



# CHEMI-CON REPORT 2022

Integrated report





## Corporate Philosophy

# Contributing to Environmentally and People Friendly Technology

Over 30 years ago, Nippon Chemi-Con celebrated its 60th anniversary. Likening the anniversary to a human's "Kanreki," the year was marked as the "founding year of the new Chemi-Con." On the occasion of this rebirth, our company established the corporate philosophy "Contributing to Environmentally and People Friendly Technology."

Upon establishing a new corporate philosophy, we made the following predictions about the future. First, people will use new technology such as electric vehicles and clean energy to protect the Earth that was damaged by excessive pursuit of evolution. Next, downsizing and weight reduction of electronic components will further increase and people all over the world will connect through individual devices. In such times, our company must give back to society. To do so, we will first pursue profits necessary to continue business operations by providing products that suit the era. We will also become a good corporate citizen through various interactions between the company and local communities.

Nippon Chemi-Con will continue sustainability-conscious operations with such ambitions that have been passed down for generations.

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### Editing Policy

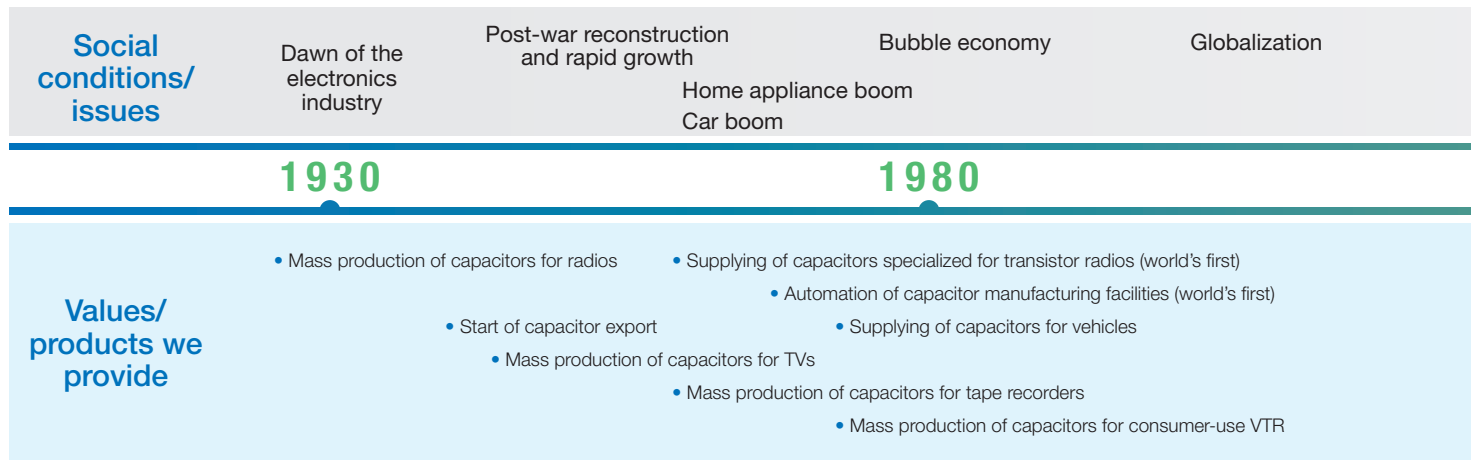
The CHEMI-CON REPORT is an integrated report created once per year and published on our website to help our shareholders, investors, and other stakeholders better understand our business activities, our corporate value, and the appeal of the Nippon Chemi-Con Group. In addition to financial information, 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.


Sites covered - Nippon Chemi-Con Corporation and its Group affiliates

Period covered - FY2021 (April 1, 2021 through March 31, 2022) However, some contents include activities after April 2022.

## History

Since its establishment in 1931 as the first Japanese manufacturer of aluminum electrolytic capacitors, Nippon Chemi-Con has developed and provided a variety of products that meet the demands of the times.



- Aug 1931** Successful commercialization of Japan's first electrolytic capacitors. "SATO DENKI KOGYOSHO" as a limited partnership company established in Tokyo.
- 1943 | 1945** A product from SATOH DENKI KOGYOSHO days 
- Aug 1947** Company reorganized, company name changed to "NIPPON CHEMICAL CAPACITOR INC."
- 1955** A micro electrolytic capacitor installed in the first model of transistor radio 
- 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.
- 1998** Conductive polymer aluminum solid capacitors launched 
- May 1998** SHANGHAI CHEMI-CON TRADING CO., LTD. established in China.
- Oct 1999** Merger of the processing division of KDK CORP. to strengthen technical development capabilities of aluminum electrolytic capacitors.

\*Total of BEV (Battery Electric Vehicle) and PHEV (Plug-in Hybrid Electric Vehicle) among passenger vehicles.  
Source: International Energy Agency (IEA), *Global EV Outlook 2021*

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

Towards a sustainable society  
Global number of EV exceeds 10 million\*

2000

2022

- Supplying of conductive polymer aluminum solid capacitors for home video 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.

**2003** Mass production of large capacitance supercapacitors launched



**Apr 2003** CHEMI-CON ELECTRONICS (THAILAND) CO., LTD. established in Thailand.

**Apr 2008** CHEMI-CON TRADING (SHENZHEN) CO.,LTD. established in China.

**2012** Conductive polymer hybrid aluminum electrolytic capacitors launched



**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.

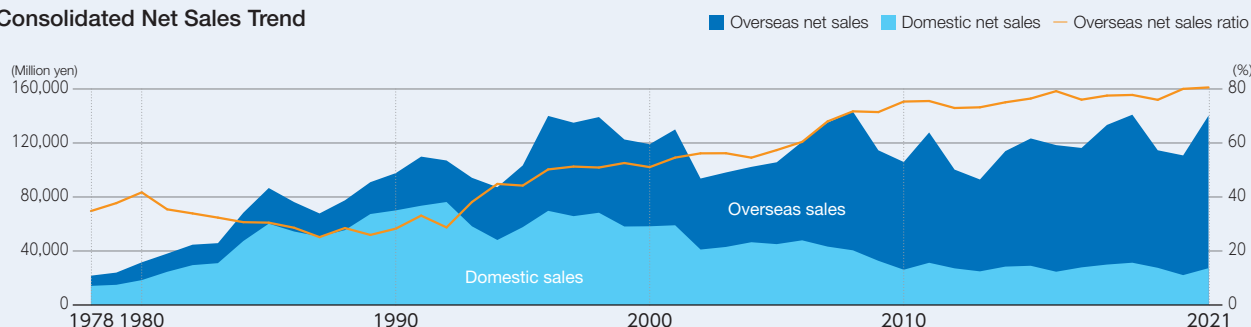
**Apr 2017** Consolidation of FUKUSHIMA ELECTROLYTIC INDUSTRY CORP. to CHEMI-CON FUKUSHIMA CORP. and Consolidation of CHEMI-CON YONEZAWA CORP. to CHEMI-CON YAMAGATA CORP.

**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.

**Mar 2022** Declaration of support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

**Apr 2022** Transition to the Prime Market of the Tokyo Stock Exchange.

Consolidated Net Sales Trend

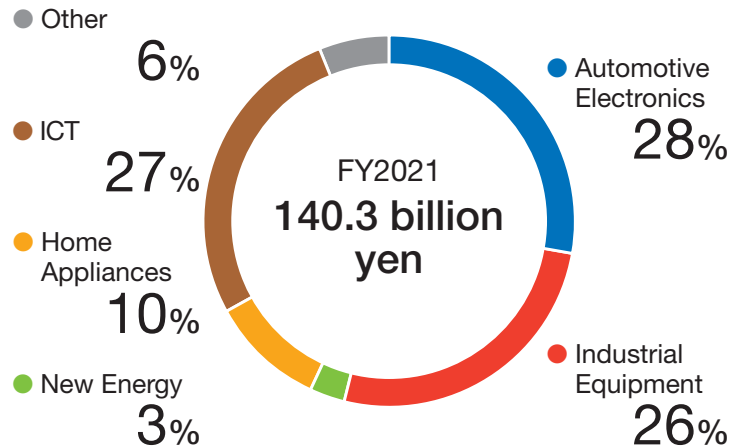


# At a Glance Net Sales by Market

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 FY2021 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

28%

In addition to equipment mounted on xEVs such as on-board chargers for EVs and plug-in 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. Especially in recent years, electrification of automobiles has increased rapidly towards the achievement of carbon neutrality. This has boosted demand for electronic components. 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 4 percentage points year-on-year

26%

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. The FY2021 sales of products for industrial equipment increased due to strong capital investment in the COVID-19 pandemic.

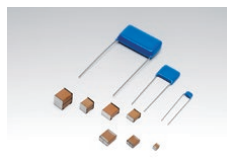
### Major products used



Aluminum Electrolytic Capacitors (Snap-in type)



Aluminum Electrolytic Capacitors (Screw Terminal type)



Multilayer Ceramic Capacitors



Inductors (Choke Coils etc.)

## New Energy Market

Unchanged 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

Up 1 percentage point year-on-year

# 10%

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

Down 4 percentage points year-on-year

# 27%

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 FY2021, the sales of products for the ICT market weakened due to backlash from the strong demand in FY2020 that was caused by people staying at home. However, demand for communications infrastructure is expected to expand in the medium term.

### 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 FY2021 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.

FY2021

## Aluminum Electrolytic Capacitor Business

Net sales **121,402** million yen



### Product orders largely recovered due to strong demand in the industrial equipment market

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.

#### FY2021 earnings and future initiatives

Net sales of aluminum electrolytic capacitors in FY2021 increased significantly by 27.4% from the previous fiscal year to 121.4 billion yen, as the market recovered remarkably in the second half despite being affected by the COVID-19 pandemic.

The automotive electronics market was affected by a decrease in automobile production due to shortages of parts such as semiconductors, but sales of aluminum electrolytic capacitors were generally strong and sales exceeded the previous fiscal year. Sales of hybrid capacitors, which are high-value-added products that we are focusing on expanding sales, were particularly strong.

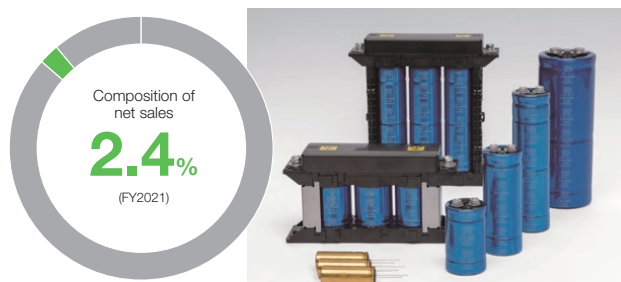
The industrial equipment market saw a great increase in sales due to increased capital investment primarily in the manufacturing industry which led to increased demand mainly for large-size aluminum electrolytic capacitors. The ICT market was met with strong sales for products for communication infrastructure such as data center servers and 5G communication base stations.

Looking ahead to the future of markets, the spread of electric vehicles is expected to accelerate toward the realization of carbon neutrality, and the factory automation market is expected to grow to resolve labor shortages. We will continue expanding sales with a focus on high-value-added products including new products.

FY2021

## Supercapacitor Business

Net sales **3,400** million yen



### Slight increase in revenue despite effect of reduction in automobile production

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.

#### FY2021 earnings and future initiatives

Net sales of supercapacitors in FY2021 increased by 1.1% from the previous fiscal year to 3.4 billion yen.

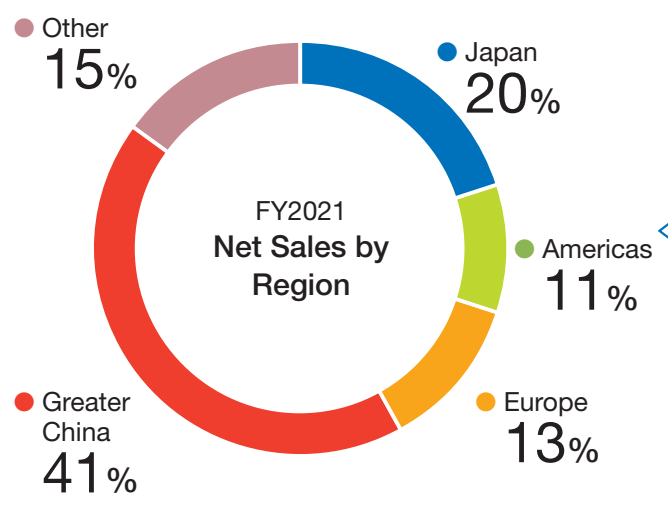
Supercapacitors are energy storage devices that can be charged and discharged more rapidly than rechargeable batteries. They have excellent environmentally friendly features such as long endurance and non-use of heavy metals as materials. Currently, our DLCAP™ products are largely used in automobiles.

In FY2021, sales of large-capacitance products for "brake energy regeneration systems" which improve automobile fuel efficiency and reduce CO<sub>2</sub> emissions struggled. This was due to parts shortages and the impact of reduced automobile production caused by the COVID-19 pandemic. However, sales of radial lead type products which we provide as backup power supplies for unlocking automobile doors in emergencies was firm.

Looking ahead, the electricity storage device market which enables the effective use of energy is expected to grow as efforts to achieve carbon neutrality begin in earnest. These efforts will spread across various industries including the automobile industry. We will continue to enhance new product development and promote sales expansion in various fields.

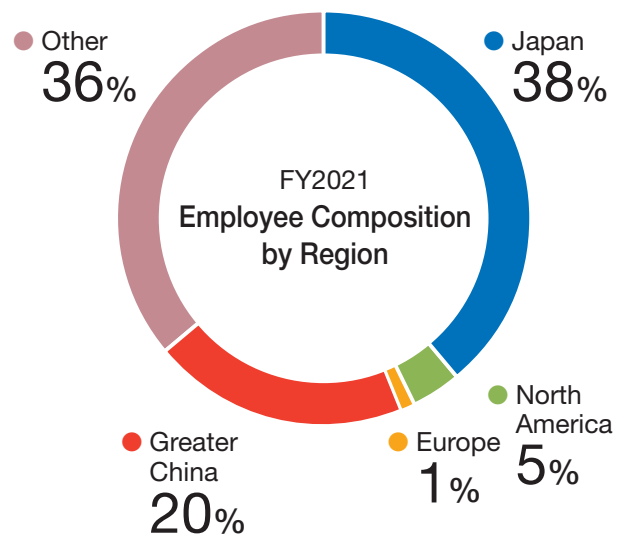


# At a Glance Net Sales by Region/Employee Composition by Region



Our FY2021 overseas net sales ratio was 80%.

Looking at FY2021 net sales by region, the ratio of sales in Americas and Europe increased YoY due to the regions' economic recovery from the impact of COVID-19. Our FY2021 overseas net sales ratio remained the same as FY2020 with 80%.



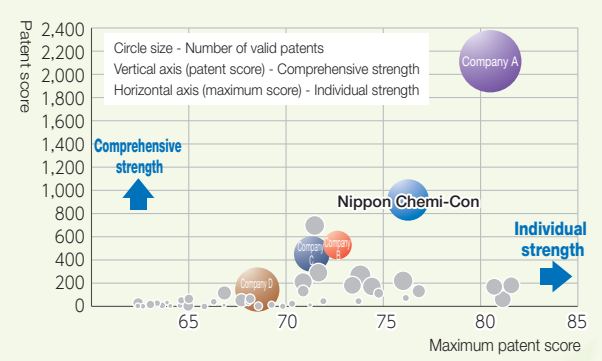
Region-based figures for employees is as shown in the graph (including fixed-term employees).

The Nippon Chemi-Con Group has over 6,000 employees, of which 62% 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.

## Topic Patent Ranking

Nippon Chemi-Con is strengthening its intellectual property strategy. We aim to build barriers to entries of new businesses through patents by exploring technologies from the early stages of development and expanding overseas. This includes the use of intellectual property information from the product planning stage.

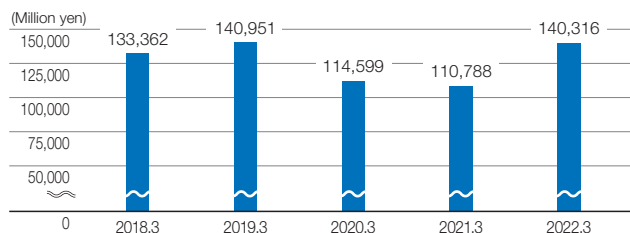
Nippon Chemi-Con is ranked second in an overall rating (patent score) of the quality and quantity of patents for electrolytic capacitors.



\*Made by Nippon Chemi-Con with analysis software "BizCruncher" provided by Patent Result Co., Ltd. Analysis of the 2,101 published patents (including pending applications) as of August 2022.

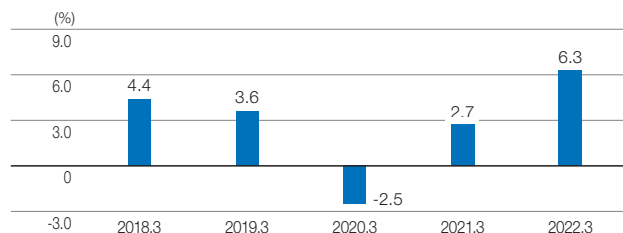
## Financial and Non-financial Highlights

### Net sales



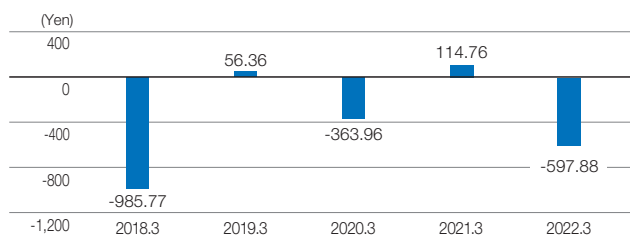
In FY2021, the corporate sector's performance recovered due to the slowdown of the COVID-19 pandemic. As a result, corporate capital investment increased and sales for the industrial equipment market grew significantly.

### Operating income margin

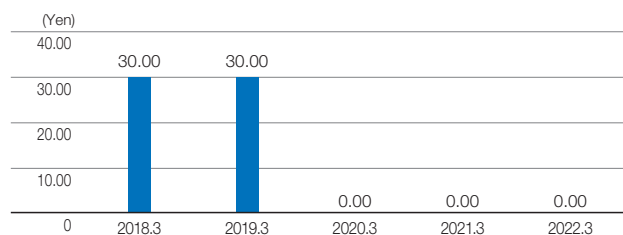


Over the medium term, we have set a goal of 7%.

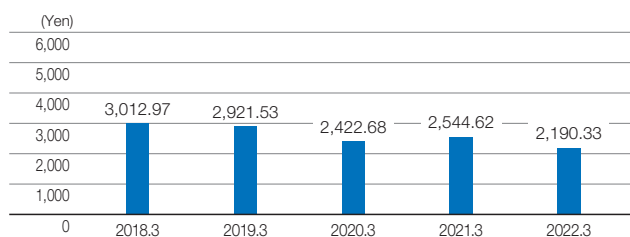
### Profit (loss) per share (EPS)



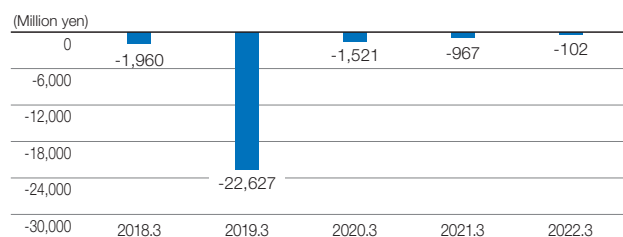
### Dividend per share (DPS)



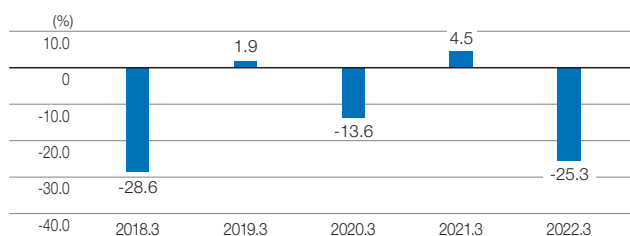
### Book value per share (BPS)



### Free cash flow

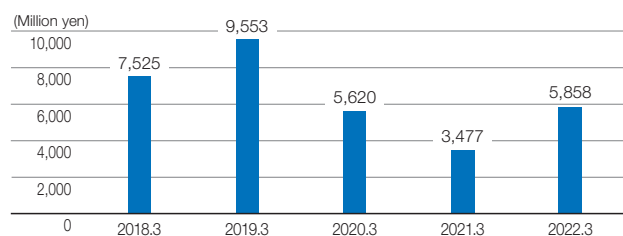


### Return on equity (ROE)



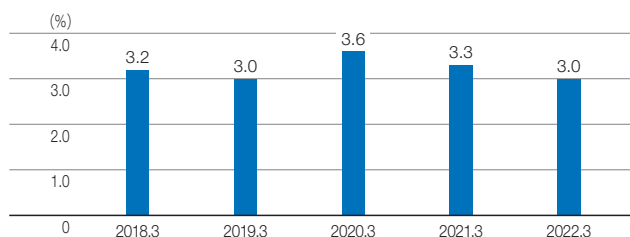
Over the medium term, we have set a goal of 10% and higher.

### Capital investment



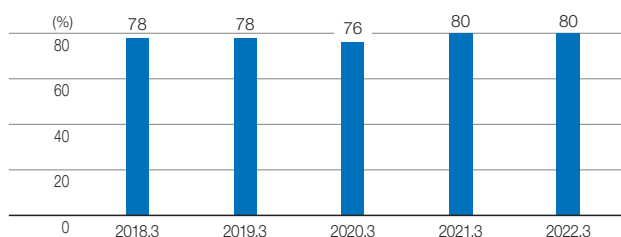
We will increase capital efficiency by concentration and selection of our capital investments.

## R&amp;D expenses (ratio to net sales)



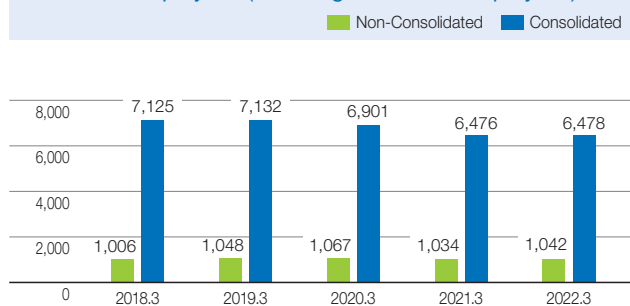
Under a medium- to long-term plan, we work to maintain R&D investments equivalent to 3-4% of net sales for technology development, the driving force behind corporate growth.

## Overseas sales ratio



We work to strengthen regional strategies to diversify risks.

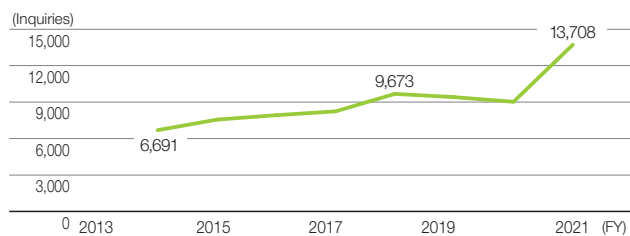
## Number of employees (including fixed-term employees)



## New employment and reemployment



## Product compliance (All product categories)

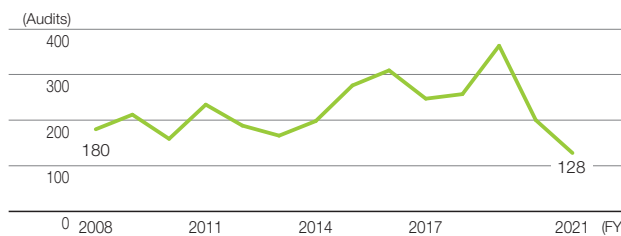


Since the ELV Directive came into force in Europe in 2003, the RoHS Directive became effective in 2006, and REACH in 2007. REACH is intended for all chemical substances. These European standards have become a global trend and countries around the world are strengthening chemical substance management.

We are committed to providing “green products” that are free of regulated chemical substances keeping up with rapidly changing chemical substance regulations and complying to laws and distributing information in advance.

The graph shows the shift in the number of surveys conducted on our products by customers such as non-containment confirmation of hazardous substances. There were about 7,000 inquiries in FY2014, but they increased to over 9,000 by the time the revised RoHS Directive (RoHS2) was implemented in 2019. In 2021, we started a service for downloading RoHS/REACH Compliance Statements on our website. This service is being used frequently, indicating how much customers are focusing on product “compliance.”

## QPE supplier audit results (All offices and plants in or outside Japan)



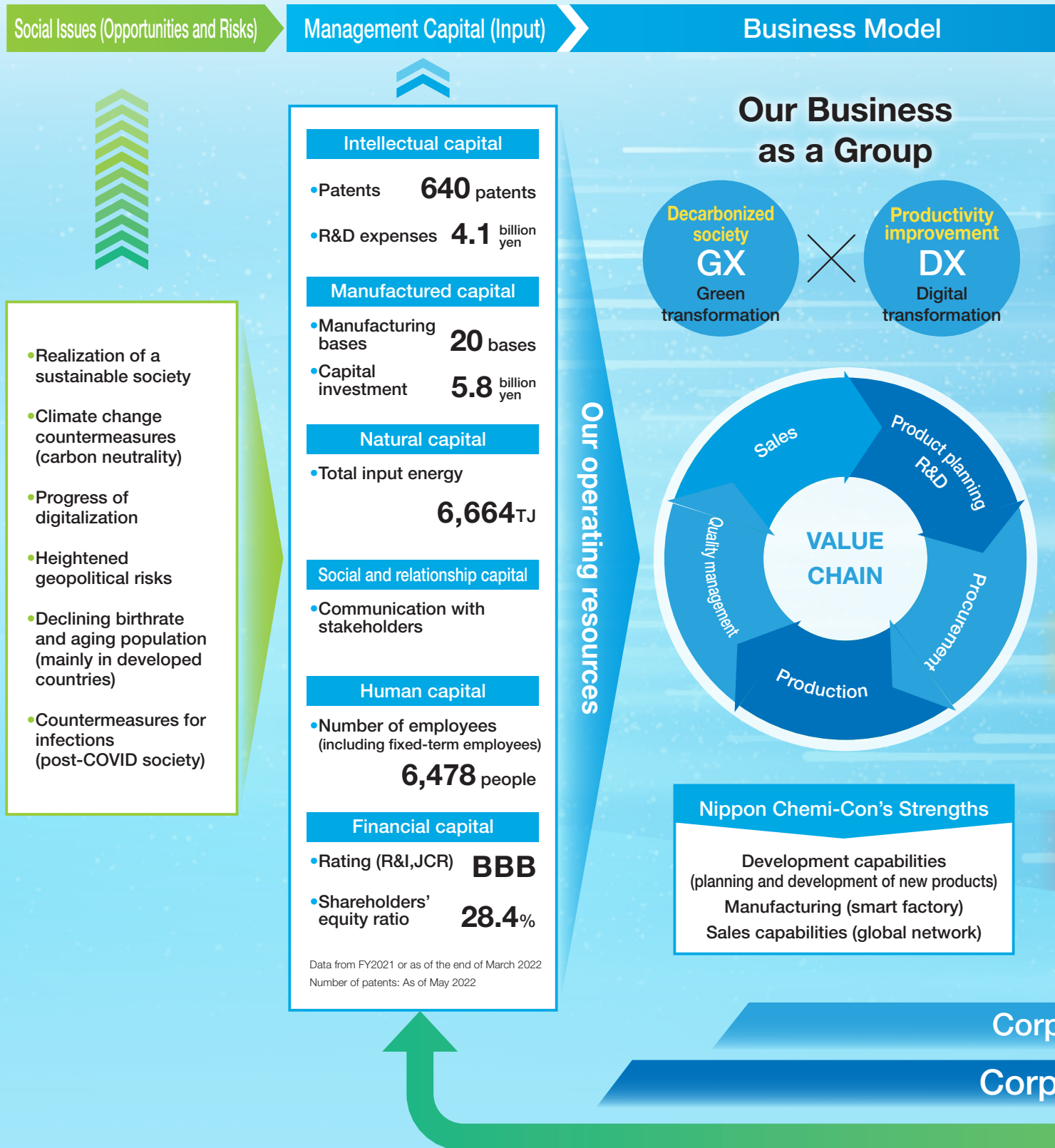
The potential applications for our products are expanding due to customer technology trends. However, it goes without saying that strong, trusting relationships with our suppliers are critical to ensure a quick response to customer expectations.

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 and are promoting the creation of “QPE Supplier Charts” through this system. These charts are similar to a health exam chart and enables us to regularly check on the health (management) status of our suppliers. These charts serve as a tool for 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.





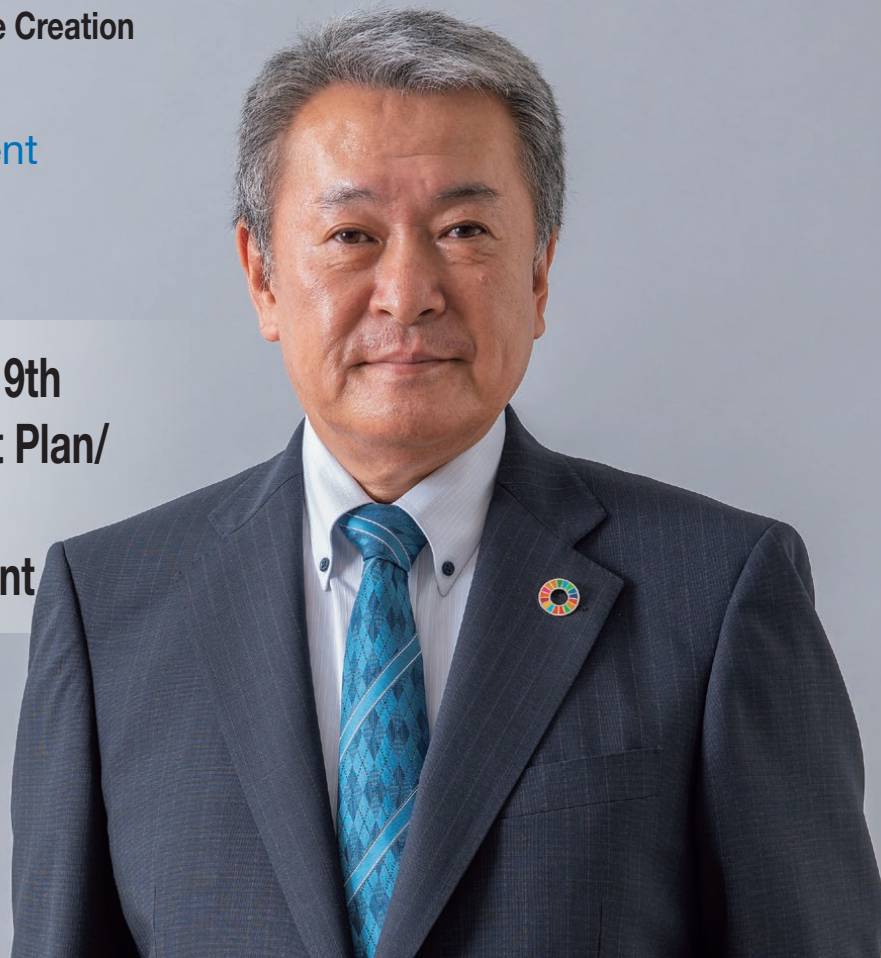
## Message From the President

# Achieving the goals for the 9th Medium-term Management Plan/ structural reforms and enhancing ESG management

November 2022

**Norio Kamiyama**

Representative Director and President



COVID-19 continues to impact global society. We would like to extend our heartfelt sympathies to those who have been infected or affected by the pandemic.

### Completing structural reforms to brace for future uncertainty and unpredictability

In FY2021, society continued to face the COVID-19 pandemic, which has impacted the world since early 2020. Isolations, restrictions and lockdowns were implemented around the world, but global demand recovered rapidly particularly in Europe and the US due to a shift towards measures for the COVID-19 pandemic. However, we also saw constraints on supply and demand for parts, materials and transport due to ongoing and stronger social isolation measures. Additionally, natural disasters and other factors have reduced the functionality of ports and factories, and power shortages and fires at major semiconductor factories have exacerbated supply chain disruptions. As a result, we saw dramatic increases in materials, energy and logistics costs, which had a significant impact on our Group's business activities. Furthermore, the Russian military invasion against Ukraine in February 2022 has caused resource, energy and food supply insecurity around the world, triggering rapid inflation. Such a severe environment provided an opportunity to reconsider what we should do to achieve

a sustainable society for the future, the meaning of our existence, and the role we should play. Our Group has been engaged in structural reforms since 2020, and progress through the second year has significantly exceeded plans. We will continue to respond flexibly to changes in our external environment and complete structural reforms to transform into a corporate structure that can adapt to any change in our operating environment.

### Looking back on the results for FY2021, the second year of our 9th Medium-term Management Plan, and plans for FY2022

In FY2021, the second year of our 9th Medium-term Management Plan, net sales increased 26% year-on-year to 140.3 billion yen and operating income also greatly exceeded plans, increasing 196% year-on-year to 8.7 billion yen. This increase was due to favorable trends in personal consumption and a firm increase in capital investments driven by a recovery in corporate earnings, particularly in Europe and the United States.

However, we recorded a loss attributable to owners of parent of 12.1 billion yen (profit attributable to owners of parent was 2.0 billion yen in the previous fiscal year) due to the recording of loss related to antitrust laws. We sincerely apologize to our stakeholders.

Looking at conditions in the three main markets for

Group net sales, automotive electronics markets faced a shortage of semiconductors and other parts, which forced a reduction in automobile production. However, the number of vehicles produced still exceeded the previous year. Overall, automotive electronics markets have remained firm due to advancements in electrification and automation, which has led to an increase in the number of parts per vehicle. Industrial equipment markets showed the highest growth in FY2021 due to strong demand for capital investments, mainly in the manufacturing industry. The ICT market also recorded firm growth due to the widespread adoption of telecommuting and expanded use of web services in response to the COVID-19 pandemic. The increased use of data centers drove significant growth in demand for data centers and server equipment. The market also benefited from the growth of 5G smartphones and increased installations of 5G communication base stations.

Amid this market environment, our Group implemented structural reforms faster than originally planned.

First, as part of structural reforms, we continued converting our production bases to smart factories and promoted automation of production processes. We were able to increase production without increasing capital investments or personnel with the exception of some products by maximizing our utilization rates for existing facilities and enhancing production performances. To respond to rising raw material and energy costs that we cannot absorb internally, we focused on revising our selling prices while providing detailed explanations to customers.

As product planning reforms, we promoted concept-driven reforms that involve a change in the mindset adopted by our sales and development divisions with the aim of creating and materializing next-generation seeds while also anticipating customer needs. For example, we have accomplished the launch of a product that will contribute to weight reduction in vehicles, improved fuel economy and reduced CO<sub>2</sub> emissions. To do so, we used a newly developed high-magnification aluminum electrode foil in products for the automotive electronics market to reduce product size and weight.

FY2022 is the final fiscal year of our 9th Medium-term Management Plan. Meanwhile, we are still halfway through structural reforms and product planning reforms. In light of future uncertainty and unpredictability, I believe that continuing to implement these structural reforms is the most important initiative for our BCP (business continuity plan).

#### Establishing a long-term vision “100th Anniversary (2031) Project”

Unfortunately, our corporate growth has been at a standstill over the past ten or so years. This is due to various factors

such as the global financial crisis resulting from the Lehman collapse in 2008, the devastation caused by the Great East Japan Earthquake in 2011, the economic turbulence caused by the U.S.-China trade war in 2018, and the lockdowns in the COVID-19 pandemic that has continued since 2020.

Overcoming this situation and achieving further growth requires forgetting about our past successes. We must develop “autonomous human resources” who can think and act on their own, and so we selected young employees to carry out our “100th Anniversary Project” from January 2021. We are also working to create new values for the Group and formulate various reform proposals needed to achieve sustainable growth. As one specific example, in April 2022, we established the New Business Promotion Department. We will optimize our Group’s business portfolio by combining latent market needs with the technical knowledge we have accumulated over the years and accelerating planning and development of new products with high added value.

In the 10th Medium-term Management Plan starting FY2023, we will backcast from our management philosophy and the long-term vision of the 100th Anniversary Project=what we want to be and incorporate this into the 10th Medium-term Management Plan=what we should be. We aim to formulate a plan that will be accepted by all our employees.

#### Enhancing ESG management Responding to climate change based on the TCFD framework Promoting DX (digital transformation) activities

Based on our corporate philosophy of “Contributing to Environmentally and People Friendly Technology,” we actively work to develop products that will contribute to the realization of a sustainable society and reduce the environmental impact of our business activities. Amid these initiatives, in March 2022, we announced our



## Message From the President

support for the recommendations of the “Task Force on Climate-related Financial Disclosures (TCFD)” established by the Financial Stability Board, and we will further promote responses to climate change. Moving forward, we will analyze the risks and opportunities that climate change will have on our business in line with the TCFD framework and reflect them in our management strategies. We will also actively disclose financial information related to climate change.

Company-wide operational reforms are necessary to achieve management targets while promoting ESG management. The most effective way to achieve this is through DX that uses IT to reconstruct operations. We introduced our DX initiatives in last year’s integrated report and aim to align our initiatives with our management objectives. We will also conduct open recruitment for IT divisions and introduce a new IT education system. Specifically, we have selected employees (roughly 200 people) to be in charge of promoting and utilizing cloud technology to develop personnel who will play an active role as leaders of future DX promotion.

To meet the expectations of our stakeholders, we will make efforts to improve our disclosure of non-financial information by implementing TCFD initiatives as well as actively promoting diversity and inclusion, reinforcing compliance, and working to ensure respect for human rights.

**Towards a sustainable growth**  
**“Creation of a new Chemi-Con culture that constantly adapts to the changes in the world”**

The world has changed entirely due to the COVID-19 pandemic that has continued since early 2020. Amid such changes, we have a healthy sense of urgency that we will not survive if we do not change as a company. As such, I am internally seeking the “creation of a new Chemi-Con

culture that constantly adapts to the changes in the world.” I want to create a free and open company where all employees can take on challenges without fear of change and are able to speak freely about the ideal direction for the company. To achieve this culture, I aim to create a company with high employee satisfaction by implementing various measures including personnel system reforms. For medium- to long-term growth, it is essential that we formulate a strategy based on our worth (purpose) as a company. As a company that has been in business for over 90 years, our worth is built on our corporate philosophy “Contributing to Environmentally and People Friendly Technology.” Thus far, our group has fulfilled this mission set in our corporate philosophy by providing products and technologies that address social issues. Moving forward, we will continue contributing to the realization of a sustainable society and improvement of the lives of people around the world by responding to the issues facing society.

**To our stakeholders**  
**Communication with shareholders and investors are very valuable opportunities**  
**Enhancing employee engagement is also an important goal**

Communicating with our shareholders and investors is a very valuable opportunity to objectively confirm that our approach as a company is not short-sighted or self-satisfactory. I am very grateful to all our shareholders and investors for their opinions and requests after each exchange. To constantly reevaluate our own thoughts and incorporate diverse perspectives, we will continue to proactively maintain opportunities for communication with shareholders and investors and make improvements.

Our employees are also indispensable stakeholders of our company. In addition to striving to create an environment where employees can work freely and openly, one of my most important goals is to continuously increase employee engagement. I plan to continue establishing various measures to increase employee engagement.

We aim to become an even better Chemi-Con Group that all stakeholders will be fascinated in. To do so, we will clarify the issues facing our Group while valuing productive communication with our customers, business partners, shareholders and investors, and quickly share those issues within the Group to promote job satisfaction among employees.

Going forward, we will continue to contribute to the realization of a sustainable society and work to achieve sustainable growth as a company based on the basic principle “reinforcing thorough safety, quality, and legal compliance.” We ask for the continued support of our stakeholders.





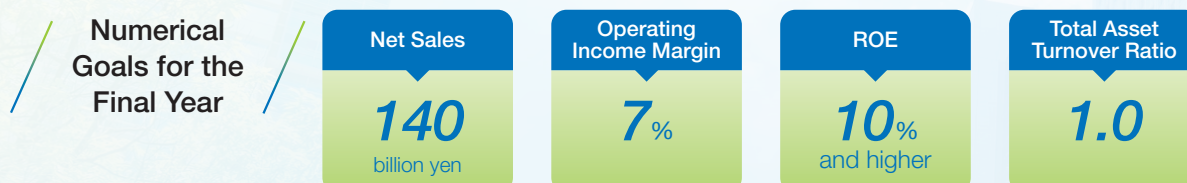
## The 9th Medium-term Management Plan

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**



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

Performances	FY2020	FY2021
	Net Sales	<b>110.7</b> billion yen
Operating Income Margin	<b>2.7%</b>	<b>6.3%</b>
ROE	<b>4.5%</b>	<b>-25.3%</b>
Total Asset Turnover Ratio	<b>0.8</b>	<b>0.9</b>

**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 Reforms

## Product Planning Reforms

### 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

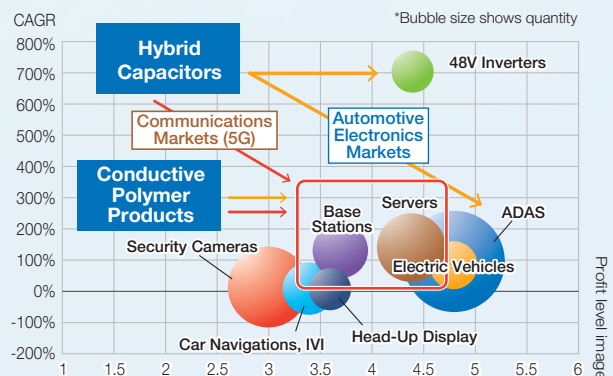
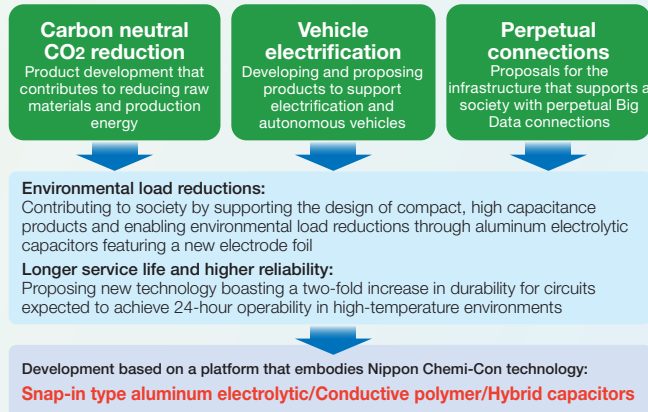
- Japan**
  1. Reorganization of sales bases and enhancement of distributor policies
  2. Focus on industrial equipment/ automotive electronics partner customers
- Americas**
  1. Focused usage of production bases in the US
  2. Enhancement of sales and marketing for GAF A/semiconductor manufacturers
- 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

Nippon Chemi-Con technology initiatives related to the environments impacting our society and customers



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

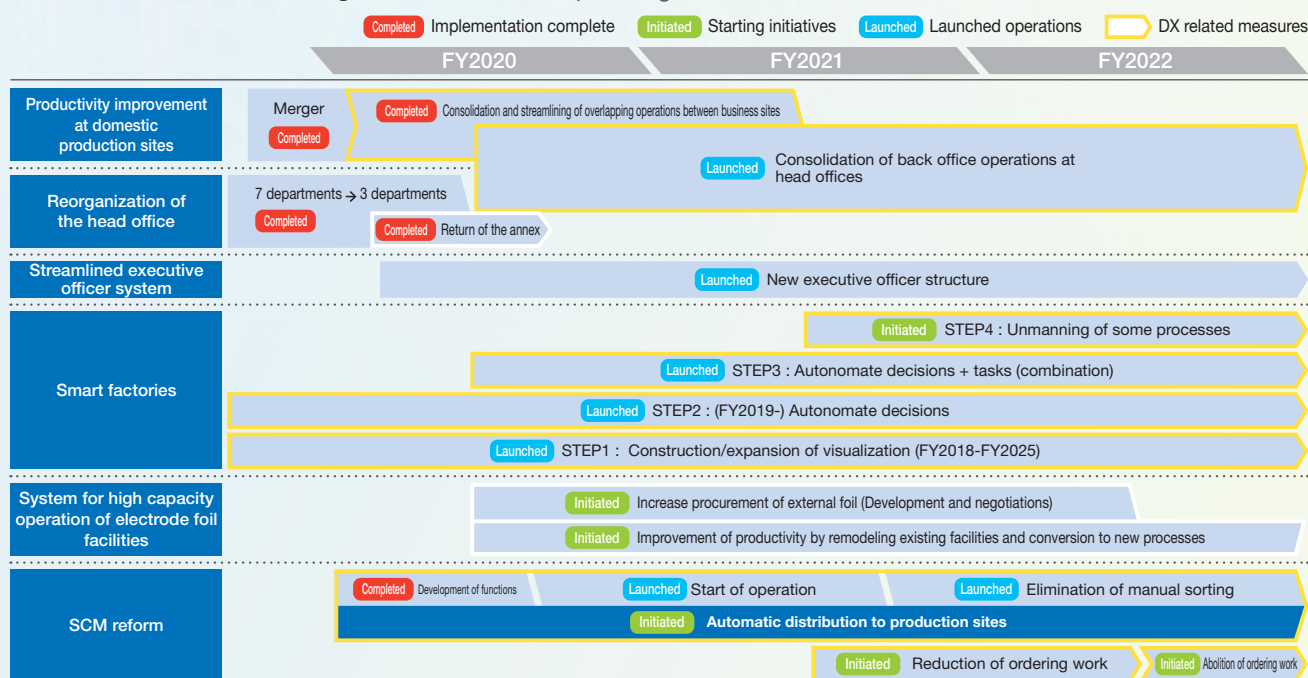
### 2. Realization of speedy management

- 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	FY2021
<b>1 Reduce fixed costs</b> (Executive compensation, personnel costs, depreciation, etc.)	+ 6.3 billion yen	+ 1.5 billion yen	+ 2.1 billion yen
<b>2 Improve profit through productivity improvement</b> (Promote smart factories, establish a system for high-capacity operation of electrode foil facilities)	+ 1.9 billion yen	+ 0.7 billion yen	+ 1.8 billion yen
<b>3 Increase profitability by introducing new products</b>	+ 3.8 billion yen	+ 0.2 billion yen	+ 1.2 billion yen
<b>Performance improvement effect total</b>	<b>+ 12.0 billion yen</b>	<b>+ 2.4 billion yen</b>	<b>+ 5.1 billion yen</b>
<b>4 Inventory reduction effect</b>	<b>+ 3.0 billion yen</b>		

#### — Structural Reforms Progress and Roadmap Progress at the end of March 2022



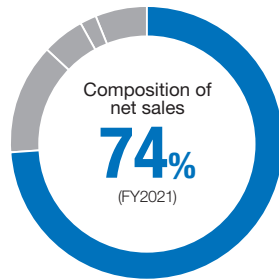
# Business Overview

Product category

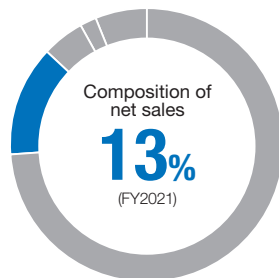
Main products

## Aluminum Electrolytic Capacitors

(excluding conductive polymer capacitors)

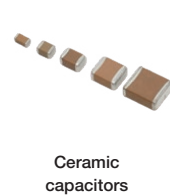
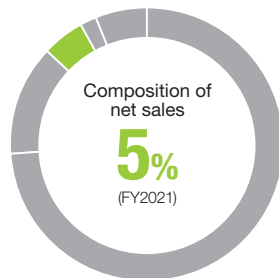


## Conductive Polymer Capacitors



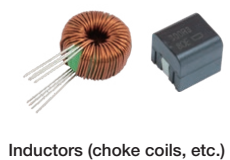
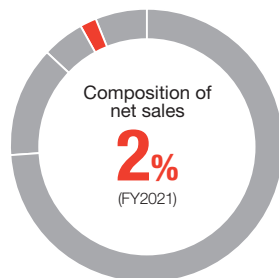
## Other Capacitors

(including solid devices and functional devices)



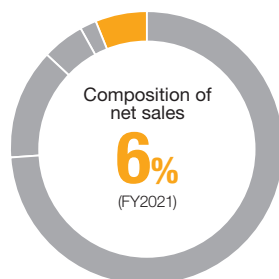
## Mechanical and other parts

(including solid devices and functional devices)



## Other

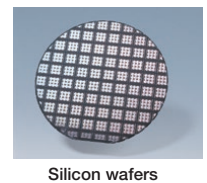
(including functional material)



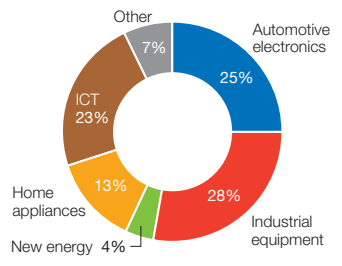
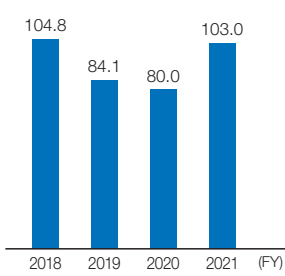
Capacitor material



Resale products

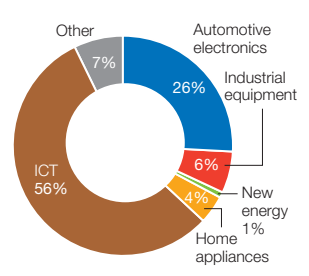
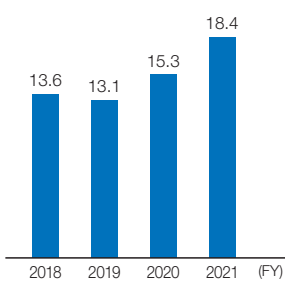


Net sales (billion yen)/Net sales by market (FY2021)

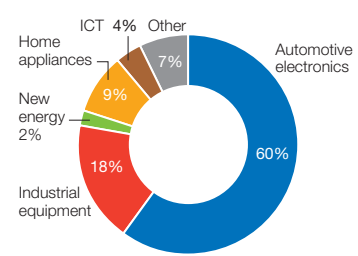
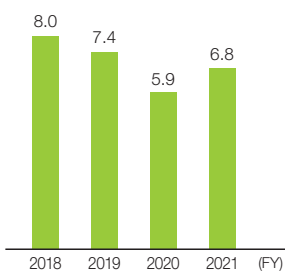


Product strategy - Focus on automotive electronics/communications/ industrial equipment/energy conversion markets

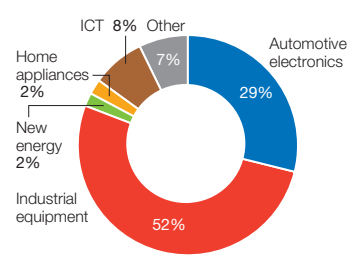
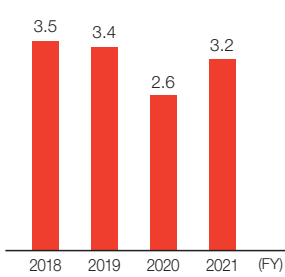
<b>Large-size products</b>	Focus on industrial equipment/energy conversion/automotive electronics markets Shift to high value-added products by increasing the ratio of new products Improvement of overall capacity utilization for existing facilities
<b>Small and medium-size products</b>	Selection and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



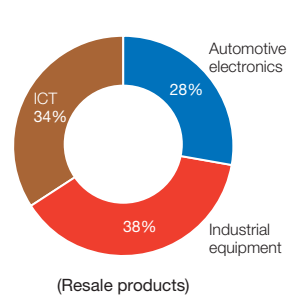
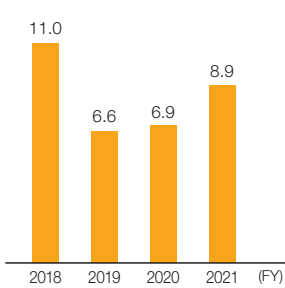
<b>Conductive polymer capacitors</b>	Radial lead type Focus on high value-added markets by enhancing sales expansions to the server market SMD type Introduction of new products to 5G base stations and the automotive ADAS market
<b>Hybrid capacitors</b>	Automotive electronics market Rapid response to 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



<b>Ceramic capacitors</b>	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)
<b>Ceramic varistors</b>	Optimization of global production operations Improvement of profitability by pursuing efficiency improvements
<b>Supercapacitors</b>	Radial lead type Expansion of the product lineup for power supply backups to keep pace with electrification trend in the automotive electronics market



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



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

## Financial Strategy Message From Our CFO



Osamu Ishii

Director  
Managing Executive Officer  
Chief Financial Officer

## Medium- to long-term expansion of business revenues, strengthening of the financial foundation through optimal capital distribution and implementation of sustainability management

We will increase our earnings by completing structural reforms and implementing product planning reforms as well as focusing on rebuilding the financial foundation we lost by further increasing capital efficiency. At the same time, we will increase our corporate value through growth that leads to resolution of societal issues.

In FY2021, net sales increased by 26.7% year on year. Although there were negative factors such as a resurgence of the COVID-19 pandemic and a semiconductor supply shortage, demand for industrial equipment and automotive electronics recovered. Looking at profit, we steadily implemented structural reforms while also launching high-added-value products. As a result, we recorded a 22.3% gross profit margin, which indicates how much profit a business makes, and achieved our internal target of 20% or more. Operating income increased significantly to 8.7 billion yen, up 196.1% year on year. However, the fiscal year resulted in a net loss and our equity ratio decreased from 37% to 28.4% due to having recorded extraordinary loss related to the settlement of a class action civil lawsuit in the U.S.

FY2022 is the final year of our 9th Medium-term Management Plan. We will focus on improving earnings by completing structural reforms and implementing product planning reforms. At the same time, we will further improve our capital efficiency and focus on rebuilding the financial foundation we lost.

Although we recorded a net loss in FY2021 and are finding it difficult to achieve some of our numerical targets, we will strive for an ROE of 10% and a D/E ratio of 1.2 or lower. To do so, we will correct our balance of liabilities and capital by improving our profitability and ability to generate free cash flow and also reduce our interest-bearing debt, which temporarily increased.

To improve our capital efficiency, we will enhance our capital investment efficiency through reduction of lead time by promoting DX to visualize processes from order receipt to production to material orders. Through these efforts, we aim to improve our inventory turnover ratio as well as improve our fixed asset turnover ratio through enhancement of capital investment ratio and reduction of

non-essential assets.

In the 9th Medium-term Management Plan, we introduced capital cost-conscious capital investment standards and tightened investment decisions through the internal rate of return method (IRR) and net present value method (NPV), establishing hurdle rates for business divisions. FY2023 marks the start of our 10th Medium-term Management Plan (FY2023 to FY2025). During this period, we will set ROE targets that are greater than shareholder capital costs and evaluate financial strategy aimed at reducing our D/E ratio to 1.0 or lower. To further improve our capital efficiency, we will also adopt return on invested capital (ROIC) as an indicator. Moving forward, we will strengthen our business portfolio by monitoring profitability in relation to invested capital while evaluating whether the ability of each business exceeds a weighted average cost of capital (WACC) of approximately 5%. Through these initiatives, we will work toward strengthening our business portfolio.

For shareholder returns, our basic approach is to continue focusing on long-term, stable dividends. We apologize for having foregone the year-end dividend for the fiscal year ended March 2022 to focus on strengthening our financial foundation. We prioritize a rapid resumption of dividends and continuation of stable dividends and plan to engage in efforts towards optimal shareholder returns in the future.

To improve shareholder value, we will expand business revenues and strengthen our financial foundation by focusing our medium- to long-term distribution of management resources on high-growth/highly profitable products such as hybrid capacitors. At the same time, we will increase our corporate value through growth that leads to resolution of societal issues from the standpoint of sustainability.



**Katsunori Nogami**

Executive Officer  
Chief Technology Officer

## Development of concept-driven products/Consciousness reformation for social contributions through products

I believe that we must “delve” into the needs of customers to establish continuous development on an organizational level. We are required to reconsider the reasons why some products sell and others don’t from the customer’s perspective. To do so, we encourage “border crossing,” which creates opportunities to engage in unfamiliar technologies and ways of thinking.

FY2022 is the final fiscal year of our 9th Medium-term Management Plan. Thus far, based on our policy “improving product planning capabilities,” we have incorporated marketing divisions into technology divisions and created backbone strategies for product planning that are grounded in macro-level market trends and information gathered from individual customers. Through this approach, we have focused on development based on a total story, from parts/materials and production equipment to final products. As a result of these efforts, we succeeded in proposing some “concept-driven products” to customers.

One example is the development of snap-in type aluminum electrolytic capacitors LHU Series. For this product, we used our proprietary electrode foil technology to achieve significant downsizing and reduce CO<sub>2</sub> emissions. The product has earned high praise, mainly from customers of the renewable energy field, as it is highly suitable for mass production and offers well-balanced performance.

However, development of such “concept-driven products” is still only halfway to becoming a continuous initiative.

I believe that we must further strengthen our ability to “delve” into the needs of customers to establish continuous development on an organizational level. Specifically, there is always a reason why some products sell and others don’t. We need to reevaluate those reasons from the perspective of the customer and be able to look into the background of those reasons. We must also develop direct communication skills by thoroughly pursuing customer usability from a technical perspective. This is not easy, and it will require significant time, but we will commit to working

towards this as an organization. My hope is that we will see the development of more “concept-driven products.” We will make efforts to eventually incorporate these into our global sales network as well.

On the other hand, it goes without saying that continuous development of technology is necessary to achieve these goals, and we must always act with a focus on innovation. By engaging in unfamiliar technologies, ways of thinking and customs, in other words, by encouraging “border crossing,” we will be able to think about our own technology and business more freely. We have started building a system to support such activities. This helps us recognize that our “norms” do not always work well outside the company. Conversely, this will also help us notice our strengths. We may even discover new social issues. If these become a driving force for change, it could lead to the creation of new ideas and eventually turn into the seeds of medium- to long-term businesses.

We will also strengthen our intellectual property as indirect support. From the abovementioned medium- to long-term perspectives in addition to short-term perspectives, we will strive to improve development efficiency and strengthen our technological presence by focusing on firmly acquiring rights for peripheral and core technologies. Simply put, we will “secure the corners in Othello.”

By continuously implementing these initiatives, we will create a stronger technological foundation and strive to achieve corporate profits as well as help resolve social issues.

## Quality Strategy Message From Our CQO



**Yoshifumi Minegishi**

Director  
Senior Managing Executive Officer  
Chief Quality Officer

## Establishing a flexible/strong quality structure that can adapt to changes in the operating environment

While demands by society for even higher quality increases, difficulty securing personnel makes “strict quality control that relies on the injection of human resources” difficult. As such, we promote automatic judgment technology for appearance sorting and characteristic sorting as well as expansion of smart factories with IoT and AI. These initiatives can both maintain and enhance quality while dramatically improving productivity.

Nippon Chemi-Con has always engaged in business activities while positioning “quality” as one of the most important factors. In recent years, major market shifts such as “full-fledged adoption of autonomous driving technology” and “dissemination of high-volume communications technology” have led to increased demands by society for even higher quality. At the same time, difficulty securing personnel due to declines in the workforce population of Japan and rising personnel expenses overseas has created an urgent need to shift away from “strict quality control that relies on the injection of human resources.”

To address this environment, we began promoting the following initiatives last year.

1. Establishment and adoption of automatic judgment technology for appearance sorting and characteristic sorting
2. Expansion of smart factory with IoT and AI

As a result of these initiatives, we are adopting automated judgment lines mainly in our domestic and overseas capacitor production factories, which has led to the gradual increase of smart factories. We will further accelerate these initiatives with the goal of maintaining/enhancing quality while dramatically improving productivity.

Last year, we were met with lockdowns and disruptions in transport routes around the world due to COVID-19. Supply disruptions caused by such situations became major issues as well.

While we too experienced difficulties maintaining stable supply, we were able to maintain a certain level of quality and supply due to the following continuous initiatives we implemented to strengthen our BCP.

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

This fiscal year, we will also work on new issues such as “activities to strengthen parts quality to ensure stable supply of high-quality parts/materials” and “strengthening management of changes in response to changes in the operating environment” as priority themes while continuing the above-mentioned initiatives.

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.



# Sustainability Management

## Basic Policy of Sustainability

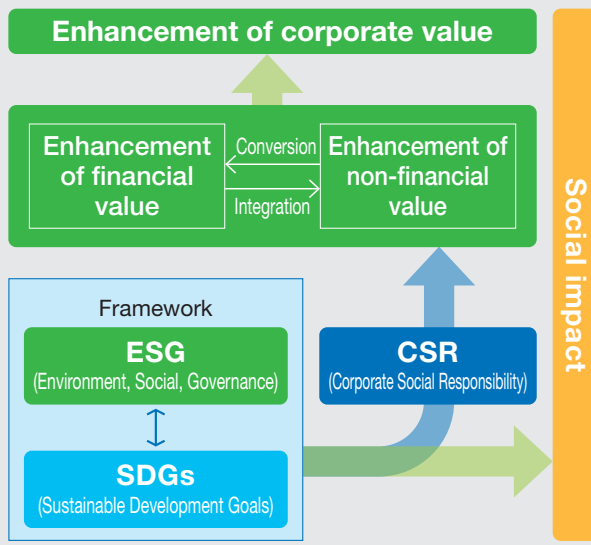
Nippon Chemi-Con embraces the corporate philosophy “Contributing to Environmentally and People Friendly Technology.” Over the years, we have continuously played a role in supporting people’s lives and enabling technological innovation for society. This corporate philosophy represents our belief that the technology that supports society and its development must not harm the environment or people. Nippon Chemi-Con believes that the essence of sustainability is to be appreciated by society and to contribute to society while engaging in communication and maintaining harmony with stakeholders. We drafted our new “Basic Policy of Sustainability” as a policy to make this philosophy a reality.

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

## How Nippon Chemi-Con positions sustainability activities and concepts

We position ESG and SDGs as a framework for implementing and evaluating our efforts related to corporate CSR. We do not view these concepts as mutually exclusive, rather as overlapping and deeply correlated. With this notion, we will comprehensively engage in sustainability activities.

With consideration to the impact our corporate activities have on society, we will also aim to increase our non-financial value through internal sustainability investments with the goal of generating a positive impact on earnings. We believe that it is important to have processes that link sustainability investments, such as human capital, intellectual property and climate change measures, to the reduction of business risks and improvement of both short-term and long-term earnings. Through these activities, we will continue to be a better company for our shareholders, customers, employees and other stakeholders, and make efforts to continuously improve our corporate value.



## Sustainability Promotion System

The Nippon Chemi-Con Group works to cooperate with all divisions and sites mainly through the Administration Dept. The Administration Dept. takes charge of practical matters with supervision and instructions from the Board of Directors and the Executive Committee. 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. We have adopted a system that selects auditors from sites that are not subject to auditing to monitor each other.

## Participation in the UN Global Compact

The Nippon Chemi-Con Group participates in the United Nations Global Compact (UNGC). The UNGC is comprised of 10 universal principles related to four areas: human rights, labour, environment, and anti-corruption.

## The Ten Principles of the UN Global Compact

- 1
Human Rights

Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2 make sure that they are not complicit in human rights abuses.

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- 2
Labour

Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4 the elimination of all forms of forced and compulsory labour;

Principle 5 the effective abolition of child labour; and

Principle 6 the elimination of discrimination in respect of employment and occupation.

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- 3
Environment

Principle 7 Businesses should support a precautionary approach to environmental challenges;

Principle 8 undertake initiatives to promote greater environmental responsibility; and

Principle 9 encourage the development and diffusion of environmentally friendly technologies.

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- 4
Anti-Corruption

Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.

# 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)







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

ESG initiative items	FY2021 major activities and goals	FY2021 achievements and progress	Degree of completion	FY2022 major activities and goals	Related pages
 <b>Environment</b>  Global environment conservation	Global warming prevention and energy conservation activities -Energy intensity improvement: 1% or higher per year <sup>1</sup> -CO <sub>2</sub> emission reduction rate goal: 21.6% (FY2013 comparison) <sup>2</sup>	Base year (FY2020) comparison: 6.0% improvement Base year (FY2013) comparison: 18.0% improvement	⊙  ○	Global warming prevention and energy conservation activities -Energy intensity improvement: 1% or higher per year -CO <sub>2</sub> emission reduction rate goal: 24.4% (FY2013 comparison)	P29  
	Appropriate management of chemical substances used by factories <sup>1</sup> -Environmental impact of chemical substances used by factories	Appropriate management conducted at all plants, no incidents having an impact on the environment	⊙	Appropriate management of chemical substances used by factories -Environmental impact of chemical substances used by factories	P31    
	Management of chemical substances used in products (environmentally friendly products) <sup>3</sup> -Zero environmental-related product accidents	No environmental-related product accidents	⊙	Zero environmental-related product accidents	P10    
	Effective use of resources and waste reduction, promotion of 3Rs including plastic waste -Final disposal rate: 1.5% or less <sup>2</sup>	Final disposal rate: 0.7%	⊙	Effective use of resources and waste reduction, promotion of 3Rs including plastic waste -Final disposal rate: 1.0% or less	P30    
	Continue improvements based on environmental management system (ISO14001) <sup>3</sup>	Environmental management system functioned effectively and performance including environmental goals improved	⊙	Enhance performance by continued improvements based on environmental management system (ISO14001)	WEB      
	Promote biodiversity conservation activities <sup>2</sup>	Despite restrictions on activities due to the COVID-19 pandemic, each site conducted distinctive initiatives to promote cooperation with local communities	○	Promote biodiversity conservation activities -Continue protection of endangered species -Cooperation with local companies and schools -Conservation activities near sites	P30 P36   
	Contribute to local communities <sup>2</sup>	Implemented volunteer activities as part of contributions to local communities, engaged in cleaning activities near plants and on beaches	⊙	Contribute to local communities -Continue environmental conservation activities	P36      
	Compliance with environmental laws <sup>3</sup>	No legal violations including accidents resulting in environmental pollution attributable to the Company	⊙	Compliance with environmental laws - No legal violations including accidents resulting in environmental pollution attributable to the Company	P29     
	Expand line of products enabling size reductions and higher temperature resistance and longer life <sup>3</sup>	Promoted product size reductions and energy conservation with new electrode foil, and developed solutions for higher temperature resistance and longer life	⊙	Expand line of products enabling size reductions and higher temperature resistance and longer life	P5 P17    

<sup>1</sup>Manufacturing bases in Japan and overseas (excluding Samsung Electronics and Qingdao Samsung Electronics), head office    <sup>2</sup>Manufacturing bases in Japan  
<sup>3</sup>Nippon Chemi-Con Group

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

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

ESG initiative items	FY2021 major activities and goals	FY2021 achievements and progress	Degree of completion	FY2022 major activities and goals	Related pages
HR/benefits	Adopt work-from-home system <sup>4</sup>	Continued work-from-home system	◎	Adopt work-from-home system	
	Continue welcome back program (re-hiring program) <sup>5</sup>	No applications	—	Continue welcome back program (re-hiring program)	WEB
Employee health and safety	Reduce average overtime to average 29 hours or less per month per employee <sup>4</sup>	Achieved	◎	Reduce average overtime to average 29 hours or less per month per employee	P34
	Increase paid leave usage rate and childcare leave usage rate to 70% and higher <sup>5</sup>	Paid leave usage rate: Not achieved Childcare leave usage rate: Achieved	○	Increase paid leave usage rate and childcare leave usage rate to 70% and higher	P34 P35
	Continue mandatory rest between shifts <sup>5</sup>	Continued mandatory rest between shifts	◎	Continue mandatory rest between shifts	P34 P35
	Continue healthy company activities <sup>5</sup>	Group events promoting improvement in exercise habits were cancelled due to COVID-19 and walking events that could be worked on individually were promoted instead	○	Continue healthy company activities	P35
Human resource development	Conduct tiered training <sup>5</sup>	Conducted some trainings online and postponed some due to COVID-19	○	Conduct tiered training	P33 
	Continue training programs in Japan for overseas local employees <sup>6</sup>	Not conducted due to COVID-19	—	Continue training programs in Japan for overseas local employees	P33 
	Continue overseas assignments via the global human resources development program (application based) <sup>5</sup>	Not conducted due to COVID-19	—	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 <sup>5</sup>	Not achieved	△	Continue measures to maintain a 5-year turnover rate of 11% or less for young employees	P32 P33
Diversity	Proactive employment of foreign students studying in Japan <sup>4</sup>	Achieved	○	Proactive employment of foreign students studying in Japan	P32 
	Increase employment rate for disabled workers to 2.5% by FY2023 <sup>5</sup>	Conducted recruitment activities towards achieving goals but did not lead to employment	×	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 <sup>4</sup>	Technical and manufacturing positions: Approx. 20% Sales and clerical positions: Approx. 70%	○	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 <sup>4</sup>	As of end of FY2021: Increased by 67%	◎	Increase female managers/section chiefs/section managers/deputy section managers by 50% by the end of FY2025 compared to the end of FY2020	P32 
Social welfare	Provide support such as vaccines and clothing to developing nations <sup>5</sup>	Did not conduct as the clothing donations were suspended due to COVID-19 Continued collection of plastic bottle caps	△	Provide support such as vaccines and clothing to developing nations	
	Support wheelchair purchases <sup>5</sup>	Continued collection of soda can pull tabs	◎	Support wheelchair purchases	
Next-generation development	Continue internship system <sup>4</sup>	Conducted at Nippon Chemi-Con head office, Kanagawa Research Center and Chemi-Con Yamagata Nagai Plant (for university graduates)	◎	Continue internship system	P32
	Dispatch instructors for next-generation human resource development conducted by industry organizations <sup>4</sup>	Participated in JEITA Human Resources Development Council-Elementary and Secondary Education WG "visiting lectures" project	◎	Dispatch instructors for next-generation human resource development conducted by industry organizations	



<sup>4</sup>Nippon Chemi-Con <sup>5</sup>Nippon Chemi-Con and affiliates in Japan

<sup>6</sup>Taiwan Chemi-Con, Chemi-Con Wuxi, Chemi-Con Malaysia, Indonesia Chemi-Con

## Strategic Basis for Sustainability – ESG Initiatives

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

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

ESG initiative items	FY2021 major activities and goals	FY2021 achievements and progress	Degree of completion	FY2022 major activities and goals	Related pages
Corporate governance	Increase participation in management by outside officers and creation of environment that promotes engagement <sup>4</sup>	Attended various meetings as necessary and conducted inspection tours of sites	○	Increase participation in management by outside officers and creation of environment that promotes engagement	P37
	Reflect results of internal controls efficacy evaluations on management <sup>4</sup>	Issued report to management on internal governance efficacy evaluation	◎	Reflect results of internal controls efficacy evaluations on management	P37 WEB
	Compliance with basic policy on corporate governance <sup>4</sup>	In compliance with policies	◎	Compliance with basic policy on corporate governance	P37 WEB
	Communication with shareholders and investors <sup>4</sup> (Maintain disclosure frequency of financial results explanatory materials. Promote prompt and fair information disclosure and faster website uploads of timely/statutory disclosure documents by adopting an automatic upload system)	Maintained disclosure frequency of financial results explanatory materials and adopted automatic upload system	◎	Promptly disclose financial results explanatory materials (May/November: on day of briefing session, August/February: on day of results announcement)	WEB
	Continue systematic implementation of compliance education <sup>5</sup>	Held tiered training and compliance training related to antitrust laws, implemented education when conducting antitrust law/export audits, and published articles about compliance training sessions and legal affairs on the company newsletter	◎	Continue publishing articles related to compliance study groups and legal affairs in the company newsletter	P39 WEB
Compliance	Continue participation in UN Global Compact (participating since 2012) <sup>3</sup>	Reported status of annual activities	◎	Continue participation in UN Global Compact (participating since 2012)	P24 WEB
	Continue internal audits related to competition laws, export management, ethics, labor, and health and safety <sup>5</sup>	CSR internal audits conducted at six sites as planned Adopted a system where different sites audit each other as deputy auditors	◎	Conduct CSR internal audits at six sites Expand the system where different sites audit each other as deputy auditors	P39
	Regular BCP validation, reviews <sup>3</sup>	Conducted annual regular updates, including the list of material suppliers and created new lists of BCP information for each site	○	Regular BCP validation, reviews	P39 WEB
Risk management	Reinforce information leak prevention (data center, thin client, internal audits, etc.) <sup>5</sup>	Conducted internal audits as planned	◎	Reinforce information leak prevention (data center, thin client, internal audits, etc.)	WEB



<sup>3</sup>Nippon Chemi-Con Group <sup>4</sup>Nippon Chemi-Con <sup>5</sup>Nippon Chemi-Con and affiliates in Japan

In March 2022, Nippon Chemi-Con declared support for the recommendations of the “Task Force on Climate-Related Financial Disclosures (TCFD)” with the recognition that climate change is a significant issue which affects the continuation of our business. Based on the TCFD framework, we will analyze risks/opportunities related to climate change that may affect our business and reflect them in our corporate strategy. At the same time, we will engage in disclosure of financial information related to climate change.

The TCFD recommendations outline information disclosure on four matters related to climate change: governance, strategy, risk management, and metrics and targets. We have begun disclosing information in line with these disclosure recommendations.

— **Governance**

The Risk Management Committee, chaired by the executive in charge of risk management, meets twice a year to discuss climate change-related matters and to evaluate/manage statuses of climate change initiatives. The Committee submits a report of its deliberations to the Board of Directors.

— **Strategy**

We evaluate climate change-related business risks/opportunities in line with the categories outlined in the TCFD recommendations. The evaluations are conducted on those that occur in the middle of the transition to a decarbonized society in the 1.5°C scenario, as well as the physical risks resulting from climate change that will occur if the world reaches the 4°C scenario without reducing CO<sub>2</sub> emissions as planned. Time periods are categorized into short-term (through FY2025), medium-term (through FY2030) and long-term (through FY2050).

		Events	Impact <sup>1</sup>	Term <sup>2</sup>
Transition risks	Market	Risks that will occur when customer demands related to climate change is not met	Large	Medium
	Policy/Legal	Adoption of carbon pricing and increase in electricity costs	Medium	Medium
Physical risks	Acute	Increase in severity of disasters due to extreme weather	Large	Short to long
	Market	Providing products/services that meet customer demand	Large	Short
Opportunities	Technology	Improvement of competitive advantage due to development of new technology	Large	Medium
	Products/Services	Expansion of business opportunities due to an increase in electricity costs	Large	Medium

<sup>1</sup>Risks and opportunities that may have an effect of over 5% of net sales is evaluated as having a large impact.  
<sup>2</sup>The terms assume the following periods: short=until FY2025, medium=until FY2030, long=until FY2050.

— **Risk Management**

We will conduct identification, evaluation and management of climate change related risks, integrated with other risks from a comprehensive point of view, mainly at the Risk Management Committee.


— **Metrics and Targets**

We use the following metrics and targets to evaluate/manage climate-related risks.

1. Manufacturing bases in Japan: We aim to improve energy intensity by an annual average of 1% or higher towards FY2030 based on the “Carbon Neutrality Action Plan” promoted by electrical and electronics industries.
2. Manufacturing bases in Japan: To realize carbon neutrality by 2050, we will pursue a reduction of approximately 46% for CO<sub>2</sub> emissions caused by our production operations in FY2030 on a FY2013 basis.

\*For manufacturing bases in other countries, we will promote consideration to set goals within three years while abiding by the laws of each country.

As metrics/targets for climate-related opportunities, we have focused on enhancing product planning capabilities and accelerating introduction of new products into markets expected to grow in our 9th Medium-term Management Plan (FY2020-2022). This includes new products in automotive electronics and industrial equipment/energy conversion markets. We plan to generate a total operating income of 3.8 billion yen combined with other products during the 9th Medium-term Management Plan.

 For details on Nippon Chemi-Con’s TCFD initiatives, see the webpage below.  
<https://www.chemi-con.co.jp/en/company/sustainability/environment/tcfd.html>

\*TCFD - A task force formed by the Financial Stability Board (FSB) to consider climate-related information disclosure and financial institution responses. It recommends companies to understand and disclose risks and opportunities that climate change may have on businesses.

**Life cycle CO<sub>2</sub> emission comparison of aluminum electrolytic capacitors and multilayer ceramic capacitors until shipment (C2G: Cradle to Gate)**

When compared at the same rated voltage and capacitance, CO<sub>2</sub> emissions in the manufacturing process (from raw material acquisition to product shipment at plants) for snap-in type aluminum electrolytic capacitors was 73.5% of that of multilayer ceramic capacitors.

\*Aluminum electrolytic capacitors and multilayer ceramic capacitors are both Nippon Chemi-Con products. Uses data at the time of production at factories (Nippon Chemi-Con Corporation Takahagi Plant, Niigata Plant, Chemi-Con East Japan Materials Corp. Kitakata Plant, Chemi-Con East Japan Corp. Fukushima Plant, Chemi-Con Yamagata Corp. Nagai Plant). CO<sub>2</sub> emission factor for aluminum raw material (imported aluminum purchased externally and those processed in Japan) per unit weight/Japan Aluminum Association materials, CO<sub>2</sub> emission factor for electricity (FY2020 results)/Ministry of the Environment (Act on Promotion of Global Warming Countermeasures), direct emission during production (calculated based on chemical formulae), externally purchased products and transportation between factories/IDEAv2.3. Calculated by Nippon Chemi-Con based on the above-mentioned information and advice from Sustainable Management Promotion Organization (SuMPO).

## 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 Environmental Management System (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

Nippon Chemi-Con responds to environmental laws and complies to legal standards. We also set stricter independent standards for management depending on regulatory objectives.

Our company has not caused any accidents involving environmental pollution.

### Environmental Activities

#### Energy Conservation

Since FY2021, the Nippon Chemi-Con Group has participated in the electrical and

electronics industry's "Carbon Neutrality Action Plan." We are continuing efforts to achieve our Group energy intensity improvement goal of 1% or more through FY2030 based on FY2020 results.

As an additional target, we have set a goal of "reducing CO<sub>2</sub> emissions from manufacturing in FY2030 by roughly 46% compared to FY2013 levels to achieve carbon neutrality in 2050."

To achieve this goal, the Group is engaged in company-wide activities led by an energy conservation working group, which is comprised of staff in charge of energy.

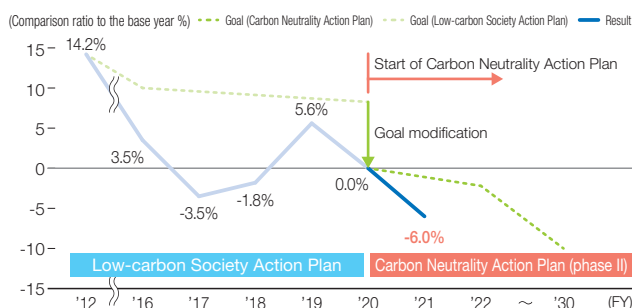
**Mid-term target** In light of "Carbon Neutrality Action Plan" by industrial associations:

**Toward FY2030**  
Improvement target in energy intensity → Annual average : **1** % and higher

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

**Toward FY2050**  
Improvement target in energy intensity → Annual average : **1** % and higher

### Trend of energy intensity improvement (Manufacturing bases in Japan and overseas (excluding Samyoung Electronics and Qingdao Samyoung Electronics))



### Activity Results Breakdown of total CO<sub>2</sub> emissions by year<sup>1</sup>

Fiscal Year	2017	2018	2019	2020	2021
Purchased electric power <sup>2</sup>	518,243	476,074	428,225	373,316	397,629
Grade A heavy oil <sup>3</sup>	29,378	23,351	11,486	7,291	6,029
Kerosene	1,799	1,458	1,020	1,293	1,144
City gas	18,463	21,210	17,267	11,451	18,133
Gasoline	304	320	243	205	118
LPG	366	354	280	222	260
LNG <sup>3</sup>	0	1,825	8,813	15,836	16,179
Light oil	233	120	41	164	52
Industrial steam	2,561	2,486	1,687	2,158	294
Total	571,346	527,198	469,062	411,936	439,839

Notes: <sup>1</sup>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 (P51-52).

<sup>2</sup>Overseas electricity consumption-CO<sub>2</sub> conversion factors: International Energy Agency (IEA) CO<sub>2</sub> Emissions from Fuel Combustion Highlights 2019, International Energy Agency (IEA)

Electricity consumption in Japan-CO<sub>2</sub> conversion factors: Calculated based on emission coefficient (adjusted emission coefficient) published by the Federation of Electric Power Companies of Japan. In FY2020, CO<sub>2</sub> emissions decreased compared to FY2019 due to reduced production of the material business.

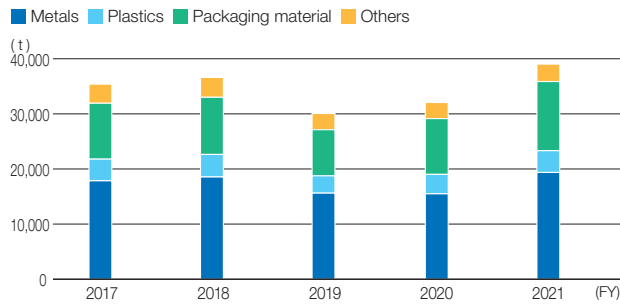
<sup>3</sup>Partial conversion of boiler fuel to LNG from grade A heavy oil in FY2018 and FY2019. As a result, CO<sub>2</sub> emissions from LNG combustion increased and emissions from Grade A heavy oil combustion decreased.

**Resource Conservation**

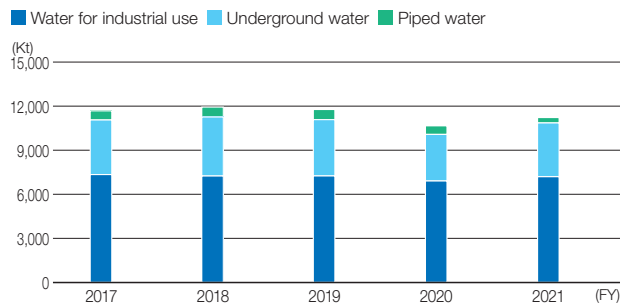
In the manufacturing activities of industries, the resources are essential element. Efficient use of such resources will protect global environment and ecology.

We contribute to the preservation of the environment by encouraging the 3Rs, which stand for reduce, reuse and recycle, and improving production processes.

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



**Trend of water consumption by Nippon Chemi-Con Group\***



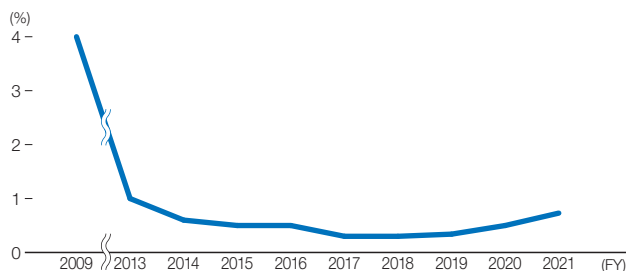
\*Manufacturing bases in Japan and overseas (excluding Samyoung Electronics and Qingdao Samyoung Electronics), head office

**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.

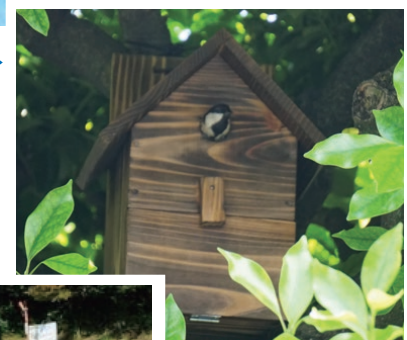
1. Impact from procurement of raw materials: In cooperation with our suppliers, we share views and mutual understanding concerning biodiversity, and move continuously ahead with activities.
2. Impact on ecosystems caused by manufacturing: Our manufacturing processes use energy and resources, and they emit CO<sub>2</sub>, waste water and other emissions. As this is an area where our Group's business activities directly have an impact, effective and continuous activities are ongoing.
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.

▶ Chemi-Con Machinery Corp. (Tokyo)  
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 environmental information, see the webpages below.  
 WEB <https://www.chemi-con.co.jp/en/company/sustainability/environment/>  
<https://www.chemi-con.co.jp/en/company/sustainability/environment/data.html>



## 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 have been 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 addition to the continuation of the world's COVID-19 pandemic, the war in Ukraine, started in February 2022, is becoming a deeper threat to the world economy and politics. This situation has already brought about a major yet undeterminable influence on the world (the European Union at the forefront) and Japan's measures regarding global warming mitigation/ adaptation and biodiversity

crisis. For companies aiming to contribute to the global and local environmental crisis in this time, it seems reasonable that at least for the time being, they may proceed steadily, complying with national and international environmental guidelines, standing by corporate sustainable management. Looking at the “CHEMI-CON

REPORT 2022,” I see that in the areas of greenhouse gas emissions, resource conservation and waste, the previous downward trend turned to a slight increase in FY2021, but considering the significant changes in the socio-economic environment, I feel that you are making steady efforts in accordance with your basic environmental policy. In FY2021, you have newly expressed your support for the TCFD recommendations and have set targets for improvement and reduction of energy intensity and total CO<sub>2</sub> emissions for FY2030 and FY2050. I will keep a close eye on your future developments. In the area of biodiversity, your factories have been promoting activities to protect rare or important local organisms at biotopes in factory yards, and greening local environment in cooperation with local communities. Though the Japanese Ministry of the Environment has newly proposed the “30 by 30” policy which aims to expand the area of biodiversity conservation, concrete measures are still not clear enough for corporate companies. I believe that the most solid path forward at this time is to continue and enhance steady present efforts in cooperation with schools, citizens and others at corporate sites and surrounding areas.





## 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 6,500 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. 26%
- Percentage of women in management positions  
End of FY2021: 3.4%

**Goal :** Increasing 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

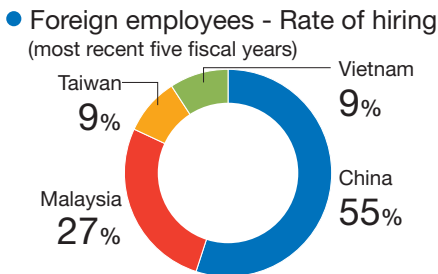


##### Mid-Career Employment

- Status of employment  
FY2019: 14 people  
FY2020: 1 person  
FY2021: 1 person
- Percentage of mid-career employees in management positions  
End of FY2021: Approx. 17%

We continuously engage in mid-career employment activities to secure personnel capable of making immediate contributions and future candidates for management positions. Mid-career personnel 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



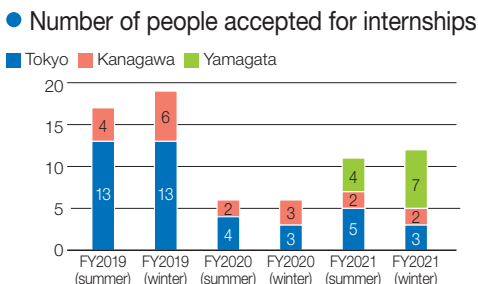
Nippon Chemi-Con practices the hiring of foreign students studying in Japan. Amid continuing globalization, our belief is that the employment of human resources who live in Japan and have an understanding of Japanese culture is vital. Since 2012, we have aggressively recruited foreign students in Japan. As of April 2022, we have 21 such personnel who are involved in a variety of roles in the company. We will continue providing equal opportunities for employees based on their qualifications and capabilities to step up their careers regardless of nationality.

##### Persons with Disabilities

- Status of employment  
End of FY2021: 2.03%
- 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. Thus far, acceptance had been limited to Tokyo and Kanagawa, but we expanded regions in FY2021 starting with Yamagata. (Internships are planned for Fukushima starting FY2022.) We will continue to promote familiarity with Nippon Chemi-Con through various experiences such as disassembly and analysis of electronic components and circuit design.



## — 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 FY2021
	Managerial tier	New managerial staff training	17
Practical tier	Mid-career employee training	12	
	5th year training	16	
	Follow up training I & II	88	
	New employee training	38	
	Prospective employee training	26	

Self-development	Target persons	Program	Number of participants for FY2021
	All employees	NBS (distance learning)	674

### •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 FY2021 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.

Selective training	Target persons	Program	Number of participants for FY2021
	Managerial tier	Newly appointed overseas representative training	None
Practical tier	Overseas pre-assignment training	9	
	Local overseas employee training system	Cancelled	
	Global HR development program	Cancelled	
	Management capability assessment	117	
	OJT leader training	36	

Other	Target persons	Program	Number of participants for FY2021
	All employees	Mental health training	934
Harassment training			

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’ words and actions 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 for all employees from the second half of FY2021.



## — Realization of Work Style Diversity

The Nippon Chemi-Con Group initiates environmental improvement to make active participation possible for personnel with diverse backgrounds and values.

### Diverse work styles

- Adoption of work-from-home
- Adoption of flextime
- Adoption of hourly paid leave
- Expansion of half-day paid leave
- Change in units for acquirable accumulated paid leave (half-day allowed)
- Childcare leave
- Family care leave
- Shorter working hours
- Staggered working hours
- Returnment support for employees on administrative leave
- Work-treatment balance support
- Welcome-back (re hiring) program

### Realization of work-life balance

- Implementation of no-overtime day
- Reduction of overtime work
- Promotion of paid leave acquisition
- Promotion of childcare leave acquisition for men
- Rest between shifts

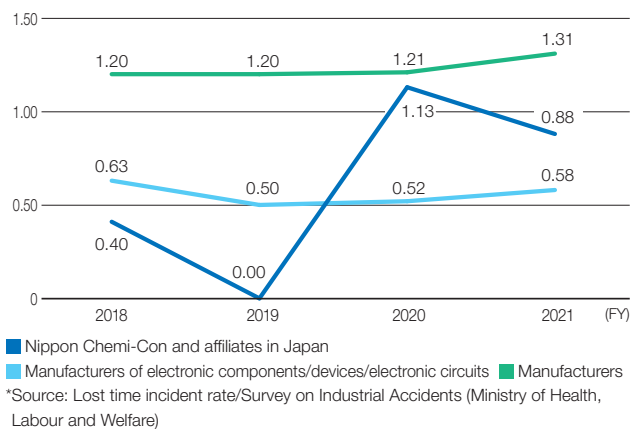
## — Industrial Safety and Health

The Nippon Chemi-Con Group has Industrial Safety and Health Committees at each site and promotes initiatives on industrial safety and health. In the event of a labor accident, the cause and correction actions are shared with domestic and overseas bases through the supervisory division of manufacturing businesses to prevent reoccurrences.

### Status of labor accidents

The lost time incident rate (LTIR) in Japan varies depending on the fiscal year, but the rate in FY2021 was 0.88. There were no incidents that resulted in death.

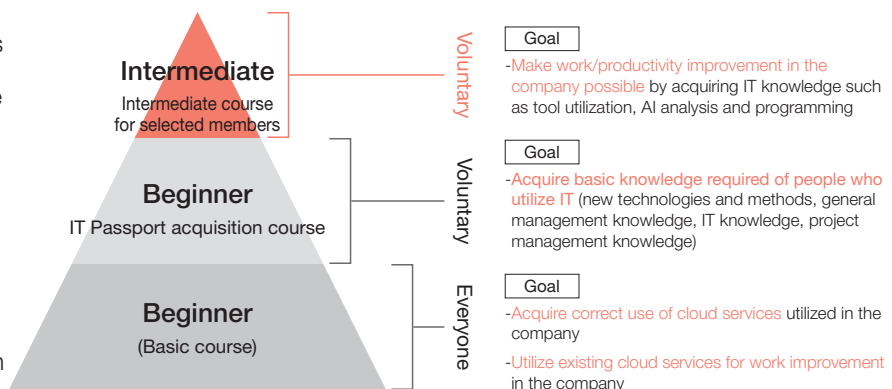
### Lost time incident rate (LTIR)



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

## Topic Development of IT human resources

The Nippon Chemi-Con Group is working to strengthen its IT divisions in response to the changing times. For example, we have increased the number of employees in IT divisions through internal recruitment to accelerate the promotion of DX. We have also introduced an IT human resources education system to promote the development of IT human resources who can visualize, automate and improve productivity of operations in each department through “development and operation in their own divisions.”





## S Social

# Healthy Company

### — Activity Details

Ensuring the health of our employees and their families enables employees to work safely 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. Group trainings and events are still limited due to the COVID-19 pandemic, but we will consider employees' health management from a managerial perspective and strategically engage in initiatives to prevent excessive quarantine from becoming health risks.

#### Activities in FY2021 (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. To increase respondents, we check employees' response statuses using the online response system adopted in FY2021 and further 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. In FY2021, Nippon Chemi-Con continued online attendance as an alternative to group training to prevent the spread of COVID-19. We will use online measures as well in FY2022 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 aim to increase our "habitual exerciser ratio (ratio of people who have decent exercise habits)" which is an indicator of the Survey on Health and Productivity Management. In FY2021, 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 FY2022.

### 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.



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 which is registered as an endangered species by the Ministry of Environment and was 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 in September 2020 and on June 24, 2021.

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



(Photos are from June 2021)

### — Biodiversity Surveys

To confirm if our production activities are impacting the surrounding environment, the Nippon Chemi-Con Group conducts water quality surveys of factory premises and nearby rivers/drainage canals. Surveys are also conducted for aquatic organisms and birds living around the factories.

- The Iwate Plant at Chemi-Con East Japan Corp. has been conducting surveys since FY2013. The results of the water quality survey confirmed that the water quality is well maintained. We also confirmed the presence of a diverse range of life through surveys of aquatic organisms and birds, including the amur minnow, Japanese fire belly newt, gray heron and white wagtail.



▲Water quality survey



▲Amur minnow

### — Environmental Volunteering Activities

As a part of regional contributions, the Nippon Chemi-Con Group conducts volunteer activities by employees for the purpose of environment protection. Every year, many employees and their families participate in cleanup activities around our offices and in nearby forests to preserve the nature that brings us many “blessings” into the future.



▲Cleaning activity on the beach by employees of Nippon Chemi-Con Corporation Takahagi Plant



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

### — Regional Cooperation for Conservation of the Endangered Minami-Medaka

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.

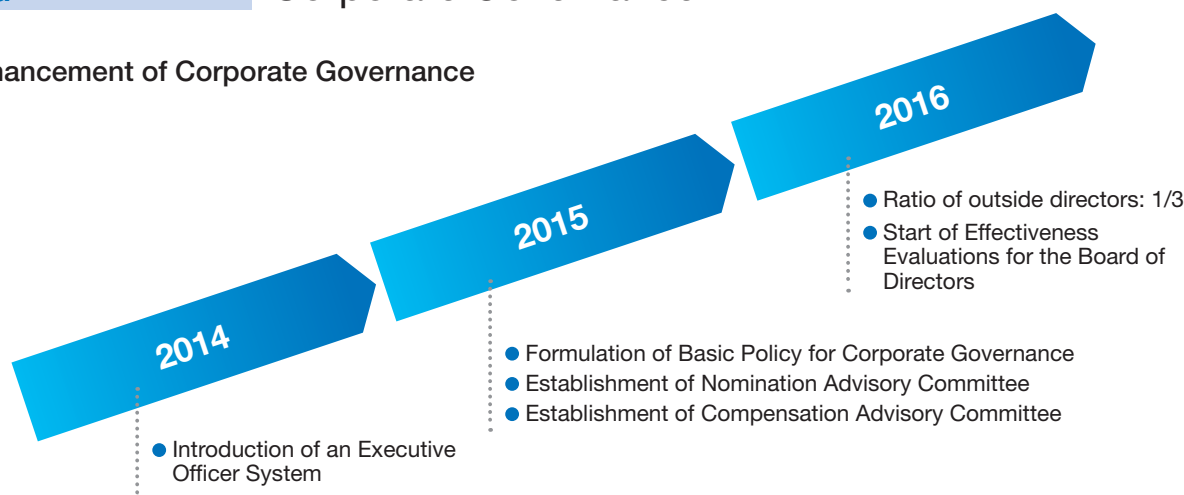
These activities started from protection of medaka native to the local Kitakami River using the pond located on plant grounds to leave regional medaka to the children of the future. Our donation of the medaka raised on plant grounds to nearby elementary schools helped spread the circle of conservation.

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.



## G Governance Corporate Governance

### — 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. We have adopted an executive officer system to clearly separate inspection/supervision of management and execution of operations. Additionally, we have established a Nomination Advisory Committee and a Compensation Advisory Committee to strengthen our governance of executive appointments and compensation. Both the Nomination Advisory Committee and Compensation Advisory Committee are chaired by independent outside directors, and each advisory committee is made up of a majority of independent outside 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 as directors.

#### ■ Composition of the Board of Directors

Number of outside officers



Gender Male:5 Female:1

Average age 64

#### ■ Status of outside director activities

Name	Summary of statements and duties	Rate of attendance at the Board of Directors
Kinya Kawakami	Makes beneficial statements based on vast experience in corporate management and knowledge as a materials engineer. Concurrently served as Chairman of the Nomination Advisory Committee and the Compensation Advisory Committee.	20/20
Suzuko Miyata	Makes beneficial statements at various meetings based on advanced knowledge of legal affairs and risk management.	15/15

#### 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.

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.

#### ■ Composition of Audit & Supervisory Board

Number of outside officers



Average age 63

#### ■ Status of outside Audit & Supervisory Board member activities

Name	Summary of statements	Rate of attendance at the Board of Directors/Audit & Supervisory Board
Fumio Morita	Makes objective statements based on experience in management covering a wide range of fields, including the accounting and auditing departments of an operating company.	19/20 16/17
Masaaki Doi	Makes objective statements based on many years of experience and knowledge as a Certified Public Accountant.	—

#### Audit & Supervisory Board

##### ■ Priority audit points for FY2021

- Audits the legality and appropriateness of decision-making processes and decisions made at Board of Directors meetings and other important meetings.
- Audits the organization and operation of the internal control systems for the Nippon Chemi-Con Group as well as the effectiveness of subsidiary governance by each head office organization in charge.
- Audit of implementation statuses for the 9th Medium-term Management Plan and FY2021 business policy.
- Audits compliance adequacy and responses to the revised Corporate Governance Code.

#### 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.

## — Officer Compensation

### 1. Policies

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.

### 2. Procedures

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)	187	148	39	—	—	6
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	43	43	—	—	—	3
Outside officers	36	36	—	—	—	5
<b>Total</b>	<b>266</b>	<b>227</b>	<b>39</b>	<b>—</b>	<b>—</b>	<b>14</b>

(For the fiscal year ended March 31, 2022)

## — Effectiveness Evaluations for the Board of Directors

Nippon Chemi-Con conducts effectiveness surveys on all Directors and Audit & Supervisory Board Members comprising the Board of Directors. These surveys are used to conduct an effectiveness analysis and evaluation of the Board of Directors.

### ■ Main evaluation points

- Structure and governance of the Board of Directors (Ratio/responsibilities of independent outside directors, suitable structure of the Board of Directors, etc.)
- Corporate strategy and business strategy (Continuous enhancement of corporate value, monitoring of strategic feasibility through promotion of DX, etc.)
- Business ethics and risk management (Code of conduct compliance, monitoring and supervision, effectiveness of whistleblowing system, etc.)
- Performance monitoring and evaluation of executives (Correlation between performance indicators and management indicators, decisions on nomination and compensation for management through the Nomination and Compensation Advisory Committee, etc.)
- Communication With Shareholders (Appropriate communication with shareholders, etc.)

For this survey, we used an external organization to evaluate survey questions, and to collect and tabulate the survey responses.

Based on these results of the surveys, our evaluation concluded that the company was largely maintaining the effectiveness of the Board of Directors in FY2021.

### ■ Highly evaluated points

- The Board of Directors is comprised of a sufficient percentage of independent outside directors. Independent outside directors offer constructive opinions to management and are able to raise objections as necessary.
- The performance indicators used by management to report performance to the Board of Directors are linked to company's important management strategy or business strategy as well as the key management indicators for determining the corporate value emphasized by the company.

### ■ Points requiring improvement

- Further strengthen deliberations by the Nomination Advisory Committee on the nomination of directors, including a CEO succession plan, based on management strategies and changes in the operating environment.
- The Board of Directors should hold more in-depth discussions on the allocation of management resources, including issues such as medium- to long-term management and business strategies, human capital, and intellectual property.

Based on this analysis/evaluation, we will continue with initiatives aimed at increasing the effectiveness of the Board of Directors.

## G Governance Compliance

### — Compliance Promotion System

#### 1. System

The Nippon Chemi-Con Group 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.

#### 2. Measures

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 sustainability, competition laws and insider trading regulations in new employee training and continuous training conducted at each employee level. 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 whistleblowing to promote awareness about 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.

WEB Whistleblowing system

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

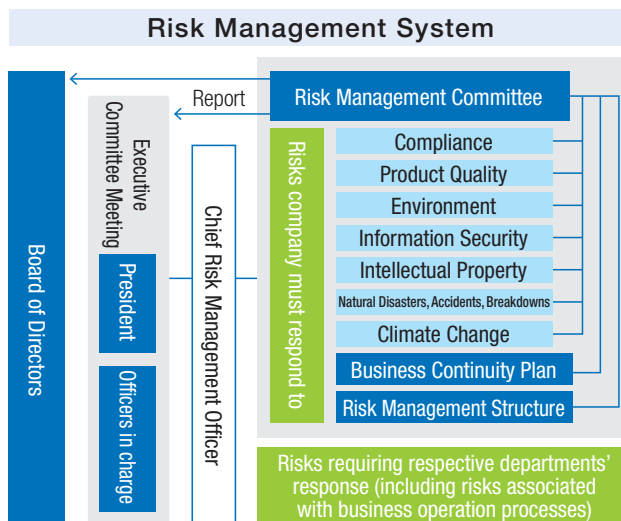
## G Governance Risk Management

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

At the Nippon Chemi-Con Group, the 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.

The committee reports the status of risk management to the Board of Directors and Executive Committee Meeting.





## — Risk Factors

Major risks with the potential to impact Nippon Chemi-Con Group's operating results, stock price, cash flow, and financial position are as follows. Forward-looking statements are judgments made by the Nippon Chemi-Con Group at the end of the consolidated fiscal year 2021 (March 31, 2022).

### 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 80.0% in FY2020, and 80.6% in FY2021. 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 and financial position 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 operating results and financial position.

### 3. Risks concerning price competition

Nippon Chemi-Con Group's main product, aluminum electrolytic capacitors, 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 sys-

tems. 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 intensified 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.

2022 saw a rise in purchase prices of raw materials and supply issues due to the Russian invasion of Ukraine and China's lockdown. We are engaging in efforts to address the urgent issue of stable supply by enhancing our supply chain.

### 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.

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.

We have established a structure that responds quickly to minimize effects in case of a 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 subsidiary in relation to this case in countries such as the United States and Canada.

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.

### 8. Risks concerning climate change

Climate change related risks stemming from global warming could impact on the performances and financial position of the Nippon Chemi-Con Group. Presently major nations are studying on the introduction of carbon tax, carbon pricing and an emission trading system. If these are introduced, it will increase the risk of adding direct and indirect expenses to the Group. In addition, if the Nippon Chemi-Con Group fails to fully meet customer requirements related to climate changes (supplier screening standards, etc. concerning environmental performance and sustainability), the failure entails the risk of decreasing in sales due to the lowering competitiveness, etc. of our products in the market. Furthermore, intensifying and more frequent natural disasters entail the risk of suspending the Nippon Chemi-Con Group's business continuity and causing additional extraordinary expenses to the manufacturing activities, etc. in our entire supply chain. To manage such risks, the Nippon Chemi-Con Group is implementing Group-wide energy-saving measures and working for CO<sub>2</sub> reduction that are initiated by the Energy-Saving Sub-Committee. Furthermore, the Nippon Chemi-Con Group has decided to take precedence in expanding disaster prevention equipment in its business bases, which will have large impact on our business activities if such a natural disaster occurs, and to make endeavors that will satisfy customer requirements from the viewpoints of procurement and R&D.



### A product provision structure that can respond rapidly to change and timely development of products and technology

**Kinya Kawakami**  
Outside Director

In FY2021, we secured operating income of 8.7 billion yen with an operating income ratio of 6.3%. Performance exceeded initial assumptions due to firm sales in automotive markets and favorable conditions in industrial equipment markets, driven by a trend towards the normalization of the global economy amid the COVID-19 pandemic. The company benefited from the extra effort put forth by everyone in the Nippon Chemi-Con Group. However, the company recorded final losses of 12,124 million yen due to the payment of a settlement (160 million USD) in relation to U.S. antitrust laws. I feel truly regretful, but was also reminded of the importance of compliance. I will continue promotion of recurrence prevention activities and monitor to prevent the same situation from happening again.

The Russian invasion of Ukraine that began in February 2022 has had a massive impact on global security and the economy, causing constraints on supplies of energy, resources (raw materials) and food. At the same time, calls are being made to promote carbon neutrality. To reduce use of fossil fuels, natural energy utilization and electrification of vehicles are being promoted. As a result, related markets that use capacitors in applications is expected to see future growth.

Responding to these changes in the market environment presents the following issues.

First is the need for information gathering activities to ascertain changes in customer needs and the development of a product provision structure to enable rapid responses to change. This will require powerful alliances between sales divisions and production divisions (and procurement).

Next is the timely development of products and technology that address the future needs of customers. As a leading company for aluminum electrolytic capacitors, Nippon Chemi-Con has cultivated advanced technology and world-class, cutting-edge development capabilities for everything ranging from foil materials to electrolytes, sealing materials and production technology. The company must seek further enhancement of its development capabilities and engage in product and technology development based on close-knit cooperation with sales divisions.

The conditions in Ukraine have made the global economy unpredictable. However, I will work to increase the corporate value of the Nippon Chemi-Con Group by focusing on corporate governance and achieving announced plans.



### Anticipation towards strong governance and powerful product development capabilities

**Suzuko Miyata**  
Outside Director

Abnormal weather, the prolonged COVID-19 pandemic, conflicts with no end in sight and the increasing risk of war, and the disruptions in social economy caused by these elements. The world seems unable to avoid a path towards intensifying chaos. Amid increasing external factors beyond our control, how will companies find measures for survival in the future? I believe that issues are mounting for Nippon Chemi-Con as well.

In FY2021, although Nippon Chemi-Con recorded significant increases in net sales and operating income, extraordinary losses related to antitrust laws in the U.S. placed great strain on profits. In relation to this case, the company reexamined matters that remained unclear such as errors in judgment that were made and the framework for information sharing in place at the time. These lessons from the past have provided an opportunity to form a solid foundation for the future, and I intend to focus on continued creation of a stronger governance structure.

Future management plans indicating the direction of corporate management outline two major points. The first point is to work towards accelerating and completing the structural reforms we have been implementing since 2020. As part of these efforts, we have incorporated initiatives to transition manufacturing bases to smart factories and promote DX. The other point is product planning reforms through cooperation of sales divisions and development divisions. As a specific measure, we have launched the New Business Promotion Dept. Nippon Chemi-Con has also launched the "100th Anniversary Project," which consists mainly of younger employees. Proposals are proactively being submitted, but it is my hope that young employees are proactively involved in product planning reforms as well. As an outside director, I would like to encourage the company to combine the sales divisions' intuition for identifying market changes and recognizing new needs, production technology integrating both the knowledge of veteran employees and the vitality of young employees, and the powerful development capabilities resulting from the organic fusion of both to pioneer a new path into future growth and lead to further improvement in corporate value.



### Focusing on seeing "the unseen"

**Fumio Morita**  
Outside Audit & Supervisory Board Member

Globalization is a civilization in which people, goods, capital and information transcend borders to provide prosperity to society through the division of labor and trade. From 2021 to 2022, two unforeseen events occurred in the global society.

The first is the prolongation of COVID-19. In the 19th century, the pandemic would have subsided locally but it spread across the world due to means of transportation made possible through globalization.

The second is the Russian invasion of Ukraine. A world order seemingly achieved through globalization is on the brink of collapse. There are other negative aspects and serious risks associated with globalization, but there is no turning back from a culture that has now spread across the world.

For Chemi-Con employees to survive this uncertain world, we will have to focus on sweating from our brains so we can see "the unseen." Unseen elements include "unpredictable risks," "unexpected opportunities" and "undiscovered waste." The importance of discovering the unrealized needs of customers is often mentioned. All divisions, whether it be manufacturing, sales, R&D, administration, planning or corporate management, must work to see "the unseen." Each individual must continue to think until they find an answer. The answer cannot be taken from books or other people, but it's all good as long as they are new combinations.

In FY2022, I want to focus on looking at the major unseen risks facing the company. If there are no major risks, there is no need to fuss over the little things. It is important to find and question issues such as quality control and compliance as a part of risk management.

Looking far into the future, finding the unseen could benefit individuals, the company and society, and could be the key to "security for humanity" and "world peace" over the next 100 years.

**G Governance**

**Executive Members (As of June 29, 2022)**



Representative Director and President  
**Norio Kamiyama**  
-Date of birth: April 1, 1959  
-Joined Company in 1983

**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  
-Joined Company in 1980

**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  
-Joined Company in 1984

**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  
-Joined Company in 1983  
-Appointed as Audit & Supervisory Board Member in June 2020

**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  
-Joined Company in 1982  
-Appointed as Audit & Supervisory Board Member in June 2021

**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  
-Appointed as Audit & Supervisory Board Member in June 2016

**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  
**Masaaki Doi**  
Date of birth: September 15, 1960  
Appointed as Audit & Supervisory Board Member in June 2022

**Currently**

Head of Doi CPA Office

**Formerly**

Managing Director, General Manager of Osaka Regional Office No.2, Asahi Shinwa & Co. (currently KPMG AZSA LLC)

**Executive Officers**

President and Chief Executive Officer	<b>Norio Kamiyama</b>	Senior Executive Officer	<b>Kenichi Konno</b>
Senior Managing Executive Officer	<b>Yoshifumi Minegishi</b>	Executive Officer	<b>Kentaro Nakaaki</b>
Managing Executive Officer	<b>Osamu Ishii</b>	Executive Officer	<b>Katsunori Nogami</b>
Senior Executive Officer	<b>Takumi Iwata</b>	Executive Officer	<b>Katsuaki Abe</b>
Senior Executive Officer	<b>Takayuki Ito</b>		



Director  
**Takumi Iwata**

-Date of birth:  
January 20, 1962  
-Joined Company in 1986

**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.



Outside Director  
**Kinya Kawakami**

-Date of birth:  
November 20, 1951  
-Appointed as Director in June 2015

**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.



Outside Director  
**Suzuko Miyata**

-Date of birth:  
April 2, 1955  
-Appointed as Director in June 2021

**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	Age	Gender	Term of office	Skills and experience					
							Corporate Management	R&D/Quality	Sales/Marketing	Legal Affairs/CSR	Finance/Accounting	International Experience
<b>Norio Kamiyama</b>		Representative Director and President (Chief Executive Officer)	General business management	63	Male	6	●	●				
<b>Yoshifumi Minegishi</b>		Director (Senior Managing Executive Officer)	Quality assurance, Production system	64	Male	17	●	●				
<b>Osamu Ishii</b>		Director (Managing Executive Officer)	Accounting, Corporate strategy	62	Male	1	●			●	●	
<b>Takumi Iwata</b>		Director (Senior Executive Officer)	Sales	60	Male	1	●		●			●
<b>Kinya Kawakami</b>	Outside/independent officer	Director		70	Male	7	●	●		●		
<b>Suzuko Miyata</b>	Outside/independent officer	Director		67	Female	1	●			●		
<b>Shinichi Shibata</b>		Audit & Supervisory Board Member		62	Male	2	●				●	●
<b>Kazuto Miura</b>		Audit & Supervisory Board Member		63	Male	1	●	●				●
<b>Fumio Morita</b>	Outside/independent officer	Audit & Supervisory Board Member		66	Male	6	●				●	
<b>Masaaki Doi</b>	Outside/independent officer	Audit & Supervisory Board Member		61	Male	-					●	

## Years Ended March 31, 2013 through 2022

	2013.3	2014.3	2015.3	2016.3
<b>For the year</b>				
Net sales	92,959	113,962	123,365	118,414
Operating income (loss)	(6,990)	4,933	5,122	2,179
Operating income margin (%)	(7.5)	4.3	4.2	1.8
Ordinary income (loss)	(6,685)	4,304	6,207	1,165
Ordinary income margin (%)	(7.2)	3.8	5.0	1.0
Profit (loss) attributable to owners of parent	(9,252)	3,315	5,362	(6,905)
Profit attributable to owners of parent margin (%)	(10.0)	2.9	4.3	(5.8)
Capital investment	5,953	3,067	5,203	4,354
Depreciation and amortization	8,615	7,951	7,373	7,127
Research and development (R&D) expenses	3,981	3,872	4,160	4,321
Proportion of net sales (%)	4.3	3.4	3.4	3.6
<b>At year end</b>				
Current assets	69,007	76,619	81,689	78,775
Fixed assets	65,447	63,149	64,968	58,341
Current liabilities	43,915	32,730	42,106	40,377
Long-term liabilities	39,784	43,194	26,405	33,875
Net assets	50,754	63,844	78,146	62,864
Total assets	134,454	139,769	146,657	137,117
<b>Cash flows</b>				
Cash flows from operating activities	4,651	12,161	10,730	10,970
Cash flows from investing activities	(6,925)	(1,620)	(4,269)	(2,878)
Free cash flow	(2,273)	10,541	6,460	8,091
Cash flows from financing activities	1,725	(6,143)	(7,675)	(4,712)
<b>Per share data</b>				
Profit (loss) per share Basic	(650.14)	223.38	329.09	(423.82)
Profit (loss) per share Diluted	—	—	—	—
Cash dividends	0.00	0.00	30.00	30.00
Net assets	3,554.65	3,901.56	4,772.25	3,834.26
<b>Financial indicators</b>				
Return on assets (ROA; %)	(6.8)	2.4	3.7	(4.9)
Return on equity (ROE; %)	(17.5)	5.8	7.6	(9.8)
Shareholders' equity ratio (%)	37.6	45.5	53.0	45.6
Average exchange rate (Yen)				
US\$	83.10	100.24	109.93	120.13
EUR	107.14	134.37	138.77	132.57

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=¥122.39.

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

5. Diluted earnings per share for the fiscal year from 2012 to 2020 and 2021 are 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

2017.3	2018.3	2019.3	2020.3	2021.3	2022.3	2022.3
116,311	133,362	140,951	114,599	110,788	140,316	1,146,468
3,338	5,818	5,137	(2,891)	2,971	8,798	71,890
2.9	4.4	3.6	(2.5)	2.7	6.3	6.3
2,002	4,416	4,833	(4,245)	2,091	8,038	65,682
1.7	3.3	3.4	(3.7)	1.9	5.7	5.7
840	(16,056)	917	(5,926)	2,038	(12,124)	(99,068)
0.7	(12.0)	0.7	(5.2)	1.8	(8.6)	(8.6)
4,590	7,525	9,553	5,620	3,477	5,858	47,867
6,220	6,105	6,496	7,199	5,747	5,885	48,088
4,272	4,208	4,288	4,161	3,710	4,156	33,959
3.7	3.2	3.0	3.6	3.3	3.0	3.0
83,799	83,659	78,254	80,380	81,523	96,434	787,923
55,968	59,052	60,030	59,234	57,925	59,706	487,836
29,442	61,425	47,389	52,748	54,278	69,223	565,596
46,754	31,875	42,980	47,084	33,265	42,201	344,812
63,571	49,410	47,914	39,781	51,904	44,715	365,351
139,768	142,711	138,284	139,615	139,448	156,140	1,275,760
6,443	5,305	(13,856)	3,925	2,067	5,105	41,718
(4,334)	(7,265)	(8,771)	(5,447)	(3,034)	(5,208)	(42,559)
2,108	(1,960)	(22,627)	(1,521)	(967)	(102)	(841)
710	(1,759)	17,128	10,478	(3,470)	(218)	(1,787)
					Yen	U.S. dollars
51.57	(985.77)	56.36	(363.96)	114.76	(597.88)	(4.89)
—	—	—	—	114.63	—	—
30.00	30.00	30.00	0.00	0.00	0.00	0.00
3,877.73	3,012.97	2,921.53	2,422.68	2,544.62	2,190.33	17.90
0.6	(11.4)	0.7	(4.3)	1.5	(8.2)	
1.3	(28.6)	1.9	(13.6)	4.5	(25.3)	
45.2	34.4	34.4	28.3	37.0	28.4	
108.38	110.85	110.91	108.74	106.06	112.38	
118.79	129.70	128.41	120.82	123.70	130.56	

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 2013.

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, 2022 and 2021)

	Million Yen		Thousand U.S. dollars
Assets	2021.3	2022.3	2022.3
Total current assets	81,523	96,434	787,923
Cash on hand and in banks	23,725	24,760	202,304
Notes and accounts receivable -trade	25,208	31,100	254,112
Inventories	25,529	31,603	258,222
Other current assets	7,066	8,977	73,354
Less allowance for doubtful accounts	(7)	(8)	(70)
Total fixed assets	57,925	59,706	487,836
Total property, plant and equipment	38,448	39,081	319,322
Intangible fixed assets	1,661	1,809	14,782
Total investments and other assets	17,815	18,815	153,731
<b>Total assets</b>	<b>139,448</b>	<b>156,140</b>	<b>1,275,760</b>
<b>Liabilities</b>			
Total current liabilities	54,278	69,223	565,596
Notes and accounts payable - trade	8,815	9,495	77,584
Short-term debt	29,142	19,901	162,604
Other current liabilities	16,320	39,826	325,407
Total long-term liabilities	33,265	42,201	344,812
Long-term debt	23,894	34,339	280,575
Net defined benefit liability	5,029	4,050	33,098
Other long-term liabilities	4,341	3,811	31,138
<b>Total liabilities</b>	<b>87,543</b>	<b>111,424</b>	<b>910,409</b>
<b>Net assets</b>			
Total shareholders' equity	49,870	37,741	308,372
Total accumulated other comprehensive income	1,736	6,676	54,550
Non-controlling interests	297	297	2,428
<b>Total net assets</b>	<b>51,904</b>	<b>44,715</b>	<b>365,351</b>
<b>Total liabilities and net assets</b>	<b>139,448</b>	<b>156,140</b>	<b>1,275,760</b>

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

2. US dollar amounts are calculated based on currency rate of \$1=¥122.39.



## Consolidated Statements of Income (For the years ended March 31, 2022 and 2021)

	Million Yen		Thousand U.S. dollars
	2021.3	2022.3	2022.3
Net sales	110,788	140,316	1,146,468
Cost of sales	89,641	109,063	891,118
Gross profit	21,147	31,252	255,350
Selling, general and administrative expenses	18,176	22,453	183,459
<b>Operating income</b>	<b>2,971</b>	<b>8,798</b>	<b>71,890</b>
Non-operating income (expenses)			
Interest income	27	35	287
Dividend earned	107	116	949
Equity in earnings of affiliated companies	345	545	4,457
Other	69	37	309
Total	550	734	6,004
Non-operating expenses			
Interest expense	727	795	6,501
Financing expenses	566	525	4,289
Foreign exchange losses	41	95	779
Other	94	78	642
Total	1,429	1,494	12,212
<b>Ordinary income</b>	<b>2,091</b>	<b>8,038</b>	<b>65,682</b>
Extraordinary income			
Gain on sales of property, plant and equipment	3	5	47
Gain on sales of investment securities	241	—	—
Total	244	5	47
Extraordinary loss			
Loss on disposal of property, plant and equipment	13	103	847
Loss on devaluation of investments in securities	66	—	—
Loss related to antitrust laws	—	18,403	150,365
Total	79	18,506	151,212
<b>Profit (loss) before income taxes</b>	<b>2,256</b>	<b>(10,462)</b>	<b>(85,482)</b>
Income taxes			
Current	414	1,618	13,224
Deferred	(155)	72	590
<b>Total</b>	<b>259</b>	<b>1,690</b>	<b>13,814</b>
Profit (loss)	1,996	(12,153)	(99,297)
Profit (loss) attributable to non-controlling interests	(42)	(28)	(229)
<b>Profit (loss) attributable to owners of parent</b>	<b>2,038</b>	<b>(12,124)</b>	<b>(99,068)</b>

	Yen		U.S. dollars
	2021.3	2022.3	2022.3
Profit (loss) per share			
Basic	114.76	(597.88)	(4.89)
Diluted	114.63	—	—

## Consolidated Statements of Comprehensive Income (For the years ended March 31, 2022 and 2021)

	Million Yen		Thousand U.S. dollars
	2021.3	2022.3	2022.3
Profit (loss)	1,996	(12,153)	(99,297)
Other comprehensive income			
Net unrealized holding gain on securities	461	187	1,529
Foreign currency translation adjustments	693	3,523	28,791
Remeasurements of defined benefit plans	3,395	956	7,812
Share in other comprehensive income of associates accounted for using equity method	9	300	2,451
Total other comprehensive income	4,559	4,967	40,584
<b>Comprehensive income</b>	<b>6,556</b>	<b>(7,185)</b>	<b>(58,713)</b>
Attributable to			
Owners of parent	6,593	(7,185)	(58,707)
Non-controlling interests	(36)	(0)	(5)

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

2. US dollar amounts are calculated based on currency rate of \$1=¥122.39.

## Consolidated Statements of Cash Flows (For the years ended March 31, 2022 and 2021)

		Million Yen	Thousand U.S. dollars
	2021.3	2022.3	2022.3
Cash flows from operating activities:			
Profit (loss) before income taxes	2,256	(10,462)	(85,482)
Depreciation and amortization	6,049	6,253	51,093
Loss related to antitrust laws	—	18,403	150,365
Increase (decrease) in net defined benefit liability	166	(164)	(1,344)
Increase (decrease) in allowance for doubtful accounts	(9)	(2)	(17)
Increase (decrease) in provision for environmental safety measures	(31)	(22)	(187)
Interest and dividend income	(134)	(151)	(1,237)
Interest expense	727	795	6,501
Foreign exchange losses (gains)	(291)	(30)	(246)
Equity in earnings of affiliated companies	(345)	(545)	(4,457)
Loss (gain) on disposal of property, plant and equipment, net	10	97	799
Loss (gain) on sale of investment securities	(241)	—	—
Loss (gain) on devaluation of investment securities	66	—	—
Decrease (increase) in notes and accounts receivable	(2,933)	(3,867)	(31,597)
Decrease (increase) in inventories	1,466	(4,240)	(34,646)
Increase (decrease) in notes and accounts payable	2,600	(753)	(6,157)
Increase (decrease) in accounts payable – other	(789)	1,942	15,868
Other	(3,088)	(388)	(3,175)
Sub total	5,476	6,863	56,078
Interest and dividends received	279	312	2,555
Interest paid	(733)	(806)	(6,590)
Income taxes paid	(528)	(1,263)	(10,324)
Extra retirement payments	(836)	—	—
Payments related to antitrust laws	(1,590)	—	—
<b>Net cash provided by (used in) operating activities</b>	<b>2,067</b>	<b>5,105</b>	<b>41,718</b>
Cash flows from investing activities:			
Purchase of property, plant and equipment	(3,213)	(5,031)	(41,110)
Proceeds from sales of property, plant and equipment	13	7	62
Purchase of intangible fixed assets	(305)	(368)	(3,007)
Proceeds from sales of investment securities	414	—	—
Payments of loans receivable	(16)	(12)	(105)
Collection of loans receivable	17	14	117
Other	55	181	1,484
<b>Net cash provided by (used in) investing activities</b>	<b>(3,034)</b>	<b>(5,208)</b>	<b>(42,559)</b>
Cash flows from financing activities:			
Net increase (decrease) in short-term debt	(7,209)	2,477	20,238
Proceeds from long-term debt	5,300	13,500	110,303
Repayments of long-term debt	(6,170)	(15,267)	(124,745)
Purchase of treasury shares	(2)	(3)	(27)
Repayments of lease obligations	(957)	(924)	(7,556)
Proceeds from issuance of stock resulting from exercise of subscription rights to shares	5,549	—	—
Proceeds from issuance of subscription rights to shares	19	—	—
<b>Net cash provided by (used in) financing activities</b>	<b>(3,470)</b>	<b>(218)</b>	<b>(1,787)</b>
Effect of exchange rate changes on cash and cash equivalents	439	1,355	11,079
Net increase (decrease) in cash and cash equivalents	(3,998)	1,034	8,450
Cash and cash equivalents at beginning of year	27,718	23,720	193,809
Cash and cash equivalents at end of year	23,720	24,754	202,260

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

2. US dollar amounts are calculated based on currency rate of \$1=¥122.39.

# Corporate Information / Stock Information (As of March 31, 2022)

■ <b>Foundation</b>	August 1931
■ <b>Establishment</b>	August 1947
■ <b>Capital</b>	24,310 million yen
■ <b>Number of Employees</b>	6,478 (Consolidated) (including fixed-term employees)
■ <b>Common Stock</b>	
• Issued	20,314,833 shares
• Trading Unit	100 shares
• Number of Shareholders	13,161

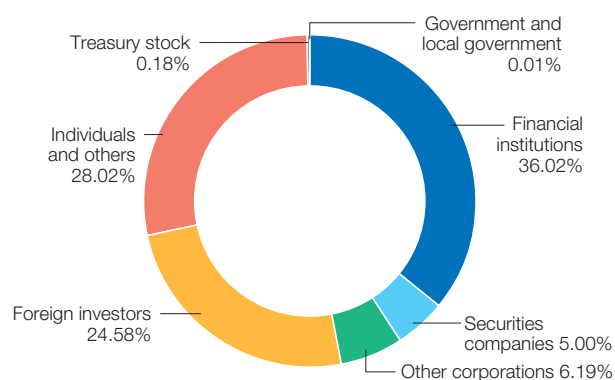
■ <b>Stock Listing</b>	Prime Market of the Tokyo Stock Exchange
■ <b>Securities Code</b>	6997
■ <b>Fiscal Year-End</b>	March 31
■ <b>Ordinary General Shareholders' Meeting</b>	June
■ <b>Shareholder Registry Administrator</b>	Mitsubishi UFJ Trust and Banking Corporation
■ <b>Head Office</b>	5-6-4, Osaki, Shinagawa-ku, Tokyo 141-8605, Japan TEL: +81-3-5436-7711 FAX: +81-3-5436-7631

## ■ Major Shareholders (Top 10)

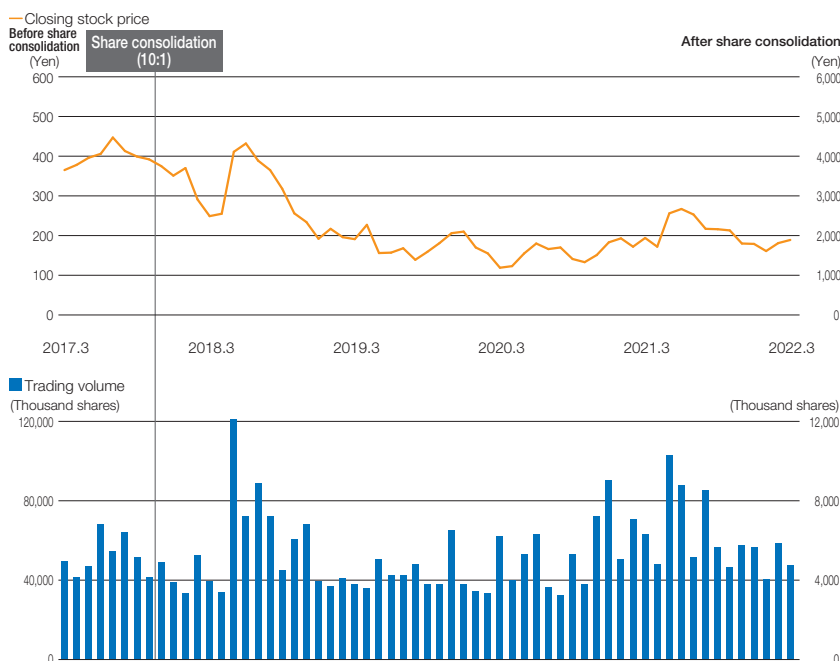
Name	Percentage of issued shares (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	18.59
Custody Bank of Japan, Ltd. (Trust Account)	4.67
MUFG Bank, Ltd.	2.59
SSBTC CLIENT OMNIBUS ACCOUNT	2.58
Nippon Life Insurance Company	2.53
CEPLUX - THE INDEPENDENT UCITS PLATFORM 2	1.76
Sumitomo Mitsui Banking Corporation	1.65
CAPITAL SECURITIES CORP. -LIPERS ENTERPRISE CO., LTD.	1.59
TOP PARTS CO., LTD.	1.32
SBI SECURITIES Co., Ltd.	1.29

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

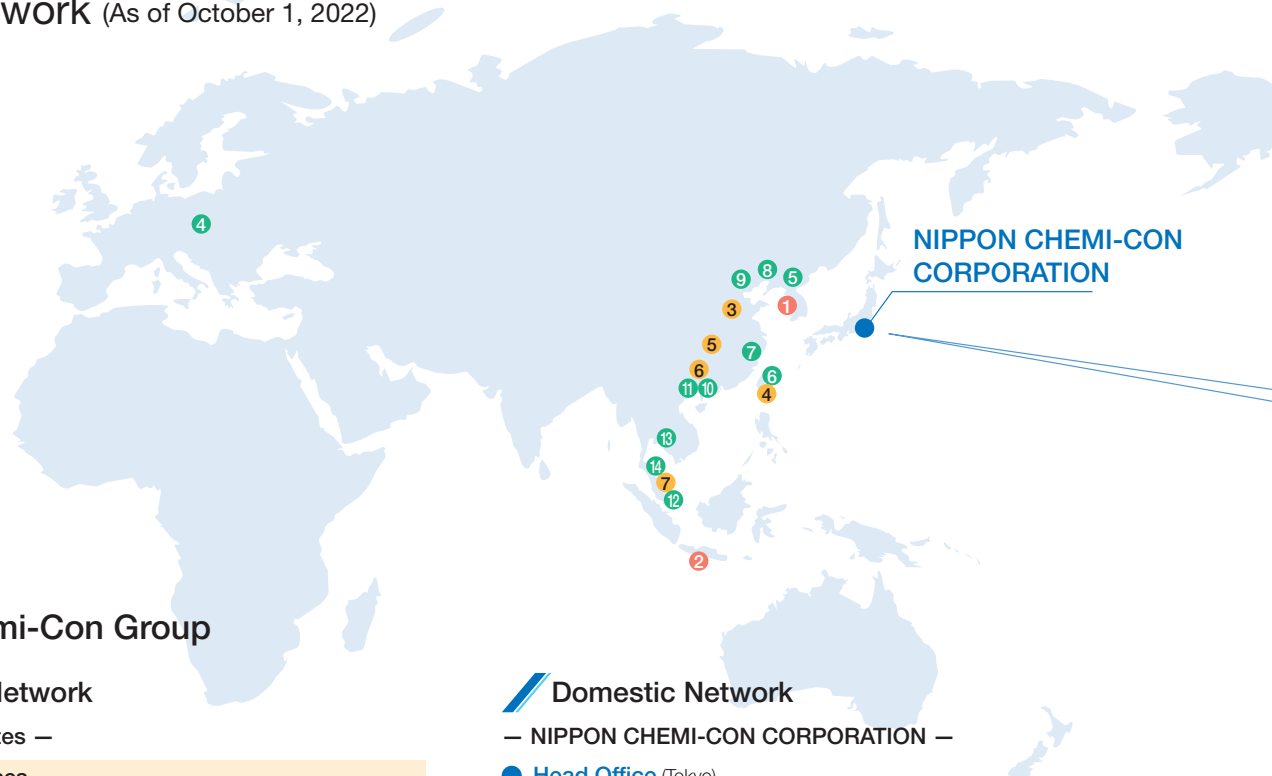
On October 1, 2017, we conducted a share consolidation for common stock (10 shares consolidated to 1 share) and changed the number of shares constituting one unit (from 1,000 shares to 100 shares).

## ■ Highest and Lowest Annual Stock Prices

FY	High (¥)	Low (¥)
2017	475 [4,550]	303 [2,342]
2018	4,930	1,710
2019	2,442	1,054
2020	2,134	957
<b>2021</b>	<b>2,780</b>	<b>1,513</b>

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

## Global Network (As of October 1, 2022)



## 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 Shizuoka Sales Office
- 4 Nagoya Sales Office (Aichi)
- 5 Osaka Sales Office
- 6 Fukuoka Sales Office

## R&amp;D Bases

- 1 Kanagawa Research Center

## — Affiliates in Japan —

## Manufacturing Bases

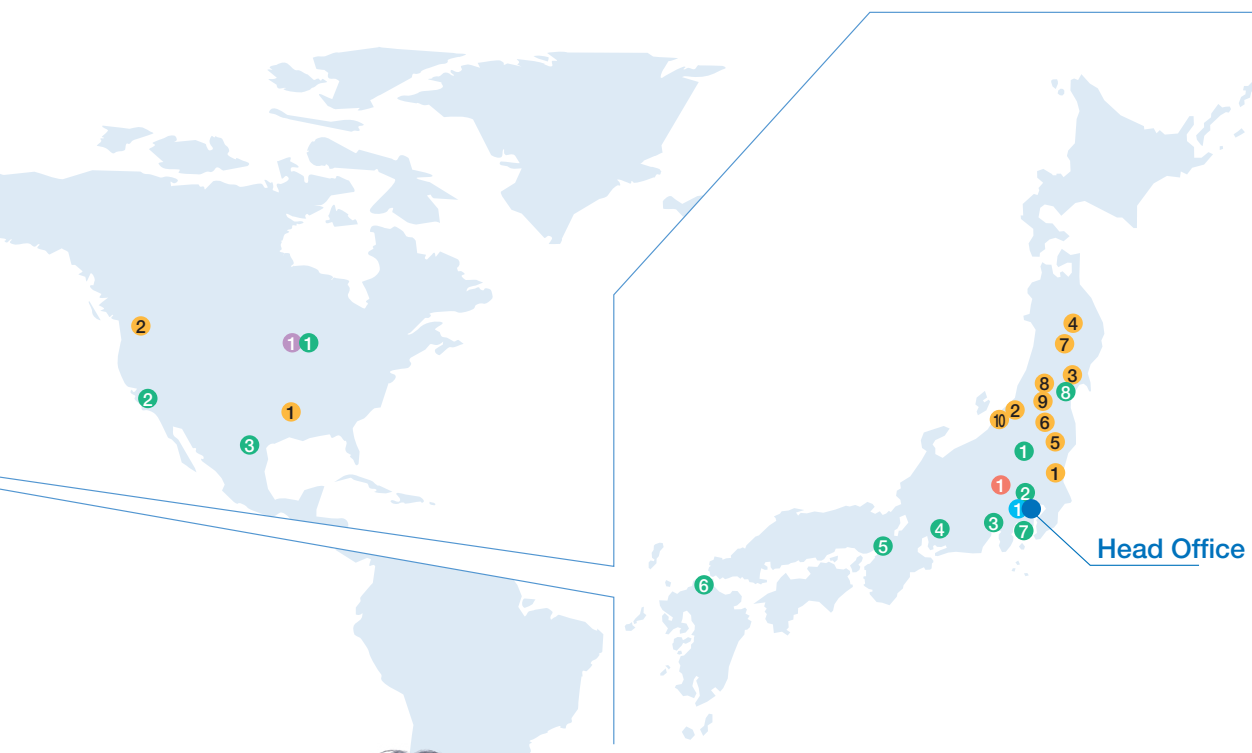
- 3 CHEMI-CON EAST JAPAN CORP. Miyagi Plant
- 4 CHEMI-CON EAST JAPAN CORP. Iwate Plant
- 5 CHEMI-CON EAST JAPAN CORP. Fukushima Plant
- 6 CHEMI-CON EAST JAPAN MATERIALS CORP. Kitakata Plant (Fukushima)
- 7 CHEMI-CON EAST JAPAN MATERIALS CORP. Iwate Waga Plant
- 8 CHEMI-CON YAMAGATA CORP. Nagai Plant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

## Sales Bases

- 7 KDK CORP. (Tokyo)
- 8 CHEMI-CON MACHINERY CORP. (Miyagi)

## Manufacturing and Sales Bases

- 1 CHEMI-CON MACHINERY CORP. (Tokyo)



## About the CHEMI-CON REPORT 2022

### Osamu Ishii

Director and Managing Executive Officer

We started publishing our integrated report “CHEMI-CON REPORT” in 2015, making this the eighth publication. I feel that the importance of the CHEMI-CON REPORT as a communication tool for stakeholders, including our shareholders and investors, increases with each year.

During editing, we reference materials such as the “International Integrated Reporting Framework” issued by the International Integrated Reporting Council (IIRC) to enhance content. We also incorporate evaluations and opinions from external organizations and experts.

This year, we have increased the number of pages and made efforts to provide a more detailed report to provide understandable details of our ESG initiative issues, measures and results. There are also descriptions on our climate change initiatives based on recommendations by TCFD.

We will continue striving to enhance this report and we thank you in advance for your honest opinions.

November 2022

### Inquiries regarding the CHEMI-CON REPORT 2022

Corporate Communications Group, Corporate Strategy Department

TEL: +81-3-5436-7716 FAX: +81-3-5436-7491 [WEB https://www.chemi-con.co.jp/en/company/](https://www.chemi-con.co.jp/en/company/)

#### Precautions concerning forecasts

This report includes future forecasts related to company plans, strategies, performance, and other matters. These forecasts are based on judgments made using presently available information.

Please note that actual performance may differ from these forecasts as a result of various factors.




## **NIPPON CHEMI-CON CORPORATION**


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