



Full version

***Not used at the June 11, 2024 presentation**

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

ZEON

ZEON CORPORATION

Tetsuya Toyoshima

President and CEO

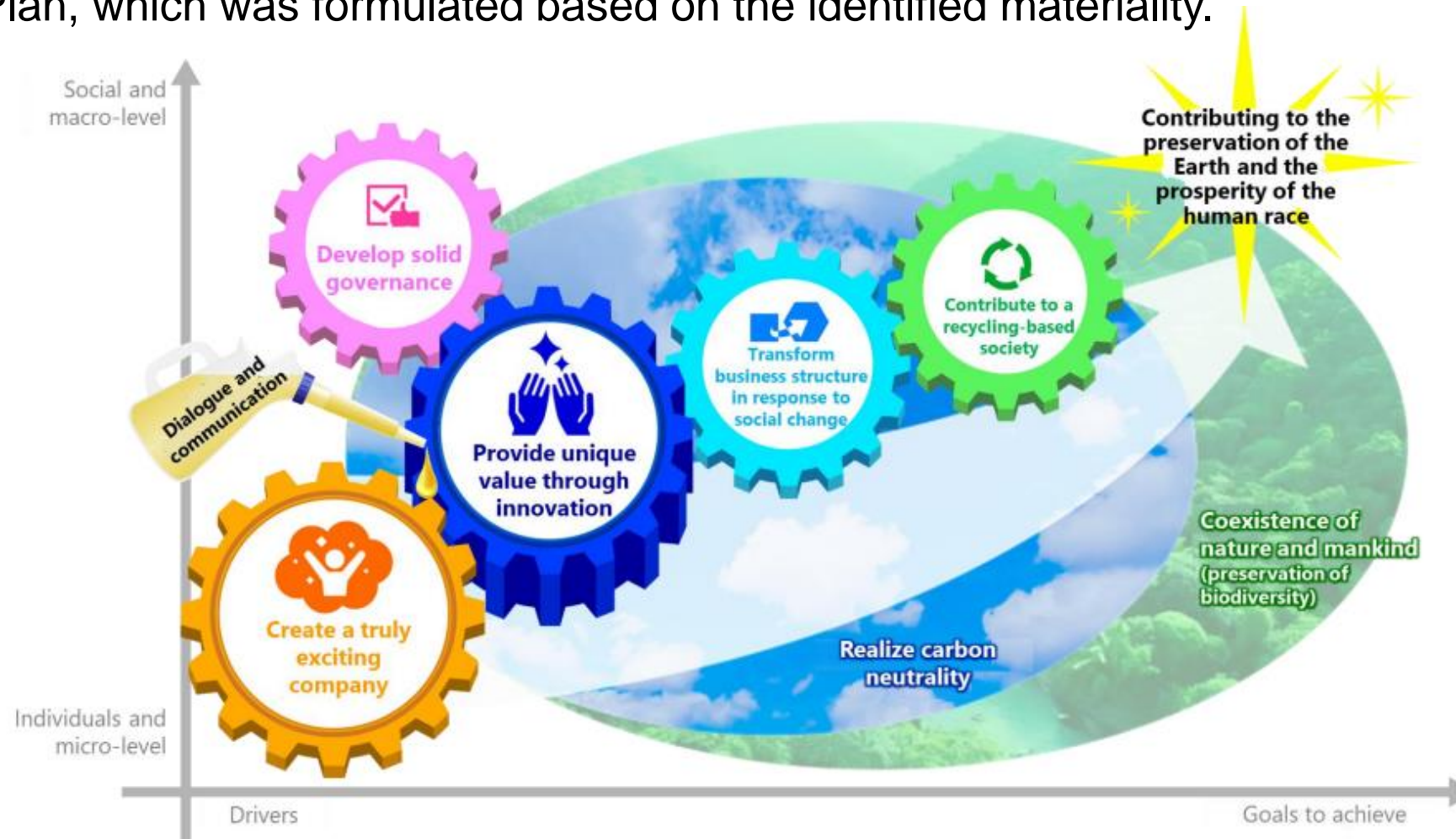
June 11th, 2024

The Noto Peninsula Earthquake	FY2023 Impact on financial results	Specialty Plastics (Optical films)	FY2026 Impact on financial targets	Specialty Plastics (Optical films)
	Operating profit	-0.4 billion yen	Operating profit	None
	Net income	-1.8 billion yen	Net income	None
	Recovery complete as of March 29, 2024. Owing to the dedicated support of our customers and partner companies, there will be no impact on our Mid-term business plan targets.			

Governance Suspensions of improper monetary payments to medical institutions	December 22, 2023	March 28, 2024	April 18, 2024
	Establishment of a special committee to prevent recurrence	Received the results of the investigation by the special committee to prevent recurrence (Japanese)	Released cause investigation and preventive measures, etc. (Japanese)
	We take seriously the results of the investigation by the special committee to prevent recurrence, and going forward, we and our group will work to prevent recurrence and strive to restore trust.		

The materiality has been positioned as the foundation for executing the corporate philosophy and Sustainability Policy.

We will put this framework into action through the implementation of the STAGE 30 Medium-Term Business Plan, which was formulated based on the identified materiality.



- 1. Overview of Med-Term Business Plan: Progress through FY2023 and Revised Targets for FY2026**
- 2. Progress through Phase-2 of Mid-term Business Plan**
 - (1) Promote a transformation of “monozukuri” to realize carbon neutrality and a circular economy**
 - (2) “Polish up” existing businesses**
 - Portfolio restructuring**
 - Battery materials**
 - Chemicals and Optical films**
 - “Explore” new businesses**
 - (3) Work together to create “stages” to be active on**
 - (4) “Polish up” the management base**
- 3. Performance Targets / Financial Strategy**

1. Overview of Med-Term Business Plan: Progress through FY2023 and Revised Targets for FY2026

2. Progress through Phase-2 of Mid-term Business Plan

(1) Promote a transformation of “monozukuri” to realize carbon neutrality and a circular economy

(2) “Polish up” existing businesses

- Portfolio restructuring
- Battery materials
- Chemicals and Optical films

“Explore” new businesses

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3. Performance Targets / Financial Strategy

1. Overview of Med-Term Business Plan: Progress through FY2023 and Revised Targets for FY2026

	Strategies	Targets	FY2023	Original Targets for FY2026	Revised Targets for FY2026	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	22%	29%	—	—
		Ratio of reduction in CO ₂ emissions* *compared to FY2020 levels *Zeon Group's Scope 1+2 emissions	16%	—	10%	42%
		Sales ratio of products that contribute to the SDGs	35%	40%	40%	50%
2	Contributing to solving social issues by simultaneously “Polish up” existing businesses and “Explore” new businesses	Lost time accidents (Number)	9	0	0	ROIC for existing businesses 9% Net sales of new business +60 billion yen (compared to FY2019)
		Consolidated operating income per person (million yen/person)	4.3	11	7	
		ROIC for existing businesses (%)	4%	9%	7%	
		Net sales indicator* COP *FY2019 as 100	163	210	210	
		Net sales indicator* Battery materials *FY2019 as 100	149	590	240	
		Net sales of new business (billion yen)	12	160	160	
		External collaboration/Customer themes* *FY2023-2026 cumulative total	3	10	10	
3	Work together to create “stages” to be active on where each individual can demonstrate their strengths	Employee engagement	52%	56%	56%	Employee engagement 75%
		Environment maximizing employee potential	51%	55%	55%	
		ZEON Healthy Behavior Indicator	62%	65%	65%	
		Paid leave utilization rate	71%	70%	70%	
4	“Polish up” the management base	Ratio of foreign national and female directors and officers	19%	25%	25%	Ratio of foreign national and female directors and officers 30%
		Ratio of outside directors and officers	50%	Majority	Majority	
		Ratio of female managers	6%	12%	12%	
		Cross-shareholdings as ratio of net assets	19%	Less than 15%	Less than 5%	

*In calculating a ROIC, we have revised the tax calculation used when calculating NOPAT as follows:

Previously) NOPAT = Operating profit - Tax expense → Revised) NOPAT = Operating profit - Operating profit x (Tax expense ÷ Pretax profit)

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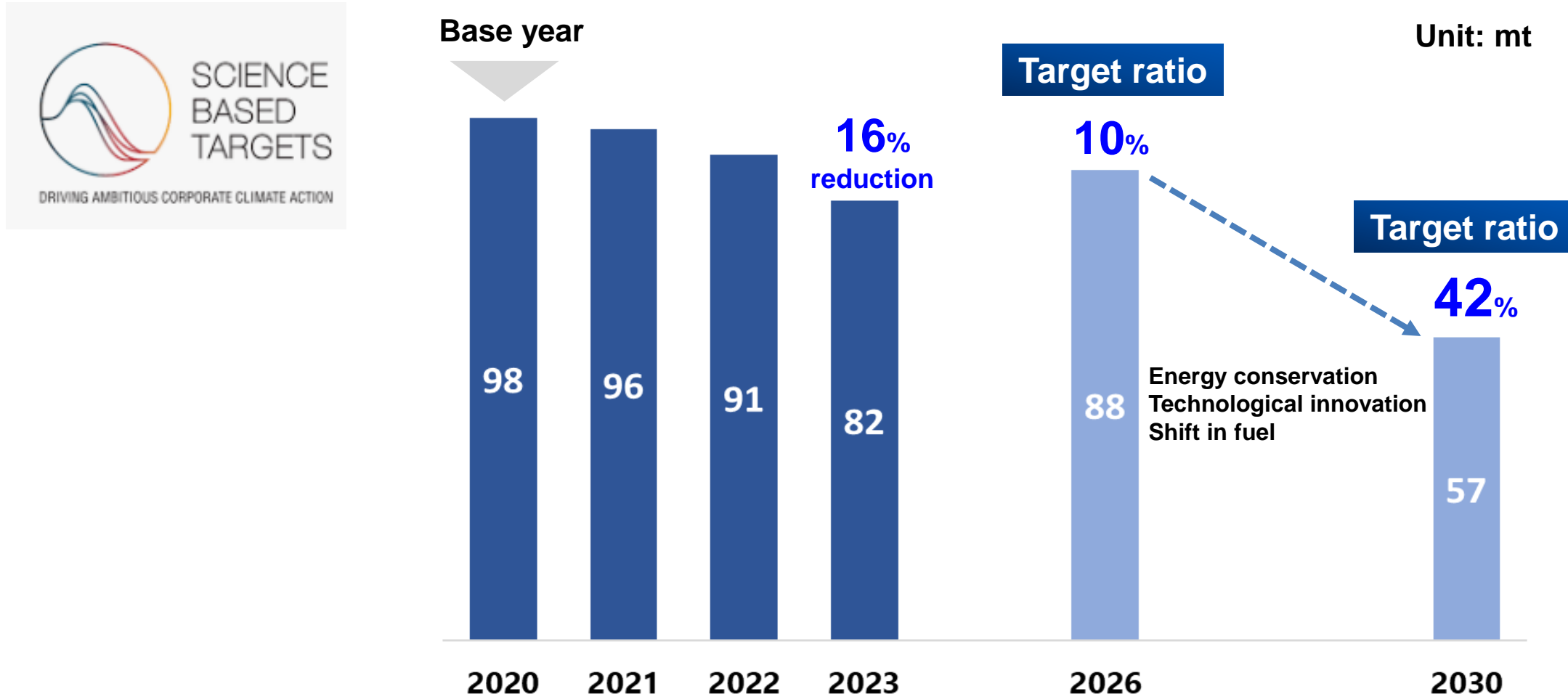
“Explore” new businesses

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3. Performance Targets / Financial Strategy

Unified targets based on the GHG Protocol with the approval by SBT initiative.



[Zeon Group Scope 1+2 CO₂ emission and ratio of reduction]

Promote reduction of GHG emissions and a transformation of “monozukuri” to contribute carbon neutrality and a circular economy.

Commitment to international organizations

- Approval by SBT initiative



- Obtain ISCC PLUS Certification for four plants (the Takaoka, Kawasaki, Tokuyama and Mizushima plants)

Operation of Recycling plant

- COP Recycling plant (Takaoka plant)



Annual production capacity: 6,000 tonnes
CO₂ emissions: Recycled resin reduces CO₂ emissions during manufacturing by approximately 12,000 tonnes annually compared to original resin



Resin produced by a conventional recycling technology



Resin produced by the new recycling technology

Collaboration to save energy

- Signs memorandum of understanding with Visolis, Inc. to commercialize bio-isoprene monomer and SAF



California, USA: Collaboration with Visolis Inc.














Zeon successfully synthesized bio-SIS for the first time in the world

Certified 39 products as the SDGs Contribution Product

FY2023: 35% → Target of FY2026: 40%

Certification is based on an internal review process, taking into account the degree and scope of contribution to solving social issues, business sustainability, etc.

Certified product examples / Main applications	Point of certified	Relevant SDGs
S-SBR Fuel-efficient tires 	<ul style="list-style-type: none"> • Reduces GHG emissions from improved fuel efficiency • Prevents air pollution as result of improved wear resistance that generates less dust 	  
COP Medical detection devices, containers for pharmaceutical manufacturing, medical packaging 	<ul style="list-style-type: none"> • Improved quality and accessibility of medical services associated with inspection and analysis, pharmaceutical manufacturing, and drug transportation and storage based on properties such as high moisture barrier, chemical resistance, high purity, and sterilization compatibility 	 
Li-ion Battery Binders Lithium-ion batteries 	<ul style="list-style-type: none"> • Lengthens operating life of lithium-ion batteries, contraction, and achieves high power output • Reduces GHG emissions and prevents driving-related air pollution when used as power source for EVs • Facilitates industrial development and economic growth by reducing the size and boosting the performance of mobile devices, electronic devices, and other products 	  

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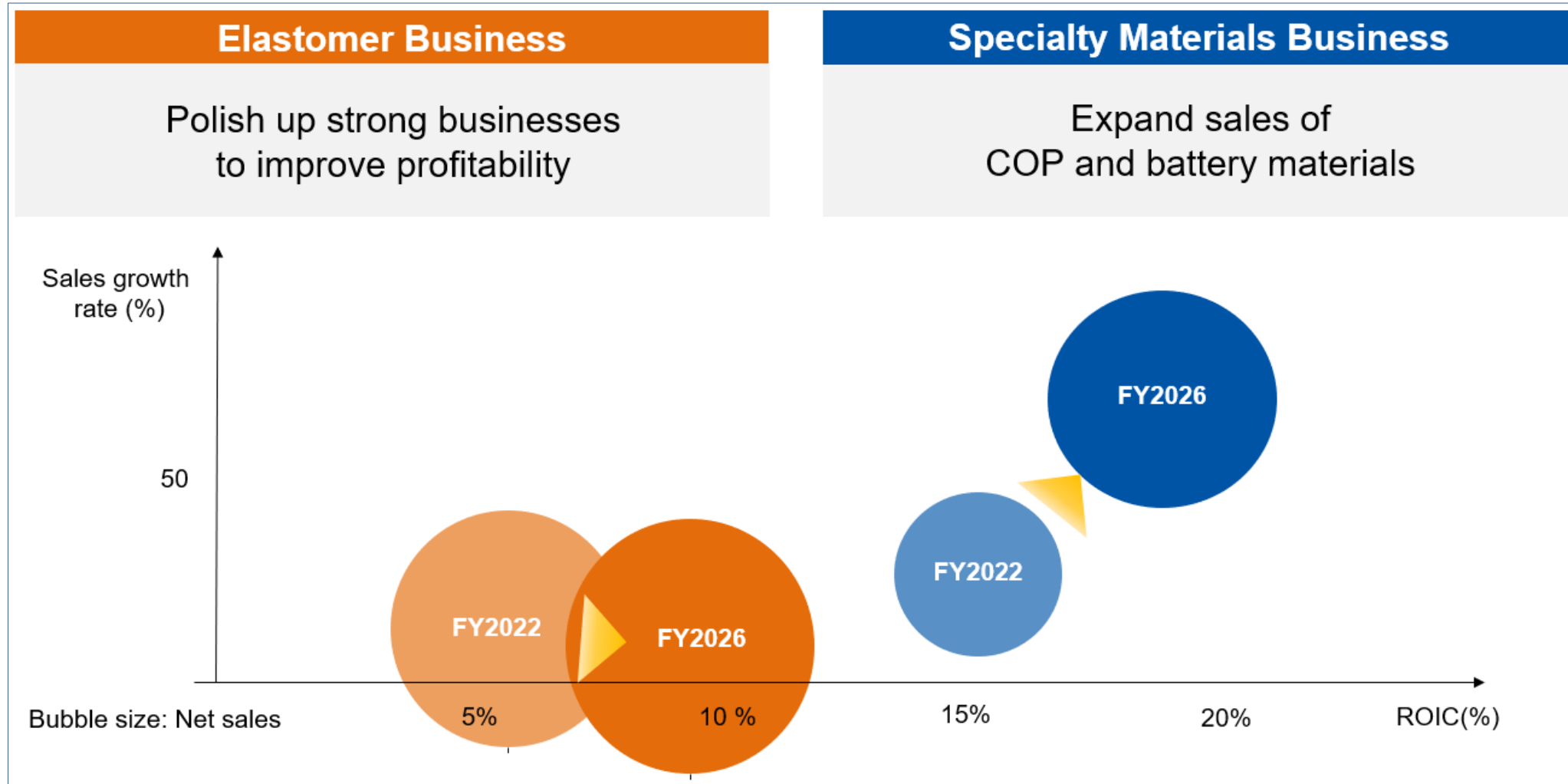
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3. Performance Targets / Financial Strategy

2. 2 “Polish up” existing businesses: Portfolio restructuring - Original targets

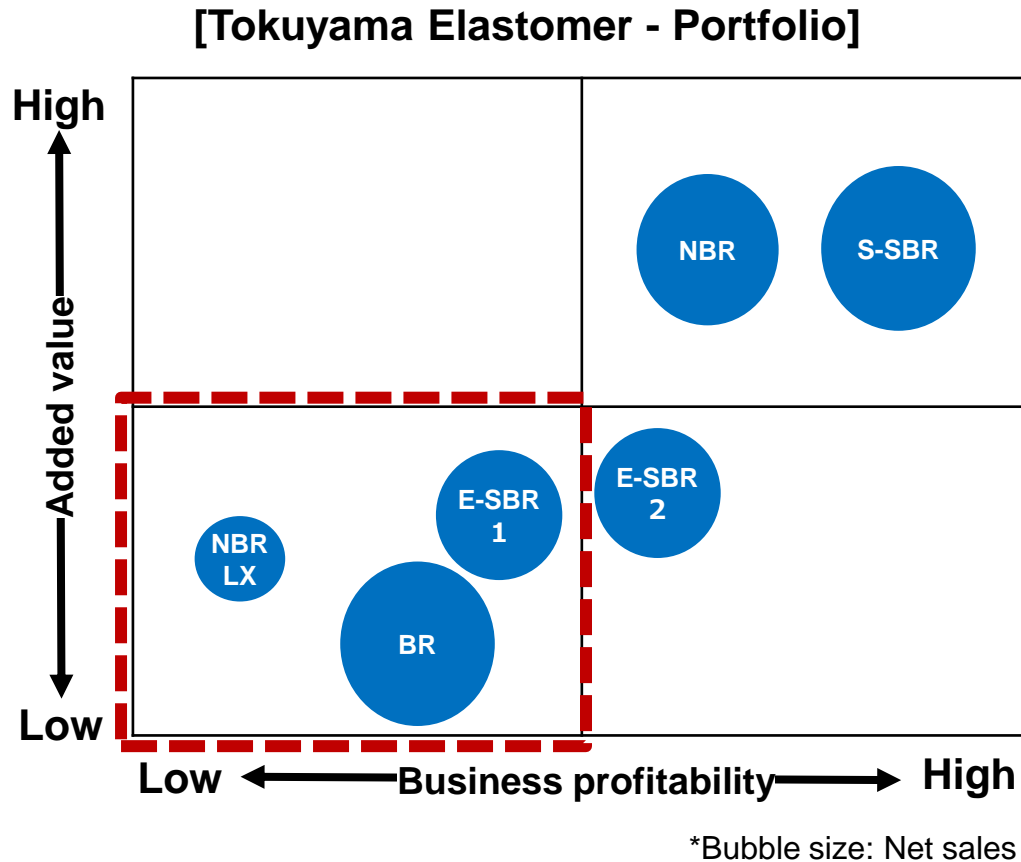
Set following targets at the beginning of Phase-2



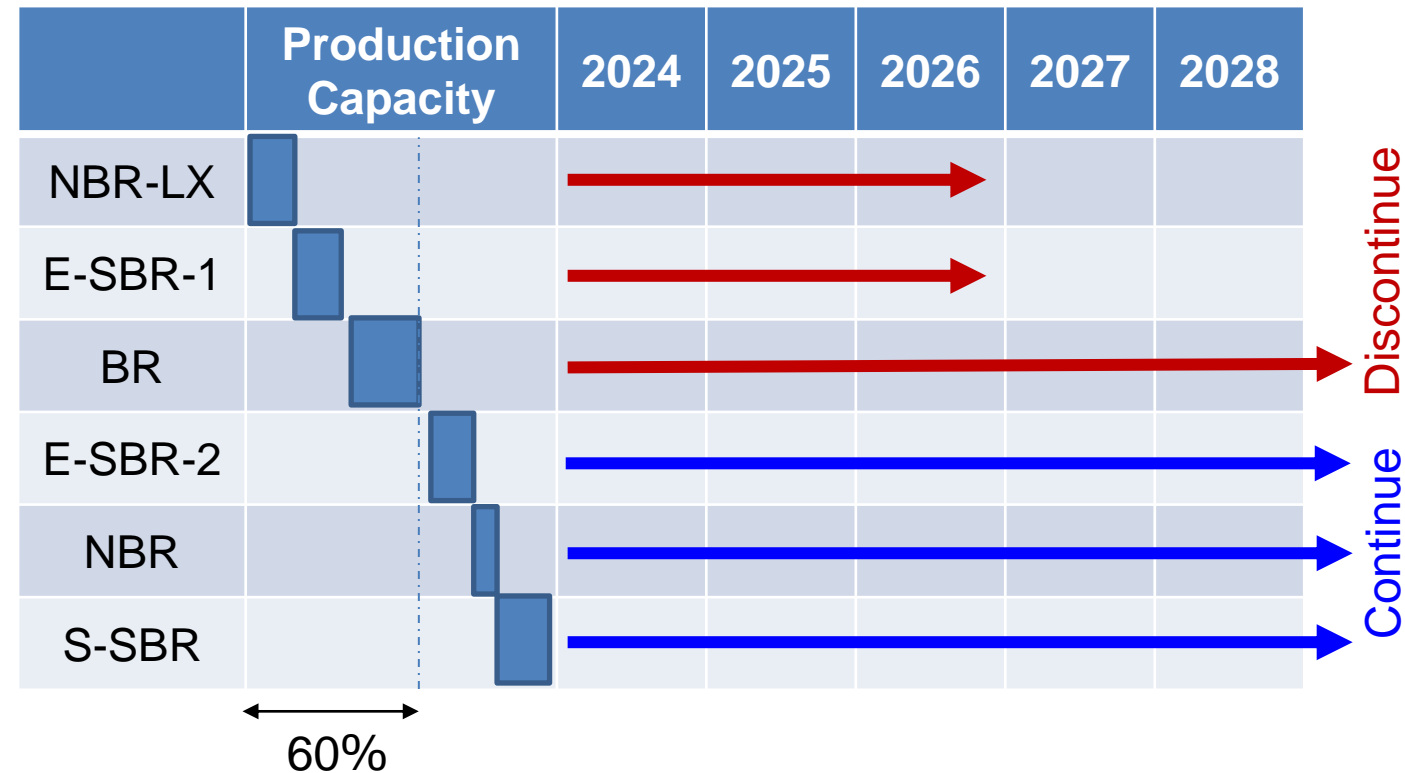
Source: Presentation material for Medium-Term Business Plan – Phase 2 (FY2023-FY2026) on June 7th, 2023

2. 2 “Polish up” existing businesses: Portfolio restructuring - Tokuyama Elastomer

Planning to discontinue E-SBR 1 line and NBR-LX in FY2026, BR afterwards.



[Tokuyama Elastomer - Discontinuing Plan]

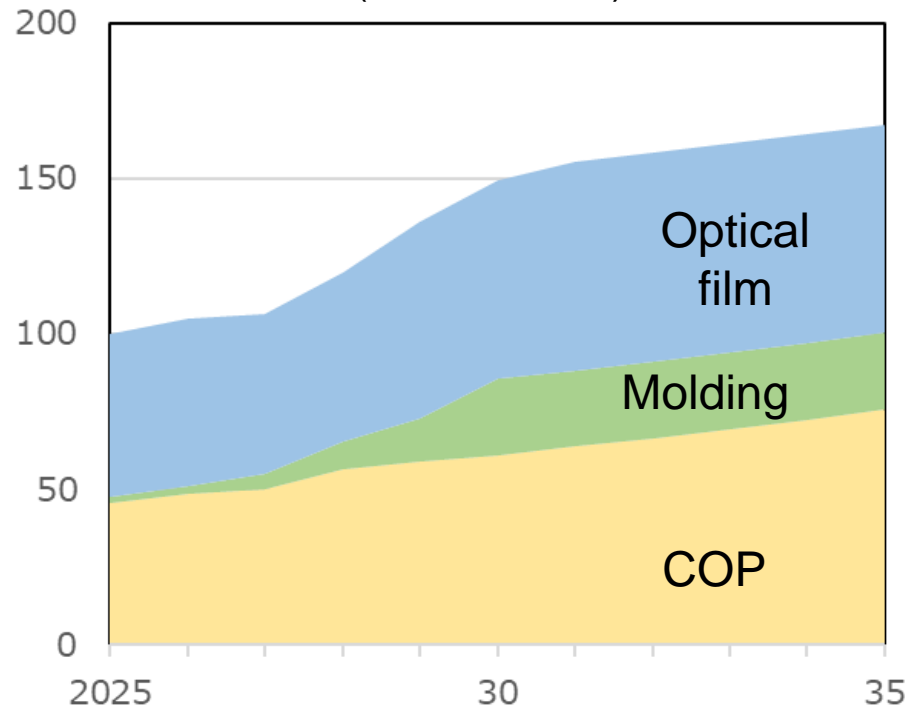


Tokuyama Plant: Planning to discontinue 60% of Elastomer production capacity

Decided to construct a new production plant for COP in Tokuyama area

[Business growth]

Sales index for COP-related business
(FY2025=100)



[Overview of the new plant]

Location: Shunan City, Yamaguchi Prefecture, Japan

Site area: Approximately 186,500 m²

Annual production capacity: Approximately 12,000 tonnes

Start of construction: Second half of FY2025

Completion of construction: First half of FY2028

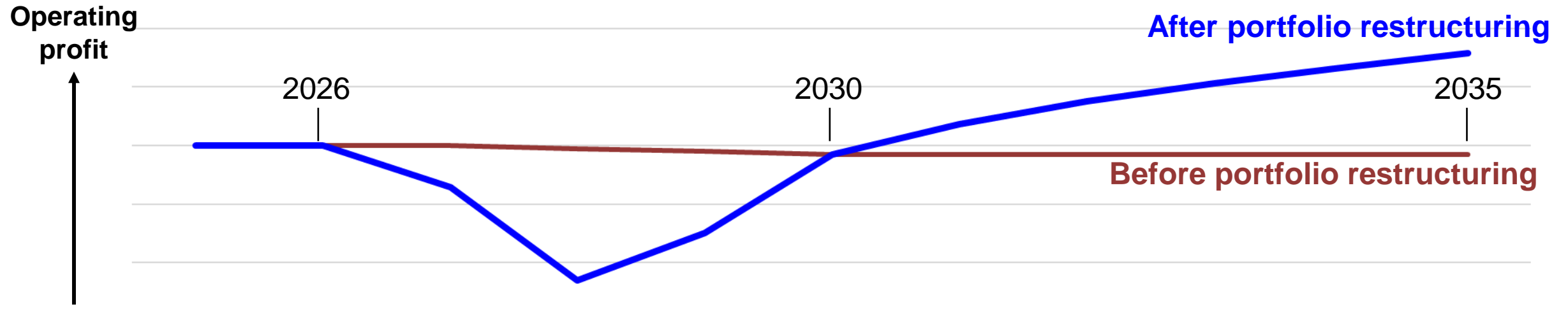
Total investment amount: Approximately 70 billion yen

**Multiple COP production plants
Improve resilience**



By portfolio restructuring, we will generate more profits than if Elastomer business continued as is.

Impact of portfolio restructuring to COP from Elastomer on profit and loss



The thinking behind the portfolio restructuring



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- **Battery materials**
- Chemicals and Optical films

“Explore” new businesses

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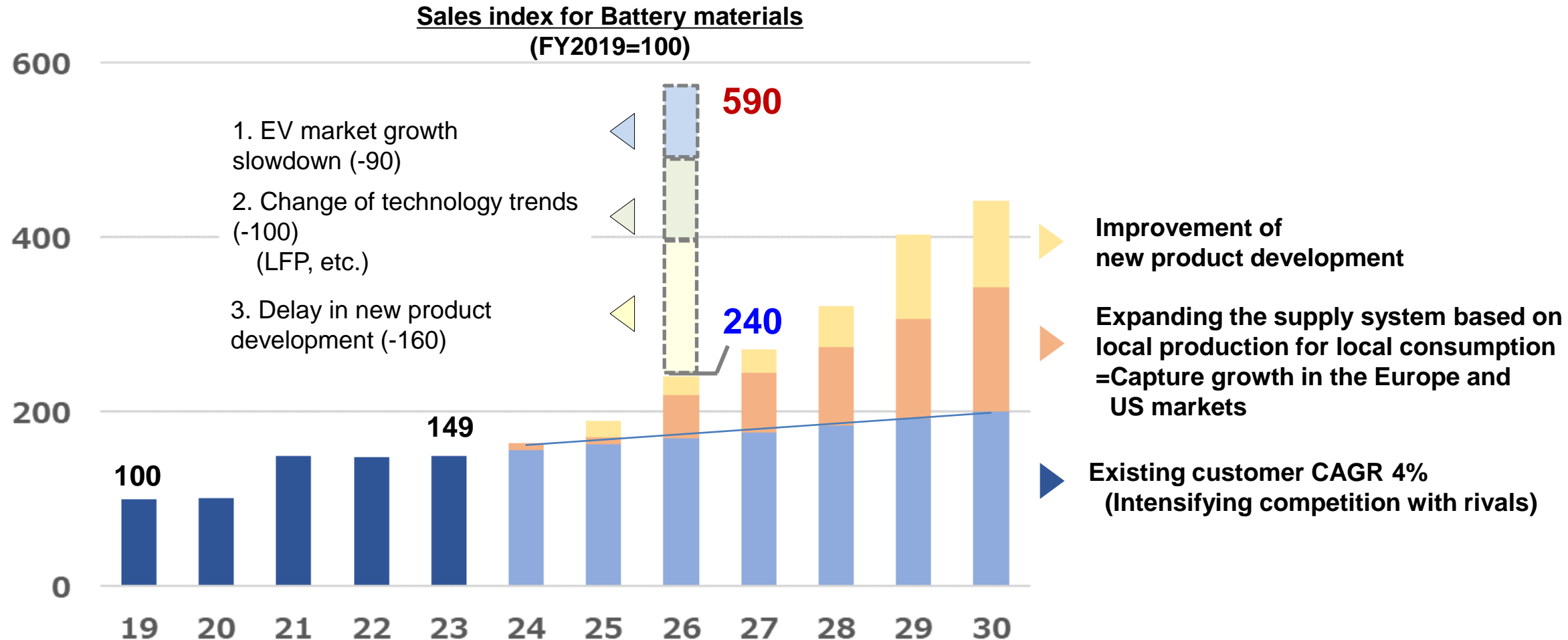
3. Performance Targets / Financial Strategy

2. 2 “Polish up” existing businesses: Battery materials – Revised targets

EV market growth slowdown, Change of technology trends and Delay in new product development

⇒ Revised targets for FY2026

Aiming for high growth in FY2030 through various measures



2. 2 “Polish up” existing businesses: Battery materials – Revised targets

**Sales index
590→240
breakdown**

(1)
90

(2)
100

(3)
160

(1) EV market growth slowdown

The end of preferential treatment for EVs in Europe
OEM production plan review
Increased sales of PHV/HV vehicles

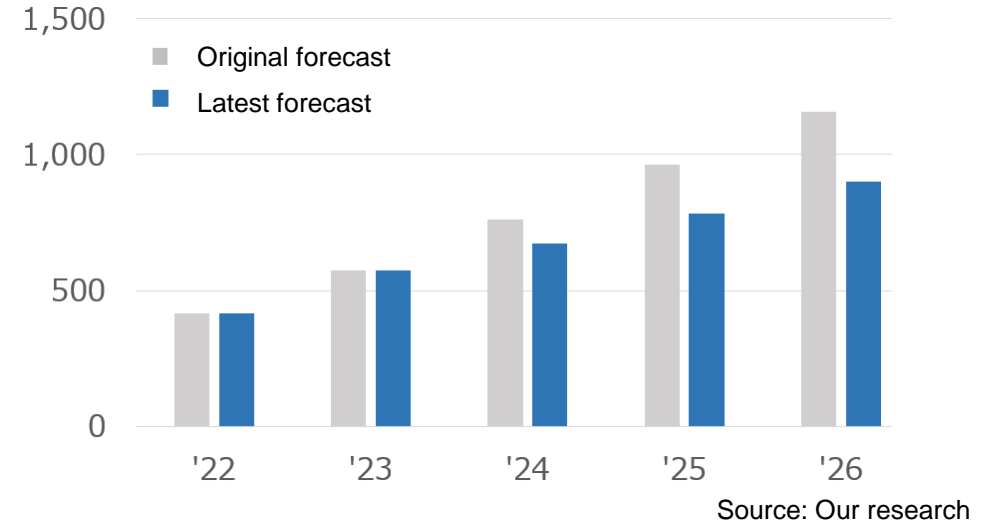
(2) Change of technology trends

Anode: LFP active material mainstream
Functional layer: Diversification of separator specifications

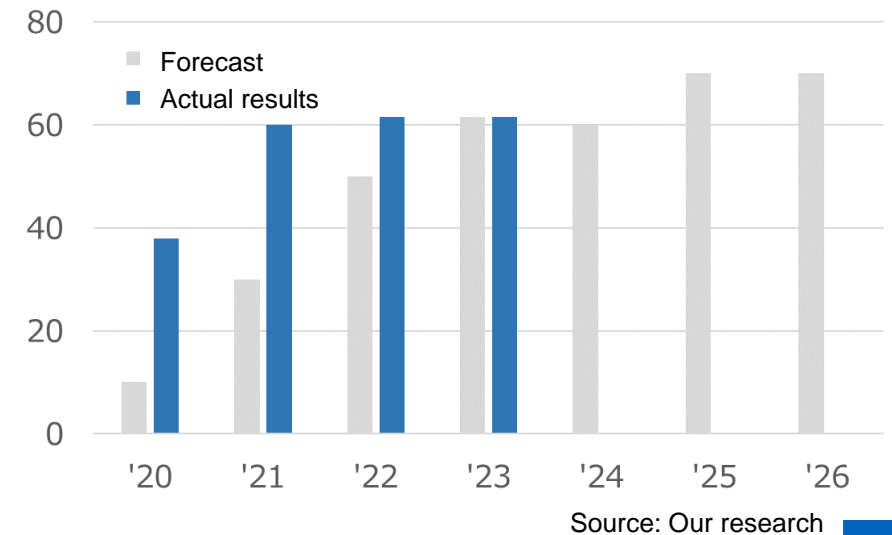
(3) Delay in new product development

Developing dedicated products for major customers (Anode)
Developing products for next-generation active materials (Cathode)
Market penetration of large particle AFL (Functional layer)

EV market forecast (capacity for vehicle GWh)



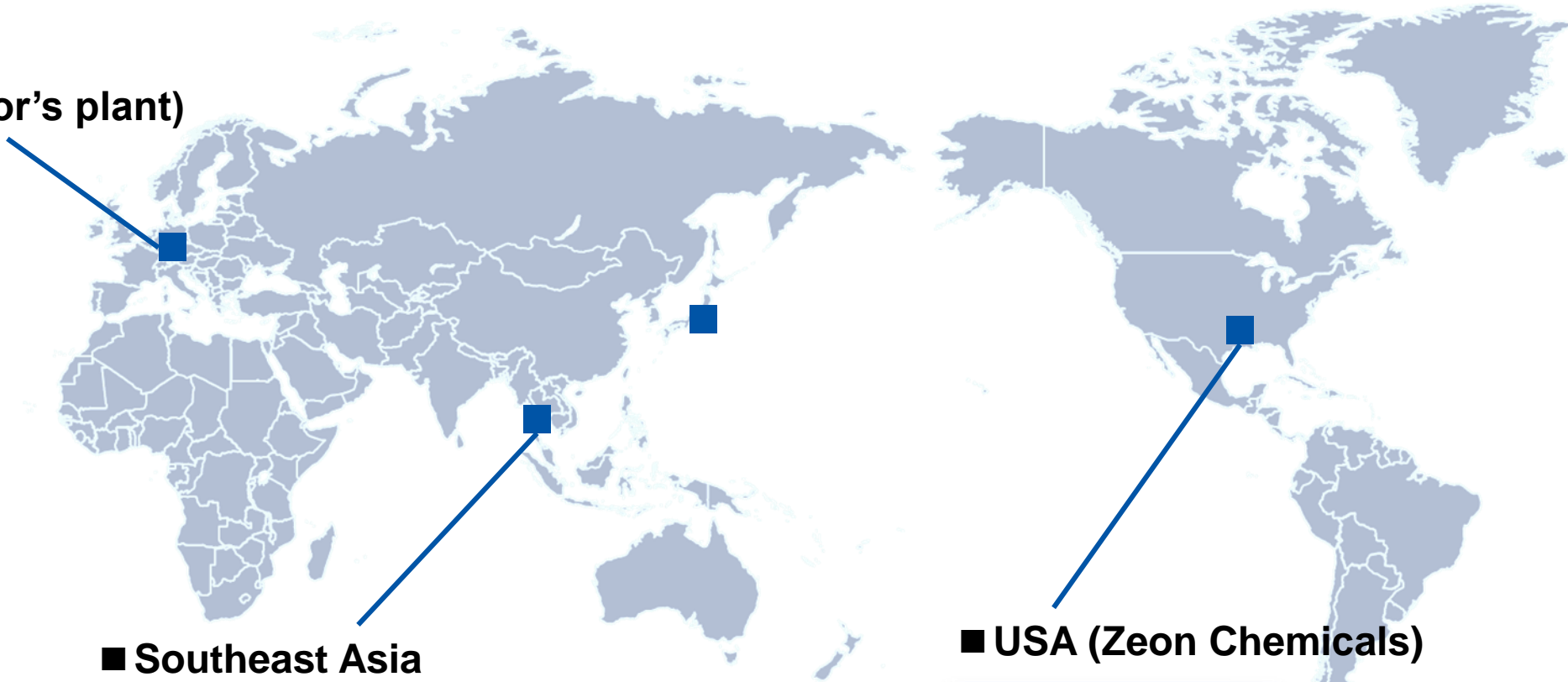
LFP battery penetration rate in China (%)



2. 2 “Polish up” existing businesses: Battery materials – Initiatives with a view to 2030

Expanding the global supply system based on local production for local consumption

■ Europe
(Contractor's plant)



■ Southeast Asia
(Zeon Chemicals Asia)



■ USA (Zeon Chemicals)



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- **Chemicals** and Optical films

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2. 2 “Polish up” existing businesses: Chemicals

Profitability of the Chemicals business (PDR and SIS) declined due to an entry of overseas competitors.

However, it is an important component of the C5-related business.

Acquisition of raw materials
at low cost for high-profit
products

⇒

By-product of raw
materials for low-profit
products

⇒

Continuing the Chemicals business
are essential

GPI Mizushima Plant



Dicyclopentadiene

2-butyne

Isoprene

Piperylene

COP

RIM compound

Specialty solvents

Synthetic aromatic
chemicals

IR

SIS

PDR

High-profit products

Low-profit products

Avoiding competition from
overseas competitors

⇒

Securing competitive advantage in Japan and North
America (tariffs, strengthening customer relationships)

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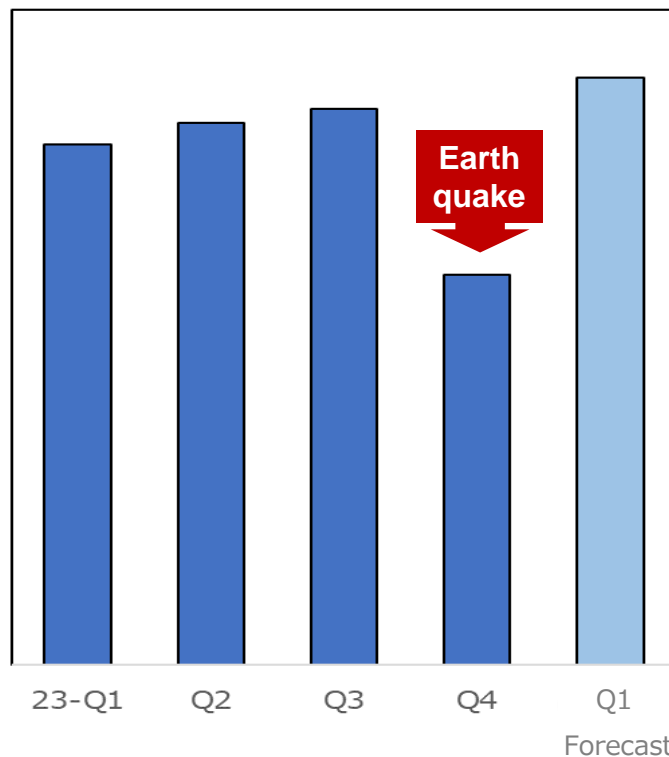
(4) “Polish up” the management base

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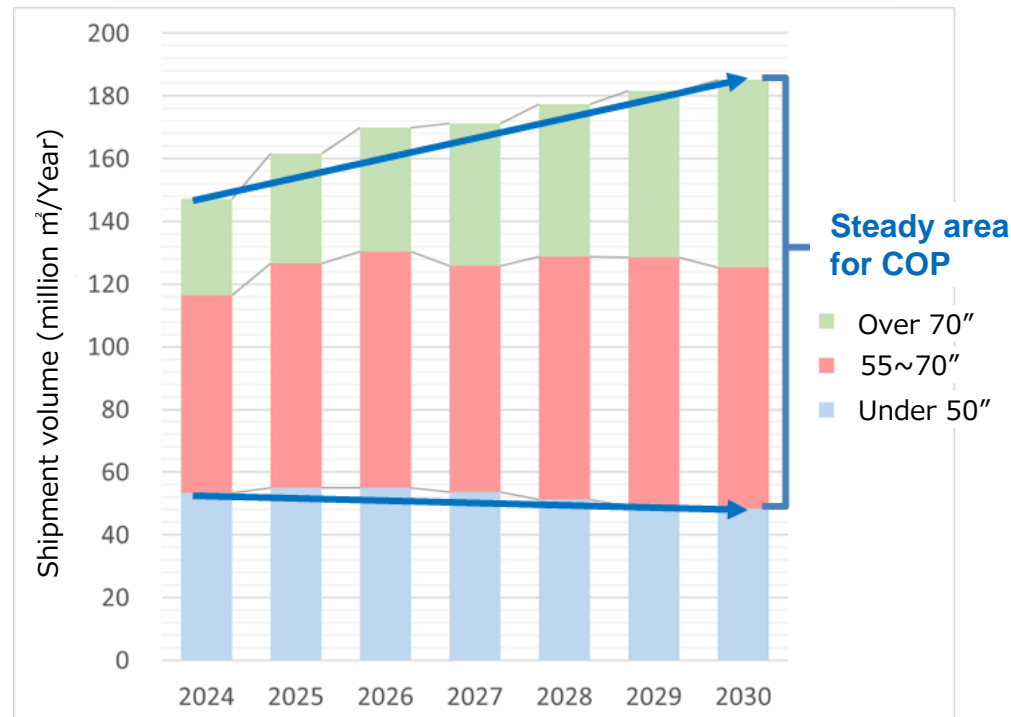
2. 2 “Polish up” existing businesses: Optical films

Overcoming the Noto Peninsula Earthquake, all lines operate in earnest. ⇒ Improve revenue
Considering expansion to meet growing demand for large displays.

[Production volume for Large size FPD]



[Panel shipment area forecast by VA use size]



Source: OMDIA January 2024 Forum Materials

Himi Futagami Plant



[2-site production system]



Tsuruga Plant

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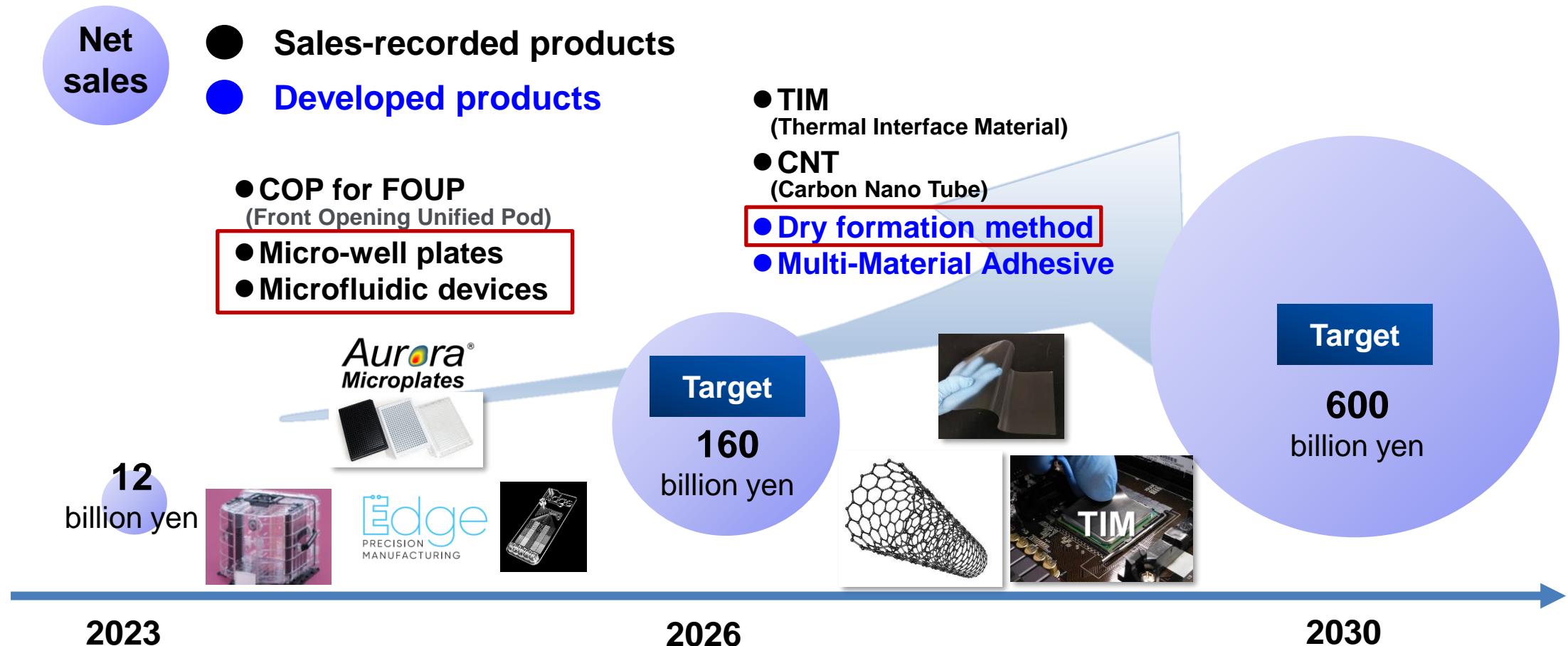
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3. Performance Targets / Financial Strategy

2. 2 “Explore” new businesses Initiatives for sales generation

1. Introducing new products to new markets
2. Inorganic growth through M&A



2. 2 “Explore” new businesses Micro-well plates and Microfluidic devices

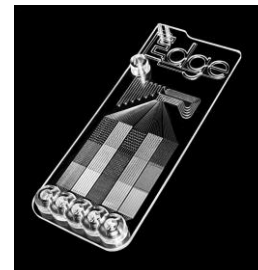
Genome analysis
and drug discovery support

Micro-well plates

Assay plates
(DNA and protein, etc.
analysis)

Cell culture plates
(Cell culture and analysis)

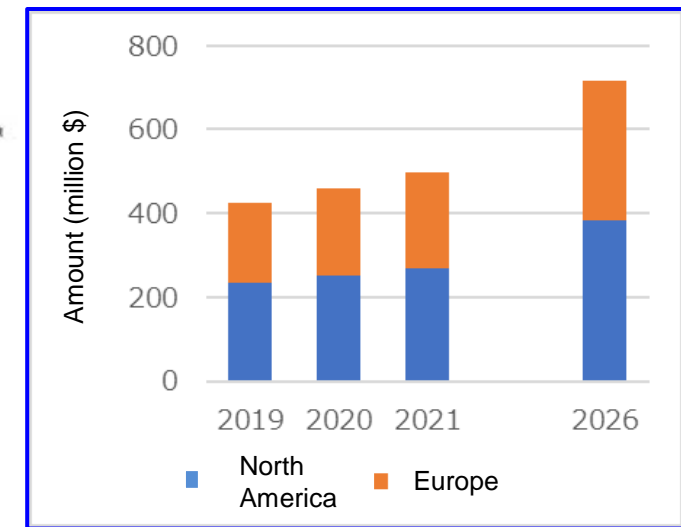
**Microfluidic
devices**



Aurora[®]
Microplates

Edge
PRECISION
MANUFACTURING

[Market size for Micro-well plates]

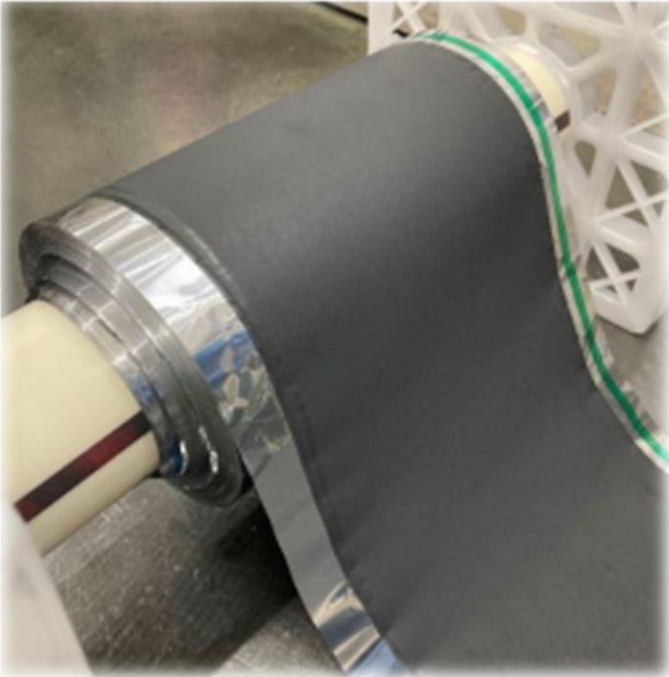


Source: The Business Research Company
『Life Science Consumables Market Study September 2021』

M&A of 2 U.S. manufacturers ⇒ Accelerating the development of life science business

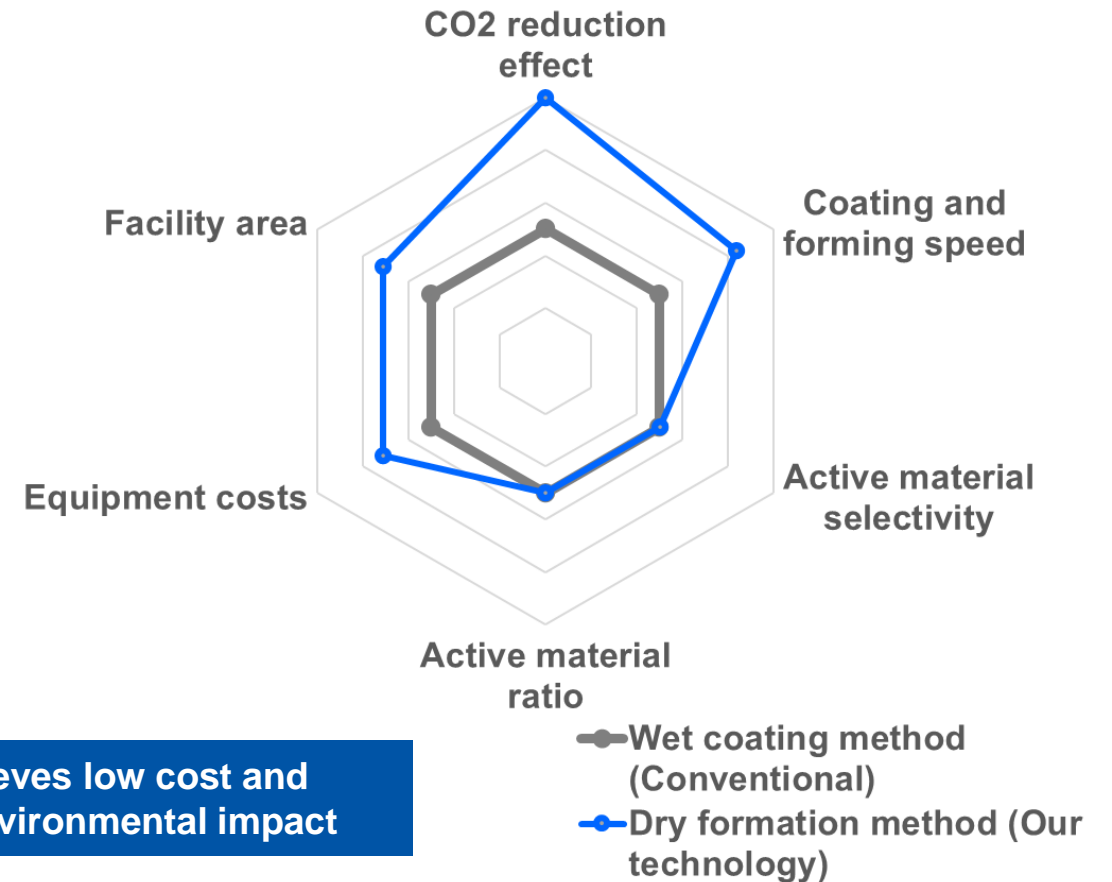
Innovative electrode manufacturing method: Currently being developed in collaboration with battery manufacturers

Dry formation method



This method enables producing electrodes without the use of water or organic solvents

Dry formation method: Competitive advantages



Wet coating method: The most common electrode fabrication method, which uses a wet coating process in which active materials and conductive agents are coated.

2. 2 “Explore” new businesses Construct a new co-creative innovation facility

Co-creating with partners around the world

×

Integrating the results with Zeon’s core technologies



Co-create functional polymers

Open laboratory for dry formation method

Co-create life science with Tonomachi area

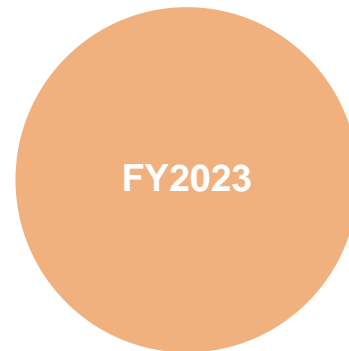
**Location: On the site of Zeon’s Kawasaki Plant
and R&D Center**

Completion of Construction: FY2026

Elastomer Business

Gradual discontinuation of general products
Survive with high-profit product lineup

Sales growth
rate (%)



Bubble size: Net sales

Survive with high-profit product lineup

- Increase production capacity of Zetpol[®] in USA (FY2025~)
- S-SBR Differentiated product sales expansion
- Expand ACM sales share
- Review Chemicals strategy

Gradual discontinuation of general products

- Planning to discontinue ESBR 1
- Planning to discontinue NBR-LX
- Planning to discontinue BR
- Examination of business continuity for other product groups

ROIC(%)

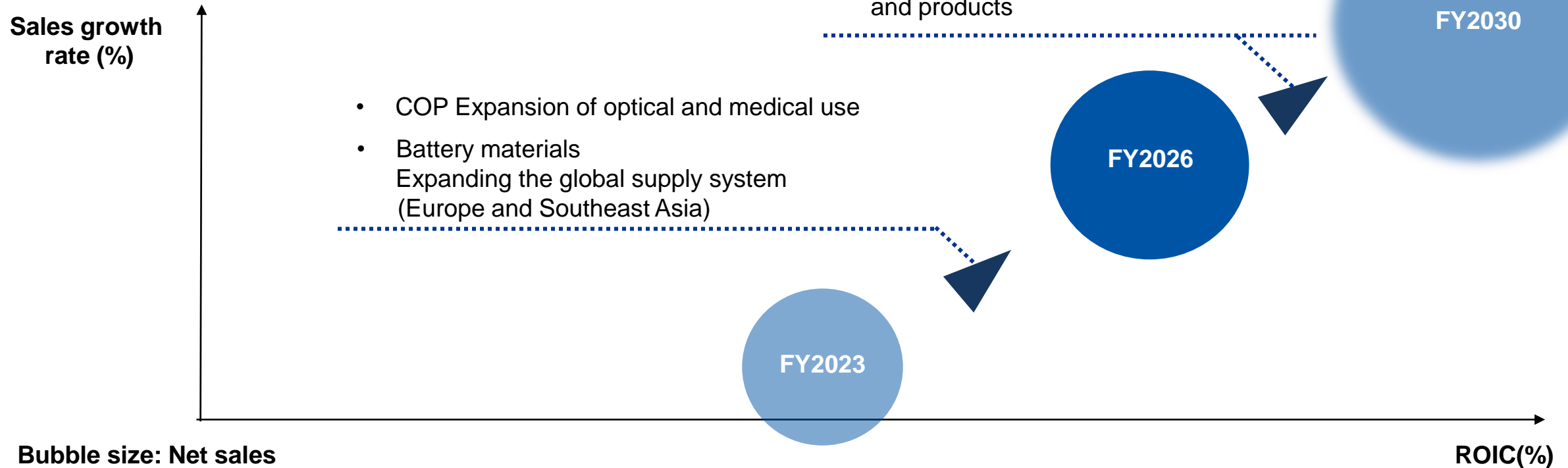
Specialty Materials Business

COP: Expansion of production sites

Battery materials: Expansion of production sites

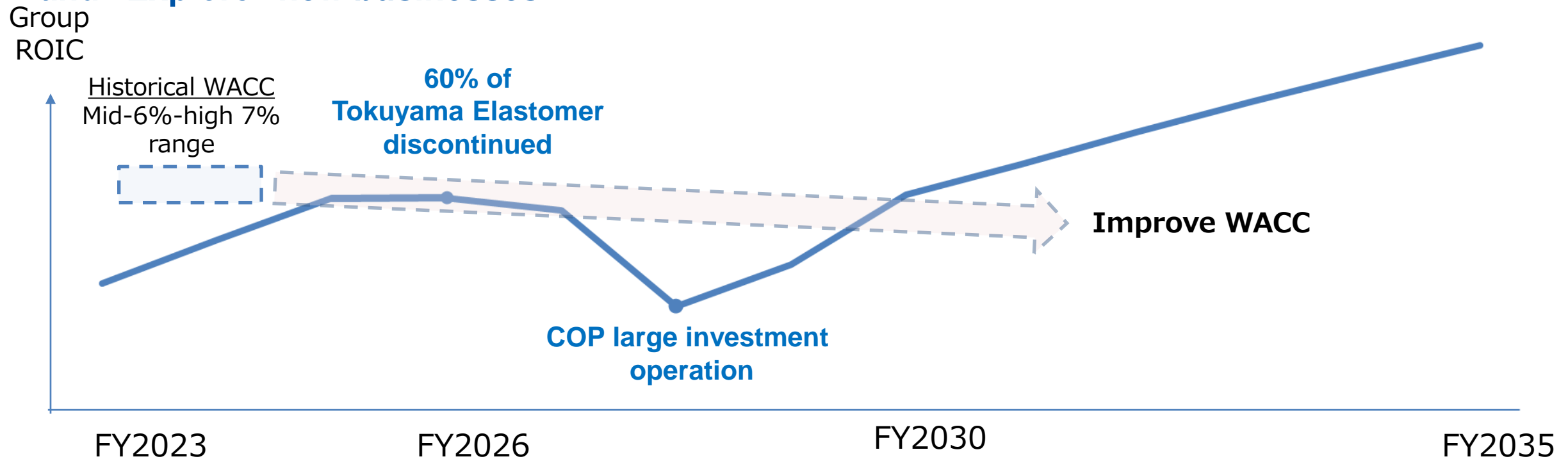
Market development of new technologies and products

- COP new plant operation
- Battery materials
Expanding the global supply system (USA)
Market development of new technologies and products



Group ROIC temporarily down due to 60% of Tokuyama Elastomer discontinued and COP investment
V-shaped recovery toward FY2030 through FY2035

**Result of portfolio restructuring, “Polish up” existing businesses
 and “Explore” new businesses**



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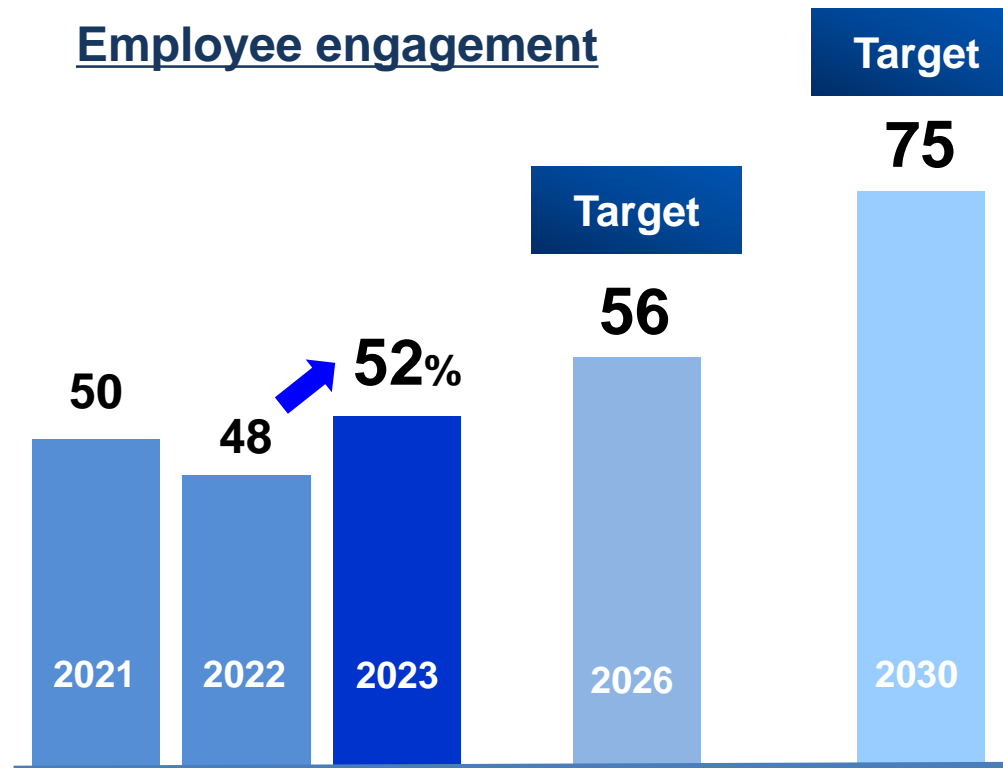
(3) Work together to create “stages” to be active on

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3. Performance Targets / Financial Strategy

2. 3 Work together to create “stages” to be active on: Employee engagement

Aim to achieve our targets through human resource management centered on a personnel system that rewards employees based on the importance of their work in light of the portfolio restructuring.



2. 3 Work together to create “stages” to be active on: Employee engagement

Working on continuous improvement measures for individual issues to improve Employee engagement.

Initiatives to improve Employee engagement

FY21 - FY22		FY23	FY24	FY25 - FY26
[Expanding resources and improving organizational structure] <ul style="list-style-type: none">■ Improvement activities through department workshops■ Expanding career hiring	[Expanding resources and improving organizational structure] <ul style="list-style-type: none">▲ Review corporate personnel▲ Continuous improvement activities through department workshops			
	[Respect for the individual] <ul style="list-style-type: none">■ DI&B leader development project▲ Strengthening measures to prevent harassment		[Growth Opportunities] <ul style="list-style-type: none">□ Revision of the general staff personnel system	
[Personnel system revision] <ul style="list-style-type: none">■ Revision of personnel system for managers	[Growth Opportunities] <ul style="list-style-type: none">▲ Foreseeable personnel changes□ Creating opportunities by self-reporting		<ul style="list-style-type: none">■ Implemented▲ In progress□ To be Implemented	

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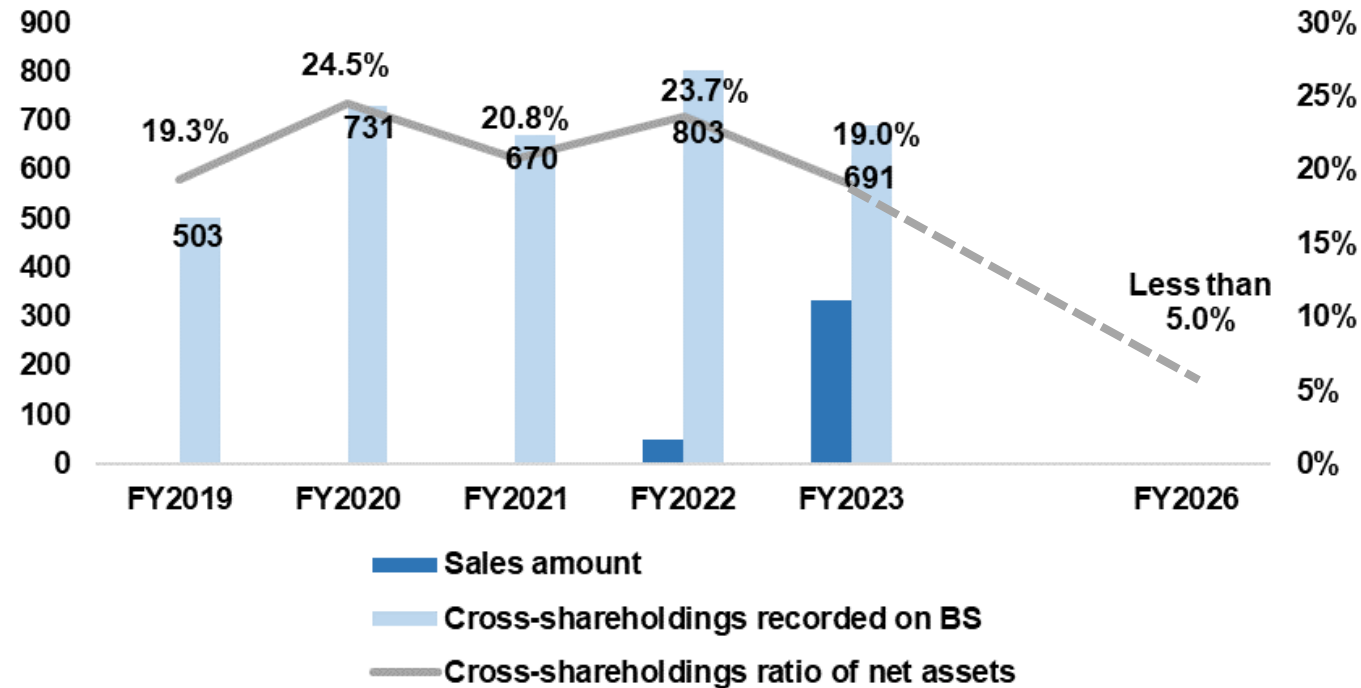
3. Performance Targets / Financial Strategy

2. 4 “Polish up” the management base

Targets for FY2026	Ratio of foreign national & female directors & officers* 25% <small>*Directors and Audit & Supervisory Board Members (inside and outside)</small>	Ratio of outside directors & officers*: Majority <small>*Directors or Audit & Supervisory Board members</small>	Ratio of female managers: 12%	Cross-shareholdings as ratio of net assets: Less than 5%
Performance FY2023	19%	50%	6%	19%

(Unit : 100m)

Trends in cross-shareholdings



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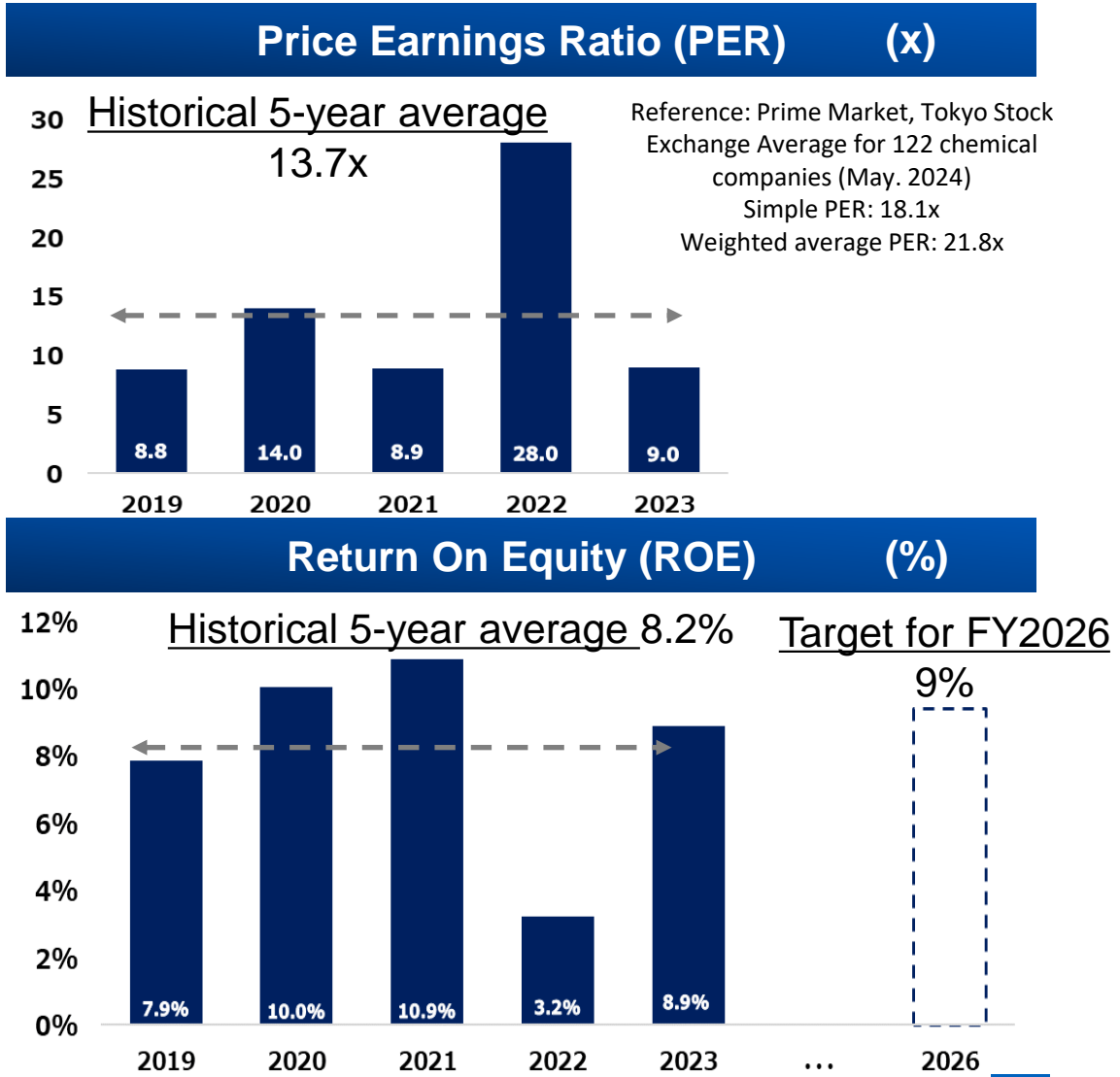
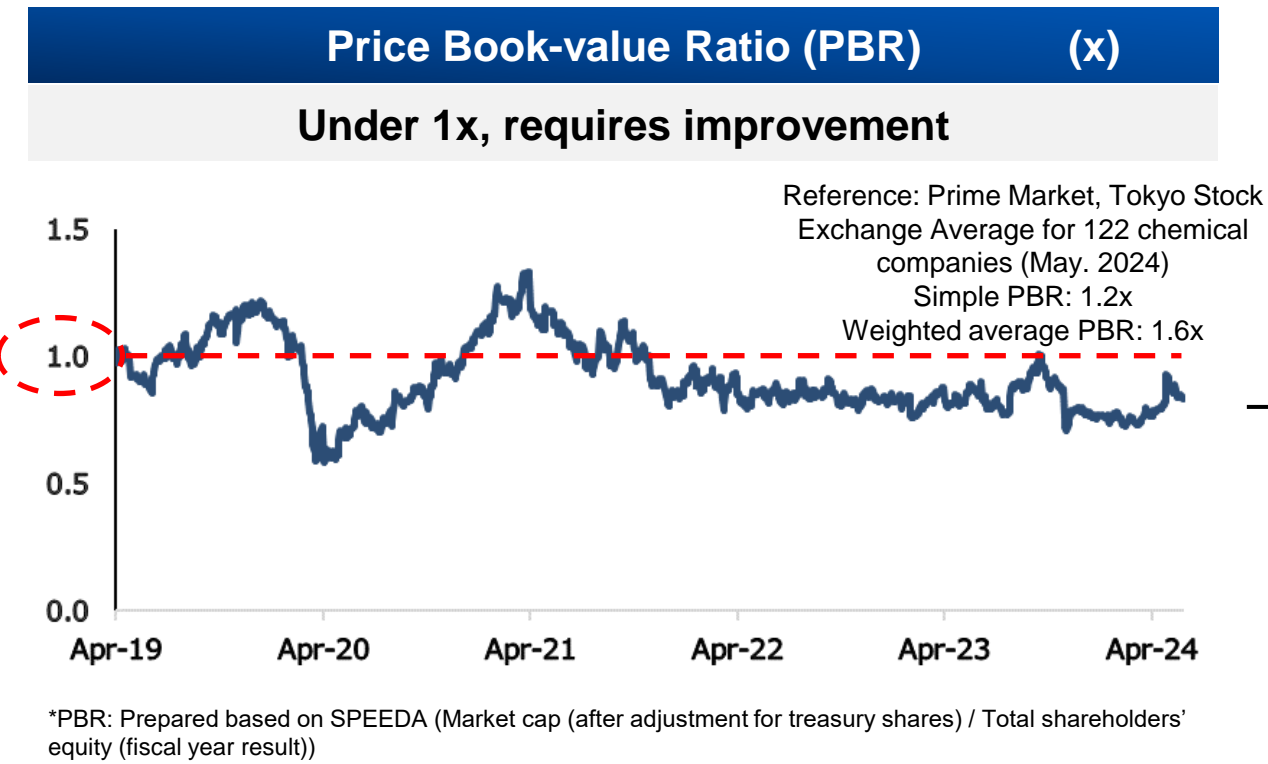
3. Performance Targets / Financial Strategy

Overall Performance Targets have revised in line with revised sales targets for Battery materials, etc.

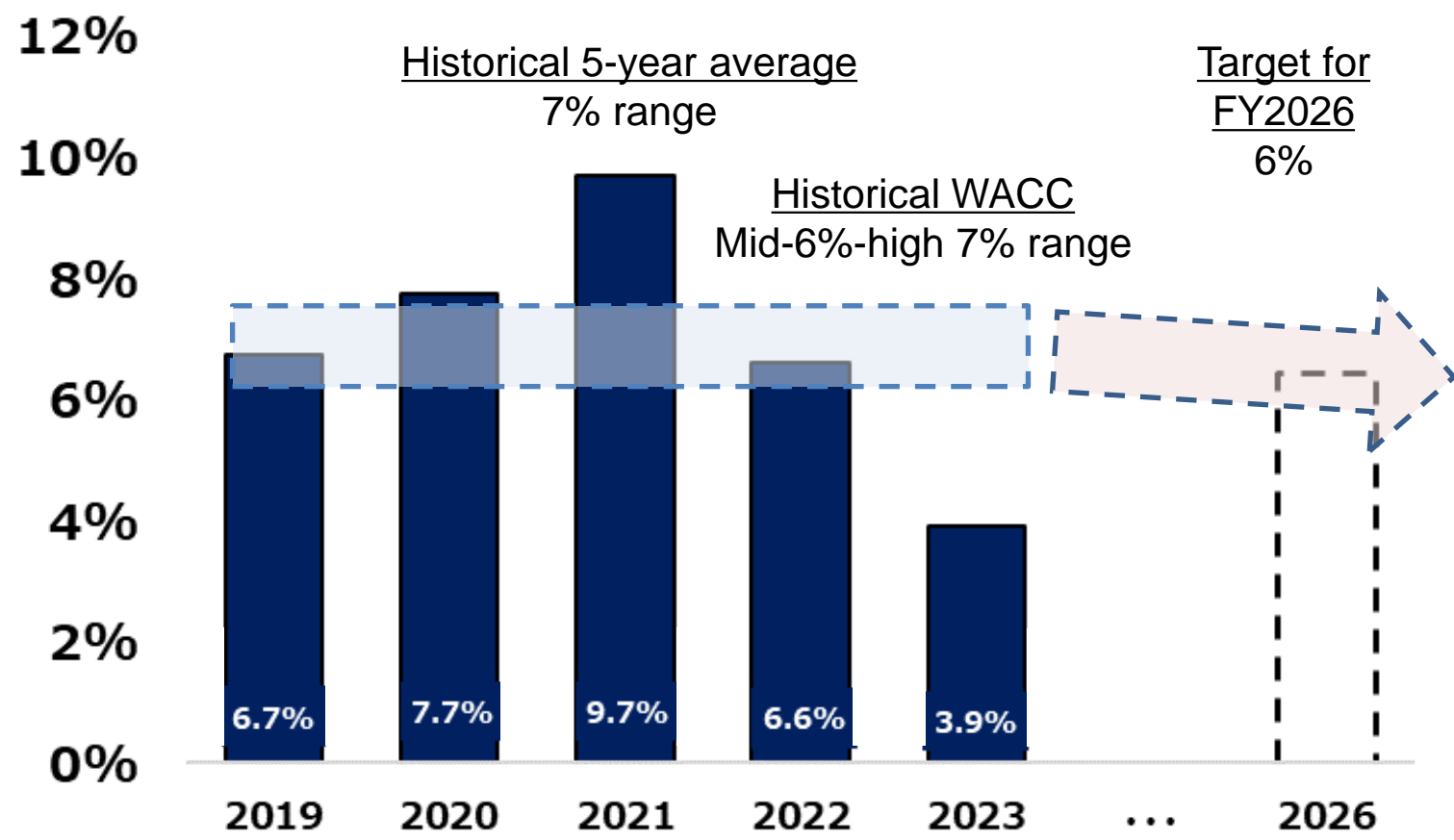
Original Targets for FY2026	Net sales 510 billion yen	Operating profit 58 billion yen	Group ROIC 8%	ROE 10%
Revised Targets for FY2026	450 billion yen	38 billion yen	6%	9%

Performance Targets by Segment	Original	Elastomers	Specialty Materials	Others/Eliminations, etc.	Total
	Net sales	244 billion yen	189 billion yen	77 billion yen	510 billion yen
	Operating profit	23 billion yen	39 billion yen	-4 billion yen	58 billion yen
	Revised	Elastomers	Specialty Materials	Others/Eliminations, etc.	Total
	Net sales	230 billion yen	145 billion yen	75 billion yen	450 billion yen
	Operating profit	16.5 billion yen	25.5 billion yen	-4 billion yen	38 billion yen

PBR=PER×ROE



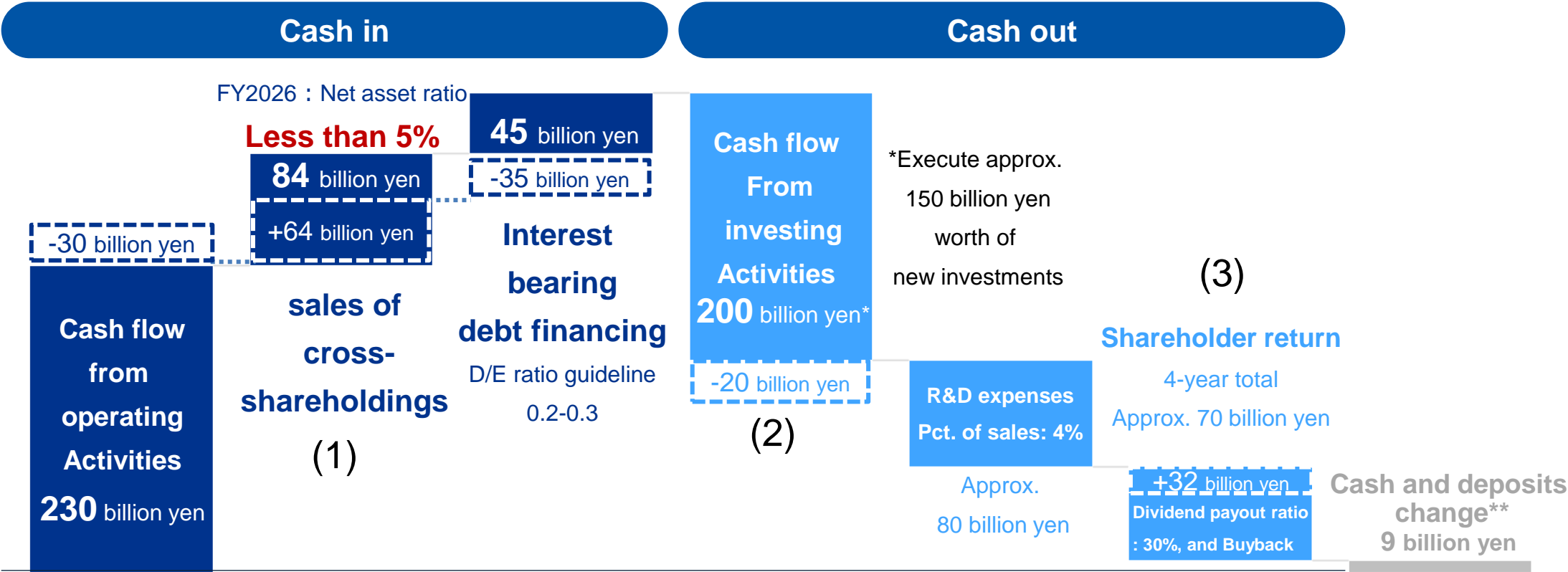
Group ROIC is expected to be 6% in FY2026.
Aiming to expand spreads in conjunction with reducing WACC.



* Source: Historical WACC is our estimate

The decrease in cash flow from operating activities will be covered by (1) sales of cross-shareholdings and (2) reducing investment amounts.

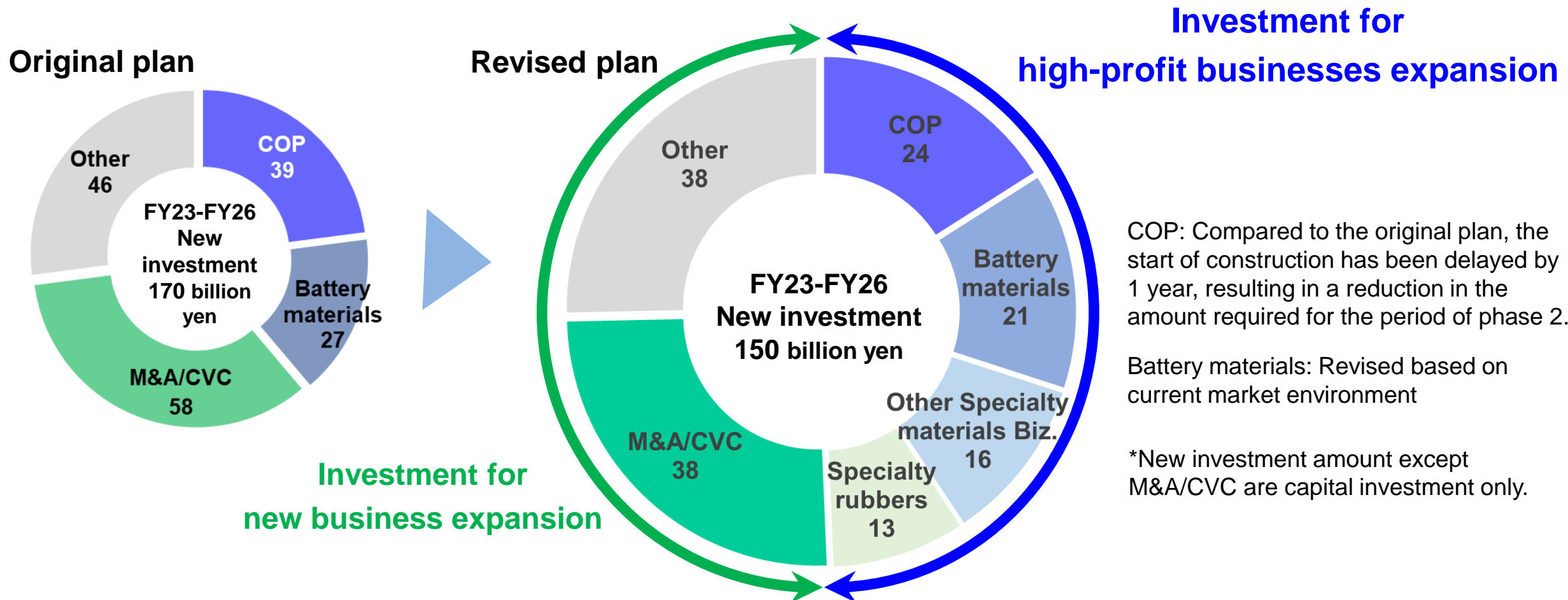
Return surplus cash to shareholders through (3) progressive dividends and purchase treasury stock.



**Increase or decrease in cash and deposits in line with business expansion

Review of investment plan ⇒ Reduce by 20 billion yen from the original plan

Concentrate investments on **high-profit businesses** and **new businesses**



Surplus funds from identification of new investments to be returned to shareholders taking into consideration the expected usage at the end of FY2025.

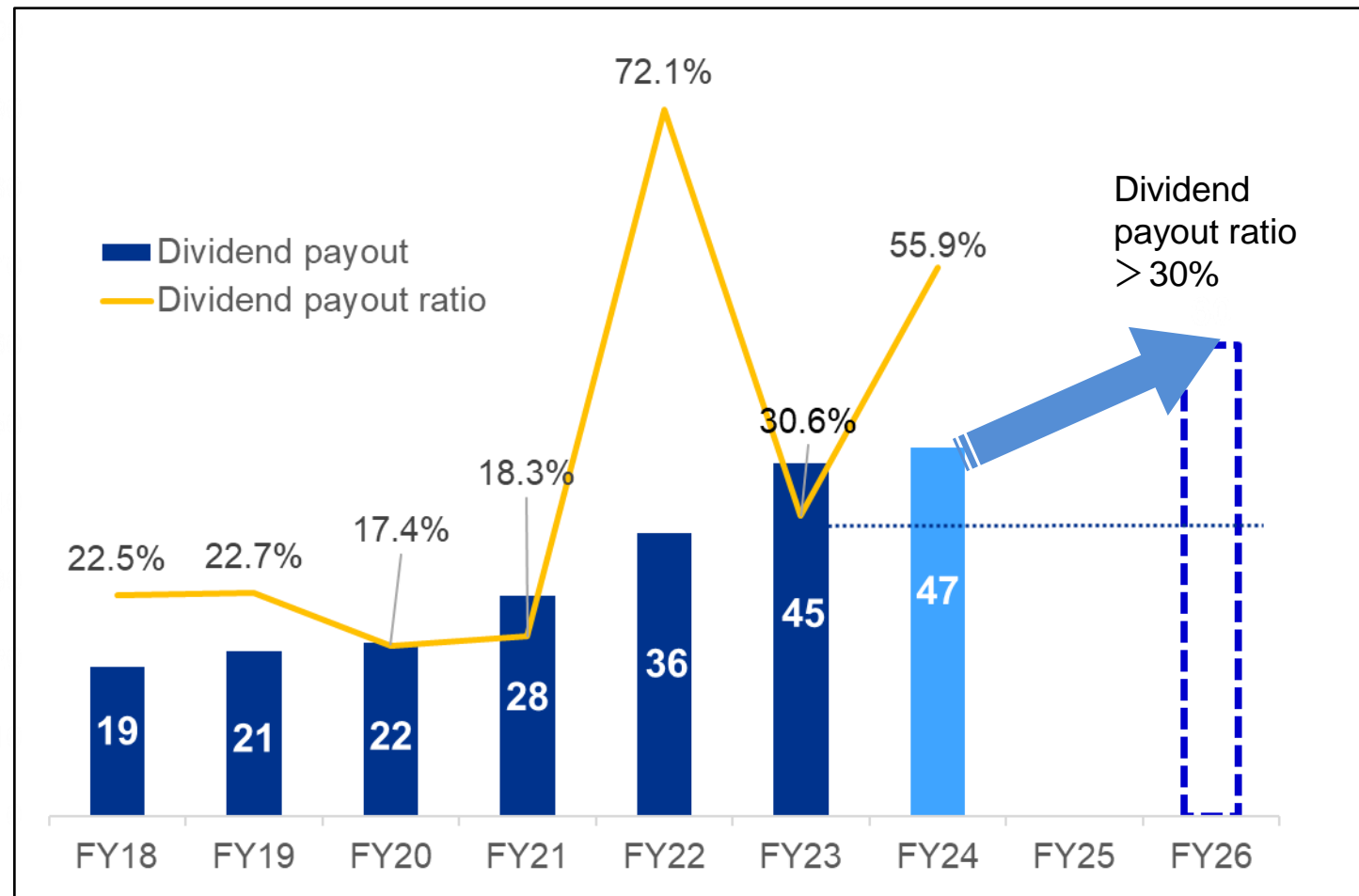
Shareholder return policy

- Dividend payout ratio of at least 30%
- Maintain progressive dividends
- Purchase treasury stock (Plan)

FY2024 - FY2026: **30 billion yen**

FY2024: 10 billion yen (Released)

FY2025 - FY2026: 20 billion yen



Further reduction of cross-shareholdings, aiming for a ratio of net assets of less than 5% by FY2026.

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 FY2023

Estimate for end of FY2026

301.0	143.6
	25.0
231.3 (19.0%)	363.7 (0.02)

Current assets 320	Current liabilities 160
	Non-current liabilities 70
Non-current assets 270	Net assets 360
Cross-shareholdings as ratio of net assets Less than 15%	
D/E ratio Maintain 0.3 or lower	

- 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

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.

ZEON

This document is a translation of the original Japanese-language and is provided for convenience only.
In all cases, the original Japanese version shall take precedence.