

Action to Implement Management that is Conscious of Cost of Capital and Stock Price

ZEON

ZEON CORPORATION

Tetsuya Toyoshima
President and CEO

January 31st, 2024

1. Overview

2. Analysis of cost of capital and return on capital

3. Initiatives for Improvement

-1. Business Management

-2. Financial Management

Analysis of current situation

- **PBR recently downturn less than 1x, so improvement of it to 1x or more an important management issue**
 - Main factor for recent downturn in PBR is drop in ROE
 - Historical 5-year average ROIC at same level as historical WACC, aim is to expand WACC-ROIC spread in FY2026

Action policy

- **Aim to achieve targets of Phase 2 of Medium-Term Business Plan**
 - Group ROIC : 8%
 - ROIC for existing businesses: 9%
 - ROE : 10%
 - Net Sales: Group 510 billion yen
New business 16 billion yen
 - Operating income: 58 billion yen
 - Net assets: 400 billion yen
 - D/E ratio: 0.3 or less
 - Cross-shareholdings: Net asset ratio less than 15%
 - Dividend payout ratio: 30% or more

Initiatives for improvement

- **Business management**
 - Improve profitability in Elastomer Business
 - Expand sales and promote provision of new products in Specialty Materials Business
 - Identify new investments for differentiation
- **Financial management**
 - Improve leverage through effective utilizing interest-bearing debt
 - Continued reduction in cross-shareholdings
 - Implement a stable and continuous return of profits to shareholders
 - Promote dialogue with capital markets

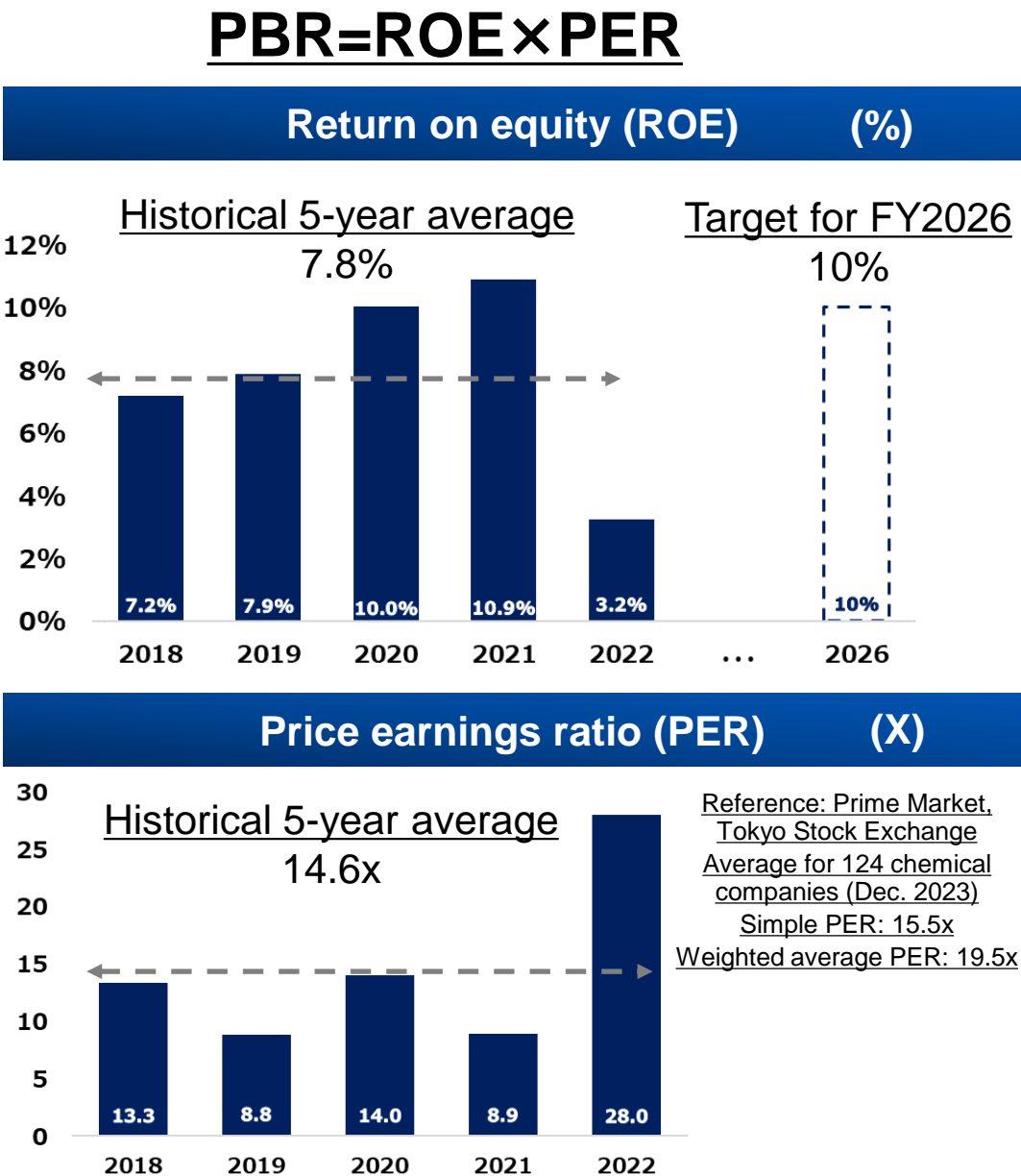
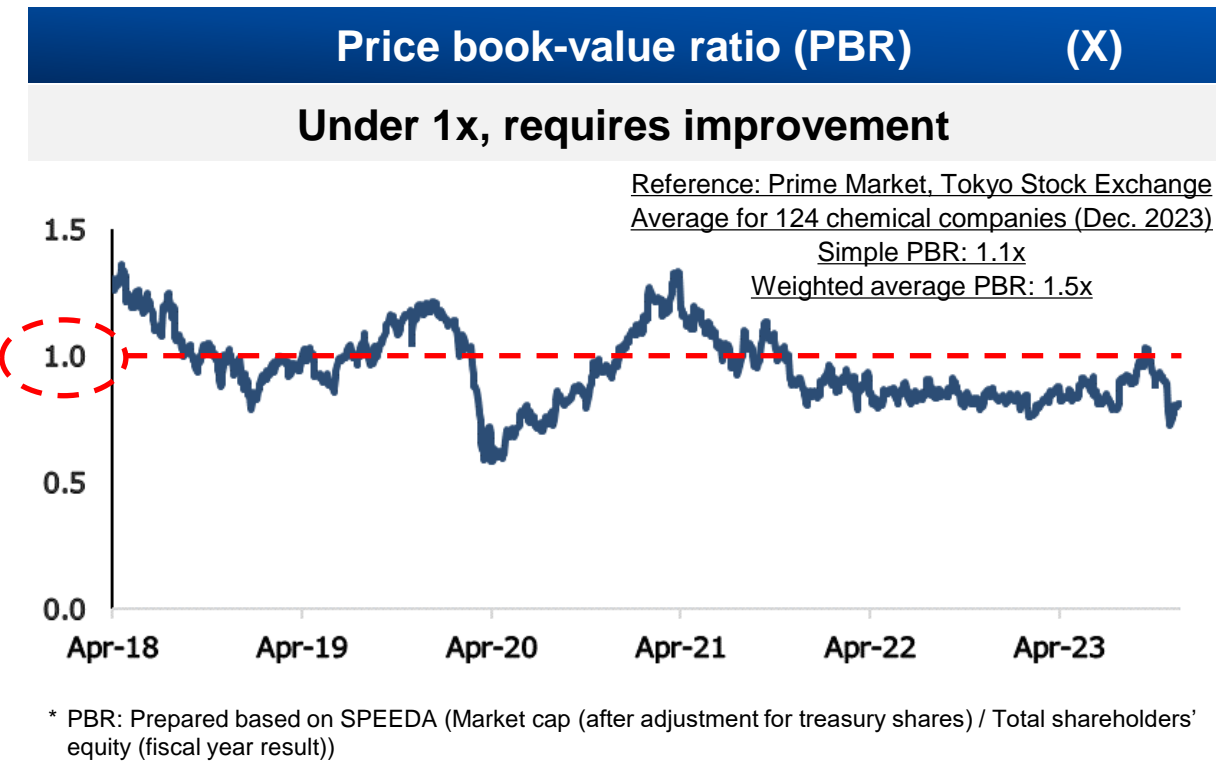
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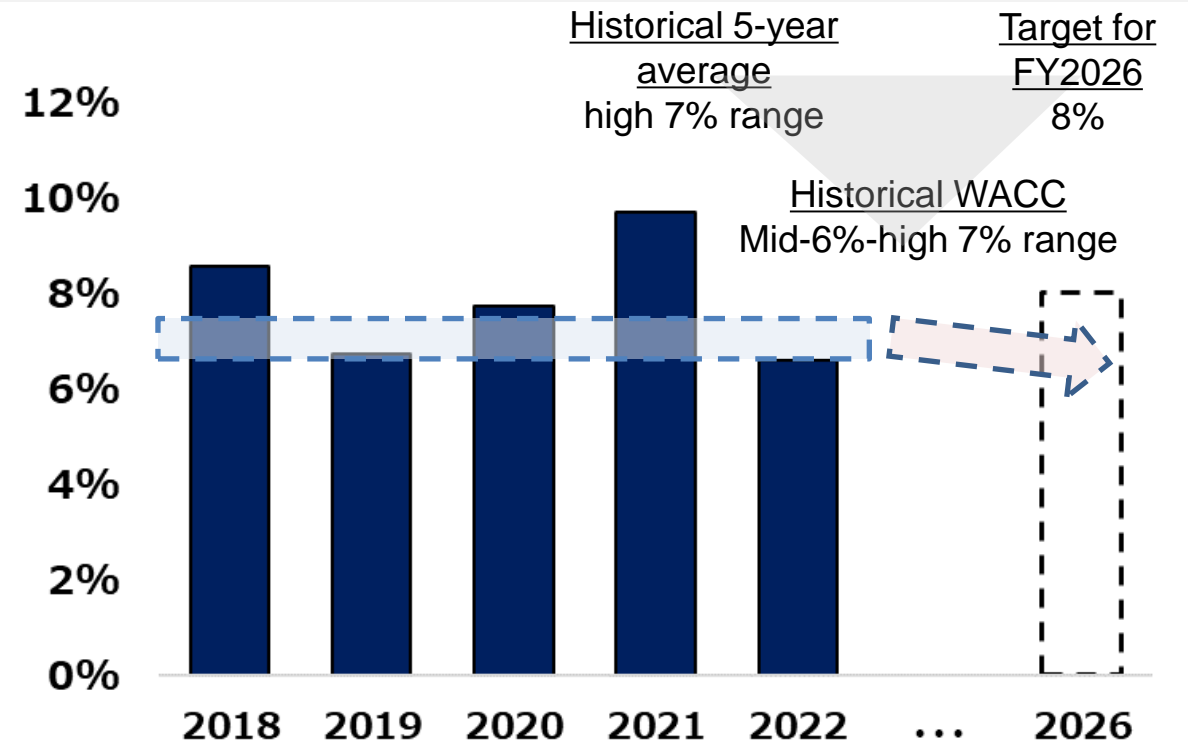
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Group ROIC (%)

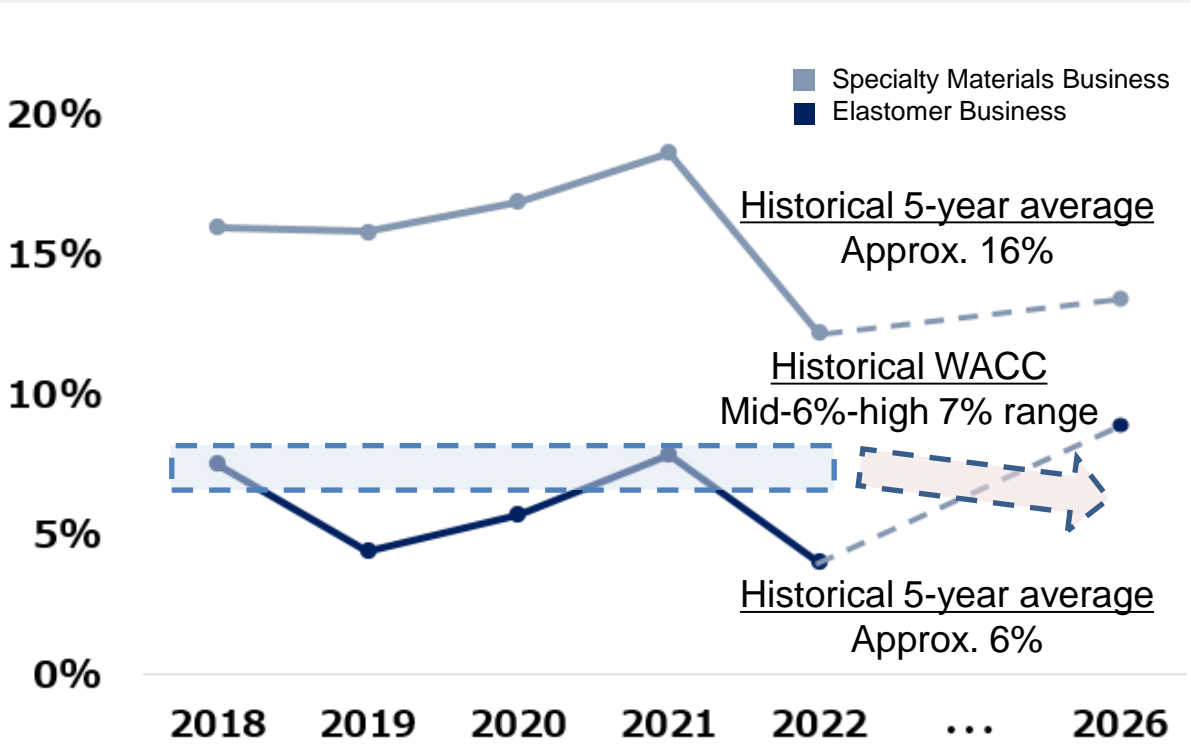
- Historical average ROIC at same level as historical WACC
- Target for FY2026 only slightly up due to new investments, but aim is to increase spread along with improved WACC



* Source: Historical WACC is our estimate

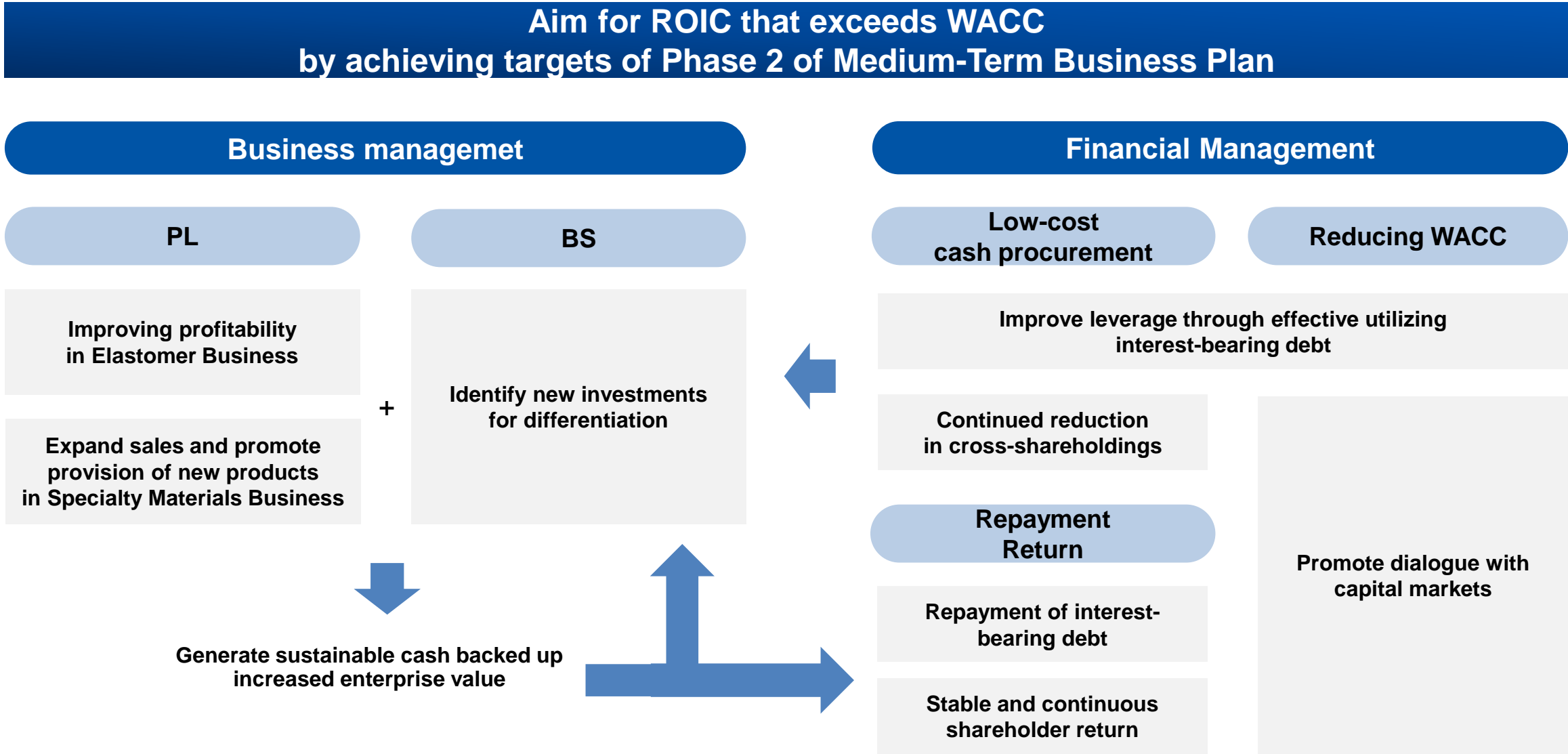
ROIC by segment (%)

- In Specialty Materials Business, historical average ROIC > WACC
- Will balance profit growth and new investments and aim for ROIC above WACC in each segment in FY2026



* Source: Historical WACC is our estimate

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- 3. Initiatives for Improvement**
 - 1. Business Management**
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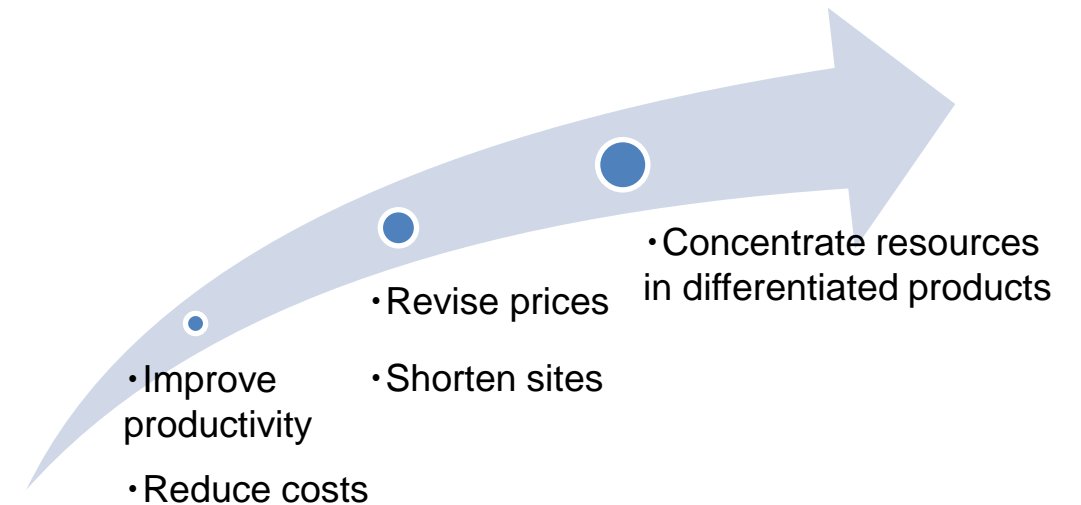
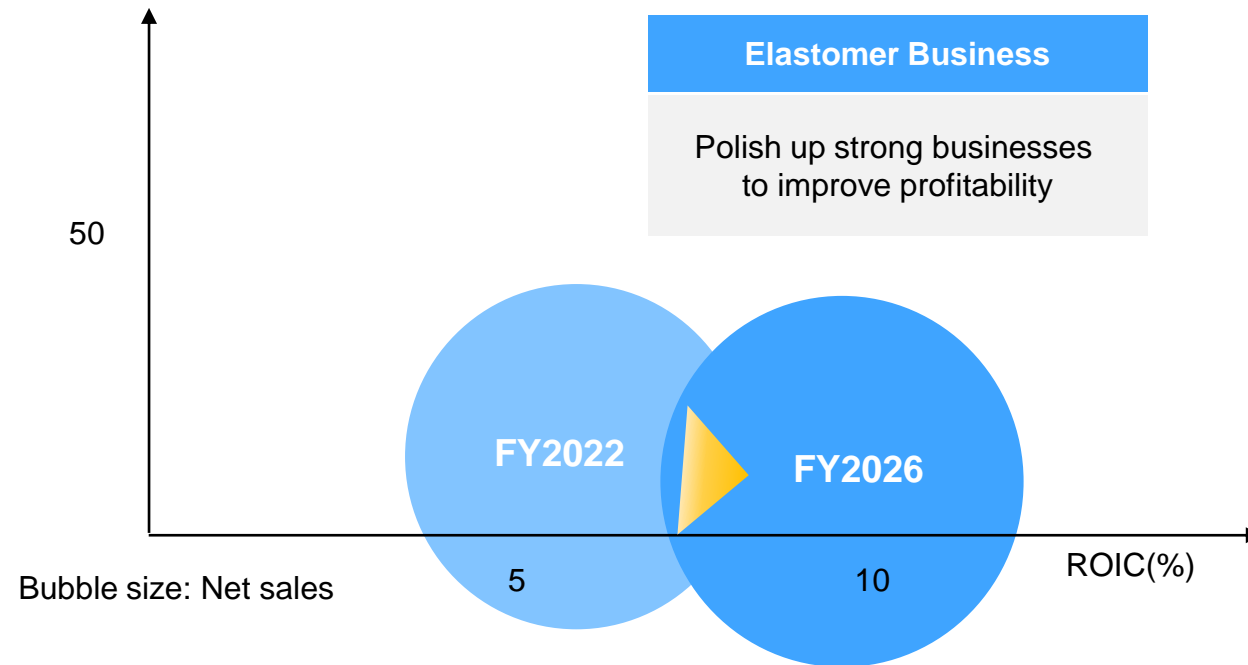


Improve profitability by differentiating and thoroughly reducing cost of products in existing businesses

Boost ROIC in existing businesses to at least 9%

Short-term growth scenario in existing businesses

Sales growth rate (%)



Looking into reforming business structure and portfolio over medium to long term

Invest resources in differentiated products

- Expand production capacity of hydrogenated nitrile rubber (product name: Zetpol®)
- Increase by around 25% compared to current level with production expected to start in 2025
- Respond to growing demand in various industrial fields that require high heat resistance and high strength and provide alternative applications for fluororubbers



Texas Plant, Zeon Chemicals L.P.

Revise prices

- Improve profitability by revising prices

FY2023: Synthetic rubbers and Synthetic latex



Synthetic rubbers



Synthetic latex

Improve productivity and reduce costs

- Minimize sales and research personnel
- Increase efficiency by integrating production items and plants

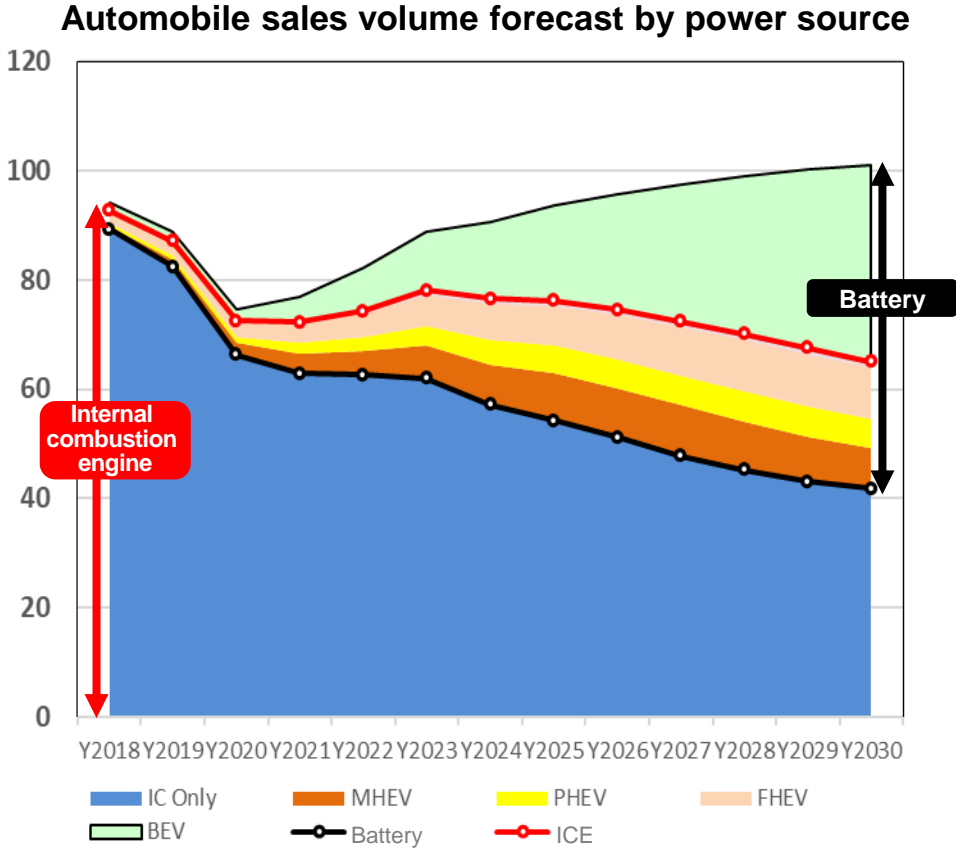
Reform business structure and portfolio

- Engaging in discussions with everything on the table

Growth scenario in specialty rubbers

Limited decline in demand for internal combustion engine application

Expanded demand for the Company’s HNBR



EV

- Belts for E-bikes
- Parts for EVs

ICE

- Repair belts

PFAS

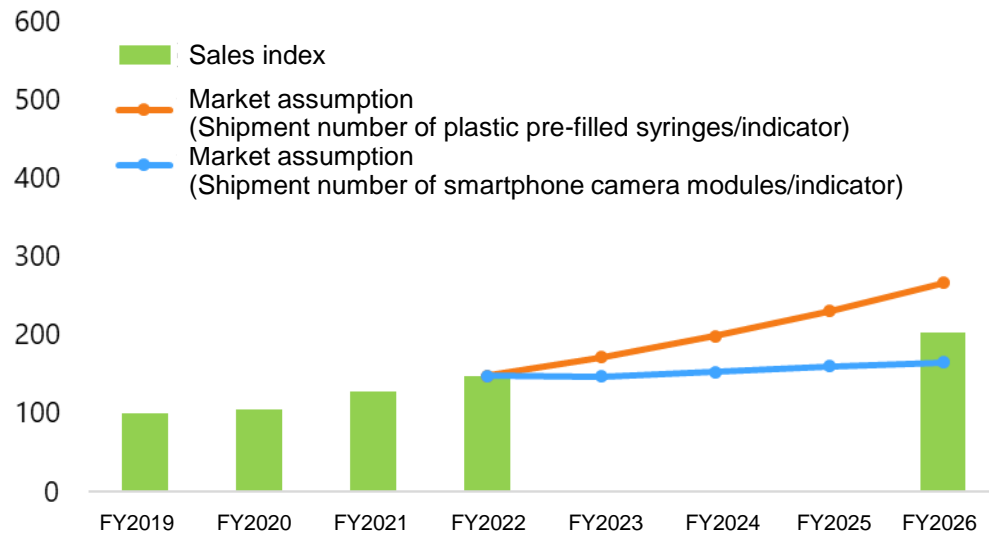
- Address need for non-fluorinated products

* Source : LMC Automotive Global Hybrid and EV Forecast***Quarter 3, 2023

3-1. Initiatives for Improvement - Expand sales and promote provision of new products in Specialty Materials Business (COP)

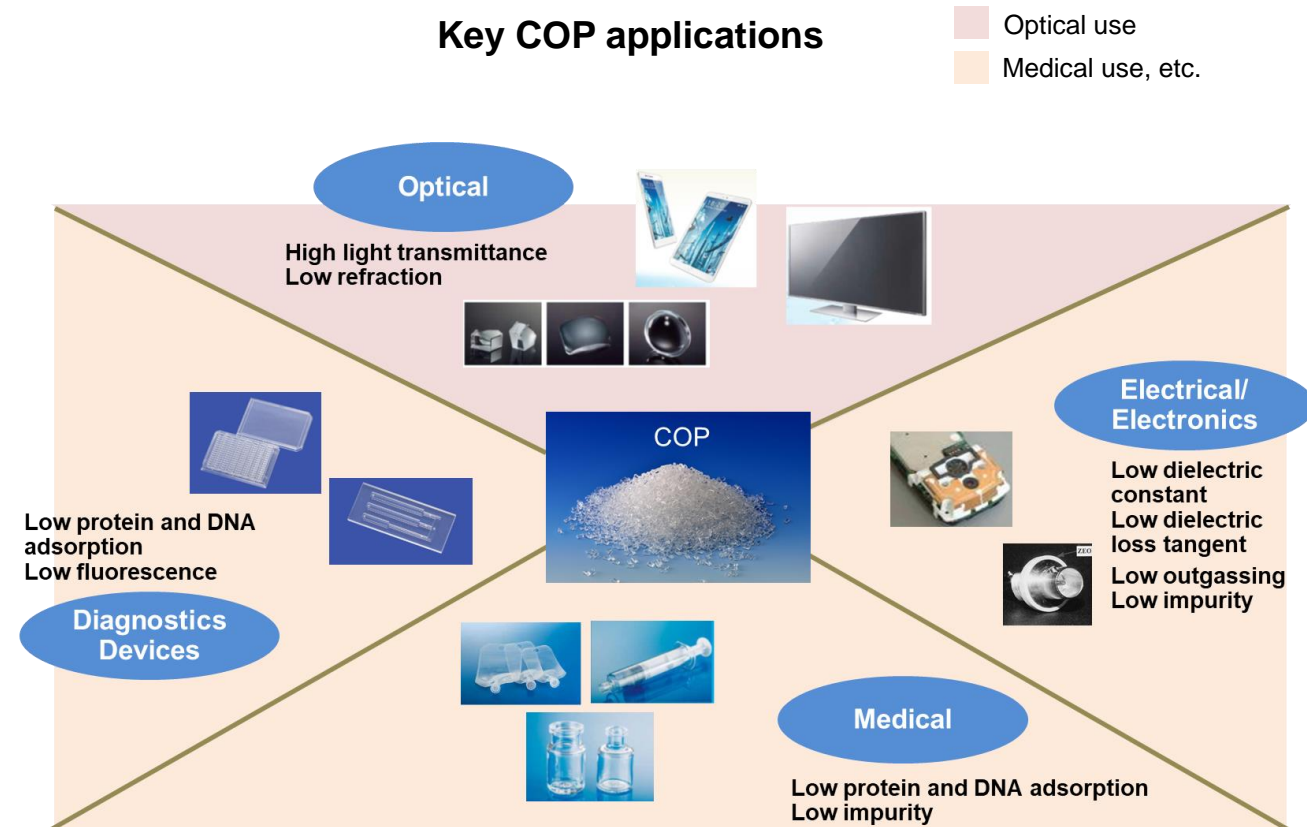
Planned expansion of sales in Medium-Term Business Plan centered on medical use, etc.

COP market assumption and sales index



* Source: Plastic pre-filled syringes: Knowledge Sourcing Intelligence GLOBAL PREFILLED SYRINGES MARKET – FORECASTS FROM 2021 TO 2026
Smartphones camera modules: Techno Systems Research Co., Ltd. Market Breakdown of Camera Phone – 1st Half 2022 & 2nd Half 2022 Forecast –

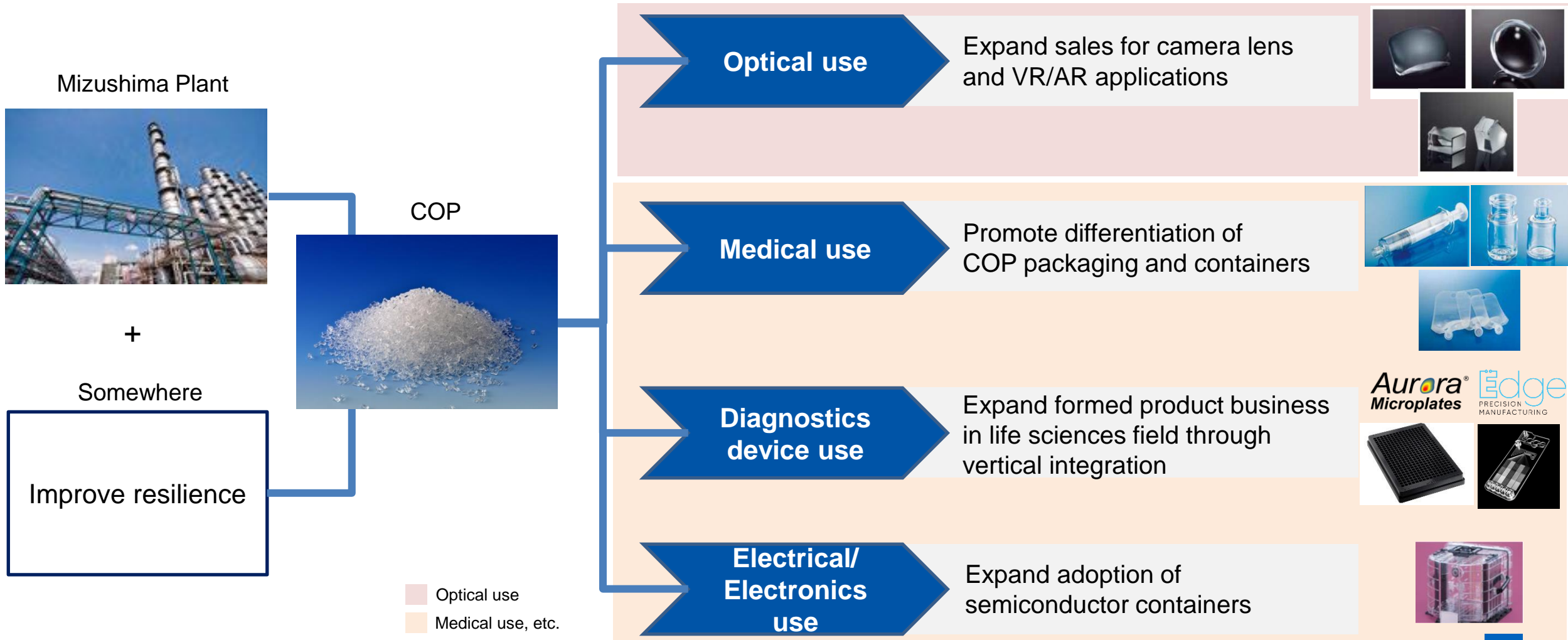
Key COP applications



3-1. Initiatives for Improvement - Expand sales and promote provision of new products in Specialty Materials Business (COP) **ZEON**

Net sales indicator
for FY2026*:
COP 210
*FY2019 as 100

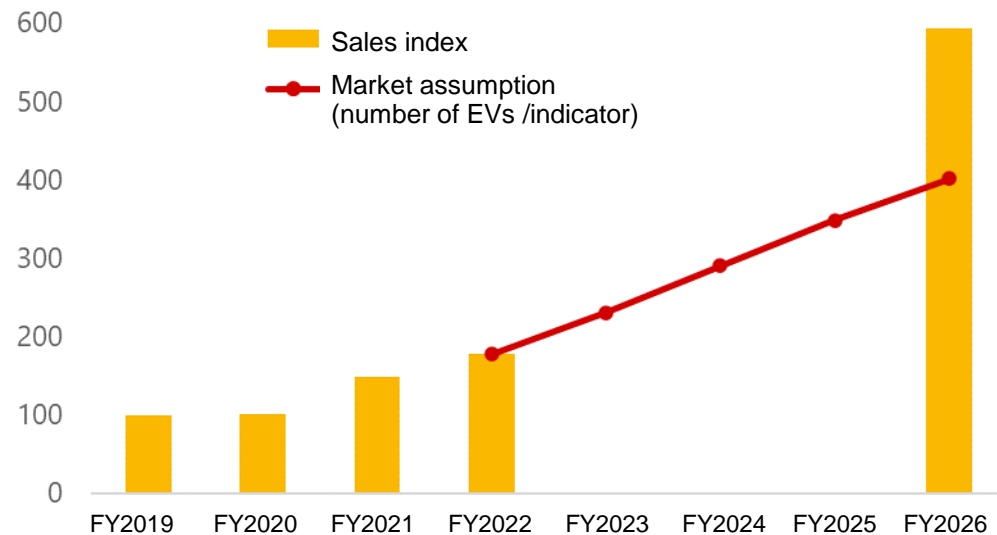
Expand sales by establishing individual strategies for optical, medical, diagnostics device, and electrical/electronics uses, taking advantage of COP's diverse characteristics



3-1. Initiatives for Improvement - Expand sales and promote provision of new products in Specialty Materials Business (Battery Materials)

Planned sales growth in Medium-Term Management Plan surpassing EV market

Battery materials market assumption and sales index



* Source: EV: LMC Global Light Vehicle Powertrain Forecast - Quarter 4, 2021

Approach to medium- to long-term growth

	China	Europe	USA
Core Product of Market	LFPs	NMCs	NMCs
Production	Establishment of global production system in Japan, Thailand, USA, and Europe		
R&D	Development of technologies that contribute to providing customers with comprehensive solutions for lithium-ion batteries and next-generation batteries		
Sales	Provision of products that meet the needs of each area based on local production for local consumption		
	Proposing a total process that suits the customer's slurry design and process		
Opportunities	Growing need for products with low environmental impact		
	Expansion of battery market		Construction of a supply network with non-Chinese products
	Global support for overseas expansion		
Risks	Intensified competition due to increased entry of competitors		Stagnation in electric vehicle growth

Expand sales of existing products together with solutions for customer challenges

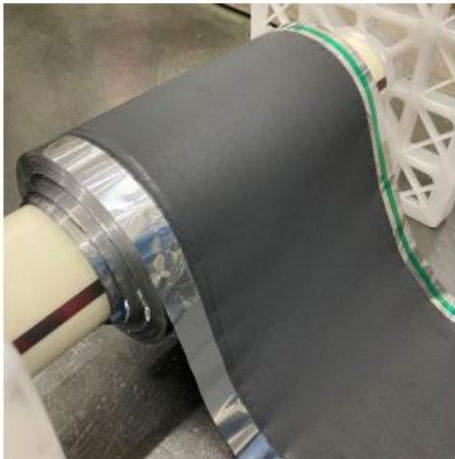
Develop differentiated technologies and products and take them to market

3-1. Initiatives for Improvement - Expand sales and promote provision of new products in Specialty Materials Business (Battery Materials)

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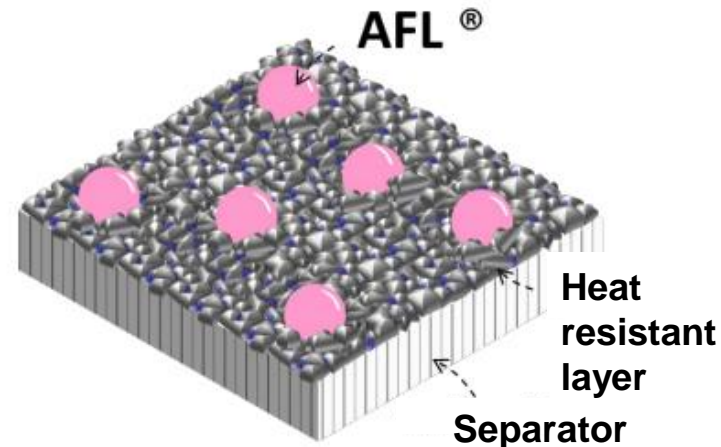
Provide advantage to stakeholders through our products

**Establish
dry formation method**



Electrodes prototyped by its method

**Full-scale expansion of new grade
adhesive slurry for separator coating**



**Promote technology through
investment in US-based startups**

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 **Mitra Chem**

*A U.S. startup developing cathode materials for lithium iron phosphate (LFP) batteries


AM BATTERIES

*A U.S. startup developing an innovative electrode manufacturing process for lithium-ion batteries

**Improve battery productivity
and performance**

**Reduce investment in battery
manufacturing equipment**

**Reduce environmental
impact***

*Contributes to the reduction of CO2 emissions and is composed of materials that do not contain PFAS (organic fluorine compound)

3-1. Initiatives for Improvement - Expand sales and promote provision of new products in Specialty Materials Business (Battery Materials)

Net sales indicator
for FY2026*:
Battery Materials 590
*FY2019 as 100

Establish four global region production system based on local production for local consumption
Capture EV market growth by expanding sales of existing products and developing new ones

Kawasaki Plant and outsourced company



Zeon Chemicals Asia

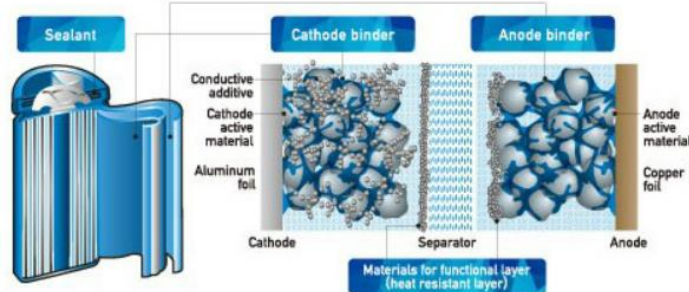


Zeon Chemicals



Europe

Searching



Anode Binder

Expand sales of solvents not containing PFAS
Promote new adoption of water-based material for LFPs

Cathode Binder

Expand sales of differentiated products, primarily NMCs and high-performance LFPs

Materials for Functional Layer

Capture expanded demand for improved safety

Sealant for Battery Applications

Capture expanded demand for improved productivity and performance

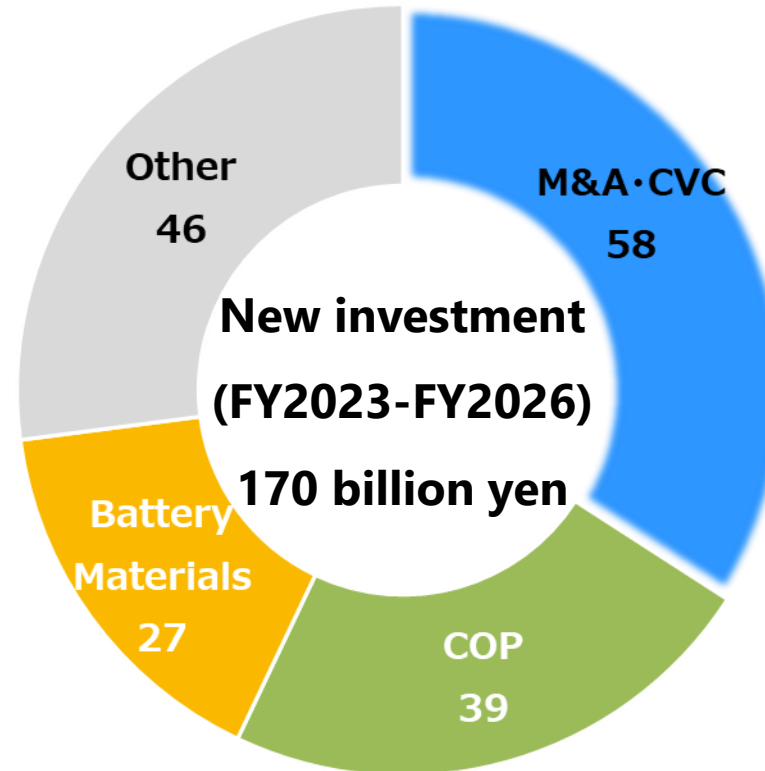
New investments to be determined individually based on market growth and profitability
New business investment to focus on four fields to contribute to ROIC in FY2030 and beyond

Invest resources in differentiated products

- COP recycling plant
- Expand hydrogenated nitrile rubber capacity (USA)

Expand high ROIC businesses

- Launch detailed design of battery binder production facility in USA
- COP resilience improvement study underway



Invest in startups aiming to contribute in 2030 and beyond

- Actively invest in startups through US-based CVC subsidiary

Execute M&As to expand new businesses

- Execute M&As focusing on Case/MaaS, health care/life sciences, energy conservation, and telecommunications (5G and 6G)

*New investment amount for COP, battery materials and other are capital investment only.

Surplus funds from identification of new investments to be returned to shareholders through FY2030

3-2. Initiatives for Improvement - Improve leverage through effective utilizing interest-bearing debt

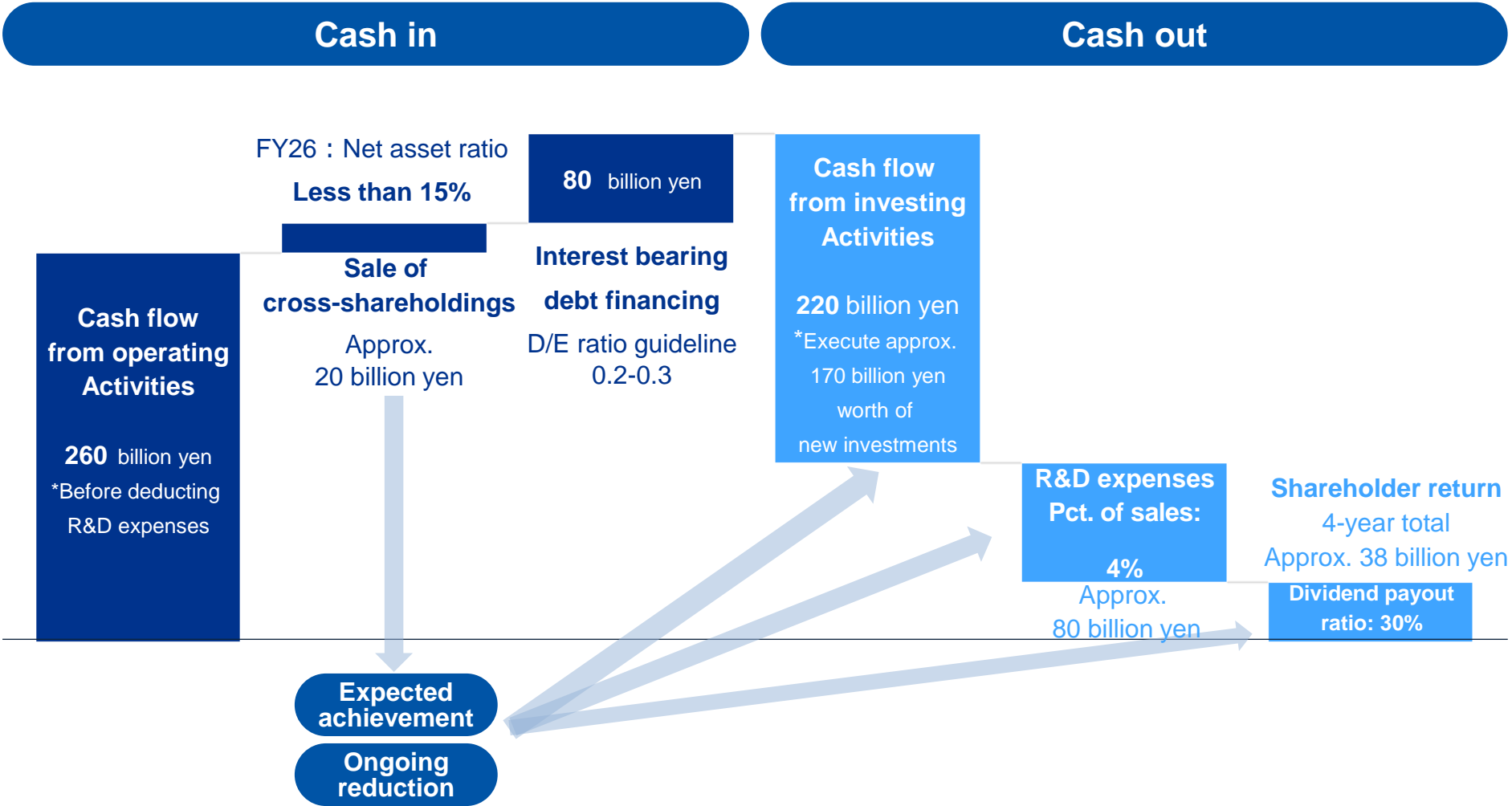
Priority to be given to allocating funds to new investments and R&D until FY2026,
increasing ROIC (invested capital) denominator
D/E ratio to be kept under 0.3

End of FY2022		Estimate for end of FY2026	
(Unit: billion yen)		(Unit: billion yen)	
2,966	1,606	Current assets 350	Current liabilities 200
	230		Non-current Liabilities 100
2,262 (23.6%)	3,393 (0.08)	Non-current assets 350	Net assets 400
		Cross-shareholdings as ratio of net assets Less than 15%	D/E ratio Maintain at 0.3 or less

Keep corporate bond rating at Maas least Single-A even if temporarily downgraded due to increase in interest-bearing debt financing

Address changes in balance sheet from structural reform and keep D/E ratio under 0.3

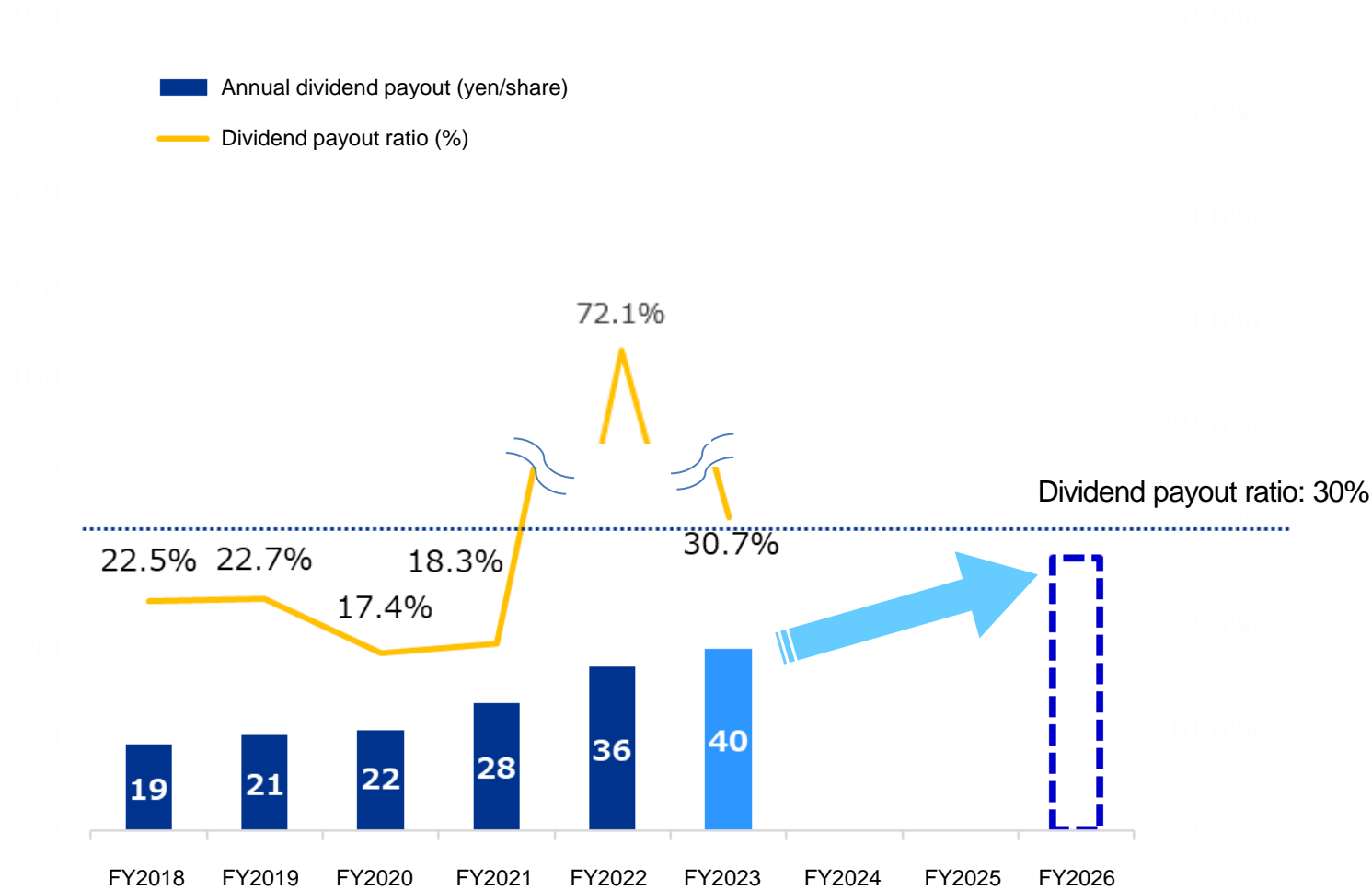
Expect to achieve FY2026 target for selling cross-shareholdings ahead of schedule, and will continue reducing them



*The difference between cash in and cash out is the increase or decrease in cash and deposits according to the expansion of the business.

3-2. Initiatives for Improvement - Implement a stable and continuous return of profits to shareholders

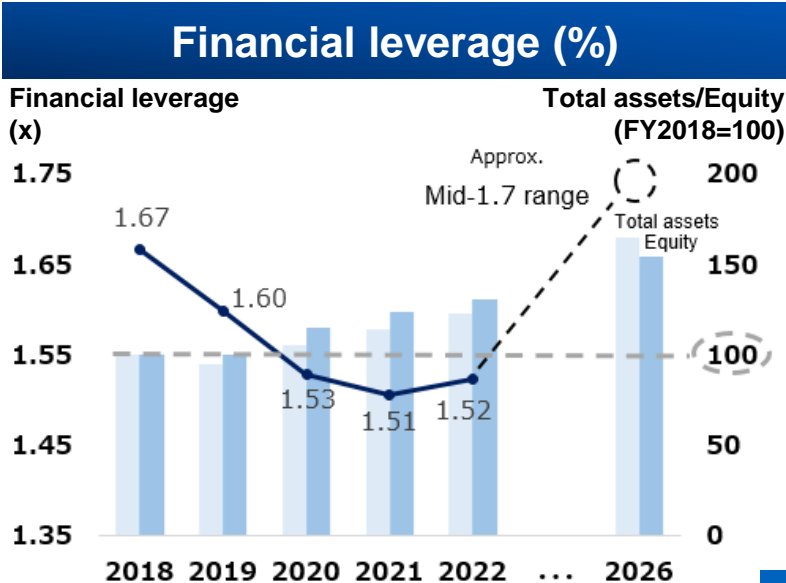
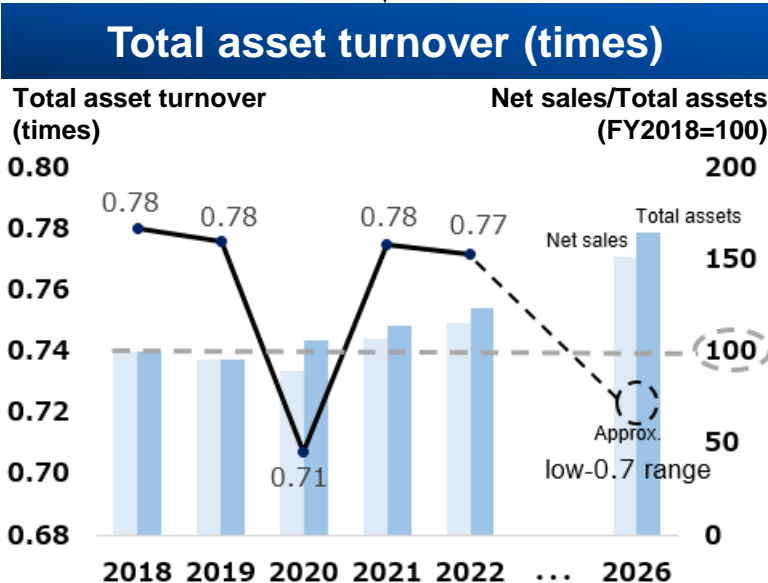
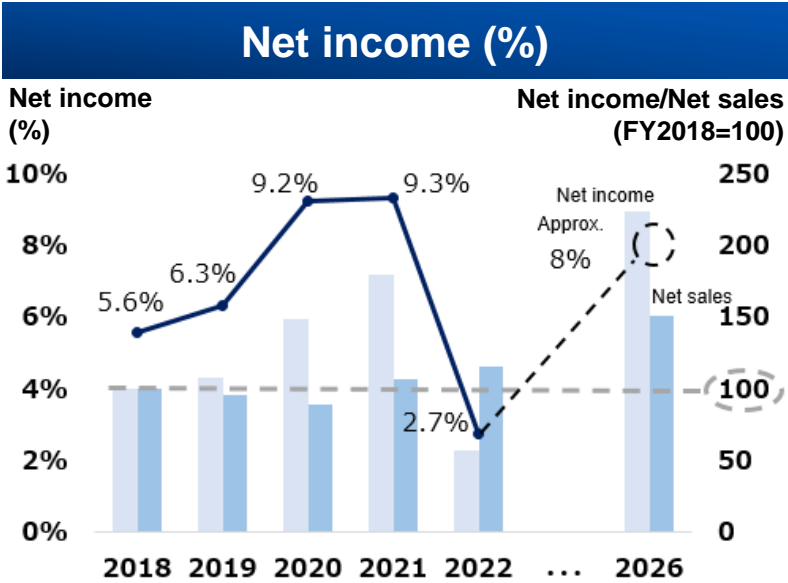
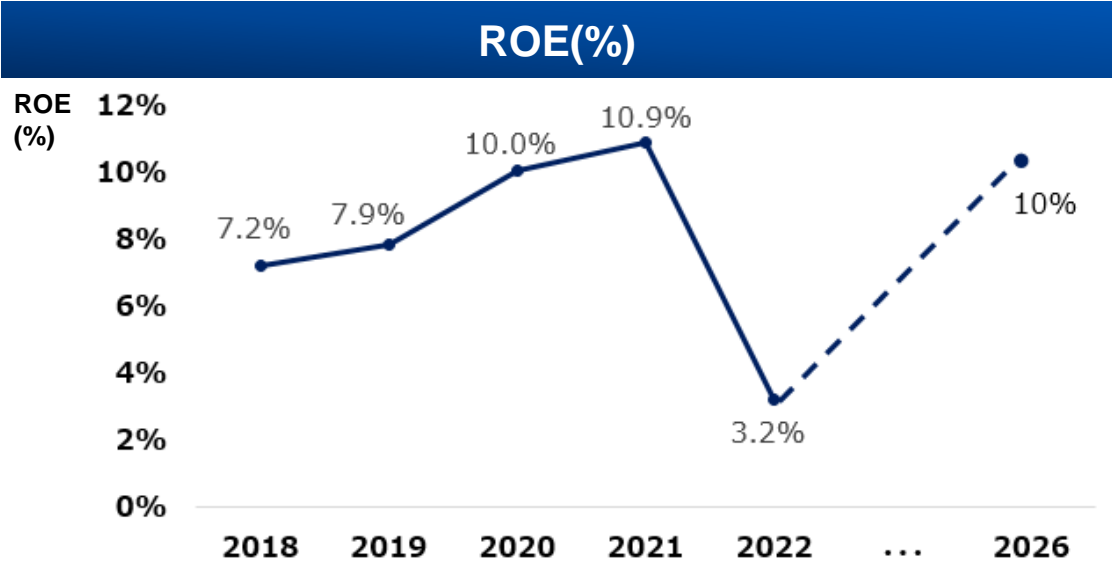
Maintain stable and continuous dividends and dividend payout ratio of at least 30% in line with shareholder return policy

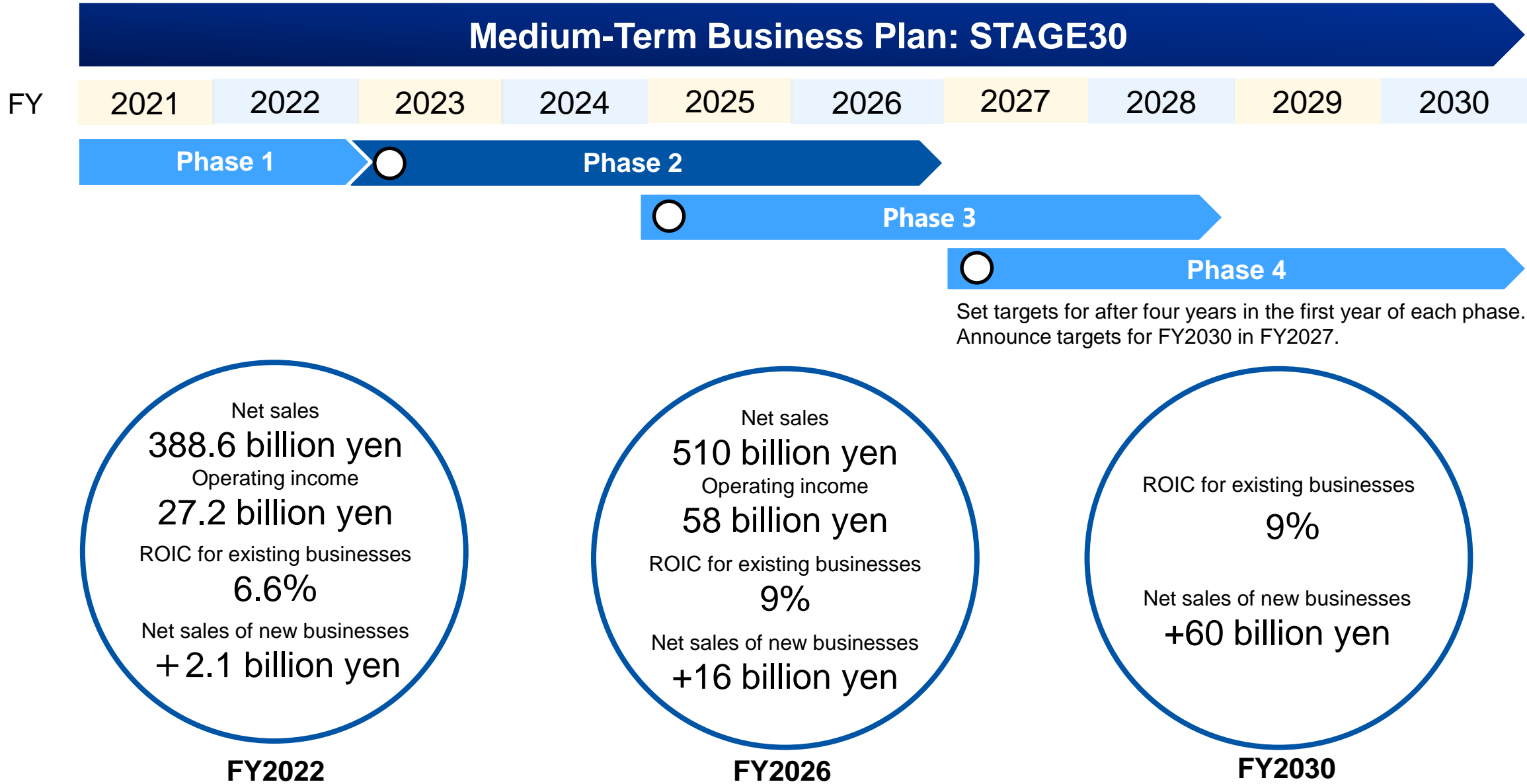


Thank you

Company plans and projections referred to in this document have been calculated based on the information currently available and therefore include elements of risk and uncertainty. Furthermore, due to various factors, actual business performance results may differ from those described here.

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Targets for FY2026	Net sales	Operating income	Group ROIC	ROE
	510 billion yen	58 billion yen	8%	10%

Performance Targets by Segment	(Unit: billion yen)	Elastomers	Specialty Materials	Others/ Eliminations, etc.	Total
	Net sales	244	189	77	510
	Operating income	23	39	-4	58

