Financial Results

FY2022 Q1

August 10th, 2022
Nippon Denkai, Ltd.

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1. Highlights

2. Results for FY2022 Q1

3. Revision of Financial Forecast for FY2022 full-year

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Summary of FY2022 Q1

Operating Profit & EBITDA

- Net Sales is 4,419 JPY million (YoY 9.7% decrease)
- Operating Profit is -337 JPY million（YoY 648 JPY million decrease）
- EBITDA is -29 JPY million (YoY 644 JPY million decrease）

Business Overview

- Sales condition had changed rapidly due to
  - EV battery copper foils: Lowered share at a major customer and prolonged semiconductor supply shortages
  - Circuit board copper foils: The sales reduction for the Chinese smartphone makers and prolonged semiconductor supply shortages
- Production volume is 2,071Mt.（YoY 32.2% decrease）
- Net Sales is expected to fall short of the earnings forecast announced. In addition, due to a decline in capacity utilization, as well as higher costs such as electricity price hike, Operating Profits and each of the other income categories are also expected to fall short of the initial forecast.

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Results of Operations (Apr-Jun 2022, Consolidated)

Points

- Net sales decreased by 9.7% YoY: One customer diversified its suppliers to include other countries to mitigate geopolitical risks. Their move was quicker than our customer diversification. Prolonged semiconductor supply shortage was another cause.
- Operating Profit decreased due to electricity price hike and production disruptions in the US plant in addition to the factors described above.

(Million Yen)	FY2021 Q1	FY2022 Q1	Difference	YoY (%)
Net Sales	4,895	**4,419**	-476	-9.7%
EV battery copper foils	3,274	**2,729**	-545	-16.6%
Circuit board copper foils	1,621	**1,690**	68	4.3%
Operating Profit	311	**-337**	-648	— *
Ordinary Profit	283	**-318**	-602	— *
Profit Attributable to Owners of Parent	196	**-294**	-491	— *

* Percentage change is omitted since this is a comparison of increase and decrease.

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Operating Profit & EBITDA (Apr-Jun 2022, Consolidated)

(Million Yen)	FY2021 Q1	FY2022 Q1	Difference	YoY (%)
Net Sales	4,895	**4,419**	-476	-9.7%
Cost of Net Sales	4,329	**4,426**	97	2.3%
Gross Profit on Sales	566	**-7**	573	—*
Gross Profit Margin (%)	11.6%	**-0.2%**	-11.8%	—*
SG&A	255	**330**	74	—*
SG&A Margin (%)	5.2%	**7.5%**	2.3%	—*
Operating Profit	311	**-337**	-648	—*
Operating Profit (%)	6.4%	**-7.6%**	-14.0%	—*
Depreciation	303	**307**	3	—*
EBITDA	614	**-29**	-644	—*
EBITDA Margin (%)	12.6%	**-0.7%**	-13.3%	—*

* Percentage change is omitted since this is a comparison of increase and decrease.

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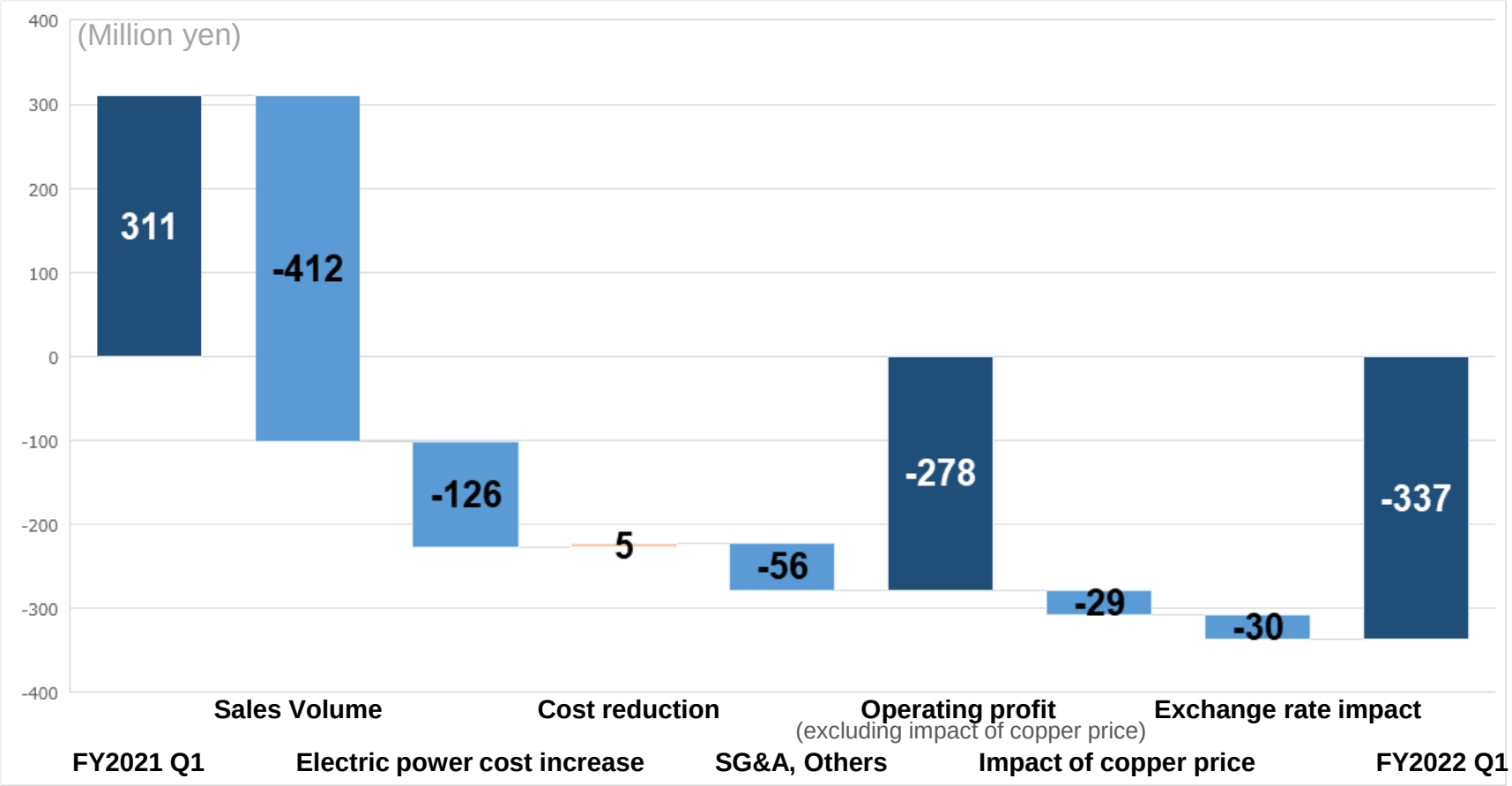
YoY Comparison of Operating Profit

Points

- Operating Profit decreased due to sales volume down and electricity price hike



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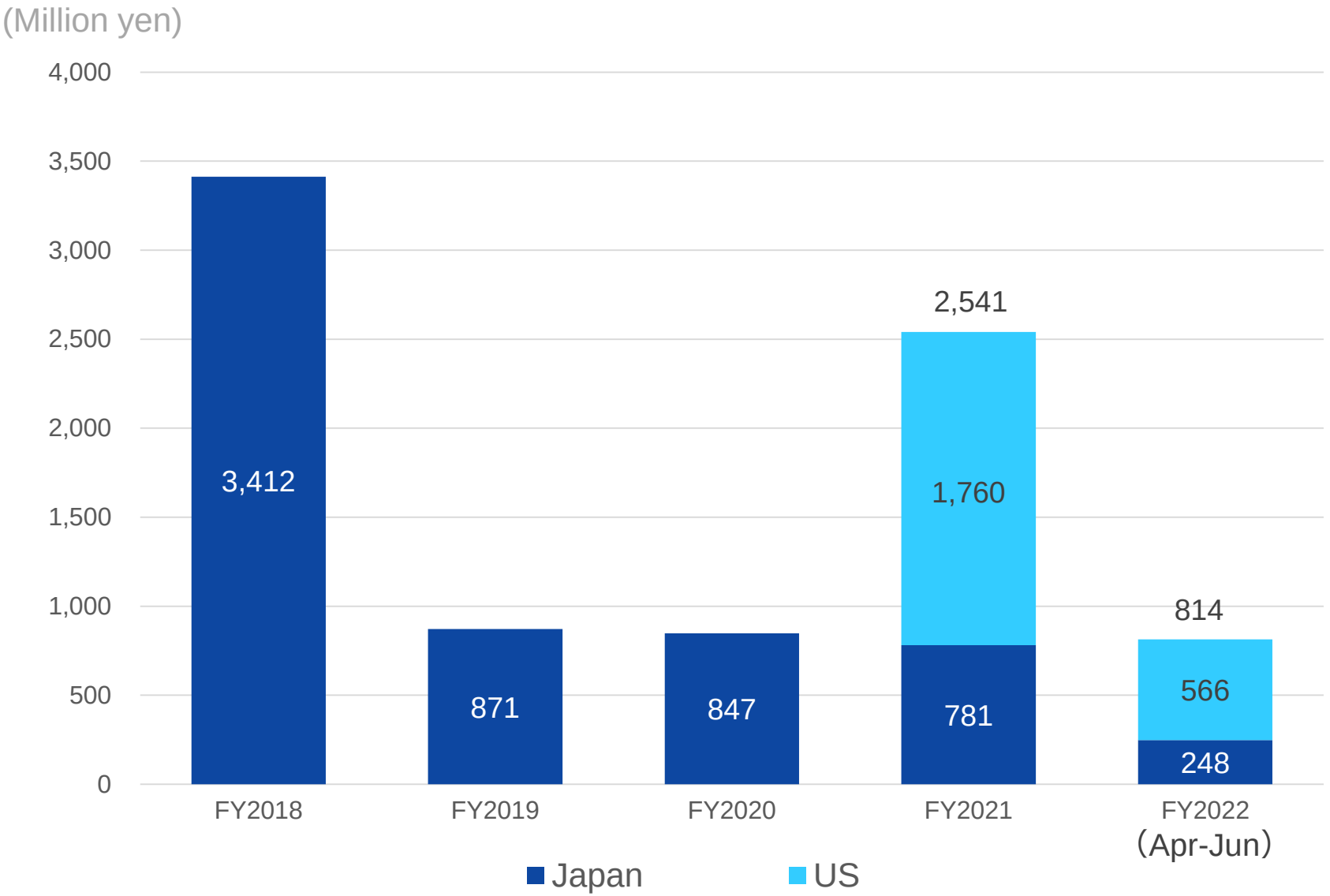
Capital Investment (Apr-Jun 2022, Consolidated)



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Revision of Financial Forecast for FY2022 Full-year

(Million Yen)	Previous Forecast (A)	New Forecast (B)	Difference (B – A)	FY2021 Full-year
Net Sales	20,935	18,000	△2,935	20,558
EV battery copper foils	13,890	11,500	△2,390	13,589
Circuit board copper foils	7,045	6,500	△545	6,969
Operating Profit	435	△500	△935	1,004
Ordinary Profit	219	△800	△1,019	976
Profit Attributable to Owners of Parent	25	△800	△825	848
EBITDA	1,657	700	△957	2,278

< Basis of Forecast >

	FY2022 Forecast			FY2021 Actual
Production Volume :	10,728Mt	→	9,200Mt	11,936Mt
Copper Market Price :	JPY1,200/Kg	→	JPY1,100/Kg	JPY1,136/Kg

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Image of New Forecast for FY2022

Operating Profit Basis

【Legend】
: Positive factors
: Negative factors

Length of lines illustrate the period of the impacts of factors

Electricity price hike

Remodeling in the US: production decrease and expenses

Sales price reduction

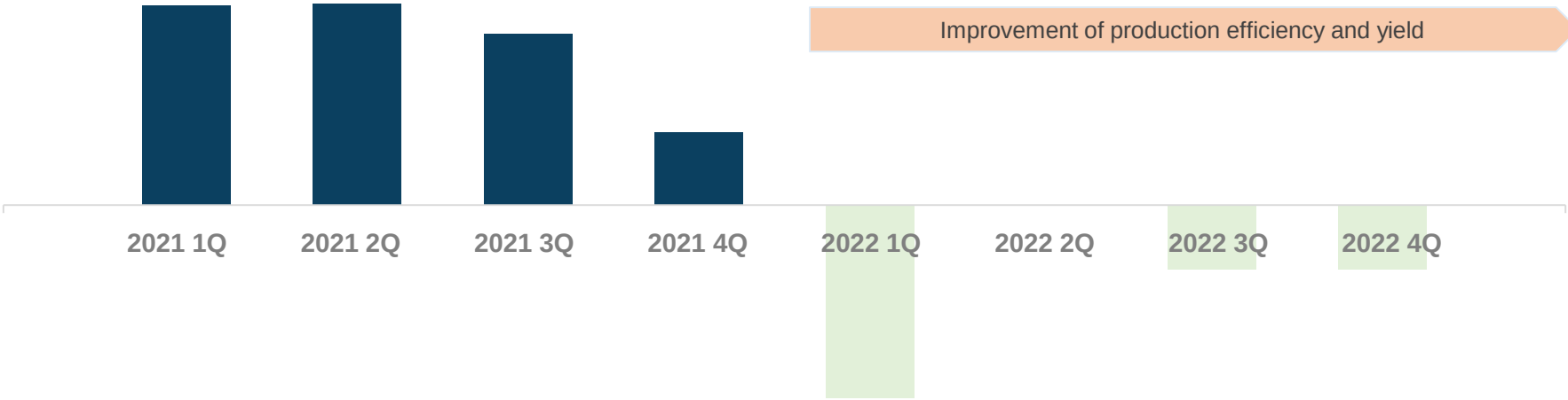
Semiconductor shortage prolonged and (pandemic effect)

【New】 A customer diversified its supply areas mitigating geopolitical risk

【New】 Production disruption at the US plant

【New】 Copper price

Improvement of production efficiency and yield



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Changes from Previous Forecast

(Billion Yen)

Factors	Difference	New Forecast (Aug 10)	Previous Forecast (May 13)
【New】 A customer diversified its supply areas mitigating geopolitical risk	-0.4	-0.4	–
Semiconductor shortage prolonged and (pandemic effect)	-0.4	-0.4	±0
Electricity price hike	-0.2	-0.6	-0.4
【New】 Production disruption at the US plant	-0.1	-0.1	–
【New】 Copper price	+0.1	+0.1	–
Improvement of production efficiency and yield	+0.1	+0.3	+0.2
Sales price reduction	–	-0.2	-0.2
Remodeling in the US: production decrease and expenses	–	-0.1	-0.1
Total	-0.9	-1.4	-0.5

Since the above numbers are approximate, they may not be equal to the difference amounts shown on page 11.

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Major Recovery Measures

＜Recovery Measures＞

Will work on both sales increase and cost reduction

- Current Customer Sales
  - Focus efforts on product generation change
  - Expand share at low-share-and-high-growth customers
- Develop new customers
  - Export to new PCB customers outside Japan
- Expand high-end product sales
- Expedite new product development
  - Next generation battery copper foil
  - Beyond 5G PCB copper foil
- Cost improving investment such as IoT

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Next Announcement of Financial Results

FY2022 Q2 Financial Results is scheduled for

November 10th, 2022 (Thu)

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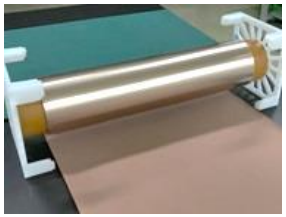
Sales by Product (FY2021 full-year, consolidated)

Circuit Board Copper Foil

HL・Seed

Adhesion・Low loss・High flexibility



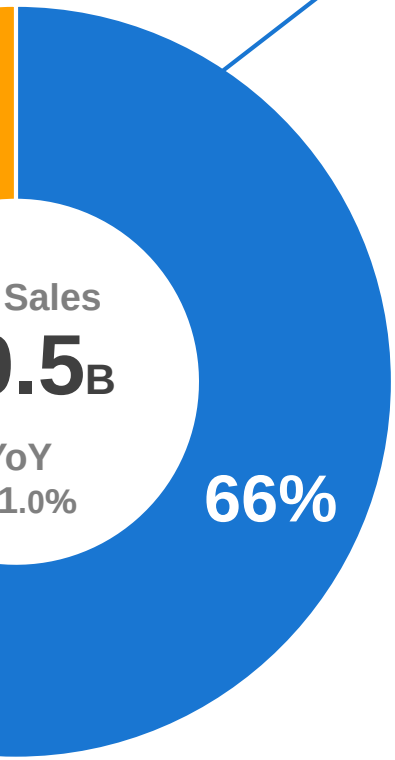
Uses

Flexible Printed Circuits Board Package Substrate

Major End-Products

5G smartphone

5G communi-cation base station etc..



EBITDA[1] JPY 2.2B

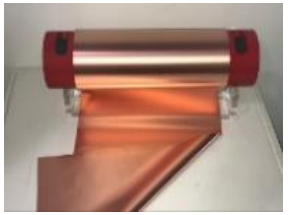
EBITDA margin11.1%

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

EV Battery Copper Foil

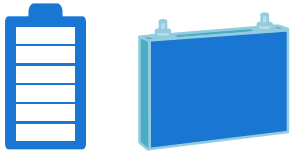
YB

High tensile strength
High elongation



Uses

Lithium-Ion Batteries (LIB)



Major End-Products

EV HV

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History of Business Results (Quarterly, Consolidated)

(Million Yen)	FY2021 Q1 (A)	FY2021 Q2	FY2021 Q3	FY2021 Q4	FY2022 Q1 (B)	Difference (B-A)
Net Sales	4,895	5,176	5,397	5,088	**4,419**	-476
EV battery Copper Foil	3,274	3,381	3,463	3,469	**2,729**	-545
Circuit Board Copper Foil	1,621	1,794	1,933	1,619	**1,690**	68
Cost of Net Sales	4,329	4,599	4,860	4,737	**4,426**	97
Gross Profit on Sales	566	576	536	351	**-7**	-573
Gross Profit Margin (%)	11.6%	11.1%	9.9%	6.9%	**-0.2%**	-11.8%
SG&A	255	263	269	237	**330**	74
SG&A Margin (%)	5.2%	5.1%	5.0%	4.7%	**7.5%**	2.3%
Operating Profit	311	313	266	113	**-337**	-648
Operating Profit (%)	6.4%	6.0%	4.9%	2.2%	**-7.6%**	-14.0%
Ordinary Profit	283	322	268	101	**-318**	-602
Profit Attributable to Owners of Parent	196	242	192	216	**-294**	-491
Depreciation	303	314	318	337	**307**	3
EBITDA	614	627	585	451	**-29**	-644
EBITDA Margin (%)	12.6%	12.1%	10.8%	8.9%	**-0.7%**	-13.3%
Production Volume (Mt)	3,053	3,181	3,073	2,627	**2,071**	982

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Our Commitments to ESG

Environment

Carbon-free world with xEV

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



Our environment ESG targets



Our products are made from 100% recycled materials.

We recycle scrap copper foils from the manufacturing process.

100% Recycled raw copper materials



Scrap copper foils from the manufacturing process are recycled

Our environment ESG targets



Social

Pat-Run activity

Creating a safe and secure city /
Maintaining and improving employees' health

We work Pat-Run (Patrol running) twice a month for creating our local safe and clean since August, 2021.

Our social ESG targets





Pat-Run is the activity that we clean and patrol while walking.

Governance

Nomination and Compensation Committee

We established the committee which is composed with 3 or more people directors (majority of its members shall be independent outside directors) selected by the board of directors in February, 2022.

Purpose: to further enhance our corporate governance structure by strengthening the fairness, transparency, and objectivity of procedures.

Our governance ESG targets



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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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