

Intellectual Property(IP)

IP strategy and its promotion system

ZEON Corporation's (ZEON) IP strategy is to ensure the maintenance and expansion of its IP rights, in this way, ZEON will be able to secure a dominant position as ZEON competes with other companies by offering products that meet customers' demands.

R&D activities in Japanese industry have changed from a conventional catch-up approach to a front-runner approach. To respond to this requirement, ZEON is aware of the importance of proceeding with efficient R&D activities as parts of an integrated strategy covering business, R&D and IP. ZEON has set up an IP Strategy Board which includes top management as a system for promoting IP activities throughout ZEON. In addition, patent coordinators (PC) have been appointed at the respective divisions and laboratories. Furthermore, the IP Department plans and prepares ZEON's IP strategy from the perspective of the entire company and implements the strategy in cooperation with the relevant business and R&D segments.

Current status of IP creation and protection

For the creation of innovative technologies, ZEON believes that it is important to foster innovation coupled with IP rights. With respect to each important development theme, ZEON therefore will focus activities on the establishment of a patent portfolio in the early stage of development, and focus ZEON's efforts on patent filing activities.

Patent applications (in Japan) by ZEON's three business segments as published in CY2006 totaled 361 — 92 applications from the elastomer materials business segment; 222 from the specialty materials business segment; and 47 from the miscellaneous business segment. As of March, 2007, ZEON possesses about 640 Japanese patents and some 960 overseas patents. The number of ZEON's published patent applications (in Japan) over the last five years is summarized in the following table:

Calendar year (CY)	'02	'03	'04	'05	'06
Elastomer materials business segment	50	94	95	79	92
Specialty materials business segment	152	183	197	242	222
Miscellaneous business segment	79	55	61	62	47
Total	281	332	353	383	361

Furthermore, ZEON is acquiring trademark rights to protect confidence in ZEON's products. ZEON has established clear rules for ZEON group companies in and outside Japan to ensure the unified use of the brand "ZEON".

For the avoidance of any potential hindrance to ZEON's global business operations, the brand has been registered as a trademark in 52 countries and ZEON is striving to protect ZEON's trademark rights.

Measures against IP related risks

ZEON respects patent rights owned by other companies and, at the same time, ZEON intends to avoid disputes concerning patents. To this end, ZEON examines existing patents through patent databases at every operational stage ranging from R&D to the marketing of new products. In particular, prior to introducing a new product on the market, ZEON's staff members specialized in patent information research conduct highly accurate investigations through a plurality of Japanese and foreign patent information databases to be confident in our introducing products in the marketplace. In the light of the recent revision of the provisions concerning employee's invention in Article 35, the Japanese Patent Law, ZEON reviewed appropriately our relevant internal rules in order to enhance employees' motivation to create inventions and to avoid litigation. Meanwhile, to manage ZEON's technological know-how and other corporate secrets and to prevent the leakage of technology, ZEON is reviewing internal rules and striving to implement the "blackboxing" of technological information to ensure confidentiality.