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August 10, 2022

## Consolidated Financial Results for the Three Months Ended June 30, 2022 [Under Japanese GAAP]

Company name: Nippon Den kai, Ltd.  
 Stock listing: Tokyo Stock Exchange  
 Stock ticker code: 5759  
 URL: <https://www.nippon-den kai.co.jp/>  
 Representative: Hidemasa Nakajima, President and CEO  
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 Scheduled date to file the Quarterly Securities Report: August 10, 2022  
 Scheduled date to commence dividend payments: None  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

### 1. Consolidated financial results for the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

#### (1) Consolidated operating results (cumulative)

(Percentages indicate Year-on-Year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
June 30, 2022	4,419	-9.7	-337	-	-318	-	-294	-
June 30, 2021	4,895	-	311	-	283	-	196	-

Note: Comprehensive income Three months ended June 30, 2022: ¥ -91 million [-%]  
 Three months ended June 30, 2021: ¥ 84 million [-%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2022	-40.64	-
June 30, 2021	27.28	-

- Notes: 1. As the Company has not prepared its quarterly consolidated financial statements for the three months ended June 30, 2020, this document does not contain financial data and Year-on-Year quarterly changes for the same period as well as for the three months ended June 30, 2021.
2. The Company conducted a 3,000-for-one stock split of its common stock as of April 23, 2021. The amount of quarterly earnings per share was calculated based on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

**(2) Consolidated financial position**

	Total assets	Net assets	Equity-to-asset ratio
	Millions of Yen	Millions of Yen	%
Three months ended June 30, 2022	18,433	5,663	30.7
Fiscal year ended March 31, 2022	18,034	5,755	31.9

Reference: Equity

As of June 30, 2022:

¥5,663 million

As of March 31, 2022:

¥5,755 million

**2. Cash dividends**

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	0.00	-	0.00	0.00
Fiscal year ending March 31, 2023	-				
Fiscal year ending March 31, 2023 (Forecast)		0.00	-	0.00	0.00

Note: Revisions to the forecast of cash dividends most recently announced: None

**3. Consolidated financial results forecast for the year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)**

(Percentages indicate Year-on-Year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
FY 2022	18,000	-12.4	-500	-	-800	-	-800	-	-110.34

Notes: Revision of most recently announced consolidated financial results forecasts: Yes

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: - companies ( - )

Excluded: - companies ( - )

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other than reason (i) : None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2022	7,250,000 shares
Fiscal year ended March 31, 2022	7,250,000 shares

(ii) Number of treasury shares at the end of the period

As of June 30, 2022	- shares
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Fiscal year ended March 31, 2022	- shares
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(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

As of June 30, 2022	7,250,000 shares
As of June 30, 2021	7,203,846 shares

Note: The Company conducted a 3,000-for-one stock split of its common stock as of April 23, 2021. The total number of outstanding shares as of the end of the period, the total number of treasury shares as of the end of the period, and the average number of shares outstanding during the period were calculated based on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

\* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

\* Proper use of earnings forecasts, and other special matters

Actual results may differ materially from forward-looking statements contained herein, including the forecasts of results of operations, as such statements are based on the information currently available to the Company and certain assumptions that are deemed reasonable for the Company. For cautions to be exercised when using the forecasts of financial results and assumptions that underlie the forecasts, please refer to “1. Qualitative Information on Financial Results of the Quarter under Review - (3) Explanation on Forecast Information such as Consolidated Earnings Forecast, etc.” on Page 4 of the Appendix.

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## 1. Qualitative Information on Financial Results of the Quarter under Review

### (1) Explanation on Operating Results

During the consolidated cumulative first quarter under review, the global economy had slowly recovered as a result of progress in balancing economic activities with measures against COVID-19, particularly in developed countries. However, the resolution of shortages of raw materials for components such as semiconductors and the logistics network stagnation were delayed, moreover, energy and resource prices continued to rise rapidly. Therefore, an economic recession had become concern.

In the US, the domestic demand remained strong with improvements of work environment, especially on personal consumption expenditures. However, an economic recession has become concern due to rising inflation and factors described above. In China, there are concerns that the urban lockdown caused by the zero-Covid policy will lead to stagnation of economic activities.

In Japan, personal consumption expenditures and capital investment on businesses had a tendency to generally increase. However, it became necessary to be cautious about the impact on consumer confidence due to consumer price rise caused by rapid depreciation of the yen and rising oil price.

Electrification of powertrain in the market for automotive LIBs (lithium-ion secondary batteries) continued to expand, but global semiconductor supply shortages, stagnant logistics networks, and the urban lockdown in China made major xEV manufacturers' production reduction plan kept.

In the electronic components industry which is the main market for circuit board copper foils, shipment volume of major Chinese smartphone manufactures had been sluggish. Although, 5G-compatible devices continued to be applied in the US and Japan.

Sales performance as the company, for the EV battery copper foils, the order volume decreased due to sales down at some major customer. For the circuit board copper foils, it was sluggish as the demand for major Chinese smartphone manufacturers stayed low.

On the other hand, the demand for middle-end products manufactured by the US plant for automotive substrates in Southeast Asia remained strong.

Production volume decreased significantly due to sales are down due to a reduction in order volume from some customer, volume decreased by remodeling some production lines and production disruption in the US plant.

As a result, in the first three months of the current fiscal year, the company's total production volume (metric tons) was 2,071 metric tons (down 32.2% from the same period of the previous year), Net sales was 4,419 million yen (down 9.7%), Operating profit was -337 million yen (down 648 million yen), Ordinary profit was -318 million yen (down 602 million yen), and Profit attributable to owners of parent was -294 million yen (down 491 million yen).

### (2) Explanation on Financial Position

#### (Assets)

Total assets as of the end of the first quarter of current consolidated fiscal year was 18,433 million yen, up 2.2% (399 million yen) from the end of the previous consolidated fiscal year.

Current assets decreased by 6.1% (579 million yen) to 8,963 million yen, mainly due to a decrease of 305 million yen in Cash and deposits, a decrease of 161 million yen in Accounts receivable, a decrease of 352 million yen in Finished goods, an increase of 110 million yen in Work in process, and an increase of 122 million yen in Raw materials and supplies. Non-current assets increased by 11.5% (978 million yen) to 9,470 million yen mainly due to an increase of 122 million yen in Machinery, equipment and vehicles, an increase of 781 million yen in Construction in progress, and an increase of 22 million yen in Deferred tax assets.

#### (Liabilities)

Total liabilities as of the end of the first quarter of current consolidated fiscal year was 12,769 million yen, up 4.0% (490 million yen) from the end of the previous consolidated fiscal year. Current liabilities decreased by 0.0% (1 million yen) to 5,047 million yen, mainly due to a decrease of 182 million yen in Accounts payable, an

increase of 700 million yen in Short-term borrowings and a decrease of 180 million yen in Income taxes payable. Non-current liabilities increased by 6.8% (492 million yen) to 7,722 million yen, mainly due to an increase of 371 million yen in Long-term borrowings.

(Net assets)

Total net assets as of the end of the first quarter of the current consolidated fiscal year was decreased by 1.6% (91 million yen) from the end of the previous consolidated fiscal year to 5,663 million yen, mainly due to Profit (loss) attributable to owners of parent of -294 million yen, a decrease of 3 million yen in Remeasurements of defined benefit plans and an increase of 206 million yen in Foreign currency translation adjustment.

(3) Explanation on Forecast Information such as Consolidated Earnings Forecast, etc.

The company revised Financial Forecast for FY2022, which was previously announced on May 13, 2022, as described below.

1. Revision of Consolidated Financial Forecast for FY2022 (April 1, 2022 – March 31, 2023)

	Net Sales	Operating Profit	Ordinary Profit	Profit attributable to owners of parent	Earnings per share
Previous Forecast (A)	Million yen 20,935	Million yen 435	Million yen 219	Million yen 25	Yen 3.48
New Forecast (B)	18,000	△500	△800	△800	△110.34
Difference (B-A)	△2,935	△935	△1,019	△825	—
(Ref.) FY2021 Full Year Results	20,558	1,004	976	848	117.22

2. Reasons for Revision

Consolidated Net Sales are expected to fall short of the earnings forecast announced on May 13, 2022 (hereinafter referred to as the "Initial Forecast"). In addition, due to a decline in capacity utilization, as well as higher costs such as electricity price hike, Operating Profits and each of the other income categories are also expected to fall short of the Initial Forecast.

■ Forecast of Net Sales

Consolidated Net Sales will be 18,000 million yen (20,935 million yen in the Initial Forecast), a decrease of approximately 3,000 million yen from the Initial Forecast, mainly due to a sales share reduction at a major customer, sluggish demand for smartphones in China, and prolonged semiconductor supply shortages.

The volume of copper foil for automotive batteries will fall short of Initial Forecasts because of a decrease in market share at a major customer. The circuit board copper foil orders are expected to decrease from Initial Forecasts due to a slowdown in demand for smartphones in China. The Initial Forecast calls for a decrease in order volume in the first quarter (with a negative impact of approximately 300 million yen on Operating Profits) will be followed by a gradual recovery in the second and third quarters (with a positive impact on Operating Profits +300 million yen). However, as the Company have not seen any quick turnaround, it has revised Sales Forecasts for both EV Battery Copper Foil and Circuit Board Copper Foil, based on a forecast that the negative impact will continue until the end of FY2022.

■ Forecast of Operating Profits

Operating Profits is estimated to be a loss of approximately 500 million yen, down approximately 900 million yen from the Initial Forecast of approximately 400 million yen. This is due to the factors (additional negative impact of approximately 800 million yen on Operating Profits since the Initial Forecast) described in the previous section 'Forecast of Net Sales', in addition to electricity price hike (-200 million yen), production disruptions in U.S. subsidiary (-100 million yen), and a recovery in profitability through higher production efficiency, yield improvement, and other cost reductions (+100 million yen), and the decrease in copper price (+100 million yen).

There is no change from the Initial Forecast in terms of the decrease in product prices (impact on Operating Profits: approx. 200 million yen) and the decreased volume and expenses associated with the remodeling in U.S. subsidiary (impact on Operating Profits: approx. 100 million yen).

● Electricity Price Hike

The electricity price (especially fuel surcharge) is rising continuously due to soaring energy and raw material prices. The impact on Operating Profits, initially estimated at -400 million yen, has been revised to -

600 Million Yen in light of the current situation.

- Production Disruptions in U.S. Subsidiary

Manufacturing facility in U.S. subsidiary had an equipment trouble, causing production reduction until around the end of August, when it will be repaired. The impact on Operating Profits is estimated to be negative -100 million yen.

- Decrease in Copper Prices

The impact of lower copper market prices is estimated to be +100 million yen.

### 3. Current Status and Profit Recovery Measures

The Company is going through difficult time with lower capacity utilization, electricity price hike and other cost-increasing factors.

To overcome the current situation and regain sustainable growth, The Company is working to increase sales to existing customers as well as new customers such as next-generation batteries, and to circuit board copper foil for 5G communication and beyond. Company will also promote measures such as investments to improve productivity (expansion of IoT, etc.) to secure sales and restore profitability.

### » Disclaimer «

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 August 10, 2022.



## 2. Quarterly Consolidated Financial Statements and Major Notes

### (1) Quarterly Consolidated Balance Sheet

(Thousands of Yen)

	As of March 31, 2022	As of June 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	2,500,768	2,195,223
Account receivable	3,161,612	3,000,356
Finished goods	1,269,727	917,241
Work in process	1,260,657	1,371,004
Raw materials and supplies	844,290	966,822
Other current assets	505,610	512,531
Total current assets	9,542,665	8,963,180
Non-current assets		
Tangible non-current assets		
Buildings and structures, net	1,471,378	1,497,441
Machinery, equipment and vehicles, net	3,674,909	3,797,882
Construction in progress	2,015,752	2,797,502
Other non-current assets, net	1,103,812	1,107,063
Total tangible non-current assets	8,265,853	9,199,889
Intangible non-current assets	33,834	34,527
Investments and other assets		
Deferred tax assets	72,279	95,245
Net defined benefit assets	70,910	87,390
Others	48,649	52,964
Total investments and other assets	191,838	235,599
Total non-current assets	8,491,526	9,470,016
Total assets	18,034,191	18,433,197

(Thousands of Yen)

	As of March 31, 2022	As of June 30, 2022
<b>Liabilities</b>		
Current liabilities		
Account payable	1,809,957	1,627,878
Short-term borrowings	800,000	1,500,000
Current portion of long-term borrowings	958,760	958,760
Income taxes payable	186,400	5,966
Provision for bonuses	148,970	67,754
Provision for directors' bonuses	16,012	1,148
Other current liabilities	1,128,951	886,076
Total current liabilities	5,049,052	5,047,583
Non-current liabilities		
Long-term borrowings	6,831,320	7,202,860
Deferred tax liabilities	4,026	1,786
Other non-current liabilities	394,359	517,464
Total non-current liabilities	7,229,705	7,722,110
Total liabilities	12,278,758	12,769,693
<b>Net assets</b>		
Shareholders' equity		
Common stock	143,937	143,937
Capital surplus	2,343,937	2,343,937
Retained earnings	3,091,573	2,796,929
Total shareholders' equity	5,579,448	5,284,804
Accumulated other comprehensive income		
Foreign currency translation adjustment	151,883	358,512
Remeasurements of defined benefit plans	24,101	20,186
Total accumulated other comprehensive income	175,984	378,698
Total net assets	5,755,433	5,663,503
Total liabilities and net assets	18,034,191	18,433,197

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income  
 Quarterly Consolidated Statement of Income  
 The consolidated cumulative first quarter

	(Thousands of Yen)	
	(from April 1, 2021 to June 30, 2021)	(from April 1, 2022 to June 30, 2022)
Net sales	4,895,883	4,419,700
Cost of sales	4,329,380	4,426,842
Gross profit (loss)	566,502	(7,141)
Selling, general and administrative expenses	255,426	330,394
Operating profit (loss)	311,076	(337,536)
Non-operating income		
Income from sale of scraps	7,403	11,821
Foreign exchange gains	—	62,312
Other non-operating income	74	64
Total non-operating income	7,478	74,199
Non-operating expenses		
Interest expense	13,168	46,247
Listing expenses	8,450	—
Other non-operating expenses	13,658	9,171
Total non-operating expenses	35,276	55,419
Ordinary profit (loss)	283,278	(318,756)
Extraordinary losses		
Loss on disposal of non-current assets	12,594	750
Total extraordinary losses	12,594	750
Net profit (loss) before income taxes	270,684	(319,507)
Income taxes – current	50,969	673
Income taxes – deferred	23,225	(25,536)
Total Income taxes	74,195	(24,863)
Profit (loss) for the period	196,488	(294,643)
Profit (loss) attributable to owners of parent	196,488	(294,643)

Quarterly Consolidated Statement of Comprehensive Income

The consolidated cumulative first quarter

(Thousands of Yen)

	(from April 1, 2021 to June 30, 2021)	(from April 1, 2022 to June 30, 2022)
Profit (loss) for the period	196,488	(294,643)
Other comprehensive income		
Foreign currency translation adjustment	—	206,628
Remeasurements of defined benefit plans, net of tax	(112,445)	(3,914)
Total other comprehensive income	(112,445)	202,713
Quarterly comprehensive income (loss)	84,043	(91,930)
(Breakdown of comprehensive income)		
Comprehensive income attributable to owners of parent	84,043	(91,930)

### (3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable

(Notes in the case of significant changes in shareholders' equity)

Not applicable

(Changes in accounting policies)

(Adoption of the accounting standard, etc. for fair value measurement)

The Company adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 31 issued on June 17, 2021; hereinafter referred to as the “Accounting Standard for Fair Value Measurement”) as of the beginning of the first quarter under review. It also prospectively applies new accounting policies prescribed in the Accounting Standard for Fair Value Measurement, according to the transitional treatment provided for in paragraph 27-2 of “Accounting Standard for Fair Value Measurement”. This has no effect on the quarterly consolidated financial statements.

(Segment information, etc.)

The consolidated cumulative first quarter under review (from April 1, 2021 to June 30, 2021)

Segment information is omitted as the Company operates in a single segment of the Manufacturing of Electrodeposited Copper foil.

The consolidated cumulative first quarter under review (from April 1, 2022 to June 30, 2022)

Segment information is omitted as the Company operates in a single segment of the Manufacturing of Electrodeposited Copper foil.