

New Mid-term Management Plan **SZ-20** Phase III

ZEON

ZEON CORPORATION

Kimiaki Tanaka
President

April 28, 2017

1. Results of Mid-term Management Plan

SZ-20

Phase II

for FY2014 through FY2016

2. New Mid-term Management Plan

SZ-20

Phase III

for FY2017 through FY2020

1. Results of Mid-term Management Plan

SZ-20

Phase II

for FY2014 through FY2016

2. New Mid-term Management Plan

SZ-20

Phase III

for FY2017 through FY2020

**Further Strengthen our Elastomer and
Specialty Materials Businesses
via globally expanding operations**

Strategy by Business Segment

Elastomer Business

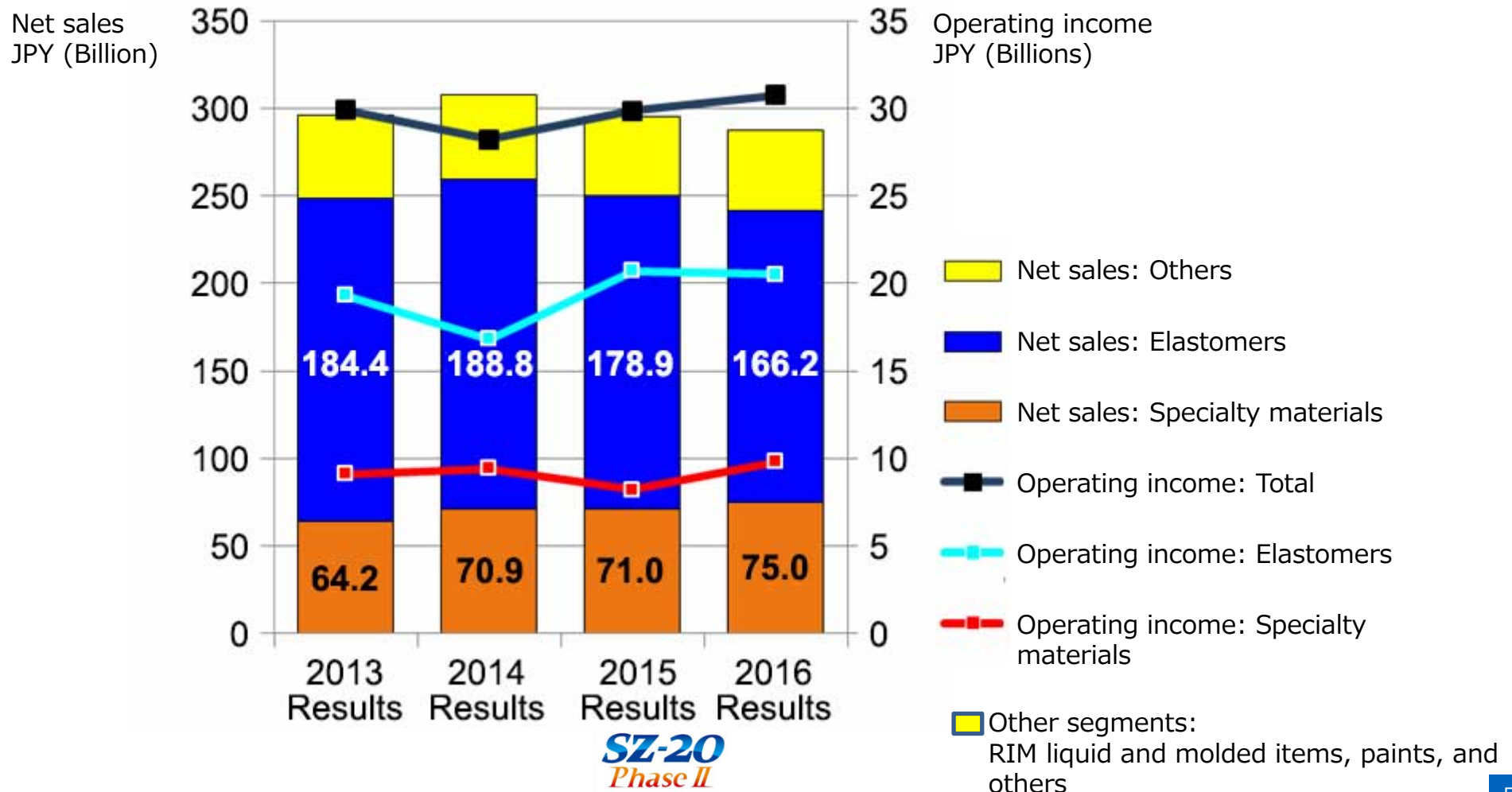
Further strengthen competitive businesses by responding globally to growth markets

Specialty Materials Business

Expand operations by accelerating R&D in three key fields

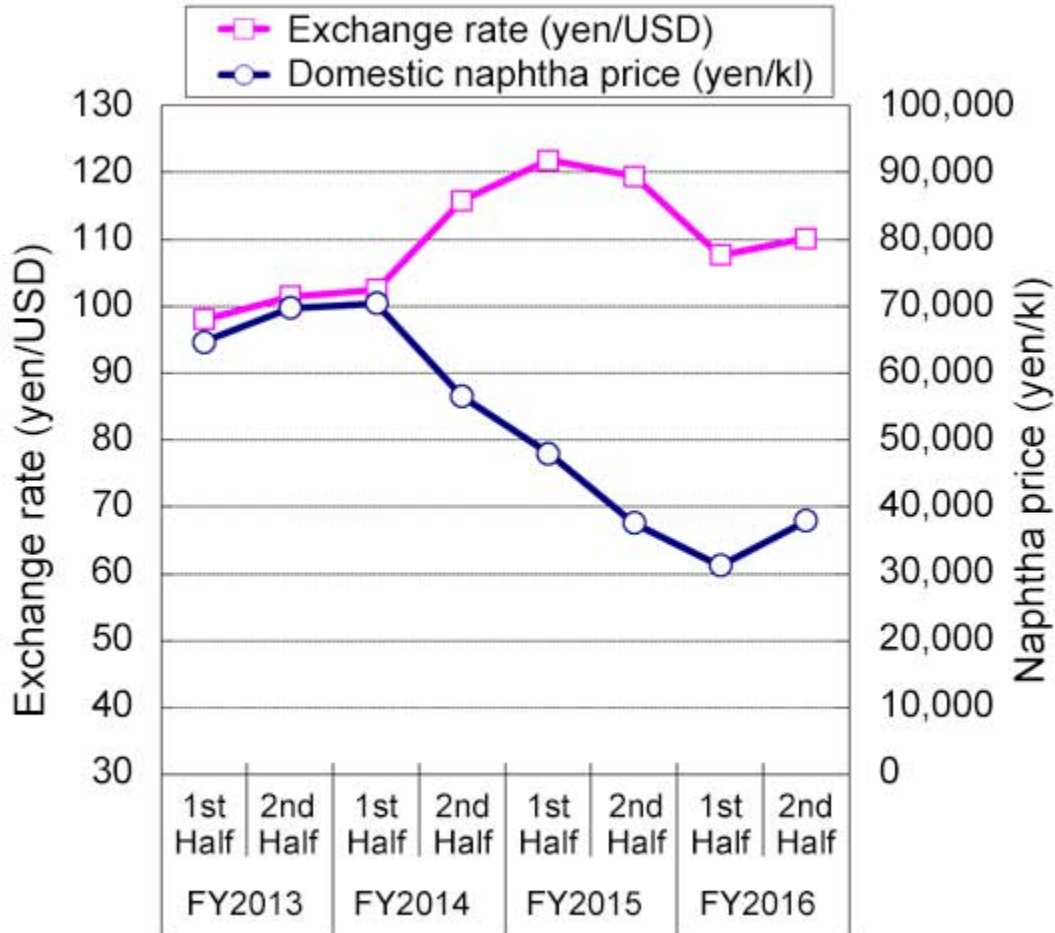
Elastomer Business reports rise in operating income despite fall in sales, Specialty Materials Business steadily expands

Consolidated Results by Segment

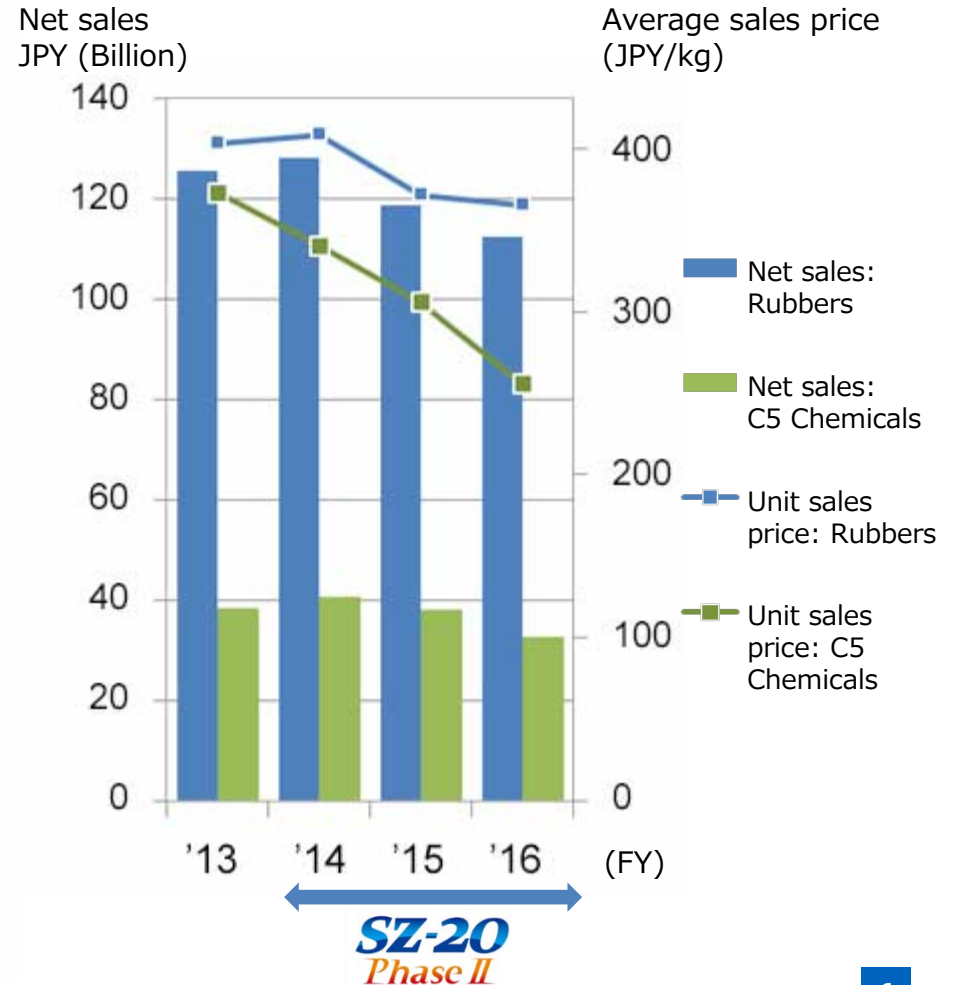


Major factors : decline of products prices due to fall in naphtha prices and the stagnant markets

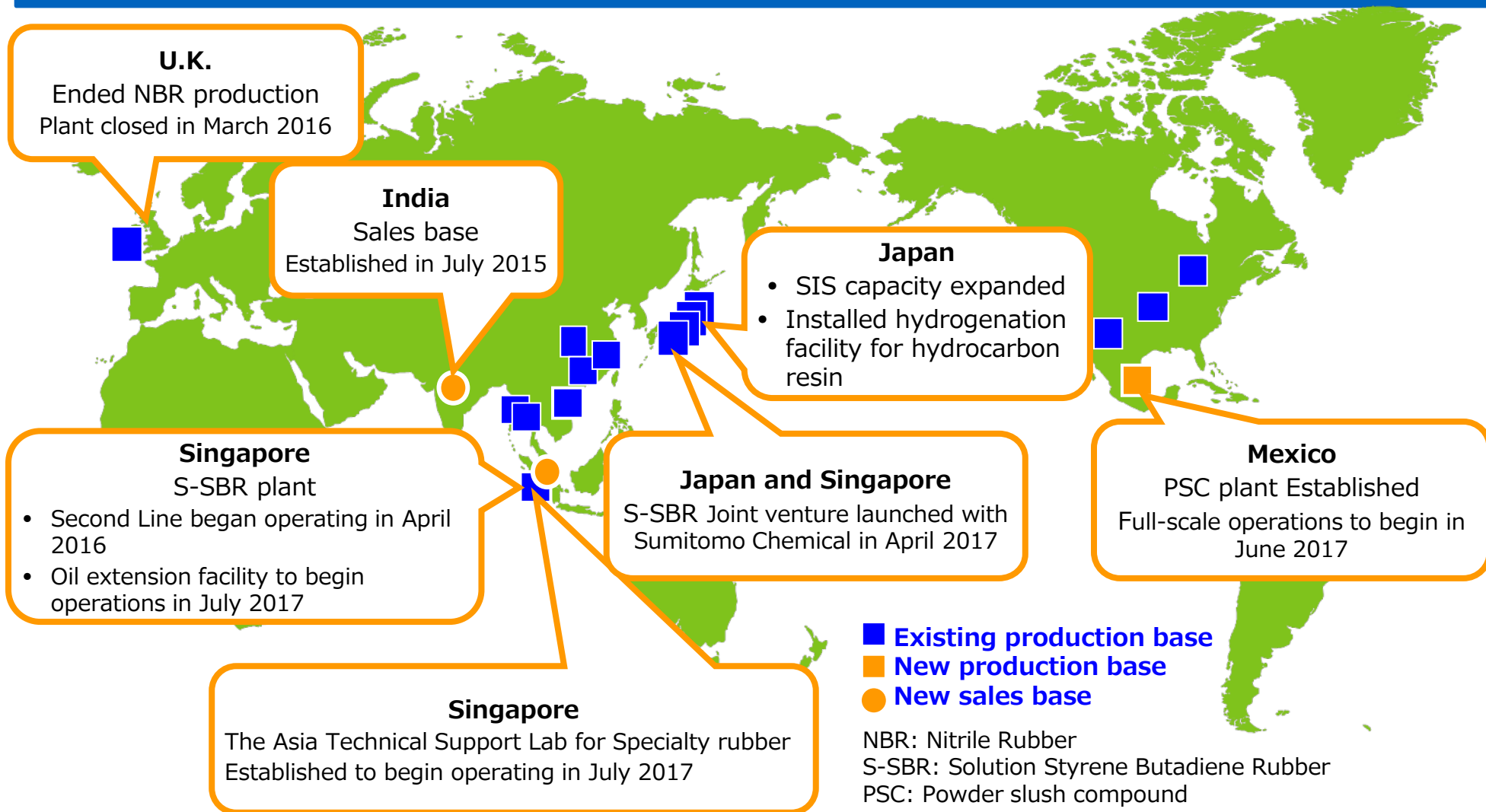
Exchange Rate and Domestic Naphtha Price



Consolidated Net Sales and Average Sales Price by Business Unit



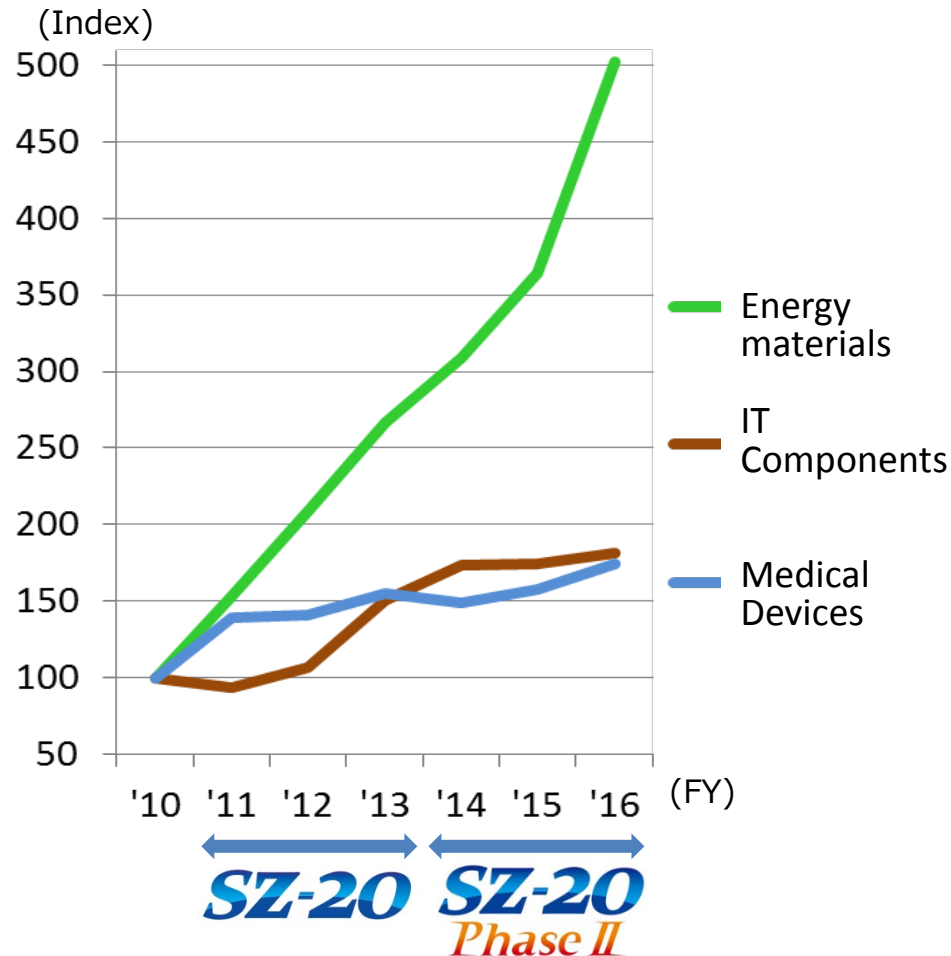
Expanded our global bases in growing markets and reorganized to bolster operations



Steadily expanded business in Three Key Specialty Material Fields and developed new high performance materials

Net Sales Index for Three Key Fields

(FY2010 = 100) Consolidated basis



Achievements

Super Growth CNT

- ★ Completed mass production plant (Nov. 2015)
- ★ Begin mass production of high-performance thermal interface material (TIM) pad by CNT and rubber composite (pilot plant completed in Dec. 2016)
- ★ CNT Composite Material Research Center with AIST and others (established in Feb. 2017)



IT Components

- ★ Expanded production capacity for COP resin (October 2016)
- ★ Expanded production capacity for retardation film used in LCD TVs (Fifth Line: 2015; Sixth Line: September 2017 (plan))

1. Results of Mid-term Management Plan

SZ-20

Phase II for FY2014 through FY2016

2. New Mid-term Management Plan

SZ-20

Phase III

for FY2017 through FY2020

Corporate Philosophy

Zeon CSR Policy

Enterprise Blueprint for 2020

Zeon makes the Future Today through the Power of Chemistry.

Vision

Key Sense of Value

Speed

Dialogue

Social
Contribution

Treasured Characteristics of Zeon

**Mutual Trust and Confidence
among Zeon Members**

**SZ-20
(2011-13)**

**Phase II
(2014-16)**

**Phase III
(2017-20)**

Vision

Zeon will continue to contribute to the realization of customer dreams and a prosperous society through providing the solutions which is a combination of eco-friendly products and services.

To fulfill this mission, we will cherish Zeon's unique, open atmosphere, based on **mutual trust and confidence among Zeon members** and act with the three core values of **speed, dialogue, and social contribution**.

We will strive to make our Zeon group that we can proud of, with the appreciation to the customer worldwide and society for their acknowledge and praise for Zeon brand by acting based on these value.

Main battlegrounds for growth is in outside Japan

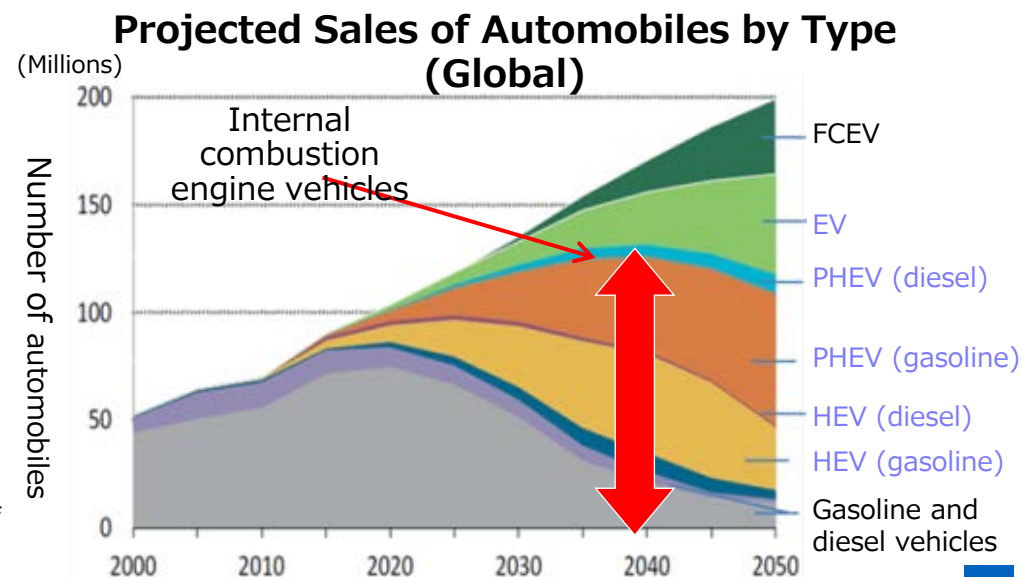
the environment problems, population growth, evolution of automobiles, progress in IoT...

- Advancement of M&A among chemical companies in Europe and the U.S.
Growing competition from emerging countries
- Greater requirements for reducing greenhouse gases
- Global population to increase by 1.3 billion over the next 15 years; rapidly aging societies
- Automobile production: number of vehicles with internal combustion engines to continue increasing until around 2040; meanwhile, share of EV/PHV to increase from 3% in FY2016 to 8% in FY2025

→ Business opportunities for specialty rubber and energy materials

- Evolution of automobiles: EV, self-driving, connected cars, car sharing etc.
- Dissemination and expansion of IoT

(Source: Ministry of Economy, Trade and Industry of Japan; "2014 Automobile Industry Strategy")



SZ-20 Phase III: Groupwide Strategy

Growth

1. **Reinforce** the combined strengths of the Zeon Group. **Explore** ways of going beyond boundaries and collaborating with external players to provide **solutions** globally as a contribution to society.

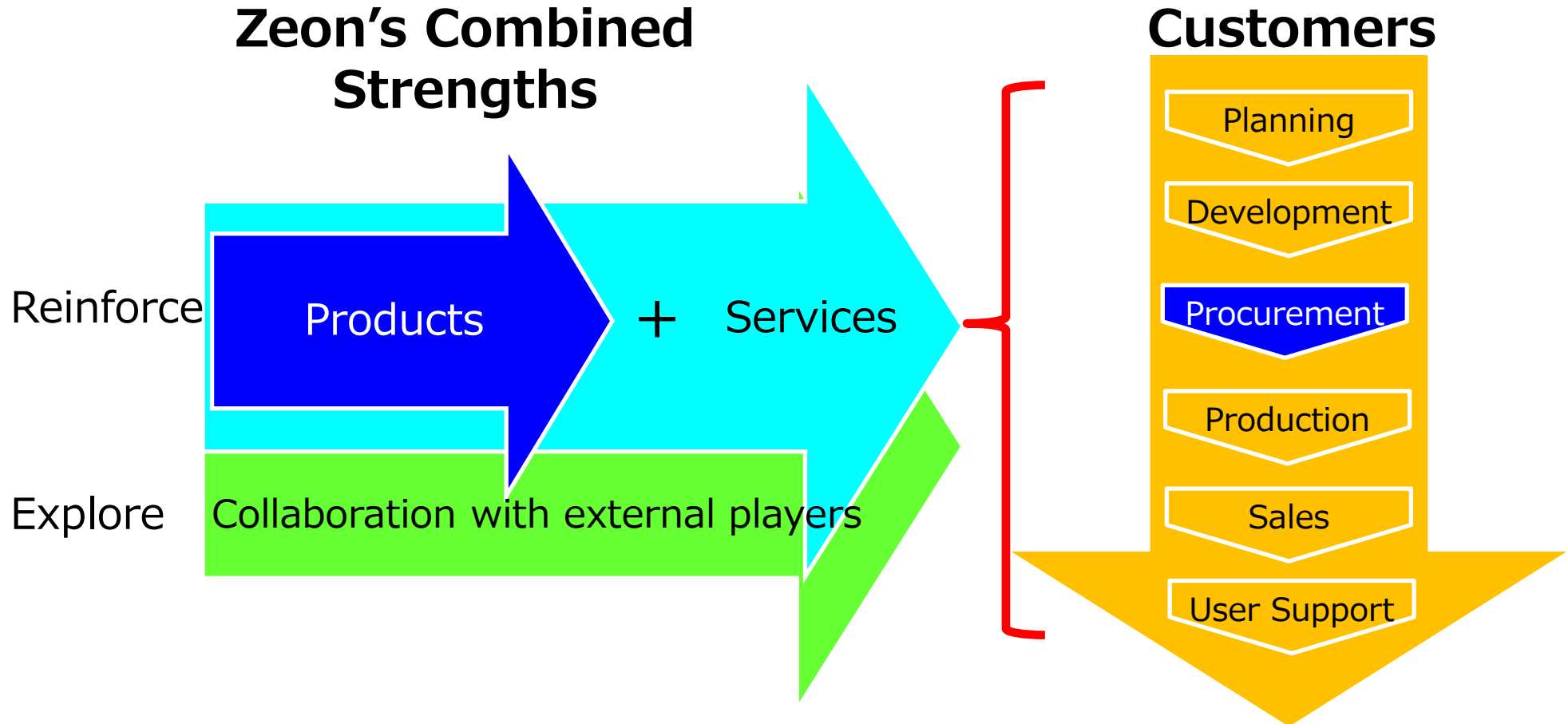
2. **Accelerate the pace of new business creation and product development** in key development areas: global environment, smart devices, and health and living.

Culture

3. **Cultivate a corporate culture that places value on taking proactive action by harnessing diverse ideas and trying them.**

Phase III: Groupwide Strategy 1

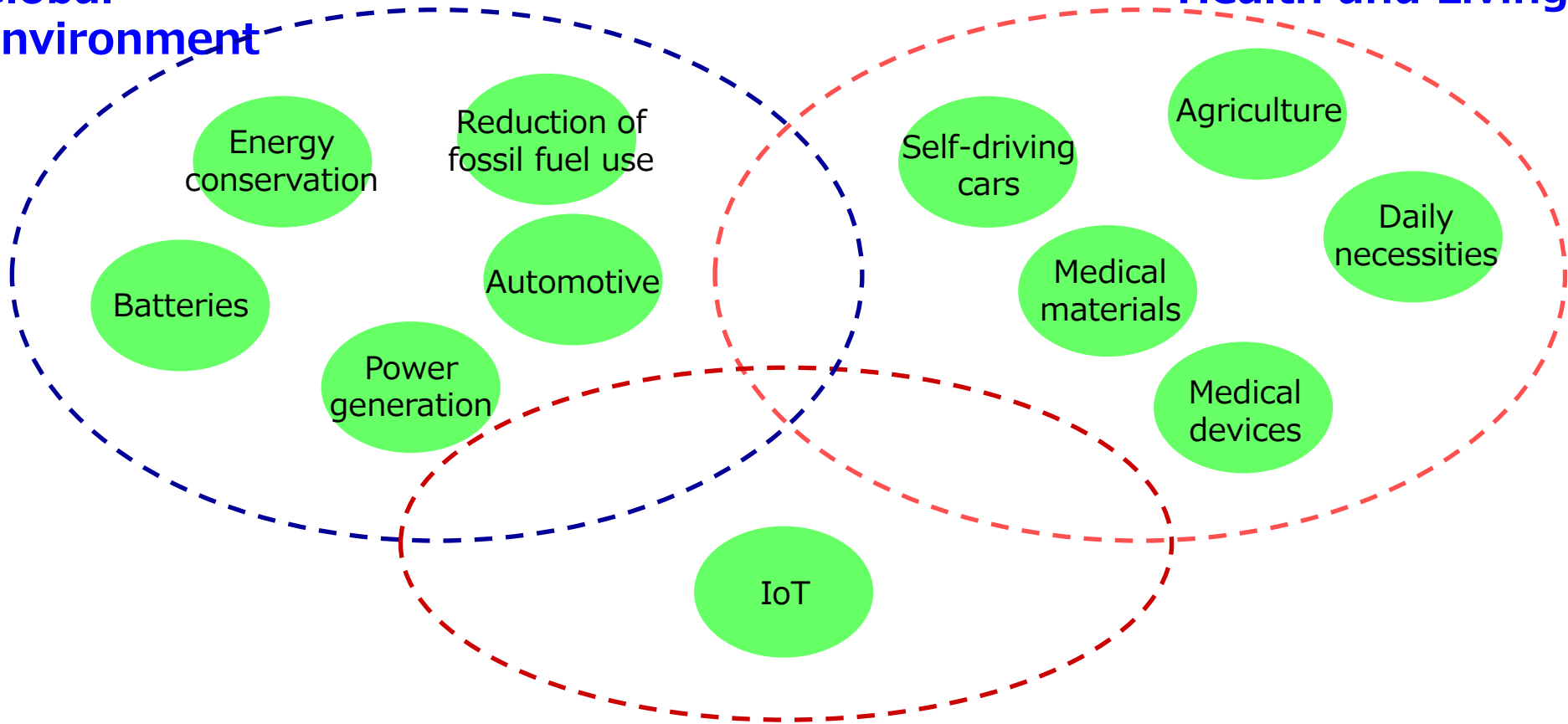
Reinforce and explore to provide solutions globally as a contribution to society



Key development areas : high potential for growth and innovation

Global Environment

Health and Living



Smart Devices

Growth Strategy

Reinforce

+



Solution

Explore

**Accelerate new
business creation
and product
development**

Cultivate a Corporate Culture

Taimatsu (Torch) Activities

Dialogue between management and employees

System of support and generation of ideas

Promotion of diversity

Strategy by Business Segment

Elastomer Business

- Reinforce competitive businesses by responding globally to growth markets and raising cost effectiveness.
- Explore new opportunities and achieve growth based on the trust built in the market and relationships with customers.

Specialty Materials Business

- Expand business in step with the speed of market growth and technological progress through focused investment of resources and stronger collaboration with outside players.

Strategy by Business Segment

Elastomer Business

- Reinforce competitive businesses by responding globally to growth markets and raising cost effectiveness.
- Explore new opportunities and achieve growth based on the trust built in the market and relationships with customers.

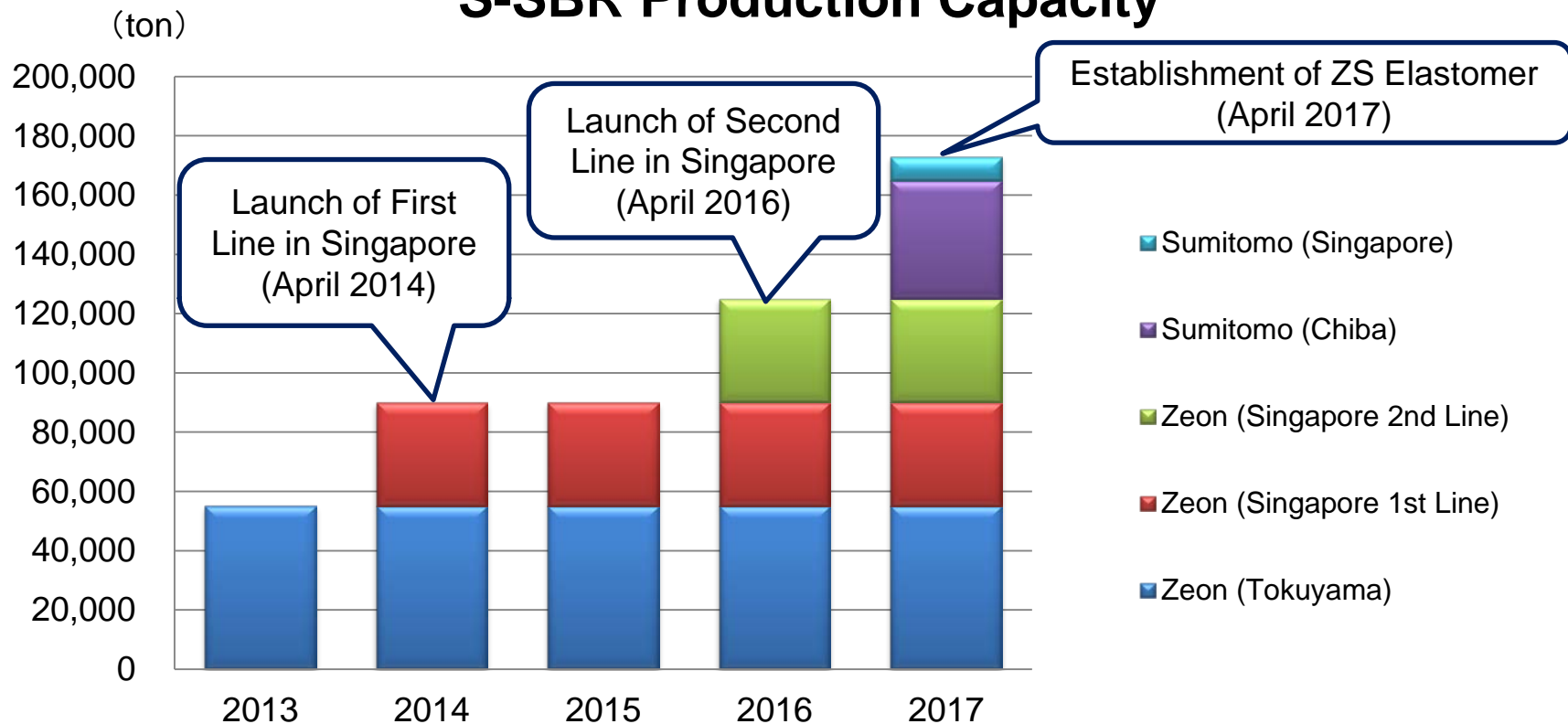
Specialty Materials Business

- Expand business in step with the speed of market growth and technological progress through focused investment of resources and stronger collaboration with outside players.

Aiming to lead the world by creating synergistic effects between technology and production

By combining the polymerization and production technologies of Sumitomo Chemical and Zeon, we will reduce automobile weight and provide much needed enhancements for tires in regard to **wet grip**, **fuel-efficiency**, and **abrasion resistance**.

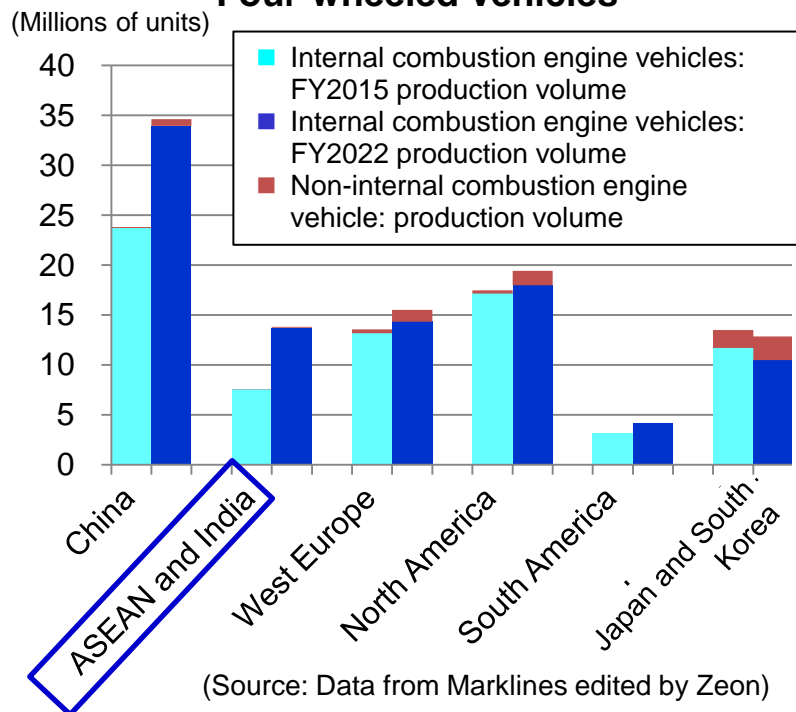
S-SBR Production Capacity



Asia Technical Support Laboratory (ATSL) established in Singapore

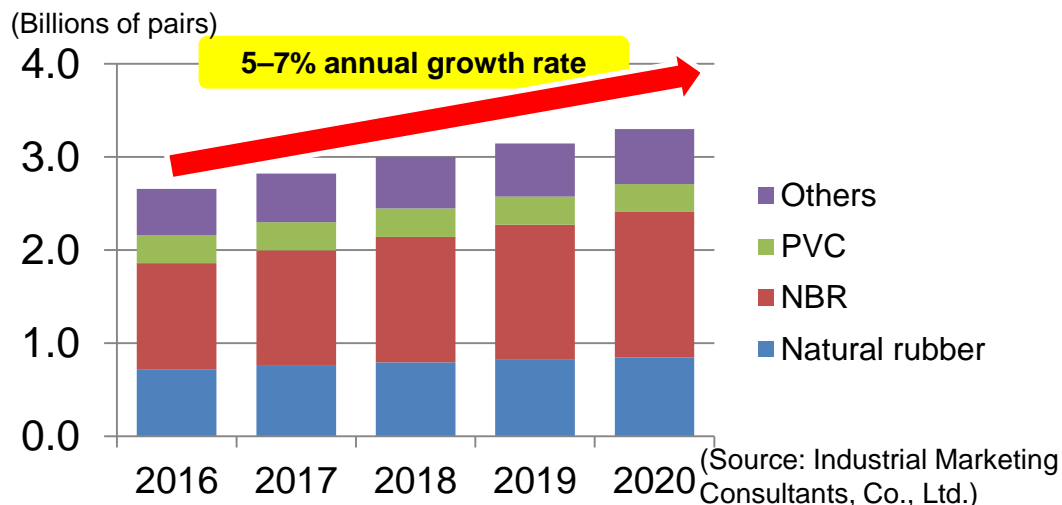
- Singapore is 4th place to establish technical support laboratory in addition to Japan, Europe, and China.
- ATSL covers technical demand in ASEAN and Indian emerging market, prospected continuous growth of combustion engine vehicles.

Projected Production Volume for Four-wheeled Vehicles

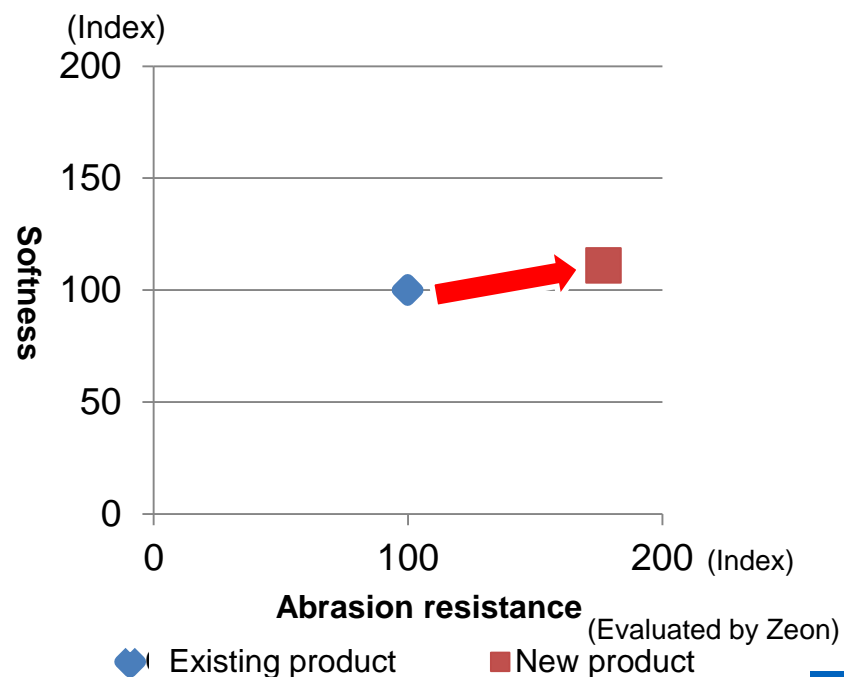


Seeking to expand sales in growing Supported Gloves market by developing new products

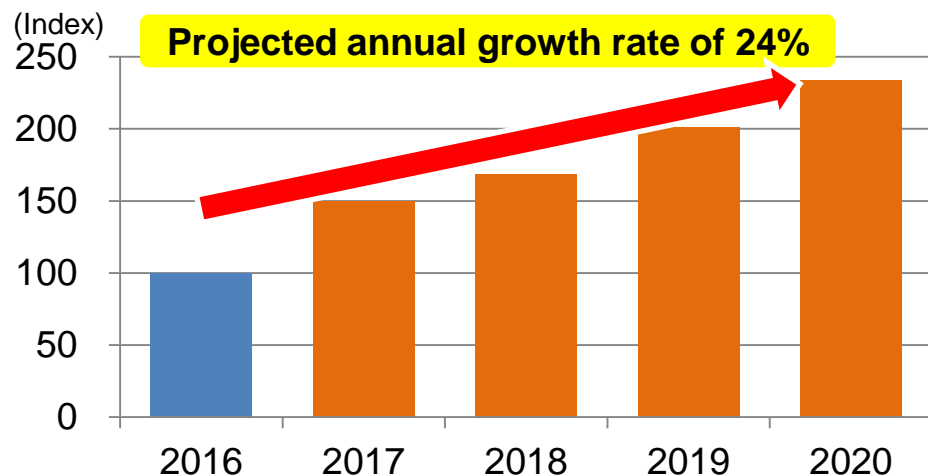
Global Market for Supported Gloves



Properties of Launched Products in FY2016



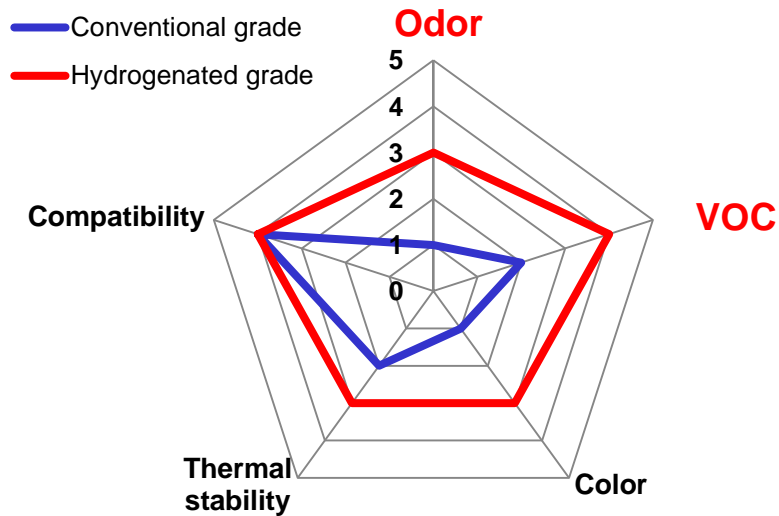
Zeon Product Sales Plan for Supported Gloves



Further growth on both business units with Product differentiation

Hydrocarbon Resin

Hydrogenation facility is newly installed based on our own technology
(Start of production in July 2017)



Hydrogenation to prevent degradation and discoloration



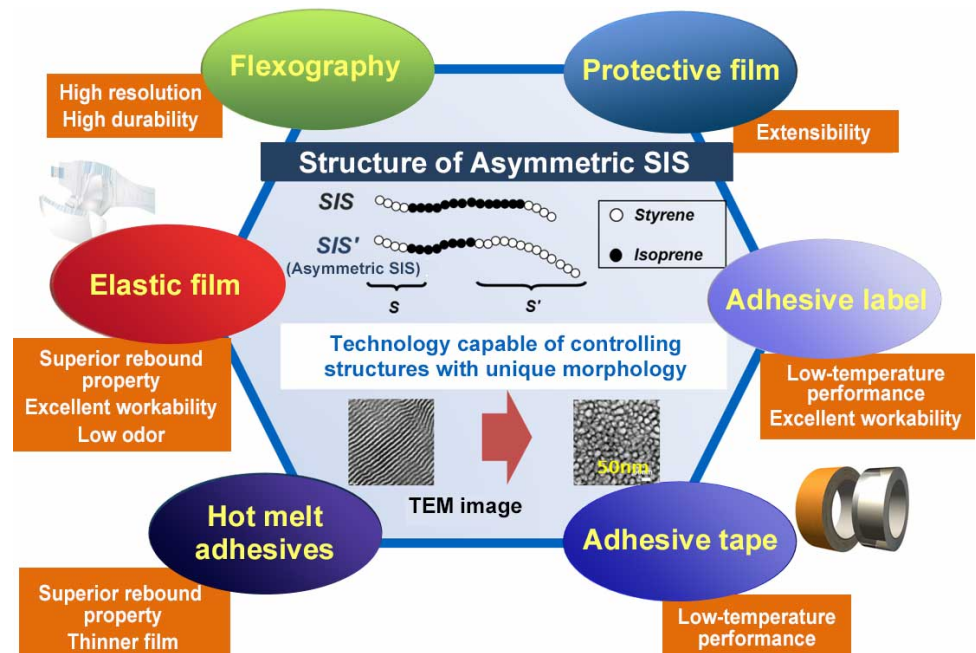
Conventional grade



Hydrogenated grade

SIS

Market/Application Expansion on Asymmetric SIS will lead to steady business growth



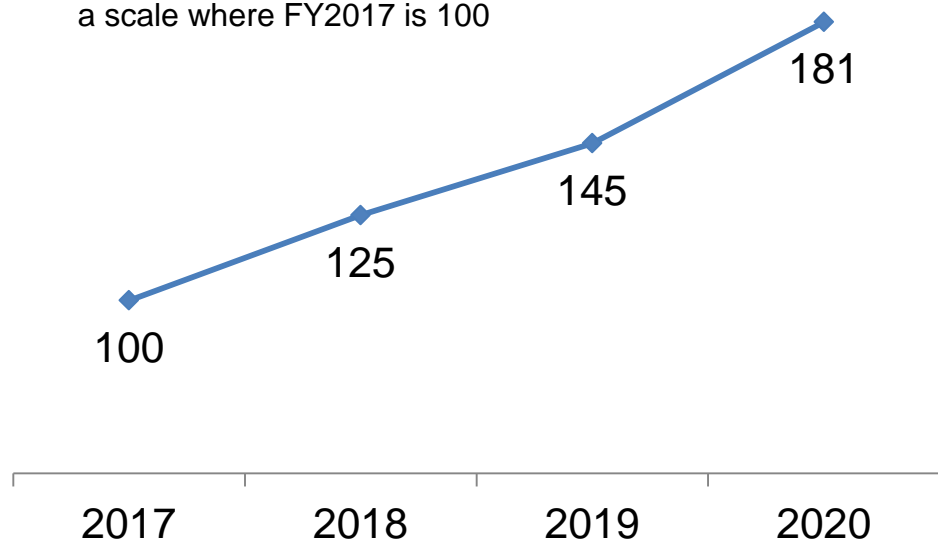
Meeting the needs of an expanding market with manufacturing bases in Japan, China, and Mexico

PSC Production Structure

- ◆ Japan 2,000 t
- ◆ China 2,400 t
- ◆ Mexico Phase 1: 1,200 t (full-scale production to begin in June 2017)
Phase 2: 1,200 t (production to begin in 2020)

PSC Sales Plan (Global)

Index: Figures are based on a scale where FY2017 is 100



Powder slush compounds (PSC)

- PVC-based powder compounds for slush molding
- Superior design, moldability, and low-temperature properties

PSC application: Automotive interior skins



Zeon Kasei Mexico

Strategy by Business Segment

Elastomer Business

- Reinforce competitive businesses by responding globally to growth markets and raising cost effectiveness.
- Explore new opportunities and achieve growth based on the trust built in the market and relationships with customers.

Specialty Materials Business

- Expand business in step with the speed of market growth and technological progress through focused investment of resources and stronger collaboration with outside players.

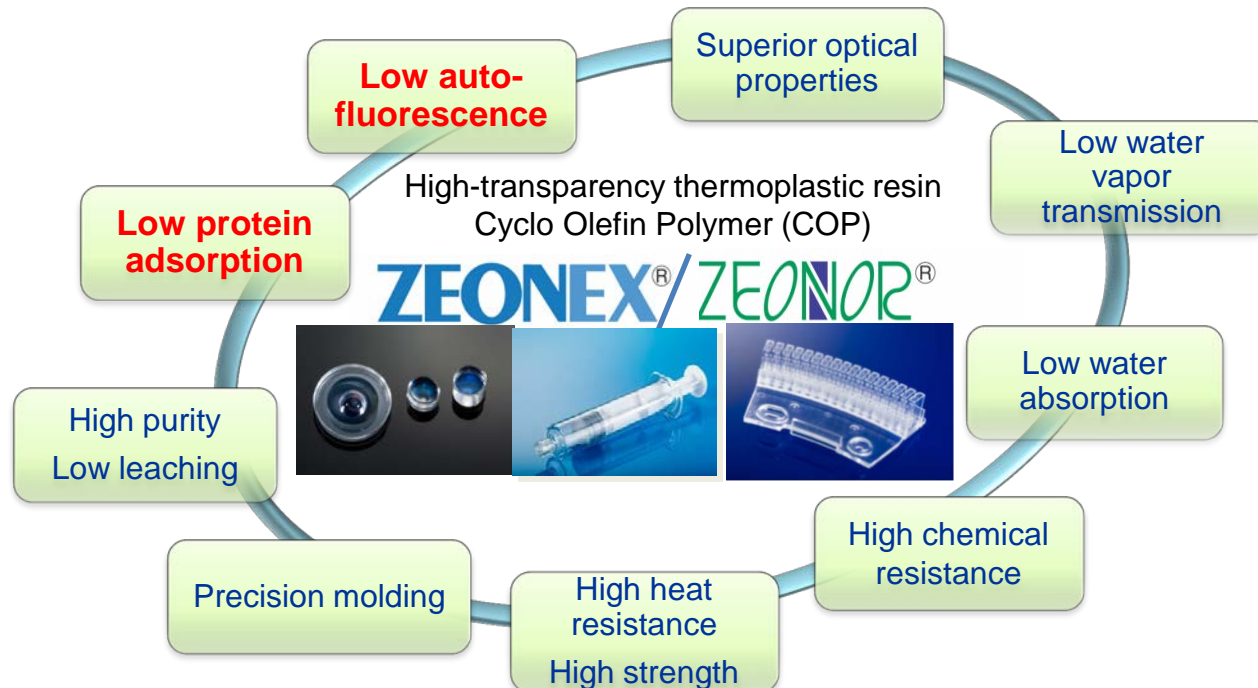
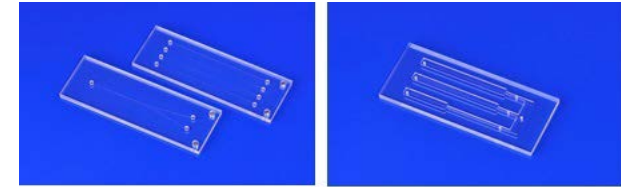
Diversifying COP applications for medicine and biotechnology

■ Launched prototype production service for microfluidic chips and other products

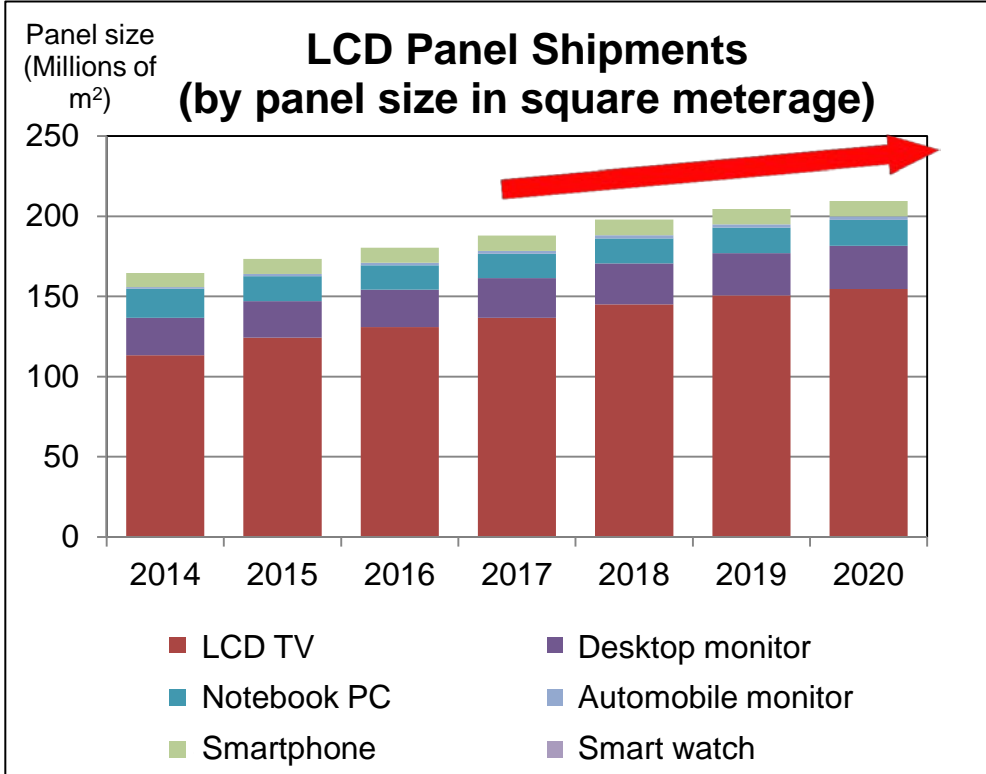
A one-stop service offering everything from flat plate molding to microchannel cutting and bonding, allowing for low-cost, quick delivery and small-lot sample production

→ **Adopting the concept of *kotozukuri*, the development of added value that goes beyond manufacturing**

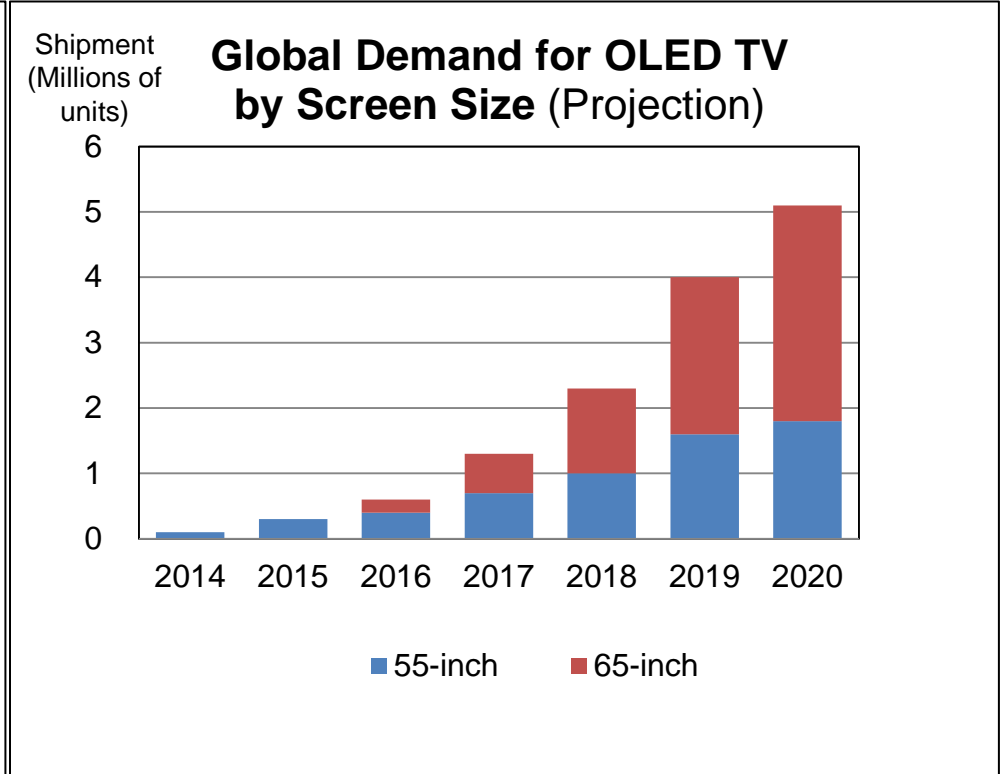
Microfluidic chip



Sales growth driven by robust demand for its use in high-resolution large-screen TVs



LCD panel market: expansion continues in terms of square meterage



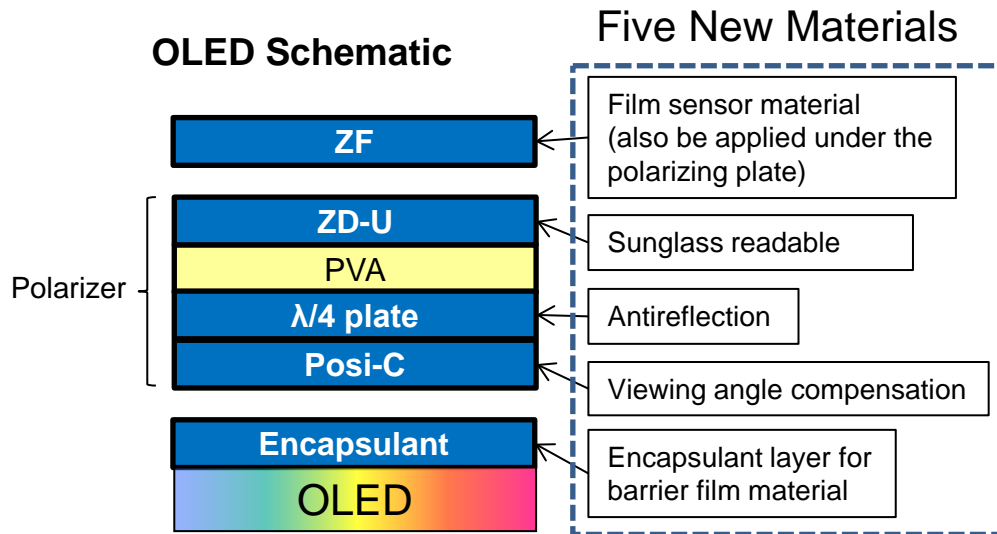
OLED TV market: growing demand for larger screens

(Source: 30th and 31st IHS Display Japan Forum, January 2016) © 2016 IHS

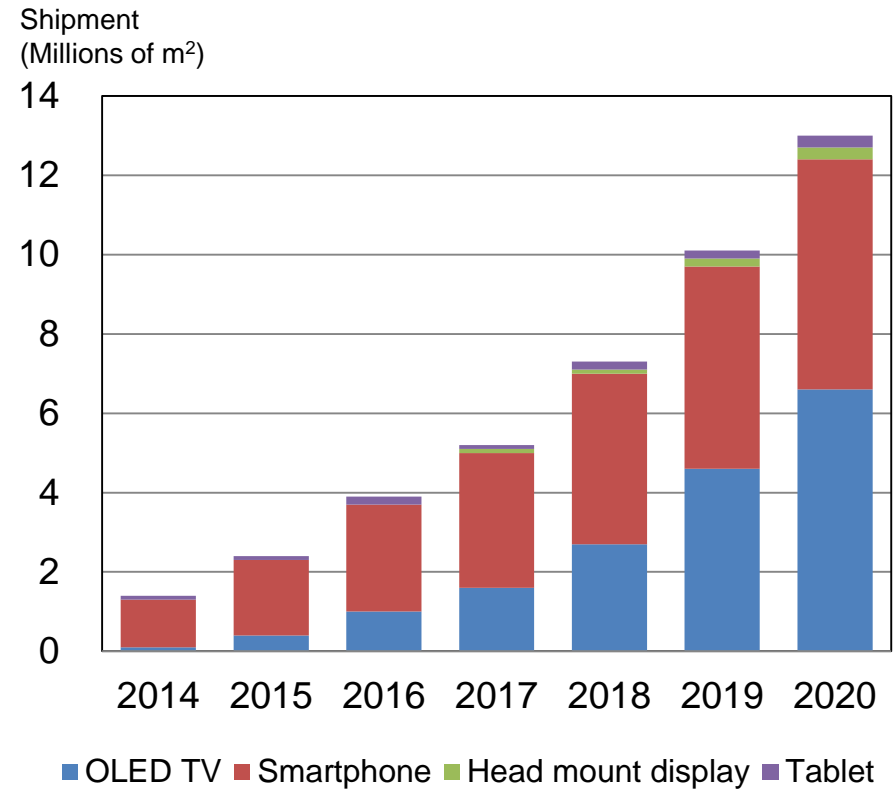
Entering the OLED market with a lineup of new materials

■ Develop materials for the growing OLED market :

- the new retardation film
- materials for touch sensor and foldable applications



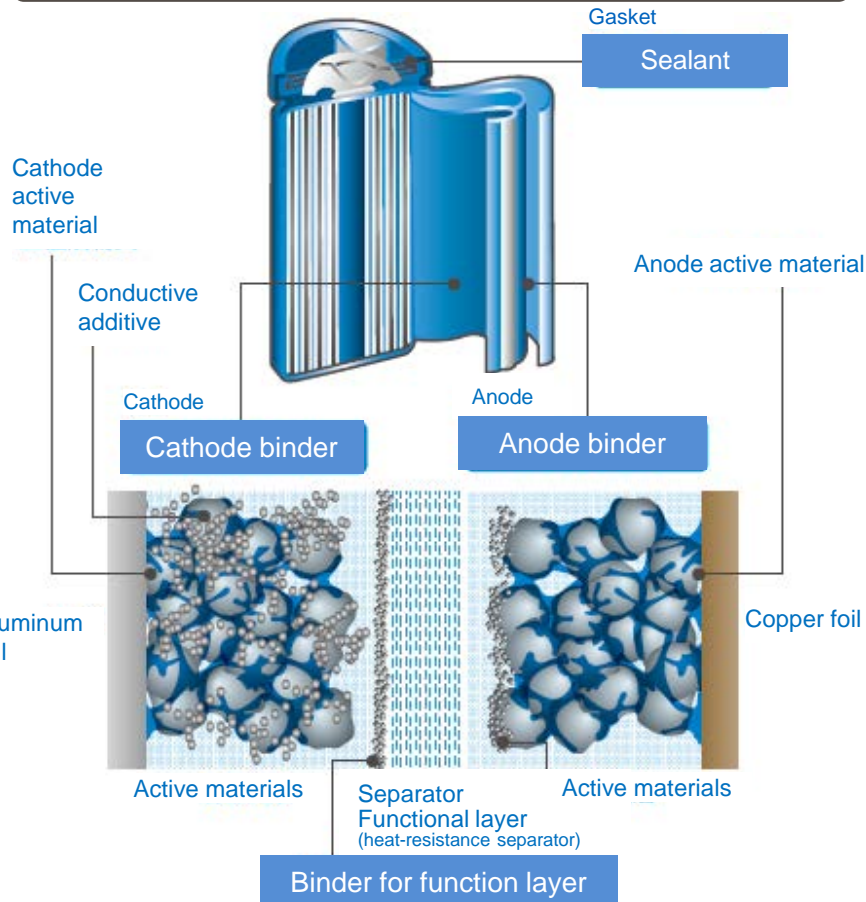
OLED Shipments



(Source: IHS Display Japan Forum, July 2016)

Growing steadily on the back of expanded product line-up

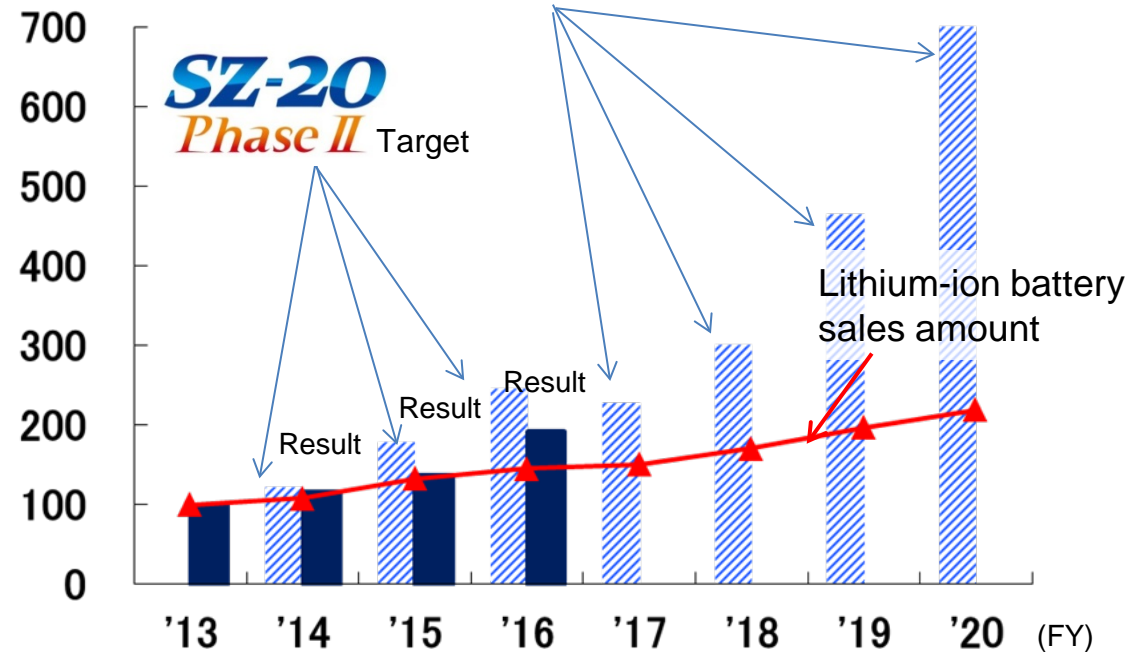
Zeon Products for Li-ion Batteries



Sales of Zeon Battery Materials

Net sales (Index)

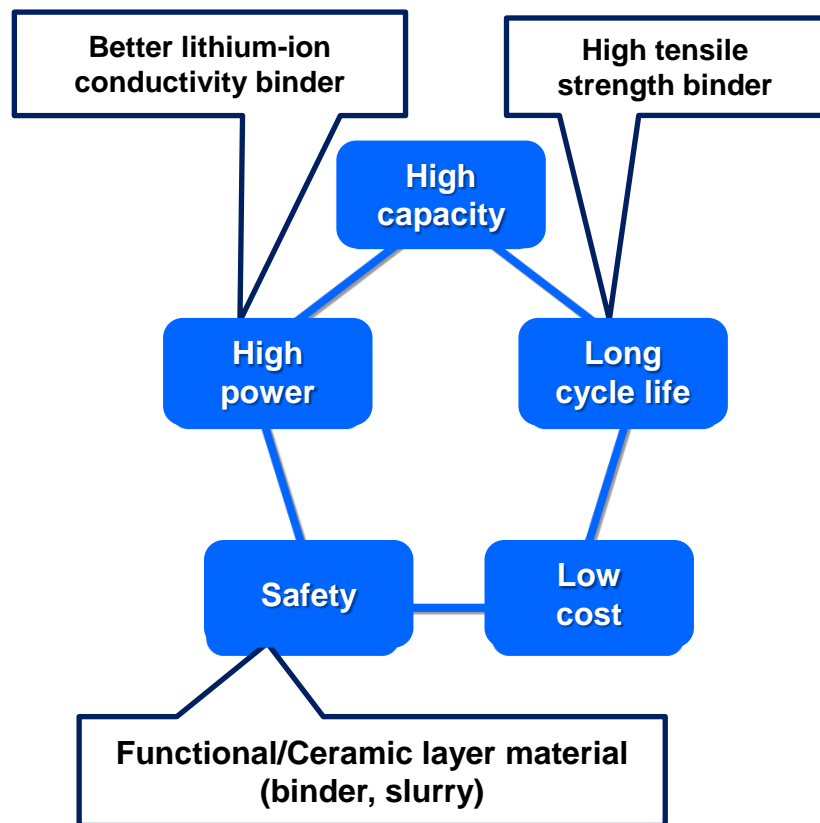
Phase III Target



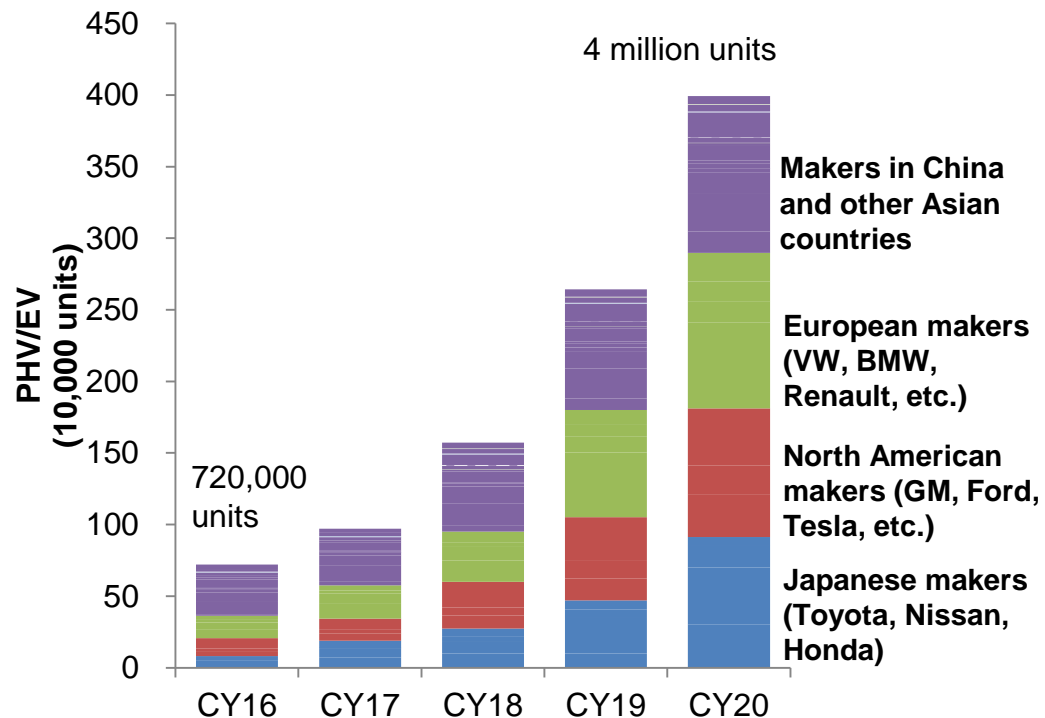
Index: Figures are based on a scale where FY2013 is 100
 Source for market data: Report by B3, Inc., December 2016

Steadily increasing applications for the automotive industry

Five Key Cell Properties, Zeon Proposals



PHV/EV Forecast by Area

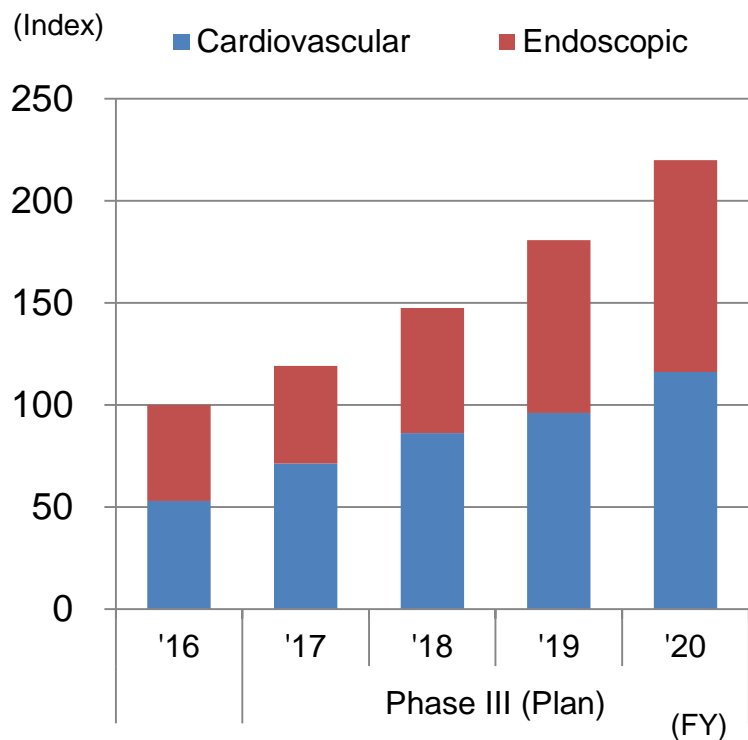


(Source: Zeon estimates based on B3 report)

With PHV/EV market expansion, We realize the phase-III target by increasing applications for the advanced Chinese market and for the European and U.S. markets.

Expand businesses with FFR pressure guidewires, bile stone extraction catheters and gastrointestinal stents

Sales of Zeon Medical



Index based on scale where sales for FY2016 is 100

Cardiovascular business: Advanced accuracy and reliability of pressure measurement toward increasing market share

Aim for 30% of FFR market share with fiber optic sensing technology by FY2020



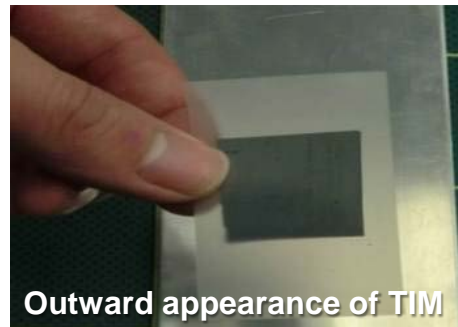
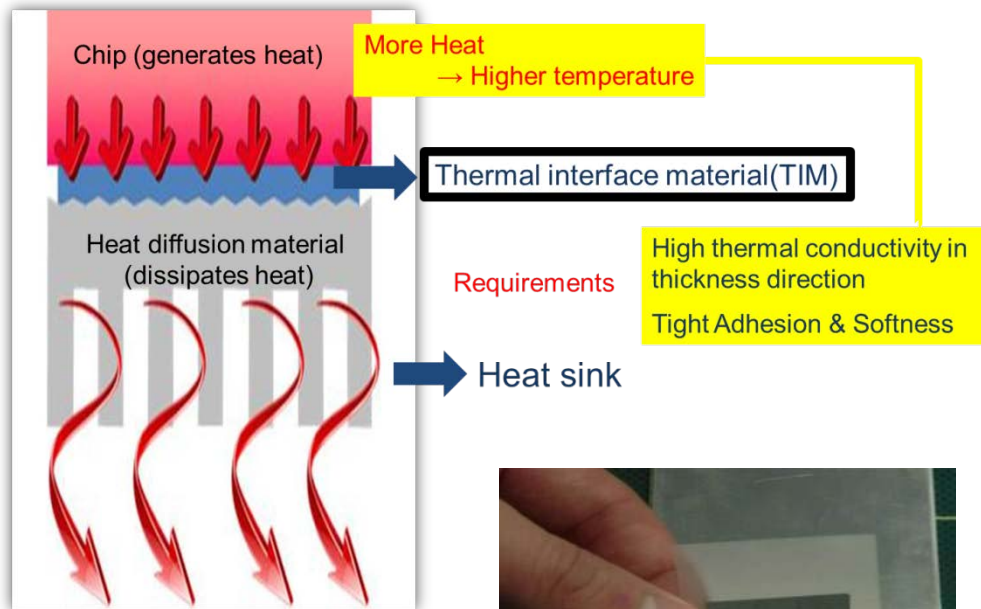
Endoscopic business: Focus on minimally invasive devices

- Bile stone extraction catheters: Plan to launch new product in FY2017
- Gastrointestinal stents: Plan to launch new products in FY2017, FY2018, and FY2019



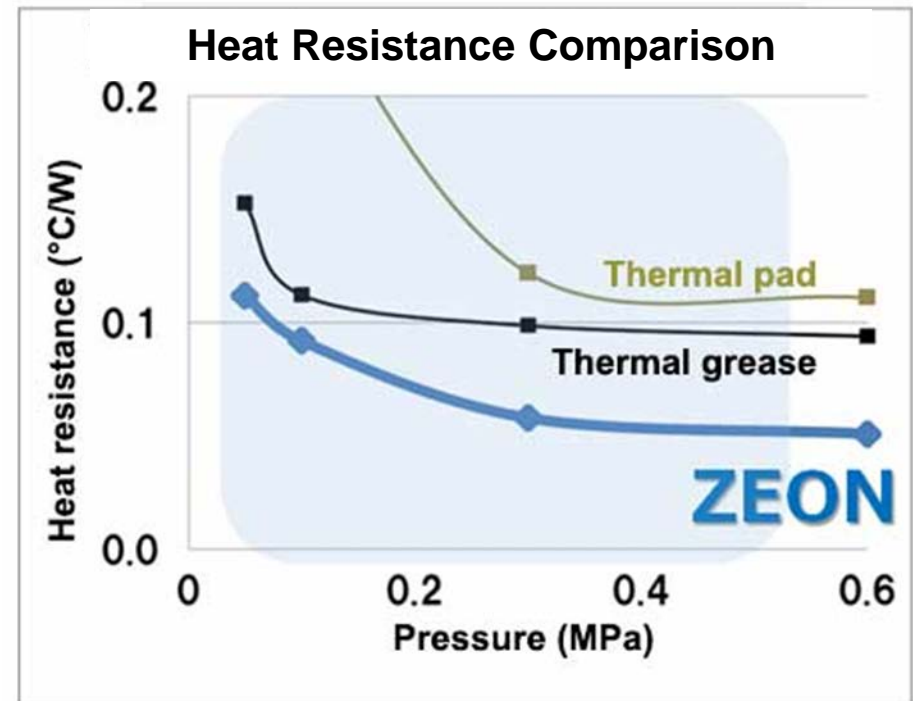
Solution in Thermal Management for Servers & Power Devices

Applications of ZEONANO™ SG101 / rubber composite material
Developed an extraordinary high-performance Thermal Interface Material (TIM)



Outward appearance of TIM

Low heat resistance in broad pressure range
for actual usage



Enterprise Blueprint for 2020

**Zeon makes the Future Today
through the Power of Chemistry.**

Zeon will continue to contribute to the realization of customer dreams and a prosperous society through employees' individual growth.

**Targeting consolidated net sales of
over 500 billion yen in FY2020**

Speed

Dialogue

**Social
Contribution**

Mutual trust and confidence among Zeon members

ZEON

ZEON CORPORATION

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.

Dept. of Corporate Communications, CSR Division

1-6-2 Marunouchi, Chiyoda-ku, Tokyo 100-8246, Japan

Tel: +81-3-3216-2747, Fax: +81-3-3216-0501