



Financial Results

FY2023 Annual Closing

Nippon Denkai, Ltd.
May 15th, 2024

1. FY2023 Highlights of Business Results
2. FY2023 Financial Results
3. FY2024 Earnings Forecast
4. Appendix

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FY2023 Summary of Business

Consolidated Financial Results

Net Sales
16,650 million yen

YoY

-2.3%

Operating Profit
-1,034 million yen

YoY

577 M Yen

Profit Attributable
to owners of the parent

-874 million yen

YoY

1,059 M Yen

Business Overview

EV Battery
Copper Foil

- Mass production of copper foil for customers' new plants started in succession as planned, contributing to sales
- Decrease in demand for copper foil for exporting cells due to the U.S. Inflation-Reduction Act (IRA)

Circuit Board
Copper Foil

- Sales decrease due to malfunction of rectifiers at Denkai America, Inc.
- A customer completed evaluation of copper foil for their new products, wearable devices, and started supplying from Q1 FY2024

FY2023 Highlights of Business Results

- Sales: Domestic demand of EV battery copper foil resulting from IRA declined. Sales for circuit boards copper foil decreased due to malfunction of rectifiers in Denkai America
- Operating income: Production volume decreased due to the reason mentioned above. It eventually remained in the red, although operating income improved YoY

(Unit: ¥ millions)

	FY2022	FY2023	YoY	YoY(%)
Net Sales	17,047	16,650	(397)	(2.3%)
EV Battery Copper Foil	11,316	12,542	1,225	10.8%
Circuit board Copper Foil	5,730	4,108	(1,622)	(28.3%)
Operating Profit	(1,611)	(1,034)	577	-
Ordinary Profit	(1,840)	(1,288)	551	-
Profit Attributable to Owners of the Parent	(1,933)	(874)	1,059	-
Production Volume (metric ton)	8,520	8,308	(212)	(2.5%)

- 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.

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FY2023 Profit and Loss Statement

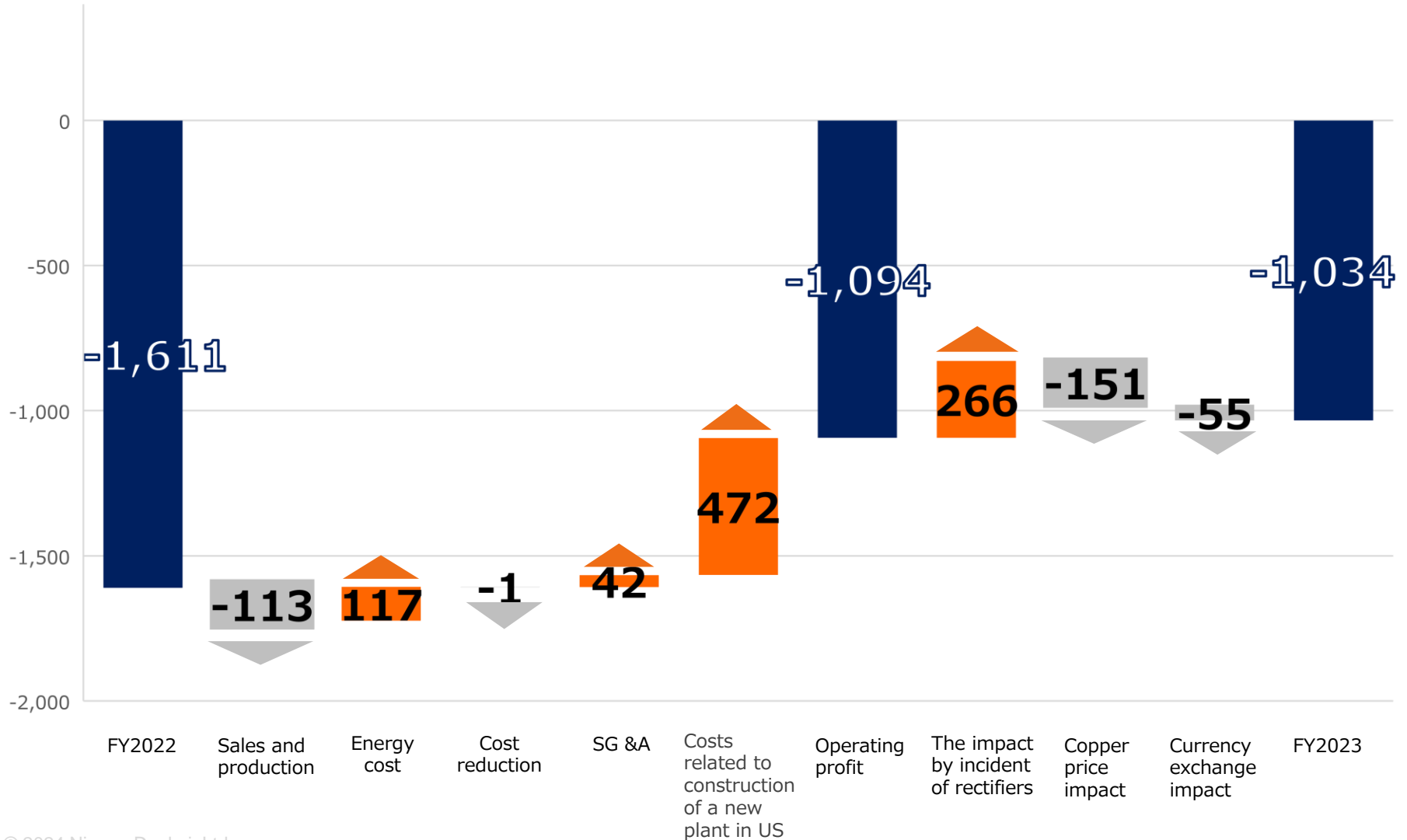
(Unit: ¥ millions)

	FY2022	FY2023	YoY	YoY(%)
Net Sales	17,047	16,650	(397)	(2.3%)
Cost of Net Sales	16,943	16,460	(483)	(2.9%)
Gross Profit	104	190	86	82.6%
Gross Profit Margin (%)	0.6%	1.1%	+0.5pt	-
Selling, general and administrative expenses	1,715	1,224	(491)	(28.6%)
SG&A Margin (%)	10.1%	7.4%	(2.7pt)	-
Operating Profit	(1,611)	(1,034)	577	-
Operating Profit Margin (%)	(9.5%)	(6.2%)	+3.3pt	-
Depreciation	1,240	1,169	(71)	(5.8%)
EBITDA	(371)	134	505	-
EBITDA Margin (%)	(2.2%)	0.8%	+3.0pt	-

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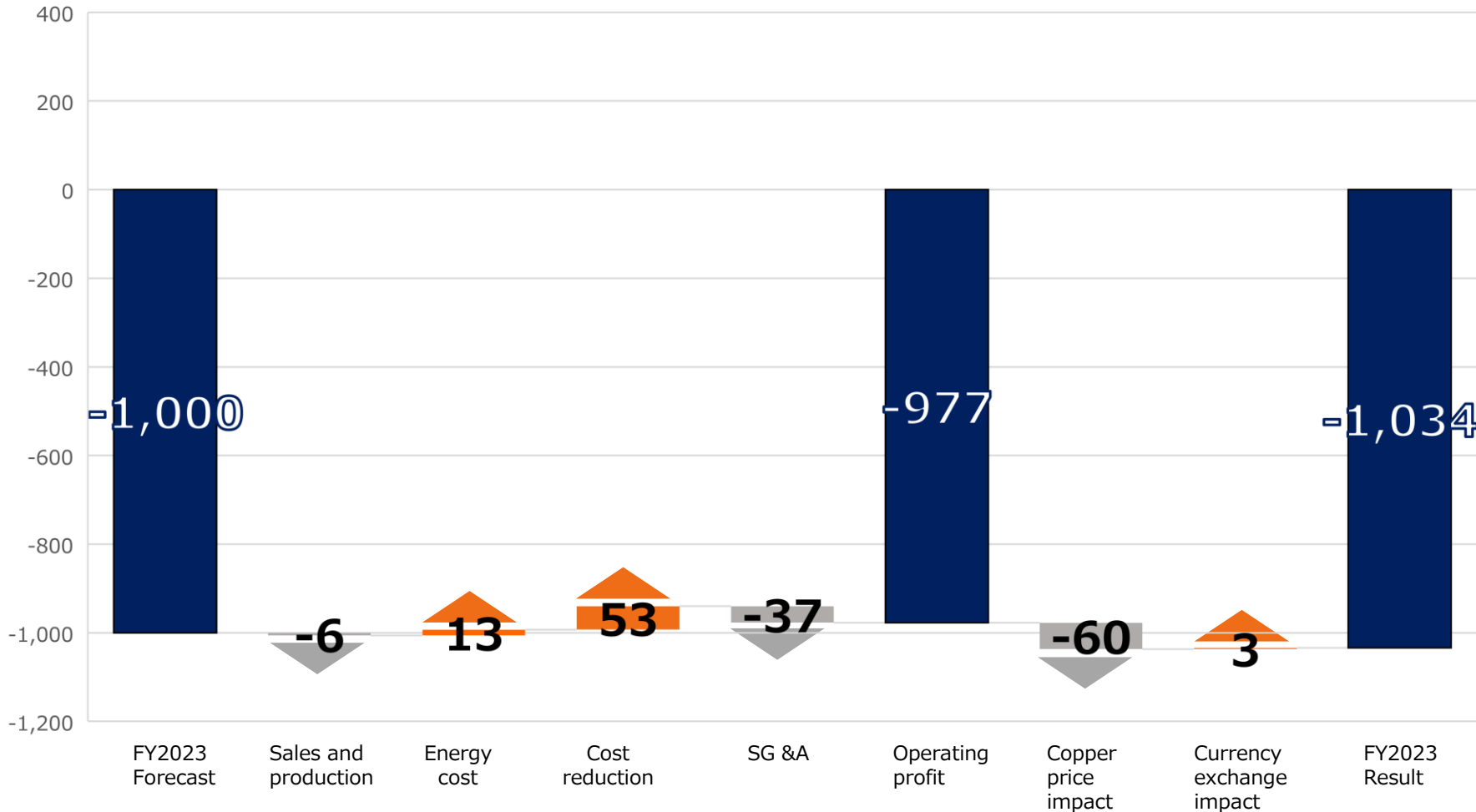
YoY Operating Profit Comparison

(Unit: ¥ millions)



Comparison of FY2023 Results and Forecast announced Nov.10

(Unit: ¥ millions)



FY2023 Financial Position

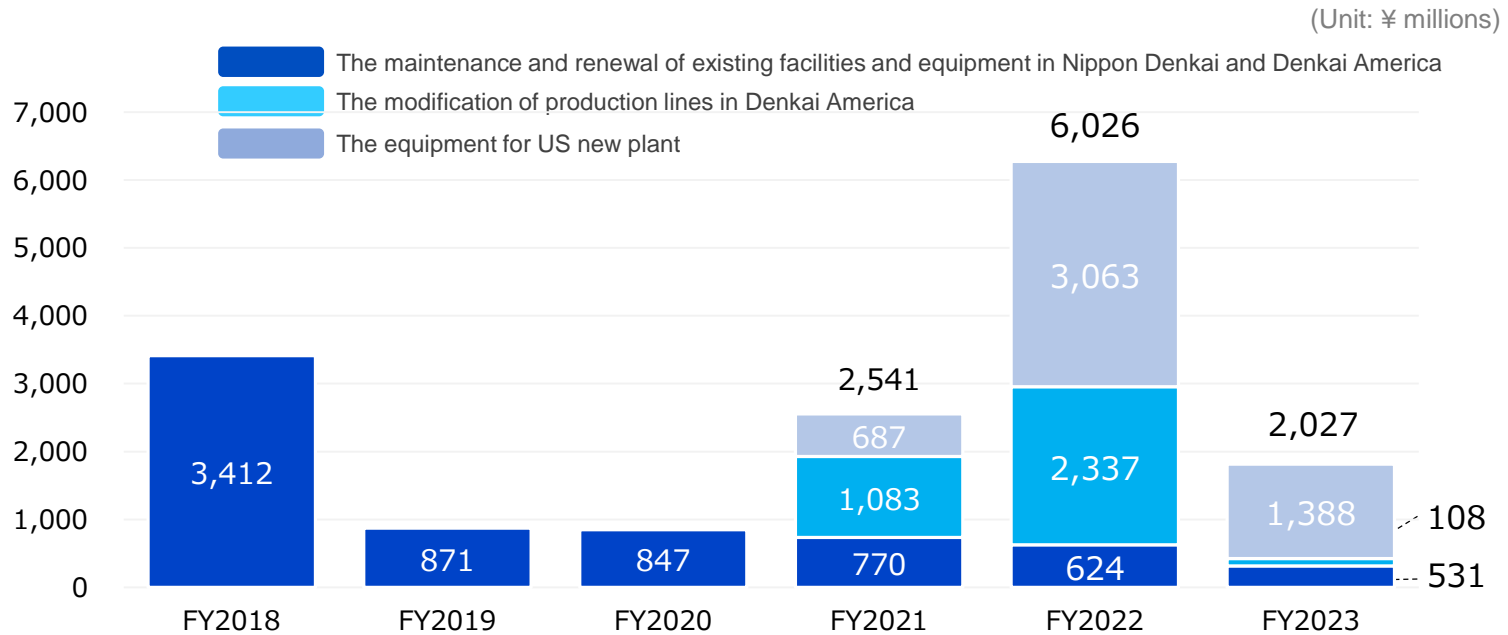
- Net interest-bearing debt increased due to payment for long-delivery goods for new U.S. plant

(Unit: ¥ millions)

	FY2022	FY2023	YoY	YoY(%)
Total assets	22,678	23,908	1,229	5.4%
Net assets	7,447	6,724	(722)	(9.7%)
Equity ratio	32.8%	28.1%	(4.7%)	–
Interest bearing debt	12,377	13,880	1,502	12.1%
Short-term borrowings	5,000	6,711	1,711	34.2%
Current position of long-term borrowings	1,358	1,856	498	36.7%
Short-term lease obligation	20	19	(1)	(3.8%)
Long-term borrowings	5,762	5,075	(686)	(11.9%)
Long-term lease obligation	235	215	(19)	(8.4%)
Cash and deposits	3,579	3,376	(203)	(5.7%)
Net interest-bearing debt	8,797	10,503	1,706	19.4%

Result of Capital Investment

● Historical Summary



● Details of FY2023

(Unit: ¥ millions)

	Nippon Denkai	Denkai America	Total
Maintenance and renewal	173	187	360
Improvement and modification	142	27	169
Installation of R&D facilities	2	-	2
Modification of existing equipment in Denkai America	-	108	108
Equipment for new US factory	-	1,388	1,388
Total	317	1,710	2,027

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FY2024 Forecast

- Non-operating expenses are expected to include interest expenses on borrowings and loss on valuation of currency swaps used to hedge foreign exchange risks associated with investments in equity of consolidated subsidiaries.

(Unit: ¥ millions)

	FY2023 Result	FY2024 Forecast	YoY	YoY (%)
Net Sales	16,650	19,700	3,050	18.3%
EV Battery Copper Foil	12,542	14,800	2,258	18.0%
Circuit Board Copper Foil	4,108	4,900	792	19.3%
Operating Profit	(1,034)	0	1,034	-
Ordinary Profit	(1,288)	(800)	488	-
Profit Attributable to Owners of the Parent	(874)	(800)	74	-
EBITDA	134	1,200	1,066	795.5%
Production Volume (metric ton)	8,308	9,500	1,192	14.3%

● Basis of above forecast	<u>FY2023 Result</u>	<u>FY2024 Forecast</u>
Copper Market price :	¥ 1,261 / kg	¥ 1,350 / kg
Forex (Average Rate) :	144.59 \$/¥	148.00 \$/¥

The numbers are rounded down. The results of percentage figures may differ from those after rounding figures since they're calculated in units of 1 yen.

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

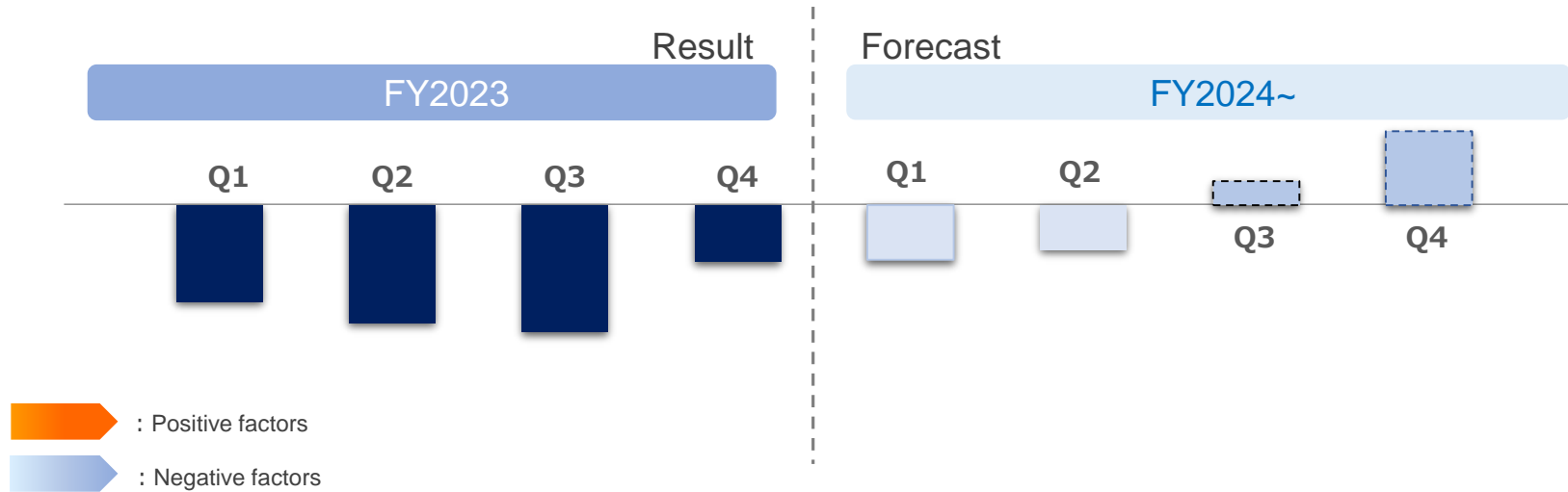
FY2023 Sales Plan Updates and FY2024 Forecasts

■ Expected to expand sales in FY 2024 driven by sales promotion

Company	Users		Customer (Market)	FY2023 H1	FY2023 H2	FY2024
Nippon Denkai	EV Battery	LIB	Battery manufacturers (Japan/US)	● Now supplying		● Start supplying
		High-capacity LIBs	Battery manufacturers (Japan)	● Started mass production ● Started additional mass production		● Started mass production ● Started additional mass production
	Circuit board (High-end products)	PCB	Circuit board manufacturers (Japan)			● Now supplying
		PCB	Circuit board manufacturers (US)	● Now supplying		● Now supplying
Denkai America	EV Battery	LIB	Battery manufacturers (US)	● In the process of scheduling		● In the process of scheduling
	Circuit board (Mid-range products)	PCB	Existing customers (Global)	● Now working on		● Now working on

For Future Growth

Aims positive balance in second half of consolidated FY2024



- Nippon Denkai** For high-capacity LIBs : Start mass production for additional lines
- Nippon Denkai** Start supplying LIBs for new customers
- Nippon Denkai** Circuit board copper foil : Product evaluation to new products by customers
- Nippon Denkai** Cost reduction regarding manufacturing by digitalization and other factors
- Denkai Group** The impact of collaboration value through Business Alliance Agreement
- Denkai America** Shipping sample of EV battery copper foil
- Denkai America** The decline in the production and sales due to the malfunction of rectifiers
- Nippon Denkai** The decreasing sales of copper foil for battery cell in Japan
- Nippon Denkai** Cost increase due to higher electricity prices

FY2024 Q1 Financial Results Release Schedule

FY2024 Q1 financial results are scheduled for release on

Friday, August 9th, 2024

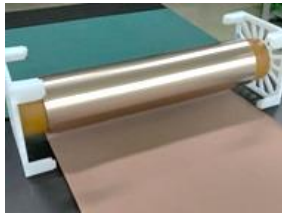
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FY2023 Sales by Product

Circuit Board Copper Foil

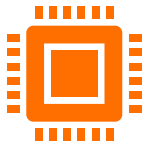
HL-Seed

Adhesion/Low Loss/High Flexibility



Uses

Flexible Printed Circuits
Board Package Substrate



Major End-products



5G
Smartphone

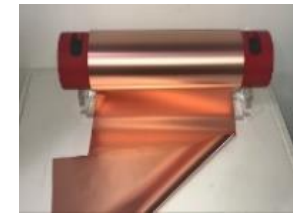


5G Communication
Base Station, etc

EV Battery Copper Foil

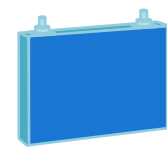
YB

High Tensile Strength/High Elongation



Uses

Lithium-Ion Batteries
(LIB)



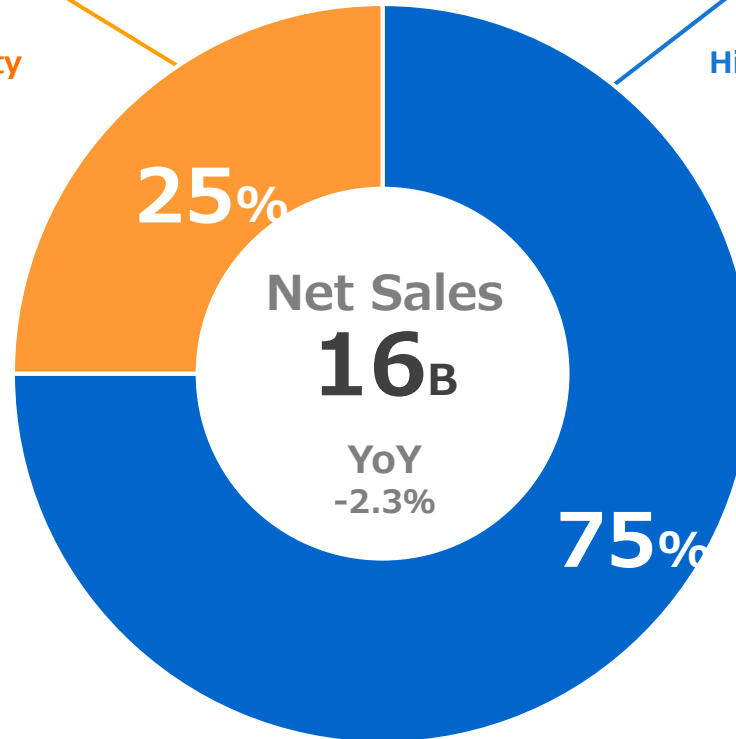
Major End-products



EV



HV



EBITDA¹ JPY 100M
EBITDA margin 0.8%

Historical Consolidated Financial Results

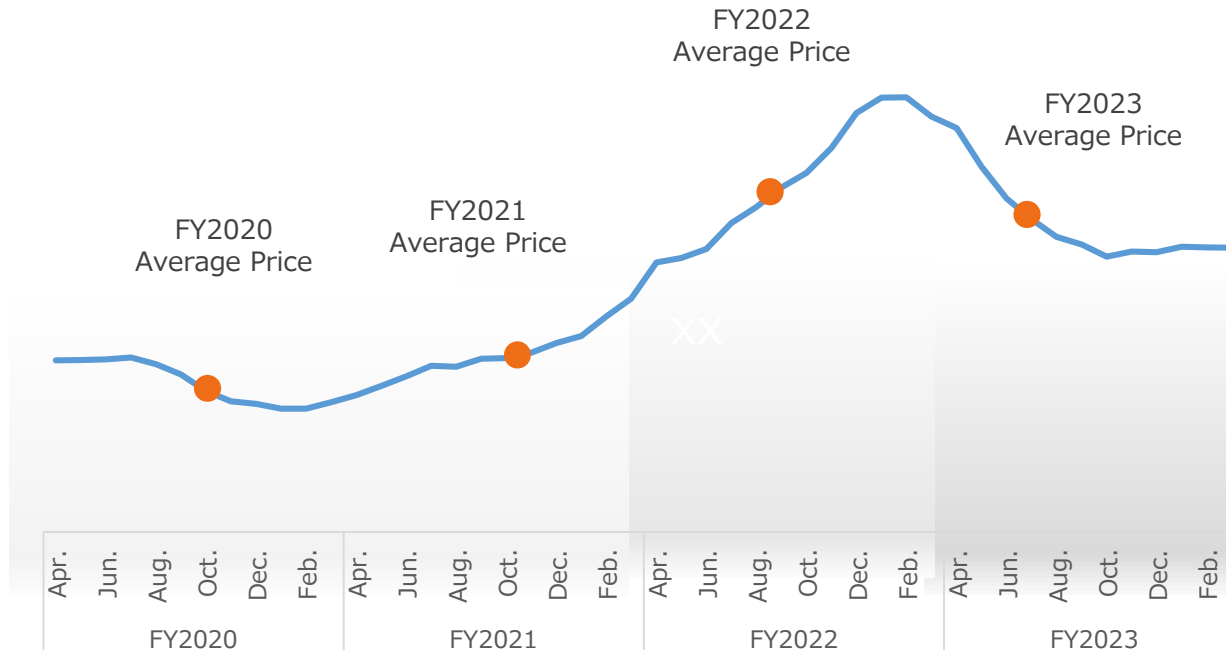
(Unit: ¥ millions)

	FY2020	FY2021	FY2022					FY2023					QoQ (c)-(b)	YoY (c)-(a)
			Q1	Q2	Q3	Q4 (a)		Q1	Q2	Q3 (b)	Q4 (c)			
Net Sales	14,584	20,558	4,419	4,356	3,941	4,329	17,047	4,759	3,818	3,769	4,302	16,650	532	(27)
EV battery copper foil	9,272	13,589	2,729	2,965	2,769	2,851	11,316	3,438	3,040	3,027	3,036	12,542	8	184
Circuit board copper foil	5,312	6,969	1,690	1,390	1,172	1,477	5,730	1,321	778	742	1,265	4,108	523	(211)
Cost of Net Sales	12,863	18,527	4,426	4,252	3,923	4,340	16,943	4,678	3,826	3,808	4,146	16,460	337	(193)
Gross Profit	1,721	2,030	(7)	103	18	(10)	104	81	(7)	(38)	155	190	194	166
<i>Gross Profit margin (%)</i>	11.8%	9.9%	(0.2%)	2.4%	0.5%	(0.2%)	0.6%	1.7%	(0.2%)	(1.0%)	3.6%	1.1%	-	-
SG&A	1,194	1,025	330	332	322	730	1,715	322	296	304	301	1,224	(2)	(429)
<i>SG&A margin (%)</i>	8.2%	5.0%	7.5%	7.6%	8.2%	16.9%	10.1%	6.8%	7.8%	8.1%	7.0%	7.4%	-	-
Operating Profit	527	1,004	(337)	(228)	(304)	(741)	(1,611)	(241)	(303)	(343)	(145)	(1,034)	197	595
<i>Operating Profit margin (%)</i>	3.6%	4.9%	(7.6%)	(5.2%)	(7.7%)	(17.1%)	(9.5%)	(5.1%)	(8.0%)	(9.1%)	(3.4%)	(6.2%)	-	-
Ordinary Profit	440	976	(318)	(264)	(471)	(784)	(1,840)	44	(192)	(610)	(530)	(1,288)	79	254
Profit Attributable to Owners of the Parent	193	848	(294)	(315)	(384)	(939)	(1,933)	(22)	(380)	(670)	198	(874)	869	1,138
Depreciation	1,316	1,274	307	310	314	308	1,240	307	273	284	304	1,169	19	(4)
EBITDA	1,843	2,278	(29)	81	9	(432)	(371)	66	(30)	(58)	158	134	217	590
<i>EBITDA margin (%)</i>	12.6%	11.1%	(0.7%)	1.9%	0.2%	(10.0%)	(2.2%)	1.4%	(0.8%)	(1.6%)	3.7%	0.8%	-	-
Production Volume (metric ton)	10,058	11,936	2,074	2,172	2,345	1,928	8,520	2,478	1,904	1,970	1,956	8,308	(14)	28

Variable Factors

Electricity Price

- Electricity price remains high compared to historical averages



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.

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 LIBs and xEV.



Our SDGs targets



Our products are made from 100% recycled materials

We recycle copper foils scraps generated in the manufacturing process. ISO 14021:2016 compliance has been verified by a third-party certification body.



Our SDGs targets



Social

Human Capital Management “Corporate development through employee growth”

We will enhance corporate value through employee growth through expanded training programs.

Our SDGs targets



Governance

Enhancing corporate governance by accelerating its environmental initiatives

In one example, promoting with customers to reduce CO2 in the supply chain to strengthen Environmental Management Committee with the theme of Global Environment.

Our SDGs target



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