

**Financial Results Explanatory Material  
for 1Q FY2022  
(Three months ended June 30, 2022)**

**August 2022  
Nippon Chemi-Con Corporation**

## 1Q FY2022 – Results Overview

- Net sales was 38.4 billion yen (+15.1% YoY). Sales of all products including aluminum electrolytic capacitors increased due to a weak yen and strong demand for industrial equipment products.
- Operating income was 2.4 billion yen (+35.1% YoY). Continued disruption of SCM due to Shanghai lockdown and Russia-Ukraine war caused rises in costs for logistics, material and energy such as electricity. On the other hand, effects of selling price revisions and structural reforms appeared and yen weakened.
- Profit attributable to owners of parent was loss of approx. 2.2 billion yen due to extraordinary loss from approx. 4.3-billion-yen settlement for US civil lawsuit.
- FY2022 full-year forecast for net sales and operating income will not be changed from figures disclosed in May by continuing productivity improvement and fixed cost reductions.

# 1Q FY2022 - Consolidated Results (YoY, QoQ)

YoY: higher net sales and operating income

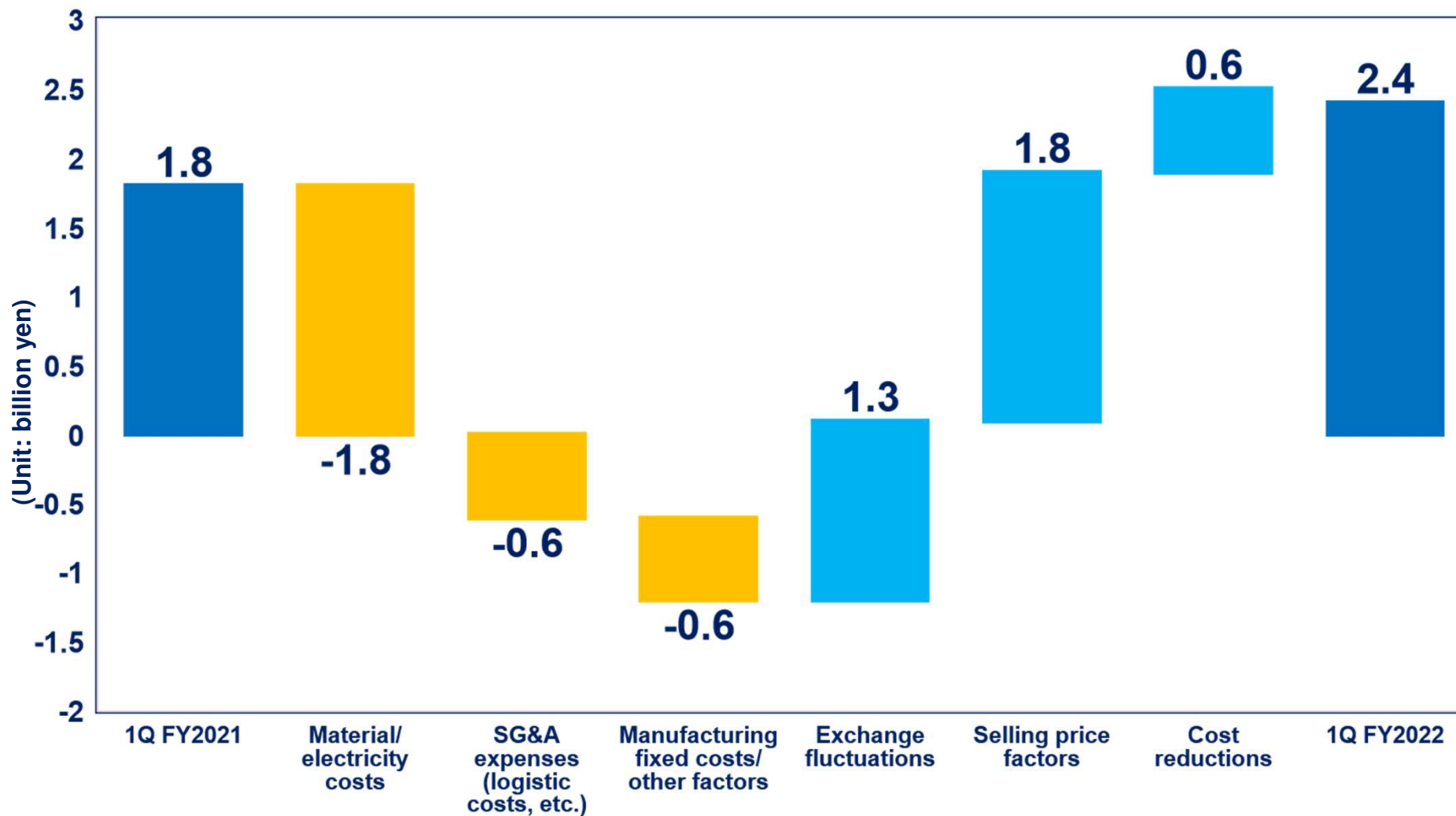
QoQ: higher net sales, lower operating income

(Unit: million yen, %)	FY2022	FY2021		YoY		QoQ	
	1Q	1Q	4Q	Amount	%	Amount	%
<b>Net sales</b>	<b>38,439</b>	<b>33,383</b>	<b>37,825</b>	<b>+5,055</b>	<b>+15.1</b>	<b>+614</b>	<b>+1.6</b>
<b>Operating income</b>	<b>2,447</b>	<b>1,811</b>	<b>2,708</b>	<b>+636</b>	<b>+35.1</b>	<b>-261</b>	<b>-9.6</b>
Ratio to net sales	6.4%	5.4%	7.2%	+1.0.pt	-	-0.8pt	-
<b>Profit/loss attributable to owners of parent</b>	<b>-2,281</b>	<b>1,512</b>	<b>1,547</b>	<b>-3,794</b>	<b>-</b>	<b>-3,828</b>	<b>-</b>
Ratio to net sales	-5.9%	4.5%	4.1%	-10.4pt	-	-10.0pt	-
<b>Capital investment</b>	<b>1,585</b>	<b>898</b>	<b>1,535</b>	<b>+687</b>	<b>+76.5</b>	<b>+50</b>	<b>+3.2</b>
<b>Depreciation</b>	<b>1,458</b>	<b>1,443</b>	<b>1,507</b>	<b>+15</b>	<b>+1.0</b>	<b>-49</b>	<b>-3.2</b>
<b>R&amp;D expenses</b>	<b>1,084</b>	<b>1,009</b>	<b>1,095</b>	<b>+75</b>	<b>+7.4</b>	<b>-11</b>	<b>-1.0</b>
<b>Avg exchange rate</b>							
1USD(YEN)	129.57	109.49	116.20	18.3% weaker yen		11.5% weaker yen	
1EUR(YEN)	138.12	131.96	130.39	4.6% weaker yen		5.9% weaker yen	

\*The approx. 4.3-billion-yen settlement for the US civil lawsuit has been posted as extraordinary loss for 1Q FY2022.

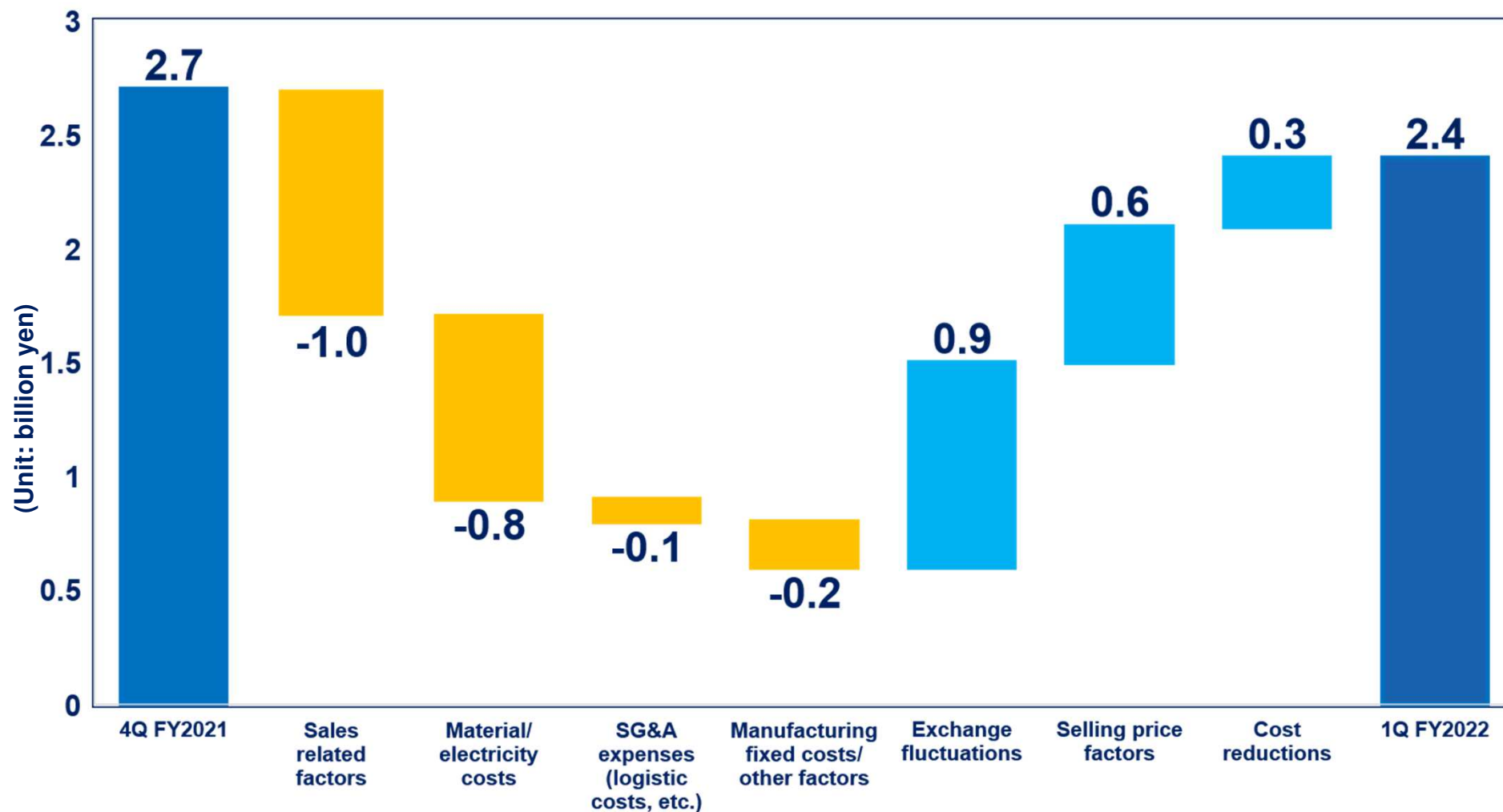
# 1Q FY2022 - Operating Income (YoY)

Amid rising logistics and material/electricity costs, operating income increased due to effects of selling price revisions and structural reforms



# 1Q FY2022 - Operating Income (QoQ)

Minimized effects of rising material/logistic costs through selling price revisions

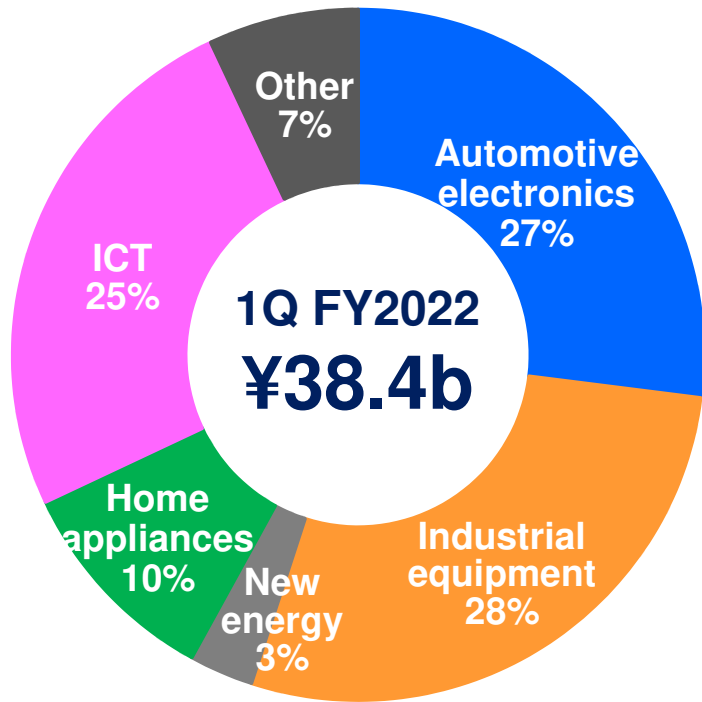


# 1Q FY2022 - Net Sales by Product (YoY, QoQ)

**YoY: All product sales increased due to industrial equipment demand and weak yen**

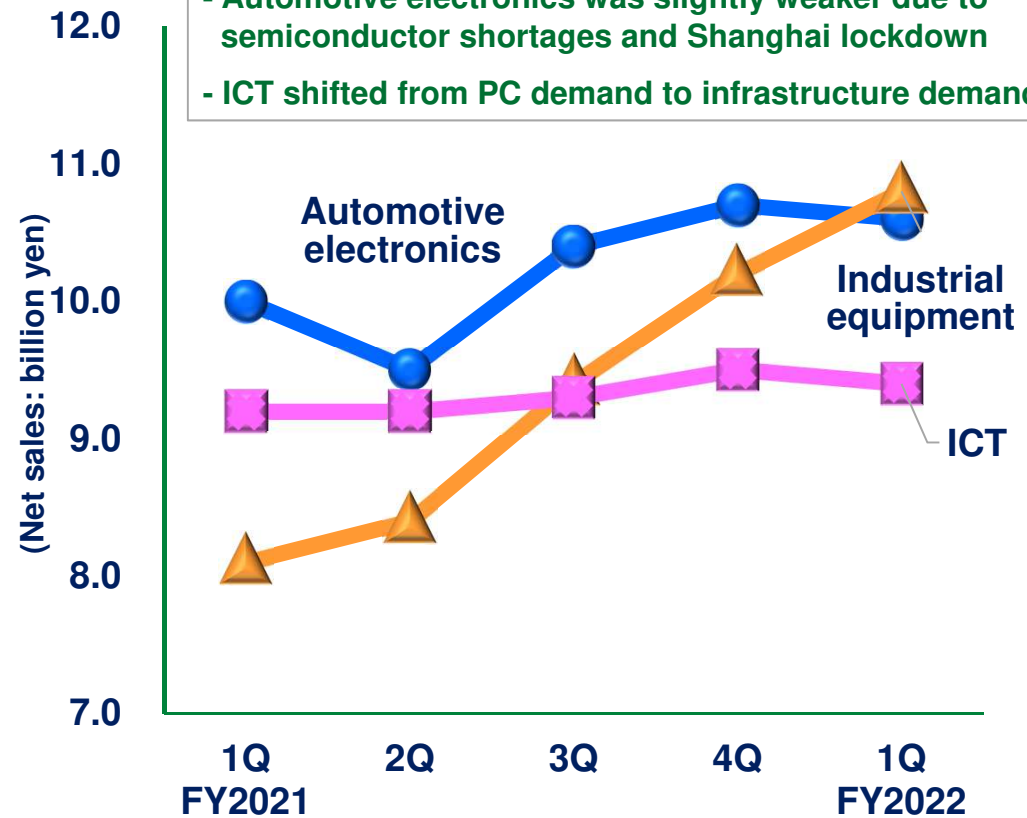
Product (Unit: million yen, %)	1Q FY2022	%	1Q FY2021	%	YoY amount	YoY %	4Q FY2021	%	QoQ amount	QoQ %
Aluminum electrolytic capacitors	33,264	86.5	29,112	87.2	+4,152	+14.3	32,514	85.9	+750	+2.3
Conductive polymer	5,020	13.1	4,551	13.6	+469	+10.3	4,831	12.7	+189	+3.9
DLCAP™	910	2.4	734	2.2	+176	+24.0	1,043	2.7	-133	-12.7
Ceramic capacitors/ varistors	918	2.4	808	2.4	+110	+13.5	865	2.2	+53	+6.1
Mechanical and other parts	1,155	3.0	700	2.1	+454	+65.0	860	2.2	+295	+34.3
Capacitor materials	1,592	4.1	1,544	4.6	+47	+3.1	1,988	5.2	-396	-19.9
Other	597	1.6	483	1.5	+114	+23.6	556	1.4	+41	+7.3
<b>Total</b>	<b>38,439</b>	<b>100.0</b>	<b>33,383</b>	<b>100.0</b>	<b>+5,055</b>	<b>+15.1</b>	<b>37,825</b>	<b>100.0</b>	<b>+614</b>	<b>+1.6</b>

# 1Q FY2022 - Net Sales by Market



## Net sales in the three main markets

- Industrial equipment remained strong
- Automotive electronics was slightly weaker due to semiconductor shortages and Shanghai lockdown
- ICT shifted from PC demand to infrastructure demand



# 1Q FY2022 - Performance Improvement Effect From Structural Reforms (vs FY2019)

- Fixed cost reduction: investment through selection and concentration (depreciation reduction)
- Productivity improvement: development of smart factories (labor reduction/streamlining)
- New products: affected by delayed releases of new products in various markets due to semiconductor shortages

Main measures	FY2022 forecast	1Q FY2022 results	Progress
<b>1) Reduce fixed costs</b> Reduction of personnel costs and depreciation costs	¥2.5b	¥0.7b	28%
<b>2) Improve profit through productivity improvement</b> Promote smart factories/ Establish a system for high-capacity operation of electrode foil	¥1.1b	¥0.5b	45%
<b>3) Increase profitability by introducing new products</b>	¥2.5b	¥0.3b	12%
<b>Total</b>	<b>¥6.2b</b>	<b>¥1.5b</b>	<b>24%</b>



## FY2022 - Consolidated Full-Year Forecast

Full-year forecast for net sales and operating income will remain the same as targets set at beginning of term

(Unit: million yen, %)	FY2022 forecast	FY2021 results	YoY	
			Amount	%
Net sales	155,000	140,316	+14,684	+10.5%
Operating income	9,300	8,798	+502	+5.7%
Ratio to net sales	6.0%	6.3%	-0.3.pt	-
Profit/loss attributable to owners of parent	3,000	-12,124	+15,124	-
Ratio to net sales	1.9%	-8.6%	+10.5pt	-
Capital investment	8,500	5,858	+2,642	+45.1%
Depreciation	6,000	5,885	+115	+1.9%
R&D expenses	4,500	4,156	+344	+8.3%
Avg exchange rate				
1USD(YEN)	122.00	112.38	8.6% weaker yen	
1EUR(YEN)	132.00	130.56	1.1% weaker yen	

\*The approx. 4.3-billion-yen settlement for the US civil lawsuit has been posted as extraordinary loss for 1Q FY2022.

# To Accomplish Goals for FY2022

## 1. Completion of structural reforms

		Method			
		TPM activities	SCM reforms	DX implementation	Promoting standardization
Purpose	1) Improving OEE/TEEP	↓		↓	↓
	2) Improving per person productivity				
	3) Improving staff productivity		↓	↓	
	4) Improving logistics efficiency and reducing inventory	↓			↓

## 2. Product planning reforms

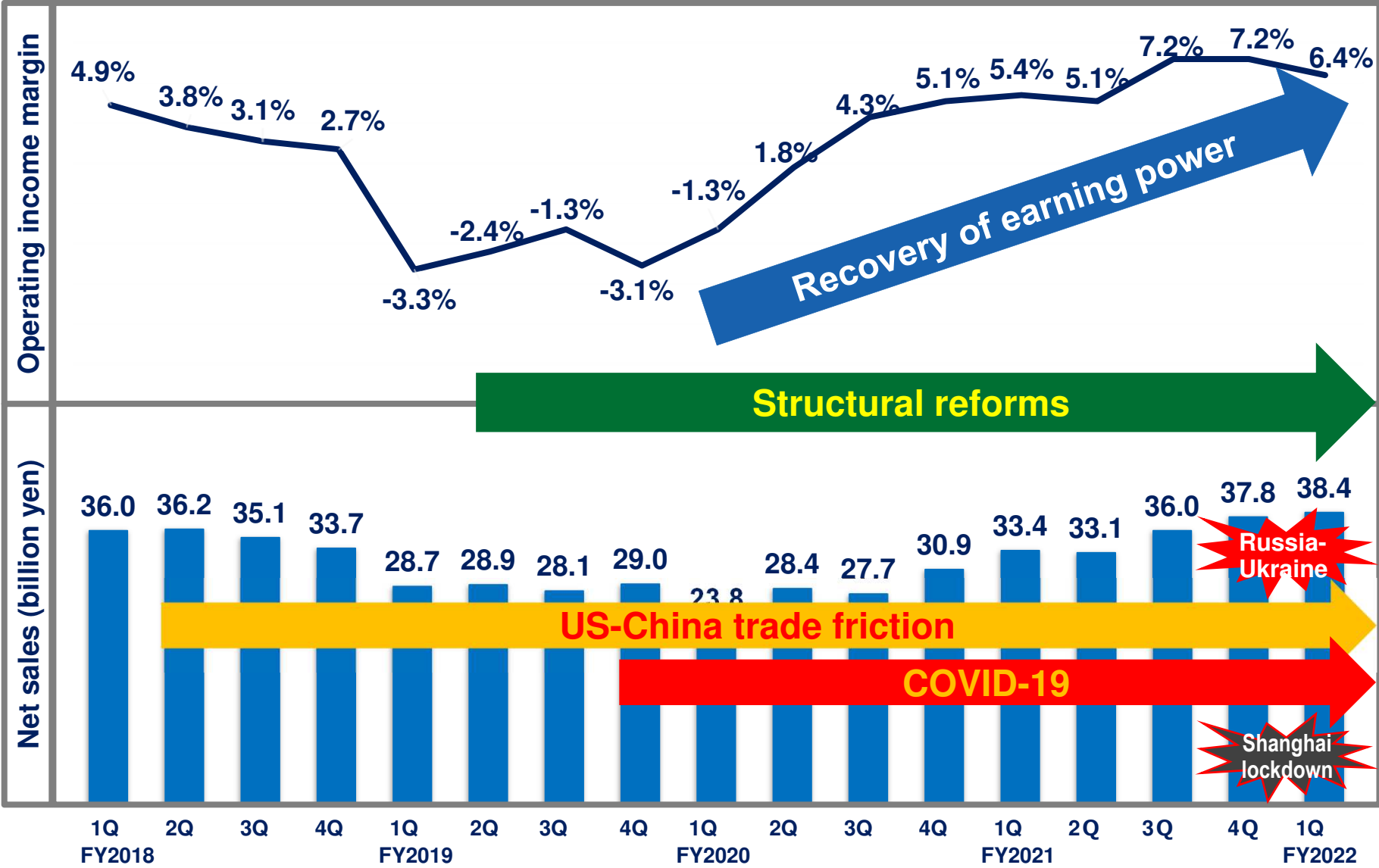
- 1) Improving product planning capabilities
  - Concept-driven, enhancing added value
- 2) Enhancing sales expansion capabilities
  - Strengthening cooperation of sales divisions

## 3. Enhancing ESG initiatives

Transition to Tokyo Stock Exchange's new Prime Market:

- Declaration of support for the TCFD recommendations and specific measures
- Enhancement of employee engagement
- Establishment of a sustainable governance system

# Supplementary Material - Net Sales and Operating Income



**[Note]**

**This material has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.**

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