

Mid-term Management Plan

SZ-20
Phase II

Current Status

ZEON

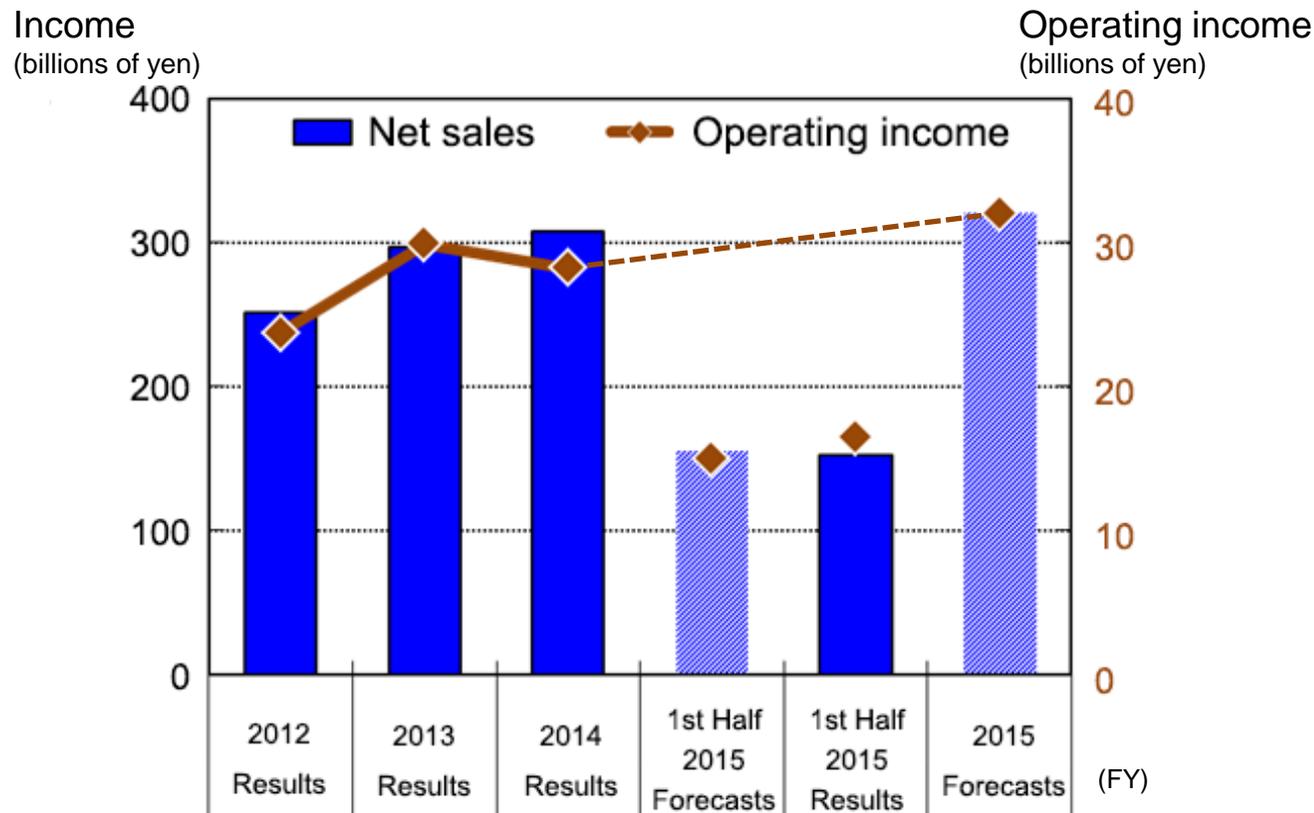
Zeon Corporation

Kimiaki Tanaka
President

October 29, 2015

- 1. FY2015 Results and Business Environment**
- 2. Business Topics**
- 3. Performance Goals**

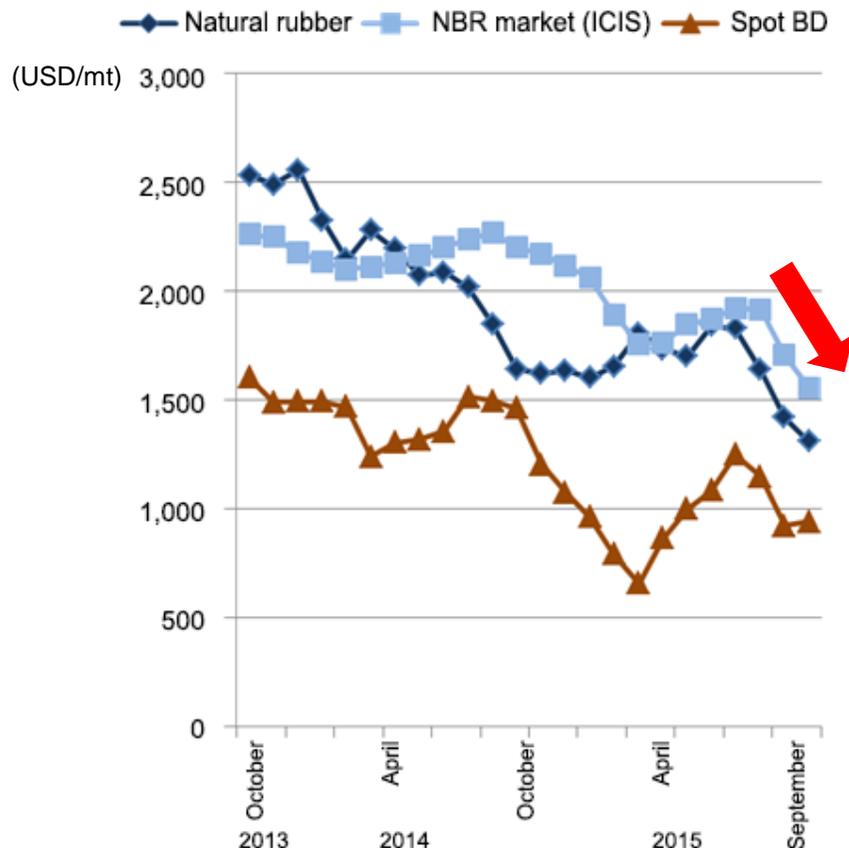
FY2015 results were in line with the forecast at start of the year



Net sales	(billions of yen)	250.8	296.4	307.5	155.0	152.4	320.0
Operating income	(billions of yen)	23.7	29.9	28.2	15.0	16.5	32.0
Exchange rate	(yen/USD)	82	100	109	120	122	120
Domestic naphtha price	(1,000 yen/kl)	57.5	67.2	63.7	54.0	48.1	54.0

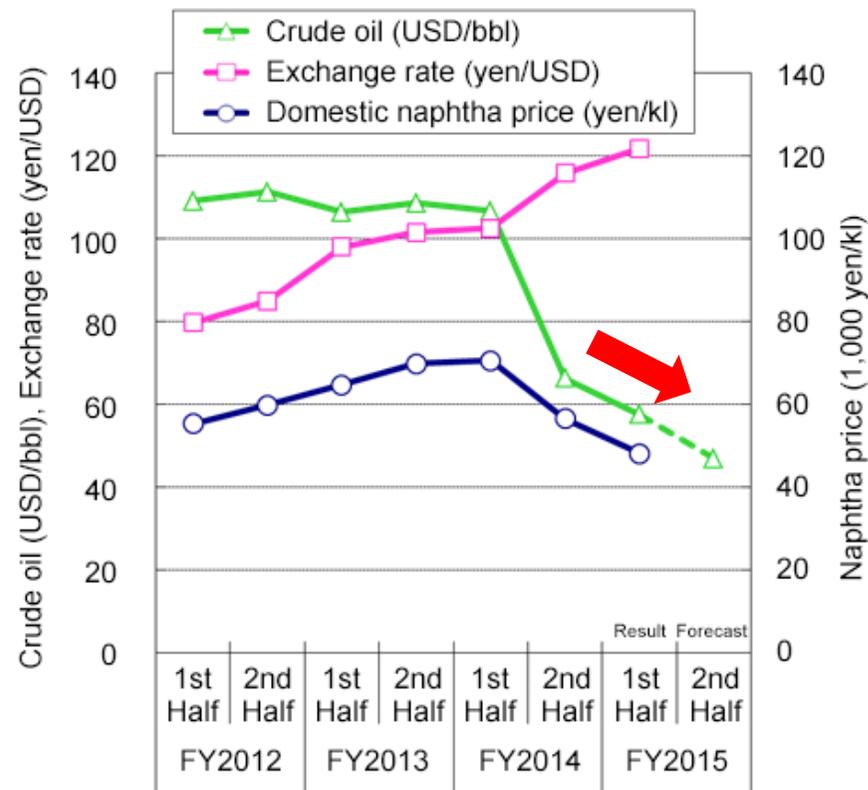
Synthetic rubber market declines; uncertain outlooks for products markets in second half of FY2015 and the exchange rate environment

Natural rubber, synthetic rubber and BD markets



Natural rubber market: Singapore Commodity Exchange nearby contract price for RSS #3 grade rubber (source: Monthly Statistics Report for Synthetic Rubber)
 NBR market: CFR Southeast Asia (source: ICIS)
 Spot BD: CFR Southeast Asia (source: HIS)

Exchange rate and domestic naphtha price



Exchange rates (source: Mizuho Bank, Ltd.)
 Crude oil (ICE Brent) (source: IHS)
 Domestic naphtha price (source: calculation by Zeon based on trade statistics)



- Change
 - Promote reform and improvement
 - Change management structure
 - Cultivating corporate culture
- Progress management and speedy response

Enterprise Blueprint for 2020

Zeon makes the future today through the power of chemistry

Consolidated net sales:
500 billion yen

2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 (FY)

Phase II

SZ-20

SZ-20

**Further Strengthen our Elastomer Materials
and Specialty Materials Businesses
for Globally Expanding Operations**

Strategy by Business Segment

Elastomer Materials Business

Further strengthen competitive businesses by responding globally to growth markets

Specialty Materials Business

Expand operations by accelerating R&D in three key fields

Strategy by Business Segment

Elastomer Materials Business

Further strengthen competitive businesses by responding globally to growth markets

Specialty Materials Business

Expand operations by accelerating R&D in three key fields

- ◆ S-SBR business development (current status of Singapore Plant)
- ◆ Customers start using new Zetpol[®] products with excellent heat resistance
- ◆ Establishment of a local subsidiary in India
- ◆ Overseas development of C5 chemicals business

Singapore Plant: Expanded production on first line; steady progress in construction of second line



Second line under construction at Singapore Plant



Singapore Plant
Second line: Under construction toward start of commercial production in April 2016

Singapore Plant
First line: Mass production of 4 core grades

Tokuyama Plant

Mass production of special grade products
Test production of new products →
Launch → Mass production (pilot plant)

Laboratory
Development of new products

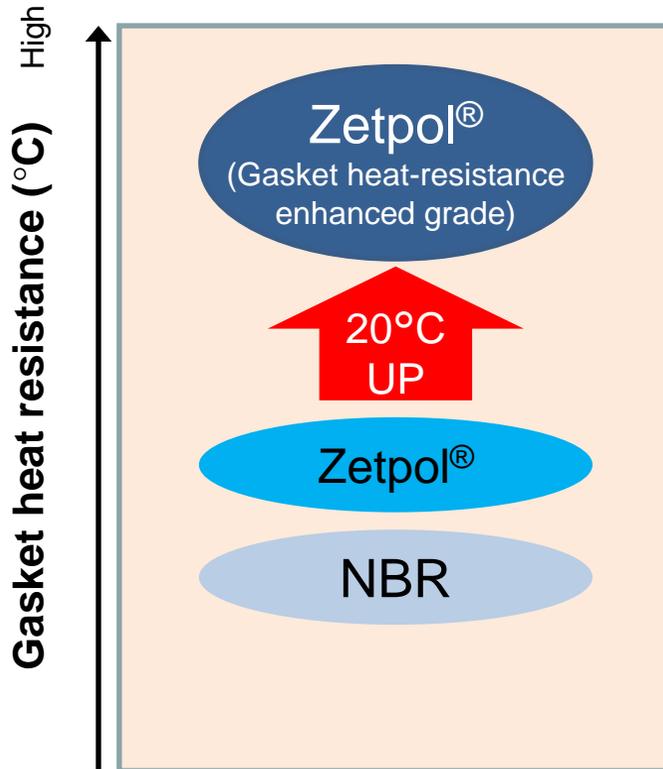
S-SBR (Solution-polymerized Styrene-Butadiene Rubber)



Main application for S-SBR:
Fuel efficient tires

Meeting the demand for low-cost, highly functional automotive components

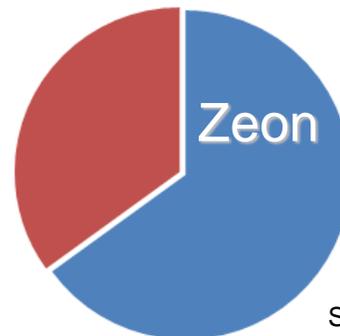
Superior heat resistance enables the application of these elastomers for gaskets, seals and treating agents for core wires used in timing belt applications.



Commercial production at the Kawasaki Plant's new facility



HNBR Market Share



Source: Zeon estimates

Strengthening business development in the growth market of India

Until now, sales to Indian clients were from Japan or Singapore



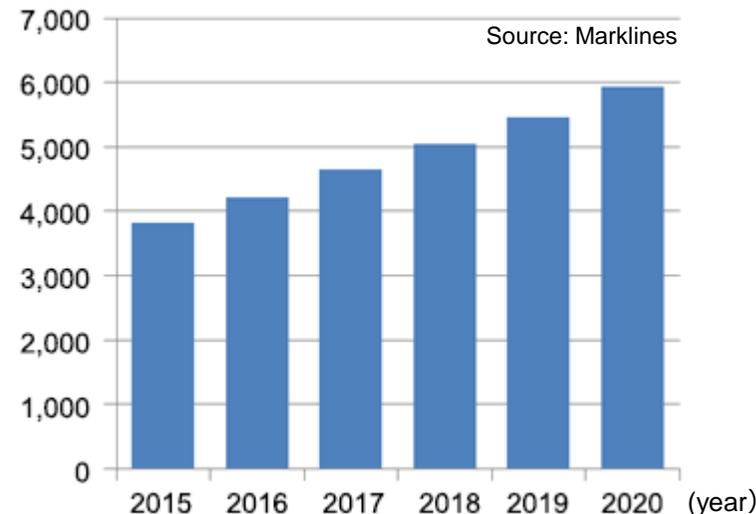
Established Zeon India Private Limited and commenced operations in October 2015



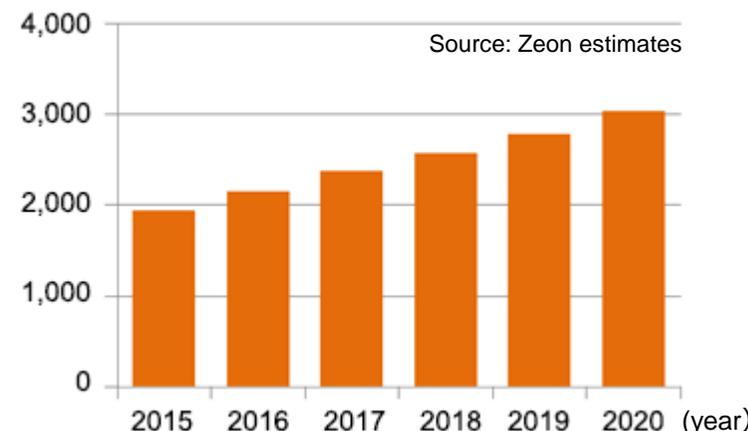
Press release issued on September 28

Will formulate and implement business strategies to closely respond to local needs, particularly in the automotive market

■ Outlook for automobile production in India (1,000 cars/year)



■ Outlook for specialty synthetic rubber market in India (tons/year)



Continue to consider developing Zeon's unique isoprene extraction technology for overseas businesses



Isoprene extraction plant (Mizushima Plant)

Making maximum use of C5 fractions

Isoprene

SIS Block Copolymers
(thermoplastic elastomers)

Piperylene

Hydrocarbon resin
(tackifier, binder)

Applications

Adhesive tapes



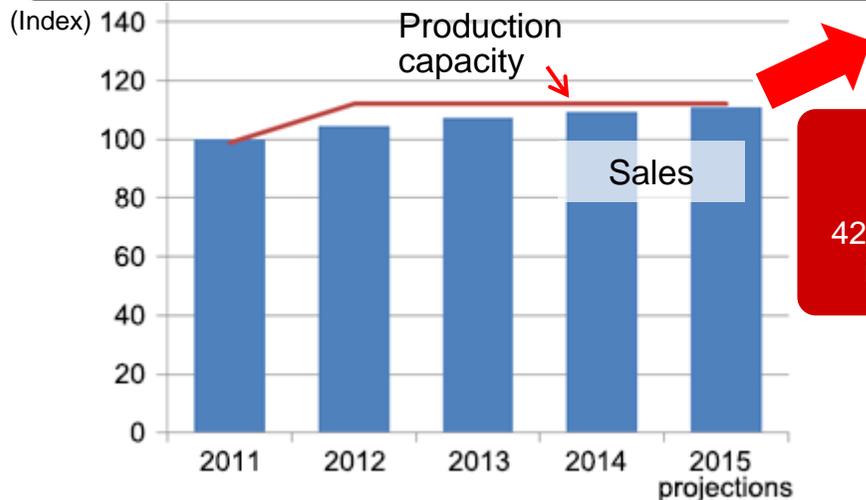
Hot-melt adhesives



Traffic paint

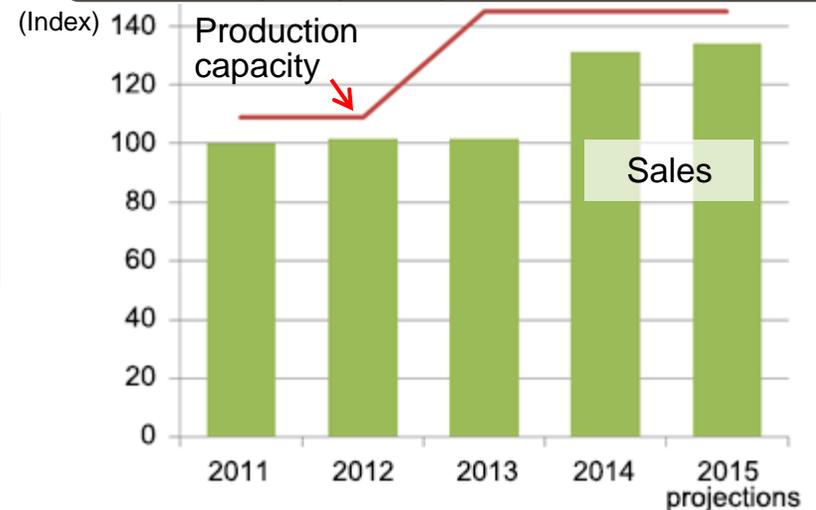


Zeon's sales plan and production capacity for SIS

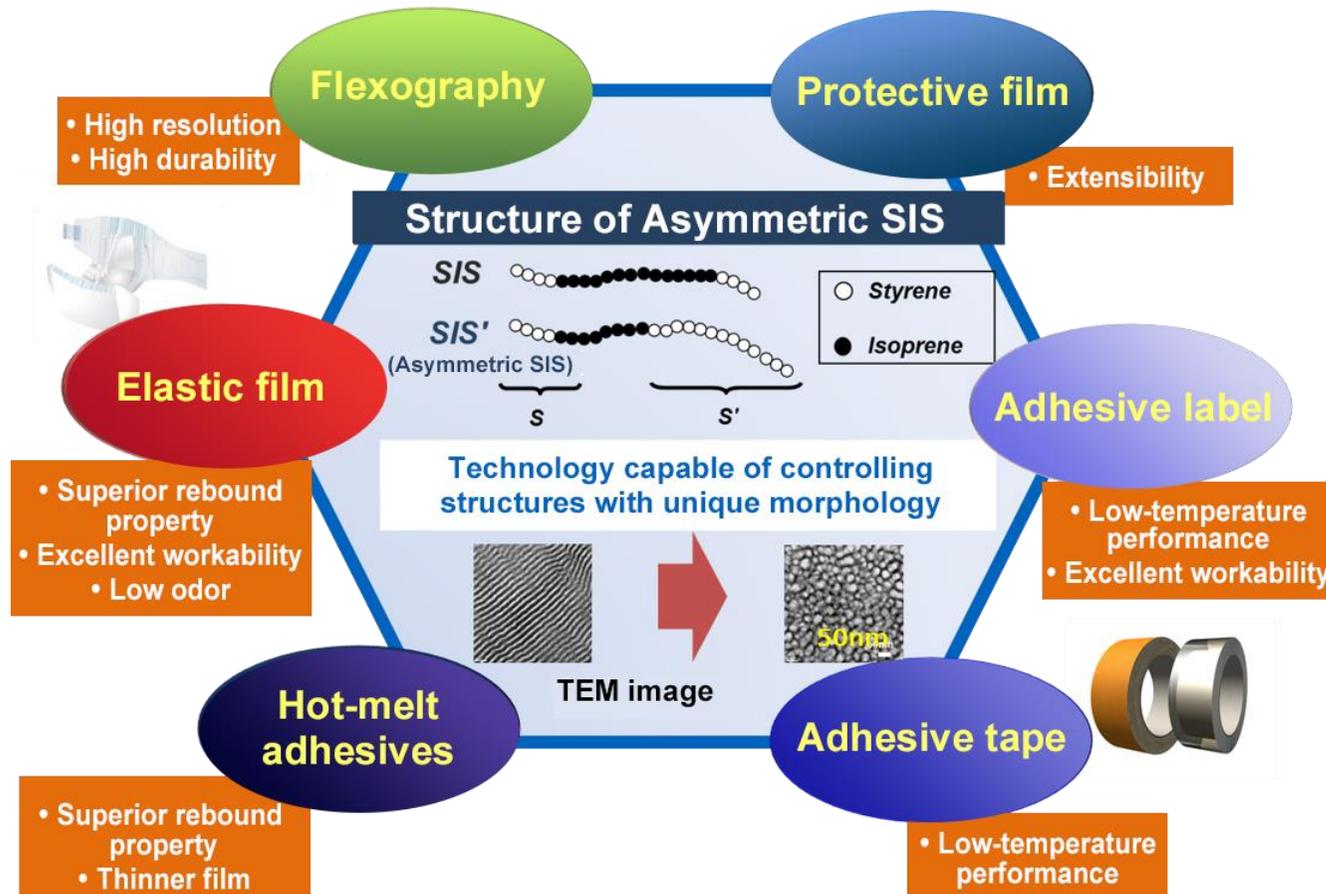


Expand SIS production
42 → 60 KT/year
in May 2016

Zeon sales plan and production capacity for hydrocarbon resins



Increasing new applications for asymmetric SIS



Strategy by Business Segment

Elastomer Materials Business

Further strengthen competitive businesses by responding globally to growth markets

Specialty Materials Business

Expand operations by accelerating R&D in three key fields

Realizing an Advanced
Information Society

Saving, Storing and
Creating Energy

Enhancing QOL
(Quality of Life)

Three Key Specialty Material Fields

IT components

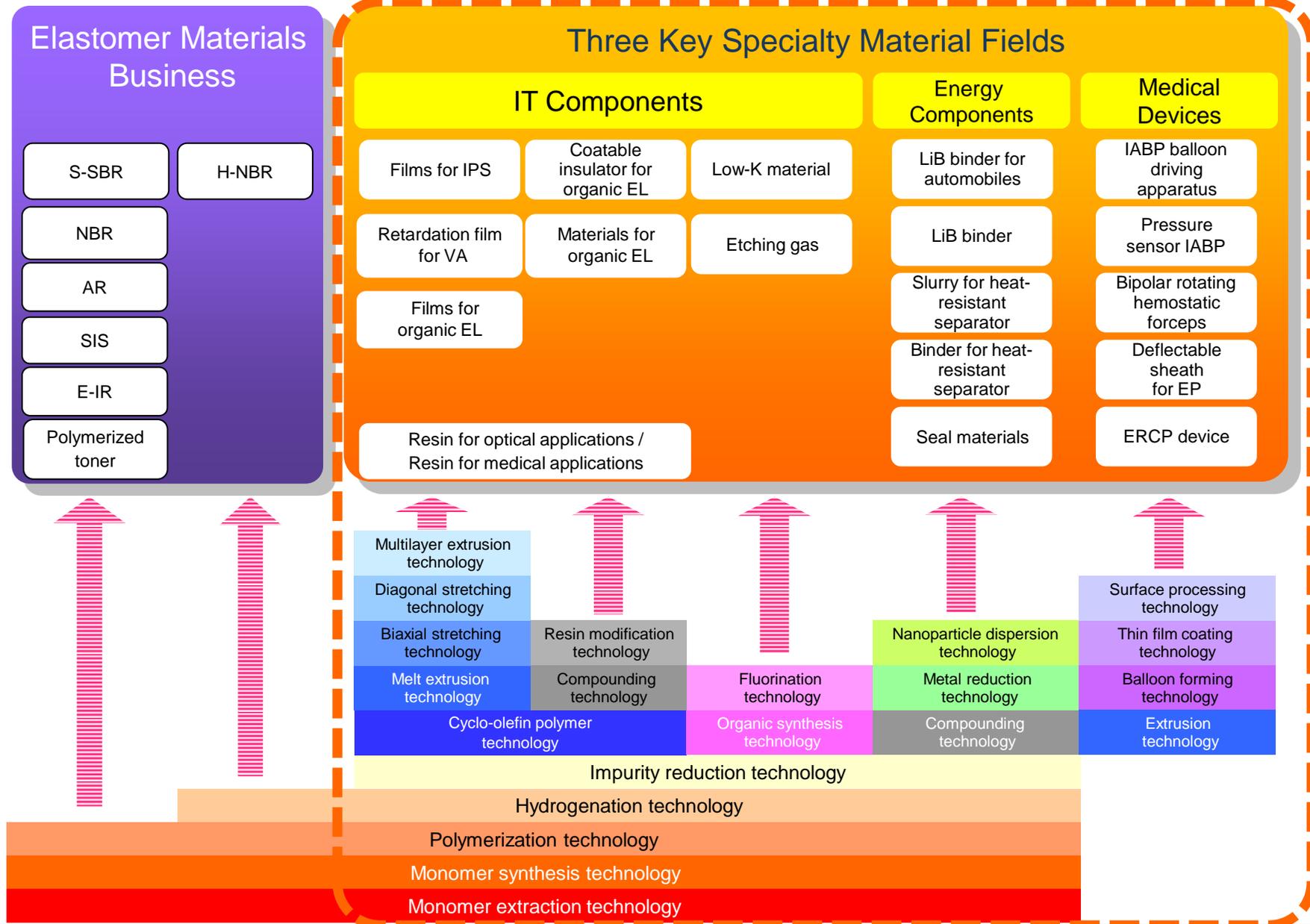
Optical, packaging,
electronic applications

Energy components

Medical devices

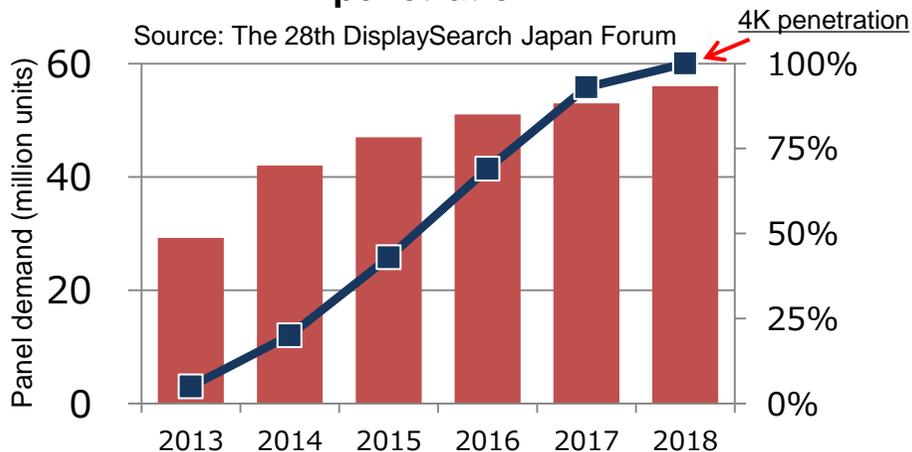
Specialty Materials (proprietary materials developed based on comprehensive use of the C5 fraction)

- ◆ Optical applications: ZeonorFilm®
- ◆ Energy components
- ◆ Medical devices
- ◆ Specialty materials: Plant growth regulator, carbon nanotubes



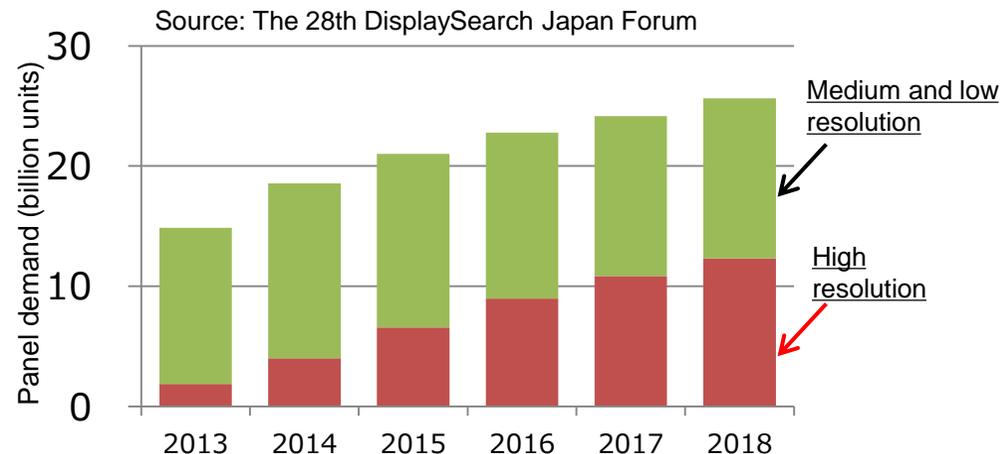
Demand for ZeonorFilm® growing in the TV and small- to mid-sized FPD markets

Demand for 50-inch plus TV and 4K penetration



TV Market: larger screens, high resolution
 Penetration of 4K panels approaching 100% in 50-inch plus TV

Demand for panels for smartphones and tablets by resolution



Small- to Mid-sized FPD Market: larger screens, higher resolution
 Significant growth in high resolution products



Maximize advantages of ZeonorFilm®

Decision to invest in sixth line (for TV) at the Himi Plant

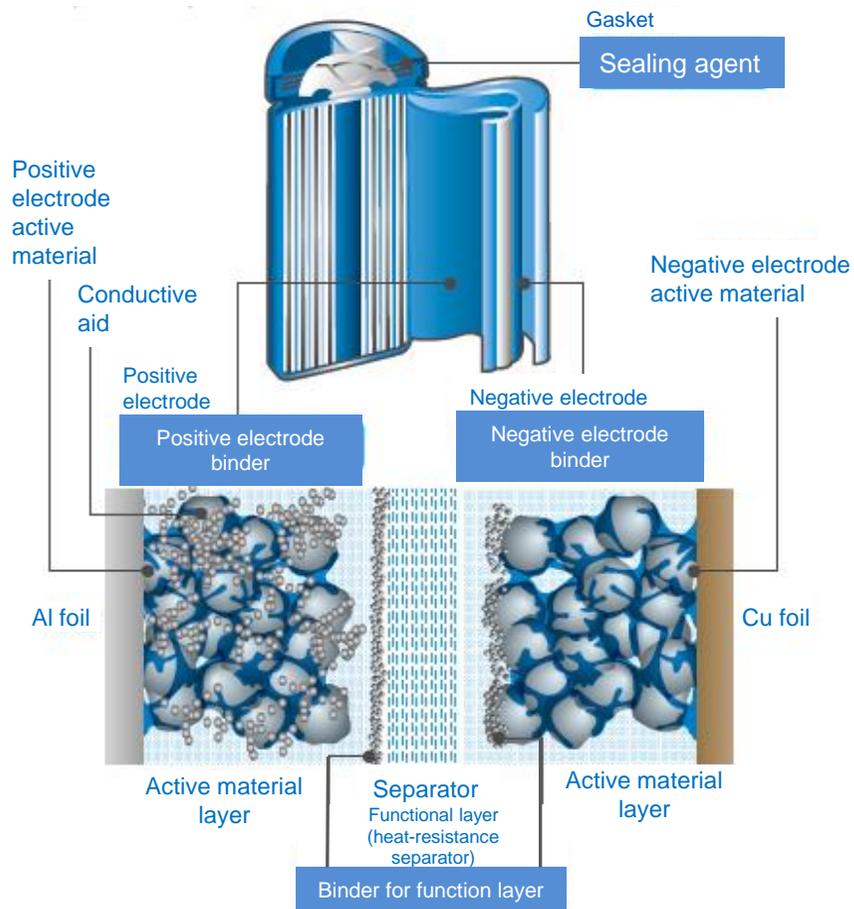
Start of operation: January 2017

Production capacity: 24 million m² per year

Press Release issued on September 11

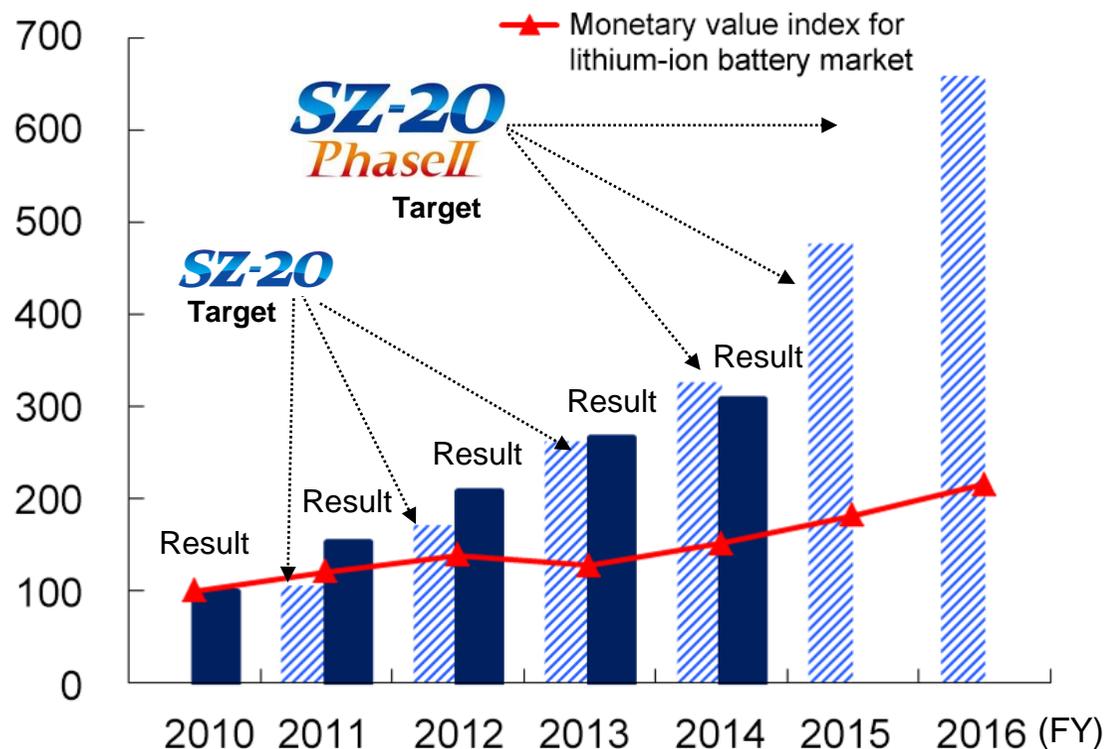
Energy component business maintaining steady growth by expanding product line

Zeon products for lithium-ion batteries



Sales of Zeon battery materials

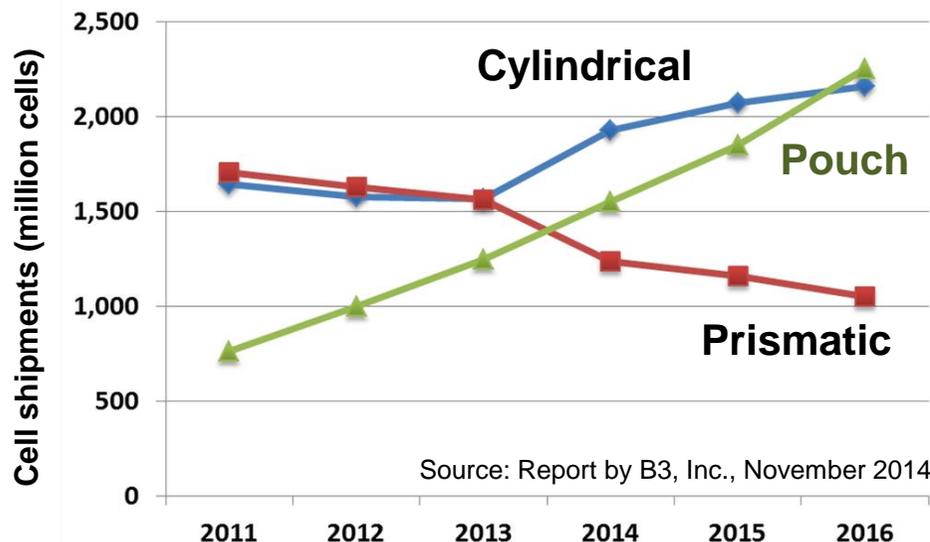
Net sales (index)



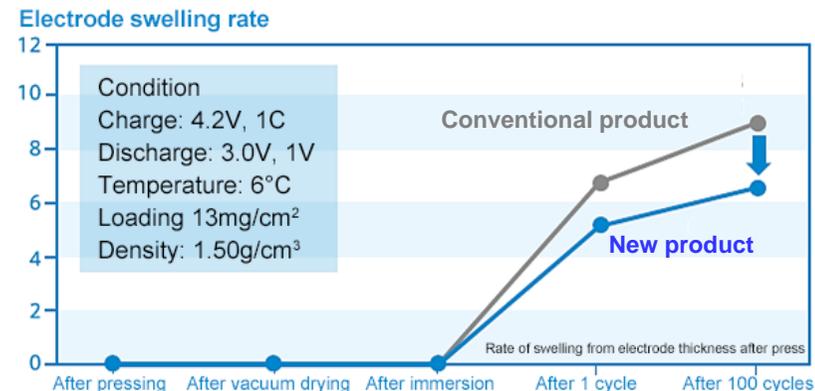
Index: Figures are based on a scale where FY2010 is 100.
Source for market data: Report by B3, Inc., November 2013

Achieved business expansion by applying accumulated technology from our binder business to meet market needs

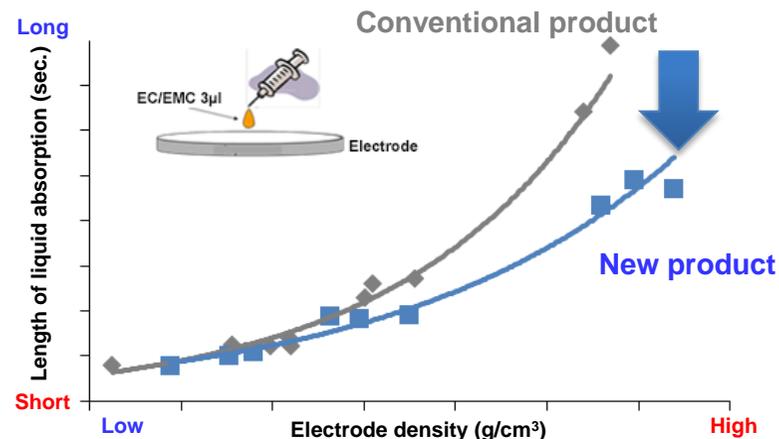
Lithium-ion batteries for mobile phones by battery shape



1. Reduced electrode swelling



2. Enhanced penetration of electrolytic solution



Seeking business expansion by proposing products that can be applied to pouch cells for smartphones

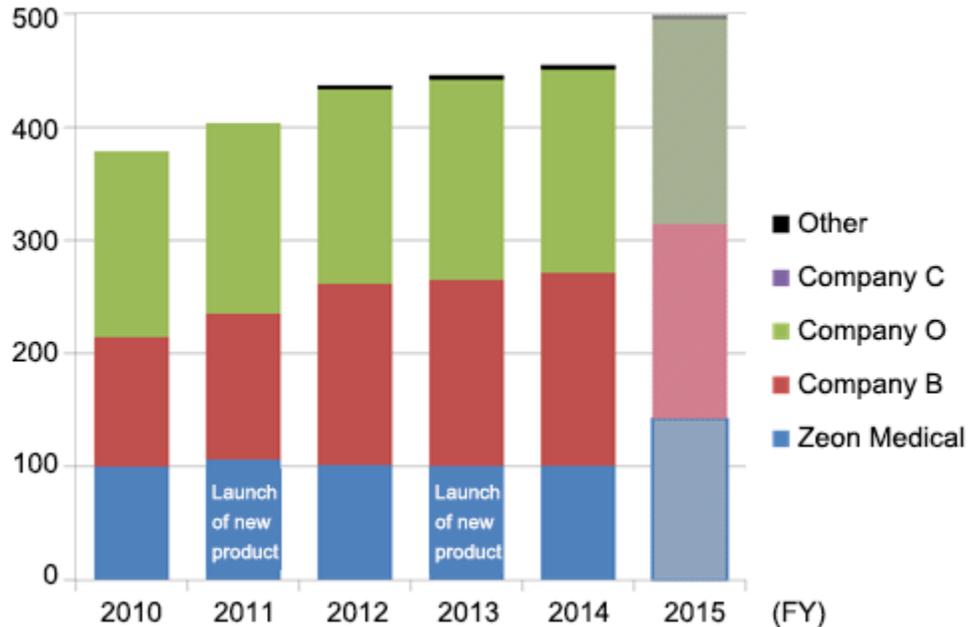
Advantages

- 1. Reduced electrode swelling
- 2. Enhanced penetration of electrolytic solution (high density electrode)

Planning to expand market share by continuously launching products to meet the needs of a growing market

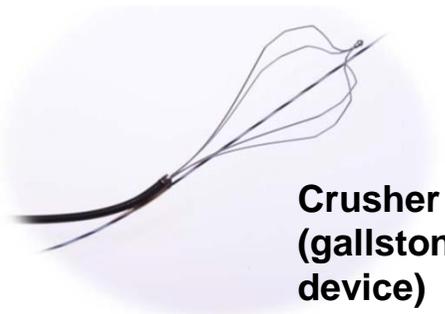
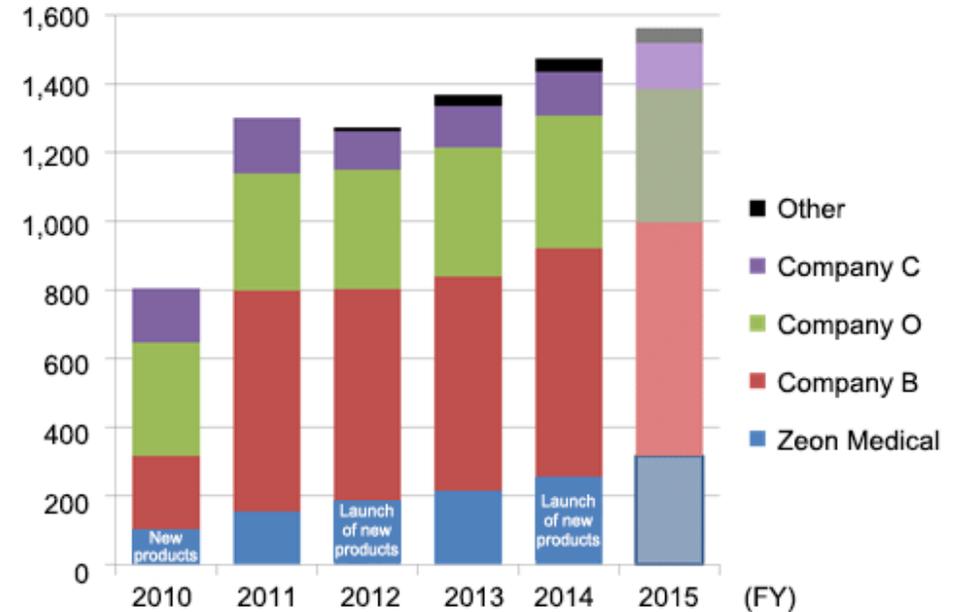
Market for gallstone lithotripsy device

(numerical index)



Market for gallstone extraction device

(numerical index)



**Crusher catheter
(gallstone lithotripsy
device)**

Index: Figures are based on a scale where FY2010 for Zeon Medical is 100.

Source: Medical Device and Equipment Almanac 2015 (R&D Co., Ltd.)



**Stone-flushing
offset balloon
catheter (gallstone
extraction device)**

Jasmomate® Ekizai

(Active ingredient: Prohydrojasmon)

- Plant growth regulator (agrochemical agent) based on RIKEN's plant chemical registration technology and Zeon's manufacturing technology for jasmine note aroma chemical
- Alleviates rind puffing caused by climate change in Satsuma mandarin oranges

Climate Change Adaptation Program of Japan's Ministry of Agriculture, Forestry and Fisheries

(Announced in August 2015)



Technology for alleviating rind puffing by spraying Jasmomate® in combination with gibberellin was selected as a climate change adaptation technology to be promoted

Press release issued on September 28



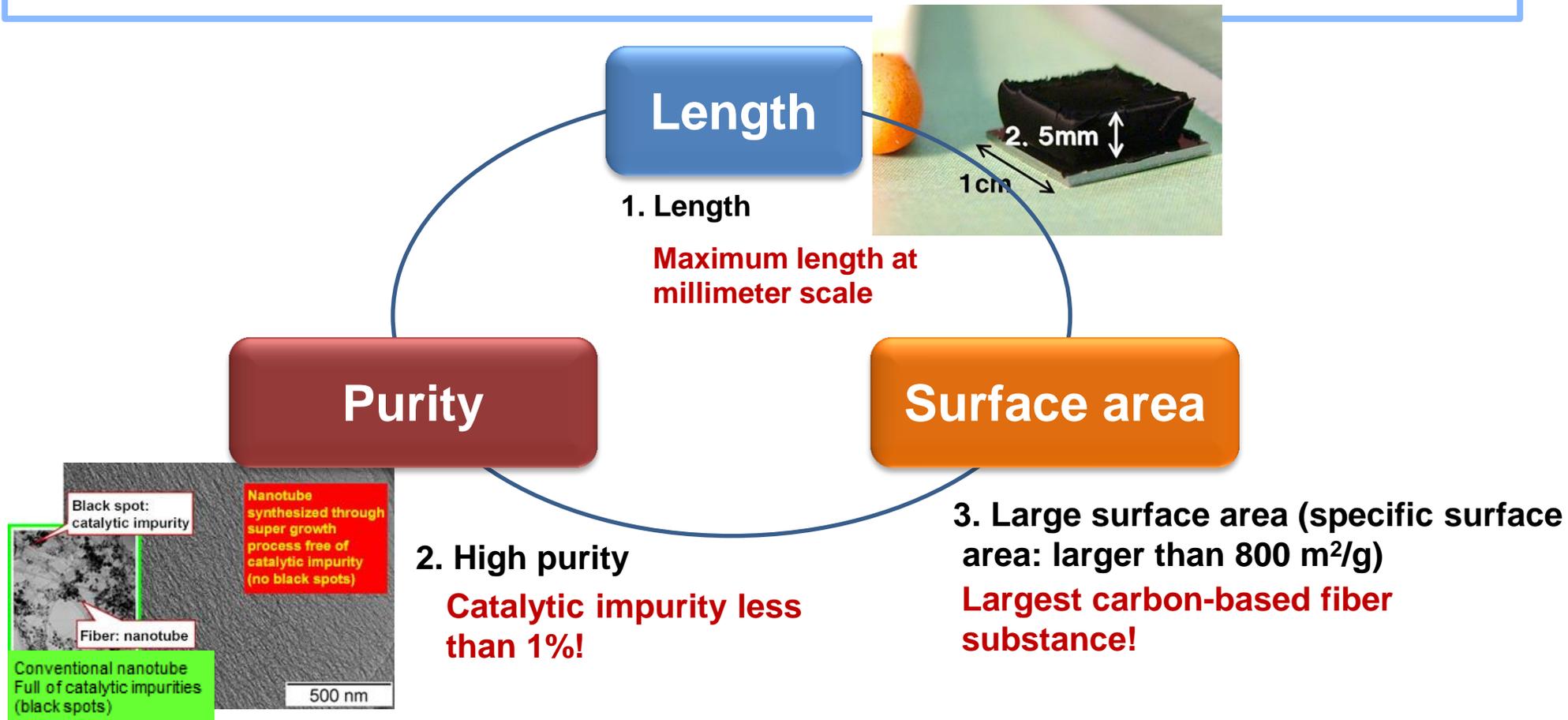
Sale of Jasmomate® Ekizai
Meiji Seika Pharma Co., Ltd.
Kyowa Hakko Bio Co., Ltd.

Source: Meiji Seika Pharma Co., Ltd.

Target of improvement: rind puffing in Satsuma mandarin oranges



Super Growth CNT developed by the National Institute of Advanced Industrial Science and Technology (AIST)



NUMEROUS DIFFERENTIATING CHARACTERISTICS

**Mass production plant for carbon nanotubes
to commence operations in second half of 2015**
**Will bolster SZ-20 through integration
with existing businesses and creation of new products**

Sales/Revenue ↑



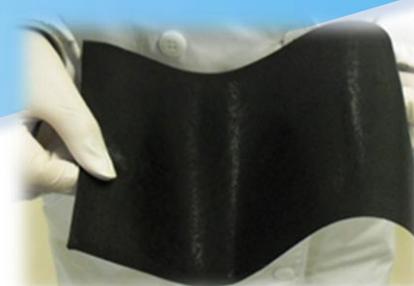
**Carbon nanotube mass production plant
to commence operations from second
half of fiscal 2015**

**Integrate with Existing
Businesses**

**Develop new technology
Strengthen new business**

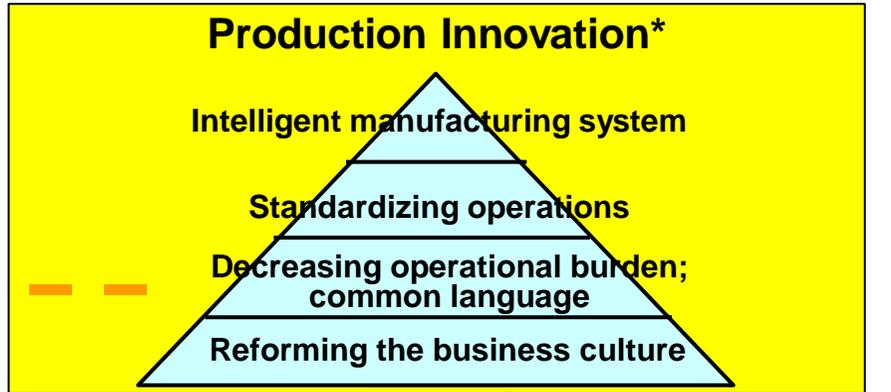
Create New Products

**Electricity storage devices
Electronic devices**

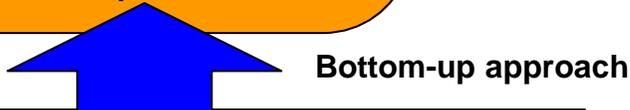


Continuing efforts for innovation and improvement

* Production Innovation: Daicel Production Innovation



Strengthening Zeon's cost competitiveness



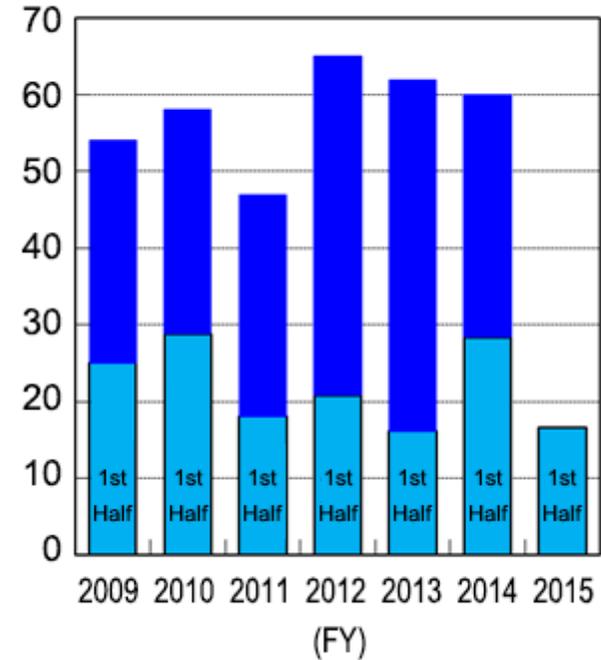
Approved themes

ZΣ Activities

- ★ Cost reduction theme
- ★ Circle theme (small group activities)
- ★ Raising cost awareness and education

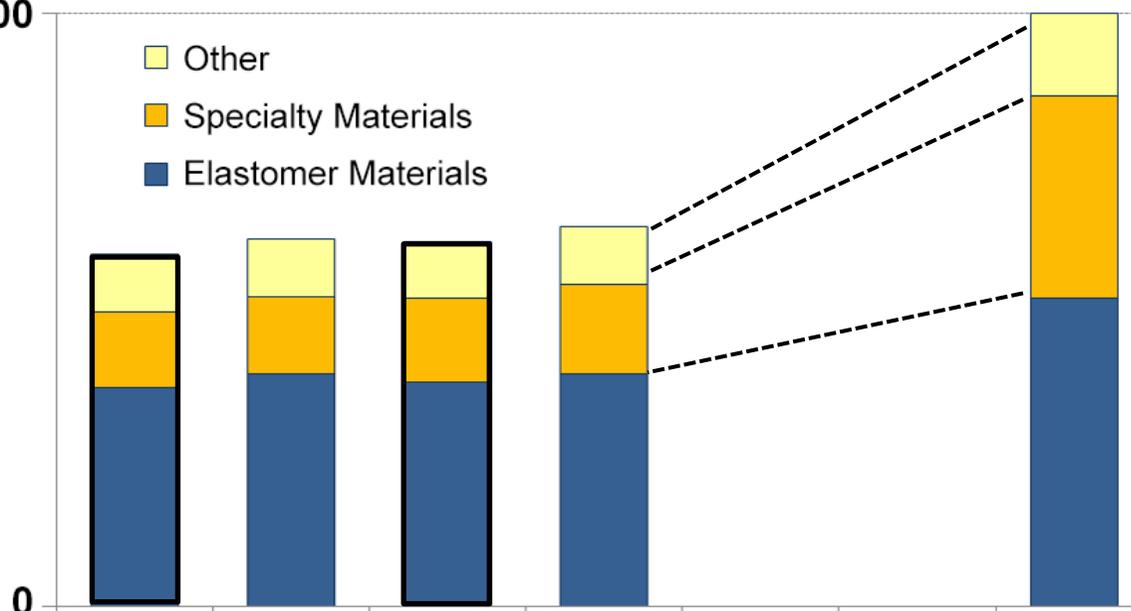
ZΣ Activities – monetary effect

(billions of yen)



Targeting 500 billion yen in consolidated net sales in FY2020

Sales 500
(billions of yen)



FY2013 Results	FY2014 Target	FY2014 Results	FY2015 Plan
296.4	310.0	307.5	320.0
10.1%	8.1%	9.2%	10.0%

FY2020 Target
500.0
10.0%

(billions of yen)

Consolidated net sales

Operating income to sales

Speed

Dialogue

**Social
Contribution**

Mutual trust and fellowship

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.

ZEON

Zeon Corporation

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