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Zeon Corporation

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Securities Code: 4205

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

The corporate governance of Zeon Corporation (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

1. Basic Views

The Company aims to increase profits and enhance corporate value on an ongoing basis while respecting and balancing the various interests of its shareholders and other diverse stakeholders. To this end, we are continuing efforts to establish a system that enables efficient and sound corporate management through corporate governance. Putting in place a corporate governance system allows us to clarify the functions and roles of each organizational entity within the company and to carry out rapid decision-making and execution. We are also improving corporate transparency through appropriate monitoring and disclosure of business activities and their effects.

[Reasons for Non-compliance With the Principles of Japan’s Corporate Governance Code]

(All principles are based on Japan’s Corporate Governance Code following amendments in June 2021 [including contents for the Prime Market])

The Company has implemented each principle of Japan’s Corporate Governance Code.

[Disclosure Based on the Principles of Japan’s Corporate Governance Code] Updated

[Principle 1.4 Shares Held as Cross-Shareholdings]

- When holding shares of other companies, the Company will give due consideration to whether or not such holdings will strengthen our relationships with business partners, local communities, and other stakeholders, and thereby contribute to enhancing our corporate value from a medium- to long-term perspective. The Company annually reviews the appropriateness of cross-shareholdings acquired through such consideration by examining the appropriateness of the purpose of holding each individual issue and whether the benefits and risks associated with holding the shares are commensurate with the cost of capital. In the FY2023 review, at the Board of Directors meeting held on October 27, 2023, the Board of Directors deemed all holdings appropriate.
- In the Mid-Term Business Plan STAGE30 Phase 2 that started in FY2023, we have set “Refining the Management Base” as one of the company-wide strategies, and will focus on strengthening governance to realize the enhancement of corporate value. In terms of financial strategy, we have set a target for FY2026 of “a ratio of cross-shareholdings to consolidated net assets of less than 15%,” and as part of our efforts, we plan to sell a portion of the listed securities held by the Company by March 2024. While we expect that the ratio of cross-shareholdings to consolidated net assets will fall below 20% and that we will be able to achieve the FY2026 reduction target ahead of schedule as a result of this sale, we intend to continue with further reductions even after the sale.
- Regarding exercising rights for shares held as cross-shareholdings, decisions are made from the standpoint of the medium- to long-term enhancement of the corporate value of the investee companies.

[Principle 1.7 Related Party Transactions]

Where the Company conducts competitive transactions or transactions that would constitute a conflict of interest with Directors as stipulated by laws and regulations, the approval of the Board of Directors must be obtained.

[Translation]

Furthermore, for related-party transactions including those not discussed at the Board of Directors, the important facts shall be disclosed as stipulated by laws and regulations.

[Supplementary Principle 2.4.1 Ensuring Diversity in the Appointment of Core Human Resources]
(Approach to ensuring diversity)

To achieve the Company's 2030 Vision of becoming "a company that lives up to societal expectations and the aspirations of employees," it is essential that each person working at the Zeon Group exercise diverse capabilities. In Phase 2 of the Mid-Term Business Plan STAGE30, by promoting DI&B (diversity, inclusion and belonging) and strengthening engagement, the Company will proactively and continuously hire, develop, assign, and promote diverse personnel including women, foreigners, and mid-career hires, creating "stages" for them to exercise their individual strengths and polishing up our management base.

(Status and targets related to promoting women to management positions)

- In recent years, the Company has been actively promoting female advancement by increasing the number of female employees holding manager positions, creating more venues for women to succeed. As of the end of March 2023, the ratio of female employees was 13.4%, and the ratio of female managers was 5.7%. Furthermore, one female employee has been promoted internally to Director and Corporate Officer, and the Board of Directors has two female Outside Directors.
- The Company works to maintain and increase the percentage of female new graduate hires each year beyond 30%. Additionally, we continuously advance initiatives to create environments for success in our hiring, development, and assignment and promotion including overseas assignments, as well as individual, autonomous career building. In 2030, we aim to achieve a ratio of female employees of 20% and a ratio of female managers of 20%. We are working to increase the number of female employees who will act as core personnel in future management decision-making. Additionally, we recently established a quantitative target of 12% female managers by FY2026 in Phase 2 of our Mid-Term Business Plan STAGE30.

(Status and targets related to promoting foreigners to management positions)

- The Company has continuously promoted the hiring of foreign employees of different nationalities including hiring from overseas. As of the end of March 2023, we had 29 foreign employees working at the Company, five of which were in management positions.
- In Phase 2 of our Mid-Term Business Plan STAGE30, we have established policy to increase the number of foreign employees who will act as core personnel in future management decision-making, aiming to increase the number of foreign employees serving in management positions compared to the end of March 2023 (five such employees) by 2030.

(Status and targets related to promoting mid-career hires to management positions)

- The Company has always engaged not only in new-graduate hiring, but also has continuously hired mid-career hires with diverse job histories and experience. As of the end of March 2023, the overall ratio of mid-career hires was 32.4%, and the ratio of mid-career hires in management positions was 35.2%.
- Going forward, we will continue to work to secure various specialist personnel in the fields of research and development, manufacturing, digital transformation (DX), business and corporate, aiming to increase the ratio of mid-career hires in management positions compared to the end of March 2023 (35.2%) by 2030.

(Policies for human resource development and internal environment development to ensure diversity, as well as the status of their implementation)

- The Company's human resource development policy is expressed in the basic philosophy of our human resource development established based on our Corporate Philosophy and Sustainability Policy, "tap into, develop, and fully use the competencies of each employee." To realize this policy in ensuring diversity, with the launch of operations of our new management development system focused on job duties that we updated in July 2023, in addition to coordination between our management and business strategy and personnel management, we are advancing reforms and model change initiatives for our personnel management in response to social change, including exercising uniqueness and tapping into individual strengths and growth.
- Furthermore, to realize our internal environment development policy of "creating a work environment in which all employees can work comfortably," centered on "Health and Productivity Management" and "freedom,

[Translation]

well-being,” we are continuously developing our internal environment through initiatives including working to reduce the risk of lifestyle-related diseases by introducing the ZEON Healthy Behavior Indicator* (2026 target of 65%).

* ZEON Healthy Behavior Indicator: Percentage of employees who achieved at least two of the three behaviors (standard BMI maintenance, exercise habits, and not smoking) to reduce the risk of lifestyle-related diseases

[Principle 2.6 Functioning as Asset Owner of Corporate Pension Funds]

The Company uses a defined contribution pension system, and as it does not manage corporate pension contributions, there are no personnel or operational initiatives related to fund management.

[Principle 3.1 Enhancement of Information Disclosure]

(1) The Company’s management philosophy, management strategies and management plan

Please reference the below links for details.

Basic Strategy & Management Vision: <https://www.zeon.co.jp/en/company/philosophy/>

Medium-Term Business Plan: <https://www.zeon.co.jp/en/company/plan/>

(2) Basic views and policies on corporate governance

(Basic views)

The Company aims to increase profits and enhance corporate value on an ongoing basis while respecting and balancing the various interests of its shareholders and other diverse stakeholders. To this end, we are continuing efforts to establish a system that enables efficient and sound corporate management through corporate governance. Putting in place a corporate governance system allows us to clarify the functions and roles of each organizational entity within the company and to carry out rapid decision-making and execution. We are also improving corporate transparency through appropriate monitoring and disclosure of business activities and their effects.

(Basic policies)

Please reference the below link for details.

Basic Policy on Corporate Governance:

<https://www.zeon.co.jp/csr/concept/pdf/200281514.pdf>

(3) Policies and procedures in determining the remuneration for senior management and Directors

- The remuneration package for senior management and Directors, aimed at providing a sound incentive for sustainable growth, comprises the following four components (please note that Inside Directors are eligible for components (i) through (iv), Corporate Officers for components (i), (ii), and (iv), and Outside Directors for fixed cash remuneration only). The share-based remunerations (iii) and (iv), which are composed of the Company’s common shares, will be disbursed through the Board Benefit Trust based on the points allocated at a designated time each year. As a general rule, (iii) will be paid annually, while (iv) will be paid at the conclusion of each phase of the Mid-Term Business Plan. The allotted shares will be subject to restrictions on transfer, creation of security interests, and other disposal for a certain period, as stipulated in an agreement with the eligible Directors. If an eligible Director retires from the position designated by the Board of Directors before the expiration of the Restriction Period, the Company will acquire the shares allotted to him/her under the Plan without contribution, unless there is a valid justification for such retirement (such as the expiration of the term of his/her office, death, or other justifiable reasons).

(i) Fixed cash remuneration

(ii) Performance-linked cash remuneration

Evaluation metrics encompass the financial indicators of the entire company and its business divisions for a fiscal year, along with the levels of achievements made by departments and individuals, primarily in terms of their progress in attaining the goals outlined in the Mid-Term Business Plan. These metrics are designed to enhance the Group’s long-term continual growth and profitability.

(iii) Fixed share-based remuneration

(iv) Performance-linked share-based remuneration

Evaluation metrics are established based on financial and non-financial indicators (including ESG-related indicators), which are linked to the targets set for the final year of each phase of the Mid-Term Business Plan. These metrics are designed to enhance the Group’s long-term continual growth and profitability.

[Translation]

- The specific amount or number of points to be granted for fixed cash remuneration and fixed share-based remuneration to eligible Directors will be determined based on their respective positions. Performance-linked cash remuneration and performance-linked share-based remuneration will be determined by multiplying a standard amount or points assigned to an eligible Director or Corporate Officer according to the significance of his/her roles and responsibilities by a coefficient determined according to his/her evaluation results. Generally, the higher his/her position in the management hierarchy, the greater the proportion of performance-linked remuneration in his/her overall remuneration.
- The Board of Directors will establish remuneration standards in accordance with the policies outlined above. Based on these remuneration standards, the President and CEO will determine the individual remuneration for Directors and Corporate Officers. This decision will be made after seeking advice from the "Director and Officer Nomination and Remuneration Committee," which includes Independent Outside Directors. Cash remuneration will be paid and points related to share-based remuneration will be granted at a designated time each year, following the bylaws.

(4) Policies and procedures in the appointment/removal of the senior management and nominations of Director and Audit & Supervisory Board Member candidates

(Policies related to appointments and nominations)

- Candidates for Inside Director are nominated from persons who have the knowledge and experience to accurately, fairly, and efficiently execute the Company's management, and who possess sufficient social trust. Moreover, candidates for Outside Director are nominated from persons who can fulfill a management oversight function from an external, independent perspective and who can provide advice on the Company's corporate activities based on abundant experience and strong insight.
- Candidates for Audit & Supervisory Board Member (Internal) are nominated from persons who have the knowledge and experience to accurately, fairly, and efficiently audit the execution of duties by the Company's Directors, and who possess sufficient social trust. Moreover, candidates for Audit & Supervisory Board Member (External) are nominated from persons who can conduct auditing from an external, independent perspective based on abundant experience and strong insight.
- Corporate Officers are nominated from persons who are closely familiar with the Company's operations and who can fulfill all the required job responsibilities.
- Where Directors or Audit & Supervisory Board Members serve concurrently as officers outside of the Company, their individual duty of care of a good manager and duty of loyalty are limited to the scope in which those duties can be executed. Furthermore, important positions that are concurrently held are disclosed every year.

(Procedures related to appointments and nominations)

- For the nomination of candidates for Director and the appointment of Corporate Officers, after receiving advice from the Director and Officer Nomination and Remuneration Committee, the President and CEO will recommend persons that comply with the above policies, and the Board of Directors will deliberate and make decisions.
- For the nomination of candidates for Audit & Supervisory Board Member, after receiving advice from the Director and Officer Nomination and Remuneration Committee, the President and CEO will recommend persons that comply with the above policies, and with the consent of the Audit & Supervisory Board, the Board of Directors will deliberate and make decisions.

(Policy and procedures related to the removal of senior management)

- Where circumstances occur that require the removal of officers as stipulated in the Company's internal regulations, such as a serious violation of laws and regulations, or a violation of the Company's policies either intentionally or due to serious negligence, following deliberation by the Board of Directors, the officer in question will be removed based on the provisions of the Companies Act, etc.

[Translation]

(5) Explanations with respect to individual appointments of the senior management and nominations of Director and Audit & Supervisory Board Member candidates

Please reference the Reference Materials for General Meeting of Shareholders provided in the “Notice of the Annual General Meeting of Shareholders” (<https://www.zeon.co.jp/en/ir/stock/meeting/>) for the individual work histories and reasons for appointment of each candidate for Director and Audit & Supervisory Board Member.

[Supplementary Principle 3.1.3 Initiatives on Sustainability]

(Initiatives on sustainability)

- The Company positions our Corporate Philosophy, Sustainability Policy, and our 2030 Vision set forth in our Mid-Term Business Plan STAGE30 of becoming “a company that lives up to societal expectations and the aspirations of employees” as the basic policies related to our sustainability initiatives. We see societal expectations as part of our SDGs, and by realizing our vision through our SDG initiatives, we aim to contribute by extension to a sustainable planet and secure, comfortable lifestyles.
- As bodies responsible for the company-wide evaluation and promotion of sustainability initiatives, in addition to the existing CSR Conference, we have established the Sustainability Conference and the Sustainability Committee under it. The President and CEO acts as the chairperson of both the Sustainability Conference and the CSR Conference, and the two conferences discuss and decide policies related to sustainability and CSR and provide reports to the Board of Directors where necessary. The CSR Conference mainly handles matters related to risk management and compliance, and the Sustainability Conference handles other general sustainability matters.
- We have established the basic core of the Company’s sustainability management and further clarified items on which the Company should place special focus in company-wide strategies in our Mid-Term Business Plan STAGE30. To create clear, highly effective policies, we conducted studies for identifying items of materiality through an internal, cross-sectional organization (project) and made an organizational decision in December 2023. Going forward, we will steadily proceed with sharing these policies and extending their implementation within the Company while disclosing such progress to the public.
- The Company is advancing the following initiatives to respond to the Task Force on Climate-related Financial Disclosures (TCFD).

<The Board of Directors’ Oversight System for Climate-related Risks and Opportunities>

In July 2021, the Company established the Corporate Sustainability Headquarters to advance our sustainability initiatives and disclose our results and progress. Furthermore, in July 2022, we established the Carbon Neutral Division within the Corporate Sustainability Headquarters. The Carbon Neutral Division is leading activities as part of our company-wide strategy within the Mid-Term Business Plan to “promote the transition to *monozukuri* (manufacturing) that helps to realize carbon neutrality and the circular economy.” The creation of these systems has been approved by the Board of Directors.

At the Sustainability Conference and Sustainability Committee, a system is in place to engage in the necessary discussions on the Company’s response to climate change as an important sustainability issue, and to report the details of these discussions to the Board of Directors as necessary.

<The Role of Management in Assessing and Managing Climate-related Risks and Opportunities>

To respond to sustainability issues including climate change to realize our Corporate Philosophy of “Contributing to the preservation of the Earth and the prosperity of the human race,” the Company has established the aforementioned promotional organizations, which are led by the Director who serves as the Head of Corporate Sustainability Headquarters. Regarding the status of our response to sustainability issues, reporting and deliberation takes place at the Sustainability Conference, and ultimately the President and CEO acting as chairperson is responsible for realizing sustainability.

In terms of the Company’s response to climate change, as initiatives to realize carbon neutrality by 2050, in 2021, we formulated our 1st Carbon Neutrality Master Plan, gauged our current CO₂ emissions, and set reduction targets. In 2020, the Company also agreed to the TCFD recommendations, and we are currently working to respond to the TCFD requirements, including TCFD scenario analysis. The Company conducted a 1.5°C scenario analysis in 2023, and identified new risks and opportunities. We integrated the response measures for those risks and opportunities into our business strategy, and we recognize the strengthening of resilience to climate change as one of the main issues going forward.

[Translation]

- Regarding the details of other sustainability initiatives, please reference the Company's Integrated Report, Sustainability Report (<https://www.zeon.co.jp/en/csr/report>), and securities report (<https://www.zeon.co.jp/ir/library/securities/>).

(Investment in human capital, etc.)

- We believe that the Company's Corporate Philosophy (mission) of "Contributing to the preservation of the Earth and the prosperity of the human race" will be realized through each person working at the Group exercising their abilities to the fullest and taking an ongoing, active role. Based on this belief, to realize our 2030 Vision, one of our company-wide strategies in Phase 2 of our Mid-Term Business Plan STAGE30 is for "all employees to work together to create 'stages' to be active on."
- As a quantitative vision to realize this strategy, our target values for 2030 are employee engagement of 75% and a ratio of foreign and female officers of 30% (both Inside and Outside Directors and Audit & Supervisory Board Members). Through FY2026, we plan to roll out a wide range of human resource policies as part of Phase 2 of our Mid-Term Business Plan STAGE30. Specific examples include our initiative to reduce the risk of lifestyle-related diseases by introducing the ZEON Healthy Behavior Indicator and our initiative to introduce and establish our new management development system focused on job duties.

(Investment in intellectual property, etc.)

- The Company has established a basic philosophy for our research and development to "contribute to society by creating world-leading businesses through developing unique technologies in the specific fields in which Zeon excels." To realize part of our 2030 vision of "providing products and services essential to society," the Company is pursuing research and development activities both to polish our existing businesses and to search for new businesses (for trends in our research and development costs, please reference our fact book (<https://www.zeon.co.jp/en/ir/library/factbook/>)).
- Furthermore, for the new products created from our technology platform built from our unique technologies that are the results of this research and development investment, we are acquiring and using intellectual property such as patents, design rights, and trademark rights as part of our integrated business strategy, research strategy, and intellectual property strategy. Additionally, we have established a specialist organization for the IP landscape to introduce and expand various research tools in addition to developing human resources. By searching for new businesses and technologies that can contribute to a sustainable society and reporting research results aimed at increasing the value of existing products, we are working to increase the level of our contribution to management strategy formulation.
- The Company currently owns around 6,000 patents in 35 countries (as of the end of March 2023). Furthermore, in Patent Result Co., Ltd.'s FY2021 chemical patent asset scale ranking, Zeon Corporation placed 16th out of 763 companies. We will continue to proactively expand, strengthen, and optimize our patent portfolio.

[Supplementary Principle 4.1.1 Overview of Scope of Matters Delegated to Management]

In addition to items stipulated by laws and regulations and the Company's Articles of Incorporation, the Board of Directors deliberates and decides items stipulated by the Board of Directors Rules, with other items delegated to either the President and CEO or the Corporate Officer in charge of the relevant operations.

[Principle 4.9 Independence Standards and Qualification for Independent Outside Directors]

Where the Company deems that External Officers fulfill the following conditions, they are deemed to have sufficient independence from the Company.

1. Neither the executive officer nor any of their close relatives*¹ are current or former executives of the Company or its subsidiaries.
 2. Neither the executive officer nor any of their close relatives can be considered any of the following either presently or recently*².
 - 1) An executive at a major shareholder of the Company*³
 - 2) An executive of a major client or supplier of the Company*⁴ or an executive of a company for which the Company is a major client or supplier
 - 3) Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property*⁵ from the Company besides remuneration as a director
- (*1) Refers to a spouse or family members within the second degree of kinship.

[Translation]

- (*2) Refers to one year or less since leaving the position in question.
- (*3) Refers to a company owning 10% or more of the total voting rights of the Company.
- (*4) Determined according to the Regulations for Enforcement of the Companies Act, Article 2, paragraph 3, item 19, (b) and refers specifically to a client or supplier who can influence decision-making in the Company's business to a similar extent that a parent company, subsidiary, or affiliate company can.
- (*5) Determined according to Regulations for Enforcement of the Companies Act, Article 74, paragraph 4, item 6, (d) and Article 76, paragraph 4, item 6, (d).

[Supplementary Principle 4-10-1 Policy, Authority, and Roles for the Independence of the Composition of the Nomination Committee and the Remuneration Committee]

- To strengthen the objectivity and transparency of the functions of the Board of Directors related to the nomination and remuneration of officers, the Company has established a "Director and Officer Nomination and Remuneration Committee" as an advisory body to the Board of Directors. In principle, a majority of the committee members are independent outside directors, and the committee is currently made up of a total of seven members including the Chairman, the President, and five Independent Outside Directors.
- The Director and Officer Nomination and Remuneration Committee has the dual functions of a nomination committee and a remuneration committee, and it convenes meetings as necessary to receive advice on policies related to the nomination of officer candidates and policy related to deciding remuneration for officers.

[Supplementary Principle 4.11.1 Policy for Balance, Diversity, and Size of the Board of Directors]

- The Board of Directors is composed of diverse Directors with different backgrounds including knowledge, experience and expertise. The number of members has been set at up to 15 based on the stipulations of the Articles of Incorporation as the appropriate scale from the standpoint of engaging in sufficient deliberation and making prompt, rational decision-making as meeting body.
- To reflect appropriately the opinions of persons with abundant experience and knowledge such as corporate managers and those experienced with government administration from outside of the Company, and to ensure the effectiveness of independent, objective management oversight by the Board of Directors, several Independent Outside Directors not involved with business execution have been appointed to the Board of Directors.
- For the list of skills that the Board of Directors should possess for the Company's management strategy, as well as the skills that individual Directors should possess and that the Company expects them to exercise (skill matrix), please reference the Reference Materials for General Meeting of Shareholders provided in the "Notice of the Annual General Meeting of Shareholders" (<https://www.zeon.co.jp/en/ir/stock/meeting/>).

[Supplementary Principle 4.11.2 Positions Concurrently Held by Directors and Audit & Supervisory Board Members]

Furthermore, please reference the Reference Materials for General Meeting of Shareholders provided in the "Notice of the Annual General Meeting of Shareholders" (<https://www.zeon.co.jp/en/ir/stock/meeting/>) and the Business Report for the status of important positions that are concurrently held by Directors and Audit & Supervisory Board Members.

[Supplementary Principle 4.11.3 Evaluation of the Effectiveness of the Board of Directors]

In terms of the main operations of the Board of Directors in the current year, the board conducted a questionnaire of Directors and Audit & Supervisory Board Members and requested an analysis and evaluation of the responses to a third-party, external attorney. As a result of this analysis and evaluation, we obtained the opinion that the effectiveness of the Board of Directors was high overall, leading us to conclude that the effectiveness of the Board of Directors is being ensured. We also received notes pointing to the need for free discussion among the External Officers and the management team outside of the venue of the Board of Directors and on the frequency of progress reports on the Mid-Term Business Plan and sustainability issues. We will work to increase the effectiveness of the Board of Directors further by holding discussions on individual topics joined by External Officers and inside corporate officers and managers and by providing quarterly reports on both the status of the Mid-Term Business Plan and on sustainability issues.

[Translation]

[Supplementary Principle 4.14.2 Training Policy for Directors and Audit & Supervisory Board Members]

The Company will provide opportunities for Directors and Audit & Supervisory Board Members including External Officers to acquire the required knowledge on the Company's business, finances, and organization at the time of their appointments and to acquire a sufficient understanding of the roles and responsibilities demanded of Directors and Audit & Supervisory Board Members.

[Principle 5.1 Policy for Constructive Dialogue With Shareholders]

- The division responsible for IR and SR oversees dialogue with shareholders at the Company, with the officer in charge of these areas having the ultimate responsibility.
- The division responsible for IR and SR exchanges information with relevant divisions within the Company as necessary, working to provide accurate, unbiased information to our shareholders.
- The Company constantly works to provide ample means of dialogue with investors outside of individual meetings, including holding quarterly investor briefings, ensuring the thorough disclosure of financial results materials on our website, and holding company information sessions for individual investors.
- The division responsible for IR and SR organizes, analyzes and provides reports to the Representative Director on opinions provided from dialogue with shareholders as necessary.
- Based on Insider Trading and Timely Disclosure Management Rules, the Company ensures the careful management of undisclosed material information and engages in dialogue with shareholders in a way that prevents information being leaked.
- For details on the Company's IR activities including the status of dialogue with shareholders, please reference III (Status of implementation of polices related to shareholders and other stakeholders) 2. (Status of IR-related activities).

[Action to Implement Management that is Conscious of Cost of Capital and Stock Price]

The Company's price book-value ratio (PBR) has been less than one recently, and the Company considers the improvement of PBR to one or more to be an important management issue.

Based on our analysis, the recent downturn in PBR is mainly due to a drop in return on equity (ROE). The Company is making steady progress in the initiatives for achieving the goals outlined in the Mid-Term Business Plan STAGE30 Phase 2, and aims to improve return on capital. The specific initiatives are as follows.

■ Business management

- Improve profitability in the Elastomer Business
- Expand sales and promote provision of new products in the Specialty Materials Business
- Identify new investments that enable differentiation

■ Financial management

- Improve leverage through effective utilizing of interest-bearing debt
- Continued reductions in cross-shareholdings
- Implement a stable and continuous return of profits to shareholders
- Promote dialogue with capital markets

Please reference the below links for details disclosed on our website.

Japanese: <https://www.zeon.co.jp/ir/financial/bs/pdf/240131-2.pdf>

English: <https://www.zeon.co.jp/en/ir/financial/bs/pdf/240131-2.pdf>

2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%
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[Status of Major Shareholders] Updated

Name	Number of Shares Owned (Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	23,634,700	10.30

[Translation]

The Yokohama Rubber Co., Ltd.	17,847,600	7.78
SSBTC CLIENT OMNIBUS ACCOUNT	17,578,747	7.66
Custody Bank of Japan, Ltd. (trust account)	14,347,300	6.25
Mizuho Bank, Ltd.	8,370,000	3.65
Asahi Mutual Life Insurance Company	7,679,000	3.35
Asahi Kasei Corp.	5,579,600	2.43
National Mutual Insurance Federation of Agricultural Cooperatives	4,765,000	2.08
The Norinchukin Bank	4,000,000	1.74
Zeon Corporation Client Stock Ownership Association	3,748,600	1.63

Controlling Shareholder (except for Parent)	-----
Parent (Listed Stock Market)	N/A

Supplementary Explanation

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market
Fiscal Year-End	March
Type of Business	Chemicals
Number of Employees (Consolidated) at End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries at End of the Previous Fiscal Year	From 10 to less than 50

4. Policy for Measures to Protect Minority Shareholders in Conducting Transactions, etc. With Controlling Shareholder

5. Special Circumstances Which May Have Material Impact on Corporate Governance

II. Business Management Organization and Other Corporate Governance Systems Regarding Decision-making, Execution of Business, and Supervision in Management

1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board Members
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[Translation]

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board of Directors	Chairman (excluding the case where the person concurrently serves as President)
Number of Directors	11
Appointment of Outside Directors	Appointed
Number of Outside Directors	5
Number of Independent Officers Designated From Among Outside Directors	5

Outside Directors' Relationship with the Company (1)

Name	Attribute	Outside Directors' Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Takao Kitabata	Other											
Tadanobu Nagumo	From another company							△	△		△	
Fumiaki Ikeno	Academic								○			
Miki Akiyama	Academic											
Saeko Masumi	Attorney at law											

* Categories for "Relationship With the Company"

"○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

"●" when a close relative of the director presently falls or has recently fallen under the category; and

"▲" when a close relative of the director fell under the category in the past

a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary

b. Non-executive director or executive of the parent of the Company

c. Executive of a fellow subsidiary of the Company

d. Party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a director

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)

h. Executive of a client or supplier of the Company (which does not correspond to any of d., e., and f.) (the director himself/herself only)

i. Executive of a corporation to which External Officers are mutually appointed (the director himself/herself only)

j. Executive of a corporation that receives a donation from the Company (the director himself/herself only)

k. Other

[Translation]

Outside Directors' Relationship with the Company (2)

Name	Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Takao Kitabata	○	-----	Mr. Takao Kitabata has provided valuable recommendations and advice at the Board of Directors based on his many years of experience as a government official in the economics industry and his knowledge of the overall industry, fulfilling the duty of "management oversight from an external perspective" expected of External Officers by the Company. He fulfills the "standards of independence for External Officers" established by the Company and does not correspond to any of the items stipulated by the Tokyo Stock Exchange that risk a conflict of interest with general shareholders, demonstrating his independence from the Company.

<p>Tadanobu Nagumo</p>	<p>○</p>	<p>Mr. Tadanobu Nagumo is the former President & CEO of The Yokohama Rubber Co., Ltd, which is a major shareholder of the Company, but more than one year has passed since he retired from his position as executive. Furthermore, the Company sells products including synthetic rubber to Yokohama Rubber, but Yokohama Rubber is not considered a “major client or supplier” as defined in the Regulations for Enforcement of the Companies Act, Article 2, paragraph 3, item 19, (b), and the transaction conditions are the same as with vendors that do not have a relationship with the Company. Mr. Tadanobu Nagumo is the former President of The Japan Rubber Manufacturers Association, and while the Company pays JRMA an annual fee as a member, the amount is extremely minimal.</p>	<p>Mr. Tadanobu Nagumo has provided valuable recommendations and advice at the Board of Directors backed by his many years of operational experience as a manager of an operating company, fulfilling the duty of “management oversight from an external perspective” expected of External Officers by the Company. He fulfills the “standards of independence for External Officers” established by the Company and does not correspond to any of the items stipulated by the Tokyo Stock Exchange that risk a conflict of interest with general shareholders, demonstrating his independence from the Company.</p>
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<p>Fumiaki Ikeno</p>	<p>○</p>	<p>Mr. Fumiaki Ikeno is Board Member and Chief Medical Officer at MedVenture Partners, Inc., and the Company invests in MedVenture Partners' No. 2 fund "MPI-2 Investment Limited Partnership" through our wholly-owned subsidiary Zeon Medical Inc. However, as the amount of our investment makes up less than 10% of the total amount of commitments to the fund, and as we do not have rights to participate in management, such as the right to participate in meeting of the investment committee, MedVenture Partners is not considered a "major client or supplier" as defined in the Regulations for Enforcement of the Companies Act, Article 2, paragraph 3, item 19, (b).</p>	<p>Mr. Fumiaki Ikeno possess knowledge and experience from his many years of involvement with the product development of medical devices as a physician and medical researcher, as well as knowledge of the overall medical industry cultivated through his work history as a venture capitalist specializing in medical devices, fulfilling the duty of "management oversight from an external perspective" expected of External Officers by the Company. He fulfills the "standards of independence for External Officers" established by the Company and does not correspond to any of the items stipulated by the Tokyo Stock Exchange that risk a conflict of interest with general shareholders, demonstrating his independence from the Company.</p>
<p>Miki Akiyama</p>	<p>○</p>	<p>_____</p>	<p>Ms. Miki Akiyama possesses experience and knowledge as a researcher in specialized fields such as mental health and welfare and health communication (communication in the health and medical field), as well as knowledge of the overall healthcare industry cultivated through her work history as a committee members and advisor to the Japanese national government and local governments, fulfilling the duty of "management oversight from an external perspective" expected of External Officers by the Company. She fulfills the "standards of independence for External Officers" established by the Company and does not correspond to any of the items stipulated by the Tokyo Stock Exchange that risk a conflict of interest with general shareholders, demonstrating her independence from the Company.</p>

[Translation]

Saeko Masumi	○	-----	Ms. Saeko Masumi possesses experience and knowledge backed by a long career as an attorney, as well as overall knowledge of social issues cultivated through public-interest activities related to human-rights remedies, fulfilling the duty of “management oversight from an external perspective” expected of External Officers by the Company. She fulfills the “standards of independence for External Officers” established by the Company and does not correspond to any of the items stipulated by the Tokyo Stock Exchange that risk a conflict of interest with general shareholders, demonstrating her independence from the Company.
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Establishment of Voluntary Committee(s) Equivalent to Nominating Committee or Remuneration Committee	Yes
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Voluntary Committee’s Name, Composition, and Chair’s Attributes

	Committee Equivalent to Nominating Committee	Committee Equivalent to Remuneration Committee
Committee’s Name	Director and Officer Nomination and Remuneration Committee	Director and Officer Nomination and Remuneration Committee
Total Committee Members	7	7
Full-time Members	2	2
Inside Directors	2	2
Outside Directors	5	5
Outside Experts	0	0
Other	0	0
Chairperson	Inside Director	Inside Director

Supplementary Explanation

- To strengthen the objectivity and transparency of the functions of the Board of Directors related to the nomination and remuneration of officers, the Company has established a “Director and Officer Nomination and Remuneration Committee” as an advisory body to the Board of Directors. In principle, a majority of the committee members are independent outside directors, and the committee is currently made up of a total of seven members including the Chairman, the President, and five Independent Outside Directors.
- The Director and Officer Nomination and Remuneration Committee has the dual functions of a nomination committee and a remuneration committee, and it convenes meetings as necessary to receive advice on policies related to the nomination of officer candidates and policy related to deciding remuneration for officers.

[Translation]

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	5

Cooperation Among Audit & Supervisory Board Members, Accounting Auditor and Internal Audit Departments

Audit & Supervisory Board Member Hiroki Kimura possesses work experience as Manager of the Finance and Real Estate Division and Director in charge of the Accounting Division at Asahi Mutual Life Insurance Company as well as knowledge of finance and accounting. Audit & Supervisory Board Members regularly hear the results and exchange opinions on accounting audits performed by the Accounting Auditor, accompany the Accounting Auditor on audits where necessary, create opportunities for discussion with the CPAs who have performed the auditing tasks, and exchange opinions on audit plans, audit methods, and audit results, working to ensure the effectiveness of auditing through mutual cooperation.

In executing their duties, the Audit & Supervisory Board Members ensure close cooperation with the Internal Audit Departments by accompanying them on their operational audits, while also creating opportunities to exchange information with the Company's internal control departments starting with the Legal Affairs Department, working to ensure the effective implementation of auditing. Where necessary, the Audit & Supervisory Board Members may request investigations and receive reports from the Internal Audit Departments and the Internal Control Departments.

Appointment of Audit & Supervisory Board Members (External)	Appointed
Number of Audit & Supervisory Board Members (External)	3
Number of Independent Officers Designated From Among Audit & Supervisory Board Members (External)	3

Relationship of Audit & Supervisory Board Members (External) with the Company (1)

Name	Attribute	Relationship of Audit & Supervisory Board Members (External) with the Company (*)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Akio Kohri	From another company										△			
Nobutake Nishijima	From another company										△			
Hiroki Kimura	From another company										○			

* Categories for relationship with the Company

“○” when the audit & supervisory board member presently falls or has recently fallen under the category;

“△” when the audit & supervisory board member fell under the category in the past

“●” when a close relative of the audit & supervisory board member presently falls or has recently fallen under the category; and

“▲” when a close relative of the audit & supervisory board member fell under the category in the past

- Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary
- Non-executive director or accounting advisor of the Company or its subsidiary
- Non-executive director or executive of the parent of the Company
- Audit & supervisory board member of the parent of the Company

[Translation]

- e. Executive of a fellow subsidiary of the Company
- f. Party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as an audit & supervisory board member
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- j. Executive of a client or supplier of the Company (which does not correspond to any of f., g., and h.) (the audit & supervisory board member himself/herself only)
- k. Executive of a corporation to which External Officers are mutually appointed (the audit & supervisory board member himself/herself only)
- l. Executive of a corporation that receives a donation from the Company (the audit & supervisory board member himself/herself only)
- m. Other

Relationship of Audit & Supervisory Board Members (External) with the Company (2)

Name	Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Akio Kohri	○	Mr. Akio Kohri is the former Chairman and Chief Executive Officer of ADEKA CORPORATION, and the Company engages in purchasing transaction of raw materials with ADEKA CORPORATION, but ADEKA CORPORATION is not considered a “major client or supplier” as defined in the Regulations for Enforcement of the Companies Act, Article 2, paragraph 3, item 19, (b), and the transaction conditions are the same as with vendors that do not have a relationship with the Company.	Mr. Akio Kohri has extensive experience in the management of operating companies and possesses experience and knowledge as a management expert cultivated through his work history which he has used to provide guidance and recommendations, fulfilling the duty of “management oversight from an external perspective” expected of External Officers by the Company. He fulfills the “standards of independence for External Officers” established by the Company and does not correspond to any of the items stipulated by the Tokyo Stock Exchange that risk a conflict of interest with general shareholders, demonstrating his independence from the Company.

[Translation]

<p>Nobutake Nishijima</p>	<p>○</p>	<p>Mr. Nobutake Nishijima is a former Director and Deputy President & Executive Officer of Mizuho Trust & Banking Co., Ltd., and the Company has a transactional relationship including borrowings with Mizuho Trust & Banking Co., Ltd., but Mizuho Trust & Banking Co., Ltd. is not considered a “major client or supplier” as defined in the Regulations for Enforcement of the Companies Act, Article 2, paragraph 3, item 19, (b), and the transaction conditions are the same as with vendors that do not have a relationship with the Company.</p>	<p>Mr. Nobutake Nishijima has been involved in the management of financial institutions for many years and possesses experience and knowledge as a management expert cultivated through his work history which he has used to provide guidance and recommendations, fulfilling the duty of “management oversight from an external perspective” expected of External Officers by the Company. He fulfills the “standards of independence for External Officers” established by the Company and does not correspond to any of the items stipulated by the Tokyo Stock Exchange that risk a conflict of interest with general shareholders, demonstrating his independence from the Company.</p>
<p>Hiroki Kimura</p>	<p>○</p>	<p>Mr. Hiroki Kimura is the Representative Director of Asahi Mutual Life Insurance Company, and although the Company has a transactional relationship with Asahi Mutual Life Insurance Company with group term insurance, Asahi Mutual Life Insurance Company is not considered a “major client or supplier” as defined in the Regulations for Enforcement of the Companies Act, Article 2, paragraph 3, item 19, (b), and the transaction conditions are the same as with vendors that do not have a relationship with the Company.</p>	<p>Mr. Hiroki Kimura has been involved in the management of financial institutions for many years and possesses experience and knowledge as a management expert cultivated through his work history which he has used to provide guidance and recommendations, fulfilling the duty of “management oversight from an external perspective” expected of External Officers by the Company. He fulfills the “standards of independence for External Officers” established by the Company and does not correspond to any of the items stipulated by the Tokyo Stock Exchange that risk a conflict of interest with general shareholders, demonstrating his independence from the Company.</p>

[Independent Officers]

<p>Number of Independent Officers</p>	<p>8</p>
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[Translation]

Matters Relating to Independent Officers
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Outside Directors attend Board of Directors meetings, and Audit & Supervisory Board Members (External) attend both Board of Directors meetings and Audit & Supervisory Board meetings, providing their opinions where necessary and carefully auditing and overseeing the status of business execution by the Company's executives.

[Incentives]

Implementation of Measures to Provide Incentives to Directors	Performance-linked remuneration
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Supplementary Explanation

Provided in (6) Director Remuneration "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" below.

Furthermore, we have abolished the remuneration framework based on the stock remuneration-type stock options system and the restricted stock remuneration system introduced in the past, and no new allotments will be made going forward. However, the stock options and restricted shares that have already been allocated will remain in effect.

Recipients of Share Options

Supplementary Explanation

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No individual disclosure
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Supplementary Explanation

The total amount of remuneration by officer category, the total amount of remuneration by remuneration type, and the number of eligible directors are disclosed in the Company's Consolidated Financial Statements. Additionally, the total amount of salaries for employees who concurrently serve as Directors (including bonuses) is also disclosed.

Policy for Determining Remuneration Amounts or Calculation Methods Thereof	Yes
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods
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For Director remuneration, as shown below, the maximum amount of remuneration for all Directors and the maximum number of allocated points are decided based on resolutions by the General Meeting of Shareholders. Furthermore, the maximum number of Directors as stipulated by the Company's Articles of Incorporation is 15. Director Remuneration: ¥550 million annually (per a resolution by the Annual General Meeting of Shareholders held on June 28, 2007)

Maximum number of points allocated per fiscal year based on the performance-linked share-based remuneration plan "Board Benefit Trust - Restricted Stock (BBT-RS)": 567,300 points
(of the total, 336,900 points were allocated to Directors. When the Company's shares are granted based on the eligible points, one point is converted into one of the Company's common shares. Per a resolution by the Annual General Meeting of Shareholders held on June 29, 2023)

[Translation]

The remuneration package for senior management and Directors, aimed at providing a sound incentive for sustainable growth, comprises the following four components (please note that Inside Directors are eligible for components (i) through (iv), Corporate Officers for components (i), (ii), and (iv), and Outside Directors for fixed cash remuneration only). The share-based remunerations (iii) and (iv), which are composed of the Company's common shares, will be disbursed through the Board Benefit Trust based on the points allocated at a designated time each year. As a general rule, (iii) will be paid annually, while (iv) will be paid at the conclusion of each phase of the Mid-Term Business Plan. The allotted shares will be subject to restrictions on transfer, creation of security interests, and other disposal for a certain period, as stipulated in an agreement with the eligible Directors. If an eligible Director retires from the position designated by the Board of Directors before the expiration of the Restriction Period, the Company will acquire the shares allotted to him/her under the Plan without contribution, unless there is a valid justification for such retirement (such as the expiration of the term of his/her office, death, or other justifiable reasons).

(i) Fixed cash remuneration

(ii) Performance-linked cash remuneration

Evaluation metrics encompass the financial indicators of the entire company and its business divisions for a fiscal year, along with the levels of achievements made by departments and individuals, primarily in terms of their progress in attaining the goals outlined in the Mid-Term Business Plan. These metrics are designed to enhance the Group's long-term continual growth and profitability.

(iii) Fixed share-based remuneration

(iv) Performance-linked share-based remuneration

Evaluation metrics are established based on financial and non-financial indicators (including ESG-related indicators), which are linked to the targets set for the final year of each phase of the Mid-Term Business Plan. These metrics are designed to enhance the Group's long-term continual growth and profitability.

The specific amount or number of points to be granted for fixed cash remuneration and fixed share-based remuneration to eligible Directors will be determined based on their respective positions. Performance-linked cash remuneration and performance-linked share-based remuneration will be determined by multiplying a standard amount or points assigned to an eligible Director or Corporate Officer according to the significance of his/her roles and responsibilities by a coefficient determined according to his/her evaluation results. Generally, the higher his/her position in the management hierarchy, the greater the proportion of performance-linked remuneration in his/her overall remuneration.

The Board of Directors will establish remuneration standards in accordance with the policies outlined above. Based on these remuneration standards, the President and CEO will determine the individual remuneration for Directors and Corporate Officers. This decision will be made after seeking advice from the "Director and Officer Nomination and Remuneration Committee," which includes Independent Outside Directors. Cash remuneration will be paid and points related to share-based remuneration will be granted at a designated time each year, following the bylaws.

[Supporting System for Outside Directors and Audit & Supervisory Board Members (External)]

When important matters are presented at Board of Directors meetings, the secretariat for the Board of Directors (the Legal Affairs Department) or the full-time corporate auditor explains the matter to the External Officers. Where the External Officers have opinions on the matter, the Company works to communicate those opinions to the Representative Director or Director in charge of the matter in question.

Furthermore, through reporting and the exchange of opinions at the Board of Directors and other venues, we are working to strengthen oversight by Outside Directors and coordination among the audit performed by Audit & Supervisory Board members, the internal audit, and the accounting audit, and to build relationships between the Outside Directors and the Internal Control Departments.

The Audit & Supervisory Board Members have exchanged letters of agreement with the Director in charge of human resources to acquire appropriately the staff necessary to aid the duties of the Audit & Supervisory Board Members including Audit & Supervisory Board Members (External) (Audit & Supervisory Board staff).

[Translation]

[Status of Persons Who Have Retired From a Position Such as Representative Director and President]

Retired Representative Director and Presidents, etc. Holding Advisory or Any Other Position in the Company

Name	Job Title/ Position	Responsibilities	Working Form and Conditions (Full-time/Part-time, Paid/Unpaid, etc.)	Date of Retirement From Position Such as President	Term of Office
Naozumi Furukawa	Honorary Chairman	• External activities • Provides advice based on requests from the Company's management	[Working Form] Part-time [Remuneration] Paid	June 26, 2020	Lifetime
Katsuhiko Nakano	Advisor	• External activities • Provides advice based on requests from the Company's management	[Working Form] Part-time [Remuneration] None	June 27, 2003	Lifetime

Total Number of Retired Representative Director and Presidents, etc. Holding Advisory or Any Other Position in the Company

2

Other Matters

The Company has a system to delegate the former Representative Director and President as Honorary Chairman and Advisor, however these positions only involve engaging in external activities and providing advice to the Company's management when requested, and there is no involvement in the Company's business execution or decision making.

2. Matters on Functions of Business Execution, Audit and Supervision, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

■ Overview of the Current Structure

The Board of Directors oversees the execution of business by the Directors. The Board of Directors is composed of all the Directors including the five Outside Directors, and to ensure that the Company's business execution complies with laws and regulations and the Articles of Incorporation, Board of Directors meetings are held in principle once a month with the attendance of the Audit & Supervisory Board Members. In addition to the duties stipulated by laws and regulations, the main duties of the Board of Directors are decision making and reporting on the basic management policies and strategies and other important business execution.

Furthermore, to strengthen the objectivity and transparency of the functions of the Board of Directors related to the nomination and remuneration of officers, the Company has established a "Director and Officer Nomination and Remuneration Committee" as an advisory body to the Board of Directors composed of committee members including Independent Outside Directors which meets as necessary to receive advice on policies related to the nomination of officer candidates and policies related to remuneration decisions.

Additionally, to strengthen the decision making and oversight functions of the Board of Directors related to initiatives to create corporate value for the Group and to ensure that corporate value is reflected in our market capitalization, the Company has newly established the "Corporate Value Creation Conference" composed of the below members as an advisory body to the Board of Directors.

Outside Directors: Takao Kitabata, Tadanobu Nagumo

Audit & Supervisory Board Members (External): Nobutake Nishijima, Hiroki Kimura

Attorney at law: Shigeru Nakajima (Nakajima Transactional Law Office)

Kimiaki Tanaka, Chairman, Tetsuya Toyoshima, President and CEO

[Translation]

The Corporate Value Creation Committee engages in broad discussions on the source of the Company's corporate value that must be protected, current status analysis of the Company's weaknesses related to takeover risk, and issues related to corporate governance, internal controls, and our risk management framework, and makes recommendations to the Board of Directors. To ensure the flexibility of management, an Executive Committee composed of the Representative Director and Corporate Officers at the Senior Corporate Officer level and above meet in principle twice a month to engage in thorough discussions, deliberation, and decision making on important management issues while referencing the opinions of the full-time corporate officer in attendance. The Director in charge of executing these duties sends important matters stipulated by the Board of Directors Rules from the matters deliberated and decided at the Executive Committee to the Board of Directors for their deliberation and decisions.

The Audit & Supervisory Board is composed of five members including three Audit & Supervisory Board Members (External) and meets in principle 5-6 times a year to report on, discuss, and decide important matters related to auditing. Based on the Audit & Supervisory Board Member Auditing Standards decided by the Audit & Supervisory Board, the Audit & Supervisory Board Members attend Board of Directors meetings and evaluate business execution including at subsidiaries. Through this process, the Audit & Supervisory Board Members audit the execution of duties by the Directors, and where issues are recognized in the Company's compliance system or its management, they provide their opinions and request the creation of improvement policies. The Department of Internal Auditing is the organization responsible for internal auditing and implements internal audits as necessary to ensure the appropriate operations of both the Company's internal divisions and its subsidiaries. The Auditing Department has seven members who concurrently serve as Audit & Supervisory Board staff.

For the nomination of candidates for Director and the appointment of Corporate Officers, after receiving advice from the Director and Officer Nomination and Remuneration Committee, the President and CEO will recommend persons that comply with the above policies, and the Board of Directors will deliberate and make decisions. For the nomination of candidates for Audit & Supervisory Board Member, after receiving advice from the Director and Officer Nomination and Remuneration Committee, the President and CEO will recommend persons that comply with the above policies, and with the consent of the Audit & Supervisory Board, the Board of Directors will deliberate and make decisions. For the individual remuneration of Directors and Corporate Officers, the Representative Director will make decisions according to the remuneration standards decided at the Board of Directors based on the aforementioned policy after receiving advice from the Director and Officer Nomination and Remuneration Committee.

Furthermore, based on the stipulations of the Companies Act, Article 427, paragraph 1, the Company will conclude agreements with Outside Directors and Audit & Supervisory Board Members limiting their liability for damages per the Companies Act, Article 423, paragraph 1. The amount of the limit for liability for damages based on these agreements is the minimum liability amount prescribed by laws and regulations. The details of our Accounting Auditor are as follows.

- Audit corporation: Ernst & Young ShinNihon LLC

- Name of CPA: Designated Engagement Partners Kenji Fujita and Ryohei Shigematsu

- Status of initiatives to strengthen the functions of the Audit & Supervisory Board Members

1. Provided in the items in [Audit & Supervisory Board Members] and [Supporting System for Outside Directors and Audit & Supervisory Board Members (External)].

3. Reasons for Adoption of Current Corporate Governance System

The Company has appointed 5 Outside Directors and 3 Audit & Supervisory Board Members (External) with the expected function and role of "management oversight from an external perspective." The Company has registered all 8 External Officers as Independent Officers, ensuring objective and highly independent External Officers. Additionally, we expect that each can provide valuable recommendations and advice at the Board of Directors backed by many years of operational experience, sufficiently fulfilling "management oversight from an external perspective" in our current system.

The Company believes that our current system that balances "fast, efficient decision making and business execution" with "effective management monitoring and oversight that includes the 'external perspective' of independent External Officers" is optimal, and that our corporate governance system is functioning effectively.

[Translation]

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Energize General Shareholders Meetings and Facilitate Smooth Exercise of Voting Rights

	Supplementary Explanation
Early Notification of General Shareholders Meeting	The Notice of the Annual General Meeting of Shareholders held in June 2023 was sent 22 days prior to the meeting date.
Allowing Electronic or Magnetic Exercise of Voting Rights	Since 2015, the Company has introduced exercise of voting rights using the Internet.
Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors	Since 2015, the Company has employed a voting rights exercise system that uses the voting rights exercise platform for institutional investors operated by ICJ, Inc.
Providing Convocation Notice in English (Translated Fully or Partially)	Since 2015, the Company has provided English versions of our convocation notices (summarized versions) on our website, the above voting rights exercise platform, and the Tokyo Stock Exchange's website.
Other	The convocation notice for the Annual General Meeting of Shareholders held in June 2023 was posted on the Company's website six days prior to the printed version being mailed.

2. IR Activities

	Supplementary Explanation	Explanation by Representative
Preparation and Publication of Disclosure Policy	<p>The Company has prepared the disclosure policy described below and made it available on its website.</p> <p>[Basic Approach to IR Activities] In our IR activities, the Company works diligently to provide information on our business in a fair and fast manner to all our stakeholder so that they may develop a deep understanding of both our management policies and the details of our businesses. Regarding information disclosure, while ensuring compliance and following the relevant laws and regulations and rules, the Company works to disclose corporate information in a timely and fair manner to our shareholders, investors, and securities analysts.</p> <p>[Methods of Information Disclosure] Regarding information disclosure corresponding to the “Rules on Timely Disclosure of Corporate Information by Issuers of Listed Securities” stipulated by the Tokyo Stock Exchange, the Company discloses such information through the Timely Disclosure Network (TDnet) provided by the Tokyo Stock Exchange. Information disclosed through TDnet is also promptly posted on the Company's website.</p> <p>[Quiet Period] To prevent information that may impact the Company's stock price from being leaked, such as information on our financial results, we have established a “Quiet Period” from the day following</p>	

[Translation]

	<p>our financial closing until the day that our financial results are announced. We ask for your understanding as we are not able to answer questions or comment on our financial results during this period. However, if during the Quiet Period we expect a significant divergence from our results forecasts, we will promptly disclose such information on TDnet or the Company's website.</p> <p>[Other]</p> <p>The Company's website is intended to provide information to create an understanding among our stakeholders of the details of our operations, our management policy, and our financial conditions, and none of the contents contained on our website are intended to solicit investment. We ask that users of our website please take responsibility for their own investment decisions.</p> <p>Furthermore, information including the Company's plans and outlooks posted on our website are calculated based on currently available information and include risks and factors of uncertainty. Actual results may differ significantly from these forecasts due to various factors.</p>	
Holding Regular Investor Briefings for Individual Investors	The Company regularly holds company information sessions for individual investors, and in September 2022, we held an online company information session led by the President and CEO for individual shareholders and individual investors.	Yes
Holding Regular Investor Briefings for Analysts and Institutional Investors	We hold quarterly results briefings soon after our financial results are announced for analysts, institutional investors, and the media led by the Director in charge of financial results. We also hold annual briefings led by the President and CEO on the details and progress in our Mid-Term Business Plan for analysts, institutional investors, and the media.	Yes
Posting IR Materials on Website	The IR materials posted on the Company's website are: 1. financial results information, 2. timely disclosure information aside from financial results information, 3. consolidated financial statements or quarterly reports, 4. the status of our corporate governance, and 5. convocations notices for our General Meeting of Shareholders. Furthermore, to provide broad-based information, the Company has created an "Individual Investors" page on our website to introduce our various business initiatives in an understandable format.	
Establishment of Department and/or Manager in Charge of IR	<p>Department responsible for IR: Department of IR & SR, officer responsible for IR and person responsible for IR communications: Director and Senior Corporate Officer and Head of Administrative Headquarters Yoshiyuki Sone</p> <p>In FY2022, we received around 200 requests for IR interviews from securities analysts and institutional investors and engaged in dialogues mainly focused on the details of our quarterly results, outlooks,</p>	

[Translation]

	progress in our Mid-Term Business Plan, and our business growth strategy.	
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3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Provisions to Ensure Due Respect for Stakeholders in Internal Rules, etc.	The relationship with each of our stakeholders is provided in our CSR Code of Conduct, and in addition to CSR and sustainability education for all our officers and employees, we engage in activities to raise awareness of CSR.
Implementation of Environmental Activities, Sustainability Initiatives, etc.	To create understanding of the details of our environmental preservation activities, CSR, and sustainability activities, we provide English versions of our “Integrated Report” and “Sustainability Report” on our website.
Formulation of Policies for Information Provision to Stakeholders	Based on the understanding that the timely and appropriate disclosure of company information to shareholders is the foundation of a sound securities market, we work to provide information disclosure in accordance with the timely disclosure rules of both the Financial Instruments and Exchange Act and the securities exchanges.

IV. Matters Related to Internal Control System

1. Basic Views on Internal Control System and Progress of System Development

[Basic Views on Internal Control System]

In addition to strengthening our corporate governance, establishing our internal control system is a necessary and fundamental management issue in enhancing our corporate value.

In terms of our fundamental approach to internal control, at the Board of Directors meeting held on April 28, 2006, we held our first resolution on our “Basic Policies for Establishment of Internal Control Systems,” and made the necessary revisions based on changing conditions at Board of Directors meetings held on March 26, 2008, March 23, 2009, August 10, 2009, April 21, 2010, December 21, 2010, October 24, 2013, April 27, 2015, July 31, 2018, October 29, 2021, June 13, 2022, and November 25, 2022. The full text of our Basic Policies for Establishment of Internal Control Systems is provided below.

Basic Policies for Establishment of Internal Control Systems

Revised on December 1, 2022

The Board of Directors of Zeon Corporation

1. System to ensure that the execution of duties by Directors and employees complies with laws and regulations and the Articles of Incorporation

(1) Board of Directors meetings are held in principle once a month with the attendance of the Audit & Supervisory Board Members to ensure that the Company’s business execution complies with laws and regulations and the Articles of Incorporation and to provide oversight of the execution of duties by Directors related to management.

(2) The Board of Directors invites External Officers to provide management oversight from an external perspective and to fulfill other functions and roles.

(3) The Board of Directors refers important items related to management to the Executive Committee composed of the Representative Director and Corporate Officers at the Senior Corporate Officer level and above for discussion. The Executive Committee engages in thorough discussion, deliberation, and decision making referencing the opinions of the Audit & Supervisory Board Members in attendance.

(4) As the foundation of the Company’s compliance system, the Board of Directors has established the “Sustainability Policy” as a code of conduct and the CSR Code of Conduct as more specific behavioral guidelines.

(5) The Board of Directors explicitly rejects relationships with anti-social forces in our CSR Code of Conduct and takes a firm stance on eliminating anti-social forces.

(6) The Board of Directors works from the understanding that appropriate financial reporting is essential in ensuring trust from the Company’s shareholders, investors, and other stakeholders and works to build the necessary systems to ensure the reliability of our financial reporting.

[Translation]

(7) Based on the Audit & Supervisory Board Member Auditing Standards decided by the Audit & Supervisory Board, the Audit & Supervisory Board Members attend Board of Directors meetings and evaluate business execution including at subsidiaries. Through this process, the Audit & Supervisory Board Members audit the execution of duties by the Directors, and where issues are recognized in the Company's compliance system or its management, they provide their opinions and request the creation of improvement policies.

2. System for preserving and managing information regarding the execution of duties by Directors

(1) Directors shall store the following documents related to their assigned duties (including electronic records) together with any related materials for a minimum of ten years, maintaining them in a state that can be viewed by the Company's Directors and Audit & Supervisory Board Members when necessary.

- Minutes of General Meeting of Shareholders
- Minutes of Board of Directors
- Minutes of Executive Committee
- Minutes of important meetings and committees

(2) Aside from the documents stipulated in (1), contracts, written approvals, and other similar documents shall be appropriately stored and managed based on the rules related to document ownership.

3. Regulations and other systems for the management of risk of loss

(1) The Board of Directors positions the "Crisis Management Regulations" as the core regulations related to managing the risk of loss, while also maintaining other sets of regulations to respond to the risk of specific losses.

(2) The Company has established the CSR Council chaired by the Representative Director, as well as seven other committees under the CSR Council to manage the risk of loss

(a) Compliance Committee

Established to ensure thorough compliance at the Group, the Compliance Committee creates and manages legal and regulatory compliance education and training plans.

(b) Risk Management Committee

The Risk Management Committee was established for the risk management of the Group's business continuity, to prevent latent, organizational risk, and to control risks that have materialized. Another goal of the Risk Management Committee is to minimize losses when crises do occur by engaging in a disciplined response.

To collect latent risk information at an early stage and facilitate an easier response, the Risk Management Committee has established internal reporting systems such as the "Compliance Hotline" as a point of contact with external attorneys.

The secretariat of Risk Management Committee reports all of the risk information reported at the Risk Management Committee to the Audit & Supervisory Board Members. Additionally, the Audit & Supervisory Board Members may request that the Risk Management committee provide reports on risk information whenever necessary.

(c) Public Relations Committee

The Public Relations Committee works to enhance the Company's name recognition and image by creating a proper understanding among society as a whole and all our stakeholders of the Group's philosophy, stance, and activities, and to ensure timely and appropriate information disclosure by the Group.

(d) Quality Assurance Committee

The objectives of the Quality Assurance Committee include creating activity plans related to quality control and improvement and quality assurance education at the Group and checking, improving, and planning the implementation of activities related to quality assurance.

(e) PL Committee

The objectives of the PL Committee include creating activity plans related to PL prevention and PL education at the Group and checking, improving, and planning the implementation of activities related to PL defense.

(f) Environmental and Safety Affairs Committee

The Environmental and Safety Affairs Committee formulates the Group's annual environmental and safety policy, confirms and improves on the state of progress of specific items being implemented as part of the policy, proposes important measures for company-wide environmental and safety activities, proposes basic policy related to our response to legal and regulatory amendments, and coordinates the company-wide response to accidents and disasters.

(g) Information Management Committee

The Information Management Committee formulates basic group-wide policy related to the appropriate management of information that should be managed by the Group from its acquisition to its disposal, checks on the promotion and implementation of that policy, and proposes improvements.

4. System to ensure efficient execution of duties by Directors

(1) As the foundation of the Company's system to ensure the efficient execution of duties by Directors, the Board of Directors meets in principle once a month and convenes extraordinary sessions when necessary. Regarding the Company's management policy and other important items related to our management strategy, the Executive Committee composed of the Representative Director and Corporate Officers at the Senior Corporate Officer level and above meet in principle twice a month and make decisions on business execution following the deliberation of these items.

(2) The business execution based on the decisions by the Board of Directors including the parties responsible, authorities, and administrative procedures is stipulated by the various relevant regulations.

(3) By appointing Corporate Officers and clarifying their responsibilities and authorities, the Board of Directors accelerates business execution.

5. System to ensure proper operations at corporate groups composed of stock corporations and their parent companies and subsidiaries

(1) To ensure the suitability of operations at our subsidiaries, we have established our CSR Code of Conduct as behavioral guidelines that apply to the entire Group. In addition to providing guidance to ensure that corporate operations at each of our Group companies follows the CSR Code of Conduct, and to ensure thorough compliance in our corporate activities, the Company supports the creation of various regulations at each Group company.

(2) To support sound growth at our subsidiaries by ensuring efficient operations and providing appropriate oversight, we have established the "Group Company Management Rules" shared by the Group. Management of our subsidiaries is conducted through a decision-making and reporting system to the Company, and monitoring is conducted as required.

(3) The seven regular committees established under the CSR Conference are responsible for managing the risk of loss throughout the entire Group, and the Company's subsidiaries under the supervision of each committee create various regulations to address the risk of specific losses. Furthermore, where the officers or employees of the Company's subsidiaries recognize a violation of laws and regulations in their corporate management or in the management guidance from the Company, or other compliance issues, they will make an immediate report to the Risk Management Committee.

(4) The Board of Directors has established an Auditing Department under the direction of the Representative Director. Based on the Group's shared internal auditing standards, the Auditing Department conducts the necessary auditing to ensure the appropriate operations by both the Company and its subsidiaries and reports on the results of its auditing both regularly and when necessary to the Representative Director, the Board of Directors, and the Audit & Supervisory Committee.

6. System related to employees that aid the duties Audit & Supervisory Board Members, items related to the independence of such employees from the Directors, and system related to ensuring the effectiveness of the directions of the Audit & Supervisory Board Members to such employees

(1) When the Audit & Supervisory Board Members request employees to be assigned to aid in their duties, the Company will assign such assistants to the Audit & Supervisory Board Members from the Company's employees.

(2) To ensure the independence of the employees in (1) from the Company's Directors, the Audit & Supervisory Board Members will receive a prior report on the background of such employees and may request that the Company make changes where necessary. Furthermore, while such employees are covered by the Company's employment rules, the Audit & Supervisory Members have the authority to instruct such employees in tasks that aid the Audit & Supervisory Board Members.

7. System for Directors and employees to report to Audit & Supervisory Board Members, other systems related to reporting to Audit & Supervisory Board Members, items related to policy associated with the processing of costs and obligations incurred in the execution of duties by Audit & Supervisory Board Members, and other systems to ensure effective auditing by the Audit & Supervisory Board Members

(1) Audit & Supervisory Board Members may attend Board of Directors meetings, Executive Committee Meetings, and other important meetings and may receive reports related to the business execution of the Company.

(2) Officers and employees of the Company and its subsidiaries will immediately report important items impacting the Group's operations or financial results to the Audit & Supervisory Board. Regardless of the stipulations of the previous items, Audit & Supervisory Board Members may request reports from the officers and employees of the Company and its subsidiaries whenever necessary.

[Translation]

(3) By establishing regulations related to internal reporting and ensuring that they are managed appropriately, the Directors ensure an appropriate reporting system is in place to report legal and regulatory violations and other compliance issues to the Audit & Supervisory Board Members. These regulations include the stipulation that the employees making reports cannot receive disadvantageous treatment due to the reports.

(4) Costs incurred in the execution of duties by Audit & Supervisory Board Members are borne and paid by the Company based on invoices from the individual Audit & Supervisory Board Members.

(5) At their own discretion, Audit & Supervisory Board Members may regularly hear the results and exchange opinions on accounting audits performed by the Accounting Auditor, accompany the Accounting Auditor on audits where necessary, and create opportunities for discussion with the CPAs who perform the auditing tasks to enhance mutual cooperation with the Accounting Auditor.

[Status of Internal Control System]

(1) Status of initiatives related to ensuring the suitability and efficiency of the execution of duties

The Board of Directors is composed of all the Directors including the five Outside Directors, and with the attendance of the Audit & Supervisory Board Members including the three Audit & Supervisory Board Members (External), the board meets in principle once a month to engage in decision making and reporting on the basic management policies and strategies and other important business execution in addition to the duties stipulated by laws and regulations.

To ensure the flexibility of management, an Executive Committee composed of the Representative Director and Corporate Officers at the Senior Corporate Officer level and above meet in principle twice a month to engage in thorough discussions, deliberation, and decision making on important management issues. In FY2007, the Company introduced our Corporate Officer system, and by clarifying the responsibilities and authorities of our Corporate Officers, we are working to accelerate business execution.

(2) Status of compliance initiatives

The Company has established the “Sustainability Basic Policy” as a code of conduct and the CSR Code of Conduct as more specific behavioral guidelines and works to ensure thorough understanding of compliance throughout the entire Group by distributing compliance texts including the Sustainability Basic Policy and CSR Code of Conduct to Group officers and employees.

We have also created and are implementing internal regulations related to internal reporting systems such as our “Compliance Hotline” as a point of contact with external attorneys.

(3) Status of initiatives related to the management of risk of loss

The Company has built a system to address risk by creating internal regulations related to risk management starting with our “Crisis Management Regulations” and establishing seven regular committees under the CSR Council (Compliance Committee, Risk Management Committee, Public Relations Committee, Quality Assurance Committee, PL Committee, Environmental and Safety Affairs Committee, and Information Management Committee).

(4) Status of initiatives to ensure proper operations at corporate groups

The Company has established the “Group Company Management Rules” shared by the Group, and in addition to managing the operations of Group companies, we conduct monitoring when necessary.

Furthermore, in addition to implementing internal auditing at each Group company, we create lists of the internal regulations that each Group company should maintain and provide support in creating such regulations.

(5) Status of initiatives to ensure the effectiveness of the auditing performed by the Audit & Supervisory Board Members

The Audit & Supervisory Board Members attend the Executive Committee Meetings and other important meetings and receive reports on the Company’s business execution. The Audit & Supervisory Board Members ensure close cooperation with the Internal Audit Departments by accompanying them on their operational audits, while also creating opportunities to exchange information with the Company’s internal control departments starting with the Legal Affairs Department, working to ensure the effectiveness of auditing

The Audit & Supervisory Board Members have exchanged letters of agreement with the Director in charge of human resources to acquire appropriately the staff necessary to aid the duties of the Audit & Supervisory Board Members including Audit & Supervisory Board Members (External) (Audit & Supervisory Board staff).

2. Basic Views on Eliminating Anti-Social Forces and Progress of Related Efforts

(1) The Company explicitly rejects and takes a firm stance on eliminating anti-social forces, and to uphold our corporate ethics and act as a public institution, we have formulated our “Sustainability Policy” as a code of conduct, our CSR Code of Conduct as more specific behavioral guidelines, and our “Crisis Management Regulations” as internal regulations to achieve these goals.

[Translation]

(2) We have established the Risk Management Department as the department responsible for overseeing the Company's response to anti-social forces and assigned a person responsible, creating a cooperative structure among internal relevant divisions and external specialist organizations.

(3) In addition to our Directors and employees being constantly aware of anti-social forces, the Company has established a system in which the division responsible will communicate with external specialist organizations and the relationship will be immediately terminated if a relationship does happen to be created with anti-social forces.

V. Others

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted
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Supplementary Explanation

[Basic Policy on the Nature of Persons Controlling Decision Making on the Company's Finances and Business]

The Company believes that decisions on acquisition offers that involve the transfer of the controlling rights of the Company should ultimately be based on the overall intentions of our shareholders, and even large-scale acquisitions of the Company's shares should not be rejected if they contribute to the common interests of our shareholders.

However, among acquisition offers, there are certain offers that do not necessarily contribute to the common interest of the shareholders of the target company, such as offers whose objectives clearly damage the Company's corporate value or the common interests of the shareholders, offers that effectively force shareholders of the target company to sell their shares, and offers that do not allow the Board of Directors or the shareholders of the target company sufficient time or information to evaluate the details of the acquisition offer.

To maintain and enhance the Company's corporate value, it is essential that we continue to provide products and services that play a role in solving global and social issues, and by extension that we strengthen and create unique technologies that play a core role in supporting the Company's sustainability (our Corporate Philosophy of "Contributing to the preservation of the Earth and the prosperity of the human race." same below). To do so, we must develop and retain diverse and capable personnel who not only possess high-level expertise, but also an understanding of the key values of the Company of "let's try first," "let's connect," and "let's polish up" and who can take action based on these values in diverse fields including research and development, manufacturing, sales, and management to develop user-focused products and to build good relationships with our clients and suppliers that contribute to market development. Furthermore, fulfilling our CSR (Corporate Social Responsibility: the foundation of realizing sustainability in all of the Company's many activities to be a company that continues to be trusted and that lives up to the expectations of society) and ensuring broad-based trust from society is essential in continuously enhancing our corporate value. Therefore, it is essential that persons engaging in large-scale purchases of the Company's shares not only have an understanding of the Company's finances and businesses, but also that they have an understanding of the source of the Company's corporate value and our stance and policy to maintain that corporate value over the medium to long term, so that the common interests of the Company's shareholders are not damaged.

Furthermore, when receiving an offer for acquisition from an external buyer, it is not necessarily easy for the Company's shareholders to judge in a short amount of time the impact that the acquisition in question will have on the Company's corporate value and the shareholders' common interests based on a sufficient understanding of the elements that make up the corporate value of the Company, including the Company's intangible management resources and the potential effects of future-focused policies. Therefore, if the Company's shareholders are not given sufficient information or time to evaluate the details of an acquisition offer, a large-scale acquisition of the Company's shares or an acquisition proposal may damage the common interests of the Company's shareholders.

The Company believes that such persons making acquisition offers that do not contribute to the common interests of the Company's shareholders and are inappropriate persons to control the decision making on policies related to Company's finances and businesses, and furthermore that it is required to take the necessary and appropriate measures against large-scale acquisitions by such persons to protect the common interests of the Company's shareholders.

[Translation]

[Initiatives to Use the Company's Assets Effectively, to Form Appropriate Corporate Groups, and to Otherwise Realize the Company's Basic Policies]

Based on our Corporate Philosophy of "Contributing to the preservation of the Earth and the prosperity of the human race," and living up to our company name of Zeon (a combination of the Greek words *zeo* meaning "land" and *eon* meaning "forever"), we have worked to maintain and enhance our corporate value by providing unique technologies, products, and services, and by fulfilling our mission of contributing to a sustainable planet and secure, comfortable lifestyles. Specifically, the Company thoroughly separates and refines the crude oil products C4 fractions and C5 fractions using our GPB process and GPI process, proprietary, world-class boiling and refining technologies, as well as other unique technologies. We use the C4 fractions and C5 fractions to continuously create high value-added petrochemical products such as special rubbers, leaf alcohol, cyclo olefin polymer, optical films, and battery (energy) materials. Through the development of these products, we have been able to respond continuously to demands for high-performance applications, contribute to realizing a sustainable planet and secure, comfortable lifestyles, and by extension have created market competitiveness for the Company. In this way, the primary source of the Company's corporate value is our unique technologies that play a central role in the Company's sustainability and that allow us to continuously provide products and services that play a role in resolving global and social issues. We are continuously working to strengthen and create unique technologies through initiatives to respond to various issues including the creation of new businesses and the development of new technologies via aggressive resource investment in our key development regions, improving existing manufacturing technologies and developing new manufacturing technologies through coordination with our plants, and accelerating research and development by sharing internal technological assets (fusion of knowledge) and promoting internal innovation (breaking free from closed innovation).

This kind of business development founded on unique technologies requires us to retain diverse and capable personnel who not only possess high-level expertise, but also an understanding of the key values of the Company of "let's try first," "let's connect," and "let's polish up" and who can take action based on these values in diverse fields including research and development, manufacturing, sales, and management. Based on the deep relationship of trust between labor and management that has been built over many years, in addition to working to develop and retain this type of personnel, we promote various activities to develop a sound corporate culture. Furthermore, the good relationships that we have built with our business partners including our clients, raw materials suppliers, manufacturing contractors, and research and development centers have contributed to maintaining and enhancing the Company's corporate value from the standpoints of allowing us to develop user-focused products and to develop markets.

Fulfilling our CSR and ensuring broad-based trust from society is also essential in continuously enhancing our corporate value. The Company has formulated our "Sustainability Basic Policy" composed of the three items of "'contributing to a stable planet' and 'secure, comfortable lifestyles,'" "maintaining trust through fair, honest activities," and "thinking and acting as individuals to create a better future," as well as our CSR Code of Conduct which list and stipulate the specific actions demanded by the Sustainability Policy. In addition to our Sustainability Basic Policy and CSR Code of Conduct, our CSR promotion system is led by the CSR Council as the highest management body, and works to strengthen our compliance system, realize safe workplaces, continuously address issues including coexistence with local communities, and to maintain and ensure trust from all the Company's stakeholders.

The Company believes that continuously developing the source of our corporate value by formulating and executing our Mid-Term Business Plan is how we maintain and enhance both our corporate value and the common interests of our shareholders, and that these efforts contribute to the realization of our basic policy. Therefore, our various initiatives follow our basic policy, align with the common interests of the Company's shareholders, and are not aimed at maintaining the status of the Company's Corporate Officers.

[Initiatives to Prevent Persons Who Do Not Align With the Company's Basic Policy From Controlling Decision Making on Policy Related to the Company's Finances or Businesses]

At the Company's Annual General Meeting of Shareholders held on June 27, 2008, the Company introduced our "Policy on Responding to Large-Scale Purchases of the Company's Shares," and resolved to continue this policy at the 86th Annual General Meeting of Shareholders held on June 29, 2011, the 89th Annual General Meeting of Shareholders held on June 27, 2014, the 92nd Annual General Meeting of Shareholders held on June 29, 2017, and the 95th Annual General Meeting of Shareholders held on June 26, 2020 (hereinafter, the continued policy referred to as "The Response Policy").

As a result of an evaluation on the need to continue The Response Policy with its approaching expiration, at a Board of Directors meeting held on May 11, 2023, the board resolved not to continue The Response Policy and to abolish it at its expiration on June 29, 2023 at the conclusion of the 98th Annual General Meeting of

[Translation]

Shareholders. We have seen recent examples of companies evaluating the need for the Policy on Responding to Large-Scale Purchases of the Company's Shares based on the specific circumstances when such large-scale share purchases are undertaken and introducing such policies after confirming the intentions of their shareholders. Given this recent trend and dialogue with our shareholders and investors, we made the decision not to continue The Response Policy.

Where an acquisition offer or a large-scale purchase is made that risks damaging the common interests of the Company's shareholders, to ensure that the common interests of the Company's shareholders are maximized, the Company will take the feasible and appropriate measures at the time as needed to ensure that our shareholders have the required time and information to evaluate the nature of the offer or purchase.

The above initiatives will be carried out when a large-scale purchasing action of the Company's shares is undertaken to ensure the necessary information and time for our shareholders to decide whether to respond to the offer in question, or for the Company's Board of Directors to make a counter-offer, or to allow our shareholders to negotiate with the party making the offer, thereby acting to ensure and enhance the common interests of the Company's shareholders. Therefore, our various initiatives follow our basic policy, do not damage the common interests of our shareholders, and are not aimed at maintaining the status of the Company's Corporate Officers.

2. Other Matters Concerning Corporate Governance System

■ Overview of Timely Disclosure System

At the Company, the person responsible for information handling (Head of Administrative Headquarters) who is also a member of the Public Relations Committee, established to manage timely and appropriate public relations, is assigned as the person responsible for timely disclosure with securities exchanges. Together with the Public Relations Committee Secretariat (the Company's Public Relations Department), responsible for everyday operations, this person leads and operates the timely disclosure system described below. Please also reference (Appendix 2) Schematic Diagram of the Company's Integrated Management System for Important Business Information

[Integrated Management of Important Business Information]

Prior to meetings of the Company's meeting bodies at which important business information is reported and deliberated (Board of Directors, Executive Committee, Division Manager Meeting, and Risk Management Committee), the secretariats of these meeting bodies report the meeting agendas to the Public Relations Committee Secretariat to ensure the integrated management of information. Additionally, a system is in place to ensure that management information that could be covered by the timely disclosure standards of securities exchanges is consolidated with no leaks at the Public Relations Committee Secretariat, including information related to the Company's subsidiaries being reported by the manager of Group Business Planning & Management Department of the Company that manage Group companies.

[Decisions on the Need for Disclosure and Timely Disclosure]

The persons responsible for handling information make decisions on whether the important business information consolidated at the Public Relations Committee Secretariat are items that require timely disclosure by securities exchanges, where necessary gathering the opinions of the relevant divisions and the members of the Public Relations Committee to make such decisions. For items that have been deemed to require timely disclosure, the Public Relations Committee Secretariat will draft a disclosure draft (for items related to financial results, the Company's Accounting & Finance Department) and after receiving the approval of the person responsible for handling information on the details and time period of disclosure, timely disclosure will be undertaken according to the methods stipulated by the securities exchanges.

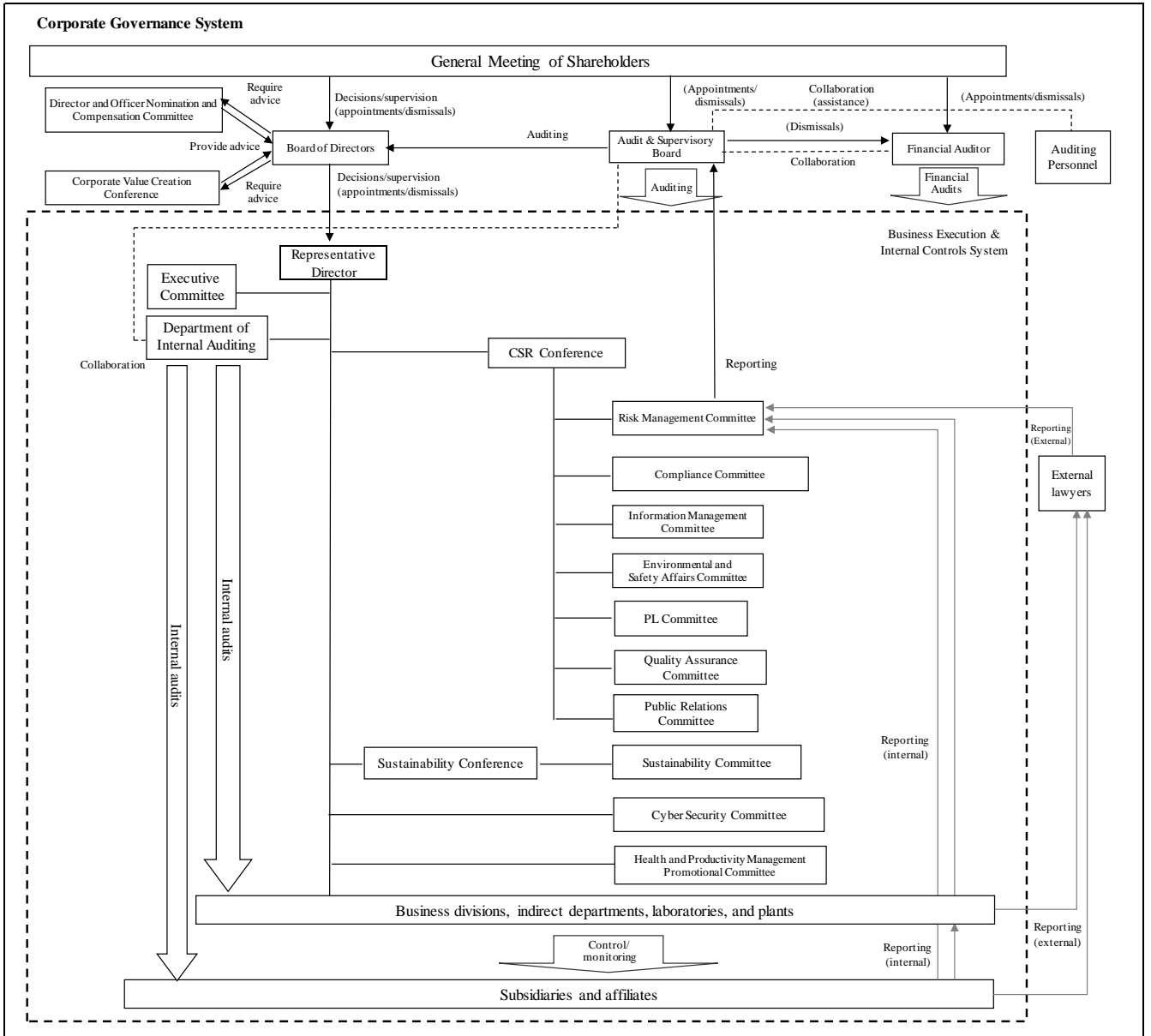
The Company has prepared "Insider Trading and Timely Disclosure Management Rules" that include the above contents and stipulate the standard of behavior for securities purchases by the Company's officer and employees. Moreover, by also establishing "Group Company Management Rules" for our Group companies, we are working to create awareness about the details of the regulations.

■ Schematic diagram attachments (reference materials)

(Appendix 1) Schematic Diagram of Governance System

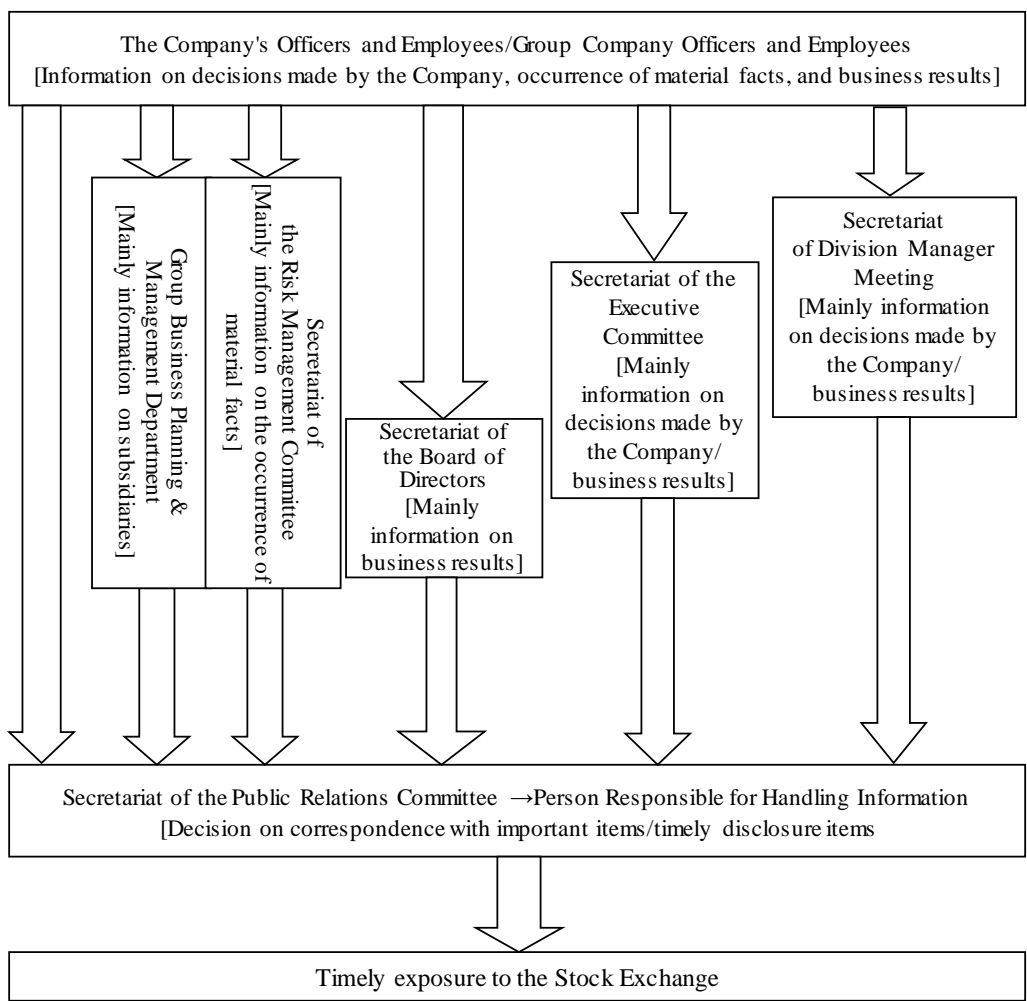
(Appendix 2) Schematic Diagram of the Company's Integrated Management System for Important Business Information

(Appendix 1) Schematic Diagram of Governance System



[Translation]

(Appendix 2) Schematic Diagram of the Company's Integrated Management System for Important Business Information



* ⇒ : Flow of information