers
		Fixed compensation	Bonuses	Stock compensation	
Director (excluding Outside Director)	231	147	72	11	7
Audit & Supervisory Board Member (excluding Outside Audit & Supervisory Board Member)	26	26	–	–	2
Outside Officer	34	34	–	–	6

(Notes) 1. The maximum amount of compensation for Directors (¥360 million per year excluding remuneration received as employees) was resolved at the 83rd Annual General Meeting of Shareholders held on June 29, 2006. There were eight Directors as of the conclusion of the said Annual General Meeting of Shareholders.

2. Based on the resolution of the 96th Annual General Meeting of Shareholders held on June 27, 2019, the Company will contribute up to a maximum of ¥152 million to the performance-linked stock compensation plan (Board Benefit Trust) for Directors who concurrently serve as Operating Officers, for the four fiscal years from the fiscal year ending on March 31, 2020 to the fiscal year ending on March 31, 2023. There were six Directors who concurrently served as Operating Officers as of the conclusion of the said Annual General Meeting of Shareholders.

3. The maximum amount of compensation for Audit & Supervisory Board Members (¥6 million per month) was resolved at the 65th Annual General Meeting of Shareholders held on June 29, 1988. There were three Audit & Supervisory Board Members as of the conclusion of the said Annual General Meeting of Shareholders.

Analysis and Evaluation of Effectiveness of the Board as a Whole

The Company analyzes and evaluates the effectiveness of the Board of Directors once a year, in principle.

Since fiscal 2016, the Company has implemented an effectiveness evaluation every year. In fiscal 2020, the Company employed a questionnaire form crafted by an external institution, and implemented the fiscal 2020 Board of Directors effectiveness evaluation questionnaire by surveying all 11 Directors and Audit & Supervisory Board Members.

By combining a five-level rating scale and open-ended questions, the questionnaire aimed to understand current conditions and identify challenges from both aspects of quantitative and qualitative evaluation.

As the questionnaire was answered by sending responses directly to the external institution, anonymity was ensured. The tallying and analysis of the questionnaire forms was also delegated to an external institution, for the purpose of securing objectivity and further increasing the effectiveness of the Board of Directors going forward.

The questionnaire consisted of questions regarding the following matters (total of 30 questions).

- (1) Roles and functions of the Board of Directors (5 questions)
- (2) Scale and composition of the Board of Directors (4 questions)
- (3) Operation of the Board of Directors (5 questions)
- (4) Cooperation with auditing institutions, etc. (4 questions)
- (5) Relationship with Outside Directors (3 questions)
- (6) Relationship with shareholders and investors (3 questions)

- (7) Future direction of the Board of Directors' function (1 question)
- (8) Degree of Improvement (1 question)
- (9) Open-ended section (4 questions)

Based on the tallying and analysis of the results of the external institution, the Board of Directors conducted a deliberation and evaluation in April and May of the same year. The results of the fiscal 2020 effectiveness evaluation and points of improvement for the future are as follows.

● **Summary of results for fiscal 2020 effectiveness evaluation**
It was confirmed that the Company's Board of Directors was operated appropriately in general as a whole, as information necessary for Outside Officers to understand the Company's operations was provided, diversity of careers and expertise of Outside Officers was further improved, and opinions were exchanged freely.

Among the challenges recognized in the fiscal 2019 effectiveness evaluation, regarding the top management succession plan, there were opinions that a discussion going a step further than before was started at Board of Directors meetings. However, there were many opinions as a whole expressing the need to continue recognizing it as a challenge to tackle.

● Points of improvement for the future

With respect to the top management succession plan, which continued to be recognized as a challenge, it has been confirmed that the Company will deepen discussions and strive for improvement on an ongoing basis from the perspective of further increasing the effectiveness of the Board of Directors.

Compliance

NOF and its subsidiaries have developed an internal control system for ensuring adherence to laws and regulations, the Articles of Incorporation, and various internal rules of the Company and appropriateness of business operations. Regarding observance of social norms and laws and regulations, the Company's code of conduct is formally spelled out as the NOF Code of Ethical Conduct, based on the NOF Basic CSR Policy, and the Compliance Committee is established to ensure thorough adherence to the code.

Basic CSR Policy

We will fulfill our corporate social responsibility and conduct sustainable business activities.

1. We will, each and all, act in accordance with the highest standards of corporate ethics.
2. We will respect human rights, and enable a diversity of personnel to demonstrate their abilities.
3. We will promote responsible care activities, based on the five kinds of safety.
4. We will consider the interests of all our stakeholders.
5. We will contribute to society in cooperation with local communities.

Organizational setup

Regular meetings of the Compliance Committee are held twice every year. The Committee also meets as required when a compliance issues arises, identifies issues, and analyzes countermeasures. The results are reported to the CSR Committee chaired by the President. The CSR Committee conducts integrated assessment of various business risks, including those related to compliance, information management, and environment and safety. The risks are deliberated at the Board of Directors as necessary.

Compliance Manual

In order to instill a sense of compliance in its executives and employees, the NOF Group has prepared a Compliance Manual, which explains the Code of Ethical Conduct in detail and in easily understood terms. The universal Global Compliance Manual has been published in eleven different languages.



Country-specific compliance manuals

The NOF Group is preparing country-specific compliance manuals based on the legal systems of each country. Following the publication of versions for the U.S.A., China, Indonesia, France, Germany, Belgium, Italy, and South Korea, where the Group has a large number of employees, we published a version for Brazil in fiscal 2020, and began utilizing them in Group companies.

Compliance-related training

The NOF Group regularly holds compliance-related training sessions for employees. Training sessions that took place in fiscal 2020 included those related to harassment intended for those in executive positions, those related to compliance intended for NOF and consolidated subsidiaries, and those related to the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors intended for Group companies.

Obtaining information on the enactment and revision of laws and regulations

We have obtained information on the enactment and revision of laws and regulations by utilizing various sources on a continual basis while taking appropriate actions. In fiscal 2020, in order to reduce risk of overlooking information on the enactment and revision of laws and regulations, the whole Group introduced and started operation of a system that enables us to automatically receive information on the enactment and revision of laws and regulations by email.

Basic anti-bribery policy

In today's society, preventing corruption related to business activities is recognized as one of the major issues for companies. We set forth the NOF Group's basic anti-bribery policy and announced it in the name of the President. We have also promoted its adoption at the Group companies in each country. We will ensure adherence to anti-bribery and corruption regulations in each country and region that have become increasing stricter in recent years.

Raising awareness by internal magazine

NOF uses its quarterly internal magazine to help raise employees' awareness of compliance. NOF continues activities to raise awareness through relatable articles using cartoon characters.



Whistle-blowing system

Consultation desks in Japanese / English / Chinese (Simplified Chinese) / Korean / Indonesian / Portuguese have been set up at external third-party institutions as contact points for whistle-blowing / consultation in overseas countries where our business bases are located. Employees can contact the desks if they become aware of a violation or potential violation of compliance rules. Persons who report or consult on a violation or potential violation of compliance rules will not be treated disadvantageously because of the report or consultation, and the report or consultation will be handled with confidentiality. This system and contact points are communicated to executives and employees of the Group companies worldwide on a regular basis.

There were six reports in fiscal 2020, including one harassment issue and five issues related to workplace operation. We conducted investigations on all cases in a swift and careful manner, and have taken corrective and preventive measures.

NOF Group's Basic Anti-Bribery Policy

Overview

We, the NOF Group, declare that we will, each and all, act in accordance with the highest standards of corporate ethics as our Basic CSR Policy. The Code of Ethical Conduct has been adopted in all NOF Group companies, and we are working to practice and improve compliance. In order to further promote the abovementioned initiatives, we have established the NOF Group's Basic Anti-Bribery Policy ("the Basic Policy"). The Basic Policy applies to all executives and employees working for the NOF Group.

Declaration

We, the NOF Group, will not make profits by illegal means in any situation, and adhere to anti-bribery laws and regulations in all countries and regions where the NOF Group operates.

May 28, 2021

President and Chief Executive Officer of NOF Corporation
Takeo Miyaji

Matters to be adhered to

1 Adherence to laws and regulations

Executives and employees of the NOF Group will adhere to the Basic Policy and anti-bribery laws and regulations in the countries and regions where the NOF Group operates.

2 Development of internal rules and organizational setup

The NOF Group will develop and operate organizational setups to prevent bribery, including operation of each company's Ethics and Compliance Committee and contact points for whistle-blowing in an equitable manner, and preparation of various internal rules and guidelines.

3 Conduct educational activities

The NOF Group will conduct appropriate educational activities to further raise awareness of NOF Group executives and employees about compliance.

4 Conduct audits

The NOF Group will conduct audits on a regular or irregular basis to confirm that its anti-bribery system is functioning properly.

5 Regular reviews and improvement

The NOF Group will assess and review its anti-bribery system regularly on the basis of the audit results.

6 Recording and management

The NOF Group will, in developing an anti-bribery system, create and manage accurate and proper records of all transactions under an appropriate internal control process.

7 Responses to emergencies

In the event that an executive or employee of the NOF Group violates or is suspected of violating the Basic Policy, the NOF Group will promptly take measures to ensure adherence to laws and regulations and to minimize the spread of violations, and cooperate with investigations by the relevant authorities.

8 Disciplinary action

In the event that an executive or employee of the NOF Group commits bribery or is involved in bribery in violation of the Basic Policy, the NOF Group will take strict disciplinary action in accordance with the rules of employment of the NOF Group companies.

Definition

- (1) "Anti-bribery laws and regulations" refer to the Unfair Competition Prevention Act and National Public Service Ethics Act of Japan, the Foreign Corrupt Practices Act of the U.S., and the Bribery Act 2010 of the U.K., among others.
- (2) "Bribery" refers to (1) giving, or offering or promising to give, any money or other benefits to a civil servant, etc., either directly or indirectly, for the purpose of having the civil servant, etc. act or refrain from acting in a particular way in relation to his or her duties, or having the civil servant, etc. use his or her position to influence another civil servant, etc. to act or refrain from acting in a particular way in relation to that civil servant's duties, in order to obtain illicit gains in business, and (2) receiving, or demanding or promising to receive, any money or other benefits in relation to one's own duties for the purpose of obtaining illicit gains for oneself or a third party.
- (3) "Civil servant, etc." refers to any and all of the following:
- (1) A person engaged in public duties for the national or local governments of Japan or a foreign country;
 - (2) A person engaged in the affairs of government-related organizations of Japan or a foreign country;
 - (3) A person engaged in the affairs of public bodies of Japan or a foreign country;
 - (4) A person engaged in public duties of international organizations established to carry out specific affairs related to the public interest;
 - (5) A person to whom authority is delegated by a Japanese or foreign national government;
 - (6) A political party or a staff member thereof; and
 - (7) A candidate for public office.
- (4) "Executive(s) and (or) employee(s)" refer to all executives and employees of the NOF Group, as well as all other persons who have employment contracts with the NOF Group companies including part-time and temporary employees.

Code of Ethical Conduct

In order that we can maintain NOF CORPORATION's position as a good corporate citizen, earn and keep the trust of the community and continue to develop as a company, each and every one of us-employees and executives alike shall abide by this code faithfully.

1. Compliance

We shall act in an ethical manner becoming of members of a company and society, and we shall obey the law and other regulations, and respect others' human rights.

2. Community

We shall give priority in all processes of our business activities to human safety and health, as well as protection of the natural environment, and we shall work proactively to maintain a harmonious existence in all our local communities worldwide.

3. Respect for Individuals

We shall not engage in any act that goes beyond the Company's justifiable interests or that damages the Company's credit or honor, and we shall respect the personality and individuality of all people.

4. Business Partners, Government Officers

We shall always treat our trading partners and business partners fairly and equally and in good faith, and we shall not provide any civil servant with any benefits or favors.

5. Shareholders, Investors

We are an open company, and we shall disclose the details of our management and business status and other corporate information in a timely fashion as required by relevant laws.

6. Company Assets and Information

We shall not use the Company's assets for any purpose other than the Company's official business objectives. We shall record and report accurately our business performance, protect intellectual property rights and hold confidential information and other companies' business secrets in strict confidence.

7. Fair Trade

We shall comply with antimonopoly laws and international trade laws, and we shall observe the Financial Instruments and Exchange Law and not engage in insider trading.

8. Prohibition of Antisocial Behavior

We shall eliminate the influence of antisocial groups, and shall not provide undue benefits to specific shareholders.

Risk Management

Basic Concept towards Risk Management

1. The NOF Group comprehensively identifies various management risks surrounding its business, and conducts risk assessment based on the impact and frequency of each factor in order to identify risks that need to be addressed as a priority.
2. We work to minimize the impact on management by taking appropriate measures to reduce the impact of risks that have materialized, as well as measures to reduce the probability of occurrence.
3. We work to objectively verify the effectiveness of risk countermeasures by periodically conducting risk assessments, while working to recognize and evaluate new risks.
4. Under the leadership of the Risk Management Task Force established under the CSR Committee, we promote the risk management of the NOF Group by implementing the above risk management cycle.

Risk management system

The Risk Management Committee, the Compliance Committee, the RC Committee, and the Quality Control Committee analyze management risks, consider countermeasures, and report to the CSR Committee chaired by

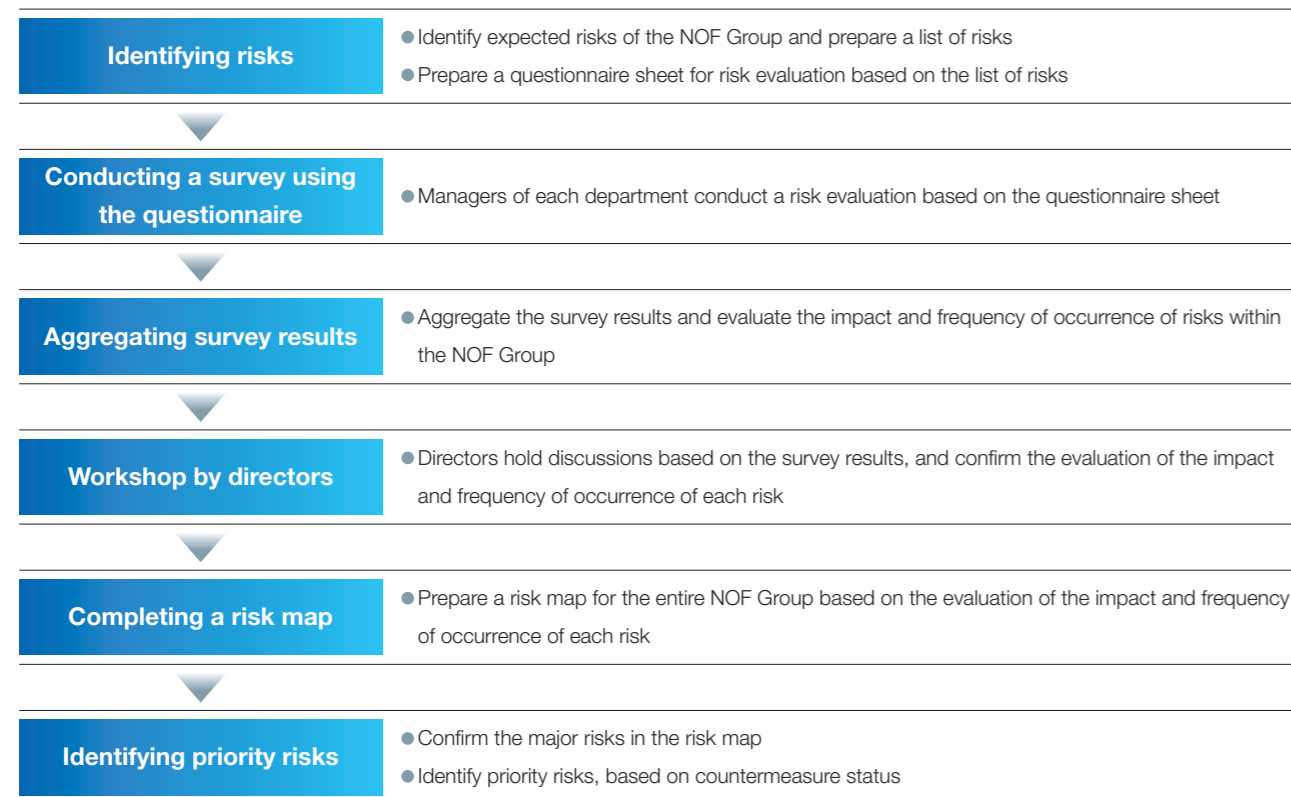
the President. The CSR Committee conducts integrated assessment of various business risks, including those related to compliance, information management, and environment and safety, as well as confirmation and evaluation of the comprehensiveness of risks. The risks are deliberated at the Board of Directors as necessary.

We manage and monitor Group companies in accordance with the rules on the management of group companies, and offer advice, as necessary; while any important matters that are deemed to materially impact the subsidiary's assets or profit and loss are approved by the NOF Board of Directors or the Executive Committee.

Confirming "major risks" and identifying "priority risks"

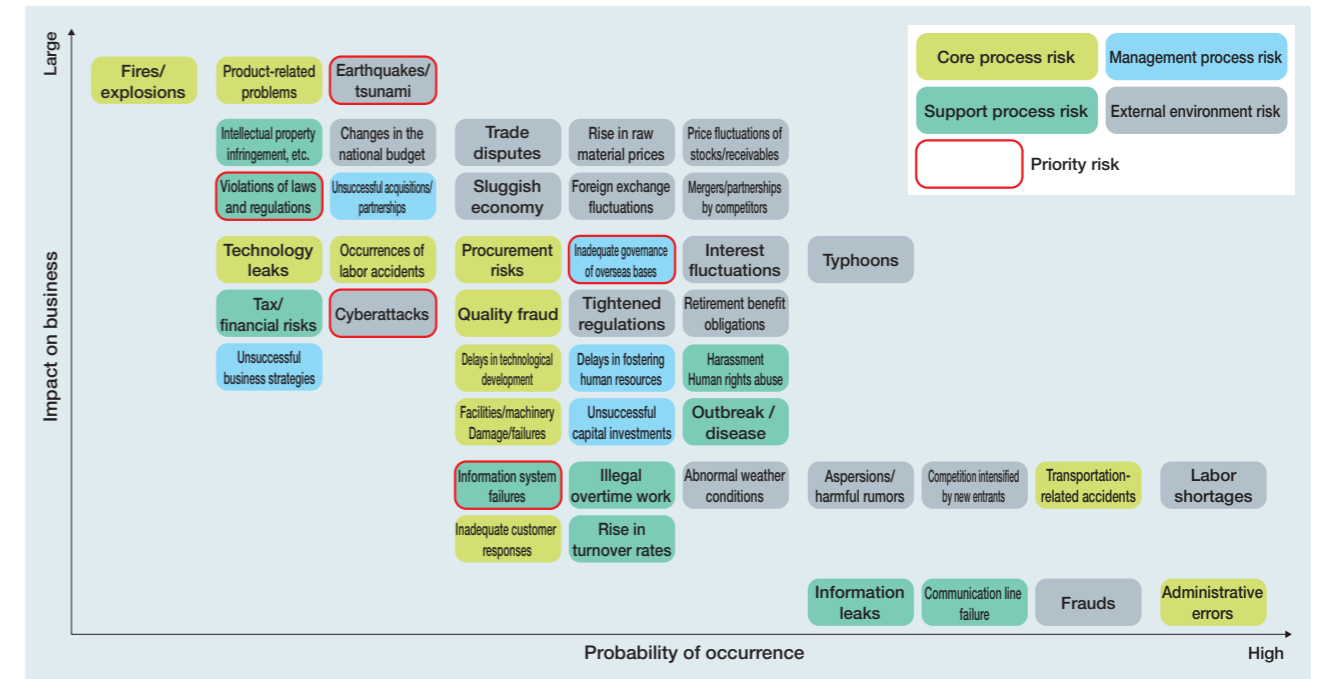
The NOF Group works to comprehensively identify management risks surrounding the Group, considering the characteristics of each business as well as external environments, including political, economic and social changes. In addition, we evaluate the impact and the frequency of occurrence of each identified risk on Group management, confirming major risks and taking appropriate measures against risks identified as "priority risks," which necessitate enhanced resilience.

Flow of Risk Assessment



Risk Map (excerpt)

The risk map is prepared based on the results of the risk evaluation at the directors' workshop. The risk map is revised and priority risks are identified on a yearly basis in order to implement activities aimed at enhancing the NOF Group's resilience.



Overview of major Risks and Status of Countermeasures (excerpt)

major risk	Risk description	Ongoing Countermeasures (excerpt)
Earthquakes/tsunami	Possible interruption of production activities or business activities, including sales and distribution, due to earthquakes, tsunami, or other natural disasters	<ul style="list-style-type: none"> Formulate a business continuity plan (BCP) Implement internal audits and training regarding the BCP
Violation of laws and regulations	Possible suspension of business activities and possible payments of surcharge, etc. following administrative dispositions taken in response to violations of laws and regulations	<ul style="list-style-type: none"> Prepare a Global Compliance Manual and country-specific compliance manuals based on the legal systems of each country Establish compliance training and contact points for whistle-blowing/consultation
Inadequate governance of overseas bases	Possible decline in trust in the Company due to fraud, such as violations of laws and regulations, as a result of inadequate governance at overseas bases	<ul style="list-style-type: none"> Develop a system for ensuring the appropriateness of business operations Request a regular report on the state of business execution and financial condition, etc.; conduct business audits
Cyberattacks	Possible information leaks and interruption of business activities, due to illicit accesses from outside such as cyberattacks and information system failures	<ul style="list-style-type: none"> Establish the information security management rules and appointed a person responsible for information security management, etc. Implement safety measures at appropriate and rational levels, including development of a defense system against illicit accesses and data backup
Information system failures	Possible information leaks and interruption of business activities, due to illicit accesses from outside such as cyberattacks and information system failures	<ul style="list-style-type: none"> Establish the information security management rules and appointed a person responsible for information security management, etc. Implement safety measures at appropriate and rational levels, including development of a defense system against illicit accesses and data backup
Fires/explosions	Possible casualties among employees and neighborhood residents, possible suspension of business activities, and possible compensation for damages as a result of large-scale fires and explosion accidents at plants	<ul style="list-style-type: none"> Reinforce the maintenance of facilities that manufacture hazardous materials, and promote measures for aging facilities Formulate emergency response manuals and implement trainings Implement joint disaster prevention drills and dialogue activities with local municipalities
Intellectual property infringement, etc.	Possible compensation for damages and possible orders to suspend manufacturing and shipment, due to infringements of intellectual property rights	<ul style="list-style-type: none"> Develop a check system for intellectual property management and patent infringement Educate employees on intellectual property including patents and trademarks
Technology leaks	Possible decline in the Group's competitiveness, due to leakages of technology and technical information, and similar products/technologies provided by competitors	<ul style="list-style-type: none"> Establish rules for trade secrets Develop a management system for trade secrets
Quality fraud	Possible decline in trust in the Company due to quality fraud, falsification of quality inspection results, and other situations	<ul style="list-style-type: none"> Ensure strict management of data related to quality control Enlighten and train employees
Harassment	Possible decline in trust in the Company due to human rights abuse, such as abuse of authority and sexual harassment at workplace	<ul style="list-style-type: none"> Establish the Code of Ethical Conduct and the Compliance Manual Set up consultation desks each staffed with a male consultant and a female consultant
Human rights abuse	Possible decline in trust in the Company due to human rights abuse, such as abuse of authority and sexual harassment at workplace	<ul style="list-style-type: none"> Establish the Code of Ethical Conduct and the Compliance Manual Set up consultation desks each staffed with a male consultant and a female consultant
Delays in fostering human resources	Possible stall in development of human resources who will be responsible for the growth of the NOF Group, due to a delay in efforts to foster human resources or an unsuccessful human resource development plan	<ul style="list-style-type: none"> Promote rank-specific trainings for next-generation human resources for specific issues Promote/foster international human resources and human resource rotation

Financial Data

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Consolidated business performance indicators

	Fiscal year Fiscal year ended	94th fiscal year March 2017	95th fiscal year March 2018	96th fiscal year March 2019	97th fiscal year March 2020	98th fiscal year March 2021
Net sales	(Millions of yen)	174,057	179,935	189,152	180,917	172,645
Ordinary profit	(Millions of yen)	25,001	27,430	30,099	28,830	28,870
Profit attributable to owners of parent	(Millions of yen)	17,586	19,913	22,034	21,140	23,302
Comprehensive income	(Millions of yen)	24,126	25,364	19,226	11,810	31,606
Net assets	(Millions of yen)	152,564	169,572	178,285	178,716	203,516
Total assets	(Millions of yen)	217,127	235,874	244,533	235,248	271,536
Net assets per share	(Yen)	1,753.44	1,980.14	2,108.77	2,140.98	2,448.60
Basic earnings per share	(Yen)	202.27	230.96	259.29	251.72	280.49
Diluted earnings per share	(Yen)	—	—	—	—	—
Equity-to-asset ratio	(%)	69.90	71.56	72.59	75.64	74.68
Rate of return on equity	(%)	12.27	12.42	12.73	11.90	12.24
Price-earnings ratio	(Times)	11.69	13.62	14.54	13.63	20.64
Net cash provided by operating activities	(Millions of yen)	24,024	20,211	19,864	27,837	30,726
Net cash provided by (used in) investing activities	(Millions of yen)	(5,831)	(4,881)	(5,540)	(4,838)	1,894
Net cash used in financing activities	(Millions of yen)	(7,512)	(8,490)	(10,814)	(11,287)	(8,042)
Cash and cash equivalents	(Millions of yen)	29,215	36,465	39,357	50,684	76,596
Number of employees	(Number of persons)	3,712	3,721	3,725	3,718	3,755

(Note 1) Consumption taxes and other are not included in net sales.

2) Diluted net income per share for the period has also been omitted because there was no potentially dilutive common shares.

3) The Company conducted a consolidation of common stock at the ratio of 2 shares to 1 share effective October 1, 2017. Profit per share and net assets per share are calculated based on the assumption that the consolidation was implemented at the beginning of the 94th term.

4) The Company has adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the beginning of the 96th term. Figures regarding the business performance indicators for the 95th term have been adjusted based on the retrospective adoption of the above standards.

5) The Company has introduced the Board Benefit Trust (BBT) on the 97th fiscal year. In the calculation of the Profit per share and net assets per share, The Company's shares held by the Board Benefit Trust (BBT) are included in treasury shares subject to exclusion.

Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	51,849	78,669
Notes and accounts receivable - trade	38,625	39,529
Electronically recorded monetary claims - operating	2,467	2,441
Merchandise and finished goods	21,261	18,860
Work in process	3,299	2,898
Raw materials and supplies	10,353	10,568
Other	2,446	2,415
Allowance for doubtful accounts	(188)	(205)
Total current assets	130,115	155,176
Non-current assets		
Property, plant and equipment		
Buildings and structures	72,238	73,842
Accumulated depreciation	(48,349)	(49,891)
Buildings and structures, net	23,888	23,951
Machinery, equipment and vehicles	101,477	103,485
Accumulated depreciation	(89,727)	(91,163)
Machinery, equipment and vehicles, net	11,750	12,322
Land	20,332	20,327
Leased assets	425	426
Accumulated depreciation	(146)	(186)
Leased assets, net	279	239
Construction in progress	1,117	3,291
Other	15,316	15,759
Accumulated depreciation	(13,426)	(13,679)
Other, net	1,889	2,080
Total property, plant and equipment	59,258	62,212
Intangible assets		
Other	1,050	989
Total intangible assets	1,050	989
Investments and other assets		
Investment securities	40,868	47,744
Long-term loans receivable	2	5
Deferred tax assets	1,012	918
Retirement benefit asset	1,153	2,856
Other	1,846	1,688
Allowance for doubtful accounts	(59)	(54)
Total investments and other assets	44,823	53,158
Total non-current assets	105,132	116,360
Total assets	235,248	271,536

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,998	17,129
Electronically recorded obligations - operating	852	798
Short-term borrowings	1,353	1,570
Current portion of long-term borrowings	0	5,000
Lease obligations	161	157
Accrued expenses	1,696	1,487
Income taxes payable	4,067	6,311
Deposits received	4,045	3,801
Provision for bonuses	3,227	3,391
Asset retirement obligations	156	156
Other	5,555	8,553
Total current liabilities	36,114	48,360
Non-current liabilities		
Long-term borrowings	8,059	3,053
Lease obligations	289	164
Deferred tax liabilities	6,629	10,625
Provision for officers' retirement benefits	106	83
Provision for retirement benefits for directors (and other officers)	0	0
Retirement benefit liability	4,841	4,923
Asset retirement obligations	34	399
Other	454	411
Total non-current liabilities	20,417	19,659
Total liabilities	56,532	68,020
Net assets		
Shareholders' equity		
Share capital	17,742	17,742
Capital surplus	15,115	15,115
Retained earnings	136,643	154,793
Treasury shares	(6,333)	(7,984)
Total shareholders' equity	163,167	179,666
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,933	24,039
Foreign currency translation adjustment	(883)	(967)
Remeasurements of defined benefit plans	(1,280)	49
Total accumulated other comprehensive income	14,768	23,121
Non-controlling interests	780	727
Total net assets	178,716	203,516
Total liabilities and net assets	235,248	271,536

Consolidated Statement of Income

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net sales	180,917	172,645
Cost of sales	122,313	115,259
Gross profit	58,604	57,385
Selling, general and administrative expenses	31,730	30,783
Operating profit	26,874	26,602
Non-operating income		
Interest income	96	83
Dividend income	1,561	1,108
Rental income from real estate	253	267
Foreign exchange gains	—	237
Other	800	1,044
Total non-operating income	2,712	2,741
Non-operating expenses		
Interest expenses	69	61
Expenses for conditional assignment	31	28
Rental expenses on real estate	78	80
Expenses for disposal of fixed assets	133	183
Foreign exchange losses	221	—
Other	220	118
Total non-operating expenses	755	472
Ordinary profit	28,830	28,870
Extraordinary income		
Gain on sale of non-current assets	58	11
Gain on sale of investment securities	1,994	5,408
Insurance claim income	371	—
Total extraordinary income	2,423	5,420
Extraordinary losses		
Loss on sale of non-current assets	5	4
Impairment losses	449	45
Loss on disaster	216	—
Loss on retirement of non-current assets	123	37
Loss on sale of investment securities	21	32
Loss on valuation of investment securities	—	12
Loss on withdrawal from business	87	—
Office relocation expenses	108	—
Settlement package	—	48
Other	3	—
Total extraordinary losses	1,015	181
Profit before income taxes	30,238	34,109
Income taxes - current	8,949	10,598
Income taxes - deferred	116	195
Total income taxes	9,065	10,794
Profit	21,172	23,315
Profit attributable to non-controlling interests	32	13
Profit attributable to owners of parent	21,140	23,302

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Profit	21,172	23,315
Other comprehensive income		
Valuation difference on available-for-sale securities	(8,294)	7,112
Foreign currency translation adjustment	(463)	(150)
Remeasurements of defined benefit plans, net of tax	(604)	1,329
Total other comprehensive income	(9,362)	8,291
Comprehensive income	11,810	31,606
Comprehensive income attributable to		
Owners of parent	11,783	31,655
Non-controlling interests	27	(48)

Consolidated Statement of Changes in Net Assets (For the Year Ended March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	17,742	15,115	122,657	(2,145)	153,369
Changes during period					
Dividends of surplus			(7,154)		(7,154)
Profit attributable to owners of parent			21,140		21,140
Purchase of treasury shares				(4,188)	(4,188)
Disposal of treasury shares					—
Change in scope of consolidation					—
Change in ownership interest of parent due to transactions with non-controlling interests		0			0
Net changes in items other than shareholders' equity					
Total changes during period	—	0	13,985	(4,188)	9,797
Balance at end of period	17,742	15,115	136,643	(6,333)	163,167

(Millions of yen)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	25,224	(423)	(675)	24,125	790	178,285
Changes during period						
Dividends of surplus						(7,154)
Profit attributable to owners of parent						21,140
Purchase of treasury shares						(4,188)
Disposal of treasury shares						—
Change in scope of consolidation						—
Change in ownership interest of parent due to transactions with non-controlling interests						0
Net changes in items other than shareholders' equity	(8,291)	(460)	(604)	(9,357)	(10)	(9,367)
Total changes during period	(8,291)	(460)	(604)	(9,357)	(10)	430
Balance at end of period	16,933	(883)	(1,280)	14,768	780	178,716

Consolidated Statement of Changes in Net Assets (For the Year Ended March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	17,742	15,115	136,643	(6,333)	163,167
Changes during period					
Dividends of surplus			(6,486)		(6,486)
Profit attributable to owners of parent			23,302		23,302
Purchase of treasury shares				(1,655)	(1,655)
Disposal of treasury shares				4	4
Change in scope of consolidation			1,334		1,334
Change in ownership interest of parent due to transactions with non-controlling interests		0			0
Net changes in items other than shareholders' equity					
Total changes during period	—	0	18,150	(1,650)	16,499
Balance at end of period	17,742	15,115	154,793	(7,984)	179,666

(Millions of yen)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	16,933	(883)	(1,280)	14,768	780	178,716
Changes during period						
Dividends of surplus						(6,486)
Profit attributable to owners of parent						23,302
Purchase of treasury shares						(1,655)
Disposal of treasury shares						4
Change in scope of consolidation						1,334
Change in ownership interest of parent due to transactions with non-controlling interests						0
Net changes in items other than shareholders' equity	7,106	(83)	1,330	8,352	(52)	8,300
Total changes during period	7,106	(83)	1,330	8,352	(52)	24,799
Balance at end of period	24,039	(967)	49	23,121	727	203,516

Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities		
Profit before income taxes	30,238	34,109
Depreciation	5,304	5,553
Impairment losses	449	45
Increase (decrease) in retirement benefit liability	93	(0)
Interest and dividend income	(1,657)	(1,191)
Interest expenses	69	61
Gain on sale of non-current assets	(52)	(6)
Gain on valuation of investment securities	—	12
Gain on sale of investment securities	(1,972)	(5,376)
Insurance claim income	(371)	—
Loss on disaster	216	—
Loss on withdrawal from business	87	—
Relocation expenses	108	—
Decrease (increase) in trade receivables	6,767	(561)
Decrease in inventories	1,114	2,742
Increase (decrease) in trade payables	(4,818)	1,656
Other, net	132	832
Subtotal	35,709	37,876
Interest and dividends received	1,658	1,192
Interest paid	(69)	(61)
Income taxes paid	(9,584)	(8,335)
Payments of relocation expenses	(65)	—
Proceeds from insurance income	371	54
Payments associated with disaster loss	(182)	—
Net cash provided by operating activities	27,837	30,726
Cash flows from investing activities		
Purchase of investment securities	(32)	(27)
Proceeds from sale of investment securities	2,678	8,837
Purchase of property, plant and equipment and intangible assets	(7,711)	(5,982)
Proceeds from sale of property, plant and equipment and intangible assets	98	11
Net decrease (increase) in short-term loans receivable	(59)	149
Long-term loan advances	(2)	(8)
Proceeds from collection of long-term loans receivable	2	3
Other, net	188	(1,090)
Net cash provided by (used in) investing activities	(4,838)	1,894
Cash flows from financing activities		
Net increase in short-term borrowings	231	247
Repayments of long-term borrowings	(0)	(0)
Purchase of treasury shares	(4,188)	(1,655)
Purchase of treasury shares of subsidiaries	(31)	(1)
Repayments of finance lease obligations	(165)	(166)
Dividends paid	(7,130)	(6,465)
Dividends paid to non-controlling interests	(2)	(2)
Net cash used in financing activities	(11,287)	(8,042)
Effect of exchange rate change on cash and cash equivalents	(383)	(40)
Net increase in cash and cash equivalents	11,327	24,537
Cash and cash equivalents at beginning of period	39,357	50,684
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	1,374
Cash and cash equivalents at end of period	50,684	76,596

Corporate Information

Corporate Profile (As of March 31, 2021)

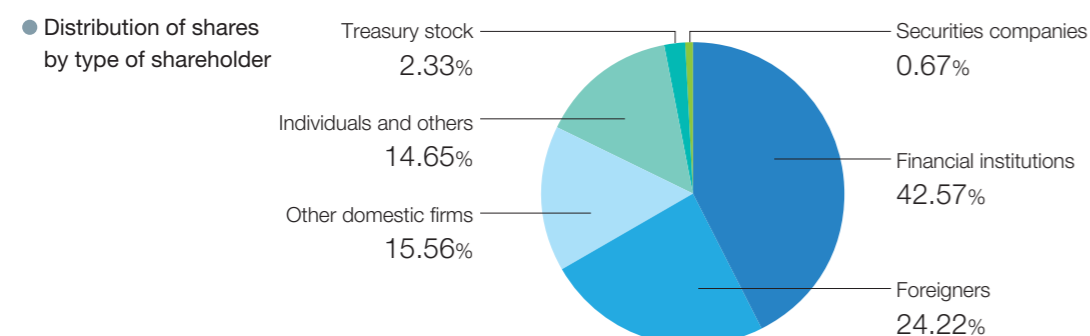
● Name	NOF CORPORATION
● Head Office	20-3 Ebisu 4-chome, Shibuya-ku, Tokyo, Japan
● Established	June 1, 1937
● Incorporated	July 1, 1949
● Capital	¥17,742 million
● Employees	1,715 (consolidated: 3,755)
● Consolidated subsidiary	25 subsidiaries
● Accounting Auditor	Ernst & Young ShinNihon LLC

Stock Information (As of March 31, 2021)

● Listed Stock Exchange	Tokyo Stock Exchange, First Section
● Securities Code	4403
● Total Number of Shares Authorized	347,000,000
● Total Number of Shares Issued	82,869,274
● Number of Shareholders	12,545
● Status of Major Shareholders	

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	9,984	12.04
Custody Bank of Japan, Ltd. (Trust Account)	4,575	5.52
Custody Bank of Japan, Ltd. (Trust Account 9)	3,145	3.79
Meiji Yasuda Life Insurance Company	3,128	3.77
Mizuho Bank, Ltd.	2,889	3.48
NOF Shineikai	1,937	2.33
THE CHASE MANHATTAN BANK 385036	1,749	2.11
MSCO CUSTOMER SECURITIES	1,453	1.75
NOF Kyoekai	1,354	1.63
The Nomura Trust and Banking Co., Ltd. (Trust account)	1,202	1.45

Notes: 1. The number of shares is rounded down to the nearest thousand shares.
 2. Percentage of ownership excludes 1,972,102 shares of treasury stock.
 3. Percentage of ownership is rounded down to the second decimal place.



Editorial Policy

To demonstrate the sustainable growth of the NOF Group to our broad range of stakeholders, this report mainly focuses on management strategies, business overview, financial information, and non-financial information (E: Environmental, S: Social, G: Governance), among other matters. Information that is not included in this report will be published on our website as the ESG DATA BOOK, which complements the information in this report.

We regard this report as a tool for dialogue with our stakeholders and will strive to enrich the content.

Reporting Period

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

*Activities or information before or after the reporting period have also been included if considered necessary for deepening readers' understanding.

Published

September 2021

The next report is scheduled to be published in September 2022 (the previous report was published in October 2019)

Scope of the Report

The Report covers the entire NOF Group.

If it is necessary to specify the scope of coverage, the following terms are used.

The term "NOF Group" is used to refer to the whole Group.

The term "NOF" is used to refer to NOF CORPORATION alone.

Guidelines Referenced

ISO26000: 2010 Guidance on Social Responsibility, Japanese Standards Association

GRI Sustainability Reporting Guidelines Standard

Disclaimer

This Report contains forward-looking statements based on management plans and expectations at the time of publication, as well as past and present facts regarding the NOF Group. These forward-looking statements comprise assumptions and judgments based on currently available information, and thus the actual events and outcome of future business activities may differ from those predicted due to changes in various conditions.

For more information



NOF website
www.nof.co.jp/



Investor Information
www.nof.co.jp/ir/index.html



CSR Information
www.nof.co.jp/csr/policy.html

Corporate Governance Report
www.nof.co.jp/ir/governancereport.html

Annual Securities Report
www.nof.co.jp/ir/library.html

ESG DATA BOOK
www.nof.co.jp/csr/download.html

Please see the ESG DATA BOOK for the GRI Standards Content Index.



Naruhodo NOF!
www.nof.co.jp/about/index.html



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