

May 31, 2021

To shareholders

Matters to be Disclosed by the Internet in Association with
the Notice on the 98th Annual General Meeting of Shareholders

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The above matters are presented to shareholders by posting on the Company's website (<http://www.nof.co.jp/>) in accordance with laws and regulations as well as the provisions of Article 15 in the Articles of Incorporation of the Company

NOF CORPORATION

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Consolidated Statement of Changes in Net Assets

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

(millions of yen)

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

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized holding gain on securities	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance at beginning of the period	16,933	(883)	(1,280)	14,768	780	178,716
Changes during the period						
Cash dividends						(6,486)
Profit attributable to owners of parent						23,302
Purchase of treasury stock						(1,655)
Disposal of treasury stock						4
Change in scope of consolidation						1,334
Change in stock of parent arising from transactions with non-controlling interest shareholders						0
Net changes in items other than shareholders' equity	7,106	(83)	1,330	8,352	(52)	8,300
Total changes during the period	7,106	(83)	1,330	8,352	(52)	24,799
Balance at the end of the period	24,039	(967)	49	23,121	727	203,516

Notes to Consolidated Financial Statements

Notes to Basis for Preparation of Consolidated Financial Statements

1. Matters related to scope of consolidation

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

Number of consolidated subsidiaries: 25

Names of major consolidated subsidiaries

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

As NOF METAL COATINGS SHANGHAI CO., Ltd., which was a non-consolidated subsidiary, has increased in materiality, it shall be included in the scope of consolidation from the fiscal year under review.

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

Names of major non-consolidated subsidiaries

There are no major non-consolidated subsidiaries.

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

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

2. Matters related to application of equity method

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

Not applicable.

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

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

Affiliate: Amagasaki Utility Services CO., Ltd.

Reason for not accounted for using the equity method

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

3. Fiscal year, etc. of consolidated subsidiaries

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

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

4. Matters related to accounting policies

(1) Standards and methods of valuation of assets

(i) Standards and methods of valuation of securities

Other securities

Available-for-sale securities with market value

Mainly by the market value method based on the average market price over a period of one month prior to the consolidated balance sheet date

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

Available-for-sale securities without market value

Mainly by the cost method using the moving-average method

(ii) Standards and methods of valuation of inventories

Mainly by the cost method using the total-average method (Consolidated balance sheet amounts are written down subject to decline in profitability.)

(2) Methods of depreciation and amortization of fixed assets

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

Straight-line method

(ii) Intangible assets (excluding leased assets)

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

(iii) Leased assets

Leased assets used in finance lease transactions that do not transfer ownership to the lessee
Straight-line method, assuming the useful life as the lease period with residual value at nil

(3) Standards of providing allowances

(i) Allowance for doubtful accounts

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

(ii) Accrued bonuses for employees

To prepare for the payment of employees' bonuses, the Company and its major consolidated subsidiaries have recorded estimated amounts of employees' bonuses attributable to the fiscal year ended March 31, 2021.

(iii) Accrued retirement benefits for executive officers

To prepare for the expenditure of retirement benefits for executive officers, etc. of the Company, the amount to be paid at the end of the fiscal year ended March 31, 2021 has been recorded according to the internal rules.

(iv) Accrued retirement benefits for officers

NOF METAL COATINGS KOREA Co., Ltd., has recorded the amount to be paid at the end of the fiscal year ended March 31, 2021 according to the internal rules, in order to prepare for the expenditure of retirement benefits for officer, etc.

(4) Other basis for preparation of consolidated financial statements

(i) Hedge accounting

Method of hedge accounting

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

Hedging instruments and hedged items

Hedging instruments: forward exchange contracts

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

(ii) Methods of accounting retirement benefits

To prepare for retirement benefits of employees, retirement benefit liability has been recorded at the amount of the retirement benefit obligation less pension plan assets based on the estimation as of the end of the fiscal year ended March 31, 2021.

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

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

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

In calculating the retirement benefit liability, the estimated amount of retirement benefits is attributed mainly by benefit formula to the period up to the end of the fiscal year ended March 31, 2021.

(iii) Consumption tax

The tax exclusion method is adopted.

Notes to Changes in Presentation Method

Application of “Accounting Standard for Disclosure of Accounting Estimates”

The “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) has been applied beginning from the consolidated financial statements concerning the year-end of the fiscal year ended March 31, 2021. Accordingly, the notes regarding important accounting estimates of the consolidated financial statements have been stated.

Consolidated statement of income

“Loss on sale of investment securities,” which was included in “Others” under “Extraordinary losses” until the previous fiscal year, is separately presented from the fiscal year ended March 31, 2021 due to increased monetary materiality. “Loss on sale of investment securities” in the previous fiscal year was 21 million yen.

Notes regarding Important Accounting Estimates

1. Recoverability of deferred tax assets

(1) Amount recorded on the consolidated financial statements for the fiscal year under review

1,013 million yen in deferred tax assets, net concerning consolidated subsidiaries, which fall under “Category 3” pursuant to Paragraph 29 of the “Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26)”

(2) Information regarding contents of accounting estimates concerning items identified

i. Method of calculation

The recoverability of deferred tax assets is determined through an estimate of taxable income based on future earning capacity, in contrast with future deductible amounts.

ii. Main assumptions

The estimate of taxable income based on future earning capacity uses the budget for the next fiscal year and the Mid-Term Management Plan as the foundation, and its main assumption is the future estimated sales volume. The said business plan has been formulated in consideration of the impact associated with the conditions of the COVID-19 pandemic.

iii. Impact on consolidated financial statements for the next fiscal year

Regarding the main assumption stated in ii, if ex post facto results deviate from the assumption due to factors such as economic trends in the future, and there is a decrease in taxable income in the next fiscal year or later, there may be a review of the recoverability of deferred tax assets.

2. Impairment of fixed assets

(1) Amount recorded on the consolidated financial statements for the fiscal year under review

45 million yen in impairment loss on fixed assets, 63,201 million yen in property, plant and equipment and intangible assets

(2) Information regarding contents of accounting estimates concerning items identified

i. Method of calculation

The Group groups business-use assets primarily according to the operating division, and assesses impairment. For assets and asset groups with indications of impairment, the Group estimates undiscounted future cash flows based on the business plan of each business, and assesses the necessity of impairment.

ii. Main assumptions

The estimate of undiscounted future cash flows uses the business plan of each business as the foundation, and its main assumption is the future estimated sales volume. The said business plans have been formulated in consideration of the impact associated with the conditions of the COVID-19 pandemic.

iii. Impact on consolidated financial statements for the next fiscal year

Regarding the main assumption stated in ii, if ex post facto results deviate from the assumption due to factors such as economic trends in the future, and an asset group shows new indications of impairment, or if undiscounted future cash flows fall below the book value of fixed assets in asset groups, there may be impairment loss on fixed assets in the next fiscal year.

Additional Information

Board Benefit Trust (BBT)

Based on the resolution at the 96th Annual General Meeting of Shareholders held on June 27, 2019, the Company introduced in the fiscal year ended March 31, 2021 a performance-linked stock compensation plan (the Board Benefit Trust (BBT)) for Directors (excluding Outside Directors) and Operating Officers with titles (hereinafter collectively referred to as the “Directors, etc.”) (hereinafter referred to as the “Plan”).

The purpose of the Plan is to further clarify the linkage between compensation of Directors, etc., financial results of the Company and the value of the Company's shares, and have Directors, etc. share the risk of stock value fluctuation with the shareholders, thereby strengthening the awareness of Directors, etc. of their contribution to the medium- to long-term improvement in financial results and enhancement of corporate value.

(1) Overview of the transactions under the Plan

Under the Plan, the Company's shares are acquired through a trust using funds contributed by the Company (hereinafter, such trust established pursuant to the Plan is referred to as the "Trust"), and the Company's shares and cash equivalents of such shares at their market value (hereinafter collectively referred to as the "Company's Shares, etc.") are distributed through the Trust to the Directors, etc., pursuant to the Officer Stock Distribution Rules established by the Company. The Directors, etc. shall receive the Company's Shares, etc. upon their retirement, in principle. Accounting treatment of the trust agreement hereunder is subjected to the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No.30, March 26, 2015).

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

The Company records the Company's shares remaining in the Trust at their book value (excluding incidental costs) at the Trust, as treasury stock under net assets. At the end of the fiscal year ended March 31, 2021, such treasury stock stood at 175 million yen of book value and the number of such shares was 51,400.

Notes to Consolidated Balance Sheet

1. Assets pledged as collateral and collateralized obligation

(1) Assets pledged as collateral

Buildings and structures	61 million yen
Land	163 million yen
Investment securities	<u>15 million yen</u>
Total	240 million yen

(2) Collateralized obligation

Long-term debt	0 million yen
(including current portion)	
Accounts payable, etc.	<u>270 million yen</u>
Total	270 million yen

2. Accumulated depreciation of property, plant and equipment 154,920 million yen

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

Accumulated advanced depreciation for property, plant and equipment due to acceptance of national subsidies are 512 million yen for buildings and structures, 449 million yen for machinery, equipment and vehicles, while 21 million yen for others, totaling 983 million yen.

4. Repurchase obligation associated with the liquidation of receivables 1,535 million yen

Notes to Consolidated Statement of Income

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

Write-down of book value reflecting the reduced profitability (after offsetting the reversal in the first half)
9 million yen

2. Impairment loss on fixed assets

The Group recorded impairment loss for the following assets in the fiscal year ended March 31, 2021.

Location	Use	Type	Impairment losses
Taketoyo-cho, Chita-gun, Aichi	Warehouse, etc.	Buildings, etc.	8 million yen
Kawagoe-city, Saitama	General administrative building, etc.	Construction in progress, etc.	36 million yen

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

Since the assets of Taketoyo-cho, Chita-gun, Aichi have little prospect of recovery in operating earnings due to declined profitability of the relevant business operation, book values of the assets with the recoverable amount falling short of the book value were written down to their respective recoverable amounts, and such reductions were recorded as impairment loss on fixed assets (8 million yen) under extraordinary losses.

Regarding the assets of Kawagoe-city, Saitama, mainly in line with the review of the plan to newly establish a general administrative building, the decision to abort the initial plan has been made. Therefore, the book values of the fixed assets, etc. associated with the said plan were recorded as impairment loss on fixed assets (36 million yen) under extraordinary losses.

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

The aforementioned impairment losses consisted of 8 million yen for buildings and structures, 0 million yen for machinery and vehicles, 1 million yen for tools, furniture and fixtures, and 34 million yen for construction in progress.

3. Settlement package

This settlement package concerns a claim for damages that arose in an operations contracting agreement of a consolidated subsidiary.

Notes to Consolidated Statement of Changes in Net Assets

1. Type and number of shares issued and outstanding at the end of the fiscal year ended March 31, 2021

Common stock 84,841,376

2. Matters related to cash dividends

(1) Dividends paid

Relevant resolutions	Type of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Record dates	Effective dates
The Annual General Meeting of Shareholders held on June 26, 2020	Common stock	3,243	39	March 31, 2020	June 29, 2020
The Board of Directors meeting held on November 5, 2020	Common stock	3,243	39	September 30, 2020	December 1, 2020
Total		6,486			

Notes: 1. The total amount of dividends determined to be paid by the resolution at the Annual General Meeting of Shareholders held on June 26, 2020 includes dividends of ¥2 million to the Company's shares held by the Board Benefit Trust (BBT).
2. The total amount of dividends determined to be paid by the resolution of the Board of Directors meeting held on November 5, 2020 includes dividends of ¥2 million to the Company's shares held by the Board Benefit Trust (BBT).

(2) Dividends for which the record date falls in the fiscal year ended March 31, 2021, but the effective date falls in the fiscal year ending March 31, 2022

The Company will submit a proposal on dividends for common stock as follows at the Annual General Meeting of Shareholders scheduled to be held on June 29, 2021.

(i) Total dividends	3,397 million yen
(ii) Dividends per share	41 yen
(iii) Record date	March 31, 2021
(iv) Effective date	June 30, 2021

Dividends shall be funded by retained earnings.

Notes to financial instruments

1. Matters regarding financial instruments

(1) Policy on financial instruments

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

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

Trade receivables such as trade notes and accounts receivable are exposed to credit risk associated with customers. These risks are managed according to the Group's internal rules for credit control, etc. Investment securities such as shares are generally exposed to the risk of market price fluctuations, and held by the companies in business relationship with the Group, and the listed shares are marked to market on a quarterly basis for mitigating such a market risk.

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

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

(3) Supplementary information on fair values of financial instruments

Fair values of financial instruments include the values based on their market prices, or at reasonably calculated estimates when market prices are unavailable. Such estimates are calculated reflecting variable factors and are subject to fluctuations due to changes in underlying assumptions.

2. Fair value of financial instruments

The values recorded on the consolidated balance sheet as of March 31, 2021, their fair values, and the differences between them are as follows.

Financial instruments whose fair values are deemed to be hardly determinable are not included herein. (See Note 2).
(Millions of yen)

	Values recorded on the consolidated balance sheet (*1)	Fair values (*1)	Differences
(1) Cash and time deposits	78,669	78,669	–
(2) Notes and accounts receivable	39,529		
(3) Electronically recorded claims-operating Allowance for doubtful accounts (*2)	2,441 (205)		
	41,764	41,764	–
(4) Securities and investment securities	46,532	46,532	–
(5) Notes and accounts payable	(17,129)	(17,129)	–
(6) Short-term bank loans	(1,570)	(1,570)	–
(7) Long-term debt (including current portion)	(8,053)	(8,039)	(13)

*1: Liabilities are shown in parenthesis.

*2: Allowance for doubtful accounts with respect to notes and accounts receivable and electronically recorded claims-operating are deducted.

Note 1. Method of measuring fair value of financial instruments and information relating to securities

(1) Cash and time deposits

Since they are settled in a short period of time and their fair values are approximate to book values, they are measured at their book value.

(2) Notes and accounts receivable and (3) electronically recorded claims-operating

Since they are settled in a short period of time and their fair values are approximate to the amounts recorded on the balance sheet as of the balance sheet date less estimated collection losses, such amounts are deemed as fair values.

(4) Securities and investment securities

The fair value of shares is measured at their price quoted on the stock exchange, while the fair value of bonds is measured at their price quoted on the securities exchange or the price quoted by the relevant financial institutions.

(5) Notes and accounts payable and (6) short-term bank loans

Since they are settled in a short period of time, and their fair values are approximate to book values, they are measured at their book value.

(7) Long-term debt

The fair value of long-term debt is determined at its present value, which is calculated by discounting future cash flows of a periodically divided portion of the debt using the discount rates reflecting the length of periods up to maturity as well as credit risk associated with each such portion.

Note 2. Financial instruments whose fair values are deemed to be hardly determinable

(Millions of yen)

Classification	Amounts recorded on the consolidated balance sheet
Unlisted stock	1,211
Fund certificate	0

These items are not included in “(4) Securities and investment securities,” as their fair values are hardly determinable due to absence of market prices, making the estimation of future cash flows impossible.

Notes to per share information

Net assets per share	2,448.60 yen
Profit per share	280.49 yen
Note: The Company's shares held by the Board Benefit Trust (BBT) are included in treasury stock subject to exclusion.	
Number of shares issued at the end of the fiscal year that were excluded for the purpose of calculating per share information	51,400
Average number of shares issued during the fiscal year that were excluded for the purpose of calculating per share information	51,800

Other notes

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

Non-Consolidated Statement of Changes in Net Assets

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

(millions of yen)

	Shareholders' equity							
	Common stock	Capital surplus		Legal retained earnings	Retained earnings			
		Legal capital surplus	Total capital surplus		Other retained earnings			Total retained earnings
					Reserve for tax purpose reduction entry of fixed assets	General reserve	Retained earnings brought forward	
Balance at beginning of the fiscal year	17,742	15,113	15,113	3,156	3,442	27,800	65,138	99,538
Changes during the fiscal year								
Cash dividends							(6,486)	(6,486)
Reversal of reserve for tax purpose reduction entry of fixed assets					(59)		59	—
Profit							21,495	21,495
Purchase of treasury stock								
Disposal of treasury stock								
Net change in items other than shareholders' equity during the fiscal year								
Total changes during the fiscal year	—	—	—	—	(59)	—	15,068	15,009
Balance at end of the fiscal year	17,742	15,113	15,113	3,156	3,382	27,800	80,206	114,547

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Unrealized holding gain on securities	Total valuation and translation adjustments	
Balance at beginning of the fiscal year	(6,333)	126,059	16,192	16,192	142,251
Changes during the fiscal year					
Cash dividends		(6,486)			(6,486)
Reversal of reserve for tax purpose reduction entry of fixed assets		—			—
Profit		21,495			21,495
Purchase of treasury stock	(1,655)	(1,655)			(1,655)
Disposal of treasury stock	4	4			4
Net change in items other than shareholders' equity during the fiscal year			6,667	6,667	6,667
Total changes during the fiscal year	(1,650)	13,358	6,667	6,667	20,025
Balance at end of the fiscal year	(7,984)	139,417	22,859	22,859	162,277

Notes to Non-Consolidated Financial Statements

Notes to Matters related to Significant Accounting Policies

1. Standards and methods of valuation of assets

(1) Standards and methods of valuation of securities

Shares of subsidiaries and affiliates

The cost method using the moving-average method

Other securities

Available-for-sale securities with market value

Market value method based on the average market price over a period of one month prior to the end of the fiscal year

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

Available-for-sale securities without market value

Cost method using the moving-average method

(2) Standards and methods of valuation of inventories

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

2. Method of depreciation and amortization of fixed assets

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

Straight-line method

(2) Intangible assets (excluding leased assets)

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

(3) Leased assets

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

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

3. Standards of providing allowances

(1) Allowance for doubtful accounts

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

(2) Accrued bonuses for employees

To prepare for the payment of employees' bonuses, the estimated amount of employees' bonuses attributable to the fiscal year ended March 31, 2021 has been recorded.

(3) Provision for retirement benefits

To prepare for retirement benefits of employees, the estimated amount of retirement benefit obligation and pension plan assets at the end of the fiscal year ended March 31, 2021 have been recorded.

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

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

In calculating the retirement benefit liability, the estimated amount of retirement benefits is attributed by benefit formula to the period up to the end of the fiscal year ended March 31, 2021.

(4) Accrued retirement benefits for officers

To prepare for the expenditure of retirement benefits for executive officers, etc., the amount to be paid at the end of the fiscal year ended March 31, 2021 has been recorded according to the internal rules.

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

(1) Method of hedge accounting

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

(2) Consumption tax

Tax-exclusion method is adopted.

Notes to Changes in Presentation Method

Application of “Accounting Standard for Disclosure of Accounting Estimates”

The “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) has been applied beginning from the non-consolidated financial statements concerning the year-end of the fiscal year ended March 31, 2021. Accordingly, the notes regarding important accounting estimates of the non-consolidated financial statements have been stated.

Non-consolidated statement of income

“Loss on sale of investment securities,” which was included in “Others” under “Extraordinary losses” until the previous fiscal year, is separately presented from the fiscal year ended March 31, 2021 due to increased monetary materiality.

“Loss on sale of investment securities” in the previous fiscal year was 21 million yen.

Notes regarding Important Accounting Estimates

Impairment of fixed assets

(1) Amount recorded on the non-consolidated financial statements for the fiscal year under review

8 million yen in impairment loss on fixed assets, 41,840 million yen in property, plant and equipment and intangible assets

(2) Information regarding contents of important accounting estimates concerning items identified

Notes on this issue are omitted as the same information is contained in “Notes regarding Important Accounting Estimates” under “Notes to Consolidated Financial Statements.”

Additional Information

Board Benefit Trust (BBT)

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

Notes to Non-consolidated Balance Sheet

1. Assets pledged as collateral and collateralized obligation

(1) Assets pledged as collateral

Buildings	61 million yen
Structures	0 million yen
Land	<u>3 million yen</u>
Total	64 million yen

(2) Collateralized Obligation

Long-term debt (including current portion)	0 million yen
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2. Accumulated depreciation of property, plant and equipment

107,680 million yen

3. Accumulated tax purpose reduction entries for property, plant and equipment due to acceptance of national subsidies

Accumulated tax purpose reduction entries for property, plant and equipment due to acceptance of national subsidies are 462 million yen for buildings, 18 million yen for structures, 415 million yen for machinery and equipment, while 20 million yen for tools, furniture and fixtures, totaling 917 million yen.

4. Guarantee obligations

(1) The Company provides guarantees for other companies' loan obligations to financial institutions.

P.T. NOF MAS Chemical Industries	808 million yen
NOF EUROPE GmbH	7 million yen
Total	815 million yen

(2) The Company provides guarantees for obligations of subsidiaries and associates associated with the liquidation of receivables.	
Yuka Sangyo Co., Ltd. and one other company	459 million yen
5. Repurchase obligation associated with the liquidation of receivables	1,076 million yen
6. Monetary claims against, and monetary obligations to subsidiaries and associates	
Short-term monetary claims	20,216 million yen
Long-term monetary claims	677 million yen
Short-term monetary obligations	24,343 million yen
Long-term monetary obligations	119 million yen

7. CMS lending limit for subsidiaries and associates

For the purpose of efficient fund management and fund procurement across the Group, a cash management system (hereinafter referred to as “CMS”) is in place, whereunder the Company has concluded the CMS Basic Agreement with 16 of the Group companies and established the CMS lending limit for the Group companies.

Unused lending limit available as of the end of the fiscal year ended March 31, 2021 is as follows:

Total CMS lending limit	13,880 million yen
Lending limit used	<u>4,443 million yen</u>
Lending limit unused	9,436 million yen

Notes to Non-consolidated Statement of Income

1. Amount of transactions with subsidiaries and associates

Trading transactions

Net sales	41,478 million yen
Purchases	9,053 million yen
Other trading transactions	7,798 million yen
Transactions other than trading transactions	2,484 million yen

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

Write-down of book value reflecting the reduced profitability (after offsetting the reversal in the first half)	8 million yen
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Notes to Non-consolidated Statement of Changes in Net Assets

Type and number of shares of treasury stock issued and outstanding at the end of the fiscal year ended March 31, 2021

Common stock	2,023,502
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Note: Number of shares of treasury stock at the end of the fiscal year ended March 31, 2021 includes 51,400 shares held by the Board Benefit Trust (BBT).

Notes to Tax Effect Accounting

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

Deferred tax assets	
Accrued bonuses for employees	700 million yen
Provision for retirement benefits	795 million yen
Loss on valuation of inventories	227 million yen
Accrued enterprise tax	345 million yen
Impairment loss on fixed assets	265 million yen
Accrued retirement benefits for executive officers	22 million yen
Accrued expenses	7 million yen
Loss on valuation of golf club membership	22 million yen
Loss on retirement of fixed assets	165 million yen
Loss on valuation of shares of subsidiaries and associates and investment securities	296 million yen
Deemed dividends in the form of non-cash dividends	2,125 million yen
Other	583 million yen
Deferred tax assets – subtotal:	<u>5,557 million yen</u>
Valuation allowance	(2,472) million yen
Deferred tax assets - total	<u>3,084 million yen</u>
Deferred tax liabilities	
Unrealized holding gain on securities	(10,047) million yen
Reserve for advanced depreciation of fixed assets	(1,519) million yen
Gain on contribution of securities to retirement benefit trust	(633) million yen
Other	(105) million yen
Deferred tax liabilities - total	<u>(12,306) million yen</u>
Net deferred tax liabilities	<u>(9,221) million yen</u>

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

Effective statutory tax rate	31.00 %
(Adjustments)	
Items excluded from gross profit such as dividend income	(2.49)
Tax exemption	(0.98)
Other	<u>(0.31)</u>
Corporate tax rate after the application of tax effect accounting	<u>27.22</u>

Notes to the Transactions with Related Parties

Subsidiaries and affiliates

(Millions of yen)

Type	Name of entity	Voting rights ownership ratio	Relationship with related parties	Description of transactions	Amount of transactions (Note 3)	Items	Fiscal year-end balance
Subsidiary	Nippon Koki Co., Ltd.,	Direct ownership 95%	Manufacture of the Company's products Lending of funds	Collection of funds (Note 2)	(476)	Short-term loans receivable	2,143
				Lending of funds (Note 2)	148	Long-term loans receivable	352
Subsidiary	NiGK Corporation	Direct ownership 100%	Manufacture of the Company's products Deposit-taking of funds	Deposit-taking of funds (Note 2)	1,699	Deposit received	9,172
Subsidiary	NOF METAL COATINGS ASIA PACIFIC CO., LTD.	Direct ownership 100%	Deposit-taking of funds	Deposit-taking of funds (Note 2)	881	Deposit received	6,006
Subsidiary	Yuka Sangyo Co., Ltd.	Direct ownership 100%	Sale of the Company's products Deposit-taking of funds	Sale of products (Note 1)	22,703	Accounts receivable	9,636
				Repayment of funds (Note 2)	(314)	Deposit received	3,443
Subsidiary	NOF AMERICA CORPORATION	Direct ownership 100%	Sale of the Company's products	Sale of products (Note 1)	8,021	Accounts receivable	2,070
Subsidiary	NOF EUROPE GmbH	Direct ownership 100%	Sale of the Company's products	Sale of products (Note 1)	6,197	Accounts receivable	2,158

Conditions of transactions and the policy for their establishment

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

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

Note 3. The amount of transactions does not include consumption taxes while fiscal year-end balance does.

Notes to Per Share Information

Net assets per share 1,959.45 yen

Net income per share 258.74 yen

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

Number of shares issued at the end of the current fiscal year excluded for the purpose of calculating per share information 51,400

Average number of shares issued during the current fiscal year excluded for the purpose of calculating per share information 51,800

Notes to Significant Subsequent Event

Not applicable.

Other Notes

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