

# **Results for 1H FY 2020**

## **(Six months ended September 30, 2020)**

**November 2020**

**Nippon Chemi-Con Corporation**

## ● 2Q FY2020 Results (YoY Change)

Amid a large decrease in sales, structural reforms effect and reduction of selling, general and administrative expenses led to a return to profitability.

(Billion yen)	FY2019	FY2020	YoY Change	
	1H	1H	Amount	%
Net sales	57.57	52.18	(5.38)	(9.4)
Gross profit	8.70	9.07	+0.37	+4.2
<i>Ratio to net sales</i>	15.1%	17.4%	+2.3pt	-
Selling, general and administrative expenses	10.33	8.86	(1.47)	(14.2)
<i>Ratio to net sales</i>	18.0%	17.0%	(1.0)pt	-
Operating income	(1.63)	0.20	+1.84	-
<i>Ratio to net sales</i>	(2.8)%	0.4%	+3.2pt	-
Profit attributable to owners of parent	(2.48)	(0.15)	+2.33	-
<i>Ratio to net sales</i>	(4.3)%	(0.3)%	+4.0pt	-
Capital investment	3.17	1.56	(1.61)	(50.7)
Depreciation	3.49	2.87	(0.62)	(17.7)
R&D expenses	2.08	1.84	(0.24)	(11.5)
Average exchange rate 1US\$(Yen)	108.63	106.92	Yen's rise by 1.5%	
1euro(Yen)	121.42	121.30	Yen's rise by 0.1%	

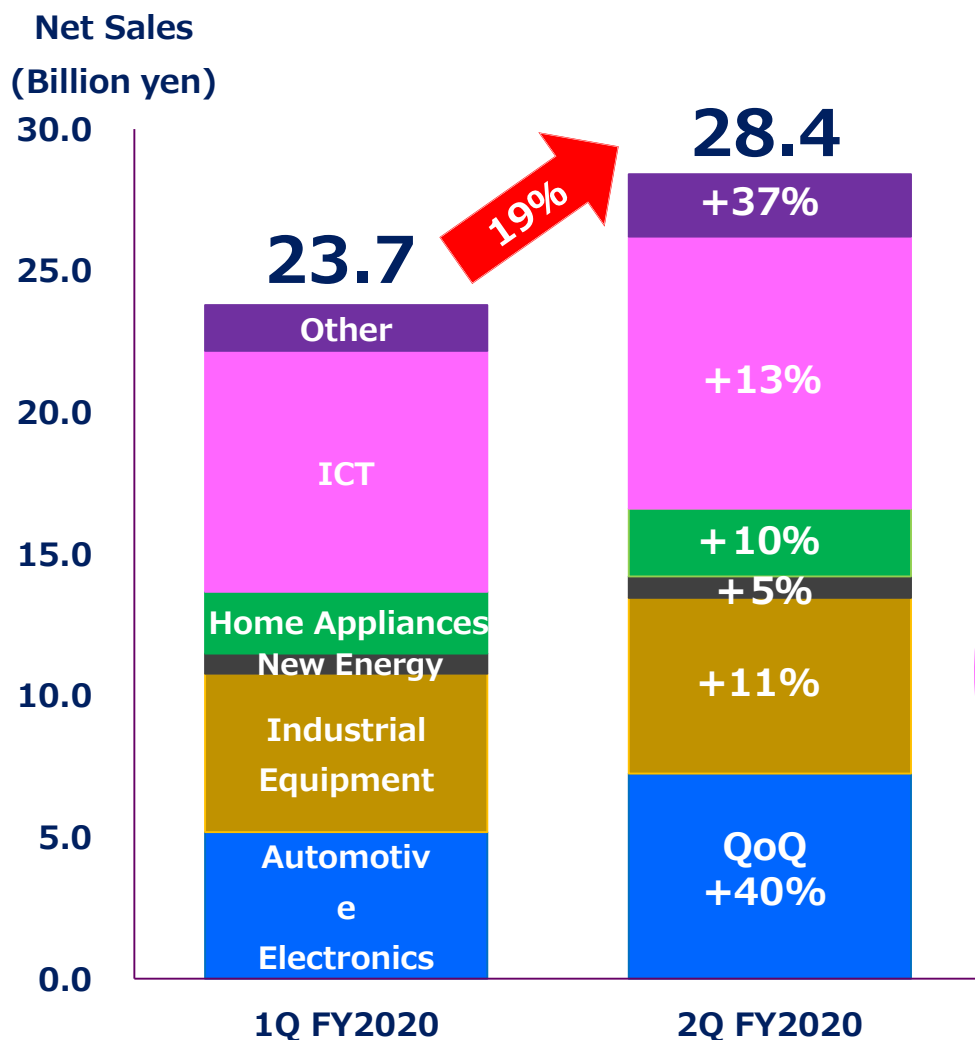
## ● 2Q FY2020 Results: Net Sales by Product (YoY Change)

A large decrease in sales excluding conductive polymer products and capacitor materials due to COVID-19

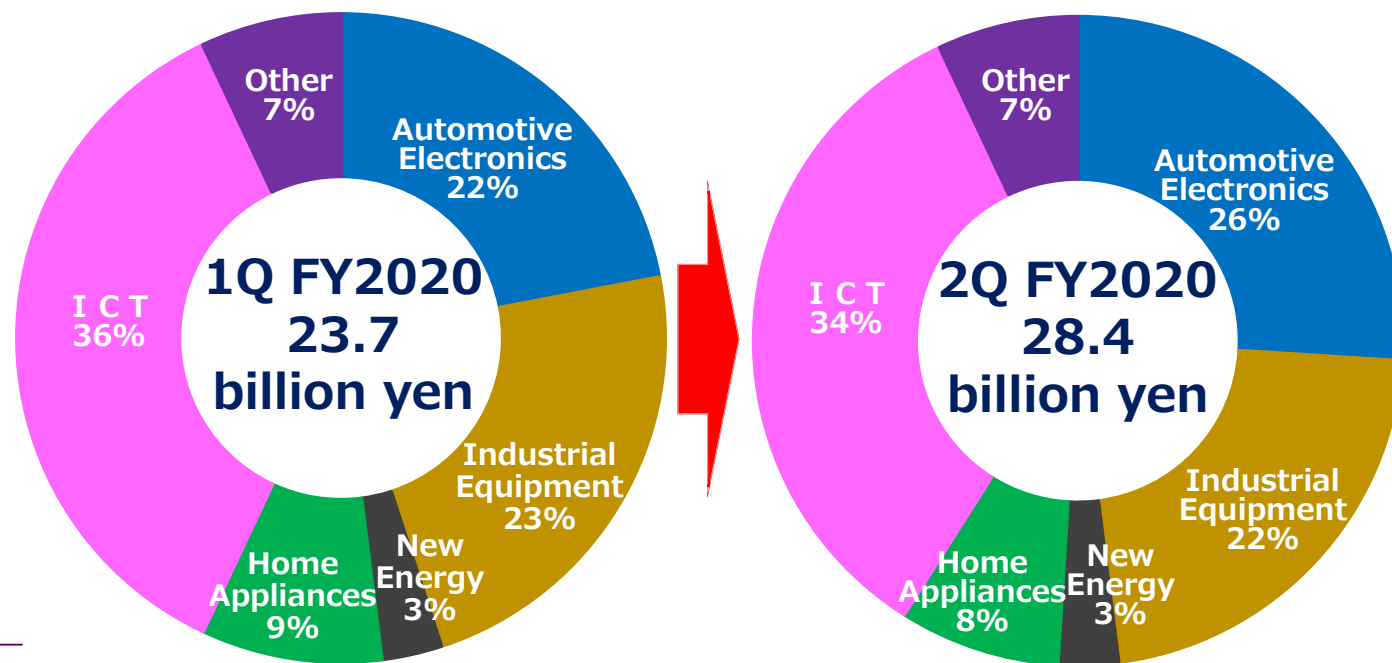
(Billion yen)	FY2019	FY2020	YoY Change	
	1H	1H	Amount	%
Aluminum Electrolytic Capacitors	48.60	44.77	(3.83)	(7.9)
(Conductive Polymer Capacitors)	5.86	7.05	+1.19	+20.4
DLCAP™	2.44	1.41	(1.02)	(42.0)
Ceramic Capacitors, Varistors, etc.	1.49	1.24	(0.24)	(16.5)
Mechanical Parts and Other Parts (Coils, Camera Modules)	1.78	1.26	(0.52)	(29.2)
Capacitor Materials	2.02	2.40	+0.38	+18.7
Other	1.21	1.07	(0.14)	(11.6)
<b>Total</b>	<b>57.57</b>	<b>52.18</b>	<b>(5.38)</b>	<b>(9.4)</b>

# ● 2Q FY2020 Net Sales by Strategic Markets (QoQ Change)

Due to the spread of COVID-19 slowing down, demand in markets besides ICT headed towards recovery.



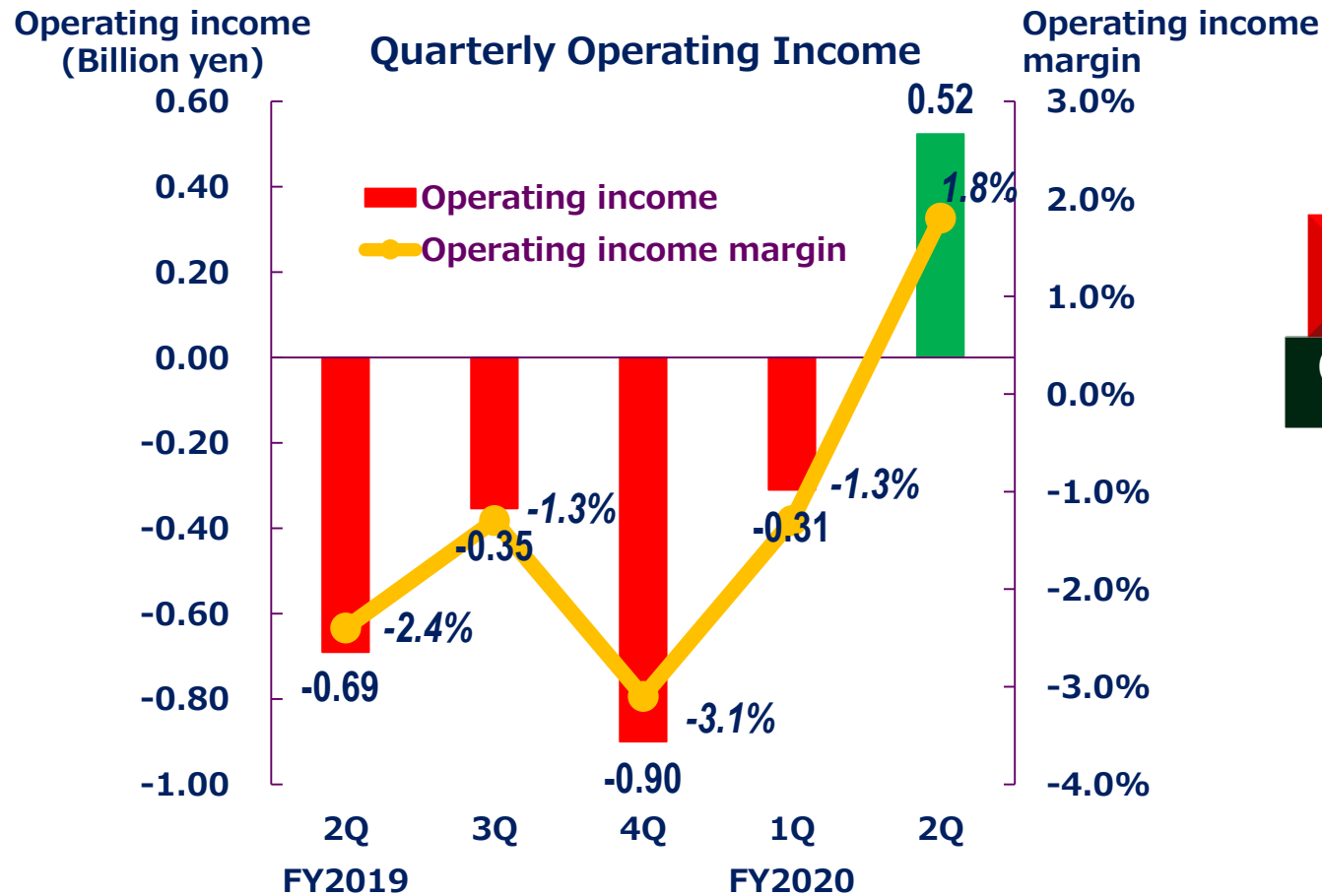
- ↑ Automotive electronics : Rapid recovery of demand for automotive electronics due to economic stimulus measures by countries
- ↑ Industrial equipment : Gradual recovery from May in regions besides Greater China as well
- ↑ ICT : Demand for PCs and datacenters remains firm due to telecommuting and so on.



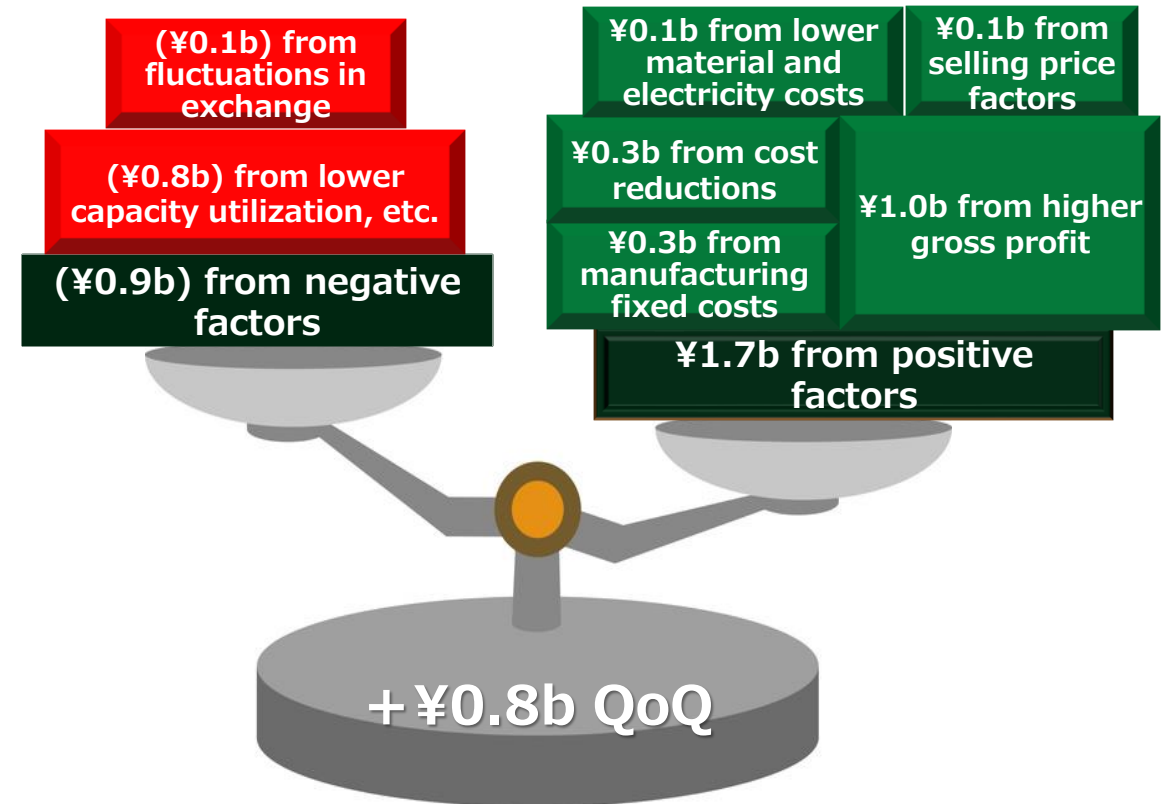
# ● 2Q FY2020 Results: Operating Income (QoQ Change)

**Main positives:** 1) Increased sales of new products 2) Reduction of manufacturing fixed costs 3) Implementation of cost-cutting, etc.

**Main negatives:** 1) Lower capacity utilization from inventory reduction 2) Foreign exchange losses caused by yen's rise, etc.



## QoQ Main Positives and Negatives for 2Q FY2020 Operating Income



## ● Progress of Structural Reforms

Effect of structural reforms almost as planned. Higher profitability from new products (conductive polymer products and DLCAPs for vehicle backup power supply).

Main Measures	1Q FY2020	2Q FY2020	1H FY2020
<b>① Reduce fixed costs</b> Reduction of personnel costs and depreciation costs underway according to plan	¥0.25b	¥0.31b	¥0.56b
<b>② Improve profit through productivity improvement</b> Promote smart factories Establish a system for high-capacity operation of electrode foil	¥0.18b	¥0.05b	¥0.23b
<b>③ Increase profitability by introducing new products</b>	¥0.00b	¥0.17b	¥0.17b
<b>Performance improvement effect total in 1H</b>			<b>¥0.96b</b>

# ● FY2020 Results Forecast

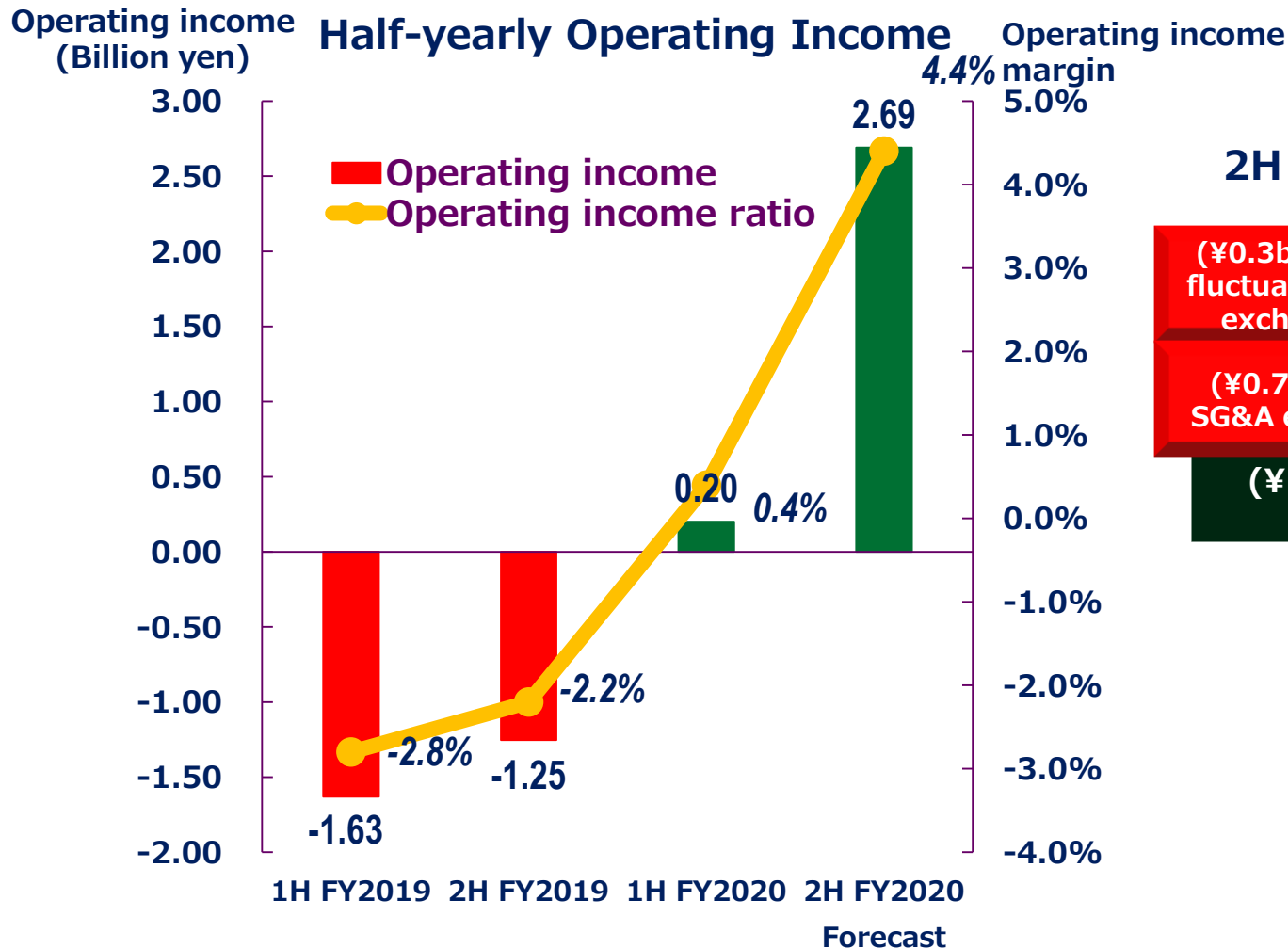
Accomplish plans by improving income through expanding new products and increasing the facility operation rate.

**Steadily implement improvement of earning power by enhancing gross profit ratio and SG&A ratio.**

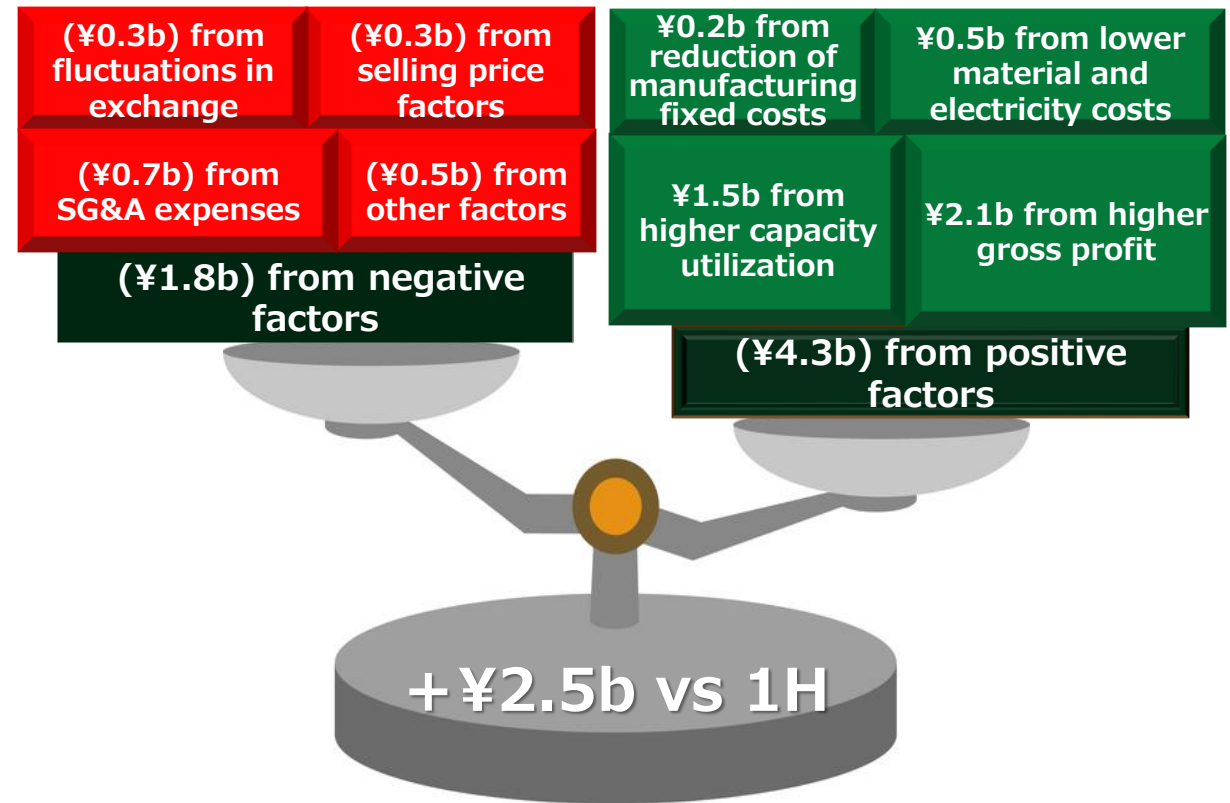
(Billion yen)	FY2019	FY2020				YoY Change	
	Full Year	1H	2H (Plan)	Full Year (Forecast)	2H – 1H	Amount	%
Net sales	114.59	52.18	61.31	113.50	+9.12	(1.09)	(1.0)
Gross profit	17.83	9.07	12.22	21.30	+3.14	+3.47	+19.5
<i>Ratio to net sales</i>	15.6%	17.4%	19.9%	18.8%	+2.5pt	+3.2pt	-
Sales, general and administrative expenses	20.72	8.86	9.53	18.40	+0.66	(2.32)	(11.2)
<i>Ratio to net sales</i>	18.1%	17.0%	15.5%	16.2%	(1.5)pt	(1.9)pt	-
Operating income	(2.89)	0.20	2.69	2.90	+2.48	+5.79	-
<i>Ratio to net sales</i>	(2.5)%	0.4%	4.4%	2.6%	+4.0pt	+5.1pt	-
Profit attributable to owners of parent	(5.92)	(0.15)	1.55	1.40	+1.70	+7.32	-
<i>Ratio to net sales</i>	(5.2)%	(0.3)%	2.5%	1.2%	+2.8pt	+6.4pt	-
Capital investment	5.62	1.56	3.43	5.00	+1.86	(0.62)	(11.0)
Depreciation	7.19	2.87	2.78	5.66	(0.08)	(1.53)	(21.4)
R&D expenses	4.16	1.84	1.95	3.80	+0.10	(0.36)	(8.7)
Average exchange rate 1US\$(Yen)	108.74	106.92	105.00	105.96	Yen's rise by 1.8%	Yen's rise by 2.6%	
1euro(Yen)	120.82	121.30	116.00	118.65	Yen's rise by 4.4%	Yen's rise by 1.8%	

# ● 2H FY2020 Results Forecast: Operating Income (vs 1H)

Largely improve earning power from steady implementation of structural reforms and recovery in strategic markets.



## HoH Main Positives and Negatives for 2H FY2020 Operating Income Forecast (vs 1H)





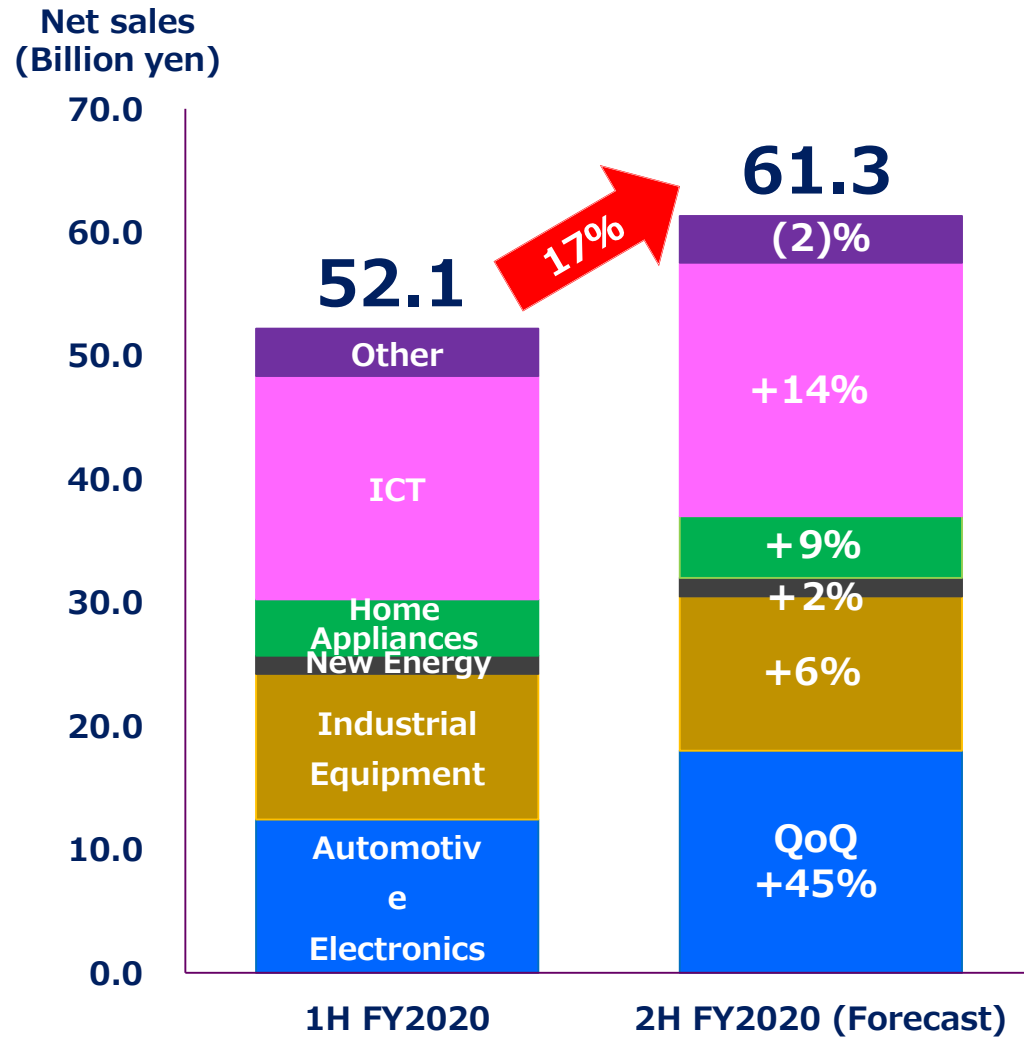
# ● FY2020 (Full Year) Forecast: Net Sales by Product (YoY Change)

Increase in demand for conductive polymer and surface mount type products for automotive electronics/ICT markets

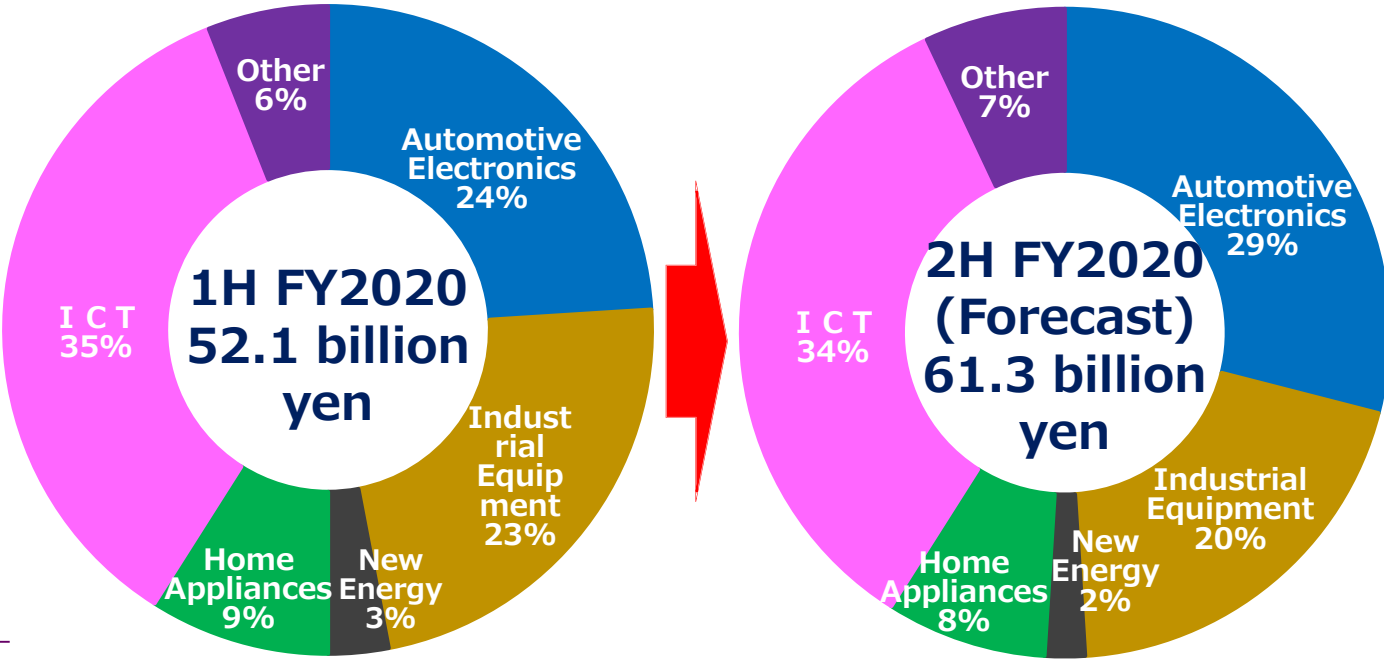
(Billion yen)	FY2019	FY2020				YoY Change	
	Full Year	1H	2H (Plan)	Full Year (Forecast)	2H – 1H	Amount	%
Aluminum Electrolytic Capacitors	97.21	44.77	52.12	96.90	+7.37	(0.30)	(0.3)
(Conductive Polymer Capacitors)	13.09	7.05	8.68	15.74	+1.62	+2.65	+20.2
DLCAP™	4.42	1.41	2.08	3.50	+0.66	(0.93)	(21.0)
Ceramic Capacitors, Varistors, etc.	2.93	1.24	1.55	2.80	+0.28	(0.15)	(5.1)
Mechanical Parts and Other Parts (Coils, Camera Modules)	3.39	1.26	1.53	2.80	+0.27	(0.59)	(17.4)
Capacitor Materials	4.44	2.40	2.79	5.20	+0.38	+0.76	+17.0
Other	2.18	1.07	1.23	2.30	+0.16	+0.12	+5.5
<b>Total</b>	<b>114.59</b>	<b>52.18</b>	<b>61.31</b>	<b>113.50</b>	<b>+9.13</b>	<b>(1.09)</b>	<b>(1.0)</b>

# FY2020 Net Sales Forecast by Strategic Markets (vs 1H)

Even with the COVID-19 pandemic, strategic markets such as automotive electronics/industrial equipment are expected to recover.



- ↑ Automotive electronics : Further recovery of demand in Greater China and accelerated development of xEV
- ↑ Industrial equipment : Expansion to ICT related equipment as well as automotive electronics and general machinery and equipment
- ↑ ICT : Demand for IT devices, datacenters and 5G base stations remains firm



## ● Implementation of Structural Reform

**Building a revenue structure unaffected by economic fluctuations and a business foundation capable of adjusting to changes in the market environment**

### 1. Improvement of earning power

Lowering of the break-even point by reducing fixed costs/improvement of capital efficiency through selection and concentration of capital investment

### 2. Improvement of financial strength

Improvement of cash flows from operating activities/reduction of inventories by performing a drastic reform of the supply chain management system/improvement of financial health by expanding equity

### 3. Realization of speedy management

Streamlined executive officer system and reorganization of the head office

## ● Effects and Market Shifts Caused by COVID-19

- In the first quarter, the spread of COVID-19 temporarily stabled, and the automotive electronics market recovered. However, another wave of infections began in Western countries from October and the outlook for recovery continues to fluctuate.
- At present, outlook for the effect US-China trade friction has on Chinese markets in FY2020 is relatively small.
- Demand for PC-related products including communications infrastructure is firm due to the spread of work/education from home.
- The automotive electronics market is heading towards recovery due to economic stimulus measures and increased government spending implemented from the second quarter in developed countries and Greater China.
- The industrial equipment market hit the bottom in the first quarter and has been recovering from the second quarter with an increase in demand from automotive electronics.

**The Nippon Chemi-Con Group prioritizes the health and safety of residents and all stakeholders and employees. We will act based on government policy and continue to work on infection control and prevention of the spread of infection.**

**〔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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