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January 31, 2025

Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2025 (Under Japanese GAAP)

Company name: Zeon Corporation

Listing: Tokyo Stock Exchange

Securities code: 4205

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Scheduled date to commence dividend payments: -

Preparation of supplementary material on quarterly financial results: Yes

Holding of quarterly financial results briefing: Yes (for equity analysts and institutional investors)

(Yen amounts are rounded down to millions, unless otherwise noted)

1. Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2025 (from April 1, 2024 to December 31, 2024)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2024	315,433	11.1	24,173	51.2	27,369	37.4	20,131	(3.7)
December 31, 2023	283,806	(3.5)	15,986	(42.6)	19,912	(35.9)	20,908	14.4

Note: Comprehensive income For the nine months ended December 31, 2024: ¥16,505 million [(43.8%)]
For the nine months ended December 31, 2023: ¥29,390 million [(10.8%)]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2024	96.74	96.70
December 31, 2023	98.95	98.90

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2024	538,583	349,000	64.7
March 31, 2024	532,254	363,729	68.1

Reference: Equity

As of December 31, 2024: ¥348,231 million

As of March 31, 2024: ¥362,380 million

2. Cash 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	—	20.00	—	25.00	45.00
Fiscal year ending March 31, 2025	—	35.00	—		
Fiscal year ending March 31, 2025 (Forecast)				35.00	70.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Forecasts for Consolidated Financial Results for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full fiscal year	417,000	9.1	26,500	29.3	30,000	11.5	23,500	(24.4)	114.30

Note: Revision from most recently announced earnings forecast: Yes

* Notes

- (1) Significant changes in the scope of consolidation during the period: Yes

New: 1 company - Company name: Tokyo Zairyo (Guangzhou) Co., Ltd.; Exclusion: 1 company - Company name: ZS Elastomer Co., Ltd.

- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

Note: For details, please refer to (3) Notes on Consolidated Financial Statements (Notes Related to Accounting Treatment Specific to the Preparation of Consolidated Financial Statements) under 2. Consolidated Financial Statements and Notes on page 12 of the attached document.

- (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 reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

Note: For details, please refer to (3) Notes on Consolidated Financial Statements (Notes Related to Changes in Accounting Policy) under 2. Consolidated Financial Statements and Notes on page 12 of the attached document.

- (4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2024:	229,513,656 shares
As of March 31, 2024:	229,513,656 shares

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

As of December 31, 2024:	31,826,584 shares
As of March 31, 2024:	18,198,165 shares

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

Nine months ended December 31, 2024	208,086,276 shares
Nine months ended December 31, 2023	211,293,242 shares

* Board Benefit Trust - Restricted Stock (BBT-RS) has introduced from the previous second quarter. Treasury shares held by the trust are deducted from the calculation of the number of treasury shares at the end of the period and the average number of shares during the period.

* Quarterly financial results reports are exempt from review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

Earnings forecasts and other forward-looking statements in this report are based on information presently available to management and assumptions that management deems reasonable. They do not represent a commitment or promise by the Company. Actual earnings and other forecasts may differ significantly from those in this report in accordance with numerous factors.

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1. Information related to the Consolidated Financial Results

(1) Explanation Concerning Operating Results

Looking back on the first nine months of the present fiscal year, there were signs of gradual recovery in both the domestic and overseas economies. However, concerns about a potential economic downturn persisted, driven by ongoing high interest rates in the United States and Europe, as well as volatility in financial and capital markets, including exchange rates. Additionally, rising prices, the stalling of the Chinese economy, and the situation in the Middle East contributed to the ongoing uncertainty in the environment surrounding the Group.

In the midst of this environment, the Group focused on thorough cost reductions through the ZΣ Campaign, our company-wide improvement initiative, and production reform activities. At the same time, in the Elastomer Business, we emphasized profitability and worked on global expansion of production and sales. In the Specialty Materials Business, we worked on development of new products with high added value and expanding the business.

As a result of the above, net sales for the first nine months of the present fiscal year totaled ¥315,433 million, up ¥31,627 million from the same period of the previous year. In addition, operating profit was up ¥8,187 million to ¥24,173 million, ordinary profit was up ¥7,457 million to ¥27,369 million, and profit attributable to owners of parent was down ¥777 million to ¥20,131 million.

Segment performance is provided below.

(Elastomer Business)

In synthetic rubbers, despite the impact of production cuts due to regular repairs at mainstay domestic plants, net sales and operating profit exceeded the same period of the previous year. This was driven by the progress of price adjustments to address foreign exchange fluctuations and the surge in raw material costs.

In synthetic latexes, despite the impact of production cuts to glove latex due to regular repairs at mainstay domestic plants, net sales and operating profit exceeded the same period of the previous year. This was driven by the progress of price adjustments to address foreign exchange fluctuations and the surge in raw material costs.

In chemicals, sales volume increased due to recovering demand for adhesive tapes and labels, as well as aggressive sales expansion strategies. Additionally, the effects of foreign exchange fluctuations and improved fixed cost unit prices resulting from higher sales volumes contributed to both net sales and operating profit exceeding the same period of the previous year.

As a result of the above, overall, net sales in the Elastomer Business were up ¥18,775 million to ¥178,457 million, and operating profit was up ¥2,796 million to ¥8,961 million.

(Specialty Materials Business)

In specialty plastics, as stated in the significant subsequent events section of the financial results for the six months ended September 30, 2024, one of the four production lines at the Mizushima Plant experienced an issue. To resolve this, operations of the affected production line were suspended in October 2024. Normal production resumed in December 2024. As a result, although fixed costs and equipment restoration costs were incurred during the suspension period, demand remained steady for Cyclo Olefin Polymer for optical use and semiconductor containers, as well as optical films for large sized TVs. Additionally, the recovery in demand for optical films for mobile devices contributed to both net sales and operating profit exceeding the same period of the previous year.

In battery materials, demand remained steady for consumer and ESS applications, leading to an increase in sales volume. As a result, net sales were in line with the same period of the previous year. On the other hand, operating profit was down due to inventory adjustments caused by a sharp drop in EV sales in Europe and a drop in market prices for battery materials in the Chinese market.

In specialty chemicals, while demand for specialty solvents used in semiconductor manufacturing processes remained steady, a decline in sales volume due to the easing supply-demand balance for synthetic fragrances, along with falling market prices, resulted in net sales being in line with the same period of the previous year, while operating profit declined year over year.

In electronic materials, the gradual recovery of the semiconductor market led to both net sales and operating profit exceeding the same period of the previous year.

In toners, net sales were up compared to the previous year due to the steady printer market, but operating profit was down due mainly to soaring raw material prices.

As a result of the above, overall, net sales in the Specialty Materials Business were up ¥11,052 million to ¥90,125 million, and operating profit was up ¥4,296 million to ¥14,488 million.

(Other Businesses)

In other businesses, net sales of subsidiary trading divisions and others were up from the same period of the previous year.

As a result of the above, overall, net sales in other businesses were up ¥2,158 million to ¥50,744 million, and operating profit was up ¥197 million to ¥2,937 million.

(2) Explanation Concerning Financial Status

(Assets)

Total assets at the end of the first nine months were ¥538,583 million, up ¥6,328 million from the end of the previous fiscal year. The main factor behind the increase was an increase in merchandise and finished goods.

(Liabilities)

Total liabilities at the end of the first nine months were ¥189,583 million, up ¥21,058 million from the end of the previous fiscal year. The main factor behind the increase was an increase in commercial paper.

(Net assets)

Total net assets at the first nine months were ¥349,000 million, up ¥14,730 million from the end of the previous fiscal year.

(3) Explanation of Consolidated Forecast and Other Forecasts

The Company revised the forecasts for consolidated financial results for the fiscal year ending March 31, 2025 taking into account the most recent performance trends.

2. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	Previous fiscal year ended March 31, 2024	Nine months ended December 31, 2024
Assets		
Current assets		
Cash and deposits	42,784	30,587
Notes and accounts receivable - trade	83,349	86,662
Electronically recorded monetary claims – operating	4,097	5,783
Merchandise and finished goods	92,410	102,482
Work in process	9,302	8,005
Raw materials and supplies	21,641	22,641
Accounts receivable - other	39,727	38,847
Other	7,786	14,280
Allowance for doubtful accounts	(113)	(109)
Total current assets	300,982	309,178
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	45,247	44,655
Machinery, equipment and vehicles, net	39,379	36,202
Land	15,841	16,402
Construction in progress	25,029	34,575
Other, net	5,176	5,093
Total property, plant and equipment	130,672	136,927
Intangible assets		
Other	5,432	5,544
Total intangible assets	5,432	5,544
Investments and other assets		
Investment securities	85,316	75,469
Deferred tax assets	2,220	4,533
Other	9,214	9,049
Allowance for doubtful accounts	(1,582)	(2,117)
Total investments and other assets	95,168	86,934
Total non-current assets	231,272	229,405
Total assets	532,254	538,583

(Millions of yen)

	Previous fiscal year ended March 31, 2024	Nine months ended December 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	83,449	78,350
Electronically recorded obligations – operating	3,305	3,428
Short-term borrowings	8,960	8,960
Commercial paper	—	28,000
Income taxes payable	7,239	1,624
Provision for bonuses	2,764	799
Provision for repairs	4,098	6,086
Other provisions	184	89
Other	33,560	39,816
Total current liabilities	143,561	167,152
Non-current liabilities		
Deferred tax liabilities	2,025	1,132
Retirement benefit liability	14,160	14,307
Provision for repairs	2,332	312
Other provisions	195	355
Other	6,254	6,326
Total non-current liabilities	24,965	22,432
Total liabilities	168,525	189,583
Net assets		
Shareholders' equity		
Share capital	24,211	24,211
Capital surplus	19,582	19,573
Retained earnings	289,930	298,689
Treasury shares	(19,435)	(38,572)
Total shareholders' equity	314,288	303,902
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	30,502	25,255
Deferred gains or losses on hedges	7	8
Foreign currency translation adjustment	17,576	19,002
Remeasurements of defined benefit plans	6	65
Total accumulated other comprehensive income	48,092	44,330
Share acquisition rights	88	88
Non-controlling interests	1,262	681
Total net assets	363,729	349,000
Total liabilities and net assets	532,254	538,583

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

(Millions of yen)

	First nine months of previous fiscal year (April 1, 2023 to December 31, 2023)	First nine months of present fiscal year (April 1, 2024 to December 31, 2024)
Net sales	283,806	315,433
Cost of sales	207,081	225,129
Gross profit	76,725	90,304
Selling, general and administrative expenses	60,739	66,131
Operating profit	15,986	24,173
Non-operating income		
Interest income	184	215
Dividend income	2,418	2,206
Foreign exchange gains	2,129	1,307
Share of profit of entities accounted for using equity method	80	59
Miscellaneous income	278	967
Total non-operating income	5,090	4,754
Non-operating expenses		
Interest expenses	50	109
Depreciation of inactive non-current assets	559	320
Loss on investments in partnership	348	66
Provision for allowance for doubtful accounts	—	535
Donations	14	328
Miscellaneous losses	194	200
Total non-operating expenses	1,164	1,558
Ordinary profit	19,912	27,369
Extraordinary income		
Gain on sale of non-current assets	8	35
Gain on sale of investment securities	11,036	5,352
Total extraordinary income	11,044	5,387
Extraordinary losses		
Loss on disposal of non-current assets	503	649
Impairment loss	1,575	3,876
Loss on valuation of investment securities	4	944
Other	158	189
Total extraordinary losses	2,240	5,658
Profit before income taxes	28,716	27,097
Total taxes	7,880	6,834
Profit	20,836	20,263
Profit (loss) attributable to non-controlling interests	(72)	132
Profit attributable to owners of parent	20,908	20,131

(Millions of yen)

	Nine months of previous fiscal year (April 1, 2023 to December 31, 2023)	Nine months of present fiscal year (April 1, 2024 to December 31, 2024)
Profit	20,836	20,263
Other comprehensive income		
Valuation difference on available-for-sale securities	228	(5,247)
Deferred gains or losses on hedges	(1)	0
Foreign currency translation adjustment	8,024	1,237
Remeasurements of defined benefit plans, net of tax	124	59
Share of other comprehensive income of entities accounted for using equity method	180	192
Total other comprehensive income	8,555	(3,758)
Comprehensive income	29,390	16,505
Comprehensive income attributable to		
Owners of parent	29,318	16,358
Non-controlling interests	73	146

(3) Notes on Consolidated Financial Statements

(Notes Related to Changes in Accounting Policy)

(Application of “Accounting Standard for Corporate, Inhabitant and Enterprise Taxes,” etc.)

We have applied the “Accounting Standard for Corporate, Inhabitant and Enterprise Taxes” (ASBJ Statement No. 27, issued on October 28, 2022; hereinafter referred to as the “Revised 2022 Accounting Standard”) and other related standards as of the beginning of the first period of the current fiscal year.

The amendments to the classification of income taxes (taxation on other comprehensive income) are in accordance with the transitional provisions outlined in Paragraph 20-3 of the 2022 Revised Accounting Standard and in Paragraph 65-2(2) of the “Implementation Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidelines No. 28, issued on October 28, 2022; hereinafter referred to as the “2022 Revised Application Guidelines”). Note that this change in accounting policy has no impact on the quarterly consolidated financial statements.

In addition, amendments concerning the treatment in consolidated financial statements for deferring gains or losses on the sale of shares of subsidiaries and similar transactions between consolidated companies for tax purposes have been applied from the beginning of the first period of the current fiscal year. The change in accounting policy has been applied retroactively, with adjustments made to the quarterly consolidated financial statements and consolidated financial statements for the previous quarterly period and fiscal year. Note that the change in accounting standard has no impact on the quarterly consolidated financial statements for the previous quarterly period or the consolidated financial statements for the previous fiscal year.

(Notes Related to Accounting Treatment Specific to the Preparation of Consolidated Financial Statements)

(Calculation of Tax Expenses)

For tax expenses, a reasonable estimate is made of the effective tax rate after tax effect accounting is applied to the pre-tax net income for the fiscal year including the quarterly period, and pre-tax net income is multiplied by that rate.

(Deferral of Cost Variance)

Cost variance arising from seasonal fluctuations in operating rates is expected to be almost eliminated by the end of the cost accounting period. As such, the cost variance is deferred as current assets (other) and current liabilities (other).

(Notes Segment Information)

I. First Nine Months of Previous Fiscal Year (April 1, 2023 - December 31, 2023)

1. Information on Sales and Profit/Losses per Segment

(Millions of yen)

	Reportable Segment			Other (*1)	Total	Adjustment (*2)	Amount Recorded in Quarterly Consolidated Statement of Income (*3)
	Elastomer Business	Specialty Materials Business	Total				
Net sales							
Revenue from contracts with customers	156,737	79,044	235,781	48,024	283,806	—	283,806
Net sales to third parties	156,737	79,044	235,781	48,024	283,806	—	283,806
Inter-segment sales and transfers	2,945	29	2,974	561	3,535	(3,535)	—
Total	159,682	79,073	238,755	48,585	287,341	(3,535)	283,806
Segment profit (loss)	6,164	10,192	16,356	2,740	19,096	(3,110)	15,986

*1. The “Other” classification is for business segments not included in a reportable segment and includes sales of RIM products, paints, etc.

2. The ¥-3,110 million adjustment to segment profit includes ¥25 million in elimination of transactions between segments and ¥-3,135 million in company-wide expenses not allocated to reportable segments. Company-wide expenses are primarily selling, general and administrative expenses not belonging to reportable segments.

3. Segment profit is reconciled to operating income presented in the first nine months consolidated income statement.

4. The amount of revenue from other sources is insignificant, so it is classified and presented as revenue from customer contracts.

5. Revenue from goods or services transferred over a certain period of time is not presented as it is insignificant.

2. Impairment Losses on Non-current Assets, Goodwill, etc. for Each Reportable Segment

The Company recorded an impairment loss in the Elastomer Business, Specialty Materials Business and companywide assets, which are not allocated to reportable segments. The amount of this impairment loss recorded in the first nine months of the previous fiscal year was ¥1,149 million for the Elastomer Business, ¥124 million for the Specialty Materials Business and ¥302 million yen for companywide assets.

II. First Nine Months of Present Fiscal Year (April 1, 2024 - December 31, 2024)

1. Information on Sales and Profit/Losses per Segment and Profit Disaggregation

(Millions of yen)

	Reportable Segment			Other (*1)	Total	Adjustment (*2)	Amount Recorded in Quarterly Consolidated Statement of Income (*3)
	Elastomer Business	Specialty Materials Business	Total				
Net sales							
Revenue from contracts with customers	175,269	90,074	265,343	50,090	315,433	—	315,433
Net sales to third parties	175,269	90,074	265,343	50,090	315,433	—	315,433
Inter-segment sales and transfers	3,188	51	3,239	654	3,893	(3,893)	—
Total	178,457	90,125	268,582	50,744	319,326	(3,893)	315,433
Segment profit (loss)	8,961	14,488	23,448	2,937	26,386	(2,213)	24,173

*1. The “Other” classification is for business segments not included in a reportable segment and includes sales of RIM products, paints, etc.

2. The ¥-2,213 million adjustment to segment profit includes ¥-96 million in elimination of transactions between segments and ¥-2,117 million in company-wide expenses not allocated to reportable segments. Company-wide expenses are primarily selling, general and administrative expenses not belonging to reportable segments.

3. Segment profit is reconciled to operating income presented in the quarterly consolidated income statement.

4. The amount of revenue from other sources is insignificant, so it is classified and presented as revenue from customer contracts.

5. Revenue from goods or services transferred over a certain period of time is not presented as it is insignificant.

2. Impairment Losses on Non-current Assets, Goodwill, etc. for Each Reportable Segment

The Company recorded an impairment loss in the Elastomer Business, Specialty Materials Business and companywide assets, which are not allocated to reportable segments. The amount of this impairment loss recorded in the first nine months of the present fiscal year was ¥3,383 million for the Elastomer Business, ¥349 million for the Specialty Materials Business and ¥144 million yen for companywide assets.

(Notes Any Significant Changes in the Amount of Shareholders' Equity)

None.

(Notes Related to the Assumptions of a Going Concern)

None.

(Notes Related to the Quarterly Consolidated Statement of Cash Flows)

A quarterly consolidated statement of cash flows has not been prepared for the first nine months of the present fiscal year.

Depreciation and amortization expenses (including amortization expenses related to intangible fixed assets other than goodwill) for the first nine months of the present fiscal year are as follows:

	First nine months of previous fiscal year (April 1, 2023 to December 31, 2023)	First nine months of present fiscal year (April 1, 2024 to December 31, 2024)
Depreciation and amortization	¥14,154 million	¥14,210 million