Financial Results

FY2021 Year-end Closing

Nippon Denkai, Ltd.

May 13th, 2022

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Summary of FY2021

Operating Results

- Operating Profit grew YoY by +90.6% to 1,004 JPY million.
- EBITDA grew YoY by +23.6% to 2,278 JPY million.

Business Overview

- In 1H, everything went well: market size growth propelled our sales growth and profit.
- In 2H, several factors hindered the growth: supply-chain problem caused by clogged transportation and disrupted production as well as inflation influenced our profit negatively. Neither auto production decrease due to chip shortage nor deteriorating China-US relation helped.

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Results of Operations (FY2021 full-year, consolidated)

Results (YoY)	Due to:
Net Sales increased by 41.0%	The recovery from the impact of Covid-19 and soaring copper material prices.
Operating Profit increased by 90.6%	The increase of sales and cost reduction.
Profit Attributable to Owners of Parent increased by 338.7%	There was Extraordinary losses 333 million yen in the previous year. It was not incurred in this year.

(Million Yen)	FY2020	FY2021	Difference	YoY %
Net Sales	14,584	20,558	5,973	41.0%
Operating Profit	527	1,004	477	90.6%
Ordinary Profit	440	976	535	121.7%
Profit Attributable to Owners of Parent	193	848	655	338.7%

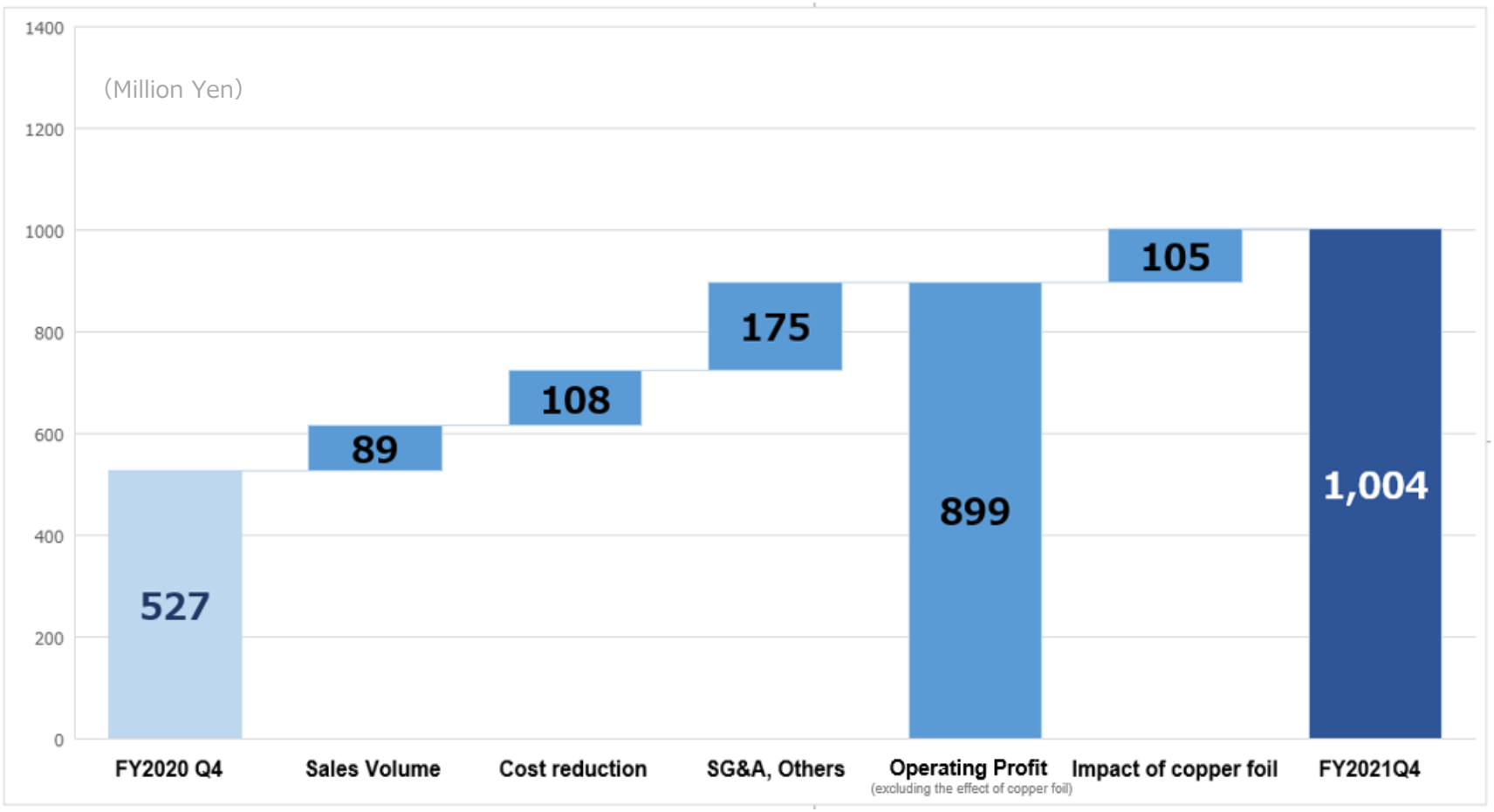
Operating Profit and EBITDA (FY2021 full-year, consolidated)

(Million Yen)	FY2020	FY2021	Difference	YoY %
Net Sales	14,584	20,558	5,973	41.0%
EV Battery Copper Foil	9,272	13,589	4,317	46.6%
Circuit Board Copper Foil	5,312	6,969	1,657	31.2%
Production Volume (tons)	10,058	11,936	1,878	18.7%
Cost of Net Sales	12,863	18,527	5,664	44.0%
Gross Profit on Sales	1,721	2,030	309	18.0%
Gross Profit Margin (%)	11.8%	9.9%	-1.9P	
SG&A	1,194	1,025	-168	-14.1%
SG&A Margin (%)	8.2%	5.0%	-3.2P	
Operating Profit	527	1,004	477	90.6%
Operating Profit Margin (%)	3.6%	4.9%	1.3P	
Depreciation	1,316	1,274	-42	-3.2%
EBITDA	1,843	2,278	434	23.6%
EBITDA Margin (%)	12.6%	11.1%	-1.6P	

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YoY Comparison of Operating Profit

- Sales volume and cost reduction such as yield improvement and SG&A reduction boosted OP.
- Copper price surge was steeper in FY2020, its negative impact was less in FY2021 by 105 million yen YoY.



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Financial position (FY2021 full-year, consolidated)

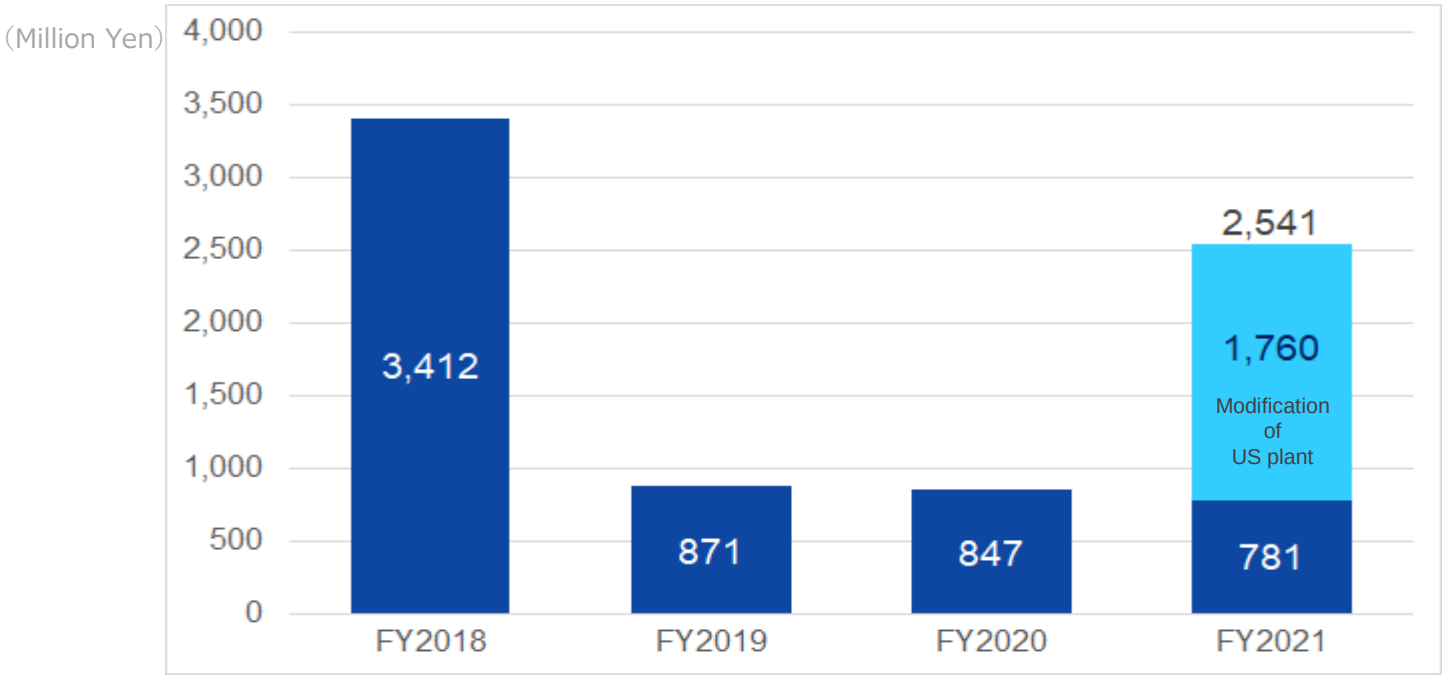
- Net Assets increased by 809 million yen
- Equity Ratio decreased by 4.4 point due to the increase in Total Assets (working capital & investment of US plant)
- Net interest bearing debt increased by 2,017 million yen

(including 3,182 million yen in new borrowings for the investment of US plant)

(Million Yen)	FY2020	FY2021	Difference	YoY %
Total Assets	13,643	**18,034**	4,390	32.2%
Net Assets	4,946	**5,755**	809	16.4%
Equity Ratio	36.3%	**31.9%**	-4.4P	
Interest bearing debt	6,010	**8,866**	2,856	47.5%
Short-term borrowings	135	**800**	664	491.5%
Current portion of long-term borrowings	958	**958**	0	0.0%
Short-term lease obligation	31	**20**	-11	-34.8%
Long-term borrowings	4,607	**6,831**	2,223	48.3%
Long-term lease obligation	276	**256**	-20	-7.5%
Cash and Deposits	1,662	**2,500**	838	50.4%
Net interest bearing debt	4,348	**6,366**	2,017	46.4%

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Capital Investment (FY2021 full-year, consolidated)



Objectives of Investment (Million Yen)	Nippon Denkai	Denkai America	Total
Maintenance and Upkeep	425	116	541
Improvement and Modification	149	—	149
Installation of R&D facilities	91	—	91
Modification of existing equipment in Denkai America	—	1,760	1,760
Total	667	1,876	**2,541**

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Forecast of FY2022 (full-year, consolidated)

(Million Yen)	FY2021 Results	FY2022 Forecast	Difference	YoY %
Net Sales	20,558	20,935	377	1.8%
EV Battery Copper Foil	13,589	13,890	301	2.2%
Circuit Board Copper Foil	6,969	7,045	75	1.1%
Operating Profit	1,004	435	-569	-56.7%
Ordinary Profit	976	219	-756	-77.5%
Profit Attributable to Owners of Parent	848	25	-823	-97.0%
EBITDA	2,278	1,657	-621	-27.3%

< Basis of forecast >

	FY2021 Actual	FY2022 Forecast
Production Volume:	11,936 ton	10,728 ton
Copper Market Price:	¥1,136/ Kg	¥1,200/ Kg

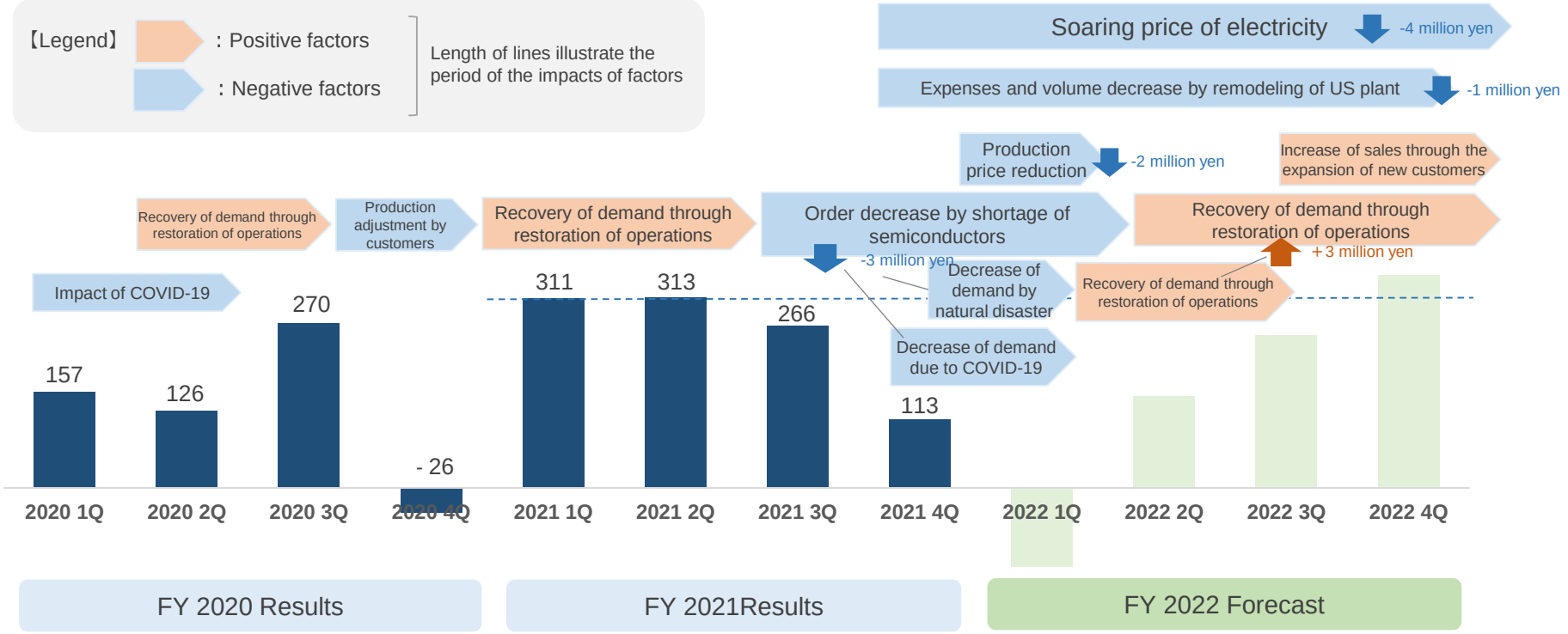
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Detailed Forecast of FY2022 (based on operating income)

＜Quarterly Operating Income/ Major factors＞

【Legend】 : Positive factors : Negative factors

Length of lines illustrate the period of the impacts of factors



＜Countermeasures of FY2022＞

- Improvement of production efficiency and yield, Decrease of SG&A +2 million yen
- New sales opportunity in connection with US customer knowhow and Japan Products technology
- Development of new products

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Forecast of FY2022: Fundamentals Remain Firm

- Despite the strong demand for EV, our sales started to slow down in 2H FY2021 as auto production reduced due to supply-chain disruption such as chips and other materials. Additionally, an earthquake hit a customer. This is the background to our non-optimal sales of 1Q. However, we believe this is the bottom.

- We forecast a profit in 4Q better than any quarter in 2021 due to the demand for EV is still in good shape and our sales will recover while earthquake damage is being repaired.

- We lowered the price to match our competitors' price reduction. It is not because the superiority of our products has not been attenuated, but rather, there is a limit in price difference that our product differentiation can command.

- We will ask customers to bear a portion of the higher electricity costs in 2H.

- The cost associated with revamping US facilities is for transforming our US facilities to be able to produce Denkai battery foil in the US. No one has announced a big copper foil factory construction in North America. We are the frontrunner there.

- The improvement of yield and production efficiency are the key to reduce the cost. There is a lot of room for improvement. That is the manufacturer's life.

- Our US plant has a great relation and knowledge on global PCB customers. We plan to capitalize on it to export Japan products to them. Numbers not included in the forecast.

- The overall trend of growth of EV and copper foil market remains intact.

Announcement Date of FY2022 Q1

FY2022 Q1 Annual Financial Results

is scheduled on

August 10th, 2022 (Wed)

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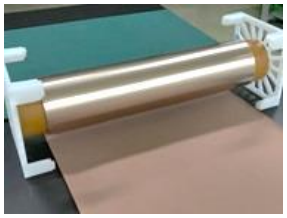
Sales by Product (FY2021 full-year, consolidated)

Nippon Denkai is a global electrodeposited copper foil manufacture positioned in markets with high growth potential

Circuit Board Copper Foil

HL・Seed

Adhesion・Low loss・High flexibility



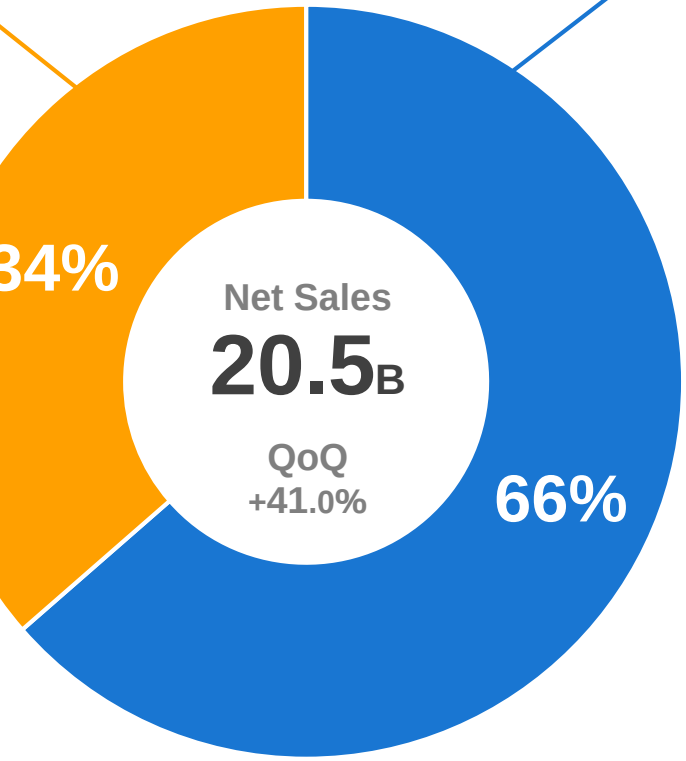
Uses

Flexible Printed Circuits Board Package Substrate

Major End-Products

5G smartphone

5G communi-cation base station etc..



EBITDA[1] JPY 2.2B

EBITDA margin11.1%

[1] EBITDA is calculated by adding depreciation and amortization, etc. to operating profit.

EV Battery Copper Foil

YB

High tensile strength
High elongation



Uses

Lithium-Ion Batteries (LIB)

Major End-Products

EV

HV

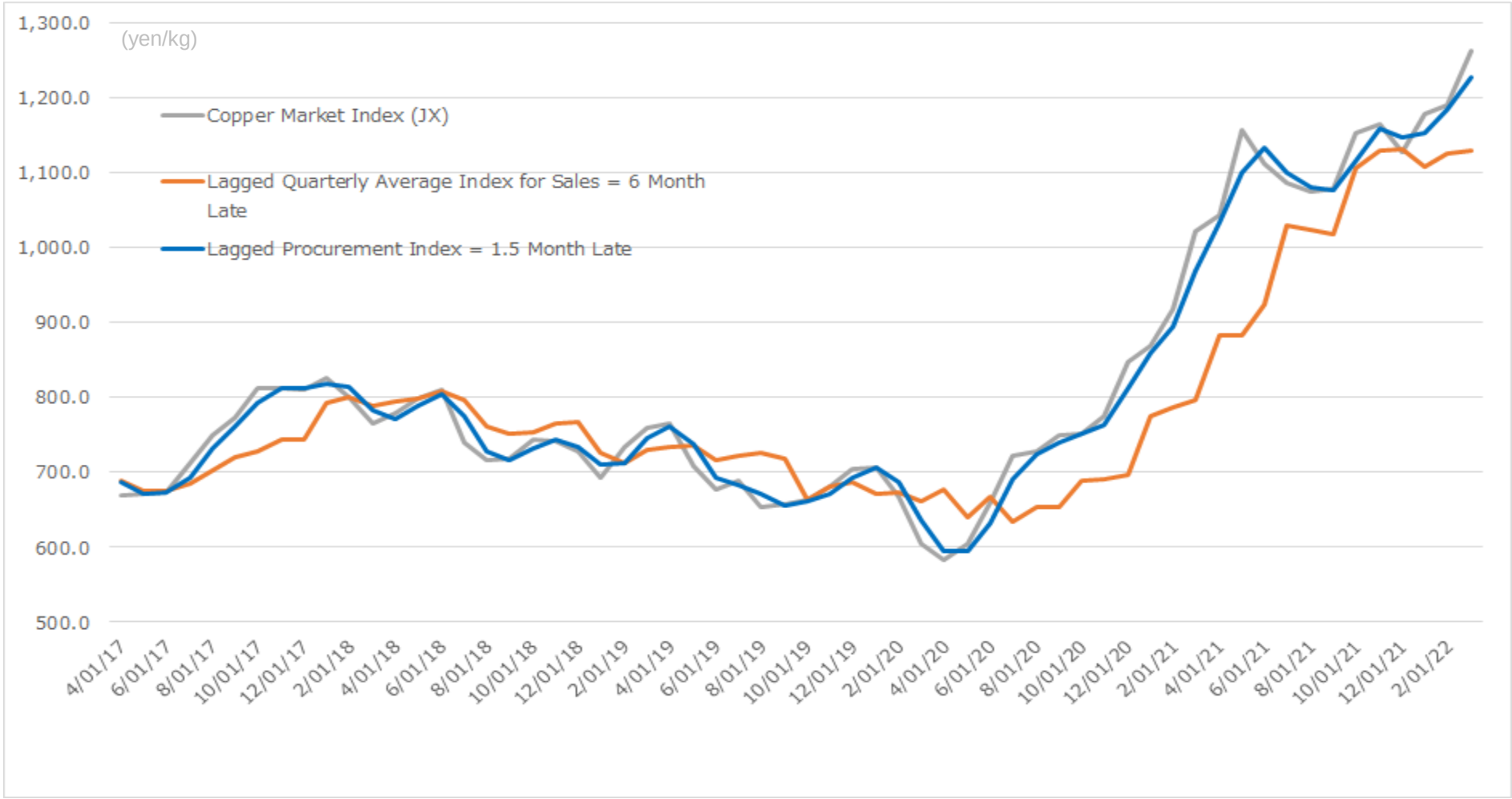
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Operating Profit & EBITDA (Quarterly, Consolidated)

(Million Yen)	FY2020 1Q	FY2020 2Q	FY2020 3Q	**FY2020 4Q**	FY2021 1Q	FY2021 2Q	FY2021 3Q	**FY2021 4Q**	Difference YoY
Net Sales	2,998	3,310	4,181	**4,094**	4,895	5,176	5,397	**5,088**	994
EV battery Copper Foil	1,595	2,379	2,761	**2,535**	3,274	3,381	3,463	**3,469**	934
Circuit Board Copper Foil	1,402	931	1,419	**1,559**	1,621	1,794	1,933	**1,619**	60
Cost of Net Sales	2,575	2,907	3,601	**3,778**	4,329	4,599	4,860	**4,737**	959
Gross Profit on Sales	423	402	579	**316**	566	576	536	**351**	34
Gross Profit Margin (%)	14.1%	12.2%	13.9%	**7.7%**	11.6%	11.1%	9.9%	**6.9%**	—
SG&A	265	276	309	**343**	255	263	269	**237**	-106
SG&A Margin (%)	8.9%	8.3%	7.4%	**8.4%**	5.2%	5.1%	5.0%	**4.7%**	—
Operating Profit	157	126	270	**-26**	311	313	266	**113**	140
Operating Profit (%)	5.2%	3.8%	6.5%	**—**	6.4%	6.0%	4.9%	**2.2%**	—
Ordinary Profit	140	98	247	**-46**	283	322	268	**105**	148
Profit Attributable to Owners of Parent	77	-76	278	**-85**	196	242	192	**216**	301
Depreciation	304	311	328	**372**	303	314	318	**337**	-35
EBITDA	462	437	598	**345**	614	627	585	**451**	105
EBITDA Margin (%)	15.4%	13.2%	14.3%	**8.4%**	12.6%	12.1%	10.8%	**8.9%**	—
Production Volume (tons)	1,858	2,563	2,968	**2,667**	3,053	3,181	3,073	**2,627**	-40

Price of Copper Material (Example)

The impact on business profit and loss is only temporary, due to fluctuations in copper material prices is 100% passed on to product prices.



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Source: This graph is made in ND based on domestic copper quotations by JX Nippon Mining & Metals

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 foils 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 from the manufacturing process.

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

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