Zeon Corporation
Third Quarters of FY2024
Meeting Minutes from Results Briefing for Analysts
(January 31, 2025)

[Briefing Materials]
https://www.zeon.co.jp/en/ir/financial/bs/pdf/250131.pdf

[Explanations]
p.3 Q3 FY2024 Summary
Today, we revised our full-year financial forecast for FY2024.

p.4 Q3 FY2024 Topics [1]
The first key topic is the status of the issue at the COP plant at the Mizushima Plant, which occurred in October 2024, affecting one of the four production lines. Restoration efforts were undertaken with the cooperation of relevant parties, and operations resumed in early December 2024.
We sincerely apologize for any concerns this may have caused and remain committed to ensuring stable and safe production.
The earnings forecast announced on October 28 incorporated an expected 1.9B JPY reduction in operating income. However, the actual loss in Q3 amounted to approximately 1.2B JPY,
with an estimated loss of 0.4B JPY in Q4. The remaining 0.3B JPY is expected to impact FY2025.

p.5 Q3 FY2024 Topics [2] [3]
The second key topic concerns battery materials. While we had been advancing the detailed design of production facilities for lithium-ion battery anode binders in the U.S. under a local production for local consumption strategy, we have decided to freeze the investment plan for approximately two years due to strategic considerations.
The third key topic is measures aimed at achieving management conscious of cost of capital and stock price.

p.6 Q3 FY2024 Topics [4]
The fourth key topic pertains to the purchase and cancellation of treasury shares.

p.7 Q3 FY2024 Business Environment (Trends in Exchange Rates and Prices of Raw Materials)
The yen was down YoY versus the US dollar and the euro but up QoQ.
As for the prices of the main raw materials, Naphtha and Asian butadiene rose YoY but fell QoQ.

p.10 Q3 FY2024 Performance Summary (By Segment)
The operating income of the Specialty Materials Business included an approximately 1.2B JPY loss due to the impact of the Mizushima Plant production line issue.

p.12 Specialty Materials Business Profit and Loss

The QoQ decline in sales and income in the Specialty Plastics Business was primarily due to lower shipments of COP for medical use, etc. and small to medium size films, influenced by inventory adjustments by some customers and the in-between season, as well as FME and facility restoration costs incurred during the production halt at one line of the Mizushima Plant.

p.14 Specialty Materials Business Operating Income Variance (YoY)

Sales QTY improved by 1.9B JPY due to increased sales volumes of COP for optical use and semiconductors and optical films. While the Specialty Plastics Business was impacted by lower shipments in Q3, cumulative shipments over the nine-month period increased, supported by steady demand.

COGS improved by 3.0B JPY, including costs associated with FME and facility restoration costs related to the Mizushima Plant issue. The improvement also reflects enhanced yields at the plant producing optical films for large size in Tsuruga, which faced challenges in the previous fiscal year but has since stabilized with a better yield.

p.20 Elastomer Business Operating Income Variance (QoQ)

Sales QTY deteriorated due to lower sales volume caused by regular inspections at mainstay synthetic rubber plants. Sales price improved due to progress in price revisions in response to rising raw material costs. The exchange rate deteriorated due to yen appreciation.

p.21 Elastomer Business Operating Income Variance (YoY)

Sales QTY improved due to the increased sales volume of latexes and chemicals, as well as an increase in the proportion of specialty rubber shipments following regular inspections at the Tokuyama Plant, the mainstay production facility for general-purpose rubber.

SG&A worsened due to rising ocean freight costs and increased indirect department costs, leading to a higher allocation of expenses to the larger elastomer business.

p.24 B/S (as of the end of December, 2024)

Current assets increased by 8.2B JPY, primarily due to an increase in accounts receivable resulting from price revisions and higher inventories at the Singapore facility ahead of regular inspections. Additionally, stockpiling to secure inventory for a certain period in response to production suspensions at certain suppliers contributed to the rise in inventory. This increase was partially offset by a decline in cash and deposits following the purchase of treasury shares.

Non-current assets decreased by 1.9B JPY due to the net effect of capital expenditure and the sale of investment securities.

As a result, total assets came to 538.6B JPY, up 6.3B JPY YoY.

On the other hand, current liabilities were up 23.6B JPY due to an increase in commercial paper, while non-current liabilities were down 2.5B JPY.

p.26 Non-operating Profit and Loss / Extraordinary Profit and Loss

Non-operating profit and loss deteriorated YoY due to a smaller foreign exchange gain compared to the previous fiscal year.

Extraordinary profit and loss also worsened YoY due to the absence of a large gain on the sale of investment securities recorded in the previous fiscal year.

p.28 FY2024 Performance Forecast

The Specialty Materials Business revised net sales upward by 4.0B JPY and operating income upward by 2.5B JPY due to stronger-than-expected demand for optical films in H2 compared to the forecast announced in October. The Elastomer Business revised net sales downward by 2.0B JPY due to a weaker supply-demand balance for synthetic rubber caused by seasonal factors. However, operating income was revised upward by 0.5B JPY, incorporating the impact of yen depreciation and price revisions in response to raw material cost fluctuations.

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