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Denka

May 13, 2025

To whom it may concern:


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| Company name: | Denka Company Limited |
| Name of representative: | Ikuo Ishida, Representative Director, President |
| | (Securities Code: 4061, TSE Prime Market) |
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# Announcement Concerning the Recording of Extraordinary Losses of a U.S. Subsidiary of the Company and of the Suspension of Chloroprene Rubber Production

Denka Company Limited (the "Company") announces that it will record an extraordinary loss in its financial results for the fiscal year ended March 31, 2025, as an impairment loss on manufacturing facilities at its U.S. subsidiary, Denka Performance Elastomer LLC ("DPE"). The Company has a 70% stake in DPE.

In addition, after safely ceasing production and commencing regular maintenance activities, DPE has elected not to restart production at its chloroprene rubber manufacturing facilities for an indefinite period, the details of which appear below.

1. Reason for recording of impairment loss

DPE has faced significant cost, production and other challenges at its facility in the United States. Rising costs are attributable to, among other factors: identification, design, purchase, installation, and operation of pollution control equipment to reduce chloroprene emissions that DPE did not anticipate being required at the time it acquired the facility from E.I. DuPont de Nemours and Company ("DuPont"); rising energy costs and a shortage of qualified staff necessary to operate new pollution control equipment and implement other emission reduction measures; increasing prices of key raw materials and repair work, exacerbated by inflation in the United States; and, overall challenges in securing and maintaining qualified staff.

In addition to rising costs and staffing challenges, DPE has faced declining volumes of chloroprene rubber production at its facility, due in part to operational restrictions arising from the pollution reduction measures and unscheduled plant outages associated with supply chain disruptions and severe weather events. These challenges, combined with the impact of changes in the global economic environment affecting the chloroprene rubber market, have placed pressure on profits. As a result of these circumstances, the Company will record an extraordinary loss of approximately 16.1 billion yen as an impairment loss on related noncurrent assets, in the financial results of the fiscal year ended March 31, 2025.

2. Reasons for suspension of chloroprene rubber production

DPE was established in December 2014 as a second manufacturing site for chloroprene rubber in North America. It was anticipated that DPE would provide additional advantages given the proximity to a significant number of key users, complementing the Company's Omi Plant in Itoigawa, Niigata, with the aim of improving customer satisfaction. In November 2015, DPE acquired the chloroprene rubber business from DuPont and began producing chloroprene rubber in the United States, expanding the Company's operations.

However, as described above, rising costs, declining production volumes, staffing challenges and a weakening global economic environment for chloroprene have led to the expectation that improving profitability in the near term would be difficult.

As a result of these circumstances, DPE will not restart its chloroprene rubber manufacturing facilities, which have already been safely shut down for regular maintenance, and will instead suspend production. All options for the business, including a potential sale of the business or its assets, will be considered. No decision regarding a permanent closure of the facility has been made at this time.

Users of DPE products will be supplied from current inventories and by production at the Company's Omi Plant.

3. Overview of Company subsidiary

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| (1) Company Name | Denka Performance Elastomer LLC(DPE) |
| (2) Location | State of Louisiana, USA |
| (3) Title and name of representative | Muneatsu Miida, President & CEO |
| (4) Content of business | Manufacture and sale of synthetic rubber |
| (5) Capital | 121 million USD (as of December 31, 2024) |
| (6) Major shareholders and share ownership ratio | Denka USA LLC (100% invested by Denka Company Limited): 70%<br>DIANA ELASTOMERS, INC. (100% invested by Mitsui & Co., Ltd.): 30% |
| (7) Number of employees | 250 (as of December 31, 2024) |
| (8) Date of establishment | December ８, 2014 |

4. Impact on consolidated financial results

As described above, the Company will record an extraordinary loss of approximately 16.1 billion yen, as an impairment loss on noncurrent assets, in its consolidated financial results for the fiscal year ended March 31, 2025. However, it will not revise its forecast dividend (annual total of 100 yen [interim: 50 yen; year-end: 50 yen] for the fiscal year ended March 31, 2025).

Regarding the details of the full-year financial results for the fiscal year ended March 31, 2025 in light of this matter and other impacts, please refer to the timely disclosure document, "Notice Concerning Difference Between Full-Year Consolidated Earnings Forecast and Actual Results and Voluntary Return of Part of Executive Compensation".

End of Press Release

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