

# Financial Results

## The 3<sup>rd</sup> Quarter of FY2023 (Apr.1- Dec.31)



**January 31, 2024**  
**ZEON CORPORATION**

**Our thoughts and prayers are with all of those who have been affected by the 2024 Noto Peninsula Earthquake that occurred on January 1, 2024, and particularly those who lost family members or friends as well as first responders and others involved in recovery efforts.**

**While praying for the earliest possible restoration and recovery of the area, we are also determined to contribute as much as we can to the recovery through our business activities.**

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## 【 Summary 】

- ◆ In Q3 consolidated results, sales were up, but profits were down YoY, while both sales and profits were up QoQ.
- ◆ In Q1-Q3 consolidated results, sales and profits were down YoY due to weak market conditions.
- ◆ The FY2023 performance forecast was revised downward after examining the impact of the 2024 Noto Peninsula Earthquake and the recent situation.

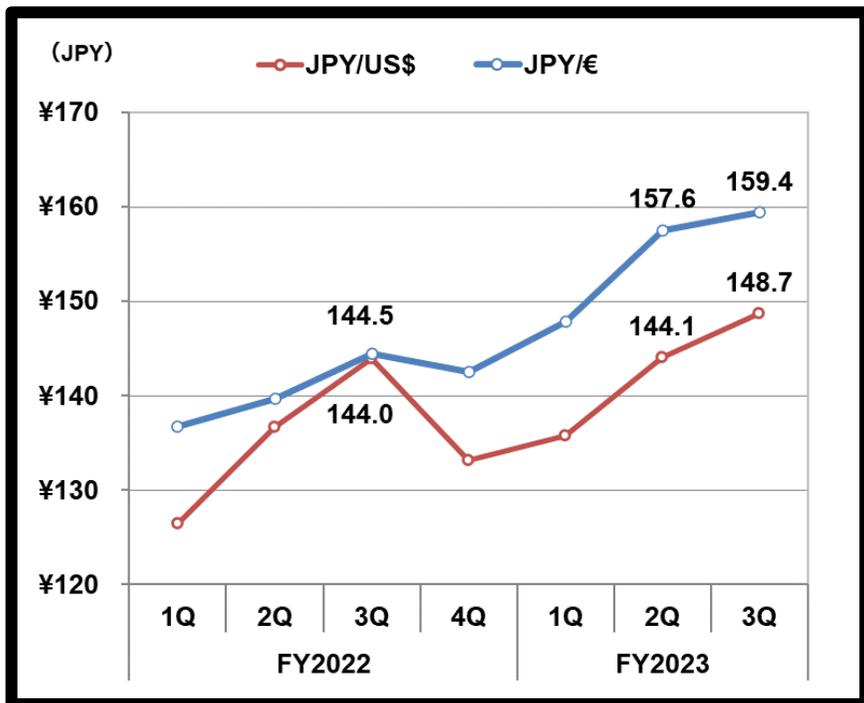
## [Elastomer Business Overview]

- ◆ Synthetic rubber shipments were steady overall, and both sales and profits were up QoQ.
- ◆ Both sales and profits were down YoY due to sluggish performance of latexes for glove and chemicals for the adhesives market.

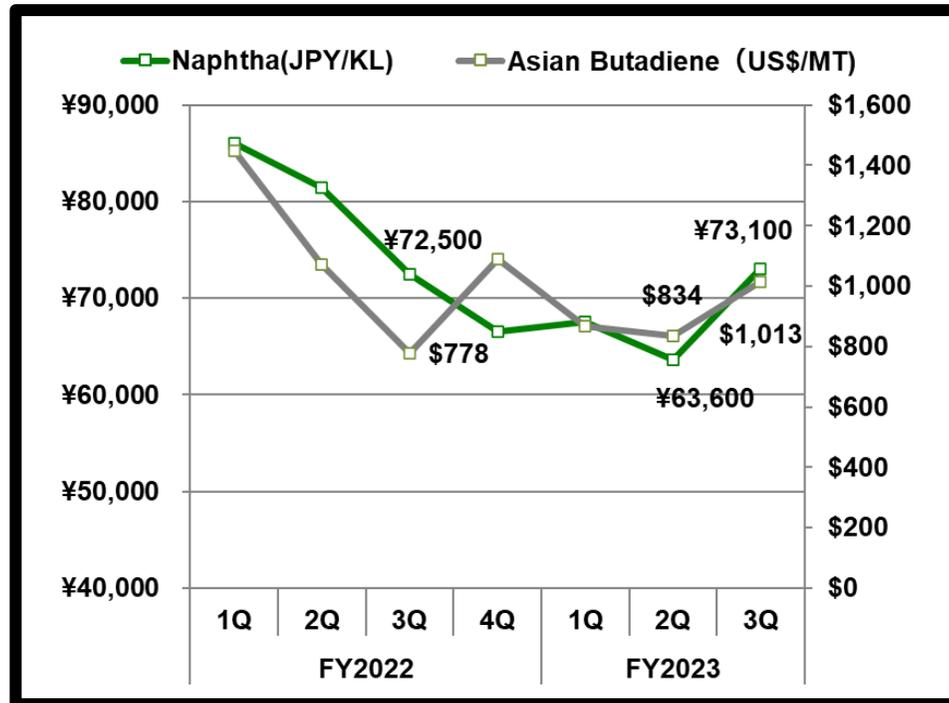
## [Specialty Materials Business Overview]

- ◆ Specialty plastics; Both sales and profits were up QoQ due to increased sales volume, while sales were up, but profits were down YoY due to increased expenses associated with the launch of operations of the new optical film production line.
- ◆ Specialty chemicals; Both sales and profits were up QoQ due to increased sales volume of battery materials, while sales were up, but profits were down YoY due to easing of the specialty chemical supply-demand balance.

### [Exchange Rates]



### [Raw Materials]



	Q3 FY2022	Q2 FY2023	Q3 FY2023	YoY(%)	QoQ(%)
JPY/US\$	¥144.0	¥144.1	¥148.7	+3%	+3%
JPY/€	¥144.5	¥157.6	¥159.4	+10%	+1%
Naphtha(JPY/KL)	¥72,500	¥63,600	¥73,100	+1%	+15%
Asian Butadiene(US\$/MT)	\$778	\$834	\$1,013	+30%	+21%

\*Naphtha: Figures for Q3 FY2022 and Q2 FY2023 are confirmed, while the figure for Q3 FY2023 is our estimate.

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(Unit : JPY100m)

	Q3 FY2022	Q2 FY2023	Q3 FY2023	YoY	QoQ	Q1-Q3 FY2022	Q1-Q3 FY2023	YoY (Q1-Q3)
Net Sales	968	935	984	+16	+48	2,942	2,838	-104
Operating Income	77	33	65	-11	+32	278	160	-118
Ordinary Income	67	47	69	+2	+21	311	199	-112
Net Income	9	45	105	+97	+60	183	209	+26

- YoY (in 3 mo.) : Net Sales +1.6B JPY, Operating Income -1.1B JPY
- QoQ : Net Sales +4.8B JPY, Operating Income +3.2B JPY
- YoY (in 9 mo.) : Net Sales -10.4B JPY, Operating Income -11.8B JPY

**Note: Results at overseas subsidiaries from July to September 2023 are reflected in Q3 consolidated results.**

# Q3 FY2023 Performance Summary (By Segment)

(Unit : JPY100m)

## Net Sales

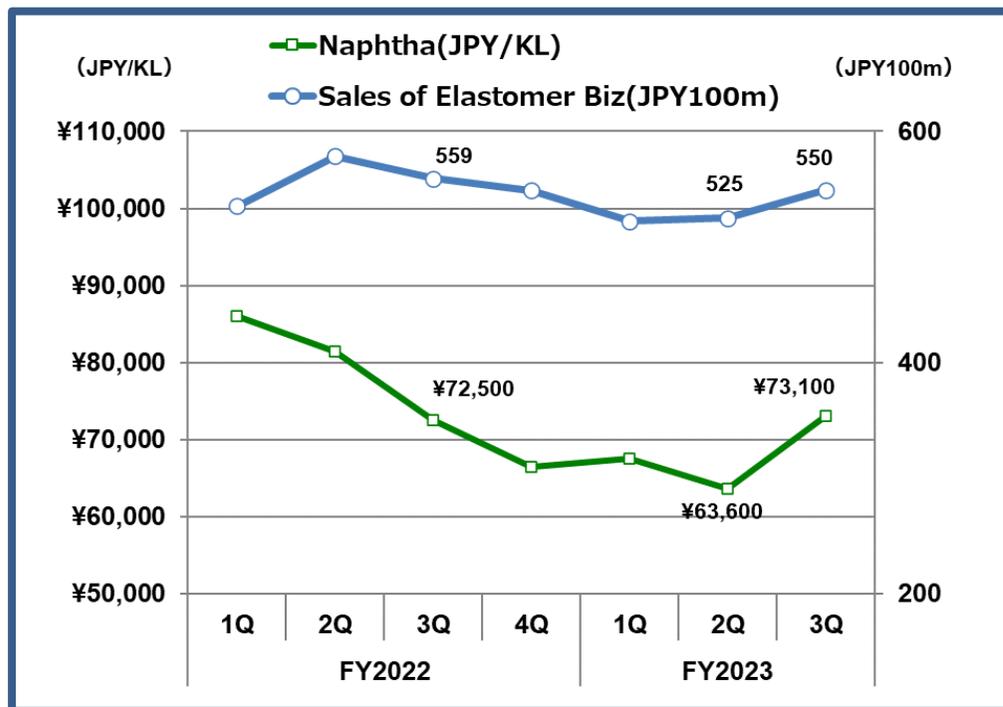
	Q3 FY2022	Q2 FY2023	Q3 FY2023	YoY	QoQ	Q1-Q3 FY2022	Q1-Q3 FY2023	YoY (Q1-Q3)
Elastomer Business	559	525	550	-10	+24	1,673	1,597	-77
Specialty Materials Biz.	249	262	277	+27	+15	815	791	-24
Others/Eliminations, etc.	159	148	157	-2	+10	454	451	-3
<b>Net Sales (consolidated)</b>	<b>968</b>	<b>935</b>	<b>984</b>	<b>+16</b>	<b>+48</b>	<b>2,942</b>	<b>2,838</b>	<b>-104</b>

## Operating Income

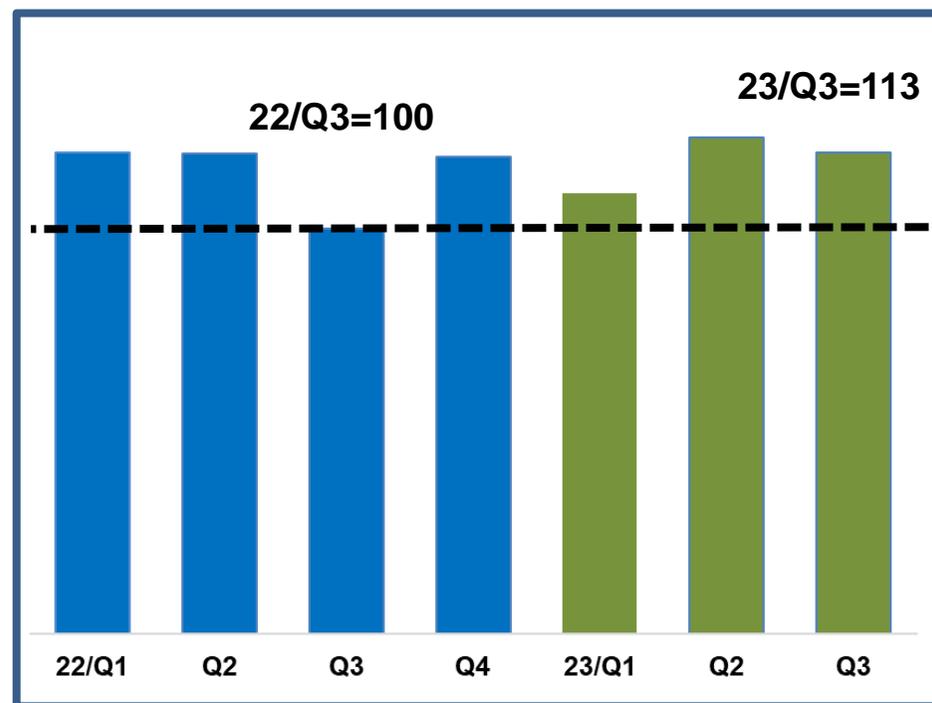
	Q3 FY2022	Q2 FY2023	Q3 FY2023	YoY	QoQ	Q1-Q3 FY2022	Q1-Q3 FY2023	YoY (Q1-Q3)
Elastomer Business	29	12	25	-4	+13	122	62	-60
Specialty Materials Biz.	49	26	36	-13	+10	165	102	-63
Others/Eliminations, etc.	-1	-4	4	+5	+8	-9	▲ 4	+5
<b>Net Sales (consolidated)</b>	<b>77</b>	<b>33</b>	<b>65</b>	<b>-11</b>	<b>+32</b>	<b>278</b>	<b>160</b>	<b>-118</b>

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## [Naphtha Price vs. Elastomer Sales]



## [ Synthetic Rubber Sales Volume ]



- Net sales were up QoQ, but they were down YoY due to the sluggish performance of latexes for glove and chemicals for the adhesives market.
- Synthetic rubber shipments were steady overall.

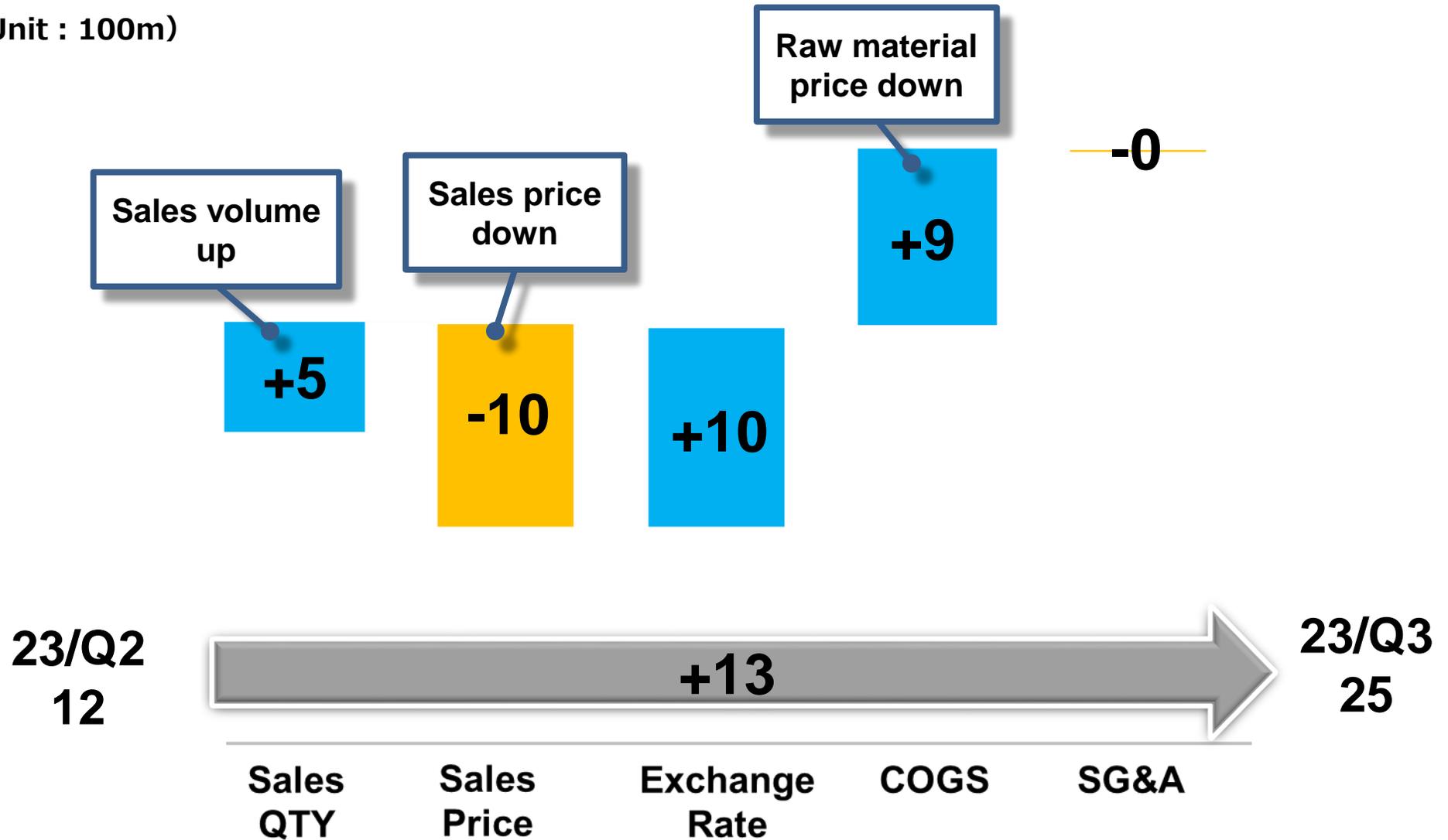
(Unit : 100m)

	Q3 FY2022	Q2 FY2023	Q3 FY2023	YoY	YoY(%)	QoQ	QoQ(%)
<b>Sales Volume</b> (22/Q3=100)	100	105	108	8 pt	8 %	2 pt	2 %
Synthetic rubbers	100	116	113	13 pt	13 %	-3 pt	-2 %
Latexes	100	70	80	-20 pt	-20 %	9 pt	13 %
Chemicals	100	100	113	13 pt	13 %	13 pt	13 %
<b>Net Sales</b>	559	525	550	-10	-2 %	24	5 %
Synthetic rubbers	413	405	420	6	2 %	15	4 %
Latexes	35	25	27	-8	-22 %	2	9 %
Chemicals	98	82	90	-8	-8 %	8	10 %
Others/Eliminations	13	13	13	-0	-0 %	-1	-4 %
<b>Operating Income</b>	29	12	25	-4	-12 %	13	114 %
Operating income ratio	5%	2%	5%				

- Latex for glove shipments were sluggish due to a surplus distribution inventory. Chemical shipments were up, while the adhesives market lacks strength.
- Operating income was down YoY due to the inability to pass on COGS increases for chemicals to prices, but it was up QoQ owing to a steady performance of synthetic rubber.

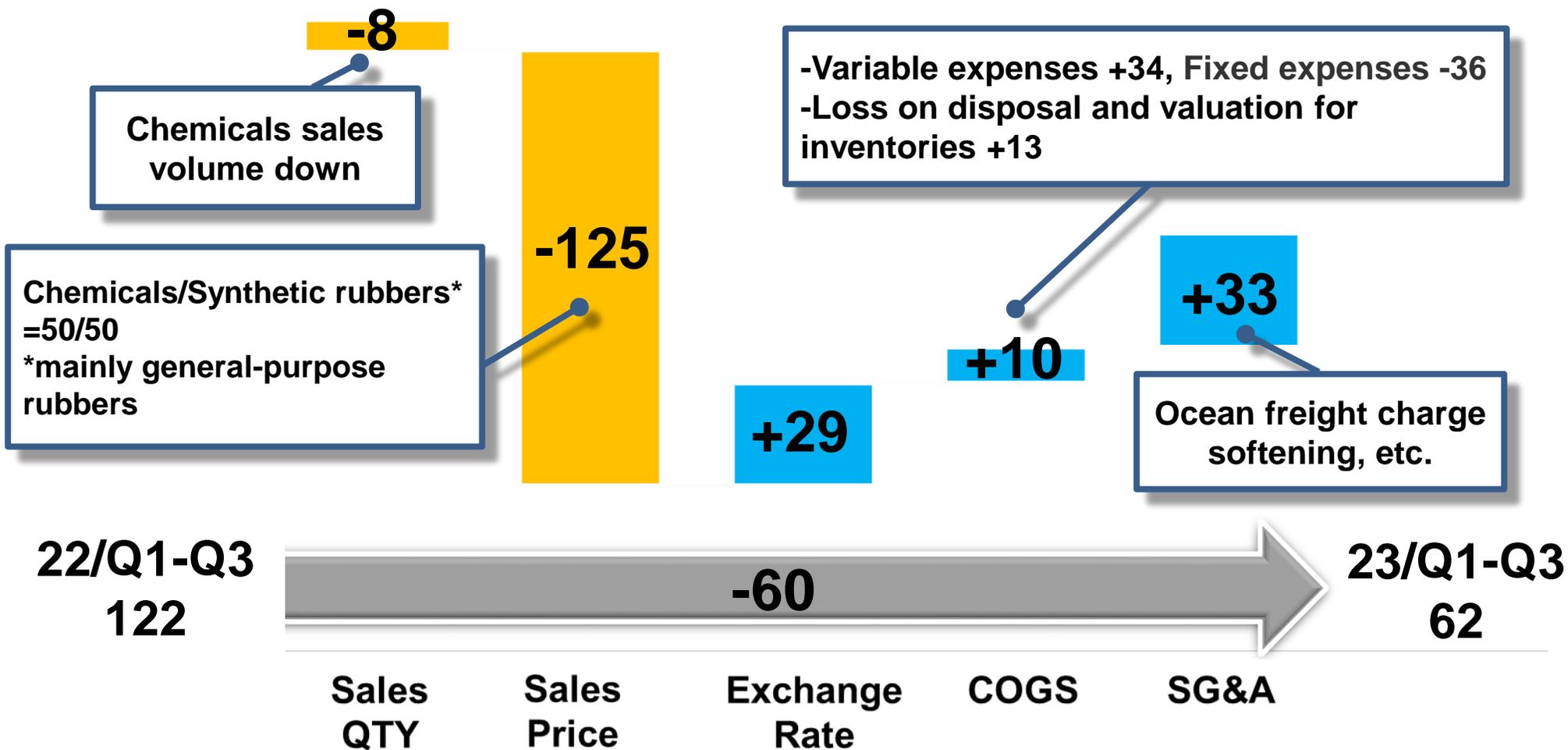
# Elastomer Business Operating Income Variance (QoQ)

(Unit : 100m)



# Elastomer Business Operating Income Variance (YoY)

(Unit : 100m)



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(Unit : 100m)

	Q3 FY2022	Q2 FY2023	Q3 FY2023	YoY	YoY(%)	QoQ	QoQ(%)
<b>Net Sales</b>	249	262	277	27	11 %	15	6 %
* Specialty plastics	141	163	165	23	17 %	2	1 %
* Specialty chemicals	96	89	102	5	6 %	13	14 %
Medical devices, etc.	12	10	10	-2	-14 %	0	2 %
<b>Operating Income</b>	49	26	36	-13	-27 %	10	39 %
Operating Income ratio	20%	10%	13%				

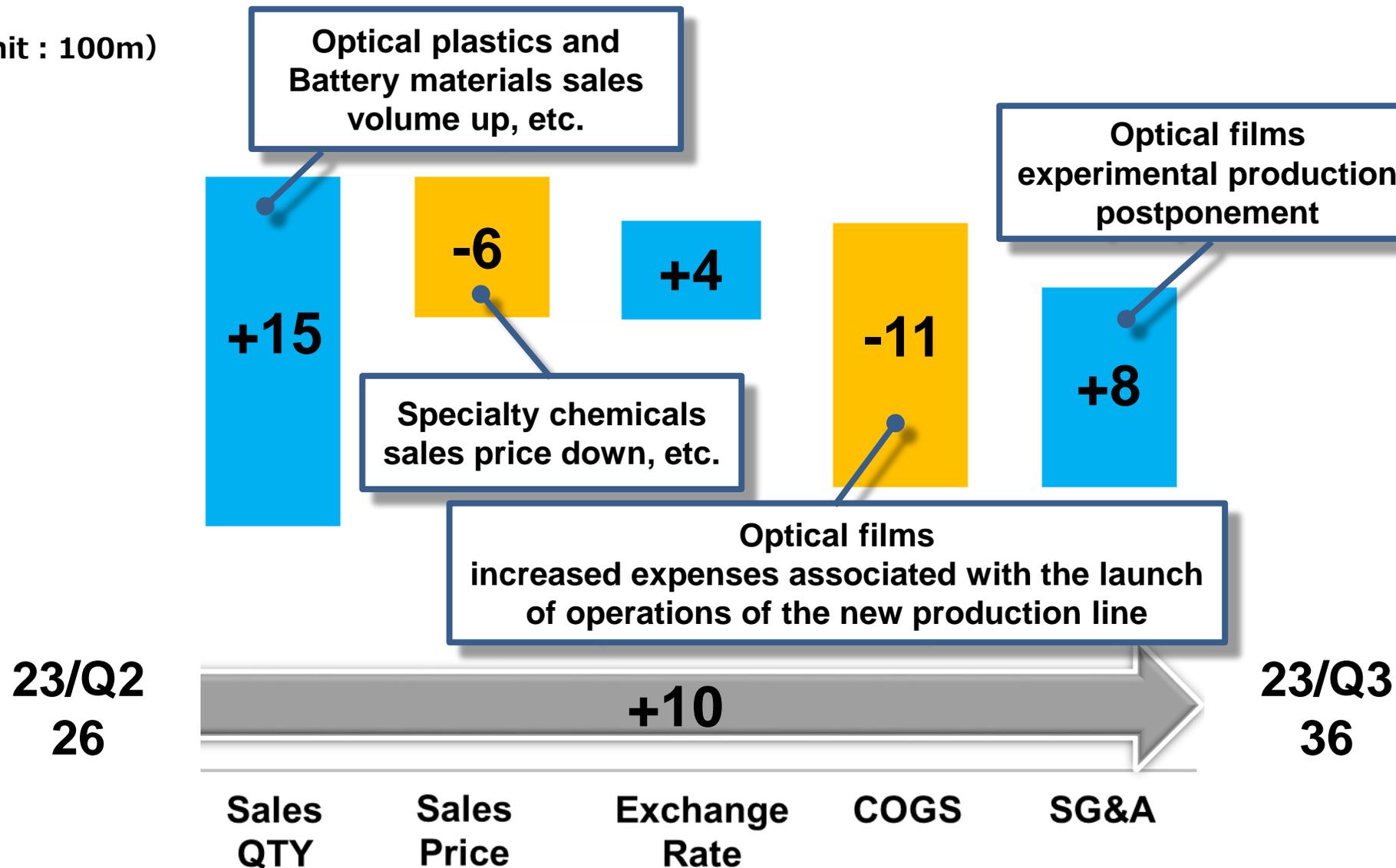
\* Specialty plastics : Optical plastics and optical films  
 \* Specialty chemicals: Battery materials, specialty chemicals, electronic materials and polymerized toners

■ **Specialty plastics:** Both sales and profits were up QoQ owing to the increased sales volume. Profits were down YoY due to full depreciation and amortization of the new large size film production line and increased expenses caused by the stagnant yield.

■ **Specialty chemicals:** Both sales and profits were up QoQ owing to the increased sales volume of battery materials. Profits were down YoY due to the easing of the specialty chemical supply-demand balance.

# Specialty Materials Operating Income Variance (QoQ)

(Unit : 100m)



# Specialty Materials Operating Income Variance (YoY)

(Unit : 100m)

Sales volume down, etc.



Optical plastics and Specialty chemicals sales price adjustments



-Increased expenses for new product development  
-Increased indirect department expenses allocation



-Increased expenses associated with the launch of operations of the optical film new production line  
-Soaring energy and regular repair expenses

**22/Q1-Q3**  
**165**



**23/Q1-Q3**  
**102**

Sales QTY

Sales Price

Exchange Rate

COGS

SG&A

	YoY	QoQ	YoY Cumulative total
EV	120%	115%	104%
Consumer use, etc.	60%	79%	93%
Total	108%	110%	103%

- **EV**  
Sales volume up both YoY and QoQ, due mainly to ahead-of-schedule shipments for Chinese New Year
- **Consumer use, etc.**  
Sales volume down both YoY and QoQ due to lack of vigor in mobile device market despite gentle recovery

	YoY	QoQ	YoY Cumulative total
Optical use	93%	92%	92%
Medical use, etc.	133%	133%	104%
Total	122%	121%	101%

- **Optical use**  
Sales volume down both YoY and QoQ due to in-between season despite signs of recovery for smartphone and security camera applications
- **Medical use, etc.**  
Sales volume up both YoY and QoQ due to increased demand from some customers despite continued inventory adjustments by other customers

	YoY	QoQ	YoY Cumulative total
For small-to-medium size	112%	120%	83%
For Large size FPD	193%	104%	157%
Total	170%	106%	135%

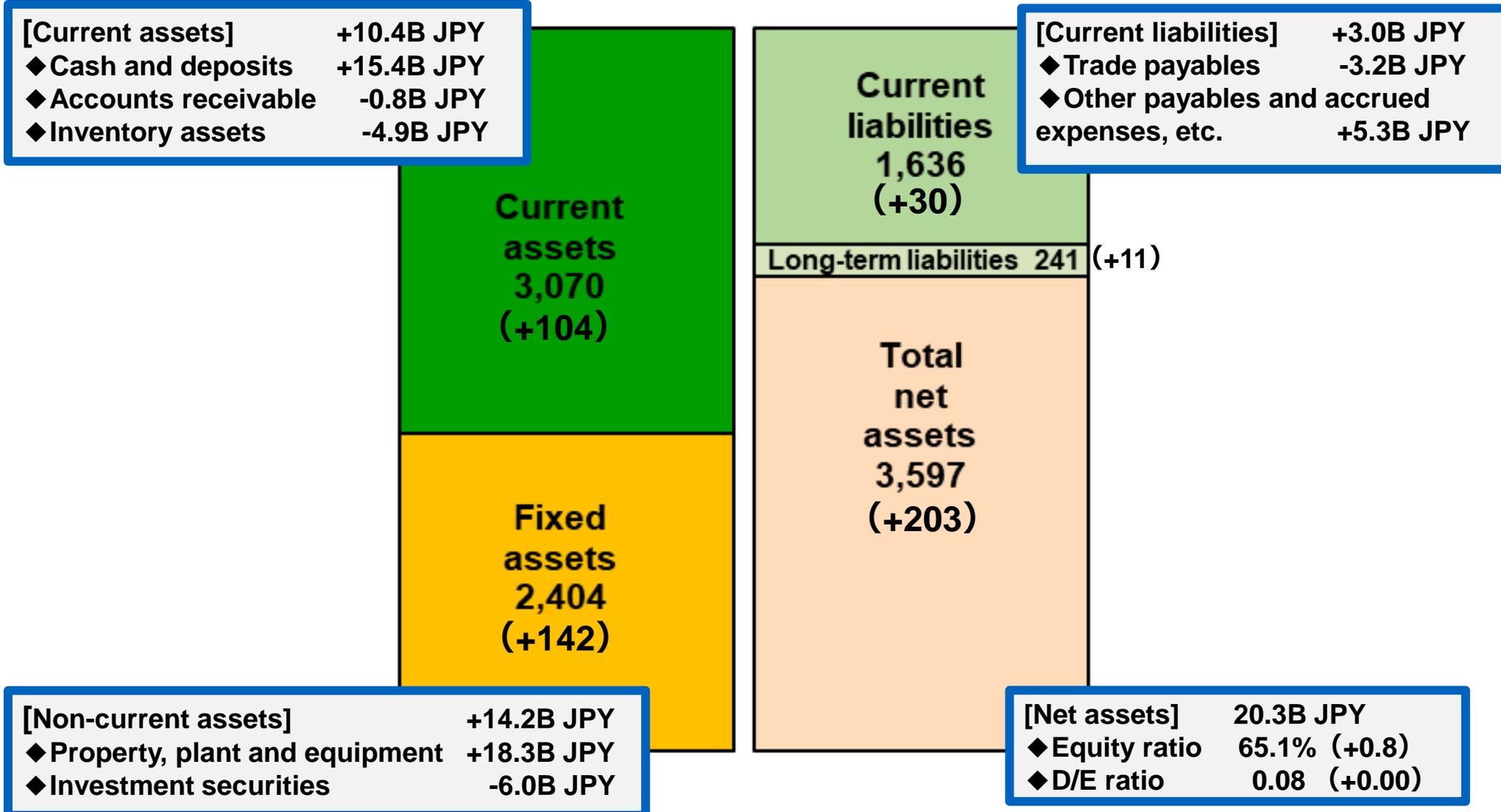
- **For small-to-medium size**  
Sales volume up both YoY and QoQ as shipments for smartphone applications remain steady due to delayed launch of smartphone production and launch of next-generation tablet manufacturing
- **For Large size FPD**  
Sales volume up both YoY and QoQ due to steady demand for COP film despite weakening of display market

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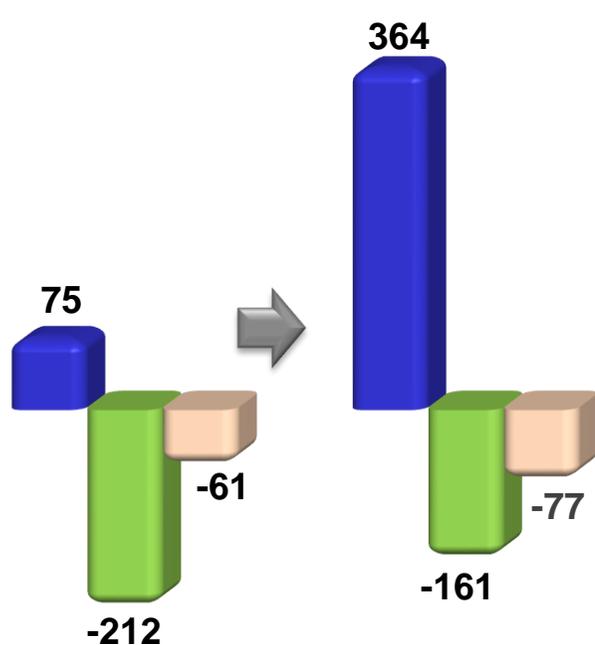
(Unit : 100m)

# Total assets 5,474 (+245)

( )=vs end of FY2022



(Unit : 100m)

Q3  
FY2022Q3  
FY2023

- CF from Operating Act.
- CF from Investing Act.
- CF from Financing Act.

(Unit : 100m)

	Q3 FY2022	Q3 FY2023
CF from Operating Act.	75	364
CF from Investing Act.	-212	-161
<b>Free CF</b>	<b>-137</b>	<b>204</b>
CF from Financing Act.	-61	-77
<b>CF</b>	<b>-198</b>	<b>126</b>

<b>[CF from Operating Act.]</b>	<b>+28.9B JPY</b>
◆ Income before income taxes	+3.6B JPY
◆ Allowances	-1.7B JPY
◆ Sale of investment securities	-11.0B JPY
◆ Working capital	+36.6B JPY
◆ Taxes	+4.8B JPY
◆ Others	-3.3B JPY
<b>[CF from Financing Act.]</b>	<b>+1.6B JPY</b>
◆ Borrowing/CP	-14.1B JPY
◆ Redemption of corporate bonds	+10.0B JPY
◆ Dividends	-1.4B JPY
◆ Share buyback and cancellation	+4.0B JPY

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Elastomer Business  (Unit: JPY100m)		4Q		Changes in business environment
		Sales FCST	OP. Income FCST	
		523	11	
Synthetic rubbers				Demand remains steady. Allocation increases due to indirect department expense increase in 4Q.
Latexes				Demand of latexes for glove continues to be sluggish
Chemicals				Sales volumes and profitability continue to be sluggish

\*The 4Q trend are evaluated against the forecast as of 10/27.

Specialty Materials Business (Unit: JPY100m)		4Q		Business environment
		Sales FCST	OP. Income FCST	
		239	12	
Optical plastics			No change in demand trend No change in OP. income due to period lag of overseas affiliates	
Optical films			Shipments down due to the impact of the 2024 Noto Peninsula Earthquake, etc.	
Battery materials			Shipments down due to inventory adjustments for EV at Chinese battery manufacturers	

\*The 4Q trend are evaluated against the forecast as of 10/27.

# FY2023 Business Environment : Impact of the 2024 Noto Peninsula Earthquake

Situation as of January 31

Company Factory	Segment	Business	Status of operations	Comment
Zeon Corp. Takaoka	Elastomer Business	Synthetic rubbers	In operation	—
	Specialty Materials Biz.	Electronic Materials	In operation	—
	Specialty Materials Biz.	Optical plastics	In operation	—
Zeon Corp. Himi Futagami	Specialty Materials Biz.	Optical films	Partially suspend operation	Being recoverd sequentially
Zeon Corp. Tsuruga	Specialty Materials Biz.	Optical films	In operation	—
Zeon North Co., Ltd.	Others	Others	In operation	—
Zeon Medical Inc. Takaoka	Specialty Materials Biz.	Medical devices, etc.	In operation	—

(Unit : 100m)

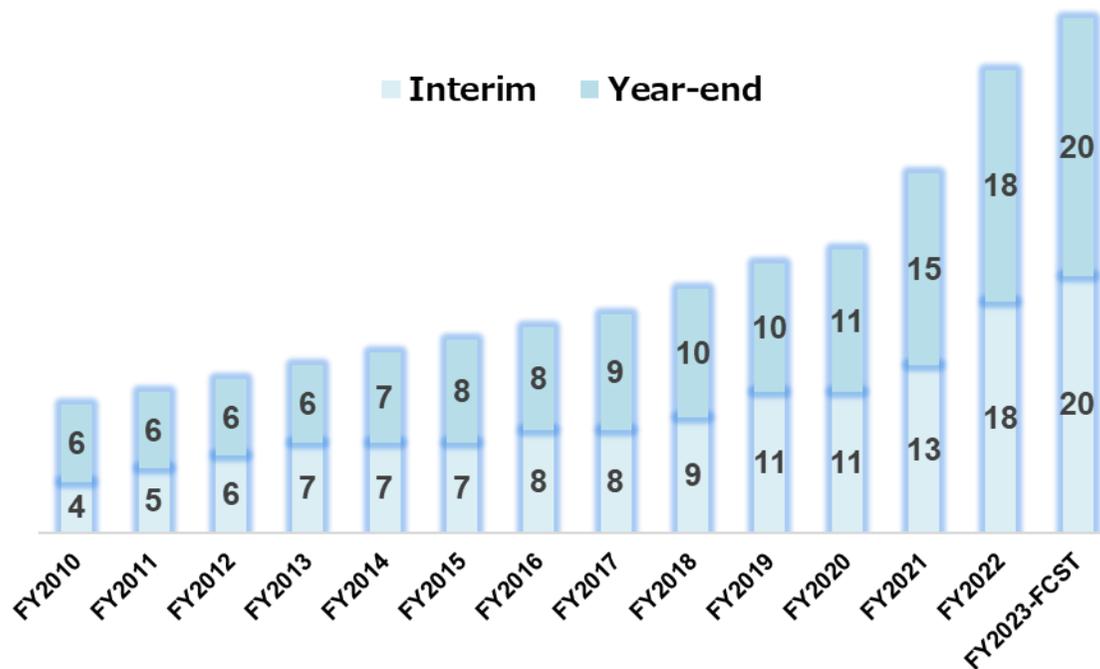
	FY2023 FCST (as of 10/27)	FY2023 FCST (as of 1/31)	Diff.
<b>Elastomer Business</b>	2,110	2,120	+10
<b>Specialty Materials Biz.</b>	1,060	1,030	-30
Others/Eliminations, etc.	630	590	-40
<b>Net Sales (consolidated)</b>	<b>3,800</b>	<b>3,740</b>	<b>-60</b>

	FY2023 FCST (as of 10/27)	FY2023 FCST (as of 1/31)	Diff.
<b>Elastomer Business</b>	69	73	+4
<b>Specialty Materials Biz.</b>	144	114	-30
Others/Eliminations, etc.	-8	-2	+6
<b>Net Sales (consolidated)</b>	<b>205</b>	<b>185</b>	<b>-20</b>

■ FY2023 forecast for net sales revised to 374.0B JPY and operating income to 18.5B JPY  
 4Q assumptions: US\$=¥142, €=¥157, Naphtha=¥67,000, Asian butadiene=US\$900

## Shareholder Return Policy

- Maintain stable and continuous dividends
- Maintain a dividend payout ratio of 30% or more
- Implement share buybacks flexibly, taking into account market conditions, demand for funds, etc.



■ Leave as it is from original dividend forecast- Interim ¥20/share, at the year-end ¥20/share ⇒ total ¥40/share/year (Dividend payout ratio expected to be 32%.)

■ +¥4 YoY making 14 consecutive years of increases since FY2010

## Next Announcement of Financial Statements

<b>The 4<sup>th</sup> quarter of FY2023</b>	<b>Expected in the end of April, 2024</b>
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Subject to change without notice

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.

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In all cases, the original Japanese version shall take precedence.

Q3 FY2023 (vs. Q2 FY2023)				
Business	Sales Volume	Sales	OP. income	Difference
Synthetic rubbers				<ul style="list-style-type: none"> <li>• Sales volume almost flat</li> <li>• Sales and profits up owing to steady shipments to the domestic market</li> </ul>
Latexes				<ul style="list-style-type: none"> <li>• Demand for gloves on par with FY2022</li> <li>• Profits up owing to reduction in SG&amp;A expenses</li> </ul>
Chemicals				<ul style="list-style-type: none"> <li>• Sales volumes and sales recovered owing to price adjustments</li> <li>• Profit down due to increase in regular repair expenses in Mizushima</li> </ul>

Q3 FY2023 (vs. Q2 FY2023)						
Business	Sales volume	Consolidated		Non Consolidated Non revenue recognition criteria adjustment		Difference
		Sales	OP. income	Sales	OP. income	
Optical plastics						<ul style="list-style-type: none"> <li>• Sales were flat due to differences in sales mix</li> <li>• Profits up owing to sales volume up</li> </ul>
Optical films						<ul style="list-style-type: none"> <li>• Sales were flat due to sluggish sales of tablets and notebook PCs and a consolidated period lag at overseas subsidiaries</li> <li>• Profits down due to increased expenses associated with the launch of operations of the optical film new production line</li> </ul>
Battery materials						<ul style="list-style-type: none"> <li>• Sales and profits up owing to sales volume up</li> </ul>

## Positives

**Early recovery in  
end market demand**

**Depreciation of the yen**

**Early completion of inventory  
adjustments**

**Yen depreciation/dollar  
appreciation**

**Economic recovery**

**Yen depreciation/euro  
appreciation**

## Negatives

**Delay recovery in  
end market demand**

**Appreciation of the yen**

**Prolong completion of inventory  
adjustments**

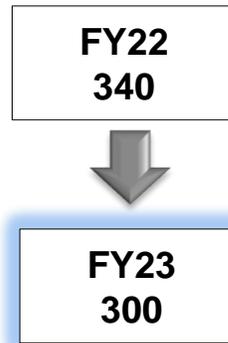
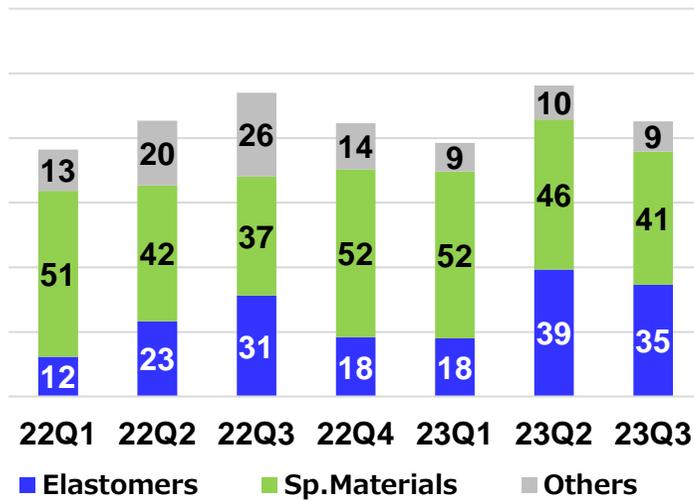
**Yen appreciation/dollar  
depreciation**

**Economic recession**

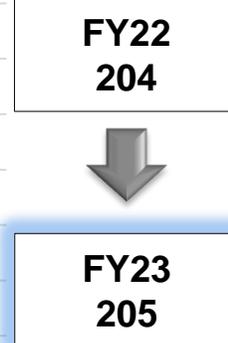
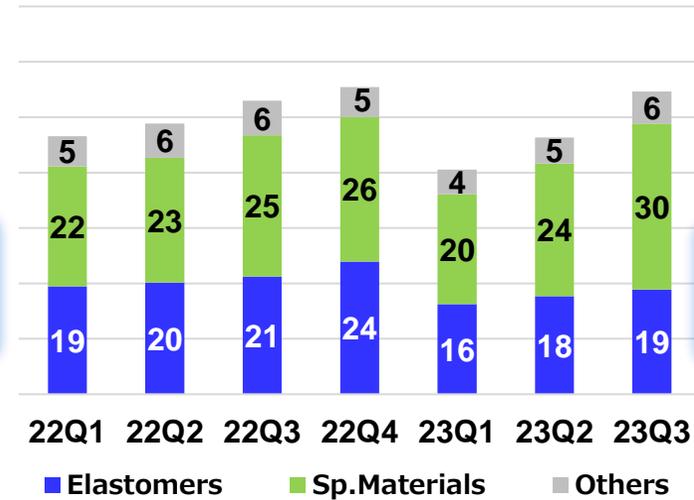
**Yen appreciation/euro  
depreciation**

(Unit : JPY100m)

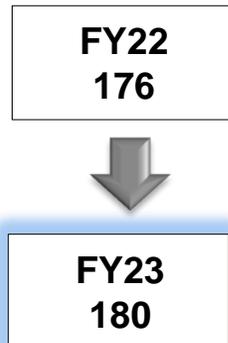
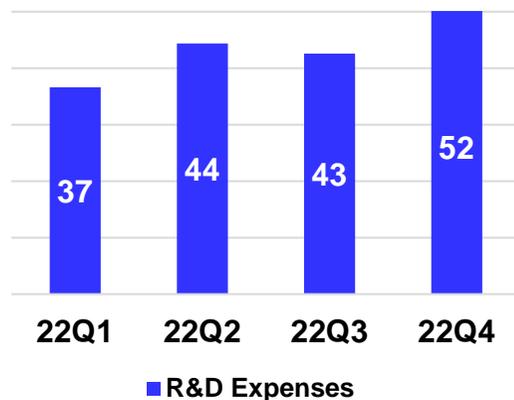
[Capital Expenditures]



[Depreciation & Amortization]



[R&D Expenses]



**FY23 forecast unchanged from 2Q**