

Zeon Corporation
First Quarter of FY2023
Q&A from Results Briefing for Analysts
Date and time: July 27, 2023 (Thursday) 13:30-14:30

Participant: Director & Senior Corporate Officer
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[Elastomer Business]

Q: Please explain the factors behind the improvement in operating income in 1Q.

A: Compared to 4Q, operating income was up in 1Q owing to improvement in COGS. Although there were some quarterly fluctuations in raw material prices throughout FY 2022, they were generally on a downward trend, and the Tokuyama Plant was undergoing regular repairs. As a result, in 4Q we sold inventories what we produced when raw material prices were relatively high, but it was improved in 1Q. Loss on disposal and valuation for inventories also improved in 1Q owing to a decrease in the amount incurred and a reversal of the amount recorded in 4Q.

Q: Please explain the current demand environment.

A: Automobile production is on a recovery trend owing to the easing of supply-demand balance for semiconductors, and demand for specialty rubber is firm. However, demand for rubber for tire is slightly sluggish due to the economic slowdown in China. We look forward to seeing economic stimulus measures in China in the future.

As for latexes, the recovery of supply-demand balance for disposal gloves and latexes is delay, and this situation is expected to continue for some time.

Chemicals are affected by inventory adjustments of adhesive tapes, and we look forward to recovering from the latter half of the second quarter.

Q: Please explain the current situation regarding ocean freight charges which had risen due to the COVID-19.

A: Compared to those days, ocean freight charges have relatively stabilized, and we recognize that they have settled down to pre-COVID-19 levels.

[Specialty Materials Business]

Q: Please explain the current demand environment and Zeon's investment among battery materials for EVs.

A: All items have recovered after inventory adjustments in China. However, the recovery tends to be slower than initially expected. We expect the demand to continue to recover, but also look forward to seeing economic stimulus measures in China in the future.

As for investment, we are proceeding with plans based on local production for local consumption, and there are no delays.

Q: Please explain your expansion for NMCs and LFPs.

A: Our products are used in both. LFPs are expanding mainly in China, but NMCs are also expected to expand in Europe and the U.S. We are promoting research and development regardless of the type of battery so that we can provide total solutions related to batteries.

Q: Please explain the demand environment for optical use among COPs.

A: Demand for smartphone lenses is steady, but demand for other medium-to-large sized lenses (F θ lenses, projector lenses, etc.) is sluggish.

Q: Please explain the demand environment for small-to-medium sized optical films.

A: Shipments are expected to increase through 2Q, mainly for smartphone applications. However, for tablet and notebook PC applications, stay-at-home demand runs its course, and shipments are expected to decline compared to FY 2022.