Message from Our President

Toward renewed growth and improved corporate value through the realization of an overwhelmingly competitive advantage

November 2026
President **Kenichi Konno**



Establishing a clear path to renewed growth through the realization of an overwhelmingly competitive advantage

Looking back on my first year as President, the business environment surrounding the Company was by no means easy. In addition to the downturn that followed the COVID-19-related demand surge, the economic slowdown in major regions such as China and Europe, the prolonged situation in Ukraine, and increasing geopolitical risks led to a continued challenging global environment, including a decline in corporate appetite for investment. Amid these circumstances, I would like to express my sincere gratitude to all our stakeholders, including our employees, shareholders, investors, and business partners, for their understanding and cooperation on multiple fronts.

On the other hand, from the second half of FY2025, we began to see new growth opportunities for the Company, such as expanding demand for data centers, mainly related to AI servers. The use of AI is expected to expand across corporate activities, social infrastructure, and a wide range of equipment in the future. By accurately identifying these changes in the market, the Company will further evolve its business structure toward improving corporate value as a company that provides electronic components essential to society.

Reflections on FY2025 and response to management challenges

While FY2025 was affected by factors such as rapid changes in the external environment and deteriorating market conditions, we recognize that there was room for improvement in our efforts to identify the market environment and geopolitical risks, examine the feasibility of our plans, and translate our targets into concrete actions on the frontlines. In the 10th Medium-Term Management Plan, we set targets of 170.0 billion yen in net sales and 14.0 billion in operating profit for FY2025, the final year of the plan. However, actual net sales were 136.8 billion yen and operating profit was 3.3 billion yen, both

significantly below target. We take very seriously the fact that we were unable to fully meet the expectations of our stakeholders, including shareholders and investors.

The shortfall was attributable to a combination of factors, including the downturn that followed the COVID-19-related demand surge, the economic slowdown centered on China and Europe, sluggish growth in EV demand in the automotive electronics market, restrained capital investment in the industrial equipment market, as well as soaring material prices and foreign exchange fluctuations. Furthermore, we recognize that we did not sufficiently analyze the market environment or assess the risks associated with fluctuations in demand when formulating the plan, and that there were also issues in linking our annual plans and the Medium-term Management Plan to specific measures for implementation on the frontlines. Based on these lessons learned, going forward we will more carefully examine the underlying assumptions of our plans and strengthen management practices that enable us to flexibly revise measures in response to changes in the environment.

On the other hand, we are beginning to see some results from the product planning reforms and technological exchanges with customers that we have promoted over the past several years. Activities to identify customers' latent needs from the outset and integrate technology development, product planning, and sales functions to propose high value-added products have begun to translate into orders and sales, mainly related to AI servers, since the second half of FY2025. We believe that these activities will serve as an important foundation for future growth. In addition, the improvement in business performance toward the second half of the fiscal year is an indication that our initiatives are gaining traction. Rather than viewing FY2025 simply as a year in which we fell short of targets, we will position it as a year in which we clearly identified the challenges to be addressed for our next phase of growth, and leverage this to restore trust and improve corporate value.

Toward cash flow-focused management

Since assuming the position of President, one of my top priorities has been improving our financial standing. Until now, the Company has been working to improve profit for the period and capital efficiency indicators such as ROE and ROIC. However, in order to support sustainable growth investments and shareholder returns, it is important not only to improve profits and capital efficiency, but also to strengthen our ability to generate cash. This is why I have placed cash flow at the center of management decisions and promoted cash flow-focused management.

Accordingly, the Company has positioned free cash flow as a key management indicator and is working to incorporate it into the management items for all divisions. We have set improvement targets for the impact of the cash conversion cycle, inventory levels, and production plans on cash flow, and are working to respond to these targets. In addition, we are promoting company-wide efforts to strengthen our ability to generate cash by ensuring that each division has a clear understanding of the relationship between its own operations and cash flow.

Financial soundness, growth investments, and shareholder returns. In order to achieve these three objectives in a balanced manner, it is essential that cash flow-focused management take hold throughout the Company. The Company resumed dividend payments in the fiscal year ended March 31, 2026, and plans to enhance shareholder returns, including through a dividend increase, from the following fiscal year onward. As the Company continues to regain a certain level of profitability and ability to generate cash, we will continue to strive to achieve both sustainable improvement of corporate value and stable shareholder returns.





Overwhelmingly competitive advantage targeted under the 11th Medium-Term Management Plan

We launched the 11th Medium-Term Management Plan in FY2026. The main objective of the Medium-term Management Plan is “the realization of an overwhelmingly competitive advantage.” The Company holds the top market share in aluminum electrolytic capacitors. However, looking back over the past 10 or 20 years, although the scale of our sales has fluctuated with economic cycles, we cannot say that we have achieved significant growth. Precisely because we are a company with a global presence, we must once again take on the challenge of achieving business growth.

Under the 11th Medium-term Management Plan, we will further refine our strengths in technological capabilities, quality, and customer service capabilities to establish a competitive advantage that sets us apart from other companies. In particular, with AI as a key element, we will identify customers’ latent needs from the outset in growth markets where high performance and high reliability are required, such as data centers, advanced automotive electronics equipment, and industrial equipment including physical AI, and integrate technology development, product planning and sales functions to provide high value-added products. The product planning reforms and technological exchanges with customers that we have promoted over the past several years have already begun to show results in orders and sales, and we believe that they will serve as an important foundation for future growth.

Alongside these efforts, we will work to regain market share in the mass market. To date, the Company has focused on areas requiring high performance and high reliability. However, it is also true that we have lost market share in the mass market of a certain size. In order to expand our business scale and stabilize the earnings base, it will be necessary to implement strategies appropriate to both growth markets and the mass market.

Cost restructuring will be an important theme in the mass market. The Company faces the structural challenge of having a high ratio of domestic production relative to the ratio of overseas sales. Going forward, we will optimize our material procurement, production, and logistics, and enhance our cost competitiveness by reviewing the balance between overseas sales and our production and procurement structure. Rather than being caught up in price competition, we will establish a structure that enables us to provide the appropriate quality and performance at the appropriate cost, and steadily capture the markets where we should compete successfully.

Strengthening the financial base and investing in growth

In order to achieve sustainable growth, it is essential that we strengthen our financial base. The Company reviews its capital structure and promotes financial soundness through the redemption and conversion of existing class shares, as well as new fund raising. From December 2023, the Company raised funds through the issuance of class shares to Japan Industrial Solutions. By June 29, 2026, we had completed the monetary redemption and conversion of these class shares into common shares, and subsequently raised funds through the issuance of class shares allocated to the Development Bank of Japan as a new source of funding. The Company plans to use the newly raised funds for capital investments and research and development investments aimed at strengthening competitiveness in both growth markets and the mass market.

In the 11th Medium-term Management Plan, we have established KPIs aimed at maintaining a sound financial standing, including a shareholders’ equity ratio of 40% or higher and a D/E ratio of 1.0 or lower. Looking ahead to the 100th

anniversary of the Company's founding in 2031, we will steadily build a foundation for improving corporate value while balancing growth investments with financial soundness.

Strengthening human capital, compliance, and governance

In improving corporate value, it is essential not only to implement business and financial strategies, but also to strengthen the human resources, organization, and governance that support these strategies. In terms of investment in human capital, we regard improving employee compensation and benefits as an important issue. We will promote a review of our performance evaluation system and compensation system to create an environment in which each and every employee can work with a sense of satisfaction and take on challenges. At the same time, we will strengthen recruitment, develop human resources for future executive positions, and promote the active participation of diverse human resources including women, foreigners, and persons with disabilities.

All competition law-related cases that had remained outstanding for an extended period have now been resolved. I sincerely and deeply apologize to our shareholders and stakeholders for the great concern and inconvenience this series of issues has caused. The Company will continue its efforts to prevent recurrence by strengthening the whistleblowing system and risk assessment, establishing a system that enables us to identify signs of risk at an early stage, ensure that they are communicated to management, and swiftly take corrective action, as well as providing compliance training for all employees and ensuring strict adherence to rules.

Simply putting frameworks in place is not enough to create a truly open organization. What is important is to create a corporate culture in which people who are aware of risks or issues are able to raise their voices, and that those voices are heard within the organization. I will take the initiative in promoting more open and direct communication, and build an organizational culture that incorporates employee feedback into management decisions.

From a governance perspective, we will strengthen the supervisory function of the Board of Directors, and activate the executive officer system in line with the start of the fiscal year, thereby improving our ability to execute the 11th Medium-term Management Plan and annual plans. Going forward, we will continue to clarify the roles of supervision and execution, and work to build a management structure equipped with the necessary skills.

To our stakeholders

The 11th Medium-term Management Plan is an important start for the Company toward renewed growth. Based on the lessons learned thus far, we will ensure that the plan is fully instilled on the frontlines, and build a structure in which each and every employee can take ownership of its execution. We will work to establish cash-flow management, achieve an overwhelmingly competitive advantage, improve the soundness of our financial standing, and strengthen human capital and governance.

Under our Corporate Philosophy of "Contributing to Environmentally and People Friendly Technology," Nippon Chemi-Con has continuously provided electronic components indispensable to society. Going forward, we will continue to refine our technologies and manufacturing capabilities, contribute to the resolution of social issues, and steadily implement the measures set forth in the 11th Medium-Term Management Plan, while making every effort to restore the trust of all our stakeholders and sustainably improve corporate value.



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.

Management Capital

6 capital

Human capital / Global, diverse human resources
- Number of employees (including fixed-term employees): 5,647

Intellectual capital
/ Technological capabilities for generating solid value
- Patents: 639
- R&D expenses: 3.9 billion yen

Social and relationship capital
/ Constructive dialogue
- Communication with stakeholders

Manufactured capital / Smart factory
- Manufacturing bases: 20 bases
- Capital investment: 5.9 billion yen

Financial capital / Improvement of the financial base
- Rating (R&I, JCR): BBB-
- Shareholders' equity ratio: 37.6 %

Natural capital / Effective use of resources
- Total input energy: 4,549 TJ

Data from FY2025 or as of the end of March 2026
Number of patents: As of May 2026 Rating: As of April 2026

Business Model

Our Business as a Group

Incorporation into Medium-term Management Plan

Decarbonized society **GX** Green transformation × Productivity improvement **DX** Digital transformation

VALUE CHAIN: Sales → Product planning R&D → Procurement → Production → Quality management

Management challenges

The 10th Medium-term Management Plan

Nippon Chemi-Con's Strengths

Development capabilities (planning and development of new products)
Manufacturing (smart factory)
Sales capabilities (global network)

Output to Markets

- Aluminum electrolytic capacitor business
- Solid device business
- Functional device business
- Functional material business

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

- Automotive electronics
- Industrial equipment
- New energy
- Home appliances
- ICT
- AI

Outcome

Continuous contributions to resolving social issues

Contribution through our businesses
- Reduce product size and weight which leads to reduced CO_2 emissions from the devices and equipment that contain our products
- Adopt various energy conservation measures for electricity use in our business activities

Creating economic value through sustainable growth

Financial improvements, investments and shareholder return
- Sustainable cash flow growth
- Strategic investments in fields and regions that are growing
- Use of DX and AI
- Shareholder return with stable dividend based on the balance of our capital and debt

Corporate Governance

Corporate Philosophy "Contributing to Environmentally and People Friendly Technology"

Return of Capital

Changes in Social Issues

- Climate change issues
- Realization of a safe and pleasant mobility-based society
- Response to low birth rates and population aging
- Ensuring fair and equal employment and safe workplaces
- Progress of digitalization
- Increasing geopolitical risks
- Effective use of resources
- Supply chains that are sufficiently socially and environmentally conscious
- Coexistence with local communities and consideration for the environment

Medium-term Management Plan

Review of the 10th Medium-Term Management Plan (FY2023 to FY2025)

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!

Goals of the Medium-term Management Plan

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

Numerical Goals and Results

	Goals of the 10th Medium-term Management Plan	FY2023	FY2024	FY2025	Status of achievement
Net sales	170.0 billion yen	150.7 billion yen	122.6 billion yen	136.8 billion yen	×
Operating profit	14.0 billion yen	9.4 billion yen	3.7 billion yen	3.3 billion yen	×
ROE	15.0%	(41.2)%	0.1%	4.0%	×
ROIC	7.0%	(16.7)%	0.0%	1.8%	×
Interest-bearing debt	60.0 billion yen or less	85.4 billion yen	74.8 billion yen	70.5 billion yen	×
D/E ratio	1.1 x or lower	1.6	1.3	1.1	○

Key Measures

Medium-term Management Plan Measures		KPI	Status of achievement	Results
Business Strategy	New product profit contributions	4.0 billion yen or more	○	Achieved cumulative contributions of ¥7.1 billion
	Increase production of hybrid capacitors	Net sales 150 % (vs. 2022)	×	Not achieved as net sales were 127%
	Strengthen coil business	Net sales 210 % (vs. 2022)	×	Significantly missed target
Production strategy	Smart factory	100 people	△	Generated 90% of personnel relative to initial plans
	SCM x DX	Inventory turnover: 2.2 months Logistics expense ratio: 2.9 %	△	Missed inventory turnover target (2.6 months)

Overall review of the 10th Medium-term Management Plan

While we achieved a certain level of results on an individual policy level, numerical goals fell significantly short throughout the three years of the 10th Medium-term Management Plan.

- Factors behind the failure to achieve the numerical goals of the 10th Medium-term Management Plan are analyzed as follows.
  ① A decline in earnings due to changes in market conditions triggered by geopolitical factors and a prolonged market recovery
  ② Decline in mass market share (general-purpose products) due to intensifying price competition with overseas competitors
  ③ Deterioration of the business earnings structure due to a decline in earnings
- The future challenges identified over the course of the three-year period of the 10th Medium-term Management Plan include formulating and implementing business strategies that enable the Company to respond flexibly to changes in market conditions, as well as improving the business earnings structure by recapturing mass market share (general-purpose products) through enhanced market competitiveness.

The 11th Medium-term Management Plan (FY2026 to FY2028)

Medium to Long-term Management Vision (2031 and beyond)

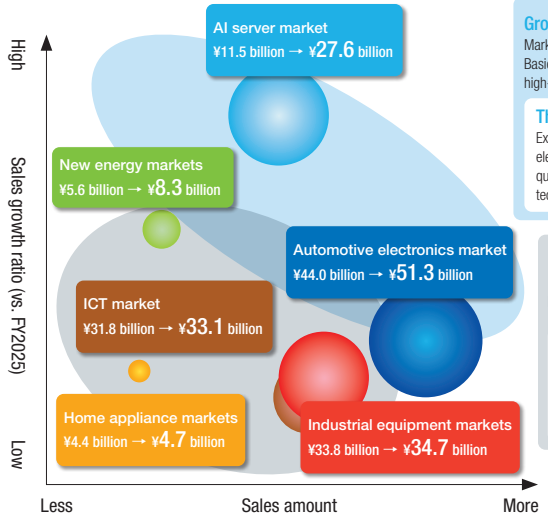
- **Grow to become a leading company that drives industry**
  - Contribute to society by providing product value represented by unwavering performance and quality
- **Build a sound financial position and a stable management platform**
  - Continuously provide appealing products by establishing a solid management platform
- **Improve employee engagement**
  - Be a company that promotes employee career formation and continuously provides motivation, serves as a source of pride, and offers challenges.

The 11th Medium-term Management Plan Policies (FY2026 to FY2028)

Rebuild business foundation centered on strengthening the competitiveness of our aluminum electrolytic capacitor business

Medium-term Management Plan Business Vision and Business Policies

Changes in net sales from FY2025 to FY2028



Growth markets and high value-added markets
Market characteristics: A market domain with high technological barriers to entry
Basic policy: Establish market superiority by injecting high-performance, high-quality products

The Company's initiatives
Expand sales in the AI server market, a growth area, and the automotive electronics market, which has high requirements for performance and quality, and enhance R&D and capital investment to strengthen our technological capabilities and production capacity.

Mass market (general purpose products)
Market characteristics: A market domain with severe cost requirements
Basic policy: Implement cost restructuring to recapture market share

The Company's initiatives
Improve product market competitiveness by promoting optimal production sites and material procurement, and strengthen market proposal capabilities by engaging in strategic sales activities.

Overall corporate strategy for the 11th Medium-term Management Plan

Based on the policy for the 11th Medium-term Management Plan, we will build a corporate structure that is resilient to changes in the market environment from the perspective of business, non-financial, and financial strategies, with the aim of achieving medium- to long-term growth.

Business Strategy
Generate earnings to promote business growth

Implement cost restructuring and improve the break-even sales ratio
- Strengthen market competitiveness by establishing a production system in optimal locations
- Strengthen market competitiveness by practicing optimal material procurement and logistics/inventory management

Approach to growth markets
- Expand revenue by developing new products and expanding sales activities targeting the AI server market

Approach to recapturing mass market share (general purpose products)
- Recapture market share by strengthening market proposal capabilities and strategic sales measures

Develop a second business pillar and evaluate businesses
- Improve ability to generate medium- to long-term earnings and conduct business assessments to make judgments on the selection and concentration of management resources

Non-financial strategy
Strengthen management foundation to support business growth

Environment
- Strengthen environmental response aimed at achieving carbon neutrality

Human resources
- Recruit and develop human resources from a medium- to long-term perspective and achieve corporate culture reforms

Governance
- Strengthen governance functions and develop the next generation of management human resources to achieve ESG management

DX
- Accelerate business execution by using data and AI to enhance business activity integration

Financial strategy
Improve financial soundness through efficient capital management

Investment activities for sustainable growth
- Strategic investments targeting earnings growth in growth markets (AI server market)
- Investments aimed at building a production system in optimal locations
- Investments to promote business continuity, quality responses, and sustainable development

Build a sound financial foundation for supporting business activities
- Capital financing by issuing new class shares to the Development Bank of Japan
- Control interest bearing debt by accelerating debt repayment and achieve an optimal D/E ratio

Shareholder Return
- Restore dividends for common shares
- Formulate policies for realizing continuous dividends and expanding returns

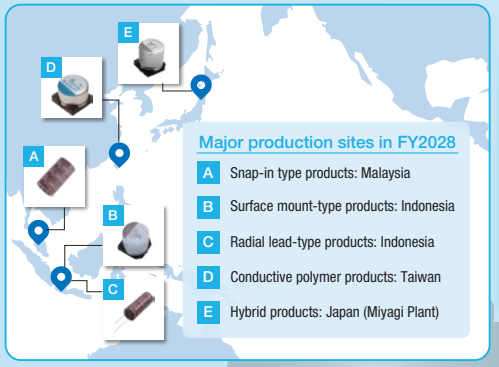
Medium-term Management Plan

The 11th Medium-term Management Plan (FY2026 to FY2028)

Business Strategy: Cost Restructuring

By establishing a production system in optimal locations through production consolidation and a shift to overseas production, we will increase the production ratio at our overseas production sites, and enhance the market competitiveness of each product. In addition, we will increase our contribution to business earnings by promoting the procurement of raw materials at optimal locations and enhancing our logistics and inventory management, thereby establishing an optimal production structure. By implementing this cost restructuring as a business strategy, we aim to improve our market competitiveness and business earnings.

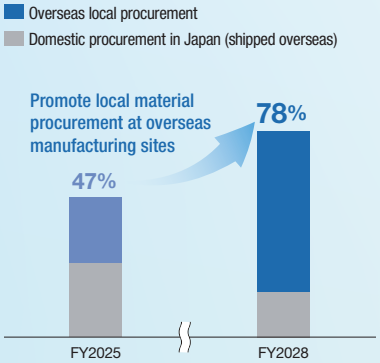
Cost restructuring by shifting to overseas production

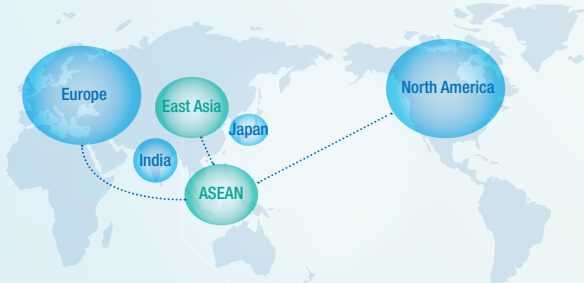


	FY2025	FY2028
Overseas sales ratio	80%	81%
Overseas production ratio	65%	74%
Overall equipment efficiency (OEE) improvement rate*	19%	32%

* Improvement rate compared with FY2019

Cost restructuring by promoting optimal material procurement





- Develop an efficient logistics network and build an inventory management structure
- In growth markets, optimize logistics management by shortening the number of days required for shipping to the ASEAN and East Asian regions where numerous major clients are located

Business Strategy: Market Approach Based on Building a Business Structure in the ASEAN Region

In terms of our business structure in the ASEAN region, we will increase our profitability in growth markets and mass markets (general purpose products) by strengthening manufacturing and sales alliances across our three bases: Thailand, which will newly oversee sales management functions; Indonesia, the core base of an optimized production system; and Malaysia, the manufacturing base for snap-in type products for growth markets.



Sales base structure: ASEAN Head Office

- Strengthen sales structure by shifting sales management functions to Thailand, where our major customers are concentrated

Manufacturing base structure: Core Manufacturing Base

- Promote the establishment of an optimal production system centered on Indonesia
- Increase the production ratio of our mainstay product, surface mount-type products, to strengthen profitability
- Establish a system for increasing production of snap-in type products in Malaysia to strengthen profitability in the AI server market

Market Strategy: India and Other Markets

- Establish a pilot model sales strategy in Thailand with potential expansion into the India market
- CAGR for the Indian market (2025-2028) : 60%
- Strengthening sales, production capabilities, and profitability in Korea and ASEAN region by enhancing collaboration with Samyoung Electronics of Korea

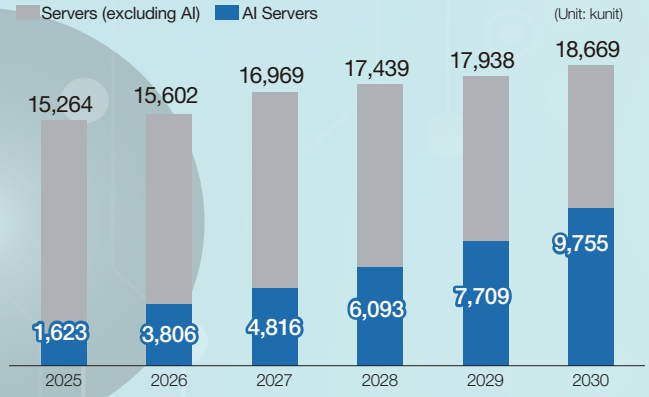
Aim to improve profitability by strengthening manufacturing and sales alliances

The 11th Medium-term Management Plan (FY2026 to FY2028)

Business Strategy: Approach to Growth Markets

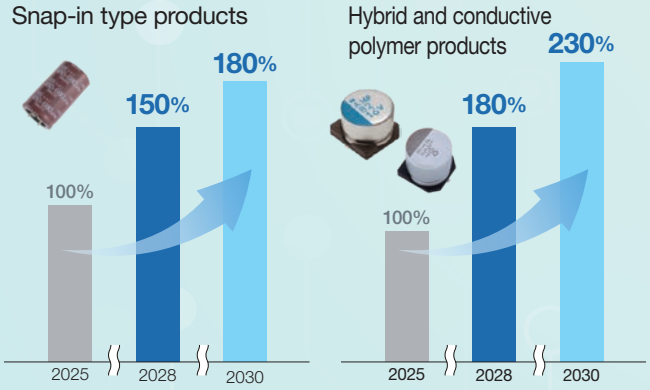
In line with the rapid spread of generative AI, global demand for AI servers is expected to grow rapidly. In recent years, demand for high-capacitance aluminum electrolytic capacitors has been expanding rapidly due to the increasing power consumption at data centers.

Global server demand forecast



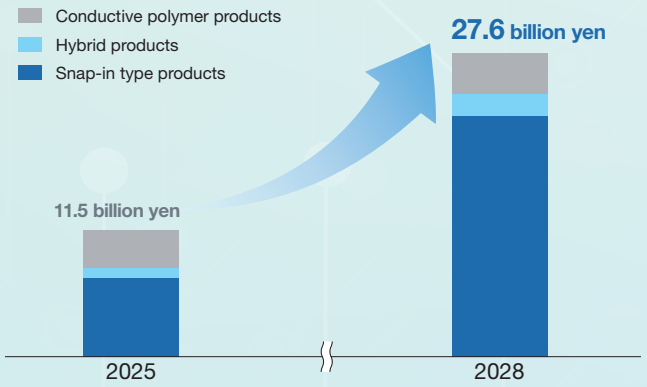
Roadmap to high-capacitance for aluminum electrolytic capacitors for the AI server market

Achieving dynamic increase in capacitance for aluminum electrolytic capacitors through the integration of our materials technologies, represented by electrode-foil materials, and component design technologies will enable us to achieve market superiority in the AI server market.



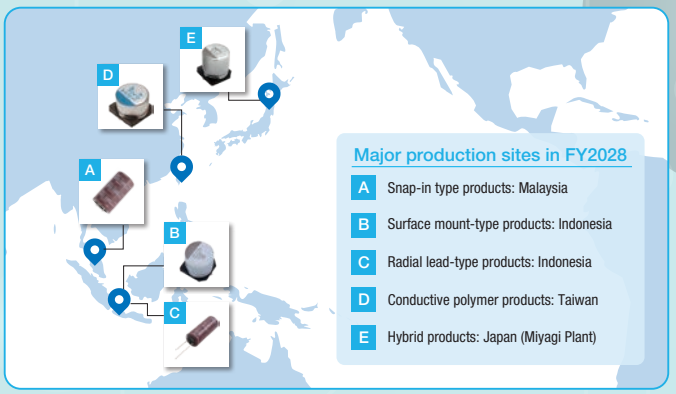
AI server market-related sales projections

We aim to expand profits by securing orders in the AI server market through comprehensive sales activities targeting data center server-related customers. In FY2028, we plan to achieve sales of 27.6 billion yen in the AI server market.



Business Strategy: Approach to Recapturing Mass Market Share (General Purpose Products)

We aim to recapture mass market share (general purpose products) by implementing cost restructuring that encompasses manufacturing, sales and logistics through the establishment of an optimal production system.



Automotive electronics

Products: Hybrid products

- Work to expand market share centered on the automotive electronics market by promoting the adoption of products incorporating new materials while also aiming to expand profits through utilization gains

Products: Surface mount-type products

- Aim to expand market share centered on the automotive electronics market by promoting the adoption of products incorporating new materials and cost restructuring to increase market competitiveness

ICT

Products: Conductive polymer products

- Aim to recapture market share centered on the ICT market by promoting the adoption of new materials to increase market competitiveness

Industrial equipment / New energy

Products: Snap-in type and radial lead-type products

- Aim to recapture share in the industrial equipment and new energy markets, which have strict cost requirements, by promoting cost restructuring centered on mid- and high-voltage products to increase market competitiveness

Medium-term Management Plan

The 11th Medium-term Management Plan (FY2026 to FY2028)

In the 11th Medium-term Management Plan, we aim to improve corporate value over the medium- to long-term by strengthening the management foundation that supports business growth through initiatives for the environment, human resources, and governance, which serve as the basis for our management platform.

Environmental strategy

Reduce electricity and fuel consumption through the promotion of energy conservation

- Promote upgrades to highly efficient production equipment and ancillary facilities
- Adopt highly efficient production systems

Expand use of renewable energy and non-fossil fuel energy

- Promote renewable energy purchasing at manufacturing bases
- Install solar power generation equipment on manufacturing base grounds (Utilize on-site PPA)

As reductions in CO_2 emissions from the promotion of energy conservation and adoption of renewable energy are projected to fall short, take measures to reduce emissions by leveraging off-site PPAs or purchasing non-fossil fuel certificates

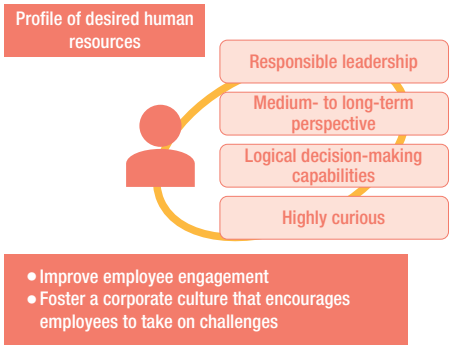
Human Resource Strategy

Strategies to recruit and develop talent into desired human resources

- Recruitment: Acquire diverse human resources by expanding recruitment content
- Placement: Revitalize the organization by conducting suitability analyses to achieve strategic personnel rotations
- Development: Provide educational programs linked to the HR system and promote employee career development

Revitalize the organization through revisions to the human resource and compensation systems (to be introduced from 2028)

- Maximize individual capabilities through a generalist/specialist system (separation of job titles and ranks)
- Accelerate promotions for promising young human resources into key positions and transform our corporate culture
- Achieve medium- to long-term human resource development and skills transfer by specialist personnel
- Transform the performance evaluation system to support employee challenges



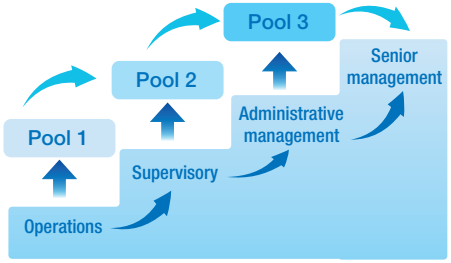
Governance Strategy

Initiatives for strengthening governance functions

- Reinforce compliance education and strengthen various risk management systems (linked to risk assessment investments)
- Conduct human rights due diligence utilizing external entities
- Strengthen the Board of Directors' functions

Initiatives for developing next-generation management human resources

- Develop skill assets necessary for each job level
- Provide opportunities to acquire skill assets
- Introduce a skill pool system for the early development of core personnel and adopt a strategic personnel placement system



Conceptual diagram of early development of core personnel through utilization of the skill pool system

Numerical Goals (FY2028)

By completing the business, non-financial, and financial strategies of the 11th Medium-Term Management Plan, we will transform the Company into a corporate structure that is resilient to changes in the market environment and increase our profitability. Through growth and evolution toward our future vision, we aim to achieve the medium- to long-term improvement of corporate value.

Financial KPI	Net sales	165.0 billion yen
	Operating profit	14.0 billion yen
	Operating profit margin	8.0% or higher
	ROE	13.0% or higher
	ROIC	7.0% or higher
	EBITDA	21.0 billion yen or more
	Aluminum electrolytic capacitor global market share	16% or higher*1
	Shareholders' equity ratio	40% or higher
	D/E ratio	1.0 or lower
Non-financial KPI	Environment: CO_2 Emission Reduction (vs. FY2013)	Domestic: 42%, Overseas: 19%
	Social: Employee Engagement Survey	Engagement Score: 3.5pt or higher*2 (Maximum score: 5.0pt)
	Governance: Board of Directors Efficacy Assessment	Average of all items: 3.5pt or higher*3 (Maximum score: 5.0pt)

*1 As a medium- to long-term goal, aim for a global market share of 20% or more in aluminum electrolysis from 2031 onwards.
*2 A score of 3.5 points or higher is considered "high."
*3 A score of 3.5 points or higher is considered "high" (aiming for 3.5 points or higher from the FY2026 survey).

Message from Our CFO

Improve corporate value through a virtuous cycle of growth investment and capital efficiency improvements



Member of the Board
Senior Managing Executive Officer
Chief Financial Officer
Osamu Ishii

In the fiscal year ended March 31, 2026, while growth opportunities expanded for the Company, including the progress of electrification in the automotive electronics market and the expansion of the AI server market, the business environment remained challenging, as the industrial equipment market continued to be affected by inventory adjustments. In this environment, the Company took measures to improve earnings, such as shifting toward high value-added products and improving productivity. However, partly due to the impact of soaring material costs, net sales were 136.8 billion yen (up 11.5% year on year) and operating profit was 3.3 billion yen (down 9.9% year on year). Sales in growth markets expanded, led by large-size capacitors and hybrid capacitors for AI servers, and our efforts to strengthen our business foundation made steady progress. However, partly due to delays in responding to changes in the business environment, we were unable to achieve the earnings targets for the final year of the 10th Medium-Term Management Plan, leaving us with ongoing challenges in terms of profit levels and capital efficiency.

We have positioned the fiscal year ending March 31, 2027, the first year of the 11th Medium-Term Management Plan, as a year in which we will launch full-fledged initiatives for new growth. In the AI server market, which is expanding against the backdrop of the growing adoption of generative AI, we plan to increase sales of high value-added products, including large-size capacitors and hybrid capacitors, which we have been working on since the previous fiscal year, while steadily promoting productivity improvements and earnings structure reform. As a result, for the fiscal year ending March 31, 2027, we are targeting net sales of 160.0 billion yen (up 16.9% year on year) and operating profit of 8.0 billion yen (up 4.6 billion yen year on year). To achieve the targets set forth in the new Medium-term Management Plan, we will first focus on steadily implementing the plan for the first fiscal year.

Under the 11th Medium-term Management Plan, which commenced in the current fiscal year, we have adopted "Rebuild business foundation centered on strengthening the competitiveness of our aluminum electrolytic capacitor business" as our basic policy. Along with expanding our business and improving profitability in growth markets, we aim to improve capital efficiency by strengthening ROIC-based management, and for FY2028 we are targeting net sales of 165.0 billion yen or more, operating profit of 14.0 billion yen or more, ROE of 13% or higher, and ROIC of 7% or higher. While sincerely addressing the issues identified in the 10th Medium-Term

Management Plan, we will integrate our business and financial strategies and work to establish a foundation for sustainable growth.

We recognize that building a strong financial foundation to support growth investment is essential to achieving the goals of the 11th Medium-term Management Plan. We have been working to reduce interest-bearing debt and improve our financial standing. However, we believe that maintaining both financial soundness and growth investments is essential to realizing sustainable growth and improving corporate value. As part of these efforts, in June 2026, we redeemed the class shares held by Japan Industrial Solutions and undertook capital financing by issuing new class shares underwritten by the Development Bank of Japan. We plan to use these funds to advance the initiatives set forth in the 11th Medium-term Management Plan, including capital investment and R&D investment in growth markets.

We recognize that improving capital efficiency is a key management issue to enhance corporate value. The Company also recognizes that the cost of equity is approximately 10% to 11% and the weighted average cost of capital (WACC) is 4% to 5%, and our current capital profitability does not sufficiently exceed these levels. In order to improve capital efficiency, we are making various improvements, including setting hurdle rates for capital investment criteria and applying them rigorously, and reviewing our business portfolio using ROIC as a new criterion for business withdrawal.

Under the 11th Medium-term Management Plan, we aim to achieve a shareholders' equity ratio of 40% or higher and a D/E ratio of 1.0 or lower. in FY2028 by improving profitability and strengthening our financial foundation. We will continue to promote management that is conscious of the cost of capital by generating profits through investment in growth markets and optimizing our capital structure.

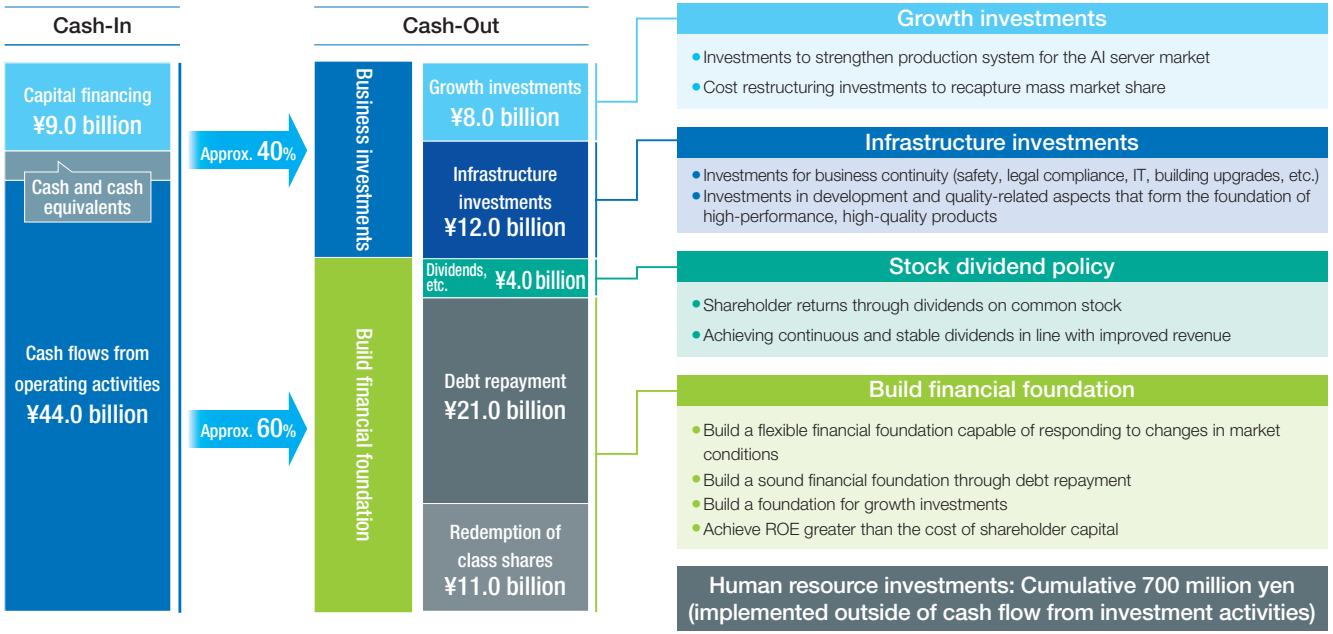
The foundation that supports these initiatives is the generation of stable cash flow. We have positioned cash flow generation as one of our key management indicators. During the three-year period of the 11th Medium-term Management Plan, we will allocate 40% of the cash generated to growth areas and 60% to strengthening our financial foundation, including debt repayment, and returning profits to shareholders, thereby improving future profitability and enhancing corporate value.

The Company's basic policy on shareholder returns is to maintain stable dividend payments. In the fiscal year ended March 31, 2026, we resumed dividend payments at 20 yen per share, and for the fiscal year ending March 31, 2027, we plan to increase the dividend payment to 25 yen per share.

Going forward, we will steadily improve our profitability and strengthen our financial foundation, while working to enhance corporate value over the medium- to long-term and expand shareholder returns.

We will pursue the integrated implementation of our business and financial strategies while placing importance on constructive dialogue with our shareholders and investors, and work to achieve the targets set forth in the 11th Medium-Term Management Plan. Amid the increasing uncertainty in the business environment, we will enhance corporate value by further strengthening our profitability and financial foundation, and by improving capital efficiency in order to meet the expectations of our stakeholders. I sincerely ask for your continued understanding and support.

Cash Allocation Plan in the 11th Medium-term Management Plan



Nippon Chemi-Con's Strategic Markets

The Nippon Chemi-Con Group focuses on marketing, product development, and sales promotion activities in strategic markets where we expect market growth and where there is demand for our technology. Striving to resolve social issues, Nippon Chemi-Con continues to provide value in various domains.

Net sales by product group (FY2025)



Capacitors 92%

Aluminum Electrolytic Capacitors, Conductive Polymer Capacitors, Hybrid Capacitors, Supercapacitors, Multilayer Ceramic Capacitors, Metal Oxide Varistors



Mechanical and other parts 2%

Inductors (Choke Coils etc.), Camera modules



Other 6%

Capacitor material, Silicon wafers (resale products)

Realizing a carbon-free society

Demand for electronic components is projected to increase with trends such as vehicle electrification and automation, the adoption of inverters in industrial equipment and home appliances, expanding adoption of renewable energy, and energy management.

Stable supply of high-quality products

- Upgrading to smart factories
- Global manufacturing and sales network

Advancements in nformation infrastructure

Demand for electronic components is projected to increase with the increases in power consumption associated with the widespread adoption of AI and advancements in GPU, as well as advancements in information infrastructure, including the construction of data centers and the development of base stations enabling high-speed, large-volume communications.

Net sales by market (application) (FY2025)

Previous standard / New standard*

Automotive Electronics Market 29% → 32%

- Electronic control units (ECU)
- Advanced driver assistance systems (ADAS)
- Onboard chargers etc.

Industrial Equipment Market 21% → 25%

- General-purpose inverters・Servo amplifiers
- Switching power supplies etc.

ICT Market 35% → 23%

- PCs, home video game consoles
- Data center servers
- Communication base stations, etc.

AI server market – → 8%

Home Appliances Market 5% → 4%

- Air conditioners・Refrigerators
- Smart home electronics etc.

New Energy Market 4% → 3%

- Photo voltaic systems
- Wind power generation systems etc.

Other 6% → 5%

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

* As of FY2026, the reporting categories have been changed to market segments that more accurately reflect the actual composition of net sales.
Accordingly, the net sales composition for FY2025 is also calculated based on the revised market segments.

Market Environment and Business

(Develop businesses that are less affected by fluctuations in demand > Optimize sales balance by market/Focus on automotive electrification and AI server markets)

Issues

Structural changes in the Company's major markets, including the shift from PCs to smartphones, and home appliances

Intensifying competition due to the rise of emerging economies

Strategies

Sharpen focus on highly profitable, high-growth markets (centralize human resources, assets, time, and investments)

◇ Automotive electronics market Growing demand for components due to further advancements in electrification

◇ ICT Market Rapid growth in generative AI servers (rise in power consumption → increase in demand for aluminum electrolytic capacitors)

The Company's strengths:①Product supply capabilities ②High product reliability ③Technological capabilities (materials-based approach)

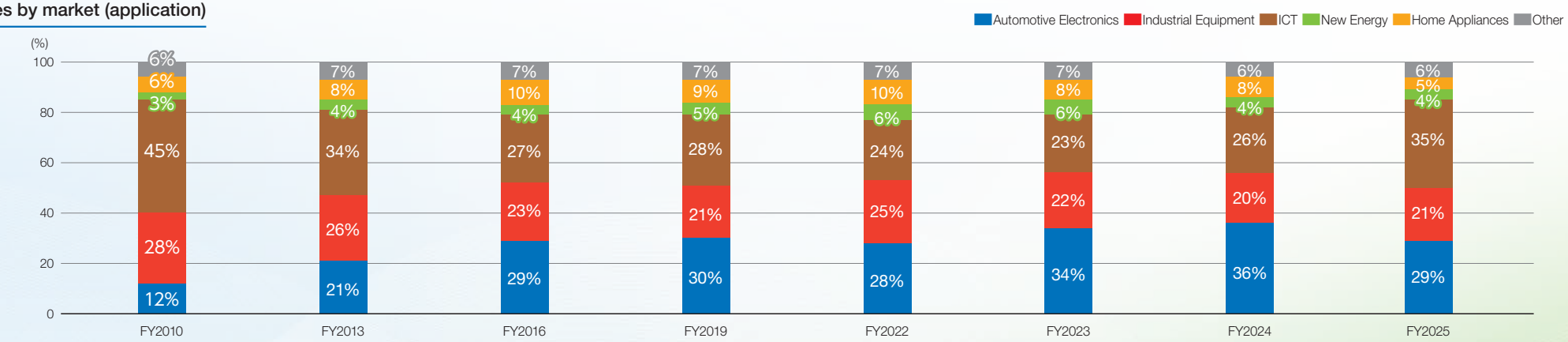
Changes in composition of net sales by market for FY2025

ICT Demand for capacitors for AI servers increased due to the release of next-generation GPUs. Sales ratio increased by 9 percentage points from the previous fiscal year to 35% > Going forward, expectations of rapid growth in demand for AI servers and data centers

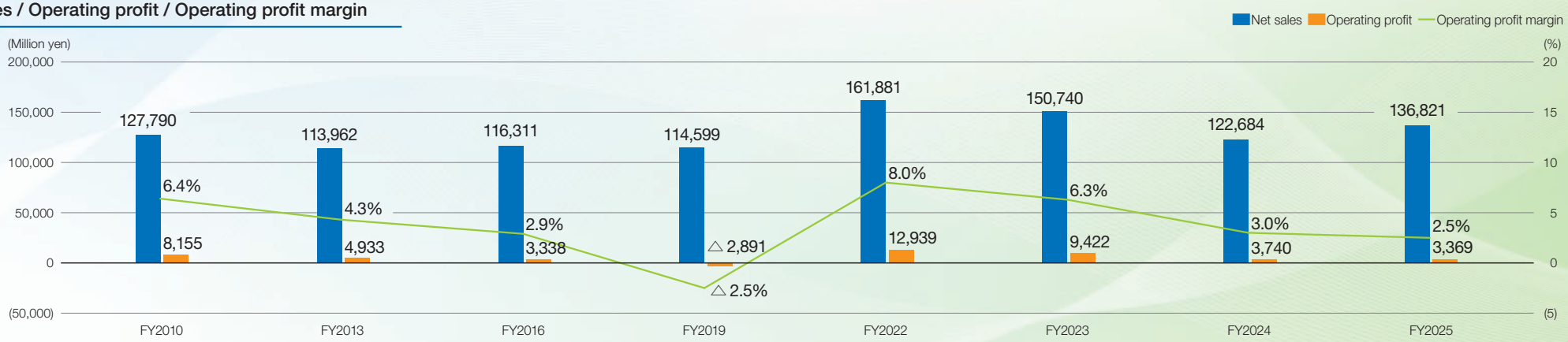
Automotive electronics Sales ratio decreased by 7 percentage points from the previous fiscal year to 29%, partly due to a slowdown in the shift to EVs. > Aim to capture increased demand through normalization of market inventories and advancements in functionality

Industrial Equipment Sales ratio increased by 1 percentage point from the previous fiscal year to 21% due to a recovery led by data center-related investment > Projections for market recovery driven by data center-related investment

Net sales by market (application)



Net sales / Operating profit / Operating profit margin



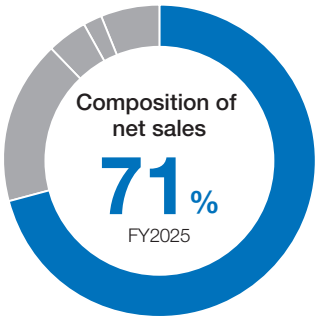
Business Overview

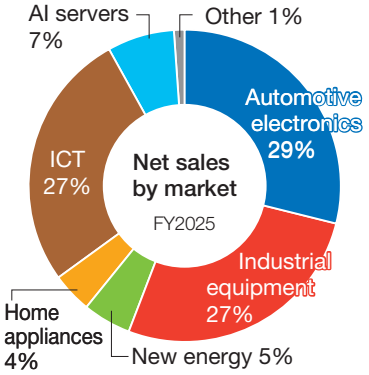
Business-based Strategies

Aluminum Electrolytic Capacitors

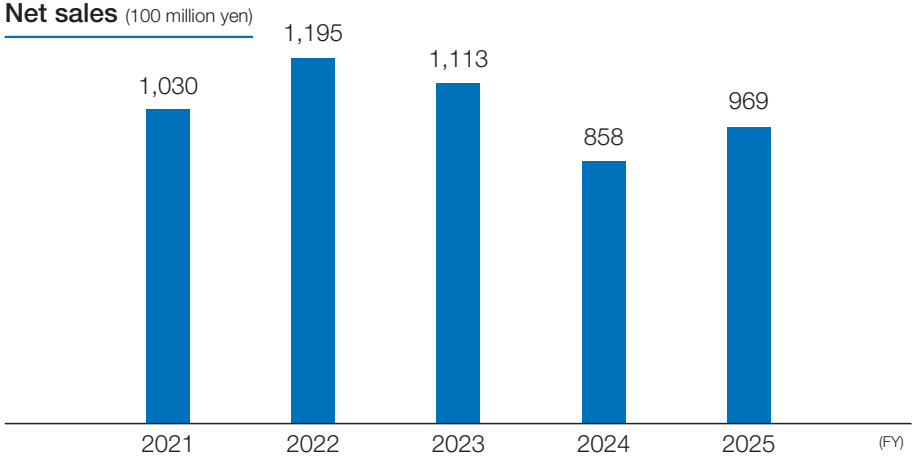
(excluding conductive polymer capacitors)

Aluminum electrolytic capacitors are capacitors that use a thin layer of oxidized aluminum as the dielectric. They feature a large capacitance by forming minute unevenness on the surface of aluminum foil through electrochemical treatment to enlarge the surface area. They are widely used for smoothing and decoupling.





Net sales (100 million yen)



Competitive advantages of aluminum electrolytic capacitors (comparison with other capacitors)

Capacitor type	Aluminum electrolytic			Ceramic	Film
	Electrolytic	Conductive polymer	Hybrid		
High capacitance	◎	◎	◎	△	×
Cost	◎	○	○	△	△
ESR	×	◎	○	◎	◎
No use of rare metals	◎	◎	◎	△	○
Lifespan	×	○	○	◎	◎
Temperature characteristics	△	◎	◎	△	◎
Heat resistance	○	○	○	◎	△

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

Large-size products

Generate earnings by focusing on the AI server, industrial equipment, and ICT markets

- Supply of high-capacitance products for AI servers and data centers
- Development and advanced launch of products with market superiority based on materials technology



Screw terminal type / snap-in type

Small and medium-size products

Recapture the mass market share (general purpose products) by improving market competitiveness

- Improve market competitiveness by promoting cost restructuring
- Strengthen lineup of industry-leading high-capacity products



Radial lead type

SMD type products

Further improve profitability by enhancing market competitiveness

- Improve market competitiveness mainly in the automotive electronics market by promoting cost restructuring
- Develop products with market superiority based on materials and design technologies



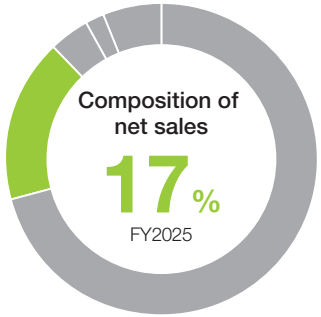
SMD type

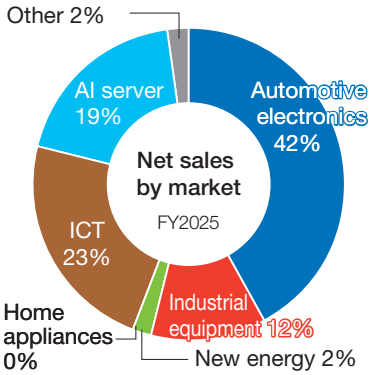
Business-based Strategies

Conductive Polymer Capacitors

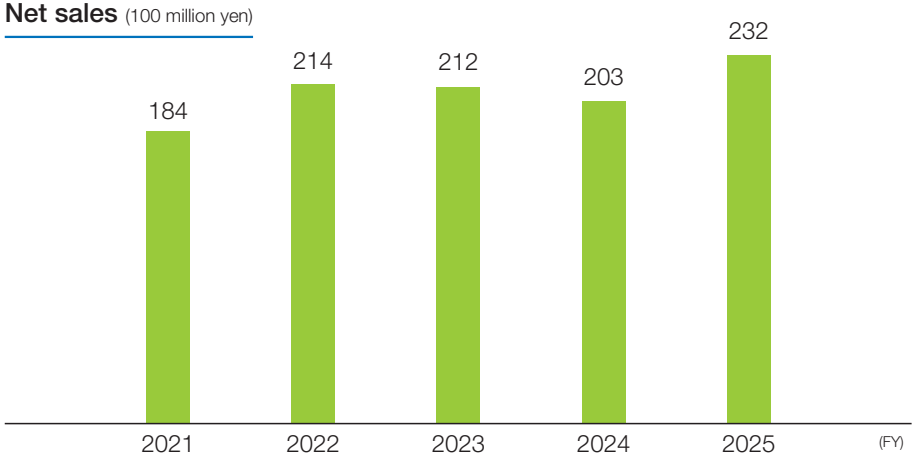
Ultra-low ESR products using solid conductive polymers instead of electrolytic liquid are also widely used.

In recent years, hybrid capacitors that combine electrolytic liquid and conductive polymers have also been added, and they continue to evolve to provide the optimal characteristics suited to the usage conditions.





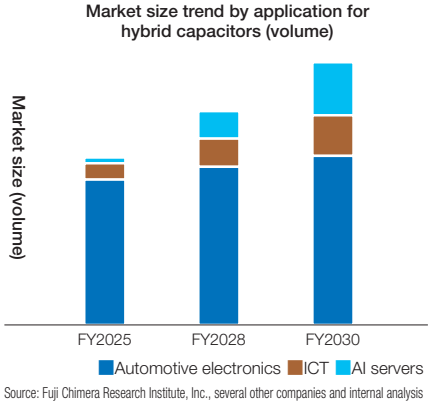
Net sales (100 million yen)



Increasing production to meet the rapidly growing hybrid capacitor market

Market size forecast

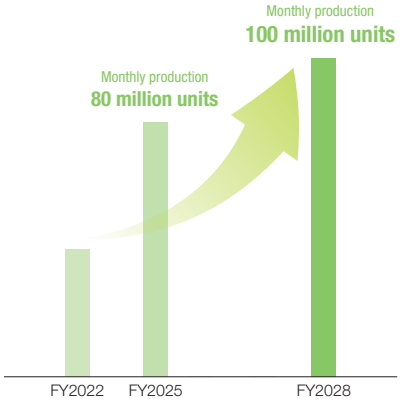
Market trend



Source: Fuji Chimera Research Institute, Inc., several other companies and internal analysis

Production expansion plan

Production capacity



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

Conductive polymer capacitors

Generate earnings in the AI server and ICT markets

- Further expand sales and supply to the AI server market
- Improve market competitiveness by promoting cost restructuring
- Develop and expand sales of new products to the automotive electronics market (ADAS and CASE applications)


Conductive polymer capacitors radial lead type


Conductive polymer capacitors SMD type

Hybrid capacitors

Generate earnings by creating competitive advantage in the AI server and automotive electronics markets

- Further expand sales to the AI server market
- Implement strategic sales measures in the automotive electronics market
- Develop new products that contribute to creating market superiority and expand sales in the AI server, automotive electronics, and ICT markets


Hybrid capacitors radial lead type


Hybrid capacitors SMD type

Business-based Strategies

Other Capacitors
(including solid devices and functional devices)

Main products

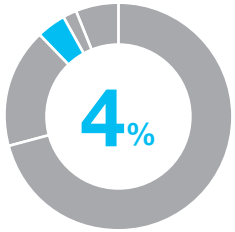


Ceramic capacitors

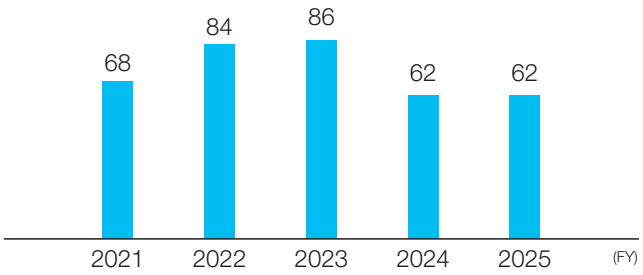


Supercapacitors

Composition of net sales (FY2025)



Net sales (100 million yen)



- Ceramic capacitors:
  Develop and expand sales of distinguishing products focused on high capacitance and large-size products
  Expand metal cap type products for the AI server market
- Supercapacitors:
  New product development (expand product line) targeting backup power sources on the automotive electronics market

Mechanical and other parts
(including solid devices and functional devices)

Main products



Camera modules

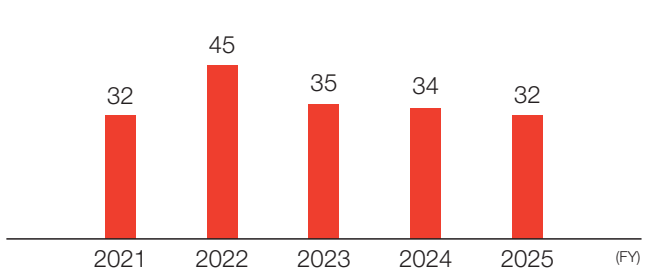


Inductors (choke coils, etc.)

Composition of net sales (FY2025)



Net sales (100 million yen)



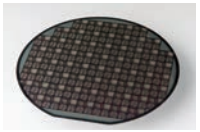
- Modules:
  Launch high-performance camera modules that capture the needs of the automotive electronics and industrial equipment markets
- Inductors (choke coils, etc.):
  Strengthen new product development and sales expansion using nanocrystalline materials for the automotive electronics market
  Strengthen sales support system for the overseas automotive electronics market

Other
(including functional material)

Main products

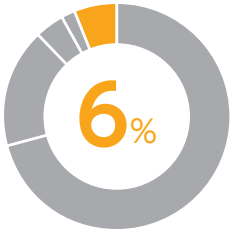


Capacitor material: Aluminum electrode foil

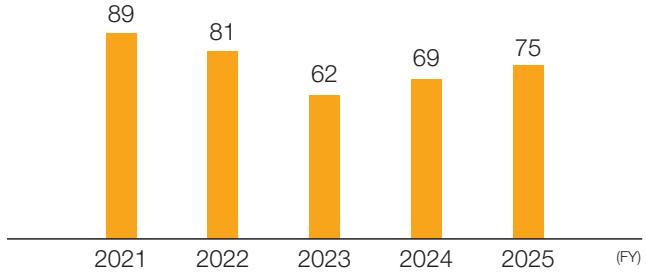


Resale products: Silicon wafers

Composition of net sales (FY2025)



Net sales (100 million yen)



- Capacitor material:
  Aluminum electrode foil
  Increasing sales of highly profitable and new products by identifying market needs
- Resale products:
  Silicon wafers
  Strengthen sales expansion targeting semiconductor manufacturers servicing the automotive electronics and industrial equipment markets

Message from Our R&D Executive Vice President

Growth of technologies and human resources supporting an overwhelmingly competitive advantage



R&D Executive Vice President

Katsunori Nogami

Under the 11th Medium-term Management Plan, the Company has set the goal of "Realizing an overwhelmingly competitive advantage." The source of this competitive advantage lies in our technology base, built over many years by integrating our materials technology, product design, production technology, and quality assurance. However, a technological advantage is not something that can be maintained once it is established. In an era of rapid changes in markets and technologies, it is important that the technologies themselves continue to evolve. The driving force behind this is the growth of each and every engineer.

Against the backdrop of the growing adoption of generative AI, the AI and data center markets are currently entering a period of significant growth. Many of the Company's products, including aluminum electrolytic capacitors and conductive polymer aluminum electrolytic capacitors, play important roles in the power supply systems and peripheral equipment that support these markets. In addition to higher performance and reliability, the market also demands more rapid development than ever before.

To respond to these changes in the environment, R&D Headquarters promotes accelerated development and increased value-added by sharing product concepts, based on customer needs and market trends, across all processes from basic research, materials development, and product development to production technology and manufacturing. In addition, by strengthening our technology platform, we are working to apply technologies developed in AI-related markets to the automotive electronics and industrial equipment fields, thereby creating the next growth opportunities.

The Company’s R&D Headquarters is responsible not only for development functions but also for marketing functions. In recent years, through technology exchanges with customers and market analysis, we have worked to identify not only customers’ explicit needs, but also their latent needs, and have strengthened the mechanisms to channel those insights directly to our R&D Division. By bringing together marketing professionals who understand the market and development professionals who have a deep understanding of technology, we are able to enhance our product planning capabilities based on customer value, and quickly and accurately present value proposals even in a rapidly changing market environment.

In addition, the ability to continue to learn as an organization is essential for sustained technological innovation. We place importance not only on enhancing the technical expertise of our engineers, but also on developing them into professionals who understand market and customer challenges and who can proactively propose new value. The growth of each individual drives the growth of the organization, which in turn creates new competitiveness.

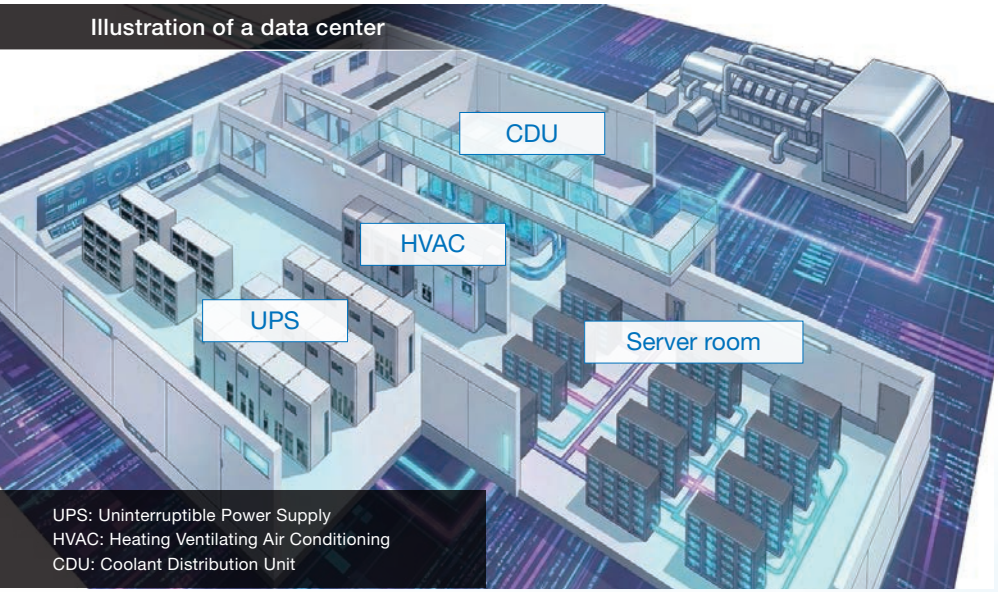
By continuing to evolve while integrating technology, marketing, and human resources, we will continue to provide new value to our customers and society. We will also achieve an "overwhelmingly competitive advantage" that links personal growth to organizational evolution, thereby contributing to the continuous improvement of corporate value.

Special Feature

Capacitors for use in the Field of AI

In recent years, as the introduction of AI technology has accelerated across industries, demand has been growing rapidly not only for AI servers, which are essential for processing the vast amounts of data generated by the rapid adoption of generative AI, but also for data centers that house large numbers of AI server units. The Company's various capacitors play an important role as passive components essential to the configuration of AI servers and data centers. In addition, through continuous technological innovation, we aim to anticipate customers' needs and contribute to society over the medium- to long-term.

Illustration of a data center



UPS: Uninterruptible Power Supply
HVAC: Heating Ventilating Air Conditioning
CDU: Coolant Distribution Unit

Data center facilities

Data centers house equipment and facilities that require large amounts of power, including uninterruptible power supplies (UPS), air conditioning inverters (HVAC), and inverters for water-cooling circulation units that make up the cooling systems for the servers (CDU). Demand for screw terminal type aluminum electrolytic capacitors capable of supplying large amounts of power to these systems is expanding rapidly.

Screw terminal type aluminum electrolytic capacitors

Application: UPS, HVAC, CDU



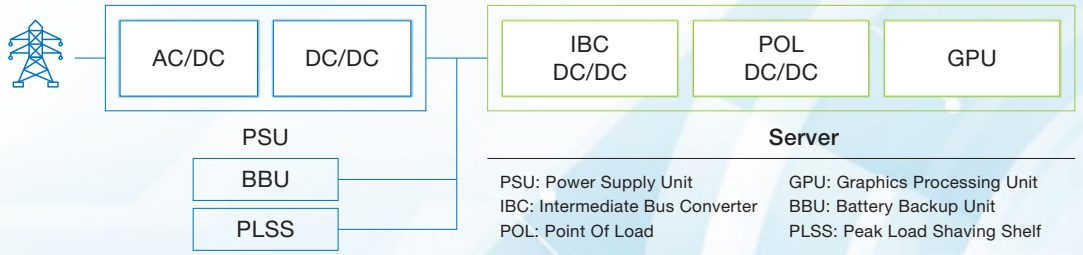


Image of large-size screw terminal type aluminum electrolytic capacitors installed in a UPS

Data center server rooms

As data processing speeds increase and the volume of data processed grows, numerous GPUs operate in synchronization within the server, resulting in greater fluctuations in server power consumption due to sudden changes in load. These fluctuations in power consumption occur repeatedly over very short periods, creating the need for a high-speed, stable power supply. For this reason, aluminum electrolytic capacitors, which serve as an instantaneous power supply, are required to offer high capacitance.

Schematic diagram of an AI server rack circuit configuration



PSU: Power Supply Unit
IBC: Intermediate Bus Converter
POL: Point Of Load
GPU: Graphics Processing Unit
BBU: Battery Backup Unit
PLSS: Peak Load Shaving Shelf

Snap-in type aluminum electrolytic capacitor

Application: PSU



Conductive polymer hybrid aluminum electrolytic capacitor

Application: IBC



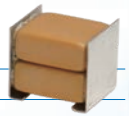
Conductive polymer aluminum solid capacitors

Application: IBC, POL, GPU



Metal cap type multilayer ceramic capacitors

Application: BBU



The BBU provides DC power to server racks as a backup power source in the event of a loss of grid power. A BBU consists of batteries and DC-DC converters. However, as higher output power requirements increase the footprint of the batteries, the DC-DC converters must be accommodated within the limited space available in the BBU. In response to this trend, demand for our metal cap type ceramic capacitors is increasing rapidly, as their high capacitance and reduced footprint enable higher mounting density.

Message from Our Quality Assurance and Production System Executive Vice President



Executive Officer
Quality Assurance and
Production System Executive Vice President
Hiroyuki Wakabayashi

"Create an overwhelmingly competitive advantage through quality"

Since its founding, Nippon Chemi-Con has positioned "providing quality that satisfies our customers" to be one of the most important values underlying its business activities, and has placed it at the core of its corporate management. We believe that quality is not simply a matter of meeting specifications and standards, but rather the foundation for continuously earning the trust of our customers and society, and an important management asset that supports sustainable growth and the improvement of corporate value.

The business environment surrounding the Company is currently undergoing a major transformation. In line with the expansion of the AI server market on the back of rapid advances in AI technology, the increasing electrification and intelligence of automobiles, and the advancement of social infrastructure, the levels of reliability, safety, and stability required of our products are higher than ever before. In these markets, even minor defects can have a significant impact on society and customers, making the responsibilities expected of manufacturers greater than ever.

Meanwhile, changes in the international situation, including increasing geopolitical risks and the situation in the Middle East, are having a significant impact on the entire supply chain, resulting in soaring raw material prices, longer procurement lead times, and even supply shortages. In such an environment, quality management that takes a comprehensive view of the entire supply chain, not just the quality of the products themselves, has become essential. The Company is striving to achieve both stable quality and a stable supply by strengthening the management of components and raw materials that have a significant impact on quality, enhancing our ability to detect abnormalities, and strengthening collaboration with suppliers.

Furthermore, as our operations become increasingly globalized, it is important to ensure consistent quality regardless of which of our production sites around the world manufacture the product. Accordingly, while taking into account the characteristics and business environment of each region, we are developing common quality standards and management processes, and are working to strengthen our quality assurance systems on a global basis.

Furthermore, we are promoting smart factory initiatives at our production sites, and utilizing data obtained from the manufacturing process in real time to enable the early detection of abnormalities and rapid improvements. In addition, in response to the declining working population and rising labor expenses overseas, we are promoting the automation and labor-saving of manufacturing processes through the use of AI, AOI (Automated Optical Inspection), and the digitalization of standard work procedures. Through these initiatives, we are achieving both stable quality and improved productivity, while accelerating our evolution toward data-driven manufacturing.

Ultimately, however, it is people who support the quality of a company. The Company is continuously undertaking human resources development with an emphasis on frontline experience and real-world situations, and strives to foster a corporate culture in which each and every employee acts with responsibility and pride in quality.

Going forward, we will continue to meet the expectations of changing markets and society, while further enhancing quality, not merely as a management activity, but as a strategic asset that drives our competitiveness. Furthermore, by earning the trust of our customers through quality assurance and creating an overwhelmingly competitive advantage that no other company can match, we will contribute to the realization of a sustainable society and the further improvement of corporate value.