

Risk Management

The Nippon Chemi-Con Group has drafted Basic Policy for Risk Management to prevent risks, including human error and natural disaster, which could have a major impact on business and minimize the subsequent risks to stakeholders. We use Basic Regulations for Risk Management and other relevant regulations to maintain and enhance our risk management system.

Risk Management Promotion System

The Nippon Chemi-Con Group designates the executive in charge of risk management (executive officer in charge of the Nippon Chemi-Con Administration Department) as the chief risk management officer who is in charge of drafting and implementing risk management policy and action plans. This chief risk management officer oversees a risk management committee, which promotes policy related to risk management. This committee works to draft risk management policy that is applied to the entire Group, draft action plans related to risk management, and conduct monitoring of implementation progress for these initiatives. The committee is comprised of the chief risk management officer, managers of departments in charge of risk management, and Audit & Supervisory Board Members. The committee meets once each half year and holds provisional meetings when necessary.

Risk Management Response

The Nippon Chemi-Con Group drafted Business Continuity Regulations to prepare for interruptions in business activities caused by fire, earthquake, or other natural disasters or unpredictable incidents. Based on these regulations, we promote the establishment and maintenance of our business continuity plan (BCP). Following the Great East Japan Earthquake of March 2011, the Nippon Chemi-Con Group

has gradually established information infrastructure consisting of phones for emergency and tablet PCs, emergency provisions, and an employee status confirmation system. Based on the BCP, we regularly conduct emergency evacuation and fire drills.

We will continue to develop and evaluate our risk management measures in order to minimize the impact on stakeholders caused by unpredictable incidents.

Risk Factors

Listed below are the principal business risks of Nippon Chemi-Con that may have a significant influence on operating results, stock price and financial status. All references to possible future developments in the following text were made by Nippon Chemi-Con Group as of June 28, 2018, the day we submitted financial statements.

1. Risks concerning economic conditions

Nippon Chemi-Con Group's principle business is manufacturing and sales of capacitors and other electronic components. Our business has expanded globally, covering regions including Japan, Americas, Europe and Asia, and therefore, changes in the economic conditions of these regions and countries, where our products are sold, have the potential to impact the business results and financial position of Nippon Chemi-Con Group.

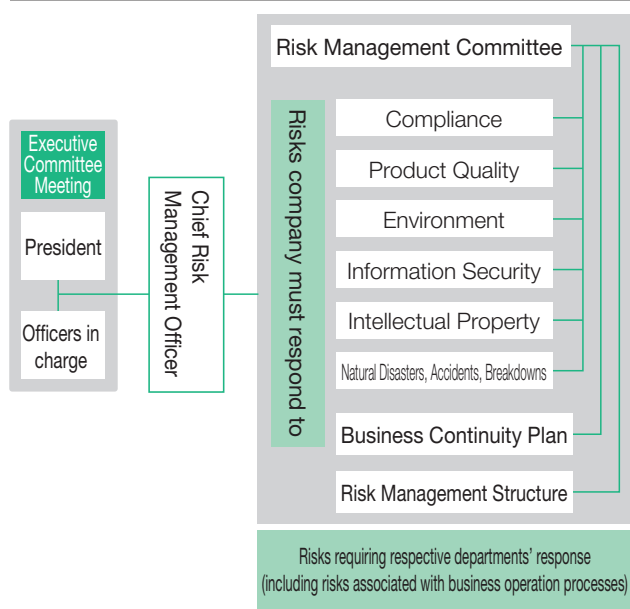
2. Risks concerning exchange rate fluctuations

Products of Nippon Chemi-Con Group are sold not only in Japan but also in Americas, Europe and Asia, and the proportion of consolidated net sales accounted for by overseas sales stood at 76.0% in the FY2016, and 77.6% in the FY2017. Although we forward exchange contracts to hedge the risk of exchange rate fluctuations, it is impossible to eliminate all such risk, and therefore such fluctuations may affect the business results of Nippon Chemi-Con Group. In preparing consolidated financial statements, those of our foreign affiliates are converted to JPY. Even if prices remain unchanged in local currencies, yen translations may fluctuate and thereby affect our business results.

3. Risks concerning price competition

Emerging manufacturers from China and Taiwan are increasing cost competition in aluminum electrolytic capacitors, which is the core product among electronic components manufactured and sold by Nippon Chemi-Con Group. Although we deal with the intensified competition by reducing costs, developing high-value added products and reorganizing overseas production system, the increased

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competition at the lower end of the market may affect business results and financial position of Nippon Chemi-Con Group.

4. Risks concerning price volatility of raw materials

Increase in the purchase price of raw materials including aluminum foil and heavy oil may push up the cost of our products.

Nippon Chemi-Con Group is taking risk avoidance measures such as continuously reducing costs by promoting local procurement at overseas manufacturers and improving productivity, however, rapid rise in the price of raw materials may influence the business results and financial position of Nippon Chemi-Con Group.

5. Risks concerning product defects

Nippon Chemi-Con Group manufactures products at worldwide production sites, in accordance with the internationally recognized quality control standard, however, we cannot guarantee that all products will be totally free of defects. Although we are covered by product liability insurance, we cannot guarantee that final compensation will be fully covered by insurance payouts.

Nippon Chemi-Con Group is dedicated to strengthen the quality control, however, large-scale defects in its products may influence the business results and financial position of Nippon Chemi-Con Group.

6. Risks concerning laws and public regulations

Significant changes in laws and public regulations in regions both at home and overseas, where Nippon Chemi-Con Group operates its business, may influence the business results and financial position of Nippon Chemi-Con Group. Besides expenses to comply with such regulations, criminal penalties and administrative actions including governmental charges or payment of compensation in case of violation against laws and public regulations, may also influence the business results and financial position of Nippon Chemi-Con Group.

Nippon Chemi-Con Group's business is subject to environmental regulations, and introduction of new regulations or the significant changes in the existing ones may pose the risk of environmental responsibility to Nippon Chemi-Con Group.

Nippon Chemi-Con Group is using legal means to respond to some decisions by the competition law authorities of various countries to assess fines against our Group in relation to aluminum electrolytic capacitor transactions. Other competition law authorities are still conducting investigations related to aluminum electrolytic capacitor transactions.

In October 2017, the U.S. Department of Justice filed a lawsuit in the U.S. District Court for the Northern District of California against Nippon Chemi-Con Corporation claiming a violation of U.S. antitrust laws and alleging that Nippon Chemi-Con engaged in a price cartel and pricing collusion for electrolytic capacitors. We responded appropriately to

these claims, including filing an official rebuttal and providing counterevidence but on May 10, 2018 we decided to reach a settlement with the U.S. Department of Justice involving the payment of a fine. The fine amount to be paid as a result of said settlement will be between US \$40 and 60 million.

This amount will be finalized upon settlement approval by the U.S. District Court for the Northern District of California. Also, in January 2018, Nippon Chemi-Con subsidiary Singapore Chemi-Con (Pte.) Ltd. received notification from the Competition Commission of Singapore of their decision to fine the company SG \$6,993,805 on suspicion of violations of the Singapore Competition Law. The suspicions are in relation to aluminum electrolytic capacitor transactions with customers in Singapore. In regards to this decision, the recognition and interpretation of facts by Nippon Chemi-Con and Singapore Chemi-Con (Pte.) Ltd. differ from those of the Competition Committee. While we do not completely agree with this decision, upon comprehensive evaluation of the facts and based on our desire to prioritize increasing our medium- and long-term corporate value, we have decided not to file an objection to this judgment.

Furthermore, in March 2018, we received notification from the European Commission of their decision to assess a fine of 97,921,000 euro on suspicion of violations of European Competition Law in relation to aluminum electrolytic capacitor and tantalum electrolytic capacitor transactions in Europe. In regards to this decision, our recognition and interpretation of facts differ from those of the European Commission, and we have filed an appeal with the European General Court.

Nippon Chemi-Con and our U.S. subsidiary United Chemi-Con, Inc. are the subject of a class action civil lawsuit filed with the U.S. District Court for the Northern District of California claiming damages for violations of U.S. antitrust laws in relation to electrolytic capacitors and film capacitors. Although Nippon Chemi-Con and United Chemi-Con, Inc. do not recognize any liability for damages, upon comprehensive evaluation of the situation, in January 2018 we reached an agreement with the indirect purchaser plaintiffs to pay a settlement in the amount of US \$13.5 million and concluded an official settlement agreement in February 2018. This settlement shall take effect upon approval by the court.

In addition to the above, civil lawsuits have been filled against Nippon Chemi-Con and our subsidiaries in the United States and Canada.

If these legal proceedings result in unfavorable verdicts, there is the possibility of an impact on the business results and financial position of Nippon Chemi-Con Group.

7. Risks concerning natural disaster and unpredictable events

Halt in production caused by destruction of facilities and lack of power and water supplies, attributed to natural disasters or unpredictable events, may influence the business results and financial position of Nippon Chemi-Con Group.