

Financial Results

The 1st Half of FY2022 (Apr. 1- Sep. 30)



October 31, 2022
ZEON CORPORATION

- P.2 Summary and Segment Overview**
- P.3 Business Environment**
(Trends in Exchange Rates and Prices of Raw Materials)
- P.5 Performance Summary (Overall)**
- P.6 Performance Summary (By Segment)**
- P.9 Elastomer Business Overview**
- P.10 Elastomer Business Profit and Loss**
- P.11 Elastomer Business Operating Income Variance**
- P.14 Specialty Materials Business Profit and Loss**
- P.15 Specialty Materials Operating Income Variance**
- P.17 Specialty Chemicals Business: Battery Materials Situation**
- P.18 Specialty Plastics Business: Optical Plastics Situation**
- P.19 Specialty Plastics Business: Optical Films Situation**
- P.21 Balance Sheet Overview**
- P.22 Cash Flow Overview**
- P.24 FY2022 Business Environment**
- P.26 FY2022 Performance Forecast**
- P.27 FY2022 Dividend Forecast**

[Summary]

- ◆ In Q2 consolidated results, sales were up, but profits were down YoY and QoQ.
- ◆ Raw material prices dropped, and the yen continued to depreciate.
- ◆ Remote and shut-in demand arising from the spread of COVID-19 was calmed.

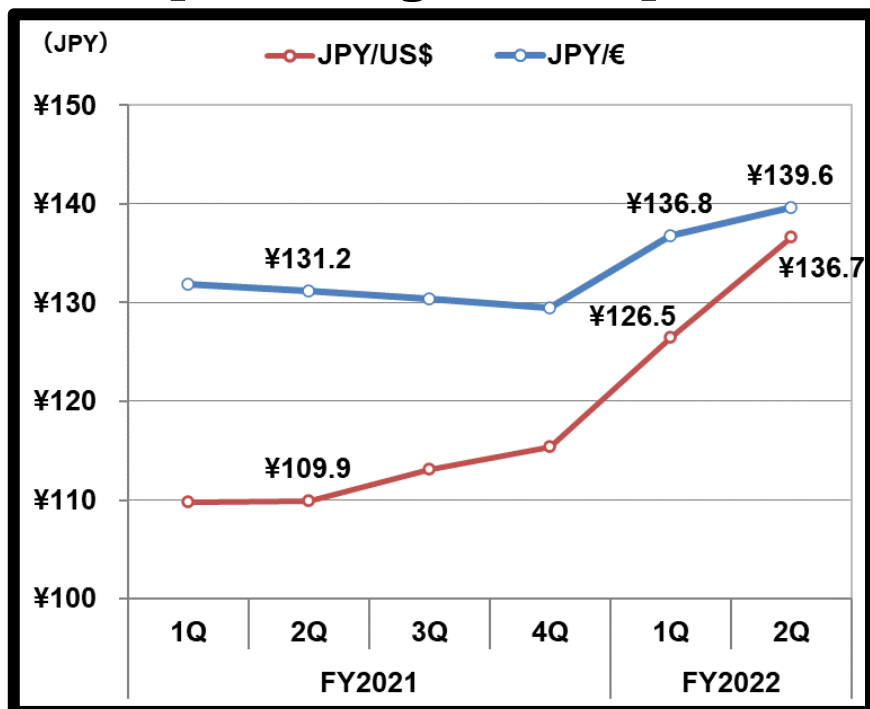
[Elastomer Business Overview]

- ◆ Sales and profits were up both YoY and QoQ with progress on selling price adjustments.
- ◆ Synthetic rubber sales volume was adjusted due to regular repairs at main plants, but demand remained firm.

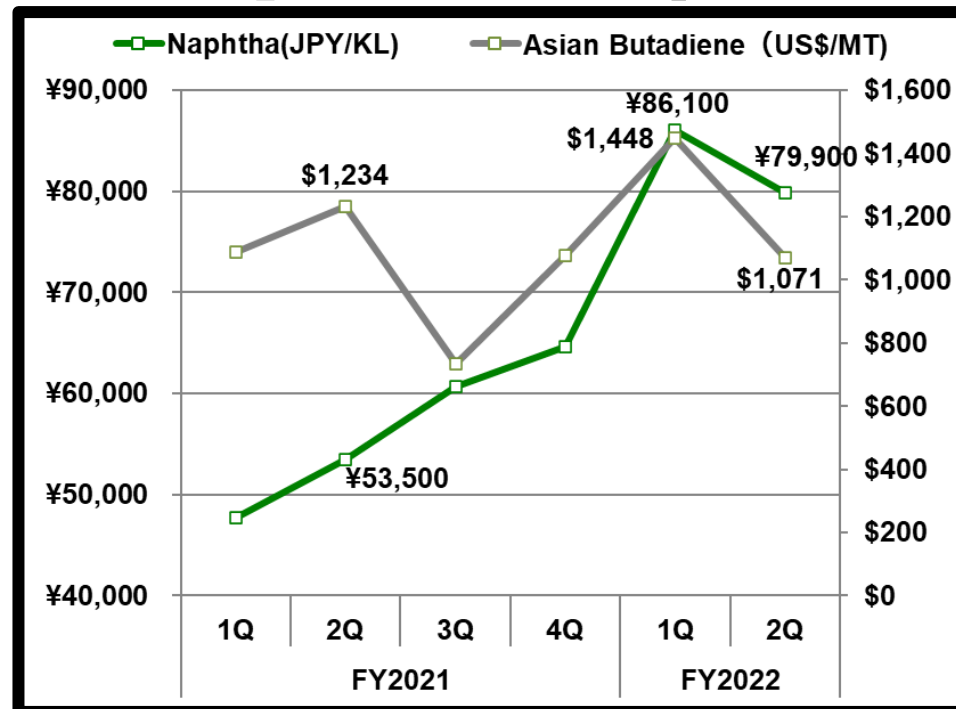
[Specialty Materials Business Overview]

- ◆ Sales and profits were down both YoY and QoQ.
- ◆ Demand for optical plastics was firm for medical use, etc., while demand for optical films weakened.
There was a lull in demand for battery materials for consumer use, and customer utilization rates were down due primarily to soaring LIB raw material prices.

[Exchange Rates]



[Raw Materials]



	Q2 FY2021	Q1 FY2022	Q2 FY2022	YoY(%)	QoQ(%)
JPY/US\$	¥109.9	¥126.5	¥136.7	+24%	+8%
JPY/€	¥131.2	¥136.8	¥139.6	+6%	+2%
Naphtha(JPY/KL)	¥53,500	¥86,100	¥79,900	+49%	-7%
Asian Butadiene(US\$/MT)	\$1,234	\$1,448	\$1,071	-13%	-26%

*Naphtha: Figures for Q2 FY2021 and Q1 FY2022 are confirmed, while the figure for Q2 FY2022 is our estimate.

P.2	Summary and Segment Overview
P.3	Business Environment (Trends in Exchange Rates and Prices of Raw Materials)
P.5	Performance Summary (Overall)
P.6	Performance Summary (By Segment)
P.9	Elastomer Business Overview
P.10	Elastomer Business Profit and Loss
P.11	Elastomer Business Operating Income Variance
P.14	Specialty Materials Business Profit and Loss
P.15	Specialty Materials Operating Income Variance
P.17	Specialty Chemicals Business: Battery Materials Situation
P.18	Specialty Plastics Business: Optical Plastics Situation
P.19	Specialty Plastics Business: Optical Films Situation
P.21	Balance Sheet Overview
P.22	Cash Flow Overview
P.24	FY2022 Business Environment
P.26	FY2022 Performance Forecast
P.27	FY2022 Dividend Forecast

(Unit : JPY100m)

	Q2 FY2021	Q1 FY2022	Q2 FY2022	YoY	QoQ	H1 FY2021	H1 FY2022	YoY (Half)
Net Sales	919	976	998	+79	+23	1,791	1,974	+183
Operating Income	111	107	95	-16	-13	250	202	-48
Ordinary Income	117	129	115	-3	-15	266	244	-22
Net Income	83	87	87	+4	+0	184	174	-10

- YoY: Net Sales +7.9B JPY, Operating Income -1.6B JPY
- QoQ: Net Sales +2.3B JPY, Operating Income -1.3B JPY
- VS H1: Net Sales +18.3B JPY, Operating Income -4.8B JPY

Note: Results at overseas subsidiaries from April to June 2022 are reflected in Q2 consolidated results.

Q2 FY2022 Performance Summary (By Segment)

(Unit : 100m)

Net Sales

	Q2 FY2021	Q1 FY2022	Q2 FY2022	YoY	QoQ
Elastomer Business	502	535	579	+77	+43
Specialty Materials Biz.	289	301	265	-24	-36
Others/Eliminations, etc.	128	140	155	+27	+15
Net Sales (consolidated)	919	976	998	+79	+23

Operating Income

	Q2 FY2021	Q1 FY2022	Q2 FY2022	YoY	QoQ
Elastomer Business	48	41	53	+5	+12
Specialty Materials Biz.	63	70	47	-16	-23
Others/Eliminations, etc.	1	-3	-5	-5	-2
Net Sales (consolidated)	111	107	95	-16	-13

FY2022 Performance Summary (By Segment/H1)

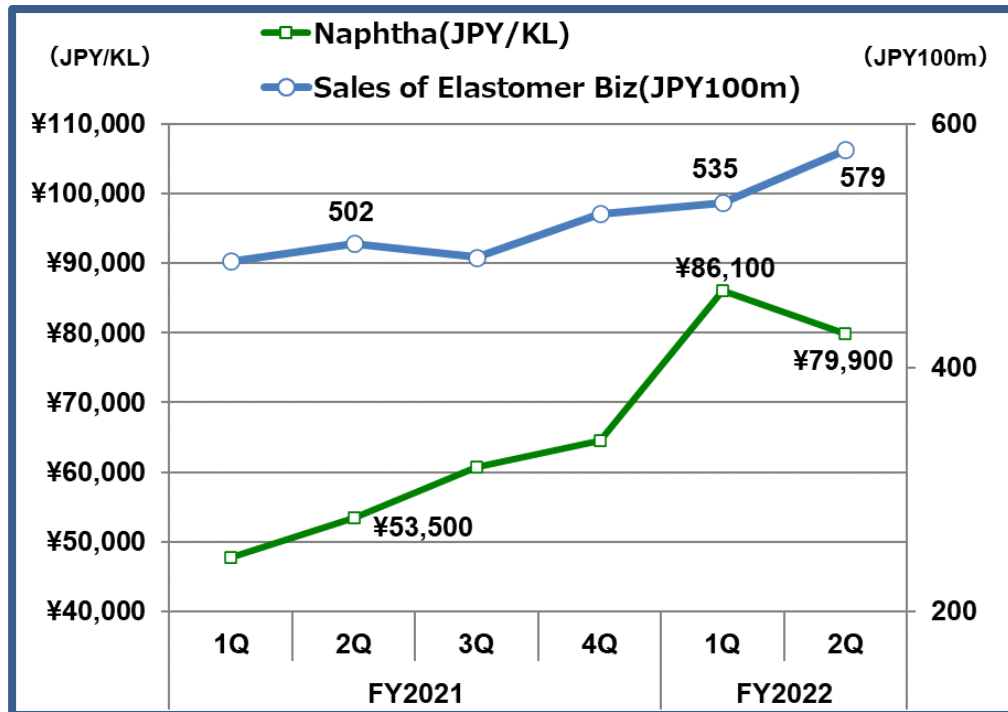
(Unit : JPY100m)

Net Sales	H1 FY2021	H1 FY2022 FCST	H1 FY2022	YoY	YoY (%)	YoY (VS FCST)	YoY (%) (VS FCST)
Elastomer Business	989	1,080	1,114	+125	+13%	34	+3%
Specialty Materials Biz.	541	617	566	+25	+5%	-51	-8%
Others/Eliminations, etc.	261	293	294	+33	+13%	1	0%
Net Sales (consolidated)	1,791	1,990	1,974	+183	+10%	-16	-1%

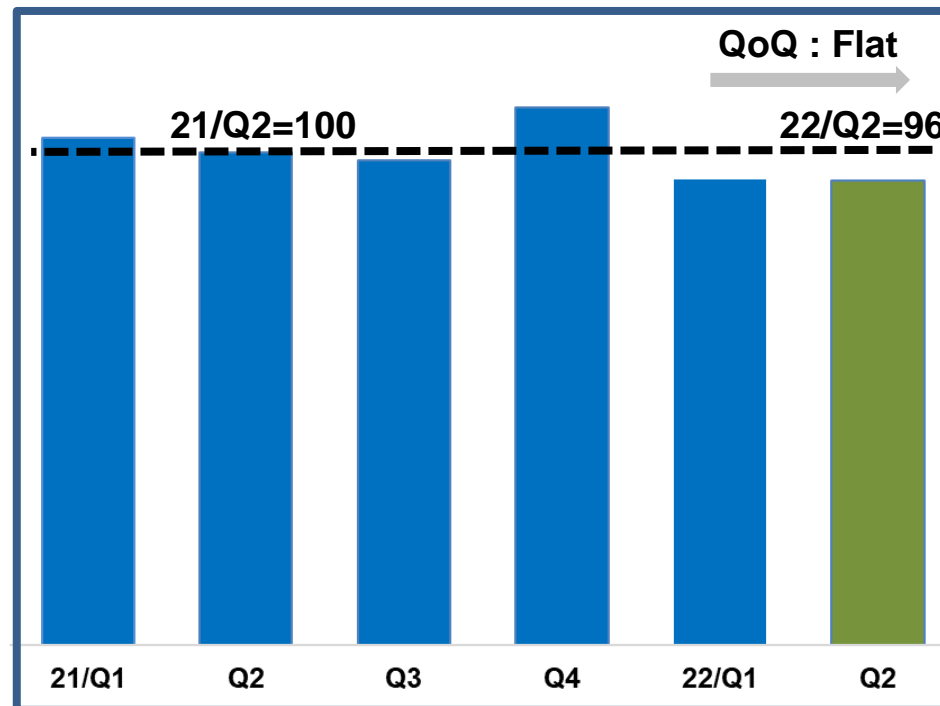
Operating Income	H1 FY2021	H1 FY2022 FCST	H1 FY2022	YoY	YoY (%)	YoY (VS FCST)	YoY (%) (VS FCST)
Elastomer Business	108	76	93	-15	-14%	17	+23%
Specialty Materials Biz.	140	142	116	-24	-17%	-26	-18%
Others/Eliminations, etc.	1	-3	-8	-9	-	-5	-
Net Sales (consolidated)	250	215	202	-48	-19%	-13	-6%

P.2	Summary and Segment Overview
P.3	Business Environment (Trends in Exchange Rates and Prices of Raw Materials)
P.5	Performance Summary (Overall)
P.6	Performance Summary (By Segment)
P.9	Elastomer Business Overview
P.10	Elastomer Business Profit and Loss
P.11	Elastomer Business Operating Income Variance
P.14	Specialty Materials Business Profit and Loss
P.15	Specialty Materials Operating Income Variance
P.17	Specialty Chemicals Business: Battery Materials Situation
P.18	Specialty Plastics Business: Optical Plastics Situation
P.19	Specialty Plastics Business: Optical Films Situation
P.21	Balance Sheet Overview
P.22	Cash Flow Overview
P.24	FY2022 Business Environment
P.26	FY2022 Performance Forecast
P.27	FY2022 Dividend Forecast

[Naphtha Price vs. Elastomer Sales]



[Synthetic Rubber Sales Volume]



- Despite a decline in Naphtha prices, sales increased in the Elastomer Business, mainly synthetic rubbers, due to selling price adjustments.
- Synthetic rubbers sales volume was adjusted due to regular repairs at main plants, and it was down YoY and flat QoQ.

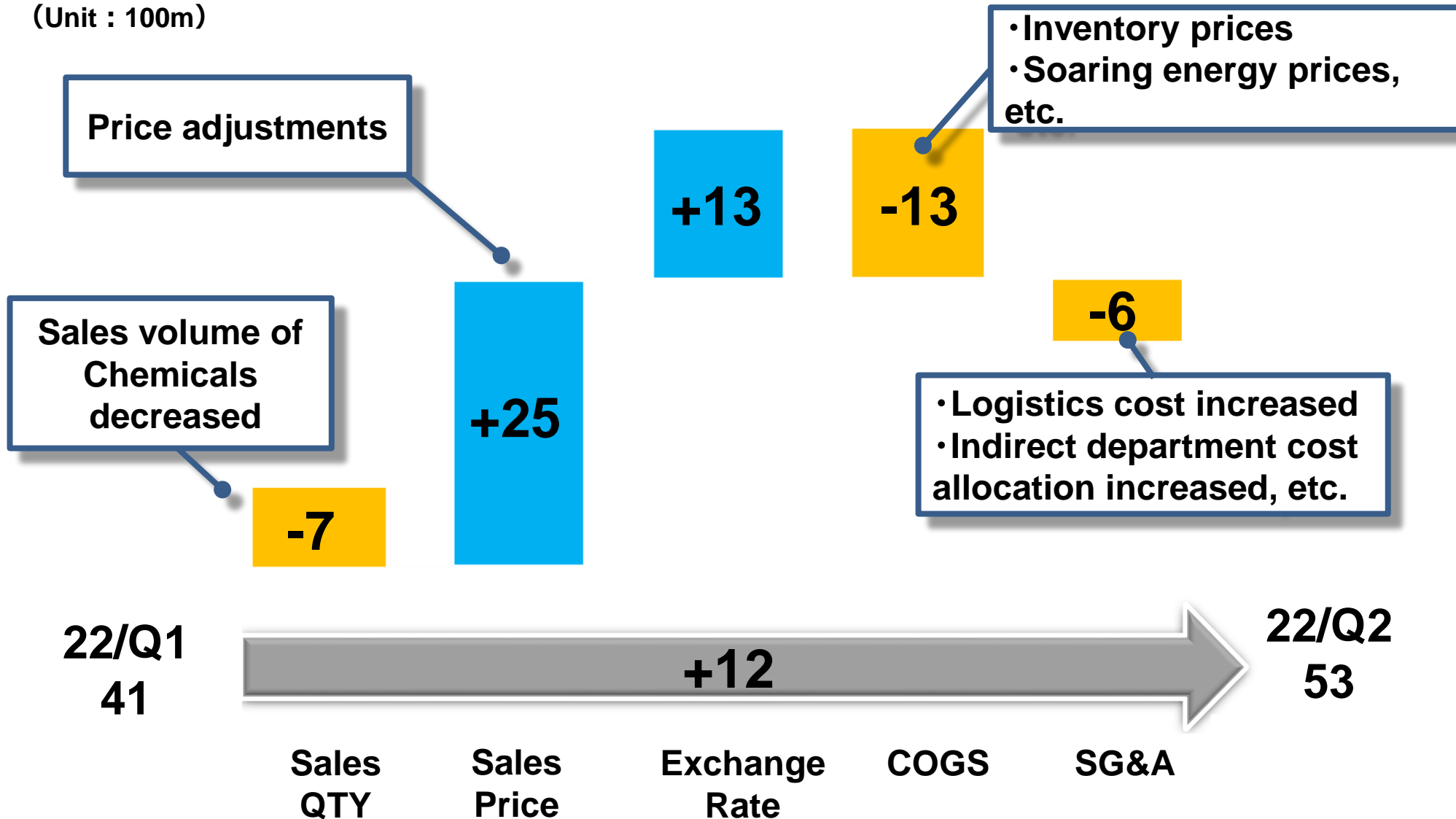
(Unit : 100m)

	Q2 FY2021	Q1 FY2022	Q2 FY2022	YoY	YoY(%)	QoQ	QoQ(%)
Sales Volume (21/Q2=100)	100	92	90	-10 pt	-10 %	-3 pt	-3 %
Synthetic rubbers	100	96	96	-4 pt	-4 %	-0 pt	-0 %
Latexes	100	66	73	-27 pt	-27 %	8 pt	12 %
Chemicals	100	113	90	-10 pt	-10 %	-23 pt	-20 %
Net Sales	502	535	579	77	15 %	43	8 %
Synthetic rubbers	325	374	416	91	28 %	42	11 %
Latexes	68	36	43	-25	-37 %	7	18 %
Chemicals	101	116	108	7	7 %	-8	-7 %
Others/Eliminations	8	9	12	4	49 %	3	35 %
Operating Income	48	41	53	5	10 %	12	30 %
Operating income ratio	10%	8%	9%				

- **Sales Volume:** Down both YoY and QoQ due to a reactionary decline from price adjustments of chemicals and continued excess inventory for latex gloves
- **Net Sales:** Up both YoY and QoQ with progress on selling price adjustments
- **Operating Income:** Up both YoY and QoQ with an improved spread from lower raw material prices, especially for synthetic rubbers

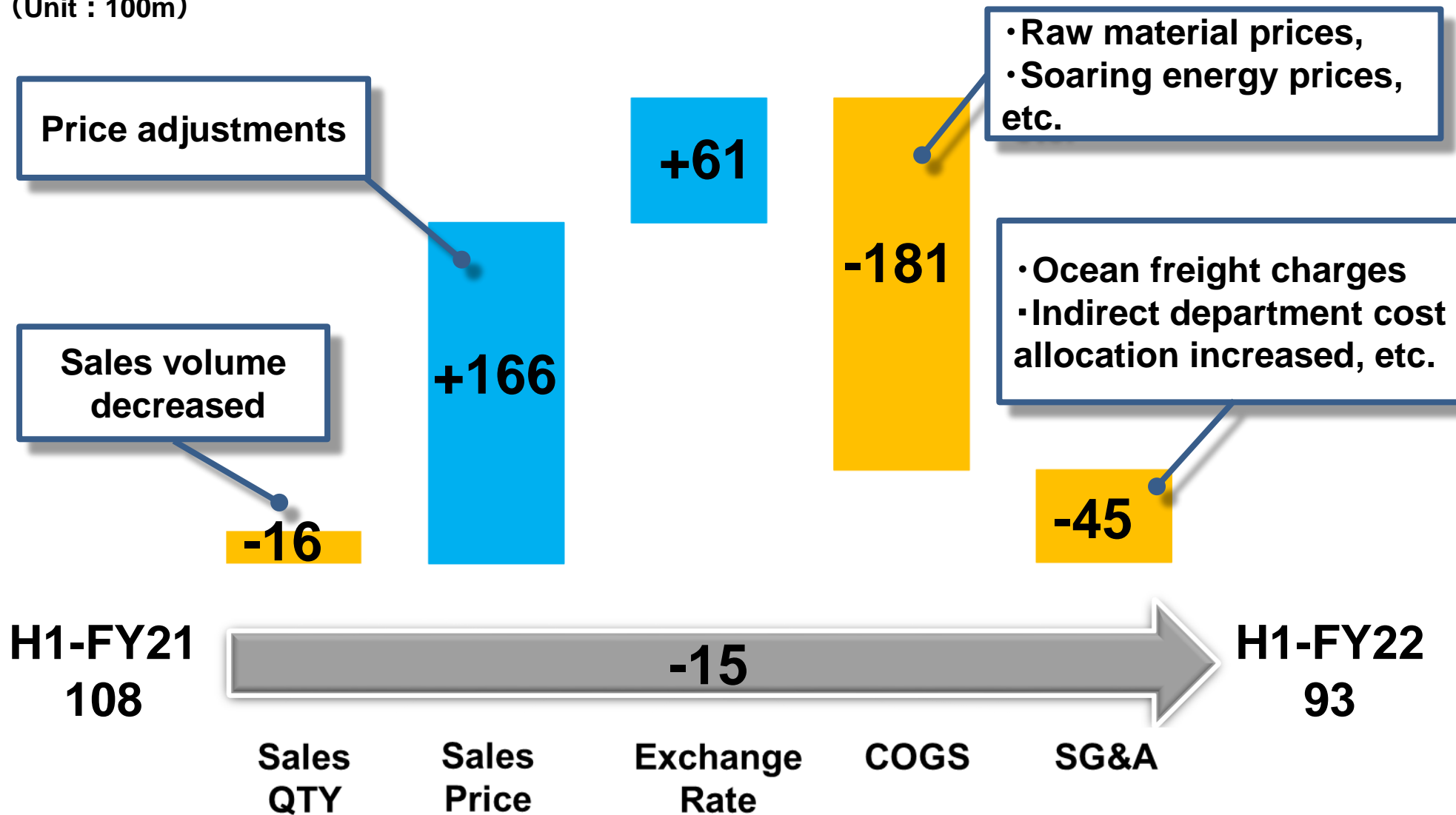
Elastomer Business Operating Income Variance (QoQ)

(Unit : 100m)



Elastomer Business Operating Income Variance (YoY)

(Unit : 100m)



P.2	Summary and Segment Overview
P.3	Business Environment (Trends in Exchange Rates and Prices of Raw Materials)
P.5	Performance Summary (Overall)
P.6	Performance Summary (By Segment)
P.9	Elastomer Business Overview
P.10	Elastomer Business Profit and Loss
P.11	Elastomer Business Operating Income Variance
P.14	Specialty Materials Business Profit and Loss
P.15	Specialty Materials Operating Income Variance
P.17	Specialty Chemicals Business: Battery Materials Situation
P.18	Specialty Plastics Business: Optical Plastics Situation
P.19	Specialty Plastics Business: Optical Films Situation
P.21	Balance Sheet Overview
P.22	Cash Flow Overview
P.24	FY2022 Business Environment
P.26	FY2022 Performance Forecast
P.27	FY2022 Dividend Forecast

(Unit : 100m)

	Q2 FY2021	Q1 FY2022	Q2 FY2022	YoY	YoY(%)	QoQ	QoQ(%)
Net Sales	289	301	265	-24	-8 %	-36	-12 %
* Specialty plastics	180	177	151	-28	-16 %	-25	-14 %
Specialty chemicals	97	113	102	5	6 %	-11	-10 %
Medical devices, etc.	13	11	11	-2	-13 %	1	6 %
Operating Income	63	70	47	-16	-26 %	-23	-33 %
Operating Income ratio	22%	23%	18%				

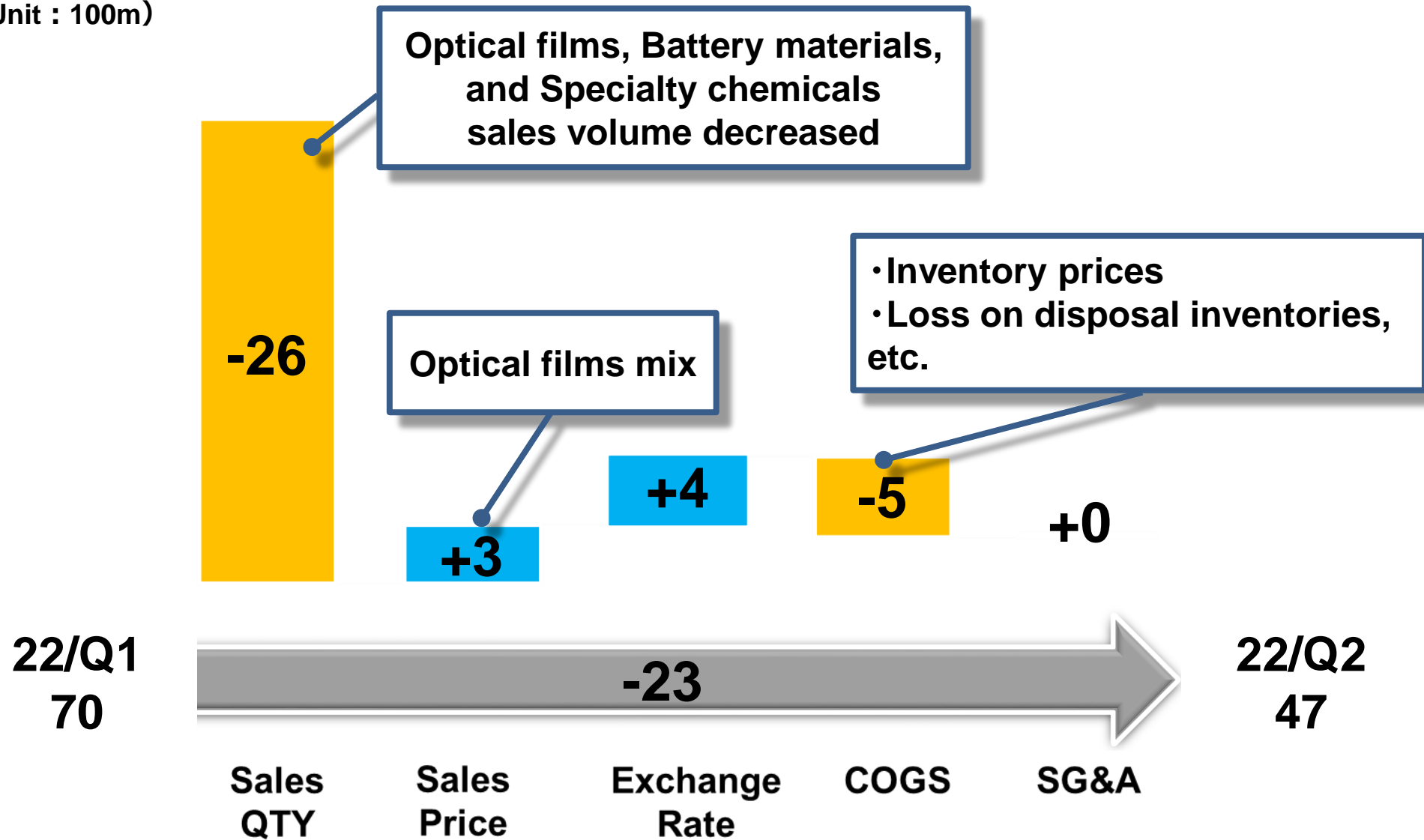
* Specialty plastics : Optical plastics and optical films

* Specialty chemicals: Battery materials, specialty chemicals, electronic materials and polymerized toners

- **Net Sales**
- **Specialty plastics: Down both YoY and QoQ due to demand decline for optical films**
- **Specialty chemicals: Up YoY owing to steady battery materials for EV, but down QoQ due to a lull in consumer demand and soaring LIB raw material prices**
- **Operating income was down both YoY and QoQ as due to sluggish sales volume of optical films.**

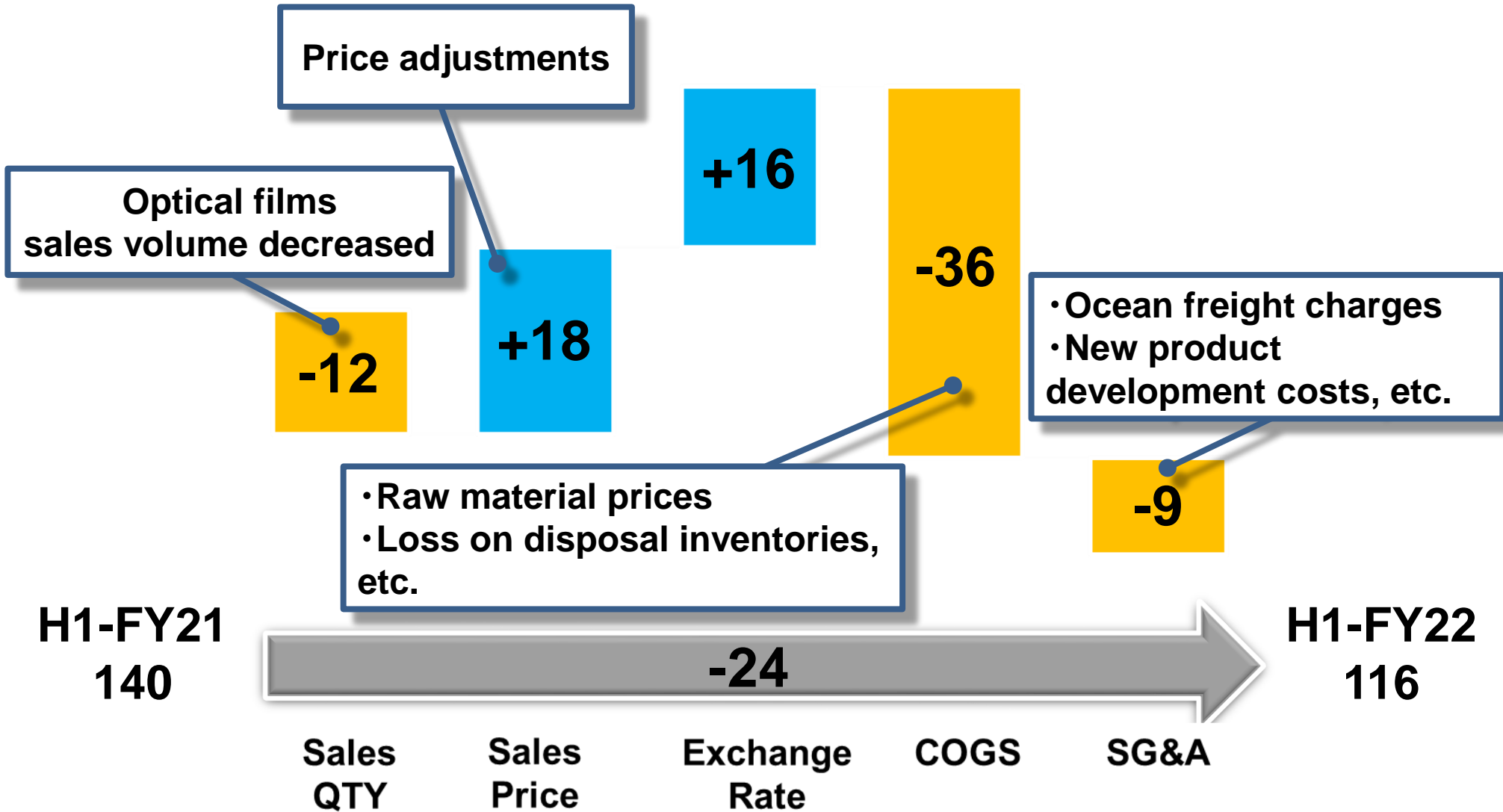
Specialty Materials Operating Income Variance (QoQ)

(Unit : 100m)



Specialty Materials Operating Income Variance (YoY)

(Unit : 100m)



	YoY	QoQ	YoY Cumulative total
EV	130%	82%	133%
Consumer use, etc.	43%	70%	52%
Total	104%	80%	110%

- **EV**
Sales were sluggish QoQ due to lower utilization rate among battery manufacturers amid soaring LIB raw material prices, but steady YoY centered on EV.
- **Consumer use, etc.**
Demand peaked out for home appliances and mobile devices. Continued lull in global replacement demand due to prolonged stagnation.

	YoY	QoQ	YoY Cumulative total
Optical use	67%	92%	72%
Medical use, etc.	164%	117%	137%
Total	124%	110%	112%

■ Optical use

Demand for smartphones was sluggish due to decline in customer operations caused COVID-19 and semiconductor shortage.

■ Medical use, etc.

Demand steady for medical packaging and containers such as prefilled syringes.

Sales volume up QoQ owing to combined shipments in previous quarter arising from production factors

	YoY	QoQ	YoY Cumulative total
For small-to-medium size	82%	86%	93%
For Large size FPD	36%	36%	68%
Total	47%	47%	74%

- For small-to-medium size
Demand for smartphones steady, but down for touch sensor due to shift to in-cell technology.
Slight lull in demand for tablets and laptops
- For Large size
Sales volume down due to suspension of material procurement by TV manufacturers
Demand expected to recover starting in Q4

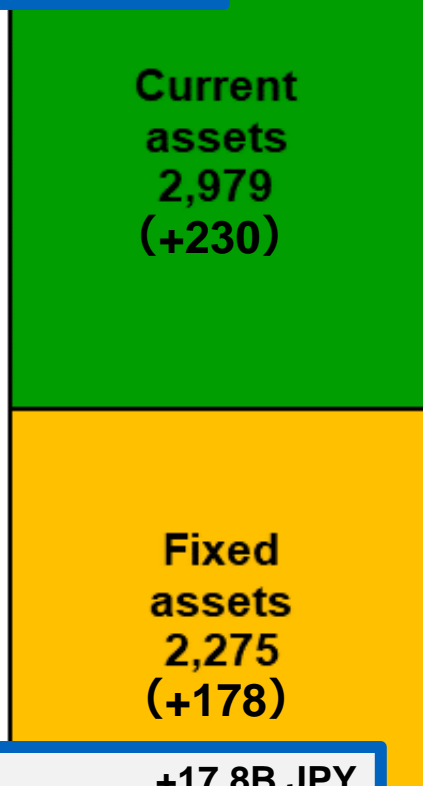
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P.3	Business Environment (Trends in Exchange Rates and Prices of Raw Materials)
P.5	Performance Summary (Overall)
P.6	Performance Summary (By Segment)
P.9	Elastomer Business Overview
P.10	Elastomer Business Profit and Loss
P.11	Elastomer Business Operating Income Variance
P.14	Specialty Materials Business Profit and Loss
P.15	Specialty Materials Operating Income Variance
P.17	Specialty Chemicals Business: Battery Materials Situation
P.18	Specialty Plastics Business: Optical Plastics Situation
P.19	Specialty Plastics Business: Optical Films Situation
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P.22	Cash Flow Overview
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P.26	FY2022 Performance Forecast
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(Unit : 100m)

Total assets 5,255 (+408)

()=vs end of FY2021

[Current assets]	+23.0B JPY
◆ Cash and deposits	- 19.1B JPY
◆ Accounts receivable	+17.0B JPY
◆ Inventory assets	+25.2B JPY



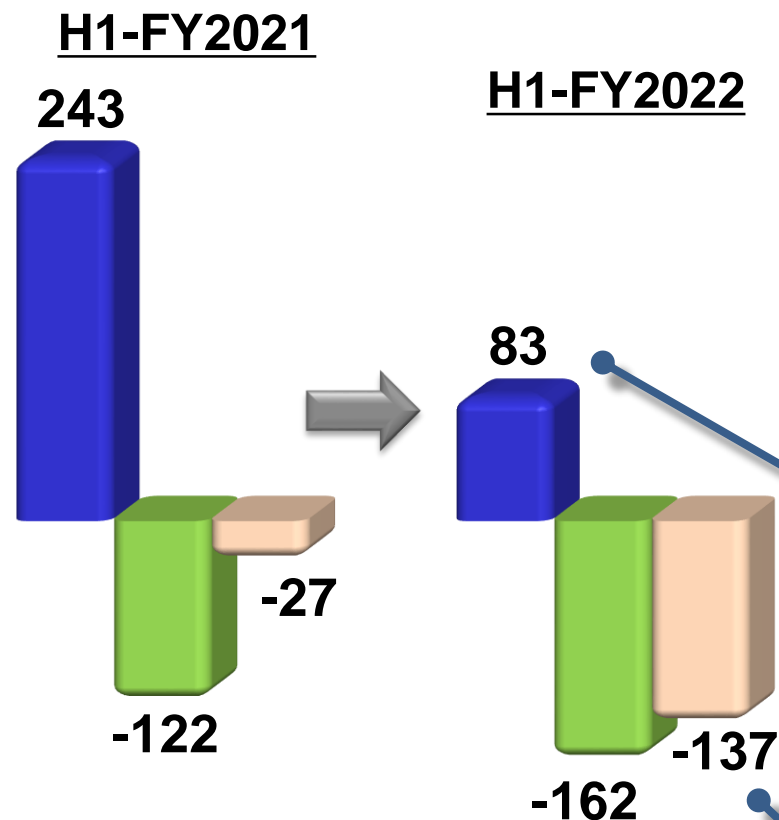
[Current liabilities]	+15.9B JPY
◆ Trade payables	+14.6B JPY
◆ Provision for repairs	+4.5B JPY
◆ Short-term borrowings	+3.9B JPY
◆ Corporate bonds	-10.0B JPY

Long-term liabilities 251 (+9)

[Non-current assets]	+17.8B JPY
◆ Property, plant and equipment	+7.0B JPY
◆ Investment securities	+9.3B JPY

[Net assets]	+2.4B JPY
◆ Equity ratio	65.1% (-0.6)
◆ D/E ratio	0.04 (-0.02)

(Unit : 100m)



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

(Unit : 100m)

	H1FY2021	H1FY2022
CF from Operating Act.	243	83
CF from Investing Act.	-122	-162
Free CF	122	-79
CF from Financing Act.	-27	-137
CF	94	-216













- Income before income taxes and minority interests +24.0B JPY
- Depreciation and amortization +9.5B JPY
- Inventories (for regular repairs) -21.0B JPY

- Redemption of corporate bonds -10.0B JPY
- Purchase of treasury shares -4.0B JPY
- Dividend -3.2B JPY
- Short-term borrowings +3.9B JPY

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P.5	Performance Summary (Overall)
P.6	Performance Summary (By Segment)
P.9	Elastomer Business Overview
P.10	Elastomer Business Profit and Loss
P.11	Elastomer Business Operating Income Variance
P.14	Specialty Materials Business Profit and Loss
P.15	Specialty Materials Operating Income Variance
P.17	Specialty Chemicals Business: Battery Materials Situation
P.18	Specialty Plastics Business: Optical Plastics Situation
P.19	Specialty Plastics Business: Optical Films Situation
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P.22	Cash Flow Overview
P.24	FY2022 Business Environment
P.26	FY2022 Performance Forecast
P.27	FY2022 Dividend Forecast

Elastomer Business (Unit: JPY100m)	H1		H2		Comments on H2
	Sales Act.	OP. Income Act.	Sales FCST	OP. Income FCST	
	1,114	93	1,206	67	
Synthetic rubbers					<ul style="list-style-type: none"> • Up sales with selling price adjustments • Down OP. income with worsening spread from lower raw material prices and soaring energy prices combined
Latexes					<ul style="list-style-type: none"> • Same as H1
Chemicals					<ul style="list-style-type: none"> • Up sales with selling price adjustments • Continue a reactionary decline • OP. income flat as H1 from soaring energy prices

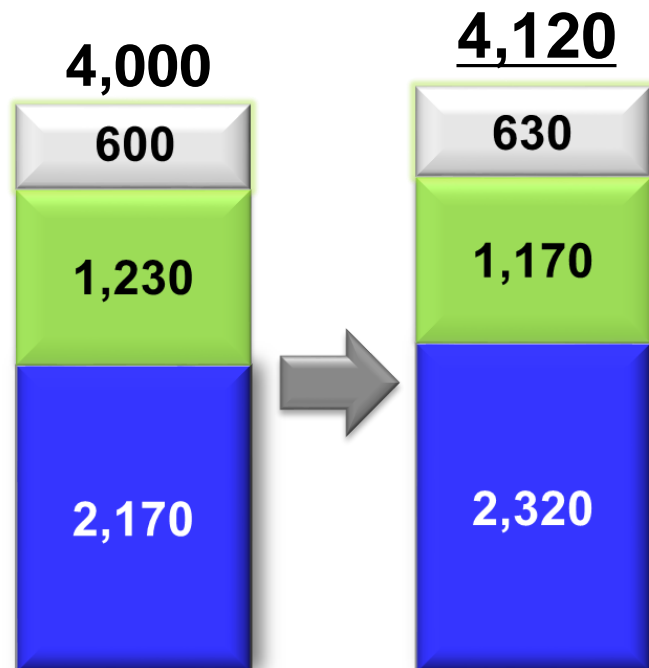
※ Arrows in H1 show the performance against the original forecast released on Apr. 27, 2022.
 Arrows in H2 show our outlook in H2 against H1 as of Oct.31, 2022.

		H1		H2		Comments on H2
Specialty Materials Business		Sales Act.	OP. Income Act.	Sales FCST	OP. Income FCST	
(Unit: JPY100m)		566	116	604	129	
Optical plastics						<ul style="list-style-type: none"> • Continuing sluggish demand for smartphones • Demand steady for medical use, etc.
Optical films						<ul style="list-style-type: none"> • Demand steady for smartphones, but dwindle towards the in-between season • Continue material procurement adjustments for large size FPD until Q3
Battery materials						<ul style="list-style-type: none"> • Prospect to recovery in H2

※Arrows in H1 show the performance against the original forecast released on Apr. 27, 2022.
Arrows in H2 show our outlook in H2 against H1 as of Oct.31, 2022.

[Net Sales]

(Unit : 100m)



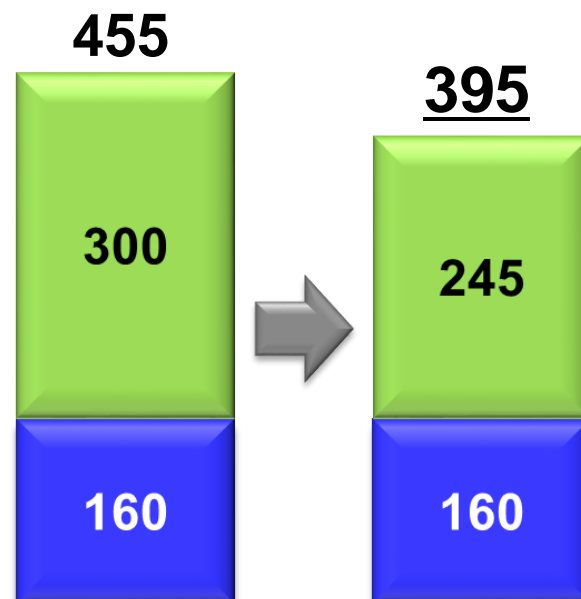
Original FCST

Revised FCST

■ Elastomer Business ■ Specialty Materials Biz. ■ Others/Eliminations, etc.

[Operating Income]

(Unit : 100m)



Original FCST

Revised FCST

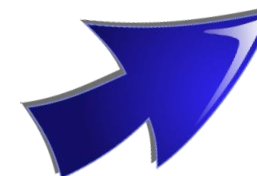
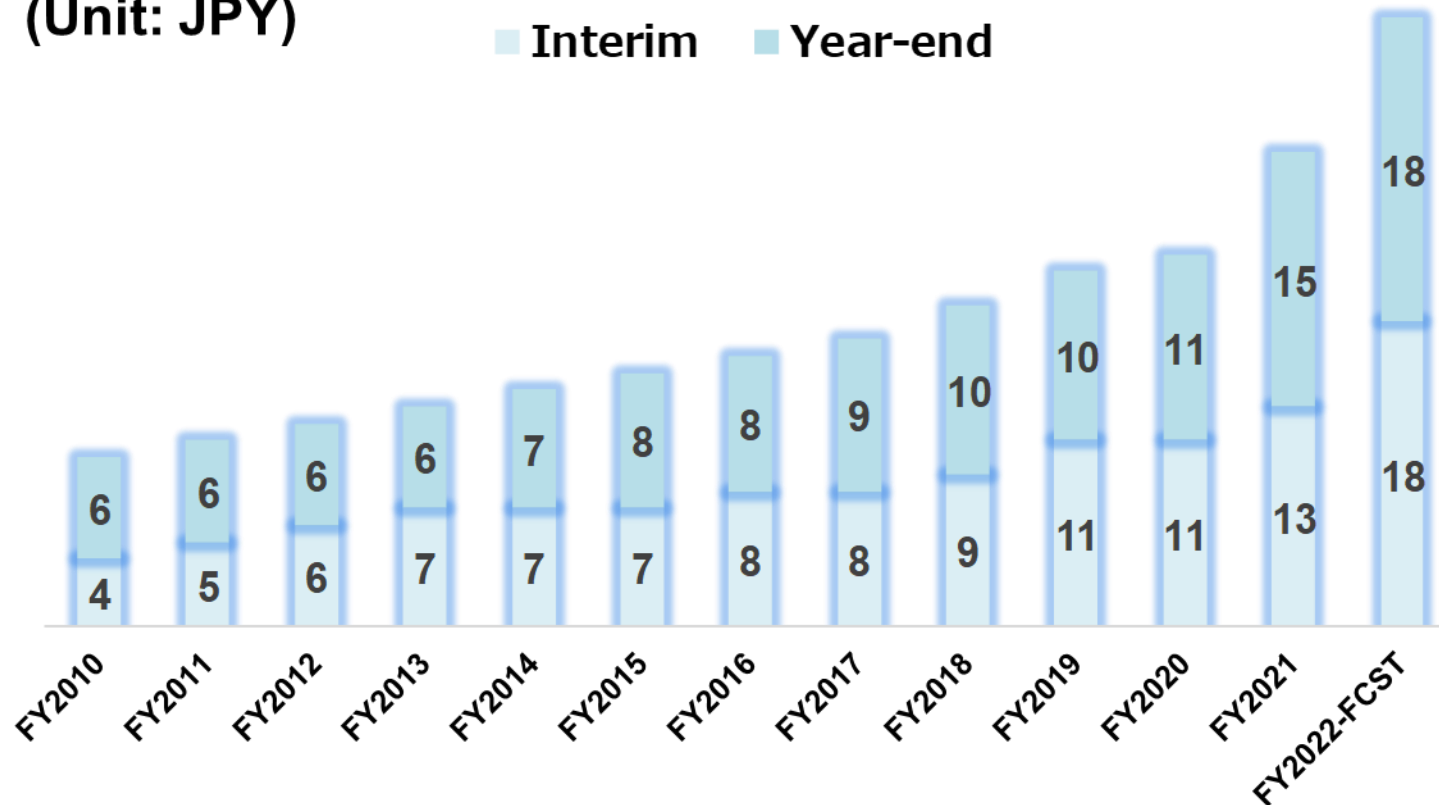
■ Elastomer Business ■ Specialty Materials Biz.

■ The performance forecast for the FY2022 was revised

FY2022 H2 assumptions(as of Oct. 31/2022):

- US\$=140 JPY, €=140 JPY, Naphtha=¥73,000 JPY, Asian butadiene=US\$850
- Logistical situation similar to Q2 FY2022
- Minor impact of COVID-19 and Russia/Ukraine situation on procurement and production

(Unit: JPY)



**Stable and continuous dividends
(no change in policy)**

- Leave as it is from original dividend forecast**
Dividend forecast: Interim ¥18/share, at the year-end ¥18/share
⇒ total ¥36/share/year (+¥8 YoY)
13 consecutive years of increases since FY2010

Next Announcement of Financial Statements

The 3rd quarter of FY2022	January. 31st , 2023
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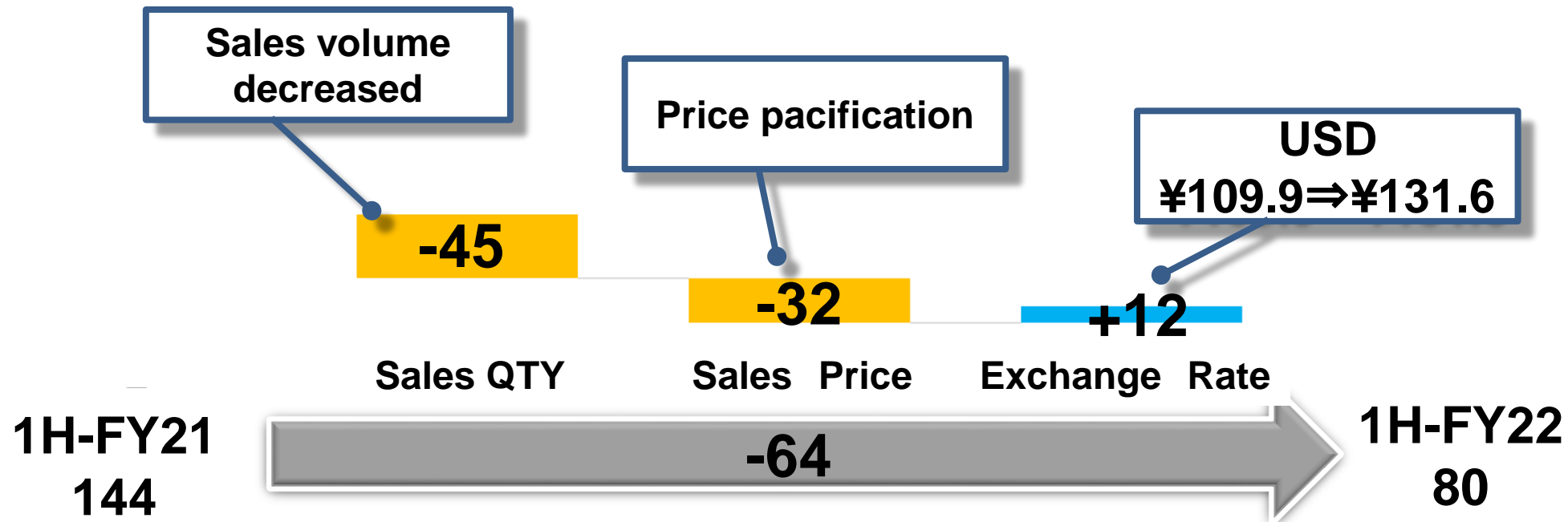
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Zeon's plans, forecasts, and other data appearing in this presentation were calculated based on information which was currently available and therefore includes risks and uncertainties. Actual results may differ depending on various factors.

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Reference: Latexes Net Sales Variance (YoY)

(Unit : 100m)



	Q1 FY2021	Q2 FY2021	Q1 FY2022	Q2 FY2022	YoY	YoY(%)	QoQ	QoQ(%)
ASP								
21/2Q=100		100	80	86	-14 pt	-14 %	6 pt	8 %
20/1Q=100	100	191	153	162	-	-	-	-

FY2022 Q2 (vs. FY2022 Q1)				
Business	Sales volume	Sales	OP. income	Business Trends
Synthetic rubbers				<ul style="list-style-type: none"> • Continued sales volume adjustments due to regular repairs at main plants • Both sales and OP. income up with an improved spread from selling price adjustments and lower raw material prices
Latexes				<ul style="list-style-type: none"> • Continued excess inventory for latex gloves
Chemicals				<ul style="list-style-type: none"> • Sales volume down due to a reactionary decline from price adjustments • Sales and OP. income down due to decrease in sales volume

FY2022 Q2 (vs. FY2022 Q1)				
Business	Sales volume	Sales	OP. income	Business Trends
Optical plastics				<ul style="list-style-type: none"> • Sales volume up for medical use, etc. • Sales up but OP. income down due to sales mix differences resulting from combined shipments due to production factors
Optical films				<ul style="list-style-type: none"> • Sales and OP. income down due to lower sales volume for films for large-size and touch-sensor films for small-to-medium-size
Battery materials				<ul style="list-style-type: none"> • Sales volume down due to a lull for consumer use and sluggish from lower customer utilization rates as a result of soaring LIB raw material prices • Sales and OP. income down due to decrease in sales volume

Use	Market Trends for FY2022 (vs. FY2021)		Changes in circumstances
	As of 7/28	As of 10/31	
Large size TVs			Display market inventory adjustments more severe than forecast from 7/28
Smartphones			Steady as expected, but market for touch sensor film deteriorating
Tablets			Q2 adjustment less than forecast from 7/28 Market deteriorating in H2 due to weakened demand for home and educational use
Laptops			Same as tablets

*Market Trends for FY2022 are based on our forecasts and sales outlook of our products by use against FY2021.

Positives

**Elimination of
distribution disruptions**

Depreciation of the yen

**Wider availability of
containers/ships**

**Yen depreciation/dollar
appreciation**

Decreased distribution costs

**Yen depreciation/euro
appreciation**

Negatives

**Worsening of
raw material situation**

**Prolonged shortage of
semiconductors**

Sharp rise in Naphtha prices

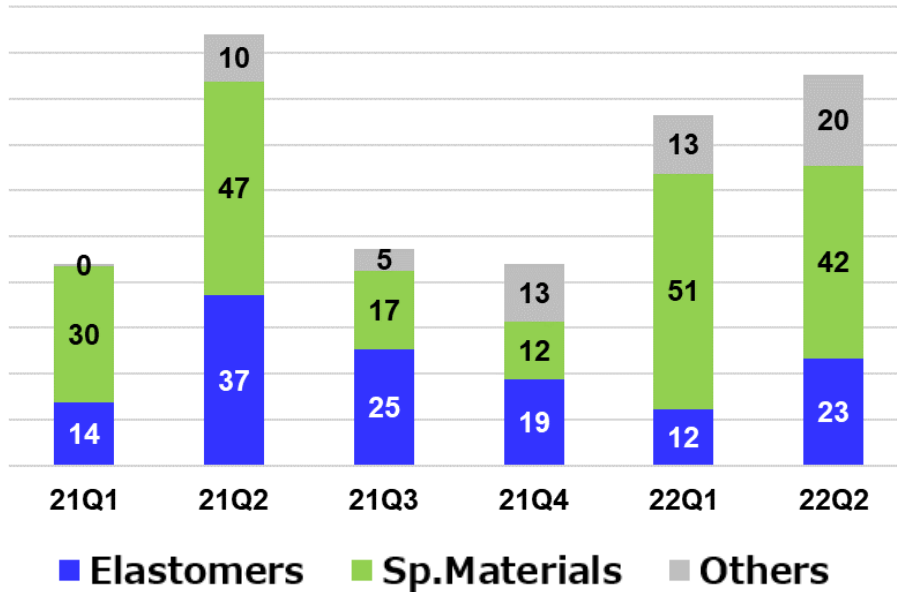
Resurgence of COVID-19

Drop in Butadiene

**Decreased production of
mobile devices**

(Unit : 100m)

[Capital Expenditures]

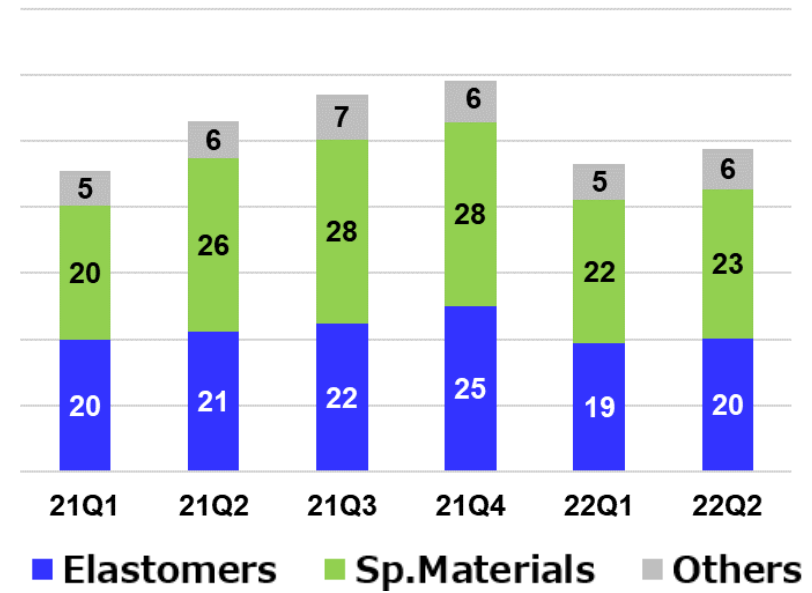


FY2021 Act.
229



FY2022 FCST
370

[Depreciation & Amortization]



FY2021 Act
215



FY2022 FCST
210