

Results for 3Q FY 2020

(3Q and Nine months ended December 31, 2020)

February 2021

Nippon Chemi-Con Corporation

● 3Q (Apr - Dec) FY2020 Results (YoY Change)

Shift to a profitability structure as a result of further effect from structural reforms and improvement in the percentage of highly profitable products

(Billion yen)	FY2019	FY2020	YoY Change	
	3Q (Apr - Dec)	3Q (Apr - Dec)	Amount	%
Net sales	85.62	79.85	(5.77)	(6.7)
Gross profit	13.22	14.80	+1.57	+11.8
<i>Ratio to net sales</i>	15.4%	18.5%	+3.1pt	-
SG&A expenses	15.22	13.39	(1.82)	(11.9)
<i>Ratio to net sales</i>	17.8%	16.8%	(1.0)pt	-
Operating income	(1.99)	1.40	+3.39	-
<i>Ratio to net sales</i>	(2.3)%	1.8%	+4.1pt	-
Profit attributable to owners of parent	(3.35)	0.54	+3.89	-
<i>Ratio to net sales</i>	(3.9)%	0.7%	+4.6pt	-
Capital investment	4.23	2.31	(1.91)	(45.2)
Depreciation	5.31	4.32	(0.99)	(18.7)
R&D expenses	3.13	2.79	(0.34)	(11.0)
Average exchange rate 1US\$(Yen)	108.67	106.11	Yen's rise by 2.3%	
1euro(Yen)	121.05	122.38	Yen's weakening by 1.0%	

● 3Q(Apr - Dec)FY2020 Results: Net Sales by Product (YoY Change)

Increase in sales of conductive polymer/hybrid capacitors for automotive electronics/ICT markets and capacitor materials

(Billion yen)	FY2019	FY2020	YoY Change	
	3Q (Apr – Dec)	3Q (Apr – Dec)	Amount	%
Aluminum electrolytic capacitors	72.55	68.61	(3.94)	(5.4)
(Conductive polymer capacitors)	9.22	10.95	+1.73	+18.7
DLCAP™	3.42	2.45	(0.97)	(28.3)
Ceramic capacitors, varistors, etc.	2.20	1.86	(0.34)	(15.4)
Mechanical parts and other parts (coils, camera modules)	2.65	1.86	(0.79)	(29.7)
Capacitor materials	3.09	3.59	+0.50	+16.1
Other	1.70	1.46	(0.24)	(14.1)
Total	85.62	79.85	(5.76)	(6.7)

● 3Q (Oct - Dec) FY2020 Results (QoQ Change)

Amid escalating freight and transportation expenses, profitability was improved by increasing gross profit through improving product mix and productivity

(Billion yen)	FY2019	FY2020		YoY Change		QoQ Change	
	3Q	2Q	3Q	Amount	%	Amount	%
Net sales	28.05	28.40	27.67	(0.38)	(1.3)	(0.73)	(2.5)
Gross profit	4.52	4.97	5.72	+1.20	+26.5	+0.75	+15.0
<i>Ratio to net sales</i>	16.1%	17.5%	20.7%	+4.6pt	-	+3.2pt	-
SG&A expenses	4.88	4.45	4.53	(0.35)	(7.1)	+0.07	+1.7
<i>Ratio to net sales</i>	17.4%	15.7%	16.4%	(1.0)pt	-	+0.7pt	-
Operating income	(0.35)	0.52	1.19	+1.54	-	+0.67	+128.8
<i>Ratio to net sales</i>	(1.3)%	1.8%	4.3%	+5.6pt	-	+2.5pt	-
Profit attributable to owners of parent	(0.86)	0.45	0.69	+1.55	-	+0.24	+53.3
<i>Ratio to net sales</i>	(3.1)%	1.6%	2.5%	+5.6pt	-	+0.9pt	-
Capital investment	1.05	0.73	0.75	(0.30)	(28.5)	+0.02	+2.7
Depreciation	1.81	1.42	1.45	(0.36)	(20.2)	+0.03	+2.1
R&D expenses	1.05	0.90	0.94	(0.11)	(10.4)	+0.04	+4.4
Average exchange rate 1US\$(Yen)	108.76	106.22	104.51	Yen's rise by 3.9%		Yen's rise by 1.6%	
1euro(Yen)	121.32	124.11	124.54	Yen's weakening by 2.6%		Yen's weakening by 0.3%	

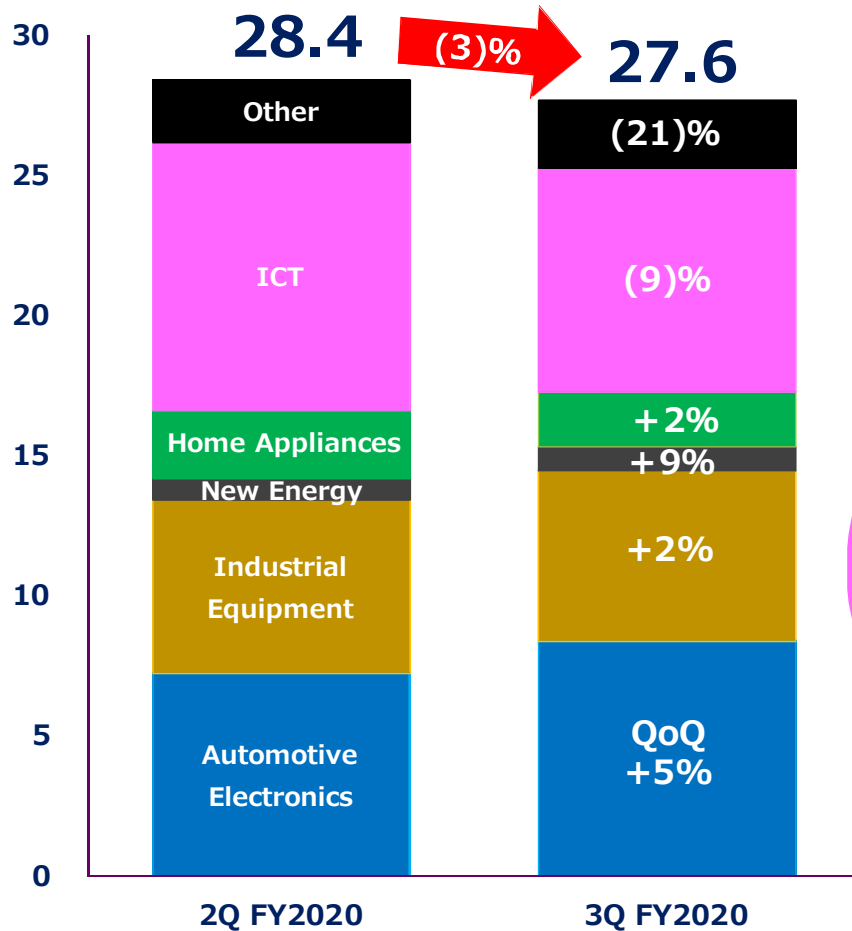
● 3Q (Oct - Dec) FY2020 Results: Net Sales by Product (QoQ Change)

Improvement of product mix due to recovery of demand for conductive polymer capacitors, hybrid capacitors and DLCAPs for the automotive electronics market

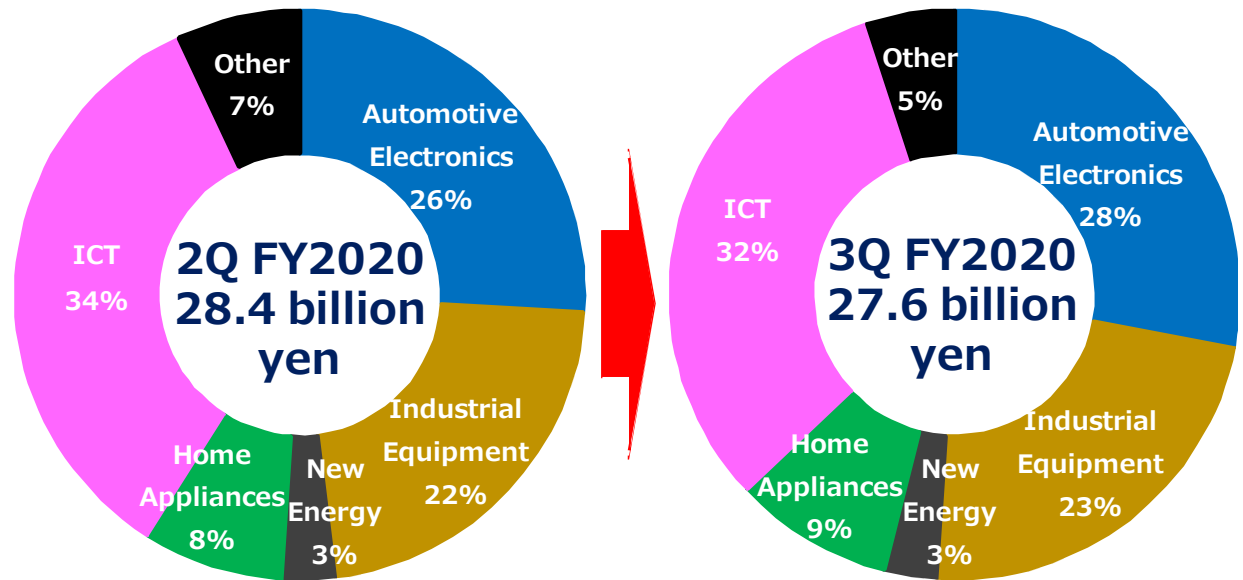
(Billion yen)	FY2019	FY2020		YoY Change		QoQ Change	
	3Q	2Q	3Q	Amount	%	Amount	%
Aluminum electrolytic capacitors	23.94	24.64	23.84	(0.10)	(0.4)	(0.80)	(3.2)
(Conductive polymer capacitors)	3.36	3.68	3.90	+0.54	+16.1	+0.22	+5.9
DLCAP™	0.98	0.87	1.03	+0.05	+5.1	+0.16	+18.3
Ceramic capacitors, varistors, etc.	0.70	0.63	0.61	(0.09)	(12.8)	(0.02)	(3.2)
Mechanical parts and other parts (coils, camera modules)	0.86	0.65	0.59	(0.27)	(31.3)	(0.06)	(9.2)
Capacitor materials	1.06	0.99	1.18	+0.12	+11.3	+0.19	+19.1
Other	0.49	0.59	0.39	(0.10)	(20.4)	(0.20)	(33.8)
Total	28.05	28.40	27.67	(0.38)	(1.3)	(0.73)	(2.5)

● 3Q FY2020 Results: Net Sales by Strategic Markets (QoQ Change)

Net sales
(billion yen)



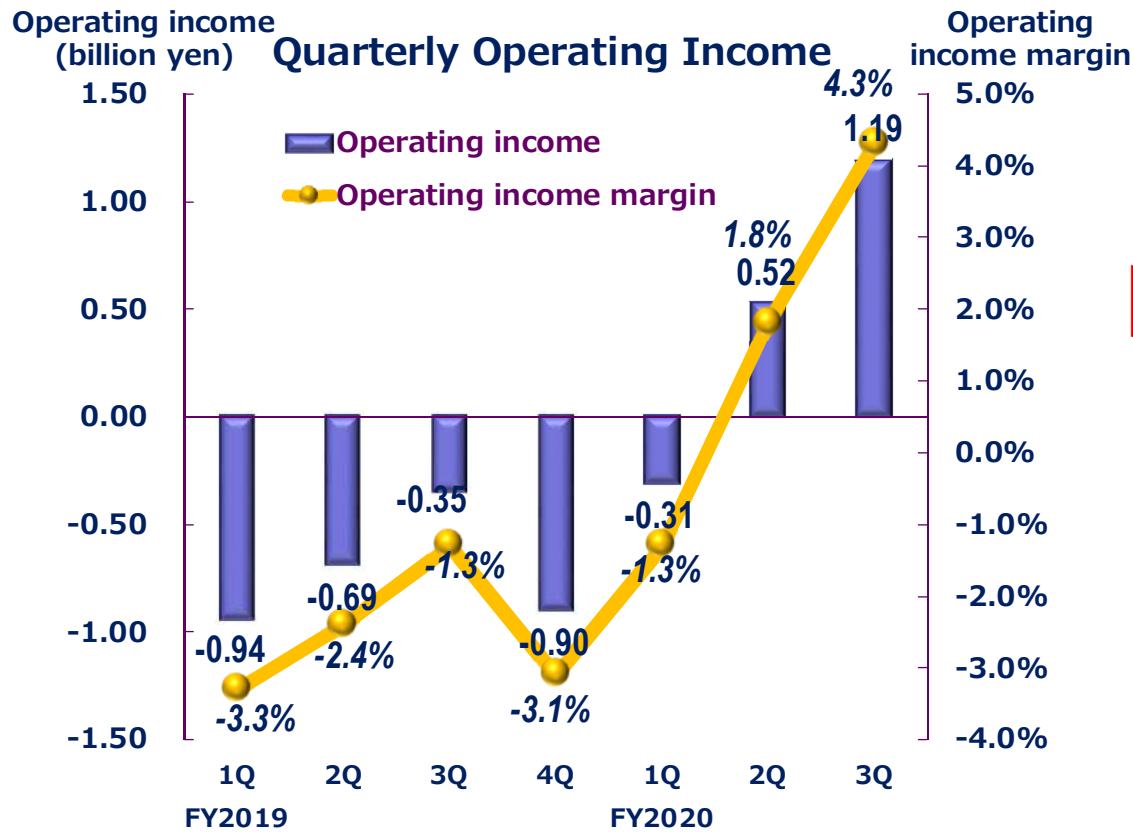
- ↑ Automotive electronics: Global improvement in the number of automobiles produced
- ↑ Industrial equipment: Continued recovery of products for FA, semiconductors, robots, automobiles, etc.
- ↓ ICT: PC/communication base stations related markets at a temporary standstill



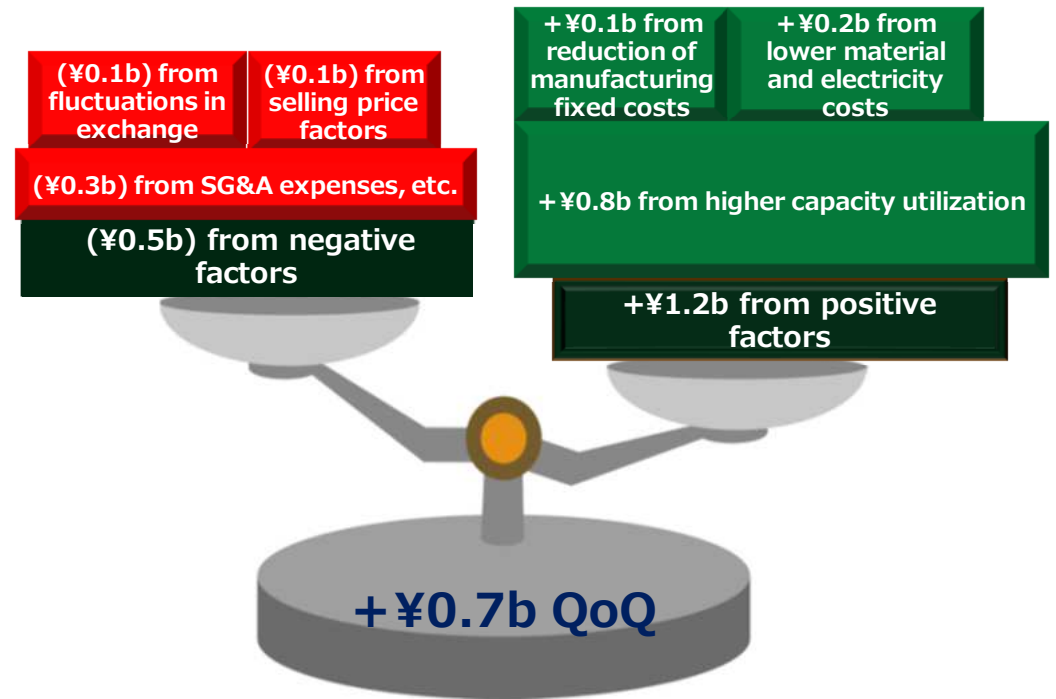
● 3Q FY2020 Results: Operating Income (QoQ Change)

Main positives: 1) Higher capacity utilization 2) Lower material/electricity costs
3) Reduction of manufacturing fixed costs

Main negatives: 1) Increase in SG&A expenses such as logistics costs 2) Foreign exchange losses caused by yen's rise 3) Selling price factors



QoQ Main Positives and Negatives for 3Q FY2020 Operating Income



● Progress of Structural Reforms

The progress of reduction of fixed costs, improvement of productivity and capacity utilization led to a larger structural reforms effect than planned

Performance improvement effect total in nine months: 1.68 billion yen/ 84% of full FY 2020 plan of 2.0 billion yen

Main Measures	1Q FY2020	2Q FY2020	3Q FY2020	Total
① Reduce fixed costs Reduction of personnel costs and depreciation costs	¥0.25b	¥0.31b	¥0.45b	¥1.01b
② Improve profit through productivity improvement Promote smart factories Establish a system for high- capacity operation of electrode foil	¥0.18b	¥0.05b	¥0.25b	¥0.48b
③ Increase profitability by introducing new products	¥0.00b	¥0.17b	¥0.03b	¥0.19b
Total	¥0.43b	¥0.53b	¥0.72b	¥1.68b

● 4Q FY2020 Results Forecast

Aiming to achieve the operating income goal by improving profitability through expanding sales of new products and improving capacity utilization

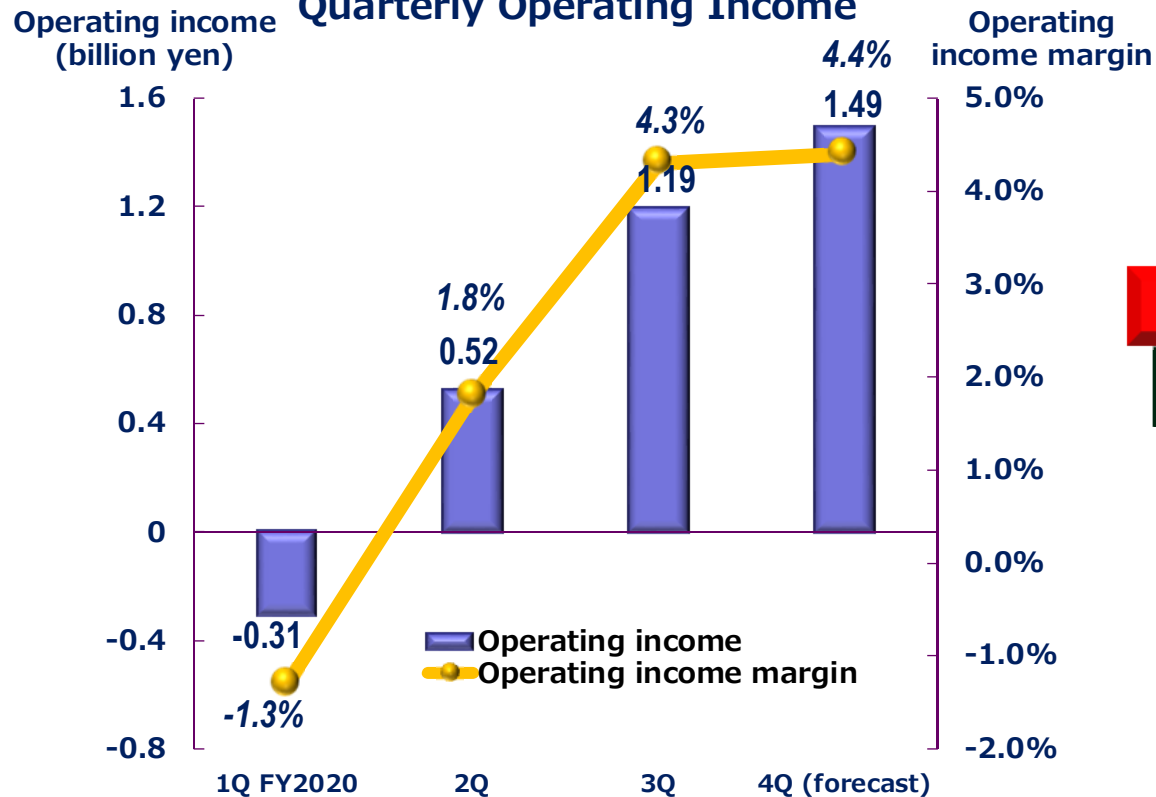
(Billion yen)	FY2019	FY2020							YoY Change	
	Full year	1H	3Q	4Q (forecast)	QoQ Amount	QoQ %	2H (forecast)	Full year (forecast)	Amount	%
Net sales	114.59	52.18	27.67	33.64	5.97	+21.5	61.31	113.50	(1.09)	(1.0)
Gross profit	17.83	9.07	5.72	6.73	1.01	+17.6	12.46	21.54	+3.70	+20.8
<i>Ratio to net sales</i>	15.6%	17.4%	20.7%	20.0%	(0.7)pt	-	20.3%	19.0%	+3.4pt	-
SG&A expenses	20.72	8.86	4.53	5.24	+0.71	+15.6	9.77	18.64	(2.08)	(10.1)
<i>Ratio to net sales</i>	18.1%	17.0%	16.4%	15.6%	(0.8)pt	-	15.9%	16.4%	(1.9)pt	-
Operating income	(2.89)	0.20	1.19	1.49	+0.30	+25.2	2.69	2.90	+5.79	-
<i>Ratio to net sales</i>	(2.5)%	0.4%	4.3%	4.4%	+0.1pt	-	4.4%	2.6%	+5.1pt	-
Profit attributable to owners of parent	(5.92)	(0.15)	0.69	0.85	+0.16	+23.1	1.55	1.40	+7.32	-
<i>Ratio to net sales</i>	(5.2)%	(0.3)%	2.5%	2.6%	+0.1pt	-	2.5%	1.2%	+6.4pt	-
Capital investment	5.62	1.56	0.75	2.68	+1.93	+257.3	3.43	5.00	(0.62)	(11.0)
Depreciation	7.19	2.87	1.45	1.34	(0.11)	(7.5)	2.78	5.66	(1.53)	(21.4)
R&D expenses	4.16	1.84	0.94	1.00	+0.06	+6.3	1.95	3.80	(0.36)	(8.7)
Average exchange rate 1US\$(Yen)	108.74	106.92	104.51	105.00	Yen's weakening by 0.4%		104.76	105.84	Yen's rise by 2.6%	
1euro(Yen)	120.82	121.30	124.54	116.00	Yen's rise by 6.8%		120.27	120.79	Yen's rise by 0.02%	

● 4Q FY2020 Forecast: Operating Income (QoQ Change)

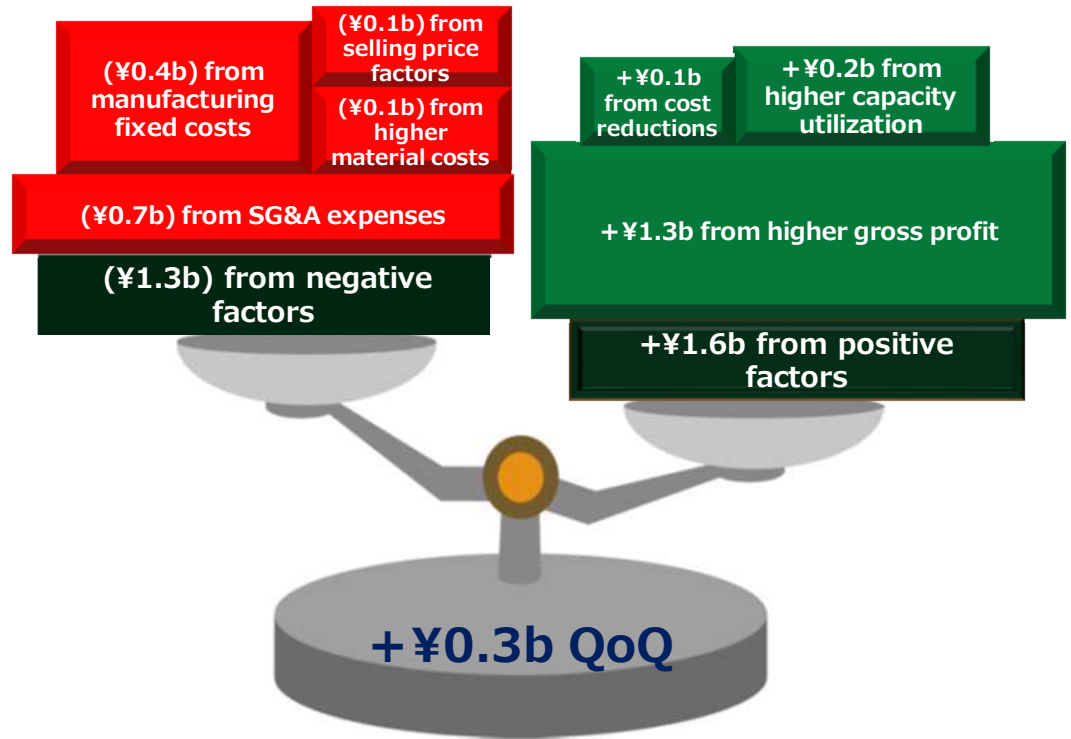
Main positives: 1) Improvement in product mix by expanding sales of new products = increase in gross profit 2) Profits from higher capacity utilization 3) Cost reductions

Main negatives: 1) Increase in SG&A expenses such as logistics costs 2) Increase in manufacturing fixed costs 3) Selling price factors 4) Increase in raw material costs

Quarterly Operating Income

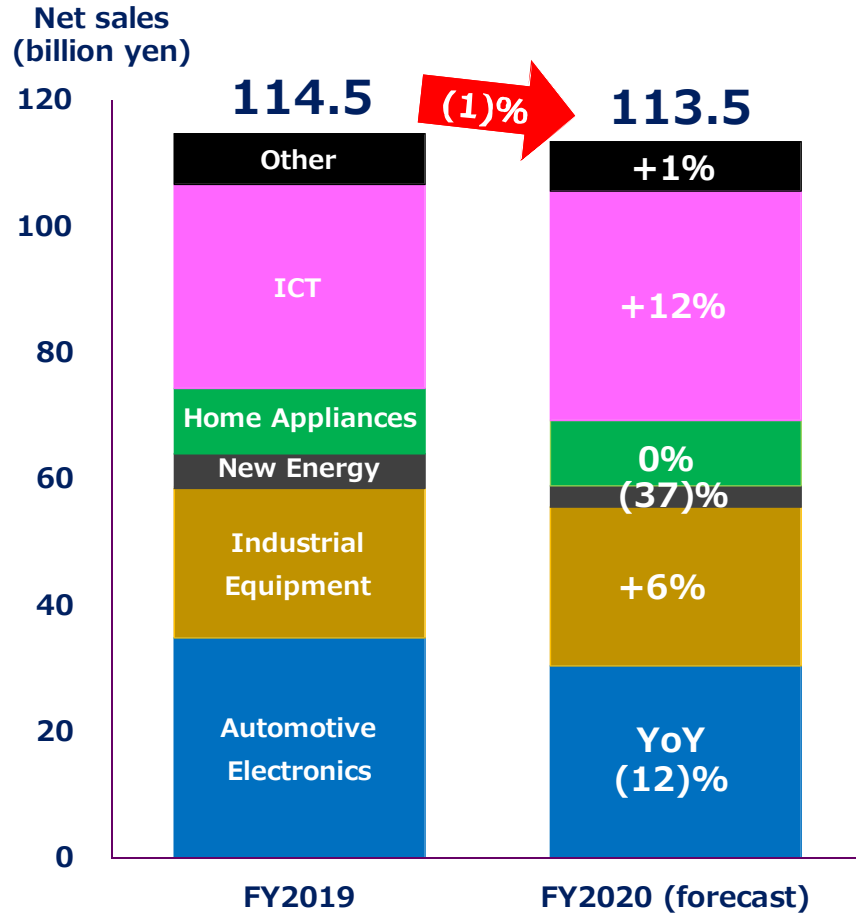


QoQ Main Positives and Negatives for 4QFY2020 Operating Income (forecast)



FY2020 Net Sales Forecast by Strategic Markets (YoY Change)

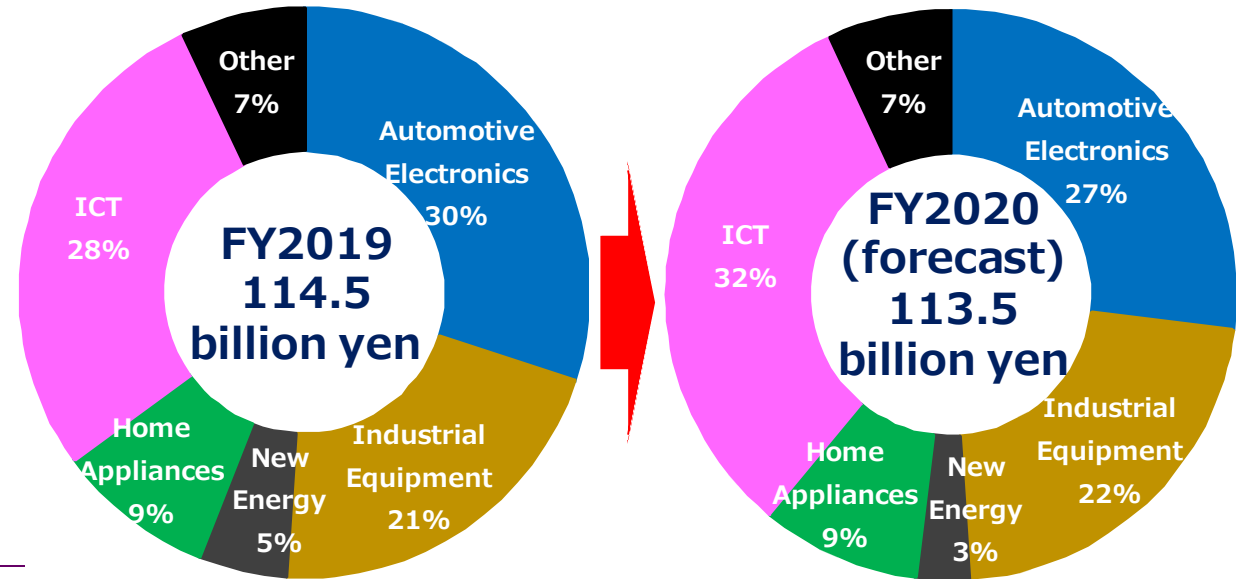
Amid the COVID-19 pandemic, the three strategic markets (automotive electronics, ICT, industrial equipment) will enter a new growth phase



Automotive electronics: Global improvement close to predictions in the number of automobiles produced

Industrial equipment: Expansion from ICT to automotive electronics and general equipment

ICT: A firm growth due to the spread of work from home in response to COVID-19



● 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

● Response to COVID-19

•Thorough infection prevention measures

Our efforts to prevent infections in the Group include such measures as sanitize hands, measure body temperature with a thermographic device when people enter buildings, wear masks, record activities within the company, hold conferences online and refrain from participation in events such as exhibits.

•The Nippon Chemi-Con Group prioritizes the well-being and safety of local residents, customers, suppliers and all our employees. We will act based on government policy and continue to work on infection control and prevention of the spread of infection.

Due to thorough infection prevention measures, there has been almost no effect on production.

[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.

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.