Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the Japanese original shall prevail.

November 10, 2021

Consolidated Financial Results for the Six Months Ended September 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
Inquiries: Yoichi Yamamoto, Director and CFO
Telephone: +81-296-28-5551
Scheduled date to file quarterly securities report: November 10, 2021
Scheduled date to commence dividend payments: -
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results briefing: Yes (For institutional and individual investors)

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

1. Consolidated financial results for the six months ended September 30, 2022 (April 1, 2021 to September 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	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2021	10,072	-	624	-	605	-	439	-
September 30, 2020	-	-	-	-	-	-	-	-

Note: Comprehensive income Six months ended September 30, 2021: ¥265 million [-%]
Six months ended September 30, 2020: ¥ - million [-%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2021	60.79	-
September 30, 2020	-	-

(Reference) EBITDA for the six months ended September 30, 2021: 1,242 million yen (-%)

Notes: 1. As the Company has not prepared its quarterly consolidated financial statements for the six months ended September 30, 2020, this document does not contain financial data and year-on-year quarterly changes for the same period as well as for the six months ended September 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 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
	Millions of yen	Millions of yen	%
Six months ended September 30, 2021	14,001	5,299	37.8
Fiscal year ended March 31, 2021	13,643	4,946	36.3

Reference: Equity
As of September 30, 2021: ¥5,299 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	-	0.00			
Fiscal year ending March 31, 2022 (forecast)			-	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	%	
FY 2021	20,282	39.1	1,051	99.4	1,000	127.1	843	335.9	116.46

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 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 September 30, 2021	7,250,000 shares
Fiscal year ended March 31, 2021	7,200,000 shares

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

As of September 30, 2021	- shares
Fiscal year ended March 31, 2021	- shares

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

As of September 30, 2021	7,227,049 shares
As of September 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.

○ Table of Contents for Appendix

1. Qualitative Information on Financial Results of the Quarter under Review …… 2
(1) Explanation on Operating Results …… 2
(2) Explanation on Financial Position …… 2
(3) Explanation on Forecast Information such as Consolidated Earnings Forecast, etc. …… 3
2. Quarterly Consolidated Financial Statements and Major Notes …… 4
(1) Quarterly Consolidated Balance Sheet …… 4
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income… 6
(3) Quarterly consolidated cash flow statement …… 8
(4) Notes to Quarterly Consolidated Financial Statements …… 9
(Notes on going concern assumption) …… 9
(Notes in the case of significant changes in shareholders' equity) …… 9
(Changes in accounting policies) …… 9
(Segment information, etc.) …… 9

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

(1) Explanation on Operating Results

During the consolidated cumulative second quarter under review, the world's economy exhibited an expansion trend. An increasing number of people, mainly in the developed countries, were vaccinated against the new coronavirus infectious disease (COVID-19), and economic activity gradually recovered.

In the US, personal consumption increased significantly and supported the country's economic activities in the era of coexistence with COVID-19. On the other hand, the manufacturing sector was faced, in their production activities, by an increasingly apparent short supply of labor and raw materials in addition to higher prices, which resulted in concern over possible inflation. European economy as a whole showed resilient performance. Companies became more active in making capital investments and engaging in production activities, and personal consumption grew due to the lifting of going out restrictions.

China was one of the countries where economic activities were quickest to recover. However, the business sentiment remained unclear as a resurge in COVID-19 cases involving variants led to the lockdown of certain cities, and power shortages forced the manufacturing sector to curtail its operation.

In Japan, businesses in the manufacturing sector increased their capital investments and enhanced production activities, backed by a recovery in overseas demand. While personal consumption is expected to grow following the relaxation of behavioral restrictions, the manufacturing sector has been exposed to new risks, including possible delays in the supply of raw materials along with higher crude oil and other materials prices.

In lithium-ion batteries for automobile applications, demand remained strong due to the accelerating shift toward the electrification of automotive power trains. However, at the same time, the worldwide short supply of semiconductors and disruptions in the supply chain networks forced leading xEV manufacturers to reconsider their production plans.

Amid the prolonged and increasingly tense US-China trade negotiations, the electronic component industry faced with weak demand for smartphones made in China. On the other hand, the US and Japanese markets saw successive launches of 5G-compatible models, and Japanese careers continued to expand their 5G coverage areas.

Demand for EV battery copper foil, one of the Nippon Denkai Group's products, remained strong, fueled by the global trend toward automobile electrification. However, the demand slowed in the latter half of the second quarter due to disruptions in leading xEV manufacturers' supply chains.

Demand for circuit board copper foil for smartphones decreased for such reasons as the prolonged US-China trade negotiations. On the other hand, demand for automotive circuit boards continued to be firm as automobile production recovered in Southeast Asia.

As a result of all the above, in the consolidated cumulative second quarter under review, the Company had the total (all product lines) production volume of 6,235 tons, net sales of 10,072 million yen, operating profit of 624 million yen, ordinary profit of 605 million yen, and profit attributable to owners of parent of 439 million yen.

The following shows, for reference purpose only, a summary of the consolidated financial results for the second quarter of the fiscal year ended March 31, 2021. The Company has not yet prepared quarterly consolidated financial statements for the quarter according to the Financial Instruments and Exchange Act nor has it received a quarterly review on it according to the same Act.

<Reference information: Summary of consolidated financial results for the second quarter of the fiscal year ended March 31, 2021 and the second quarter of the fiscal year ending March 31, 2022>

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2021	10,072	59.7	624	120.1	605	153.0	439	-
Six months ended September 30, 2020	6,308	-	283	-	239	-	0	-

(2) Explanation on Financial Position

(i) Assets, liabilities and equity

(Assets)

Total assets as of the end of the second quarter of the current consolidated accounting period was 14,001 million yen, up 2.6% (358 million yen) from the end of the previous consolidated fiscal year. Current assets increased by 6.5% (436 million yen) to 7,112 million yen, mainly due to a decrease of 910 million yen in cash and deposits, an increase of 469 million yen in accounts receivable, an increase of 409 million yen in finished goods, an increase of 317 million yen in work in process, and an increase of 162 million yen in raw materials and supplies. Fixed assets decreased by 1.1% (78 million yen) to 6,889 million yen mainly due to a decrease of 55 million yen in buildings and structures, a decrease of 320 million yen in machinery, equipment and

vehicles, and an increase of 292 million yen in construction in progress.

(Liabilities)

Total liabilities as of the end of the second quarter of the current consolidated accounting period was 8,702 million yen, up 0.1% (5 million yen) from the end of the previous consolidated fiscal year. Current liabilities increased by 14.2% (521 million yen) to 4,189 million yen, mainly due to an increase of 429 million yen in short-term borrowings and an increase of 60 million yen in income taxes payable. Non-current liabilities decreased by 10.3% (515 million yen) to 4,512 million yen, mainly as a result of a decrease of 479 million yen in long-term borrowings, a decrease of 11 million yen in deferred tax liabilities, and a decrease of 13 million yen in retirement benefit liabilities.

(Net assets)

Total equity as of the end of the second quarter of the current consolidated accounting period increased by 7.1% (353 million yen) from the end of the previous consolidated fiscal year to 5,299 million yen, due to: 1) profit attributable to owners of parent of 439 million yen; 2) a decrease of 173 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 increased by 1.5 points to 37.8% from 36.3% at the end of the previous consolidated fiscal year.

(ii) Status of cash flows

The balance of cash and cash equivalents (hereinafter referred to as "funds") as of the end of the consolidated cumulative second quarter under review decreased by 910 million yen from the end of the previous consolidated fiscal year to 751 million yen. The status of cash flows during the consolidated cumulative second quarter under review is as follows:

(Cash flow from operating activities)

As a result of operating activities during the consolidated cumulative second quarter under review, funds decreased by 241 million yen. This was mainly due to: net profit before income taxes of 584 million yen; depreciation of 618 million yen, increase of 447 million yen in trade receivables; increase of 868 million yen in inventories; and payment of income taxes of 114 million yen.

(Cash flow from investing activities)

As a result of investing activities during the consolidated cumulative second quarter under review, funds decreased by 679 million yen. This was mainly due to the expenditure of 675 million yen incurred for the acquisition of property, plant and equipment.

(Cash flow from financing activities)

As a result of financing activities during the consolidated cumulative second quarter under review, funds increased by 16 million yen. This was mainly due to a net increase of 427 million yen in short-term borrowings, expenditures of 479 million yen incurred for the repayment of long-term borrowings, and proceeds of 86 million yen from the issuance of shares.

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

In the short term, the Group is anticipated to face a challenging business environment due to such factors as the global semiconductor shortage, production cutbacks by major xEV manufacturers caused by the disruptions in their component supply networks, decreased demand for circuit boards affected by prolonged trade negotiations between the US and China, and continuously high copper material prices.

Taking such business environment, etc. into consideration, we estimated the consolidated financial results for the fiscal year ending March 31, 2022. As a result, we decided to make revisions to the "Notice Regarding New Listing on the Tokyo Stock Exchange Mothers Market" we announced on June 25, 2021.

For details, please refer to the "Notice Regarding the Revision of the Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2022" announced today.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(in 1,000 yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	1,662,196	751,436
Accounts receivable	2,482,219	2,951,811
Finished goods	753,855	1,163,791
Work in process	951,358	1,268,817
Raw materials and supplies	423,886	586,691
Other	402,188	390,125
Total current assets	6,675,703	7,112,672
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	1,472,553	1,417,266
Machinery, equipment and vehicles, net	4,127,516	3,807,208
Other, net	1,257,063	1,550,612
Total tangible fixed assets	6,857,133	6,775,088
Intangible fixed assets	33,123	39,725
Investments and other assets		
Deferred tax assets	77,239	74,483
Other	78	10
Total investments and other assets	77,317	74,493
Total fixed assets	6,967,574	6,889,307
Total assets	13,643,278	14,001,980

(in 1,000 yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current Liabilities		
Accounts payable	1,478,990	1,695,422
Short-term borrowings	135,238	564,696
Current portion of long-term borrowings	958,760	958,760
Income taxes payable	114,259	174,588
Provision for bonuses	152,334	168,187
Provision for directors' bonuses	17,636	4,508
Other	811,700	623,836
Total current liabilities	3,668,920	4,189,998
Non-current liabilities		
Long-term borrowings	4,607,940	4,128,560
Deferred tax liabilities	24,437	12,606
Retirement benefit liabilities	36,391	23,358
Other	359,562	347,932
Total non-current liabilities	5,028,331	4,512,457
Total liabilities	8,697,251	8,702,456
Net Assets		
Shareholders' equity		
Share capital	100,000	143,937
Capital surplus	2,300,000	2,343,937
Retained earnings	2,243,086	2,682,439
Total shareholders' equity	4,643,086	5,170,314
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	302,940	129,209
Total accumulated other comprehensive income	302,940	129,209
Total net assets	4,946,026	5,299,524
Total liabilities and net assets	13,643,278	14,001,980

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

Quarterly Consolidated Statement of Income

The consolidated cumulative second quarter

(in 1,000 yen)

	(April 1, 2021 to September 30, 2021)
Net Sales	10,072,398
Cost of sales	8,928,915
Gross profit	1,143,483
Selling, general and administrative expenses	519,262
Operating profit	624,221
Non-operating income	
Interest income	25
Income from sale of scraps	13,515
Gain on valuation of currency swaps	15,000
Other	4,770
Total non-operating income	33,312
Non-operating expenses	
Interest expense	28,903
Listing expenses	8,450
Other	14,506
Total non-operating expenses	51,860
Ordinary profit	605,673
Extraordinary losses	
Loss on disposal of fixed assets	21,458
Total extraordinary losses	21,458
Net profit before income taxes	584,214
Income taxes - current	153,976
Income taxes - deferred	(9,114)
Total income taxes	144,861
Profit	439,353
Profit attributable to owners of parent	439,353

Quarterly Consolidated Statement of Comprehensive Income

The consolidated cumulative second quarter

(in 1,000 yen)

	(April 1, 2021 to September 30, 2021)
Profit	439,353
Other comprehensive income	
Remeasurements of defined benefit plans, net of tax	(173,731)
Total other comprehensive income	(173,731)
Quarterly comprehensive income	265,622
(Breakdown of comprehensive income)	
Comprehensive income attributable to owners of parent	265,622

(3) Quarterly consolidated cash flow statement

(in 1,000 yen)

	(April 1, 2021 to September 30, 2021)
Cash flow from operating activities	
Net profit before income taxes	584,214
Depreciation	618,346
Increase (decrease) in provision for bonuses	15,782
Increase (decrease) in provision for directors' bonuses	(13,146)
Increase (decrease) in retirement benefit liability	(13,177)
Retirement benefit expenses	(175,075)
Interest income	(25)
Interest expense	28,903
Decrease (increase) in trade receivables	(447,263)
Decrease (increase) in inventories	(868,509)
Increase (decrease) in trade payables	209,605
Increase (decrease) in accrued consumption taxes	(33,455)
Increase (decrease) in long-term accounts payable - other	(13,678)
Other	7,165
Subtotal	(100,314)
Interest received	25
Interest paid	(27,014)
Income taxes (paid) refund	(114,263)
Cash flows from operating activities	(241,567)
Cash flows from investing activities	
Purchase of property, plant and equipment	(675,405)
Purchase of intangible assets	(4,692)
Other	213
Cash flows from investing activities	(679,884)
Cash flows from financing activities	
Net increase (decrease) in short-term borrowings	427,452
Repayments of long-term borrowings	(479,380)
Proceeds from issuance of shares	86,726
Repayments of lease obligations	(18,135)
Other	68
Cash flows from financing activities	16,731
Effect of exchange rate change on cash and cash equivalents	(6,039)
Net increase (decrease) in cash and cash equivalents	(910,760)
Cash and cash equivalents at beginning of period	1,662,196
Cash and cash equivalents at end of period	751,436

(4) 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 second 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 Guidance No. 30, 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 consolidated cumulative second quarter under review or 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 has no effect on the quarterly consolidated financial statements.

(Segment information, etc.)

The consolidated cumulative second quarter under review (April 1, 2021 to September 30, 2021)

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