

Zeon Corporation
FY2023
Meeting Minutes from Results Briefing for Analysts
(April 25, 2024)

[Briefing Materials]

<https://www.zeon.co.jp/en/ir/financial/bs/pdf/240425.pdf>

[Explanations]

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The yen was down YoY versus the US dollar and the euro but mostly flat QoQ.

As for the prices of the main raw materials, Naphtha was flat while Asian butadiene rose in price.

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Looking at quarterly results, both sales and profits were up YoY, while QoQ, sales were up, but profits were down.

Looking at the full-year results, both sales and profits were down compared to the previous year due mainly to a sluggish market and the impact of the Noto Peninsula Earthquake.

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The graph on the left shows Naphtha price vs. elastomer sales. The graph on the right shows the synthetic rubber sales volume when that of Q4 FY2022 is 100.

A key factor in Q4 was a recovery in overseas demand for synthetic rubber, which had been sluggish until the previous quarter. However, trends in China and other overseas markets remain uncertain, so continued monitoring of the situation is required.

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Operating income was down 2.0B JPY, mainly due to a 1.5B JPY increase in SG&A.

Most of that was due to the allocation of indirect department costs, which were concentrated at the end of the fiscal year. There was no particular increase in expenses arising from business factors.

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Operating income was down 3.5B JPY, mainly due to declining profitability of chemicals.

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The Noto Peninsula Earthquake that struck on January 1 resulted in a suspension of operations at the Himi Futagami Plant, but production lines were fully restored on March 29, with product supply resuming in April.

We would like to apologize once again to all concerned departments for the concern and inconvenience and to express our deepest gratitude for cooperating with us in so many ways.

The earthquake also resulted in fewer large size film shipments.

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Operating income was down 0.6B JPY due mainly to a lower sales volume of battery materials and optical films. On the other hand, there was a roughly 0.6B JPY reversal of valuation loss for inventories, etc. for optical plastics.

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Shipments for optical use were up due to a recovery in smartphone and security camera applications, but we must keep an eye on whether this trend will continue.

For medical use, etc., shipments were up due to increased demand from some customers and a recovery in the semiconductor market despite ongoing inventory adjustments by others.

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Current assets were up 4.4B JPY, owing primarily to an increase in cash and deposits from the sale of cross-shareholdings. Non-current assets increased by 5.0B JPY, mainly due to acquisition of property, plant and equipment and market valuation gains on investment securities. The main factors were the addition of Zeon Chemicals Asia to our consolidated subsidiaries and investments related to specialty plastics. As a result, total assets came to 532.3B JPY, up 9.4B JPY YoY. Current liabilities were down 17.0B JPY, while long-term liabilities were up 2.0B JPY. As a result of the above, net assets increased by 24.4B JPY.

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In FY2023, cross-shareholdings as percentage of net assets came to 19.0%. We intend to continue reducing cross-shareholdings in order to improve capital efficiency.

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Regarding the environment in the Elastomer Business in FY2024, the automotive market is expected to be firm, and a moderate recovery is expected in the glove and adhesive tape markets.

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Annual forecasts for this year are net sales of 397.0B JPY and operating income of 26.5B JPY.

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At the meeting of the Board of Directors held on April 25, the Company decided to buy back up to 10 million shares equaling up to 10.0B JPY and to retire all of them. Based on the finalization of the FY2023 financial results and the status of cross-shareholdings reduction, we will strive to enhance shareholder returns and further improve capital efficiency.

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