日本電解株式会社
Nippon Denkai, LTD.

November 27, 2024

To whom it may concern:

Company name: Nippon Denkai, Ltd.
Representative: Hidemasa Nakajima
President & CEO
(Code: 5759 TSE Growth)
Contact: Tetsuya Sagara
General Manager,
Business Administration
Dept.

Announcement of Petition for Commencement of Civil Rehabilitation Proceedings and Dissolution and Liquidation of Overseas Subsidiary

Nippon Denkai, Ltd. (the "Company") hereby announces that it resolved in its board of directors meeting held today to file a petition for commencement of civil rehabilitation proceedings, and that it filed the petition with the Tokyo District Court, which was accepted today. The Company also announces that today the Court issued a provisional order for prohibition of repayment, etc. and a supervision order, and appointed Mr. Eiichi Obata, an attorney-at-law (TF Law Office) as the supervisor.

The Company sincerely apologizes to its creditors, business partners, shareholders, and other related parties. Hereafter, under the supervision of the Tokyo District Court and the supervisor, the Company will, together with its employees, use its best efforts to restructure its business; accordingly, the Company asks for your understanding and your continued support.

The Company also announces that it resolved in its board of directors meeting held today to dissolve and liquidate Denkai America Inc. ("**DAI**"), its subsidiary.

The Company also resolved in its board of directors meeting held today that in accordance with the filing of the petition for civil rehabilitation proceedings, it would cancel the extraordinary shareholders meeting that was scheduled to be held on November 29, 2024. For details, please refer to "Announcement of Cancellation of Extraordinary Shareholders Meeting" dated November 27, 2024.

I. Filing of Petition for Commencement of Civil Rehabilitation Proceedings

1. Reasons for the Petition

Since its incorporation, the Company had consistently been manufacturing and selling electrolytic copper foils. In accordance with the expansion of the electronic vehicle market and acquisition of a U.S. subsidiary (DAI) on March 31, 2021, the Company had been improving its sales and profits up until the fiscal year ended March 2022; in the fiscal year ended March 2022, the Company recorded sales of approximately 20.6 billion yen and operating profits of approximately 1 billion yen, both on a consolidated basis.

However, due to the recent, global shortage of semiconductors, decrease in exports of batteries manufactured domestically resulting from enforcement of the Inflation Reduction Act (the IRA) in the United States, decrease in demand for smartphones, the effect of the COVID-19 pandemic, and DAI

institutionalizing its financial deficit since the fiscal year ended March 2021 in accordance with intensified competition, among other factors, the consolidated sales for the fiscal year ended March 2023 fell as low as approximately 17 billion yen; in addition, due to construction costs, etc. of the Augusta Plant in the United States, the Company recorded a consolidated ordinary loss of approximately 1.8 billion yen for the year ended March 2023 (approximately 0.4 billion yen for the Company and approximately 1.3 billion yen for DAI).

Also, for the fiscal year ended March 2024, because of the decreased demand for copper foils for export cells due to the effect of the IRA and the decreased sale of circuit board foils due to rectifier failure in DAI, the Company recorded consolidated sales of approximately 16.6 billion yen and a consolidated ordinary loss of approximately 1.2 billion yen (approximately 0.3 billion yen for the Company and approximately 1.3 billion yen for DAI). Thus, the Company recorded an ordinary deficit for two consecutive fiscal years.

Also, for the fiscal year ending March 2025, while the Company recorded approximately 8.8 billion yen as the interim results (+2.7% compared to the same time of the previous fiscal year), due to the deterioration of profits and losses resulting from the decreased sales quantity and rapid increase of copper price, impairment loss related to the Augusta Plant, the Company recorded a consolidated ordinary loss of approximately 1.5 billion yen, a consolidated net loss of approximately 5 billion yen (the results for the overall fiscal year are expected to be, on a consolidated basis, sales of approximately 19 billion yen, an ordinary loss of approximately 1.7 billion yen, and a net loss of approximately 5.3 billion yen).

Further, in addition to the deterioration of its performance in and after the fiscal year ended March 2023, the Company's cashflow gradually deteriorated as a result of it having proceeded with reconstruction of manufacturing facilities in DAI's Camden Plant and investments in foil manufacturing facilities in the Augusta Plant in the United States.

Under these circumstances, the Company had been using its efforts for fund-raising to improve its financial condition.

In January 2024, the Company borrowed from Lee Chang Yung Group International Pte. Ltd. ("LCY International"), an affiliate of LCY Technology Corporation ("LCYT"), 9.5 million U.S. dollars through DAI, and executed a capital and business alliance agreement with LCYT and LCY International; thereafter, it issued Series 2 Share Options to LCY International. However, LCY International did not exercise these share options before expiry of the exercise period that ended in March 2024; thus, the Company failed to raise capital funds.

The Company also executed a capital and business alliance agreement dated June 24, 2024 with Tex Technology Inc., its largest shareholder, and on July 10, 2024, it received investment of approximately 1 billion yen therefrom (mainly purported to make payment to Tex Technology Inc. for facilities the delivery date of which was long).

Further, as the Company urgently needed to improve its financial soundness, it had been seeking sponsors from around May 2024; however, it could not find any party that specifically intended to provide support.

As stated above, despite various measures for fund-raising, the Company failed to sufficiently improve its financial condition; moreover, it has no prospect of repaying approximately 12 billion yen that it borrowed from financial institutions, etc. for reconstruction of facilities in DAI's Camden Plant and foil manufacturing facilities in the Augusta Plant in the United States.

Also, since the fiscal year ended March 2021, DAI has been institutionalizing its financial deficit; moreover, without the Company's support, it is anticipated that it will soon fall short of funds, and there is no prospect that profits will immediately improve. Thus, as stated in II. below, the

Company resolved in its board of directors meeting held today a policy to dissolve and liquidate DAI. It is thus anticipated that the Company will hardly be able to collect most of the loans it provided to DAI, and accordingly, the Company will have to additionally record a large amount of special loss, which will make the Company insolvent on the books; furthermore, the Company has actually become insolvent as of now.

As stated above, the Company had been taking various measures for fund-raising and to improve its financial condition; however, it became clear that continuation of its business would be significantly hindered in the near future. Thus, in order to minimize the damage to the Company's business value, and to effectively restructure the business while maximizing the amount of repayment to creditors, the Company filed the petition for commencement of civil rehabilitation proceedings.

2. Total amount of debts

Approximately 14,761,060 thousand yen

3. Future prospects

Under the supervision of the Tokyo District Court and the supervisor, the Company will continue its business as it has done previously; moreover, it will promptly seek a sponsor that will assume its business, and will strive to restructure the business by transferring it to the sponsor.

Sumitomo Mitsui Banking Corporation will set a commitment line of 2 billion yen as DIP financing for the Company's future fund-raising; thus, this ensures that continuation of the business will not be hindered for the time being. In addition, with the Court's permission, etc., the Company will continue to repay debts for commercial transactions that are essential to its business, out of those incurred up to November 26, 2024, which is the day immediately preceding the date of filing the petition.

4. Whether an application for examination of restructuring plan, etc. under Rule 603, Paragraph 1 of the Securities Listing Regulations will be made

The Company will not make an application for conduct of an examination of restructuring plan, etc. prescribed in Rule 603, Paragraph 1 of the Securities Listing Regulations. Accordingly, it is anticipated that the Company's shares will be delisted after the elapse of the period specified in the regulations prescribed by the Tokyo Stock Exchange.

5. Contact

Nippon Denkai, Ltd. Civil Rehabilitation Office (Monday to Friday, 9:00 a.m. to 5:00 p.m.)
Tel : 0296-26-7775
E-mail : toiawase@nippon-denkai.co.jp

II. Dissolution and Liquidation of DAI

1. Reasons for Dissolution

As stated in I. above, since the fiscal year ended March 2021, DAI has been institutionalizing its financial deficit. The Company determined that provision of financial support to DAI and continuation of DAI's business will be impossible as a result of the Company filing the petition for commencement of civil rehabilitation proceedings; thus, it determined the policy to dissolve and liquidate DAI.

2. Overview of the subsidiary to be dissolved (DAI)

(1) Name	Denkai America Inc.		
(2) Location	8 John Street, Hoosick Falls, New York, U.S.A.		
(3) Title and name of representative	Hidemasa Nakajima		
(4) Details of business	Manufacturing business of electrolytic copper foils		
(5) Stated capital	3,067 thousand U.S. dollars		
(6) Date of incorporation	February 1976		
(7) Large shareholder and its shareholding percentage	Nippon Denkai, Ltd., 100%		
(8) Relationship between the listed company and the relevant company	Capital relationship	Wholly-owned by the Company	
	Personnel relationship	The Company's officers serve as DAI's officers.	
	Transactional relationship	The Company sells electrolytic copper foil manufacturing devices to DAI. As of September 30, 2024, the Company had loan receivables of 7,312 million yen and other receivables of 873 million yen from DAI.	
	Applicability to related party	A consolidated subsidiary of the Company	

(9) Operating results and financial condition for the last three years (in thousands of USD, excluding those specifically stated)

Fiscal year settled	FY ended March 2022	FY ended March 2023	FY ended March 2024
Net assets	25,924	15,751	11,790
Total assets	61,333	74,404	79,657
Sales	46,947	34,093	23,095
Operating profit or loss (△)	△756	△9,227	△6,068
Ordinary profit or loss (△)	△981	△9,753	△8,464
Net income	153	△10,164	△5,136

3. Dissolution schedule

DAI's board of directors also resolved today to proceed with dissolution and liquidation.

Necessary procedures will be implemented in accordance with local laws, and the liquidation proceedings will be completed as soon as the necessary procedures are completed; however, the specific schedule is yet to be determined, as of now.

4. Future prospects

The Company is currently carefully examining any effect on its performance dissolution and liquidation of DAI that may occur. If any matter arises that should be disclosed, the Company will promptly disclose it.

End.

(Reference)

1. Overview of the civil rehabilitation proceedings

(1)	Date of filing petition	November 27, 2024
(2)	Competent court	Tokyo District Court
(3)	Case name	Reiwa 6 (sai) No. 31
(4)	Counsel for filing petition	100-8124 Otemon Tower, Otemachi1-1-2, Chiyoda-ku, Tokyo, Japan Nishimura & Asahi (Gaikokuho Kyodo Jigyo) Attorney-at-law Yasuo Tsukitome Ditto Tetsushi Konda Ditto Kazuki Takada Ditto Ryo Shimizu Ditto Nariko Inoue Ditto Kenryu Ohashi

2. Current status of the Company

(1)	Name	Nippon Denkai, Ltd.		
(2)	Location of head office	1226, Chikusei-shi, Ibaraki		
(3)	Officers	Representative Director, President and CEO Hidemasa Nakajima Director Yasuhiro Endo Director, full-time audit and supervisory committee member (outside) Makiko Yamakawa Director, audit and supervisory committee member (outside) Noriyuki Katayama Director, audit and supervisory committee member (outside) Hideo Futashima		
(4)	Details of business	Development, manufacture and sale of electrolytic copper foils for onboard cells, circuit board for 5G, etc.		
(5)	Stated capital	2,358,469,602 yen		
(6)	Date of incorporation	June 17, 2016		
(7)	Large shareholder and its shareholding percentage * As of the end of September 2024	Name	Number of shares held (shares)	Shareholding percentage (%)
		Tex Technology Inc.	2,915,400	28.89
		Rakuten Securities, Inc.	195,400	1.94
		INTERACTIVE BROKERS LLC	124,500	1.23
		BNYM SA/NV FOR BNYM FOR BNYM GCM CLIENT ACCTS M ILM FE	84,183	0.83
		Tokuoka Kogyo Co., Ltd.	72,000	0.71
		SBI SECURITIES Co., Ltd.	65,600	0.65

		Morgan Stanley MUFG Securities Co., Ltd.	63,578	0.63
		Takafumi Ichinohe	60,000	0.59
		Matsui Securities Co., Ltd.	57,500	0.57
		JP JPMSE LUX RE J.P. MORGAN SEC PLC EQ CO.	55,000	0.55
(8)	Total number of shareholders	12,519 shareholders * As of September 30, 2024		
(9)	Status of shares	10,090,500 common shares		
(10)	Number of employees	236 employees ※ As of March 31, 2024		
(11)	Labor Union	Nippon Denkai Labor Union		
(12)	Total amount of debts	Approximately 14,761,060,000 yen (may increase in the course of civil rehabilitation proceedings)		
(13)	Operating results and financial condition for the last three years (consolidated; in thousands of yen, excluding those specifically stated)			
	Fiscal year settled	FY ended March 2022	FY ended March 2023	FY ended March 2024
	Net assets	5,755,433	7,447,794	6,724,899
	Total assets	18,034,191	22,678,974	23,908,111
	Net assets per share (yen)	793.85	822.97	743.10
	Sales	20,558,286	17,047,433	16,650,302
	Operating profit or loss	1,004,634	(1,611,800)	(1,034,233)
	Ordinary profit or loss	976,179	(1,840,291)	(1,288,765)
	Net income (loss) attributable to shareholders of the parent company	848,487	(1,933,928)	(874,484)
	Current net profit or loss per share (yen)	117.22	(252.36)	(96.63)
	Dividends per share	—	—	—