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Denka Company Limited

To whom it may concern

Grace period for the application of new regulations by the U.S. Environmental Protection Agency to a
U.S. subsidiary of Denka

As announced in the “Announcement of New Regulations set by the U.S. Environmental Protection Agency that apply to Chloroprene Rubber Manufacturing Facilities in the U.S.” on April 17, 2024 and the “Decision of the U.S. Court of Appeals against an injunction filed by a U.S. subsidiary of Denka” on July 10, 2024, the U.S. Environmental Protection Agency (“EPA”) announced new chemical air emission regulations (“new regulations”) applicable to chloroprene rubber manufacturing facilities, including Denka Performance Elastomer LLC (“DPE,” Denka has a 70% stake in the company), a U.S. subsidiary of Denka Company Limited (Denka) on April 9, 2024, and set a grace period to comply with the new regulations (hereinafter referred to as the “grace period”) of 90 days (until October 15, 2024) from the effective date (July 15, 2024).

In response, DPE applied to the Louisiana Department of Environmental Quality (“LDEQ”) for a two-year extension of the grace period, and LDEQ approved the application on June 27 of the same year. Following this, DPE filed a petition for confirmation of the legal validity of LDEQ’s approval of the extension of the grace period (“Petition for Review”) in the U.S. 5th Circuit Court of Appeals (“Fifth Circuit”) on July 10 of the same year, and also filed an emergency motion for stay pending review to enjoin the EPA from applying the new regulations during the hearing of the Petition for Review (“Motion for Stay”). On July 31 of the same year, the Fifth Circuit issued a decision granting the Motion for Stay filed by DPE (“Decision”). Since the EPA did not subsequently file a petition for rehearing of the Decision and the deadline for petitioning for rehearing of the Decision has now passed, we notify here that the grace period originally set by the EPA until October 15 of the same year will be extended until the court rules on the Petition for Review, as follows.

1. Background of the new regulations and the extension of the grace period

- (1) On April 9, 2024, the EPA announced the new regulations. The new regulations require chloroprene rubber manufacturing facilities in the U.S., including DPE, to take various emissions measures to significantly reduce emissions of chloroprene monomer, an intermediate raw material. The regulations were published in the Federal Register on May 16, 2024 and came into effect on July 15 with a grace period of 90 days from the effective date (until October 15, 2024) for taking such measures.
- (2) On May 16, 2024, DPE filed a petition for review of the new regulations in the U.S. Court of Appeals for the District of Columbia Circuit (“DC Court of Appeals”), and on May 28, 2024, DPE filed the emergency motion for stay pending review in the DC Court of Appeals seeking a stay of the 90-day grace period. In parallel with

this, DPE also filed an application for a two-year extension of the grace period with LDEQ.

- (3) On June 26, 2024, the DC Court of Appeals rejected the emergency motion for stay pending review.
- (4) On June 27, 2024, LDEQ granted DPE a two-year extension of the grace period.
- (5) On June 28 of the same year, DPE sent a written inquiry to the EPA regarding the legal validity of LDEQ's approval of the extension of the grace period. However, the EPA did not provide a formal response by July 8, which DPE set as a deadline for EPA's response.
- (6) On July 10, 2024, DPE filed the Petition for Review in the Fifth Circuit, seeking to confirm the legal validity of LDEQ's approval of the extension of the grace period, and also filed the Motion for Stay, seeking to enjoin EPA from enforcing the new regulations while the ruling of the court on the Petition for Review is pending.
- (7) On July 31 of the same year, the Fifth Circuit decided to grant the Motion for Stay by the DPE.
- (8) Since the EPA did not subsequently petition for a rehearing of the Decision by the Fifth Circuit, and the deadline for petitioning for a rehearing of the Decision passed, the EPA is enjoined from enforcing the new regulations while the ruling of the court on the Petition for Review is pending. As a result, the grace period initially set by the EPA for the application of the new regulations until October 15, 2024, was extended until the Fifth Circuit rules on the Petition for Review.

2. Future outlook

Regarding the petition filed by DPE in the DC Court of Appeals seeking a review of the content of the new regulations themselves, as well as the petition filed by DPE in the Fifth Circuit regarding the Petition for Review of legal validity of LDEQ's approval of the extension of the grace period, we expect that the proceedings in each court will proceed in the future, but the outlook is unclear.

At this time, we continue to closely examine the impact of the new regulations on our consolidated financial results. If any matters that require disclosure arise in the future, we will promptly notify you.

[Regarding DPE's environmental initiatives, please refer to the following information posted on Denka's official website. <https://www.denka.co.jp/eng/>]

- “Announcement of New Regulations set by the U.S. Environmental Protection Agency that apply to Chloroprene Rubber Manufacturing Facilities in the U.S.” April 17, 2024
https://www.denka.co.jp/eng/storage/news/pdf/490/20240417_denka_dpe_en.pdf
- “Decision of the U.S. Court of Appeals against an injunction filed by a U.S. subsidiary of Denka” July 10, 2024
https://www.denka.co.jp/eng/storage/news/pdf/501/20240710_denka_dpe_en.pdf

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