

Financial Results for FY2019

(Ended March 31, 2020)



ZEON CORPORATION

April 28, 2020

- **Main Points in FY2019** P. 2
- **Summary of FY2019 performance** P. 3
- **Summary of P/L**
 - **Elastomer Business** P. 7
 - **Specialty Materials Business** P. 12
- **Summary of B/S** P. 21
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- **Outlook for FY2020** P. 23

【Elastomers】 Both sales and operating income decreased YoY due to the impact of the global economic slowdown and market weakening.

【Specialty Materials】 Both sales and operating income increased YoY and had a record in OP by the steady sales of Specialty plastics and Energy materials.

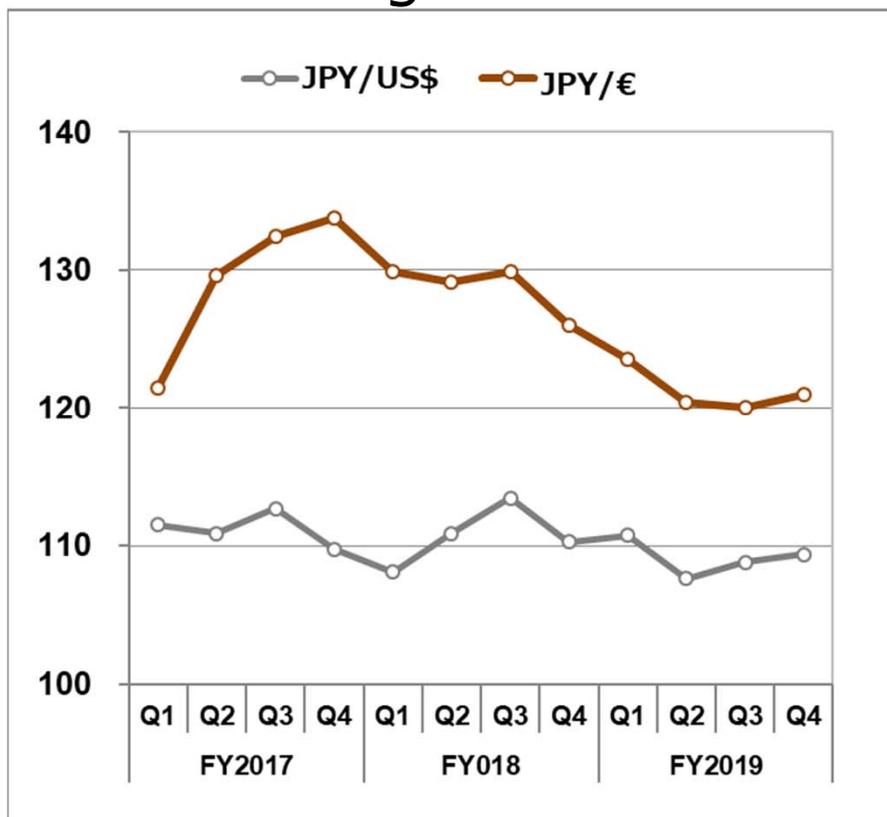
The direct impact of Covid-19 on business result was minor. Our production bases in China restart and continue their operations since Feb. 10th .

(Unit : JPY100m)

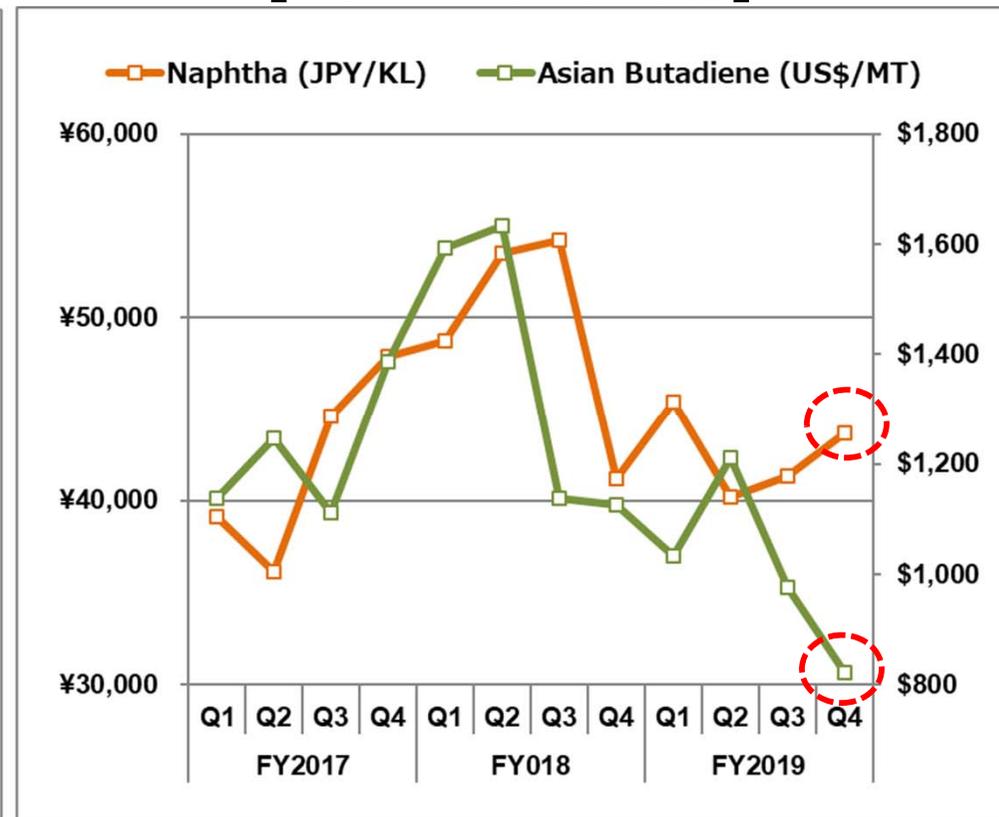
	FY2018	FY2019	Increase/Decrease	
			Amount	Rate
Net Sales	3,375	3,220	-155	-5%
Operating Income	331	261	-70	-21%
Ordinary Income	363	287	-76	-21%
Net Income	185	202	+17	+9%

- Both sales and operating income decreased YoY due to the slackness in Elastomers business.
- Net income increased due to a decrease in extraordinary losses such as impairment loss.

【Exchange rate】



【Raw materials】



	FY2018	FY2019	Increase/Decrease	
			Amount	Rate
JPY/US\$	¥110.7	¥109.1	-1.6	-1%
JPY/€	¥128.7	¥121.3	-7.4	-6%
Naphtha price (JPY/KL)	¥49,500	¥42,700	-6,800	-14%
Asian Butadine (US\$/t)	US\$1,372	US\$1,010	-362	-26%

Summary (by segments)

(Unit : JPY100m)

	Net Sales					
	FY2016	FY2017	FY2018	FY2019	Increase/ Decrease	Rate
Elastomer Business	1,662	1,946	1,981	1,788	-192	-10%
Specialty Materials Biz.	750	865	851	917	+66	+8%
Others	490	539	567	535	-33	-6%
Eliminations, etc.	-26	-23	-25	-21	+4	-
Net sales (consolidated)	2,876	3,327	3,375	3,220	-155	-5%

	Operating Income					
	FY2016	FY2017	FY2018	FY2019	Increase/ Decrease	Rate
Elastomer Business	206	222	177	96	-80	-45%
Specialty Materials Biz.	98	167	161	173	+12	+7%
Others	29	32	28	21	-7	-25%
Eliminations, etc.	-25	-32	-34	-29	+5	-
Op. Income (consolidated)	308	389	331	261	-70	-21%

- **Elastomers:** Net sales decreased, Operating income decreased.
- **Specialty Materials:** Net sales increased, Operating income increased.

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Summary of P/L : Elastomer Business (12 mo. YoY) ZEON

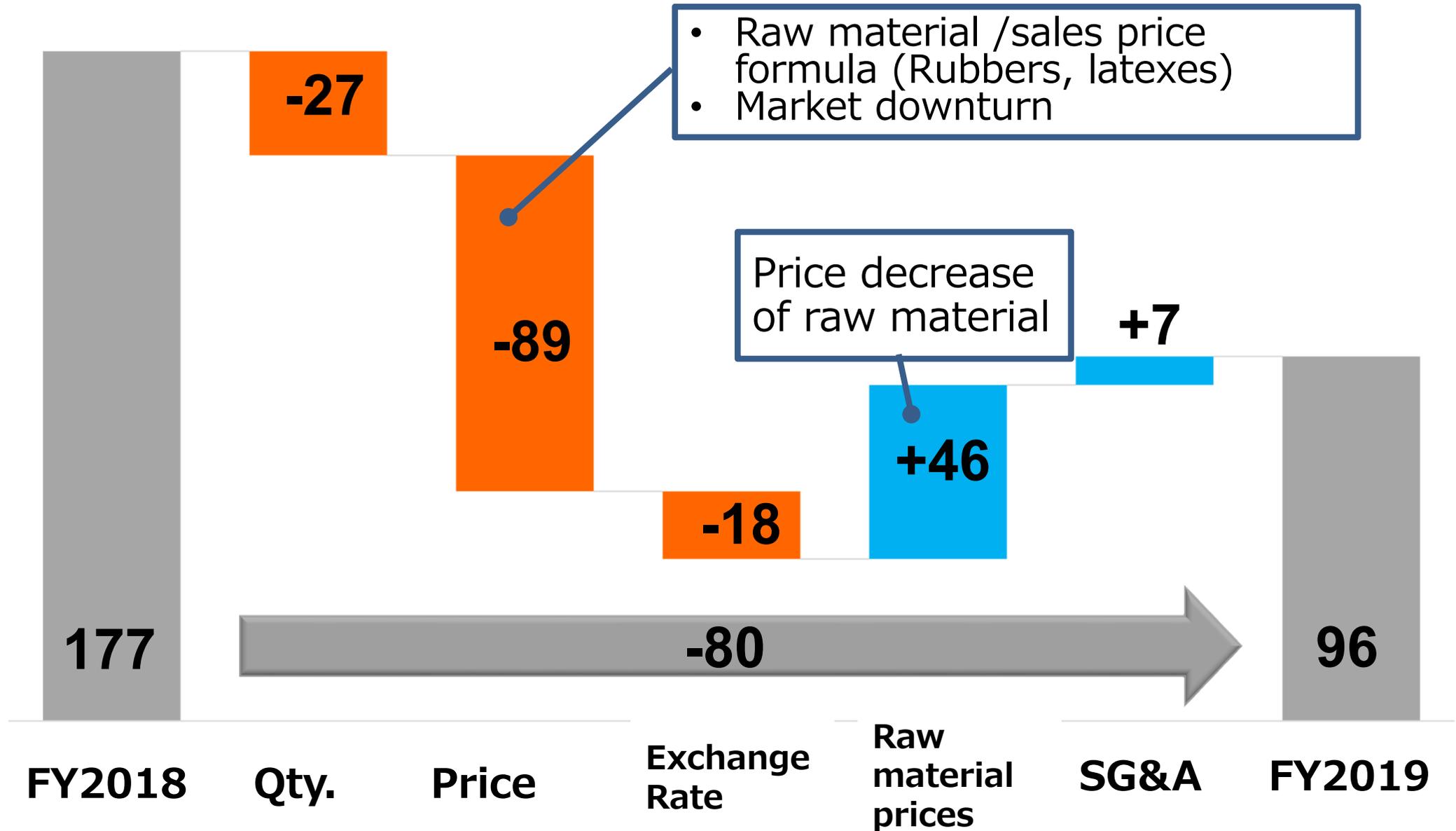
(Unit : JPY100m)

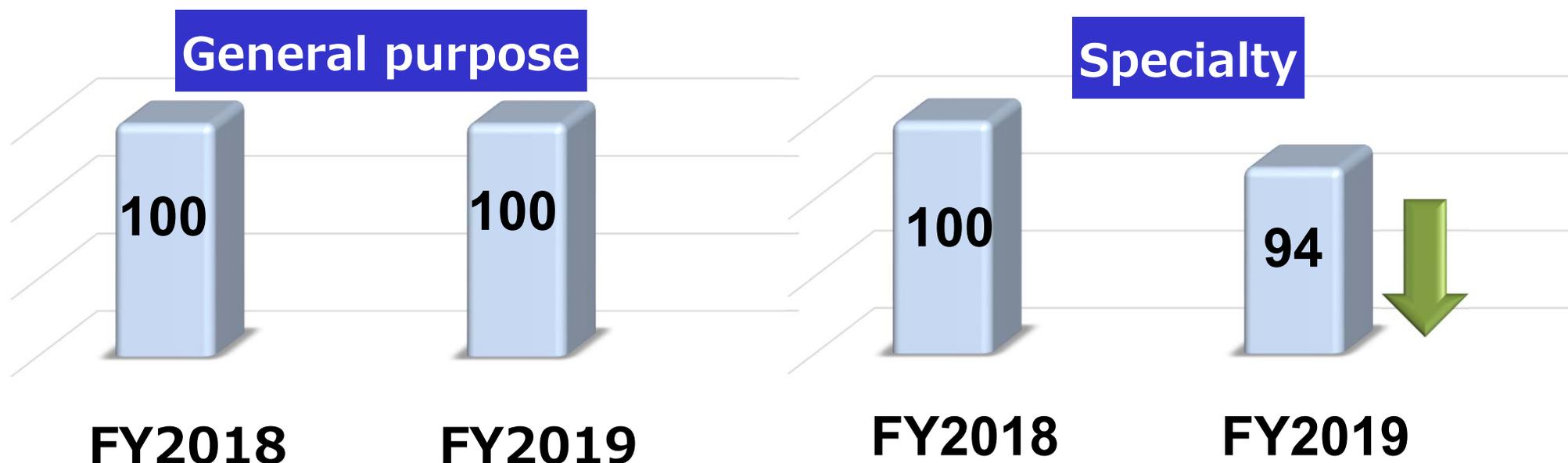
	FY2018	FY2019	Increase/ Decrease	Rate
Sales volume (thousand tons)	616	598	-19	-3 %
Rubbers	355	348	-7	-2 %
Latexes	123	121	-2	-2 %
Chemicals	138	129	-10	-7 %
Net sales	1,981	1,788	-192	-10 %
Rubbers	1,388	1,238	-150	-11 %
Latexes	188	168	-20	-11 %
Chemicals	383	348	-35	-9 %
Others/Eliminations	22	35	13	61 %
Operating income	177	96	-80	-45 %
Operating income ratio	9%	5%	-4 pt	

- **Rubbers:** Weak demands in automobile and general industry. Sales prices declined linked to the falling prices of raw material.
- **Latexes:** Declined demands in cosmetics and general industry. Sales prices declined linked to the falling prices of raw material.
- **Chemicals:** Production volume decreased from the regular plant maintenance in the main manufacturing site. Downturn in Asian market.

Elastomers: Operating income variance (12 mo./YoY) ZEON

(Unit : JPY100m)





Index: Volume for FY2018=100

- **General purpose rubbers (mainly for tires)**
Same level as the previous year
- **Specialty rubbers (mainly for automobile industries)**
Volume declined due to the sluggish demand

Summary of P/L : Elastomer Business (QoQ)

ZEON

(Unit : JPY100m)

	3Q	4Q	Increase/ Decrease	Rate
Sales volume (thousand tons)	150	150	0	0 %
Rubbers	85	88	3	4 %
Latexes	33	28	-5	-15 %
Chemicals	32	34	2	6 %
Net sales	435	434	-2	0 %
Rubbers	297	292	-5	-2 %
Latexes	41	40	-2	-4 %
Chemicals	87	90	3	3 %
Others/Eliminations	10	12	2	24 %
Operating income	26	11	-15	-57 %
Operating income ratio	6%	3%	-3 pt	

- Naphtha price rose QoQ (Zeon's index in 3Q: JPY41,300⇒ 4Q: JPY43,700/KL)
- Rubbers: Sales price sunk by the market downturn. Revaluated the inventories.
- Latexes: Sales volume decreased. Manufacturing cost rose.
- Recorded the cost for the regular plant maintenance in FY2020 of the plant for rubbers and latexes.
- The plant in Singapore had stopped its production due to the regular plant maintenance of the raw material supplier. ...etc.

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Summary of P/L : Specialty Materials (12 mo. YoY) ZEON

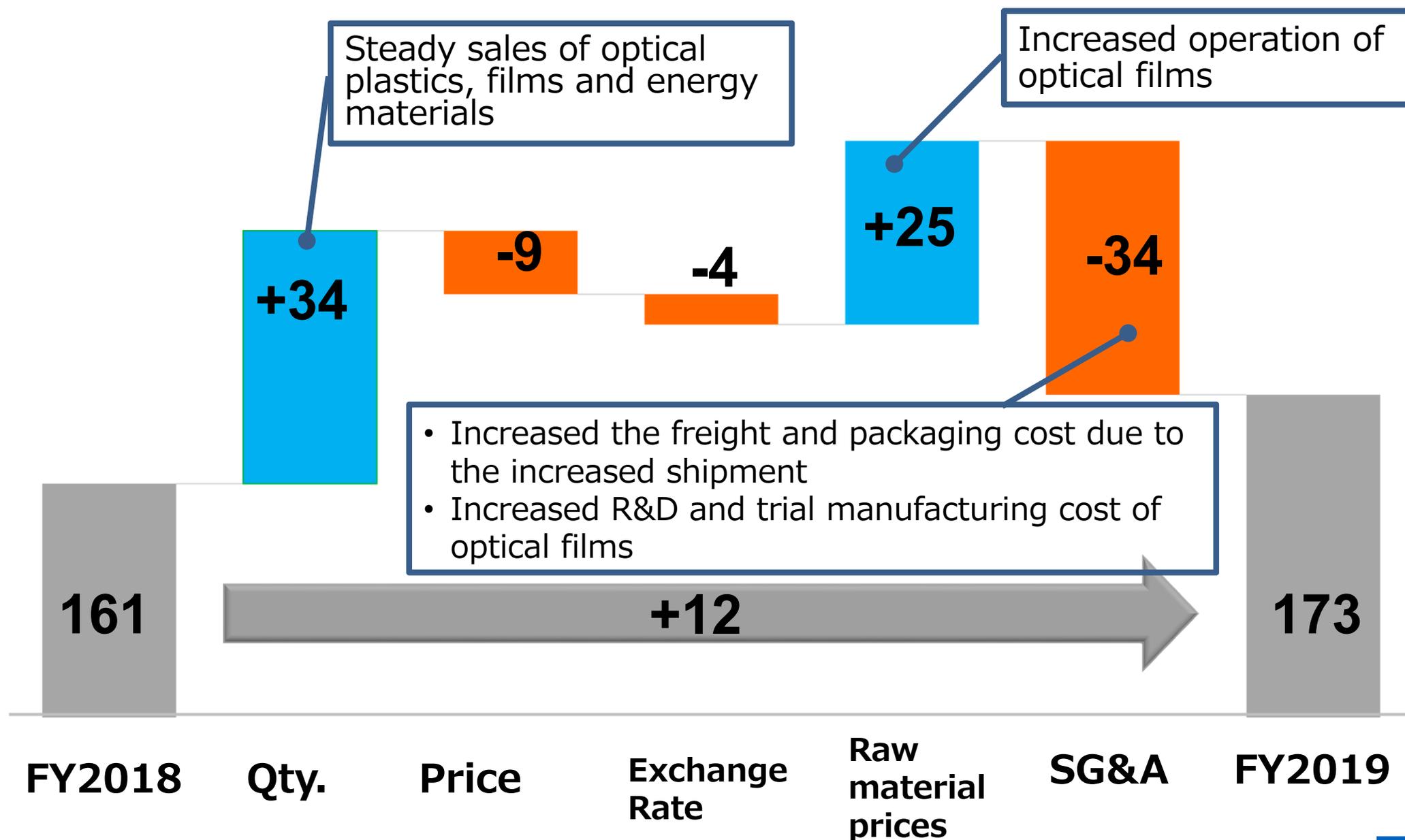
(Unit : JPY100m)

	FY2018	FY2019	Increase/ Decrease	Rate
Net sales	851	917	66	8 %
Specialty chemicals	276	291	15	5 %
Specialty plastics	519	568	49	10 %
Medical devices, etc.	57	59	2	4 %
Operating income	161	173	12	7 %
Operating income ratio	19%	19%	0 pt	

- **Specialty Chemicals:** Energy Materials had steady growth. Both net sales and OP decreased of Specialty Chemicals and Toner.
- **Specialty Plastics:** Both Optical Plastics & Films had steady business.

Specialty Materials: Operating income variance (12 mo./YoY) **ZEON**

(Unit : JPY100m)

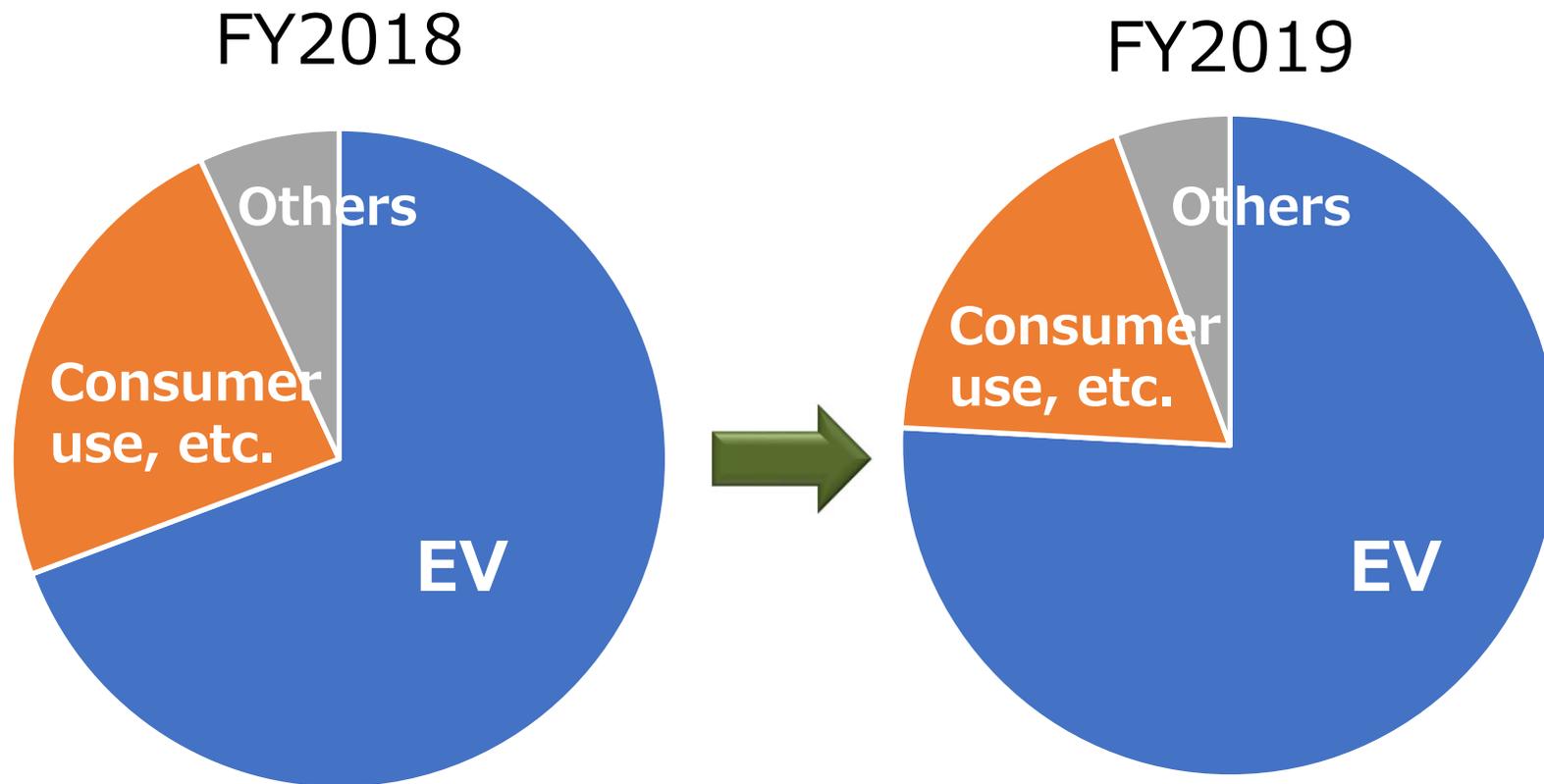


Summary of P/L : Specialty Materials (QoQ)

(Unit : JPY100m)

	3Q	4Q	Increase/ Decrease	Rate
Net sales	224	239	15	7 %
Specialty chemicals	73	76	3	4 %
Specialty plastics	137	147	11	8 %
Medical devices, etc.	14	16	1	8 %
Operating income	40	41	0	1 %
Operating income ratio	18%	17%	-1 pt	

- **Specialty Chemicals:** Electronics Materials and Toner had steady business. Energy Materials had slightly declined.
- **Specialty Plastics:** Both Optical Plastics and Optical Plastics are steady.
- **OP** difference on QoQ of Specialty Materials Biz was flat due to the R&D trial manufacturing cost and disposal cost of defective products of Optical Films on 4Q.



The sales rate of EV had grew in FY2019

* Analysis of application is Zeon's estimation.
2019 actual basis

	QoQ	YoY
EV	57%	113%
Consumer use, etc.	168%	96%
Total	99%	106%

- **EV:** QoQ declined by the postponement of the EV production to wait-to-see the new NEV regulation in 2020 China, the lunar new year holiday, and less working days of Chinese customers due to Covid-19. Steady in YoY.
- **Consumer use, etc.:** Although QoQ grew significantly, the energy storage system (ESS) fire in Korea had slowed growth in the first half of FY2019 and decreased slightly for the whole year.

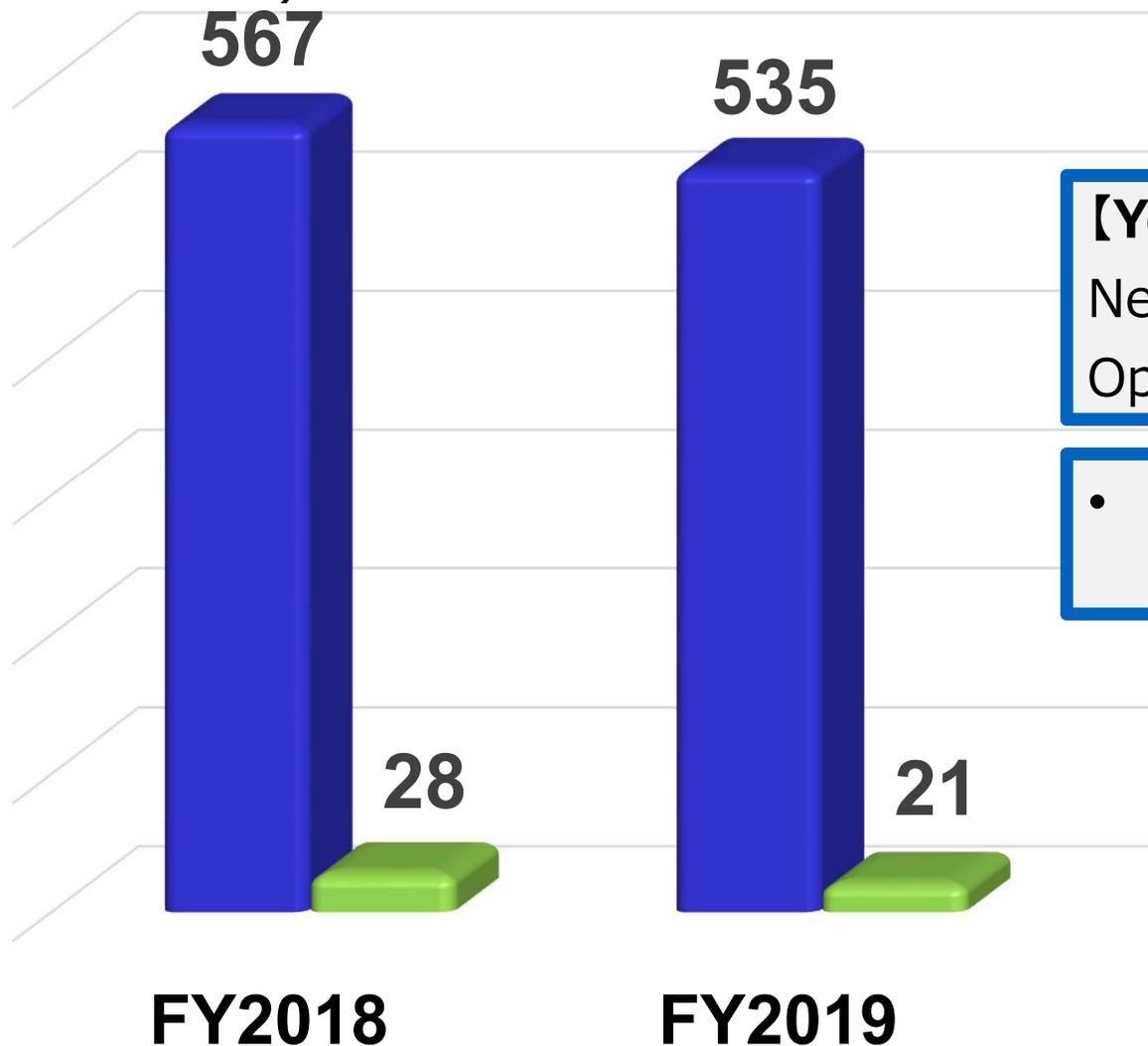
	QoQ	YoY
For small-to-medium size	97%	109%
For big size FPD	106%	109%
Total	104%	110%

- For small-to-medium size:** There was no big drop in 4Q due to the adoption in new models and the increased demand for PCs and tablets (increase of staying home). Solid business in whole year.
- For big size FPD:** Solid sales in volume by the new sales channel.

	QoQ	YoY
Optical use	147%	121%
Medical use, etc.	109%	102%
Total	120%	108%

- **Optical use:** Steady sales for smartphone as QoQ. Solid business in YoY.
- **Medical use, etc.:** Advanced shipment includes the growth in QoQ, but the steady growth in YoY.

(Unit : JPY100m)



【Year-on-year】
Net Sales : -3.3 billion yen
Operating Income: -0.7 billion yen

- Decline in Trading and RIM business

■ Net Sales ■ Operating Income

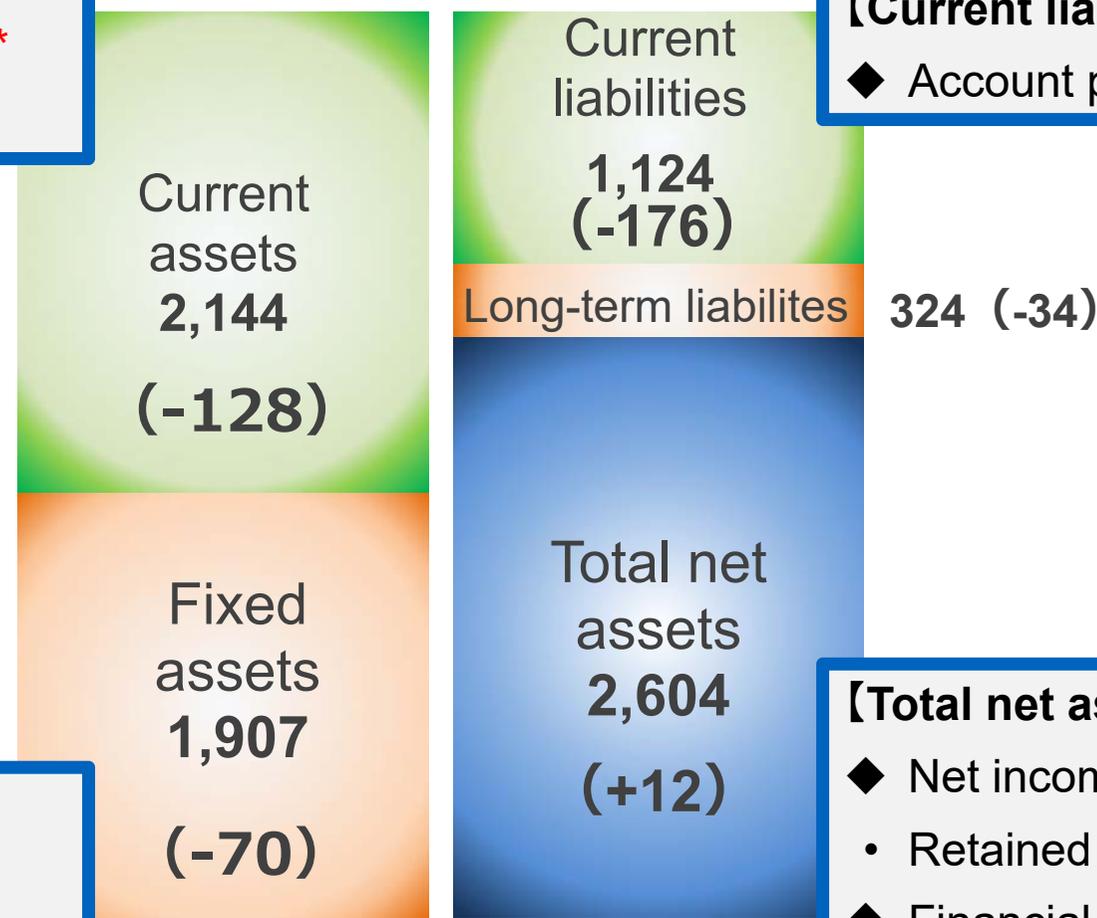
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Summary of B/S

Year-on-year variance is in ()

【Current assets】 -128
 ◆ Account receivable -70 *
 ◆ Accounts due -57*

【Current liabilities】 -176
 ◆ Account payable -167 *



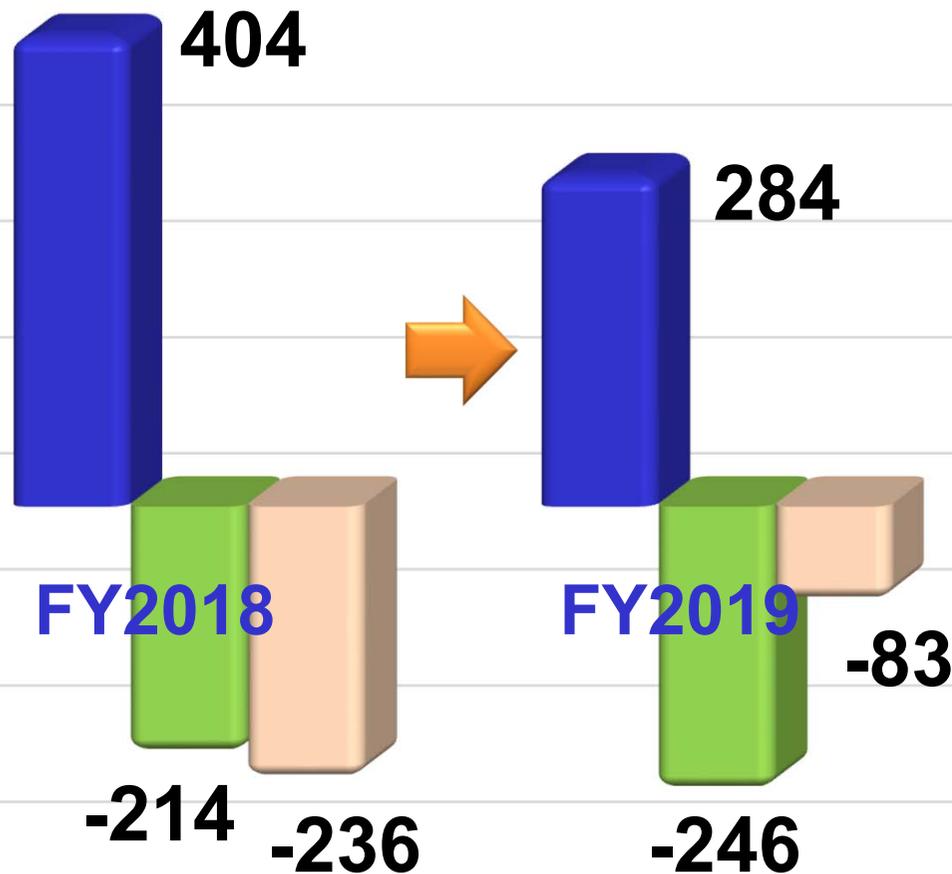
【Fixed assets】 -70
 ◆ Capital expenditures 291
 • Enhancement of optical film facility, etc.
 ◆ Depreciation & Amortization -174
 ◆ Investment securities -190

【Total net assets】 +12
 ◆ Net income 202
 • Retained earnings +156
 ◆ Financial indicators
 • Interest-bearing debt 210 (-32)
 • Equity ratio 63.5% (+3.2%)
 • D/E ratio 0.08 (-0.01)

* = due to holidays around the end of the fiscal year

Summary of C/F

(Unit : JPY100m)



■ CF from Operating Act. ■ CF from Investing Act.
 ■ CF from Financing Act.

	FY2018	FY2019
CF from Operating Act.	404	284
CF from Investing Act.	-214	-246
Free CF	190	39
CF from Financing Act.	-236	-83
CF	-46	-44

- ◆ CF from Operating act: -120
 - Decrease of Account receivable -104*
- ◆ CF from Investing act: -31
 - Increase of capital investment -104
 - Decrease of purchase of investment securities +60
- ◆ CF from Financing act: +153
 - Redeemed corporate bond (in FY2018) 100
 - Purchase of treasury shares (in FY2018) 50

* = due to holidays around the end of the fiscal year

There is no outlook of the Covid-19 crises ends. It may have a long-term impact on Zeon's business, we had set up "Emergency response headquarters" to respond to unexpected situation.

We continue to implement infection prevention measures at all business sites, and in the event of an infection, take prompt action according to the countermeasures.

The forecast of FY2020 performance and dividend have not been determined, because to calculate rational business forecasts is difficult due to the Covid-19 effect.

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.

Next Announcement of Financial Statements

The first quarter of FY2020	July 31st, 2020
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Subject to change without notice

This document is a translation of the original Japanese-language and is provided for convenience only. In all cases, the original Japanese version shall take precedence.

Reference: Consolidated Statement of Income (Quarterly)

ZEON

(Unit : JPY100m)

	FY2018				FY2019				QoQ		18/2H vs. '19/2H		YoY	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Change	Rate	Change	Rate	Change	Rate
Sales volume (thousand tons)	159	149	145	164	147	150	150	150	0	0%	-8	-3%	-19	-3%
Rubbers	91	84	80	99	85	90	85	88	3	4%	-7	-4%	-7	-2%
Latexes	31	29	30	32	30	31	33	28	-5	-15%	-2	-3%	-2	-2%
Chemicals	37	35	34	32	32	30	32	34	2	6%	1	1%	-10	-7%
Net sales	837	854	855	829	824	809	792	794	2	0%	-99	-6%	-155	-5%
Elastoer Business	509	493	490	489	471	448	435	434	-2	0%	-109	-11%	-192	-10%
Rubbers	363	340	339	345	328	321	297	292	-5	-2%	-96	-14%	-150	-11%
Latexes	44	51	48	45	45	42	41	40	-2	-4%	-12	-13%	-20	-11%
Chemicals	98	96	95	94	92	78	87	90	3	3%	-12	-6%	-35	-9%
Others / Eliminations	4	6	7	5	7	7	10	12	2	24%	10	78%	13	61%
Specualty Materials Biz.	195	229	223	205	223	232	224	239	15	7%	35	8%	66	8%
Sp. Plastics	116	148	138	117	142	143	137	147	11	8%	29	11%	49	10%
Sp. Chemicals	66	68	70	72	67	75	73	76	3	4%	7	5%	15	5%
Medical, etc.	14	12	15	16	14	14	14	16	1	8%	-1	-3%	2	4%
Others / Eliminations	132	132	143	136	131	129	132	122	-11	-8%	-25	-9%	-29	-5%
Operating income	85	95	90	61	83	67	65	46	-20	-30%	-41	-27%	-70	-21%
Operating income ratio	10%	11%	11%	7%	10%	8%	8%	6%	-2 pt		-4 pt		-7 pt	
Elastoer Business	51	44	49	33	35	25	26	11	-15	-57%	-45	-55%	-80	-45%
Operating income ratio	10%	9%	10%	7%	7%	5%	6%	3%	-3 pt		-8 pt		-14 pt	
Specualty Materials Biz.	34	53	42	32	51	41	40	41	0	1%	8	10%	12	7%
Operating income ratio	17%	23%	19%	15%	23%	18%	18%	17%	-1 pt		1 pt		1 pt	

(Unit : JPY100m)

	QoQ			
	FY2019		Increase/Decrease	
	4Q	3Q	Amount	Rate
Net Sales	794	792	+2	+0%
Operating Income	46	65	-20	-30%
Ordinary Income	52	75	-22	-30%
Net Income	35	51	-16	-31%

JPY/US\$	¥109.1	¥109.1	0.0	-
JPY/€	¥121.3	¥121.3	0.0	-
Naphtha price (JPY/KL)	¥42,700	¥42,400	300	+1%
Asian Butadiene (US\$/t)	US\$1,010	US\$1,075	-65	-6%

Summary (2019/2H vs. 2018/2H)

ZEON

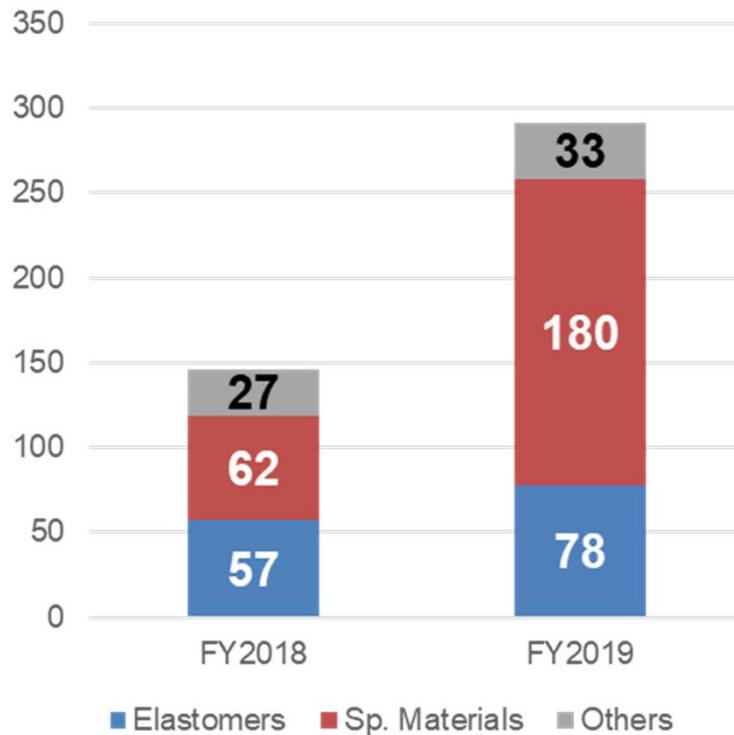
(Unit : JPY100m)

	2019/2H vs. 2018/2H (Oct.-Mar.)			
	Oct.-Mar.		Increase/Decrease	
	FY2019	FY2018	Change	Rate
Net Sales	1,586	1,685	-99	-6%
Operating Income	111	152	-41	-27%
Ordinary Income	127	160	-33	-21%
Net Income	87	39	47	121%

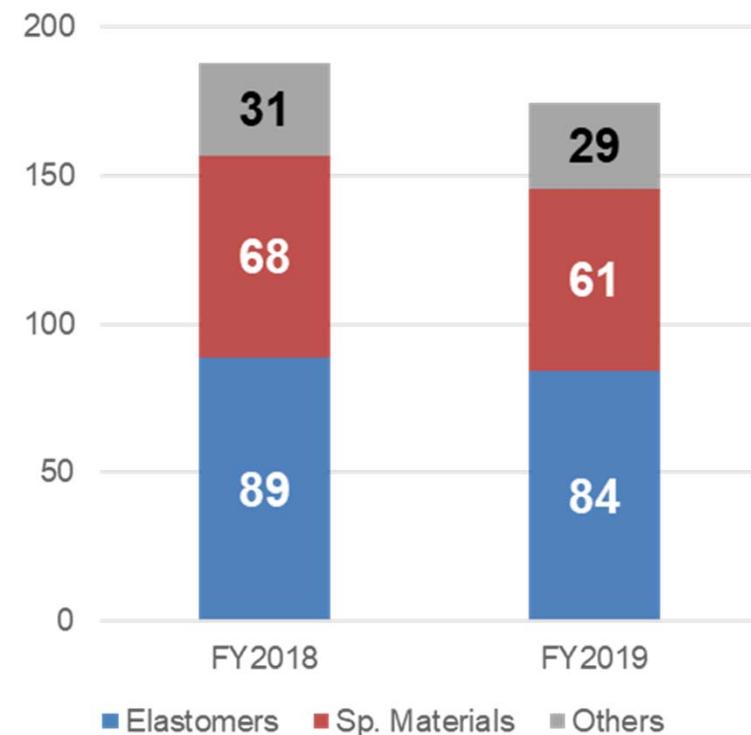
JPY/US\$	¥109.1	¥111.9	-2.8	-3%
JPY/€	¥120.5	¥128.0	-7.5	-6%
Naphtha price (JPY/KL)	¥42,500	¥47,700	-5,200	-11%
Asian Butadiene (US\$/t)	US\$899	US\$1,131	-232	-21%

(Unit : JPY100m)

【Capital Expenditures】



【Depreciation & Amortization】



- **Capital Expenditures: 291 (+144 YoY)**

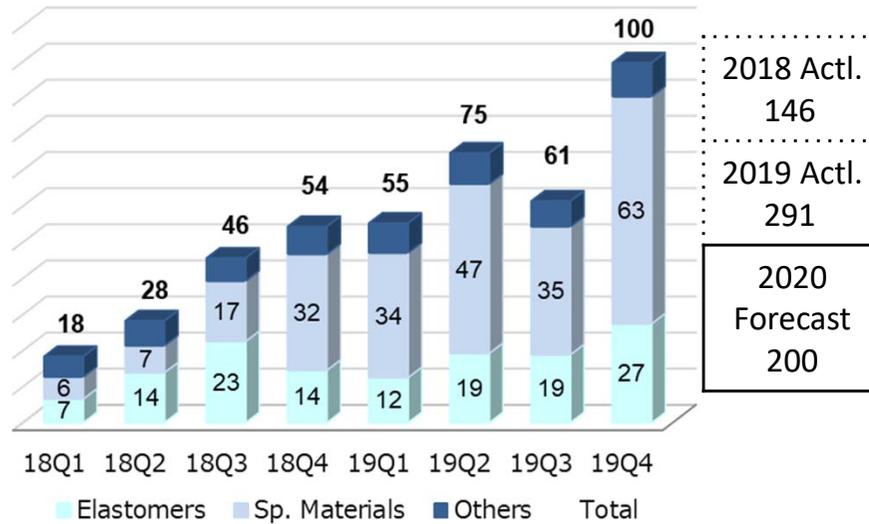
Optical film manufacturing facility, etc.

- **R&D Expenses: 153 (-12 YoY)**

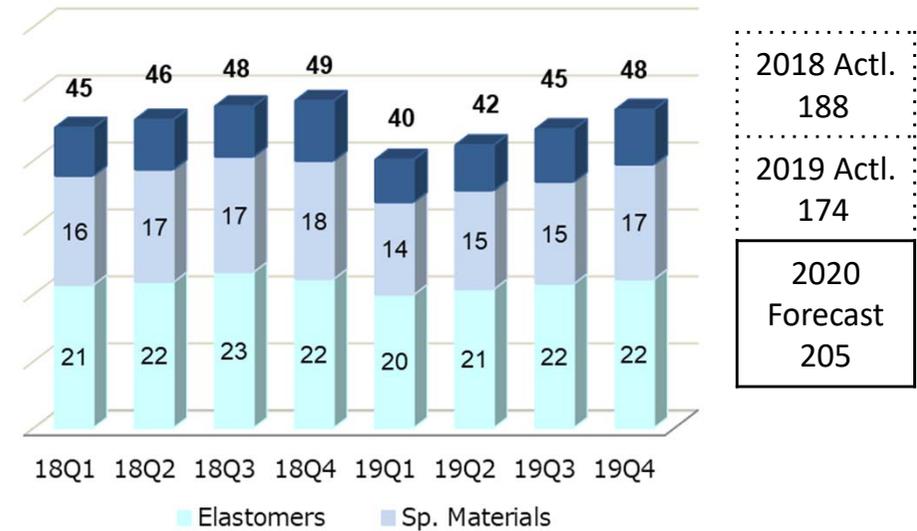
The ratio to sales was 4.8% (same level as previous year)

(Unit : JPY100m)

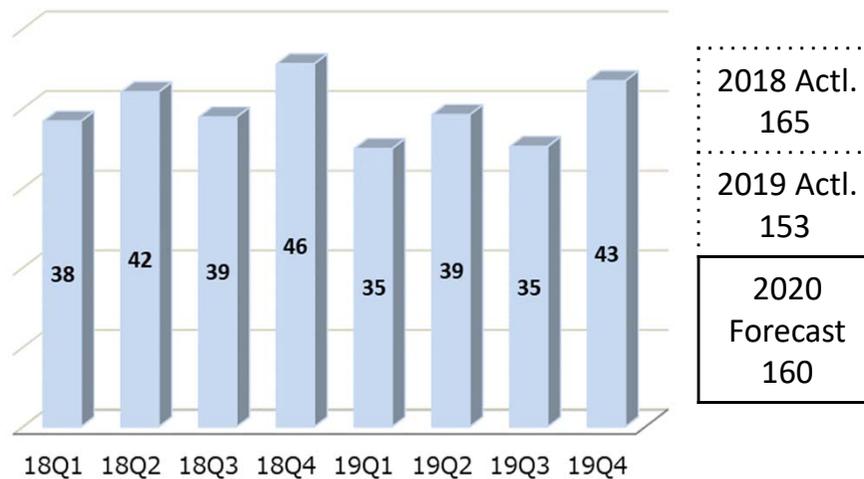
Capital Expenditures

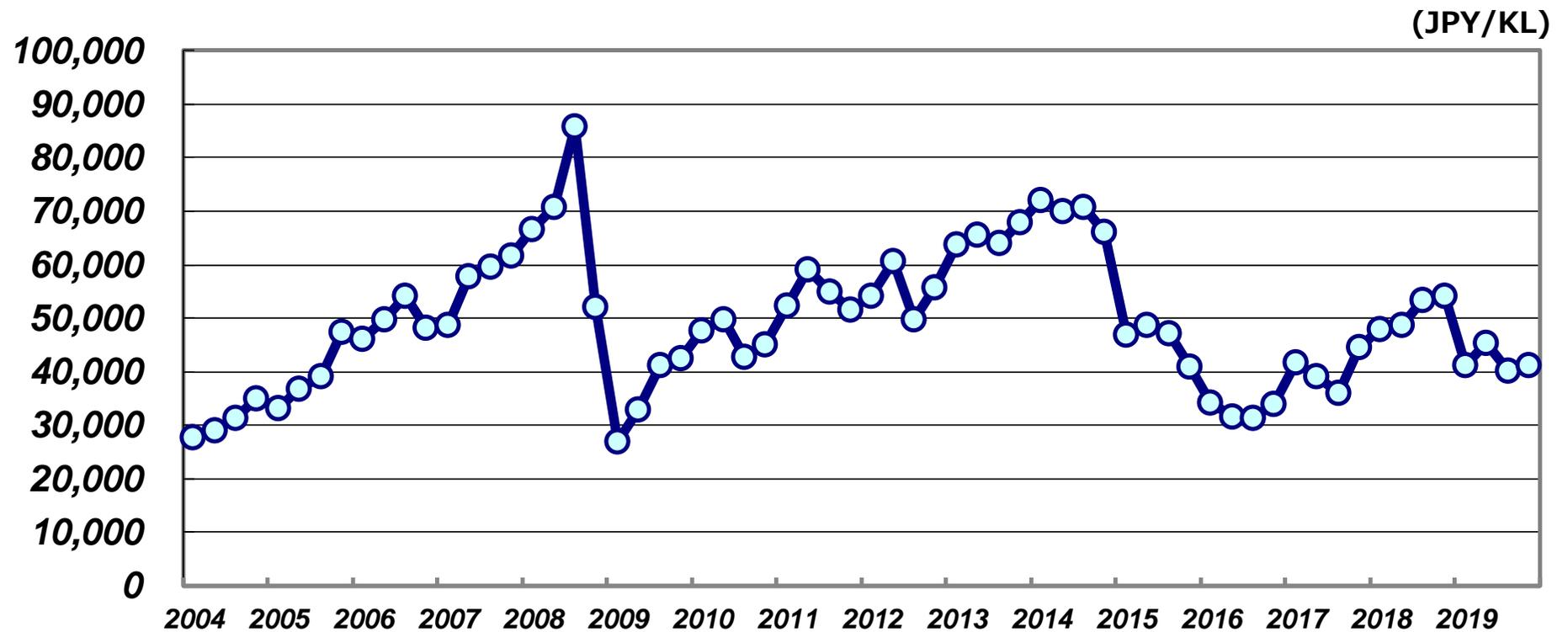


Depreciation & Amortization



R&D Expenses





Comparative Balance Sheets (Consolidated)

ZEON

Assets				Liabilities and Net Assets			
	E/Mar. 2020	E/Mar. 2019	Increase/ Decrease		E/Mar. 2020	E/Mar. 2019	Increase/ Decrease
Current assets	2,144	2,272	-128	Current liabilities	1,124	1,300	-176
Cash and bank deposits	320	375	-55	Notes and accounts payable -trade	657	824	-167
Notes and accounts receivable -trade	713	784	-70	Short-term interest-bearing debt	110	121	-12
Accounts receivable -other	300	357	-57	Other current liabilities	358	355	3
Inventories	732	711	21	Long-term liabilities	324	357	-34
Other current assets	79	46	33	Long-term interest-bearing debt	100	120	-20
Fixed assets	1,907	1,977	-70	Other long-term liabilities	224	237	-14
Property, plant and equipment	1,148	1,023	125	Total net assets	2,604	2,592	12
Intangible assets	37	32	5	Equity capital	2,572	2,562	11
Investment securities	621	811	-190	Other net assets	31	30	2
Other fixed assets	101	111	-10	Total liabilities and net assets	4,051	4,249	-198
Total assets	4,051	4,249	-198	Total interest-bearing debt	210	241	-32
Capital expenditures	291			Equity ratio	63.5	60.3	3.2
Depreciation & amortization	-174			D/E ratio	0.08	0.09	-0.01
Other factors	13						
Fixed assets	129						