



Medium-Term Business Plan – Phase 2 (FY2023-FY2026)

ZEON

ZEON CORPORATION

Kimiaki Tanaka

President and CEO

June 7th, 2023

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- P.6 Progress on Phase 1 of the Medium-Term Business Plan**
- P.13 Phase 2 of the Medium-Term Business Plan**
 - (1) Group-wide Strategy**
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Corporate Philosophy
= Mission

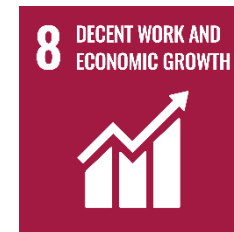
**Contributing to the preservation of the Earth and
the prosperity of the human race**

In keeping with its name, derived from the Greek words “geo” (Earth) and “eon” (eternity), **Zeon will contribute to a “Sustainable Earth” and “Safe and Comfortable Life for People”** by providing original technologies, products, and services.

Vision for
2030

**A company that lives up to societal expectations and
aspirations of employees**

SDGs
targeted
by Zeon

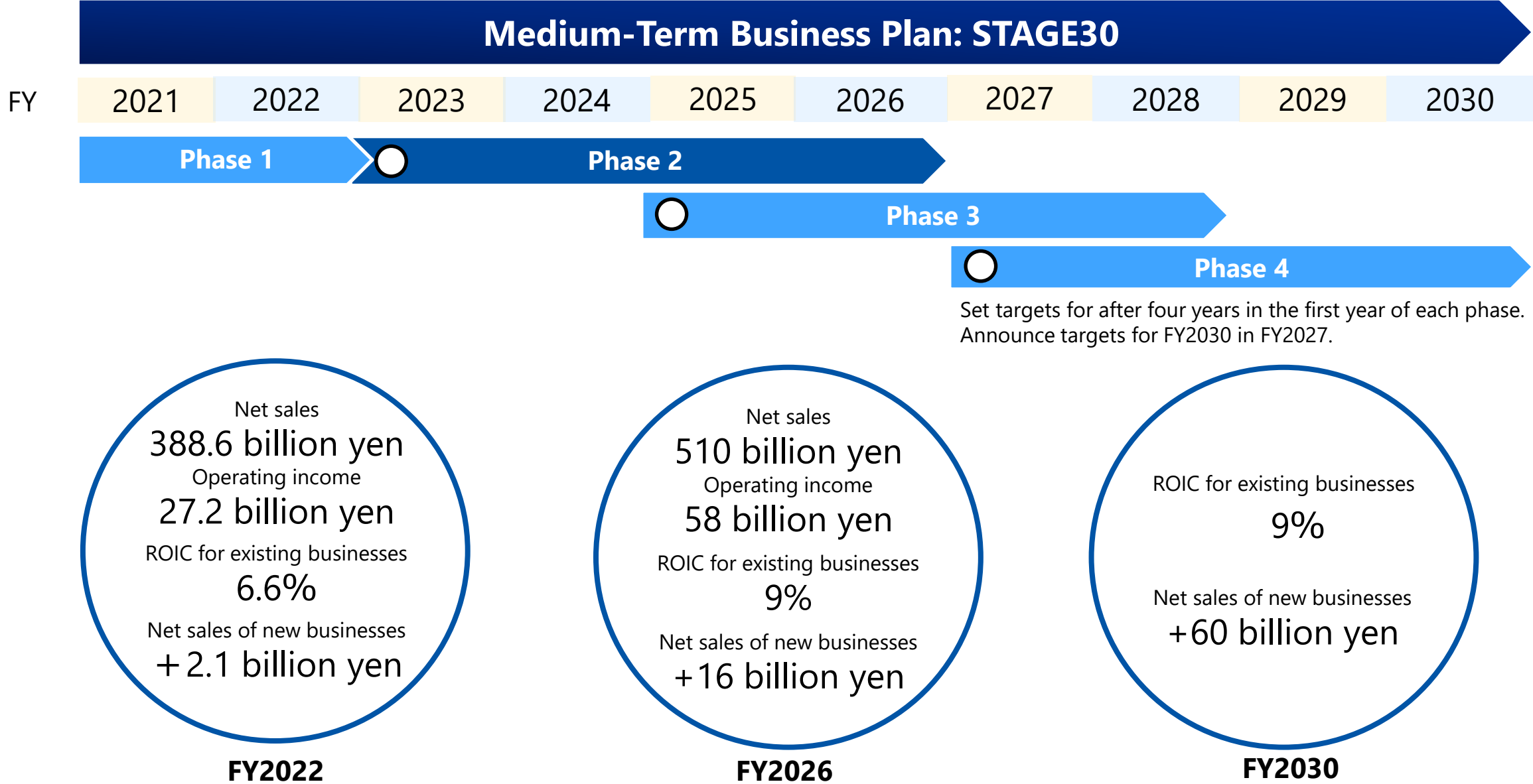


Core
Values

Let's try first

Let's connect

Let's polish up



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	Strategies	Indexes	FY2019	FY2022	Targets for FY2030
1	Promote a transformation of “monozukuri” to realize carbon neutrality and a circular economy	Ratio of reduction in CO ₂ emissions compared to FY2019 levels (Zeon Corporation’s Scope 1+2 emissions)	— %	Approx. 11% (forecast) reduction	50% reduction
2	“Polish up” existing businesses	Sales ratio of products that contribute to the SDGs	—	Working on system introduction	50%
	“Explore” new businesses	ROIC for existing businesses	6.7%	6.6%	9%
		Net sales of new businesses (compared to FY2019)	—	+2.1 billion yen	+60 billion yen
3	Work together to create “stages” to be active on	Employee engagement Ratio of foreign national and female directors and officers	— % 0%	48% 7%	75% 30%

Progress

Ratio of reduction
in CO₂ emissions
compared to FY2019 levels
(Zeon Corporation's Scope 1+2 emissions)

FY2019

— %

FY2022

Approx. **11%**
(forecast)
reduction

Targets for FY2030

50%
reduction

Phase 1 Summary

(1) Energy conversion at domestic plants

Himi Futagami Plant

Purchased electric power:
100% renewable energy

Takaoka Plant

Purchased electric power:
100% renewable energy
Purchasing of carbon neutral LNG

Tsuruga Plant

Purchased electric power:
100% renewable energy

Kawasaki Plant

Introduction of
carbon neutral city gas

Tokuyama Plant

Purchased electric power:
100% renewable energy
Steam: Purchase of
Renewable Energy Certificates

(2) Establishment of 1st Carbon Neutrality Master Plan

→Establishment of CO₂ emission reduction target for FY2030

(3) Introduction of internal carbon pricing (ICP) scheme

(4) Selected by NEDO* as a business for the Green Innovation Fund Project

- Development of carbon recycling basic chemical manufacturing technology for synthetic rubber
- Development of high-performance and energy-efficient non-volatile memory for photonic chips
- MATSURI Project

*New Energy and Industrial Technology Development Organization

Phase 1 Summary

Capacity expansion to boost COP* and battery material production

*Cyclo Olefin Polymer

COP

- Completed in July 2021
- +4,600 tonnes

Mizushima Plant



Battery materials

- Planned launch of operations in 2024

Zeon Chemicals Asia



COP recycling

- Planned launch of operations in August 2024
- +6,000 tonnes

Takaoka Plant



CO₂ reduction effect: 12,000 tonnes (vs. existing manufacturing methods)

Resin manufactured via
general recycling technology



Resin manufactured via newly
developed recycling technology



Phase 1 Summary

Aggressively increase capacity in our differentiated product lines to beat out the competition in existing SBUs

Optical films

- Planned launch of operations in October 2023
- +50,000,000 m²

Tsuruga Plant



Leaf alcohol

- Completed in July 2022
- +400 tonnes

Mizushima Plant



Zetpol® hydrogenated nitrile rubber

- Completed in 2023
- +Approx. 10%

Takaoka Plant

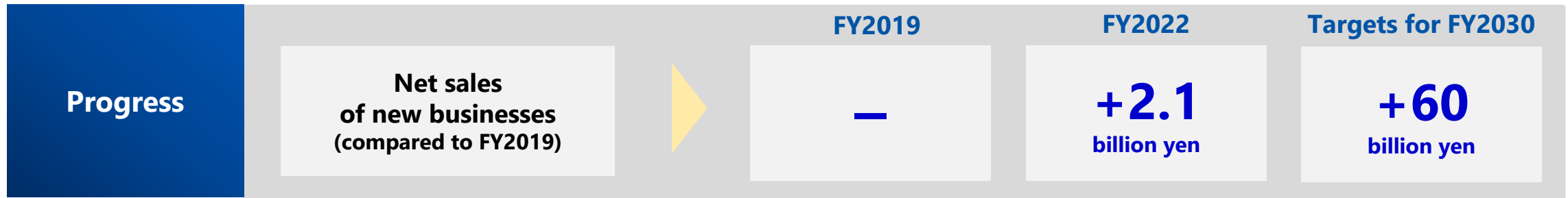


Zetpol® hydrogenated nitrile rubber

- Planned launch of operations in January 2025
- +Approx. 25%

Zeon Chemicals Texas Plant





Phase 1 Summary Increased new business sales by 2.1 billion yen, mainly in the Telecommunications area
Promoted external collaboration in each area, including acquisition of two companies in the Healthcare and Life Science area, to achieve further growth

Four Key Areas * Investments/partners * Acquisitions

- CASE and MaaS
- Healthcare and Life Science
- Telecommunications (5G/6G)
- Energy Conservation

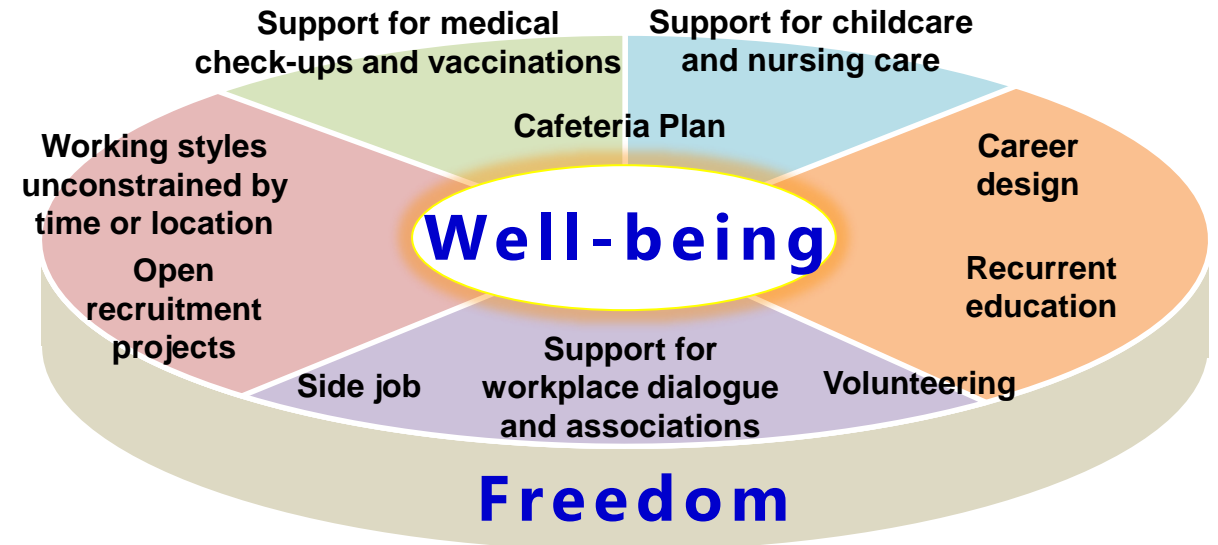


		FY2019	FY2022	Targets for FY2030
Progress	Employee engagement Ratio of foreign national and female directors and officers	— % 0%	48% 7%	75% 30%

Phase 1 Summary	Worked on improving systems and environment to provide more life choices
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- Launch of measures to improve engagement
- Renewal of headquarter office
- Promotion of telework
- Introduction of cafeteria plan
- Introduction or revision of several systems
 - Childcare/Family Leave System
 - Senior Employee System
 - Side Job System

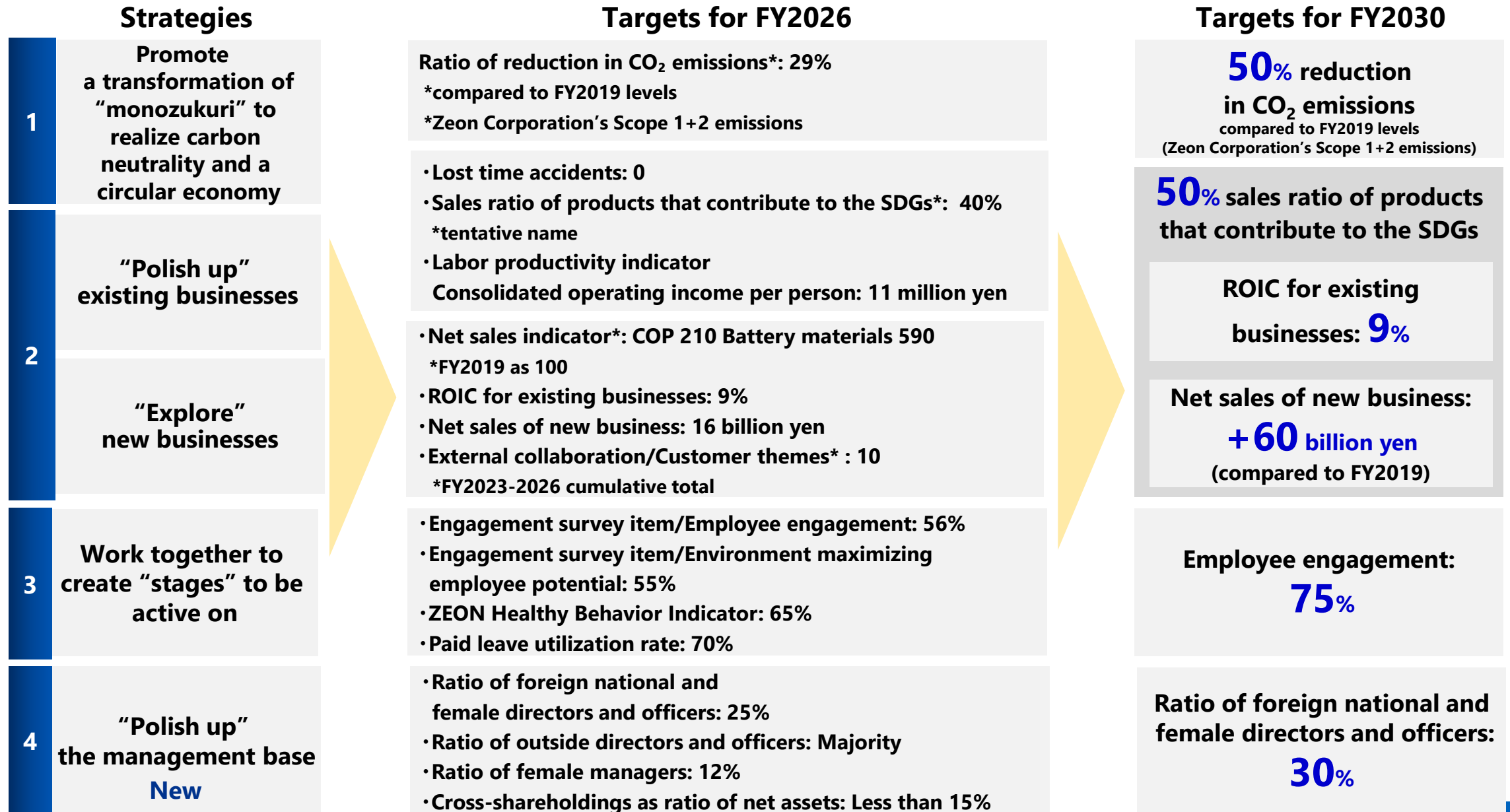
etc.



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Targets for FY2026

Ratio of reduction in CO₂ emissions*: **29%**

*compared to FY2019 levels

*Zeon Corporation's Scope 1+2 emissions

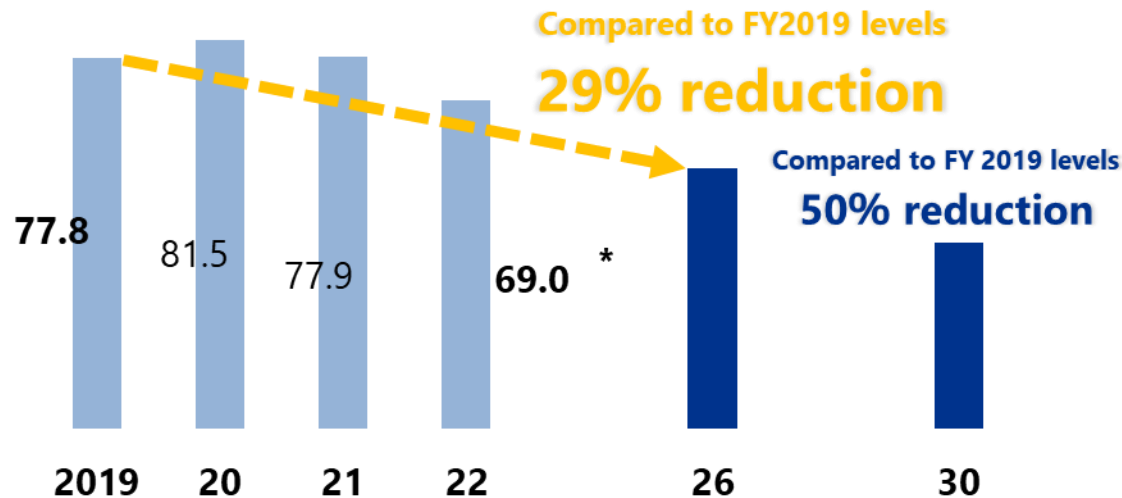
Key Policy

Reduce Scope 1 and Scope 2 emissions looking ahead to 2030

Aim to reduce and contribute Scope 3 emissions looking ahead to 2050

Reduce Scope 1 and Scope 2 emissions looking ahead to 2030

- Promote energy savings, reform processes, convert energy source



Aim to reduce and contribute Scope 3 emissions looking ahead to 2050*

- Prepare to change raw material
→Look into manufacturing of ethanol-derived butadiene, bio-butadiene, and bio-isoprene
- Lay the foundation for building a recycling business model
→Look into expanding recycling efforts for other products in addition to COP recycling plant to be put into operation

*Targets will be updated as necessary to achieve carbon neutrality by 2050.

*Calculation based on greenhouse gas protocol: 729,000 tonnes

Targets for
FY2026

Lost time accidents
0

Sales ratio of products that
contribute to the SDGs*:

40%

*tentative name/be updated appropriately

Labor productivity indicator
Consolidated operating income per person:

11 million yen

Key Policy

Achieve safe and stable production and promote sustainable monozukuri (manufacturing)

Achieve safe and stable production

- Invest 18 billion yen* in human resources

*Increase in labor costs vs. FY2022
(cumulative total for FY2023-FY2026)

- Reforming work styles, securing training and improvement time, and promoting innovating production*

*The Daicel Method of production innovation



Promote sustainable monozukuri (manufacturing)

- Promote sales ratio of products that contribute to the SDGs*:

*Tentative name

- Ensure profitability by polishing up existing businesses

Improve labor productivity

Targets for FY2026

Labor productivity indicator
Consolidated operating income per person:
11 million yen

Net sales indicator*:
COP210
Battery materials590
*FY2019 as 100

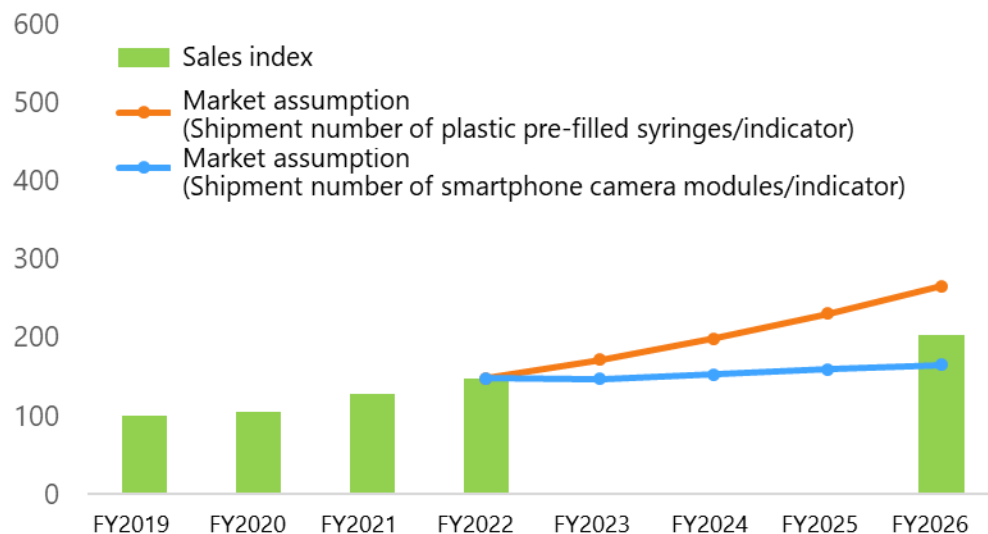
ROIC for existing businesses:
9%

- COP will grow steadily in the main applications of optical and medical, and battery materials will steadily capture the growth of the global EV market**

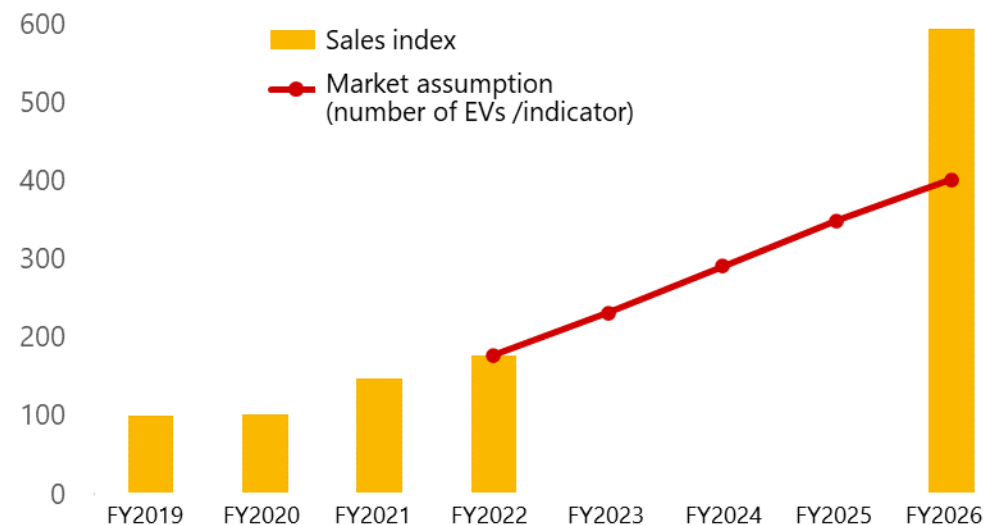
Trends* in COP and battery materials

*Trends in indicators when FY2019 is 100

COP market assumption and sales index



Battery materials 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 -
EV: LMC Global Light Vehicle Powertrain Forecast - Quarter 4, 2021

**Targets for
FY2026**

Labor productivity indicator
Consolidated operating income per person:
11 million yen

Net sales indicator*:
COP210
Battery materials590
*FY2019 as 100

**ROIC for existing
businesses:**
9%

■ **Business expansion investment plans are underway for COP and battery materials**

Battery materials

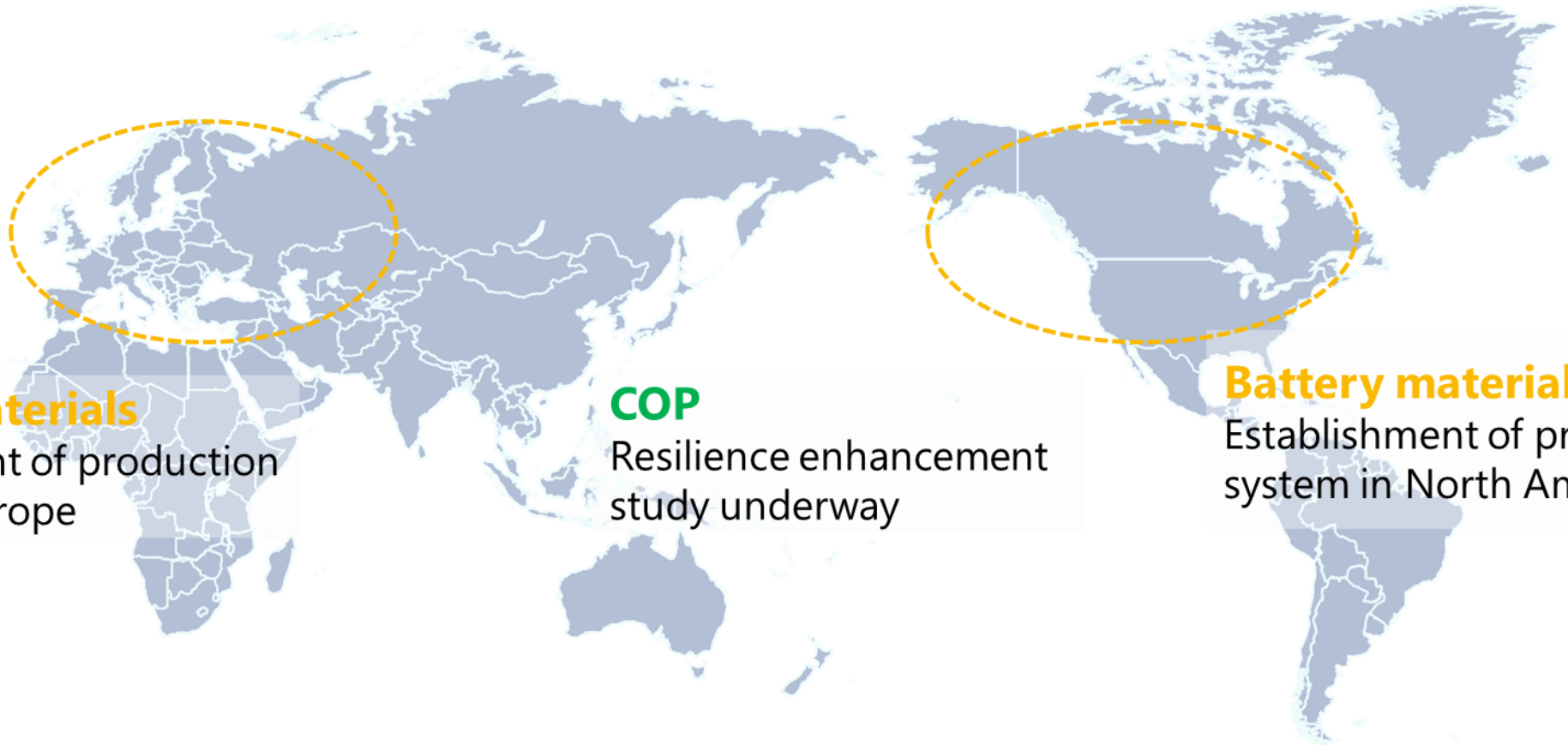
Establishment of production system in Europe

COP

Resilience enhancement study underway

Battery materials

Establishment of production system in North America



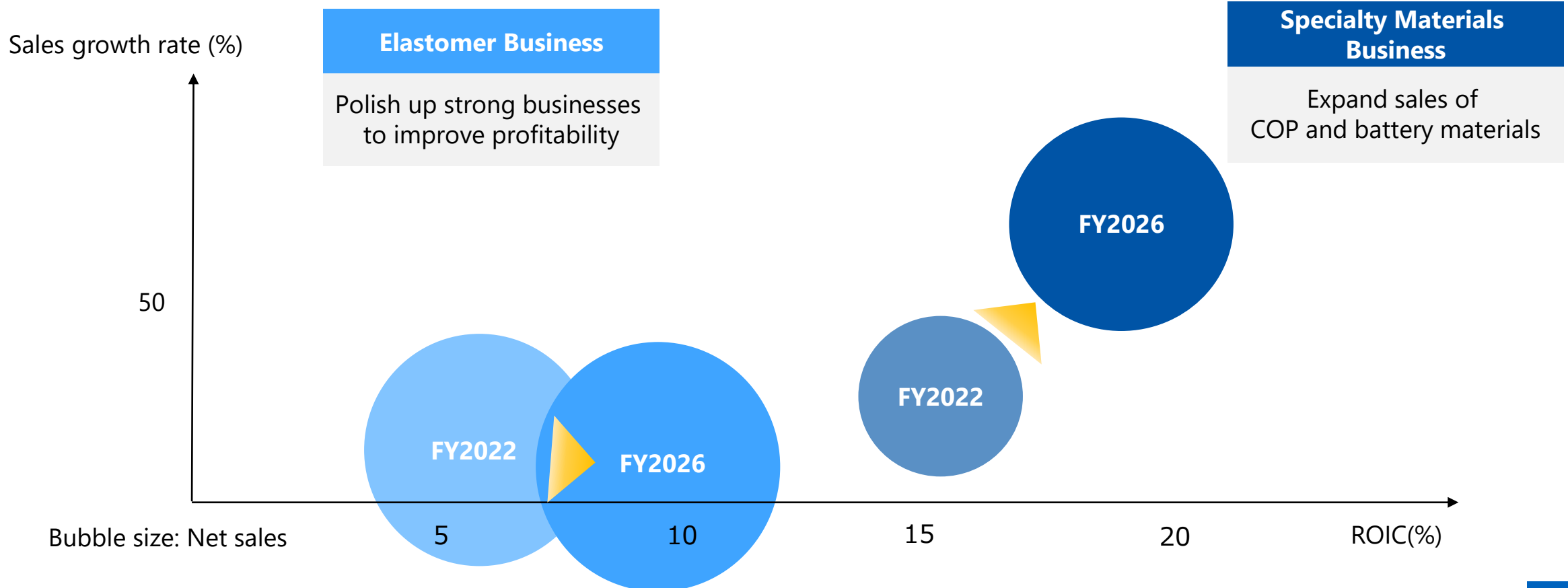
Targets for FY2026

Labor productivity indicator
Consolidated operating income per person:
11 million yen

Net sales indicator*:
COP210
Battery materials590
*FY2019 as 100

ROIC for existing businesses:
9%

Polish up business efficiency based on cost of capital and ROIC



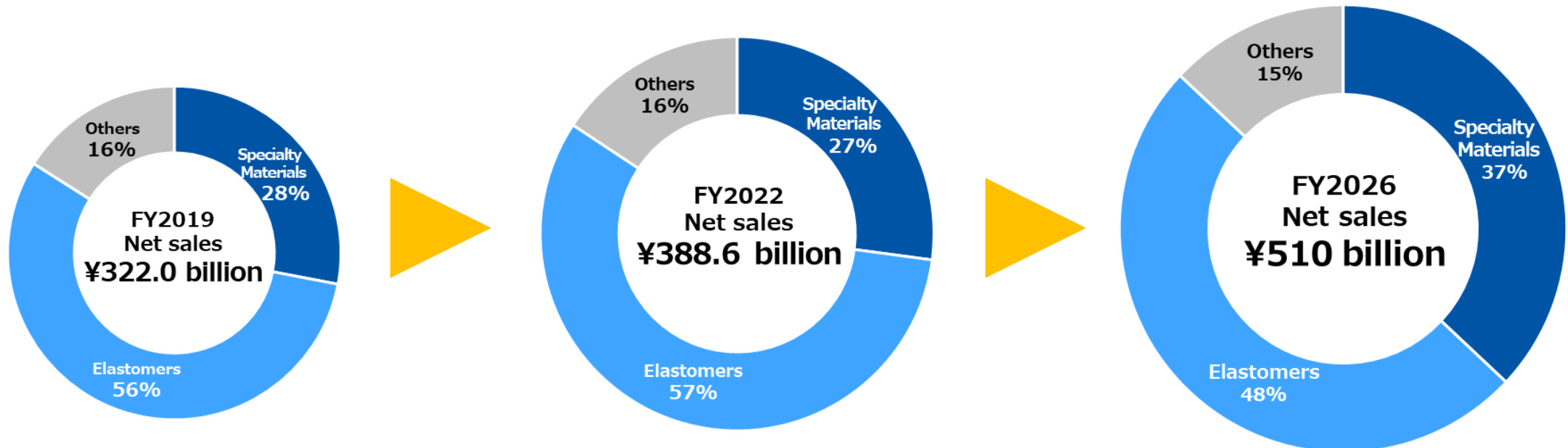
- Reorganize portfolio around differentiated products such as COP and battery materials

Elastomer Business

Promote structural reform emphasizing capital efficiency

Specialty Materials Business

Expand production base and sales centered on COP and battery materials



**Targets for
FY2026**

**Net sales of new
business:
16 billion yen**

External collaboration/Customer themes*
10
*FY2023-2026 cumulative total

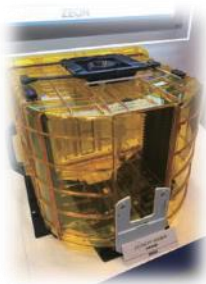
- Strengthen resources and mechanisms to spread CVC and M&A throughout the Group
- Launch new products in new markets by connecting manufacturing, sales, and technology

**Aim for 16 billion yen in net sales with new products
in addition to M&A, etc.**

Promote external cooperation for CVC, etc.

**Aurora
Microplates**

Micro-well plates



**Semiconductor
container**

**Edge
PRECISION
MANUFACTURING**

Microfluidic devices



TIM etc.

ZEON Cooperation

External



New partners

Targets for FY2026

Engagement survey item
Employee engagement:
56%

Engagement survey item
**Environment maximizing
employee potential:**
55%

**ZEON Healthy
Behavior Indicator*:**
65%

**Paid leave
utilization rate:**
70%

Key Policy

Create a healthy and motivating work environment

Advance health and productivity management initiatives

- **Initiatives to reduce the risk of lifestyle-related diseases by introducing ZEON Healthy Behavior Indicators***

*ZEON Healthy Behavior Indicator:
Percentage of employees who achieved at least 2 of the 3 behaviors (standard BMI maintenance, exercise habits, and not smoking) to reduce the risk of lifestyle-related diseases

Operate a personnel system that allows employees to be themselves

- **Human resource management reform to draw out individual strengths and promote growth**
- **Introduce and establish a new personnel system for managers based on duties**

Instill DI&B thinking

- **Organizational climate development and leadership training to make use of diverse human resources to support employees in being themselves through promotion of DI&B**

Targets for FY2026

Ratio of foreign national & female directors & officers*:

25%

*Directors and Audit & Supervisory Board Members (inside and outside)

Ratio of outside directors & officers*:

Majority

*Directors or Audit & Supervisory Board members

Ratio of female managers:

12%

Cross-shareholdings as ratio of net assets:

Less than 15%

Key Policy

“Polish up” corporate governance

Enhancing corporate governance

- Strengthening of interrelation between officer remuneration and medium-term plan
- Selection of highly diverse and independent officers
- Reduction of cross-shareholdings

Training diverse human resources for future management positions

- Operation of new personnel system for managers
- Promotion of training for managers and candidates of manager
- Recruitment of diverse career personnel

“Polishing up” capital efficiency

- Advanced financial management to support active business investment

*Expectation based on proposal at June 29, 2023 general meeting of shareholders
Ratio of foreign national and female directors and officers: 19%
Ratio of outside directors and officers: 50%
Introduction of performance-linked remuneration

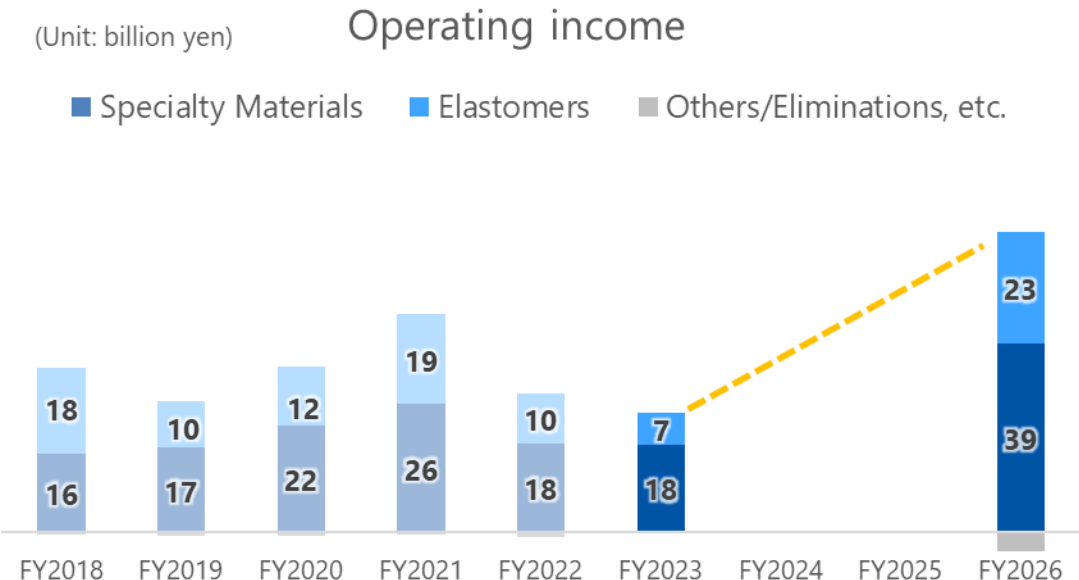
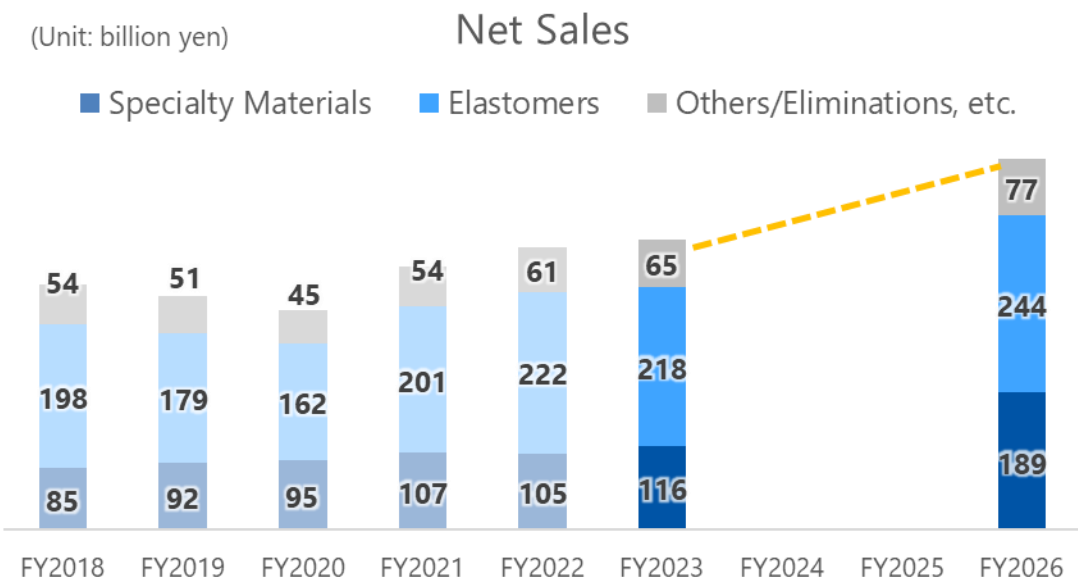
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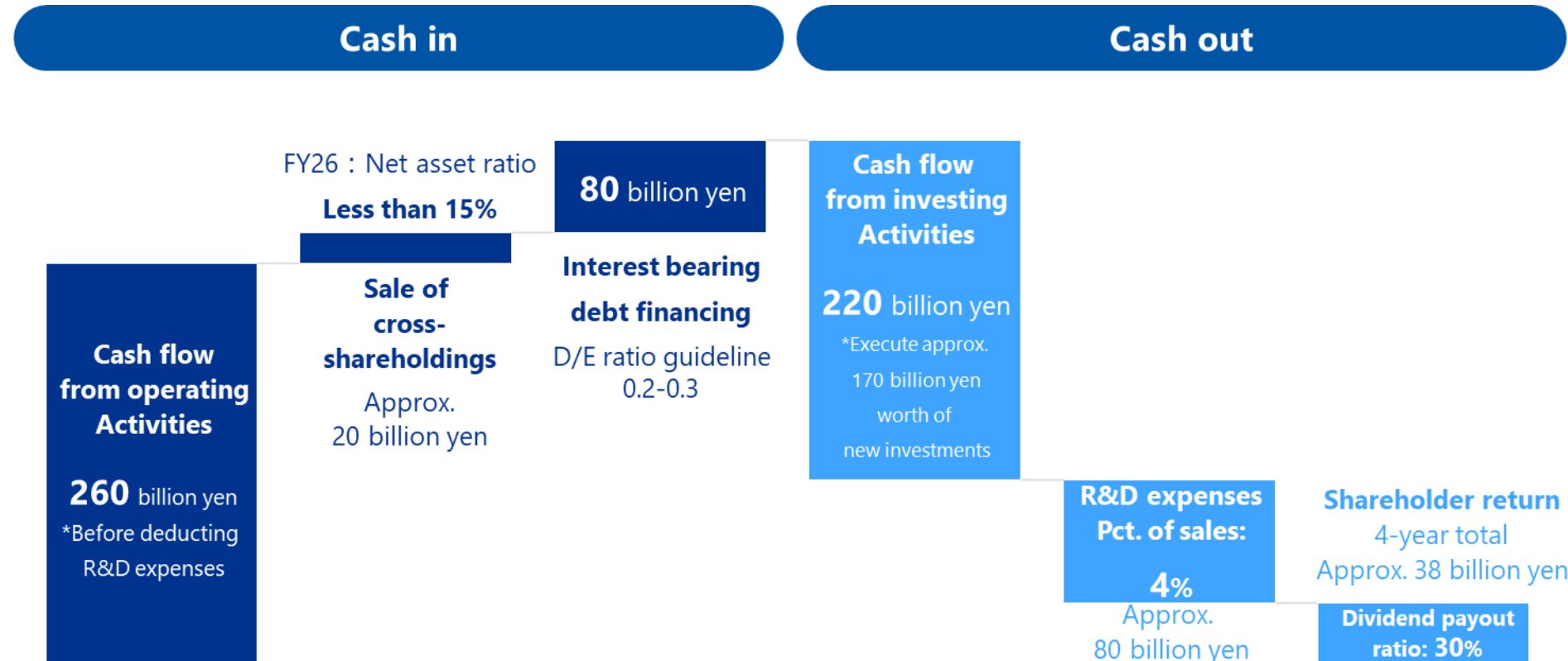
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Targets for FY2026	Net sales	Operating income	Group ROIC	ROE
	510 billion yen	58 billion yen	8%	10%

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

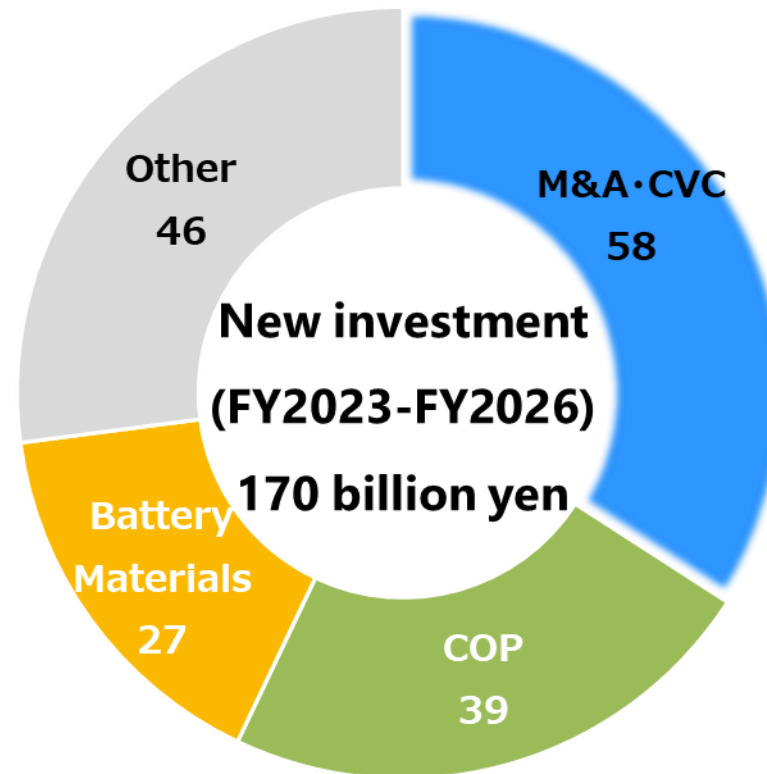


- Implement active new investments and R&D to expand through growth businesses and new businesses while increasing shareholder returns
- Sell cross-shareholdings and utilize interest bearing debt as a source of funds for active investment



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

- Concentrate new investments on differentiated products such as COP and battery materials and new businesses
- Planning to invest approx. 220 billion yen, including approx. 170 billion yen for new investments and approx. 50 billion yen for maintenance and renewal



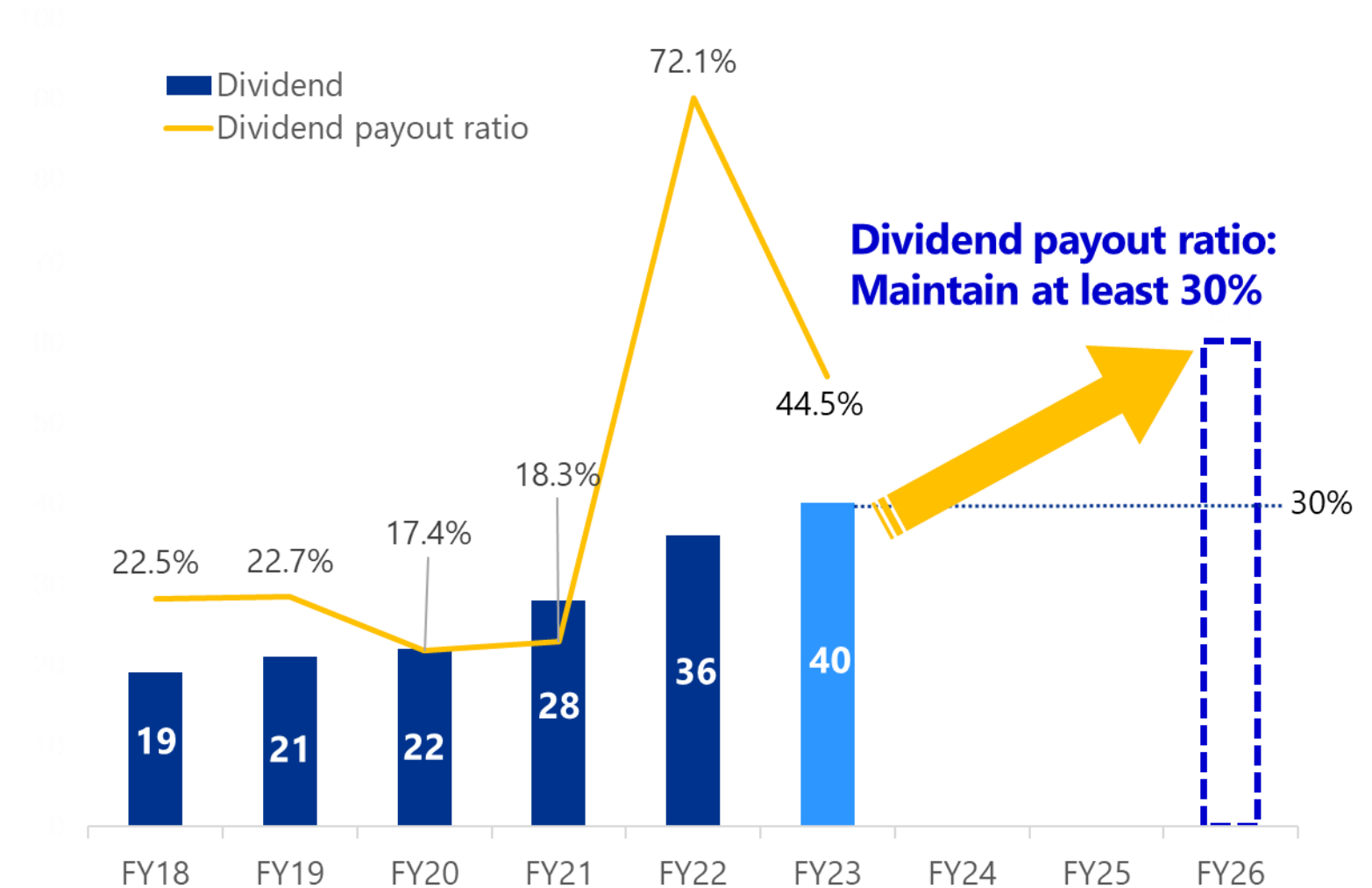
*New investment amount for COP, battery materials and other are capital investment only.

■ Aiming to expand shareholder returns with profit growth

Shareholder return policy

- Maintain stable and continuous dividends
- Maintain a dividend payout ratio of at least 30%
- Purchase treasury stock in a flexible manner, considering market conditions, capital requirements

**Dividends increasing (forecast)
for 14 consecutive years from
FY2010 to FY2023**



- D/E ratio rising (maintain at 0.3 or lower) with interest bearing debt financing and enhanced shareholder returns
- Aiming to optimize capital structure to increase corporate value over the medium to long term

B/S management policy

- Expand interest bearing debt financing for supporting active new investments and aiming to optimize capital
- Control financial discipline in a level to maintain a single A rating
- “Polishing up” capital efficiency by selling cross-shareholdings

End of FY2022

(Unit: billion yen)

296.6	160.6
	23
226.2 (23.6%)	339.3 (0.08)

Estimate for end of FY2026

(Unit: billion yen)

Current assets 350	Current liabilities 200
	Non-current liabilities 100
Non-current assets 350 Cross-shareholdings as ratio of net assets Less than 15%	Net assets 400 D/E ratio Maintain at 0.3 or lower

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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Raw material price/exchange rate projections

Annual average

		FY2023	FY2024-FY2026
Raw materials	Naphtha (¥/kl)	64,000	82,000
	Asian butadiene (\$/MT)	1,000	1,200
Exchange rate	¥/\$	125	130
	¥/€	135	140