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**Highlight 1**

# The Zeon group's response to COVID-19, and the impact of the epidemic

The measures taken by the Zeon Group in response to the COVID-19 coronavirus epidemic, and the impact that the epidemic has had by May 2020, are summarized below.



- Minimal impacts on FY 2019 results (year ended March 2020)
- Minimal impacts on production globally
- Both positive and negative impacts expected in the future depending on the business field

## Impact on FY 2019 results (financial results for the accounting period ending March 31, 2020)

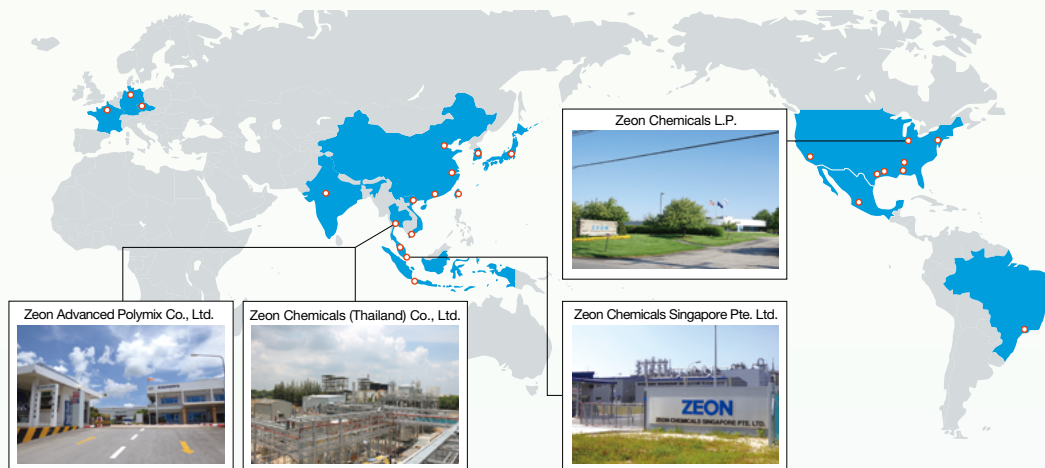
Despite the constraints on economic activity throughout the world, because it takes some time for the impact on sales to be felt, **COVID-19 did not have a significant impact on performance in FY 2019.**

## Factory operation status

The Zeon Group has production facilities in three locations in China: Shanghai City, Guangzhou City, and Changshu City. **Production was suspended for a short period, but the factories began operating again starting from February 10, and operations are now back to normal.**

Factories in regions outside China implemented infection prevention measures, **and were able to maintain more or less normal operation right from the early stages of the pandemic.**

With regard to the issuing of orders to suspend operations by government authorities, the Zeon facility in Singapore was allowed to continue operating even during lockdown, as it was classed as belonging to a key economic sector.



## Impact on business

With a global economic downturn forecast, the need to respond to the COVID-19 and to changes in lifestyle habits **was expected to have both positive and negative impacts** on the Zeon Group's business.

As a result of various factors such as automotive manufacturers being forced to suspend production, etc., the economic downturn was expected to have a substantial negative impact on the Elastomer Business. On the other hand, demand for latex to make medical gloves has increased.

In the Specialty Materials Business, the impact on COP and films was projected to be limited. At the same time, demand for battery materials was forecast to be negatively impacted by the situation in the automotive sector.

## Financing measures

To improve liquidity, in addition to our existing commercial paper issue of 50 billion yen, we have also increased our planned commitment line to 50 billion yen. As of March 2020, Zeon's liquidity ratio stood at 191%, and the cash plus marketable securities ratio was 1.2 months, so there was no cause for concern in regard to cash flow.

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## Group-wide response strategies

The Zeon Group established an emergency response headquarters at Zeon Corporation's head office. The company president has been serving as head of the emergency response headquarters, and has set up a committee in which the various department heads play key roles. Implementing intensive online communication, information from business locations both within and outside Japan is aggregated at Zeon's head office in a timely manner, while at the same time we have encouraged the sharing of information between business locations, and have been implementing various response measures.

Starting from January 2020, we have been implementing speedy, appropriate countermeasures, focusing on the following three areas:

- ①Safeguarding the health and safety of employees and their family members, etc.
- ②Maintaining stable cash flow
- ③Maintaining our supply chain

Even after the lifting of the state of emergency in Japan, we extended Zeon's Period of Special Measures for Infection Prevention, and we have been implementing measures in line with the "New Lifestyle" proposed by the Ministry of Health, Labour and Welfare (MHLW) and the Guidelines for Preventing the Spread of Novel Coronavirus Disease (COVID-19) formulated by the Japan Business Federation (Keidanren).

## Safeguarding the health and safety of employees and their family members, etc.

### Measures taken at plants

As plants cannot operate unless employees come in to the plant to work, we have taken appropriate countermeasures that take account of the need for thorough infection prevention measures.

In order that plant operation can continue even if an operative is found to have been infected with COVID-19, we have been reviewing how shift work assignments are adjusted, etc. A message from the company president has been shown at plants, thanking the employees for their efforts to maintain plant operation and encouraging them to keep going.

### Infection prevention measures

Measures taken include checking employees temperature when entering the facility, etc., requiring employees to wear masks, encouraging employees to wash their hands frequently, distributing face-shields, washing and disinfecting common areas, efforts to optimize cafeteria operation (including establishment of staggered meal times, installation of partition screens, maintaining sufficient distance between diners, etc.), ensuring good ventilation within the facility, discouraging or prohibiting business travel outside the facility, meetings and business entertaining, etc., implementation of awareness-raising activities and information-sharing for employees, asking external parties to collaborate on infection-prevention measures, etc.

\* Starting from June 15, in order to prevent heatstroke, some of the rules on mask-wearing were relaxed, provided that employees can maintain a sufficient distance from other people.

### Measures taken in offices

At Zeon Corporation's head office, as of April 2020, 95% of employees were working from home. We have also been taking thorough prevention measures with respect to employees working at our other offices in Japan and worldwide, including having employees work from home. In addition, the company president had encouraged employees throughout the world to maintain their efforts and take care of their health with video and letter messages.

### Infection prevention measures

Measures taken include working from home, introduction of staggered working hours, postponing or cancellation of special events, prohibition of overseas business trips, restrictions on domestic business trips, arranging for employees on assignment overseas to return home, provision of support for overseas business locations from company head office, encouraging employees to stay at home on weekends and public holidays, suspension of reception and main switchboard operations at head office (relaunched starting from June 1), etc.

\* Starting from June 15, in order to prevent heatstroke, some of the rules on mask-wearing were relaxed, provided that employees can maintain a sufficient distance from other people.

## Maintaining our supply chain

As noted above, manufacturing plants both in Japan and overseas have been able to continue operating more or less normally, while implementing thorough infection prevention measures.

We have also been implementing thorough infection prevention measures at our overseas sales bases, continuing business operations in line with conditions at our business partners and elsewhere.

