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Corporate Governance

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Corporate Governance

Basic Policy on Corporate Governance

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

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

Basic Policy on Corporate Governance (Japanese version only)
<https://www.zeon.co.jp/csr/concept/pdf/200281514.pdf>
 Corporate Governance Report (Japanese version only)
<https://www.zeon.co.jp/news/assets/pdf/220705.pdf>

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

Board of Directors

The Board of Directors meets, in principle, every month with Audit & Supervisory members in attendance to ensure compliance with applicable laws and the Articles of Incorporation in the execution of business. In addition to its statutory duties, the role of the Board of Directors is to make important decisions about basic management policy, strategy, and other aspects of business execution. As of July 2022, the Board of Directors consists of nine directors, including three outside directors.

Executive Committee

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

Audit & Supervisory Board

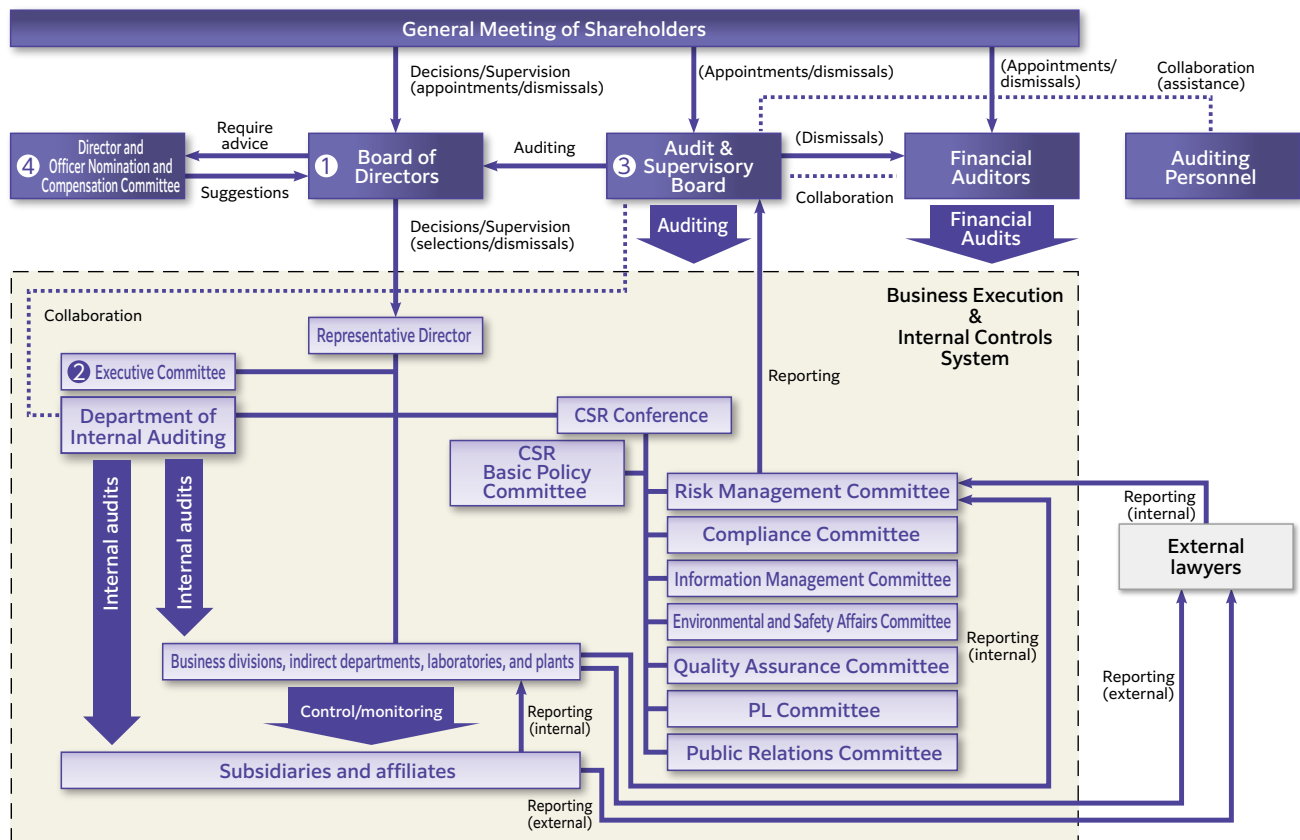
The Audit & Supervisory Board comprises five members, including three external members. The Board reports, discusses, and adopts resolutions on important business matters. In accordance with the auditing guidelines established by the Audit & Supervisory Board, each member audits directors' execution of their duties through various means, such as attending Board of Directors meetings and monitoring business operations, including at subsidiaries' operations.

Director and Officer Nomination and Compensation Committee

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

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Corporate Governance System (As of September 2022)



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Risk Management

Risk Management Framework

The Risk Management Committee leads Zeon's risk management. Activities to prevent law violations and to comply with laws and regulations are conducted under the Compliance Committee (For more information about the framework, see Compliance. [→P. 53]) The Information Management Committee implements appropriate management of information, from the time when information is obtained until the time when it is deleted.

Risk Management and Compliance System



Risk Management Committee FY 2021 Results

- Handle incidents as they occur and take steps to prevent their recurrence
 - Enhance risk and crisis control measures
- Example: Revising the content of Business Continuity Plans (BCPs) based around the scenario of a major earthquake

BCP Formulation and implementation of Related Training

We have formulated a BCP and implement training and drills to enhance its effectiveness in recognition of the need to reduce the impact on business continuity of damage from disasters such as earthquakes and severe storm and flood damage. A group-wide training drill was implemented once in FY 2021. On the premise that teleworking had become the new normal for staff at Head Office, Crisis Management Team (CMT) training was conducted twice, and factory training was conducted twice.

In addition, individual business divisions and plants have drafted their own BCPs, conducting reviews (BCM) and implementing their own training on an ongoing basis, while putting in place systems to facilitate rapid responses in the event of emergencies.

Internal Reporting System

Zeon established its Internal Reporting System to quickly collect information on potential risks and facilitate their appropriate resolution. Per the rules on reporting risk-related information, reports can be made not only to one's supervisor or the Risk Management Committee directly, but also by calling the Compliance Hotline (① to ③ below), which connects the caller to an external lawyer.

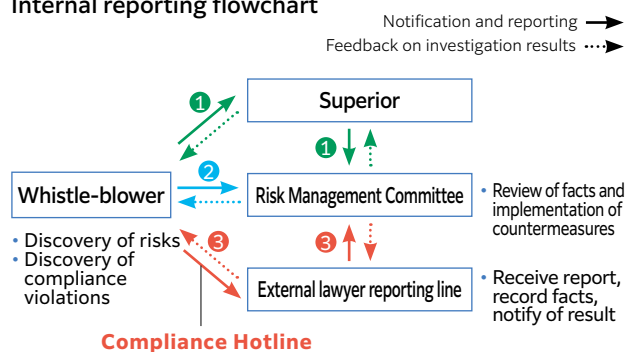
The Risk Management Committee conducts an investigation into the reported details and facilitates appropriate resolutions, including instructing internal organizations to institute measures based on the outcomes of their investigations.

Internal reports in FY 2021: 4

The Risk Management Committee has appropriately dealt with each of these incidents by conducting an investigation into the reported details and instructing internal organizations to institute measures accordingly.

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

Internal reporting flowchart



Compliance Hotline

Reporting contact: Hiroshi Yoshimura, lawyer
 Office: Yoshimura Horitsu Jimusho, Iketani Bldg. 3F, 1-9-7 Iidabashi, Chiyoda-ku, Tokyo, 102-0072
 Tel: +81-3-3264-1805
 Fax: +81-3-3264-1806
 Email: yosimura@tkh.att.ne.jp

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Compliance

Compliance System

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

Zeon's Compliance System



Compliance Committee

FY 2021 Results

- Continued activities to establish and instill compliance awareness
- Redeveloped the management system for legal risks for Zeon Group companies outside Japan

Anti-trust Law Regulatory Subcommittee

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

Export Security Control Subcommittee

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

Corporate Governance Subcommittee

- Established controls for identifying the risk of and preventing errors in consolidated financial statements. Evaluated whether the controls were functioning correctly
- Convened five times in FY 2021, and no ineffective controls were found

Internal Reporting System

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

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

Internal Audits

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

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

FY 2021 results: 32 departments (13 departments at Zeon Corporation, 7 Zeon Group companies inside Japan, 12 Zeon Group companies outside Japan)

FY 2022 plan: 36 departments (16 departments at Zeon Corporation, 10 Zeon Group companies inside Japan, 10 Zeon Group companies outside Japan)

Information Security Audits

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

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IR Communications

Communication with Shareholders

Policies related to constructive dialogue with shareholders

Dialogue with shareholders is led by the department responsible for IR and SR, and overseen by the relevant director. The department responsible for IR and SR exchanges information with other relevant departments within the company as appropriate to provide accurate and unbiased information to shareholders.

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

General Meeting of Shareholders

On June 29, 2021 (Tuesday), we held our 96th Annual General Meeting of Shareholders in a conference room at the Head Office. While shareholders were asked not to attend the meeting in person (regardless of their state of health) to help prevent the spread of COVID-19, we mailed out notices approximately three weeks prior to the meeting to allow investors to exercise their voting rights by post or online based on a full review of the proposals. We also publish the details of resolutions from the General Meeting of Shareholders on our corporate website.

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



Video of a presentation by President Tanaka

For more information about the General Meeting of Shareholders, see

<https://www.zeon.co.jp/en/ir/stock/meeting/>

For more information about financial results briefings, see

<https://www.zeon.co.jp/en/ir/financial/bs/>

Communicating Information to Shareholders

Twice a year, we send a booklet to our shareholders featuring updated business information and recent topics of interest, etc. The 97th Midyear Report, issued in December 2021, included a special feature on the transition to *monozukuri* manufacturing to achieve carbon neutrality and realize a circular economy, introducing key measures (formulation of a Carbon Neutral Master Plan with a view to 2050), and an overview of three major policies in the transition to *monozukuri* manufacturing alongside case studies of specific initiatives.

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



97th Midyear Report

For the Annual Report and other Midyear Reports, see <https://www.zeon.co.jp/ir/library/businessreport.html> (Japanese version only)

Distributions

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

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

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

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