



Vision for 2030

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

Zeon Group Corporate Report 2021

ZEON

Message from the President

We are viewing the changes taking place in society in a positive light as opportunities for Zeon which will help to enhance our corporate value

In 2020, Zeon Corporation celebrated the 70th anniversary of our company's founding. During this period in which society has been dramatically affected by the COVID-19 pandemic, many Zeon employees have participated in discussions regarding where Zeon needs to be heading in the future. Today, when the momentum for safeguarding the sustainability of society has become much greater, we are taking Zeon's Corporate Philosophy, "contributing to the preservation of the Earth and the prosperity of the human race" (which is closely connected to our company name "Zeon" itself), as our mission, and we have reconfirmed our commitment to having every individual employee proactively contribute toward building a "Sustainable Earth" and "Safe and Comfortable Life for People."

FY2021 is the first year of implementation of our new Medium-Term Business Plan*¹, which embodies our determination to fulfil the mission outlined above. Our vision for 2030 is to become "a company that lives up to societal expectations and the aspirations of employees," and we are aiming to realize this vision through initiatives that are related to the United Nations Sustainable Development Goals (SDGs). For example, in regard to Climate Action, which is Goal 13 of the SDGs, in August 2020 Zeon expressed its support for the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD) *², and began taking action accordingly. Taking society's expectations and the major changes taking place in society as an opportunity, the Zeon Group will be working together to consider what Zeon can do to meet society's expectations, and as we move forward, we will be aiming to create new value.

*¹ For more information about the new Medium-Term Business Plan, please see P. 13 of this report.

*² For more information about the TCFD, please see P. 31 of this report.



Kimiaki Tanaka
President and CEO
Zeon Corporation

Corporate Philosophy = Mission

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

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

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Editorial policy



In compiling the Zeon Corporate Report 2021, we referenced the Guidance for Collaborative Value Creation issued by Japan's Ministry of Economy, Trade and Industry (METI), and also referenced the many suggestions that we had received from customers. We have compiled the report honestly, aiming to ensure close communication between different departments so as to collate the approaches adopted within Zeon in a cross-organizational, group-wide manner, with the aim of presenting our company's value creation in a way that is easy for readers to understand.

Reporting period

April 2020 to March 2021
(includes some information after April 2021)

Reporting scope

Zeon Corporation and Zeon Group companies inside and outside Japan. Some data covers only Zeon Corporation.

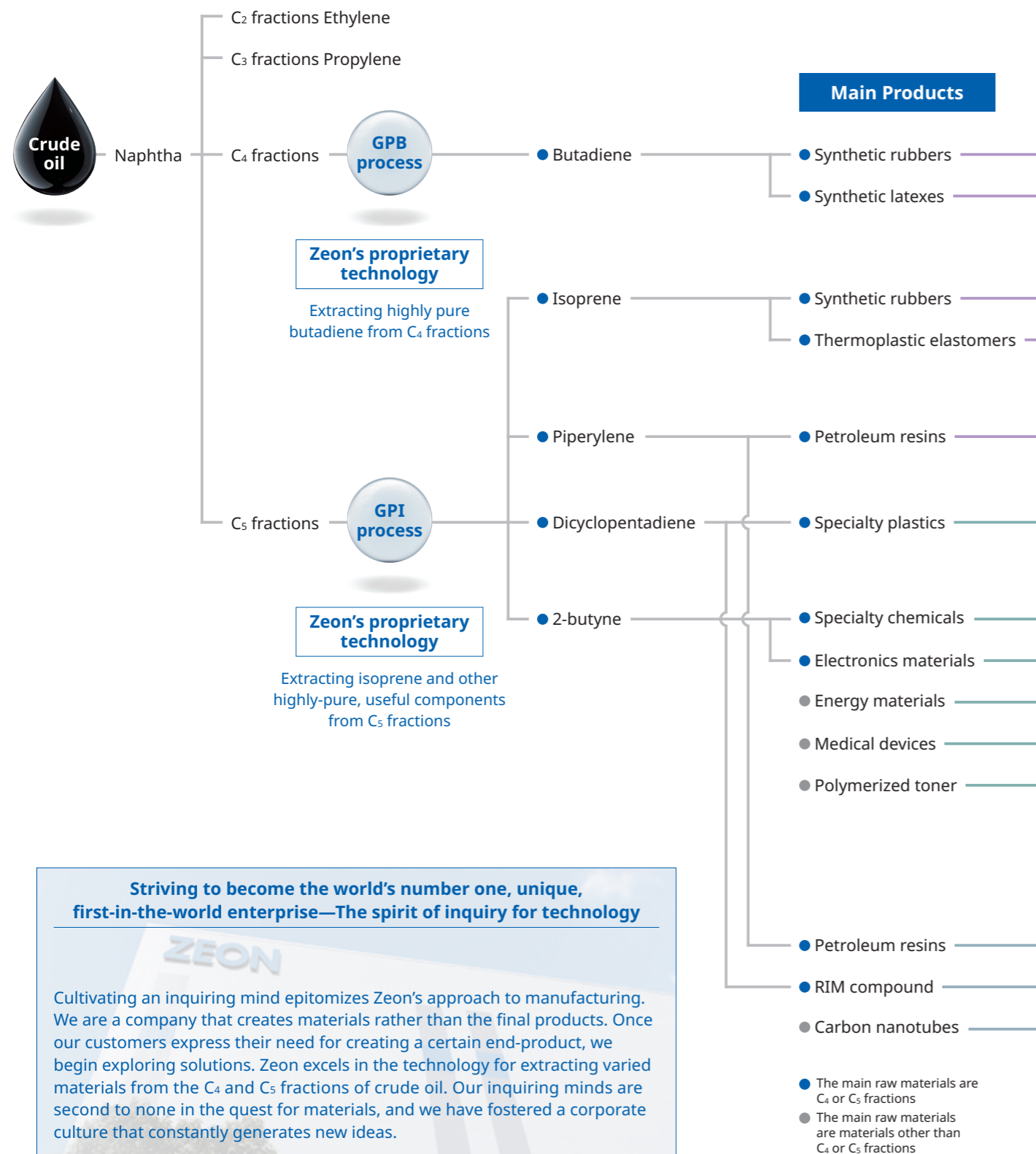
Zeon's information disclosure

Basic information on Zeon Corporation and Zeon Group is available on the Company Information section of the corporate website. This Corporate Report (booklet) contains a wide range of information on Zeon corporate management and CSR. A CSR Report (PDF) with detailed information on initiatives and site reports is available on the CSR activities section of the corporate website. More information about Zeon's management and operations is available on the Investor Relations section of the corporate website and in the Fact Book.

<https://www.zeon.co.jp/en/>

Business Overview

Zeon's main products are created from raw materials such as butadiene and isoprene, which are extracted from the C₄ and C₅ fractions of naphtha using proprietary Zeon technologies. Business segments are divided into the **Elastomers Business**, **Specialty Materials Business**, and **Other Businesses**.



SUSTAINABLE DEVELOPMENT GOALS

Contributing toward the SDGs through all of our businesses

In every one of our businesses, we are working to reduce the environmental footprint of products during product manufacturing and use, and aiming to contribute to societal development and technological innovation through product use.

Key issues that we are focusing on



Areas Where Zeon Products Are Making a Contribution

Energy conservation | Reduction of fossil fuel use | Mobility-related | Power generation and storage | Self-driving cars | Medical materials | Medical devices | Daily necessities | IoT

Elastomers Business

In 1959, Zeon became the first company in Japan to mass-produce synthetic rubbers. Comprising three individual businesses—Synthetic Rubber, Synthetic Latex and Chemicals—the Elastomers Business is a solid core business that underpins Zeon's activities.

Synthetic rubbers

S-SBR is a type of synthetic rubber used as a raw material for manufacturing fuel-efficient tires. NBR is used for heat- and oil-resistant rubber components installed near a vehicle's engine.



Synthetic latexes

Synthetic latexes have a wide range of usage applications, including rubber gloves used in the healthcare and food processing sectors, anti-slip gloves, cosmetic puffs, etc.



Chemicals

Thermoplastic elastomers are the raw material for the adhesive tape used in diapers and for other adhesive products. Petroleum resins are used as materials in the manufacturing of paints for painting road surface markings, etc.



Specialty Material Business

Specialty materials are materials and components with high added value thanks to superior macromolecular design and processing technology.

Specialty plastics and components

Camera lenses, medical containers, and optical films for LCD and OLED panels are made from resin material and then processed to produce the required components.



Specialty chemicals

Special chemicals include high-quality synthetic aroma chemicals used in perfumes and in food products, as well as pharmaceutical/agrochemical raw materials and intermediates, industrial chemicals, etc.



Energy materials

Binders for lithium-ion batteries



Polymerized toner

Printer toners



Medical devices

Medical devices include gastrointestinal system devices (such as catheters and stents), as well as cardiovascular system devices (such as IABP driving devices and FFR devices for intravascular treatments).



Electronics materials

Electronics materials include insulation materials, etching gases, photo resists, etc., mainly for use in semiconductor manufacturing.

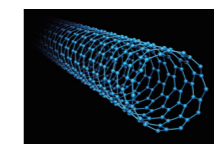


Other Businesses

Engineering, packaging materials, building materials, deodorants, RIM compounds, single-walled carbon nanotubes, paints/coatings, trading, etc.

Carbon Nanotubes (CNT) Business

Zeon is the first company in the world to begin mass production of Super Growth Carbon Nanotubes. We are exploring new applications for carbon nanotubes through both internal and external collaboration. For example, we are developing rubber with superior heat resistance, and composite materials with high thermal conductivity.



RIM Business

We produce the thermosetting resin mixture solution that is used to make moldings such as bathtubs and car bumpers.



History of Value Creation

The detailed history of the Zeon Group can be viewed on the updated website.
<https://www.zeon.co.jp/en/company/special/history/>

In the 1950s, Zeon Corporation acquired technologies from B.F. Goodrich Chemical Company in the U.S. and began manufacturing polyvinyl chloride and specialty synthetic rubber (NBR). Since the 1970s, we worked to develop proprietary technologies and have developed and expanded business in many areas of highly functional chemical materials based on raw materials produced using the GPB and GPI processes.

Zeon marked the 70th anniversary of its founding in 2020 and now has a number of businesses that control high shares of the global market based on its proprietary technologies and is contributing to solving social and customer issues through its products.

Changes in Social Circumstances and Needs

1950-

This was the time of the rise of the petrochemical industry, when petrochemical complexes were established and quality and quantity of chemical materials were required for economic growth.

1970-

In response to the oil crises and the problem of pollution, chemical materials that provide both efficiency and safety were demanded.

2000-

Higher functional chemical products are needed for the advancement of digitization and advanced information technology.

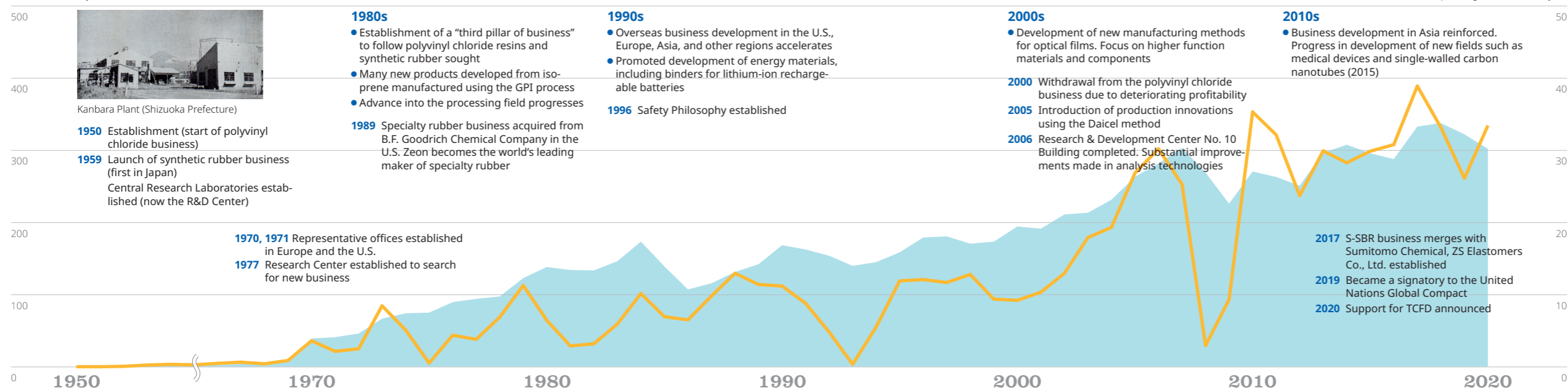
2020-

Entering an era of unprecedented demands to reduce environmental impact including zero CO₂ emissions and closed loops

Business-Related Events

Zeon Group Business Results

Net sales (billion yen)



Kanbara Plant (Shizuoka Prefecture)

1950 Establishment (start of polyvinyl chloride business)

1959 Launch of synthetic rubber business (first in Japan)
 Central Research Laboratories established (now the R&D Center)

1970, 1971 Representative offices established in Europe and the U.S.

1977 Research Center established to search for new business

1980s

- Establishment of a "third pillar of business" to follow polyvinyl chloride resins and synthetic rubber sought
- Many new products developed from isoprene manufactured using the GPI process
- Advance into the processing field progresses

1989 Specialty rubber business acquired from B.F. Goodrich Chemical Company in the U.S. Zeon becomes the world's leading maker of specialty rubber

1990s

- Overseas business development in the U.S., Europe, Asia, and other regions accelerates
- Promoted development of energy materials, including binders for lithium-ion rechargeable batteries

1996 Safety Philosophy established

2000s

- Development of new manufacturing methods for optical films. Focus on higher function materials and components

2000 Withdrawal from the polyvinyl chloride business due to deteriorating profitability

2005 Introduction of production innovations using the Daicel method

2006 Research & Development Center No. 10 Building completed. Substantial improvements made in analysis technologies

2010s

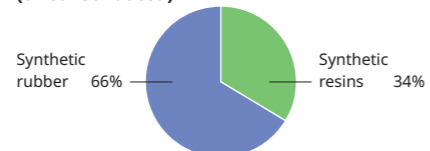
- Business development in Asia reinforced. Progress in development of new fields such as medical devices and single-walled carbon nanotubes (2015)

2017 S-SBR business merges with Sumitomo Chemical, ZS Elastomers Co., Ltd. established

2019 Became a signatory to the United Nations Global Compact

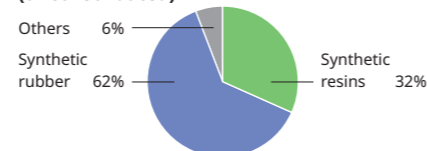
2020 Support for TCFD announced

Net sales composition ratios in 1970 (unconsolidated)



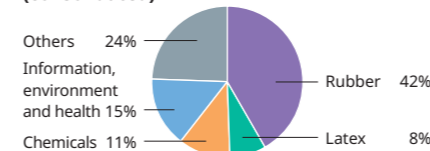
Unconsolidated net sales: **39.0 billion yen**

Net sales composition ratios in 1990 (unconsolidated)



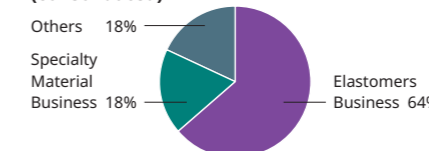
Unconsolidated net sales: **129.4 billion yen**

Net sales composition ratios in 2000 (consolidated)



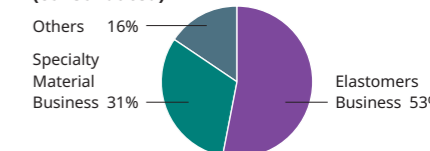
Consolidated net sales: **194.2 billion yen**

Net sales composition ratios in 2010 (consolidated)



Consolidated net sales: **270.4 billion yen**

Net sales composition ratios in 2020 (consolidated)



Consolidated net sales: **302.0 billion yen**

To the Future

Areas Where Zeon Contributes to Society

- Energy conservation
- Power generation and batteries
- Automotive
- Medical devices and related materials
- Agriculture
- IoT
- Daily necessities



Zeon's Strengths

- Development and production capabilities through integrated production starting with raw materials
- Development of creative products using proprietary technologies

Examples of technologies and products developed by Zeon

1960s

- Increased production of synthetic rubber and polyvinyl chloride
- 1964 GPB process developed
- 1971 GPI process developed

1970s

- Isoprene rubber (for use in tires)
- Acrylic rubber (for use in automobile components)

1980s

- Powder slush compounds (PSC)
- Ventricular assist device
- VP latex (tire cord)
- Hydrogenated nitrile rubber (Zetpol®)
- General-purpose synthetic rubber with modified terminals
- Pulverized toner
- C₅ petroleum resin
- Thermoplastic elastomer SIS
- Synthetic aroma chemicals (leaf alcohol, jasmine aroma chemicals)
- RIM molded items and formulation

1990s

- Balloon catheters
- NBR latex (gloves)
- Energy materials (binders for mobile lithium-ion batteries)
- Solution-SBR (fuel-efficient tires)
- Photo resists
- Insulation materials
- ZEONEX®
- ZEONOR®
- ZEORORA®
- Polymerized toner

2000s

- ZeonorFilm® (melt extrusion process films, retardation films by successive stretching process, retardation films by diagonal stretching process)
- Heat-resistant H-NBR (Zetpol®)
- Heat-resistant acrylic rubber
- Stents (bile ducts sheath)
- Polymerized color toner
- Asymmetric SIS (elastic film for diaper)

2010s

- Super Growth Carbon Nanotube
- ZEONEX® (for pharmaceutical packaging)
- Isoprene rubber emulsion (for gloves)
- Water-based binders for lithium-ion batteries
- Prohydrojasmon plant growth regulator
- Microfluidic chip prototype provision service
- Solar card type lamp

Value Creation Flow

Taking the new Medium-Term Business Plan (implementation of which began in FY2021) as the foundation, the Zeon Group is contributing toward building a “Sustainable Earth” and a “Safe and Comfortable Life for People” through the provision of unique, innovative technologies and services.

Being aware of social issues and social change ▶



*VUCA: Volatility, Uncertainty, Complexity and Ambiguity

Corporate Philosophy = Mission

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

Vision for 2030

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

Management Resources—INPUTS

Human capital

- Employees: **3,502**
(Group-wide, as of March 31, 2021)
- HR development
- A human resources system that encourages employees to challenge themselves

Financial capital

- Maintaining stable cash flow
- Capital: **24.2** billion yen
- Total assets: **448.8** billion yen
- Net assets: **298.2** billion yen

Manufacturing capital

- Strengthening production capacity
- Within Japan: **4** plants and **1** research center, and **16** group companies
- Outside Japan: **33** overseas group companies (including sales companies)
- Risk diversification
- Improving safety

Intellectual capital

- R&D expenses: **14.3** billion yen (FY2020)
- Keeping R&D and production activities in close proximity

Natural capital

- Ensuring a stable supply of naphtha (an important raw material)
- Reducing the amount of energy used in production activities

Social capital

- Technology support for customers
- Collaboration with local communities

Zeon's Business Model —VALUE DRIVERS

The New Medium-Term Business Plan — Group-wide Strategy

- Promote a transformation of *monozukuri* to realize a carbon neutrality and circular economy**
- “Polish up” existing businesses**
 - Strengthen COP and battery materials**
 - Increase production capacity
 - Improve resilience
 - Launch new products
 - Ensure the survival of existing SBUs**
 - Elastomers**
 - Strengthen products having a competitive edge
 - Raise the efficiency of each production line
 - Specialty Materials**
 - Bolster our competitive edge by developing products and increasing production capacity
- “Explore” new businesses**
 - Focus on 4 key areas**
 - CASE and MaaS
 - Healthcare and life science
 - Telecommunications
 - Energy conservation
- Work together to create “stages” to be active on**

Zeon's Strengths and Competitiveness

- A high-level integrated use development model for C₄ and C_s fractions, making use of Zeon's unique technologies, including the GPB and GPI processes
- Thoroughly clean plastics manufacturing technology (plastics for optical use and medical use)
- A comprehensive, integrated development and manufacturing capability that covers every stage from plastics material design through to component manufacturing using Zeon's unique technology (optical film, life sciences business, etc.)
- Simulation technology that supports customer's product development and evaluation activities (materials for energy sector use)

Business Areas

Existing Businesses

- Elastomers Business**
 - Synthetic rubbers
 - Latex
 - Chemicals

Specialty Material Business

- Specialty chemicals
- Toner
- Electronics materials
- Optical films
- Medical devices

New Businesses

Key Areas

- CASE and MaaS
- Healthcare and life science
- Telecommunications (5G/6G)

- Products that can contribute toward solving problems for society, including energy-saving products, etc.

SDGs targeted by Zeon



Core Values

Let's try first

Let's connect

Let's polish up

Value Creation—OUTCOMES

Directions for 2030 (what we want to be)

Live up to societal expectations

- Continuing to contribute to a sustainable society
- Providing products and services indispensable to society

Live up to the aspirations of employees

- Take vigorous action with the steps “Let's try first,” “Let's connect,” and “Let's polish up”

FY2020 Results—OUTPUTS

- Net sales: **302.0** billion yen
- Operating income: **33.4** billion yen

Targets for 2030

- Sales ratio of products that contribute to the SDGs: **50%**
- Existing businesses: ROIC **9.0%**
- New businesses: Net sales (compared to FY2019) **+60.0** billion yen
- Employee engagement: **75%**
- Ratio of foreign-national and female directors: **30%**

For more information about the new Medium-Term Business Plan, please see P. 13 of this report.

Company Profile

Name: Zeon Corporation

Established: April 12, 1950

Capital: 24.211 billion yen (as of March 31, 2021)

Employees: 3,502 (consolidated), 1,642 (non-consolidated) (as of March 31, 2021)

Listed on: Tokyo Stock Exchange

Business segments: Elastomers Business, Specialty Materials Business, Other businesses
 For more details about Zeon's businesses, please see P.19 "Zeon's Business and Strategy."

Head office: Shin Marunouchi Center Building, 1-6-2 Marunouchi, Chiyoda-ku, Tokyo 100-8246, Japan

Research laboratory: Research & Development Center

Offices: Osaka Office, Nagoya Office

Plants: Takaoka Plant, Kawasaki Plant, Mizushima Plant, Tokuyama Plant, Himi-futagami plant, Tsuruga Plant

Group companies in Japan:

Tokyo Zairyo Co., Ltd., Zeon Kasei Co., Ltd., Zeon North Co., Ltd., Zeon Yamaguchi Co., Ltd., Zeon F&B Co., Ltd., Zeon Chemicals Yonezawa Co., Ltd., RIMTEC Corporation, Zeon Medical Inc., Zeon Polymix Inc., TOHPE CORPORATION, ZS Elastomers Co., Ltd., Okayama Butadiene Co., Ltd., ZIS Information Technology Co., Ltd., Zeon Opto Bio Lab Co., Ltd.

Group companies outside Japan:

Americas

Zeon Chemicals L.P., Zeon Specialty Materials Inc., Tokyo Zairyo (U.S.A.) Inc.

Zeon do Brasil Ltda.

Zeon Kasei Mexico S.A. de C.V., Tokyo Zairyo México, S.A. de C.V.

Europe

Zeon Europe GmbH, Telene S.A.S., Tokyo Zairyo Czech, s.r.o.

Asia

Zeon (Shanghai) Co., Ltd., Zeon Trading (Shanghai) Co., Ltd., Shanghai Zeon Co., Ltd., Zeon Polymix (Guangzhou) Co., Ltd., Takehara Zeon (Shanghai) Co., Ltd., Zeon Kasei (Changshu) Co., Ltd., Zeon Medical (Guangzhou) Inc., Tokyo Zairyo (Shanghai) Co., Ltd., Tokyo Zairyo (Tianjin) Co., Ltd., Tokyo Zairyo (Guangzhou) Co., Ltd.

Zeon Korea Co., Ltd., Zeon Shinhwa Inc.

Zeon CSC Corporation, Zeon Taiwan Co., Ltd.

Zeon Chemicals Singapore Pte. Ltd., Zeon Asia Pte. Ltd., Tokyo Zairyo (Singapore) Pte. Ltd.

Zeon Asia Malaysia Sdn. Bhd.

Zeon India Private Limited, Tokyo Zairyo (India) Pvt, Ltd.

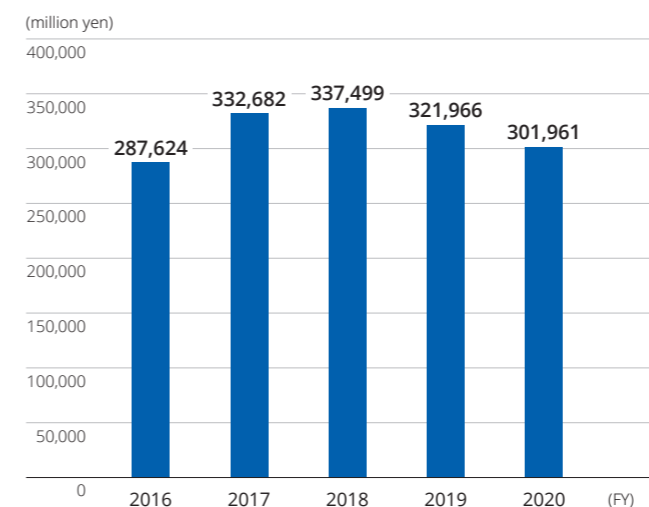
Zeon Chemicals (Thailand) Co., Ltd., Zeon Advanced Polymix Co., Ltd., Zeon Chemicals Asia Co., Ltd., Tokyo Zairyo (Thailand) Co., Ltd.

Zeon Manufacturing Vietnam Co., Ltd., Zeon Research Vietnam Co., Ltd., Tokyo Zairyo (Vietnam) LLC.

PT. Tokyo Zairyo Indonesia

Financial and Non-financial Highlights

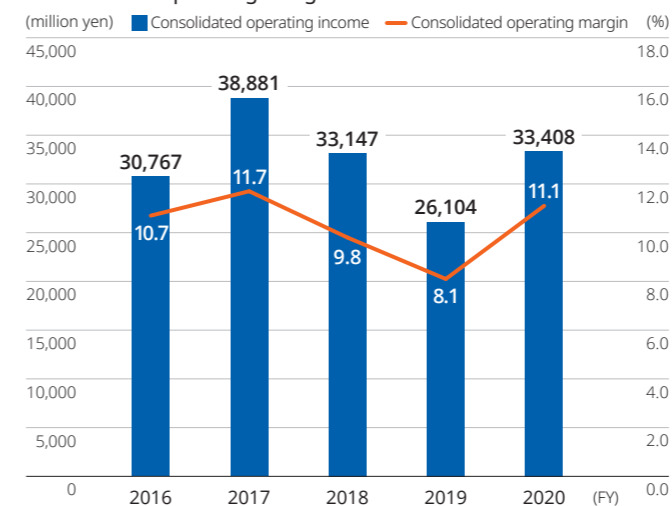
Consolidated net sales



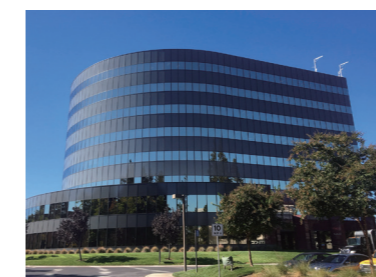
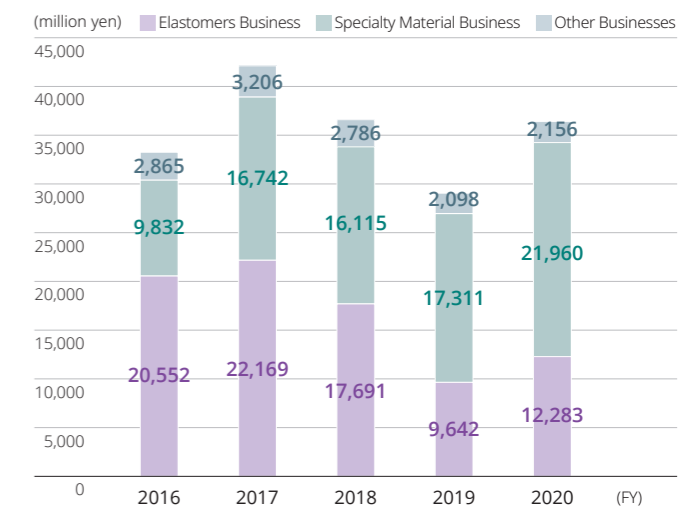
Segment net sales (consolidated)



Consolidated operating income and consolidated operating margin



Segment operating income (consolidated)

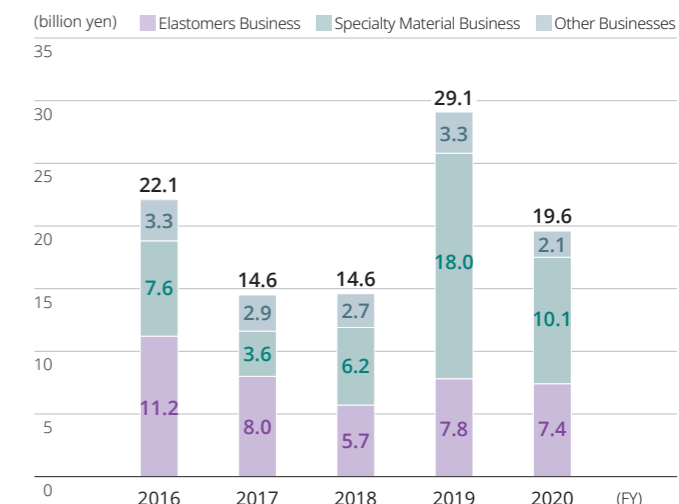


Zeon Specialty Materials Inc. Established in October 2017



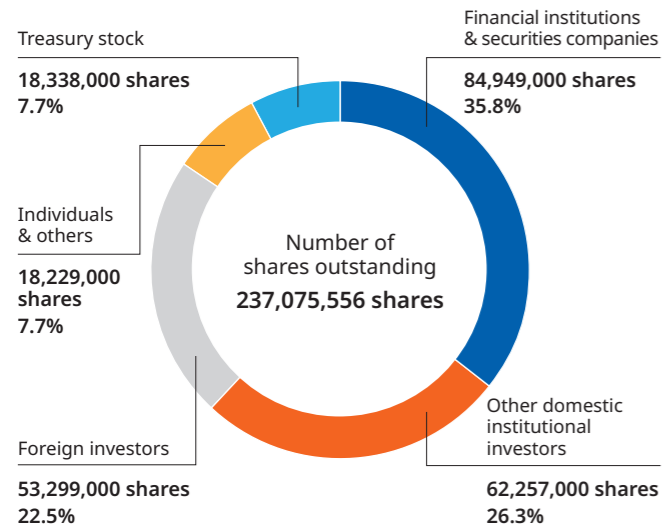
Zeon Chemicals Asia Co., Ltd. Established in September 2018

Capital investment by business (consolidated)

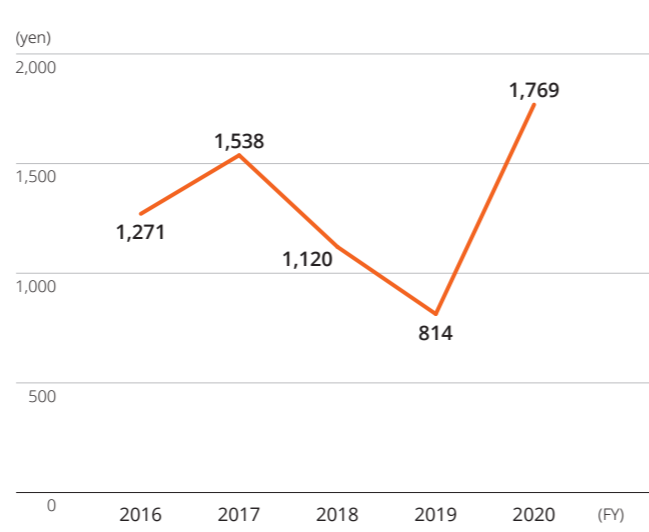


Financial and Non-financial Highlights

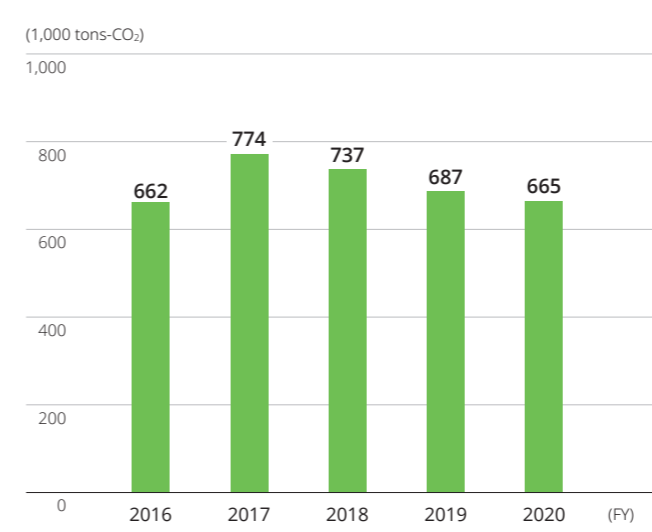
Shareholder information



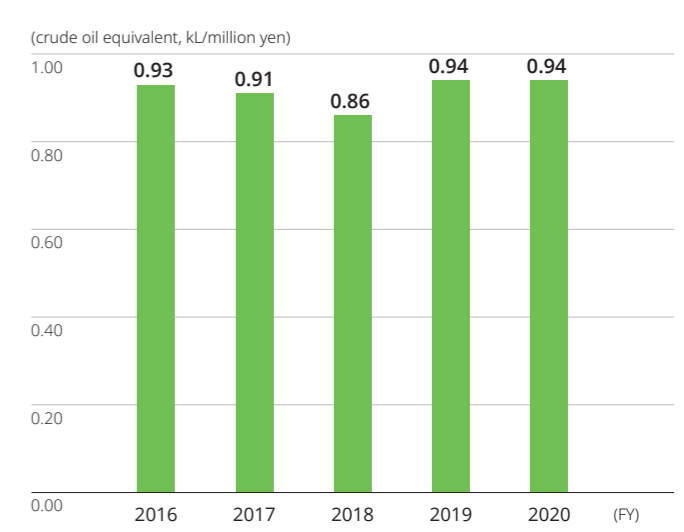
Share price (as of March 31)



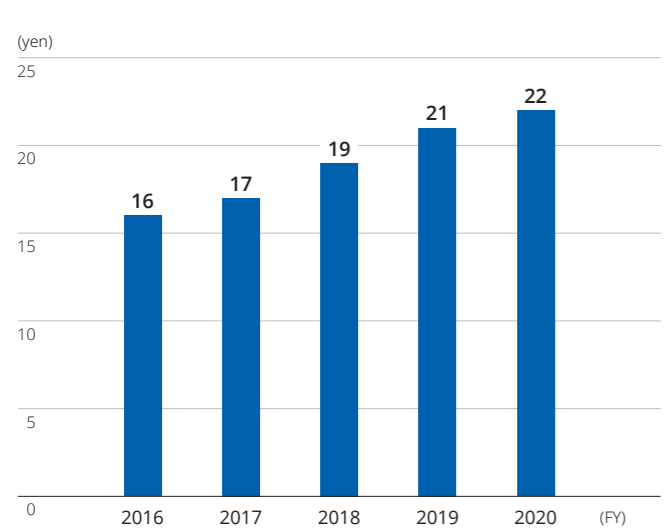
CO₂ emissions (consolidated)



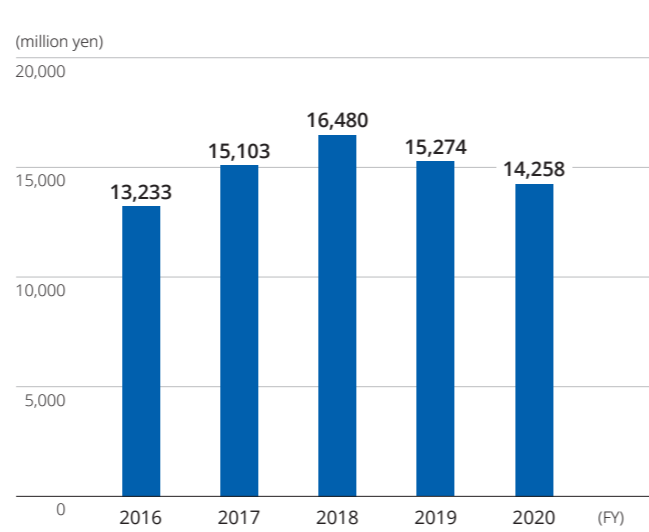
Energy use per net sales (consolidated)



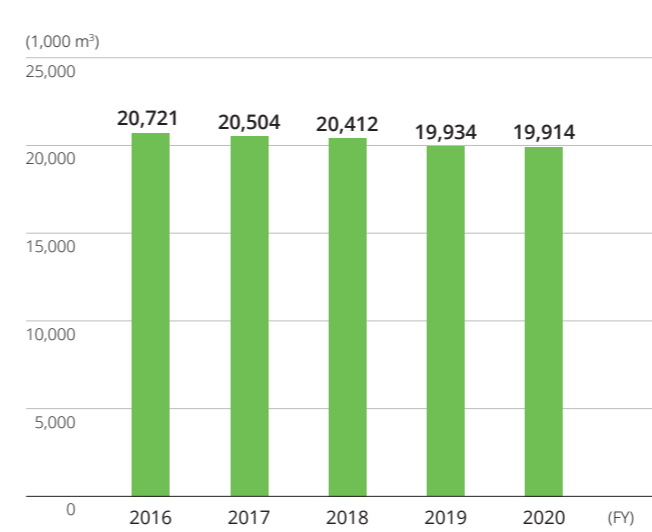
Dividends



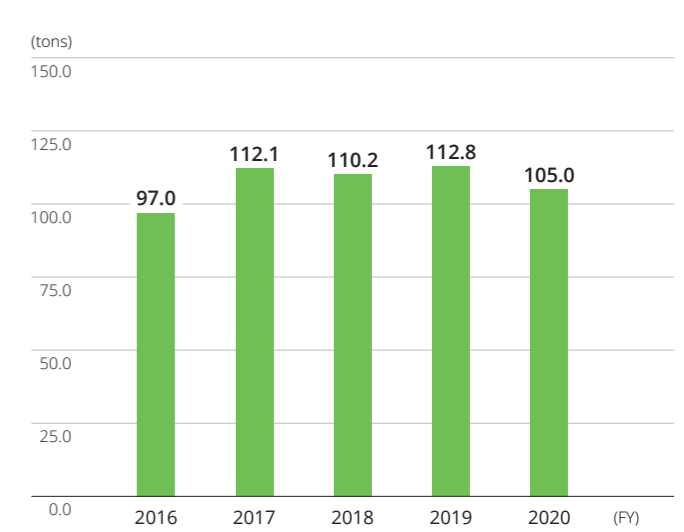
R&D expenses



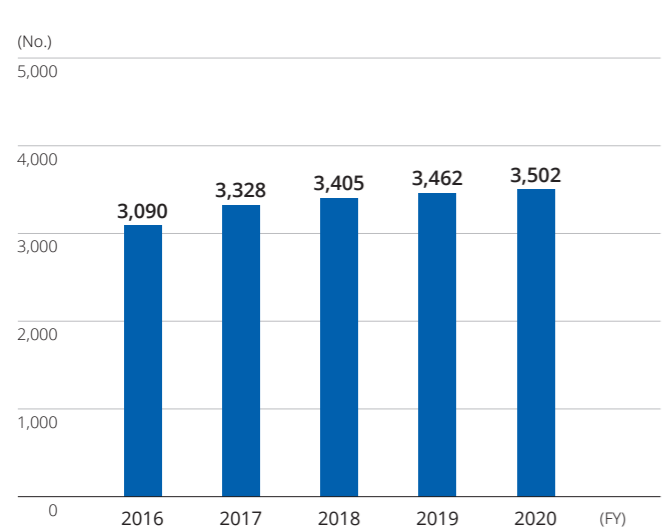
Water resources used (consolidated)



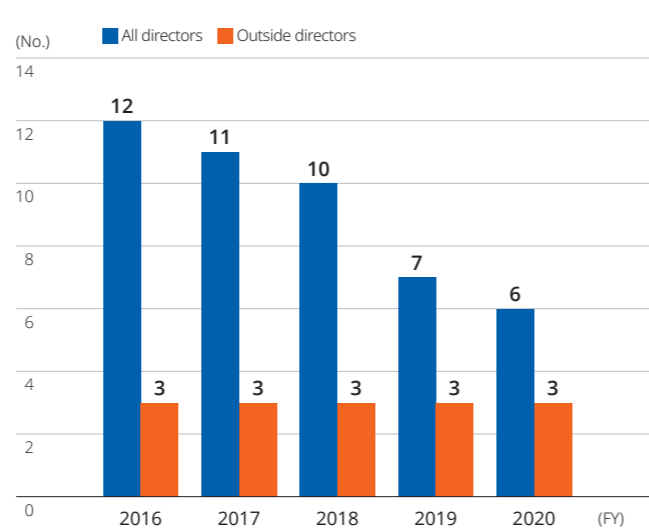
Emissions of substances subject to the PRTR Act (consolidated)



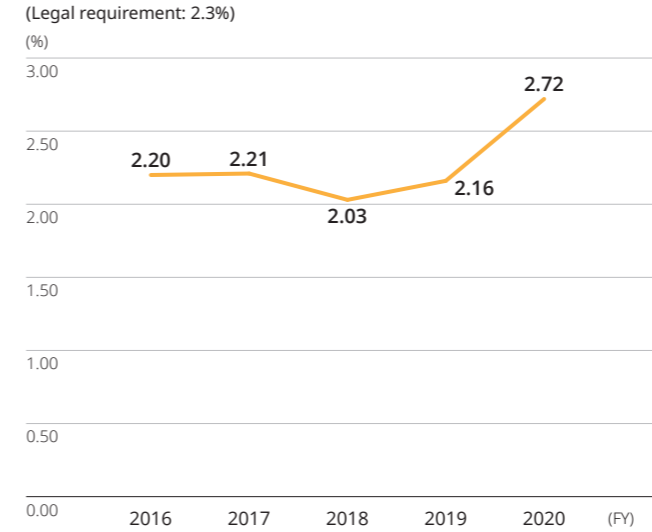
Number of employees (consolidated)



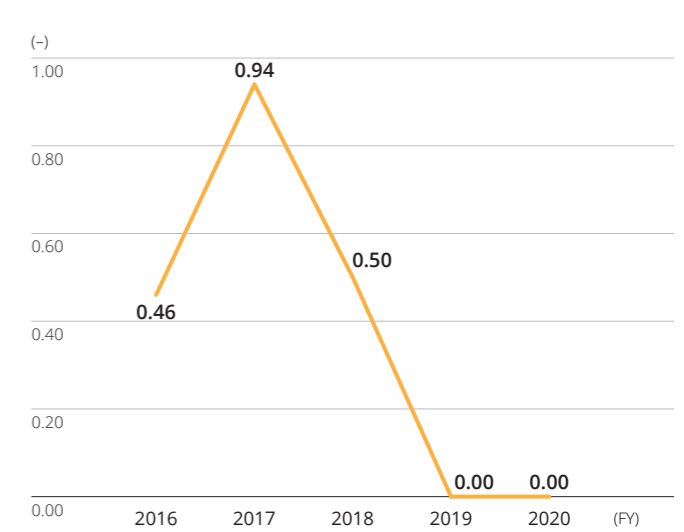
Number of directors



Percentage of employees with disabilities (non-consolidated)



Lost work time accident rate (non-consolidated)



The Medium-Term Business Plan/Interview with the President



1. Results in FY2020, and a Look Back at SZ-20 Phase III, the Previous Plan

In the first half of FY2020, the Synthetic Rubber and Battery Materials businesses were heavily affected by the economic downturn caused by the COVID-19 pandemic, leading to depressed sales, but there was an improvement in the second half of the year. One area where performance remained solid throughout the year was the Synthetic Latex Business, as latex is used as a material to make gloves for medical and sanitary applications. In the Specialty Materials Business, the optical films segment saw steady sales of film for medium- and small-sized smartphone screen applications, and for large-screen TVs. Sales of optical resins, chemicals and specialty chemicals were also solid.

In SZ-20 Phase III, we had set ourselves the target of achieving consolidated annual sales of at least 500 billion yen in FY2020, but we did not achieve this. Although in FY2018 we did post our highest ever consolidated sales, at 337.5 billion yen, from FY2019 onwards sales growth stalled because of the impact of the COVID-19 pandemic.

As regards the performance of individual businesses, Specialty Plastics was the only business to meet its originally anticipated sales target; for most businesses, the target achievement rate was around 80% to 90%. Businesses where performance fell significantly below the target, with a target achievement rate in the range of 20% to 60%, included Battery Materials, Electronics Materials, Zeon Medical, and ZCS*, which manufactures S-SBR. Looking back on this performance, while it does seem that it may have been partly due to a failure to perform adequate market analysis and forecasting, there is another aspect to the situation, which is that it is difficult to

make accurate forecasts covering a four-year period. In a world affected by major environmental changes and where unexpected events such as the COVID-19 pandemic seem to be occurring once every two or three years, forecasting is very challenging, and so we are planning to structure the next Medium-Term Business Plan in two-year phases.

SZ-20 Phase III did specify numerical sales targets, but the main focus was on bringing about a reform in the company's corporate culture aimed at facilitating rapid growth. Regarding this aspect of the plan, my assessment is as follows.

- I feel that, while we set ourselves a high target of doubling annual sales, we failed to get across within the company senior management's intention, which was to make a real push for dramatic growth, rather than just to achieve those specific numerical targets; we did not succeed in raising employee motivation to the necessary level.
- With regard to business strategy, it seems to me that there was a lack of inter-departmental collaboration and of a group-wide perspective, and resource allocation was not properly coordinated with the plan targets.
- I also feel that the organizational structure and framework for driving the development of new products was inadequate.

We have examined these issues and used this as a basis for formulating the next Medium-Term Business Plan.

* ZCS: Zeon Chemicals Singapore Pte. Ltd.

Corporate Philosophy = Mission

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

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

Vision for 2030

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

SDGs targeted by Zeon











Core Values

Let's try first

Let's connect

Let's polish up

2. Summary of the New Medium-Term Business Plan

Regarding the overall outline of the new Medium-Term Business Plan, the plan embodies our awareness of Zeon's corporate philosophy, "Contributing to the preservation of the Earth and the prosperity of the human race," or in other words our social mission to contribute toward building a "Sustainable Earth" and "Safe and Comfortable Life for People." Reflecting our commitment to fulfilling this mission, we defined our Vision for 2030 as being "A company that lives up to societal expectations and the aspirations of employees."

The reference to the "SDGs targeted by Zeon" in the middle of the diagram shown above denotes our intention to realize our Vision for 2030 through initiatives relating to the Sustainable Development Goals (SDGs). We selected nine Goals, based on factors such as their relevance to our business activities (see P. 25 for more details). We also defined "Core Values." By attaching importance to these three actions, we are aiming to be "A company that lives up to societal expectations and the aspirations of employees."

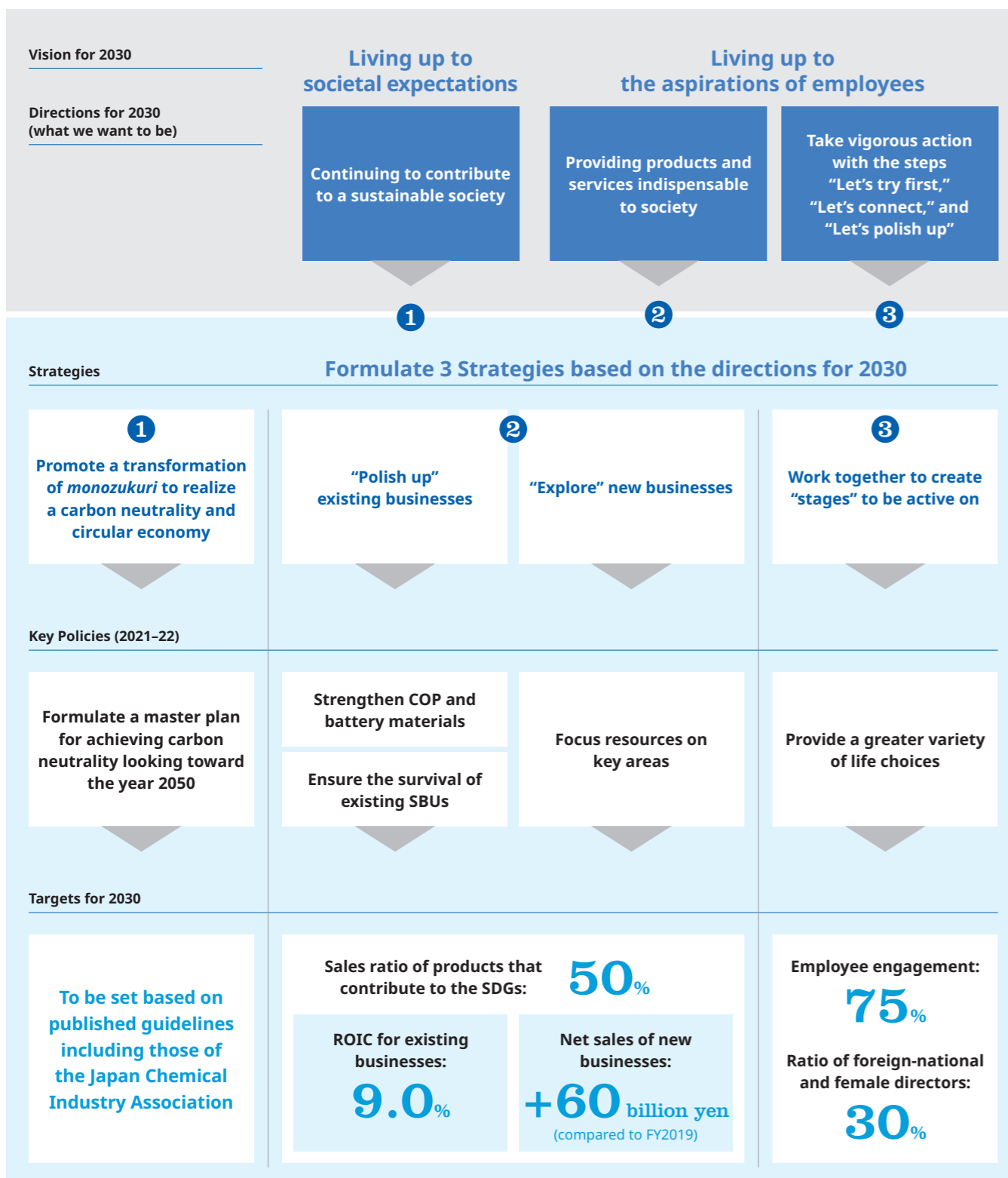
In discussing the formulation of the new Medium-Term Business Plan, our first step was to implement the 2030 Project, with three teams (whose members were chosen from among Zeon employees) discussing where Zeon wants to be in 2030, and submitting suggestions to the company. Having received these suggestions, what Zeon attached great importance to was something that had not really been put into words previously, which was an awareness of the need to build a corporate culture and atmosphere characterized by respect, in which younger employees also feel able to enthusiastically fulfill their potential. This idea has now been clearly enunciated in the Vision for 2030, with the

commitment to "living up to the aspirations of employees."

At the same time, although there were calls to proactively attempt various things, there were also reflections on the company's failure to fully build the corporate culture needed for this. Based on the discussion undertaken in the 2030 Project, three key values were put into words, discussed by senior management, and incorporated into the new Medium-Term Business Plan as "Core Values."

Regarding the SDGs, I expressed a hope that SDGs-related measures would be positioned at the heart of the new Medium-Term Business Plan, and that the SDGs would constitute the framework for realization of Zeon's Vision for 2030. After discussion by the 2030 Project teams, nine SDG Goals were selected. When one reads the original English text of the SDGs, there are many references to concepts such as "Well-being" and "Freedom." I believe that we need to attach great importance to these values, which are the foundation of the SDGs, and they have been incorporated into the measures adopted for our group-wide strategy No. 3.

Starting from the end of 2020, as the first step toward "living up to the aspirations of employees," we have launched group-wide projects with respect to 16 "Top-down" issues forming part of the new Medium-Term Business Plan, and arranged for inter-departmental discussion of these issues by a total of just under 200 project team members who volunteered in response to an internal call for participants. The content of the suggestions made during these projects has been utilized as a reference when formulating group-wide strategies and a new organizational structure.



3. Strategies and Targets for 2030

Next, we have formulated three group-wide strategies based on where we want to be according to the Vision for 2030.

With regard to **Strategy 1**, by FY2022 we will have formulated a master plan for achieving carbon neutrality, looking ahead toward 2050, with the aim of becoming a carbon neutral company and contributing to the building of a circular economy.

The reason why the targets for 2030 will be set at a later date is because, with the Japanese government having recently announced new carbon neutrality objectives, organizations such as the Japan Chemical Industry Association are expected to announce new guidelines. Furthermore, as Zeon's operations form part of an industrial complex that comprises chemical plants belonging to multiple different companies, a coordinated approach is needed. We will be taking these considerations into account when formulating the new plan.

Besides the steady implementation of practicable measures such as energy conservation and shifting over to alternative fuels, we will also be working steadily to undertake the research and development work needed to realize a *monozukuri* manufacturing transformation over the long term. We have already been proceeding with research aimed at creating butadiene (for use as a raw material in tire manufacturing) from biomass material, and in April 2021 we issued a press release about this research.

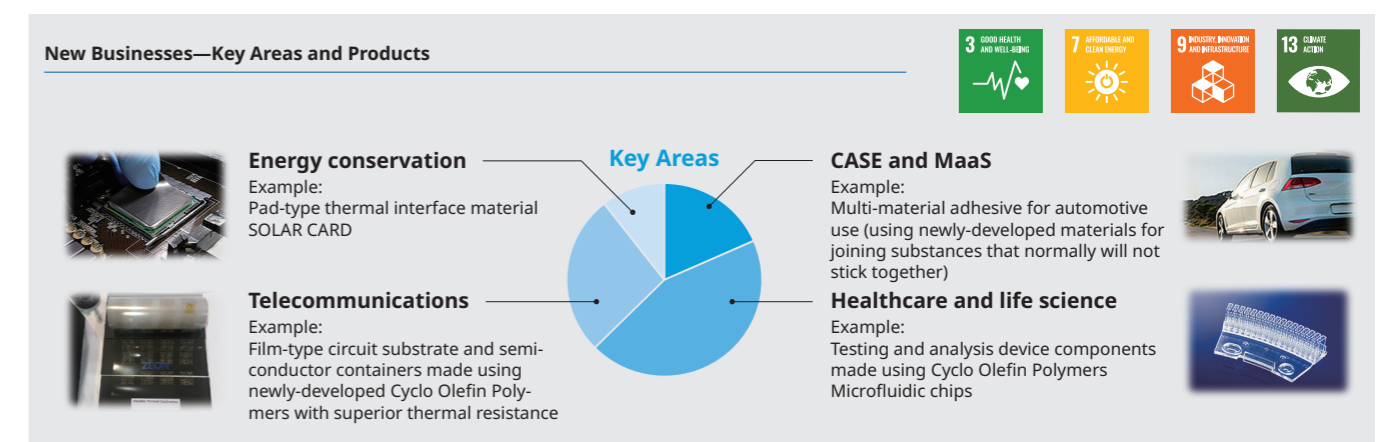
Strategy 2 involves applying different strategies and a different management approach to existing business and new businesses. With regard to **existing businesses**, besides continuing to strengthen the Specialty Plastics and Battery Materials businesses, where growth has been particularly high, we will also be working to improve capital efficiency in other existing SBUs, with a target of realizing ROIC of at least 9.0%. The Specialty Plastics Business completed its project to increase production capacity at the Mizushima Plant in July 2021, and we are currently considering adding new production locations in the future to strengthen resilience. The Battery Materials Business will be focusing on new product categories that contribute toward enhancing the performance of lithium-ion batteries, which represent an important market with significant growth potential.

In existing SBUs other than the Specialty Plastics and Battery Materials businesses, we will be striving to improve capital efficiency by measures such as strengthening product differentiation and reducing costs, exploring new usage applications, and improving production efficiency. The background to the decision to use ROIC as an indicator is that growing importance is being attached to management that demonstrates awareness of capital cost, as can be seen in the revision of Japan's Corporate Governance Code, and ROIC has also become increasingly important as an indicator for evaluations conducted by shareholders and other investors. With ROA, which has conventionally been used as a profit indicator in the past, there is an issue relating to the lack of a direct link between business assets and the scope of total assets, hence our decision to adopt ROIC, which provides a more precise evaluation of capital efficiency in business activities.

In regard to **new businesses**, we have designated four areas where strong market growth can be anticipated—CASE and MaaS, healthcare and life science, telecommunications (5G/6G), and energy conservation—as key areas, and we will be focusing resources on these areas and aiming to achieve an additional 60 billion yen a year in extra sales revenue. (See figure on P.15)

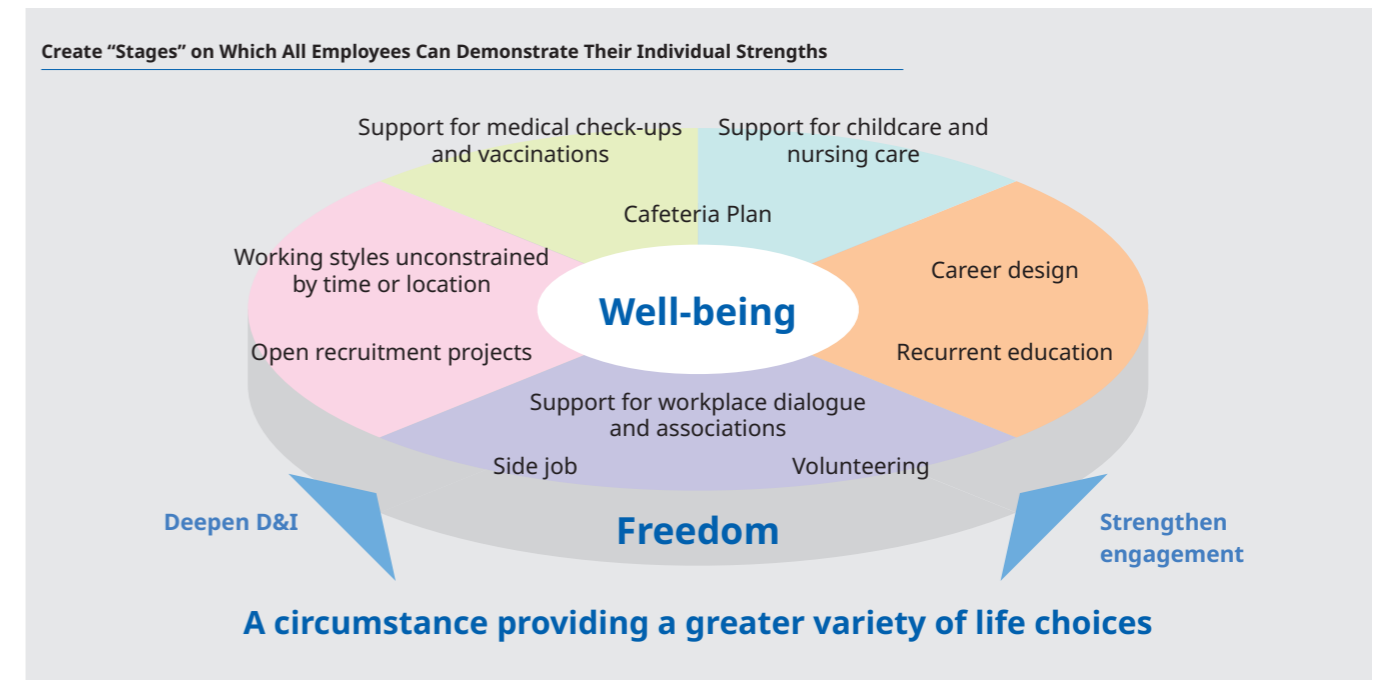
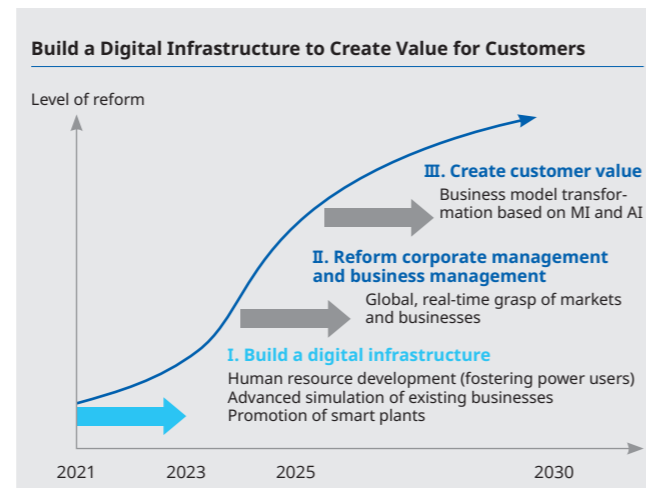
Going forward, we will be expanding the range of products that contribute toward the realization of the SDGs, both in existing businesses and in new businesses, and we will be aiming to increase the share of total sales held by products that contribute to the SDGs to at least 50%.

To facilitate these initiatives, Zeon implemented an organizational restructuring in April 2021, and established four new units. The Mobility Business Drive office will be examining strategies for further strengthening Zeon's presence in the automotive sector. The “ZEON NEXT” Exploration office will explore materials applications and new uses for existing materials, and examine pathways to commercialization. The Incubation Center will cultivate the “seeds” of new products and new businesses. The Next Generation Devices office has been established with the aim of launching a new-generation memory business.



With the aim of realizing a digital transformation, we are also promoting the improvement of digital infrastructure as group-wide strategic infrastructure. Initially, we will be focusing on areas such as human talent cultivation, enhancing the simulations used in existing businesses, and “smart factory” development. In the future, we will be implementing materials informatics that makes effective use of artificial intelligence (AI), and we will be creating value for our customers through services that provide new products and compounds tailored to customers’ needs at unprecedented speed.

In order to implement our group-wide strategies, over the next 10 years we plan to undertake new investment totaling around 350 billion yen. This new investment does not include investment undertaken to maintain existing facilities. We anticipate that it will include investment and financing to increase the production capacity of our Specialty Plastics Business and of our new businesses, as well as investment to promote digital transformation, and to reduce greenhouse gas emissions.



4. Aiming to be an Enterprise that Provides Well-being and Freedom for All Employees

Strategy 3 aims to make Zeon an enterprise that provides well-being and freedom for all employees. By providing more life choices, we are aiming to increase the employee engagement rate to at least 75% by 2030. In thinking about this policy, I felt that it was important to incorporate the words “well-being” and “freedom,” based on having been impressed by their use in the original English version of the SDGs. By helping employees to maintain their physical and emotional health, and by creating a situation where they have more options, it will be possible for employees to enjoy better circumstances overall. Our initiatives to realize this goal include living up to employees’ aspirations by providing them with more choices, for example by facilitating flexible work-styles that are not constrained by limitations of time or place, making improvements to systemic arrangements (including aspects of employee welfare provision such as cafeteria plan), and expanding provision of career planning support and recurrent education. In April 2021, we put in place a formal system for teleworking. While factory floor work-styles will not change much, we aim to transform work-styles in administrative departments and business units. Currently, we are promoting internal discussion regarding a comprehensive refurbishment of Zeon’s headquarters building in the Marunouchi district of Tokyo, the aim of which is to realize new work-styles and embody “Core Values.”

Measurement of the employee engagement rate is being outsourced to a third-party organization. The world’s leading companies generally have an employee engagement rate of around 75%, and since Zeon is aiming to become a world-class company in terms of employee engagement, 75% is the target that we have set ourselves.



5. Realizing Corporate Governance that Embodies Higher Levels of Transparency and Fairness

One of the other objectives of group-wide strategy No. 3 is to have non-Japanese and female directors account for at least 30% of all directors by 2030. Given that Zeon’s Board of Directors currently has seven directors, this means that at least three directors will need to be foreign nationals or women. Currently, there are none. While this may thus seem to be a challenging target, we will be working systematically to achieve this goal over a period of 10 years.

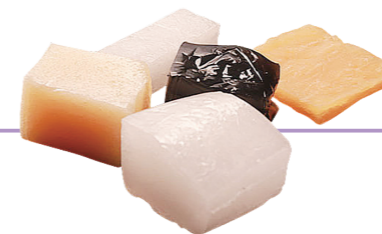
We are continuing to undertake corporate governance reform. In 2020, the number of members of the Board of Directors was reduced from ten to seven, while keeping the number of outside directors unchanged at three, thereby raising the share of outside directors. Zeon’s outside directors, who have backgrounds in other industries, have been proactively providing the company with constructive ideas.

The strategic direction that we are aiming to follow in relation to corporate governance reform in the future is to work even harder than at present to maintain transparency and fairness. To this end, where changes can be made, we will be making substantial changes. When outside directors point out things that need changing (based on their outsider’s perspective), if their ideas have merit, then we will work in that direction, as speedily as possible. I believe that we can already see the path that we need to be following in the future.



Elastomers Business

In 1959, Zeon became the first company in Japan to mass-produce synthetic rubbers. Consisting of the three businesses of synthetic rubber, synthetic latex, and chemicals, the Elastomers Business provides high-quality materials that are essential in all kinds of industrial fields around the world.



Synthetic rubbers
Solution-polymerized styrene-butadiene rubber (S-SBR) is a type of synthetic rubber that is used as a raw material for manufacturing fuel-efficient tires. Specialty synthetic rubbers are used for heat-resistant, oil-resistant rubber components installed near a vehicle's engine.



Synthetic latexes
Synthetic latexes have a wide range of usage applications, including rubber gloves used in the healthcare and food processing sectors, anti-slip gloves, cosmetic puffs, etc.



Chemicals
Thermoplastic elastomers are the raw material for the adhesive used in diapers and adhesive tape. Petroleum resins are used as materials in the manufacturing of paints for painting road surface markings, etc.



Hiroyuki Hirakawa
Director & Senior Corporate Officer
Elastomers and Chemicals Business

Business Overview and Future Strategy

Looking back at our performance in FY2020 in terms of each individual business sector, the Synthetic Rubber Business was directly impacted by the COVID-19 pandemic, particularly in the first half of the year, and experienced a substantial fall in sales. Although the second half of the year saw an increase in shipment volumes accompanying the upturn in the automotive sector, it was not enough to compensate for the decline in the first half, and for the whole year the Synthetic Rubber Business posted a decrease in both sales revenue and profits year-on-year.

In the Synthetic Latex Business, while there some variation in performance between product segments, increased demand for NBR latex for use in disposable gloves (for medical and healthcare applications) and rising product prices resulted in a situation where sales revenue fell but profits rose.

In the Chemicals Business, although the situation in the raw materials markets led to falling product prices, there was still strong demand both within and outside Japan, which helped to buoy up sales. As a result, although sales revenue fell, profits rose.

For the Elastomers Business as a whole, due to the above factors, year-on-year performance saw a fall in sales revenue but an increase in profits.

On April 1, 2021, Zeon's Synthetic Rubber Division and Synthetic Latex Division, both of which had a long tradition of excellence, merged to form the new Elastomers Business Division. This merger will make it possible to enhance the quality and speed of technology development, and will facilitate the flexible utilization of production equipment. By striving to realize a

further strengthening of our company's business fundamentals, we will be even better placed to provide our customers with high-quality products and outstanding value. Zeon's new Medium-Term Business Plan, implementation of which begins in FY2021, specifies the need to "polish up" existing businesses as a key pillar of the company-wide strategy. This means that the Elastomers Business—comprising the Synthetic Rubber, Synthetic Latex and Chemicals businesses—will be working to further enhance the customer relationships, and the strengths in terms of quality and technology, that it has built up over the years, and will be considering and implementing a wide range of measures to become a sustainable business that can survive in a business environment affected by rapid, dynamic change, including issues relating to decarbonization.

FY2021 is the first year of implementation of the new Medium-Term Business Plan. Having outlined where we want Zeon to be by 2030, we are now focusing on building the solid foundations needed to realize this vision.

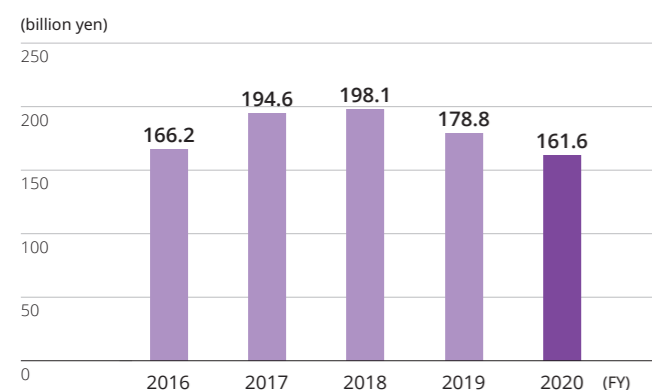
The Synthetic Rubber Business will be aiming to maximize the efficiency of its logistics through a bold program of change in its existing global production system that involves moving production of particular items from one production facility to another, as well as expanding or reducing production capacity as needed. At the same time, by offering customers new value through the adoption and refining of new production technology so as to develop new products and bring them to market, it will further strengthen Zeon's position within the global synthetic rubber market.

The Synthetic Latex Business will realize stable production and supply to meet strong demand in the disposable gloves (for medical and healthcare applications) market, which is forecast to see continued high growth, and will further strengthen our cosmetics materials product offerings, an area where Zeon has consistently been strong, while also speeding up the development of new surgical glove and work glove applications. With the launch of the new Elastomers Business Division, the synthetic rubber and synthetic latex research functions will be integrated, which is expected to lead to major synergies from the combining of the outstanding technology and know-how that the previously separate research institutes had accumulated over the years.

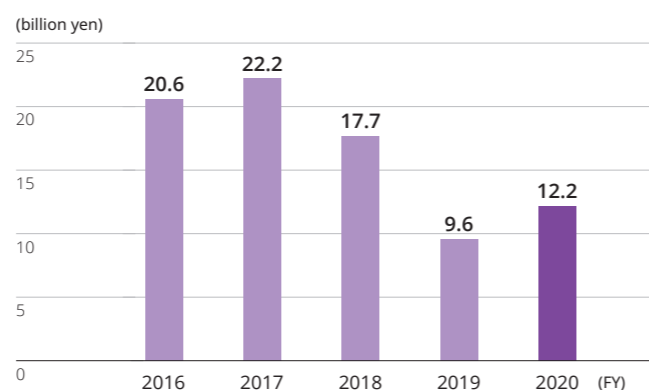
Specialization has always been a fundamental aspect of Zeon's Elastomers Business strategy. While anticipating that the solid demand in the Chemicals Business will continue in the future, we will be striving to differentiate ourselves from our competitors through specialization—in terms of quality and performance—in our Quintac® series Styrene-Isoprene-Styrene (SIS) thermoplastic elastomers and Quintone® series petroleum resins, and also focusing on further expansion of specialist products such as Asymmetric SIS. In addition, we will be working to create new value for customers by developing brand-new products, and we will be responding effectively to steadily increasing demand by considering concrete strategies for boosting our production capacity.

We look forward to receiving your continued support and encouragement in the future.

Net sales



Operating income



Business conditions in the Synthetic Rubber Business (SWOT analysis)

- Global sales network and technical support covering the Japan, Americas, Europe and Asia regions
- An extensive product line-up including heat-resistant, oil-resistant rubbers and general-purpose rubbers
- Product development capability and unique technologies that are able to meet customers' needs
- Products with high quality and reliability that customers can continue to use with peace of mind

S
Strengths

- Relatively small production capacity

W
Weaknesses

- The growth of the ASEAN region, India and other emerging markets
- Growing awareness of the importance of sustainability and safeguarding the environment (sustainability-related strategies and measures)
- Development of S-SBR for tires that provide outstanding fuel economy and wear resistance
- Development of new monomer extraction technology that facilitates dramatic improvement in per-unit energy costs
- Research on the production of bio-derived isoprene and butadiene
- Commercialization of biohydriin rubber

O
Opportunities

T
Threats

- The accelerating shift away from gasoline-powered vehicles to electric vehicles
- Entry of new competitors into the market, and changes in the supply-and-demand equilibrium due to expansion of overall production capacity
- The need to install new production equipment, and the rising cost of maintaining existing equipment

Specialty Material Business

Specialty materials are materials and components with high added value that have an outstanding macromolecular design and are made using advanced processing technology.



Specialty plastics and components

Optical film, which is used in camera lenses, medical containers, LCD panel and OLED panel, is made from resin material and then processed to produce the required components.

Specialty chemicals

Special chemicals include high-quality synthetic aroma chemicals used in perfumes and in food products, as well as pharmaceutical/agrochemical raw materials and intermediates, industrial chemicals, etc.

Energy materials

Binders for lithium-ion batteries

Polymerized toner

Printer toners

Medical devices

Medical devices include gastrointestinal system devices (such as catheters and stents), as well as cardiovascular system devices (such as Intra-Aortic Balloon Pumping (IABP) driving devices and Fractional Flow Reserve (FFR) devices for intravascular treatments).

Electronics materials

Electronics materials include insulation materials, etching gases, photo resists, etc., mainly for use in semiconductor manufacturing.



Yoshiyuki Sone

Senior Corporate Officer
Specialty Business
Division Manager – Specialty Components
President – Zeon Korea Co., Ltd.
President – Zeon CSC Corporation

Business Overview and Future Strategy

Performance in the Specialty Material Business in FY2020 was largely in line with expectations for sales. Profits were higher than originally forecast, due to a reduction in expenditure (for example, as a result of employees being encouraged to work from home) in response to the impact of the COVID-19 pandemic.

Regarding the Film Business, at the beginning of the fiscal year there were concerns that the COVID-19 pandemic might lead to an economic downturn, but in the event, there continued to be high demand for large-screen TVs due to people throughout the world being stuck at home because of lockdown measures.

There is also high demand for educational tablets used in home schooling as well as PCs for people working from home, and we must contribute to society by strengthening our supply of small- and mid-sized films.

Given these circumstances, we are moving forward with increasing the production capacity of our optical film plants in Tsuruga City and Takaoka City, operation of which began in 2020. With the aim of realizing sustainable development, at these new factories which have just begun operation, we have been implementing measures to make production more efficient and stable, with the installation of a wide variety of sensors at key points throughout the plants, including production

equipment. We will continue striving to develop these factories in harmony with the local community. Going forward, in order to meet high demand, I believe that we may need to consider a further strengthening of production capacity.

We are seeing more inquiries for Cyclo Olefin Polymers for use as lens resin with the accelerated shift to multi-lens smartphone cameras. We will continue to develop advanced products that leverage the characteristics. There has also been steady expansion in medical packaging applications leveraging the property of low adsorption to proteins. In order to be able to meet this high demand even more effectively, we undertook construction work to increase production capacity at the Mizushima Plant, which was completed in July 2021.

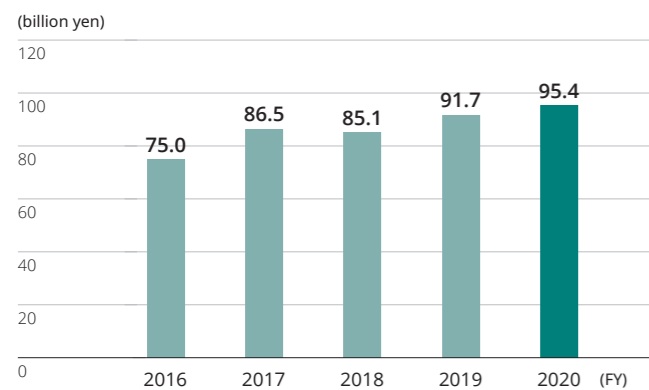
In the energy materials segment, although sales of electric vehicles fell significantly in the early part of FY2020, demand picked up again after mid-year in China and Europe, and there were various positive factors in the second half of the year, such as the launch of various new electric vehicle models that attracted a great deal of attention. As a result, over the year as a whole, sales continued to expand. Sales in the consumer market were solid, benefiting from significant online demand and factors such as the growth of the e-bike market.

In the electronics materials segment, the upturn in the semiconductor market led to increased demand for gases used in etching processes. We are developing pad-type thermal interface material with excellent thermal conductivity and durability as a new product and developing the market, primarily for semiconductor applications.

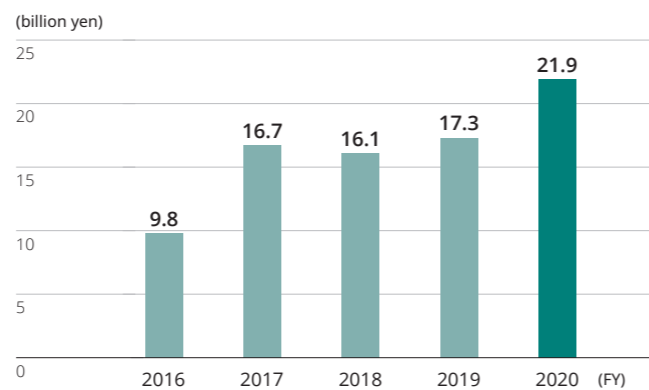
The COVID-19 pandemic had very little impact on the specialty chemicals segment, and demand continued to grow steadily. Demand for synthetic aroma chemicals also increased steadily, and we are proceeding with efforts to increase our synthetic aroma chemicals production capacity, with new capacity due to come on-line in the autumn of 2022.

With regard to the Medical Business, in the cardiovascular segment we introduced new circulatory support pump catheter products, while in the gastrointestinal segment we launched new high-frequency hemostatic devices for use with endoscopes. Regarding new medical devices, investigator-initiated clinical trials began for a new cholangiopancreatic system device which is expected to facilitate less invasive treatments. Besides working to increase sales of existing products, we are also introducing new products to meet medical needs, and we are actively considering expanding into new fields.

Net sales



Operating income



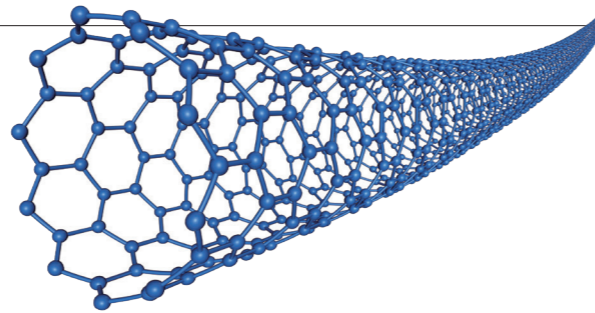
Business conditions in the Film Business (SWOT analysis)

<ul style="list-style-type: none"> Integrated production from monomers to optical films Originally developed resins, originally developed film processing technology Capabilities enabling rapid deployment of market demands in resin design <p>S Strengths</p>	<ul style="list-style-type: none"> High dependency on display products <p>W Weaknesses</p>
<ul style="list-style-type: none"> Greater penetration of Organic Electroluminescent (Organic EL) displays Larger LCD Display production shift to China <p>O Opportunities</p>	<ul style="list-style-type: none"> Maturation of LCD market and increased competition <p>T Threats</p>

Business conditions in the Energy Business (SWOT analysis)

<ul style="list-style-type: none"> Track record of impressive market performance ever since the early years of the lithium-ion battery (LIB) market Ability to provide a total solution, including anodes, cathodes, and functional layer materials High-precision polymerization technology and battery evaluation technology <p>S Strengths</p>	<ul style="list-style-type: none"> Lack of cost competitiveness <p>W Weaknesses</p>
<ul style="list-style-type: none"> The growth of the electric vehicle market The trend toward high-functionality LIBs <p>O Opportunities</p>	<ul style="list-style-type: none"> Increasingly challenging competitive environment <p>T Threats</p>

Other Businesses



Carbon Nanotube Business

Carbon nanotubes are a material invented in Japan that are expected to have a wide range of applications, because of their light weight, high strength, and good electrical and thermal conductivity.

Zeon's ZEONANO® carbon nanotubes are single-walled carbon nanotubes (SWCNT) manufactured using the Super-Growth method, a revolutionary forming method discovered by Japan's National Institute of Advanced Industrial Science and Technology (AIST).

ZEONANO® carbon nanotubes have several outstanding features, including large specific surface area, long length and high purity, and are anticipated to have a wide range of applications in areas such as the energy sector and electronics sector.

Besides manufacturing and selling single-walled carbon nanotubes, Zeon is also contributing toward the safe diffusion of carbon nanotubes by conducting safety and environmental degradability assessments and disclosing the results.

In addition, Zeon is conducting R&D to develop materials with new properties by combining single-walled carbon nano-

tubes with various other materials that Zeon manufactures itself. Zeon is also conducting collaborative research with numerous companies and research institutes.

Some of the results achieved in the past few years are outlined below.

- **High-performance pad-type thermal interface material made by combining carbon nanotubes with rubber**
This material is contributing toward resolving heat-related problems in power semiconductors.
- **Conductive silicon rubber made by combining carbon nanotubes with silicon rubber**
This material contributes toward easing the symptoms of Parkinson's disease and essential tremor (ET) disorder.

For more information about Zeon's carbon nanotubes, please visit the following website.

<https://www.zeon.co.jp/en/business/enterprise/nanotube/>

RIM Business



Zeon's RIM Business supplies DCP resin material—the raw material for which is Dicyclopentadiene (DCP) derived from the C5 fraction—for use in reaction injection molding (RIM). It also proposes new uses for this material.

DCP resin is an olefin-based thermosetting resin which consists entirely of carbon and hydrogen, and as a result has a lower environmental footprint over the product lifecycle than other main resin types. It is ideally suited for forming applications that involve large items or complicated shapes, and also for precision materials applications requiring low viscosity or a low dielectric constant.

Forming applications involving large items or complicated shapes can make effective use of DCP resin's light weight, good impact resistance and superior thermal resistance. DCP resin has been adopted for making body panels for trucks, buses, construction machinery and agricultural machinery. In addition, because of its outstanding water resistance and chemical resistance, DCP resin has a long, impressive track record of use in environmental-related fields, including utilization in the manufacturing of seawater pump casings.

Progress is also being made in the development of precision

materials applications for DCP resin, including electrical and electronic components, and high-wavelength components. As DCP resin supports adhesion with filler material, fiber and metals, it is anticipated that a wide range of further applications can be developed.

By making effective use of DCP resin's strengths— (1) Low lifecycle cost, resulting in lower CO₂ emissions, (2) Light weight, resulting in lower fuel expenditure, (3) Ease of working, resulting in lower energy consumption, (4) Potential for the development of new applications that make effective use of DCP's special characteristics, and (5) Recyclability—the RIM Business is contributing toward the realization of the SDGs. Looking ahead to 2030, Zeon will be promoting the RIM Business based on the goals of achieving steady growth through the expansion of global market share in the body panel segment, and realizing high revenue through the development of a solutions business that effectively utilizes DCP resin's special features.

Zeon's RIM Business is handled by RIMTECH Corporation.

<http://www.rimtec.co.jp/en/>

2020–2021 Topics

The following summarizes Zeon's major business developments from July 2020 through June 2021. See the related press releases for more detailed information.

* The dates given are the dates of the related press releases.

Focusing on becoming carbon-neutral and on the circular economy

Developing new technology to create butadiene from biomass April 13, 2021

The Bio-monomer Production Laboratory team, which was established jointly by Zeon Corporation, RIKEN and Yokohama Rubber Co., Ltd., has achieved a world first by successfully developing new technology for efficiently creating butadiene from biomass. Making butadiene—which is an important raw material for the manufacturing of vehicle tires and synthetic rubber—into a renewable resource will reduce dependency on fossil fuels and contribute toward reducing greenhouse gas emissions.



Butadiene rubber made using the new technology

"Polish up" existing businesses

Zeon joins the Battery Association for Supply Chain (BASC) June 4, 2021

The Battery Association for Supply Chain (BASC) is a general incorporated association that was founded in April 2021 to undertake activities relating to the adoption of international standards in the battery supply chain and the building of a new battery eco-system, with the aim of helping to realize the post-carbon society. As a company that supplies various materials which contribute toward enhancing the performing of lithium-ion batteries, Zeon Corporation has joined BASC.

Zeon seeks to expand application of adhesive for battery separators February 24, 2021

Zeon Corporation has begun full-scale development of battery separator adhesive that will help to increase the lifespan and reduce the cost of lithium-ion batteries. Applying this product to battery separators makes it possible to maintain the correct distance between electrodes, thereby contributing toward enhanced battery lifespan. The new product also provides numerous benefits in the battery production process, which will make a substantial contribution toward improving the productivity of battery manufacturing.

Zeon commercializes new crystalline Cyclo Olefin Polymers February 17, 2021

Cyclo Olefin Polymer (COP) normally has a non-crystalline structure. By giving COP a crystalline structure, Zeon Corporation's new ZEONEX®C2420 product retains the low water absorption, low conductivity, and low dielectric loss tangent of conventional COP, while also providing unprecedentedly high thermal resistance, chemical resistance and elasticity. By making effective use of these properties, it should be possible to expand the applications of COP to include brand-new items.



Using ZEONEX®C2420 in flexible substrate for millimeter-wave radar antenna

Zeon to boost production capacity for leaf alcohol March 25, 2021

Leaf alcohol (cis-3-Hexenol) is a synthetic aroma chemical that has the scent of young green leaves. It is widely used as a fragrance in perfumes, shampoo and soaps, and as a flavoring in products such as soft drinks and confectionery. Zeon Corporation holds the highest global market share in the production of leaf alcohol, and as this is a market that is forecast to maintain steady growth in the future, Zeon has decided to increase its production capacity. Once construction of the related production facilities is completed in autumn of 2022, leaf alcohol production capacity is scheduled to rise by over 30%.

Zeon launches an IABP balloon catheter with optical sensor November 26, 2020

Zeon Medical Inc. has added an optical sensor to its Intra-Aortic Balloon Pumping (IABP) balloon catheter product. This makes Zeon Medical Inc. the first Japanese company to introduce an optical sensor equipped IABP system. The use of the optical sensor reduces delay when performing measurements, and is expected to lead to improvement in treatment outcomes.



Zeon launches a new FFR system August 3, 2020

Zeon Medical Inc. has launched a new-generation FFR system for performing Fractional Flow Reserve (FFR) measurement. The new device embodies a substantial improvement in connectivity with other diagnostic devices, and provides more convenience in terms of allowing flexible adjustment to suit the operating environment. The adoption of a 15-inch high-luminance LCD display with touch control capability makes for intuitive, stress-free operation.

Zeon launches a new positive-tone photosensitive insulating dielectric July 17, 2020

Zeon Corporation has launched a new alkaline-developable positive-tone photosensitive insulating dielectric, with special features that include low-temperature curing capability, high resolution, and high insulating reliability. With the trend for semiconductor devices to become miniaturized and more highly integrated, this product can contribute toward improving yield and reliability.

"Explore" new businesses

Developing conductive silicon rubber that makes use of single-walled carbon nanotubes January 20, 2021

Zeon Corporation's newly-developed silicon masterbatch contributes provides conductivity by mixing single-walled carbon nanotubes with silicon rubber. The aim is to develop applications for compounds made using this material in medical devices used to ease the symptoms of conditions such as Parkinson's disease and essential tremor (ET) disorder that cause the body to tremble. Zeon is pursuing joint research in this area with U.S. company Novation Solutions LLC.

Zeon launches a solar card design device LNES SL-02 November 26, 2020

Zeon Corporation has been implementing "project LNES" since 2016. LNES® SL-02 utilizes SOLAR CARD™, which was developed using Zeon's plastics technology and nanotechnology fusion capability. It provides five types of lighting function and a spot-type charging function.



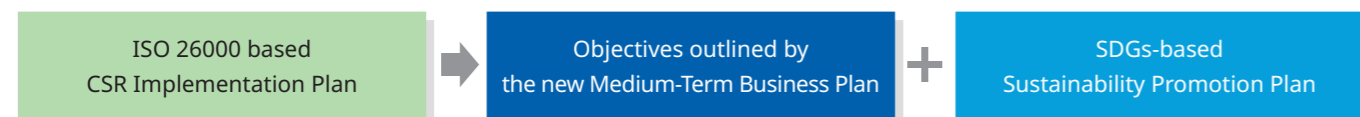
Contributing to the Realization of the SDGs through Our Business Activities

Management

Moving beyond ISO 26000 to promote SDGs-based sustainability

Up until FY2020, the Zeon Group implemented CSR initiatives in accordance with a CSR Implementation Plan that was based on ISO 26000, the international CSR standard. Starting

from FY2021, we are aiming to realize our Vision for 2030 through SDGs-oriented initiatives that are outlined in our new Medium-Term Business Plan, and we will be formulating and implementing a new Sustainability Promotion Plan.



Setting the main SDGs-related targets

Zeon's new Medium-Term Business Plan has identified nine SDGs that are closely related to our business activities as SDGs

that our company will focus on. We aim to realize our Vision for 2030 through SDGs-oriented initiatives.

Sustainability Management

In order to transform our business activities in such a way that they are oriented toward achieving the targets set in the new Medium-Term Business Plan and toward sustainability promotion, we undertook a large-scale organizational restructuring in April and July of 2021.

For example, we established the Carbon Neutral Endeavor office, reporting directly to the President, to promote the formulation and implementation of strategies and concrete plans for realizing our goal of becoming carbon neutral by 2050.

We have also established a new Incubation Center under the Research & Development Center, as a dedicated organization for new product development and the incubation of new businesses.

In addition, our existing CSR Headquarters has been repositioned as the Corporate Sustainability Headquarters, to play

a central role in sustainability promotion and management, and the Legal Affairs and Quality Assurance departments, which were formerly under the CSR Headquarters, have been moved to a new Legal & Compliance division, thereby enhancing the objectivity of each function. We have also set up a new IR & SR office, with the aim of further expanding dialog and communication with investors and shareholders.

As before, the CSR Conference, which is chaired by the President, exercises general oversight over sustainability promotion, and reports to the Board of Directors as necessary.

Going forward, we will continue to explore ways to make our organization and management systems more effective, to live up to the expectations of today's constantly changing society.

Corporate Profile: Organizational Chart

<https://www.zeon.co.jp/en/company/profile/>

The relationship between the new Medium-Term Business Plan and the SDGs that Zeon is focusing on

New Medium-Term Business Plan		SDGs			3 GOOD HEALTH AND WELL-BEING	5 GENDER EQUALITY	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	17 PARTNERSHIPS FOR THE GOALS
The SDGs that the new Medium-Term Business Plan focuses on					●	●	●	●	●	●	●	●	●
Vision for 2030	Directions for 2030 (what we want to be)	Strategies	Key Policies (2021-22)	Targets for 2030									
Living up to societal expectations	Continuing to contribute to a sustainable society	1 Promote a transformation of <i>monozukuri</i> to realize a carbon neutrality and circular economy	Formulate a master plan for achieving carbon neutrality looking toward the year 2050	To be set based on published guidelines including those of the Japan Chemical Industry Association			●				●	●	●
	Providing products and services indispensable to society	2-1 "Polish up" existing businesses	Strengthen COP	Sales ratio of products that contribute to the SDGs: 50%	●			●			●	●	
			Strengthen battery materials					●					
		Ensure the survival of existing SBUs	ROIC for existing businesses: 9.0%	●				●				●	
	2-2 "Explore" new businesses	Focus resources on key areas	Net sales of new businesses: +60.0 billion yen (compared to FY2019)	●			●					●	
		Build a digital infrastructure to create value for customers	I. Build a digital infrastructure II. Reform corporate management and business management III. Create customer value				●			●			●
Living up to the aspirations of employees	Take vigorous action with the steps "Let's try first," "Let's connect," and "Let's polish up"	3 Work together to create "stages" to be active on	Provide a greater variety of life choices	Employee engagement: 75% Ratio of foreign-national and female directors: 30%	●	●				●			●

Products and initiatives that contribute toward the realization of the SDGs ①



SDGs Goal 3 Good health and well-being

Zeon's products are used as materials and components, and contribute toward people's health across a wide range of settings.

Zeon's products are used as materials and components

Functional enhancement of end products and development of new usage applications



Contributing to the health of large numbers of people

Synthetic latex for use in gloves, which contributes toward infection prevention

The synthetic latex that Zeon provides for making gloves is used in medical gloves, and has contributed to infection prevention during the COVID-19 pandemic. It is widely used as a glove material because gloves made from synthetic latex are less likely to cause protein allergies.



Providing materials for the healthcare sector

Cyclo Olefin Polymers have superb properties—on a par with those of glass—for making medical containers. The containers are also lightweight and resistant to wear, which reduces the burden on medical professionals, and as a result they have come into widespread use.



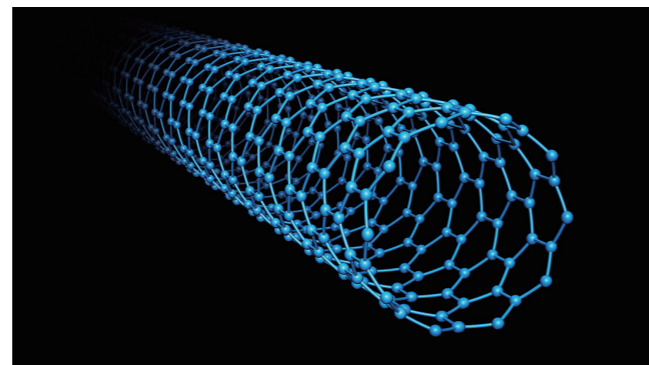
Providing medical equipment and devices that reduce the burden on medical professionals and patients

In the past, Zeon developed a sufficiently in-depth knowledge of the human cardiovascular system to be able to commercialize an auxiliary artificial heart product. Today, we utilize this expertise in the manufacturing of stents and balloon catheters. The performance and functionality of the FFR system that Zeon has developed for use in coronary artery diagnosis and treatment has been highly praised by medical professionals.



Using single-walled carbon nanotubes (SWCNT) for medical devices

In January 2021, Zeon successfully completed the development of a masterbatch that substantially enhances the electrical conductivity of silicon rubber, by integrating SWCNT into silicon rubber. The aim is for compounds made using this masterbatch to be utilized as components in medical devices used to mitigate the symptoms of Parkinson's disease, etc.



SDGs Goal 7 Affordable and clean energy

SDGs Goal 13 Climate action

By helping to enhance the performance of our customers' products, Zeon's products are contributing toward the widespread adoption of energy-saving and clean energy initiatives in society, and toward responding effectively to climate change.

Zeon's products are used as materials and components in various products

Functional enhancement of end products and development of new usage applications



Contributing toward energy conservation and toward the response to climate change

Supplying materials and components for electric vehicles

With the widespread adoption of hybrid vehicles and electric vehicles throughout the world, there is a need for large quantities of batteries with high performance and superior durability.

Zeon's binder materials and functional layer materials for lithium-ion batteries, and our battery seal materials, are contributing toward realizing more efficient use of electric power by improving battery performance.

Zeon has also developed pad-type thermal interface material, which is made by combining single-walled carbon nanotubes (SWCNT) with rubber, and which is contributing toward the realization of the high-performance power semiconductors needed for effective electric vehicle control.



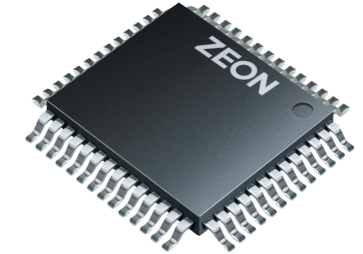
Development of synthetic rubber for fuel-efficient tires

When developing tires, making tires more fuel-efficient through improved rolling resistance needs to be balanced against the need for superior grip in bad weather when roads are wet and against the need for wear resistance. The solution-polymerized styrene-butadiene rubber (S-SBR) that Zeon provides is used mainly for tire grooves, and makes a significant contribution toward enhancing tire fuel economy.



Substitutes for CFCs

Semiconductor manufacturing processes require the use of chlorofluorocarbons (CFCs) and solvents, which, in relative terms, have a greater global warming effect than carbon dioxide (CO₂) emissions. By developing and supplying fluorinated solvents and oxide film etching gases that can be used as substitutes, Zeon is contributing toward mitigating global warming.



Contributing to remote business

Optical film made from Cyclo Olefin Polymers using Zeon's unique technologies contributes toward enhancing display quality through various properties such as superior transparency, and thus helps to support the development of various types of remote business, including teleworking and distance learning.



Products and initiatives that contribute toward the realization of the SDGs ②



SDGs Goal 12 Responsible consumption and production

Zeon's products contribute toward reducing society's consumption of resources by helping to enhance the performance of customers' products.

Zeon's products are used as materials and components

Functional enhancement of end products and development of new usage applications



Contributing toward the reduction of resource usage over the product lifecycle

Highly-durable rubber for vehicle components

The rubber that Zeon produces for use in vehicle components has many outstanding properties, including good heat resistance, oil resistance, and mechanical durability, etc., and is used in many different ways.

This high performance improves the lifespan of both the components themselves and the vehicle as a whole, thereby contributing to a reduction in the quantity of resources consumed over the product lifecycle.



Extending the lifespan of lithium-ion batteries that contain rare metals

Some of the rare metals used as raw materials for the manufacturing of lithium-ion batteries have aroused concerns regarding extraction methods that have a high environmental footprint, safeguarding of workers' human rights, etc. By enhancing the performance of the components that we supply, Zeon is contributing toward giving lithium-ion batteries a longer lifespan, which in turn contributes indirectly toward reducing the quantity of rare metals used.

Research on the use of biomass material as raw material

Zeon has been undertaking research on how to use renewable biomass-derived material as raw material for product manufacturing, instead of raw material from fossil fuel sources. In April 2021, Zeon announced the development of a new technology for creating butadiene from biomass, realized through collaborative research with RIKEN and Yokohama Rubber. Similarly, with regard to isoprene, which is also a raw material for synthetic rubber manufacturing, in 2018 Zeon succeeded in synthesizing isoprene from biomass. In the future, we will continue with technology development aimed at the successful commercialization of these new technologies.



SDGs Goal 9 Industry, innovation and infrastructure

Zeon's corporate philosophy embodies the concept of contributing to the world through the development of world-class, innovative technologies. Zeon successfully developed ways of utilizing the C₄ and C₅ fractions of petroleum, which in the past had been seen as waste products of petroleum processing, and this has generated a wide range of useful products. Going forward, we will be moving beyond crude oil derived products, utilizing the technological base that we have accumulated over the years to make further contributions to the new society that is now emerging.

Provision of technology services in Southeast Asia, China and India

The manufacturing of tires and other high-performance rubber products involves the utilization of multiple different materials in combination, and the process of combining these materials requires a wide range of specialist expertise. As a manufacturer that supplies high-performance rubber materials, Zeon provides technology services to help local rubber components manufacturers utilize our products effectively so that they can gain maximum benefit from the superior performance of Zeon's products.

The technology services provided by Zeon's Asia Technical

Support Laboratory, which was established in Singapore in 2017, are helping to support industrial development in the ASEAN region and in India.

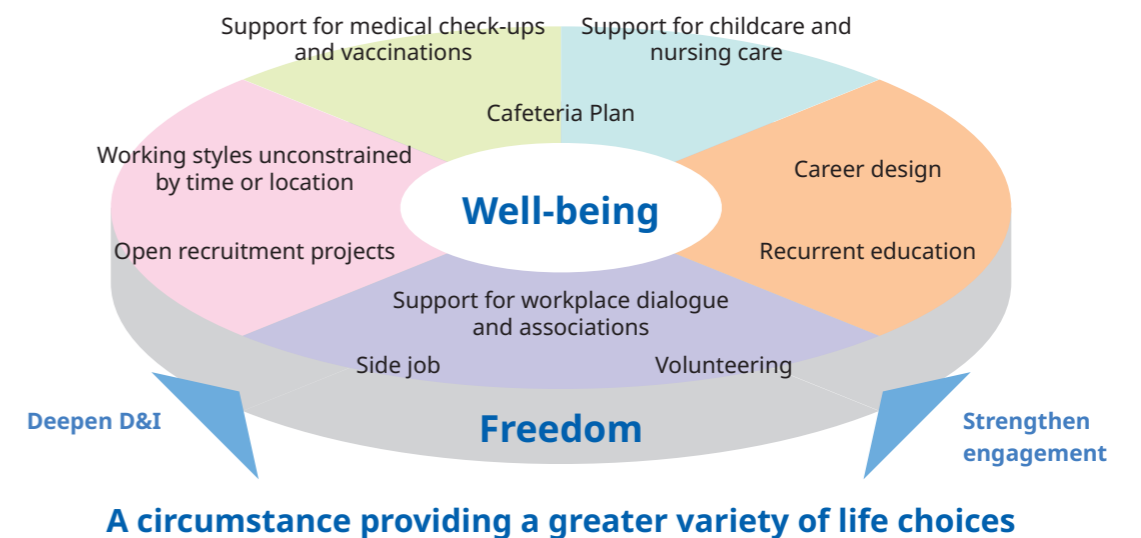
Investment in a venture capital fund specializing in the medical sector

Zeon Medical Inc. has invested 500 million yen in a fund established by MedVenture Partners, Inc., a venture capital firm specializing in investment in the medical device sector. This investment will help Zeon to access useful information, and will also enable us to collaborate on the cultivation of new medical startups.



Renewing our organizational culture

With the aim of fulfilling our Vision for 2030 of becoming "a company that lives up to the aspirations of employees," in FY2021-2022 we are focusing on putting in laying the foundations needed to "provide a greater variety of life choices." Our target for 2030 is to achieve an employee engagement rate of 75%.



Health management

In October 2021, Zeon formulated a Health Management Strategy with the aim of promoting employee well-being.

TCFD-based Analysis and Reporting

Expressing support for the TCFD recommendations

In August 2020, Zeon Corporation expressed its support for the recommendations made by the Task Force on Climate-Related Financial Disclosures (TCFD).

Going forward, we will be aiming to strengthen our management fundamentals, as well as to help realize a sustainable society and enhance Zeon's corporate value, by undertaking analysis of the risks and opportunities that climate change presents for our businesses and reflecting this analysis in our management strategy.

This initiative is also reflected in our group-wide strategy of "Promoting a shift to *monozukuri* manufacturing that will enable Zeon to become carbon-neutral and help to realize the circular economy," which forms part of our new Medium-Term

Business Plan, and we will be formulating a master plan for achieving carbon neutrality, looking ahead toward 2050.

2020	Support for TCFD announced Implementation, on a trial basis, of analysis of the impact on Zeon's rubber business of the 2°C and 4°C climate change scenarios
2021	Implementation of Risk Severity Evaluation application trials for businesses other than the rubber business. * Implementing units: Business divisions (Energy Materials and Specialty Plastics), indirect departments (Raw Materials and Production Technology), and plants (Kawasaki Plant) Reflection of certain elements in the new Medium-Term Business Plan
2022	Group-wide reflection in the new Medium-Term Business Plan

Disclosure of Zeon's Response to TCFD Requirements

Governance

Zeon views climate change as a key issue, and progress management and reporting in regard to related targets is undertaken by the Environmental & Safety Affairs Committee.

In addition, a new unit, the Carbon Neutral Endeavor office, has been established which reports directly to the President. It undertakes concrete plan formulation and implementation in order for Zeon to realize the goal of becoming carbon neutral by 2050.

Strategy

Overview

Climate change scenario analysis has been implemented on a trial basis with respect to Zeon's **rubber business**, using the following steps.

1. Assess materiality of climate-related risks
2. Identify and define range of scenarios
3. Evaluate business impacts
4. Identify potential responses

It was decided to use the **rubber business** as the target of scenario analysis because this is a core business for Zeon, with a wide-ranging supply chain.

1 Assess materiality of climate-related risks

(Identification of risks and opportunities)

Making use of the TCFD Recommendations Technical Supplements, SASB standards and other external resources, risks and opportunities that will be important to Zeon's businesses over the short to long term have been identified, and evaluated on the basis of both internal discussion and discussion involving external parties (see table on the next page). Transition risks that were identified included CO₂ emissions costs (including carbon tax, etc.), changes in customer mobility due to the adoption of electric vehicles, etc., and rising raw materials procurement costs and utility costs.

Physical risks included flooding of worksites and the supply chain resulting from climate change, and damage to worksites and the supply chain caused by the increasing incidence and severity of abnormal weather events.

2 Identify and define range of scenarios

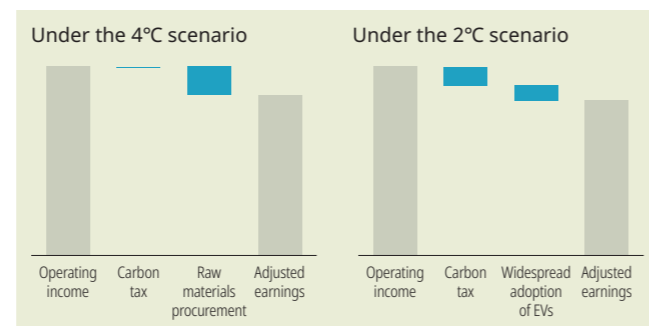
Based on the transition risks and physical risks identified for the **rubber business**, we determined the overall global picture for the 4°C scenario and the 2°C scenario.

- **Anticipated global picture for the 4°C scenario**
A trend toward adopting a "wait and see" attitude to the need to achieve a low-carbon or post-carbon society leads to high physical risk, in terms of flooding, etc.
- **Anticipated global picture for the 2°C scenario**
Aggressive promotion of decarbonization, adoption of carbon taxes and an accelerated shift toward renewable energy and the use of electric vehicles lead to an increased need for the reduction of emissions from businesses and for the implementation of product portfolio adjustments.

3 Evaluate business impacts (impact on financial planning)

The anticipated financial impact on Zeon's business was analyzed for the 4°C scenario and the 2°C scenario. Under the 4°C scenario, it was anticipated that earnings would fall due to the impact of physical risks and increased procurement costs. Under the 2°C scenario, it was anticipated that earnings would fall due to the adoption of carbon tax and the widespread adoption of electric vehicles, which would have a major impact on the company's business.

Business impact evaluation results for the rubber business



4 Future direction and response strategy

Going forward, having examined the scenario analysis results, we will be striving to strengthen our decarbonization strategy, in relation to carbon tax, and our resource strategy, in relation to raw materials procurement.

Regarding the decarbonization strategy, we will be undertaking group-wide examination of policies aimed at making Zeon carbon neutral. With regard to the resource strategy, we will be promoting the circular economy and proceeding with development of products that make use of biomass as raw material. We will also be aiming to expand our businesses by undertaking product development and product portfolio management based on assumptions regarding changes in customers' mobility habits.

Risk management

Regarding climate-related risks, we will be establishing a dedicated unit for this, and will be taking steps to identify these risks.

Metrics and targets

We use CO₂ emissions as an indicator for the management of climate-related risks and opportunities. By 2020, we aim to have reduced CO₂ emissions by 20% compared to 1990, and we will be implementing measures to reduce energy consumption and realizing a shift in fuel usage away from heavy fuel oil toward natural gas.

Rubber business scenario analysis—Risk Severity Evaluation results

Type of risk	Evaluation item		Observations on the potential impact on business (qualitative information)		Importance
	Category	Sub-category	Observations: Risks	Observations: Opportunities	
Transition	Policy/Legal	Carbon pricing and carbon tax	Adoption of carbon taxes (resulting in increased operating costs)	Increased opportunities for sale of products that contribute toward reducing emissions (resulting in increased sales)	Major
	Industry/Market	Changes in raw materials procurement costs	Rising raw material prices (resulting in increased operating costs)	Rising raw material prices (resulting in decreased operating costs)	Major
		Changes in utility costs	Rising energy prices (resulting in increased operating costs)	Increased demand for energy (resulting in increased sales)	
Reputation	Changes in customer behavior	Worsening reputation of the company's products and of the company itself (resulting in reduced sales)	Increased product sales opportunities relating to the company's environmentally-friendly products (resulting in increased sales)	Major	
Physical	Acute	Increasing seriousness of abnormal weather conditions	Disruption caused to operations by severe natural disasters (resulting in reduced sales and increased operating costs)	Reduced production of natural rubber due to changes in rainfall patterns (resulting in increased sales)	Major

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Directors and Officers

More detailed information can be found in the Corporate Governance Report (Japanese version only).

<https://www.zeon.co.jp/news/assets/pdf/210630.pdf>

A total of six directors, including three outside directors, have been appointed since the general meeting of shareholders at the end of June 2021.

Directors



President and CEO
Kimiaki Tanaka

Profile
April 1979 Joined Zeon
June 2005 Zeon Director
June 2007 Zeon Director and Corporate Officer
June 2011 Zeon Director and Senior Corporate Officer
June 2012 Zeon Director and Executive Corporate Officer
June 2013 Zeon President (current)



Director & Senior Corporate Officer
Hiroyuki Hirakawa
Elastomers and Chemicals Business

Profile
April 1981 Joined Zeon
June 2008 Zeon Corporate Officer
June 2009 Zeon Director and Corporate Officer
June 2015 Zeon Director and Senior Corporate Officer (current)



Director & Corporate Officer
Kazuyoshi Matsuura
Administration
Division Manager – Human Resources
General Manager – Human Resources
General Manager – China Business Administration
Director – TOHPE CORPORATION

Profile
April 1993 Joined Zeon
June 2008 Zeon Corporate Officer
June 2019 Zeon Director and Corporate Officer (current)

Outside Directors



Takao Kitabata
Outside Director – Kobe Steel, Ltd.



Tadanobu Nagumo
Senior Advisor – The Yokohama Rubber Co., Ltd.



Fumiaki Ikeno
Board Member, Co-Founder, Chief Medical Officer,
GP – MedVenture Partners, Inc.

Audit & Supervisory Board Members



Audit & Supervisory Board Member
Takeo Furuya



Audit & Supervisory Board Member
Sachio Hayashi

Audit & Supervisory Board Members (External)



Akio Kohri
Adviser – ADEKA CORPORATION



Nobutake Nishijima



Hiroki Kimura
President – Asahi Mutual Life Insurance Company

Corporate Officers



Senior Corporate Officer
Tetsuya Toyoshima
Research & Development
Division Manager – Research & Development Center



Senior Corporate Officer
Yoshiyuki Sone
Specialty Business
Division Manager – Specialty Components
President – Zeon Korea Co., Ltd.
President – Zeon CSC Corporation



Corporate Officer
Erisa Watanabe
Corporate Sustainability
Division Manager – Corporate Sustainability
General Manager – CSR



Corporate Officer
Tomoyuki Kose
Managing Director – Zeon Kasei Co., Ltd.



Corporate Officer
Makoto Watanabe
Plant Manager – Mizushima Plant



Corporate Officer
Takafumi Kawanaka
Production and Engineering Technology
General Manager – Production Administration



Corporate Officer
Tsutomu Eguchi
Division Manager – Corporate Administration



Corporate Officer
Satoshi Tominaga
Division Manager – C_s Chemicals



Corporate Officer
Yoshinobu Oi
Senior Corporate Officer – Tokyo Zairyo Co., Ltd.



Corporate Officer
Yuichiro Konishi
Division Manager – Specialty Plastics
President – Zeon Opto Bio Lab Co., Ltd.



Corporate Officer
Hiroshi Yamamoto
Division Manager – Production Center



Corporate Officer
Kazuo Nakajima
Division Manager – Legal & Compliance
General Manager – Legal Affairs

Governance

PDF Corporate Governance Report (Japanese version only)
<https://www.zeon.co.jp/csr/concept/pdf/200325073.pdf>

PDF Basic Policy on Corporate Governance (Japanese version only)
<https://www.zeon.co.jp/csr/management/pdf/200281514.pdf>

Corporate Governance

Basic Policy on Corporate Governance

Zeon 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 build a system that enables efficient and sound corporate management through corporate governance.

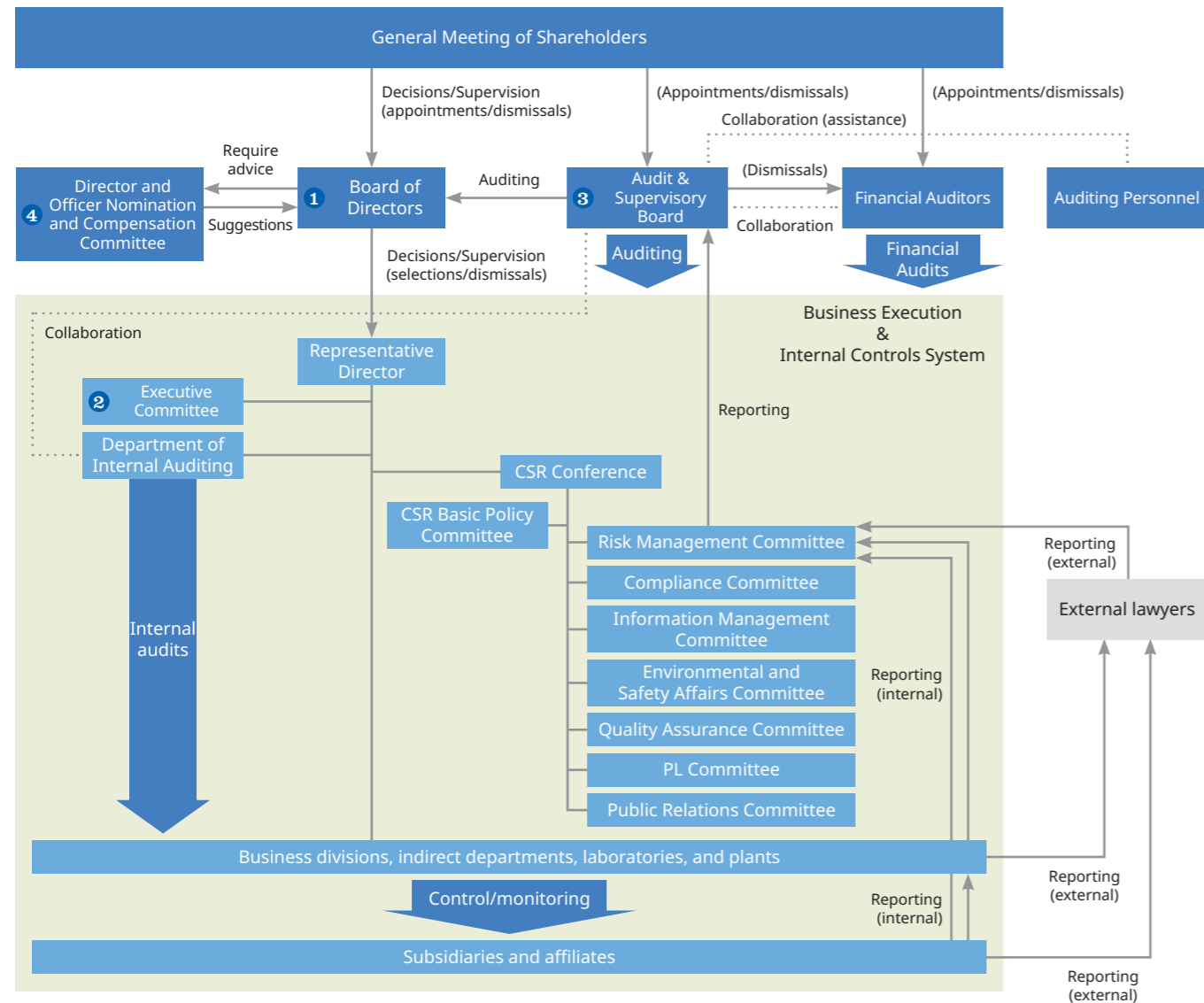
Maintaining a system of corporate governance allows us to clarify the functions and roles of each body and company organization and to carry out rapid decision-making and execution. We are also improving corporate transparency through appropriate

monitoring and disclosure of business activities and their effects.

We appointed three outside directors and three external Audit & Supervisory Board members who are independent with the expectation that they will monitor management from an external perspective.

We believe that the current system is optimal for achieving both timely and efficient decision-making and business execution and effective management monitoring and supervision by independent outside officers from an external perspective and that our corporate governance is functioning effectively.

Corporate Governance System



1 Board of Directors

The Board of Directors meets, in principle, every month with Audit & Supervisory Board members 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. As of July 2021, the Board of Directors consists of six directors, including three outside directors.

2 Executive Committee

The Executive Committee, in accordance with the Executive Committee Rules, comprises the President and executive officers ranked senior corporate officer or above and meets twice a month in principle to examine and make decisions on important business matters after due deliberation involving consultation with attending full-time Audit & Supervisory Board members. Important business matters stipulated in the Board of Director Rules are examined and decided by the Board of Directors.

3 Audit & Supervisory Board

The Audit & Supervisory Board comprises five members, including three external members. The Board reports, discusses, and adopts resolutions on important business matters.

In accordance with the auditing guidelines established by the Audit & Supervisory Board, each member audits directors' execution of their duties through various means, such as attending Board of Directors meetings and monitoring business operations, including subsidiaries' operations.

4 Director and Officer Nomination and Compensation Committee

The Director and Officer Nomination and Compensation Committee is positioned as an advisory organ to the Board of Directors for the purpose of strengthening the objectivity and transparency of the Board of Directors functions related to nominating directors and officers and deciding their compensation. The committee is composed of four members, of which three are independent outside directors.

Policy on the distribution of profit

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.

Director and officer compensation

We use a performance-based compensation system as one type of healthy incentive to achieve sustained growth. Individual compensation is decided by the Representative Director after receiving the advice of the Director and Officer Nomination and Compensation Committee.

Appointment and dismissal of directors and officers

Nominations of candidates for directors and auditors and appointments of corporate officers are made based on the requirements provided in the Basic Policy on Corporate Governance.

nance, with advice given by the Director and Officer Nomination and Compensation Committee, a recommendation by the Representative Director, and a decision by the Board of Directors.

In the case of committing a serious violation of the law, or an act violating company policy either intentionally or through gross negligence, or other reason that is cause for dismissal of the director or officer as provided in internal company regulations, the Board of Directors deliberates the case and dismisses the director or officer concerned based on the Companies Act and other legislation.

Evaluating the effectiveness of the board of directors

Questionnaires are conducted for directors including outside directors and auditors about the operations of the Board of Directors. Questionnaire responses are analyzed and evaluated by a third-party outside lawyer entrusted to perform the task, who has provided the opinion that our Board of Directors operates with a high degree of overall effectiveness.

We currently position increasing the diversity of directors as an issue to be addressed. As indicated by the target in the new Medium-Term Business Plan, we are working to increase the ratio of non-Japanese or female directors to 30% by 2030.

Compensation system

Directors and officers	Compensation structure
Internal Directors	• Fixed-amount cash compensation • Performance-based cash compensation • Restricted stock compensation system
Corporate Officer	• Fixed-amount cash compensation • Performance-based cash compensation
Outside Director	• Fixed-amount cash compensation

Compensation amount

Directors and officers	Total amount of compensation
Internal Directors (7 directors)	350 million yen (breakdown: cash compensation (fixed amount): 57 million yen, cash compensation (performance-based): 147 million yen, transfer-restricted stock-based compensation: 25 million yen, retirement bonus: 121 million yen)
Internal Audit & Supervisory Board Members (2 members)	53 million yen
External Officers (7 officers)	47 million yen (breakdown: cash compensation (fixed amount): 44 million yen, retirement bonus: 3 million yen)

Corporate officer skills and diversity

The Board of Director comprises a diverse range of directors with different backgrounds of knowledge, experience, expertise, and so on, and the number of directors is limited to 15 in accordance with the Articles of Incorporation from the perspective of maintaining an appropriate size to ensure thorough deliberations and prompt and reasonable decision-making as an organizational body. In addition, in order to appropriately reflect in the company's management policies, the opinions of persons with extensive experience and insight, such as outside

corporate managers and persons with administrative experience, and to ensure the effectiveness of independent and objective management supervision by the Board of Directors, Zeon appoints several independent outside directors who are not involved in the execution of business.

Below is a list (a skills matrix) of the skills that members of the Board of Directors should have in light of the Group's management strategies and the combination of skills (up to three for each director) that each director possesses and that the company particularly expects that director to demonstrate.

	Managerial experience	International perspective	Digital transformation (DX)	Production and SCM	R&D and innovation	Marketing and business development	Human resource development and D&I	Compliance and risk management	Finance and accounting	Sustainability and ESG
Kimiaki Tanaka , President & CEO	●				●					●
Hiroyuki Hirakawa , Director & Senior Corporate Officer		●		●		●				
Kazuyoshi Matsuura , Director & Corporate Officer			●				●		●	
Takao Kitabata , Outside Director		●						●		●
Tadanobu Nagumo , Outside Director	●			●		●				
Fumiaki Ikeno , Outside Director		●			●	●				

Constructive dialogue with shareholders

The IR & SR office manages dialogue with shareholders, which is overseen by the corporate officer in charge of the Administrative Headquarters. Accurate, impartial information is provided in a timely manner. We continue to hold briefings for investors quarterly, expand the materials released on our website, and increase opportunities for dialogue apart from

individual meetings, such as participating in company briefings for individual investors.

When a General Meeting of Shareholders is convened, a notice of convocation is issued 22 days before a regular meeting, and we have established a system to enable shareholders to exercise their voting rights online.

Risk Management

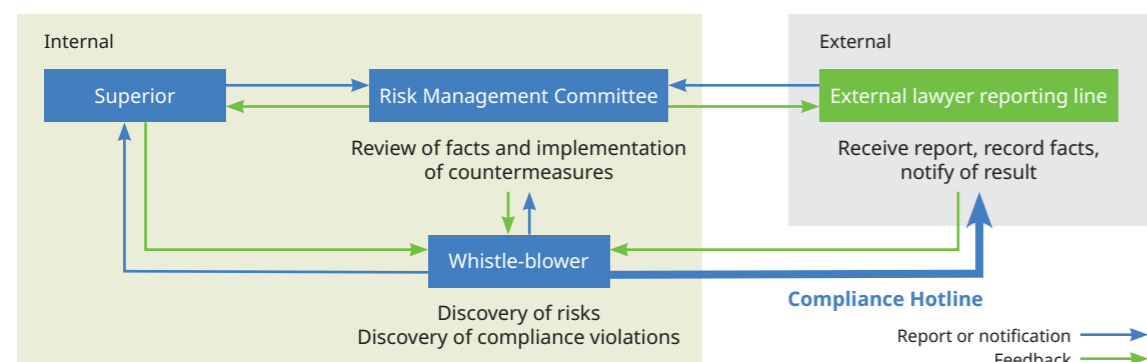
The Risk Management Committee promotes Zeon's risk management. Activities to prevent legal violations and ensure legal compliance are conducted under the Compliance Committee. The Information Management Committee promotes the appropriate management of information from when it is received to when it is destroyed.

Internal reporting system

We have implemented an internal reporting system at Zeon to gather information about potential risks at an early stage and make it easier to address them. In addition to our internal reporting line, we have also set up a reporting line with outside lawyers.

The Risk Management Committee investigates the facts of reports that are made and responds as appropriate, such as by instructing the internal organization to implement countermeasures based on the results of the investigation.

Internal reporting flowchart



Outside Perspective

Audit & Supervisory Board Member (External)

Hiroki Kimura

President, Asahi Mutual Life Insurance Company

Audit & Supervisory Board Member Kimura, who has been a member since June 2020, commented on Zeon's corporate governance.

One year has passed since I was appointed as an external Audit & Supervisory Board member at the General Meeting of Shareholders in June 2020.

I have attended meetings of the Board of Directors and the Audit & Supervisory Board, where I gained a renewed sense of the high level of the Zeon Group's technology development capabilities and originality.

Today, I have attended 13 meetings of the Board of Directors (as of June 2021). In addition to regular deliberations and reports, major management issues, such as the new Medium-Term Business Plan, responses to climate change, and medium- to long-term personnel strategies are addressed as topics for active discussion. The external officers also actively present their opinions and provide guidance from different, outside perspectives, and I gained the impression that the Board of Directors is gaining new energy.

Audit & Supervisory Board members are entrusted by the shareholders to audit the execution of business by the directors from an independent and objective perspective. I understand that as an external Audit & Supervisory Board member, I am required to perform my duties from an outside, that is, independent and neutral, perspective. I am involved in the management of a life insurance company, and I hope to perform my duties from an outside perspective that differs from the perspectives of the chemical industry.

My request to Zeon so that I can fully perform the functions of an external Audit & Supervisory Board member in the future is to continue to provide adequate information concerning the company's business and other matters. When the COVID-19 pandemic is brought under control, I look forward to opportunities to observe plants and other work sites and communicate with various different employees.

The new Medium-Term Business Plan adopts a clear position that each and every employee must be involved as an active player in achieving the corporate philosophy of "contributing to the preservation of the Earth and the prosperity of the human race." I believe that this corporate philosophy is closely connected to the Vision for 2030, i.e., "a company that lives up to societal expectations and the aspirations of employees," and also to the Core Values of "Let's try first," "Let's connect" and "Let's polish up." Group-wide strategies for achieving the Vision for 2030 have been extensively discussed internally, and I hope that the Zeon Group as a whole will move in the direction that we seek.

In addition, I hope that the company will achieve its vision of living up to societal expectations by providing products and services that society cannot do without through the enhancement of existing businesses and the search for new businesses as well as by advancing efforts to become carbon neutral, which is a global issue, for the creation of value over the medium- to long-term.

ZEON

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