



CHEMI-CON REPORT 2021

Integrated report





Corporate Philosophy

Contributing to Environmentally and People Friendly Technology

The goal of our 9th Medium-term Management Plan launched in FY2020 is to shift to a corporate structure capable of responding flexibly to changes in the business environment.

The global spread of COVID-19 is causing various changes in society. These changes require corporations not only to engage in short-term responses, but also to reevaluate medium- and long-term management.

Evaluating how to address risks and opportunities while developing a vision for sustainable, long-term growth has become a critical issue for companies. At Nippon Chemi-Con, we believe solid ESG initiatives are the key to building a resilient corporate foundation.

This year, Nippon Chemi-Con commemorated the 90th anniversary since its foundation. We are deeply grateful for the support of everyone who has made this possible. We will continue the challenge of resolving social issues and work to remain as a company that is loved for years to come. Our corporate philosophy is “Contributing to Environmentally and People Friendly Technology.” This philosophy represents Nippon Chemi-Con’s commitment to building a sustainable society.

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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.

During the creation of this document, we reference the International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC).

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

Nippon Chemi-Con was established in 1931 as Japan's first aluminum electrolytic capacitor manufacturer and celebrated its 90th anniversary in August 2021. Below is a brief introduction of our history.

Social conditions/ issues	Dawn of the electronics industry	Post-war reconstruction and rapid growth	Bubble economy	Globalization
		Home appliance boom Car boom		
	1930		1980	
Values/ products we provide	<ul style="list-style-type: none"> • Mass production of capacitors for radios 	<ul style="list-style-type: none"> • Start of capacitor export • Mass production of capacitors for TVs 	<ul style="list-style-type: none"> • Supplying of capacitors specialized for transistor radios (world's first) • Automation of capacitor manufacturing facilities (world's first) • Supplying of capacitors for vehicles • Mass production of capacitors for tape recorders 	<ul style="list-style-type: none"> • Mass production of capacitors for consumer-use VTR

- Aug 1931** Successful commercialization of Japan's first electrolytic capacitors. "SATOH 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. (later changed to KDK CORP.) 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.
- Oct 1999** Merger of the processing division of KDK CORP., established in 1966 as a dedicated foil processing company for electrolytic foils, to strengthen technical development capabilities of aluminum electrolytic capacitors.



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



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



Conductive polymer aluminum solid capacitors launched (1998)

Century of the environment
 Popularization of digital devices and IT adoption
 Emergence of hybrid cars

Towards a sustainable society

2000

2021

- Supplying of conductive polymer capacitors for home vide game consoles (world's first)
- Introduction of lead-free, environmentally friendly capacitors

- Supplying of supercapacitors for passenger vehicles (world's first)
- Commercialization of hybrid capacitors

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.



Mass production of large capacitance supercapacitors launched (2003)



Conductive polymer hybrid aluminum electrolytic capacitors launched (2012)

Mar 2012 Kanagawa Research Center established.

Feb 2016 CHEMI-CON AMERICAS HOLDINGS, INC. established as a regional headquarters in the United States.

Aug 2016 NIPPON CHEMI-CON CORP.'s shares of CHEMI-CON (WUXI) CO.,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.

Apr 2020 CHEMI-CON EAST JAPAN MATERIALS CORP. established after the split of the electrode foil business of CHEMI-CON IWATE CORP. and CHEMI-CON FUKUSHIMA CORP. The absorption of CHEMI-CON IWATE CORP. and CHEMI-CON FUKUSHIMA CORP. into CHEMI-CON MIYAGI CORP., renamed CHEMI-CON EAST JAPAN CORP.

Website renovation

In April 2021, Nippon Chemi-Con conducted a full-scale renovation of our website.

B-to-B enterprises have seen an increase in market scope driven by online business in recent years. COVID-19 is also accelerating a shift from in-person to online sales.

In response to this trend, we expanded our website functions and information to better reflect the COVID-19 and post COVID-19 environments. This includes creating a structure that allows as many functions as possible, from user product selection to purchasing transactions, to be conducted via our website.

Our new website features a rich array of design support tools as well as a framework for downloading documents necessary for product selection process without the need to rely on human interaction. The new website allows ecommerce site users quick access to their shopping cart in as few as two clicks, and features a smartphone and tablet-friendly design. Nippon Chemi-Con's new website boasts numerous functions and ingenuity that enable electronic device designers and purchasing managers to maximize the convenience of an online workflow.

We also reevaluated our content and layout of our corporate information page and IR page to promote easy access to desired information.

User access numbers have increased steadily since completing website renovations.

Timed with the release of our new website, we also started disseminating information via social media (Twitter, YouTube).

Nippon Chemi-Con will continue to implement a digital strategy that promotes increases to our corporate value and revenues.



Top page of the new Nippon Chemi-Con website

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



@Chemicon_jp



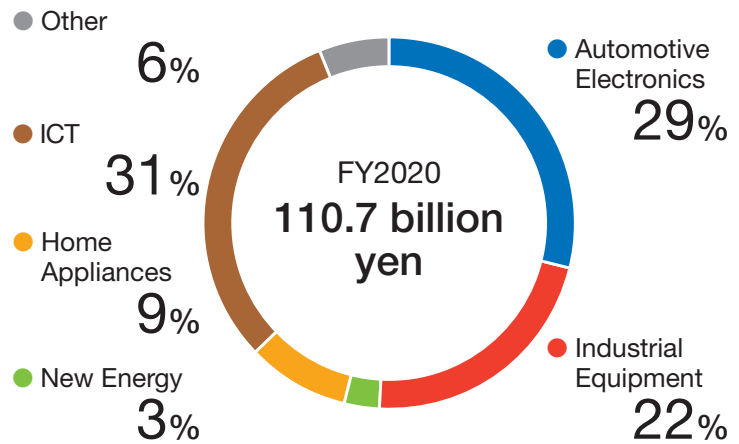
/ Nippon Chemi-Con

What We Offer Net Sales by Market

The Nippon Chemi-Con Group focuses on marketing, product development, and sales promotion activities in five strategic markets where we expect market growth and where there is demand for our technology.

The FY2020 composition of net sales for each of the five strategic markets is as shown in the graph.

Conductive Polymer Aluminum Solid Capacitors:
hereinafter referred to as Conductive Polymer Capacitors
Conductive Polymer Hybrid Aluminum Electrolytic Capacitors:
hereinafter referred to as Hybrid Capacitors



Automotive Electronics Market

Down 1 percentage point year-on-year

» 29%



In addition to equipment mounted on xEVs such as on-board chargers for EVs and hybrid vehicles, our products are also used in a wide range of vehicle electronics, including the electronic circuits used to control engines, steering, SRS airbags, air conditioners, and headlights. In particular, recent years have seen increased demand related to Advanced Driver Assistant Systems (ADAS), autonomous driving technology, and the transition to 48V for vehicle system voltage. In addition to the supercapacitors used in brake energy regeneration systems and power fault prevention systems, products used in car navigation systems and dashcams are also included in this category.

Major products used



Aluminum Electrolytic Capacitors (SMD type)



Aluminum Electrolytic Capacitors (Radial Lead type)



Conductive Polymer Hybrid Aluminum Electrolytic Capacitors



Supercapacitors

Industrial Equipment Market

Up 1 percentage point year-on-year

» 22%



This category comprises products used in industrial equipment, including manufacturing equipment installed in semiconductor factories and the industrial robots, lathes, and milling machines operating on vehicle manufacturing lines. This market is linked to trends in the capital investments driven by industrial development. Examples of this development include factory automation in various industries, smart factories adopting AI and IoT, and inverter power supplies that improve the environmental performance of equipment. This category also includes products used in trains, airplanes, and other forms of public transportation, construction machinery, the security equipment used to keep cities safe, and lifeline and other forms of infrastructure equipment.

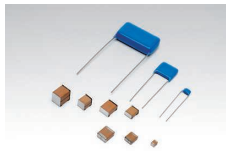
Major products used



Aluminum Electrolytic Capacitors (Snap-in type)



Aluminum Electrolytic Capacitors (Screw Terminal type)



Multilayer Ceramic Capacitors



Inductors (Choke Coils etc.)

New Energy Market

Down 2 percentage points
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. Although the market scope is smaller than other sectors, the market is expected to see future growth as industries adopt initiatives towards becoming carbon neutral. 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



Inductors (Choke Coils etc.)

Home Appliances Market

Unchanged year-on-year

9%

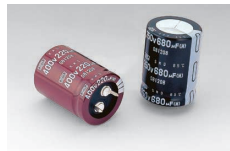


This category mainly represents sales of products used in traditional home appliances such as air conditioners, refrigerators, and washing machines. Increasing consumer interest in environmental issues has resulted in the majority of these devices making the transition to the use of inverters in order 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)

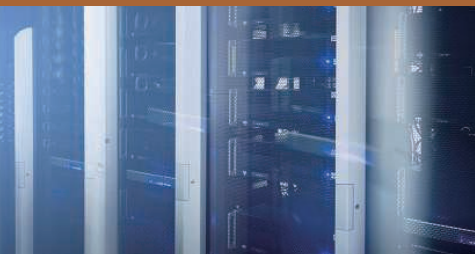


Inductors (Choke Coils etc.)

ICT Market

Up 3 percentage points
year-on-year

31%



ICT is short for Information & Communication Technology. This category comprises sales of products for digital AV equipment and information communication equipment such as televisions, computers, and home video game consoles. Especially in recent years, there is increased demand for parts used in data center servers due to the growth in cloud services. Sales of products for 5th generation mobile communications system (5G) base stations are also increasing. In FY2020, the sales of products for the ICT market was strong with the help of demand from people staying at home.

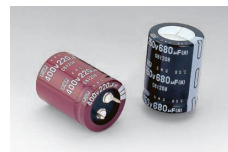
Major products used



Aluminum Electrolytic Capacitors (SMD type)



Aluminum Electrolytic Capacitors (Radial Lead type)



Aluminum Electrolytic Capacitors (Snap-in type)



Conductive Polymer Aluminum Solid Capacitors

At a Glance Results and Prospects of our Main Businesses

In this section, we introduce our results for FY2020 and future initiatives with a focus on the aluminum electrolytic capacitor business, Nippon Chemi-Con Group's largest business, and the highly promising supercapacitor business.

FY2020

Aluminum Electrolytic Capacitor Business

Net sales

95,294 million yen



First quarter was faced with struggles, but product orders recovered in second half

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.

FY2020 earnings and future initiatives

Net sales of aluminum electrolytic capacitors in FY2020 was 95.2 billion yen, a 2.0% decrease YoY, due to the impact of COVID-19.

The ICT market, represented by computers and servers, was favorable thanks to the shift to telecommuting and demand from people staying at home. Sales related to 5G communications base stations were also strong overall, but the automotive electronics market and industrial equipment market was severely impacted by COVID-19 resulting in a decline in demand. However, the automotive electronics market began to recover from the second quarter and the industrial equipment market also showed clear signs of a recovery trend by the fourth quarter. As a result, although net sales did not reach previous year figures due to a sluggish first half, we recorded favorable growth in sales of conductive polymer capacitors and hybrid capacitors. We position both these products as high value-added products and are focused on achieving sales growth.

Looking into the future of the market, there are concerns that the market will be impacted by the prolonged COVID-19 pandemic and a semiconductor supply shortage. However, further promotion of automotive electrification and recovery in capital investment demand are expected to drive a strong environment for product orders. We will continue aggressive efforts to expand sales of high value-added products.

FY2020

Supercapacitor Business

Net sales

3,363 million yen



Net sales decreased due to the significant impact of COVID-19

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

FY2020 earnings and future initiatives

Net sales of supercapacitors in FY2020 decreased significantly YoY, with a 24.1% lower result of 3.3 billion yen.

Supercapacitors are power storage devices that have faster charging and discharging abilities compared to rechargeable batteries, and also have a superior environmental performance such as longer life and the non-use of heavy metals. Nippon Chemi-Con products are recognized for their high reliability and are used in brake energy regeneration systems that improve automotive fuel economy and reduce CO₂ emissions. Most of our supercapacitors are purchased for applications in automobiles.

In FY2020, the reduced production of automobiles caused by COVID-19 had a significant impact. However, the radial lead type products for which we started mass production in FY2018 have seen a steady increase in sales for use in backup power supplies to unlock electric doors of vehicles in the event of an emergency. In May 2021, we announced the launch of a new product featuring higher rated voltage.

As various industrial fields engage in carbon neutral initiatives, the power storage device market is expected to grow.

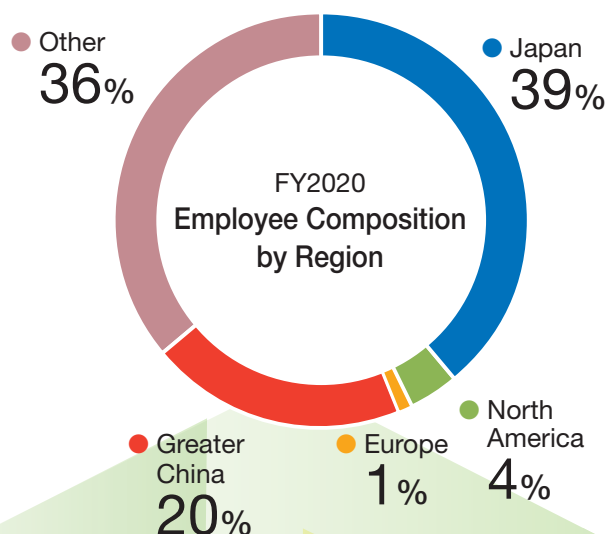
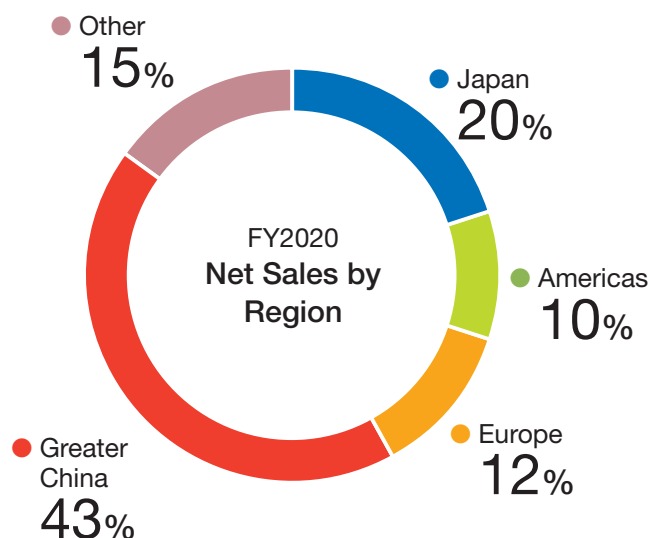
We will continue to expand sales with the goal of growing the supercapacitors business into our next successful business.

At a Glance

Net Sales by Region/Employee Composition by Region

In FY2020, our overseas net sales ratio was 80%.

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

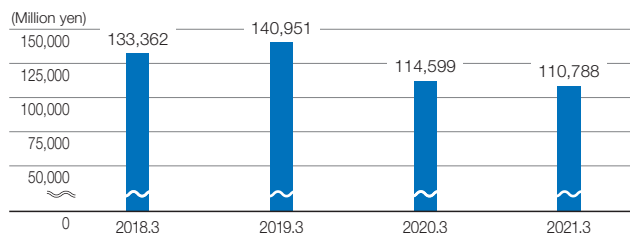


Looking at FY2020 net sales by sales region, the ratio of sales in Greater China increased by 5 percentage points YoY due to the region's accelerated economic recovery from the impact of COVID-19. On the other hand, the ratio of sales in other regions decreased. Japan's ratio of sales saw a decrease of 4 percentage points.

The Nippon Chemi-Con Group has over 6,000 employees, of which 61% 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. We also have increased recruitment of foreign students studying in Japan. We seek to reinforce our business structure, promoting human resource diversity.

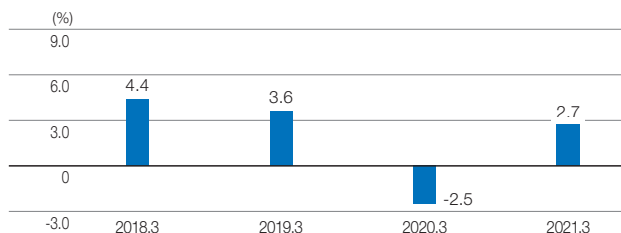
Financial and Non-financial Highlights

Net sales



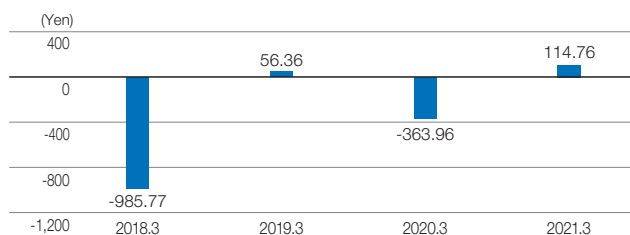
In FY2020, demand declined in many markets due to the spread of COVID-19.

Operating income margin

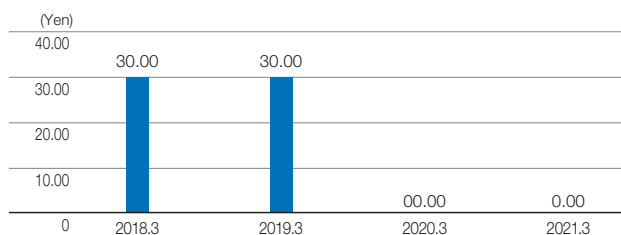


Over the medium term, we have set a goal of 7%.

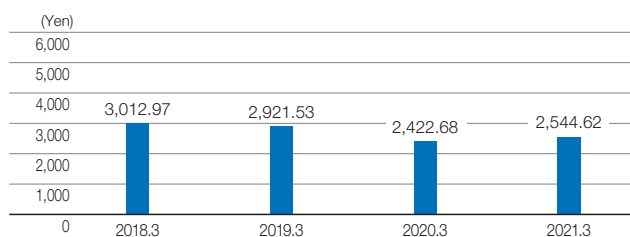
Profit (loss) per share (EPS)



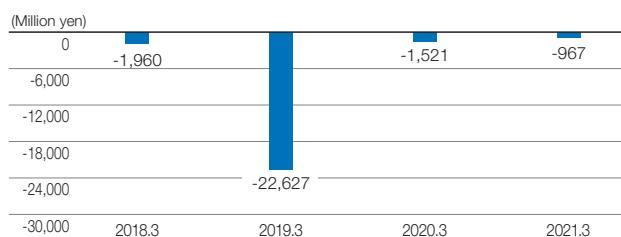
Dividend per share (DPS)



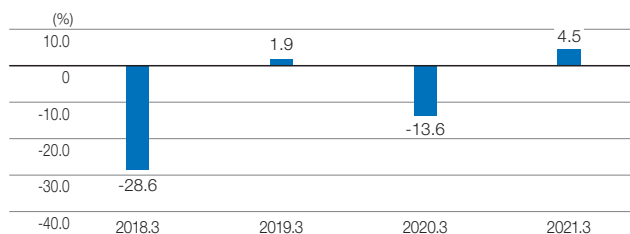
Book value per share (BPS)



Free cash flow

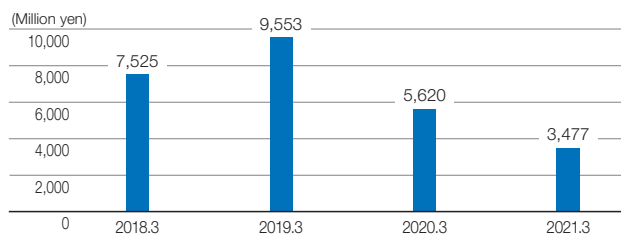


Return on equity (ROE)



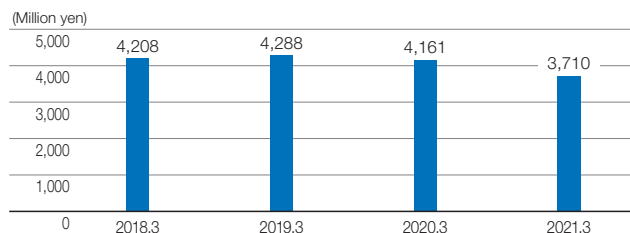
Over the medium term, we have set a goal of 10% and higher.

Capital investment



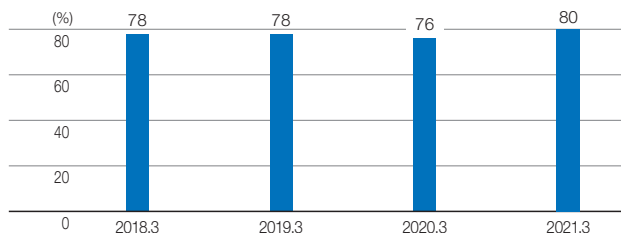
We will increase capital efficiency by concentration and selection of our capital investments.

R&D expenses



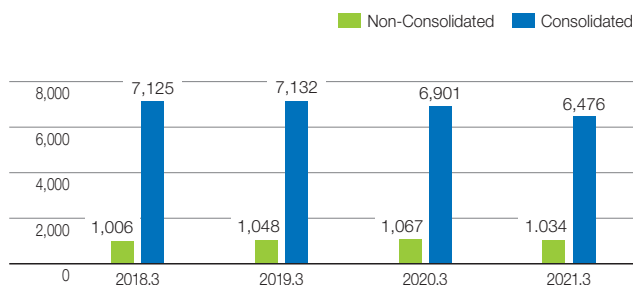
Under a medium- to long-term plan, we work to maintain R&D investments equivalent to 3-4% of net sales for technology development, the driving force behind corporate growth.

Operating income margin

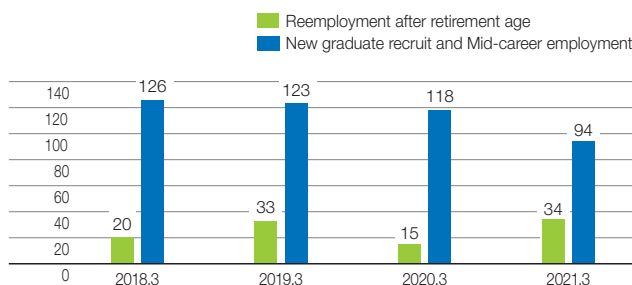


We work to strengthen regional strategies to diversify risks.

Number of employees (including fixed-term employees)



New employment and reemployment

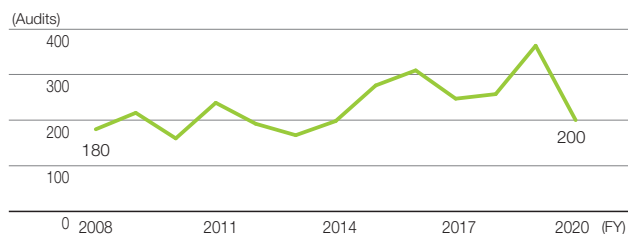


Product compliance



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 providing “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 2,500 inquiries in FY2003, but they increased to over 6,000 inquiries in recent years as laws and regulations had been strengthened. Importance and concern of “compliance with environmental laws” can be read through this numerical value.

QPE supplier audit results



The potential applications for our products are expanding due to consumer technology trends. However, it goes without saying that strong, trust-based relationships with our suppliers are critical to ensure a quick response to customer expectations.

We have made improvements on the conventional “Green supplier approval system” by combining quality (Q), procurement (P), and environment (E) into a single audit system. The output gained from this system is the QPE Supplier Charts. These charts perform a function similar to a health exam chart, enabling us to regularly check on the health (management) status of our suppliers. These charts also serve as a tool that promotes close communication with our suppliers.

Process of Value Creation

Contributing to the creation of new values and resolving social issues through our business activities.

The process of value creation leads to the growth and increase in sustainable corporate value of Nippon Chemi-Con Group.





Output to Markets

Outcome

Creating new values by providing solutions that meet the needs of society and our customers

Automotive electronics

Industrial equipment

New energy

Home appliances

ICT

Medium- and long-term improvement of corporate value

Corporate Governance

Continuous contributions to resolving social issues

Creating innovations in industries and lifestyles through our businesses

- Contributing to resolving global climate change issues by reducing product size and weight which leads to reduced CO₂ emissions from the devices and equipment that contain our products
- Contributing to resolving global climate change issues by adopting various energy conservation measures for electricity use in our business activities

Creating economic value through sustainable growth

Applying the economic value created through our business activities to financial improvements, investments and shareholder return

- Working towards a sustainable cash flow growth
- Implementing sustainable strategic investments in fields and local regions that are growing
- Strengthening development capability by increasing development speed with the use of AI and big data
- Pursuing shareholder return with stable dividend based on the balance of our capital and debt

Interview with the President

We will shift to a profitable structure and aim for the next stage of growth.

November 2021

Norio Kamiyama

Representative Director
and President



The spread of COVID-19 has had a profound impact on society and has forced companies to change. At the same time, countries around the world are engaged in carbon neutral initiatives with the global movement towards creating a sustainable society.

We spoke with Representative Director and President Norio Kamiyama about the policies the Nippon Chemi-Con Group will implement in this age of dramatic change in the operating environment. (Interviewer: Corporate Strategy Dept.)

Market environments remain unstable due to COVID-19.

I would like to first express my sympathies for everyone who has been stricken by COVID-19 and my condolences to those who have lost loved ones to COVID-19. I would also like to convey my profound gratitude to the medical professionals providing treatment and prevention in the front lines of medical care.

COVID-19 has forced various changes on our society. I believe one of those changes is that not only must we be prepared for known risks, but there is now a strong need for the ability to respond to unpredictable events.

An operating environment susceptible to dramatic change makes it difficult to establish goals. While aiming to improve our performance, this will prove meaningless if we are unable to establish realistic goals based on our current capabilities and objective predictions. Within the Company, we work to ensure that we do not confuse goals with needs or wishes. Even so, unpredictable situations can make the achievement of those goals difficult. COVID-19 has created an opportunity to reevaluate our ability to respond to changes, including our BCP. It has become further important to minimize the impact that uncontrollable changes have on a business. This is not limited to diseases, but this also includes factors such as natural disasters, geopolitical risks and sudden fluctuations in currency rates. An ongoing issue will be the strengthening

of these frameworks.

The goal of our 9th Medium-term Management Plan is to “shift to a corporate structure capable of responding flexibly to changes in the business environment.” Based on the premise that the operating environment is constantly changing, we will strengthen our corporate structure by reducing fixed costs and improving productivity through structural reforms.

Furthermore, foreseeing changes in society and identifying future needs is a critical factor in achieving corporate growth. One of the core themes of our current Medium-term Management Plan is improving our product planning capability. I believe we are in an age where this will become of increasing importance.

In FY2020, our 9th Medium-term Management Plan was launched, also marking the start of structural reforms.

We recorded significant losses in FY2019 and headed into FY2020 on a negative note.

There are numerous issues we must address to achieve our growth strategies. However, in FY2020, we were forced to prioritize measures to improve our profitability. Therefore, we prioritized structural reforms aimed at improving our financial structure by improving asset efficiency and reducing fixed costs. In April last year, we reorganized our domestic production sites and began workflow optimization. In May, we sought to optimize our personnel structure by

implementing an early retirement benefits program. These initiatives enabled us to reform into a corporate structure that is less vulnerable to demand fluctuations.

Amid these initiatives, product orders increased with the industrial equipment market headed for recovery following the automotive electronics market due to a global economic rebound from the second half of the fiscal year. Responding to production needs by increasing facility operating rates without increasing facilities or personnel contributed to our earnings.

For the material business, we worked to achieve higher operating rates for electrode foil manufacturing facilities by reevaluating our ratio of externally procured aluminum electrode foil.

FY2020 was a year that began and ended with a focus on achieving immediate goals. While we did fall short of our net sales goal due to the significant impact of COVID-19 during the first half of the fiscal year, we did achieve our operating income goal owing to the benefits of structural reforms.

However, the progress of structural reforms is still small, and does not yet mean that we have gotten truly stronger. In fact, I view returning to profitability as a starting point. Our true challenge begins from FY2021. We must take a medium- and long-term view as we steadily implement structural reforms while continuously achieving results.

Tell us about your main strategies for FY2021

First, we will steadily implement the structural reforms we started in FY2020.

Product orders are generally favorable, but there are concerns about a semiconductor shortage as well as other factors driving cost increases such as rising materials costs and logistics costs. There are also overseas sites having difficulty operating at 100% due to lockdowns and other factors related to COVID-19. To achieve our goals, we must continue engaging in structural reforms while also working to strengthen profitability and our ability to respond to change.

To increase production at our production sites, we will enhance the production capacity of high value-added products, conductive polymer capacitors and hybrid capacitors, for our strategically important markets: automotive electronics, ICT and industrial equipment. We will continue to make efforts to increase production without increasing personnel or equipment by further improving capacity utilization through management of overall equipment effectiveness (OEE), total effective equipment performance (TEEP), and productivity per head. By doing so, we aim for increased performance recovery by further implementing improvement of capital efficiency and selection and concentration of capital investment.

We will gradually materialize our smart factory concept

which is the key to supporting a high operation system for facilities. In FY2021, we are planning to automate production support work and install a production information system. Our goal is to double productivity in the next 10 years. We believe the realization of smart factories is essential to maintain domestic production.

Along with structural reforms, another core theme of our 9th Medium-term Management Plan is product planning reforms. To further improve product profitability, from this fiscal year we will focus on improving our product planning capabilities and accelerate our launches of new products in markets expected to grow. I believe this will require launching cutting-edge products by continuously working to develop unique seed technology and matching those seeds with latent market needs.

From this fiscal year onward, we will increase the launch of new products every year and we expect to see the benefits of this strategy from FY2021.

For staff departments, the reorganization of domestic production sites enabled us to eliminate overlapping work and consolidate a portion of accounting functions into the main office. We will continue to improve our accounting system and SCM/ordering system while also improving productivity by further advancing operational reforms in each department.

For technology departments, we will pursue competitive manufacturing by promoting standardization with the ease of production for our manufacturing departments in mind.

From FY2021, we will also focus on initiatives for the future.

As part of drafting a growth strategy for 10 or 20 years into the future we gathered employees from each department who are at an age where they are likely to play a core role in company operations 10 years from now and launched the 100th Anniversary Project.

Founded in 1931, Nippon Chemi-Con will reach its



Interview with the President

100th anniversary in 2031. While we live in times that make it difficult to predict the future, we must strive for sustainable growth. To do so, we will draft medium-term plans and annual plans by backcasting. These plans will be based on a revised long-term vision where our existence value and contributions to society have been revised amid climate change and the many other dramatic changes impacting our operating environment.

In the Project, we act based on themes such as creating a far-sighted business portfolio, developing a roadmap for realizing smart factories, reevaluating locations, and reforming the human resource system. This Project will be feasible and well-documented, going beyond a mere idealistic theory. We plan to create long-term plans based on the concepts and discussions organized in the Project.

What about initiatives related to digital transformation (DX)?

This relates to the topics discussed thus far, but we are proactively engaged in the digital transformation of our production sites. For example, to increase capacity utilization of facilities, we have installed sensors on facilities to analyze the cause of operation stoppages and linked production line data to improve productivity and processes. We also use big data on orders and production to improve SCM and provide sales support. Furthermore, we will continue using AI technology to improve production efficiency and quality, as well as using digital technology to improve staff productivity and thoroughly pursue operational efficiency.

Recent initiatives include the full renewal of our website in April of this year. We included functions enabling a wide range of people to maximize the use of online work. This is a part of our digital strategy towards the recent growth in

the online market and the shift to non-face-to-face commercial distribution accelerated by the COVID-19 pandemic. We also created social media accounts as a new tool for enhancing our ability to transmit information. Leading these efforts is our Web Strategy Team, a group consisting of younger employees who planned and proposed the activities themselves (see P4).

There is an even greater emphasis on sustainable management.

Our corporate philosophy is contributing to environmentally and people friendly technology. Based on this philosophy, we have grown with society through the turbulent times by maintaining a constant focus on how we can continue providing value to society.

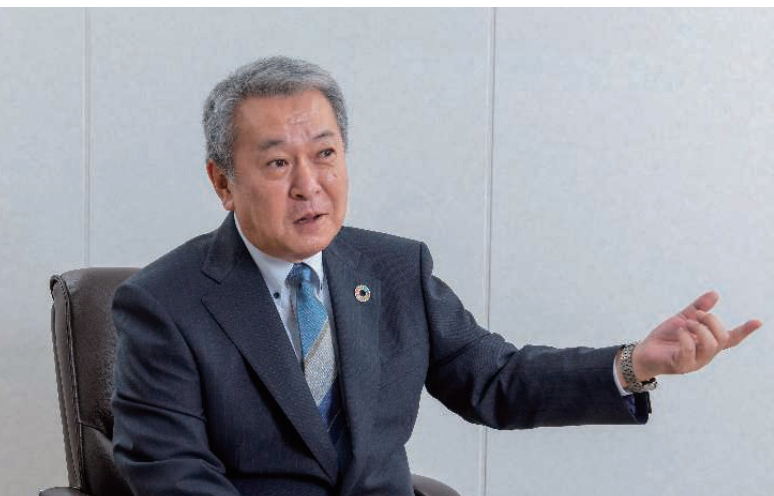
In recent years, environmental issues related to climate change and societal issues such as global population aging has risen. As such, the United Nations adopted the Sustainable Development Goals (SDGs) and investment markets are showing increased interest in environmental, social, and governance (ESG) investing. These factors are rapidly increasing expectations towards corporate efforts that lead to a sustainable society.

This reflects my belief that a company's growth must be linked to resolving the problems of society. If increases in economic value and increases in social value are not mutually sustainable, a company cannot achieve sustainable growth nor improve its medium- and long-term corporate value. I believe that realizing our management strategy equates to strengthening our ESG. We will take a long-term perspective and work to contribute to the resolution of various social issues.

To “promote business activities focused on global environment,” from FY2021, we have positioned climate change risks as a core management issue. We will evaluate the potential impact that risks and opportunities could have on our finances and engage in activities based on TCFD recommendations. While working to minimize risks, we also view this as an opportunity to use our technology towards resolving social issues and will proactively engage in such activities. Typical examples include making smaller and lighter products for the automotive electronics market to contribute to vehicle weight reduction, improved fuel economy, and reductions in CO₂ emissions.

We will also continue to “promote human resource development and work-life balance,” and “ensure corporate governance, corporate ethics, and transparency of management.”

Nippon Chemi-Con will further reinforce safety, quality, and legal compliance to contribute to the realization of a sustainable society, as well as striving for continuous growth as a company.



The 9th Medium-term Management Plan

Nippon Chemi-Con Group developed the 9th Medium-term Management Plan covering the period of three years from April 2020 to March 2023 and is implementing measures to achieve our goals. The outline of the plan is as follows:

Corporate Philosophy

Contributing to Environmentally and People Friendly Technology

Long-term Goal

Sustainable Corporate Growth and Improvement of Medium and Long-Term Corporate Value: E.C.O. Solution 2000

Medium-term Goal

Shift to a corporate structure capable of responding flexibly to changes in the business environment

Numerical Goals for the Final Year



(Assumed exchange rate: 105yen to the US dollar)

Progress of Numerical Goals

Net Sales	110.7 billion yen	ROE	4.5%
Operating Income Margin	2.7%	Total Asset Turnover Ratio	0.8

Basic Strategy

Generate profits through productivity reforms across the company and all divisions

Key Measures

1. Reinforce safety, quality, and legal compliance and the customer-first policy
2. Foster human resources with high motivation for challenge and sensitivity to information and create a new corporate culture
3. Introduce new products by strengthening product planning capabilities and clarify growth strategies
4. Improve customer satisfaction by prioritizing quality
5. Eliminate the high-cost structure by reorganizing production bases and implementing productivity reforms
6. Promote digitization to realize speedy management (DX Promotion)

For the latest information on the medium-term management plan, see the webpage below.

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

Framework of the 9th Medium-term Management Plan and Implementation of Structural Reform

Product Planning Reform

1. Strategies by Market /Product Group

- 1 Strategically important markets**
 1. Automotive electronics (CASE)
 2. Communication (5G/cloud)
 3. Industrial equipment and energy conversion
- 2 Enhancement of the earning power of aluminum electrolytic capacitor business**
 1. Enhancement of the strength of conductive polymer and hybrid capacitors
 2. Sales expansion of high-performance SMD type for automotive electronics
 3. Focus and selection of large/small size (Conversion to high added value with the current production capacity)
 - i) Improvement of the proportion of new products in large size
 - ii) Termination of the production of small-capacitance small size
- 3 Enhancement of the earning power of solid devices/functional devices business**
 1. Electric Double Layer Capacitors: Sales expansion for in-vehicle power supply backups
 2. Combining and module strategy enhancement
 3. Inductors (choke coils etc.): Sales expansion of new products for automotive electronics
 4. Multilayer Ceramic Capacitors: Sales expansion to automotive electronics and industrial equipment

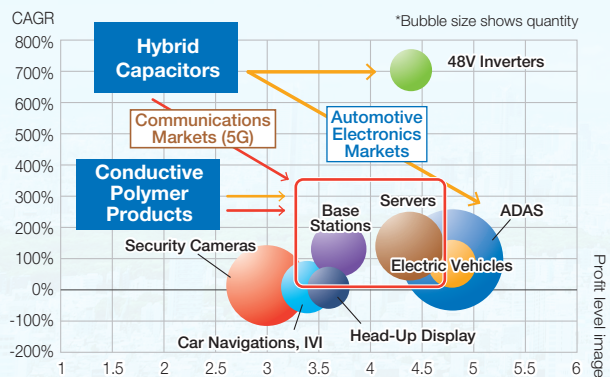
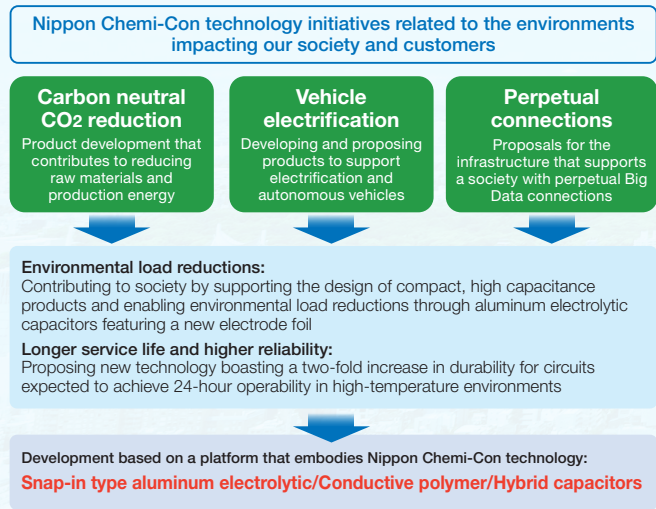
2. Regional Strategy

- Japan**
 1. Reorganization of sales bases and enhancement of distributor policies
 2. Focus on industrial equipment/ automotive electronics partner customers
- Americas**
 1. Focused usage of production bases in the US
 2. Enhancement of sales and marketing for GAFA/semiconductor manufacturers
- Europe**
 1. Sales expansions of strategic markets (automotive electronics/5G)
 2. Sales expansion of functional devices utilizing agents and reps
- Greater China**
 1. Sales expansions of strategic markets (automotive electronics/5G)
 2. Addressing domestic demand and usage of production bases in China
- Other**
 1. Establishment of sales bases in India
 2. Enhancement of sales expansions to Korean customers (Enhancement of cooperation with Korean affiliate)
- Global**
 1. Enhancement of web strategies for sales and marketing
 2. Enhancement of alliances and speedy management

3. Generate Highly Profitable Products by Introducing New Products

Strengthen product planning capabilities and accelerate the introduction of new products into markets that are expected to grow

Product development and market proposals: perspective rooted in society



Swiftly respond to changing markets/environments and aim to generate profits with technological agility

Structural Reform Measures

1. Reduction of fixed costs through productivity reform and improvement of financial position

- Workforce optimization under the early retirement program
- Improve productivity by integrating and reorganizing production sites and consolidating production site staff functions at the head office
- Reduce manufacturing processes by promoting the use of smart factories
- Establishment of a system for high-capacity operation of electrode foil facilities
- Improve capital efficiency through selection and concentration of capital investment
- Drastic reform of supply chain management system to reduce inventories

2. Realization of speedy management

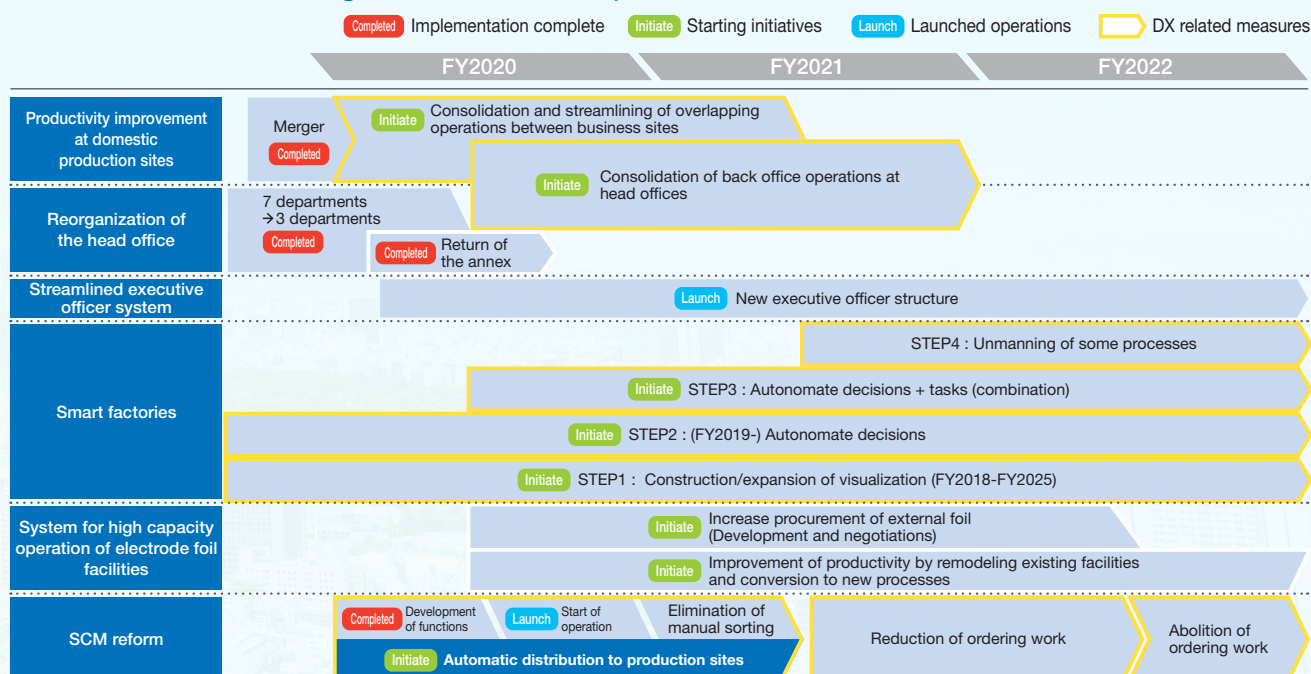
- Streamlined executive officer system and reorganization of the head office
- Promote digitization (DX Promotion)

Performance Improvement Effects from Product Planning Reforms and Structural Reforms

Main measures	Cumulative total for the three years	FY2020
1 Reduce fixed costs (Executive compensation, personnel costs, depreciation, etc.)	+ 6.3 billion yen	+ 1.5 billion yen
2 Improve profit through productivity improvement (Promote smart factories, establish a system for high-capacity operation of electrode foil facilities)	+ 1.9 billion yen	+ 0.7 billion yen
3 Increase profitability by introducing new products	+ 3.8 billion yen	+ 0.2 billion yen
Performance improvement effect total	+ 12.0 billion yen	+ 2.4 billion yen
4 Inventory reduction effect	+ 3.0 billion yen	

Structural Reforms Progress and Roadmap

Progress at the end of March 2021



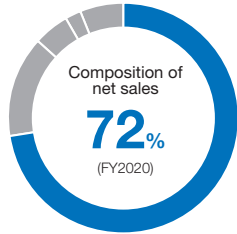
Business Overview

Product Category

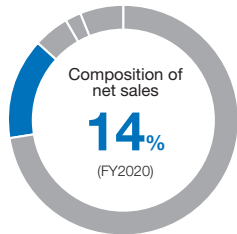
Main Products

Aluminum Electrolytic Capacitors

(excluding conductive polymer capacitors)

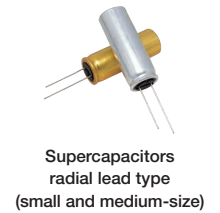
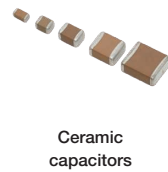
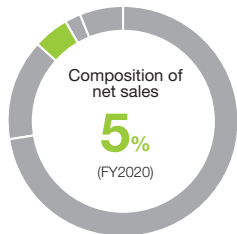


Conductive Polymer Capacitors



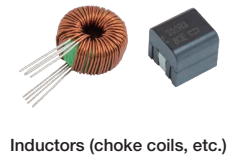
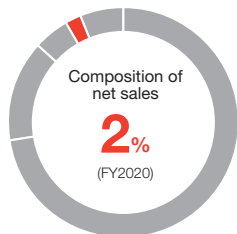
Other Capacitors

(including solid devices and functional devices)



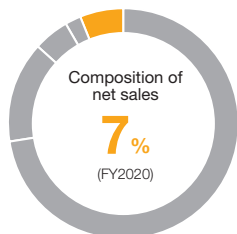
Mechanical and other parts

(including solid devices and functional devices)



Other

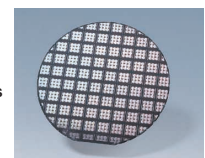
(including functional material)



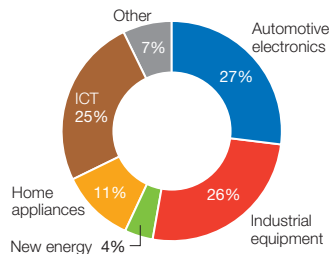
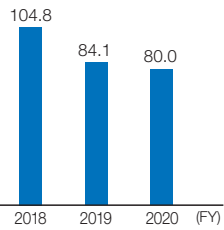
Capacitor material



Resale products

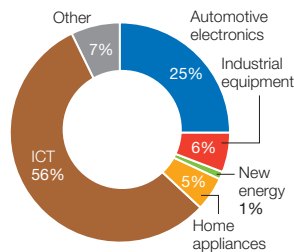
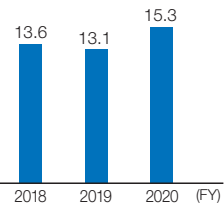


Net sales (billion yen)/Net sales by market (FY2020)

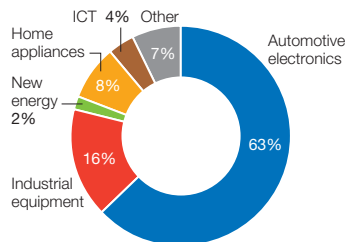
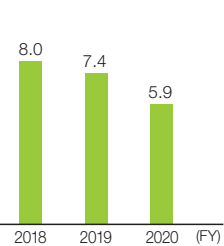


Product Strategy - Focus on Automotive Electronics/Communications/Industrial Equipment/Energy Conversion Markets

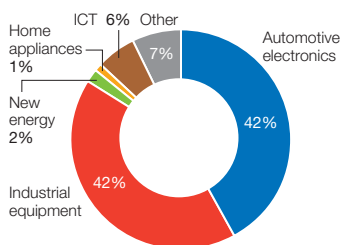
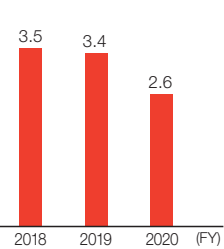
Large-size products	Focus on industrial equipment/energy conversion/automotive electronics markets Shift to high value-added products by increasing the ratio of new products Improvement of overall capacity utilization for existing facilities
Small and medium-size products	Selection and concentration Shift to high value-added products by increasing the ratio of new products Termination of production of small-size small-capacitance products
SMD type	Further expansion of sales to the automotive electronics market Improvement of profitability and further expansion of sales by increasing the ratio of high-performance products Improvement of overall capacity utilization for existing facilities



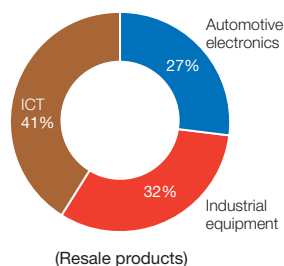
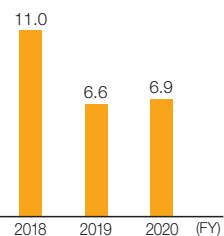
Conductive polymer capacitors	Radial lead type Focus on high value-added markets by enhancing sales expansions to the server market SMD type Introduction of new products to 5G base stations and the automotive ADAS market
Hybrid capacitors	Automotive electronics market Rapid response to the growth in the 48V mild hybrid systems market Introduction of new products to the automotive ADAS market Communications market Development of the 5G base station market



Ceramic capacitors	Reduction of production expansion investments and improvement in labor efficiency by improving productivity Development of new products (development of distinctive products such as high-capacitance, large-size products)
Ceramic varistors	Optimization of global production operations Improvement of profitability by pursuing efficiency improvements
Supercapacitors	Radial lead type Expansion of the product lineup for power supply backups to keep pace with electrification trend in the automotive electronics market



Modules	Camera modules Commercialization of modules with higher performances that are based on market and customer needs
Inductors (choke coils, etc.)	Sales expansion of new products for the automotive electronics market and establishment of a mass production system that ensures price competitiveness



Capacitor material	Increasing sales of highly profitable and new products by identifying market needs Rebuilding of business structures and production systems
Resale products	Sales expansion of silicon wafers for semiconductors used in automotive electronics and industrial equipment markets

Financial Strategy Message from our CFO

Strengthening our financial base by expanding business profits and improving asset efficiency through practicing appropriate capital distribution

We will expand operating profits by investing in growth fields and strengthening the financial base that supports future strategies to achieve continuous improvement of corporate value.

Osamu Ishii

Director
Managing Executive Officer
Chief Financial Officer



FY2020 resulted in a 3.3% YoY decline in net sales from the impact of COVID-19. Looking at profits, we were able to make significant YoY improvements in operating income and achieved a profit of 2.9 billion yen. This was due to a recovery trend in the operating environment as well as fixed cost reductions and productivity improvements achieved through structural reforms. We also improved our gross profit margin, which represents profit from operating activities, to 19.1%. This is an increase of 3.5 points from the previous fiscal year. In FY2021, we are aiming for a gross profit margin of 20% or higher. We will achieve this through profit through the steady implementation of structural reforms and enhancement of high value-added products.

FY2021 is our second year of structural reforms. We are planning to increase improvements to 3.8 billion yen, a higher amount by 1.4 billion yen YoY. Capacity utilization of facilities have increased steadily due to the adoption of smart factories, and we are planning to make a 14% improvement from FY2019. By expanding production capacity through the improvement of capacity utilization of existing facilities, we aim to reduce capital investments by 3.9 billion yen over a two-year period and improve asset efficiency.

We are also proceeding with reductions in cross-held shares and have already disposed of approximately 40% of stocks held at the beginning of FY2020. We will continue to strengthen our balance sheet by proceeding with the disposal of unnecessary assets. In September 2020, we conducted a capital increase with the issuance of new stock to strengthen our financial base and enable investments in growth fields. Procured capital is invested in growth fields such as improving our hybrid capacitors to strengthen our revenue base. Our equity ratio for FY2020 was 37%, improved by 8.7 points from the previous fiscal year. However, we realize that this equity ratio is still insufficient when compared to industry standards. We will continue pursuing the steady generation of periodic profits and, depending on the state of capital markets,

evaluate more flexible capital strategies to form a debt-asset balance that enables us to withstand any type of change in our operating environment.

FY2021 is a critical year in terms of achieving the targets for FY2022, the final year of our 9th Medium-term Management Plan. Our ROE goal for the final fiscal year is 10%. In addition to increasing profitability, optimizing operating capital efficiency through SCM reforms (CCC improvement), and increasing total asset turnover ratio by improving capital investment efficiency, we will also work to achieve our goals by engaging in appropriate financial leverage.

Improving capital investment efficiency requires our continuous seek of a 5% or higher return on our weighted average cost of capital (WACC). We will reinforce investment standards that focus on capital costs by using both of the following for investment judgment; internal rate of return (IRR), which sets a hurdle rate (goal rate of return) for each business, and net present value (NPV). Furthermore, we continuously validate the profitability effect of investments we conduct.

We realize that the high level of interest-bearing debt due to the recording of extraordinary losses and other factors from past fiscal years is a financial issue. As such, in FY2020, we reduced interest-bearing debt to 53.0 billion yen, an 8.2 billion yen reduction YoY. We will continue aggressive efforts to increase free cash flow by generating periodic profits and improving asset efficiency.

For the continuous improvement of corporate value, we will expand operating profits by investing in growth fields and strengthening the financial base that supports future strategies. Growth that leads to solving social issues is essential to continuously improve corporate value. Through business growth that strengthens our corporate structure and proposal of products that contribute to society and the environment, we will work to increase shareholder value by engaging in long-term profit returns to our shareholders.

Technology Strategy Message from our CTO

Sharing a common awareness of social issues with customers and creating new values

Sharing a common awareness of social issues such as carbon neutrality with customers and suppliers and reflecting that awareness in product planning is becoming more important than ever. By consistently sharing core strategies internally, we will increase the speed of development and shift from being passive to being proactive. The basic philosophy of the human resource development that will support this shift is the “fail fast, learn a lot” spirit.

Katsunori Nogami

Executive Officer
Chief Technology Officer



Nippon Chemi-Con has made efforts to accelerate the speed at which we are able to convert our technology into products customers desire by incorporating marketing departments into the R&D Headquarters based on our policy of “strengthening product planning capabilities.”

As part of this process, we outline several core strategies for product planning and apply them to our mainstay materials such as electrode foils and rubber seals, and even to the production facilities used to make these materials. Through this shared strategy, we have focused on development based on a consistent narrative.

This approach is incredibly important. For example, if we are forced to make a decision due to individual restrictions or requirements from specific customers or suppliers, a solid core strategy (product planning) enables us to evaluate our options based on the strategy and allows us to leave the decisions to the engineers. This enables an increased speed of operations because there is no need for employees to wait on instructions from supervisors or results of meetings. Having such autonomy enables us to switch from being passive to being proactive.

Even if it results in failure, those failures create the greatest growth opportunities for human resources by

thoroughly examining the cause such as structural factors or principles associated with that failure and acting based on the principles. If each individual were to practice the principles of “fail fast, learn a lot” in this type of structure, we could create a technical organization that is able to withstand failures and environmental changes. I believe that this will help strengthen human capital in our value creation process. This is also a consistent theme of the R&D Headquarters policy during the current Medium-term Management Plan.

We adopt this approach as a way to provide solutions to customer needs. However, in the long run, we must also consider ways to resolve the greater issues of society. In other words, we must maintain a perspective rooted in society.

With the passing of time, the need for resolutions to social issues such as achieving carbon neutrality has gotten larger. In addition to reducing our own energy consumption, we must be firmly aware that these are issues faced by all our customers and suppliers.

From now on, we must create new values as engineers by sharing a common awareness with our customers and suppliers and reflecting that awareness in our product planning. I believe this is the path we must take to achieve a better future for all.

Quality Strategy Message from our CQO

Realizing a stronger quality platform and productivity

Ultimately, there is a limit to quality management achievable through the injection of human resources. At Nippon Chemi-Con, we are aiming to create a stronger quality platform by advancing the adoption of IoT and AI. We also face increased uncertainty in our operating environment due to globalization. We will continue to implement measures towards enhancing a production structure that enables consistent quality across all production sites and will also continue to strengthen our BCP.



Yoshifumi Minegishi

Director
Senior Managing Executive Officer
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.”

Nippon Chemi-Con has always engaged in business activities with the understanding that quality is one of the most important factors. In our present market environment, this understanding has become more important than ever.

The products we provide to various industries are positioned as products that are key components in safety technology of autonomous driving and high-capacity communication technology, and malfunctions in these products could have a massive impact on society. As such, demands on quality have become stricter and greater.

At the same time, the difficulty in securing personnel due to the declining working population in Japan and the rising personnel expenses overseas has led to the limit of strict quality control achievable through the injection of human resources.

In this environment, we are taking the approach that quality is the foundation of everything, and a business cannot continue operation without quality. Therefore, we are engaging in the following initiatives with the goal of achieving a stronger quality platform and productivity.

- (1) Establishment and adoption of automatic judgment technology for appearance sorting and characteristic sorting**
- (2) Expansion of smart factory with IoT and AI**

At the same time, in an age of supply chain globalization, supply disruptions caused by global disasters and pandemics have become critical risks.

Nippon Chemi-Con strives to guarantee a stronger BCP and provide a stable supply of high-quality products to our customers. We will enhance our ability to achieve consistent production quality at all sites by promoting the following initiatives.

-
- (1) Enhancement of global QMS (Quality Management System) based on IATF16949**
 - (2) Invigoration of TPM (Total Productive Management) activities**
 - (3) Acceleration and enhancement of the application of quality improvements, including the results of facility audits**

The Nippon Chemi-Con Group will steadily implement these initiatives and contribute to society by providing safe and reliable high-quality products that meet the demands of a dramatically changing market.

Climate Change Initiatives – Commencement of studies toward evaluations based on the TCFD framework

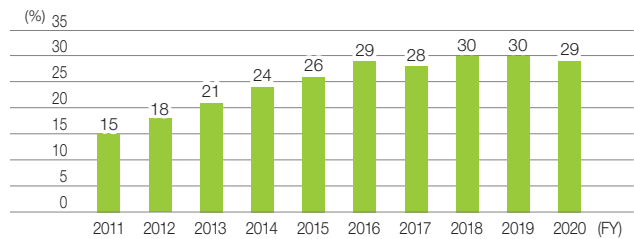
The Nippon Chemi-Con Group has commenced studies toward evaluations based on the framework outlined by the Task Force on Climate-related Financial Disclosures (TCFD). This reflects Nippon Chemi-Con's awareness of climate-related risks and opportunities as critical issues facing Group management.

From FY2021, the Nippon Chemi-Con Group positions climate change risks as one of our core management issues. We will adopt initiatives based on TCFD recommendations and work to further enhance our commitment to environmentally friendly business activities. In addition to initiatives aimed at minimizing climate change risks, we also view this as an opportunity to aggressively engage in applying Nippon Chemi-Con technology to resolving social issues. These opportunities include technology for reducing the size and weight of products for the automotive electronics market. The technology contributes to vehicle weight reductions, which in turn helps reduce CO2 emissions.

Contributions in the automotive field

The Nippon Chemi-Con Group is focused on the development of products that contribute to vehicle electrification such as aluminum electrolytic capacitors and supercapacitors. Through these efforts, our net sales composition of products for automotive electronics has increased from 15% in FY2011 to 29% in FY2020. Furthermore, in the years to come, the electrification of vehicles as part of initiatives towards achieving carbon neutrality is expected to accelerate. If the number of electronic components used in vehicles increase with this accelerating trend, it will further drive sales of our products for automotive electronics. We estimate that our ratio of net sales for automotive electronics products will rise to as high as 35% by FY2030.

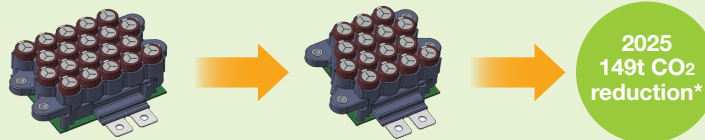
▶ Nippon Chemi-Con Group net sales composition of products for automotive electronics



Case example: Reduced CO2 emissions due to lighter vehicle weight

■ Aluminum electrolytic capacitors for on-board chargers (in-vehicle chargers)

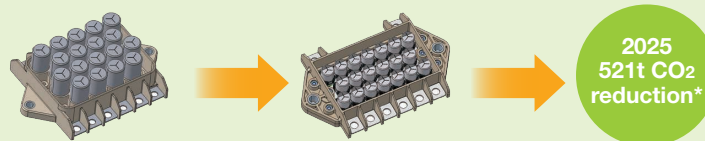
On-board chargers installed in electric vehicles and plug-in hybrid vehicles use aluminum electrolytic capacitors. Radial lead type aluminum electrolytic capacitors KXQ series which began mass production in FY2021 enables the reduction of capacitors used from 20 units to 15 units. Therefore, an average of 69g can be reduced per on-board charger. This weight reduction contributes to better power economy and subsequently results in lower CO2 emissions.



■ Hybrid capacitors for 48V mild hybrid vehicle inverters

Conductive polymer hybrid aluminum electrolytic capacitors maximize the potential for carbon neutral electric mobility by enabling size and weight reductions for automotive electronics. Use in power inverters of mild hybrid vehicles with a 48V power supply achieves a 232g weight reduction compared to modules using conventional aluminum electrolytic capacitors of equivalent performance.

The use of hybrid capacitors is spreading among micro e-mobility applications including electric motorcycles in emerging markets of Asia and Africa. This leads to strong expectations for synergy of electric vehicles with the last mile of logistics such as personal deliveries and home deliveries.

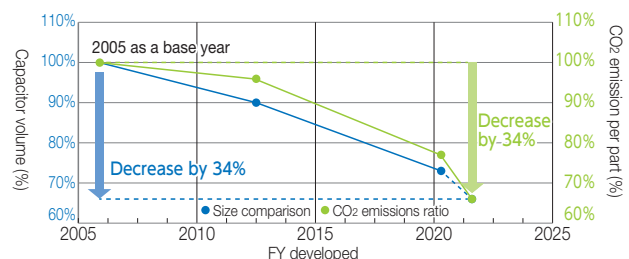


*Guidance on Calculating GHG Emission Reduction Contribution of Electronic Components (JEITA, 2016) referenced for calculations. Calculations conducted using information including global automobile sales forecasts (sales forecasts based on type such as HV, EV, ICE, etc.)/SMBC Nikko Securities Inc. research materials; product weight differences (weight differences of existing products and new products of Nippon Chemi-Con) and Nippon Chemi-Con product market share/Nippon Chemi-Con internal research; annual driving distance/Ministry of Land, Infrastructure, Transport and Tourism materials.

Contributing to the global environment through CO2 reduction initiatives / Case example of contributions in aluminum electrode foil processing

The Nippon Chemi-Con Group has continuously worked towards reducing energy consumption of products. Compared to products developed in FY2005, we have reduced energy consumption by 30% or more per unit. This was achieved by increasing the capacitance of electrode foil that serve as the main material in aluminum electrolytic capacitors, enabling a reduction in the volume of materials used in each product. We also reduced the energy required during forming, one of the processes involved in the manufacturing of electrode foils.

▶ CO2 reduction focused on the main materials of snap-in type aluminum electrolytic capacitors



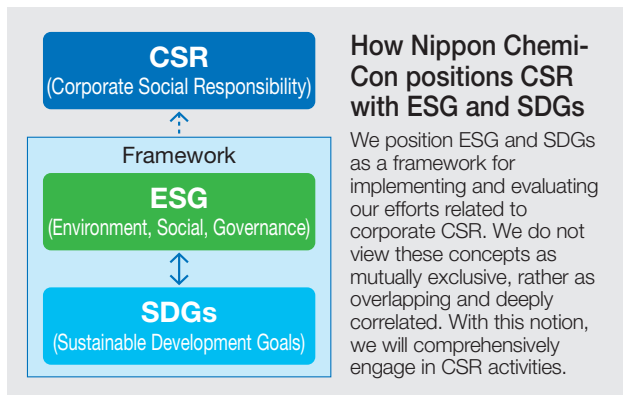
Note: Calculated based on CO2 emission coefficient of aluminum raw material (imported aluminum blocks purchased externally and aluminum processed domestically) per unit weight / Japan Aluminium Association materials; CO2 emission coefficient/Ministry of the Environment (Law Concerning the Promotion of the Measures to Cope with Global Warming), Electric Power Council for a Low Carbon Society materials; manufacturing process data for electrode foils and electrolytic capacitors/Nippon Chemi-Con internal research.

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.

Nippon Chemi-Con Group Charter of Corporate Behavior
<https://www.chemi-con.co.jp/en/company/sustainability/governance/compliance/charter.html>



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 that our activities can have on society and climate change. 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. We will promote medium- to long-term measures including investment in human capital and intellectual property for issues related to sustainability such as climate change, respect for human rights, consideration for the labor environment, and fair trade. The Nippon Chemi-Con Group positions CSR activities as part of our

management strategy for reducing business risks and achieving sustainable growth. We further recognize that these types of CSR activities are inseparable from corporate ESG and achieving sustainable development goals (SDGs). We are committed to balancing business development with resolving societal problems.

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. To promote CSR upon our supply chain, we convey our CSR policies to suppliers before implementing assessments and aim for mutual sustainable development through communication. All Group offices and plants conduct CSR internal audits and independently work to understand and correct risks, enforcing policies to become a better company. A system was introduced to select auditors from sites other than those subject to auditing and monitor each other. Through various training, we will enhance Group employee awareness of corporate social responsibility and remain dedicated to contributing to all our stakeholders by linking our business activities to social development.

Participation in the 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 anticorruption. 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.

SDGs

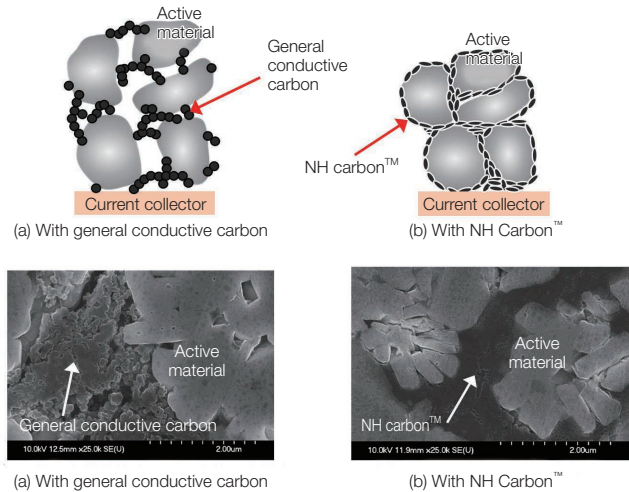
We aim to contribute to the sustainable development goals (SDGs) outlined in the 2030 Agenda for Sustainable Development adopted at the September 2015 UN Summit. Through the outside-in approach (method of establishing corporate goals based on societal needs and social issues outside the company), we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

Initiatives Related to SDGs

Supporting technology innovation with new products



Nippon Chemi-Con Corporation and Asahi Carbon Co., Ltd. have agreed to collaborate on NH Carbon™, a conductive assistant for lithium-ion batteries. NH Carbon™ is a material for next-generation electricity storage devices developed by Nippon Chemi-Con and is a unique carbon material that has never been seen before in that it can be coated on the surface of active material. By using it in the anodes and cathodes of lithium-ion batteries and all-solid-state lithium-ion batteries, it is especially effective in improving the charge-discharge cycle life by two to three times, as well as improving electrode density and reducing electrode resistance. Our technology will support the industrial infrastructure for technology innovation.



Topic 1 Investing in intellectual capital

Nippon Chemi-Con has established a department dedicated to managing the Group's intellectual property and is working on an IP (Intellectual Property) strategy. We are contributing to the advancement of technological research not only through the conversion of inventions and know-how into intellectual property and investigation of technical information, but also through in-house debriefings and awards. Our company aims to raise the intellectual property mindset and are working to increase the number of proposals from engineers. We are particularly focused on identifying technologies from the early stages of development and promote overseas expansion to secure superiority in our key markets. Furthermore, we will strive to acquire intellectual property related to materials by applying our strength in in-house operations from material development to production. Hereafter, we will focus on "raising awareness of social contribution through products" for carbon neutrality and SDGs, and will work on our IP strategy by redefining research and development as a contribution not only to profits but also to society. We consider technology development to be the driving force behind corporate development and strive to maintain research and development expenses at approximately 3 to 4% of net sales under a medium- to long-term plan.

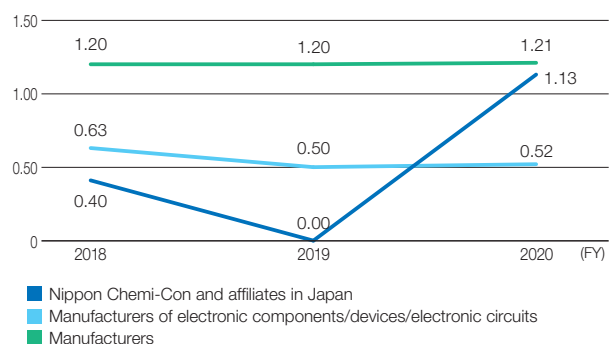
Topic 2 Industrial safety and health initiatives

Status of labor accidents

In the event of a labor accident, Nippon Chemi-Con Group shares information about the cause and correction actions with domestic and overseas bases to prevent reoccurrences. The lost time incident rate (LTIR) in Japan varies depending on the fiscal year, but the rate in FY2020 was 1.13. Furthermore, there were no incidents that resulted in death.

Lost time incident rate (LTIR) = Number of victims (leave of 1 day or more) due to industrial accidents ÷ total actual working hours x 1,000,000

Lost time incident rate (LTIR)



Strategic Basis for Sustainability – ESG Initiatives

Nippon Chemi-Con Group incorporates ESG (Environment, Social, Governance) into our corporate strategies to pursue sustainable growth. We outline activity goals and promote participation.

ESG Activities (Goals, Achievements, Progress, and Degree of Completion)

ESG initiative items	FY2020 major activities and goals	FY2020 achievements and progress
 <p>Global environment conservation</p> <p>Environment</p>	Global warming prevention and energy conservation activities *1 -Improvement target in energy consumption per unit: 1% or higher per year/vs. base year (FY2012) : 7.73%	Base year (FY2012) comparison: 15.6% improvement
	Appropriate management of chemical substances used by factories *2	Appropriate management conducted at all plants, no incidents having an impact on the environment
	Management of chemical substances contained in the products (environmentally conscious products) *3	No environmental-related product accidents
	Effective use of resources and waste reduction, promotion of 3Rs *1 -Final disposal rate: 1.8% or less	Final disposal rate: 0.5%
	Continue improvements based on environmental management system (ISO14001) *2	Use of ISO14001-compliant EMS resulted in no problems with performance, including environmental goals, and no recommendations from external review
	Biodiversity conservation activities *1	Each plant is engaged in tailored activities, which have produced certain level of results such as increased collaboration with local communities However, in part due to the ongoing COVID-19 pandemic, these results are not yet deemed sufficient
	Contribute to local communities *1	Each plant engaged in volunteering activities, although some activities were small-scale or reduced in frequency due to constraints caused by COVID-19
	Compliance with environmental laws *3	No accidents or incidents resulting in environmental pollution attributable to Nippon Chemi-Con, and no legal violations
	Development of energy-efficient products *3	Promoted product size reductions and energy conservation with new electrode foil, and developed solutions for higher temperature resistance and longer life
<p>HR/benefits</p>	Adopt work-from-home system *4	Adopted work-from-home system
	Continue welcome back program (re hiring program) *5	No applications
	Reduce average overtime to average 29 hours or less per month per employee *4	Achieved
	<p>Employee health and safety</p>	Increase paid leave usage rate and childcare leave usage rate to 70% and higher *5
Continue mandatory rest between shifts *5		Continued mandatory rest between shifts
 <p>Human resource development</p> <p>Social</p>	Conduct tiered training *5	Group events promoting improvement in exercise habits were cancelled due to COVID-19 Instead, walking events that could be worked on individually was promoted
	Continue training programs in Japan for overseas local employees *6	Conducted some trainings online and postponed some due to COVID-19
	Continue overseas assignments via the global human resources development program (application based) *5	Not conducted due to COVID-19
	Continue measures to maintain a 5-year turnover rate of 11% or less for young employees *5	Not conducted due to COVID-19
<p>Diversity</p>	Proactive employment of foreign students studying in Japan *4	Achieved
	Increase employment rate for disabled workers to 2.5% by FY2020 *5	Conducted chat sessions and other recruitment activities targeting foreign students but did not lead to employment
	Increase female employment rate to 30% or higher for technical and manufacturing positions and 40% or higher for sales and clerical positions *4	Conducted recruitment activities towards achieving goals but did not lead to employment
<p>Social welfare</p>	Increase number of female managers by 50% by the end of FY2020 compared to the end of FY2015 *4	Technical and manufacturing positions: approx. 20% Sales and clerical positions: approx. 60%
	Provide support such as vaccines and clothing to developing nations *5	Did not conduct as the receipt of clothing donations was suspended due to COVID-19
<p>Next-generation development</p>	Support wheelchair purchases *5	Continued to collect plastic bottle caps
	Continue internship system *4	Continued to collect soda can pull tabs
	Dispatch instructors for next-generation human resource development conducted by industry organizations *4	Conducted at Nippon Chemi-Con head office and Kanagawa Research Center (for university graduates)
 <p>Corporate governance</p> <p>Governance</p>	Increase participation in management by outside officers and creation of environment that promotes engagement *4	Participated in JEITA Human Resource Development Council Primary and Intermediate Education Working Group "Visiting Lecturers" project
	Reflect results of internal controls efficacy evaluations on management *4	Attended various meetings as necessary and conducted on-site tours of plants
	Compliance with basic policy on corporate governance *4	Issued report to management on internal governance efficacy evaluation
	Communicate with shareholders and investors *4 (Explanation of financial results and constructive dialogue with major investors)	In compliance with policies
<p>Compliance</p>	Continue systematic implementation of compliance education *5	Earnings conference for institutional investors (May/November): Refrained from holding in-person conferences due to COVID-19 Used video streaming (including presentation by company representative) and other formats
	Continue participation in UN Global Compact (participating since 2012) *3	Doubled frequency of financial results explanatory material disclosure (published quarterly on website)
	Continue internal audits related to competition laws, export management, ethics, labor, and health and safety *5	Held tiered training, compliance training related to the Competition Act, and implemented education when conducting Competition Act/export audits
<p>Risk management</p>	Regular BCP validation, reviews *3	Reported status of annual activities
	Reinforce information leak prevention (data center, thin client, internal audits, etc.) *5	Conducted annual regular updates, including the list of material suppliers Created new list of plant BCP information
		Conducted internal audits as planned

(*1 - *6 : Name of the sites that the activities are implemented)

*1 Takahagi Plant, Niigata Plant, CHEMI-CON EAST JAPAN CORP., CHEMI-CON YAMAGATA CORP., CHEMI-CON EAST JAPAN MATERIALS CORP., CHEMI-CON NAGAOKA CORP.

- E** Promote business activities focused on global environment
- S** Promote human resource development and work-life balance
- G** Ensure corporate governance, corporate ethics, and transparency of management



Sustainable
Corporate
Growth

◎: Achieved ○: Achievement rate of 80% or more △: Achievement rate of 50% or more ×: No progress —: Not evaluated in the fiscal year under review

Degree of completion	FY2021 major activities and goals	Related pages
◎	Global warming prevention and energy conservation activities -Improvement target in energy consumption per unit: 1% or higher per year -Evaluating initiatives based on the Low-carbon Society Action Plan	P29
◎	Appropriate management of chemical substances used by factories -Environmental impact of chemical substances used by factories	P31
◎	Zero environmental-related product accidents	P10
◎	Effective use of resources and waste reduction, promotion of 3Rs -Final disposal rate: 1.8% or less	P30
◎	Continue improvements based on environmental management system (ISO14001)	WEB https://www.chemi-con.co.jp/en/company/sustainability/environment/initiative.html
○	Promote biodiversity conservation activities	P30, P35
◎	Contribute to local communities	P35
◎	Compliance with environmental laws	P29
◎	Expand line of products enabling size reductions and higher temperature resistance and longer life	P5, P17, P24
◎	Continue work-from-home system	
—	Continue welcome back program (reiring program)	WEB https://www.chemi-con.co.jp/company/sustainability/society/resources/welcomback.html
◎	Overtime: an average of 29 hours or less per month per employee	P34
○	Paid leave usage rate and childcare leave usage rate: 70% and higher	P34
◎	Continue mandatory rest between shifts	
○	Continue healthy company activities	P34
○	Conduct tiered training	P33
—	Continue training programs in Japan for overseas local employees	P33
—	Continue overseas assignments via the global human resources development program (application based)	P33
◎	Continue measures to maintain a 5-year turnover rate of 11% or less for young employees	
△	Proactive employment of foreign students studying in Japan	P32
×	Increase employment rate for disabled workers to 2.5% by FY2023	P32
○	Increase female employment rate to 30% or higher for technical and manufacturing positions and 40% or higher for sales and clerical positions	P32
◎	Increase number of female managers by 50% by the end of FY2025 compared to the end of FY2020	P32
△	Provide support such as vaccines and clothing to developing nations	P25
◎	Support wheelchair purchases	P25
◎	Continue internship system	P32
◎	Dispatch instructors for next-generation human resource development conducted by industry organizations	
○	Increase participation in management by outside officers and creation of environment that promotes engagement	P36
◎	Reflect results of internal controls efficacy evaluations on management	
◎	Compliance with basic policy on corporate governance	P36 WEB https://www.chemi-con.co.jp/en/company/sustainability/governance/corporate/
◎	Maintain frequency of financial results explanatory material disclosure Promote rapid and fair information disclosure Adopt automated update system to increase the speed at which timely disclosure and regular disclosure materials are updated to the website	WEB https://www.chemi-con.co.jp/en/company/ir/
◎	In addition to annual initiatives, we are also evaluating publishing articles related to compliance study groups and legal affairs in the company magazine	P38 WEB https://www.chemi-con.co.jp/en/company/sustainability/governance/corporate/
◎	Continue participation in UN Global Compact	P25 WEB https://www.chemi-con.co.jp/en/company/sustainability/philosophy/ungc.html
◎	Conduct CSR internal audits at six sites Adopt system of adding new deputy auditors for plants to conduct mutual audits	P38
○	In addition to annual initiatives, create a new BCP response sheet at each plant	P39
◎	Reinforce information leak prevention (data center, thin client, internal audits, etc.)	

*2 Manufacturing bases in Japan and overseas manufacturing bases *3 Nippon Chemi-Con Group *4 Nippon Chemi-Con Corporation *5 Nippon Chemi-Con Corporation and Affiliates in Japan
*6 TAIWAN CHEMI-CON CORP., CHEMI-CON (WUXI) CO.,LTD., CHEMI-CON (MALAYSIA) SDN. BHD., P.T.INDONESIA CHEMI-CON

E Environment

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

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.

Our company is not responsible for any accidents involving environmental pollution.

Environmental Activities



The Group has been participating in the Low-Carbon Society Action Plan

of the electrical and electronics industry since FY2013. The

Plan ended its chapter at the end of FY2020 and both the industry and our Group were able to achieve its goal.

From FY2021, our annual average improvement goal for energy consumption per unit is 1% and higher based on the industry goal set in the "Carbon Neutral Action Plan". We have also started considering initiatives toward FY2030 with the industry's current consideration of setting challenging goals in mind. We promote Group-wide activities centered around the energy conservation working group consisting of employees in charge of energy.

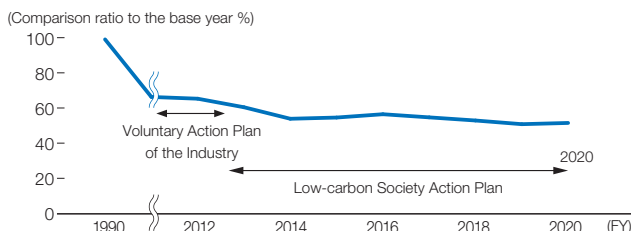
Mid-term target In light of "Carbon Neutral Action Plan" by industrial associations:

Toward FY2025: Improvement target in energy consumption per unit → Annual average : **1%** and higher

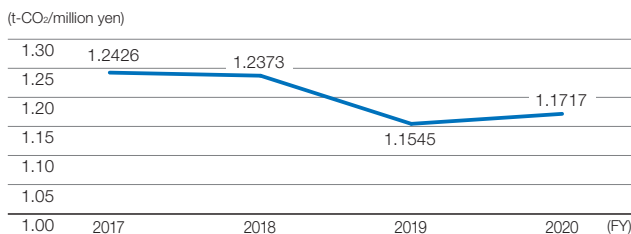
Long-term target In light of the common goal set by industrial associations:

Toward FY2030: Improvement target in energy consumption per unit → Annual average : **1%** and higher

CO₂ Emission (per unit of production; manufacturing bases in Japan; FY1990 comparison)



CO₂ Emission (per unit of production; manufacturing bases in Japan)



Activity Results Breakdown of total CO₂ emissions by year *1

(t-CO₂)

Fiscal Year	2016	2017	2018	2019	2020
Purchased electric power *2	489,601	518,243	476,074	428,225	373,316
Grade A heavy oil *3	27,127	29,378	23,351	11,486	7,291
City gas	17,587	18,463	21,210	17,267	11,451
LNG*3	0	0	1,825	8,813	15,836
Industrial steam	2,430	2,561	2,486	1,687	2,158
Others	2,260	2,702	2,252	1,584	1,884
Total	539,005	571,346	527,198	469,062	411,936

Notes: *1. Aggregation scope: Total for overseas manufacturing bases (excluding Samyoung Electronics and Qingdao Samyoung Electronics), manufacturing bases in Japan and head office indicated on the "Global Network" page.

*2. Overseas electricity consumption-CO₂ conversion factors: International Energy Agency (IEA) CO₂ Emissions from Fuel Combustion Highlights 2019, International Energy Agency (IEA)

Electricity consumption in Japan-CO₂ conversion factors: Calculated based on emission coefficient (adjusted emission coefficient) published by the Federation of Electric Power Companies of Japan. In FY2020, CO₂ emissions decreased compared to FY2019 due to reduced production of the material business.

*3. Partial conversion of boiler fuel to LNG from grade A heavy oil in FY2018 and FY2019. As a result, CO₂ emissions from LNG combustion increased and emissions from Grade A heavy oil combustion decreased.

Resource Conservation

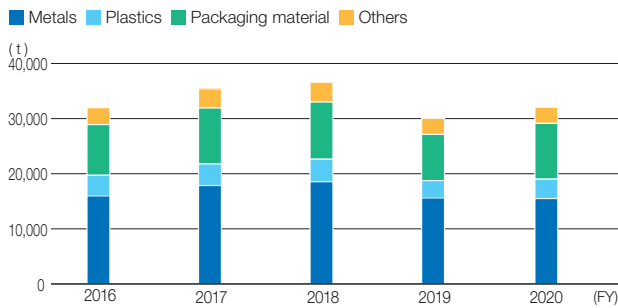


In the manufacturing activities of industries, the resources are essential element. Efficient use

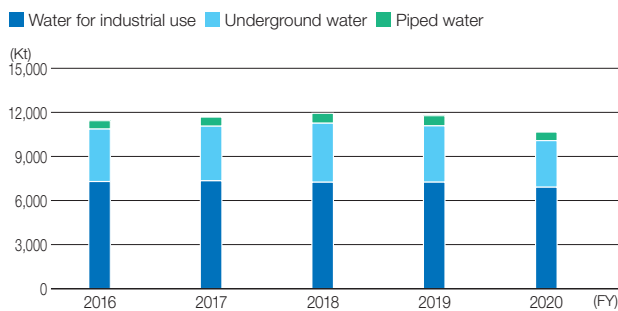
of such resources will protect global environment and ecology.

We encourage the “3R,” recycling, reusing, and reducing activities in order to contribute to the preservation of the environment.

Trend of resource consumption by Nippon Chemi-Con Group (manufacturing bases in Japan and overseas)



Trend of water consumption by Nippon Chemi-Con Group (manufacturing bases in Japan and overseas)



Waste Reduction

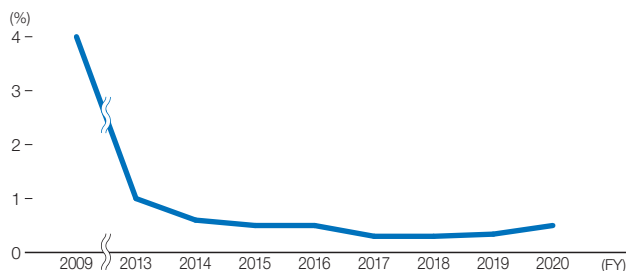


The Nippon Chemi-Con Group has addressed activities for resource

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.

Trend of final disposal rate (manufacturing bases in Japan)



Biodiversity Initiatives



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

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

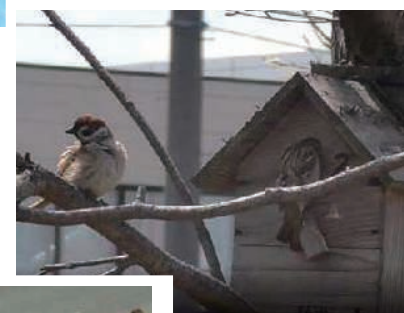
1. Impact from procurement of raw materials: In cooperation with our suppliers, we share views and mutual understanding concerning biodiversity, and move continuously ahead with activities.
2. Impact on ecosystems caused by manufacturing: Our manufacturing processes use energy and resources, and they emit CO₂, 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.
3. 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
We conducted an organism survey in the pond on plant grounds and found Japanese fire belly newts breeding and nurturing a rich ecosystem. Japanese fire belly newts are classified as a near threatened species by Yamagata prefecture.

Nippon Chemi-Con ▶ Corporation Niigata Plant
We installed bird houses in trees on plant grounds to promote the protection of wild birds. This year also saw the arrival of a new family.



◀ Chemi-Con East Japan Corp. Fukushima Plant
We supported the Yabuki town “Hana Ippai (Flowers Everywhere) Campaign” and participated in planting many flower seedlings in roadside planters.

For more information, see the webpage below.
<https://www.chemi-con.co.jp/en/company/sustainability/environment/>
https://www.chemi-con.co.jp/company/sustainability/environment/pdf/environmental_data_2020-E.pdf

E Environment

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 types of phthalic acid esters added newly. Moreover, same 4 types of phthalic acid esters will be regulated by threshold limit of 0.1wt% (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 Standards, 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 a timely manner.

The Nippon Chemi-Con Group has established “Nippon Chemi-Con Group Green Procurement Standards” 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 Standards 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 audit and evaluate chemical substances / environment protection management of suppliers.

Third-party Evaluation on Environmental Initiatives



Yuji Kishi

Professor emeritus,
Keio University

In fiscal year 2020, the COVID-19 pandemic continued to disrupt human flows, logistics, and the economy worldwide. This caused major damage to supply chains, from material procurement to shipping, making it difficult for companies to respond to environmental issues. In spite of such difficult circumstances, your company has continued to make various

environmentally friendly efforts for sustainable development in line with your Basic Environmental Policy and showed steady progress suggesting new possibilities. In the area of carbon dioxide emission reduction, which is one of the pillars of the energy conservation field, the annual average of emissions per unit of production has met the target of 1% or less, but there has been a slight increase in emissions per unit of production. In order to meet Japan’s policy of achieving carbon neutrality (net zero) by 2050, further innovations in the

energy mix will be inevitable, in addition to innovations in reducing emissions per unit of output.

In the area of resource conservation, there was a slight increase in the total amount of resources used, but alongside you showed a significant decrease in water consumption. In the area of biodiversity conservation, another pillar of our environmental contribution, your company continued to make contributions based on the use of their business sites. Your company’s unique attempt to conserve rare species, such as the red-eyed newt, the small cyprinid freshwater fish *Pseudorasbora pumila*, and another fresh water small fish the southern killifish, *ex situ*, in several plant yards was maintained through cooperation among plants, and also with local citizens and schools. The outlook for the corona pandemic is not promising for significant mitigation at least for several years in future, and it is expected to be difficult to expand the scale of local contribution to biodiversity conservation, which is based on the expansion of human flow, over the next few years. So during those years, it would be desirable to focus on enhancing and expanding the scale of the *ex situ* conservation of rare species within the plant premises, and to emphasize the contribution to the support of local ecosystems through those measures, and prepare for new developments in the next few years, hoping that the pandemic be controlled significantly and local human (school children and citizen) flows will recover.



Diversity

Aiming to diversify management by promoting global HR development and active participation of females in the workplace

Amid continuing globalization, overseas production accounts for approximately 65% of production (in volume) at Nippon Chemi-Con and of our approximately 6,000 employees, about 60% are outside Japan. In the recruitment of new graduates, we set targets for the ratio of female and foreign students to be employed and provide support for career plans and regular interviews after entering the company. 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.

Initiatives of Nippon Chemi-Con and affiliates in Japan

Active Participation of Women

- Percentage of female new graduate employment (most recent three fiscal years)
Approx. 20%
- Percentage of women in management positions
End of FY2020: Approx. 2%

Goal: We aim to increase the number of female section chiefs, section managers and deputy section managers as well as women in management positions by 50% by the end of FY2025 (compared to the end of FY2020).

Initiative examples: Further increasing awareness through training, providing opportunities for workers to interact with female senior staff in the position of section chiefs and above, distributing leaflets on support for balancing work and childcare.

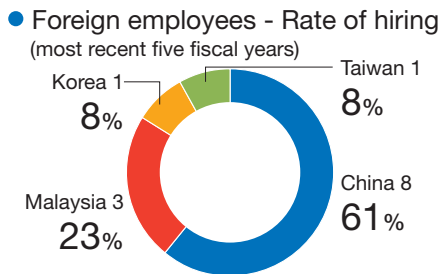


Mid-Career Employment

- Status of employment
FY2018: 12 people
FY2019: 14 people
FY2020: 1 person
- Percentage of mid-career employees in management positions
End of FY2020: Approx. 13%

We continuously engage in mid-career employment activities to secure personnel capable of making immediate contributions and future candidates for management positions. In the past three fiscal years, we have employed 27 mid-career personnel who currently are positioned in various fields including development, sales, and clerical positions. We also provide individual training for mid-career employees to help them rapidly acquire an understanding of our organization.

Foreign Students



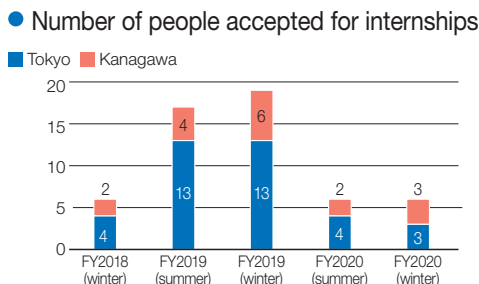
Nippon Chemi-Con practices the hiring of foreign students studying in Japan. Amid continuing globalization, our belief is that the employment of human resources who live in Japan and have an understanding of Japanese culture is vital. Since 2012, we have aggressively recruited foreign students in Japan. As of April 2021, we have 23 such personnel who are involved in a variety of roles in the company. Although there are no foreign employees in management positions, we will establish a career plan and present model cases as a foothold for becoming managers.

Persons with Disabilities

- Status of employment
End of FY2020: 1.78%
- Goal
2.5% employment rate

Nippon Chemi-Con proactively conducts the employment 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. We are aiming for persons with disabilities to represent at least 2.5% of employees. The Nippon Chemi-Con Group will continue working to expand our overall employment and provide work opportunities for persons with disabilities.

Internships



From winter of FY2018, we started an open recruitment of internships as part of our job training program. In FY2020, we held some internships online as measures for COVID-19. Thus far, acceptance had been limited to Tokyo and Kanagawa, but we will expand target regions to promote familiarity with Nippon Chemi-Con through various experiences such as disassembly and analysis of electronic components and circuit design.



▶ Employee safety: Please refer to P26 for industrial safety and health initiatives



Nippon Chemi-Con Group Education System

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

Tiered training	Target persons	Program	Number of participants for FY2020
	Managerial tier	New managerial staff training	9
Practical tier	Mid-career employee training	Postponed	
	5th year training	Postponed	
	Follow up training I & II	90	
	New employee training	38	
	Prospective employee training	38	

Selective training	Target persons	Program	Number of participants for FY2020
	Managerial tier	Newly appointed overseas representative training	None
Practical tier	Overseas pre-assignment training	7	
	Local overseas employee training system	Cancelled	
	Global HR development program	Cancelled	
	Management capability assessment	48	
	OJT leader training	53	

Self-development	Target persons	Program	Number of participants for FY2020
	All employees	NBS (distance learning)	621

Other	Target persons	Program	Number of participants for FY2020
	All employees	Mental health training	115
Harassment training			

•Tiered Training

Tiered training is a system of curriculum that serves as the foundation for long-term personnel development. We conduct 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 employees 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. To ensure diversity and raise awareness, internationalization training is included in new employee training. Due to COVID-19, we added online training options in FY2020 to respond to the demands of the times.

•Selective Training

We also work to develop global human resources. 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 170 overseas employees have participated. 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. A total of seven employees have finished this program thus far. We were unable to conduct this program in FY2020 due to COVID-19, but we will expand target persons and make the program even more appealing.

Assessment training has been a requirement for promotion to management positions. From FY2020, we adopted a new

separate evaluation process to be promoted to supervisors. 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.

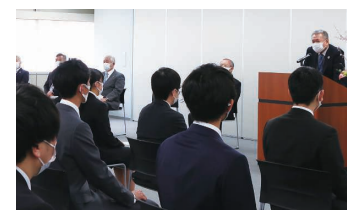
•Self-Development

Nippon Chemi-Con and affiliates in Japan 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-development.

•Other

The Act on Comprehensive Promotion of Labor Policies (commonly referred to as the Power Harassment Prevention Act) was enacted in June 2020. This law requires companies to implement measures to increase worker awareness and understanding of power harassment as well as measures to promote awareness among workers of their colleagues’ language and behavior towards other workers. As part of these measures, we implement harassment training for Nippon Chemi-Con and affiliates in Japan.

We have started conducting training for managerial and supervisory staff from the second half of FY2020, and plan to do the same for all employees.





Activity Details

Ensuring the health of our employees and their families enables employees to work with peace of mind and leads to growth for the company. Embracing the approach that employee health is a benchmark of corporate management status, we aim to provide a comfortable work environment that encourages all employees to actively engage in health management, health risk countermeasures, and health maintenance and improvement. To support the mental and physical health of our employees, we will strengthen our collaboration with health insurance unions and proactively adopt ICT in initiatives to promote health management.

Since FY2017, Nippon Chemi-Con and affiliates in Japan have participated in health management surveys

conducted by the Ministry of Economy, Trade, and Industry (METI) to promote effective health initiatives by quantifying health information.

In a survey of insurer implementation rates for designated health examinations and designated health guidance published by the Ministry of Health, Labour, and Welfare (MHLW) in FY2019, the Nippon Chemi-Con Health Insurance Union had a designated health guidance implementation ratio of 85.2% (figures from FY2017), ranking tenth in all health insurance unions (total of 1,635) in Japan. We will continue working towards increasing implementation rates as a way to contribute to health maintenance and improvement for health insurance union enrollees.

Activities in FY2020 (Nippon Chemi-Con and affiliates in Japan)

I. Health management initiatives

1) Maintain a 100% health examination consultation rate and measures to increase rate of re-examinations.

Although we have a 100% health examination consultation rate, there is room to improve the rate of re-examinations. To ensure compliance with the Industrial Safety and Health Act and increase health awareness among employees, we will continue working to increase the rate of re-examinations.

2) Providing designated health guidance based on health examination results

Using the results of designated examinations focused on metabolic syndrome, we will use dedicated staff to proactively provide designated health guidance to persons with high risks of lifestyle diseases and may greatly enhance their chances of disease prevention through lifestyle improvements.

Additionally, we visit all offices and plants and arrange to have industry doctors conduct interviews with employees who work long hours.

3) 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 illnesses or require a leave of absence. Starting FY2021, we adopted an online response system and will urge people to respond if they have not yet answered.

At the same time, we provide line care training for management personnel to provide opportunities for learning how to respond to consultations from subordinates.

II. Health risk initiatives

1) Total ban on smoking during work hours

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.

In FY2020, the Nippon Chemi-Con Group initiated smoking bans during work hours as part of efforts to further prevent passive smoking.

2) Lifestyle disease prevention

Health physicians and specialists use health examination results to provide health guidance to persons applicable to metabolic syndrome and pre-metabolic syndrome to support lifestyle improvements. To promote the prevention of common illnesses and lifestyle diseases related to eating habits and sleep, we regularly hold behavior improvement seminars at our offices and plants. To prevent the spread of COVID-19, in FY2020, Nippon Chemi-Con switched to online attendance as an alternative to group training. We will use online measures as well in FY2021, depending on conditions.

III. Health maintenance and improvement initiatives

Implementing various measures to promote improvement of exercise habits

While many people understand the importance and joy of exercise, the reality is that, even with that understanding, few people habitually engage in exercise. To improve this situation, we are aiming to increase the rate of people regularly engaged in appropriate exercise, one of the categories on the Health Scoring Report used to evaluate the status of initiatives related to employee health status, medical costs, prevention, and health maintenance. In FY2020, we recommended participation in walking events sponsored by the Health Insurance Union in response to the difficulty in holding events that promote improvements in fitness habits due to COVID-19. We will continue to recommend proactive participation in walking events in FY2021.

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.

Nippon Chemi-Con has 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 childcare 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.

S Social

Contributions to Local Communities

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

Relationships with Local Communities



“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 East Japan Corp. Miyagi Plant has been attempting hatching of Shinai-motsugo in its premises by guidance from NPO since FY2016.

In June 2019, we released Shinai-motsugo to their home “Katsurasawa-pond” with elementary school students. We also participated in the pond release event on September 9, 2020. As a member of community, we will perform activities that share the importance of passing on the rich nature to our future generations.



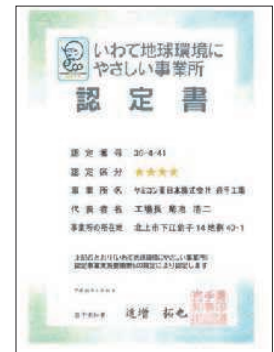
Certificate and Letter of Appreciation in FY2020



The Nippon Chemi-Con Group received a letter of appreciation for its community contribution activities in FY2020.

• **Chemi-Con East Japan Corp. Iwate Plant**
“Iwate Environmentally Friendly Plant Certification”-4 stars (highest rank)

Sponsor: Iwate Prefecture
Iwate Prefecture recognizes plants that proactively implement measures to limit CO₂ emissions by certifying them as “Iwate Environmentally Friendly Plants.” In FY2020, the Chemi-Con East Japan Iwate Plant was awarded 4 stars, the highest possible rating.



Environmental Volunteering Activities



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



▲Cleaning activity of surrounding area by members of Chemi-Con East Japan Corp. Iwate Plant



▲Cleaning activity of surrounding area by members of Chemi-Con Yamagata Corp. Yonezawa Plant

Regional Cooperation for Conservation of the Endangered Minami-Medaka (Japanese rice fish/Oryzias latipes)



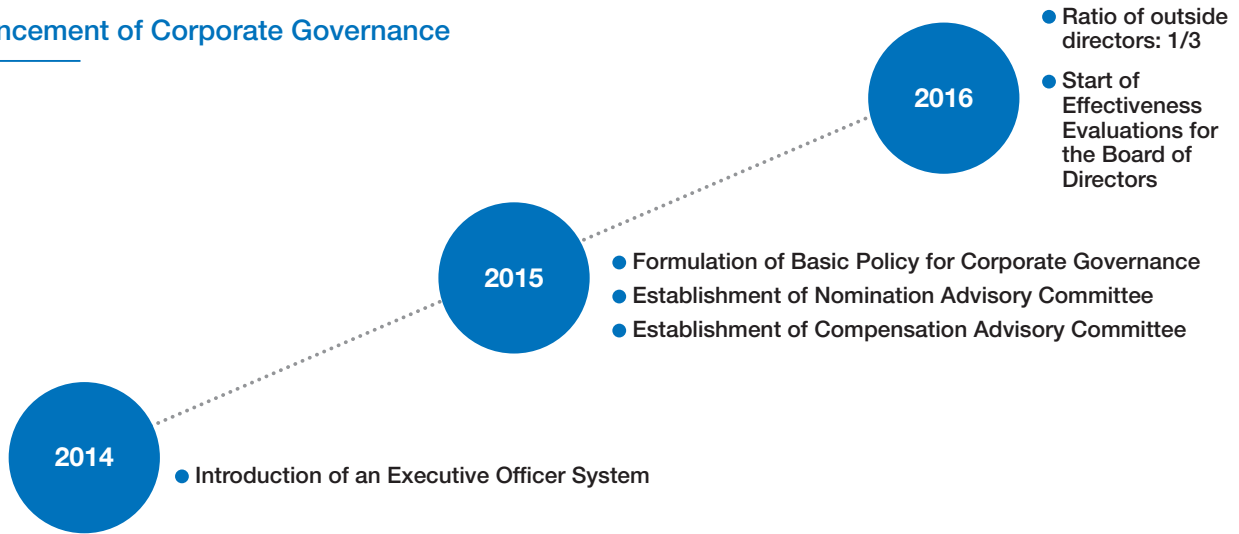
The Chemi-Con East Japan Iwate Plant has worked to protect the Minami-Medaka (Japanese rice fish/Oryzias latipes), which has been designated as a Vulnerable species on the Ministry of Environment Red List since 2015.

These activities started from protection of medaka native to the local Kitakami River using the pond located on plant grounds to leave regional medaka to the children of the future. Our donation of the medaka raised on plant grounds to nearby elementary schools helped spread the circle of conservation.

In 2016, we started a partnership with TDK Akita Kitakami Plant, which is located in the same region by donating approximately 30 medaka. In October 2019, we helped the grown medaka return home by releasing them into the Chemi-Con East Japan Iwate Plant pond. We will continue to cooperate with the people of the Kitakami region towards medaka conservation.



Enhancement of 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 half of the 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.

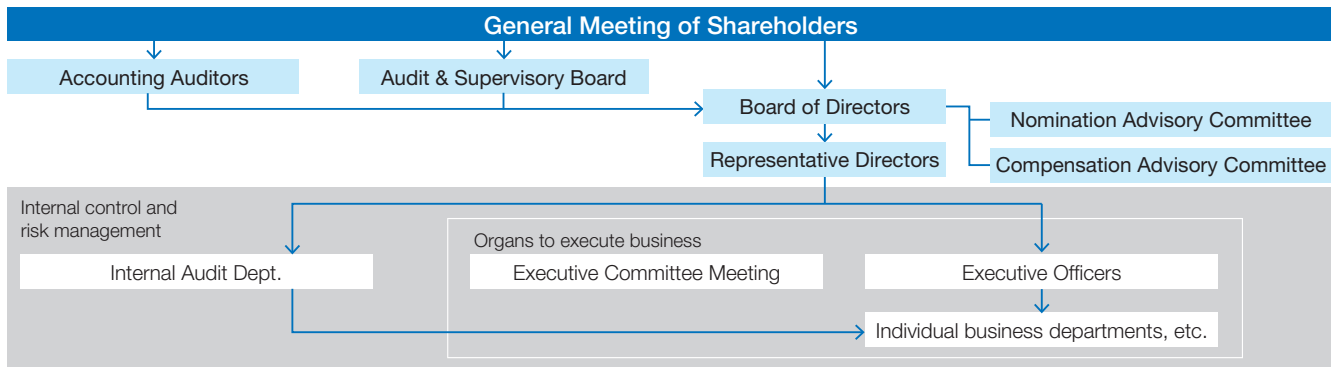
Business Supervision and Audit Function

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.

Details of the Corporate Organs



Board of Directors	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. The Nippon Chemi-Con Articles of Incorporation outline that the company shall appoint no more than 10 people to the Board of Directors.
Executive Officer System	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.
Audit & Supervisory Board	The Audit & Supervisory Board inspects the state of the corporate governance, the steering situations, and daily activities in management including those performed by directors. The Board works closely with the internal audit department and the corporate auditor to exchange reports, opinions, and information.
Nomination Advisory Committee	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.
Compensation Advisory Committee	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.
Executive Committee Meeting	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. The Nippon Chemi-Con Board of Directors has determined that the Representative Director is the most appropriate person for comprehensively assessing the level of contributions to overall Company performance made by the departments overseen by each director. As such, the Board entrusts decisions on individual compensation for each director to the Representative Director.

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.

Policies concerning decisions on compensation for individual directors are determined following consultation with and a review by the Compensation Advisory Committee.

Officer category	Total compensation (million yen)	Total compensation by type (million yen)				Number of applicable officers
		Fixed compensation	Performance-linked compensation	Retirement bonuses	Non monetary compensation (within types on the left)	
Directors (excluding outside directors)	163	148	14	—	—	4
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	41	41	—	—	—	3
Outside officers	34	34	—	—	—	4
Total	239	225	14	—	—	11

(For the fiscal year ended March 31, 2021)

Effectiveness Evaluations for the Board of Directors

To improve the overall functionality of our Board of Directors, Nippon Chemi-Con conducts evaluations based on our Basic Policy for Corporate Governance to ensure the Board of Directors is functioning appropriately in accordance with this policy. Directors and Audit & Supervisory Board Members comprising the Board of Directors complete surveys on Board of Directors' agendas and management status. These surveys are used to conduct an effectiveness analysis and evaluation of the Board of Directors.

In FY2020, we received feedback that the Board of Directors demonstrated balanced meeting management, including allowing time to deliberate important matters and that the Board of Directors was effectively monitoring the status of business strategy implementation. We also received recognition that improvements had been made to

Board of Directors' deliberations and agendas. Based on these results, our evaluation concluded that the company was largely maintaining the effectiveness of the Board of Directors. On the other hand, we confirmed issues indicating room for improvement. These include ensuring that the Board of Directors exercise their influence with appropriate timing in relation to deciding and revising corporate strategy, securing time to deliberate matters related to important agenda items by narrowing the focus of matters for deliberation, and increase explanations that enable appropriate managerial judgments (avoid use of industry terminology and internal lingo, focus explanations on key points, etc.), and so on.

In light of this analysis and evaluation, we will continue with initiatives aimed at increasing the effectiveness of the Board of Directors.

G Governance Compliance

Compliance Promotion System

The Nippon Chemi-Con Group has established internal regulations related to compliance and appoints a managing compliance officer as the chief officer in charge. This chief compliance officer oversees a compliance committee which works to draft compliance policies and action plans related to compliance, and conduct monitoring of implementation progresses for these initiatives. Each department in Nippon Chemi-Con and company of the Group 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 compliance education, we hold seminars on CSR, competition laws and insider trading regulations in new employee training and continuous training conducted at each employee level. Through these seminars, 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 and manuals which are applied to internal audits conducted by the legal affairs department every year.

Whistleblowing System

The Nippon Chemi-Con Group has established "Rules on 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 the 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.

 Whistleblowing system

<https://www.chemi-con.co.jp/en/company/sustainability/governance/compliance/whistleblowing.html>

G Governance

Risk Management

The Nippon Chemi-Con Group has established 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.

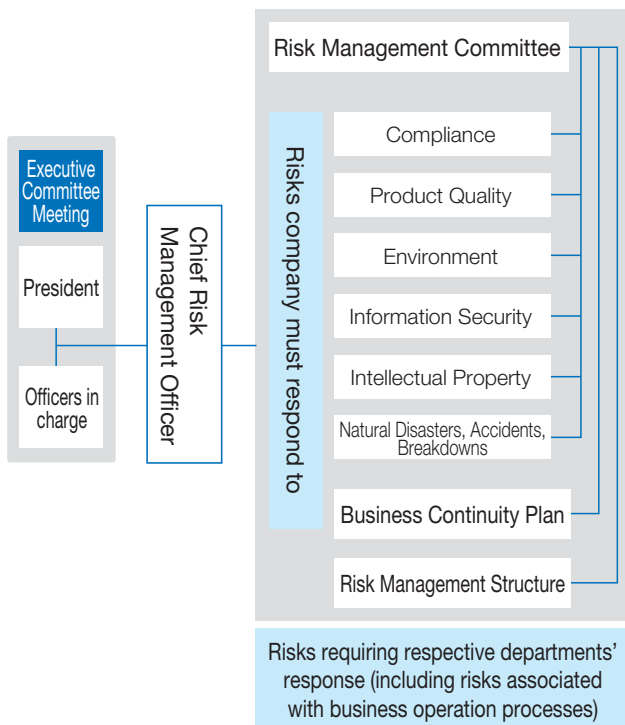
Risk Management Response

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. When the state of emergency was declared due to the COVID-19 pandemic, we adopted telecommuting mainly in the Tokyo metropolitan area and major cities such as Nagoya, Osaka, and Fukuoka to reduce the number of commuting employees to roughly 20%. For employees commuting to work, we adopted flexible time schedules to avoid crowded public transportation. These and other measures enable us to maintain a minimum level of business operations.

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

Risk Management System



Risk Factors

Nippon Chemi-Con Group positions risk management as the highest priority matter involving corporate leadership. Nippon Chemi-Con Group has established a Risk Management Committee in accordance with our Basic Policy for Risk Management. This committee is responsible for the centralized management of Group risks. We categorize existing and potential risks as strategic risks, financial risks, hazard risks, and operational risks. Twice a year, these risks are evaluated by the Risk Management

Committee, which provides reports during Executive Committee Meetings.

Among identified and reported risks, the following are major risks with the potential to impact the operating results, stock price, cash flow, and financial position of consolidated companies. Furthermore, forward-looking statements are judgments made by the Nippon Chemi-Con Group at the end of the consolidated fiscal year 2020 (March 31, 2021).

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 operating results and financial position of Nippon Chemi-Con Group.

2 Risks concerning exchange rate fluctuations

Products of Nippon Chemi-Con Group are sold not only in Japan but also in Americas, Europe and Asia, and the proportion of consolidated net sales accounted for by overseas sales stood at 76.0% in FY2019, and 80.0% in FY2020. 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 operating results of Nippon Chemi-Con Group.

In preparing consolidated financial statements, those of our foreign affiliates are converted to JPY. Even if the values remain unchanged in local currencies, yen translations may fluctuate and thereby affect our business results.

3 Risks concerning price competition

Aluminum electrolytic capacitors, our main product, are subject to price competition between competitors in Japan and overseas, which carry the risk of impacting the operating results and financial position of the Group. As our Group conducts business activities in various countries and markets, we must respond to price competition risks based on specific factors of each country and market. Relevant risk factors include fluctuations in production and sales costs, rises in material costs, and innovations in production technology of each country and region. Our Group, which has a high ratio of overseas sales, constantly faces the threat of international competition. As such, intensifying price competition could not only drive down profits, but could also cause a drop in our global market share. One of our strengths is our integrated production system for everything from material development to product sales. We will take advantage of this structure to promote cost reductions by optimizing production systems. At the same time, we will increase our competitive strength by developing products

with high added value and high profitability, and by expanding sales in core markets. We take measures against risks in line with the abovementioned business strategies, but intensifying price competition could impact the operating results and financial position of the Group.

4 Risks concerning raw material price fluctuations and procurement

Nippon Chemi-Con Group operating results and financial position may be impacted by cost increases attributable to increased procurement prices for raw materials such as aluminum foils and heavy oil or delays in product shipments caused by difficulty in procuring raw materials.

Nippon Chemi-Con Group implements various risk avoidance measures, including promoting continuous cost reductions by engaging in local procurement at overseas manufacturing companies and pursuing productivity improvements. Nippon Chemi-Con Group also purchases raw materials from multiple suppliers and engages in regular credit management of our suppliers. However, Nippon Chemi-Con Group operating results and financial position could be impacted in the event of an extreme increase in raw material prices or extensive raw material shortages caused by natural disasters or other conditions.

5 Risks concerning product defects

Nippon Chemi-Con Group conducts manufacturing at each global production site in accordance with globally recognized quality management standards (UL standards, AEC-Q200, etc.).

However, there is no guarantee that we will not experience product defects in any of our products at some point in the future. Although we do have product liability insurance, there is no guarantee that this insurance will be sufficient to fully cover liability compensation amount.

Furthermore, we have obtained certification such as ISO9001 and IATF16949 at all manufacturing sites as part of efforts to strengthen quality management. However, Nippon Chemi-Con Group operating results and financial position could be impacted by the occurrence of a largescale product defect.

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. 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. Among the civil lawsuits related to this matter, there is a class action civil lawsuit in the USA where the plaintiff consists of direct purchasers demanding compensation for damages. This lawsuit has the greatest potential to have a major impact on the operating results and financial position of the Group due to the volume of product transactions we have with the plaintiff group. The formal trial for this lawsuit is scheduled to start anew in November 2021. As such, a verdict is assumed to be handed down on a date beyond that. However, we cannot deny the possibility that a verdict could be reached prior to the trial or that the case will be closed with a settlement.

If these legal proceedings result in what we deem to be an unfavorable verdict or in the event we are required to make payments as part of a settlement, it may impact the operating results and financial status of the Group.

7 Risks concerning natural disasters and unpredictable events

Nippon Chemi-Con Group operating results and financial position could be impacted by a stop in production caused by facility damage or difficulty in supplying electricity or water due to natural disasters such as earthquakes or some unpredictable events. The spread and prolongation of the COVID-19 pandemic not only has the potential to cause economic downturn but may also impact the continuation of business operations due to the suspension of operations requested by national governments. We prioritize the safety and health of our employees and stakeholders and will continue to gather information and cooperate with administrative authorities. At the same time, we will implement various infection prevention measures to continue operations, including telecommuting and staggered working hours, as well as adopting tools for remote work.

Topic 3

Short interview

**Dialog with Chemi-Con employees!
The company's initiatives related to the SDGs**

Q How can our products contribute to SDGs?

A For example, the DLCAP™ module we developed effectively recovers regenerated energy to increase the fuel economy of customer products. This type of technology helps reduce CO₂ emissions and can contribute to realizing a low-carbon society. We have been notified from a customer that the use of regenerative energy in automotive electronics can reduce the CO₂ emissions of a single vehicle by 72kg per year (10% improvement in fuel economy, driving 6,000km per year). This technology is also used in wind power generation and solar power generation. At our own plants, solar power using Nippon Chemi-Con products helped us reduce CO₂ emissions by 1 ton per year.

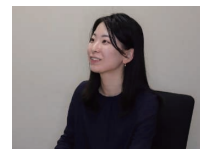
Nippon Chemi-Con products are also used in building seismic damping systems and vending machines that can be used in emergency situations to provide power during natural disasters. Nippon Chemi-Con products not only meet the needs of our customers, but also serve to benefit society as a whole by supporting industry infrastructure, environmental conservation, and disaster prevention.



**Ms. Yamaguchi,
Mr. Yasumoto**
R&D Headquarters

Q How will we be involved in SDGs in future years?

A Personally, I believe we must look beyond our own products by first taking a broad perspective towards societal issues. Then we can work to see how our technology can be applied to resolving those problems. To put it another way, I hope we can contribute to the SDGs by taking an outside-in approach through which we begin by looking at problems in society and then advancing technology development to address those problems. One issue I currently think about is the energy loss that occurs in everyday life (for example, when walking or when out under the sun). I'm hoping we can effectively recover and reuse that energy.





Issues related to achieving corporate reforms

Kinya Kawakami
Outside Director

Six years have passed since I assumed the position of outside director. As I did last year, I want to take this opportunity to share observations made during the course of performing my duties.

FY2020 resulted in a difficult operating environment that was filled with dramatic change. We recorded an operating loss in the first quarter due to the impact of COVID-19 incurred at the beginning of the fiscal year. Earnings edged back into profitability on increased demand for notebook computers and home video game consoles driven by stay-at-home demand and increased telecommuting. Then, with the recovery of the automotive electronics market, the Company has recorded profitable earnings since the third quarter. At the same time, the Company faced risks associated with the recovery of global logistics, including a container shortage that is causing shipping delays and driving up logistics costs. I believe Nippon Chemi-Con being able to achieve a profitable year amid such conditions is attributable to the efforts of its employees. Considering the ongoing environment caused by COVID-19, I believe it important that this opportunity be used to implement reforms that will enable the Company to firmly withstand market environment changes and risks. Specifically, two issues come to mind.

First, there is the issue of building a production line capable of flexibly responding to market fluctuations in orders received.

- The Company produces numerous types of electrolytic capacitors but how does the Company ensure efficiency in its response to orders?
- How can the Company increase production line flexibility?

This will require that the Company segregate production sites and reevaluate line structures, optimize personnel placements, promote facility automation, and conduct appropriate capital investments. Nippon Chemi-Con must engage in a company-wide effort, including reevaluating product specifications.

The next issue is enhancing product development capabilities. The Company has a vast development agenda and I know that the development team works very hard. And with the push towards becoming carbon neutral and the EU movement to switch to EV by 2035, the Company also must address new development agendas.

-How does the Company overcome this competition?

As seen with the announcement in June of this year that Nippon Chemi-Con has begun development of mass production technology for the novel conductive carbon “NH Carbon™” for lithium-ion batteries, Nippon Chemi-Con has the R&D structure and personnel needed to develop new materials, aluminum electrode foils, electrolytes, and sealing materials. I am confident that the efforts of these employees will lead to new technology development, expand on existing technologies, and result in the development of products that fulfill the needs of customers.

Amid this difficult environment of competition, I will focus on the above two points while working to help increase the corporate value of the Nippon Chemi-Con Group.



Promoting discussion on the future of the company

Suzuko Miyata
Outside Director

The impact of the ongoing COVID-19 pandemic has forced changes in the way we live. This also suggests major changes in a post-COVID-19 society. The acceleration of commercial applications for IoT in relation to the various discoveries made amidst such change will drive expectations for the development of new electronics components. And the commercialization of such products will further drive demand. This represents an opportunity for Nippon Chemi-Con to discover new seeds for further growth. As an outside director, I will focus on how much the spirit of corporate governance has been incorporated into Nippon Chemi-Con's compliance framework. From the perspective of making social contributions, a major issue will be how Nippon Chemi-Con achieves contributions to the SDGs. Management must continue to drive innovation in advanced technology while outlining a sustainable plan for achieving transcendent growth.

Under the new structure launched on June 29, Nippon Chemi-Con is addressing these medium- and long-term topics by engaging in spirited discussion about the future of the company. One role of the outside director is to approach various management issues from the perspective of a stakeholder in order to contribute to corporate growth and increasing corporate value. I expect Nippon Chemi-Con will embrace the challenges ahead to respond to the needs of a diversifying society while also maximizing company profits. I want to contribute to this process by offering frank opinions from my perspective as an outside director.



Improving “social value” and “economic value”

Fumio Morita
Outside Audit & Supervisory Board Member

Having served as an outside Audit & Supervisory Board member of Nippon Chemi-Con since 2016, this year marks my fifth year in this position. FY2019 earnings resulted in net losses of 5,926 million yen. I view operating losses as the use of management resources in the form of people, property, and capital towards the destruction of economic value (corporate value). I believe in the Creating Shared Value (CSV; Michael E. Porter) approach; the idea that the purpose of a company is to create both social value and economic value. As such, the audits I conduct as an outside Audit & Supervisory Board member are conducted from the perspective of increasing social value and economic value.

In FY2020, a particular area of focus for me was on achieving profitability (economic value) by implementing company structural reforms to improve its revenue structure.

Aggressive structural reforms to achieve streamlining resulted in the creation of economic value in the form of net profit of 2,038 million yen for FY2020.

The Audit & Supervisory Board of Nippon Chemi-Con actively reviews various issues by attended meetings of the Board of Directors and the Audit & Supervisory Board, by meeting with management, and by interviewing the corporate auditor and internal auditors. The Audit & Supervisory Board works to enhance audit functions by preventing disengagement from corporate governance.

Lastly, as the company heads towards its 100th anniversary in 2031, I want to also focus on Nippon Chemi-Con's creation of social value.

G Governance



Executive Members (As of June 29, 2021)



Representative Director and President
Norio Kamiyama

Date of Birth: April 1, 1959
1983: Joined the Company

Currently

President and Chief Executive Officer

Formerly

CQO and Division Manager of Quality Assurance Headquarters, Nippon Chemi-Con Corp., CTO and Division Manager of R&D Headquarters, Nippon Chemi-Con Corp.



Director
Yoshifumi Minegishi

Date of Birth: November 28, 1957
1980: Joined the Company

Currently

Senior Managing Executive Officer (CQO and Division Manager of Quality Assurance Headquarters and Production System Headquarters)

Formerly

Division Manager of Material Division Headquarters, Nippon Chemi-Con Corp., Plant Manager of Niigata Plant, Plant Manager of Takahagi Plant, Nippon Chemi-Con Corp.



Director
Osamu Ishii

Date of Birth: July 3, 1959
1984: Joined the Company

Currently

Managing Executive Officer (CFO, Officer in charge of Accounting Dept./Corporate Strategy Dept.)

Formerly

Department Manager of Division Planning Dept., Material Division Headquarters, Nippon Chemi-Con Corp., Department Manager of Accounting Dept., Planning Headquarters, Nippon Chemi-Con Corp.



Audit & Supervisory Board Member
Shinichi Shibata

Date of Birth: June 29, 1959
1983: Joined the Company

Formerly

Executive Officer and Deputy Officer in charge of Accounting Dept., Nippon Chemi-Con Corp., President of Iwate Electric Industry Co., Ltd., Department Manager of Administration Dept. of Chemi-Con (Wuxi) Co., Ltd.



Audit & Supervisory Board Member
Kazuto Miura

Date of Birth: January 22, 1959
1982: Joined the Company

Formerly

Senior Executive Officer, Nippon Chemi-Con Corp., President of Chemi-Con East Japan Corp.



Outside Audit & Supervisory Board Member
Fumio Morita

Date of Birth: August 30, 1955
June 2016: Appointed as Audit & Supervisory Board Member

Formerly

Director and Managing Corporate Officer, Head of Corporate Social Responsibility Division, Head of Corporate Finance & Accounting Dept., The Yokohama Rubber Co., Ltd.; President of PRGR Co., Ltd.



Outside Audit & Supervisory Board Member
Shuji Ota

Date of Birth: December 16, 1951
June 2019: Appointed as Audit & Supervisory Board Member

Currently

Head of Shuji Ota CPA Office
External Director of Tri Chemical Laboratories Inc.

Formerly

Senior Partner of Century Ota Showa & Co. (currently Ernst & Young ShinNihon LLC); Auditor of Japan International Broadcasting Inc.

Executive Officers			
President and Chief Executive Officer	Norio Kamiyama	Senior Executive Officer	Kenichi Konno
Senior Managing Executive Officer, CQO	Yoshifumi Minegishi	Executive Officer	Kentaro Nakaaki
Managing Executive Officer, CFO	Osamu Ishii	Executive Officer, CTO	Katsunori Nogami
Senior Executive Officer	Takumi Iwata	Executive Officer	Katsuaki Abe
Senior Executive Officer	Takayuki Ito		

**Currently**

Senior Executive Officer (Division Manager of Sales Headquarters)

Formerly

Department Manager of Sales Planning Dept., Sales Headquarters, Nippon Chemi-Con Corp., President of Hong Kong Chemi-Con Ltd., Chairman of Shanghai Chemi-Con Trading Co., Ltd.

**Formerly**

Director and Managing Corporate Officer, Head of Global Procurement Division, Head of Corporate Social Responsibility Division, Head of R&D Center, The Yokohama Rubber Co., Ltd.

**Formerly**

Senior Managing Director, Legal Affairs Strategy Manager, Chairperson of Risk Management Committee, Special Expert Committee Member of Internal Audit Division, TV TOKYO Holdings Corporation

Skill Matrix of Directors and Audit & Supervisory Board Members

When defining the skills required of Nippon Chemi-Con Directors and Audit & Supervisory Board Members, the Company uses its corporate philosophy as a basis for conducting a comprehensive evaluation of various factors, including the need for (1) product planning reform and structural reform measures, (2) global market environment response measures, and (3) sustainability promotion. From the evaluation, the Company selected the skills deemed necessary for business management. Furthermore, skills selection for independent outside directors focuses on management experience at other companies and the ability to make meaningful recommendations concerning governance for Nippon Chemi-Con.

Name	Attributes	Position in the Company	Areas of supervision	Skills and experience					
				Corporate Management	R&D/Quality	Sales/Marketing	Legal Affairs/CSR	Finance/Accounting	International Experience
Norio Kamiyama		Representative Director and President (Chief Executive Officer)	General business management	●	●				
Yoshifumi Minegishi		Director (Senior Managing Executive Officer)	Quality assurance, Production system	●	●				
Osamu Ishii		Director (Managing Executive Officer)	Accounting, Corporate Strategy					●	●
Takumi Iwata		Director (Senior Executive Officer)	Sales	●		●			●
Kinya Kawakami	Outside/independent officer	Director		●	●		●		
Suzuko Miyata	Outside/independent officer	Director		●			●		
Shinichi Shibata		Audit & Supervisory Board Member		●				●	●
Kazuto Miura		Audit & Supervisory Board Member		●	●				●
Fumio Morita	Outside/independent officer	Audit & Supervisory Board Member		●				●	
Shuji Ota	Outside/independent officer	Audit & Supervisory Board Member						●	

Years Ended March 31, 2012 through 2021

	2012.3	2013.3	2014.3	2015.3
For the year				
Net sales	100,290	92,959	113,962	123,365
Operating income (loss)	(2,596)	(6,990)	4,933	5,122
Operating income margin (%)	(2.6)	(7.5)	4.3	4.2
Ordinary income (loss)	(2,633)	(6,685)	4,304	6,207
Ordinary income margin (%)	(2.6)	(7.2)	3.8	5.0
Profit (loss) attributable to owners of parent	(4,909)	(9,252)	3,315	5,362
Profit attributable to owners of parent margin (%)	(4.9)	(10.0)	2.9	4.3
Capital investment	13,521	5,953	3,067	5,203
Depreciation and amortization	8,493	8,615	7,951	7,373
Research and development (R&D) expenses	3,966	3,981	3,872	4,160
Proportion of net sales (%)	4.0	4.3	3.4	3.4
At year end				
Current assets	70,657	69,007	76,619	81,689
Fixed assets	66,901	65,447	63,149	64,968
Current liabilities	28,076	43,915	32,730	42,106
Long-term liabilities	53,872	39,784	43,194	26,405
Net assets	55,610	50,754	63,844	78,146
Total assets	137,559	134,454	139,769	146,657
Cash flows				
Cash flows from operating activities	1,820	4,651	12,161	10,730
Cash flows from investing activities	(12,951)	(6,925)	(1,620)	(4,269)
Free cash flow	(11,131)	(2,273)	10,541	6,460
Cash flows from financing activities	12,790	1,725	(6,143)	(7,675)
Per share data				
Profit (loss) per share Basic	(344.93)	(650.14)	223.38	329.09
Profit (loss) per share Diluted	—	—	—	—
Cash dividends	0.00	0.00	0.00	30.00
Net assets	3,884.86	3,554.65	3,901.56	4,772.25
Financial indicators				
Return on assets (ROA; %)	(3.6)	(6.8)	2.4	3.7
Return on equity (ROE; %)	(8.4)	(17.5)	5.8	7.6
Shareholders' equity ratio (%)	40.2	37.6	45.5	53.0
Average exchange rate (Yen)				
US\$	79.08	83.10	100.24	109.93
EUR	108.98	107.14	134.37	138.77

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=¥110.71.

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

5. Diluted earnings per share for the fiscal year from 2011 to 2019 is not presented because there are no dilutive shares.

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

Million Yen Thousand U.S. dollars

2016.3	2017.3	2018.3	2019.3	2020.3	2021.3	2021.3
118,414	116,311	133,362	140,951	114,599	110,788	1,000,711
2,179	3,338	5,818	5,137	(2,891)	2,971	26,836
1.8	2.9	4.4	3.6	(2.5)	2.7	2.7
1,165	2,002	4,416	4,833	(4,245)	2,091	18,896
1.0	1.7	3.3	3.4	(3.7)	1.9	1.9
(6,905)	840	(16,056)	917	(5,926)	2,038	18,415
(5.8)	0.7	(12.0)	0.7	(5.2)	1.8	1.8
4,354	4,590	7,525	9,553	5,620	3,477	31,411
7,127	6,220	6,105	6,496	7,199	5,747	51,913
4,321	4,272	4,208	4,288	4,161	3,710	33,519
3.6	3.7	3.2	3.0	3.6	3.3	3.3
78,775	83,799	83,659	78,254	80,380	81,523	736,368
58,341	55,968	59,052	60,030	59,234	57,925	523,216
40,377	29,442	61,425	47,389	52,748	54,278	490,278
33,875	46,754	31,875	42,980	47,084	33,265	300,471
62,864	63,571	49,410	47,914	39,781	51,904	468,834
137,117	139,768	142,711	138,284	139,615	139,448	1,259,584
10,970	6,443	5,305	(13,856)	3,925	2,067	18,676
(2,878)	(4,334)	(7,265)	(8,771)	(5,447)	(3,034)	(27,413)
8,091	2,108	(1,960)	(22,627)	(1,521)	(967)	(8,737)
(4,712)	710	(1,759)	17,128	10,478	(3,470)	(31,348)
					Yen	U.S. dollars
(423.82)	51.57	(985.77)	56.36	(363.96)	114.76	1.04
—	—	—	—	—	114.63	1.04
30.00	30.00	30.00	30.00	0.00	0.00	0.00
3,834.26	3,877.73	3,012.97	2,921.53	2,422.68	2,544.62	22.98
(4.9)	0.6	(11.4)	0.7	(4.3)	1.5	
(9.8)	1.3	(28.6)	1.9	(13.6)	4.5	
45.6	45.2	34.4	34.4	28.3	37.0	
120.13	108.38	110.85	110.91	108.74	106.06	
132.57	118.79	129.70	128.41	120.82	123.70	

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

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

9. 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 2012.

10. 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, 2021 and 2020)

	Million Yen		Thousand U.S. dollars
Assets	2020.3	2021.3	2021.3
Total current assets	80,380	81,523	736,368
Cash on hand and in banks	27,724	23,725	214,305
Notes and accounts receivable -trade	22,226	25,208	227,694
Inventories	26,531	25,529	230,600
Other current assets	3,907	7,066	63,832
Less allowance for doubtful accounts	(8)	(7)	(64)
Total fixed assets	59,234	57,925	523,216
Total property, plant and equipment	40,514	38,448	347,292
Intangible fixed assets	1,600	1,661	15,004
Total investments and other assets	17,119	17,815	160,919
Total assets	139,615	139,448	1,259,584
Liabilities			
Total current liabilities	52,748	54,278	490,278
Notes and accounts payable - trade	6,610	8,815	79,626
Short-term debt	27,551	29,142	263,231
Other current liabilities	18,586	16,320	147,420
Total long-term liabilities	47,084	33,265	300,471
Long-term debt	33,712	23,894	215,831
Net defined benefit liability	8,382	5,029	45,425
Other long-term liabilities	4,989	4,341	39,214
Total liabilities	99,833	87,543	790,749
Net assets			
Total shareholders' equity	42,264	49,870	450,456
Total accumulated other comprehensive income	(2,817)	1,736	15,687
Non-controlling interests	334	297	2,690
Total net assets	39,781	51,904	468,834
Total liabilities and net assets	139,615	139,448	1,259,584

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

2. US dollar amounts are calculated based on currency rate of \$1 = ¥110.71.

Consolidated Statements of Income (For the years ended March 31, 2021 and 2020)

	Million Yen		Thousand U.S. dollars
	2020.3	2021.3	2021.3
Net sales	114,599	110,788	1,000,711
Cost of sales	96,764	89,641	809,692
Gross profit	17,835	21,147	191,018
Selling, general and administrative expenses	20,727	18,176	164,181
Operating income (loss)	(2,891)	2,971	26,836
Non-operating income (expenses)			
Interest income	38	27	248
Dividend earned	126	107	970
Equity in earnings of affiliated companies	268	345	3,122
Other	36	69	628
Total	470	550	4,969
Non-operating expenses			
Interest expense	722	727	6,570
Financing expenses	565	566	5,114
Foreign exchange losses	502	41	371
Other	33	94	853
Total	1,824	1,429	12,910
Ordinary income (loss)	(4,245)	2,091	18,896
Extraordinary income			
Gain on sales of property, plant and equipment	3	3	27
Gain on sales of investment securities	—	241	2,179
Total	3	244	2,207
Extraordinary loss			
Loss on disposal of property, plant and equipment	7	13	118
Loss on devaluation of investments in securities	—	66	603
Extra retirement payments	845	—	—
Loss related to antitrust laws	79	—	—
Total	932	79	721
Profit (loss) before income taxes	(5,173)	2,256	20,381
Income taxes			
Current	612	414	3,748
Deferred	132	(155)	(1,400)
Total	745	259	2,347
Profit (loss)	(5,919)	1,996	18,033
Profit (loss) attributable to non-controlling interests	6	(42)	(381)
Profit (loss) attributable to owners of parent	(5,926)	2,038	18,415
		Yen	U.S. dollars
	2020.3	2021.3	2021.3
Profit (loss) per share			
Basic	(363.96)	114.76	1.04
Diluted	—	114.63	1.04

Consolidated Statements of Comprehensive Income (For the years ended March 31, 2021 and 2020)

	Million Yen		Thousand U.S. dollars
	2020.3	2021.3	2021.3
Profit (loss)	(5,919)	1,996	18,033
Other comprehensive income			
Net unrealized holding gain on securities	(552)	461	4,164
Foreign currency translation adjustments	(1,042)	693	6,268
Remeasurements of defined benefit plans	(65)	3,395	30,670
Share in other comprehensive income of associates accounted for using equity method	(62)	9	84
Total other comprehensive income	(1,722)	4,559	41,187
Comprehensive income	(7,641)	6,556	59,221
Attributable to			
Owners of parent	(7,635)	6,593	59,554
Non-controlling interests	(6)	(36)	(333)

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

2. US dollar amounts are calculated based on currency rate of \$1 = ¥110.71.

Consolidated Statements of Cash Flows (For the years ended March 31, 2021 and 2020)

		Million Yen	Thousand U.S. dollars
	2020.3	2021.3	2021.3
Cash flows from operating activities:			
Profit (loss) before income taxes	(5,173)	2,256	20,381
Depreciation and amortization	7,716	6,049	54,640
Loss related to antitrust laws	79	—	—
Increase (decrease) in net defined benefit liability	(56)	166	1,505
Increase (decrease) in allowance for doubtful accounts	2	(9)	(89)
Increase (decrease) in provision for environmental safety measures	(3)	(31)	(286)
Interest and dividend income	(165)	(134)	(1,219)
Interest expense	722	727	6,570
Foreign exchange losses (gains)	(9)	(291)	(2,634)
Equity in earnings of affiliated companies	(268)	(345)	(3,122)
Loss (gain) on disposal of property, plant and equipment, net	3	10	90
Loss (gain) on sale of investment securities	—	(241)	(2,179)
Loss (gain) on devaluation of investment securities	—	66	603
Decrease (increase) in notes and accounts receivable	4,104	(2,933)	(26,499)
Decrease (increase) in inventories	1,005	1,466	13,241
Increase (decrease) in notes and accounts payable	(2,940)	2,600	23,492
Increase (decrease) in accounts payable – other	(318)	(789)	(7,132)
Other	1,882	(3,088)	(27,899)
Sub total	6,580	5,476	49,464
Interest and dividends received	328	279	2,525
Interest paid	(701)	(733)	(6,624)
Income taxes paid	(900)	(528)	(4,772)
Extra retirement payments	—	(836)	(7,555)
Payments related to antitrust laws	(1,381)	(1,590)	(14,362)
Net cash provided by (used in) operating activities	3,925	2,067	18,676
Cash flows from investing activities:			
Purchase of property, plant and equipment	(5,036)	(3,213)	(29,029)
Proceeds from sales of property, plant and equipment	9	13	120
Purchase of intangible fixed assets	(618)	(305)	(2,756)
Proceeds from sales of investment securities	—	414	3,740
Payments of loans receivable	(14)	(16)	(149)
Collection of loans receivable	18	17	155
Other	194	55	505
Net cash provided by (used in) investing activities	(5,447)	(3,034)	(27,413)
Cash flows from financing activities:			
Net increase (decrease) in short-term debt	3,014	(7,209)	(65,120)
Proceeds from long-term debt	10,000	5,300	47,872
Repayments of long-term debt	(2,362)	(6,170)	(55,738)
Purchase of treasury shares	(2)	(2)	(22)
Repayments of lease obligations	(688)	(957)	(8,644)
Proceeds from sale and leaseback	1,004	—	—
Cash dividends paid	(488)	—	—
Proceeds from issuance of stock resulting from exercise of subscription rights to shares	—	5,549	50,128
Proceeds from issuance of subscription rights to shares	—	19	176
Net cash provided by (used in) financing activities	10,478	(3,470)	(31,348)
Effect of exchange rate changes on cash and cash equivalents	(243)	439	3,972
Net increase (decrease) in cash and cash equivalents	8,712	(3,998)	(36,114)
Cash and cash equivalents at beginning of year	19,005	27,718	250,371
Cash and cash equivalents at end of year	27,718	23,720	214,257

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

2. US dollar amounts are calculated based on currency rate of \$1 = ¥110.71.

Corporate Information / Stock Information (As of March 31, 2021)

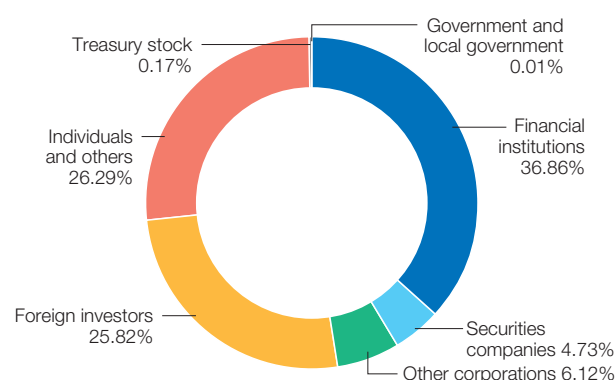
■ Foundation	August 1931	■ Stock Listing	First Section of the Tokyo Stock Exchange
■ Establishment	August 1947	■ Securities Code	6997
■ Capital	24,310 million yen	■ Fiscal Year-End	March 31
■ Number of Employees	6,476 (Consolidated) (including fixed-term employees)	■ Ordinary General Shareholders' Meeting	June
■ Common Stock		■ Shareholder Registry Administrator	Mitsubishi UFJ Trust and Banking Corporation
• Issued	20,314,833 shares	■ Head Office	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	12,457		

■ Major Shareholders (Top 10)

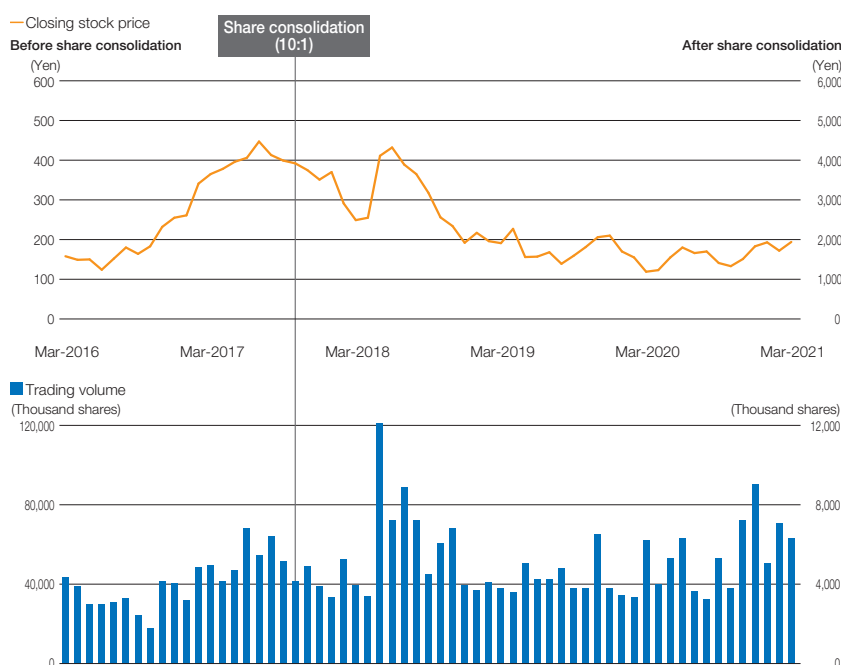
Name	Percentage of issued shares (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	9.26
Custody Bank of Japan, Ltd. (Trust Account)	5.45
MUFG Bank, Ltd.	2.85
Nippon Life Insurance Company	2.53
Custody Bank of Japan, Ltd. (Trust Account 9)	2.50
SSBTC CLIENT OMNIBUS ACCOUNT	2.43
CAPITAL SECURITIES CORP. -LIPERS ENTERPRISE CO., LTD.	2.25
JPMBL RE UBS AG LONDON BRANCH COLL EQUITY	1.98
THE BANK OF NEW YORK MELLON 140042	1.71
Sumitomo Mitsui Banking Corporation	1.65

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 Trading Unit

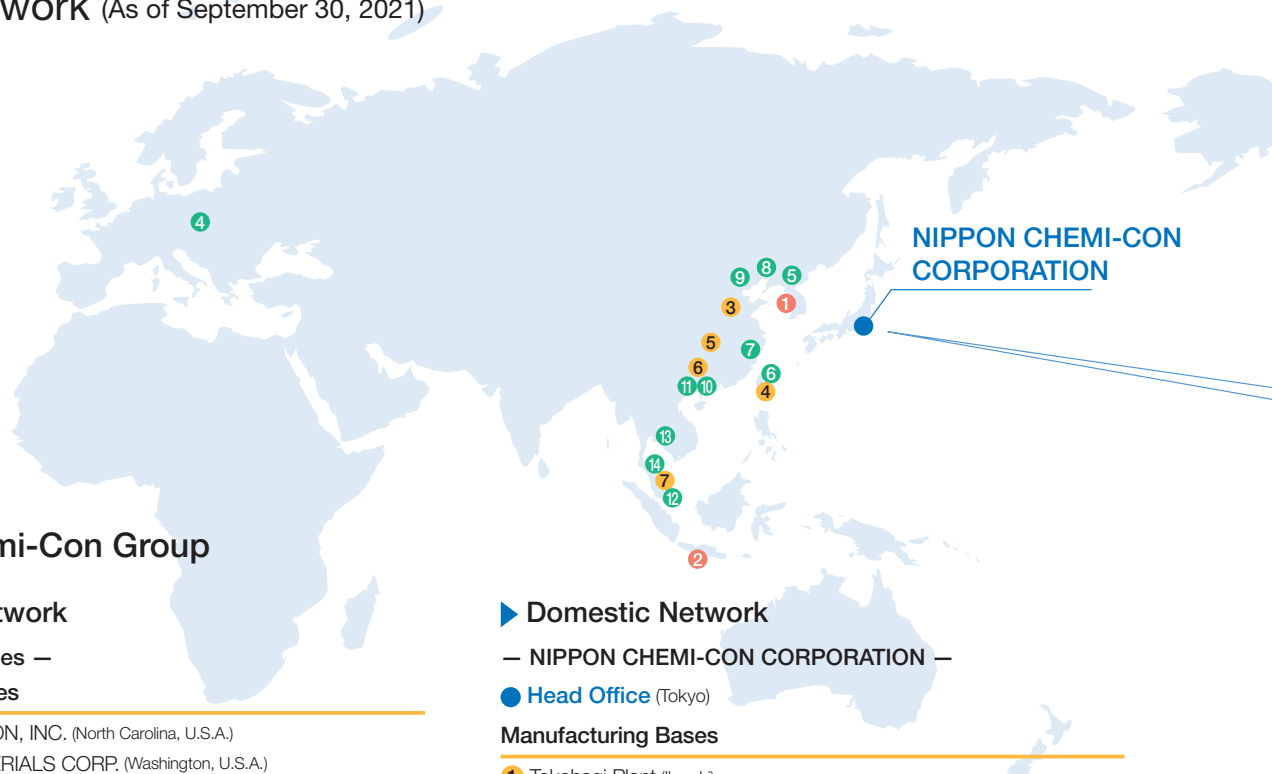
On October 1, 2017, we conducted a share consolidation for common stock (10 shares consolidated to 1 share) and changed the number of shares constituting one unit (from 1,000 shares to 100 shares).

■ Highest and Lowest Annual Stock Prices

FY	High (¥)	Low (¥)
2016	394	117
2017	475 [4,550]	303 [2,342]
2018	4,930	1,710
2019	2,442	1,054
2020	2,134	957

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 [].

Global Network (As of September 30, 2021)



Nippon Chemi-Con Group

▶ Overseas Network

— Overseas Affiliates —

Manufacturing Bases

- 1 UNITED CHEMI-CON, INC. (North Carolina, U.S.A.)
- 2 CHEMI-CON MATERIALS CORP. (Washington, U.S.A.)
- 3 QINGDAO SAMYOUNG ELECTRONICS CO., LTD. (Shandong, China)
- 4 TAIWAN CHEMI-CON CORP. (Nantou)
- 5 CHEMI-CON(WUXI)CO.,LTD. (Jiangsu, China)
- 6 DONG GUANG KDK ALUMINUM FOIL MANUFACTURE LTD. (Guangdong, China)
- 7 CHEMI-CON(MALAYSIA) SDN. BHD. (Selangor)

Sales Bases

- 1 UNITED CHEMI-CON, INC. (Illinois, U.S.A.)
- 2 UNITED CHEMI-CON, INC. (California, U.S.A.)
- 3 UNITED CHEMI-CON, INC. (Alabama, U.S.A.)
- 4 EUROPE CHEMI-CON (DEUTSCHLAND) GmbH (Bavaria, Germany)
- 5 CHEMI-CON ELECTRONICS (KOREA) CO., LTD.
- 6 TAIWAN CHEMI-CON CORP. (Taipei)
- 7 SHANGHAI CHEMI-CON TRADING CO.,LTD. (Shanghai, China)
- 8 SHANGHAI CHEMI-CON TRADING CO.,LTD. (Dalian, China)
- 9 SHANGHAI CHEMI-CON TRADING CO.,LTD. (Beijing, China)
- 10 HONG KONG CHEMI-CON LTD.
- 11 CHEMI-CON TRADING (SHENZHEN) CO.,LTD. (Shenzhen, China)
- 12 SINGAPORE CHEMI-CON (PTE.) LTD.
- 13 CHEMI-CON ELECTRONICS (THAILAND) CO., LTD.
- 14 CHEMI-CON(MALAYSIA) SDN. BHD. (Penang)

Manufacturing and Sales Bases

- 1 SAMYOUNG ELECTRONICS CO., LTD. (Gyeonggi-do, Korea)
- 2 P.T.INDONESIA CHEMI-CON

Regional Headquarter

- 1 CHEMI-CON AMERICAS HOLDINGS, INC. (Illinois, U.S.A.)

▶ Domestic Network

— NIPPON CHEMI-CON CORPORATION —

● Head Office (Tokyo)

Manufacturing Bases

- 1 Takahagi Plant (Ibaraki)
- 2 Niigata Plant

Sales Bases

- 1 Kita-Kanto Sales Office (Tochigi)
- 2 Japan Sales Department / Sales Promotion Department (Tokyo)
- 3 Hokuriku Sales Office (Ishikawa)
- 4 Nagano Sales Office
- 5 Shizuoka Sales Office
- 6 Nagoya Sales Office (Aichi)
- 7 Osaka Sales Office
- 8 Fukuoka Sales Office

R&D Bases

- 1 Kanagawa Research Center

— Affiliates in Japan —

Manufacturing Bases

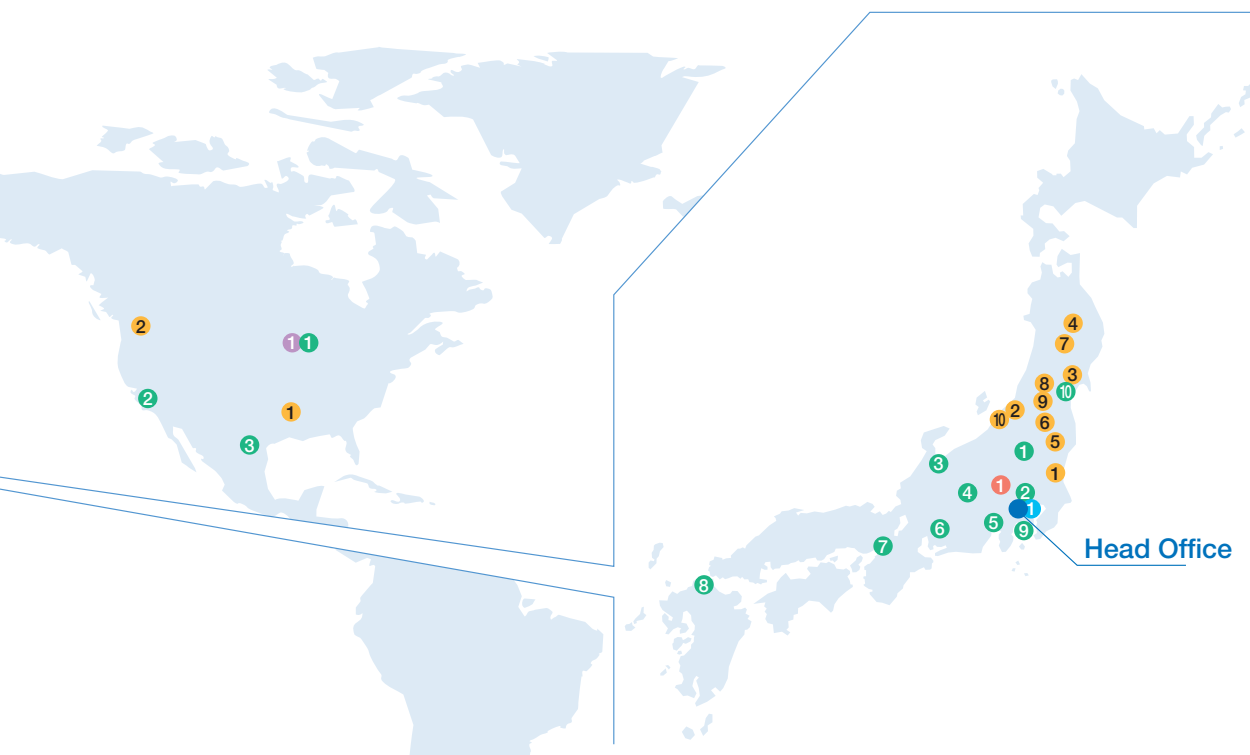
- 3 CHEMI-CON EAST JAPAN CORP. Miyagi Plant
- 4 CHEMI-CON EAST JAPAN CORP. Iwate Plant
- 5 CHEMI-CON EAST JAPAN CORP. Fukushima Plant
- 6 CHEMI-CON EAST JAPAN MATERIALS CORP. Kitakata Plant (Fukushima)
- 7 CHEMI-CON EAST JAPAN MATERIALS CORP. Iwate Waga Plant
- 8 CHEMI-CON YAMAGATA CORP. Nagai Plant
- 9 CHEMI-CON YAMAGATA CORP. Yonezawa Plant
- 10 CHEMI-CON NAGAOKA CORP. (Niigata)

Sales Bases

- 9 KDK CORP. (Tokyo)
- 10 CHEMI-CON MACHINERY CORP. (Miyagi)

Manufacturing and Sales Bases

- 1 CHEMI-CON MACHINERY CORP. (Tokyo)



About the CHEMI-CON REPORT 2021

Osamu Ishii

Director and Managing Executive Officer

The CHEMI-CON REPORT is an integrated report that we publish as a communication tool for our shareholders, investors, and other stakeholders. This issue marks the 7th release of this report. Each year, we work to enhance the information included in this report to promote further understanding of Nippon Chemi-Con business activities.

This year, we have added a new page, The Process of Value Creation. We also have highlighted the current status of our climate change initiatives. Moving forward, will continue to share information concerning our activities aimed at achieving a carbon neutral society. To increase the external perspective, in addition to commentary from outside directors, this report also features a message from an outside Audit & Supervisory Board member. We will continue enhancing report content, so we look forward to receiving your frank opinions.

This year, Nippon Chemi-Con celebrated the 90th anniversary of its founding. We are deeply grateful for the support we receive that had made this achievement possible. We will continue working to increase our corporate value as we aim for the next milestone of our 100th anniversary.

November 2021

Inquiries regarding CHEMI-CON REPORT 2021

Corporate Communications Group, Corporate Strategy Department

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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.




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