Suspension of Chloroprene Rubber Manufacturing Facilities at U.S. Subsidiary DPE and Its Impact

The U.S. subsidiary DPE (Denka Performance Elastomer LLC) was established in December 2014 as a 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, omplementing the Company's Omi Plant in toigawa, Niigata, with the aim of improving ustomer satisfaction. In November 2015, DPE acquired the chloroprene rubber business from DuPont de Nemours and Company ("DuPont") and began producing chloroprene rubber in the United States, expanding the Company's operations. However, due to rising costs, declining production volumes, staffing challenges and a eakening global economic environment for hloroprene have led to the expectation that mproving profitability in the near term would be difficult.
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 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.
Given these circumstances, as announced in our press release on May 13, 2025, DPE has elected not to restart production at its chloroprene rubber manufacturing facilities for an indefinite period.

Basis for Difficulties Improving Profitability

Rising Costs	• 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 • 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
Staffing challenges	• Overall challenges in securing and maintaining qualified staff
Declining volumes of chloroprene rubber production	• Operational restrictions arising from the pollution reduction measures • Unscheduled plant outages associated with supply chain disruptions and severe weather events
Chloroprene rubber market affected by the global economic environment	• Impact of changes in the global economic environment affecting the chloroprene rubber market

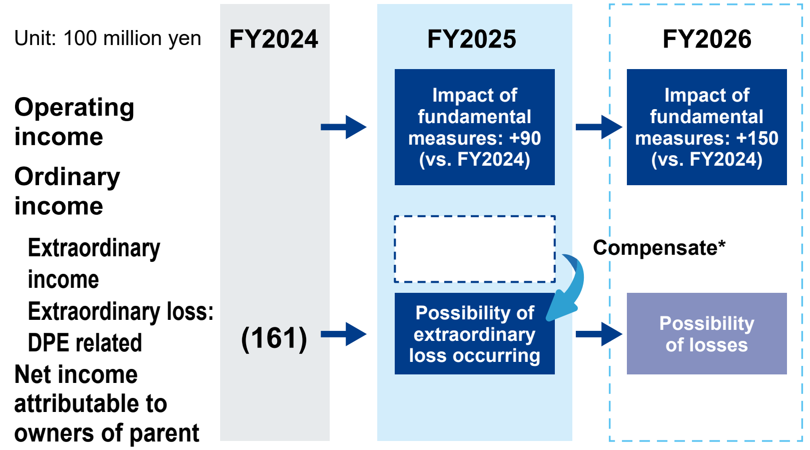
Suspension of production at DPE's chloroprene rubber manufacturing facilities for an indefinite period
All options, including a potential sale of DPE's business or its assets, will be considered

Suspension and Its Impact

Extraordinary Losses
Denka will record an extraordinary loss of approximately 16.1 billion yen for the fiscal year ended March 31, 2025, as an impairment loss on manufacturing facilities at DPE

Operating Income
FY2025: +9 billion yen (compared to FY2024)
FY2026: +15 billion yen (compared to FY2024) expected

Net Income Attributable to Owners of Parent
FY2025: Despite the possibility of extraordinary losses as we build on the fundamental measures taken in FY2025, we expect extraordinary gains to compensate



* Possibility of extraordinary loss occurring offset by extraordinary gains (such as gain on sale of Ofuna Plant land, gain on sale of shares, etc.)