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Zeon Corporation
Third Quarter of FY2023
Q&A from Results Briefing for Analysts
Date and time: January 31, 2023 (Friday) 16:50-18:00

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Director & Senior Corporate Officer
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[Overview]

Q: Please explain the way of thinking of ROIC, focusing on chemicals and optical films.

A: Regarding chemicals, looking beyond 2025, it is expected that structural changes will occur in the business environment due to changes in the competitive environment. We believe that it is necessary to reform the business portfolio, such as minimizing sales and research activities and lowering costs.

Regarding optical films, we made a large scale of investment last fiscal year. What is important is whether the investment is properly operating the factory at full capacity and increasing sales. If depreciation progresses while maintaining a high operating rate, we believe that ROIC will inevitably increase.

Q: Zeon Corporation discloses a policy of investing 350 billion yen toward fiscal 2030 in the medium-term business plan. When making large scale of investments in the future, it is expected that ROIC will decline in the short to medium term, so please explain your approach to budget and actual management.

A: It is necessary to check whether the business plan is what we expected at the time of investment by checking it against the KPIs we have set. Regarding invested capital, it is important to go into the business and take numbers to see if a system is in place to generate profits. For example, for corporate venture capital, the key point will be whether PMI can be properly managed.

Q: Is it necessary to anticipate large scale of investments to improve GPB and GPI as a whole by 2030?

A: At this time, there are no plans to modify GPB or GPI as a whole. There is a possibility of modifying the DCPD process to strengthen COP business downstream of GPI.

Q: Regarding the downward revision of the performance forecast for Specialty materials business, please explain temporary factors, normal business factors, and medium-term growth.

A: There are pluses and minuses for each segment. Approximately half of the downward revision for the Specialty materials business was due to the 2024 Noto Peninsula Earthquake, with optical films being affected. Due to the

increase in shipments before the Chinese New Year, battery materials were partially brought forward to 4Q in the 3Q, so there will be a rebound in the 4Q, and in addition, there will be production adjustments due to excess cell inventory from February to March. The impact is included in the 4Q outlook. Europe also lacks strength at the moment. Regarding investments, our projects are proceeding without delay. Regarding battery materials, we are currently refining our plans to be compatible with both NMCs and LFPs in the United States.

[Elastomer business]

Q: From 2Q to 3Q, synthetic rubber seems to have contributed to the increase in profits in the Elastomer business. Please explain the factors behind this. Please also explain an explanation of the factors behind the decline in profits from 3Q to 4Q.

A: The main factor was the spread between sales prices widened against to fluctuations in raw material prices. In addition, this was due to increased operation at the plant in Singapore and strong sales of specialty rubber in the United States. The decline in profit in 4Q is due to seasonal factors such as the impact of the Chinese New Year and an increase in indirect expenses the end of the fiscal year, but we expect that overall demand for specialty rubber is steady.

Q What are your thoughts on the timeline for structural reform of Elastomer business?

A: We are currently actively discussing to reorganize portfolio. We would like to implement what needs to be decided by the Board and present the overall picture as quickly as possible.

Q: Please explain the trends in HNBR due to PFAS regulations.

A: It is gaining recognition mainly in Europe for consumer use. We will continue to monitor trends regarding automotive applications, but from a long-term perspective, we hope that HNBR can become a candidate for replacement under PFAS regulations.