Financial Results

FY2023 Q1

Nippon Denkai, Ltd. August 9th, 2023

1. FY2023 Q1 Highlight
2. FY2023 Q1 Financial Results
3. FY2023 Earnings Forecast
4. Appendix

© 2023 Nippon Denkai, Ltd.

1. FY2023 Q1 Highlight
2. FY2023 Q1 Financial Results
3. FY2023 Earnings Forecast
4. Appendix

© 2023 Nippon Denkai, Ltd.

FY2023 Q1 Highlight

Consolidated Financial Results

Net sales were 4,759 million yen, up 7.7% YoY primarily due to an increase in sales of EV battery copper foil. **Operating profit** improved by 96 million yen YoY to -241 million yen mainly due to production increase and changes in the mix of products despite high electricity prices compared to last year. **Production volume** increased by 19.5% YoY to 2,478 metric tons.

Net Sales	Operating Profit	Profit Attributable to owners of the parent
4,759million yen	-241million yen	-22million yen
YoY **+7.7%**	YoY **+96Mm yen**	YoY **+272Mm yen**

- **EV Battery copper foil**: As planned; the base demand for copper foil gradually recovered throughout Q1 as the global chip shortage started to ease.
- **Circuit board copper foil**: As planned; the demand for smartphones remained sluggish due to global inflation and weak replacement demand while sales for automotive substrates partially contributed.

Topics

- **U.S. Camden, SC Plant**: Two rectifiers malfunctioned in mid-June, and one resumed in early July. The other unit is currently undergoing parts procurement and is expected to be restored in October at the earliest. We are considering alternative production at the Head Office Plant(Chikusei, Ibaraki) for some products for which inventory is tight due to limited production capacity.
- **U.S. Augusta, GA New Plant**: We are currently working on financing and our goal of starting construction by the end of 2023 remains unchanged.

© 2023 Nippon Denkai, Ltd.

1. FY2023 Q1 Highlight
2. FY2023 Q1 Financial Results
3. FY2023 Earnings Forecast
4. Appendix

© 2023 Nippon Denkai, Ltd.

FY2023 Q1 Financial Results

- Net sales increased by 7.7% YoY : Demand for EV battery copper foil gradually recovered due to alleviation of semiconductor shortage, while demand for circuit board copper foil remains weak due to continued sluggish demand for products such as smartphones despite some sales contributions from substrates for automotive applications.
- Operating profit slightly improved YoY. Increase in sales volume and production volume contributed, although energy costs remained at a high level on a quarterly average basis.

(Unit: ¥ millions)

	FY2022 Q1	FY2023 Q1	Amount Change	% Change
Net Sales	4,419	**4,759**	339	7.7%
EV Battery copper foil	2,729	**3,438**	708	26.0%
Circuit board copper foil	1,690	**1,321**	(369)	(21.8%)
Operating Profit	(337)	**(241)**	96	-
Ordinary Profit	(318)	**44**	363	-
Profit Attributable to Owners of the Parent	(294)	**(22)**	272	-
Production Volume (metric ton)	2,074	**2,478**	404	19.5%

- The numbers above are rounded down and percentage figures may differ from those after rounding figures since they're calculated in units of 1 yen.
- The percentage change in comparison with negative numbers shown as – in the table above.

© 2023 Nippon Denkai, Ltd.

FY2023 Q1 Profit and Loss Statement

(Unit: ¥ millions)

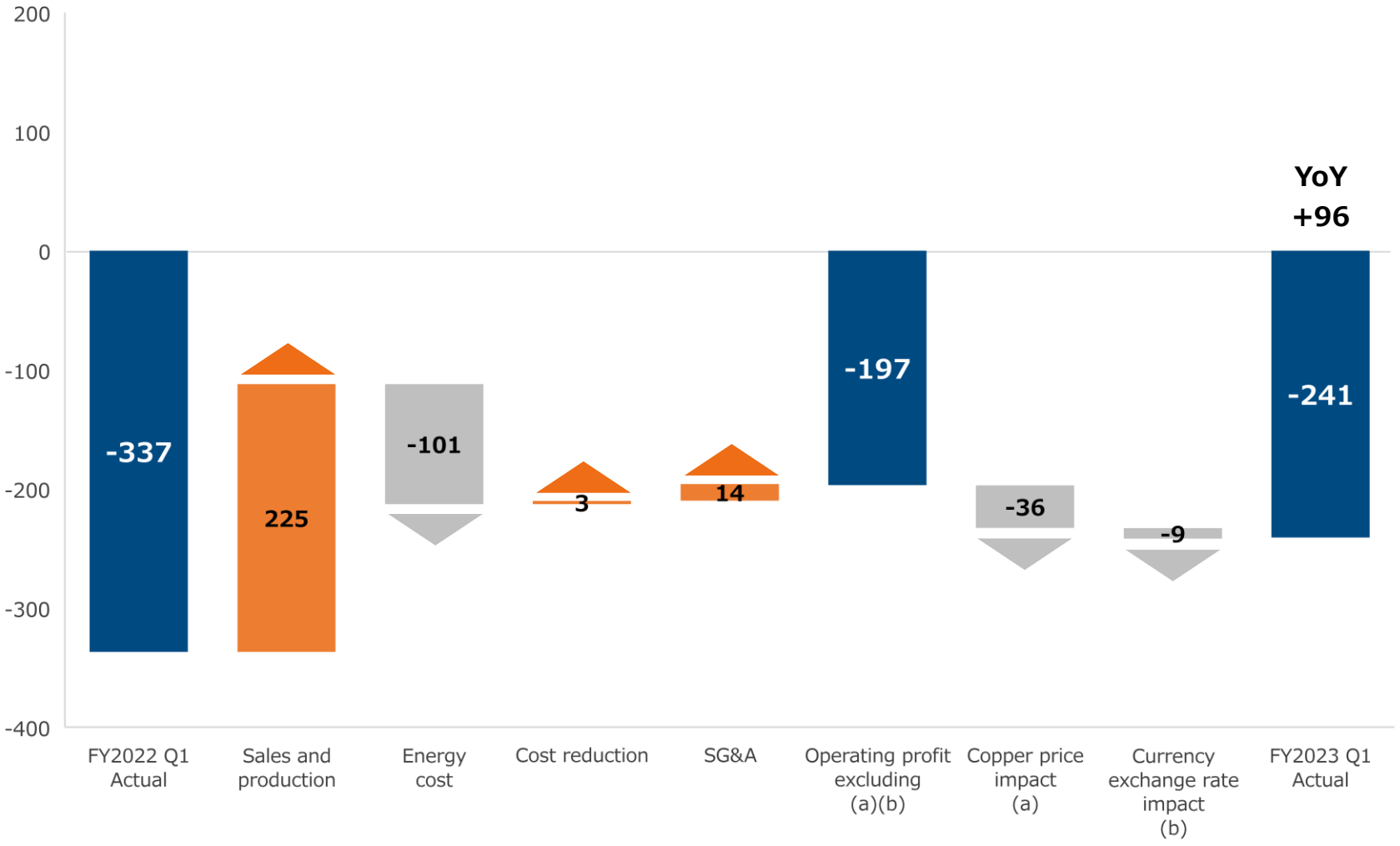
	FY2022 Q1	FY2023 Q1	Amount Change	% Change
Net Sales	4,419	**4,759**	339	7.7%
Cost of Net Sales	4,426	**4,678**	251	5.7%
Gross Profit	(7)	**81**	88	-
Gross Profit margin (%)	(0.2%)	**1.7%**	-	-
Selling, general and administrative expenses	330	**322**	(7)	(2.4%)
SG&A margin (%)	7.5%	**6.8%**	-	-
Operating Profit	(337)	**(241)**	96	-
Operating Profit margin (%)	(7.6%)	**(5.1%)**	-	-
Depreciation	307	**307**	0	0.0%
EBITDA	(29)	**66**	96	-
EBITDA margin (%)	(0.7%)	**1.4%**	-	-

- The numbers above are rounded down and percentage figures may differ from those after rounding figures since they're calculated in units of 1 yen.
- The percentage change in comparison with negative numbers shown as – in the table above.

© 2023 Nippon Denkai, Ltd.

FY2023 Q1 Operating Profit Analysis

(Unit: ¥ millions)



- The numbers above are rounded down.

© 2023 Nippon Denkai, Ltd.

1. FY2023 Q1 Highlight
2. FY2023 Q1 Financial Results
3. FY2023 Earnings Forecast
4. Appendix

© 2023 Nippon Denkai, Ltd.

FY2023 Earnings Forecast

(Unit: ¥ millions)

	FY2022 Actual	FY2023 Forecast (Announced May 10th)	FY2023 Q1	Progress (%)
Net Sales	17,047	20,600	**4,759**	23.1%
EV Battery copper foil	11,316	14,800	**3,438**	23.2%
Circuit board copper foil	5,730	5,800	**1,321**	22.8%
Operating Profit	(1,611)	(600)	**(241)**	-
Ordinary Profit	(1,840)	(1,100)	**44**	-
Profit Attributable to Owners of the Parent	(1,933)	(1,100)	**(22)**	-
EBITDA	(371)	800	**66**	-
Production Volume (metric ton)	8,520	10,400	**2,478**	23.8%

- The numbers above are rounded down and percentage figures may differ from those after rounding figures since they're calculated in units of 1 yen.
- The percentage change in comparison with negative numbers shown as – in above.
- FY2023 Forecast is based on the assumption of Copper Market Price of JPY 1,250 per kg and exchange rate of JPY130.00 per USD.

© 2023 Nippon Denkai, Ltd.

FY2023 Sales Plan Updates

- The mass production schedule in U.S. Camden Plant for EV battery copper foil is currently under close examination, as the QA certification schedule may be affected depending on the timing of rectifier restoration.

Company	Users		Customer Market	Q1	Q2	Q3	Q4
Nippon Denkai	EV Battery	LIB	Battery manufacturers (Japan/US)	● Now supplying			
				・Base demand gradually recovered throughout Q1, however, demand of some customers is predicted to slow down in Q2.			
		High-capacity LIBs	Battery manufacturers (Japan)			● Scheduled to start supplying	
				・Plan to supply our new copper foil to customer's new production lines			
	Circuit board (High-end products)	PCB	Circuit board manufacturers (Japan)				● Schedule to start supplying
				・Plan to supply copper foil used in customer's new products			
		PCB	Circuit board manufacturers (US)	● Now supplying			
				・Supplying high-end copper foil to customers of Denkai America			
Denkai America	EV Battery	LIB	Battery manufacturers (US)			● Under adjustment	
				・QA certification and supply schedule are under adjustment			
	Circuit board (Mid-range products)	PCB	Existing customers (Global)	● Under examination			
				・Examining alternative production at the Head Office Plant (Chikusei, Ibaraki)			

© 2023 Nippon Denkai, Ltd.

FY2023 Q2 Earnings Release Schedule

FY2023 Q2 financial results are scheduled for release on

Friday, November 10th, 2023.

1. FY2023 Q1 Highlight
2. FY2023 Q1 Financial Results
3. FY2023 Earnings Forecast
4. Appendix

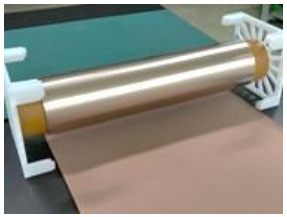
© 2023 Nippon Denkai, Ltd.

FY2022 Sales by Product

Circuit Board Copper Foil

HL･Seed

Adhesion/Low Loss/High Flexibility



Uses

Flexible Printed Circuits Board Package Substrate

Major End-products

5G Smartphone

5G Communication Base Station, etc



EBITDA[1] JPY -300M

EBITDA margin -2.2%

EV Battery Copper Foil

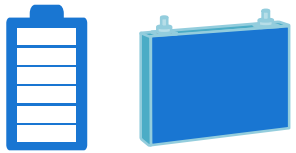
YB

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.

© 2023 Nippon Denkai, Ltd.

Historical Consolidated Financial Results

(Unit: ¥ millions)

	FY2020	FY2021	FY2022					FY2023	QoQ	YoY
			Q1	Q2	Q3	Q4		Q1		
Net Sales	14,584	20,558	4,419	4,356	3,941	4,329	17,047	**4,759**	*429*	*339*
EV battery copper foil	9,272	13,589	2,729	2,965	2,769	2,851	11,316	**3,438**	*586*	*709*
Circuit board copper foil	5,312	6,969	1,690	1,390	1,172	1,477	5,730	**1,321**	*(156)*	*(369)*
Cost of Net Sales	12,863	18,527	4,426	4,252	3,923	4,340	16,943	**4,678**	*337*	*251*
Gross Profit	1,721	2,030	(7)	103	18	(10)	104	**81**	*91*	*88*
Gross Profit margin (%)	*11.8%*	*9.9%*	*(0.2%)*	*2.4%*	*0.5%*	*(0.2%)*	*0.6%*	***1.7%***	-	-
SG&A	1,194	1,025	330	332	322	730	1,715	**322**	*(407)*	*(7)*
SG&A margin (%)	*8.2%*	*5.0%*	*7.5%*	*7.6%*	*8.2%*	*16.9%*	*10.1%*	***6.8%***	-	-
Operating Profit	527	1,004	(337)	(228)	(304)	(741)	(1,611)	**(241)**	*499*	*96*
Operating Profit margin(%)	*3.6%*	*4.9%*	*(7.6%)*	*(5.2%)*	*(7.7%)*	*(17.1%)*	*(9.5%)*	***(5.1%)***	-	-
Ordinary Profit	440	976	(318)	(264)	(471)	(784)	(1,840)	**44**	*829*	*363*
Profit Attributable to Owners of the Parent	193	848	(294)	(315)	(384)	(939)	(1,933)	**(22)**	*917*	*272*
Depreciation	1,316	1,274	307	310	314	308	1,240	**307**	*(1)*	*0*
EBITDA	1,843	2,278	(29)	81	9	(432)	(371)	**66**	*498*	*96*
EBITDA margin (%)	*12.6%*	*11.1%*	*(0.7%)*	*1.9%*	*0.2%*	*(10.0%)*	*(2.2%)*	***1.4%***	-	-
Production Volume (metric ton)	10,058	11,936	2,074	2,172	2,345	1,928	8,520	**2,478**	*550*	*404*

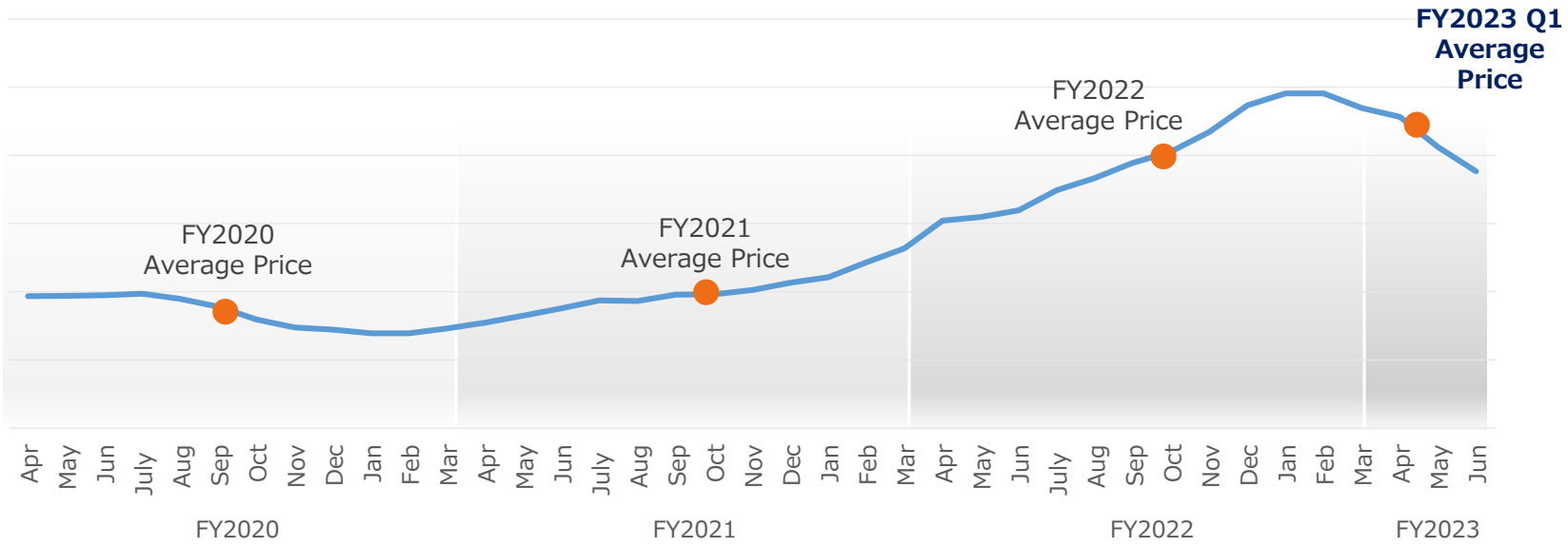
- The numbers above are rounded down and percentage figures may differ from those after rounding figures since they're calculated in units of 1 yen.
- The percentage change in comparison with negative numbers shown as – in the table above.

© 2023 Nippon Denkai, Ltd.

Variable Factors

Electricity Price

- Electricity prices remain high on average in the first quarter, although it has been on a downward trend since its peak in February 2023



Copper Price

- The selling price of our products is determined every three months based on the market price of copper. This system allows copper prices to be reflected in the selling price, although there will be a time lag in the reflection.

© 2023 Nippon Denkai, Ltd.

Our Commitments to Sustainability

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 SDGs targets



Our products are made from 100% recycled materials

Also we recycle copper foils scraps generated in the manufacturing process.

Our SDGs targets



Social

Patrol-Running activity

Creating a safer community
and improving employees' health

We facilitate Pat-Run activity (Patrol Running) twice a month to make our community safe and clean.

Our SDGs targets





Governance

Nomination and Compensation Committee

To further enhance our corporate governance by strengthening the fairness, transparency, and objectivity of procedures, we established the committee which is composed with three or more directors (majority of its members shall be independent outside directors) selected by the board of directors in February, 2022.

Our SDGs target



© 2023 Nippon Denkai, Ltd.

Disclaimer

These documents have been prepared solely for the purpose of disclosing relevant information regarding Nippon Denkai, Ltd. and, depending on the context, its consolidated subsidiary. These documents do not constitute an offer to sell or the solicitation of an offer to buy any security in the United States, Japan or any other jurisdiction.

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 the date that these documents are published.

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


日本電解株式会社
Nippon Denkai, LTD.