

Message from the Management

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

Along with NOF CORPORATION's financial results for the first half (April 1, 2020 to September 30, 2020) of the 98th fiscal year, we hereby include the following message.

During the period under review, COVID-19 spread globally, causing a severe economic downturn. Although restrictions on economic activities began to be lifted gradually, the economic outlook remained challenging and uncertain as some countries and regions were concerned about a possible resurgence of infections.

Under these circumstances, the NOF Group (the "Group") has formulated NOF VISION 2025 to make the next leap forward. With the first three years, or the period under the 2022 Mid-Term Management Plan, defined as Stage I: Strengthening Foundation, and the last three-year period as Stage II: Expanding Profit, the scheme aims to enhance profitability through active investment in growth areas.

The Group also strives to continue to maintain production, sales, and logistics capabilities and ensure the safety of the Group's employees and other parties involved by implementing COVID-19 countermeasures.

For the first half of the fiscal year, consolidated net sales, consolidated operating income, consolidated ordinary income, and net income attributable to owners of the parent all decreased compared with the same term of the previous fiscal year due to the severe business environment.

For the second half of the fiscal year, demand is likely to run below the level before the outbreak. There are signs of recovery with the restart of economic activities, but the pace of recovery is moderate and the business environment is expected to remain challenging.

The Group will flexibly adapt to changes in market needs in the three prioritized business fields of life/healthcare, electronics/IT, and environment/energy, and commit itself to accelerating new product and technology development and improving productivity. Going forward, the Group will endeavor to create new value with the power of people and chemistry, and meet expectations of all of our stakeholders with the aim of achieving a secure and affluent society.

We kindly ask all shareholders for your continuing support.

Takeo Miyaji
President & Chief Executive Officer

Business Overview

During the first half of the fiscal year under review, the spread of COVID-19 brought about a decrease in consumer spending due to a voluntary ban on leaving home and a drop in export due to a global economic downturn, resulting in a severe downturn in the Japanese economy. However, there have been signs of recovery in production and export since the second quarter of the current fiscal year. The overseas economy saw a slowdown caused by restrictions on going out and stagnation in the supply chain due to the spread of COVID-19. While China quickly recovered from the pandemic, the economic outlook remained challenging and uncertain as some countries and regions were concerned about a possible resurgence of infections.

The business environment surrounding the Group was extremely challenging due to domestic factors such as a loss of demand in inbound tourism and a drop in demand because of the restrictions on going out, in addition to a global economic slowdown such as a fall in automobile production.

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

To accelerate new product and technology development, the Group has worked on the expansion of the scope of research and quick launch of new products through enhanced industrial-governmental-academic collaboration both in Japan and overseas and adoption of new technology. To improve productivity, the Group has been promoting investments to raise efficiency.

Despite these efforts, for the first half of the fiscal year ending March 31, 2021, consolidated net sales decreased 12.4% to ¥76,046 million, consolidated operating income declined 24.2% to ¥9,774 million, consolidated ordinary income fell 22.3% to ¥10,593 million, and profit attributable to owners of the parent dropped 28.2% to ¥6,852 million on a year-on-year basis due to the severe business environment.

The interim dividend has been set at ¥39 per share.

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

(1) Functional Chemicals

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

With regard to surfactants, net sales decreased due to sluggish demand for toiletry products.

In ethylene oxide/propylene oxide derivatives, net sales decreased due to sluggish demand for synthetic resin and resin processing as well as for coatings.

In organic peroxides, net sales decreased due to sluggish demand in Japan and Asia.

In special anti-corrosion agents, net sales decreased as the result of sluggish automobile-related demand both in Japan and overseas.

As a result, in the Functional Chemicals Segment, consolidated net sales decreased 18.1% to ¥49,635 million and consolidated operating income decreased 38.8% to ¥6,060 million.

(2) Life Science

Regarding edible oils, net sales decreased due to sluggish demand for functional oils for confectionary and bread.

In functional foods, net sales decreased.

In biocompatible materials, net sales increased supported by strong demand for our products for 2-Methacryloyloxyethyl phosphorylcholine (MPC) polymer-related products.

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

As a result, in the Life Science Segment, consolidated net sales decreased 1.6% to ¥14,564 million and consolidated operating income increased 14.4% to ¥4,148 million due to changes in the product composition.

(3) Explosive & Propulsion

In industrial explosives, net sales decreased.

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

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

In the field of functional products, net sales decreased.

As a result, in the Explosive & Propulsion Segment, consolidated net sales increased 4.0% to ¥11,102 million and consolidated operating income was ¥250 million.

(4) Others

The Others Segment consists of the transportation and real estate businesses. In the Others Segment, consolidated net sales increased 3.5% to ¥743 million and consolidated operating income decreased 32.5% to ¥79 million.

Consolidated Financial Statements

Consolidated Balance Sheet

Account item	As of September 30, 2020	As of March 31, 2020
(Assets)	(millions of yen)	(millions of yen)
Current assets	132,627	130,115
Cash and time deposits	58,817	51,849
Notes and accounts receivable	30,807	38,625
Electronically recorded monetary claims - operating	2,382	2,467
Merchandise and finished goods	21,962	21,261
Work in process	4,993	3,299
Raw materials and supplies	11,493	10,353
Other current assets	2,348	2,446
Allowance for doubtful accounts	(178)	(188)
Fixed assets	115,257	105,132
Property, plant and equipment	60,823	59,258
Buildings and structures	23,425	23,888
Land	20,327	20,332
Others	17,070	15,036
Intangible assets	961	1,050
Investments and other assets	53,472	44,823
Investments securities	49,343	40,868
Assets for retirement benefits	1,197	1,153
Other assets	2,987	2,861
Allowance for doubtful accounts	(56)	(59)
Total assets	247,884	235,248
(Liabilities)		
Current liabilities	35,546	36,114
Notes and accounts payable	14,179	14,998
Electronically recorded obligations - operating	1,222	852
Short-term bank loans	1,400	1,353
Current portion of long-term debt	0	0
Income taxes payable	3,567	4,067
Accrued bonuses for employees	3,128	3,227
Other current liabilities	12,048	11,615
Long-term liabilities	23,392	20,417
Long-term debt	8,057	8,059
Liabilities for retirement benefits	4,817	4,841
Other long-term liabilities	10,516	7,516
Total liabilities	58,939	56,532
(Net assets)		
Shareholders' equity	168,064	163,167
Common stock	17,742	17,742
Capital surplus	15,115	15,115
Retained earnings	141,541	136,643
Treasury stock, at cost	(6,334)	(6,333)
Accumulated other comprehensive income	20,166	14,768
Unrealized holding gain on securities	22,774	16,933
Translation adjustments	(1,432)	(883)
Retirement benefits liability adjustments	(1,175)	(1,280)
Non-controlling interests	713	780
Total net assets	188,944	178,716
Total liabilities and net assets	247,884	235,248

Consolidated Statement of Income

Account item	April 1, 2020– September 30, 2020	April 1, 2019– September 30, 2019
	(millions of yen)	(millions of yen)
Net sales	76,046	86,830
Cost of sales	51,303	58,052
Gross profit	24,743	28,778
Selling, general and administrative expenses	14,968	15,880
Operating income	9,774	12,897
Non-operating income	1,146	1,135
Interest and dividend income	639	725
Others	506	409
Non-operating expenses	327	394
Interest expenses	32	35
Others	295	358
Ordinary income	10,593	13,638
Extraordinary income	5	235
Extraordinary losses	25	14
Profit before income taxes	10,573	13,860
Income taxes	3,727	4,305
Profit	6,845	9,554
Profit (loss) attributable to non-controlling interests	(6)	11
Profit attributable to owners of the parent	6,852	9,543

Consolidated Statement of Cash Flows

Account item	April 1, 2020– September 30, 2020	April 1, 2019– September 30, 2019
	(millions of yen)	(millions of yen)
Net cash provided by (used in) operating activities	12,392	16,204
Net cash provided by (used in) investing activities	(3,290)	(4,177)
Net cash provided by (used in) financing activities	(3,259)	(4,166)
Effect of exchange rate changes on cash and cash equivalents	(363)	(566)
Net increase (decrease) in cash and cash equivalents	5,479	7,294
Cash and cash equivalents at beginning of year	50,684	39,357
Net increase in cash and cash equivalents due to new consolidation	1,374	-
Cash and cash equivalents at end of period	57,537	46,651

(Subsidiaries subject to consolidated financial statements)

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

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

Principal Business (as of September 30, 2020)

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

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

Corporate Information (as of September 30, 2020)

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

Status of Shareholding (as of September 30, 2020)

Total number of shares authorized	347,000,000
Total number of shares issued	83,160,675 (Excluding 1,680,701 shares of treasury stock)
Number of shareholders	12,463

Major shareholders (Top 10)

Name	Number of shares (thousands)	Percentage of ownership
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,907	10.71
Custody Bank of Japan, Ltd. (Trust Account)	4,311	5.18
Custody Bank of Japan, Ltd. (Trust Account 9)	3,233	3.88
Mizuho Bank, Ltd.	3,230	3.88
Meiji Yasuda Life Insurance Company	3,128	3.76
Nichiyu Shin Ei Kai	1,974	2.37
THE CHASE MANHATTAN BANK 385036	1,799	2.16
Custody Bank of Japan, Ltd. (Trust Account 5)	1,535	1.84
Nichiyu Kyo Ei Kai	1,407	1.69
Sompo Japan Insurance Inc.	1,387	1.66

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

2. Percentage of ownership excludes 1,680,701 shares of treasury stock.

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

Distribution of shares by type of shareholder

Category	Number of shareholders	Percentage	Number of shares	Percentage
Government and local public bodies	0	0.00	0	0.00
Financial institutions	51	0.40	36,209,469	42.67
Securities companies	48	0.38	248,919	0.29
Other domestic firms	299	2.39	13,225,158	15.58
Foreign corporations, etc.	261	2.09	20,668,767	24.36
Individuals and others	11,803	94.70	12,808,362	15.09
Treasury shares	1	0.00	1,680,701	1.98
Total	12,463	100.00	84,841,376	100.00

Officers (as of September 30, 2020)

Directors and Audit & Supervisory Board Members

President & Chief Executive Officer*	Takeo Miyaji
Representative Director*	Kazuhito Maeda
Director*	Kengo Inoue
Director*	Hideaki Sakahashi
Director*	Masanobu Miyo
Outside Director	Yasuyuki Arima
Outside Director	Kunimitsu Ito
Audit & Supervisory Board Member (standing)	Kazushige Kato
Outside Audit & Supervisory Board Member (part-time)	Shinichiro Tanaka
Outside Audit & Supervisory Board Member (part-time)	Ryouichi Tahara
Outside Audit & Supervisory Board Member (part-time)	Izumi Hayashi

- Notes:
1. Directors Yasuyuki Arima and Kunimitsu Ito are Outside Directors as stipulated in the Companies Act.
 2. Audit & Supervisory Board Members Shinichiro Tanaka, Ryouichi Tahara, and Izumi Hayashi are Outside Audit & Supervisory Board Members as stipulated in the Companies Act.
 3. Audit & Supervisory Board Member Shinichiro Tanaka has long experience working at a financial institution and, accordingly, has extensive knowledge regarding finance and accounting.
 4. Audit & Supervisory Board Member Ryouichi Tahara has long experience working at a financial institution and, accordingly, has extensive knowledge regarding finance and accounting.
 5. The Company has designated Director Yasuyuki Arima, Director Kunimitsu Ito, Audit & Supervisory Board Member Shinichiro Tanaka, Audit & Supervisory Board Member Ryouichi Tahara, and Audit & Supervisory Board Member Izumi Hayashi as Independent Directors/Auditors as stipulated in Rule 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange.
 6. Directors with an asterisk (*) next to their title concurrently serve as Operating Officers.

Operating Officers

Chief Executive Officer	Takeo Miyaji
Senior Executive Operating Officer	Kazuhito Maeda In charge of Anti-Corrosion Coatings Group, Corporate Planning & Strategy Group, and Human Resources & General Affairs Group
Executive Operating Officer	Hidefumi Ishiguro General Manager, Explosives & Propulsion Div.
Executive Operating Officer	Kengo Inoue General Manager, Responsible Care & Production Engineering Dept.
Executive Operating Officer	Hiroyuki Enomoto General Manager, Corporate R&D Div.
Executive Operating Officer	Hideaki Sakahashi In charge of Finance Group, Purchasing Group, and Systems Group
Executive Operating Officer	Tsuneharu Miyazaki General Manager, DDS Development Div., in charge of Life Science Products Group
Executive Operating Officer	Masanobu Miyo General Manager, Oleo & Speciality Chemicals Div., in charge of Functional Chemicals & Polymers Group and Functional Foods Group
Operating Officer	Ryoichi Ishigaki General Manager, Corporate Planning & Strategy Dept.
Operating Officer	Naoya Umehara General Manager, Functional Chemicals & Polymers Div. and General Manager, China Project Unit
Operating Officer	Yasuhiko Kazumi General Manager, Human Resources & General Affairs Dept.
Operating Officer	Manabu Saito General Manager, Functional Foods Div.
Operating Officer	Shintaro Tabuchi General Manager, Internal Control Dept.
Operating Officer	Hideru Furukawa General Manager, Purchasing Dept.
Operating Officer	Kazuyoshi Yamauchi General Manager, Kawasaki Works; General Manager, Daishi Plant; and General Manager, Business Dept. of Kawasaki Works

Memorandum for Shareholders

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

General Information on Shares

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

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

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

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

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

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