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 original shall prevail.

August 9, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024

[Under Japanese GAAP]

Company name: Nippon Denkai, Ltd.
Listing: Tokyo Stock Exchange
Securities code: 5759
URL: https://www.nippon-denkai.co.jp/
Representative: Hidemasa Nakajima, President and CEO
Inquiries: Tomohiro Sasaki, General Manager, Accounting Department
Email: ir_team@nippon-denkai.co.jp
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, 2024 (from April 1, 2024 to June 30, 2024)

(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, 2024	4,343	-8.7	-492	-	-331	-	-468	-
June 30, 2023	4,759	7.7	-241	-	44	-	-22	-

Note: Comprehensive income Three months ended June 30, 2024: ¥ -544 million [- %]
Three months ended June 30, 2023: ¥ -8 million [- %]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	-51.75	-
June 30, 2023	-2.48	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of Yen	Millions of Yen	%
Three months ended June 30, 2024	24,580	6,179	25.1
Fiscal year ended March 31, 2024	23,908	6,724	28.1

(Reference)Equity As of June 30, 2024: ¥6,179 million
As of March 31, 2024: ¥6,724 million

2. Status of 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, 2024	-	0.00	-	0.00	0.00
Fiscal year ending March 31, 2025	-				
Fiscal year ending March 31, 2025 (Forecast)		0.00	-	0.00	0.00

Note: Revision of the forecast of cash dividends most recently announced: None

3. Consolidated financial results forecast for the year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(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 2024	21,300	27.9	-300	-	-1,100	-	-1,200	-	-132.60

Notes: Revision of most recently announced consolidated financial results forecasts: Yes

*** Notes**

(1) Significant changes in the scope of consolidation during the period: None
Newly included: - companies (-)
Excluded: - companies (-)

(2) Adoption of accounting treatment specific to the 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 than reason (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 June 30, 2024	9,050,000 shares
As of March 31, 2024	9,050,000 shares

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

As of June 30, 2024	171 shares
As of March 31, 2024	171 shares

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

As of June 30, 2024	9,049,829 shares
As of June 30, 2023	9,049,929 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* 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 - (3) Future Outlook ” on Page 3 of the Appendix.

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1. Qualitative Information on Financial Results of the Quarter

(1) Explanation on Operating Business Results

During the first quarter of the current fiscal year, the global economy showed signs of picking up, supported by strong exports from Asia. On the other hand, the war in Ukraine and the situation in the Middle East remain as risk factors with no resolution in sight and no prospects yet, and energy prices remain high, although they are on a downward trend after peaking in 2022. On the other hand, global inflation is expected to continue to decline, and the growth rate of the global economy is expected to improve moderately.

In the U.S., investment returns were strong due to rising stock prices, but growth slowed as consumption slowed amid high interest rates and exports did not increase as much as expected.

In the Japanese economy, the economy is emerging from a stagnant phase due to a recovery in consumer spending, mainly due to improved real wages, and normalization from the temporary supply disruptions caused by the automobile certification issue.

In the lithium-ion rechargeable battery (LIB) field, a series of announcements of new plant construction and revisions to production increase plans in the second half of 2023 were made as a result of an increase in inventories of finished vehicles due to the partial revision of government subsidies and other measures in various countries related to automotive LIBs, a lull in initial demand, high interest rates, and other factors. Although sales of electrified electric vehicles (xEVs) are still increasing, the growth rate is gradually declining. Meanwhile, the increasingly stringent battery procurement requirements for EV tax credits announced by the U.S. Treasury Department in connection with the U.S. Inflation Reduction Act (IRA Act) continue as an impact on LIB procurement to automakers.

In the circuit board field, despite lingering concerns over semiconductor supply due to the U.S.-China trade friction, smartphone shipments increased and demand for some electronic components showed a recovery trend. However, the environment remained challenging due to higher procurement costs for imported materials caused by the weak yen and the circuit board field as a whole, which continued to underperform the previous year's results.

In this business environment, in Nippon Denkai group(“the Group”) 's automotive battery field, sales in Japan increased, driven by copper foil for high-capacity LIBs, but sales declined to 3,126 million yen (down 9.1% year-on-year) due to lower demand for exports to the U.S. and lower demand for copper foil for export cells due to the U.S. Inflation-Reduction Act (IRA). In the circuit board business, sales were 1,217 million yen (down 7.8% y-o-y) due to the loss of orders following the failure of a rectifier at a U.S. subsidiary.

In terms of profit, the Company posted gross loss on sales and operating loss due to the decrease in sales and the effect of higher cost of sales ratio caused by soaring copper prices, and although there was a foreign exchange gain due to revaluation of intra-group loans to a U.S. subsidiary caused by yen depreciation, the Company posted impairment loss due to the "Notice of Return of Land Used by Our Consolidated Subsidiary for Construction of a New U.S. Plant" dated July 12, 2024. However, the Company recorded a net loss attributable to owners of the parent due in part to the impairment loss associated with the "Notice of returning land for construction of US new plant by Consolidated Subsidiary" dated July 12, 2024.

As a result, the total production volume (in metric tons) for the first quarter of the current fiscal year was 2,066 metric tons for all products (down 16.6% year-on-year), net sales were 4,343 million yen (down 8.7% year-on-year), operating loss was 492 million yen (241 million yen of operating loss in the same period of the previous year), ordinary loss was 331 million yen (44 million yen of ordinary income in the same period of the previous year), and net loss attributable to owners of the parent was 468 million yen (net loss attributable to owners of the parent was 22 million yen in the same period of the previous year).

(2) Explanation on Financial Position

(Assets)

Total assets at the end of the first quarter of the current fiscal year increased 671 million yen (2.8%) from the end of the previous fiscal year to 24,580 million yen. Current assets increased 67 million yen (0.8%) to 8,647 million yen mainly due to a 745 million yen decrease in cash and deposits, a 77 million yen increase in accounts receivable, a 116 million yen increase in finished goods, a 176 million yen increase in work in process, and a 226 million yen increase in raw materials and supplies. Non-current assets increased 604 million yen (3.9%) to 15,932 million yen, mainly due to a 188 million yen decrease in machinery, equipment and vehicles and a 777 million yen increase in construction in progress.

(Liabilities)

Total liabilities at the end of the first quarter increased 1,216 million yen (7.1%) from the end of the previous fiscal year to 18,400 million yen. Current liabilities increased 1,000 million yen (8.4%) to 12,885 million yen, mainly due to a 550 million yen increase in accounts payable, a 649 million yen increase in short-term borrowings, and a 163 million yen decrease in other current liabilities. Non-current liabilities increased 216 million yen (4.1%) to 5,514 million yen, mainly due to a 221 million yen increase in long-term borrowings.

(Net assets)

Net assets at the end of the first quarter of the current fiscal year decreased 544 million yen (8.1%) from the end of the previous fiscal year to 6,179 million yen, mainly due to a net loss attributable to owners of parent of 468 million yen, a 42 million yen decrease in foreign currency translation adjustments, and a 33 million yen decrease in remeasurements of defined benefit plans.

As a result, the equity-to-asset ratio declined 3.0 percentage points from 28.1% at the end of the previous fiscal year to 25.1%.

(3) Future Outlook

Based on the consolidated financial results for the first quarter of the fiscal year ending March 31, 2025 and the current business environment, the company has revised its consolidated financial forecast for the full fiscal year ending March 31, 2025, which was announced on May 15, 2024.

For details, please refer to the " Notice Regarding Recording of Non-operating Income (Foreign Exchange Gains) and Revisions of FY2024 Financial Forecasts" released today.

(4) Material Events and other Matters Regarding Going Concern Assumption

In the previous consolidated fiscal year, the Group recorded significant operating loss, ordinary loss, and net loss attributable to owners of parent for two consecutive fiscal years, and in the previous consolidated cumulative first quarter, the Group recorded significant operating loss, ordinary loss, and net loss attributable to owners of parent for the same period. In addition, as of the end of the first quarter of the current fiscal year, the level of outstanding short-term borrowings and current portion of long-term borrowings is high compared to the company's cash on hand.

As a result of the above, some events or situations may cast significant doubt on the Group's ability to continue as a going concern.

In response to this situation, the Group has set the following business policies to improve profitability to resolve this event or situation: (A) shift to high value-added fields, (B) further strengthen technological capabilities, and (C) improve margins and reduce manufacturing costs through price revisions.

(A) The shift to high value-added fields: The Group will focus on copper foil for high-performance automotive batteries, where we can take advantage of our technological superiority, quality and reliability, and copper foil for high-frequency circuit boards targeting the high-speed communication field, aiming to improve the sales ratio of highly profitable products.

(B) Further strengthening of technological capabilities: The Group will strive to ensure cost competitiveness by further improving product quality and production efficiency through the promotion of process technology development. At the same time, the Group will also promote the development of products that meet future market needs. Regarding EV batteries copper foil, the Group will develop and launch products with special mechanical properties and surface treatment that meet the required characteristics of next-generation LIBs such as advanced LIBs and all-solid state batteries. Regarding circuit boards copper foil, the Group will continue to develop and launch products targeting high-speed communications and high-density packaging areas.

(C) Improve margins and reduce manufacturing costs through price revisions: The Group will continue to work on expanding the scope of reflecting electricity price fluctuations in selling prices to secure appropriate margins, and in addition to cost reductions, the Group will reduce manufacturing costs by adopting effects by digital transformation in the plants.

Furthermore, on the funding side, the Group has an agreement with financial institutions with which we do business not to exercise the right to forfeit the benefit of time, etc., so that we expect to continue being supported by financial institutions, although the Group was in breach of financial covenants at the end of the previous fiscal year. In addition, the Group is working to secure and maintain stable business and working capital by selling assets held and carefully selecting and restraining capital investment projects, while improving and strengthening its financial position and considering all possible capital policies to enhance its working capital. As part of this undertaking, on June 24, 2024, the company entered into a capital and business alliance agreement with Tex Technology Inc.

However, at present, the Group's countermeasures are still in the process of being implemented, and depending on future business progress and the status of additional fundraising, there is a possibility that this may have a significant impact on our Group's cash flow, so the company recognize that there is significant uncertainty regarding a going concern assumption of the company.

》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 9, 2024.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of Yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	3,376,480	2,631,316
Accounts receivable	2,005,508	2,082,739
Finished goods	853,300	969,760
Work in process	1,349,502	1,525,697
Raw materials and supplies	494,081	720,665
Other current assets	501,628	717,455
Total current assets	8,580,502	8,647,635
Non-current assets		
Tangible non-current assets		
Buildings and structures, net	1,297,481	1,282,451
Machinery, equipment and vehicles, net	2,683,567	2,495,300
Construction in progress	9,866,756	10,644,341
Other non-current assets, net	976,879	971,959
Total tangible non-current assets	14,824,685	15,394,053
Intangible non-current assets	27,375	24,263
Investments and other assets		
Deferred tax assets	2,663	2,663
Net defined benefit assets	426,508	463,615
Others	46,376	47,783
Total investments and other assets	475,548	514,062
Total non-current assets	15,327,609	15,932,380
Total assets	23,908,111	24,580,015

(Thousands of Yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable	1,559,129	2,109,874
Short-term borrowings	6,711,650	7,361,644
Current portion of long-term borrowings	1,856,940	1,888,595
Income taxes payable	26,463	10,104
Provision for bonuses	108,877	56,082
Other current liabilities	1,622,059	1,458,982
Total current liabilities	11,885,120	12,885,282
Non-current liabilities		
Long-term borrowings	5,075,910	5,297,495
Deferred tax liabilities	1,731	1,842
Other non-current liabilities	220,450	215,419
Total non-current liabilities	5,298,091	5,514,757
Total liabilities	17,183,212	18,400,039
Net assets		
Shareholders' equity		
Common stock	1,858,509	1,858,509
Capital surplus	4,058,509	4,058,509
Retained earnings	283,160	-185,200
Treasury stock	-318	-318
Total shareholders' equity	6,199,861	5,731,500
Accumulated other comprehensive income		
Foreign currency translation adjustment	358,051	315,178
Remeasurements of defined benefit plans	166,986	133,296
Total accumulated other comprehensive income	525,037	448,475
Total net assets	6,724,899	6,179,976
Total liabilities and net assets	23,908,111	24,580,015

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

Quarterly Consolidated Statement of Income

The consolidated cumulative first quarter

(Thousands of Yen)

	From April 1, 2023 to June 30, 2023	From April 1, 2024 to June 30, 2024
Net Sales	4,759,389	4,343,749
Cost of sales	4,678,275	4,483,234
Gross profit (loss)	81,114	-139,484
Selling, general and administrative expenses	322,590	352,897
Operating profit(loss)	-241,475	-492,382
Non-operating income		
Income from sale of scraps	9,592	10,845
Foreign exchange gains	333,711	266,042
Other non-operating incomes	2,669	1,687
Total non-operating income	345,972	278,575
Non-operating expenses		
Interest expense	50,324	100,370
Other non-operating expenses	9,548	17,726
Total non-operating expenses	59,872	118,096
Ordinary profit (loss)	44,624	-331,904
Extraordinary income		
Gain on sale of fixed assets	8,035	77
Total extraordinary income	8,035	77
Extraordinary loss		
Loss on disposal of non-current assets	40,262	1,267
Impairment loss	-	※ 133,645
Total extraordinary loss	40,262	134,912
Net profit (loss) before income taxes	12,398	-466,738
Current income taxes	34,859	1,622
Deferred income taxes	10	-
Total income taxes	34,870	1,622
Profit(Loss) for the period	-22,472	-468,360
Profit(Loss) attributable to owners of parent	-22,472	-468,360

Quarterly Consolidated Statement of Comprehensive Income

The consolidated cumulative first quarter

(Thousands of Yen)

	From April 1, 2023 to June 30, 2023	From April 1, 2024 to June 30, 2024
Profit(Loss) for the period	-22,472	-468,360
Other comprehensive income		
Foreign currency translation adjustment	12,461	-42,872
Remeasurements of defined benefit plans	1,762	-33,689
Total other comprehensive income	14,224	-76,562
Quarterly comprehensive income(loss)	-8,247	-544,923
(Breakdown of comprehensive income(loss))		
Comprehensive income(loss) attributable to owners of parent	-8,247	-544,923

(3) Major Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

In the previous consolidated fiscal year, the Group recorded significant operating loss, ordinary loss, and net loss attributable to owners of parent for two consecutive fiscal years, and in the previous consolidated cumulative first quarter, the Group recorded significant operating loss, ordinary loss, and net loss attributable to owners of parent for the same period. In addition, as of the end of the first quarter of the current fiscal year, the level of outstanding short-term borrowings and current portion of long-term borrowings is high compared to the company's cash on hand.

As a result of the above, some events or situations may cast significant doubt on the Group's ability to continue as a going concern.

In response to this situation, the Group has set the following business policies to improve profitability to resolve this event or situation: (A) shift to high value-added fields, (B) further strengthen technological capabilities, and (C) improve margins and reduce manufacturing costs through price revisions.

(A) The shift to high value-added fields: The Group will focus on copper foil for high-performance automotive batteries, where we can take advantage of our technological superiority, quality and reliability, and copper foil for high-frequency circuit boards targeting the high-speed communication field, aiming to improve the sales ratio of highly profitable products.

(B) Further strengthening of technological capabilities: The Group will strive to ensure cost competitiveness by further improving product quality and production efficiency through the promotion of process technology development. At the same time, the Group will also promote the development of products that meet future market needs. Regarding EV batteries copper foil, the Group will develop and launch products with special mechanical properties and surface treatment that meet the required characteristics of next-generation LIBs such as advanced LIBs and all-solid state batteries. Regarding circuit boards copper foil, the Group will continue to develop and launch products targeting high-speed communications and high-density packaging areas.

(C) Improve margins and reduce manufacturing costs through price revisions: The Group will continue to work on expanding the scope of reflecting electricity price fluctuations in selling prices to secure appropriate margins, and in addition to cost reductions, the Group will reduce manufacturing costs by adopting effects by digital transformation in the plants.

Furthermore, on the funding side, the Group has an agreement with financial institutions with which we do business not to exercise the right to forfeit the benefit of time, etc., so that we expect to continue being supported by financial institutions, although the Group was in breach of financial covenants at the end of the previous fiscal year. In addition, the Group is working to secure and maintain stable business and working capital by selling assets held and carefully selecting and restraining capital investment projects, while improving and strengthening its financial position and considering all possible capital policies to enhance its working capital. As part of this undertaking, on June 24, 2024, the company entered into a capital and business alliance agreement with Tex Technology Inc.

However, at present, the Group's countermeasures are still in the process of being implemented, and depending on future business progress and the status of additional fundraising, there is a possibility that this may have a significant impact on our Group's cash flow, so the company recognize that there is significant uncertainty regarding a going concern assumption of the company.

The quarterly consolidated financial statements are prepared on the premise of a going concern, and the effects of the material uncertainty regarding the premise of a going concern as described above are not reflected in the quarterly consolidated financial statements.

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

Not applicable

(Changes in accounting policies)

(Application of Accounting Standard for Current Income Taxes)

The “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; hereinafter, “Revised Accounting Standard 2022”), etc. have been applied since the beginning of the first quarter of the fiscal year ending March 31, 2025.

Revisions concerning the categories in which current income taxes should be recorded (taxes on other comprehensive income) are subject to the transitional treatment set forth in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment set forth in the proviso of paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter, “Revised Guidance 2022”). The change in accounting policies had no impact on the consolidated financial statements for the first quarter under review.

With regard to revisions related to changes in the accounting treatment for consolidated financial statements when gains/losses on sale of shares, etc. in subsidiaries resulting from transactions between consolidated subsidiaries are deferred for tax purposes, the company has applied the Revised Guidance 2022 from the beginning of the first quarter under review. The change in accounting policies was applied retrospectively to the consolidated financial statements for the first quarter of the previous fiscal year and the entire previous fiscal year. The change in the accounting policies had no impact on the consolidated financial statements for the first quarter of the previous fiscal year or the entire previous fiscal year.

(Notes to Quarterly Consolidated Statements of Income)

※ Impairment loss

The consolidated cumulative first quarter under review (from April 1, 2024 to June 30, 2024)

Location	Purpose of use	Type	Impairment loss (Thousands of yen)
South Carolina, U.S.A.	Business assets	Construction in progress	133,645

(1) Background leading to the recognition of the impairment loss

Denkai America Inc., a consolidated subsidiary of the company, has acquired a site for the construction of a new plant in the U.S. However, in consultation with the Augusta Economic Development Authority ("AEDA"), the company's Board of Directors decided on July 11, 2024 to return the site to AEDA in order to promote development for the Augusta community. As a result, the above assets will become idle assets, and the book value has been reduced to the recoverable amount, and the amount of the reduction has been recorded as an impairment loss.

(2) Asset grouping method

In applying impairment accounting for fixed assets, the Group generally groups assets according to the smallest unit that generates independent cash flow, and business assets are grouped into two groups: Japan and the United States. For asset groups whose profitability has significantly declined, the book value of fixed assets is reduced to the recoverable amount, and the amount of such reduction is recorded as an impairment loss.

(3) Calculation method of recoverable amount

The recoverable amount of idle assets is measured by net realizable value, which is evaluated as zero because no future cash flow is expected.

(Segment information, etc.)

The consolidated cumulative first quarter under review (from April 1, 2023 to June 30, 2023)

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

The consolidated cumulative first quarter under review (from April 1, 2024 to June 30, 2024)

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

(Notes to Quarterly Consolidated Statements of Cash Flows)

Quarterly consolidated statements of cash flows for the first quarter of the current fiscal year have not been prepared. Depreciation and amortization (including amortization related to intangible fixed assets) for the first consolidated cumulative quarter of the current fiscal year is as follows.

	From April 1, 2023 to June 30, 2023	From April 1, 2024 to June 30, 2024
Depreciation and amortization	311,273 thousand yen	297,862 thousand yen

(Significant subsequent events)

(Business and Capital Alliance and Issuance of New Shares through Third-Party Allotment)

At the board of directors meeting held on June 24, 2024, the company resolved to enter into a business and capital alliance agreement (hereinafter referred to as the “Business and Capital Alliance Agreement") with Tex Technology Inc. (hereinafter referred to as "Tex") regarding a business and capital alliance (hereinafter referred to as the "Business and Capital Alliance") and to issue the company's common stock (hereinafter referred to as the "Shares") by third-party allotment to Tex as the allottee (hereinafter referred to as the "Allottee") (hereinafter referred to as the "Third-Party Allotment"), and entered into the Business and Capital Alliance Agreement on the same day. Payment for the Third-Party Allotment was completed on July 10, 2024.

1. Details of the Business and Capital Alliance

(1) Details of the capital alliance

The company signed the Business and Capital Alliance Agreement with Tex on June 24, 2024, and allotted 1,040,500 shares in its common stock to Tex. Tex, as the scheduled Allottee, is expected to accept all the Shares issued in the Third-Party Allotment. The Allottee has subscribed for all of the Shares under the Third-Party Allotment.

(2) Details of the business alliance

To maximize the company’s corporate value and further expand and develop the businesses of the company and Tex. The Business and Capital Alliance Agreement shall provide the framework for the companies to mutually form concrete measures to expand the sales channels of Tex’s copper foil manufacturing equipment and strengthen the company’s copper foil business.

(3) Dispatch of directors

The company agrees that Tex has the right to nominate one candidate as a part-time outside director.

2. Outline of the Third-Party Allotment

(1) Payment date	July 10, 2024
(2) Number of new shares to be issued	1,040,500 shares of common stock
(3) Issue price	JPY 961 per share of the company’s common stock
(4) Amount of funds to be raised	JPY 999,920,500
(5) Total amount of paid-in capital	JPY 499,960,250
(6) Method of offering or allotment	Third-party allotment
(7) Scheduled Allottee	Tex
(8) Use of the funds	(i) Payments to Tex for long- delivery equipment (capital investment) (ii) Payments for equipment and facilities

(Return of Land for Construction of a New U.S. Plant by a Consolidated Subsidiary)

Denkai America Inc., a consolidated subsidiary of the company, has acquired a site for the construction of a new plant in the U.S. However, in consultation with the Augusta Economic Development Authority ("AEDA"), the company's Board of Directors decided on July 11, 2024 to return the site to AEDA in order to promote development for the Augusta community.

The company has decided to postpone the schedule for the Group's production of copper foil for automotive batteries due to changes in customer demand related to electric vehicles made in the United States.

The impact of this matter on the Group's consolidated financial results for the fiscal year ending March 31, 2025 is currently under scrutiny.

(Termination of a defined benefit pension plan of a consolidated subsidiary)

The Board of Directors of Denkai America Inc. resolved on July 30, 2024 (local time) to transfer the entire defined benefit pension plan, which has had an impact on the financial position and operating business results of the Group, to an insurance company and terminate the plan in order to eliminate uncertainties in the future, such as investment risk of pension assets and financial fluctuation risk, with respect to the plan for retirement benefits for employees of the consolidated subsidiary.

The impact of the termination of the plan on the Group's consolidated financial results for the fiscal year ending March 31, 2025 is difficult to reasonably estimate at this time due to a number of uncertain factors.

(Regarding unauthorized data access to our consolidated subsidiary)

On August 2, 2024(Japan time), Denkai America was a victim of unauthorized access to its internal network by a third party, resulting in an information leak. The network connection of the devices that were accessed without authorization were promptly shut down, all systems are now operating normally. The company has also confirmed that there is no impact on systems of the company.

Currently, the Group is reporting and consulting with the police authorities and other relevant organizations, as well as discussing response and countermeasure with outside experts.

The potential impact of this incident on the Group's business results for the fiscal year ending March 31, 2025, is under review.