

Mid-term Management Plan  Current Status

Response to Covid-19

ZEON
ZEON CORPORATION

Kimiaki Tanaka
President

April 28, 2020

1. Overall Progress of SZ-20 Phase III

2. Response to Covid-19

- (1) Ensuring the health and safety of employees and their families
- (2) Securing stable funding
- (3) Maintaining the supply chain
- (4) Future actions

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**

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 Zeon's reputation in the market and relationships with customers

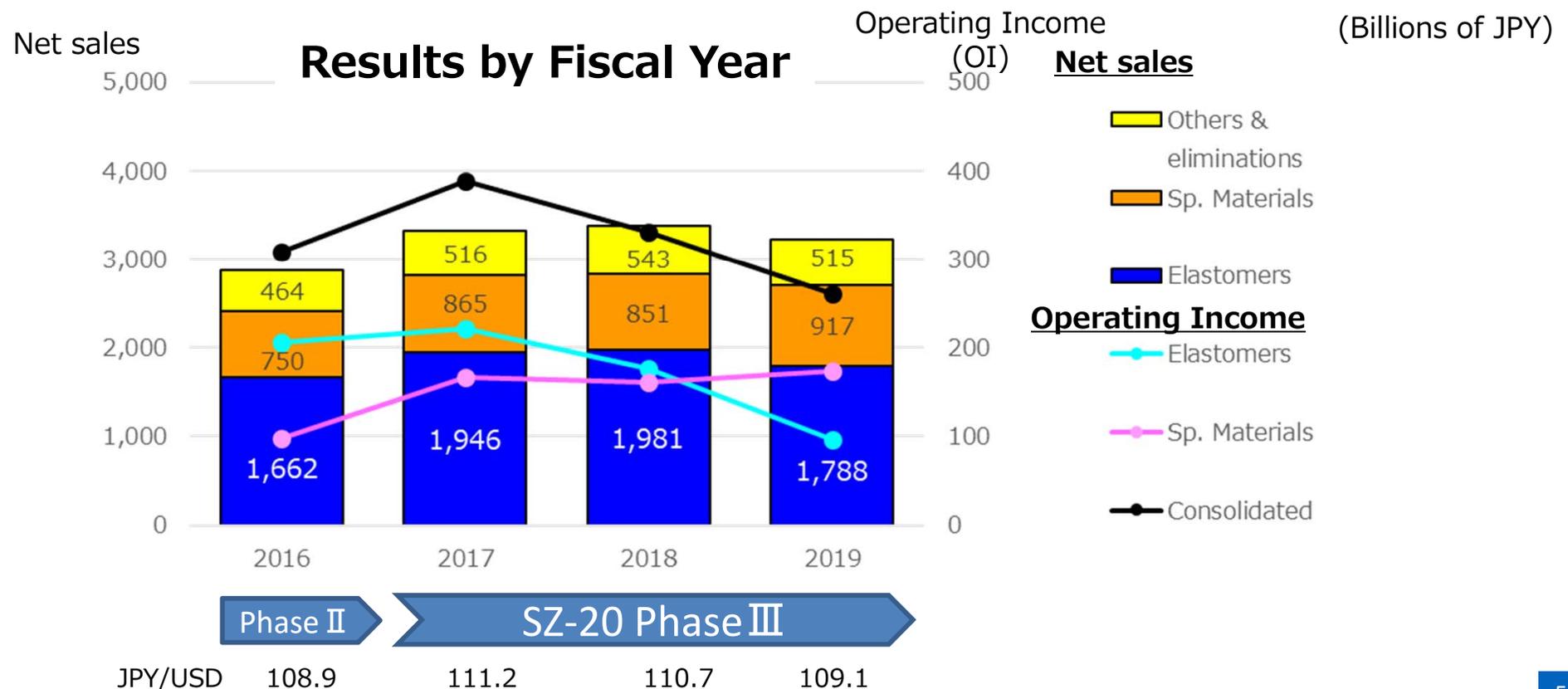
Specialty Materials Business

- Expand business in step with the speed of market growth and technological progress through focused investment of resources and stronger collaboration with outside players.

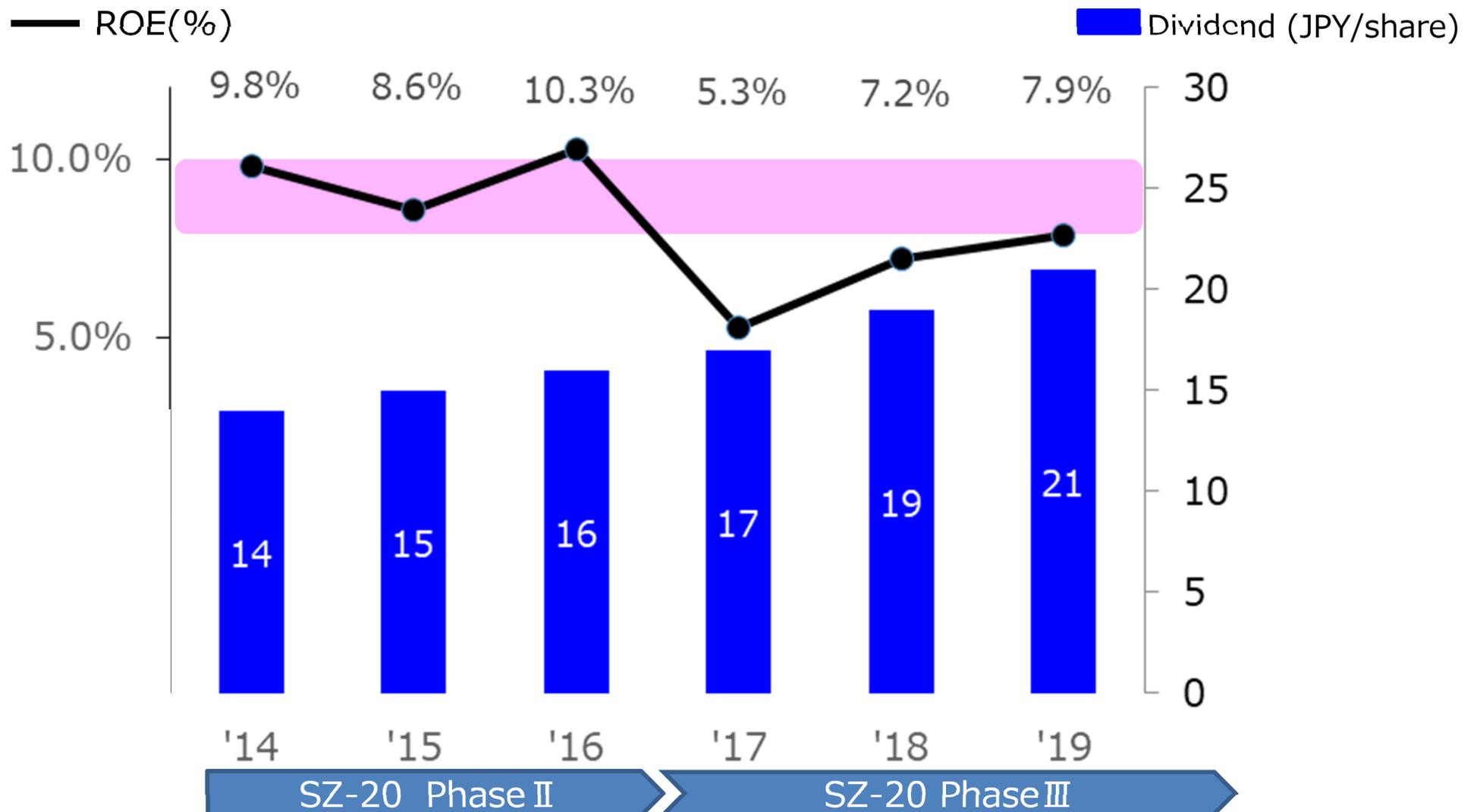
Both sales and operating income (OI) decreased YoY due to the global economic slowdown

- **Elastomers:** Both sales and OI decreased due to the weak demands in automobile and general industry.
- **Sp. Materials:** Record sales and OI due to robust sales in COP, optical film and battery materials.

Impact of Covid-19: Minor within FY2019, but a big impact is inevitable in FY2020.



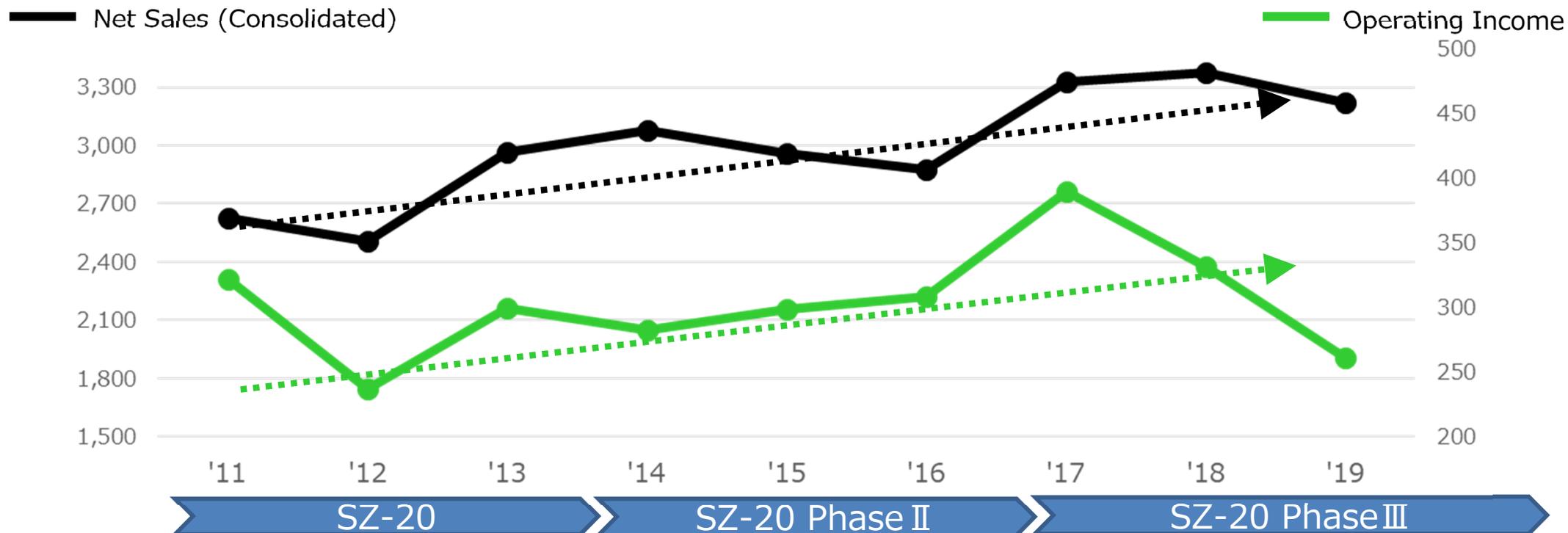
- ROE had recovered to around 8% (Impairment losses at the Singapore subsidiary had done in 2017 and 2018).
- Offering stable and consistent dividend payments to shareholders



SZ-20: Results in nine years

(Billions of JPY) **ZEON**

Steadily expanding business through continuous investment in both segments



	SZ-20	SZ-20 Phase II	SZ-20 Phase III
Elastomers	<ul style="list-style-type: none"> S-SBR (Singapore) "New" Zetpol (Kawasaki) Hydrocarbon resin cap. increased (Thailand) Acrylic rubber cap. increased (USA) 	<ul style="list-style-type: none"> ZS Elastomer established (Tokyo) Oil-extended S-SBR (Singapore) SIS cap. increased (Mizushima) Hydrogenerated Hydrocarbon resin (Mizushima) New PSC plant (Mexico) 	<ul style="list-style-type: none"> Specialty cross-linked Zetpol cap. increased (Kawasaki) Acrylic rubber plant installed (Thailand) Asia Technical Support Center established (Singapore)

Specialty Materials	<ul style="list-style-type: none"> COP cap. increased (Mizushima) Plant installation of diagonal stretching film (Himi, Tsuruga) 	<ul style="list-style-type: none"> COP cap. increased (Mizushima) Film for TV cap. increased (Himi) Microfluidic prototyping service started (Sano) 	<ul style="list-style-type: none"> COP cap. increased (Mizushima) Extruded film cap. increased (Takaoka) Film for TV cap. increased (Tsuruga) Zeon Specialty Materials (CA, USA)
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SZ-20: Results in nine years (Specialty Materials)

Capacity increased (mainly with COP), achieved the record sales and operating income.



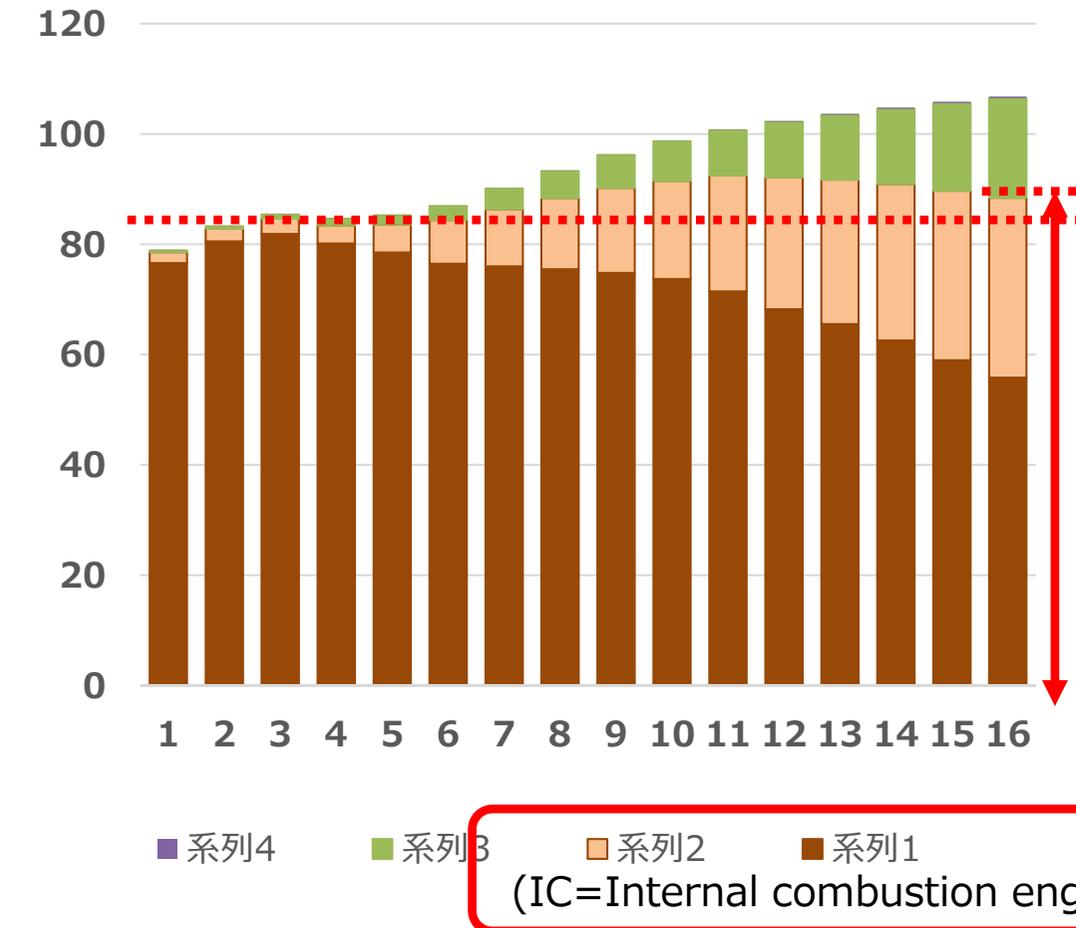
Phase	Key Initiatives
SZ-20	<ul style="list-style-type: none"> COP cap. increased (Mizushima) Plant installation of diagonal stretching film (Himi, Tsuruga)
SZ-20 Phase II	<ul style="list-style-type: none"> COP cap. increased (Mizushima) Film for TV cap. increased (Himi) Microfluidic prototyping service started (Sano)
SZ-20 Phase III	<ul style="list-style-type: none"> COP cap. increased (Mizushima) Extruded film cap. increased (Takaoka) Film for TV cap. increased (Tsuruga) Zeon Specialty Materials (CA, USA)

Phase III: Investments in Elastomers (Specialty Rubbers)

Unit sales of internal combustion engine vehicles to remain constant in the near future

⇒ We support the industry with a stable supply of specialty rubbers

M. units **Light Vehicle Sales Forecast**



Zetpol®

- Steady growth in specialty cross-linked type

Acrylic Rubber

- Currently producing 17,000 tons/year at 3 bases in Japan and the US
- Spring 2020: a new plant in Thailand (5,000 tons/year) to be completed

Asia Technical Support Lab.

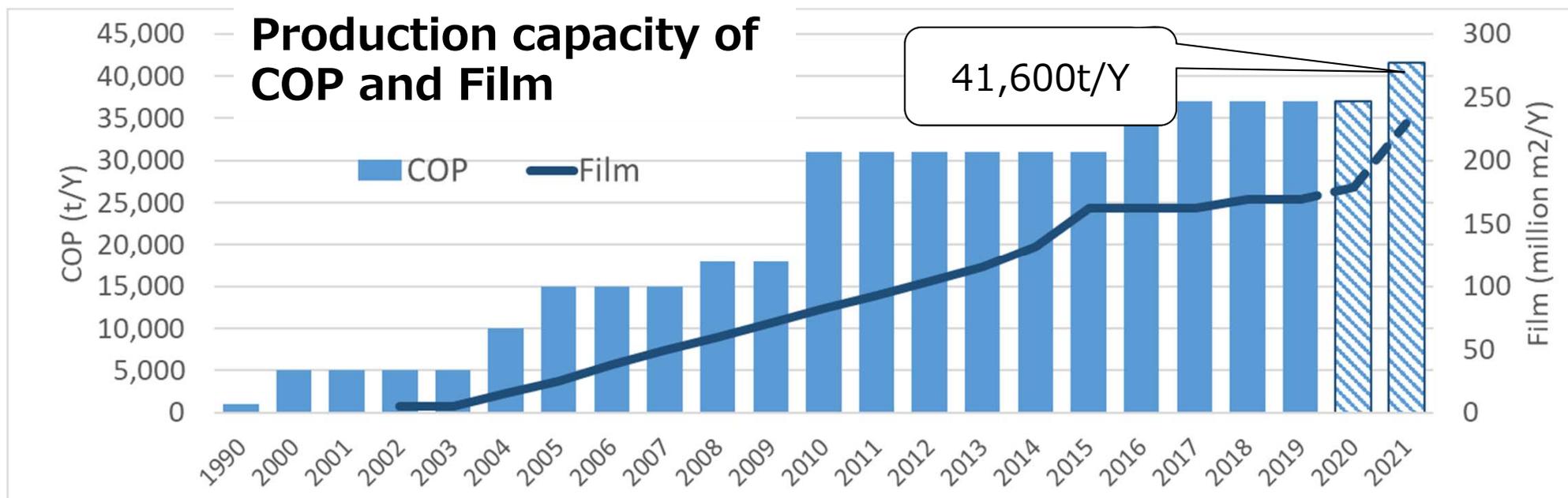
(started in 2017)

- Actively engaged in customer support and related sales of Zeon's rubbers

"Source : LMC Automotive's quarterly Global Hybrid and EV Forecast (published in December 2018)

Phase III: Investments in Sp. Materials (Optical films, COP)

	Capacity	Completion
Expand COP production capacity in Mizushima (Sep.2019 press released)	4,600t/Y	Jul. 2021
Expand production capacity for extruded film in Takaoka (Oct.2018 press released)	-	Spring 2020 (plan) operation starts
New manufacturing line of retardation films for large-screen TVs in Tsuruga (Oct.2018 press released)	50 million m ² /Y	1Q FY2020 (plan) operation starts



Raw Materials

- Dicyclopentadiene produced by Zeon's own GPI Process

Polymer itself

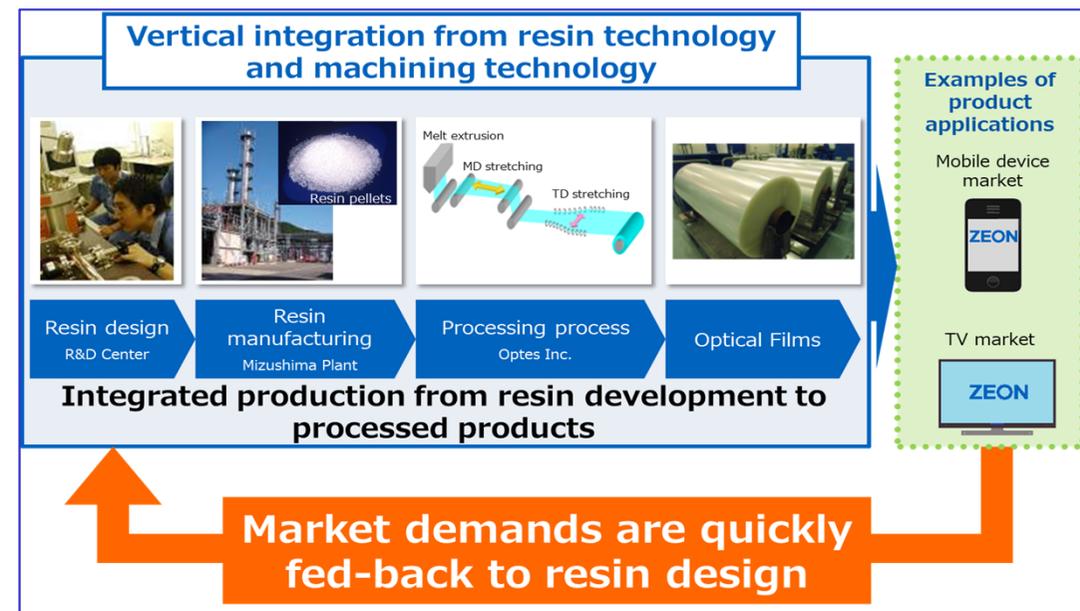
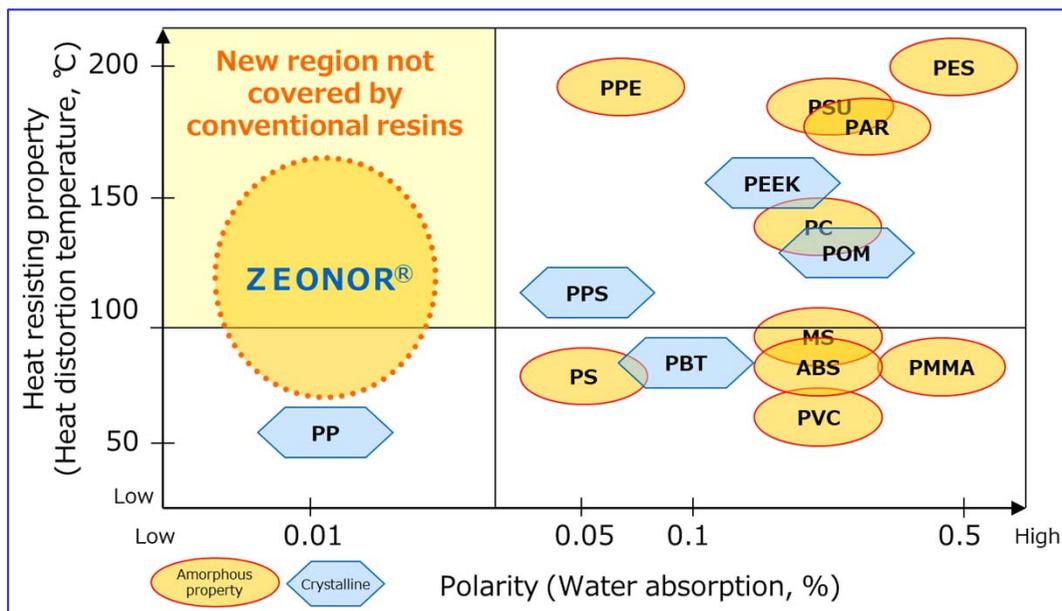
- Resistant to heat and moisture
- Easy to process

Processing Technology

- Melt extrusion and film stretching

Integrated Production

- Integrated production of polymer design, film manufacturing and processing
→ Market needs are reflected in polymer design



Established new base of Specialty materials business in Silicon Valley, USA

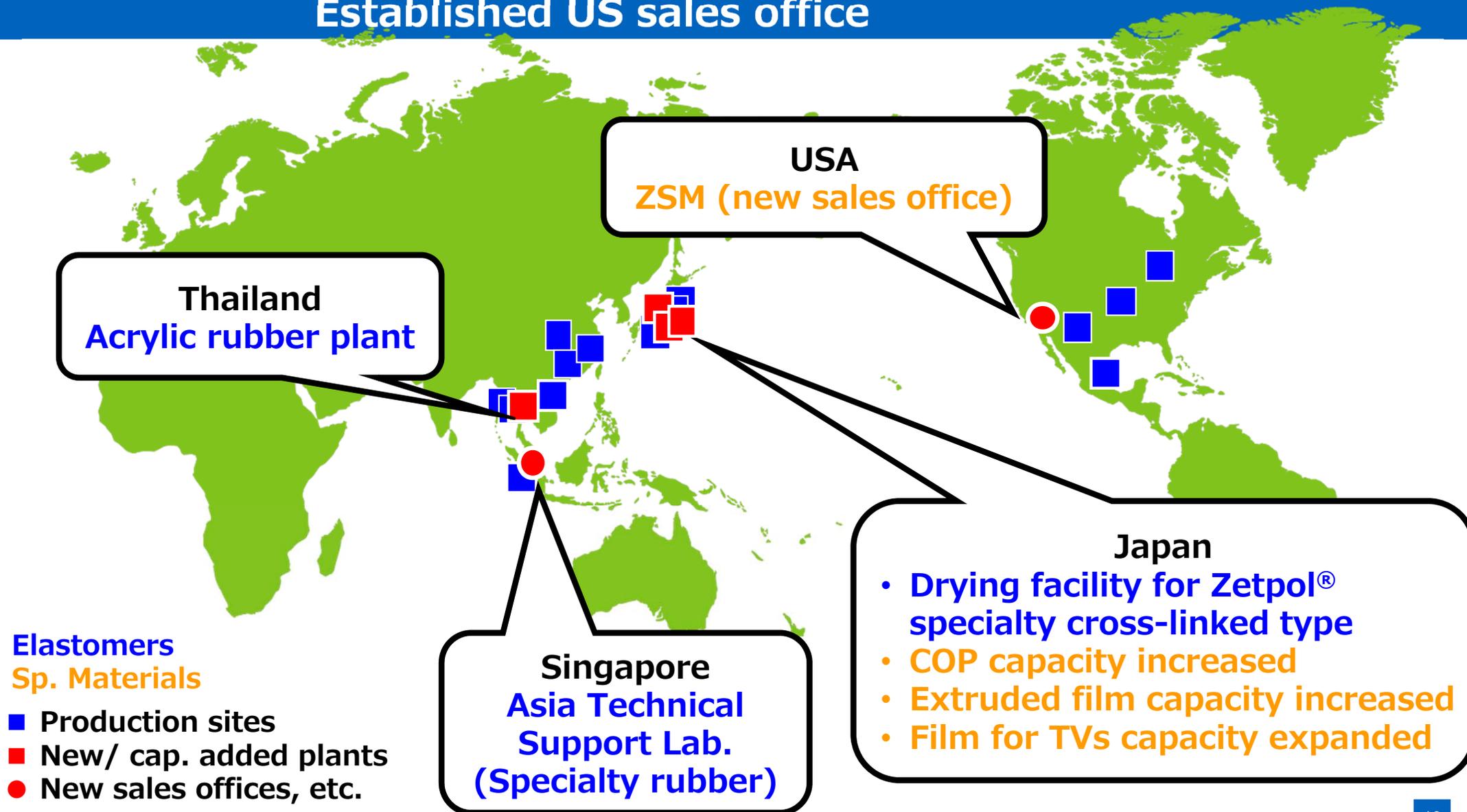
To respond more quickly to market needs by entering Silicon Valley, the center of IT industry

- Zeon Specialty Materials Inc. (ZSM)
- Business fields
 1. Specialty plastics (COP)
 2. Optical films
 3. Energy materials (LiB binders)
 4. Electronics materials
(insulator, photo resists, etching gas)
- Marketing and perceive the market needs

- October 2017: office opening
January 2018: starting business



Elastomers: Expanding global sites
Sp. Materials: COP capacity increased in Japan
Established US sales office



Investment in a Venture Fund

- Zeon uses this investment to collect information on advanced medical technologies and to seek and discover potential joint projects with startup companies and direct investment opportunities.

MPI-2 Investment Limited Partnership of MedVenture Partners, Inc.

Press release dated April 16, 2020

Boosting business further
by collaborating with outside partners

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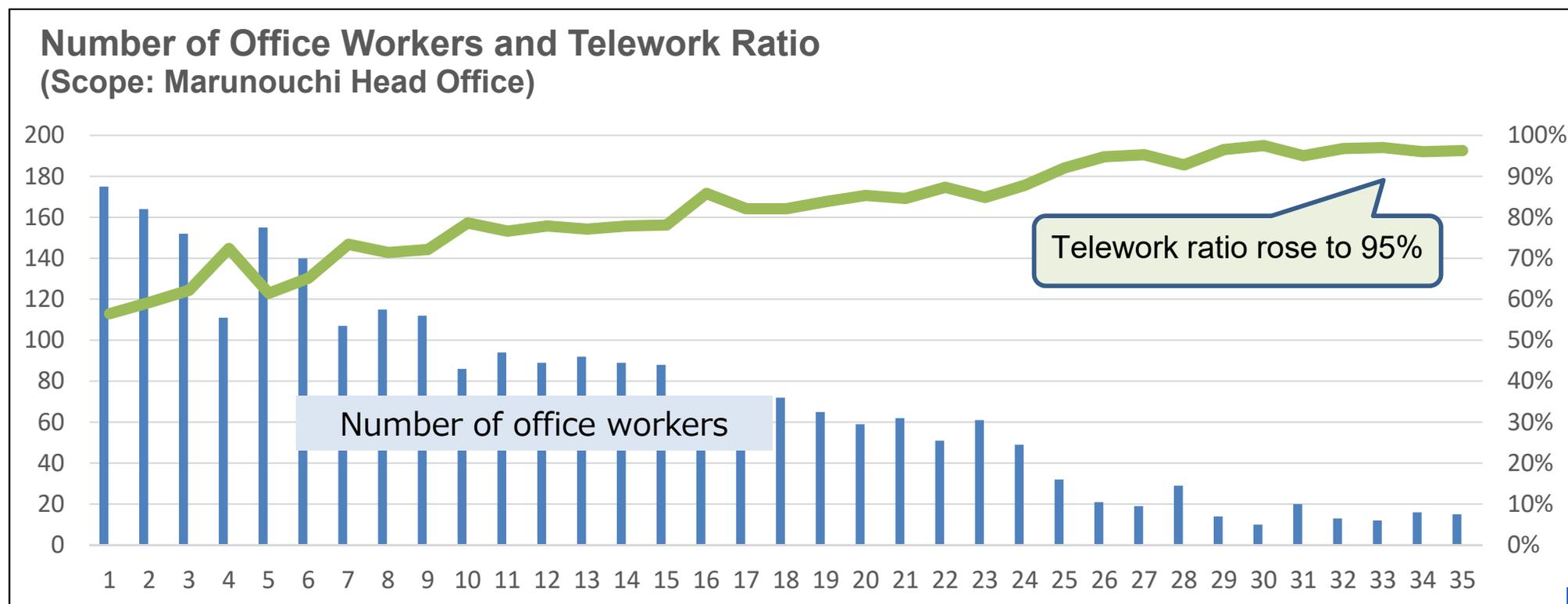
- The novel coronavirus has become a global pandemic, and a state of emergency was declared in Japan.
- Demand has evaporated worldwide, resulting in an acute slowdown of the global economy. Economic losses could exceed the impact caused by the bankruptcy of Lehman Brothers in 2008 and result in a large-scale contraction of the global economy.
- In an environment where the economy faces great uncertainty, with no clear view of when the pandemic may subside, Zeon has implemented measures with a focus on the following items, with speed and precision.
 - (1) Ensuring the health and safety of employees and their families
 - (2) Securing stable funding
 - (3) Maintaining the supply chain

(1) Ensuring the health and safety of employees and their families

- Zeon began implementing infection prevention measures in January, placing top priority on ensuring the health and safety of employees and their families as well as on serving society.
- The president sent a video message and letter to employees around the world to provide encouragement and advise them to remain vigilant.

Infection prevention measures include:

Teleworking and staggered commuting hours, event postponements/cancellations; ban on international business trips; restrictions on transport, including domestic business trips; repatriation of employees; HQ support for overseas bases; self-restriction during holiday activities



No cause for concern regarding immediate funding needs

Reference (as of end-March 2020)

- Current ratio: 191%
(current assets: 214.4 billion yen; current liabilities: 112.4 billion yen)
- On-hand liquidity ratio: 1.2 months
(cash and deposits: 32 billion yen; average monthly sales: 26.8 billion yen)

Response to liquidity risk

- Current issuance limit for CP: 50 billion yen (outstanding balance: 0 yen)
- Zeon plans to secure a commitment line (scheduled amount: 50 billion yen) to address possible liquidity risk in case of a prolonged economic downturn. It is an effective measure not only for responding to the ongoing crisis but also for maintaining the supply chain.

- Plants in Japan and production bases overseas are maintaining near-normal operations by stringently implementing infection prevention measures.
- Overseas sales bases are stringently implementing infection prevention measures, including teleworking, and are continuing operations insofar as the circumstances of their suppliers and other factors allow.



Infection prevention measures at production bases

- Stringent infection prevention measures, particularly essential at production bases where staff are required onsite to maintain operations, continue to be implemented.
- The president sent video messages to production bases to express his appreciation for their continued operations and provide encouragement.
- Information on the business bases in Japan and overseas was compiled by the head office in a timely manner while information-sharing between bases was promoted.
- Appropriate actions were taken to comply with instructions, guidance, and other requirements issued by national governments.

Infection prevention measures include:

- ◆ Measurement of body temperature prior to entering worksites
- ◆ promotion of masks and hand washing
- ◆ cleansing and disinfection of common areas
- ◆ cafeteria management (staggered hours, installation of partitions, proper distancing, etc.)
- ◆ increased ventilation
- ◆ self-restrictions and a ban on outings, meetings, and dining together
- ◆ employee guidance and information-sharing
- ◆ request that outside personnel cooperate with infection prevention measures, etc.

Implementing emergency measures

- Zeon has established an emergency response headquarters to collect information on the business environment. Moreover, it is implementing emergency measures, including inventory and cost reductions, in preparation for risks such as a dramatic decline in sales amid a rapidly deteriorating global economy.

Enhancing the risk management system

- Zeon intends to use this experience to enhance its risk management and other systems.

Speed

Dialogue

**Social
Contribution**

Mutual trust and confidence among Zeon members

ZEON

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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