



Financial Results

FY2023 Q3

Nippon Denkai, Ltd. February 9th, 2024

1. FY2023 Q3 Highlight (Cumulative)
2. FY2023 Q3 Financial Results (Cumulative)
3. Forecast for FY2023
4. Appendix

1. FY2023 Q3 Highlight (Cumulative)
2. FY2023 Q3 Financial Results (Cumulative)
3. Forecast for FY2023
4. Appendix

FY2023 Q3 Highlight (Cumulative)

Consolidated Financial Results

Net Sales

12,348 million yen

YoY **-2.9%** 

Operating Profit

-888 million yen

YoY **-17 M Yen** 

Profit Attributable to owners of the parent

-1,073 million yen

YoY **-78 M Yen** 

Business Overview

EV Battery Copper Foil

- The sales of copper foil for domestically manufactured batteries decreased due to the impact of IRA resulting in a sales decline for exporting products
- Started mass production of new products for high-capacity LIBs

Circuit Board Copper Foil

- The sales decreased due to a decline in production capacity caused by the malfunction of electrical equipment in the US plant

Topics

U.S. Camden, SC Plant

- All rectifiers have resumed on December 12 and returned to regular operations

U.S. Augusta, GA New Plant

- Temporally postponing the construction of the Augusta Plant in consideration of current status of EV demands

1. FY2023 Q3 Highlight (Cumulative)
2. FY2023 Q3 Financial Results (Cumulative)
3. Forecast for FY2023
4. Appendix

FY2023 Q3 Financial Results (Cumulative)

- Sales of EV battery copper foil to the US customers recovered while sales of circuit boards copper foil declined due to the malfunction of rectifiers in the US plant
- The loss in operating profit was slightly down due to the significant impact of the malfunction of rectifiers despite the improvement of sales of EV battery copper foil

(Unit: ¥ millions)

	FY2022 Q3	FY2023 Q3	Amount Change	% Change
Net Sales	12,717	12,348	(369)	(2.9%)
EV Battery Copper Foil	8,464	9,506	1,041	12.3%
Circuit Board Copper Foil	4,252	2,842	(1,410)	(33.2%)
Operating Profit	(870)	(888)	(17)	-
Ordinary Profit	(1,055)	(757)	297	-
Profit Attributable to Owners of the Parent	(994)	(1,073)	(78)	-
Production Volume (metric ton)	6,592	6,352	(240)	(3.6%)

- 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.

FY2023 Q3 Profit and Loss Statement(Cumulative)

(Unit: ¥ millions)

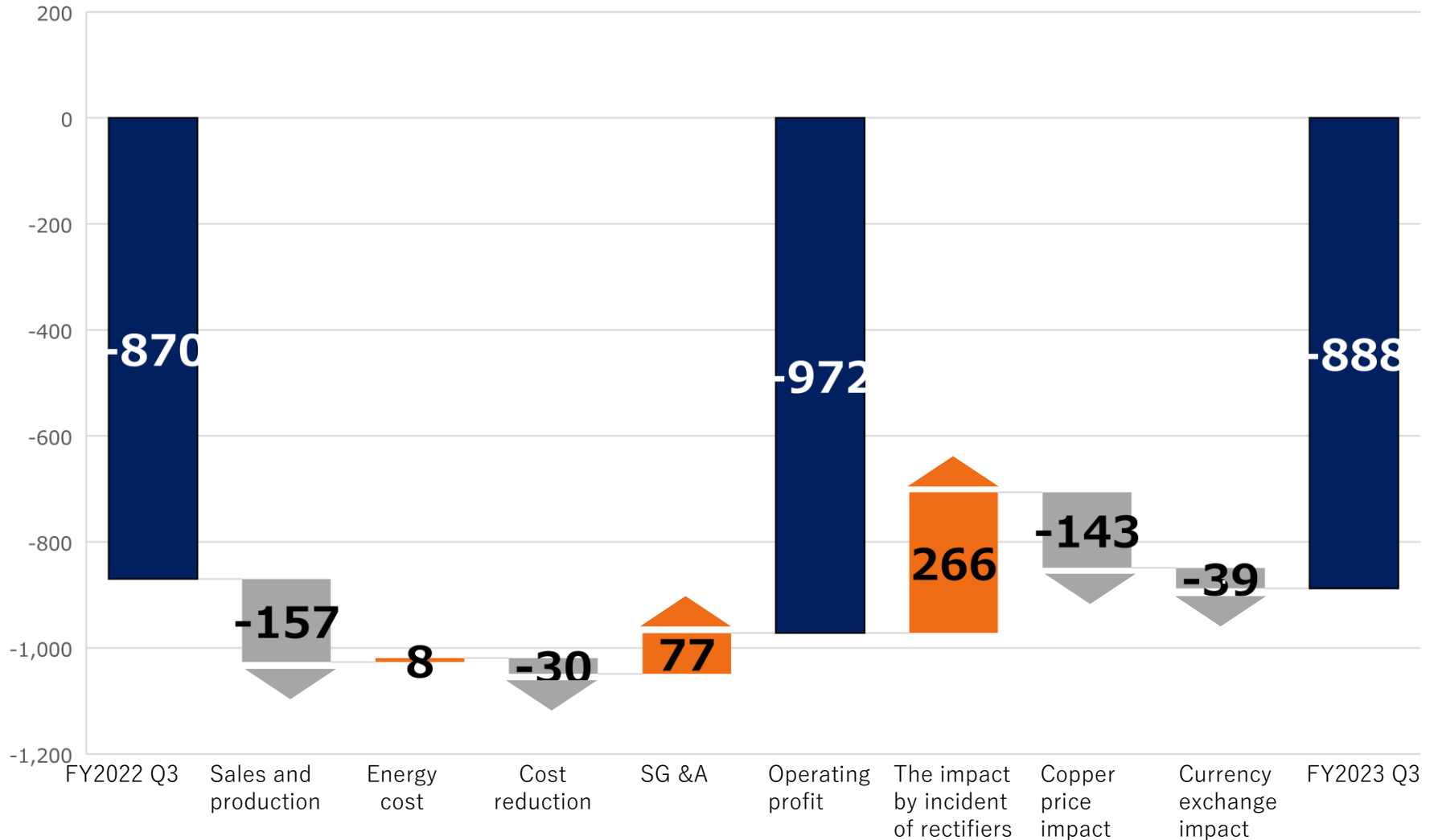
	FY2022 Q3	FY2023 Q3	Amount Change	% Change
Net Sales	12,717	12,348	(369)	(2.9%)
Cost of Net Sales	12,602	12,313	(289)	(2.3%)
Gross Profit	114	34	(80)	(69.7%)
Gross Profit margin (%)	0.9%	0.3%	-	-
Selling, General and Administrative Expenses	985	923	(62)	(6.3%)
SG&A margin (%)	7.7%	7.5%	-	-
Operating Profit	(870)	(888)	(17)	-
Operating Profit margin (%)	(6.8%)	(7.2%)	-	-
Depreciation	932	864	(67)	(7.2%)
EBITDA	61	(23)	(84)	(138.0%)
EBITDA margin (%)	0.5%	(0.2%)	-	-

- 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.

YoY Operating Profit Analysis

- Sales and production impacted negative in PL by prolonged lower quantity due to malfunction of rectifiers in the US despite favorable sales mix
- Classified cost impact incurred by malfunction of rectifiers into extraordinary loss

(Unit: ¥ millions)



1. FY2023 Q3 Highlight (Cumulative)
2. FY2023 Q3 Financial Results (Cumulative)
3. Forecast for FY2023
4. Appendix

FY2023 Earnings Forecast

(Unit: ¥ millions)

	FY2022 Q3	FY2023 Forecast (Announced November 10th)	FY2023 Q3	Progress (%)
Net Sales	12,717	16,900	12,348	73.1%
EV Battery copper foil	8,464	12,700	9,506	74.9%
Circuit board copper foil	4,252	4,200	2,842	67.7%
Operating Profit	(870)	(1,000)	(888)	-
Ordinary Profit	(1,055)	(800)	(757)	-
Profit Attributable to Owners of the Parent	(994)	(1,200)	(1,073)	-
EBITDA	61	200	(23)	-
Production Volume (metric ton)	6,592	8,500	6,352	74.7%

- 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 JPY145.00 per USD.

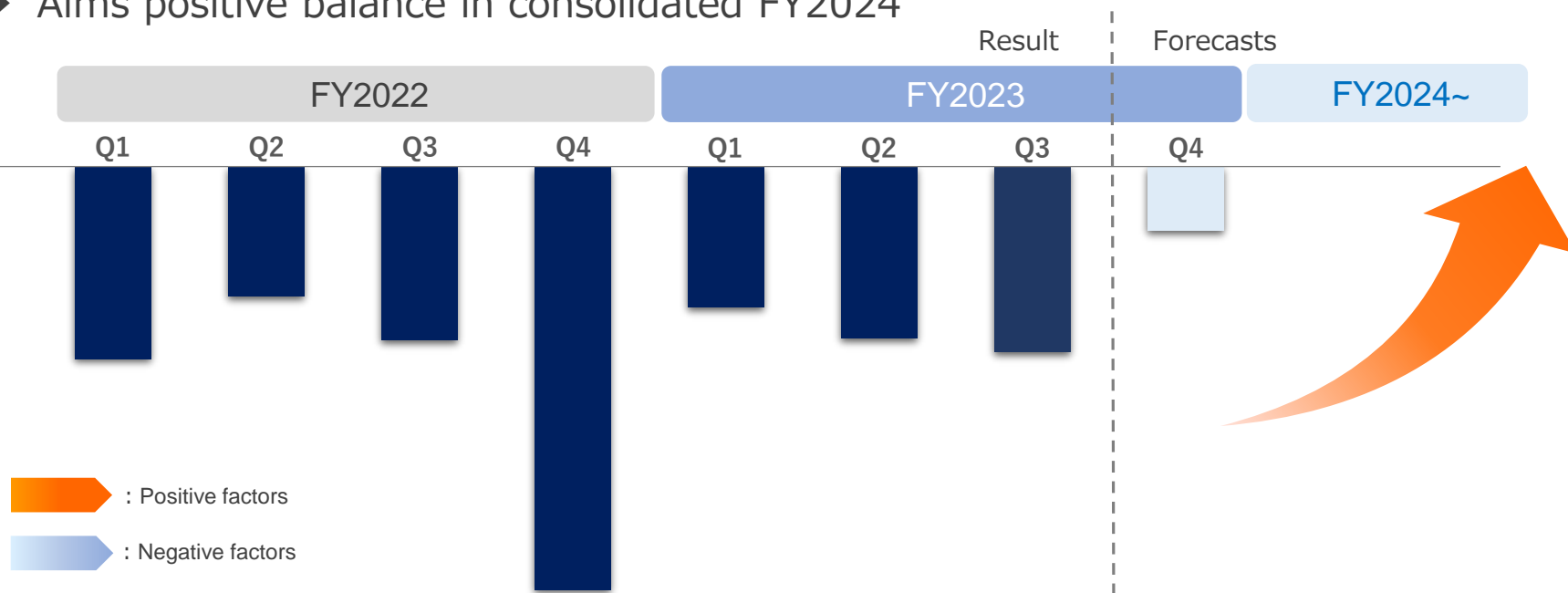
FY2023 Sales Plan Updates

- Expand further sales of copper foil for high-capacity LIBs from Q4

Company	Users		Customer (Market)	1Q/2Q	Q3	4Q
Nippon Denkai	EV Battery	LIB	Battery manufacturers (Japan/US)	● Now supplying		
		High-capacity LIBs	Battery manufacturers (Japan)		① Started mass production	② Start supplying for another line
	Circuit board (High-end products)	PCB	Circuit board manufacturers (Japan)		● QA certification was finished	
		PCB	Circuit board manufacturers (US)	● Now supplying		
Denkai America	EV Battery	LIB	Battery manufacturers (US)		● In the process of scheduling	
	Circuit board (Mid-range products)	PCB	Existing customers (Global)		● Now working on	

For Future Growth

- Targets return to profitability of Nippon Denkai in Q4
- ➔ Aims positive balance in consolidated FY2024

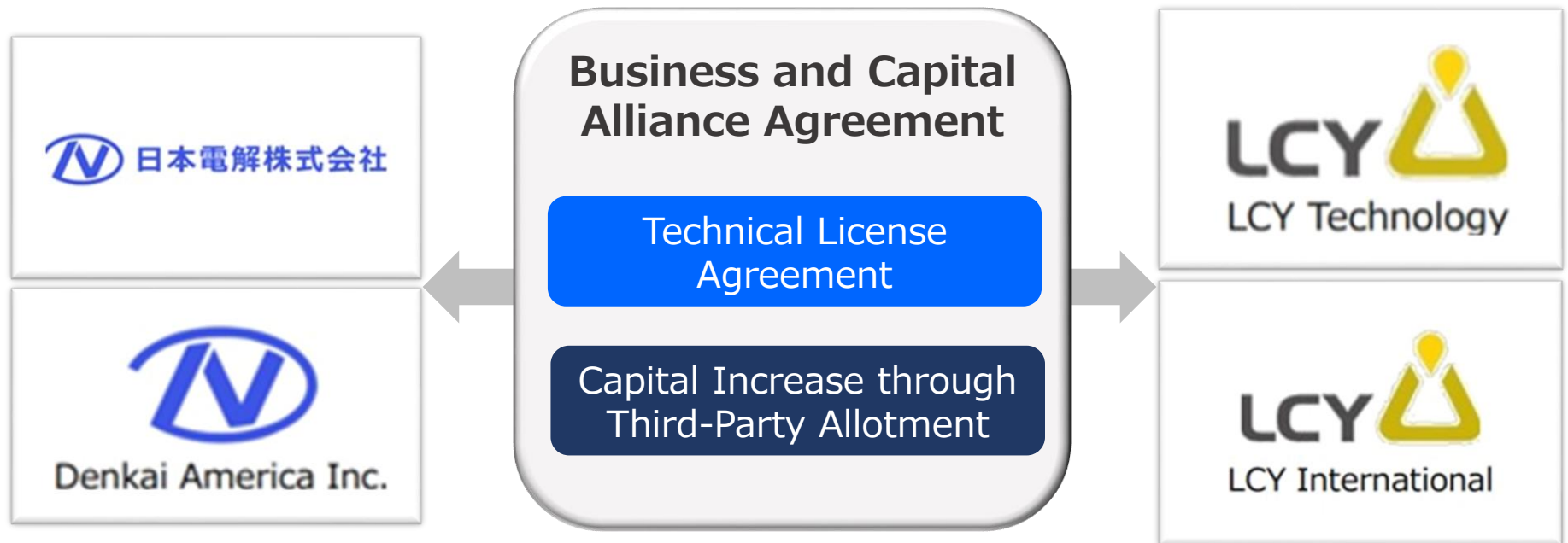


➔ : Positive factors
 ➔ : Negative factors

Denkai Group	The impact of collaboration value through Business and Capital Alliance Agreement with LCY Group	➔
Nippon Denkai	For high-capacity LIBs : Start mass production	➔
Nippon Denkai	For high-capacity LIBs : Start mass production for additional lines	➔
Nippon Denkai	Circuit board copper foil : QA certification to new products by customers	➔
Denkai America	Shipping sample pf 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	➔

Business and Capital Alliance Agreement

- We concluded the Business and Capital Alliance Agreement with LCY International and LCY Technology on January 10, 2024



Pursue growth through the Business and Capital Alliance Agreement with LCY International and LCY Technology, which engages in circuit board copper foil business

Collaborative Value Through Each Business Models

Denkai Group

Market

Japan, the U.S.

Product Application

- Lithium-ion battery (LIB) for EV
- Flexible Printed Circuits Board
- High-frequency Circuits Board
- Rigid Circuits Board (Denkai America)

Challenges

Financing to construct a new plant in the U.S.

LCY Technology

Market

Taiwan, China, East Asia

Product Application

- Rigid Circuits Board
- High-frequency Circuits Board

Challenges

Expanding new products to high-value-added copper foils for circuits board



Expanding business by mutual geographical dependence, and creating collaborative value in the circuits board field

FY2023 Financial Results Release Schedule

FY2023 financial results are scheduled for release on

Friday, May 10th, 2024

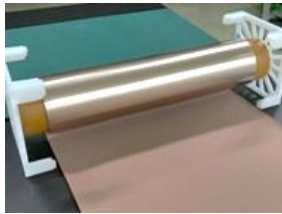
1. FY2023 Q3 Highlight (Cumulative)
2. FY2023 Q3 Financial Results (Cumulative)
3. Forecast for FY2023
4. Appendix

FY2022 Sales by Product

Circuit Board Copper Foil

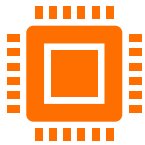
HL-Seed

Adhesion/Low Loss/High Flexibility



Uses

Flexible Printed Circuits
Board Package Substrate



Major End-products



5G
Smartphone

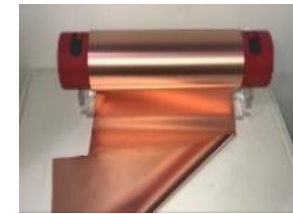


5G Communication
Base Station, etc

EV Battery Copper Foil

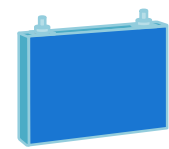
YB

High Tensile Strength/High Elongation



Uses

Lithium-Ion Batteries
(LIB)



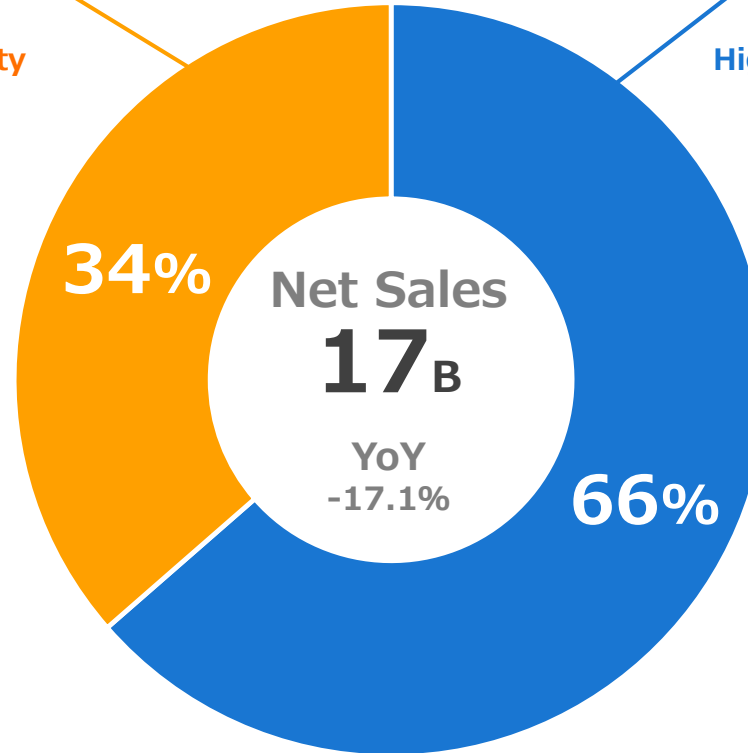
Major End-products



EV



HV



EBITDA¹ JPY -300M
EBITDA margin -2.2%

Historical Consolidated Financial Results

(Unit: ¥ millions)

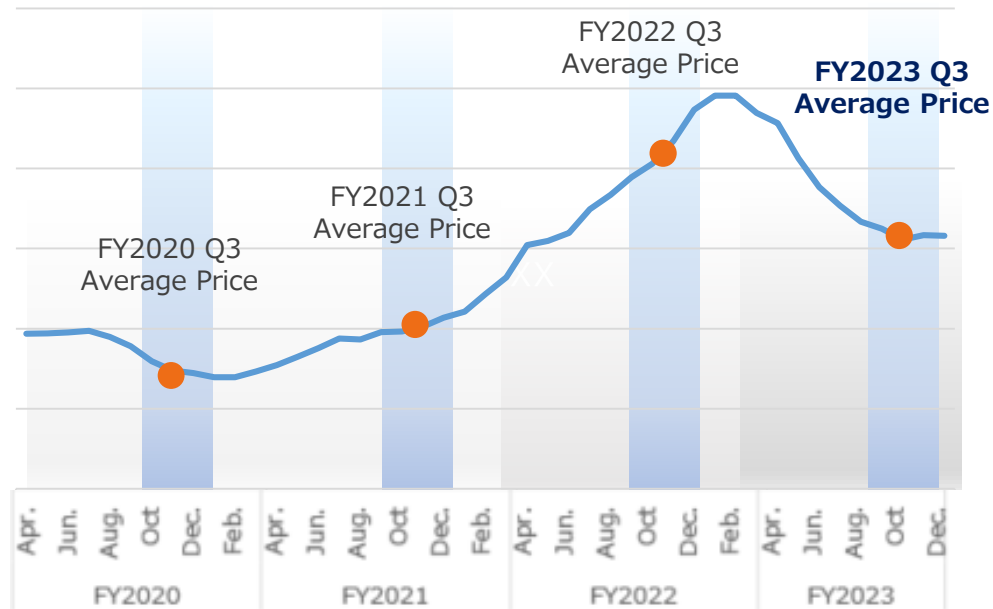
	FY2020	FY2021	FY2022				FY2023			QoQ (c)-(b)	YoY (c)-(a)	
			Q1	Q2	Q3 (a)	Q4	Q1	Q2 (b)	Q3 (c)			
Net Sales	14,584	20,558	4,419	4,356	3,941	4,329	17,047	4,759	3,818	3,769	(48)	(171)
EV battery copper foil	9,272	13,589	2,729	2,965	2,769	2,851	11,316	3,438	3,040	3,027	(12)	258
Circuit board copper foil	5,312	6,969	1,690	1,390	1,172	1,477	5,730	1,321	778	742	(36)	(430)
Cost of Net Sales	12,863	18,527	4,426	4,252	3,923	4,340	16,943	4,678	3,826	3,808	(17)	(114)
Gross Profit	1,721	2,030	(7)	103	18	(10)	104	81	(7)	(38)	(31)	(57)
<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%)	-	-
SG&A	1,194	1,025	330	332	322	730	1,715	322	296	304	7	(18)
<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%	-	-
Operating Profit	527	1,004	(337)	(228)	(304)	(741)	(1,611)	(241)	(303)	(343)	(39)	(38)
<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%)	-	-
Ordinary Profit	440	976	(318)	(264)	(471)	(784)	(1,840)	44	(192)	(610)	(417)	(138)
Profit Attributable to Owners of the Parent	193	848	(294)	(315)	(384)	(939)	(1,933)	(22)	(380)	(670)	(289)	(285)
Depreciation	1,316	1,274	307	310	314	308	1,240	307	273	284	11	(29)
EBITDA	1,843	2,278	(29)	81	9	(432)	(371)	66	(30)	(58)	(28)	(68)
<i>EBITDA margin (%)</i>	12.6%	11.1%	(0.7%)	1.9%	0.2%	(10.0%)	(2.2%)	1.4%	(0.8%)	(1.6%)	-	-
Production Volume (metric ton)	10,058	11,936	2,074	2,172	2,345	1,928	8,520	2,478	1,904	1,970	66	(375)

- 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.

Variable Factors

Electricity Price

- Electricity price remains high on average, although it has been on a downward trend since its peak.



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 LIB 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



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.