

Financial Results

The 1st Quarter of FY 2020

(From Apr. 1 to Jun. 30)



ZEON CORPORATION

July 31, 2020

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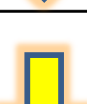


The result of 1st quarter of FY 2020 was harsh due to the deterioration of the global economy by the languishing US-China trade friction, the spread of Covid-19, etc., and the market weakening of raw materials and products. There is no impact on procurement and production by Covid-19.

Elastomers: Both sales and operating income drastically decreased YoY due to the sluggish demands in the automobile and general industries and the market weakening.

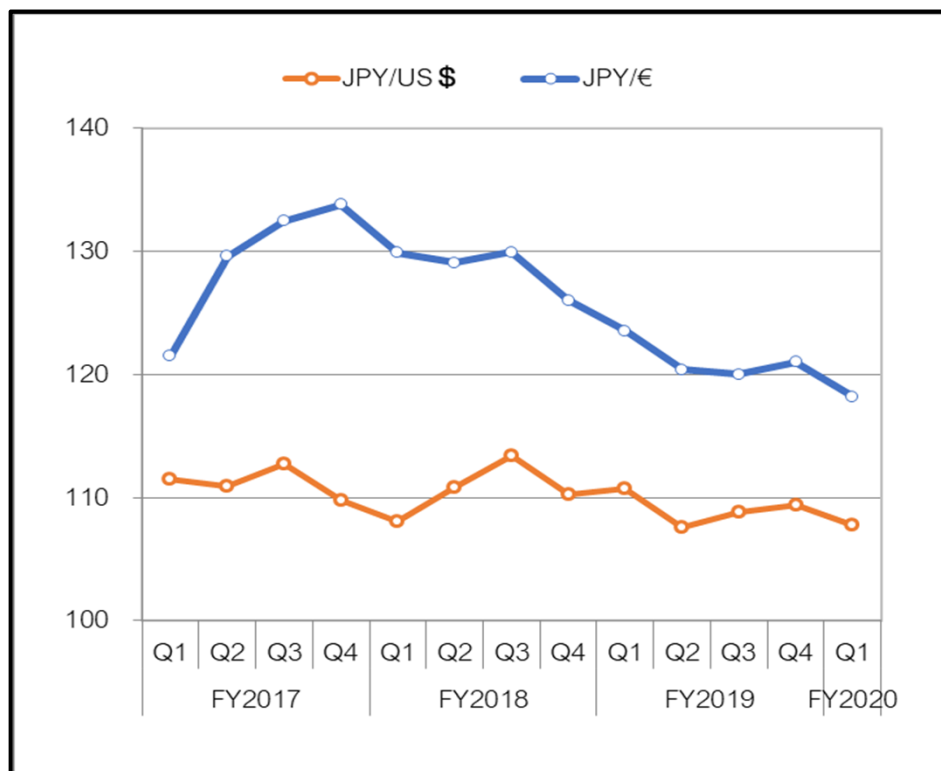
Specialty Materials: Sales increased but the operating income decreased YoY.

- The demands for Specialty chemicals and Electronic materials were steady. Toner and Energy materials demand were dropped.
- Both sales and operating income were same level as 1Q of FY 2019 in Specialty Plastics.

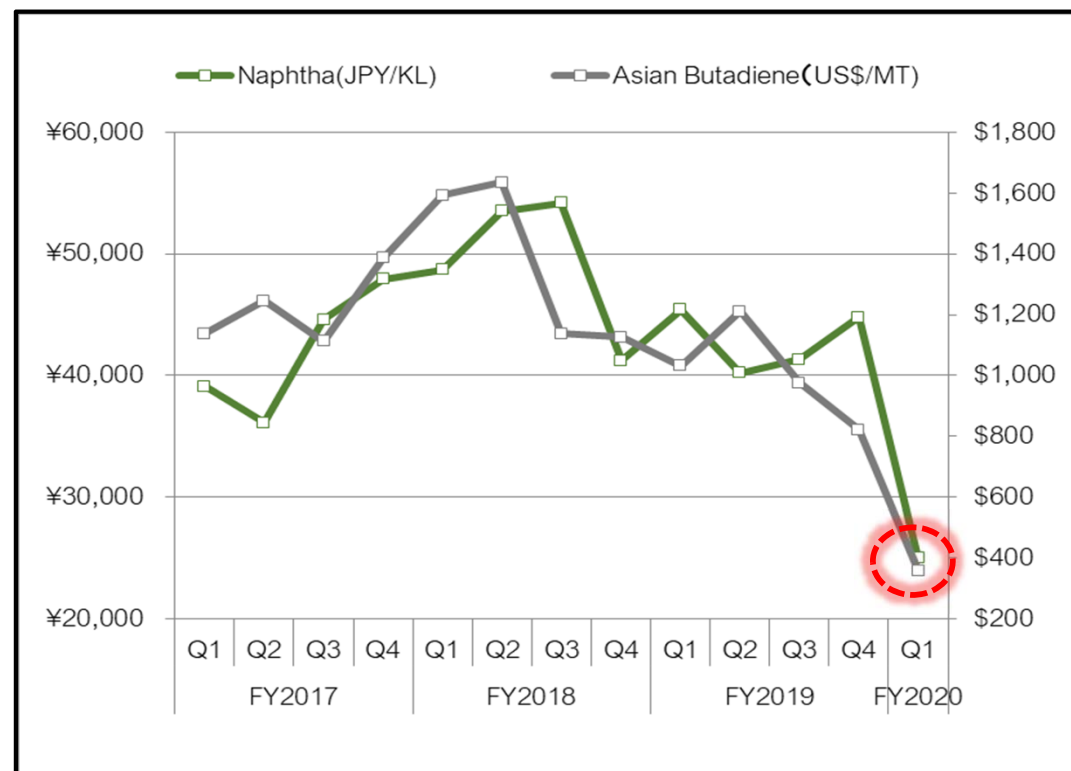
Summary of business situation

Segment	Business		1Q-FY 2020
Elastomers	Rubbers		Weak in auto industry and general industry
	Latexes		Steady for the medical gloves, weak in general industry
	Chemicals		Sales volume was same level as 1Q-FY 2019, but the market weakened
Specialty materials	Specialty chemicals		Sales for Fragrances were steady (esp. for hand-soap)
	Electronics materials		Steady in the semiconductor industry
	Toner		The demand in office / home-printing shrunk
	Energy materials		Sluggish in EV. Steady in consumer use. Decreased in this business total.
	Specialty plastics		Almost same level of sales of 1Q-FY 2019 (varies to the end-products)
Others	Trading, etc.		Decreased by the global economy deterioration and the market weakening

【Exchange rate】



【Raw materials】



	1Q-FY2019	4Q-FY2019	1Q-FY2020	YoY	QoQ
JPY/US \$	¥110.8	¥109.4	¥107.8	-3%	-1%
JPY/€	¥123.6	¥121.0	¥118.2	-4%	-2%
Naphtha (JPY/KL)	¥45,400	¥44,800	¥25,000	-45%	-44%
Asian Butadiene (US\$/MT)	US\$1,035	US\$822	US\$358	-65%	-56%

Summary of 1Q-FY 2020 performance (3 months)

(Unit : JPY100m)

	1Q FY2019	4Q FY2019	1Q FY2020	YoY	QoQ
Net Sales	824	794	695	-129	-99
Operating Income	83	46	43	-40	-3
Ordinary Income	87	52	51	-36	-2
Net Income	61	35	36	-25	+0

- Both net sales and operating income decreased YoY due to the deterioration of the global economy by the spread of Covid-19, etc. and the market weakening.
- Net sales and operating income decreased also QoQ (compared to 4Q-FY 2019)

Summary of 1Q-FY 2020 performance (by segments)

(Unit : JPY100m)

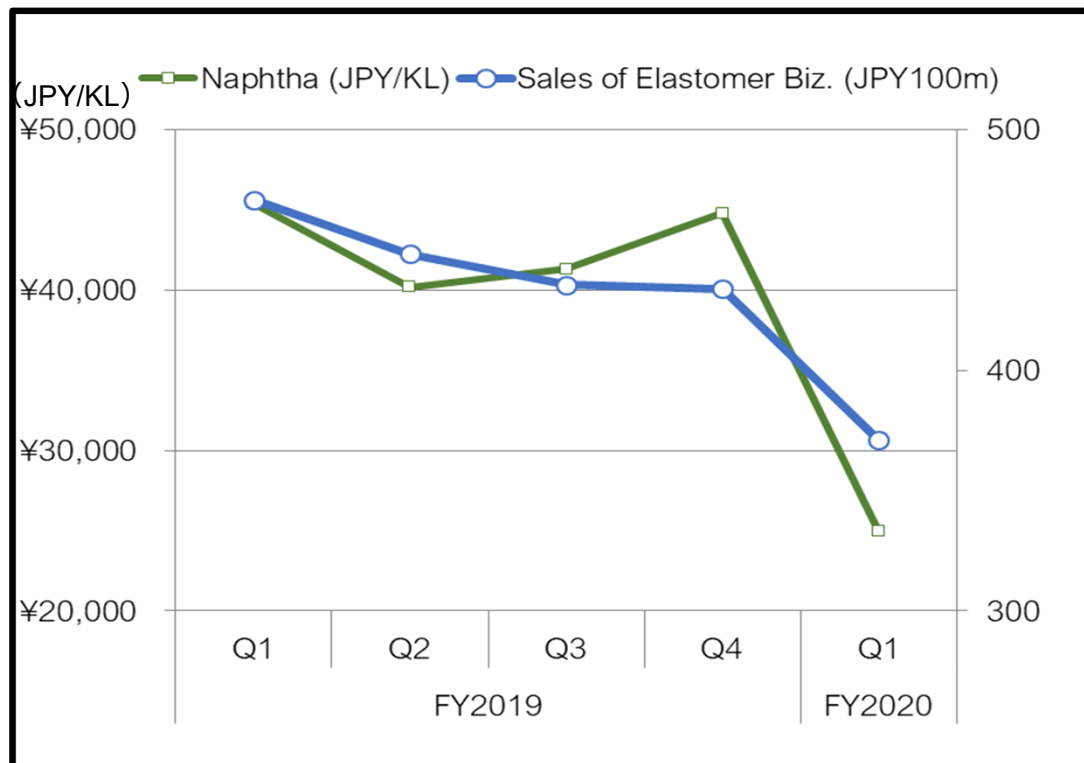
Net Sales	1Q FY2019	4Q FY2019	1Q FY2020	YoY	QoQ
Elastomer Business	471	434	371	-100	-63
Specialty Materials Biz.	223	239	223	+1	-15
Others	136	127	106	-30	-22
Eliminations, etc.	-5	-6	-5	0	0
Net sales (consolidated)	824	794	695	-129	-99

Operating Income	1Q FY2019	4Q FY2019	1Q FY2020	YoY	QoQ
Elastomer Business	35	11	-1	-36	-12
Specialty Materials Biz.	51	41	48	-2	+7
Others	4	4	2	-2	-2
Eliminations, etc.	-6	-10	-6	0	+4
Op. Income (consolidated)	83	46	43	-40	-3

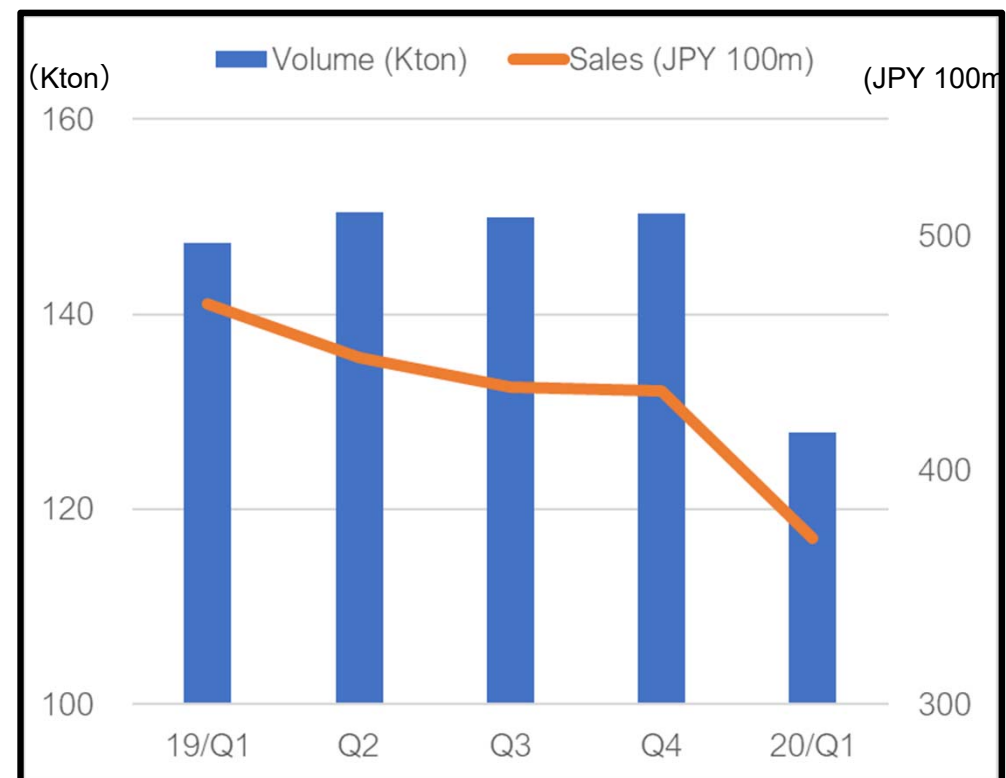
- **Elastomers:** Both net sales and operating income decreased significantly.
- **Specialty Materials:** Almost the same level in YoY, but in QoQ, the sales decreased and the operating income increased.

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【Naphtha price vs. Sales of Elastomer biz.】



【Net sales and volume of Rubbers】



- Net sales of Elastomer biz. are linked to the raw material prices.
- Sales volume of Rubbers dropped suddenly in 1Q-FY 2020.

Summary of P/L: Elastomer Business

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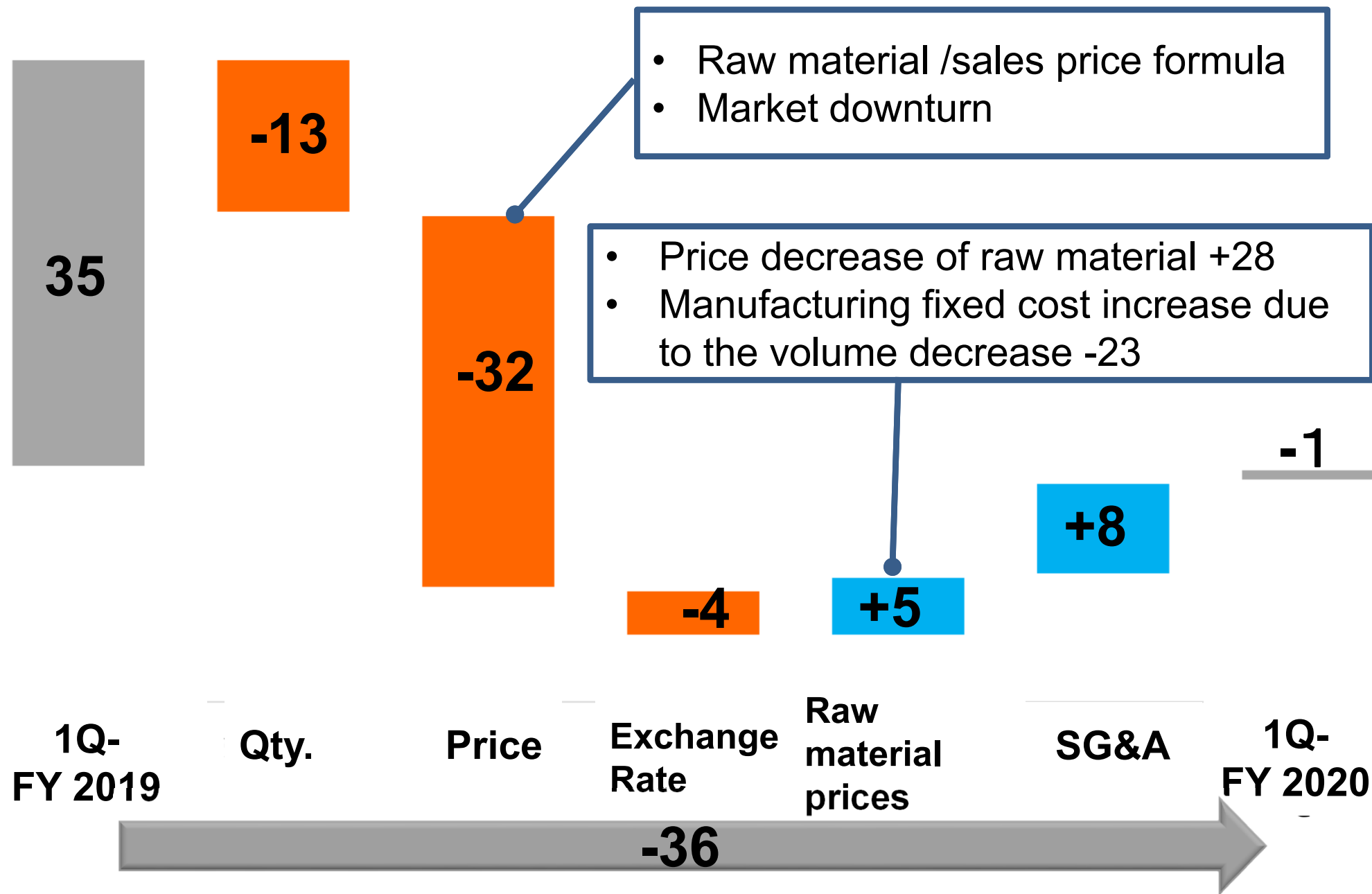
(Unit : JPY100m)

	1Q-2019	4Q-2019	1Q-2020	YoY	YoY (%)	QoQ	QoQ (%)
Sales volume (thousand tons)	147	150	128	-19	-13 %	-23	-15 %
Rubbers	85	88	65	-21	-24 %	-23	-27 %
Latexes	30	28	28	-2	-8 %	0	0 %
Chemicals	32	34	35	4	11 %	1	3 %
Net sales	471	434	371	-100	-21 %	-63	-14 %
Rubbers	328	292	245	-83	-25 %	-47	-16 %
Latexes	45	40	33	-12	-27 %	-7	-18 %
Chemicals	92	90	81	-11	-12 %	-10	-11 %
Others/Eliminations	7	12	13	7	100 %	1	11 %
Operating income	35	11	-1	-36	-103 %	-12	-111 %
Operating income ratio	7%	3%	0%				

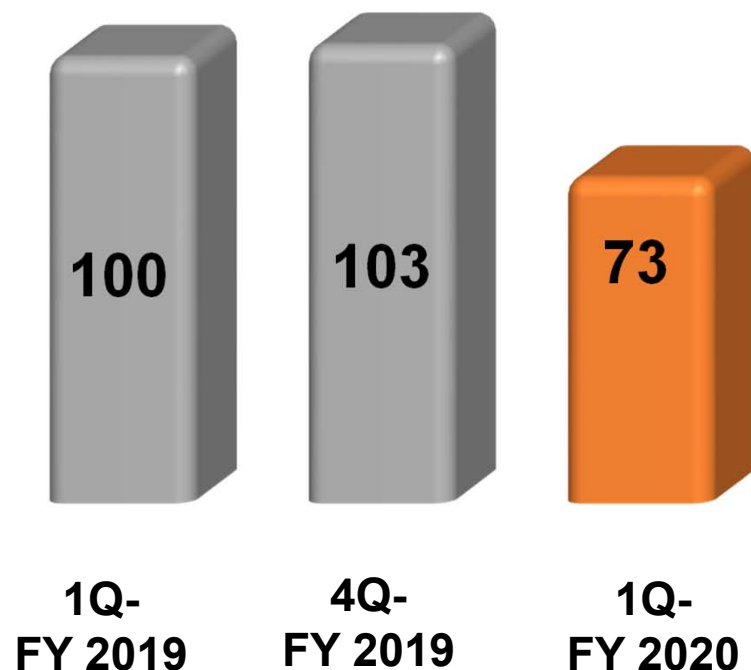
- **Rubbers:** Declined demands in automobile and general industry. Sales prices declined linked to the falling prices of raw material.
- **Latexes:** Declined demands in cosmetics and general industry. Sales prices declined linked to the falling prices of raw material.
- **Chemicals:** Maintained the sales volume, but the sales prices dropped due to the weak market situation.

Elastomers: Operating income variance (3 mo./YoY)

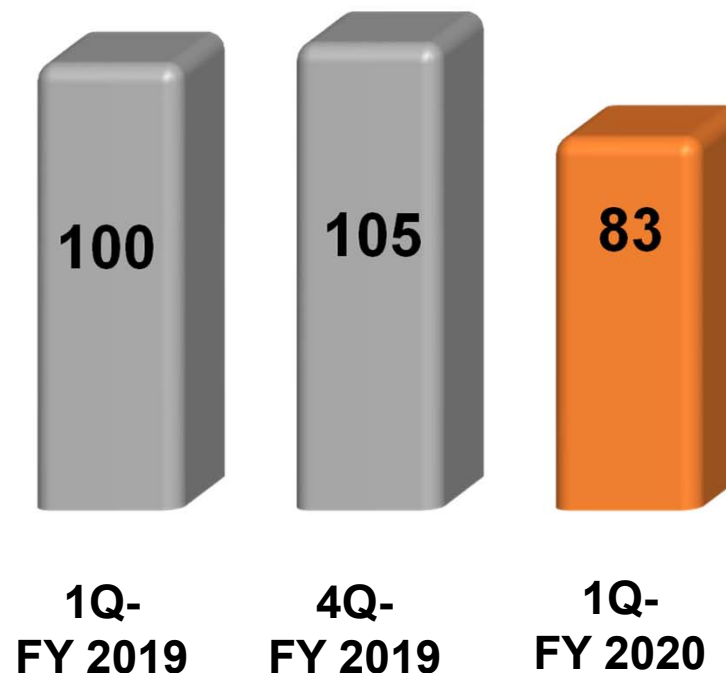
(Unit : JPY100m)



【General purpose】



【Specialty】



Index: Volume for 1Q-FY 2019=100

Both general purpose rubbers (mainly for tires) and specialty rubbers (for automobile industries and general industrial products) are drastically decreased

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Summary of P/L: Specialty Materials

(Unit : JPY100m)

	1Q-2019	4Q-2019	1Q-2020	YoY	YoY (%)	QoQ	QoQ (%)
Net sales	223	239	223	1	0 %	-15	-6 %
Specialty chemicals	67	76	70	4	6 %	-6	-8 %
Specialty plastics	142	147	141	-1	-0 %	-6	-4 %
Medical devices, etc.	14	16	12	-2	-15 %	-3	-22 %
Operating income	51	41	48	-2	-5 %	7	18 %
Operating income ratio	23%	17%	22%				

■ Specialty chemicals:

Steady business in Specialty chemicals (mainly in flavor / fragrance) and Electronics materials, but the sales declined in Toner and Energy materials due to Covid-19 impact, etc. Net sales increased YoY.

■ Specialty plastics:

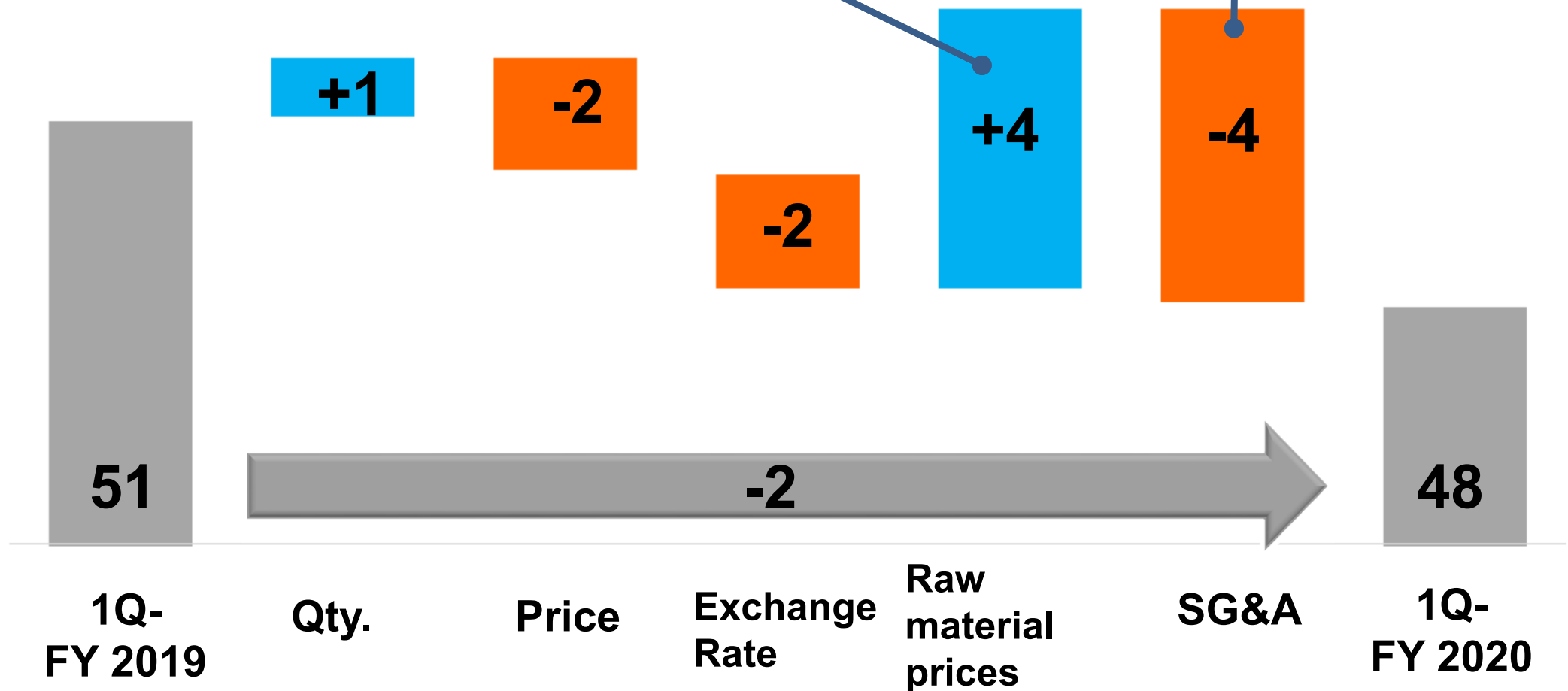
The demands for both Optical plastics and Films were steady. Sales was on the same level of 1Q of FY 2019, because of the shipment control due to the regular power stoppage.

Specialty Materials: Operating income variance (3 mo./YoY) **ZEON**

(Unit : JPY100m)

- Raw material price decreased
- Manufacturing fixed cost decreased

Increased R&D and trial manufacturing cost of optical films



	YoY	QoQ
Flavor / Fragrance	151%	107%
Specialty solvents	148%	75%
Total	150%	89%

■ Summary:

Sales volume was significantly increased YoY. (There was the regular plant maintenance in the main manufacturing site in 2019)

■ Flavor / fragrance:

Steady QoQ

■ Specialty solvents:

QoQ decrease was due to the plant regular shutdown. The demand is steady.

	YoY	QoQ
EV	77%	89%
Shipment to China	58%	99%
Consumer use, etc.	123%	141%
Total	90%	104%

■ **EV:**

The demand was decreased by the Covid-19 effect.

The variance in the shipment to China was because of the last-minute demand due to the tax breaks in 1Q-FY 2019.

■ **Customer use, etc.:**

Demand increased for the mobile devices (increase in telework).

ESS (Energy storage system) demand increased by the promotion measures for the introduction of renewable energy.

	YoY	QoQ
For small-to-medium size	93%	101%
For large size FPD	95%	94%
Total	95%	95%

■ **For small-to-medium size:**

YoY: the shipment for smartphone was sluggish, but the demand for the PC and mobile devices for telework supported the business. The sales was steady QoQ.

■ **For large size FPD:**

The volume was slightly declined both YoY and QoQ, due to the shipment control from the regular power stoppage in the main plant area in March. Demand itself is steady (same level as 1Q of FY 2019).

	YoY	QoQ
Optical use	84%	75%
Medical use, etc.	126%	99%
Total	115%	93%

■ **Optical use:**

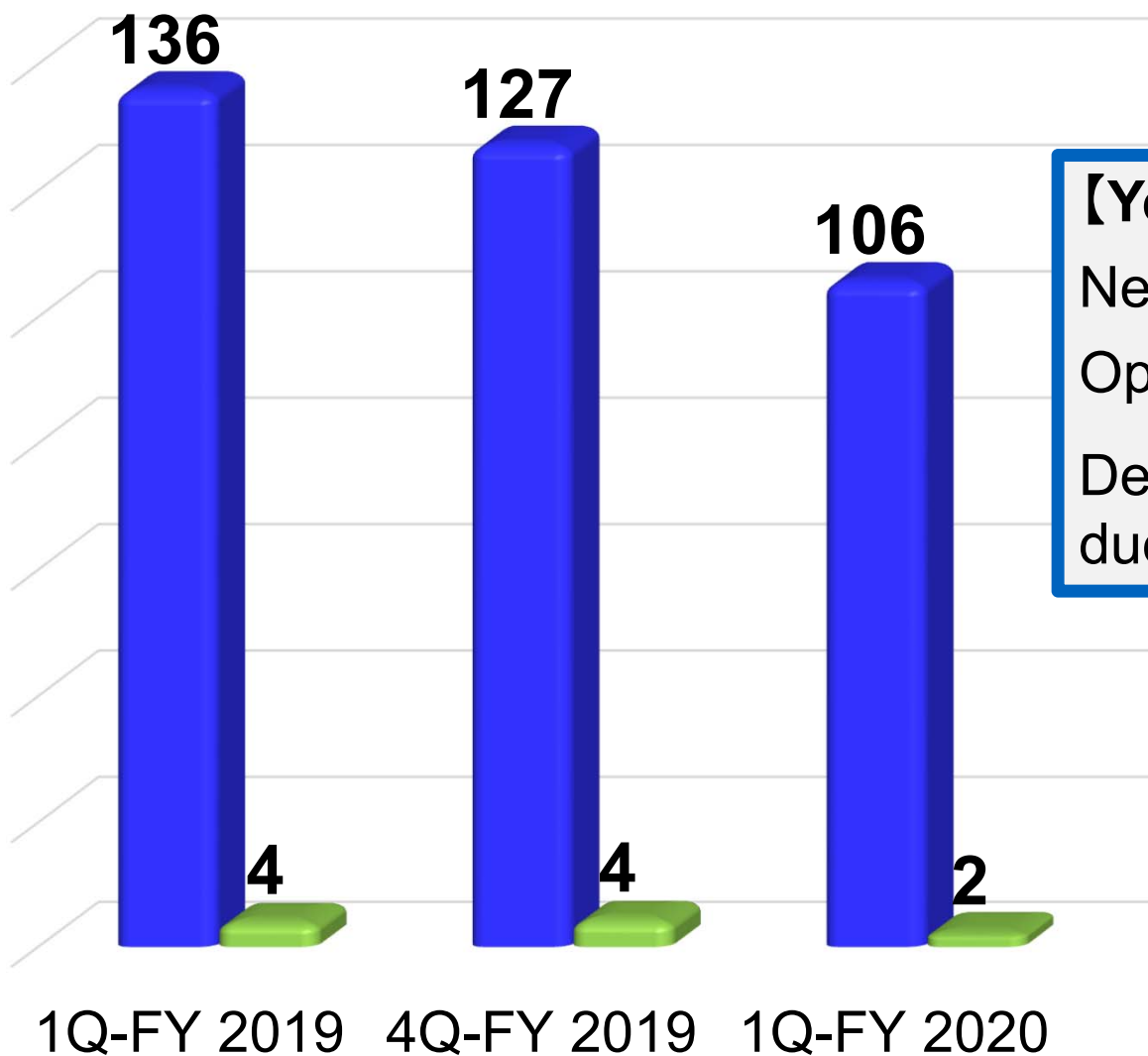
Controlling the shipment to prepare the construction to expand the production capacity and the regular maintenance in 2021. (plans to complete in July 2021)

■ **Medical use, etc.:**

The demand is steady, and the supply is tight.

Summary of P/L: Specialty Materials

(Unit : JPY100m)



【Year-on-year】
Net sales : -3 billion yen
Operating income: -0.2 billion yen
Decline in Trading and RIM business due to the Covid-19 effect.

■ Net sales ■ Operating income

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Summary of B/S

Total assets
3,937 (-114)

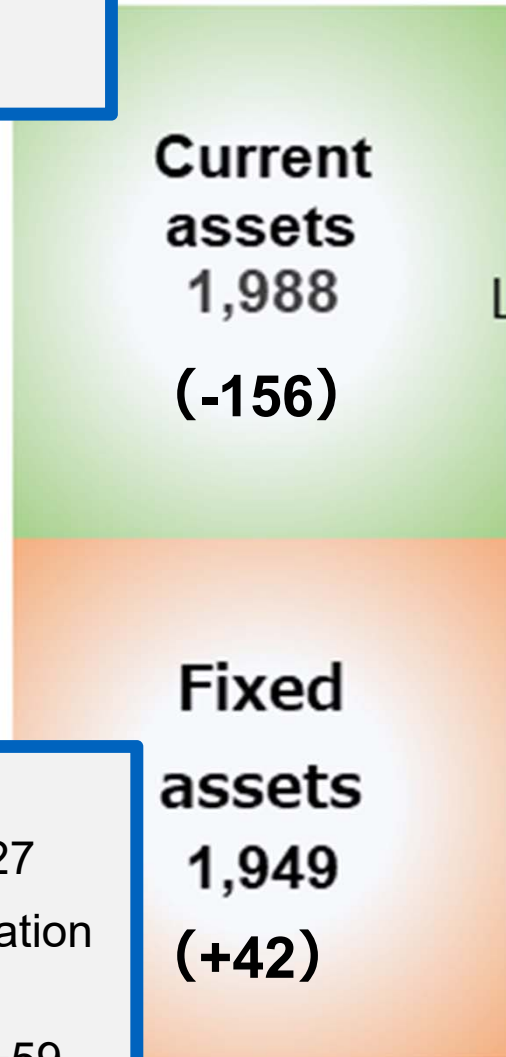
【Current assets】 -156

- ◆ Cash and deposits -62
- ◆ Account receivable -70

- Current ratio: 204%
- On-hand liquidity ratio:
1.1 month

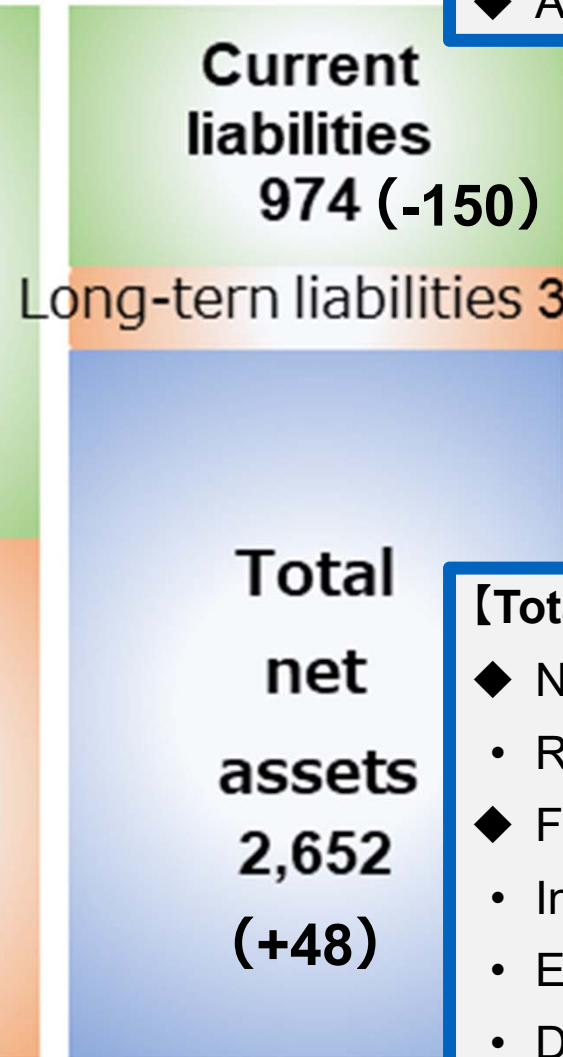
【Fixed assets】 +42

- ◆ Capital expenditures +27
- ◆ Depreciation & Amortization -37
- ◆ Investment securities +59



【Current liabilities】 -150

- ◆ Account payable -127

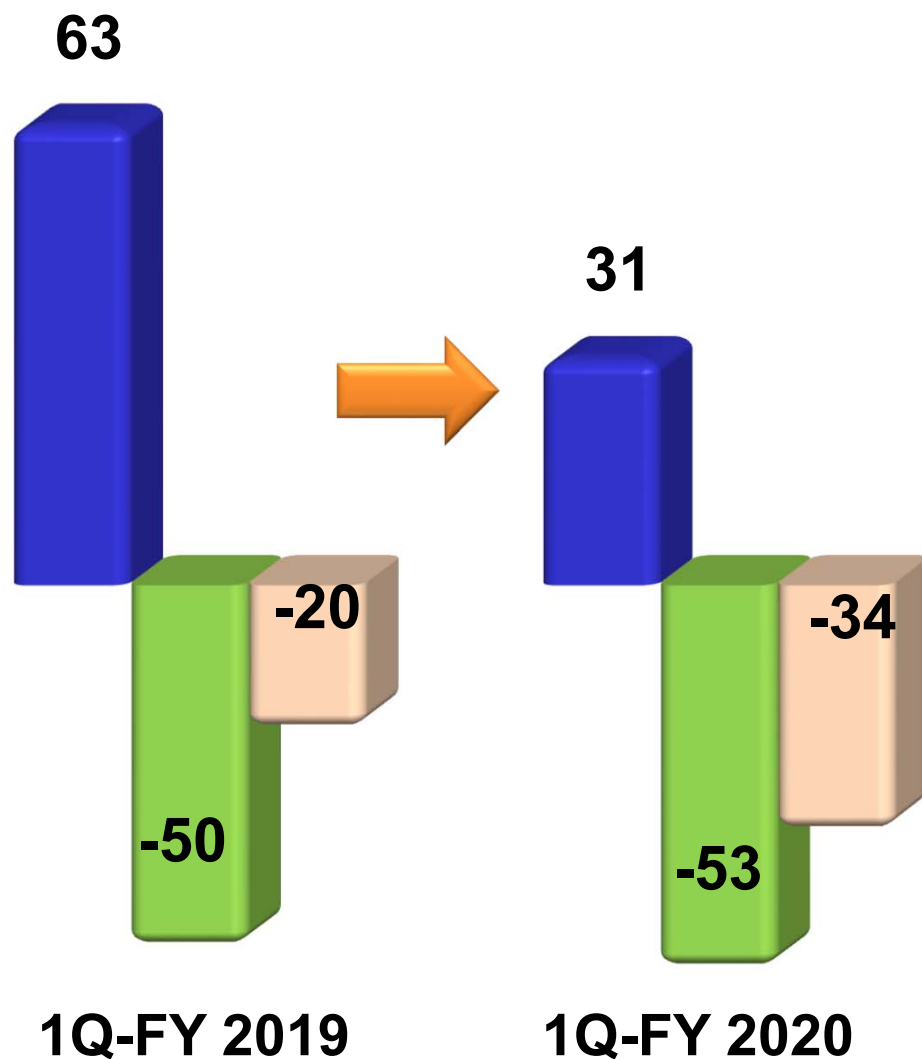


【Total net assets】 +48

- ◆ Net income +36
- Retained earnings +22
- ◆ Financial indicators
- Interest-bearing debt 210 (-)
- Equity ratio 66.6% (+3.1%)
- D/E ratio 0.08 (-)

Summary of C/F

(Unit : JPY100m)



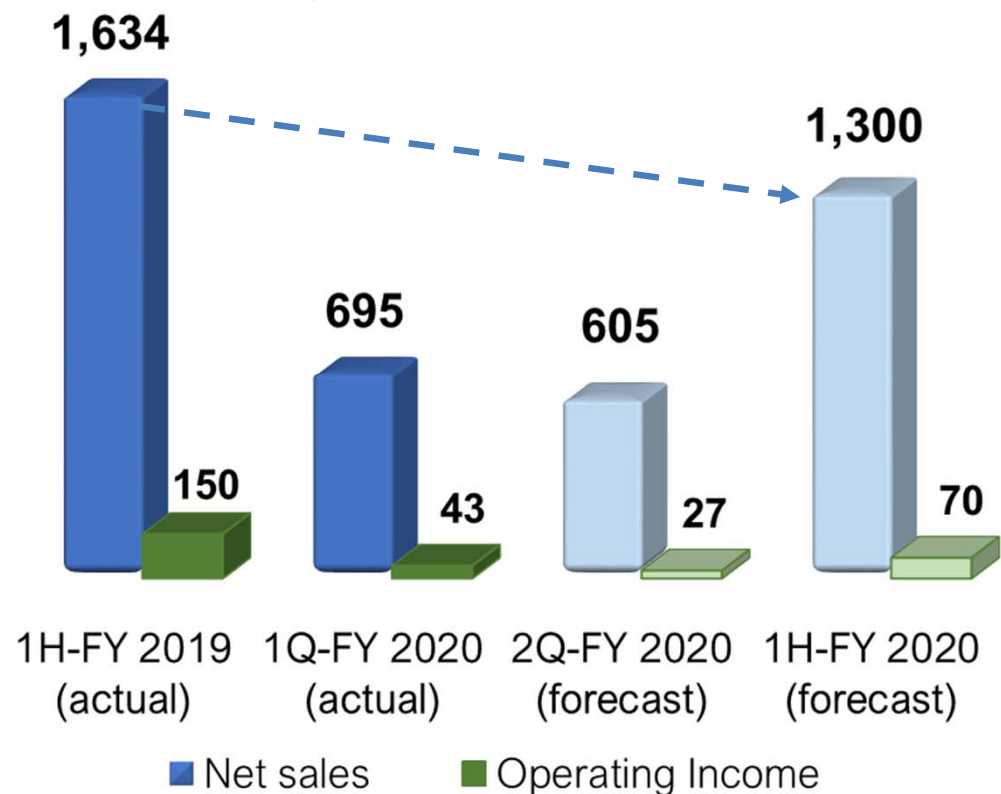
	1Q-2019	1Q-2020
CF from Operating Act.	63	31
CF from Investing Act.	-50	-53
Free CF	13	-22
CF from Financing Act.	-20	-34
CF	-7	-56

- ◆ CF from Operating act: -32
 - Decrease of earnings before tax -34
- ◆ CF from Investing act: -3
 - Increase of capital investment -14 (Optical film facility, etc.)
- ◆ CF from Financing act: -14

■ CF from Operatin Act. ■ CF from Investing Act.
 ■ CF from Financing Act.

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Forecast of net sales & operating income (Unit : JPY100m)



Dividend (Unit : JPY)



- Forecast of 1H-FY 2020: Net sales 130 billion yen
Operating income 7 billion yen
- Interim dividend is ¥11.00/share (±0 from previous year's result)

The anxiety factors to the global economy (such as the spread of Covid-19 and the US-China tense situation) cannot be wiped out. “Emergency response headquarters” will take the initiative in continuing to respond to contingencies.

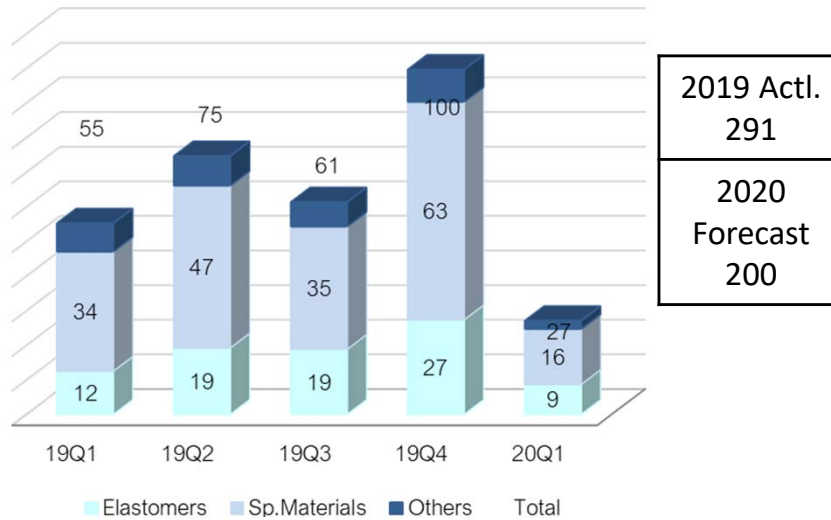
We continue to implement infection prevention measures at all business sites globally and maintain the supply chain and ensure the health and safety of employees and their families.

The forecast of FY2020 performance and dividend have not been determined, because to calculate rational business forecast is difficult. We will announce it as soon as we can calculate it.

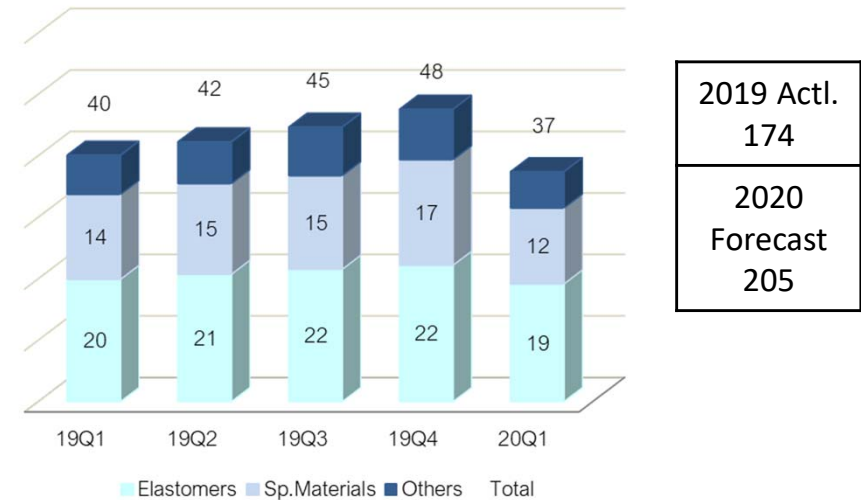
Reference: Capital Expenditures, Depreciation & Amortization and R&D Expenses

(Unit : JPY100m)

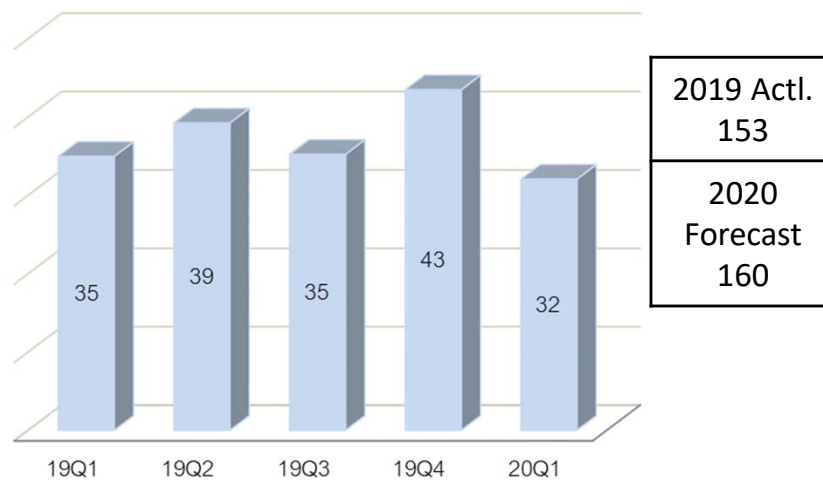
Capital Expenditures



Depreciation & Amortization



R&D Expenses



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 2nd quarter of FY 2020	Oct. 30th, 2020
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Subject to change without notice

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