





# **Three-Year Mid-Term Management Plan (FY2008 – FY2010)**

**May 19, 2009**



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President & CEO**

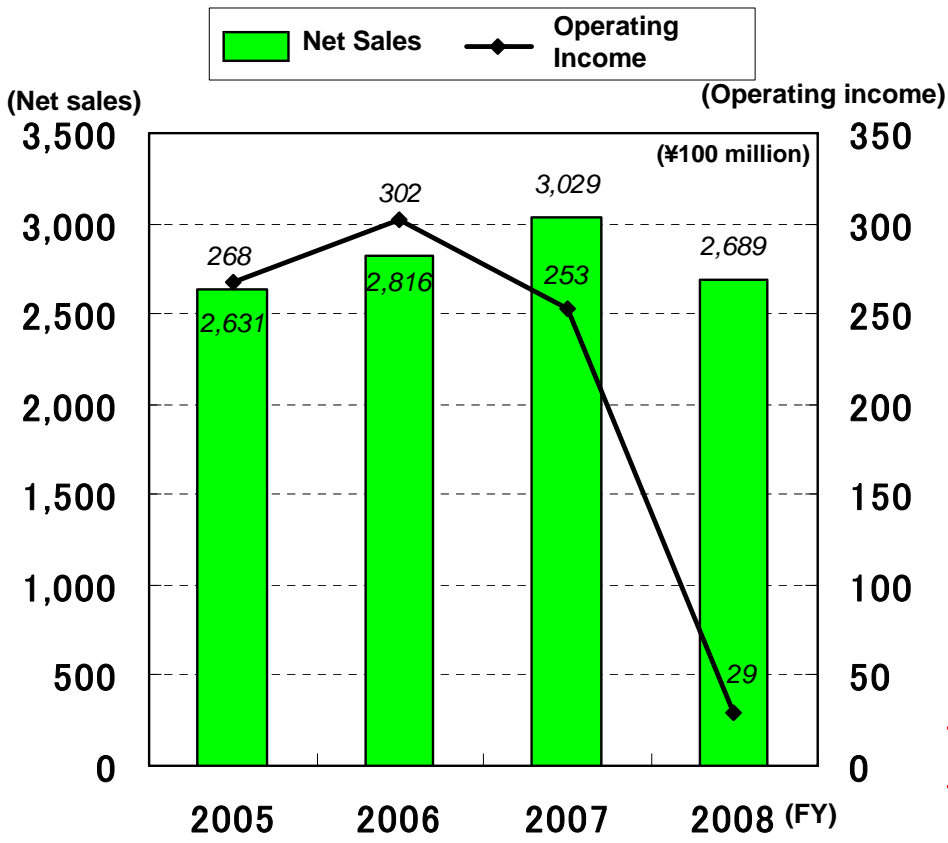
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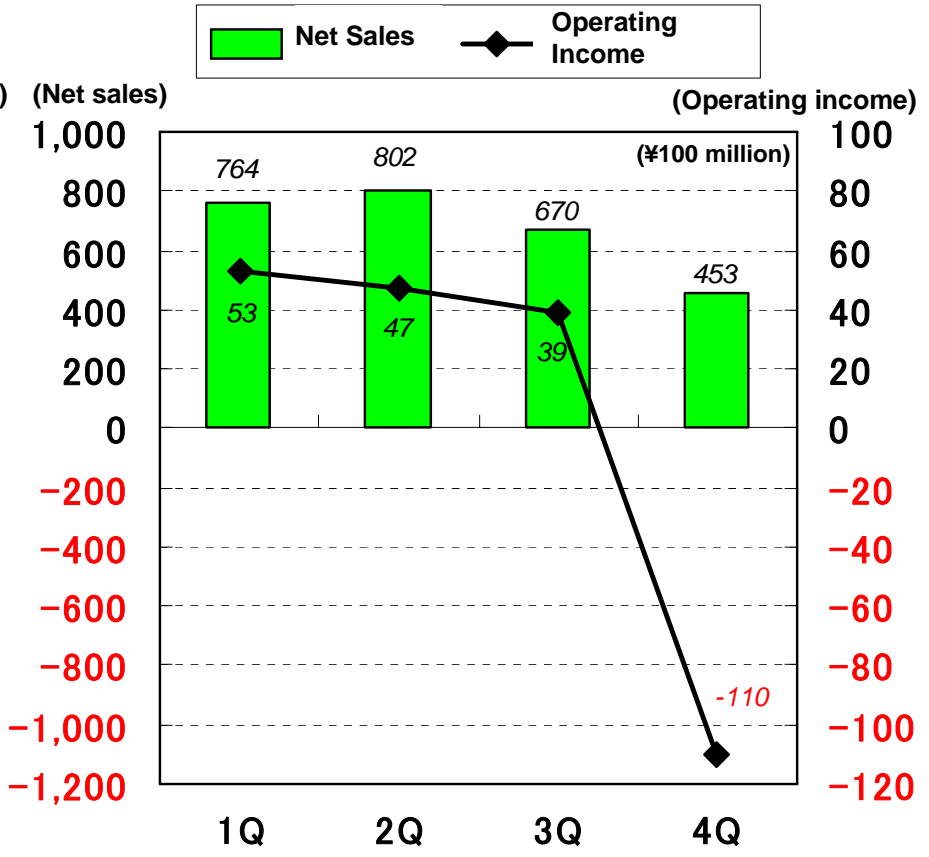


# FY2008 Financial Result (consolidated)

### Change in the last four years



### Change by Quarter in FY2008



**Plant operating rate dropped in 4<sup>th</sup>.Q due to production control.**

- **The business environment has changed drastically since the formulation of IZ-60 due to the global depression brought on by the international financial crash**




- **Keep the basic concept for IZ-60**  
Review the performance target in accordance with the change in the latest business condition and clarify priority items to be executed in the next two years.
- **Position IZ-60 as the constructive approaching stage to the next three-years mid-term business plan.**  
Push forward with structural reform on business to meet the real business condition and efficient preparation to create the growth businesses in the next generation.

**Establish a corporate structure, which can achieve the following target in the period of the next mid-term business plan beginning FY2011, in two years.**

- **ROE over 15%**
- **D/E ratio less than 1.0**

# Future Endeavors for

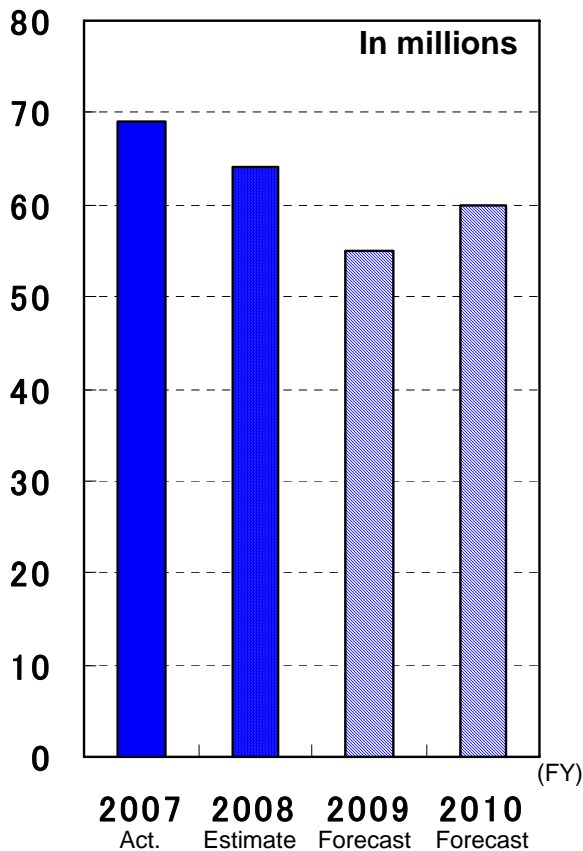
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- Background for  reexamination
- Revised Performance Target (consolidated)
- Key Action Items for FY2009 – FY2010
  - Market Outlook
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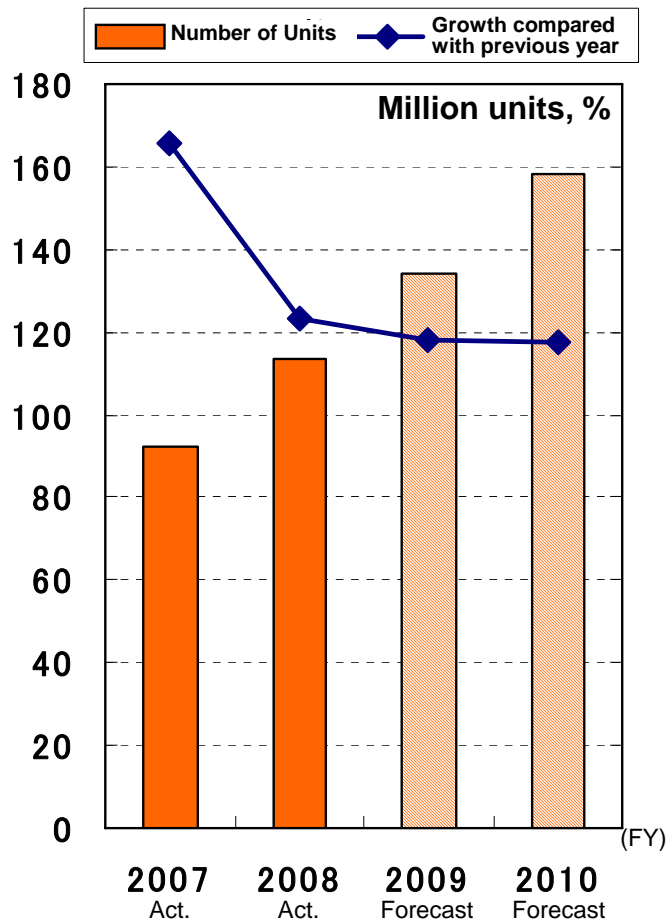
## World Automobile Production Figures

(Light vehicles only)



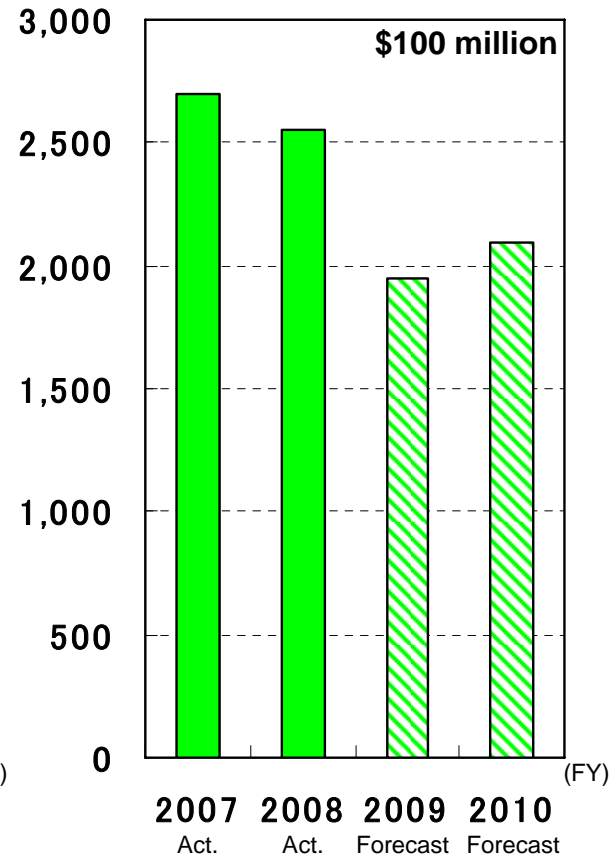
Estimates by ZEON Corporation

## Sales of LCD TV Panels



Source: DisplaySearch

## World Semiconductor Sales



Source: Gartner, Inc.

### Reexamine the growth strategy based on continuous market expansion.

# Revised Financial Targets (consolidated)

(¥100 million)	FY 2008 results	FY 2009 forecasts	Revised targets for FY 2010	Original target for FY 2010	FY 2010 differences
Net Sales	2,689	2,130	2,200	4,000	-1,800
Operating Income	29	40	100	350	-250
Operating Margin (%)	1.1	1.9	4.5	8.8	-4.3
Ordinary Income	38	20	100	350	-250
Ordinary Income to Net Sales (%)	1.4	0.9	4.5	8.8	-4.3

## Preconditions

	FY 2009–2010	Original estimate
Exchange rate	¥90/USD ¥117/EUR	¥100/USD ¥160/EUR
Naphtha	¥27,000/kl	¥70,000/kl

# Key Action Items for FY2009 – FY2010

- 1. Establish the business structure that assures profits even in the case of 70% operation in capacity.**
- 2. Focus on cash flows and reduce interest-bearing dept.**
- 3. Enhance quality and speed in every development process from R&D to commercial production technology.**

**Establish the business structure that assures profits even in the case of 70% operation in capacity.**

# Market Trends

## ● Tire Market (general-purpose rubber)

- Appears to be operating at 50–60% capacity for April–June term in 2009.

## ● Automobile (parts) Market (specialty rubber)

- Shipments for April–June term in 2009 appear to be 50–70% of that in previous year.

## ● LCD Panel Market (specialty plastics)

- With inventory adjustment mostly completed in January–March term in 2009, current business has recovered to the level of January–March term in 2008.
- Decline in prices has been halted.

## ● Mobile Phone (lenses) Market (specialty plastics)

- With inventory adjustment mostly completed in January–March term in 2009, the market appears to have bottomed out.  
However, actual demand is weak and operations are likely to remain at 60% capacity.

## ● Semiconductor Market (specialty chemicals)

- Due to the influence of inventory adjustment, there was a 30% year-on-year decrease for January–March term in 2009.
- Possible for market to hit bottom in April–June term in 2009.

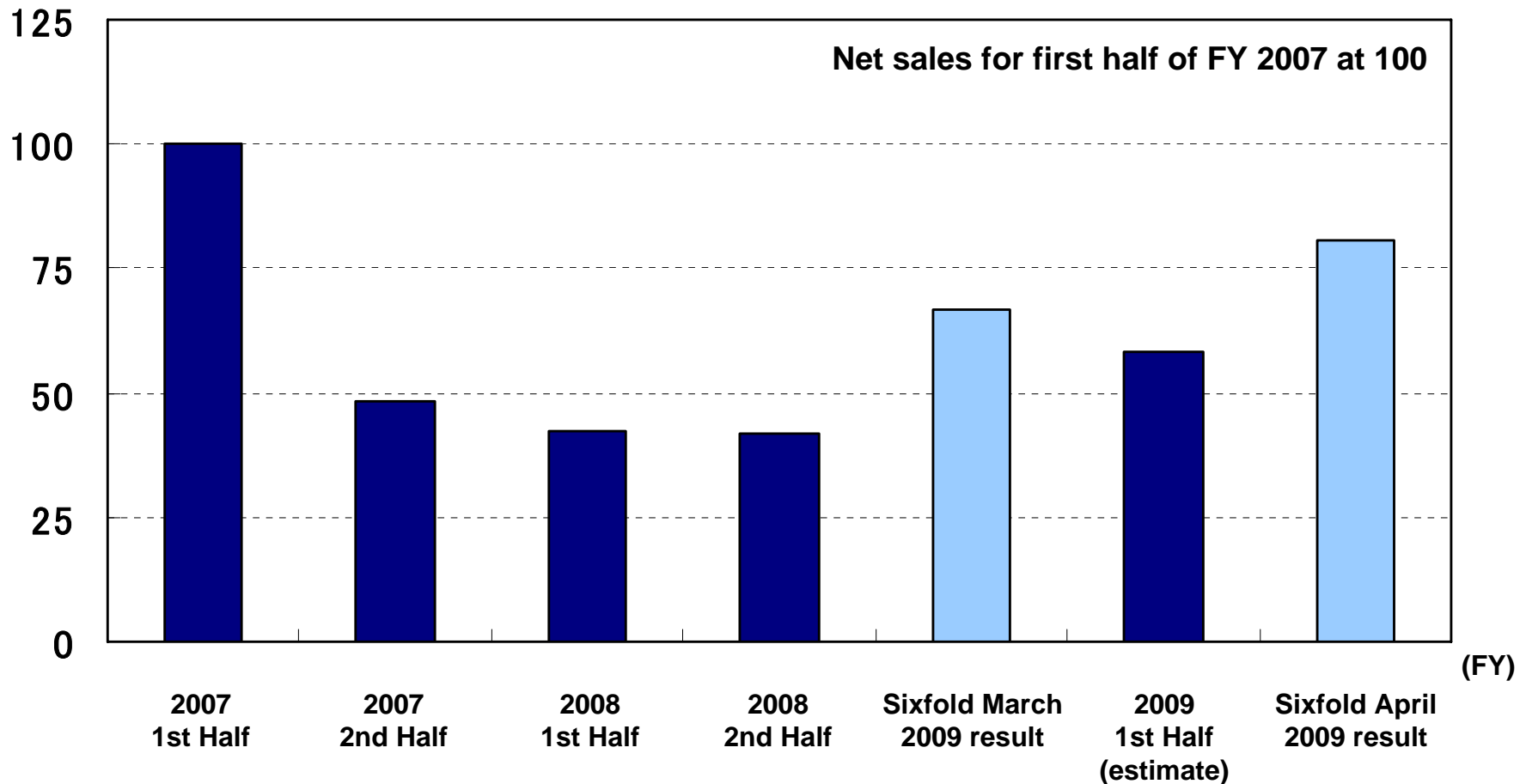
# ① Cost Reduction Efforts

## GOAL:

**Cumulative Effect of Cost Reduction Target: ¥26 billion**  
**Two-Year Period, FY 2009–2010**

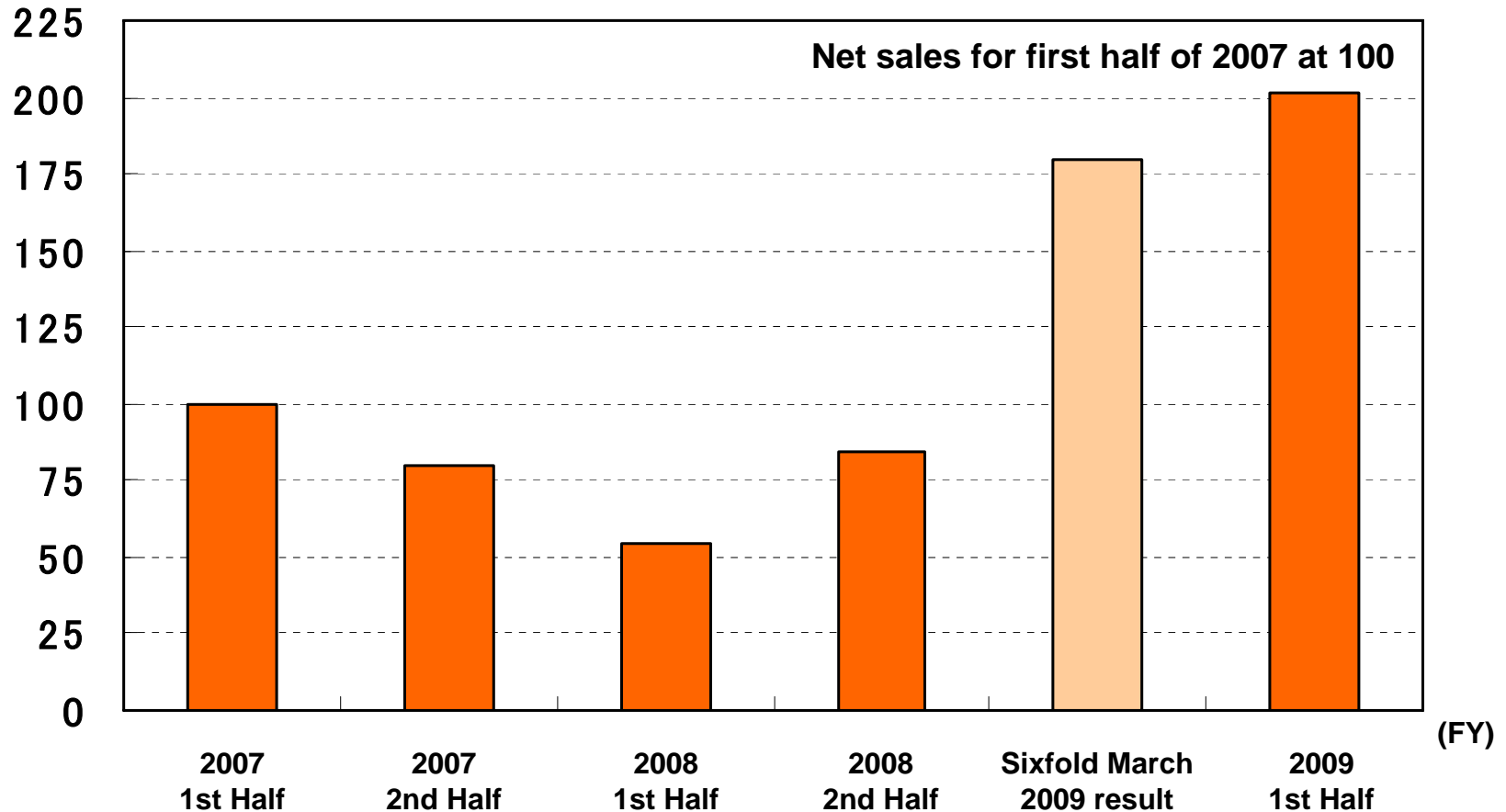
	Principle Measures
Fixed costs	<p>Reduce by <u>¥10 billion per year</u> (compared with FY 2008)</p> <ul style="list-style-type: none"><li>• Reduce personnel</li><li>• Cross-dispatch of production staff among the sites as necessary</li><li>• Delay non-urgent management costs for facilities (Costs related to safety, quality and cost reduction shall be implemented)</li><li>• Cut expenses</li><li>• Return toll manufacturing to in-house production</li></ul>
Variable costs	<p>Reduce <u>more than ¥6 billion in cumulative total over a two-year period</u></p> <ul style="list-style-type: none"><li>• Proceed with Z <math>\Sigma</math> activities</li></ul> <p>Note: In FY 2008, a reduction of ¥4.3 billion was achieved</p>

## Changes in Net Sales of Optical Film



# Status of Diffusion Plates

## Changes in Net Sales of Diffusion Plates



# Financial Target by Segment

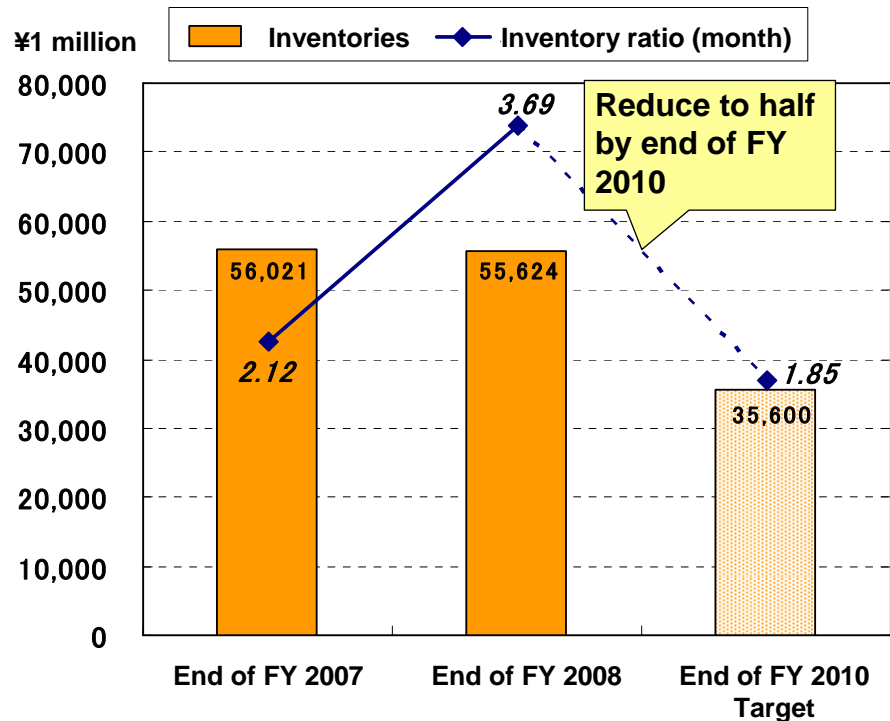
Segment	Item	FY 2008 Act.	FY 2009 Forecast	FY 2010 Revised Targets	Reference: FY 2007
Elastomer Business	Net Sales (¥100 million)	1,800	1,300	1,310	1,957
	Operating Income (¥100 million)	76	50	75	166
	Operating Margin (%)	4.2	3.8	5.7	8.5
Specialty Materials Business	Net Sales (¥100 million)	376	430	490	472
	Operating Income (¥100 million)	-48	-10	25	76
	Operating Margin (%)	-12.7	-2.3	5.1	16.1
Other Businesses (Consolidated eliminations included)	Net Sales (¥100 million)	513	400	400	600
	Operating Income (¥100 million)	1	0	0	11
Total	Net Sales (¥100 million)	2,689	2,130	2,200	3,029
	Operating Income (¥100 million)	29	40	100	253
	Operating Margin (%)	1.1	1.9	4.5	8.3

**Focus on cash flows and  
reduce interest-bearing dept.**

# Measures for Improving Cash Flow

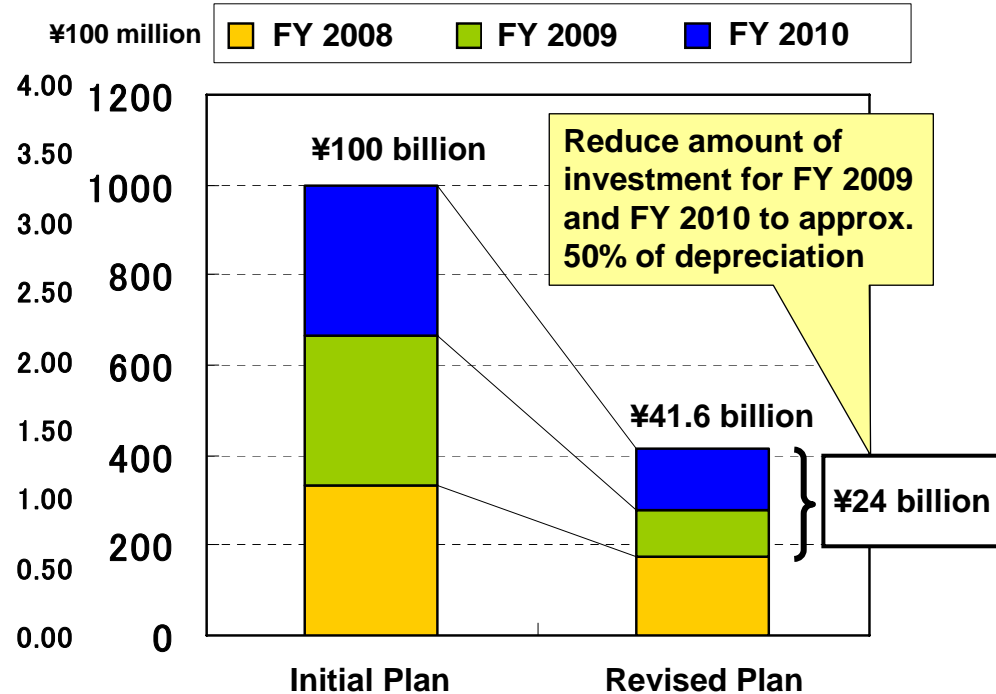
## ① Inventory Reduction

### Inventory Turnover Period



## ② Selective Investment

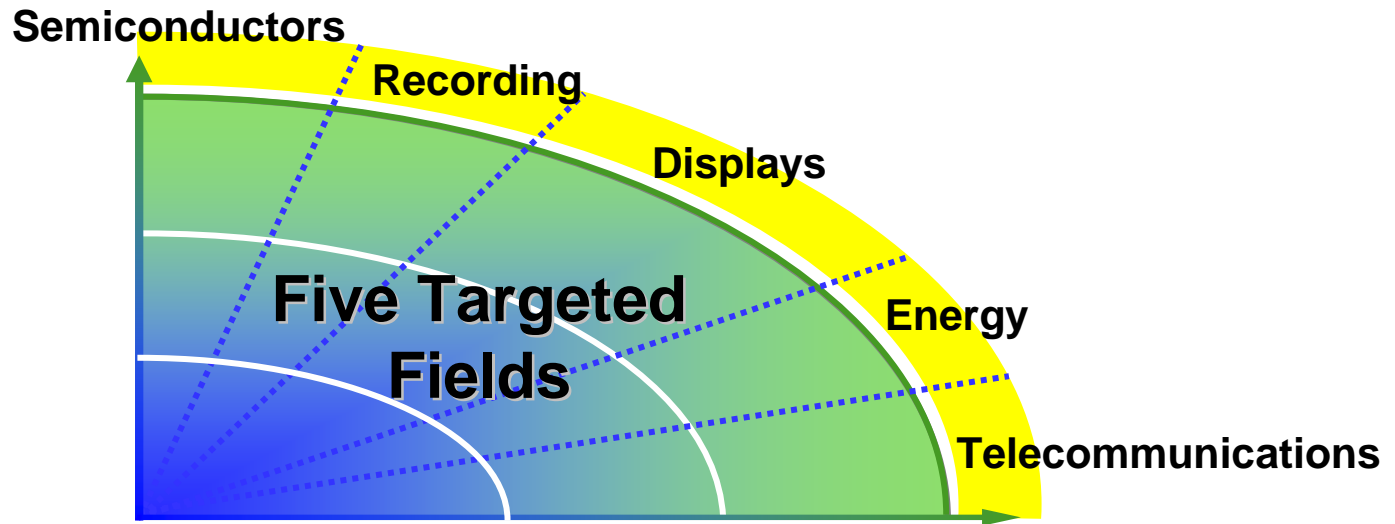
Amount of Investment (based on decision-making fiscal year)



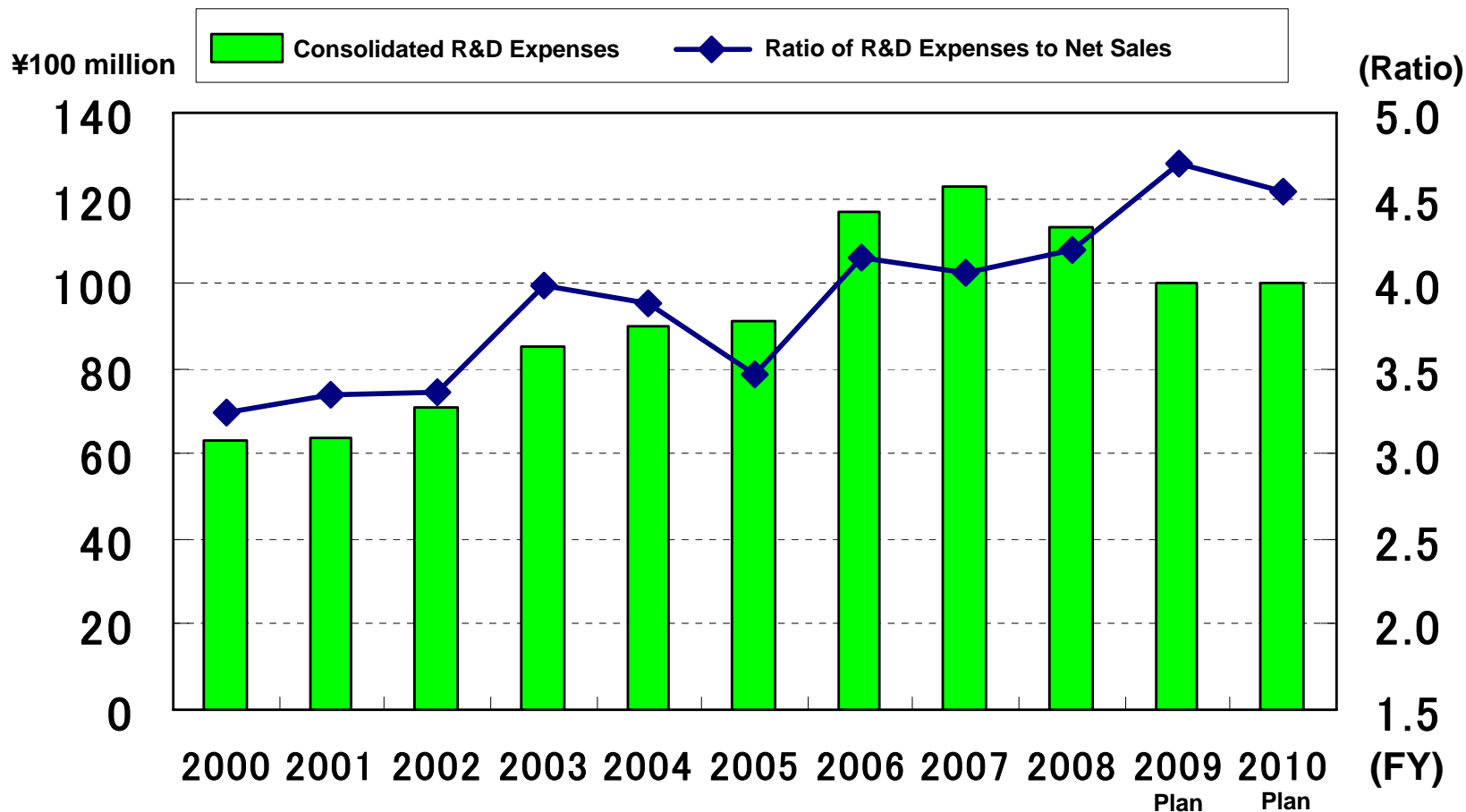
Note: Calculation based on average monthly sales for three immediately preceding months as denominator

# Priority Objective 3

**Enhance quality and speed in every development process from R&D to commercial production technology.**

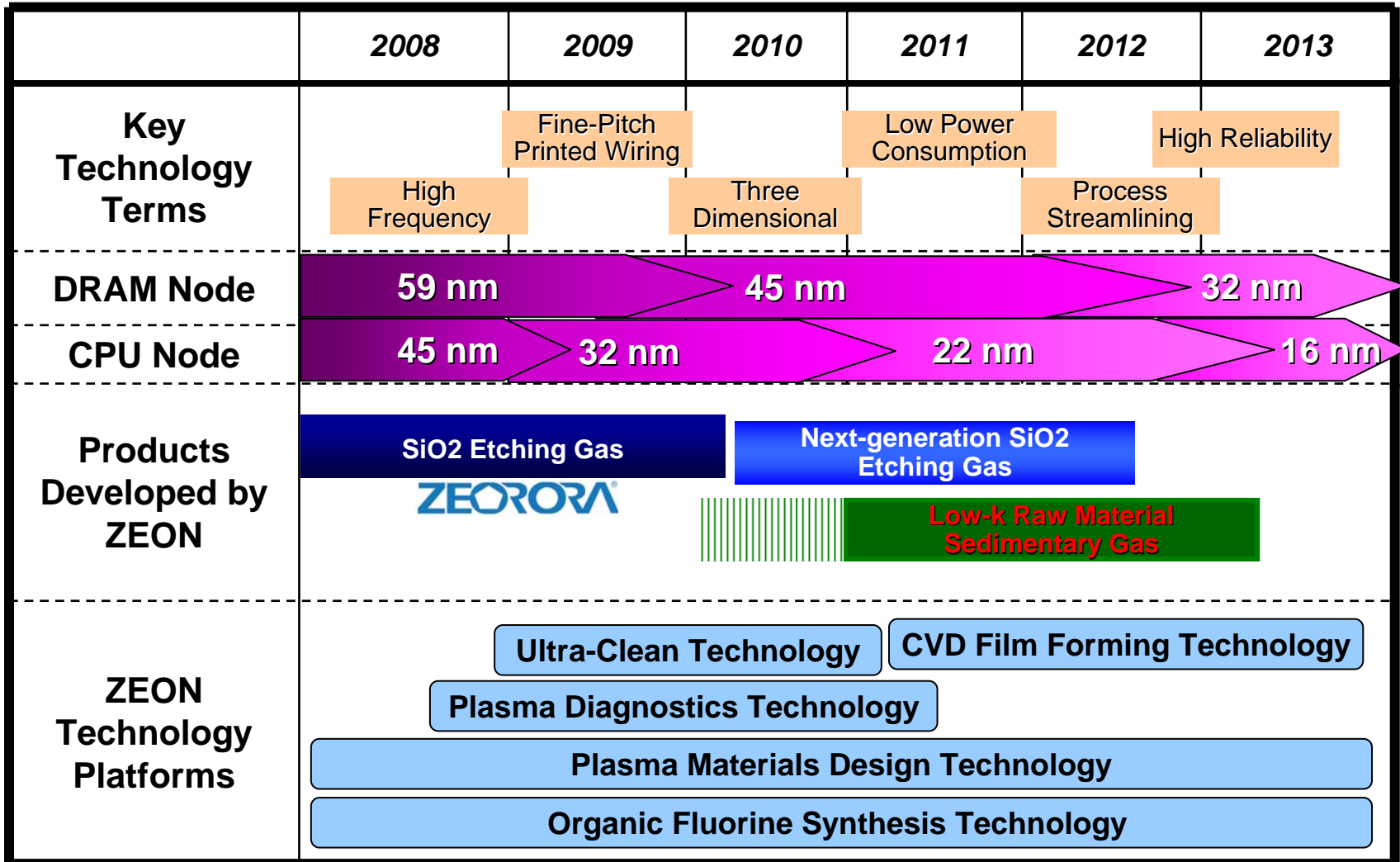


## Changes in Consolidated R&D Expenses



# ② Semiconductor Field

## Key Technology Terms and Products Developed by ZEON in Semiconductor Industry



DRAM, CPU Node: ITRS 2008

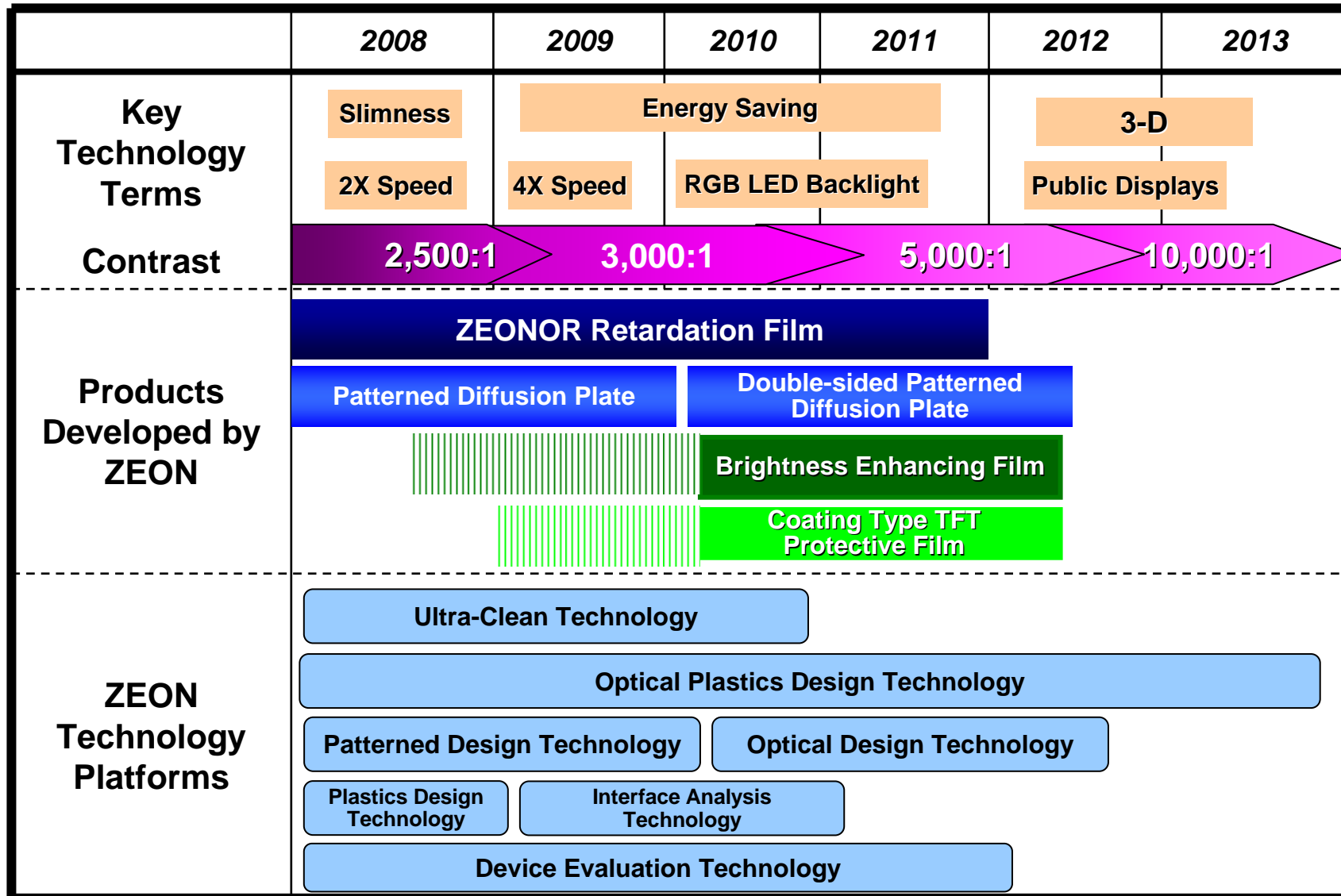
# ③ Recording Field

## Key Blue Laser-Related Technology Terms and Products Developed by ZEON

	2008	2009	2010	2011	2012	2013	
<b>Key Technology Terms</b>	4X Speed	6X Speed	8X Speed	12X Speed			
	Single Inorganic Layer		Double Inorganic Layer				
	Single Organic Layer		Double Organic Layer				
<b>Products Developed by ZEON</b>	Lens Materials for Blue Laser Applications						
	ZEONEX®				Next-Generation High Endurance Blue Laser Materials		
	Lens Materials for Low Double Refraction High Power Blue Laser						
<b>ZEON Technology Platforms</b>	Molecular Design Technology						
	Compound Design and Dispersion Technology						

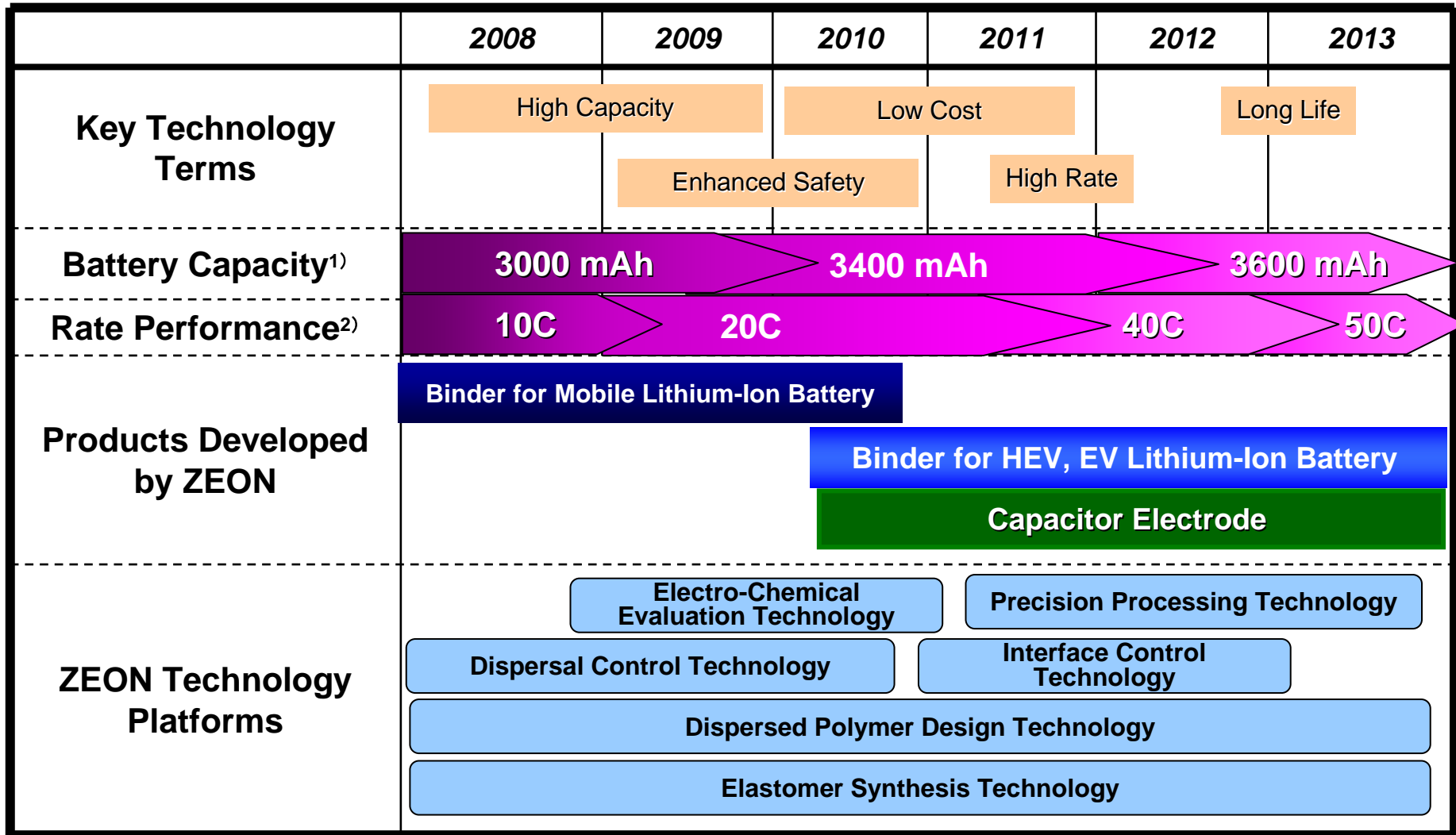
# ④ Displays Field

## Key Technology Terms and Products Developed by ZEON in LCD TV Industry



# ⑤ Energy Field

## Key Technology Terms and ZEON-Developed Products in the Energy Industry



1) Cylinder type, 18650 conversion    2) C = charge and discharge rate of times fully recharged in 1 hour

**DRAM, CPU Node: ITRS 2008**

# ⑥ Telecommunications Field

## Key Technology Terms and ZEON-Developed Products in Telecommunications Field

		2008	2009	2010	2011	2012	2013
<b>Key Technology Terms</b>		High Frequency	Fine-Pitched Printed Wiring		Low Power Consumption Compact Module	High Reliability Use of Millimeter Waves	
<b>Transmission speed</b>	<b>Wireless</b>	Up to 10 Mbps (3.5G)			Up to 100 Mbps (3.9G LTE)		
	<b>Wired</b>	Up to 5 Gbps			Up to 10 Gbps		
<b>Products Developed by ZEON</b>						High Speed PKG Substrate Material	Blade Server Substrate Material
						RF Module Substrate Material	Millimeter Wave Substrate Material
<b>Technology Platforms</b>		Passive Device Design/Evaluation Technology Circuit Substrate Design/Evaluation Technology Nano-level Smooth Printed Wiring Formation Technology Organic/Inorganic Hybrid Material Design Technology Base Polymer Synthesis Technology					

Speed

Dialogue

Contributions to Society

ZEON's plans, forecasts and other data appearing in this presentation were calculated based on information that was currently available at the time of its collation, and it therefore includes risks and uncertainties. Actual results may differ depending on various factors.

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