

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

ZEON

ZEON CORPORATION

Tetsuya Toyoshima

President and CEO

June 11th, 2024

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

stAGE30

ZEON

	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
		Consolidated operating income per person (million yen/person)	4.3	11	7	9%
		ROIC for existing businesses (%)	4%	9%	7%	Net sales of new business
		Net sales indicator* COP *FY2019 as 100	163	210	210	+60 billion yen (compared to FY2019)
		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
		Environment maximizing employee potential	51%	55%	55%	75%
		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
		Ratio of outside directors and officers	50%	Majority	Majority	30%
		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)

Portfolio restructuring

- Discontinue more than half of Elastomer products in Tokuyama
- + Construct a new production plant for COP
- Shift resources
- Increase profitability of Synthetic rubber
- COP growth

Polish up existing businesses

- Chemicals / Battery materials / Optical films

Explore new businesses

- COP life science + Dry formation method

Financial strategy

- Further reduction in cross-shareholdings (<5%)
- Careful examination of investments → Shareholder return (Dividend payout ratio 30% + Purchase treasury stock 30 billion yen)

PER

PBR>1
Early realization

ROE

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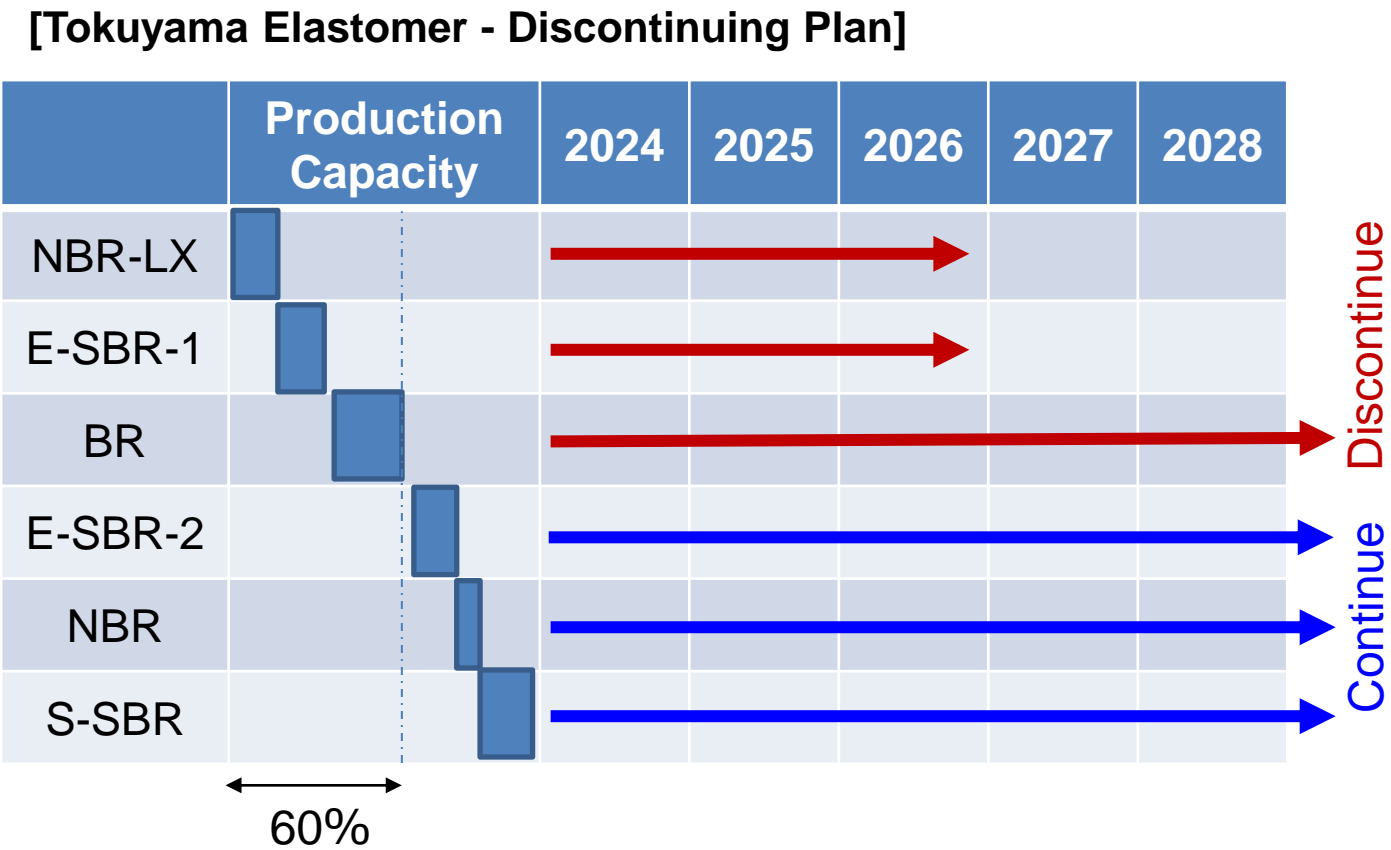
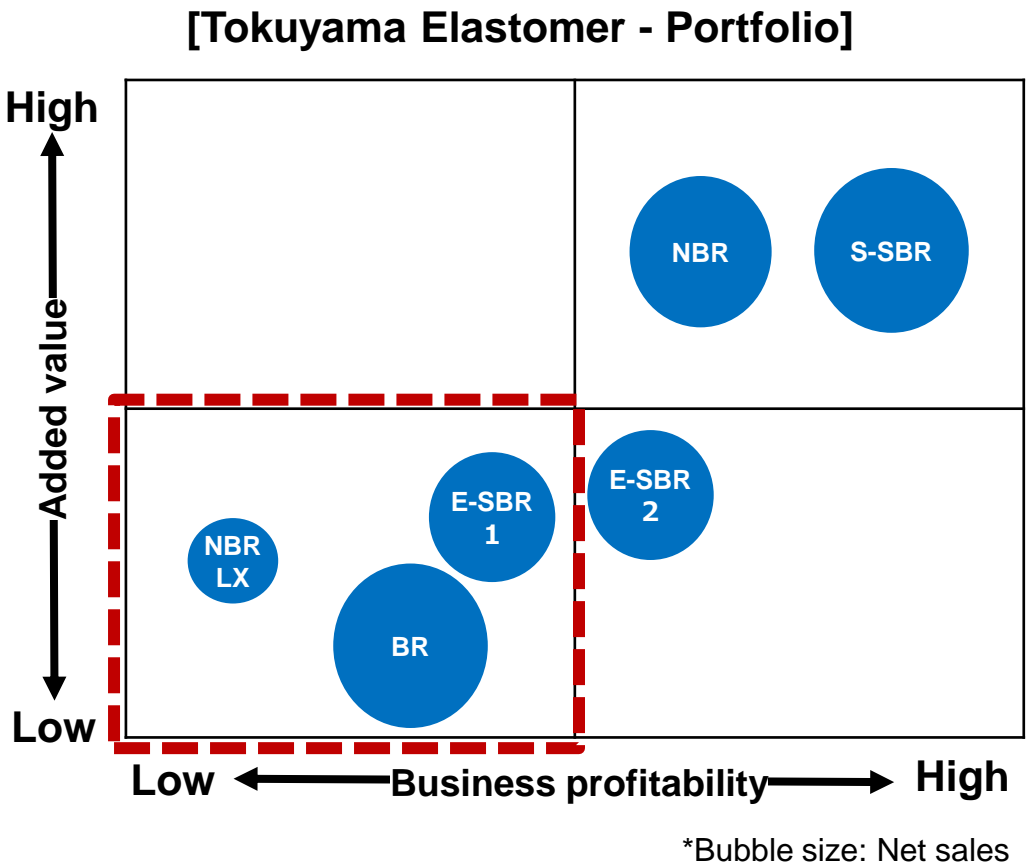
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Early realization

ROE

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

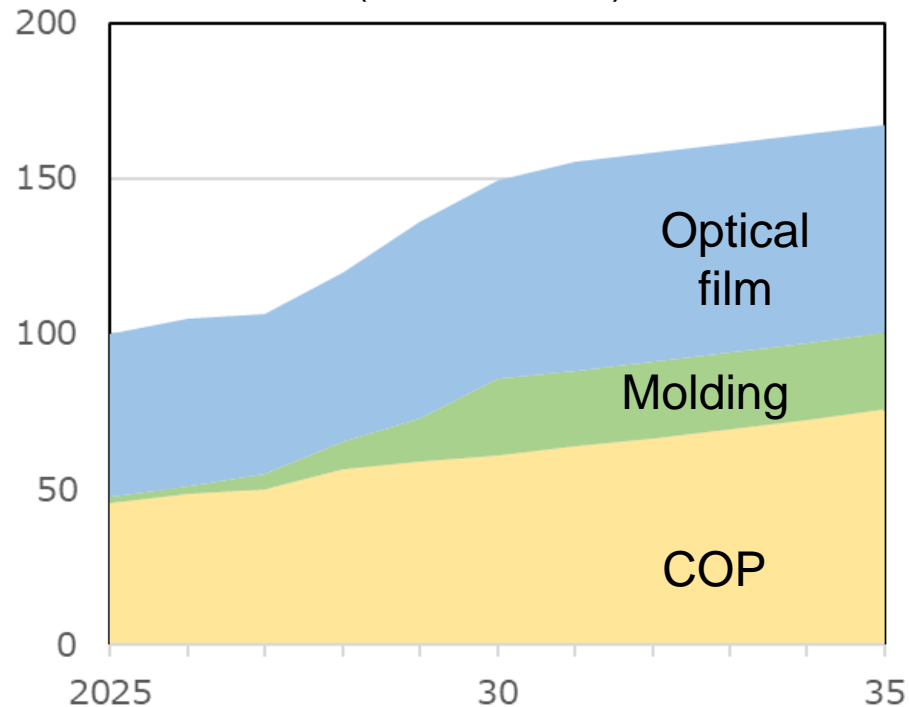


Tokuyama Plant: Planning to discontinue 60% of Elastomer production capacity

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

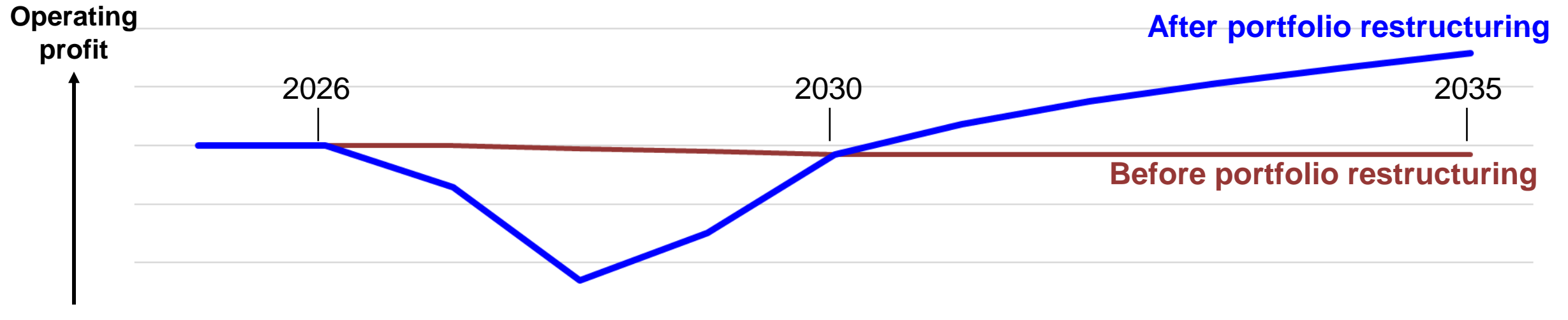
Total investment amount: Approximately 70 billion yen

**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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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

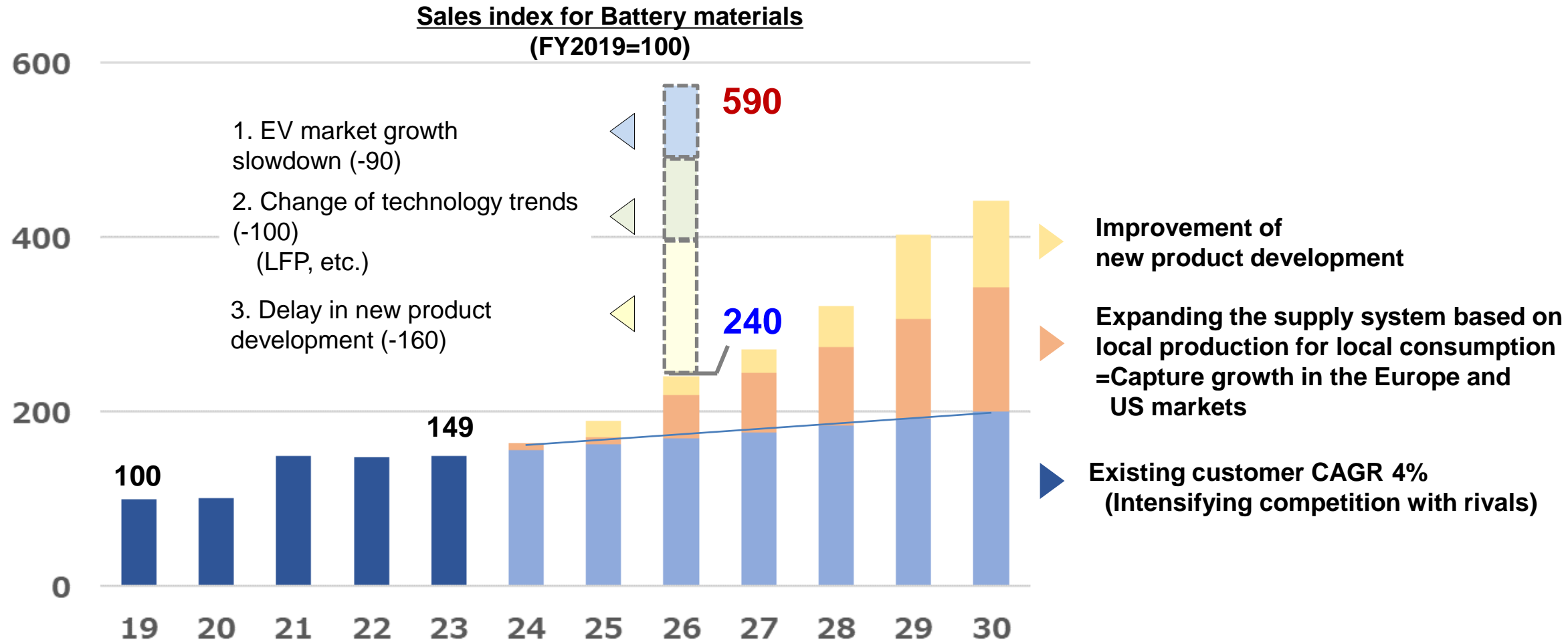
⇒

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

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

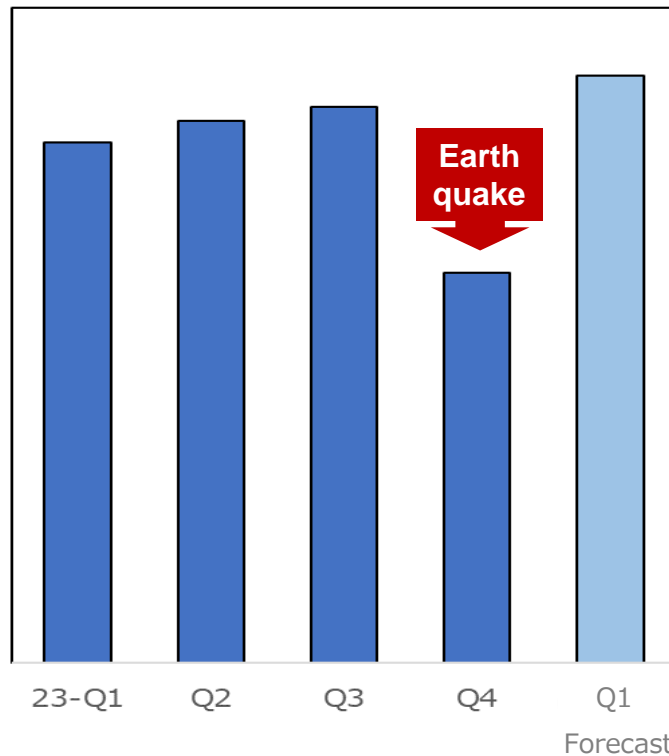
⇒ Revised targets for FY2026

Aiming for high growth in FY2030 through various measures

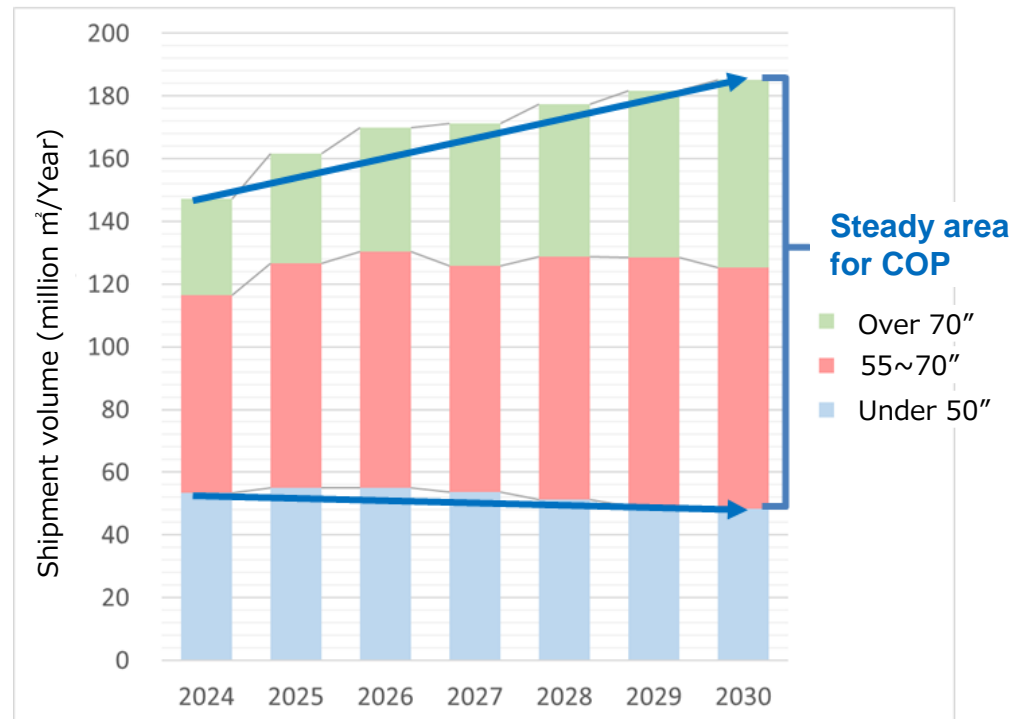


Overcoming the Noto Peninsula Earthquake, all lines operate in earnest. ⇒ Improve revenue
Considering expansion to meet growing demand for large displays.

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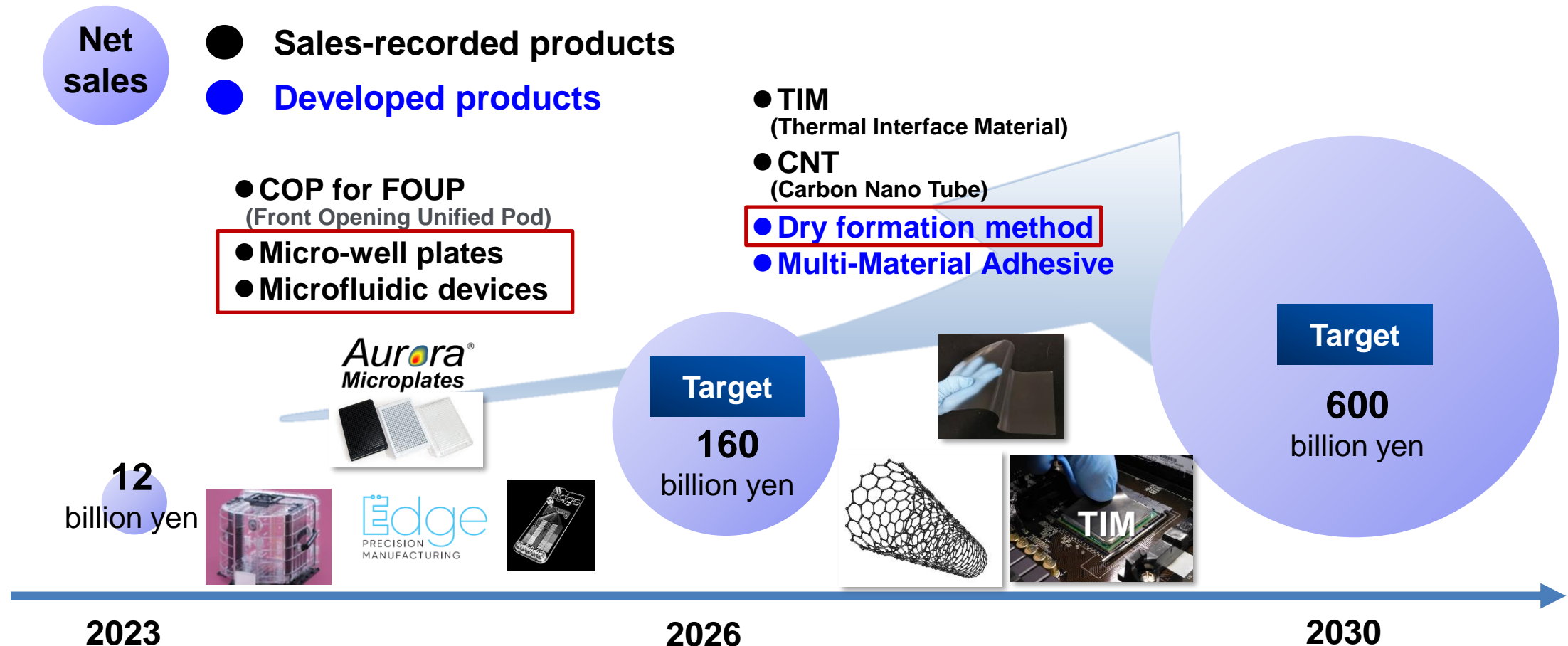
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1. Introducing new products to new markets
2. Inorganic growth through M&A



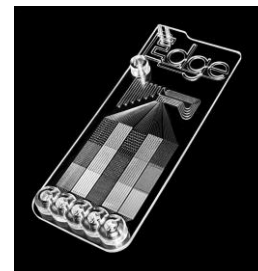
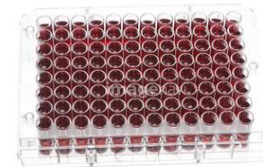
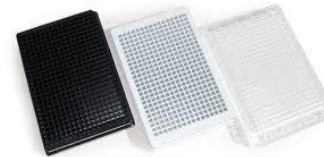
Genome analysis and drug discovery support

Micro-well plates

Assay plates
(DNA and protein, etc.
analysis)

Cell culture plates
(Cell culture and analysis)

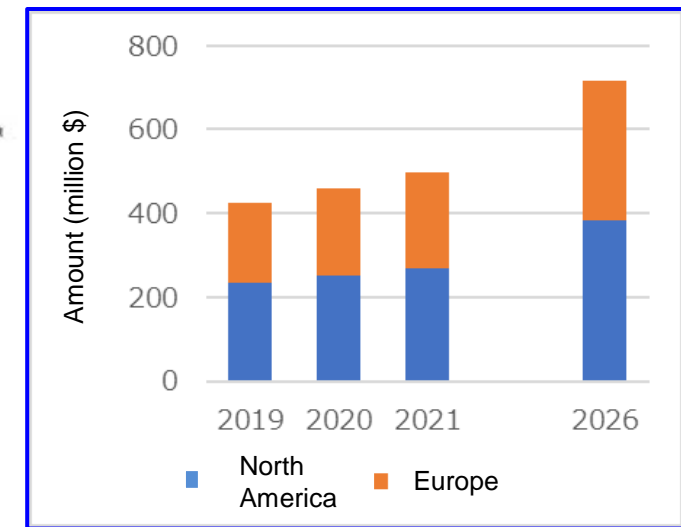
**Microfluidic
devices**



Aurora[®]
Microplates

Edge
PRECISION
MANUFACTURING

[Market size for Micro-well plates]

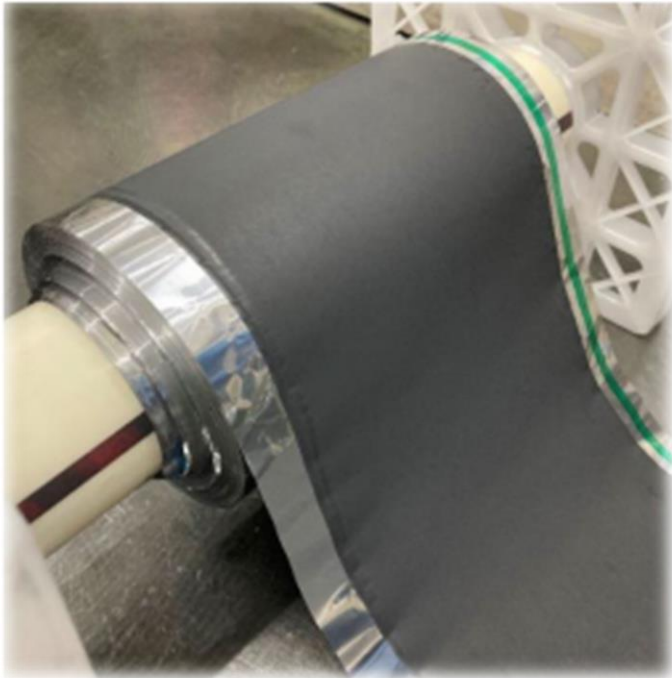


Source: The Business Research Company
『Life Science Consumables Market Study September 2021』

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

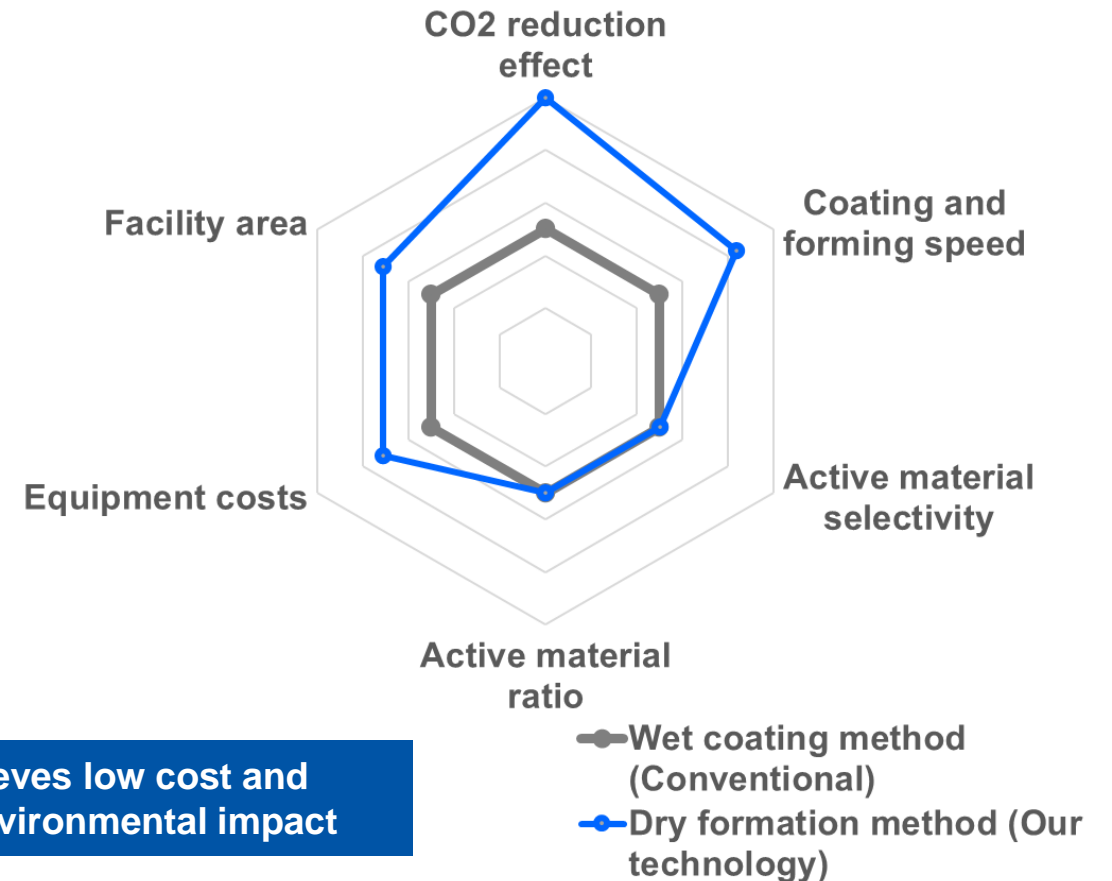
Innovative electrode manufacturing method: Currently being developed in collaboration with battery manufacturers

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.

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

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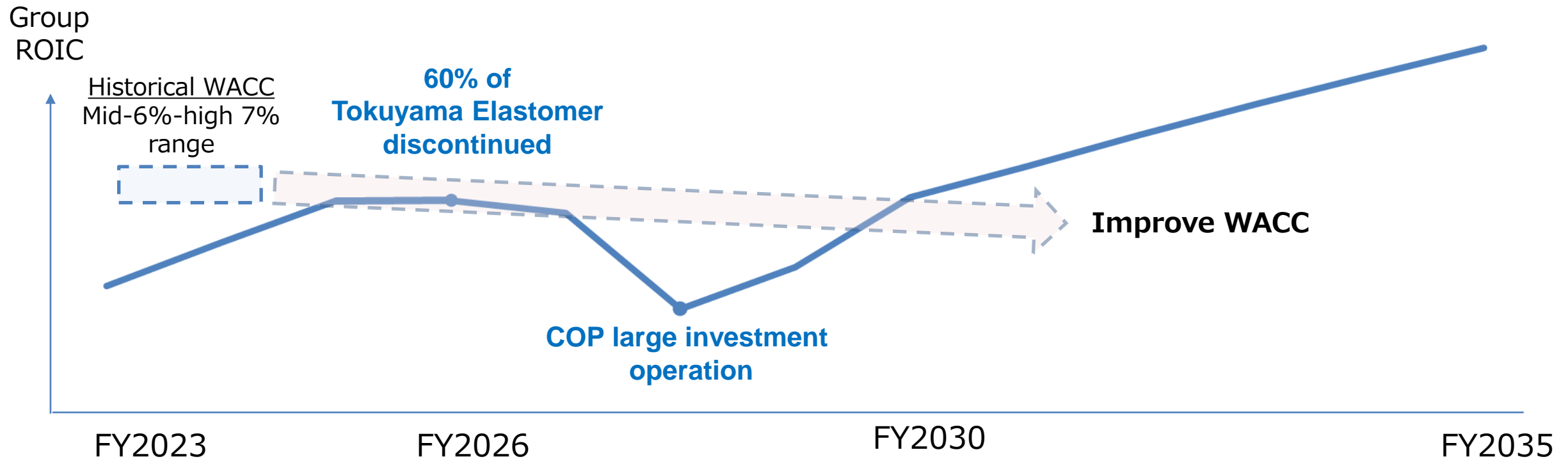
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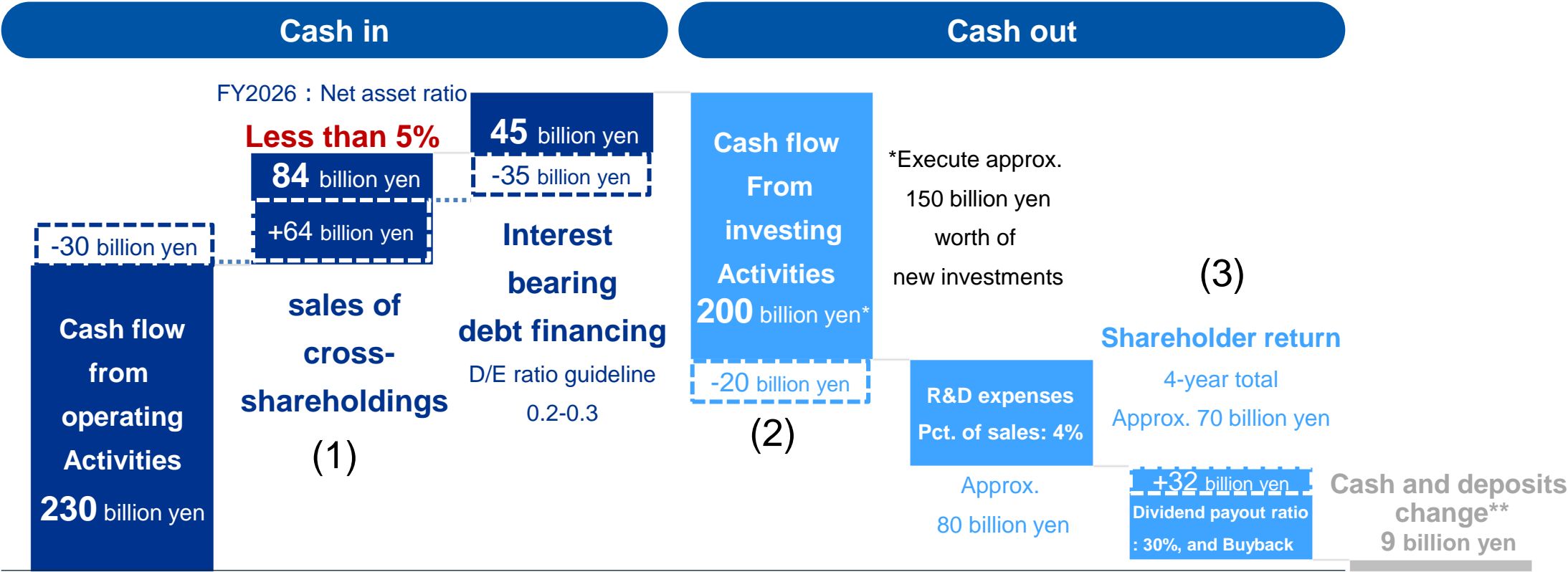
ROE

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



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

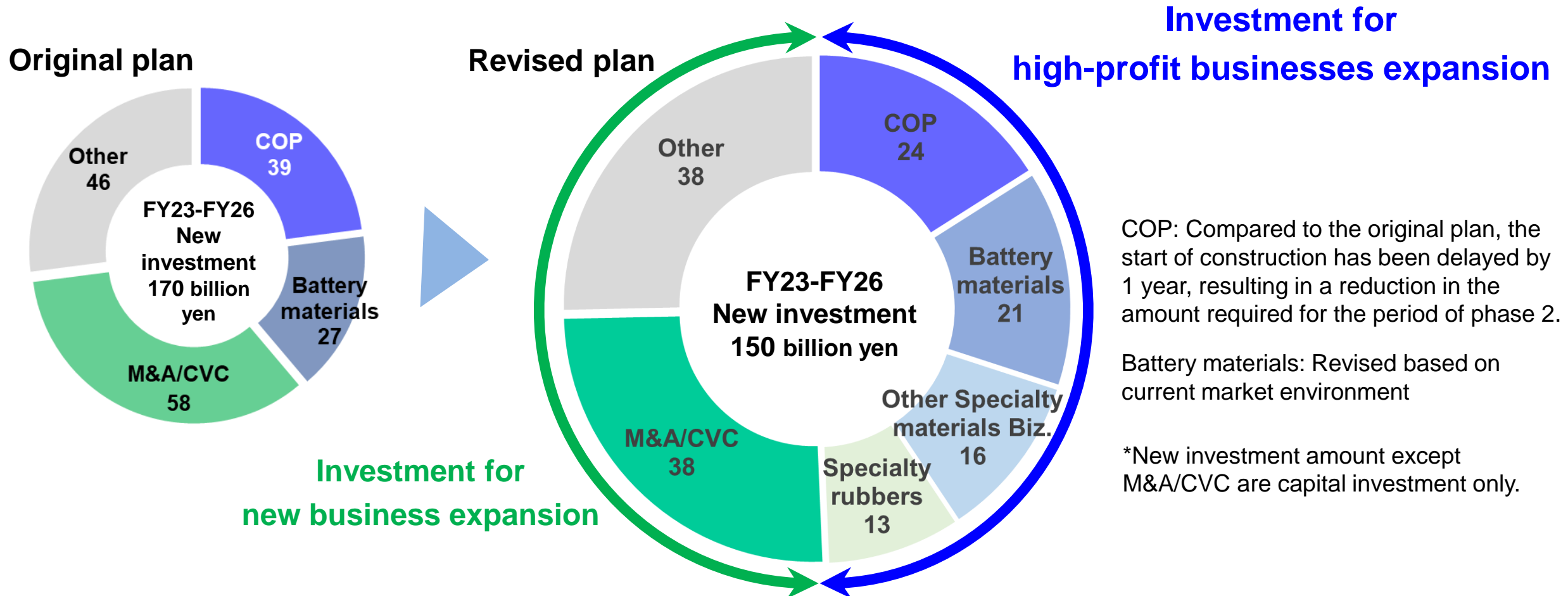
Return surplus cash to shareholders through (3) progressive dividends and purchase treasury stock



**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

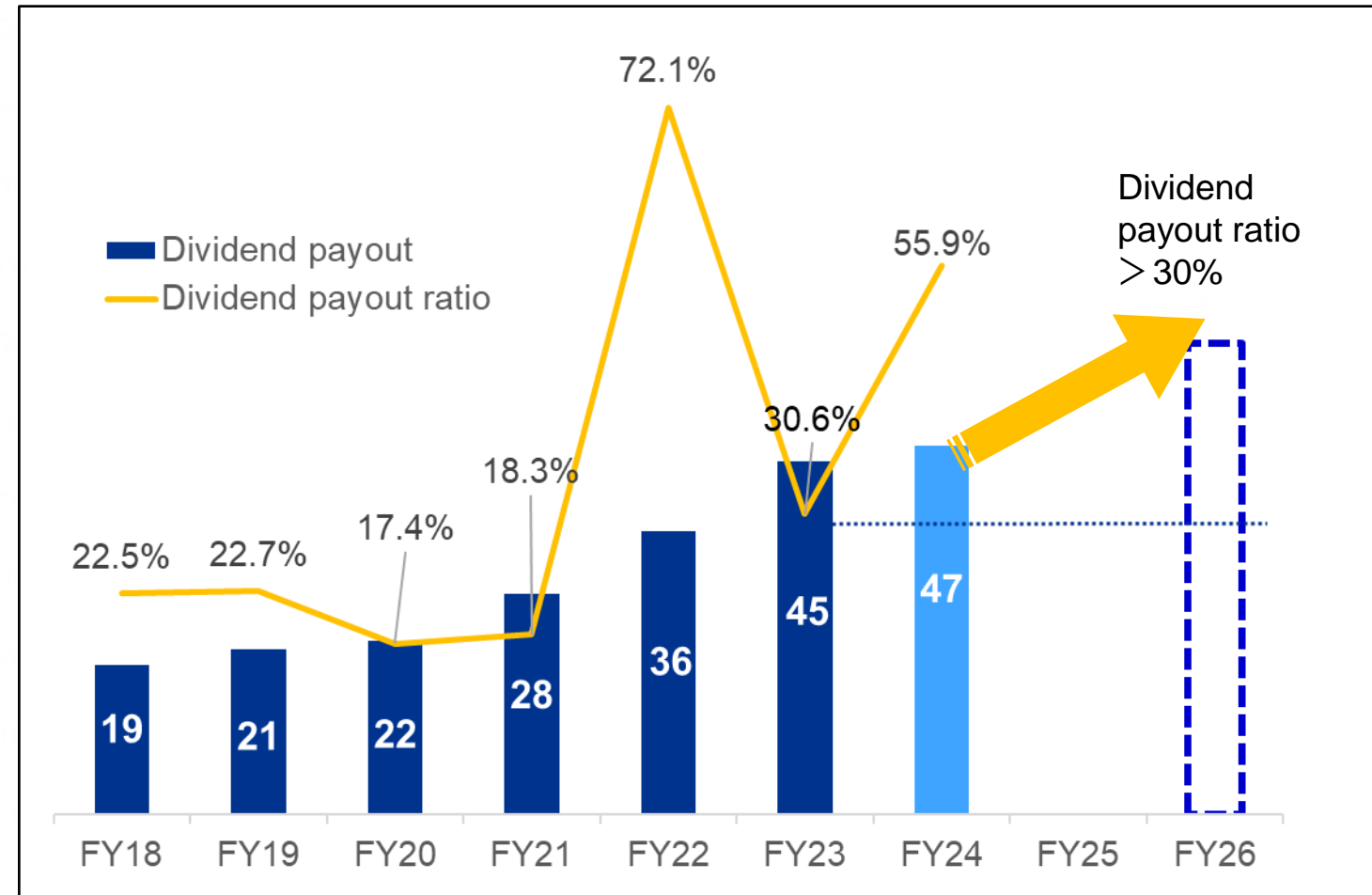
Concentrate investments on **high-profit businesses** and **new businesses**



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



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 - +
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- A curved arrow points from the text 'Discontinue more than half of Elastomer products in Tokuyama' to 'Construct a new production plant for COP'. Below the arrow is the text 'Shift resources'.
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We will meet the expectations of our stakeholders.

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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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.