

**ZEON Group
CSR Report 2012**



Towards the Enterprise Blueprint for 2020

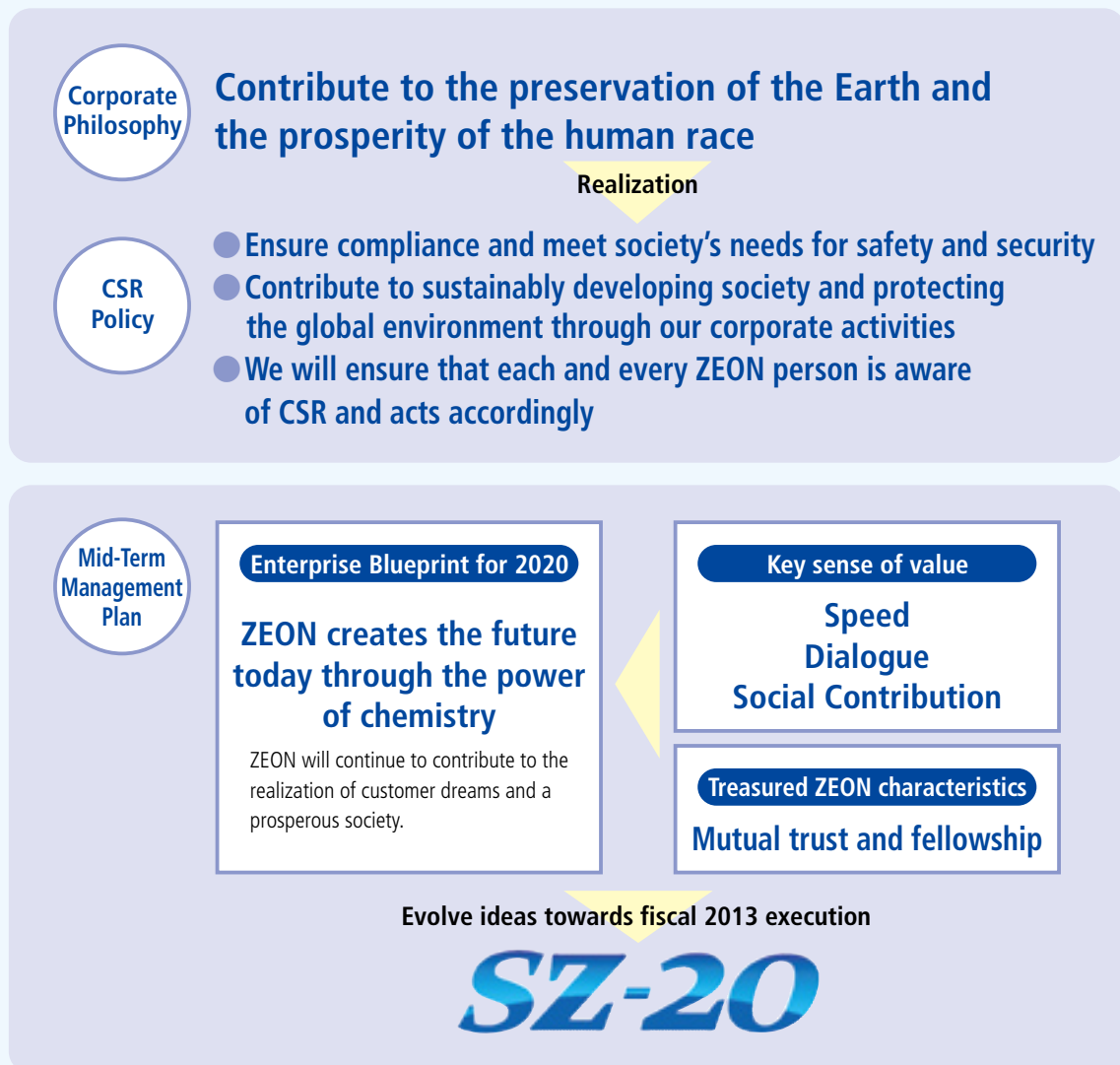
ZEON is a pioneering company that started out in 1950 manufacturing and selling polyvinyl chloride resins it created through the introduction of overseas technology, becoming the first private company to localize synthetic rubber business in Japan.

Since then we have developed products that contribute to the global environment and innovative chemical products with notable features, thereby providing to society at large.

ZEON products are rarely advertised on TV, but they are currently used in a wide variety of fields, including automobile, semiconductor, telecommunication device, energy, medicine and health care industries.

By providing "products and services that are just a little more excellent" we hope to contribute to the realization of customer's dreams and a prosperous society.

We at ZEON will continue to take on new challenges, motivated to create more inspiration and feelings of gratitude among our customers.



We consider our CSR Policy as the means to fulfill our corporate philosophy.

To achieve the Enterprise Blueprint for 2020 we will treat "speed," "dialogue," and "contribution to society" as our key values and maintain the positive and lively nature of ZEON that is based on our mutual trust and fellowship.

Furthermore we will define the things we must do to achieve this blueprint in our SZ-20 Mid-Term Management Plan, and then execute the needed actions.

Report Policy

At ZEON Corporation and the ZEON Group, so that all of our stakeholders can understand our approach to CSR and activities for the environment, we began publishing the Responsible Care Activity Report in fiscal 2000 and the CSR Report including a report on social aspects since fiscal 2006.

In the fiscal 2012 version of the report, in order to achieve the enterprise blueprint for 2020: "ZEON creates the future today through the power of chemistry" drawn up during the current Mid-Term Management Plan SZ-20, we are using the "Surprisingly ZEON" theme to introduce how our materials are used in people's everyday lives as well as re-examining the meaning behind our CSR and how we should contribute to society through stakeholder dialogue with outside experts.

Serving not only as a comprehensive survey of our company's approach to CSR and our initiatives, the CSR Report is a communication tool that promotes dialogue with all of our stakeholders so that we can serve a greater purpose to the world at large. We ask for your honest feedback and opinions so that they may be used to improve our activities in the future.

■ Period Covered

April 2011 to March 2012

(also includes some new information from April 2012 and later)

■ Organizations Covered

ZEON and the following subsidiaries and affiliates are included.

Japan: ZEON Kasei Co., Ltd., ZEON Polymix Inc., ZEON Medical Inc., ZEON North Co., Ltd., Tokyo Zairyo Co., Ltd., RIMTEC Corp., ZEON Yamaguchi Co., Ltd., ZEON Chemicals Yonezawa Co., Ltd., Optes Inc.

Overseas: ZEON Chemicals LP. (USA), ZEON Chemicals Europe Ltd. (UK), ZEON Chemicals Thailand Co., Ltd. (Thailand), ZEON Advanced Polymix Co., Ltd. (Thailand)

■ Notes on the Report

The report was compiled with reference to the 2007 Environmental Reporting Guidelines of the Japanese Ministry of the Environment and the 2006 Sustainability Reporting G3.1 Guidelines of the Global Reporting Initiative (GRI).

About CSR Reporting Formats

ZEON's CSR Report is available in two different formats: a printed brochure and website version. Website version can be accessed on ZEON Corporation's website.

The printed brochure mainly covers activities in fiscal 2011. The website version adopts the same content of the expanded version but is updated continuously.

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Website version



CSR Section of ZEON's Website

http://www.zeon.co.jp/csr_e/index.html

Home>CSR Activities

Surprisingly ZEON: ZEON is All Around Us!

ZEON products are highly versatile, functional materials used in all kinds of things you see and use every day. Take a look around and you might be surprised to find ZEON right under your nose—or even your feet!

Rubber gloves



Known for having few impurities and allergens and being highly resistant to oils and chemicals, our synthetic latex is widely used in rubber gloves of all kinds, including medical gloves, gloves used in the kitchen, and work gloves.

Tires



ZEON manufactures synthetic rubber for automobile tires. Much attention in recent years has been given to synthetic rubber that improves tires' ability to roll more easily (better fuel efficiency for the car) and stop better (safer for occupants), two properties that usually are mutually exclusive. Such tires help protect the global environment as they increase the vehicle's fuel efficiency and thus reduce CO₂ emission.

Lithium-ion batteries



Lithium-ion batteries are used as a power source in a wide array of electronics, from hybrid vehicles to mobile phones and laptop computers. ZEON's binder (an adhesive) help make batteries safer and last longer. Use of this binder is expected to increase dramatically as the electric car market takes off.

Automotive parts



Zetpol® is an oil and heat-resistant, long-lasting synthetic rubber that commands the largest share of the global market. Energy efficient and eco-friendly, Zetpol is widely used in automotive parts such as engine timing belts.

Roadmarking paints



ZEON's petroleum resins are also used in traffic paints used to mark white and yellow lines on roads and crosswalks. These resins are made from an ingredient called piperylene, which ZEON extracts from naphtha using proprietary extraction technologies.





Sink bowls, bathtub pans



RIMTEC, a group company, manufactures and supplies raw materials used to make plastic molded products such as sink bowls and bathtub pans. The materials are made from an ingredient called dicyclopentadiene, which ZEON extracts from naphtha using proprietary extraction technologies.

Perfumes, shampoos, conditioners



ZEON aroma chemicals are used in cosmetic and hygiene products, food products, and various everyday goods. Green aromas chemicals lend a fresh, crisp scent like green foliage, while jasmine aroma chemicals release a sweeter, floral scent. Lactone aroma chemicals are essential ingredients in dairy products. Our products are very safe, with our green aroma chemicals taking the largest share of the global market.

Televisions, smartphones, tablet devices



ZeonorFilm®, produced using the world's first environmentally friendly sheet extrusion process, has superior optical performance and is used in LCD televisions, smartphones and tablet devices.

Housing materials



ZEON Kasei, a group company, supplies various user- and environment-friendly construction materials to make time spent at home more comfortable, such as sound insulating materials, vibration damping materials, and siding.

Powder puffs



Synthetic latex is also used in powder puffs for makeup application. Roughly 90 percent (Estimate by ZEON) of the world's powder puffs made from NBR latex use ZEON latex because of its high performance and ease of processing.

Digital cameras



ZEONEX®, a highly functional resin developed by ZEON with superior optical properties, high transparency, and very high purity, is used to make optical components for digital cameras and camera lenses for mobile phone cameras.

President's Message



Promoting CSR with the New Mid-Term Management Plan, SZ-20

Over one year has passed since the Great East Japan Earthquake, but many in the disaster zone still live in temporary housing. We would like to express our deepest sympathies and wishes for quick restoration to all whose lives have been affected by the disaster.

Fiscal 2011 marked the first year in our new Mid-Term Management Plan, SZ-20. The three years of our last plan, IZ-60, saw the creation of various mechanisms for fulfilling our corporate social responsibility, including a CSR Policy, CSR Code of Conduct, and CSR Conference.

These mechanisms will prove instrumental in realizing our Enterprise Blueprint for 2020: to create the future today through the power of chemistry. Based on our corporate philosophy (“contribute to the preservation of the Earth and the prosperity of the human race”) and CSR Policy, through SZ-20 we will seek to create new products that contribute to society, help our customers live their dreams, and make the world a more comfortable place to live.

We will tackle various challenges in the next three years based on a two-pronged strategy. First, as a group-wide business strategy, we will further strengthen our elastomer and specialty materials businesses to expand operations globally, and contribute to society through our core business with innovative, world-class technologies. Secondly, through “visualization,” or graphically organizing our goals and actions, we will develop a CSR-based awareness to achieve Enterprise Blueprint for 2020. As concrete steps to achieve the former, we will develop our global production system, including, for instance, constructing

a new plant in Singapore to produce S-SBR for eco-friendly fuel-efficient tires, and accelerate research and development in three key specialty-materials fields (IT components, energy components, and medical devices) to market new products. For the latter, we will implement projects to earn society's trust—and employee's pride—in our company based on a set of key values (speed, dialogue, and contribution to society) and qualities of ZEON we admire (mutual trust and fellowship). We hope that, through these activities, we can help people realize their dreams and make the world a more comfortable place to live.

Remaining Vital to Society

Reflecting on what it means for a company to be socially responsible, we believe that not being a burden to society—in other words, being fully compliant with laws and regulations and fulfilling society's needs to be safe and consistent—is the first thing a company needs to show its *raison d'être*. For a chemical company like ZEON, which uses large factories to create its value, adhering to laws and regulations and operating safely and reliably—without accident and without burdening local communities or society in general—is just the starting point.

The second requirement is that the company's business activities provide the world a service. Contributing to society by delivering products and services through one's core business is the most basic form of social responsibility. Creating Shared Value (CSV) has been a hot topic of late, but even before this concept emerged, ZEON was safely providing society with a steady stream of environmentally friendly products built with innovative technologies

that neither imitate nor could be imitated themselves.

And lastly, a company must work in areas outside its business to create an independent and self-disciplined organization where all employees are sensitive to, think about, and act to meet society's needs.

Future Initiatives

The CSR Matrix and CSR Core Projects initiatives launched in fiscal 2011 represent our efforts to make CSR a visually understandable process.

In fiscal 2012, we will continue to review these initiatives and clearly show our progress in implementing them to our stakeholders, all while maintaining our most basic responsibility: to contribute to society through our core business.

With speed, dedication to society, and a desire to communicate, ZEON will strive to earn trust from society, be a source of pride to its employees and, while meeting the requirements and expectations of its various stakeholders—suppliers, customers, investors, local communities, affiliated companies, and others contribute to sustainable growth for everyone.

Lastly, I would like to thank you for reading this report. We truly look forward to hearing your thoughts and suggestions.

June 2012



President and CEO
Naozumi Furukawa

Stakeholder Dialogue

Rethinking CSR: Contributing to Society Through Business and Outside of Business



Preface

ZEON had its first stakeholder dialogue on CSR attended by the President in fiscal 2010. This year, on May 15, 2012, a management team led by President Furukawa engaged in a discussion with external experts on the theme, "Rethinking CSR: Contributing to Society Through Business and Outside of Business," to think about how to advance CSR management under ZEON's new CSR implementation system. After the three experts presented their talking points (Please see the External experts's proposal) and opinions, the group launched into a discussion focused on the two key areas where companies can make a difference.

Participants

● External experts

- Mizue Unno: Managing Director, So-Tech Consulting Inc.
- Masao Seki: Associate Director and Chief CSR Officer, Sampo Japan Insurance Inc.
- Toshihiko Fujii: Consulting Fellow, Research Institute of Economy, Trade and Industry (RIETI) Deputy Director General, Global Energy Policy, Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry

● ZEON Corporation

- Naozumi Furukawa: President and CEO
- Hiroshi Takegami: Director and Corporate Officer
- Yoshiyuki Mitsuhiro: General Manager, R&D Center
- Shunichi Yamamoto: Director, CSR Coordination Division

(Transcription and editing: CSR Promotion Department)

External Expert 1

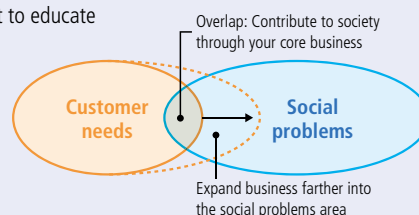


Toshihiko Fujii

Fiscal tightening in many countries around the world has put a damper on government's ability to address society's problems. As a result, the role has shifted toward businesses, a social entity. This shift is in fact what led to the birth of the CSR concept in Europe.

Imagine a Venn diagram made up of two ellipses, one representing customer needs, the other social problems. Most companies think of contributing to society through their core business as the place where these two ellipses overlap. For example, improving energy efficiency is a major social challenge from a global environmental perspective, but it is also clearly a customer need since it leads to lower utility bills for consumers. Lately, however, some companies are calling attention to the possibility of extending business even farther into the social problems category. One recent example is a bread machine that can make bread with rice.

In spite of a lack of customer needs, the product attracted new users and became a hit because it addressed two of Japanese society's problems: a dependence on food imports and a decline in food consumption. I think companies need to think from a business perspective about how to help solve social problems in areas that aren't usually within the scope of business, they need to focus on the social problems themselves, not consumer needs, to find new business opportunities. Contributing to society through your core business is dependent on how much your employees try to be interested in social problems. It is therefore important to educate employees to help them develop an attitude that is.





Naozumi Furukawa



Hiroshi Takegami



Yoshiyuki Mitsuhiro



Shunichi Yamamoto

Contributing to Society Through Business

Furukawa: We at ZEON strive to contribute to society through our core business by supplying products where “customer needs” and “social problems” overlap. We do this by developing and deploying innovative technologies that neither imitate nor can be imitated themselves. Such products include rubber (S-SBR) used to make fuel-efficient tires, which help reduce CO₂ emissions, cycloolefin polymers with advanced optical properties, and a next-generation fluorocarbon detergent that helps protect the ozone layer and mitigate global warming. Mr. Fujii, you mentioned finding ways through business to satisfy customer needs while addressing social issues in areas where they don’t typically overlap. I see that as a process of trying to expand our core business. To do that I think it’s possible for us to approach research and development from the social problems angle, not just the customer needs angle.

Mitsuhiro: In research and development, we need to create technologies that correspond to the overlapping part of the Venn diagram to an extent that they differentiate us from other companies. This is not something we can pursue simply because we have the idea. We need the technologies.

Takegami: Our company has been thinking about how to contribute to society through our core business for a long time, and this Venn diagram is a very easy way to understand it. In our case, the overlap is rather large. Many of our users’ needs overlap with a social problem. The diagram made me realize that that’s perhaps one unique aspect of our company’s products.

Fujii: Chemical products are highly versatile and have numerous applications, so there are many places where the two overlap. I think engineers with an adaptive mindset could find ways to

use their company’s technologies if they visited places that are battling numerous social problems, like disaster zones and places in Africa. Also, technologies and the ability to use them well do not always come hand-in-hand. You can’t predict how technologies will be applied, but you can see where society is going and figure out what problems will need to be solved a decade from now. I think it’s important for managers to have a clear understanding of social problems and communicate those problems to employees so they can understand them.

Mitsuhiro: I’d like to respond to Ms. Unno’s comment that our using fossil fuel as a raw material poses a risk. It reaffirmed my feeling that departing from our current research approach, which starts with the raw material and says, “What can I make from this?” is a big challenge in our development division. Do you know of any good way to get our researchers and engineers to be aware of this?

Seki: I think there are a number of ways. To get them interested in social problems it is important to give them more opportunities to interact with NPOs that work on social problems, and allow them to have direct, real-life experiences in the places where those problems are happening.

Unno: In industries driven by research and development, it is common for companies to organize information by business or technology, even in their stakeholder communications. The explanatory materials ZEON provides for individual investors, on the other hand, are easy to understand, because they’re organized by application—IT components, energy components, and medical devices, for instance. I think you would agree that you have to clearly explain how your products are being used, and how they relate to environmental and social issues.

External Expert 2

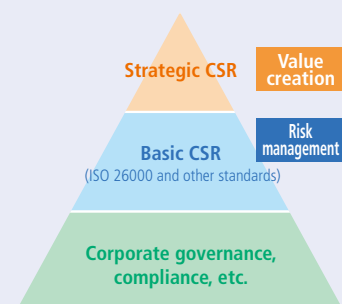


Mizue Unno

Being a chemical company, ZEON implements Responsible Care activities to improve its performance in safety and the environment. But to take your CSR a step further, it is also really important to determine how to run your business on top of a Responsible Care initiative. In that process you should be cognizant of the fact that virtually all

products use rubber, chemicals, or something else that ZEON makes. In other words, ZEON’s business reaches out and touches many aspects of society. Next, what value will you create in your business? What I call “strategic CSR” is creating social value as well as corporate value—creating social value through your core business—and incorporating CSR into business management. ZEON products already create a certain level of value for society, such as reducing impacts on the environment. On the other hand, they also pose a concern in terms

of risk management. As long as these products use petroleum, a fossil fuel, as a raw material, they pose a future risk. For the long-term sustainability of society, you need to think, *Will future generations be able to operate the same businesses and lead the same lives as us today?* ZEON needs to show its stakeholders what direction it will go in, including what raw materials it will use, to be the company it wants to be in 2020. And to expand your business globally, you need to provide concrete examples of where your products are being used and also effectively communicate the CSR work you are doing.





On another topic, if your new plant in Singapore is going to create products for emerging countries, it probably means you have to develop products that are different from those made for developed countries. Those products aren't born from the laboratory. Take the automotive field for example. You have to make components for cars that probably aren't inspected or serviced for years, or are driven on bumpy, unpaved roads. Such components are developed differently from the highly functional components demanded in developed countries. Looking at development from the perspective of how the components will be used will help you find a development objective that new markets will need. A CSR perspective that takes into account the problems local communities are actually facing goes a long way in penetrating new markets.

Seki: The Japanese insurance industry is aggressively trying to expand overseas, and for developing countries we have to devise entirely new business models. Many of our new ideas are about how we can sell our products, or how we can help people. They're not much about the products themselves.

When we developed our weather index-based insurance for developing countries, young employees with three to four years work experience contributed the most. They came to the company with a desire to do something positive for developing countries and have worked really hard at it. So I think you have to appreciate young people's sensitivity and enthusiasm.

Furukawa: Emerging markets will become more important for ZEON as well. Emerging countries have been the beneficiaries of more traditional forms of social contribution such as

philanthropy, but I am sure there are areas where we can do something through our business. We need to think of products that will address social problems in these countries.

Contributing to Society Outside of Business

Yamamoto: The third item in our CSR Policy expresses our hope that our employees will take seriously the expectations our stakeholders have toward the company as a social entity, even outside its business. What should we do as a company to help them?

Seki: Right now, the Japan Business Federation is advocating a strategic approach to CSR in response to skepticism over the effectiveness of philanthropy alone. The idea is to change society and the company together through social contributions.

Corporations have had difficulty making a difference by themselves, so in recent years more corporations have been seeking partnerships with organizations in non-private sectors like NPOs, which are growing in number and reach. A survey by the Japan Business Federation three years ago showed that over half of respondents were either in or had been in a partnership. Given the 2011 disaster in Japan, I expect this number to increase substantially.

It is also important to give employees the opportunity to come in contact with social problems. Whether they are motivated by it probably depends on the person, but I believe many individuals are forever changed on some level by what

External Expert 3

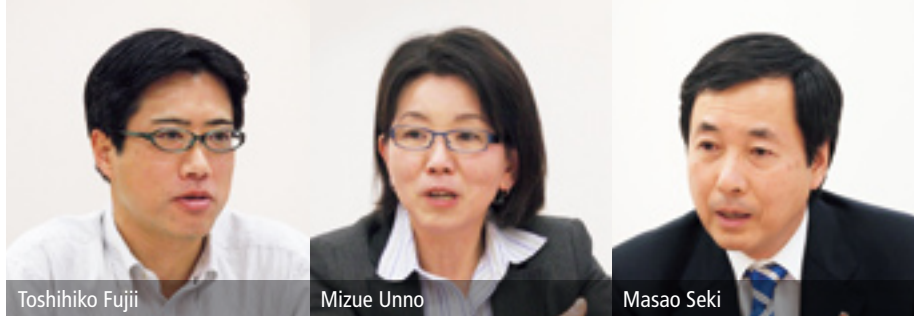


Masao Seki

My company started working on global environment and sustainability issues back in 1992 when our president at the time, Yasuo Goto, was inspired to action by the Earth Summit in Rio de Janeiro. As for myself, I've been working to promote CSR at Sampo Japan Insurance for the last ten years, and in five of those years I've been involved in the creation of the ISO 26000 standard as a representative of the Japanese business community, appointed by the Keidanren (Japan Business Federation). To become a socially responsible corporation, it really boils down to one thing: how you motivate your employees, or in other words, how you change their awareness and behavior. Social responsibility should also be embedded in a company's management system. It should not just be about philanthropy. ISO 26000, too, encourages companies to unify social responsibility with their existing management systems. The key to that unification is raising leaders through education. Departments and human

resources with a key role in CSR need to be properly educated. And the first step in CSR education is the president expressing his or her commitment, and employees understanding it.

ISO 26000 is a global standard in the truest sense of the word. Some 400 people from 100 countries came together, brainstormed, and drew up a set of guidelines that everyone could agree on. While taking full advantage of the guidance this standard provides, it is important for companies to work on CSR with an awareness of the differences in thinking between stakeholders in Japan and those overseas (in Japan the emphasis is on the environment, while in Europe and the U.S. it is on human rights and labor), and to clearly communicate their efforts. ZEON business is not easy to understand for most consumers. Nor is it something they are very familiar with. So instead of simply listing facts and results when communicating your efforts globally, you need to tell a story about why you are implementing CSR while understanding how much interest your different stakeholders have. This will also impact talent acquisition when you expand overseas.



they do for people or what they experience.

Yamamoto: I went to Minamisanriku as a disaster relief volunteer and I must say there is a big difference between what you read in the newspaper or see on TV and what you see and feel when you're actually there.

Fujii: The important thing with social contributions is what you just said—the experience—and also what employees do with their experience when they come back to the workplace. Whether you can identify a social problem that will inspire a new technology depends on awareness. The best way to acquire an awareness of problems is to go where they exist.

The next important step is then harnessing the energy of employees who have returned from the experience.

Furukawa: This is an example from another company in the same industry, but producing mosquito nets in Africa to prevent the spread of malaria there is a great way to tackle a specific local problem. One of the CSR Core Projects proposals we received from employees suggested that we give ZEON products free-of-charge to developing countries to help improve their living conditions. There are a number of reasons why that would be difficult, so we're approaching it from a different angle. We at ZEON want to find something we can do to help.

Unno: Southeast Asia, where you are expanding your business now, faces a whole range of social issues, such as disasters, traffic accidents, agricultural industry, and so on. I would like

you to focus on problems that are particularly important for the region.

Also, in terms of providing assistance for the disaster recovery, I think having a division in charge of coordinating activities to raise employee awareness and connect employees with volunteer opportunities will raise awareness and help employees find something the company can do.

Mitsuhira: We chemical manufacturers often say that you can never know the truth without going to the source of the problem. This is also true with CSR. If you don't go to the source of the problem, you'll never experience it, you'll never be motivated to fix it, and you'll never come up with the right ideas.

Yamamoto: In 2011 we asked members of the company to submit proposals for a core project that would symbolize our CSR efforts here at ZEON. We received 217 proposals, some of which were related to our business but many of which—now being after the 2011 earthquake and tsunami—were for reconstruction volunteering, philanthropy, and local community projects. We plan to announce the project and get started working on it as soon as we decide.

In the two years since we formulated our CSR Policy, we've tried to be sensitive to feedback from stakeholders to keep us from becoming complacent about our CSR activities. I would like to end today's discussion by saying that I look forward to your feedback bringing new energy to the CSR debate inside ZEON.

CSR Efforts at ZEON: Conclusions Drawn from the Stakeholder Dialogue

Naozumi Furukawa, President and CEO

Like many Japanese corporations, ZEON started its CSR program by enforcing legal and regulatory compliance in its operations. Taking lessons from the government sanctions imposed on us for violating Japan's High Pressure Gas Safety Act in 2003 and also from cartel activity related to nitrile-butadiene rubber in the U.S. and Europe, we placed compliance at cornerstone of management and built a group-wide system to prevent incidents like these from recurring.

Starting in the mid-2000s, when CSR first entered business parlance in Japan, ZEON announced a CSR-focused management policy in its mid-term management plan, PZ-3 (fiscal 2005 to 2007). In our next mid-term management plan, IZ-60 (fiscal 2008 to 2010), we built

a policy and organizational framework for implementing CSR, consisting of a CSR Policy, CSR Code of Conduct, and CSR Promotion Structure. Under our current mid-term management plan, SZ-20 (fiscal 2011 to 2013), we are continuing our work, this time to achieve our Enterprise Blueprint for 2020: "ZEON creates the future today through the power of chemistry" and "ZEON will continue to contribute to the realization of customer dreams and a



Naozumi Furukawa

prosperous society." The backbone of these efforts is our Corporate Philosophy and CSR Policy. To make these two an enduring and unchangeable part of our business, I want to raise the level of CSR efforts here at ZEON.

In my President's Policy, I talk about making our operations more visible. CSR is the process of getting stakeholders to evaluate our business, and to ensure a fair evaluation we need to communicate what we are doing and make it visible. All our employees need to practice being sensitive to, thinking about, and acting to meet society's needs in their respective workplaces. Some of these individual efforts require a long-term commitment, such as volunteering to help towns devastated by the 2011 disaster rebuild. This concept of mutual assistance between our company and society is the perspective I want to take in finding what is in our power at ZEON to help society.

In this year's dialogue we heard some very thought-provoking ideas and suggestions from our three guests. ZEON efforts until now have been focused on setting up a framework for implementing CSR activities. From here we will use these new ideas to find ways to combine solutions to social problems with fulfillment of customer needs. To do this we will think about society in our work and harness the full potential of young employees who have an interest in social problems by giving them opportunities to experience those problems first-hand.

ZEON's CSR

ZEON regards CSR activity as all activities undertaken in order to continue being "a company trusted and valued by society." With each employee acting in awareness of CSR, we will thoroughly enact compliance and contribute to the global environment and sustainable development through corporate activities.

Corporate Philosophy (Established April 1997)

ZEON will contribute to the preservation of the Earth and the prosperity of the human race

In keeping with its name, which derives from the Greek words "geo" (the Earth) and "eon" (eternity), ZEON will contribute to the sustainable development of people, society and the global environment through innovative world-class technologies.

ZEON CSR Policy (Established April 2010)

1. We will ensure compliance and meet society's needs for safety and security
2. We will contribute to sustainably developing society and protecting the global environment through our corporate activities
3. We will ensure that each and every ZEON person is aware of CSR and acts accordingly

First principle

Beyond complying with laws and regulations, we intend to firmly uphold the values and ethics required of a corporate member of society and cause no distress to society. Moreover, we will conduct all business operations appropriately in order to prevent accidents, provide a sense of security to our employees as well as our local communities, thoroughly address quality and product liability issues, and undertake enterprise-wide environment and safety initiatives to avoid impairing the safety and security of society.

Second principle

We will contribute to the realization of a ubiquitous society and protect the global environment through our core business. We will encourage proactive action across the world, refine innovative technology, and continually create new products. As an indispensable and valuable corporate citizen, we will enhance our corporate value and meet the expectations of society.

Third principle

Through our CSR management, we will continue to strengthen our corporate governance and ensure that all employees thoroughly recognize CSR as a personal commitment, perform their duties in accordance with this understanding, achieve our mission to meet the public's expectations, and fulfill ZEON's CSR

with enthusiasm. We will remain dedicated to environmental preservation as well as safety and quality assurance through the participation of every individual and in every corporate activity.

CSR Code of Conduct

This code of conduct was established after the ZEON CSR Policy by thoroughly reviewing the previous ZEON Compliance Code of Business Practice (established October 2003). While the ZEON Compliance Code of Business Practice was essentially regarded as a list of prohibited activities by stakeholder category, with an emphasis on legal and regulatory compliance, the new code clearly outlines the behavior to be progressively adopted with the perspective of meeting society's expectations in accordance with the ZEON CSR Policy.

Example CSR Code of Conduct Items

- Compliance with antitrust laws
- Prohibition of entertaining and gift-giving to civil employees
- Severance of relationships with anti-social forces
- Provision of product safety, manufacturing responsibility and product information
- Selection of production service providers
- Protection of personal information
- Protection of intellectual property rights
- Compliance with competition laws of other countries
- Strict export management under a security pact
- Prohibition of entertaining and gift-giving to foreign civil employees
- Compliance with labor-related laws
- Prohibition of conflicts of interest
- Compliance with local laws and regulations and respect for cultures, traditions, customs and religions
- Compliance with internal regulations and respect for social standards
- Respect for human rights and prohibition of discrimination

For details on the CSR Code of Conduct, please refer to this PDF file.



<http://www.zeon.co.jp/content/000257956.pdf>

CSR Activities > ZEON's CSR > CSR Code of Conduct

CSR Management

The CSR Policy and a more specific CSR Code of Conduct was established in April 2010. Then in January 2011, we revamped our CSR organizational structure to help advance CSR activity within ZEON. Chaired by the President, the CSR Conference would be the chief body for decision-making on matters relating to CSR. Seven committees, which would report to the CSR Conference, were installed to advance CSR activities in specific areas. The CSR Conference is held six times a year to discuss and finalize activities, measures and annual activity plans to be advanced by each of the seven committees, and to give necessary instructions based on progress reports.

CSR Promotion Structure



2012.6.28 Updated

CSR Basic Policy Committee

Established in January 2011 to stimulate CSR activities of ZEON. The committee also provides guidance and support for CSR activities of CSR Promotional Committees under its jurisdiction at six offices and 10 group companies in Japan. Meetings are held as required. The committee convened seven times during fiscal 2011.

In fiscal 2011, the committee worked on creating a CSR Matrix outlining the CSR activities that ZEON should advance in regard to each business area and each stakeholder group. The aim of this exercise was to provide a bird's eye view visualizing CSR activity by the entire ZEON. The committee also asked employees to submit ideas for social contribution projects (Core Projects) that were representative of ZEON's CSR activity. Some 217 responses were received and the selection process is now underway.

Compliance Committee

Established to prevent violations of laws and regulations. The committee is responsible for creating compliance education and training programs to be implemented by departments in charge of business activities. The objective of these programs is to make

sure every officer and employee of ZEON acts in full accordance with the values and ethics society expects, and by so doing establish fair and proper business practices that allow ZEON to develop business in harmony with the local community and society in general. The four subcommittees shown in the chart above were established to assist the Compliance Committee. The committee convened three times during fiscal 2011.

Compliance P15

Risk Management Committee

Established to manage risks for the purpose of maintaining business continuity. The committee is responsible for systematically preventing potential risks and gaining control over emerging risks, as well as for taking controlled action to minimize losses or damage in the event a crisis does occur. The committee convened 13 times during fiscal 2011.

Risk Management P15

Public Relations Committee

Established to enhance the profile and image of ZEON through accurate communication of its

philosophies, stances and activities to stakeholder groups and society as a whole, and to ensure timely and appropriate disclosure of information by ZEON. Meetings are held as required.

Quality Assurance Committee

Formulates plans for management improvement activities and training related to quality assurance within ZEON and monitors quality assurance implementation. Meetings are held as required.

PL Committee

Formulates plans for prevention activities and training related to the product liability of ZEON and monitors response to emergencies. Meetings are held as required.

Environmental and Safety Affairs Committee

Plans and proposes specific environmental and safety measures for ZEON and monitors progress in addressing environmental and safety issues. Meetings are held as required.

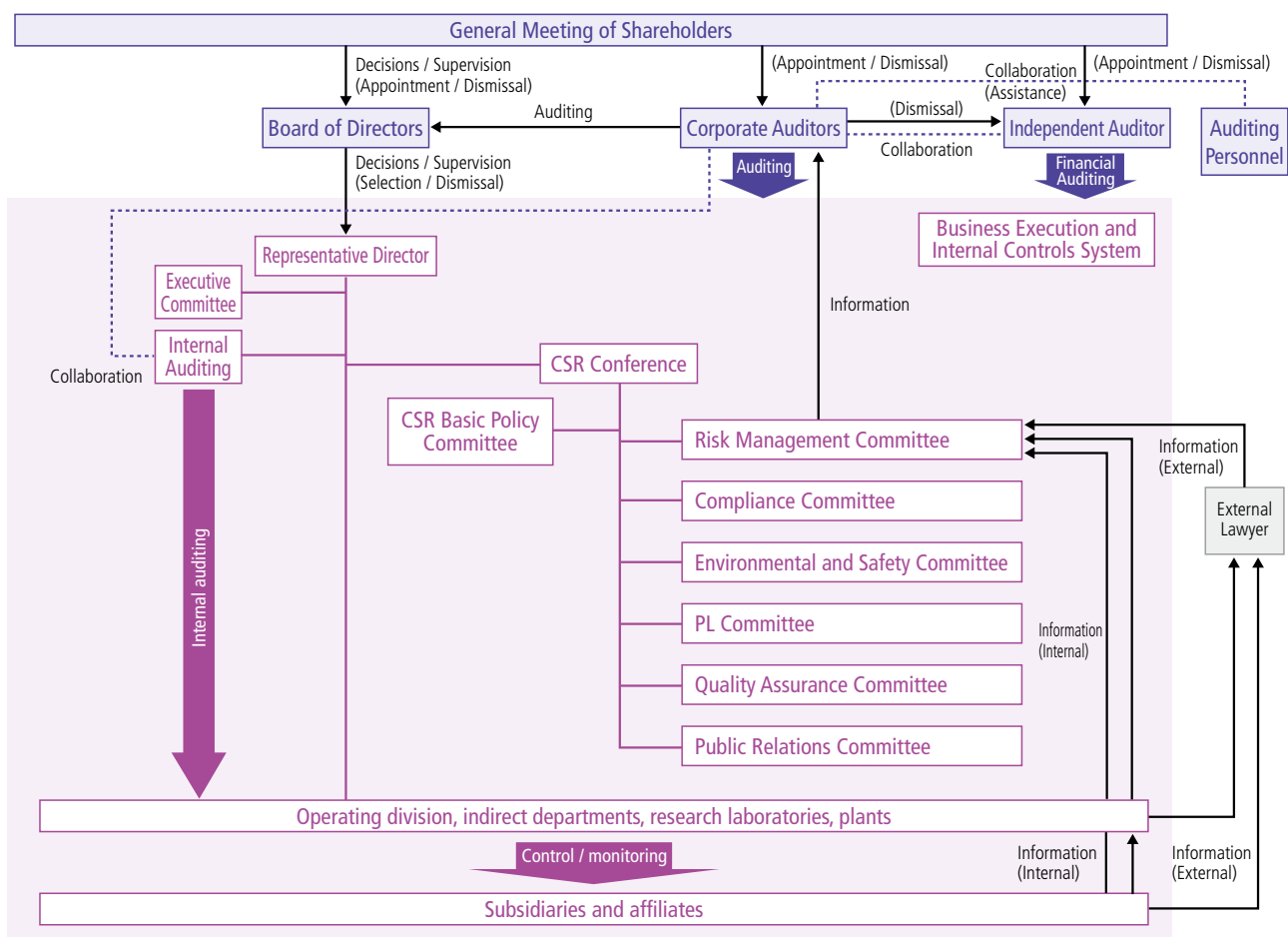
Environment / Safety P18

Corporate Governance

ZEON aims to increase profits and achieve ongoing corporate value enhancement while respecting and balancing the various interests of its shareholders and other diverse stakeholders. To this end, we are making ongoing efforts to establish a system that enables efficient and sound corporate management through corporate governance.

Putting into place a corporate governance system allows us to clarify the functions and roles of each organizational entity within the company and to carry out quick decision-making and execution. We are also improving business transparency through appropriate monitoring and disclosure of activities and their effects. We are determined to further enhance our corporate governance system in order to carry out these functions effectively.

Corporate Governance System



Board of Directors

The Board of Directors meets, in principle, every month with corporate auditors in attendance to ensure compliance with applicable laws and the articles of incorporation in the execution of business. The primary role of the Board of Directors besides statutory duties is to make important decisions about basic management policy and strategy and other aspects of business execution. An outside director was appointed to the Board of Directors at the June 2011 shareholders' meeting.

Executive Committee

The Executive Committee, in accordance with Executive Committee regulations, comprises the President, executive officers ranked senior corporate officer or above, and other members separately nominated by the President and meets, in principle, twice a month to examine and make decisions on important business matters after due deliberation involving consultation with attending full-time corporate auditors. Important agenda items, as stipulated in regulations for the Board of Directors, are examined and decided by the Board of Directors.

Board of Corporate Auditors

The Board of Corporate Auditors comprises five members, including three outside corporate auditors. The board meets once every four months, in principle, to report, discuss and resolve important matters related to auditing. In accordance with auditing guidelines established by the Board of Corporate Auditors, each corporate auditor audits directors' execution of duties through various means, such as attendance to Board of Directors meetings and monitoring of business operations, including subsidiaries' operations.

Risk Management and Compliance

Under the CSR Conference chaired by the President, seven standing committees manage risks of loss. The Risk Management Committee and the Compliance Committee, along with the Compliance Committee's subcommittees—the Antitrust Law Regulatory Subcommittee, the Export Security Control Subcommittee, the Internal Control Subcommittee, and the Information Security Subcommittee—are advancing ZEON's risk management and compliance efforts.

ZEON's Risk Management and Compliance System



The activities of each committee and subcommittee in fiscal 2011

Risk Management Committee

The Risk Management Committee continued handling incidents as they occurred and took steps to prevent their recurrence. It also enhanced risk and crisis-related control measures, for example by performing a comprehensive revision of our Earthquake Disaster Response Manual based on problems that emerged during and in the wake of the Great East Japan Earthquake in March 2011, and developing internal systems to comply with ISO 31000, an international risk management standard.

Compliance Committee

The Compliance Committee published a Chinese language version of our CSR Code of Conduct and also educated affiliated group companies in Japan on Japan's Subcontract Proceeds Law. The committee strived to improve compliance awareness among all executives and employees of ZEON by conducting its annual workshops on legal and regulatory compliance at each worksite, gathering suggestions for a CSR & Compliance motto, and performing a legal and regulatory compliance inspection at all worksites simultaneously, among other activities.

Antitrust Law Regulatory Subcommittee

The Antitrust Law Regulatory Subcommittee revised internal rules and sought to clarify certain provisions in those rules.

The committee analyzed the reasons for raising prices, the timing of the price increases, conformity with the rising prices of raw materials, and other factors prior to raising prices for ZEON products (including group companies in Japan). In addition, the subcommittee reviewed the status of attendance for industry entities to thoroughly implement rules and held in-house seminars on the Antitrust Law.

Export Security Control Subcommittee

The Export Security Control Subcommittee conducted assessments—also at group companies in Japan—to ascertain whether our products are subject to list control*¹ or Catch-All Controls*². The subcommittee held in-house seminars at the Head Office, laboratories, and plants, and strived to increase the understanding of all those involved, including those who assess technologies.

*1. List control

A program controlling exports of materials and technologies likely to be diverted to military end-use.

*2. Catch-All Controls

An export-control program controlling anything that could be used to develop weapons of mass destruction and related materials, particularly items not subject to list control.

Internal Controls Subcommittee

The Corporate Governance Subcommittee strived to improve the efficiency of internal control evaluations and focused on standardizing operations. Nothing particularly noteworthy took place in fiscal 2011.

● Information Security Subcommittee

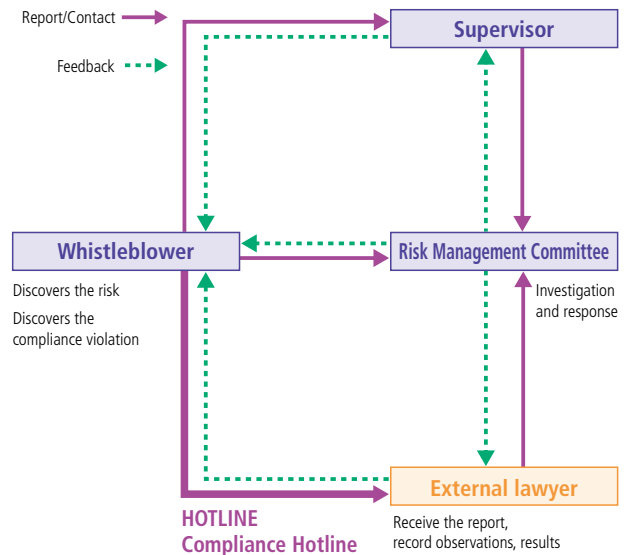
The Information Security Subcommittee partially revised our education program and held e-learning courses, which saw a participation rate of 99.7%. The subcommittee also hosted lectures on information security taught by our corporate lawyers, and also worked to establish an information management system for ZEON.

Internal Reporting System

ZEON established its internal reporting system to quickly collect information on potential risks and facilitate their resolution. Reports of risk information can be made not only to one's supervisor or to the Risk Management Committee directly but also by calling the Compliance Hotline, which connects that person to an external lawyer. No person who reports a matter of concern will suffer any disadvantage as a result of making a report.

There have been three incidents of internal reporting over the last five years (fiscal 2007-2011). The Risk Management Committee has appropriately dealt with each of these incidents by conducting an investigation into the reported details and instructing internal organizations to institute measures accordingly.

Internal Reporting Flow Chart



TOPICS 1

Response to Great East Japan Earthquake and Tsunami Disaster

First we would like to express our heartfelt sympathies to all who were affected by the Great East Japan Earthquake and tsunami disaster that took place on March 11, 2011.

Monetary Donations

ZEON has donated a total of 40 million yen—30 million from ZEON Group companies and 10 million from employees, including those at group companies outside Japan—through such organizations as the Central Community Chest of Japan to aid disaster victims and support reconstruction in the disaster area.

Efforts to Save Energy

In response to power shortages after the disaster, we implemented various measures to reduce electricity use and cut peak power consumption, including reducing electricity used by lights and OA equipment at all worksites and switching to a summer work schedule and using fewer floors at the head office.

Supplying Much-Needed Electricity

We made full use of the on-site power generation system at our Kawasaki Plant, meeting all of the plant's and adjacent laboratory's energy needs with just this system. By feeding power into the TEPCO service area grid we contributed to a more stable local electricity supply.



Banner hung at the Tokuyama Plant to keep spirits high during the post-disaster recovery

For details

http://www.zeon.co.jp/csr_e/introduction/earthquake.html



CSR Activities > ZEON's CSR > Response to Great East Japan Earthquake and Tsunami Disaster

Key Initiatives for Implementing CSR Activities: CSR Matrix and CSR Core Projects

The new Mid-Term Management Plan SZ-20 announced in May 2011 is the first 3-year plan formulated since the enactment of the CSR Policy. In formulating SZ-20, an awareness of how each business activity of each department (which form the basis for creating the plan) relates to the CSR Policy was constantly maintained during its creation.

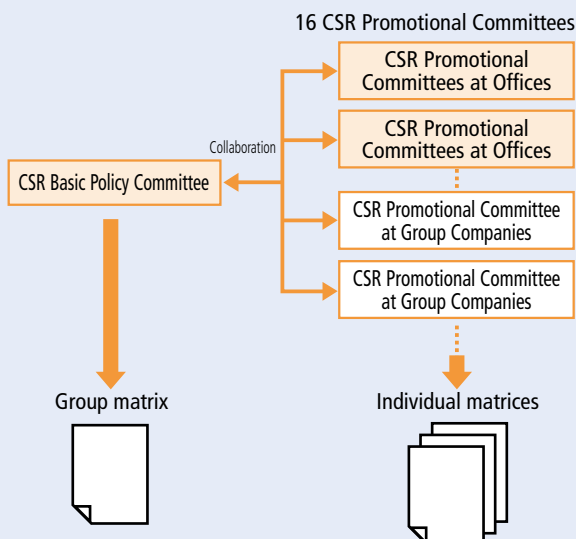
Now under SZ-20, CSR activities were organized by category and stakeholder in line with the structure installed in fiscal 2010 and we began work on the CSR Matrix, for visualizing CSR, and the CSR Core Projects, for new ideas of CSR activities in which all employees can participate, in order to further lay the foundation of ZEON's CSR.

CSR Matrix

CSR Matrix is an initiative in which the CSR Basic Policy Committee and 16 CSR Promotional Committees (one at each operating site and group company) work together to create diagrams of CSR activities, organized by category and stakeholder, to be implemented across the group and at each operating site and group company based on day-to-day observations made in their operations. The group matrix provides an overall strategy for implementing CSR activities across the group, while individual matrices provide strategies for implementing CSR activities at each operating site and group company.

In fiscal 2011, the first year of this initiative, we began by organizing CSR activities for each department. We need to continue to review this initiative to determine what goals should be set to realize our Enterprise Blueprint in SZ-20 and what strategies should be followed to achieve those goals, and will make steady progress in laying out a plan.

Organizational Framework for Creating Matrices



CSR Core Projects

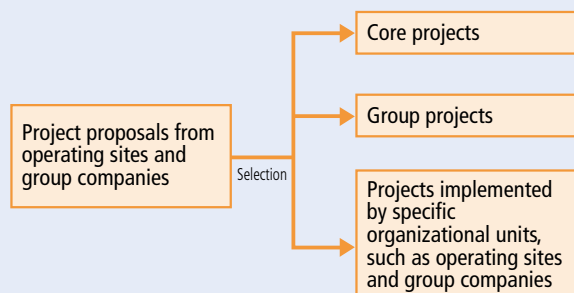
Following CSR policy and organizational developments in fiscal 2010 (establishment of our CSR Policy and CSR Code of Conduct and review of our committee systems), in fiscal 2011 we launched CSR Matrix and CSR Core Projects as two new initiatives for laying down the foundation for CSR within this new framework.

A CSR Core Project is a business or social contribution activity that lays the foundation for future CSR activities in ZEON. As a whole, CSR Core Projects will consist of not just one core project but rather multiple projects carried out on various scales—across the entire group and at different operating sites, for example. We will openly solicit project proposals from members of ZEON.

We received numerous project proposals from group members during the proposal period from August to October 2011. We will closely examine all of these proposals and separate them into core projects, projects that should be implemented throughout the group, and projects to be implemented by individual operating sites and group companies.

We plan to announce all of these projects together in the coming weeks.

Core Project Selection Process



Environment / Safety

Ensuring the safety of our stakeholders and protecting the environment is a prerequisite for all business activities and a mandate for companies that provide a service to consumers. We strive to fulfill our mandate with innovative technologies and by taking personal responsibility for our actions.

Environmental Philosophy and Safety Philosophy

Environmental Philosophy

(Established August 2001)

1. Environmental protection is a mission of a socially responsible organization
2. Our basic belief is that environmental protection can be achieved with innovative technology
3. Environmental protection will be achieved when all employees work together with a sense of mission to overcome challenges

Safety Philosophy

(Established March 1997)

1. Safety is the foundation of all business activities and the greatest priority
2. Our basic belief regarding safety is that we can prevent all accidents
3. Safety will be achieved by performing the 5Ss* and when everyone takes responsibility for their own actions

*5Ss: Seiri (neatness), Seiton (orderliness), Seisou (cleanliness), Seiketsu (hygiene), and Shitsuke (discipline)

Responsible Care Policy

Responsible Care refers to a voluntary initiative by businesses that manufacture or handle chemical substances to achieve continuous improvement in health, safety, and environmental (HSE) performance across the entire life cycles of such substances—from development and manufacture, through distribution and use, and ending in final consumption or disposal—and based on the principles of independent decision-making and personal responsibility. These businesses publicly commit to Responsible Care in their business policies, execute HSE measures, and strive to improve their performance.

ZEON Corporation has been continuously practicing the Responsible Care philosophy as a member of the Japan Responsible Care Council since its inception in 1995. In 1998 we formulated our own Responsible Care Policy, which lays out a list of concrete goals for implementing Responsible Care.

Responsible Care Policy

(Established June 1998)

1. Prioritize the environment and safety

Protecting the environment and ensuring safety are preconditions for all business activities and are the most important priorities.

We will work continuously to enact full accident prevention countermeasures, and provide education and training for all employees to prevent safety and environmental accidents.

2. Collect and distribute the latest information on chemical products

We will collect, store and manage the latest information required for the appropriate handling, use and disposal of chemical products, and distribute this information to employees and users.

3. Minimize the discharge of toxic chemicals and waste

We will work to reduce the discharge of hazardous chemical substances, minimize waste, and develop technology for recycling and reusing materials.

4. Promote activities for conserving resources and energy

We will aim to dramatically reduce the amount of energy we use and help alleviate global warming by developing innovative technology and actively promoting resource and energy conservation activities that involve all employees.

5. Take the environment and safety into account when developing new processes and products and performing quality assurance

We will perform thorough environmental and safety evaluations from the initial stages of research, develop technology and products that take the environment and safety into account, and work to maintain and improve the quality of technology and products.

6. Live together with society

We will strictly observe regulations related to the environment and safety, whether the regulations come from the local community, the national government, overseas, or organizations to which we belong.

While cooperating in these activities, we will work to enhance our communication with the local community and society in order to convey a better understanding of ZEON's activities and further strengthen the trust that society has in our company.

7. Perform continuous improvements

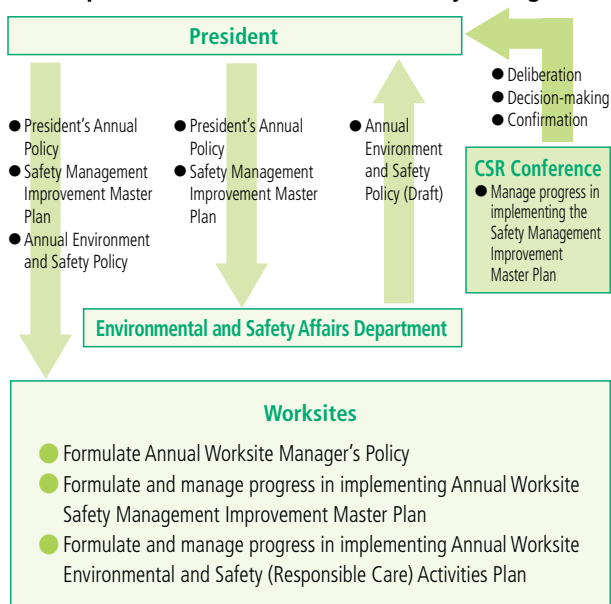
We will continuously improve our environment safety management and technology by operating a Responsible Care Audit, the Safety Management System, an Environment Management System based on ISO14001, and an Occupational Health and Safety Management System.

Environmental and Safety Management

The president of ZEON Corporation formulates a President's Annual Policy and Safety Management Improvement Master Plan by the end of each fiscal year for the following fiscal year. These documents inform the head of the Environmental and Safety Affairs Department, who then drafts his/her own Annual Environment and Safety Policy, which is finalized by the president following a review by the CSR Conference. Worksite managers receive the President's Annual Policy and Safety Management Improvement Master Plan and use it to formulate their own Annual Worksite Manager's Policy and Annual Worksite Safety Management Improvement Master Plans. Worksite managers also receive the company-wide Annual Environment and Safety Policy and formulate their own Annual Worksite Environmental and Safety (Responsible Care) Activities Plans.

The CSR Conference keeps track of progress in implementing the Safety Management Improvement Master Plan, while worksite managers track progress in implementing the Annual Worksite Safety Management Improvement Master Plans and Annual Worksite Environmental and Safety Activities Plans by conducting worksite inspections.

Overall process of environmental and safety management



Safety Training

Systematic Safety Training

At ZEON Corporation, the head office organizes safety-training programs for all organizations in the company, while each worksite provides training tailored to its own operations. These programs are implemented in accordance with the annual plans set by each worksite.

Training Organized by the Head Office

Through education and training programs organized by the head office and respective operating sites, we strive to eliminate workplace accidents and injuries and prevent the spread of damage should anything occur. In doing so, we hope to earn the trust of the communities in which we operate.

Environmental and Safety Education and Training Programs Organized by Operating Sites

Each of our worksites educates its employees on safety and environmental laws and regulations according to an annual plan. Worksites also conduct comprehensive emergency-response training once or twice a year. In fiscal 2011, we also conducted evacuation drills, taking a lesson from the tsunami that hit Japan's shores during the Great East Japan Earthquake. A variety of other drills are conducted on a planned basis, including drills by the emergency response teams comprising our self-defense emergency response organization, and also alert drills. After training, meetings are held to identify problems, plan improvements, and in other ways increase worksites' capacity to respond to emergencies.

Targets and Results

Environment

The goals and results of the initiatives for environmental preservation under the fiscal 2011 Responsible Care activities are as follows.

We have had zero environmental incidents in the last four years. We were aiming to achieve zero emissions* of industrial waste in 2013, but the goal was achieved two years early. We will continue to focus on reducing unit energy consumption and unit CO₂ emissions by an average of one percent per year as well as reducing acrylonitrile emissions.

* 0.1% or less of the actual disposal volume in 2007 (a target of less than 33.4 tons)

Review of 2011 Targets and Results

★★★Target reached ★★Target almost reached ★Improvement needed

Theme	FY2011 Targets	FY2011 Results	Self-assessment	FY2012 Targets
Eliminate environment incidents	Zero environment incidents	No environment incidents	★★★	Zero environment incidents
Reduce environmental impact	(1) Implement voluntary management plan for air-polluting toxic substances			
	Reduce butadiene emissions from 2010 level of 5.5 tons to 3 tons	Butadiene: 4.0 tons	★	
	Reduce acrylonitrile emissions from 2010 level of 15.2 tons to 9 tons	Acrylonitrile: 13.0 tons	★	Reduce acrylonitrile emissions from 2011 level of 13.0 tons to 10 tons
	(2) Implement zero emissions plan for industrial waste			
	Reduce volume of waste sent to landfill to 140 tons in 2011	Final landfill amount 4.1 tons	★★★	Reduce volume of waste sent to landfill to 4.1 tons in 2011
		Final amount to landfill for domestic group companies 47.1 tons (Landfill disposal rate: 2007 emission standards) 1.9%		Final amount to landfill for domestic group companies Under 25 tons (Landfill disposal rate: 2007 emission standards) 1.0%
	(3) Strengthen company-wide energy conservation project			
Reduce unit energy consumption* to 67.8%⇒67% of 1990 level	Unit energy consumption was 73.5% of the 1990 level	★	Reduce unit energy consumption to 73.5%⇒66% of 1990 level	
Reduce unit CO ₂ emissions to 71.0%⇒70% of 1990 level	Unit CO ₂ emissions was 78.9% of the 1990 level	★	Reduce unit CO ₂ emissions to 78.9%⇒69% of 1990 level	

*Per production volume

Safety

The goals and results of the initiatives for safety under the fiscal 2011 Responsible Care activities are as follows. While the number of workplace accidents has been declining in the last several years, we experienced a higher number of workplace accidents in fiscal 2011. We will strive to eliminate workplace accidents and safety incidents by going back to our safety philosophy and renewing our efforts to maintain safety.

Review of 2011 Targets and Results

★★★Target reached ★★Target almost reached ★Improvement needed

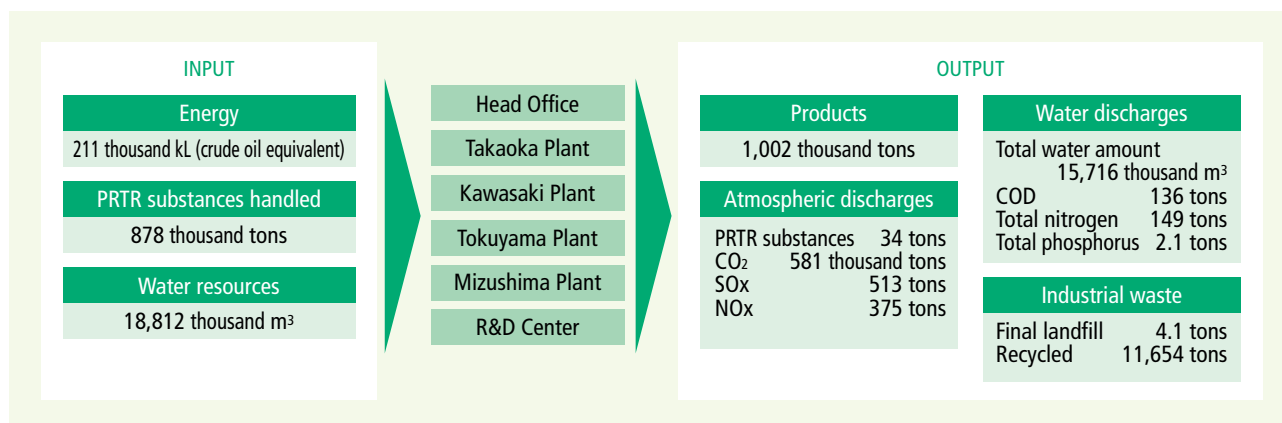
Theme	FY2011 Targets	FY2011 Results	Self-assessment	FY2012 Targets
Eliminate safety incidents	(1) Full implementation of plant safety evaluations	Implemented 13 evaluations	★★★	(1) Full implementation of plant safety evaluations
	(2) Implement specialized RC audits* ¹ (at least 1 per year at all 4 plants)	Implemented 1 audit at all 4 plants	★★★	(2) Implement specialized RC audits (at least 1 per year at all 4 plants)
	(3) Implement training to raise awareness of accident prevention (at 4 plants and 1 group company)	Implemented at 4 plants and 1 group company	★★★	(3) Implement training to raise awareness of accident prevention (at 4 plants and 1 group company)
	(4) Zero safety incidents* ²	4 safety incidents	★	(4) Zero safety incidents
Eliminate workplace accidents	(1) Zero lost-time accidents, zero serious non-lost-time accidents	5 lost-time accidents, 1 serious non-lost-time accident	★	(1) Zero lost-time accidents, zero serious non-lost-time accidents
Promote safety in logistics	Zero accidents in logistics	Zero accidents in logistics	★★★	

*1. Specialized RC audits: As stipulated by ZEON's Responsible Care Policy, an audit conducted by a team led by the head of the Environmental and Safety Affairs Department to confirm the status of RC implementation from an expert's point of view. Sometimes simply called "specialized audit." In contrast, a general RC audit, or general audit, is an RC audit conducted by a team led by the director in charge of environment and safety. The team visits company worksites once a year to check on the status of RC implementation from a managerial perspective.

*2. Safety incident: The occurrence of a fire, explosion, leakage, rupture, runaway reaction, or other such event. Company rules also define a safety incident as, in the near-occurrence of one of these events, an event that could have occurred if actions were delayed, or an event in which signs of its potential occurrence were observed.

Overall Environmental Impact

ZEON Corporation procures raw chemical materials and consumes energy and water resources to produce materials and chemical substances, its end products. While the nature of our business requires that we generate by-products that stress water and atmospheric environments to manufacture these products, we are constantly making improvements to minimize these substances.



Responding to Power Restrictions

In summer 2011, businesses all across Japan were working to reduce their electricity use, partly to comply with restrictions set in motion by Article 27 of the Electricity Business Act. ZEON Corporation's head office also took part in these efforts. We were particularly successful in reducing power consumption from lighting, using roughly 40% less electricity than in fiscal 2010.

The Economic Aspects of Our Environmental Performance (Environmental Accounting)

ZEON Corporation began introducing environmental accounting into its operations in fiscal 2000 in accordance with the Guidelines for Introducing Environmental Accounting Systems (Ver. 2000) published by Japan's Ministry of the Environment (MOE), and has published its environmental accounting results since its 2001 Responsible Care Activity Report. This CSR report presents key data from our environmental accounting statements in fiscal 2011, as recommended in the Environmental Accounting Guidelines 2005 (MOE), Environmental Accounting Guidelines for Chemical Companies (JCIA 2003), and Procedures for Environmental Protection Cost Classification 2003 (MOE).

Environmental Protection Costs

● Capital investment for environmental protection

In fiscal 2011, we also invested in both reducing the amount of emissions of toxic air pollutants as well as improving wastewater treatment equipment at the Tokuyama Plant. Furthermore, we have introduced solar power generation equipment at the Tokuyama Plant as an energy conservation investment.

● Environmental protection costs

We are developing technologies to minimize the environmental impacts of our wastewater and reduce the amount of residual

volatile substances in our products. We are particularly focused on developing technologies, designing equipment, and prototyping operating procedures to reduce emissions of butadiene and acrylonitrile, both toxic air pollutants, and to reduce the environmental impact of our wastewater based on such parameters as total nitrogen (TN) and chemical oxygen demand (COD).

We are also working to develop eco-friendly products and innovative, energy-efficient processes.

Environment protection costs		FY2011 (million yen)	
Classification		Investment amount	Expenses
(1) Costs within the business area		345	2,622
Breakdown	Pollution prevention costs	179	1,870
	Global environmental protection costs	120	182
	Resource recycling costs	46	570
(2) Upstream and downstream costs		0	0
(3) Management activity costs		31	104
(4) Research and development costs		386	1,309
(5) Social activity costs		0	116
(6) Environmental damage handling costs		0	107
Total		762	4,258

Item	(million yen)
Total investment amount within applicable period	16,382
Total research and development costs within applicable period	10,626

Scope of accounts: ZEON CORPORATION; ZEON Head Office, Takaoka Plant, Kawasaki Plant, Tokuyama Plant, Mizushima Plant, R&D Center
Period covered: April 1, 2011 to March 31, 2012

Environmental Protection Effects

● Physical Results

We are actively striving to reduce our environmental impact through investment to boiler equipment and wastewater treatment facilities at each plant as well as other various campaigns.

We were able to steadily reduce NOx emissions through energy conservation and improved combustion by installing dry air emission processing equipment and optimizing the amount of combustible air of the boilers at the Tokuyama Plant. Our efforts cleared the environmental standards of each plant and we will work to stably promote ongoing management in fiscal 2012.

The amount of landfill waste was drastically reduced compared to fiscal 2010. Eliminating the amount of waste for external landfills by continuing to investigate recycling of industrial waste including plastic and rubber, which had been sent to landfills, and sludge from wastewater treatment facilities largely contributed to this reduction.

Environmental impact index	FY2011	Compared to FY2010
SOx emissions (tons)	513	+18
NOx emissions (tons)	375	+84
COD emissions (tons)	136	-4
CO ₂ emissions (tons)	581,060	+22
Industrial waste sent to landfill (tons)	4	-177
Total emission of substances subject to PRTR (tons)	37	+0.4

Scope of accounts: ZEON CORPORATION; ZEON Head Office, Takaoka Plant, Kawasaki Plant, Tokuyama Plant, Mizushima Plant, R&D Center
Period covered: April 1, 2011 to March 31, 2012

● Economic Effects

We strive to use oils and other by-products arising from our production and manufacturing processes in an economically effective way by converting them to fuel, recycling them, or by other means. We also try to recycle empty drums and metal Strong Tight Economical Containers (STECs). To conserve energy, we try to capture waste heat generated by heat-intensive distillation processes.

Description of effects	(Million Yen)
Benefits of reclaiming material and utilization as fuel	36
Cost reduction through energy savings	22
Cost reduction through waste-elimination and recovery and reuse of solvents and catalysts	873
Total	930

Scope of accounts: ZEON CORPORATION; ZEON Head Office, Takaoka Plant, Kawasaki Plant, Tokuyama Plant, Mizushima Plant, R&D Center
Period covered: April 1, 2011 to March 31, 2012

Environmental and Safety Investment

In addition to our environmental investment related to pollution prevention equipment, energy resources, and energy conservation, we strived to improve safety through ongoing investment (safety investment) aiming to improve safety and eliminate hazards.

	(100 million yen)
Environmental conservation-related	7.6
Safety-related	19.1
Total	26.7

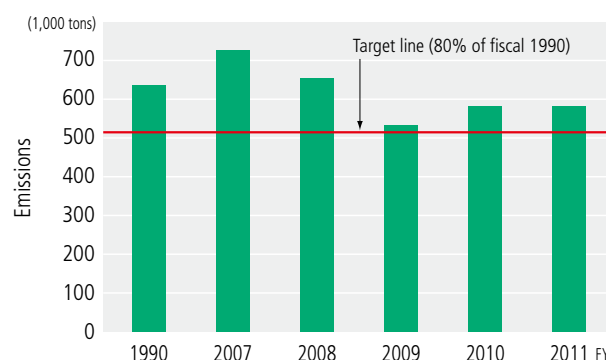
Reduction of Greenhouse Gas Emissions and Energy Conservation

By fiscal 2020, we are working to reduce CO₂ emissions from fuels defined in Japan's Law Concerning the Rational Use of Energy to 80% of emissions in fiscal 1990. In fiscal 2010, we added CO₂ reduction to the list of evaluation parameters in our Σ Activities*, and are working to reduce CO₂ emissions across all our operations.

CO₂ emissions in fiscal 2011 were approximately 580,000 tons, or 91% of emissions in fiscal 1990. We plan to improve unit CO₂ emissions by an average of 1% per year going forward, and will also explore the feasibility of shifting to boiler fuels at plants to reduce CO₂ emissions. In fiscal 2011, we consumed an amount of energy equivalent to burning approximately 211,000 kiloliters of crude oil, or 73% of the amount of energy consumed in fiscal 1990. We plan to improve unit energy consumption by an average of 1% per year going forward.

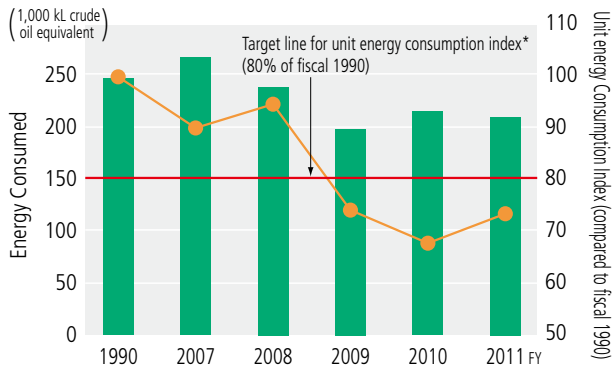
* Σ Activities: An improvement initiative aimed at strengthening our corporate health, with a special focus on boosting cost competitiveness.

Annual CO₂ Emissions



Calculated using the Ministry of Economy, Trade and Industry's "Report Preparation Support Tool." The CO₂ emission factor used for power providers is a value published in 2011.

Energy Consumption and Unit Consumption Index



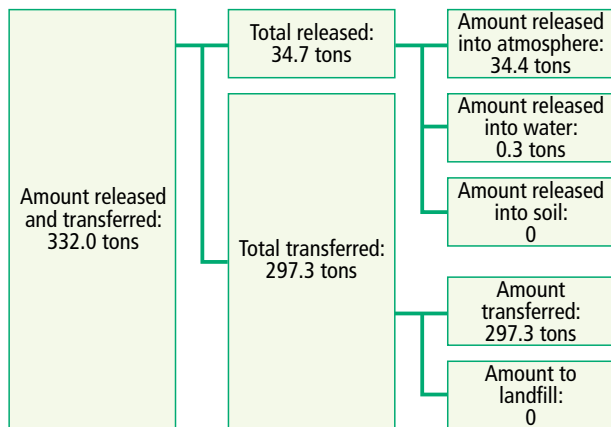
*Unit energy consumption index: An indicator for comparing energy efficiency. Here energy efficiency in fiscal 1990 is used for comparison.

Chemical Substances Management

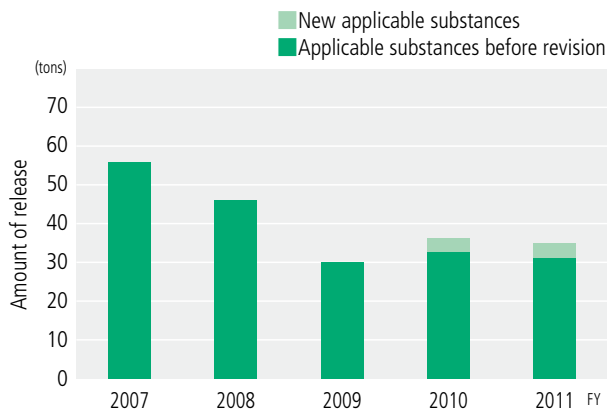
PRTR Initiatives

ZEON is working to reduce the release and transfer of substances subject to Japan's PRTR Law.

Emissions and Transfer of Applicable Substances in PRTR Law (fiscal 2011)



Release Amounts for Substances Subject to PRTR Law



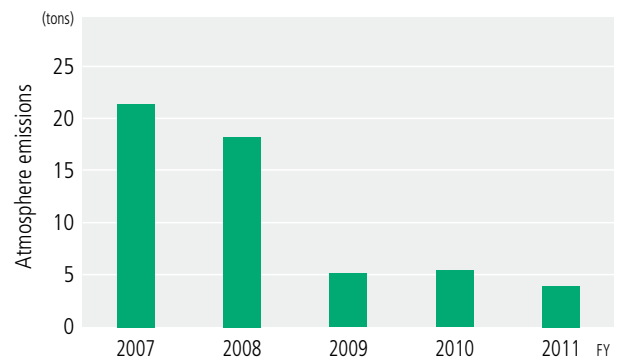
Reduction of Hazardous Chemical Substance Emissions into the Atmosphere

Butadiene and acrylonitrile are among the 23 types of substances requiring priority action stipulated by Japan's Air Pollution Control Law and thus the focus of our active efforts to reduce atmospheric emissions of hazardous chemical substances.

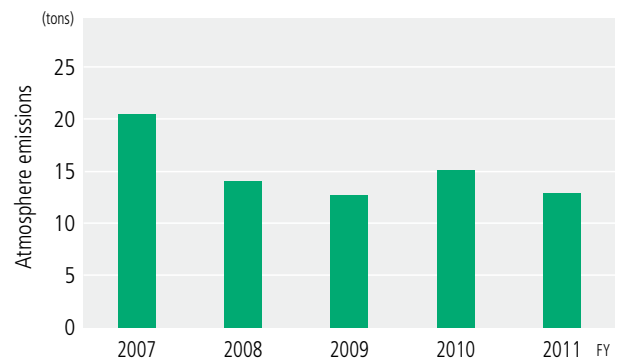
For butadiene, in fiscal 2008 we changed the manufacturing process at our Tokuyama Plant to one that incinerates exhaust gas emitted by our recovery systems.

With regard to acrylonitrile emissions, we have been working to keep our recovery systems running steadily by revising their operating conditions. We will continue to make ongoing efforts to reduce acrylonitrile emissions.

Amount of Butadiene Emitted into the Atmosphere



Amount of Acrylonitrile Emitted into the Atmosphere



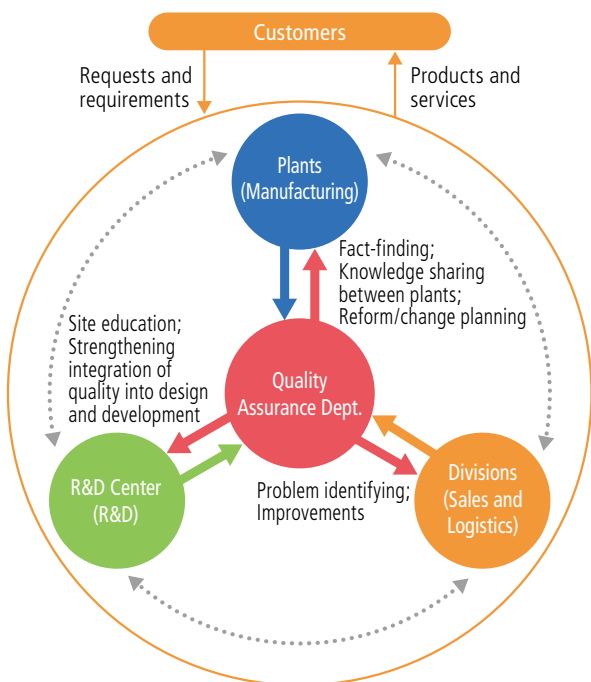
Quality Assurance (Relationship with Customers)

We are building frameworks and making steady efforts to ensure that our products achieve world-leading quality and cost competitiveness.

Quality Assurance System

To consistently manufacture products that reflect the needs and wants of customers and to ensure product quality, ZEON is advancing integrated quality assurance activities company-wide, across manufacturing, sales and engineering functions, by strengthening cooperation among plants, business divisions and research units (R&D Center). For example, when a complaint is received or a problem occurs within a line, business divisions, research units, and the Quality Assurance Department get actively involved, joining manufacturing departments (plants) in identifying the root cause, taking action, and confirming effectiveness, as well as standardizing processes to prevent a recurrence.

Quality Assurance System



Through these efforts, ZEON is working to improve the consistency of quality and processes so that we are able to deliver to the customer products they will be satisfied with.

Quality Assurance Mechanisms

To ensure a consistent supply of high-quality products to our customers, we have put in place various quality assurance mechanisms based on the ISO 9001 international standard for quality management systems.

Mechanisms supporting quality assurance at ZEON

Mechanism	Description
Policy implementation	Identifying what has to be done within each organizational layer based on the President's policy, and then carrying it out.
Management planning and reviews	Ensuring continuous improvement in quality management by organizations with heads of units (plant managers and business division heads) evaluating the progress of tasks for each organizational layer and indicating strategies for the next round of improvements.
Product design and development reviews	Reviewing whether each stage of product design and development is being effectively performed, and then making improvements as required.
Product safety evaluations	Performing a multifaceted product safety review in which product safety is evaluated at all stages, from initial research through to product sale and ultimate disposal.
Change management	Preventing problems before they occur by establishing rules for making process changes associated with product improvements and so on.
Handling abnormalities	Eliminating quality problems by pinpointing the causes of process abnormalities at production facilities, removing the causes, and ensuring that the problems never recur.
Handling complaints	Responding quickly and with sincerity to customer complaints and raising the standard of quality control to prevent recurrence.
Internal quality auditing	Internal auditing to check that the company's quality management systems are working efficiently and effectively.

Aiming to Create a Framework for Achieving World-Leading Quality and Cost Competitiveness

Our enterprise blueprint for 2020 in the area of quality assurance is to be "a company with a framework for achieving world-leading quality and cost competitiveness." We are working toward this under our new Mid-Term Management Plan, SZ-20, which involves establishing a quality assurance system that enables us to avoid potential quality assurance risks. These risks include: (1) the risk of product liability lawsuits; (2) supply obligation risk; (3) product recall risk; and (4) the risk of credibility loss due to rumor.

We recognize quality problems as extremely important issues that influence business continuity. We carry out quality management through fact control involving data-based consideration, decision-making and management. In other words, we pursue

thorough visualization of the issues.

In keeping with our CSR Policy of being "a company that causes no stress to society and is of value to the world," we are establishing a quality assurance system that will form the foundation for realizing our Corporate Philosophy—"ZEON will contribute to the preservation of the Earth and the prosperity of the human race."

CSR Director
Hiroshi Takegami



Relationship with Suppliers

We are building raw material procurement systems to help us deliver the safest products to our customers in line with our CSR Policy and Code of Conduct.

In procurement, we prohibit suppliers from handling certain substances and monitor the content of substances governed by laws, regulations, and the RoHS Directive. We diligently disclose information on substances contained in our products and develop mechanisms to ensure that the products we supply are safe.

Currently we are conducting a comprehensive revision of our CSR Code of Conduct based on ISO 26000. Improving our supply chain management is an important part of that process, so we are exploring the best mechanisms for practicing socially responsible procurement.

Relationship with Shareholders and Investors

Through active communication and disclosing the right information at the right time through various media, we strive to help our shareholders and other investors fully understand our business.

Communication with Shareholders

General Shareholders' Meeting

On June 29, 2011, we held our 86th annual general shareholders' meeting in a conference room of the head office. To help investors have a clearer understanding of our business, on the day of the meeting we also set up a booth with panel displays explaining clients' commercial products that use our manufactured goods.

To allow investors who cannot attend the meeting to exercise their voting rights based on a full review of the proposals, we mail out notices approximately three weeks prior to the meeting.

We also post resolutions from the shareholders meeting on our website, and also upload audio files of the presentation at our quarterly financial results briefing, and videos of presentations by top management on the current status of management at ZEON (currently in Japanese only).

Informing Investors

We send a pamphlet featuring articles on the current status of ZEON's businesses, relevant topics, and other information to shareholders twice a year. The Midyear Report issued in December 2011 was substantially redesigned to make information more accessible, particularly to individual investors.



87th Midyear Report
Showcases ZEON products that are the world's top brands

Communication with Investors

We engage in active communication with institutional investors and analysts from both Japan and abroad.

Last fiscal year, in August and November 2011 and February and May 2012, we held briefing sessions to announce our quarterly results to analysts. In addition to summarizing financial results, sessions for the 2nd quarter and the end of the fiscal year included a briefing from top management on the current status of management and our medium-term plan, SZ-20.

We also strive to provide individual investors with up-to-date information on our business. For example, last year we launched a website dedicated to that purpose. And in January 2012, an article on President Naozumi Furukawa was featured in IR magazine, a business quarterly for individual investors published by Nomura Investor Relations Co., Ltd.

We try to seize various other opportunities to inform investors. In fiscal 2011, we took part in three individual investor events, where we presented ZEON products used in day-to-day living and our future business plans, using "Surprisingly ZEON" as our presentation theme.

For foreign investors, we participated in a conference hosted by Daiwa Securities Co. in March 2012 and plan to take advantage of more opportunities to communicate with foreign investors going forward.

The company will continue to actively disseminate information and deepen mutual communications with investors through its website, briefings, and other means.

For details



http://www.zeon.co.jp/ir_e/index.html

Home > Investor Relations

Relationship with Employees

With respect for human rights and a desire to maintain healthy work environments, we design and implement our employee training and personnel programs so that all our employees, regardless of their background or values, can take pride in their work.

Striving to be An Enterprise where All Employees Can Feel Pride in Their Work

ZEON requires respect for human rights and prohibits discrimination in its CSR Code of Conduct. We strive to be a business that is understanding and accepting of diverse values and where no person is discriminated based on gender, age, nationality, or other attributes.

We encourage employees to continually evolve by pursuing high goals based on independent thinking, develop human resources systems that challenge them to achieve their potential, and maintain comfortable work environments that value dialogue toward establishing ZEON as an enterprise where every employee can work with pride.

ZEON CSR Code of Conduct

(Excerpt)

(Respect for human rights and prohibition of discrimination)

We will make efforts to maintain a sound working environment at all times, respect the human rights of each individual, and not engage in any act that may lead to discrimination.

- (1) We will not commit unlawful discrimination based on birth, nationality, race, ancestry, creed, religion, sex, age, disability, preference, academic history or any other characteristic.
- (2) We will not force business operations through violence, jeering, abusing, smearing and threatening behavior, nor will we infringe upon human rights through bullying and other such acts.
- (3) We will not engage in child labor and forced labor nor will we purchase any product manufactured through such labor.

*At ZEON, we use "employee" to describe all workers, including both permanent and part-time workers

Basic Policy



Encouraging Employees to Think Independently and Adapt to Achieve High Goals

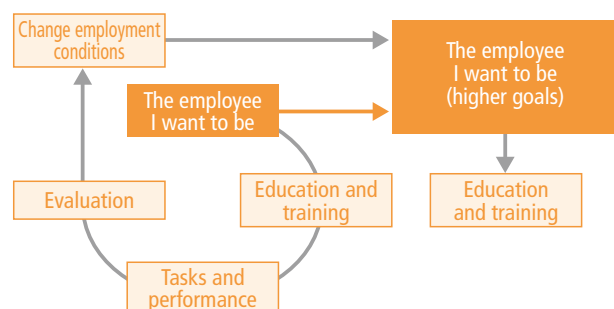
Basic Philosophy on Human Resource

Tap into, develop, and fully use the competencies of each employee.

ZEON's concept of "being what we want to be" refers to people who act by thinking rigorously for themselves and continue to change in order to achieve lofty goals. ZEON's concept of "being the employee you want to be" refers to employees who think independently and continually adapt themselves to achieve high goals. Employees at ZEON are encouraged to visualize the employees they want to become, while ZEON tailors its education and training practices to help each employee bridge the gap between their current

and visualized selves and to take daily steps toward that vision. By fairly assessing the results of those actions and changing how we treat each employee accordingly, we encourage employees to set ever-higher goals. All of these concrete, iterative actions to effect change and improvement are harnessed toward creating a more vital workforce across the company.

Resource Development Flow



Human Resources System that Gives Employees a Sense of Challenge and Achievement

ZEON believes talented employees are what make a competitive company. We aim for a human resources system that provides employees with a sense of achievement by giving them opportunities to challenge themselves with ambitious goals, to act in pursuit of their goals, and to have their employment terms be a fair reflection of their performance, all within the greater goals of the organization.



*ZΣ Activities: An improvement initiative aimed at strengthening our corporate health, with a special focus on boosting cost competitiveness.

A Comfortable Working Environment that Values Dialogue

Building on the important prerequisite of regulatory compliance, ZEON seeks flexible work practices guided by such principles as motivation, reliability, achievement, stability, safety, and security, with special importance given to our corporate social responsibility. We work endlessly to build comfortable working environments from five perspectives: supporting flexible work styles for a work-life balance, enhancing workplace environments, encouraging dialogue, improving health, and supporting self-reliance.



Labor Agreements and Communication between Management and Employees

ZEON Corporation and its labor union have tied a labor agreement aimed at maintaining peaceful relations between

the two parties and cooperating to grow the company in a healthy manner and to maintain and improve working conditions for union members. This agreement stipulates rules for union activities, labor-management negotiation, and complaint processing, and working conditions such as wages and work hours.

We also issued a Joint Declaration by Labor and Management Aimed at the Growth of the Company based on a common understanding that both the company and labor union must cooperate and actively strive to harness the abilities of everyone in ZEON if the company is to grow.

Joint Declaration by Labor and Management Aimed at the Growth of the Company

1. We will make mutual understanding and trust the cornerstone of all management-labor relations
2. We will perform our respective roles to strengthen company infrastructure and build a company of which we can be proud
3. We will mutually strive to improve and promote our corporate culture as beneficial partners

Numerous opportunities for exchanging opinions are established, including consultative meetings between labor and management, RC audits, and joint labor and management patrols, as well as quarterly roundtable meetings, which are now a permanent part of the labor-management dialogue. Consultative meetings between labor and management provide ample opportunity for forthright discussion and both sides participate with a forward-looking attitude and spirit of friendly rivalry based on mutual trust.

ZEON intends to proactively provide opportunities for dialogue with the labor union and to implement various policies for making ZEON a “company of which each of its employees can be proud” through a beneficial partnership between labor and management based on mutual respect for each other’s positions.

Health Management Initiatives

We strive to maintain and improve the management of our employees’ mental and physical health. We also promote the physical health of employees on a continuous basis through healthcare guidance provided by nurses and other professionals.

In terms of employee mental health, several worksites have implemented stress assessments to assist employees in better understanding the physical and mental influence of stress. In addition, ZEON conducts mental health training and assigns psychiatrists and psychotherapists to support its industrial physicians. Performing environmental measurements (such as chemical concentrations, dust concentrations, noise levels) at workstations in our plants also helps us to make improvements to workplace environments.

Relationship with Society

For the peace of mind of communities living near our operations, it is crucial that we maintain stable plant operations and build trusted relationships with our neighbors. Through safe, stable, and reliable operations, we strive to earn that trust.

Relationships with the Local Community

Festivals

Some of our worksites host summer festivals.

- ZEON Summer Festivals (Takaoka, Kawasaki, and Mizushima plants)
- ZEON Waraku Odori Dance Festival (Tokuyama Plant)
- They also participate in summer festivals hosted by local community groups, etc.

Cleaning

Our worksites help clean the neighborhoods around their facilities and also volunteer in cleanups hosted by local communities and nearby companies.

- Joint cleanup with the Marunouchi Neighborhood Association (Head Office), etc.
- Himi and Fushiki coastal cleanups (Takaoka Plant)
- Tonomachi Yakosen street cleanup with nearby companies (Kawasaki Plant, R&D Center)
- Higashi-gawa River cleanup (Tokuyama Plant)
- Volunteer cleanups in the Shionasu District (Mizushima Plant), etc.

Plant and Laboratory Tours

Our plants and laboratories offer tours for high schools, vocational schools, universities, local governments, business partners, related organizations, and other interested community members.



Welcoming the Tsuruoka National College of Technology (Kawasaki Plant)

Participating in Community Discussions on Responsible Care (Tokuyama Plant)

The Shunan District Community Forum is a multi-stakeholder event held periodically in the Shunan Industrial Complex, —where our Tokuyama Plant is located—attended by 16 companies, Shunan City government, and local residents. At the sixth forum in November 2011, we gave tours of the Tokuyama Plant. The event also included a keynote speech,

presentations, and informal meetings where everyone could voice their opinion. For the Tokuyama Plant, which strives to earn the trust of the local community through stable, safe, and reliable operations, the forum was a valuable opportunity to exchange information and opinions with local stakeholders.

Furukawa Scholarship

The Furukawa Memorial Foundation is a public interest incorporated foundation with 47 years of experience granting scholarships to Japanese and foreign students who face economic barriers to education. The foundation was established and is currently operated with the goal of fostering human development through academics. So far 2,766 people, including the family members of some of our employees, have received a Furukawa scholarship.

As an ongoing supporter of the Furukawa Memorial Foundation, in 2010 we donated 10 million yen to the foundation to celebrate ZEON Corporation's 60th anniversary, and in 2011 we set up an internal contact to direct donations from individual employees.

Recognition from Society

In July 2011, the Takaoka Plant's long-running blood donation program earned the Health, Labour and Welfare Minister's Award at the 47th national assembly for supporting blood donations.

The Takaoka Plant has held blood drives and supported blood donation campaigns every year in the four decades since 1971. Japan faces a growing need for donated blood as its population continues to shrink and age, and the Takaoka Plant hopes to use this award as an opportunity to contribute to society by participating more actively in blood donation programs.



Takaoka Plant manager Hiroshi Fujisawa accepting the award

Third-Party Opinion



Eiichiro Adachi
Counselor Head of ESG Research Center,
The Japan Research Institute, Ltd.

Profile
Oversees industry research and company screening from a CSR standpoint, with a special focus on environmental initiatives. Provides financial institutions with corporate information for socially responsible investment and environmental loans. Served as a Japanese industry expert in the ISO 26000 working group from March 2005 to May 2009.

The following is my independent assessment of corporate social responsibility (CSR) efforts and communication of such efforts by ZEON Corporation and the ZEON Group. This assessment is based on my understanding of these efforts from reading this CSR report, written from the perspective of one who provides financial institutions with corporate information for socially responsible investment.

That Japan's industrial competitiveness is as much dependent on manufacturers of materials, intermediate goods, and capital goods (e.g., raw materials, parts, and industrial machinery) as it is on manufacturers of goods for final consumption is well known. But when it comes to corporate social responsibility (CSR), how the former are working to advance their social responsibility is not something the public knows much about. I sometimes come across manufacturers of materials, intermediate goods, and capital goods who have trouble understanding why CSR is so important an issue.

Easy answers to this question include "because we're required by our business partners" and "because other companies are working on CSR and disclosing their efforts," but I also hear comments such as "using our superior technologies and know-how to deliver exceptional products to market is the most important part," and "we don't understand why CSR is so necessary."

When reading this CSR report, I had the impression that ZEON Corporation and the ZEON Group, too, are on a search to understand why promoting CSR is necessary. But I could also tell they are well on their way to finding an answer. The President's Message clearly states, "...Not being a burden to society—in other words, being fully compliant with laws and regulations and fulfilling society's needs to be safe and consistent—is the first thing a company needs to show its *raison d'être*". This awareness is right on-target considering recent events—a disconcerting corporate behavior in the area of fair competition, and accidents such as fires and explosions at large plants. ZEON has

also clearly presented its focus on sustainable societal growth and protecting the global environment.

The question that remains is whether ZEON is effectively communicating the results it has achieved through this approach. Saying that you have formulated a policy, built an internal framework, and implemented certain activities is only part of what stakeholders expect to hear. The real focus should be on, for example, how company behavior has changed to ensure fair competition, how many accidents have actually been prevented, and whether environmental impacts have been steadily reduced.

ZEON should also try to explain its goals in greater detail. The report includes the line, "ZEON will continue to contribute to the realization of customer dreams and a prosperous society," but unfortunately it remains unclear what ZEON Corporation and the ZEON Group consider to be "customer dreams" and what kind of society is a "prosperous" one. I would also like to hear ZEON talk about its concrete vision for sustainable development when setting goals to "contribute to the sustainable development of society."

The third line of ZEON's CSR Policy, "each and every ZEON person is aware of CSR and acts accordingly," really hits the nail on the head, because, while the CSR concept has spread to the larger part of the Japanese business community, issues have been raised over how CSR is only implemented by the departments in charge of CSR, and over the gaps that exist between awareness and reality. This report would be far more compelling if ZEON Corporation and the ZEON Group were to describe how they are putting this part of the CSR Policy into practice.

I hope you will heed the suggestions of stakeholders noted in the stakeholder dialogue—"Companies need to focus on the social problems themselves, not consumer needs, to find new business opportunities," "Using any fossil fuel poses a future risk... ZEON Corporation needs to show its stakeholders what direction it will go in," and "It really boils down to one thing: how you motivate your employees."—and become a corporation where everyone understands why CSR is an important issue.

This third-party opinion is not a reflection of judgment about whether the environmental data provided in this report was accurately measured, calculated, and provided in full as required by generally accepted environmental reporting standards.



Response to Third-Party Opinion

Hiroshi Takegami
CSR Director

In fiscal 2011, the first year of SZ-20, we used the new CSR promotion system established under IZ-60 to enhance and visually communicate our CSR activities on top of more basic CSR efforts in safety, quality, and the environment.

We would like to thank Eiichiro Adachi, Counselor of the Japan Research Institute, for his pertinent observations of the state of CSR activities at ZEON as well as his valuable perspective on the future

direction of those efforts. To clarify our Enterprise Blueprint for 2020, "ZEON creates the future today through the power of chemistry," we will strive to better communicate our contribution to society through our core business (products)—in other words, what we are doing today—and also give real-life meaning to "customer dreams" and "prosperous society"—the future we are creating with innovative R&D. With regard to Mr. Adachi's comment on the need to more effectively communicate our results, we hope to make our CSR efforts more visible by disclosing our CSR matrices to outside stakeholders, setting concrete targets, and practicing the PDCA cycle.

And lastly, we hope to continue on our mission to become a company where everyone has an understanding of what CSR is and why it is important, and takes initiative to satisfy the expectations of society and make it a better place.

About ZEON Group

At ZEON, we strive for innovative and revolutionary new technology that does not imitate others and cannot itself be imitated while pursuing continuous improvement of our core strengths. Our ultimate aim is to establish a leading presence in society.

ZEON Corporation

Corporate Profile

Company Name	ZEON Corporation
Profile	April 12, 1950
Capital	24.2 billion yen (as of March 31, 2012)
Employees	2,857 (Consolidated) 1,613 (Non-consolidated; as of March 31, 2012)
Head office	Shin Marunouchi Center Building, 1-6-2 Marunouchi, Chiyoda-ku, Tokyo 100-8246, Japan Tel: +81-3-3216-1772 Fax: +81-3-3216-0501
Operations	Takaoka Plant, Kawasaki Plant, Tokuyama Plant, Mizushima Plant, R&D Center

ZEON Group

Major companies in Japan

- ZEON Kasei Co., Ltd.
- ZEON Polymix Inc.
- ZEON Medical Inc.
- ZEON North Co., Ltd.
- Tokyo Zairyo Co., Ltd.
- RIMTEC Corporation
- ZEON Yamaguchi Co., Ltd.
- ZEON Chemicals Yonezawa Co., Ltd.
- Optes Inc.

Major companies overseas

- ZEON Chemicals L.P. (USA)
- ZEON Chemicals Europe Ltd. (UK)
- ZEON Chemicals (Thailand) Co., Ltd. (Thailand)
- ZEON Advanced Polymix Co., Ltd. (Thailand)

ZEON's Businesses

ZEON's extensive range of products occupies a commanding position, particularly in international markets. These include synthetic rubber designed specifically for timing belts and other safety-critical components in automobile engines, green note aroma chemicals (leaf alcohol) for perfumes and food flavors, and environmentally sound products such as lightweight, transparent cycloolefin polymer resins and etching gases for semiconductors that do not damage the ozone layer.

Elastomer Business

Sales and manufacturing of synthetic rubber, synthetic latex, and chemical products (C5 petroleum resin, thermoplastic elastomer, etc.)

Specialty Material Business

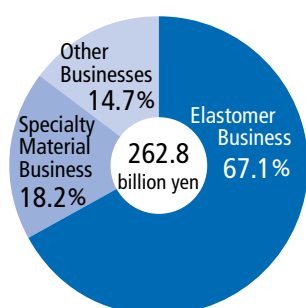
Sales and manufacturing of chemicals (aroma chemicals, specialty chemicals, etc.), imaging materials (electronics materials, toner products, etc.), specialty plastics (Cyclo-olefin polymer and processed products, etc.)

Other Businesses

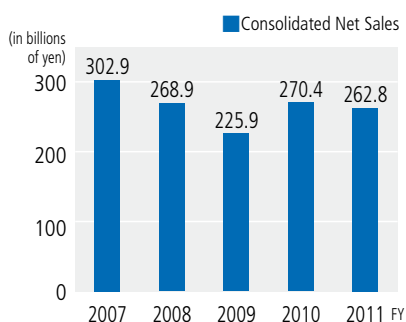
RIM combination liquid and molded items, medical equipment materials, butadiene extraction technology, packaging and distribution materials, building and construction materials, etc.

Financial Results

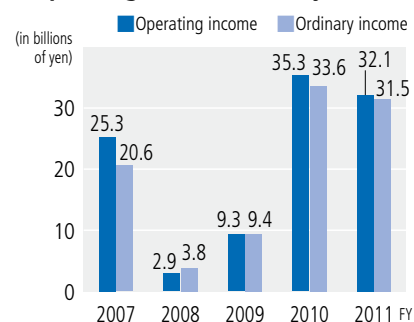
Sales Share (FY2011)



Consolidated Net Sales



Operating income, Ordinary income



Content Available in the Online Report

The online version of this CSR Report, available on ZEON's website, offers more detailed information on activities featured in this brochure. The chart below outlines the website version while noting sections that are only available online.



CSR Section of ZEON's Website



http://www.zeon.co.jp/csr_e/index.html

Home > CSR Activities

● : Included ○ : Some content is only available online (parts in bold) – : Not included

Page Title		Contents	Web	Brochure
President's Message		Promoting CSR with the New Mid-Term Management Plan, SZ-20 / Remaining Vital to Society / Future Initiatives	●	●
"ZEON's Businesses: Surprisingly ZEON: ZEON is All Around Us!"		This illustration shows the more familiar places in which ZEON products are used. Take a look and you might be surprised to find ZEON right under your nose or even your feet!	●	●
Special Feature: Stakeholder Dialogue		External experts joined us in reflecting on the meaning of CSR and how companies can best serve society	●	●
ZEON's CSR	ZEON's CSR	Corporate Philosophy / ZEON CSR Policy / CSR Code of Conduct	●	●
	SZ-20 Enterprise Blueprint and CSR Management	New Mid-Term Management Plan SZ-20	●	–
	Key Initiatives for Implementing CSR Activities: CSR Matrix and CSR Core Projects	CSR Matrix / CSR Core Projects	●	●
	Response to Great East Japan Earthquake and Tsunami Disaster	Monetary Donations / Supplying Much-Needed Electricity / Efforts to Save Energy	●	○
Management	CSR Management	CSR Management / CSR Promotion Structure	●	●
	CSR History	CSR Activity Time Line	●	–
	Corporate Governance	Basic Policy / Corporate Governance System / Board of Directors, Executive Committee and Board of Corporate Auditors	●	●
	Risk Management and Compliance	Risk Management and Compliance System / Risk Management and Compliance System (Chart) / The activities of each committee and subcommittee / Internal Reporting System	●	●
	Auditing	Auditing at ZEON Corporation and Group Companies / Auditing at Internal Plant	●	–
Public Relations		Organization and Objectives / Information Disclosure / Advertising	●	–
Environment	Environmental Philosophy	Philosophy and Policy for Environmental and Safety Activities / Environmental Philosophy / Responsible Care Policy	●	●
	Environmental and Safety Management	Overall process of environmental and safety management / Auditing	●	○
	Overall Environmental Impact	Overall Environmental Impact	●	●
	Targets and Results	Review of 2011 Targets and Results	●	●
	The Economic Aspects of Our Environmental Performance	Policy / Environmental Protection Costs / Environmental Protection Effects / Environmental and Safety Investment	●	●
	Reduction of Greenhouse Gas Emissions and Energy Conservation	Efforts to Reduce Greenhouse Gas (CO ₂) Emissions / Efforts to Conserve Energy / Efforts at the Head Office	●	○
	Chemical Substances Management	PRTR Initiatives / Reduction of Hazardous Chemical Substance Emissions into the Atmosphere	●	○
	Air, Water and Waste	Air and Water Pollution Prevention / Reduction of Industrial Waste	●	–
Environmental Performance in Logistics		Environmental Countermeasures for Logistics	●	–
Safety	Safety Philosophy	Philosophy and Policy for Safety and Environmental Activities / Safety Philosophy / Responsible Care Policy	●	●
	Targets and Results	Review of 2011 Targets and Results	●	●
	Occupational Safety	Policy (Doing all we can to prevent workplace accidents and protect the safety and health of all plant workers) / History of Workplace Accidents at ZEON Corporation (Lost-Time Accident Rates) / 55 Safety Audits / Risk Assessment (Kiken Yochi) / Identifying Near-Miss Incidents	●	–
	Safety and Accident Prevention	Policy / Dialogue between Management and Plants / President-Led Efforts to Promote Safety Management / Obtaining Safety Inspector Certification at all Sites / Improving Plant Safety / Accidents and Injuries in Fiscal 2011 / Emergency-Response Training	●	–
	Safety in Logistics	Logistics Safety	●	–
	Safety Training	Systematic Safety Training / Training Organized by the Head Office / Environmental and Safety Education and Training Programs Organized by Operating Sites	●	○
Quality Assurance (Relationship with Customers)		VOICE / Quality Assurance System / Quality Assurance Mechanisms / Efforts to Ensure Product Safety	●	○
Relationship with Suppliers		Policy	●	●
Relationship with Shareholders and Investors		Communication with Shareholders / Communication with Investors	●	●
Relationship with Employees	Basic Policy	Basic Policy (Striving to be An Enterprise where All Employees Can Feel Pride in Their Work)	●	●
	Human Resource Development	Policy (Encouraging Employees to Think Independently and Adapt to Achieve High Goals) / Education and Training Structure / ZEON's Ippeki Facility (training site) / Monozukuri Training Center	●	○
	Personnel System	Policy (Human Resources System that Gives Employees a Sense of Challenge and Achievement) / Employee Performance Appraisal System / Communicating and Sharing the Appraisal Process / Bonus Linked to Results / Awards system (ZEON Challenge Award) / ZJ Allowance / ZEON Master System (Reemployment System) / Severance Pay System / Compensation System for Invention Patents	●	○
	Creating Workplace Environments that Protect Human Rights and Health	Respecting Human Rights and Prohibiting Discrimination / A Comfortable Working Environment that Values Dialogue / Working Environment Development Policy / Programs and Efforts to Realize Comfortable Working Environments / Support for combining work and childcare / Support for combining work and family care / Enhancing workplace environments, encouraging dialogue, and supporting self-reliance / Labor Agreements and Communication between Management and Employees / Dialogue with management / Complaint Processing / Health Management Initiatives	●	○
	Employment and Diversity	Basic Information on ZEON's Workforce / Hiring in 2012 / Employing People with Disabilities / Reemploying Retired Employees / Outstanding Performance by Female Staff Members	●	–
Relationship with Society		Relationships with the Local Community / Furukawa Scholarship / Recognition from Society / Supporting Disaster Rescue and Reconstruction	●	●
Site Reports			●	–
Third-Party Opinion			●	●
Content Indexes for GRI 3.1			●	–
ISO 26000 Content Index			●	–
Contents Available in the printed brochure and Online Report			●	●
Glossary			●	–
Report Policy		Report Policy / Period Covered / Organizations Covered / Notes on the Report	●	●

ZEON

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