

January 10, 2024

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**Notice regarding the signing of Business and Capital Alliance Agreement, issuance of the second series of share acquisition rights by way of third-party allotment, borrowing of funds, and postponement of the commencement of construction of the Augusta Plant.**

Nippon Den kai, Ltd. (the “Company”) hereby announces that it has resolved at its Board of Directors’ meeting held on January 10, 2024 to enter into a BUSINESS AND CAPITAL ALLIANCE AGREEMENT (“Business and Capital Alliance Agreement”) with LCY TECHNOLOGY CORPORATION (“LCYT”) and Lee Chang Yung Group International Pte. Ltd. (“LCY International”) for a business and capital alliance (“Business and Capital Alliance”), to issue its second series of share acquisition rights (“Share Acquisition Rights”) by way of third-party allotment to LCY International, to borrow funds, and to postpone the commencement of construction of the Augusta Plant.

**I Outline of the Business and Capital Alliance**

The Den kai Group engages in electrodeposited copper foil manufacturing business in which metallic copper is plated in sheets through the electrodeposition of a copper sulfate-based electrolytic solution. Electrodeposited copper foil is an important material for electronics and is used in various devices required in our daily lives, such as a conductor for circuit boards that transmit electrical signal in electronic devices, and in lithium-ion batteries used in motorized machines such as electric vehicles. The primary competitive advantages of the Den kai Group are the high quality and unique performance of its copper foils. By leveraging its know-how to produce foils with unique mechanical properties and proprietary surface treatment technologies, the Den kai Group is able to distinctly differentiate its copper foils from the competition. Through continuous innovation, the Den kai Group will secure its product competitiveness for years to come.

However, the EV market has experienced a market correction in 2023, resulting in the rapidly growth of EV inventories, which has led U.S. vehicle manufacturers and EV battery manufacturers to reconsider or postpone their current investment timeline.

The Den kai Group has concluded that the current demand for EV battery copper foil is weak due to a temporary combination of oversupply and weak demand in the North America EV market. The Den kai Group has judged that this delay in EV market growth will last at least one year longer than their original forecast.

In consideration of these factors, the Den kai Group has decided to postpone the commencement of construction of the Augusta ED copper foil factory, which was announced to commence by December 2023.

The Denkai Group will continue to partner with its customers to align their future expansion with the timing of their U.S. needs. While the current demand for EV batteries is weak, the Denkai Group expects that there will be no substantial change to the long-term demand; therefore, the Denkai Group will time the construction of its new U.S. plant (the Augusta Plant) to be ready for full-scale production as required. During the construction postponement, our team will further refine the manufacturing process to address rising construction and equipment costs and procure funding. Additionally, internal resources will be deployed to focus on developing new products to respond to customers' needs and improve current process profitability.

With this background, the Denkai Group has concluded that further financing is essential at this time due to the current business environment and the imminent payment of long-lead items for the Augusta Plant facility.

Consequently, the Company has been searching for a partner that can provide it with sufficient funding, that understands the Denkai Group's medium-to-long-term business objectives, and that is capable of leveraging the Denkai Group's strengths to further generate strong synergy.

As a result, the LCY group, which includes LCYT (Head Office: Taiwan) (hereinafter LCYT and its affiliated companies are collectively referred to as the "LCY Group"), has been selected as a partner for funding since it is expected to generate various synergies in the business of the copper foils for circuit boards.

LCYT is a company that engages mainly in copper foil manufacturing and produces copper foil for circuit boards, with a market focus in East Asia, China, and Taiwan. LCYT is a subsidiary of LCY CHEMICAL CORP. (Head Office: Taiwan, "LCYC"). Mr. Bowei Lee and his family jointly established the LCY Group, which includes LCYC and LCYT, and they remain as the major shareholder of LCYC, which is the controlling shareholder of LCYT. In addition, LCY International is a company in which Mr. Lee is a 100% shareholder.

LCYT's product lineup of copper foils for circuit boards, its customer base, and its target markets supplement those of the Denkai Group, specifically related to geographical market access. LCYT excels in Taiwan, China, and East Asia, whereas the Denkai Group is firmly rooted in Japan and North America. By combining our resources, we will be able to provide our respective customer bases with a global network of manufacturing, sales, and support not feasible by either company independently. The introduction of copper foil technology from the Company to LCYT will allow LCYT to diversify into adjacent markets. The use of the Company's technology will allow LCYT to enter growth fields such as Advanced Driver-Assistance Systems (ADAS), on-vehicle electronics such as sensors, 5G-related applications, and Flexible Printed Circuits (FPC). The alliance also enables LCYT to expand its sales in Taiwan, China, and East Asia, in which both companies do not share customers for the same products. Additionally, the Company will provide NAP (very thin copper foil carrier) manufacturing technology allowing LCYT a jumpstart into the field of semiconductor packaging applications.

Furthermore, the Denkai Group and LCYT are exploring additional avenues for collaboration. For example, the R&D department of LCYC could be utilized by the Denkai Group to develop and introduce surface treatment agents that match the characteristics of super high-end products, or the Company could utilize the analysis and evaluation technology of the LCYC R&D department to accelerate product development for both parties. Furthermore, LCYC's highly cost-effective and chemical-resistant resin technology, in combination with the Company's copper foil technology, has high potential for the development of new hybrid materials, enabling the LCY Group and the Company to work together on the creation of high-value-added products.

Accordingly, the Denkai Group believes that utilization of the technical expertise and customer portfolios of both the Denkai Group and LCYT will accelerate the Denkai Group's medium-to-long-term business objectives to: (1) focus on expanding sales of our copper foils for EV batteries and specialty printed circuit applications; (2) establish systems to maximize production and sales synergies for both Japan and the U.S. locations; and (3) become profitable.

Moreover, the Denkai Group values the LCY Group's presence in the U.S. as it has been operating in the country for approximately 20 years, supplying industry leading chemical products. Therefore, the Denkai Group expects that the LCY Group will be able to contribute to our business objective to establish systems to maximize production and sales synergies for both Japan and the U.S. locations.

In order to take advantage of such business synergies between the Denkai Group and LCYT, the Company, LCYT, and LCY International have entered into the Business and Capital Alliance Agreement on the following matters:

- Complementing and expanding our respective geographical customer portfolios;
- Technical cooperation in the field of board manufacturing (both rigid and flexible printed circuit boards) and specialty electronic applications (high frequency, high-density, etc.);
- Expansion of the product lineup of copper foils for lithium-ion batteries and printed electronics; and
- Supporting the Denkai Group's expansion of copper foils for lithium-ion batteries in North America.

The Denkai Group's strategic direction is focused on the provision of highly unique copper foils in the fields of clean energy as represented by lithium-ion batteries and advanced printed circuit board applications. While copper foils for circuit boards account for one-third of the Denkai Group's sales, it is expected that the Business and Capital Alliance with LCYT will strengthen access to the global market, significantly expand the lineup of circuit board copper foils, and enhance customer portfolios. The Denkai Group and LCYT intend to meet their customers' comprehensive needs for high reliability and functionality and provide global services and support to the Denkai Group, mainly in Japan and the U.S., and to LCYT, mainly in East Asia region (other than Japan), where LCYT has strengths. In addition, the Company has been working to comply with customers' requests to obtain IATF 16949, a standard for automotive applications. LCYT has already obtained IATF 16949, and LCYT's experience and knowledge can be used as a reference to promote the acquisition of this standard.

As a result of the radical change in EV demand in the U.S., the Denkai Group has decided to postpone the construction of a battery foil manufacturing plant in the U.S.; however, the Denkai Group will still promote the development of copper foils for circuit boards and use its best efforts to strengthen and sustain the growth of its business base during the temporary suspension of the commencement of construction.

## **II. Outline of the offering of the Share Acquisition Rights and borrowing under the Loan Agreement**

### **1 Outline of the Share Acquisition Rights and the loan**

<Outline of the Share Acquisition Rights>

(1) Allocation date	January 26, 2024
(2) Number of share acquisition rights issued	22,592
(3) Issue price	Total issue price JPY 209,947,456 (JPY 9,293 per Share Acquisition Right)
(4) Number of potential shares to be issued as a result of such issuance	2,259,200 shares (100 shares per Share Acquisition Right)
(5) Amount to be paid in upon exercise of the share acquisition rights	JPY 1,020

(6) Amount of funds to be raised	JPY 2,431,636,456 (Note 1)
(7) Method of offering or allotment	Third Party Allotment
(8) Scheduled allottee	LCY International
(9) Exercise period	From January 27, 2024 to March 25, 2024
(10) Others	The above is subject to the effectiveness of a securities registration statement filed under the Financial Instruments and Exchange Act. The Business and Capital Alliance Agreement stipulates that the approval of the Board of Directors of the Company is required for the transfer of the share acquisition rights.

(Note 1) The amount of funds to be raised is the sum (JPY 2,514,331,456) of the total issue price of the Share Acquisition Rights (JPY 209,947,456) and the total value of the assets to be contributed upon exercise of the Share Acquisition Rights (JPY 2,304,384,000), minus an estimated amount of various costs associated with the issuance of the Share Acquisition Rights. In connection with a Bridge Loan Agreement dated January 10, 2024 between LCY International and Den kai America Inc. (“Loan Agreement”), under which Den kai America Inc. will procure funds in the amount of USD 9,500,000 (approx. JPY 1,367,810,000) from LCY International. Then, upon the exercise of the Share Acquisition Rights by LCY International, cash and/or the loan receivable under the Loan Agreement will be contributed. The amount to be paid in cash upon exercise of the Share Acquisition Rights is expected to be JPY 2,304,384,000 minus the loan receivable under the Loan Agreement.

(Note 2) Amounts shown in JPY for amounts in USD are amounts converted at the exchange rate of USD/JPY on January 9, 2024 (1 USD to 143.98 JPY)

< Outline of the Loan Agreement >

(1) Borrower	Den kai America Inc.
(2) Lender	LCY International
(3) Loan principal amount	USD 9,500,000 (approx. JPY 1,367,810,000)
(4) Contract date	January 10, 2024
(5) Scheduled loan execution date	January 26, 2024
(6) Scheduled maturity date	January 26, 2025 (one year from the loan execution date)
(7) Interest rate	the Interest rate to March 25, 2024: the 1-year U.S. Treasury rate + 1.00% per annum the Interest rate from March 26, 2024 in the case where the Share Acquisition Right is exercised by March 25, 2024: the 1-year U.S. Treasury rate + 1.00% per annum the Interest rate from March 26, 2024 in the case where the Share Acquisition Right is not exercised by March 25, 2024: the 1-year U.S. Treasury rate + 3.50% per annum
(8) Collateral	A portion of the movable property held by Den kai America Inc.

(9) Upfront fee	USD 250,000 (approx. JPY 35,995,000)
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(Note 1) An upfront fee is paid to LCY International.

(Note 2) The proceeds procured through the Loan Agreement are to be used for capital investment in Den kai America Inc.

(Note 3) The Company has concluded that the upfront fee is at a reasonable level, considering the financial situation of the Company and Den kai America Inc, the need of the financing, and overall economic conditions, including interest rates.

(Note 4) Amounts shown in JPY for amounts in USD are amounts converted at the exchange rate of USD/JPY on January 9, 2024 (1 USD to 143.98 JPY)

## 2 Use of proceeds to be raised and expected date of expenditure

The estimated amount of net proceeds through the issue and exercise of the Share Acquisition Rights and the loan under the Loan Agreement is expected to total JPY 2,431,636,456, which will be used specifically for the following purposes.

Use of proceeds	Amount (JPY)	Expected date of expenditure
Funds for capital investment in Den kai America Inc.	2,431,636,456	From January 2024 to October 2025
Total	2,431,636,456	—

(Note) The funds will be managed appropriately in a bank account until the expected date of expenditure.

Disclaimer: This document does not constitute an offer of any securities for sale. This document has been prepared for the purpose of publicly announcing the signing of the Business and Capital Alliance Agreement, the issuance of the Share Acquisition Rights, the borrowing of funds, and postponement of the commencement of construction of the Augusta Plant and not for the purpose of soliciting investment or engaging in any other similar activities. This document does not constitute an offer of securities for sale in the United States. The securities referred to above have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the Securities Act.