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February 10, 2023

Consolidated Financial Results for the Nine Months Ended December 31, 2022

[Under Japanese GAAP]

Company name: Nippon Denkai, Ltd.
Stock listing: Tokyo Stock Exchange
Stock ticker code: 5759
URL: https://www.nippon-denkai.co.jp/
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Scheduled date to file the Quarterly Securities Report: February 10, 2023
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 nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate Year-on-Year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
December 31, 2022	12,717	-17.8	-870	-	-1,055	-	-994	-
December 31, 2021	15,469	47.5	890	60.8	874	79.6	632	126.7

Note: Comprehensive income Nine months ended December 31, 2022: ¥ -789 million [-%]
Nine months ended December 31, 2021: ¥ 442 million [138.3%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	-134.70	-
December 31, 2021	87.37	-

Notes: 1. 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 previous consolidated fiscal year.
2. For the nine months ended December 31, 2021, Diluted earnings per share is not shown in the table above, as there are no residual shares.
3. For the nine months ended December 31, 2022, Diluted earnings per share is not shown in the table above, as it is a loss-making financial result.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of Yen	Millions of Yen	%
Nine months ended December 31, 2022	19,858	6,541	32.9
Fiscal year ended March 31, 2022	18,034	5,755	31.9

Reference: Equity
As of December 31, 2022: ¥6,528 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	-	0.00			
Fiscal year ending March 31, 2023 (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, 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	17,700	-13.9	-1,000	-	-1,200	-	-1,100	-	-151.66

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: Yes
(ii) Changes in accounting policies other than (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 December 31, 2022	7,928,500 shares
Fiscal year ended March 31, 2022	7,250,000 shares

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

As of December 31, 2022	69 shares

Fiscal year ended March 31, 2022	- shares

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

As of December 31, 2022	7,384,220 shares
As of December 31, 2021	7,234,727 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, 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 third quarter under review, economic growth slowed against this backdrop of shortages in the supply of semiconductors and other raw materials and stagnant logistics networks, as well as the prolonged Russia-Ukraine war, energy resource price hike, and policy rising interest rates in the US.

In the US, personal consumption expenditures and other economic activities had been sluggish by rapid price hikes, also the policy rising interest rates as a countermeasure against inflation depressed business confidence. In China, despite the zero-corona policy was lifted in December 2022, tension about the rapid spread of infection and other factors had increased, made it necessary to assess the future economic activity situation. In Japan, domestic demand recovered moderately, however it should be cautious about the impacts of continued energy prices and various other prices hikes and the yen's depreciation in the foreign exchange market.

In the market for automotive LIBs (lithium-ion rechargeable batteries), powertrain electrification continued to expand in order to achieve carbon neutrality. However, prolonged shortage of semiconductor supply constrained the growth rate of xEV production. The competitive environment became more serious in Japan and the US as battery manufacturers from South Korea and other countries entered comprehensively the market.

In the electronic components industry as the main market for circuit board copper foils, a shipment of smartphones and the demand for related electronic components manufactured in mainland China slowed down by China's strict zero-corona policy. In addition, the prolonged global supply shortage of automotive semiconductors led to declaration in automotive production the demand for automotive equipment.

Under these circumstances, the company’s demand for EV battery copper foils remained slow by a major manufacture’s production restraint. Among the circuit board copper foils, the demand for high-end products for smartphones continued to be weak, mainly due to sluggish orders from major Chinese smartphone manufacturers.

Operating income was in the red because manufacturing cost increased due to energy price hike and decrease in operating rate by lower sales and production volume.

As a result, in the third quarter of the current fiscal year, the company's total production volume (metric tons) was 6,592 metric tons (down 29.2% from the same period of the previous year), Net sales was 12,717 million yen (down 17.8%), Operating profit was -879 million yen (the same period of the previous year was 890 million yen), Ordinary profit was -1,055 million yen (the same period of the previous year was 874 million yen), and Profit attributable to owners of parent was -994 million yen (the same period of the previous year was 632 million yen).

(2) Explanation on Financial Position

(Assets)

Total assets as of the end of the third quarter of current consolidated fiscal year was 19,858 million yen, up 1,824 million yen (10.1%) from the end of the previous consolidated fiscal year.

Current assets decreased by 2,261 million yen (23.7%) to 7,280 million yen, mainly due to a decrease of 509 million yen in Cash and deposits, a decrease of 1,485 million yen in Accounts receivable, an increase of 146 million yen in Finished goods, a decrease of 18 million yen in Work in process, and a decrease of 303 million yen in Raw materials and supplies. Fixed assets increased by 4,085 million yen (48.1%) to 12.577 million yen, mainly due to a decrease of 50 million yen in Buildings and structures, a decrease of 353 million yen in Machinery, equipment and vehicles, and an increase of 4,402 million yen in Construction in progress.

(Liabilities)

Total liabilities as of the end of the third quarter of current consolidated fiscal year was 13,316 million yen, up 1,038 million yen (8.5%) from the end of the previous consolidated fiscal year. Current liabilities increased by 1,598 million yen (31.7%) to 6,647 million yen, mainly due to a decrease of 289 million yen in Accounts payable, an increase of 2,000 million yen in Short-term borrowings. Non-current liabilities decreased by 560 million yen (7.7%) to 6,669 million yen, mainly due to a decrease of 611 million yen in Long-term

borrowings and a decrease of 2 million yen in Deferred tax liabilities.

(Net assets)

Total net assets as of the end of the third quarter of the current consolidated fiscal year increased by 785 million yen (13.7%) from the end of the previous consolidated fiscal year to 6,541 million yen, mainly due to Profit (loss) attributable to owners of parent of -994 million yen, an increase of 781 million yen in each of Common stock and Capital surplus from the exercise of New Share Warrants, and an increase of 222 million yen in Foreign currency translation adjustment.

In the result of fact, Equity ratio increased by 1.0 point from 31.9% from the end of the previous consolidated fiscal year to 32.9%

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

There is no changes in the forecast for the consolidated fiscal year ending March, 2023 from "Revised Financial Forecast for FY 2022" announced on November 10th, 2022.

》Disclaimer《

Although this document is based on currently available information, there is possibility that actual results may highly variable due to various factors including supply conditions for semiconductors and other parts and raw materials, and changes in energy and resource prices.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of Yen)

	As of March 31, 2022	As of December 31, 2022
Asset		
Current assets		
Cash and deposits	2,500,768	1,990,895
Account receivable	3,161,612	1,675,763
Finished goods	1,269,727	1,416,381
Work in process	1,260,657	1,241,976
Raw materials and supplies	844,290	541,090
Other current assets	505,610	414,662
Total current assets	9,542,665	7,280,770
Non-current assets		
Tangible non-current assets		
Buildings and structures, net	1,471,378	1,421,188
Machinery, equipment and vehicles, net	3,674,909	3,321,272
Construction in process	2,015,752	6,418,221
Other non-current assets, net	1,103,812	1,087,662
Total non-current assets	8,265,853	12,248,344
Intangible non-current assets	33,834	30,685
Investments and other assets		
Deferred tax assets	72,279	149,520
Net defined benefit assets	70,910	100,769
Others	48,649	48,118
Total investments and other assets	191,838	298,408
Total non-current assets	8,491,526	12,577,438
Total assets	18,034,191	19,858,208

(Thousands of Yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Account payable	1,809,957	1,520,855
Short-term borrowings	800,000	2,800,000
Current portion of long-term borrowings	958,760	1,358,760
Income taxes payable	186,400	8,920
Provision for bonuses	148,970	83,480
Provision for directors' bonuses	16,012	3,344
Other current liabilities	1,128,951	871,856
Total current liabilities	5,049,052	6,647,217
Non-current liabilities		
Long-term borrowings	6,831,320	6,220,000
Deferred tax liabilities	4,026	1,734
Other non-current liabilities	394,359	447,894
Total non-current liabilities	7,229,705	6,669,628
Total liabilities	12,278,758	13,316,845
Net assets		
Shareholders' equity		
Common stock	143,937	925,315
Capital surplus	2,343,937	3,125,315
Retained earnings	3,091,573	2,096,930
Treasury shares	―	△196
Total shareholders' equity	5,579,448	6,147,364
Accumulated other comprehensive income		
Foreign currency translation adjustment	151,883	374,534
Remeasurements of defined benefit plans	24,101	6,532
Total accumulated other comprehensive income	175,984	381,067
New share warrants	―	12,930
Total net assets	5,755,433	6,541,362
Total liabilities and net assets	18,034,191	19,858,208

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

Quarterly Consolidated Statement of Income

The consolidated cumulative third quarter

(Thousands of Yen)

	(from April 1, 2021 to December 31, 2021)	(from April 1, 2022 to December 31, 2022)
Net sales	15,469,442	12,717,708
Cost of sales	13,789,906	12,602,792
Gross profit (loss)	1,679,535	114,916
Selling, general and administrative expenses	788,814	985,611
Operating profit (loss)	890,721	△870,695
Non-operating income		
Interest income	25	322
Income from sale of scraps	20,296	24,763
Insurance income	4,036	17,793
Foreign exchange gain	16,406	—
Gain on valuation of currency swap	16,187	—
Other non-operating income	184	2,259
Total non-operating income	57,137	45,138
Non-operating expenses		
Interest expense	44,223	134,655
Listing expenses	8,450	—
Foreign exchange loss	—	38,416
Other non-operating expenses	20,687	56,693
Total non-operating expenses	73,360	229,765
Ordinary profit (loss)	874,498	△1,055,322
Extraordinary loss		
Loss on disposal of non-current assets	33,020	17,247
Total extraordinary loss	33,020	17,247
Net profit (loss) before income taxes	841,477	△1,072,569
Income taxes - current	196,423	2,020
Income taxes – deferred	12,963	△79,947
Total income taxes	209,387	△77,926
Profit (loss) for the period	632,090	△994,642
Profit (loss) attributable to owners of parent	632,090	△994,642

Quarterly Consolidated Statement of Comprehensive Income

The consolidated cumulative third quarter

(Thousands of Yen)

	(from April 1, 2021 to December 31, 2021)	(from April 1, 2022 to December 31, 2022)
Profit (loss) for the period	632,090	△994,642
Other comprehensive income		
Foreign currency translation adjustment	44,928	222,650
Remeasurements of defined benefits plans, net of tax	△234,464	△17,568
Total other comprehensive income	△189,535	205,082
Quarterly comprehensive income	442,554	△789,560
(Breakdown of comprehensive income)		
Comprehensive income attributable to owners of parent	442,554	△789,560

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable

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

During the consolidated cumulative third quarter of current fiscal year ended December 31, 2022, each of Common stock and Capital reserve increased by 781,377 thousand yen, as a result of the exercise of new share warrants.

Accordingly, Common stock increased to 925,315 thousand yen and Capital surplus increased to 3,125,315 thousand yen, as of end of the third quarter of current fiscal year ended December 31, 2022.

(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)

The consolidated cumulative third quarter under review (from April 1, 2021 to December 31, 2021)

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

The consolidated cumulative third quarter under review (from April 1, 2022 to December 31, 2022)

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