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Zeon Corporation

FY2024

Q&A from Results Briefing for Analysts

Date and time: April 25, 2025 (Friday) 13:30-14:30

Participant: President and CEO / Tetsuya TOYOSHIMA

Director & Senior Corporate Officer

Elastomers and Chemicals Business / Kazuyoshi MATSUURA

Administration / Yoshiyuki SONE

Specialty Business / Yuichiro KONISHI

[Overview]

Q: Please explain how the impact of reciprocal tariffs has been factored into the performance forecast for the fiscal year 2025.

A: As a whole, the impact of tariffs has been examined by dividing it into three categories. The performance forecast has not been taken into account the impact of direct transactions and the indirect impact.

1. Exchange rates and prices of raw materials

The performance forecast has been prepared based on the following assumptions: US$=¥140, €=¥160, Naphtha (JPY/KL)=¥63,000, and Asian butadiene (US$/MT)=US$1,100.

2. Impact on direct transactions

While this is based on current estimates, we anticipate that even with a 10% additional tariff and a 24% reciprocal tariff, the impact would be limited to less than 10% of the operating income compared to it for the fiscal year 2024.

3. Indirect impact

As of now, we have not been able to quantify the potential market impact of the broader economic downturn.

With respect to the Specialty Materials business, we assess that the impact on direct transactions is likely to be limited at this stage. While Cyclo Olefin Polymer (hereinafter “COP”) exports to the United States, it is exempt from both the additional and reciprocal tariffs. At present, direct transactions with the United States for optical films and battery materials are limited.

On the Elastomer business front, concerns over the impact on direct transactions primarily relate to chemicals.

As there are other suppliers located within the United States, we will continue to closely monitor any potential impact on our products. Since we have production bases of synthetic rubber in the United States, the impact on direct transactions is expected to be limited. Nonetheless, it is necessary to examine the effects of changes in key indicators and market fundamentals, such as the decline in crude oil and natural rubber prices.

Q: Please explain the reasons for the increase in capital expenditures in the fiscal year 2025 compared to the fiscal year 2024.
A: The main factors behind the increase in investment are the new COP plant in the Shunan area and a new co-creative innovation facility in the Kawasaki waterfront area. As the new COP plant is expected to begin operations in the fiscal year 2028 and the new co-creation innovation facility in the fiscal year 2026, depreciation expenses are not anticipated to be recorded in the fiscal year 2025 performance forecast.

[Specialty Materials business]
Q: Please explain the factors behind the decline in operating income in the fourth quarter of the fiscal year 2024 compared to the third quarter.
A: The decline was primarily due to a temporary loss on disposal and valuation for inventories of around ¥0.8 billion in the Specialty Chemicals segment, recorded on a quarter-on-quarter basis.

Q: Please explain the main factors contributing to the increase or decrease in the operating income forecast for the fiscal year 2025.
A: The operating income forecast for the Specialty Material business in the fiscal year 2025 has been set at ¥19 billion. Due to the change in depreciation method to the straight-line method, depreciation expenses are expected to decrease compared to the fiscal year 2024. At the same time, the performance forecast incorporates an exchange rate assumption of US$=¥140 for the fiscal year 2025, compared to ¥152.8 in the fiscal year 2024, reflecting a yen appreciation. Additionally, the performance forecast includes increased depreciation and experiment costs associated with the beginning of operations at the recycling plant in Takaoka.

Q: Please explain the establishment of a joint venture in China related to battery materials.
A: We will grant Zhuhai Chenyu New Material Technology Co., Ltd. a technology license for anode binders, and the joint venture will be responsible for sales within the Chinese domestic market.
In China, LFP-based batteries are becoming mainstream, we will produce for them within China. On the other hand, for NMC-based batteries, we will continue production in Japan and supply globally. Although we have frozen our investment plan for binder production facilities in the United States for approximately two years, we will reconsider it depending on the situation. As for binders for cathodes and functional layers, we will continue to utilize and further strengthen our existing production sites and distribution channels.

[Elastomer business]
Q: Please explain the main factors contributing to the increase or decrease in the operating income forecast for the fiscal year 2025.
A: Compared to the fiscal year 2024, we expect a decrease in operating profit for the fiscal year 2025, primarily based on the assumption of a yen appreciation and a decline in Asian butadiene prices.

Q: What is the expected timeline for the startup of the HNBR capacity expansion in the United States?
A: Preparations are currently underway for the fiscal year 2026.

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