日本電解株式会社
Nippon Denkai, LTD.

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Listed on	TSE Growth
Stock Ticker code	5759
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Revision of FY2022 Financial Forecast

Nippon Denkai, Ltd. (TSE:5759, "The Company") announces revised Financial Forecast for FY2022, which was previously announced on May 13, 2022, as described below.

1. FY2022 Financial Forecast

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

	Net Sales	Operating Profits	Net Income attributable to owners of parent	Net Income per share
Initial Forecast (A)	Million Yen 20,935	Million Yen 435	Million Yen 25	Yen 3.48
Revised Forecast (B)	18,000	△500	△800	△110.34
Change (B-A)	△2,935	△935	△ 825	—
Percentage Change (%)	△14.0	— *	— *	— *
(Ref.) FY2020 Full Year Results	20,558	1,004	848	117.22

* Percentage change is omitted because it is a comparison between deficit and surplus, and positive and negative values.

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.

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