Electronic Components

KEMET

CHARGED.®

Stifel

2017 Technology, Internet & Media Conference

June 6, 2017

Presenters: Per Loof – Chief Executive Officer
William M. Lowe, Jr. – EVP & Chief Financial Officer

Cautionary Statement

Certain statements included herein contain forward-looking statements within the meaning of federal securities laws about KEMET Corporation's (the "Company") financial condition and results of operations that are based on management's current expectations, estimates and projections about the markets in which the Company operates, as well as management's beliefs and assumptions. Words such as "expects," "anticipates," "believes," "estimates," variations of such words and other similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in, or implied by, such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's judgment only as of the date hereof. The Company undertakes no obligation to update publicly any of these forward-looking statements to reflect new information, future events or otherwise.

Factors that may cause actual outcomes and results to differ materially from those expressed in, or implied by, these forward-looking statements include, but are not necessarily limited to, the following: (i) adverse economic conditions could impact our ability to realize operating plans if the demand for our products declines, and such conditions could adversely affect our liquidity and ability to continue to operate and cause a write down of long-lived assets or goodwill; (ii) an increase in the cost or a decrease in the availability of our principal or single-sourced purchased raw materials; (iii) changes in the competitive environment; (iv) uncertainty of the timing of customer product qualifications in heavily regulated industries; (v) economic, political, or regulatory changes in the countries in which we operate; (vi) difficulties, delays or unexpected costs in completing the restructuring plans; (vii) acquisitions and other strategic transactions expose us to a variety of risks; (viii) acquisition of TOKIN may not achieve all of the anticipated results; (ix) our business could be negatively impacted by increased regulatory scrutiny and litigation; (x) difficulties associated with retaining, attracting and training effective employees and management; (xi) the need to develop innovative products to maintain customer relationships and offset potential price erosion in older products; (xii) exposure to claims alleging product defects; (xiii) the impact of laws and regulations that apply to our business, including those relating to environmental matters; (xiv) the impact of international laws relating to trade, export controls and foreign corrupt practices; (xv) changes impacting international trade and corporate tax provisions related to the global manufacturing and sales of our products may have an adverse effect on our financial condition and results of operations; (xvi) volatility of financial and credit markets affecting our access to capital; (xvii) the need to reduce the total costs of our products to remain competitive; (xviii) potential limitation on the use of net operating losses to offset possible future taxable income; (xix) restrictions in our debt agreements that could limit our flexibility in operating our business; (xx) disruption to our information technology systems to function properly or control unauthorized access to our systems may cause business disruptions; (xxi) additional exercise of the warrant by K Equity, LLC which could potentially result in the existence of a significant stockholder who could seek to influence our corporate decisions; (xxii) fluctuation in distributor sales could adversely affect our results of operations, (xxiii) earthquakes and other natural disasters could disrupt our operations and have a material adverse effect on our financial condition and results of operations.

TOKIN Acquisition Closure

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Electronic Components
TOKIN
A KEMET Company

“The Deal”

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Allocation from sale of EMD (relay) BU

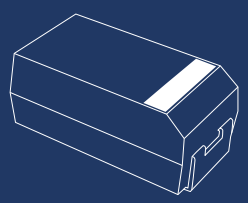
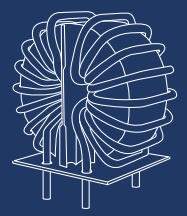
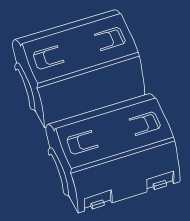
Selling price	$ 422.0	(US $)
NEC loan	$ (222.4)	
Fees & Taxes (estimated)	$ (10.6)	
BALANCE	$ 189.0	
50% to NEC	$ (94.5)	
50% to KEMET & TOKIN	$ (94.5)	

KEMET purchase of remaining NT shares from NEC

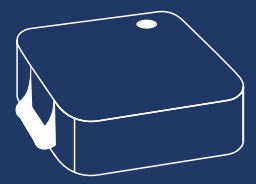
Purchase of shares (KEMET cash)	$ 52.5
50% of net proceeds	$ 94.5
TOTAL	$ 147.0

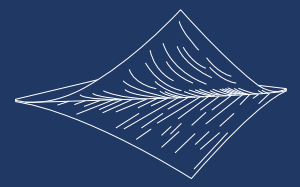
Excess cash to KEMET & TOKIN

EMD proceeds	$ 94.5
Purchase of shares (KEMET cash)	$ (52.5)
	$ 42.0

TOKIN





“The Deal”

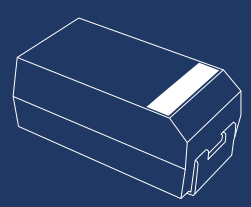
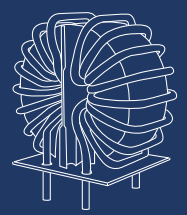
- ✓ Cost of acquiring TOKIN
  - $104M
    - $50M in 2013
    - $54M now
- ✓ 100% of TOKIN cash
  - $165M
  - Used $52.5 to pay down debt post closing
- ✓ Combined cash after closing, refinance & debt reduction
  - $217M

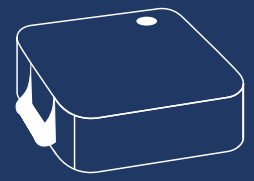
“The Deal”

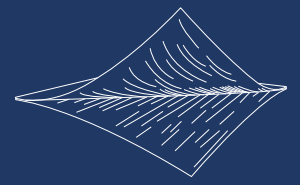
“So on a net basis, it basically seems like it’s costing you nothing to acquire the company”

Matt Sheerin, Stifel Analyst

Deal of the Century?





TOKIN overview

Electronic Components
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Founded
- ✓ April 8, 1938

Employee
- ✓ 5,257 Worldwide
- ✓ 880 in Japan

Manufacturing locations
- Japan (3)
- Thailand
- Vietnam
- China

Capacitors
- ✓ Tantalum Polymer (NeoCap)
- ✓ Supercapacitors

Electromagnetic Compatibility (EMC)
- ✓ Power Inductors
- ✓ Ferrite Cores
- ✓ Transformers
- ✓ Chokes & Filters
- ✓ Noise Suppression sheets

Sensors & Actuators
- ✓ Piezoelectric Actuators
- ✓ Current & Temperature Sensors

High-Yield Bonds Refinanced

1) **Fund redemption of all outstanding $353 million 10.5% Senior notes due 2018**
2) **Repaid outstanding amount on revolver of $34 million**
3) **New Term Loan:**

   $345M US$

   Rate = LIBOR + 600 bps

   $13M / year interest savings

   5% annual principal amortization

   Matures April 28, 2024

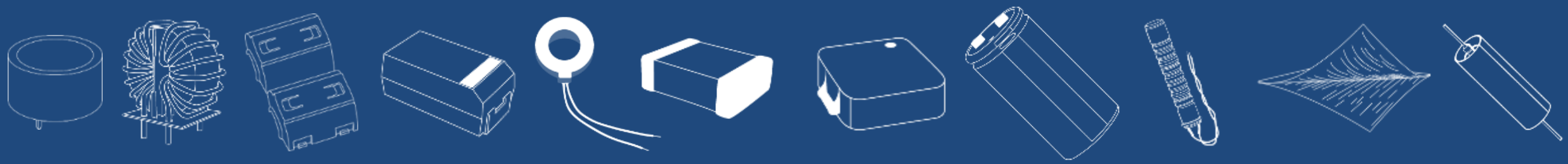
KEMET & TOKIN

REVENUE
$1.1 Billion

PEOPLE
15,000

PRODUCTS
Capacitors
Inductors
Chokes
Filters
Sensors
Actuators
EMI Suppression

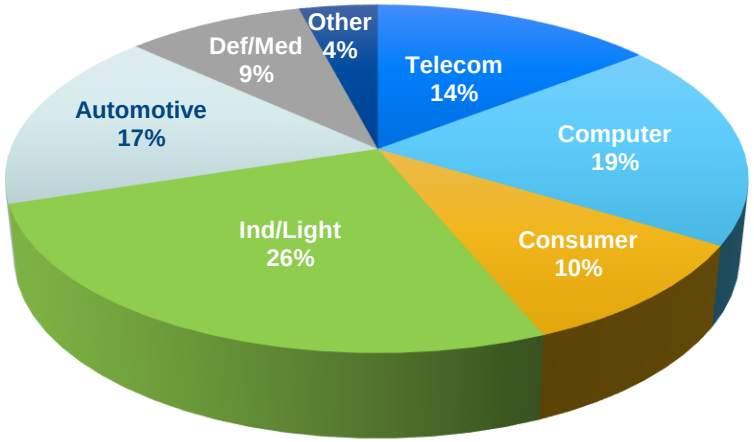
*Forecasted Net Sales FY18



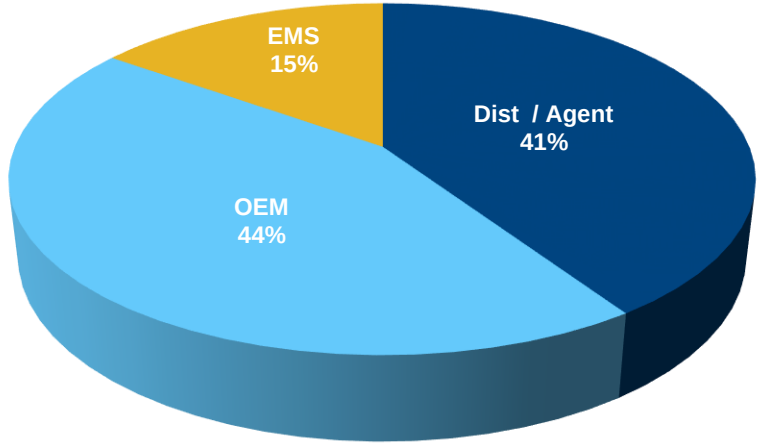
KEMET/TOKIN by segment, region, channel

(Est. Q1FY18 sales)

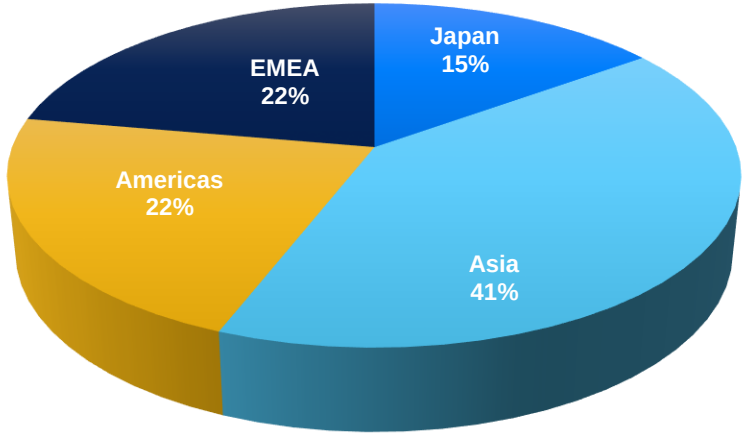
Segment



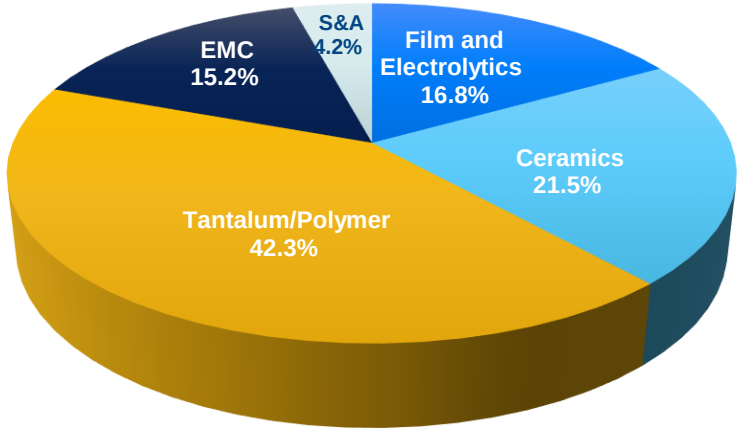
Channel



Region

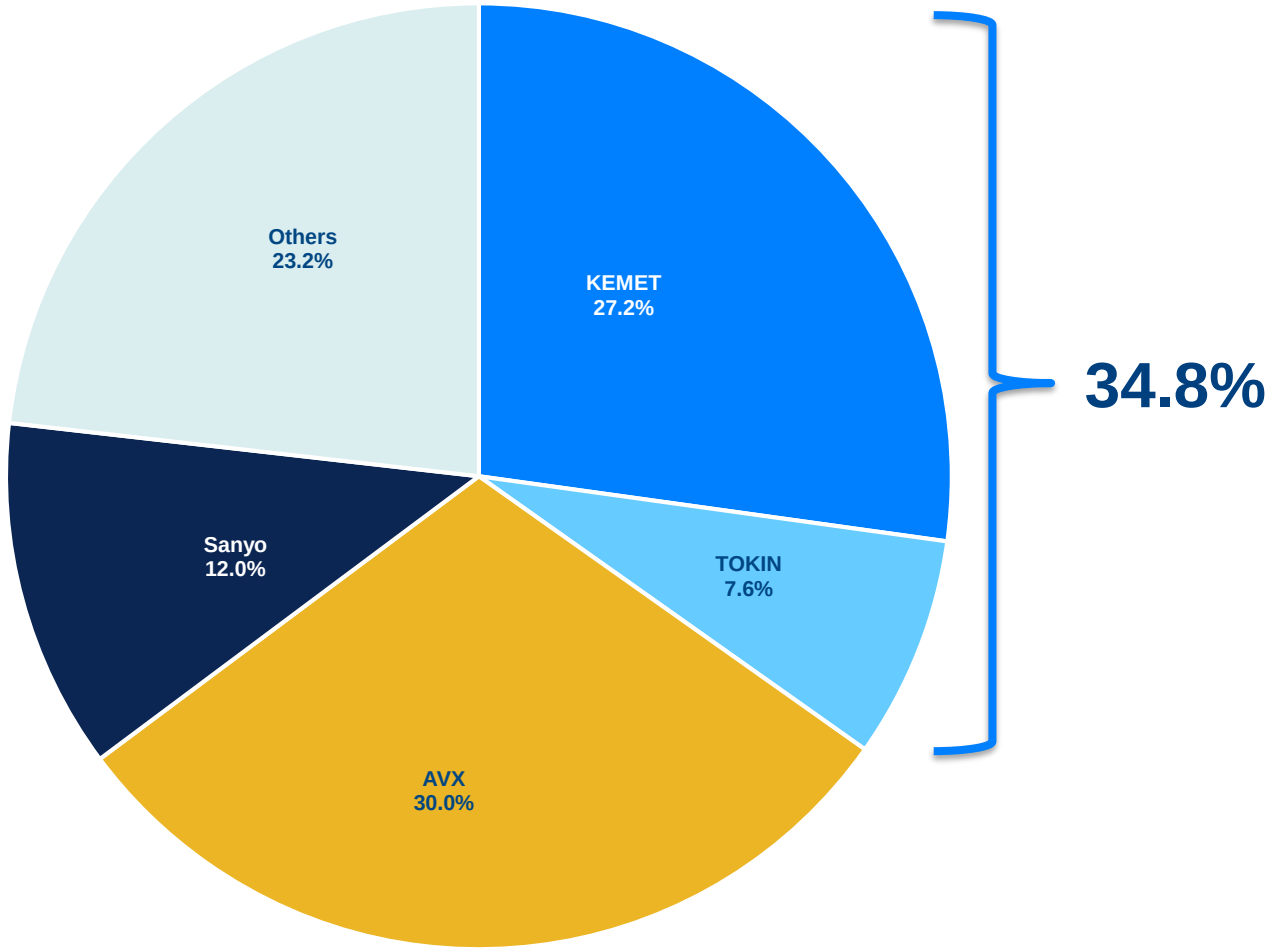


Product



KEMET/TOKIN Market Share

Tantalum / Polymer (est. $1.3B)*



* Management estimates

Market Trends

Electronic Components

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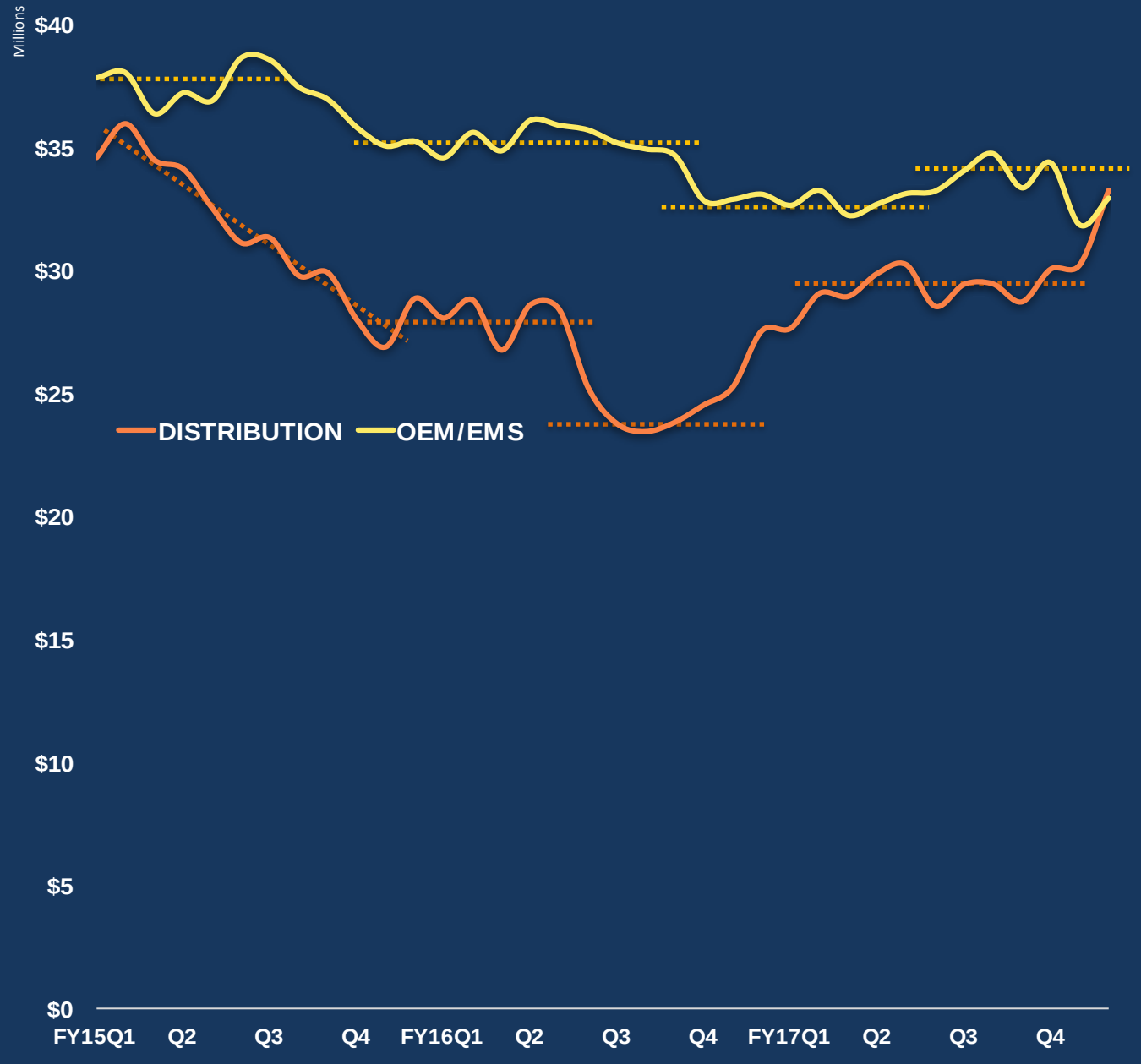
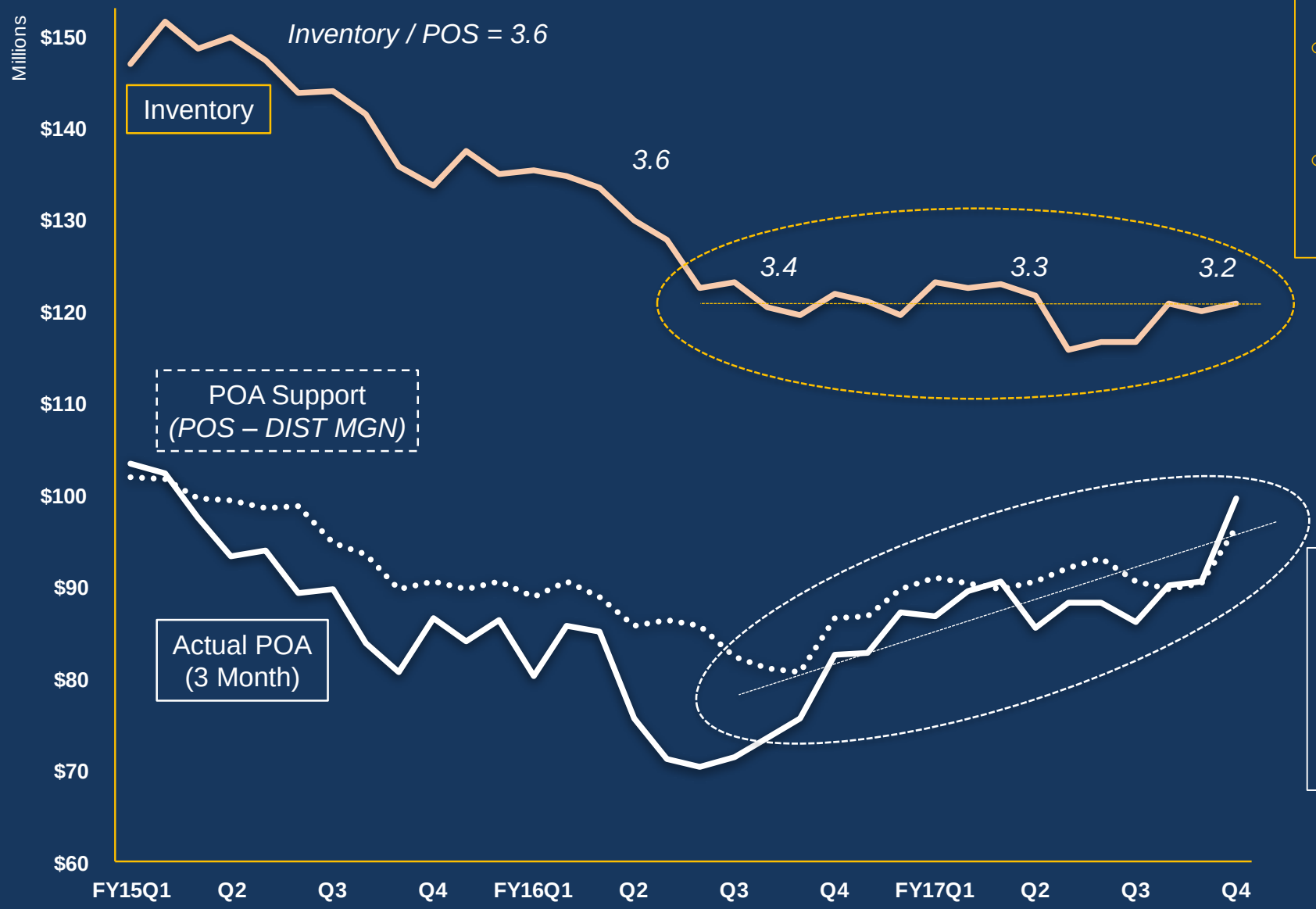
Cycles – Distribution vs OEM/EMS



- Corrections in the distribution channel have been more pronounced
- After over-correcting in Q3/Q4FY16, Distributors are now more closely tracking EMS/OEM

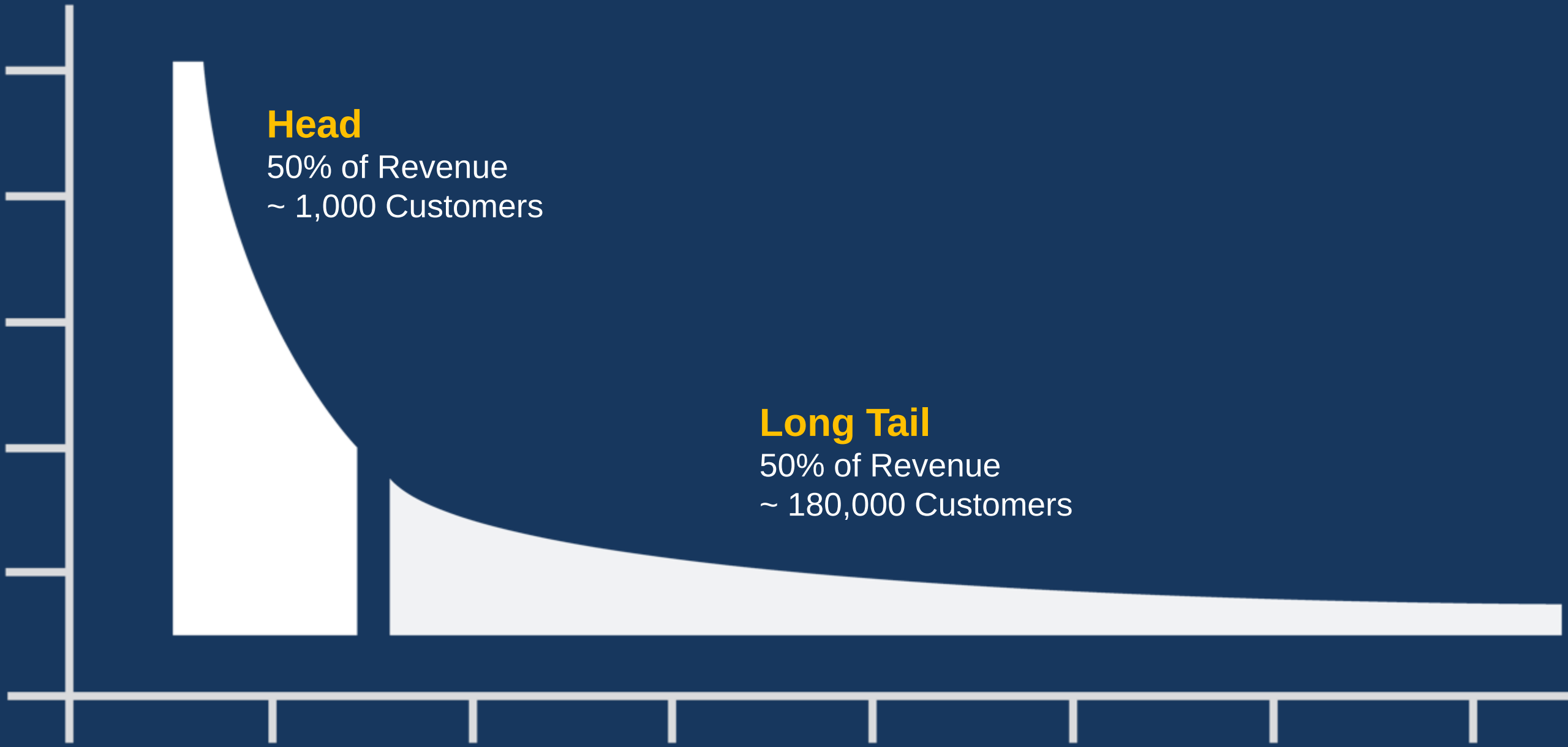
Distribution



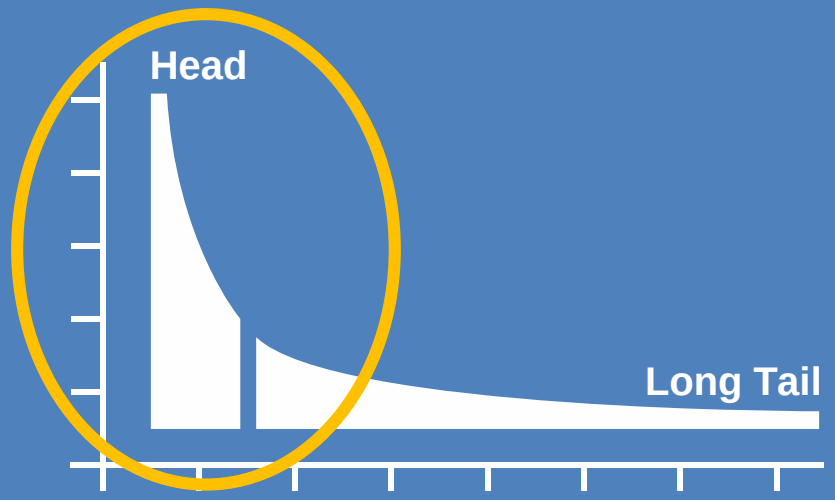
- Inventory over correction in Q2/Q3 FY16
  - Stable since
- Inventories are Lean vs. POS and Industry Lead Times

- POS is trending up since Q4FY16
- POS/POA now closely matched
  - KEMET's order entry and planning systems adjusted to actual POS and Distributor needs

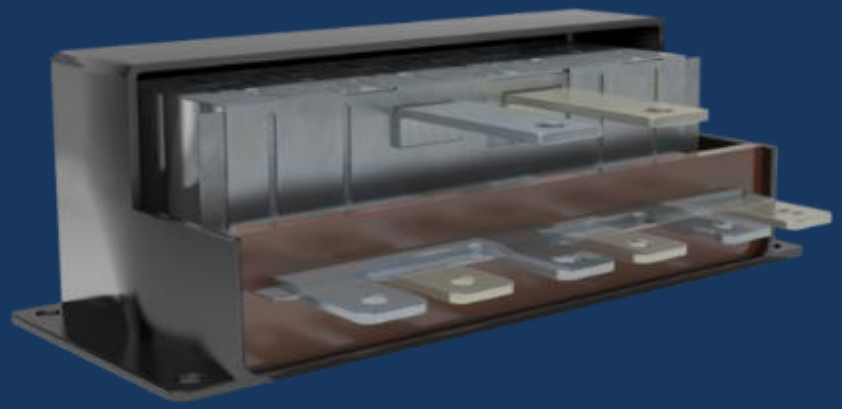
Sales Strategy



Sales Strategy

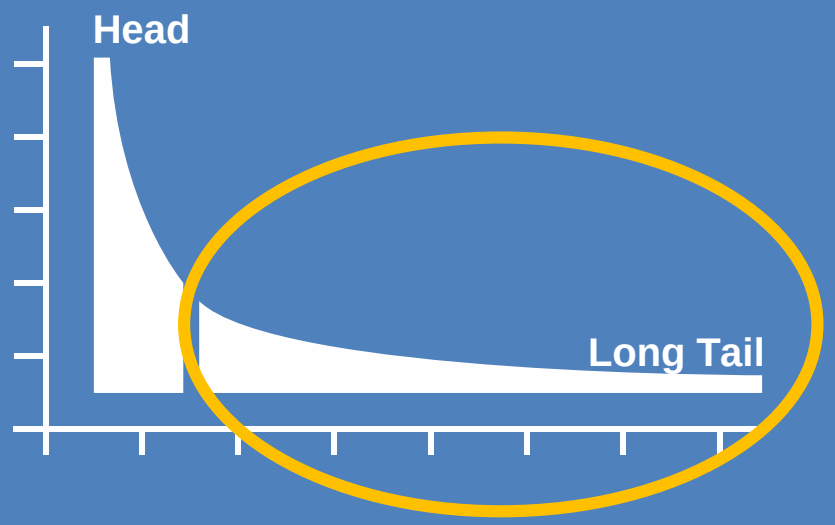


- Direct engagement
- Solution selling
- Design-in



Pipeline Growth

Sales Strategy



- Make more products available and easy to find
- Channel Focus
- ”Use bits to sell atoms”

Digital Engagement Platform

Sales Strategy

Digital Engagement Platform

Research

COMPONENT EDGE

Search

JetStream

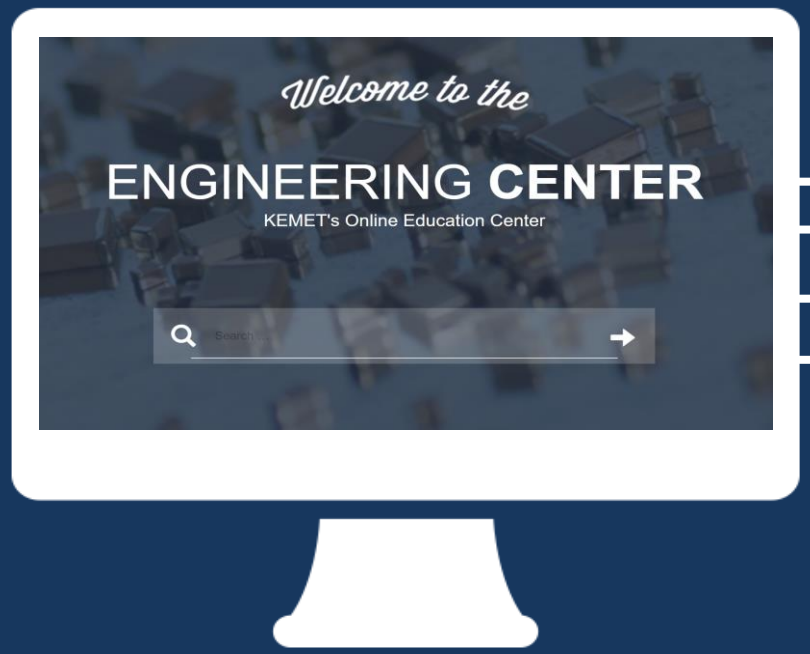
Pricing

Discovery → **Decision** → **Close**

Apps

KEMET

Digital Engagement Platform



KIT KEMET INSTITUTE OF TECHNOLOGY

Ask An FAE Video

Chat

KSIM Simulation Tools

Designed by Engineers for Engineers

KEMET

Digital Engagement Platform

Innovative Search Engine & Part Selection Tool

6.2M part numbers

5.7M CAD models

115 competitors for cross referencing

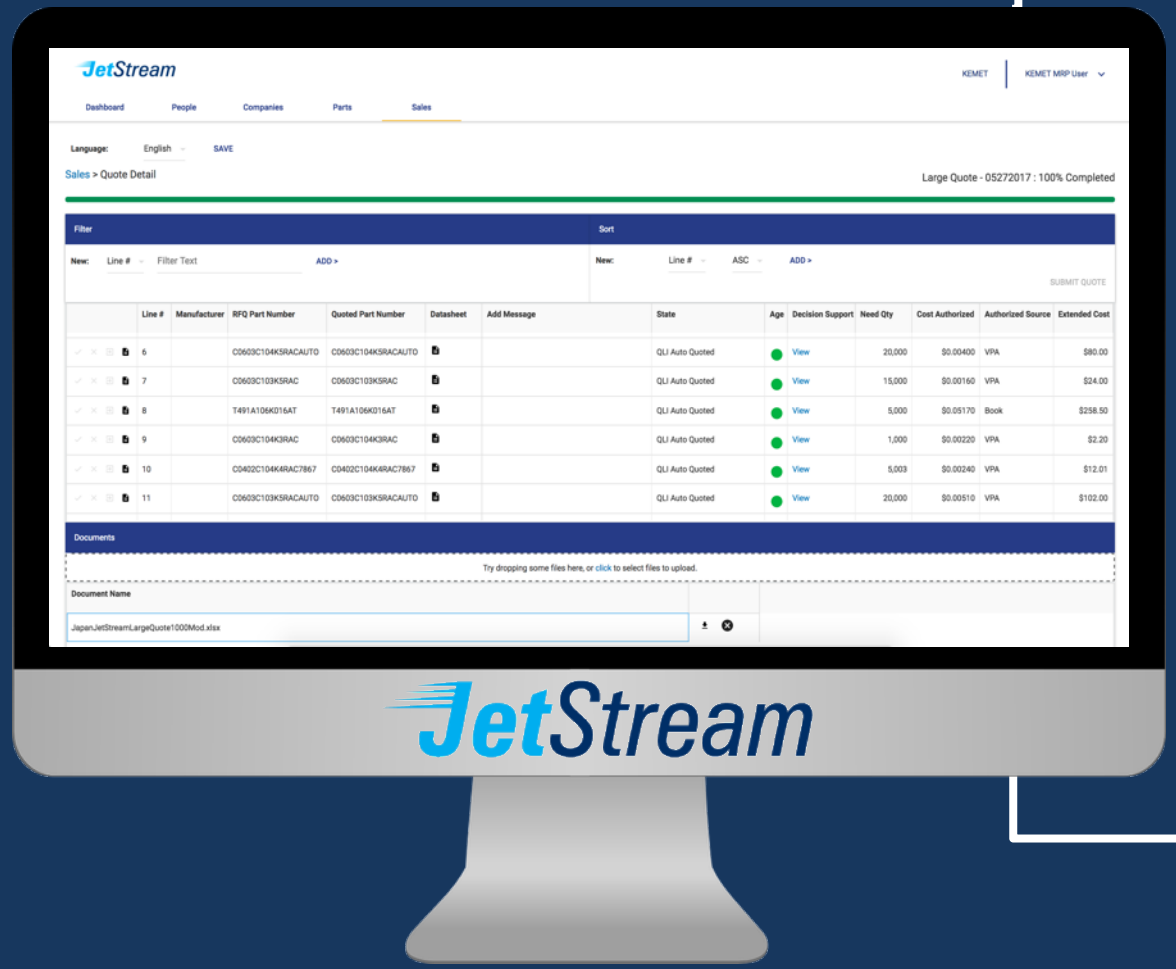
Live distributor pricing and inventory

Data sheets & Spec sheets

KEMET

Digital Engagement Platform

In Beta Test



SMART

Multiple Data Sources

Integrated BI Software

Pricing Assistance

Part Crossing

COLLABORATIVE

Flexible Communication

Chat & Messaging

Smart Workflows

1000x *FASTER*

1,000 Part Numbers Processed in < 5 Minutes (>3 PN / Sec)

Next 10 years

Major Drivers

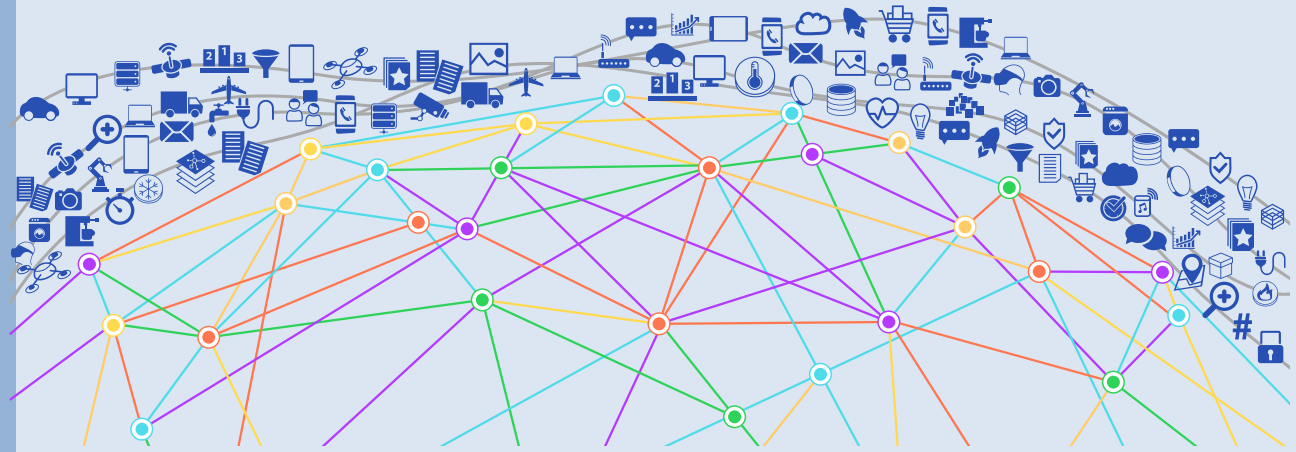
More Personal

Computers that Listen and Talk

Computers that See

Virtual/Augmented Reality

Internet of Things



Smarter Technologies

Computer Assisted Health Care

Autonomous Vehicles

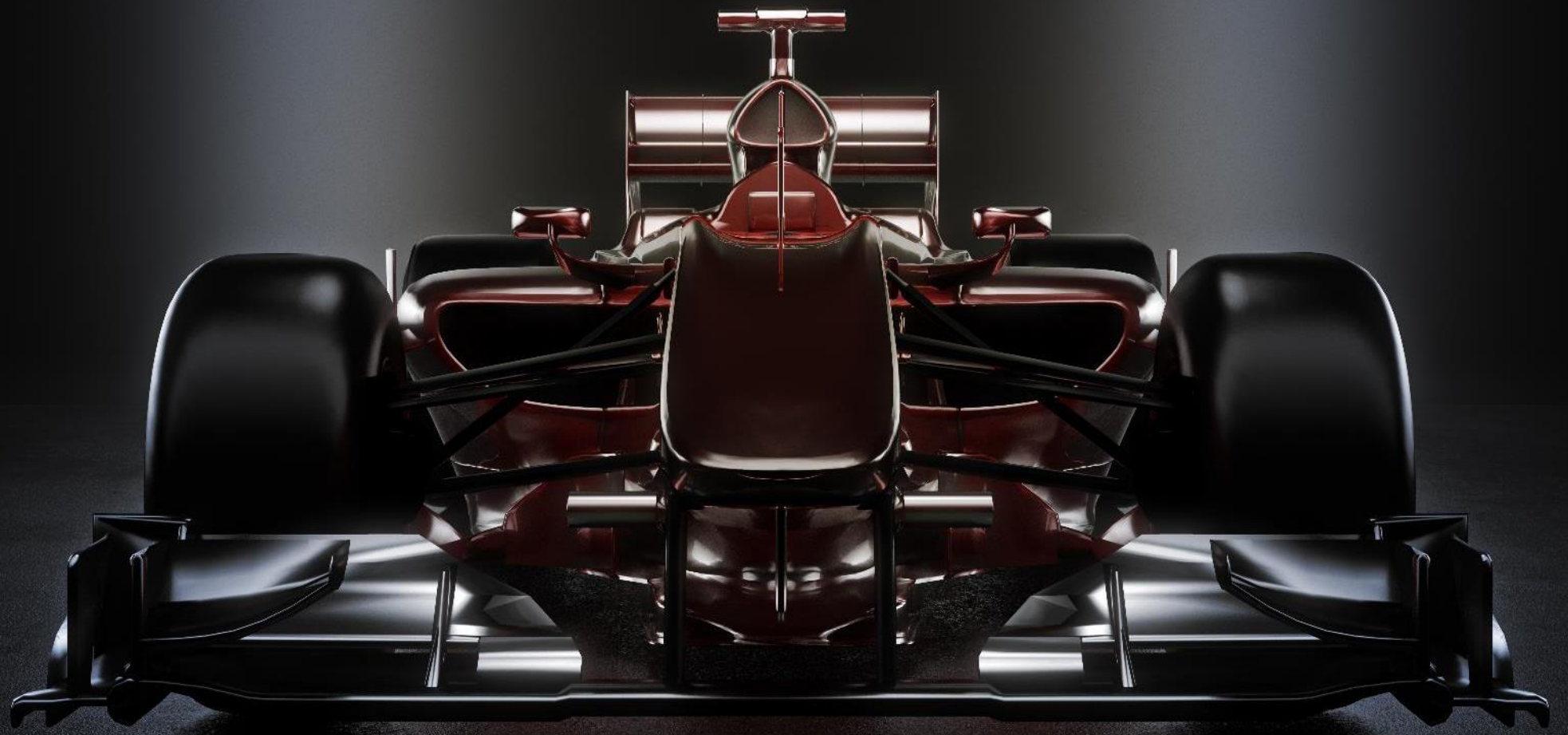
Autonomous Drones

New Semiconductor Technologies

- GaN (Gallium Nitride)
- SiC (Silicon Carbide)

400 million servers to support our **2020** IoT and technology demands.

Energy Efficiency & State of the Art



Looking Ahead

TOKIN

Integrate with elegance & appreciation

- Improve profitability
- Synergy activities

PEOPLE

Creative & globally connected

- Pride & loyalty
- Philanthropic
- Career engagement
- Work-life balance

ADJACENCY 2.0

Technology relevance

Investing in components to support:

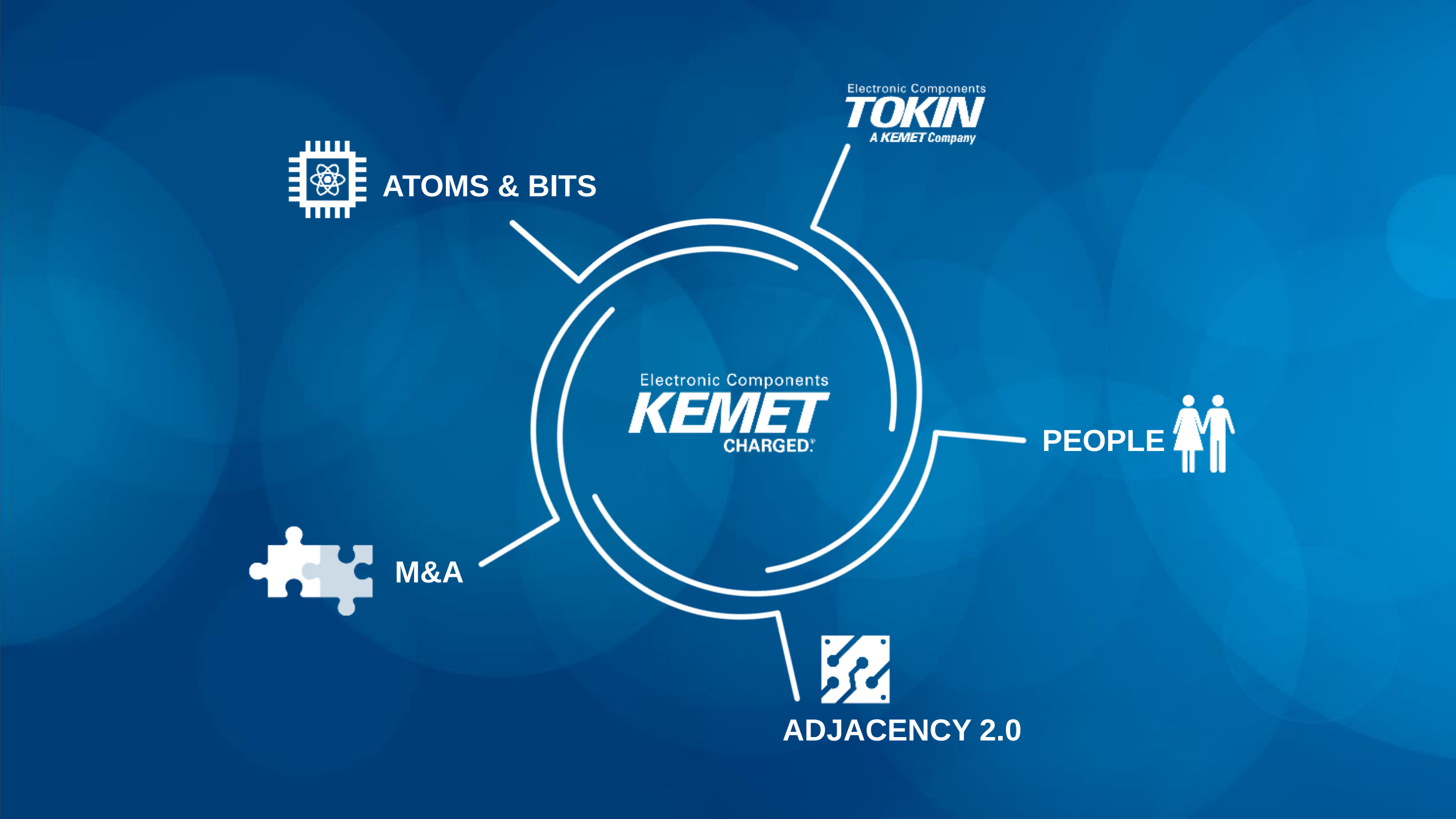
- *Green energy*
- *E-Cars*
- *Internet of Things*
- *Wearable medical devices*
- *Wide Band Gap*
- *Omnipresent digitalization*

M&A

- Not necessarily capacitors
- Relevant technology with a sustainable revenue stream
- Asia

ATOMS & BITS

- Using digital to sell physical
- “Creative Disruption”


Electronic Components
TOKIN
A KEMET Company
ATOMS & BITS
Electronic Components
KEMET
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PEOPLE
M&A
ADJACENCY 2.0

Summary Financial Information

Electronic Components
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Income Statement Highlights

U.S. GAAP (Unaudited)

(Amounts in thousands, except percentages and per share data)	Fiscal Year 2017	Fiscal Year 2016
Net sales	**$ 757,791**	**$ 734,823**
Gross margin	**$ 186,112**	**$ 163,280**
Gross margin as a percentage of net sales	*24.6%*	*22.2%*
Selling, general and administrative	**$ 107,868**	**$ 101,446**
SG&A as a percentage of net sales	*14.2%*	*13.8%*
Operating income (loss)	**$ 34,540**	**$ 32,326**
Net income (loss)	**$ 47,989**	**$ (53,629)**
Per share data:		
Adjusted net income (loss) - basic	$ 1.03	$ (1.17)
Adjusted net income (loss) - diluted	$ 0.87	$ (1.17)
Weighted avg. shares - basic	46,552	46,004
Weighted avg. shares - diluted	55,389	46,004

Income Statement Highlights

Non-GAAP (Unaudited)

(Amounts in thousands, except percentages and per share data)	Fiscal Year 2017	Fiscal Year 2016
Net sales	**$ 757,791**	**$ 734,823**
Adjusted Gross margin	**$ 187,923**	**$ 165,931**
Adjusted gross margin as a percentage of net sales	*24.8%*	*22.6%*
Adjusted selling, general and administrative	**$ 93,952**	**$ 88,354**
Adjusted SG&A as a percentage of net sales	*12.4%*	*12.0%*
Adjusted operating income (loss)	**$ 66,548**	**$ 52,816**
Adjusted net income (loss)	**$ 23,916**	**$ 8,917**
Adjusted EBITDA	**$ 105,255**	**$ 91,144**
Per share data:		
Adjusted net income (loss) - basic	$ 0.51	$ 0.19
Adjusted net income (loss) - diluted	$ 0.43	$ 0.17
Weighted avg. shares - basic	46,552	46,004
Weighted avg. shares - diluted	55,389	51,436

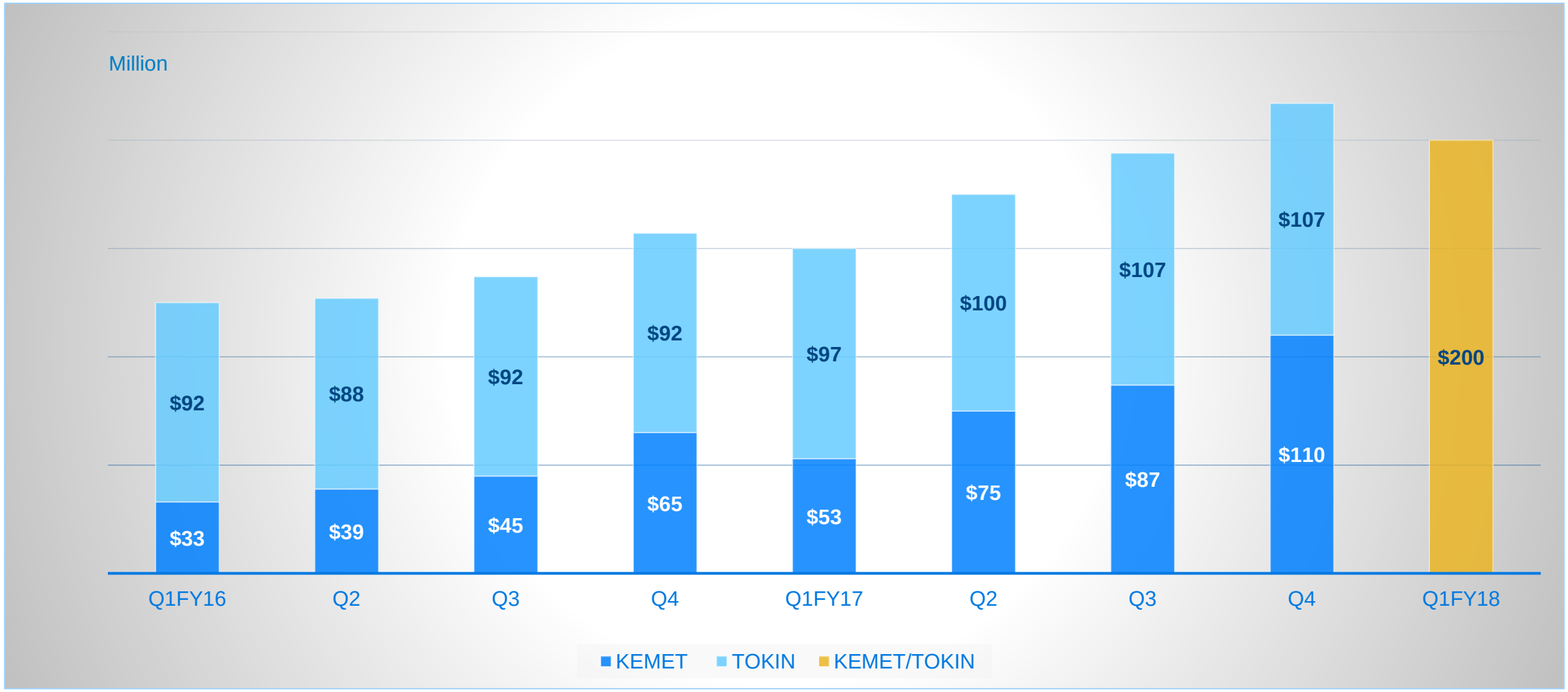
Quarterly Financial Summary – Net Sales

U.S. GAAP (Unaudited)

1. TOKIN results exclude the EMD business which was sold on April 14, 2017.
2. Net sales include sales between KEMET and TOKIN of $5.0 million, $7.0 million, $7.2 million and $6.2 million for the quarters ended June 30, 2016, September 30, 2016, December 31, 2016 and March 31, 2017, respectively. Upon acquisition, inter-company sales will be eliminated.

Financial Trends

Cash and Cash Equivalents (Unaudited)



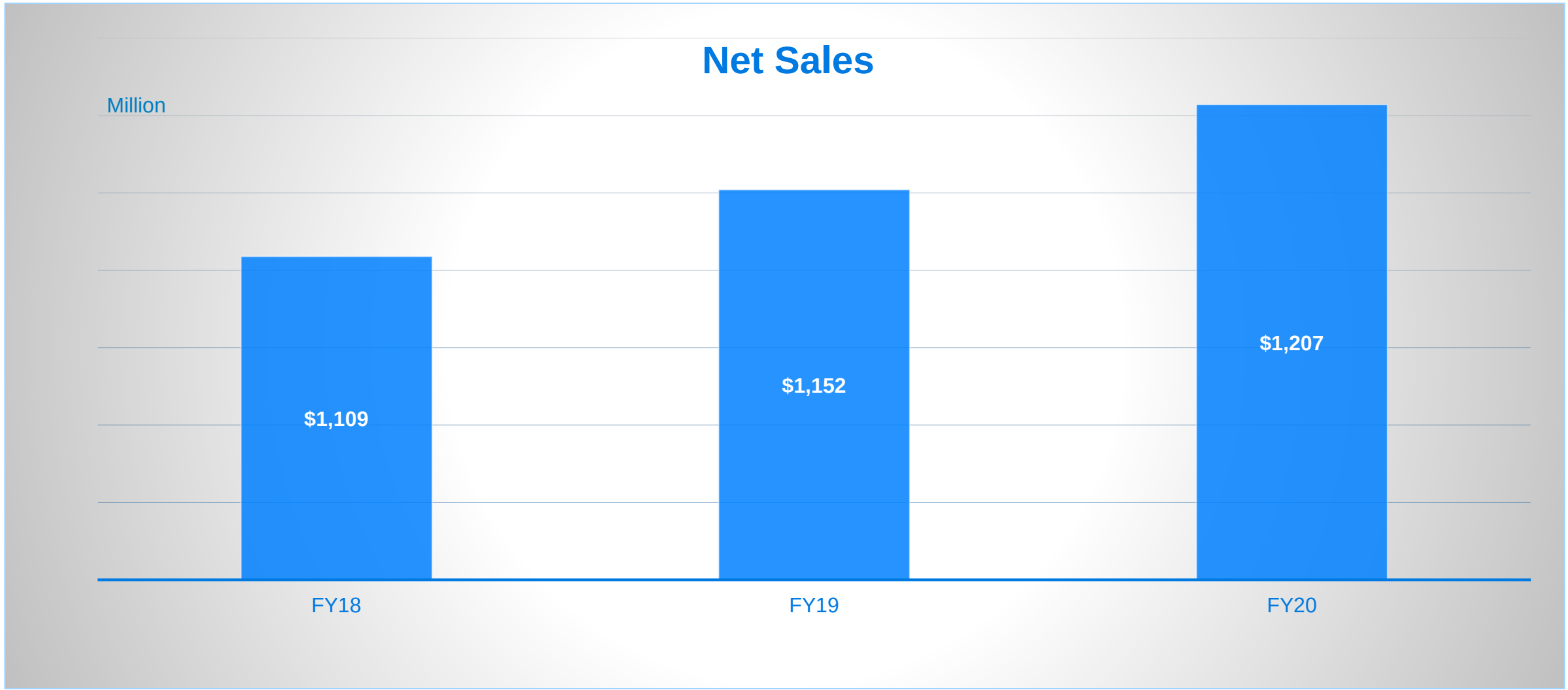
1. TOKIN results exclude the EMD business which was sold on April 14, 2017.

Forecast Assumptions

Net Sales	• Total Net Sales projected to grow at a 2.2% CAGR from FY 2017 to FY 2022 Forecast does not include increase potential market synergies from cross selling
Gross Margin	• Combined Gross Margin projected to expand from 23.6% in FY 2017 to 26.5% in FY 2022
Adjusted EBITDA	• Total Adjusted EBITDA (excluding unrealized synergies) projected to grow at a 7.8% CAGR from FY 2017 to FY 2022. Depreciation expense approximately $57 million prior to purchase accounting effects.
Synergies	• Synergies of $11.3 million, $11.0 million and $8.4 million projected for FY 2018, FY 2019 and FY 2020, respectively • One-time equivalent cash costs to achieve projected overhead reductions of $9 million, $7 million and $4 million in FY 2018, FY 2019 and FY 2020, respectively
Other Cash Flow Items	• Capital expenditures projected to increase to support increased production capacity to meet additional demand, primarily for polymer products • Working capital projected to remain consistent as a percentage of Net Sales

Forecasted Financials

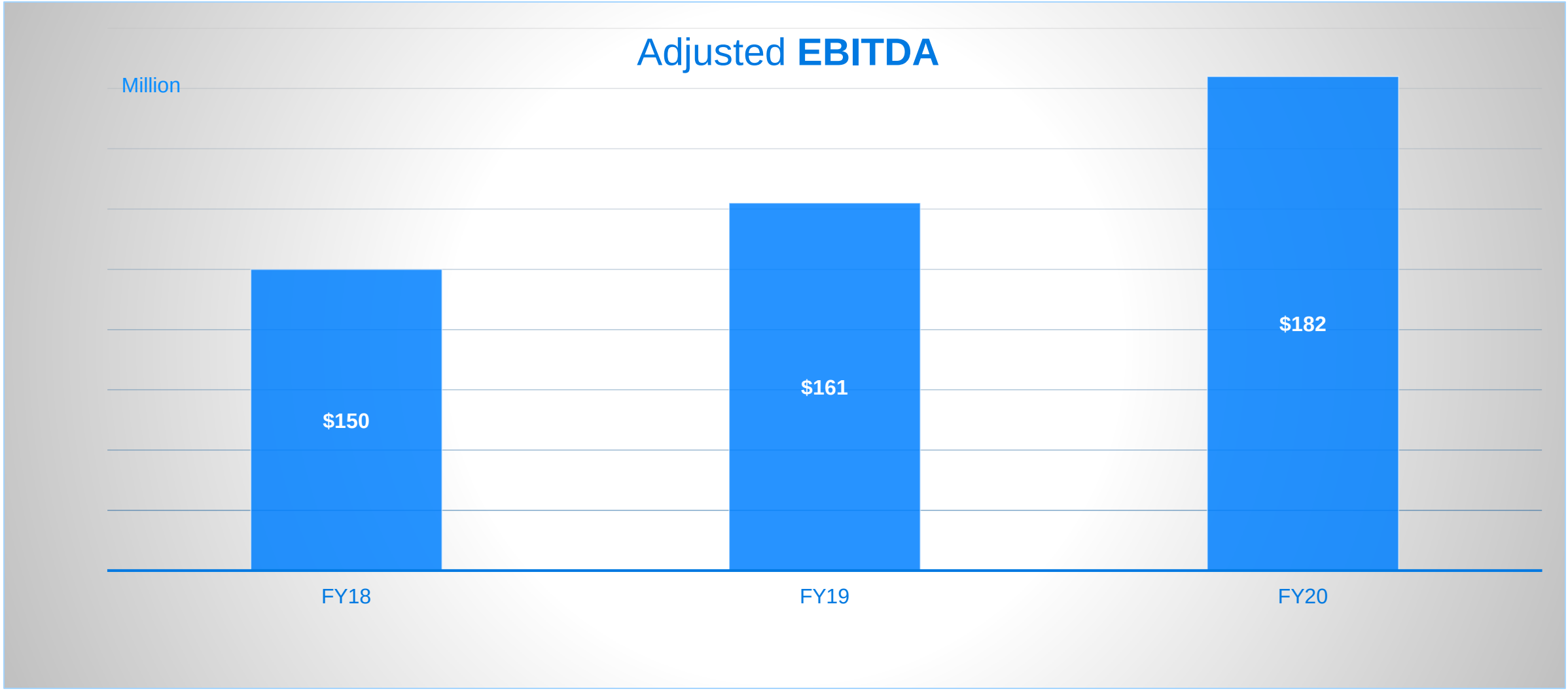
KEMET + TOKIN



Sales includes ~ $25M/year of intercompany sales.

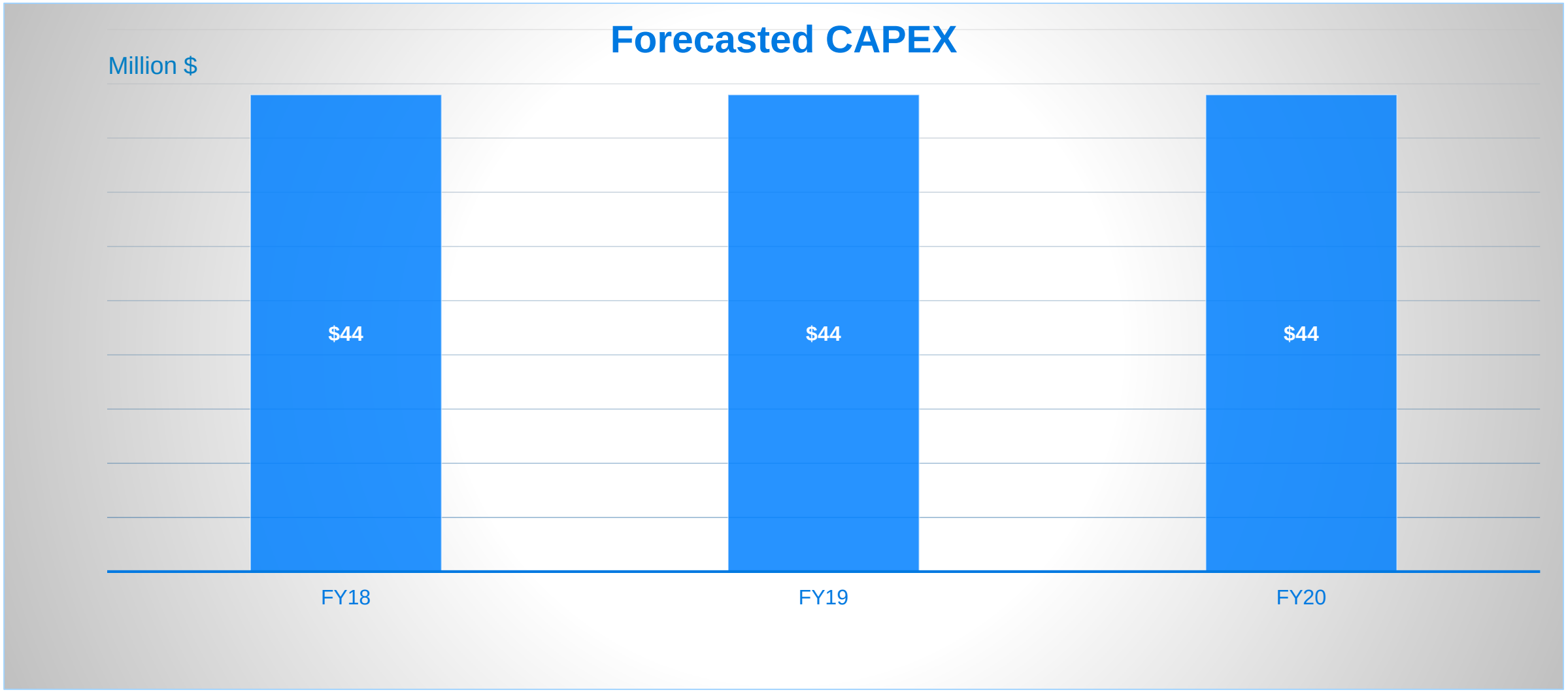
Forecasted Financials

KEMET + TOKIN



Forecasted Financials

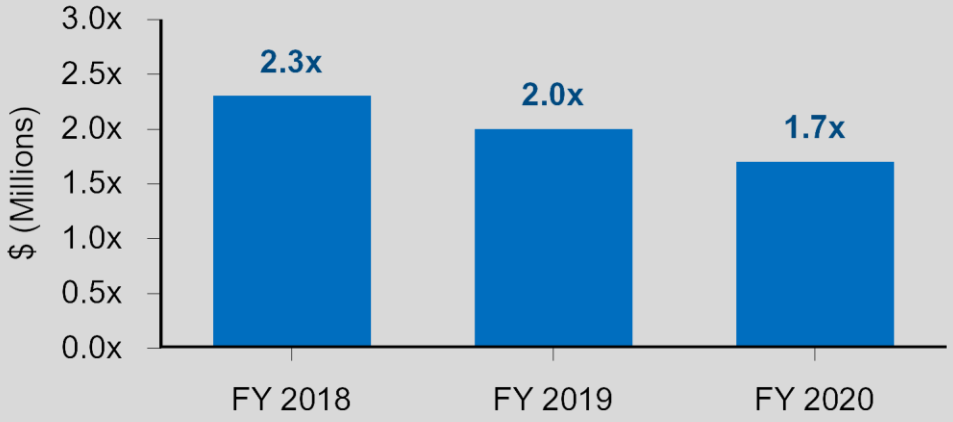
KEMET + TOKIN



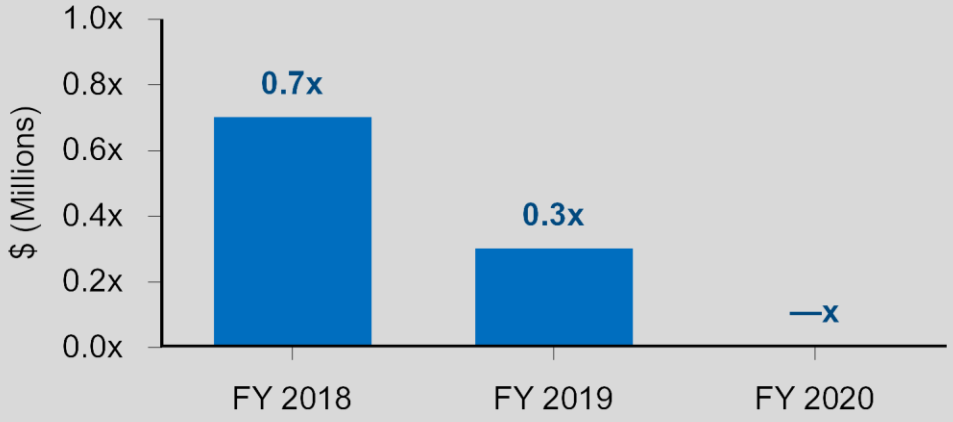
Forecasted Credit Statistics

Including TOKIN

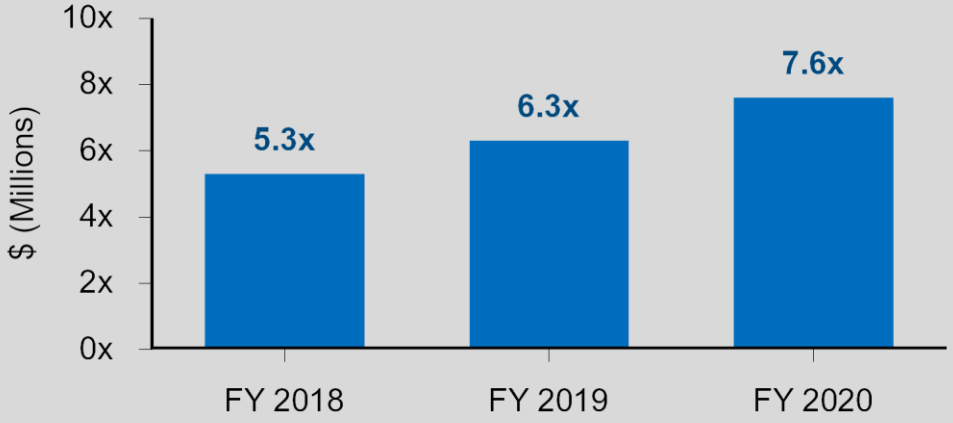
Total Debt / Adjusted EBITDA



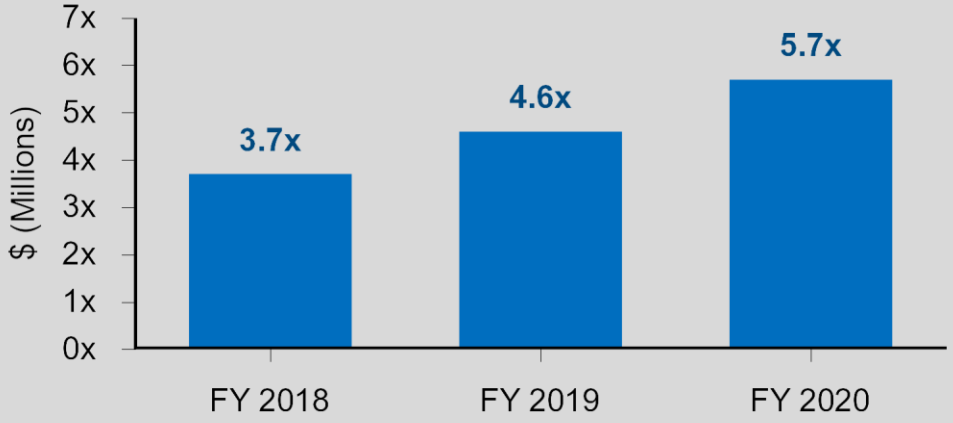
Net Debt / Adjusted EBITDA



Adjusted EBITDA / Interest Expense



(Adj. EBITDA - CapEx) / Interest Expense



QUESTIONS?

Appendix

Adjusted Gross Margin

Non-GAAP (Unaudited)

(Amounts in thousands, except percentages)	Fiscal Year 2017	Fiscal Year 2016
Net sales	**$ 757,791**	**$ 734,823**
Cost of sales	**$ 571,679**	**$ 571,543**
Gross margin (U.S. GAAP)	**$ 186,112**	**$ 163,280**
Gross margin as a percentage of net sales	*24.6%*	*22.2%*
Adjustments:		
Stock-based compensation expense	1,384	1,418
Plant start-up costs	427	861
Plant shut-down costs	—	372
Adjusted gross margin (non-GAAP)	**$ 187,923**	**$ 165,931**
Adjusted gross margin as a percentage of net sales	*24.8%*	*22.6%*

Adjusted Selling, General & Administrative Expenses

Non-GAAP (Unaudited)

(Amounts in thousands, except percentages)	Fiscal Year 2017	2016
Net sales	**$ 757,791**	**$ 734,823**
Selling, general and administrative expenses (U.S. GAAP)	**$ 107,868**	**$ 101,446**
Selling, general, and administrative as a percentage of net sales	*14.2%*	*13.8%*
Less adjustments:		
ERP integration costs/IT transition costs	7,045	5,677
Stock-based compensation expense	3,130	3,162
Legal expenses related to antitrust class actions	2,640	3,041
NEC TOKIN investment related expenses	1,101	900
Pension plan adjustment	—	312
Adjusted selling, general and administrative expenses (non-GAAP)	**$ 93,952**	**$ 88,354**
Adjusted selling, general, and administrative as a percentage of net sales	*12.4%*	*12.0%*

Adjusted Operating Income

Non-GAAP (Unaudited)

(Amounts in thousands)	Fiscal Year 2017	Fiscal Year 2016
Operating income (loss) (U.S. GAAP)	**$ 34,540**	**$ 32,326**
Adjustments:		
ERP integration costs/IT transition costs	7,045	5,677
Stock-based compensation expense	4,720	4,774
Restructuring charges	5,404	4,178
Legal expenses related to antitrust class actions	2,640	3,041
NEC TOKIN investment related expenses	1,101	900
Net (gain) loss on sales and disposals of assets	392	375
Plant start-up costs	427	861
Plant shut-down costs	—	372
Pension plan adjustment	—	312
Write down of long-lived assets	10,279	—
Adjusted operating income (loss) (non-GAAP)	**$ 66,548**	**$ 52,816**

Adjusted Net Income (Loss) and Adjusted EBITDA

Non-GAAP (Unaudited)

(Amounts in thousands)	Fiscal Year 2017	Fiscal Year 2016
Net income (loss) (U.S. GAAP)	**$ 47,989**	**$ (53,629)**
Adjustments:		
Change in value of TOKIN options	(10,700)	26,300
Net foreign exchange (gain) loss	(3,758)	(3,036)
ERP integration costs/IT transition costs	7,045	5,677
Stock-based compensation	4,720	4,774
Income tax effect of non-GAAP adjustments	(741)	652
Restructuring charges	5,404	4,178
Legal expenses related to antitrust class actions	2,640	3,041
TOKIN investment related expenses	1,101	900
Amortization included in interest expense	761	859
Equity (gain) loss from TOKIN	(41,643)	16,406
Net (gain) loss on sales and disposals of assets	392	375
Write down of long-lived assets	10,279	—
Income tax effect of pension curtailment	—	875
Plant start-up costs	427	861
Plant shut-down costs	—	372
Pension plan adjustment	—	312
Adjusted net income (loss) (non-GAAP)	**$ 23,916**	**$ 8,917**
Adjusted net income (loss) per share - basic	$ 0.51	$ 0.19
Adjusted net income (loss) per share - diluted	$ 0.43	$ 0.17
Adjusted EBITDA (non-GAAP)	**$ 105,255**	**$ 91,144**
Weighted avg. shares - basic	46,552	46,004
Weighted avg. shares - diluted	55,389	51,436

Adjusted EBITDA Reconciliation

Non-GAAP (Unaudited)

(Amounts in thousands)	Fiscal Year 2017	2016
Net income (loss) (U.S. GAAP)	$ 47,989	$ (53,629)
Interest expense, net	39,731	39,591
Income tax expense (benefit)	4,290	6,006
Depreciation and amortization	37,338	39,016
EBITDA (non-GAAP)	129,348	30,984
Excluding the following items		
Change in value of TOKIN options	(10,700)	26,300
Net foreign exchange (gain) loss	(3,758)	(3,036)
ERP integration costs/IT transition costs	7,045	5,677
Stock-based compensation	4,720	4,774
Restructuring charges	5,404	4,178
Legal expenses related to antitrust class actions	2,640	3,041
TOKIN investment related expenses	1,101	900
Equity (gain) loss from TOKIN	(41,643)	16,406
Net (gain) loss on sales and disposals of assets	392	375
Write down of long-lived assets	10,279	—
Plant start-up costs	427	861
Plant shut-down costs	—	372
Pension plan adjustment	—	312
Adjusted EBITDA (non-GAAP)	**$ 105,255**	**$ 91,144**

Forecast: Non-GAAP Reconciliation

A reconciliation of net income to Adjusted EBITDA as projected for 2018, 2019 and 2020 is not provided. KEMET does not forecast net income as we cannot, without unreasonable effort, estimate or predict with certainty various components of net income. These components include net foreign exchange (gain) loss, further restructuring and other income or charges incurred in 2018, 2019 or 2020 as well as the related tax impacts of these items. Additionally, discrete tax items could drive variability in our projected effective tax rate. All of these components could significantly impact such financial measures. Further, in the future, other items with similar characteristics to those currently included in Adjusted EBITDA that have a similar impact on comparability of periods, and which are not known at this time, may exist and impact adjusted EBITDA.