



Financial Results

FY2024 Q1

Nippon Denkai, Ltd. August 9th, 2024

1. FY2024 Q1 Highlight
2. FY2024 Q1 Financial Results
3. Revision of FY2024 Financial Forecasts
4. Appendix

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FY2024 Q1 Highlight

Consolidated Financial Results

Net Sales

4,343 million yen

YoY **-8.7%**

Operating Profit

- 492 million yen

YoY **-250 M Yen**

Profit Attributable to owners of parent

- 468 million yen

YoY **-445 M Yen**

Business Overview

EV Battery Copper Foil

- Sales in Japan increased, driven by copper foil for high-capacity LIBs, despite a decrease in demand for copper foil for cell exports due to the U.S. Inflation-Reduction Act (IRA).
- Demand for exports to the U.S. declined.

Circuit Board Copper Foil

- Decrease in sales due to lost orders caused by rectifier failure of Denkai America in FY2023 that could not be fully recovered.

Topics

U.S. Augusta, GA New Plant

- Resolution to return the land. on which the construction of a new U.S. plant has been postponed, to the Augusta Economic Development Authority
- Impairment loss (extraordinary loss) of 133 million yen occurred due to return of the land

1. FY2024 Q1 Highlight
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4. Appendix

FY2024 Q1 Financial Results

- Sales of copper foil for automotive batteries decreased overall due to lower demand in North America, despite increase of demand in Japan.
Sales of copper foil for circuit boards decreased due to the failure of rectifiers at the U.S. subsidiary in FY2023, that could not be fully recovered.
- Operating income deteriorated due to the sharp rise in copper prices, in addition to lower sales volume.

(Unit: ¥ millions)

	FY2023 Q1	FY2024 Q1	Amount Change	% Change
Net Sales	4,759	4,343	(415)	(8.7%)
EV Battery Copper Foil	3,438	3,126	(311)	(9.1%)
Circuit Board Copper Foil	1,321	1,217	(103)	(7.8%)
Operating Profit	(241)	(492)	(250)	-
Ordinary Profit	44	(331)	(376)	-
Profit Attributable to Owners of Parent	(22)	(468)	(445)	-
Production Volume (metric ton)	2,478	2,066	(412)	(16.6%)

- 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.

FY2024 Q1 Profit and Loss

- Gross profit, operating profit and EBITDA deteriorated due to lower sales volume and the sharp rise in copper prices.

(Unit: ¥ millions)

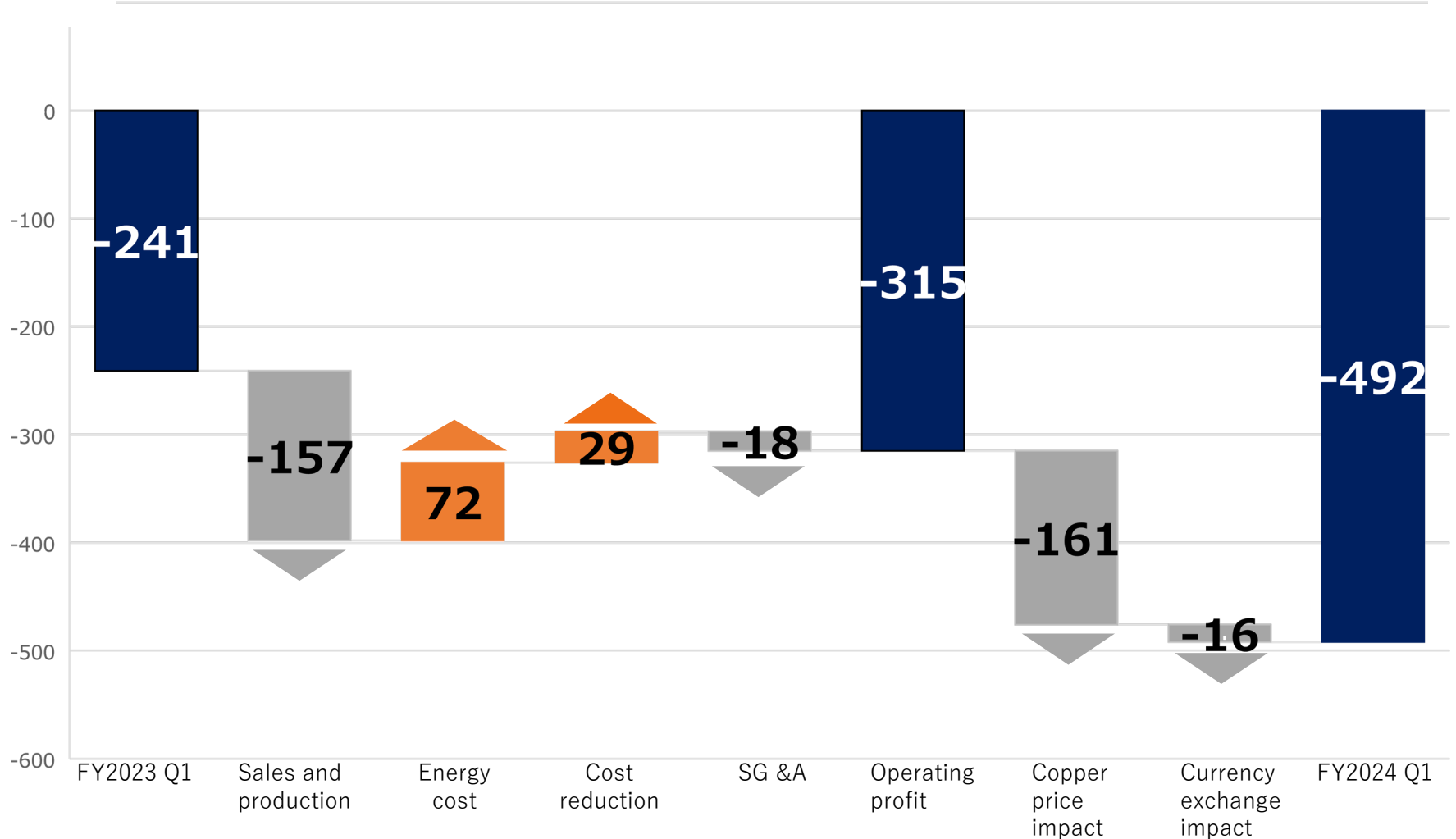
	FY2023 Q1	FY2024 Q1	Amount Change	% Change
Net Sales	4,759	4,343	(415)	(8.7%)
Cost of Net Sales	4,678	4,483	(195)	(4.2%)
Gross Profit	81	(139)	(220)	-
Gross Profit margin (%)	1.7%	(3.2%)	(4.9%)	-
Selling, General and Administrative Expenses	322	352	30	(9.4%)
SG&A margin (%)	6.8%	8.1%	1.3%	-
Operating Profit	(241)	(492)	(250)	-
Operating Profit margin (%)	(5.1%)	(11.3%)	(6.2%)	-
Depreciation	307	294	(13)	(4.4%)
EBITDA	66	(198)	(264)	-
EBITDA margin (%)	1.4%	(4.6%)	(6.0%)	-

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YoY Operating Profit Analysis

- Sales and production of copper foil for automotive batteries deteriorated overall due to decrease of demand in North America despite increase of demand in Japan, while sales of copper foil for circuit boards deteriorated due to the failure of rectifiers at the U.S. subsidiary in FY2023, that could not be fully recovered.
- The sharp hike of copper prices impacted negatively to profit for a short-term.

(Unit: ¥ millions)



1. FY2024 Q1 Highlight
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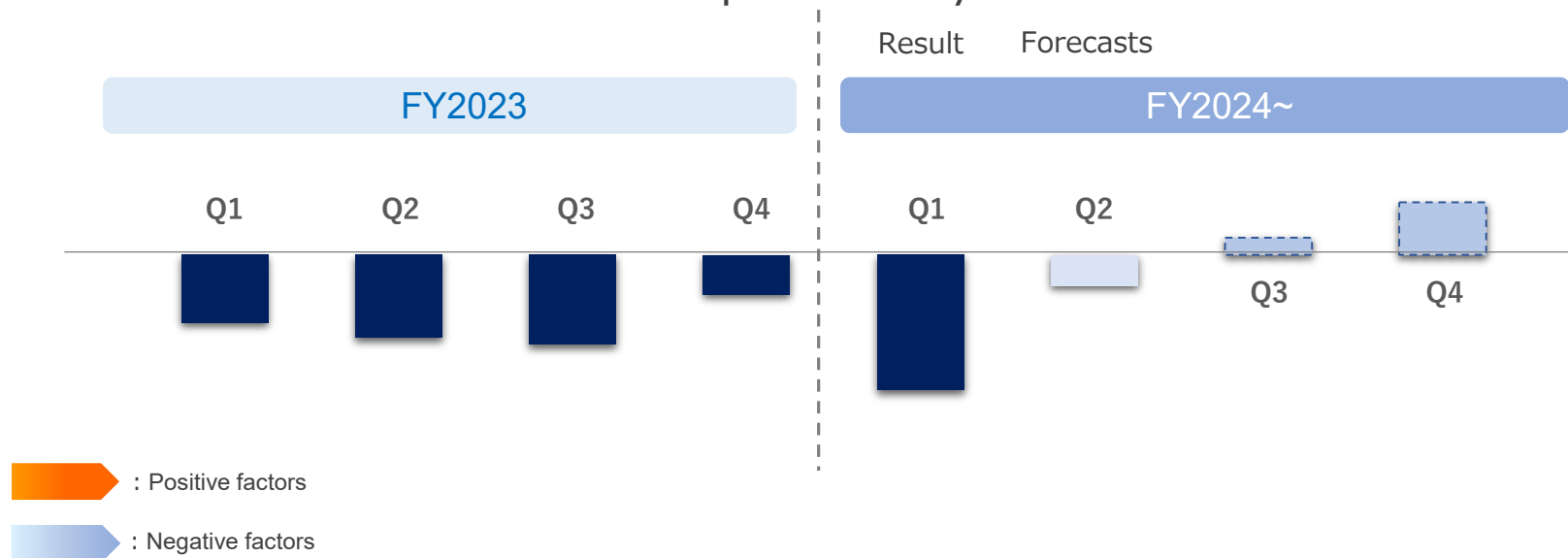
FY2024 Sales Plan Updates

- Sales are expected to increase in Q3 onward resulting from sales expansion activities.

Company	Users		Customer /Market	Q1	Q2	Q3	Q4
Nippon Denkai	EV Battery	LIB	Battery manufacturers (Japan/US)	Now supplying		● New customers: Start of product supply	
		•Existing customers: Japan domestic sales, which declined due to the impact of the IRA Act, are expected to recover from Q3 onward					
	High-capacity LIBs	Battery manufacturers (Japan)	Now supplying		● New customers: Start of product supply		
		•Existing Customers: Expect steady growth					
	Circuit board (High-end products)	PCB	Circuit board and CCL manufacturers (Japan)	● Started supplying copper foil to new customers for use in new products (wearable devices)			
		•Existing Customers: Expect steady growth					
	Circuit board (Mid-range products)	PCB	Circuit board manufacturers (US)	Now supplying			
•Expect steady sales of copper foil for automotive applications							
Denkai America	EV Battery (Storage battery)	LIB	Battery manufacturers (US)			● Supply sample	
	•Schedules for certification and start of deliveries are under scrutiny						
	Circuit board (Mid-range products)	PCB	Existing customers	Now supplying			
•It is expected that the lost orders due to the rectifier failure that occurred in fiscal 2023 will not be fully recovered							

For Future Growth

- Aim to return to consolidated profitability in the second half of FY2024



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

Revision of FY2024 Earnings Forecasts

- Operating income is expected to deteriorate by approximately 300 million yen from the initial forecast due to a sharp rise in copper market prices.
- Net income is expected to deteriorate by approximately 400 million yen , including the above and the impairment loss in Q1.

(Unit: ¥ millions)	Forecast announced on May 15, 2024 (A)	Revised forecast announced on August 9, 2024 (B)	Difference (B - A)
Net Sales	19,700	21,300	1,600
EV battery copper foils	14,800	16,000	1,200
Circuit board copper foils	4,900	5,300	400
Operating Profit	0	(300)	(300)
Ordinary Profit	(800)	(1,100)	(300)
Profit Attributable to Owners of Parent	(800)	(1,200)	(400)
EBITDA	1,200	900	(300)

<Assumptions>	Announced 5/15	Revised forecast announced 8/9
Production volume :	9,500 Mt →	9,500 Mt
Exchange rate :	148 ¥/\$ →	148 ¥/\$
Copper market price* :	1,350 ¥/kg →	1,520 ¥/kg

FY2024 Q2 Financial Results Release Schedule

FY2024 Q2 financial results are scheduled for release on

Friday, November 8, 2024

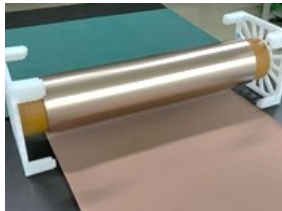
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FY2023 Sales by Product

Circuit Board Copper Foil

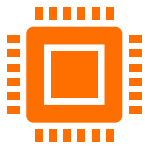
HL·Seed

Adhesion/Low Loss
/High Flexibility



Uses

Flexible Printed Circuits
Board Package Substrate



Major End-products

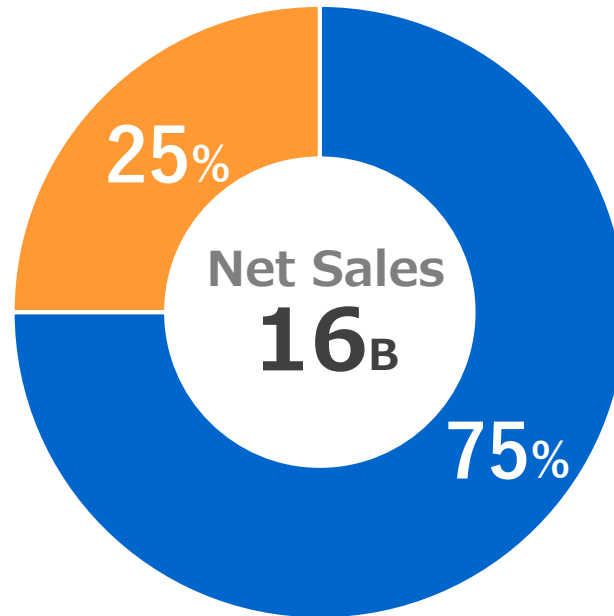


5G

5G Smartphone



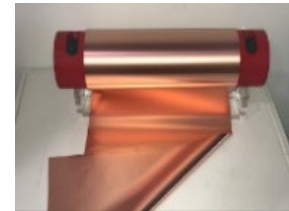
5G Communication
Base Station, etc



EV Battery Copper Foil

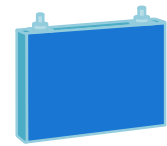
YB

High Tensile Strength
/High Elongation



Uses

Lithium-Ion Batteries
(LIB)



Major End-products



EV



HV

Historical Consolidated Financial Results

(Unit: ¥ millions)

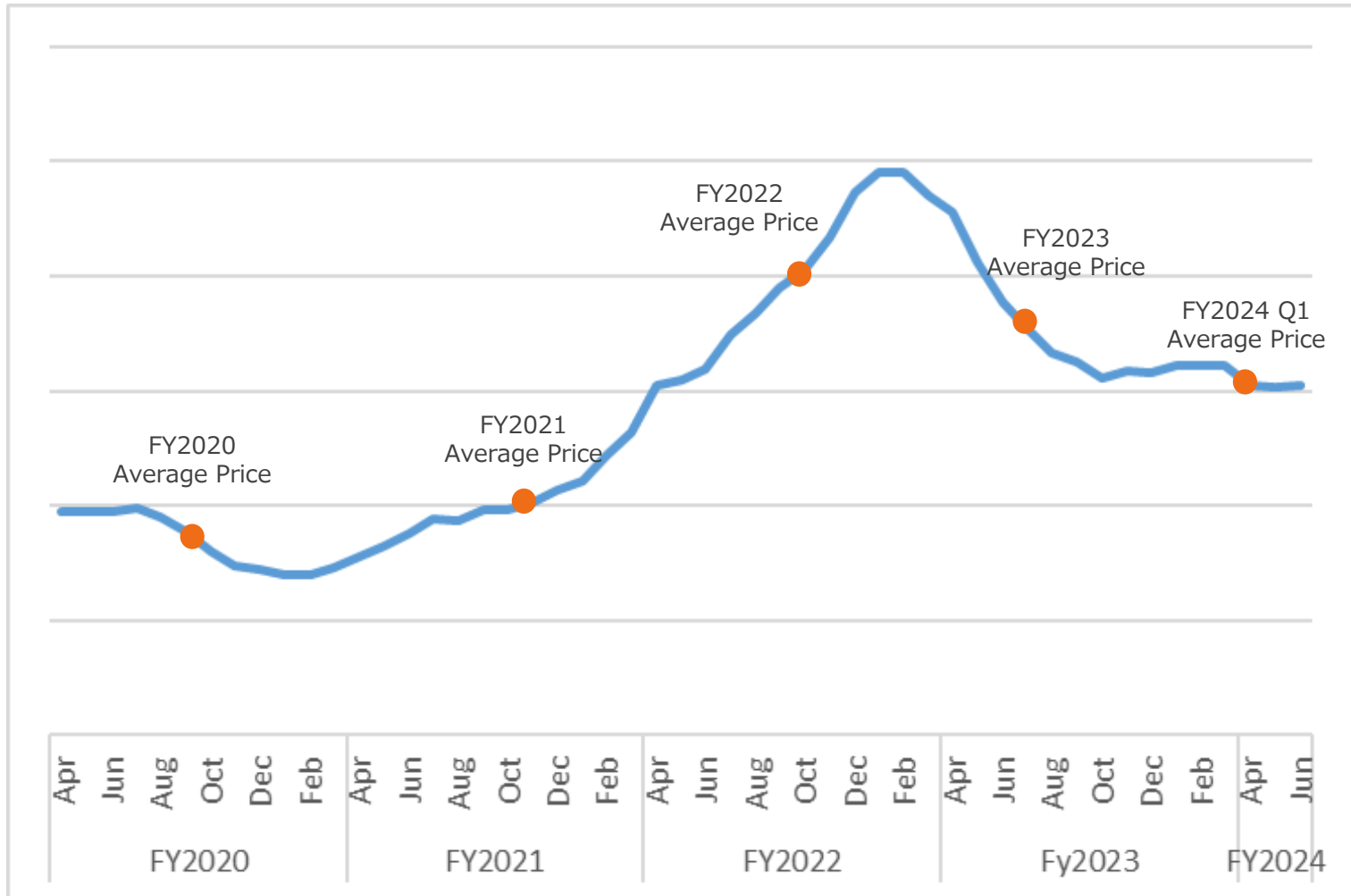
	FY2020	FY2021	FY2022	FY2023					FY2024	QoQ (c)-(b)	YoY (c)-(a)
				Q1 (a)	Q2	Q3	Q4 (b)	Full year	Q1 (c)		
Net Sales	14,584	20,558	17,047	4,759	3,818	3,769	4,302	16,650	4,343	41	(415)
EV battery copper foil	9,272	13,589	11,316	3,438	3,040	3,027	3,036	12,542	3,126	89	(311)
Circuit board copper foil	5,312	6,969	5,730	1,321	778	742	1,265	4,108	1,217	(48)	(103)
Cost of Net Sales	12,863	18,527	16,943	4,678	3,826	3,808	4,146	16,460	4,483	336	(195)
Gross Profit	1,721	2,030	104	81	(7)	(38)	155	190	(139)	(294)	(220)
<i>Gross Profit margin (%)</i>	11.8%	9.9%	0.6%	1.7%	(0.2%)	(1.0%)	3.6%	1.1%	(3.2%)	-	-
SG&A	1,194	1,025	1,715	322	296	304	301	1,224	352	51	30
<i>SG&A margin (%)</i>	8.2%	5.0%	10.1%	6.8%	7.8%	8.1%	7.0%	7.4%	8.1%	-	-
Operating Profit	527	1,004	(1,611)	(241)	(303)	(343)	(145)	(1,034)	(492)	(346)	(250)
<i>Operating Profit margin(%)</i>	3.6%	4.9%	(9.5%)	(5.1%)	(8.0%)	(9.1%)	(3.4%)	(6.2%)	(11.3%)	-	-
Ordinary Profit	440	976	(1,840)	44	(192)	(610)	(530)	(1,288)	(331)	198	(376)
Profit Attributable to Owners of Parent	193	848	(1,933)	(22)	(380)	(670)	198	(874)	(468)	(667)	(445)
Depreciation	1,316	1,274	1,240	307	273	284	304	1,169	294	(9)	(13)
EBITDA	1,843	2,278	(371)	66	(30)	(58)	158	134	(198)	(356)	(264)
<i>EBITDA margin (%)</i>	12.6%	11.1%	(2.2%)	1.4%	(0.8%)	(1.6%)	3.7%	0.8%	(4.6%)	-	-
Production Volume (metric ton)	10,058	11,936	8,520	2,478	1,904	1,970	1,956	8,308	2,066	110	(412)

The above table is rounded down to the nearest yen. Percentage figures are calculated in units of 1 yen, so the results may differ from those after fractional amounts are rounded off. In addition, the percentage change (%) is shown as "-" when compared to the red figures.

Variable Factors

Electricity Price

- The electricity price purchased by the company remains high compared to past levels, although it has stabilized.



Variable Factors

Copper Material Price Trends

- Copper prices has been rising sharply from FY2024 as the yen depreciates.



(Source: Graph based on domestic copper prices published by JX Nippon Mining & Metals)

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

xEVs will help create a decarbonized society



Through the supply and improvement of copper foil for automotive batteries, we will contribute to the spread of in-vehicle lithium-ion batteries and xEVs, and contribute to the realization of a decarbonized, sustainable society.

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 We practice "personal growth = corporate 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

As an example, we have strengthened the Environmental Management Committee and established a new Carbon Footprint Subcommittee to improve the global environment.

Our SDGs target



Disclaimer

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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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Nippon Denkai, LTD.