

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 CY2005 totaled 381 — 78 applications from the elastomer

materials business segment; 241 from the specialty materials business segment; and 62 from the miscellaneous business segment. As of March, 2006, ZEON possesses about 680 Japanese patents and some 890 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)	'01	'02	'03	'04	'05
Elastomer materials business segment	65	50	94	84	78
Specialty materials business segment	185	152	183	171	241
Miscellaneous business segment	85	79	55	56	62
Total	335	281	332	311	381

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 is planning on appropriately reviewing 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.

Topics

■ ZEON Corporation Announces Completion of Next-Generation R&D Building No. 10

ZEON Corporation (President & CEO: Naozumi Furukawa) held a ceremony on May 26, 2006, to celebrate the completion of its new R&D Building No. 10 on the site of its R&D Center in Kawasaki, Kanagawa Prefecture. The building is a part of our efforts to strengthen research and development of ZEON's unique technologies toward creating next-generation businesses to drive corporate expansion.

ZEON has been promoting new businesses by developing and marketing such products as ZEONEX® and ZEONOR® specialty plastics, precision molded LCD optical films and diffusion plates and advanced low-k ZEOMAC® semiconductor materials, while also enhancing facilities for research and development to create next-generation businesses. The expansion and advances in ZEON's fields of research and development gave rise to the need for new research facilities, and construction of the new R&D Building No. 10 was launched in March 2005.

ZEON will utilize the new R&D Building No. 10 to pursue research and development in the five business areas which have been designated as next-generation businesses, semiconductor materials, recording materials, LCD materials, energy-related materials such as rechargeable batteries, and communications materials. ZEON will also develop an assessment technology as the foundation for developing these materials as well as precision processing technology for new materials.

Along with R&D Building No. 10, a facility management building for total energy control was completed. The building will play an important role in ZEON's uncompromising effort to promote conservation of resources and energy for its continued research and development activities in the Kawasaki area far into the future by centralizing control of all energy and utilities used within the grounds of the R&D Center. Furthermore, work is currently underway to reinforce and upgrade the waste water treatment facility for the Kawasaki Plant adjacent to R&D Building No. 10 and environmental control facilities to protect the atmosphere and other aspects of the environment. The entire project is scheduled for completion in fiscal 2007.

Other completed ZEON projects include the construction of R&D Building No. 9 at the R&D Center as a facility fully equipped with clean rooms, the construction and enhancement of the Precision Optics Laboratory at its Takaoka Plant in Takaoka City, Toyama Prefecture, and the construction of an R&D facility for chemicals development at its Yonezawa Plant in Yonezawa City, Yamagata Prefecture. ZEON believes the construction of the new R&D Building No. 10 completes a solid R&D platform for creating next-generation businesses based on its exclusive world-class technologies.

