Financial Results

FY2022 Q2

November 10th, 2022

Nippon Denkai, Ltd.

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1. Business results for FY2022 1H

2. Revision of financial forecast for FY2022 full-year

3. Appendix

FY2022 1H Business Results Highlight (Consolidated)

Business Results

- Net Sales 8,775million yen（YoY 12.9% decrease）
- Operating Profit △565million yen（YoY 1,189million yen decrease）
- EBITDA 51million yen（YoY 1,191million yen decrease）

Business Overview

■ Sales condition is continuously in a difficult situation

- EV battery copper foils: Lowered share at a major customer and prolonged semiconductor supply shortages
- Circuit board copper foils: The continuous sales reduction for the Chinese smartphone makers

■ Operating Profit △565million yen

- Manufacturing cost increase due to energy price hike in Japan and the US
- Some factors such as equipment malfunction at the US plant or others pressured OP

■ Production volume: 4,247Mt（YoY 31.9% decrease）

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FY2022 1H Business Results (Consolidated)

- Net sales decreased by 12.9% YoY: Lowered share at a major customer and prolonged semiconductor supply shortages
- OP decreased due to electricity price hike and equipment malfunction in the US plant in addition to the factors described above

(Million Yen)	FY2021 1H	FY2022 1H	Difference	YoY (%)
Net Sales	10,072	**8,775**	△1,297	△12.9%
EV battery copper foils	6,656	**5,695**	△961	△14.4%
Circuit board copper foils	3,416	**3,080**	△336	△9.8%
Operating Profit	624	**△565**	△1,189	– *
Ordinary Profit	605	**△583**	△1,188	– *
Profit Attributable to Owners of Parent	439	**△609**	△1,048	– *
Production Volume (Mt)	6,235	**4,247**	△1,988	△31.9%

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

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FY2022 1H Operating Profit & EBITDA (Consolidated)

(Million Yen)	FY2021 1H	FY2022 1H	Difference	YoY (%)
Net Sales	10,072	**8,775**	△1,297	△12.9%
Cost of Net Sales	8,928	**8,679**	△249	△2.8%
Gross Profit on Sales	1,143	**96**	△1,047	△91.6%
Gross Profit Margin (%)	11.4%	**1.1%**	△10.3%	–
SG&A	519	**662**	143	27.6%
SG&A Margin (%)	5.2%	**7.5%**	2.3%	–
Operating Profit	624	**△565**	△1,189	–*
Operating Profit (%)	6.2%	**△6.4%**	△12.6%	–
Depreciation	618	**617**	△1	△0.2%
EBITDA	1,242	**51**	△1,191	△95.9%
EBITDA Margin (%)	12.3%	**0.6%**	△11.7%	–

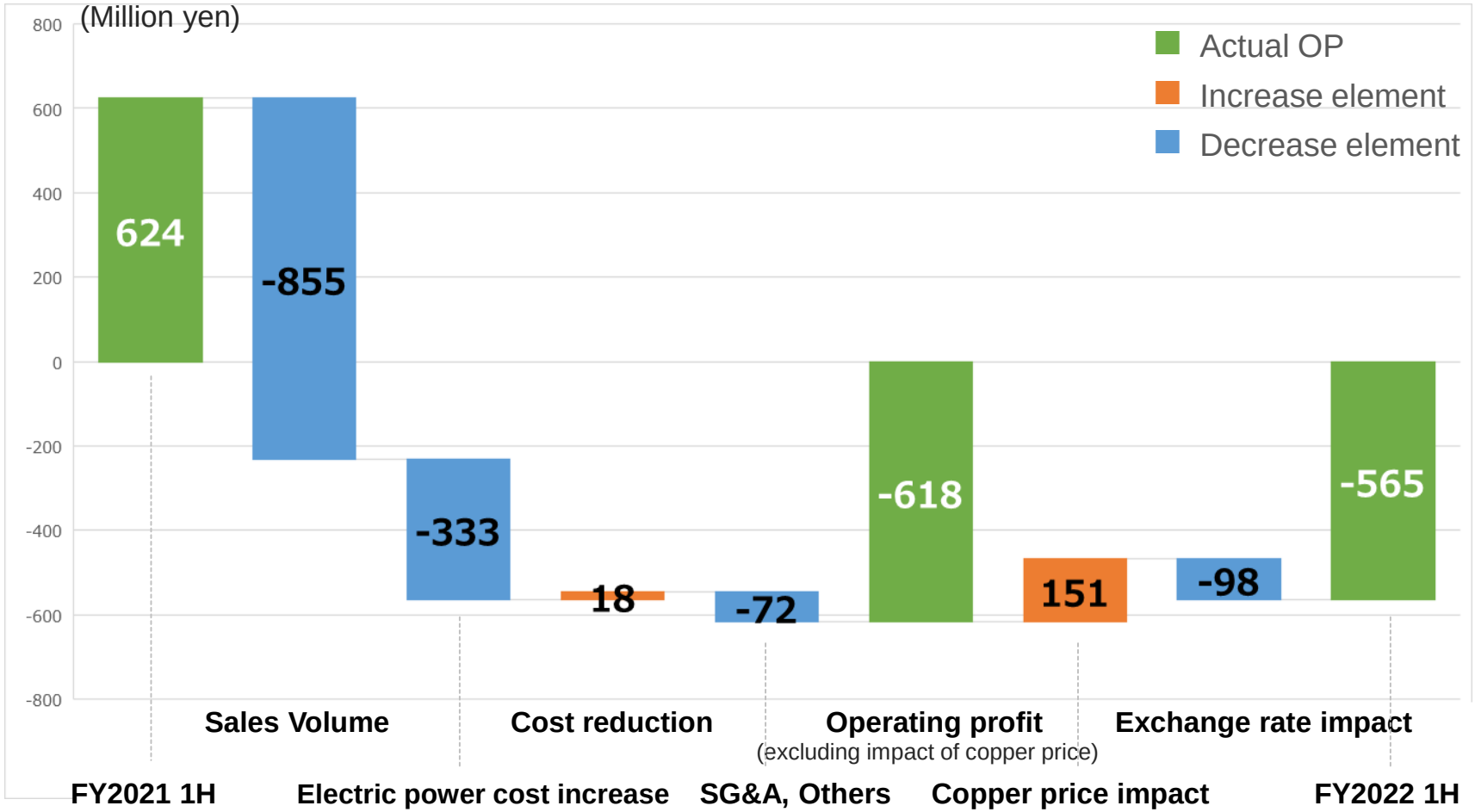
* Percentage change is omitted since this is a comparison of increase and decrease.

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Operating Profit 1H YoY Comparison (Consolidated)

Operating Profit decreased due to:

- Sales volume down including equipment malfunction in the US plant
- Manufacturing cost increase by energy price hike



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Revision of Financial Results FY2022 Full-year (Consolidated)

(Million Yen)	Forecast announced on 8/10 (A)	Forecast announced on 11/10 (B)	Difference (B - A)
Net Sales	18,000	17,700	△300
EV battery copper foils	11,500	11,600	100
Circuit board copper foils	6,500	6,100	△400
Operating Profit	△500	△1,000	△500
Ordinary Profit	△800	△1,200	△400
Profit Attributable to Owners of Parent	△800	△1,100	△300
EBITDA	700	200	△500

< Basis of Forecast > Announced on 8/10 11/10

Production volume : 9,200Mt → 8,700Mt

Copper market price* : 1,100yen /kg → 1,200yen /kg

*「Copper market price」is domestic copper price referred by JX Nippon Mining & Metals Corporation in Japan.

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Changes from Forecast announced on 8/10 (Consolidated)

(Million Yen)

Operating Profit Full-year announced on 8/10		**△5**
Factors	Delay in 2H sales recovery in the forecast announced on 8/10	△3
	Copper price increase	△2
	Electricity price hike	△1
	Procurement materials cost increase	△1
	Pass-through partial electricity cost, Cost reduction	＋2
Total OP change from the announcement on 8/10		△5
Operating Profit Full-year announced on 11/10		**△10**

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FY2021 ➡ FY2022 Full-year Comparison (Consolidated)

(Million Yen)	FY2021 Actual	FY2022 Forecast	Difference (FY2021→FY2022)
Net Sales	20,558	17,700	△2,858
EV battery copper foils	13,589	11,600	△1,989
Circuit board copper foils	6,969	6,100	△869
Operating Profit	1,004	△1,000	△2,004
Ordinary Profit	976	△1,200	△2,176
Profit Attributable to Owners of Parent	848	△1,100	△1,948
EBITDA	2,278	200	△2,078

＜Basis of Forecast＞

		FY2021 Actual	FY2022 Forecast
Production volume	:	11,936Mt	8,700Mt
Copper market price*	:	1,136yen /kg	1,200yen /kg

*「Copper market price」is domestic copper price referred by JX Nippon Mining & Metals Corporation in Japan.

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Breakdown of Full-year Comparison (Consolidated)

FY2021 ➡ FY2022

(Million Yen)

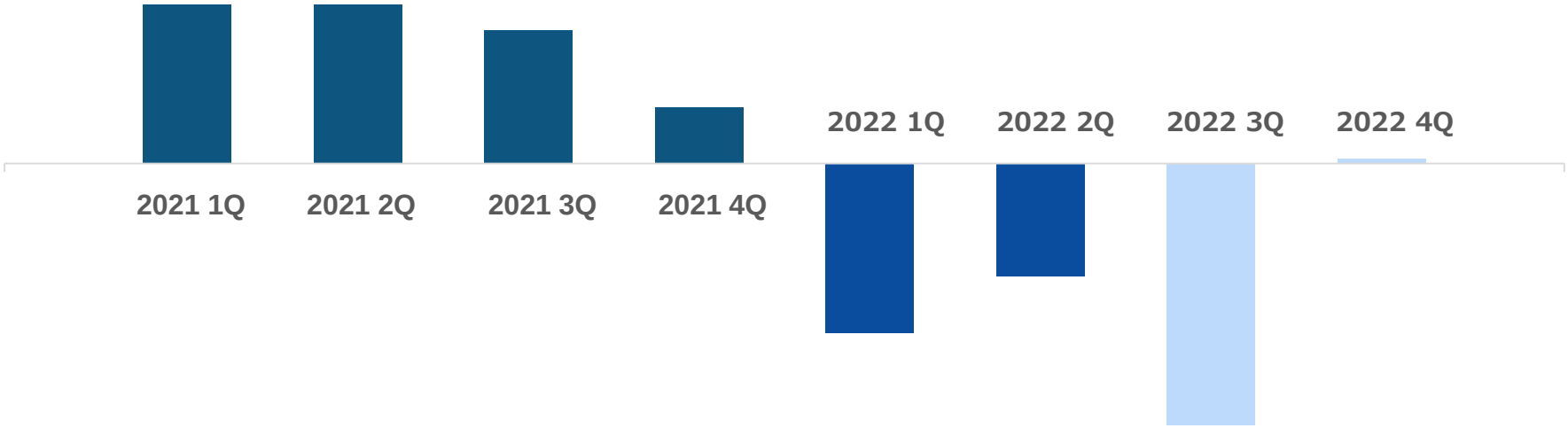
FY2021 Operating Profit		**10**
Factors	Lowered share at a major customer	△4
	Sales price reduction	△2
	Order reduction by a customer's production restraint	△8
	Electricity price hike	△7
	Production decrease by remodeling construction, and equipment malfunction in the US plant	△2
	Copper price	△1
	Pass-through partial electricity cost, improvements of production efficiency and yield, and other measures	＋4
	OP difference between FY2021 and FY2022	△20
FY2022 Operating Profit announced on 11/10		**△10**

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Quarterly Operating Profit (Consolidated)

- Copper price in yen increased because of weakening yen started in the last few months

- Ensure profits in FY2022 4Q and after by lifting costumer's production restraint, pass-through partial electricity cost and improvements of production efficiency and yield, and so forth



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Recovery Measures

- Started negotiation on pass-through partial electricity cost in Japan
- Continuous sample work with existing and new customers for new orders
- Retaining reduction of fixed costs by improving production efficiency

In progress **Estimated time of monetarization**

	FY2022	FY2023	FY2024	FY2025	FY2026 and after
Sales of high-end product to existing PCB customers in the US					
Price revision of products in the US plant					
Production increase for new lines in the existing customer					
Sales to new EV battery manufacturing customer					
Adoption to innovative EV battery					

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Next announcement is scheduled for

February 10th, 2023

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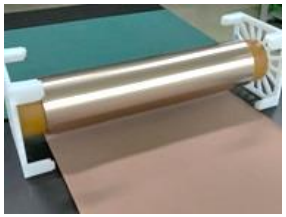
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Sales by Product (FY2021 full-year, consolidated)

Circuit Board Copper Foil

HL・Seed

Adhesion・Low loss・High flexibility



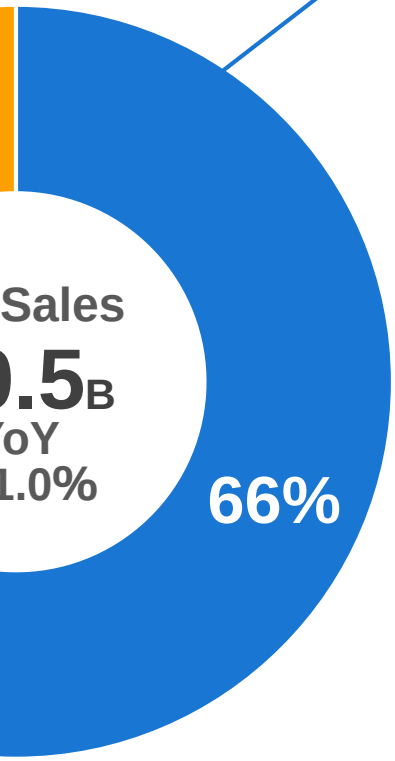
Uses

Flexible Printed Circuits
Board Package Substrate

Major End-Products

5G smartphone

5G communi-cation base station etc..

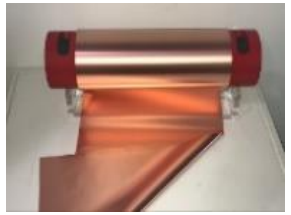


EBITDA[1] JPY 2.2B
EBITDA margin11.1%

EV Battery Copper Foil

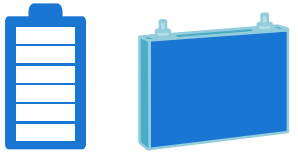
YB

High tensile strength
High elongation



Uses

Lithium-Ion Batteries (LIB)



Major End-Products

EV

HV

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

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History of Business Results (Quarterly, Consolidated)

(Million Yen)	FY2021 Q1	FY2021 Q2 (A)	FY2021 Q3	FY2021 Q4	FY2022 Q1	FY2022 Q2 (B)	Difference (B - A)
Net Sales	4,895	5,176	5,397	5,088	4,419	**4,356**	△ 820
EV battery Copper Foil	3,274	3,381	3,463	3,469	2,729	**2,965**	△ 416
Circuit Board Copper Foil	1,621	1,794	1,933	1,619	1,690	**1,390**	△ 404
Cost of Net Sales	4,329	4,599	4,860	4,737	4,426	**4,252**	△ 347
Gross Profit on Sales	566	576	536	351	△7	**103**	△ 473
Gross Profit Margin (%)	11.6%	11.1%	9.9%	6.9%	△0.2%	**2.4%**	△8.8%
SG&A	255	263	269	237	330	**332**	68
SG&A Margin (%)	5.2%	5.1%	5.0%	4.7%	7.5%	**7.6%**	△2.5%
Operating Profit	311	313	266	113	△337	**△228**	△541
Operating Profit (%)	6.4%	6.0%	4.9%	2.2%	△7.6%	△5.2%	△11.2%
Ordinary Profit	283	322	268	101	△318	**△264**	△586
Profit Attributable to Owners of Parent	196	242	192	216	△294	**△315**	△557
Depreciation	303	314	318	337	307	**310**	△ 4
EBITDA	614	627	585	451	△29	**81**	△545
EBITDA Margin (%)	12.6%	12.1%	10.8%	8.9%	△0.7%	**1.9%**	△10.3%
Production Volume (Mt)	3,053	3,181	3,073	2,627	2,074	**2,172**	△1,009

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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

CSR

We proactively commit to CSR for social contribution such as cleaning litters around our factory, recycling plastic bottles, Pat-Run activity and purchasing handmade buns made in local social welfare facility. We aspire to become the corporation that thrives with a local community through our CSR activities above.





Our environment ESG targets



Governance

Obtained certification for excellent health management

We aim to rise corporate health management and obtained certification called “Gin no Nintei” for excellent health management in June, 2022.
We continuously create a positive work environment while attempting “Kin no Nintei”.

Our environment ESG targets





Kin = Gold
Gin = Silver

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