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Zeon Corporation

First Quarter of FY2024

Q&A from Results Briefing for Analysts

Date and time: July 29, 2024 (Monday) 17:00-18:00

Participant: Director & Senior Corporate Officer

Elastomers and Chemicals Business / Kazuyoshi MATSUURA

Administration / Yoshiyuki SONE

Specialty Business / Yuichiro KONISHI

[Specialty Materials business]

Q: With respect to a performance forecast as of July 29, 2024, it is expected a decline in operating income from the first quarter to the second quarter. Please explain a trend by product.

A: With respect to Cyclo Olefin Polymer (hereinafter, COP), no major changes expect from the first quarter to the second quarter. With respect to optical films, it is expected a decline in operating income from the first quarter to the second quarter mainly in small-to-medium sized films. Shipments of films for smartphone tend to concentrate in the first half of the year as usual. In addition, shipments of films for large sized TVs increased due to recovery from the Noto Peninsula earthquake in the first quarter. With respect to battery materials, no major changes expect from the first quarter to the second quarter. Although we expect to recover from the third quarter onwards, there are lack of the strength, especially for EV.

Q: Please explain the reason why there was a difference between non-consolidated sales volume and consolidated net sales for battery materials business.

A: We have only domestic manufacturing bases for battery materials currently, and ship to China, Europe, etc. In the first quarter, we increased shipments QoQ, mainly to consumer use, etc., but as the performance in the first quarter includes financial results of overseas subsidiaries from January to March, it was the timing of worsening market, due to the sluggish of the European market following Germany's announcement of the end of subsidies, combined with the seasonal factor of the Lunar New Year in China.

Q: With respect to the analysis of operating income variance by factor for specialty materials business, what was the background to the improvement in COGS?

A: The main factor was the improvement in yields for optical films. In addition to the improvement in operations following the Noto Peninsula earthquake, the operation of the new line launched in September 2023 was also steady.

[Elastomer business]

Q: In the performance forecast as of July 29, 2024, it is expected a decline in operating income for elastomer business

from the first quarter to the second quarter and from the first half to the second half of the year. Please explain the trend by product.

A: We expect that demand for elastomer business will be steady. In this situation, we expect a decrease in operating income from the first quarter to the second quarter because the Tokuyama Plant is going to undergo regular repairs from September to November, and we will adjust the shipment volume of mainly general-purpose rubber (for tires), which is the volume zone. In addition, although the Asian butadiene is around \$1,400 as of July 29, 2024, we assume that the Asian butadiene will be around \$1,100 in the second half of the fiscal year. Therefore, taking into account the decline in sales prices due to the decline in raw material prices in the second half of the fiscal year, we expect a decrease in operating income in the second half of the year. There are various reasons why the Asian butadiene is high as of today, but one of them is that we have heard that production issues at the Asian butadiene suppliers are lingering, so we have factored in the resolution of these issues. In addition, it is normal for indirect department expenses to increase in the fourth quarter and operating income to swing downward, and this is also factored into the second half of the fiscal year performance forecast.

As for chemical products, the market is recovering and volumes have started to move. However, sales prices are not able to cover all of the rising naphtha prices and the full cost price (including utilities), and we expect the difficult situation to continue for some time.

Q: If the yen depreciation and the Asian butadiene prices remain high, is there any room for performance forecast to reach a positive?

A: The yen depreciation is positive for the performance forecast. As for the Asian butadiene, since the spot price for exports is negotiated based on the Asian butadiene market price as a part of factor, if it remains high, it will be a factor for positive.

Q: Please explain the situation of the specialty rubber by item.

A: The volume zone of the specialty rubber is NBR, which is produced mainly at the Tokuyama Plant. Its applications include general industrial conveyor belts and shoe soles, and the volume of shipments does not necessarily correlate with that of automobiles. NBR tends to be affected by the overall Asian economy, and current shipments are lackluster. We feel that this is due to the slump in the Chinese economy. On the other hand, HNBR is performing steadily, including demand for belts in Europe and the US. ACM are also steady, leading the increase in overall shipment volume.

Q: With respect to HNBR, what is the trend toward replacing fluororubber due to PFAS regulations?

A: There is currently no visible movement in the global market to switch to PFAS-free HNBR as a starting point. However, specialty rubber is also used in semiconductor equipment and starting to evaluate by customers.

Q: Domestic automobile production is sluggish, but is this expected to improve from the second quarter onwards?

A: This is not necessarily the case. Domestic production volume seems to be slightly down, but our customers are not only domestic, but also global OEMs. For example, HNBR is produced at two bases, one in Japan and one in the United States, and there are cases where it is shipped from the United States to Europe, and the other where it is

shipped from the United States to Asia. Since we are covering globally, shipments will be in line with the number of automobiles produced worldwide.

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