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August 11, 2021

Consolidated Financial Results for the Three Months Ended June 30, 2021

[Under Japanese GAAP]

Company name: Nippon Denkai, Ltd.
Securities code: 5759
URL: https://www.nippon-denkai.co.jp/

Listing: Tokyo Stock Exchange
Representative: Hidemasa Nakajima, President and CEO
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Scheduled date to file quarterly securities report: August 11, 2021
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, 2021 (from April 1, 2021 to June 30, 2021)

(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, 2021	4,895	-	311	-	283	-	196	-
June 30, 2020	-	-	-	-	-	-	-	-

Note: Comprehensive income For the three months ended June 30, 2021: ¥84 million [- %]
For the three months ended June 30, 2020: ¥ - million [- %]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2021	27.28	-
June 30, 2020	-	-

Notes: 1. As the Company has not prepared quarterly consolidated financial statements for the first quarter of the fiscal year ended March 31, 2021, figures for the first quarter of the fiscal year ended March 31, 2021, and the percentage change from the previous corresponding period, as well as the percentage change from the previous corresponding period for the first quarter of the fiscal year ending March 31, 2022, are not presented.

2. The Company conducted a 3,000-for-one stock split of its common stock as of April 23, 2021. The amount of quarterly net income per share was calculated based on the assumption that the stock split was conducted at the beginning of the current consolidated accounting year.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2021	14,328	5,117	35.7
March 31, 2021	13,643	4,946	36.3

Reference: Equity
As of June 30, 2021: ¥5,117 million
As of March 31, 2021: ¥4,946 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, 2021	-	0.00	-	0.00	0.00
Fiscal year ending March 31, 2022	-				
Fiscal year ending March 31, 2022 (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, 2022 (from April 1, 2021 to March 31, 2022)

(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 2021	18,860	29.3	1,304	147.5	1,226	178.6	873	351.9	120.69

Notes: 1. Revision of most recently announced consolidated financial results forecasts: None
2. The Company conducted a 3,000-for-one stock split of its common stock as of April 23, 2021. The amount of basic earnings per share stated in the forecast of consolidated financial results for the fiscal year ending March 31, 2022, reflects the impact of the stock split.
3. The amount of net income per share for the fiscal year ending March 31, 2022 (estimate) was calculated based on the average number of shares expected to be issued during the same period, including the number of new shares issued through public offering (50,000 shares).

*** 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 reasons: 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, 2021	7,250,000 shares
As of March 31, 2021	7,200,000 shares

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

As of June 30, 2021	- shares
As of March 31, 2021	- shares

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

Three months ended June 30, 2021	7,203,846 shares
Three months ended June 30, 2020	7,200,000 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 3 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 quarter under review, the world's economies had contrasting results depending the COVID-19 vaccine rollout. In the United States, where vaccines were rapidly rolled out, economic activities remained strong supported by the government's large-scale economic packages. On the other hand, European economies lacked strength, as their economic activities were restricted again due to the emergence of highly infectious mutant strains. China, the first nation that declared victory over the disease, saw an expansion of economic activities in conjunction with an increase in capital expenditures and consumer spending.

In Japan, business sentiment remained downbeat in the non-manufacturing sector affected by, for example, the issuance of the third state of emergency. On the other hand, in the manufacturing sector, production activities and exports showed resilient performance backed by the recovery of overseas demand.

In the area of lithium-ion batteries for automobile applications, businesses enjoyed healthy demand as the ongoing shift to xEVs was accelerated further in the face of the global trend toward carbon neutrality. In the electronic component industry—against the backdrop of prolonged and more difficult trade negotiations between the US and China—demand for automotive applications grew further driven by the movements toward automotive electrification, and the demand continued to remain steady on the back of the wider availability of 5G-capable smartphones.

The Nippon Denkai Group continuously observed healthy demand for copper foil for automotive batteries in the context of the shift toward xEVs. Furthermore, despite some impacts from the US-China trade negotiations, demand for copper foil for circuit boards remained at a good level, supported by the expansion of the demands for automobile circuit boards.

As a result of all the above, in the first quarter of the current consolidated cumulative period, the Company had the total production volume (in tons) of 3,053 tons, net sales of 4,895 million yen, operating profit of 311 million yen, ordinary profit of 283 million yen, and profit attributable to owners of the parent of 196 million yen.

Concerning the consolidated financial results for the three months ended June 30, 2020, quarterly consolidated financial statements based on the Financial Instruments and Exchange Act was not prepared and the Company have not received quarterly review based on the Financial Instruments and Exchange Act, but the following would be stated as a reference information.

<Reference Information> Consolidated financial results for the three months ended June 30, 2020 and the three months ended June 30 2021

(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, 2021	4,895	63.3	311	97.7	283	101.0	196	153.9
June 30, 2020	2,998	-	157	-	140	-	77	-

(2) Explanation on Financial Position

(Assets)

Total assets as of the end of the first quarter of the current consolidated accounting period was 14,328 million yen, up 5.0% (685 million yen) from the end of the previous consolidated fiscal year. Current assets increased by 12.9% (862 million yen) to 7,538 million yen, mainly due to a decrease of 196 million yen in cash and deposits, an increase of 383 million yen in accounts receivable, an increase of 278 million yen in work in process, and an increase of 206 million yen in raw materials and supplies. Fixed assets decreased by 2.5% (177 million yen) to 6,790 million yen as a result of a decrease of 156 million yen in machinery, equipment and vehicles and a decrease of 30 million yen in deferred tax assets.

(Liabilities)

Total liabilities as of the end of the first quarter of the current consolidated accounting period was 9,210 million yen, up 5.9% (513 million yen) from the end of the previous consolidated fiscal year. Current liabilities increased by 14.4% (529 million yen) to 4,198 million yen, mainly due to an increase of 586 million yen in accounts payable. Fixed liabilities decreased by 0.3% (15 million yen) to 5,012 million yen, mainly as a result of a decrease of 7 million yen in deferred tax liabilities as well as a decrease of 6 million yen in retirement benefit liabilities.

(Net assets)

Net assets as of the end of the first quarter of the current consolidated accounting period increased by 3.5% (171 million yen) from the end of the previous consolidated fiscal year to 5,117 million yen, due to: 1) profit attributable to owners of parent of 196 million yen; 2) a decrease of 112 million yen in remeasurements of defined benefit plans; 3) an increase of 43 million yen

in share capital and capital surplus, respectively, which resulted from the Company's listing on the Mothers market of the Tokyo Stock Exchange.

As a result of the above, the equity ratio decreased by 0.6 points to 35.7% from 36.3% at the end of the previous consolidated fiscal year.

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

There are no revisions to the earnings forecast for the fiscal year ending March 31, 2022 from the consolidated full-year forecast announced in the "Notice Regarding New Listing on the Tokyo Stock Exchange Mothers Market" on June 25, 2021.

Please be advised that, whilst the earnings forecast is based on the best information currently available, actual earnings may fluctuate due to various factors such as the timing of the subsidence of the COVID-19 pandemic.

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

(in 1,000 yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	1,662,196	1,465,835
Accounts receivable	2,482,219	2,865,461
Finished goods	753,855	886,318
Work in process	951,358	1,229,766
Raw materials and supplies	423,886	630,300
Other	402,188	460,815
Total current assets	6,675,703	7,538,497
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	1,472,553	1,449,929
Machinery, equipment and vehicles, net	4,127,516	3,971,328
Other, net	1,257,063	1,290,840
Total tangible fixed assets	6,857,133	6,712,098
Intangible fixed assets	33,123	31,909
Investments and other assets		
Deferred tax assets	77,239	46,366
Other	78	10
Total investments and other assets	77,317	46,376
Total fixed assets	6,967,574	6,790,385
Total assets	13,643,278	14,328,882

(in 1,000 yen)

	As of March 31, 2021	As of June 30, 2021
Liabilities		
Current Liabilities		
Accounts payable	1,478,990	2,065,330
Short-term borrowings	135,238	245,659
Current portion of long-term borrowings	958,760	958,760
Income taxes payable	114,259	61,550
Provision for bonuses	152,334	100,727
Provision for directors' bonuses	17,636	8,227
Other	811,700	757,817
Total current liabilities	3,668,920	4,198,072
Non-current liabilities		
Long-term borrowings	4,607,940	4,607,940
Deferred tax liabilities	24,437	16,688
Retirement benefit liabilities	36,391	29,713
Other	359,562	358,522
Total non-current liabilities	5,028,331	5,012,864
Total liabilities	8,697,251	9,210,936
Net Assets		
Shareholders' equity		
Share capital	100,000	143,937
Capital surplus	2,300,000	2,343,937
Retained earnings	2,243,086	2,439,575
Total shareholders' equity	4,643,086	4,927,450
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	302,940	190,495
Total accumulated other comprehensive income	302,940	190,495
Total net assets	4,946,026	5,117,945
Total liabilities and net assets	13,643,278	14,328,882

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

Quarterly Consolidated Statement of Income

Consolidated cumulative first quarter

(in 1,000 yen)

	(from April 1, 2021 to June 30, 2021)
Net Sales	4,895,883
Cost of sales	4,329,380
Gross profit	566,502
Selling, general and administrative expenses	255,426
Operating profit	311,076
Non-operating income	
Income from sale of scraps	7,403
Other	74
Total non-operating income	7,478
Non-operating expenses	
Interest expense	13,168
Listing expenses	8,450
Other	13,658
Total non-operating expenses	35,276
Ordinary profit	283,278
Extraordinary losses	
Loss on disposal of fixed assets	12,594
Total extraordinary losses	12,594
Net profit before income taxes	270,684
Income taxes - current	50,969
Income taxes - deferred	23,225
Total income taxes	74,195
Profit	196,488
Profit attributable to owners of the parent	196,488

Quarterly Consolidated Statement of Comprehensive Income

Consolidated cumulative first quarter

(in 1,000 yen)

	(from April 1, 2021 to June 30, 2021)
Profit	196,488
Other comprehensive income	
Remeasurements of defined benefit plans	△112,445
Total other comprehensive income	△112,445
Quarterly comprehensive income	84,043
(Breakdown of comprehensive income)	
Comprehensive income attributable to owners of parent	84,043

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

As of June 25, 2021, Nippon Denkai, Ltd. was listed on the Mothers market of the Tokyo Stock Exchange. Upon listing, the Company issued 50,000 new shares through public offering using the book-building method, with the payment date of June 24, 2021. This increased the Company's share capital and legal capital surplus by 43,937 thousand yen, respectively.

As a result, its share capital and capital surplus stood at 143,937 thousand yen and 2,343,937 thousand yen, respectively, as of the end of the first quarter under review.

(Changes in accounting policies)

(Adoption of the accounting standard for revenue recognition)

The Company adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 issued on March 31, 2020; hereinafter referred to as the "Accounting Standard for Revenue Recognition") as of the beginning of the first quarter under review. Under the Accounting Standard, the Company recognizes revenue at the time when control over the promised goods or services is transferred to customers, at the amount equal to the consideration expected to be received for the said goods or services.

The Company also applies the alternative treatment prescribed in paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition," (ASBJ Statement No. 30 issued on March 26, 2021) and recognizes revenue from domestic sales of goods or products at the time of shipment, as far as the period between the time of shipment and the time when control over the goods or products is transferred to customers spans a reasonable number of days.

In line with the adoption of the Accounting Standard for Revenue Recognition, etc., the Company applied the transitional treatment prescribed in the proviso of paragraph 84 of the Standard. It applied the new accounting policy by adding or subtracting the cumulative effect of retrospectively adopting the new accounting policy prior to the beginning of the first quarter under review to/from retained earnings at the beginning of the quarter.

This change had no effect either on profit and loss for the first quarter under review or on the beginning balance of retained earnings.

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

The Company adopted the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30 issued on July 4, 2019; 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 19 thereof and paragraph 44-2 of ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" (revised on July 4, 2019). This change had no effect on the quarterly consolidated financial statements.

(Segment information, etc.)

Consolidated cumulative first quarter (from April 1, 2021 to June 30, 2021)

Segment information is omitted as the Group operates in a single segment of the manufacturing of electrodeposited copper foil.