

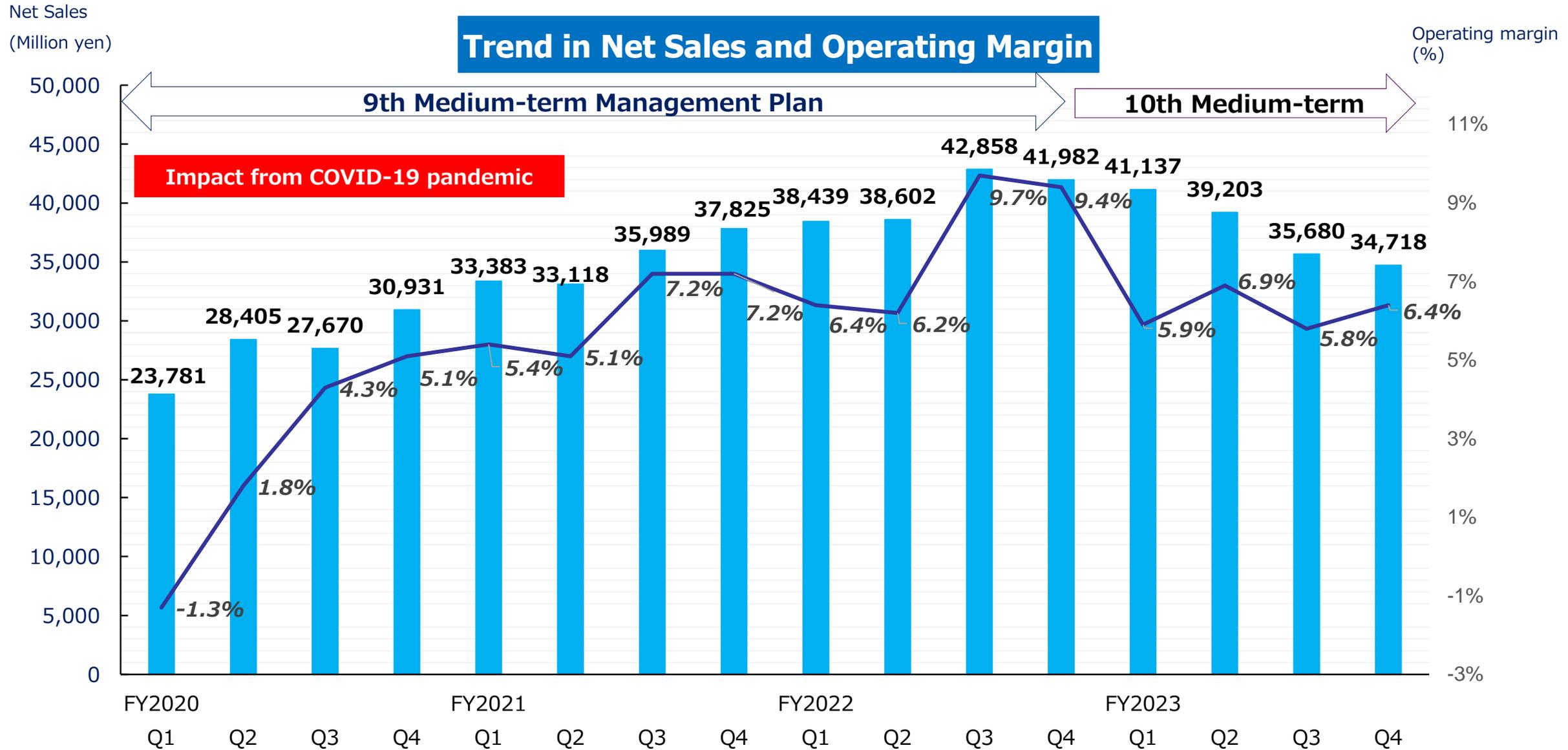
Financial Results Explanatory Material for FY2023 (FY ended March 31, 2024)

May 2024

Nippon Chemi-Con Corporation

TSE Prime Market, Securities code:6997

Quarterly Performance Trend



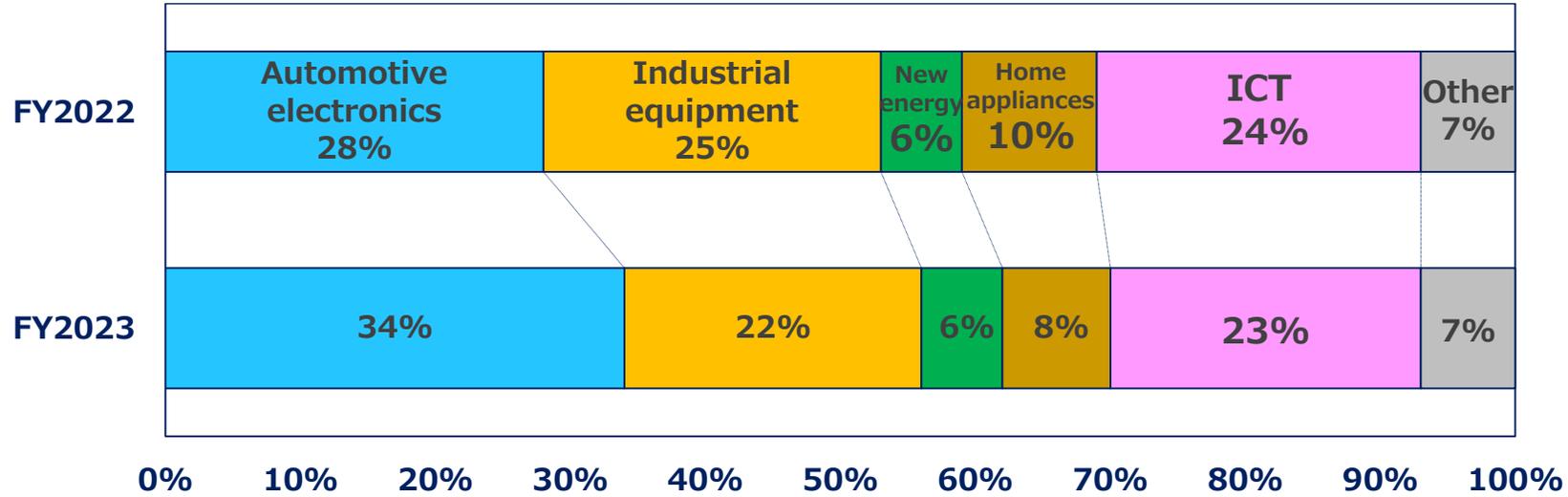
FY2023: Overview of Consolidated Results

The automotive electronics market rebounded and remained firm while the slump in the industrial equipment and ICT markets persisted, leading to a decline in both net sales and profit.

(Million yen)	FY2022	FY2023	Change	%
Net Sales	161,881	150,740	-11,141	-6.9%
Operating income	12,939	9,422	-3,517	-27.2%
Ratio to net sales	8.0%	6.3%	-1.7pt	-
Profit/loss attributable to owners of parent	2,273	-21,291	-23,564	-
* Excluding extraordinary loss related to antitrust law	8,682	8,313	-369	-4.3%
ROE	4.8%	-41.2%	-46.0pt	-
Exchange rate				
Average exchange rate: USD (yen)	135.47	144.62	6.8% weaker yen	
Average exchange rate: EUR (yen)	140.97	156.80	11.2% weaker yen	

FY2023: Net Sales by Market and by Region

Percentage of Net Sales by Market



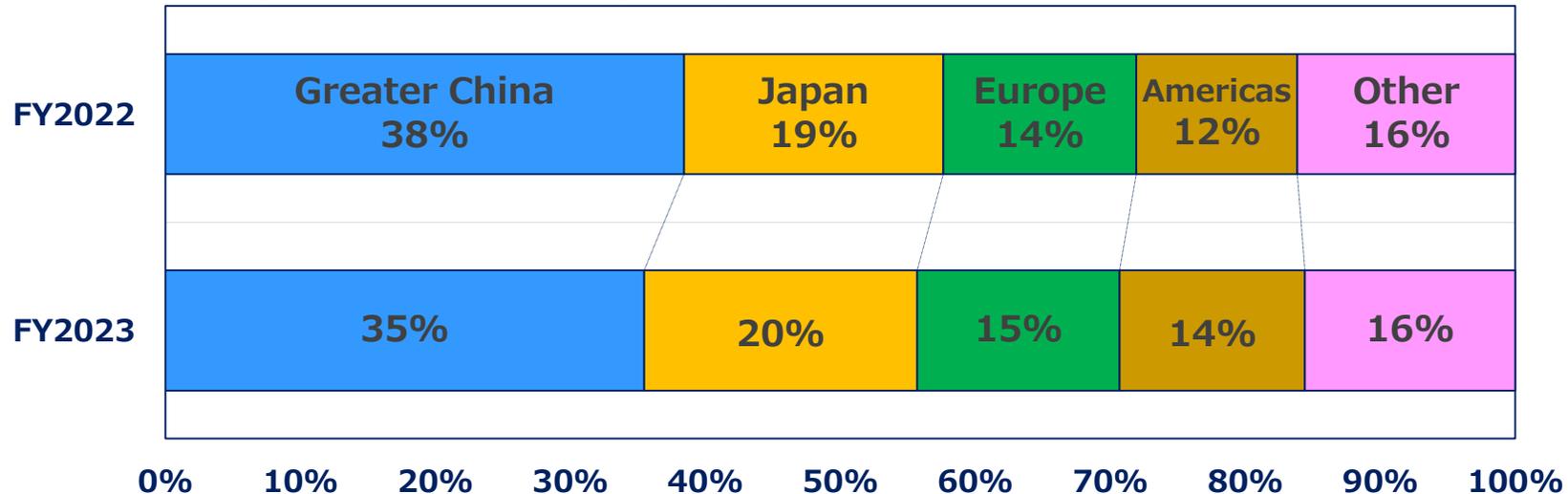
Strong Market

Automotive electronics
Normalization of semiconductor supply and growth in the number of parts per vehicle due to progress on electrification resulted in firm growth.

Weak Markets

Industrial equipment and ICT
Inventory adjustments continued along with the decrease in demand.

Percentage of Net Sales by Region



Strong Region

Americas
Firm sales continued, owing to strong household budgets and corporate capital investment.

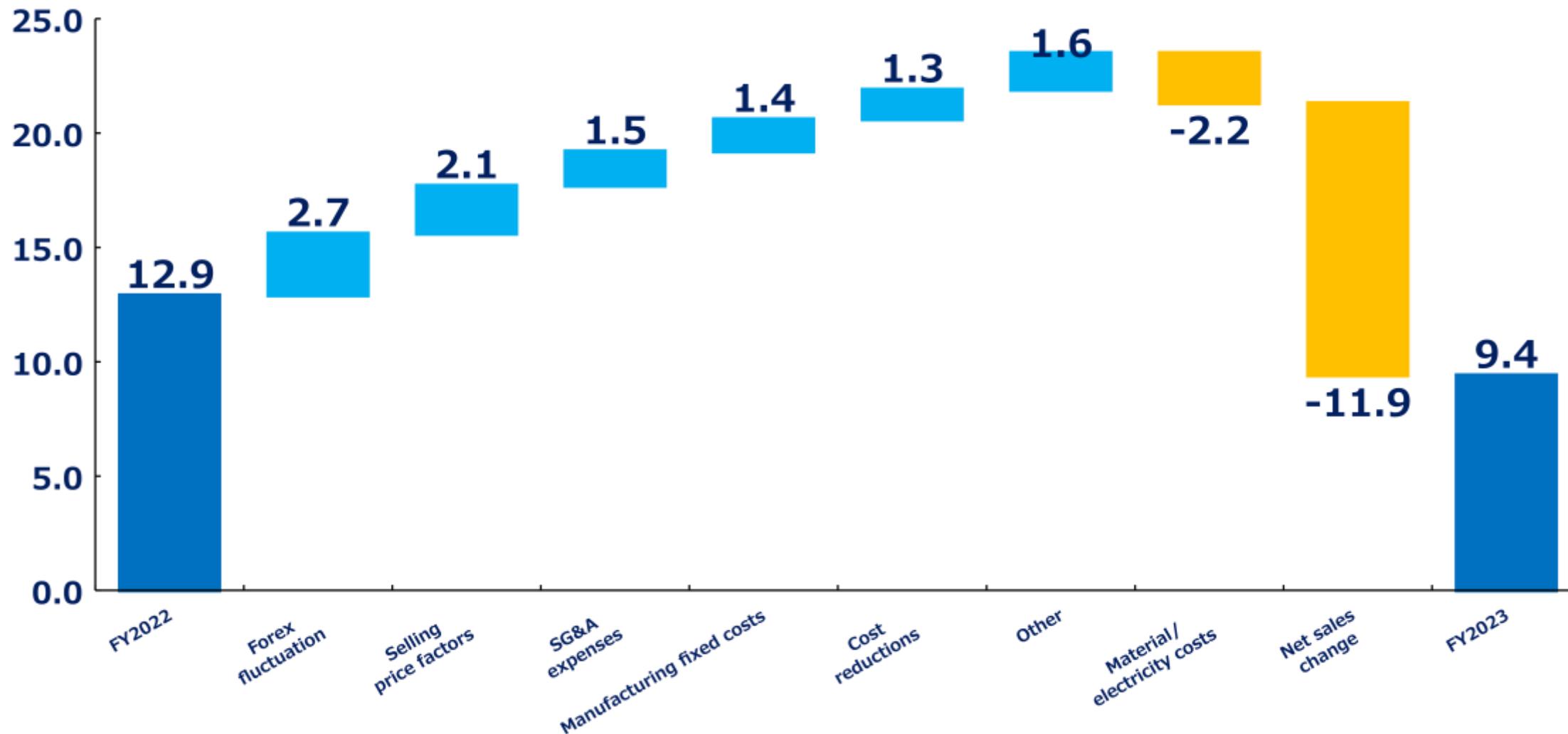
Weak Region

Greater China
Inventory adjustments persisted in the industrial equipment and ICT markets.

FY2023: Analysis of Factors Behind YoY Change in Operating Income

Lower sales from the slump in the industrial equipment and ICT markets and deterioration in operating rates led to a decline in operating income.

(Billion yen)



FY2023: Measures to Boost Capital

Capital financing

- Issued new common shares and classified shares via third-party allocation and procured a total of 17.4 billion yen in financing (2.4 billion yen from common shares and 15.0 billion yen from classified shares).

Purpose of Capital Financing

- The purpose of the current financing is to (1) strengthen the Company's financial base and (2) secure the funds to pursue the growth strategy outlined in the 10th Medium-term Management Plan.

Achieve both financial soundness and investment in growth

Financial soundness	
1	<ul style="list-style-type: none">• Growth of net assets<ul style="list-style-type: none">➢ Restore equity capital, which was diminished by losses related to competition law.➢ Maintain rating and strive for future improvement.
2	<ul style="list-style-type: none">• Stable cash flow<ul style="list-style-type: none">➢ Achieve stable cash flow after payment of large lawsuit expenses.➢ Secure the liquidity to respond to changes in the business environment.



Investment in growth*	
3	<ul style="list-style-type: none">• Capital investment during the 10th Medium-term Management Plan period<ul style="list-style-type: none">➢ Build a new hybrid capacitor plant.➢ Increase production of foil, R&D, etc.
4	<ul style="list-style-type: none">• Use of DX<ul style="list-style-type: none">➢ Reduce personnel by pursuing a smart factory and automation.➢ Improve the sophistication and efficiency of SCM.➢ Improve the productivity of Headquarters staff, etc.

Positive effects of capital financing

- The increase in capital strengthened financial resilience and supported credit ratings (R&I/JCR: Announced decision to maintain the current rating of BBB- in April 2024)

*See the Notice on Issuance of Classified Shares Through Third-party Allocation, Decrease in Stated Capital and Capital Reserves, and Partial Revision of the Articles of Incorporation; Decrease in Stated Capital and Capital Reserves Associated with the Issuance of Classified Shares; and Issuance of Common Shares Through Third-party Allocation published on October 10, 2023 for the detailed purposes of use for the current capital financing.

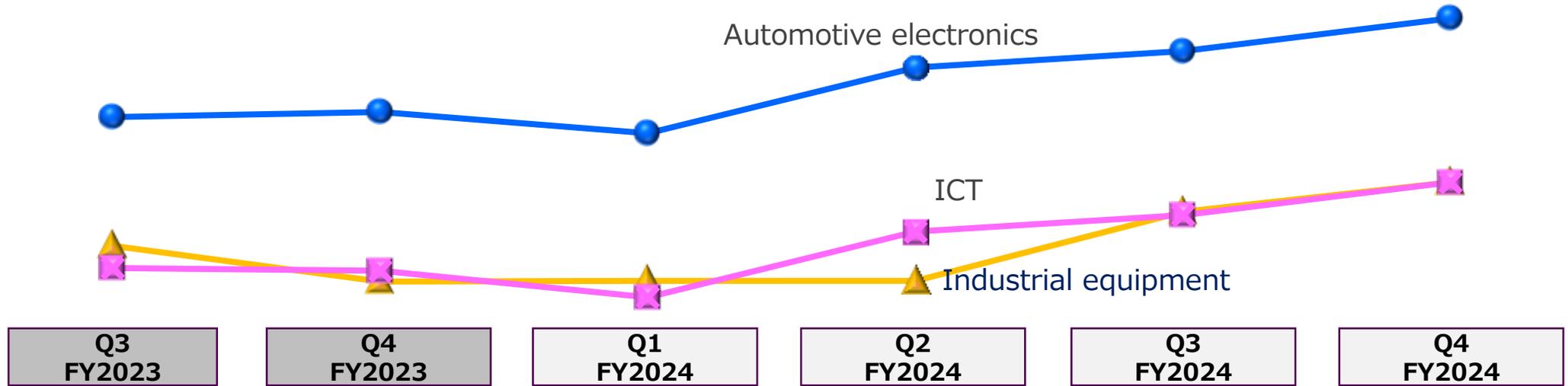
FY2024: Consolidated Full-Year Forecast

In FY2024, we expect inventory adjustments in the industrial equipment and ICT markets to come to an end in the 1H and forecast a rebound in demand in the 2H.

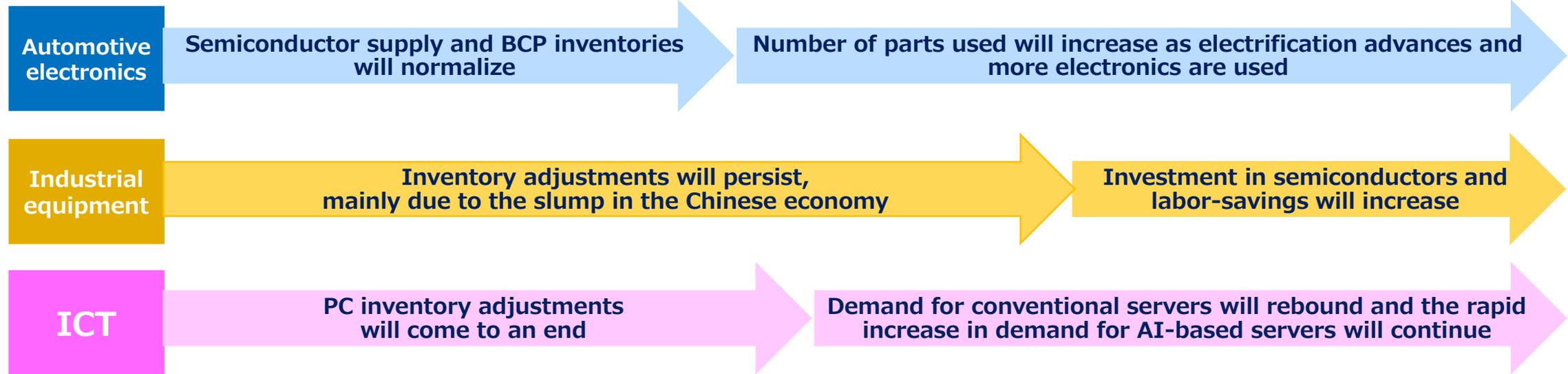
(Million yen)	FY2023	FY2024				
	Full-year results	1H plan	2H plan	Full-year plan	Change YoY	% Change YoY
Net Sales	150,740	66,500	86,500	153,000	+2,259	+1.5%
Operating income	9,422	3,200	8,300	11,500	+2,077	+22.0%
Ratio to net sales	6.3%	4.8%	9.6%	7.5%	+1.2 pt	-
Profit/loss attributable to owners of parent	-21,291	1,600	5,800	7,400	+28,691	-
ROE	-41.2%	3.0%	-	13.0%	+54.2 pt	-
Exchange rate						
Average exchange rate: USD (yen)	144.62	145.00	145.00	145.00	0.3% weaker yen	
Average exchange rate: EUR (yen)	156.80	158.00	158.00	158.00	0.8% weaker yen	

Current Business Environment and FY2024 Forecast (Envisioned market rebound)

[Net Sales Forecast by Market]

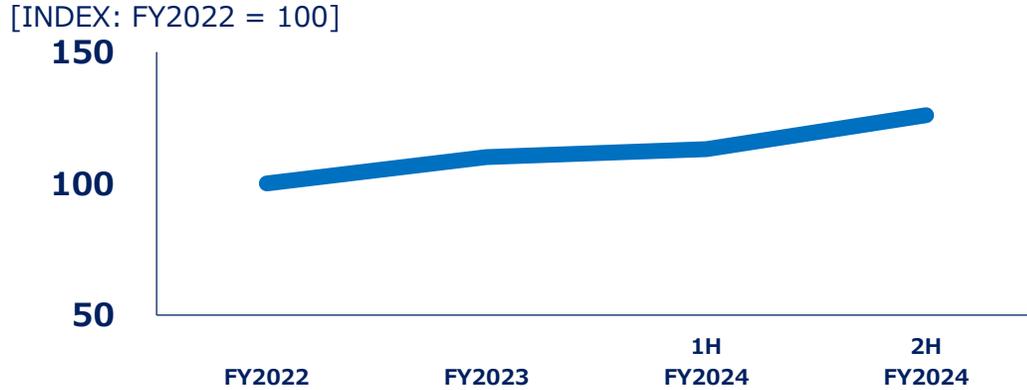


Market Forecasts



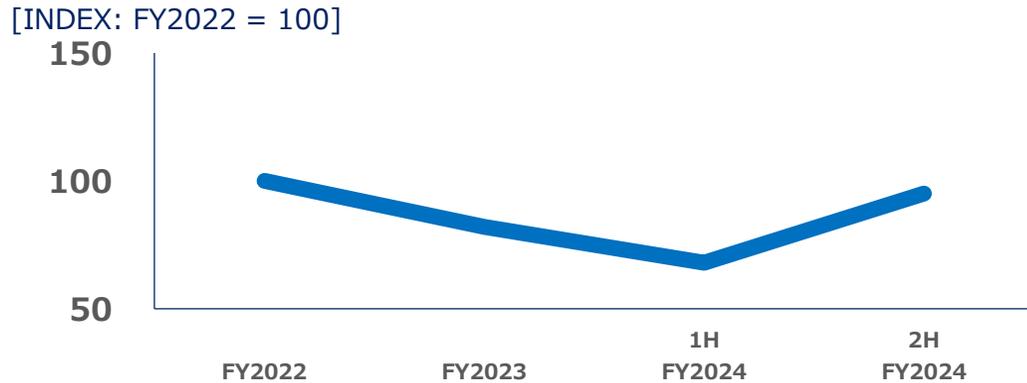
FY2024 Market Overview for the Three Main Markets: Forecasting Continuing Strength in Automotive Electronics and a Rebound in Industrial Equipment and ICT

Automotive electronics



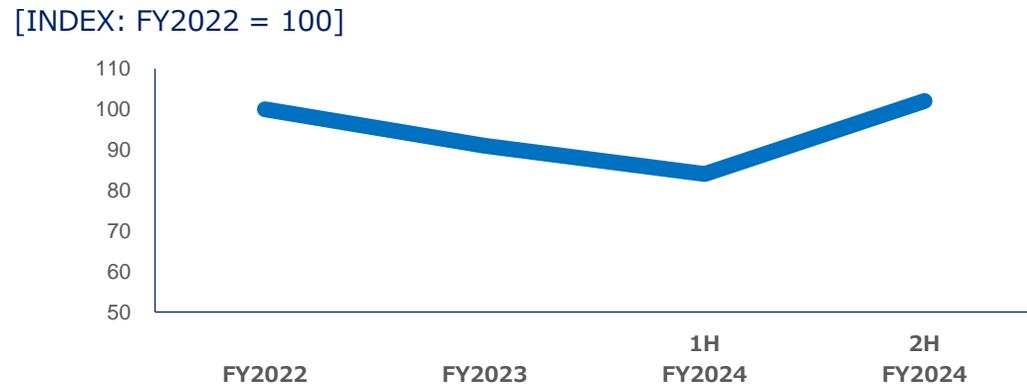
- The number of vehicles is forecast to increase by 3% in 2024 to 89 million.
- Progress on electrification, increasing use of electronics.
The number of components installed in vehicles is forecast to increase by 7%.

Industrial equipment



- We anticipate a rebound in the 2H of FY2024 despite the prolonged recovery cycle.
- Investment in semiconductors and labor-savings will pick up in pace.

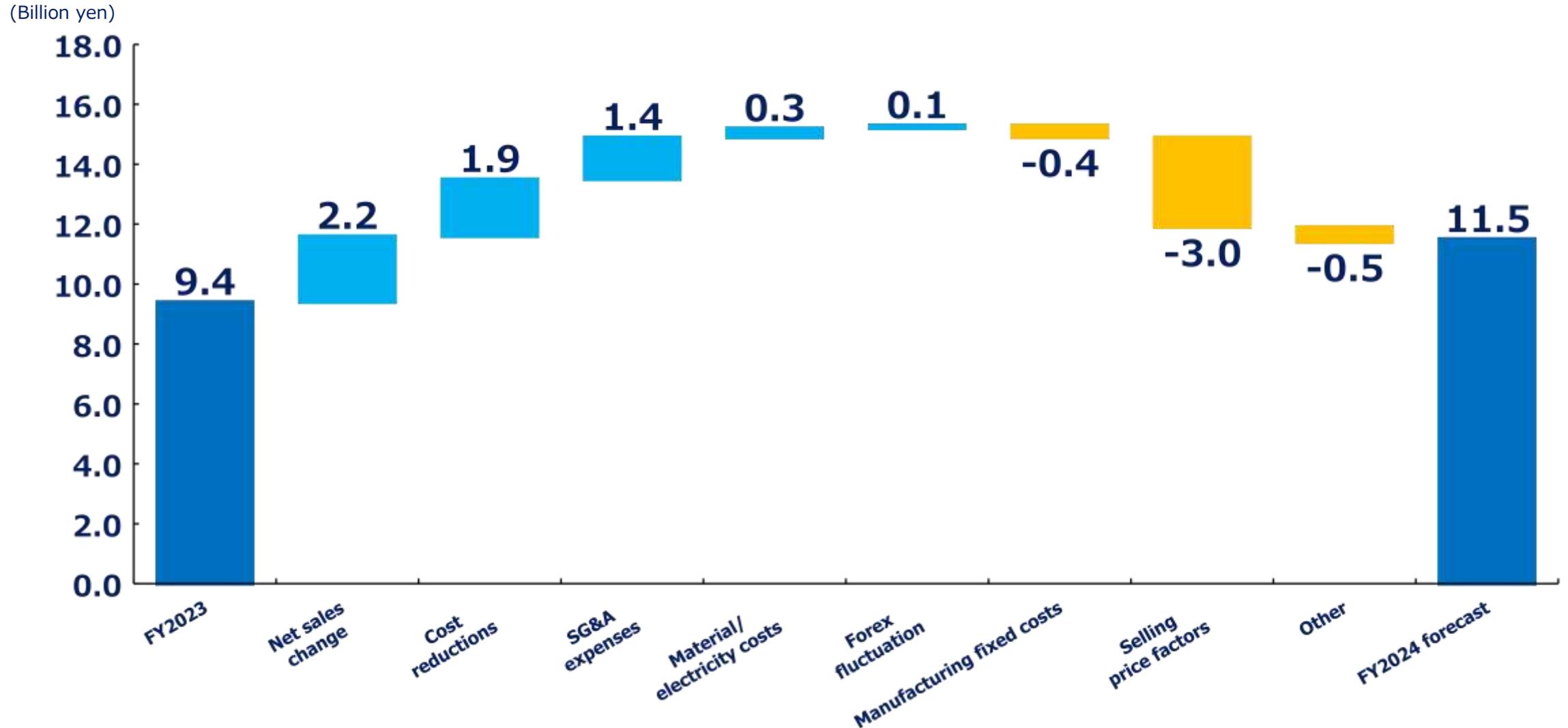
ICT



- PCs
Inventory adjustments will come to an end and we forecast a rebound in demand in the 2Q.
- Servers
Rapid growth in generative AI servers will continue.
Demand for conventional servers will rebound from the 2Q onward.

FY2024: Analysis of Factors Behind Forecast YoY Change in Operating Income

We forecast an increase in operating income from an increase in sales due to the rebound in the industrial equipment and ICT markets, cost reductions, and reduction in SG&A expenses.



10th Medium-term Management Plan Growth Strategies: Specific Uses of Proceeds from Financing

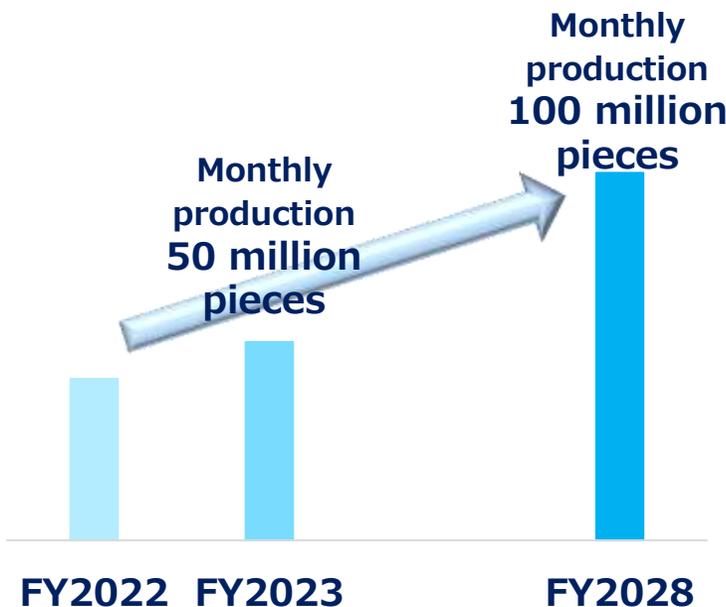
- Proceeds from financing will mainly be used for key measures in the 10th Medium-term Management Plan; namely, capital investment in the hybrid capacitor business, capital investment in conversion of a plant to a smart factory, and R&D-related investment.

(Million yen)

	Classified shares	Common shares
Capital investment in conductive polymer hybrid aluminum electrolytic capacitor business	7,899	2,374
Capital investment in converting plant into a smart factory	4,443	—
R&D-related investment	2,468	—
Timing of expenditure (planned)	April 2023 to March 2026	December 2023 to March 2026

10th Medium-term Management Plan Growth Strategies: Increase Hybrid Capacitor Production Capacity

Production Capacity



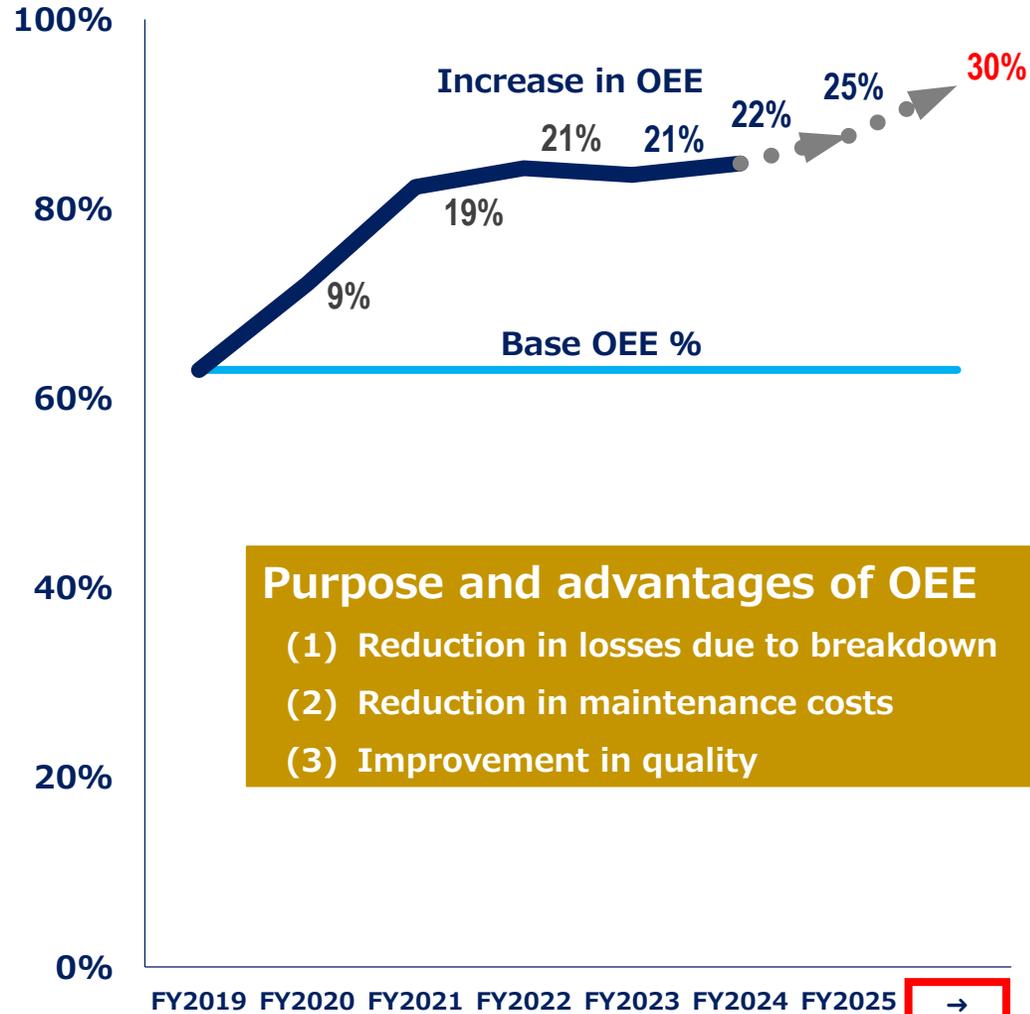
Miyagi Plant
 Schedule for new manufacturing building:
 Completion in June
 First shipment in November (ahead of plan)
 Monthly production capacity in FY2028:
 Ongoing investment to reach 100 million pieces



Initiatives to achieve goals	Business Investment Schedule		10th Medium-term Management Plan			11th Medium-term Management Plan		
			2023	2024	2025	2026	2027	2028
FY2022 to FY2027 Total planned investment: ¥18.2 bn	Taiwan		Build warehouse	Build new production line				
	Miyagi		Build manufacturing building		Build automated warehouse	Build new production line		

10th Medium-term Management Plan: Improving Overall Equipment Effectiveness (OEE) to Increase Production Capacity without Increasing Personnel and Equipment

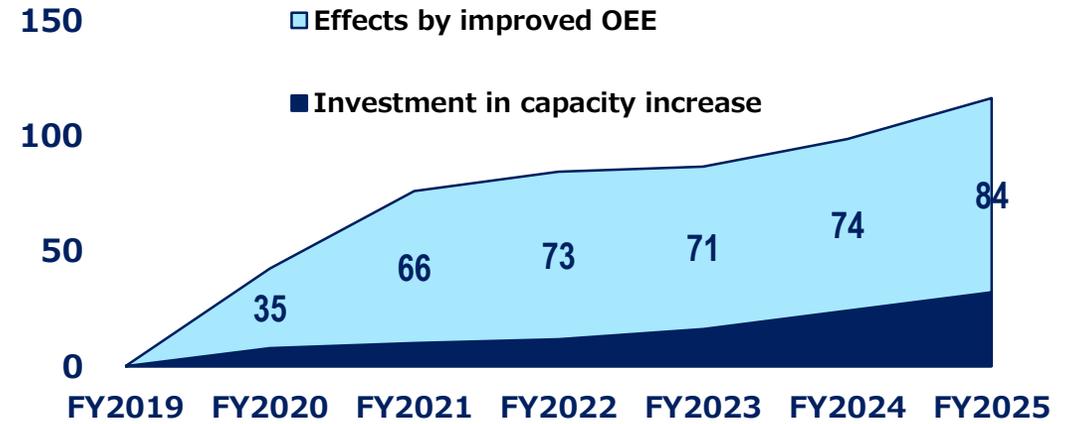
Overall equipment effectiveness (OEE)



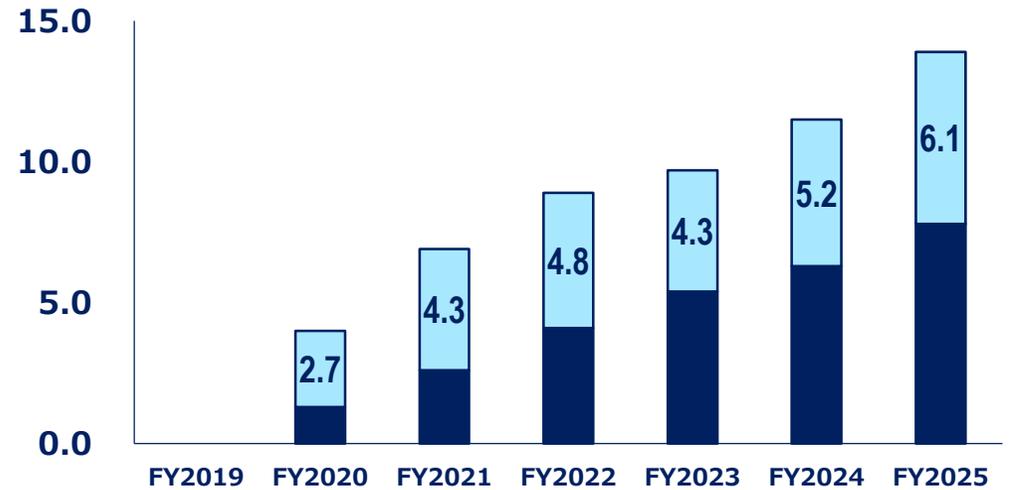
Purpose and advantages of OEE

- (1) Reduction in losses due to breakdown
- (2) Reduction in maintenance costs
- (3) Improvement in quality

Monthly production: Million pieces



Investment: Billion yen



10th Medium-term

10th Medium-term



10th Medium-term Management Plan Growth Strategies: SCM Restructuring (Smart Factory Initiatives)

Up to FY2023

Operations requiring human intervention and judgment

II

- Low-accuracy information on the number of days lead time for procurement
- Discrepancies between line capacity and demand
- Frequent changes in plans
- Deterioration in ability to implement production plans

■ Inventory turnover rate (mths): 2.52 months

DX

FY2024 onward (10th Medium-term Management Plan)

Build streamlined SCM operation (scheduler/MES) based on highly implementable plans that do not rely on human involvement



- Update production plan daily according to order status
- Instantaneously ascertain progress on manufacturing
- Share highly accurate delivery dates with customers

Improves delivery lead time and reduces inventory

Reduces air shipment costs

- Inventory turnover rate: 2.34 months
- On-time delivery rate: 20% up

Inventory reduction = Cash generated

10th Medium-term Management Plan Growth Strategies: Automate External Appearance Sorting (Smart Factory Initiative)

Automate external product appearance sorting ⇒ Use omni-directional external appearance sorter to switch from human judgment to quantitative judgment of all items

Up to FY2023

Sorting reliant on human eyes

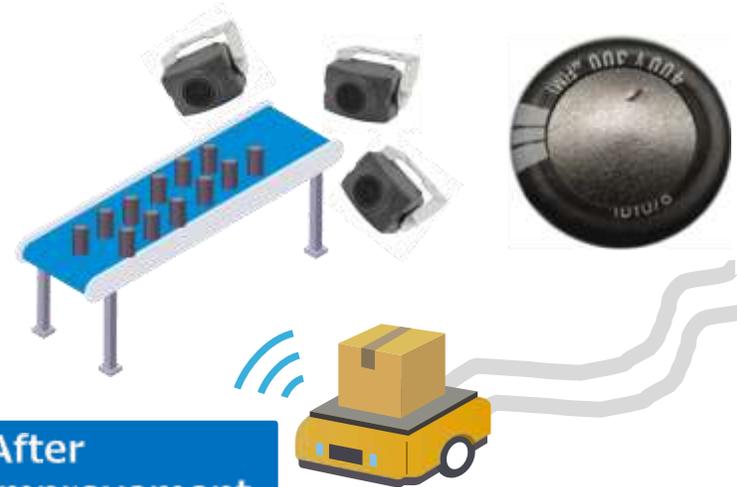


Issue

Resulted in inspection irregularities, oversights, numerous personnel, and waiting time

FY2024 onward (10th Medium-term Management Plan)

Automated sorting using a cameras



After improvement

Controlled irregularities and oversights, achieved labor savings, and speeded up conveyance between lines

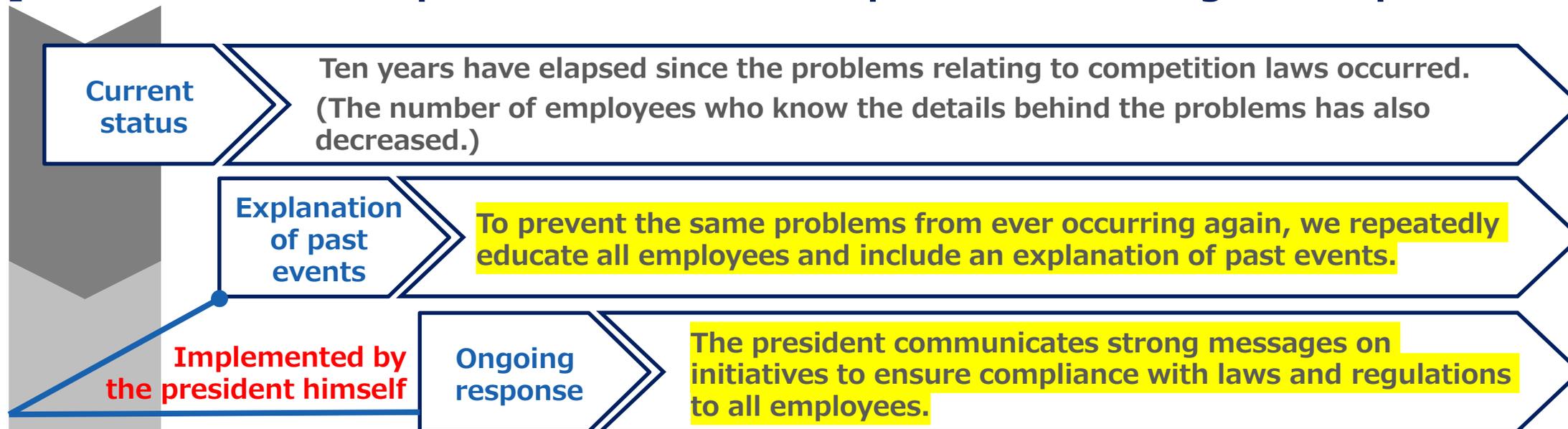
Cumulated benefit from Medium-term Management Plan

Labor savings equivalent to 40 people



ESG Initiatives in Strengthening Governance

[Dedicated effort to prevent recurrence of problems relating to competition law]



[Measures to prevent recurrence] * Implemented every fiscal year

- 1 Regular training provided by a professional (external attorney)
- 2 Competition law audit of the Sales Headquarters by those in charge in the legal affairs department
- 3 Self-checks relating to competition law performed
- 4 Written pledge on compliance with competition law submitted by employees

Appendix

FY2023: Net Sales by Product

Inventory adjustments that began during the COVID-19 pandemic have been prolonged and production has slumped mainly in the industrial equipment and ICT markets.

(Million yen)	FY2022	FY2023	Change YoY	% Change YoY
Aluminum electrolytic	140,897	132,497	-8,399	-6.0%
Conductive polymer	21,379	21,231	-148	-0.7%
DLCAP™	4,471	5,195	+724	+16.2%
Ceramic capacitors, varistors	3,940	3,389	-551	-13.9%
Mechanical parts and other parts	4,496	3,500	-996	-22.2%
Capacitor materials	5,731	4,615	-1,115	-19.5%
Other	2,345	1,541	-803	-34.3%
Total	161,881	150,740	-11,141	-6.9%

FY2024: Forecast of Net Sales by Product

We expect net sales to outperform the previous fiscal year due to an increase in production capacity for hybrid capacitors and a rebound in the industrial equipment and ICT markets from the 2H onward.

(Million yen)	FY2023	FY2024					
		1H plan	2H plan	Full-year forecast	% Composition (full-year forecast)	Change YoY	% Change YoY
Aluminum electrolytic	132,497	58,000	77,400	135,400	88.5%	+2,902	+2.2%
Conductive polymer	21,231	10,100	11,700	21,800	14.2%	+568	+2.7%
DLCAP™	5,195	2,000	2,100	4,100	2.7%	-1,095	-21.1%
Ceramic capacitors, varistors	3,389	1,400	1,700	3,100	2.0%	-289	-8.5%
Mechanical parts and other parts	3,500	1,800	2,000	3,800	2.5%	+299	+8.6%
Capacitor materials	4,615	2,700	2,600	5,300	3.5%	+684	+14.8%
Other	1,541	600	700	1,300	0.8%	-241	-15.7%
Total	150,740	66,500	86,500	153,000	100.0%	+2,259	+1.5%

10th Medium-term Management Plan: Revised Financial Goals

Final fiscal year goals and results	Revised financial goals for the 10th Medium-term Management Plan (revised from the figures announced in May 2023)		
	9th Medium-term Management Plan Final fiscal year results	10th Medium-term Management Plan Final fiscal year goals	10th Medium-term Management Plan Revised final fiscal year goals
Net Sales	161.8 billion yen	170.0 billion yen	170.0 billion yen
Operating income	12.9 billion yen	14.0 billion yen	14.0 billion yen
Ratio to net sales	8.0 %	8.2 %	8.2 %
Profit/loss attributable to owners of parent	2.2 billion yen	10.0 billion yen	10.0 billion yen
Interest-bearing debt	65.7 billion yen	58.0 billion yen	60.0 billion yen or less
D/E ratio	1.6 x	1.0 x or less	1.1 x or less
ROE	4.8 %	14.0 %	15.0 %
ROIC	2.1 %	7.0 %	7.0 %

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