

Financial Results

The 1st Half of FY2020

(Apr. 1 - Sep. 30, 2020)



ZEON makes the Future Today
through the Power of Chemistry

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ZEON CORPORATION

October 30, 2020

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Both net sales and operating income decreased YoY due to the deterioration of the global economy by the languishing US-China trade friction, the spread of Covid-19, etc. There is no impact on procurement and production by Covid-19.

Elastomers: The prices of main raw materials have bottomed out. Demand for the automobile industry and general industrial products varies depending on the application, but overall it is still weak and the market recovery is slow.

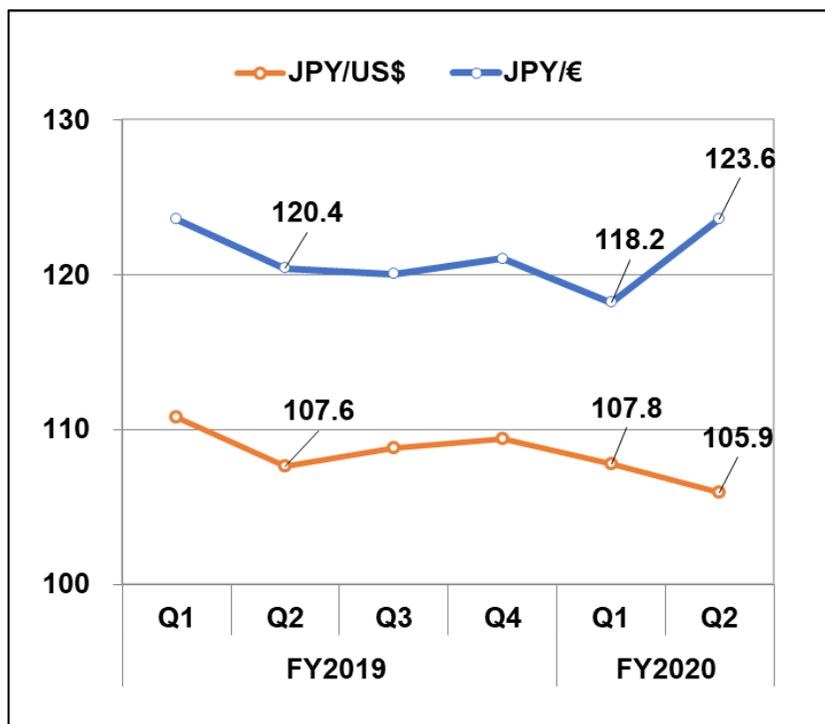
Specialty Materials:

- **Energy materials for EV is still sluggish.**
- **Specialty Chemicals was QoQ flat.**
- **Optical films were firm (both small-to-medium and large sized), sales volume exceeded 1H of FY 2019.**

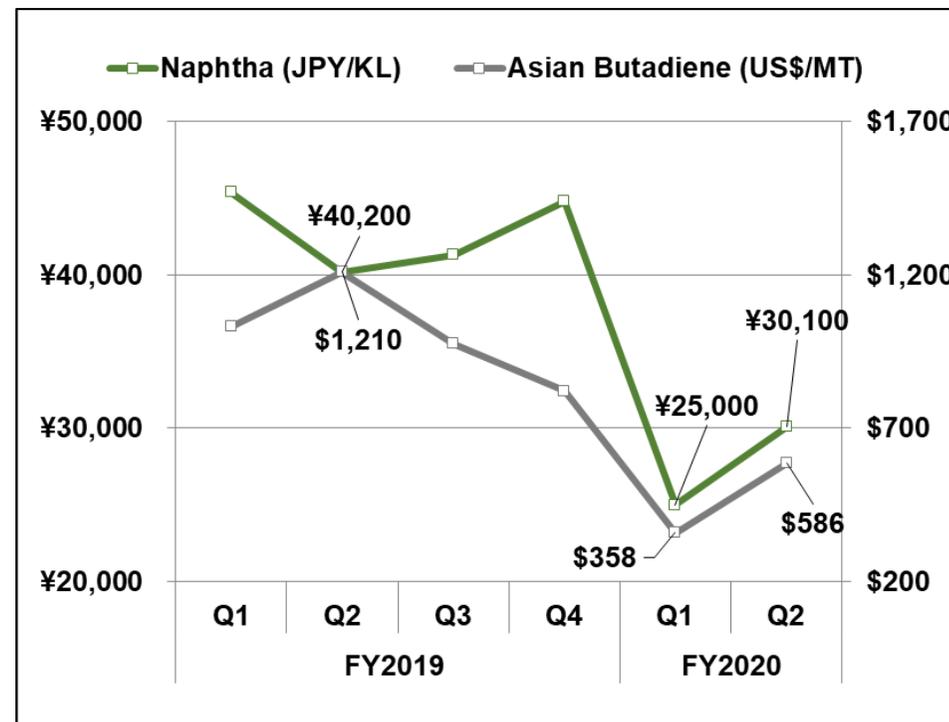
Business confidence by segment (YoY, QoQ)

Segment	Business	YoY	QoQ	QoQ market situation
Elastomers	Rubbers			Demand for tires is returning. Specialty rubber is slow to recovery.
	Latexes			Steady for the medical/sanitary gloves. Still weak in general industry
	Chemicals			Demand is steady, but the market condition is weak
Specialty materials	Specialty chemicals			Demand for household cleaning and sanitary products are steady
	Electronics materials			Demand in the semiconductor industry is flat
	Toner			The demand in the office / home-printing are still weak
	Energy materials			EV sales are recovering. Steady in consumer use.
	Specialty plastics			Steady in both optical and medical use
	Optical films			Steady in both small-to-medium and large size

【Exchange rate】



【Raw materials】



	2Q-FY2019	1Q-FY2020	2Q-FY2020	YoY	QoQ
JPY/US\$	¥107.6	¥107.8	¥105.9	-2%	-2%
JPY/€	¥120.4	¥118.2	¥123.6	+0%	+5%
Naphtha (JPY/KL)	¥40,200	¥25,000	¥30,100	-25%	+20%
Asian Butadiene (US\$/MT)	\$1,210	\$358	\$586	-52%	+64%

Summary of Performance

(Unit : JPY100m)

	2Q FY2019	1Q FY2020	2Q FY2020	YoY	QoQ	1H FY2019	1H FY2020	YoY
Net Sales	809	695	679	-130	-16	1,634	1,374	-259
Operating Income	67	43	56	-11	+13	150	99	-51
Ordinary Income	74	51	59	-15	+8	160	109	-51
Net Income	55	36	46	-9	+10	116	82	-34

Due to the deterioration of the global economy by the spread of Covid-19, both net sales and operating income decreased.

- YoY (in 3 mo.) : Net sales: -13B JPY, operating income: -1.1B JPY
- QoQ: Net sales: -1.6B JPY, operating income: -1.3B JPY
- YoY (in 6 mo.) : Net sales: -25.9B JPY, operating income: -5.1B JPY

* April-June 2020 results of overseas subsidiaries are consolidated in Q2 result.

Summary of Performance (by segments)

(Unit : JPY100m)

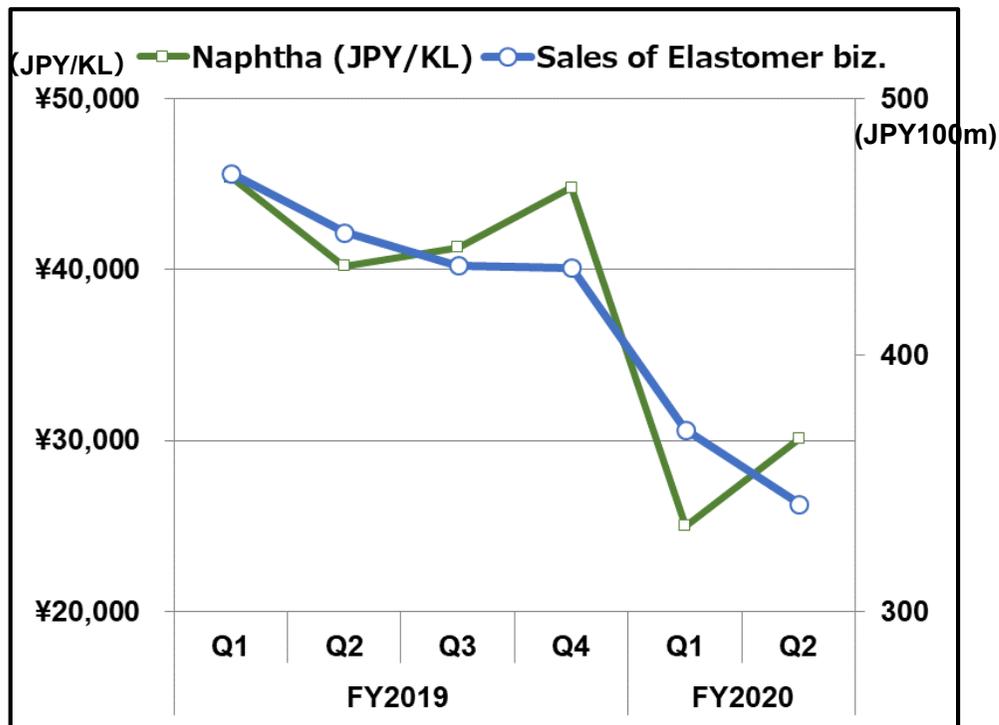
Net Sales	2Q FY2019	1Q FY2020	2Q FY2020	YoY	QoQ	1H FY2019	1H FY2020	YoY
Elastomers	448	371	342	-106	-29	919	713	-206
Sp. Materials	232	223	242	+10	+19	455	465	10
Others	129	100	96	-33	-4	260	196	-64
Net sales	809	695	679	-130	-16	1,634	1,374	-259

Operating Income	2Q FY2019	1Q FY2020	2Q FY2020	YoY	QoQ	1H FY2019	1H FY2020	YoY
Elastomers	25	-1	9	-16	+11	60	8	-51
Sp. Materials	41	48	49	+8	+1	92	97	5
Others	1	-4	-3	-4	+1	-1	-7	-6
Op. income	67	43	56	-11	+13	150	99	-51

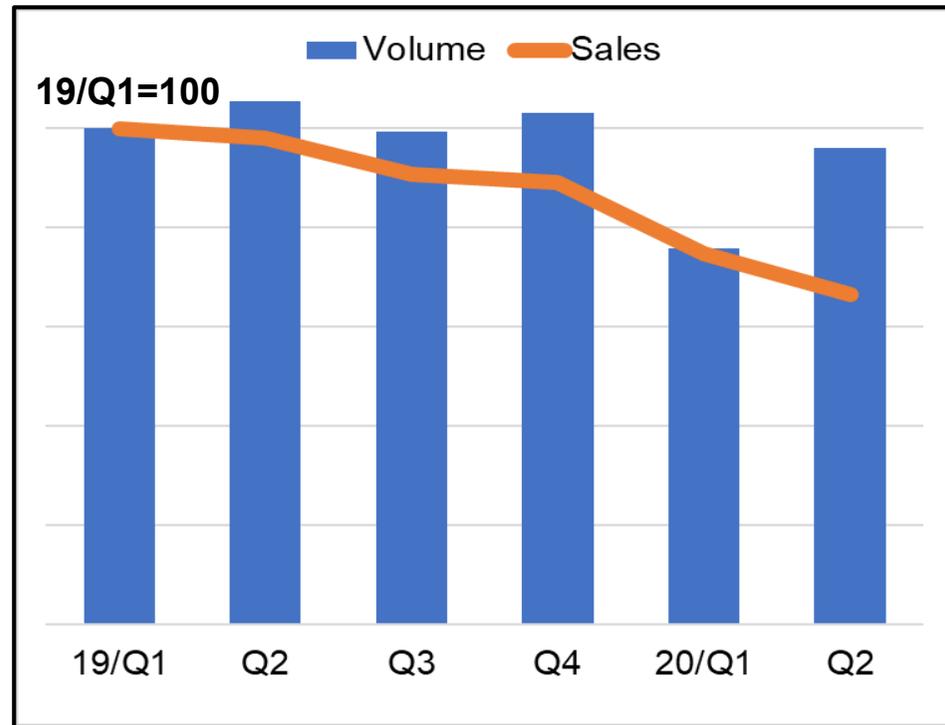
- **Elastomers:** Both net sales and operating income decreased YoY (in 3 mo.), but net sales decreased and operating income increased in QoQ. OP increased due to falling of raw material prices, etc.
- **Specialty Materials:** Both net sales and operating income increased YoY (in 3 mo.) and QoQ. Reached OP record as half-year result.

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【Naphtha price vs. Sales of Elastomer biz.】



【Net sales and volume of Rubbers*】



* Index: Sales/volume for 19/Q1=100

- Japanese naphtha price rose in Q2, but the effect on net sales was limited.
- General-purpose rubber (mainly for tires) shows signs of recovery, but Specialty rubber (for automobile and general industry) market is slow to recover.

Summary of P/L: Elastomer Business

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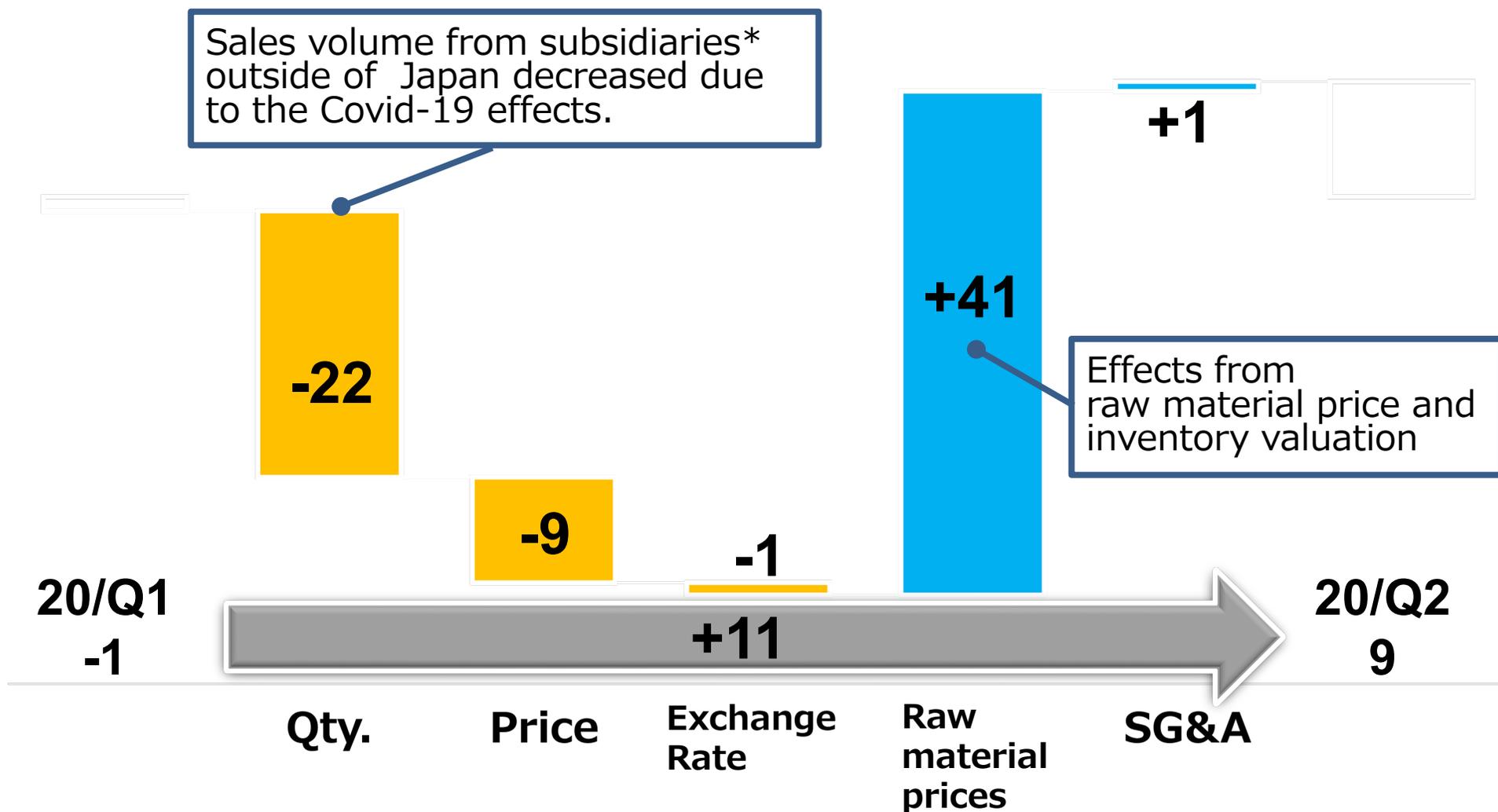
(Unit : JPY100m)

	2Q-2019	1Q-2020	2Q-2020	YoY	YoY (%)	QoQ	QoQ (%)
Sales volume (K ton)	150	128	146	-4	-3 %	18	14 %
Rubbers	90	65	82	-8	-9 %	17	27 %
Latexes	31	28	31	0	1 %	3	12 %
Chemicals	30	35	33	3	8 %	-3	-8 %
Net sales	448	371	342	-106	-24 %	-29	-8 %
Rubbers	321	245	218	-103	-32 %	-27	-11 %
Latexes	42	33	32	-10	-24 %	-1	-2 %
Chemicals	78	81	79	1	1 %	-2	-2 %
Others/eliminations	7	13	13				
Operating income	25	-1	9	-16	-63 %	11	
Operating income ratio	5%	0%	3%				

- **Rubbers:** Sales volume recovered QoQ, but net sales declined.
- **Latexes and Chemicals:** Both net sales and volume were flat QoQ. Sales volume is same level of 2Q-2019.

Elastomers: Operating income variance (QoQ)

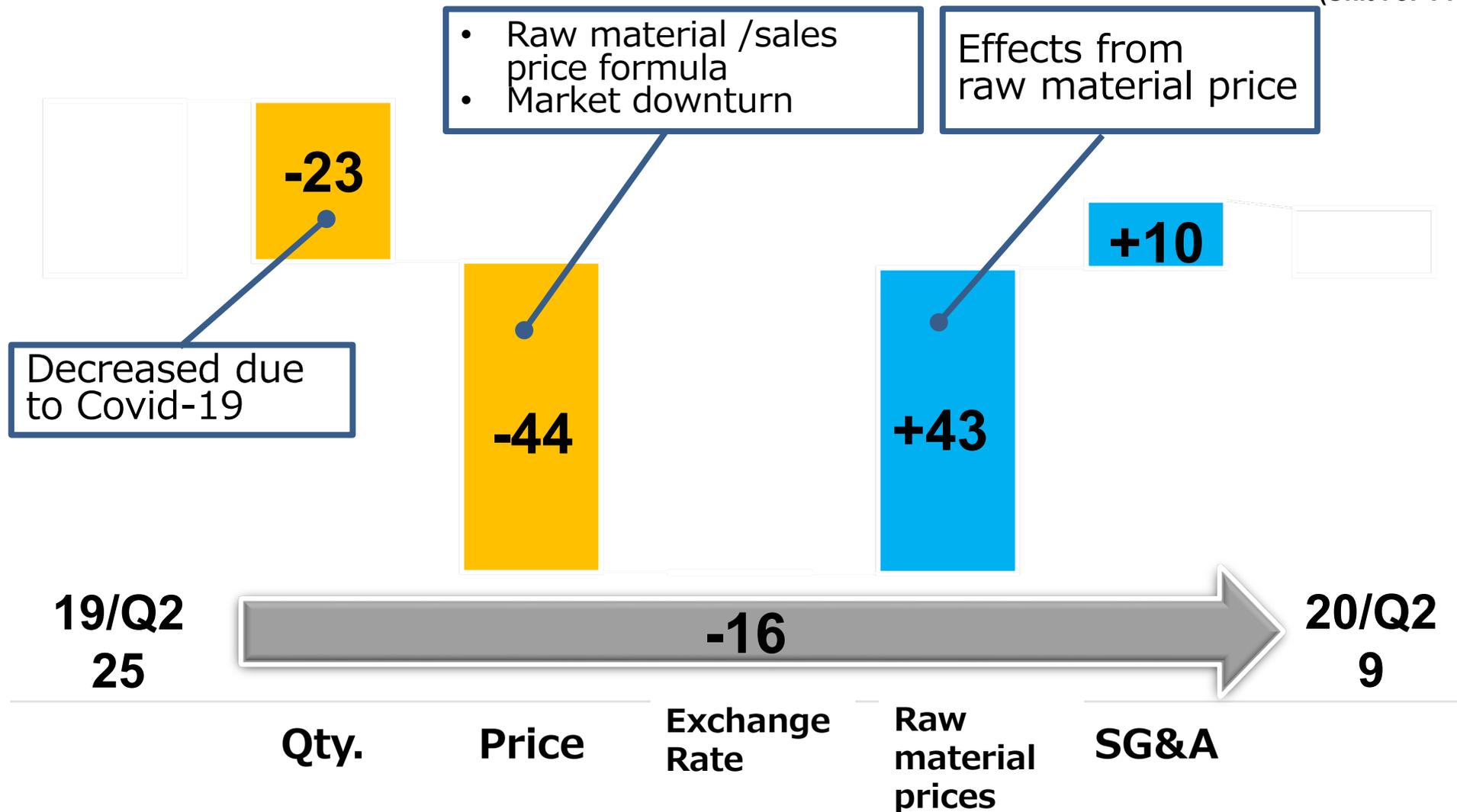
(Unit : JPY100m)



* April-June 2020 results of overseas subsidiaries are consolidated in Q2 result.

Elastomers: Operating income variance (3 mo./YoY)

(Unit : JPY100m)



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Summary of P/L : Specialty Materials

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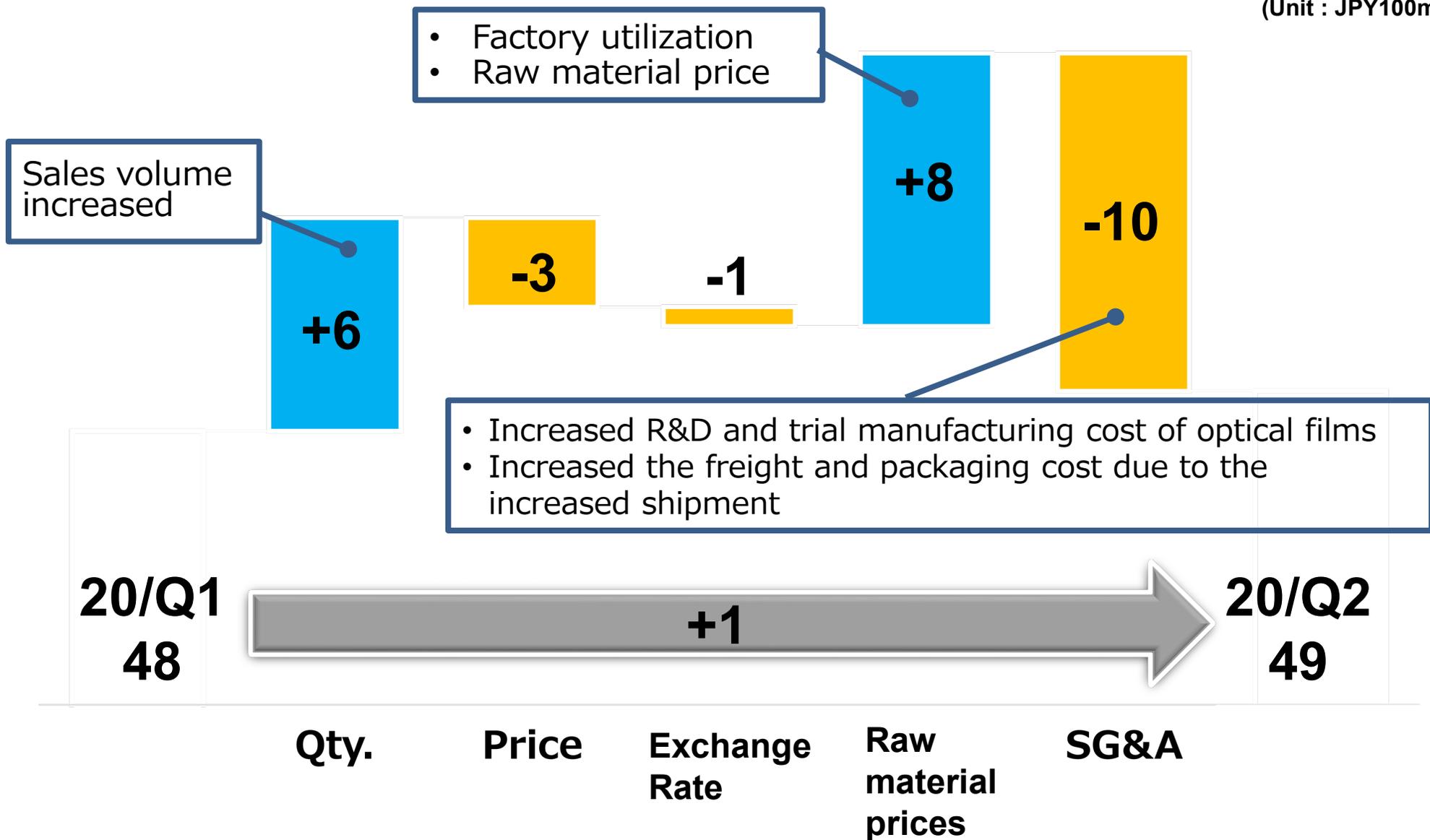
(Unit : JPY100m)

	2Q-2019	1Q-2020	2Q-2020	YoY	YoY (%)	QoQ	QoQ (%)
Net sales	232	223	242	10	4 %	19	9 %
Sp. Chemicals	75	70	67	-8	-11 %	-3	-5 %
Sp. Plastics	143	141	163	20	14 %	22	16 %
Medical devices, etc.	14	12	12	-2	-17 %	0	-2 %
Operating income	41	48	49	8	20 %	1	2 %
Operating income ratio	18%	22%	20%				

- **Specialty Chemicals:** Battery Materials is still sluggish. Toner demand had decreased by the effect of Covid-19. Specialty Chemicals kept same level as Q2. Net sales decreased within this segment total.
- **Specialty Plastics:** Optical Films had steady business. Net sales increased within this segment total.

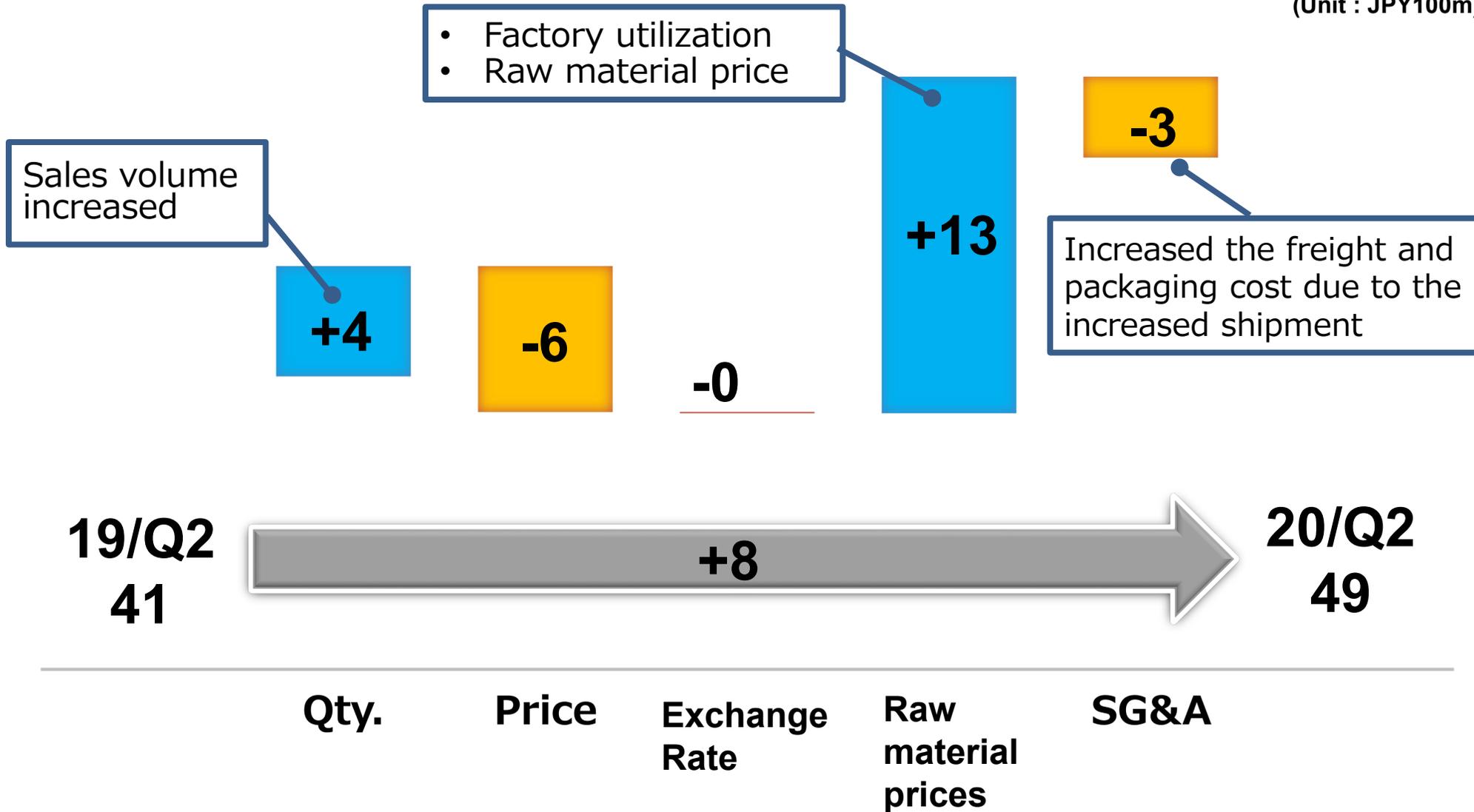
Specialty Materials: Operating income variance (QoQ)

(Unit : JPY100m)



Specialty Materials: Operating income variance (3mo./YoY)

(Unit : JPY100m)



	YoY	QoQ
EV	78%	92%
Shipment to China	164%	98%
Consumer use, etc.	105%	119%
Total	88%	102%

■ **EV:**

The demand of completed automobile is recovering, but the shipment is not recovered yet because of the inventory within the supply chain and the self-manufacture movement in Europe.

■ **Customer use, etc.:**

Steady demand for the mobile devices (by remote working) and power tools (e.g. home cleaner). ESS (Energy storage system) demand is also steady.

	YoY	QoQ
Optical use	99%	110%
Medical use, etc.	89%	67%
Total	93%	79%

■ Optical use:

Controlling the shipment to prepare the construction to expand the production capacity (plans to complete in July 2021). and the shut-down for regular maintenance in 2021. Demand itself is steady.

■ Medical use, etc.:

Shipping dropped QoQ because of the local inventory, but the demand itself is steady, and the supply is tight as optical use.

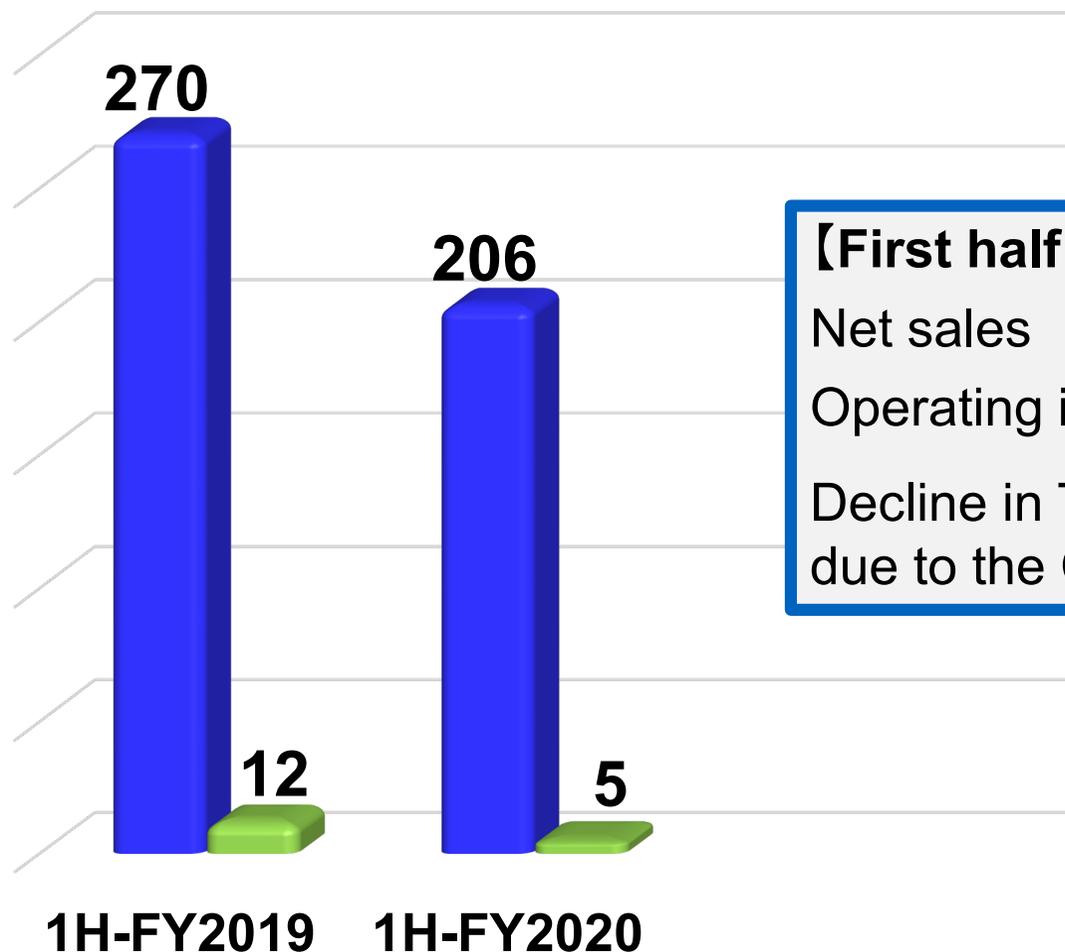
	YoY	QoQ
For small-to-medium size	127%	128%
For large size FPD	109%	109%
Total	103%	114%

- **For small-to-medium size:**

Steady demand for the mobile devices (by remote working).

- **For large size FPD:**

Despite the demand decrease due to the postponement of the Olympics/ Paralympic games, the shipments exceeded YoY due to the “stay-at-home demand” by Covid-19 and the growth in the Chinese market.



【First half /Year-on-year】

Net sales : -6.4 billion yen

Operating income: -0.7 billion yen

Decline in Trading and RIM business due to the Covid-19 effect.

■ Net Sales

■ Operating Income

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Total assets 3,953 (-98)

【Current assets】 -156

- ◆ Cash and deposits +34
- ◆ Account receivable -113

- Current ratio: 212%
- On-hand liquidity ratio:
1.5 month

Current assets
1,989
(-156)

Fixed assets
1,965
(+58)

【Fixed assets】 +58

- ◆ Capital expenditures +86
- ◆ Depreciation & Amortization -78
- ◆ Investment securities +56

【Current liabilities】 -186

- ◆ Account payable -150

Current liabilities
938 (-186)

Long-tern liabilities 316 (-8)

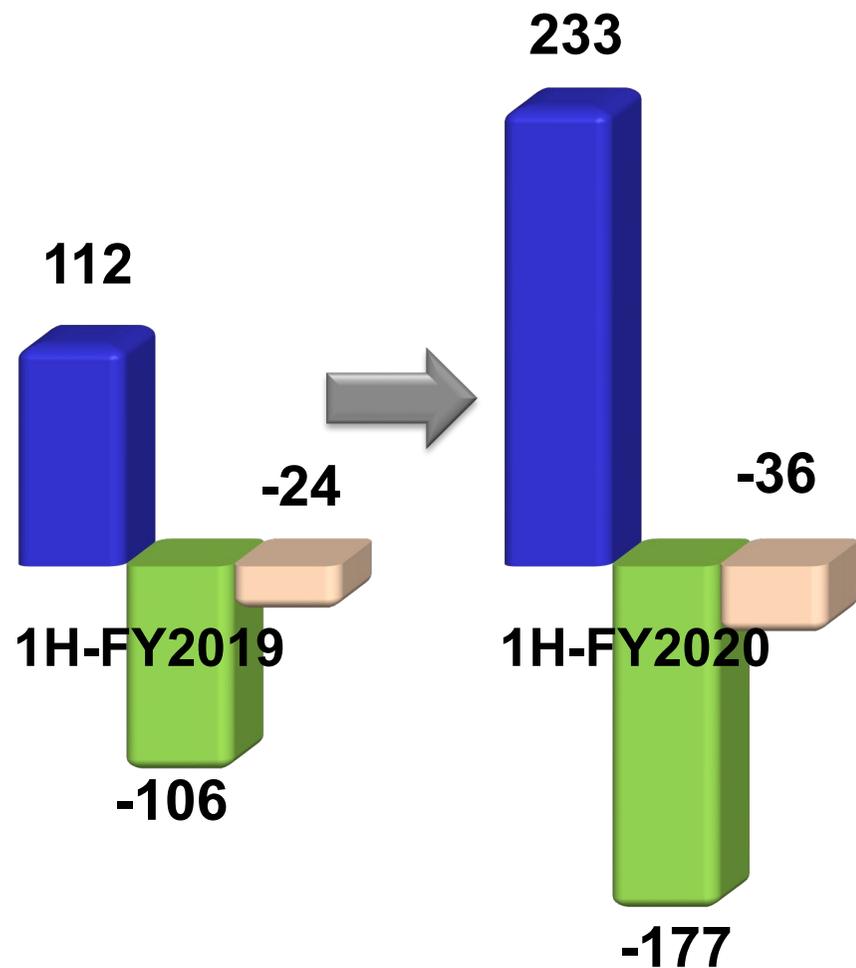
Total net assets
2,699
(+95)

【Total net assets】 +95

- ◆ Net income +82
 - Retained earnings +68
- ◆ Financial indicators
 - Interest-bearing debt 210 (-)
 - Equity ratio 67.5% (+4.0%)
 - D/E ratio 0.08 (-)

Summary of C/F

(Unit : JPY100m)



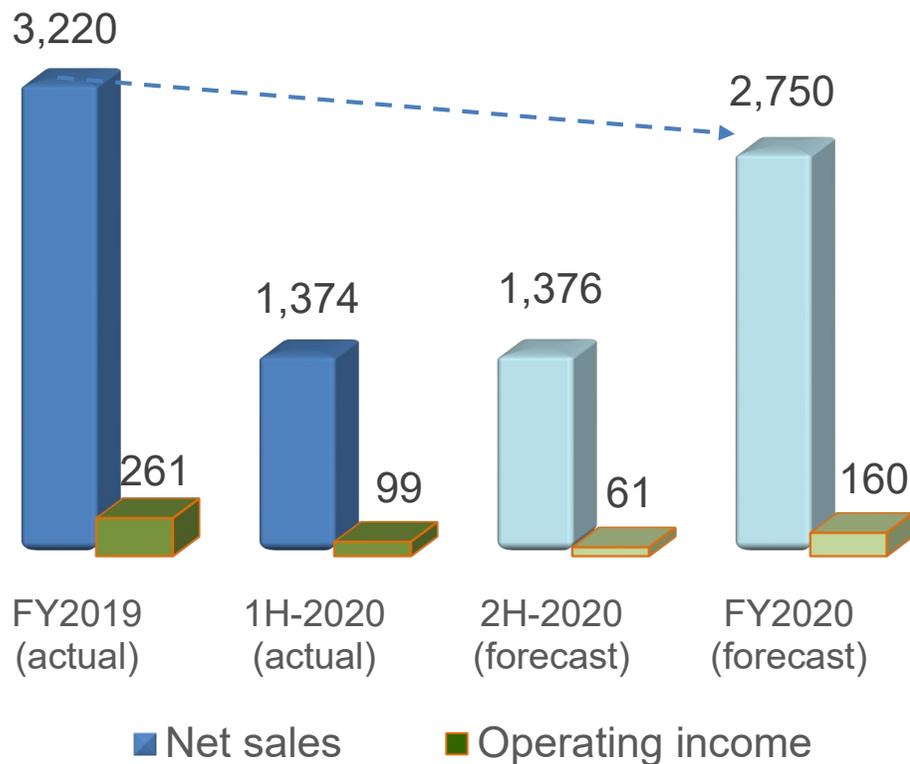
	1H-2019	1H-2020
CF from Operating Act.	112	233
CF from Investing Act.	-106	-177
Free CF	5	56
CF from Financing Act.	-24	-36
CF	-18	20

■ CF from Operating Act
 ■ CF from Investing Act
 ■ CF from Financing Act

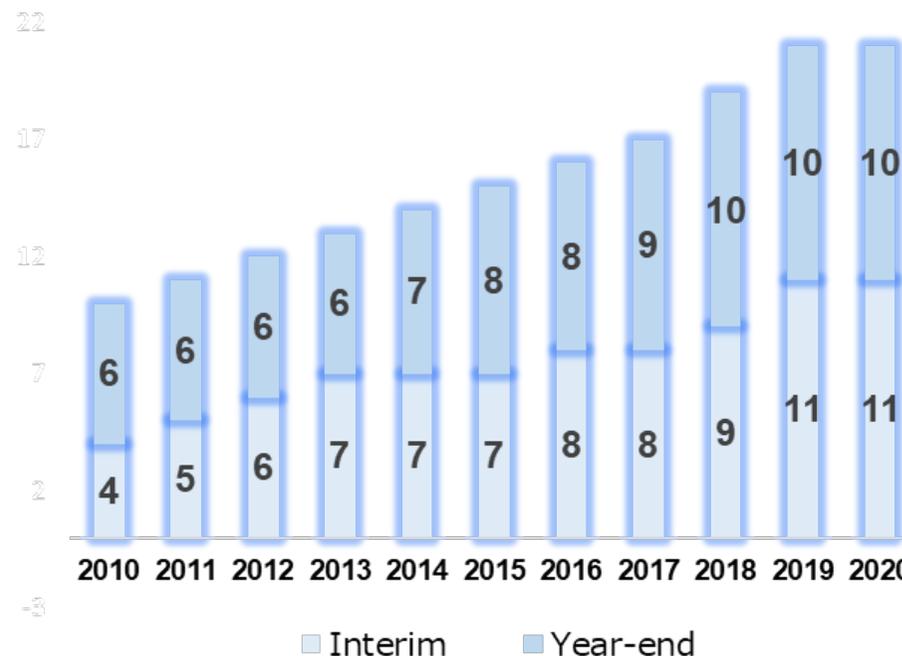
- ◆ CF from Operating act: +121
 - Working capital: +64
- ◆ CF from Investing act: -71
 - Increase of capital investment: -62 (Optical film facility, etc.)
- ◆ CF from Financing act: -12

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Forecast of net sales & operating income (Unit : JPY100m)



Dividend (Unit : JPY)



- Forecast of FY2020: Net sales 275 billion yen, Operating income 16 billion yen
- Dividend forecast: Interim ¥11, year-end ¥10/share (±0 from previous year's result)

The anxiety factors to the global economy (such as the second wave of Covid-19 and the US-China tense situation) cannot be wiped out. “Emergency response headquarters” continues to take the initiative in continuing to respond to contingencies.

We continue to implement infection prevention measures at all business sites globally and maintain the supply chain and ensure the health and safety of employees and their families.

Zeon's plans, forecasts, and other data appearing in this presentation were calculated based on information which was currently available and therefore includes risks and uncertainties. Actual results may differ depending on various factors.

Next Announcement of Financial Statements

The 3rd quarter of FY2020	Jan. 29th , 2021
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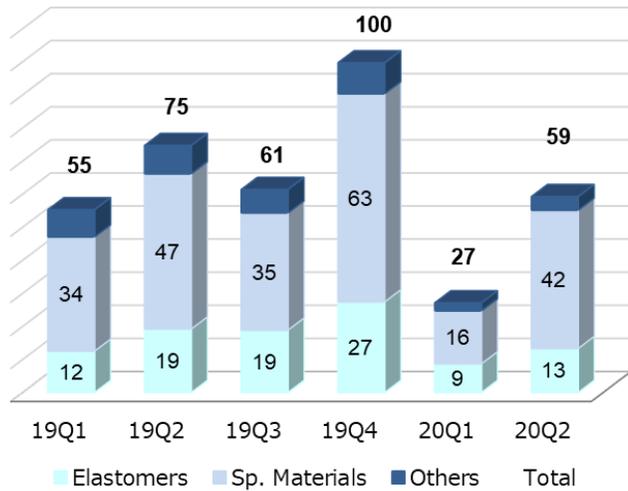
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This document is a translation of the original Japanese-language and is provided for convenience only. In all cases, the original Japanese version shall take precedence.

Reference: Capital Expenditures, Depreciation & Amortization and R&D Expenses

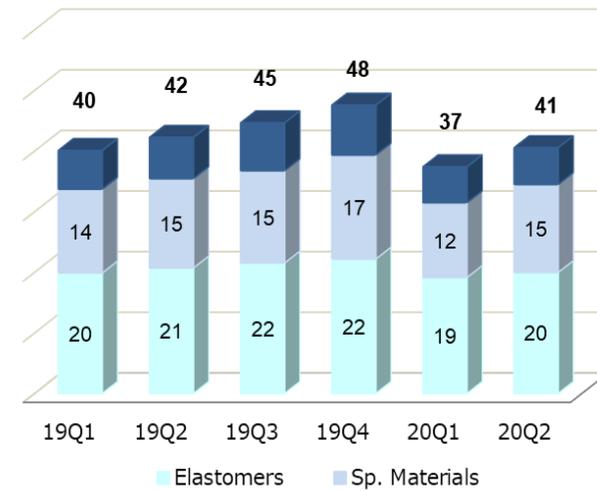
(Unit : JPY100m)

Capital Expenditures



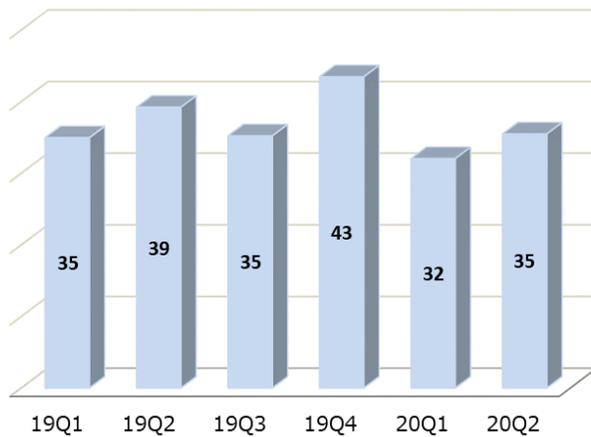
2019 Actl.	291
2020 Forecast	180

Depreciation & Amortization



2019 Actl.	174
2020 Forecast	185

R&D Expenses



2019 Actl.	153
2020 Forecast	145