

## Net Sales

Solid Capacitors net sales of \$771.2 million in fiscal year 2018 increased \$196.1 million or 34.1% from \$575.1 million in fiscal year 2017. Tantalum product line net sales of \$495.1 million in fiscal year 2018 increased \$152.9 million or 44.7% from \$342.2 million in fiscal year 2017. Ceramic product line net sales of \$276.1 million in fiscal year 2018 increased \$43.2 million or 18.5% from \$232.9 million in fiscal year 2017.

The increase in Solid Capacitors net sales was primarily driven by the addition of net sales of \$133.8 million resulting from the TOKIN acquisition and an increase in net sales to the legacy products distributor channel of \$81.7 million. To a lesser degree, an increase in legacy Ceramic products' net sales of \$6.0 million in the EMS channel across all regions and \$10.2 million in the OEM channel in the EMEA and APAC regions also contributed to the increase in Solid Capacitors net sales. These increases were partially offset by a \$28.0 million decrease in net sales in the OEM channel for legacy Tantalum products across all regions. In addition, Solid Capacitors net sales was favorably impacted by \$6.1 million from foreign currency exchange due to the change in the value of the Euro compared to the U.S. dollar.

## Reportable Segment Operating Income

Segment operating income of \$234.5 million for fiscal year 2018 increased \$86.8 million or 58.8% from \$147.7 million for fiscal year 2017. The increase in operating income was primarily attributable to an increase in gross margin of \$100.4 million. TOKIN contributed \$47.0 million in additional gross margin in fiscal year 2018. Legacy KEMET gross margin increased \$53.3 million, or 30.6%, primarily driven by an increase in net sales, cost improvements in vertical integration, favorable foreign currency impact to manufacturing costs, and manufacturing process improvements resulting from our cost reduction activities. In addition, there was a \$1.6 million improvement in (gain) loss on write down and disposal of long-lived assets. Partially offsetting these improvements were a \$10.5 million increase in SG&A expenses and a \$5.0 million increase in R&D expenses. TOKIN accounted for \$10.2 million of the increase in SG&A expenses and \$4.1 million of the increase in R&D expenses.

## Film and Electrolytic

The table below sets forth net sales, operating income (loss) and operating income (loss) as a percentage of net sales for our Film and Electrolytic reportable segment for the fiscal years 2018 and 2017 (amounts in thousands, except percentages):

	For the Fiscal Years Ended			
	March 31, 2018		March 31, 2017	
	Amount	% to Net Sales	Amount	% to Net Sales
Net sales <sup>(1)</sup>	\$ 201,977		\$ 182,228	
Segment operating income (loss) <sup>(1)</sup>	3,622	1.8%	(9,028)	(5.0)%

<sup>(1)</sup> Fiscal years ending March 31, 2018 and 2017 adjusted due to the adoption of ASC 606

## Net Sales

Film and Electrolytic net sales of \$202.0 million in fiscal year 2018 increased \$19.7 million or 10.8% from \$182.2 million in fiscal year 2017. The increase in net sales was primarily driven by an increase in net sales in the distributor channel across all the APAC and EMEA regions of \$13.7 million, a \$3.3 million increase in net sales in the OEM channel of the EMEA region and a \$4.2 million increase in the EMS channel across the Americas, EMEA, and APAC regions. These increases were partially offset by a decrease in net sales of \$1.2 million in the OEM channel across the Americas, APAC, and JPKO regions. In addition, there was a favorable impact of \$7.6 million from foreign currency exchange primarily due to the change in the value of the Euro compared to the U.S. dollar.

## Reportable Segment Operating Income (Loss)

Segment operating income of \$3.6 million in fiscal year 2018 improved \$12.7 million from \$9.0 million of operating loss in fiscal year 2017. The improvement was primarily attributable to a \$4.3 million increase in gross margin driven by higher net sales, as well as the benefit of completed restructuring activities. The increase was also attributed to an \$11.7 million improvement in (gain) loss on the write down and disposal of long-lived assets. These improvements were partially offset by a \$2.1 million increase in restructuring charges, a \$0.7 million increase in SG&A expenses, and a \$0.6 million increase in R&D expenses.