

Mid-term Management Plan

**SZ-20**  
*Phase II*

Current Status

**ZEON**  
ZEON CORPORATION

Kimiaki Tanaka  
President

May 8, 2015

## **1. FY2014 Results and Business Environment**

## **2. Business Topics**

## **3. Performance Goals**

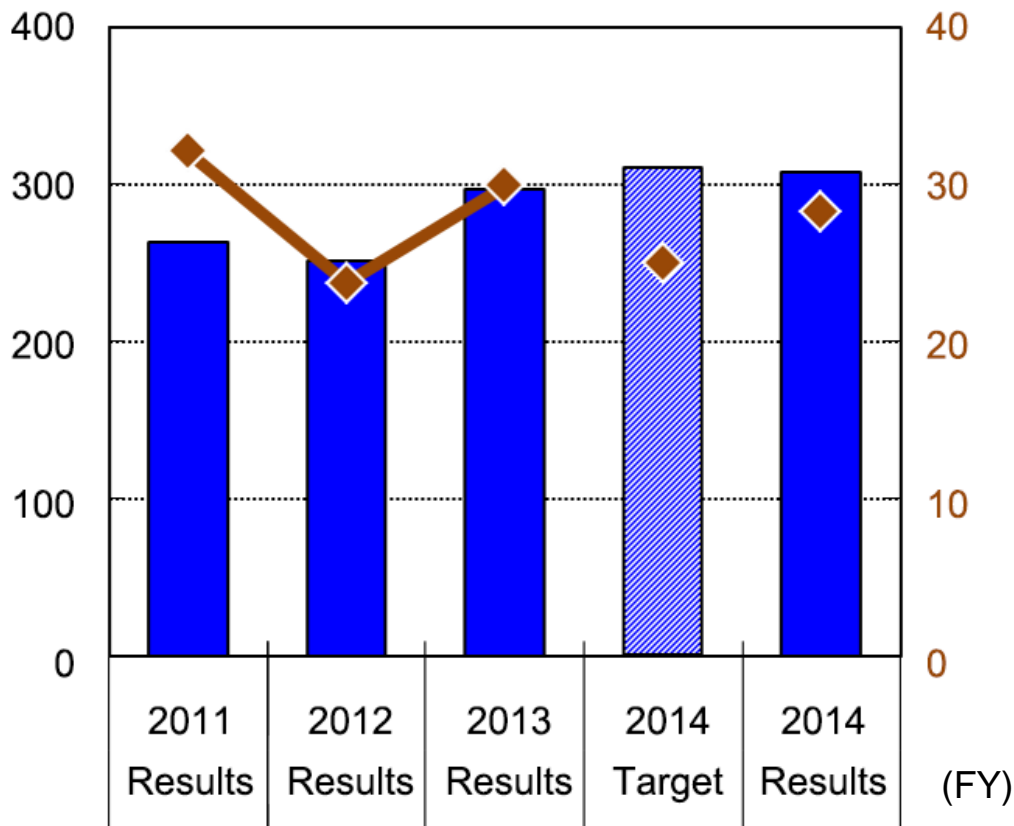
## Net sales approach 310 billion yen target in first year of Phase II

Net sales  
(billions of Yen)

Net sales

Operating income

Operating income  
(billions of Yen)



### First year of Phase II

(billions of Yen)	Forecast at start of year	Actual results
Net sales	310	307.5
Operating income	25	28.2
Operating income to sales	8%	9%
Ordinary income	25	31.1
Net income	17	19.1

**SZ-20**  
Phase II

## Elastomer materials hit by decline in end-product markets; Specialty materials on target

Net sales  
(billions of Yen)

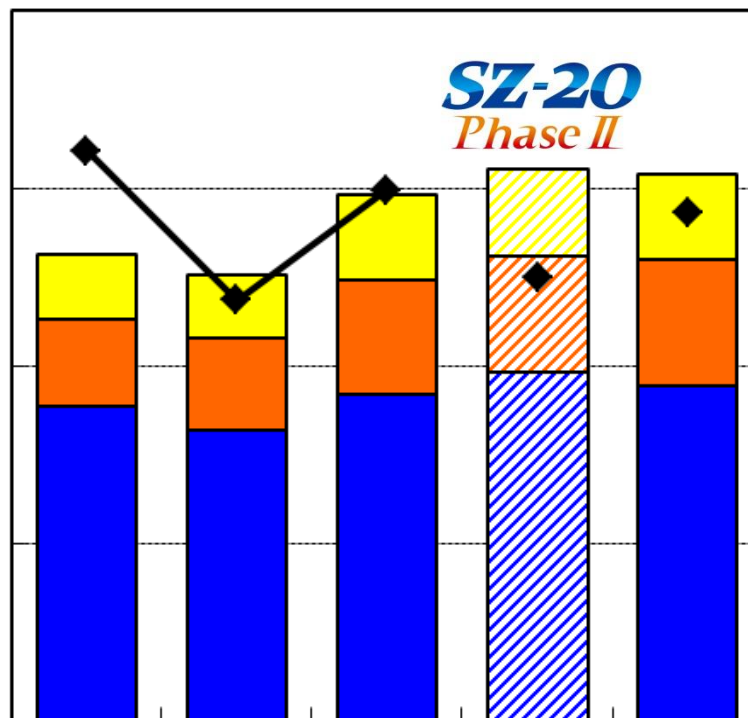
400

300

200

100

0



Operating income  
(billions of Yen)

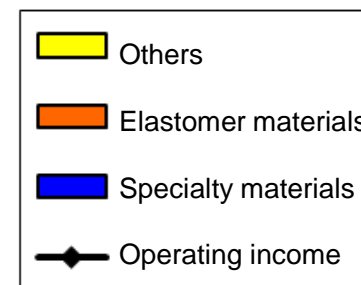
40

30

20

10

0



2011  
Results

2012  
Results

2013  
Results

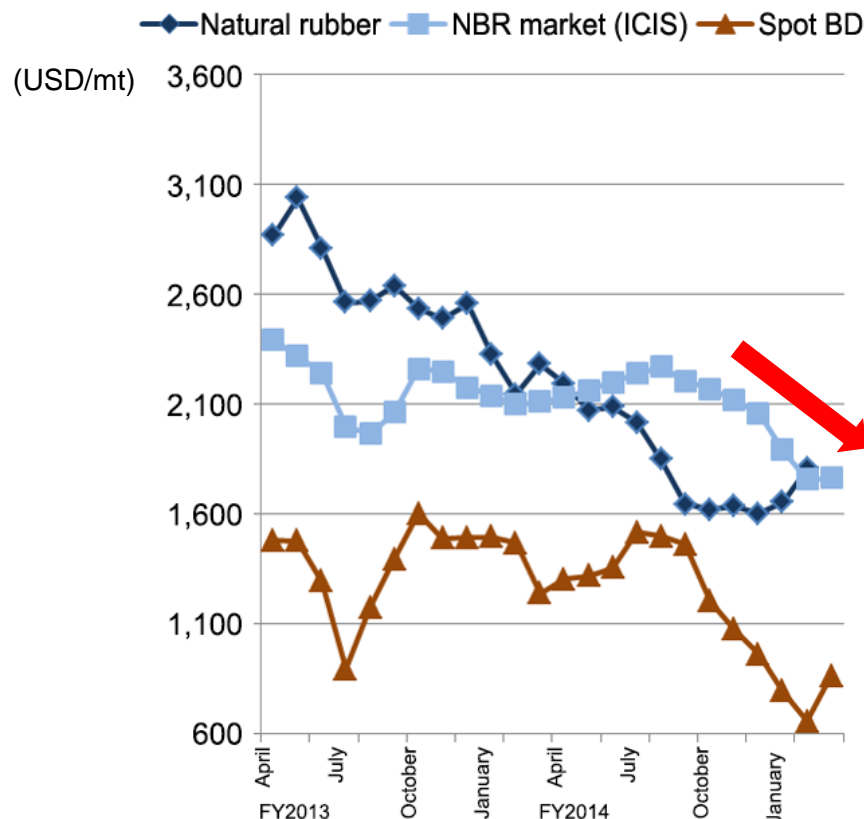
2014  
Target

2014  
Results

Exchange rate (Yen/USD)	79	82	100	100	109
Domestic naphtha price (1,000 Yen/kl)	55	58	67	68	64

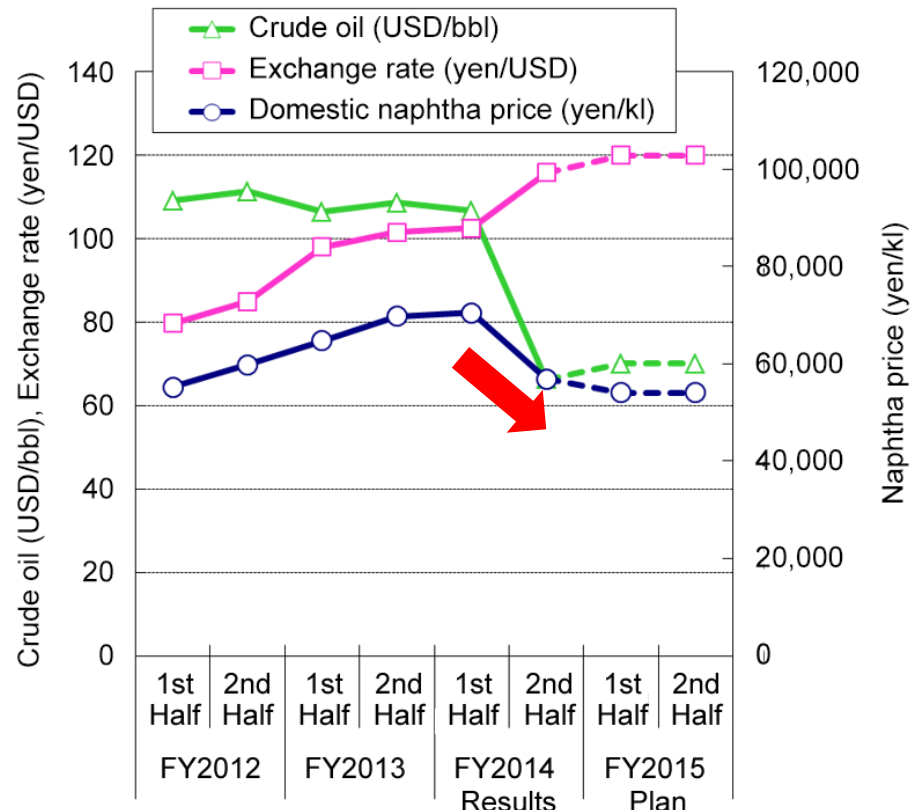
## Synthetic rubber market declines; uncertain outlook on raw materials prices due to plunge in crude oil prices

### Natural rubber, synthetic rubber and BD markets



Natural rubber market: Singapore Commodity Exchange nearby contract price for RSS #3 grade rubber (source: Monthly Statistics Report for Synthetic Rubber)  
 NBR market: CFR Southeast Asia (source: ICIS)  
 Spot BD: CFR Taiwan (source: PLATTS)

### Exchange rate and domestic naphtha price



Exchange rates (source: Mizuho Bank, Ltd.)  
 Crude oil (ICE Brent) (source: CMAI)  
 Domestic naphtha price (source: calculation by Zeon based on trade statistics)



- Change
  - Promote reform and improvement
  - Change management structure
  - Cultivating corporate culture
- Progress management and speedy response

Enterprise Blueprint for 2020

**ZEON makes the future today through the power of chemistry**

Consolidated net sales:  
500 billion yen

2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 (FY)

**Phase II**

**SZ-20**

**SZ-20**

**Further Strengthen our Elastomer Materials  
and Specialty Materials Businesses  
for Globally Expanding Operations**

## Strategy by Business Segment

### Elastomer Materials Business

Further strengthen competitive businesses by responding globally to growth markets

### Specialty Materials Business

Expand operations by accelerating R&D in three key fields

## Strategy by Business Segment

### Elastomer Materials Business

Further strengthen competitive businesses by responding globally to growth markets

### Specialty Materials Business

Expand operations by accelerating R&D in three key fields



Obtained customer approval for 4 core grades; expanded sales of Singapore-made products



S-SBR Singapore Plant

**Singapore Plant**  
Began construction on Second Line  
(groundbreaking on Feb. 23)  
→ To be completed in January 2016  
Commercial production to begin  
in April 2016

**Singapore Plant**  
Mass production of 4 core grades

Maintaining  
steady supply

**Tokuyama Plant**  
Mass production of special grade products  
Test production of new products →  
Launch → Mass production (pilot plant)

**R & D**  
Development of  
new products



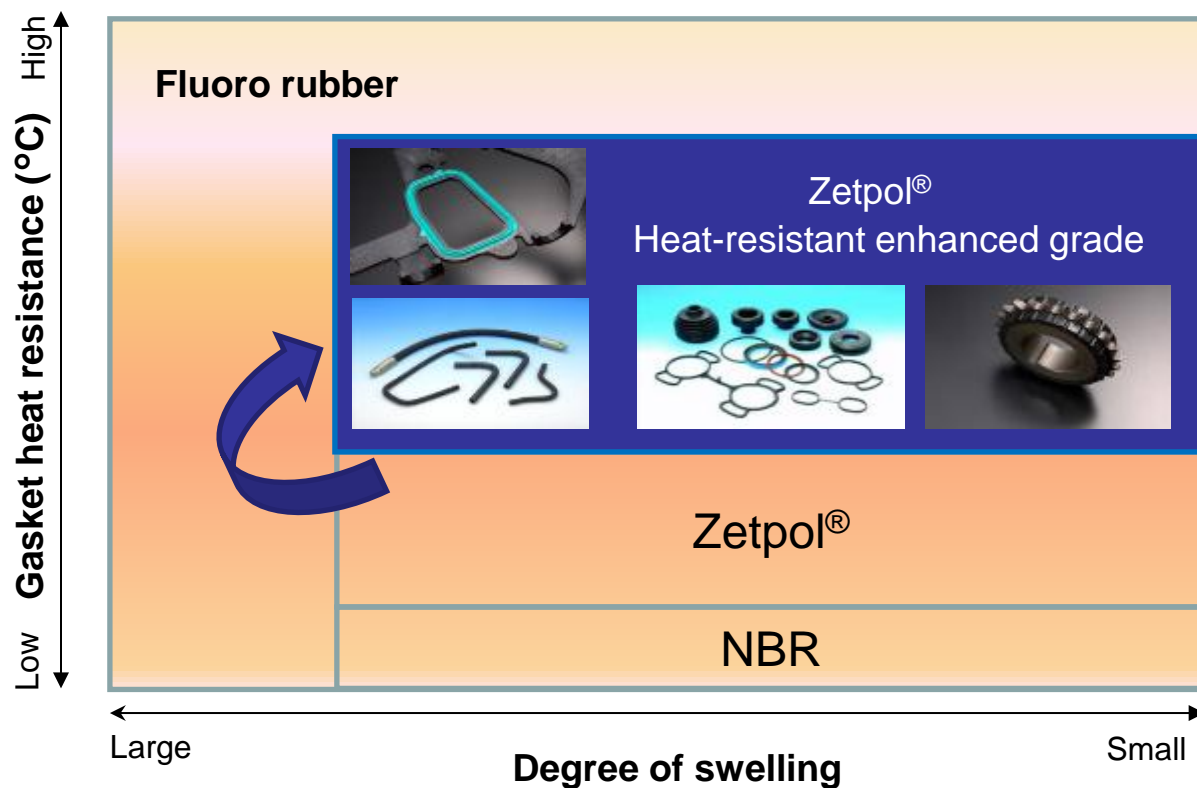
S-SBR (Solution-polymerized Styrene-Butadiene Rubber)



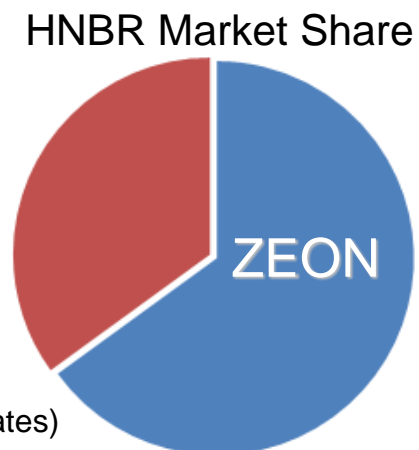
Main application  
for S-SBR:  
Fuel efficient tires

## Meeting highly functional, low-cost needs of automotive components

The superior heat resistance enables use to start of application in gaskets, seals and treating agent for core wires used in timing belt applications



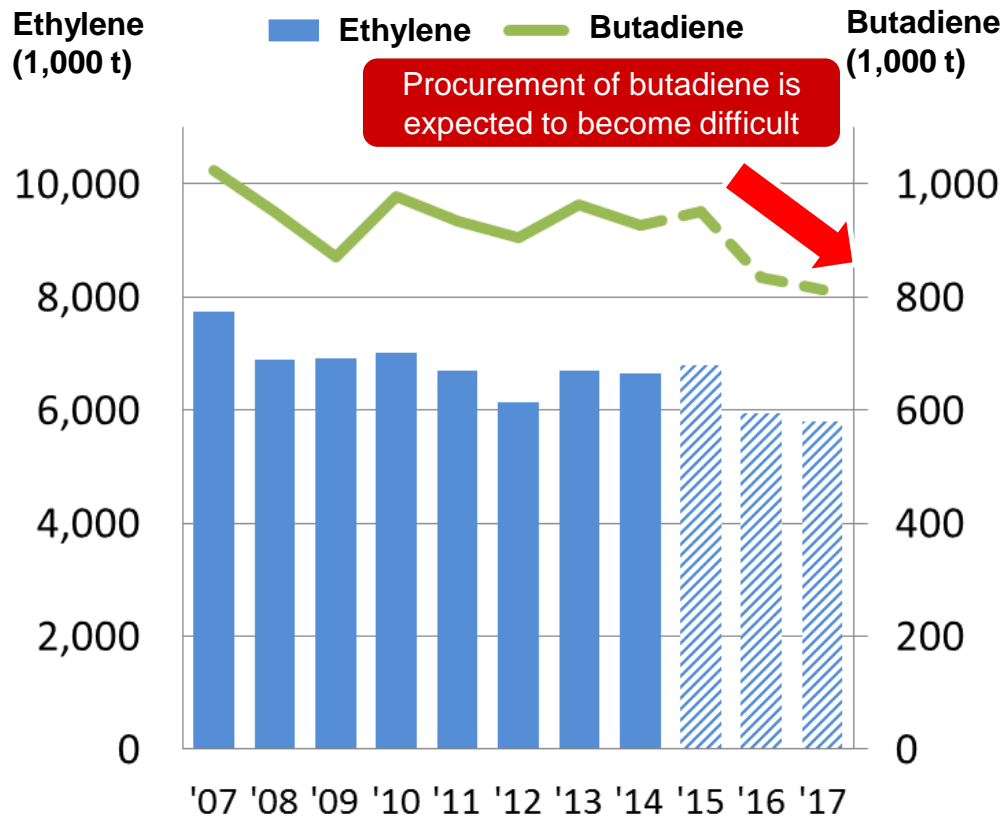
Commercial production has begun at the Kawasaki Plant's new facility



(Source: Zeon estimates)

Continuously building an optimal production system while responding to a changing material procurement environment

Production of ethylene and butadiene in Japan



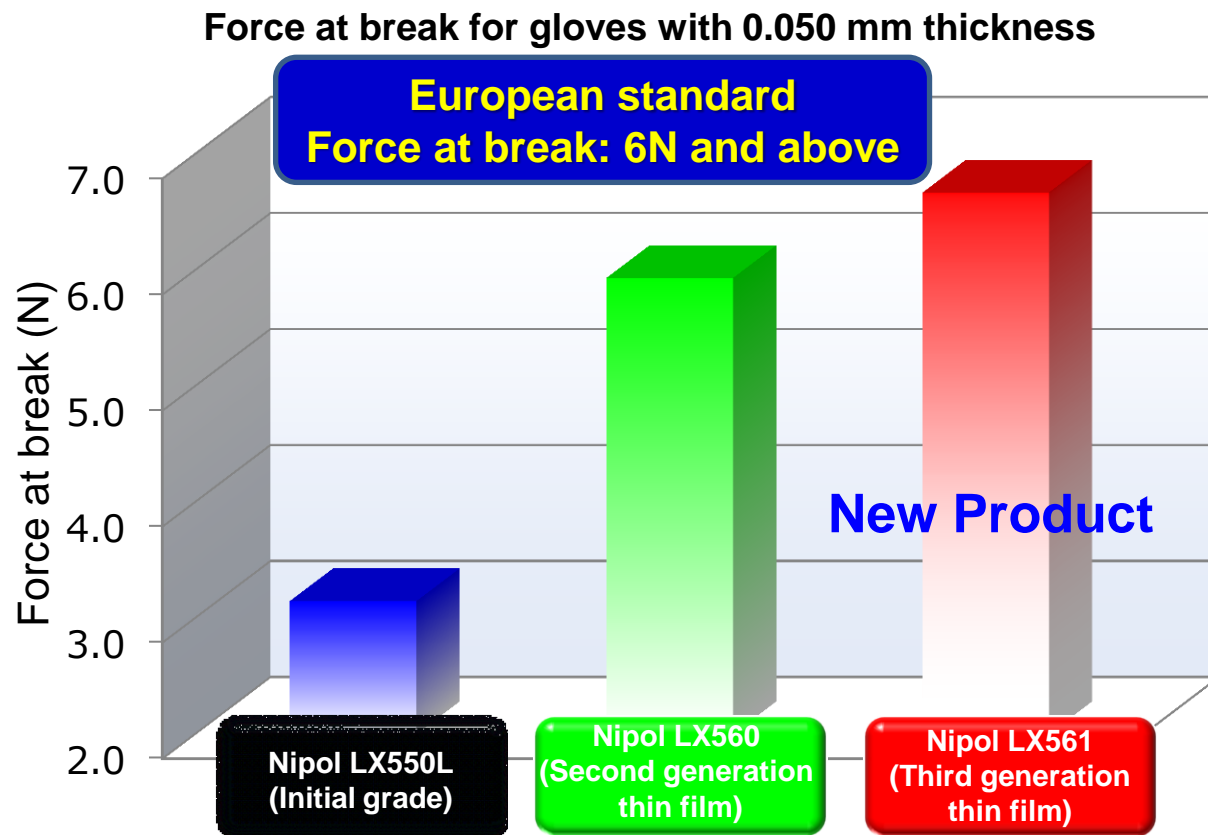
Zeon estimates for 2015 and beyond  
(Source: Ministry of Economy, Trade and Industry statistics)

ZEON's production capacity for synthetic rubber

	(t/year)	
	Japan	Overseas
E-SBR	80,000	
S-SBR	55,000	35,000
BR	65,000	
NBR	60,000	30,000
HNBR	4,500	5,000
IR	40,000	
ACM	8,500	8,500
Other		10,000

To be expanded by 35,000 tons by using two lines at the Singapore Plant

## Market launch of NBR Latex for next-generation high-strength thin film gloves

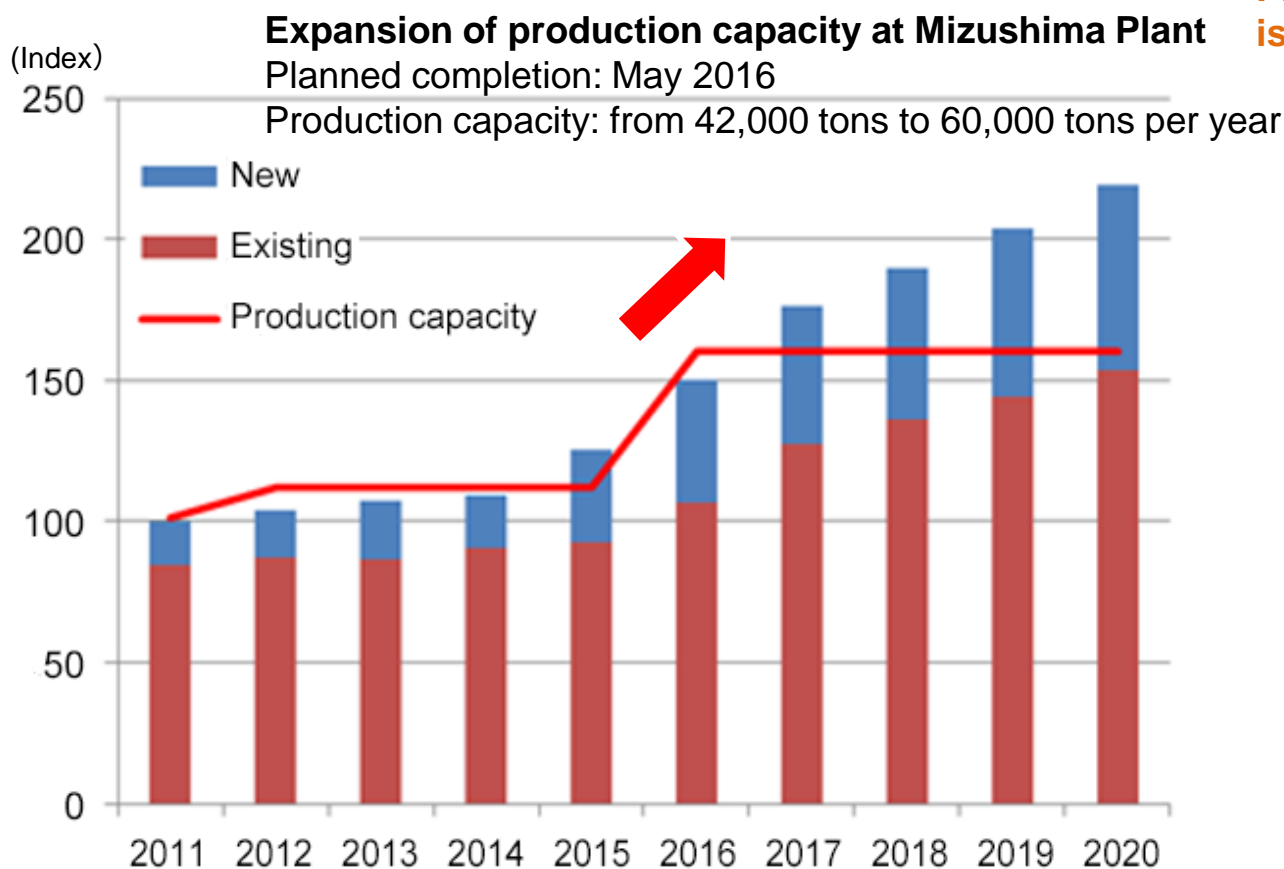


Newly developed product retains force at break in thin film form and is expected to provide higher operability by making gloves thinner.

## Decided to expand production capacity of thermoplastic elastomers (SIS)

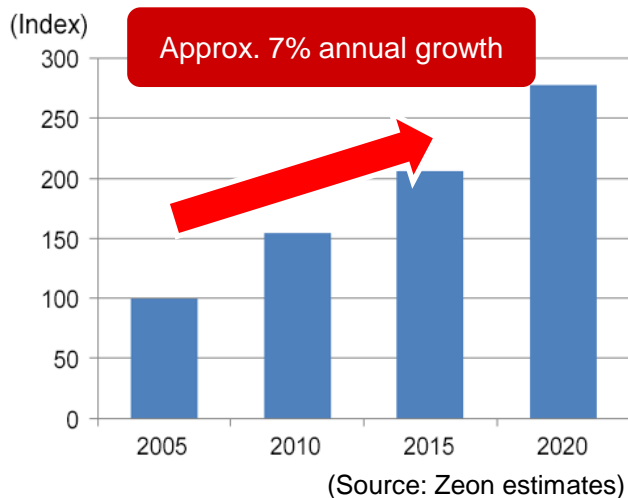
ZEON's sales plan and production capacity for SIS

Press release issued on April 21

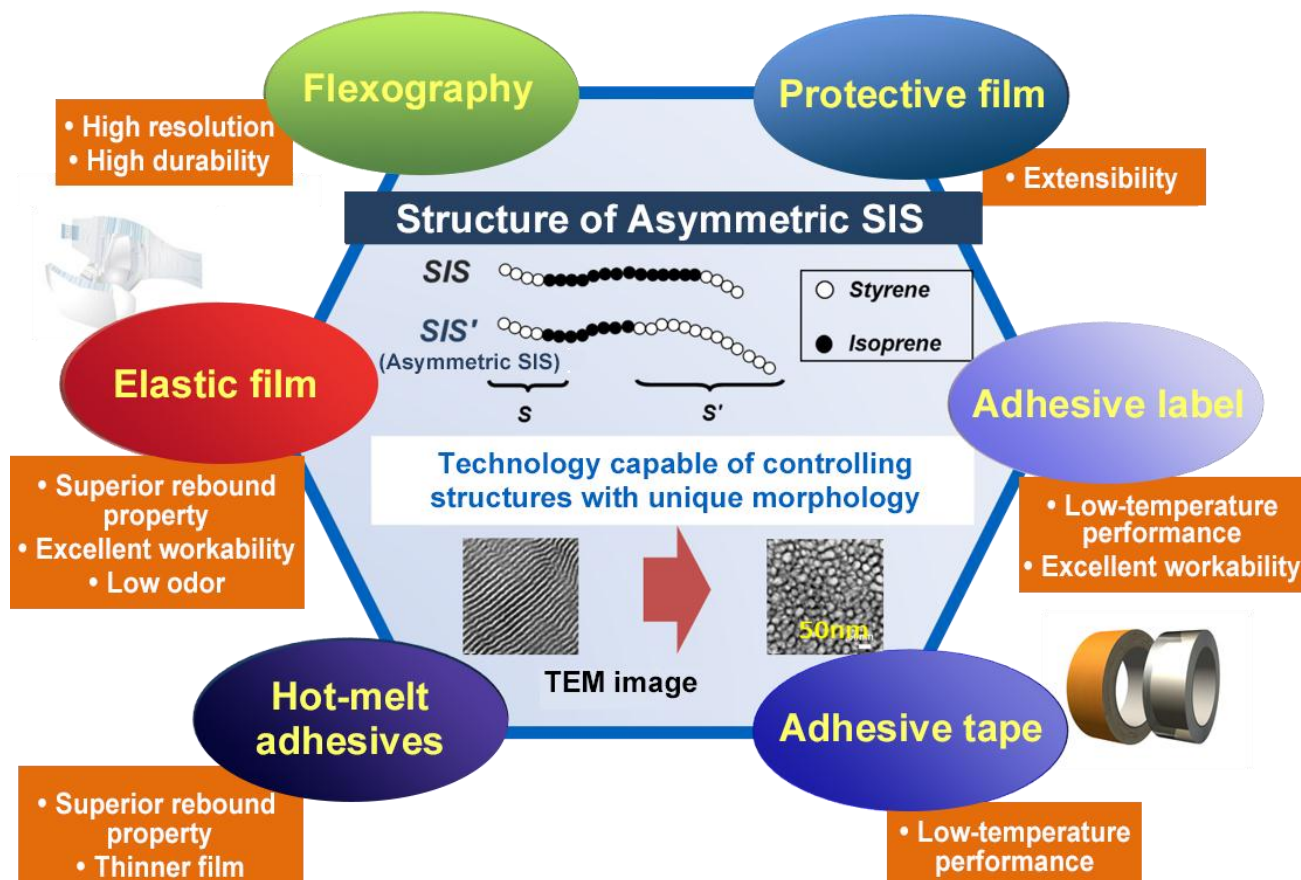
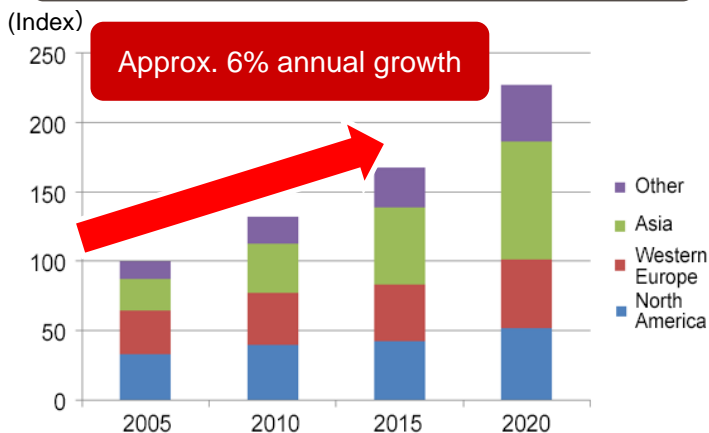


## Increasing new applications for asymmetric SIS

### Global market for disposable diapers



### Global market for adhesive label



## Developing ZEON's unique isoprene extraction technology for overseas businesses



Isoprene extraction plant (Mizushima Plant)

### Making maximum use of C<sub>5</sub> fractions

Isoprene

SIS Block Copolymers (thermoplastic elastomers)

Piperylene

Hydrocarbon resin (tackifier, binder)

### Applications

Adhesive tapes



Hot-melt adhesives



Traffic paint



### Global market for adhesive tape



Index: based on a scale where FY2000 is 100

(Source: Zeon estimates based on data provided by The Freedonia Group)

## Strategy by Business Segment

### Elastomer Materials Business

Further strengthen competitive businesses by responding globally to growth markets

### Specialty Materials Business

Expand operations by accelerating R&D in three key fields



Realizing an Advanced  
Information Society

Saving, Storing and  
Creating Energy

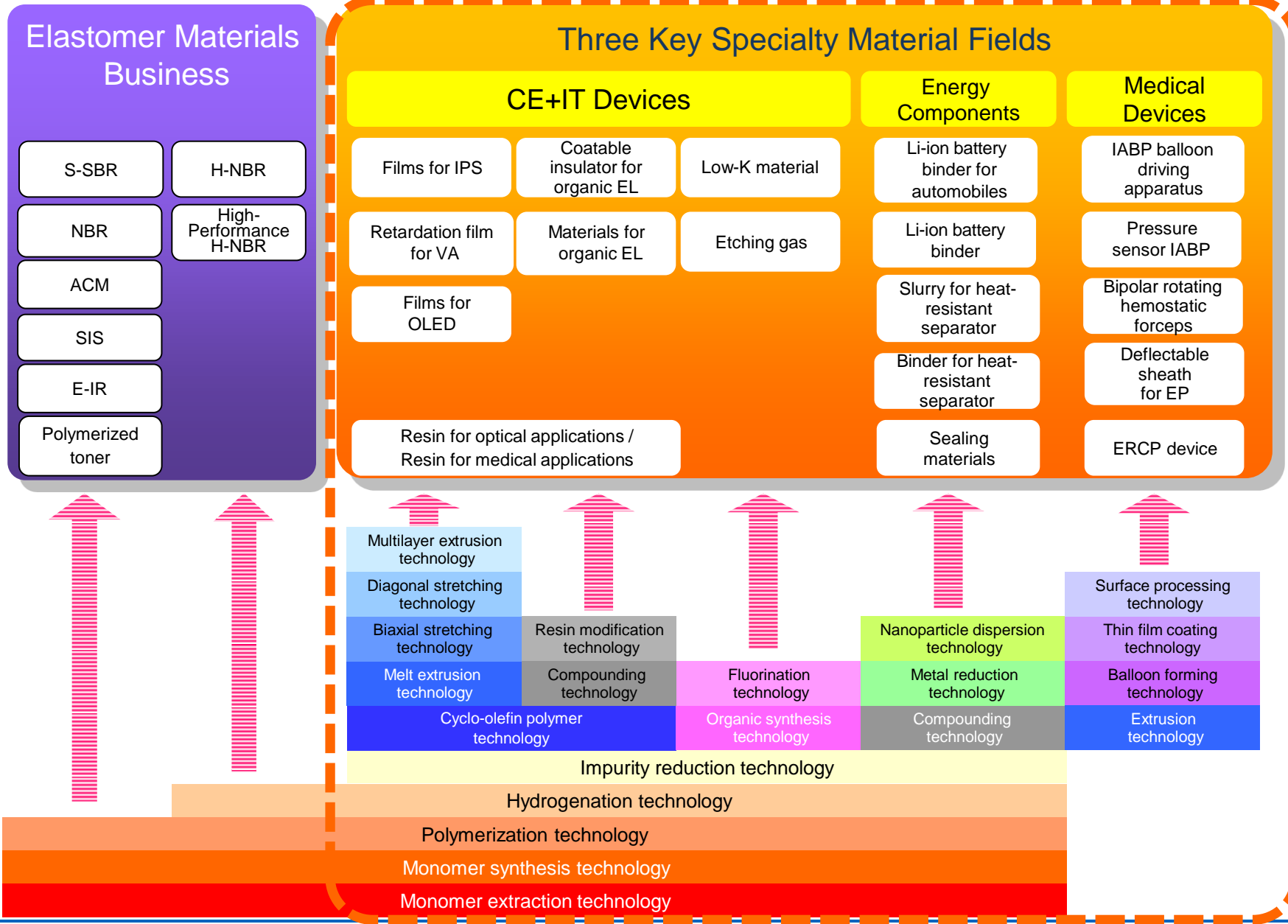
Enhancing QOL  
(Quality of Life)

## Three Key Specialty Material Fields

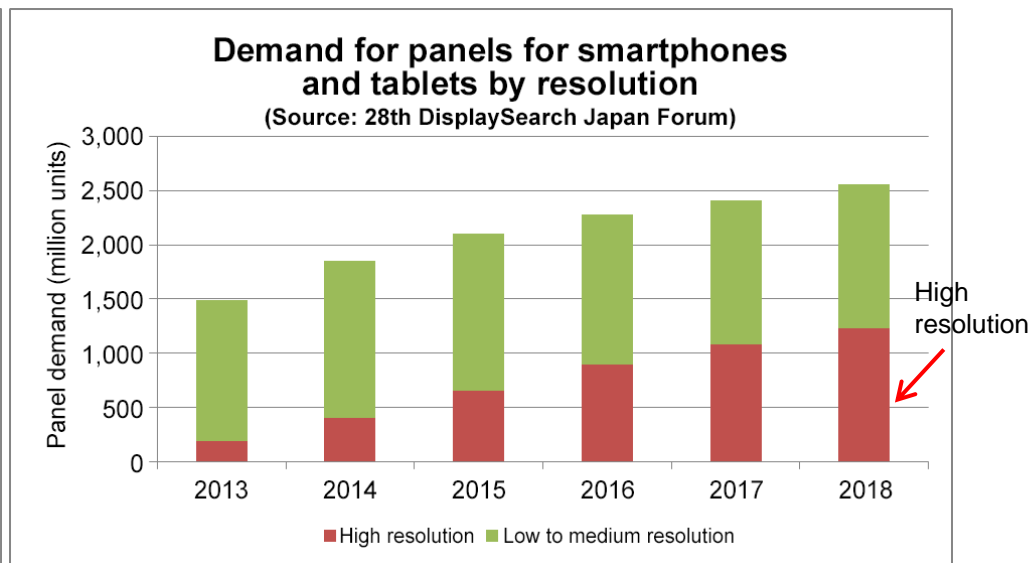
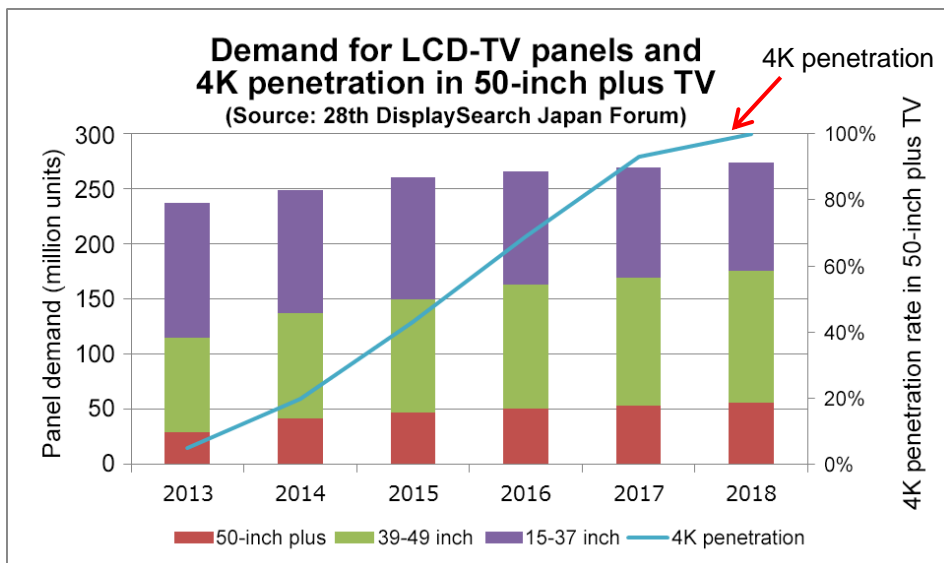
**CE+IT Devices**  
Optical, packaging,  
electronic applications

**Energy  
components**

**Medical devices**



## Demand for ZeonorFilm® expected to grow in TV and small- to mid-sized FPD markets



**TV Market: larger screens, high resolution**  
Penetration of 4K panels approaching 100% in 50-inch plus TV

**Small- to Mid-sized FPD Market: larger screens, higher resolution**  
Significant growth in high resolution products

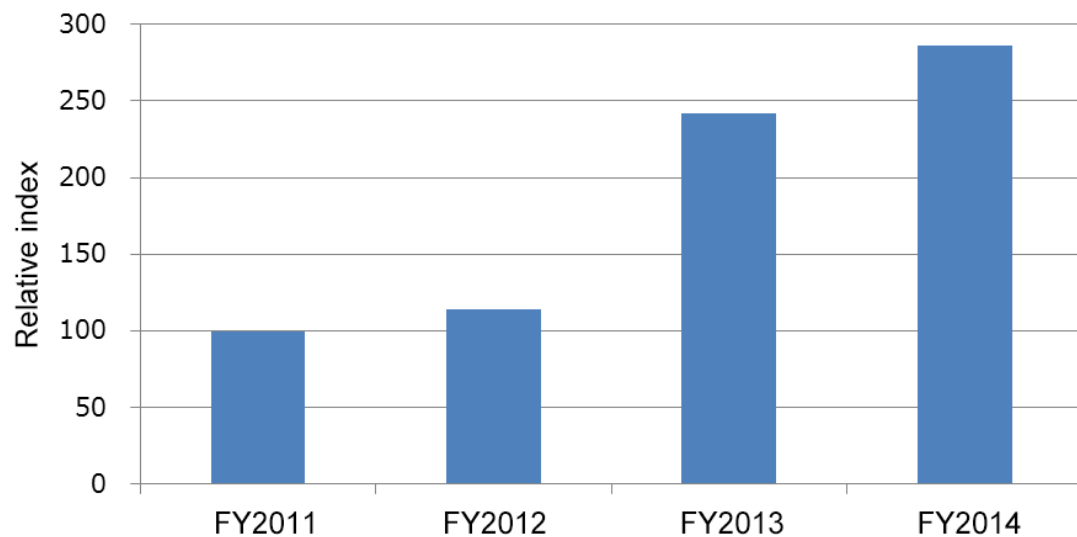


### Maximize advantages of ZeonorFilm®

- Dimensional stability
- Antireflection
- High transparency
- Applicable to thin structures

Enjoying record unit sales; production capacity expansion supports further sales increase in FY2015

**Unit sales of film  
(Relative index where FY2011 = 100)**



(Index: based on a scale where FY2011 is 100)

## **Fifth Line (for TV) at Himi Plant comes online**

Start of operation: February 2015

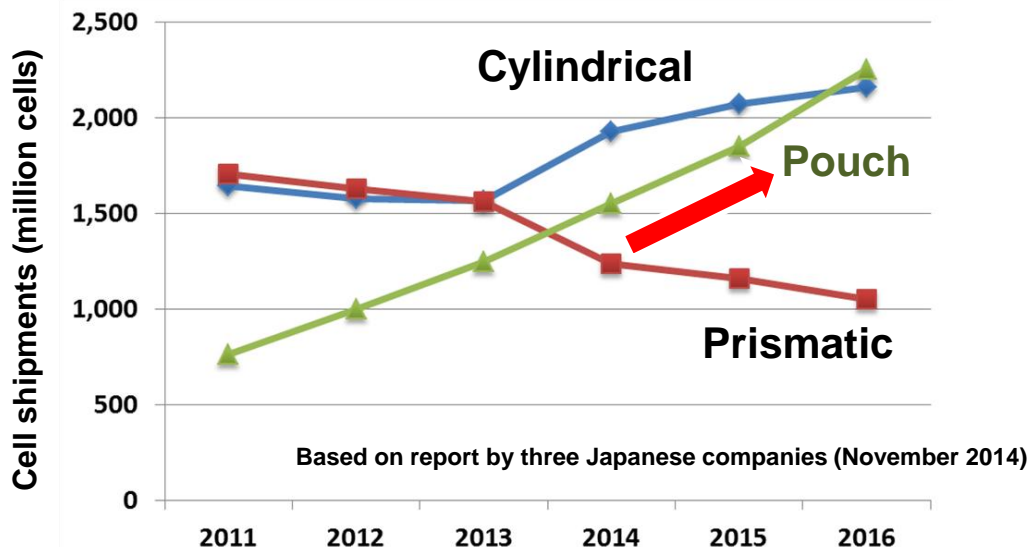
Production capacity: 30 million m<sup>2</sup> per year



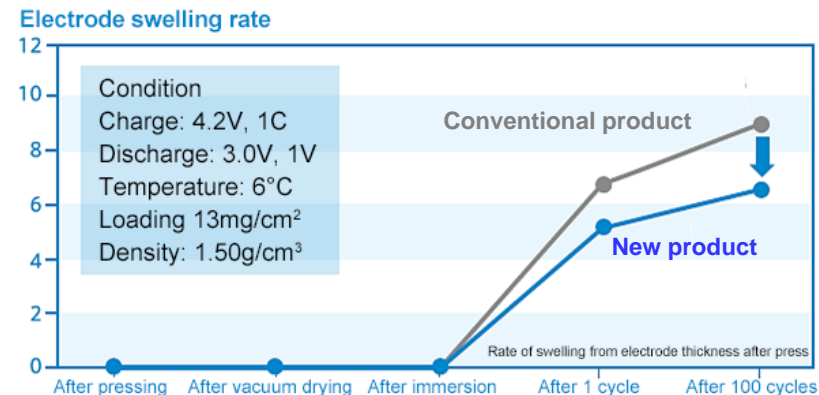


Expanding business by applying accumulated technology from our binder business to meet market needs

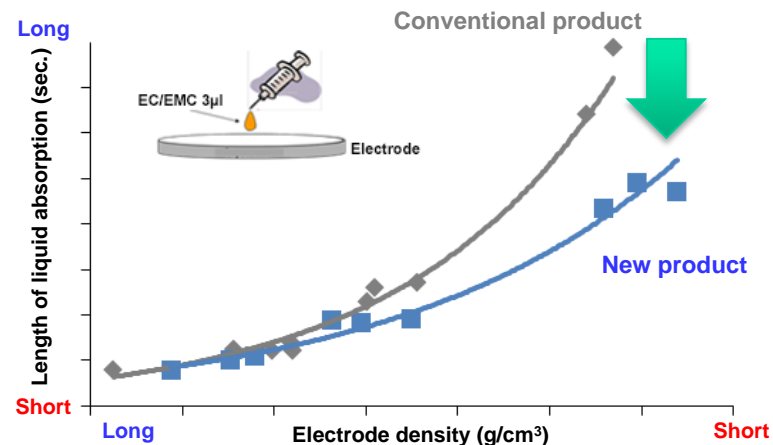
## Lithium-ion batteries for mobile phones by battery shape



## 1. Reduced electrode swelling



## 2. Enhanced penetration of electrolytic solution



Seeking business expansion by proposing products that can be applied to pouch cells for smartphones

## Advantages

1. Reduced electrode swelling
2. Faster electrolyte absorption (high density electrode)

**ZEON expertise in Stone Extraction – Presenting a new guiding wire-assisted product:**

**Crusher Catheter M** (market launch: March 2015; gallstone crushing device)

Latest addition to the lineup since the stone-flushing offset balloon catheter (market launch: July 2014; gall stone extraction device)

**Advantages**

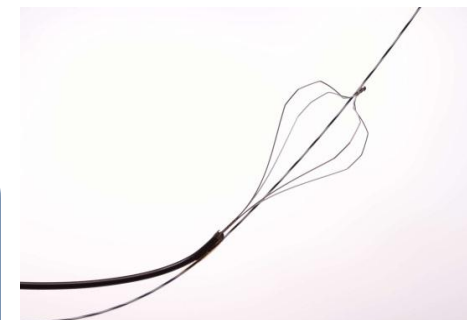
- **Smooth injection into biliary tract**

Use of guiding wire lumen tube and coil sheath

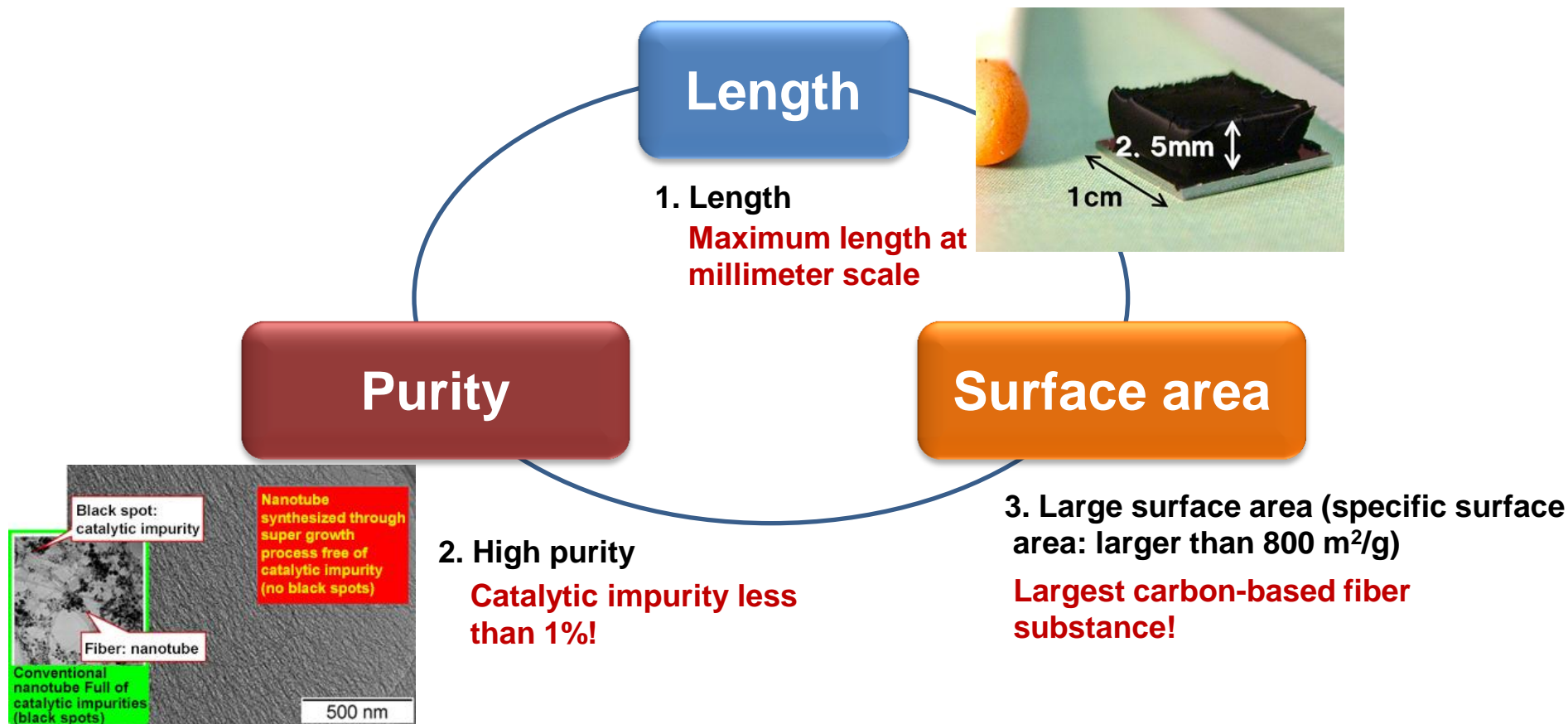
- **Superior operability**

Use of lightweight, high-strength crusher handle

**Note: Ensured stone crushing capability equivalent to conventional products by adopting proprietary basket shape design**



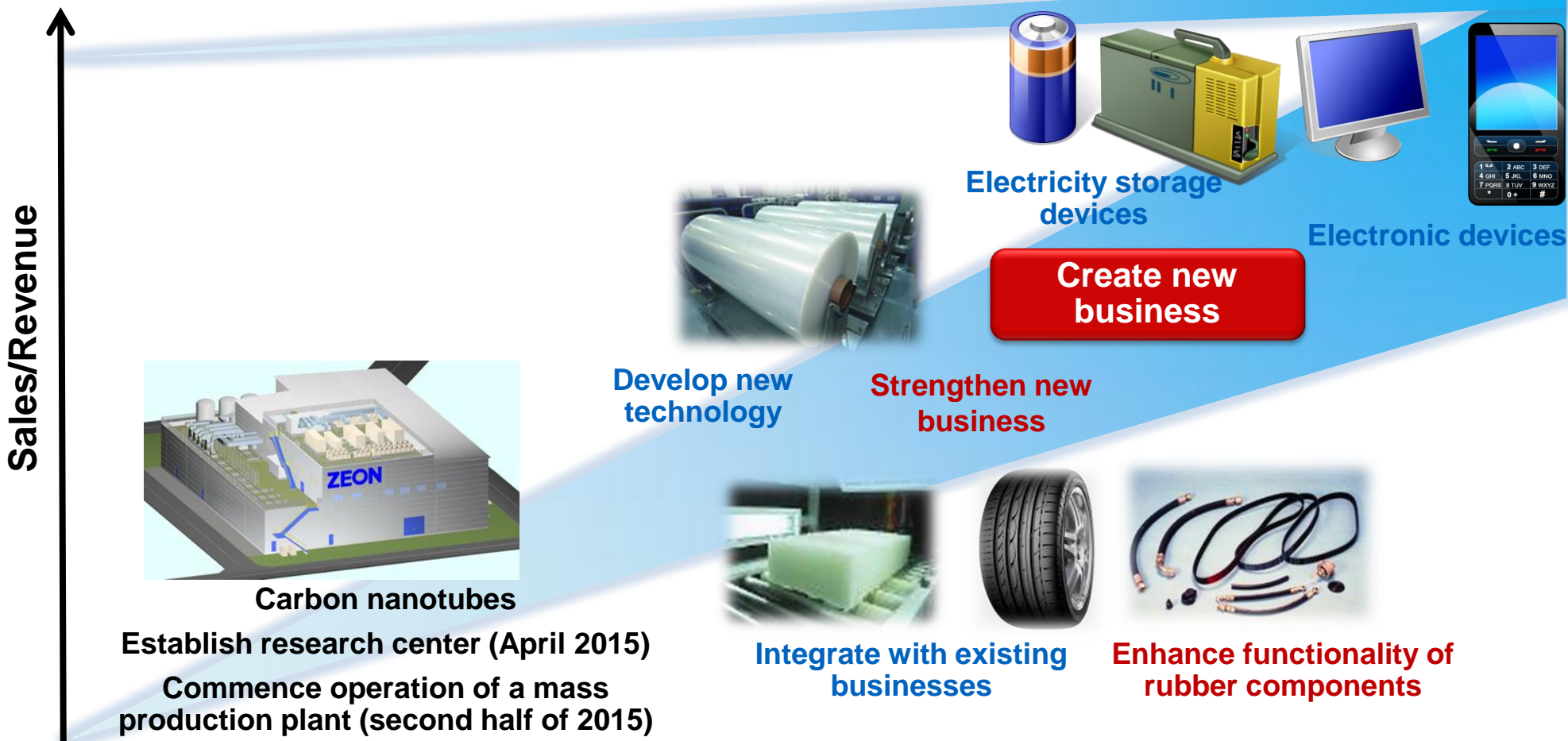
## Super Growth CNT developed in collaboration with the National Institute of Advanced Industrial Science and Technology (AIST)

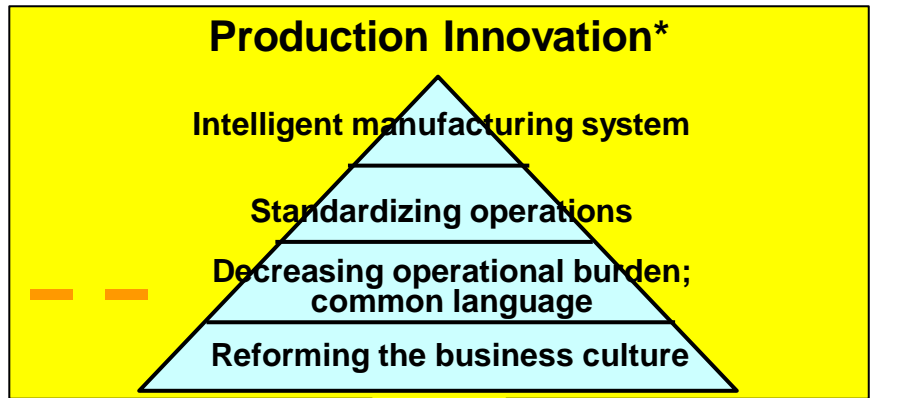


## NUMEROUS DIFFERENTIATING CHARACTERISTICS



Mass production plant for carbon nanotubes to commence operations in second half of 2015  
Will bolster SZ-20 Phase II through integration with existing businesses and creation of new businesses



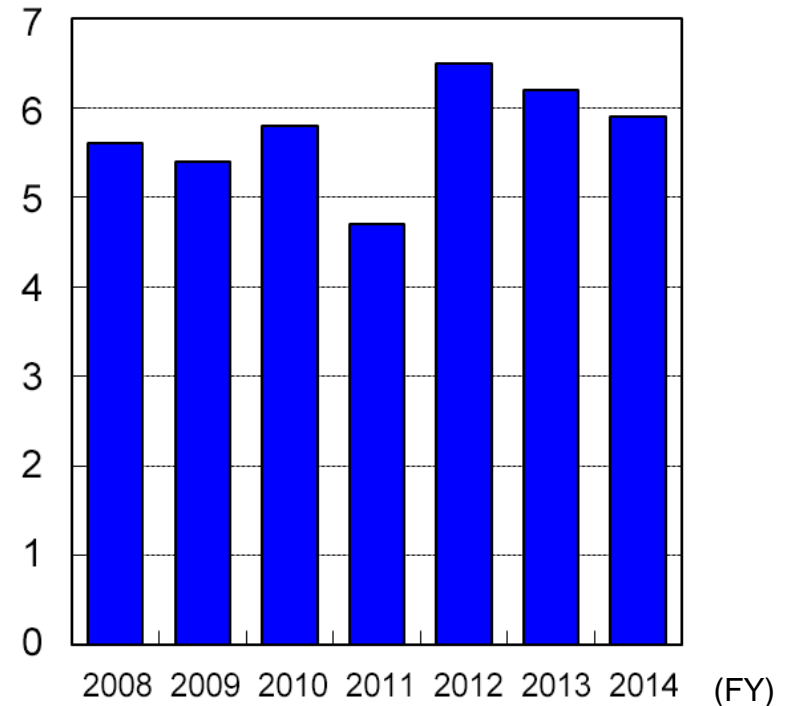


Continuing efforts for innovation and improvement

## ZΣ Activities – monetary effect

Annual cost reduction of approx. 6 billion yen

(billions of yen)



Approved themes

Strengthening ZEON's cost competitiveness

Top-down approach

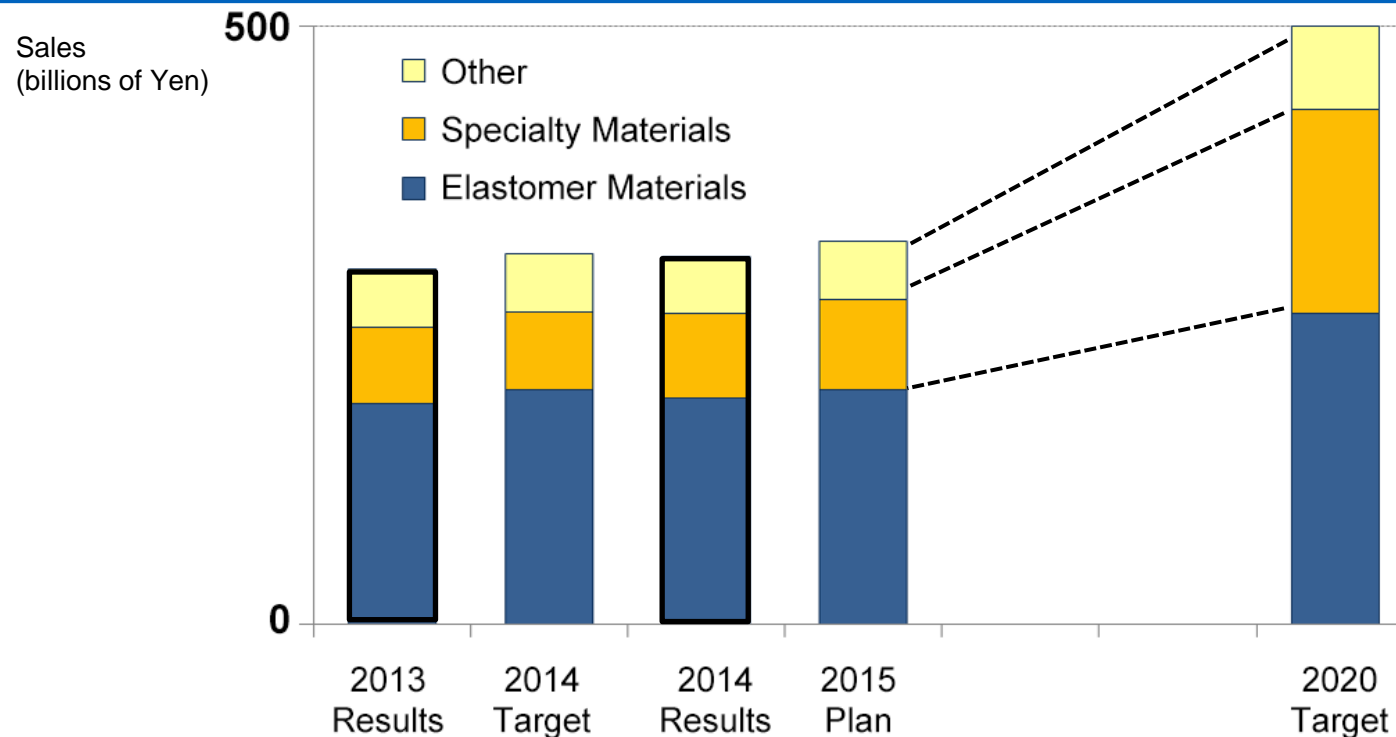
Bottom-up approach

**ZΣ Activities**

- ★ Cost reduction theme
- ★ Circle theme (small group activities)
- ★ Raising cost awareness and education

\* Production Innovation: Daicel Production Innovation

## Targeting 500 billion yen in consolidated net sales in FY2020



FY2013 Results	FY2014 Target	FY2014 Results	FY2015 Plan
296.4	310.0	307.5	320.0
10.1%	8.1%	9.2%	10%

FY2020 Target
500.0
10%

(billions of Yen)

<b>Consolidated net sales</b>
<b>Operating income to sales</b>

**Speed**

**Dialogue**

**Social  
Contribution**

**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.**

# **ZEON**

## **ZEON CORPORATION**

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