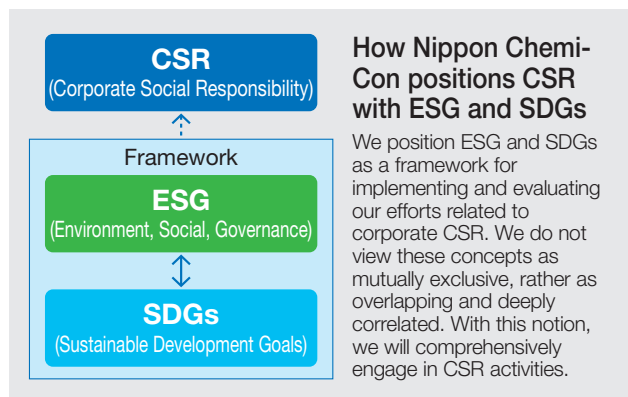


## CSR Management

### Basic CSR Policy

In 2003, the Nippon Chemi-Con Group released the Nippon Chemi-Con Group Charter of Corporate Behavior as an internal and external declaration of our commitment to business activities that ensure our position as a corporation that contributes to society through fair and transparent business activities. Based on the spirit of this Charter of Corporate Behavior, the Nippon Chemi-Con Group Business Conduct Guidelines outline the character that every executive and employee of the Nippon Chemi-Con Group must apply to our daily corporate activities. As a company that provides products and services capable of contributing to the lifestyles of people around the world, we strive for harmony with international society while maintaining our commitment to the local community and stakeholders. We are committed to compliance with the laws and regulations of each country and practice honest business activities based on sound corporate ethics and a strong awareness of our position as a corporate citizen.

Nippon Chemi-Con Group Charter of Corporate Behavior  
<https://www.chemi-con.co.jp/en/company/sustainability/governance/compliance/charter.html>



### Positioning of CSR Activities

The Nippon Chemi-Con Group engages in CSR activities to pursue not only profits, but also to contribute widely to society by fulfilling our corporate social responsibility. We maintain an awareness of the impact and risks that our activities can have on society and climate change. To ensure stable growth, we prioritize the non-financial aspects of CSR and engage in CSR activities to promote high rates of satisfaction among both employees and customers, and to maintain our position as a company that is trusted by society. We will promote medium- to long-term measures including investment in human capital and intellectual property for issues related to sustainability such as climate change, respect for human rights, consideration for the labor environment, and fair trade. The Nippon Chemi-Con Group positions CSR activities as part of our

management strategy for reducing business risks and achieving sustainable growth. We further recognize that these types of CSR activities are inseparable from corporate ESG and achieving sustainable development goals (SDGs). We are committed to balancing business development with resolving societal problems.

### CSR Promotion System



The Nippon Chemi-Con Group has established a CSR promotion system within the Nippon Chemi-Con Administration Department to work with each department and factory on specific activities. We go beyond simple corporate activities. For example, in the area of social contributions, we collaborate with labor unions on activities such as purchasing wheelchairs through soda can pull tab collections, providing vaccinations to developing countries through PET bottle cap collection, and donating clothing to developing countries. To promote CSR upon our supply chain, we convey our CSR policies to suppliers before implementing assessments and aim for mutual sustainable development through communication. All Group offices and plants conduct CSR internal audits and independently work to understand and correct risks, enforcing policies to become a better company. A system was introduced to select auditors from sites other than those subject to auditing and monitor each other. Through various training, we will enhance Group employee awareness of corporate social responsibility and remain dedicated to contributing to all our stakeholders by linking our business activities to social development.

### Participation in the UN Global Compact

On January 26, 2012, the Nippon Chemi-Con Group announced our support for and participation in the United Nations Global Compact (UNGC). The UNGC is comprised of 10 universal principles related to four areas: human rights, labour, environment, and anticorruption. The Nippon Chemi-Con Group is working to incorporate the 10 principles of the UNGC into our daily business activities in order to achieve a high level of corporate social responsibility and meeting the expectations of all our stakeholders.

### SDGs

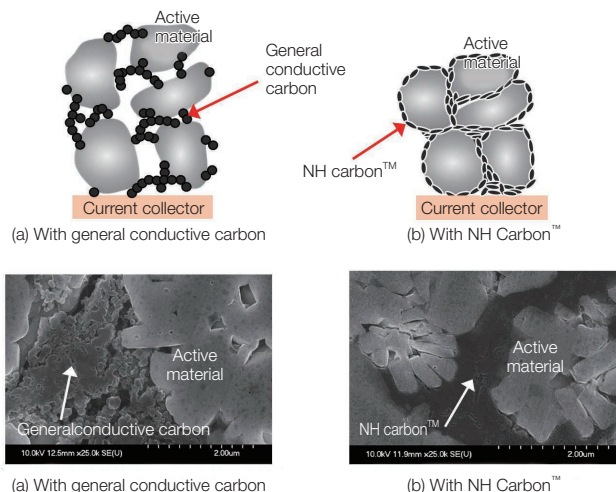
We aim to contribute to the sustainable development goals (SDGs) outlined in the 2030 Agenda for Sustainable Development adopted at the September 2015 UN Summit. Through the outside-in approach (method of establishing corporate goals based on societal needs and social issues outside the company), we will work to proactively create business opportunities focused on resolving social issues.

## Initiatives Related to SDGs

### Supporting technology innovation with new products



Nippon Chemi-Con Corporation and Asahi Carbon Co., Ltd. have agreed to collaborate on NH Carbon™, a conductive assistant for lithium-ion batteries. NH Carbon™ is a material for next-generation electricity storage devices developed by Nippon Chemi-Con and is a unique carbon material that has never been seen before in that it can be coated on the surface of active material. By using it in the anodes and cathodes of lithium-ion batteries and all-solid-state lithium-ion batteries, it is especially effective in improving the charge-discharge cycle life by two to three times, as well as improving electrode density and reducing electrode resistance. Our technology will support the industrial infrastructure for technology innovation.



## Topic 1 Investing in intellectual capital

Nippon Chemi-Con has established a department dedicated to managing the Group's intellectual property and is working on an IP (Intellectual Property) strategy. We are contributing to the advancement of technological research not only through the conversion of inventions and know-how into intellectual property and investigation of technical information, but also through in-house debriefings and awards. Our company aims to raise the intellectual property mindset and are working to increase the number of proposals from engineers. We are particularly focused on identifying technologies from the early stages of development and promote overseas expansion to secure superiority in our key markets. Furthermore, we will strive to acquire intellectual property related to materials by applying our strength in in-house operations from material development to production. Hereafter, we will focus on "raising awareness of social contribution through products" for carbon neutrality and SDGs, and will work on our IP strategy by redefining research and development as a contribution not only to profits but also to society. We consider technology development to be the driving force behind corporate development and strive to maintain research and development expenses at approximately 3 to 4% of net sales under a medium- to long-term plan.

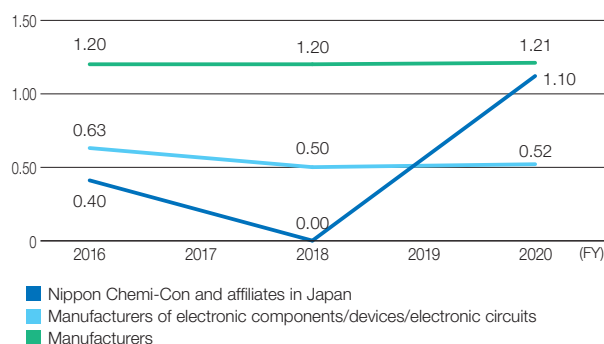
## Topic 2 Industrial safety and health initiatives

### Status of labor accidents

In the event of a labor accident, Nippon Chemi-Con Group shares information about the cause and correction actions with domestic and overseas bases to prevent reoccurrences. The lost time incident rate (LTIR) in Japan varies depending on the fiscal year, but the rate in FY2020 was 1.10. Furthermore, there were no incidents that resulted in death.

Lost time incident rate (LTIR) = Number of victims (leave of 1 day or more) due to industrial accidents ÷ total actual working hours × 1,000,000

### Lost time incident rate (LTIR)



## Strategic Basis for Sustainability – ESG Initiatives

Nippon Chemi-Con Group incorporates ESG (Environment, Social, Governance) into our corporate strategies to pursue sustainable growth. We outline activity goals and promote participation.

### ESG Activities (Goals, Achievements, Progress, and Degree of Completion)

| ESG initiative items   |   | FY2020 major activities and goals  | FY2020 achievements and progress   |
|--|---|--|--|
| <div><div>Global environment conservation</div><div>Environment</div></div> |   | Global warming prevention and energy conservation activities *1<br>-Improvement target in energy consumption per unit: 1% or higher per year/vs. base year (FY2012) : 7.73%  | Base year (FY2012) comparison: 15.6% improvement   |
|  |   | Appropriate management of chemical substances used by factories *2   | Appropriate management conducted at all plants, no incidents having an impact on the environment   |
|  |   | Management of chemical substances contained in the products (environmentally conscious products) *3  | No environmental-related product accidents   |
|  |   | Effective use of resources and waste reduction, promotion of 3Rs *1<br>-Final disposal rate: 1.8% or less  | Final disposal rate: 0.5%  |
|  |   | Continue improvements based on environmental management system (ISO14001) *2   | Use of ISO14001-compliant EMS resulted in no problems with performance, including environmental goals, and no recommendations from external review   |
|  |   | Biodiversity conservation activities *1  | Each plant is engaged in tailored activities, which have produced certain level of results such as increased collaboration with local communities However, in part due to the ongoing COVID-19 pandemic, these results are not yet deemed sufficient |
|  |   | Contribute to local communities *1   | Each plant engaged in volunteering activities, although some activities were small-scale or reduced in frequency due to constraints caused by COVID-19   |
|  |   | Compliance with environmental laws *3  | No accidents or incidents resulting in environmental pollution attributable to Nippon Chemi-Con, and no legal violations   |
| <div><div>Social</div></div>  |   | Development of energy-efficient products *3  | Promoted product size reductions and energy conservation with new electrode foil, and developed solutions for higher temperature resistance and longer life  |
|  | HR/benefits   | Adopt work-from-home system *4   | Adopted work-from-home system  |
|  |   | Continue welcome back program (rehiring program) *5  | No applications  |
|  | Employee health and safety  | Reduce average overtime to average 29 hours or less per month per employee *4  | Achieved   |
|  |   | Increase paid leave usage rate and childcare leave usage rate to 70% and higher *5   | Paid leave usage rate: Not achieved<br>Childcare leave usage rate: Achieved  |
|  |   | Continue mandatory rest between shifts *5  | Continued mandatory rest between shifts  |
|  |   | Continue healthy company activities *5   | Group events promoting improvement in exercise habits were cancelled due to COVID-19<br>Instead, walking events that could be worked on individually was promoted  |
|  | Human resource development  | Conduct tiered training *5   | Conducted some trainings online and postponed some due to COVID-19   |
|  |   | Continue training programs in Japan for overseas local employees *6  | Not conducted due to COVID-19  |
|  |   | Continue overseas assignments via the global human resources development program (application based) *5  | Not conducted due to COVID-19  |
|  |   | Continue measures to maintain a 5-year turnover rate of 11% or less for young employees *5   | Achieved   |
|  | Diversity   | Proactive employment of foreign students studying in Japan *4  | Conducted chat sessions and other recruitment activities targeting foreign students but did not lead to employment   |
|  |   | Increase employment rate for disabled workers to 2.5% by FY2020 *5   | Conducted recruitment activities towards achieving goals but did not lead to employment  |
|  |   | Increase female employment rate to 30% or higher for technical and manufacturing positions and 40% or higher for sales and clerical positions *4   | Technical and manufacturing positions: approx. 20%<br>Sales and clerical positions: approx. 60%  |
|  |   | Increase number of female managers by 50% by the end of FY2020 compared to the end of FY2015 *4  | Achieved   |
| Social welfare   | Provide support such as vaccines and clothing to developing nations *5  | Did not conduct as the receipt of clothing donations was suspended due to COVID-19<br>Continued to collect plastic bottle caps   |  |
| Next-generation development  | Support wheelchair purchases *5   | Continued to collect soda can pull tabs  |  |
|  | Continue internship system *4   | Conducted at Nippon Chemi-Con head office and Kanagawa Research Center (for university graduates)  |  |
|  | Dispatch instructors for next-generation human resource development conducted by industry organizations *4                          | Participated in JEITA Human Resource Development Council Primary and Intermediate Education Working Group "Visiting Lecturers" project   |  |
|  | Increase participation in management by outside officers and creation of environment that promotes engagement *4                    | Attended various meetings as necessary and conducted on-site tours of plants   |  |
| <div><div>Corporate governance</div><div>Governance</div></div>           | Reflect results of internal controls efficacy evaluations on management *4  | Issued report to management on internal governance efficacy evaluation   |  |
|  | Compliance with basic policy on corporate governance *4   | In compliance with policies  |  |
|  | Communicate with shareholders and investors *4<br>(Explanation of financial results and constructive dialogue with major investors) | Earnings conference for institutional investors (May/November): Refrained from holding in-person conferences due to COVID-19<br>Used video streaming (including presentation by company representative) and other formats<br>Doubled frequency of financial results explanatory material disclosure (published quarterly on website) |  |
|  | Continue systematic implementation of compliance education *5   | Held tiered training, compliance training related to the Competition Act, and implemented education when conducting Competition Act/export audits  |  |
|  | Compliance  | Continue participation in UN Global Compact (participating since 2012) *3  | Reported status of annual activities   |
| Risk management  | Continue internal audits related to competition laws, export management, ethics, labor, and health and safety *5                    | CSR internal audits: conducted at five sites as planned  |  |
|  | Regular BCP validation, reviews *3  | Conducted annual regular updates, including the list of material suppliers<br>Created new list of plant BCP information  |  |
|  | Reinforce information leak prevention (data center, thin client, internal audits, etc.) *5  | Conducted internal audits as planned   |  |

(\*1 - \*6 : Name of the sites that the activities are implemented)

\*1 Takahagi Plant, Niigata Plant, CHEMI-CON EAST JAPAN CORP., CHEMI-CON YAMAGATA CORP., CHEMI-CON EAST JAPAN MATERIALS CORP., CHEMI-CON NAGAOKA CORP.

- E** Promote business activities focused on global environment
- S** Promote human resource development and work-life balance
- G** Ensure corporate governance, corporate ethics, and transparency of management

Sustainable  
Corporate  
Growth

◎: Achieved ○: Achievement rate of 80% or more △: Achievement rate of 50% or more ×: No progress —: Not evaluated in the fiscal year under review

| Degree of completion | FY2021 major activities and goals  | Related pages   |
|----------------------|--|---|
| ◎                    | Global warming prevention and energy conservation activities<br>-Improvement target in energy consumption per unit: 1% or higher per year<br>-Evaluating initiatives based on the Low-carbon Society Action Plan   | P29   |
| ◎                    | Appropriate management of chemical substances used by factories<br>-Environmental impact of chemical substances used by factories  | P31   |
| ◎                    | Zero environmental-related product accidents   | P10   |
| ◎                    | Effective use of resources and waste reduction, promotion of 3Rs<br>-Final disposal rate: 1.8% or less   | P30   |
| ◎                    | Continue improvements based on environmental management system (ISO14001)  | WEB <a href="https://www.chemi-con.co.jp/en/company/sustainability/environment/initiative.html">https://www.chemi-con.co.jp/en/company/sustainability/environment/initiative.html</a>       |
| ○                    | Promote biodiversity conservation activities   | P30 , P35   |
| ◎                    | Contribute to local communities  | P35   |
| ◎                    | Compliance with environmental laws   | P29   |
| ◎                    | Expand line of products enabling size reductions and higher temperature resistance and longer life   | P5 , P17 , P24  |
| ◎                    | Continue work-from-home system   |   |
| —                    | Continue welcome back program (rehiring program)   | WEB <a href="https://www.chemi-con.co.jp/company/sustainability/society/resources/welcomback.html">https://www.chemi-con.co.jp/company/sustainability/society/resources/welcomback.html</a> |
| ◎                    | Overtime: an average of 29 hours or less per month per employee  | P34   |
| ○                    | Paid leave usage rate and childcare leave usage rate: 70% and higher   | P34   |
| ◎                    | Continue mandatory rest between shifts   |   |
| ○                    | Continue healthy company activities  | P34   |
| ○                    | Conduct tiered training  | P33   |
| —                    | Continue training programs in Japan for overseas local employees   | P33   |
| —                    | Continue overseas assignments via the global human resources development program (application based)   | P33   |
| ◎                    | Continue measures to maintain a 5-year turnover rate of 11% or less for young employees  |   |
| △                    | Proactive employment of foreign students studying in Japan   | P32   |
| ×                    | Increase employment rate for disabled workers to 2.5% by FY2023  | P32   |
| ○                    | Increase female employment rate to 30% or higher for technical and manufacturing positions and 40% or higher for sales and clerical positions  | P32   |
| ◎                    | Increase number of female managers by 50% by the end of FY2025 compared to the end of FY2020   | P32   |
| △                    | Provide support such as vaccines and clothing to developing nations  | P25   |
| ◎                    | Support wheelchair purchases   | P25   |
| ◎                    | Continue internship system   | P32   |
| ◎                    | Dispatch instructors for next-generation human resource development conducted by industry organizations  |   |
| ○                    | Increase participation in management by outside officers and creation of environment that promotes engagement  | P36   |
| ◎                    | Reflect results of internal controls efficacy evaluations on management  |   |
| ◎                    | Compliance with basic policy on corporate governance   | P36<br>WEB <a href="https://www.chemi-con.co.jp/en/company/sustainability/governance/corporate/">https://www.chemi-con.co.jp/en/company/sustainability/governance/corporate/</a>            |
| ◎                    | Maintain frequency of financial results explanatory material disclosure<br>Promote rapid and fair information disclosure<br>Adopt automated update system to increase the speed at which timely disclosure and regular disclosure materials are updated to the website | WEB <a href="https://www.chemi-con.co.jp/en/company/ir/">https://www.chemi-con.co.jp/en/company/ir/</a>   |
| ◎                    | In addition to annual initiatives, we are also evaluating publishing articles related to compliance study groups and legal affairs in the company magazine   | P38<br>WEB <a href="https://www.chemi-con.co.jp/en/company/sustainability/governance/corporate/">https://www.chemi-con.co.jp/en/company/sustainability/governance/corporate/</a>            |
| ◎                    | Continue participation in UN Global Compact  | P25<br>WEB <a href="https://www.chemi-con.co.jp/en/company/sustainability/philosophy/ungc.html">https://www.chemi-con.co.jp/en/company/sustainability/philosophy/ungc.html</a>              |
| ◎                    | Conduct CSR internal audits at six sites<br>Adopt system of adding new deputy auditors for plants to conduct mutual audits   | P38   |
| ○                    | In addition to annual initiatives, create a new BCP response sheet at each plant   | P39   |
| ◎                    | Reinforce information leak prevention (data center, thin client, internal audits, etc.)  |   |

\*2 Manufacturing bases in Japan and overseas manufacturing bases \*3 Nippon Chemi-Con Group \*4 Nippon Chemi-Con Corporation \*5 Nippon Chemi-Con Corporation and Affiliates in Japan  
\*6 TAIWAN CHEMI-CON CORP., CHEMI-CON (WUXI) CO.,LTD., CHEMI-CON (MALAYSIA) SDN. BHD., P.T.INDONESIA CHEMI-CON

## E Environment Environmental Management

### Nippon Chemi-Con's Environmental Policy (Summary)

- Structures organization that operates at every level for conserving the global environment
- Sets environmental goals and targets, Improves environmental performances, Continuous improvements of EMS
- Considers biodiversity
- Observes all environmental laws, regulations, agreements, and internal standards
- Promotes Energy conservation, Proper control of Chemical substances in the products, Effective use of resources, Waste reduction
- Promotes the development and marketing of products that have a less environmental loads
- Educates and enlightens our entire workforce
- Prevents the environmental risks, and maintains management systems that minimize the impacts from the risks such as climate changes
- Releases information to the public positively, and promotes sufficient communication with the local community and stakeholders

### Compliance to the Laws and Significant Accidents Occurrence Status

Corresponding to the laws and regulations, depending on regulation parameters, Nippon Chemi-Con Group sets stricter independent standard value for management, and all legal standards are observed.

Our company is not responsible for any accidents involving environmental pollution.

### Environmental Activities



The Group has been participating in the Low-Carbon Society Action Plan

of the electrical and electronics industry since FY2013. The

Plan ended its chapter at the end of FY2020 and both the industry and our Group were able to achieve its goal.

From FY2021, we have set our annual average improvement goal of 1% and higher for energy consumption per unit in line with the industry. We have also started considering initiatives toward FY2030 with the industry's current consideration of setting challenging goals in mind. We promote Group-wide activities centered around the energy conservation working group consisting of employees in charge of energy.

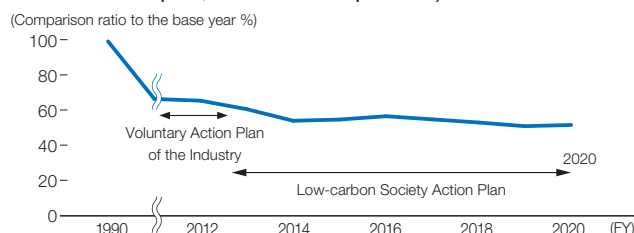
**Mid-term target** In light of "Low-Carbon Society Action Plan" by industrial associations:

**Toward FY2025:**  
Improvement target in energy consumption per unit → Annual average : **1%** and higher

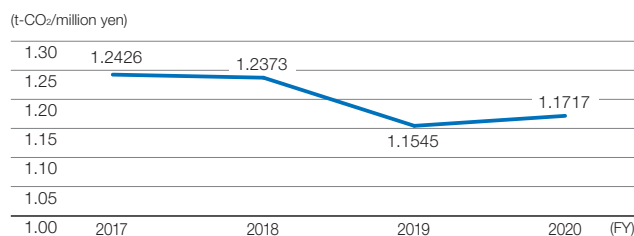
**Long-term target** In light of the common goal set by industrial associations:

**Toward FY2030:**  
Improvement target in energy consumption per unit → Annual average : **1%** and higher

CO<sub>2</sub> Emission (per unit of production; manufacturing bases in Japan; FY1990 comparison)



CO<sub>2</sub> Emission (per unit of production; manufacturing bases in Japan)



### Activity Results Breakdown of total CO<sub>2</sub> emissions by year \*1

(t-CO<sub>2</sub>)

| Fiscal Year                 | 2016    | 2017    | 2018    | 2019    | 2020    |
|-----------------------------|---------|---------|---------|---------|---------|
| Purchased electric power *2 | 489,601 | 518,243 | 476,074 | 428,225 | 373,316 |
| Grade A heavy oil *3        | 27,127  | 29,378  | 23,351  | 11,486  | 7,291   |
| City gas                    | 17,587  | 18,463  | 21,210  | 17,267  | 11,451  |
| LNG*3                       | 0       | 0       | 1,825   | 8,813   | 15,836  |
| Industrial steam            | 2,430   | 2,561   | 2,486   | 1,687   | 2,158   |
| Others                      | 2,260   | 2,702   | 2,252   | 1,584   | 1,884   |
| Total                       | 539,005 | 571,346 | 527,198 | 469,062 | 411,936 |

Notes: \*1. Aggregation scope: Total for overseas manufacturing bases (excluding Samyoung Electronics and Qingdao Samyoung Electronics), manufacturing bases in Japan and head office indicated on the "Global Network" page.

\*2. Overseas electricity consumption-CO<sub>2</sub> conversion factors: International Energy Agency (IEA) CO<sub>2</sub> Emissions from Fuel Combustion Highlights 2019, International Energy Agency (IEA)

Electricity consumption in Japan-CO<sub>2</sub> conversion factors: Calculated based on emission coefficient (adjusted emission coefficient) published by the Federation of Electric Power Companies of Japan. In FY2020, CO<sub>2</sub> emissions decreased compared to FY2019 due to reduced production of the material business.

\*3. Partial conversion of boiler fuel to LNG from grade A heavy oil in FY2018 and FY2019. As a result, CO<sub>2</sub> emissions from LNG combustion increased and emissions from Grade A heavy oil combustion decreased.

## Resource Conservation

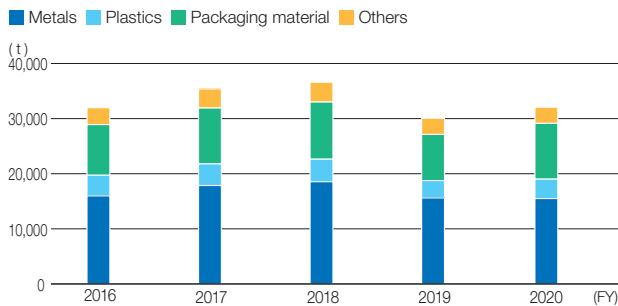


In the manufacturing activities of industries, the resources are essential element. Efficient use

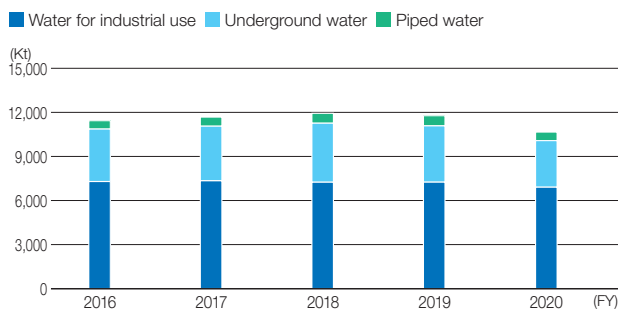
of such resources will protect global environment and ecology.

We encourage the “3R,” recycling, reusing, and reducing activities in order to contribute to the preservation of the environment.

### Trend of resource consumption by Nippon Chemi-Con Group (manufacturing bases in Japan and overseas)



### Trend of water consumption by Nippon Chemi-Con Group (manufacturing bases in Japan and overseas)



## Waste Reduction

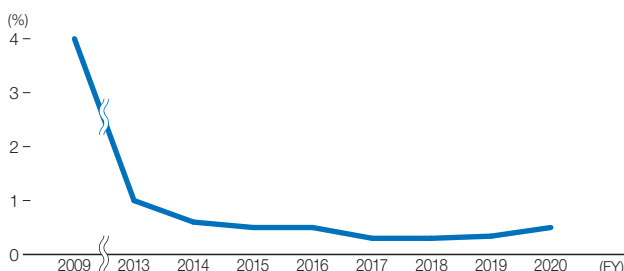


The Nippon Chemi-Con Group has addressed activities for resource

recycling and reduction in landfill disposal volumes by reducing the amount of industrial waste generated.

We further promote 3R, effective utilization and recycling of resources to reduce wastes including plastic waste and improve the final disposal rate.

### Trend of final disposal rate (manufacturing bases in Japan)



## Biodiversity Initiatives



In the Nippon Chemi-Con Group's activities to conserve biodiversity,

we will take actions for each of the three impacts on biodiversity.

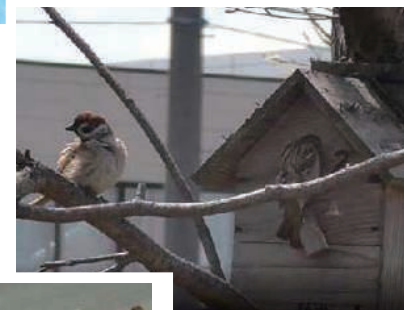
1. Impact from procurement of raw materials: In cooperation with our suppliers, we share views and mutual understanding concerning biodiversity, and move continuously ahead with activities.
2. Impact on ecosystems caused by manufacturing: Our manufacturing processes use energy and resources, and they emit CO<sub>2</sub>, waste water and other emissions. As this is an area where our Group's business activities directly have an impact, effective and continuous activities are ongoing.
3. Impact on biodiversity due to changes in environments surrounding our workplaces caused by our use of land: Consideration to local environment and surrounding ecosystem by securing green space in our premises and the social contribution activities.

Biodiversity offers indispensable and vital bounties (ecosystem services) to all of humanity. The activities that we are able to perform are steady and modest ones, we think. Yet we believe that each workplace employing its ingenuity, and continuing with what small activities it can accomplish, is a very significant thing. We will roll out such steady and continuous activities.



◀ Chemi-Con Yamagata Corp. Nagai Plant  
We conducted an organism survey in the pond on plant grounds and found Japanese fire belly newts breeding and nurturing a rich ecosystem. Japanese fire belly newts are classified as a near threatened species by Yamagata prefecture.

Nippon Chemi-Con Corporation Niigata Plant  
We installed bird houses in trees on plant grounds to promote the protection of wild birds. This year also saw the arrival of a new family.



◀ Chemi-Con East Japan Corp. Fukushima Plant  
We supported the Yabuki town “Hana Ippai (Flowers Everywhere) Campaign” and participated in planting many flower seedlings in roadside planters.

For more information, see the webpage below.

<https://www.chemi-con.co.jp/en/company/sustainability/environment/>  
[https://www.chemi-con.co.jp/company/sustainability/environment/pdf/environmental\\_data\\_2020-E.pdf](https://www.chemi-con.co.jp/company/sustainability/environment/pdf/environmental_data_2020-E.pdf)

## E Environment

## Green Procurement/Third-party Evaluation of Environmental Initiatives

## Management of Chemical Substances in the Products



Revised EU laws is enacted since July 2019 with 10 substances including 4 types of phthalic acid esters added newly. Moreover, same 4 types of phthalic acid esters will be regulated by threshold limit of 0.1wt% (total of phthalic acid esters) under EU REACH regulations from 2020. The regulatory environment surrounding our products are increasingly severe, and further comprehensive management system is required.

The Nippon Chemi-Con Group has constructed management system for chemical substances in the products based on JIS Z 7201 “JAMP\* Guidelines for the Management of Chemical substances in Products (CiP)” with “Keep Out, Do not Use, Do not Deliver, Do not Mix” as

our key words, at all production sites. To ensure thorough management of “Keep Out” from development stage of the products, we have introduced our original environmental approval system and material approval system to manage our purchasing materials and parts.

By combining those three management systems and the Green Procurement Standards, we are able to manage chemical substances in the products at various levels of corporate activities such as development, purchasing, production and sales.

Moreover, to ensure proper information distribution and to satisfy customer's requirements, we have been actively using chemSHERPA (Ver.2) which was developed under guidance of the Ministry of Economy, Trade and Industry of Japan.

\*JAMP: Joint Article Management Promotion-consortium

## Green Procurement and Green Supplier Approval System



In order to achieve products development that meet diversified customer's requirement, it is essential to construct cooperative relationship with suppliers and to share information in a timely manner.

The Nippon Chemi-Con Group has established “Nippon Chemi-Con Group Green Procurement Standards” from the viewpoint of procuring law-compliant raw materials and parts for ensuring a strict level of management. To cope with

latest laws, regulations and requirements of automotive customers, we revised our Green Procurement Standards for more thorough management. We also conduct periodical and continuous audit and evaluation on our suppliers to confirm their chemical substances management and environmental protection activities. Further, in order to support sustainable global procurement activities, we share regulatory information with suppliers through “Green supplier approval system,” and periodically audit and evaluate chemical substances / environment protection management of suppliers.

## Third-party Evaluation on Environmental Initiatives



Yuji Kishi

Professor emeritus,  
Keio University

In fiscal year 2020, the COVID-19 pandemic continued to disrupt human flows, logistics, and the economy worldwide. This caused major damage to supply chains, from material procurement to shipping, making it difficult for companies to respond to environmental issues. In spite of such difficult circumstances, your company has continued to make various

environmentally friendly efforts for sustainable development in line with your Basic Environmental Policy and showed steady progress suggesting new possibilities. In the area of carbon dioxide emission reduction, which is one of the pillars of the energy conservation field, the annual average of emissions per unit of production has met the target of 1% or less, but there has been a slight increase in emissions per unit of production. In order to meet Japan's policy of achieving carbon neutrality (net zero) by 2050, further innovations in the

energy mix will be inevitable, in addition to innovations in reducing emissions per unit of output.

In the area of resource conservation, there was a slight increase in the total amount of resources used, but alongside you showed a significant decrease in water consumption. In the area of biodiversity conservation, another pillar of our environmental contribution, your company continued to make contributions based on the use of their business sites. Your company's unique attempt to conserve rare species, such as the red-eyed newt, the small cyprinid freshwater fish *Pseudorasbora pumila*, and another fresh water small fish the southern killifish, *ex situ*, in several plant yards was maintained through cooperation among plants, and also with local citizens and schools. The outlook for the corona pandemic is not promising for significant mitigation at least for several years in future, and it is expected to be difficult to expand the scale of local contribution to biodiversity conservation, which is based on the expansion of human flow, over the next few years. So during those years, it would be desirable to focus on enhancing and expanding the scale of the *ex situ* conservation of rare species within the plant premises, and to emphasize the contribution to the support of local ecosystems through those measures, and prepare for new developments in the next few years, hoping that the pandemic be controlled significantly and local human (school children and citizen) flows will recover.



## Diversity



## Aiming to diversify management by promoting global HR development and active participation of females in the workplace

Amid continuing globalization, overseas production accounts for approximately 65% of production (in volume) at Nippon Chemi-Con and of our approximately 6,000 employees, about 60% are outside Japan. In the recruitment of new graduates, we set targets for the ratio of female and foreign students to be employed and provide support for career plans and regular interviews after entering the company. Regardless of age, gender, or nationality, we emphasize individuality among our diverse human resources. We believe that the new ideas created as a result of this diversity will contribute to the creation of technology that benefits both the environment and people.

## Initiatives of Nippon Chemi-Con and affiliates in Japan

## Active Participation of Women

- Percentage of female new graduate employment (most recent three fiscal years)  
Approx. 20%
- Percentage of women in management positions  
End of FY2020: Approx. 2%

Goal: We aim to increase the number of female section chiefs, section managers and deputy section managers as well as women in management positions by 50% by the end of FY2025 (compared to the end of FY2020).

Initiative examples: Further increasing awareness through training, providing opportunities for workers to interact with female senior staff in the position of section chiefs and above, distributing leaflets on support for balancing work and childcare.

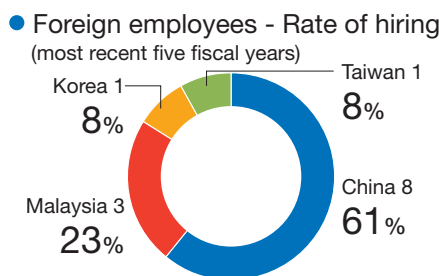


## Mid-Career Employment

- Status of employment  
FY2018: 12 people  
FY2019: 14 people  
FY2020: 1 person
- Percentage of mid-career employees in management positions  
End of FY2020: Approx. 13%

We continuously engage in mid-career employment activities to secure personnel capable of making immediate contributions and future candidates for management positions. In the past three fiscal years, we have employed 27 mid-career personnel who currently are positioned in various fields including development, sales, and clerical positions. We also provide individual training for mid-career employees to help them rapidly acquire an understanding of our organization.

## Foreign Students



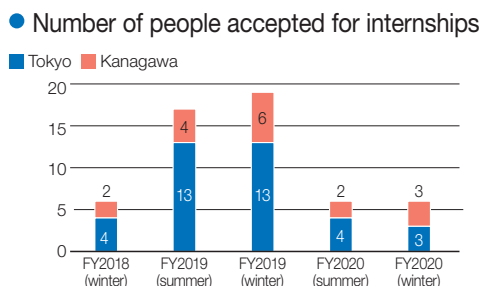
Nippon Chemi-Con practices the hiring of foreign students studying in Japan. Amid continuing globalization, our belief is that the employment of human resources who live in Japan and have an understanding of Japanese culture is vital. Since 2012, we have aggressively recruited foreign students in Japan. As of April 2021, we have 23 such personnel who are involved in a variety of roles in the company. Although there are no foreign employees in management positions, we will establish a career plan and present model cases as a foothold for becoming managers.

## Persons with Disabilities

- Status of employment  
End of FY2020: 1.78%
- Goal  
2.5% employment rate

Nippon Chemi-Con proactively conducts the employment of persons with disabilities. Not only does this include staff on site in our various factories and offices, but we also work to allow telecommuting to ensure a comfortable working environment. We are aiming for persons with disabilities to represent at least 2.5% of employees. The Nippon Chemi-Con Group will continue working to expand our overall employment and provide work opportunities for persons with disabilities.

## Internships



From winter of FY2018, we started an open recruitment of internships as part of our job training program. In FY2020, we held some internships online as measures for COVID-19. Thus far, acceptance had been limited to Tokyo and Kanagawa, but we will expand target regions to promote familiarity with Nippon Chemi-Con through various experiences such as disassembly and analysis of electronic components and circuit design.



► Employee safety: Please refer to P26 for industrial safety and health initiatives

## Nippon Chemi-Con Group Education System

Requirements of a Nippon Chemi-Con Group employee common to both domestic and international offices

- ① Employees who can take on increasingly difficult challenges
- ② Employees with high communication skills
- ③ Employees who can independently think and act from a global perspective

| Tiered training | Target persons  | Program                       | Number of participants for FY2020 |
|-----------------|-----------------|-------------------------------|-----------------------------------|
|                 | Managerial tier | New managerial staff training | 9                                 |
|                 | Practical tier  | Mid-career employee training  | Postponed                         |
|                 |                 | 5th year training             | Postponed                         |
|                 |                 | Follow up training I & II     | 90                                |
|                 |                 | New employee training         | 38                                |
|                 |                 | Prospective employee training | 38                                |

| Self-development | Target persons | Program                 | Number of participants for FY2020 |
|------------------|----------------|-------------------------|-----------------------------------|
|                  | All employees  | NBS (distance learning) | 621                               |

| Selective training | Target persons  | Program  | Number of participants for FY2020 |
|--------------------|-----------------|--|-----------------------------------|
|                    | Managerial tier | Newly appointed overseas representative training | None                              |
|                    | Practical tier  | Overseas pre-assignment training                 | 7                                 |
|                    |                 | Local overseas employee training system          | Cancelled                         |
|                    |                 | Global HR development program                    | Cancelled                         |
|                    |                 | Management capability assessment                 | 48                                |
|                    |                 | OJT leader training                              | 53                                |

| Other | Target persons | Program                | Number of participants for FY2020 |
|-------|----------------|------------------------|-----------------------------------|
|       | All employees  | Mental health training | 115                               |
|       |                | Harassment training    |                                   |

### •Tiered Training

Tiered training is a system of curriculum that serves as the foundation for long-term personnel development. We conduct tiered training sessions where we provide education on the skills required for each tier. In 2016, we established an additional system for employees who have been with the company for five years. We are focused on providing training that is in line with the needs of society and the company. Since 2017 we also have conducted OJT leader training at domestic affiliate companies. We aim to equip new employees with the ability to quickly engage in and contribute to business operations. This training will also help develop the basic management skills of supervisors in charge of education and training. To ensure diversity and raise awareness, internationalization training is included in new employee training. Due to COVID-19, we added online training options in FY2020 to respond to the demands of the times.

### •Selective Training

We also work to develop global human resources. With the goal of increasing employee skill levels at our overseas affiliates, since 2006 we have selected employees from overseas offices to participate in training conducted in Japan. Since then, already over 170 overseas employees have participated. Among those who have completed the training are numerous employees who are already working as managers overseas. We also started an overseas training program in FY2018. Through this program, employees in Japan selected through an open enrollment system are sent for training at an overseas affiliate. A total of seven employees have finished this program thus far. We were unable to conduct this program in FY2020 due to COVID-19, but we will expand target persons and make the program even more appealing.

Assessment training has been a requirement for promotion to management positions. From FY2020, we adopted a new

separate evaluation process to be promoted to supervisors. We will continue striving to develop human resources capable of thinking, deciding, and acting based on a global perspective and who are able to lead a team comprised of a diverse range of individuals towards goal achievement.

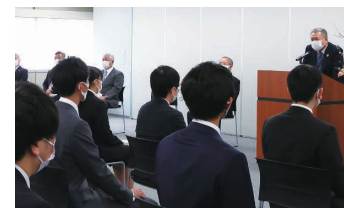
### •Self-Development

Nippon Chemi-Con and affiliates in Japan have partnered with a distance learning provider to offer distance learning courses covering nearly 200 subjects twice a year. This system enables employees to freely select courses to promote skill improvement. As an incentive, employees who complete courses with high scores are eligible for partial tuition subsidies from the company. Also, employees who complete coursework are allotted “career points,” which are a parameter in the evaluation of promotions and raises. Linking this education system to our HR system helps promote self-development.

### •Other

The Act on Comprehensive Promotion of Labor Policies (commonly referred to as the Power Harassment Prevention Act) was enacted in June 2020. This law requires companies to implement measures to increase worker awareness and understanding of power harassment as well as measures to promote awareness among workers of their colleagues’ language and behavior towards other workers. As part of these measures, we implement harassment training for Nippon Chemi-Con and affiliates in Japan.

We have started conducting training for managerial and supervisory staff from the second half of FY2020, and plan to do the same for all employees.





### Activity Details

Ensuring the health of our employees and their families enables employees to work with peace of mind and leads to growth for the company. Embracing the approach that employee health is a benchmark of corporate management status, we aim to provide a comfortable work environment that encourages all employees to actively engage in health management, health risk countermeasures, and health maintenance and improvement. To support the mental and physical health of our employees, we will strengthen our collaboration with health insurance unions and proactively adopt ICT in initiatives to promote health management.

Since FY2017, Nippon Chemi-Con and affiliates in Japan have participated in health management surveys

conducted by the Ministry of Economy, Trade, and Industry (METI) to promote effective health initiatives by quantifying health information.

In a survey of insurer implementation rates for designated health examinations and designated health guidance published by the Ministry of Health, Labour, and Welfare (MHLW) in FY2019, the Nippon Chemi-Con Health Insurance Union had a designated health guidance implementation ratio of 85.2% (figures from FY2017), ranking tenth in all health insurance unions (total of 1,635) in Japan. We will continue working towards increasing implementation rates as a way to contribute to health maintenance and improvement for health insurance union enrollees.

## Activities in FY2020 (Nippon Chemi-Con and affiliates in Japan)

### I. Health management initiatives

#### 1) Maintain a 100% health examination consultation rate and measures to increase rate of re-examinations.

Although we have a 100% health examination consultation rate, there is room to improve the rate of re-examinations. To ensure compliance with the Industrial Safety and Health Act and increase health awareness among employees, we will continue working to increase the rate of re-examinations.

#### 2) Providing designated health guidance based on health examination results

Using the results of designated examinations focused on metabolic syndrome, we will use dedicated staff to proactively provide designated health guidance to persons with high risks of lifestyle diseases and may greatly enhance their chances of disease prevention through lifestyle improvements.

Additionally, we visit all offices and plants and arrange to have industry doctors conduct interviews with employees who work long hours.

#### 3) Continuation of stress check system

We conduct the stress check system at all workplaces to expand opportunities for discovery with a focus on prevention. In doing so, we are working to prevent the rate of workers who suffer from mental illnesses or require a leave of absence. Starting FY2021, we adopted an online response system and will urge people to respond if they have not yet answered.

At the same time, we provide line care training for management personnel to provide opportunities for learning how to respond to consultations from subordinates.

### II. Health risk initiatives

#### 1) Total ban on smoking during work hours

Society is paying greater attention to measures against smoking because tobacco impacts not only the smoker but also the health of non-smokers due to second-hand smoke. Tobacco increases the risk of lung cancer and ischemic heart disease and can greatly impact future health. We promote various anti-tobacco measures from the desire to promote health maintenance.

In FY2020, the Nippon Chemi-Con Group initiated smoking bans during work hours as part of efforts to further prevent passive smoking.

#### 2) Lifestyle disease prevention

Health physicians and specialists use health examination results to provide health guidance to persons applicable to metabolic syndrome and pre-metabolic syndrome to support lifestyle improvements. To promote the prevention of common illnesses and lifestyle diseases related to eating habits and sleep, we regularly hold behavior improvement seminars at our offices and plants. To prevent the spread of COVID-19, in FY2020, Nippon Chemi-Con switched to online attendance as an alternative to group training. We will use online measures as well in FY2021, depending on conditions.

### III. Health maintenance and improvement initiatives

#### Implementing various measures to promote improvement of exercise habits

While many people understand the importance and joy of exercise, the reality is that, even with that understanding, few people habitually engage in exercise. To improve this situation, we are aiming to increase the rate of people regularly engaged in appropriate exercise, one of the categories on the Health Scoring Report used to evaluate the status of initiatives related to employee health status, medical costs, prevention, and health maintenance. In FY2020, we recommended participation in walking events sponsored by the Health Insurance Union in response to the difficulty in holding events that promote improvements in fitness habits due to COVID-19. We will continue to recommend proactive participation in walking events in FY2021.

### IV. Achieving work-life balance

We work to create a comfortable work environment that enables balance between work and childcare or family care in order to provide all employees with the opportunity to reach their full potential.

Nippon Chemi-Con has established an action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children. Through this plan, we aim for paid leave utilization rates and childcare leave utilization rates of 70% and higher, and to reduce average overtime to 29 hours or less per month, per employee. We are near achievement of these goals.

We will continue enhancing systems that promote flexible and diverse working styles.

## S Social



## Contributions to Local Communities

The Nippon Chemi-Con Group values communication with local communities and actively promotes local contribution activities in a spirit of coexistence and coprosperity.

## Relationships with Local Communities



“Shinai-motsugo” is a type of fish, registered as an endangered species by Ministry of Environment, found at Shinai-numa in Miyagi Prefecture.

Chemi-Con East Japan Corp. Miyagi Plant has been attempting hatching of Shinai-motsugo in its premises by guidance from NPO since FY2016.

In June 2019, we released Shinai-motsugo to their home “Katsurasawa-pond” with elementary school students. We also participated in the pond release event on September 9, 2020. As a member of community, we will perform activities that share the importance of passing on the rich nature to our future generations.



## Certificate and Letter of Appreciation in FY2020



The Nippon Chemi-Con Group received a letter of appreciation for its community contribution activities in FY2020.

• Chemi-Con East Japan Corp. Iwate Plant

“Iwate Environmentally Friendly Plant Certification”-4 stars (highest rank)

**Sponsor: Iwate Prefecture**

Iwate Prefecture recognizes plants that proactively implement measures to limit CO<sub>2</sub> emissions by certifying them as “Iwate Environmentally Friendly Plants.” In FY2020, the Chemi-Con East Japan Iwate Plant was awarded 4 stars, the highest possible rating.



## Environmental Volunteering Activities



For the purpose of environment protection, Nippon Chemi-Con Group conducts environmental volunteering activities every year, including cleanup of nearby areas, by our employees and their family members.



▲Cleaning activity of surrounding area by members of Chemi-Con East Japan Corp. Iwate Plant



▲Cleaning activity of surrounding area by members of Chemi-Con Yamagata Corp. Yonezawa Plant

Regional Cooperation for Conservation of the Endangered Minami-Medaka (Japanese rice fish/*Oryzias latipes*)

The Chemi-Con East Japan Iwate Plant has worked to protect the Minami-Medaka (Japanese rice fish/*Oryzias latipes*), which has been designated as a Vulnerable species on the Ministry of Environment Red List since 2015.

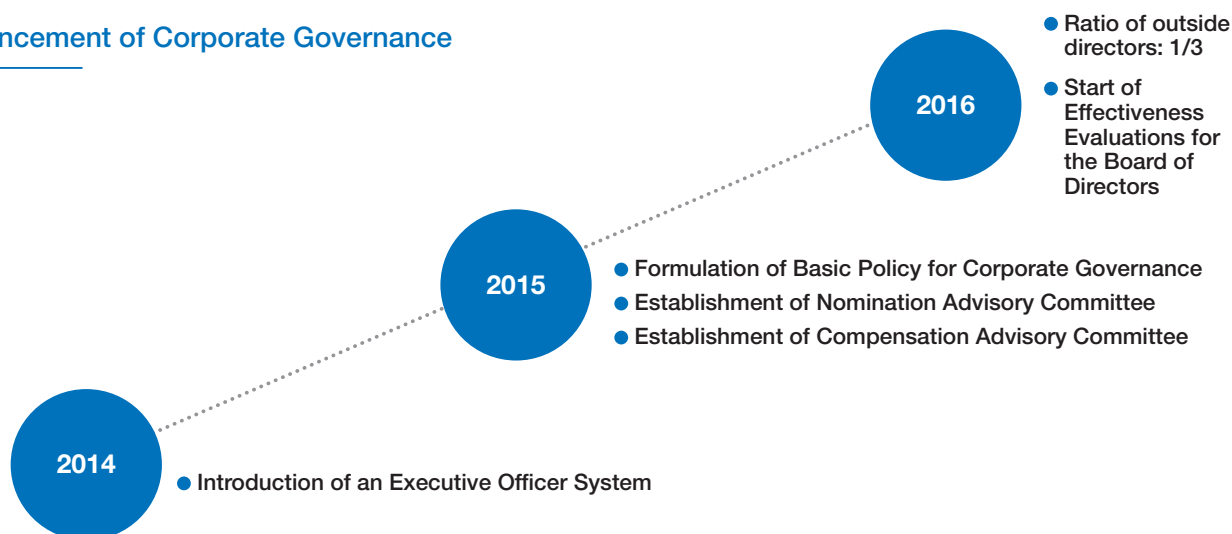
These activities started from protection of medaka native to the local Kitakami River using the pond located on plant grounds to leave regional medaka to the children of the future. Our donation of the medaka raised on plant grounds to nearby elementary schools helped spread the circle of conservation.

In 2016, we started a partnership with TDK Akita Kitakami Plant, which is located in the same region by donating approximately 30 medaka. In October 2019, we helped the grown medaka return home by releasing them into the Chemi-Con East Japan Iwate Plant pond. We will continue to cooperate with the people of the Kitakami region towards medaka conservation.





## Enhancement of Corporate Governance



## Basic Concept

Nippon Chemi-Con's basic concept of corporate governance is to ensure the transparency and efficiency of management for shareholders and all other stakeholders.

In addition to legal functions such as General Meeting of Shareholders, the Board of Directors, the Audit & Supervisory Board, and Accounting Auditor, the company established the internal control systems, and continuously provided information on business conditions through briefing session on financial results and timely disclosure to implement sound, efficient and transparent corporate management.

## Our Corporate Governance System

Nippon Chemi-Con is a company with an Audit & Supervisory Board. The company has introduced an executive officer system in the company since June 2014 in order to have a distinct separation between inspection and supervision of management and execution of operations. The company concurrently reduced the number of directors but appointed one outside director to strengthen the function of inspecting and supervising management. In June 2015, the number of outside directors was increased to two to reinforce the function.

Additionally, to supplement the function of the Board of Directors, in November 2015 we established a Nomination Advisory Committee and a Compensation Advisory Committee. For both the Nomination Advisory Committee and the Compensation Advisory Committee, the chairperson is an independent outside director and half of the members are independent outside directors.

Our Audit & Supervisory Board comprises four members. The board audits decisions made by directors

and operational executions carried out by executive officers, the business and financial positions of Nippon Chemi-Con and its subsidiaries in Japan and overseas.

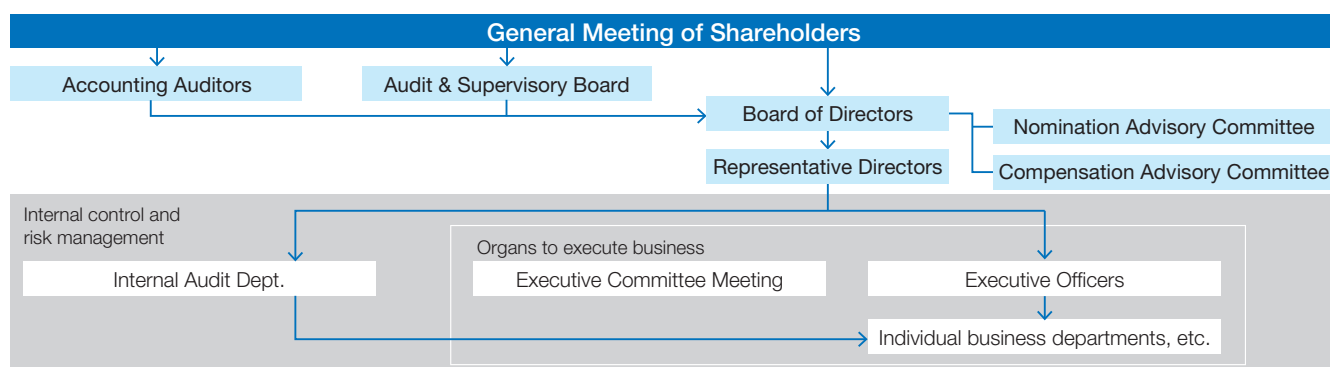
## Business Supervision and Audit Function

Nippon Chemi-Con uses an executive officer system to separate the business monitoring and supervision function and the business execution function of company directors in order to strengthen the business monitoring and supervision function of directors.

The Audit & Supervisory Board monitors the state of governance and business management, and also monitors daily business activities, including the activities conducted by directors. Specifically, Audit & Supervisory Board Members working under guidelines outlined in auditing policies and audit plans created by the Audit & Supervisory Board attend board of directors meetings and conduct factory visits to investigate and validate the status of work implementation and business management, and conduct audits to determine the existence of circumstances that violate laws or the Articles of Incorporation, or that could harm the interests of shareholders and other stakeholders.

In addition to Audit & Supervisory Board Members fulfilling a role as a legal entity, we also have established the internal audit department which reports directly to the company president. The internal audit department works to strengthen monitoring functions for transactions and other general business activities. The internal audit department conducts regular internal audits of management systems related to all aspects of business and provides detailed advice and recommendations aimed at improvement of work processes and reinforcing compliance.

## Details of the Corporate Organs



|  |  |
|--|--|
| <b>Board of Directors</b>              | Nippon Chemi-Con's Board of Directors comprises six members. The Board of Directors with this small number has enabled to make swift decisions and appointed two independent outside directors who are disinterested in the company to reinforce the function of inspecting and supervising management. The Nippon Chemi-Con Articles of Incorporation outline that the company shall appoint no more than 10 people to the Board of Directors.  |
| <b>Executive Officer System</b>        | Nippon Chemi-Con has introduced an executive officer system to make separation between the function of the Board of Directors' decision making in management and of directors' inspecting and supervising operations and the function of executive officers' executing operations. Executive officers swiftly execute operations based on decisions in management by executing matters determined by the Board of Directors.   |
| <b>Audit &amp; Supervisory Board</b>   | The Audit & Supervisory Board inspects the state of the corporate governance, the steering situations, and daily activities in management including those performed by directors. The Board works closely with the internal audit department and the corporate auditor to exchange reports, opinions, and information.   |
| <b>Nomination Advisory Committee</b>   | The Nomination Advisory Committee consult with other members about the content of a draft to be proposal to a General Meeting of Shareholders concerning selection and dismissal of directors and members of the Audit & Supervisory Board and the content of a draft to be proposed to the Board of Directors concerning selection and dismissal of executive officers. Such consultations are conducted prior to determination of such proposals in light of the "Standards for Selection of Directors and Executive Officers" and the "Standards for Selection of Members of the Audit & Supervisory Board" set by the company, the conclusions of which are recommended to the Board of Directors. |
| <b>Compensation Advisory Committee</b> | The Compensation Advisory Committee consult with other members about matters concerning compensation of directors and executive officers and expenses opinions and advice to the Board of Directors. Such consultations are conducted after the committee considers the business scale and levels of compensation of employees of the company, and decent third party's study conducted periodically on compensation of corporate management, etc. in addition to levels of compensation of other competitors, socio-economic conditions, etc.   |
| <b>Executive Committee Meeting</b>     | Nippon Chemi-Con has established the Executive Committee Meeting for making swift decisions. The committee, which is the consultation organ on operational execution policies, holds weekly meetings, in principle, in order to examine important subjects in management.  |

## Selection of Outside Officers

Of the six directors of Nippon Chemi-Con, two are outside directors. Also, of our four Audit & Supervisory Board Members, two are outside Audit & Supervisory Board Members. In addition to the parameters outlined in the Companies Act, we established our own "Criteria for appointment of outside officers that ensure independence from Nippon Chemi-Con" to ensure highly independent audits and supervision by our outside officers. Outside officers are selected based on these standards.

All four outside officers are registered with the Tokyo Stock Exchange as independent officers.

## Officer Compensation

Compensation for Nippon Chemi-Con directors is designed and managed as a system that is both linked to performance and investor long-term income and to the promotion of personnel growth and development. Our basic policy is to achieve an appropriate and fair balance that further increases director motivation toward maximizing corporate value. For the purpose of enhancing the independence and objectivity of functions related to determining directors' compensation, we establish a Compensation Advisory

Committee to deliberate on matters related to directors' compensation, after which a decision is made by the Board of Directors. The Nippon Chemi-Con Board of Directors has determined that the Representative Director is the most appropriate person for comprehensively assessing the level of contributions to overall Company performance made by the departments overseen by each director. As such, the Board entrusts decisions on individual compensation for each director to the Representative Director.

Furthermore, compensation for executive directors is comprised of monthly compensation and performance linked compensation, which is determined based on company performance for the given fiscal year and individual performance. As performance-linked compensation is not appropriate for non-executive directors and outside directors, their compensation consists solely of monthly compensation. Compensation for Audit & Supervisory Board Members is monthly compensation only, which is determined as individual fixed compensation based on deliberations by Audit & Supervisory Board Members.

Policies concerning decisions on compensation for individual directors are determined following consultation with and a review by the Compensation Advisory Committee.

| Officer category  | Total compensation (million yen) | Total compensation by type (million yen) |                                 |                    |  | Number of applicable officers |
|---|----------------------------------|--|---------------------------------|--------------------|--|-------------------------------|
|   |                                  | Fixed compensation                       | Performance-linked compensation | Retirement bonuses | Non monetary compensation (within types on the left) |                               |
| Directors (excluding outside directors)   | 163                              | 148                                      | 14                              | —                  | —  | 4                             |
| Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members) | 41                               | 41                                       | —                               | —                  | —  | 3                             |
| Outside officers  | 34                               | 34                                       | —                               | —                  | —  | 4                             |
| Total   | 239                              | 225                                      | 14                              | —                  | —  | 11                            |

(For the fiscal year ended March 31, 2021)

## Effectiveness Evaluations for the Board of Directors

To improve the overall functionality of our Board of Directors, Nippon Chemi-Con conducts evaluations based on our Basic Policy for Corporate Governance to ensure the Board of Directors is functioning appropriately in accordance with this policy. Directors and Audit & Supervisory Board Members comprising the Board of Directors complete surveys on Board of Directors' agendas and management status. These surveys are used to conduct an effectiveness analysis and evaluation of the Board of Directors.

In FY2020, we received feedback that the Board of Directors demonstrated balanced meeting management, including allowing time to deliberate important matters and that the Board of Directors was effectively monitoring the status of business strategy implementation. We also received recognition that improvements had been made to

Board of Directors' deliberations and agendas. Based on these results, our evaluation concluded that the company was largely maintaining the effectiveness of the Board of Directors. On the other hand, we confirmed issues indicating room for improvement. These include ensuring that the Board of Directors exercise their influence with appropriate timing in relation to deciding and revising corporate strategy, securing time to deliberate matters related to important agenda items by narrowing the focus of matters for deliberation, and increase explanations that enable appropriate managerial judgments (avoid use of industry terminology and internal lingo, focus explanations on key points, etc.), and so on.

In light of this analysis and evaluation, we will continue with initiatives aimed at increasing the effectiveness of the Board of Directors.

## G Governance



## Compliance

### Compliance Promotion System

The Nippon Chemi-Con Group has established internal regulations related to compliance and appoints a managing compliance officer as the chief officer in charge. This chief compliance officer oversees a compliance committee which works to draft compliance policies and action plans related to compliance, and conduct monitoring of implementation progresses for these initiatives. Each department in Nippon Chemi-Con and company of the Group has assigned a compliance officer and compliance staff who work to promote and reinforce policy related to compliance.

To further ensure overall compliance, we conduct CSR internal audits of each factory to confirm that management systems related to labor, health and safety, and ethics at all factories are constantly operating effectively.

As compliance education, we hold seminars on CSR, competition laws and insider trading regulations in new employee training and continuous training conducted at each employee level. Through these seminars, we teach all employees that compliance is at the forefront of all our corporate activities. One initiative related to ensuring compliance with competition laws is to invite external lecturers (attorneys) to hold competition law seminars. At

the same time, we drafted the Basic Policies Concerning Compliance with Competition Laws and other internal regulations and manuals which are applied to internal audits conducted by the legal affairs department every year.

### Whistleblowing System

The Nippon Chemi-Con Group has established "Rules on Handling of Whistleblowing," through which we established a consultation desk and whistleblowing help desk for employees (Nippon Chemi-Con in-house standing statutory member of the Audit & Supervisory Board and Administration Department manager) as part of a system for ensuring the early discovery and prevention of legal infractions and to protect whistleblowers. During compliance training, we explain the importance and effectiveness of whistleblowing to promote awareness about the whistleblowing system. To address questions that arise during daily operations, the department in charge of legal affairs serves as a help desk to provide legal consultation and help prevent compliance risks before they arise.



Whistleblowing system

<https://www.chemi-con.co.jp/en/company/sustainability/governance/compliance/whistleblowing.html>

## G Governance

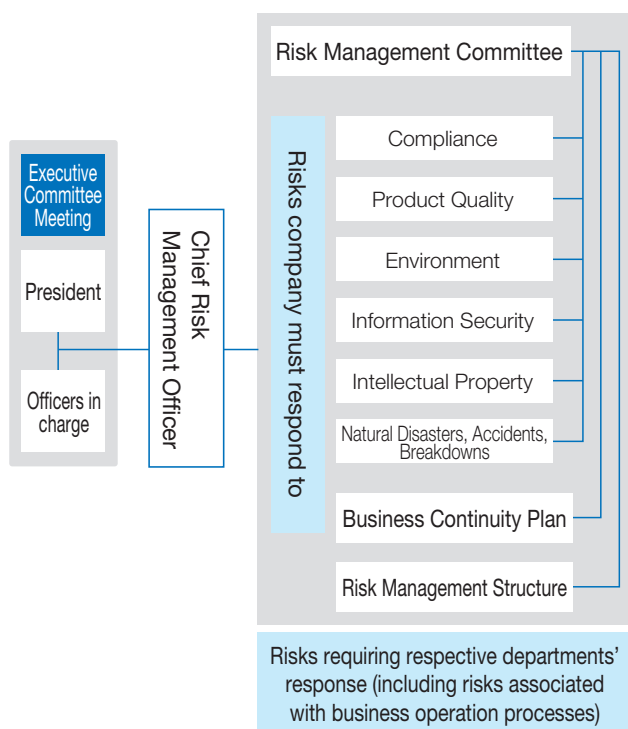
## Risk Management

The Nippon Chemi-Con Group has established Basic Policy for Risk Management to prevent risks, including human error and natural disaster, which could have a major impact on business and minimize the subsequent risks to stakeholders. We use Basic Regulations for Risk Management and other relevant regulations to maintain and enhance our risk management system.

### Risk Management Promotion System

The Nippon Chemi-Con Group designates the executive in charge of risk management (executive officer in charge of the Nippon Chemi-Con Administration Department) as the chief risk management officer who is in charge of drafting and implementing risk management policy and action plans. This chief risk management officer oversees a risk management committee, which promotes policy related to risk management. This committee works to draft risk management policy that is applied to the entire Group, draft action plans related to risk management, and conduct monitoring of implementation progress for these initiatives. The committee is comprised of the chief risk management officer, managers of departments in charge of risk management, and Audit & Supervisory Board Members.

### ► Risk Management System



The committee meets once each half year and holds provisional meetings when necessary.

### Risk Management Response

The Nippon Chemi-Con Group drafted Business Continuity Regulations to prepare for interruptions in business activities caused by fire, earthquake, or other natural disasters or unpredictable incidents. Based on these regulations, we promote the establishment and maintenance of our business continuity plan (BCP).

Following the Great East Japan Earthquake of March 2011, the Nippon Chemi-Con Group has gradually established information infrastructure consisting of phones for emergency and tablet PCs, emergency provisions, and an employee status confirmation system. Based on the BCP, we regularly conduct emergency evacuation and fire drills. When the state of emergency was declared due to the COVID-19 pandemic, we adopted telecommuting mainly in the Tokyo metropolitan area and major cities such as Nagoya, Osaka, and Fukuoka to reduce the number of commuting employees to roughly 20%. For employees commuting to work, we adopted flexible time schedules to avoid crowded public transportation. These and other measures enable us to maintain a minimum level of business operations.

We will continue to develop and evaluate our risk management measures in order to minimize the impact on stakeholders caused by unpredictable incidents.

### Risk Factors

Nippon Chemi-Con Group positions risk management as the highest priority matter involving corporate leadership. Nippon Chemi-Con Group has established a Risk Management Committee in accordance with our Basic Policy for Risk Management. This committee is responsible for the centralized management of Group risks. We categorize existing and potential risks as strategic risks, financial risks, hazard risks, and operational risks. Twice a year, these risks are evaluated by the Risk Management

Committee, which provides reports during Executive Committee Meetings.

Among identified and reported risks, the following are major risks with the potential to impact the operating results, stock price, cash flow, and financial position of consolidated companies. Furthermore, forward-looking statements are judgments made by the Nippon Chemi-Con Group at the end of the consolidated fiscal year 2020 (March 31, 2021).

### 1 Risks concerning economic conditions

Nippon Chemi-Con Group's principle business is manufacturing and sales of capacitors and other electronic components. Our business has expanded globally, covering regions including Japan, Americas, Europe and Asia, and therefore, changes in the economic conditions of these regions and countries, where our products are sold, have the potential to impact the operating results and financial position of Nippon Chemi-Con Group.

### 2 Risks concerning exchange rate fluctuations

Products of Nippon Chemi-Con Group are sold not only in Japan but also in Americas, Europe and Asia, and the proportion of consolidated net sales accounted for by overseas sales stood at 76.0% in FY2019, and 80.0% in FY2020. Although we forward exchange contracts to hedge the risk of exchange rate fluctuations, it is impossible to eliminate all such risk, and therefore such fluctuations may affect the operating results of Nippon Chemi-Con Group.

In preparing consolidated financial statements, those of our foreign affiliates are converted to JPY. Even if the values remain unchanged in local currencies, yen translations may fluctuate and thereby affect our business results.

### 3 Risks concerning price competition

Aluminum electrolytic capacitors, our main product, are subject to price competition between competitors in Japan and overseas, which carry the risk of impacting the operating results and financial position of the Group. As our Group conducts business activities in various countries and markets, we must respond to price competition risks based on specific factors of each country and market. Relevant risk factors include fluctuations in production and sales costs, rises in material costs, and innovations in production technology of each country and region. Our Group, which has a high ratio of overseas sales, constantly faces the threat of international competition. As such, intensifying price competition could not only drive down profits, but could also cause a drop in our global market share. One of our strengths is our integrated production system for everything from material development to product sales. We will take advantage of this structure to promote cost reductions by optimizing production systems. At the same time, we will increase our competitive strength by developing products

with high added value and high profitability, and by expanding sales in core markets. We take measures against risks in line with the abovementioned business strategies, but intensifying price competition could impact the operating results and financial position of the Group.

### 4 Risks concerning raw material price fluctuations and procurement

Nippon Chemi-Con Group operating results and financial position may be impacted by cost increases attributable to increased procurement prices for raw materials such as aluminum foils and heavy oil or delays in product shipments caused by difficulty in procuring raw materials.

Nippon Chemi-Con Group implements various risk avoidance measures, including promoting continuous cost reductions by engaging in local procurement at overseas manufacturing companies and pursuing productivity improvements. Nippon Chemi-Con Group also purchases raw materials from multiple suppliers and engages in regular credit management of our suppliers. However, Nippon Chemi-Con Group operating results and financial position could be impacted in the event of an extreme increase in raw material prices or extensive raw material shortages caused by natural disasters or other conditions.

### 5 Risks concerning product defects

Nippon Chemi-Con Group conducts manufacturing at each global production site in accordance with globally recognized quality management standards (UL standards, AEC-Q200, etc.).

However, there is no guarantee that we will not experience product defects in any of our products at some point in the future. Although we do have product liability insurance, there is no guarantee that this insurance will be sufficient to fully cover liability compensation amount.

Furthermore, we have obtained certification such as ISO9001 and IATF16949 at all manufacturing sites as part of efforts to strengthen quality management. However, Nippon Chemi-Con Group operating results and financial position could be impacted by the occurrence of a largescale product defect.

### 6 Risks concerning laws and public regulations

Significant changes in laws and public regulations in regions both at home and overseas, where Nippon Chemi-Con Group operates its business, may influence the business results and financial position of Nippon Chemi-Con Group. Besides expenses to comply with such regulations, criminal penalties and administrative actions including governmental charges or payment of compensation in case of violation against laws and public regulations, may also influence the business results and financial position of Nippon Chemi-Con Group.

Nippon Chemi-Con Group's business is subject to environmental regulations, and introduction of new regulations or the significant changes in the existing ones may pose the risk of environmental responsibility to Nippon Chemi-Con Group.

Nippon Chemi-Con Group is using legal means to respond to some decisions by the competition law authorities of various countries to assess fines against our Group in relation to aluminum electrolytic capacitor transactions. Separately from the above, civil lawsuits have been filed against Nippon Chemi-Con and our subsidiaries in relation to this case in the United States and Canada. Among the civil lawsuits related to this matter, there is a class action civil lawsuit in the USA where the plaintiff consists of direct purchasers demanding compensation for damages. This lawsuit has the greatest potential to have a major impact on the operating results and financial position of the Group due to the volume of product transactions we have with the plaintiff group. The formal trial for this lawsuit is scheduled to start anew in November 2021. As such, a verdict is assumed to be handed down on a date beyond that. However, we cannot deny the possibility that a verdict could be reached prior to the trial or that the case will be closed with a settlement.

If these legal proceedings result in what we deem to be an unfavorable verdict or in the event we are required to make payments as part of a settlement, it may impact the operating results and financial status of the Group.

#### 7 Risks concerning natural disasters and unpredictable events

Nippon Chemi-Con Group operating results and financial position could be impacted by a stop in production caused by facility damage or difficulty in supplying electricity or water due to natural disasters such as earthquakes or some unpredictable events. The spread and prolongation of the COVID-19 pandemic not only has the potential to cause economic downturn but may also impact the continuation of business operations due to the suspension of operations requested by national governments. We prioritize the safety and health of our employees and stakeholders and will continue to gather information and cooperate with administrative authorities. At the same time, we will implement various infection prevention measures to continue operations, including telecommuting and staggered working hours, as well as adopting tools for remote work.

### Topic 3

#### Short interview

### Dialog with Chemi-Con employees! The company's initiatives related to the SDGs

Q

How can our products contribute to SDGs?

**A** For example, the DLCAP™ module we developed effectively recovers regenerated energy to increase the fuel economy of customer products. This type of technology helps reduce CO<sub>2</sub> emissions and can contribute to realizing a low-carbon society. We have been notified from a customer that the use of regenerative energy in automotive electronics can reduce the CO<sub>2</sub> emissions of a single vehicle by 72kg per year (10% improvement in fuel economy, driving 6,000km per year). This technology is also used in wind power generation and solar power generation. At our own plants, solar power using Nippon Chemi-Con products helped us reduce CO<sub>2</sub> emissions by 1 ton per year.

Nippon Chemi-Con products are also used in building seismic damping systems and vending machines that can be used in emergency situations to provide power during natural disasters. Nippon Chemi-Con products not only meet the needs of our customers, but also serve to benefit society as a whole by supporting industry infrastructure, environmental conservation, and disaster prevention.



**Ms. Yamaguchi,  
Mr. Yasumoto**  
R&D Headquarters

Q

How will we be involved in SDGs in future years?

**A** Personally, I believe we must look beyond our own products by first taking a broad perspective towards societal issues. Then we can work to see how our technology can be applied to resolving those problems. To put it another way, I hope we can contribute to the SDGs by taking an outside-in approach through which we begin by looking at problems in society and then advancing technology development to address those problems. One issue I currently think about is the energy loss that occurs in everyday life (for example, when walking or when out under the sun). I'm hoping we can effectively recover and reuse that energy.





## Issues related to achieving corporate reforms

**Kinya Kawakami**  
Outside Director

Six years have passed since I assumed the position of outside director. As I did last year, I want to take this opportunity to share observations made during the course of performing my duties.

FY2020 resulted in a difficult operating environment that was filled with dramatic change. We recorded an operating loss in the first quarter due to the impact of COVID-19 incurred at the beginning of the fiscal year. Earnings edged back into profitability on increased demand for notebook computers and home video game consoles driven by stay-at-home demand and increased telecommuting. Then, with the recovery of the automotive electronics market, the Company has recorded profitable earnings since the third quarter. At the same time, the Company faced risks associated with the recovery of global logistics, including a container shortage that is causing shipping delays and driving up logistics costs. I believe Nippon Chemi-Con being able to achieve a profitable year amid such conditions is attributable to the efforts of its employees. Considering the ongoing environment caused by COVID-19, I believe it important that this opportunity be used to implement reforms that will enable the Company to firmly withstand market environment changes and risks. Specifically, two issues come to mind.

First, there is the issue of building a production line capable of flexibly responding to market fluctuations in orders received.

- The Company produces numerous types of electrolytic capacitors but how does the Company ensure efficiency in its response to orders?
- How can the Company increase production line flexibility?

This will require that the Company segregate production sites and reevaluate line structures, optimize personnel placements, promote facility automation, and conduct appropriate capital investments. Nippon Chemi-Con must engage in a company-wide effort, including reevaluating product specifications.

The next issue is enhancing product development capabilities. The Company has a vast development agenda and I know that the development team works very hard. And with the push towards becoming carbon neutral and the EU movement to switch to EV by 2035, the Company also must address new development agendas.

-How does the Company overcome this competition?

As seen with the announcement in June of this year that Nippon Chemi-Con has begun development of mass production technology for the novel conductive carbon “NH Carbon™” for lithium-ion batteries, Nippon Chemi-Con has the R&D structure and personnel needed to develop new materials, aluminum electrode foils, electrolytes, and sealing materials. I am confident that the efforts of these employees will lead to new technology development, expand on existing technologies, and result in the development of products that fulfill the needs of customers.

Amid this difficult environment of competition, I will focus on the above two points while working to help increase the corporate value of the Nippon Chemi-Con Group.



## Promoting discussion on the future of the company

**Suzuko Miyata**  
Outside Director

The impact of the ongoing COVID-19 pandemic has forced changes in the way we live. This also suggests major changes in a post-COVID-19 society. The acceleration of commercial applications for IoT in relation to the various discoveries made amidst such change will drive expectations for the development of new electronics components. And the commercialization of such products will further drive demand. This represents an opportunity for Nippon Chemi-Con to discover new seeds for further growth. As an outside director, I will focus on how much the spirit of corporate governance has been incorporated into Nippon Chemi-Con's compliance framework. From the perspective of making social contributions, a major issue will be how Nippon Chemi-Con achieves contributions to the SDGs. Management must continue to drive innovation in advanced technology while outlining a sustainable plan for achieving transcendent growth.

Under the new structure launched on June 29, Nippon Chemi-Con is addressing these medium- and long-term topics by engaging in spirited discussion about the future of the company. One role of the outside director is to approach various management issues from the perspective of a stakeholder in order to contribute to corporate growth and increasing corporate value. I expect Nippon Chemi-Con will embrace the challenges ahead to respond to the needs of a diversifying society while also maximizing company profits. I want to contribute to this process by offering frank opinions from my perspective as an outside director.



## Improving “social value” and “economic value”

**Fumio Morita**  
Outside Audit & Supervisory Board Member

Having served as an outside Audit & Supervisory Board member of Nippon Chemi-Con since 2016, this year marks my fifth year in this position. FY2019 earnings resulted in net losses of 5,926 million yen. I view operating losses as the use of management resources in the form of people, property, and capital towards the destruction of economic value (corporate value). I believe in the Creating Shared Value (CSV; Michael E. Porter) approach; the idea that the purpose of a company is to create both social value and economic value. As such, the audits I conduct as an outside Audit & Supervisory Board member are conducted from the perspective of increasing social value and economic value.

In FY2020, a particular area of focus for me was on achieving profitability (economic value) by implementing company structural reforms to improve its revenue structure.

Aggressive structural reforms to achieve streamlining resulted in the creation of economic value in the form of net profit of 2,038 million yen for FY2020.

The Audit & Supervisory Board of Nippon Chemi-Con actively reviews various issues by attended meetings of the Board of Directors and the Audit & Supervisory Board, by meeting with management, and by interviewing the corporate auditor and internal auditors. The Audit & Supervisory Board works to enhance audit functions by preventing disengagement from corporate governance.

Lastly, as the company heads towards its 100th anniversary in 2031, I want to also focus on Nippon Chemi-Con's creation of social value.

## G Governance



## Executive Members (As of June 29, 2021)



### Currently

President and Chief Executive Officer

### Formerly

CQO and Division Manager of Quality Assurance Headquarters, Nippon Chemi-Con Corp., CTO and Division Manager of R&D Headquarters, Nippon Chemi-Con Corp.



### Currently

Senior Managing Executive Officer (CQO and Division Manager of Quality Assurance Headquarters and Production System Headquarters)

### Formerly

Division Manager of Material Division Headquarters, Nippon Chemi-Con Corp., Plant Manager of Niigata Plant, Plant Manager of Takahagi Plant, Nippon Chemi-Con Corp.



### Currently

Managing Executive Officer (CFO, Officer in charge of Accounting Dept./Corporate Strategy Dept.)

### Formerly

Department Manager of Division Planning Dept., Material Division Headquarters, Nippon Chemi-Con Corp., Department Manager of Accounting Dept., Planning Headquarters, Nippon Chemi-Con Corp.



### Formerly

Executive Officer and Deputy Officer in charge of Accounting Dept., Nippon Chemi-Con Corp., President of Iwate Electric Industry Co., Ltd., Department Manager of Administration Dept. of Chemi-Con (Wuxi) Co., Ltd.



### Formerly

Senior Executive Officer, Nippon Chemi-Con Corp., President of Chemi-Con East Japan Corp.



### Formerly

Director and Managing Corporate Officer, Head of Corporate Social Responsibility Division, Head of Corporate Finance & Accounting Dept., The Yokohama Rubber Co., Ltd.; President of PRGR Co., Ltd.



### Currently

Head of Shuji Ota CPA Office  
External Director of Tri Chemical Laboratories Inc.

### Formerly

Senior Partner of Century Ota Showa & Co. (currently Ernst & Young ShinNihon LLC); Auditor of Japan International Broadcasting Inc.

### Executive Officers

|  |                            |                          |                         |
|--|----------------------------|--------------------------|-------------------------|
| President and Chief Executive Officer  | <b>Norio Kamiyama</b>      | Senior Executive Officer | <b>Kenichi Konno</b>    |
| Senior Managing Executive Officer, CQO | <b>Yoshifumi Minegishi</b> | Executive Officer        | <b>Kentaro Nakaaki</b>  |
| Managing Executive Officer, CFO        | <b>Osamu Ishii</b>         | Executive Officer, CTO   | <b>Katsunori Nogami</b> |
| Senior Executive Officer               | <b>Takumi Iwata</b>        | Executive Officer        | <b>Katsuaki Abe</b>     |
| Senior Executive Officer               | <b>Takayuki Ito</b>        |                          |                         |

**Currently**

Senior Executive Officer (Division Manager of Sales Headquarters)

**Formerly**

Department Manager of Sales Planning Dept., Sales Headquarters, Nippon Chemi-Con Corp., President of Hong Kong Chemi-Con Ltd., Chairman of Shanghai Chemi-Con Trading Co., Ltd.

**Formerly**

Director and Managing Corporate Officer, Head of Global Procurement Division, Head of Corporate Social Responsibility Division, Head of R&D Center, The Yokohama Rubber Co., Ltd.

**Formerly**

Senior Managing Director, Legal Affairs Strategy Manager, Chairperson of Risk Management Committee, Special Expert Committee Member of Internal Audit Division, TV TOKYO Holdings Corporation

### ◆ Skill Matrix of Directors and Audit & Supervisory Board Members

When defining the skills required of Nippon Chemi-Con Directors and Audit & Supervisory Board Members, the Company uses its corporate philosophy as a basis for conducting a comprehensive evaluation of various factors, including the need for (1) product planning reform and structural reform measures, (2) global market environment response measures, and (3) sustainability promotion. From the evaluation, the Company selected the skills deemed necessary for business management. Furthermore, skills selection for independent outside directors focuses on management experience at other companies and the ability to make meaningful recommendations concerning governance for Nippon Chemi-Con.

| Name                       | Attributes                   | Position in the Company   | Areas of supervision                 | Skills and experience |             |                 |                    |                     |                          |
|----------------------------|------------------------------|---|--------------------------------------|-----------------------|-------------|-----------------|--------------------|---------------------|--------------------------|
|                            |                              |   |                                      | Corporate Management  | R&D/Quality | Sales/Marketing | Legal Affairs/ CSR | Finance/ Accounting | International Experience |
| <b>Norio Kamiyama</b>      |                              | Representative Director and President (Chief Executive Officer) | General business management          | ●                     | ●           |                 |                    |                     |                          |
| <b>Yoshifumi Minegishi</b> |                              | Director (Senior Managing Executive Officer)                    | Quality assurance, Production system | ●                     | ●           |                 |                    |                     |                          |
| <b>Osamu Ishii</b>         |                              | Director (Managing Executive Officer)                           | Accounting, Corporate Strategy       |                       |             |                 |                    | ●                   | ●                        |
| <b>Takumi Iwata</b>        |                              | Director (Senior Executive Officer)                             | Sales                                | ●                     |             | ●               |                    |                     | ●                        |
| <b>Kinya Kawakami</b>      | Outside/ independent officer | Director  |                                      | ●                     | ●           |                 | ●                  |                     |                          |
| <b>Suzuko Miyata</b>       | Outside/ independent officer | Director  |                                      | ●                     |             |                 | ●                  |                     |                          |
| <b>Shinichi Shibata</b>    |                              | Audit & Supervisory Board Member                                |                                      | ●                     |             |                 |                    | ●                   | ●                        |
| <b>Kazuto Miura</b>        |                              | Audit & Supervisory Board Member                                |                                      | ●                     | ●           |                 |                    |                     | ●                        |
| <b>Fumio Morita</b>        | Outside/ independent officer | Audit & Supervisory Board Member                                |                                      | ●                     |             |                 |                    | ●                   |                          |
| <b>Shuji Ota</b>           | Outside/ independent officer | Audit & Supervisory Board Member                                |                                      |                       |             |                 |                    | ●                   |                          |