



Consolidated Financial Results
for the Three Months Ended June 30, 2023
[Under Japanese GAAP]

Company name:	Nippon Denkai, Ltd.	
Listing:	Tokyo Stock Exchange	
Securities code:	5759	
URL:	https://www.nippon-denkai.co.jp/	
Representative:	Hidemasa Nakajima, President and CEO	
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Scheduled date to file of the Quarterly Securities Report:		August 9, 2023
Scheduled date to commence dividend payments:		-
Preparation of supplementary material on quarterly financial results:		Yes
Holding of quarterly financial results briefing:		None

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

1. Consolidated financial results for the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate Year-on-Year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of the parent	
Three months ended	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
June 30, 2023	4,759	7.7	-241	-	44	-	-22	-
June 30, 2022	4,419	-9.7	-337	-	-318	-	-294	-

Note: Comprehensive income	Three months ended June 30, 2023:	¥ -8 million	[- %]
	Three months ended June 30, 2022:	¥ -91 million	[- %]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2023	-2.48	-
June 30, 2022	-40.64	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of Yen	Millions of Yen	%
Three months ended June 30, 2023	23,077	7,439	32.2
Fiscal year ended March 31, 2023	22,678	7,447	32.8

Reference: Equity As of June 30, 2023: ¥7,439 million

As of March 31, 2023: ¥7,447 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, 2023	-	0.00	-	0.00	0.00
Fiscal year ending March 31, 2024	-				
Fiscal year ending March 31, 2024 (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, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate Year-on-Year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of the parent		Earnings per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
FY 2023	20,600	20.8	-600	-	-1,100	-	-1,100	-	-121.55

Notes: Revision of most recently announced consolidated financial results forecasts: None

*** 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: None
 - (ii) Changes in accounting policies due to other than reason (i) : None
 - (iii) Changes in accounting estimates: Yes
 - (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, 2023	9,050,000 shares
As of March 31, 2023	9,050,000 shares

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

As of June 30, 2023	89 shares
As of March 31, 2023	69 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

As of June 30, 2023	9,049,929 shares
As of June 30, 2022	7,250,000 shares

* 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 3 of the Appendix.

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

(1) Explanation on Operating Results

In the first quarter of the fiscal year ending June 30, 2023, the global economy was losing steam amid the rising cost of resources and raw materials resulting from the invasion of Ukraine by Russia and other events. Moreover, electricity prices remained at high levels and the semiconductor shortage partially continued. The declining demand was led by inflation in the United States and European countries in addition to overall increased policy interest rates, which had also accelerated the economic slowdown.

In the United States, economic activities have been slowly expanding on the back of favorable employment and income conditions encouraging consumer spending, while tight monetary policy triggered the deteriorated management of some financial institutions. In China, economic expansion was driven by consumer spending as a result of COVID-19 restrictions being lifted and the business sentiment improved. In Japan, economic activities gradually resumed by the relaxation of movement restrictions, and the economy showed a modest recovery trend mainly with the domestic demand. Consumer spending particularly remained firm yet a somber picture lingered in the manufacturing industry.

In the market for automotive *Lithium-ion Rechargeable Batteries* (LIBs), demand for *hybrid, plug-in hybrid, electric, and fuel cell electric vehicles* (xEVs) remained strong. Major xEV manufacturers showed recovery in production volume since global chip shortage started to ease despite some exceptions such as customized semiconductor.

Under these conditions, copper foil for automotive batteries maintained solid sales performance boosted by stronger xEV demand. Regarding sales of copper foil for circuit boards, we supplied high-end products to the U.S. circuit board manufacturers amid weak demand for smartphones.

In terms of earnings, despite an increase in sales of EV battery copper foil, each of the profit categories below operating profit except ordinary profit was in the red due to the continued high level of electricity prices.

As a result, in the first three months of the current fiscal year, the company's total production volume (metric tons) was 2,478 metric tons (up 19.5% year-over-year), Net sales was 4,759 million yen (up 7.7% year-over-year), operating profit was -241 million yen (the same period of the previous year was -337 million yen), ordinary profit was 44 million yen (the same period of the previous year was -318 million yen), and profit attributable to owners of the parent was -22 million yen (the same period of the previous year was -294 million yen).

(2) Explanation on Financial Position

(Assets)

Total assets as of the end of the first quarter of current consolidated fiscal year was 23,077 million yen, up 1.8% (398 million yen) from the end of the previous consolidated fiscal year.

Current assets decreased by 8.4% (782 million yen) to 8,562 million yen, mainly due to a decrease of 766 million yen in cash and deposits, a decrease of 202 million yen in accounts receivable, an increase of 70 million yen in finished goods, an increase of 141 million yen in work in process, and an increase of 15 million yen in raw materials and supplies. Non-current assets increased by 8.9% (1,180 million yen) to 14,514 million yen mainly due to a decrease of 106 million yen in machinery, equipment and vehicles, an increase of 1,276 million yen in construction in progress.

(Liabilities)

Total liabilities as of the end of the first quarter of current consolidated fiscal year was 15,637 million yen, up 2.7% (406 million yen) from the end of the previous consolidated fiscal year. Current liabilities increased by 1.2% (113 million yen) to 9,340 million yen, mainly due to a decrease of 299 million yen in accounts payable, an increase of 447 million yen in other current liabilities. Non-current liabilities increased by 4.9% (293 million yen) to 6,297 million yen, mainly due to an increase of 297 million yen in long-term borrowings.

(Net assets)

Total net assets as of the end of the first quarter of current consolidated fiscal year was decreased by 0.1% (8 million yen) from the end of the previous consolidated fiscal year to 7,439 million yen, mainly due to profit attributable to owners of the parent of -22 million yen, an increase of 12 million yen in foreign currency translation adjustment and an increase of 1 million yen in remeasurements of defined benefit plans.

As a result, the equity ratio fell 0.6 percentage points from 32.8% at the end of the previous fiscal year to 32.2%

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

There are no changes to the earnings forecast for the consolidated fiscal year ending March 31, 2024 announced on May 10th, 2023.

» 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 9, 2023.

2. Quarterly Consolidated Financial Statements and Major Notes
(1) Quarterly Consolidated Balance Sheet

(Thousands of Yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	3,579,657	2,813,012
Accounts receivable	2,478,357	2,275,665
Finished goods	899,463	969,548
Work in process	1,212,083	1,353,410
Raw materials and supplies	628,242	643,252
Other current assets	546,914	507,555
Total current assets	9,344,718	8,562,445
Non-current assets		
Tangible non-current assets		
Buildings and structures, net	1,379,685	1,379,179
Machinery, equipment and vehicles, net	3,196,055	3,089,277
Construction in progress	7,499,402	8,776,076
Other non-current assets, net	1,024,976	1,012,172
Total tangible non-current assets	13,100,119	14,256,706
Intangible non-current assets	27,419	26,452
Investments and other assets		
Deferred tax assets	2,663	2,663
Net defined benefit assets	156,742	178,894
Others	47,310	49,951
Total investments and other assets	206,716	231,509
Total non-current assets	13,334,256	14,514,668
Total assets	22,678,974	23,077,114

(Thousands of Yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Accounts payable	1,771,739	1,472,253
Short-term borrowings	5,000,000	5,000,000
Current portion of long-term borrowings	1,358,760	1,358,760
Income taxes payable	27,502	48,420
Provision for bonuses	103,019	50,811
Provision for directors' bonuses	4,486	1,217
Other current liabilities	961,343	1,408,590
Total current liabilities	9,226,853	9,340,053
Non-current liabilities		
Long-term borrowings	5,762,200	6,060,160
Deferred tax liabilities	1,868	2,040
Other non-current liabilities	240,258	235,352
Total non-current liabilities	6,004,326	6,297,552
Total liabilities	15,231,180	15,637,606
Net assets		
Shareholders' equity		
Common stock	1,858,509	1,858,509
Capital surplus	4,058,509	4,058,509
Retained earnings	1,157,645	1,135,172
Treasury stock	-196	-235
Total shareholders' equity	7,074,467	7,051,956
Accumulated other comprehensive income		
Foreign currency translation adjustment	382,823	395,285
Remeasurements of defined benefit plans	-9,496	-7,733
Total accumulated other comprehensive income	373,327	387,551
Total net assets	7,447,794	7,439,507
Total liabilities and net assets	22,678,974	23,077,114

(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, 2022 to June 30, 2022	From April 1, 2023 to June 30, 2023
Net Sales	4,419,700	4,759,389
Cost of sales	4,426,842	4,678,275
Gross profit	-7,141	81,114
Selling, general and administrative expenses	330,394	322,590
Operating profit	-337,536	-241,475
Non-operating income		
Income from sale of scraps	11,821	9,592
Foreign exchange gains	62,312	333,711
Other non-operating incomes	64	2,669
Total non-operating income	74,199	345,972
Non-operating expenses		
Interest expense	46,247	50,324
Other non-operating expenses	9,171	9,548
Total non-operating expenses	55,419	59,872
Ordinary profit	-318,756	44,624
Extraordinary incomes		
Gain on sale of fixed assets	—	8,035
Total extraordinary incomes	—	8,035
Extraordinary losses		
Loss on disposal of non-current assets	750	40,262
Total extraordinary losses	750	40,262
Net profit before income taxes	-319,507	12,398
Current income taxes	673	34,859
Deferred income taxes	-25,536	10
Total income taxes	-24,863	34,870
Profit for the period	-294,643	-22,472
Profit attributable to owners of the parent	-294,643	-22,472

Quarterly Consolidated Statement of Comprehensive Income
The consolidated cumulative first quarter

(Thousands of Yen)

	From April 1, 2022 to June 30, 2022	From April 1, 2023 to June 30, 2023
Profit for the period	-294,643	-22,472
Other comprehensive income		
Foreign currency translation adjustment	206,628	12,461
Remeasurements of defined benefit plans, net of tax	-3,914	1,762
Total other comprehensive income	202,713	14,224
Quarterly comprehensive income or loss	-91,930	-8,247
(Breakdown of comprehensive income)		
Comprehensive income attributable to owners of the parent	-91,930	-8,247

(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 estimates)

(Change in residual value and useful life of tangible fixed assets)

With the completion of transformation of production lines for EV battery copper foils, Den kai America Inc., a consolidated subsidiary of the Company, reviewed the residual value and estimated economic life of tangible non-current assets and changed them prospectively beginning with the first quarter of current consolidated fiscal year.

As a result, ordinary profit decreased 14,448 thousand yen, and operating loss and net loss before income taxes each increased the same amount in the first quarter of current consolidated fiscal year, compared with the previous method.

(Segment information, etc.)

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.

The consolidated cumulative first quarter under review (from April 1, 2023 to June 30, 2023)

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