



Zeon Group

ZEON

CSR REPORT

2018

Contents	Highlights	Zeon's CSR	Corporate Governance	Environment
Labor Practices	Fair Operating Practices	Consumer Issues	Human Rights	Community

Contents

Editorial Policy				
Highlights				
Highlight 1				
CSR Implementation Plan measures aimed at the realization of the Enterprise Blueprint for 2020	P. 4			
Highlight 2				
Catheters that contribute towards the enhancement of patients' quality of life through minimally-invasive treatment	P. 6			
Zeon's CSR				
Zeon CSR Policy	P. 8			
CSR Management	P. 9			
Timeline of CSR Initiatives	P. 11			
CSR Implementation Plan	P. 12			
Corporate Governance				
Targets and Results	P. 18			
Corporate Governance	P. 19			
Risk Management	P. 21			
Environment				
Environmental Philosophy and Safety Philosophy	P. 22			
Environmental and Safety Management	P. 24			
Environmental and Safety Education	P. 26			
Overview of Environmental Impacts	P. 28			
Targets and Results	P. 29			
Economic Indicators of Environmental Performance (Environmental Accounting)	P. 30			
Greenhouse Gas Emission Reductions and Energy Conservation	P. 31			
Chemical Substances Management	P. 32			
Air, Water, and Waste Materials	P. 34			
Chemical Product Safety Information	P. 35			
Environmental Protection and Safety in Logistics	P. 36			
		Labor Practices		
		Basic Approach and Initiatives	P. 37	
		Targets and Results	P. 38	
		Employment and Diversity	P. 40	
		Human Resource Development	P. 42	
		Human Resource System	P. 45	
		Creating Working Environments That Protect Health	P. 47	
		Occupational Safety	P. 50	
		Safety and Accident Prevention	P. 51	
		Fair Operating Practices		
		Targets and Results	P. 53	
		Compliance	P. 54	
		CSR Procurement	P. 55	
		Fair and Appropriate Information Disclosure	P. 56	
		Consumer Issues		
		Targets and Results	P. 58	
		Quality Assurance	P. 58	
		Human Rights		
		Targets and Results	P. 61	
		Upholding Positive Working Environments by Protecting Human Rights and Prohibiting Discrimination	P. 61	
		Protecting Human Rights in the Supply Chain	P. 62	
		Community		
		Basic Approach and Initiatives	P. 63	
		Targets and Results	P. 63	
		CSR Core Projects	P. 64	

Editorial Policy

Zeon Corporation and Zeon Group ("Zeon") publish a Corporate Report, which provides stakeholders with an overview of Zeon's business activities.

In addition to the Corporate Report, which functions as an annual report and company profile, Zeon also publishes a CSR Report, which is intended to help stakeholders understand Zeon's approach to CSR and its environmental activities.

The 2018 version of the CSR Report has been restructured on the basis of the core subjects of ISO 26000, the international standard for CSR.

Highlights of the 2018 CSR Report include an overview of the measures that Zeon is implementing to promote CSR, and of Zeon's Medical Products Business.

Besides bringing together information about Zeon's CSR approach and CSR measures, the CSR Report is also intended to function as a communication tool, with the aim of fostering dialog with Zeon's stakeholders, so that Zeon can play an even more useful role in the world.

We look forward to hearing your frank comments and suggestions regarding the CSR Report, which can provide a useful reference for us in our future activities.

Reporting Period

April 2017 to March 2018 (includes some information relating to the period in and after April 2018)

Reporting Scope

Zeon Corporation and Zeon Group companies inside and outside Japan.

Some data covers only Zeon Corporation.

Reporting Scope for Environmental Data

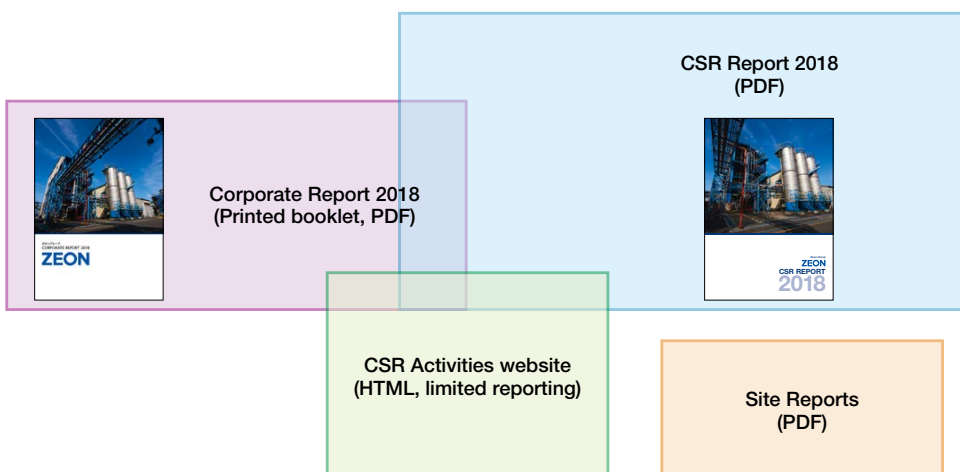
Japan: Zeon Kasei Co., Ltd., Zeon Polymix Inc., Zeon Medical Inc., Zeon North Co., Ltd., Tokyo Zairyo Co., Ltd., RIMTEC Corporation, Zeon Yamaguchi Co., Ltd., Zeon Chemicals Yonezawa Co., Ltd., Optes Inc., Tohpe Corporation
 Outside Japan: Zeon Chemicals L.P. (ZCLP), Zeon Chemicals (Thailand) Co., Ltd. (ZCT), Zeon Advanced Polymix Co., Ltd. (ZAP), Zeon Chemicals Singapore Pte. Ltd. (ZCS)

Reference Guidelines

Determined with reference to the 2007 Environmental Reporting Guidelines promulgated by Japan's Ministry of the Environment (MOE), and with reference to ISO 26000.

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http://www.zeon.co.jp/index_e.html

CSR Communication Tools



Contents	Highlights	Zeon's CSR	Corporate Governance	Environment
Labor Practices	Fair Operating Practices	Consumer Issues	Human Rights	Community

■ Highlight 1 CSR Implementation Activities

CSR Implementation Plan measures aimed at the realization of the Enterprise Blueprint for 2020

CSR Code of Conduct Zeon Group's Goal of CSR

The Zeon Group's goal of CSR is achieved when we are able to answer the question from the society asking "Does the Zeon Group meet the expectations of the society?" "Yes." To meet the expectations of the society means to be a company which provides value to the society and is trusted by the society. Every member of the Zeon Group aims to offer value to the society through our products and services produced with our original technology and to become a company trusted by the society by carrying out safe, secure and sincere activities.

Zeon CSR Policy and CSR Code of Conduct

To act in a manner that is trusted by the society, we have established the Zeon CSR Policy (cornerstone of values, ethics and actions which every member of the Zeon Group values).

<Zeon CSR Policy>

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

The CSR Code of Conduct has been established based on the Zeon CSR policy and the corporate philosophy.

The CSR Code of Conduct was formulated in January 2018.
<http://www.zeon.co.jp/content/000257956.pdf>



Zeon's **CSR Code of Conduct** was revised in January 2018, for the first time in seven years.

Recently, several Japanese companies have experienced quality issue or problems with corporate governance, and there have been growing calls for changes in working practices. The extent to which business enterprises are really meeting society's expectations, and the extent to which they provide meaningful value for society, have been called into question.

This revision of the CSR Code of Conduct has been undertaken to make clear Zeon's commitment to **meeting society's expectations**, which represents Zeon's fundamental approach to CSR, and to facilitate the making of improvements to the CSR activities that Zeon undertakes. In this way, we are redefining, in the clearest possible way, the CSR vision for the Zeon Group as a whole, in line with the ongoing globalization of the Zeon Group's operations.

In order to realize the Enterprise Blueprint for 2020 and meet society's expectations, we will be working to achieve the objectives specified in our CSR Implementation Plan, which represents the practical guidelines for CSR, while continuing to emphasize the Sustainable Development Goals (SDGs) and ISO 26000, which are issues of great importance for society.

Contents	Highlights	Zeon's CSR	Corporate Governance	Environment
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Highlight 1 CSR Implementation Activities

CSR Implementation Plan Measures

The Zeon Group's CSR Implementation Plan has been formulated on the basis of ISO 26000, the international standard for CSR. The CSR Implementation Plan specifies the progress that needs to be made in order to realize the Enterprise Blueprint for 2020, in terms of ISO 26000's Seven Core Subjects. Examination of the CSR Implementation Plan shows what measures the Zeon Group is implementing in relation to the Seven Core Subjects, which embody society's expectations.

In the future, we will be working to further the dissemination of the CSR Implementation Plan both within and outside the Zeon Group, and we will be implementing activities aimed at helping all stakeholders to understand Zeon's CSR measures.

● The Zeon Group's CSR Implementation Plan

ISO 26000 Seven Core Subjects	Enterprise Blueprint for 2020 = To meet the expectations of society	Activities currently being implemented	Items that need to be implemented in the future
Corporate Governance	Example in the Labor Practices area: Promoting diversity and using fair, equitable human resources practices to invigorate the workplace. (Recruitment)	Example in the Labor Practices area: • Appropriate operation of human resources systems • Support for employees' capability-building and career development • Prevention of harassment in the workplace • Dialogue between management and female employees etc.	Example in the Labor Practices area: Promoting diversity-oriented management • Proactive recruitment of female employees • Proactive recruitment of foreign nationals • Promoting the employment of senior citizens • Establishment of systematic employee cultivation systems
Human Rights			
Labor Practices			
Environment			
Fair Operating Practices			
Consumer Issues			
Community Involvement			

➔ See summary on P. 12

Measures Aimed at Supporting the Realization of the SDGs by 2030

With the realization of the Enterprise Blueprint for 2020 fast approaching, in order to help realize the Sustainable Development Goals (SDGs) that are being promoted by the United Nations, the Zeon Group is formulating targets for 2030 in line with both Zeon's CSR Implementation Plan and the SDGs.

➔ For more details, see P. 12-17.



A Message from the CSR Division Manager

Last year, in the process of revising Zeon's CSR Code of Conduct, we undertook the redefining of Zeon's CSR vision, which emphasizes "meeting society's expectations."

The CSR Implementation Plan outlines the Enterprise Blueprint for 2020 in line with ISO 26000's Seven Core Subjects, collates the issues that are currently being faced and that we will be facing in the future, and specifies the direction that we will be taking in terms of implementing activities in line with society's needs that are explicitly linked to the SDGs.

While working to realize the Enterprise Blueprint for 2020, all Zeon Group employees will be demonstrating a firm commitment to the CSR Implementation Plan, so that we can confidently state that the Zeon Group is indeed meeting society's expectations.

Erisa Watanabe
Corporate Officer and the CSR Division Manager

Highlight 2 Zeon Products Making Contributions to Society

Catheters that contribute towards the enhancement of patients' quality of life through minimally-invasive treatment



When used as a medical term, the word “invasive” refers to something that is harmful to the human body. It is most commonly used to refer to forms of treatment that may cause physical harm; in the case of surgical procedures, using a scalpel is invasive, while in regard to pharmaceuticals, the possible side-effects are invasive.

Minimally-invasive treatment is medical treatment that aims to reduce the invasiveness of medical procedures as much as possible. One of the best examples of minimally-invasive treatment is surgery using catheters. With catheter procedures, only a small incision needs to be made in order to insert a catheter into a vein or into the alimentary tract, so by comparison with traditional surgery that required the making of a large incision in the abdomen, the impact on the body is much reduced.

Because minimally-invasive treatment causes less harm to the patient's body, it enhances patient QOL* by reducing the amount of time that patients need to spend in hospital, and it can also be expected to lead to reduced medical expenses. Zeon Medical Inc., a member of the Zeon Group which is engaged in the manufacturing and sale of medical devices, is contributing towards the expansion of minimally-invasive treatment by developing a range of products, including catheters, in its Cardiovascular and Endoscopic Accessory Businesses.

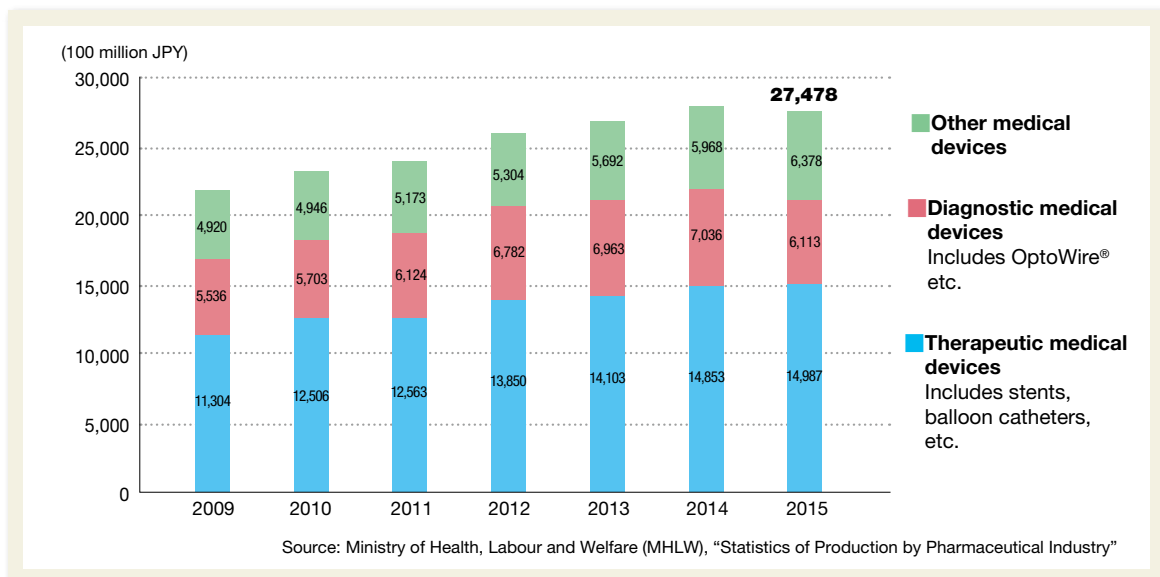
*QOL: Quality of Life

The Medical Device Market and Zeon Medical Inc.

The overall size of the global medical device market—including catheters—in 2016 was 36 trillion yen. The U.S. market accounts for over 40% of this total; Japan is the second largest national market, with a market size in excess of 2.7 trillion yen in 2015. The overall rate of growth of the Japanese market has been held back because of the periodic adjustments made to pharmaceuticals pricing in Japan, but in absolute terms the trend is one of continued growth.

There is high demand for minimally-invasive treatment, which contributes to a reduction in overall healthcare expenses while also helping to improve patients' quality of life, and Zeon Medical's business is expected to grow not only in Japan, but also in the wider global market.

● **The size of the Japanese medical device market**



Highlight 2 Zeon Products Making Contributions to Society

Heart (Cardiovascular Business)

Heart diseases such as myocardial infarction and angina are caused when arteries running on the heart narrow and become obstructed. Zeon Medical's products are widely used in the diagnosis and treatment of arterial blockage.

1 Measuring intravascular pressure

OptoMonitor® for inter-arterial measurement of intravascular pressure

OptoWire®, a sensor-equipped guide-wire for measuring intravascular pressure

Measuring the intravascular pressure of coronary arteries allows quantitative diagnosis of the extent of arterial blockage.

OptoWire® is the world's first guide-wire type product to incorporate a fiberoptic sensor. This facilitates more precise measurement and more accurate diagnosis. The small touch-panel display design used for OptoMonitor® makes it possible to carry out measurements regardless of the location.



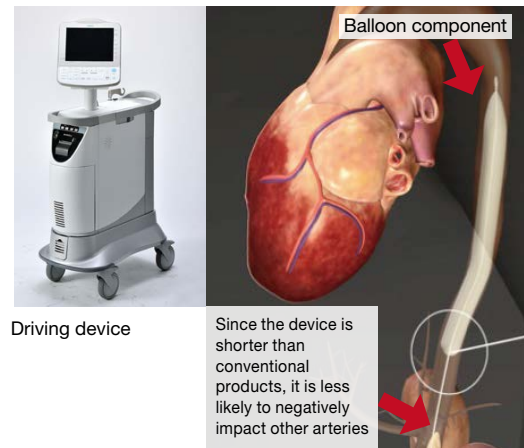
Helping the heart to function properly

MEISHU™ for IABP*

Using a balloon that expands and contracts in line with the rhythm of the heart can provide temporary support for weakened heart pumping function. The utilization of helium gas for the balloon ensures that the balloon can be rapidly expanded and contracted safely.

MEISHU™ is relatively short and thick by comparison with conventional products, which makes it easier to have it expand and contract in close proximity to the heart, thereby enhancing the supporting function while maintaining safety.

*IABP: Intra-Aortic Balloon Pumping



Driving device

Since the device is shorter than conventional products, it is less likely to negatively impact other arteries

Alimentary Tract (Endoscopic Business)

Endoscopes can be inserted into the alimentary tract, making it possible to view the internal organs from the inside. An endoscope can guide a catheter into the body, so that treatment can be performed while being able to clearly view what is going on. Zeon Medical's products are widely used for removing polyps or cancerous tumors from the alimentary tract, for staunching bleeding after operations, for crushing and removing bile duct stones from the bile duct, and for easing blockage of the bile duct.

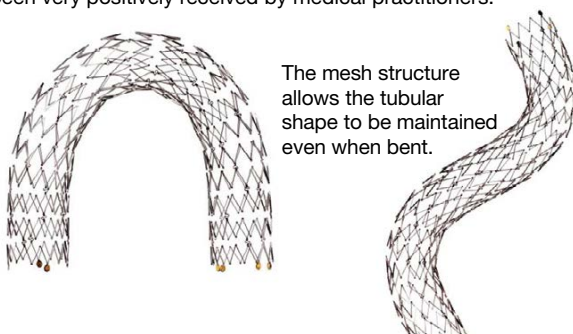
2 Easing blockage of the bile duct

ZEOSTENT™ plus for bile duct

A stent is a small mesh-like metal tube that is used to expand an artery, trachea, alimentary tract, bile duct etc. from the inside. By placing a stent in the bile duct, it is possible to ease blockage of the bile duct and allow bile to flow more easily.

ZEOSTENT™ plus is made using shape-memory alloy so that it expands by body temperature warming, making it easier to position. The special mesh-like structure enables the stent to maintain its tubular shape even inside the curving bile duct.

The device used to position the stent incorporates special features that make it easy to use, and as a result the stent has been very positively received by medical practitioners.



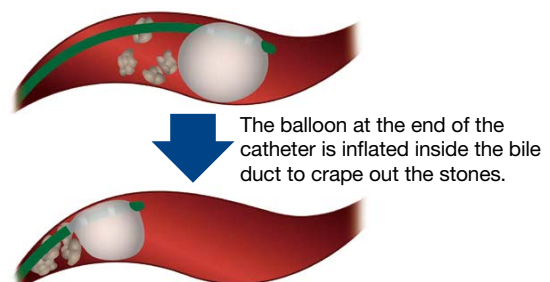
The mesh structure allows the tubular shape to be maintained even when bent.

3 Removing bile duct stones

The Extraction Balloon Catheter for removing bile duct stones

The balloon at the end of the catheter is inflated inside the bile duct to crush a stone stuck in the bile duct.

Zeon Medical's balloon catheters have been specially designed—in terms of balloon size, shape, and water-squirting capability—to enhance their ability to extract stones. In particular, Zeon Medical's original patented technology allows the balloon to be positioned at an angle.



The balloon at the end of the catheter is inflated inside the bile duct to crape out the stones.

Zeon's CSR

CSR Policy	P. 8
CSR Management	P. 9
Timeline of CSR Initiatives	P. 11
CSR Implementation Plan	P. 12

Zeon CSR Policy

At Zeon, we regard 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

Corporate Philosophy (established April 1997)

“Zeon is contributing 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.

- As an indispensable and valuable corporate citizen, we will enhance our corporate value and meet the expectations of society.

Third Principle

- We will establish Corporate Governance with CSR management as a pillar
- All employees will act with thorough awareness of CSR and meet the public's expectations
- All employees will fulfill Zeon's CSR with enthusiasm
- We will pursue environmental preservation as well as safety and quality assurance through the participation of every individual and in every corporate activity.

CSR Policy

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

CSR Code of Conduct

The CSR Code of Conduct specifies what kind of actions we should be working actively to implement, from the perspective of meeting society's expectations (the CSR Code of Conduct was revised in January 2018).

CSR Code of Conduct

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

Each principle is further defined as follows.

First Principle

- We will comply with laws and regulations, firmly uphold the values and ethics required of a corporate member of society, and cause no distress to society
- We will undertake enterprise-wide environment and safety initiatives to prevent accidents and provide a sense of security to our employees as well as our local communities
- We will thoroughly address quality and product liability issues to avoid impairing the safety and security of society

Second Principle

- We will contribute to the realization of sustainable development 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.

CSR Management

At Zeon, we regard CSR activities as all activities undertaken to continue being “a company trusted and valued by society.” In April 2010, we established the Zeon CSR Policy and the more specific CSR Code of Conduct. In January 2011, we established our current CSR Management Framework. In January 2018, Zeon’s CSR Code of Conduct was revised to reflect the impact of globalization, etc.

CSR Management Framework

The CSR Management Framework comprises the CSR Conference and eight committees.

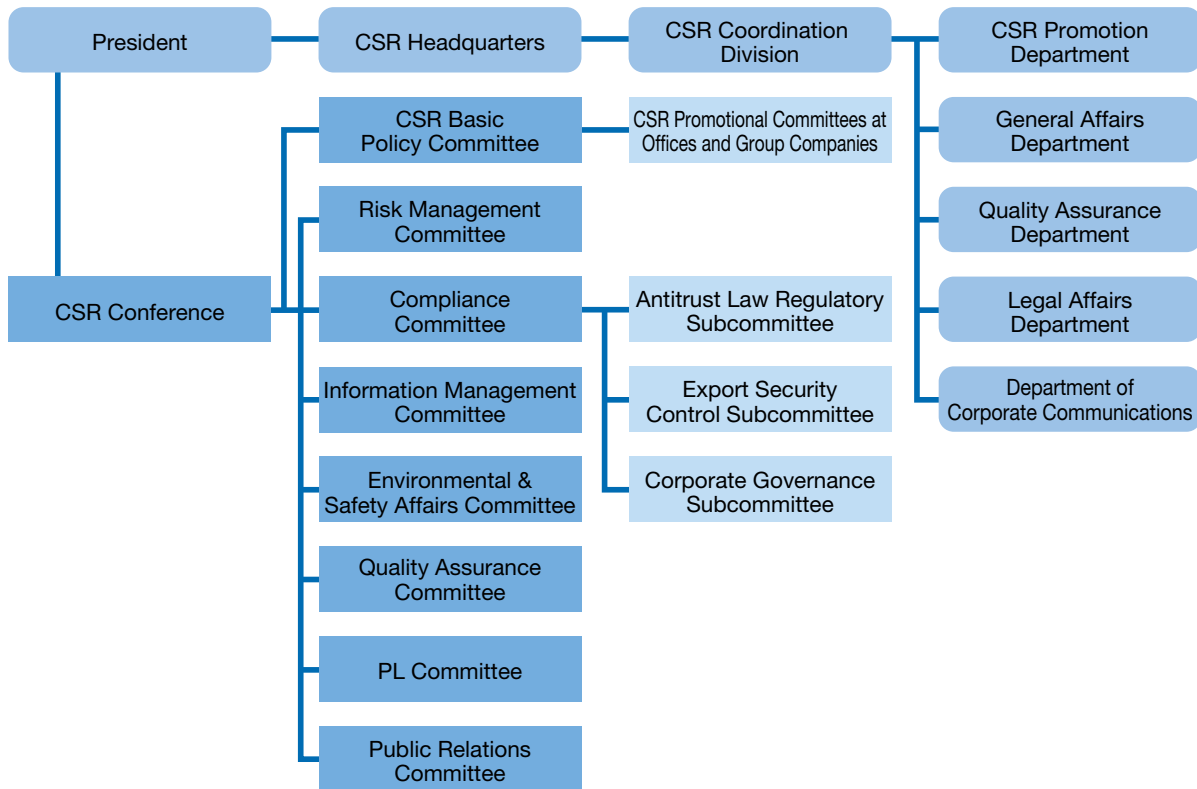
Chaired by the President and held six times a year, the CSR Conference is the chief decision-making body on matters relating to CSR.

The CSR Conference is held to review and finalize committee activities, initiatives, and annual activity plans, and

to give necessary instruction based on progress reports.

The committees report to the CSR Conference and advance CSR activities in their specific areas. The eight committees are the CSR Basic Policy Committee, the Risk Management Committee, the Compliance Committee, the Information Management Committee, the Environmental and Safety Affairs Committee, the Quality Assurance Committee, the PL Committee, and the Public Relations Committee.

Zeon's CSR Management Framework



CSR Basic Policy Committee

Purpose of establishment: To enhance CSR activities

The CSR Basic Policy Committee provides guidance and support for the activities of the CSR Promotional Committees at six Zeon locations and nine Group companies in Japan. The Committee also defines the standards for responding to community requests for support and established a framework for supporting social contributions.

Social contribution projects (CSR Core Projects) have been carried out since FY 2012.

- Support for reconstruction of areas affected by the Great East Japan Earthquake
- “Chemistry Classrooms,” where we communicate the appeal of chemistry to children

Risk Management Committee

Purpose of establishment: To manage business continuity risks

The committee is responsible for systematically preventing potential risks and managing risks that emerge. It also aims to provide disciplined response to minimize loss in the event that a crisis does occur.

For details on its activities, see Risk Management. (→ P. 21)

Compliance Committee

Purpose of establishment: To prevent violations of laws and regulations

The Compliance Committee is responsible for creating compliance education and training programs to be implemented by managing business divisions. The Compliance Committee has the following three subcommittees.

For more information about its activities, see Compliance. (→ P. 54)

Antitrust Law Regulatory Subcommittee

Established to prevent violations of antitrust law by officers and employees of Zeon Group and to engage in free and fair competition among businesses. Meetings are held as required.

Export Security Control Subcommittee

Established to ensure appropriate export and domestic sales practices through compliance with Japan's Foreign Exchange and Foreign Trade Act and related laws in regard to products sold and technologies licensed or provided by Zeon. Meetings are held as required.

Corporate Governance Subcommittee

Established to exercise internal control over financial reporting by Zeon Group. Meetings are held as required.

Information Management Committee

Purpose of establishment: Appropriate management of information

Planning, implementation status management, and formulation of proposals for improvement, in regard to the appropriate management of information.

Environmental and Safety Affairs Committee

Purpose of establishment: Activities related to the environment and safety

The Environmental and Safety Affairs Committee plans and proposes specific environmental and safety initiatives and monitors the progress of addressing environmental and safety issues.

For more information about its activities, see Environment (→ P. 22) and Occupational Safety. (→ P. 50)

Quality Assurance Committee

Purpose of establishment: Support quality assurance

The Quality Assurance Committee reviews quality assurance activities and their implementation, and examines and takes action to improve issues related to quality assurance.

For more information about its activities, see Quality Assurance. (→ P. 58)

Purpose of establishment: Activities related to product liability

Formulates plans for product liability related prevention activities and training, and monitors the implementation of emergency response measures.

For more information about its activities, see Quality Assurance. (→ P. 58)

Public Relations Committee

Purpose of establishment: Effectively communicate information about Zeon

The Public Relations Committee aims to enhance Zeon's profile and image through accurate communication of our corporate philosophy, approaches, and activities. The Committee also ensures timely and appropriate disclosure of information by Zeon Group.

For more information about its activities, see Fair and Appropriate Information Disclosure. (→ P. 56)

PL Committee

Timeline of CSR Initiatives

CSR Activities

- 1995: Joined the Japan Responsible Care Council and declared our commitment to Responsible Care
Established Zeon's Responsible Care Policy
- 1996: Revised the companywide safety management system and established the Plant Technology Audit System
- 1997: Established the Safety Philosophy
Held the first Zeon Safety Month and the All-Zeon Safety Conference (subsequently held each year in April)
Established the Code of Conduct (Zeon's Seven Articles)
- 1998: Established the Responsible Care Policy
- 1999: Established the Risk Management Rules
- 2000: Published the first Responsible Care Activity Report (1999 edition)
- 2001: Established the Environmental Philosophy
- 2003: Amended the Risk Management Rules and renamed them as the Risk Management and Compliance Rules
Established Zeon's Seven Articles Code of Conduct
- 2004: Established the Internal Reporting System
Published the Compliance Textbook I
- 2005: Published an English version of the Responsible Care Activity Report
Conducted third-party verification for the Responsible Care Activity Report
Published the Compliance Textbook II (Q&A Edition)
- 2006: Switched from publishing the Responsible Care Activity Report to publishing the CSR Report
- 2008: Published the Compliance Textbook I (Revised Edition)
- 2009: Signed the Responsible Care Global Charter
- 2010: Established the CSR Policy and CSR Code of Conduct
Published the Compliance Textbook (Q&A Edition)
Revised the CSR Implementation System and established a new System
Published the CSR Textbook
- 2011: Began using the CSR Matrix
- 2012: Started the CSR Core Projects (comprehensive Zeon social contributions package)
- 2013: Switched from publishing the CSR Report to publishing the Corporate Report
- 2017: Revised the CSR Matrix based on ISO 26000
Along with publishing the Corporate Report, also published a PDF version of the CSR Report on the corporate website
- 2018: Revised the CSR Code of Conduct

CSR Implementation Plan

CSR Matrix

Based on the CSR Matrix used since 2011, we have established our goals for 2020 in each area and have worked to address CSR issues as a group.

In 2017, we revised the CSR Matrix based on ISO 26000. We have defined our areas of activity in light of current social circumstances, and have incorporated related initiatives into our new mid-term management plan that started in 2017. We are also looking at how we can contribute to the United Nations' Sustainable Development Goals (SDGs) as we incorporate CSR into our business activities.

1. Corporate Governance: Decision-making as an organization

Correlation with SDGs: Goal 16 (Peace, Justice and Strong Institutions) and Goal 17 (Partnerships for the Goals)



Enterprise Blueprint for 2020 To meet the expectations of society	Details of current activities (■: Completed, △: Ongoing)	Future initiatives and targets
Decision-making with accountability and transparency <ul style="list-style-type: none"> Organizational decision-making is conducted appropriately based on internal regulations Business divisions carry out their operations using the PDCA cycle based on policies The process of decision-making takes into consideration social and environmental impacts 	<ul style="list-style-type: none"> △ System to develop internal regulations in the CSR implementation framework (Create internal rules → Apply to routine work) △ Operations address corporate governance (details of results below) <ul style="list-style-type: none"> Zeon Corporation's Basic Policy on Corporate Governance (Japanese Only) http://www.zeon.co.jp/content/200281514.pdf Corporate Governance Report (Japanese Only) http://www.zeon.co.jp/content/200323153.pdf 	1. Continue implementing our CSR promotion structure, and periodically revise its operations based on society's expectations
Corporate governance <ul style="list-style-type: none"> Corporate governance functions effectively and reasonably. Many business processes are handled using key business systems designed based on internal regulations, and the overall framework creates a very low level of error in processes When risks to corporate governance arise, systems operate to appropriately address the risks under the proper authority 	<ul style="list-style-type: none"> △ Report corporate governance reports (status of system for ensuring appropriateness of business affairs) △ Develop work systems △ Conduct corporate governance activities to satisfy Japan's Corporate Governance Code 	1. Improve internal control level at Zeon Group companies
Risk management <ul style="list-style-type: none"> Established a global crisis management structure The Compliance Hotline is operated appropriately 	<ul style="list-style-type: none"> ■ Create a risk table and periodically revise it △ Evaluate risks using the risk table, and conduct the same across the Zeon Group (Japan/global) ■ Operate an internal reporting system ■ Continue sending out information and conducting legal education using the CSR Code of Conduct and compliance texts 	1. Evaluate the risk table and give guidance for improvements at divisions and Group companies, and horizontally implement successful cases 2. Consider business risks broadly and manage them in view of demands and society's expectations.
Business continuity <ul style="list-style-type: none"> Independent business continuity management (BCM) activities (establishing a BCM system, periodically revising BCM through drills and other means, etc.) are conducted throughout the Zeon Group, and have become established and reinforced. 	<ul style="list-style-type: none"> ■ Examine and establish business continuity management (BCM) ■ Create and periodically revise various business continuity plans (companywide BCP, division BCP, raw materials procurement BCP, etc.) 	1. Support for establishing an independent BCM structure through drills and other means (support so that individual organizations can create the situation of conducting the PDCA cycle for BCM by themselves)

Contents	Highlights	Zeon's CSR	Corporate Governance	Environment
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2. Human Rights: Protect basic rights granted to all people

Correlation with SDGs: Goal 1 (No Poverty), Goal 2 (Zero Hunger), Goal 3 (Good Health and Well-being), Goal 5 (Gender Equality), and Goal 10 (Reduced Inequalities)



Enterprise Blueprint for 2020 To meet the expectations of society	Details of current activities (■: Completed, △: Ongoing)	Future initiatives and targets
<p>Discrimination and vulnerable groups, avoidance of complicity</p> <ul style="list-style-type: none"> The section on respect for human rights and prohibition of discrimination in the CSR Code of Conduct has been shared with all Zeon Group companies and Zeon Group business partners, and compliance with the prohibitions on child labor and forced labor are confirmed 	<ul style="list-style-type: none"> ■ Release Zeon Group's CSR Code of Conduct and CSR Procurement Guidelines on the Corporate Report and the Zeon corporate website △ Conduct CSR education through means including having employees read compliance texts, e-learning, and CSR informational sessions 	<ol style="list-style-type: none"> Provide information on the Zeon Group's CSR Code of Conduct and CSR Procurement Guidelines to business partners (business, procurement, and materials purchasing departments) Build a database of external reports related to respect for human rights at business partners (supply chain CSR survey database) (CSR Implementation Department) Establish a policy specific to human rights and implement it across the Zeon Group

3. Labor Practices

Based on Japanese law and international standards, fulfill not only our minimum obligations but also establish better work environments and systems for organizations and employees

Correlation with SDGs: Goal 3 (Good Health and Well-being), Goal 4 (Quality Education), Goal 5 (Gender Equality), and Goal 8 (Decent Work and Economic Growth)



Enterprise Blueprint for 2020 To meet the expectations of society	Details of current activities (■: Completed, △: Ongoing)	Future initiatives and targets
<p>Employment</p> <ul style="list-style-type: none"> Equal employment opportunities are ensured. (employment) 	<ul style="list-style-type: none"> △ Set a numerical target for women new graduate hires △ Hiring of non-Japanese employees (mid-career employees, exchange students) △ Expand re-employment system for employees reaching the age of mandatory retirement <p>FY 2017 results No. of employees rehired after mandatory retirement: 17 (94.4%)</p>	<ol style="list-style-type: none"> Further expand employment not tied to gender, nationality, race, age, disability, or other attributes Build a supply chain CSR survey database of labor practices at business partners
<p>Labor conditions and social protections</p> <ul style="list-style-type: none"> Workplaces are re-energized by promoting diversity and the fair and equitable treatment of personnel (appointments) 	<ul style="list-style-type: none"> △ Appropriately implement of HR systems △ Support for employee skills and career development △ Harassment prevention △ MD Committee activities by women members (including dialogue between senior management and women employees) △ Implementation of employment for people with disabilities <p>FY 2017 results Percentage of employees with disabilities: 2.07%</p>	<p>1. Promote diversity-oriented management</p> <ul style="list-style-type: none"> Appoint more women employees to higher positions Appoint more employees who are non-Japanese nationals to higher positions Advance employment of older persons Create a systematic professional development system

Contents	Highlights	Zeon's CSR	Corporate Governance	Environment
Labor Practices	Fair Operating Practices	Consumer Issues	Human Rights	Community

Enterprise Blueprint for 2020 To meet the expectations of society	Details of current activities (■: Completed, △: Ongoing)	Future initiatives and targets
<p>Labor conditions and social protections</p> <ul style="list-style-type: none"> Promote work-life balance (harmony between work and life) to enable people to work while also caring for children and/or sick families 	<ul style="list-style-type: none"> ■ Introduce flex-time systems ■ Develop a shortened work-hours system for childcare and family caregiving ■ Draft the general employer's action plan under the Act on Advancement of Measures to Support Raising Next- Generation Children and implement related notifications to acquire the Kurumin mark in Japan △ Childcare support systems (shortened working hours, overtime restrictions and exemptions, sick care leave, breast feeding time, etc.) △ Return-to-work program for employees taking childcare and caregiving leave △ Reduce long working hours △ Implement a work-from-home system on a trial basis 	<ol style="list-style-type: none"> Further pursue dynamic work styles (Promote taking annual paid vacation)
<p>Occupational health and safety</p> <ul style="list-style-type: none"> Policies for managing workplace health and safety and the health of employees have been strengthened, work hours are appropriately managed, and the number of people reporting physical and mental health issues is declining significantly. Rate of abnormal results in routine physical exams is at or below standard 	<ul style="list-style-type: none"> △ Include health management in top policy and take steps to maintain and improve the physical and mental health of employees ● Conduct mental health education and run a committee for determining returning to work ● Ensure labor hours management and prevent excessive work ● Encourage leaving work on time and taking of annual paid vacation ● Detect changes in health early through stress checks ● Provide guidance to prevent lifestyle diseases 	<ol style="list-style-type: none"> Promote improved physical and mental health for all employees, who are the source of the company's strength Enhance mental health education Implement company policies and create conditions for better health and well-being
<p>Occupational health and safety</p> <ul style="list-style-type: none"> Increased trust in Zeon to protect local communities' safety and security by conducting emergency drills and other initiatives such as concluding disaster cooperation agreements All worksites have earned public trust by maintaining a safety record of zero incidents and accidents 	<ul style="list-style-type: none"> △ Implement the Safety Management Improvement Master Plan △ Fully implement deterioration countermeasures and identify measures to prevent errors, and horizontally implement measures arising from cases of accidents at other companies and plants △ Eliminate safety incidents: Regularly conduct plant safety evaluations and audits △ Eliminate occupational accidents △ Improve safety in logistics △ Conduct comprehensive emergency-response drills and monthly drills by our self-defense emergency response teams ■ Conclude cooperation agreements with local governments (Cooperative Agreement for Disaster Prevention in Industrial Complexes) △ Participate in community disaster readiness activities <p>FY 2017 results</p> <ul style="list-style-type: none"> ● Plant safety evaluations conducted: 100% ● Implement RC audits conducted (once/year or more for all 4 plants) ● Eliminate safety incidents: 2 safety incidents ● Eliminate occupational accidents: 2 occupational accidents resulting in lost work time ● Zero serious accidents without lost work time ● Improve safety in logistics: 0 accidents in logistics 	<p>To improve safety capabilities</p> <ol style="list-style-type: none"> Conduct four safety activities ("4R-KY") at all Group companies (supply chain development) Reinforce specified sources of hazards to prevent safety accidents Enhance dialogue activities on safety, the environment, and quality with local communities <p>Targets</p> <ul style="list-style-type: none"> ● Plant safety evaluations conducted: 100% ● Implement RC audits (once/year or more for all 4 plants) ● Eliminate safety incidents: 0 safety incidents ● Eliminate occupational accidents: 0 occupational accidents resulting in lost work time ● Zero serious accidents without lost work time ● Improve safety in logistics: 0 accidents in logistics ● Implement the above guidelines at Group companies
<p>HR development and training at workplaces</p> <ul style="list-style-type: none"> Have proactively enhanced awareness and made further improvements in the areas of health and safety through comprehensive education 	<ul style="list-style-type: none"> △ Provide training to enhance accident prevention awareness (4 plants, 1 Group company) (e.g., education using accident case studies, hands-on training) △ Promote the 5S's → 3S's 	<ol style="list-style-type: none"> Conduct safety education companywide (supply chain development) Implement the 3S's companywide (supply chain development)

4. Environment: The organization takes responsibility for the environment, and promotes preventive measures

Correlation with SDGs: Goal 6 (Clean Water and Sanitation), Goal 7 (Affordable and Clean Energy), Goal 9 (Industry, Innovation and Infrastructure), Goal 12 (Responsible Consumption and Production), Goal 13 (Climate Action), Goal 14 (Life Below Water), and Goal 15 (Life on Land)



Enterprise Blueprint for 2020 To meet the expectations of society	Details of current activities (■: Completed, △: Ongoing)	Future initiatives and targets
<p>Pollution prevention</p> <p>Climate change mitigation and adaptation</p> <ul style="list-style-type: none"> All plants received public recognition for their environmental impact reductions Proactively enhance awareness and make further improvements in the areas of the environment and energy conservation through comprehensive education 	<p>△ Reduce emissions of hazardous substances, industrial waste, and impacts on atmospheric and water environments</p> <p>△ Improve energy conservation in Responsible Care audits, the Safety Management System, the Environment Management System based on ISO 14001, and the Energy Conservation Implementation Committee</p> <p>FY 2017 results</p> <ul style="list-style-type: none"> Zero environmental incidents Environmental impact reductions Per-unit energy consumption: +6% Per-unit CO₂ emissions: +11% 	<ol style="list-style-type: none"> Conduct environmental management using the multiple systems noted on the left Implement activities companywide to reduce environmental load Identify energy-saving measures and implement them on an ongoing basis Conduct risk assessments of hazardous chemical substances <p>Targets</p> <ul style="list-style-type: none"> Zero environmental incidents Environmental impact reduction targets Per-unit energy consumption: -1% average per year Per-unit CO₂ emissions: -1% average per year
<p>Climate change mitigation and adaptation</p> <ul style="list-style-type: none"> Products with reduced environmental load continue to be developed and launched in the market 	<p>■ Develop S-SBR for fuel-efficient tire, low-temperature toners, ZEORORA® with zero ODP, and binders for lithium-ion batteries</p>	<ol style="list-style-type: none"> Research and development, manufacturing, and sales that address environmental issues faced by society

5. Fair Operating Practices: Ethical organizational conduct in interactions with other organizations

Correlation with SDGs: Goal 10 (Reduced Inequalities), and Goal 16 (Peace, Justice and Strong Institutions)



Enterprise Blueprint for 2020 To meet the expectations of society	Details of current activities (■: Completed, △: Ongoing)	Future initiatives and targets
<p>Fair competition</p> <ul style="list-style-type: none"> Are complying with all laws and regulations, ordinances, agreements, and internal regulations, and acting with high ethical standards based on being a model for society Management policies are broadly understood and compliance awareness is widespread. As a result, by proactively conducting CSR activities and adapting to environmental changes, business continuity as well as sustainable development are achieved 	<p>■ Enact and implement management regulations including those on insider trading and appropriate disclosure</p> <p>△ Comply with internal regulations including the Export Security Control Regulations</p> <p>△ Appropriately implement regulations to comply with the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Antimonopoly Act)</p> <p>△ Compliance with the Subcontract Act and the Act for Securing the Proper Operation of Worker Dispatching Undertakings (prevention of falsified contracts)</p> <p>△ Regulations in the CSR Code of Conduct and the CSR Procurement Guidelines</p> <p>△ Employees read the CSR Textbook and Compliance Textbook and take e-learning courses</p> <p>△ Conduct CSR education including holding CSR informational sessions</p> <p>△ Hold workshops on legal and regulatory compliance</p> <p>△ Legal compliance inspections</p> <p>△ Regularly revise internal regulations (to satisfy legal amendments)</p>	<p>To reduce legal risks</p> <ul style="list-style-type: none"> Compliance with internal regulations Ongoing legal training and information sharing using the Compliance Textbook and other materials Education on the CSR Code of Conduct Ongoing compliance education Revise the Compliance Textbook and the CSR Textbook and hold related informational meetings Ongoing CSR briefings by the head of the CSR division Support the establishment of compliance systems at Zeon Group companies outside Japan (develop in the supply chain) Shift from compliance to sustainability (promote understanding among management and establish among employees) Become a signatory to the United Nations Global Compact

Contents	Highlights	Zeon's CSR	Corporate Governance	Environment
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Enterprise Blueprint for 2020 To meet the expectations of society	Details of current activities (■: Completed, △: Ongoing)	Future initiatives and targets
Fair competition <ul style="list-style-type: none"> Information is disclosed quickly and appropriately, and market value has increased (including negative information regarding business conditions, CSR, risks, etc.). 	<ul style="list-style-type: none"> △ Hold financial results briefings △ Publish various reports △ Release information via the company website △ Hold briefings for individual investors and analysts and respond to media inquiries △ Hold press conferences for mass media outlets and others 	To enhance the corporate brand and value <ol style="list-style-type: none"> 1. Improve the website (IR, CSR information) 2. Strengthen the information communications structure (PR) 3. Communicate information that supports ESG investment
Social responsibility in the value chain <ul style="list-style-type: none"> Select business partners based on the CSR Procurement Guidelines and periodically confirm the Guidelines' status of implementation 	<ul style="list-style-type: none"> ■ Multiple-source △ Comply with laws and regulations on competition including the Antimonopoly Act △ Satisfy the RoHS Directive, bans on substances, etc. △ Purchasing following the CSR Procurement Guidelines 	<ol style="list-style-type: none"> 1. Develop and establish the CSR Code of Conduct and CSR Procurement Guidelines in the supply chain 2. Build the supply chain CSR survey database

6. Consumer Issues: Not causing harm to consumers, and not causing consumers to have harmful effects on society
 Correlation with SDGs: Goal 9 (Industry, Innovation and Infrastructure), and Goal 12 (Responsible Consumption and Production)



Enterprise Blueprint for 2020 To meet the expectations of society	Details of current activities (■: Completed, △: Ongoing)	Future initiatives and targets
Protecting consumers' health and safety <ul style="list-style-type: none"> Both quality and cost are globally first rate 	<ul style="list-style-type: none"> △ Have a quality management system based on ISO 9001 △ Manage quality assurance risks (product liability lawsuits, supply obligations, product recalls, and credibility loss due to rumors) △ Improve processes (reduce losses, improve consistency) △ Develop activities for production innovations 	<ol style="list-style-type: none"> 1. To maintain and expand conditions where Zeon products are chosen <ul style="list-style-type: none"> ● Establish systems to definitively reduce complaints, process abnormalities, and defects, prevent defective products from leaving Zeon, create corporate quality trusted by customers, and further improve customer satisfaction ● Develop initiatives for chemical substance regulations ● Develop Zeon's quality management system at Zeon Group companies outside Japan and at outsourcing partners 2. Measure customer satisfaction to understand the current satisfaction level, set targets, and promote improvements
Sustainable consumption <ul style="list-style-type: none"> Developed and launched a series of products that are beneficial to society 	<ul style="list-style-type: none"> △ Develop business based on business plans 	<ol style="list-style-type: none"> 1. Research and development, manufacturing, and sales that address consumer issues faced by society

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7. Community Involvement and Community Development

Involvement in and contribution to the community in various forms, from dialogue with local residents to improvement of education and culture in the community and local employment creation

Correlation with SDGs: Goal 4 (Quality Education), Goal 9 (Industry, Innovation and Infrastructure), Goal 11 (Sustainable Cities and Communities), and Goal 17 (Partnerships for the Goals)



Enterprise Blueprint for 2020 To meet the expectations of society	Details of current activities (■: Completed, △: Ongoing)	Future initiatives and targets
<p>Community involvement, education, and culture</p> <ul style="list-style-type: none"> Zeon's social contributions are understood, receive recognition, and are supported 	<p>△ Develop CSR Core Projects (social contribution activities by Group as a whole, among locations, and at individual worksites)</p>	<ul style="list-style-type: none"> Develop the CSR Core Projects based on a defined Zeon Group activity policy
<p>Community involvement</p> <ul style="list-style-type: none"> An organization for promoting volunteer activities among employees has been established, and employees actively volunteer in various ways 	<p>△ Upgrade and enhance the system for promoting volunteer activities (establish a volunteer leave system)</p> <p>△ Introduce volunteer activities and promote and support participation in them (volunteering to support reconstruction from earthquakes, etc.)</p> <p>FY 2017 results Number of employees participating in volunteer tours: 60 (cumulative total of 425 employees)</p>	<ul style="list-style-type: none"> Raise employee awareness for social contributions Conduct CSR education including CSR informational sessions Establish a social contribution policy for the entire Zeon Group (e.g., on water) Create a system to support volunteering (volunteer registration system, etc.) Create opportunities for social contributions from exchanges with local councils of social welfare, nongovernmental organizations and non-profit organizations
<p>Community involvement</p> <ul style="list-style-type: none"> Guidelines for coexisting with local communities have been created and are used, and good relations have been built with local communities 	<ul style="list-style-type: none"> ■ Formulate and utilize disaster recovery support standards △ Donations and charity activities (Furukawa Scholarship, expenses for community promotions, Red Cross, etc.) △ Maintain good community relations and have community exchanges <ul style="list-style-type: none"> Sponsor and participate in community festivals and events including summer festivals at plants Community cleanup activities Plant tours (receive plant visitors, internships) 	<ul style="list-style-type: none"> Maintain and expand exchanges with local communities Support the reconstruction of the Tohoku Region Devise and implement ongoing measures to support recovery from disasters Actively participate in community activities Through dialogue with stakeholders including local communities, identify expectations from society, the current level of meeting those expectations, and set targets
<p>Technological development and access to technologies</p> <ul style="list-style-type: none"> Explore the needs of society and cultivate the seeds to meet these needs based on unique technologies and unparalleled products to create new business and make contributions to society 		<ul style="list-style-type: none"> Strategy for "reinforce" and "explore" in the research and development division and business divisions

Corporate Governance

Targets and Results	P. 18
Corporate Governance	P. 19
Risk Management	P. 21

Targets and Results

Enterprise Blueprint for 2020 To meet the expectations of society	Details of current activities (■: Completed, △: Ongoing)	Future initiatives and targets
<p>Decision-making with accountability and transparency</p> <ul style="list-style-type: none"> Organizational decision-making is conducted appropriately based on internal regulations Business divisions carry out their operations using the PDCA cycle based on policies The process of decision-making takes into consideration social and environmental impacts 	<ul style="list-style-type: none"> △ System to develop internal regulations in the CSR implementation framework (Create internal rules → Apply to routine work) △ Operations address corporate governance (details of results below) <ul style="list-style-type: none"> Zeon Corporation's Basic Policy on Corporate Governance (Japanese Only) http://www.zeon.co.jp/content/200281514.pdf Corporate Governance Report (Japanese Only) http://www.zeon.co.jp/content/200323153.pdf 	<ol style="list-style-type: none"> Continue implementing our CSR promotion structure, and periodically revise its operations based on society's expectations
<p>Corporate governance</p> <ul style="list-style-type: none"> Corporate governance functions effectively and reasonably Many business processes are handled using key business systems designed based on internal regulations, and the overall framework creates a very low level of error in processes When risks to corporate governance arise, systems operate to appropriately address the risks under the proper authority 	<ul style="list-style-type: none"> △ Report corporate governance reports (status of system for ensuring appropriateness of business affairs) △ Develop work systems △ Conduct corporate governance activities to satisfy Japan's Corporate Governance Code 	<ol style="list-style-type: none"> Enhance level of internal control at Zeon Group companies
<p>Risk management</p> <ul style="list-style-type: none"> Established a global crisis management structure The Compliance Hotline is operated appropriately 	<ul style="list-style-type: none"> ■ Create a risk table and periodically revise it △ Evaluate risks using the risk table, and conduct the same across the Zeon Group (Japan/global) <ul style="list-style-type: none"> ■ Operate an internal reporting system ■ Continue sending out information and conducting legal education using the CSR Code of Conduct and compliance texts 	<ol style="list-style-type: none"> Evaluate the risk table and give guidance for improvements at divisions and Group companies, and horizontally implement successful cases Consider business risks broadly and manage them in view of demands and society's expectations.
<p>Business continuity</p> <ul style="list-style-type: none"> Independent business continuity management (BCM) activities (establishing a BCM system, periodically revising BCM through drills and other means, etc.) are conducted throughout the Zeon Group, and have become established and reinforced 	<ul style="list-style-type: none"> ■ Examine and establish business continuity management (BCM) ■ Create and periodically revise various business continuity plans (companywide BCP, division BCP, raw materials procurement BCP, etc.) 	<ol style="list-style-type: none"> Support for establishing an independent BCM structure through drills and other means (support so that individual organizations can create the situation of conducting the PDCA cycle for BCM by themselves)

Corporate Governance

Basic Policy on Corporate Governance

Zeon Corporation aims to increase profits and enhance corporate value on an ongoing basis while respecting and balancing the various interests of its shareholders and other diverse stakeholders. To this end, we are continuing efforts to establish a system that enables efficient and sound corporate management through corporate governance.

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

Basic Policy on Corporate Governance (Japanese only)

<http://www.zeon.co.jp/content/200281514.pdf>

Corporate Governance Report (Japanese only)

<http://www.zeon.co.jp/content/200323153.pdf>

The main components of our Corporate Governance System are summarized below.

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. In addition to its statutory duties, the role of the Board of Directors is to make important decisions about basic management policy, strategy, and other aspects of business execution. Currently, the Board of Directors consists of 11 directors, including three outside directors.

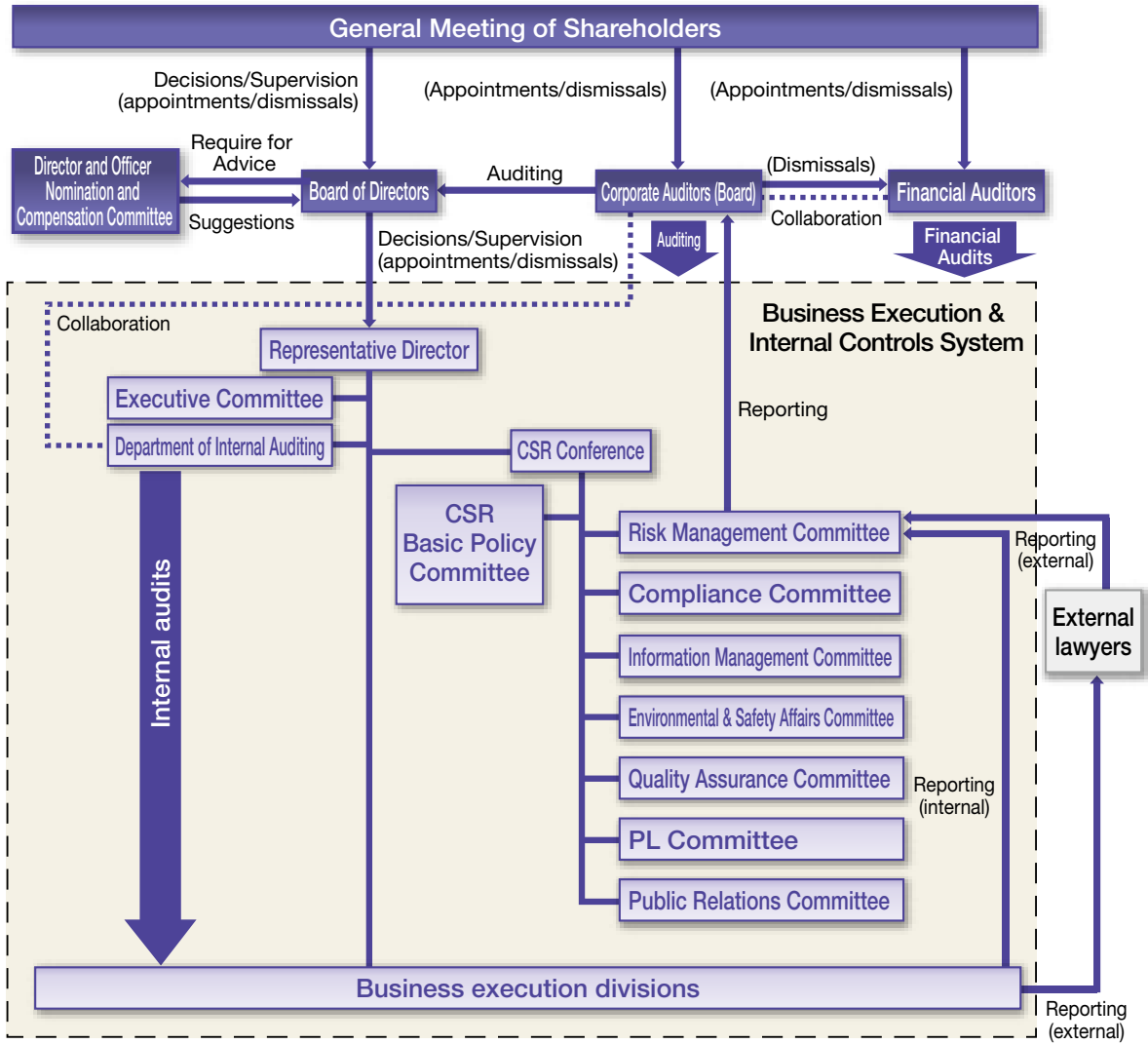
Executive Committee

The Executive Committee, in accordance with the Executive Committee Rules, comprises the President and executive officers ranked senior corporate officer and above, meets twice a month in principle to examine and make decisions on important business matters after due deliberation involving consultation with attending full-time corporate auditors. Important business matters stipulated in the Board of Director Rules 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 reports, discusses, and adopts resolutions on important business matters. In accordance with the auditing guidelines established by the Board of Corporate Auditors, each corporate auditor audits directors' execution of their duties through various means, such as attending Board of Directors meetings and monitoring business operations, including at subsidiaries' operations.

Corporate Governance System



Risk Management

Risk Management Framework

The Risk Management Committee leads Zeon's risk management. Activities to prevent law violations and to comply with laws and regulations are conducted under the Compliance Committee (For more information about the framework, see Compliance. [→ P. 54])

The Information Management Committee implements appropriate management of information, from the time when information is obtained until the time when it is deleted.

Risk Management and Compliance System



Risk Management Committee FY 2017 Results

- Handle incidents as they occur and take steps to prevent their recurrence
- Enhance risk and crisis control measures

Example: Based on business continuity plans (BCPs), hold comprehensive, companywide disaster drills that simulate a major earthquake

Internal Reporting System

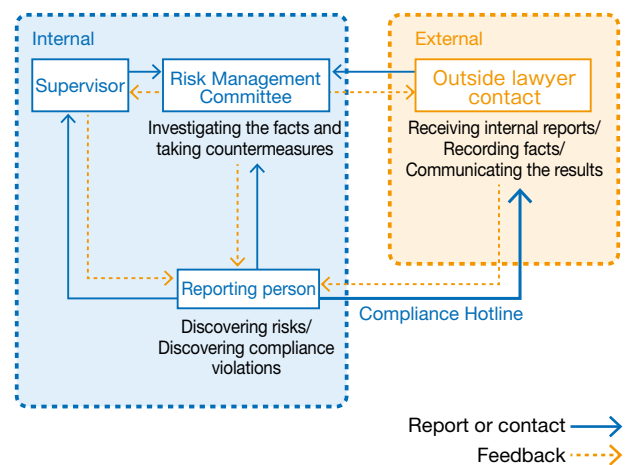
Zeon established its internal reporting system to quickly collect information on potential risks and facilitate their resolution. Per the rules on reporting risk-related information, reports can be made not only to one's supervisor or the Risk Management Committee directly, but also by calling the Compliance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

Internal reports: Cumulative total of eight incidents over the past nine years (FY 2009–FY 2017)

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.

*Zeon employees (including seconded employees), temporary employees, and executives of contractors that work at our worksites have the right to report matters of concern.

Internal Reporting Flowchart



Environment

Environmental Philosophy and Safety Philosophy	P. 22
Environmental and Safety Management	P. 24
Environmental and Safety Education	P. 26
Overview of Environmental Impacts	P. 28
Targets and Results	P. 29
Economic Indicators of Environmental Performance (Environmental Accounting)	P. 30
Greenhouse Gas Emission Reductions and Energy Conservation	P. 31
Chemical Substances Management	P. 32
Air, Water, and Waste Materials	P. 34
Chemical Product Safety Information	P. 35
Environmental Performance in Logistics	P. 36

Environmental Data for Zeon Worksites and Group Companies ▶▶▶ http://www.zeon.co.jp/csr_e/report.html

Environmental Philosophy and Safety Philosophy

Philosophy and Policy for Safety and Environmental Activities

Responsible Care: 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 cycle of such substances—from development and manufacture, through distribution and use, and ending in final consumption or disposal—based on the principles of independent decision-making and personal responsibility. These businesses publicly commit to Responsible Care in their business policies, implement HSE-related actions, and strive to improve their HSE performance.

At Zeon, we have practiced the Responsible Care philosophy as a member of the Japan Responsible Care Council (now the Japan Chemical Industry Association Responsible Care Committee) since its inception in 1995. In 1998, we established our own Responsible Care Policy to define our conduct guidelines based on the Responsible Care philosophy.

Environmental Philosophy

Established in 2001, our Environmental Philosophy guides our efforts to deliver products with consistent quality through safe and reliable production while reducing our environmental impacts.

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

A consistently safe work environment is the foundation of all production activities. We formulated our Safety Philosophy in 1997 to guide our safety activities.

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 (sort), Seiton (straighten), Seisou (scrub), Seiketsu (systematize), and Shitsuke (sustain)

Responsible Care Policy

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 ISO 14001, and an Occupational Health and Safety Management System.

Environmental and Safety Management

We have built Environmental and Safety Management Systems based on the Responsible Care philosophy, and our plants have obtained ISO 14001 certification. Our goal is to ensure the safety of all persons at our worksites and plants.

Overview of Environmental and Safety Management Systems

President's Annual Policy and Safety Management Improvement Master Plan

These documents are created by top management.

Annual Environment and Safety Policy

The Environmental and Safety Affairs Department General Manager creates this policy after the President's Annual Policy and the Safety Management Improvement Master Plan are released. The Annual Environment and Safety Policy is reviewed by the CSR Conference and finalized by the President.

Annual Worksite Manager's Policy and Annual Worksite Safety Management Improvement Master Plan

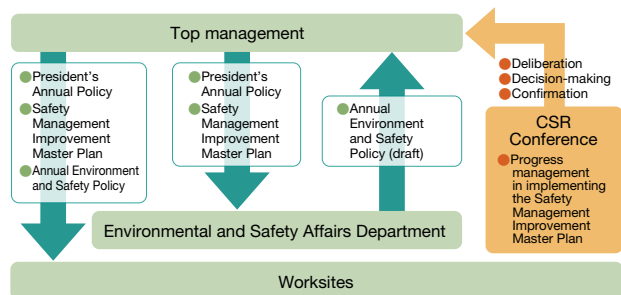
Worksite managers create these documents after the President's Annual Policy and the Safety Management Improvement Master Plan are released.

Annual Worksite Environmental and Safety (Responsible Care) Activities Plans

Worksite managers create the Activities Plans after the companywide Annual Environment and Safety Policy is released.

- **Progress Management**
- **Safety Management Improvement Master Plan:** Progress verified by the CSR Conference
- **Annual Worksite Safety Management Improvement Master Plan:** Progress verified by the worksite manager during worksite inspections
- **Annual Worksite Environmental and Safety Activities Plans:** Progress verified by the worksite manager during worksite inspections

Environmental and Safety Management Systems



- Draft the Annual Worksite Manager's Policy
- Draft the Annual Worksite Safety Management Improvement Master Plan and progress management
- Draft the Annual Worksite Environmental and Safety (Responsible Care) Activities Plans and progress management

Audits

Audits assess whether our management systems are functioning normally.

Worksite Responsible Care audits cover environmental and safety matters and are headed by the Environmental and Safety Affairs Department General Manager. These audits have two parts: the Responsible Care Audit and the Responsible Care Dialogue.

Responsible Care Audits

- Audits using specialized indicators to monitor the progress of Responsible Care activities.
- These audits also include auditing conducted for worksites that have Certified Completion and Process Safety Inspectors for High-Pressure gas.
- The progress of improvements in areas where audits uncovered such needs is verified using the Audit Findings Improvement Plan and Progress Report.

Responsible Care Dialogues

- A venue for worksite members and management to consider, discuss, and resolve worksite environmental and safety issues that are difficult to identify through audits.

Responsible Care Audits at Group Companies

Group Company Responsible Care Audits cover Group company Responsible Care activities and are headed by the Environmental and Safety Affairs Department General Manager. The progress of improvements in areas where audits uncovered such needs is verified using the Audit Findings Improvement Plan and Progress Report.

Internal Plant Audits

Internal plant audits are conducted at plants.

- Plant manager inspections: Inspections of the progress of Responsible Care implementation conducted by the plant manager (at least once/year)
- Environmental Management System (EMS) internal audits

Contents	Highlights	Zeon's CSR	Corporate Governance	Environment
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ISO 14001 certification

Site	Year certified
Takaoka Plant	1998
Kawasaki Plant	1999
Tokuyama Plant	1999
Mizushima Plant	1999

Site	Year certified
Zeon Kasei	2004 (Head Office including research laboratory)
Zeon Polymix	2004
Optes Hokuriku Plant	2005
Optes Sano Plant	2005
Tokyo Zairyo	2006
Zeon Chemicals Yonezawa	2006
Zeon North	2007

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Environmental and Safety Education

Systematic safety education

Environmental and safety education programs are implemented in accordance with the annual plan set by each worksite.

Company-wide environmental and safety education supervised by the Environmental & Safety Affairs Department is combined with worksite-specific environmental and safety education tailored to the specific needs of each individual worksite.

Training organized by the head office

Environmental and safety education supervised by the Environmental & Safety Affairs Department, which is conducted at company headquarters, is combined with environmental and safety education implemented at individual worksites. Through these educational activities, we strive to eliminate safety incidents and occupational accidents, minimize damage should an incident or accident occur, and maintain Zeon's status as an enterprise trusted by local communities.

Manager and supervisor education

Training for newly-appointed section managers

This training is implemented for newly-appointed manufacturing section managers, facilities management section managers, and environmental and safety section managers.

The content of the training includes safety activities based on Zeon's safety system, safety concerns and responsibilities that safety managers should be familiar with, environmental and safety related laws and environmental and safety related company regulations, an overview of the fundamental four laws, and the Safety Management System, etc.

Safety education provided by former plant managers

Education using accident case studies

Held since FY 2003, this education program aims to prevent the lessons of past accidents from fading from memory, to apply these lessons in work operations, to raise workers' awareness of safety, and to increase their sensitivity to potential risks.

Former plant managers give presentations to all plant employees. They cover specific examples of accidents at Zeon and other companies to communicate the grim consequences of such accidents, and provide instruction on how to analyze risk factors as well as countermeasures to prevent recurrences.

In FY 2017, the presentation of accident case studies focused on instructors' own actual experiences, adopting a format whereby the instructors provided participants directly with their own views on the lessons to be drawn from each incident, etc.



Education using accident case studies



Education using accident case studies

Environmental and safety education for new employees

Newly-recruited employees at Zeon headquarters

Presentation of case studies of occupational accidents that have occurred while newly-recruited employees were undertaking factory placements, emphasizing the importance of abiding strictly by the rules that have been established in each workplace.

Newly-recruited employees at individual worksites

Education in basic matters relating to environmental and safety issues.

Environmental and safety education and training activities organized by individual worksites

Safety and environmental legislation education

Each individual worksite implements environmental and safety education in accordance with the annual plan.

Training activities

Training is implemented in accordance with the annual plan. We strive to improve emergency response capabilities by identifying issues that arise following training implementation and using these to make systematic improvements.

- Comprehensive disaster response drills: These are held once or twice a year, and involve the implementation of disaster response training and evacuation training based on earthquake or tsunami scenarios
- Individual training: Training for the individual self-directed disaster response organization disaster response teams, and reporting training

Establishment of the “Safety Workshop”

A “Safety Workshop” has been established at the Mizushima Plant, at which employees can acquire practical experience in the various types of safety rules. Using the “Factory Safety Rules Understanding Verification Sheet” drawn up in accordance with the “Standards Governing Usage of the Mizushima Plant Safety Workshop,” activities are conducted to check employees’ level of understanding of safety rules; in addition, activities are held that make use of education based on the exhibits in the Safety Workshop to deepen understanding of factory rules among factory personnel (including the personnel of partner companies).



Display in the Safety Workshop showing how to use scaffolding

Adoption of hands-on safety education

The hands-on safety education program that was launched in FY 2014 at the Kawasaki Plant was expanded in FY 2015 to include the Tokuyama Plant, the Mizushima Plant and the Takaoka Plant, providing education for research facility staff, the staff of partner companies that perform work inside Zeon facilities on a long-term basis, and the employees of neighboring Zeon Group companies. The hands-on safety education provided in FY 2017 covered accidents in which employees are caught or trapped by machinery, electrostatic explosions and burns, shocks from residual pressure in couplers, accidents involving objects falling, and accidents involving loose or cut safety belts.

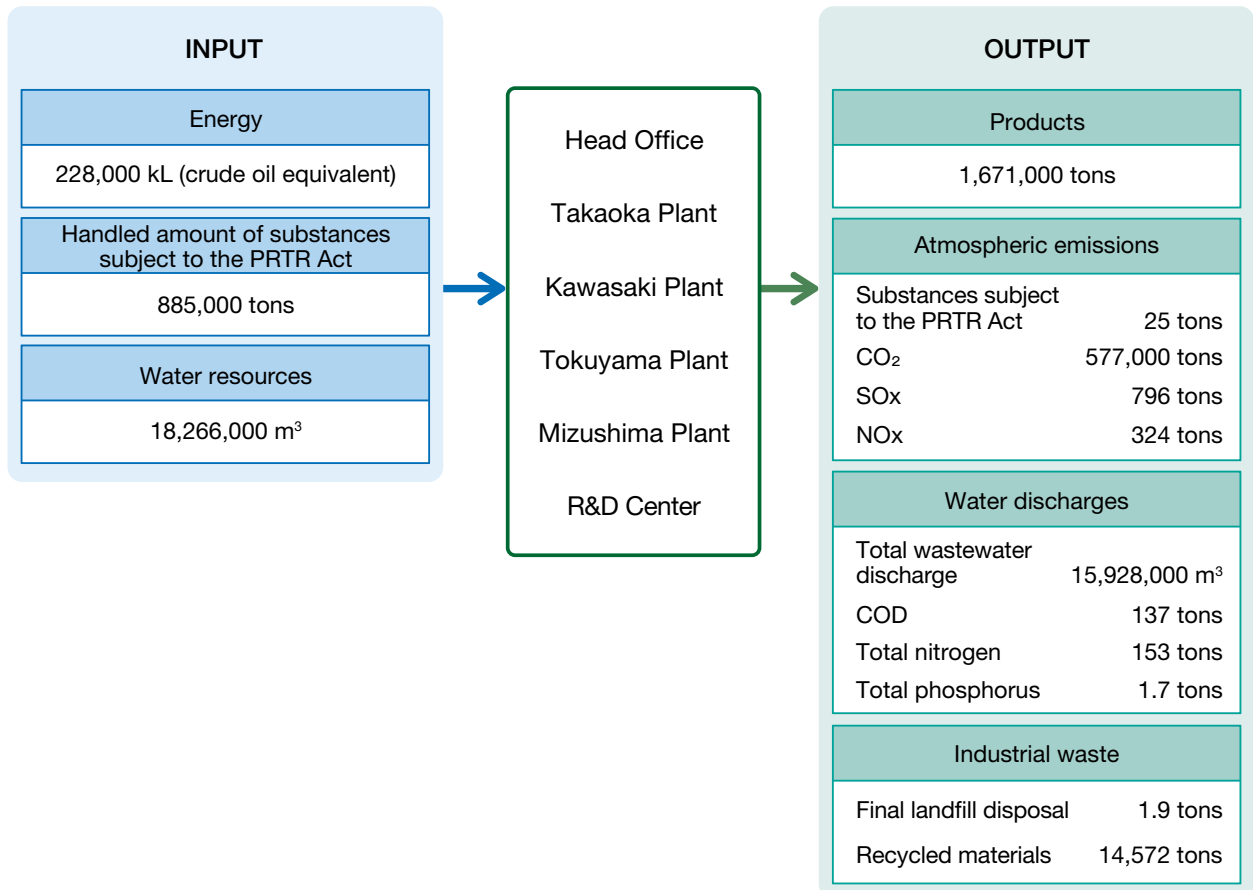
In the future, we will continue to implement this type of education systematically, including repeat education.



The hands-on safety education covering the dangers of getting caught in a roller

Overview of Environmental Impacts

We procure raw materials for chemical substances, and consume energy and water resources in the production and sales of our materials and chemical substance products. While emitting substances that impact water and atmospheric environments is unavoidable in product manufacturing, we are implementing an ongoing cycle of improvements to minimize these emissions.



Targets and Results

The targets and results of our environmental conservation initiatives as part of our Responsible Care activities are as follows.

Enterprise Blueprint for 2020 To meet the expectations of society	Details of current activities (■: Completed, △: Ongoing)	Future initiatives and targets
<p>Pollution prevention</p> <p>Climate change mitigation and adaptation</p> <ul style="list-style-type: none"> All plants receive public recognition for their environmental impact reductions Proactively enhance awareness and make further improvements in the areas of the environment and energy conservation through comprehensive education 	<p>△ Reduce emissions of hazardous substances, industrial waste, and impacts on atmospheric and water environments</p> <p>△ Improve energy conservation in Responsible Care audits, the Safety Management System, the Environment Management System based on ISO 14001, and the Energy Conservation Implementation Committee</p> <p>FY 2017 results</p> <ul style="list-style-type: none"> Zero environmental incidents Environmental impact reductions Per-unit energy consumption: +6% Per-unit CO₂ emissions: +11% 	<ol style="list-style-type: none"> Conduct environmental management using the multiple systems noted on the left Implement activities companywide to reduce environmental load Identify energy-saving measures and implement them on an ongoing basis Conduct risk assessments of hazardous chemical substances <p>Targets</p> <ul style="list-style-type: none"> Zero environmental irregularities Environmental impact reduction targets Per-unit energy consumption: -1% average per year Per-unit CO₂ emissions: -1% average per year
<p>Climate change mitigation and adaptation</p> <ul style="list-style-type: none"> Products with reduced environmental load continue to be developed and launched in the market 	<p>■ Develop S-SBR for fuel-efficient tire, low-temperature toners, ZEORORA® with zero ODP, and binders for lithium-ion batteries</p>	<ol style="list-style-type: none"> Research and development, manufacturing, and sales that address environmental issues faced by society

There were no environmental irregularities in FY 2017.

We are taking steps to continue reducing our per-unit energy consumption and per-unit CO₂ emissions by an average of 1% per year.

Economic Indicators of Environmental Performance (Environmental Accounting)

We began introducing environmental accounting into our operations in FY 2000 in accordance with the Guidelines for Introducing an Environmental Accounting System (Ver. 2000) published by Japan's Ministry of the Environment (MOE), and have released environmental accounting statements since the 2001 edition of the Responsible Care Activity Report. This CSR report presents key data from our environmental accounting statements in FY 2017 as recommended in the Environmental Accounting Guidelines 2005 (MOE), Environmental Accounting Guidelines for Chemical Companies (JCIA, 2003), and Environmental Conservation Cost Categories 2003 (MOE).

Scope: Zeon Corporation in Japan (Zeon Head Office, Takaoka Plant, Kawasaki Plant, Tokuyama Plant, Mizushima Plant, R&D Center);
 Period: April 1, 2017 to March 31, 2018

Environmental Conservation Costs

Environmental Conservation Expenses

We are developing technologies to minimize the environmental impact of our wastewater and reduce the amount of residual volatile substances in our products. We are focused in particular on developing technologies, designing equipment, and standardizing operating procedures to reduce emissions of butadiene and acrylonitrile, both hazardous 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.

Environmental conservation costs	FY 2017 (million JPY)	
	Investment amount	Expense
Category		
(1) Costs within the business area	372	2,464
Breakdown		
• Pollution prevention costs	223	1,705
• Global environmental protection costs	149	192
• Resource recycling costs	0	568
(2) Upstream and downstream costs	0	0
(3) Management costs	35	145
(4) R&D costs	58	1,617
(5) Social activities costs	0	39
(6) Environmental damage response costs	0	65
Total	466	4,330

Economic Effects

We strive to use oils and other byproducts from our production and manufacturing processes in economically effective ways such as converting them to fuel and recycling them, or by other means. We are also working to recycle the metal resources in empty drums and containers. To conserve energy, we recover heat generated in heat-intensive distillation processes.

Economic Effects Resulting from Environmental Conservation Measures

Effects	Unit: million JPY
Cost reductions from energy savings	10
Cost reductions from reducing emissions, recovery, and reuse of solvents and catalysts	2,287
Total	2,297

Environmental and Safety Investment

In addition to environmental investment related to facilities to prevent pollution and conserve energy and resources, we strive to improve safety through ongoing safety investment aimed at improving safety and eliminating hazards.

	Unit: million JPY
Environmental conservation	334
Safety related	2,359
Total	2,693

Environmental Conservation Outcomes

Environmental Conservation Outcomes (Physical Outcomes)

Environmental impact indicators	FY 2017 results	Compared to FY 2016
SOx emissions (tons)	796	+191
NOx emissions (tons)	324	+50
COD emissions (tons)	137	+18
CO ₂ emissions (tons)	576,817	+91,186
Industrial waste sent to landfills (tons)	1.9	+0.2
Total emissions of substances subject to the PRTR Act (tons)	25.2	-2.2

Greenhouse Gas Emission Reductions and Energy Conservation

Initiatives to Reduce Greenhouse Gas (CO₂) Emissions

By FY 2020, we aim to reduce CO₂ emissions from fuels defined in Japan's Act on the Rational Use of Energy ("Energy Conservation Act") to 80% of FY 1990 CO₂ emissions levels. We added CO₂ emissions reduction outcomes to the evaluation parameters of ZΣ* in FY 2010, and are working to reduce CO₂ emissions companywide.

In FY 2017, annual CO₂ emissions totaled approximately 576,000 tons, which exceeded the target.

*ZΣ:
Initiatives to improve our corporate soundness that require the full mobilization of Zeon Group capabilities. These initiatives used to be called "ZΣ Activities," but after evolving and becoming established, they are now simply referred to as "ZΣ."

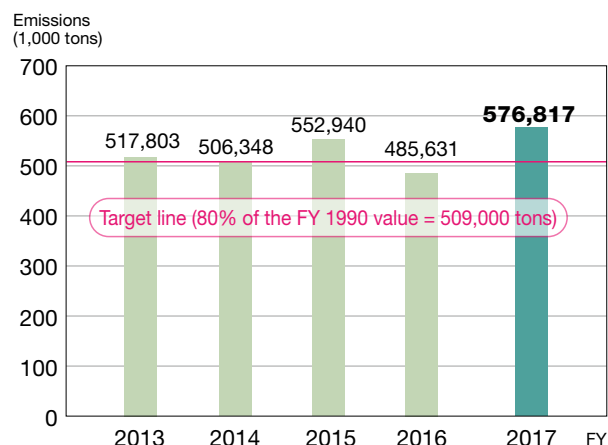
Initiatives to Conserve Energy

In FY 2017, we consumed energy equivalent to burning approximately 228,000 kiloliters of crude oil, or 64% of our FY 1990 baseline. We plan to improve our per-unit energy consumptions indicator* by an average of 1% per year going forward.

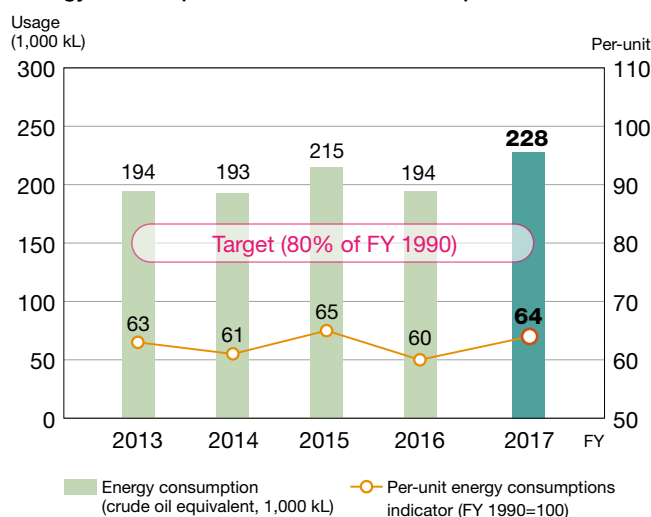
In FY 2009, we achieved the JCIA target (for FY 2008-2012) of per-unit energy consumptions indicator of 80% of the FY 1990 baseline, and have maintained this level through FY 2017. Since FY 2010, we have been implementing a plan to improve our average annual per-unit energy consumptions by 1% per year.

*Per-unit energy consumptions indicator:
Guideline for making energy-efficiency comparisons. Here, energy-efficiency comparisons use FY 1990 as the baseline. (FY 1990=100)

Change in CO₂ Emissions



Energy Consumption and Per-unit Consumptions Indicator

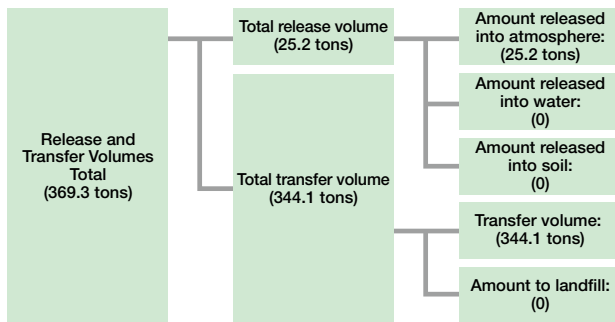


Chemical Substances Management

PRTR Initiatives Chemical Substances

We are implementing companywide initiatives to reduce release and transfer of substances subject to Japan's PRTR Act.

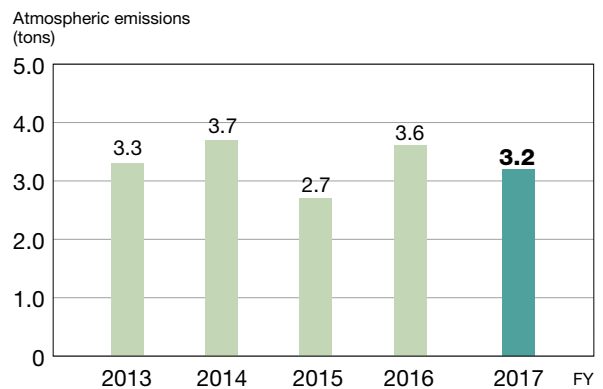
Release and Transfer Volumes of Substances Subject to the PRTR Act (FY 2017)



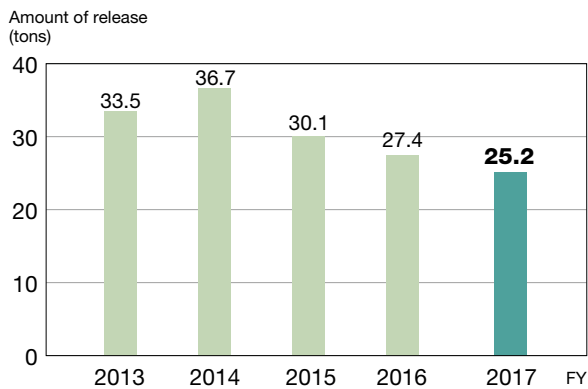
Atmospheric Emission Reductions of Hazardous

We are systematically reducing emissions of butadiene and acrylonitrile, which are among the substances requiring priority action under the Japan's Air Pollution Control Act.

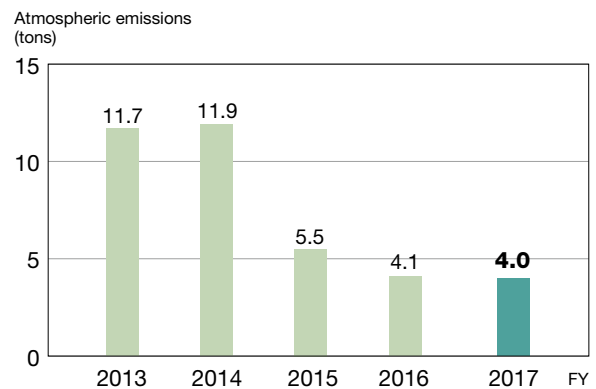
Butadiene Emissions



Release of Substances Subject to the PRTR Act



Acrylonitrile Emissions



Detailed Release and Transfer Volumes of Substances Subject to the PRTR Act (FY 2017, 4 plants + R&D Center)

Government designated no.	Substance	Handled amount (tons)	Released into atmosphere (tons)	Released into water (tons)	Total release volume (tons)	Transfer volume (tons)
2	Acrylamide	87.9	0.0	0.0		0.0
3	Ethyl acrylate	1,885	5.3	0.0	5.3	0.0
4	Acrylic acid and its water-soluble salts	58.6	0.0	0.0		0.0
6	2-Hydroxyethyl acrylate	24.0	0.0	0.0		0.0
7	n-Butyl acrylate	2,634	1.4	0.0	1.4	13.0
8	Methyl acrylate	17.3	0.3	0.0	0.3	0.0
9	Acrylonitrile	29,840	4.0	0.0	4.0	0.0
13	Acetonitrile	1.6	0.0	0.0		0.0
20	2-Aminoethanol (monoethanolamine)	6.6	0.0	0.0		0.0
28	Allyl alcohol	0.0	0.0	0.0		0.0
29	1-Allyloxy-2,3-epoxypropane	21.9	0.0	0.0		0.4
30	n-Alkylbenzenesulfonic acid and its salts (alkyl C=10-14)	1,364	0.0	0.0		0.0
36	Isoprene	167,537	2.4	0.0	2.4	0.1
53	Ethylbenzene	43.5	0.0	0.0	0.0	0.0
56	Ethylene oxide	860	0.0	0.0		0.0
59	Ethylenediamine	4.8	0.0	0.0		0.0
60	Ethylenediamine tetraacetic acid	17.0	0.0	0.0		0.0
65	Epichlorohydrin	0.0	0.0	0.0		0.0
68	1,2-Epoxypropane	30.2	0.0	0.0		0.0
80	Xylene	2,200	0.2	0.0	0.2	2.4
134	Vinyl acetate	162	0.1	0.0	0.1	0.0
190	Dicyclopentadiene	131,428	0.2	0.0	0.2	1.1
202	Divinylbenzene	6.0	0.0	0.0		0.0
203	Diphenylamine	4.8	0.0	0.0		0.0
207	2,6-Di-tert-butyl-4-cresol	308	3.8	0.0	3.8	0.0
218	Dimethylamine	0.3	0.0	0.0	0.0	0.0
220	Water-soluble salts of dimethyldithiocarbamic acid	20.9	0.0	0.0		0.0
230	N-(1,3-Dimethylbutyl)-N'-phenyl-p-phenylenediamine	41.0	0.0	0.0		0.0
232	N,N-dimethylformamide	150	0.0	0.0	0.0	1.5
240	Styrene	45,734	0.6	0.0	0.6	32.1
243	Dioxins	0.0	0.0	0.0		0.0
259	Tetraethylthiuram disulfide	14.2	0.0	0.0		0.0
274	Tert-dodecanethiol	939	0.0	0.0	0.0	2.1
277	Triethylamine	19.3	0.0	0.0		0.0
296	1,2,4-Trimethylbenzene	261	0.0	0.0		0.0
297	1,3,5-Trimethylbenzene	261	0.0	0.0		0.0
300	Toluene	3,198	0.1	0.0	0.1	133.5
302	Naphthalene	328	0.0	0.0		0.0
308	Nickel	65.9	0.1	0.0	0.1	57.7
309	Nickel compounds	84.9	0.0	0.0		84.9
333	Hydrazine	0.2	0.0	0.0		0.0
338	2-Vinylpyridine	78.7	0.0	0.0	0.0	0.0
349	Phenol	95.8	0.0	0.0	0.0	0.0
351	1,3-Butadiene	487,173	3.2	0.0	3.2	0.0
355	Bis (2-ethylhexyl) phthalate	114	0.0	0.0		0.0
392	n-Hexane	434	2.1	0.0	2.1	15.3
395	Water-soluble salts of peroxodisulfuric acid	137	0.0	0.0		0.0
400	Benzene	4,397	0.0	0.0	0.0	0.0
407	Polyoxyethylene alkyl ether	59.5	0.0	0.0		0.0
408	Polyoxyethylene octylphenyl ether	5.4	0.0	0.0		0.0
410	Polyoxyethylene nonylphenyl ether	14.3	0.0	0.0		0.0
411	Formaldehyde	0.0	0.0	0.0		0.0
414	Maleic anhydride	95.6	0.6	0.0	0.6	0.0
415	Methacrylic acid	2,283	0.9	0.0	0.9	0.0
417	2,3-Epoxypropyl methacrylate	6.9	0.0	0.0		0.0
420	Methyl methacrylate	394	0.0	0.0		0.0
436	α-Methylstyrene	227	0.0	0.0		0.0

The PRTR Act specifies amounts in kilograms to two significant figures; however, this report specifies amounts in tons. 0.0 indicates less than 0.005 tons. Dioxins are expressed in units of mg-TEQ.

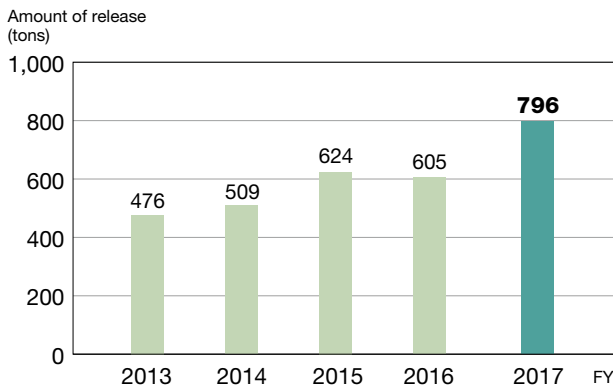
Air, Water, and Waste Materials

Initiatives to Prevent Air and Water Pollution

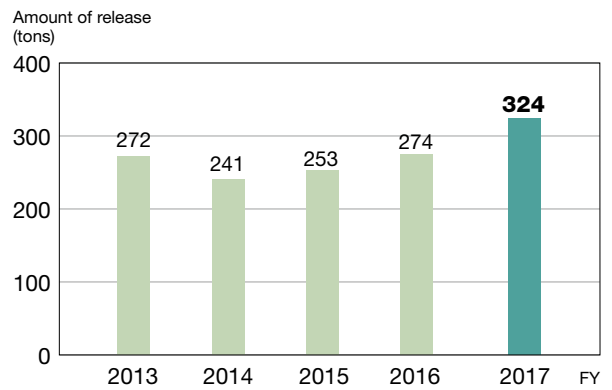
We are working to reduce emissions of air pollutants through the adoption of heavy oil with low sulfur (S) content and conversion to liquid natural gas (LNG).

The quality of our plant wastewater complies with the standards of the Water Pollution Prevention Act and agreements with local authorities (voluntary management standards).

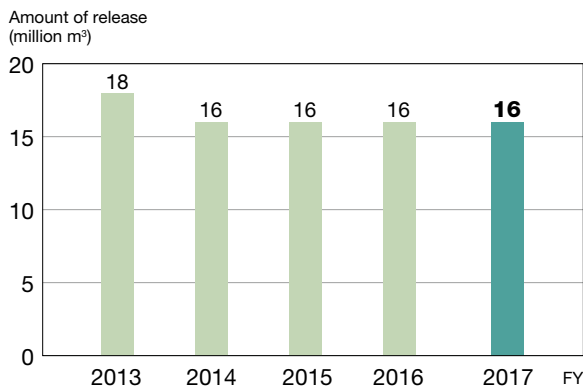
SOx Emissions



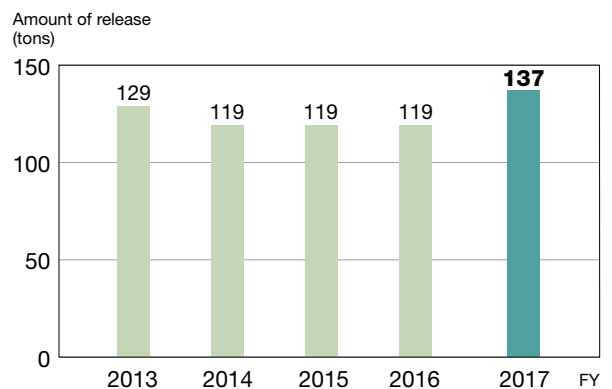
NOx Emissions



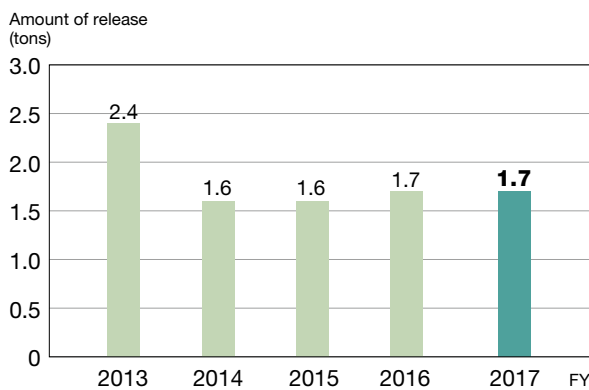
Total Wastewater Discharge



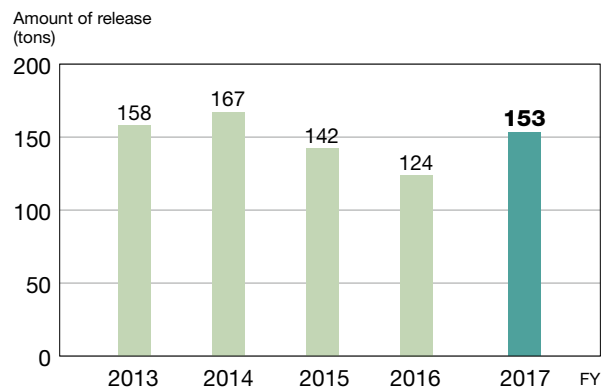
COD Discharge



Total Phosphorus Discharge



Total Nitrogen Discharge



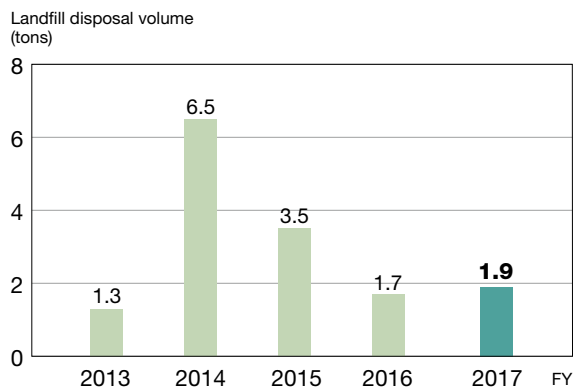
Waste Reductions

In terms of reducing the amount of industrial waste destined for final landfill disposal, Zeon Corporation worksites are maintaining a record of zero emissions (less than 0.1% of the industrial waste generated in FY 2007) since achieving this target in FY 2011.

Zeon Group companies had a final landfill volume of more than 600 tons in FY 2007, but since FY 2012 this has been reduced to around 10 tons, or roughly 0.4% of the industrial waste generated in FY 2007. This is considered zero emissions.

We aim to maintain a final landfill volume of 5 tons or less, the same as at Zeon Corporation worksites.

Final Industrial Waste Disposal at External Landfills



Chemical Product Safety Information

We collect and provide safety information on our chemical products. We also conduct hazard assessments.

Information for the Proper Handling of Chemical Products

We produce Safety Data Sheets (SDS) for all Zeon products. SDS provide information including GHS*1 classification results, product hazards, and cautions for handling, etc.

For some of our products, we disclose safety-related information in the form of safety abstracts, which are released on the GPS/JIPS*2 website (ICCA GPS Chemicals Portal Site).

*1 GHS
Globally Harmonized System of Classification and Labelling of Chemicals

*2 GPS/JIPS
Global Product Strategy / Japan Initiative of Product Stewardship. GPS is a new voluntary initiative related to the management of chemicals, promoted by the International Council of Chemical Associations (ICCA). In Japan, the Japan Chemical Industry Association (JCIA) promotes GPS under the IPS and encourages member companies to participate.

Participation in Voluntary Chemical Industry Initiatives

Zeon provides financial support for research activities by the LRI*3 involving chemical substance hazard reviews, safety evaluations, and environmental impact surveys. As a member of the Far East Section of the IISRP*4, Zeon also participates in investigations of environmental issues, reviews of countermeasures, and activities to implement them.

*3 LRI
Long-range Research Initiative: Activities to provide long-term support for research on the impact of chemical substances on health and the environment. A program under the auspices of the International Council of Chemical Associations (ICCA) that is carried out with funding from LRI member companies and in cooperation with the chemical industries of Japan, the United States and Europe (specifically, the Japan Chemical Industry Association, American Chemistry Council and European Chemical Industry Council).

*4 IISRP
International Institute of Synthetic Rubber Producers

Contents	Highlights	Zeon's CSR	Corporate Governance	Environment
Labor Practices	Fair Operating Practices	Consumer Issues	Human Rights	Community

Environmental Protection and Safety in Logistics

To more effectively use and recycle resources, we are promoting recovery and recycling of wood, resin, and metal pallets and containers used to transport various goods. We also use a large number of recycled resin transportation pallets.

Zeon has for some time now been working to promote the effective utilization of resources and implementing measures to reduce the environmental footprint of logistics operations, for example by reducing the weight of metal box pallets (by approximately 7%) and promoting the recovery of metal box pallets from overseas, as well as implementing flexible bag recovery.



Lightweight metal box pallet



Folded pallets after use

Compliance with the revised Energy Conservation Act

As a specified consigner under the revised Energy Conservation Act, we are working to rationalize the use of energy together with partner companies involved in product and raw materials transportation. To date, we have studied and implemented improvements in loading efficiency, modal shift to rail and ship transportation, and truck and ship fuel efficiency.

Safety Initiatives in Logistics

At Zeon, we established Yellow Card Management Rules for transporting hazardous products. These rules require drivers to carry a Yellow Card* when transporting such products.

We also conduct reporting and communication training for drivers, and each plant offers training on product handling to prevent accidents in logistics.

*Yellow Card
Document describing what to do if an accident occurs during transportation, as established by the Logistics Safety Management Policy of the Japan Chemical Industry Association. The document is called a Yellow Card because it is printed on yellow paper.

Contents	Highlights	Zeon's CSR	Corporate Governance	Environment
Labor Practices	Fair Operating Practices	Consumer Issues	Human Rights	Community

Labor Practices

Basic Approach and Initiatives	P. 37
Targets and Results	P. 38
Employment and diversity	P. 40
HR development	P. 42
Human Resources System	P. 45
Creating Working Environments	
That Protect Health	P. 47
Occupational Safety	P. 50
Safety and Accident Prevention	P. 51

Basic Approach and Initiatives

Aiming to ensure that Zeon is “A company of which each and every one of its employees can be proud”

In our CSR Code of Conduct, we stipulate respect for human rights and prohibit discrimination. We strive to be a company that understands and accepts diverse values, and where no person is discriminated against based on gender, age, nationality, or other attribute.

Based on this policy, we aim to enable every employee* to work with pride by cultivating employees able to continually evolve by pursuing high goals based on independent thinking, building a human resource system in which employees take on challenges without fear of failure and gain a sense of accomplishment, and creating a comfortable workplace environment that values dialogue.

*At Zeon, “employees” refers to all workers including full-time and part-time workers.



Targets and Results

We have set Enterprise Blueprint for 2020 targets in each area of activity and are conducting initiatives needed to achieve our goals.

Enterprise Blueprint for 2020 To meet the expectations of society	Details of current activities (■: Completed, △: Ongoing)	Future initiatives and targets
Employment <ul style="list-style-type: none"> Equal employment opportunities are ensured. (employment) 	<ul style="list-style-type: none"> △ Set a numerical target for women new graduate hires △ Hiring of non-Japanese employees (mid-career employees, exchange students) △ Expanding re-employment system for employees reaching the age of mandatory retirement <p>FY 2017 results No. of employees rehired after mandatory retirement: 17 (94.4%)</p>	<ol style="list-style-type: none"> Further expand employment not tied to gender, nationality, race, age, disability, or other attribute Build a supply chain CSR survey database of labor practices at business partners
Labor conditions and social protections <ul style="list-style-type: none"> Workplaces are re-energized by promoting diversity and the fair and equitable treatment of personnel (appointments) 	<ul style="list-style-type: none"> △ Appropriately implement HR systems △ Support for employee skills and career development △ Harassment prevention △ MD Committee activities by women members (including dialogue between senior managers and women employees) △ Implementation of employment for people with disabilities <p>FY 2017 results Percentage of employees with disabilities: 2.07%</p>	<ol style="list-style-type: none"> Promote diversity-oriented management <ul style="list-style-type: none"> Appoint more women employees to higher positions Appoint more employees who are non-Japanese nationals to higher positions Advance employment of older persons Create a systematic professional development system
Labor conditions and social protections <ul style="list-style-type: none"> Promote work-life balance (harmony between work and life) to enable people to work while also caring for children and/or sick families 	<ul style="list-style-type: none"> ■ Introduce flex-time systems ■ Develop a shortened work-hours system for childcare and family caregiving ■ Draft the general employer's action plan under the Act on Advancement of Measures to Support Raising Next-Generation Children and implement related notifications to acquire the Kurumin mark in Japan △ Childcare support systems (shortened working hours, overtime restrictions and exemptions, sick care leave, breast feeding time, etc.) △ Return-to-work program for employees taking childcare and caregiving leave △ Reduce long working hours △ Implement a work-from-home system on a trial basis 	<ol style="list-style-type: none"> Further pursue dynamic work styles (Promote taking annual paid vacation)
Occupational health and safety <ul style="list-style-type: none"> Policies for managing workplace health and safety and the health of employees have been strengthened, work hours are appropriately managed, and the number of people reporting physical and mental health issues is declining significantly. Rate of abnormal results in routine physical exams is at or below standard 	<ul style="list-style-type: none"> △ Include health management in top policy and take steps to maintain and improve the physical and mental health of employees <ul style="list-style-type: none"> Conduct mental health education and run a committee for determining returning to work ● Ensure labor hours management and prevent excessive work ● Encourage leaving work on time and taking of annual paid vacation ● Detect changes in health early through stress checks ● Provide guidance to prevent lifestyle diseases 	<ol style="list-style-type: none"> Promote improved physical and mental health for all employees, who are the source of the company's strength <ul style="list-style-type: none"> Enhance mental health education Implement company policies and create conditions for better health and well-being

Contents	Highlights	Zeon's CSR	Corporate Governance	Environment
Labor Practices	Fair Operating Practices	Consumer Issues	Human Rights	Community

Enterprise Blueprint for 2020 To meet the expectations of society	Details of current activities (■: Completed, △: Ongoing)	Future initiatives and targets
<p>Occupational health and safety</p> <ul style="list-style-type: none"> Increased trust in Zeon to protect local communities' safety and security by conducting emergency drills and other initiatives such as concluding disaster cooperation agreements All worksites have earned public trust by maintaining a safety record of zero incidents and accidents. 	<ul style="list-style-type: none"> △ Implement the Safety Management Improvement Master Plan △ Fully implement deterioration countermeasures and identify measures to prevent errors, and horizontally implement measures arising from cases of accidents at other companies and plants △ Eliminate safety incidents: Regularly conduct plant safety evaluations and audits △ Eliminate occupational accidents △ Improve safety in logistics △ Conduct comprehensive emergency-response drills and monthly drills by our self-defense emergency response teams ■ Conclude cooperation agreements with local governments (Cooperative Agreement for Disaster Prevention in Industrial Complexes) △ Participate in community disaster readiness activities <p>FY 2017 results</p> <ul style="list-style-type: none"> ● Plant safety evaluations conducted 100% ● Implement RC audits conducted (once/year or more for all 4 plants) ● Eliminate safety incidents: 2 safety incidents ● Eliminate occupational accidents: 2 occupational accidents resulting in lost work time ● Zero serious accidents without lost work time ● Improve safety in logistics: 0 accidents in logistics 	<p>To improve safety capabilities</p> <ol style="list-style-type: none"> Conduct four safety activities ("4R-KY") at all Group companies (supply chain development) Reinforce specified sources of hazards to prevent safety accidents Enhance dialogue activities on safety, the environment, and quality with regional companies <p>Targets</p> <ul style="list-style-type: none"> ● Plant safety evaluations conducted 100% ● Implement RC audits (once/year or more for all 4 plants) ● Eliminate safety incidents: 0 safety incidents ● Eliminate occupational accidents: 0 occupational accidents resulting in lost work time ● Zero serious accidents without lost work time ● Improve safety in logistics: 0 accidents in logistics ● Implement the above guidelines at Group companies
<p>HR development and training at workplaces</p> <ul style="list-style-type: none"> Have proactively enhanced awareness and made further improvements in the areas of health and safety through comprehensive education 	<ul style="list-style-type: none"> △ Provide training to enhance accident prevention awareness (4 plants, 1 Group company) (e.g., education using accident case studies, hands-on training) △ Promote the 5S's → 3S's 	<ol style="list-style-type: none"> Conduct safety education companywide (supply chain development) Implement the 3S's companywide (supply chain development)

Contents	Highlights	Zeon's CSR	Corporate Governance	Environment
Labor Practices	Fair Operating Practices	Consumer Issues	Human Rights	Community

Employment and diversity

Zeon Group respects diversity, and strives to be a company in which everyone in our diverse team of employees is able to fully demonstrate their capacities. Our employees today have a wide range of backgrounds and play an active role regardless of gender, age or nationality.

Basic Information

Basic Information on Zeon Corporation Employees

(non-consolidated, does not include non-permanent employees)

		Men	Women	Total
No. of employees		1,402	198	1,600
No. of new hires	Recent graduates* ¹	28	10	38
	Mid-career hires* ²	9	3	12
Average years of service		16.16	12.92	15.76

As of March 31, 2017 (excluding those who left the company as of the end of March)
Includes 20 non-Japanese employees (9 men and 11 women)

*1 Employees that joined the company in April 2017

*2 Mid-career hires that joined the company between April 2017 and March 2018

Hiring

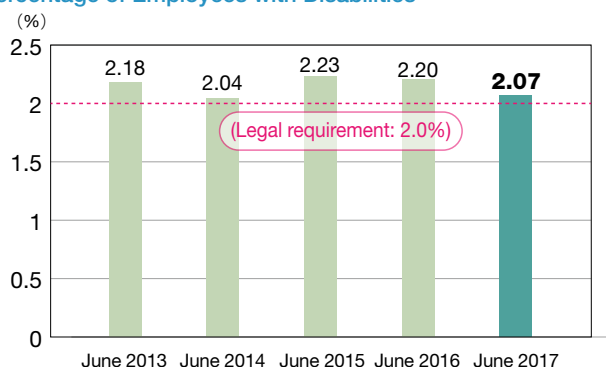
The Zeon Group hired 67 recent graduates of high schools, technical colleges and universities in FY 2018.

Employment of people with disabilities

In FY 2017, 2.07% of Zeon Corporation's employees were people with disabilities, about the statutory minimum of 2.0%.

We will continue to expand employment for people with disabilities while exercising the utmost care for safety, particularly at our laboratories and plants, which handle hazardous materials and use rotating and other industrial equipment to manufacture chemicals.

Percentage of Employees with Disabilities



Re-employment of employees who have reached mandatory retirement age

Zeon has adopted a re-employment system (the "Master System") that allows motivated and skilled employees who have reached mandatory retirement age to continue working. In FY 2017, 17 out of 18 employees (94.4%) who reached the mandatory age of retirement continued to work for the Zeon Group.

Advancement of women

Established in January 2009, the MD Committee has now been in operation for eight years. In FY 2017, the Committee, consisting of 58 female employees from across the company, promoted MD activities based on two "C's" (CSR and Cost reduction) and two "MD's" ("muda-dori" and "mudo-dukuri," or waste-cutting and atmosphere creation in English). In addition to waste-cutting proposals that can be directly measured in monetary terms, the Committee is also conducting initiatives to improve the work environment and facilitate communication, and is steadily promoting innovative activities in plants and other workplaces.

We have established targets to increase the number of female employees as part of our General Employer Action Plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace.

We position the advancement of women in the workplace as the first step in promoting diversity at Zeon. As such, we are developing a range of measures to enable women to continue working and advance their careers, including holding workshops and expanding the adoption of systems that offer flexible working styles.

Contents	Highlights	Zeon's CSR	Corporate Governance	Environment
Labor Practices	Fair Operating Practices	Consumer Issues	Human Rights	Community

Zeon Corporation' General Employer Action Plan (based on the Act on Promotion of Women's Participation and Advancement in the Workplace)

We have established the following action plan to create employment conditions that allow women to continue working and be promoted to managerial positions.

1. Plan implementation period April 1, 2018 to March 31, 2021
2. Zeon Corporation's issue We want to increase the number of female employees.
3. Goals and initiatives, and implementation time-frame

Target 1: Achieve 30% women hires among new graduate hires

Starting in FY 2018, we will be holding recruitment seminars that focus on women's work-styles.

Target 2: Conduct career plan workshops

Starting in FY 2018, we will be using career planning to strengthening women's motivation to develop their careers.

Target 3: Increase understanding for diversity management

Starting in FY 2018, we will be conducting an educational program for managerial level employees to promote understanding of diversity.

HR development

Encourage employees to continually evolve by pursuing high goals based on independent thinking

Basic Philosophy on Human Resources

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

Zeon's concept of "being the worker I want to be" embodies "people who continually evolve by pursuing high goals based on independent thinking." Personnel are encouraged to set goals to become the worker they want to be, and we are modifying our education and training systems to allow them to bridge the gap between the current reality and their goals and facilitate goal-driven actions on a daily basis. By fairly evaluating what employees have accomplished and rewarding them accordingly, we aim for them to set even higher goals. With every personnel continuing to improve and demonstrating this in actions, we can create an even more capable workforce across Zeon.

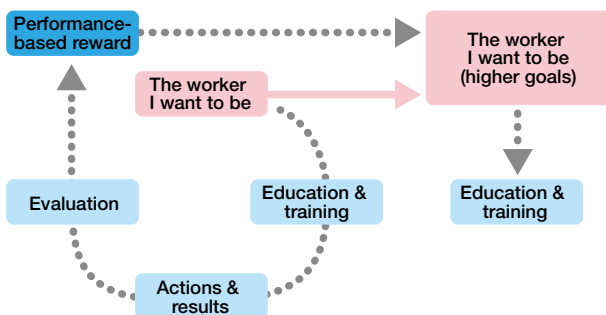
Education and Training Framework

Education and training at Zeon is broadly divided into core and specialized programs. The core program is for all employees, and focuses primarily on developing awareness of Zeon's management philosophy, building a cooperation-oriented attitude, and acquiring shared knowledge. We also provide specialized education to develop the work competencies needed in specific occupations company ranks, as well as on-the-job training conducted at worksites.



Management training

HR development at Zeon



Contents	Highlights	Zeon's CSR	Corporate Governance	Environment
Labor Practices	Fair Operating Practices	Consumer Issues	Human Rights	Community

Education & Training System

Rank	Leadership development and education	Rank-based education	Professional skills (all levels)	Self-improvement	Global talent education	Occupation-based specialized education	On-the-job training
Managers	Business leadership education	Managers	Information system, accounting, CSR, compliance, environmental safety, quality assurance, production	Online educational courses, and support for obtaining qualifications	Training staff for working abroad, TOEIC, studying abroad, MOT, MBA	Research, technology, clerical work, sales, planning and control, manufacturing, engineering	Transferring technical knowledge, partnering with off-site educational programs
		New managers					
Deputy managers		Deputy managers					
Mid-career staff		Mid-career staff					
Newly-recruited employees		Newly-recruited employees					

Zeon's Ippeki Training Facility

We opened the Ippeki Training Facility in 1981 to create a venue that allows employees to concentrate on their education and training, so as to improve their qualifications and skills. Employees come to the training site from our worksites throughout Japan for intensive education and training, and also form personal relationships over the course of staying at the site together with the instructors and other training participants.

Occupation-based Specialized Education-Manufacturing Duties (Production Operators)

We established the Monozukuri (Product Manufacturing) Training Center in 2009 as an educational facility for all manufacturing operatives; its goal is to develop human resources to support production innovations in pursuit of ensuring safe and reliable production activities. To cultivate operatives who understand and follow the rules and make improvements on their own, the Center has a simulated plant where trainees practice basic operations and basic processes in addition to acquiring foundational knowledge.

New employees take the beginner-level training program

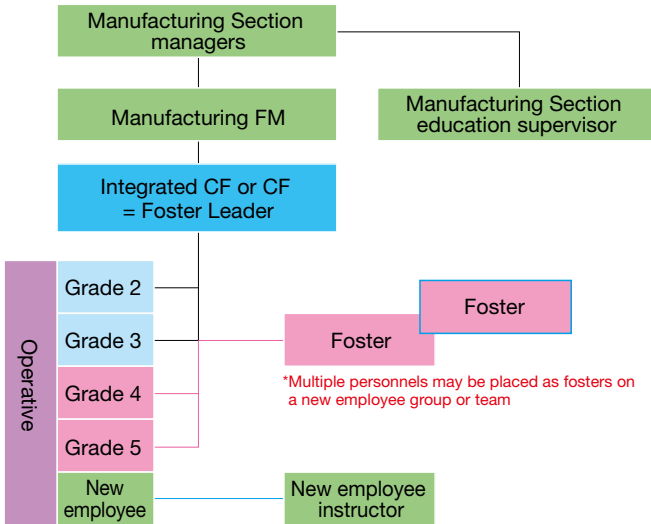
during their first to third years of employment. During the program, they stay in the company dormitory to foster friendships and build solidarity with their coworkers while keeping a regular schedule. The curriculum at the Monozukuri Training Center includes both a basic program, consisting of classroom lectures and tests, and a training program at our training plant. The training at the simulated plant teaches trainees how to operate, monitor, and stop machinery. The training sessions are repeated until trainees become well acquainted with basic operations (identifying and pointing out items to be checked, reporting, maintaining open communication, consulting supervisors, and detecting hazards) and basic processes (such as work safety procedures common to all worksites). Trainees also have opportunities to learn the reasons why operations are done the way they are. Tests are given the day after classroom lectures so that trainees can review what they learned the previous day. One trainee is selected to help administer the curriculum in a leadership position. This training system aims to accomplish several objectives at the same time, namely skills acquisition, developing independent thinking, and building leadership skills and a spirit of cooperation. Various means are employed to ensure that trainees take the training program seriously, such as issuing yellow cards to trainees who do not follow company rules.

Contents	Highlights	Zeon's CSR	Corporate Governance	Environment
Labor Practices	Fair Operating Practices	Consumer Issues	Human Rights	Community

We have also introduced the “Foster” system, in which trainers (“Fosters”) separated from the new employee instructors engage in training individual new employees for the purpose of making product manufacturing training a routine aspect of worksites. While we expect manufacturing operatives to work on their own personal development,

we have introduced the “Foster” system to create an HR development framework in which all worksite employees, including senior staff members and supervisors, participate in HR development. Another purpose of the program is for “Fosters” to achieve personal growth through instructing junior employees.

Manufacturing Section Foster System Framework and Definitions of Roles



What is a “Foster”?

We **foster** talent that can do work.

We foster talent that can do work.

➔ Performing the role of training group members.

Foster Leader (Integrated CF or CF)

Person responsible for integrated management of developing the proficiency of group members

Foster

Person providing and tailoring on-the-job and off-the-job instruction according to the proficiency level management documentation

New employee instructor

Person responsible for developing and instructing new employees in their first year of employment until they can perform their duties independently

Human Resources System

A Human Resources System in Which Employees Take on Challenges and Gain a Sense of Accomplishment

At Zeon Corporation, we believe that our competitiveness derives from the sum total of the capabilities of our individual employees. We strive to create a human resources system that provides employees with a sense of accomplishment by giving them opportunities to challenge themselves to achieve ambitious goals within the shared goals of the organization and to have their performance reflected fairly in their pay and employment conditions.



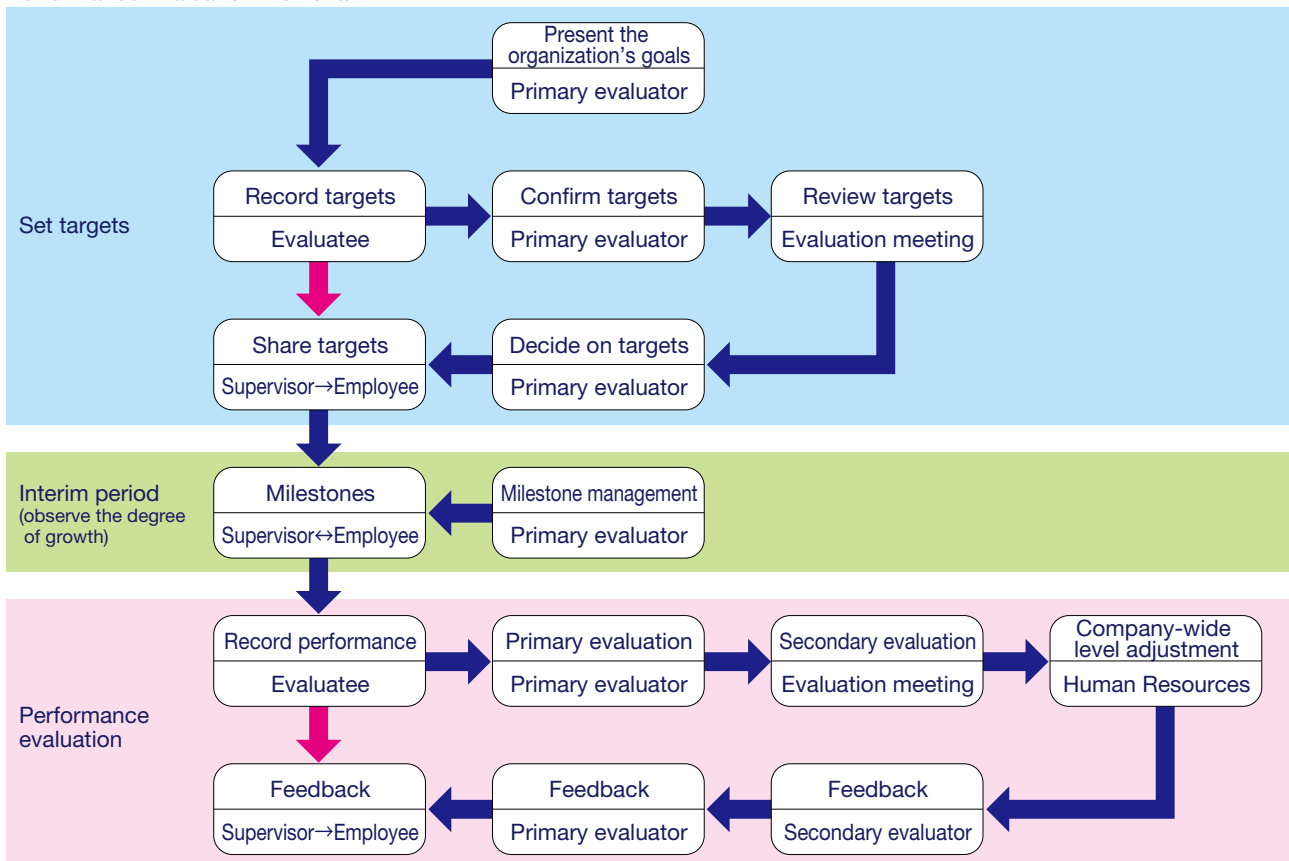
Performance Evaluation System

Recognizing that a perfect score is impossible in a personal performance evaluation system where people rate each other, we are providing training to all evaluators and evaluated personnel to maintain and improve their evaluation competency.

At Zeon Corporation, we have placed priority on gaining understanding and acceptance for evaluation results. Expectations, required work and performance targets are made clear to all employees at the beginning of the evaluation term, and are shared among superiors and subordinates. At the end of the evaluation term, we perform fair evaluations of work and performance (i.e. contribution to the organization) with the aim of shaping a corporate culture filled with a sense of accomplishment and aspiration (i.e. a spirit of challenge and creative motivation).

We will continue our efforts to create an open and fair performance evaluation system that encourages employees to realize more creative work with added value and that distributes opportunities and rewards in a fair manner.

Performance Evaluation Flowchart



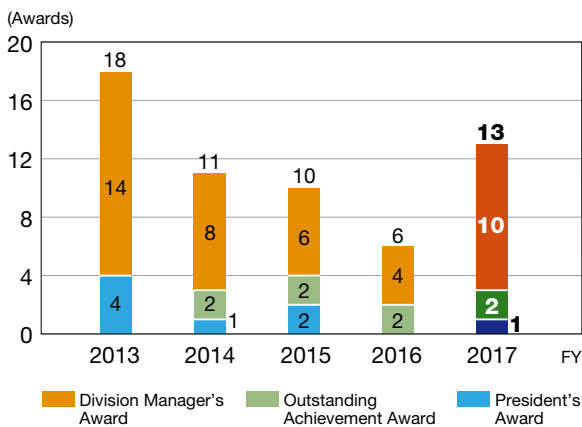
Performance-linked Bonus System

Since 2000, Zeon Corporation has adopted a bonus system that is linked to performance. The bonus is determined based on three types of performance: company-wide, division, and individual performance. As with the performance evaluation system, we view bonuses as a means of giving employees a sense of accomplishment by reflecting their performance fairly in their compensation when they challenge themselves to achieve ambitious goals individually, as a team, and as an organization.

Award System (Zeon Challenge Award)

Our awards programs include the Employee of the Month award, the winners of which are selected by division managers each month, and the annual Zeon Challenge Award (President's Award), for which individual employees and divisions define a specific challenge at the start of the year and are judged on their progress toward meeting that challenge. The Zeon Challenge Award presentation ceremony is broadcast to all sites via videoconferencing system to allow as many people as possible to participate each year. High-performing departments and individuals who narrowly miss receiving the Zeon Challenge Award are eligible, based on their accomplishments, for the Outstanding Achievement Award from the President and Division Manager's Award from the division manager.

Number of Annual Awards



Zeon Master System (Re-employment System)

Zeon has adopted a Group-wide re-employment system (the "Master System") that allows motivated and skilled employees who have reached mandatory retirement age to continue working. As a term of respect, we refer to these re-employed employees as "(Zeon) Master employees." Master employees are given the opportunity to continue working in order to pass on their skills and train successors.

Retirement Package System

Zeon Corporation provides retirement packages and defined-contribution (DC) pensions. The retirement package takes into account the last 10 years of performance evaluations before mandatory retirement and reflects the results in a lump-sum payment upon retirement, with the expectation that employees will remain motivated and feel a sense of accomplishment right up until mandatory retirement. The defined-contribution (DC) pension system includes contributions from the company that can be matched by employee contributions, and is one means of accumulating assets for after retirement.

Compensation System for Invention Patents

We are continuously working to create new technologies based on our Basic R&D Philosophy: Contribute to society by creating world-leading businesses through developing unique technologies in the specific fields in which Zeon excels.

We strive to expand our intellectual property rights using the patent first* principle, not only to protect (based on full respect for others' rights) the technologies we have created ourselves, but also to contribute to industry growth.

In addition to the incentives awarded to the inventor of an invention made in the course of work when the patent application is filed and when the patent is registered, we have also adopted a system to award outstanding invention incentives and performance incentives.

*Patent first
At Zeon, we define this as filing patent applications before developing and announcing products and providing samples. In other words, we conduct product development after first considering possibilities for filing patents.

Creating Working Environments That Protect Health

A Comfortable Working Environment That Values Dialogue

Approach to Building Working Environments

Guided by the principles of motivation, reliability, achievement, stability and safety, and security, we are pursuing flexible work options premised on regulatory compliance and giving special importance to CSR. We continue to work to build more inclusive and supportive working environments from five perspectives: supporting flexible work styles for work-life balance, enhancing working environments, encouraging dialog, improving health, and supporting self-reliance.



Systems and Initiatives to Realize More Inclusive and Supportive Working Environments

We are implementing ongoing initiatives to build more inclusive and supportive working environments. These include reducing overtime work and developing systems for flexible work options and to support childbirth, childcare, and family care needs.

Systems and Initiatives

Flexible work styles	Flex-time system, a discretionary work hours scheme for specialist and project-based work, encouraging the taking of special leave, half-day holidays, instituted days with no overtime, self-improvement activities, training for managerial and supervisory staff, surveys of actual conditions, instruction forms for overtime work, labor-management committee operations, labor-management patrols	
Support for combining work and childcare	Maternity leave before and after birth, childcare / caregiver leave system, leave to attend childbirth (for expecting fathers), leave to care for sick children, half-day leave (applicable to childcare and caregiving), shortened working hours system, limits on overtime work, exemption from late-night work, breastfeeding time, childcare / caregiver leave financial support system, childbirth cash payments	
Health and welfare	Asset accumulation	Employee savings scheme (incentives for retirement savings), employee stock ownership scheme (with financial incentives), defined-contribution (DC) pensions, matching contributions system
	Housing assistance	Housing assistance system (dormitory accommodation and company housing, rent subsidy system, home ownership allowance, home rental for transferred employees)
	Marriage	Marriage cash payments, honeymoon leave, spousal allowance
	Childbirth	Childbirth cash payments, maternity leave, dependents and tuition allowances
	Holidays and business shutdowns	Carryover of accrued vacation time, "My Life" holidays (on reaching the age of 50), "Refresh" holidays (Master employees), public-service leave (for jury duty)
	Recreation and training facilities	Hakone Gora Facility, Izu Ippeki Training Facility
	Loans and self-help	Bereavement condolence payments, bereavement leave, study loans, disaster assistance, group medical insurance, compensation for absences from work (Zeon health insurance cooperative association), optional group insurance, group life insurance, etc.

Support for Combining Work and Childcare

At present, 100% of female employees who give birth take childcare leave. Among male employees, one or two employees took childcare leave each year over the period from FY 2014 to FY 2016. In addition, many employees have used our system of shortened working hours to allow them to combine working and raising children.

General Employer Action Plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children

Based on Japan's Act on Advancement of Measures to Support Raising Next-Generation Children, we have drawn up a General Employer Action Plan, and we report our activities to the relevant authorities.

In FY2014, we achieved our targets within the plan implementation period and received the Kurumin Mark from the Minister of Health, Labour and Welfare, which is awarded to companies that provide support for child-rearing.

The current Action Plan is as follows.

Zeon Corporation's General Employer Action Plan

In order to more fully promote the establishment of an environment where each and every employee can display their abilities to the fullest, we have formulated the following Action Plan, as we believe that it is important to create an atmosphere and a workplace environment that facilitates the combining of work and childcare.

1. Plan implementation period:
The four-year period from April 1, 2018 to March 31, 2021

2. Details

Objective 1: We will promote the creation of an environment that facilitates the use of compatibility support.

Action: From April 2018 onwards, we will hold presentations etc. regarding how to use the system, and will promote understanding of the system.

Objective 2: We will put in place a consultation system in relation to compatibility support and work styles.

Action: From April 2018 onwards, we will implement a survey to determine key requirements
From September 2018 onwards, we will establish the consultation system and implement related education

Objective 3: We will adopt measures that contribute to the adoption of flexible work styles.

Action: From April 2018 onwards, we will evaluate the potential for adopting a work-from-home system.

End

Support for Combining Work and Family Care

Labor and management at Zeon work together to achieve a balance between work and family responsibilities for employees with family members requiring in-home care; we have set up a consultation desk to support such employees.

Improving Working Environments, Encouraging Dialog, and Supporting Self-reliance

Our focus is on encouraging dialog (communication) to create an atmosphere in which all employees display sensitivity to each other based on shared awareness, and in so doing enhance our worksite capabilities.

We consider communication, not only between managers and employees, but also within the workplace and between workplaces, to be the foundation of all corporate activity.

Through communication, we aim to remove barriers between organizations, unify our direction, and help employees to feel satisfaction and pride in their work.

Labor Agreements and Communication between Labor and Management

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 good partners

Zeon Corporation and its labor union have concluded a labor agreement for the purposes of maintaining peaceful relations between the two parties and cooperating for the healthy growth of the company and to maintain and improve working conditions for union members. This agreement stipulates rules for union activities, labor-management negotiations, and complaint processing, as well as working conditions such as wages and job hours.

We have also issued the Joint Declaration by Labor and Management Aimed at the Growth of the Company, based on the common understanding that both the company and the labor union must cooperate and actively strive to mobilize the abilities of everyone in Zeon Group to achieve initiatives for company growth.

Numerous opportunities for exchanging opinions have been set up, including consultations between labor and management, RC dialog, and joint labor-management patrols, as well as round-table meetings, which are now a permanent part of the labor-management dialog. Consultations between labor and management provide ample opportunity for forthright discussion. Both sides participate with a forward-looking attitude and a spirit of friendly rivalry based on mutual trust.

Going forward, we intend to actively provide opportunities for dialog with the labor union and to implement various policies to make 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.

Contents	Highlights	Zeon's CSR	Corporate Governance	Environment
Labor Practices	Fair Operating Practices	Consumer Issues	Human Rights	Community

Dialog with Management

Opportunities for active engagement with management are available in the form of policy briefings and other venues, in which management members up to and including the President visit worksites to provide explanations and talk with employees.

Submitting Complaints

Zeon's labor agreement includes rules for making official complaints.

We have established rules for preventing sexual harassment, which is conduct subject to disciplinary action under our employment regulations, and we have set up a consultation desk specifically for resolving sexual harassment-related complaints.

We also conduct an educational program on the prevention of harassment for all staff as part of our diversity training.

Health Management Initiatives

Adopting an approach that takes individual physical and mental health as the foundation for health management, we take steps to maintain and improve the physical and mental health of employees.

In addition to healthcare guidance provided by nurses, we also provide statutory medical examinations as well as detailed medical examinations by industrial physicians. We are also working in collaboration with a health insurance cooperative association to prevent employee's health conditions from becoming serious illnesses.

In regard to mental health, besides providing mental health education, several worksites have implemented stress checks since FY 2016 to assist employees in better understanding the physical and mental effects of stress. We have also set up an educational system using self-care and e-learning courses to encourage employees to check their stress levels at any time, not just at the time when company stress checks are conducted. In addition, we have assigned psychiatrists and psychotherapists to support our industrial physicians.

Performing environmental measurements on chemical concentrations, dust concentrations, noise levels, and other conditions in work areas at our plants also helps us to make improvements to workplace environments.

Starting in FY 2016, we have been making available an ICT-based health and prevention information service. The service allows employees to check their medical data from a computer or smartphone at any time from anywhere; the service also provides health information tailored to the person's health data. We are also participating in health-promotion events to encourage employees to take an active interest in their health through the ICT-based health and prevention information service.

Occupational Safety

Initiatives to Prevent Occupational Accidents and Protect the Safety and Health of All Plant Workers

We emphasize communication between worksite managers and workers to enhance worksite capabilities, with the goal of creating safe, stable production systems. We focus on 5S safety inspections*¹, hazard detection*² activities, and identifying near-miss incidents*³, as well as hands-on safety training.

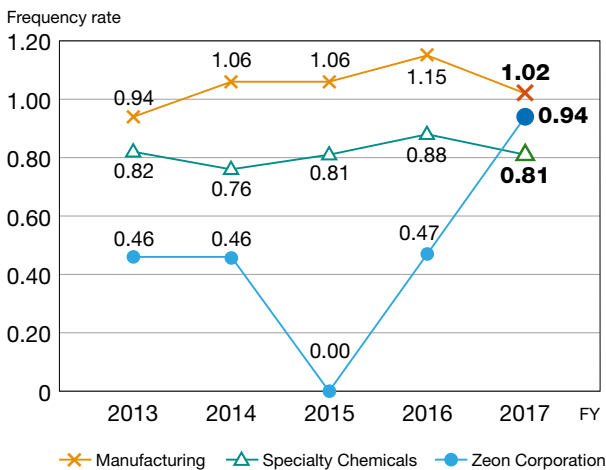
*1 5S safety inspections
Inspections that evaluate operations where safety is an integral part of maintaining the 5Ss (Sort, Straighten, Scrub, Systematize, Sustain), and that are designed to enhance visualization of safety-related issues at worksites and address hazards.

*2 Hazard detection ("Kiken Yochi" [KY] activities)
Actions taken by workers to analyze and understand unsafe conditions with the aim of recognizing activities that would place them in danger.

*3 Near-miss incidents
Events or phenomena that have the potential to result in an accident

Record of Occupational Accidents

Lost Work Time Accident Rate* (Zeon Corporation)



*Lost work time accident rate
A safety indicator of the frequency of occupational accidents, calculated using the following formula.
Frequency of lost work time accidents = Number of workers who experienced a lost work time accident / Total working hours × 1,000,000 hours

5S Safety Inspections

5S safety inspections assess operations where safety is critical to maintaining the 5Ss (Sort, Straighten, Scrub, Systematize, Sustain).

In FY 2017, we conducted 5S safety inspections on two occasions. Environment and Safety officers from all plants participate in the inspections so that they can learn about 5S activities at other plants and develop them at their own plant.

The Environmental and Safety Affairs Department conducted Group company inspections at 10 worksites.

Hazard Detection (Kiken Yochi) Activities

4R-KY (four-round kiken yochi) activities

4R-KY is a hazard detection method where employees analyze and understand their work tasks before starting them, to avoid placing themselves in danger. The process is carried out in four separate rounds.

KY trainers assigned to each workplace lead these activities.

Identifying Near-miss Incidents

Near-miss incidents are events that have the potential to result in a major accident, injury or loss. The concept of near-miss incidents comes from Heinrich's Law: In a workplace, for every accident that causes a major injury, there are 29 accidents that cause minor injuries and 300 accidents that cause no injuries (near misses). By collecting and sharing data on potentially serious near-miss incidents, we will strive to prevent the occurrence of major accidents.

Safety and Accident Prevention

Dialog between Management and Plants

To monitor progress on priority issues, senior managers at Zeon visit plants on a regular basis to conduct inspections, hold informational meetings with workers, and brief workers on annual policies. They also visit plants on other occasions to communicate directly with plant workers, who are on the front-line of the company's operations. Senior managers visited plants on 64 days in FY 2017.

Safety Management Efforts Led by Top Management

Each year, top management develops the Safety Management Improvement Master Plan and leads initiatives to improve our Safety Management System based on the belief that ensuring safety is the highest priority.

We are carrying out the priority initiatives on an ongoing basis using the following simple guidelines.

1. Reliable operation of equipment and systems to prevent errors ("Never rely on 'maybe' or 'should'")
2. Plant degradation countermeasures and fail-safe measures* ("Good judgement saves money")
3. Review of past accidents and recurrence prevention ("Never rely on 'maybe' or 'should'")
4. Review of standards ("Always follow the rules. Change rules that cannot be followed.")

*Fail-safe measures
Modifications to equipment or processes and other measures to prevent accidents that would otherwise result from human error, such as mistakes made by new employees and others lacking in knowledge or experience, or careless mistakes made by experienced employees.

Safety Inspector Certification at All Sites

Certified Safety Inspector*¹

Obtained by all plants (Takaoka Plant, Kawasaki Plant, Tokuyama Plant, and Mizushima Plant)

Certified Completion and Process Safety Inspector*²

Obtained by Kawasaki Plant, Mizushima Plant, and Tokuyama Plant

The certification renewal process includes reviews of safety inspection and completion inspection methods as well as inspection management, and verification that our Safety Management System meets the regulatory requirements defined in Japan's High Pressure Gas Safety Act and that these systems are operating properly.

To more reliably ensure safety at all plants, we employ our Safety Management System, identify the sources of hazards, and implement measures to mitigate risks at all of our plants.

*1 Certified Safety Inspector

Certification granted by Japan's Minister of Economy, Trade and Industry based on the High Pressure Gas Safety Act to allow qualified individuals to perform safety inspections to determine whether specified facilities comply with technical standards, either while the equipment is running or while it is stopped.

*2 Certified Completion and Process Safety Inspector

Certification granted by Japan's Minister of Economy, Trade and Industry based on the High Pressure Gas Safety Act to allow qualified individuals to perform completion inspections to determine whether manufacturing facilities or Class 1 storage facilities that have undergone specific modifications comply with technical standards.

Certification Status

Plant	Obtained Certified Safety Inspector status	Obtained Certified Completion and Process Safety Inspector status
Takaoka Plant	2000 (renewed in 2015)	—
Kawasaki Plant	1998 (renewed in 2017)	2008 (renewed in 2017)
Tokuyama Plant	2007 (renewed in 2016)	2012 (renewed in 2016)
Mizushima Plant	2006 (renewed in 2016)	2006 (renewed in 2016)

Improving Plant Safety

We conduct Plant Safety Evaluations and Plant Safety Inspections to further raise the level of safety at plants and prevent serious accidents and injuries from occurring.

Plant Safety Evaluations

We verify plant safety at the design stage when commissioning a new plant or upgrading an existing one.

Plant Safety Inspections

For existing plants, while inspecting work areas, we ensure that all sources of danger have been identified and review past decisions regarding the need for safety measures.

Contents	Highlights	Zeon's CSR	Corporate Governance	Environment
Labor Practices	Fair Operating Practices	Consumer Issues	Human Rights	Community

Occurrences of Accidents and Injuries

FY 2017: Safety incidents*²
 (High-pressure gas leak: 1;
 Hazardous substance leak: 1)

Although these incidents did not result in injury to humans, damage to equipment, or impacts on the environment, we set up an accident investigation board for each incident. The boards have investigated the direct and indirect causes of the incidents, and are developing countermeasures to prevent recurrence.

*Safety incidents
 Defined in company regulations as the occurrence of a fire, explosion, leak, damage, failure, runaway reaction, or similar event. Even if there has been no actual occurrence, the possibility of such an event if actions had been delayed and the observation of signs that could be deemed to indicate the potential for such an event are also defined as safety incidents.

Disaster Preparedness Training

Worksites conduct disaster-response drills each year based on various hypothetical scenarios. The drills include reporting and contracting simulations, first-aid treatment, and rescue and firefighting activities. We conduct full-scale disaster-response drills jointly with local firefighting agencies when possible.

These drills allow us to verify that our standards are adequate, and to verify the operability of emergency equipment (e.g. fire trucks, fire hydrants, broadcasting equipment, etc.). When we encounter problems, we take steps to quickly resolve them, so as to maintain the highest level of disaster-response preparedness.

Fair Operating Practices

Targets and Results	P. 53
Compliance	P. 54
CSR Procurement	P. 55
Fair and Appropriate Information Disclosure	P. 56

Targets and Results

Enterprise Blueprint for 2020 To meet the expectations of society	Details of current activities (■: Completed, △: Ongoing)	Future initiatives and targets
<p>Fair competition</p> <ul style="list-style-type: none"> Are complying with all laws and regulations, ordinances, agreements, and internal regulations, and acting with high ethical standards based on being a model for society Management policies are broadly understood and compliance awareness is widespread. As a result, by proactively conducting CSR activities and adapting to environmental changes, business continuity as well as sustainable development are achieved 	<ul style="list-style-type: none"> ■ Enact and implement management regulations including those on insider trading and appropriate disclosure △ Comply with internal regulation including the Export Security Control Regulations △ Appropriately implement regulations to comply with the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Antimonopoly Act) △ Compliance with the Subcontract Act and the Act for Securing the Proper Operation of Worker Dispatching Undertakings (prevention of falsified contracts) △ Regulations in the CSR Code of Conduct and CSR Procurement Guidelines △ Employees read the CSR Textbook and Compliance Textbook and take e-learning courses △ Conduct CSR education including holding CSR informational sessions △ Hold workshops on legal and regulatory compliance △ Legal compliance inspections △ Regularly revise internal regulations (to satisfy legal amendments) 	<p>To reduce legal risks</p> <ul style="list-style-type: none"> ● Compliance with internal regulations ● Ongoing legal training and information sharing using the Compliance Textbook and other materials ● Education on the CSR Code of Conduct ● Ongoing compliance education ● Revise the Compliance Textbook and the CSR Textbook and hold related informational meetings ● Ongoing CSR briefings by the head of the CSR division ● Support the establishment of compliance systems at Zeon Group companies outside Japan (develop in the supply chain) ● Shift from compliance to sustainability (promote understanding among management and establish among employees) ● Become a signatory to the United Nations Global Compact
<p>Fair competition</p> <ul style="list-style-type: none"> Information is disclosed quickly and appropriately, and market value has increased (including negative information regarding business conditions, CSR, risks, etc.) 	<ul style="list-style-type: none"> △ Hold financial results briefings △ Publish various reports △ Release information via the company website △ Hold briefings for individual investors and analysts and respond to media inquiries △ Hold press conferences 	<p>To enhance the corporate brand and value</p> <ol style="list-style-type: none"> 1. Improve the website (IR, CSR information) 2. Strengthen the information communications structure (PR) 3. Communicate information that supports ESG investment
<p>Social responsibility in the value chain</p> <ul style="list-style-type: none"> Select business partners based on the CSR Procurement Guidelines and periodically confirm the Guidelines' status of implementation 	<ul style="list-style-type: none"> ■ Multiple-source △ Comply with laws and regulations on competition including the Antimonopoly Act △ Satisfy the RoHS Directive, bans on substances, etc. △ Purchasing following the CSR Procurement Guidelines 	<ol style="list-style-type: none"> 1. Develop and establish the CSR Code of Conduct and CSR Procurement Guidelines in the supply chain 2. Build the supply chain CSR survey database

Contents	Highlights	Zeon's CSR	Corporate Governance	Environment
Labor Practices	Fair Operating Practices	Consumer Issues	Human Rights	Community

Compliance

Compliance System

The Compliance Committee advances Zeon's compliance efforts. The Compliance Committee has three subcommittees, namely the Antitrust Law Regulatory Subcommittee, the Export Security Control Subcommittee, and the Corporate Governance Subcommittee.

Zeon's Risk Management and Compliance System



Compliance Committee

FY 2017 Results

- Educated staff on global assignments on compliance with antitrust regulations and preventing bribery
- Conducted workshops on legal compliance at plants and subsidiaries
- Checked the level of compliance understanding through e-learning

Antitrust Law Regulatory Subcommittee

- Conducted reviews prior to the revision of product prices in business divisions, carried out preliminary screenings when meeting with executives of competitors, and reviewed the status of participation in industry bodies

Export Security Control Subcommittee

- Conducted seminars for ordinary employees and for department personnel in charge
- Implemented numerous final assessments of control list applicability and trade investigations

Corporate Governance Subcommittee

- Established controls for identifying the risk of and preventing errors in consolidated financial statements. Evaluated whether the controls were functioning correctly
- Convened five times in FY 2017, and rectified one ineffective control

Internal Reporting System

We established the Internal Reporting System to rapidly collect information on potential risks and facilitate their resolution.

(For more information about the Internal Reporting System, see Risk Management. → P21)

Internal Audits

Internal audits are performed for the purpose of preventing improprieties and errors in business operations.

The Department of Internal Auditing inspects and assesses whether business operations in all departments are being carried out appropriately and effectively in accordance with laws and internal regulations, and orders improvements when there are incidents of violations or non-compliance. In addition, the Department of Internal Auditing carries out periodic follow-up audits on the progress of measures taken by departments.

FY 2017 results: 35 departments (12 departments at Zeon Corporation, 13 Zeon Group companies inside Japan, 10 Zeon Group companies outside Japan)

FY 2018 plan: 37 departments (14 departments at Zeon Corporation, 12 Zeon Group companies inside Japan, 11 Zeon Group companies outside Japan)

Information Security Audits

Information security audits are internal audits on the handling of information assets. They are conducted for all divisions and departments at Zeon using a self-inspection format.

Contents	Highlights	Zeon's CSR	Corporate Governance	Environment
Labor Practices	Fair Operating Practices	Consumer Issues	Human Rights	Community

CSR Procurement

In order to provide safe and reliable products, we procure raw materials based on the Zeon CSR Policy and the CSR Code of Conduct.

Procurement Policies

Policies related to procurement are as follows.

We have been developing initiatives for CSR-based procurement since FY 2012. We have established the CSR Procurement Guidelines and Requests to Suppliers, which integrate CSR perspectives into our existing QCD*.

*QCD
System of production management that controls and improves quality, cost, and delivery.

Procurement Initiatives

We forbid substances whose handling is prohibited and monitor for the presence of substances governed by laws and the RoHS Directive. We also proactively disclose information on the substances contained in our products.

We conducted a customer questionnaire in FY 2013. Looking ahead, we will consolidate our approach to supply chain management and build a system for sharing our CSR policies in order to embed CSR procurement throughout the supply chain.

CSR Procurement Guidelines

1. CSR procurement

We will promote procurement activities that are based on our CSR Policy.

2. Procurement of optimal raw materials, products, and services

We will work to procure optimal raw materials, products, and services that meet our standards for quality, cost, delivery time, supply stability, and technological development capabilities in order to provide better products.

3. Consideration of the global environment

We will work to procure raw materials and products that have less impact on the global environment.

4. Open approach to purchasing and partnerships

We will use a global perspective to search for suppliers from across the world, build partnerships through dialogue, and work to create fair and equitable business opportunities.

Requests to Suppliers

We kindly ask that our suppliers:

1. Follow corporate ethics and thoroughly implement compliance.
2. Respect human rights and give consideration to workplace environments.
3. Give consideration to the environment, and provide safe raw materials, products, and services.
4. Provide raw materials, products, and services with competitive quality and pricing, and abide by agreed delivery dates.
5. Actively provide information during the creation of partnerships. Also, implement strict management of information disclosed by Zeon during our transactions. We will implement the same strict management.

Contents	Highlights	Zeon's CSR	Corporate Governance	Environment
Labor Practices	Fair Operating Practices	Consumer Issues	Human Rights	Community

Fair and Appropriate Information Disclosure

Communications Approach and Framework

We conduct public relations activities to promote accurate understanding of our philosophies, approaches, and various undertakings by stakeholders and the public, and thereby increase our name recognition and become more known and trusted in the world.

Public Relations Committee

The Public Relations Committee discusses and sets policy related to internal and external information disclosure based on CSR management.

Information Disclosure

Website

- Communicates information relating to the company, IR, products, and employment, etc.

Advertising and PR

We conduct locally based advertising and PR activities with the aim of enhancing the Zeon brand.

TV commercials

- TV Commercials in Japan are broadcast in the Kanto region and Toyama, Okayama, Yamaguchi, and Kagawa prefectures
- TV commercials for Asia are broadcast throughout Southeast Asia via satellite TV programs



New TV commercial

New advertisements

We are continuing to run ads in the series “The Future, Zeon,” “That Aroma, Zeon,” and “That Driving, Zeon,” which began in 2016.



Contents	Highlights	Zeon's CSR	Corporate Governance	Environment
Labor Practices	Fair Operating Practices	Consumer Issues	Human Rights	Community

Communication with Shareholders

Policies related to constructive dialogue with shareholders

Dialogue with shareholders is led by the Department of Corporate Communications and overseen by the director in charge of CSR. The Department of Corporate Communications, the Corporate Planning Department, the Accounting and Finance Department, the General Affairs Department, the Legal Affairs Department, and other departments exchange information as appropriate to provide accurate and unbiased information to shareholders.

We will continue to expand the avenues of dialogue apart from individual meetings. These include holding quarterly briefings for investors, making financial statements available on the Zeon Corporation website, and participating in company seminars for individual investors. The Department of Corporate Communications collects and analyzes feedback received in dialogue with shareholders and makes reports to the President as appropriate. Based on management regulations including those on insider trading and appropriate information disclosure, we strictly control unreleased important information while engaging in dialogue with shareholders to prevent information leaks.

General Meeting of Shareholders

On June 29, 2017 (Thursday), we held our 92nd Annual General Meeting of Shareholders in a conference room at 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 to introduce clients' commercial products that contain our products. We mail out notices approximately three weeks prior to the meeting to allow investors who cannot attend the meeting to exercise their voting rights based on a full review of the proposals. We also publish the details of resolutions from the General Meeting of Shareholders on our corporate website.

In addition, audio files of quarterly financial results briefings and videos of presentations given twice a year by top management on the current status of management at Zeon are available on our corporate website.



Video of a presentation by President Tanaka

For more information about the General Meeting of Shareholders, see

http://www.zeon.co.jp/ir_e/stock/meeting.html

For more information about financial results briefings, see

http://www.zeon.co.jp/ir_e/library/presentationmeeting.html

Communicating Information to Shareholders

Twice a year, we send a booklet to our shareholders featuring updated business information and recent topics of interest, etc. The 93rd Midyear Report, issued in December

2017, included a special feature on Powder Slush Compounds (PSC), explaining the strengths of Zeon's PSC products, which continue to see steady annual sales growth for automotive interior fittings applications, where quality standards are very high.

We will continue to improve the Midyear Report to make it more accessible and better meet shareholders' needs.



93rd Midyear Report

Annual Report and other Midyear Reports, see

http://www.zeon.co.jp/ir_e/library/businessreport.html

Distributions

Our basic policy is to pay out steady dividends of excess earnings to shareholders.

In principle, Zeon Corporation distributes excess earnings twice annually, through interim and year-end dividends. The General Meeting of Shareholders decides the year-end dividend amount, and the Board of Directors decides the interim dividend amount. Retained earnings are leveraged for proactive capital investments, development of innovative technologies, and production innovations.

For more information about Zeon's share price and dividends, see

<http://www.zeon.co.jp/ir/stock/dividend.html> (Japanese only)

Communication with Investors

We actively engage in communication with institutional investors and analysts both inside and outside Japan.

We held analyst briefing sessions to announce our FY 2017 quarterly results in July and October 2017, and in January and April 2018. In addition to briefings on our current management situation by the President, we also reviewed the initiatives of our mid-term management plan SZ-20 Phase II in our second quarter financial report, and provided an overview of our new mid-term management plan SZ-20 Phase III, which began in FY 2017, at the annual financial results briefing session. We have also deepened understanding of our company through technical seminars and giving plant tours.

To individual investors, we strive to provide up-to-date information on our business. For example, we publish online content for individual investors on our corporate website, and participated in a briefing session held for individual investors in February.

Furthermore, we are working to distribute information for investors through various opportunities such as releasing a video introducing Zeon on the TSE (Tokyo Stock Exchange) IR Movie Square.

Consumer Issues

Targets and Results P. 58
 Quality Assurance P. 58

*For chemical product safety, see Environment (→P. 35)

Targets and Results

Enterprise Blueprint for 2020 To meet the expectations of society	Details of current activities (■: Completed, △: Ongoing)	Future initiatives and targets
Protecting consumers' health and safety • Both quality and cost are globally first-rate	△ Have a quality management system based on ISO 9001 △ Manage quality assurance risks (product liability lawsuits, supply obligations, product recalls, and credibility loss due to rumors) △ Improve processes (reduce losses, improve consistency) △ Develop activities for production innovations	1. To maintain and expand conditions where Zeon products are chosen ● Establish systems to definitively reduce complaints, process abnormalities, and defects, prevent defective products from leaving Zeon, create corporate quality trusted by customers, and further improve customer satisfaction ● Develop initiatives for chemical substance regulations ● Expand the adoption of Zeon's quality management system to include Zeon Group companies outside Japan and outsourcing partners 2. Measure customer satisfaction to understand the current satisfaction level, set targets, and promote improvements
Sustainable consumption • Developed and launched a series of products that are beneficial to society	△ Develop business based on business plans	1. Research and development, manufacturing, and sales that address consumer issues faced by society

Quality Assurance

Quality Assurance Policies

In accordance with our basic philosophy and CSR Policy, we define our basic policy for quality assurance as follows.

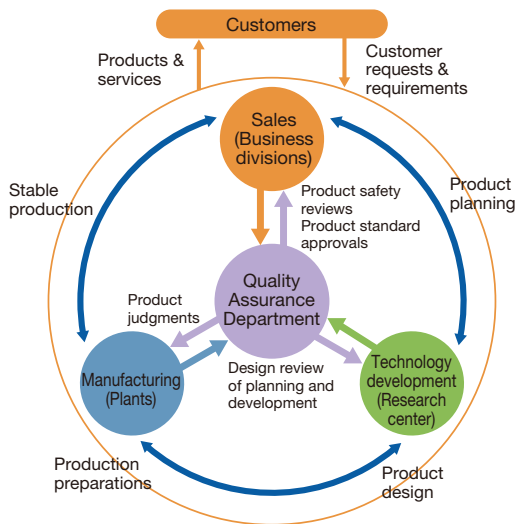
Basic Policy for Quality Assurance

1. We contribute to society by providing high-quality products, goods and services with excellent reliability and safety to the market.
2. We fully understand and predict user demands and provide products, goods and services that users can use with satisfaction.
3. In each quality assurance step, we establish an internal system that can assuredly evaluate high-quality products, goods and services with excellent reliability and safety.
4. We establish technologies that can produce products, goods and services with the target quality in terms of reliability and safety.

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 companywide, across manufacturing, sales, and engineering functions, by strengthening cooperation between plants, departments and research units (R&D Center).

Quality Assurance System



Mid- to Long-Term Initiative Policy and Initiatives from FY 2017

In our mid- to long-term management plan SZ-20, we set the 2020 quality assurance goal of “global uniform quality and cost compatibility.” For the three years of FY 2014 to FY 2016, we defined our quality assurance policy as “Aim to create mechanisms that will facilitate quality assurance even if things change (even if Zeon or the world changes).” We then conducted quality assurance activities to achieve this.

To develop this quality assurance policy across Zeon Group over four years starting in FY 2017, we revised the policy to read, “Aim to create mechanisms that will facilitate Zeon Group quality assurance even if things change (even if Zeon or the world changes).” We are conducting quality assurance activities across Zeon Group to this end.

Framework Supporting Quality Assurance at Zeon

To ensure a consistent supply of high-quality products to our customers, we have put in place various quality assurance systems in accordance with internal regulations on quality assurance and conforming to the ISO 9001:2015 international standard for quality management systems.

1. Acquisition of international quality standard certifications by Zeon Corporation

In 2010, we integrated the ISO 9001 certifications obtained throughout Zeon and have maintained this. In the 2017 regular inspection, we also received a transition inspection to the 2015 version and completed the transition.

2. Status of Zeon Group Certifications for International Quality Standards

Site		ISO 9001*1	ISO 13485*2
Japan	Zeon Kasei Co., Ltd.	○*3	
	Zeon Polymix Inc.	○	
	Zeon Medical Inc.		○
	Zeon North Co., Ltd.	○	
	Tokyo Zairyo Co., Ltd.	○	
	Zeon Chemicals Yonezawa Co., Ltd.	○	
	Optes Inc.	○	
	Tohpe Corporation	○	
Outside Japan	Zeon Chemicals L.P.	○	
	Zeon Chemicals (Thailand) Co., Ltd.	○	
	Zeon Advanced Polymix Co., Ltd.	○	
	Zeon Chemicals Singapore Pte. Ltd.	○	

*1 ISO 9001 is the international standard for achieving ongoing improvements in enhancing customer satisfaction and quality management systems through product and services quality assurance.

*2 ISO 13485 is the global standard for quality management systems in the field of medical devices for the purpose of continued manufacture and provision of safe and useful medical devices. The standard has added requirements specific to medical devices while omitting some of the ISO 9001 requirements.

*3 The logistical materials division has acquired certification limited to STEC®.

Contents	Highlights	Zeon's CSR	Corporate Governance	Environment
Labor Practices	Fair Operating Practices	Consumer Issues	Human Rights	Community

Framework to Achieve Product Safety

1. Product safety reviews

We strive to ensure product safety in every possible aspect by conducting product safety reviews (PSRs) using our own checklists that consider product safety at every stage of the product lifecycle, from initial product development through planning, design, manufacturing, sales, use, and disposal.

2. Chemical substance regulatory compliance

The regulatory environment for chemical substances management is undergoing major change globally, with laws and regulations on chemical substances being amended not just in the United States and Europe but also in Japan and Southeast Asia. As a result, the number of regulations to comply with is rising sharply. To comply with these regulations at Zeon, we are creating a database of the substances in our raw materials and products, even those present in minute quantities, and building a chemical substances management system capable of continuously tracking the most up-to-date regulatory information, safety information, and other relevant information.

Audits

PL Audits

PL audits are audits performed by an auditing team led by the director in charge of CSR and covering product liability (PL) and product safety. PL audits are conducted for product liability activities for products of Zeon business divisions spanning all stages of development, manufacture, use, final consumption, and disposal.

Quality Audits

Quality audits are audits performed by an auditing team led by the head of the Quality Assurance Department that focus on checking the progress of implementing quality improvement activities. They are conducted at Zeon's business divisions, plants, laboratories, and affiliated companies.

Internal Quality Audits

Internal quality audits are conducted for the purposes of evaluating whether Zeon's quality assurance management system is operating effectively and efficiently based on ISO 9001:2015 and promoting ongoing improvements. The audits are based on ISO 9001, and are structured so that the requirements of ISO 9001 are satisfied as long as Zeon's internal regulations are being complied with. The audits also focus on customer satisfaction and overall optimization.

The audits are conducted for the whole of Zeon Group; as far as possible, audits are conducted by an auditing team comprised of auditors from other divisions.

Communicating Safety Information

For more information about safety information for chemical products handled by Zeon, see Chemical Product Safety Information (→ P. 35).

Human Rights

Targets and Results	P. 61
Upholding Positive Working Environments by Protecting Human Rights and Prohibiting Discrimination	P. 61
Protecting Human Rights in the Supply Chain	P. 62

Targets and Results

Enterprise Blueprint for 2020 To meet the expectations of society	Details of current activities (■: Completed, △: Ongoing)	Future initiatives and targets
Discrimination and vulnerable groups, avoidance of complicity <ul style="list-style-type: none"> The section on respect for human rights and prohibition of discrimination in the CSR Code of Conduct has been shared with all Zeon Group companies and Zeon Group business partners, and compliance with the prohibitions on child labor and forced labor is confirmed. 	<ul style="list-style-type: none"> ■ Publish the Corporate Report and release Zeon Group's CSR Code of Conduct and CSR Procurement Guidelines on the Zeon corporate website △ Conduct CSR education through means including having employees read compliance texts, e-learning, and CSR informational sessions 	<ol style="list-style-type: none"> Provide information on the Zeon Group's CSR Code of Conduct and CSR Procurement Guidelines to business partners (business, procurement, and materials purchasing departments) Build a database of external reports relating to respect for human rights at business partners (supply chain CSR survey database) (CSR Implementation Department) Establish a policy specific to human rights and implement it across the Zeon Group

Upholding Positive Working Environments by Protecting Human Rights and Prohibiting Discrimination

In the provisions of our CSR Code of Conduct, we emphasize respect for human rights and prohibit discrimination. We strive to be a company that understands and accepts diverse values, and where no person is discriminated against based on gender, age, nationality, or other attribute.

Zeon Corporation CSR Code of Conduct (Excerpt)

As a member of the Zeon Group, I understand the Zeon Group's corporate philosophy and CSR Policy, and I undertake to act in accordance with the following:

- (1-2 Labor laws and regulations)
- (iii) I will not commit discrimination based on birth, nationality, race, ethnic group, creed, religion, or sex/gender.
- (4-3 Diversity)
- I will value community values such as cultures, traditions, customs and religions.
- (7-2 Human rights)
- I will value human rights.
- (7-3 Respect for each other)
- I will value respect for each other.

Studying the CSR Textbook and the Compliance Textbook and E-learning

Employees periodically study the Compliance Textbook in their department. Their level of compliance understanding is checked using an e-learning course in July each year. Questions are set respectively for management, business, manufacturing, and R&D to assess whether the knowledge and information needed to ensure compliance is sufficiently understood.



Checking the level of compliance understanding through e-learning

Contents	Highlights	Zeon's CSR	Corporate Governance	Environment
Labor Practices	Fair Operating Practices	Consumer Issues	Human Rights	Community

CSR Education Including CSR Informational Sessions

In FY 2017, the ninth CSR informational session was held. The session topic was Zeon's CSR Code of Conduct, which was revised in January 2018. Besides explaining the key aspects of the revisions, the session also addressed the changes in society's expectations which constitute the background to the revisions, and presented a number of concrete examples to explain what the Zeon Group needs to do, with the aim of enhancing understanding of the new CSR Code of Conduct.



CSR informational session

Protecting Human Rights in the Supply Chain

"Respect for human rights and considerations for work environments" forms part of the Requests to Suppliers section of the CSR Procurement Guidelines.

Building a Database

We are continuing to conduct surveys of human rights measures at our business partners, and we are working to build a supply chain CSR survey database.

Based on this database, we will examine whether there are problems relating to the work environment (human rights, health and safety, etc.), environmental destruction, conflict minerals, etc., and will collect and disclose information about our supply chain.

Community

Basic Approach and Initiatives	P. 63
Targets and Results	P. 63
CSR Core Projects	P. 64

Basic Approach and Initiatives

We believe that contributing to the development of local communities and building strong relationships of trust are crucial to conducting stable business activities and creating improved products and services.

Zeon's Approach to Social Contributions

We believe that social contributions are essentially carried out through our core businesses. As a corporate citizen, however, the complex set of issues faced by society and company activities are not independent of one another. We are therefore undertaking social contribution activities outside of our core businesses to engage with society from a broader perspective.

In 2012, we launched CSR Core Projects, which are initiatives we selected from proposals submitted by Zeon

Group companies. The CSR Core Projects are activities that focus on social contributions outside the scope of our core business operations and provide employees with an opportunity to turn their attention toward social issues.

We plan and develop activities in three broad categories: 1) various activities related to supporting reconstruction from the Great East Japan Earthquake, 2) shared projects conducted across multiple Zeon's plants and Group companies, and 3) projects conducted independently by Zeon's plants and Group companies. We are developing these activities with a focus on their synergistic benefits.

Targets and Results

Enterprise Blueprint for 2020 To meet the expectations of society	Details of current activities (■: Completed, △: Ongoing)	Future initiatives and targets
Community involvement, education, and culture <ul style="list-style-type: none"> Zeon's social contributions are understood, receive recognition, and are supported 	△ Develop CSR Core Projects (social contribution activities by Group as a whole, among locations, and at individual worksites)	<ul style="list-style-type: none"> Develop the CSR Core Projects based on a defined Zeon Group activity policy
Community involvement <ul style="list-style-type: none"> An organization for promoting volunteer activities among employees has been established, and employees actively volunteer in various ways 	△ Upgrade and enhance the system for promoting volunteer activities (establish a system for taking leave to volunteer) △ Introduce volunteer activities and promote and support participation in them (volunteering to support reconstruction from earthquakes, etc.) FY 2017 results Number of employees participating in volunteer tours: 60 (Cumulative total of 425 employees)	<ul style="list-style-type: none"> Raise employee awareness for social contributions Conduct CSR education including CSR informational sessions Establish a social contribution policy for the entire Zeon Group (e.g., on water) Create a system to support volunteering (volunteer registration system, etc.) Create opportunities for social contributions from exchanges with local councils of social welfare, non-governmental organizations and non-profit organizations
Community involvement <ul style="list-style-type: none"> Guidelines for coexisting with local communities have been created and are used, and good relations have been built with local communities 	■ Formulate and utilize disaster recovery support standards △ Donations and charity activities (Furukawa Scholarship, expenses for community promotions, Red Cross, etc.) △ Maintain good community relations and have community exchanges <ul style="list-style-type: none"> Sponsor and participate in community festivals and events including summer festivals at plants Community cleanup activities Plant tours (receive plant visitors, internships) 	<ul style="list-style-type: none"> Maintain and expand exchanges with local communities Support the reconstruction of the Tohoku Region Devise and implement ongoing measures to support recovery from disasters Actively participate in community activities Through dialogue with stakeholders including local communities, identify expectations from society, the current level of meeting those expectations, and set targets
Technological development and access to technologies <ul style="list-style-type: none"> Explore the needs of society and cultivate the seeds to meet these needs based on unique technologies and unparalleled products to create new business and make contributions to society 		<ul style="list-style-type: none"> Strategy for "reinforce" and "explore" in the Research and Development Division and business divisions

Contents	Highlights	Zeon's CSR	Corporate Governance	Environment
Labor Practices	Fair Operating Practices	Consumer Issues	Human Rights	Community

Furukawa Scholarship

The Furukawa Memorial Foundation is an incorporated foundation with a 50-year history of granting scholarships to Japanese and foreign students experiencing financial

hardship to encourage them to continue their education. We are maintaining our involvement in the foundation to assist its activities.

To date, the Foundation has awarded scholarships to a total of 3,124 people.

CSR Core Projects

The CSR Core Projects are activities that focus on social contributions outside the scope of our core business operations.

Status of CSR Core Project Initiatives

Project	Detailed initiative	FY 2018 target
Support for Great East Japan Earthquake reconstruction		
Participation in reconstruction volunteer tours	Started in October 2012 60 tours as of March 2018 (total of 425 participants) Disaster recovery assistance (Minamisanriku, Rikuzentakata), agricultural assistance (Iwaki), fishing industry assistance (Kesenuma), etc.	Continue the initiative (Frequency target: 1–2 times per month)
Eat and Root for Restoration! campaign	Support the recovery of industries by eating foods grown in the disaster-affected areas Offer a menu of Tohoku-grown foods at the employee cafeteria and Z Plaza (employee lounge)	Continue the initiative
Participate in building a forest embankment to protect lives*	Support for and participate in tree planting for Heisei-no-mori in Otsuchi Town (sponsored by Yokohama Rubber and Otsuchi Town, Iwate Prefecture) since FY 2013	The tree planting was concluded in FY 2015. Maintain our ties with Otsuchi Town through activities including post-planting maintenance
Shared projects		
Chemistry Classroom	Summer vacation events and classes where local residents conduct experiments while touring our locations Head Office: Children's summer holiday chemical experiment show (every year from FY 2013 to FY 2017) Tokuyama Plant: Experiment classrooms during industrial tourism tours for parents and children Zeon Chemicals Yonezawa: Experiment classrooms at the Youth Science Festival in Yamagata Takaoka Plant, Kawasaki Plant: Experiment classroom activities during factory visits Research & Development Center: Kawasaki City Summer Holiday Self-directed Research Seminar	Hold chemistry classrooms (increase the number of events held at our locations) Expand the conducted experiments (create a new experiment package)
Eco-cap recycling campaign (collecting used plastic caps)	Began counting caps at all Zeon Group companies in FY 2012	Continue the initiative
Green purchasing of office supplies	Purchasing office supplies with minimal environmental impact (notebooks, book-binding tape, folders, etc.). Of the 44 items stipulated under the Green Purchasing Law, we switched to 22 items (50%)	Continue the initiative
Independent projects		
Topics selected by promotional committees	Engaging with local communities Participation in community events: Sponsor and provide support for various events Cleanup activities Educational support: Internships, sending instructors to schools, etc.	Continue the initiative

*Forest embankment to protect lives
This activity creates a forest that will act as an embankment protecting local residents against tsunamis. This consists of combining debris from the disaster with soil to build an elevated area along the coastline, which was damaged during the tsunami triggered by the Great East Japan Earthquake. Various trees native to the area are being planted on the elevated ground to create a multilayer forest.

Contents	Highlights	Zeon's CSR	Corporate Governance	Environment
Labor Practices	Fair Operating Practices	Consumer Issues	Human Rights	Community

Examples of Initiatives

Following are some examples of activities that are part of the CSR Core Projects. Many other activities conducted with local communities are described in the Site Reports.

Volunteering to support Great East Japan Earthquake reconstruction

We invite employees to sign up for restoration volunteer tours open to the public and send employees on the tours on an ongoing basis. We cover the full cost of the tours to encourage employee participation.

This initiative began in October 2012. In FY 2017, 60 employees participated in volunteer tours. They assisted with repair work and searched for lost articles in Rikuzentakata City, Iwate Prefecture; provided assistance for the fishing industry in Kesenuma City, Miyagi Prefecture; and agricultural assistance in Iwaki City, Fukushima Prefecture.

We turn *support* into *encouragement*, and *encouragement* into *exchange*. We intend to continue this initiative in light of the risk that the memory of the devastation will be forgotten.



Ogatsu Rose Factory Garden, Ishinomaki

Helping plant trees in a disaster-affected area

Since 2012, Otsuchi Town in Iwate Prefecture and Yokohama Rubber Co., Ltd. have been conducting a tree-planting campaign at "Heisei-no-mori" in Otsuchi Town as a model project for the creation of forest embankments that can help to protect lives in the local community. Zeon has also been participating in this tree-planting campaign since 2013. The fourth round of tree-planting in 2015 was the last round; however, we have continued to participate in related activities by undertaking maintenance work for the trees planted on the site and providing tree-planting education for local elementary school children through extracurricular lessons.



Tree-planting education at Otsuchi Gakuen

Chemistry Classrooms

Based on the motto of "nurturing future Nobel Prize winners in chemistry," we hold chemistry experiment classrooms in various areas to communicate the appeal of chemistry to children.



RIMTEC: Participation in and presentation of awards at the Omoshiro Taiken ("Fun Experience") Day activity at Okayama Research Park
RIMTEC also received the 2016 Chemistry Communication Award from the Japan Union of Chemical Science and Technology (JUCST) in recognition of this activity, which has been conducted jointly with Okayama University since FY 2012.



Zeon Chemicals Yonezawa participated in the 2017 Youth Science Festival in Yamagata. Staff and children together made aromatic air fresheners by using our synthetic fragrances.

Contents	Highlights	Zeon's CSR	Corporate Governance	Environment
Labor Practices	Fair Operating Practices	Consumer Issues	Human Rights	Community

Support for Education

Zeon's plants and Group companies offer assistance to educational institutions with internships for high school, technical college, and university students, by welcoming plant tours by school groups, and by sending special instructors to give lessons at schools.



Employees of Mizushima Plant visited local elementary and secondary schools to give lessons.



Community dialog activity undertaken by Zeon Chemicals (Thailand) Co., Ltd. in Thailand

Holding and Participating in Community Events

Zeon attaches great importance to our ties with local communities. Zeon's plants and Group companies hold various events, including summer festivals, and welcome opportunities to participate in community events.



Kawasaki Plant: plant tour



Summer festival held at Takaoka Plant

Dialog with Communities

Plants participate in community dialog as part of the Responsible Care Council activities and communicate information on environment-related improvements, safety, and disaster preparedness during plant tours for representatives of local government authorities and for community residents.



Responsible Care community dialog at the Kawasaki Plant
We welcomed representatives of local residents' associations, and representatives of eight member companies of the Kawasaki district of the Responsible Care Committee.



The Tokuyama Plant sponsors the Zeon Waraku Odori Dance Festival

Community Cleanup Activities

With the goal of being useful to and benefitting local communities, Zeon's plants and Group companies conduct community cleanup campaigns around their sites and beyond.



Community cleanup activity near the Mizushima Plant



Many employees from Takaoka Plant, Optes, Zeon North, and Zeon Medical participate in coastal clean-up activities

Maintaining a Harmonious Relationship with the Local Community

We engage in collaborative activities with local communities in each region.



Zeon Chemicals L.P. (ZCLP) in U.S.A. has conducted volunteer activities and donation drives for many years.



Thailand-based companies Zeon Advanced Polymix Co., Ltd. and Zeon Chemicals (Thailand) Co., Ltd. have conducted volunteer cleanups and charity activities for many years. The companies make donations to various groups including schools, nearby temples, hospitals, and educational institutions

ZEON

CSR REPORT 2018

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