

Financial Results

The 3rd Quarter of FY2021 (Apr. 1- Dec. 31)



January 31, 2022
ZEON CORPORATION

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【Summary】

- ◆ In Q3, both consolidated sales and profits were up YoY, while QoQ, sales were down, but profits were up.
- ◆ COVID-19 has impacted procurement minorly, but no impact production.

【Elastomer Business Overview】

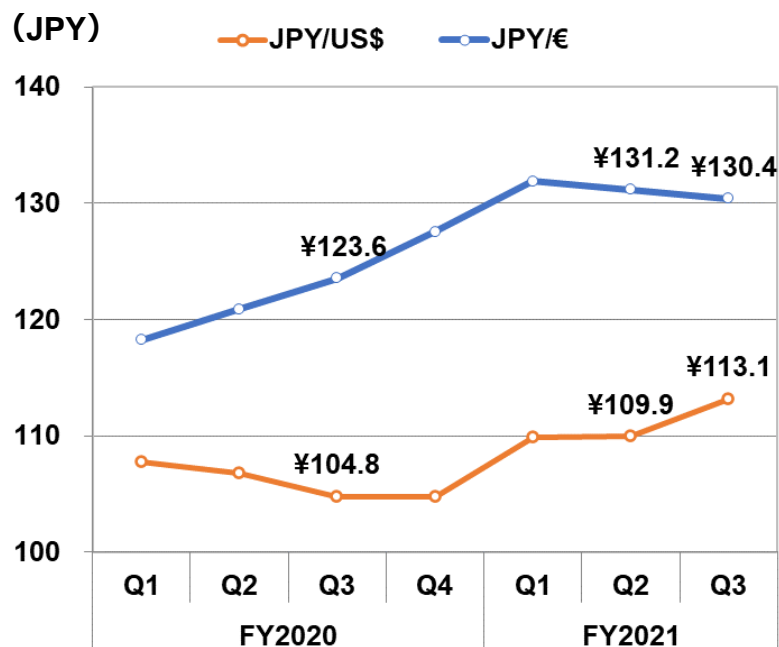
- ◆ Although selling prices went up in conjunction with the rising of raw material prices, this was offset by decreased latex shipments, etc. In Q3, sales were down, but operating income was up.
- ◆ Shipments were delayed, especially those to Europe and the US, due to the shortage of containers and ships.

【Specialty Materials Business Overview】

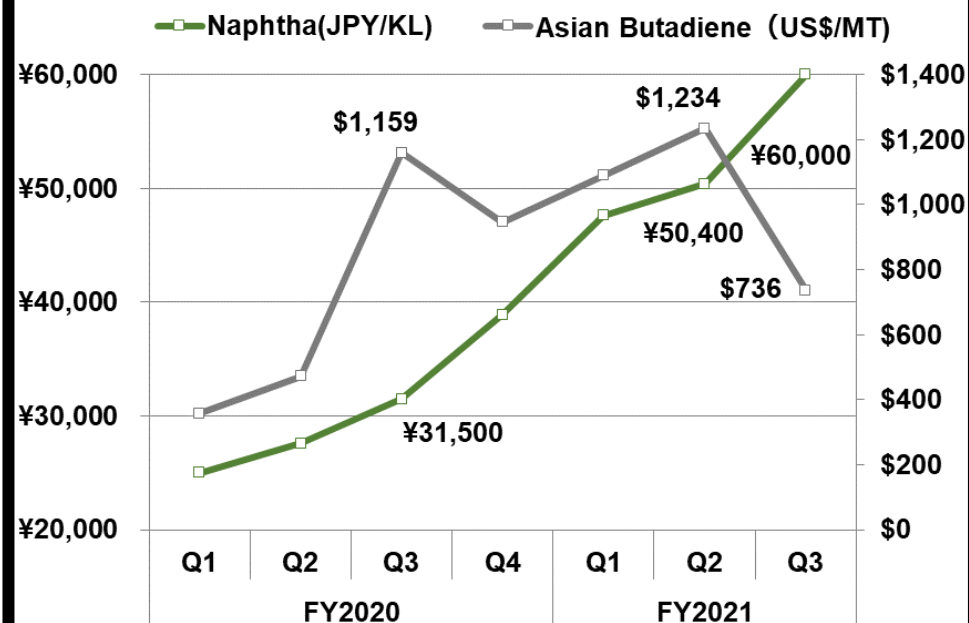
- ◆ For Specialty plastics, shipment volumes were sluggish due to the semiconductor shortage. In Q3, sales were down, but operating income was flat.
- ◆ For Specialty chemicals, battery material shipment volume recovered toward Q4.

Q3 FY2021 Business Environment (Trends in Exchange Rates and Prices of Raw Materials)

[Exchange Rates]



[Raw Materials]



	Q3 FY2020	Q2 FY2021	Q3 FY2021	YoY(%)	QoQ(%)
JPY/US\$	¥104.8	¥109.9	¥113.1	+8%	+3%
JPY/€	¥123.6	¥131.2	¥130.4	+6%	-1%
Naphtha(JPY/KL)	¥31,500	¥50,400	¥60,000	+90%	+19%
Asian Butadiene(US\$/MT)	\$1,159	\$1,234	\$736	-36%	-40%

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(Unit : JPY100m)

	Q3 FY2020	Q2 FY2021	Q3 FY2021	YoY	QoQ	Q1-Q3 FY2020	Q1-Q3 FY2021	Q1-Q3 YoY
Net Sales	789	919	897	+108	-22	2,163	2,688	+525
Operating Income	112	111	115	+3	+4	211	364	+153
Ordinary Income	120	117	125	+6	+8	229	391	+162
Net Income	93	83	90	-3	+6	174	274	+99

■ YoY : Net sales +10.8B JPY, operating income +0.3B JPY

■ QoQ : Net sales -2.2B JPY, operating income +0.4B JPY

Note: Results at overseas subsidiaries from July to September 2021 are reflected in Q3 consolidated results.

Q3 FY 2021 Performance Summary (By Segment)

(Unit : JPY100m)

Net Sales

	Q3 FY2020	Q2 FY2021	Q3 FY2021	YoY	QoQ
Elastomer Business	431	502	490	+59	-11
Specialty Materials Biz.	237	289	262	+25	-27
Others/Eliminations, etc.	121	128	144	+24	+16
Net Sales (consolidated)	789	919	897	+108	-22

Operating Income

	Q3 FY2020	Q2 FY2021	Q3 FY2021	YoY	QoQ
Elastomer Business	45	48	51	+6	+3
Specialty Materials Biz.	66	63	64	-2	+1
Others/Eliminations, etc.	1	1	- 0	-1	-1
OP. Income (consolidated)	112	111	115	+3	+4

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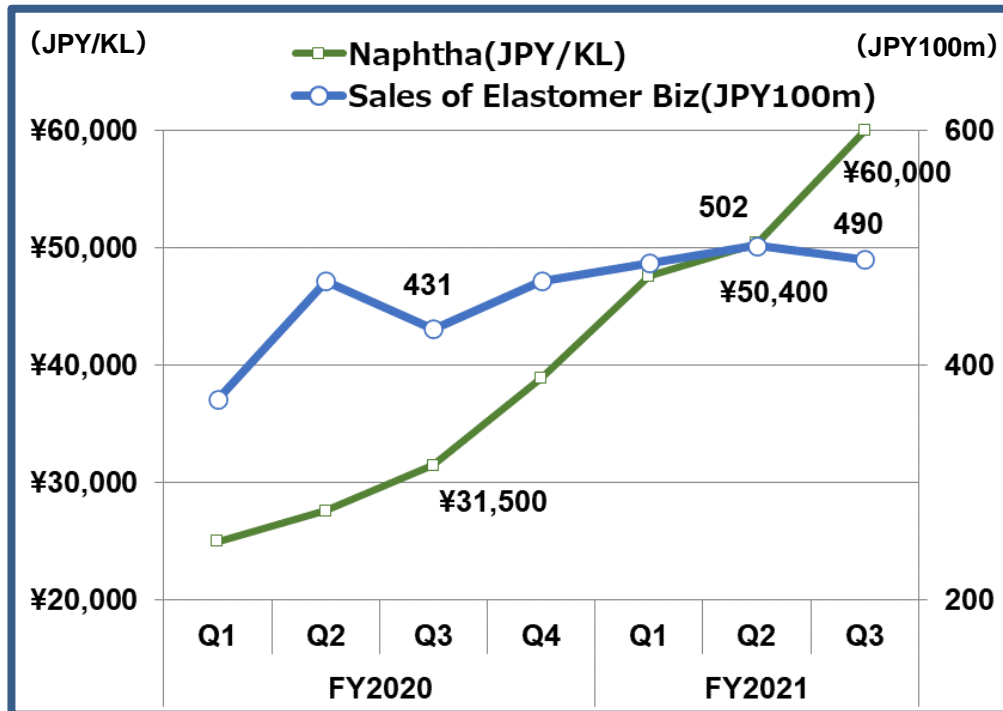
P.21 Cash Flow Overview

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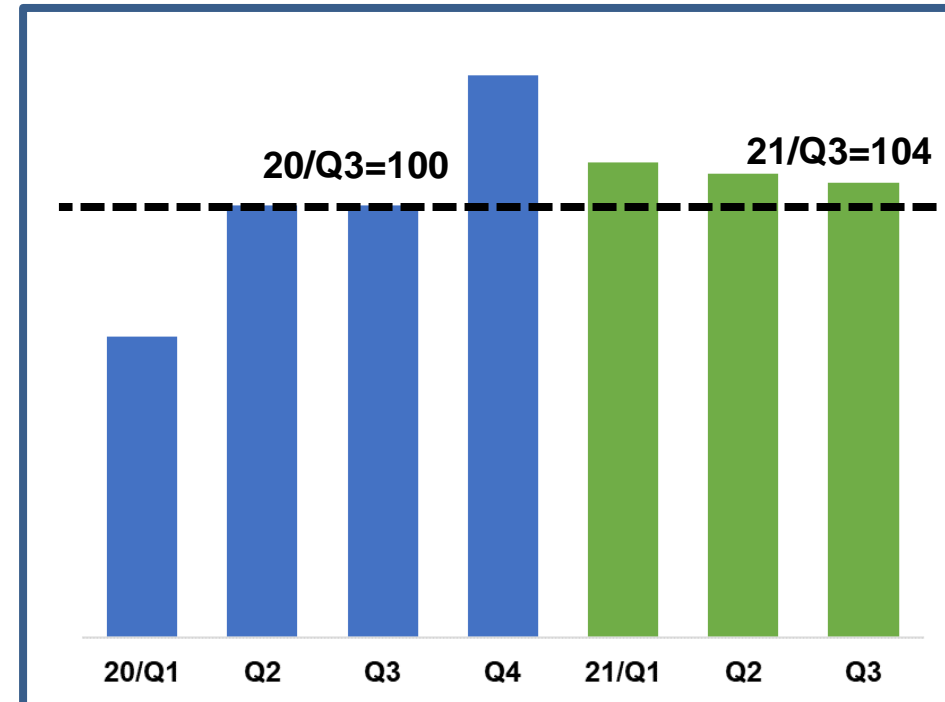
P.24 H2 FY2021 Performance Forecast

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[Naphtha Price vs. Elastomer Sales]



[Synthetic Rubber Sales Volume]



- Selling prices were up in conjunction with rising the naphtha prices, but this was offset by the decrease in latex shipments, so net sales were down.
- Synthetic rubber demand was steady, but shipments were around the same level as previous quarter due to the shortage of containers and ships.

(Unit : JPY100m)	Q3 FY2020	Q2 FY2021	Q3 FY2021	YoY	YoY(%)	QoQ	QoQ(%)
Sales Volume (20/Q3=100)	100	95	96	- 4 pt	- 4 %	1 pt	1 %
Rubbers	100	105	104	4 pt	4 %	- 1 pt	- 1 %
Latexes	100	97	80	- 20 pt	- 20 %	- 17 pt	- 17 %
Chemicals	100	71	92	- 8 pt	- 8 %	21 pt	30 %
Net Sales	431	502	490	59	14 %	- 11	- 2 %
Rubbers	286	325	325	39	14 %	0	0 %
Latexes	45	68	55	9	20 %	- 13	- 20 %
Chemicals	85	101	103	17	20 %	2	2 %
Others/Eliminations	15	8	8	- 7	- 48 %	- 0	- 1 %
Operating Income	45	48	51	6	13 %	3	7 %
Operating income ratio	10%	10%	10%				

- **Shipment volume:** YoY down due to shortage of containers and ships, etc.
Latex shipments down due to distribution inventory adj.
- **Net sales** : QoQ down due to the decline of latex selling prices, etc.
- **Operating income:** Up owing to shipment volume increase of the specialty rubbers and chemicals

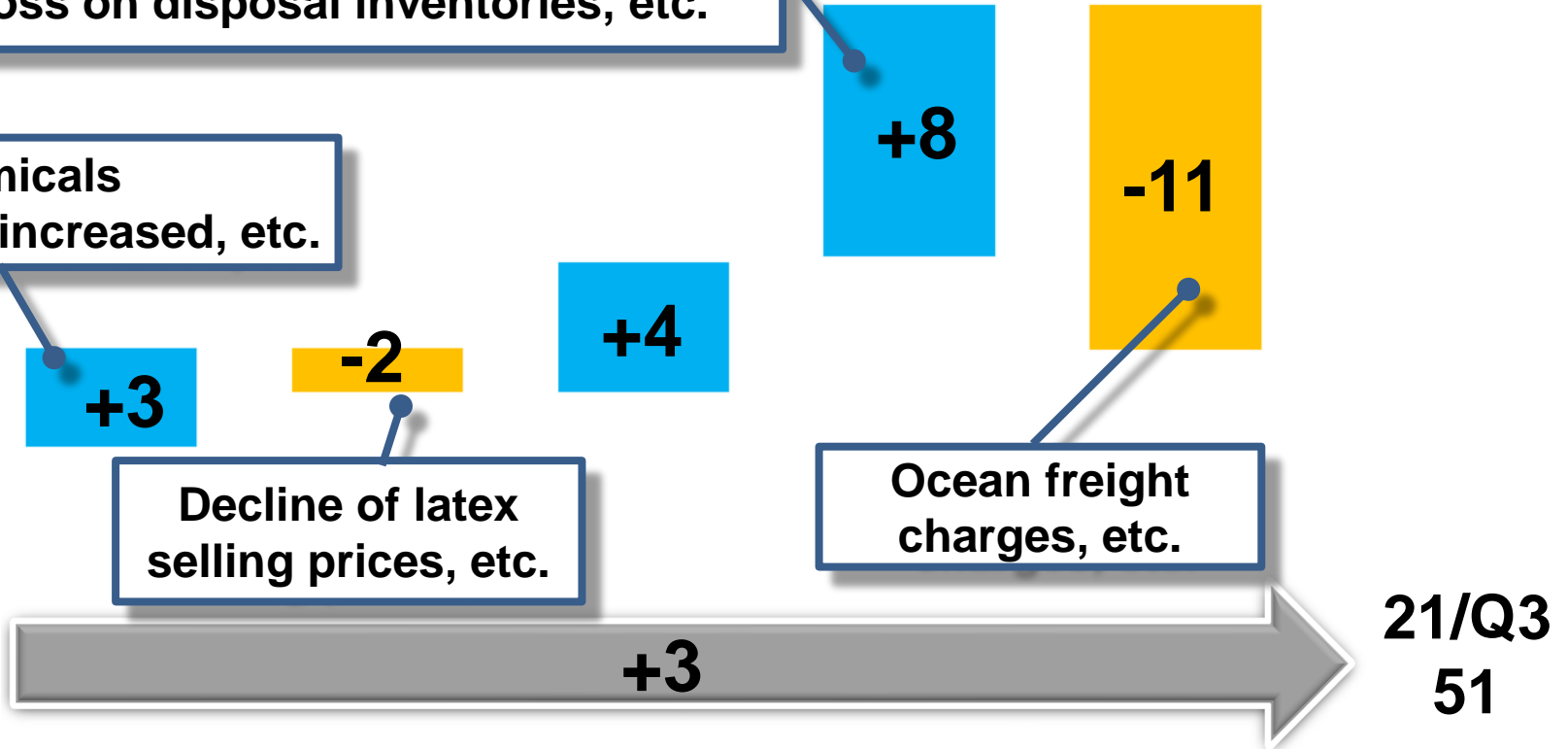
Elastomer Business Operating Income Variance (QoQ)

(Unit : JPY100m)

- Decrease in FME owing to increased production
- Decrease of loss on disposal inventories, etc.

Chemicals
sales volume increased, etc.

21/Q2
48



Sales
QTY

Sales
Price

Exchange
Rate

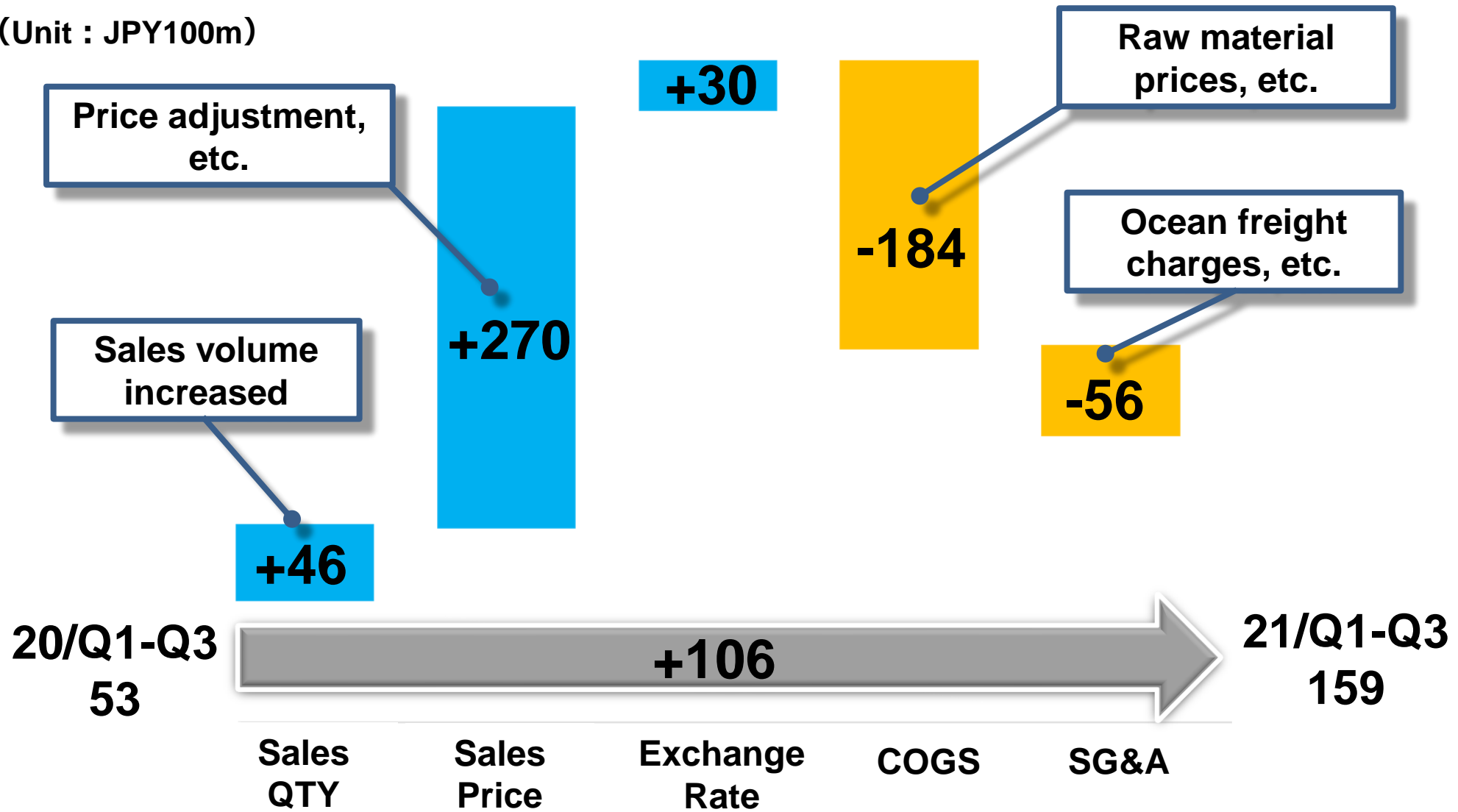
COGS

SG&A

21/Q3
51

Elastomer Business Operating Income Variance (YoY Cumulative) ZEON

(Unit : JPY100m)



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(Unit : JPY100m)	Q3 FY2020	Q2 FY2021	Q3 FY2021	YoY	YoY(%)	QoQ	QoQ(%)
Net Sales	237	289	262	25	11 %	- 27	- 9 %
※ Specialty plastics	154	180	159	5	3 %	- 20	- 11 %
Specialty chemicals	69	97	90	21	31 %	- 7	- 7 %
Medical devices, etc.	14	13	13	- 1	- 7 %	- 0	- 2 %
Operating Income	66	63	64	- 2	- 3 %	1	2 %
Operating Income ratio	28%	22%	24%				

※ Specialty plastics : Optical plastics and optical films
 ※ Specialty chemicals: Battery materials, specialty chemicals, electronic materials and polymerized toners

■ Net sales

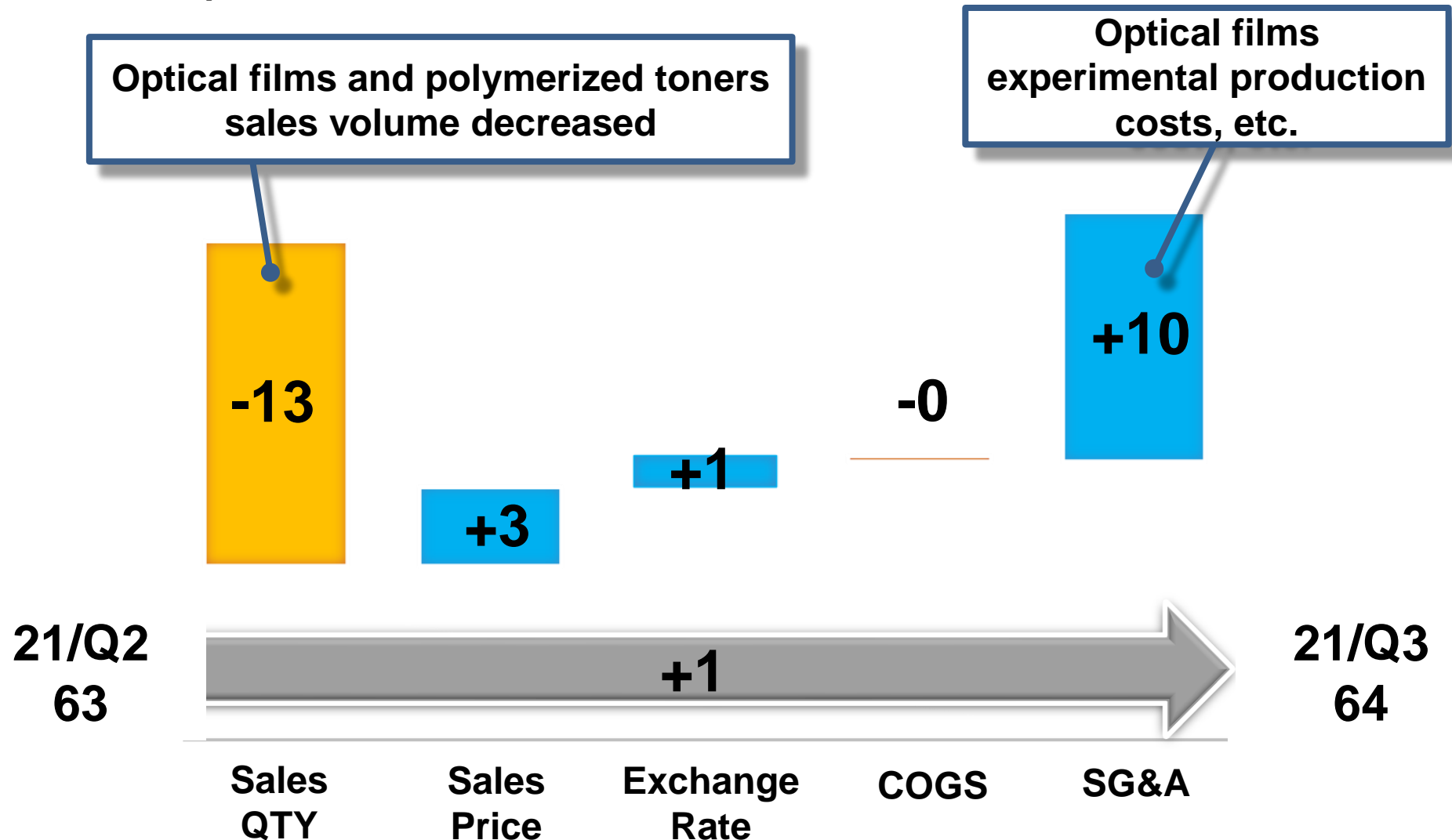
- **Specialty plastics** : Down 2.0B JPY QoQ, but up 0.5B JPY YoY
 Shipments of optical plastics and optical films for mobile device down due to semiconductor shortage
- **Specialty chemicals** : Down 0.7B JPY QoQ, but up 2.1B JPY YoY
 Battery materials towed YoY, but polymerized toners down QoQ due to early Q2 shipments and semiconductor shortage for printers

■ Operating income

Flat QoQ across Specialty Materials

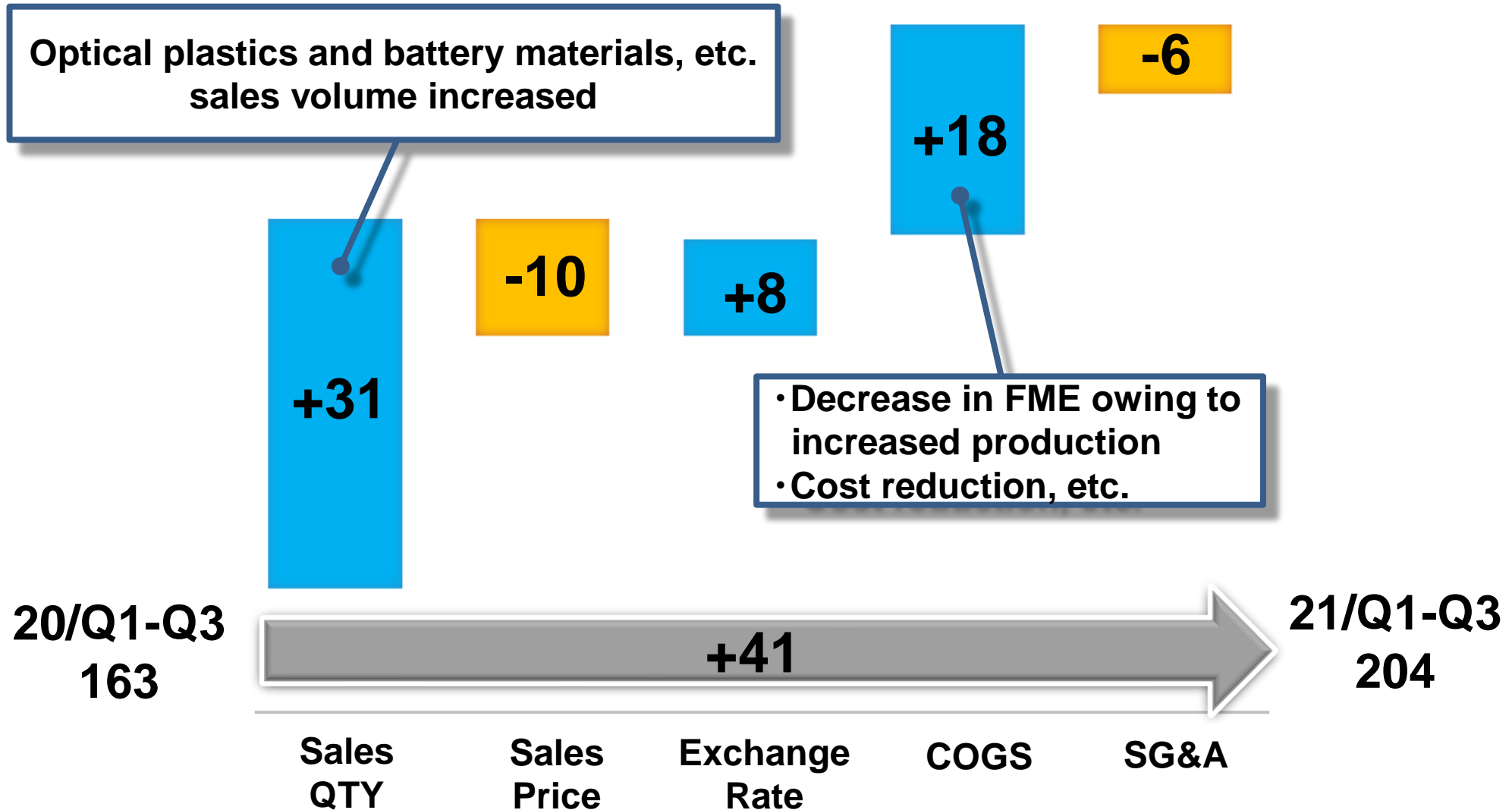
Specialty Materials Operating Income Variance (QoQ)

(Unit : JPY100m)



Specialty Materials Operating Income Variance (YoY Cumulative) ZEON

(Unit : JPY100m)



	YoY	QoQ	YoY (Q1-Q3)
EV	164%	128%	179%
Consumer use, etc.	72%	71%	96%
Total	132%	111%	147%

■ EV

Demand steady in China, Europe, and US

■ Consumer use, etc.

Demand for home appliances and mobile devices wavering due to the semiconductor shortage

Demand for industrial use (ESS) steady despite of decrease in shipments in Q3 due primarily to distribution inventory adj.

	YoY	QoQ	YoY (Q1-Q3)
Optical use	91%	90%	120%
Medical use, etc.	91%	102%	102%
Total	91%	97%	108%

■ Optical use

Demand for smartphones sluggish due to the semiconductor shortage

Shipments for lens units down due to distribution inventory adj.

■ Medical use, etc.

Demand steady, and shipments expected to increase further in Q4

	YoY	QoQ	YoY (Q1-Q3)
For small-to-medium size	75%	78%	96%
For Large size FPD	106%	98%	108%
Total	98%	93%	105%

- For small-to-medium size
 - Some Q3 shipments were moved up to Q2
 - Shipments for mobile device down due to the semiconductor shortage
- For large size
 - QoQ shipments were almost flat
 - Demand steady, especially for Chinese market

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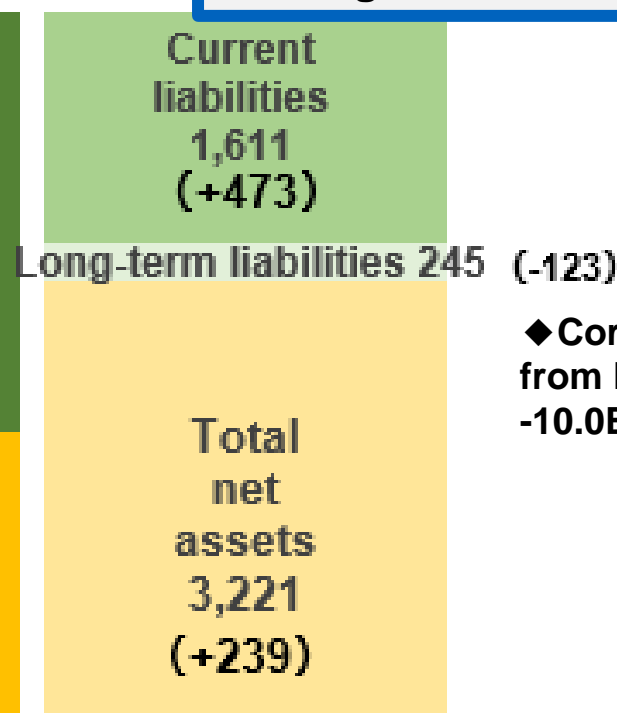
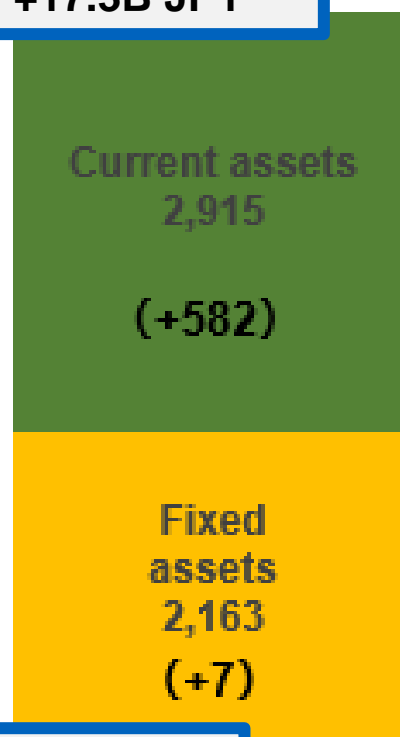
(Unit : JPY100m)

Total assets 5,077 (+589)

()=Vs. end of FY2020

[Current assets]	+58.2B JPY
◆Cash and deposits	+14.7B JPY
◆Accounts receivable	+24.6B JPY
◆Inventory assets	+17.3B JPY

[Current liabilities]	+47.3B JPY
◆Trade payables	+33.7B JPY
◆Corporate bonds changed from long-term to short-term	+10.0B JPY



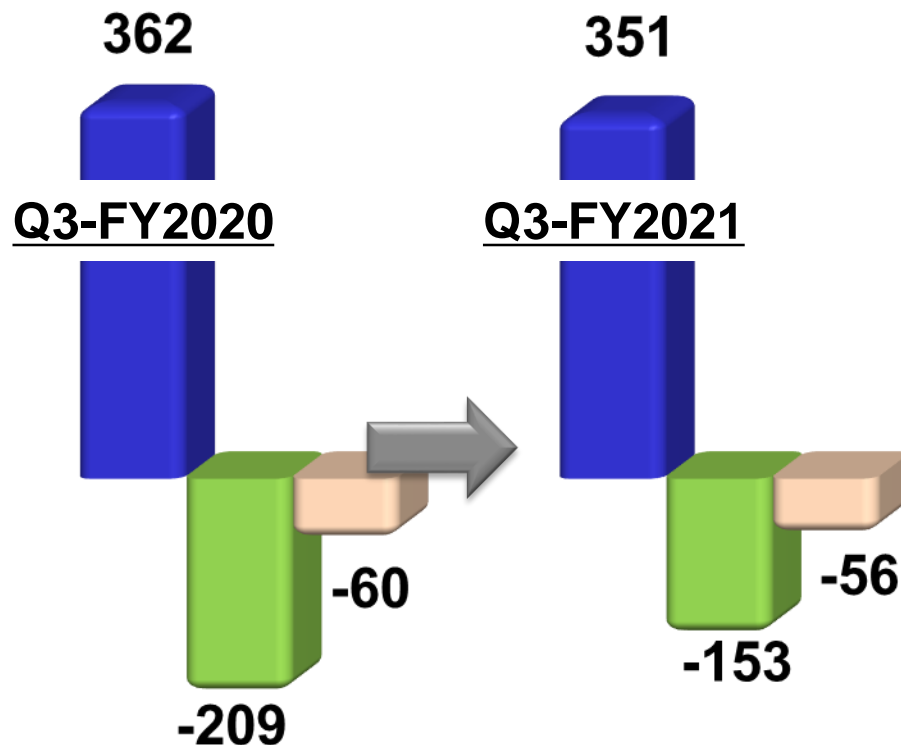
◆Corporate bonds changed from long-term to short-term -10.0B JPY

[Non-current assets]	+0.7B JPY
◆Property, plant and equipment	+3.8B JPY
◆Investment securities	-2.6B JPY

[Net assets]	+23.9B JPY
◆Interest-bearing debt	19.0B JPY (+/- 0)
◆Equity ratio	62.8% (-3.0)
◆D/E ratio	0.06 (+/- 0)



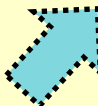
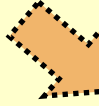



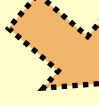



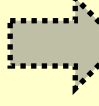
(Unit : JPY100m)

(Unit : JPY100m)





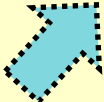
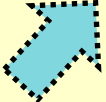






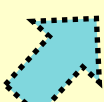
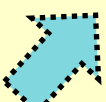
	Q3 FY2020	Q3 FY2021
CF from Operating Act.	362	351
CF from Investing Act.	- 209	- 153
Free CF	152	198
CF from Financing Act.	- 60	- 56
CF	92	143

- CF from Operating Act.
- CF from Investing Act.
- CF from Financing Act.

		Q3		Q4		
Elastomer Business (Unit: JPY100m)		Sales Act.	OP. income Act.	Sales FCST	OP. income FCST	Comments
		490	51	511	34	Net sales +160 OP. income +29 (vs. FCST on Oct. 29)
	Rubbers					In Q4, net sales expected to up owing to the shipment increase, but operating income down due to increase fixed costs
	Latexes					Shipments and selling prices significantly down from the latter half of Q3
	Chemicals					Completed the maintenance of the main plant, so shipment up, but OP. income flat due to ocean freight charge increase

※The Q4 trend is based on our view at the timing of Q3 end.

- Q3 : Up compared to the FCST as of Oct. 29
- Q4 : Sales up compared to Q3, but OP. income down due to fixed cost increase

		Q3		Q4		
Specialty Materials (Unit: JPY100m)	Specialty Materials	Sales Act.	OP. income Act.	Sales FCST	OP. income FCST	Comments
		262	64	286	59	Net sales +89 OP. income +5 (vs. FCST on Oct. 29)
	Optical plastics					In Q3, shipments for mobile device down In Q4, shipments for medical use, etc. up
	Optical films					Shipments for mobile device down Experimental production costs expected to occur in Q4
	Battery materials					Demand recovering for EV

※The Q4 trend is based on our view at the timing of Q3 end.

- Q3 : Optical films down compared to the FCST as of Oct. 29, but demand for battery materials recovering
- Q4 : Sales up compared to Q3, but OP. income down due to experimental production costs

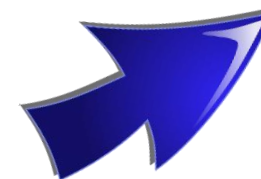
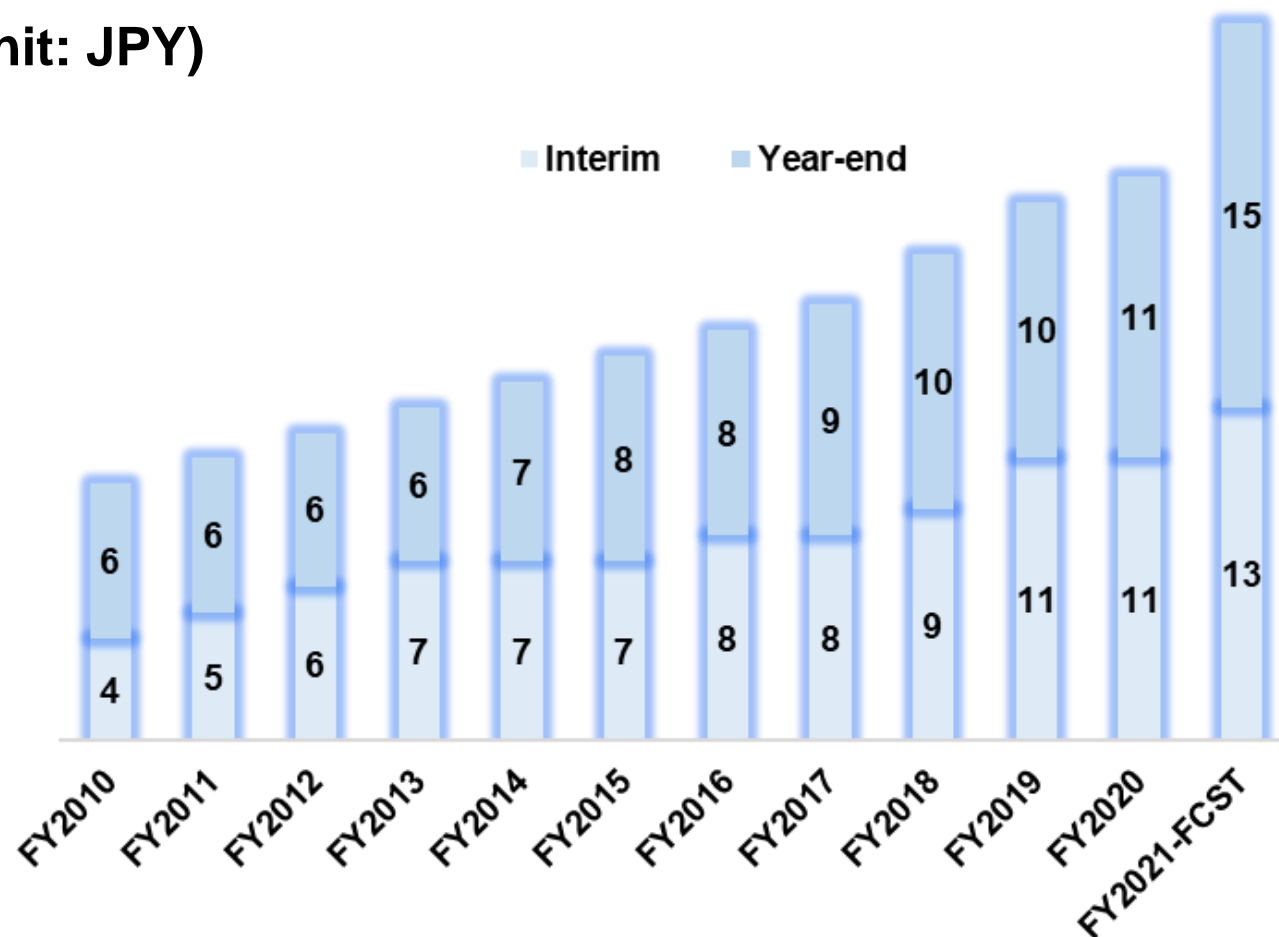
(Unit : JPY100m)

Net Sales	2H FCST (as of Oct. 29)	2H FCST (as of Jan. 31)	Diff.
Elastomer Business	841	1,001	+160
Specialty Materials Biz.	460	549	+89
Others/Eliminations, etc.	239	289	+50
Net Sales (consolidated)	1,540	1,839	+299

Operating Income	2H FCST (as of Oct. 29)	2H FCST (as of Jan. 31)	Diff.
Elastomer Business	56	85	+29
Specialty Materials Biz.	118	123	+5
Others/Eliminations, etc.	- 4	- 3	+1
OP. Income (consolidated)	170	205	+35

- H2 forecast for net sales revised to 183.9B JPY and operating income to 20.5B JPY (Q4 assumptions: US\$=¥115, €=¥131, Naphtha=¥57,500, Asian butadiene=US\$817)
- Full-year forecasts of 363.0B JPY in net sales and 45.5B JPY in operating income

(Unit: JPY)



Stable and continuous dividends
(no change in policy)

FY2021 dividend forecast revised to year-end dividend of 15 JPY for full-year dividend of 28 JPY (+ 6 JPY from previous year)

Next Announcement of Financial Statements

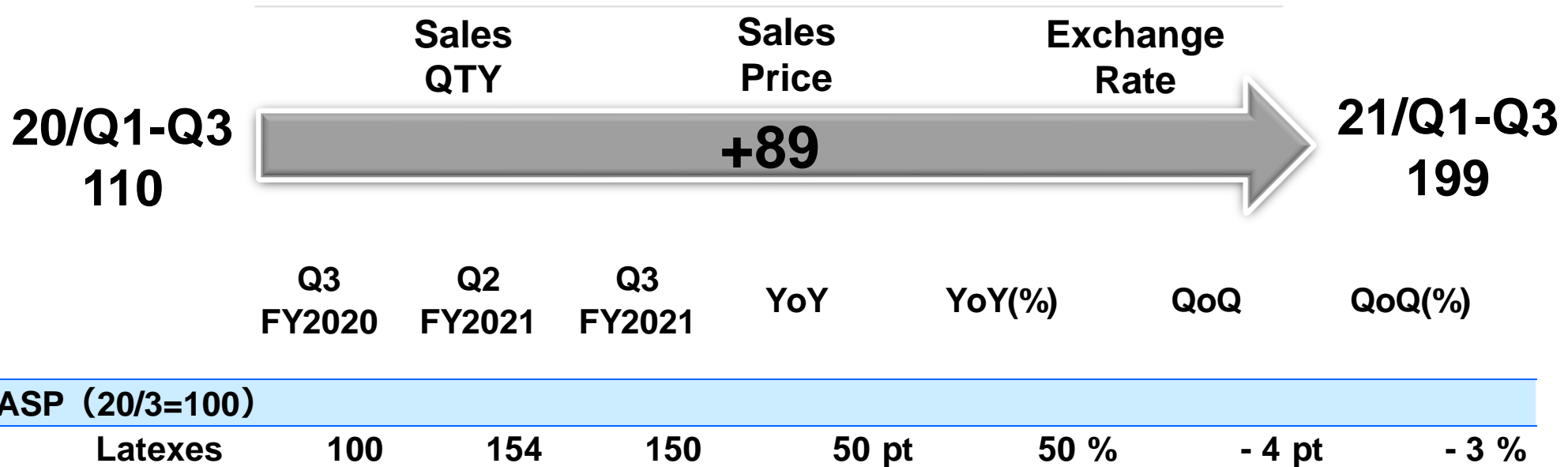
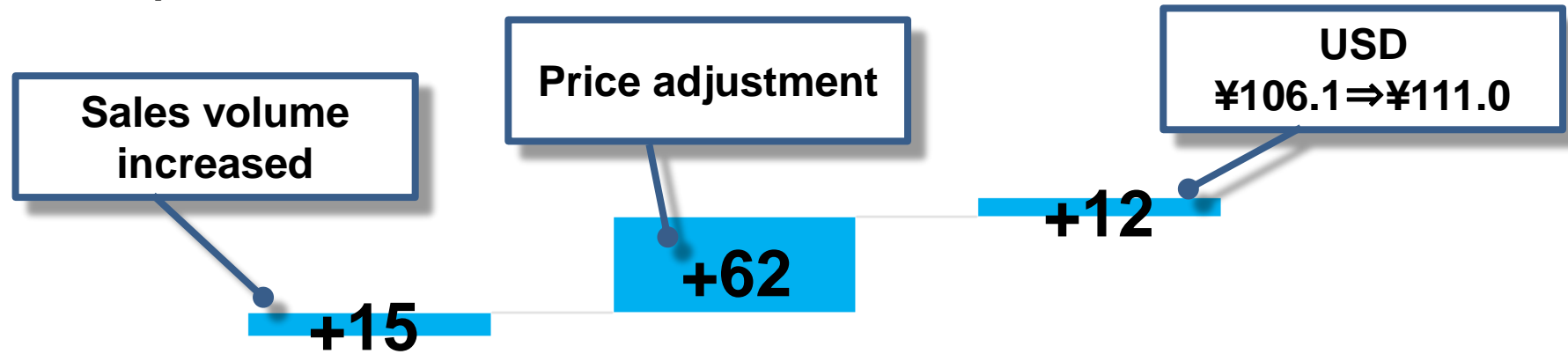
FY2021	Apr. 27th , 2022
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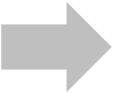







Subject to change without notice



















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.









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In all cases, the original Japanese version shall take precedence.

(Unit : JPY100m)



Q3 FY2021 (vs. Q2 FY2021)				
Business	Ship ments	Sales	OP. income	Business Trends
Synthetic rubbers				Automotive supply chain inventory buildup Demand steady, especially for specialty rubbers
Latexes				Distribution inventory adj. for glove latex Selling prices also on the decline
Chemicals				Prolonged distribution times despite steady demand for e-commerce Maintenance completed at main plant, so fixed costs down

		Q3 FY2021 (vs. Q2 FY2021)			
	Business	Ship ments	Sales	OP. income	Business Trends
Specialty chemicals	Specialty chemicals				Demand steady for all items Maintenance completed at main plant, so fixed costs down
	Electronic materials				No change
	Polymerized toners				Some Q3 shipments were moved up to Q2, etc.
	Battery materials				Shipments up owing to expansion of EV market, but sales and OP. income flat due to composition difference
Specialty plastics	Optical plastics				Shipments down due to semiconductor shortage Demand steady for medical use, etc.
	Optical films				Some Q3 shipments for small-to-medium size were moved up to Q2

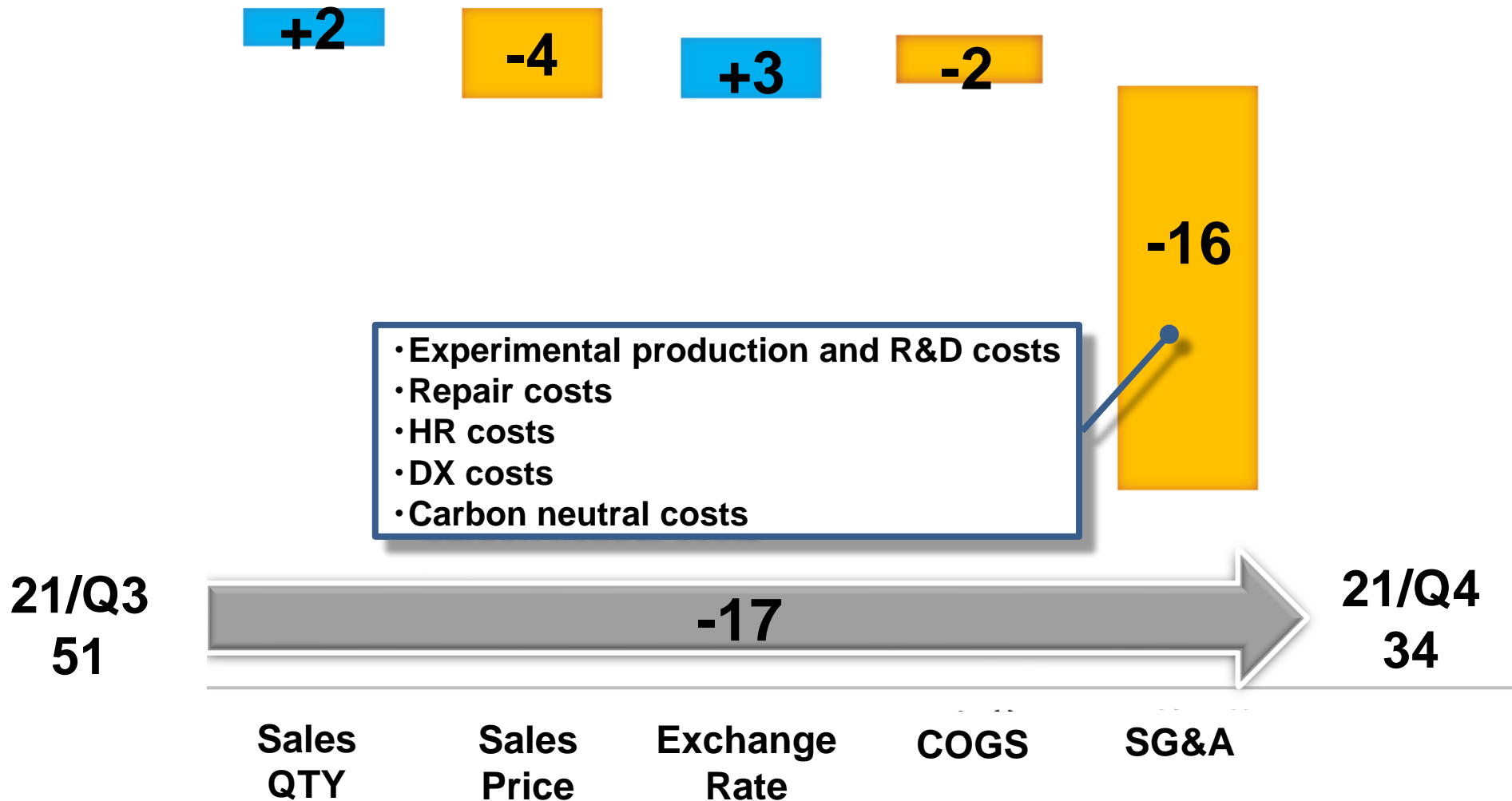
	H2 FY2021		
Use	Q3	Q4	Business trends
Large size TVs			Demand steady for large size TVs (i.e. 55 inches or more) despite of panel prices down
Smartphones			Production adj. due to the semiconductor shortage
Tablets			Production adj. due to the semiconductor shortage
Note PCs			Demand steady

※The Q4 trend is based on our view at the timing of Q3 end.

Reference: Elastomer Business Operating Income Variance (QoQ and vs. Q4)

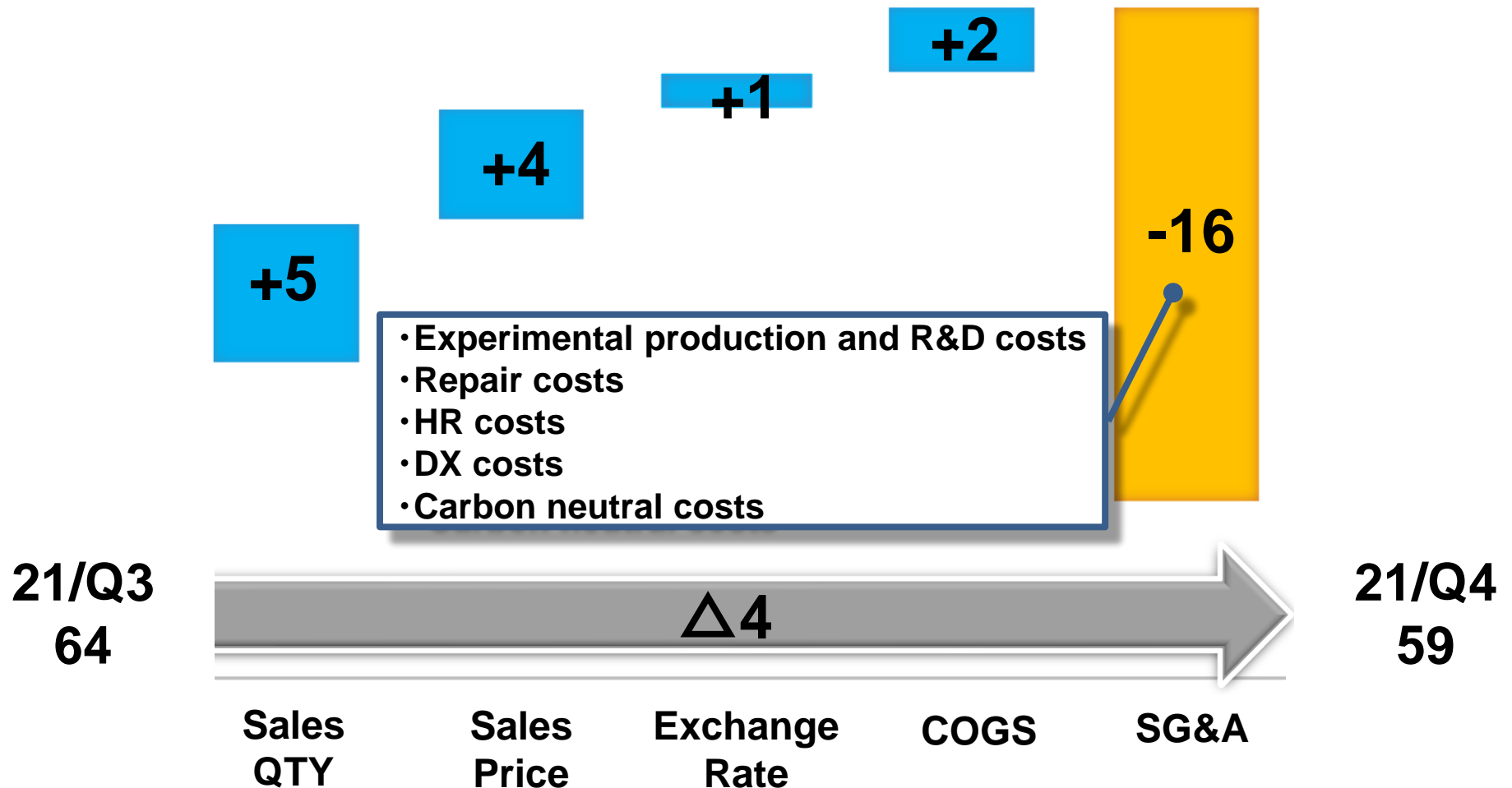
ZEON

(Unit : JPY100m)



Reference: Specialty Materials Operating Income Variance (QoQ and vs. Q4)

(Unit : JPY100m)



Positives

**Elimination of
distribution disruptions**

Depreciation of the yen

**Wider availability of
containers/ships**

**Yen depreciation/dollar
appreciation**

Decreased distribution costs

**Yen depreciation/euro
appreciation**

Negatives

**Worsening of
raw material situation**

**Prolonged shortage of
semiconductors**

Sharp rise in Naphtha prices

Resurgence of COVID-19

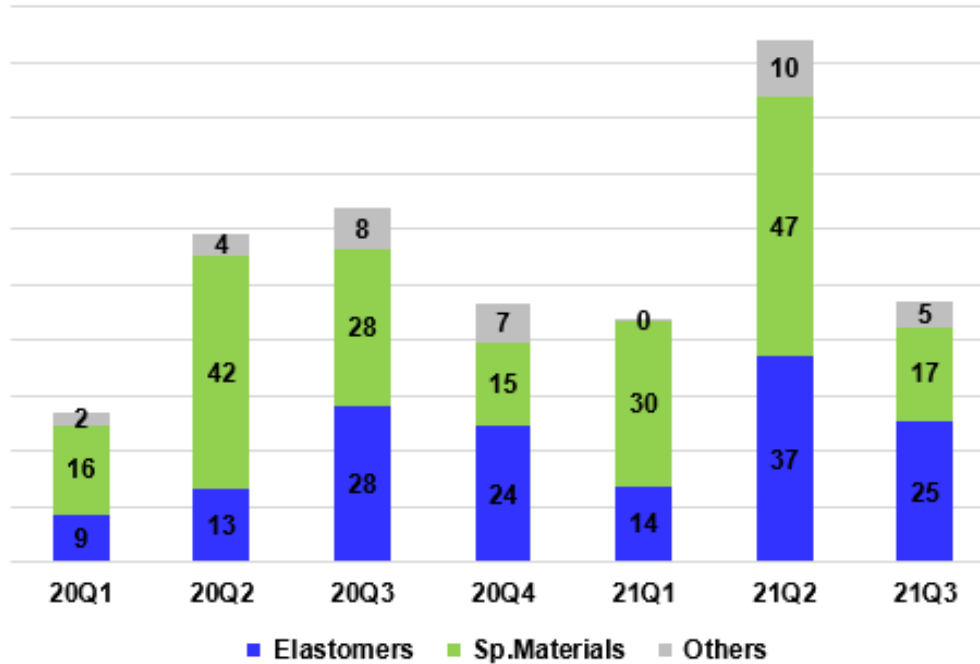
Drop in Butadiene

**Decreased production of
mobile devices**

Reference : Capital Expenditures, Depreciation & Amortization

(Unit : JPY100m)

[Capital Expenditures]

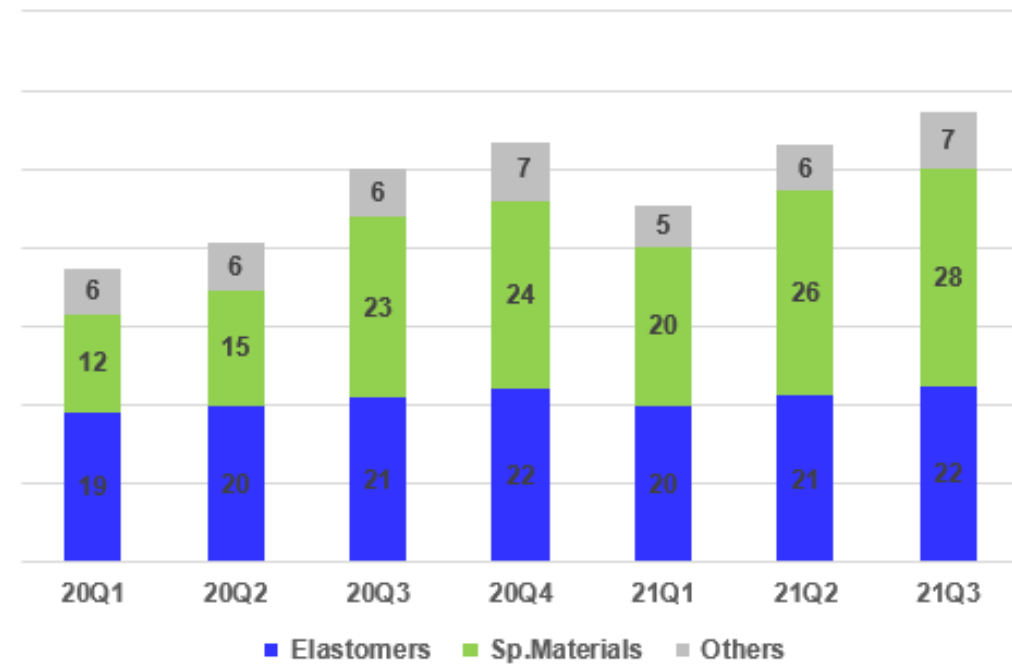


FY2020 Act.
196



FY2021 FCST
220

[Depreciation & Amortization]



FY2020 Act.
182



FY2021 FCST
195