



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

# ZEON

**ZEON CORPORATION**

Kimiaki Tanaka

President and CEO

June 7<sup>th</sup>, 2023

**P.3 Overview of the Medium-Term Business Plan**

**P.6 Progress on Phase 1 of the Medium-Term Business Plan**

**P.13 Phase 2 of the Medium-Term Business Plan**  
**(1) Group-wide Strategy**  
**(2) Financial Strategy**

## **P.3 Overview of the Medium-Term Business Plan**

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- (1) Group-wide Strategy
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Corporate Philosophy  
= Mission

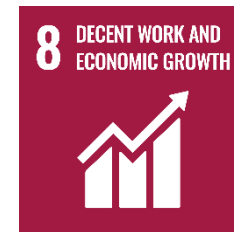
**Contributing to the preservation of the Earth and the prosperity of the human race**

In keeping with its name, derived from the Greek words "geo" (Earth) and "eon" (eternity), **Zeon will contribute to a "Sustainable Earth" and "Safe and Comfortable Life for People"** by providing original technologies, products, and services.

Vision for  
2030

**A company that lives up to societal expectations and aspirations of employees**

SDGs  
targeted  
by Zeon



Core  
Values

**Let's try first**

**Let's connect**

**Let's polish up**

## Medium-Term Business Plan: STAGE30

FY 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030

Phase 1

Phase 2

Phase 3

Phase 4

Set targets for after four years in the first year of each phase.  
Announce targets for FY2030 in FY2027.

Net sales  
**388.6 billion yen**  
Operating income  
**27.2 billion yen**  
ROIC for existing businesses  
**6.6%**  
Net sales of new businesses  
**+2.1 billion yen**

**FY2022**

Net sales  
**510 billion yen**  
Operating income  
**58 billion yen**  
ROIC for existing businesses  
**9%**  
Net sales of new businesses  
**+16 billion yen**

**FY2026**

ROIC for existing businesses  
**9%**  
Net sales of new businesses  
**+60 billion yen**

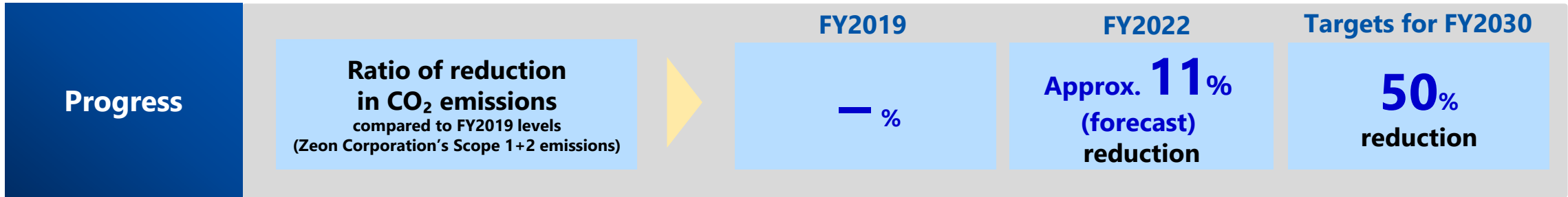
**FY2030**

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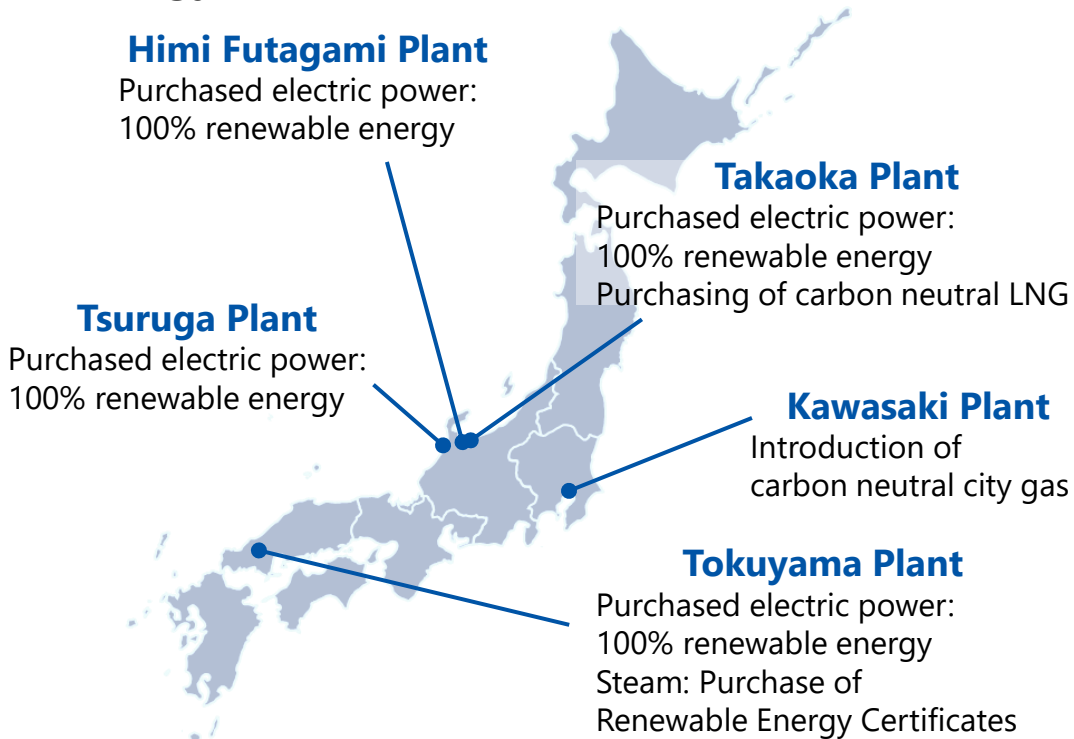
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	Strategies	Indexes	FY2019	FY2022	Targets for FY2030
1	Promote a transformation of “monozukuri” to realize carbon neutrality and a circular economy	Ratio of reduction in CO <sub>2</sub> emissions compared to FY2019 levels (Zeon Corporation’s Scope 1+2 emissions)	— %	Approx. <b>11%</b> (forecast) reduction	<b>50%</b> reduction
		Sales ratio of products that contribute to the SDGs	—	Working on system introduction	<b>50%</b>
2	“Polish up” existing businesses  “Explore” new businesses	ROIC for existing businesses	<b>6.7%</b>	<b>6.6%</b>	<b>9%</b>
		Net sales of new businesses (compared to FY2019)	—	<b>+2.1</b> billion yen	<b>+60</b> billion yen
3	Work together to create “stages” to be active on	Employee engagement Ratio of foreign national and female directors and officers	— % <b>0%</b>	<b>48%</b> <b>7%</b>	<b>75%</b> <b>30%</b>



## Phase 1 Summary

### (1) Energy conversion at domestic plants



### (2) Establishment of 1st Carbon Neutrality Master Plan

→ Establishment of CO<sub>2</sub> emission reduction target for FY2030

### (3) Introduction of internal carbon pricing (ICP) scheme

### (4) Selected by NEDO\* as a business for the Green Innovation Fund Project

- Development of carbon recycling basic chemical manufacturing technology for synthetic rubber
- Development of high-performance and energy-efficient non-volatile memory for photonic chips
- MATSURI Project

\*New Energy and Industrial Technology Development Organization



## Phase 1 Summary

### Capacity expansion to boost COP\* and battery material production \*Cyclo Olefin Polymer

#### COP

- Completed in July 2021
- +4,600 tonnes

#### Mizushima Plant



#### Battery materials

- Planned launch of operations in 2024

#### Zeon Chemicals Asia



#### COP recycling

- Planned launch of operations in August 2024
- +6,000 tonnes

#### Takaoka Plant



#### CO<sub>2</sub> reduction effect: 12,000 tonnes (vs. existing manufacturing methods)

Resin manufactured via general recycling technology



Resin manufactured via newly developed recycling technology



## Phase 1 Summary

Aggressively increase capacity in our differentiated product lines to beat out the competition in existing SBUs

### Optical films

- Planned launch of operations in October 2023
- +50,000,000 m<sup>2</sup>

#### Tsuruga Plant



### Leaf alcohol

- Completed in July 2022
- +400 tonnes

#### Mizushima Plant



### Zetpol® hydrogenated nitrile rubber

- Completed in 2023
- +Approx. 10%

#### Takaoka Plant

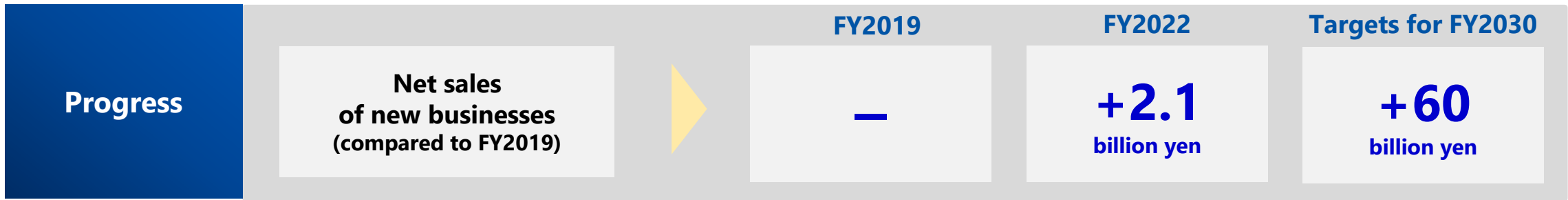


### Zetpol® hydrogenated nitrile rubber

- Planned launch of operations in January 2025
- +Approx. 25%

#### Zeon Chemicals Texas Plant





**Phase 1 Summary** Increased new business sales by 2.1 billion yen, mainly in the Telecommunications area  
 Promoted external collaboration in each area, including acquisition of two companies in the Healthcare and Life Science area, to achieve further growth

**Four Key Areas** \* Investments/partners \* Acquisitions

- CASE and MaaS
- Healthcare and Life Science
- Telecommunications (5G/6G)
- Energy Conservation

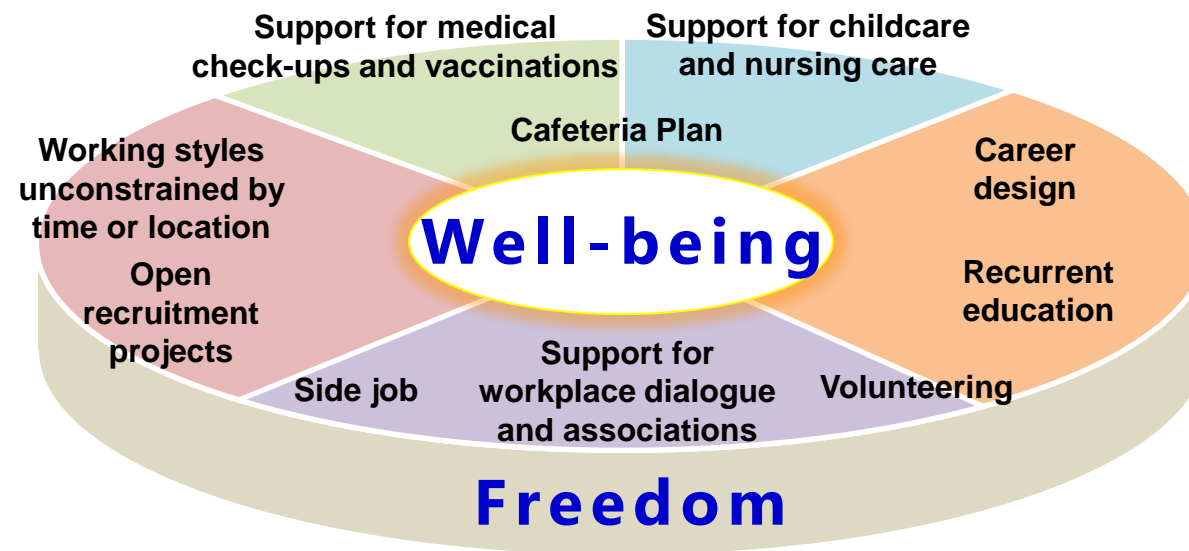


		FY2019	FY2022	Targets for FY2030
<b>Progress</b>	Employee engagement Ratio of foreign national and female directors and officers	— % 0%	48% 7%	75% 30%

**Phase 1 Summary** Worked on improving systems and environment to provide more life choices

- **Launch of measures to improve engagement**
- **Renewal of headquarter office**
- **Promotion of telework**
- **Introduction of cafeteria plan**
- **Introduction or revision of several systems**
  - Childcare/Family Leave System
  - Senior Employee System
  - Side Job System

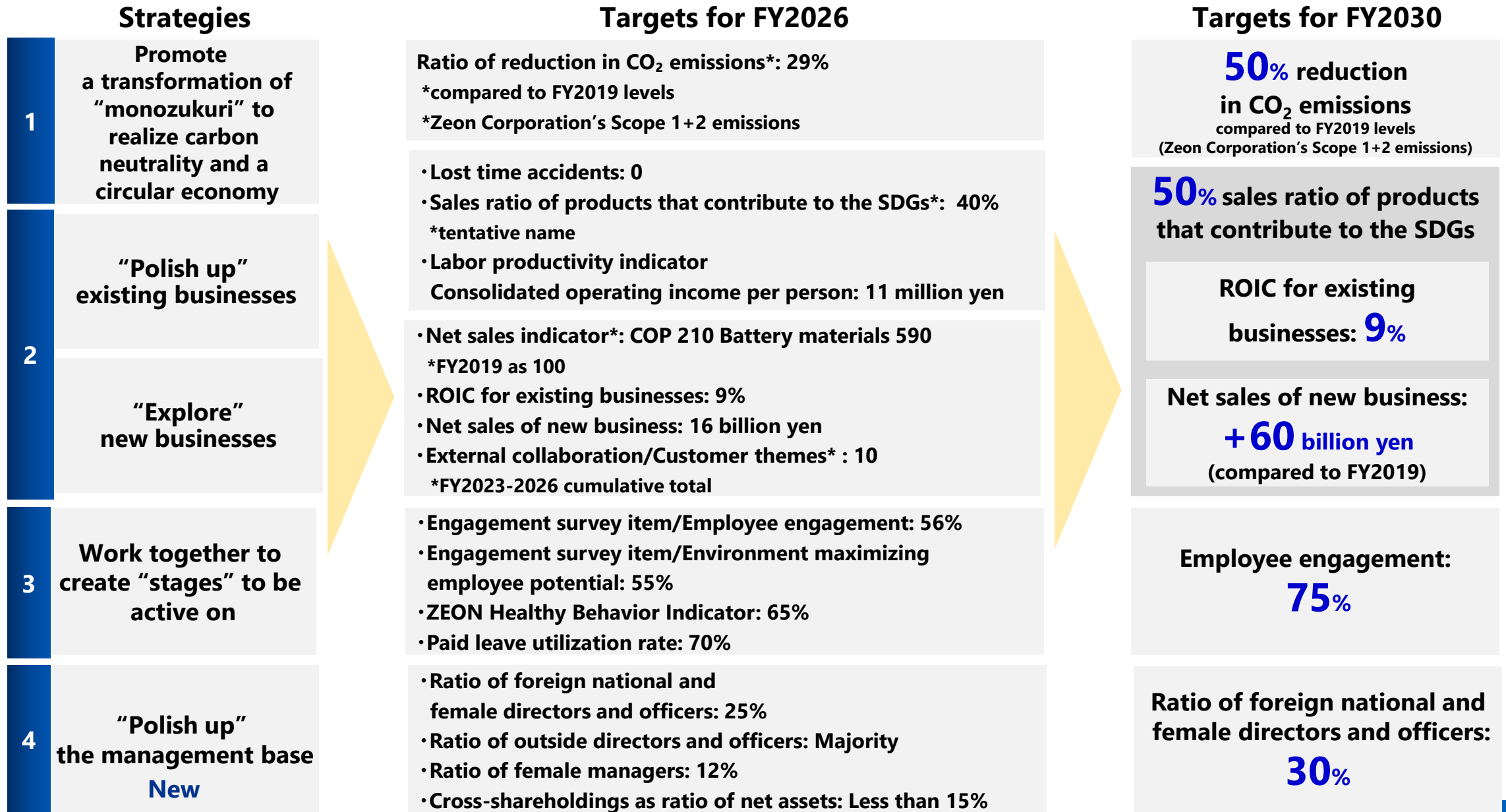
etc.



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**Targets for FY2026**

**Ratio of reduction in CO<sub>2</sub> emissions\*: 29%**

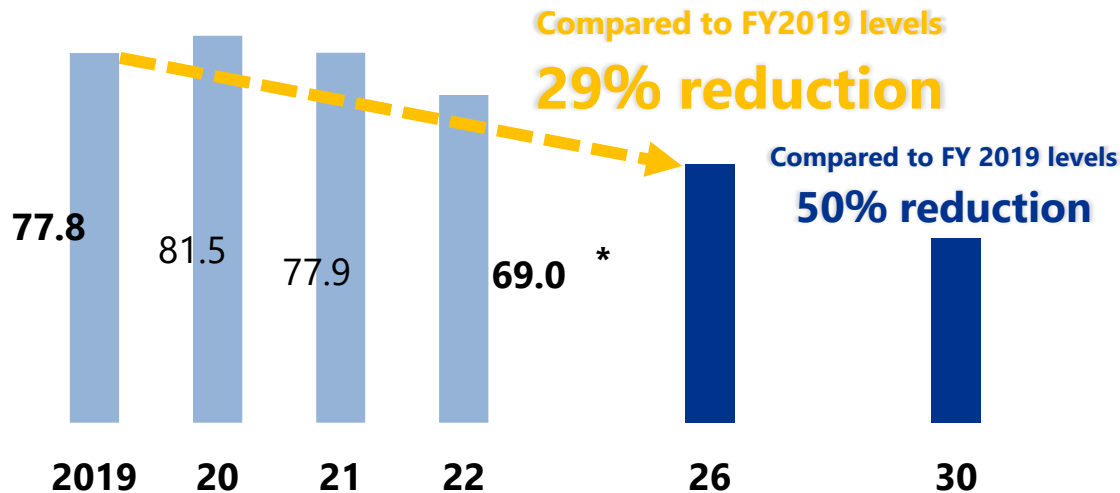
\*compared to FY2019 levels  
\*Zeon Corporation's Scope 1+2 emissions

**Key Policy**

**Reduce Scope 1 and Scope 2 emissions looking ahead to 2030**  
**Aim to reduce and contribute Scope 3 emissions looking ahead to 2050**

**Reduce Scope 1 and Scope 2 emissions looking ahead to 2030**

- **Promote energy savings, reform processes, convert energy source**



**Aim to reduce and contribute Scope 3 emissions looking ahead to 2050\***

- **Prepare to change raw material**  
→ Look into manufacturing of ethanol-derived butadiene, bio-butadiene, and bio-isoprene
- **Lay the foundation for building a recycling business model**  
→ Look into expanding recycling efforts for other products in addition to COP recycling plant to be put into operation

\*Targets will be updated as necessary to achieve carbon neutrality by 2050.

\*Calculation based on greenhouse gas protocol: 729,000 tonnes

<b>Targets for FY2026</b>	<b>Lost time accidents</b> <b>0</b>	<b>Sales ratio of products that contribute to the SDGs*:</b> <b>40%</b> <small>*tentative name/be updated appropriately</small>	<b>Labor productivity indicator</b> Consolidated operating income per person: <b>11 million yen</b>
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**Key Policy**    **Achieve safe and stable production and promote sustainable monozukuri (manufacturing)**

**Achieve safe and stable production**

- **Invest 18 billion yen\*** in human resources  
\*Increase in labor costs vs. FY2022 (cumulative total for FY2023-FY2026)
- **Reforming work styles, securing training and improvement time, and promoting innovating production\***  
\*The Daicel Method of production innovation



**Promote sustainable monozukuri (manufacturing)**

- **Promote sales ratio of products that contribute to the SDGs\*:**  
\*Tentative name
- **Ensure profitability by polishing up existing businesses**



**Improve labor productivity**



**Targets for FY2026**

Labor productivity indicator  
Consolidated operating income per person:  
**11 million yen**

Net sales indicator\*:  
**COP210**  
**Battery materials590**  
\*FY2019 as 100

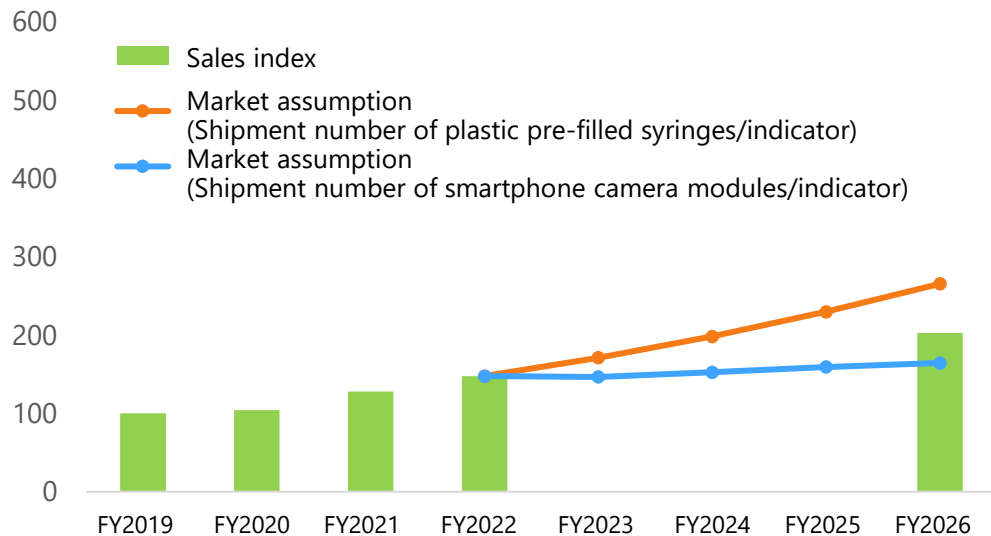
ROIC for existing businesses:  
**9%**

- **COP will grow steadily in the main applications of optical and medical, and battery materials will steadily capture the growth of the global EV market**

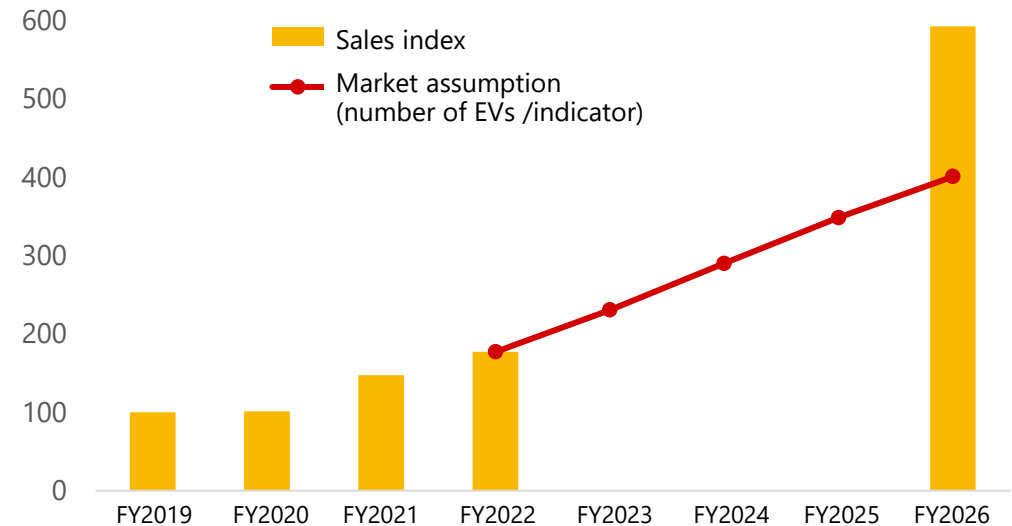
**Trends\* in COP and battery materials**

\*Trends in indicators when FY2019 is 100

COP market assumption and sales index



Battery materials market assumption and sales index



Source: Plastic pre-filled syringes: Knowledge Sourcing Intelligence GLOBAL PREFILLED SYRINGES MARKET - FORECASTS FROM 2021 TO 2026  
Smartphones camera modules: Techno Systems Research Co., Ltd. Market Breakdown of Camera Phone – 1st Half 2022 & 2nd Half 2022 Forecast –  
EV: LMC Global Light Vehicle Powertrain Forecast - Quarter 4, 2021

Targets for FY2026

Labor productivity indicator  
Consolidated operating income per person:  
11 million yen

Net sales indicator\*:  
COP210  
Battery materials590  
\*FY2019 as 100

ROIC for existing businesses:  
9%

Business expansion investment plans are underway for COP and battery materials



Battery materials

Establishment of production system in Europe

COP

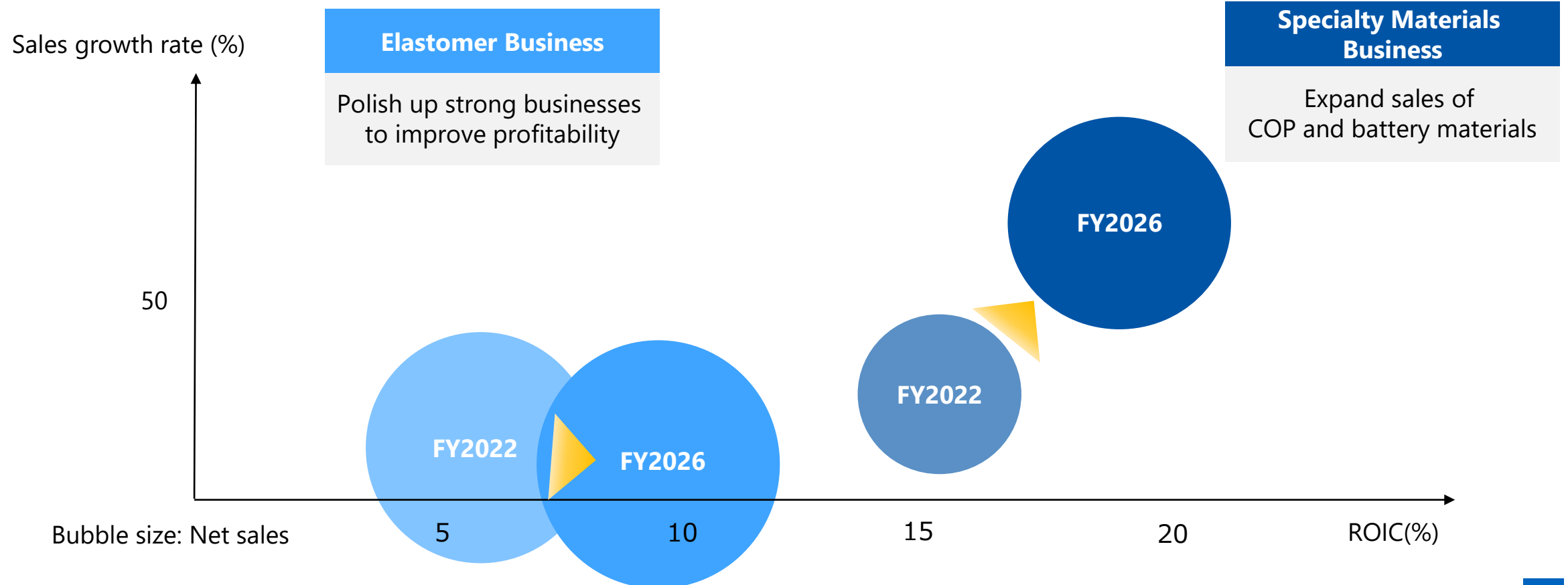
Resilience enhancement study underway

Battery materials

Establishment of production system in North America

<b>Targets for FY2026</b>	<b>Labor productivity indicator</b> Consolidated operating income per person: <b>11 million yen</b>	<b>Net sales indicator*:</b> <b>COP210</b> <b>Battery materials590</b> <small>*FY2019 as 100</small>	<b>ROIC for existing businesses:</b> <b>9%</b>
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■ **Polish up business efficiency based on cost of capital and ROIC**



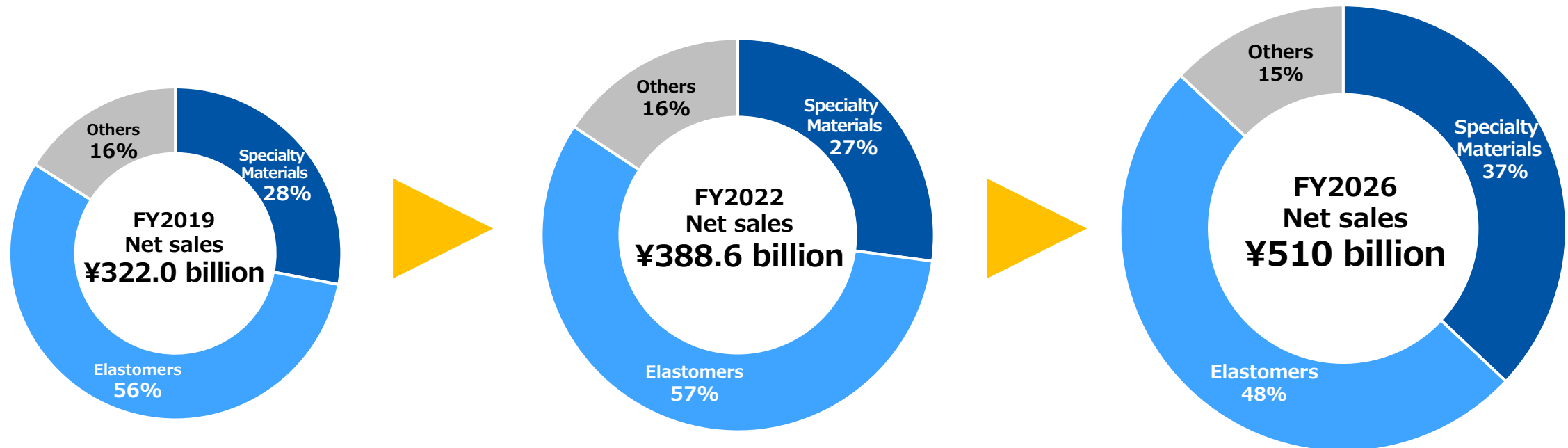
- Reorganize portfolio around differentiated products such as COP and battery materials

**Elastomer Business**

Promote structural reform emphasizing capital efficiency

**Specialty Materials Business**

Expand production base and sales centered on COP and battery materials



<b>Targets for FY2026</b>	<b>Net sales of new business: 16 billion yen</b>	<b>External collaboration/Customer themes*</b>  <b>10</b> <small>*FY2023-2026 cumulative total</small>
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- Strengthen resources and mechanisms to spread CVC and M&A throughout the Group
- Launch new products in new markets by connecting manufacturing, sales, and technology

Aim for 16 billion yen in net sales with new products in addition to M&A, etc.

Promote external cooperation for CVC, etc.

**Aurora**  
*Microplates*  
Micro-well plates



**Semiconductor  
container**

**Edge**  
PRECISION  
MANUFACTURING  
Microfluidic devices



**TIM etc.**

**ZEON** Cooperation

**External**

New partners

<p><b>Targets for FY2026</b></p>	<p>Engagement survey item <b>Employee engagement:</b> <b>56%</b></p>	<p>Engagement survey item <b>Environment maximizing employee potential:</b> <b>55%</b></p>	<p><b>ZEON Healthy Behavior Indicator*:</b> <b>65%</b></p>	<p><b>Paid leave utilization rate:</b> <b>70%</b></p>
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<p><b>Key Policy</b></p>	<p><b>Create a healthy and motivating work environment</b></p>
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**Advance health and productivity management initiatives**

- **Initiatives to reduce the risk of lifestyle-related diseases by introducing ZEON Healthy Behavior Indicators\***

\*ZEON Healthy Behavior Indicator: Percentage of employees who achieved at least 2 of the 3 behaviors (standard BMI maintenance, exercise habits, and not smoking) to reduce the risk of lifestyle-related diseases

**Operate a personnel system that allows employees to be themselves**

- **Human resource management reform to draw out individual strengths and promote growth**
- **Introduce and establish a new personnel system for managers based on duties**

**Instill DI&B thinking**

- **Organizational climate development and leadership training to make use of diverse human resources to support employees in being themselves through promotion of DI&B**

<p><b>Targets for FY2026</b></p>	<p><b>Ratio of foreign national &amp; female directors &amp; officers*:</b></p> <p><b>25%</b></p> <p><small>*Directors and Audit &amp; Supervisory Board Members (inside and outside)</small></p>	<p><b>Ratio of outside directors &amp; officers*:</b></p> <p><b>Majority</b></p> <p><small>*Directors or Audit &amp; Supervisory Board members</small></p>	<p><b>Ratio of female managers:</b></p> <p><b>12%</b></p>	<p><b>Cross-shareholdings as ratio of net assets:</b></p> <p><b>Less than 15%</b></p>
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<p><b>Key Policy</b></p>	<p><b>“Polish up” corporate governance</b></p>
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**Enhancing corporate governance**

- **Strengthening of interrelation between officer remuneration and medium-term plan**
- **Selection of highly diverse and independent officers**
- **Reduction of cross-shareholdings**

**Training diverse human resources for future management positions**

- **Operation of new personnel system for managers**
- **Promotion of training for managers and candidates of manager**
- **Recruitment of diverse career personnel**

**“Polishing up” capital efficiency**

- **Advanced financial management to support active business investment**

\*Expectation based on proposal at June 29, 2023 general meeting of shareholders  
 Ratio of foreign national and female directors and officers: 19%  
 Ratio of outside directors and officers: 50%  
 Introduction of performance-linked remuneration

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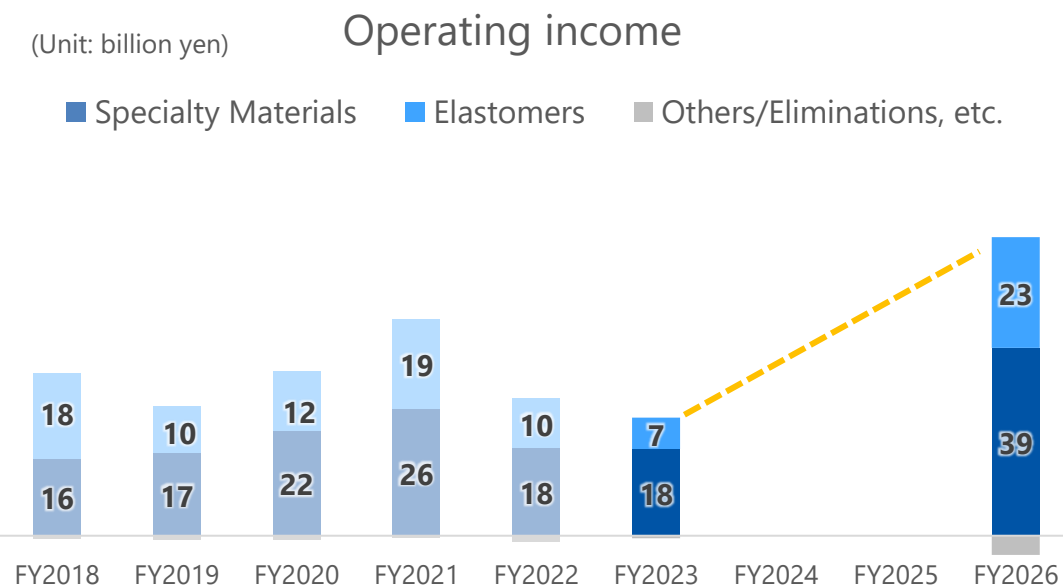
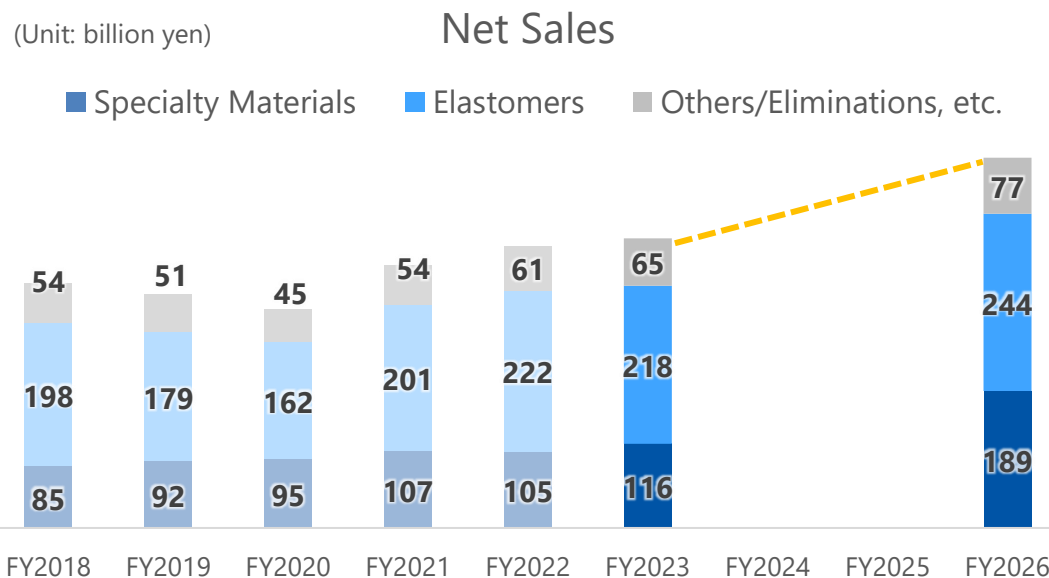
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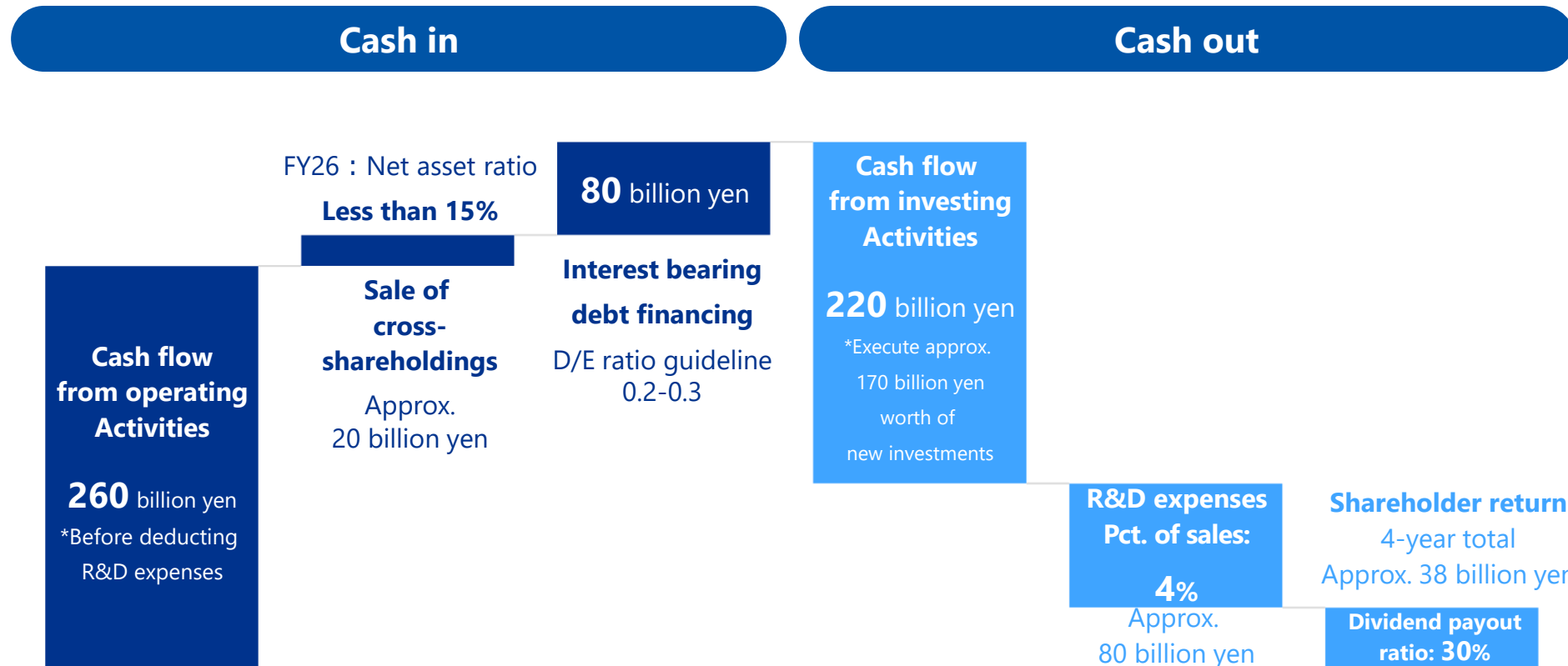


<b>Targets for FY2026</b>	<b>Net sales</b>	<b>Operating income</b>	<b>Group ROIC</b>	<b>ROE</b>
	<b>510 billion yen</b>	<b>58 billion yen</b>	<b>8%</b>	<b>10%</b>

<b>Performance Targets by Segment</b>	(Unit: billion yen)	Elastomers	Specialty Materials	Others/ Eliminations, etc.	Total
	Net sales	244	189	77	510
	Operating income	23	39	-4	58

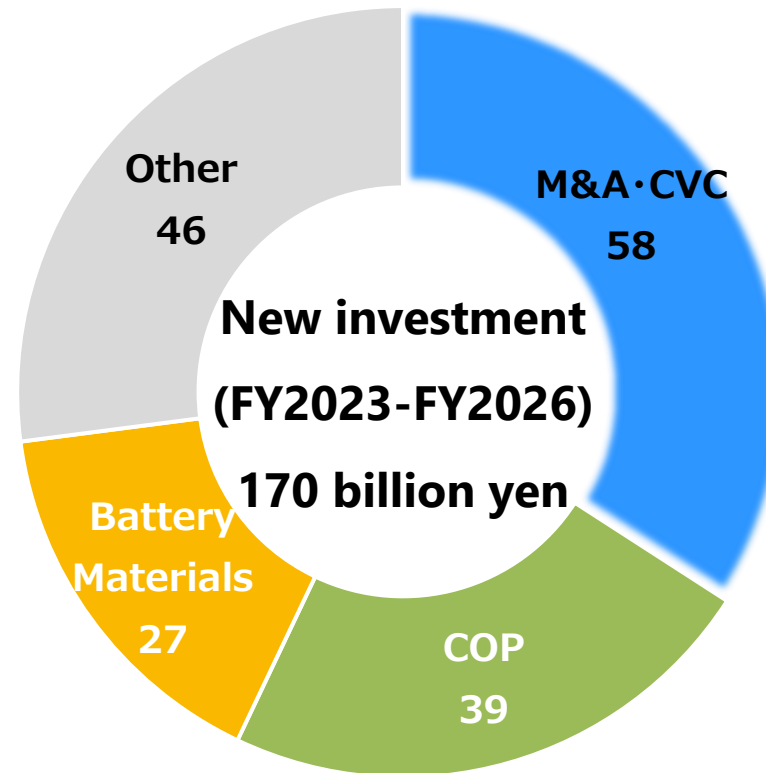


- Implement active new investments and R&D to expand through growth businesses and new businesses while increasing shareholder returns
- Sell cross-shareholdings and utilize interest bearing debt as a source of funds for active investment



\*The difference between cash in and cash out is the increase or decrease in cash and deposits according to the expansion of the business.

- Concentrate new investments on differentiated products such as COP and battery materials and new businesses
- Planning to invest approx. 220 billion yen, including approx. 170 billion yen for new investments and approx. 50 billion yen for maintenance and renewal



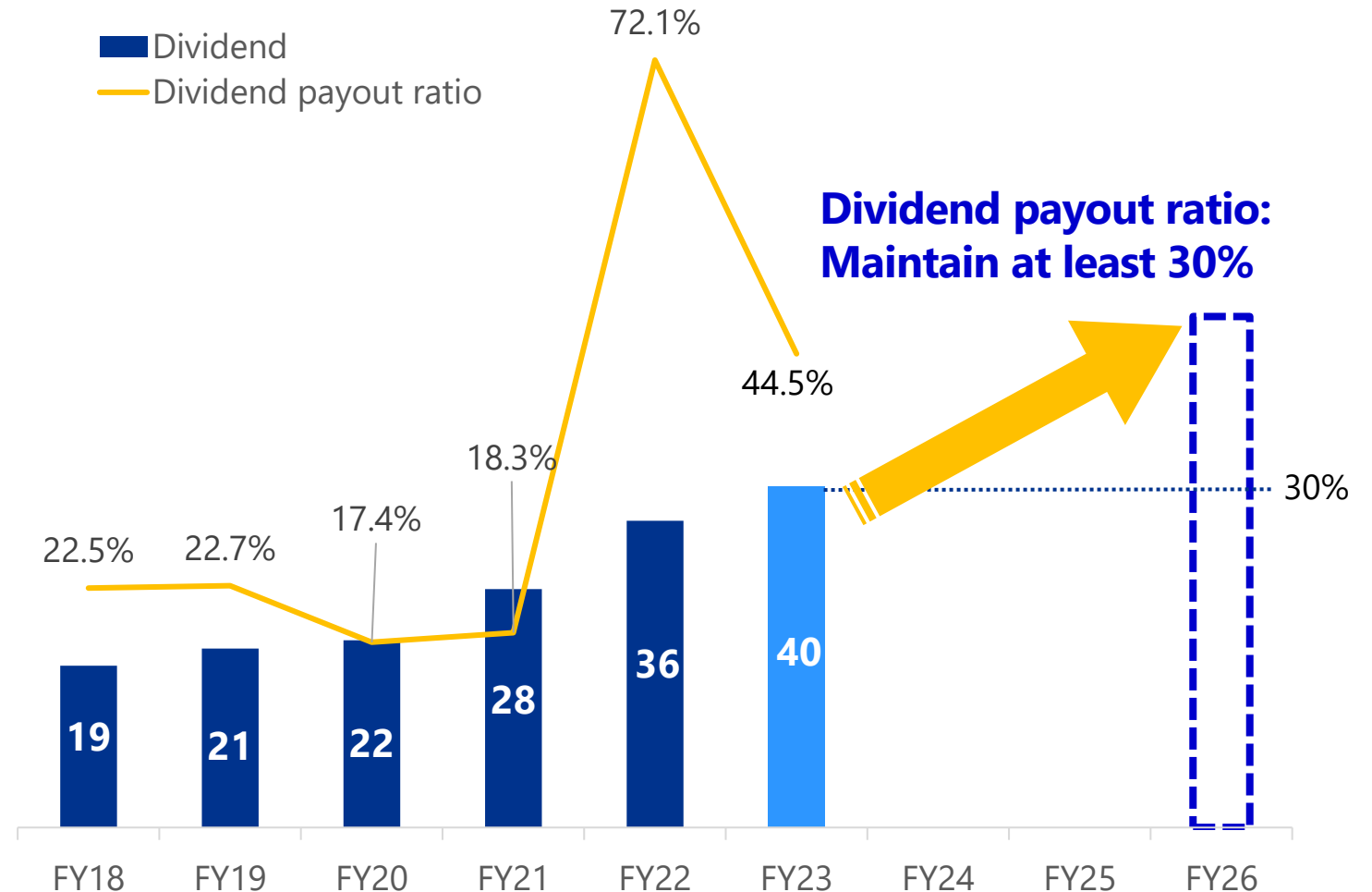
\*New investment amount for COP, battery materials and other are capital investment only.

## ■ Aiming to expand shareholder returns with profit growth

### Shareholder return policy

- Maintain stable and continuous dividends
- Maintain a dividend payout ratio of at least 30%
- Purchase treasury stock in a flexible manner, considering market conditions, capital requirements

**Dividends increasing (forecast) for 14 consecutive years from FY2010 to FY2023**



- D/E ratio rising (maintain at 0.3 or lower) with interest bearing debt financing and enhanced shareholder returns
- Aiming to optimize capital structure to increase corporate value over the medium to long term

## B/S management policy

- Expand interest bearing debt financing for supporting active new investments and aiming to optimize capital
- Control financial discipline in a level to maintain a single A rating
- “Polishing up” capital efficiency by selling cross-shareholdings

### End of FY2022

(Unit: billion yen)

<b>296.6</b>	<b>160.6</b>
	<b>23</b>
<b>226.2</b> (23.6%)	<b>339.3</b> (0.08)

### Estimate for end of FY2026

(Unit: billion yen)

<b>Current assets</b> <b>350</b>	<b>Current liabilities</b> <b>200</b>
	<b>Non-current liabilities</b> <b>100</b>
<b>Non-current assets</b> <b>350</b>  Cross-shareholdings as ratio of net assets Less than <b>15%</b>	<b>Net assets</b> <b>400</b>  D/E ratio Maintain at <b>0.3 or lower</b>

# 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.

The logo for ZEON, consisting of the word "ZEON" in a bold, blue, sans-serif font.

## Raw material price/exchange rate projections

### Annual average

		FY2023	FY2024-FY2026
Raw materials	Naphtha (¥/kl)	64,000	82,000
	Asian butadiene (\$/MT)	1,000	1,200
Exchange rate	¥/\$	125	130
	¥/€	135	140