

Financial Results

The 1st Quarter of FY2023 (Apr.1- Jun.30)



July 27, 2023
ZEON CORPORATION

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【 Summary 】

- ◆ In Q1 consolidated results, both sales and profits were down YoY, while sales were down and profits were up QoQ.
- ◆ As for raw material prices, Naphtha was flat, while Asian butadiene was down. The yen depreciated.
- ◆ H1 FY2023 Performance Forecast was revised downward for sales and upward for profits.

[Elastomer Business Overview]

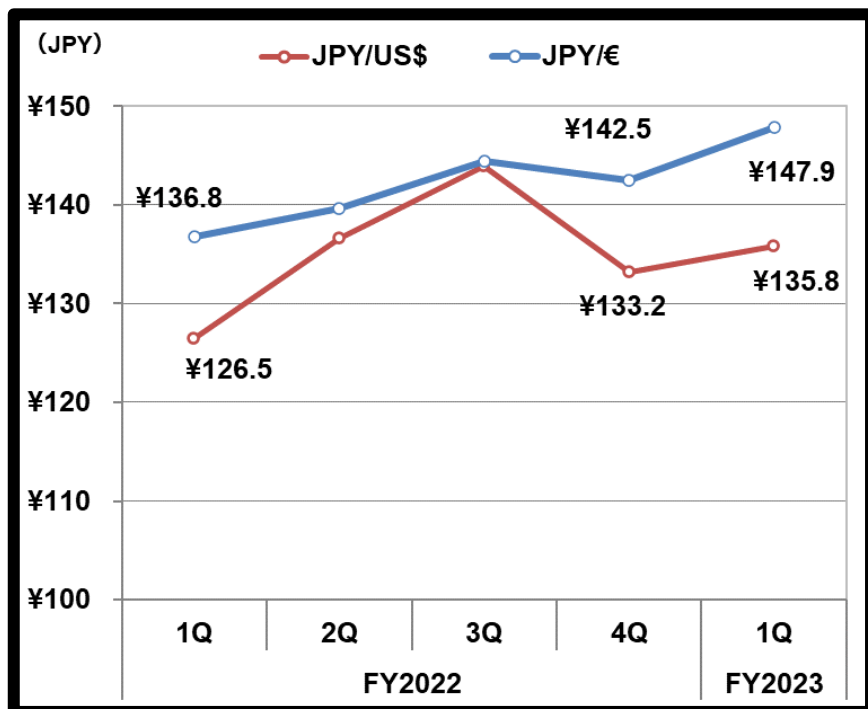
- ◆ Sales and profits were down YoY. With synthetic rubber, it was due to the economic slowdown in China, with chemicals, the slow recovery in demand, and with latexes, the easing supply-demand balance for gloves.
- ◆ On the other hand, synthetic rubber boosted operating income for the Elastomer Business overall due to the impact of foreign exchange rate fluctuations and the reversal of loss on disposal and valuation for inventories, resulting in an increase in profits QoQ.

[Specialty Materials Business Overview]

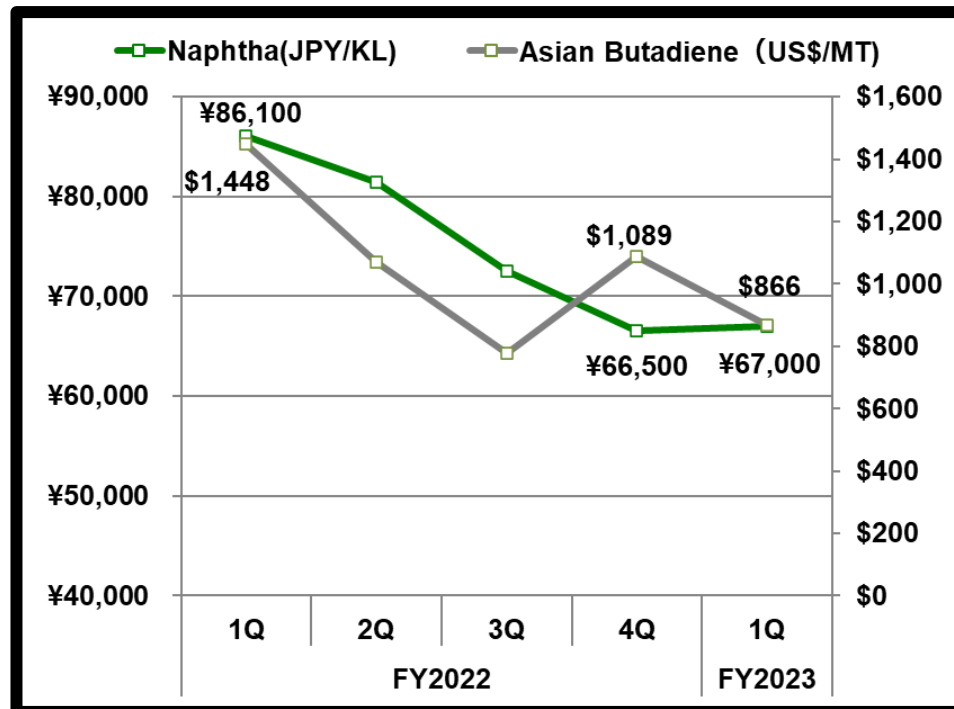
- ◆ Both sales and profits of specialty plastics and specialty chemicals were down YoY due to inventory adjustments caused by China's economic slowdown, and with the slowdown of the semiconductor market.
- ◆ The sales volume of optical films and battery materials has been recovering since Q1, and both sales and profits were up QoQ.

Q1 FY2023 Business Environment (Trends in Exchange Rates and Prices of Raw Materials)

[Exchange Rates]



[Raw Materials]



	Q1 FY2022	Q4 FY2022	Q1 FY2023	YoY(%)	QoQ(%)
JPY/US\$	¥126.5	¥133.2	¥135.8	+7%	+2%
JPY/€	¥136.8	¥142.5	¥147.9	+8%	+4%
Naphtha(JPY/KL)	¥86,100	¥66,500	¥67,000	-22%	+1%
Asian Butadiene(US\$/MT)	\$1,448	\$1,089	\$866	-40%	-20%

*Naphtha: Figures for Q1 FY2022 and Q4 FY2022 are confirmed, while the figure for Q1 FY2023 is our estimate.

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(Unit : JPY100m)	Q1 FY2022	Q4 FY2022	Q1 FY2023	YoY	QoQ
Net Sales	976	944	919	-56	-25
Operating Income	107	-7	61	-46	+68
Ordinary Income	129	3	83	-46	+80
Net Income	87	-77	58	-29	+135

■ YoY (in 3 mo.) : Net Sales -5.6B JPY, Operating Income -4.6B JPY

■ QoQ : Net Sales -2.5B JPY, Operating Income +6.8B JPY

Note: Results at overseas subsidiaries from January to March 2023 are reflected in Q1 consolidated results.

Zeon Chemicals Asia Co., Ltd. has been included within the scope of consolidation as of FY2023.

Q1 FY2023 Performance Summary (By Segment)

(Unit : JPY100m)

Net Sales

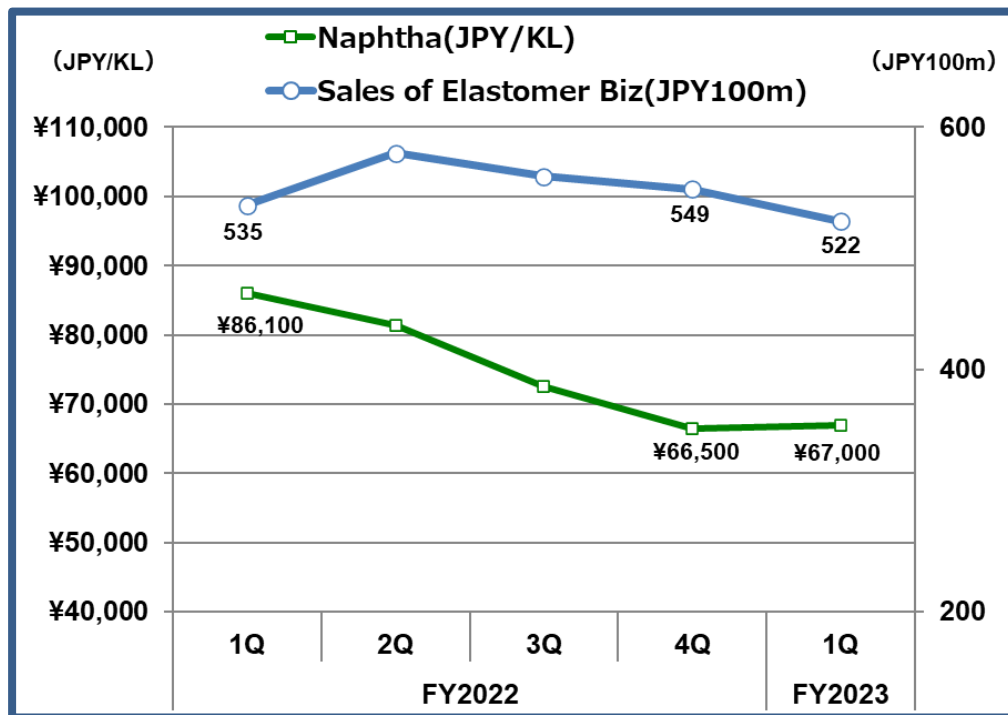
	Q1 FY2022	Q4 FY2022	Q1 FY2023	YoY	QoQ
Elastomer Business	535	549	522	-13	-27
Specialty Materials Biz.	301	239	252	-49	+13
Others/Eliminations, etc.	140	157	145	+6	-11
Net Sales (consolidated)	976	944	919	-56	-25

Operating Income

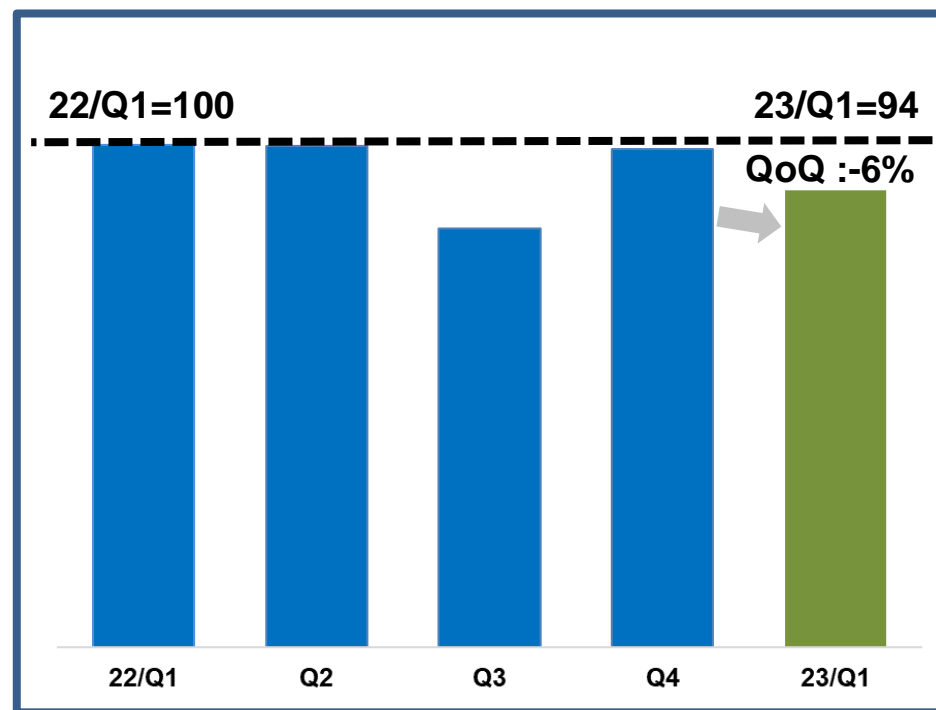
	Q1 FY2022	Q4 FY2022	Q1 FY2023	YoY	QoQ
Elastomer Business	41	-20	25	-16	+45
Specialty Materials Biz.	70	18	40	-30	+22
Others/Eliminations, etc.	-3	-4	-3	-0	+0
Net Sales (consolidated)	107	-7	61	-46	+68

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[Naphtha Price vs. Elastomer Sales]



[Synthetic Rubber Sales Volume]



- Sales volume of synthetic rubber, especially general-purpose rubber, down due to economic slowdown in China.
- Selling prices for Elastomer Business overall were down due mainly to delayed recovery in demand for chemicals, easing supply and demand for latex gloves, and impact of Naphtha prices.

(Unit : 100m)

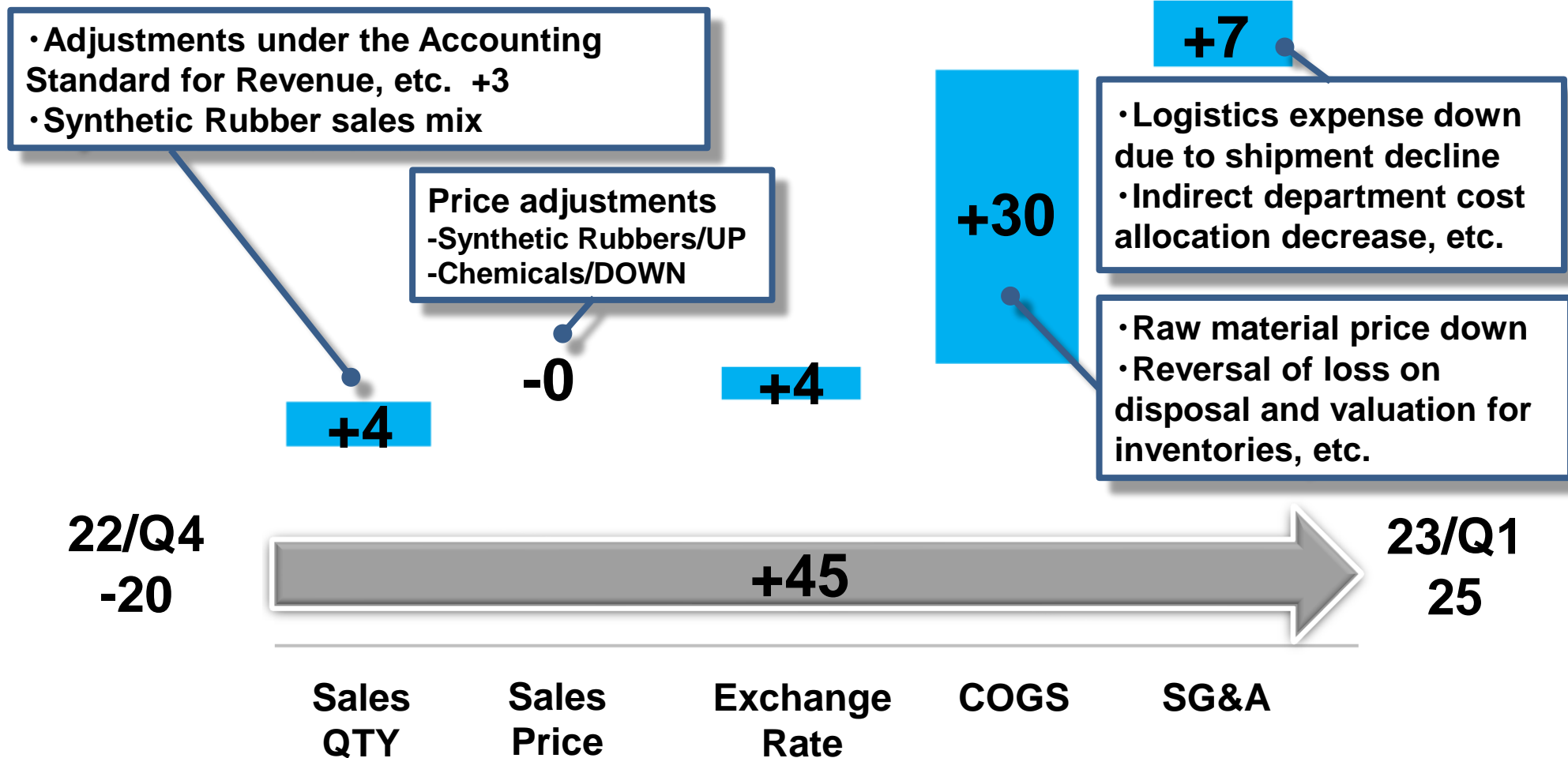
	Q1 FY2022	Q4 FY2022	Q1 FY2023	YoY	YoY(%)	QoQ	QoQ(%)
Sales Volume (22/Q1=100)	100	90	87	-13 pt	-13 %	-4 pt	-4 %
Synthetic rubbers	100	99	94	-6 pt	-6 %	-6 pt	-6 %
Latexes	100	72	68	-32 pt	-32 %	-5 pt	-7 %
Chemicals	100	77	80	-20 pt	-20 %	3 pt	3 %
Net Sales	535	549	522	-13	-2 %	-27	-5 %
Synthetic rubbers	374	400	405	31	8 %	6	1 %
Latexes	36	29	27	-10	-27 %	-3	-10 %
Chemicals	116	107	79	-37	-32 %	-28	-26 %
Others/Eliminations	9	13	11	2	28 %	-2	-12 %
Operating Income	41	-20	25	-16	-39 %	45	- %
Operating income ratio	8%	-4%	5%				

■ **Net Sales:** Down YoY and QoQ due to sales volume and selling prices decreased.

■ **Operating Income:** Synthetic rubber contributed to raising operating income owing mainly to the impact of foreign exchange rate fluctuations and the reversal of loss on disposal and valuation for inventories.

Elastomer Business Operating Income Variance (QoQ)

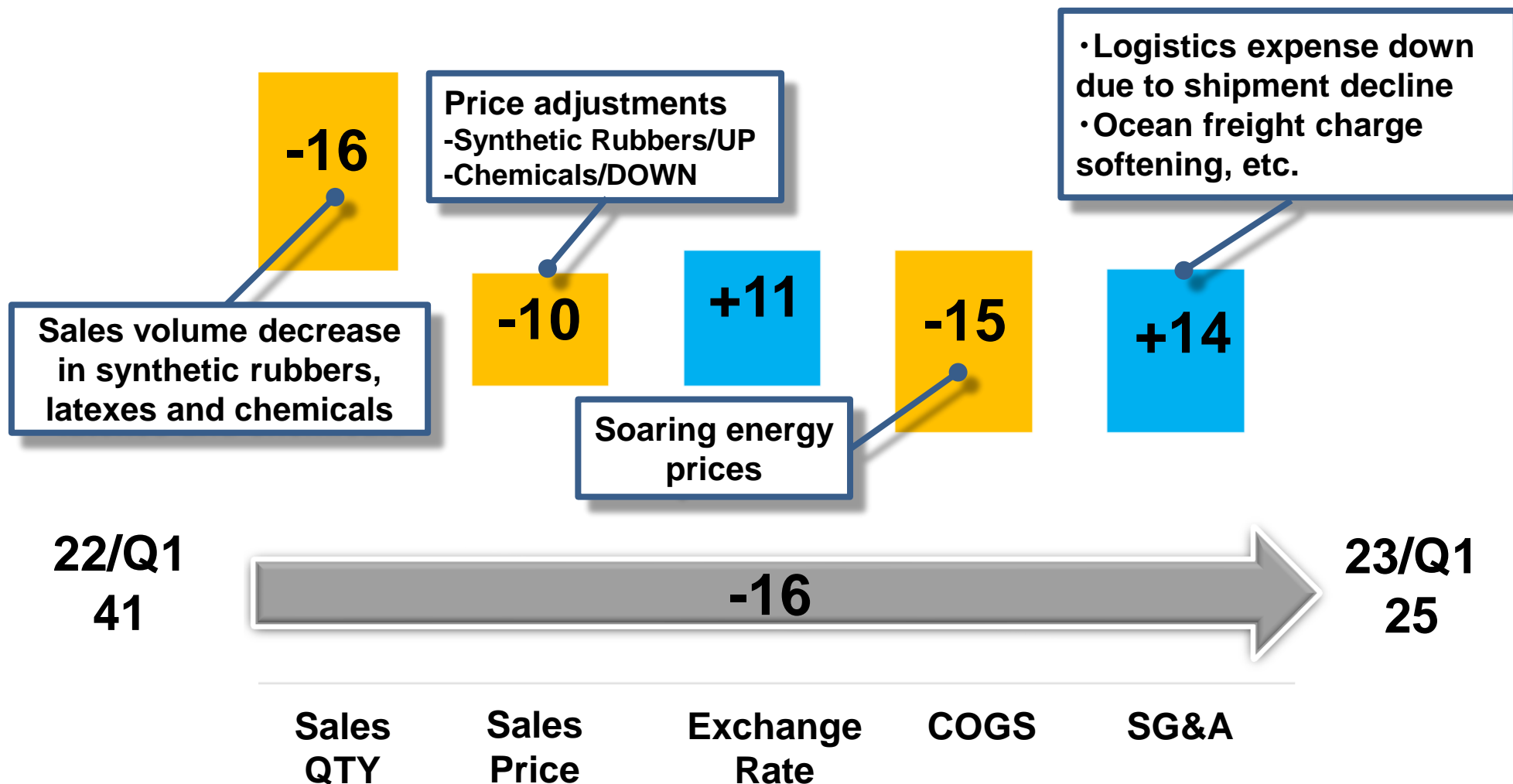
(Unit : 100m)



Elastomer Business Operating Income Variance (YoY)

ZEON

(Unit : 100m)



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(Unit : 100m)

	Q1 FY2022	Q4 FY2022	Q1 FY2023	YoY	YoY(%)	QoQ	QoQ(%)
Net Sales	301	239	252	-49	-16 %	13	6 %
Specialty plastics	177	135	156	-21	-12 %	21	16 %
* Specialty chemicals	113	95	84	-29	-25 %	-11	-11 %
Medical devices, etc.	11	9	12	1	9 %	3	33 %
Operating Income	70	18	40	-30	-43 %	22	128 %
Operating Income ratio	23%	7%	16%				

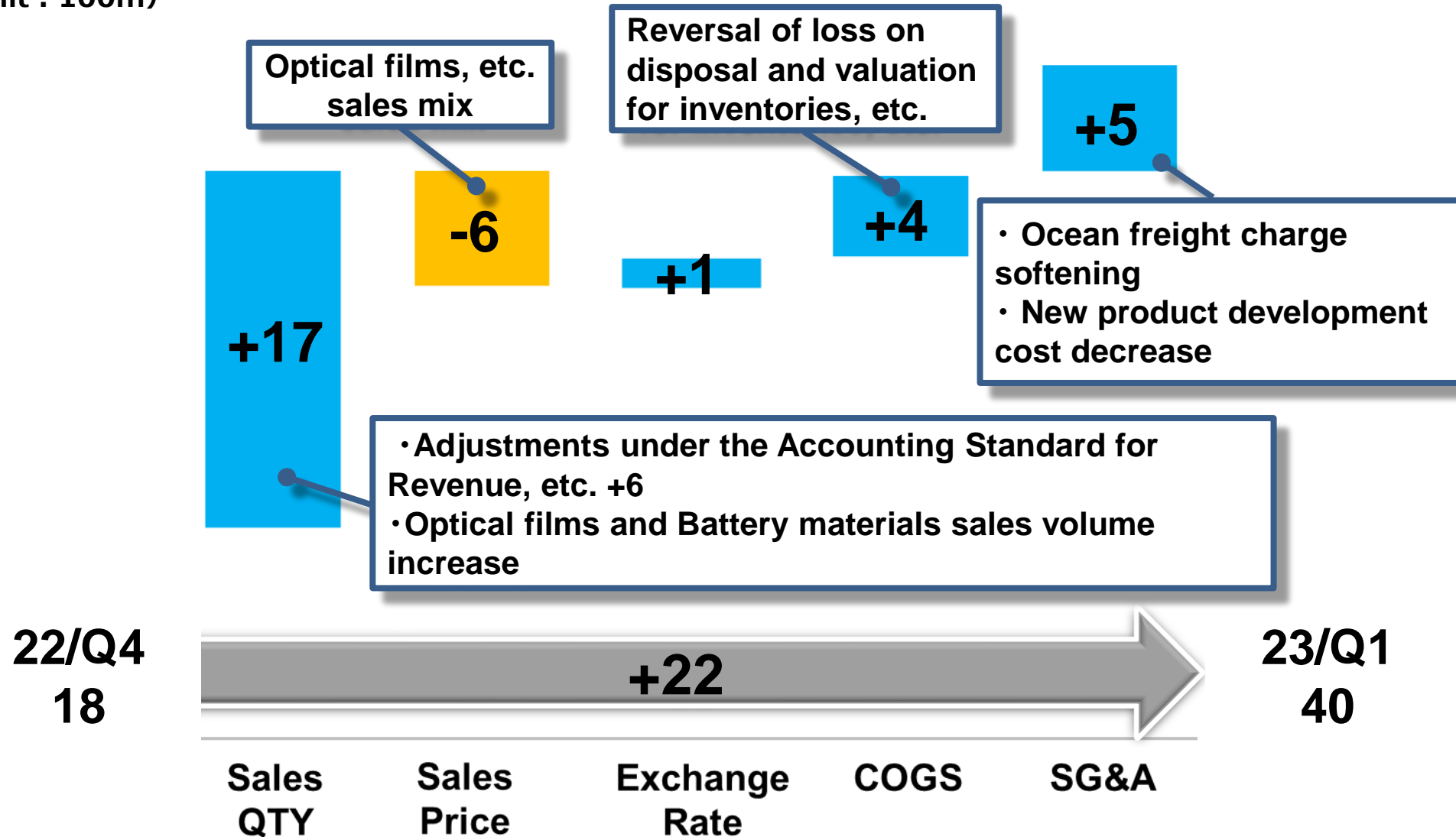
*Specialty plastics : Optical plastics and optical films

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

- **Specialty plastics:** Sales down YoY due to decline sales volumes of optical films and optical plastics for optical use, but sales up QoQ with recovery in optical films since Q1.
- **Specialty chemicals:** Sales of battery materials affected by customer inventory adjustments, and sales of specialty chemicals down due to shipment adjustments caused by Mizushima Plant regular maintenance; battery material sales volume showing moderate recovery since Q1.

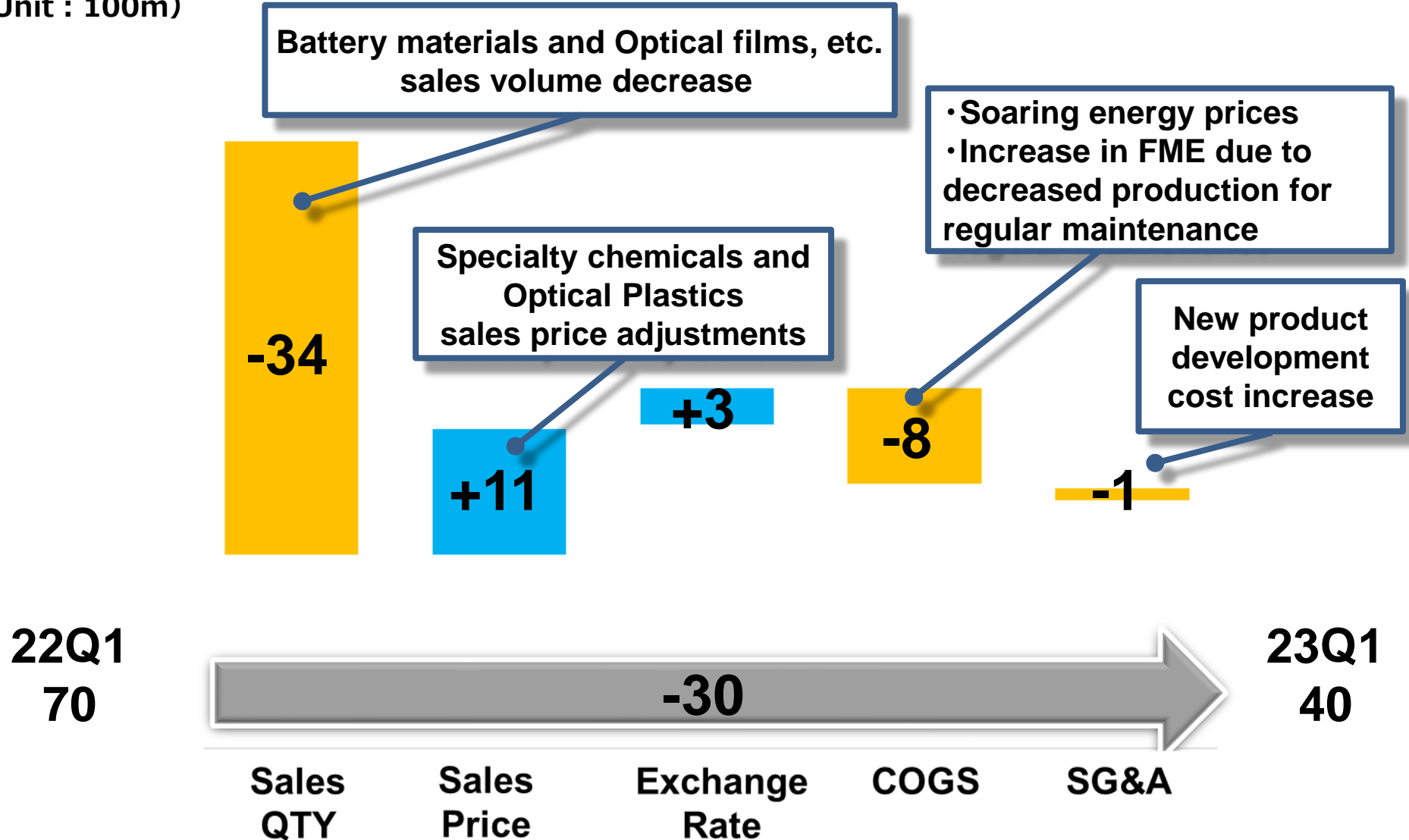
Specialty Materials Operating Income Variance (QoQ)

(Unit : 100m)



Specialty Materials Operating Income Variance (YoY)

(Unit : 100m)



	YoY	QoQ
EV	75%	114%
Consumer use, etc.	99%	203%
Total	78%	124%

- **EV**
Sales volume down YoY due to customer inventory adjustments, especially in China.
Customer operating rates slowly recovering, pushing sales volume up QoQ.
- **Consumer use, etc.**
Customer operating rates gradually recovering, especially for smartphones; sales volume flat YoY but up QoQ.

	YoY	QoQ
Optical use	75%	93%
Medical use, etc.	109%	84%
Total	99%	85%

■ Optical use

Sales volume down both YoY and QoQ due to sluggish demand resulting from China's economic slowdown.

■ Medical use, etc.

Sales volume up YoY owing to firmness for medical use, but down QoQ due to the slowdown of the semiconductor market.

	YoY	QoQ
For small-to-medium size	73%	159%
For Large size FPD	95%	112%
Total	90%	118%

- For small-to-medium size
Demand was sluggish due to China's economic slowdown, resulting in lower sales volume YoY.
Sales volume up QoQ owing to launch of production of new smartphone models.
- For Large size
Sales volume recovered to almost flat YoY and was up QoQ after being sluggish since Q2 FY2022.

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(Unit : 100m)

Total assets 5,148 (-81)

()=vs end of FY2022

[Current assets] -24.6B JPY

- ◆ Cash and deposits -7.1B JPY
- ◆ Accounts receivable -9.1B JPY
- ◆ Inventory assets -6.8B JPY

**Current
assets**
2,720
(-246)

**Fixed
assets**
2,428
(+165)

[Non-current assets] +16.5B JPY

- ◆ Property, plant and equipment +10.0B JPY
- ◆ Investment securities +4.9B JPY

[Current liabilities]**-20.7B JPY**

- ◆ Trade payables -26.0B JPY
- ◆ Commercial Paper +11.0B JPY

**Current
liabilities**
1,399
(-207)

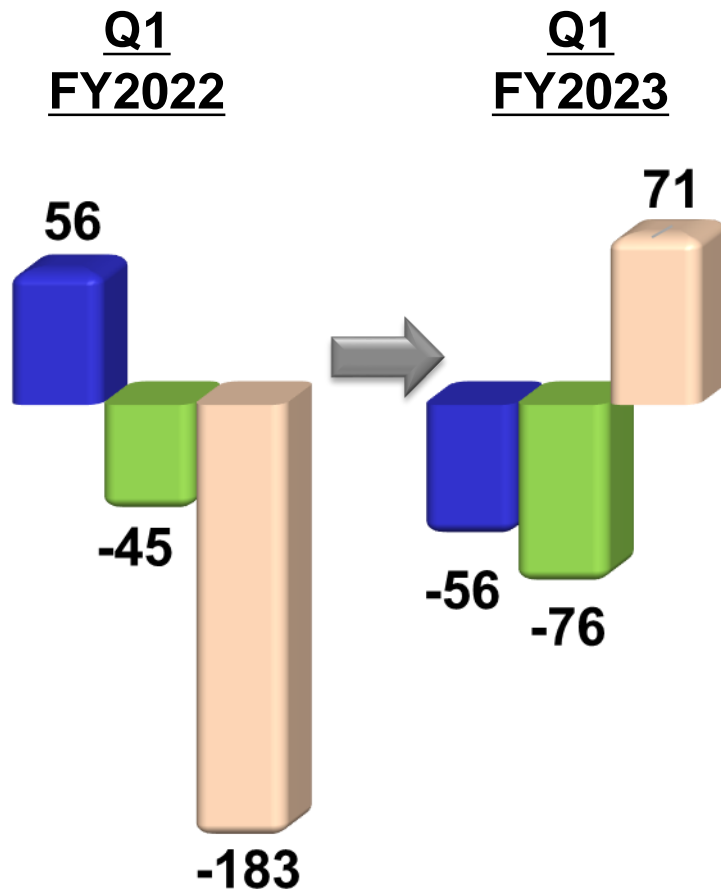
Long-term liabilities 267 (+37)

**Total
net
assets**
3,482
(+89)

[Net assets]**+8.9B JPY**

- ◆ Equity ratio 67.1% (+2.7)
- ◆ D/E ratio 0.11 (+0.03)

(Unit : 100m)



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

	Q1 FY2022	Q1 FY2023
CF from Operating Act.	56	-56
CF from Investing Act.	-45	-76
Free CF	10	-132
CF from Financing Act.	-183	71
CF	-173	-61

Annual CF from Operating Act. and annual free CF are expected to be positive as of July 27.

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		*H1 FY2023 FCST	
(Unit: JPY100m)	Sales FCST	OP. Income FCST	Change from the original H1 performance FCST (as of April 26 th)
	1,850	110	Sales -50 OP. income +35 (vs. the original H1 performance FCST)
	Elastomer Business	<div>1,035</div>	<div>38</div>
Specialty Materials Business	<div>515</div>	<div>80</div>	<p>Optical plastics : Sales and OP. income revised downward due to the slowdown of semiconductor market.</p> <p>Optical films : Sales flat, but OP. income revised upward owing to firmness for large size FPD, while sales volume down for tablets and laptops.</p> <p>Specialty chemicals : Sales revised downward due to the slowdown of semiconductor market. OP. income revised upward owing to firmness for flavor and fragrance.</p> <p>Battery materials : Sales and OP. income revised downward due to need time for customer operating recovering.</p>

*As of July 27th

(Unit : 100m)

Net Sales

	FY2023 FCST (as of 4/26)	H1 FCST (as of 7/27)	H2 FCST (Unchanged)	FY2023 FCST (as of 7/27)	Diff.
Elastomer Business	2,180	1,035	1,135	2,170	-10
Specialty Materials Biz.	1,160	515	615	1,130	-30
Others/Eliminations, etc.	650	300	340	640	-10
Net Sales (consolidated)	3,990	1,850	2,090	3,940	-50

Operating Income

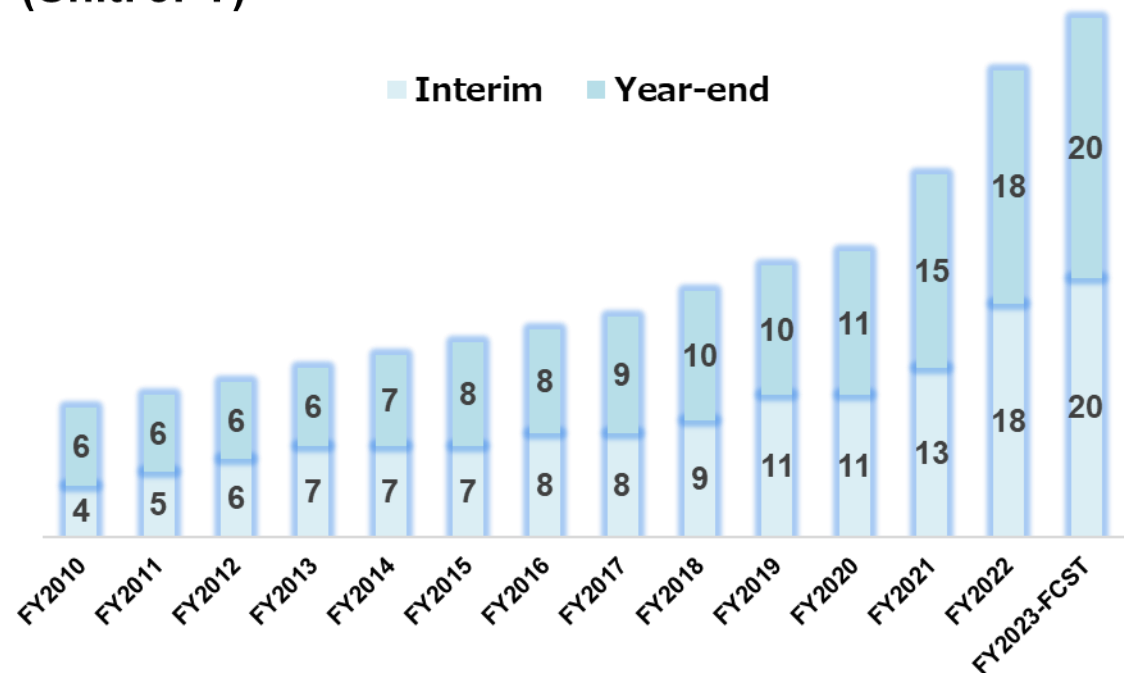
	FY2023 FCST (as of 4/26)	H1 FCST (as of 7/27)	H2 FCST (Unchanged)	FY2023 FCST (as of 7/27)	Diff.
Elastomer Business	65	38	48	86	+21
Specialty Materials Biz.	180	80	100	180	-
Others/Eliminations, etc.	-5	-8	17	9	+14
Net Sales (consolidated)	240	110	165	275	+35

- H1 FY2023 forecast for net sales revised to 185.0B JPY and operating income to 11.0B JPY
Q2 assumptions: US\$=¥140, €=¥155, Naphtha=¥59,300, Asian butadiene=US\$617
- Leave as it is from original H2 FY2023 forecast.
- FY2023 forecast for net sales revised to 394.0B JPY and operating income to 27.5B JPY

Shareholder Return Policy

- Maintain stable and continuous dividends
- Maintain a dividend payout ratio of 30% or more
- Implement share buybacks flexibly, taking into account market conditions, demand for funds, etc.

(Unit: JPY)



■ Leave as it is from original dividend forecast- Interim ¥20/share, at the year-end ¥20/share ⇒ total ¥40/share/year (Dividend payout ratio expected to be 36%.)

■ +¥4 YoY making 14 consecutive years of increases since FY2010

Next Announcement of Financial Statements

**The 2nd quarter of
FY2023**










October. 27th, 2023
















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.




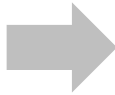




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ZEON Integrated report

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.

Q1 FY2023 (vs. Q4 FY2022)				
Business	Sales Volume	Sales	OP. income	Difference
Synthetic rubbers				<ul style="list-style-type: none"> • Sales up with depreciation of yen. • OP. income up with raw material price down and reversal of loss on disposal and valuation for inventories.
Latexes				<ul style="list-style-type: none"> • Demand for gloves on par with FY2022. • OP. income up with raw material price down and cost reductions owing to business structural reform.
Chemicals				<ul style="list-style-type: none"> • Sales down due to selling price adjustments in conjunction with delayed recovery in demand. • OP. income up with raw material price down and reversal of loss on disposal and valuation for inventories.

Q1 FY2023 (vs. Q4 FY2022)						
Business	Sales volume	Consolidated		Non consolidated		Difference
		Sales	OP. income	Sales	OP. income	
Optical plastics						<ul style="list-style-type: none"> • Both sales and OP. income down on non-consolidated basis due to decreased sales volume. • Consolidated operating income up owing to adjustment associated with standard for revenue recognition (impact of Q4 reversal).
Optical films						<ul style="list-style-type: none"> • Sales and OP. income up owing to increased sales volume.
Battery materials						<ul style="list-style-type: none"> • Sales and OP. income up on non-consolidated basis owing to increased sales volume. • Consolidated sales down due to consolidated adjustments.

*Non-consolidated sales and OP. income exclude adjustments under the Accounting Standard for Revenue.

Market Trends for FY2023 (vs. FY2022)			
Use	As of 4/26	As of 7/27	Business environment
Large size TVs			No change
Smartphones			No change
Tablets			Revised production plan due to a lull in shut-in demand.
Laptops			Revision of production plan due to lull in shut-in demand

*Market Trends for FY2023 are based on our forecasts and sales outlook of our products by use against FY2022.

Positives

**Early recovery in
end market demand**

Depreciation of the yen

**Early completion of inventory
adjustments**

**Yen depreciation/dollar
appreciation**

Economic recovery

**Yen depreciation/euro
Appreciation**

Negatives

**Delay recovery in
end market demand**

Appreciation of the yen

**Prolong completion of inventory
adjustments**

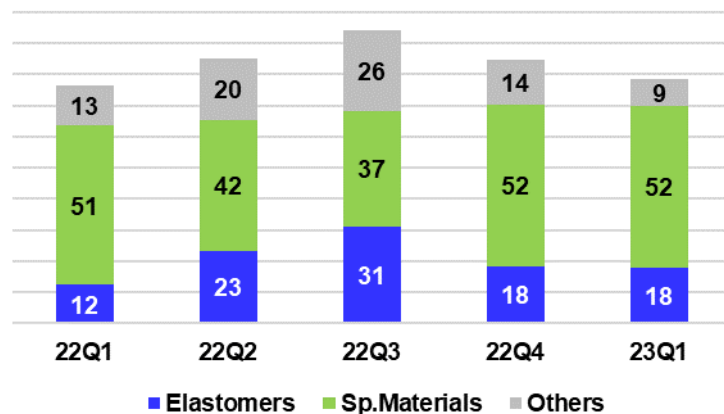
**Yen appreciation/dollar
depreciation**

Economic recession

**Yen appreciation/euro
depreciation**

(Unit : JPY100m)

[Capital Expenditures]

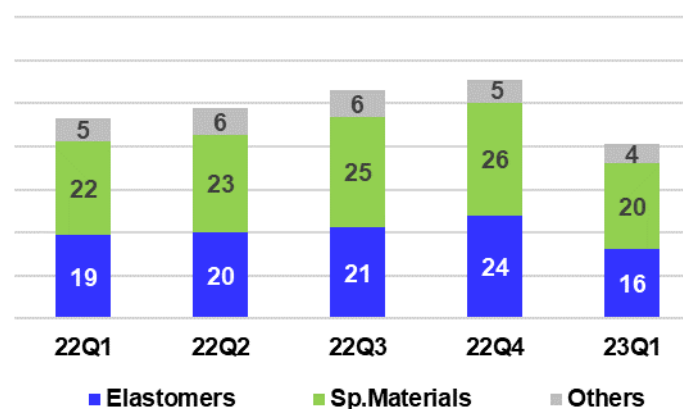


FY22
340



FY23
300

[Depreciation & Amrtization]

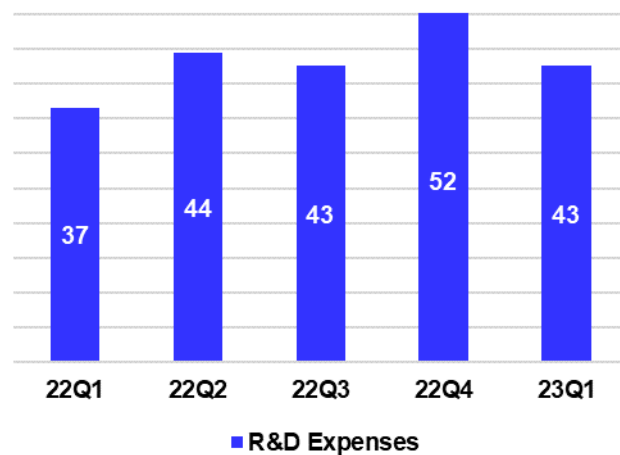


FY22
204



FY23
195

[R&D Expenses]



FY22
176



FY23
180

Note : For capital expenditures, the Q3 and Q4 FY2022 amounts for Sp. Materials and Other have been revised. The total amounts for each quarter are unchanged.