

## Message from Our President

# Establishing a Corporate Structure for Profitability in Any Business Environment

February 2024

Representative Director and President

**Norio Kamiyama**



In an environment of climate change increasing in severity on a global scale, greater geopolitical risks, and soaring resource prices, the Nippon Chemi-Con Group is facing a business environment that is harsher than anything we have ever experienced. Amid such conditions, the aluminum electrolytic capacitor business performed favorably as both net sales and operating income improved significantly compared to the previous fiscal year thanks to our dedication to implementing the structural reforms outlined in the 9th Medium-term Management Plan. However, civil lawsuits were filed in the United States and other countries seeking damages for violations of competition laws related to transactions involving aluminum electrolytic capacitors. As a result, the Group's business performance and financial position were significantly affected by the payment of large settlement amounts to the plaintiffs.

It is with sincere regret that we decided not to issue dividends for the Fiscal Year Ended March 2023. I deeply apologize to our shareholders for the great concern this has caused.

We will overcome this difficult situation and aim to become a more flexible and resilient Nippon Chemi-Con Group by responding flexibly to changes in the business environment as we set out to achieve the 10th Medium-term Management Plan launched in FY2023. We would like to once again ask our shareholders and stakeholders for your continued support as the Nippon Chemi-Con Group makes a new start toward the future.

### ▶ Ensuring financial stability while implementing growth investments for the future

Since assuming the role of president, I have worked aggressively on structural reforms, including making significant improvements to productivity, reducing fixed costs, and developing new products.

For the fiscal year ended March 2023, we achieved increased revenues and income, but equity capital decreased significantly due to the payment of settlements related to competition laws, which we also paid during the previous

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fiscal year.

Recognizing that rapidly improving equity capital and strengthening our financial stability is critical to regaining the trust of stakeholders, at the Board of Directors meeting convened in October 2023, the Company voted to issue 15.0 billion yen in class stock via third-party allotment and, in an agreement with Samyoung Electronics Co., Ltd., issue approximately 2.4 billion yen in common stock via third-party allotment. Financial institutions have expressed their understanding of our initiatives to rebuild management and our financial position and continue to support us.

This capital procurement will be allocated towards investments to promote growth, which is most important for the future Nippon Chemi-Con Group, with a focus on the core issues outlined in the 10th Medium-term Management Plan: facility investments for the conductive polymer hybrid aluminum electrolytic capacitor business, facility investments to promote the shift to smart factories, and investments related to research and development.

### Results from the final year (FY2022) of the 9th Medium-term Management Plan - Rapidly fluctuating economic environment -

In FY2022, the Company faced rapid fluctuations in our operating environment unlike anything the Group had ever experienced due to the dramatic developments in the Russia-Ukraine situation that occurred at the start of the year, soaring resource prices, and natural disasters triggered by global warming. Also, economy recovery from COVID-19, particularly in leading nations in the West, caused the price of everything rise. Energy prices rose sharply. Taking the view that soaring prices would not be a short-term phenomenon, the Company engaged in a unified effort to respond to urgent issues. These initiatives included reevaluating our SCM strategy to promote stable medium-term raw material procurement, additional cost reduction activities, and revising product selling prices. It was a year during which, amid the rapidly changing operating environment, every employee was able to experience growth in their ability to provide flexible and rapid response to change.

### FY2022 Results

Thanks to the structural reforms implemented since the latter half of 2019 and the steady implementation of ongoing product planning reforms, we were able to achieve the targets for both net sales and operating income in FY2022, the final year of the 9th Medium-term Management Plan.

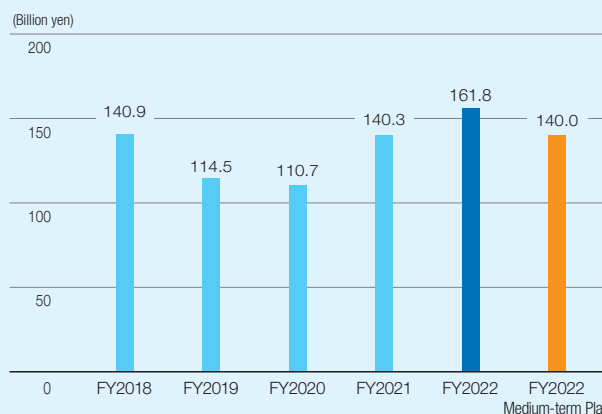
As structural reforms, we promoted the shift to smart factories and Total Productive Management (TPM) activities to pursue the optimization of production processes. We also reevaluated small-lot orders, which have low profitability, and reexamined product designs and materials. Production, Sales, and Technology united to improve productivity by pursuing cost reductions, overall equipment effectiveness (OEE), total effective equipment performance (TEEP), and per employee productivity (Per-Head).

As product planning reforms, we strengthened our development of high value-added products for automotive electronics, industrial equipment, and ICT, our highest priority strategic markets. For the automotive electronics market, we established a structure to promote rapid responses to

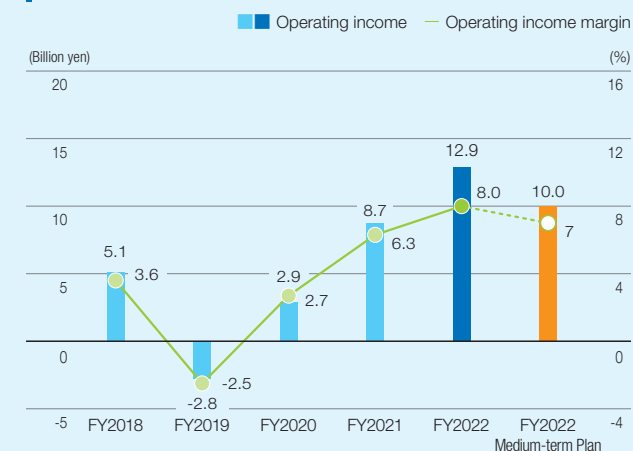
changes in market needs. Under this structure, Automotive Electronics Groups were created for each sales block in Japan and Sales staff participate directly in the new production planning process. As a result, consolidated results for the fiscal year under review were net sales of 161,881 million yen (up 15.4% YoY) and operating income of 12,939 million yen (up 47.1% YoY). This marks the first time the Nippon Chemi-Con Group successfully achieved Medium-term Management Plan targets for both net sales and operating income. These results represent a new step towards FY2023, and we will continue to advance forward towards achieving our goals.

However, due to having recorded extraordinary losses related to antitrust laws for settlements paid in relation to civil lawsuits in the United States and class action lawsuits in Canada related to competition laws, profit attributable to owners of parent was 2,273 million yen (the previous fiscal year was 12,124 million yen in losses attributable to owners of parent). We would like to offer our deepest apologies to all our stakeholders, and we pledge to continue to implement the best possible measures and reinforce efforts to prevent reoccurrence.

#### Net sales



#### Operating income/Operating income margin



## Message from Our President

### ► FY2023, a year in which we must demonstrate our true value - Expanding high value-added products and strengthening our ability to respond to low value-added markets -

Regarding our forecasts for FY2023, initially China was projected to see economic recovery driven by internal demand as the country ended its “Zero COVID” policies that came with strict restrictions on activities. However, China’s economic recovery has continued to show little signs of gaining momentum. In the West, there are concerns of future economic slowdown due to pressure from inflation and monetary tightening. Additionally, the prolonged conflict between Ukraine and Russia has caused energy prices to remain high. Overall, the lack of future transparency in the operating environment influencing our Group is projected to continue. Amid these conditions, I believe FY2023 will be a year in which our Group must demonstrate its true value.

In FY2023, we will further increase the profitability of business by promoting product planning reforms and strengthening collaborations between Sales and Development to identify the latent needs of customers and expand our offering of high value-added products. To respond to rising costs, we will complete the structural reforms implemented since the 9th Medium-term Management Plan and further promote optimization and labor savings in our production structure through our smart factory concept and other initiatives. We will strengthen our cost competitiveness by increasing productivity and strengthen our ability to respond to markets that are mainly focused on commodities. However, the dramatic and massive energy cost increases we face have exceeded our ability to address internally. As such, we will diligently explain this situation to customers as we move forward with partial price revisions.

At the same time, we will strengthen efforts to identify businesses that, in addition to aluminum electrolytic capacitors, will become new pillars of growth. We anticipate our operating environment will continue to be a difficult one. However, our newly established New Business Promotion Department will take the lead in identifying business that will become new cornerstones of Group



operations as we pursue long-term growth over the next several years.

### ► 10th Medium-term Management Plan

Amid such an environment, in April 2023 our Group started our 10th Medium-term Management Plan (FY2023 to FY2025), with the medium-term goal of “high-quality growth through enhancement of adaptability (resilience)”. We outlined the key measures required to ensure our ability flexibly respond to this difficult operating environment and achieve sustainable growth. We will achieve the targets of this plan by ensuring the steady implementation of these measures. In 2031, the Nippon Chemi-Con Group will celebrate its 100th anniversary. To foster the development of our next generation of leaders, we will use digital tools to visualize employee skills and career experience and create a training and education environment that promotes effective skills improvement and career formation. Additionally, as we engage in ESG management, achieving our management targets will also require that we implement groupwide workflow reforms. The most effective path to achieving these reforms is a digital transformation (DX)

through which we use IT to rebuild our work processes. We are planning to promote DX that is aligned with our management objectives. We are soliciting the IT sector and adopting new IT training systems as part of initiatives related to the training of employees who will lead DX promotion.

Achieving sustainable growth requires continuous innovation. I believe this means ensuring that diverse human resources feel motivated and can fully demonstrate their abilities. Most important is promoting aggressive recruitment activities to ensure diversity while creating an environment where diverse human resources can openly exchange opinions and valuing a corporate culture in which everyone can speak freely and openly. With this in mind, we established a “Diversity Promotion Committee” in FY2022 to create a framework for discussion and evaluations from a longer-term perspective, and to promote diversity.

### ► Strengthening sustainability initiatives and contribute to resolving social issues - Strengthening risk management -

For many years, our Group has continued to support society from the background through our technological innovation



## Message from Our President



centered on aluminum electrolytic capacitors. I believe the reason our products and business activities have long been accepted by society is not only because technological strengths that span from materials to product development, but also because of our corporate philosophy, “Contributing to Environmentally and People Friendly Technology”. This philosophy is at the foundation of all our activities and represents our commitment to strive for balance between our operating activities and contributions to social development. Today, we are faced with challenges that are extremely difficult to predict, such as infectious diseases impacting society on a global level, climate change, shifts in international conditions, and increasingly complex conflicts caused by differing values. Surviving such times requires that we not only rely on our own strengths, but that we also work hand in hand with society to solve issues. We view the SDGs as a representative framework through which we can work together to contribute to society. We believe that Nippon Chemi-Con Group maintaining our commitment to overcoming difficulties in society and striving to enrich the world is a stance that is essential to be a company that is needed by society.

We also believe that diligently engaging in efforts to resolve these social issues will contribute to increasing our corporate value. For example, as environmental regulations become stricter, our long-standing environmental efforts have been highly praised outside the company and are expected to constitute significant added value for our products in the future. Most important is that we incorporate the market needs that exist within social issues into our business strategies, and that we balance business activities with contributions to the development of society.

Based on this awareness, the Nippon Chemi-Con Group strives to resolve social issues throughout our business activities and aims to be a company that is trusted by society. In addition to ensuring safety, quality, and legal compliance in our daily activities, we also provide innovation that supports the foundations of society. We are committed to environmental issues and approach human capital management from a perspective of comfortable and motivating work environments that are aligned with today’s norms. We will work to ensure that all stakeholders can live enriched lives. We are confident that adhering to our corporate philosophy of “Contributing to

Environmentally and People Friendly Technology” will form the basis of sustainability. Our Group views sustainability efforts as a part of our business activities, and we aim to be a company that can grow sustainably by working to solve social issues through technology.

Our Group has established Basic Policy of Sustainability based on the belief that we need to reflect long-term opportunities and risks into our business strategies in order to further improve our ability to conduct business.

Through the Risk Management Committee, we will continuously evaluate long-term preparations and countermeasures, and reflect those results in our management strategy. Among the social issues that need to be resolved, climate change is becoming increasingly important. As part of our efforts to become carbon neutral and prevent global warming, our Group aims to reduce greenhouse gas emissions to net zero by 2050. We have established new greenhouse gas emissions reduction targets for 2030. In the future, we are planning to make aggressive environmental investments from a long-term perspective that are aligned with our roadmap. Considering changes in our harsh operating environment, we also clarified the structure and responsibilities for risk management within our Group and strengthened efforts within the Risk Management Committee to identify and address more specific risks.

### ▶ To our stakeholders

The Nippon Chemi-Con Group continuously recognizes that our actions and business operations have an impact on the environment and society, and we conduct business with an awareness of our responsibilities as a member of society. We believe that the essence of sustainability is to be recognized by society and continue to contribute to society through dialogue and harmony with stakeholders. We ask for the continued cooperation of all our stakeholders and will continue working to establish a corporate structure for profitability in any business environment.

I ask for your continued support and understanding.

## Medium-term Management Plan

### Reflecting on the 9th Medium-term Management Plan (FY2020 to FY2022)

#### Medium-term Goal

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

#### Product planning reforms

(1) Increase the percentage of new products by strengthening product planning capabilities and succeed in expanding sales of high value-added products to the most important strategic markets.

#### Structural reforms

(2) Achieve improvement in labor productivity through productivity reforms across the company and all divisions.  
 (3) Eliminate the high-cost structure by reorganizing production bases and implementing productivity reforms.  
 (4) Pursue higher efficiency in logistics-related operations through supply chain management (SCM) reforms.

Steady implementation of measures to achieve the plan for net sales and operating income

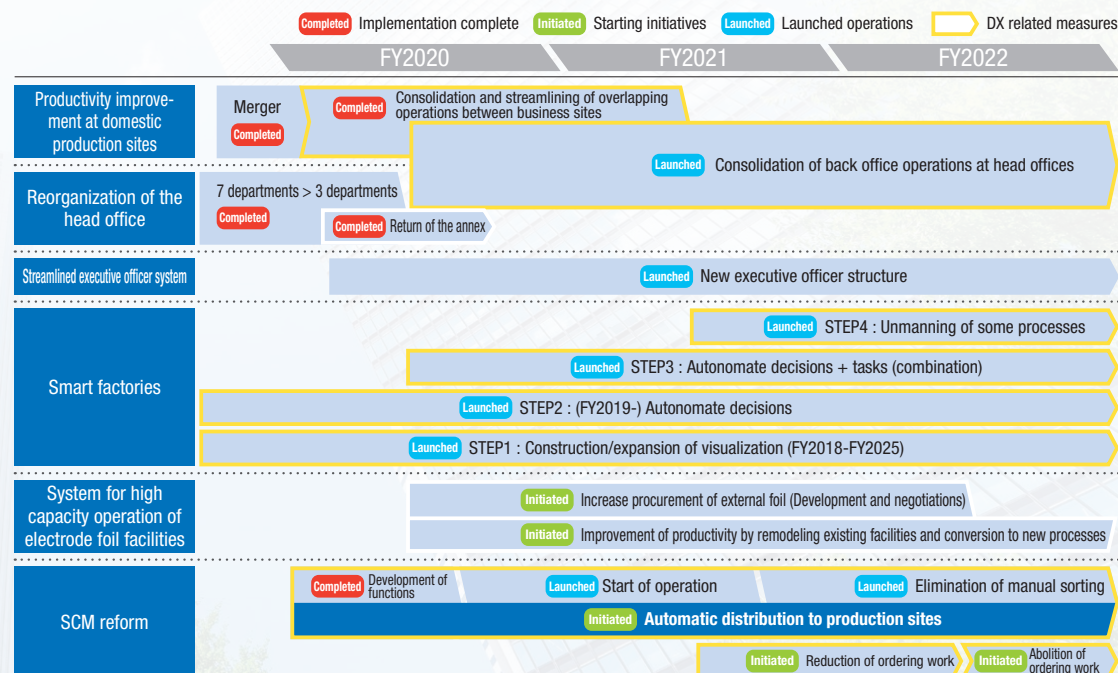
#### Numerical goals and results

	Med.-term plan FY2022 goals	FY2020	FY2021	FY2022	Degree achieved
Net sales	140 billion yen	110.7 billion yen	140.3 billion yen	161.8 billion yen	○
Operating income margin	7%	2.7%	6.3%	8.0%	○
ROE	10% and higher	4.5%	-25.3%	4.8%	×
Total asset turnover ratio	1.0	0.8	0.9	1.0	○

### Performance Improvement Effects from Product Planning Reforms and Structural Reforms

	Three-year cumulative goals	FY2020	FY2021	FY2022	Cumulative total for the three years	Degree achieved
1.Reduce fixed costs	+6.3 billion yen	+1.5 billion yen	+2.1 billion yen	+2.9 billion yen	+6.5 billion yen	○
2.Improve profit through productivity improvement	+1.9 billion yen	+0.7 billion yen	+1.8 billion yen	+1.3 billion yen	+3.8 billion yen	○
3.Increase profitability by introducing new products	+3.8 billion yen	+0.2 billion yen	+1.2 billion yen	+2.7 billion yen	+4.1 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>+6.9 billion yen</b>	<b>+14.4 billion yen</b>	○
4.Inventory reduction effect	+3.0 billion yen	*Not evaluated due to the significant logistical disruption caused by the COVID-19 pandemic.				

### Progress of Structural Reform Roadmap (at the end of March 2023)





## Medium-term Management Plan

## The 10th Medium-term Management Plan (FY2023 to FY2025)

## Corporate Philosophy

## “Contributing to Environmentally and People Friendly Technology”

## Long-term Goal

## Create next value (Let's create the next value!)

- Create a value of the next generation (corporate value, product value, new business)! Create human resources who can try crossing borders through organizational and structural reforms!

## Medium-term Goal

## High-quality growth through enhancement of adaptability (resilience)

- Acquire the ability to adapt and overcome difficult environments and situations, grow oneself, and actively confront future goals with hope

## Basic Policy for the Medium-term Management Plan

## Target a highly profitable structure by providing high value-added products and improving productivity

- Practice of sustainable management in order to be trusted and needed by society continuously
- Development of innovative human resources that have both creativity and practical skills
- Taking action to meet hidden customer demands through integration of market orientation and product orientation
- Reform of the production structure through an optimal portfolio (reconfiguration/standardization) and smart factories

## Basic Strategy / Key Measures

1. Implementation of ESG management
2. Enhancement of the human resource strategy
3. Improvement of earning power through alignment of product planning capability enhancement and technology

4. Establishment of an optimal production system
5. Strengthening of cost competitiveness through productivity improvement

## Business Strategy

## Strengthening highly profitable products

1. Investing in and increasing production of hybrid capacitors
2. Strengthening the coil business

## Improving Productivity

## Production structure reforms through optimal portfolio (rebuilding and standardizing)

1. Smart factories
2. Supply chain management (SCM) strategy
3. Improvement in staff productivity

\*Pursue 1. through 3. based on the DX strategy

## Numerical Goals for FY2025

Net sales	170 billion yen	D/E ratio	1.0 x or less
Operating income	14 billion yen	Total asset turnover ratio	1.0 x or more
Operating income margin	8.2 %	ROE	14.0 %
Profit attributable to owners of parent	10 billion yen	ROIC	7.0 %
Interest-bearing debt	58 billion yen		

(As of April 1, 2023)

## Capital Policy During the 10th Medium-term Management Plan Period

- Prioritize internal reserves for investment in strengthening the financial foundation and in growth areas, expand business scale and stabilize the revenue base, and then strive to restore dividends to shareholders quickly.
- Accurately determine the cost of capital and add the following indicators as KPI targets to increase capital efficiency and improve profitability.
  - (1) ROE greater than the cost of shareholder capital
  - (2) ROIC greater than the weighted average cost of capital (WACC)
- Progress on the KPI will be disclosed on our corporate website and we will redouble efforts to engage in dialog with investors and other stakeholders.

■ 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/>

## Technology Strategy Message from Our CTO



Senior  
Executive Officer  
Chief Technology Officer  
**Katsunori  
Nogami**

# Completing the 10th Medium-term Management Plan

## – Four Initiatives by the R&D Headquarters –

The R&D Headquarters is working to develop personnel who have the skills to link product planning to business strategy, operate the PDCA cycle, enhance our technical spontaneity, and help build business. This is part of our medium-term goal of achieving high-quality growth through enhancement of adaptability (resilience).

In FY2023, we launched our 10th Medium-term Management Plan with the goal of achieving high-quality growth through enhancement of adaptability (resilience). This reflects our commitment to securing profits in any type of operating environment. I would like to introduce the four initiatives the Technology Headquarters is undertaking towards achieving this goal.

The first is to ensure that product plans are linked to business strategy.

This means further incorporating customer-oriented product plans, an approach we adopted during the previous Medium-term Management Plan, and ensuring that plans lead to profit increases. Regardless of the market, it is critical that each department form a consensus around what products we will develop for which markets, and how we will commercialize those products and achieve launch to market.

For example, with hybrid capacitors, there is a need to maintain our competitiveness by rapidly launching products that achieve both high capacitance and a high ripple current

for use on the automotive electronics and communications markets. To achieve this, we must move away from considering only our internally developed electrode foils and go beyond looking at the polymers and other materials we procure from suppliers on an individual basis. I believe it is critical that we coordinate and combine material groups and processing technologies together to establish proprietary technology that cannot be easily mimicked by others.

The second is thoroughly utilizing the PDCA cycle.

We are applying the abovementioned structure to important issues but changes in our internal or external environment means it is not necessarily the case that our strategy story will go as planned. In reality, it is more realistic that things do not go as planned. For this reason, we must utilize short and long-term PDCA cycles to ensure we are always both flexible and diligent.

Third is improving our technological spontaneity. We must also be able to respond to the unplanned and sudden requirements of customers. To enable such responses, we

must constantly clarify our order of priority (or judgment standards) and ensure that supervising staff or managers are in a position to make the necessary judgments. Furthermore, we will take a long-term perspective to establishing a solid elemental technology platform and process for applying this platform in order to strengthen our technological spontaneity.

The fourth is the development of human resources with skills beyond technology. To achieve these initiatives, we must focus on more than technology in our personnel development. We must also adopt concepts such as business development training to promote the fostering of personnel who have a sense of responsibility and pride in their role of deftly using internal and external assets towards developing new products and linking their activities to social contributions.

The R&D Headquarters will engage mainly in these four initiatives as we work to realize the Group's medium-term goal of achieving high-quality growth through enhancement of adaptability (resilience).

## Quality Strategy Message from Our CQO



Executive Officer  
Chief Quality Officer  
**Hiroyuki  
Wakabayashi**

# Aim for the stable provision of “quality that satisfies our customers”!

As devices offer higher performance and greater reliability, society’s demands for quality continue to increase. Nippon Chemi-Con has outlined the goal of “balancing quality and productivity by promoting practical quality control.” Under this mindset, we will contribute to society by achieving the stable supply of safe, secure, high-quality products.

Nippon Chemi-Con has always engaged in business activities with quality positioned as one the most important factors in our business. Amid a dramatically changing economic environment, the markets in which we operate continue to focus on increasing demand for higher performance and greater reliability. These needs are seen in the promotion of electrification of vehicles and other forms of mobility, more advanced autonomous driving technology, and the growth of high-volume communications technology. With these needs also come even greater demands from society related to quality.

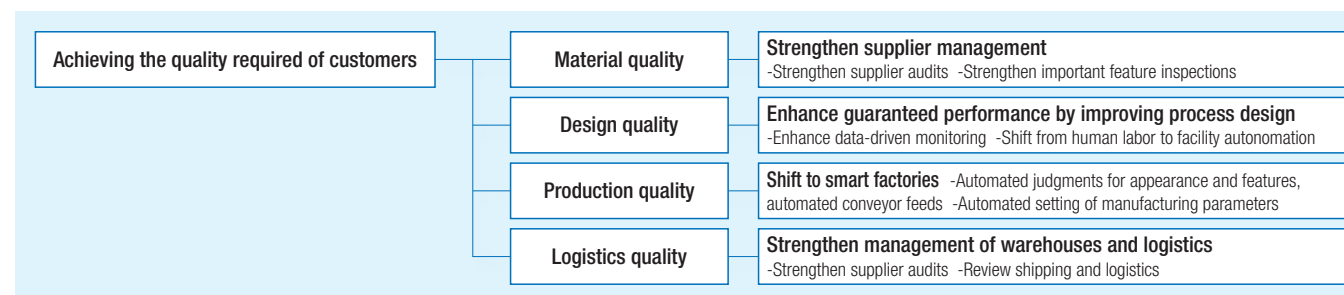
At the same time, Japan faces a declining workforce and increasing difficulty securing personnel due to factors such as soaring labor expenses overseas. From the perspective of the pursuit of zero defects, we are approaching the limits of quality control that can be achieved through human resource investments. Thus, the promotion of production plant automation with the goal of pursuing of quality stabilization and productivity improvements through enhanced data management has become an urgent issue.

In response to this environment, Nippon Chemi-Con has outlined the medium-term goal of “balancing quality and productivity by promoting practical quality control,” and will engage in quality improvement activities based on this goal.

Our main improvement activities will include our continued focus on the shift to smart factories with a particular focus on automated judgment technology using IoT and AI. At the same time, we will define the “scope of quality required of Nippon Chemi-Con” as extending from the materials input into each process through to the logistics required to deliver products to


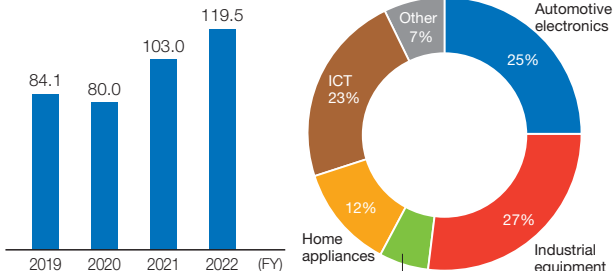
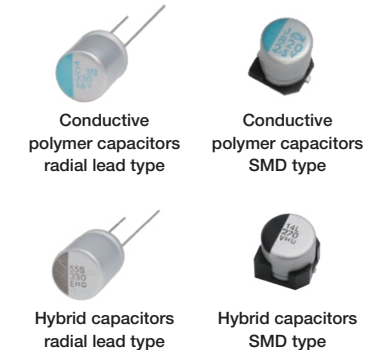
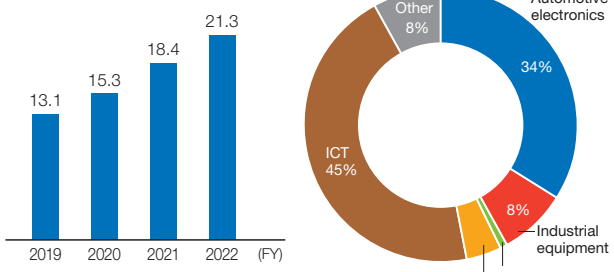
customers. Based on this definition, we will work to strengthen our structure to ensure stably provide quality that satisfies our customers regardless of the social environment.

The Nippon Chemi-Con Group is constantly aware that the products we provide have a critical role in supporting social infrastructure. Even in the face of major market shifts, we will continue our endless pursuit of improvements to provide safe, secure, high-quality products in a timely manner so that we remain a company that is needed by our customers and that contributes to society.

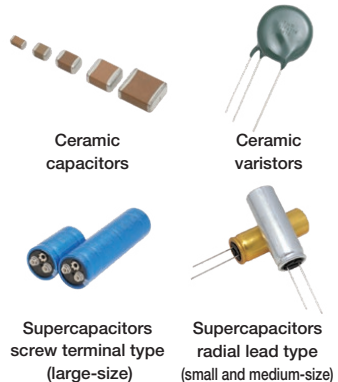
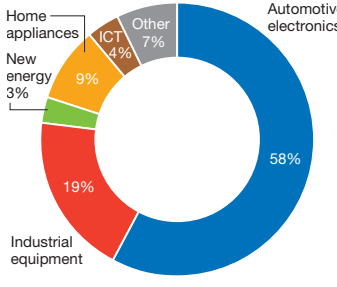
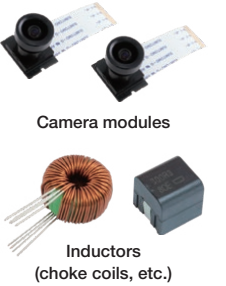
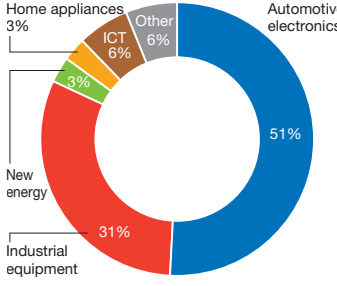
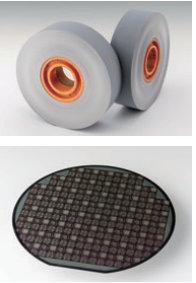
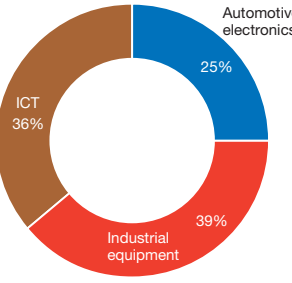




Business Overview

Product category	Main products	Net sales (billion yen)/Net sales by market (FY2022)	Product strategy - Focus on automotive electronics /ICT (communications) /industrial equipment/energy conversion markets
<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Aluminum Electrolytic Capacitors</b> (excluding conductive polymer capacitors)</p>	 <p>Screw terminal type/ snap-in type (large-size)</p> <p>Radial lead type (small and medium-size)</p> <p>SMD type</p>	 <p>Net sales (billion yen): 2019 (84.1), 2020 (80.0), 2021 (103.0), 2022 (119.5)</p> <p>Market Composition (FY2022): Automotive electronics (25%), Industrial equipment (27%), ICT (23%), Home appliances (12%), New energy (6%), Other (7%)</p>	<p><b>Large-size products</b></p> <p>Focus on industrial equipment/energy conversion/ ICT (communications)/automotive electronics markets Shift to high value-added product development based on materials technology Improvement of overall equipment effectiveness (OEE) for existing facilities</p> <p><b>Small and medium-size products</b></p> <p>Selection and concentration Shift to high value-added product development based on materials technology Termination of production of small-size small-capacitance products</p> <p><b>SMD type products</b></p> <p>Improve profitability through further expansion of sales to the automotive electronics market Improvement of product mix by increasing the rate of high-performance products Improvement of overall equipment effectiveness (OEE) for existing facilities</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Conductive Polymer Capacitors</b></p>	 <p>Conductive polymer capacitors radial lead type</p> <p>Conductive polymer capacitors SMD type</p> <p>Hybrid capacitors radial lead type</p> <p>Hybrid capacitors SMD type</p>	 <p>Net sales (billion yen): 2019 (13.1), 2020 (15.3), 2021 (18.4), 2022 (21.3)</p> <p>Market Composition (FY2022): ICT (45%), Automotive electronics (34%), Industrial equipment (8%), Home appliances (4%), New energy (1%), Other (8%)</p>	<p><b>Conductive polymer capacitors</b></p> <p>Radial lead type Focus on high value-added markets by enhancing sales expansions to the server market (including generative AI)</p> <p>SMD type Permeate 5G communications base station markets and new product development targeting 6G Inject new products and strengthen sales promotion on ADAS and other automotive markets</p> <p><b>Hybrid capacitors</b></p> <p>Automotive electronics market Expand domains into 48V mild hybrid systems, ADAS, and ECU</p> <p>ICT market (communication base stations) Permeate 5G communications base station markets and new product development targeting 6G</p>

Business Overview

Product category	Main products	Net sales (billion yen)/Net sales by market (FY2022)	Product strategy - Focus on automotive electronics /ICT (communications) /industrial equipment/energy conversion markets
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Other Capacitors (including solid devices and functional devices)</p>	 <p>Ceramic capacitors</p> <p>Ceramic varistors</p> <p>Supercapacitors screw terminal type (large-size)</p> <p>Supercapacitors radial lead type (small and medium-size)</p>	<p>Net sales (billion yen): 2019 (7.4), 2020 (5.9), 2021 (6.8), 2022 (8.4)</p> 	<p><b>Ceramic capacitors</b> Thorough productivity improvements to constrain mass production investments and improve labor efficiency Explore global niche markets Develop and expand sales of distinguishing products focused on high capacitance and large-size products</p> <p><b>Ceramic varistors</b> Optimization of global production operations Increase profitability through thorough efficiency improvements from perspective of manufacturing and value chain</p> <p><b>Supercapacitors</b> Radial lead type New product development (expand product line) targeting backup power sources on the automotive electronics market, which is seeing increased automation and electrification</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Mechanical and other parts (including solid devices and functional devices)</p>	 <p>Camera modules</p> <p>Inductors (choke coils, etc.)</p>	<p>Net sales (billion yen): 2019 (3.4), 2020 (2.6), 2021 (3.2), 2022 (4.5)</p> 	<p><b>Modules</b> Camera modules Expand domains by launching high-performance modules that capture the needs of the automotive electronics and industrial equipment markets (customers)</p> <p><b>Inductors (choke coils, etc.)</b> Differentiation through nanocrystalline materials and sales expansion into untapped overseas markets Strengthen sales of new products using nanocrystalline materials for the automotive electronics market and establish a cost-competitive mass production system</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Other (including functional material)</p>	 <p>Capacitor material Aluminum electrode foil</p> <p>Resale products Silicon wafers</p>	<p>Net sales (billion yen): 2019 (6.6), 2020 (6.9), 2021 (8.9), 2022 (8.1)</p> 	<p><b>Capacitor material</b> Aluminum electrode foil Increasing sales of highly profitable and new products by identifying market needs Rebuilding of business structures and production systems</p> <p><b>Resale products</b> Silicon wafers Strengthen sales expansion targeting semiconductor manufacturers servicing the automotive electronics and industrial equipment markets</p>

## Financial Strategy Message from Our CFO



Director  
Senior Managing  
Executive Officer  
Chief Financial Officer

Osamu  
Ishii

# We will work to strengthen our financial base and aim to continuously increase corporate value by appropriately allocating management resources.

We will work to strengthen our financial soundness as one of our most important issues and strengthen our future profitability by steadily implementing the 10th Medium-term Management Plan. We will also strive to achieve sustainable improvement in corporate value by practicing management that is conscious of capital profitability and cost of capital, and by appropriately allocating management resources.

In FY2022, net sales increased by 15.4% year on year. Despite a sharp rise in resource prices caused by the prolonged situation in Ukraine and the impact of foreign exchange rates triggered by interest rate hikes in Europe and the US, parts volume increased on the advancement of vehicle electrification and capital investments recovered. Looking at income, continued growth from the previous year for high value-added products such as hybrid capacitors resulted in operating income of 12.9 billion yen, a year-on-year increase of 47%. With these results, we achieved operating income of 10 billion yen, the final year target for the 9th Medium-term Management Plan. Although our equity ratio has recovered to 30.9% from 28.4% during the previous fiscal year, it is still not sufficient for stable business operations, and I believe that we must further strengthen our financial platform.

FY2023 represents the start of the 10th Medium-term Management Plan. Our numerical targets for FY2025, the final year, are net sales of 170 billion yen, operating income of 14 billion yen, a D/E ratio of 1.0 or less, and an ROE of 14%. To achieve these targets, we will work to further strengthen our earning power and improve management efficiency. In particular, we will strengthen our earnings platform for the future by allocating funds focused on capital investments in hybrid capacitors, which are high value-added products. Also,

adopting DX in factories and along our supply chain is an important measure in the 10th Medium-term Management Plan. At the Miyagi Factory, which is currently under construction, we will advance the transformation into a smart factory. At the same time, we will pursue cost reductions by introducing automated conveyor feeds between processes and production execution systems to reduce labor and increase productivity. We will improve operating capital by efficiently utilizing data, from order information to production activities, along the supply chain to reduce total lead time and control inventory. We have incorporated ROIC from the 10th Medium-term Management Plan. By ensuring that each business obtains business profits that exceed the cost of capital, we will further improve capital efficiency and profitability. To achieve this, we are engaging in policy management using an ROIC tree for each business, which will enable us to monitor our profitability.

Recognizing that strengthening our financial platform is one of our most important issues, we will increase capital efficiency by steadily recording profits for the fiscal year, ensuring the efficient use of working capital, effectively using and disposing of retained assets, generating free cash flow, and reducing interest-bearing debt. Through these initiatives, we will continue to improve our financial stability.

In December 2023, the Company procured 15.0 billion yen in

capital financing through a third-party capitalization involving the use of class shares. The aim of this decision was to restore the Group's consolidated net assets, which were damaged due to the large settlements related to civil lawsuits in the U.S. during first half of the fiscal year. This move was also made to secure capital for growth during the 10th Medium-term Management Plan. While the Company considered various options for this capital increase, we decided on this method after considering the impact on existing shareholders and the desire to avoid significant dilution, while still allowing the Company to raise a certain amount of capital. Additionally, we issued common stock equivalent to approximately 2.4 billion yen through third-party allotment to Samyoung Electronics Co., Ltd. We will use capital increase to invest in growth fields such as hybrid capacitors and smart factories. Through these investments, we will steadily increase our future earning potential.

Regarding shareholder returns, we deeply apologize for the postponement of dividends due to our financially damaged situation. We will promote management that prioritizes the early restoration of financial stability, the earliest possible resumption of dividends, and the continuation of stable dividends. We hope to increase our corporate value through the steady implementation of the group's 10th Medium-term Management Plan, appropriate disclosure, and stakeholder dialogue.