

New Mid-term Management Plan

SZ-20

Phase III

ZEON

ZEON CORPORATION

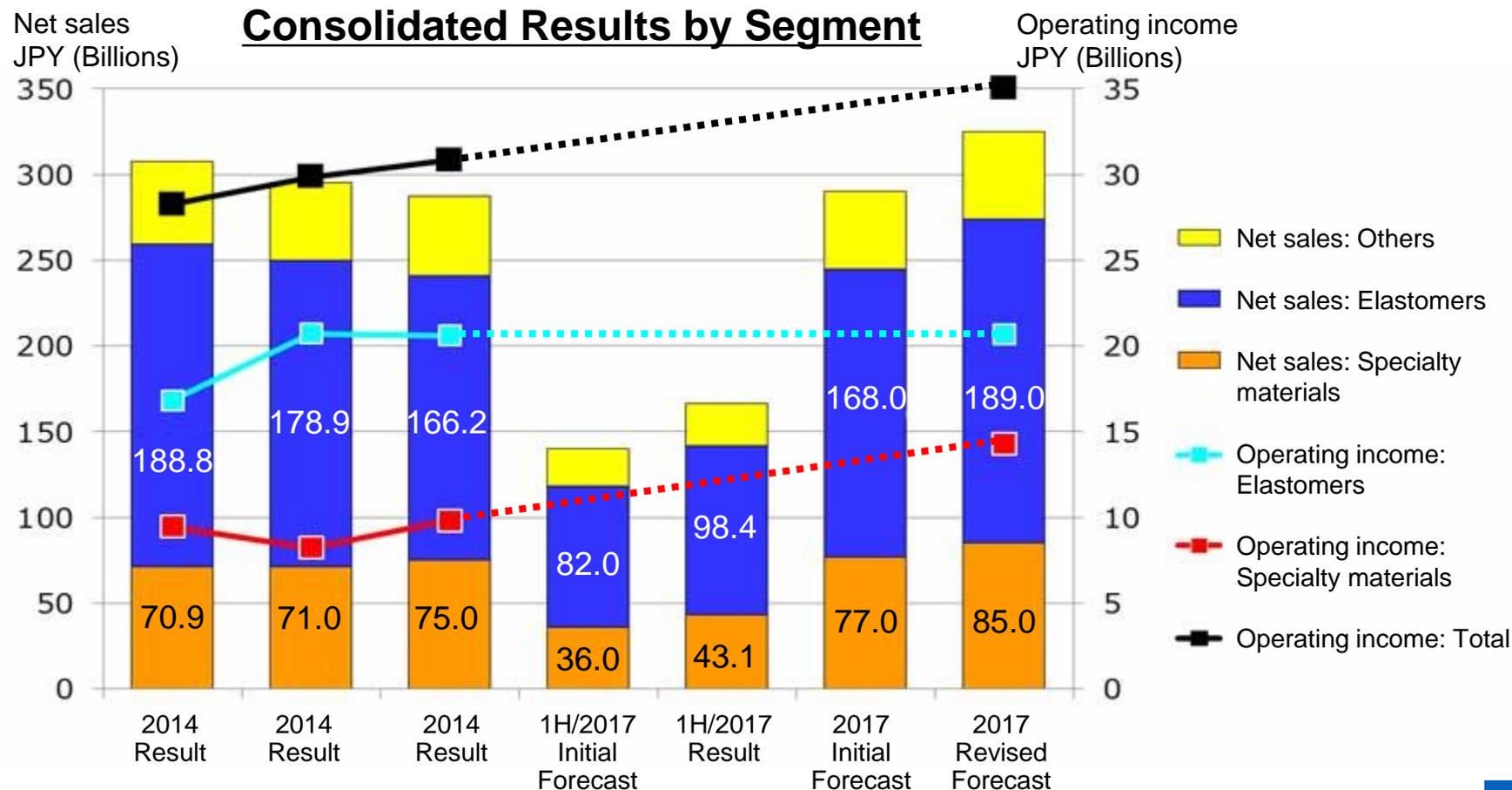
Kimiaki Tanaka
President

October 31, 2017

1. 2Q of FY2017 Results and Business Environment

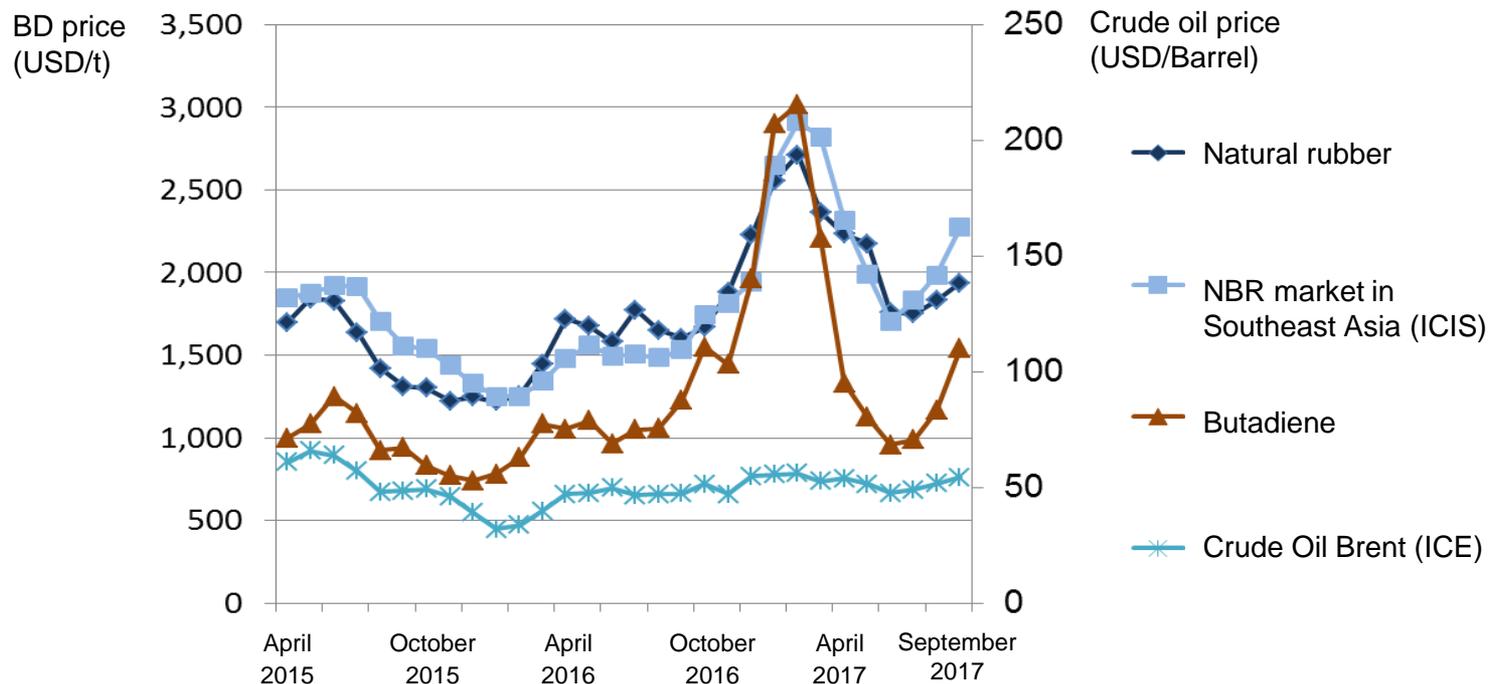
2. Business Topics

Earnings forecast for FY2017 revised upward (Specialty Materials Business expands)



Butadiene prices fall from highs at the end of FY2016 and synthetic rubber follows decline

Natural Rubber, Synthetic Rubber and BD Markets



Natural rubber market: Singapore Commodity Exchange contract price for RSS #3 grade rubber (source: Monthly Statistics Report for Synthetic Rubber)
 NBR market: CFR Southeast Asia (source: ICIS)
 Spot BD: CFR Southeast Asia (source: IHS)
 Crude oil (ICE Brent) (source: IHS)

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: the 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.**

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.

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Business to be expanded while production allocation being optimized

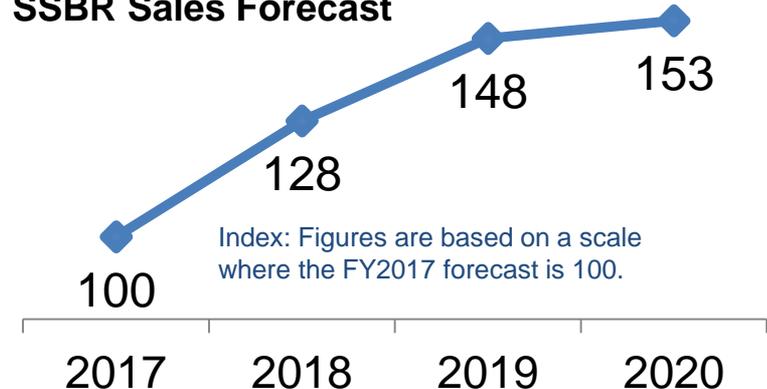
- **Production transfer of oil-extended rubbers in sales volume zone is in process.**
 The advanced S-SBR products range meets the customers' requirement for safe and fuel efficiency driving in the growing tire industry.
- **Basic function**

 - Tokuyama Plant: Manufacture proprietary products and develop new products.
 - Singapore Plant: Few varieties mass production.



Ceremony for safe operations
(Zeon Chemicals Singapore Pte. Ltd. / Aug. 21 2017)

SSBR Sales Forecast



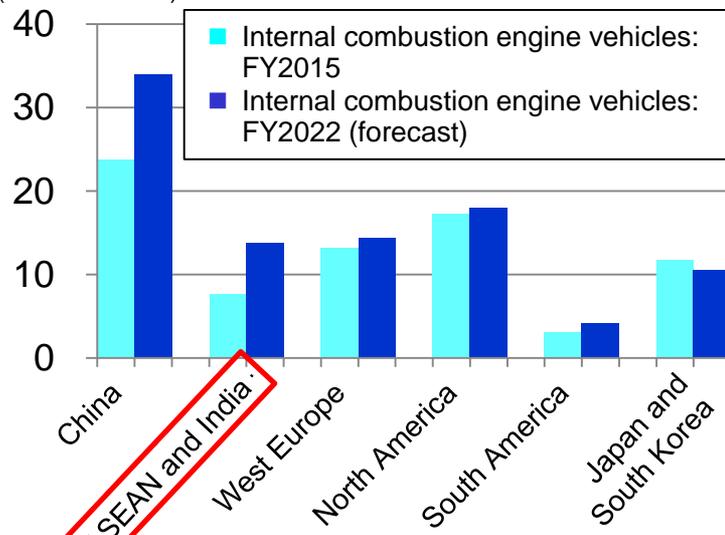
Technical Service for our customers in the fast-growing ASEAN region

■ Full-featured laboratory offering compound design and testing assistance

- Opened in August 2017
- Provides technical support aligned with the specific needs of local automotive supply base
- Expands Zeon's global footprint of technical centers to 5

Projected Annual Production of 4-Wheeled Vehicles

(Millions of units)

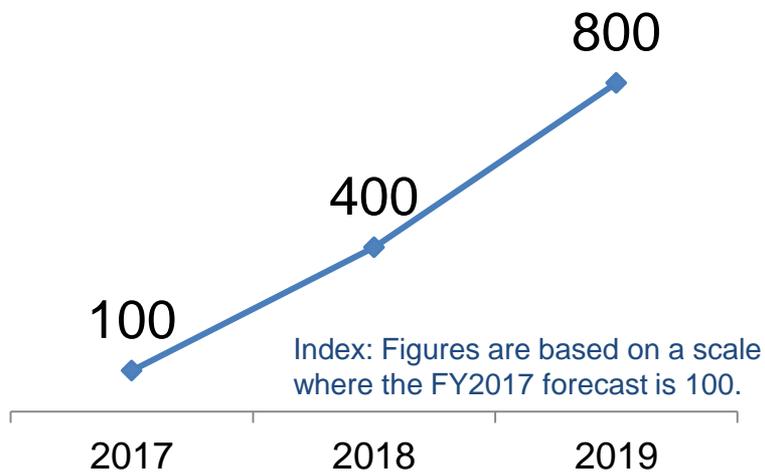


(Source: Marklines | 2015 | Edited by Zeon)

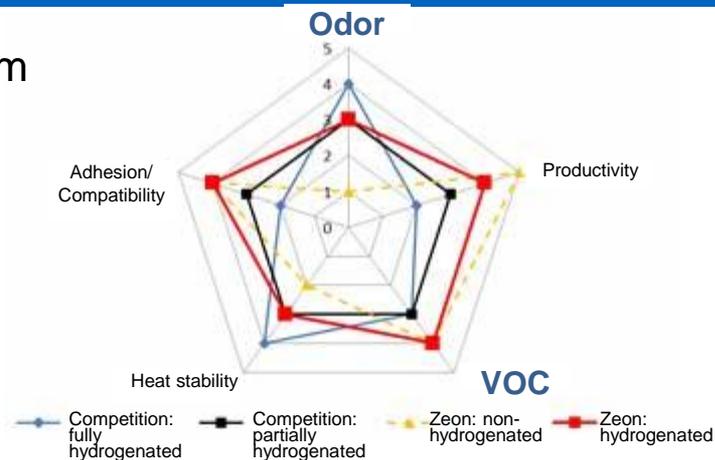


Respond to increase of market demand for odor reduction

- Launch low-odor grade applying hydrogenation system
- Diversify applications that require low-odor, low-VOC properties (Sanitary products and Specialized tape, such as Insulation tape for automobiles)



Sales plan for hydrogenated hydrocarbon resin (to 2019)

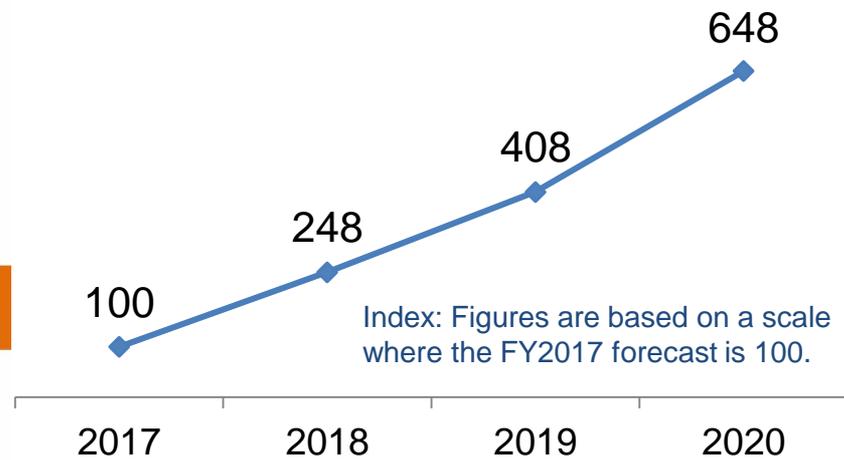
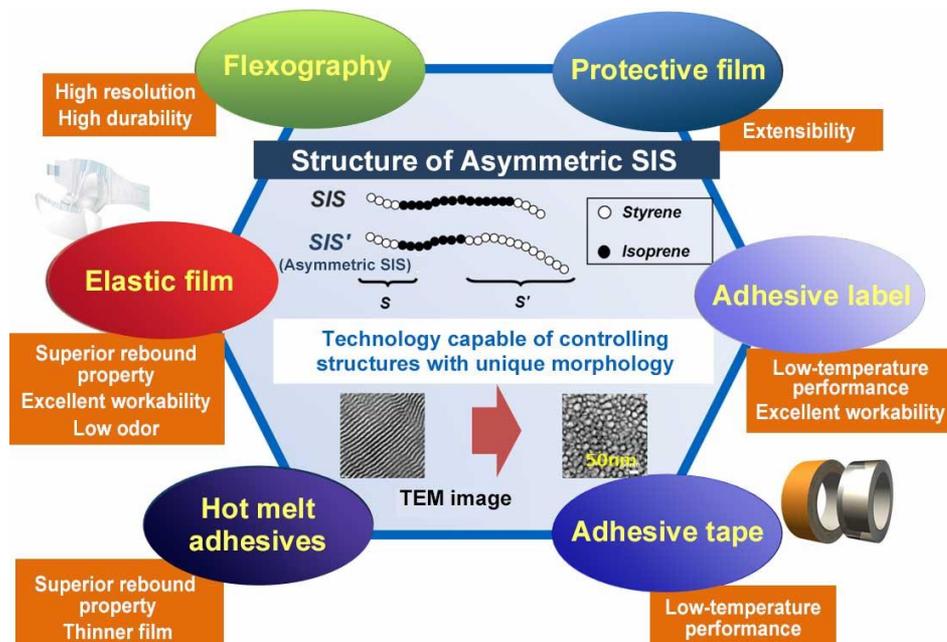


Hydrogenation facility based on proprietary technology (Operation begins in September 2017, Mizushima Plant)

Seek to expand the scope of business of Asymmetric SIS

■ Properties of Asymmetric SIS

With ideal balance between excellent elasticity and the superior strength derived from the high-styrene structure, it makes possible to achieve a film thickness reduction (max. 50%) compared to the conventional products.



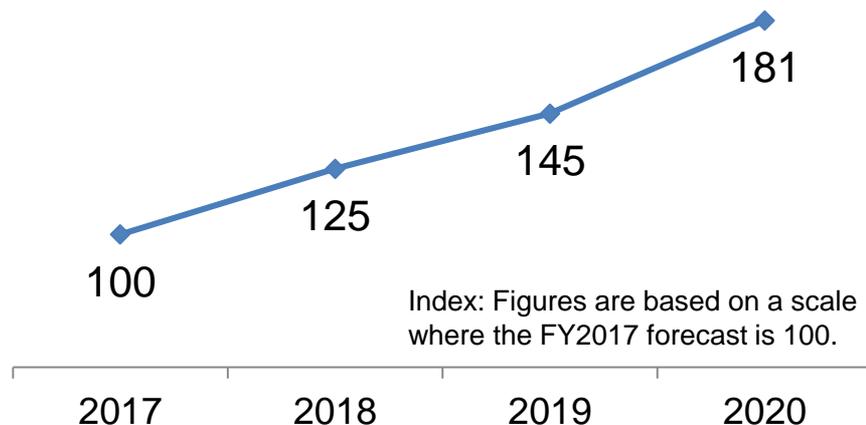
Sales plan for Asymmetric SIS (2017–2020)

Completed first phase of construction at the Mexico Plant Building a global production network in response to expanding markets

Global Production

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

PSC Sales Plan (Global)



Powder slush compounds (PSC)

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

PSC application: Automobile interior skins



Zeon Kasei plant opening ceremony in Mexico (June 6)

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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.

Establishing a US base for specialty materials business in Silicon Valley

Responding with greater speed to market needs by setting up a base in the center of the IT industry

■ Business areas

1. Specialty Plastics (Cyclo Olefin Polymer)
2. Specialty Components (optical film)
3. Battery Materials (binders for Li-ion batteries)
4. Electronic Materials (insulators, resists, and etching gas)

■ Opened in October 2017, to begin operations in January 2018

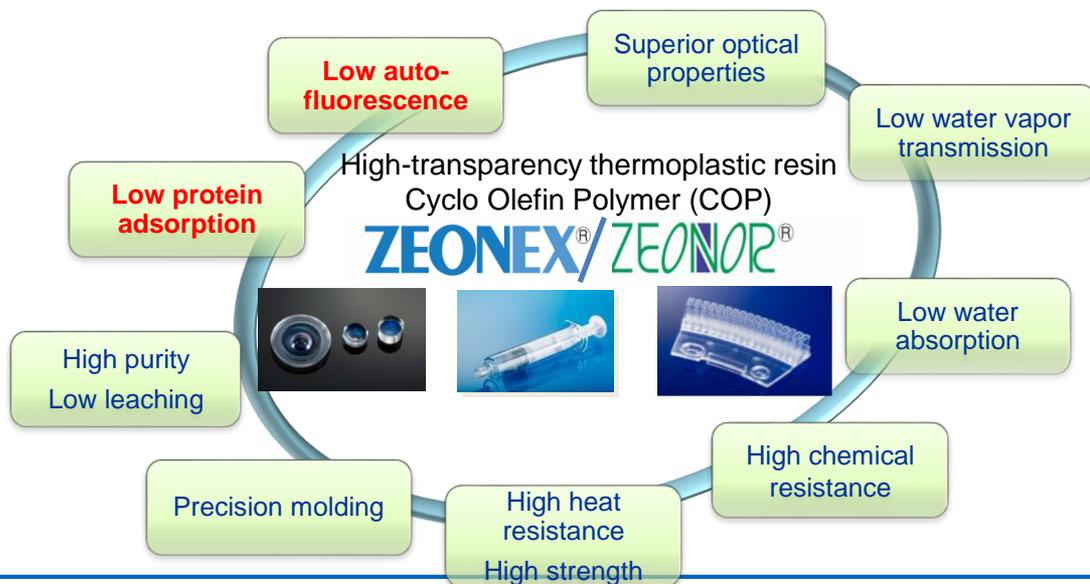


Diversifying COP applications for medicine and biotechnology

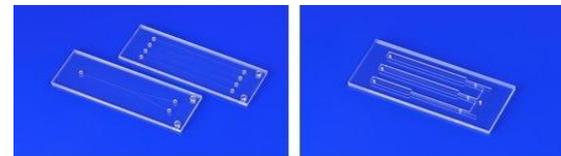
■ Launched a prototype production service for microfluidic chips and other products

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



Launched website for the Prototype Production Service



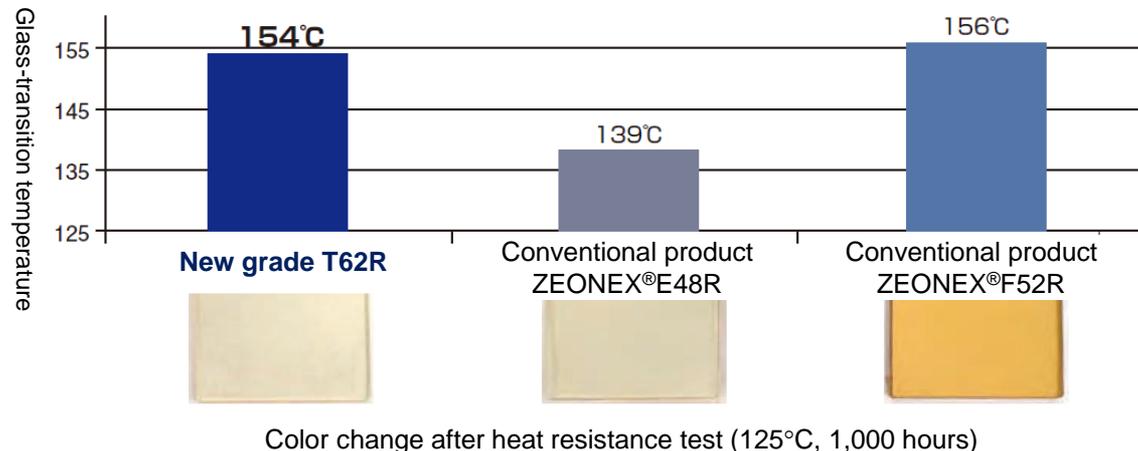
Seeking expanded sales in the market for ADAS*

- Launched sales of ZEONEX®T62R, a new product for highly heat-resistant optical lens

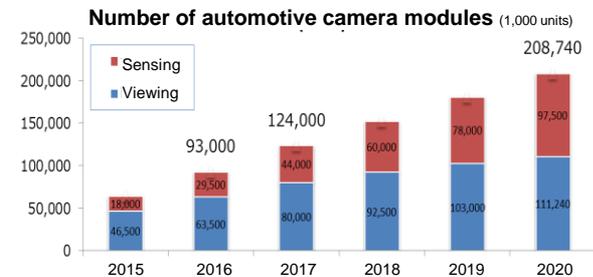
T62R is a new grade with improved in deformation and yellowing properties for high temperatures designed automotive sensing cameras.

Superior Heat Resistance

T62R is less prone to thermal deformation and change in color tone



Forecast for Automotive Camera Module Market

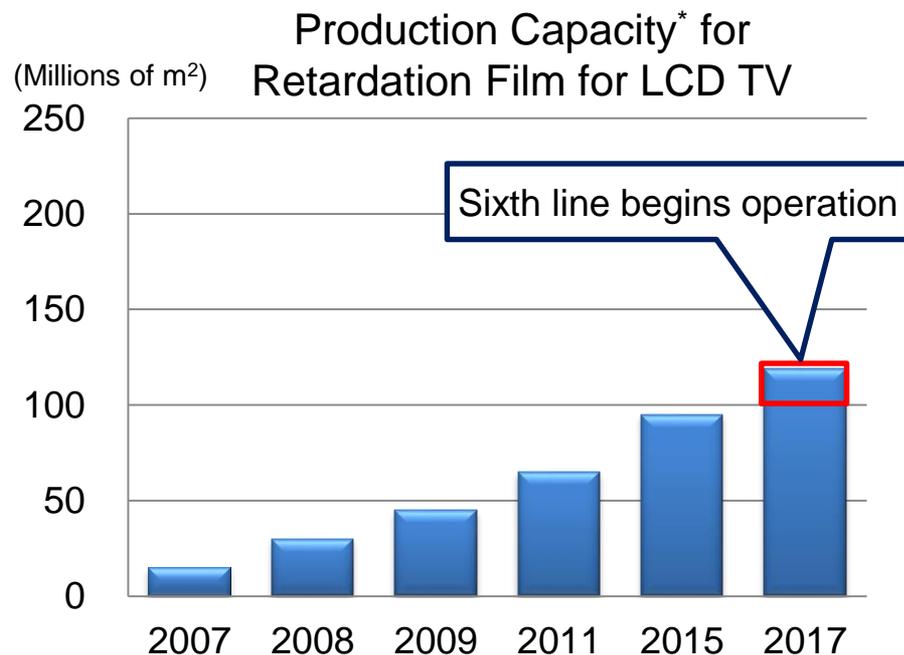
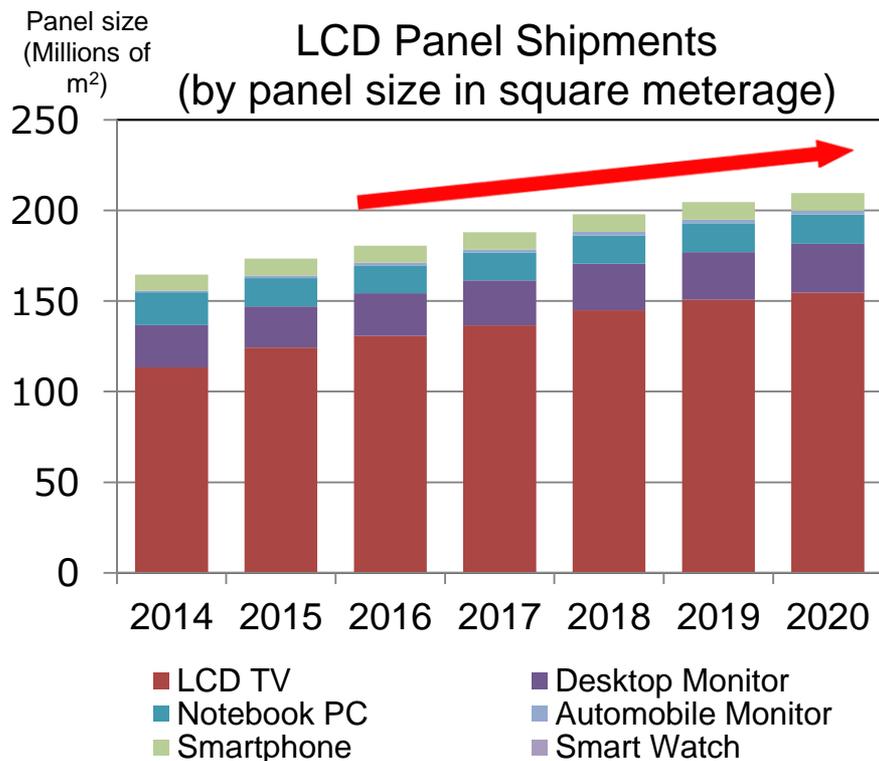


Source: Fuji Chimera Imaging data, forecast for 2020 based on Zeon projections

*ADAS= Advanced Driver Assistance System

To meet the rising demand due to increased TV size and resolution

LCD panel market expansion continues in terms of square meterage



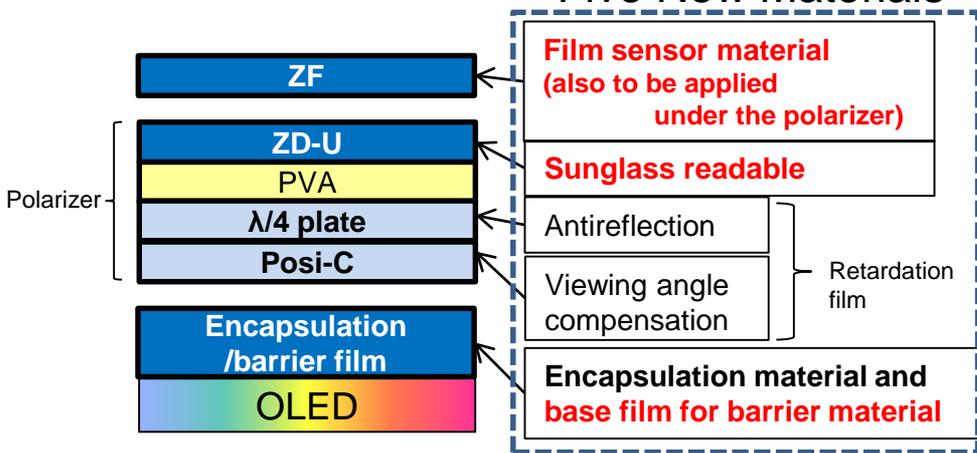
* Optes Inc.'s Himi Plant (nominal value)

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

Entering the OLED market with a lineup of new materials

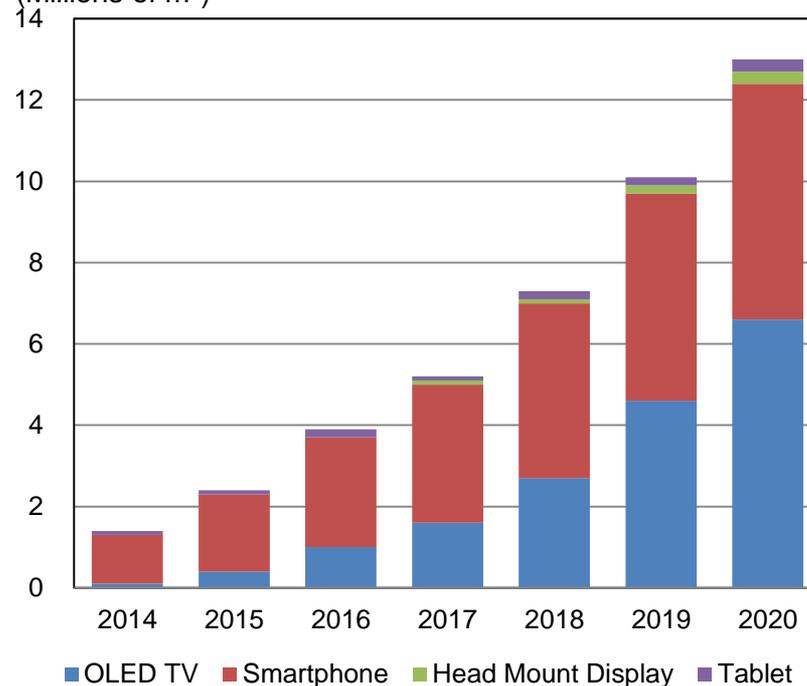
- Addressing the expected growth in the OLED market by
 - developing new retardation films (ZA, LC coating)
 - expand sales of touch sensors and sunglass readable materials
 - developing the materials for foldable applications

OLED Schematic



Three new materials (film sensor, sunglass readable, and barrier film) were adopted for use in products in FY2017.

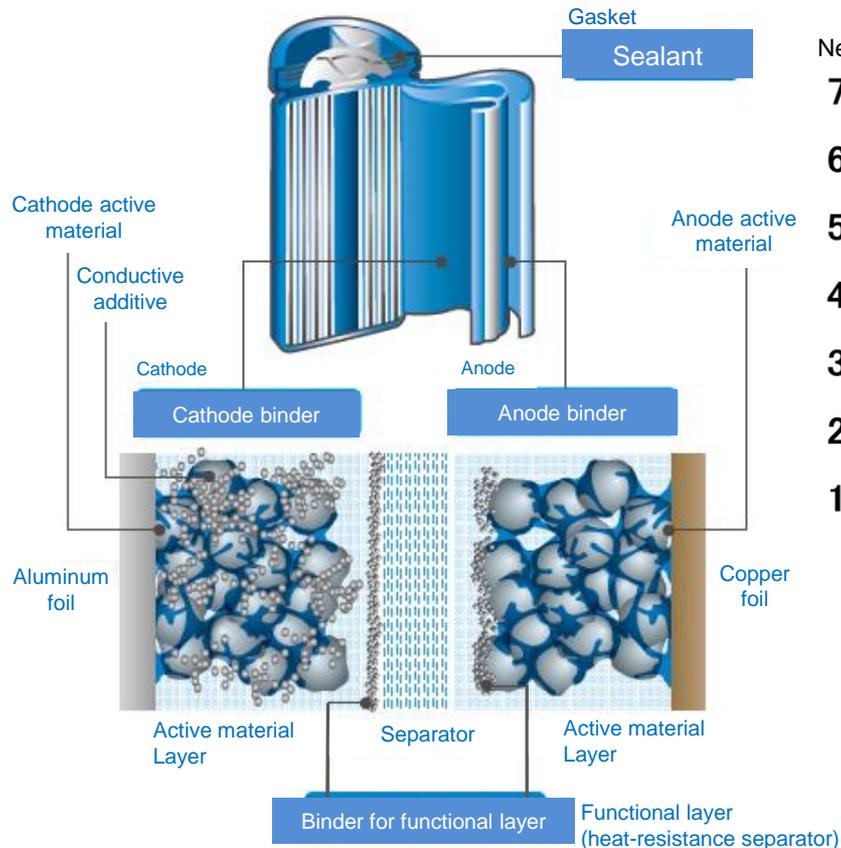
Shipment (Millions of m²) **OLED Shipments**



(Source: IHS Display Japan Forum, July 2016)

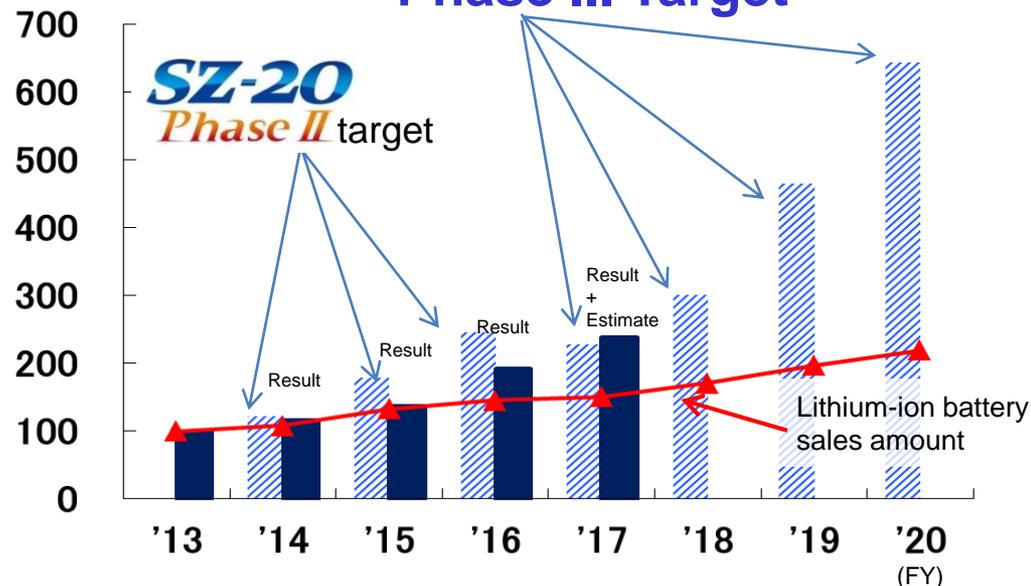
Expanding business with wider product lineups

Zeon Products for Lithium-ion Batteries



Sales of Zeon Battery Materials

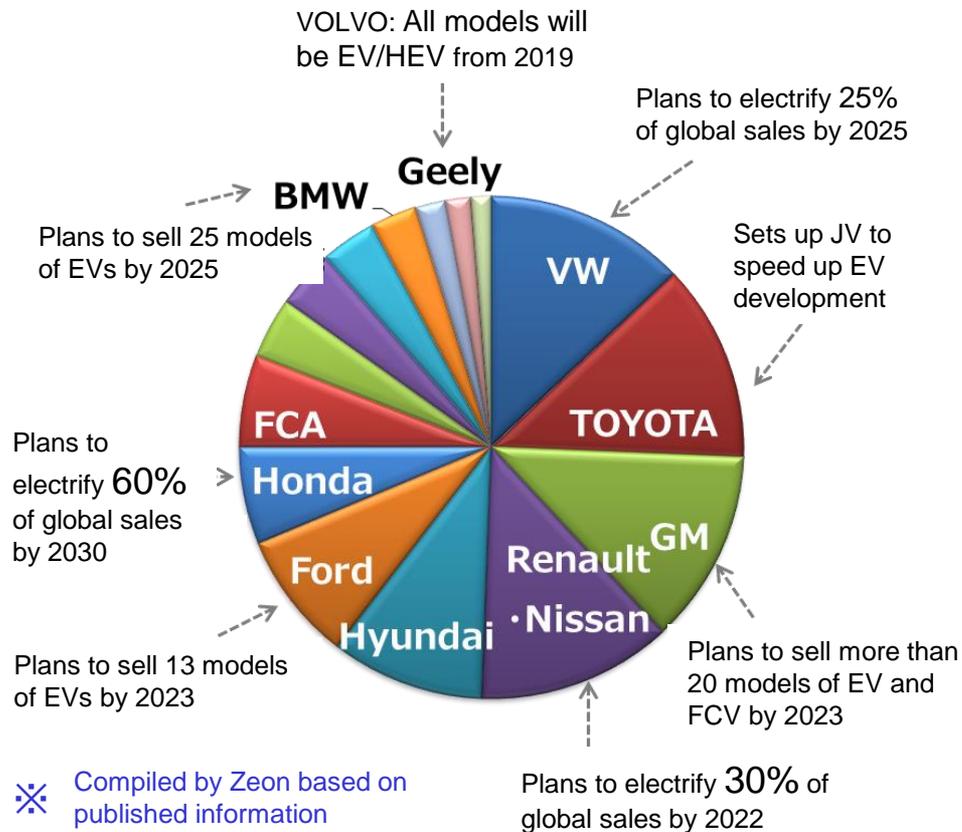
Net sales (index)



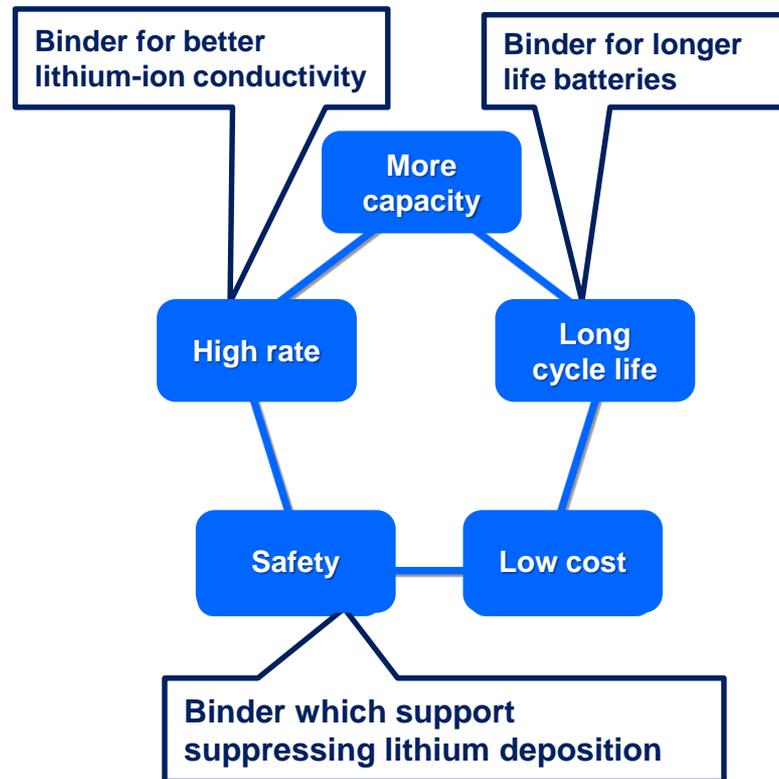
Index: Figures are based on a scale where FY2013 is 100.
Source for market data: Report by B3, Inc., December 2016

Steadily increasing applications for the automotive industry

Electrification Policy of Major Automakers

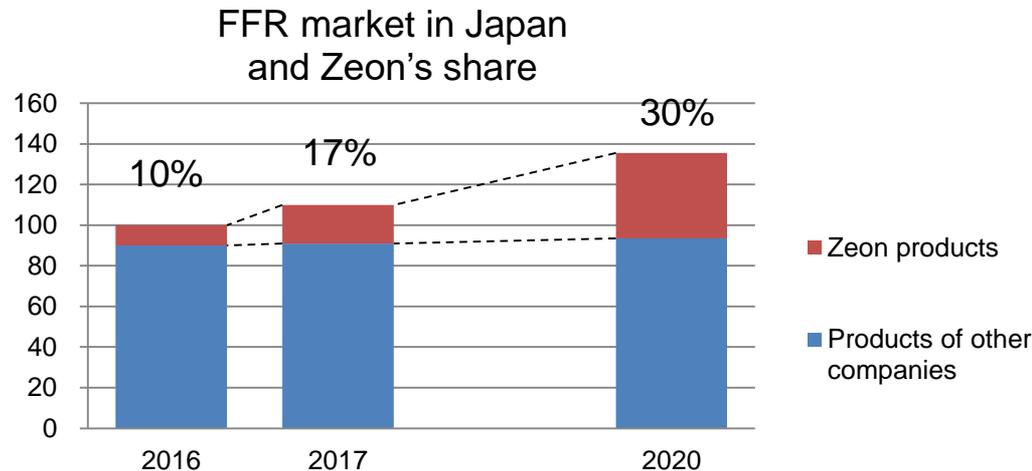


Five Key Cell Properties and Zeon Proposals



Growing sales of optical sensor-based FFR devices

- Zeon's original FFR devices with optical fiber sensors are highly recognized for reliable blood pressure readings
- Targeting a 30% share of the Japanese market by FY2020



Left: OptoWire[®], a guide wire with a vascular pressure measurement sensor
Right: OptoMonitor[®], a monitor for invasive intravascular pressure measurement

Index: Figures are based on a scale where the FY2016 is 100.
Source: Catheter & Tube and IVR Market 2016 (Yano Research Institute) and Zeon data.

Applications of ZEONANO™ SG101 and rubber compound

Results of R&D at the *Zeon Sunarrow AIST CNT Composite Material Research Center*

(press released in Japanese by AIST in June 2017)

1. Developed a durable and highly safe O-ring capable of maintaining its shape under high temperatures

- Promising applications which require high thermal resistance and durability in harsh environments (automobiles and chemical plants)

Comparison between a new O-ring and a commercial product

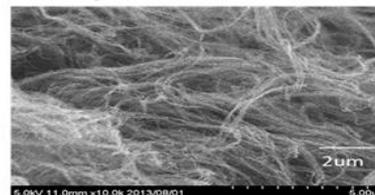


↓ Heated at 420°C for 3 hours (in N₂ gas atmosphere)



Left: developed product
Right: commercial product

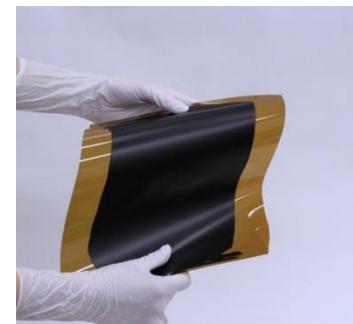
SGCNT after high temperature heating
(Electron microscopic image)



(SGCNT after sublimation of fluorine rubber in N₂ gas atmosphere)

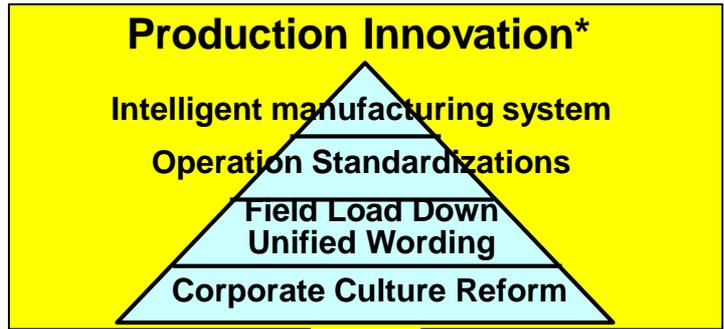
2. Electromagnetic shield created by applying a carbon nanotube-based coating

- Promising applications for electromagnetic shielding required in diverse areas (automotive wire harnesses and robots, etc.)



Film covered in a water-based coating using a new SGCNT and shaped into a polyimide sheet

Continuing efforts for Innovation and Improvement



*Production Innovation:
Daicel Production Innovation

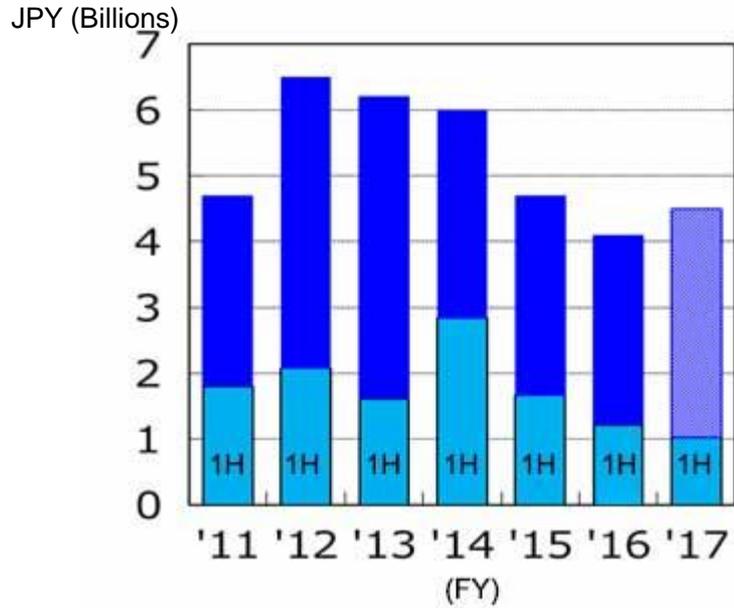
Top-down approach



Bottom-up approach



ZΣ Activities - monetary effect



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

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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.

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