

# Financial Results

## The 1<sup>st</sup> Quarter of FY2024 (Apr.1- Jun.30)

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**July 29, 2024**  
**ZEON CORPORATION**

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## 【 Summary 】

- ◆ Q1 consolidated results show YoY and QoQ increases in both sales and profits.
- ◆ Based on Q1 consolidated results, the H1 earnings forecast for FY2024 was revised upwards. The H2 earnings forecast is expected to be downwards due to a rebound from H1, etc., the full-year earnings forecast was left unchanged.

## [Specialty Materials Business Overview]

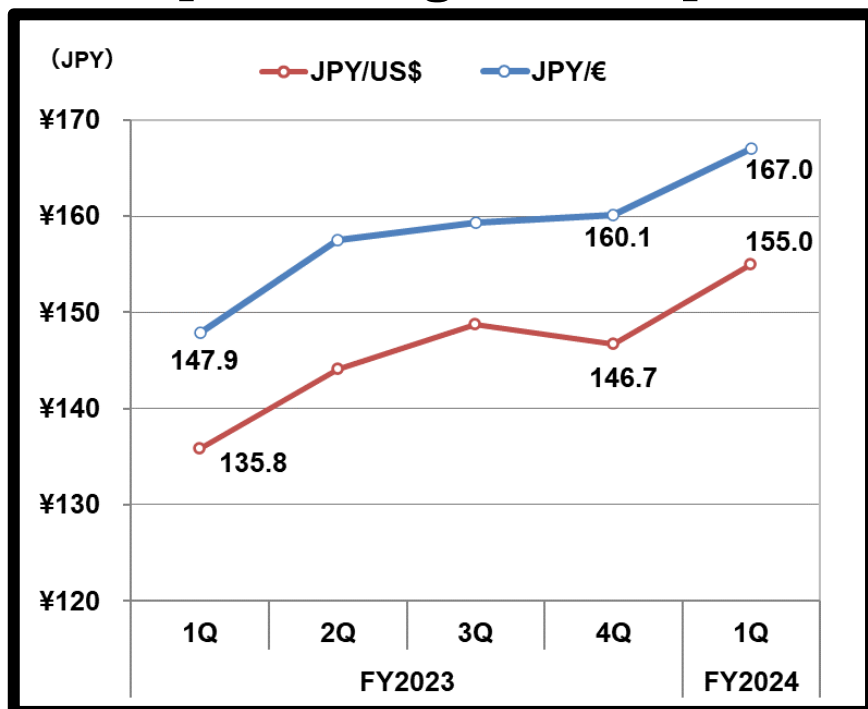
- ◆ Specialty plastics: Shipments increased due to a recovery in demand for mobile devices and the resumption of production following the Noto Peninsula earthquake, so both sales and profits were up YoY and QoQ.
- ◆ Specialty chemicals: Due to a combination of sluggish growth in shipments of battery materials for EVs and increased shipments of specialty solvents and toners, sales were up and profits were down YoY, while sales were down and profits were up QoQ.

## [Elastomer Business Overview]

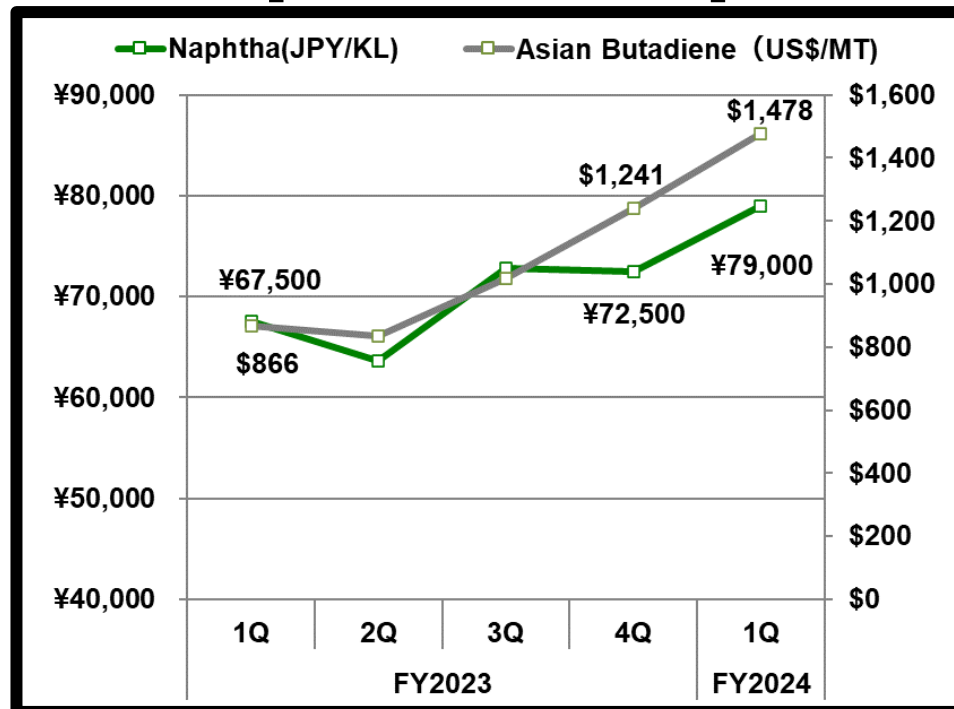
- ◆ Both sales and profits were up YoY and QoQ, driven by synthetic rubbers.
- ◆ Latexes and chemicals showed a moderate recovery.

# Q1 FY2024 Business Environment (Trends in Exchange Rates and Prices of Raw Materials)

## [ Exchange Rates ]



## [ Raw Materials ]



	Q1 FY2023	Q4 FY2023	Q1 FY2024	YoY(%)	QoQ(%)
JPY/US\$	¥135.8	¥146.7	¥155.0	+14%	+6%
JPY/€	¥147.9	¥160.1	¥167.0	+13%	+4%
Naphtha(JPY/KL)	¥67,500	¥72,500	¥79,000	+17%	+9%
Asian Butadiene(US\$/MT)	\$866	\$1,241	\$1,478	+71%	+19%

\*Naphtha: Figures for Q1 FY2023 and Q4 FY2023 are confirmed, while the figure for Q1 FY2024 is our estimate.

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(Unit : JPY100m)

	Q1 FY2023	Q4 FY2023	Q1 FY2024	YoY	QoQ
Net Sales	919	985	1,061	+142	+76
Operating Income	61	45	90	+29	+45
Ordinary Income	83	70	122	+39	+52
Net Income	58	102	82	+24	-20

- YoY (in 3 mo.) : Net Sales +14.2B JPY, Operating Income +2.9B JPY
- QoQ : Net Sales +7.6B JPY, Operating Income +4.5B JPY

**Note:** Results at overseas subsidiaries from January to March 2024 are reflected in Q1 consolidated results.  
Tokyo Zairyo (Guangzhou) Co., Ltd. has been included within the scope of consolidation as of FY2024.

# Q1 FY2024 Performance Summary (By Segment)

(Unit : JPY100m)

## Net Sales

	Q1 FY2023	Q4 FY2023	Q1 FY2024	YoY	QoQ
Specialty Materials Biz.	252	283	303	+51	+20
Elastomer Business	522	556	602	+80	+46
Others/Eliminations, etc.	145	146	155	+10	+10
<b>Net Sales (consolidated)</b>	<b>919</b>	<b>985</b>	<b>1,061</b>	<b>+142</b>	<b>+76</b>

## Operating Income

	Q1 FY2023	Q4 FY2023	Q1 FY2024	YoY	QoQ
Specialty Materials Biz.	40	30	53	+13	+22
Elastomer Business	25	5	38	+13	+33
Others/Eliminations, etc.	-3	10	-0	+3	-10
<b>Operating Income (consolidated)</b>	<b>61</b>	<b>45</b>	<b>90</b>	<b>+29</b>	<b>+45</b>



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(Unit : 100m)

	Q1 FY2023	Q4 FY2023	Q1 FY2024	YoY	YoY(%)	QoQ	QoQ(%)
<b>Net Sales</b>	<b>252</b>	<b>283</b>	<b>303</b>	<b>51</b>	<b>20 %</b>	<b>20</b>	<b>7 %</b>
* <b>Specialty plastics</b>	<b>156</b>	<b>158</b>	<b>199</b>	<b>43</b>	<b>28 %</b>	<b>41</b>	<b>26 %</b>
<b>Specialty chemicals</b>	<b>84</b>	<b>114</b>	<b>94</b>	<b>10</b>	<b>12 %</b>	<b>-20</b>	<b>-18 %</b>
<b>Medical devices, etc.</b>	<b>12</b>	<b>10</b>	<b>10</b>	<b>-2</b>	<b>-14 %</b>	<b>-0</b>	<b>-2 %</b>
<b>Operating Income</b>	<b>40</b>	<b>30</b>	<b>53</b>	<b>13</b>	<b>32 %</b>	<b>22</b>	<b>73 %</b>
Operating Income ratio	16%	11%	17%				

\* Specialty plastics : COP and optical films

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

■ **Specialty plastics:** Shipments increased due to a recovery in demand for mobile devices and the resumption of production following the Noto Peninsula earthquake, so both sales and profits were up YoY and QoQ.

■ **Specialty chemicals:** Although both non-consolidated sales and profits were up YoY and QoQ for battery materials, overseas affiliates were affected by a decrease in shipments due to changes in the EV subsidy policy, so on a consolidated basis, sales increased but profits decreased YoY, while QoQ, both sales and profits decreased.

Profits were up QoQ for specialty chemicals as a whole due to increased shipments of specialty solvents and toners.

# Specialty Materials Business Operating Income Variance (QoQ) ZEON

(Unit : 100m)

**+** : Due to resumption of production of optical films:  
•Yield improved  
•Loss on disposal and valuation for inventories decreased

**-4**

**+25**

**-** : Due to increased sales volume of optical films:  
•Logistics expenses up  
•Sales activity expenses up  
etc.

**+** : Optical films sales volume up  
**-** : COP/Battery materials sales volume down

**-0**

**-2**

**+3**

**23/Q4**  
**30**

**+22**

**24/Q1**  
**53**

**Sales**  
**QTY**

**Sales**  
**Price**

**Exchange**  
**Rate**

**COGS**

**SG&A**

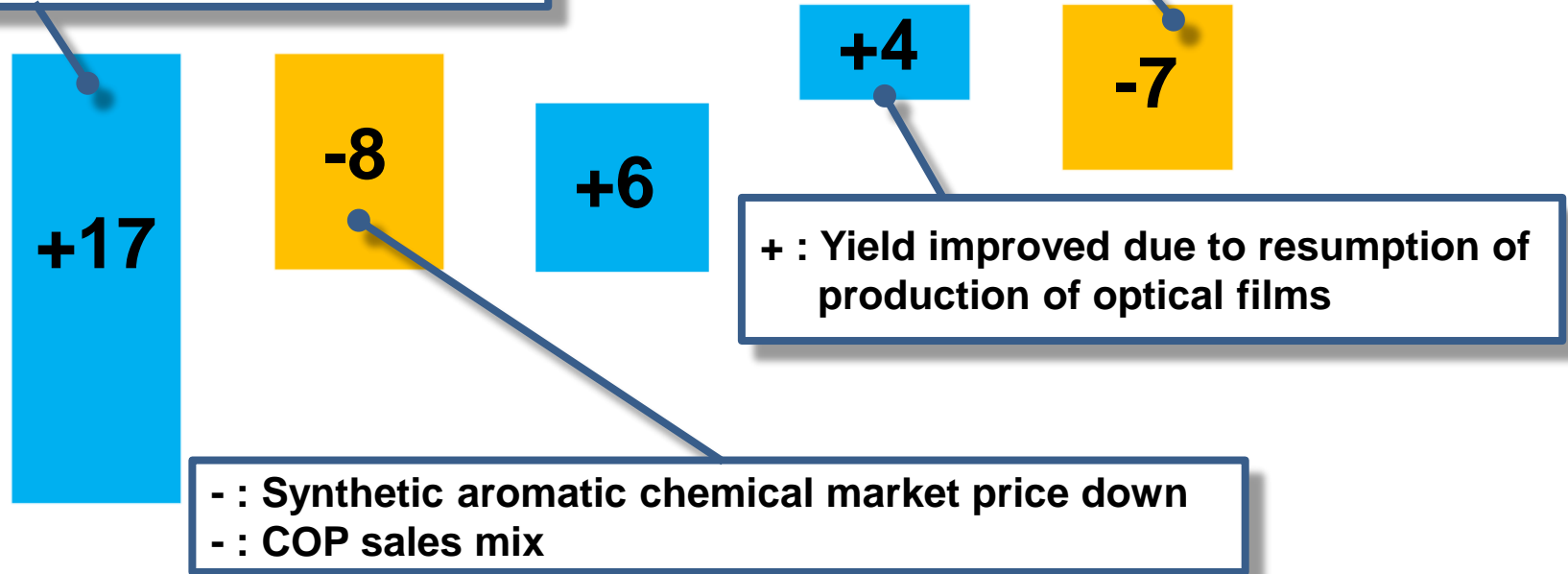
# Specialty Materials Business Operating Income Variance (YoY)

**ZEON**

(Unit : 100m)

+ : Optical films / COP sales volume up  
- : Battery materials sales volume down

- : Expenses for new product development up, etc.



**23/Q1**  
**40**

**24/Q1**  
**53**

**Sales  
QTY**

**Sales  
Price**

**Exchange  
Rate**

**COGS**

**SG&A**

	YoY	QoQ
EV	88%	95%
Consumer use, etc.	159%	141%
Total	100%	104%

## ■ EV

Sales volume down both YoY and QoQ due to sluggish EV sales globally

## ■ Consumer use, etc.

Sales volume up both YoY and QoQ with moderate recovery for mobile devices and increased sales for ESS applications

	YoY	QoQ
Optical use	168%	132%
Medical use, etc.	96%	73%
Total	111%	85%

## ■ Optical use

Sales volume up both YoY and QoQ due not only to the recovery trend for both smartphones and printers, but also combined shipments, etc.

## ■ Medical use, etc.

Sales volume down both YoY and QoQ due to in-between season

	YoY	QoQ
For small-to-medium size	112%	133%
For Large size FPD	129%	168%
Total	125%	161%

## ■ For small-to-medium size

Sales volume up both YoY and QoQ due to accelerated shipments for smartphones and steady shipments for tablets

## ■ For Large size

Sales volume up both YoY and QoQ due not only to steady demand but also recovery from the Noto Peninsula earthquake and improved operation of the new line launched in 2023

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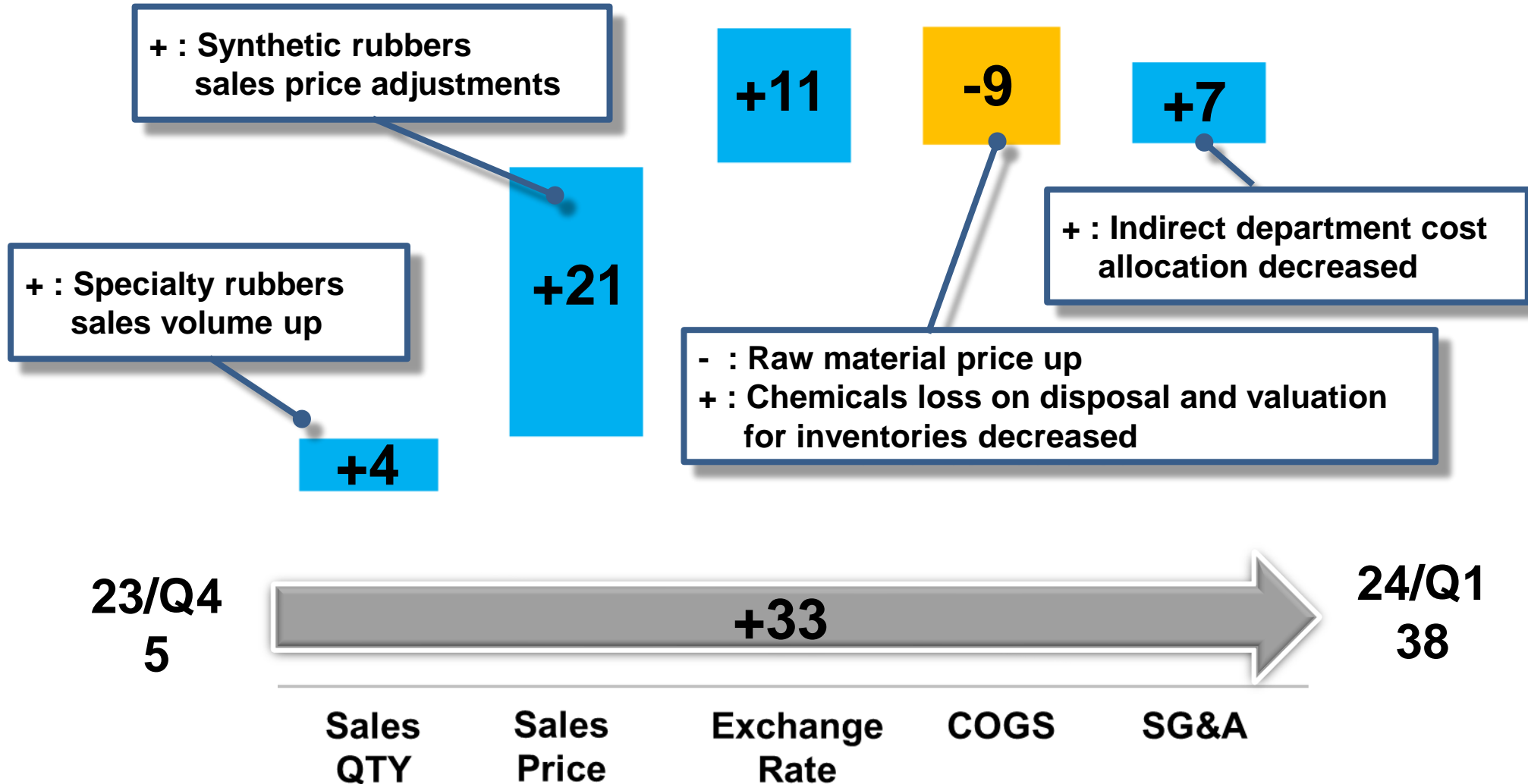
(Unit : 100m)

	Q1 FY2023	Q4 FY2023	Q1 FY2024	YoY	YoY(%)	QoQ	QoQ(%)
<b>Sales Volume</b> (23/Q1=100)	100	116	112	12 pt	12 %	-4 pt	-3 %
Synthetic rubbers	100	118	110	10 pt	10 %	-8 pt	-7 %
Latexes	100	118	136	36 pt	36 %	19 pt	16 %
Chemicals	100	108	104	4 pt	4 %	-4 pt	-4 %
<b>Net Sales</b>	522	556	602	80	15 %	46	8 %
Synthetic rubbers	405	412	455	50	12 %	43	10 %
Latexes	27	30	34	7	27 %	3	11 %
Chemicals	79	99	102	23	29 %	3	4 %
Others/Eliminations	11	15	12	0	4 %	-3	-21 %
<b>Operating Income</b>	25	5	38	13	53 %	33	701 %
Operating income ratio	5%	1%	6%				

- Both sales and profits were up YoY and QoQ, driven by synthetic rubbers.
- Latexes and chemicals showed a moderate recovery.

# Elastomer Business Operating Income Variance (QoQ)

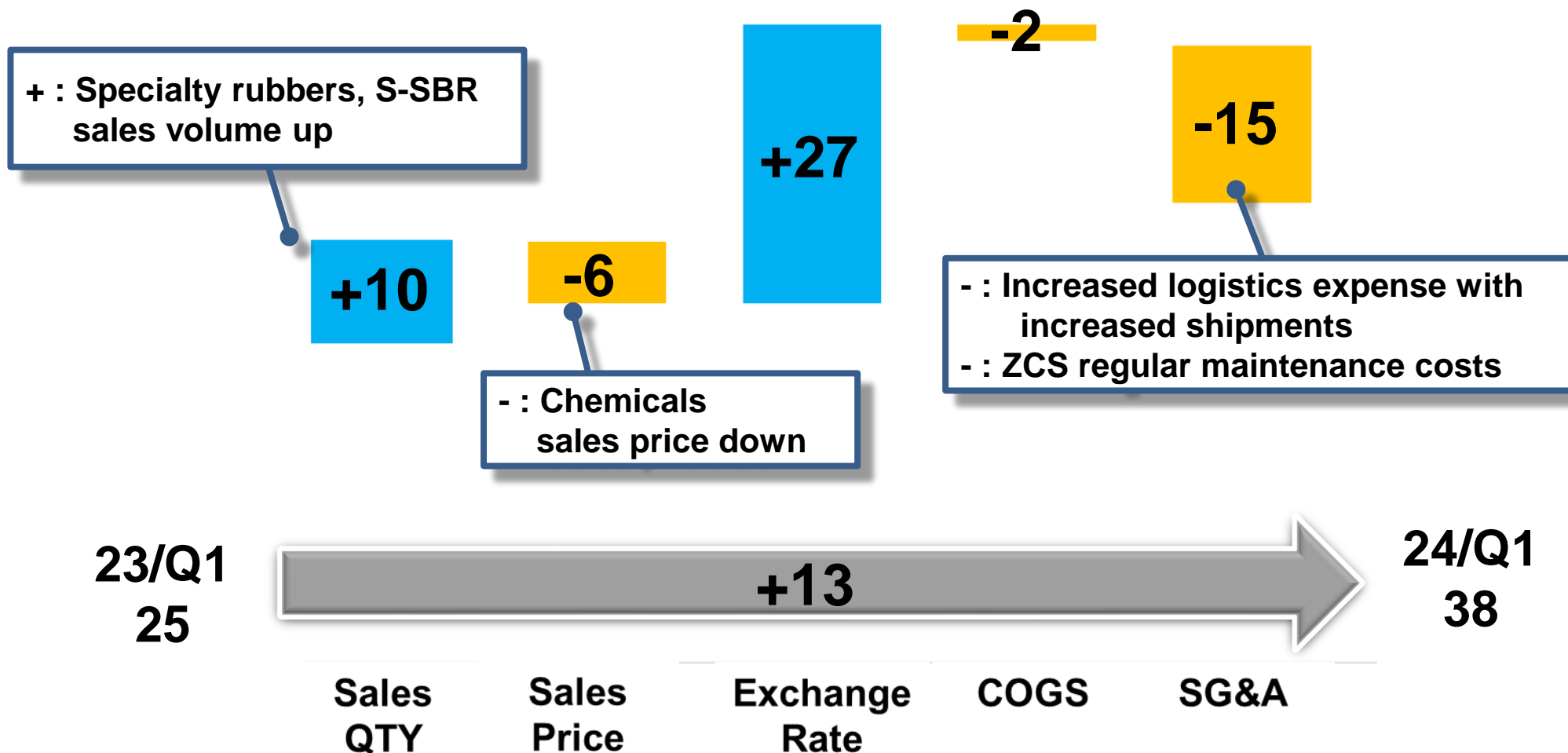
(Unit : 100m)



# Elastomer Business Operating Income Variance (YoY)

ZEON

(Unit : 100m)



	YoY	QoQ
Specialty rubbers	100%	101%
General-purpose rubbers	114%	91%
Total	110%	93%

## ■ Specialty rubbers

Sales volume remained steady both YoY and QoQ due to firm demand despite partial production stoppages in the automobile industry

## ■ General-purpose rubbers

S-SBR sales volume up both YoY and QoQ despite lack of demand vigor  
Overall sales volume down QoQ with shipment adjustments in preparation for regular maintenance at the Tokuyama Plant

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(Unit : 100m)

**Total assets 5,602 (+280)**

( )=vs end of FY2023

**[Current assets] +26.7B JPY**  
 ◆ Cash and deposits +0.7B JPY  
 ◆ Accounts receivable +10.6B JPY  
 ◆ Inventory assets +6.1B JPY

**Current assets**  
**3,277**  
**(+267)**

**Fixed assets**  
**2,326**  
**(+13)**

**[Non-current assets] +1.3B JPY**  
 ◆ Property, plant and equipment +2.7B JPY  
 ◆ Investment securities -1.0B JPY

**Current liabilities**  
**1,668**  
**(+232)**

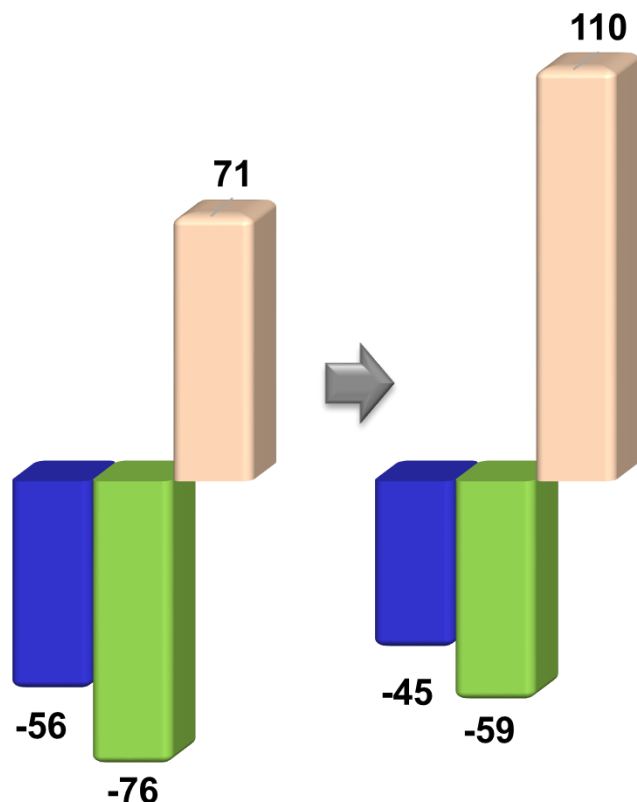
**Long-term liabilities 229 (-21)**

**Total net assets**  
**3,706**  
**(+69)**

**[Current liabilities] +23.2B JPY**  
 ◆ Trade payables +8.2B JPY  
 ◆ Commercial paper +17.0B JPY

**[Net assets] +6.9B JPY**  
 ◆ Equity ratio 65.9% (-2.2)  
 ◆ D/E ratio 0.07 (+0.05)

(Unit : 100m)

Q1  
FY2023Q1  
FY2024

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

(Unit : 100m)

	Q1 FY2023	Q1 FY2024
CF from Operating Act.	-56	-45
CF from Investing Act.	-76	-59
<b>Free CF</b>	<b>-132</b>	<b>-104</b>
CF from Financing Act.	71	110
<b>CF</b>	<b>-61</b>	<b>6</b>

<b>[CF from Operating Act.]</b>	<b>+1.1B JPY</b>
◆ Income before income taxes	+3.0B JPY
◆ Valuation loss	+1.3B JPY
◆ Working capital	+1.6B JPY
◆ Taxes	-3.7B JPY
◆ Others	-1.1B JPY

<b>[CF from Financing Act.]</b>	<b>+3.9B JPY</b>
◆ Borrowing/CP	+6.0B JPY
◆ Dividends	-1.5B JPY
◆ Others	-0.6B JPY



# Non-operating Profit and Loss / Extraordinary Profit and Loss

(Unit : 100m)

## [Non-operating profit and loss]

	Q1 FY2023	Q1 FY2024	YoY
Interest income/dividends	11	12	+1
Exchange gain and loss	13	21	+8
Interest expenses	-0	-0	-
Fixed costs for inactive non-current assets	-1	-1	0
Provision of allowance for doubtful accounts	-0	-2	-2
Other	-1	2	0
<b>Total non-operating profit and loss</b>	<b>22</b>	<b>32</b>	<b>+10</b>

## [Extraordinary profit and loss]

	Q1 FY2023	Q1 FY2024	YoY
Gain/loss on sales of non-current assets	0	0	-
Gain/loss on sale of investment securities	0	2	+1
Gain/loss on valuation of investment securities	-0	-7	-7
Gain/loss on disposal of non-current assets	-0	-0	-
Impairment loss	-3	-5	-2
Loss on valuation of investments in capital	0	-1	-1
Other	0	-0	-
<b>Total extraordinary profit and loss</b>	<b>-4</b>	<b>-12</b>	<b>-9</b>

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		*H1 FY2024 FCST	*As of 7/29/24
(Unit : 100m)		Sales FCST	OP. Income FCST
			Change from the original H1 performance FCST as of 4/25/24
		2,100	150
			Sales +120, OP. income +40 Yen depreciation / dollar appreciation compared to the FCST as of 4/25/24 (US\$145, €155)
	Specialty Materials Business	600	90
	Elastomer Business	1,200	60

# FY2024 Performance Forecast

(Unit : 100m)

## Net Sales

	FY2024 Forecast (as of 4/25/24)			FY2024 Forecast (as of 7/29/24)			H1 Diff.	H2 Diff.	Full Year Diff.
	H1	H2	Full Year	H1	H2	Full Year			
Specialty Materials Biz.	570	585	1,155	600	505	1,105	+30	-80	-50
Elastomer Business	1,115	1,100	2,215	1,200	1,050	2,250	+85	-50	+35
Others/Eliminations, etc.	295	305	600	300	315	615	+5	+10	+15
<b>Net Sales (consolidated)</b>	<b>1,980</b>	<b>1,990</b>	<b>3,970</b>	<b>2,100</b>	<b>1,870</b>	<b>3,970</b>	<b>+120</b>	<b>-120</b>	<b>0</b>

## Operating Income

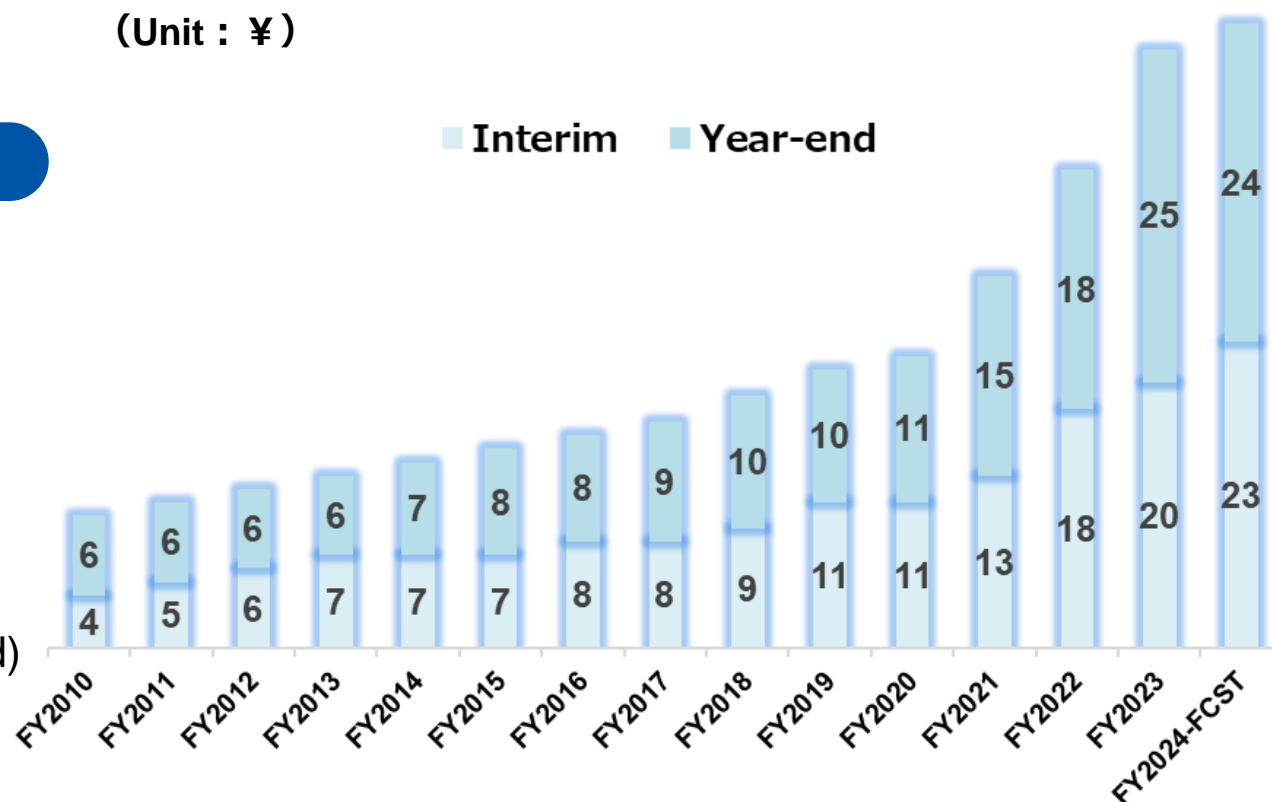
	FY2024 Forecast (as of 4/25/24)			FY2024 Forecast (as of 7/29/24)			H1 Diff.	H2 Diff.	Full Year Diff.
	H1	H2	Full Year	H1	H2	Full Year			
Specialty Materials Biz.	55	100	155	90	80	170	+35	-20	+15
Elastomer Business	50	50	100	60	30	90	+10	-20	-10
Others/Eliminations, etc.	5	5	10	0	5	5	-5	0	-5
<b>Operating Income (consolidated)</b>	<b>110</b>	<b>155</b>	<b>265</b>	<b>150</b>	<b>115</b>	<b>265</b>	<b>+40</b>	<b>-40</b>	<b>0</b>

- H1 FY2024 forecast for net sales was revised to 210.0B JPY and operating income to 15.0B JPY  
Q2 assumptions: US\$=¥161, €=¥172, Naphtha=¥78,500, Asian butadiene=US\$1,450
- The full-year forecast was left unchanged after review of H2 forecast.  
(Net sales: 397.0B JPY, Operating income: 26.5B JPY)  
H2 assumptions: US\$=¥155, €=¥165, Naphtha=¥76,000, Asian butadiene=US\$1,100

(Unit : ¥)

## Shareholder Return Policy

■ Interim ■ Year-end

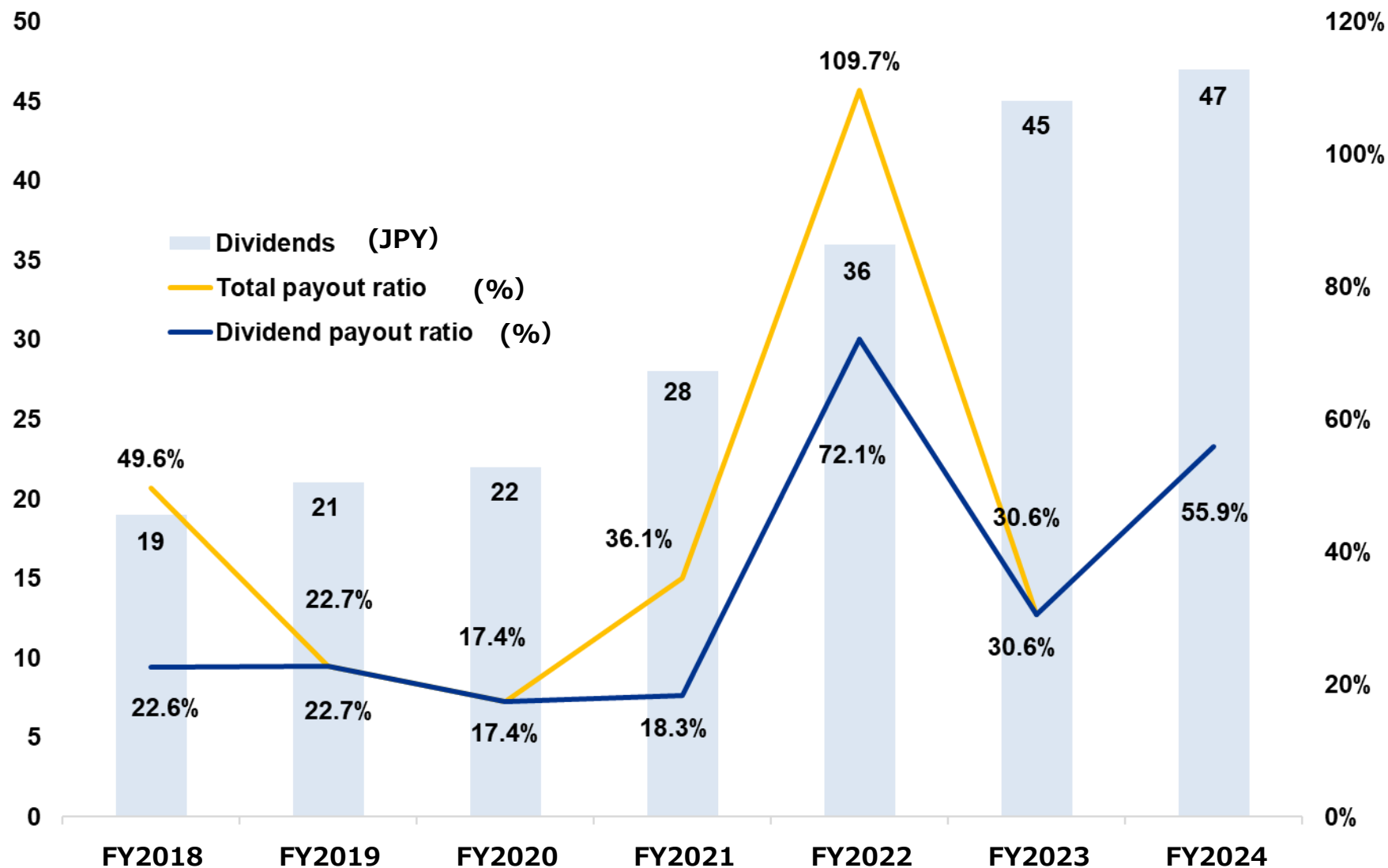


- Dividend payout ratio of at least 30%
- Maintain progressive dividends
- Purchase treasury stock (Plan)  
 FY2024 - FY2026: 30 billion yen  
 FY2024: 10 billion yen (Released)  
 FY2025 - FY2026: 20 billion yen

■ Dividend forecast in FY2024: total ¥47/share/year (+¥2 YoY), 15 consecutive years of increases of total dividend since FY2010

# Dividend Payout Ratio and Total Payout Ratio

(Unit : JPY)



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After the announcement of current status of Phase 2 of the Medium-Term Business Plan, stock price is trending weakly.

We are currently considering expanding information disclosure and reconsidering some policies regarding business and financial strategies to bridge a perception gap between management and investors recognized through subsequent dialogue with shareholders. => We will update at the Q2 financial results briefing.

## **[Main Perception Gaps between Management and Shareholders (Our Understanding)]**

- Expectations for growth of battery materials and the COP business
- The timeline for portfolio restructuring
- Potential for improving return on capital

## **[Matters to be Considered to Bridge the Gap (Expansion of Disclosed Information and Reconsideration of Some Policies)]**

- Guidance on the growth potential and profitability of battery materials and the COP business
- Timeline for portfolio restructuring and measures to be taken during the process to ensure profitability
- Other additional disclosure on business and financial strategies and reconsider some policies

## Next Announcement

<b>Financial Results Q2 FY2024</b>	<b>October 28<sup>th</sup>, 2024</b>
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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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## Positives

**Early recovery in  
end market demand**

**Depreciation of the yen**

**Early recovery in market  
conditions**

**Yen depreciation/dollar  
appreciation**

**Economic recovery**

**Yen depreciation/euro  
appreciation**

## Negatives

**Delay recovery in  
end market demand**

**Appreciation of the yen**

**Prolong recovery in market  
conditions**

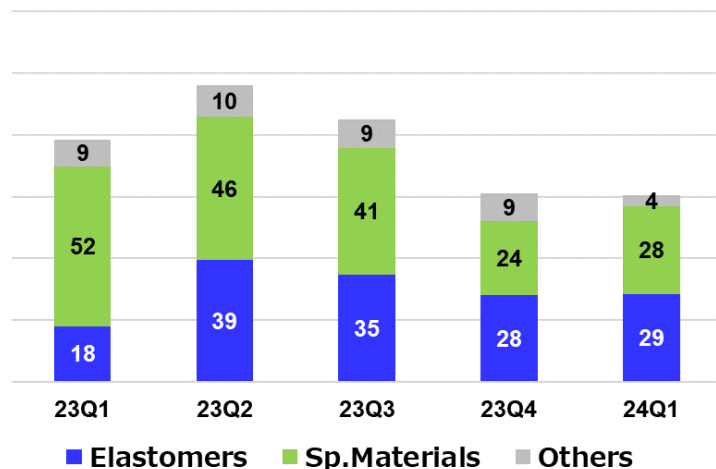
**Yen appreciation/dollar  
depreciation**

**Economic recession**

**Yen appreciation/euro  
depreciation**

(Unit : JPY100m)

[Capital Expenditures]

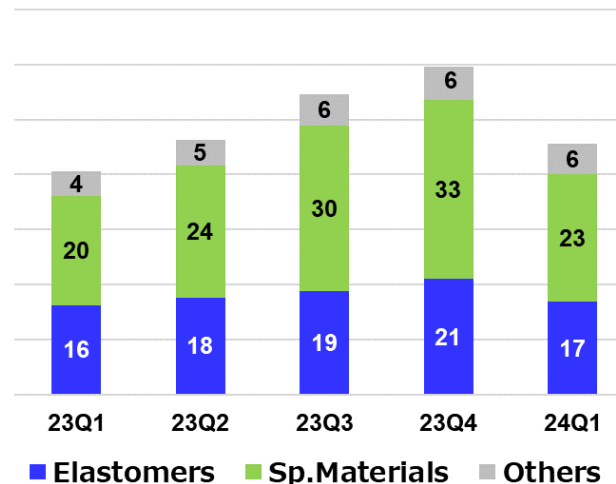


**FY23**  
**322**



**FY24**  
**380**

[Depreciation & Amrtization]

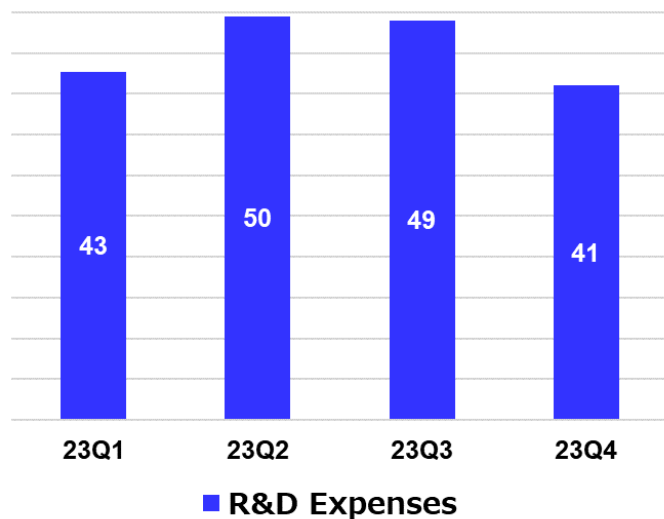


**FY23**  
**202**



**FY24**  
**215**

[R&D Expenses]



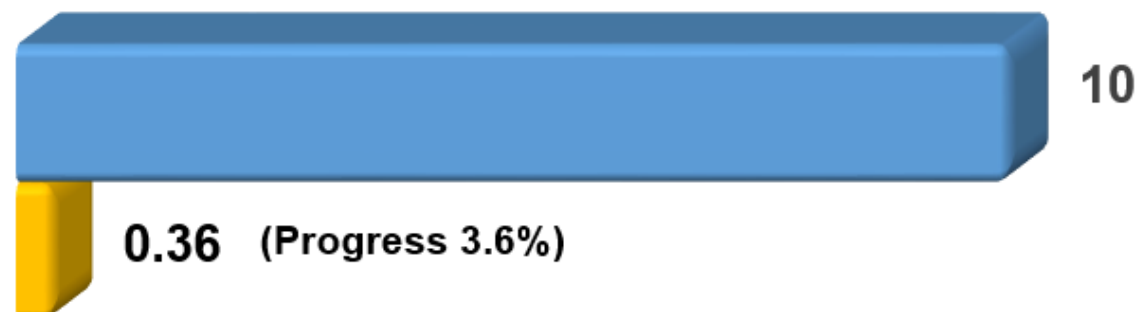
**FY23**  
**182**



**FY24**  
**188**

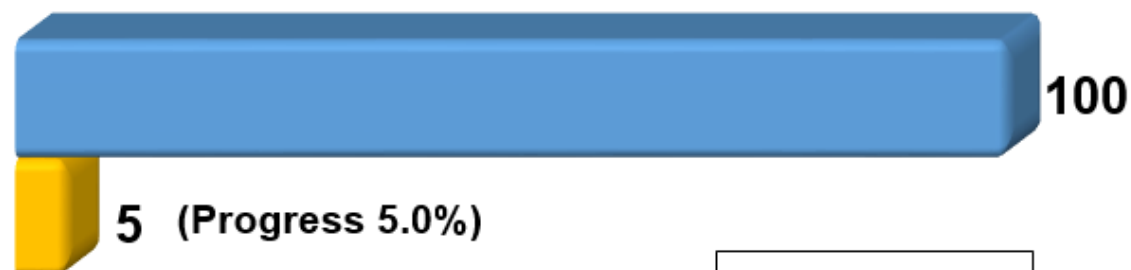
## Number of shares

(Unit : million shares)



## Amount

(Unit : 100m JPY)



■ Upper limit  
■ Q1

- Purchase of treasury stock is underway, with an upper limit of 10 million shares/10 billion yen.
- All shares will be cancelled after the purchase is complete