

Financial Results

FY2021 (Apr. 1- March. 31)



April 27, 2022
ZEON CORPORATION

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[Summary]

- ◆ In Q4, consolidated sales were up YoY and QoQ, but profits were down.
- ◆ COVID-19 has had a minor impact on procurement, but no impact on production.

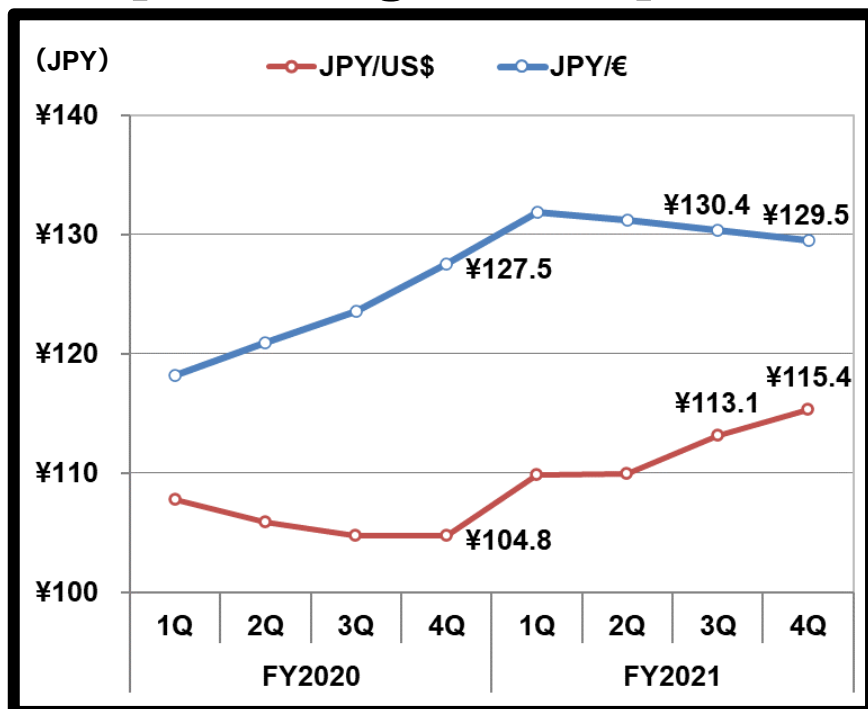
[Elastomer Business Overview]

- ◆ Net sales were up both YoY and QoQ due to price adjustments associated with soaring raw material prices. Operating income was down both YoY and QoQ due to an increase in ocean freight charges and repair costs, etc.
- ◆ Shipments were delayed, especially those to Europe and the US, due to the shortage of containers and ships.

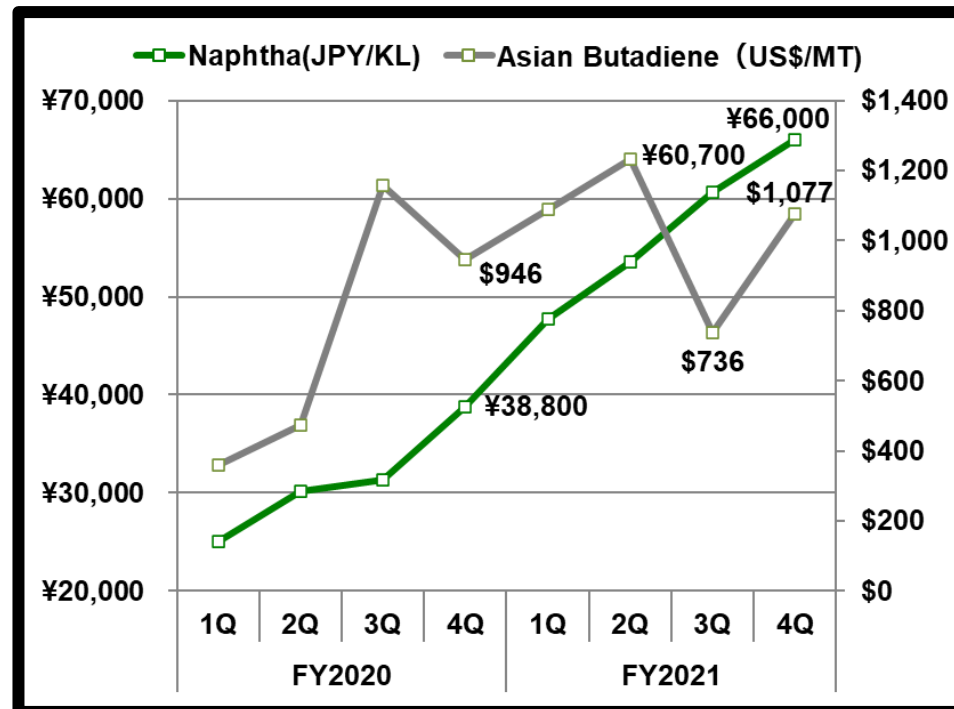
[Specialty Materials Business Overview]

- ◆ Net sales were up YoY and QoQ. Operating income was also up YoY, but down QoQ due to an increase in ocean freight charges and new product development costs.
- ◆ Demand is expected to remain steady.

[Exchange Rates]



[Raw Materials]



	Q4 FY2020	Q3 FY2021	Q4 FY2021	YoY(%)	QoQ(%)
JPY/US\$	¥104.8	¥113.1	¥115.4	+10%	+2%
JPY/€	¥127.5	¥130.4	¥129.5	+2%	-1%
Naphtha(JPY/KL)	¥38,800	¥60,700	¥66,000	+70%	+9%
Asian Butadiene(US\$/MT)	\$946	\$736	\$1,077	+14%	+46%

*Naphtha: Figures for Q4 FY2020 and Q3 FY2021 are confirmed, while the figure for Q4 FY2021 is our estimate.

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(Unit : JPY100m)

	Q4 FY2020	Q3 FY2021	Q4 FY2021	YoY	QoQ	FY2020	FY2021	YoY (FY)
Net Sales	857	897	930	+73	+33	3,020	3,617	+598
Operating Income	123	115	80	-43	-34	334	444	+110
Ordinary Income	157	125	103	-54	-22	387	495	+108
Net Income	103	90	60	-42	-29	277	334	+57

- YoY (in 3 mo.) : Net Sales +7.3B JPY, Operating Income -4.3B JPY
- QoQ: Net Sales +3.3B JPY, Operating Income -3.4B JPY
- YoY (in 12 mo.) : Net Sales +59.8B JPY, Operating Income +11.0B JPY

Note: Results at overseas subsidiaries from October to December 2021 are reflected in Q4 consolidated results.

Q4 FY 2021 Performance Summary (By Segment)

(Unit : JPY100m)

Net Sales	Q4 FY2020	Q3 FY2021	Q4 FY2021	YoY	QoQ
Elastomer Business	472	490	526	+54	+36
Specialty Materials Biz.	253	262	265	+12	+2
Others/Eliminations, etc.	132	144	139	+7	-6
Net Sales (consolidated)	857	897	930	+73	+33

Operating Income	Q4 FY2020	Q3 FY2021	Q4 FY2021	YoY	QoQ
Elastomer Business	70	51	27	-43	-24
Specialty Materials Biz.	56	64	60	+3	-4
Others/Eliminations, etc.	-3	-0	-6	-4	-6
Net Sales (consolidated)	123	115	80	-43	-34

FY 2021 Performance Summary (By Segment)

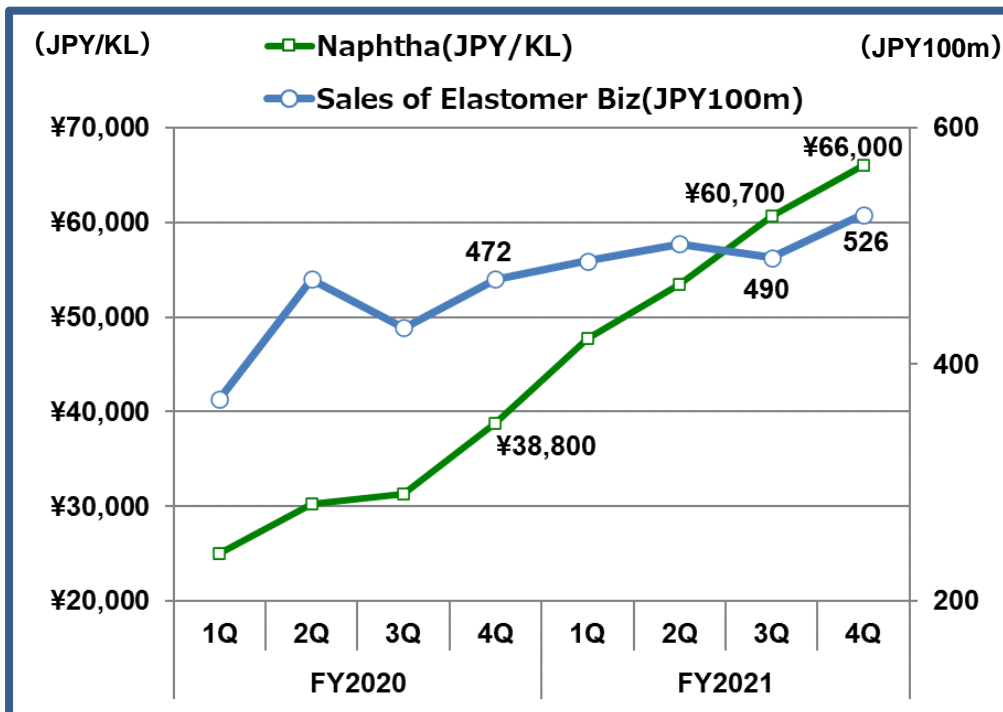
(Unit : JPY100m)

Net Sales	FY2020	FY2021 FCST	FY2021	YoY (FY)	YoY (vs FCST)
Elastomer Business	1,616	1,990	2,006	389	16
Specialty Materials Biz.	955	1,090	1,068	113	△ 22
Others/Eliminations, etc.	449	550	544	95	△ 6
Net Sales (consolidated)	3,020	3,630	3,617	598	△ 13

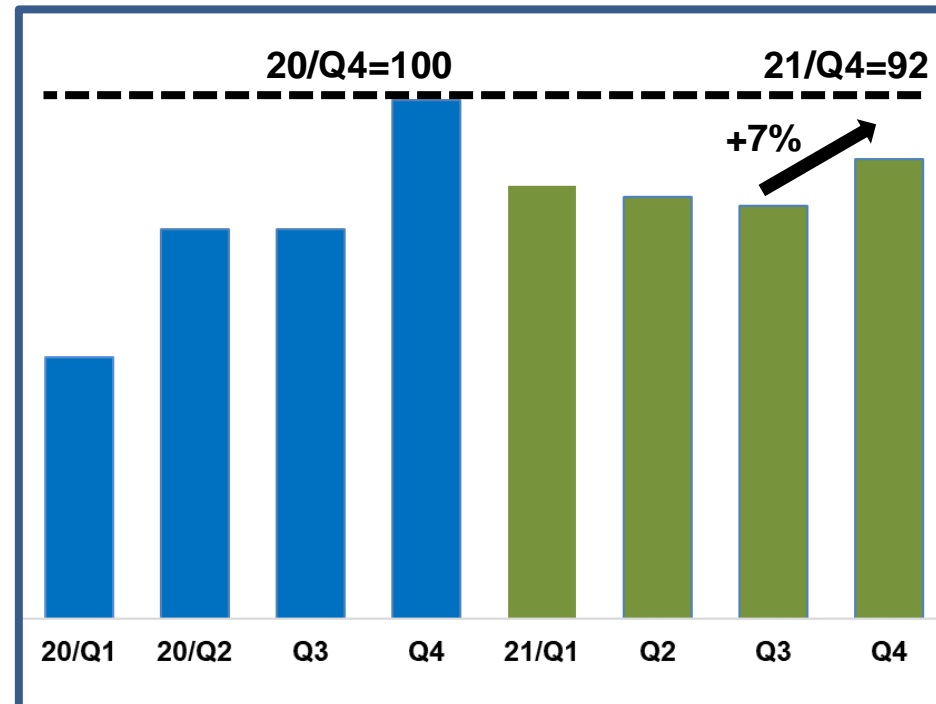
Operating Income	FY2020	FY2021 FCST	FY2021	YoY (FY)	YoY (vs FCST)
Elastomer Business	123	193	186	63	△ 7
Specialty Materials Biz.	220	263	264	44	1
Others/Eliminations, etc.	△ 8	△ 1	△ 6	3	△ 5
Net Sales (consolidated)	334	455	444	110	△ 11

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[Naphtha Price vs. Elastomer Sales]



[Synthetic Rubber Sales Volume]



- Price adjustments are being made in conjunction with rising Naphtha prices.
- Demand for synthetic rubbers is strong. Shipments were down YoY due to container shortages, etc., but they were up 7% QoQ.

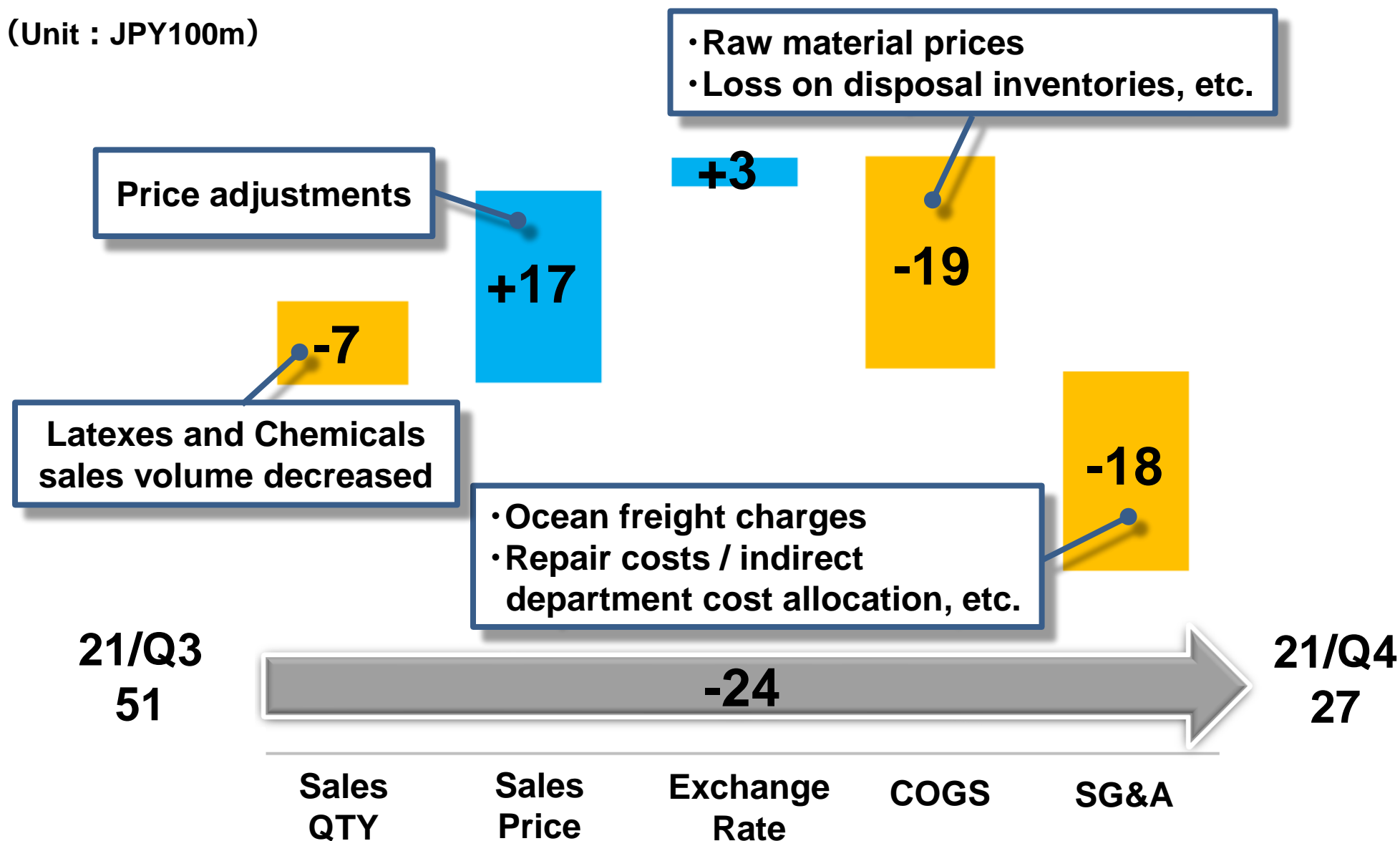
(Unit : JPY100m)

	Q4 FY2020	Q3 FY2021	Q4 FY2021	YoY	YoY(%)	QoQ	QoQ(%)
Sales Volume (20/Q4=100)	100	86	88	-12 pt	-12 %	2 pt	2 %
Synthetic rubbers	100	86	92	-8 pt	-8 %	6 pt	8 %
Latexes	100	86	83	-17 pt	-17 %	-3 pt	-4 %
Chemicals	100	84	80	-20 pt	-20 %	-5 pt	-5 %
Net Sales	472	490	526	54	11 %	36	7 %
Synthetic rubbers	319	325	354	35	11 %	29	9 %
Latexes	51	55	46	-5	-10 %	-8	-15 %
Chemicals	88	103	116	28	32 %	13	13 %
Others/Eliminations	14	8	10	-4	-25 %	3	33 %
Operating Income	70	51	27	-43	-61 %	-24	-47 %
Operating income ratio	15%	10%	5%				

- **Sales Volume:** Down YoY due to shortages of containers, ships, etc.
Overall, elastomers were up QoQ due to a steady demand of synthetic rubbers
- **Net Sales:** Up both YoY and QoQ in conjunction with synthetic rubbers and chemical price adjustments
- **Operating Income:** Down both YoY and QoQ due to declining latex prices and increased repair costs and indirect department cost allocation

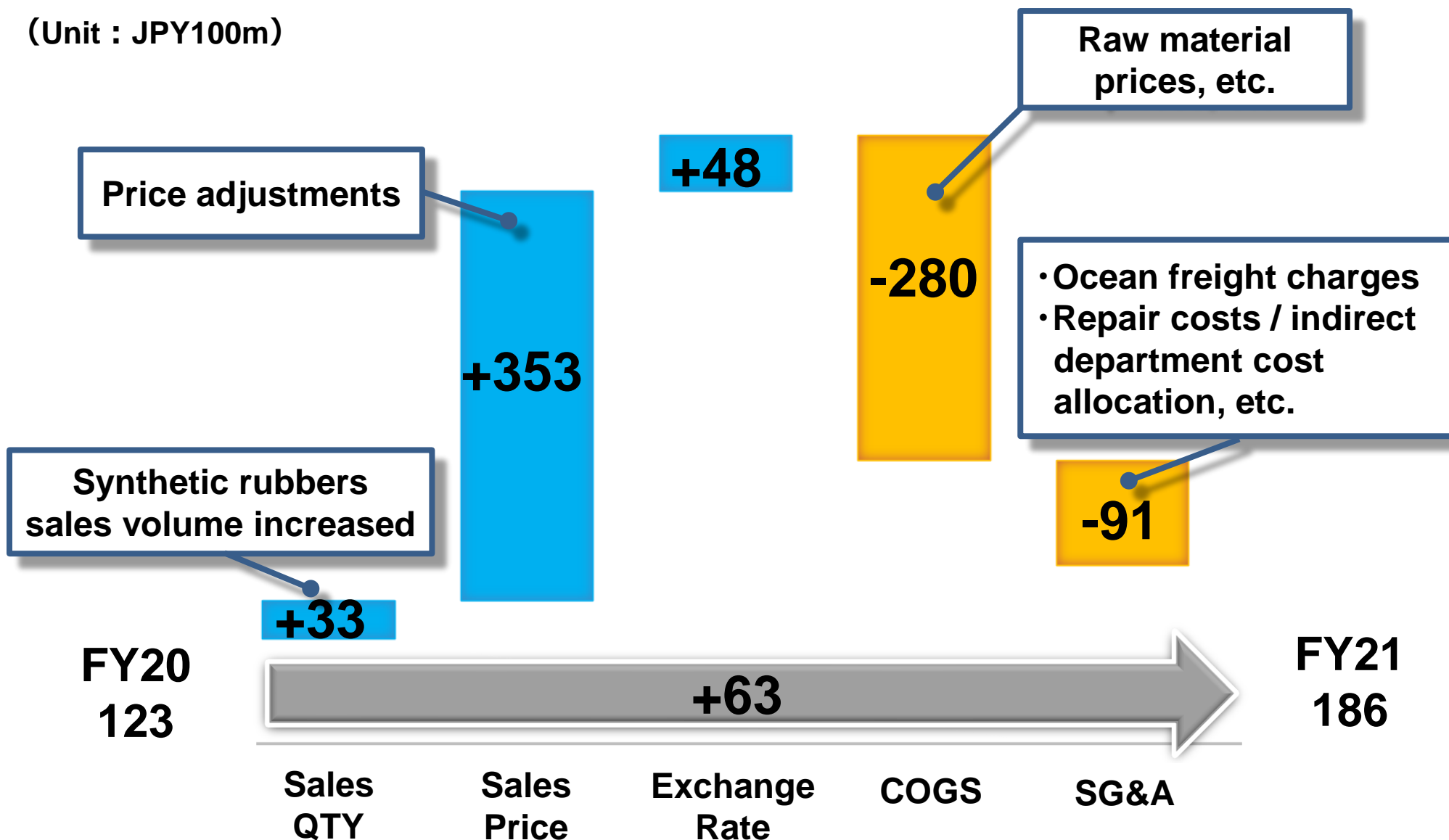
Elastomer Business Operating Income Variance (QoQ)

(Unit : JPY100m)



Elastomer Business Operating Income Variance (YoY Cumulative) ZEON

(Unit : JPY100m)



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(Unit : JPY100m)

	Q4 FY2020	Q3 FY2021	Q4 FY2021	YoY	YoY(%)	QoQ	QoQ(%)
Net Sales	253	262	265	12	5 %	2	1 %
* Specialty plastics	159	159	151	-8	-5 %	-9	-6 %
Specialty chemicals	81	90	101	19	23 %	11	12 %
Medical devices, etc.	12	13	14	1	11 %	1	6 %
Operating Income	56	64	60	3	6 %	-4	-6 %
Operating Income ratio	22%	24%	23%				

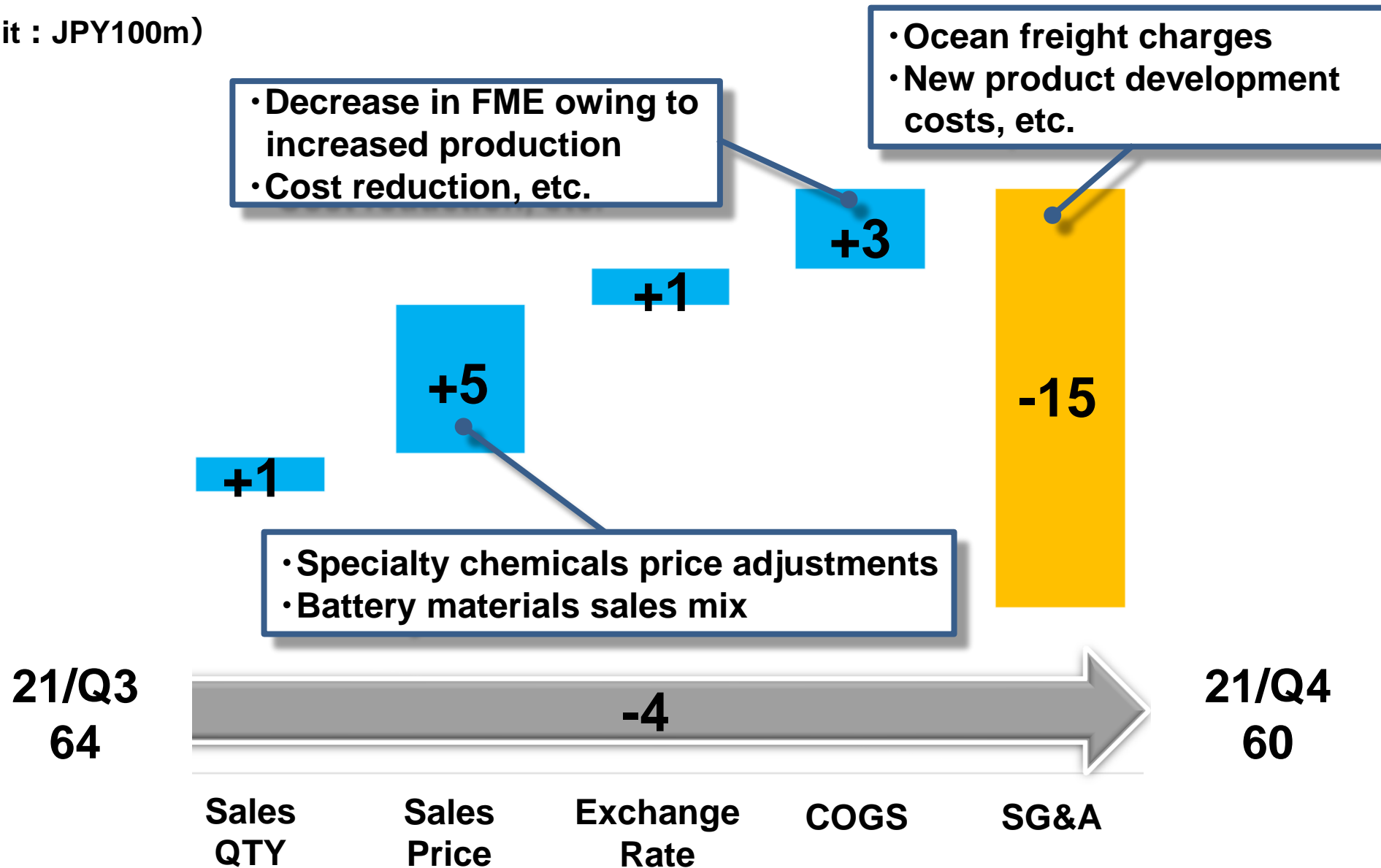
* Specialty plastics : Optical plastics and optical films

Specialty chemicals: Battery materials, specialty chemicals, electronic materials and polymerized toners

- **Net Sales**
 - **Specialty plastics: Down 0.9B JPY QoQ and 0.8B JPY YoY**
Optical films for small-to-medium size in the in-between season, optical plastics sales mix
 - **Specialty chemicals: Up 1.1B JPY QoQ and 1.9B JPY YoY**
Up sales volume of battery materials, specialty chemicals price adjustments
- **Operating income down 0.4B JPY QoQ due to new product development costs**

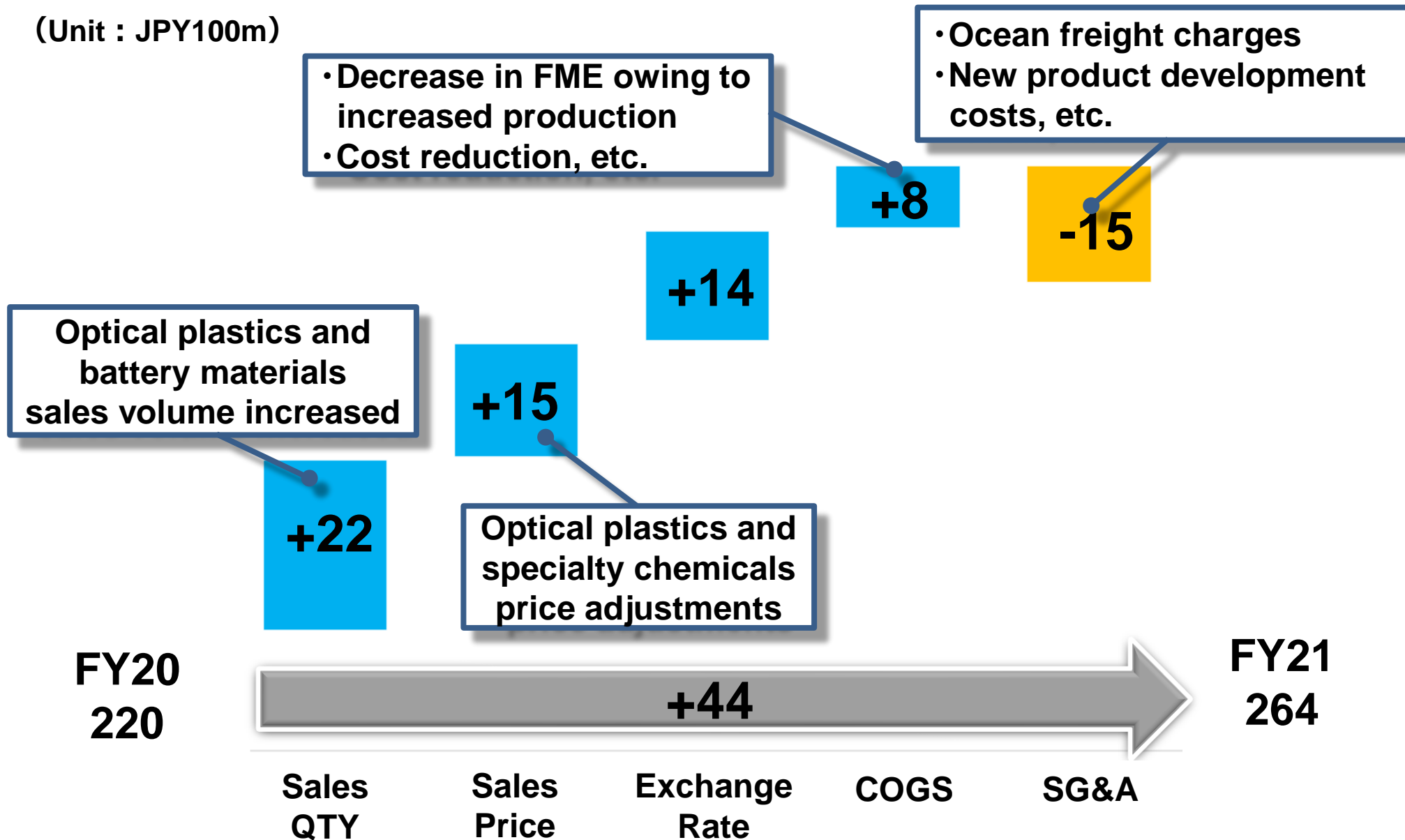
Specialty Materials Operating Income Variance (QoQ)

(Unit : JPY100m)



Specialty Materials Operating Income Variance (YoY Cumulative) ZEON

(Unit : JPY100m)



	YoY	QoQ	YoY (FY)
EV	172%	117%	177%
Consumer use, etc.	80%	111%	92%
Total	142%	116%	145%

■ EV

Demand steady with expansion of EV/PHV markets, primarily in China, Europe, and US

■ Consumer use, etc.

Lull continues in demand for home appliances and mobile devices despite QoQ increase in shipments

Demand for industrial use (ESS) in FY2022 steady with QoQ increase in shipments

	YoY	QoQ	YoY (FY)
Optical use	108%	114%	112%
Medical use, etc.	127%	176%	105%
Total	121%	152%	108%

■ Optical use

Demand for printers sluggish due to semiconductor shortage,
but demand for security cameras steady

■ Medical use, etc.

Demand steady for medical packaging and containers such as prefilled
syringes

Portion not shipped Q3 due to production and logistical factors shipped
together

	YoY	QoQ	YoY (FY)
For small-to-medium size	80%	95%	92%
For Large size FPD	107%	104%	108%
Total	101%	103%	104%

- For small-to-medium size
Sales volume down due to in the in-between season for smartphones and reduced tablet production
Expected to recover in Q1 FY2022 with launch of next model
- For large size
Demand steady, especially in Chinese market
Impact of changes in LCD panel market situation on our films minor

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(Unit : JPY100m)

Total assets 4,847 (+358)

()=Vs. end of FY2020

[Current assets]	+41.7B JPY
◆ Cash and deposits	-4.7B JPY
◆ Accounts receivable	+17.9B JPY
◆ Inventory assets	+25.7B JPY

[Current liabilities]	+24.8B JPY
◆ Trade payables	+17.1B JPY
◆ Corporate bonds changed from long-term to short-term	+10.0B JPY

Current assets
2,749
(+417)

Current liabilities
1,387
(+248)

Long-term liabilities 242 (-126)

Total net assets
3,218
(+236)

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

Fixed assets
2,097
(-59)

[Non-current assets]	-5.9B JPY
◆ Property, plant and equipment	+0.7B JPY
◆ Investment securities	-5.5B JPY

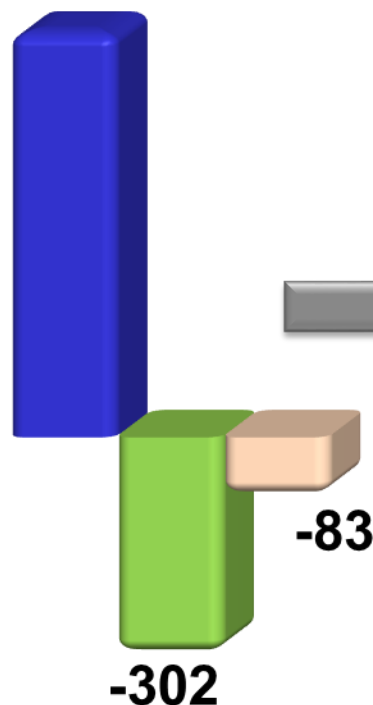
[Net assets]	+23.6B JPY
◆ Equity ratio	65.7% (-0.0)
◆ D/E ratio	0.06 (±0.00)

(Unit : JPY100m)

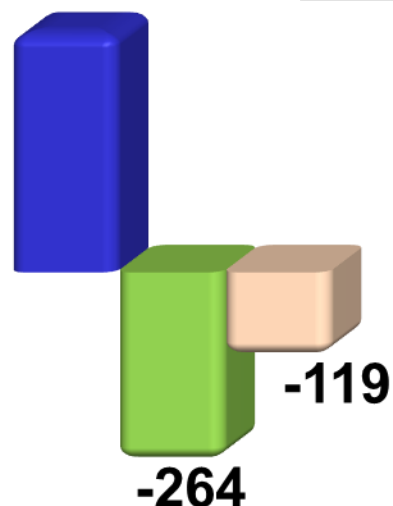
(Unit : JPY100m)

FY2020

561

FY2021

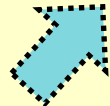
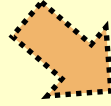
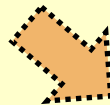
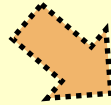
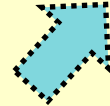
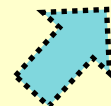
331



	FY2020	FY2021
CF from Operating Act.	561	331
CF from Investing Act.	-302	-264
Free CF	258	67
CF from Financing Act.	-83	-119
CF	176	-52

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

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		FY2022*		
Elastomer Business (Unit: JPY100m)	Sales FCST	OP. income FCST	Anticipated business environment in FY2022	
	2,170	160	Net sales +164 OP. income -26 vs. FY2021	
	Synthetic rubbers			Adjust sales prices according to raw material prices Increase in FME due to repairs at main plant
	Latexes			Decline in selling price of glove latex
	Chemicals			Adjust prices according to raw material prices Decrease in FME with completion of repairs at main plant in FY2021

* Trend in FY2022 is in comparison to FY2021

- Despite increase in sales compared to FY2021 with adjustment of sales prices according to raw material prices, OP income expected to be down due to increase in FME associated with repairs at main synthetic rubbers plant and decline in prices of glove latex

FY2022*		Anticipated business environment in FY2022
Specialty Materials	OP. income FCST	
(Unit: JPY100m)	Sales FCST	
	1,230	300
Optical plastics		
Optical films		
Battery materials		

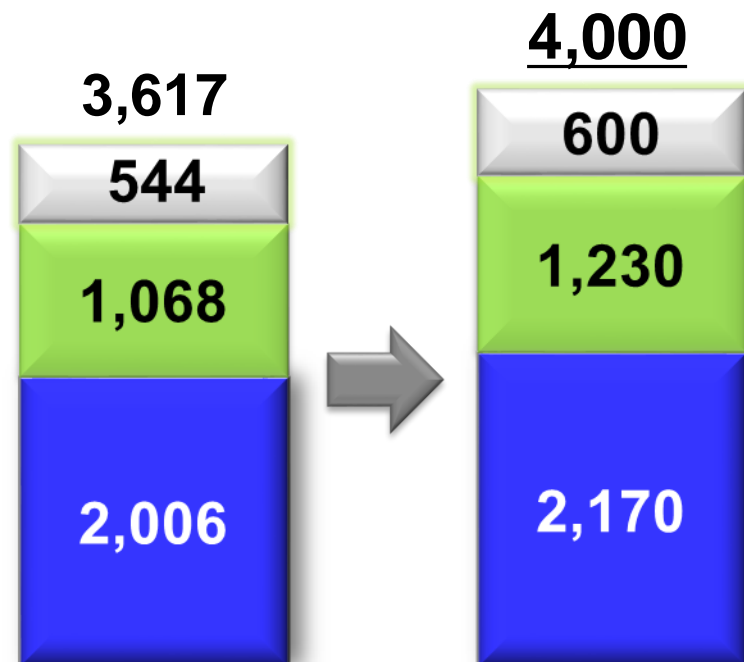
* Trend in FY2022 is in comparison to FY2021

* Only significantly impacted businesses shown

■ Both sales and profits expected to be up owing to steady demand compared to FY2021

[Net Sales]

(Unit : JPY100m)



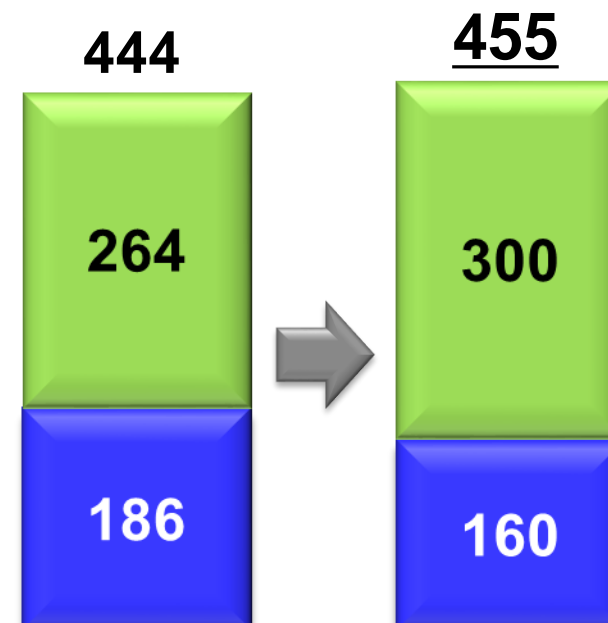
FY2021

FY2022

■ Elastomer Business ■ Specialty Materials Biz. ■ Others/Eliminations, etc.

[Operating Income]

(Unit : JPY100m)



FY2021

FY2022

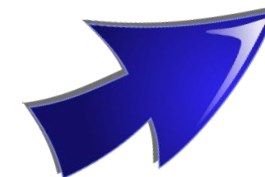
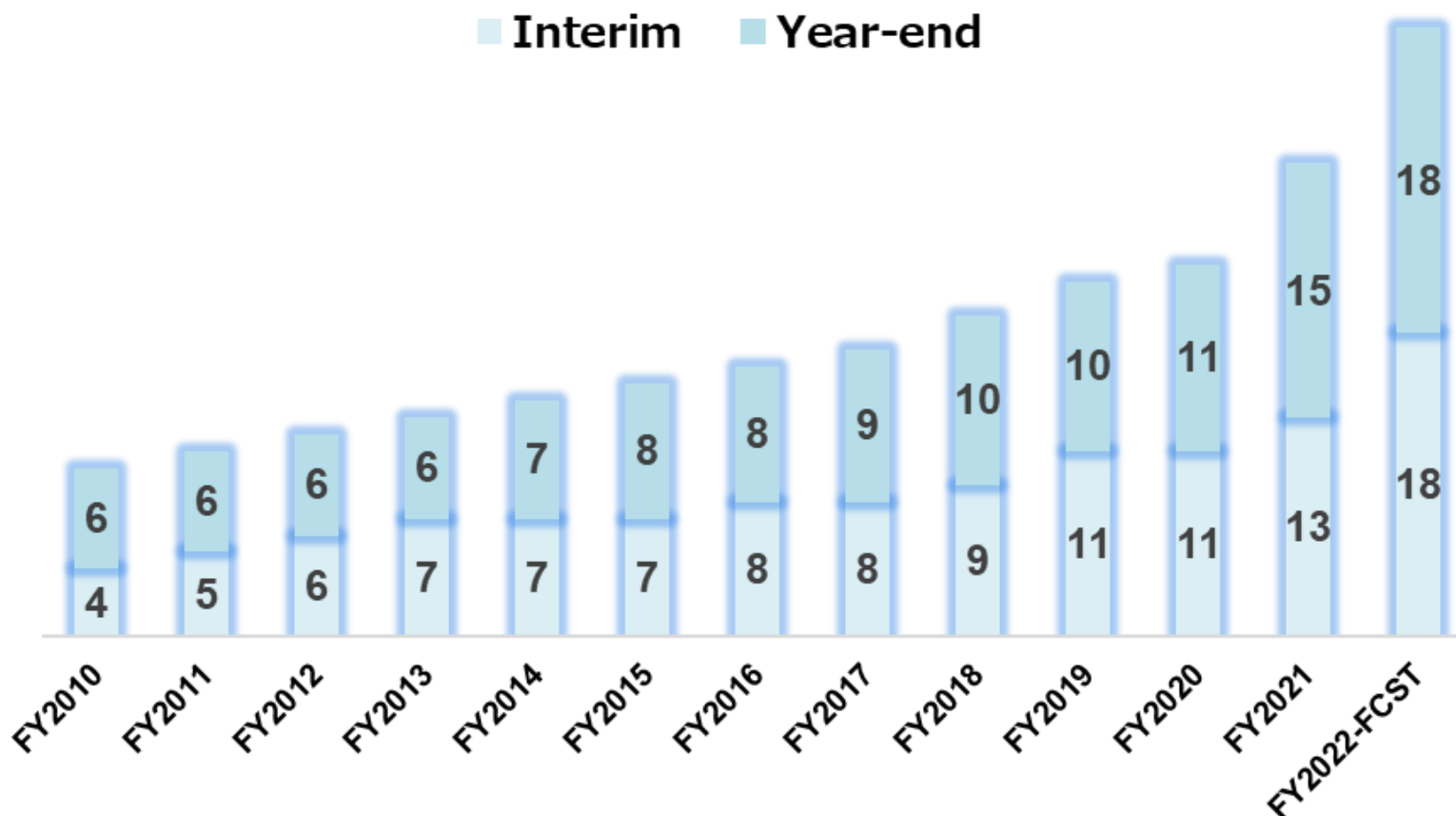
■ Elastomer Business ■ Specialty Materials Biz.

■ FY2022 full-year performance forecasts of 400.0B JPY in net sales and 45.5B JPY in operating income

FY2022 assumptions:

- US\$=120 JPY, €=135 JPY, Naphtha=60,000 JPY, Asian butadiene=US\$1,000
- Logistical situation similar to Q4 FY2021
- Minor impact of COVID-19 and Russia/Ukraine situation on procurement and production

(Unit: JPY)



**Stable and continuous dividends
(no change in policy)**

**Dividend forecast: Interim ¥18/share, at the year-end ¥18/share
⇒ total ¥36/share/year (+¥8 from previous year's result)**
















Next Announcement of Financial Statements

The 1st quarter of FY2022	July. 28th , 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.










	FY2021 (vs. FY2021 FCST)			
Business	Ship ments	Sales	OP. income	Difference
Elastomers	—	+16	-7	
Synthetic rubbers				Price adjustments associated with soaring raw material prices Loss on disposal inventories and indirect department cost allocation increased
Chemicals				Price adjustments associated with soaring raw material prices Indirect department cost allocation increased
Specialty Materials	—	-22	+1	
Optical plastics				Shipments delayd, sales mixed FME decreased owing to increased production
Optical films				Sales volume for tablets decreased due to the semiconductor shortage
Specialty chemicals				Price adjustments associated with soaring raw material prices

Reference: Latexes Net Sales Variance (YoY Cumulative)










(Unit : JPY100m)











	Q4 FY2020	Q3 FY2021	Q4 FY2021	YoY	YoY(%)	QoQ	QoQ(%)
ASP (20/4=100)							
Latexes	100	124	109	9 pt	9 %	-15 pt	-12 %

Q4 FY2021 (vs. Q3 FY2021)				
Business	Shipments	Sales	OP. income	Business Trends
Synthetic rubbers				Shipments for tires up, price adjustments associated with soaring raw material prices Ocean freight charges, repair costs and indirect department cost allocation increased
Latexes				Continued distribution inventory adj. for glove latex Sales prices at a lull, soaring raw material prices and ocean freight charges
Chemicals				Continued steady demand for e-commerce Indirect department cost allocation increased despite in price adjustments associated with soaring raw material prices

Reference: Q4 Business Trends (Specialty Materials, QoQ) **ZEON**

Q4 FY2021 (vs. Q3 FY2021)				
Business	Ship ments	Sales	OP. income	Business Trends
Optical plastics				Demand steady, driven by medical use, etc. ASP down due to sales mix Decreased in FME owing to increased production
Optical films				In the in-between season for small-to-medium size for smartphones For large size FPD steady
Battery materials				EV and consumer use, etc. both performing well

Use	FY2022*		Business trends
	FY2021	FY2022	
Large size TVs			Demand steady for large size TVs despite of panel prices down
Smartphones			Demand flat compared with FY 2021 owing to the progress on shift to OLED
Tablets			Demand flat compared with FY 2021 owing to homeschooling and educational demand
Note PCs			Demand steady owing to market expanding in conjunction with increased capacity of customers

*FY2022 trends are based on our view as of FY2021

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

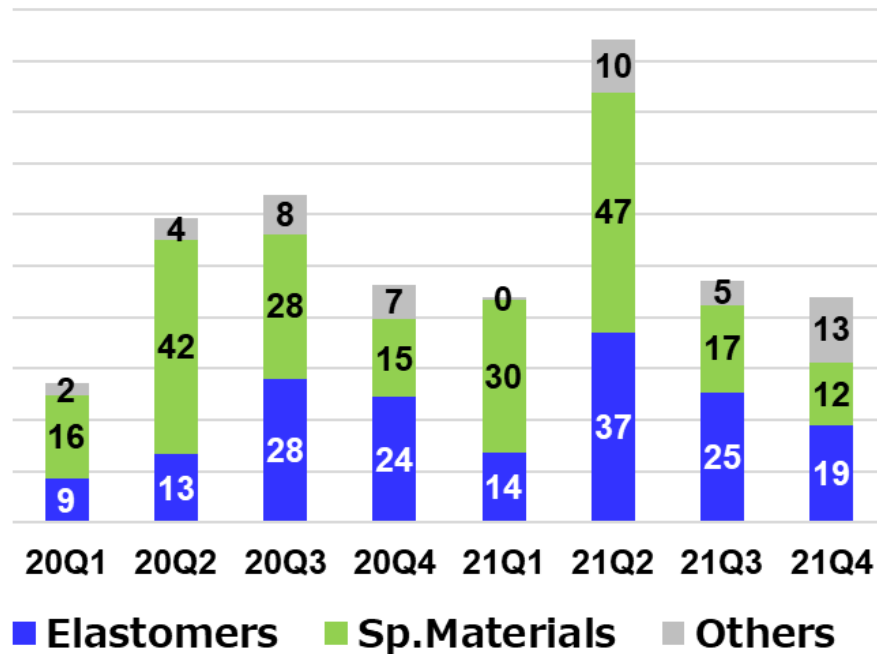
Resurgence of COVID-19

Drop in Butadiene

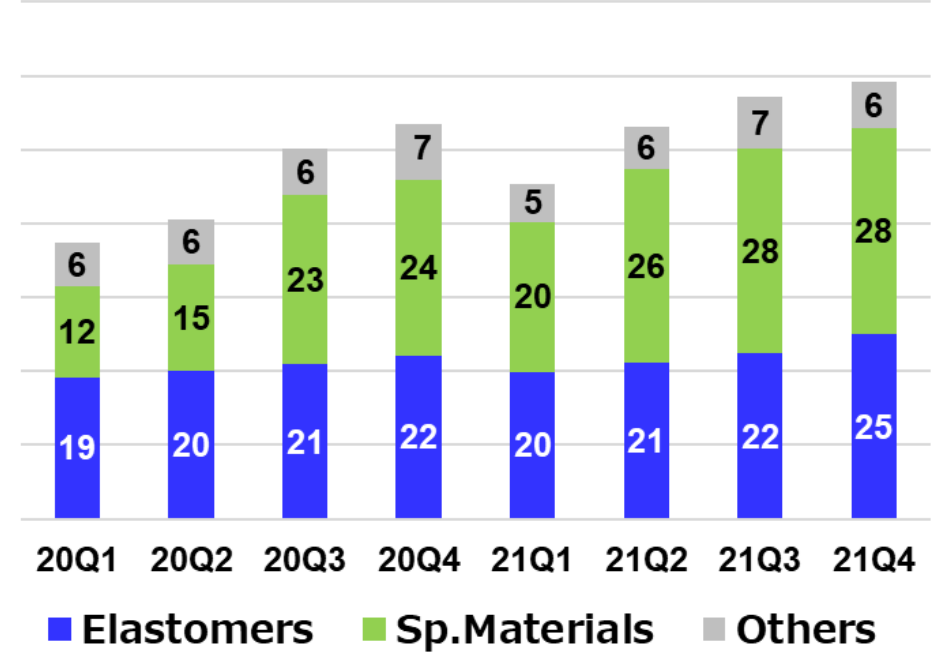
**Decreased production of
mobile devices**

(Unit : JPY100m)

[Capital Expenditures]



[Depreciation & Amortization]



FY2020 Act.
196



FY2021 Act.
229



FY2022 FCST
380

FY2020 Act.
182



FY2021 Act.
215



FY2022 FCST
215