



# CHEMI-CON REPORT 2019

Integrated Report



## “Contribution to technology with attention to environment and people”

### Business growth grounded in social contribution

What defines a company that is loved and supported for generations?

Nippon Chemi-Con is approaching its 90th anniversary and the company has learned much over our long history.

The SDGs represent a worldwide strategic effort to resolve common issues facing humanity with the goal of creating a sustainable society. Governments, municipalities, businesses, and organizations are all evaluating their respective positions and acting to enhance initiatives towards achieving their goals.

Amid this 4th industrial revolution, IoT is connecting devices, the adoption of AI is advancing, and the countdown has begun on the full-scale launch of services based on 5th generation mobile communications systems (5G). We are seeing stimulation in every corner of industry as businesses form cross-border alliances to conceive products and services grounded in innovative concepts as people around the world eagerly await the day the benefits of such innovation make an impact on their lives.

Embracing ESG-centric management strategies, Nippon Chemi-Con will continue to enhance our technology while partnering with various businesses and organizations to participate in the formation of a sustainable society. Nippon Chemi-Con understands that companies making vast contributions to society are the businesses that will be loved and supported for generations.

“Contribution to technology with attention to environment and people.”

Nippon Chemi-Con will continue improving our technology as we strive to help resolve the problems of society.

#### <Editing policy>

The CHEMI-CON REPORT is an integrated report created once per year and published on our website to help our shareholders, investors, and other stakeholders better understand our business activities, our corporate value, and the appeal of the Nippon Chemi-Con Group. In addition to financial information, we provide an overview of our medium- and long-term management strategy and ESG information (environment, social, governance). More detailed information and updates may be found in the various materials we publish as necessary as well as on other pages on our website.

Furthermore, forward-looking statements indicated in the CHEMI-CON REPORT are forecasts we have deemed to be reasonable based on information available at the time of creation. Due to a variety of factors, actual results may differ from published forecasts.

## History

- Aug 1931** Successful commercialization of Japan's first electrolytic capacitors. "SATO DENKI KOGYOSHO" as a limited partnership company established in Tokyo.
- Aug 1947** Company reorganized, company name changed to "NIPPON CHEMICAL CAPACITOR INC."
- May 1963** Japanese spelling of the company adjusted.
- Apr 1966** A new plant established in Miyagi Prefecture for production of small size aluminum electrolytic capacitors.
- Jun 1966** HITACHI ELECTROLYTIC FOIL LABORATORY INC. established in Ibaraki Prefecture for production of materials for aluminum electrolytic capacitors.
- Mar 1969** A new plant established in Iwate Prefecture for production of medium size aluminum electrolytic capacitors.
- Jun 1970** UNITED CHEMI-CON, INC. established in the United States.
- Sep 1970** Listed on the second section of the Tokyo Stock Exchange.
- Sep 1972** SAMYOUNG ELECTRONICS CO., LTD. established as a joint venture, in South Korea.
- Feb 1975** SINGAPORE CHEMI-CON (PTE.) LTD. established in Singapore.
- Jun 1976** A new plant established in Fukushima Prefecture for production of large size aluminum electrolytic capacitors.
- Feb 1977** EUROPE CHEMI-CON (DEUTSCHLAND) GmbH, established in Germany.
- Sep 1977** Listed on the first section of the Tokyo Stock Exchange.
- Apr 1979** TAIWAN CHEMI-CON CORP. established in Taiwan.
- Sep 1980** A local Hong-Kong affiliate (currently Hong Kong Chemi-Con Ltd.) established.
- Jul 1981** Company name changed to "NIPPON CHEMI-CON CORPORATION."
- Jan 1993** P.T. INDONESIA CHEMI-CON established in Indonesia.
- May 1994** DONG GUANG KDK ALUMINUM FOIL MANUFACTURE LTD. established in China.
- Apr 1995** Acquisition of shares of MARCON ELECTRONICS CO., LTD.
- May 1998** SHANGHAI CHEMI-CON TRADING CO.,LTD. established in China.
- Aug 2002** Production of aluminum electrolytic capacitors launched at CHEMI-CON (WUXI) CO., LTD. in China.
- Apr 2003** CHEMI-CON ELECTRONICS (THAILAND) CO., LTD. established in Thailand.
- Apr 2008** CHEMI-CON TRADING (SHENZHEN) CO.,LTD. established in China.
- Jul 2009** CHEMI-CON ENGINEERING CO.,LTD. established in Taiwan.
- Jun 2012** CHEMI-CON TECHNICAL CENTER (WUXI) LTD. established as R&D base in China.
- Feb 2016** CHEMI-CON AMERICAS HOLDINGS, INC. established as a regional headquarters in the United States.
- Mar 2016** Consolidation of CHEMI-CON ENGINEERING CO., LTD. to TAIWAN CHEMI-CON CORP.
- Aug 2016** NIPPON CHEMI-CON CORP.'s shares of CHEMI-CON (WUXI) CO.,LTD. and CHEMI-CON TECHNICAL CENTER (WUXI) LTD. transferred to HONG KONG CHEMI-CON LTD.
- Apr 2017** Consolidation of FUKUSHIMA ELECTROLYTIC INDUSTRY CORP. to CHEMI-CON FUKUSHIMA CORP. and Consolidation of CHEMI-CON YONEZAWA CORP. to CHEMI-CON YAMAGATA CORP.



A product from SATOH DENKI KOGYOSHO days (around 1943 to 1945)



A micro electrolytic capacitor installed in the first model of transistor radio (produced in 1955)



Conductive polymer aluminum solid capacitors launched (1998)



Mass production of large capacitance Electric double layer capacitors launched (2003)



Conductive polymer hybrid aluminum electrolytic capacitors launched (2012)

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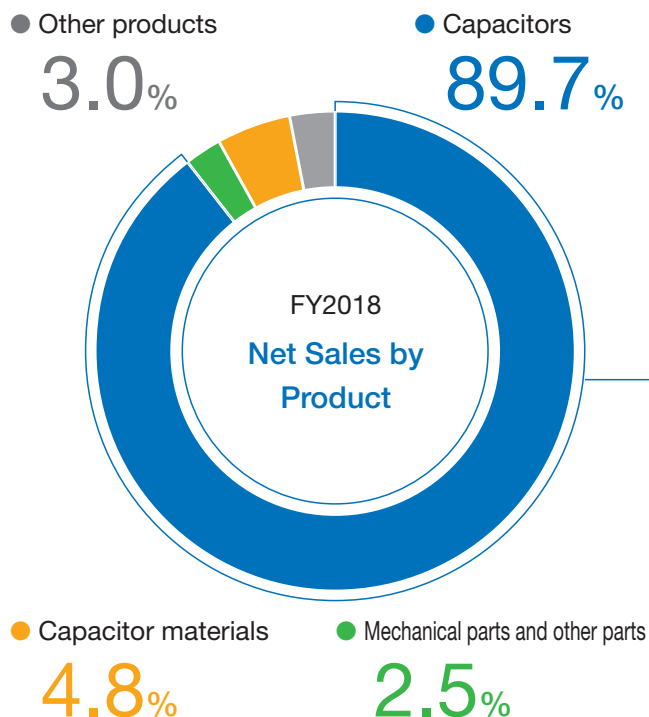
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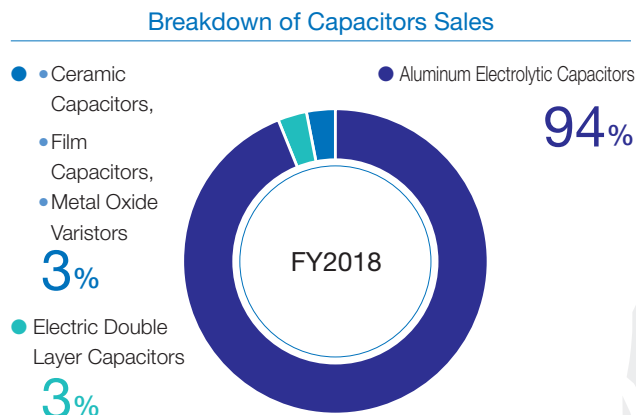


## Net Sales by Product

Our composition of net sales by product is as shown in the graph.



A breakdown (net sales composition) of the Capacitor division, our largest business division, is as follows.



### Application Fields of Aluminum Electrolytic Capacitors

Flat-Screen TV	10-50 pcs
Personal Computer	10-60 pcs
Home Video Game Machine	10-30 pcs
Inverter Driven Air Conditioner	20-30 pcs
Automobile	50-250 pcs
Power Conditioner for PV Generation System for Home Use ...	30-50 pcs
Industrial robots	50-200 pcs

Nippon Chemi-Con Group sales largely break down into four divisions, which are **Capacitors**, **Mechanical parts and other parts**, **Capacitor materials** and **Other products**.

### Capacitors

Net sales in FY2018: **¥126,391** million (89.7% of total sales)

Net sales increased 4.8% year on year. Although certain markets were stagnant in the second half, including decreased demand in China, sales of products for vehicle electronics were favorable. In particular, sales of high value-added products increased, including conductive polymer aluminum solid capacitors (below referred to as conductive polymer capacitors) and conductive polymer hybrid aluminum electrolytic capacitors (below referred to as hybrid capacitors). Major products in this division are as follows.

Aluminum Electrolytic Capacitors, Conductive Polymer Aluminum Solid Capacitors, Conductive Polymer Hybrid Aluminum Electrolytic Capacitors, Multilayer Ceramic Capacitors, Film Capacitors, Metal Oxide Varistors, Electric Double Layer Capacitors

### Mechanical Parts and Other Parts

Net sales in FY2018: **¥3,537** million (2.5% of total sales)

CMOS camera modules used in devices such as drive recorders drove sales, resulting in a 10.2% year-on-year increase in revenue. Major products in this division are as follows.

Amorphous Choke Coils, Dust Choke Coils, CMOS Camera Modules

### Capacitor Materials

Net sales in FY2018: **¥6,819** million (4.8% of total sales)

Nippon Chemi-Con Group internally develops and manufactures materials used in our aluminum electrolytic capacitors. We also sell these materials to other capacitor manufacturers. FY2018 saw net sales decrease 4.3% year on year on a slight decrease in demand for aluminum electrode foils. Major products in this division are as follows.

Aluminum Electrode Foils, Sealing Rubbers

### Other Products

Net sales in FY2018: **¥4,202** million (3.0% of total sales)

Net sales increased significantly, up 72.8% year on year, on favorable sales of silicon wafers and other resale products. Major products in this division are as follows.

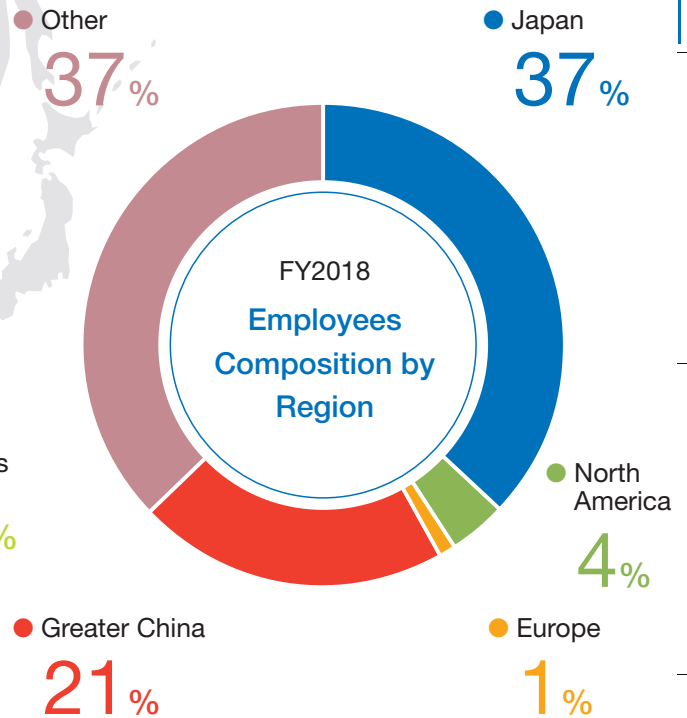
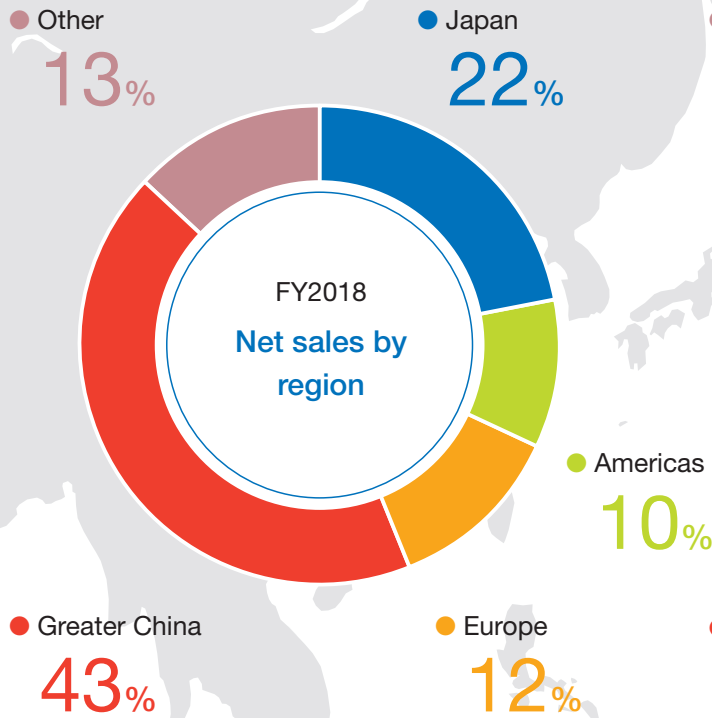
Silicon Wafers, Reclaim Wafers



# Net Sales by Region / Employee Composition by Region

Our composition of net sales by region is as shown in the graph. In FY2018, our overseas net sales ratio was 78%.

Region-based figures for employees is as shown in the graph (including fixed-term employees).



Looking at a breakdown of net sales by sales region, in FY2018 we lowered the ratio of net sales in Greater China, our largest market, by 1 point from the previous year due to the impact of US-China trade friction. At the same time, we raised the ratio of net sales by 1 point based on a firm automotive electronics market in Europe. As such, overall there is no significant change. The ratio of overseas net sales was also largely unchanged year on year, indicating we have established stable markets in each region.

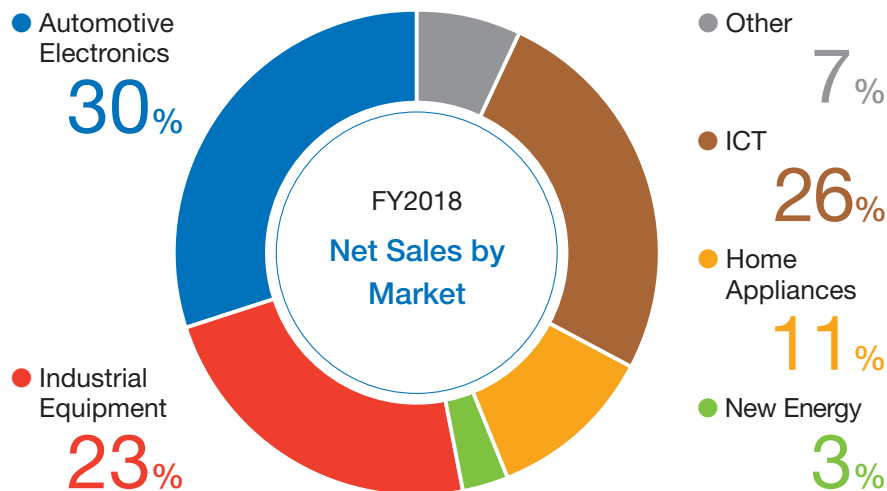
The Nippon Chemi-Con Group has over 7,000 employees, of which 63% are employees working overseas. To achieve speedy management suited to each region, we are supporting the transition to local business administration, including promoting local employees to management positions, as we enhance measures to respond to globalization of Group businesses. In recent years, we also have increased recruitment of foreign students studying in Japan. We seek to reinforce our business structure, promoting human resource diversity.



## Net Sales by Market

The Nippon Chemi-Con Group is focused on marketing, product development, and sales promotion activities in what we refer to as our five fields expected to see market growth.

Our FY2018 net sales composition for these five strategic markets are as shown in the graph.



### Automotive Electronics Market

Up 2 percentage point year-on-year

30%

In addition to xEV electronics such as on-board chargers for EVs and plug-in hybrids, our products are also used in the electronic circuits that control engines and steering as well as a wide variety of other vehicle electronics including SRS airbags, air conditioners, and headlights. In recent years, we are seeing increased demand related to advanced driving assistant systems (ADAS), autonomous driving technology, and 48V system voltage conversion. This category also includes electric double-layer capacitors for braking energy recovery systems as well as products for car navigation systems and drive recorders.

#### Major products used



Aluminum Electrolytic Capacitors (SMD type)



Aluminum Electrolytic Capacitors (Radial Lead type)



Conductive Polymer Hybrid Aluminum Electrolytic Capacitors



Electric Double Layer Capacitors

### Industrial Equipment Market

Down 1 percentage point year-on-year

23%

This category covers industrial use products, including products used in the manufacturing equipment installed in semiconductor factories, the industrial robots operating on automobile production lines, and machining equipment such as lathing and milling machines. Factors driving demand include the automation of production processes (factory automation) in various industries, the dissemination of equipment with AI and IoT-based functions, and inverter power supply that improve equipment environmental performance. This category also includes products for public transportation systems such as trains and airplanes, construction machinery, security equipment used to safeguard our cities, as well as lifeline and infrastructure facilities.

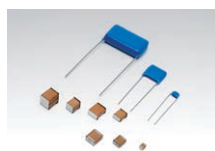
#### Major products used



Aluminum Electrolytic Capacitors (Snap-in type)



Aluminum Electrolytic Capacitors (Screw Terminal type)



Multilayer Ceramic Capacitors



Amorphous / Dust Choke Coils





## New Energy Market

Down 1 percentage point year-on-year

3%

This category covers sales to the renewable energy sector, including the power conditioners that are vital to solar power generation and the wind power generation systems being adopted around the world. This sector has a relatively small market scale compared to other sectors but public interest in environmental and energy issues is growing, and this market is expected to see medium and long-term growth. We are aggressively promoting sales while carefully analyzing technology and market trends as we strive to contribute to the dissemination of clean energy.

### Major products used



Aluminum Electrolytic Capacitors (Snap-in type)



Aluminum Electrolytic Capacitors (Screw Terminal type)



Metal Oxide Varistors



Amorphous / Dust Choke Coils



## Home Appliance Market

Up 1 percentage point year-on-year

11%

This category mainly represents sales of products used in traditional home appliances such as air conditioners, refrigerators, and washing machines. Increasing consumer interest in environmental issues has resulted in the majority of these devices making the transition to the use of inverters in order to improve energy conservation. As a result, the electronics components market is growing. With the increasing functionality of devices, smart home electronics and IoT home appliances have been commercialized, which is expected to expand this market.

### Major products used



Aluminum Electrolytic Capacitors (Radial Lead type)



Aluminum Electrolytic Capacitors (Snap-in type)



Aluminum Electrolytic Capacitors (Screw Terminal type)



Amorphous / Dust Choke Coils



## ICT Market

Down 1 percentage point year-on-year

26%

ICT stands for Information & Communication Technology, and as a category covers sales for audio-visual digital equipment and information communications devices, including televisions, personal computers, and video game consoles. We have reevaluated our business portfolio as we shift away from sales for consumer products, which are showing signs of becoming commodities. At the same time, we are seeing firm demand from server products due to growth in data centers and cloud services, and demand related to communication base stations due to higher speed and greater capacity in mobile communications.

### Major products used



Aluminum Electrolytic Capacitors (SMD type)



Aluminum Electrolytic Capacitors (Radial Lead type)



Aluminum Electrolytic Capacitors (Snap-in type)



Conductive Polymer Aluminum Solid Capacitors



# Summary of Consolidated Financial Results (Ten-Year Summary)

	2010.3	2011.3	2012.3	2013.3
Net sales	105,896	127,790	100,290	92,959
Operating income (loss)	(3,036)	8,155	(2,596)	(6,990)
Operating income margin (%)	(2.9)	6.4	(2.6)	(7.5)
Ordinary income (loss)	(3,475)	6,744	(2,633)	(6,685)
Ordinary income margin (%)	(3.3)	5.3	(2.6)	(7.2)
Profit (loss) attributable to owners of parent	(4,294)	3,297	(4,909)	(9,252)
Profit attributable to owners of parent margin (%)	(4.1)	2.6	(4.9)	(10.0)
Profit (loss) per share (Yen) (EPS)	(361.10)	231.65	(344.93)	(650.14)
Dividend per share (Yen) (DPS)	0.00	30.00	0.00	0.00
Book value per share (Yen) (BPS)	4,238.50	4,298.25	3,884.86	3,554.65
Return on assets (ROA) (%)	(3.0)	2.4	(3.6)	(6.8)
Return on equity (ROE) (%)	(7.3)	5.4	(8.4)	(17.5)
Capital investment	4,013	9,614	13,521	5,953
Depreciation and amortization	8,748	8,392	8,493	8,615
Research and development (R&D) expenses	3,590	3,642	3,966	3,981
Proportion of net sales (%)	3.4	2.9	4.0	4.3
Number of employees as of the end of the year	7,492	7,684	7,095	7,026

## Notes:

1. Amounts are rounded off to the nearest 1 million yen.
2. As we apply the Accounting Standard for Business Combinations (ASBJ No. 21, September 13, 2013), from fiscal year ended March 2016 net income or net loss is recorded as profit attributable to owners of parent or loss attributable to owners of parent.
3. Return on assets (ROA) is calculated by dividing term net income by average total assets.
4. Return on equity (ROE) is calculated by dividing term net income by average shareholder equity.
5. Depreciation and amortization expenses exclude depreciation and amortization related to research and development expenses.

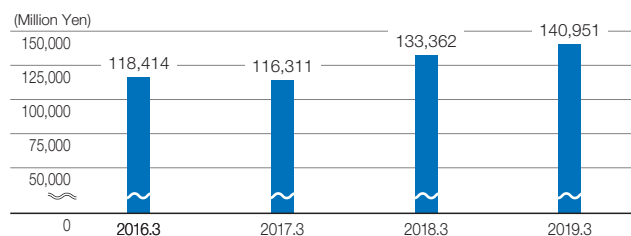
(Million Yen)

2014.3	2015.3	2016.3	2017.3	2018.3	2019.3
113,962	123,365	118,414	116,311	133,362	140,951
4,933	5,122	2,179	3,338	5,818	5,137
4.3	4.2	1.8	2.9	4.4	3.6
4,304	6,207	1,165	2,002	4,416	4,833
3.8	5.0	1.0	1.7	3.3	3.4
3,315	5,362	(6,905)	840	(16,056)	917
2.9	4.3	(5.8)	0.7	(12.0)	0.7
223.38	329.09	(423.82)	51.57	(985.77)	56.36
0.00	30.00	30.00	30.00	30.00	30.00
3,901.56	4,772.25	3,834.26	3,877.73	3,012.97	2,921.53
2.4	3.7	(4.9)	0.6	(11.4)	0.7
5.8	7.6	(9.8)	1.3	(28.6)	1.9
3,067	5,203	4,354	4,590	7,525	9,553
7,951	7,373	7,127	6,220	6,105	6,496
3,872	4,160	4,321	4,272	4,208	4,288
3.4	3.4	3.6	3.7	3.2	3.0
6,940	7,039	6,903	6,939	7,125	7,132

- On October 1, 2017, we conducted a share consolidation for common stock based on a ratio of 10 to 1. Per share information (EPS, BPS, and DPS) is calculated based on the assumption that said share consolidation was conducted at the beginning of fiscal year ended March 2010.
- As of the beginning of FY2018, we apply the Partial Amendments to Accounting Standards for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018). As a result, we now indicate deferred tax assets under investments and other assets and deferred tax liabilities under non-current liabilities. Figures for FY2017 have been adjusted retroactively to reflect the change in accounting standards.
- Employee numbers as of the end of the fiscal year include fixed-term employees

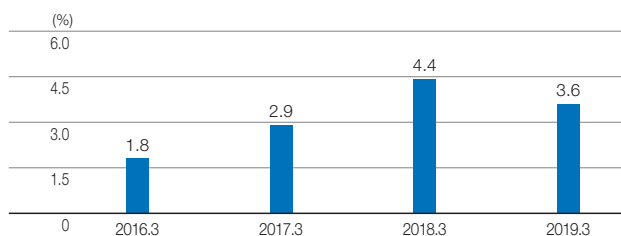
# Financial and Non-financial Highlights

## Net sales



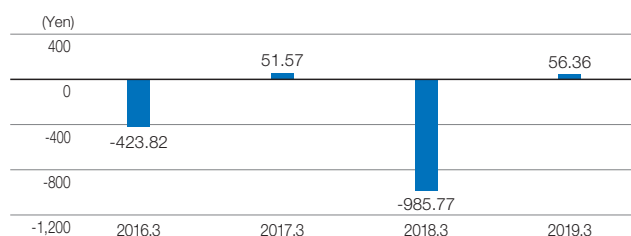
Sales for automotive applications have steadily expanded.

## Operating income margin

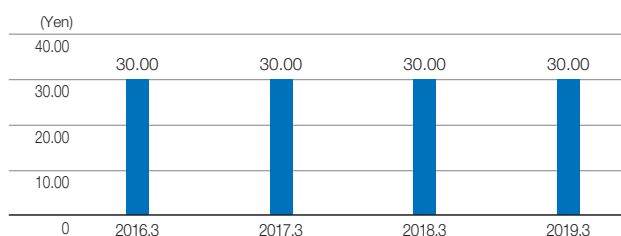


Over the medium term, we have set a goal of 6%.

## Profit (loss) per share (EPS)

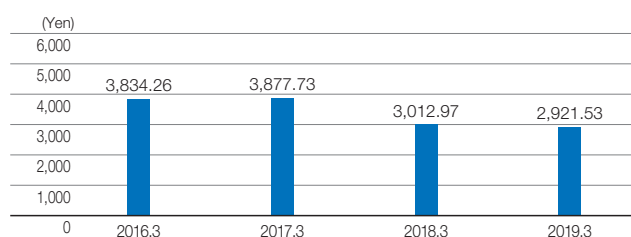


## Dividend per share (DPS)

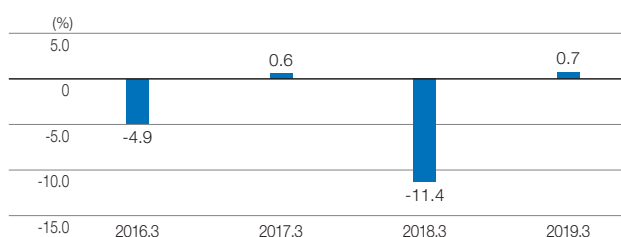


We work to provide stable dividends.

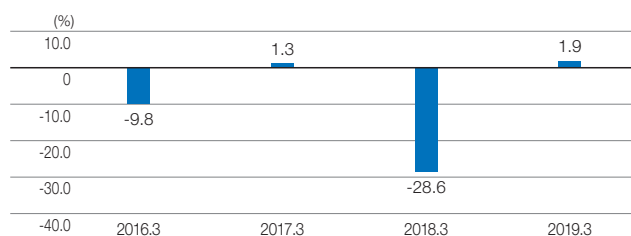
## Book value per share (BPS)



## Return on assets (ROA)

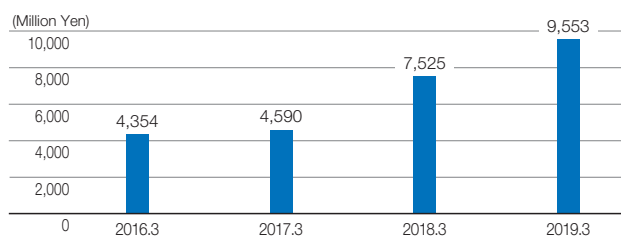


## Return on equity (ROE)



Over the medium term, we have set a goal of 8%.

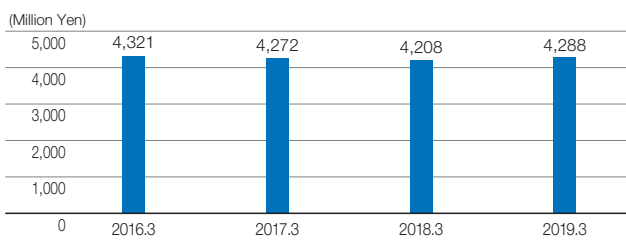
## Capital investment



In addition to investments for streamlining and expanding production facilities for capacitors and capacitor materials, our capital investments are focused on creating product samples and establishing mass production for next-generation products.

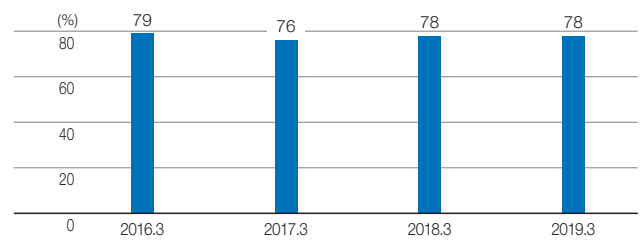


### R&D expenses



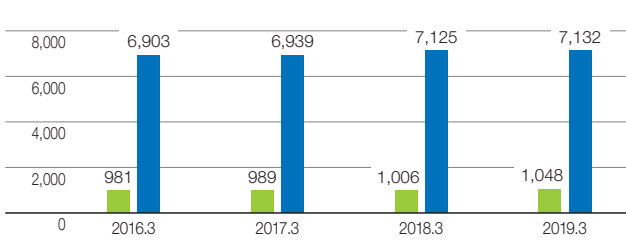
Our medium-term plans outline maintaining R&D investments equivalent to 3-4% of net sales for technology development, the driving force behind corporate growth.

### Overseas sales ratio



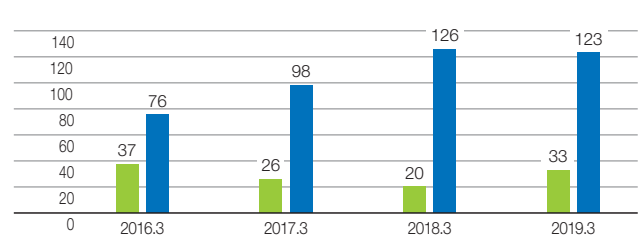
Recent years have seen a marked contraction of the domestic market and expansion of the Chinese market. We will promote optimal sales strategies that account for other countries and regions as well.

### Number of employees (including fixed-term employees)

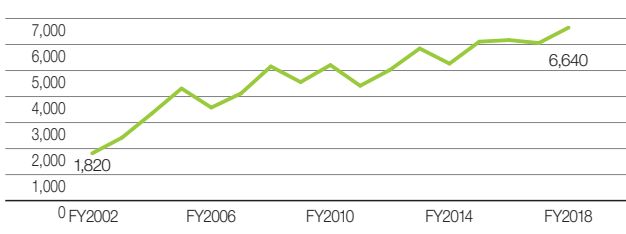


Our employee numbers are stable and there has been no significant fluctuation.

### New hires and rehiring



### Compliance of the products

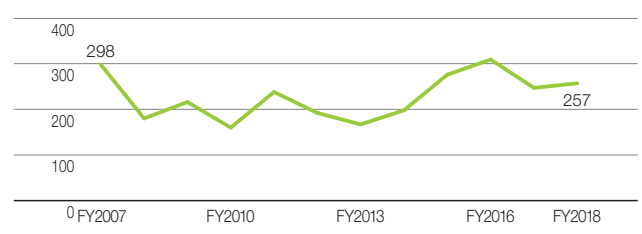


Since EU ELV directive came into force in 2003, other laws and regulations concerning chemical substances, such as EU RoHS directive in 2006, EU REACH regulation in 2007, were enacted and enforced. EU is leading environmental laws and regulations with periodic or irregular revisions. These EU laws and regulations had become global trend of managing chemical substances in products, and many countries are adopting them.

We are committed to provide "Green Products" that are free from regulated chemical substances by grasping rapidly changing chemical substances laws and regulations, by marketing law-complied products in advance, and by providing necessary information to those who requires.

The graph shows the investigation number transition concerning "non-containment of the hazardous substances in our products" from the customers. There were about 2,000 inquiries in FY2002, but they were increased to over 6,000 inquiries in recent years as laws and regulations had been strengthened. Importance and concern of "Law compliancy of the products" can be read through this numerical value.

### Chemical substances management audits on suppliers



In order to confirm law compliancy of purchased materials and parts, Nippon Chemi-Con Group periodically conducts environmental audit, including on-site audit, on the suppliers, aiming at guidance to the suppliers and at progressing information.

Using various methods including green procurement, audits on suppliers, and analysis confirmation, Nippon Chemi-Con Group is strengthening law compliance of the products, regardless of direct or indirect sales in the market.

## Top Message

Chapter 2  
Nippon Chemi-Con's Vision



**Ikuo Uchiyama**  
Chairman

**Norio Kamiyama**  
President

## ■ To our Shareholders, Investors, and Stakeholders

# Nippon Chemi-Con aims to contribute to the achievement of the SDGs and make strategic leaps forward by applying our new management structure towards playing a role in resolving the societal issues needed to achieve Society 5.0.

## Fulfilling our corporate philosophy of “contribution to technology with attention to environment and people”

Amid the rapid currents of the 4th industrial revolution, innovative technology such as IoT, AI, and 5G communications are advancing at breakneck speed and the environment impacting our business is evolving at rapid speed.

Markets that previously existed independently within specific industries now transcend borders. Today, multiple industries are now interacting to form new markets.

These developments not only lead to the formation of new markets, but also have the potential to trigger a paradigm shift in society.

As innovation accelerates, it will become more important that we predict how change will impact our daily lives and society.

The Society 5.0 concept being promoted in Japan aims to apply various innovative technology towards an optimized society. The goal of Society 5.0 is the realization of an environmentally friendly society that allows all people to live pleasant lives in an invigorated society. This concept is aligned with our corporate philosophy of “contribution to technology with attention to environment and people.”

Nippon Chemi-Con aims to contribute to the achievement of the SDGs established by the United Nations in 2015 and make strategic leaps forward by applying our new management structure towards playing a role in resolving the societal issues needed to achieve Society 5.0.



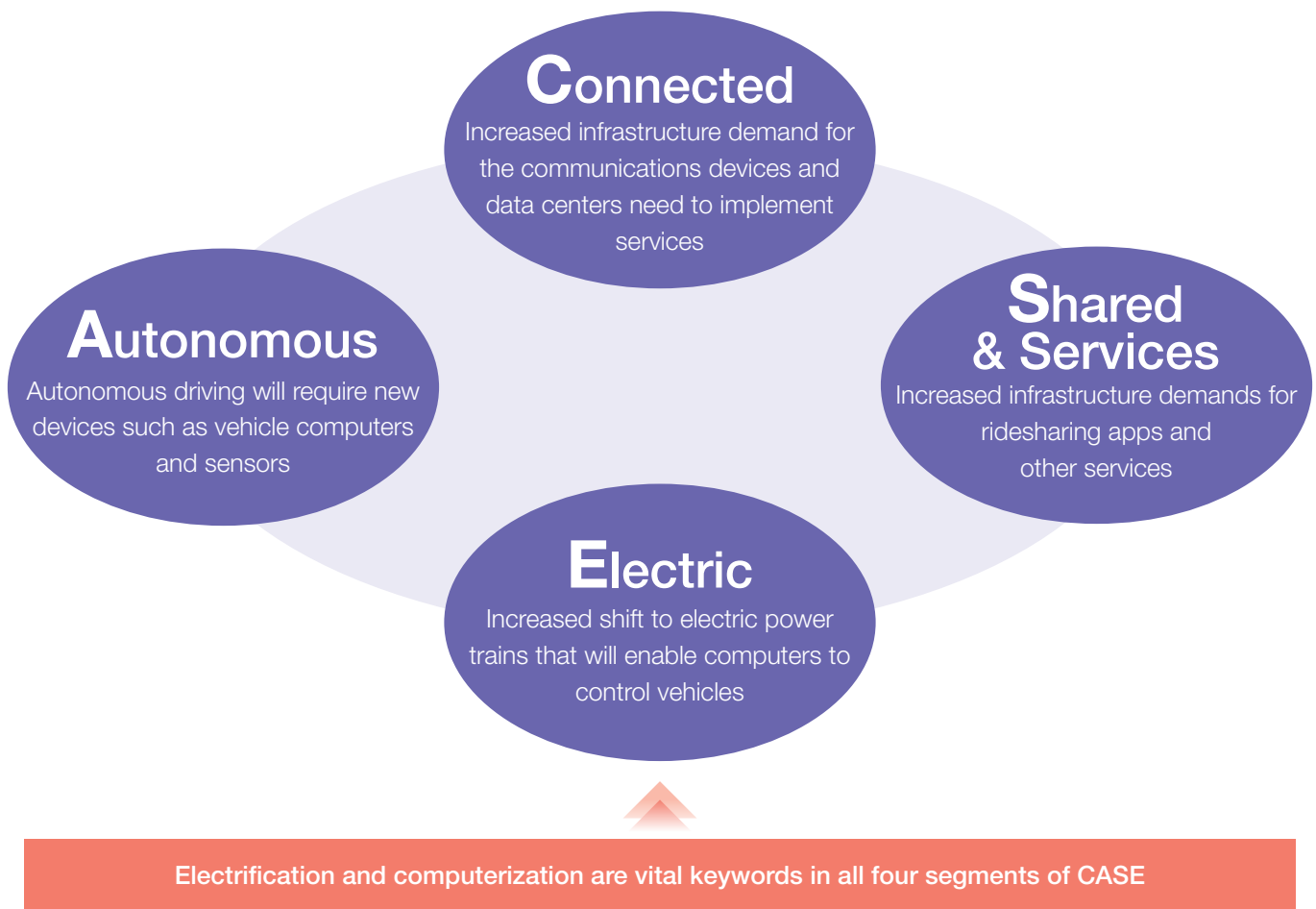
## Viewing societal change as an opportunity, we will advance towards our next growth stage

The automobile industry is positioned by many nations around the world as a core industry that is a driver of industry and economy. However, the automobile industry is facing what is being called a once-in-a-century paradigm shift. As represented by CASE, the initiative introduced by Mercedes Benz in September 2016, the shift towards vehicle electrification and autonomous driving is occurring at a rapid pace. CASE is short for Connected, Autonomous, Shared & Services, Electric. With advancements in IT technology, CASE initiative is having a major impact on society by enabling various matching regardless of time or location.

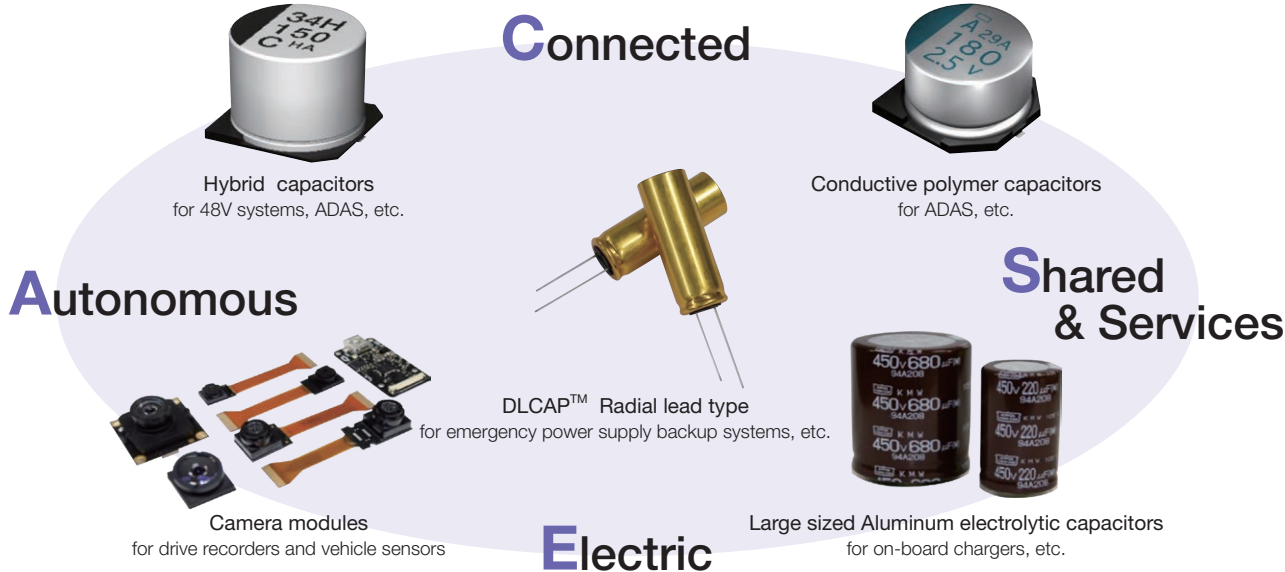
With the landscape for vehicles changing from ownership to use, ridesharing and other MaaS (Mobility as a Service) services are expanding across the globe. CASE is fundamentally changing how we move and is causing a once-in-a-century paradigm shift in the automobile industry.

In all four segments of CASE, electrification and computerization are vital keywords. These market developments have created unparalleled opportunities for Nippon Chemi-Con to make strategic leaps forward.

### CASE market to drive dramatic increase in demand for Nippon Chemi-Con products



Nippon Chemi-Con products as solutions for the CASE market



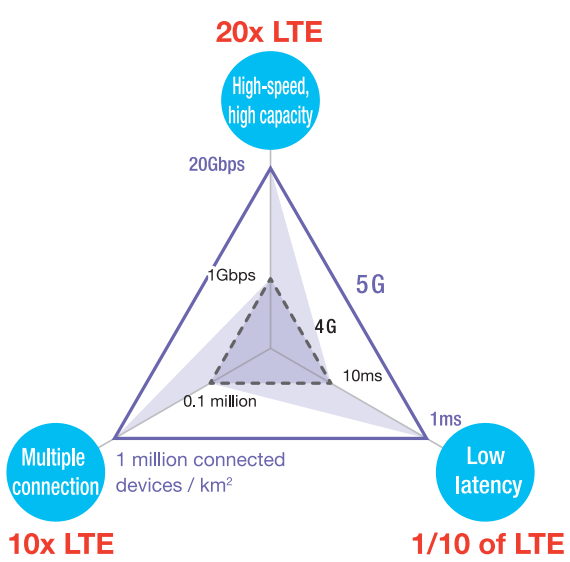
We offer various electronic components to meet the true needs of our CASE market customers.

- Hybrid capacitors and conductive polymer capacitors for 48V mild hybrid systems and advanced driver assistance systems (ADAS)
- Large-sized aluminum electrolytic capacitors for on-board chargers in xEV

- Radial lead type DLCAP™ used in door lock controllers and emergency power supply backup systems
- Camera modules used in driver recorders and vehicle sensors

The arrival of the 5G communications market

<Three features of 5G>



The full-scale launch of 5G communications is expected to begin in 2020. Compared to current 4G technology, 5G will increase communication speeds by a factor of 20 from 1Gbps to 20Gbps and decrease communication latency by 90% from 10ms to 1ms. This technology shift will also drive a 10-fold increase in connected devices from 100,000 per square kilometer to 1 million.

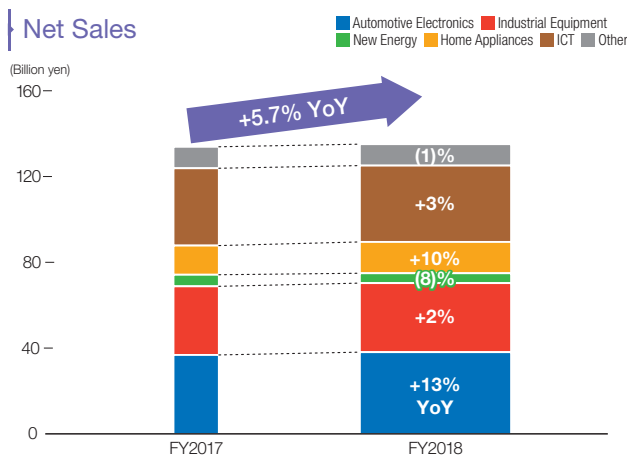
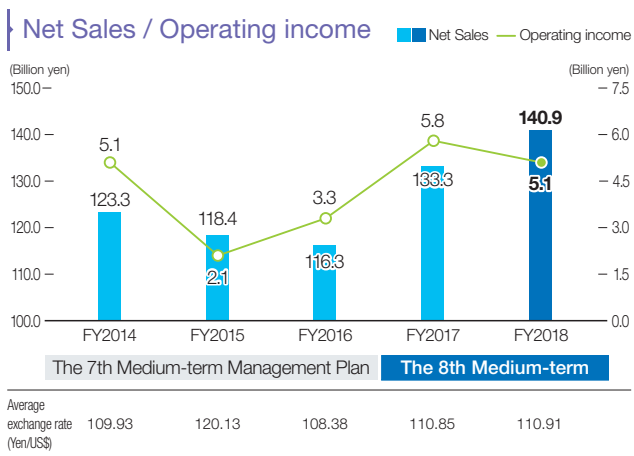
This shift is expected to drive a massive increase in demand for remote radio head (RRH) wireless transceivers and base band unit (BBU) digital signal processors used in communication base stations. In turn, that demand will drive need on the ICT market for new products such as low-ESR hybrid capacitors and conductive polymer capacitors for low-voltage applications to promote reductions in circuit loss.

## Looking back on the 2nd year of our 8th Medium-term Management Plan and our FY2019 plan

In FY2018, net sales on the automotive electronics market were firm on growth in autonomous vehicles and the shift to the 48V vehicle power supply standard in Europe as electrification continues to develop in the automobile industry. The industrial equipment industry and home appliance market, which recorded the most growth in FY2017, have seen stagnant growth since the second half of FY2018 due in part to timing as the economic cycle enters a phase of production and inventory adjustments. In this environment, net sales increased 5.7% YoY to 140.9 billion yen. This represents achieving the net sales goal of

140 billion yen outlined in our Medium-term Management Plan one year ahead of targets. Operating income was 5.1 billion yen, down 11.7% YoY due to rising material prices and electricity costs, and high fixed costs for manufacturing.

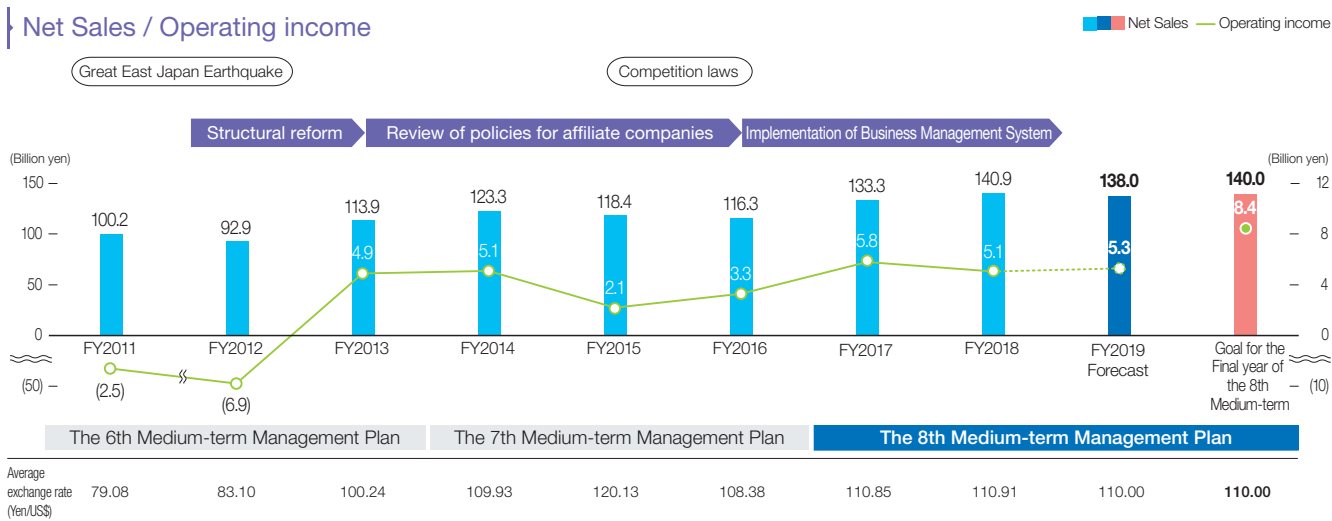
Positioning the growing automotive electronics industry as our primary target market, we will offer highly profitable products such as conductive polymer capacitors and hybrid capacitors as we aim not only for growth but also to shift business towards higher profitability.



### FY2019 plan (As of May 2019)

The global economy in FY2019 faces numerous issues, including the intensification of US-China trade war continuing since last fiscal year, the possibility of a no-deal Brexit, the declining Chinese economy and its impact on emerging nations, risks in the Middle East and

rising crude oil prices. This environment has created a lack of transparency for the global economy. We set goals for FY2019 based on the expected arrival of CASE and 5G communications as well as economic recovery from the second half onward.





## Strengthening our management platform and our FY2019 earnings goals

To strengthen our management platform and promote continued medium- and long-term growth, we are working to further implement the Business management system that supports speedy business management.

As KPI (key performance indices) for strengthening our management platform, we plan to improve our gross profit margin by promoting partnerships between production and sales (market highly profitable products, improve profitability for unprofitable products, promote overseas certifications). Through these initiatives, we plan to improve our gross profit margin, which declined from 20.7% in FY2017 to 18.9% in FY2018, to 19.4% in FY2019.

To achieve this performance, we will launch new products that promote proposal-based sales on strategic markets (improve ratio of new products by

20% YoY). We also will increase our competitiveness by accelerating the reorganization of overseas plants to improve productivity and production capacity.

To ensure future growth potential, we will set a goal of 31% as the ratio of sales to the automotive electronics market for FY2019 while aiming for 33% by early 2020. We will continue to set appropriate cost structure goals for each business as we strive to maximize our gross profit and optimize SGA expenses. Through these initiatives, we will aggressively pursue improvements to our cash conversion cycle. We will continue to promote and pursue the visualization and standardization of work processes based on the core concept of the link between people, things, money, and information. We are working to shift to an ideal cost structure and towards management direction focused on cash creation.

### FY2019 Goals

#### Improved performance through the speedy implementation of business (permeate Business management system)

- Partnerships between production and sales to improve gross profit margin (market highly profitable products, improve profitability for unprofitable products, promote overseas certifications)  
Gross profit margin FY2017: 20.7% → FY2018: 18.9% → FY2019 goal: 19.4%
- Launch new products that promote proposal-based sales on strategic markets (improve ratio of new products by 20% YoY)
- Increase competitiveness by accelerating reorganization of overseas plants to improve productivity and production capacity

#### Strengthen growth potential (improve sales ratio for automotive electronics)

- FY2017 28% → FY2018 30% → FY2019 goal: 31%
- Strengthen development of new products for the automotive electronics industry and invest in increased production for conductive polymer and hybrid capacitors

## Under our new management structure, apply the diverse strengths of the Group to promote innovation

FY2018 Group employee numbers by region (as of end of March 2019): Japan 37%, Europe and Americas 5%, Greater China 21%, other regions 37%. We are a global group with approximately 7,000 employees. Employees in each region diligently addressing the various issues they face will create new business opportunities and enable us to provide customers with ideal products and solutions. This effort requires partnerships and cooperation between many people and organizations. This is why we believe it critical that we create a bright and invigorating corporate culture that accepts different perspectives and diversity.

Nippon Chemi-Con embraces our corporate philosophy of “contribution to technology with attention to environment and people” as we promote further manufacturing innovation and apply our new business model towards establishing a competitive advantage. We will lead the industry in identifying CASE demand related

to automotive electronics and 5G communications demand on the ICT market as we implement flexible and adaptable management and strive for sustainable improvements to our corporate value.

We apply the capital entrusted to us by shareholders towards our business activities. We are deeply aware of the importance of engaging in constructive dialogue with shareholders and investors towards promoting mutual understanding.

After the June 2019 General Meeting of Shareholders, we established a new management structure headed by a newly appointed chairman and president. Management and employees are united in our goal of increasing our medium- and long-term corporate value, and we ask for your continued understanding and support of the Nippon Chemi-Con Group.

October 2019

# The 8th Medium-term Management Plan

The Nippon Chemi-Con Group has outlined and is implementing our 8th Medium-term Management Plan, which covers the three-year period between April 2017 (FY2017) and March 2020 (FY2019).

## Medium-term Target

## Establishment of a Robust Management Platform through Business Structure Transformation toward the 90th Anniversary - Deepening Management Innovation -

### Numerical Goals for the Final Year

Net sales	<b>140</b> billion yen	Operating income margin	<b>6%</b>	ROE	<b>8%</b>
Total asset turnover ratio	<b>1.0</b>	Equity ratio	<b>50%</b>	(Assumed exchange rate: 110yen to the US dollar)	

### Fundamental Strategy

Offering services that delight our customers and creating new values that satisfy genuine demands of customers

### Key Measures

- 1) Clarification of growth strategies
- 2) Reinforcement of earnings structure
- 3) Strengthening corporate governance
- 4) Enhancing customers' satisfaction through quality first and speedy business management
- 5) Creating a vibrant corporate culture and fostering human resources for ten years ahead

### Slogan and Logo

Slogan **STAND UP AND STAND OUT**



The slogan and logo mark adopted for our 8th Medium-term Management Plan were both determined based on an open call for submissions to all companies in the Nippon Chemi-Con Group. The internal open call resulted in 3,386 submissions from domestic and overseas employees.

### Progress of numerical goals

Net sales	FY2017	<b>133.3</b> billion yen	Operating income margin	FY2017	<b>4.4%</b>	ROE	FY2017	<b>(28.6)%</b>
	FY2018	<b>140.9</b> billion yen		FY2018	<b>3.6%</b>		FY2018	<b>1.9%</b>
Total asset turnover ratio	FY2017	<b>0.9</b>	Equity ratio	FY2017	<b>34.4%</b>	Average exchange rate FY2017 110.85yen to the US dollar FY2018 110.91yen to the US dollar		
	FY2018	<b>1.0</b>		FY2018	<b>34.4%</b>			

### The 8th Medium-term Management Plan Positioning and Initiatives

#### Towards our 90th anniversary

To achieve the Nippon Chemi-Con Group's long-term goals: "Sustainable Corporate Growth and Improvement of Medium and Long-Term Corporate Value: E.C.O. Solution 2000." Viewing our 90th anniversary in 2021 as a turning point, we are aiming to build the platform that will enable us to grow into a company with 200 billion in annual sales. E.C.O. represents: **E**nergy, **C**apacitor, and number **O**ne.

#### Advancing industrial and social infrastructure development

Various devices now connect to the internet, bringing about major changes to lifestyles and business. The dissemination of wearable devices, the application of big data, the advanced development of artificial intelligence (AI) and robots, the commercialization and operation of IoT-compatible devices. Innovation aimed at realizing a more enriched society is occurring in a broad range of fields, sparking a movement being referred to as the 4th industrial revolution.

■ For the latest information on Nippon Chemi-Con's medium-term management plan, please see the website on the right.

 <https://www.chemi-con.co.jp/en/company/ir/policy/plan/>

Amid such an environment, manufacturing industries around the world are seeing the strategic implementation of enhancements. In the future, the use of IT in manufacturing industries will expand and we expect to see a global trend towards industrial and social infrastructure development.

《Initiatives in various countries related to enhancing domestic manufacturing》

Europe	China	Japan	Asia	North America
industry 4.0	Made in China 2025	Society 5.0 CPS/IoT	Smart City	Industrial Internet

### Building a platform for growth

The Nippon Chemi-Con Group is addressing such trends in society by taking a medium- to long-term perspective that focuses on corporate structural reforms and the review of our business portfolio. In our 7th Medium-term Management Plan (FY2014-FY2016), we launched Management Innovation (MI) activities, promoted speedy management decisions by adopting a business management system, and worked to improve our financial structure. At the same time, we linked Productivity Innovation (PI) activities and Strategic Innovation (SI) activities to promote overall optimization as we worked towards building a platform for corporate growth. To ensure our ability for medium and long-term growth, we worked to increase the ratio of sales for products targeting the automotive electronics industry. As a result, the percentage of net sales represented by these products increased by eight points over the last three years.

### Steps towards dynamic growth

The 8th Medium-term Management Plan builds on the corporate structure improvements made through initiatives undertaken in our previous Medium-term Management Plan while promoting further business structure reforms that will enable us to shift towards a growth trajectory. Amid the current 4th industrial revolution, the key to our corporate growth will be to identify future growth markets and technology trends and make timely investments that lead to sales growth. Of the five strategic markets <sup>(Note)</sup> targeted by the Nippon Chemi-Con Group, during the period of the 8th Medium-term Management Plan we anticipate particularly significant growth in three markets: automotive electronics, industrial equipment, and home appliances. We will attack these markets by effectively injecting management resources and solidifying an unwavering position as the No. 1 supplier.

### Enhancing our growth potential

We will aim for a high rate of growth that outperforms the market by focusing management resources on domains, customers, and regions identified by market research as having strong growth potential. We will combine this with the functions of the business management system we adopted in April 2016 to clarify roadmaps for each business and strengthen strategy progress management. As initiatives aimed at expanding operations, including the creation of new businesses, we are effectively utilizing industry-academic partnerships and alliances with other companies to promote the accelerated commercialization and profit realization for retained technology.

### Enhancing our profitability

To enhance our profitability, we will pursue high value-added products and services through innovation activities that strengthen our product development capabilities and solution activities that strengthen our proposal capabilities. In addition to enhancing our cost planning capabilities and fundamental reforms to production processes, we will pursue cost reductions by promoting location-optimal production for global markets.

### Reinforcing safety, quality, and legal compliance

We will strengthen corporate governance by reinforcing safety, quality, and legal compliance and enhancing our risk management. We also will continue promoting cash flow management, a stable financial structure, and enhance policies for affiliate companies.

### Improving customer satisfaction

We will offer services that satisfy our customers to elevate our status as a business partner. In addition to further enhancing our new product development capabilities, we will promote automotive electronics quality throughout the company with the focus on quality first. We will improve customer satisfaction by providing not only product performance but also a level of added value to quality and the supply chain that is unique to a No. 1 supplier.

### Management that promotes personnel development and opportunities

The Nippon Chemi-Con Group works to build an energetic corporate culture and to develop the personnel who will lead operations 10 years down the road. Our 8th Medium-term Management Plan outlines policies for evaluating and valuing personnel who take on challenges and who are able to take action. This is part of our commitment to fostering a diverse corporate culture. Both in Japan and overseas, we are conducting aggressive hiring in order to solidify local management and establish HR systems that are in line with future needs.

\*Note: Automotive electronics market, industrial equipment market, new energy market, home appliance market, and ICT market





## Message from our Executive Officer for Accounting



### Stabilize long-term financial platform by strengthening profitability and improving asset efficiency

In FY2019, the final year of our 8th Medium-term Management Plan, we will focus on strengthening profitability and optimizing business assets to increase our ability to generate cash flow and stabilize our financial platform.

**Osamu Ishii**  
Senior Executive Officer

Earnings during FY2018, the second year of our 8th Medium-term Management Plan, we achieved the net sales exceeding 140 billion yen, our goal for the final year of the plan. However, our operating profit ratio for FY2018 was 3.6%, short of our FY2018 goal of 4.2%. Our core issue for FY2019, the final year of our Medium-term Management Plan, is to implement measures that will strengthen profitability and restore our financial platform in order to increase our ability to generate cash flow and increase the speed of improvements to our financial structure. Our first goal is to achieve a total asset turnover ratio of 1.0 and higher in terms of improving asset efficiency. Last fiscal year, we achieved a total asset turnover ratio of 1.0 but we will aim for further improvement by increasing the rate of turnover on major assets. Next, we will reform SCM to reduce lead time from production to distribution. This will enable us to reduce increasing inventory assets to appropriate levels and improve cash conversion cycle (CCC). Additionally, we will increase investment returns by emphasizing balance with operating cash flow when evaluating capital expenditures and focusing on investments in highly profitable growth segments.

Specifically, we will increase capacity for conductive polymer capacitors, a high value-added product, at overseas subsidiaries. By increasing our rate of overseas production, we will improve our sensitivity to currency rate fluctuations. In Japan, we will focus investments on hybrid capacitors, a market expected to see further growth in the future. By balancing business expansion and our financial strategies, we will promote the long-term stability of our financial platform.

We also will promote asset health by advancing the disposal of non-core assets not relevant to business

expansion based on the appropriate timing. For cross-shareholdings, we will continue to reduce our holdings of stocks that do not justify the capital costs in accordance with our Basic Policy for Cross-Shareholdings.

Our standards for making investment decisions include capital costs and hurdle rate. The weighted average capital costs (WACC) we apply is approximately 7%. To reduce these capital costs over the long-term, we will work to improve profitability and ROE, which will promote reduced liability costs by diversifying capital procurement. We also will further enhance ESG information disclosure, promote proactive IR activities, and use constructive dialogue with shareholders and investors to reduce shareholder capital costs.

In FY2018, interest bearing debt increased by 16.9 billion yen, from 33.7 billion yen during the previous fiscal year to 50.7 billion yen due to capital expenditures in growth sectors and one-time capital measures to address losses related to the Antitrust laws. Our D/E ratio, a benchmark indicating our financial health, temporarily exceeded our goal of 0.9 or less but we will implement measures to rapidly restore and maintain balance between shareholder capital and interest-bearing debt.

Ahead of the 9th Medium-term Management Plan set to begin next fiscal year, this fiscal year we will strengthen our revenue platform and improve asset efficiency to generate cash, which will enable us to reduce interest bearing debt and enhance shareholder capital.

We are implementing measures to reform our revenue structure and promote the efficient management of business assets. Through investments in growth sectors, we will promote financial platform recovery and implement initiatives to improve our financial stability as we aim to increase long-term shareholder value.

## Message from our CTO

### The power of “interface” to take advantage of a paradigm shift

The development of aluminum electrolytic capacitors relies on “interface science,” the art of controlling electrode surfaces. We engage in R&D with the pride of a leading brand. Today, as industry faces a paradigm shift, our professional engineers will serve as an interface for our customers and use technology to pave a path through these changing times.

#### Katsunori Nogami

Executive Officer and Chief Technology Officer



Nippon Chemi-Con has been involved in the business of aluminum electrolytic capacitors since 1931. As a leading brand for aluminum electrolytic capacitors, we contribute to the development of the electronics industry. Now, Nippon Chemi-Con will be celebrating our 90th anniversary in 2021.

However, today, industry is on the verge of a major shift. CASE (Connected, Autonomous, Shared & Services, and Electric) and MaaS (Mobility as a Service) are being adopted by the automotive industry and the communications industry is moving to deploy 5G. These technologies are becoming deeply ingrained in social infrastructure. These changes could make our 90-year history of knowledge and experience obsolete in an instant. This is the level of urgency we face. To overcome these dangers, Nippon Chemi-Con will enhance our technology and spontaneity in order to engage with and meet the needs of our customers. Our mainstay products, aluminum electrolytic capacitors, are used in a wide range of sectors, including energy, automobile, information and communications, home appliances, and industrial equipment. The base technology for these products is called interface science, which requires the skillful manipulation of a solid-liquid interface comprised of a dielectric oxide film (a solid) formed on a rough aluminum foil and an electrolyte (a liquid). Nippon

Chemi-Con was the first in our industry to develop a conductive polymer capacitor that overcomes the limitations of the electrolyte by introducing a conductive polymer (solid) to control the solid-solid interface. By further adding an electrolyte to the solid-solid interface, we created a hybrid interface to bring the world hybrid capacitors. Electric double-layer capacitors comprising the combination of a carbon material and an electrolyte is another important technology for controlling the solid-liquid surface. Needless to say, we are currently developing numerous new interfaces.

We study these interfaces from the perspective of materials and promote optimization in production technology from the perspective of manufacturing. We then offer solutions based on the actual use cases of our customers to meet customer demands in this age of dramatic change. Nippon Chemi-Con believes this is the true value that enables us to exist in society. Believing the most important “interface” is our connection to our customers, our team of professional engineers takes a comprehensive approach to engaging with our customers. We also work to maintain and improve interaction and partnerships between engineers to ensure adaptability in our technical capabilities in order to convert this time of change into new opportunities.





### Establishing absolute quality superiority

Autonomous driving technology is leading to quality standards for electronic components unlike any level demanded before. The Nippon Chemi-Con Group views this trend as a chance to establish absolute quality superiority. Adopting the slogan “from line-level quality to plant-wide quality for vehicle electronics,” we will use TPM and continuous quality investments to achieve this leap on a companywide level.

#### Yoshifumi Minegishi

Director and Managing Executive Officer and Chief Quality Officer

At Nippon Chemi-Con, our business activities are founded in our pride as an electronics components manufacturer and our commitment to quality. Our quality policy states, “As a specialist manufacturer, we will contribute to society by providing products and services that prioritize quality, are aligned with the current needs of the market, and earn the satisfaction and trust of our customers.” We are promoting the following three strategies as specific guidelines aimed at achieving this policy.

1. From product development, design, and manufacturing to sales and services, each department and all staff fulfill their roles and responsibilities related to quality in order to continuously prevent quality defects.
2. In every segment of company operations, aggressively utilize statistical methods and other quality management techniques to improve quality through continuous improvement activities.
3. Work to unify concepts, standards, and information related to quality and establish a company-wide quality system that can continuously achieve consistent quality at all sites of operation.

Working in accordance with the aforementioned guidelines, Nippon Chemi-Con plants worldwide use IATF 16949, the quality management system for the

automobile industry, to maintain the efficacy of each process. Additionally, plants use data to analyze operating conditions and implement the CAPDo (Check-Act-Plan-Do) cycle to improve quality, costs efficiency, turnaround times, and technology. At the same time, we work to enhance the robustness of our global distribution quality in order to appropriately ascertain and evaluate the diverse risks we face in our business activities to minimize these risks and prevent problems in advance.

The demanding quality requirements in the automobile industry sparked by the advancement of autonomous driving are being adopted by other industries. Nippon Chemi-Con views this shift as a chance to establish absolute quality superiority in the market. Adopting the slogan “from line-level quality to plant-wide quality for vehicle electronics,” we are promoting total productive management (TPM) and continuous quality investments.

And to achieve the same high quality standards at all plants, we will strengthen our global quality management system (QMS) and adopt IoT and AI to convert to a smart factory.

Nippon Chemi-Con will continue to contribute to society by providing safe and reliable products.



## Nippon Chemi-Con Receives Life Nanotechnology Award



Nippon Chemi-Con participated in the 18th International Nanotechnology Exhibition & Conference, a conference held at Tokyo Big Sight for three days from January 30, 2019. At the conference, Nippon Chemi-Con was presented with the **Life Nanotechnology Award**. The International

Nanotechnology Exhibition & Conference is a major exposition for presenting “nanotechnology for achieving an ultra-smart society.” The conference is Japan’s largest event featuring advanced nanotechnology, from nanomaterials such as high-performance carbon used in batteries to micro machines, next-generation sensors, and nano-pattern printing technology. Part of the exhibition is the presentation of the Nano Tech Awards. These awards are presented based on a system for selecting nominees from among all exhibitors for innovative and leading technology and products in each segment. This year, awards were presented to 10

companies. Nippon Chemi-Con was presented with the Life Nanotechnology Award for the aroma camera and the battery-less/wireless diaper sensor system we displayed at the exhibition, which were recognition for our development of devices with practical lifestyle applications. Below, we introduce the diaper sensor, one of the two products recognized at the conference.



### ▶ Bringing electronic component material technology to the welfare sector

The diaper sensor is a system for reducing the burdens associated with elderly care by providing notifications wirelessly when it is time to change a diaper. Currently, we are aiming for commercialization as a diaper for elderly care services and are collaborating with Ritsumeikan University and major healthcare manufacturers.

The key point is technology that does not require batteries.

In place of a battery, the diaper sensor is equipped with two electrodes. The negative electrode is an aluminum etched foil and the positive electrode is active carbon. Aluminum etched foil is the material used in aluminum electrolytic capacitors and active carbon is the material used in electric double-layer capacitors. Both materials are created using the high-performance materials we use in our products.

When urine permeates the electrode in the diaper sensor, the aluminum dissolves to cause power generation. This electricity is temporarily stored in a capacitor embedded in a transmitter, which uses that energy to send a wireless notification that it is time to change the diaper. The elderly care provider can immediately check this notification status via a receiver installed in their smartphone or the nurse center.

The greatest benefit of making this system battery-less is the ability to use a compact, lightweight transmitter. This system reduces both labor and cost by eliminating the need for charging or battery replacement. Also, since the electrode is made using environmentally friendly materials, it can be disposed together with the diaper. Since this system is wireless, this also eliminates the need for complicated wiring. Moving forward, the commercialization of this diaper sensor will promote more efficient diaper changing, which up to now was being conducted at specific intervals regardless of need.

We also believe this system will reduce stress and be more pleasant for care recipients. We are experts in the material development for electronic components. Now, that technology is transcending the boundaries of electronic components to benefit the welfare sector.



The two vertical lines are electrodes embedded inside the paper diaper. The right side is an aluminum etched foil and the left side is active carbon. To alleviate discomfort when wearing, the electrodes are made extremely thin and flexible.



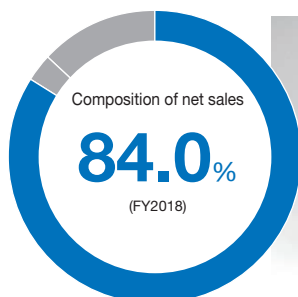
# Introduction of Main Businesses

The following is an introduction of FY2018 performance and initiatives for aluminum electrolytic

## Aluminum Electrolytic Capacitor Business

Net sales

FY2018  
**118,407** million yen



### Sales grew for automotive electronics market, high value-added products favorable

Nippon Chemi-Con is the world's largest manufacturer of aluminum electrolytic capacitors. Our products are used in a broad variety of applications, from consumer electronics to industrial devices, automobile and avionics, and medical device.

#### FY2018 earnings and future initiatives

Net sales of aluminum electrolytic capacitors during FY2018 increased 5.2% year on year to 118.4 billion yen. Sales of products for the automotive electronics market were favorable and sales of conductive polymer capacitors and hybrid capacitors, both high value-added products, were particularly strong. The automobile industry is facing a paradigm shift towards the creation of new business models. Amid such an environment, the CASE (Connected, Autonomous, Shared & Services, and Electric) strategy of auto manufacturers suggests a continuous and growing need for electronic components. In response to this trend, we will advance the development of new products as we aim to further expand sales. The industrial equipment market, the main market for large size aluminum electrolytic capacitors, got off to a favorable start in FY2018 thanks to a stimulated factory automation (FA) market, particularly in China. However, during the second half of the year, the impact of US-China trade friction and other factors caused a rapid deceleration of the Chinese economy, resulting in a tumultuous year for FY2018. Looking at the market going forward, the adoption of IoT in industrial equipment and the dissemination of industrial robots is expected to drive medium and long-term demand for aluminum electrolytic capacitors. Additionally, the ICT market is on the verge of the full-scale launch of 5th generation mobile communication systems (5G), so we also expect increased demand for products for use in communication base stations.

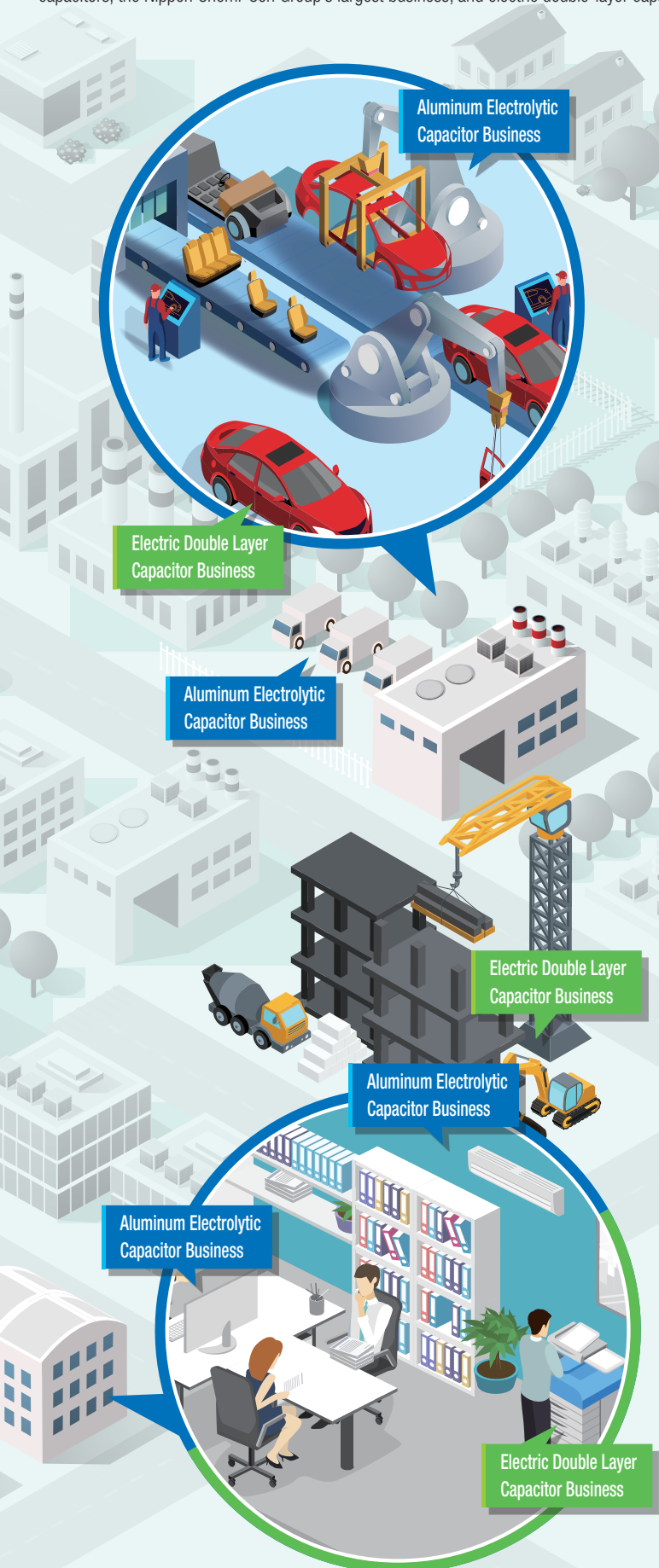
Aluminum Electrolytic Capacitor Business

Aluminum Electrolytic Capacitor Business

Aluminum Electrolytic Capacitor Business

Electric Double Layer Capacitor Business

capacitors, the Nippon Chemi-Con Group's largest business, and electric double-layer capacitor business, a new business that is growing as the second pillar of management.

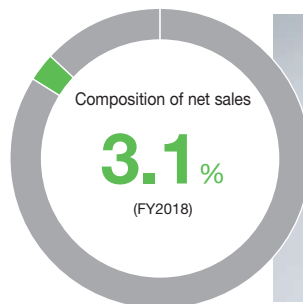


## Electric Double Layer Capacitor Business

FY2018

Net sales

**4,430** million yen



### Expand product mix provided to automobile manufacturers

Environmental and energy issues are driving increased interest in power storage devices. Nippon Chemi-Con plans to develop electric double-layer capacitors into a business that rivals our aluminum electrolytic capacitor business.

#### FY2018 earnings and future initiatives

Net sales of electric double-layer capacitors during FY2018 increased slightly year on year to 4.4 billion yen. The ratio of total net sales was 3.1%, largely unchanged from the previous fiscal year and indicating that we are maintaining stable earnings in recent years.

The majority of electric double-layer capacitors we produce are used in automotive applications such as braking energy recovery systems. Currently, we supply products to two manufacturers in Japan, from whom we have received high praise for our quality and reliability.

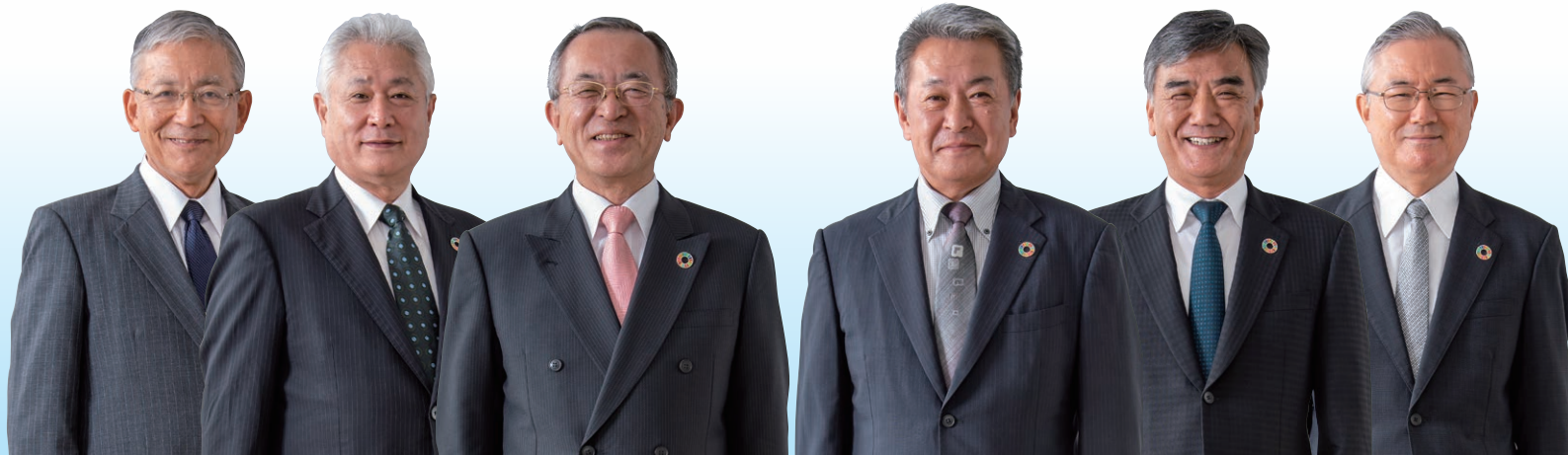
In FY2018, as part of our efforts to expand operations, we started the commercialization and mass production of the DKA Series, which uses a radial lead-type terminal shape. This format is smaller than the screw terminal-type product we previously mass produced. Capable of being soldered directly onto electronic boards, the DKA Series is a product that contributes to space-saving designs. Applications for the DKA Series includes controlling vehicle door locks and use in emergency power backup systems. We will also propose the use of the DKA Series in other applications such as IoT devices and the peak assist power supplies installed in portable devices.

Moving forward, we expect societal interest in high-performance electricity storage devices to grow. Nippon Chemi-Con will continue our development efforts related to electric double-layer capacitors and other power storage devices as we aggressively pursue solutions for solving issues related to environment problems and energy.



# Executive Members

(as of June 27, 2019)



## Directors

### A Representative Director and Chairman

**Ikuo Uchiyama** (June 11, 1951)

- Apr 1977 Joined Nippon Chemi-Con Corp.
- Jul 1997 Plant Manager of Niigata Plant, KDK Corp.
- Oct 1999 Plant Manager of Niigata Plant, Material Division Headquarters
- Jun 2001 Director, in charge of Administration Dept., Personnel Dept., and Material Procurement Dept.
- Jun 2003 President
- Jun 2004 President, in charge of Corporate Planning Dept.
- Apr 2005 President, in charge of Corporate Planning Dept., SCM Promotion Dept., and Internal Audit Dept.
- Jun 2014 President and Chief Executive Officer, in charge of Internal Audit Dept.
- Jun 2019 Chairman and Chief Executive Officer (current)

### D Director and Managing Executive Officer

**Yoshifumi Minegishi** (November 28, 1957)

- Apr 1980 Joined Nippon Chemi-Con Corp.
- Jul 2001 Plant Manager of Niigata Plant, Material Division Headquarters
- Jul 2003 Deputy Division Manager of Material Division Headquarters and Plant Manager of Takahagi Plant
- Jun 2005 Director, Division Manager of Material Division Headquarters
- Jul 2007 Director, Division Manager of Production Engineering Headquarters and Division Manager of Material Division Headquarters
- Apr 2008 Director, Division Manager of Production Facilities Engineering Headquarters and Division Manager of Material Division Headquarters
- Apr 2011 Director, Division Manager of Material Division Headquarters
- Jun 2013 Executive Managing Director, Division Manager of Material Division Headquarters
- Jun 2014 Director and Managing Executive Officer, Division Manager of Material Division Headquarters
- Apr 2016 Director and Managing Executive Officer, Division Manager of Product Business Management
- Jun 2019 Director and Managing Executive Officer, CQO and Division Manager of Quality Assurance Headquarters and Production System Headquarters (current)

### B Representative Director and President

**Norio Kamiyama** (April 1, 1959)

- Apr 1983 Joined Nippon Chemi-Con Corp.
- Nov 2004 Department Manager of Ceramic and Film Capacitor Engineering Department in Technical, R&D Headquarters
- Apr 2006 Department Manager of Ceramic and Film Capacitor Engineering Department in Technical, R&D Headquarters and Department Manager of DLCAP Design Department in Supercapacitor Division Headquarters
- Oct 2006 Deputy Division Manager of Quality Assurance Headquarters
- Aug 2009 Division Manager of Quality Assurance Headquarters
- Apr 2011 Division Manager in Quality Assurance, Quality Assurance Headquarters
- Jun 2012 Director, CQO and General Manager of Quality Assurance Headquarters
- Jun 2013 Director, CTO and General Manager of R&D Headquarters
- Jun 2014 Senior Executive Officer, CTO and General Manager of R&D Headquarters
- Apr 2016 Senior Executive Officer, CTO and Division Manager of R&D Headquarters and Officer in charge of Solid Devices Business (Ceramic Capacitor, Varistor, Film Capacitor, Coil) in Product Business Management
- Jun 2018 Director and Senior Executive Officer, CTO and Division Manager of R&D Headquarters and Officer in charge of Solid Devices Business (Ceramic Capacitor, Varistor, Film Capacitor, Coil) in Product Business Management
- Jun 2019 President and Chief Operating Officer (current)

### E Outside Director

**Hideaki Takahashi** (January 29, 1946)

- Jun 1990 Associate Professor, Faculty of Engineering, Hokkaido University
- Jun 1994 Professor, Graduate School of Engineering, Hokkaido University
- Apr 2008 Professor Emeritus at Hokkaido University, President of Asahikawa National College of Technology
- Apr 2014 Professor Emeritus at Hokkaido University, Professor Emeritus at Asahikawa National College of Technology (current)
- Jun 2014 Director of Nippon Chemi-Con Corp. (current)

### C Director and Senior Managing Executive Officer

**Shuichi Shiraishi** (February 14, 1956)

- Apr 1979 Joined Nippon Chemi-Con Corp.
- Jul 1995 Department Manager of Corporate Planning Dept.
- Jun 1999 Managing Director of Marcon Electronics Co., Ltd.
- Sep 2002 Department Manager of New Products Sales Promotion Dept. 2, Sales Headquarters and Department Manager of Logistics Dept. and Managing Director of Marcon Electronics Co., Ltd.
- Feb 2003 Department Manager of New Products Sales Promotion Dept. 2, Sales Headquarters and Department Manager of Logistics Dept.
- Jul 2005 Department Manager of Division Planning Dept., Capacitor Division Headquarters
- Jun 2008 Director, Deputy Division Manager of Capacitor Division Headquarters
- Feb 2009 Director, Deputy Division Manager of Production Headquarters
- Mar 2009 Director
- Jan 2013 Director, Division Manager of Planning Headquarters
- Jun 2014 Director and Senior Executive Officer, Division Manager of Planning Headquarters
- Jun 2016 Director and Managing Executive Officer, Division Manager of Sales Headquarters and Officer in charge of Management Strategy Dept.
- Jun 2019 Director and Senior Managing Executive Officer, Division Manager of Sales Headquarters and Officer in charge of Corporate Strategy Department (current)

### F Outside Director

**Kinya Kawakami** (November 20, 1951)

- Apr 1976 Joined The Yokohama Rubber Co., Ltd.
- Jan 2003 Head of Tire Materials Development Dept., The Yokohama Rubber Co., Ltd.
- Jun 2008 Director and Corporate Officer, in charge of Procurement Division, Head of R&D Center, The Yokohama Rubber Co., Ltd.
- Jun 2011 Director and Managing Corporate Officer, in charge of Global Human Resources Division, Head of Corporate Social Responsibility Division, The Yokohama Rubber Co., Ltd.
- Mar 2012 Director and Managing Corporate Officer, Head of Corporate Social Responsibility Division, Head of R&D Center, The Yokohama Rubber Co., Ltd.
- Mar 2014 Corporate adviser of The Yokohama Rubber Co., Ltd., and Representative Director and President of Hamagomu Real Estate Co., Ltd.
- Jun 2015 Director of Nippon Chemi-Con Corp., Corporate adviser of The Yokohama Rubber Co., Ltd., and Representative Director and President of Hamagomu Real Estate Co., Ltd.
- Mar 2016 Director of Nippon Chemi-Con Corp. and Corporate adviser of The Yokohama Rubber Co., Ltd.
- Nov 2016 Director of Nippon Chemi-Con Corp. (current)



## Audit &amp; Supervisory Board Members

**G** Audit & Supervisory Board Member  
**Yukisada Takahashi** (February 1, 1957)

- Jun 1979 Joined Nippon Chemi-Con Corp.
- Apr 2005 Department Manager of SCM Promotion Dept.
- Apr 2007 Department Manager of SCM Promotion Dept. and Information System Dept.
- Aug 2007 Department Manager of Information System Dept.
- Apr 2014 Department Manager of Management Strategy Dept., Planning Headquarters
- Jun 2015 Executive Officer, Department Manager of Management Strategy Dept., Planning Headquarters
- Apr 2016 Executive Officer, Deputy Officer in charge of Value Creation SCM Dept., Corporate IT Planning Dept., and Management Strategy Dept., Department Manager of Corporate IT Planning Dept.
- Jun 2016 Audit and Supervisory Board Member (current)

**J** Outside Audit & Supervisory Board Member  
**Shuji Ota** (December 16, 1951)

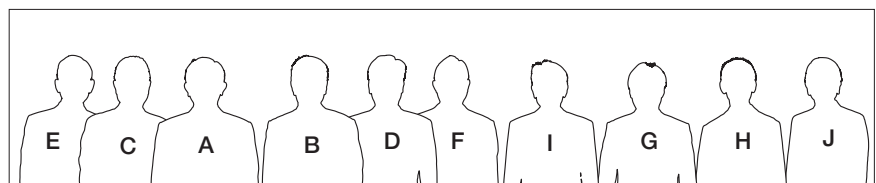
- Oct 1975 Joined Showa Century Ota Showa & Co. (currently Ernst & Young ShinNihon LLC)
- Jul 2000 Senior Partner of Century Ota Showa & Co.
- Jan 2006 Examiner of Certified Public Tax Account Examination
- Jul 2013 Established Shuji Ota CPA Office  
Head of Shuji Ota CPA Office (current)
- Apr 2017 External Director of Tri Chemical Laboratories Inc. (current)
- Jun 2017 Auditor of Japan International Broadcasting Inc. (current)
- Jun 2019 Audit and Supervisory Board Member of Nippon Chemi-Con Corp. (current)

**H** Audit & Supervisory Board Member  
**Hiroyuki Yajima** (April 7, 1957)

- Jan 1982 Joined Nippon Chemi-Con Corp.
- Oct 2003 Department Manager of Electro-Products Development Dept., Electro-Mechanical Products Business, Solid Products & Electro-Mechanical Products Division Headquarters
- Jul 2005 Department Manager of Electro-Products Development Dept., Electro-Mechanical Products Division Headquarters
- Jul 2007 Department Manager of Solution R&D Dept.
- Apr 2008 Department Manager of Solution R&D Dept. and Marketing Dept.
- Apr 2011 Department Manager of Solution R&D Dept., R&D Headquarters
- Jun 2014 Executive Officer, Department Manager of Solution R&D Dept., R&D Headquarters
- Jun 2016 Senior Executive Officer, Deputy Division Manager of R&D Headquarters
- Jun 2017 Audit and Supervisory Board Member (current)

**I** Outside Audit & Supervisory Board Member  
**Fumio Morita** (August 30, 1955)

- Apr 1978 Joined The Yokohama Rubber Co., Ltd.
- Jun 2007 Head of Corporate Finance & Accounting Dept., The Yokohama Rubber Co., Ltd.
- Jun 2009 Corporate Officer, Head of Corporate Finance & Accounting Dept., The Yokohama Rubber Co., Ltd. and President of Yokohamagomu Finance Co., Ltd.
- Jun 2010 Director and Corporate Officer, in charge of Corporate Finance & Accounting Dept. and Audit Dept., The Yokohama Rubber Co., Ltd., and President of Yokohamagomu Finance Co., Ltd.
- Mar 2012 Director and Managing Corporate Officer, in charge of Sports Business Dept., Corporate Finance & Accounting Dept., Audit Dept., Information System Dept., and Global Procurement Division, The Yokohama Rubber Co., Ltd., and President of Yokohamagomu Finance Co., Ltd.
- Mar 2014 Director and Managing Corporate Officer, Head of Corporate Social Responsibility Division, The Yokohama Rubber Co., Ltd., in charge of Yokohama Motorsports International Co., Ltd.
- Jan 2015 Director and Managing Corporate Officer, Head of Corporate Social Responsibility Division, The Yokohama Rubber Co., Ltd., in charge of Yokohama Motorsports International Co., Ltd., President of PRGR Co., Ltd.
- Mar 2016 Corporate adviser of The Yokohama Rubber Co., Ltd., President of PRGR Co., Ltd. (current)
- Jun 2016 Audit and Supervisory Board Member of Nippon Chemi-Con Corp. (current)





# ESG Initiatives

Nippon Chemi-Con incorporates ESG (environment, social, governance) into our corporate strategies to pursue sustainable growth. We outline activity goals and promote company-wide participation.



## ESG Activities (Major activities/goals for FY2019)

	Core issues / Materiality	FY2019 major activities and goals	Related pages
E	Global environment conservation	Global warming prevention and energy conservation activities	P.37 P.40
		Appropriate management of chemical substances used by factories	P.37
		Management of chemical substances contained in the products (environmentally conscious products)	P.10 P.40
		Effective use of resources and waste reduction, promotion of 3Rs	P.38 P.40
		Continuous improvements based on environment management system (ISO14001)	Website CSR/Environment
		Biodiversity conservation activities	P.38
		Contributions to local society	P.39
		Compliance with environmental laws	P.10 Website CSR/Environment
S	HR/benefits	Reform HR system in 2020	
		Continue welcome back program (re hiring program)	Website Careers
	Worker health and safety	Reduce overtime to average 29 hours per worker per month	P.30
		Increase paid leave usage rate and childcare leave usage rate to 70% and higher	P.30
	Human resource development	Continue mandatory rest between shifts	
		Continued implementation of healthy company activities	P.30
		Conduct position-specific training (15 times/year)	P.29
		Continue to offer Japan training program for overseas local workers	P.29
	Diversity	Continue overseas assignments via the global human resources development program (application based)	P.29
		Proactive hiring of foreign students studying in Japan	P.29
		Increase rate of hiring for disabled workers to 2.5% or higher by 2020	P.29
		Increase rate of female hiring to 30% or higher for technical and manufacturing positions and 40% or higher for sales and administrative positions	P.29
	Social welfare	Increase number of female managers by 50% by 2020	P.29
		Provide support such as vaccines and clothing to developing nations	P.28
Next-generation development	Support wheelchair purchases	P.28	
	Adoption of internship system	P.29	
G	Corporate governance	Dispatch instructors for next-generation human resource development conducted by industry organizations	
		Increased participation in management by outside officers and creation of environment that promotes engagement	P.31 P.35
		Reflect results of internal controls efficacy evaluations on management	
		Compliance with basic policy on corporate governance	
	Risk management	Constructive communication with shareholders (continue investor visits)	
		Hold IR conferences (twice)	P.36
	Compliance	Regular BCP validation, reviews (head office, factories)	P.33
		Reinforce information leak prevention (data center, thin client, internal audits, etc.)	
		Continued systematic implementation of compliance education	P.32
		Continued participation in UN Global Compact (participating since 2012)	P.28
	Continue internal audits related to competition laws, export management, ethics, labor, and health and safety		

# CSR Management

## Basic CSR Policy

In 2003, the Nippon Chemi-Con Group released the Nippon Chemi-Con Group Charter of Corporate Behavior as an internal and external declaration of our commitment to business activities that ensure our position as a corporation that contributes to society through fair and transparent business activities. Based on the spirit of this Charter of Corporate Behavior, the Nippon Chemi-Con Group Business Conduct Guidelines outline the character that every executive and employee of the Nippon Chemi-Con Group must apply to our daily corporate activities. As a company that provides products and services capable of contributing to the lifestyles of people around the world, we strive for harmony with international society while maintaining our commitment to the local community and stakeholders. We are committed to compliance with the laws and regulations of each country and practice honest business activities based on sound corporate ethics and a strong awareness of our position as a corporate citizen.

## Positioning of CSR Activities

The Nippon Chemi-Con Group engages in CSR activities to pursue not only profits, but also to contribute widely to society by fulfilling our corporate social responsibility. We maintain an awareness of the impact and risks related to Nippon Chemi-Con Group activities. To ensure stable growth, we prioritize the non-financial aspects of CSR and engage in CSR activities to promote high rates of satisfaction among both employees and customers, and to maintain our position as a company that is trusted by society. The Nippon Chemi-Con Group positions CSR activities as part of our management strategy for reducing business risks and achieving sustainable growth.

## CSR Promotion System

The Nippon Chemi-Con Group has established a CSR promotion system within the Nippon Chemi-Con Administration Department to work with each department and factory on specific activities. We go beyond simple corporate activities. For example, in the area of social contributions, we collaborate with labor unions on activities such as purchasing wheelchairs through soda can pull tab collections, providing vaccinations to developing countries through PET bottle cap collection, and donating clothing to developing countries.

## Participation in UN Global Compact

On January 26, 2012, the Nippon Chemi-Con Group announced our support for and participation in the United Nations Global Compact (UNGC). The UNGC is comprised of 10 universal principles related to four areas: human rights, labour, environment, and anti-corruption. The Nippon Chemi-Con Group is working to incorporate the 10 principles of the UNGC into our daily business activities in order to achieve a high level of corporate social responsibility and meeting the expectations of all our stakeholders.

## The Ten Principles of the UN Global Compact

- 1 Human Rights**
  - Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
  - Principle 2: make sure that they are not complicit in human rights abuses.
- 2 Labour**
  - Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
  - Principle 4: the elimination of all forms of forced and compulsory labour;
  - Principle 5: the effective abolition of child labour; and
  - Principle 6: the elimination of discrimination in respect of employment and occupation.
- 3 Environment**
  - Principle 7: Businesses should support a precautionary approach to environmental challenges;
  - Principle 8: undertake initiatives to promote greater environmental responsibility; and
  - Principle 9: encourage the development and diffusion of environmentally friendly technologies.
- 4 Anti-Corruption**
  - Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.



## SDGs

We aim to contribute to the sustainable development goals (SDGs) outlined in the 2030 Agenda for Sustainable Development adopted at the September 2015 UN Summit. Through the outside-in approach (method of establishing corporate goals based on societal needs and social issues outside the company), we will work to proactively create business opportunities focused on resolving social issues.

## SUSTAINABLE DEVELOPMENT GOALS 17 GOALS TO TRANSFORM OUR WORLD



# Human Resources Strategy / Healthy Company

## Diversity

**Aiming to diversify management by promoting global HR development and utilization of females in the workplace**

Amid continuing globalization, overseas production accounts for approximately 66% of production (in volume) at Nippon Chemi-Con and of our approximately 7,000 employees, about 63% are outside Japan. Regardless of age, gender, or nationality, we emphasize individuality among our diverse human resources. We believe that the new ideas created as a result of this diversity will contribute to the creation of technology that benefits both the environment and people.

Also, Nippon Chemi-Con faces the reality that women only represent 2.0% of employees in management positions. To address this and the Women's Workplace Utilization Promotion Act enacted in April 2016, we drafted a plan to (1) increase the number of women in management positions by 50% by 2020 and, (2) increase the percentage of female hires to 30% and higher for technical and manufacturing positions, and 40% and higher for sales and administrative positions. We will continue to promote various initiatives aimed at promoting the utilization of women in the workplace.

## Composition of employees

Japan **37%**

Overseas **63%**

## Utilization of Foreign Students in Japan

Nippon Chemi-Con practices the hiring of foreign students studying in Japan. Amid continuing globalization, our belief is that the hiring of human resources who live in Japan and have an understanding of Japanese culture is vital. Since 2012, we have aggressively recruited foreign students in Japan. We newly hired two foreign students in this fiscal year. As of April 2019, we have 22 such personnel on staff who are involved in a variety of roles in the company.



## Promoting the Hiring of Persons with Disabilities

Nippon Chemi-Con proactively conducts the hiring of persons with disabilities. Not only does this include staff on site in our various factories and offices, but we also work to allow telecommuting to ensure a comfortable working environment for persons with disabilities. We are aiming for persons with disabilities to represent at least 2.5% of hiring by 2020. The Nippon Chemi-Con Group will continue working to expand our overall hiring and provide work opportunities for persons with disabilities.

## Internships

From winter 2018, we began offering internships as part of our practical training program for students. The first internship program was held over a course of five days with a product development department (Tokyo) welcoming three interns and a basic research department (Kanagawa) hosting two interns. We plan to offer internships regularly and hope to promote familiarity with Nippon Chemi-Con by offering various experiences such as dismantling and analyzing electronic components and designing circuits.

## Nippon Chemi-Con Education Policy

In our 8th medium-term management plan, we outline developing the human resources for 10 years ahead as one of our core strategies. What is happening on the global stage? What is our position and what must we study? To achieve continuous innovation, we ensure that all our employees understand the following education policy.

### Nippon Chemi-Con Group Education Policy

Requirements of a Nippon Chemi-Con Group employee common to both domestic and international offices

1. Employees who can take on increasingly difficult challenges
2. Employees with high communication skills
3. Employees who can independently think and act from a global perspective

## About Nippon Chemi-Con Group Education and Training System

At Nippon Chemi-Con, we have established various education systems of tiered training for personnel development, including position-based training, distance learning (Nippon Chemi-Con Business School), and OJT. Tiered training is a system of curriculum that serves as the foundation for long-term personnel development. Our main office sponsors 15 tiered training sessions where we provide education on the skills required for each tier. In 2016, we established an additional system for employees who have been with the company for five years. We are focused on providing training that is in line with the needs of society and the company. Since 2017 we also have conducted OJT leader training at domestic affiliate companies. We aim to equip new hires with the ability to quickly engage in and contribute to business operations. This training will also help develop the basic management skills of supervisors in charge of education and training. Additionally, our domestic production division conducts global leadership training for select young employees. This training covers themes that transcend position and office and provide education that cannot be gained through tier-based training.

With the goal of increasing employee skill levels at our overseas affiliates, since 2006 we have selected employees from overseas offices to participate in training conducted in Japan. Since then, already over 150 overseas employees have participated. In fiscal 2018, 26 overseas employees participated from Taiwan, Indonesia and Malaysia. Among those who have completed the training are numerous employees who are already working as managers overseas. We also started an overseas training program in FY2018. Through this program, employees in Japan selected through an open enrollment system are sent for training at an overseas affiliate. Four employees

participated during the initial year of the program, all of whom completed the three-month training. Moving forward, we will continue striving to develop human resources capable of thinking, deciding, and acting based on a global perspective and who are able to lead a team comprised of a diverse range of individuals towards goal achievement. Furthermore, we have partnered with a distance learning provider to offer distance learning courses covering nearly 200 subjects twice a year. This system enables employees to freely select courses to promote skill improvement. As an incentive, employees who complete courses with high scores are eligible for partial tuition subsidies from the

company. Also, employees who complete coursework are allotted "career points," which are a parameter in the evaluation of promotions and raises. Linking this education system to our HR system helps promote self-improvement.



## Healthy Company

### Slogan

## Increasing health awareness through independent action

### ▶ Activity details

Based on the approach that the mental and physical health of employees is a benchmark of company management, we are collaborating with health insurance unions to enhance employee health management efforts. When employees and their families are healthy, employees are able to work with peace of mind, which leads to growth for the company. In particular, we identify keywords such as rate of smokers, metabolic syndrome prevention, and mental health to implement initiatives that help improve the health awareness of each employee.

Also, we participate in the METI Survey on Health and Productivity Management and will further quantify "health"

to promote effective health-related initiatives. For insurer-specific implementation rates for the designated health exams and designated health guidance published by the MHLW, the Nippon Chemi-Con Health Insurance Union rate of implementation for designated health guidance during FY2017 was 85.2%, ranking Nippon Chemi-Con No. 10 among Japanese health insurance unions (total of 1,635 unions). We will work to further improve implementation rates in order to contribute to the health maintenance and improvement of health insurance union enrollees.

### Activities for FY2019

#### I Reinforcing smoking rules, reducing smoking – Reaching national smoking average (17.7%)

Society is paying greater attention to measures against smoking because tobacco impacts not only the smoker but also the health of non-smokers due to second-hand smoke. Tobacco increases the risk of lung cancer and ischemic heart disease, and can greatly impact future health. We promote various anti-tobacco measures from the desire to promote health maintenance.

#### II Metabolic syndrome prevention measures – Reducing BMI of 25 or higher to 20% or lower by fiscal year 2020

We believe that obesity (BMI of 25 or higher) leads to severe diabetes and other future health risks. As such, we promote obesity prevention and improvement among employees by providing instruction regarding lifestyle changes. As obesity is spreading among younger generations, from the time of hiring we conduct blood tests as part of health examinations in order to emphasize the importance of health from an early stage. Furthermore, we promote improved health awareness by using internal magazine to introduce improvement case studies. We also conduct behavior modification seminar at all sites once a year to provide an opportunity for our employees to think about health management and lifestyle diseases prevention.

#### III Mental health support – Continuation of stress check system

We conduct the stress check system at all workplaces to expand opportunities for discovery with a focus on prevention. In doing so, we are working to prevent the rate of workers who suffer from mental illness or require a leave of absence. At the same time, we provide line care training for management personnel to provide opportunities for learning how to respond to consultations from subordinates.

#### IV Achieving work-life balance

We work to create a comfortable work environment that enables balance between work and childcare or family care in order to provide all employees with the opportunity to reach their full potential. We also have established an action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children. Through this plan, we aim for paid leave utilization rates and child care leave utilization rates of 70% and higher, and to reduce average overtime to 29 hours or less per month, per employee. We are near achievement of these goals. We will continue enhancing systems that promote flexible and diverse working styles.



# Corporate Governance / Compliance

## Corporate Governance

### ▶ Basic Concept

Nippon Chemi-Con's basic concept of corporate governance is to ensure the transparency and efficiency of management for shareholders and all other stakeholders. In addition to legal functions such as General Meeting of Shareholders, the Board of Directors, the Audit & Supervisory Board, and Accounting Auditor, the company established the internal control systems, and continuously provided information on business conditions through briefing session on financial results and timely disclosure to implement sound, efficient and transparent corporate management.

### ▶ Our Corporate Governance System

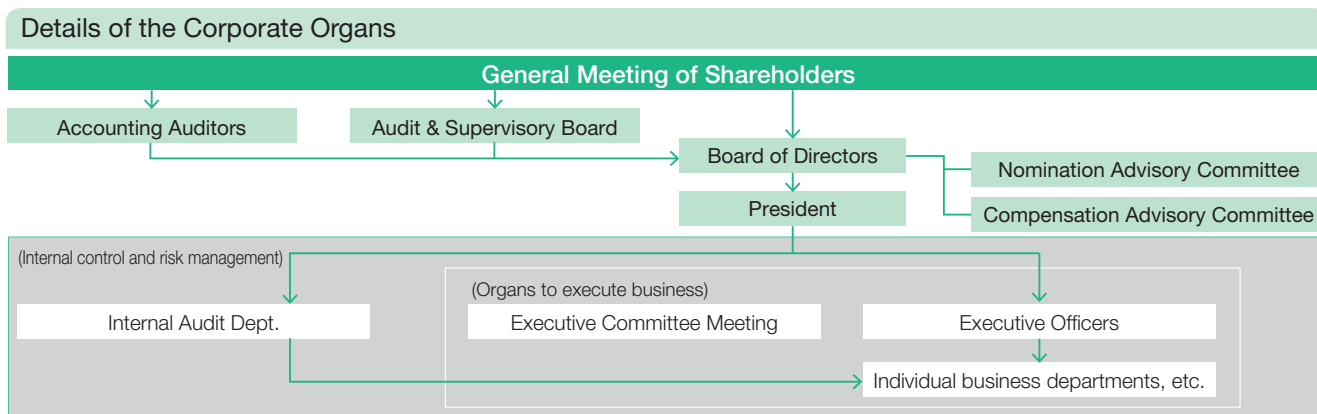
Nippon Chemi-Con is a company with an Audit & Supervisory Board. The company has introduced an executive officer system in the company since June 2014 in order to have a distinct separation between inspection and supervision of management and execution of operations. The company concurrently reduced the number of directors but appointed one outside director to strengthen the function of inspecting and supervising management. In June 2015, the number of outside directors was increased to two to reinforce the function. Additionally, to supplement the function of the Board of Directors, in November 2015 we established a Nomination Advisory Committee and a Compensation Advisory Committee. For both the Nomination Advisory Committee and the Compensation Advisory Committee, the chairperson is an independent outside director and the majority of members are independent outside directors. Our Audit & Supervisory Board comprises four members.

The board audits decisions made by directors and operational executions carried out by executive officers, the business and financial positions of Nippon Chemi-Con and its subsidiaries in Japan and overseas.

### ▶ Business Supervision and Audit Function

Nippon Chemi-Con uses an executive officer system to separate the business monitoring and supervision function and the business execution function of company directors in order to strengthen the business monitoring and supervision function of directors.

The Audit & Supervisory Board monitors the state of governance and business management, and also monitors daily business activities, including the activities conducted by directors. Specifically, Audit & Supervisory Board Members working under guidelines outlined in auditing policies and audit plans created by the Audit & Supervisory Board attend board of directors meetings and conduct factory visits to investigate and validate the status of work implementation and business management, and conduct audits to determine the existence of circumstances that violate laws or the Articles of Incorporation, or that could harm the interests of shareholders and other stakeholders. In addition to Audit & Supervisory Board Members fulfilling a role as a legal entity, we also have established the internal audit department which reports directly to the company president. The internal audit department works to strengthen monitoring functions for transactions and other general business activities. The internal audit department conducts regular internal audits of management systems related to all aspects of business and provides detailed advice and recommendations aimed at improvement of work processes and reinforcing compliance.



<b>Board of Directors</b>	Nippon Chemi-Con's Board of Directors comprises six members. The Board of Directors with this small number has enabled to make swift decisions and appointed two independent outside directors who are disinterested in the company to reinforce the function of inspecting and supervising management.
<b>Executive Officer System</b>	Nippon Chemi-Con has introduced an executive officer system to make separation between the function of the Board of Directors' decision making in management and of directors' inspecting and supervising operations and the function of executive officers' executing operations. Executive officers swiftly execute operations based on decisions in management by executing matters determined by the Board of Directors.
<b>Audit &amp; Supervisory Board</b>	The Audit & Supervisory Board inspects the state of the corporate governance, the steering situations, and daily activities in management including those performed by directors.
<b>Nomination Advisory Committee</b>	The Nomination Advisory Committee consult with other members about the content of a draft to be proposal to a General Meeting of Shareholders concerning selection and dismissal of directors and members of the Audit & Supervisory Board and the content of a draft to be proposed to the Board of Directors concerning selection and dismissal of executive officers. Such consultations are conducted prior to determination of such proposals in light of the "Standards for Selection of Directors and Executive Officers" and the "Standards for Selection of Members of the Audit & Supervisory Board" set by the company, the conclusions of which are recommended to the Board of Directors.
<b>Compensation Advisory Committee</b>	The Compensation Advisory Committee consult with other members about matters concerning compensation of directors and executive officers and expenses opinions and advice to the Board of Directors. Such consultations are conducted after the committee considers the business scale and levels of compensation of employees of the company, and decent third party's study conducted periodically on compensation of corporate management, etc. in addition to levels of compensation of other competitors, socio-economic conditions, etc.
<b>Executive Committee Meeting</b>	Nippon Chemi-Con has established the Executive Committee Meeting for making swift decisions. The committee, which is the consultation organ on operational execution policies, holds weekly meetings, in principle, in order to examine important subjects in management.



## ▶ Selection of Outside Officers

Of the six directors of Nippon Chemi-Con, two are outside directors. Also, of our four Audit & Supervisory Board Members, two are outside Audit & Supervisory Board Members.

In addition to the parameters outlined in the Companies Act, we established our own "Criteria for appointment of outside officers that ensure independence from Nippon Chemi-Con" to ensure highly-independent audits and supervision by our outside officers. Outside officers are selected based on these standards.

All four outside officers are registered with the Tokyo Stock Exchange as independent officers.

## ▶ Officer Compensation

Compensation for Nippon Chemi-Con directors is designed and managed as a system that is both linked to performance and investor long-term income and to the promotion of personnel growth and development. Our basic policy is to achieve an appropriate and fair balance that

further increases director motivation toward maximizing corporate value.

For the purpose of enhancing the independence and objectivity of functions related to determining directors' compensation, we establish a Compensation Advisory Committee to deliberate on matters related to directors' compensation, after which a decision is made by the Board of Directors.

Furthermore, compensation for executive directors is comprised of monthly compensation and performance-linked compensation, which is determined based on company performance for the given fiscal year and individual performance. As performance-linked compensation is not appropriate for non-executive directors and outside directors, their compensation consists solely of monthly compensation.

Compensation for Audit & Supervisory Board Members is monthly compensation only, which is determined as individual fixed compensation based on deliberations by Audit & Supervisory Board Members.

Officer category	Total compensation (million yen)	Total compensation by type (million yen)			Number of applicable officers
		Fixed compensation	Performance-linked compensation	Retirement bonuses	
Directors (excluding outside directors)	159	128	30	0	5
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	43	43	0	0	2
Outside officers	36	36	0	0	4
<b>Total</b>	<b>238</b>	<b>208</b>	<b>30</b>	<b>0</b>	<b>11</b>

(For the fiscal year ended March 31, 2019)

## Compliance

### ▶ Compliance Promotion System

In addition to our Compliance Regulations, the Nippon Chemi-Con Group has established various internal regulations related to compliance and appoints a managing compliance officer (executive officer in charge of the Nippon Chemi-Con Administration Department) as the chief officer in charge of compliance promotion and enforcement. This chief compliance officer oversees a compliance committee, which works to draft compliance policy that is applied to the entire Group, draft action plans related to compliance, and conduct monitoring of implementation progress for these initiatives. Each department in Nippon Chemi-Con and Group company has assigned a compliance officer and compliance staff, who work to promote and reinforce policy related to compliance.

To further ensure overall compliance, we conduct CSR internal audits of each factory to confirm that management systems related to labor, health and safety, and ethics at all factories are constantly operating effectively.

As CSR education, we include compliance education related to competition laws and insider trading regulations in new hire training and continuous training conducted at each employee level. We teach all employees that compliance is at the forefront of all our corporate activities.

One initiative related to ensuring compliance with competition laws is to invite external lecturers (attorneys) to hold competition law seminars. At the same time, we drafted the Basic Policies Concerning Compliance with Competition Laws and other internal regulations, manuals, etc., which are applied to internal audits conducted by the legal affairs department every year.

### ▶ Whistleblowing System

The Nippon Chemi-Con Group has established "Regulations Related to the Handling of Whistleblowing," through which we established a consultation desk and whistleblowing help desk for employees (Nippon Chemi-Con in-house standing statutory member of the Audit & Supervisory Board and Administration Department manager) as part of a system for ensuring the early discovery and prevention of legal infractions and to protect whistleblowers. During compliance training, we explain the importance and effectiveness of whistleblowing to promote awareness about the whistleblowing system. During compliance training, we explain the importance and efficacy of whistleblowing and promote awareness of our whistleblowing system. To address questions that arise during daily operations, the department in charge of legal affairs serves as a help desk to provide legal consultation and help prevent compliance risks before they arise.

# 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

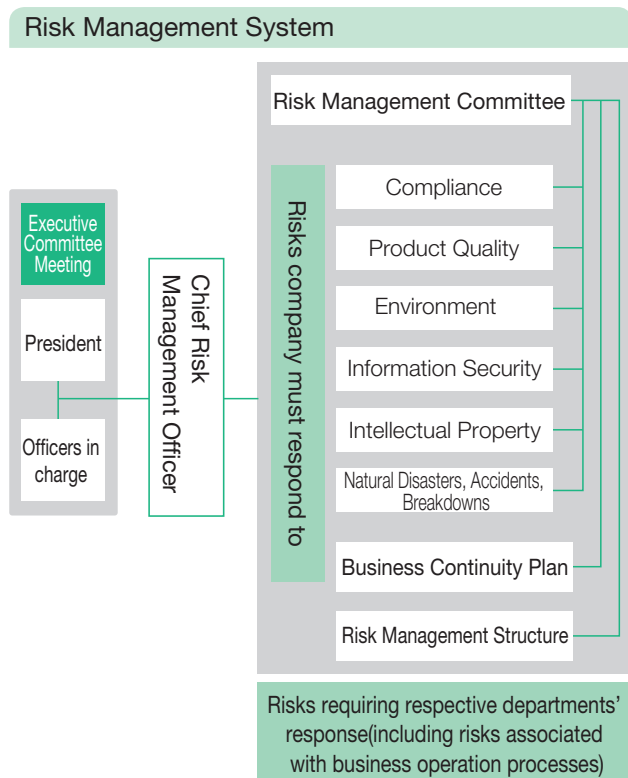
Listed below are the principal business risks of Nippon Chemi-Con that may have a significant influence on operating results, stock price and financial status. All references to possible future developments in the following text were made by Nippon Chemi-Con Group as of June 27, 2019, the day we submitted 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 77.6% in the FY2017, and 77.8% in the FY2018. 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 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.

In September 2018, the Korea Fair Trade Commission reached a decision involving claims of a violation of Korea's Fair Trade act in relation to our electrolytic capacitor manufacturing and sales. Their decision includes a corrective action order, a fine, and criminal charges. In November 2018, we received the official resolution from the Korea Fair Trade Commission, which outlined a fine of 4,176 million won. Our recognition and understanding differs from those of the Korea Fair Trade Commission, and we cannot accept this ruling on the corrective action order and fine assessment. As such, we have filed an appeal with the Seoul High Court.

In May 2018, we decided to agree to a settlement with U.S. Department of Justice involving a monetary settlement in response to a lawsuit 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. In October 2018, the legal settlement was approved by the U.S. District Court for the Northern District of California, and the amount of the fine to be paid was set at US \$60 million.

Separately from the above, civil lawsuits have been filed against Nippon Chemi-Con and our subsidiaries in relation to this case 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.

## Message from Outside Directors

### SDG Management Initiatives

**Hideaki Takahashi**  
Outside Director



On June 27, we held the first Nippon Chemi-Con General Meeting of Shareholders since the beginning of the new Imperial era. This General Meeting of Shareholders is attended by the company president and all directors and Audit & Supervisory Board Members. The lapel of each director was adorned with colorful badges that were slightly larger than normal. These lapels symbolize the company's commitment to SDG contributions and were distributed by the company to wear during the General Meeting of Shareholders.

SDG is short for Sustainable Development Goals. The SDGs were adopted at the UN Summit in September 2015. These goals outline the following 17 goals for the international community to be achieved by 2030. 1. No Poverty, 2. Zero Hunger, 3. Good Health and Well-being, 4. Quality Education, 5. Gender Equality, 6. Clean Water and Sanitation, 7. Affordable and Clean Energy, 8. Decent Work and Economic Growth 9. Industry, Innovation and Infrastructure, 10. Reduced Inequalities, 11. Sustainable Cities and Communities, 12. Responsible Consumption and Production 13. Climate Action 14. Life below Water 15. Life on Land 16. Peace, Justice and Strong Institutions, and 17. Partnerships for the Goals.

What is the correlation between Nippon Chemi-Con management and the SDGs? Nippon Chemi-Con's corporate philosophy is to contribute to technology that is good for the environment and good for people. The company's corporate social responsibilities (CSR) related to environmental conservation, quality assurance, and workstyle reform are closely related to the SDGs. In the environmental management survey conducted by Nikkei, Nippon Chemi-Con ranked No. 1 among electronic components companies. And in the quality management survey, the company ranked No. 5. Nippon Chemi-Con should also be commended for its initiatives as a healthy company, including supporting efforts to quit smoking and setting goals for average body fat percentage.

The SDGs are major goals that aim to enable happy lives by eliminating the world of famine, poverty, inequality, and climate change. How a company adopts those concepts and creates a motivating workplace environment for each employee have become critical issues.

### Expectations for new structure

**Kinya Kawakami**  
Outside Director



It has been four years since I became an outside director. Like last year, I want to touch on topics related to my work. Earnings during FY2018, the second year of the 8th medium-term management plan, resulted in net sales of 140.9 billion yen (+5.7% YoY) and operating income of 5,137 million yen (-11.7% YoY). This represents an increase in revenues but a decrease in profits. The first half of the fiscal year was favorable but sales declined rapidly in the second half due to US-China trade friction. Net sales have yet to recover this year due to this impact. The market is experiencing turbulence that only occurs once in a lifetime, creating conditions that lack transparency.

Amid such an environment, how accurately we can assess customer needs will depend on the partnerships between production, sales, and technology. The automotive sector is seeing increased product demand, particularly for low emission vehicles and vehicles with autonomous driving functions. Customer requirements are exceeding conventional demands as need grows for higher capacity, longer lasting products with better heat endurance and stronger performance. Our R&D department has advanced in-house development and manufacturing capabilities related to materials such as etched foils, electrolytes and sealing rubber. We believe development using these strengths will make great contributions to our earnings. We will promote product development and manufacturing partnerships that accurately reflect customer needs.

Conditions calmed down at the manufacturing plant following the busy period seen during the first half of the previous year. The plant is engaged in facility management based on Total Productive Management (TPM) activities and is working to build a non-stop facility that leads to increased facility operating rates.

Improvements have been made towards strengthening partnerships between production, sales, and technology, an issue I have brought up since taking this position, but further improvements are needed considering the once in a lifetime risks facing the market.

With the new directors' structure approved by the General Meeting of Shareholders, Mr. Norio Kamiyama became president of the company. He will approach company management based on the knowledge he used to lead the product development departments. I look forward to seeing the new president's efforts using partnerships between production, sales, and technology to improve new product development capabilities, further solidify our market position, and eliminate wasted management resources will help reinforce our earnings structure and improve our corporate value.



## IR Activities / Events

### ► Earnings Results Briefing

We hold earnings results briefings for institutional investors twice a year. During FY2018, results briefings were held in May and November. In addition to presentations from the President and the Director in charge of Corporate Strategy, the CTO also gave a presentation on technology developments.

### ► Technology Seminars

During FY2018, we held technology seminar on two occasions for institutional investors.

### ► Meetings with Institutional Investors

We proactively respond to individual meeting requests from securities analysts and institutional investors and hold discussions that help promote understanding and appropriate valuations of our company. In FY2018, we held over 170 meetings and telephone conference calls.

### ► IR Information Website

 <https://www.chemi-con.co.jp/en/company/ir/>



### ► Conference Exhibits

Nippon Chemi-Con had booths at the following conferences in FY2018 (excerpt of major conferences only).

These conferences provided us with opportunities to interact and communicate with customers, agents and distributors, business partners (suppliers), institutional and individual investors, students involved in the recruitment process, and families with their children.



### FY2018 Conference and Exhibit Participation

Month	Name of the Conference	Place
Apr	● TECHNO-FRONTIER 2018 / POWER SYSTEM JAPAN 2018	Japan
	● Electronic Distribution Show and Conference 2018	U.S.A.
May	● AUTOMOTIVE ENGINEERING EXPOSITION 2018	Japan
	● CAR-ELE JAPAN Nagoya - 1st Int'l Automotive Electronics Technology Expo Nagoya	Japan
Sep	● The Battery Show 2018	U.S.A.
	● electronica India 2018	India
	● The 31st International Electric Vehicles Symposium & Exhibition (EVS 31)	Japan
	● CEATEC JAPAN 2018	Japan
Nov	● electronica 2018	Germany
	● Embedded Technology 2018	Japan
Dec	● China Hi-Tech Fair ELEXCON 2018	China
	● EV JAPAN – 10th EV & HEV Drive System Technology Expo	Japan
Jan	● nano tech 2019 – The 18th International Nanotechnology Exhibition & Conference	Japan
	● BATTERY JAPAN 2019 – 10th Int'l Rechargeable Battery Expo	Japan
Feb	● electronica China	China
	● Applied Power Electronics Conference and Exposition 2019	U.S.A.
Mar		

# Environmental Management

## ▶ Nippon Chemi-Con's Environmental Policy (Summary)

- Structures organization that operates at every level for conserving the global environment
- Sets environmental goals and targets, Improves environmental performances, Continuous improvements of EMS
- Considers biodiversity
- Observes all environmental laws, regulations, agreements, and internal standards
- Promotes Energy conservation, Proper control of Chemical substances in the products, Effective use of resources, Waste reduction
- Promotes the development and marketing of products that have a less environmental loads
- Educates and enlightens our entire workforce
- Prevents the environmental risks, and maintains management systems that minimize the impacts from the risks such as climate changes
- Releases information to the public positively, and promotes sufficient communication with the local community and stakeholders

## ▶ Compliance to the Laws and Significant accidents occurrence status

In corresponding to the laws and regulations, depending on regulation parameters, Nippon Chemi-Con Group sets stricter independent standard value for management, and all legal standards are observed.

No significant accident occurred that impact the environment.

### <Activities results>

#### Total volume of carbon dioxide emissions and breakdown

(t-CO<sub>2</sub>)

Fiscal Year	2014	2015	2016	2017	2018
Purchased Electric Power	483,070	475,603	489,601	518,243	476,074
A-grade Heavy oil	23,921	23,446	27,127	29,378	23,351
Kerosene	1,489	1,507	1,581	1,799	1,458
City Gas	23,449	22,295	17,587	18,463	21,210
Gasoline	351	325	310	304	320
LPG	340	308	304	366	354
LNG	382	510	0	0	1,825
Gas oil	106	155	65	233	120
Industrial steam	2,557	2,465	2,430	2,561	2,486
Waste Materials – Oil, Plastics	0	0	0	0	0
Waste Materials – Paper, Wood	0	0	0	0	0
<b>Total</b>	<b>535,665</b>	<b>526,614</b>	<b>539,005</b>	<b>571,347</b>	<b>527,198</b>

Notes:

1. We have revised the energy-CO<sub>2</sub> conversion factor since FY2018 for the sites outside Japan.
2. Amount of energy-origin CO<sub>2</sub> emissions is calculated by using emission factor (adjusted emission factor) released from Federation of Electric Power Companies.

## ▶ Environmental Activities



The Nippon Chemi-Con group has the target of 1% and higher per unit of improvement rate a year based on the Low-carbon society action Plan of Japanese 4 Industrial Associations from FY 2013, and we are promoting activities of the energy conservation working groups that are organized by the employees in charge of energy.

### <Mid-term target>

In light of a "the Low-carbon society Action Plan" by the industrial associations:

**Toward 2020**  
Improvement target in energy consumption per unit

Annual average : **1** % and higher

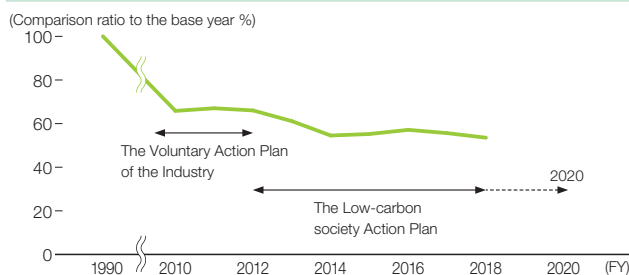
### <Long-term target>

In light of a common target set by the industrial associations:

**Toward 2030**  
Improvement target in energy consumption per unit

Annual average : **1** % and higher

### Trends in volume of carbon dioxide emissions and unit energy consumption (sites in Japan)

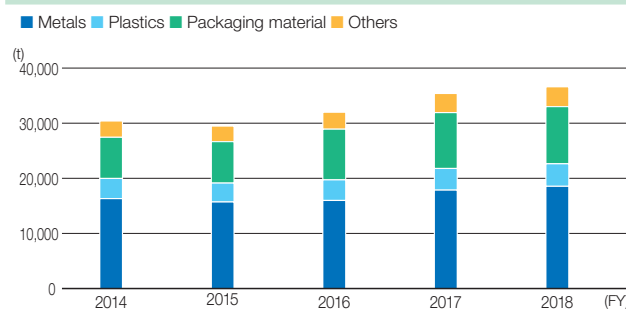




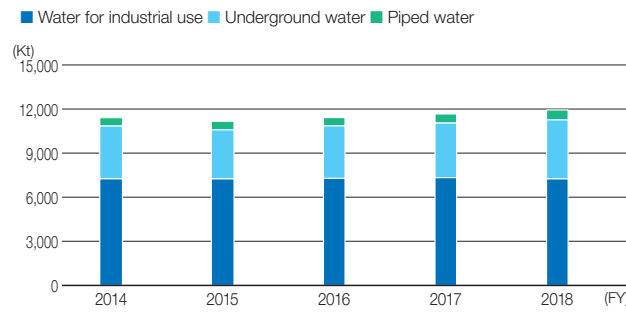
In the manufacturing activities of industries, the resources are essential

element. Efficient use of such resources will protect global environment and ecology. We encourage the "3R," recycling, reusing, and reducing activities in order to contribute to the preservation of the environment.

**Trends in volume of resources consumed by entire Nippon Chemi-Con Group**



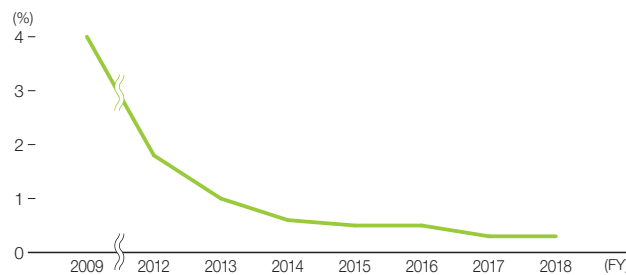
**Trends in volume of water consumed by entire Nippon Chemi-Con Group**



The Nippon Chemi-Con Group has addressed activities for resource

recycling and reduction in landfill disposal volumes by reducing the amount of industrial waste generated. We further promote 3R, effective utilization and recycling of resources to reduce wastes including plastic waste and improve the final disposal rate.

**Trends of final disposing rate (sites in Japan)**



In the Nippon Chemi-Con Group's activities to conserve

biodiversity, we will take actions for each of the three impacts on biodiversity.

- [Impact from procurement of raw materials] In cooperation with our suppliers, we share views and mutual understanding concerning biodiversity, and move continuously ahead with activities.
- [Impact on ecosystems caused by manufacturing] Our manufacturing processes use energy and resources, and they emit CO<sub>2</sub>, waste water and other emissions. As this is an area where our Group's business activities directly have an impact, effective and continuous activities are ongoing.
- [Impact on biodiversity due to changes in environments surrounding our workplaces caused by our use of land] Consideration to local environment and surrounding ecosystem by securing green space in our premises and the social contribution activities.

Biodiversity offers indispensable and vital bounties (ecosystem services) to all of humanity. The activities that we are able to perform are steady and modest ones, we think. Yet we believe that each workplace employing its ingenuity, and continuing with what small activities it can accomplish, is a very significant thing. We will roll out such steady and continuous activities.



◀ Chemi-Con Yamagata Corp. Nagai plant Planting of nursery plant in the premises to protect specified natural monument of Yamagata Prefecture "butterfly" by our employee, with cooperation of children.

▶ Niigata plant Promoting protection of specified natural monument of Niigata Prefecture "Kitano-Medaka," and enlarging protection circle by contributing to nearby elementary school.



◀ Chemi-Con Fukushima Corp. Fukushima plant Participating "Lots of flower movement" in the town of Yabuki, and planting many floral seeds in a roadside.

• For more information, please see the website below.  
<https://www.chemi-con.co.jp/en/company/sustainability/environment/>



# Contributions to Local Community

The Nippon Chemi-Con Group values communication with local communities and actively promotes local contribution activities in a spirit of coexistence and coprosperity.

## ▶ Relationship with local community



“Shinai-motsugo” is a type of fish, registered as an endangered species by Ministry of Environment, found at Shinai-numa in Miyagi Prefecture.

Chemi-Con Miyagi Corp. has been attempting hatching of Shinai-motsugo in its premises.

By guidance from NPO, and by having exchange with elementary school which is participating in protection of Shinai-motsugo, we succeeded in difficult hatching in 2018.

In June, 2019, elementary school students and we released Shinai-motsugo to their home, “Katsurasawa-pond.”

As a member of community, we will perform activities that share the importance of passing on the rich nature to our future generations.



▶▶ Protection of “Shinai-motsugo” (June 2019)



## ▶ Certificate and Letter of appreciation in FY2018



The Nippon Chemi-Con Group received a certificate for its community contribution activities in 2018.

### ● Chemi-Con Iwate Corp.

“Global-environment Friendly site of Iwate” 4-star (Highest recognition)

### Sponsorship: Iwate Prefecture

Iwate prefecture is awarding sites that are actively participating CO<sub>2</sub> reduction with “Global-environment Friendly site of Iwate” certification. Chemi-Con Iwate Corp. was awarded 4-star (the highest recognition) in 2018.



## ▶ Environmental Volunteer Activities



For the purpose of environment protection, Nippon Chemi-Con Group conducts environmental volunteer activities every year, including cleanup of near-by areas, by our employees and their family members.



▶ Cleaning activity of surrounding area by members of Chemi-Con Yamagata Corp. Yonezawa Plant (October 2018)

◀ Cleaning of Amishirohama beach in Seiro-machi by Niigata Plant members (June, 2018)



# Green Procurement / Third-party Evaluation of Environmental Initiatives

## ▶ Management of chemical substances in the products



Revised EU laws is enacted since July, 2019 with 10 substances including 4 phthalic acid ester added newly. Moreover, same 4 phthalic acid esters will be regulated by threshold limit of 0.1% (total of phthalic acid esters) under EU REACH regulations from 2020. The regulatory environment surrounding our products are increasingly severe, and further comprehensive management system is required.

The Nippon Chemi-Con Group has constructed management system for chemical substances in the products based on JIS Z 7201 “JAMP\* Guidelines for the Management of Chemical substances in Products (CiP)” with “Keep Out, Do not Use, Do not Deliver, Do not Mix” as our key words, at all production sites. To ensure thorough management of “Keep Out” from development stage of the products, we have introduced our original environmental approval system and material approval system to manage our purchasing materials and parts.

By combining those three management systems and the Green Procurement Guidelines, we are able to manage chemical substances in the products at various levels of corporate activities such as development, purchasing, production and sales.

Moreover, to ensure proper information distribution and to satisfy customer’s requirements, we have been actively using chemSHERPA (Ver.2) which was developed under guidance of the Ministry of Economy, Trade and Industry of Japan.

\*JAMP: Joint Article Management Promotion-consortium

## ▶ Green procurement and Green Supplier Approval System



In order to achieve products development that meet diversified customer’s requirement, it is essential to construct cooperative relationship with suppliers and to share information in timely manner.

The Nippon Chemi-Con Group has established “Nippon Chemi-Con Group Green Procurement Guideline” from the viewpoint of procuring law-compliant raw materials and parts for ensuring a strict level of management. To cope with latest laws, regulations and requirements of automotive customers, we revised our Green Procurement Guidelines for more thorough management. We also conduct periodical and continuous audit and evaluation on our suppliers to confirm their chemical substances management and environmental protection activities.

Further, in order to support sustainable global procurement activities, we share regulatory information with suppliers through “Green supplier approval system,” and periodically and continuously audit and evaluate chemical substances / environment protection management of suppliers.

## ▶ Third-party evaluation on environmental initiatives



**Yuji Kishi**  
Professor emeritus,  
Keio University

I have read your company’s CHEMI-CON REPORT 2019 that summarizes your 2018 performance in the matters concerned, along with a report about the result of the authoritative Environmental Management Survey 2019 Company Ranking by The Nikkei. In the latter report I knew the remarkable fact that your 2018 performance has got a high rank, 43rd among the 360 applicants

of manufacturing industries, a significant leap from the 62nd place of previous year.

Your performance got significantly higher rating than average in every five domains evaluated, i.e., Environment Managing Promotion System, Pollution control / Biodiversity, Resource management, Products management and Measures

controlling Climate change. Among them I think your efforts in the domain of biodiversity especially those been carried out in many factory premises supporting regional endangered biodiversity might be noted with hope. Next year, 2020 is the target year of the Aichi Agenda of Convention on Biological Diversity as proposed by Japanese Government in 2010. Efforts like promoting ex-situ conservation of endangered species in factory area as done in several of your factories may be a model performance adaptable to the Aichi Target. Also some reported trial efforts to connect those activities to educational support to regional school children may be a hopeful SDGs contribution.

Sustained efforts in those activities, along with significant advance in the domains of Environment Managing Promotion System and Climate Change, may result as a further higher praise of your company in the 2020’s Environmental contribution.

## Years ended March 31, 2010 through 2019

	2010.3	2011.3	2012.3	2013.3
<b>For the year</b>				
Net sales	105,896	127,790	100,290	92,959
Operating income (loss)	(3,036)	8,155	(2,596)	(6,990)
Operating income margin (%)	(2.9)	6.4	(2.6)	(7.5)
Ordinary income (loss)	(3,475)	6,744	(2,633)	(6,685)
Ordinary income margin (%)	(3.3)	5.3	(2.6)	(7.2)
Profit (loss) attributable to owners of parent	(4,294)	3,297	(4,909)	(9,252)
Profit attributable to owners of parent margin (%)	(4.1)	2.6	(4.9)	(10.0)
Capital investment	4,013	9,614	13,521	5,953
Depreciation and amortization	8,748	8,392	8,493	8,615
Research and development (R&D) expenses	3,590	3,642	3,966	3,981
Proportion of net sales (%)	3.4	2.9	4.0	4.3
<b>At year end</b>				
Current assets	72,648	71,824	70,657	69,007
Fixed assets	65,249	62,868	66,901	65,447
Current liabilities	39,521	36,041	28,076	43,915
Long-term liabilities	37,578	37,153	53,872	39,784
Net assets	60,797	61,498	55,610	50,754
Total assets	137,897	134,693	137,559	134,454
<b>Cash flows</b>				
Cash flows from operating activities	6,514	8,636	1,820	4,651
Cash flows from investing activities	(4,891)	(8,671)	(12,951)	(6,925)
Free cash flow	1,622	(34)	(11,131)	(2,273)
Cash flows from financing activities	(10,405)	(3,018)	12,790	1,725
<b>Per share data</b>				
Profit (loss)	(361.10)	231.65	(344.93)	(650.14)
Cash dividends	0.00	30.00	0.00	0.00
Net assets	4,238.50	4,298.25	3,884.86	3,554.65
<b>Financial indicators</b>				
Return on assets (ROA) (%)	(3.0)	2.4	(3.6)	(6.8)
Return on equity (ROE) (%)	(7.3)	5.4	(8.4)	(17.5)
Shareholders' equity ratio (%)	43.8	45.4	40.2	37.6
Average exchange rate (Yen)				
US\$	92.85	85.72	79.08	83.10
EUR	131.15	113.12	108.98	107.14

Notes: 1. Amounts are rounded off to the nearest 1 million yen.

2. As we apply the Accounting Standard for Business Combinations (ASBJ No. 21, September 13, 2013), from fiscal year ended March 2016 net income or net loss is recorded as profit attributable to owners of parent or loss attributable to owners of parent.

3. US dollar amounts are calculated based on currency rate of \$1 = ¥110.99.

4. Free cash flow = Cash flows from operating activities + Cash flows from investing activities.

5. Return on assets (ROA) is calculated by dividing term net income by average total assets.

6. Return on equity (ROE) is calculated by dividing term net income by average shareholder equity.

2014.3	2015.3	2016.3	2017.3	2018.3	Million Yen	Thousand U.S. dollars
					2019.3	2019.3
113,962	123,365	118,414	116,311	133,362	140,951	1,269,944
4,933	5,122	2,179	3,338	5,818	5,137	46,285
4.3	4.2	1.8	2.9	4.4	3.6	3.6
4,304	6,207	1,165	2,002	4,416	4,833	43,550
3.8	5.0	1.0	1.7	3.3	3.4	3.4
3,315	5,362	(6,905)	840	(16,056)	917	8,268
2.9	4.3	(5.8)	0.7	(12.0)	0.7	0.7
3,067	5,203	4,354	4,590	7,525	9,553	86,079
7,951	7,373	7,127	6,220	6,105	6,496	58,530
3,872	4,160	4,321	4,272	4,208	4,288	38,643
3.4	3.4	3.6	3.7	3.2	3.0	3.0
76,619	81,689	78,775	83,799	83,659	78,254	705,059
63,149	64,968	58,341	55,968	59,052	60,030	540,862
32,730	42,106	40,377	29,442	61,425	47,389	426,971
43,194	26,405	33,875	46,754	31,875	42,980	387,248
63,844	78,146	62,864	63,571	49,410	47,914	431,700
139,769	146,657	137,117	139,768	142,711	138,284	1,245,921
12,161	10,730	10,970	6,443	5,305	(13,856)	(124,843)
(1,620)	(4,269)	(2,878)	(4,334)	(7,265)	(8,771)	(79,030)
10,541	6,460	8,091	2,108	(1,960)	(22,627)	(203,873)
(6,143)	(7,675)	(4,712)	710	(1,759)	17,128	154,328
					Yen	U.S. dollars
223.38	329.09	(423.82)	51.57	(985.77)	56.36	0.51
0.00	30.00	30.00	30.00	30.00	30.00	0.27
3,901.56	4,772.25	3,834.26	3,877.73	3,012.97	2,921.53	26.32
2.4	3.7	(4.9)	0.6	(11.4)	0.7	
5.8	7.6	(9.8)	1.3	(28.6)	1.9	
45.5	53.0	45.6	45.2	34.4	34.4	
100.24	109.93	120.13	108.38	110.85	110.91	
134.37	138.77	132.57	118.79	129.70	128.41	

7. Depreciation and amortization expenses exclude depreciation and amortization related to research and development expenses.

8. On October 1, 2017, we conducted a share consolidation for common stock based on a ratio of 10 to 1. Per share information (EPS, BPS, and DPS) is calculated based on the assumption that said share consolidation was conducted at the beginning of fiscal year ended March 2010.

9. As of the beginning of FY2018, we apply the Partial Amendments to Accounting Standards for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018). As a result, we now indicate deferred tax assets under investments and other assets and deferred tax liabilities under non-current liabilities.

Figures for FY2017 have been adjusted retroactively to reflect the change in accounting standards.

# Consolidated Balance Sheets

For the years ended March 31, 2019 and 2018

Assets	2018.3	Million Yen	Thousand U.S. dollars
		2019.3	2019.3
Current assets			
Cash on hand and in banks	24,692	19,011	171,288
Notes and accounts receivable – trade	29,108	26,587	239,547
Inventories	22,958	27,902	251,396
Other current assets	6,917	4,759	42,885
Less allowance for doubtful accounts	(18)	(6)	(59)
<b>Total current assets</b>	<b>83,659</b>	<b>78,254</b>	<b>705,059</b>
Fixed assets			
Property, plant and equipment			
Buildings and structures	11,684	11,437	103,047
Machinery and equipment	14,891	17,110	154,162
Land	6,905	6,902	62,194
Construction in progress	2,378	2,543	22,915
Other	2,168	2,541	22,895
<b>Total property, plant and equipment</b>	<b>38,029</b>	<b>40,535</b>	<b>365,215</b>
Intangible fixed assets	1,073	1,247	11,243
Investments and other assets			
Investment securities	17,585	15,665	141,139
Deferred tax assets	1,013	1,340	12,075
Other	1,377	1,267	11,418
Less allowance for doubtful accounts	(25)	(25)	(230)
<b>Total investments and other assets</b>	<b>19,949</b>	<b>18,247</b>	<b>164,403</b>
<b>Total fixed assets</b>	<b>59,052</b>	<b>60,030</b>	<b>540,862</b>
<b>Total assets</b>	<b>142,711</b>	<b>138,284</b>	<b>1,245,921</b>

Notes: 1. Amounts are rounded off to the nearest 1 million yen.

2. US dollar amounts are calculated based on currency rate of \$1 = ¥110.99.



Liabilities and Net Assets	Million Yen		Thousand U.S. dollars
	2018.3	2019.3	2019.3
Current liabilities			
Notes and accounts payable – trade	10,106	8,321	74,977
Electronically recorded obligations	7,045	7,114	64,096
Short-term debt	15,678	20,702	186,528
Accounts payable – other	18,287	5,084	45,806
Income taxes payable	766	940	8,473
Bonus reserve	1,788	1,901	17,128
Other current liabilities	7,752	3,325	29,960
<b>Total current liabilities</b>	<b>61,425</b>	<b>47,389</b>	<b>426,971</b>
Long-term liabilities			
Long-term debt	18,093	30,001	270,304
Deferred tax liabilities	463	350	3,158
Provision for environmental safety measures	133	57	521
Net defined benefit liability	9,273	9,194	82,841
Other long-term liabilities	3,910	3,376	30,422
<b>Total long-term liabilities</b>	<b>31,875</b>	<b>42,980</b>	<b>387,248</b>
<b>Total liabilities</b>	<b>93,300</b>	<b>90,370</b>	<b>814,220</b>
Net assets			
Shareholders' equity			
Common stock	21,526	21,526	193,945
Issued and outstanding at March 31, 2018: 16,286,052 shares (excluding treasury stock)			
Issued and outstanding at March 31, 2019: 16,283,559 shares (excluding treasury stock)			
Capital surplus	28,079	18,928	170,538
Retained earnings	(1,252)	8,327	75,032
Treasury shares			
at March 31, 2018: 28,781 shares	(92)	(100)	(902)
at March 31, 2019: 31,274 shares			
<b>Total shareholders' equity</b>	<b>48,260</b>	<b>48,681</b>	<b>438,614</b>
Accumulated other comprehensive income			
Net unrealized gain on securities	1,692	831	7,487
Foreign currency translation adjustments	1,483	547	4,931
Remeasurements of defined benefit plans	(2,366)	(2,487)	(22,409)
<b>Total accumulated other comprehensive income</b>	<b>809</b>	<b>(1,108)</b>	<b>(9,990)</b>
<b>Non-controlling interests</b>	<b>341</b>	<b>341</b>	<b>3,077</b>
<b>Total net assets</b>	<b>49,410</b>	<b>47,914</b>	<b>431,700</b>
<b>Total liabilities and net assets</b>	<b>142,711</b>	<b>138,284</b>	<b>1,245,921</b>

Notes: 1. Amounts are rounded off to the nearest 1 million yen.

2. US dollar amounts are calculated based on currency rate of \$1 = ¥110.99.

3. On October 1, 2017, we conducted a share consolidation for common stock based on a ratio of 10 to 1. Common stock and treasury shares are presented based on the assumption that said share consolidation was conducted at the beginning of fiscal year ended March 2018.

# Consolidated Statements of Income

For the years ended March 31, 2019 and 2018

	Million Yen		Thousand U.S. dollars
	2018.3	2019.3	2019.3
Net sales	133,362	140,951	1,269,944
Cost of sales	105,748	114,256	1,029,431
Gross profit	27,614	26,694	240,513
Selling, general and administrative expenses	21,795	21,557	194,227
<b>Operating income</b>	<b>5,818</b>	<b>5,137</b>	<b>46,285</b>
Non-operating income			
Interest income	39	37	338
Dividend earned	100	134	1,209
Equity in earnings of affiliated companies	375	510	4,603
Other	35	41	375
Total	550	724	6,527
Non-operating expenses			
Interest expense	500	669	6,029
Financing expenses	547	15	140
Foreign exchange losses	883	299	2,695
Other	21	44	399
Total	1,953	1,028	9,263
<b>Ordinary income</b>	<b>4,416</b>	<b>4,833</b>	<b>43,550</b>
Extraordinary income			
Gain on sales of property, plant and equipment	3	3	27
Gain on sales of investment securities	—	192	1,733
Gain on sales of investments in affiliated companies	24	—	—
Total	27	195	1,761
Extraordinary loss			
Loss on disposal of property, plant and equipment	43	32	294
Loss related to Antitrust laws	19,223	2,733	24,627
Other	154	—	—
Total	19,421	2,766	24,921
<b>Profit (loss) before income taxes</b>	<b>(14,977)</b>	<b>2,263</b>	<b>20,389</b>
Income taxes			
Current	1,310	1,448	13,049
Deferred	(201)	(73)	(663)
<b>Total</b>	<b>1,109</b>	<b>1,374</b>	<b>12,385</b>
Profit (loss)	(16,087)	888	8,004
Profit (loss) attributable to non-controlling interests	(30)	(29)	(263)
<b>Profit (loss) attributable to owners of parent</b>	<b>(16,056)</b>	<b>917</b>	<b>8,268</b>
		Yen	U.S. dollars
	2018.3	2019.3	2019.3
Profit (loss) per share			
Basic	(985.77)	56.36	0.51
Diluted	—	—	—

# Consolidated Statements of Comprehensive Income

For the years ended March 31, 2019 and 2018

	Million Yen		Thousand U.S. dollars
	2018.3	2019.3	2019.3
Profit (loss)	(16,087)	888	8,004
Other comprehensive income			
Net unrealized holding gain on securities	296	(876)	(7,893)
Foreign currency translation adjustments	558	(842)	(7,591)
Remeasurements of defined benefit plans	1,595	(115)	(1,042)
Share in other comprehensive income of associates accounted for using equity method	(18)	(54)	(487)
Total other comprehensive income	2,432	(1,888)	(17,014)
<b>Comprehensive income</b>	<b>(13,655)</b>	<b>(999)</b>	<b>(9,009)</b>
Attributable to			
Owners of parent	(13,594)	(1,000)	(9,013)
Non-controlling interests	(60)	0	4

Notes: 1. Amounts are rounded off to the nearest 1 million yen.

2. US dollar amounts are calculated based on currency rate of \$1 = ¥110.99.

3. On October 1, 2017, we conducted a share consolidation for common stock based on a ratio of 10 to 1. Per share information (EPS, BPS, and DPS) is calculated based on the assumption that said share consolidation was conducted at the beginning of fiscal year ended March 2018.

# Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2019 and 2018

Million Yen

	Common stock	Capital surplus	Retained earnings	Treasury shares	Net unrealized gain on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Non-controlling interests	Total net assets at end of current year
<b>Balance at April 1, 2017</b>	21,526	28,079	15,292	(75)	1,387	959	(3,999)	63,170	401	63,571
Changes of items during year										
Cash dividends paid			(488)					(488)		(488)
Profit (loss) attributable to owners of parent			(16,056)					(16,056)		(16,056)
Purchase of treasury shares				(17)				(17)		(17)
Other					305	523	1,633	2,462	(60)	2,401
Total changes of items during year	—	—	(16,545)	(17)	305	523	1,633	(14,100)	(60)	(14,161)
<b>Balance as of March 31, 2018</b>	21,526	28,079	(1,252)	(92)	1,692	1,483	(2,366)	49,069	341	49,410
<b>Balance at April 1, 2018</b>	21,526	28,079	(1,252)	(92)	1,692	1,483	(2,366)	49,069	341	49,410
Changes of items during year										
Deficit disposition		(8,662)	8,662					—		—
Cash dividends paid		(488)						(488)		(488)
Profit (loss) attributable to owners of parent			917					917		917
Purchase of treasury shares				(7)				(7)		(7)
Other					(861)	(935)	(121)	(1,918)	0	(1,917)
Total changes of items during year	—	(9,151)	9,580	(7)	(861)	(935)	(121)	(1,496)	0	(1,496)
<b>Balance as of March 31, 2019</b>	21,526	18,928	8,327	(100)	831	547	(2,487)	47,572	341	47,914

Thousand U.S. dollars

	Common stock	Capital surplus	Retained earnings	Treasury shares	Net unrealized gain on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Non-controlling interests	Total net assets at end of current year
<b>Balance at April 1, 2018</b>	193,945	252,990	(11,285)	(834)	15,246	13,362	(21,318)	442,106	3,073	445,180
Changes of items during year										
Deficit disposition		(78,049)	78,049					—		—
Cash dividends paid		(4,402)						(4,402)		(4,402)
Profit (loss) attributable to owners of parent			8,268					8,268		8,268
Purchase of treasury shares				(67)				(67)		(67)
Other					(7,759)	(8,431)	(1,091)	(17,282)	4	(17,277)
Total changes of items during year	—	(82,451)	86,318	(67)	(7,759)	(8,431)	(1,091)	(13,483)	4	(13,479)
<b>Balance as of March 31, 2019</b>	193,945	170,538	75,032	(902)	7,487	4,931	(22,409)	428,623	3,077	431,700

Notes: 1. Amounts are rounded off to the nearest 1 million yen.

2. US dollar amounts are calculated based on currency rate of \$1 = ¥110.99.

# Consolidated Statements of Cash Flows

For the years ended March 31, 2019 and 2018

Million Yen

Thousand U.S. dollars

	2018.3	2019.3	2019.3
Cash flows from operating activities:			
Profit (loss) before income taxes	(14,977)	2,263	20,389
Depreciation and amortization	6,632	7,024	63,288
Loss on antitrust laws	19,223	2,733	24,627
Increase (decrease) in net defined benefit liability	47	(204)	(1,843)
Increase (decrease) in allowance for doubtful accounts	(20)	(11)	(106)
Increase (decrease) in provision for environmental safety measures	(16)	(76)	(684)
Interest and dividend income	(139)	(171)	(1,548)
Interest expense	500	669	6,029
Foreign exchange losses (gains)	22	(6)	(54)
Equity in earnings of affiliated companies	(375)	(510)	(4,603)
Loss (gain) on disposal of property, plant and equipment, net	40	29	266
Decrease (increase) in notes and accounts receivable	(3,655)	2,411	21,726
Decrease (increase) in inventories	(2,334)	(4,904)	(44,187)
Increase (decrease) in notes and accounts payable	4,891	(1,618)	(14,583)
Increase (decrease) in accounts payable – other	281	63	574
Other	(615)	1,556	14,022
Sub total	9,504	9,246	83,312
Interest and dividends received	280	334	3,014
Interest paid	(502)	(682)	(6,145)
Income taxes paid	(1,041)	(1,246)	(11,232)
Payments related to antitrust law	(2,935)	(21,508)	(193,791)
<b>Net cash provided by operating activities</b>	<b>5,305</b>	<b>(13,856)</b>	<b>(124,843)</b>
Cash flows from investing activities:			
Increase in time deposit	(1)	—	—
Decrease in time deposit	—	51	460
Purchase of property, plant and equipment	(6,546)	(8,920)	(80,369)
Proceeds from sales of property, plant and equipment	3	3	32
Purchase of intangible fixed assets	(345)	(384)	(3,467)
Purchase of investment securities	(399)	—	—
Proceeds from sales of investment securities	—	367	3,308
Payments of loans receivable	(21)	(19)	(172)
Collection of loans receivable	31	22	205
Other	14	107	972
<b>Net cash provided by investing activities</b>	<b>(7,265)</b>	<b>(8,771)</b>	<b>(79,030)</b>
Cash flows from financing activities:			
Net increase (decrease) in short-term debt	(374)	14,573	131,300
Proceeds from long-term debt	1,500	14,500	130,642
Repayments of long-term debt	(2,196)	(12,284)	(110,680)
Purchase of treasury shares	(17)	(7)	(67)
Repayments of lease obligations	(181)	(167)	(1,509)
Proceeds from sale and leaseback	—	1,003	9,045
Cash dividends paid	(488)	(488)	(4,402)
<b>Net cash provided by financing activities</b>	<b>(1,759)</b>	<b>17,128</b>	<b>154,328</b>
Effect of exchange rate changes on cash and cash equivalents	(88)	(129)	(1,167)
Net increase (decrease) in cash and cash equivalents	(3,808)	(5,628)	(50,712)
Cash and cash equivalents at beginning of year	28,442	24,634	221,952
Cash and cash equivalents at end of year	24,634	19,005	171,240

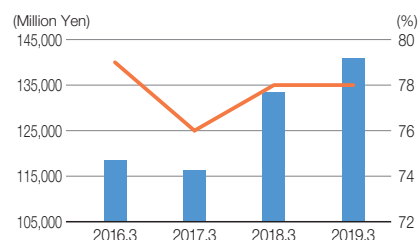
Notes: 1. Amounts are rounded off to the nearest 1 million yen.

2. US dollar amounts are calculated based on currency rate of \$1 = ¥110.99.

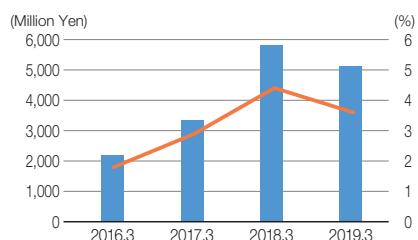


# Financial Status and Analysis of Operating Results

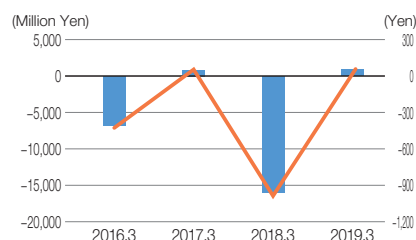
**1** ● Net sales ● Overseas sales ratio



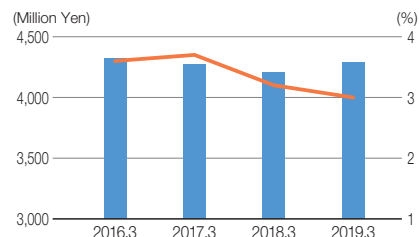
**2** ● Operating income ● Operating income margin



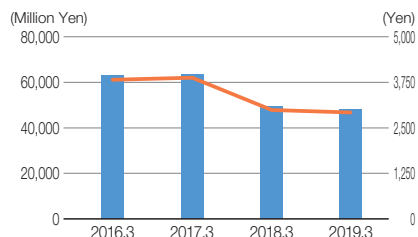
**3** ● Profit attributable to owners of parent ● Profit per share



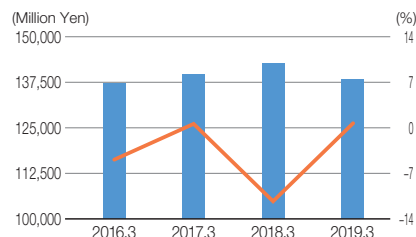
**4** ● R&D expenses ● Proportion of net sales



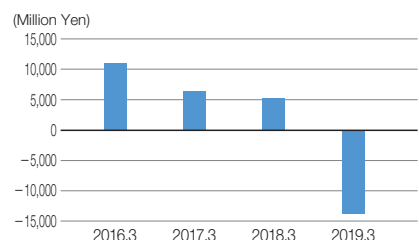
**5** ● Net assets ● Net assets per share (BPS)



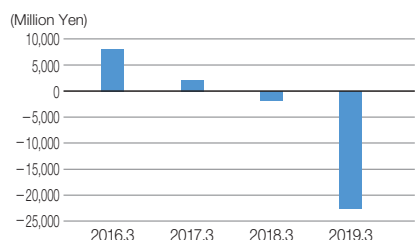
**6** ● Total assets ● ROA



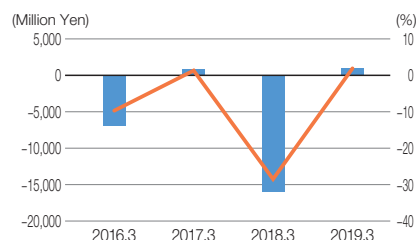
**7** Cash flows from operating activities



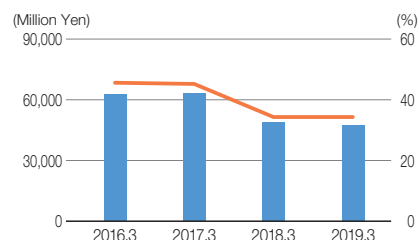
**8** Free cash flow



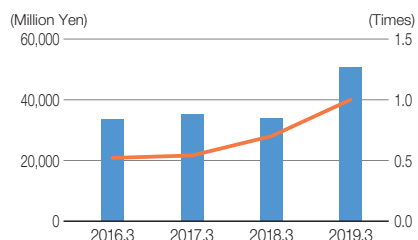
**9** ● Profit attributable to owners of parent ● ROE



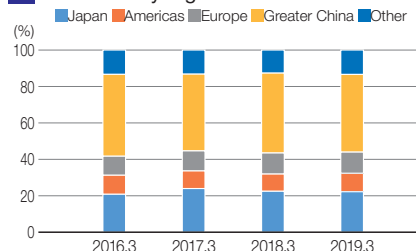
**10** ● Equity ● Equity ratio



**11** ● Interest-bearing debts ● Debt/Equity ratio



**12** Net sales by region



**1 Net sales, Overseas sales ratio** FY2018 net sales were 140,951 million yen (up 5.7% YoY). Although sales to facility markets were somewhat stagnant due to decreased demand in China and other factors, automotive demand was largely favorable. Looking at region-specific sales, Japan increased 4.6% YoY. Overseas, Americas increased 12% YoY, Europe increased 7% YoY, and Greater China increased 2.7% YoY. The ratio of overseas net sales was 78%.

**3 Profit attributable to owners of parent, Profit per share** Ordinary income increased on investment gain on equity method but profit attributable to owners of parent was 917 million yen (previous fiscal year was a loss attributable to owners of parent of 16,056 million yen) due to recording losses related to the Antitrust laws. As a result, profit per share was 56.36 yen for FY2018, compared to loss of 985.77 during the previous fiscal year.

**4 R&D expenses** In FY2018, we conducted R&D activities such as the development of a new product that takes advantage of our materials technology, one of our core strengths, as we aimed to enhance our product line in growth markets. Total R&D expenses for FY2018 were 4,288 million yen (up 80 million yen YoY).

**5 Net assets, Net assets per share** FY2018 net assets were 47,914 million yen, a decrease of 1,496 million yen compared to the end of the previous consolidated fiscal year. This is largely attributable to having recorded profit attributable to owners of parent, a decrease in net unrealized

gains on securities due to declines in stock prices at the end of the fiscal year, and a decrease in foreign currency translation adjustments due to currency rate fluctuations. As a result, net assets per share were 2,921.53 yen (previous year was 3,012.97 yen).

**6 Total assets** Assets were 138,284 million yen (down 4,426 million yen from the previous consolidated fiscal year). This is largely due to a decrease in cash and deposits. Liabilities were 90,370 million yen, a decrease of 2,930 million yen compared to the previous consolidated fiscal year. Although loans increased, unpaid amounts for payments related to the Antitrust laws decreased.

**7/8 Cash flows** Cash flows from operating activities resulted in expenditures of 13,856 million yen. Although we recorded net income before taxes and depreciation and amortization expenses, payments related to Antitrust laws payments, etc. were 21,508 million yen.

Cash flows from investing activities resulted in expenditures of 8,771 million yen. Capital expenditures included investments related to expanding production facilities for aluminum electrolytic capacitor electrode foils and aluminum electrolytic capacitors.

Cash flows from financing activities resulted in revenues of 17,128 million yen on revenues from dividend payments and loan payments.

# Major Offices and Plants

## Domestic

(As of September 30, 2019)

### NIPPON CHEMI-CON CORPORATION

#### Head Office

5-6-4, Osaki, Shinagawa-ku, Tokyo 141-8605, Japan  
TEL: +81-3-5436-7711 FAX: +81-3-5436-7631

#### Plants

##### Niigata Plant

6-5525-21, Higashikou, Seiro-machi, Kita-Kanbara, Niigata 957-0101, Japan  
TEL: +81-25-256-1251 FAX: +81-25-256-1250  
Main Business: Manufacturing of aluminum electrode foils

ISO9001 (Aluminum electrode foils for use in aluminum electrolytic capacitors), ISO14001

##### Takahagi Plant

363 Arakawa, Takahagi, Ibaraki 318-8505, Japan  
TEL: +81-293-23-2511 FAX: +81-293-24-1034  
Main Business: Manufacturing of aluminum electrode foils

ISO9001 (Aluminum electrode foils for use in aluminum electrolytic capacitors), ISO14001

#### Research Center

##### Kanagawa Research Center

1025 C Wing, R&D Business Park Building, 3-2-1 Sakado, Takatsu-ku, Kawasaki, Kanagawa 213-0012, Japan  
TEL: +81-44-379-6881 FAX: +81-44-379-6885

#### Sales Offices

##### Sendai Sales Office

100-1, Karayashiki, Tajirinumabe, Osaki, Miyagi 989-4308, Japan  
TEL: +81-229-39-4011 FAX: +81-229-39-4015

##### Kita-Kanto Sales Office

4-1-20, Odori, Utsunomiya, Tochigi 320-0811, Japan  
TEL: +81-28-346-8100 FAX: +81-28-346-8110

##### Japan Sales Department, Head Office

5-6-4, Osaki, Shinagawa-ku, Tokyo 141-8605, Japan  
TEL: +81-3-5436-7218 FAX: +81-3-5436-7492

##### Japanese Distributor Sales Group, Japan Sales Department, Head Office

5-6-4, Osaki, Shinagawa-ku, Tokyo 141-8605, Japan  
TEL: +81-3-5436-7625 FAX: +81-3-5436-7492

##### Hokuriku Sales Office

3-1-10, Ekinishishin-matchi, Kanazawa, Ishikawa 920-0027, Japan  
TEL: +81-76-261-8580 FAX: +81-76-261-8581

##### Nagano Sales Office

303-1, Shimadachi, Matsumoto, Nagano 390-0852, Japan  
TEL: +81-263-47-5660 FAX: +81-263-47-6033

##### Shizuoka Sales Office

1-7-8, Tokiwa-cho, Aoi-ku, Shizuoka City, Shizuoka 420-0034, Japan  
TEL: +81-54-253-8828 FAX: +81-54-253-6613

##### Nagoya Sales Office

25, Takaragaoka, Meito-ku, Nagoya, Aichi 465-0043, Japan  
TEL: +81-52-772-8551 FAX: +81-52-773-6665

##### Osaka Sales Office

1-9-7, Esaka-cho, Suita, Osaka 564-0063, Japan  
TEL: +81-6-6338-2331 FAX: +81-6-6338-2334

##### Fukuoka Sales Office

3-11-28, Hakataeki-Higashi, Hakata-ku, Fukuoka City, Fukuoka 812-0013, Japan  
TEL: +81-92-412-4470 FAX: +81-92-412-4472

#### Affiliates in Japan

##### CHEMI-CON IWATE CORP.

###### Production Department / Engineering

###### Department / Administration Department

14-40-1, Shimo-Ezuriko, Kitakami, Iwate 024-0073, Japan  
TEL: +81-197-77-2231 FAX: +81-197-77-3210

###### Foil Production Section, Material Production Department

2-7-15, Sennin, Waga-cho, Kitakami, Iwate 024-0326, Japan  
TEL: +81-197-74-2224 FAX: +81-197-74-2225

###### Sealing Material Production Section, Material Production Department

20-90-4, Nameshida, Kitakami, Iwate 024-0074, Japan  
TEL: +81-197-77-2471 FAX: +81-197-77-2475

Main Business: Manufacturing and selling of capacitors, choke coils and aluminum electrode foils

Percentage Owned by Nippon Chemi-Con: 100.00%

IATF16949/ISO9001 (Aluminum electrolytic capacitors, Cores, Coils), ISO9001 (Aluminum electrode foils for use in aluminum electrolytic capacitors, Aluminum cases for use in aluminum electrolytic capacitors), ISO14001

##### CHEMI-CON MIYAGI CORP.

100-1, Karayashiki, Tajirinumabe, Osaki, Miyagi 989-4308, Japan  
TEL: +81-229-39-1251 FAX: +81-229-39-1138

Main Business: Manufacturing and selling of capacitors

Percentage Owned by Nippon Chemi-Con: 100.00%

IATF16949/ISO9001 (Aluminum electrolytic capacitors), ISO14001

##### CHEMI-CON FUKUSHIMA CORP.

###### Fukushima Plant

185-1, Marunouchi, Yabuki-machi, Nishi-Shirakawa, Fukushima 969-0235, Japan  
TEL: +81-248-42-4101 FAX: +81-248-44-2041

###### Kitakata Plant

8086-1, Shimogawara, Kitakata, Fukushima 966-0850, Japan  
TEL: +81-241-23-1251 FAX: +81-241-23-1256

Main Business: Manufacturing and selling of capacitors and aluminum electrode foils

Percentage Owned by Nippon Chemi-Con: 100.00%

IATF16949/ISO9001 (Aluminum electrolytic capacitors), ISO9001 (Aluminum electrode foils for use in aluminum electrolytic capacitors), ISO14001

##### CHEMI-CON YAMAGATA CORP.

###### Nagai Plant

1-1, Saiwai-cho, Nagai, Yamagata 993-8511, Japan  
TEL: +81-238-84-2131 FAX: +81-238-84-2396

###### Yonezawa Plant

2465 Kami-Komatsu, Kawanishi-machi, Higashi-Okitama, Yamagata 999-0121, Japan  
TEL: +81-238-42-3135 FAX: +81-238-42-3138

Main Business: Manufacturing and selling of capacitors

Percentage Owned by Nippon Chemi-Con: 100.00%

IATF16949/ISO9001 (Varistors, Ceramic capacitors, Electric double layer capacitors, Aluminum solid capacitors), ISO9001 (Electric double layer capacitors), ISO14001

##### KDK CORP.

5-4-3, Togoshi, Shinagawa-ku, Tokyo 142-0041, Japan  
TEL: +81-3-5750-2611 FAX: +81-3-5750-2616

Main Business: Selling of aluminum electrode foils

Percentage Owned by Nippon Chemi-Con: 100.00%

##### CHEMI-CON NAGAOKA CORP.

3-4-12, Shinsan, Nagaoka, Niigata 940-2127, Japan  
TEL: +81-258-46-2244 FAX: +81-258-46-9535

Main Business: Manufacturing and selling of electronic device and parts

Percentage Owned by Nippon Chemi-Con: 100.00%

IATF16949/ISO9001 (Electric double layer capacitors application product, Camera modules & units, Battery charger for rechargeable batteries) ISO14001

##### CHEMI-CON MACHINERY CORP.

###### Main Office/Plant

1-7-6, Higashi-Ome, Ome, Tokyo 198-0042, Japan  
TEL: +81-428-24-3830 FAX: +81-428-24-8599

###### Sendai Office

2-3-7, Fukiage, Iwanuma, Miyagi 989-2436, Japan  
TEL: +81-223-22-3344 FAX: +81-223-22-2939

Main Business: Manufacturing and selling of machinery instrument and parts

Percentage Owned by Nippon Chemi-Con: 100.00%

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# Major Offices and Plants

## Overseas Affiliates

(As of September 30, 2019)

### CHEMI-CON AMERICAS HOLDINGS, INC.

Continental Towers, 1701 Golf Road 1-1200,  
Rolling Meadows, Illinois 60008, U.S.A.  
Main Business: Regional headquarters in the USA  
Percentage Owned by Nippon Chemi-Con:  
100.00%

### UNITED CHEMI-CON, INC.

#### Main Office

Continental Towers, 1701 Golf Road 1-1200,  
Rolling Meadows, Illinois 60008, U.S.A.  
TEL: +1-847-696-2000 FAX: +1-847-696-9278

#### Plant

185 Mcneil Road, Lansing, North Carolina  
28643-8301, U.S.A.  
TEL: +1-336-384-2551 FAX: +1-336-384-6928

#### Buena Park Office

5651 Dolly Avenue, Buena Park, California 90621,  
U.S.A.

TEL: +1-714-255-9500 FAX: +1-714-256-1328

#### Huntsville Office

South Park Office Center, 7501 Memorial Parkway  
SW, Suite 209, Huntsville, Alabama, 35801,  
U.S.A.

TEL: +1-256-489-9385 FAX: +1-256-489-9387

Main Business: Manufacturing and selling of  
capacitors

Percentage Owned by Nippon Chemi-Con:  
100.00%

IATF16949/ISO9001 (Aluminum electrolytic  
capacitors), ISO14001

### CHEMI-CON MATERIALS CORP.

9053 Graham Road, N.E.Moses Lake  
Washington, 98837, U.S.A.

TEL: +1-509-762-8788 FAX: +1-509-762-2027

Main Business: Manufacturing and selling of  
aluminum electrode foils

Percentage Owned by Nippon Chemi-Con:  
100.00%

ISO9001 (Aluminum electrode foils for use in  
aluminum electrolytic capacitors), ISO14001

### EUROPE CHEMI-CON (DEUTSCHLAND) GmbH

Hamburger Strasse 62, D-90451 Nuremberg,  
Germany

TEL: +49-911-9634-0 FAX: +49-911-9634-260

Main Business: Selling of capacitors

Percentage Owned by Nippon Chemi-Con:  
100.00%

### CHEMI-CON ELECTRONICS (KOREA) CO., LTD.

IT-Castle 2-302, 98, Gasan Digital 2-Ro,

Geumcheon-gu, Seoul 08506, Korea

TEL: +82-2-2082-6082 FAX: +82-2-2082-6084

Main Business: Selling of electronic device, parts  
and precise device

Percentage Owned by Nippon Chemi-Con:  
100.00%

### SAMYOUNG ELECTRONICS CO., LTD.

#### Main Office

47, Sagimakgol-ro, Jungwon-gu, Seongnam-si,  
Gyeonggi-do, Korea

TEL: +82-31-743-6701 FAX: +82-31-741-3077

### QINGDAO SAMYOUNG ELECTRONICS CO., LTD.

No5. Changjiang Road, Pingdu City, Shandong  
Province, China

TEL: +86-532-88382040

FAX: +86-532-88382042

Main Business: Manufacturing and selling of  
aluminum electrolytic capacitors

Percentage Owned by Nippon Chemi-Con:  
33.40%

IATF16949/ISO9001 (Aluminum electrolytic  
capacitors), ISO14001

### TAIWAN CHEMI-CON CORP.

#### Main Office

87-1, Long Shen Road, Puli Chin, Nantou,  
Taiwan, 545 R.O.C.

TEL: +886-49-299-5101

FAX: +886-49-298-1174

#### Taipei Office

5F, No.38, Bo-Ai Road, Chung-Cheng District,  
Taipei, Taiwan, 100 R.O.C.

TEL: +886-2-2311-6556

FAX: +886-2-2371-9695

Main Business: Manufacturing and selling of  
capacitors

Percentage Owned by Nippon Chemi-Con:  
100.00%

ISO9001 (Aluminum electrolytic capacitors),  
ISO14001

### SHANGHAI CHEMI-CON TRADING CO., LTD.

Room18E, New Hua Lian Mansion East Bldg.,  
No.755, Huai Hai Mid Road, Shanghai, China  
200020

TEL: +86-21-64454588

FAX: +86-21-64455368

#### Dalian Branch

Rm 2205, Dalian Gold Name Commercial Tower,  
68 Renmin Rd. Zhongshan Dist., Dalian, China

TEL: +86-411-82735595

FAX: +86-411-82739020

#### Beijing Branch

Rm 905, Towercrest Plaza, No.3 Maizidian West  
Road, Chaoyang District, Beijing, China 100016

TEL: +86-10-51087377

FAX: +86-10-51087378

Main Business: Selling of capacitors

Percentage Owned by Nippon Chemi-Con:  
100.00%

### CHEMI-CON (WUXI) CO., LTD.

No.15, Changjiang South Road, Xinwu District,  
Wuxi, Jiangsu Province, P.R. China

TEL: +86-510-8534-2112

FAX: +86-510-8534-2552

Main Business: Manufacturing and selling of  
capacitors

Percentage Owned by Nippon Chemi-Con:  
100.00%

IATF16949/ISO9001 (Aluminum electrolytic  
capacitors), ISO14001

### CHEMI-CON TECHNICAL CENTER (WUXI) LTD.

A-No. 15, Changjiang South Road, Xinwu District,  
Wuxi, Jiangsu Province, P.R. China

TEL: +86-510-8534-2112

FAX: +86-510-8534-2552

Main Business: Designing and developing of  
aluminum electrolytic capacitors

Percentage Owned by Nippon Chemi-Con:  
100.00%

### HONG KONG CHEMI-CON LTD.

Room 2101, 21/F, Chinachem Exchange Square,  
1 Hoi Wan Street, Quarry Bay, Hong Kong

TEL: +852-2527-3066 FAX: +852-2865-1415

Main Business: Selling of capacitors

Percentage Owned by Nippon Chemi-Con:  
100.00%

### CHEMI-CON TRADING (SHENZHEN) CO., LTD.

Rm 1607, No.1777, Chuangye Road, Hisense  
Southern Building, Nanshan District, Shenzhen,  
China

TEL: +86-755-8347-6810

FAX: +86-755-8347-6820

Main Business: Selling of capacitors

Percentage Owned by Nippon Chemi-Con:  
100.00%

### DONG GUANG KDK ALUMINUM FOIL MANUFACTURE LTD.

59 Xing Guang Road, Xing Guang Village, Huang  
Jiang Town, Dong Guan City, Guangdong  
Province, China

TEL: +86-769-8362-4698

FAX: +86-769-8362-4248

Main Business: Manufacturing and selling of  
aluminum electrode foils

Percentage Owned by Nippon Chemi-Con:  
100.00%

ISO9001 (Aluminum electrode foils for use in  
aluminum electrolytic capacitors), ISO14001

### SINGAPORE CHEMI-CON (PTE.) LTD.

17, Joo Yee Road, Jurong, Singapore 619201

TEL: +65-6268-2233 FAX: +65-6268-2237

Main Business: Selling of capacitors

Percentage Owned by Nippon Chemi-Con:  
100.00%

### CHEMI-CON ELECTRONICS (THAILAND) CO., LTD.

183 Regent House Floor 14th Rajdamri Road,  
Lumpini, Pathumwan, Bangkok 10330 Thailand

TEL: +66-2651-9782 FAX: +66-2651-9784

Main Business: Selling of capacitors

Percentage Owned by Nippon Chemi-Con:  
100.00%

### CHEMI-CON (MALAYSIA) SDN. BHD.

#### Main Office

FIZ Telok Panglima Garang, Km15, Jalan Klang-  
Banting, 42507 Kuala Langat, Selangor, Darul  
Ehsan, Malaysia

TEL: +60-3-31226239 FAX: +60-3-31226292

#### Sales Office

Unit 3A-3A, 4th Floor, Wisma LEADER No.8 Jalan  
Larut, 10050 Penang, Malaysia

TEL: +60-4-2297631 FAX: +60-4-2291779

Main Business: Manufacturing and selling of  
capacitors

Percentage Owned by Nippon Chemi-Con:  
100.00%

IATF16949/ISO9001 (Aluminum electrolytic  
capacitors), ISO14001

### P.T.INDONESIA CHEMI-CON

EJIP Industrial Park Plot 4C Cikarang Selatan,  
Bekasi 17550, Indonesia

TEL: +62-21-8970070 FAX: +62-21-8970071

Main Business: Manufacturing and selling of  
capacitors

Percentage Owned by Nippon Chemi-Con:  
90.00%

IATF16949/ISO9001 (Aluminum electrolytic  
capacitors, Varistors), ISO14001

# Corporate Information / Stock Information (As of March 31, 2019)

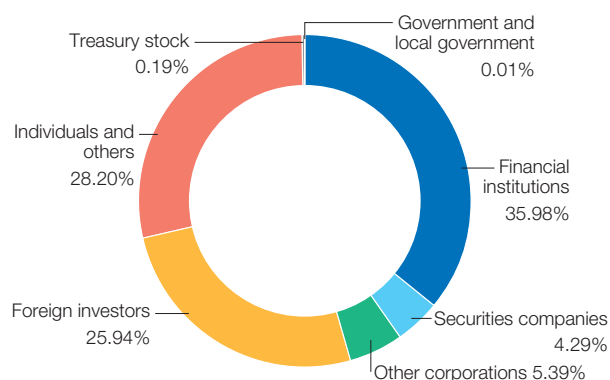
<b>Foundation</b>	August 1931	<b>Stock Listing</b>	First Section of the Tokyo Stock Exchange
<b>Establishment</b>	August 1947	<b>Securities Code</b>	6997
<b>Capital</b>	¥21,526 million	<b>Fiscal Year-End</b>	March 31
<b>Number of Employees</b>	7,132 (Consolidated) (including fixed-term employees)	<b>Ordinary General Shareholders' Meeting</b>	June
<b>Common Stock</b>		<b>Shareholder Registry Administrator</b>	Mitsubishi UFJ Trust and Banking Corporation
• Issued	16,314,833 shares	<b>Head Office</b>	5-6-4, Osaki, Shinagawa-ku, Tokyo 141-8605, Japan TEL: +81-3-5436-7711 FAX: +81-3-5436-7631
• Trading Unit	100 shares		
• Number of Shareholders	12,504		

## Major Shareholders (Top 10)

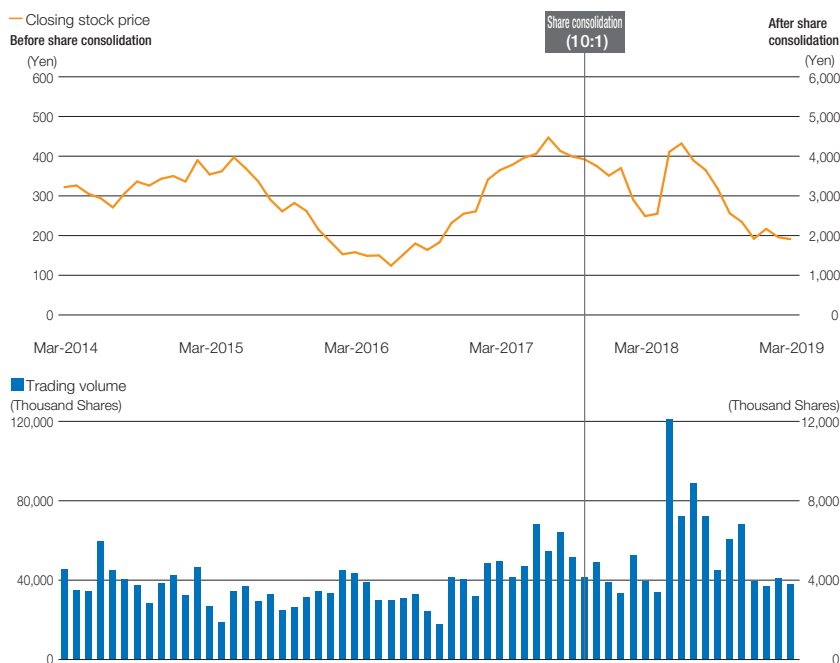
Name	Percentage of issued shares (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	6.62
Japan Trustee Services Bank, Ltd. (Trust Account)	6.45
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	3.83
MUFG Bank, Ltd.	3.55
Nippon Life Insurance Company	3.15
Sumitomo Mitsui Banking Corporation	2.06
DFA INTL SMALL CAP VALUE PORTFOLIO	1.99
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1.71
INTERACTIVE BROKERS LLC	1.65
JP MORGAN CHASE BANK 385151	1.50

Note: Shareholding ratio is calculated by subtracting treasury stock.

## Ownership and Distribution of Shares



## Stock Price and Volume (Tokyo Stock Exchange)



## About share consolidation and change in number of shares constituting one unit

On October 1, 2017, we conducted a share consolidation for common stock (10 shares consolidated to 1 share) and changed the number of shares constituting one unit (from 1,000 shares to 100 shares).

## Highest and Lowest Annual Stock Prices

FY	High (¥)	Low (¥)
2014	405	264
2015	417	128
2016	394	117
2017	475 (4,550)	303 (2,342)
<b>2018</b>	<b>4,930</b>	<b>1,710</b>

Notes: 1. Highest and lowest stock prices are the prices listed on First Section of the Tokyo Stock Exchange.  
2. The stock price for FY2017 is indicated as the highest and lowest stock prices prior to the share consolidation, with the post-consolidation highest and lowest prices indicated in ( ).



# About the CHEMI-CON REPORT 2019

## Shuichi Shiraishi

Director and Senior Managing Executive Officer



The CHEMI-CON REPORT is an integrated report we use as a tool for communicating with our stakeholders, shareholders, and investors. Since 2015, we create the CHEMI-CON REPORT once a year and publish the report to our company website. In addition to financial information, we also include non-financial information and our medium- to long-term management vision. When creating the CHEMI-CON REPORT, we take a multifaceted and integrated approach to explaining our business and how this information correlates to ESG and the SDGs and Nippon Chemi-Con activities related to achieving sustainable growth.

This 4th industrial revolution we are experiencing is seeing the creation of new frameworks and industries in numerous sectors, which is driving change in conventional business models. Nippon Chemi-Con views this change as opportunity. We will continue to make speedy management decisions and engage in strategic business management.

Through the CHEMI-CON REPORT, we hope to further understanding of our business activities.

October 2019

### Inquiries regarding CHEMI-CON REPORT 2019

Corporate Communications Group, Corporate Strategy Department

TEL: +81-3-5436-7716 FAX: +81-3-5436-7491  <https://www.chemi-con.co.jp/en/company/>

#### Precautions concerning forecasts

This report includes future forecasts related to company plans, strategies, performance, and other matters.

These forecasts are based on judgments made using presently available information. Please note that actual performance may differ from these forecasts as a result of various factors.




## NIPPON CHEMI-CON CORPORATION

5-6-4, Osaki, Shinagawa-ku, Tokyo 141-8605, Japan

TEL: +81-3-5436-7711

FAX: +81-3-5436-7631

 <https://www.chemi-con.co.jp/en/company/>

