Medium-Term Business Plan - Phase 3
(FY2025–FY2028)
Summary of Briefing

(June 11, 2025)

[Briefing Materials]
https://www.zeon.co.jp/ir/library/midtermplan/pdf/250611.pdf

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*Pages 28 to 33 were omitted from the explanation on the day due to time constraints.

p.4 **Phase 3 Overview**

Phase 3 centers on improving capital efficiency by advancing portfolio restructuring through selection and concentration.

While Phase 2 set a target for FY2026, Phase 3 sets a new target for FY2028. As a result, we currently have two active targets: one for FY2026 and one for FY2028.

The relationship between these two targets will be explained in a later section.

p.6 **Phase 2 Progress**

This shows the progress made in FY2024 toward the FY2026 targets set in Phase 2.

ROIC for existing businesses improved from 4% in FY2023 to 6.3% in FY2024, mainly driven by the strong performance of synthetic rubbers and COP films, putting the 7% target for FY2026 within reach.

Although the sales index for battery materials was revised downward to 240 last year, a significant gap remains due to prolonged sluggish EV sales, particularly in Europe. We aim to achieve the company-wide operating profit target by leveraging the overall performance of the Specialty Materials Business.

Other FY2026 targets are generally on track and considered reasonably attainable.

p.7 **Phase 2 Progress**

One of the key decisions in Phase 2 was the restructuring of the Tokuyama Plant, combining:

- A gradual discontinuation of low - profitability products in the Elastomer Business
- Construction of a new COP plant

One of the key focuses of Phase 3 will be to quickly ramp up the operating rate of the new COP plant scheduled to begin production in 2028 by:

- Securing demand-supply agreements with existing customers
- Actively pursuing new customer acquisition

p.9 **Phase 3 Financial/Non-Financial Targets**

For Phase 3, we have established FY2028 targets that align with our identified material issues.

p.10 **Phase 3 Financial/Non-Financial Targets (Targets Mapping Table)**

Some KPIs established in Phase 2 have been removed from the Phase 3 framework. This was because the targets have already been achieved, were transitioned to internal monitoring, or were consolidated into new Phase 3 KPIs.

We have reorganized the FY2028 targets to better support the achievement of our FY2030 goals.

p.11 **Phase 3 Financial/Non-Financial Targets**

Both the FY2026 and FY2028 net sales targets are set at 450.0 billion yen, indicating our intent to grow operating profit while maintaining top-line revenue amid portfolio restructuring.

The EBITDA target will grow in line with planned investment for growth.

The company-wide ROIC target has been significantly raised from the previously disclosed level by incorporating cost reduction initiatives and improvements in the cash conversion cycle.

p.13 **Key Products/Markets**

This graph illustrates the concept of selection and concentration for Phase 3.

We begin by identifying our current and next-phase growth drivers and strategically allocating resources to them.

The blue segments represent current growth drivers expected to lead growth during Phase 3, while the light blue segments are next-phase drivers targeted for expansion in Phase 4 and beyond.

The black segments represent high-profit and core products that form the foundation of our business.

In contrast, the gray segments indicate non-core and low-profit businesses, for which we will pursue downsizing, withdrawal, or capital alliances as part of our ongoing portfolio restructuring.

p.14 **Key Products/Markets (Sales Percentage of the Four Growth Fields)**

In Phase 3, we have newly introduced the “Sales Percentage of the Four Growth Fields” as a KPI.

The table shows how our current and next-phase growth drivers and high-profit products are categorized into these four growth fields.

By concentrating resources in these focus areas, we aim to increase the sales percentage of the four growth fields from 37% in FY2024 to 48% in FY2028.

p.15 **Key Products/Markets**

This graph highlights the share of total net sales and operating profit attributable to current and next-phase drivers compared to actual and target figures.

Our plan for the Elastomer Business is to maintain current net sales while boosting operating profit.

The concept of Phase 3 is to build on that foundation and further grow profits by scaling up contributions from both current and next-phase growth drivers.

p.16 **Key Products/Markets**

This graph isolates our current and next-phase growth drivers, presenting them in index format to illustrate how we expect net sales to grow from FY2024 onward.

Growth drivers are projected to steadily expand their sales.

Although next-phase growth drivers are still in the early stages of market introduction and currently small in scale, they are expected to grow into core businesses that support Zeon in FY2030 and beyond.

On the next page, we will provide a more detailed explanation of how each of these product groups will expand within their respective target markets.

p.17 **Focus Areas in Phase 3: Products and Markets** (COP Optical Films)

Sales of COP films are projected to grow at an annual rate of 12% through FY2028, significantly outpacing the 7% projected growth in the shipment area for TVs 55 inches and larger.

One reason is our introduction of cost-competitive new products for TVs under 55 inches, aimed at expanding our market share. The other is that, in the segment for TVs 55 inches and above, Zeon holds a dominant supply capacity advantage, allowing our market share to grow in tandem with overall market expansion.

Our sales growth projections are based on shared medium- to long-term demand-supply plans with major panel manufacturers.

p.18 **Key Products/Markets** (COP Resins - Semiconductor Use)

Zeon's COP is used in wafer containers that require exceptional cleanliness.

Our sales growth rate through FY2028 is projected at 19%, far outpacing the overall semiconductor market's 10% growth rate. This projection is tied to the anticipated 19% growth of the advanced semiconductor market, particularly for AI-related applications.

COP's unmatched cleanliness, transparency, and heat resistance have made it the exclusive material of choice in cutting-edge semiconductor production lines. To strengthen this position, we will continue to collaborate closely with advanced semiconductor manufacturers and pursue further product enhancements, reinforcing COP's role as the go-to material for high-performance container applications.

p.19 **Key Products/Markets** (COP Resins - Medical Use, etc.)

COP resin sales are expected to grow at an annual rate of 23% through FY2028, exceeding the overall 15% growth projected for the resin-based pre-filled syringe market. This is driven by the ongoing shift from glass to resin materials, during which the superior performance of Zeon's COP, bolstered by years of promotional activity, is steadily penetrating the industry. As a result, we anticipate further market share expansion.

We have a strong pipeline through collaboration with pharmaceutical and packaging companies, and we will focus on the expanding biopharmaceutical market.

p.20 **Key Products/Markets** (Battery Materials - Adhesives for Separators)

Sales of separator adhesives are projected to grow 17% annually through FY2028, surpassing the 14% growth of the EV market in Asia. This outlook is based on our expectation of increasing market share.

Zeon's adhesives address the critical trade-off between resistance and adhesive strength, key performance requirements, through advanced control of polymer structure. In addition to product performance, we believe strengthened pricing, service, and promotional strategies will drive further share gains.

We have already started supplying several major battery manufacturers and expect sales volumes to continue rising.

p.21 **Key Products/Markets** (Battery Materials - High-Performance Anode Binders)

High-performance anode binder sales are expected to grow 79% annually through FY2028, far outpacing the growth of the U.S. EV and ESS markets. This sharp increase reflects our confidence in expanding market share.

The newly developed binder is a breakthrough material that overcomes the traditional trade-off between resistance and adhesion, two critical demands for binders. In addition to product performance, we believe strengthened pricing, service, and promotional strategies will drive further share gains.

We have already secured supply agreements with leading U.S. battery manufacturers.

Regarding production capacity, we will monitor the evolving conditions of the U.S. market and make strategic decisions about domestic capacity expansion and potential investment in U.S. facilities.

p.22 **Key Products/Markets** (Chemicals - CPN)

We will now explain the next-phase growth drivers.

Cyclopentanone (CPN) is used as a developer for photosensitive polyimide in semiconductor packaging insulation films. We project a 19% sales growth rate through FY2030, in line with our outlook for the advanced semiconductor market.

As semiconductor miniaturization continues, the demands on polyimide and developer materials are growing more stringent. CPN, which offers both excellent development performance and safety, is drawing increasing attention. We are working closely with major advanced semiconductor manufacturers on medium- to long-term demand and supply planning to drive sales growth.

Looking ahead, we are considering doubling our production capacity, particularly in Asia, the primary production hub for advanced semiconductors.

p.23 **Key Products/Markets** (Chemicals - CPME)

Cyclopentyl methyl ether (CPME) is a solvent used in pharmaceutical synthesis.

Sales are projected to grow 23% through FY2030, significantly outpacing the 6% growth expected for the pharmaceutical market. This is based on our confidence in growing market share,

as CPME offers advantages over traditional solvents like tetrahydrofuran (THF), including shorter purification processes and significant reductions in water and energy usage. As awareness of CPME grows among pharmaceutical companies, it is being adopted in numerous drug development pipelines, and we aim to secure adoption in commercialized products as well.

Depending on market adoption, we are considering scaling up production capacity several times over.

p.24 **Key Products/Markets** (COP Molded Products - Cell Culture Microplates)

Sales of cell culture plates are expected to grow 200% through FY2030, far exceeding the market growth rate of 9%. This sharp increase reflects our confidence in expanding market share.

Zeon’s cell culture plates feature proprietary surface processing technology that enhances cell culture performance and contributes to improved observation precision, a key factor in accelerating drug discovery. We will work to expand adoption among major pharmaceutical companies, particularly in the U.S. and Europe.

p.25 **Key Products/Markets** (Single-Walled CNTs - LIB Use)

Sales of single-walled carbon nanotubes (CNT) for lithium-ion battery applications are projected to grow 166% through FY2030, far exceeding the 72% growth forecast for the overall CNT market in this segment.

Testing conducted by Taiwan-based paste manufacturer SiAT has confirmed that Zeon’s CNT-based conductive paste delivers significantly better battery performance than conventional single-walled CNT products.

Zeon manufactures its CNT domestically, minimizing geopolitical risks. In addition to superior performance, we aim to grow our market share through strategic pricing and enhanced promotional activities.

We have also decided to invest in SiAT and have begun collaboration to establish a vertically integrated model spanning from CNT raw materials to conductive pastes. In parallel, we are planning to expand our CNT production capacity.

p.27 **Phase 3 Other Targets**

Non-financial targets for Phase 3 are shown with a blue border.

p.28 **Phase 3 Other Targets** (Lost-Time Accident Frequency Rate)

In Phase 3, we have revised our safety target from “zero lost-time accidents” in Phase 2 to “a lost-time accident frequency rate of 0.4 or less.” While we continue to strive for zero incidents, this change was made to ensure that ongoing safety efforts are recognized and to prevent discouragement if even one incident results in missing the goal.

The 0.4 target was set with reference to benchmarks from the Japan Chemical Industry Association and reflects a level comparable to leading industry standards.

p.29 **Phase 3 Other Targets** (Employee Engagement)

Since FY2022, we have taken steps to improve employee engagement by addressing underlying issues, expanding resources, reforming work styles, and enhancing benefits. However, the engagement score remained flat at 52% from FY2023 to FY2024. We believe this was due to increasing awareness of challenges around job satisfaction and career development, particularly in R&D, business, and administrative functions.

To move forward, we will intensify support for career development and create more opportunities for employees to take on meaningful challenges.

p.30 **Phase 3 Other Targets** (ZEON Healthy Behavior Indicators)

We believe that supporting each individual in leading an active and fulfilling work life is essential to the company’s long-term success. In FY2021, we established our “Health Management Declaration” and “Well-being Action Guidelines.” To promote physical health, we created the ZEON Healthy Behavior Indicators, which include three behaviors: maintaining a healthy BMI, having a regular exercise habit, and not smoking. Our KPI tracks the percentage of employees who meet at least two of these three behaviors.

In FY2024, this rate remained steady at 62%, unchanged from the previous year. Looking ahead to FY2025, we will roll out additional initiatives to surpass our target of 65% by FY2026.

p.31 **Phase 3 Other Targets** (Externally Partnered Research Themes)

As part of our commitment to driving innovation, we are strengthening external collaborations.

“Externally partnered research themes” refer to development projects conducted in partnership with startups or similar partners that meet our internal criteria, namely, having a high likelihood of being adopted by clients. Given that some of these projects take time to reach mass production, and considering resource constraints, we have set a cumulative target of 22 themes between FY2023 and FY2028. If this target is reached ahead of schedule, we will consider raising the goal.

Specifically, to further strengthen our external collaboration capabilities, we are currently constructing the Kawasaki Innovation Frontier Port (KIFP), which will serve as a key hub for our efforts.

We are also accelerating the exploration of new businesses through CVC activities. Some of these ventures have already moved into technical collaboration with our investees, and we are beginning to see concrete outcomes.

p.32 **Phase 3 Other Targets** (Sales Ratio of Products That Contribute to the SDGs)

Zeon launched its SDGs-Contributing Product Certification System last fiscal year, and the number of certified products has grown to 45.

In FY2024, products that contribute to the SDGs accounted for 35% of total sales. Since many of the existing products in our four growth fields qualify under this category, we plan to meet the FY2026 target of 40% by expanding sales in those areas.

Looking ahead, we anticipate additional products will receive certification, and have therefore set an even more ambitious target of 45% for FY2028.

p.33 **Phase 3 Targets** (Ratio of Reduction in CO_2 Emissions)

We have set CO_2 emissions reduction targets of at least 10% by FY2028 and 42% by FY2030, compared to FY2020 levels. To meet these goals, we are enhancing our traditional energy-saving efforts by transitioning to renewable energy for purchased electricity and steam at both domestic and overseas group company plants. We are also collaborating with partners on the development of bio-based raw materials and advancing R&D into sustainable feedstocks through the Green Innovation Fund.

Significant reductions will also require coordinated regional action, including collaboration with industrial complexes. We plan to actively pursue initiatives in this area as well.

p.35 **Financial Strategy (Cash Flow Allocation)**

This outlines the cash flow allocation for Phase 3 (FY2025- FY2028).
We will allocate cash flow from operations, enhanced by improvements in the cash conversion cycle, to fund R&D, maintenance investments, and shareholder returns. We plan to use the remaining cash, together with funds raised through interest-bearing debt and proceeds from the sale of cross-shareholdings, to execute both approved and prospective new investments.
The 80.0 billion yen in prospective new investments will be evaluated against our investment criteria, with a decision on execution to be made by the time we announce the next phase.

p.36 **Financial Strategy (New Investments)**

Of the 130.0 billion yen in approved investments, 100.0 billion yen is allocated to growth drivers and 30.0 billion yen to R&D and related initiatives.

The 100.0 billion yen investment in growth drivers includes the new COP plant announced in June last year, as well as the construction of a new COP film production facility.

The 80.0 billion yen in prospective investments covers initiatives for both current and next-phase growth drivers, as well as additional R&D activities.

All investments are evaluated using a hurdle rate that exceeds our cost of capital, with decisions based on NPV and IRR.

Although M&A is not included in the current investment plan, we will apply the same investment criteria should specific opportunities arise. In such cases, we anticipate using interest-bearing debt for financing, with a target debt-to-equity (D/E) ratio of 0.5 or less.

p.37 **Financial Strategy (Shareholder Return)**

We will maintain our policy of keeping the dividend on equity (DOE) at 4% or higher.

A total of 40.0 billion yen in share buybacks is planned for FY2024 through FY2026. Of this, 20.0 billion yen was completed in FY2024, and 10.0 billion yen has already been approved for FY2025. The remaining 10.0 billion yen is scheduled for FY2026, reflecting our ongoing commitment to delivering returns to shareholders.

p.38 **Financial Strategy (Capital Composition)**

Based on the above, our balance sheet management will prioritize active investment execution and optimization of our capital composition.

As of the end of FY2028, we recognize that our equity ratio remains high and plan to make greater use of interest-bearing debt in line with our investment plans.

At the same time, we will work to streamline assets by improving the cash conversion cycle through reductions in accounts receivable and inventory.

p.40 **Achieving Management That Is Conscious of Cost of Capital and Stock Price**

Although our PBR exceeded 1.0 in FY2021, it has remained below that level since. While our ROE generally surpasses the cost of equity, our PER remains lower than that of industry peers.

We recognize that improving PBR hinges on raising our PER.

To build market confidence in our growth potential, we will enhance engagement with shareholders and investors, strive to achieve a PER above the industry average at an early stage, and restore our PBR to a level above 1.0.

p.41 **Achieving Management That Is Conscious of Cost of Capital and Stock Price**

Following feedback from shareholders and investors last year urging prompt improvement of our ROIC outlook presented in Phase 2, we committed during our October earnings announcement to reexamine our targets.

As a result of that review, our Phase 3 plan now incorporates:

・Comprehensive cost reductions to raise NOPAT, with no exceptions

・Reduction of invested capital through improvements in the cash conversion cycle (CCC)

Based on this, we are targeting an ROIC of 6.9% in FY2026 and 7.0% in FY2028 as part of our Phase 3 plan.

According to our internal WACC projections, ROIC is also expected to exceed WACC by FY2026 through the use of financial leverage.

p.43 **Summary**

Phase 3 is focused on transforming our business structure through strategic selection and concentration.

By allocating resources to current and next-phase growth drivers, we aim to increase their contribution to net sales and operating profit, while scaling down, exiting, or forming capital alliances for non-core and low-profit businesses.

ROIC is expected to exceed WACC in FY2026. We remain committed to running the business in a financially sound manner while protecting shareholder value.

p.45 **Launching a New Co-Creation Innovation Facility**

To close, let us share our vision for the future of the Kawasaki area.

We are transforming our Kawasaki Plant and Research Center into the Kawasaki Innovation Frontier Port (KIFP), a next-generation innovation facility equipped with multifunctional prototyping facilities.

This new facility will strengthen our ability to rapidly co-create new businesses with customers and pioneer entirely new markets. Looking ahead, we will go beyond conventional manufacturing and expand into areas such as data-driven business and experiential value creation.