

Financial Results

The 1st Quarter of FY2022 (Apr. 1- Jun. 30)



July 28, 2022
ZEON CORPORATION

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[Summary]

- ◆ In Q1 consolidated results, sales were up, but profits were down YoY, while both sales and profits were up QoQ.
- ◆ COVID 19 continued to have a minor impact on procurement, but no impact on production.

[Elastomer Business Overview]

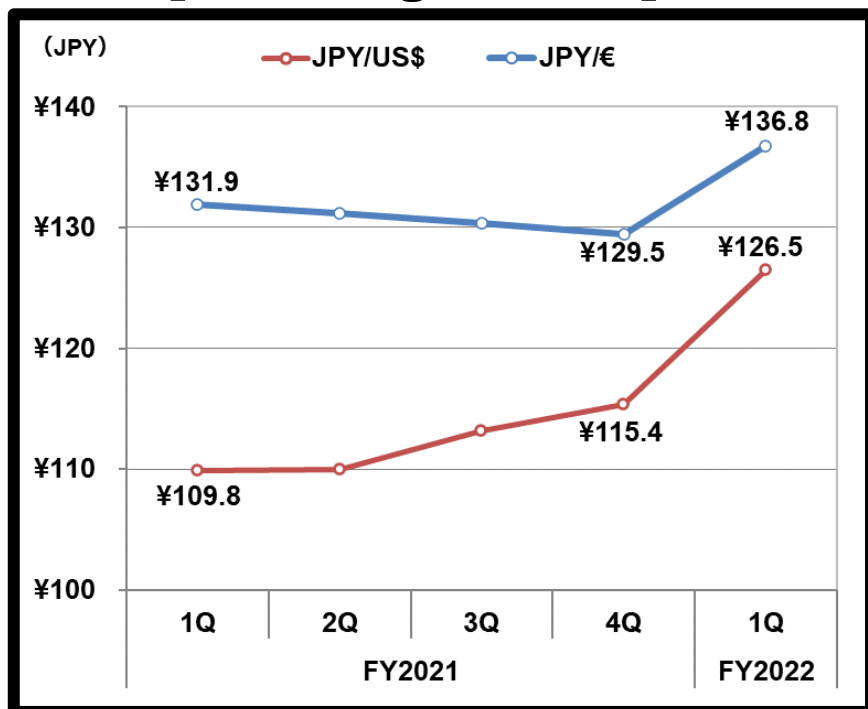
- ◆ Progress was made on selling price adjustments in conjunction with the sharp rise in raw material prices. Both sales and profits were up QoQ. Due to decreased sales volume and selling price of latexes , sales were up, but profits were down YoY.
- ◆ Adjusted sales volume and inventory for regular repairs at synthetic rubber plants.

[Specialty Materials Business Overview]

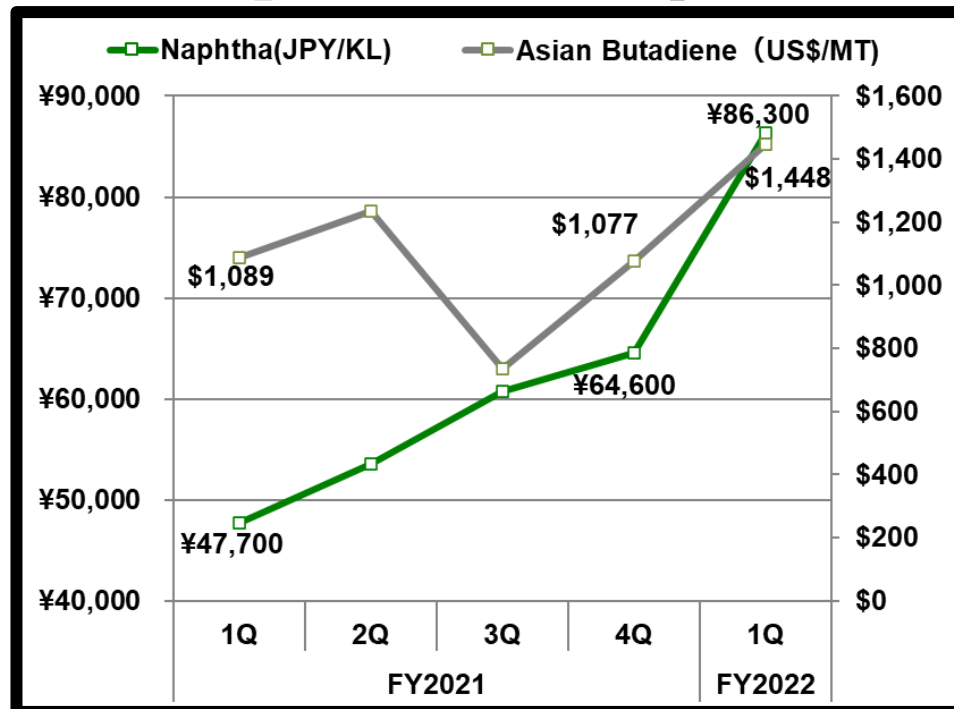
- ◆ Net sales were up YoY and QoQ. Operating income was up QoQ but down YoY due to soaring raw material prices.
- ◆ Demand was steady primarily for battery materials, specialty chemicals, and optical films.

Q1 FY2022 Business Environment (Trends in Exchange Rates and Prices of Raw Materials)

[Exchange Rates]



[Raw Materials]



	Q1 FY2021	Q4 FY2021	Q1 FY2022	YoY(%)	QoQ(%)
JPY/US\$	¥109.8	¥115.4	¥126.5	+15%	+10%
JPY/€	¥131.9	¥129.5	¥136.8	+4%	+6%
Naphtha(JPY/KL)	¥47,700	¥64,600	¥86,300	+81%	+34%
Asian Butadiene(US\$/MT)	\$1,089	\$1,077	\$1,448	+33%	+34%

*Naphtha: Figures for Q1 FY2021 and Q4 FY2021 are confirmed, while the figure for Q1 FY2022 is our estimate.

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(Unit : JPY100m)

	Q1 FY2021	Q4 FY2021	Q1 FY2022	YoY	QoQ
Net Sales	872	930	976	+104	+46
Operating Income	139	80	107	-31	+27
Ordinary Income	148	103	129	-19	+26
Net Income	101	60	87	-13	+27

■ YoY: Net Sales +10.4B JPY, Operating Income -3.1B JPY

■ QoQ: Net Sales +4.6B JPY, Operating Income +2.7B JPY

Note: Results at overseas subsidiaries from January to March 2022 are reflected in Q1 consolidated results.

Q1 FY2022 Performance Summary (By Segment)

(Unit : 100m)

Net Sales

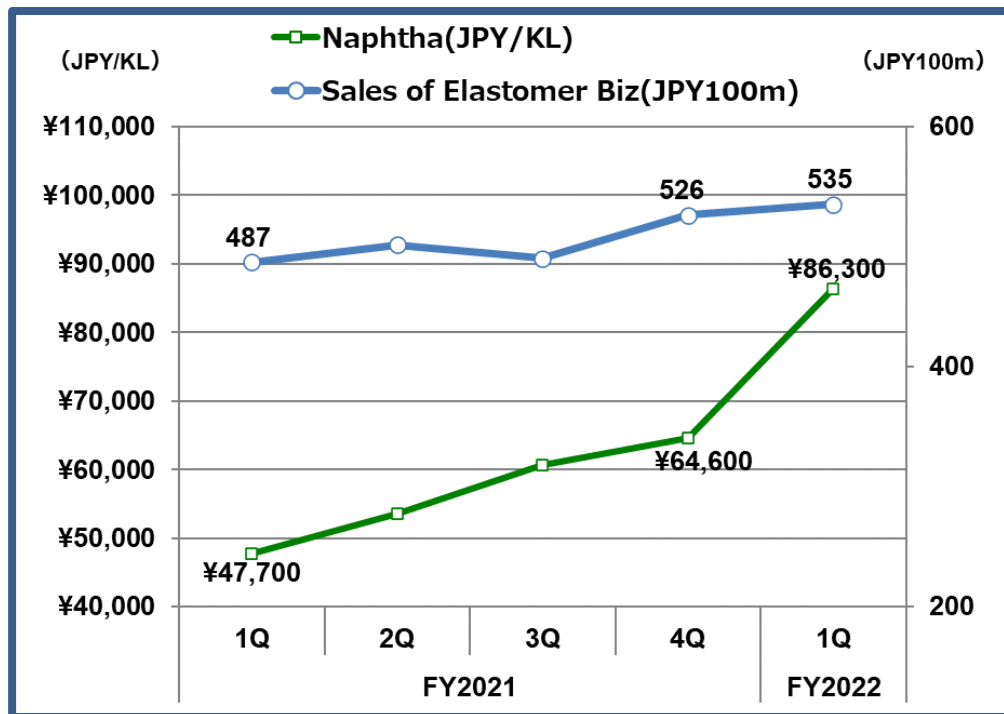
	Q1 FY2021	Q4 FY2021	Q1 FY2022	YoY	QoQ
Elastomer Business	487	526	535	+48	+9
Specialty Materials Biz.	252	265	301	+49	+36
Others/Eliminations, etc.	133	139	140	+7	+1
Net Sales (consolidated)	872	930	976	+104	+46

Operating Income

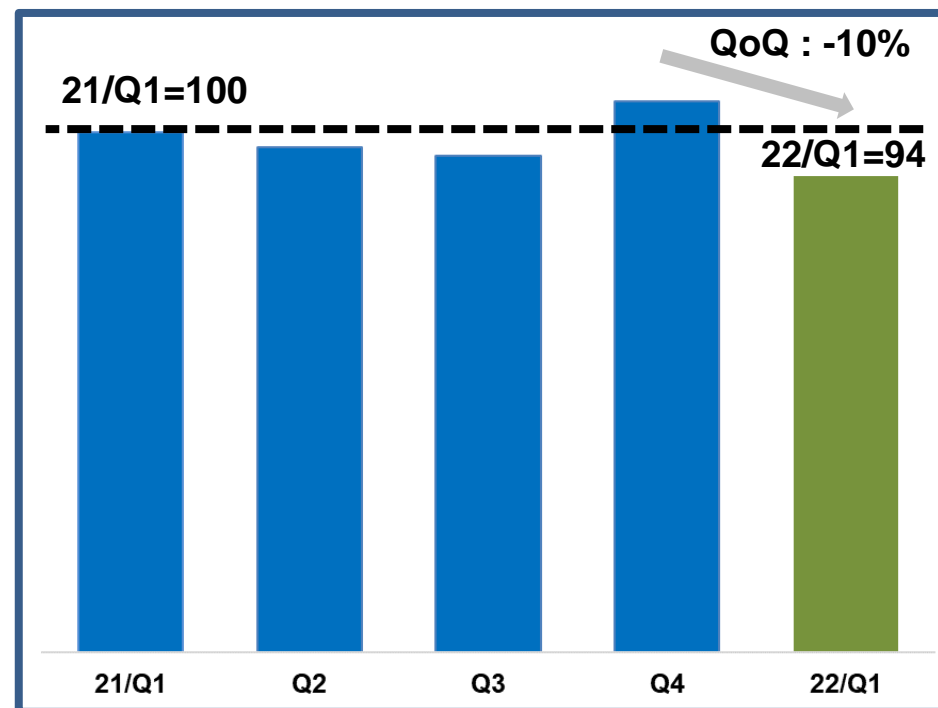
	Q1 FY2021	Q4 FY2021	Q1 FY2022	YoY	QoQ
Elastomer Business	61	27	41	-20	+14
Specialty Materials Biz.	78	60	70	-8	+10
Others/Eliminations, etc.	0	-6	-3	-3	+3
Net Sales (consolidated)	139	80	107	-31	+27

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[Naphtha Price vs. Elastomer Sales]



[Synthetic Rubber Sales Volume]



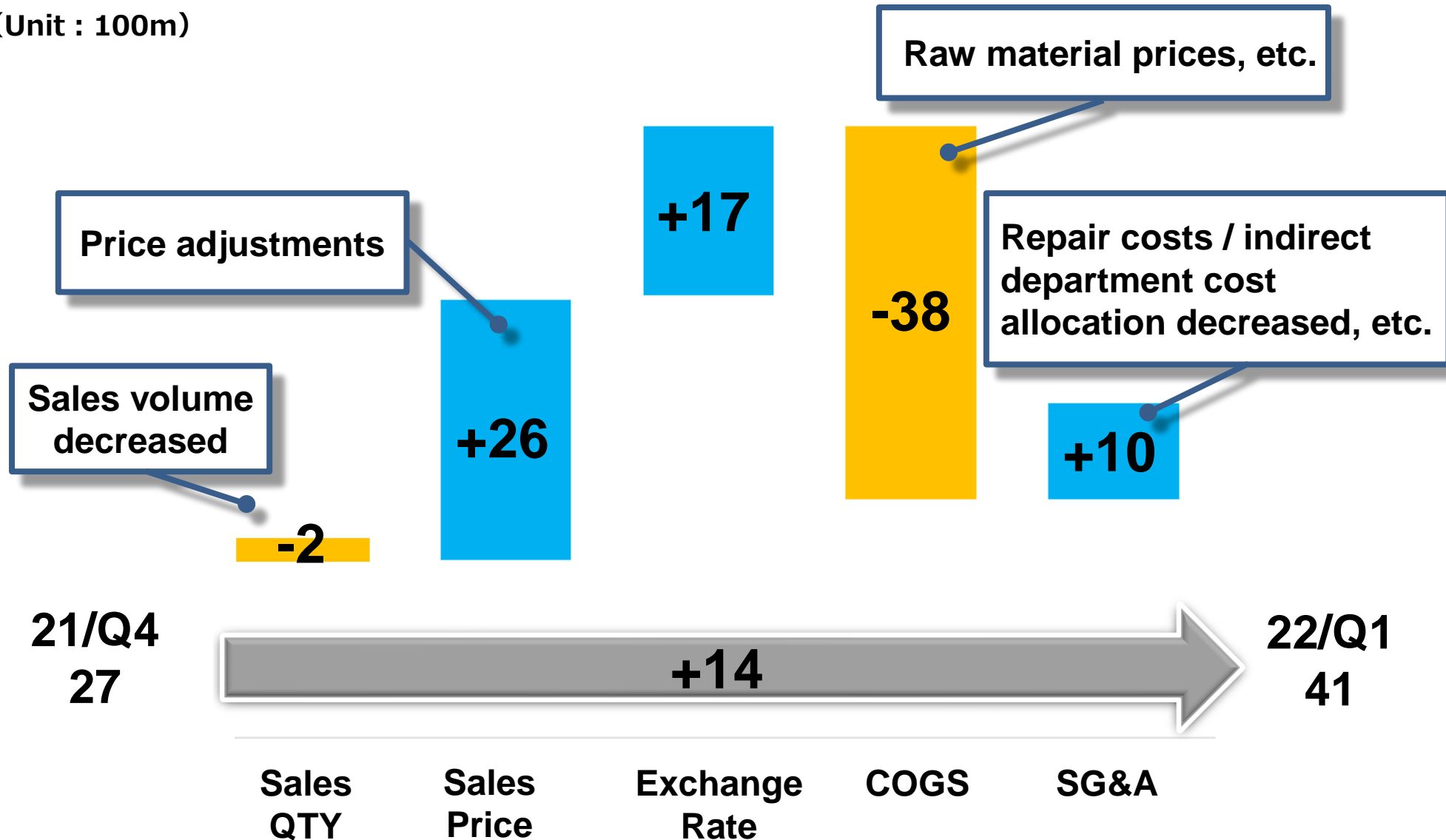
- Progress was made on selling price adjustments in conjunction with rising Naphtha prices, but net sales were up slightly QoQ due to decreased sales of latexes.
- The sales volume was adjusted for regular repairs at synthetic rubber plants, so it was down YoY and QoQ.

(Unit : 100m)	Q1 FY2021	Q4 FY2021	Q1 FY2022	YoY	YoY(%)	QoQ	QoQ(%)
Sales Volume (21/Q1=100)	100	97	86	-14 pt	-14 %	-10 pt	-11 %
Synthetic rubbers	100	104	94	-6 pt	-6 %	-10 pt	-10 %
Latexes	100	73	60	-40 pt	-40 %	-13 pt	-18 %
Chemicals	100	102	94	-6 pt	-6 %	-8 pt	-8 %
Net Sales	487	526	535	48	10 %	9	2 %
Synthetic rubbers	308	354	374	66	22 %	20	6 %
Latexes	76	46	36	-40	-52 %	-10	-21 %
Chemicals	95	116	116	21	23 %	0	0 %
Others/Eliminations	8	10	9	0	4 %	-2	-16 %
Operating Income	61	27	41	-20	-33 %	14	51 %
Operating income ratio	12%	5%	8%				

- **Sales Volume:** Excess latex distribution inventory, down YoY and QoQ
- **Net Sales:** Up both YoY and QoQ with progress on synthetic rubber and chemical selling price adjustments
- **Operating Income:** Down YoY due to decreased sales volume and selling price of latexes. Up QoQ owing to decrease of repair costs and indirect department cost allocation, etc.

Elastomer Business Operating Income Variance (QoQ)

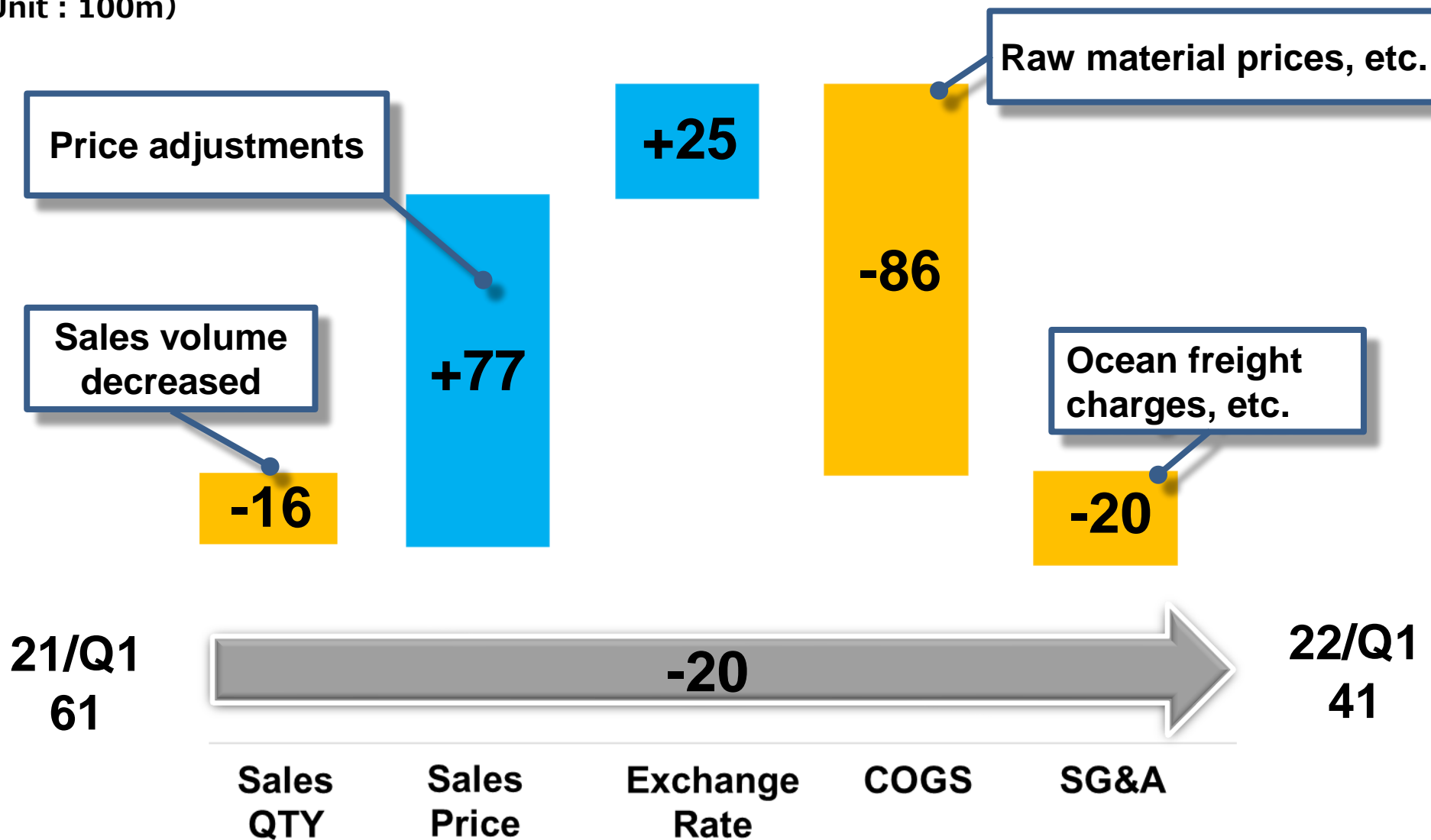
(Unit : 100m)



Elastomer Business Operating Income Variance (YoY)

ZEON

(Unit : 100m)



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(Unit : 100m)

	Q1 FY2021	Q4 FY2021	Q1 FY2022	YoY	YoY(%)	QoQ	QoQ(%)
Net Sales	252	265	301	49	20 %	36	14 %
Specialty plastics	156	151	177	21	14 %	26	17 %
* Specialty chemicals	83	101	113	30	37 %	13	12 %
Medical devices, etc.	13	14	11	-2	-18 %	-3	-21 %
Operating Income	78	60	70	-8	-10 %	10	17 %
Operating Income ratio	31%	23%	23%				

* Specialty plastics : Optical plastics and optical films

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

● Net Sales

Specialty plastics: Up YoY and QoQ

Optical plastics adjust selling prices in YoY, optical films for small-to-medium size sales volume up in QoQ

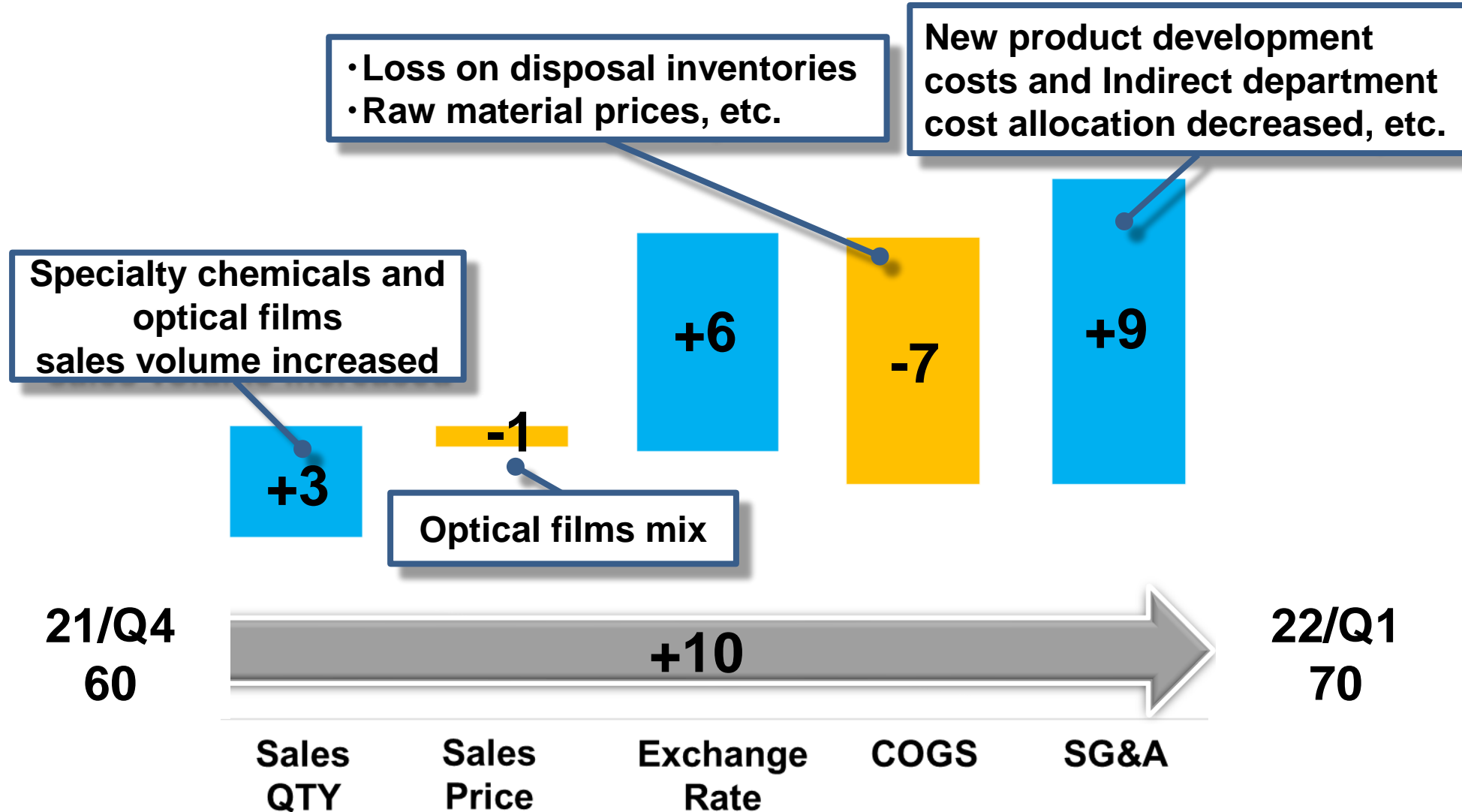
Specialty chemicals: Up YoY and QoQ

Battery material and chemical fragrance sales volume up

- **Operating income was down YoY due to soaring raw material prices but up QoQ owing to sales volume up of optical films for small-to-medium size**

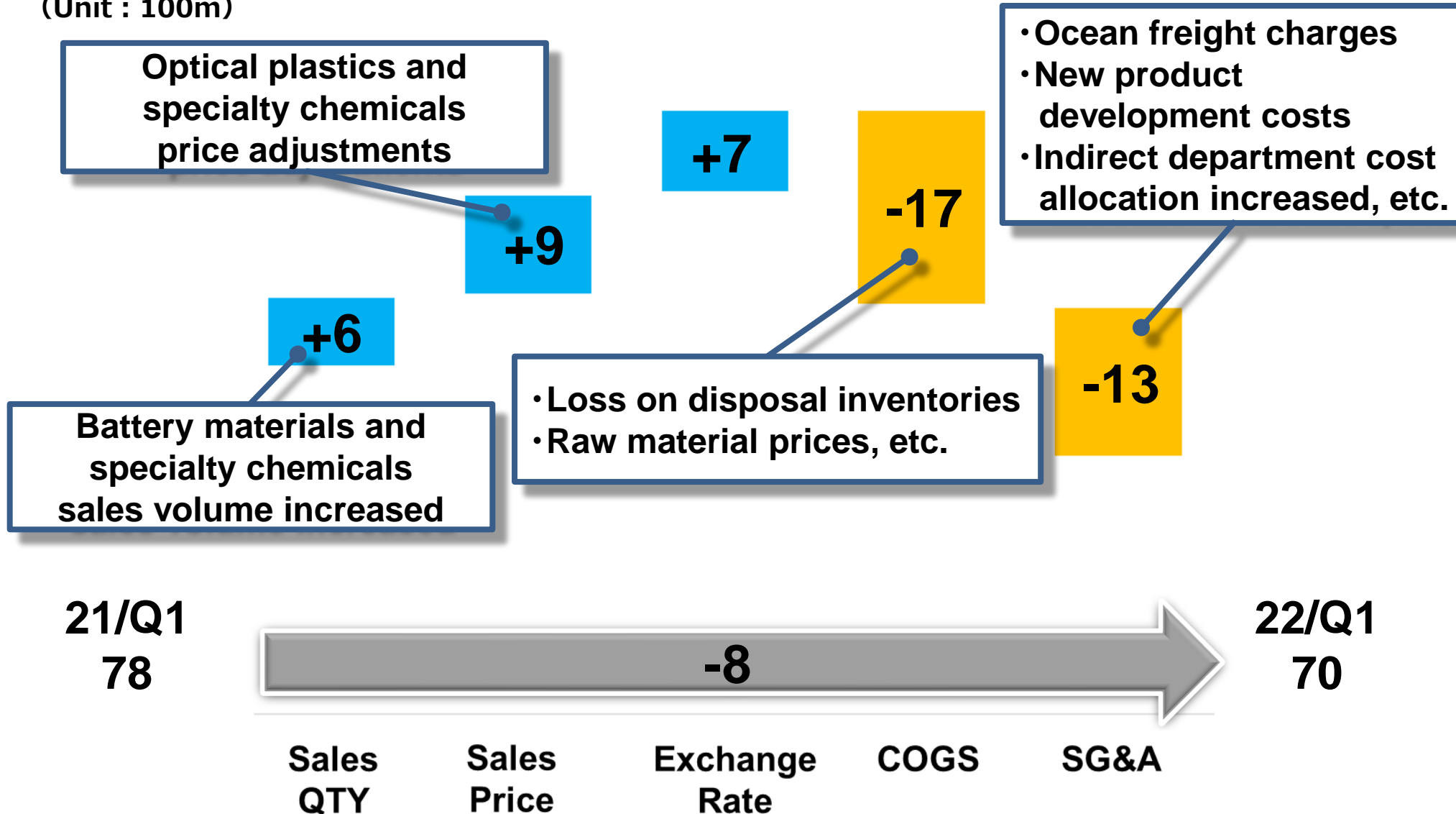
Specialty Materials Operating Income Variance (QoQ)

(Unit : 100m)



Specialty Materials Operating Income Variance (YoY)

(Unit : 100m)



	YoY	QoQ
EV	135%	106%
Consumer use, etc.	62%	78%
Total	116%	101%

■ EV

Demand was steady due to the expansion of EVs and PHVs, mainly for China, Europe and the United States, despite some impact from the lockdown in China and soaring LIB raw material prices.

■ Consumer use, etc.

Demand peaked out and lull continues for home appliances and mobile devices. Demand for industrial use (ESS) were steady.

	YoY	QoQ
Optical use	78%	71%
Medical use, etc.	115%	78%
Total	102%	76%

- **Optical use**
Demand decreased for smartphones and printers due to decline in customer operations caused by COVID-19 and semiconductor shortage
- **Medical use, etc**
Demand steady for medical packaging and containers such as prefilled syringes and for semiconductor use.
Sales volume down QoQ due to combined shipments in previous quarter arising from production and logistical factors

	YoY	QoQ
For small-to-medium size	105%	131%
For Large size FPD	100%	98%
Total	101%	104%

■ For small-to-medium size

Sales volume up owing to an increase in next-generation model startup production for smartphones

Lull in demand expected starting in Q2 despite strong demand for tablets and laptops in Q1.

■ For Large size

Flat YoY and QoQ due to panel inventory adjustments in market

Sales volume continued to decrease in Q2 due to ongoing inventory adjustments with recovery expected in Q3

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(Unit : 100m)

Total assets 4,981 (+134)

()=vs end of FY2021

[Current assets]	+6.4B JPY
◆ Cash and deposits	-17.5B JPY
◆ Accounts receivable	+12.7B JPY
◆ Inventory assets	+12.7B JPY

Current
assets
2,814
(+64)

Fixed
assets
2,167
(+70)

[Non-current assets]	+7.0B JPY
◆ Property, plant and equipment	+2.5B JPY
◆ Investment securities	+2.9B JPY

[Current liabilities]	+7.5B JPY
◆ Trade payables	+17.0B JPY
◆ Redemption of corporate bonds	-10.0B JPY

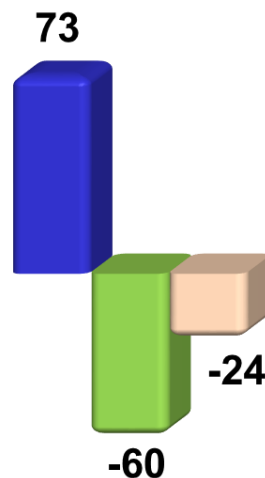
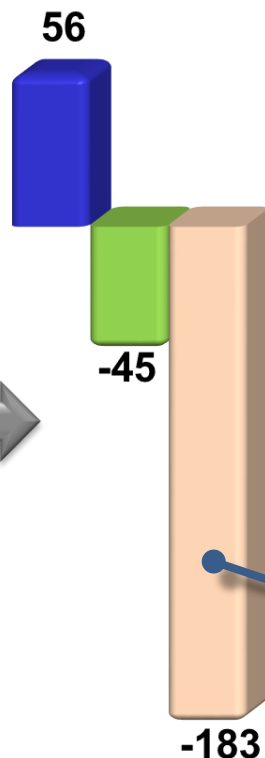
Current
liabilities
1,461
(+75)

Long-term liabilities 239 (-0.3)

Total
net
assets
3,281
(+6.2)

[Net assets]	+6.2B JPY
◆ Equity ratio	65.2% (-0.6)
◆ D/E ratio	0.03 (-0.03)

(Unit : 100m)

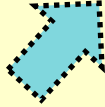
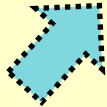
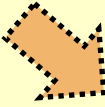
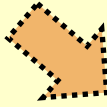
Q1-FY2021Q1-FY2022

	Q1 FY2021	Q1 FY2022
CF from Operating Act.	73	56
CF from Investing Act.	-60	-45
Free CF	12	10
CF from Financing Act.	-24	-183
CF	-12	-173

- Redemption of corporate bonds -10.0B JPY
- Purchase of treasury shares -4.0B JPY
- Other -4.3B JPY

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

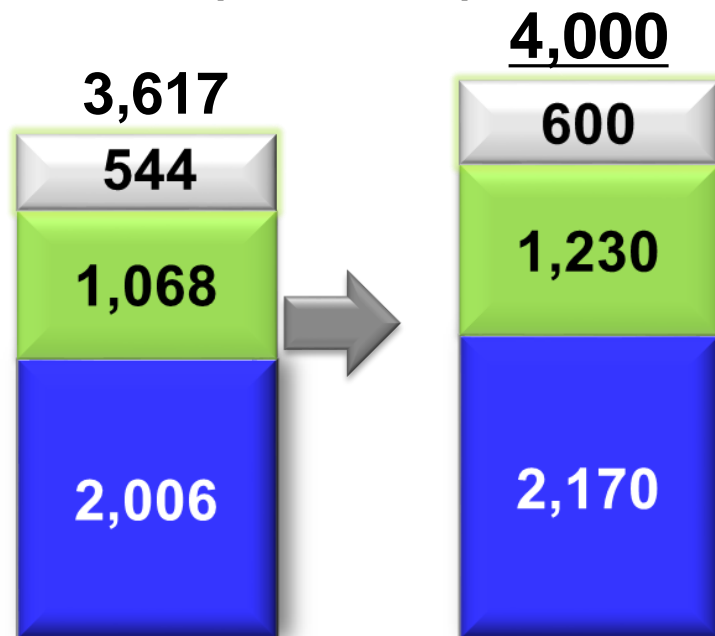
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		FY2022 H1 landing FCST		
(Unit: JPY100m)		Net sales FCST	OP. income FCST	FY2022 H1 business environment
		1,990	215	
	Elastomers			Synthetic rubber: Both sales and OP. income up with steady demand and progress of selling price adjustments Latexes: Both sales and OP. income down due to prolonged excess distribution inventory Chemicals: Sales flat with price adjustments despite decrease in sales volume O.P. income down due to soaring packaging material prices
	Specialty Materials			Optical plastics: Sales flat with steady demand for medical and other uses despite lull in demand for smartphones O.P. income down due to soaring raw material prices Optical films: Both sales and OP. income down due to panel inventory adjustments and lackluster demand for tablets and laptops for home and educational use Specialty chemicals: Both sales and OP. income up with steady demand Battery materials: Both sales and OP. income down due to lockdowns in China in Q1 Polymerized toner: Both sales and OP. income up with steady demand

*FY2022 H1 landing forecasts against FY2022 performance forecast

[Net Sales]

(Unit : 100m)



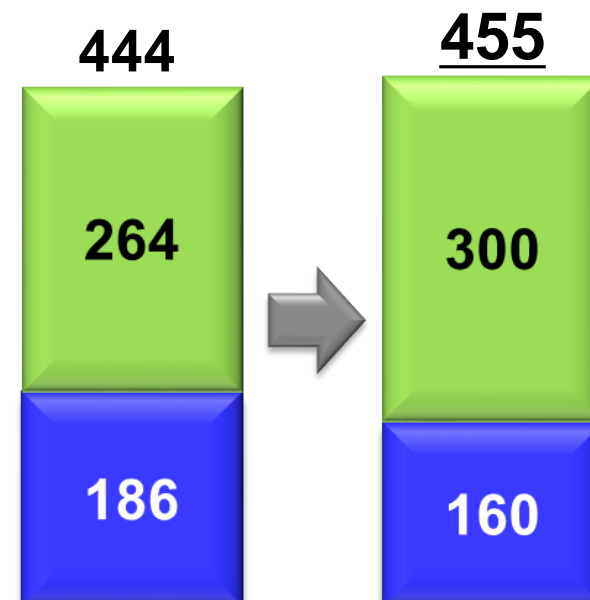
FY2021

FY2022

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

[Operating Income]

(Unit : 100m)



FY2021

FY2022

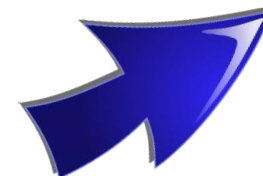
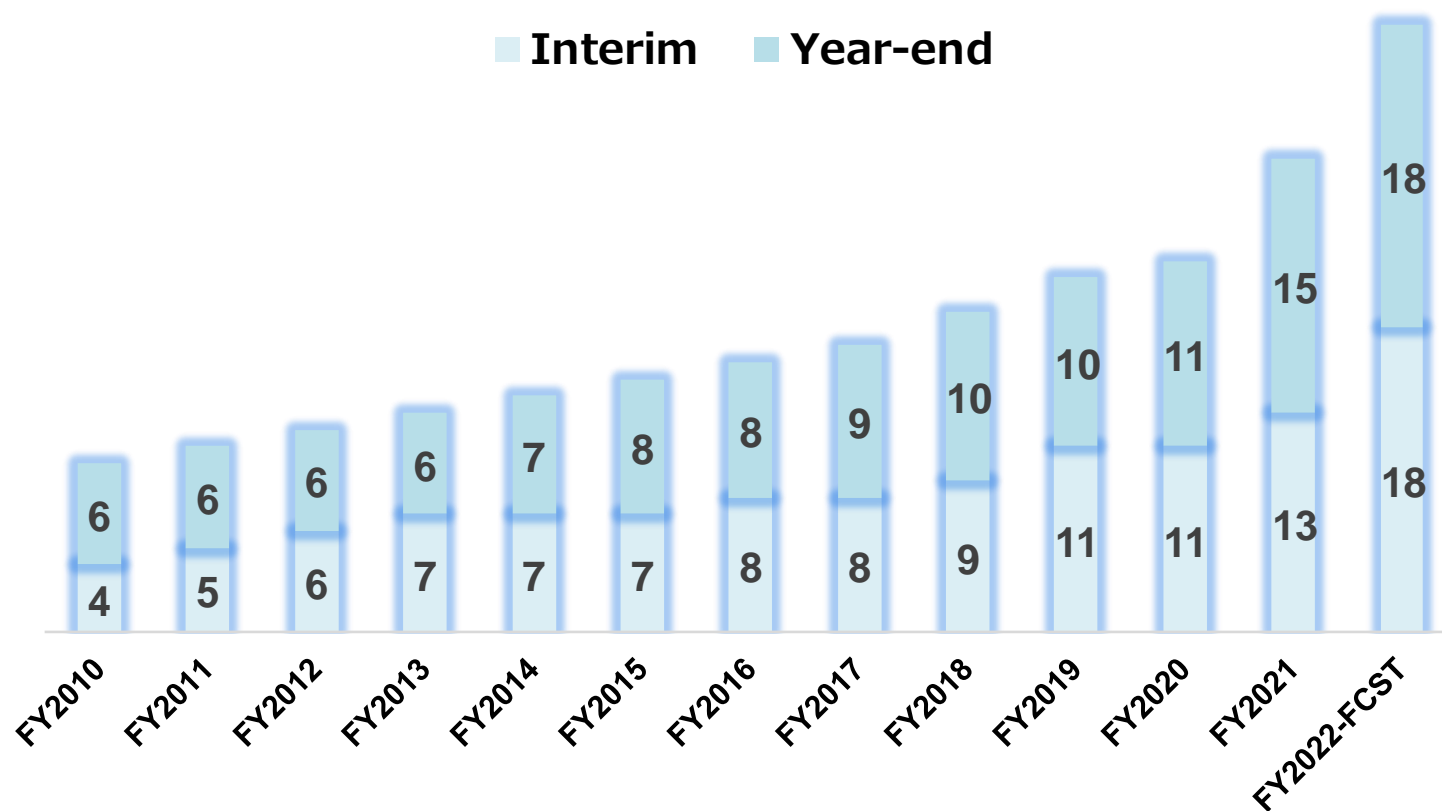
■ Elastomer Business ■ Specialty Materials Biz.

- Leave as it is from original performance forecast
- Even if original exchange rate and raw material prices are revised to the latest ones, the forecast for H1 will not change.

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)**

- Leave as it is from original dividend forecast
- 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 2nd quarter of FY2022	October. 31st , 2022
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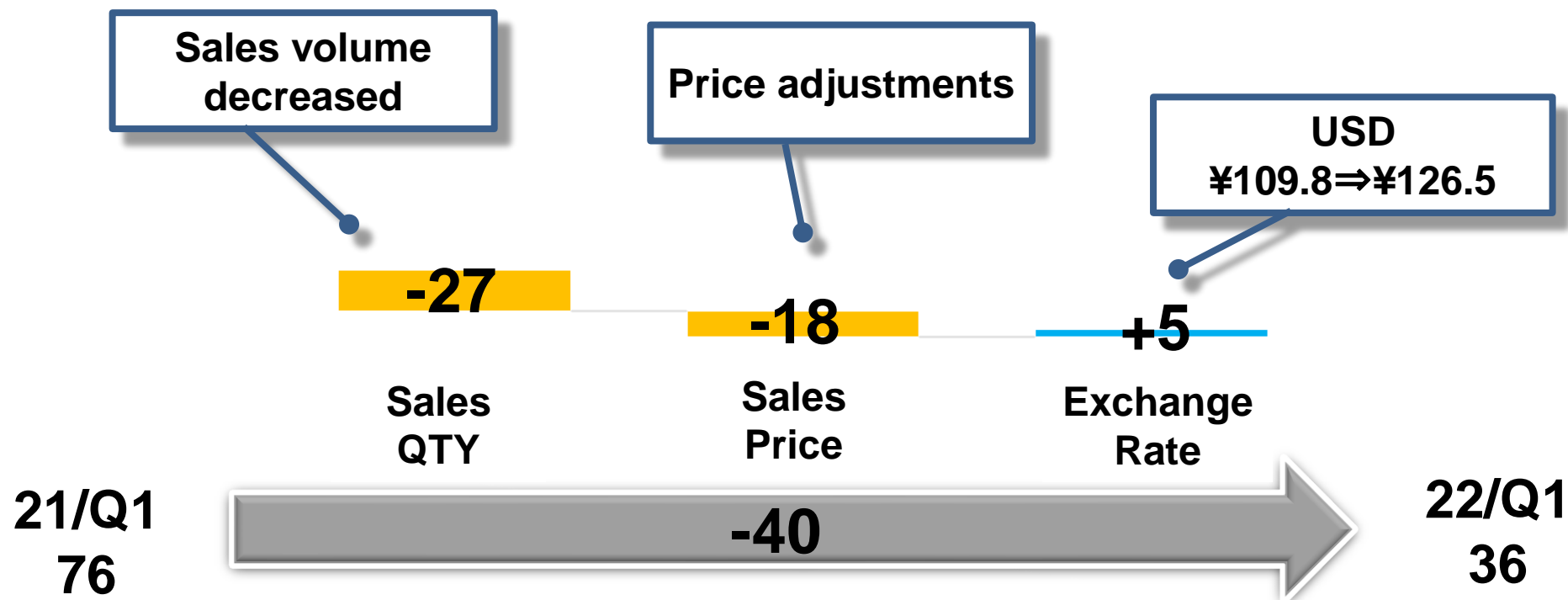
Subject to change without notice

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.










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: Latexes Net Sales Variance (YoY)









(Unit : 100m)



	Q1 FY2020	Q1 FY2021	Q4 FY2021	Q1 FY2022	YoY	YoY(%)	QoQ	QoQ(%)
ASP								
21/1Q=100		100	83	80	-20 pt	-20 %	-3 pt	-4 %
20/1Q=100	100	191	159	153	-	-	-	-

FY2022 Q1 (vs. FY2021 Q4)				
Business	Sales volume	Sales	OP. income	Business Trends
Synthetic Rubbers				Sales volume of specialty rubbers up, selling price adjustments made Repair costs and indirect department cost allocation decreased
Latexes				Continued excess distribution inventory for glove latex Selling price at a lull, soaring raw material prices
Chemicals				Lull in demand due to weaker business sentiment, progress on selling price adjustments Decrease in indirect department cost allocation

FY2022 Q1 (vs. FY2021 Q4)				
Business	Sales volume	Sales	OP. income	Business Trends
Optical plastics				Demand steady, driven by medical use, etc Sales volume combined shipments in Q4 ASP up due to sales mix Soaring raw material prices, increase in loss on disposal inventories
Optical films				Increase in demand for small-to-medium size for smartphones
Battery materials				Favorable despite slight lull for EV due to lockdowns in China

	FY2022 trend in our products		
Use	As of 4/27	As of 7/28	Changes in circumstances
Large size TVs			Decline in consumer mindset worldwide Solar panel market inventory adjustments
Smartphones			Same as FY2021 from end user market share FCST (No change)
Tablets			Decline in consumer mindset worldwide Lackluster demand for home and educational use
Laptops			Same as tablets

*FY2022 trends are based on our view

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

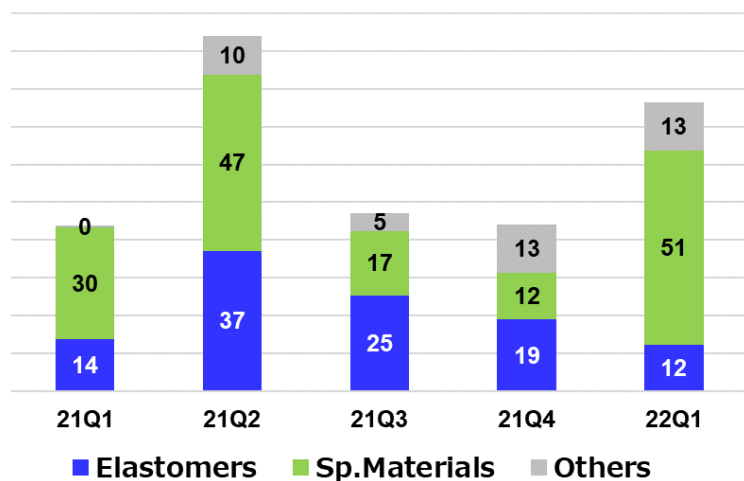
Resurgence of COVID-19

Drop in Butadiene

**Decreased production of
mobile devices**

(Unit : 100m)

[Capital Expenditures]

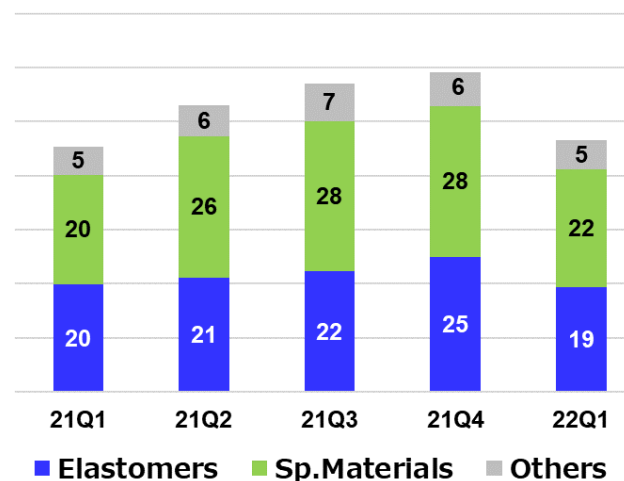


FY2021 Act.
229



FY2022 FCST
380

[Depreciation & Amrtization]

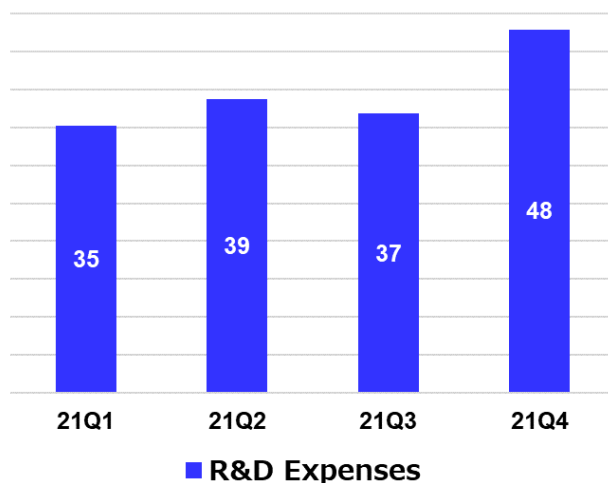


FY2021 Act.
215



FY2022 FCST
215

[R&D Expenses]



FY2021 Act.
159



FY2022 FCST
185