Financial Results

for FY2021 Q3

Nippon Denkai, Ltd.

February 10, 2022

日本電解株式会社
Nippon Denkai, LTD.

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Summary of FY2021 Q3 (April - December 2021, Consolidated)

1. Chip shortage and supply chain disruptions hampered the Market

- Automakers had been forced to continue making production adjustments due to the world chip shortage and supply chain disruptions. Even in that situation, numerous EV manufactures had been announcing their investment plan of expanding production capacities, supported by the xEV promotion policies among major countries.

2. Sales for the last 9 months slowed down in the later period

- Sales for EV battery in the later period decelerated due to production adjustment of major xEV manufacturers.
- Sales for circuit board of smartphones decelerated due to the ongoing US-China trade negotiations. However, the demand for automotive circuit boards in Southeast Asia remained steadily.

3. Operating Profit for the last 9 months had been increased, unchanged FY2021 Annual Earnings Forecast

- Our consolidated Operating profit had been increased by 60.8% YoY, in line with the plan.
- FY2021 annual earnings forecast is unchanged from the previous projection in November, 2021.

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Results of Operations (April - December 2021, Consolidated)

- **Net sales increased by 47.5%, Operating income increased by 60.8% YoY.**
- **Profit attributable to owners of parent increased more than doubled YoY.**

(millions of yen)	FY2020 Q3 2020.4-12	FY2021 Q3 2021.4-12	Difference	YoY %
Net Sales	10,489	**15,469**	4,979	47.5%
Operating Profit	553	**890**	336	60.8%
Ordinary Profit	486	**874**	387	79.6%
Profit attributable to owners of parent	278	**632**	353	126.7%

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Sales and Production (April - December 2021, Consolidated)

- **EV battery copper foil**
  - Sales for the last 9 months to some customers tend to slow down due to the production adjustment by major xEV manufacturers.
- **Circuit board copper foil**
  - Sales for smartphones slowed down due to the ongoing US-China trade negotiations.
  - Sales for automotive circuit boards in the Southeast Asia remained steadily.

(millions of yen)	FY2020 Q3 2020.4-12	Composition Ratio	FY2021 Q3 2021.4-12	Composition Ratio	Difference	YoY %
Net Sales	10,489	100.0%	**15,469**	100.0%	4,979	47.5%
EV Battery Copper Foil	6,736	64.2%	**10,119**	65.4%	3,382	50.2%
Circuit Board Copper Foil	3,753	35.8%	**5,349**	34.6%	1,596	42.5%
Production Volume (tons)	7,390	—	**9,309**	—	1,918	26.0%

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Operating Profit and EBITDA (April - December 2021, Consolidated)

(millions of yen)	FY2020 Q3 2020.4-12	FY2021 Q3 2021.4-12	Difference	YoY %
Net Sales	10,489	**15,469**	4,979	47.5%
Cost of Net Sales	9,084	**13,789**	4,704	51.8%
Gross Profit on Sales	1,405	**1,679**	274	19.5%
Gross Profit Margin (%)	13.4%	**10.9%**	-2.5 P	—
SG&A	851	**788**	(62)	-7.3%
SG&A Expenses (%)	8.1%	**5.1%**	-3.0 P	—
Operating Profit	553	**890**	336	60.8%
Operating Profit Margin (%)	5.3%	**5.8%**	0.5 P	—
Depreciation and Amortization	944	**937**	(7)	-0.8%
EBITDA	1,498	**1,827**	329	22.0%
EBITDA Margin (%)	14.3%	**11.8%**	-2.5 P	—

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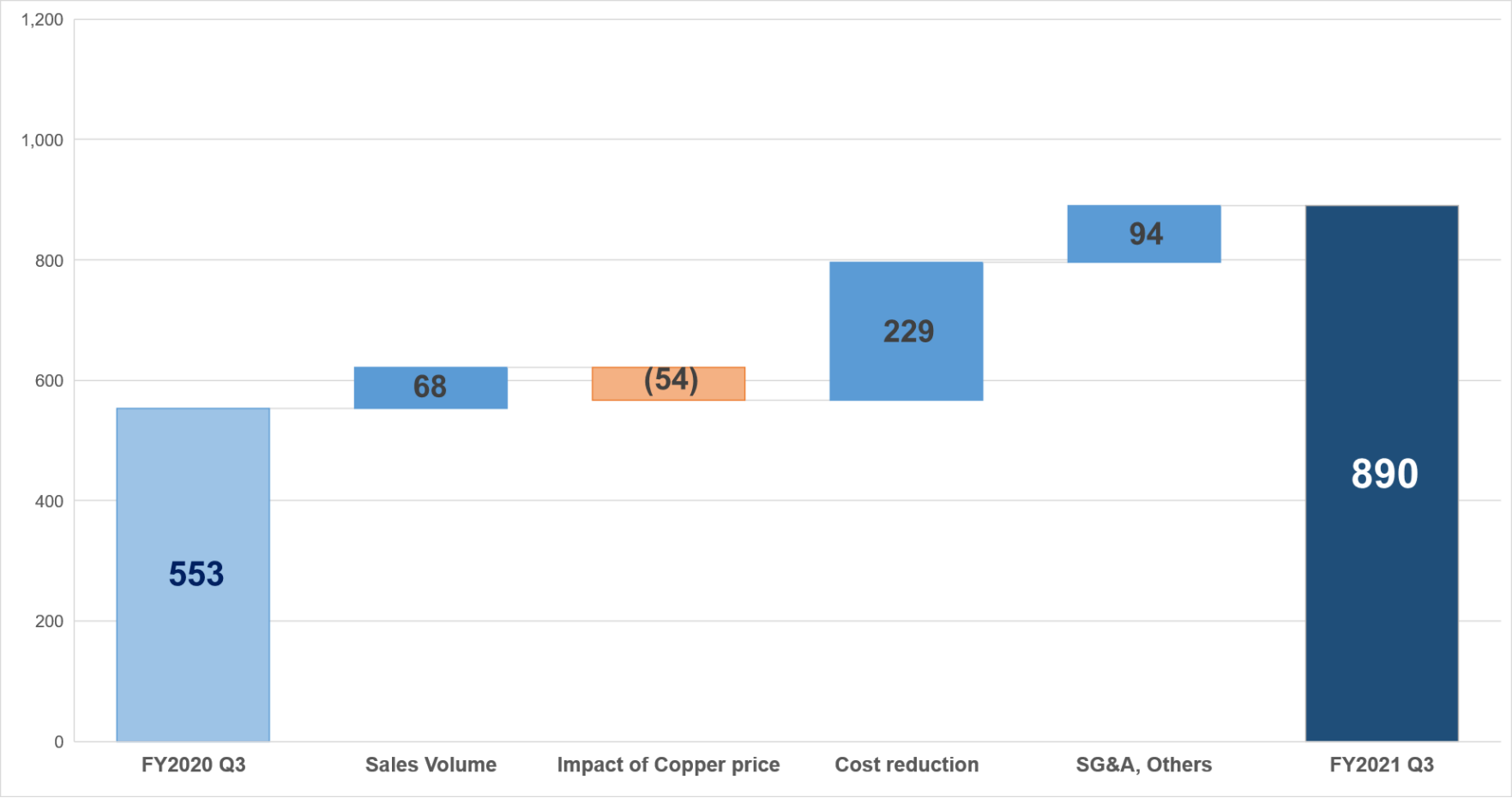
YoY Comparison of Operating Profit

Stable copper price during the period mitigated the negative impact.
Cost reduction such as yield improvement or decrease of SG&A expenses contributed to profit increase.

（millions of yen）



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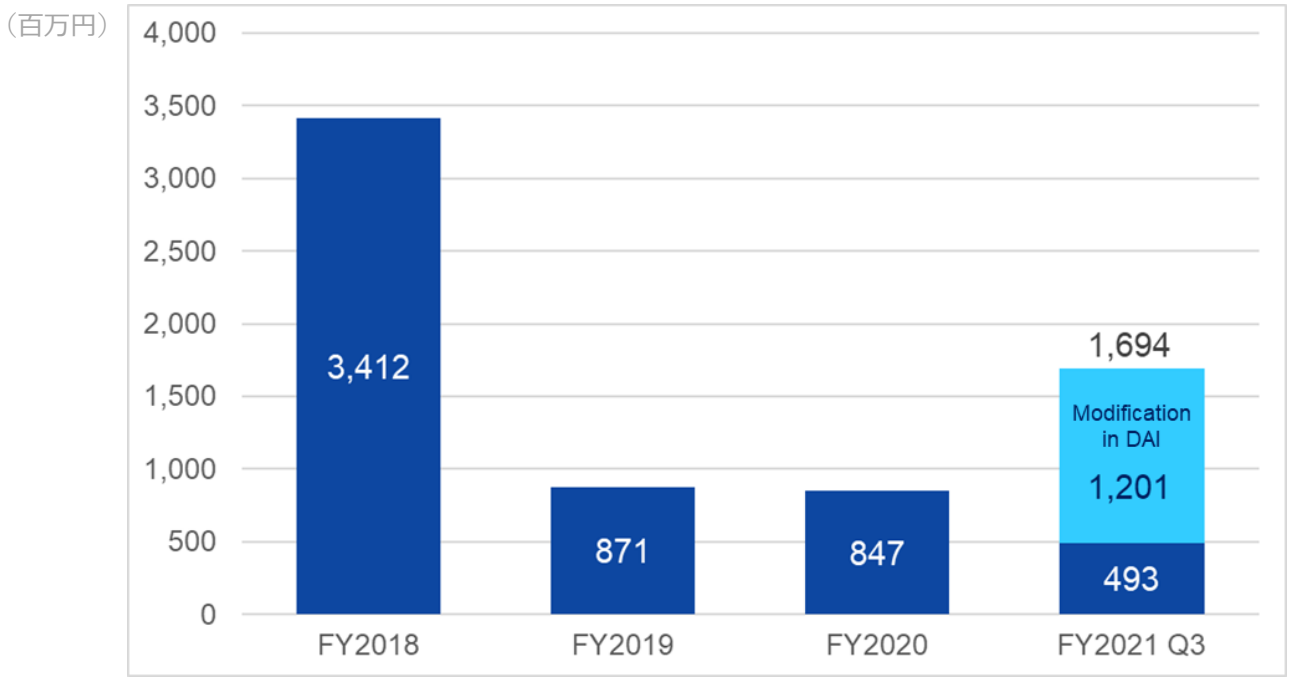
Capital Expenditure on April-December FY2021



Objectives of Investment （¥ Milion）	Nippon Denkai	Denkai America	Total
Maintenance and Upkeep	192	79	272
Improvement and Modification	130	—	130
Installation of R&D facilities	90	—	90
Modification of existing equipment in Denkai America	—	1,201	1,201
Total	414	1,280	**1,694**

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FY2021 Annual Earnings Forecast (consolidated)

(millions of yen)	FY2021 Annual Forecast as of Nov.10, 2021	FY2021 Q3 Actual	Fluctuation Rate
Net Sales	20,282	15,469	76.3%
Operating Profit	1,051	890	84.7%
Ordinary Profit	1,000	874	87.4%
Profit attributable to owners of parent	843	632	74.9%

- **Assumption of earnings forecast**
  - Production volume： **11,885 ton**
  - Copper Price： **¥1,080/Kg**

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Announcement of FY2021 Closing

FY2021 Annual Financial Results

is scheduled on

May 13, 2022（Friday）

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Results of Operations (Quarterly, Consolidated)

(millions of yen)	FY2020 Q3	FY2021 Q1	FY2021 Q2	FY2021 Q3	YoY Difference	YoY %
Net Sales	4,181	4,895	5,176	**5,397**	1,215	29.1%
Operating Profit	270	311	313	**266**	(3)	-1.4%
Ordinary Profit	247	283	322	**268**	21	8.6%
Profit attributable to owners of parent	278 *	196	242	**192**	(85)	-30.8%

* The price 278 million Yen, including "Public subsidies" from the U.S. Payroll Protection Program of 131 million Yen.

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Sales and Production (Quarterly, Consolidated)

(millions of yen)	FY2020 Q3	Composition Ratio	FY2021 Q1	Composition Ratio	FY2021 Q2	Composition Ratio	FY2021 Q3	Composition Ratio	YoY Difference	YoY %
Net Sales	4,181	100.0%	4,895	100.0%	5,176	100.0%	**5,397**	100.0%	1,215	29.1%
EV Battery Copper Foil	2,761	66.1%	3,274	66.9%	3,381	65.3%	**3,463**	64.2%	701	25.4%
Circuit Board Copper Foil	1,419	33.9%	1,621	33.1%	1,794	34.7%	**1,933**	35.8%	514	36.2%
Production Volume (tons)	2,968	—	3,053	—	3,181	—	**3,073**	—	105	3.6%

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Operating Profit and EBITDA (Quarterly, Consolidated)

(millions of yen)	FY2020 Q3	FY2021 Q1	FY2021 Q2	FY2021 Q3	YoY Difference	YoY %
Net Sales	**4,181**	4,895	5,176	**5,397**	1,215	29.1%
Cost of Net Sales	**3,601**	4,329	4,599	**4,860**	1,259	35.0%
Gross Profit on Sales	**579**	566	576	**536**	(43)	-7.5%
Gross Profit Margin (%)	**13.9%**	11.6%	11.1%	**9.9%**	-4.0 P	–
SG&A	**309**	255	263	**269**	(39)	-12.9%
SG&A Expenses (%)	**7.4%**	5.2%	5.1%	**5.0%**	-2.4 P	–
Operating Profit	**270**	311	313	**266**	(3)	-1.4%
Operating Profit Margin (%)	**6.5%**	6.4%	6.0%	**4.9%**	-1.6 P	–
Depreciation and Amortization	**328**	303	314	**318**	(9)	-3.0%
EBITDA	**598**	614	627	**585**	(13)	-2.3%
EBITDA margin (%)	**14.3%**	12.6%	12.1%	**10.8%**	-3.5 P	–

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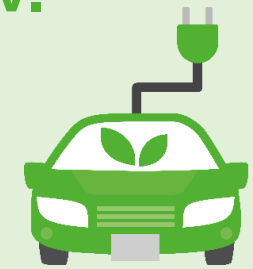
Our Contributions to ESG

SDGs Targets



Carbon-free world with xEV.

We aim at creating a **carbon-free world and a sustainable society** by providing high-quality copper foil for LIB and xEV.



SDGs Targets



Our products are made from 100% Recycled Materials.

100%
Recycled
Raw Copper
Materials



Scrap copper foils from the manufacturing process are **Recycled**



We recycle scrap copper foils through the manufacturing process.

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Disclaimer

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These documents include forward-looking statements including current plans, outlook, estimates and forecasts. Forward-looking statements are based on the intentions of our management based on the information available as of February 10, 2022.

These forward-looking statements are dependent on various risks and uncertainties and actual results may differ materially from the information provided in this documents.

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