



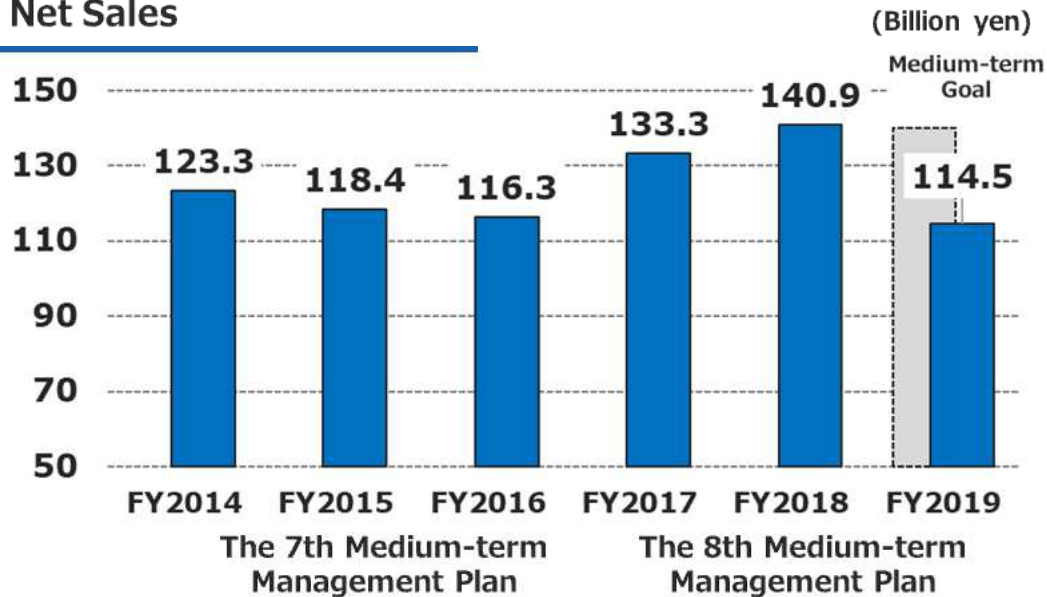
Framework of the 9th Medium-term Management Plan and Implementation of Structural Reform

May 28, 2020

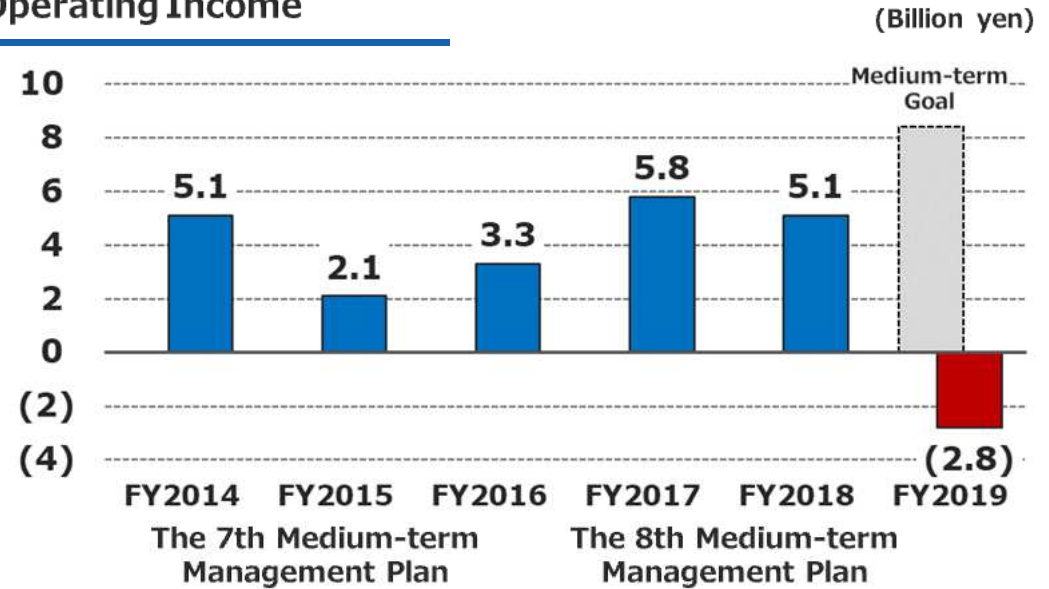
Nippon Chemi-Con Corporation

Review of the 8th Medium-term Management Plan

Net Sales



Operating Income



Management Issue

1. Rapid increase in demand and diversified needs based on new technology trends

▶ Declining profitability of new and existing products

2. Deterioration of production efficiency due to the expansion of investment and concentration of load in Japan

▶ Deterioration in earnings due to the failure to achieve higher productivity

3. Final Year: Sharp decline in demand due to the US-China trade friction and COVID-19

▶ Sharp decline in factory profits due to a decline in capacity utilization

Urgent structural reforms are needed

▶ Clarify priorities and speed up product development

▶ Selection and concentration of investments and restructuring of production systems

▶ Reducing fixed costs and building a flexible production system

Outline of the 9th Medium-term Management Plan

Medium-term Goal

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

1. Introduce new products by strengthening product planning capabilities and clarify growth strategies
2. Generate profits through productivity reforms across the company and all divisions
3. Eliminate the high-cost structure by reorganizing production bases and implementing productivity reforms
4. Realize speedy management

Product planning reform

Structural reform

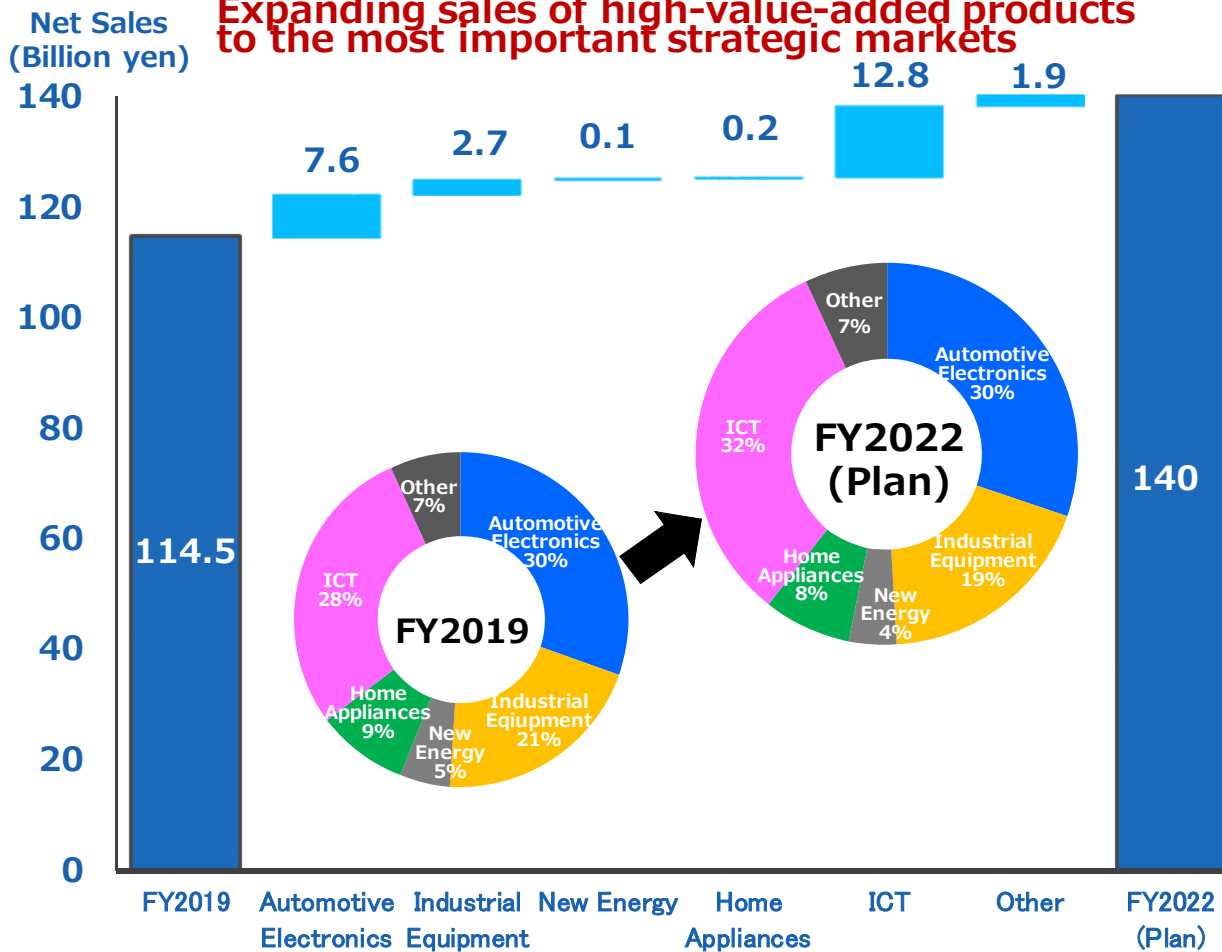
Improve financial position by improving asset efficiency and reducing fixed costs

| | FY2019 | Goals for FY2022 |
|-------------------------|---------------------|--------------------------|
| • Net sales | 1 1 4.5 billion yen | <u>1 4 0 billion yen</u> |
| • Operating income | (2.8) billion yen | <u>1 0 billion yen</u> |
| • Net income | (5.9) billion yen | <u>6 billion yen</u> |
| • Interest-bearing debt | 6 1.2 billion yen | <u>5 0 billion yen</u> |
| • D/E ratio | 1.4 | <u>1.2 or lower</u> |
| • ROE | (1 3.6)% | <u>1 0 % and higher</u> |
| • Asset turnover ratio | 0.8 | <u>1.0 and higher</u> |

Product Planning Reform

Strategies by Market /Product Group

Expanding sales of high-value-added products to the most important strategic markets



1. Strategically important markets

- 1) Automotive electronics (CASE)
- 2) Communication (5G/cloud)
- 3) Industrial equipment and energy conversion

2. Enhancement of the earning power of aluminum electrolytic capacitor business

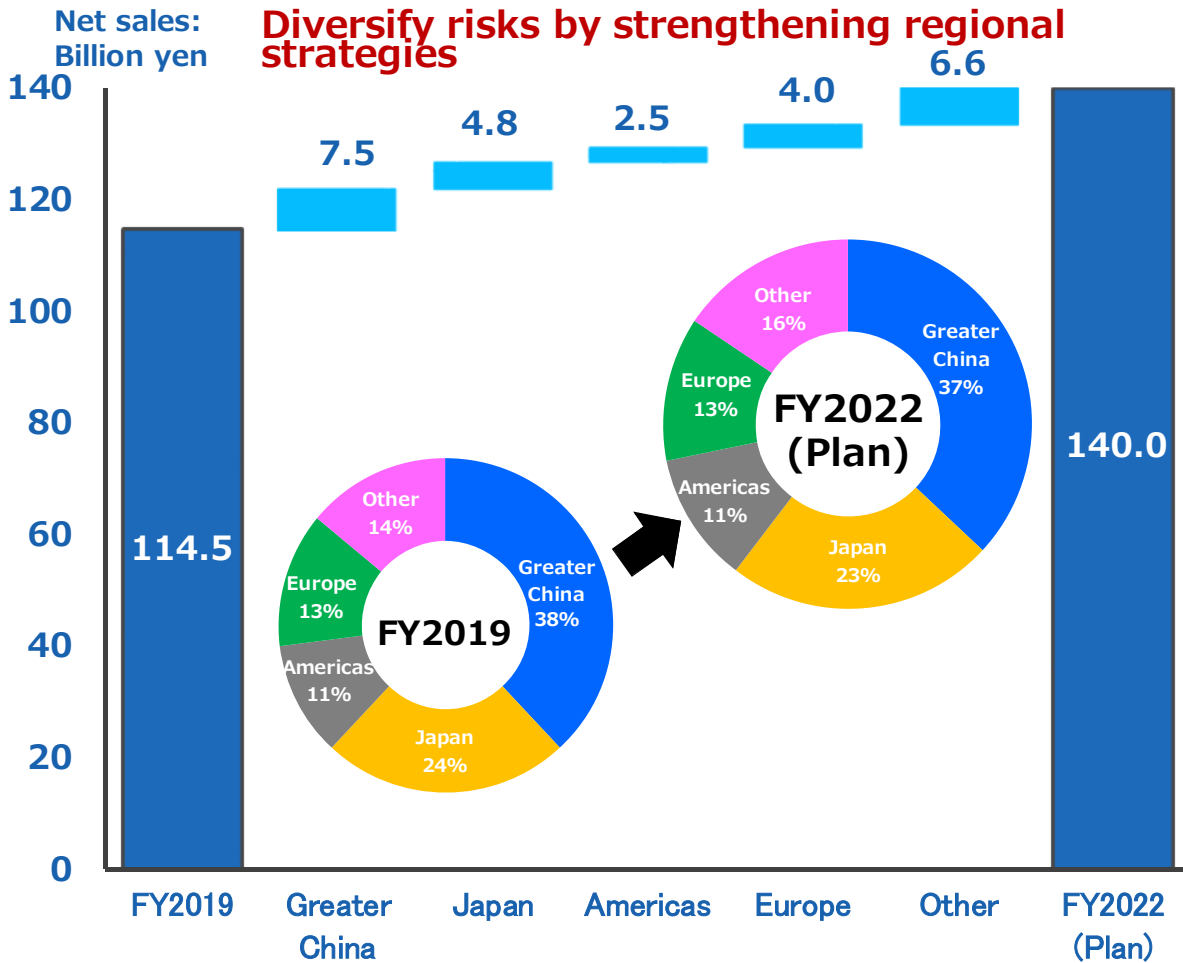
- 1) Enhancement of the strength of conductive polymer and hybrid capacitors
- 2) Sales expansion of high-performance SMD type for automotive electronics
- 3) Focus and selection of large/small size (Conversion to high added value with the current production capacity)
 - (1) Improvement of the proportion of new products in large size
 - (2) Termination of the production of small-capacitance small size

3. Solid devices/functional devices

- 1) DLCAP: Sales expansion for in-vehicle power supply backups
- 2) Combining and module strategy enhancement
- 3) Coils: Sales expansion of new products for automotive electronics
- 4) MLCC: Sales expansion to automotive electronics and industrial equipment

Product Planning Reform

Regional Strategy

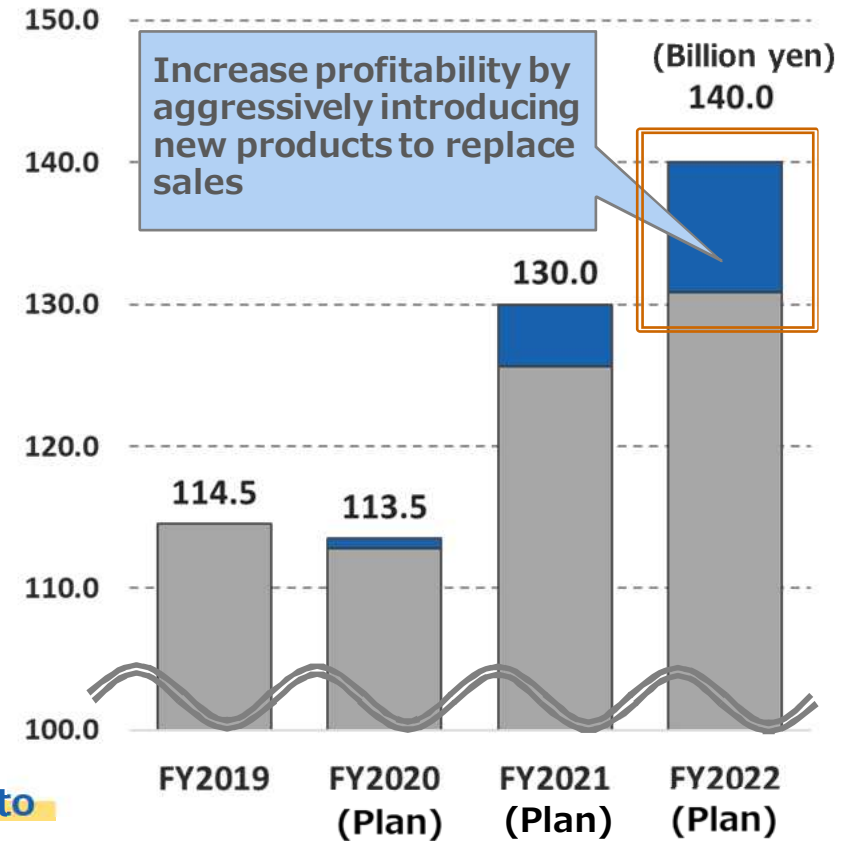
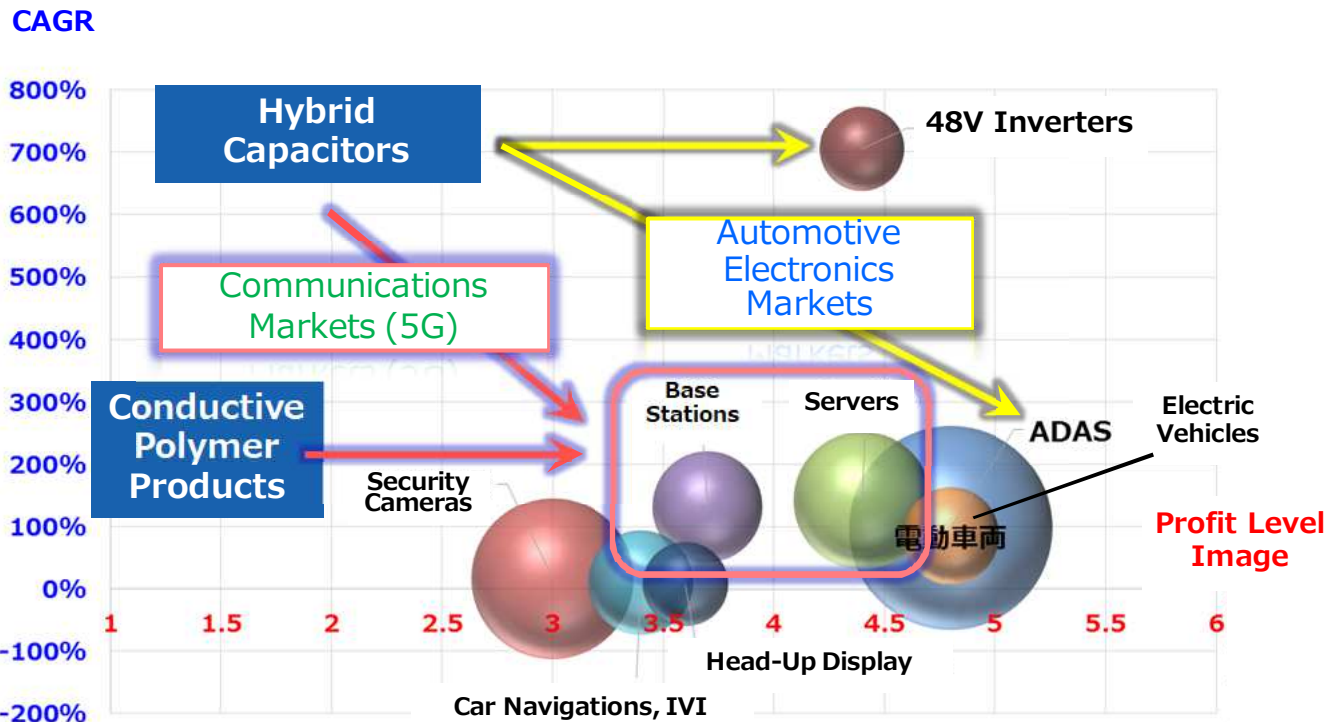


- [Japan]**
 1. Reorganization of sales bases and enhancement of distributor policies
 2. Focus on industrial equipment/automotive electronics partner customers
- [Americas]**
 1. Focused usage of production bases in the US
 2. Enhancement of sales and marketing for GAFA/semiconductor manufacturers
- [Europe]**
 1. Sales expansions of strategic markets (automotive electronics/5G)
 2. Sales expansion of functional devices utilizing agents and reps
- [Greater China]**
 1. Sales expansions of strategic markets (automotive electronics/5G)
 2. Addressing domestic demand and usage of production bases in China
- [Other]**
 1. Establishment of sales bases in India
 2. Enhancement of sales expansions to Korean customers (Enhancement of cooperation with Korean affiliate)
- [Global]**
 1. Enhancement of web strategies for sales and marketing
 2. Enhancement of alliances and speedy management

Product Planning Reform

Generate Highly Profitable Products by Introducing New Products

Strengthen product planning capabilities and accelerate the introduction of new products into markets that are expected to grow



Swiftly respond to changing markets/environments and aim to generate profits with technological agility

Structural Reform Measures

Reduction of fixed costs through productivity reform and improvement of financial position

1. Workforce optimization under the early retirement program
2. Improve productivity by integrating and reorganizing production sites and consolidating production site staff functions at the head office
3. Reduce manufacturing processes by promoting the use of smart factories
4. Establishment of a system for high-capacity operation of electrode foil facilities
5. Improve capital efficiency through selection and concentration of capital investment
6. Drastic reform of supply chain management system to reduce inventories

Realization of speedy management

7. Streamlined executive officer system and reorganization of the head office

Performance Improvement Effects from Product Planning Reforms and Structural Reforms

Translation

Main Measures

Cumulative total for the three years

- 1. Reduce fixed costs**
(Executive compensation, personnel costs, depreciation, etc.)
- 2. Improve profit through productivity improvement**
(Promote smart factories, establish a system for high-capacity operation of electrode foil facilities)
- 3. Increase profitability by introducing new products**

+6.3 billion yen

+1.9 billion yen

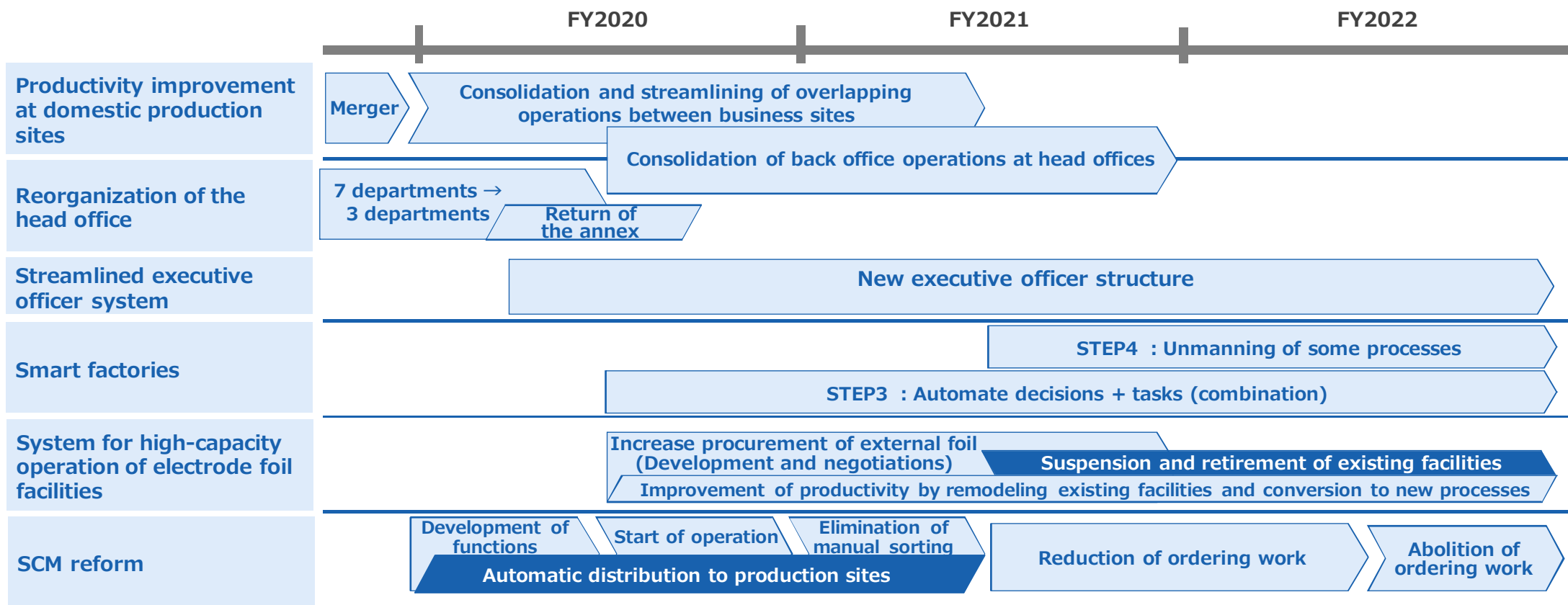
+3.8 billion yen

Performance improvement effect total +12 billion yen

- 4. Inventory reduction effect**

+3 billion yen

Structural Reforms Roadmap



{Note}

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.

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