Zeon Corporation
First Half of FY2025
Meeting Minutes from Results Briefing for Analysts
(October 30, 2025)

[Briefing Materials]
https://www.zeon.co.jp/en/ir/financial/bs/pdf/251030.pdf

[Explanations]
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We factored in an estimated cost increase of approximately 1.0B JPY into the second-half profit forecast, reflecting the shift to alternative fuel due to issues with the fuel supplier. This increase offset the positive impact of revising our exchange rate assumptions to reflect yen depreciation. The estimate represents a worst-case scenario, and we are currently reviewing measures to mitigate the loss.

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The key point is that when we approved the investment in the new COP plant in June of last year, the addition of the new 3,000 mm-wide film production line was not included in the original plan. While the total investment amount is now expected to increase, we believe expanding film production capacity to meet strong demand will allow us to maintain the business's high added value.

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We issued a news release today. The investment in SiAT was made based on the basic agreement signed in May of this year. Single-walled carbon nanotubes for lithium-ion batteries are positioned as the next growth driver in the third phase of the Medium Term Business Plan. While this initiative will not contribute to near-term results, we will work with SiAT to develop the market as one of the pillars supporting our medium- to long-term growth.

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The yen appreciated YoY and depreciated QoQ against the US dollar while depreciating against the euro on both a YoY and QoQ basis. Naphtha and Asian butadiene prices declined YoY and QoQ.

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The table compares the first-half performance forecast announced on July 30 with the actual first-half results.
In the Specialty Materials Business, YoY growth in shipments of optical films and battery materials contributed to higher results. Compared with the forecast, optical film shipments exceeded expectations, while recovery in demand for synthetic aromatic chemicals has been slow.
In the Elastomer Business, overseas market conditions for synthetic rubbers weakened and selling prices declined following lower raw material costs. However, chemical prices remained firm, supporting operating income.

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In the Specialty Materials Business, both YoY and QoQ results show higher net sales but lower operating income, creating a divergence between the two indicators. The primary factor is the Specialty Plastics segment, highlighted in the red box.

While the second-quarter results reflect performance from July to September, the results of overseas affiliates incorporate performance from April to June. Although this treatment complies with proper accounting rules, we received many comments noting the difficulty in determining whether these fluctuations reflect a temporary impact from the period lag or a change in the underlying business structure.

To address this, the next page explains the results after removing the impact of the period lag.

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The upper table shows the consolidated results for Specialty Plastics and corresponds to the figures in the financial flash report.

The lower table presents consolidated results assuming no period lag at overseas affiliates. As shown, without the period-lag impact, YoY results would reflect higher net sales and operating income, while QoQ results would reflect lower net sales and operating income.

Because the impact of the period lag is eliminated in subsequent quarters, further analysis is not essential in understanding the underlying performance trend. Accordingly, the following explanation is based on the lower table, which excludes the impact of the period lag.

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In addition to Specialty Plastics, the Specialty Chemicals segment was also affected by the period lag at overseas affiliates, resulting in an operating income adjustment of approximately minus 0.2B JPY in the second quarter. This impact is likewise expected to be resolved in subsequent periods as inventory is drawn down.

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Shipments for semiconductor use were also sluggish, mirroring trends in medical use, etc. However, the demand outlook remains unchanged, with full-year shipments expected to exceed the previous year, and a recovery is anticipated in the second half.

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Demand for aromatic chemicals slowed globally due to the impact of U.S. tariffs, and the supply–demand imbalance has continued for an extended period.

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The decline in shipments of general-purpose rubbers was in line with expectations.

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Current assets declined due to improvements in the cash conversion cycle, lower accounts receivable resulting from the drop in raw material prices, and the drawdown of inventory accumulated prior to the regular inspection at the Mizushima Plant. Non-current assets increased, with property, plant and equipment rising in line with construction costs for the new COP plant.

On the other hand, current liabilities decreased as trade payables declined with lower raw material prices and commercial paper repaid, but increased in total due to accounts payable recognized for construction costs related to the new COP plant.

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In the second quarter, operating cash flow and free cash flow increased due to higher working capital, while financial cash flow decreased as funding activities declined.

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In the second half, net sales and operating income for the Specialty Materials Business were revised upward, reflecting an improved outlook for optical films and COP.

In the Elastomer Business, synthetic rubbers were revised upward for both net sales and operating income, but the overall forecast was maintained as deteriorating market conditions for chemicals and latexes are expected to weigh on results. The upward revision for synthetic rubbers is primarily due to higher shipments and also reflects the assessment that the carryover cost variance assumed in the second half will not occur because raw material prices have bottomed out.

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