

# **Financial Results Explanatory Material for 2Q FY2024**

**(Six months ended September 30, 2024)**

**November 2024**  
**Nippon Chemi-Con Corporation**

**TSE Prime Market, Securities code: 6997**

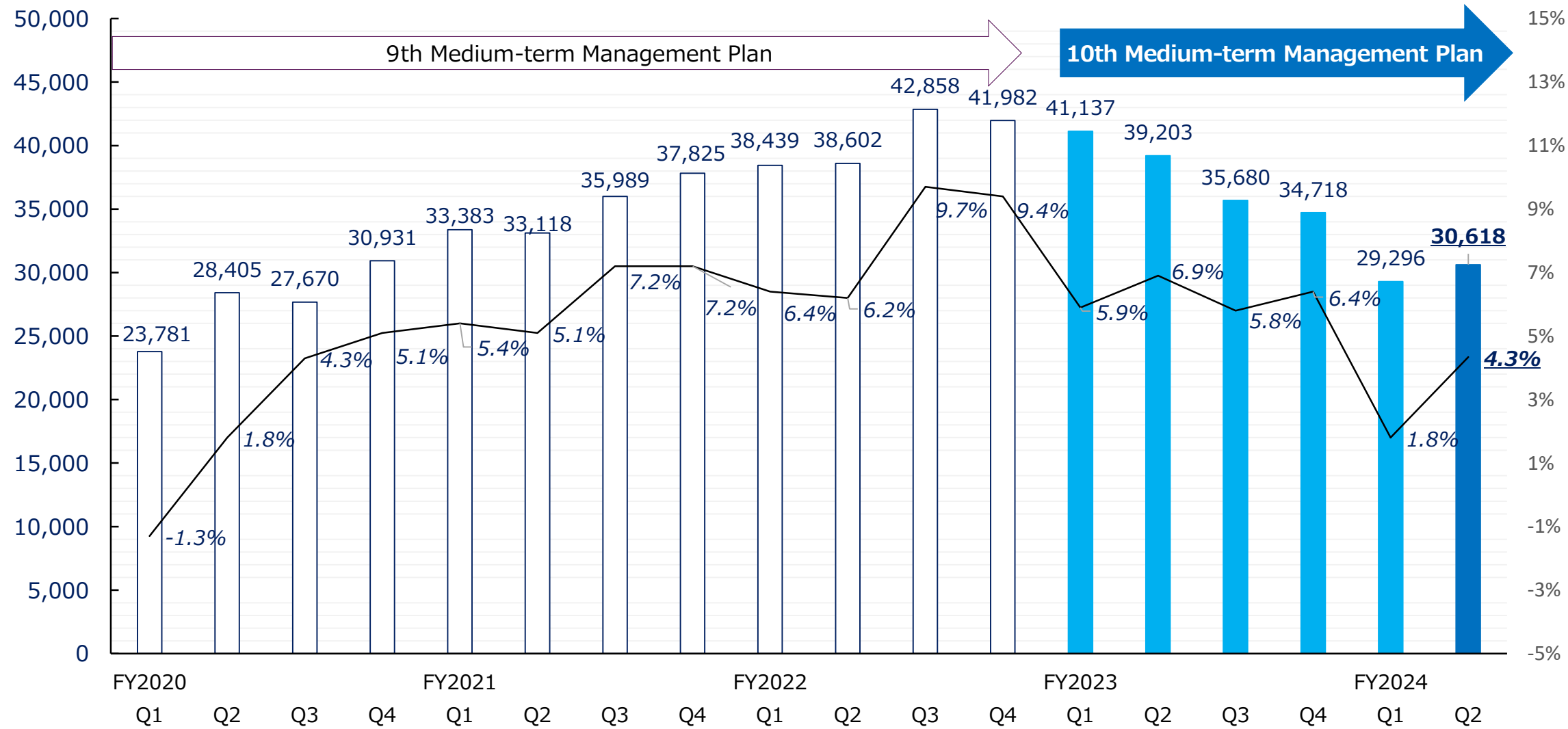
# Trends in Quarterly Earnings

Net Sales

Unit: Million yen

Operating Margin (%)

## Trends in Net Sales and Operating Margin



# 2Q FY2024 Consolidated Earnings Summary

Revenues declined amid sluggish demand on markets other than the ICT market.  
Profit decreased on decline in gross margin and utilization

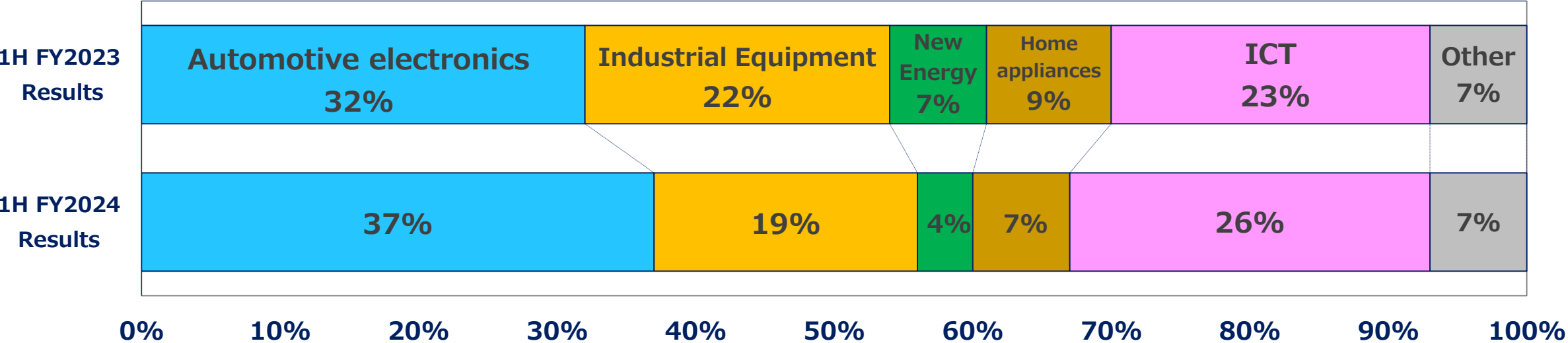
Unit: Million yen	1H/FY2023 Results	1H/FY2024 Results	Change	Rate of Change (%)
Net Sales	80,341	59,914	-20,426	-25.4%
Operating income	5,123	1,850	-3,273	-63.9%
Operating margin	6.4%	3.1%	-3,3pt	-
Net income	-22,781	78	+22,859	-
ROA	-14.0%	0.0%	+14.0pt	-
ROE	-56.5%	0.1%	+56.6pt	-
Capital investment	5,332	5,218	-114	-2.1%
Depreciation and amortization	3,095	3,285	+189	+6.1%
R&D expenses	2,259	2,056	-203	-9.0%
Currency rate vs USD (yen)	141.00	152.63	Yen depreciation: 8.2%	
vs. EUR (yen)	153.39	165.95	Yen depreciation: 8.2%	

# 2Q FY2024 Consolidated Earnings Highlights

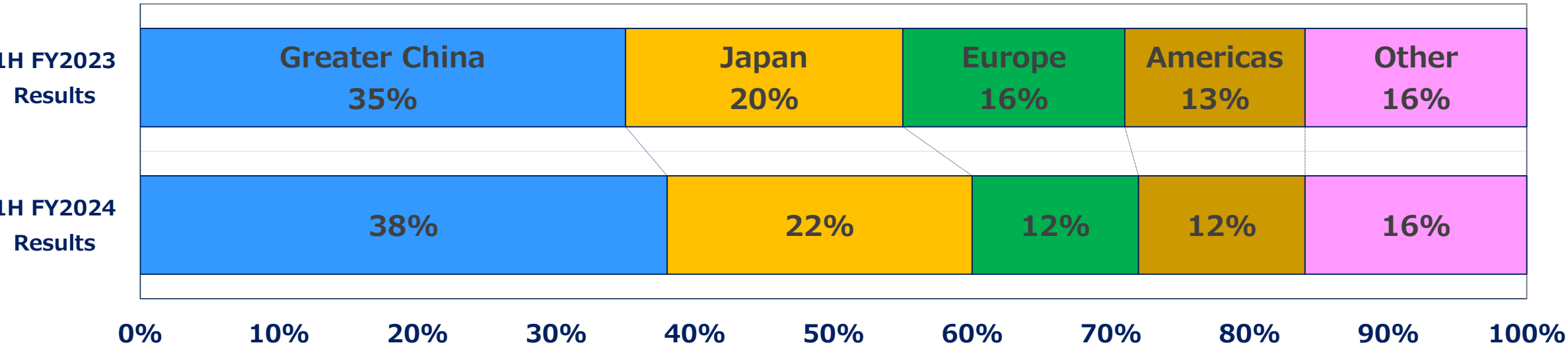
1H Main Points	
Net Sales	<ul style="list-style-type: none"><li>- Net sales ICT market orders received were favorable thanks mainly to servers as performance exceeded initial forecasts. However, the recovery of the industrial equipment market was delayed by economic downturn in China, among other factors. Also, net sales from the automotive electronics market fell below initial forecasts due to transitional inventory adjustments</li><li>- Operating income With the decline in net sales, net production also decreased. This caused utilization losses that resulted in a decline in gross margin ratio We benefited from yen depreciation and worked to constrain fixed costs but operating income fell below initial forecasts</li></ul>
¥59.9 bn YoY -25.4%	
Operating income	
¥1.8 bn YoY -63.9%	
Profit/loss attributable to owners of parent	
¥80 mn	

# 2Q FY2024 Net Sales by Market and by Region

## ■ Percentage of Net Sales by Market



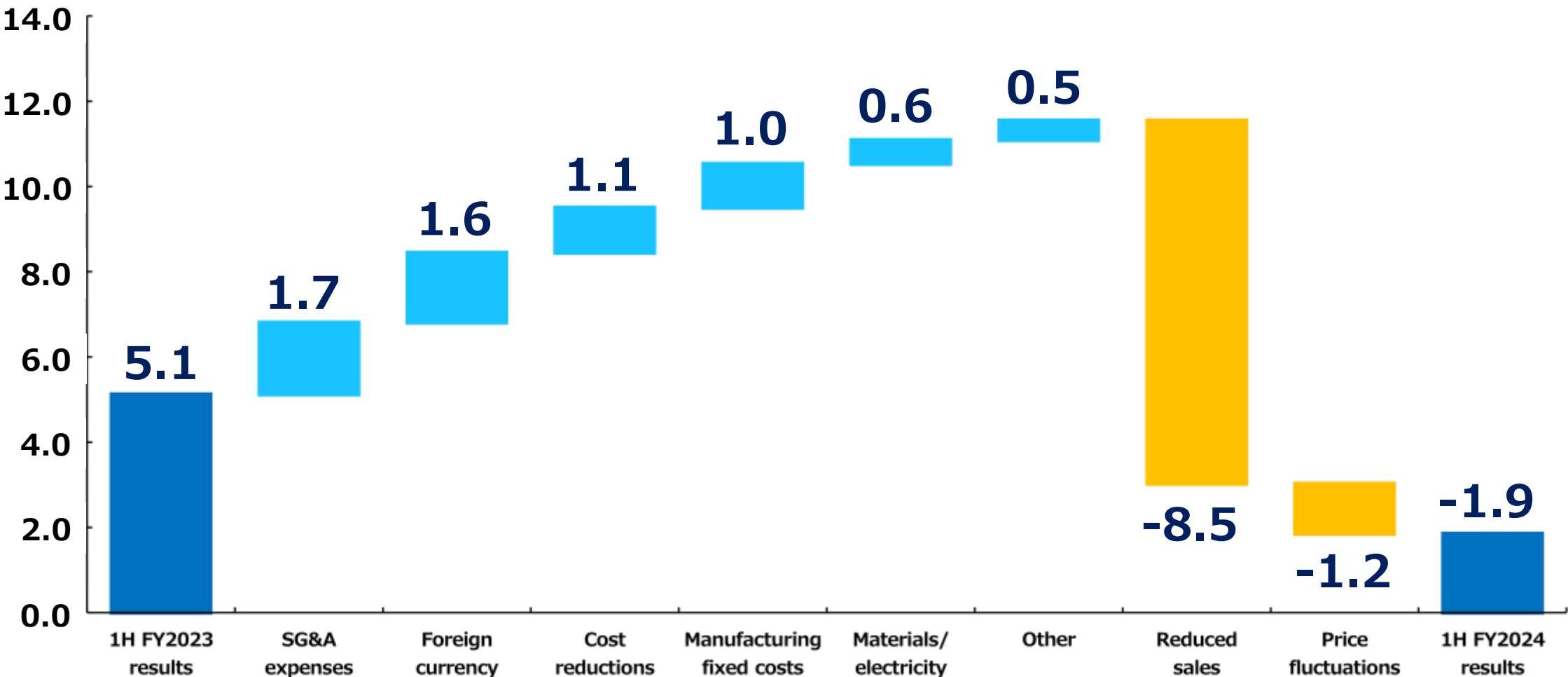
## ■ Percentage of Net Sales by Region



# 2Q FY2024: Operating Income YoY

Income decreased on lower sales due to sluggish recovery in demand on industrial equipment market and other markets

Unit: Billion yen



# FY2024 Full-Year Consolidated Earnings Forecast










Forecasting decreased net sales and income on inability to achieve sales targets due to sluggish recovery on industrial equipment market and stagnant automotive electronics market

Unit: Million yen	FY2023 1H Results	FY2023 2H Results	FY2023 Full-year Results	FY2024 1H Results	FY2024 2H Forecast	FY2024 Full-year Earnings Forecast	YoY Rate of Change (%)
Net Sales	80,341	70,398	150,740	59,914	73,086	133,000	-11.8%
Operating income	5,123	4,298	9,422	1,850	5,349	7,200	-23.6%
Operating margin	6.4%	6.1%	6.3%	3.1%	7.3%	5.4%	-
Net income	-22,781	1,490	-21,291	78	3,921	4,000	-
ROA	-14.0%	-	-12.7%	0.0%	-	2.4%	-
ROE	-56.5%	-	-41.2%	0.1%	-	7.1%	-
Capital investment	5,332	5,862	11,195	5,218	3,282	8,500	-24.1%
Depreciation and amortization	3,095	3,243	6,339	3,285	3,115	6,400	+1.0%
R&D expenses	2,259	2,229	4,489	2,056	2,144	4,200	-6.5%
Currency rate vs USD (yen)	141.00	148.25	144.62	152.63	145.00	148.82	Yen depreciation: 2.9%
vs. EUR (yen)	153.39	160.21	156.80	165.95	160.00	162.97	Yen depreciation: 3.9%

# 2H FY2024 Consolidated Earnings Forecast: Main Points

2H Main Points	
Net Sales	<ul style="list-style-type: none"><li>- Net sales<ul style="list-style-type: none"><li>- The automotive electronics market saw transitional inventory adjustments but hybrid capacitor demand was firm and we will continue with full-scale production during 2H</li><li>- The industrial equipment market is expected to see inventory adjustments subside towards the end of 3Q so we are forecasting demand recovery from 4Q</li><li>- The ICT market saw favorable demand with servers for data centers in North America from 1Q, and we forecast further growth in 3Q and beyond</li></ul></li><li>- Operating income<ul style="list-style-type: none"><li>- With increased net sales, net production will also increase, which will improve utilization gains. We forecast that the product mix will improve with growth in hybrid capacitors and other products, which will further improve gross margin and lead to a significant increase in income</li></ul></li></ul>
¥73.0 bn vs. 1H +22.0%	
Operating income	
¥5.3 bn vs. 1H +189.2%	
Profit/loss attributable to owners of parent	
¥3.9 bn	

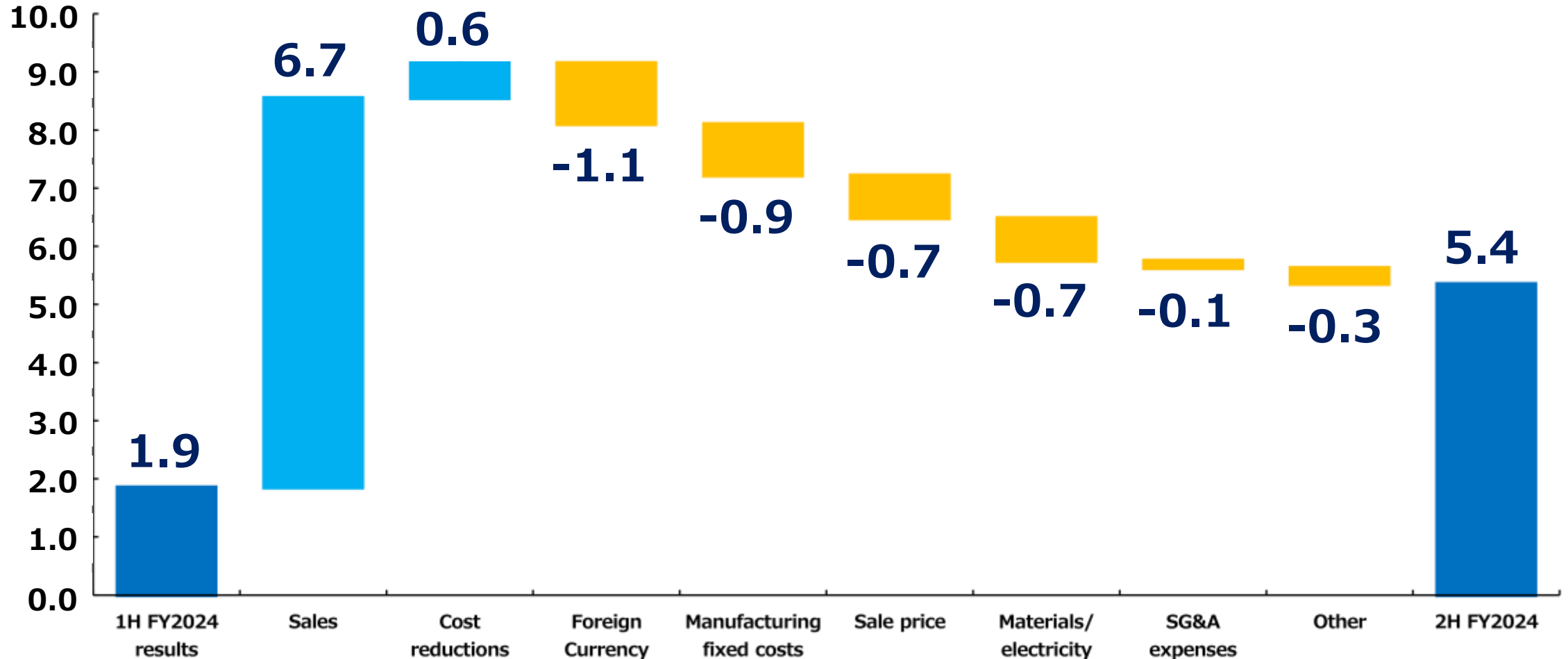
# Outlook for Current Operating Environment and Three Major Markets

	1H FY2024	2H FY2024	1H FY2025	Market Outlook
Automotive electronics				<ul style="list-style-type: none"> <li>✓ While there is concern about a slowdown in the EV shift in the West, the adoption of automotive electronics such as advanced driver assistance systems (ADAS) is advancing steadily, and the number of components per vehicle is trending upward</li> <li>✓ FY2024 global production volume projected to improve from 2H</li> </ul>
Industrial equipment New energy				<ul style="list-style-type: none"> <li>✓ Inventory adjustment is requiring more time than expected, causing a delay in market recovery in China and Europe</li> <li>✓ Looking at current orders received, we are beginning to see orders in anticipation of a recovery in FY2025</li> </ul>
ICT				<ul style="list-style-type: none"> <li>✓ Orders received recovering thanks to servers in North America, particularly orders for AI servers (demand for high-capacitance capacitors is trending upwards due to increasing power consumption)</li> <li>✓ Demand for mobile base station products is increasing in India and other emerging nations</li> </ul>

## 2H FY2024 Forecast Operating Income (vs. 1H)

Projecting increased sales and income on increased server demand in the ICT market and recovery in the industrial equipment market

Unit: Billion yen



10th Medium-term Management Plan Growth Strategy:  
Establish structure for increasing production of hybrid capacitors and develop new products

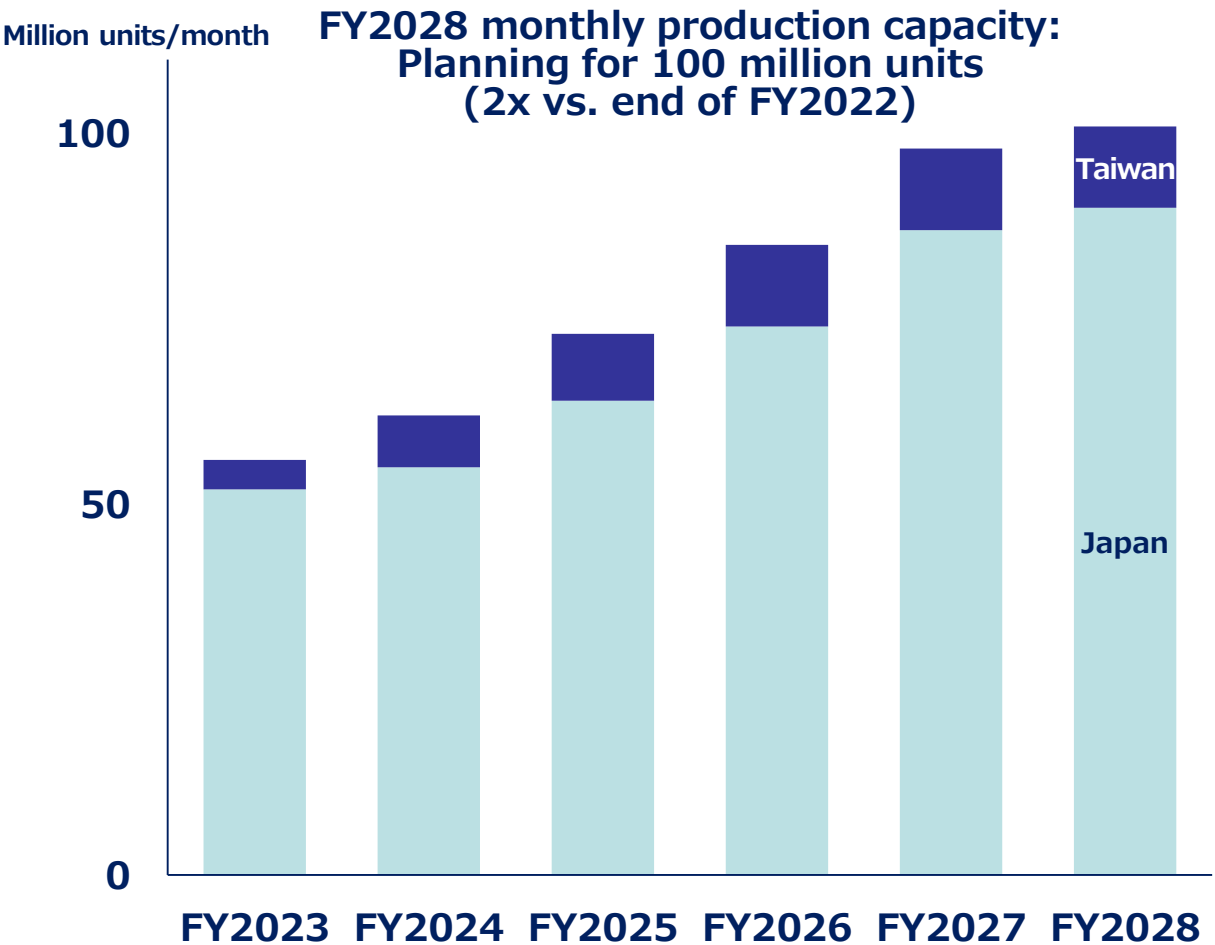
Establish structure for increasing production of hybrid capacitors

- Chemi-Con East Japan Miyagi Plant
  - Construction completed on new manufacturing building (end of June). Completion ceremony held on August 8 and production started in October (first shipments scheduled for November)



- Taiwan Chemi-Con
  - Number of production lines  
April 2023 →  
Doubled number of production lines in 1H FY2024

■ Plan for increasing hybrid capacitor production

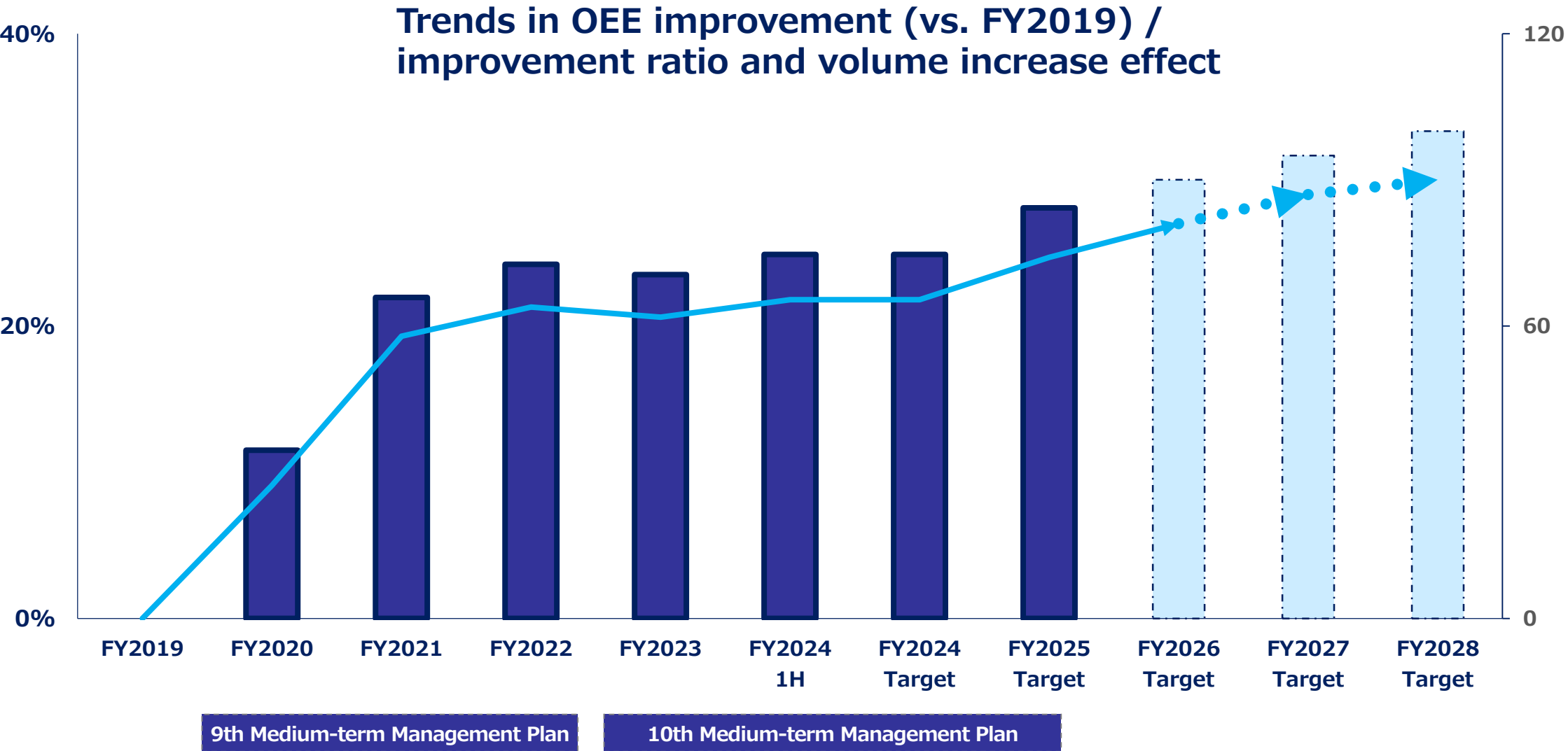


10th Medium-term Management Plan Growth Strategy:  
Use OEE improvements to increase volume without adding workers or upgrading facilities

OEE overall equipment efficiency

OEE improvement rate: %

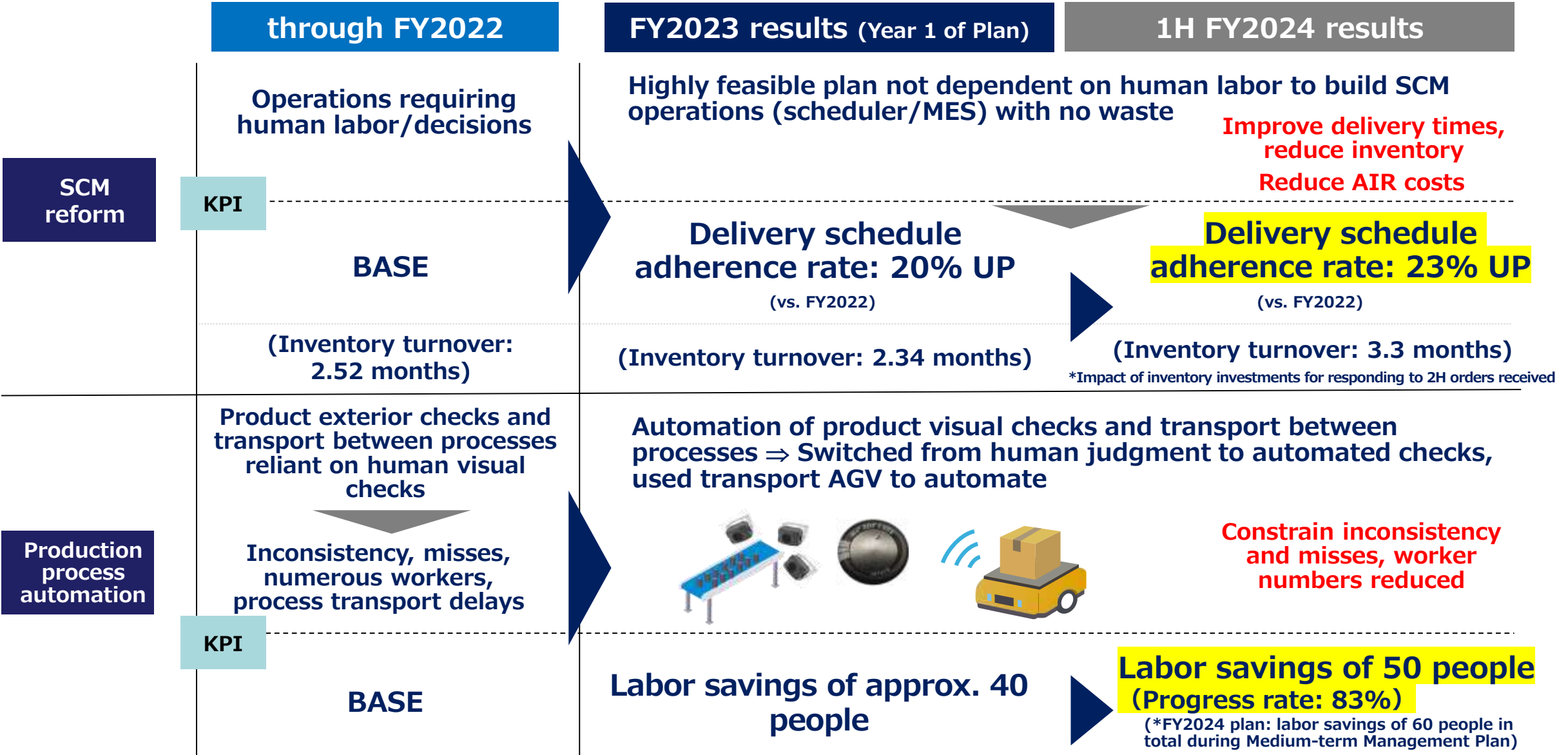
Volume increase effect: Million units



9th Medium-term Management Plan

10th Medium-term Management Plan

# 10th Medium-term Management Plan Growth Strategy: Progress for smart factory initiatives



# 10th Medium-term Management Plan: Strengthen sales in emerging nations and BCP response

## Next CHINA response ⇒ Strengthen markets in India, BCP response



(China)

- ✓ Currently, some 35 to 40% of sales are in Greater China
  - ✓ It is an important region for our Company and risk response is critical
- (Geopolitics, environment, economic security, supply chain risks, rising labor costs, etc.)

### Our response

- Build sales network and logistics structure to respond to relocation of the customer production sites and manufacturing contractors (EMS)
- Strengthen BCP response to address various risks (geopolitical, economic security, etc.)



(India)

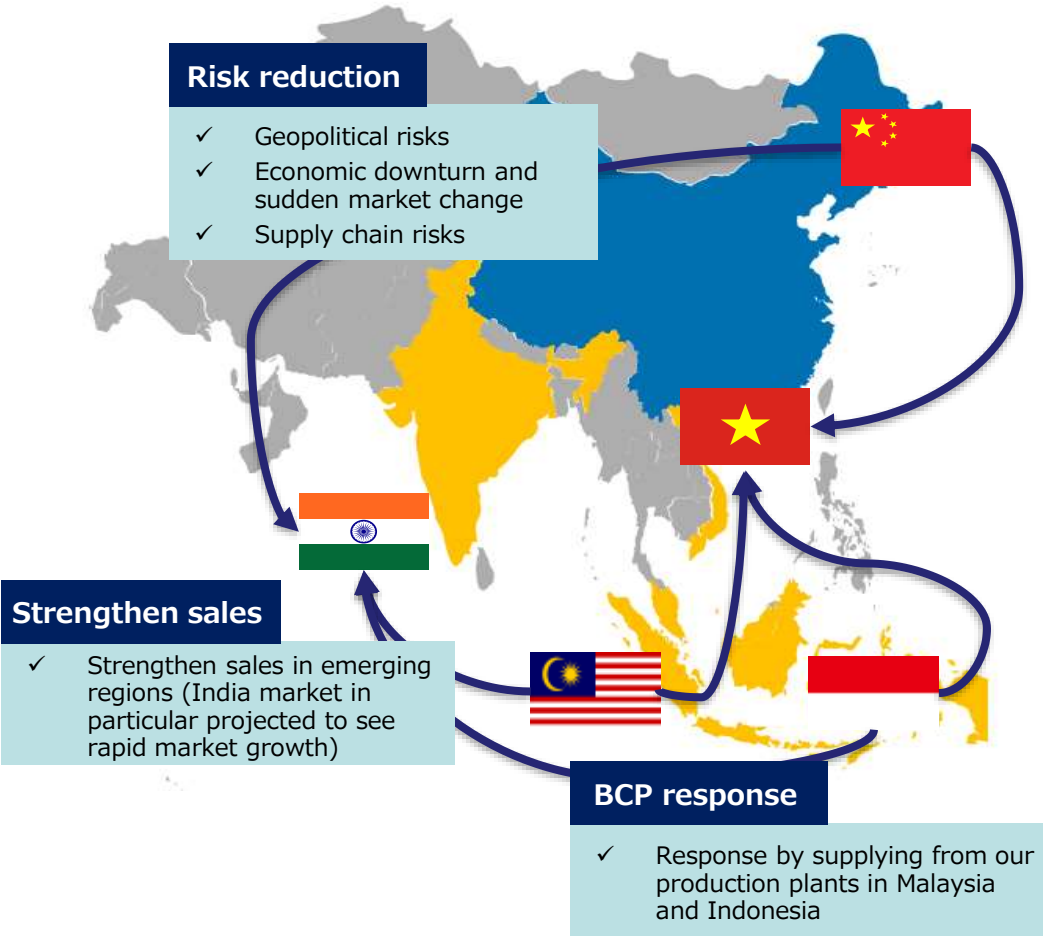
- ✓ Built a local sales support system by establishing a base in India (Gurugram, Haryana)
- ✓ Utilize agents residing in India, advertising



(Vietnam)

- ✓ Build a sales system for Vietnam by utilizing sales bases in the ASEAN/East Asia region
- ✓ Secure commercial channels when European, American, and Taiwanese companies enter Vietnam

## Global business strategy of focusing on emerging nations



# 10th Medium-term Management Plan Growth Strategy: New Product Development and New Product Income Contributions

## Contributions by new products to 10th Medium-term Management Plan

Data centers, AI servers



- ✓ High-capacitance capacitors to respond to high-output power sources

5G communications



- ✓ High-capacitance, high-performance hybrid, conductive capacitors for high power mobile base stations

Automotive electronics:  
ADAS, autonomous driving



- ✓ High-performance hybrid capacitors for autonomous driving computers

Automotive electronics  
OBC

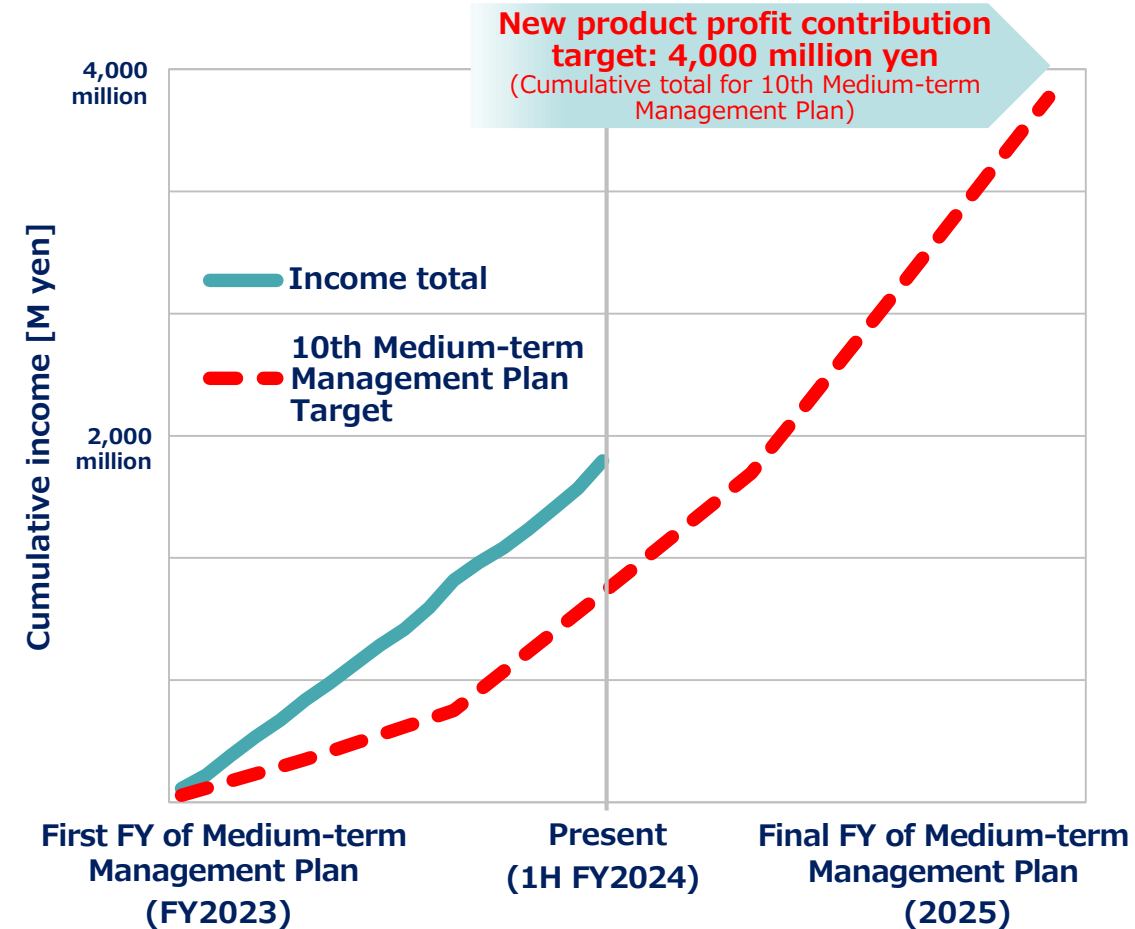


- ✓ Safety equipment using super capacitors



- ✓ High-voltage, high capacitance capacitors that contribute to equipment size reductions

## 10th Medium-term Management Plan: Trends in New Product Income Contributions



# 10th Medium-term Management Plan Growth Strategy: New Product Development and New Product Income Contributions

## Increased income with new cathode foil

- ✓ Proprietary cathode material technology
- ✓ Mass production started in May 2023



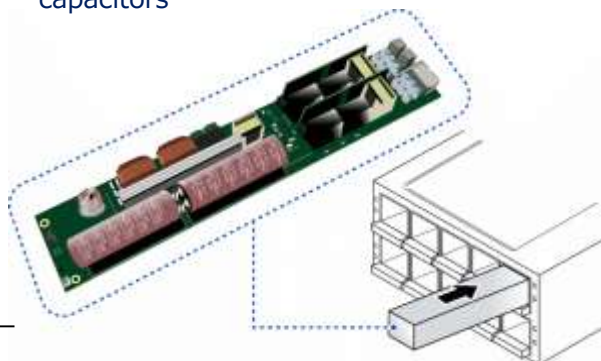
Effect of adopting new cathode foil

### Cost superiority/high-performance (high capacitance)

- ✓ Applicable for high-performance (smaller size, longer life) and highly reliable products  
(Achieved high capacitance through the innovation of our etched foil)
- ✓ Cost advantage thanks to mass production using standard processes  
(Reduced raw material costs compared to conventional foil)
- ✓ Launch products that enable increased capacitance for data centers and generative AI, which are high-profit markets

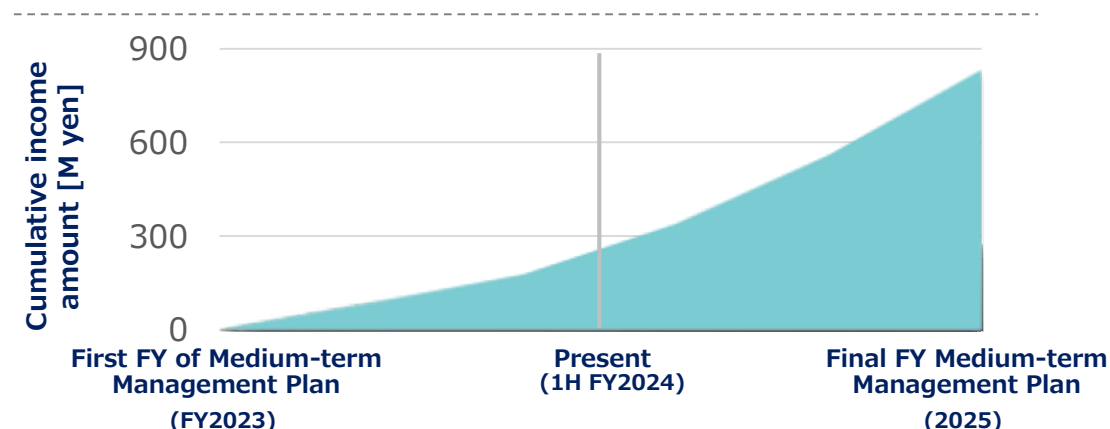


Already used in snap-in type and SMD type aluminum electrolytic capacitors



Data center power supplies and mounted capacitors

## Income contributions from products using new cathode foil



**In the future, we will further strengthen profitability by adopting the new cathode foil in many of our aluminum electrolytic capacitors (hybrid capacitors, etc.)**

# Appendix

## Q2 FY2024 Product-specific Sales (YoY)

Significant decrease in sales of products other than hybrid capacitors, conductive products for the ICT market, and capacitor materials

Unit: million yen	1H/FY2023 Results	2H/FY2023 results	1H/FY2024 Results	YoY Change	YoY Rate of Change (%)
Aluminum electrolytic	71,205	61,292	51,717	-19,487	-27.4%
Conductive polymer	10,610	10,621	9,943	-667	-6.3%
DLCAP™	2,656	2,538	1,921	-735	-27.7%
Ceramic capacitors/ varistors	1,773	1,616	1,260	-513	-28.9%
Mechanical parts and other parts	1,872	1,628	1,712	-159	-8.5%
Capacitor materials	2,141	2,474	2,750	+609	+28.4%
Other	692	848	553	-139	-20.1%
Total	80,341	70,398	59,914	-20,426	-25.4%

# FY2024 Full-Year Product-specific Sales Forecast

Sales expected to increase due to recovery in the industrial equipment and automotive electronics markets, and further growth in the ICT market (server demand for data centers)

Unit: Million yen	FY2023 1H Results	FY2023 2H Results	FY2023 Full-year Results	FY2024 1H Results	FY2024 2H Forecast	vs. 1H Rate of Change (%)	FY2024 Full-year Earnings Forecast
Aluminum electrolytic	71,205	61,292	132,497	51,717	64,783	+25.3%	116,500
Conductive polymer	10,610	10,621	21,231	9,943	10,857	+9.2%	20,800
DLCAP™	2,656	2,538	5,195	1,921	1,779	-7.4%	3,700
Ceramic capacitors/ varistors	1,773	1,616	3,389	1,260	1,240	-1.6%	2,500
Mechanical parts and other parts	1,872	1,628	3,500	1,712	1,688	-1.4%	3,400
Capacitor materials	2,141	2,474	4,615	2,750	3,050	+10.9%	5,800
Other	692	848	1,541	553	547	-1.1%	1,100
Total	80,341	70,398	150,740	59,914	73,086	+22.0%	133,000

# Disclaimer

**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.**

**The projected performance figures in this material are based on information available to Nippon Chemi-Con's management at the time this material was prepared.**

**There are many uncertain factors inherent in forecasting, and there might be cases in which actual results differ from forecast values. Nippon Chemi-Con undertakes no obligation to publicly update or revise any forward-looking statements included in this material. If you are interested in investing in Nippon Chemi-Con, you are requested to make a final investment decision at your own risk.**

**Please note that neither Nippon Chemi-Con nor any third party providing information shall be responsible for any damage or loss you may suffer due to investment in Nippon Chemi-Con based on the information shown in this material.**