

Financial Results

The 3rd Quarter of FY2022 (Apr.1- Dec.31)



January 31, 2023
ZEON CORPORATION

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【 Summary 】

- ◆ In Q3 consolidated results, sales were up, but profits were down YoY, while both sales and profits were down QoQ.
- ◆ Raw material prices dropped, and the yen continued to depreciate.
- ◆ Lull continued in remote and shut-in demand arising from spread of COVID-19.

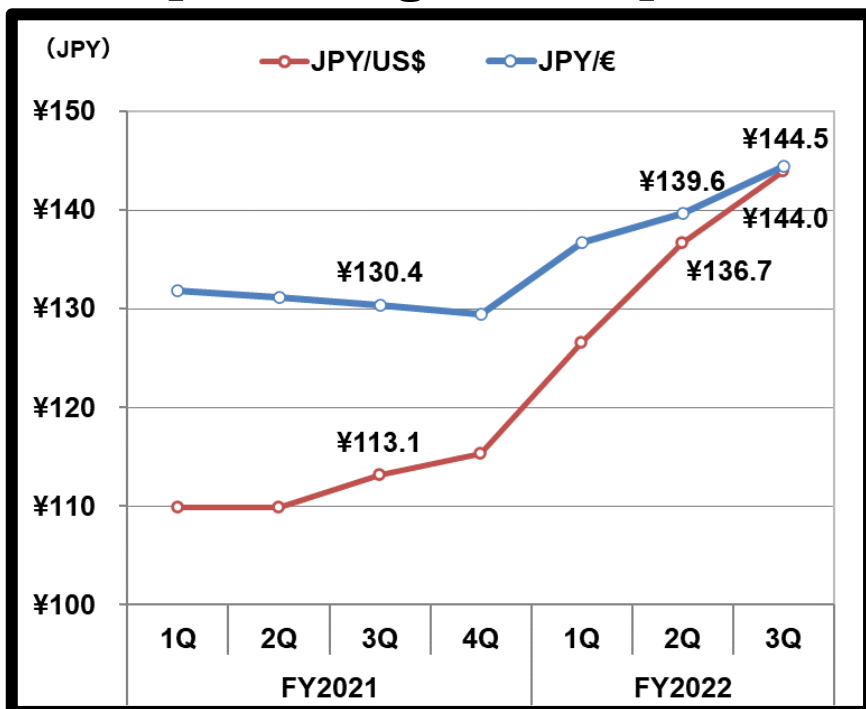
[Elastomer Business Overview]

- ◆ Sales were up YoY owing to selling price adjustments but down QoQ due to decreased sales volume.
- ◆ Profits were down YoY and QoQ due to soaring energy prices.
- ◆ Synthetic rubber sales volume was adjusted due to regular repairs at main plants.

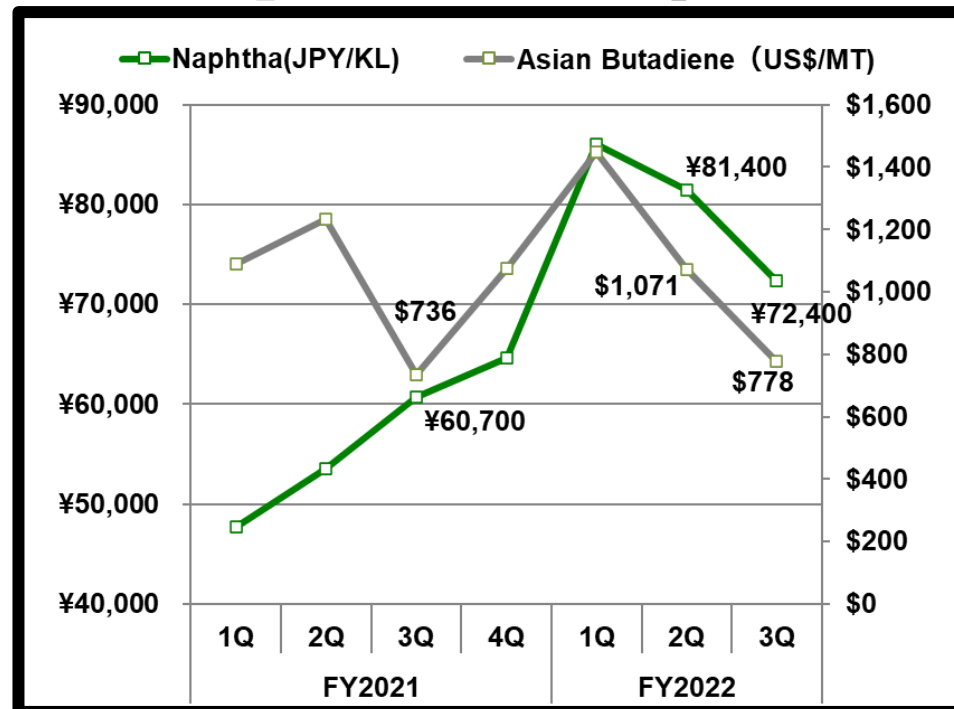
[Specialty Materials Business Overview]

- ◆ Sales were down both YoY and QoQ due to lower demand for optical films and toner inventory adjustments.
- ◆ Profits were down YoY due to decreased optical film sales volume but up QoQ owing to increase in optical plastic and battery material sales volume.

[Exchange Rates]



[Raw Materials]



	Q3 FY2021	Q2 FY2022	Q3 FY2022	YoY(%)	QoQ(%)
JPY/US\$	¥113.1	¥136.7	¥144.0	+27%	+5%
JPY/€	¥130.4	¥139.6	¥144.5	+11%	+3%
Naphtha(JPY/KL)	¥60,700	¥81,400	¥72,400	+19%	-11%
Asian Butadiene(US\$/MT)	\$736	\$1,071	\$778	+6%	-27%

*Naphtha: Figures for Q3 FY2021 and Q2 FY2022 are confirmed, while the figure for Q3 FY2022 is our estimate.

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(Unit : JPY100m)

	Q3 FY2021	Q2 FY2022	Q3 FY2022	YoY	QoQ	Q1-Q3 FY2021	Q1-Q3 FY2022	YoY (Q1-Q3)
Net Sales	897	998	968	+71	-31	2,688	2,942	+254
Operating Income	115	95	77	-38	-18	364	278	-86
Ordinary Income	125	115	67	-59	-48	391	311	-80
Net Income	90	87	9	-81	-78	274	183	-91

- YoY: Net Sales +7.1B JPY, Operating income -3.8B JPY
- QoQ: Net Sales -3.1B JPY, Operating income -1.8B JPY
- YoY (Q1-Q3): Net Sales +25.4B JPY, Operating income -8.6B JPY

Note: Results at overseas subsidiaries from July to September 2022 are reflected in Q3 consolidated results.

Q3 FY2022 Performance Summary (By Segment)

(Unit : JPY100m)

Net Sales

	Q3 FY2021	Q2 FY2022	Q3 FY2022	YoY	QoQ
Elastomer Business	490	579	559	+69	-19
Specialty Materials Biz.	262	265	249	-13	-15
Others/Eliminations, etc.	144	155	159	+15	+4
Net Sales (consolidated)	897	998	968	+71	-31

Operating Income

	Q3 FY2021	Q2 FY2022	Q3 FY2022	YoY	QoQ
Elastomer Business	51	53	29	-22	-24
Specialty Materials Biz.	64	47	49	-15	+2
Others/Eliminations, etc.	-0	-5	-1	-1	+3
Net Sales (consolidated)	115	95	77	-38	-18

Q1-Q3 FY2022 Performance Summary (By Segment)

(Unit : JPY100m)

Net Sales

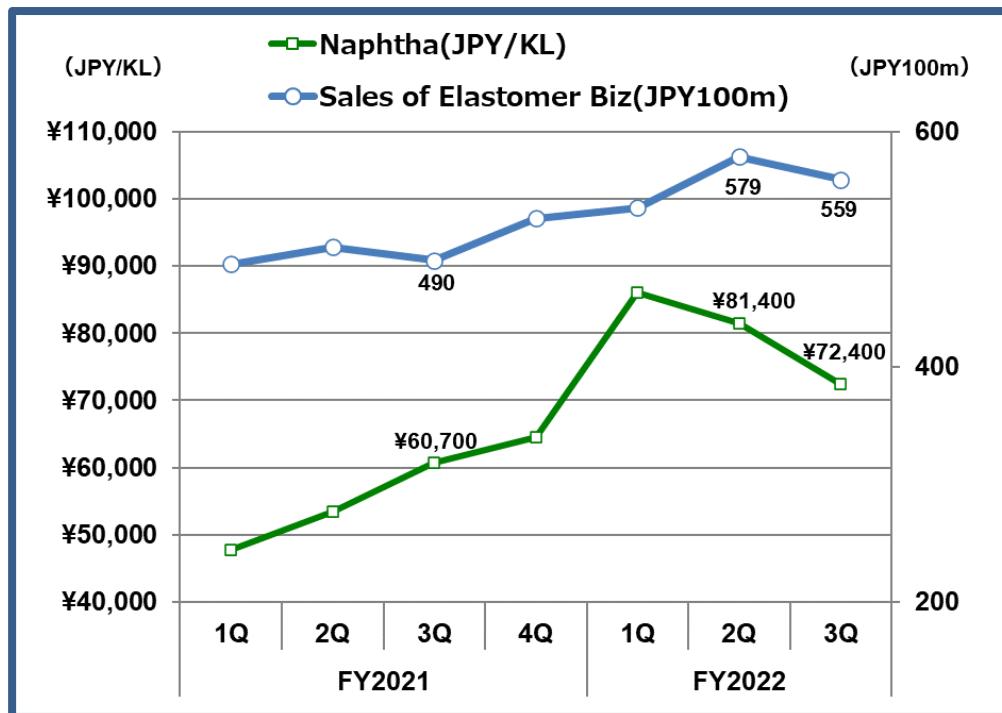
	Q1-Q3 FY2021	Q1-Q3 FY2022	FY2022 FCST (as of 10/31)	YoY (Q1-Q3)	Progress %
Elastomer Business	1,479	1,673	2,320	+194	72%
Specialty Materials Biz.	803	815	1,170	+12	70%
Others/Eliminations, etc.	405	454	630	+49	72%
Net Sales (consolidated)	2,688	2,942	4,120	+254	71%

Operating Income

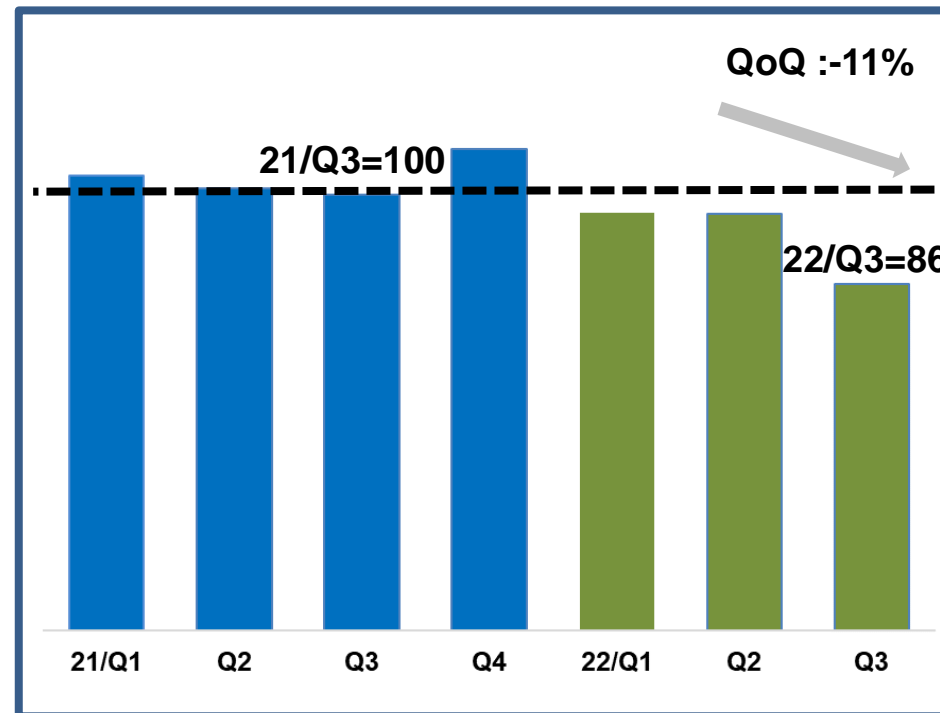
	Q1-Q3 FY2021	Q1-Q3 FY2022	FY2022 FCST (as of 10/31)	YoY (Q1-Q3)	Progress %
Elastomer Business	159	122	160	-37	76%
Specialty Materials Biz.	204	165	245	-39	68%
Others/Eliminations, etc.	1	-9	-10	-10	91%
Net Sales (consolidated)	364	278	395	-86	70%

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[Naphtha Price vs. Elastomer Sales]



[Synthetic Rubber Sales Volume]



- Net sales were down due to decreased sales volume and selling price adjustments associated with falling Naphtha prices.
- Synthetic rubber sales volume was down both YoY and QoQ due to regular repairs at main plants and supply chain inventory adjustments.

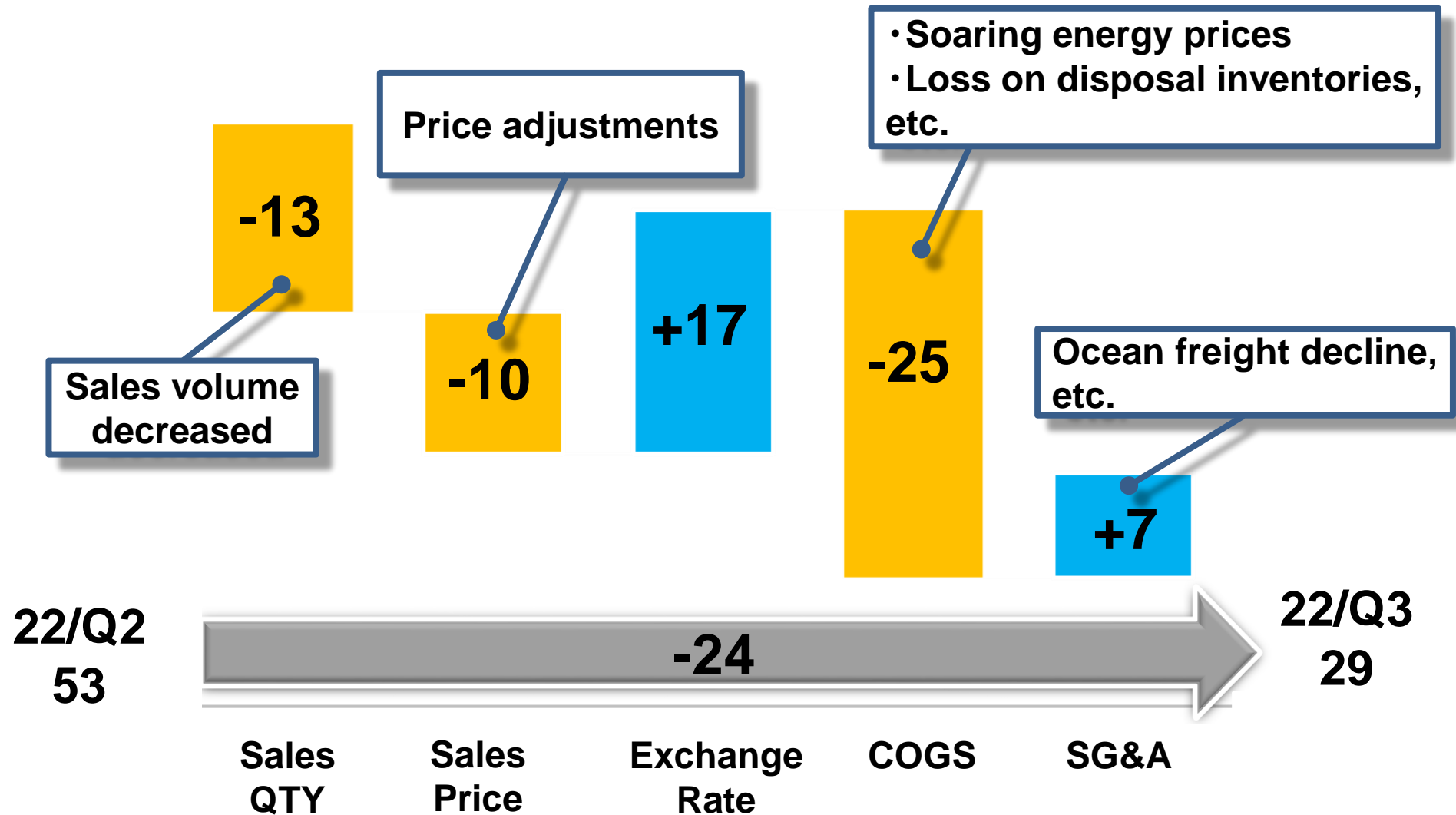
(Unit : 100m)

	Q3 FY2021	Q2 FY2022	Q3 FY2022	YoY	YoY(%)	QoQ	QoQ(%)
Sales Volume (21/Q3=100)	100	89	78	-22 pt	-22 %	-11 pt	-13 %
Synthetic rubbers	100	97	86	-14 pt	-14 %	-11 pt	-12 %
Latexes	100	89	70	-30 pt	-30 %	-19 pt	-21 %
Chemicals	100	70	63	-37 pt	-37 %	-7 pt	-10 %
Net Sales	490	579	559	69	14 %	-19	-3 %
Synthetic rubbers	325	416	413	88	27 %	-3	-1 %
Latexes	55	43	35	-20	-36 %	-8	-20 %
Chemicals	103	108	98	-4	-4 %	-9	-9 %
Others/Eliminations	8	12	13	5	64 %	1	9 %
Operating Income	51	53	29	-22	-43 %	-24	-45 %
Operating income ratio	10%	9%	5%				

- Sales volume: Down both YoY and QoQ due to a reactionary decline from price adjustments of chemicals and continued excess inventory for latex gloves and above-mentioned synthetic rubber issues.
- Net sales: Up YoY owing to depreciation of the yen and selling price adjustments but down QoQ due to lackluster shipments.
- Operating income: Down both YoY and QoQ due to soaring energy costs.

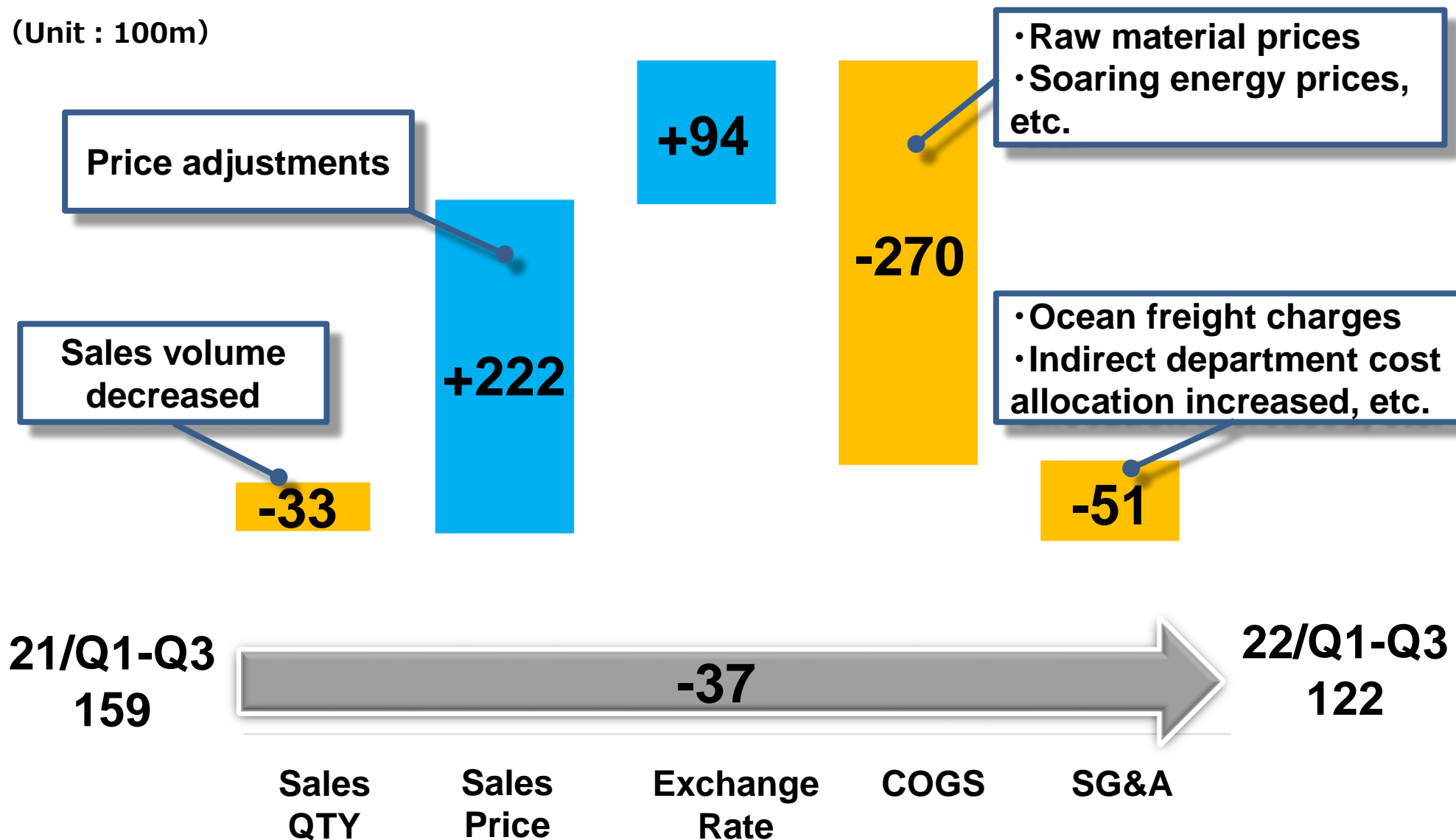
Elastomer Business Operating Income Variance (QoQ)

(Unit : 100m)



Elastomer Business Operating Income Variance (YoY)

(Unit : 100m)



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(Unit : 100m)

	Q3 FY2021	Q2 FY2022	Q3 FY2022	YoY	YoY(%)	QoQ	QoQ(%)
Net Sales	262	265	249	-13	-5 %	-15	-6 %
✘ Specialty plastics	159	151	141	-18	-12 %	-10	-7 %
✘ Specialty chemicals	90	102	96	6	7 %	-6	-6 %
Medical devices, etc.	13	11	12	-1	-6 %	1	6 %
Operating Income	64	47	49	-15	-23 %	2	5 %
Operating Income ratio	24%	18%	20%				

✘ Specialty plastics : Optical plastics and optical films

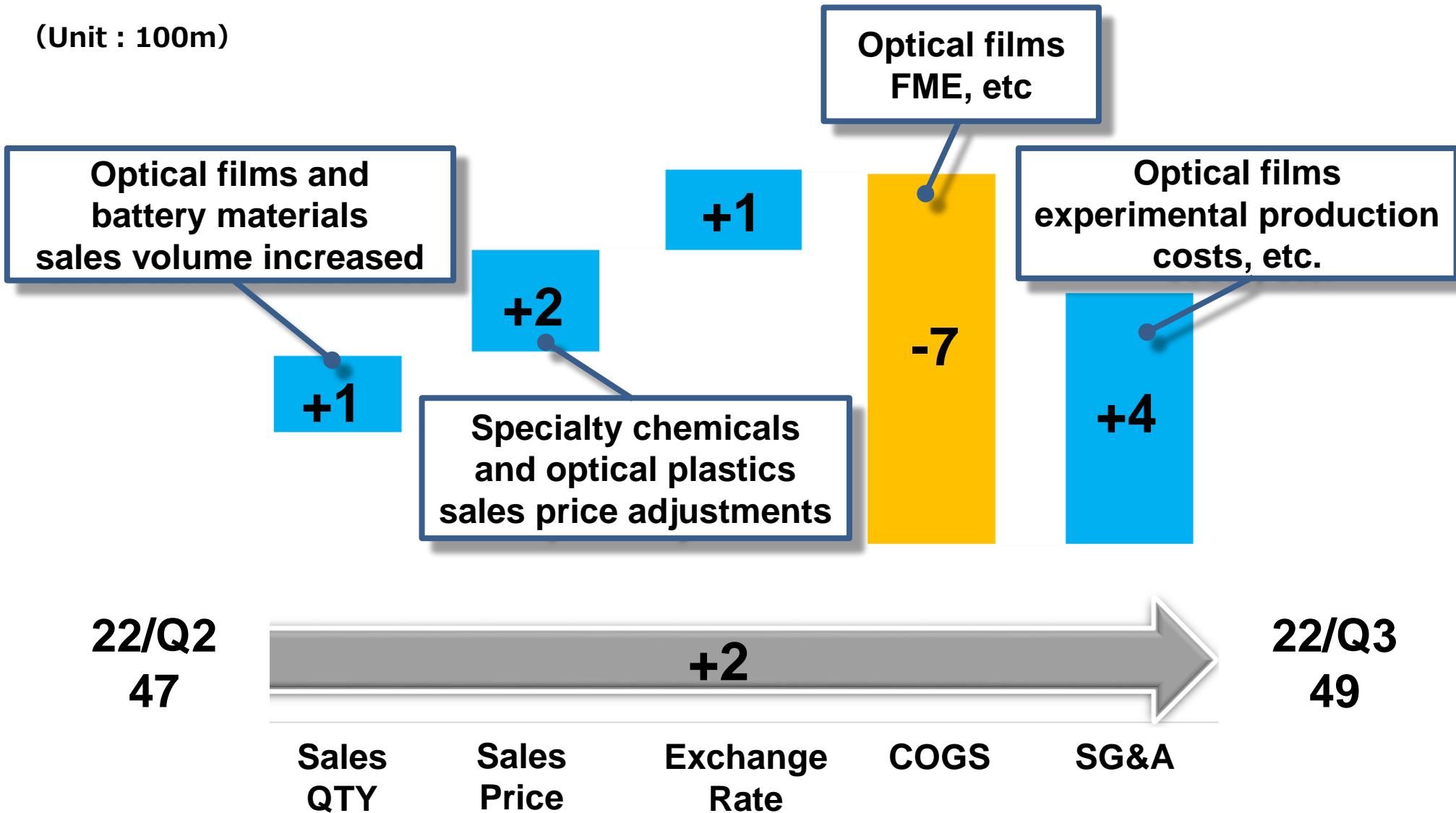
✘ Specialty chemicals: Battery materials, specialty chemicals, electronic materials and polymerized toners

● Net Sales

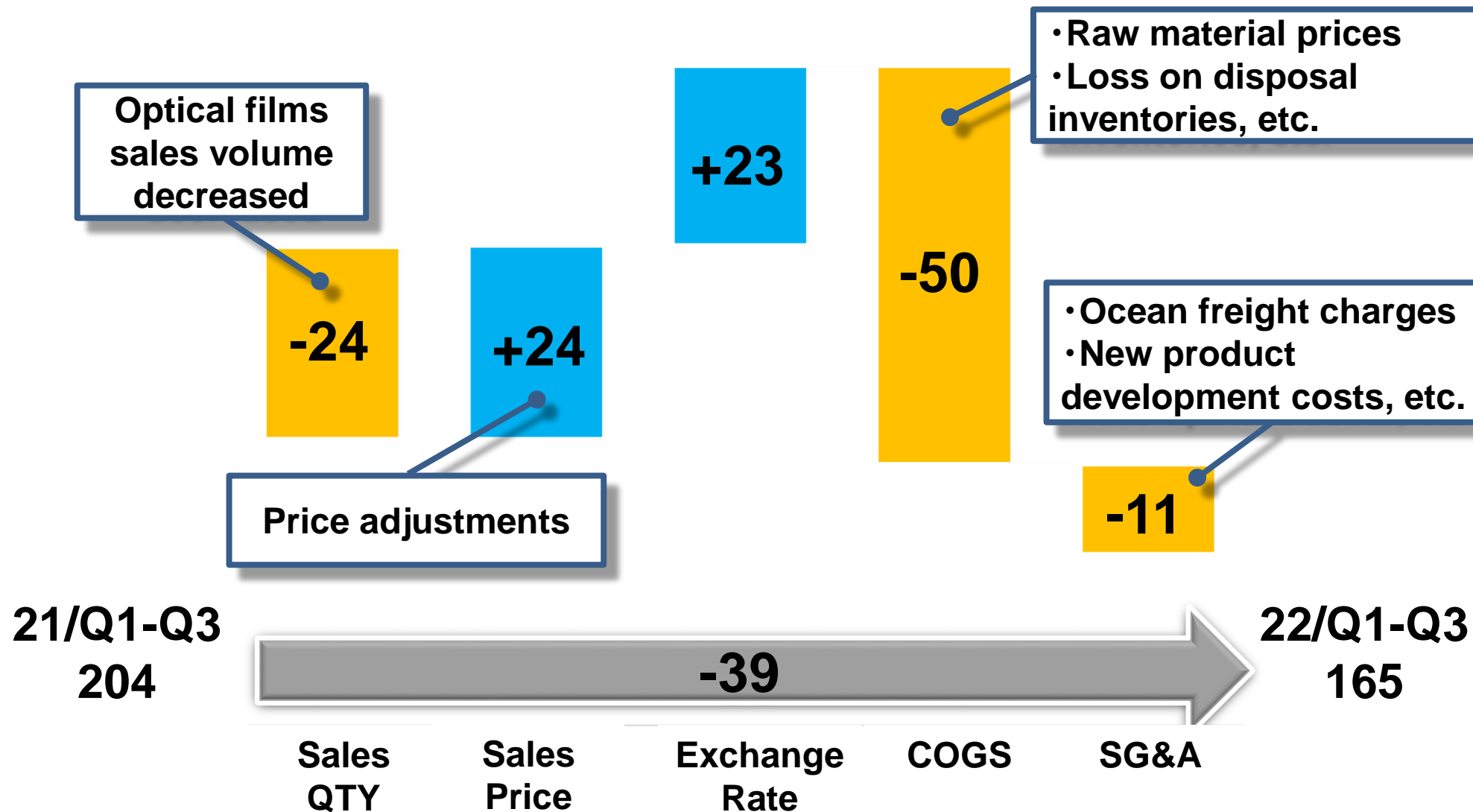
- Specialty plastics: Down both YoY and QoQ due to in-between season of small to medium size films despite gradual recovery of large size films.
- Specialty chemicals: Up YoY owing to recovery of battery material sales volume, but down QoQ due to decreased toner sales volume resulting from lull in telework demand.
- Operating income was down YoY due to decreased optical film sales volume but up QoQ owing to increased optical plastic and battery material sales volume.

Specialty Materials Operating Income Variance (QoQ)

(Unit : 100m)



Specialty Materials Operating Income Variance (YoY)



	YoY	QoQ	YoY Cumulative total
EV	120%	118%	128%
Consumer use, etc.	120%	197%	70%
Total	120%	128%	113%

- **EV**

Sales volume up both YoY and QoQ owing to recovery of production at battery manufacturers.

- **Consumer use, etc.**

Sales volume up for mobile devices both YoY and QoQ owing to ahead-of-schedule shipments for Chinese New Year.

	YoY	QoQ	YoY Cumulative total
Optical use	80%	107%	75%
Medical use, etc.	125%	78%	133%
Total	108%	85%	111%

- **Optical use**

Sales volume down due to lower demand resulting from COVID-19 and economic slowdown.

- **Medical use, etc.**

Sales volume down QoQ in-between season due to combined shipments to Europe and the US in Q2, while demand was steady.

	YoY	QoQ	YoY Cumulative total
For small-to-medium size	83%	78%	90%
For Large size FPD	54%	149%	64%
Total	60%	119%	69%

- For small-to-medium size

Sales volume down both YoY and QoQ due to in-between season and lower demand.

- For Large size

Sales volume recovering gradually from suspension of procurement activities at TV manufacturers in Q2.

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(Unit : 100m)

Total assets 5,382 (+536)

()=vs end of FY2021

[Current assets] +38.0B JPY

- ◆ Cash and deposits -17.9B JPY
- ◆ Accounts receivable +20.6B JPY
- ◆ Inventory assets +32.9B JPY

Current assets
3,130
(+380)

Fixed assets
2,253
(+155)

[Non-current assets] +15.5B JPY

- ◆ Property, plant and equipment +6.7B JPY
- ◆ Investment securities +7.9B JPY

[Current liabilities] +30.9B JPY

- ◆ Trade payables +17.1B JPY
- ◆ Short-term borrowings +15.1B JPY
- ◆ Corporate bonds -10.0B JPY

Current liabilities
1,696
(+309)

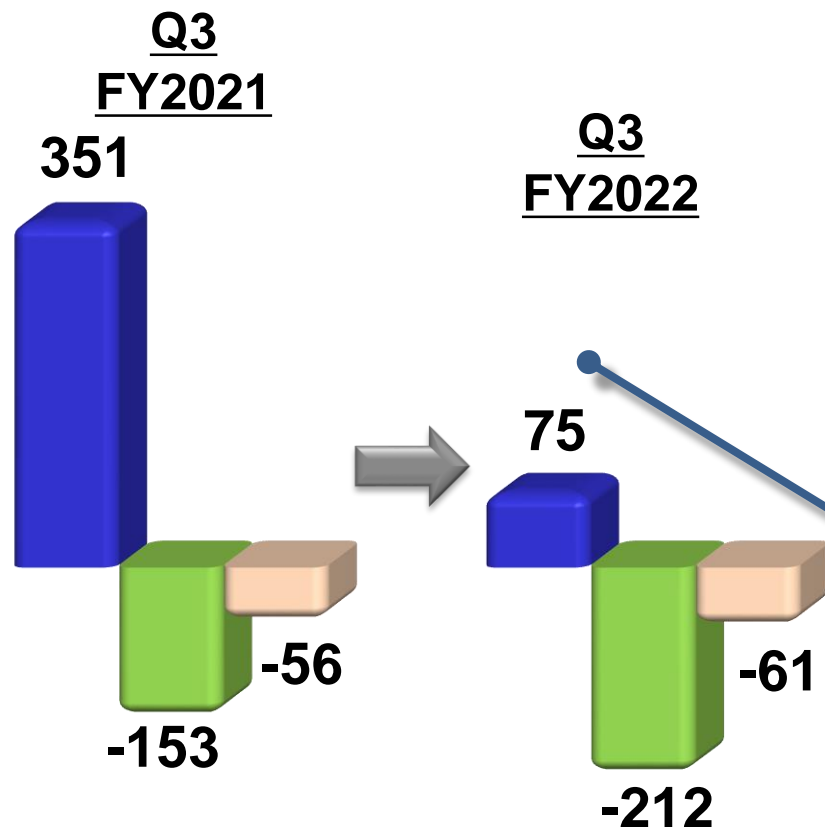
Long-term liabilities 249 (+7)

Total net assets
3,438
(+220)

[Net assets] +22.0B JPY

- ◆ Equity ratio 63.2% (-2.5)
- ◆ D/E ratio 0.07 (+0.01)

(Unit : 100m)



(Unit : 100m)

	Q3 FY2021	Q3 FY2022
CF from Operating Act.	351	75
CF from Investing Act.	-153	-212
Free CF	198	-137
CF from Financing Act.	-56	-61
CF	143	-198

- Income before income taxes and minority Interests +25.1B JPY
- Depreciation and amortization +14.9B JPY
- Inventories (for regular repairs) -28.7B JPY

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

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		Q3		Q4		
Elastomer Business (Unit: JPY100m)	Sales Act.	OP. Income Act.	Sales FCST	OP. Income FCST	Comments	
		559	29	531	-22	Net sales -115 OP. income -60 vs. FCST on Oct. 31
Synthetic rubbers					<ul style="list-style-type: none"> • Selling prices revised downward in response to drop in material prices, appreciation of the yen, and decline in ocean freight • End of supply chain inventory buildup 	
Latexes					Delay in recovery of demand for glove latex	
Chemicals					<ul style="list-style-type: none"> • Selling prices revised downward in response to drop in material prices, appreciation of the yen, and decline in ocean freight • Delay in sales volume recovery 	

*The Q3 trend is our evaluation for FCST on Oct.31 and the Q4 trend is based on our view at the timing of Q3 end.

- Q3: Overall downswing from 10/31 forecasts
- Q4: Sales and OP. Income expected to decrease due to lackluster demand compared to Q3 results

		Q3		Q4		
Specialty Materials (Unit: JPY100m)	Sales Act.	OP. Income Act.	Sales FCST	OP. Income FCST	Comments	
		249	49	235	24	Net sales -120 OP. income -55 vs. FCST on Oct. 31
Optical plastics					<ul style="list-style-type: none"> • Optical use sluggish due to deteriorating economic and market conditions • Demand steady for medical use, etc. 	
Optical films					Delay in recovery of large size film shipments	
Battery materials					Battery manufacturers revised production plans downward	

*The Q3 trend is our evaluation for FCST on Oct.31 and the Q4 trend is based on our view at the timing of Q3 end.

- Q3: Overall downswing from 10/31 forecasts
- Q4: Shipments down due to lackluster demand for exit products in conjunction with economic and market downturn

(Unit : JPY100m)

Net Sales	FY2022 FCST (as of 10/31)	H1 Act.	H2 FCST (as of 1/31)	FY2022 FCST (as of 1/31)	Diff.
Elastomer Business	2,320	1,114	1,091	2,205	-115
Specialty Materials Biz.	1,170	566	484	1,050	-120
Others/Eliminations, etc.	630	294	321	615	-15
Net Sales (consolidated)	4,120	1,974	1,896	3,870	-250

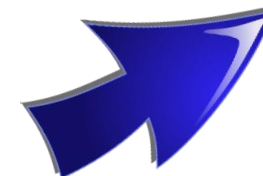
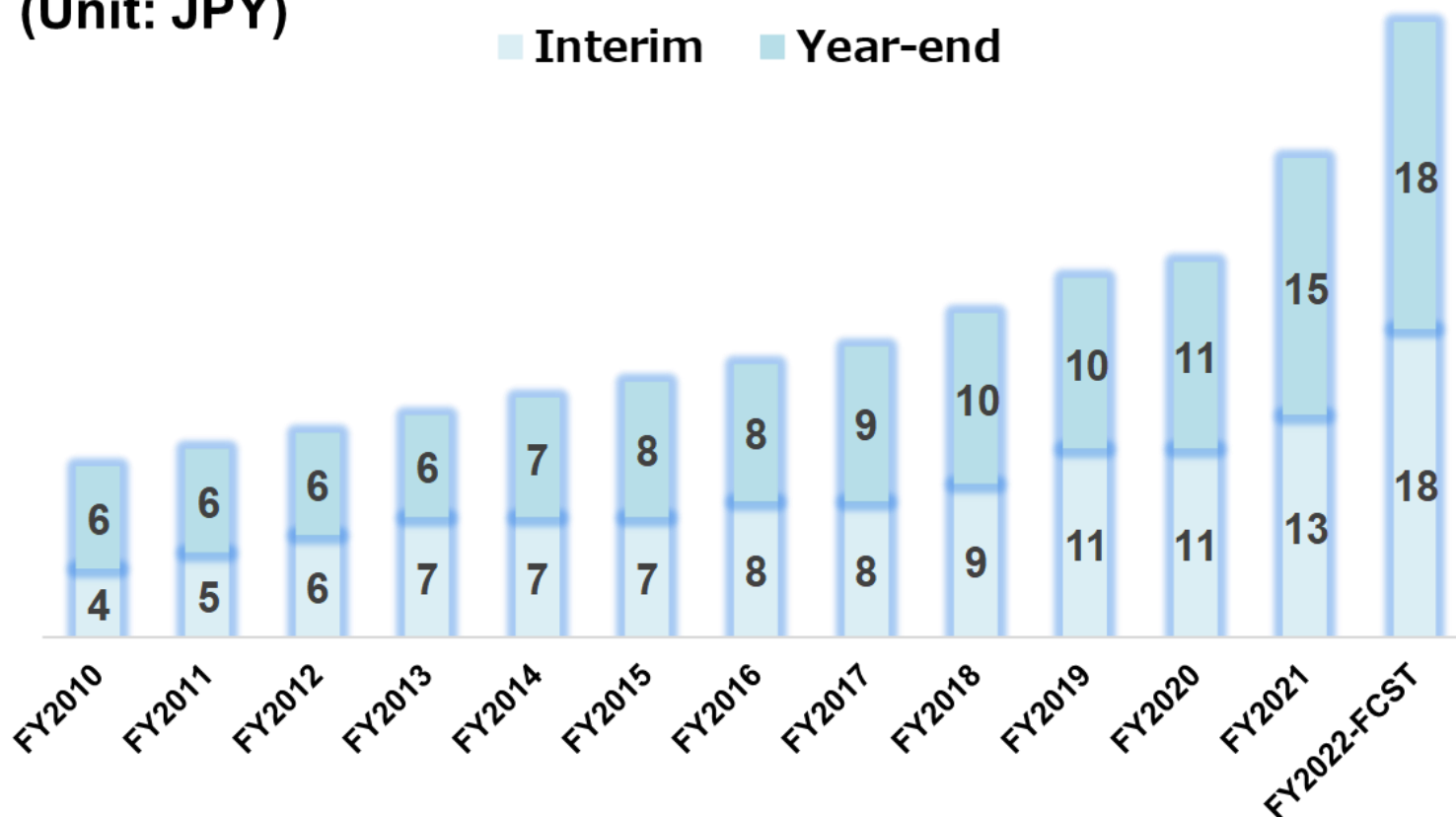
Operating Income	FY2022 FCST (as of 10/31)	H1 Act.	H2 FCST (as of 1/31)	FY2022 FCST (as of 1/31)	Diff.
Elastomer Business	160	93	7	100	-60
Specialty Materials Biz.	245	116	74	190	-55
Others/Eliminations, etc.	-10	-8	-3	-11	-1
Net Sales (consolidated)	395	202	78	280	-115

■ FY2022 forecast for net sales revised to 387.0B JPY and operating income to 28.0B JPY

- Q4 assumptions: US\$=¥130, €=¥140, Naphtha=¥66,400, Asian butadiene=US\$873
- Logistical situation: Reflected current improvements

(Unit: JPY)

■ Interim ■ Year-end



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

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

Next Announcement

Financial Results FY2022	April 26th, 2023
Medium-Term Business Plan	June 7th, 2023

Subject to change without notice

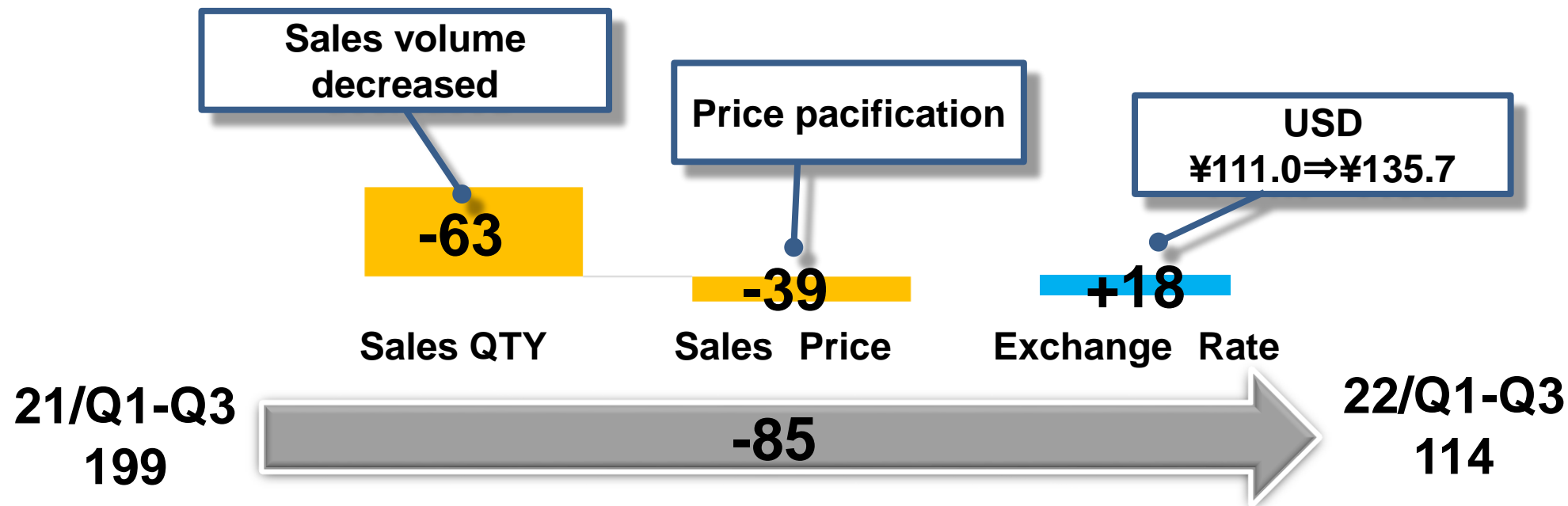
Zeon's plans, forecasts, and other data appearing in this presentation were calculated based on information which was currently available and therefore includes risks and uncertainties. Actual results may differ depending on various factors.

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ZEON Integrated report

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

Reference: Latexes Net Sales Variance (YoY)










(Unit : 100m)








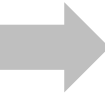








	Q1	Q3	Q2	Q3	YoY	YoY(%)	QoQ	QoQ(%)
	FY2020	FY2021	FY2022	FY2022				

ASP

21/3Q=100		100	85	88	-12 pt	-12 %	3 pt	4 %
20/1Q=100	100	187	162	164	-	-	-	-

FY2022 Q3 (vs. FY2022 Q2)				
Business	Sales volume	Sales	OP. income	Business Trends
Synthetic rubbers				<ul style="list-style-type: none"> • Shipments down due to repairs at main plants and end of supply chain inventory buildup • Sales remained flat, but OP. income declined due to selling price adjustments and favorable performance in overseas consolidation period (from July to September)
Latexes				<ul style="list-style-type: none"> • Continued excess inventory for latex gloves
Chemicals				<ul style="list-style-type: none"> • Sales volume remained down due to a reactionary decline from price adjustments • Sales and OP. income down due to decrease in sales volume

FY2022 Q3 (vs. FY2022 Q2)				
Business	Sales volume	Sales	OP. income	Business Trends
Optical plastics				<ul style="list-style-type: none"> • Shipments for medical use, etc. in in-between season • Sales and OP. income up with sales mix differences
Optical films				<ul style="list-style-type: none"> • Shipments recovered for large size films despite in-between season for small-to-medium size • Both sales and profits down due to decreased small-to-medium size film shipments
Battery materials				<ul style="list-style-type: none"> • Sales volume up owing to recovery of production at battery manufacturers and ahead-of-schedule shipments for Chinese New Year • Sales flat, but OP. income up with sales mix differences

Use	Market Trends for FY2022 (vs. FY2021)		Changes in circumstances
	As of 10/31	As of 1/31	
Large size TVs			Delay in large size film recovery compared to expectations from 10/31
Smartphones		No change from 10/31	—
Tablets		No change from 10/31	—
Laptops		No change from 10/31	—

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

Positives

Decreased distribution costs

Decreased energy costs

Further drop in ocean freight prices

Drop in coal prices

Further drop in domestic transportation costs

Drop in gas prices

Negatives

Prolonged sluggishness of end market demand

Appreciation of the yen

Resurgence of COVID-19

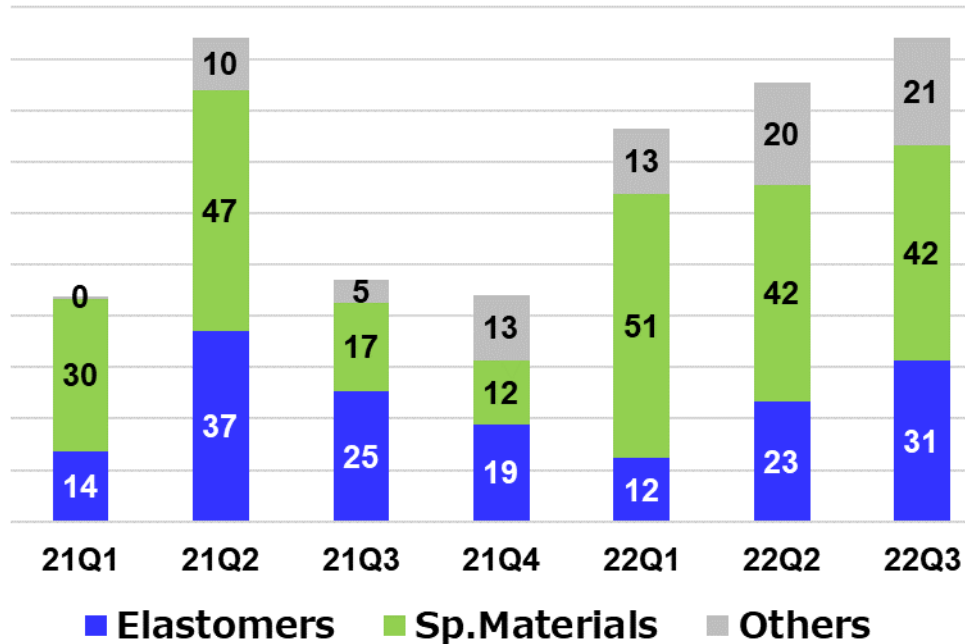
Appreciation of the yen against the dollar

Higher prices/economic decline

Appreciation of the yen against the euro

(Unit : 100m)

[Capital Expenditures]

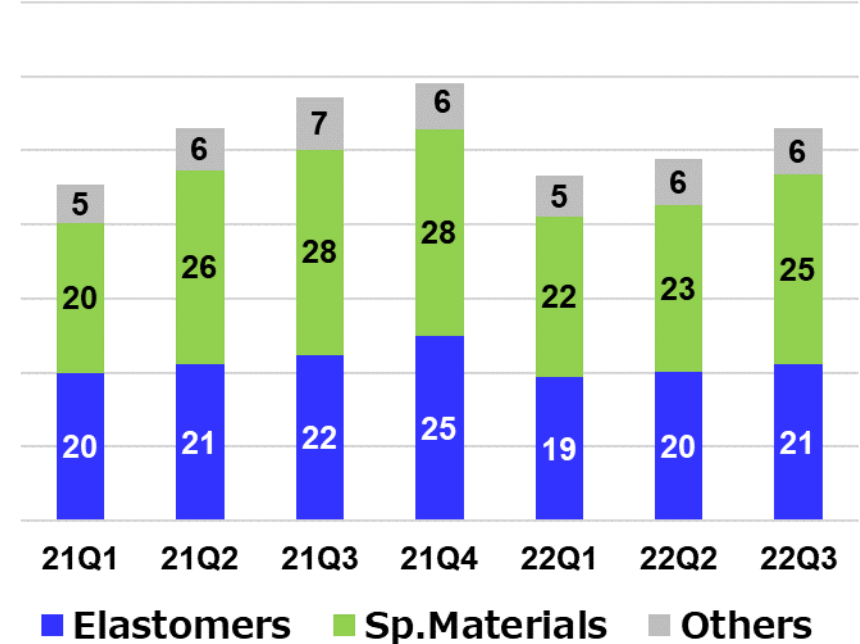


FY2021 Act.
229



FY2022 FCST
360

[Depreciation & Amrtization]



FY2021 Act.
215



FY2022 FCST
210