ZEON

Zeon Group Integrated Report 2025

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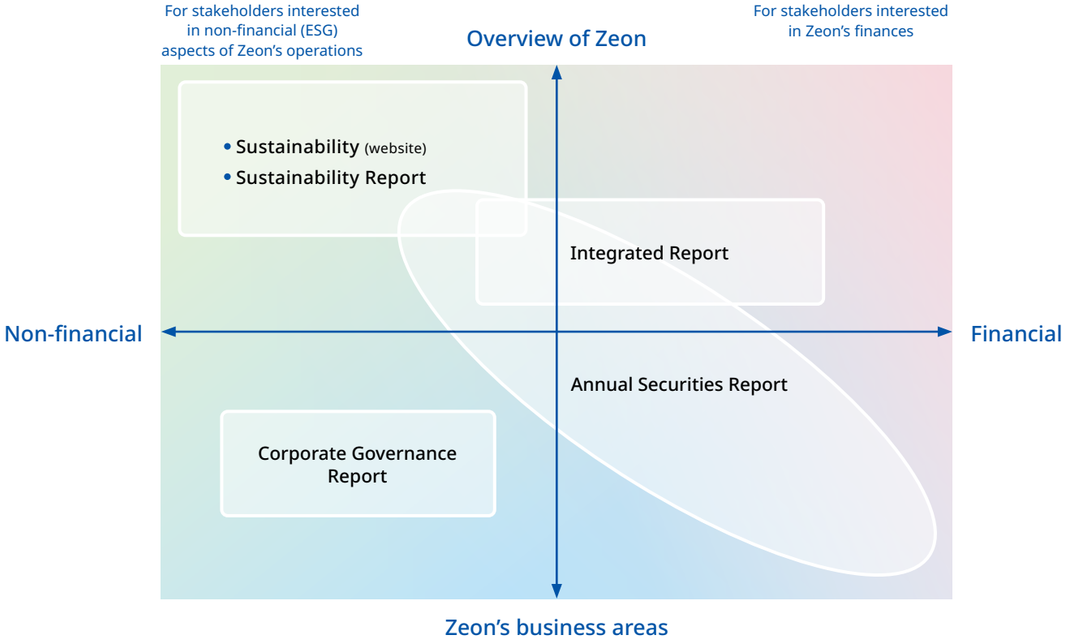
Disclosure system chart



- Annual Securities Report https://www.zeon.co.jp/ir/library/securities/ (in Japanese)
- Sustainability (website) https://www.zeon.co.jp/en/csr/
- Sustainability Report* https://www.zeon.co.jp/en/csr/report/
- Corporate Governance Report https://www.zeon.co.jp/en/csr/governance/corporate/

* Please see our Sustainability Report for data and initiatives related to sustainability.

Responses to questions from stakeholders

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Editorial policy

In compiling the Zeon Group Integrated Report 2025, we referenced the Guidance for Collaborative Value Creation issued by Japan's Ministry of Economy, Trade and Industry (METI), and also referenced the many suggestions that we had received from customers. Plans, forecasts, etc. that are disclosed in this report have been drawn up based on the currently available information and contain some degree of risk and uncertainty. Actual performance may vary from these plans, forecasts, etc. due to a variety of factors.

Environment Social Governance
Guidance for Collaborative Value Creation

Reporting period

April 2024 to March 2025 (includes some information after April 2025)

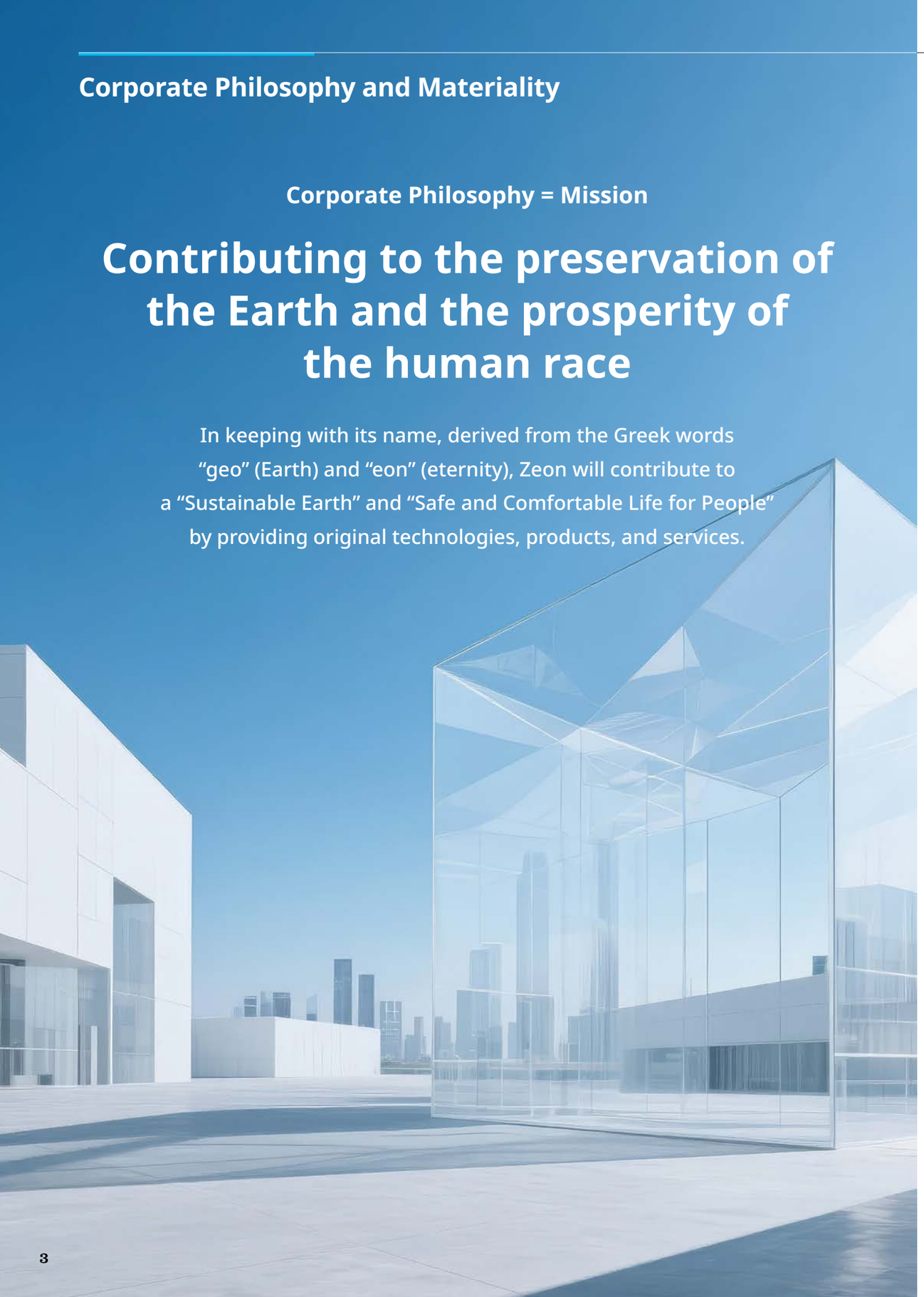
Reporting scope

Zeon Corporation and Zeon Group companies inside and outside Japan. Some data covers only Zeon Corporation.

Corporate Philosophy = Mission

Contributing to the preservation of the Earth and the prosperity of the human race

In keeping with its name, derived from the Greek words
“geo” (Earth) and “eon” (eternity), Zeon will contribute to
a “Sustainable Earth” and “Safe and Comfortable Life for People”
by providing original technologies, products, and services.



Sustainability Policy

- **We aspire to realize a “Sustainable Earth” and “Safe and Comfortable Life”**
- **We will firmly maintain fairness and integrity in our activities to be a trustworthy company**
- **Each of us will think and act proactively for a better future**

Based on our corporate philosophy of “Contributing to the preservation of the Earth and the prosperity of the human race,” sustainability at Zeon means achieving sustainable growth together with society. To achieve this, we will provide products and services that are valuable for solving global and social issues, build trust with our stakeholders through fairness and integrity and have each one of us act proactively thinking how to create a better future for the society and ourselves.

Five gears that drive Zeon (materiality)

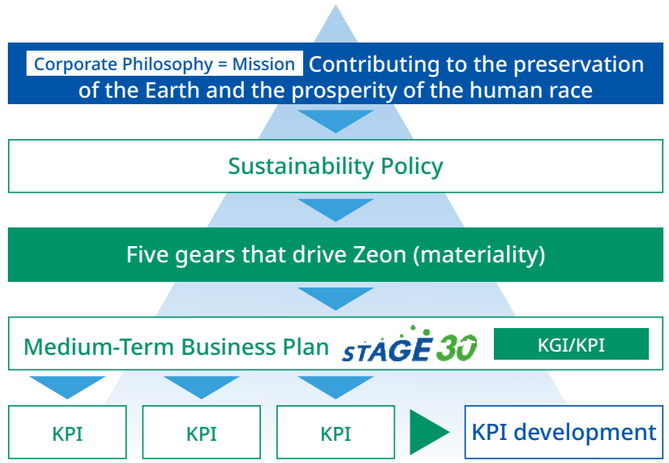
We have determined our materiality, the Five gears that drive Zeon, which represent the priority issues crucial for achieving sustainable growth together with society in alignment with our corporate philosophy of “Contributing to the preservation of the Earth and the prosperity of the human race.”

- **Creating a truly exciting company**
- **Providing unique value through innovation**
- **Establishing solid governance**
- **Transforming business structure to respond to social changes**
- **Contributing to establishing a circular society**

Message from the President

“In Phase 3 of the Medium-Term Business Plan: STAGE30, we will advance portfolio restructuring through selection and concentration, increase capital efficiency, and further enhance corporate value”

Tetsuya Toyoshima
President and CEO
Zeon Corporation



Phase 2 results

Creating a scaffold for sustainable growth

Based on our long-term vision for the next 10 years, we have been working on the Medium-Term Business Plan: STAGE30 since FY2021. Looking back on what we have accomplished to date in Phase 2 (FY2023–FY2026), the plan’s halfway point, there have been some noteworthy progress, such as the decision to engage in portfolio restructuring focusing on the Shunan area in Japan. However, due to a series of unexpected events both internally and externally, such as the Noto Peninsula earthquake as well as inflation, not everything has gone as expected.

Nevertheless, regardless of the situation, we have properly engaged openly with our stakeholders and employees, providing clear and transparent information. Only after doing so, have we worked to overcome each challenge, which I believe the most important aspect of all.

In light of our less than desirable performance in FY2023, I take pride in the fact that, after taking a number of steps, such as strengthening internal cooperation and reviewing our cost structure, we were able to achieve a degree of recovery in FY2024. I feel that our ability to make steady progress despite difficult circumstances was our most significant accomplishment.

Start of Phase 3

Creating value through business selection and concentration

Phase 3 of Medium-Term Business Plan: STAGE30 began in FY2025. In Phase 3, we view our materiality and Medium-Term Business Plan as one, positioning our materiality as medium- to long-term strategic goals, and establishing specific KPIs for the Medium-Term Business Plan based on them. We believe that by going with a system consistent with our corporate philosophy and Sustainability Policy, we have created a strategy that is convincing and easy to understand for our stakeholders. We understand that how to allocate resources—people, goods, and money—to accomplish a task is itself a tactic.

Under this course, portfolio restructuring through selection and concentration, and increasing capital efficiency, are key initiatives of Phase 3. In other words, we will advance a shift to a more resilient business structure.

However, while saying selecting and concentrating resources is easy, determining just how to go about it is less so. It is obvious that we must correctly identify major market trends and understand the competitive environment, but I believe sense and intuition are also elements that cannot be ignored. One of the things I use as a yardstick in these situations is whether something is truly simple and beautiful. Even without making complex assumptions and hypotheses, I think that something is strong when its merits and future can be simply and easily explained.

So, what will we select and concentrate in Phase 3? We have introduced a new KPI: sales ratio of the four growth areas. These four growth areas—mobility, healthcare and life science, telecommunications, and green transformation (GX)—are expected to play a vital role in the future of society. We then positioned products and markets that are already in high demand and have growth potential, including battery materials, Cyclo Olefin Polymers, and the optical films made from them, as growth drivers. And with regard to these growth drivers, we will continue to invest as planned to ensure steady returns.

On the other hand, we expect the next-phase growth drivers to be future business pillars and the next core of our business. We intend to steadily increase earnings going forward, as we already have several distinctive products in the final stages of development incorporated into the four growth areas. These include single-walled carbon nanotubes, which significantly improve the performance of lithium-ion batteries by increasing capacity and extending service life; cell culture containers made of Cyclo Olefin Polymers; cyclopentyl methyl ether (CPME), a hydrophobic ether solvent used in pharmaceutical manufacturing that has a very low environmental impact; and cyclopentanone (CPN), a specialty solvent used as a polyimide developer in semiconductor manufacturing.

We have also launched the "ZEON NEXT" Business Development Headquarters to generate new ideas not bound by the framework of conventional business division activities and create future businesses. We are proactively turning our attention to areas we have not fully explored in the past with the aim of creating new business opportunities by linking Zeon's proprietary polymer design technologies with external needs.

Meanwhile, the Elastomers Business remains an important area that supports our business foundation. By maintaining sales and increasing profitability, we will ensure the overall health of our portfolio and, along with expanding earnings from our growth drivers and next-phase growth drivers, further strengthen the depth of our overall business. However, we have already begun reviewing those that are out of line with our technology platforms and business fields from the perspective of whether or not they can be further developed by leveraging our strengths. We have already declared partial discontinuation of production of our high-volume general-purpose synthetic rubber for tires, and even for other, smaller products, we will make decisions on an individual basis and explore options such as downsizing, withdrawal, and sale. This is not something we will drag out over a long period of time. Rather, we intend to establish a certain degree of direction in this area as early as possible in Phase 3.

The most significant example of selection and concentration in Zeon's history was our withdrawal from polyvinyl chloride, the business with which the company was launched, in 2000. The impact of that decision was immense, and the Takaoka and Mizushima plants, previously dedicated to polyvinyl chloride production, underwent complete transformations to become as they are now. It is essential that we do something similar today, and I believe we can.

Strengthening business structure and growth strategies based on ROIC improvement

Improving ROIC is one of the key management issues that we are currently tackling head-on. We recognize that, as of the end of FY2024, we were regrettably not able to consistently maintain ROIC at a level above the cost of capital, and this is a fact that we must face in our management. In order to overcome this situation, we launched the Group-wide ROIC improvement project, led by myself, and are working on various measures. Through the project, we are pushing the revision of operations and cost structures that have to date been taken as a given throughout the Group, including at the front lines of our operations. For example, since we are a chemical manufacturer, we conduct periodic inspections of our plants, which are quite costly and time-consuming. There are good reasons for this, but we have initiated discussions about how to better perform these inspections, with nothing being off limits. Asking the question, "Is this approach really going to improve ROIC?" is becoming part of the routine at our manufacturing sites, marking a significant step forward in changing awareness.

"To substantively increase ROIC, it is essential to create and nurture new profitable businesses"

Of course, to substantively increase ROIC, it is essential to create and nurture new profitable businesses. We will bring high value-added products and services to the market and steadily build up net operating profit after taxes (NOPAT). This accumulation is precisely what we consider the right way to improve ROIC.

On the other hand, it is also true that new businesses require a certain amount of time to move from investment to monetization, creating a gap in the time horizon with investor expectations. To reduce this gap, we will first focus on measures that can be expected to produce results in the short term. For example, we are steadily implementing "defensive" measures such as cost reductions, reducing working capital, and reviewing unprofitable businesses.

However, we recognize that the excessive pursuit of such measures may lead to a "shrinking equilibrium," which is not in line with substantive growth. That is why we are not setting these measures as goals but rather as means for laying the foundation for the next stage of growth by making our enterprise fundamentals leaner and stronger.

We believe it is important to always aim to increase corporate value from a long-term perspective, rather than just focusing on short-term figures, and the cash generated by these short-term measures will be used to reinvest in growth areas. When the Japanese bubble economy burst, many companies leaned heavily toward improving efficiency and cost cutting, leading to a prolonged period of deflation. As this counterexample illustrates, I believe that we must boldly invest in new things.

While strengthening our management base through these short-term measures in the immediate future, in the medium- to long-term, we will steadily invest in the seeds of new growth. We believe that the key to Zeon achieving sustainable value creation is the steady implementation of both "defensive" and "offensive" measures.

Driving human capital management

To realize our policy of the selection and concentration of resources, it is extremely important that we unleash the potential of human talent. In Phase 3, while working on portfolio restructuring, we are also putting serious effort into strengthening our human capital.

One area we are particularly emphasizing is the improvement of the quality of management-level employees. I believe that going forward leaders will need to be both visionary and have a high emotional intelligence quotient (EQ).

I expect our leaders to be visionaries who can clearly articulate their ideals—what they aspire to be and how they intend to achieve it—within their assigned roles. It does not have to be the perfect solution. In fact, if their vision is a little rough around the edges, they should be open about it and share what they are thinking in their own words so they can refine it through repeated dialogue with others. These are the individuals who will drive the future of Zeon.

Furthermore, a high EQ is essential to communicating such thoughts and ideals to others and to putting them into action while building good relationships, as well as to understanding how people feel and drawing out the strengths of a team or organization. It is the kind of people who possess both of these strengths that I would like to nurture as the next generation of management.

And we will not limit this approach to human resources development solely to the management level. We also aim to actively support frontline employees who think independently, identify issues, and take initiative. We will continue improving the environment by reviewing evaluation systems and reforming personnel policies to foster this kind of constructive mindset and empower every employee to take on challenges without fear.

While investments in human capital rarely deliver immediate returns, I believe that the potential of our employees can be maximized by developing a culture that encourages bold challenges, an open environment for candid dialogue, and systems that support each individuals' growth. I am confident that the strong organization born from this process will drive Zeon's next wave of value creation.

Strengthening constructive dialogue and IR activities

We gain so many insights through our dialogues with investors. We take pains to ensure that the suggestions we receive through such constructive dialogue are fed back to the Board of Directors. In enhancing the depth of the Board's discussions from diverse perspectives, including those of outside directors, they are shared as effective materials for making decisions.

Strengthening our IR activities is essential to building solid engagement with investors. Focusing on management often inevitably leads to a bias toward the company's own perspective. By engaging in IR with a shared perspective and common language, we can build mutual trust and reduce the cost of capital. IR is an ongoing process, and I would like to continue to implement the PDCA cycle to enhance corporate value through dialogue with our investors. To this end, I intend to continue to manage the company in a way that allows everyone to fully voice their opinions, and to take the feedback we receive to heart.

Regarding shareholder returns, in FY2024 we changed our policy from a dividend payout ratio of 30% or more to a dividend on equity ratio (DOE) of 4% or more. As we are currently in the process of making large new investments, we believe that rather than a dividend payout ratio that fluctuates depending on annual performance, DOE will allow us to provide stable and continuous returns to shareholders.

In addition, we plan to proceed with share buybacks in the amount of 10 billion yen in FY2025 and another 10 billion yen in FY2026. We will continue to maintain a sound financial structure and enhance shareholder returns while balancing investments for growth.

"Communicating our vision clearly to both internal and external stakeholders is essential to earning their understanding and support"

Becoming a "polymer design company" that shapes the future

Our corporate philosophy of "Contributing to the preservation of the Earth and the prosperity of the human race" has been passed down from generation to generation. This philosophy embodies our conviction to continue to be a company that brings value to both the global environment and human society in order to realize a sustainable world. At the same time, however, we are almost entirely dependent on petroleum for our raw materials, and this is an issue that will require significant changes to be made in the future.

When reflecting on our identity against this backdrop, I believe that we remain, at our core, a polymer manufacturer. Our mission is to deliver polymer materials worldwide by leveraging our strengths and adapting to changing times. This is how we compete in this field. I want Zeon to be a company that continues to deliver value through polymer technologies, to address the challenges faced by humankind in such areas as life sciences, semiconductors, and AI, while improving our daily lives and environmental sustainability. Ultimately, I want Zeon to be valued by all stakeholders as a company that consistently delivers solutions to these challenges, creating product after product.

Whether butadiene obtained from C_4 fractions or the various components of C_5 fractions, these are materials that can be obtained not only from petroleum but also from non-fossil raw materials such as biomass, and their usefulness will not change even if a switch is made in raw materials in the future. We possess unique know-how in transforming these raw materials into valuable products. We intend to utilize this know-how in a more sustainable manner while also incorporating recycling technology.

To make this future a reality, we are working to cultivate fertile ground from which innovative ideas can naturally emerge and flourish. We have designated the complex incorporating the Kawasaki Plant and our Research & Development Center as the Kawasaki Innovation Frontier Port (KIFP). We are also building Z-Palette, a co-creation innovation facility that embodies this concept. KIFP is a hub for co-creation and innovation equipped with prototype facilities that will allow us to collaborate with a variety of internal and external stakeholders to discover and nurture the seeds of innovation and also directly link them to production. We will create an environment where challenges can be taken on without fear of failure and where ideas will flow like a spring. Here we will buckle down and push forward as a "polymer design company" that contributes to the world through polymers.

I believe that communicating our vision clearly to both internal and external stakeholders is essential to earning their understanding and support. Along with the big goals, we will present solid set of accomplishments to support them and depict a convincing story. My role is to lead and guide all our employees toward a unified direction, while I myself continue to take on new challenges so that Zeon Group can keep creating new value for society.

September 2025

Message from the General Manager in Charge of Finance

"With the aim of realizing a PBR of 1 or more at an early stage, we are working to enhance corporate value by restructuring our portfolio, generating funds for shareholder returns, and optimizing our capital structure"

Yoshiyuki Sone
Director & Senior Corporate Officer
General Manager, Administrative Headquarters

To achieve our financial targets, we are promoting portfolio restructuring through selection and concentration

In FY2024, we achieved record high consolidated net sales of 420.6 billion yen. Group ROIC improved due to better performance in optical films and synthetic rubbers, but some businesses struggled, such as battery materials. During the first half of Phase 2 of the Medium-Term Business Plan (through FY2024), we engaged in a consideration of business structure transformation. We decided to build a new Cyclo Olefin Polymers (COP) plant in Shunan City, Yamaguchi Prefecture, and to add a new optical films line in our existing plant in Himi City, Toyama Prefecture for our Specialty Materials Business. We also made the choice in our Elastomers Business to suspend operations on some of the production lines at the Tokuyama Plant.

In Phase 3 of the plan (FY2025–2028*), we aim to achieve financial targets such as EBITDA of 80 billion yen and ROIC of 7.0% for FY2028. With a focus on portfolio restructuring through selection and concentration, we will promote the establishment of an optimal production system through such means as expanding production facilities to meet the growing demand for COP, optical films, and battery materials—which we position as growth drivers—and the partial suspension of Elastomers Business operations. In addition, we will consider investments to expand production capacity in response to the growing adoption of COP molded products, specialty solvents, and single-walled carbon nanotubes, which we position as next-phase growth drivers, as well as downsizing or withdrawing from non-core and low-profit businesses and forming capital tie-ups.

* FY2025–2026 overlaps with Phase 2

Medium-Term Business Plan Phase 3 financial targets

Financial targets	FY2024 results	FY2026 targets	FY2028 targets
Net sales	420.6 billion yen	450.0 billion yen	450.0 billion yen
Operating income	29.3 billion yen	38.0 billion yen	42.0 billion yen
ROE	7.3%	10%	8.4%
EBITDA	48.8 billion yen	60.0 billion yen	80.0 billion yen
ROIC	6.2%	6.9%	7.0%
Yen exchange rate/USD	¥152.8	¥130	¥140
Japanese naphtha price/kiloliter	¥75,800	¥82,000	¥69,000
Asian butadiene price/metric ton	$1,429	$1,200	$1,100

Through new investments for growth, we will increase demand for our growth drivers and penetrate markets for next-phase growth drivers

We have decided to make new investments totaling 130 billion yen, including the construction of a new COP plant and the addition of a new optical films line. Further, we are considering 80 billion yen in investments for R&D and penetrating markets for our next-phase growth drivers.

On top of setting a hurdle rate higher than the cost of capital, we base our investment decisions on NPV and IRR. Through these metrics, we aim to further improve capital efficiency.

FY2025–2028 investment plan

For more details about growth drivers and next-phase growth drivers, see P.35.

We aim to realize stable, continuous dividends with a DOE of 4% or more, and to implement share buybacks totaling 40 billion yen over FY2024–2026

Regarding dividends, up to FY2023, it was our policy to maintain a dividend payout ratio of 30% or more, but in FY2024, we changed to a dividend on equity ratio (DOE) basis. This change was made because we believe that DOE, which is based on equity, provides a more stable return to shareholders and contributes to the maintenance and improvement of shareholder value over a profit-based dividend payout ratio.

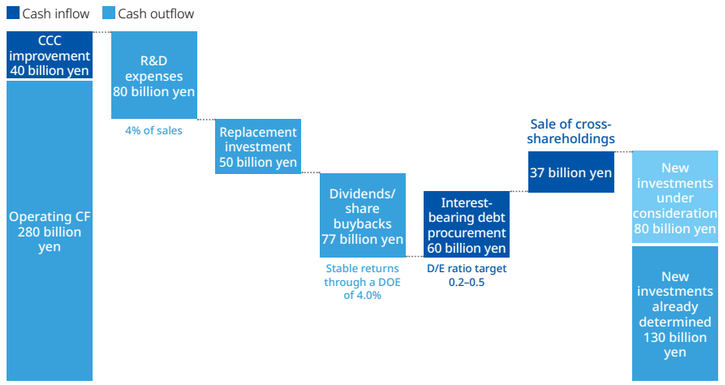
In Phase 3, we plan to continue to maintain dividends with a DOE of 4% or more and to acquire a total of 40 billion yen in treasury stock over the three-year period from FY2024 to FY2026 (of which 20 billion yen was already acquired in FY2024). Even during periods of major new investments, including the new COP plant construction, we aim to balance investment and shareholder returns.

To support new investment and R&D—sources of corporate value—in addition to continuous cash generation, we will also promote CCC improvement, cross-shareholdings reduction, and interest-bearing debt procurement

The cash allocation for FY2025–2028 is shown in the chart below. We will generate cash by adding improvements to our cash conversion cycle (CCC)—through reductions in trade receivables and inventories—on top of the operating cash flow generated by expanding the sales of the Specialty Materials Business and improving the capital efficiency of the Elastomers Business, as well as by reducing cross-shareholdings. The cash generated will be used to support new investments, R&D, and shareholder returns. Cross-shareholdings constituted 14.7% of net assets at the end of FY2024, and we will continue to reduce these with a target of less than 5% by the end of FY2026.

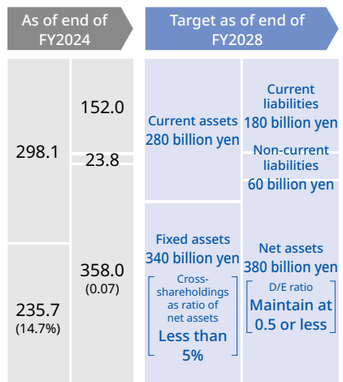
We will also use interest-bearing debt as a source of funds for new investments. To ensure financial soundness, however, we will engage in management and administration with an eye to maintaining our single-A investment rating level. We recognize that our equity ratio of 67% as of the end of FY2024 is high, and we will continue to optimize our capital structure, targeting a D/E ratio of 0.5 or less and an equity ratio of 50% or more as of the end of FY2028.

Cash allocation



*1 The ratio of cross-shareholdings to net assets is planned to be less than 5% at the end of FY2026. We will aim for further reductions toward FY2028.
*2 New investments under consideration will be determined based on our investment decision criteria by the time of the announcement of the next phase.

Capital structure



Cross-shareholdings ratio: 14.7%
D/E ratio: 0.07
Equity ratio: 67%

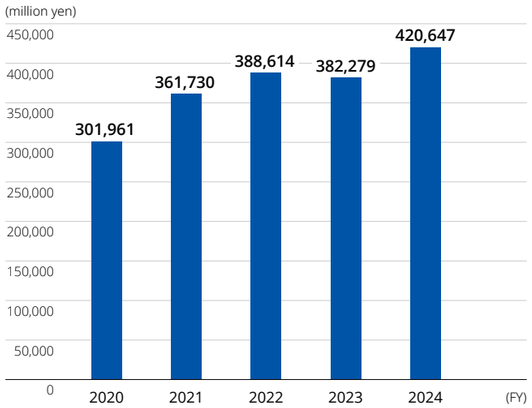
Cross-shareholdings ratio ＜5%
D/E ratio ≦0.5
Equity ratio ≧50%

Achieving sustainable growth and the enhancement of corporate value

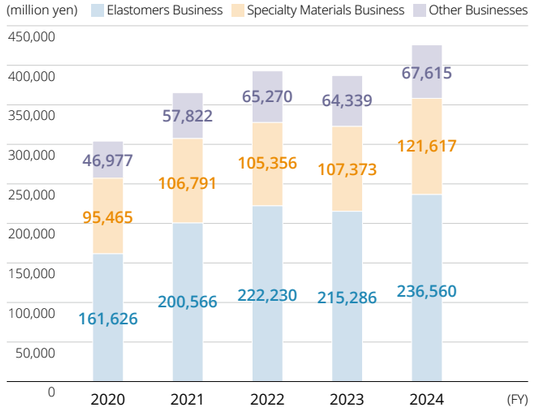
Our PBR was 0.8 at the end of FY2024, and we are working to achieve a PBR of 1 or more at an early stage. Although our ROE targets decline from FY2026 to FY2028, we anticipate the quality of ROE to improve through FY2028 because we expect a commensurate gain on the sale of cross-shareholdings to be included in net income attributable to owners of the parent company in FY2026. Therefore, we believe it is imperative to ensure that the capital efficiency targets in the Medium-Term Business Plan, such as ROE, are achieved, and that we aim to boost business growth and improve PER by refining our financial strategy. We will continue to promote our sustainable growth and increase our corporate value by remaining conscious of the cost of capital and steadily implementing the measures of our financial strategy, such as improving capital efficiency and pursuing optimal capital.

Financial and Non-financial Highlights

Consolidated net sales

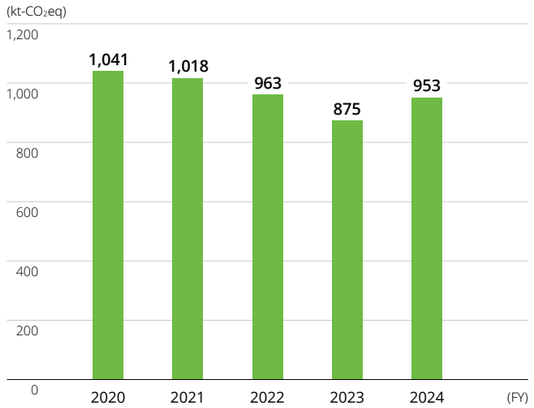


Net sales by business (consolidated)

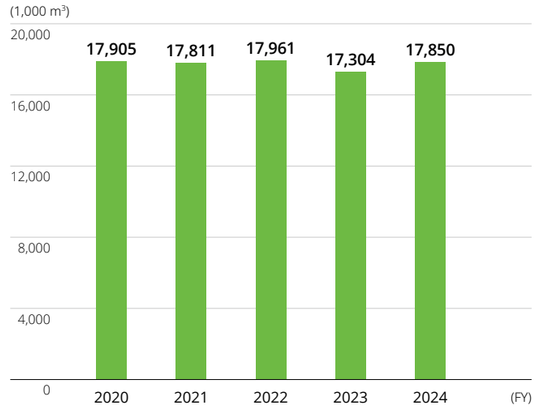


* Please note that the sum of the sales of individual businesses may not be the same as total consolidated sales due to eliminations or not including the group-wide portion.

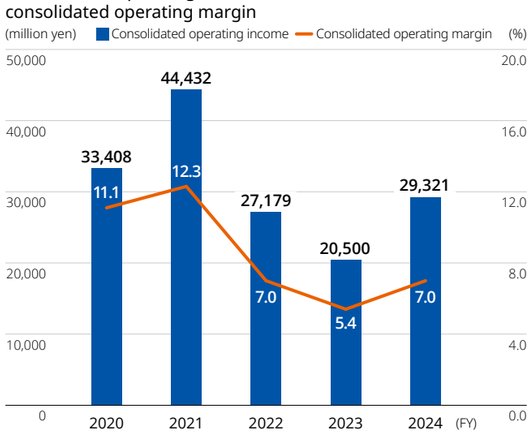
Scope 1 + 2 emissions (Zeon Group)



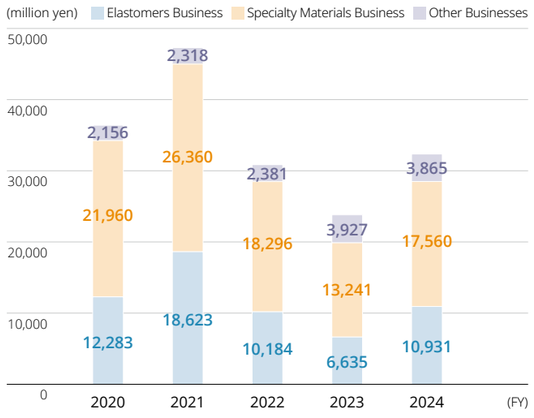
Water resource usage (non-consolidated)



Consolidated operating income and consolidated operating margin

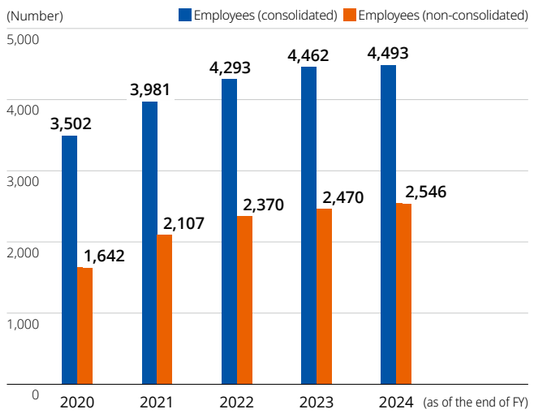


Operating income by business (consolidated)

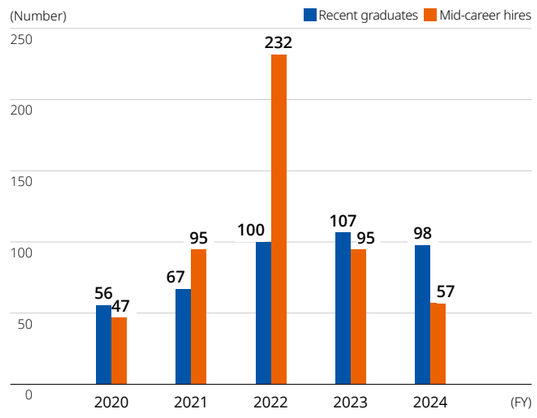


* Please note that the sum of the operating income of individual businesses may not be the same as total consolidated operating income due to eliminations or not including the group-wide portion.

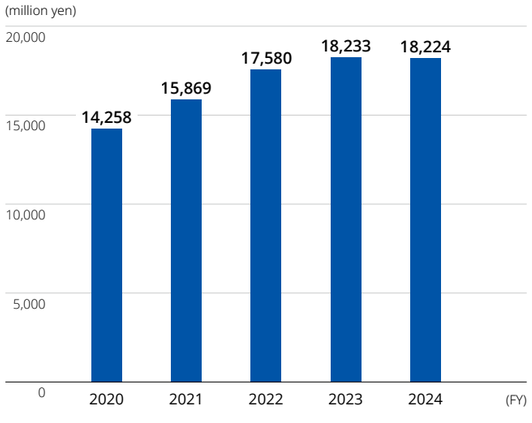
Number of employees (consolidated/non-consolidated)



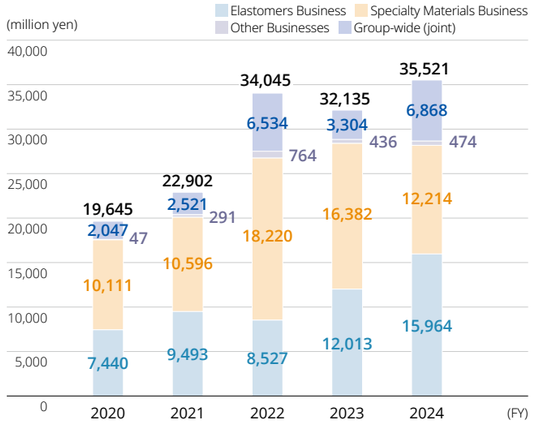
Number of new hires (non-consolidated)



R&D expenses (consolidated)



Capital investment by business (consolidated)



Human capital data (non-consolidated)

	2021	2022	2023	(FY) 2024
Employee engagement (%)	50	48	52	**52**
Environment maximizing employee potential (%)	48	46	50	**51**
Wage disparities between male and female employees (%)				
Regular employment	—	78.2	79.7	**80.9**
Non-regular employment	—	64.6	66.5	**63.5**
Group-wide	—	74.2	75.3	**75.4**
Share of male employees taking childcare leave (%)	14	51	92	**93.6**
Female managers				
Ratio (%)	5.2	5.7	6.0	**6.4**
Number	26	32	34	**37**
Annual paid leave utilization rate (%)	54	61	70.5	**75.6**

Value Creation Flow

In FY2021, Zeon Group formulated its Medium-Term Business Plan: STAGE30, and FY2024 it specified its materiality (Five gears that drive Zeon). In Phase 3 of STAGE30, which began in FY2025, we set new targets linked to our Materiality, with the aim of realizing our vision of being "a company that lives up to societal expectations and the aspirations of employees."

Social issues (risks and opportunities) Being aware of social changes

Major trends
SDGs: Social issues affecting the whole world
VUCA*: Difficulty in forecasting the future, both for business and for society as a whole
* VUCA: Volatility, uncertainty, complexity and ambiguity

Corporate Philosophy = Mission

Contributing to the preservation of the Earth and the prosperity of the human race

Vision for 2030

A company that lives up to societal expectations and the aspirations of employees

INPUTS
Management capital

Human capital
- Employees: **4,493** (consolidated, March 31, 2025)
- Building an organization that provides employees with peace of mind and facilitates self-directed growth
- Providing support for self-directed career development that brings a sense of fulfillment, through a repeated cycle of Will-Can-Need for every employee
- Implementing personnel system reform and human resources management that enables employees to visualize their career path and provides them with challenges and opportunities
- Enhancing employee well-being through the promotion of health and productivity management

Financial capital
- Driving portfolio restructuring through selection and concentration
- Expanding demand for growth drivers and market penetration of next-phase growth drivers
- Realizing stable dividends with a DOE ratio of at least 4%, and returning value to shareholders through share buybacks
- Implementing continuous cash generation, CCC improvement, a reduction in cross-shareholdings, and interest-bearing debt procurement

Capital: **24.2** billion yen
Total assets: **533.8** billion yen
Net assets: **358.0** billion yen
(as of end FY2024)

Manufacturing capital
- Strengthening production capacity
  In Japan: **6** plants and **1** research center, and **12** group companies
  Outside Japan: **13** overseas group companies
- Risk diversification
- Improving safety

Intellectual capital
- R&D expenses: **18.2** billion yen (FY2024)
- Cooperation between research and production
- Strategic acquisition and utilization of intellectual property

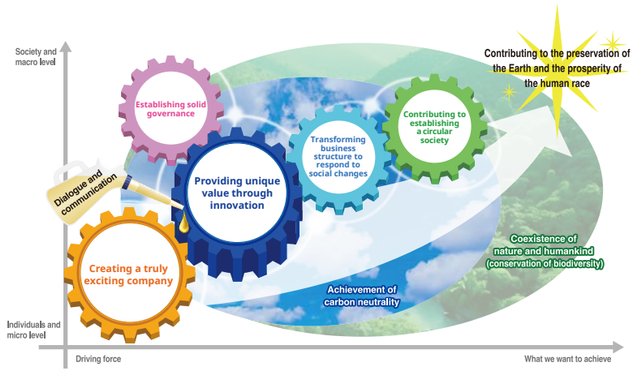
Natural capital
- Fossil fuel derived raw materials
- Water and renewable energy

Social capital
- Co-creation with customers
- Dialogue with business partners aimed at realizing a sustainable society
- Collaboration with local communities

VALUE DRIVERS
Zeon's business model

Materiality: Five gears that drive Zeon

Materiality: P.29



Zeon's strengths and competitiveness

1. **Advanced comprehensive utilization of C_4 and C_5 produced by the GPB and GPI methods**
2. **Zeon's accumulated diverse elemental technologies**
3. **Comprehensive development and manufacturing capability covering from polymer design to processing using proprietary technologies**

For more details, please see P.21.

SDGs targeted by Zeon

Medium-Term Business Plan: STAGE30—Phase 3 indicators

Materiality	Indicator
Establishing solid governance	• Lost time accident frequency rate • Cross-shareholdings as ratio of net assets • ROE • Ratio of outside directors (excluding auditors) • Ratio of foreign-national and/or female directors and officers (inside and outside directors and auditors)
Creating a truly exciting company	• Employee engagement • Environment maximizing employee potential • Zeon Healthy Behavior Indicator
Providing unique value through innovation	• ROIC (Group-wide) • EBITDA • Number of research topics involving collaboration with external organizations
Transforming business structure to respond to social changes	• Sales ratio of the four growth areas • Sales ratio of the SDGs Contribution Products
Contributing to establishing a circular society	• Ratio of reduction in CO_2 emissions (Scope 1+2)

For more details, please see P.33.

Business areas

Elastomers Business
- Synthetic rubbers
- Synthetic latexes
- Chemicals

Other Businesses
- RIM compounds, etc.

Specialty Materials Business
- Cyclo Olefin Polymers
- Optical films
- Battery materials
- Specialty chemicals
- Electronics materials
- Toner
- Medical devices
- Single-walled carbon nanotubes

Business areas targeted for "selection and concentration" (four growth areas)
- Mobility
- Healthcare and life science
- Telecommunications
- GX

OUTCOMES
Value creation

Directions for 2030 (what we want to be)

Live up to societal expectations
- Continuing to contribute to a sustainable society
- Providing products and services that society cannot do without

Live up to the aspirations of employees
- Taking vigorous action with the steps "Let's try first," "Let's connect," and "Let's polish up"

OUTPUTS
FY2024 results

- Net sales: **420.6** billion yen
- Operating income: **29.3** billion yen

GOALS
Targets for 2030

Medium-Term Business Plan: P.33

- Ratio of foreign-national and/or female directors*: **30**%
  * Inside and outside directors and auditors
- Employee engagement: **75**%
- ROIC (Group-wide): **8**%
- Sales ratio of the SDGs Contribution Products: **50**%
- Ratio of reduction in CO_2 emissions (Scope 1+2)*: **42**%
  * Zeon Group (compared to FY2020)

Social issues (risks and opportunities)

The Group has set its materiality in response to social issues (risks and opportunities), and has also set indicators linked to this materiality. By achieving the target values for each indicator, we aim to contribute toward solving social issues, and to realize a further enhancement of corporate value.

Social issues (risks and opportunities)	Corresponding materiality	Materiality-linked indicators	Activities to bring us closer to our FY2030 targets
Recruiting and securing human resources Realizing work styles that live up to the aspirations of employees Progress in diversity	Creating a truly exciting company Establishing solid governance	• Employee engagement • Zeon Healthy Behavior Indicator • Lost time accident frequency rate • Ratio of outside directors • Ratio of foreign-national and/or female directors & officers	• Expanding opportunities for career planning dialogue • Enabling career path visualization by clarifying human resources requirements • Providing opportunities for employees to outline their own career development hopes • Adoption of a job-based managerial personnel system • Preparing for reformation of the non-managerial personnel system • Adoption of an internal open recruitment system
Reducing geopolitical risks	Providing unique value through innovation	• ROIC • EBITDA • Number of research topics involving collaboration with external organizations	• Expansion of global production bases • Strengthening external collaboration
Mobility revolution Generational shift in communications technology Innovation in healthcare and life sciences technology Progress in AI/MI	Providing unique value through innovation Transforming business structure to respond to social changes	• ROIC • EBITDA • Number of externally partnered research themes • Sales ratio of the four growth areas	• Expanding presence in business areas including conductive paste for lithium-ion batteries and Cyclo Olefin Polymer molded products • Accelerating exploration of new business areas utilizing CVC investment • Business expansion by concentrating resources on the four growth areas: mobility, healthcare and life science, telecommunications, and GX
Demands to prioritize SDGs	Transforming business structure to respond to social changes	• Sales ratio of the SDGs Contribution Products	• Expanding the scope of certified products implementation from Zeon Corporation to the whole Group (on a consolidated net sales basis) • Verifying the degree of contribution from the R&D stage onwards • Expanding the scope of review to include services as well as products • Spreading awareness of Zeon's certified products among stakeholders, and implementing related promotional activities
Strengthened requirements and regulations for carbon neutrality Sustainable raw materials procurement	Contributing to establishing a circular society	• Ratio of reduction in CO_2 emissions (Scope 1+2)	• Promotion of energy-saving, process innovation, and energy shifts • Beginning operation of the Cyclo Olefin Polymer recycling plant • Promoting production base optimization • Participation in the Green Innovation Fund Project • Scaling up production facilities aimed at realizing the transition to bio-based raw materials, in collaboration with partner companies around the world

INPUTS Management capital

Under the Medium-Term Business Plan: STAGE30, the Group is striving to strengthen the various types of management capital that underpin its materiality.

Human capital

Employees (consolidated, March 31, 2025): 4,493

Human resources strategy

To realize our Vision for 2030, "a company that lives up to societal expectations and the aspirations of employees," we have been creating "stages" for employees to be active on through Phase 2 of our Medium-Term Business Plan. These efforts include implementing action plans for each division to enhance engagement, as well as initiatives for work style reform and health and productivity management. In Phase 3, we will be taking these past efforts as a foundation for strengthening measures that address the following key topics.

1. Building an organization that provides employees with peace of mind and facilitates self-directed growth
2. Providing support for self-directed career development that brings a sense of fulfillment, through a repeated cycle of Will-Can-Need for every employee
3. Implementing personnel system reform and human resources management that enables employees to visualize their career path and provides them with challenges and opportunities
4. Enhancing employee well-being through the promotion of health and productivity management

Financial capital

Maintaining stable cash flow

	As of end FY2024
Capital	24.2 billion yen
Total assets	533.8 billion yen
Net assets	358.0 billion yen

With the aim of realizing a PBR of 1.0 or higher as early as possible, we are proceeding with the following measures to restructure our portfolio and optimize our capital structure; in this way, we are working to enhance corporate value.

- To achieve our financial targets for FY2028, we are driving portfolio restructuring through careful selection and concentration
- We have decided to implement 130 billion yen of new investment over the period FY2025–2028 to realize growth. Expanding demand for growth drivers and market penetration of next-phase growth drivers
- In terms of returning value to shareholders, we aim to realize stable dividends with a DOE ratio of at least 4%, and to implement a combined total of 40 billion yen of share buybacks over the period 2024–2026
- Besides implementing continuous cash generation, we will also be undertaking CCC improvement, a reduction in cross-shareholdings, and interest-bearing debt procurement

Manufacturing capital

Strengthening production capacity

In Japan	6 plants and 1 research center 12 Group companies
Outside Japan	13 Group companies

Risk diversification
Improving safety

We will seek further competitive advantage through manufacturing that leverages our strengths and proprietary technologies, and through collaboration with external parties as well as with customers. Since 2020 we have been working on creating a smart factory that incorporates digital technology. We are optimizing and streamlining production while maintaining product quality and striving to create an enabling and rewarding work environment for employees.

- Advanced comprehensive utilization of C_4 and C_5 produced by our proprietary GPB and GPI methods
- Extremely pure resin manufacturing technology (Cyclo Olefin Polymers, optical films)
- Comprehensive development and manufacturing capability (including optical film, Cyclo Olefin Polymer moldings, etc.) covering from polymer design to processing using proprietary technologies
- Autonomous production system (the DAICEL Production Innovation method)

Intellectual capital

Creation, protection, and utilization of IP
Forward-looking utilization of IP information through IP landscape analysis
Development of an IP mindset

	FY2024
R&D expenses	18.2 billion yen
Number of patents held	7,245
In Japan	2,754
Outside Japan	4,491

Our individual laboratories liaise closely with the Intellectual Property Department, with the patent coordinators (in charge of promoting IP activities) playing a central role. By linking our R&D and IP strategies to business strategy, we are implementing IP strategy through a system that makes a precise, positive contribution to business activities. We are focused on innovative and proactive IP activities. This is to ensure that the advantages of new products created from our unique technology platforms are adapted to the expanding supply chain with the aim of contributing to our business and increasing corporate value.

Natural capital

Fossil fuel derived raw materials
Water and renewable energy

Raw materials derived from fossil fuels are the foundation of our business activities, and as a chemical manufacturer, we view safeguarding the natural environment, for example by promoting the circular economy, as being an important part of our mission.

- Climate change initiatives
- Measures focused on water resources and biodiversity
- Initiatives to reduce industrial waste from plastic products
- R&D utilizing biomass-derived raw materials

Social capital

Co-creation with customers
Dialogue with business partners aimed at realizing a sustainable society
Collaboration with local communities

By absorbing diverse viewpoints through co-creation, dialogue and collaboration with both internal and external stakeholders, we are building relationships that aim to both address social issues and generate value. In addition, besides helping to cultivate the next generation by producing scientific experiment videos for children and offering on-site classes, we also put a great deal of effort into social contribution activities such as neighborhood clean-up activities and blood donation.

INPUTS Management capital

Key topics on strengthening our management capital

Relationship between each topic and management capital

Materiality	Sub-theme	Related topics	Human capital	Financial capital	Manufacturing capital	Intellectual capital	Natural capital	Social capital
1. Establishing solid governance	Stable and secure production	Topics 1 7 9			●			●
2. Creating a truly exciting company	Health and productivity management	Topics 2 4 5 6	●				●	●
3. Providing unique value through innovation	External collaboration	Topics 3 4 5 6 8 10 12	●	●	●	●	●	●
4. Transforming business structure to respond to social changes	Four growth areas	Topics 8 9 10 11		●	●		●	
5. Contributing to establishing a circular society	SDGs	Topic 12			●		●	

Topic 1

Zeon's Takaoka Plant has received the 2025 Fire and Disaster Management Agency Commissioner's Award

The award was presented in recognition of the Takaoka Plant's achievements. Those include not only promoting effective safety management of hazardous materials within the factory site, but also participating in community engagement activities such as plant visits and the holding of a summer festival, and proactive involvement in environmental conservation activities such as sweeping the roads near the plant and implementing coastal clean-up activities.

Topic 2

In 2025, Zeon once again recognized as a Certified Health & Productivity Management Outstanding Organization

Zeon Corporation has been recognized as a Certified Health & Productivity Management Outstanding Organization for the seventh consecutive year, which is organized jointly by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.

Topic 3

Establishment of Kawasaki Innovation Frontier Port

We have established the Kawasaki Innovation Frontier Port complex, which incorporates the Kawasaki Plant and the Research & Development Center. By integrating the two organizations and gradually combining their management functions, we aim to build a seamless activity implementation system, and accelerate the generation of new value.

Kawasaki Innovation Frontier Port

Topic 4

Collaboration with Type One Energy Group, Inc.

We have begun collaborating with U.S. start-up Type One Energy Group, Inc. on the development of nuclear fusion power generation, an important next-generation energy source. Looking ahead, by providing the materials that Type One Energy Group needs and developing new materials, we will be exploring business opportunities that can help to realize a sustainable society.

Topic 5

Investment in Optieum Biotechnologies Inc.

We have invested in Optieum Biotechnologies Inc., which is undertaking the development of revolutionary, next-generation CAR constructs. By using the Zeon Group's technology to support Optieum Biotechnologies' cancer treatment technology, we are aiming to facilitate the delivery of the best possible pharmaceuticals to as many patients as possible.

Topic 6

Investment in Aether Fuels Pte. Ltd.

We have invested in Aether Fuels Pte. Ltd., which is developing sustainable liquid fuels. By making use of Aether Fuels' innovative Aether Aurora™ technology, we are exploring new business opportunities in the sustainable aviation fuels (SAF) segment.

Topic 7

Adoption of new production equipment for high-performance grade S-SBR at Zeon Chemicals Singapore Pte. Ltd.

We have adopted new production equipment for the manufacturing of high-performance grade S-SBR, which is used in fuel-efficient tires, at Zeon Chemicals Singapore Pte. Ltd. When combined with the facilities at our Tokuyama Plant, this has strengthened our production and supply system by giving us two production nodes for high-performance grade S-SBR.

Topic 8

Establishment of a lithium-ion battery joint venture company

Zeon has reached agreement with Zhuhai Chenyu New Material Technology Co., Ltd., an affiliate of Shanghai Energy New Materials Technology Co., Ltd. (SEMCORP) to set up a joint venture company to undertake the sale of anode binders for use in lithium-ion batteries.

Topic 9

Addition of a new production line for the manufacturing of retardation film for large-screen LCD TVs

We have decided to install a new production line for the manufacturing of retardation film for large-screen LCD TVs at our Himi Futagami Plant (in Himi City, Toyama Prefecture). Installation of the new production line will begin in December 2025, with volume production scheduled to start in the summer of 2027.

New production line at the Himi Futagami Plant

Key points

- **The new line will increase the production capacity of retardation film for use in TVs by approximately 20%**
  Adding the new production line will boost annual production capacity to 264 million square meters, strengthening our ability to supply products for the large-screen TV market.
- **Strengthening BCP by giving us a two-facility production system**
  With the foundation provided by a two-facility production system that includes the Tsuruga Plant and the Himi Futagami Plant, we are aiming to spread risk.
- **Producing film with a width of 3,000 mm, one of the largest size available in the world**
  This capital investment will enable us to meet the needs of large-screen TVs, by producing film that can be used with the largest (130-inch) LCD panels.

Topic 10

Investment in Sino Applied Technology

We have reached an agreement regarding investment in Sino Applied Technology (SiAT), which is developing conductive paste for next-generation lithium-ion batteries that uses single-walled carbon nanotubes (SWCNT). Under this agreement, Zeon will provide support for SiAT's plans to expand production capacity for its conductive paste for next-generation lithium-ion batteries that uses SWCNT, thereby helping SiAT to realize further market development.

Topic 11

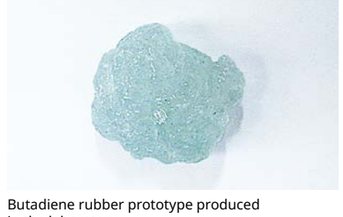
Implementation of the SDGs Contribution Product Certification Program

For more details, please see P.37.

Topic 12

Tackling R&D topics that have been adopted by the NEDO Green Innovation Fund Project

- We have decided to install bench equipment at our Tokuyama Plant to undertake verification of technology for the efficient production of butadiene from plant-derived ethanol.
- We have constructed a new research building within the Zeon Chemicals Yonezawa Co., Ltd. site to undertake research on the processes for manufacturing plant-derived butadiene and isoprene; in this way, we are aiming to help realize the resource-circulating society by using biotechnology to produce raw materials for synthetic rubber.


Butadiene rubber prototype produced in the laboratory

VALUE DRIVERS Zeon's business model

Zeon's strengths derived from its history

Ever since it was first established, Zeon has undertaken product development based on a commitment to original technology. As customers' needs have changed with the times, Zeon has responded by continuing to develop new unique technology, and by steadily accumulating this technology it has enjoyed an impressive history as a polymer manufacturer.

❶Advanced comprehensive utilization of C_4 and C_5 produced by the GPB and GPI methods

Zeon's main business areas comprise a family of products made using materials extracted from the C_4 and C_5 fractions of naphtha using original technology. Here, "C" stands for "carbon."

In the petrochemical industry, the majority of manufacturers operate by extracting C_2 fractions (two carbon atoms) and C_3 fractions (three carbon atoms) from naphtha. C_2 fractions become ethylene, and C_3 fractions become propylene, and these are used as raw materials to produce many petrochemical products.

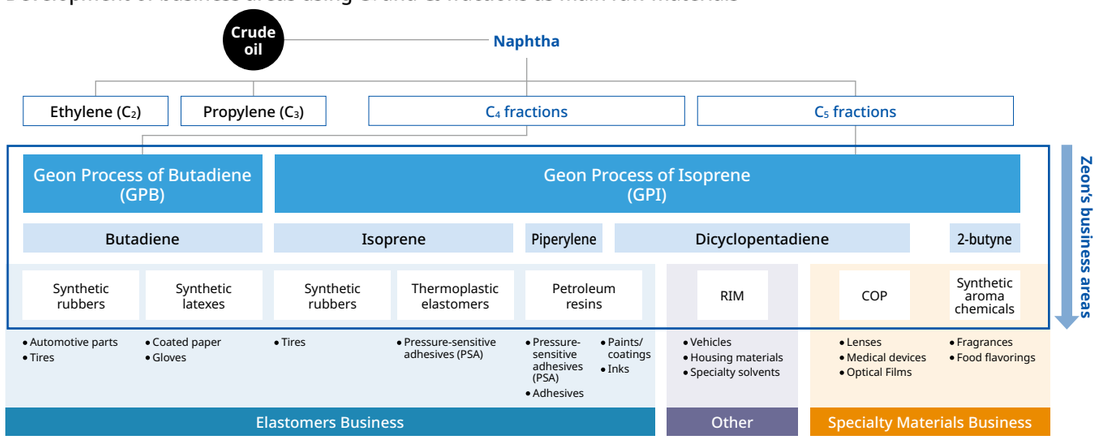
What makes Zeon special is that we have developed our business using the C_4 and C_5 fractions, which are produced by naphtha crackers after extracting the C_2 and C_3 fractions, as the main raw materials.

We manufacture synthetic rubbers and synthetic latexes from butadiene which is extracted from the C_4 fractions.

The C_5 fractions contain various components at low ratios, including isoprene, piperylene, and dicyclopentadiene. By utilizing these components for different applications, we have developed a wide range of business areas, ranging from Cyclo Olefin Polymers (COP) to synthetic rubbers and synthetic aroma chemicals.

At Zeon, we refer to this model as "C_5 fraction comprehensive utilization." It is a proprietary business model unparalleled worldwide, and one of our company's key distinguishing features.

Development of business areas using C_4 and C_5 fractions as main raw materials



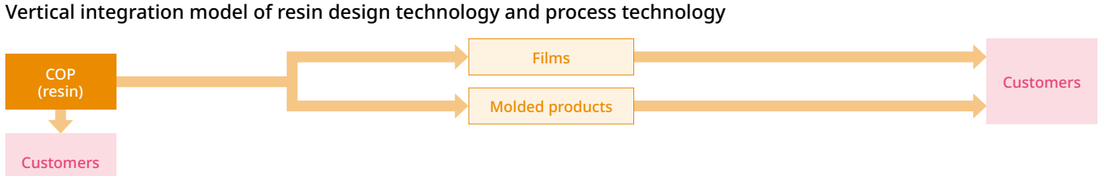
❸Comprehensive development and manufacturing capability covering from polymer design to processing using proprietary technologies

Besides selling COP in the form of resin, we are also expanding our business to include optical films and molded products that utilize COP. These processed products are the fruit of the steady accumulation of proprietary technologies that Zeon has developed.

First, resin designed by our Research & Development Center is produced at the Mizushima Plant.

To manufacture optical films, this resin is processed at the Himi Futagami Plant and Tsuruga Plant, using Zeon's original sheet extrusion technology and various stretching technologies. In addition, injection molding to manufacture molded products is performed by the Group companies such as Zeon Opto Bio Lab Co., Ltd. and Aurora Microplates, LLC. In this way, by undertaking every stage from raw materials development through to product processing within Zeon Group, we can respond speedily to changes in market demand, all the way up to resin design; this is a strength of Zeon's business model that keeps us ahead of our competitors.

Vertical integration model of resin design technology and process technology



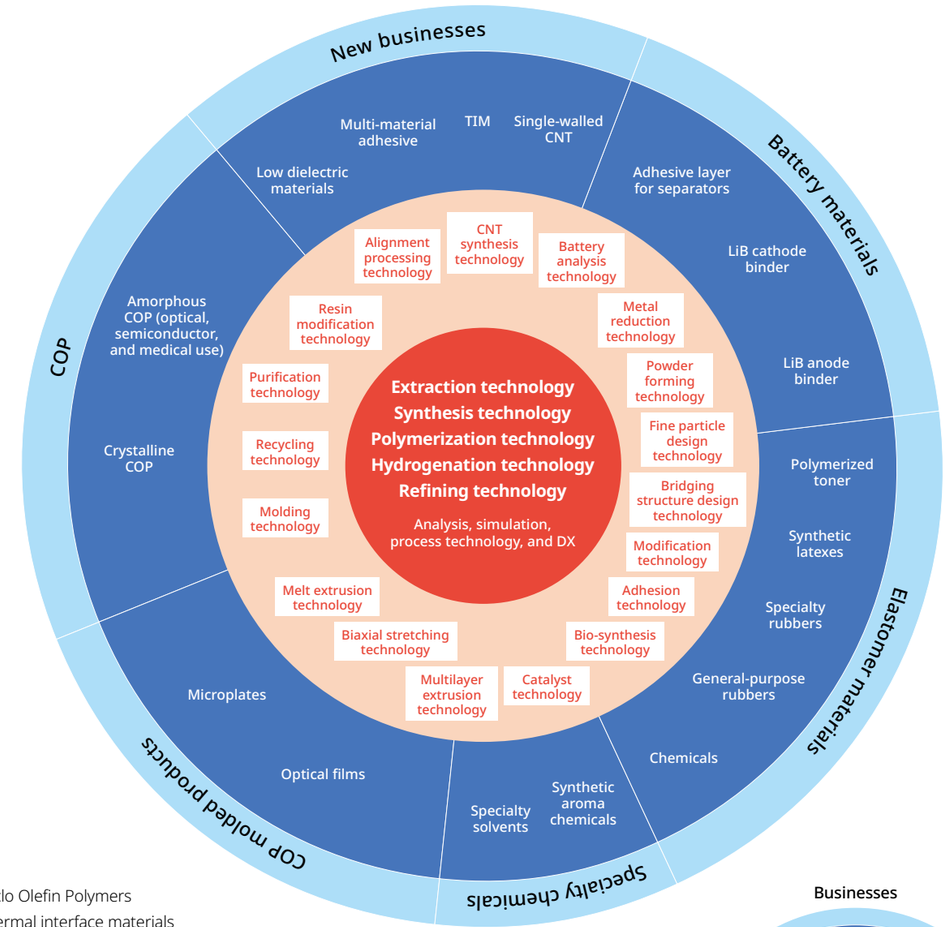
❷Zeon's accumulated diverse elemental technologies

Taking as a foundation the monomer extraction technologies outlined on the page to the left, Zeon has developed elemental technologies that include monomer synthesis technology, polymerization technology, hydrogenation technology and refining technology. Furthermore, as we develop our business, we have generated various unique technologies.

Precisely because we possessed the fundamental technologies needed to support this business development, Zeon Group has been able to expand into many different business areas. The many products that Zeon takes pride in, including hydrogenated nitrile rubber, COP, optical film, and battery materials (binder for lithium-ion batteries) are the fruit of our company's original technologies.

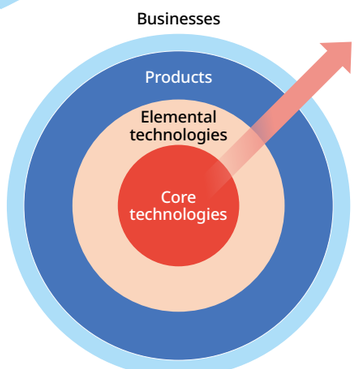
Going forward, we will continue to dedicate ourselves to developing new technologies, and will bring products to the world that meet people's real needs.

Elemental technologies and products in each business area



COP: Cyclo Olefin Polymers
TIM: Thermal interface materials
CNT: Carbon nanotubes
LiB: Lithium-ion batteries

Diagram structure



VALUE DRIVERS Zeon's business model

History of value creation

In the 1950s, Zeon Corporation acquired technologies from B.F. Goodrich Chemical Company in the U.S. and began manufacturing polyvinyl chloride and specialty synthetic rubber (NBR). From the 1970s onwards, Zeon worked to develop original technologies, and generated a wide range of chemical products that used raw materials extracted through the GPB and GPI processes. As a result, the company was able to expand into a wide range of business areas.

Since the 2000s, Zeon has pursued even higher added value, delivering chemical materials with greater functionality to the world. We hold numerous businesses with high global market shares, contributing to solving societal and customer challenges.

The detailed history of Zeon Group can be viewed on the website.
https://www.zeon.co.jp/en/company/special/history/

Changes in social circumstances and needs

1950–
Dawn of the petrochemical industry. Petrochemical complexes emerged, and as the economy grew, chemical materials were demanded in both quality and quantity

1970–
In response to the oil crises and the problem of pollution, chemical materials that provide both efficiency and safety were demanded

1990–
Strong yen due to the Plaza Accord accelerated the relocation of manufacturing bases outside of Japan, while concern for global environmental issues also began to grow

2000–
Higher functional chemical products are needed for the advancement of digitization and advanced information technology

2010–
Frequent large-scale natural disasters made clear the increased importance of business continuity planning and of societal sustainability

2020–
Key trends in this period have included decarbonization, the transition to a circular society, and the rapid pace of DX

Business-related events

1980s
- Establishment of a "third pillar of business" to follow polyvinyl chloride resins and synthetic rubber sought
- Focused on the comprehensive, effective utilization of C_5 fractions, and undertook research and market development with respect to thermoplastic elastomer SIS, C_5 hydrocarbon resin, synthetic fragrances, optical plastics, and products formed using RIM
- Advance into the processing field progresses

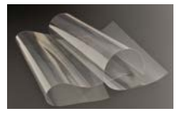
1989 Specialty rubber business acquired from B.F. Goodrich Chemical Company in the U.S. Zeon becomes the world's leading maker of specialty rubber

1990s
- Overseas business development in the U.S., Europe, Asia, and other regions accelerates
- Launched new businesses, including Cyclo Olefin Polymer (COP) and binders for lithium-ion rechargeable batteries

1990 Completed construction of a ZEONEX® COP production facility at the Mizushima Plant
1996 Safety Philosophy established
1998 Launched ZEONOR® COP
1998 Responsible Care Policy established

COP plant

2000s
- Development of new manufacturing methods for optical films. Focus on higher function materials and components
- Introduction of Daicel method for production innovations, which were implemented across all plants


Optical films

2000 Withdrew from polyvinyl chloride business
2001 Environmental Philosophy established
2001 Completed construction of the Takaoka Plant of Optes Inc., to manufacture optical films
Launched optical ZeonorFilm® for use in LCD panels
2004 Increased COP production capacity to 15,000 tons per year
2006 Research & Development Center Building No. 10 completed. Substantial improvements made in analysis technologies

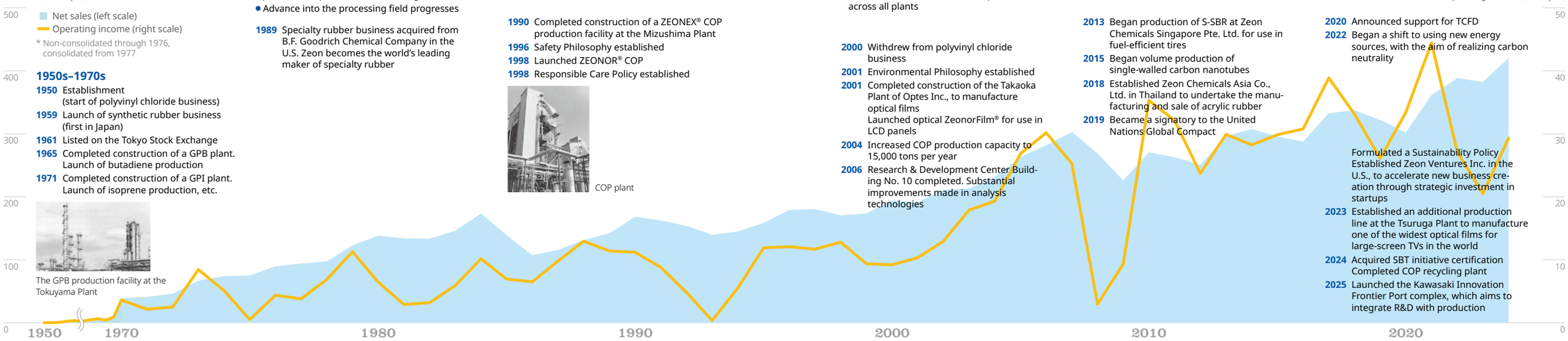
2010s
- Business development in Asia reinforced
- Strengthened BCP measures in the aftermath of the Great East Japan Earthquake of 2011

2013 Began production of S-SBR at Zeon Chemicals Singapore Pte. Ltd. for use in fuel-efficient tires
2015 Began volume production of single-walled carbon nanotubes
2018 Established Zeon Chemicals Asia Co., Ltd. in Thailand to undertake the manufacturing and sale of acrylic rubber
2019 Became a signatory to the United Nations Global Compact

2020s
- Invested in production equipment for manufacturing optical films capable of meeting the requirements of large-sized LCD panel
- Strengthened our R&D system with the aim of exploring new business areas and creating next-generation businesses
- Began making a serious effort to realize a digital transformation (DX)

2020 Announced support for TCFD
2022 Began a shift to using new energy sources, with the aim of realizing carbon neutrality
Formulated a Sustainability Policy
Established Zeon Ventures Inc. in the U.S., to accelerate new business creation through strategic investment in startups
2023 Established an additional production line at the Tsuruga Plant to manufacture one of the widest optical films for large-screen TVs in the world
2024 Acquired SBT initiative certification
Completed COP recycling plant
2025 Launched the Kawasaki Innovation Frontier Port complex, which aims to integrate R&D with production

Zeon Group business results



1950s–1970s
1950 Establishment (start of polyvinyl chloride business)
1959 Launch of synthetic rubber business (first in Japan)
1961 Listed on the Tokyo Stock Exchange
1965 Completed construction of a GPB plant. Launch of butadiene production
1971 Completed construction of a GPI plant. Launch of isoprene production, etc.

The GPB production facility at the Tokuyama Plant

Examples of technologies and products developed by Zeon

1950s
- Polyvinyl chloride (PVC)
- Nitrile rubber (NBR)

1960s
- Geon Process of Butadiene (GPB)
- Emulsion polymerized styrene-butadiene rubber (E-SBR)
- Butadiene rubber (BR)

1970s
- Geon Process of Isoprene (GPI)
- Isoprene rubber
- Acrylic rubber
- C_5 hydrocarbon resin

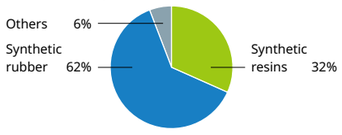
FY1970
Non-consolidated sales: **39.0 billion yen**

Net sales composition ratios (non-consolidated)

1980s
- Powder slush compounds (PSC)
- Ventricular assist device
- VP latex
- Hydrogenated nitrile rubber Zetpol®
- Solution-SBR
- Alicyclic hydrocarbon resin
- Thermoplastic elastomer SIS
- Synthetic aroma chemicals
- RIM products and compounds
- Electron beam resist

FY1990
Non-consolidated sales: **129.4 billion yen**

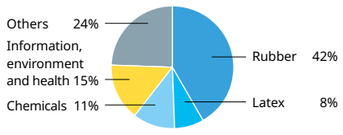
Net sales composition ratios (non-consolidated)



1990s
- Balloon catheters
- NBR latex
- Binder for lithium-ion batteries P.44
- COP ZEONEX®, ZEONOR®
- ZEORORA® etching gas
- Polymerized toner

FY2000
Consolidated net sales: **194.2 billion yen**

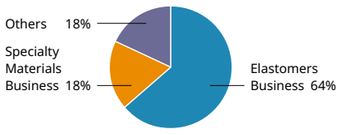
Net sales composition ratios (consolidated)



2000s
- ZeonorFilm® optical film, which is made using the sheet extrusion process, with sequential biaxial film stretching method, and diagonally-stretched retardation
- Polymerized color toner
- Asymmetric SIS
- Cyclopentyl methyl ether, an ether solvent

FY2010
Consolidated net sales: **270.4 billion yen**

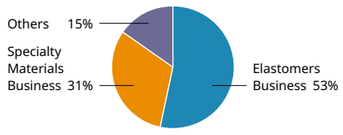
Net sales composition ratios (consolidated)



2010s
- Single-walled carbon nanotubes produced using the Super Growth Method P.50
- Microfluidic chip prototype provision service
- SOLAR CARD®
- Technology for creating isoprene from biomass
- Fractional flow reserve (FFR) measurement device

FY2020
Consolidated net sales: **302.0 billion yen**

Net sales composition ratios (consolidated)



2020s
- Crystalline Cyclo Olefin Polymers
- Technology for creating butadiene from biomass
- Thermal interface materials
- COP recycling technology P.70
- Technology for controlling lithium dendrites using single-walled carbon nanotubes
- Highly reliable multi-material adhesive
- New electrode manufacturing technology for lithium-ion batteries (using dry formation method)

VALUE DRIVERS Zeon's business model

Overview of Zeon's business areas

Ever since it was first established, Zeon has continued to create products that meet the needs of the times and which embody a commitment to original technology. By utilizing the polymer technology that we have been constantly refining over the years, we have provided the world with high-functionality products, helping to solve not only the problems facing our customers but also issues that affect society as a whole.

As a Polymer Design Company that contributes to the preservation of the Earth and the prosperity of the human race through polymers, Zeon Group will continue to grow vigorously.

Elastomers Business

Synthetic rubbers

Specialty rubbers: These materials are primarily used for components that need to be heat-resistant and oil-resistant due to their close proximity to car engines. Zetpol® hydrogenated nitrile rubber (HNBR), our flagship product in the specialty rubber category, is used as a material for timing belts and hydraulic equipment.
General-purpose rubbers: These are used as a material for tires. Solution-polymerization styrene-butadiene rubber (S-SBR) is used as a material for the tread portion of fuel-efficient tires.

Specialty rubber applications




General-purpose synthetic rubbers (S-SBR)


Specialty synthetic rubbers (Zetpol®)

Synthetic latexes

Synthetic latexes are used for gloves (for sanitary and medical use) and cosmetic puffs.

Chemicals

C_5 petroleum resins and thermoplastic elastomer SIS are used as raw materials for manufacturing adhesives and adhesive tapes.

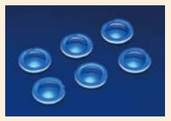
Specialty Materials Business

Specialty plastics

● Cyclo Olefin Polymers

This plastic has been developed by Zeon as a material for use in making optical lenses, medical devices, semiconductor transfer containers, etc.

Examples of applications


Smartphone camera lenses


Plastic syringes


Semiconductor transfer containers

● Optical films

Film made from Cyclo Olefin Polymer by extrusion using an innovative method developed by Zeon is used as a material in large-sized LCD displays and in mobile device displays.

Specialty chemicals

● Specialty chemicals

Synthetic aroma chemicals used as raw materials for fragrances and food flavorings, and specialty solvents utilized in developer for semiconductor manufacturing and in reaction solvents used in pharmaceuticals and agro-chemicals.

● Electronics materials

Coating insulation materials, etching agents and photoresists, etc., for use in semiconductor manufacturing

Specialty binder materials

● Battery materials

Cathode binders, anode binders and functional layer materials for lithium-ion batteries, etc.

Examples of applications


Energy storage systems


Electric vehicles

● Polymerized toner

Electro photographic toner for use with printers, fax machines, digital copiers, and multifunction devices

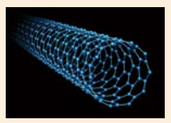
Others

● Medical devices

Gastrointestinal medical equipment (catheters, stents, etc.) and cardiovascular medical equipment (FFR devices, IABP balloon catheters, etc.)

● Single-walled carbon nanotubes

Single-walled carbon nanotubes produced using the Super Growth Method. There is a growing range of applications for carbon nanotubes, making effective use of their special properties, which include lightness and high strength, as well as extremely high levels of electrical and thermal conductivity.

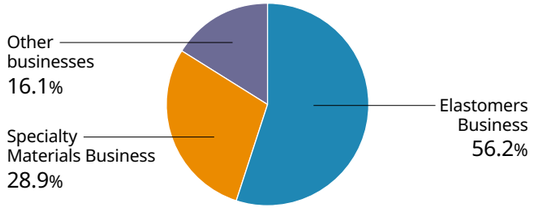


Other businesses

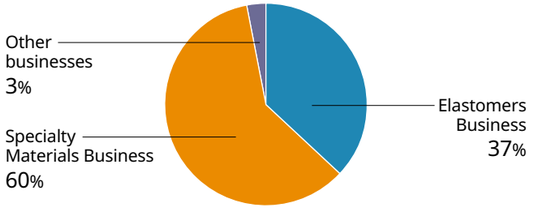
Engineering, packaging materials, building materials, RIM compounds, paints/coatings, trading, etc.

Net sales and profit structure by segment (FY2024)

Net sales composition ratios



Operating income composition ratios

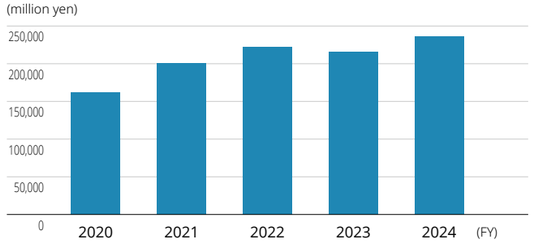


* Excluding elimination or corporate

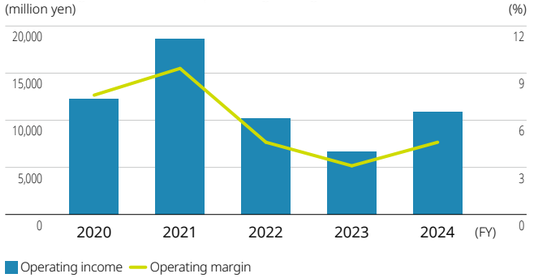
Net sales and operating income by segment

Elastomers Business

Net sales

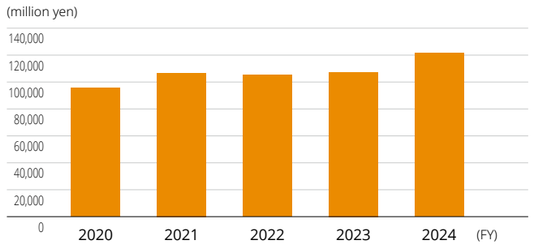


Operating income and operating margin

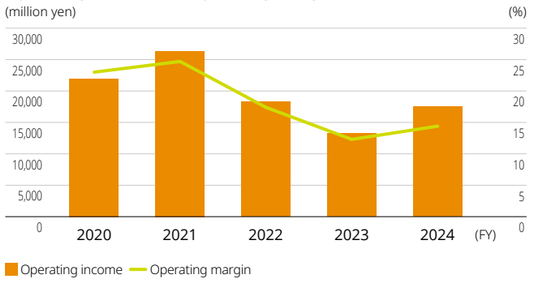


Specialty Materials Business

Net sales

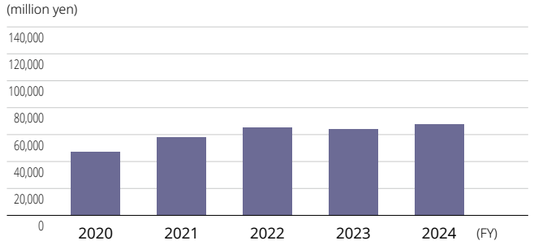


Operating income and operating margin

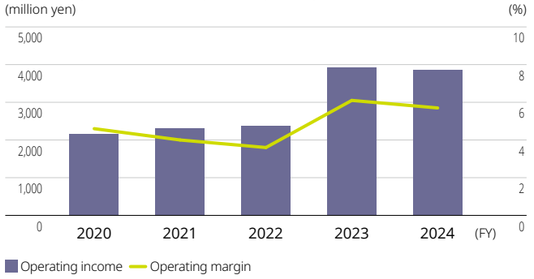


Other businesses

Net sales



Operating income and operating margin



OUTPUTS FY2024 results

Medium-Term Business Plan: STAGE30—Progress of Phase 2

Strategies	Targets		FY2023 results	FY2024 results	Targets for FY2026	Targets for FY2030
1 Promote a transformation of *monozukuri* to realize carbon neutrality and a circular economy	Ratio of reduction in CO_2 emissions (Scope 1+2) Group-wide (compared to FY2020)	Point 1	16%*1	9% (provisional)	10%	42%
2 Contribute to solving social issues by simultaneously "polishing up" existing businesses and "exploring" new businesses	Sales ratio of the SDGs Contribution Products	Point 2	35%	35%	40%	50%
	Number of lost time accidents		9	4	0	
	Operating income per employee (million yen/person)		4.3	6.1	7	
	ROIC for existing businesses*2	Point 3	4.3%	6.3%	7%	9%
	Net sales indicator: Cyclo Olefin Polymers (FY2019 as 100)	Point 4	163	191	210	
	Net sales indicator: Battery materials (FY2019 as 100)	Point 5	149	132	240	
	Net sales of new businesses (billion yen)		1.2	6.4	16.0	60.0
	External collaboration/Customer themes (FY2023–FY2026 total)		3	12	10	
3 Create "stages" together with employees where they can demonstrate their individual strengths	Employee engagement	Point 6	52%	52%	56%	75%
	Environment maximizing employee potential		50%	51%	55%	
	Zeon Healthy Behavior Indicator		62%	62%	65%	
	Paid leave utilization rate (Jan.–Dec. cumulative total)		71%	76%	70%	
4 "Polish up" the management base	Ratio of foreign-national and/or female directors & officers		19%	25%	25%	30%
	Ratio of outside directors and auditors		50%	50%	Majority	
	Ratio of female managers		6%	6.4%	12%	
	Cross-shareholdings as ratio of net assets	Point 7	19%	14.7%	Less than 5%	

*1 Recalculated back to the base year in accordance with the revised Energy Conservation Act.
*2 Regarding Zeon's ROIC, operating profit after tax was calculated as follows:
Operating income after tax = Operating income - Operating income × (Tax expense ÷ Earnings before tax)

Point 1

Performance in FY2024 remained at a reduction rate of 9%. The reduction rate remained more or less unchanged because this was not a year in which a regular maintenance was scheduled for the Mizushima Plant, which accounts for a large share of Zeon's CO_2 emissions.

Point 2

The results were more or less the same as in the previous fiscal year. We will continue to grow sales of existing certified products, including S-SBR and Cyclo Olefin Polymers, and also of new certified products.

Point 3

Performance in FY2024 was 6.3%, representing an improvement on the previous year's figure, which was 4.3%. This improvement was largely attributable to an increase in sales of synthetic rubbers and optical films.

Point 4

Performance in FY2024 remained strong, at 191. Shipments for optical applications (lenses) and semiconductor applications (semiconductor transfer containers) picked up.

Point 5

Performance in FY2024 was 132, which was down on the previous year. This was due to the protracted slump in sales of electric vehicles, particularly in Europe.

Point 6

At 52%, employee engagement in FY2024 was roughly the same as in the previous year. This reflects the emergence of issues relating to employees' sense of fulfillment in work and career development.

Point 7

Actual ratio in FY2024 was 14.7%, representing a decrease in cross-shareholdings compared to the previous year.

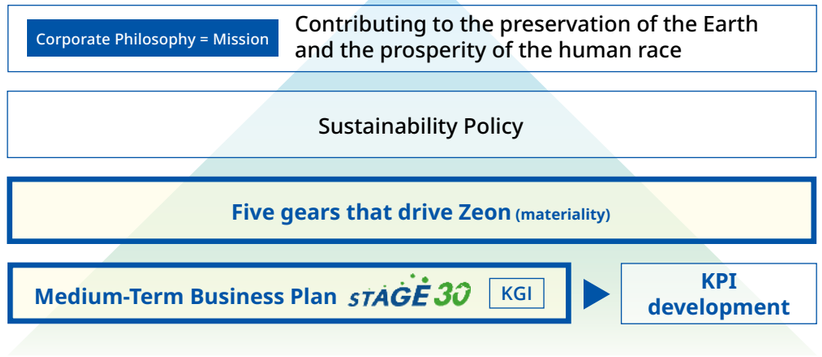
Materiality and Medium-Term Business Plan

Our Medium-Term Business Plan: STAGE30 is developed based on the Zeon Group's materiality: the Five gears that drive Zeon.

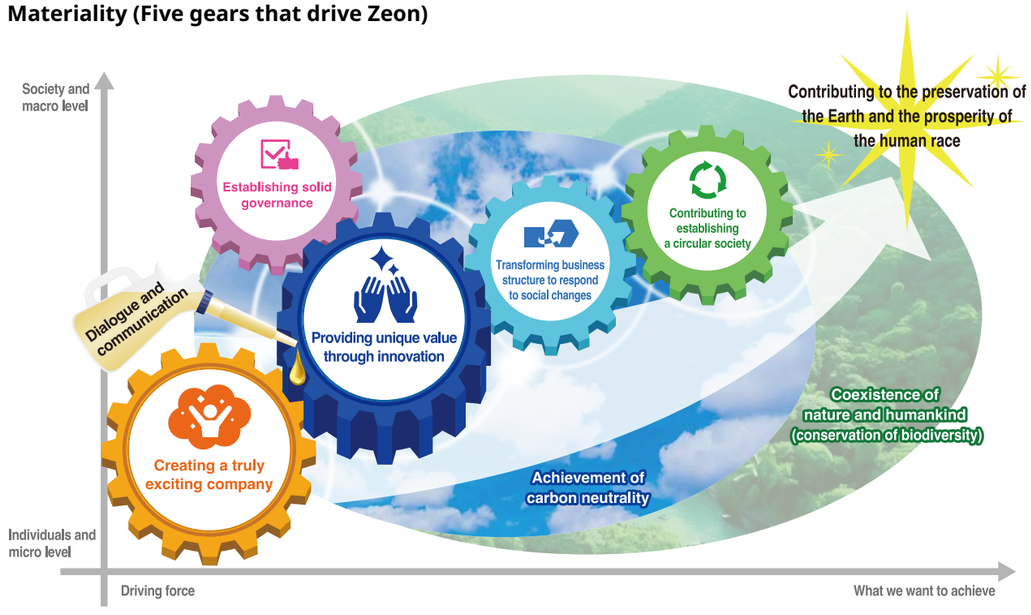
For Phase 3, which runs from FY2025 to FY2028, we have set targets for FY2028 that are aligned with our materiality, and we will work to realize both our materiality and the corporate philosophy that guides it.

Materiality (Five gears that drive Zeon) in relation to our Medium-Term Business Plan

Management system



Materiality (Five gears that drive Zeon)



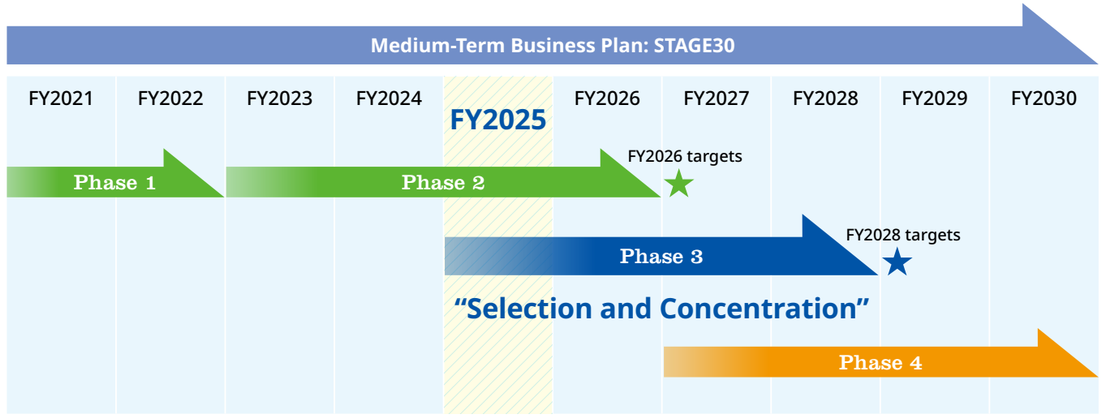
Medium-Term Business Plan

STAGE30

Overview of the Medium-Term Business Plan: STAGE30

Zeon formulated its Medium-Term Business Plan: STAGE30 in 2021. The four-year period from FY2025 to FY2028 is positioned as Phase 3 of the plan, which will renew every two years. Phase 3 is a phase in which we will be promoting portfolio restructuring through strategic "selection and concentration."

We currently have two sets of targets that we are working toward: the Phase 2 targets for FY2026 and the Phase 3 targets for FY2028. By working to achieve the targets for FY2028, we have put ourselves in a position to achieve not only the targets for FY2026, but also the targets for FY2030, the final year of implementation of the Medium-Term Business Plan.



Targets for Phase 3 of the STAGE 30 Medium-Term Business Plan (targets for FY2028)

Materiality	Establishing solid governance	Creating a truly exciting company	Providing unique value through innovation	Transforming business structure to respond to social changes	Contributing to establishing a circular society
Targets for FY2028: KPIs	• Lost time accident frequency rate: 0.4 or less • Cross-shareholdings as ratio of net assets: Less than 5% • ROE: 8.4% • Ratio of outside directors*1: Majority • Ratio of foreign-national and/or female directors & officers*2: 28%	Engagement survey items • Employee engagement: 60% • Environment maximizing employee potential: 60% • Zeon Healthy Behavior Indicator: 70%	• ROIC*3: 7.0% • EBITDA: 80.0 billion yen • Number of external collaboration research themes (FY2023–FY2028 cumulative total): 22	• Sales ratio of the four growth areas: 48% • Sales ratio of the SDGs Contribution Products: 45%	• Ratio of reduction in CO_2 emissions (Scope 1+2) Zeon Group (compared to FY2020): 10% or more

*1 Excluding auditors
*2 Inside and outside directors and auditors
*3 ROIC calculation formula: (Operating income - Operating income × (Tax expense ÷ Earnings before tax) / (Interest-bearing debt + Net assets)

Details of Materiality

Materiality determination process

In April 2023, we launched the cross-sectional Materiality Determination Project consisting of members from various positions and age groups, which discussed material issues for about eight months, and in December 2023, the project determined the Zeon Group's materiality with the approval of the Board of Directors. We took below steps to determine Zeon's materiality.

1 Consideration of concepts and axes

We started our materiality determination process based on the concept of double materiality with two axes: the impact on our finances (financial materiality) and the impact of our actions on society and the environment (sustainability materiality).
Based on general elements, we discussed elements that should be included in the two axes used above taking into account the principles and values Zeon considered important. Specifically, elements that should be emphasized in and added to financial materiality included Zeon's originality, higher motivation of employees, and the safety and stability of operations, while those for sustainable materiality included employees' eagerness, the history and milestones of Zeon, and the ideas that were put into the company's corporate philosophy and business.

What Zeon should emphasize in the axes of materiality
(principal opinions of members)

2 Extraction of candidates for materiality

Based on the social issues recognized by each division when formulating the Medium-Term Business Plan Phase 2, we added the items presented in the project's discussions and those that would be regarded as important in future international discussions and extracted candidates for materiality as a basis for further discussion.

3 Evaluation and analysis of candidates for materiality

Based on the axes examined in 1, the project members discussed and evaluated the importance of the candidates for materiality extracted in 2. Then, to reflect social expectations and demands on materiality when determining it, we evaluated the importance of the candidates for materiality using factors such as the degree of attention paid by international NGOs, rating agencies, and other organizations and future market forecasts while obtaining advice from consultants. We reflected the results of these two-level evaluations, analyses of differences therein, etc. on discussions to determine materiality.

4 Interviews with top management

Through interviews, we understood what the management considered as Zeon's strengths and challenges, its thoughts on how the company should be in the future, etc. and reflected these in our discussions.

5 Close examination and narrowing down of materiality and consideration of how to express it

We further discussed what key elements of materiality were so that we could depict scenarios for the future of Zeon Group and society. Then we formulated a materiality proposal while figuring out effective ways to express it with the relationships among material issues, timeline, and other factors in mind.

6 Approval by the Board of Directors

The proposed materiality was finally approved by the Board of Directors in December 2023 through deliberations at the Executive Committee.

Zeon's materiality

We have determined our materiality, the Five gears that drive Zeon, which represent the priority issues crucial for achieving sustainable growth together with society in alignment with our corporate philosophy of "Contributing to the preservation of the Earth and the prosperity of the human race."

Five gears that drive Zeon

Creating a truly exciting company

Examples of elements
- Achieving job satisfaction and improving engagement
- Achieving DI&B
- Ensuring psychological safety
- Streamlining operations to improve efficiency
- Eliminating harassment

We will create workplaces in which each and every one of our employees can display their abilities and experience excitement while working, and this is the most fundamental issue Zeon should address and will lead to innovation, the key to the company's growth. Specific elements include diversity, inclusion, and belonging (DI&B); improvement of job satisfaction and engagement; and streamlining operations.

Providing unique value through innovation

Examples of elements
- Creating culture and systems that bring innovation
- Creating original technologies, products, and services
- Cooperation with diverse stakeholders

Innovation is the most important keyword for Zeon to achieve growth while meeting the expectations of society and is viewed as central to the five gears. Providing society with value that can only be created by Zeon and cannot be imitated by others will lead to the sustainable growth of society and Zeon. Creating culture and systems that bring innovation; and creating original technologies, products, and services are the key to keeping the entire gears moving.

Establishing solid governance

Examples of elements
- Ensuring management transparency
- Stable and secure production
- Quality assurance
- Anti-corruption
- Ensuring information security
- Sustainable procurement
- Respect for Human Rights
- Strategic financial management

To ensure that "we will firmly maintain fairness and integrity in our activities to be a trustworthy company," one of the company's Sustainability Policies, we need to solidify the foundation of Zeon as a company. In addition to management transparency, stable and secure production, high quality, and anti-corruption, examples of elements include information security, sustainable procurement, and human rights, which have all been recognized as important issues in recent years.

Transforming business structure to respond to social changes

Examples of elements
- Response to informatization of society
- Enhancement of mobility
- Enabling better health and welfare
- Sustainable community development

Through innovation, we will transform the business structure by developing products and services that meet the expectations of society and thus shifting the focus of business. From the viewpoint of sustainability, a shift to an information-oriented society, the evolution of mobility, and health and welfare are areas in which there are high social needs, and by actively bringing innovation mainly in these areas, we will transform the business structure to respond to social changes.

Contributing to establishing a circular society

Examples of elements
- Technology for decarbonization

A circular society refers to a society in which limited resources are utilized to the maximum extent and environmental impacts are minimized by, for example, promoting recycling and reducing waste. Transforming the business structure by bringing innovation into the production of products and services will contribute to establishing a circular society, and this will in turn help realize our corporate philosophy.

Medium-Term Business Plan

STAGE30 Phase 3 targets (in detail)

In Phase 3, we have set new targets for FY2028. Some existing indicators have been integrated with the Phase 3 indicators, with the exception of certain targets that were already achieved during Phase 2 or which have been transferred to internal management.

In order to achieve the targets set for FY2030 under the Medium-Term Business Plan: STAGE30, we have overhauled the indicators for FY2028 in order to provide a better way of approaching the FY2030 targets. Materiality-linked indicators include newly-set targets for ROE, EBITDA, and sales ratio of the four growth areas.

Point 1

ROE has been added with a focus on shareholder value.

Point 2

In Phase 2, in order to make things easier to understand from a shareholder's perspective, we have combined the "ROIC for existing businesses" indicator that was intended to promote capital efficiency, and the "Net sales of new businesses" indicator that was intended to promote business expansion through growth-oriented investment, into a new indicator: ROIC (company-wide).

Point 3

EBITDA has been added as an indicator that we are planning to increase along with growth-oriented investment in the future.

Point 4

This indicator has been added in order to clarify the progress made in terms of portfolio restructuring, a process which we started in Phase 2. We will be proceeding with business portfolio restructuring that involves concentrating resources on products developed in four growth areas where we anticipate sustained growth in the future: mobility, healthcare and life science, telecommunications, and GX.

Phase 2 KPIs　Phase 3 KPIs

Materiality	KPIs	Phase 2 2024	Phase 2 2026 targets	Phase 3 2028 targets	Reasons for item changes	2030 targets
Establishing solid governance	Number of lost time accidents	4	0		Replaced absolute figures with a manageable frequency rate	
	Lost time accident frequency rate			**0.4 or less**		
	Cross-shareholdings as ratio of net assets	14.7%	Less than 5%	**Less than 5%**		
	ROE **Point 1**			**8.4%**	Added with a focus on shareholder value	
	Ratio of outside directors and auditors	50%	Majority		Emphasis on further improvement of governance	
	Ratio of outside directors (excluding auditors)			**Majority**		
	Ratio of female managers	6.4%	12%		Set as internal management target	
	Ratio of foreign-national and/or female directors and officers (inside and outside directors and auditors)	25%	25%	**28%**		**30%**
Creating a truly exciting company	Employee engagement	52%	56%	**60%**		**75%**
	Environment maximizing employee potential	51%	55%	**60%**		
	Zeon Healthy Behavior Indicator	62%	65%	**70%**		
	Annual paid leave utilization rate (Jan.–Dec. total)	76%	70%		Removed because the target has already been met	
Providing unique value through innovation	Consolidated operating income per employee (million yen/person)	6.1	7		Unified as ROIC (company-wide)	
	ROIC for existing businesses	6.3%	7%		Unified as ROIC (company-wide)	
	Net sales indicator: Cyclo Olefin Polymers (FY2019 as 100)	191	210		Unified as sales ratio of four growth areas	
	Net sales indicator: Battery materials (FY2019 as 100)	132	240		Unified as sales ratio of four growth areas	
	ROIC (company-wide) **Point 2**			**7.0%**	Emphasis on ROIC management	**8%**
	EBITDA (billion yen) **Point 3**			**80.0**	Newly established with a focus on cash-flow growth	
	Number of externally partnered research themes* (counted from FY2023)	12	10	**22**		
Transforming business structure to respond to social changes	Net sales of new businesses (billion yen)	6.4	16.0		Unified as sales ratio of four growth areas	
	Sales ratio of the four growth areas **Point 4**			**48%**	Emphasis on portfolio restructuring	
	Sales ratio of the SDGs Contribution Products	35%	40%	**45%**		**50%**
Contributing to establishing a circular society	Ratio of reduction in CO_2 emissions (Scope 1+2) Zeon Group (compared to FY2020)	9% (provisional)	10%	**More than 10%**		**42%**

* Renamed in FY2025

STAGE30 Phase 3 strategy

Overview of Phase 3

For Phase 3, which is being implemented over the period from FY2025 to FY2028, a classification has been made into "growth drivers" and "next-phase growth drivers," according to the stage that each high-profitability product group is at, and strategies have been formulated to realize business growth for each of these. By focusing resources on these areas and implementing portfolio restructuring, we are aiming to achieve the various targets that we have set for FY2028.

Categories and strategies for Zeon's product group/business

Category	Product group/business	Strategy
Growth drivers	• Cyclo Olefin Polymers (COP) • Optical films • Battery materials	Expansion and establishment of optimal production structure
Next-phase growth drivers	• COP molded products • Specialty solvents (CPN/CPME) • Single-walled carbon nanotubes	Adoption expansion and facility expansion
Non-core businesses Low-profitability businesses	• E-SBR • NBR latex, etc.	Downsizing, withdrawal, and capital alliances

Growth drivers and next-phase growth drivers

For Phase 3, we have defined "growth drivers" and "next-phase growth drivers."

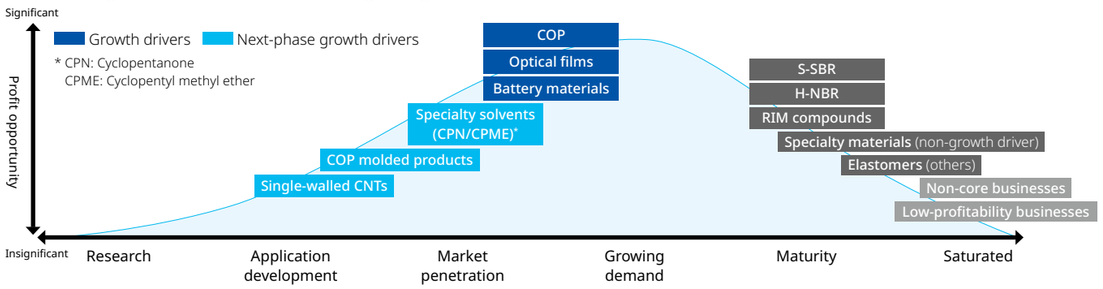
Growth drivers are product groups that will drive growth in Phase 3, while next-phase growth drivers are product groups that will drive business expansion in and after Phase 4.

With our core product groups, including high-profitability products and elastomers, underpinning our management foundations, we will be working to grow sales in both our growth drivers and next-phase growth drivers.

We will be proceeding with the restructuring of our business portfolio by downsizing or withdrawal from non-core businesses and low-profitability businesses, and through capital alliances, etc.

For more details about growth drivers and next-phase growth drivers, see P.43–52.

Market stage of our products in the target segment



Concentrate resources on the four growth areas

For Phase 3, we have set "sales ratio of the four growth areas" as a new target.

Going forward, we will continue to grow our business by focusing resources on the business areas noted below in the four growth areas where we anticipate sustained growth in the future: mobility, healthcare and life science, telecommunications, and GX.

We are aiming to increase the sales ratio of the four growth areas from 37% in FY2024 to 48% in FY2028, and we will be working steadily to implement portfolio restructuring.

The four growth areas and the corresponding Zeon products in each business segment

Growth drivers / Next-phase growth drivers / High-profitability products

Segment	Four growth areas			
	1. Mobility	2. Healthcare and life science	3. Telecommunications	4. GX
Elastomers	H-NBR			S-SBR
Specialty Materials	Battery materials Single-walled CNTs	COP (medical use) COP molded products CPME	COP (semiconductor and optical use) Optical films CPN	
Other businesses				RIM compounds

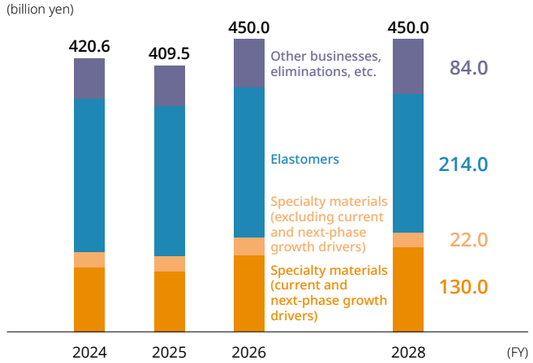
Sales ratio of the four growth areas

FY2024 37% → FY2028 48%

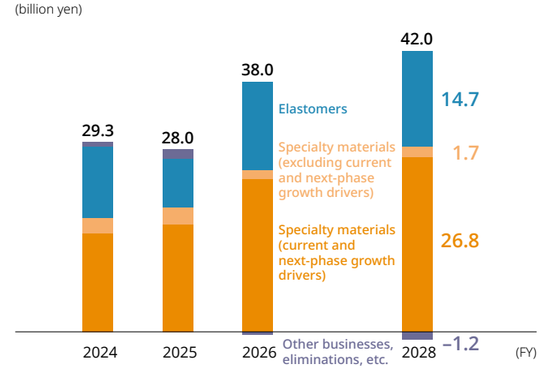
Net sales and operating income by segment

With regard to Zeon's net sales by segment, while continuing to maintain a high level of sales in the elastomers business, we will also be working to expand the sales ratio held by our specialty materials business, which includes product groups that fall within the growth drivers and next-phase growth drivers categories. As regards operating income by segment, we plan to increase operating income by shifting to a greater focus on high-profitability products in our elastomers business, and by building up operating income from the growth drivers and next-phase growth drivers in our specialty materials business.

Net sales by segment



Operating income by segment



Portfolio restructuring

In Phase 2, we made the major decision to overhaul the Tokuyama Plant by combining the building of a new COP production facility with the gradual discontinuation of production of low-profitability products at the plant.

We are making progress toward beginning operation of the new production facility in FY2028.

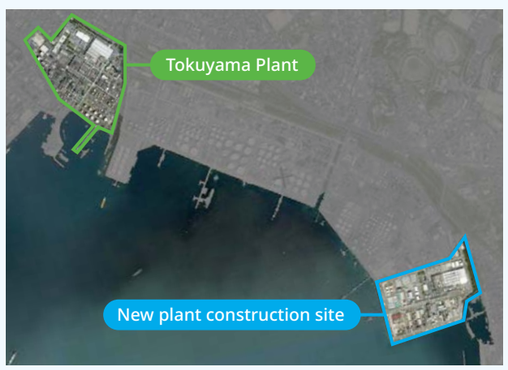
With regard to low-profitability products at the Tokuyama Plant, in FY2026 we will be discontinuing production of emulsion-SBR (E-SBR) series 1 products and of NBR latex (NBR-LX). Our strategy is to discontinue production of BR from FY2028 onwards.

We aim to remain the best owner in high-profitability specialty rubbers and achieve success in global markets.

New COP plant

Strengthening our capabilities in high-profitability products

2H FY2028 onwards: +12,000 tons/year



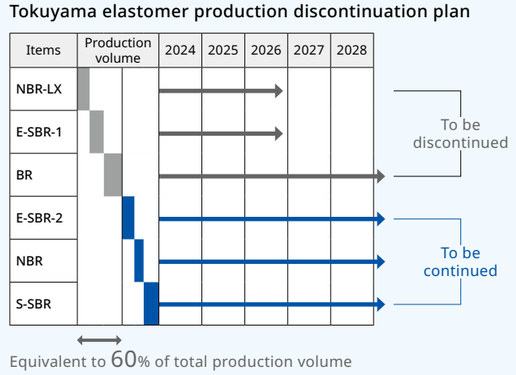
Prepared by Zeon Corporation based on materials from the Map and Aerial Photography Viewing Service on the Geospatial Information Authority of Japan Website.

Tokuyama Plant elastomers production

Gradual discontinuation of low-profitability products

FY2026: First-stage discontinuation (E-SBR and NBR-LX)
FY2028 onwards: Second-stage discontinuation (BR)

Tokuyama elastomer production discontinuation plan



Focus On

Special Feature

Expansion of SDGs Contribution Products

SDGs Contribution Product Certification Program

The SDGs Contribution Product Certification program is one that serves to certify our products with a particularly high level of contribution to solving social issues as SDGs Contribution Products, helping Zeon Group achieve sustainability. By focusing on the development, manufacturing, and sales of these products, we aim to both contribute to society with sustainable growth as a company, and further promote sustainability management.

Through the provision of added value to customers by contributing to sustainability, we anticipate that this program will also enhance Zeon's ROIC.

1. Certification criteria

We began implementing the program in April 2024, using three certification criteria: the level of contribution toward solving social issues, the scope of the contribution, and business sustainability. In FY2025, we adjusted the certification criteria to bring them more into line with the program's goals. The new criteria are: the level of contribution toward solving social issues, business sustainability, and innovation.

SDGs Contribution Product certification criteria

Ⅰ. Level of contribution toward solving social issues

Ⅱ. Business sustainability

Ⅲ. Innovation

2. Certification process

Certification is performed annually. Based on applications made from our business divisions, SDGs Contribution Products undergo a review by the SDGs Contribution Product Certification Subcommittee under the Sustainability Committee, and are then certified by the Sustainability Conference, the company's highest decision-making body regarding sustainability. Certified products are valid for three years and are eligible to reapply for certification after this period.

SDGs Contribution Product certification process

- **Business divisions** — Business divisions select products based on their degree of contribution to social issues, etc. and submit applications for them
- **SDGs Contribution Product Certification Subcommittee** — Evaluate the applied products according to the certification criteria
- **Sustainability Committee** / **Sustainability Conference** — Certify products based on the evaluation conducted by the SDGs Contribution Product Certification Subcommittee
- **SDGs Contribution Products**

3. Expansion of certification scope

The scope of certification was expanded in FY2025 to include the products from all Zeon Group companies, not just Zeon Corporation.

4. Certified SDGs Contribution Products

Besides the 39 products that were certified in FY2024, in FY2025 a further 6 products received certification, bringing the total number of products that have been recognized as SDGs Contribution Product certification to 45.

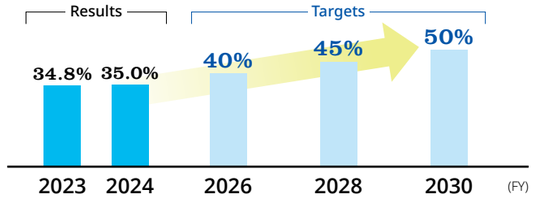
The products that have received certification include synthetic rubbers such as solution-polymerization styrene-butadiene rubber (S-SBR) and hydrogenated nitrile rubber (HNBR), as well as Cyclo Olefin Polymers, battery materials (lithium-ion battery binders), polymerized toners, synthetic aroma chemicals, and thermoplastic elastomers. Products that have received certification this year include optical films, RIM compounds, and RIM moldings.

Recently, the share of Zeon's consolidated net sales that these 45 products account for has risen to 38%.

5. Future planning

As part of our Medium-Term Business Plan: STAGE30, we have set a target to achieve a 50% sales ratio of products that contribute to SDGs by 2030. In the future, we aim to expand our range of SDGs Contribution Products across the whole Group to achieve the above target.

Sales ratio of SDGs Contribution Products: results and targets



Major SDGs Contribution Products

Products * Photos illustrating product applications	Applications and contribution points	Relevant SDGs
Solution-polymerization styrene-butadiene rubber (S-SBR) 	Main application: Fuel-efficient tires Contribution points: ● Achieved three properties of wet grip, rolling resistance, and abrasion resistance at a high success level by controlling the molecular structure ● Reduces GHG emissions from improved automotive fuel efficiency ● Helps prevent air pollution as result of improved wear resistance that generates less dust	3, 7, 13
Cyclo Olefin Polymers 	Main applications: Medical test devices, containers for pharmaceutical manufacturing, and medical packaging Contribution points: ● Improved quality and accessibility of medical services associated with inspection and analysis, pharmaceutical manufacturing, and drug transportation and storage based on properties such as high moisture barrier, chemical resistance, high purity, and sterilization compatibility	3, 9
Lithium-ion battery binders 	Main application: Lithium-ion batteries Contribution points: ● Achieved longer life and higher power output of lithium-ion batteries by resisting expansion and contraction associated with charge and discharge, in addition to increasing output by activating a chemical reaction ● Reduces GHG emissions and helps prevent driving related air pollution when used as power source for EVs ● Facilitates industrial development and economic growth by reducing the size and boosting the performance of mobile devices, electronic devices, and other products	7, 9, 13
Newly certified in FY2025 Optical films (ZeonorFilm®) 	Main applications: Optical film for TVs, smartphones, and tablet PCs Contribution points: ● Contributing toward waste reduction through a process for recycling film offcuts, etc. Reducing CO_2 emissions of raw materials to 50% or less ● Contributing toward reduced electric power consumption through the adoption of energy-saving TVs ● Using renewable energy in production	7, 12, 13
Newly certified in FY2025 RIM compounds and RIM moldings 	Main applications: Body panels for trucks and buses, construction machinery, and agricultural machinery Contribution points: ● The amount of CO_2 emissions generated during the product life-cycle from raw materials procurement through production to final disposal is low compared to other types of plastic 70% of FRP (SMC method), and 40% or less of other thermoformed materials ● The amount of energy required over the product life-cycle from manufacturing through to disposal is only around half that required for regular plastics such as polypropylene (PP) ● Contributes toward reducing CO_2 emissions by making trucks and buses more fuel efficient through light-weighting ● The ability to implement thermal recycling and material recycling contributes toward waste reduction	12, 13

Human Resources Strategy

Creating a truly exciting company

In order for Zeon to continue meeting society's expectations and enhancing its corporate value on a global scale, we must be able to adapt flexibly to an environment characterized by VUCA, and be able to generate innovation. Diversity (in terms of the diverse personalities of everyone who shares Zeon's vision) is a wellspring of innovation for us. Our aim is to respect every individual, regardless of differences in gender, age, nationality, disability, values or experience, to create an environment of trust in which employees can work with peace of mind, while providing everyone with opportunities for growth in a fair and equitable manner.

Through the steady implementation of our **human resources strategy (1. Driving human resources management to stimulate employee growth and eagerness; 2. Strengthening the link between management and human resources strategies; 3. Creating an enabling work environment that does not interfere career pursuits)**, we will link the personal growth and career development of each employee with the company's growth, create a truly exciting company, realize our five materiality items, and enhance our corporate value.

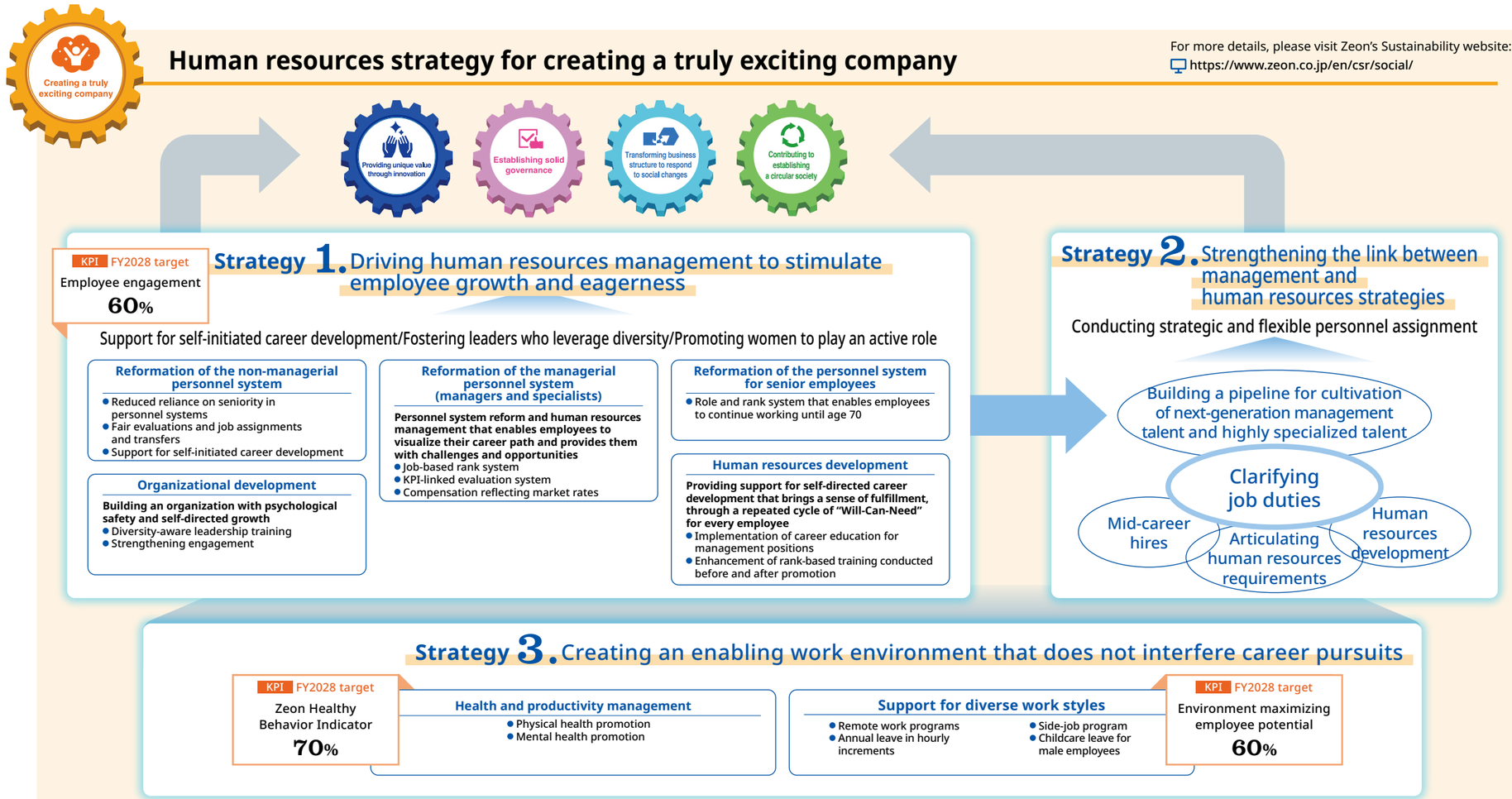
Human capital data

	FY2021 results	FY2024 results	FY2028 targets
Employee engagement (KPI)	50	52	60
Environment maximizing employee potential (KPI)	48	51	60
Rate of multiple successor candidates filling key positions	—	—	100%
Number of participants in diversity-aware leadership training (cumulative total)	—	68	200
Ratio of female managers	5.2%	6.4%	9.6%
Ratio of female new graduates hired (management career track)	31.3%	29.3%	30% or more

	FY2021 results	FY2024 results	FY2028 targets
Healthy behavior indicator (KPI)	60%	62%	70%
Paid leave utilization rate	54.0%	75.6%	70% or more
Absenteeism	0.6%	1.1%	0.4%
Average number of overtime hours worked	18.8 hours	17.1 hours	15 hours
Share of male employees taking childcare leave	14%	93.6%	100%
Ratio of employees with disabilities	2.41%	2.56%	2.7% or more

Human resources strategy for creating a truly exciting company

For more details, please visit Zeon's Sustainability website:
https://www.zeon.co.jp/en/csr/social/



Message from the Human Resources Division Manager

Making Zeon a truly exciting company will lead to enhanced corporate value

Tomohiro Fukagata
Corporate Officer,
Division Manager – Human Resources

Phase 3 of Zeon's Medium-Term Business Plan has begun. In Phases 1 and 2, we implemented human resources initiatives based on a Group-wide strategy, "Work together to create 'stages' to be active on."

With regard to the issue of resources, which was apparent from employee engagement survey results, we proceeded with efforts to expand headcount in relevant areas, putting in place the systems needed for effective plan implementation. In addition, we also succeeded in reaching the target for the share of employees taking their annual paid leave entitlement, which had been set as a KPI at 70% by FY2026, ahead of schedule. It is clear that steady progress has been made in terms of building "stages" on which employees can be active, thanks to efforts that include getting individual divisions to formulate action plans for strengthening employee engagement, and measures relating to work-style reform and health and productivity management.

At the same time, however, an area where we recognize that more needs to be done, as seen from the results of employee engagement surveys, is stimulating employee eagerness and helping employees feel confident that their career goals are achievable.

Having recognized these issues, we have decided that the key topics that we will be focusing on in Phase 3 are: **1) Building an organization with psychological safety and self-directed growth; 2) Providing support for self-directed career development that brings a sense of fulfillment, through a repeated cycle of "Will-Can-Need" for every employee; 3) Personnel system reform and human resources management that enables employees to visualize their career path and provides them with challenges and opportunities; 4) Enhancing employee well-being through health and productivity management and through support for diverse work-styles.**

With regard to building a new organizational culture, in FY2024 we held discussion meetings with senior managers, division managers, and department and section managers (with around 20 personnel attending each meeting, and a cumulative total of 300 participants overall), to discuss psychological safety and what kind of organizational culture we want to create. We also implemented leadership training on how to effectively utilize diversity for a third tranche of trainees, with over 100 participants. In Phase 3, we will be expanding these types of dialogue and training activities, and proceeding with team-building aimed at fostering security in terms of mental well-being and self-directed personal growth.

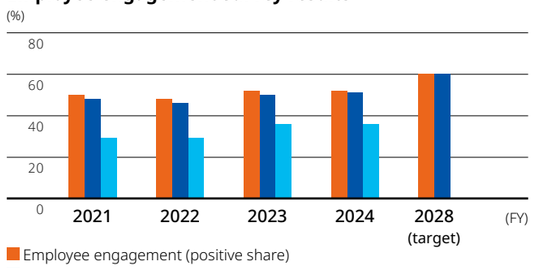
Building an organization with psychological safety and self-directed growth

Strategy 1

The results obtained in the FY2024 employee engagement survey were roughly the same as in the previous year. While the frontline management staff in each division had been successfully invigorated, there was still an issue in terms of results that were less than fully satisfactory in relation to "Feeling the desire to do more than is asked of me."

Focusing on employees' sense of fulfillment, the Human Resources Division is promoting human resources management that emphasizes enabling employees to grow together with the company and initiatives that bring sense of fulfillment to every individual employee. Specific measures that we are implementing include increasing the support provided for career development, which is one of the factors affecting a sense of fulfillment, and steadily overhauling the personnel system so that it generates opportunities for employees to challenge themselves.

Employee engagement survey results



Employee engagement

Aiming to enhance engagement by promoting human resources management measures that stimulate individual employees' sense of fulfillment

FY2021–2022	FY2023	FY2024	FY2025–2026 (plan)
Opportunities to challenge oneself • Adoption of a job-based managerial personnel system	**Respect for individuals** • Strengthening of harassment prevention measures • DI&B leader development project • Fostering psychological safety (lectures and dialogue meetings at worksites)		**Career development support** • Expanding opportunities for career planning dialogue • Enabling career path visualization by clarifying what Zeon needs from its human talent • Providing opportunities for employees to outline their own career development hopes
Expanding resource provision • Strengthening human resources by expanding recruitment of mid-career hires			**Opportunities to challenge oneself** • Preparing for a reformation of the non-managerial personnel system • Invigorating personnel transfers (open job posting system, etc.)

Improvement of frontline management
• Using divisional workshops to realize steady improvement in operational processes and organizational systems, and ongoing promotion of frontline management that embodies effective sharing of strategies and strategic direction

Providing support for self-directed career development that brings a sense of fulfillment, through a repeated cycle of "Will-Can-Need" for every employee

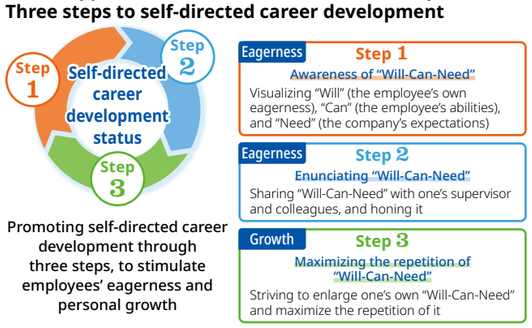
Strategy 1

We believe that we can stimulate employee eagerness and growth, thereby leading to a sustained increase in corporate value, by proceeding with initiatives to get every individual employee to recognize and enunciate "Will" (the employee's own eagerness), "Can" (the employee's abilities), and "Need" (the company's expectations), and by maximizing the repeated implementation of this cycle in the form of self-directed career development.

With this in mind, besides adopting support tools for use when implementing career development training (for employees and their supervisors) and career development interviews, we have also made adjustments to the self-improvement support system, to provide opportunities for employees to strengthen their own capabilities.

In addition, by putting in place a talent management and succession planning system aimed at medium- to long-term human resources development, and rolling out a sponsorship system to support the growth of female employees who are candidates for future leadership positions, we are expanding the career possibilities for diverse human talent and driving the building of an environment in which employees can continue to challenge themselves.

Zeon's approach to self-directed career development: Three steps to self-directed career development

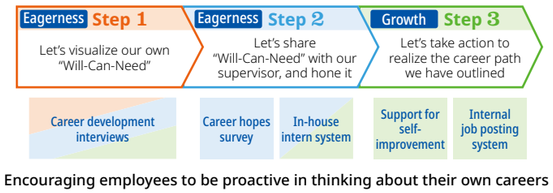


Promoting self-directed career development through three steps, to stimulate employees' eagerness and personal growth

Diagram showing the relationship between the three steps to self-directed career development and the five supporting measures

Eagerness Supporting the cultivation of proactive attitude toward one's work
Growth Supporting efforts to strengthen one's capabilities and challenge oneself to realize one's career goals

Developing a forward-looking mindset



Encouraging employees to be proactive in thinking about their own careers

Visualize employees' career path and provide them with challenges and opportunities

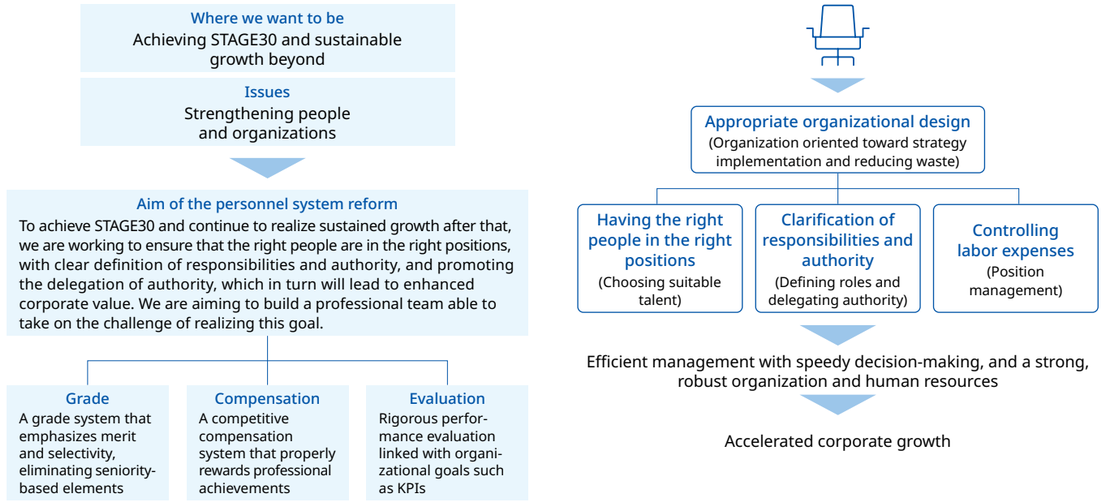
Strategies 1, 2

Since July 2023, our managerial personnel system had been a hybrid system combining skill-based and job-based elements. In October 2025, we completely eliminated the skill-based elements, adopting a unified grade- and job-based system. We have also made adjustments to the grade system and to roles, with the aim of speeding up the linking of management strategy with human resources strategy. Through these revisions, we are ensuring that the right people are in the right positions, with clear definition of responsibilities and authority, and we are proceeding with the designing of a compensation system that is aligned with rigorous performance assessment, all of which will help to enhance corporate value. We are moving forward with the building of a professional team able to take on the challenge of realizing this goal.

With regard to non-managerial personnel, we are making use of dialogue with employees to identify issues affecting work-styles and career development, and adopting concrete support strategies to help create opportunities for younger employees to achieve self-directed career development.

Also, in relation to the non-managerial personnel system, we are proactively examining how best to create professional talent teams, adjust grades and roles, develop and appoint professional talent, promote self-directed career development, and implement job posting systems and other frameworks for promoting talented personnel.

Overall strategy for reforming the personnel system

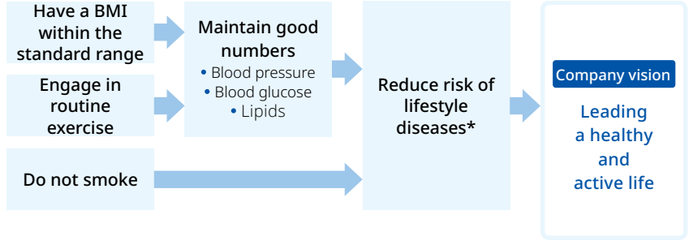


Enhancing employee well-being through health and productivity management

Strategy 3

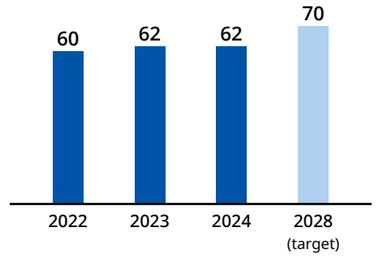
With the aim of enabling every employee to continue to work with good health and enthusiasm through the promotion of health and productivity management, in 2021 Zeon formulated the Declaration for Health and Productivity Management and the Code of Conduct for Well-being. This was followed in 2023 by the setting of the Zeon Healthy Behavior Indicator, with the aim of reducing risk relating to lifestyle diseases and helping employees to stay fit and healthy. With regard to mental health measures, we hold various types of seminars and implement EAP activities, with the aim of realizing individuals and organizations with good mental health.

Zeon Healthy Behavior Indicator (share of employees meeting at least two criteria)



* Cancer, heart disease, stroke, diabetes, and other diseases whose onset is related to lifestyle habits

Healthy behavior indicator target



Messages from Officers in Charge

Message from the General Manager of Elastomers and Chemicals Business

Our synthetic rubber business boasts an unparalleled product lineup, and as a world-leading manufacturer, we have contributed to the automotive industry's development globally by providing products and services tailored to diverse needs. Our specialty rubber products, in particular, are valued worldwide for their high safety, reliability, and consistent quality, and they remain a core business that will continue to support our growth.

We have also developed a wide range of businesses based on polymerization, dispersal, and other core technologies cultivated through the development of elastomer materials, our battery materials business being one example.

Regarding automotive batteries for EV use, while sales have slowed recently due to the decline in EV sales, primarily in Europe, the energy storage system (ESS) market is experiencing rapid growth, and shipments of our products are also increasing.

The market environment surrounding lithium-ion batteries (LiB) is changing rapidly, due to geopolitical influences. While we anticipate facing various changes going forward, we position LiB as one of our growth drivers. We will focus on developing products that achieve high capacity and long cycle life alongside high safety, while aiming for further business expansion by optimizing our supply structure.

Kazuyoshi Matsuura
Director & Senior Corporate Officer
General Manager – Elastomers and Chemicals Business
Energy Materials Division Manager

Message from the General Manager of Specialty Business

The Specialty Materials Business contributes to improving the company's profitability through our high added-value products with unique material designs and processing technologies created by the company.

In Phase 3 of the Medium-Term Business Plan: STAGE30, we have designated the businesses that will drive growth during this period as growth drivers, and the products that we will develop in the Specialty Materials Business in the next and subsequent phases as next-phase growth drivers.

In the area of Cyclo Olefin Polymers (COP), which have shown high growth in recent years, we have positioned semiconductor and healthcare applications as well as ZeonorFilm® optical film as growth drivers. With the completion of a new COP plant in the Shunan industrial complex in FY2028, and plans to increase production capacity through this new plant, we will build the production system necessary to ensure the expansion of these growth drivers.

Among these, in the area of optical films, the trend toward larger LCDs is expected to continue for the foreseeable future, and demand for ZeonorFilm®, with its low water absorption and excellent dimensional stability, is expected to continue to grow. The current supply-demand balance is already tight, and to meet this strong demand growth, we have decided to add a production line with a width of 3,000 mm—one of the widest in the world—at our Himi Futagami Plant, which is scheduled to start operation in 2027.

We have positioned cyclopentanone (CPN), cyclopentyl methyl ether (CPME), COP molded cell culture container, and single-walled carbon nanotubes for LiB applications as our next-phase growth drivers.

Yuichiro Konishi
Director & Senior Corporate Officer
General Manager – Specialty Business
Specialty Plastics Division Manager

Among these, CPN, a photosensitive polyimide developer, is used in advanced semiconductor packaging and has seen a rapid expansion in demand in recent years. Going forward, we plan to examine the potential production capacity expansions in line with market growth timing.

The theme of Phase 3 of STAGE30 is portfolio restructuring through selection and concentration. We will do our utmost to shift resources to growth drivers and next-phase growth drivers so that we can dramatically increase sales and profits from high-profit products.

Issues and Strategies in Individual Businesses

Elastomers business

Business description

The elastomers business handles essential materials that are used in wide-ranging applications, including tires, rubber components found around vehicle engines (hoses, belts, packing, etc.), and rubber gloves.

The sources of our competitive advantage include our robust product development capabilities fostered over many decades, lineup of original products, product quality and safety, and global-scale stable supply systems.

Current issues

While the need for elastomer materials will not change, as internal combustion engine vehicles shift to EVs in the future, the quality required of elastomer materials is likely to change.

In addition, the push for carbon neutrality is expected to drive up demand for materials that contain lower levels of carbon and that are made from bio-materials as well as the need to reduce CO_2 emissions in manufacturing processes and the supply chain as a whole. The increased push for a circular economy is also expected to drive up the need for more sustainable materials.

In light of these conditions, we will focus on development of new products that contribute to carbon neutrality and sustainability as well as establishing supply structures for them.

We consider creating new added value and providing it to markets not limited to the supply of elastomer materials to be a business challenge in this area.

Measures for increasing ROIC

We will reinforce our lineup of high-profit products with the aim of maximizing net operating profit after tax (NOPAT) to the greatest extent possible.

In the specialty rubbers segment, the expansion in production capacity (from 5,000 t/y to around 7,500 t/y) for hydrogenated nitrile rubber (H-NBR) at our U.S. plant is being affected by the amount of time needed to complete the approval procedures with the U.S. authorities, as a result of which the commencement of construction has been delayed, but we are proceeding with preparations for the ramping up of the extra capacity. We are also focusing on expanding sales of acrylic rubber (ACM). Regarding general-purpose rubbers, we will strive to develop differentiated solution-polymerization styrene-butadiene rubber (S-SBR) products and grow sales of these products.

At the same time, as part of our business portfolio restructuring, we will discontinue operation of one production line (out of two) of emulsion-polymerization styrene-butadiene rubber (E-SBR), and of NBR latex, which are produced at the Tokuyama Plant, in FY2026.

Battery materials business

Business description

In this business, we engage in R&D, manufacturing, and sales of cathode and anode binders, functional layer materials, seal materials, and other products for lithium-ion batteries (LiB). In addition to applications in new-energy vehicles, such as PHEVs and BEVs and energy storage systems (ESS) compatible with renewable energy, LiB are widely used for consumer applications, particularly mobile devices.

Current issues

Despite the widespread global adoption of new energy vehicles (NEVs), including PHEVs and BEVs, recently, sales of NEVs in Europe and the U.S. have been lackluster, due to the termination of subsidies for NEV purchase. By contrast, in China, where a subsidy program is still in place, NEVs now account for over 30% of vehicles sold. Due to this situation, NEV market growth in Europe and the U.S. is 2–3 years behind earlier forecasts. For this reason, we have decided to put our anode binder production investment project in the U.S. on hold for the time being. Meanwhile, demand for ESS applications is growing rapidly, backed by subsidies.

In the Chinese market, which is the world's largest, the emergence of local Chinese manufacturers has led to fierce price competition. This has made the business environment that our battery materials business faces even more challenging, and the outlook remains uncertain.

Power storage system (conceptual image)

Given this environment, in our R&D efforts we are speeding up development of products that enable us to differentiate ourselves from competitors, with a focus on cathodes, anodes, and functional layer materials, and of materials suitable for use in new battery types such as solid-state batteries, with an eye to the future. At our production sites, expanding new facilities is an issue, focusing on local production in growth markets.

Strategies for achieving Phase 3 targets

In China, Zeon has entered into an agreement with local manufacturer Zhuhai Chenyu New Material Technology Co., Ltd. to set up a joint venture company for the manufacturing and sale of anode binder. The aim is to expand the anode binder business by making effective use of Zhuhai Chenyu's extensive local sales channels and Zeon's manufacturing technology.

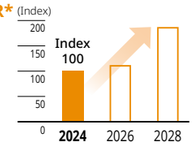
We will also be working to realize increased sales of AFL® and high-performance anode binders, which are the two products identified as key growth drivers for Phase 3 of the Medium-Term Business Plan.

AFL® (adhesive functional layer)

Zeon's AFL® is a material used to bond between electrodes and separators. By controlling the polymer structure, it has resolved the trade-off between resistance value and adhesive strength, which is important for meeting the demand for ever-higher performance. Customers have been very impressed by the new value that this high performance provides, and shipment volumes have grown steadily. We believe that there is potential for further sales growth.

Outlook for AFL®

Net sales CAGR* 17% (2024–2028)



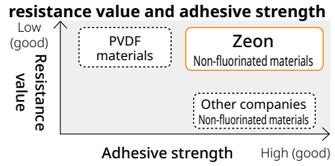
Competitive advantage & pricing strategy & service improvement & promotion enhancement
➡ Increase share

Target market CAGR
Asian EV market 14% (2024–2030)

* CAGR: Compound annual growth rate
Our estimate

■ Differentiating factors

Competitive advantage
Eliminated the trade-off between resistance value and adhesive strength



Barriers to entry
- Polymer design + fine particle structure control technology
- Specialized manufacturing equipment + two-site BCP
- Extensive patent network
- Strong brand presence as battery materials supplier

■ Plan

Production capacity
- Two-site supply system in Japan and Thailand

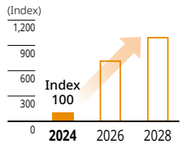
Sales plan
- Begin supplying multiple major battery manufacturers

High-performance anode binders

Like AFL®, this is a revolutionary new material that overcomes the trade-off between resistance value and adhesive strength. We are mainly targeting the U.S. market, and the product has already been adopted by leading battery manufacturers.

Outlook for high-performance anode binders

Net sales CAGR 79% (2024–2028)



Competitive advantage & pricing strategy & service improvement & promotion enhancement
➡ Increase share

Target market CAGR
U.S. EV market 35% (2024–2030)
U.S. ESS market 14% (2024–2028)

Our estimate

■ Differentiating factors

Competitive advantage
Eliminated the trade-off between resistance value and adhesive strength

Barriers to entry
- Polymer design + fine particle surface modification technology
- Specialized manufacturing equipment
- Extensive patent network
- Strong brand presence as battery materials supplier

■ Plan

Production capacity
- Expand production capacity in Japan
- Reconsider capital investment in North America

Sales plan
- Supply agreement with major U.S. battery manufacturer
- Expanding adoption for high-end batteries

Specialty plastics business (Cyclo Olefin Polymers)

Business description

Our uniquely developed Cyclo Olefin Polymers (COP) have outstanding optical and chemical properties and are widely used in various types of optical lenses as well as in the healthcare and biotechnology sectors under the product names ZEONEX® and ZEONOR®. It is highly processable and can be precision molded, and therefore is also used in the development and sale of molded products.

Current issues

In response to expansion of the markets for COP, COP molded products, and optical films, we plan to complete a new plant in the Shunan industrial complex in FY2028. We expect to increase production capacity from 41,600 tons per year currently by approximately 12,000 tons per year.

In the specialty plastics business, issues include steadily increasing sales by expanding adoption of specialty plastics for existing applications, developing new products, and accelerating molded product development.

Strategies for achieving Phase 3 targets

Resin sales

Semiconductor applications and healthcare applications have been positioned as growth drivers in Phase 3 of our Medium-Term Business Plan. We will be focusing on steady expansion of sales for these applications.

Optical applications

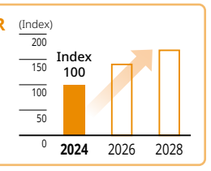
By taking advantage of its benefits, including high transparency, low levels of contamination by foreign matter, and good moldability, we will develop products that satisfy the requirements for various applications, such as smartphone camera lenses, in-vehicle lenses, security camera lenses, and VR lenses, while responding appropriately to market changes and promoting its establishment as the de facto standard.

Semiconductor applications

The product is used in semiconductor transport containers, where a high level of cleanliness is required. Providing levels of cleanliness, low water absorption, and heat-resistance that other materials cannot match, this product is exclusively used in advanced semiconductor production lines. With the continuing trend toward miniaturization of semiconductors, it is anticipated that use of this product will expand still further in the future.

Outlook for semiconductor applications

Net sales CAGR 17% (2024–2028)



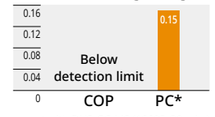
100% share for advanced semiconductors
➡ Grow alongside the high growth rate of the market

Target market CAGR
Overall semiconductor market 10% (2023–2030)

Source: Compiled by our company based on WSTS, Gartner, and SEMI Forecast 4Q 2023

■ Differentiating factors

Competitive advantage
Ultra-clean resin prevents contamination of contents
- Low outgassing
- Low impurity



Measurement with DHS-GC-MS (100℃, 30 min.)

Barriers to entry
- Track record of adoption by advanced semiconductor manufacturers (high cost of switching)
- High supply stability through multiple production sites
- Ultra-clean product manufacturing equipment

■ Plan

Production capacity
- New plant construction (operation start from H2 FY2028)

Sales plan
- Already adopted by multiple advanced semiconductor manufacturers (100% share)
- Adoption expansion due to advances in miniaturization

* PC: Polycarbonate

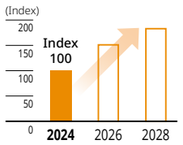
Healthcare applications

Biopharmaceuticals (protein preparations) are seeing marked growth and demand expansion, and needs for stable packaging container materials that do not affect the pharmaceutical agents are rising. Zeon's COP (ZEONEX® and ZEONOR®) meet these needs due to their low protein absorption and low impurity elution properties. With the trend away from glass syringes toward plastic syringes, the industry is coming to appreciate the high performance that ZEONEX® and ZEONOR® provide, after our years of promotion, and we are aiming to increase our market share in this segment. Our close collaboration with pharmaceuticals companies and packaging material companies gives us a strong pipeline for our products, and we are focusing on the expanding biopharmaceutical field.

Outlook for healthcare applications

Net sales CAGR

18%
(2024–2028)



Competitive advantage & pricing strategy & service improvement & promotion enhancement
➡ **Increase share**

Target market CAGR

Plastic prefilled syringe market
15%
(2024–2030)

Source: From MarketsandMarkets Prefilled Syringes Market

■ Differentiating factors

Competitive advantage

Differentiation from other resins (polypropylene, etc.)

- Chemical resistance
- Storage stability
- High transparency
- Low absorption (proteins/nucleic acids)
- Low impurities (low elution)

Barriers to entry

- Long-term adoption track record (high cost of switching)
- High supply stability through multiple production lines
- Ultra-clean product manufacturing equipment

■ Plan

Production capacity

- New plant construction (operation start from H2 FY2028)

Sales plan

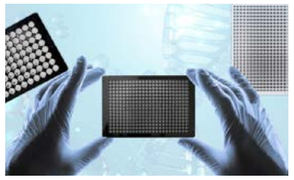
- Enhance the pipeline through collaboration with pharmaceutical companies and packaging material companies
- Focus on the expanding biopharmaceutical field

Development and sale of COP molded products

Microplates

We plan to expand business through two applications: bioassays and cell culturing. Our microplates feature low auto-fluorescence, which enhances analytical precision. In Phase 3 of our Medium-Term Business Plan, the cell culture plate application for microplates has been positioned as a next-phase growth driver. Currently, polystyrene is the main material for cell culture plates used in new drug development. However, there is a problem with luminescence from the styrene when observing cells, which negatively impacts the precision of cell observation. It can be anticipated that, in the future, there will be a need for greater precision in cell observation to speed up new drug development, and that there will be rapid transition toward the use of Cyclo Olefin Polymers (COP), which provide a solution to the problems affecting polystyrene. Zeon also enjoys competitive advantage from its proprietary specialized culturing process technology.

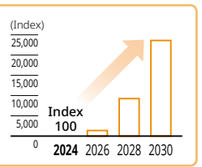
We expect that demand will grow rapidly toward 2030, and will establish a supply system to meet this demand.



Outlook for cell culture plate applications

Net sales CAGR

149%
(2024–2030)



Competitive advantage & pricing strategy & service improvement & promotion enhancement
➡ **Capture market share from PS plates**

Target market CAGR

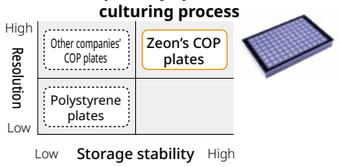
Cell culture plate market
9% (2024–2030) **15 billion yen** (2030)

Source: Compiled by our company based on the Business Research Company's data

■ Differentiating factors

Competitive advantage

Proprietary specialized culturing process



Barriers to entry

- Vertically integrated business model from COP raw materials to molded products
- Adoption of in-house COP optical films
- Product development tailored to customer needs
- Extensive patent network

■ Plan

Production capacity

- Two-site supply system in Japan and the U.S. 500,000/year—Japan 400,000/year—U.S. (OEM)

Sales plan

- Expand adoption among major pharmaceutical companies in Europe and the U.S.

* COP: Cyclo Olefin Polymers

Microfluidic chips

Drug discovery and development is shifting from observing the state of cells to DNA analysis on the single cell level. As single-cell analysis becomes the mainstream method, it is expected that large volumes of chips will be used as high-precision cell separation devices. Demand for high-precision microfluidic chips is strong in the U.S. In collaboration with our Group company Edge Precision Manufacturing Inc., we are building a system to meet the wide-ranging needs of diverse customers, by making effective use of the cutting machining, thermal compression molding, and injection molding capabilities of our Japanese and U.S. production sites to handle all processes from prototype production to mass production.

Specialty components business (optical films)

Business description

ZeonorFilm® optical films made from COP that we process in-house are used as functional materials in large flatscreen TVs and displays for many other devices such as smartphones and tablets. Our sheet extrusion process, a world-first film processing technology, upended conventional wisdom with its high quality and reduced environmental impact. In addition, we possess world-first processing technologies, such as sequential biaxial stretching and diagonal stretching, establishing a solid position for the company in the optical film field.

Current issues

LCD televisions have entered a maturity phase in terms of the number of units produced, but as screen sizes become ever larger, the market will continue to grow on a screen area basis, and we expect demand for sequential biaxial stretched films to continue growing in the future.

Responding to the growing demand, in 2023 we expanded the large-sized film production line at our Tsuruga Plant. However, the increase in demand has continued to accelerate, and so we decided to boost the annual production capacity of our Himi Futagami Plant by 45 million m^2. The new production line is scheduled to begin operation in 2027.

Our COP recycling plant, which was completed and began operation in 2024, will help to reduce CO_2 emissions by supplying recycled COP with the same performance as conventional COP, and we are proceeding with efforts to begin supplying it to customers as rapidly as possible.

Strategies for achieving Phase 3 targets

Optical film is positioned as one of the growth drivers for Phase 3 of our Medium-Term Business Plan.

For large-sized films (sequential biaxial stretched films), we will be making effective use of our market-leading supply capacity, striving to maintain market share and boost sales in the 55-inch and larger segment.

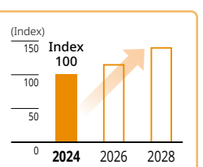
In the 55-inch and smaller segment, we will be ramping up production of new products that provide superior cost performance, and aiming to expand our market share.

We will share our medium- and long-term demand forecasts and supply planning with major panel manufacturers to build consensus with them.

Outlook for large-size films

Net sales CAGR

9%
(2024–2028)



55 inches and smaller: Launch new products for screens
55 inches and above: Market-leading manufacturing capacity

Target market CAGR

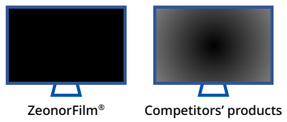
TV shipment area for 55 inches and above
7%
(2024–2028)

Source: Compiled by our company based on materials from the OMDIA January 2025 forum

■ Differentiating factors

Competitive advantage

Stable TV image quality



Barriers to entry

- Integrated production from resin
- Diverse film production technologies
- High supply stability through multiple production sites

■ Plan

Production capacity

- FY2027 capacity expansion investment
  Production facility: Himi Futagami Plant
  Production capacity: 45 million m^2 per year (one of the world's widest)

Sales plan

- Align with major LCD panel manufacturers on medium- to long-term demand and supply plans (agreement)

At the same time, we are searching for future growth drivers by focusing on new product development that leverage the low moisture absorption, thin film, and advanced optical properties of ZeonorFilm®, not limited to display applications.

Specialty materials business (specialty chemicals and electronic materials)

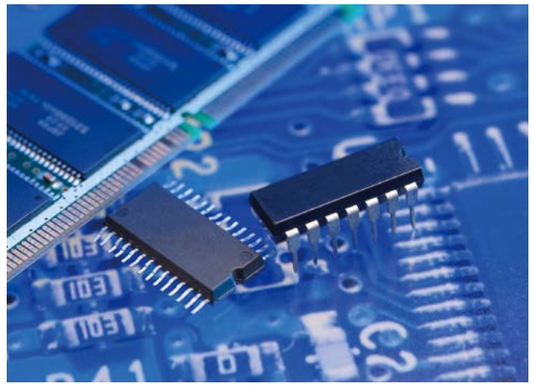
Business description

We offer a variety of products made from C_5 fraction derivatives. These include synthetic aroma chemicals and specialty solvents as well as photo resists, electron beam resists, etching gases, and chemicals in the electronic materials field covering the semiconductor market.

By taking advantage of the strong global brand power of our synthetic aroma chemicals based on their stable high quality and stable supplies, we are developing fragrance and flavor applications, where demand is expected to grow with the global economy.

Specialty solvents are solvents with a five-member ring as the basic structure. Their key feature is low environmental impact. Specialty solvents are used as cleaning agents for electrical and electronic components and as coating solvents for electronic and printing materials.

In the electronic materials sector, we are offering products that leverage original Zeon polymer technology for the semiconductor market, where miniaturization will continue to advance.



Current issues

As for synthetic aroma chemicals, demand for the mainstream green notes is lackluster, and market prices remain depressed; these unstable market conditions are expected to continue for the time being.

At the same time, demand for specialty solvents is expected to grow particularly for semiconductor applications. However, with semiconductor circuit line width getting smaller, there is a need for greater cleanliness that can contribute toward reduced risk of defects.

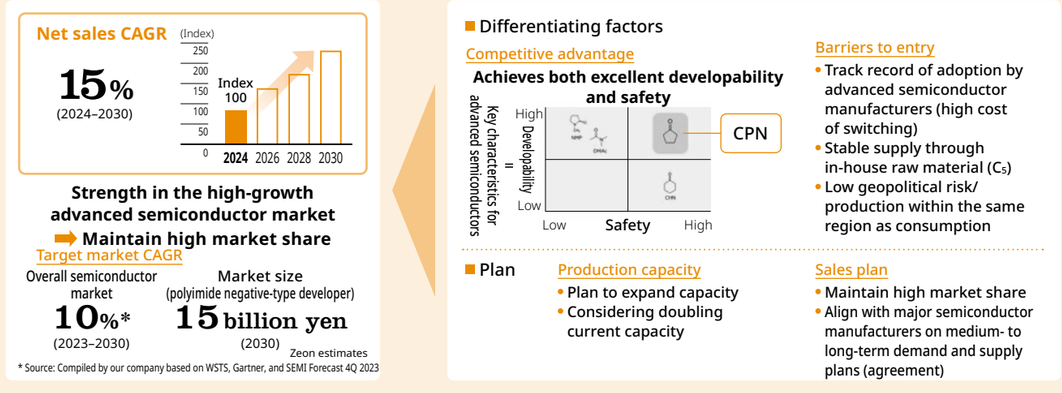
Strategies for achieving Phase 3 targets

In Phase 3 of our Medium-Term Business Plan, we have positioned the polyimide photoresist developer application for cyclopentanone (CPN) and the pharmaceutical synthetic solvents application for cyclopentyl methyl ether (CPME) as next-phase growth drivers for which we anticipate strong growth over the period from now to FY2030. We will also be continuing with our efforts to increase sales of thermal interface materials.

CPN (polyimide photoresist developer applications)

CPN is a polyimide photoresist developer used for insulating film in semiconductor packaging. With the trend toward semiconductor miniaturization in recent years, the performance requirements for polyimide and photoresist developer have become increasingly rigorous, and demand for CPN, which provides both high developability and high safety, has increased. Given that demand for polyimide has been rising steadily, we anticipate that there will also be a steady increase in demand for CPN for the photoresist developer application. Going forward, we will continue to share medium- and long-term demand and supply planning with leading semiconductor manufacturers, and work to expand sales.

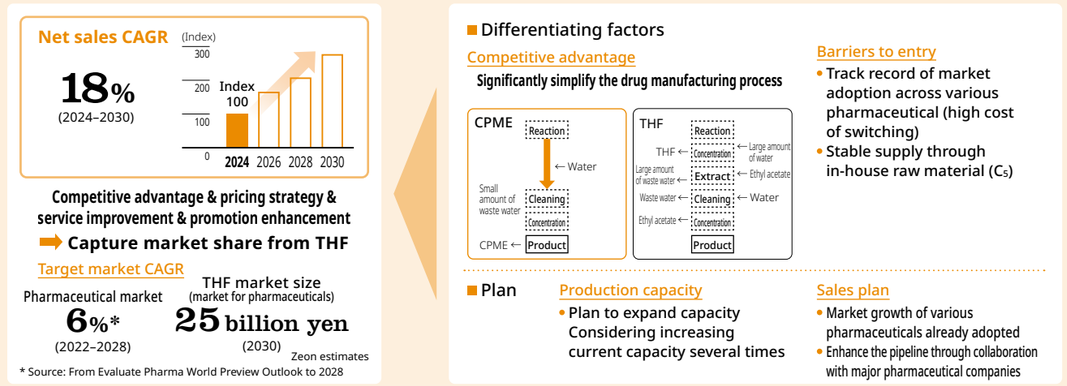
Outlook for CPN (polyimide photoresist developer applications)



CPME (pharmaceutical synthetic solvents applications)

In the past, tetrahydrofuran (THF) has been used as a solvent for pharmaceuticals product synthesis. However, the use of THF in pharmaceuticals manufacturing requires large amounts of water and energy. By contrast, using CPME shortens the production processes, and dramatically reduces the use of water and energy. Pharmaceuticals companies are now becoming aware of the utility of CPME, and it has started to be utilized extensively in the new drug development pipeline. With a substantial increase in demand expected, we are also considering increasing our production capacity in the future.

Outlook for CPME (pharmaceutical synthetic solvents applications)



Single-walled carbon nanotubes (CNT) business

Business description

Carbon nanotubes (CNT) are a material invented in Japan that is expected to have a wide range of applications because of their light weight, high strength, and good electrical and thermal conductivity.

ZEONANO® carbon nanotube products created by Zeon are single-walled carbon nanotubes (single-walled CNT) produced using the Super Growth Method, a breakthrough synthesis technique discovered by the National Institute of Advanced Industrial Science and Technology. By leveraging their excellent properties including large specific surface area, long length, and high purity, we will expand their application in a wide range of fields including energy and electronics.

Current issues

We are working to address the various issues that have arisen as we develop diverse applications that take advantage of the properties of ZEONANO®. Although it has taken longer than originally planned to get things on track, we have finally realized steady sales performance. As we anticipate a significant further increase in demand in the future, we are working to put the necessary supply system in place, and aiming to contribute to and expand our business performance at an early stage.

Strategies for achieving Phase 3 targets

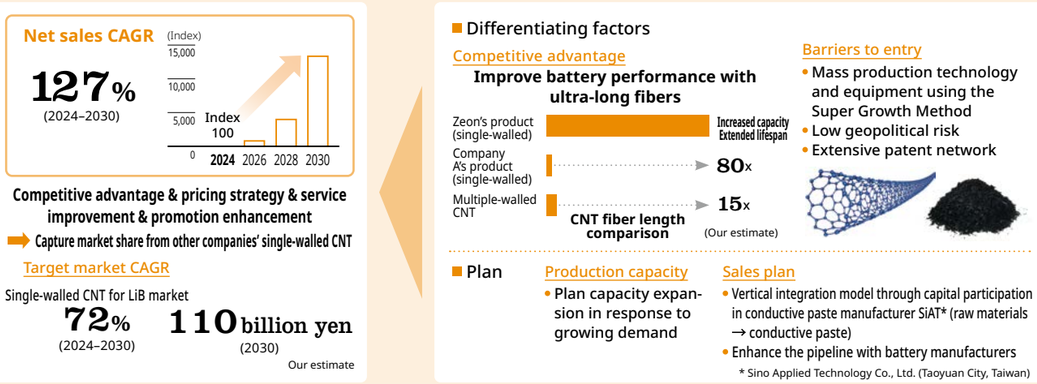
Single-walled CNT for use in lithium-ion batteries are positioned as a next-phase growth driver in Phase 3 of the Medium-Term Business Plan.

Sino Applied Technology (SiAT), a Taiwanese paste manufacturer with more than 20 years of experience in developing nano-materials for batteries, has shown that conductive paste which uses ZEONANO® provides much better battery performance than conventional conductive materials. Zeon holds an equity stake in SiAT, and we have initiated a collaborative partnership with SiAT that will realize a vertically integrated model covering every stage from CNT raw materials to conductive paste.

In line with this initiative, we are considering plans to increase our production capacity for the raw material, which is single-walled CNT.

In addition to manufacturing and selling single-walled CNT-related products, we are also working to ensure social acceptance of CNTs by evaluating product safety and biodegradability and disclosing this information.

Outlook for single-walled CNT (for lithium-ion batteries)



Zeon Corporation's single-walled carbon nanotube safety initiatives

Zeon Corporation is implementing various initiatives to ensure that its single-walled CNT can be used with peace of mind.

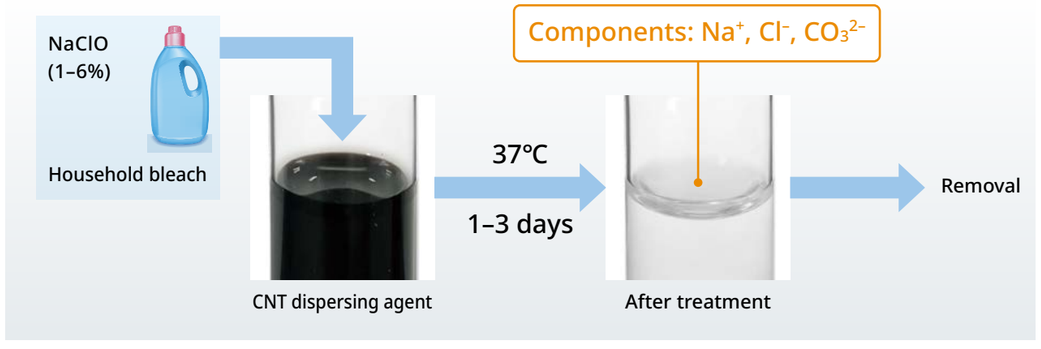
In response to the concerns regarding the health impact of single-walled CNT, Zeon has collaborated with Japan's National Institute of Advanced Industrial Science and Technology (AIST) to explore how single-walled CNT behaves inside the human body, confirming that any CNT taken into the body is broken down and excreted.

We are also collaborating with public research institutes and universities, both within and outside Japan, to develop technologies for the managed and safe use of single-walled CNT.

In our collaboration with AIST, we have developed a single-walled CNT decomposition method that makes use of sodium hypochlorite (Fig. 1). We are currently supporting activities aimed at making this decomposition method the international standard for the management of single-walled CNT. In addition, working with Nagoya University, we have discovered a method for realizing single-walled CNT decomposition through a continuous Fenton reaction using soil bacteria. We are also proceeding with research, in collaboration with Portugal's International Iberian Nanotechnology Laboratory, to develop a decomposition method that uses a photo-Fenton reaction.

Zeon Corporation will be working actively to disseminate the effective management techniques and scientific data obtained through these collaborative research projects. Zeon's products in this segment have already been registered with the Europe's REACH chemical substances management framework and with the U.S. Toxic Substances Control Act (TSCA). In addition, Zeon submits up-to-date information to the nano-material data collection and dissemination program established by Japan's Ministry of Economy, Trade and Industry (METI) on an annual basis.

Fig. 1 Schematic diagram showing CNT decomposition using sodium hypochlorite



Chemicals business

Business description

In the chemicals business, we will develop business with a focus on petroleum resins and thermoplastic elastomer, which are made from C_5 fractions. These materials are primarily used in adhesive tapes, adhesive labels, and adhesives. We can make maximum use of components such as isoprene and piperylene refined from C_5 fractions, and as a result, this business serves as the foundation of Zeon's comprehensive use of C_5 fractions.

Current issues

The global adhesive tape market is returning to normal, after experiencing issues with excessively high inventory levels in the immediate aftermath of the COVID-19 epidemic. However, the market environment for both petroleum resin and thermoplastic elastomers remains challenging because of over-capacity related to competition from Chinese manufacturers.

Various monomers are refined in certain ratios from the C_5 fraction, as shown in the figure below. Of these, isoprene and piperylene are always produced as byproducts for obtaining the raw materials for high-profit products such as Cyclo Olefin Polymers (COP) and synthetic aroma chemicals. The C_5 business is based on polymerizing these monomers to sell products such as petroleum resins and thermoplastic elastomers. Furthermore, the more production volumes increase, the more the fixed costs per unit decrease, and this structure makes it possible to similarly reduce manufacturing costs for high-profit products which are produced in conjunction with this process.

Measures for increasing ROIC

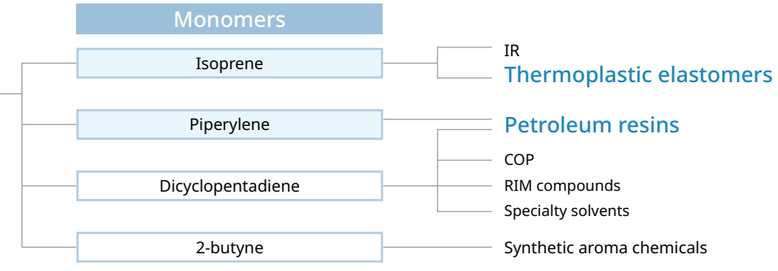
While the intense competition in this sector is expected to continue in the near future, going forward, the chemicals business will continue to maintain stable production and supply, playing an important role in supporting Zeon's C_5 business in terms of raw material balance.

Our strategy is to maximize net operating profit after tax (NOPAT) by focusing on the regions where it will be easier to demonstrate our competitive superiority in terms of customs and customer relations, while controlling personnel and R&D expenses and minimizing capital investment.

For many years, the chemicals business was under the Elastomers and Chemicals Business Headquarters, but an organizational restructuring was implemented in June 2025. We have established a new system whereby the Specialty Business Headquarters will handle all aspects of C_5 business, so as to realize coordinated use of the various monomers obtained from C_5 fractions, and maximize the profitability of the C_5 business as a whole. To speed up management decision-making and execution, and maximize profits throughout the C_5 business, the chemicals business is being integrated with the Specialty Materials Division, which handles specialty chemicals and electronics materials, and will carry out its business activities under the Specialty Materials Business.

In addition, responsibility for the polymerized toner used in printers and multifunction office copiers has been transferred from the chemical business to the Elastomers Division.

GPI Mizushima Plant



Research & Development

Our Research & Development Center is responsible for undertaking the Zeon Group's research and development activities. It implements R&D to realize the goal of "Providing unique value through innovation," which forms part of Zeon's materiality.

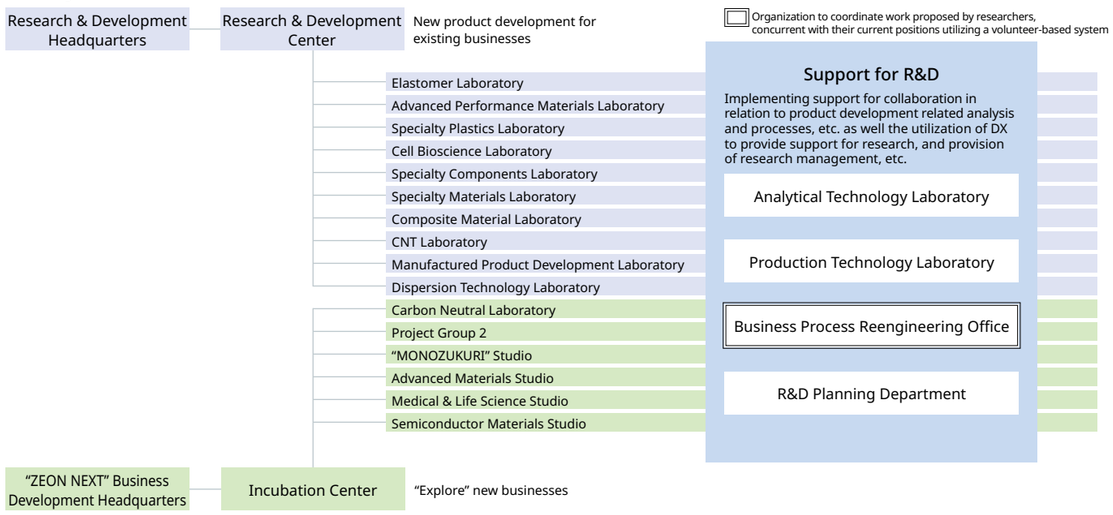
Aiming to continue creating innovative products and services

In order to realize our corporate philosophy of "Contributing to the preservation of the Earth and the prosperity of the human race," the R&D Headquarters mission is to provide, without interruption, innovative products and services that make a positive contribution toward a "Sustainable Earth" and a "Safe and Comfortable Life for People." The R&D strategy that we are following to achieve this goal can be explained in terms of four aspects.

1. Key R&D fields: We have identified four growth areas where Zeon can effectively exercise its strengths to help achieve the SDGs: mobility, medical and life sciences, information and communications, and green transformation (GX). We focus our efforts on these areas.
2. Organizational structure: To accelerate the generation of new R&D themes in key fields, we have reorganized our original "one headquarters and one center" structure to a new "two headquarters and two centers" structure. The "ZEON NEXT" Business Development Headquarters responsible for new business exploration, and the Incubation Center which provides associated R&D functions, have been separated from the original headquarters and center. With this restructuring, our aim is to concentrate on R&D in the four growth areas, by responding to the need for intensification of new product development, expansion of the scope of research fields, and reducing the time needed for R&D, with a clarification of functions and roles from the perspective of business deepening and exploration. These new organizations have full-time researchers assigned to them, as well as having researchers from multiple different laboratories assigned to them concurrently with the researchers' regular positions; all of these researchers are working collaboratively to explore and research new themes in the four growth areas. Researchers with diverse backgrounds are collaborating across organizational boundaries to generate innovative new products and services.
3. Promotion methods: The process by which a research theme progresses toward social implementation contains multiple steps, from the initial idea, through proof of concept (PoC), prototype creation, and evaluation by the customer, to final implementation. For the initial stage, we have created an environment where researchers are free to come up with new ideas that they feel are interesting, to stimulate their creativity. By clarifying the necessary management items in line with the progress made in the research, we can guide research on high-quality themes toward speedy social implementation.
4. Effective utilization of human resources: The key element in new product development and the generation of new value is people; organizations and frameworks are the measures through which researchers can fulfill their potential in a self-directed manner while remaining excited about their research themes. With this in mind, we are expanding opportunities for personal growth by implementing a "double-track career path" system. This system enables employees to choose between management roles and research specialist roles. We also have a system for the in-house posting of members with concurrent positions that make it easier to take on the challenge of tackling new research fields. Our framework for researchers to share messages of appreciation and congratulation helps to invigorate communications between researchers.

By implementing these initiatives flexibly, we are promoting the digital transformation (DX) of R&D. Besides making the R&D process more efficient, we are also generating new business opportunities through the digitalization of valuable information and insights that have been accumulated in the past. By honing a system that combines respect for researchers' ability to generate new ideas independently with frameworks to support this process, we will continue to be an organization that provides an unbroken stream of innovative new products and services in the future.

R&D system and collaboration structure



Working hypotheses in developing new products

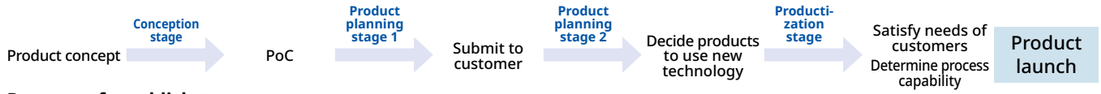
We use the Stage-Gate Method and the Quick-Start, Quick-Stop Model (creating many new business seeds and discarding the ones that don't work) for new product development. Currently, the Stage-Gate Method comprises four stages: the conception stage, product planning stage 1, product planning stage 2, and the commercialization stage. By clarifying the requirements that must be met in order to move on to the next stage, we are aiming to make R&D more efficient, and prevent errors and omissions. With regard to progress management, we identify any issues or obstacles by holding regular meetings with researchers, and we support researchers by providing appropriate advice as needed. Going forward, we will continue to adjust and improve this framework on an ongoing basis to make it easier for researchers to carry out their work, and to enhance the quality of research and the likelihood of success.

New product development Stage-Gate

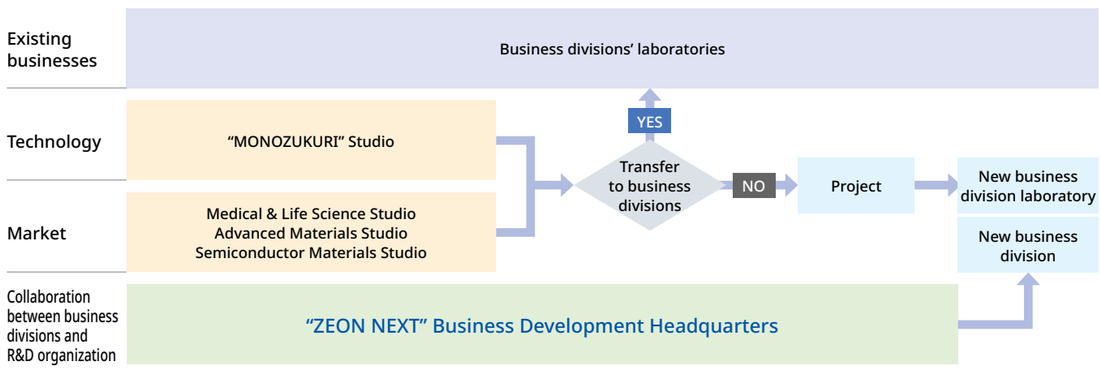
	Stage	Motivation	Activity	Requirements to proceed to next stage
Ideation	Conception stage	Interesting, if achievable	Inductive reasoning experiment	Proof of concept (PoC)
Incubation	Product planning stage 1	Goal: customer takes notice of our products	Secure samples Feasibility check Basic patent application	Submit to customer
	Product planning stage 2	Goal: customer decides which product(s) to use	Communicate with customers (product planning)	Determine products to be utilized by customer Determine schedule
Scaling	Productization stage	Goal: satisfy all customer needs Goal: produce products stably and make profits	Communicate with customers (product design) Verify process capability Verify cost	Satisfy needs of customers Complete design guidelines Determine process capability Ensure profitability

Ideation (conception stage) is a particularly important stage in new product development. As a strategy to strengthen our operations at this stage, we have established cross-unit Studios that are focused on technology and on markets in the four growth areas, and where full-time and concurrent staff can work together on research. By liaising with the marketing function of the "ZEON NEXT" Business Development Headquarters, they are able to precisely identify market needs and provide feedback on research themes, thereby enhancing the quality of research and increasing the likelihood of success. As a result, in FY2024, while maintaining the number of conception themes and stage transfer themes at roughly the same level as in the previous year, the number of research themes for which research was completed rose compared to the previous year. Looking ahead, by implementing continuous improvement of this framework, we are aiming to generate a large number of high-quality research themes and realize further growth.

Strengthening of ideation (conception stage)



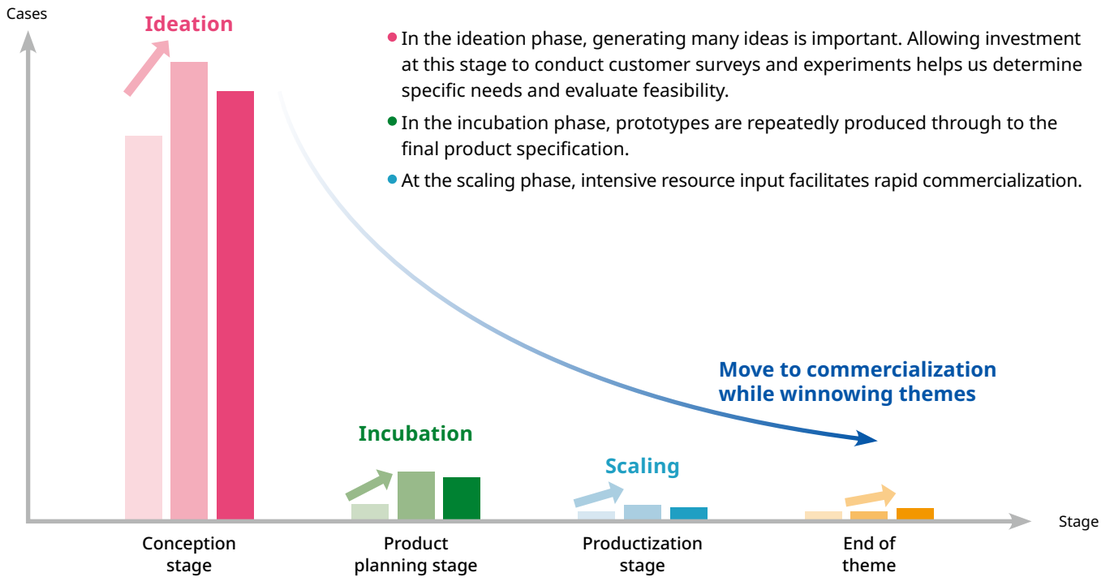
Purpose of establishment



Research & Development

Stage-Gate Quick-Start, Quick-Stop Model

FY2022 FY2023 FY2024

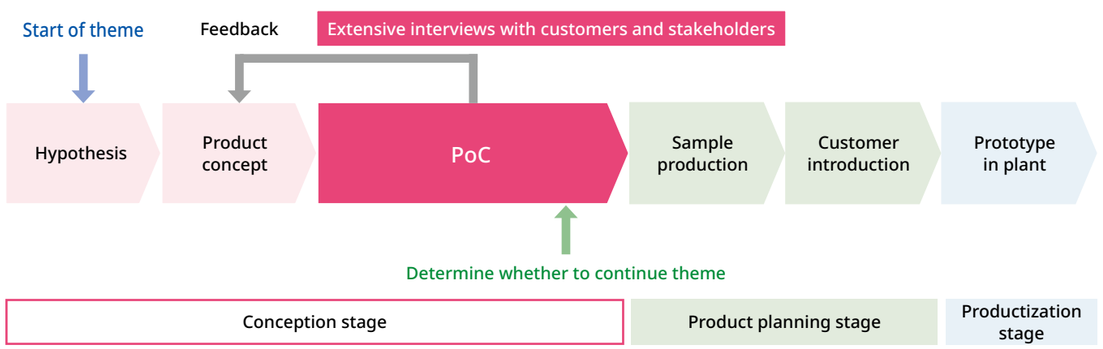


- In the ideation phase, generating many ideas is important. Allowing investment at this stage to conduct customer surveys and experiments helps us determine specific needs and evaluate feasibility.
- In the incubation phase, prototypes are repeatedly produced through to the final product specification.
- At the scaling phase, intensive resource input facilitates rapid commercialization.

Efforts to enhance development accuracy in new business domains

In the past, new product development has involved first formulating the initial concept, then producing samples, and submitting them for customer evaluation, after which improvements are made before reevaluation; after implementing PoC through this cycle, in the final stage a product that fully meets the customer's needs is adopted. However, with this system, product development tends to take a long while, and there can be problems with a lack of accuracy. To address this issue, we have adopted a new framework, whereby samples are not produced until after the business concept has already been verified by holding meetings with numerous customers and other related parties starting from the conception stage. With this approach, the product concept can be adjusted flexibly, which can be expected to lead to increased product value, reduced development time, and greater accuracy right through to product launch. Looking ahead, rather than remaining content with existing frameworks, we will continue striving to build systems that facilitate more efficient, creative R&D, while also stimulating a sense of excitement in researchers.

Enhancing new product development accuracy in new business domains



Research and Development Examples

Launching of new cell culture microplate products

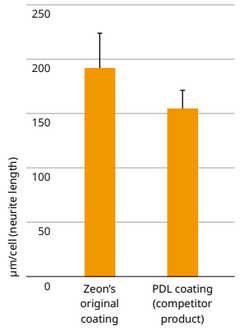
By combining Cyclo Olefin Polymer (COP) with Zeon's proprietary coating material, we have succeeded in developing CELLAZIP™, a new microplate product that is ideal for use in cell culture. COP has several special properties, including low autofluorescence, high light transmittance, low biomolecule adsorption and low levels of impurities, which have led to it being widely adopted as a material for use in biochemical analysis, e.g., in biomedicine containers, analysis devices and microplates. Zeon's newly-developed cell culture microplates are extremely convenient to use, for example in terms of storage conditions, and another important feature that they offer is stable quality. Following on from Zeon's acquisition of U.S. company Aurora Microplate in 2022, this product represents a new addition to Aurora Microplate's brand line-up.

Special features

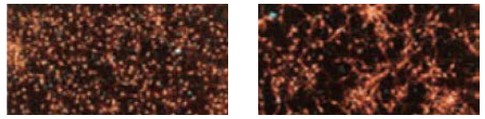
1. Quality stability: Minimal lot-to-lot variation, with uniform surface condition maintained by application of proprietary coating material
2. Excellent shelf life: Can be stored at room temperature for up to one year
3. Improved convenience: Can be used immediately with little or no need for any coating

Tends to elongate neurites further than Poly-D-Lysine (PDL) coating

Comparison of neurite length



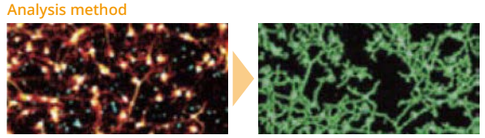
MAP2-stained image



Zeon's original coating

PDL coating (competitor product)

Analysis method



MAP2-stained cells were photographed with an image cytometer and quantified using analytical software

Establishment of new research facility to develop plant-based production processes for synthetic rubber raw materials

We have constructed a new research facility on the premises of Zeon Chemicals Yonezawa Co., Ltd. to develop production processes for plant-derived raw materials. This facility will accelerate the development of biotechnology to produce butadiene and isoprene directly, which are key components of synthetic rubber, from plant-derived materials, with the goal of contributing to the realization of a circular economy.

One aspect of Zeon's materiality is "Contributing to establishing a circular society." In our Medium-Term Business Plan: STAGE30, we have set ourselves the target of reducing the Group's CO_2 emissions by at least 42% by FY2030, compared to the level of emissions in FY2020. By establishing this integrated research facility, which enables the simultaneous development of both chemical reaction and biofermentation processes, we aim to promote *monozukuri* with a focus on the conversion of raw materials toward the realization of a sustainable society.

New research facility

30L cultivation tank

Intellectual Property Strategy

We are working to steer the company in a more favorable direction by contributing to our materiality through invention and intellectual property (IP) utilization.

IP initiatives

Of Five gears that drive Zeon (materiality), our IP strategy primarily contributes to "providing unique value through innovation" and "transforming business structure to respond to social changes." More specifically, the former is connected to enhancing value creation from our businesses through traditional IP activities, while the latter relates to exploring new businesses through IP landscape analysis and to business sustainability evaluation in terms of SDGs Contribution Product evaluation items.

The Group has established patent coordinators who assist division managers in promoting IP activities, guided by IP thinking that is closely tied to the business. Through the patent coordinators, the Intellectual Property Department can work closely with each laboratory, integrating our business, research, and IP strategies, which creates a system for pursuing IP to assist our business activities.

We utilize an IP perspective to identify the strengths of new products developed through our technology platforms, which are built on Zeon's innovative technologies. We focus on proactive IP activities that contribute to the business and enhance corporate value.

Our IP strategy has three main components—the creation, protection, and utilization of IP; forward-looking utilization of IP information through IP landscape analysis; and the development of an IP mindset—and we take these as the foundation for implementing our IP activities.

Creation, protection, and utilization of IP

We constantly develop new ideas and technologies through R&D, and acquire patents, design rights, and trademarks, and know-how—IP that allows us to maintain and improve our competitive advantages. The IP born from our R&D investments is a vital management resource. It is the cornerstone upon which we establish future business advantages.

As we acquire rights for the IP generated, we assess its importance. This process is complemented by environmental analyses that consider market and competitor information, enabling us to formulate strategies and build an appropriate IP portfolio.

As a company that primarily handles materials, we partner with other companies under many different circumstances. To prevent issues related to IP allocation and other outcomes in these joint ventures, our Intellectual Property Department is involved from the early stages of contract review, and we have established a system to ensure that there is no negative impact on our development and business plans.

In our IP activities, we take a firm stance against rights infringement by third parties. We respond as appropriate in each situation, which may involve issuing an infringement notice, or granting a license, etc. Concerning counterfeit products in emerging markets, for example, we are working with government authorities and e-commerce site operators to better monitor and crack down on counterfeits, and are implementing brand management to ensure that neither our customers nor society suffers any harm.

We are building up a strong IP portfolio through our efforts to create and protect IP, as outlined above. By appropriately utilizing the exclusive rights of each item of industrial property, we maintain control over the market environment in ways that benefit the company, ensuring that IP effectively supports our business activities.

Forward-looking utilization of IP information through IP landscape analysis

In April 2021, a survey group was established within the Intellectual Property Department to explore business opportunities through IP landscape analysis. It was renamed the IP Landscape Group (IPL Group) in February 2023.

The IPL Group uses patent analysis tools to efficiently and exhaustively analyze big data patent information, accurately and quickly identifying signs of shifting markets and demands, social issues, and technological trends. These activities aim to develop ideas that will lead to *monozukuri* that can solve social issues and make an ongoing contribution to a sustainable world. With a business opportunity exploration mission added to the IPL Group, the Intellectual Property Department is now able to work upstream on exploration, complementing downstream efforts on new product development, thereby supporting both new product development and new business creation.

Development of an IP mindset

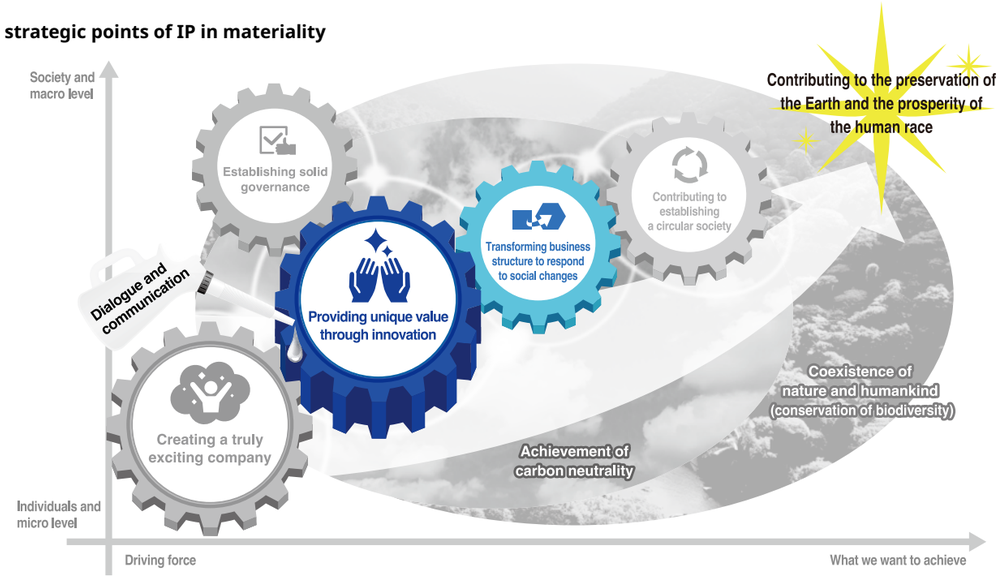
Recognizing that IP is the key to strengthening our corporate competitiveness, we are promoting measures to instill an IP mindset among all employees. We are implementing three main initiatives in this area: Conducting IP-related training, sharing information about IP, and introducing a system for evaluating IP activities. Taking these as the foundation, we are bringing together our individual business divisions and laboratories with the Intellectual Property Department to facilitate daily communication and ensure consistent language across all levels of management.

Our education and training programs on IP are designed primarily for researchers who may become inventors. These programs encourage researchers not only to be aware of potential inventions in their R&D work, not only in producing inventions themselves, but also in ensuring that they respect the IP of others as they interact with or investigate various types of information. The goal is to help researchers understand the role of IP in our business and R&D activities. Since it is often difficult to judge the potential of an invention at the time it is made, we are also working to create an environment that makes it easy for employees to propose ideas, casting a wide net to collect the seeds of potential IP.

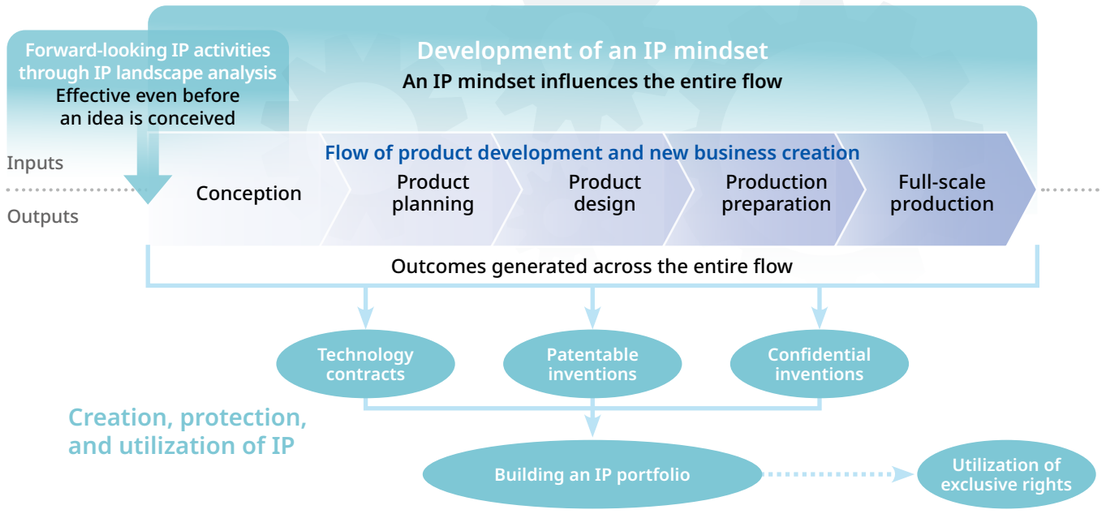
To share information about IP, we use patent maps and other visual tools in activities to promote shared understanding. It is also essential to ensure that everyone uses a common language to smoothly talk about IP, so we promote shared terminology to align employees with the company's overall direction.

Our IP activity evaluation system assesses our position using both publicly disclosed third-party evaluation metrics and internally calculable metrics. Patent information has a time lag of approximately 18 months from patent filing to publication, which can create a skewed perception that Zeon's most recent information appear to have an advantage. We implement a strategy that uses objective data to adjust for this time lag and reduce bias, enabling more accurate and fair assessments.

Two strategic points of IP in materiality



Contribution of IP to new product development and new business creation



Production Strategy

Streamline goods and information to enhance the value of products and people

The Production and Engineering Technology Headquarters has implemented various measures in the pursuit of safe and stable plants. We also take action on a daily basis to create safe and stable plants that provide sense of security in order to achieve carbon neutrality. We also believe that a plant that is safe and stable and provides peace of mind is a plant that customers will see as providing products that are environmentally friendly and can always be used with confidence. We adopt production innovations to respond to the needs of all stakeholders and create sustainable plants that facilitate work by each employee and help employees achieve their full potential.

Main initiatives and organizational structure

By implementing the three measures indicated below, we are contributing to reducing environmental burdens and the realization of a sustainable society while enhancing corporate competitiveness. We will continue implementing reforms and improvements and will seek sustainable growth.

1. **Achieve safe, stable, and reassuring production and transform into sustainable production.**
2. **Raise productivity and optimize construction and facility expenses to contribute to improved ROIC.**
3. **Transform work practices and enhance labor productivity.**

As a central organization that supports the company's competitiveness, the Production and Engineering Technology Headquarters performs diverse roles. We contribute to sustainable growth through the stable supply of products, high-quality management, efficient production processes, consideration for the environment and safety, creation of sustainable supply chains, and implementation of production innovation.

Production innovation initiatives

To reinforce production sites, we began introducing the Daicel Production Innovation Method in 2006 and established an Integrated Production Center (IPC) as a base for that introduction at the Mizushima Plant. Since then, we have taken action to comprehensively stabilize work sites, improve workloads, and formalize and standardize accumulated operational know-how and so on, creating an intelligent production system.

We established an IPC at the Takaoka Plant in 2022, reinforcing our production innovation initiatives. In conjunction with these initiatives, we established Monozukuri Training Centers at Setouchi and Hokuriku to achieve comprehensive worksite training including skills transfer and safety education, and numerous employees from different Group production sites have undergone training.

Creation of "smart factories" to simultaneously improve plant efficiency and realize work style reforms

At Zeon, we have been working to make our plants "smarter" since 2020. The creation of smart factories enables further production innovations and transformation of work tasks by increasing opportunities to realize improvements through the leveraging of digital technologies. Smart factories make it possible to optimize and streamline production while maintaining product quality, and also enable us to create an enabling and rewarding work environment for employees.

Our vision for smart factories is not simply an extension of current conditions, and we have also considered changes in the external environment and conducted repeated discussions with the aim of creating a concept for ideal plants in the future. We have positioned the ideal of the smart factories as a spiral, as shown in the figure, that uses digital technologies to generate free time and then uses that time for education and so on to develop high-quality human resources, thereby leading to further improvements. Here, we introduce some examples of specific initiatives for creating smart factories.

Vision for smart factories

Smart factories
(Optimizing and streamlining production; what machines can do being done by machines)

- Optimal automated plant operations
- Elimination of shift work (work style reforms)
- Guaranteeing production volumes without trials
- Vertical start-up without prototyping
- Detection and elimination of dangerous situations
- Automation of work
- Elimination of sudden equipment failures/ optimization of repair costs
- Remote assistance

Surplus time

Further improvements

Nurturing high quality personnel
(Living up to the aspirations of employees)

- Enhancing autonomous improvement capabilities
- Enhancing logical thinking capabilities through improvements
- Improving understanding of basic rules and principles
- Improving facility maintenance capabilities
- Improving response capabilities (safety) in the event of abnormalities
- Improving response capabilities in the event of emergencies

Examples of initiatives

Mechanisms for achieving both safety and quality (autonomous production system)

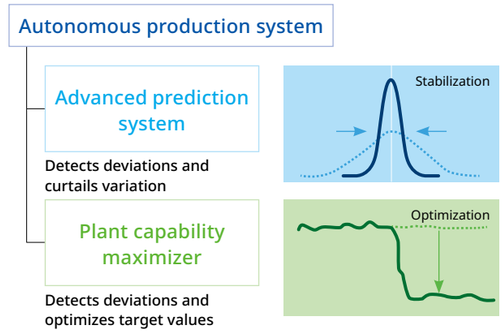
As part of our adoption and utilization of an intelligent production system*1, we have formalized the know-how of veteran operators, putting in place a framework to support younger operators so that they can perform their work safely and consistently.

To advance this even further, we are investigating the introduction of an autonomous production system*2 that will make high-level forecasts and predictions on factors that can lead to quality changes, and based on those forecasts and predictions, support operations with optimized quality and costs by integrating the accumulated know-how with various data science.

Starting from FY2024, we began performing verification testing of data analysis and quantitative effects at several plants in Japan, integrating actual know-how and operational data. The verification results included the identification of several previously unknown factors (features) that affect quality, and we were also able to verify the potential for early detection of abnormal behavior, thereby demonstrating the potential for improvement.

These initiatives are being developed in-house. The insights gained are continuously fed back into our accumulated know-how data, contributing to the ongoing enhancement of our operations.

* 1, 2 Daicel Production Innovation Method



Work style reform (using 360-degree imaging of production sites)

Using 360-degree imaging (panoramic photos) of the interior of the plant, employees can use a PC to monitor the plant while in a remote control room. Besides reducing the burden of on-site checks, the aim is also to create opportunities for multiple employees to engage in discussions, and to enhance the overall quality of discussion. In addition, it can also be used in plant familiarization training and safety training for new employees, such as viewing with VR goggles. Several plants are currently creating these contents.

Street View screen of a plant

Remote support for plant operation (using digital devices)

We are enhancing our communication between field operators*1 and board operators*2, which has been carried out using conventional wireless devices, by using tablet PCs and neck mount cameras. By sharing not only audio but also real-time streaming video of the production frontline, situational awareness has improved, enabling more effective remote support for new operators.

This remote support has expanded the scope of work that can be entrusted to operators with limited experience, leading to improved proficiency.

Neck mount camera
*1 Operators working inside the plant

Communication via tablet PC
*2 Personnel implementing remote monitoring from the central control room

Smart safety initiatives (using vital signs)

As an example of our data-driven smart safety initiatives, we are implementing heatstroke prevention using smartwatches. By monitoring the workload of operators in real time, taking into account vital signs data such as heart rate and step count during field work, as well as the Wet Bulb Globe Temperature (WBGT) index (heat index considering temperature and humidity) for the site, we are helping to safeguard operators by issuing an alarm before they develop heatstroke. Furthermore, by analyzing various data, we aim to improve movement efficiency and level out workloads of operators.

Receiving a heatstroke alarm from a smartwatch

Expanding the Setouchi Monozukuri Training Center (in-person training)

In 2025, we expanded the Setouchi Monozukuri Training Center, which was too small to provide process-related training to employees across a wide age range. This expansion has broaden the range of face-to-face training, in which effective communication is very important. By effectively using the strengths of in-person training, besides enhancing operators' familiarity with basic work tasks, we can also cultivate their ability as working professionals, and strengthen links between trainees from different worksites, thereby cultivating human talent who value the fundamentals of production facility operation.

Training in progress at the Setouchi Monozukuri Training Center

Strengthening enterprise fundamentals and implementing talent cultivation (production facility improvement activities)

Since 1999, we have continued to implement ZΣ activities aimed at strengthening enterprise fundamentals in a Zeon way. "Z" stands for "Zeon-style," while "Σ" denotes "combining overall capabilities." By using ZΣ topics and ZΣ groups* to realize improvements at production sites, we are aiming to get all employees participating in strengthening enterprise fundamentals with enhanced problem-solving abilities (frontline capabilities) and cost awareness, through everyday activities.

We also hold a company-wide ZΣ conference every year to present activity reports.

* Small-group activities in our plants have been continued since 1971, with a change of name

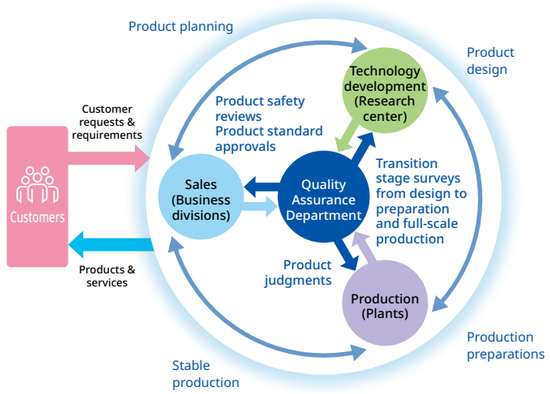
The 23rd ZΣ conference

Quality Assurance

As a chemical manufacturer, we aim to realize and maintain the quality assurance (QA) framework needed to support the entirety of our business activities. By formulating concrete targets (both medium-term and short-term) from the following three perspectives, we are working to strengthen our QA.

1. **Having a framework in place to prevent quality fraud, and particularly inspection fraud, from occurring.**
   (Advance prevention of quality fraud)
2. **Supplying products with outstanding quality that contribute to society.**
   (New product development review from a QA perspective)
3. **Producing and supplying products in a manner that ensures safety throughout the supply chain as a whole, through product safety evaluation and appropriate management of chemical substances.**

Quality assurance structure



To consistently supply products from our customers' perspectives, and ensure reliable quality, we implement company-wide QA activities that integrate production, sales, and engineering functions, based on close collaboration between plants, departments, and research units (R&D Center). With these activities, we continue to provide our customers and other stakeholders with peace of mind by supplying safe and reliable products. By strengthening QA, we can enhance our corporate credibility and the Group's medium- to long-term corporate value.

Measures aimed at advance prevention of quality fraud

Organizational structure

The Quality Assurance Department is independent from other departments and worksites. For all products manufactured at Zeon's plants, the comprehensive, final determination as to whether each product confirms to quality requirements is made by the Quality Assurance Department. If a serious quality issue emerges, the head of the Quality Assurance Department is authorized to halt production and shipment of the affected products.

Quality management system

All Zeon worksites hold ISO 9001 certification, and some worksites also hold FSSC 22000 certification. We implement a reliable quality management system so that customers can use our company's products with peace of mind.

Testing methods

We have formulated the Zeon Test Method, which utilizes Zeon's original technology, and we maintain and manage this method by implementing periodic verification of its accuracy and precision, and of the appropriateness of the operational procedures used.

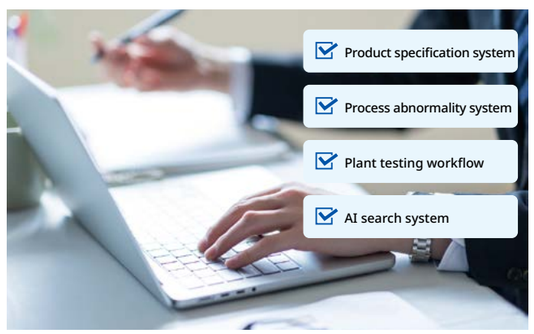
Quality assurance system

Product test results are compared with the relevant specifications using an automated judgment system and linked with the ERP system. We have launched our proprietary system, which includes AI-powered similar case searches, to build an easy-to-use assessment platform that eliminates subjectivity and is accessible to anyone. These systems are utilized not just by the Quality Assurance Department, but also by other business divisions and plants.

Product assessment request system linked to AI-enabled software

Starting from FY2023, we have begun using an AI-linked product assessment request system. The system collates the information needed for the assessment, and accumulates relevant knowledge by building up a database of assessment case studies. Using a framework that employs AI to search for and effectively utilize cases from the past makes it possible to enhance both the precision and efficiency of assessment.

Product assessment request system



Maintaining and enhancing quality management

Prior to the "Response to Quality Control Irregularities" issued by the Japan Business Federation (Keidanren) in December 2017, Zeon had initiated comprehensive company-wide audit in September 2015 to verify compliance with all relevant laws and regulations concerning all quality and inspection fraud.

Since then, we have continued to implement monitoring to confirm that the quality management system is operating normally. With regard to quality and inspection fraud, besides conventional classroom-based learning, we are also working to enhance quality management through more effective training that takes into account the special characteristics of each worksite and recent developments in society.

New product development review from a QA perspective

Zeon conducts a product stage-gate transfer review (PSTR) from a QA perspective when transitioning from the product preparation stage to actual production. The PSTR is a comprehensive review of the product preparation stage test results, 3D-QFD, failure mode and effects analysis (FMEA), product quality specifications, test methods, test equipment, etc.

3D-QFD is an original framework developed by Zeon that generates a quality function diagram (QFD) based on the causal relationships between three categories of data: (i) product quality items; (ii) data relating to the chemical substances that the product is composed from; and (iii) production data.

FMEA involves the implementation of risk assessment with the aim of preventing, in advance, abnormalities which have the potential to emerge after the production process. We are currently proceeding with the building of an FMEA database. Going forward, we will be making effective use of FMEA, not only for new product development, but also for handling second-party auditing in accordance with the IATF 16949 standard.

PSTR also includes final confirmation as to whether the quality items noted in the delivery specification, and the scope of the corresponding standards, are adequate in relation to the precision of the test methods used and the production process capabilities.

Product safety assessment and chemical substances management

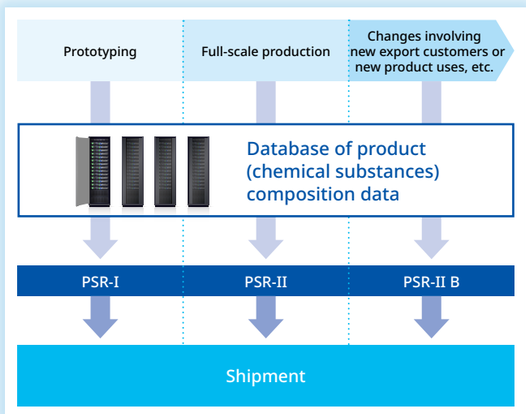
Zeon conducts product safety review (PSR) to assess compliance with chemical substances laws and regulations at every stage from R&D through to after product launch. We verify compliance with chemical substances laws and regulations in Japan and confirm compliance with chemical substances laws and regulations in countries where we anticipate exporting. We strive to ascertain our customers' intended use and conduct risk assessments related to product liability.

PSR at each stage

PSR at R&D stage	Compliance status review prior to shipment of laboratory samples in the early stage of R&D
PSR-I	Compliance status review at the product design stage
PSR-II	Compliance status review at the commercialization stage
PSR-II B	Compliance status review prior to sales to new export destinations and/or for new uses after the commencement of full-scale production
PSR-V	Compliance status review in advance of sale to new customers of products imported into Japan

When confirming the status of compliance with chemical substances laws and regulations, it is vitally important to list all the chemical substances contained in our products. We have compiled a list of the components of all Zeon products to date, and the obtained list of composition information is compared with the legal and regulatory databases of major countries and regions. This process is mandatory for exporting products. We operate a system that automatically sends an alarm from the ERP before export when this process is not carried out, ensuring thorough compliance with laws and regulations.

When compiling the list of composition information, we utilize Zeon's original framework, 3D-QFD. Besides the main components, we also make sure to list all impurities—including (a) substances intentionally used (added or introduced) for the manufacture of products; (b) substances known to be generated during the manufacturing process of products; and (c) substances known to be contained in the raw materials used to manufacture the products—and we strive to ensure that we comply with regulatory requirements including the Specific Concentration Limits under the EU CLP Regulation.



Sustainability Management

Message from the General Manager of Corporate Sustainability

Erisa Watanabe
General Manager, Corporate Sustainability

“Promoting sustainability is at the very heart of our day-to-day activities. In the Zeon way, we continue to provide society with new value”

“Contributing to the preservation of the Earth and the prosperity of the human race”—Zeon’s corporate philosophy, which embodies the concept of sustainability, was formulated long before sustainability had become a global trend. To put it another way, sustainability-aware management is nothing new for Zeon; it is something that we have already been implementing for many years. Nevertheless, given the increasing seriousness of global issues such as climate change, and with companies being expected to take proactive measures in line with international frameworks such as the SDGs and the TCFD recommendations, it is important for every one of us to have a strong awareness of sustainability, and for Zeon as an organization to set clear targets and implement concrete measures.

Responding to society’s expectations, in 2022 Zeon formulated a Sustainability Policy, and we have also set up a Sustainability Committee and proceeded with the putting in place of systems that will enable us to respond to relevant issues flexibly and with a cross-organizational approach.

Sustainability at Zeon means providing society with new value, receiving a consideration in return for this, achieving sustainable growth together with society, and firmly maintaining fairness and integrity in our activities to be a trustworthy company. The foundation of Zeon’s sustainability activities is the use of the chemical capabilities that we have built up over the years to pursue new possibilities. By providing outstanding new products and services that only Zeon could deliver, we can expand the potential for solving society’s problems. In FY2024, we established the SDGs Contribution Product Certification program, and we are aiming to have certified products account for at least 50% of our total net sales by FY2030.

In addition, in FY2023 we formulated the “Five gears that drive Zeon” as the core of our materiality, embodying the path toward realization of our corporate philosophy. Phase 3 of the Medium-Term Business Plan: STAGE30 integrates the “Five gears” into Group-wide strategies, to drive corporate activities that have Zeon Group as a whole moving in the same direction. Zeon’s internal newsletter has published a series of special feature articles on the “Five gears,” with individual employees adding comments as to how they have implemented “gears” in their own work; in this way, we are aiming to spread awareness of the “Five gears” and sustainability throughout the Group.

Promoting sustainability is at the very heart of our day-to-day activities. Our aim is for every individual employee to think about what they can do for our future in the Zeon way, sometimes by-the-book and sometimes flexibly, so that we continue providing new value for society in the future.

Our sustainability approach

At Zeon Group, we are working to achieve sustainability management as a Group whose Vision for 2030 is to be “a company that lives up to societal expectations and the aspirations of employees” based on a corporate philosophy of “Contributing to the preservation of the Earth and the prosperity of the human race.”

Having set this vision in our Medium-Term Business Plan that began in FY2021, we established our Sustainability Policy in the next fiscal year as a foundation for guiding our efforts in promoting sustainability.

Sustainability Policy

- **We aspire to realize a “Sustainable Earth” and “Safe and Comfortable Life”**
- **We will firmly maintain fairness and integrity in our activities to be a trustworthy company**
- **Each of us will think and act proactively for a better future**

Based on our corporate philosophy of “Contributing to the preservation of the Earth and the prosperity of the human race,” sustainability at Zeon means achieving sustainable growth together with society. To achieve this, we will provide products and services that are valuable for solving global and social issues, build trust with our stakeholders through fairness and integrity and have each one of us act proactively thinking how to create a better future for the society and ourselves.

Sustainability promotion structure

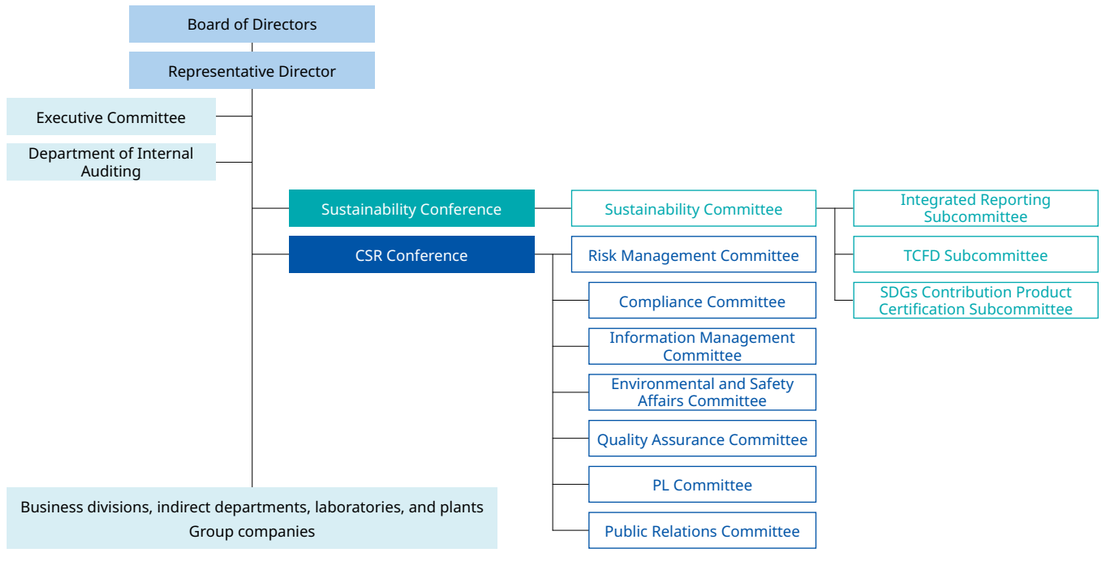
Zeon Group has established a Sustainability Conference and Sustainability Committee under it, as shown in the figure below, to review and promote sustainability initiatives on a company-wide basis. The Sustainability Conference, chaired by the representative director, discusses and decides on various sustainability-related measures and reports to the Board of Directors as needed.

In addition to the existing Integrated Reporting Subcommittee under the auspices of the Sustainability Committee, in FY2024, we established two new subcommittees—the TCFD Subcommittee and the SDGs Contribution Product Certification Subcommittee.

The TCFD Subcommittee aims to identify and distinguish risks and opportunities related to climate change, assess their impact on business, strategy, and financial planning, and promote effective responses and disclosures based on the TCFD framework. The SDGs Contribution Product Certification Subcommittee, in turn, is responsible for certifying SDGs Contribution Products and further evaluating and refining the certification system.

See P.37 for more information about SDGs Contribution Product Certification program.

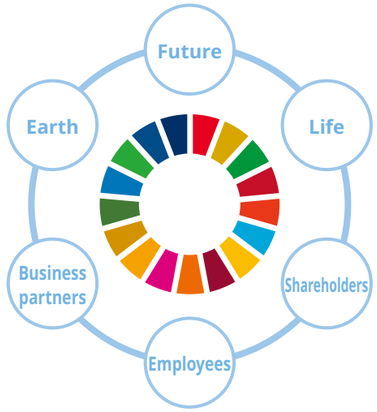
Sustainability promotion structure



Stakeholder Engagement

We believe that it is important to build a relationship of trust with stakeholders, so that we can continue to realize sustainable growth for both our company and society as a whole, as we strive to fulfill our corporate philosophy of "Contributing to the preservation of the Earth and the prosperity of the human race."

Taking the societal expectations outlined in our Vision for 2030 to be embodied by the SDGs, we will be striving to further deepen mutual understanding through intensive dialogue regarding the realization of a sustainable planet, and the future, with all our stakeholders, including business partners (customers and suppliers), shareholders (including both shareholders and investors), life (people everywhere, including the local community, and their lifestyles), and our employees.



	Stakeholder relations	Main communication channels
Customers	We will provide safe, reliable, high-quality products and services that earn customer trust. Moreover, through communication with customers, we will develop products and services that contribute to meeting their challenges, and collaborate to develop sustainable products that satisfy the diverse requirements and expectations of the global market.	• Sales activities • Exhibitions • Websites (product introduction/consultation) • Customer satisfaction surveys • Sustainability (CSR) assessments and surveys
Suppliers	Our goal is to realize a sustainable society throughout our supply chain, by promoting responsible procurement activities in accordance with our Sustainable Procurement Policy. To achieve this, it is important to build strong partnerships with suppliers. We strive to gain suppliers' understanding of our approach to sustainable procurement, and we are working to realize sustainable procurement by monitoring the status of individual suppliers' initiatives through procurement surveys and interviews, while also engaging in dialogue aimed at realizing improvements.	• Procurement activities • Establishment of our Sustainable Procurement Guidelines, and sharing these with suppliers • Procurement questionnaire for suppliers, and holding of interviews to provide feedback • Supply chain reporting desk
Shareholders and investors	Our information disclosure is fair, impartial, highly transparent, timely, and appropriate. We strive to bolster our corporate value through dialogue with shareholders and investors, to foster deeper understanding of our management policies and business activities. We also take external opinion seriously, and consider it in our management and information disclosure.	• Financial results briefing • Medium-Term Business Plan briefing • General Shareholders Meeting • Meetings with analysts and investors • Website (IR information) • Responding to communications from external ESG assessment bodies
Local community	Each of our business locations contributes to the local community by realizing stable business operation as a member of the community. We emphasize communication with everyone in the local community, and by building relationships of trust, we aim to help build a sustainable community.	• Business location visits and internships • Local event participation, support, and hosting (summer festivals, etc.) • Volunteer employee activities (preserving the local environment, etc.) • Chemical experiments classroom and other on-site lessons • Support for chemistry education events
Employees	Our vision for 2030 is to be a company that lives up to societal expectations and the aspirations of employees. To make this vision a reality, we are evolving our personnel system and formulating personnel policies that help every employee demonstrate his or her individual abilities and work with a sense of security and energy. We welcome opportunities for dialogue, and strive sincerely to consider individual opinions.	• Get-togethers with employees • Employee engagement survey • Corporate management policy briefings • Internal portal site and in-house newsletter • Training sessions and briefings on sustainability, compliance, etc.

TOPICS

Briefings on the company's current status to expand dialogue with shareholders and investors

In FY2024, Zeon held approximately 200 individual IR meetings with securities analysts, institutional investors, etc., engaging in dialogue that focused mainly on quarterly performance and the outlook for the future, progress made in implementing the Medium-Term Business Plan, business growth strategy, etc. Besides these individual meetings, we also continue to implement other types of dialogue, including financial results briefings and presentations covering the content of our Medium-Term Business Plan (and the progress made in its implementation) for securities analysts and institutional investors, and expanding the range of IR data disclosed on our corporate website. As a new initiative in FY2024, in March 2025 we held a presentation for individual investors, which was an opportunity for the President and CEO to present an overview of the company and explain the strengths of our products.

Video presentation by President and CEO Tetsuya Toyoshima

External evaluations

- CDP
- EcoVadis
- Certified Health & Productivity Management Outstanding Organization

Inclusion in ESG indices

- S&P/JPX Carbon Efficient Index
- Morningstar Japan ex-REIT Gender Diversity Tilt Index

Commitment to international initiatives

- The United Nations Global Compact (UNGC)
- TCFD
- SBT
- ISCC PLUS Certification

Respect for Human Rights

Zeon Group positions initiatives relating to respect for human rights as one of the important foundations underpinning sustainability management and is proceeding with initiatives based on the Zeon Group Human Rights Policy established in FY2019. Of the "Five gears that drive Zeon" (materiality), "Creating a truly exciting company" and "Establishing solid governance" are both closely related to human rights. By addressing human rights risk within Zeon Group and in the supply chain, we aim to enhance our corporate value.

Zeon Group Human Rights Policy (excerpt) (Established August 1, 2019)

We, Zeon Group, are committed to fulfilling our corporate social responsibilities in respect of human rights and contributing to realizing a sustainable society, based on international codes of conduct on human rights, such as the Universal Declaration of Human Rights, the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights in Labor, and the UN Global Compact.

For the full Zeon Group Human Rights Policy, please visit: https://www.zeon.co.jp/en/csr/policies/

For more details about the "Five gears that drive Zeon," our materiality, see P.32.

Human rights due diligence initiatives

In FY2022, Zeon Group began a concerted effort to implement human rights due diligence, targeting Zeon Corporation, Group companies, and the supply chain, and making effective use of advice from external experts.

■ Zeon Corporation

At Zeon Corporation, we have designated a department in charge of each human rights risk category and are working to reduce human rights risks by incorporating them into our company-wide critical risk control activities. Human rights risk categories are determined based on the 25 categories listed in "Company Obligations to Respond to Business and Human Rights" (published by the Ministry of Justice's Human Rights Bureau), and in consideration of human rights issues in advertising and other risks, which have recently surfaced downstream in the supply chain.

■ Group companies

To promote respect for human rights at Zeon Group companies in Japan, we have for some years now been providing training for management and for staff involved with human rights, covering the background to human rights issues and their importance. Starting in FY2024, we have begun full-scale efforts to identify human rights risks at each Group company, and to reduce such risks. More specifically, we are using the human rights risk assessment table provided by the Global Compact Network Japan (GCNJ) to evaluate the likelihood of risks emerging in each risk category (such as excessively long working hours, harassment, etc.). For items where risks are identified, we formulate and implement concrete response measures, and strive to realize ongoing improvement.

Human rights issues and our future response

Human rights issue	Future response strategies
Harassment (all types)	Strengthening of harassment prevention education and training
Conflict minerals	Assessment and confirmation of whether conflict minerals related risk exists
Human rights and labor issues relating to contractors	Implementing a contractor checklist that includes human rights and labor related assessment items
CSR risk relating to raw material suppliers	Assessment by common SAQ, and engagement for improvement

We will continue working to instill human rights awareness firmly within the entire Zeon Group, and will strengthen measures aimed at realizing sustainable corporate activities. In FY2025, we also roll out measures to identify and reduce human rights risks at Group companies outside Japan.

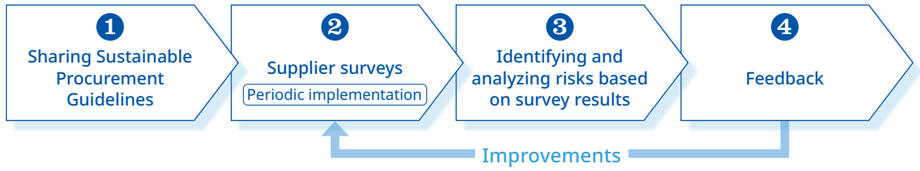
Participating in activities of the United Nations Global Compact (UNGC)

Zeon Group supports the principles enunciated by the UNGC, and undertakes corporate actions based on its 10 principles. We participate regularly in the activities of the GCNJ sub-committees. Particularly, the insights and awareness of the latest trends gained from the Supply Chain Subcommittee and Human Rights Education Subcommittee are reflected in the Zeon Group's human rights initiatives.

■ Supply chain

(1) Sustainable procurement initiatives

To promote sustainable procurement, Zeon works with its business partners to implement measures that embody concern for CSR (including human rights and environmental protection) throughout the supply chain. We take the steps outlined in the diagram below.



1 Sharing Sustainable Procurement Guidelines

In FY2023, we established our Sustainable Procurement Guidelines, to share our approach to build a sustainable supply chain with our suppliers. The Guidelines were distributed to suppliers in FY2024, and we are aiming to ensure that Zeon's approach to sustainability and our strategy for related initiatives are disseminated throughout the supply chain.

Sustainable Procurement Guidelines
https://www.zeon.co.jp/en/csr/policies/pdf/Sustainable_Procurement_Guidelines.pdf

2 Supplier surveys

To monitor the implementation status of suppliers' sustainability initiatives and identify risks, we implement surveys based on the common self-assessment questionnaire (SAQ) provided by GCNJ on a regular basis. The purchasing departments for raw materials, materials, and logistics select those suppliers that account for over 80% of procurement value and suppliers that are felt to have a high risk of human rights related issues, etc.

In FY2024, SAQs were delivered by the relevant departments to a total of 140 suppliers, of which 134 returned a completed SAQ. With regard to the six non-responding suppliers, we checked the sustainability-related information on each company's website, and confirmed that no major risks were apparent at the present time.

3 Identifying and analyzing risks based on survey results

Based on the above survey results, we analyzed the risks with each supplier and clearly identified points requiring improvements.

4 Feedback

We provide a feedback sheet based on the analysis results referred to in 3 above to all suppliers that completed the common SAQ. The feedback sheet includes the score for each assessment item, including human rights, labor affairs, environmental protection, as well as the overall average score, a comparison with the previous survey, and an overall evaluation. Suppliers can objectively understand their own progress, enabling them to continuously improve their CSR activities.

We also hold feedback interviews for those suppliers that have a relatively low score on the common SAQ, and those suppliers handling raw materials that are deemed to be particularly high-risk from a CSR perspective. In the interviews, besides explaining the importance of sustainable procurement, we also confirm the status of initiatives based on the common SAQ, and request improvements where necessary. The average score for the five companies subject to feedback interviews in FY2022 was 283 points (out of 900 points), but in FY2024, it had risen substantially to 488 points (see figure above).

Comparison of scores in FY2022 and FY2024

* For companies that had feedback interviews in FY2022

In FY2024, we held feedback interviews with 11 companies. Dialogue is being held with these companies as outlined in the table below, and initiatives are underway to realize ongoing improvement.

CSR-related issues	Dialogue for improving CSR activities, and content of advice to suppliers
Enhancing transparency	• Disclosing management strategy and community contribution activities online • Clarifying the content of initiatives, and instituting internal rules
Human rights policy formulation	Introducing the UNGC and guidelines issued by Japan's Ministry of Economy, Trade and Industry
Conflict minerals	Confirming the status of conflict minerals risk managements, and sharing issues

(2) Establishment of the supply chain reporting desk

In January 2024, we established the Zeon Group supply chain reporting desk on the corporate website to serve as a point of contact for reporting any concerns regarding legal or compliance violations or human rights abuses. Furthermore, in August 2024 we established a system for handling reports from suppliers outside Japan, by preparing an English-language inquiry form and posting it on our English website.

Supply chain reporting desk
https://www.zeon.co.jp/en/contact/

Environment

Responsible Care Policy

At Zeon Group, we have practiced a responsible care philosophy as a member of the Japan Responsible Care Council (now the Japan Chemical Industry Association Responsible Care Committee) since its inception in 1995. In 1998, we established Responsible Care Policy to embody this philosophy. We implement environmental and safety measures and promote improvement initiatives following these guidelines.

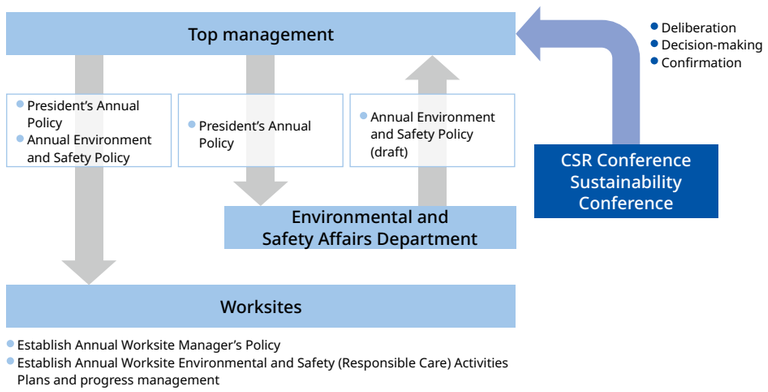
Responsible Care Policy (Established June 1998)

1. **Prioritize the environment and safety**
   Protecting the environment and ensuring safety are preconditions for all business activities and are the most important priorities. We will work continuously to enact full accident prevention countermeasures, and provide education and training for all employees to prevent safety and environmental accidents.
2. **Collect and distribute the latest information on chemical products**
   We will collect, store and manage the latest information required for the appropriate handling, use and disposal of chemical products, and distribute this information to employees and users.
3. **Minimize the discharge of toxic chemicals and waste**
   We will work to reduce the discharge of hazardous chemical substances, minimize waste, and develop technology for recycling and reusing materials.
4. **Promote activities for conserving resources and energy**
   We will aim to dramatically reduce the amount of energy we use and help alleviate global warming by developing innovative technology and actively promoting resource and energy conservation activities that involve all employees.
5. **Take the environment and safety into account when developing new processes and products and performing quality assurance**
   We will perform thorough environmental and safety evaluations from the initial stages of research, develop technology and products that take the environment and safety into account, and work to maintain and improve the quality of technology and products.
6. **Live together with society**
   We will strictly observe regulations related to the environment and safety, whether the regulations come from the local community, the national government, overseas, or organizations to which we belong. While cooperating in these activities, we will work to enhance our communication with the local community and society in order to convey a better understanding of Zeon's activities and further strengthen the trust that society has in our company.
7. **Perform continuous improvements**
   We will continuously improve our environment safety management and technology by operating a Responsible Care Audit, the Safety Management System, an Environment Management System based on ISO 14001, and an Occupational Health and Safety Management System.

Environmental and safety management systems

We have built environmental and safety management systems based on a responsible care policy and have obtained ISO 14001 external certification to pursue environmental management. Every year we draft policies and activities plans such as the Annual Environment and Safety Policy, based on the President's Annual Policy.

Environmental and safety management systems (environment)



Introducing environmental safety training

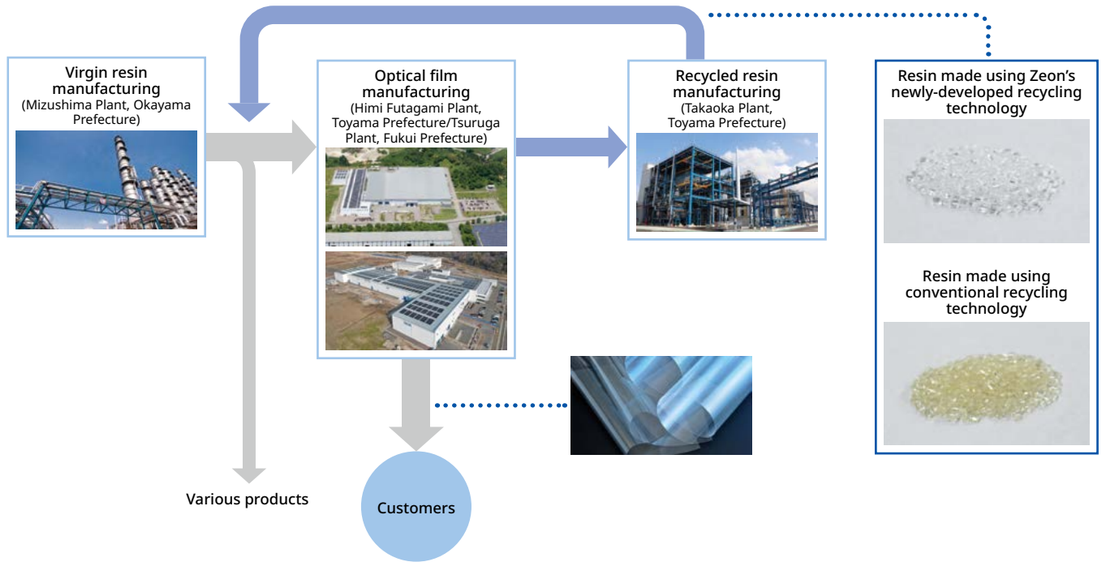
Based on article one of our Responsible Care Policy, we carry out safety and environmental training at each of our business sites. We strive to eliminate accidents and work-related injuries, and minimize the impact if they do occur, with the aim of maintaining the trust of the local community. This is achieved through company-wide training organized by the Environmental & Safety Affairs Department, as well as environmental and safety training tailored to individual worksites. Accident case studies training, which is implemented by staff with experience as plant managers, has been held since FY2003 with the aim of ensuring that the lessons from past accidents are not forgotten, so that we can learn from them and make effective use of this knowledge in the future, and so that we can enhance employees' sensitivity to potential risks. Conducted by former plant managers, this group training, which is provided for all employees, presents concrete examples of accidents at Zeon or at other companies, explaining how horrific accidents can be, analyzing the causes, and outlining strategies for accident prevention.

Environmental safety training in progress

Promoting a circular economy

We implement measures that promote a circular economy, a key social issue today. In January 2022 we developed technology for recycling Cyclo Olefin Polymers. Waste resin can now be recycled to create a product with quality similar to virgin resin while maintaining high transparency and purity, which had previously been difficult to achieve. In March 2024, we completed construction of a recycling facility in our Takaoka Plant which uses this technology and has an annual production capacity of 6,000 tons. We plan to reuse the recycled resin from the plant to manufacture optical film, a plan that will help us to meet the strong demand for optical film we expect in the future while reducing CO_2 emissions.

Recycling flow



Climate change initiatives

We view climate change as a serious social issue, and in order to contribute to a sustainable planet, promote initiatives to reduce CO_2 emissions (Scope 1, 2, and 3) and achieve carbon neutrality. With regards to Scope 1 and 2 we will continue our efforts toward energy conservation, processing innovation, and energy conversion, reducing emissions in Scope 3 in collaborative cooperation with our business partners both upstream and downstream in the supply chain.

While working to reduce Scope 1, 2, and 3 emissions, we are in the midst of measuring the carbon footprint of our products and disclosing this information to customers. Carbon footprint is a quantitative measurement of the amount of CO_2 emitted throughout a product's life cycle. By assessing and disclosing the environmental impact made by our products, we are contributing to a reduction in CO_2 emissions throughout the value chain as we strive to improve the added value of our products.

Implementing an energy conversion in our plants in Japan

Four of our production facilities in Japan (Takaoka Plant, Himi Futagami Plant, Tsuruga Plant, and Tokuyama Plant) have converted all purchased electricity to electric power that is 100% generated from renewable energy, or to electric power derived from substantially renewable energy using designated non-fossil certificates.

The Takaoka Plant has signed an agreement to purchase carbon-neutral liquefied natural gas (LNG) with net zero CO_2 emissions.

The Tokuyama Plant has contracted to purchase green heat certificates, to reduce CO_2 emissions associated with steam.

In addition, the Kawasaki Plant has started using carbon offset city gas supplied by Tokyo Gas Co., Ltd., and has also joined the Carbon Offset City Gas Buyers Alliance.

Taking on the challenge of production toward realization of circular society

Zeon is undertaking the development of carbon resource recycling-based synthesis and core chemical product manufacturing technology as part of the New Energy and Industrial Technology Development Organization (NEDO) Green Innovation Fund Projects. With the aim of helping to realize a sustainable society, we are focusing on the following two key themes:

1. Efficient synthesis of butadiene from ethanol
2. Development of technology for manufacturing bio-butadiene and bio-isoprene from bio-derived raw materials

We are also implementing the following measures to help realize a resource-circulating, post-carbon society.

- Implementing commercial production at our Cyclo Olefin Polymer recycling facility (at the Takaoka Plant)
- Building a system for commercial production of next-generation bio-based materials

Analysis and reporting based on TCFD recommendations

Zeon Group believes that climate change has a serious impact on our business, and in 2020 expressed support for recommendations made by the Task Force on Climate-Related Financial Disclosures (TCFD). Based on the TCFD recommendations, we will analyze the risks and opportunities that climate change poses to our business and reflect them in our business strategies to strengthen our business foundation, aiming to realize a sustainable society and improve Zeon's corporate value.

Governance

a) Board's oversight of climate related risks and opportunities

In July 2021, we established the Corporate Sustainability Headquarters. Besides deriving sustainability efforts throughout Zeon Group and disclosing the results achieved and progress made, the Headquarters has also implemented activities to realize one of our materiality, "Contributing to establishing a circular society," with the approval of the Board of Directors.

The Sustainability Conference and Sustainability Committee carry out any necessary deliberations and decisions regarding important sustainability issue of responding to climate change including TCFD activities. In addition, the content of the Sustainability Conference's discussions is reported in our Sustainability Report, which is submitted to the Board of Directors on a quarterly basis, and any points raised by the Board are reflected in TCFD activities. From FY2024 we established the TCFD Subcommittee under the Sustainability Committee to improve our company-wide review system.

b) Management's role in assessing and managing climate-related risks and opportunities

The Sustainability Conference, whose body is chaired by the company's Chairman, was established to ensure sustainability-related issues are reflected within the company's medium- to long-term business plan.

Strategy

a) Climate-related risks and opportunities the organization has identified over the short, medium, and long term

During FY2020, our rubber business division conducted a 2°C/4°C scenario (RCP2.6/RCP8.5*) analysis and identified and distinguished risks and opportunities. In FY2021, we expanded these efforts, conducting the same scenario analysis on a company-wide basis, and in FY2023, after putting in place the relevant company-wide systems, we implemented scenario analysis based on a 1.5°C temperature increase scenario. In addition, in FY2024 we expanded the scope of the 4°C scenario (RCP8.5) analysis, which had originally been performed with respect to the Takaoka Plant, Kawasaki Plant, Tokuyama Plant, and Mizushima Plant to also include the Himi Futagami Plant and Tsuruga Plant, for a total of six plants, identifying and distinguishing risks with a focus on physical risks.

* Representative Concentration Pathway (RCP) is a type of climate change forecasting scenario developed by the IPCC which is based on greenhouse gas emissions. The RCP2.6 scenario is premised on rigorous emissions reductions, while the RCP8.5 scenario assumes that emissions remain high, as at present.

b) Impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

Business impact assessment

In our TCFD-related activity in FY2020 and FY2021, we identified an increase in raw material procurement costs as a major risk under a 4°C scenario, and identified both an increase in raw material procurement costs and the introduction of new carbon taxes as major risks under a 2°C scenario. Moreover, we reached the assessment that an accelerated shift toward the use of EVs would have a major impact on our business opportunities in the battery materials field. In FY2024, we reassessed the potential impact of this factor, based on an adjustment of the assumptions made regarding sales of EVs and other vehicles when formulating the profit targets for Phase 3 of our Medium-Term Business Plan.

Climate-related risk priority assessment (identification of risks and opportunities)

In FY2024, besides our previous activities, we also identified risks and opportunities related to climate change, focusing on our production facilities; our estimate of the potential impact on profits is outlined on the following page.

c) Resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

In March 2024, Zeon received SBT certification, for our goal of reducing greenhouse gas emissions to a level that would keep the average global temperature increase within 1.5°C. In FY2023, we implemented 1.5°C scenario analysis under a company-wide system, and defined strategies to respond to the risks and opportunities that we identified and distinguished through this analysis.

In FY2024, we rolled out this initiative at all our plants and worked to further strengthen our strategy based on the results of past activities, as part of the discussion for Phase 3 of our Medium-Term Business Plan.

Risk management

a) Processes for identifying and assessing climate-related risks

We are striving to further enhance our efforts by implementing the 4°C and 1.5°C scenario analyses that we have been conducting, as well as the identification and classification of transitional and physical risks associated with climate change projected for FY2030 and beyond based on the relative importance, on an annual basis. In FY2024, we added two more plants to the four previously analyzed, conducting transitional and physical risk identification and to impact assessment.

b) Processes for managing climate-related risks

Climate-related risks identified and distinguished via TCFD activities are discussed by the Sustainability Committee and deliberated and decided on at the Sustainability Conference. Regarding the response to each risk, after implementing risk assessment by considering the frequency of occurrence and the impact, we work to reduce and manage risk by implementing advance prevention for potential risks, and post-facto response measures for actualized risks.

c) How processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management

We have established a system whereby the Risk Management Committee monitors and discusses risks throughout Zeon Group, and reports on the results to the CSR Conference, which is chaired by the representative director. In FY2024, the TCFD Subcommittee added new climate risks, such as heatstroke due to rising summer temperatures and the risk of water shortages caused by drought which had been identified primarily at our plants, to the company-wide risk assessment framework. Company-wide risks and climate change risks are reported to and managed by the Board of Directors.

From FY2025 onwards, we will continue to review climate change related risks as necessary, implementing risk reduction and management through discussions and deliberations at the Sustainability Committee and Sustainability Conference.

Scenario analysis overview (risks and opportunities identified and distinguished; time of emergence; impact; and response measures)

Category	Item	Identified risks and opportunities	Overview	Time of emergence*1	Impact*2	Response measures/taking advantage of opportunities
Transition risks (1.5°C)	Policy/ Regulation	Carbon tax	Taxation of emissions upon carbon tax introduction (consolidated, both within and outside Japan)*3	Medium to long term	Significant	Energy conservation, process innovation, and energy conversion
		LCA and CFP survey costs	Increased LCA and CFP survey costs due to tightened regulation	Short to long term	Small	Examination of effective cost reduction measures
	Changes in customer behavior	ICE reduction and ZEV adoption rate	Decreased sales of products for combustion engines with widespread ZEVs*3	Short to long term	Moderate	Development of applications tailored to the adoption of EVs, and business portfolio restructuring
Physical risks (4°C)	Acute	Flood damage (damage to facilities)	Estimate of damage to facilities due to natural disasters*4	Short to long term	Significant	Disaster preparedness measures, and strengthening of resilience
		Flood damage (opportunity cost)	Opportunity cost due to natural disasters (assuming a one-month stoppage)	Short to long term	Moderate	Disaster preparedness measures, and strengthening of resilience
	Chronic	Drought response costs	Increased costs due to water transfer from other areas*5	Short to long term	Moderate	Discussion of drought response strategies and water recycling measures with regional councils
Opportunities (1.5°C)	Policy/ Regulation	Carbon pricing and carbon tax	Increased sales opportunities for products that contribute to CO_2 reduction	Medium to long term	—	Production and utilization of bio-derived raw materials, and product recycling
		Individual countries' carbon emissions targets/policies	Higher demand for storage batteries for renewable energy	Medium to long term	—	Expanding sales of battery materials due to growing demand for storage batteries
	Industry/ Market/ Technology	Key products/ Increase or decrease in product prices	Falling raw material prices*3	Medium to long term	Significant	Formulation of strategies in response to fluctuating crude oil prices
		Changes in energy demand	Higher demand for ZB films due to widespread use of energy-saving TVs	Short to long term	Moderate	Development of new film products in response to growing demand for energy-saving TVs
			Increased opportunities for TIM sales due to higher demand for power semiconductors	Medium to long term	—	Development of TIM in response to growing demand for power semiconductors
		Widespread use of low-carbon technology	Increased demand for EV batteries*3	Short to long term	Moderate	Expanding sales of battery materials due to growing demand for batteries
		Evolution of next-generation technologies	Business opportunities associated with the development of material recycling technology	Medium to long term	—	Establishment of recycling technology
	Reputation	Changes in customer behavior	Customers prefer to adopt products with higher recyclability	Short to long term	—	Achieving premium value through recycled resin
Opportunities (4°C)	Acute	Disruption caused to operations by severe natural disasters	Increased sales opportunities resulting from large-scale natural disasters	Short to long term	—	Expanding sales of repair tape, and expanding sales of battery materials due to growing demand for storage batteries
	Chronic	Rising average temperatures	Increased sales accompanying rising temperatures	Medium to long term	—	Expanding sales of substitute products accompanying a decline in production of naturally-derived products
		Water stress	Decrease in natural rubber production due to droughts, etc.	Medium to long term	—	Expanding sales of substitute products accompanying a decline in production of natural rubber

*1 Time of emergence Short term: Less than 3 years; Medium term: At least 3 years but less than 10 years; Long term: 10 years to 30 years or more
*2 Impact Significant: Estimated impact on profits equal to or more than 5 billion yen; Moderate: Estimated impact on profits ranging from 1–5 billion yen; Small: Estimated impact on profits less than 1 billion yen. "—" indicates that the concrete details of how to implement quantitative assessment of this item will be considered at a later date.
*3 For the 4°C scenario, estimation was based on the IEA's STEPS scenario; for the 1.5°C scenario, estimation was based on the EV sales, crude oil prices, and carbon tax levels used in the IEA's NZE scenario.
*4 The anticipated amount of damage was estimated as follows: We used the multi-layer hazard maps by Japan's Ministry of Land, Infrastructure, Transport and Tourism (MLIT) to calculate the depth of flooding for the most severe anticipated torrential rain (once in 1,000 years) at Zeon Corporation's six plants in Japan, and then used the calculation results in combination with the Manual for Economic Evaluation of Flood Control Investment by the MLIT to estimate the likely extent of damage.
*5 Estimated the cost of transporting water from another area during droughts at the Takaoka Plant, Kawasaki Plant, Tokuyama Plant or Mizushima Plant, all of which use large quantities of water.

GHG emissions

Metrics and targets

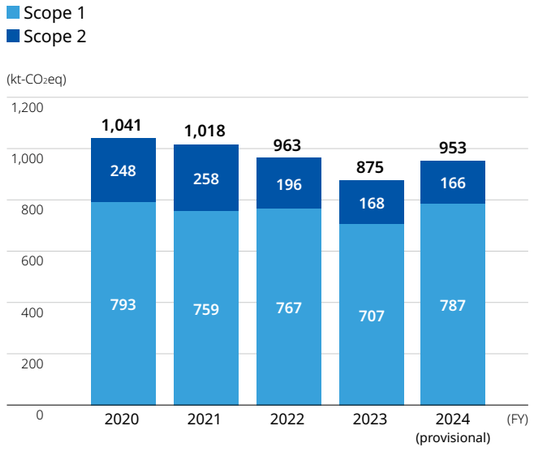
Zeon formulated its first Carbon Neutrality Master Plan in April 2022. In this plan, we have set the target of reducing Zeon Corporation's Scope 1+2 CO_2 emissions by at least 50% by FY2030, compared to the level of emissions in FY2019. We have adopted three approaches to reduce Scope 1 and 2 emissions: 1) Energy conservation; 2) Process innovation; and 3) Energy conversion.

In addition, in FY2023 we established the following Scope 1+2 and Scope 3 reduction targets for Zeon Group as a whole.

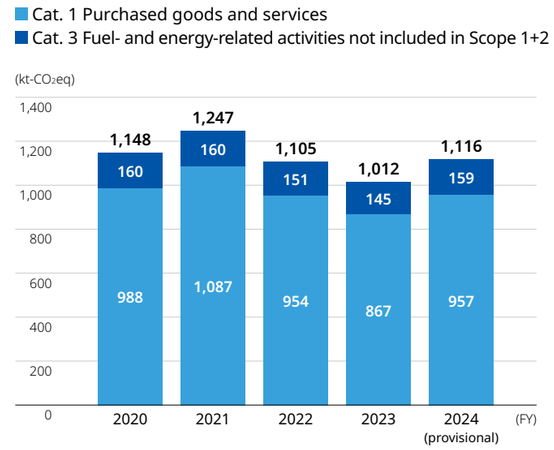
	Base FY	Target FY	Reduction target
Scope 1, 2	2020	2030	42% reduction (1.5°C level)
Scope 3			25% reduction (WB2.0°C level)

In March 2024 we obtained SBT certification, and unified our Group-wide targets to the reduction targets set in FY2023, as outlined in the table above. The method used to calculate GHG emissions was based on the GHG Protocol.

Zeon Group's Scope 1+2 emissions



Zeon Group's Scope 3 emissions



Compensation system

In FY2023, Zeon introduced a performance-linked stock compensation system for directors and officers. When calculating compensation, the evaluation indicators used include financial and non-financial indicators (including ESG-related indicators) that are linked to the target values for the final year of each phase of the Medium-Term Business Plan.

Responding to TNFD recommendations

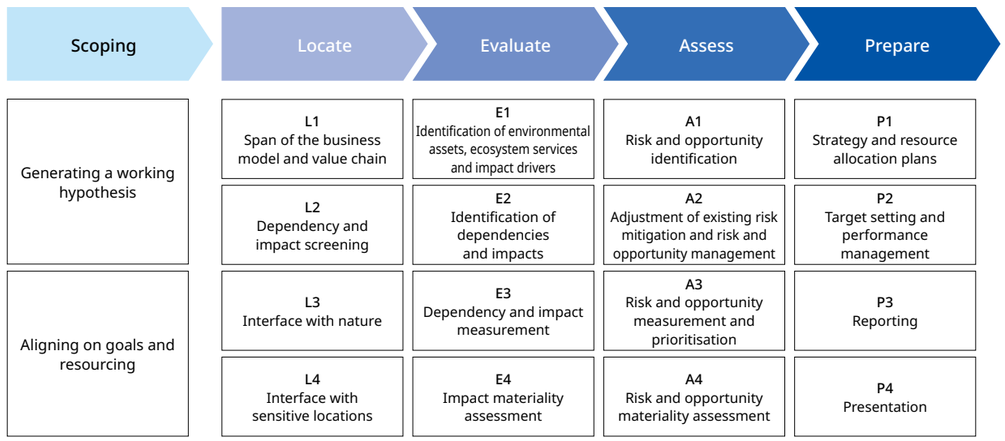
As with the TCFD, anticipating that nature-related disclosure based on the TNFD recommendations will become mandatory in the future, we are starting to identify and analyze dependencies, impacts, risks and opportunities in relation to the TNFD recommendations, and preparing to disclose the results.

Initiatives in FY2025: Putting LEAP approach into practice

Based on the procedure outlined in the LEAP approach, we will identify high-priority businesses, products, raw materials, and the related regions, and analyze the nature-related dependencies, impacts, risks and opportunities for these, and implement response measures and disclosure.

In FY2025, we will identify our businesses and value chain activities that are expected to have particularly significant dependencies on and impacts to nature, and implement the LEAP approach with respect to these.

The TNFD shares a common framework with the TCFD, so we are proceeding with our TNFD response under the same internal system as for the TCFD. We are considering integrated disclosure combining the TCFD climate change information with the TNFD biodiversity information.



Source: Ministry of the Environment, "Explanation of the TNFD and LEAP" (in Japanese)

Directors and Officers

More detailed information can be found in the Corporate Governance Report.
https://www.zeon.co.jp/en/csr/governance/pdf/240131.pdf

A total of 10 directors, including 5 outside directors, were appointed at the general shareholders meeting on June 27, 2025.

Directors

Chairman
Kimiaki Tanaka

Profile
April 1979 Joined Zeon
June 2005 Zeon Director
June 2007 Zeon Director & Corporate Officer
June 2011 Zeon Director & Senior Corporate Officer
June 2012 Zeon Director & Executive Corporate Officer
June 2013 Zeon President and CEO
June 2023 Zeon Chairman (current)

President and CEO
Tetsuya Toyoshima

Profile
April 1989 Joined Zeon
January 2013 Zeon Division Manager – Specialty Plastics & Components Business
June 2015 Zeon Corporate Officer
June 2020 Zeon Senior Corporate Officer
June 2022 Zeon Director & Senior Corporate Officer
June 2023 Zeon President and CEO (current)

Director & Senior Corporate Officer
Kazuyoshi Matsuura
General Manager – Elastomers and Chemicals Business
Energy Materials Division Manager

Profile
April 1993 Joined Zeon
July 2014 Zeon Synthetic Rubber Division Manager – Rubber Sales Department II
June 2017 Zeon Corporate Officer
June 2019 Zeon Director & Corporate Officer
June 2022 Zeon Director & Senior Corporate Officer (current)

Director & Senior Corporate Officer
Yoshiyuki Sone
General Manager – Administration

Profile
April 1988 Joined Zeon
July 2017 Zeon Division Manager – Specialty Components
June 2018 Zeon Corporate Officer
June 2020 Zeon Senior Corporate Officer
June 2022 Zeon Director & Senior Corporate Officer (current)

Director & Senior Corporate Officer
Yuichiro Konishi
General Manager – Specialty Business
Specialty Plastics Division Manager

Profile
April 1991 Joined Zeon
July 2011 Joined Solvay Specialty Polymers
July 2012 Joined Zeon
July 2013 Zeon Division Manager – Electronics Materials Division I
July 2015 Zeon Division Manager – Electronics Materials Division; Manager – Taiwan Representative Office, Electronics Materials Division
June 2020 Zeon Corporate Officer
June 2022 Zeon Director & Corporate Officer
June 2023 Zeon Director & Senior Corporate Officer (current)

Outside Director
Takao Kitabata
Outside Director – SEIREN CO., LTD.; Outside Director – MIROKU JYOHO SERVICE CO., LTD.

Outside Director
Tadanobu Nagumo
Outside Director, Member of the Board, Chairperson of the Board – ROHM Co., Ltd.

Outside Director
Miki Akiyama
Professor – Keio University, Faculty of Environment and Information Studies

Outside Director
Saeko Masumi
Attorney at law – Sengokuyama Law Firm

Outside Director
Kyoko Yoshikawa
Deputy Director – DMG MORI Co., Ltd.

Audit & Supervisory Board Members

Audit & Supervisory Board Member
Toru Nishijima

Audit & Supervisory Board Member
Hiroyuki Hirakawa

Audit & Supervisory Board Member (External)
Hiroki Kimura
Chairman of the Board – Asahi Mutual Life Insurance Company

Audit & Supervisory Board Member (External)
Masayoshi Nakamura
Part-time Lecturer, Graduate School of Engineering – The University of Tokyo

Audit & Supervisory Board Member (External)
Miyuki Tanabu
Certified Public Accountant – Tanabu Certified Public Accountant Office

Corporate Officers

Kazuo Nakajima
Division Manager – Compliance

Masahiro Nakamura
General Manager – "ZEON NEXT" Business Development; Division Manager – Incubation Center

Haruhiko Takahashi
Division Manager – Specialty Materials; President – Zeon Taiwan Co., Ltd.

Masao Akasaka
General Manager – Research & Development; Division Manager – Kawasaki Innovation Frontier Port; Division Manager – Research & Development Center

Noboru Watanabe
Plant Manager – Mizushima Plant

Takahiro Kakihara
Division Manager – Elastomers

Masayuki Shirakawa
Division Manager – Digital Transformation Promotion

Koichi Miyagi
Plant Manager – Himi Futagami Plant

Hiroshi Fusumae
Division Manager – Specialty Components; President – Zeon Korea Co., Ltd.; President – Zeon CSC Corporation

Tomohiro Fukagata
Division Manager – Human Resources

Message from the Chairman

“We will further raise our management team’s awareness of the need to enhance corporate value via a compensation system that addresses both short- and long-term results”

Enhancing quality of management with Corporate Value Creation Conference

The key to maximizing corporate value lies in improving the direction of management and the quality of decision-making. With this in mind, we launched the Corporate Value Creation Conference in FY2023. Chaired by Outside Director Tadanobu Nagumo and including outside experts, we established the conference as an advisory body to strengthen the decision-making and oversight functions of the Board of Directors with respect to the creation of the Zeon Group’s corporate value and efforts to ensure that this value is reflected in our market capitalization.

The conference was launched with the discussion of a fundamental question: “Why does Zeon Group exist?” Based on a shared understanding that the pursuit of profit and contributing to society are not mutually exclusive, we engaged in a series of frank dialogues about how we ourselves should create value.

From FY2024, the scope of discussion was broadened to include our financial strategy in the Medium-Term Business Plan and themes related to specific expectations and opinions we have been made aware of through dialogue with shareholders and investors. Items discussed at the conference and later provided relevant proposals include the enhanced disclosure related to portfolio restructuring, such as Cyclo Olefin Polymers, and measures to improve capital profitability and strengthen shareholder returns, which were provided at the time of our second quarter financial results announcement last October. Having established KPIs for Phase 3 of the Medium-Term Business Plan in line with our materiality, key issues for Zeon Group will be clearly linked to the Medium-Term Business Plan going forward. We would like to further develop the conference to gain essential insights into creating corporate value.

Evolving governance centering on Director and Officer Nomination and Compensation Committee

The appointment of directors and officers as well as the compensation system are extremely important topics for enhancing the governance quality. Zeon has established a Director and Officer Nomination and Compensation Committee, which is chaired by Outside Director Takao Kitabata. In addition to his experience, including serving as Vice-Minister at the Ministry of Economy, Trade and Industry, Mr. Kitabata possesses an international perspective and deep knowledge of the operation of boards of directors of listed companies, and he has provided Zeon with practical and extremely useful recommendations from the perspective of establishing governance.

Our director and officer compensation system employs a mechanism in which cash compensation is linked to short-term performance. For example, our unsatisfactory performance in FY2023 was reflected in the form of a reduction in performance-linked compensation in FY2024. We believe that this kind of system appropriately pressures the management team to take Zeon’s performance seriously and holds them accountable.

In turn, we have also introduced stock compensation as part of our compensation design to contribute to the long-term enhancement of corporate value. Specifically, Zeon has adopted a system of granting restricted shares in accordance with the progress of the Medium-Term Business Plan, with the final number of shares granted being determined based on our actual results at the end of the plan period.

Through these means, we will further raise our management team’s awareness of the need to enhance corporate value via a compensation system that addresses both short- and long-term results.

Further enhancing our management

Because further discussion of financial strategy is an urgent issue for the sustainable enhancement of the Zeon Group’s corporate value, we added Outside Director Kyoko Yoshikawa, who has expertise in finance and accounting, as a member of the Board of Directors in FY2025. Drawing on her extensive professional experience at securities and business firms, we expect Ms. Yoshikawa to provide supervision and advice from a more practical perspective with respect to such matters as capital efficiency.

With regard to the skill composition of the Board of Directors, we believe that in addition to diversity, it is important to include people with expertise in polymer chemistry, the core of our business. We recognize that maintaining an appropriate balance between expertise and diversity is key to enhancing our management. In addition, going forward, we will increase opportunities for outside officers to visit plants and other locations at the front lines of our operations. By using what they see and hear during these occasions as part of their efforts to enhance shareholder and corporate value, this will further stimulate meetings of the Board of Directors.

In addition to the management oversight provided by outside directors, the voices of our shareholders and investors are also an essential element in the enhancement of management. We will be communicating with shareholders and investors more closely than ever, and will intend to thoroughly review the items that receive numerous identical opinions.

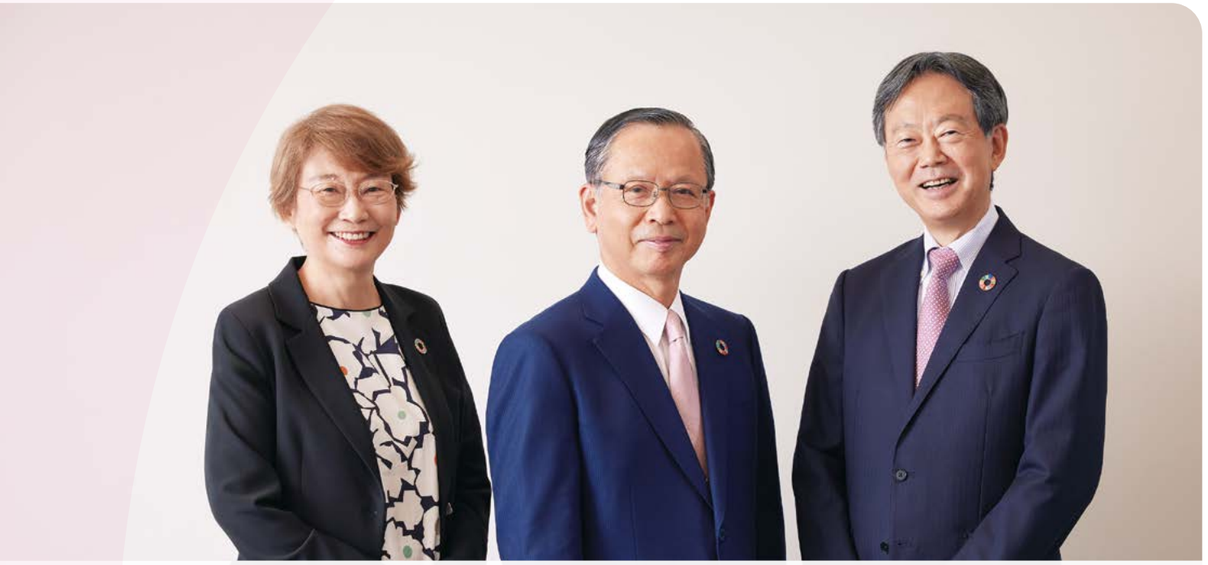
Last but not least, as a company engaged in manufacturing, safety is the foundation of everything Zeon Group does and the value on which we place the highest priority. Safety must be the top priority in advancing any reform. Only when safety is ensured can each employee feel secure, take pride in his or her role, and perform to the best of their ability. We strongly feel that putting even more effort into building this foundation and making it stronger will be a driving force to improve the quality of our governance and sustainably increase our corporate value.

There is no end goal in strengthening governance. We will not be content with the status quo, thinking “this is enough,” but will continue to strive to be ever better. We sincerely ask for your ongoing support.

Kimiaki Tanaka

Chairman
Zeon Corporation

Roundtable Discussion among Directors



Saeko Masumi
Outside Director

Takao Kitabata
Outside Director

Yoshiyuki Sone
Director & Senior Corporate Officer

Zeon enriches people's lives and makes a positive contribution to society through high-performance materials. Three directors discussed Zeon's initiatives aimed at realizing sustainable growth. They spoke from their own perspectives about the Board of Directors' involvement in the newly announced Phase 3 of the Medium-Term Business Plan, the evolution of governance, the transformation of corporate culture, and future challenges.

Formulating process of Phase 3, and role played by Board of Directors

Kitabata: What particularly struck me about the Medium-Term Business Plan formulation this time was the high degree of participation in the process by the Board of Directors, including the outside directors. After work began on drawing up Phase 3 based on the progress and issues of Phase 2, the Board of Directors met very frequently, discussing around a dozen times. I believe this was the highest number of meetings so far. It is not just the number of instances of discussion, but on every occasion, there was an exchange of views from diverse perspectives, and genuinely meaningful discussion, which I feel was marvelous.

An important characteristic of Zeon is that not just corporate planning managers but also managers from other divisions take the time to explain things directly to the Board of Directors. Being able to hear, from people who are close to the business frontline, about the approach that the company is taking in light of the circumstances in its various business areas, helps to strengthen our understanding as outside directors.

Another point worth noting is that the forum for discussion is not limited to Board of Directors meetings. Frank opinions were exchanged at different types of venues, including the Corporate Value Creation Conference, small-scale meetings for outside directors and management team members to engage in discussion, and opportunities for dialogue among the outside directors. I feel that being able to have frank and lively discussions without being constrained by formalities or worrying about time, was very important in terms of enhancing the quality of the plan.

Masumi: I also feel that the discussions relating to the Medium-Term Business Plan have been extremely interesting, and that because we have been able to go into specifics, it has been very meaningful. I think that this will help to enhance the effectiveness of implementation. With the Medium-Term Business Plan having FY2030 as its final year, in Phase 3 we are approaching the mid-point, transitioning to a stage at which we can finally start to evaluate the results. I personally am very much looking forward to it, while also intending to monitor future progress with an objective perspective.

Kitabata: In Phase 3, there has been greater clarity regarding the company's stance in terms of selection and concentration. Although in the past we have also made choices to some extent, in this phase we have really got serious about it. We have made the decision to terminate production of some low-profit products in the Elastomers Business, but without seeds for the future growth, we will not be able to increase our corporate value. From this perspective, I believe it was a major step forward that lively discussion took place regarding identifying products to grow going forward, the feasibility of future plans, and investment plans.

Masumi: Decisions on selection and concentration requires courage, but it is significant that, during the discussions by the Board, there was consensus among all company officers about what is important to Zeon as a company, and where it needs to focus its attention. It was made clear that Zeon's approach is not just to pursue scale, but to boost profitability through technology innovation and delivering products that have competitive advantage. I understand that this represents the main direction of Zeon's selection and concentration strategy.

Sone: Regarding the selection and concentration perspective, during our dialogues with investors they sometimes suggest that "Zeon should withdraw entirely from the Elastomers Business, and focus all its management resources on the Specialty Materials Business."

However, polymer design technology is the core element in Zeon's operations, and the Elastomers Business is important as a foundation for this. Our diverse range of specialty rubber products that is unrivalled anywhere in the world, boasts high profitability and also embodies the technology that differentiates us from competitors.

For this reason, we will review our low-profit products, and implement a reallocation of management resources, but at the same time, we will actively strengthen those products where we have competitive advantage. I hope that we can change the market's preconception that "elastomers don't make money."

In particular, as we enter a carbon-neutral society, we need to rethink the role that chemistry can play and the value that chemical materials can provide. Benefiting from these changing times, Zeon's synthetic rubber has the potential to make a significant contribution toward sustainable growth.

Precisely for this reason, I feel that, looking ahead, Zeon has an important responsibility to be persistent about continuing to provide careful explanations to investors regarding the strategic significance of its Elastomers Business.

Realizing effective governance and building an open and transparent corporate culture

Masumi: As I see it, Zeon, as a company, is very serious. Even officers take responsibility at the frontline level, and confront challenges head-on. It is a company that embodies the ethos of traditional Japanese enterprise, in both positive and negative ways. Companies like this tend to have a board of directors that is just going through the motions, with the role of outside directors being limited to rubber-stamping the company's decisions. But I have to say that, even just looking at the period since I joined Zeon's Board of Directors, the Board has become steadily more open and forward-looking in its approach. I feel that Board members are willing to listen attentively to any views or questions, and that they make an effort to provide clear explanations.

Sone: Today, Zeon's Board of Directors has outside directors from a wide range of different backgrounds. I personally feel that the different viewpoints and suggestions that arise from this diversity are extremely valuable. From our perspective on the executive side, I hope that we can enhance the quality of discussion with outside directors even further in the future.

Masumi: I think it is precisely because of this attitude that the exchange of views between inside and outside directors has become so lively, with constructive discussion, in both directions, emerging naturally.

Viewed in terms of realizing sound governance, I get a real sense that the current state of the Board of Directors, with both the quality and quantity of dialogue increasing, represents a definite step forward.

Sone: At the same time, because our products and technologies require a certain degree of chemistry knowledge, they can be difficult to understand at first sight. Although we have already been trying to provide clear explanations of our businesses and products, it is probably fair to say that there is still room for improvement, and going forward we will need to further strengthen our efforts in this area.

More specifically, I hope that we can increase the opportunities for outside directors to have direct contact with frontline staff, by setting meetings with employees and visits to our plants. I think that viewing the business frontline from an independent standpoint will further enhance the outside directors' ability to perform their supervisory function.

Another point is that, within Zeon, there are still some residual elements of a corporate culture where employees feel that "It is difficult to point out mistakes to supervisors," and that "You can't really tell people things directly about what you think is right." We are currently working to improve this situation. For example, we have begun dialogue-based training aimed at cultivating a sense of psychological safety, to create an environment where employees can express their views with peace of mind, regardless of rank or age. Rather than using a lecture-type format, the idea is for employees at different job ranks to exchange their views, telling others what they feel. I believe that, by continuing to provide this type of training, we can gradually transform our organizational culture.

In the past, matters relating to risks were reported to the former Risk Management Committee, regardless of the size of the risk. To realize greater flexibility, we have now established a new Risk Management Committee. While the former Risk Management Committee is focused on mobilization in the event of a crisis situation, the aim of the new Risk Management Committee is to ensure that every individual unit is undertaking self-directed risk monitoring on a day-to-day basis, and responding to risks appropriately. By establishing this framework, there has been a substantial increase in the reporting of problems that would not be seen as requiring crisis management treatment and which it would appear could be dealt with each unit, or in other words "risks that have not yet materialized," before they develop.

Masumi: These "risks that have not yet materialized" can be warnings signs that point to the existence of particular problems. Being able to identify small problems, before they develop into big problems, as early as possible is an important aspect of corporate governance.

Sone: Yes, that is true. On the executive side, we feel the same way. Starting from this year, we have introduced a new framework for our whistleblowing system that enables employees to submit reports anonymously. By creating an environment where employees feel able to report things that they have noticed, however minor, I believe that we can spread awareness of the need to discuss things.

Masumi: Up until now, the number of whistleblowing cases has average around three or four per year, which, to be frank, is a low figure. The reality is that, at a lot of Japanese companies, many employees are worried that if they submit a report about something, people will know that it was them that submitted it. In terms of allaying people's concerns about potential disadvantages, I feel that the recent introduction of an anonymous reporting system should be very effective.

Kitabata: There is definitely an issue with anonymous reporting systems in terms of how time-consuming it is to determine whether the information submitted is true or not. However, I think that the existence of this system itself will act as a deterrent to improper actions. Having a system in place that can detect signs of trouble in advance and then act speedily to address them is very important in minimizing risk.

Masumi: Of course, the ideal situation would be to have workplaces with relaxed, open communication where every employee is free to make their views heard. To realize this goal, a vital first step is to have contact points where even the smallest voice will be listened to.

Kitabata: Yes, I agree. And it is also vital to continuously refine the system to ensure its sustainable operation. If a lot of anonymous reports are being made, this may indicate the existence of latent problems within the organization. This is why I think it is important to build an open corporate culture so that employees and their supervisors can engage in frank dialogue with one another on a daily basis, rather than relying solely on reporting systems.

Openness of this kind is extremely important from a compliance perspective, but it goes beyond that. A workplace where people can express their views freely is also a workplace that is more likely to generate new insights and new ideas. In other words, compliance with legal requirements and innovation are both extensions of the same corporate culture.

Building Zeon's future through technology, human resources, and materials

Kitabata: We are living in an era when it is difficult to forecast how the industrial structure and society will change in the future. However, even in such uncertain times, the essential aspects of technology supporting social progress remain unchanged, and that is what gives Zeon's existence meaning. For this reason, I believe that, as long as Zeon remains aware of the need to keep emphasizing technology, it will survive and thrive no matter what the environment. As a director, I will do my utmost to help Zeon maximize its value as a company that contributes to society through technology.

This is why continually recruiting and retaining talented researchers is such a vitally important issue.

Sone: Yes, you are quite right. We recognize that recruiting and retaining talent is extremely important for Zeon to realize growth through technology. Similarly, we also need to recruit and retain the human talent required to support our technology and our corporate growth at the level of individual production sites and head office functions. In Japan, with its falling population, this is going to be an increasingly challenging issue. Zeon is proceeding with DI&B initiatives to create an environment that diverse human talent can feel proud to work in.

Kitabata: We anticipate that, in the future, recruiting highly specialized personnel will become particularly challenging. It will become more important to create an attractive work environment that makes people think "I want to work here."

In recent years, research fields have become increasingly specialized, so expertise in a particular field does not necessarily carry over to other areas. In this situation, Zeon should brand itself as a company where people with diverse areas of expertise are welcomed and free to take on any challenge. This should expand the opportunities for outstanding talent to find Zeon.

Sone: Regarding recruiting and retaining outstanding researchers, we are continuing to make a particular effort to individuals with doctoral degrees and postdoctoral researchers.

In terms of R&D, we are conducting collaborative research with various universities and research institutes; initiatives like these enable us to steadily expand our network of promising talent. In fact, there have been cases where exchanges during such collaborations have strengthened mutual understanding, leading to employment.

We aim to expand our connections with outstanding talent by positioning joint research as an entry point for securing personnel, while carefully nurturing each opportunity to experience Zeon's appeal.

Masumi: Yes, the importance of human talent is certainly increasing. I also feel that we need a renewed focus on the power of materials themselves.

Since prehistoric times, humans have been making use of the bounty of nature, in the form of chemical substances, in their daily lives. Of course, these have not always been a blessing; they have sometimes caused harm. Through this process of trial and error, today's science and technology, and the overall form of society, have come into shape. Currently, as I understand it, around 100,000 chemical substances are being manufactured in Japan, and nearly 1,000 new substances are developed every year. For an enterprise to survive in this intensely competitive environment, it is surely important to demonstrate one's strength in terms of positioning in relation to materials.

While end products are often affected by constraints depending on their applications and regions where they can be sold, materials are like water; they can flow to wherever they are needed. If Zeon can make effective use of its advanced technological capability to generate materials that are truly valuable to society, then the company will continue to be needed around the world, and it will also lead to sustainable growth.

Kitabata: Also, I would like to emphasize the importance of the potential for transforming materials, what you might call the "ability to transform."

I feel that an interesting aspect of being a chemical manufacturer is that, unlike in other industries such as machinery manufacturing, you have the possibility of changing things. There is a parallel here with the advocacy of using the word *kagaku* ("study of transformation") as a Japanese translation of "chemistry" by the 19th century scholar Komin Kawamoto to replace the existing term *seimi* (transliteration of the Dutch word "chemie" meaning chemistry). Chemistry is the study and industry about "things transforming," and thus has potential for dramatic change.

Of course, sometimes you hit the mark, sometimes you don't. But having said that, if you do not continue to challenge yourself, you will not reach truly valuable technologies and materials. It is this "ability to transform" that makes chemistry so exciting, and constitutes a wellspring of potential for Zeon as a chemical manufacturer. This is why I hope that investors will join with us in anticipating Zeon's successful development of the immense potential that it has.

Governance

For the latest version of our Basic Policy on Corporate Governance and Corporate Governance Report, please refer to the following website.
https://www.zeon.co.jp/en/csr/governance/corporate/

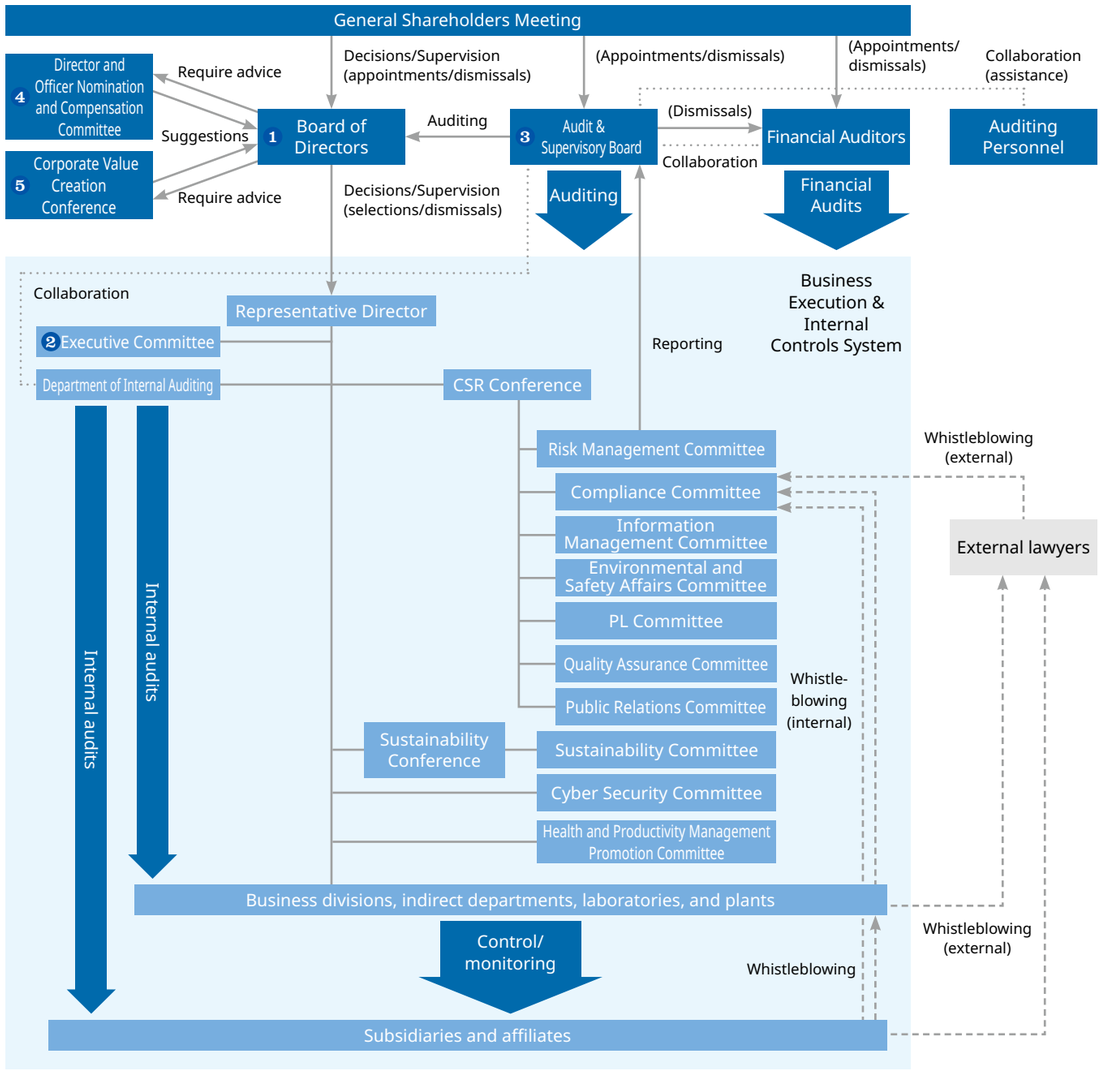
Corporate governance

Basic approach to corporate governance

Zeon 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 build a system that enables efficient and sound corporate management through corporate governance.

We have identified "Establishing solid governance" as one of our key issues (materiality) that Zeon needs to prioritize in order to grow sustainably together with society. In our Medium-Term Business Plan: STAGE30, which is closely linked with our materiality, we set concrete targets to strengthen governance further. We will focus on these efforts and strive to enhance management transparency.

Corporate governance system (as of July 2025)



❶ Board of Directors

The Board of Directors meets, in principle, every month with Audit & Supervisory Board 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.

A total of 18 meetings were held in FY2024. As of July 2025, the Board of Directors consists of 10 directors, including five outside directors.

❷ Executive Committee

The Executive Committee, in accordance with the Executive Committee Rules, comprises the representative director and executive officers ranked senior corporate officer or above and 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. A total of 30 meetings were held in FY2024.

❸ Audit & Supervisory Board

The Audit & Supervisory Board comprises five members, including three outside members. The Board reports on, 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 subsidiaries' operations. A total of 6 meetings were held in FY2024.

❹ Director and Officer Nomination and Compensation Committee (Chairperson: Takao Kitabata)

The Director and Officer Nomination and Compensation Committee is positioned as an advisory organ to the Board of Directors for the purpose of strengthening the objectivity and transparency of the Board of Directors functions related to nominating directors and officers and deciding their compensation. Dialogue sessions are also held between corporate officers and other managerial employees, who are future director candidates, and outside officers. The committee is composed of seven members, of which five are independent outside directors. A total of 7 meetings were held in FY2024.

❺ Corporate Value Creation Conference (Chairperson: Tadanobu Nagumo)

The Corporate Value Creation Conference was established as an advisory body to the Board of Directors, to strengthen the decision-making and oversight functions of the Board with respect to the creation of the Zeon Group's corporate value, and activities aimed at reflecting that value in our market capitalization. The Conference consists of the Chairman, the President, and the following external members.

Outside Directors
Tadanobu Nagumo and Takao Kitabata

Outside Audit & Supervisory Board Members
Hiroki Kimura and Masayoshi Nakamura

Attorney at Law
Shigeru Nakajima (Nakajima Transactional Law Office)

The Conference engages in discussion that encompasses the sources of corporate value Zeon should defend and issues relating to corporate governance, internal controls, and the company's risk management structure. The Conference provides advice to the Board of Directors, intending to serve as a major driver of corporate value enhancement and creation, and by extension, measures that tend to maximize our market capitalization. A total of 3 meetings were held in FY2024.

Evaluation of the effectiveness of the Board of Directors

We conduct surveys and interviews with all directors, including outside officers, and Audit & Supervisory Board members once a year. External legal professionals are asked to analyze the survey and interview results, after which the Board of Directors implements discussion and evaluation. That analysis concluded that our FY2024 survey and interview results were on par with previous years and overall, the effectiveness of the Board of Directors was evaluated as high.

The main issues addressed in FY2024, based on the FY2023 evaluation results and the key initiatives implemented, are as follows.

Issues and key initiatives in FY2024

1. Strengthening deliberation
   - Ensuring adequate time for deliberation and selecting appropriate topics
2. Visualization of critical risk management systems and management status
   - Examining company-wide risks in depth, by area, and implementing systematic reporting
   - Implementing periodic reporting on the handling of the matters noted by the Special Review Committee
3. Easy-to-understand explanations of progress on Medium-Term Business Plan and SDGs measures
   - Making an effort to provide an explanation based on the company's medium- to long-term vision
   - Providing an easy-to-understand explanation of the relationship between the SDGs and Zeon's businesses
4. Expanding IR reporting
5. Invigorating communication between officers
   - Continuing to create opportunities for exchanging views with outside directors beyond the Board of Directors framework, and opportunities for free discussion with managers

Board of Directors agenda (FY2024)

	Breakdown by topic	Breakdown by deliberation time
Management policy/Strategy	14%	26%
Financial results/Finances	19%	14%
CSR/Sustainability	4%	4%
Governance/Risk management/ Internal control	20%	20%
Business, R&D/Manufacturing, DX strategy/Cyber security, etc.	43%	36%

Major issues and planned key measures in FY2025

1. Strengthening deliberation (ongoing)
   - To eliminate the information gap between inside and outside directors, we share video footage of the content of management meetings relating to issues submitted to the Board
2. Strengthening oversight function in relation to risk management (ongoing)
3. Setting of agenda on important management topics
   - Discussion of the company's medium- and long-term management vision and the overall direction of its growth strategy
   - Promoting reports and information sharing from the Corporate Value Creation Conference and the Director and Officer Nomination and Compensation Committee

4. Providing opportunities to enhance understanding of our businesses
   - Arranging for outside directors to visit plants and other worksites, and to attend special events
   - Creating opportunities for dialogue with corporate officers and employees
   - Briefings on each business operation, given by divisional and departmental managers, etc.
5. Promoting communication between officers (ongoing)
   - Continuing off-site discussions

Appointment and dismissal of directors and officers

We nominate individuals for inside director who have the expertise and experience to execute Zeon's management precisely, fairly, and efficiently, with an extensive track record of social trust. We seek to nominate individuals to be outside directors who can supervise management with an independent external perspective, and advise Zeon concerning its activities based on abundant experience and high-level insight.

In nominating candidates for the Board of Directors, the representative director recommends individuals who meet the above policies with the advice of the Director and Officer Nomination and Compensation Committee, and the Board of Directors reviews and selects the candidates.

Candidates nominated for selection as inside Audit & Supervisory Board members must have the expertise and experience to audit directors' execution of their management responsibilities precisely, fairly, and efficiently, with an extensive track record of social trust. Candidates nominated for outside Audit & Supervisory Board members must be capable of conducting audits from an independent external position, with a foundation of abundant experience and advanced expertise.

In nominating candidates for corporate auditors, the representative director recommends individuals who meet the above policies with the advice of the Director and Officer Nomination and Compensation Committee, and with approval from the Audit & Supervisory Board, the Board of Directors reviews and selects the candidates.

In the case of committing a serious violation of the law, or an act violating company policy either intentionally or through gross negligence, or other reason that is cause for dismissal of the director or officer as provided in internal company regulations, the Board of Directors deliberates the case and dismisses the director or officer concerned based on the Companies Act and other legislation.

Balance, diversity, and size of the Board of Directors

The Board of Directors comprises a diverse range of directors with different backgrounds of knowledge, experience, expertise, and so on, and the number of directors is limited to 15 in accordance with the Articles of Incorporation from the perspective of maintaining an appropriate size to ensure thorough deliberations and prompt and reasonable decision-making as an organizational body.

Zeon appoints several independent outside directors who are not involved in the execution of business to appropriately reflect in the company's management policies, the opinions of persons with extensive experience and insight, such as outside corporate managers and persons with administrative experience, and to ensure the effectiveness of independent and objective management supervision by the Board of Directors. In Phase 3 of the Medium-Term Business Plan: STAGE30, we have set ourselves the target of having outside directors account for over 50% of all members of the Board of Directors by FY2028.

In recent years we have been promoting active participation by women. We currently have three female outside directors and one female outside Audit & Supervisory Board member, and as a result, currently, 26.6% of all members of the Board of Directors and Audit & Supervisory Board (combined) are women. In our Medium-Term Business Plan: STAGE30, we have set quantitative targets for the share of members of the Board of Directors and Audit & Supervisory Board (either inside or outside) who are either female or foreign-nationals, or both, at 28% by FY2028 and 30% by FY2030.

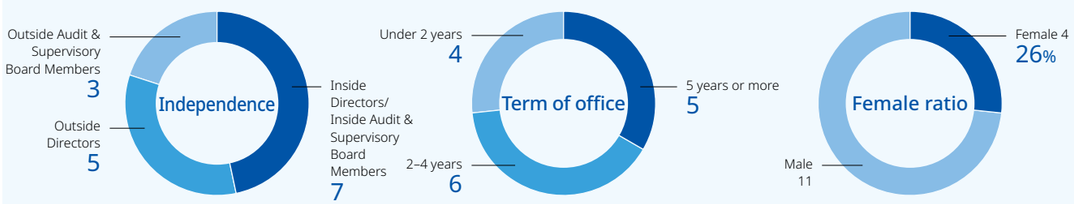
The list of skill combinations—commonly referred to as the skill matrix—shown on the right includes skills that are strongly related to the primary first KPI of Phase 3 of our Medium-Term Business Plan: STAGE30, as well as skills that contribute to achieving all of our materiality goals, together with the specific skills (up to four per person) that each director possesses and that our company particularly expects them to demonstrate. Some of our investors had pointed out the absence of outside directors with financial and accounting expertise; however, in June 2025, Ms. Kyoko Yoshikawa, who has extensive practical experience and deep knowledge in finance and accounting, was appointed as an outside director.

Roles expected of outside directors

Outside directors are asked to provide management oversight from an independent standpoint and a higher perspective based on their experience, as well as give advice to company management based on their own specialized knowledge and insight. The roles expected of each outside director are as follows.

Note that all nominees are independent and meet the company's criteria for judging the independence of outside officers, and do not fall under any of the matters that could result in conflicts of interest with general shareholders as determined by the Tokyo Stock Exchange.

Composition of Directors and Audit & Supervisory Board Members



Outside Director Takao Kitabata

With his many years of involvement in economic and industrial administration, and based on his extensive experience and insight into the industry overall, we expect his experience will benefit company management when providing guidance and making recommendations.

Outside Director Tadanobu Nagumo

Involved in managing The Yokohama Rubber Co., Ltd. For many years, he has cultivated considerable experience and insight as a corporate management expert throughout his career. We expect him to provide practical guidance and proposals regarding the company's management based on his experience.

Outside Director Miki Akiyama

With experience and knowledge as a researcher specializing in mental health and health communication (communication within the health and medical fields), in addition to comprehensive insights into healthcare knowledge cultivated through successive appointments as a committee member and advisor for local and national governments, we anticipate she will be able to provide useful guidance and advice, especially with issues related to the company's health management, employee engagement, and risk communication.

Outside Director Saeko Masumi

She carries experience and knowledge from a long career serving as an attorney, and insight into social issues cultivated through public interest activities related to broadcasting ethics and human rights relief, etc. We hope to receive valuable guidance and advice from her regarding our compliance, diversity, inclusion, and belonging (DI&B), and business and human rights issues.

Outside Director Kyoko Yoshikawa

Given her extensive experience and expertise gained through holding senior positions overseeing accounting and finance operations at operating companies, we anticipate she will provide oversight and advice, primarily from a corporate finance perspective, on challenges related to our business structure transformation—including portfolio restructuring—and improving capital efficiency. We also expect her guidance and recommendations on our DX advancement based on her long-time experience of overseeing administrative departments, including the IT department, and successfully leading transformation projects.

Skills table

	New business creation	Internationality	Business reform	Corporate management	Finance/ Accounting	Compliance/ Risk management	Sustainability/ ESG	Sales/Marketing	Research & Development	Production/ SCM	Organizational development/ HR development	DX/IT
Kimiaki Tanaka	●			●			●		●			
Tetsuya Toyoshima	●			●					●			●
Kazuyoshi Matsuura		●	●		●			●				
Yoshiyuki Sone	●				●	●					●	
Yuichiro Konishi	●	●	●					●				
Takao Kitabata		●				●	●					
Tadanobu Nagumo			●	●				●		●		
Miki Akiyama		●				●	●					
Saeko Masumi						●	●					
Kyoko Yoshikawa			●		●							●

Message from new outside director Kyoko Yoshikawa

Among its goals for the Medium-Term Business Plan: STAGE30, Zeon Corporation has set making return on invested capital (ROIC) a management indicator, realizing both business expansion (through proactive new investment) and enhancement of capital efficiency, and the realization of continuous, stable returning of value to shareholders. Already in FY2025, which is the third year of implementation of Phase 2 of STAGE30 and which also marks the halfway point toward the achievement of the 2030 targets for STAGE30 as a whole, Zeon has implemented initiatives directed toward the smooth achievement of its objectives, while making some slight adjustments based on market conditions, etc. In particular, as a result of the smooth reduction in cross-shareholdings, Zeon has put in place the environment needed for investment in businesses with growth potential and for the transition to a new business portfolio.

As a member of the Board of Directors, I hope to effectively promote the allocation of resources to areas with strong revenue and growth potential. In addition, regarding investment in new businesses, I aim to visualize the investment effectiveness and engage in continuous monitoring. I also attach great importance to the standardization, automation, and visualization of business processes through the promotion of DX, and I aim to provide support for bottom-up improvement activities through close coordination with senior management.

Leveraging my experience to date, I hope to contribute to strengthening the execution of financial strategies and achieving stable shareholder returns by integrating a company-wide perspective with frontline insight.

Director and officer compensation

Zeon has implemented a compensation system with a high proportion of performance-based pay, designed to serve as a sound incentive for sustainable growth.

Evaluation indicators for performance-linked cash and stock compensation under the executive compensation system are summarized below. Though directors remain accountable for short-term performance, the indicators are tied closely to Medium- Term Business Plan goals. This evaluation system will increase the likelihood of creating and enhancing corporate value over the medium to long term.

Compensation system

Directors and officers	Compensation structure
Inside directors	Cash compensation (fixed), cash compensation (performance-linked), stock compensation (fixed), stock compensation (performance-linked)
Corporate officers	Cash compensation (fixed), cash compensation (performance-linked), stock compensation (performance-linked)
Outside directors	Fixed-amount cash compensation

FY2024 compensation

Directors and officers	Compensation structure
Inside directors (6 directors)	406 million yen Breakdown: Cash compensation (fixed), 154 million yen; cash compensation (performance-linked), 111 million yen; non-monetary compensation, etc., 142 million yen
Inside Audit & Supervisory Board members (2 members)	53 million yen
Outside officers (10 officers)	90 million yen

Compensation category and indicators

Category		Indicator	
Cash compensation (performance-linked)	Financial indicators	Group-wide sales and operating profit ratio	Performance vs. target, fiscal year
		Business division sales, operating profit ratio*1	
	Non-financial indicators	Divisional and individual challenges	Performance vs. division targets relating to the Medium-Term Business Plan
Stock compensation (performance-linked)	Financial indicators	Group-wide sales, operating profit, and ROIC (Group-wide)	Performance vs. targets, final fiscal year of each phase of the Medium-Term Business Plan*3
	Non-financial indicators	Medium-Term Business Plan ESG targets*2	Number of targets reached, final fiscal year of each phase of the Medium-Term Business Plan*3

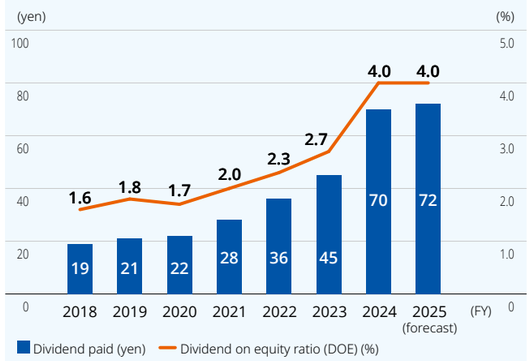
*1 Applies only to executive business division managers. For growth businesses and new businesses, the sole indicator is divisional sales.
*2 CO_2 reductions, engagement survey items, female manager ratio, cross-shareholdings to net assets ratio, etc.
*3 Executive officers are allocated a standard number of points for each phase of the Medium-Term Business Plan. After each phase is completed, the relevant points will be calculated by multiplying by an evaluation factor reflecting target achievement or number of units achieved. The weighting of financial and non-financial indicators in stock compensation (performance-linked) is set at 8:2.

Profit distribution policy

Regarding allocation of surplus, whereas in the past we followed a policy of maintaining a dividend payout ratio of 30% or higher, in October 2024 we changed our strategy, adopting a new policy of seeking to maintain a dividend on equity (DOE) ratio of at least 4%. In our Medium-Term Business Plan: STAGE30, we are planning various large-scale growth-oriented investment projects, including the building of a new Cyclo Olefin Polymers plant. We decided that, rather than focusing on the dividend payout ratio calculated based on net income, using the DOE ratio calculated based on net assets would contribute more toward allowing the stable returning of value to shareholders and the maintenance and enhancement of shareholder value. For FY2025, we expect an increase in the dividend for the 16th consecutive term.

Regarding share buybacks, we will adopt a flexible approach that considers market conditions and capital requirements. In FY2024 we implemented share buybacks totaling 20 billion yen. We plan to implement share buybacks totaling a further 20 billion yen over the two years from FY2025 to FY2026.

Dividends and dividend on equity ratio (DOE)

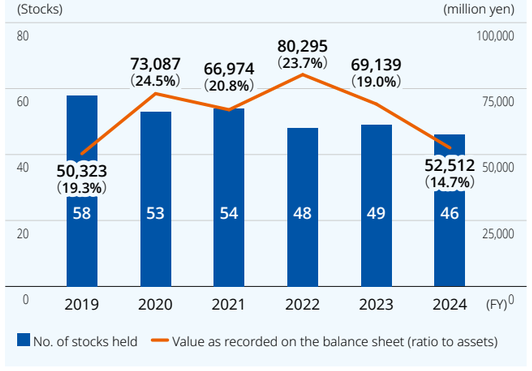


Cross-shareholdings

In Phase 2 of the Medium-Term Business Plan: STAGE30, that started in FY2023, with the aim of optimizing our financial status, we have set a target for FY2026 of "less than 5% of a cross-shareholdings ratio to consolidated net assets" as we proceed with our initiatives. We are maintaining this target in Phase 3 of the Medium-Term business Plan: STAGE30, which began in FY2025.

In FY2024, we sold holdings with a total sale price of 11.495 billion yen. As a result, the cross-shareholdings recorded on the consolidated balance sheet as of March 31, 2025 amounted to 52.512 billion yen (14.7% of consolidated net assets). We will continue to implement further reductions in our cross-shareholdings in order to achieve the target noted above.

Number of stocks held and their value



Active and constructive dialogue with shareholders and investors

The IR & SR office, a specialized department, is responsible for shareholder and investor communications.

The IR & SR office is not subordinate to any other division and reports directly to the General Manager of Administrative Headquarters. This enables it to deliver capital market input directly to management, where it can be incorporated responsively into management measures. This system also enables the timely, accurate and unbiased transmission of information to market participants in relation to the results of discussion regarding matters such as managerial measures.

We are continuously working to improve our communication methods by extending the scope of dialogue beyond one-on-one meetings by holding quarterly financial briefings for investors and small meetings for institutional investors, disclosing IR information on the website, and participating in events for individual investors.

At the general shareholders meeting held in June 2025, besides providing a live video feed for those shareholders who were unable to be present in person, we also provided answers to questions that had been raised prior to the meeting.

Online company presentation for investors by President and CEO Tetsuya Toyoshima

Risk Management

Basic approach

We are promoting the development and operation of Group-wide systems that enable us not only to identify and prevent latent risks, but also to respond rapidly to and deal with risks that have already manifested themselves.

Risk management system

We have established a Risk Management Committee to build and manage a Group-wide risk management system under the umbrella of the CSR Conference, our highest decision-making body in relation to CSR. The Committee is promoting the development and operation of company-wide systems that enable us not only to identify and prevent latent risks, but also to respond rapidly to and deal with risks that have already manifested themselves. Additionally, each committee established under the CSR Conference reports back to it on the status of its activities and future plans regarding the controlling of risks that fall within its purview.

See P.83 for the corporate governance system chart.

Emerged individual risks are handled by the committee or department in charge of that risk, and are reported to the Risk Management Committee, including the status of measures to prevent recurrence and horizontal rollout.

The Risk Management Committee performs monitoring to determine whether risk management in Zeon Group is directed properly, compiles a list of risks covering the whole enterprise, reports to the CSR Conference and Board of Directors on control activities relating to Group-wide risk management, and confirms the effectiveness of risk management. Moreover, each Zeon Group organization creates its own list of risks, recognizes risks specific to that organization along with Group-wide risks, and implements any control activities needed based on the recognition. Individual risk evaluation and control activities are compiled by the Risk Management Committee and shared with the individual committees and departments they fall under, thereby increasing the effectiveness of Group-wide risk management activities. Group-wide risks also include those related to climate change and human rights.

Whistleblowing system

We have put in place a whistleblowing system to identify information about potential risks as early as possible so that appropriate action can be taken. Reporting channels for risk information include internal channels such as reporting through superiors and reporting directly to the Compliance Committee secretariat. We have also set up the Lawyer HOTLINE, with an outside attorney serving as the contact point. In addition, we have established the web-based Compliance Helpline, which allows anonymous reporting, broadening the options available to whistleblowers.

Upon receiving a report, the Compliance Committee secretariat investigates the facts regarding the report and, based on the results, takes appropriate actions such as instructing relevant internal departments to implement countermeasures.

Number of whistleblowing cases in FY2024	6

BCP formulation and training

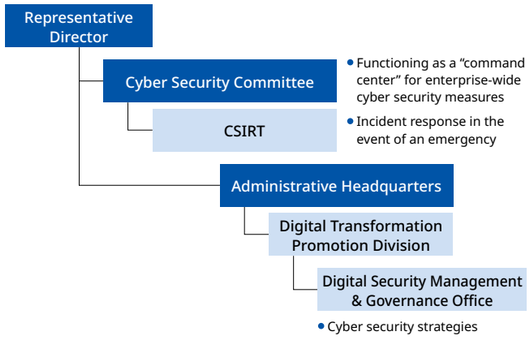
Recognizing the need on business continuity to minimize the impact of damage from disasters such as earthquakes and severe storm and flood damage, we have formulated a business continuity plan (BCP), and we implement training to enhance its effectiveness. In FY2024, we conducted two whole-company emergency headquarters drills, one whole-company emergency headquarters secretariat drill, and two plant drills. Through these drills and other activities, we ensure the effectiveness of our BCP and work to strengthen our resilience to disasters. In addition, each individual business division and plant has formulated its own BCP, and has put in place systems to facilitate a rapid response in the event of an emergency. We are also implementing business continuity management (BCM) to maintain and strengthen our BCP and its effectiveness through ongoing improvement and our unique training.

Structuring and strengthening our information security system

As part of our efforts to strengthen and promote information security, we have established a Cyber Security Committee, which reports directly to the representative director. The Committee is responsible for providing guidance, monitoring, and assessment of cyber security measures on an enterprise-wide basis. It is also positioned as the governing body for rapid and effective incident response during emergencies.

In addition, a Computer Security Incident Response Team (CSIRT) has been established, which reports to the Committee, and which is responsible for making expert judgements and implementing a practical response in the event of a security incident. The CSIRT is tasked with implementing an appropriate, speedy response if an incident occurs at any Zeon Group company. In addition, in order to respond to today's increasingly complex and diversified cyber-attack threats, the CSIRT is working to realize ongoing improvement of Zeon's ability to respond to cyber security incidents, proceeding with a step-by-step enhancement of this capability, and collaborating with external organizations where necessary.

Systems relating to cyber security risk



Responding to unauthorized access incidents

On March 6, 2025, a server belonging to Zeon Group company Tohpe Corporation was affected by unauthorized access. It was determined that there was a possibility that some personal information relating to partner companies that was being managed by Tohpe may have been compromised.

Immediately after this was discovered, Zeon's CSIRT implemented incident response in collaboration with Tohpe, aiming to minimize the harm caused and resolve the issue as quickly as possible. Although no cases of unauthorized use of personal information have been confirmed as of May 2025, we sincerely apologize to everyone concerned for any inconvenience and cause for concern that this issue has resulted in. Please accept our utmost apologies.

Though we already outlined this in detail in our notification dated June 3, 2025, in light of the possibility that personal information may have been compromised, the company has taken the following action.

1) **Reporting to administrative agencies (reported to the Personal Information Protection Commission on March 10, 2025)**
2) **Notifying those whose personal information may have been compromised**

We take this incident very seriously and with the cooperation of external specialized organizations, will be investigating its cause and will work to prevent it from happening in the future by building and strengthening an even stricter information security system.

Notification dated June 3, 2025:
https://www.zeon.co.jp/en/news/assets/pdf/250603.pdf

Promotion of cyber security measures

Zeon has established specialist units to handle matters relating to cyber security, and we are implementing the following types of measures. Cyber security risks are being transformed by the continuing evolution of digital technology and the widespread promotion of DX. We recognize that implementing a strategic, effective response to these risks is an important management issue for Zeon, and going forward we will be working to strengthen our initiatives in this area and realize ongoing improvement.

Initiatives relating to cyber security risks

Technical and organizational measures	• Adoption of a Zero Trust approach • Promotion of OT plant security • Strengthening of the incident response system, with CSIRT playing a central role • Establishment of a PSOC, and liaison with external specialist organizations • Establishment of a secure development environment, and promotion of its adoption • Ongoing establishment and adjustment of cyber security-related rules, in light of evolving threat trends, and regulatory changes	Human resources measures	• Provision of cyber security training for all employees, and measurement of its effectiveness • Implementation of rank-based cyber security training (training for officers, managers, etc.) • Study sessions, led by external instructors, covering the latest changes in the cyber security environment (for Cyber Security Committee members, officers, senior managers, etc.) • Implementation of training in relation to targeted e-mail attacks and incident response • Strategic, systematic recruitment of cyber security personnel

Zeon Corporation (Consolidated) Data for the Past 11 Years

Fiscal year: April 1 to March 31 of the following year

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	**2024**
Annual performance											million yen
Net sales	307,524	295,647	287,624	332,682	337,499	321,966	301,961	361,730	388,614	382,279	**420,647**
Operating income	28,245	29,856	30,767	38,881	33,147	26,104	33,408	44,432	27,179	20,500	**29,321**
Ordinary income	31,098	32,153	31,805	40,893	36,319	28,744	38,668	49,468	31,393	26,906	**33,051**
Adjusted net income before tax	29,791	26,265	30,928	24,853	27,044	27,480	38,158	46,226	14,467	43,849	**32,915**
Net income attributable to owners of the parent company	19,080	18,079	23,152	13,056	18,458	20,201	27,716	33,413	10,569	31,101	**26,199**
Capital investment	28,516	27,650	22,122	14,568	14,640	29,088	19,645	22,902	34,045	32,135	**35,521**
Depreciation	19,439	20,904	20,431	20,539	18,780	17,448	18,154	21,469	20,382	20,123	**19,436**
R&D expenses	13,627	14,148	13,233	15,103	16,480	15,274	14,258	15,869	17,580	18,233	**18,224**
Cash flows from operations	34,006	47,599	49,042	54,462	40,393	28,430	56,080	33,140	14,358	47,413	**20,781**
Cash flows from investment	(26,767)	(34,847)	(29,121)	(14,951)	(21,426)	(24,570)	(30,239)	(26,436)	(28,899)	(5,428)	**(22,026)**
Cash flows from financial activities	(12,019)	(9,010)	(15,834)	(11,625)	(23,575)	(8,276)	(8,259)	(11,883)	(2,820)	(30,085)	**(17,123)**
Financial position											million yen
Total assets	399,512	384,753	411,415	443,917	424,937	405,131	448,821	484,660	522,868	532,254	**533,786**
Tangible fixed assets	134,227	138,526	138,058	115,559	102,323	114,791	117,579	118,299	113,924	130,672	**143,703**
Interest-bearing debt	58,889	57,064	44,677	38,573	24,125	20,960	18,960	18,960	27,960	8,960	**25,960**
Net assets	215,631	215,586	244,634	259,940	259,156	260,358	298,246	321,836	339,308	363,729	**357,992**
Key indicators											
Equity ratio (%)	52.9	54.8	58.4	58.4	60.3	63.5	65.8	65.7	64.3	68.1	**66.9**
Return on sales (ROS) (%)	9.2	10.1	10.7	11.7	9.8	8.1	11.1	12.3	7.0	5.4	**7.0**
Return on assets (ROA)* (%)	8.1	8.2	8.0	9.6	8.4	6.9	9.1	10.6	6.2	5.1	**6.2**
Return on equity (ROE) (%)	9.8	8.6	10.3	5.3	7.2	7.9	10.0	10.9	3.2	8.9	**7.3**
Price earnings ratio (PER) (times)	13.2	9.1	12.2	26.2	13.3	8.8	14.0	8.9	28.0	9.0	**11.7**
Price book-value ratio (PBR) (times)	1.19	0.77	1.17	1.33	0.96	0.69	1.31	0.92	0.88	0.77	**0.83**
Cash flow per share (CFPS) (yen)	169.8	172.2	196.4	151.3	169.6	172.3	209.8	251.7	132.4	242.4	**222.0**
Price cash flow ratio (P/CF) (times)	6.5	4.2	6.5	10.2	6.6	4.7	8.4	5.4	10.6	5.4	**6.7**
Earnings per share (EPS) (yen)	84.1	79.9	104.3	58.8	84.1	92.4	126.7	153.2	49.9	147.2	**127.4**
Book-value per share (BPS) (yen)	931.3	949.9	1,082.0	1,158.3	1,172.4	1,176.9	1,349.9	1,487.3	1,591.8	1,714.9	**1,810.8**
Dividend per share (DPS) (yen)	14	15	16	17	19	21	22	28	36	45	**70**

* ROA is normally defined as net income divided by total assets, but as the numerator varies from company to company, a note has been added for each company.
As Zeon discloses ordinary income to total assets as return on assets (ROA) in its financial flash reports, this has been followed for this report. If the method of disclosure is changed in the financial flash reports in the future, the definition used here will be revised accordingly.

Financial Data

Consolidated balance sheets

Assets

million yen/FY

	2020	2021	2022	2023	**2024**
Current assets					
Cash and bank deposits	51,970	47,271	30,082	42,784	**27,366**
Operating receivables	75,688	82,498	83,594	87,446	**87,237**
Inventories	67,354	93,076	127,452	123,353	**141,591**
Other current assets	38,236	52,102	55,503	47,399	**41,940**
Total current assets	233,248	274,947	296,631	300,982	**298,134**
Fixed assets					
Tangible fixed assets	117,579	118,299	113,924	130,672	**143,703**
Intangible fixed assets	3,293	3,249	4,442	5,432	**5,985**
Investment securities	86,201	80,729	100,113	85,316	**71,191**
Other fixed assets	8,500	7,436	7,758	9,852	**14,773**
Total fixed assets	215,573	209,713	226,237	231,272	**235,652**
Total assets	448,821	484,660	522,868	532,254	**533,786**

Liabilities and net assets

million yen/FY

	2020	2021	2022	2023	**2024**
Current liabilities					
Operating payables	65,921	82,994	86,781	86,754	**71,509**
Bonds and loans payable	8,960	18,960	27,960	8,960	**25,960**
Other current liabilities	38,972	36,699	45,846	47,847	**54,553**
Total current liabilities	113,853	138,653	160,587	143,561	**152,022**
Non-current liabilities					
Bonds and borrowings	10,000	0	0	0	**0**
Other non-current liabilities	26,722	24,172	22,973	24,965	**23,771**
Total non-current liabilities	36,722	24,172	22,973	24,965	**23,771**
Net assets					
Capital stock	24,211	24,211	24,211	24,211	**24,211**
Capital surplus	19,150	19,162	19,137	19,582	**19,323**
Retained earnings	244,301	272,679	268,363	289,930	**287,773**
Other	10,584	5,784	27,597	30,006	**26,685**
Total net assets	298,246	321,836	339,308	363,729	**357,992**
Total liabilities and net assets	448,821	484,660	522,868	532,254	**533,786**

Consolidated statements of income and consolidated statements of comprehensive income

million yen/FY

	2020	2021	2022	2023	**2024**
Net sales	301,961	361,730	388,614	382,279	**420,647**
Cost of sales	204,409	241,371	278,971	279,769	**302,414**
Gross profit	97,552	120,358	109,643	102,510	**118,233**
Selling, general and administrative expenses	64,144	75,927	82,464	82,010	**88,913**
Operating income	33,408	44,432	27,179	20,500	**29,321**
Non-operating income	6,099	5,670	5,172	7,705	**5,664**
Non-operating expenses	839	634	958	1,299	**1,934**
Ordinary income	38,668	49,468	31,393	26,906	**33,051**
Extraordinary gains	108	7	3,077	25,514	**8,724**
Extraordinary losses	618	3,250	20,004	8,570	**8,861**
Income before income taxes	38,158	46,226	14,467	43,849	**32,915**
Income taxes	10,279	12,520	3,858	12,847	**6,559**
Net income	27,880	33,706	10,609	31,002	**26,355**
Net income attributable to non-controlling interests	164	293	39	(99)	**156**
Net income attributable to owners of the parent company	27,716	33,413	10,569	31,101	**26,199**
Other comprehensive income					
Valuation difference on available-for-sale securities	15,893	(4,734)	10,353	(1,036)	**(8,687)**
Foreign currency translation adjustments	(1,486)	3,749	7,085	5,257	**7,911**
Other	(439)	1,921	892	(42)	**562**
Total other comprehensive income	13,968	936	18,330	4,179	**(214)**
Comprehensive income	41,848	34,642	28,939	35,182	**26,142**
(Breakdown)					
Comprehensive income attributable to owners of the parent company	41,777	34,296	28,622	35,131	**25,951**
Comprehensive income attributable to non-controlling interests	71	346	317	51	**190**

Consolidated statements of changes in net assets

million yen/FY

	2020	2021	2022	2023	**2024**
Capital					
Balance at beginning of period	24,211	24,211	24,211	24,211	**24,211**
Balance at end of period	24,211	24,211	24,211	24,211	**24,211**
Capital surplus					
Balance at beginning of period	19,252	19,150	19,162	19,137	**19,582**
Change in treasury stock of parent arising from transactions with non-controlling shareholders	(100)	0	0	(17)	**203**
Transfer to capital surplus from retained earnings	0	0	7,869	0	**16,777**
Purchase and disposal of treasury stock	(2)	12	(5)	461	**(5)**
Retirement of treasury stock	0	0	(7,889)	0	**(17,233)**
Balance at end of period	19,150	19,162	19,137	19,582	**19,323**
Retained earnings					
Balance at beginning of period	220,379	244,301	272,679	268,363	**289,930**
Cumulative effect of change in accounting policy	0	(343)	0	0	**0**
Dividend paid	(4,592)	(5,250)	(7,016)	(8,058)	**(12,674)**
Net income	27,716	33,413	10,569	31,101	**26,199**
Increase/decrease due to merger	(1)	103	0	0	**0**
Transfer to capital surplus from retained earnings	0	0	(7,869)	0	**(16,777)**
Change of scope of consolidation	797	457	0	(1,476)	**1,095**
Balance at end of period	244,301	272,679	268,363	289,930	**287,773**
Treasury stock					
Balance at beginning of period	(17,181)	(17,017)	(23,000)	(19,024)	**(19,435)**
Purchase and disposal of treasury stock	163	(5,982)	(3,914)	(411)	**(19,708)**
Retirement of treasury stock	0	0	7,889	0	**17,233**
Balance at end of period	(17,017)	(23,000)	(19,024)	(19,435)	**(21,910)**
Total shareholders' equity	270,644	293,053	292,688	314,288	**309,398**
Total accumulated other comprehensive income	24,625	25,570	43,623	48,092	**47,854**
Stock acquisition rights	141	126	88	88	**88**
Non-controlling interests	2,836	3,086	2,910	1,262	**652**
Total net assets	298,246	321,836	339,308	363,729	**357,992**

Consolidated statements of cash flows

million yen/FY

	2020	2021	2022	2023	**2024**
Cash flows from operating activities					
Net income	38,158	46,226	14,467	43,849	**32,915**
Depreciation	18,154	21,469	20,382	20,123	**19,436**
Finance income and expenses	(2,570)	(2,736)	(3,486)	(3,541)	**(2,914)**
Changes in assets and liabilities	1,281	(12,457)	(27,601)	4,020	**(29,318)**
Impairment losses	0	2,069	19,390	2,550	**5,808**
Other	1,917	(13,610)	1,610	(14,625)	**5,198**
Subtotal	56,940	40,961	24,762	52,376	**31,125**
Interest and dividends income	2,614	2,954	3,569	3,543	**3,100**
Interest expenses paid	(127)	(133)	(99)	(91)	**(194)**
Income taxes paid	(5,357)	(10,691)	(13,896)	(9,441)	**(13,785)**
Other	2,010	50	21	1,025	**536**
Cash flows from operating activities	56,080	33,140	14,358	47,413	**20,781**
Cash flows from investing activities					
Payments for purchase/disposal of fixed assets	(24,033)	(24,293)	(27,309)	(36,418)	**(30,706)**
Payments for purchase/disposal of investments and other assets	(1,790)	(1,921)	(1,699)	31,255	**10,023**
Payments for collection of loans and advances	(2,266)	(1,208)	(723)	(1,714)	**(520)**
Net increase/decrease in time deposits	(2,045)	1,077	1,192	1,653	**(237)**
Other	(106)	(90)	(360)	(203)	**(586)**
Cash flows from investing activities	(30,239)	(26,436)	(28,899)	(5,428)	**(22,026)**
Cash flows from financing activities					
Proceeds from and repayments of bonds and borrowings	(2,000)	0	9,000	(19,000)	**17,000**
Cash dividends paid	(4,592)	(5,250)	(7,013)	(8,055)	**(12,595)**
Payments for purchases of shares of subsidiaries	(1,193)	0	0	(336)	**(524)**
Payments for purchase of treasury stock	0	(6,011)	(3,990)	(1,998)	**(20,016)**
Other	(474)	(622)	(817)	(696)	**(988)**
Cash flows from financing activities	(8,259)	(11,883)	(2,820)	(30,085)	**(17,123)**
Effect of exchange rate changes on cash and cash equivalents	320	1,494	1,111	1,771	**1,650**
Net increase/decrease in cash and cash equivalents	17,902	(3,685)	(16,251)	13,672	**(16,717)**
Cash and cash equivalents at beginning of period	30,198	48,152	44,521	28,270	**42,533**
Other increase/decrease	52	53	0	592	**1,021**
Cash and cash equivalents at end of period	48,152	44,521	28,270	42,533	**26,836**

Data by segment

Net sales by business (consolidated)

million yen/FY

	2020	2021	2022	2023	2024
Elastomers Business	161,626	200,566	222,230	215,286	**236,560**
Specialty Materials Business	95,465	106,791	105,356	107,373	**121,617**
Other businesses	46,977	57,822	65,270	64,339	**67,615**
Elimination or corporate	(2,107)	(3,449)	(4,242)	(4,720)	**(5,145)**
Consolidated	301,961	361,730	388,614	382,279	**420,647**

Operating income by business (consolidated)

million yen/FY

	2020	2021	2022	2023	2024
Elastomers Business	12,283	18,623	10,184	6,635	**10,931**
Specialty Materials Business	21,960	26,360	18,296	13,241	**17,560**
Other businesses	2,156	2,318	2,381	3,927	**3,865**
Elimination or corporate	(2,991)	(2,868)	(3,682)	(3,303)	**(3,035)**
Consolidated	33,408	44,432	27,179	20,500	**29,321**

Capital investment by business (consolidated)

million yen/FY

	2020	2021	2022	2023	2024
Elastomers Business	7,440	9,493	8,527	12,013	**15,964**
Specialty Materials Business	10,111	10,596	18,220	16,382	**12,214**
Other businesses	47	291	764	436	**474**
Elimination or corporate	2,047	2,521	6,534	3,304	**6,868**
Consolidated	19,645	22,902	34,045	32,135	**35,521**

Assets by business (consolidated)

million yen/FY

	2020	2021	2022	2023	2024
Elastomers Business	195,856	223,375	234,261	233,233	**237,219**
Specialty Materials Business	118,840	118,724	134,490	143,563	**148,757**
Other businesses	30,006	42,008	41,778	49,468	**46,633**
Elimination or corporate	104,119	100,553	112,339	105,992	**101,176**
Consolidated	448,821	484,660	522,868	532,254	**533,786**

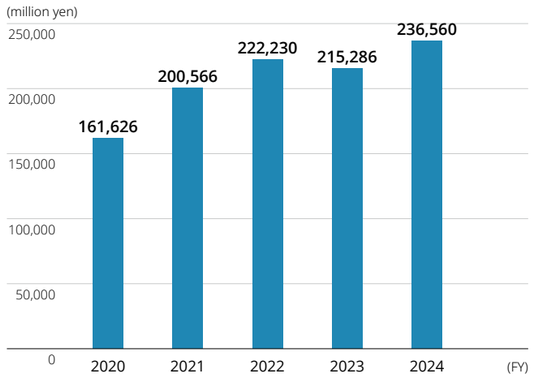
Depreciation by business (consolidated)

million yen/FY

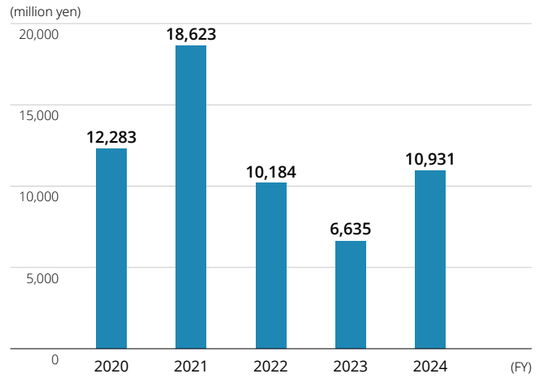
	2020	2021	2022	2023	2024
Elastomers Business	8,211	8,846	8,475	7,385	**7,210**
Specialty Materials Business	7,362	10,208	9,574	10,631	**9,733**
Other businesses	263	243	268	171	**224**
Elimination or corporate	2,318	2,170	2,065	1,935	**2,270**
Consolidated	18,154	21,469	20,382	20,123	**19,436**

Elastomers Business

Net sales by business (consolidated)

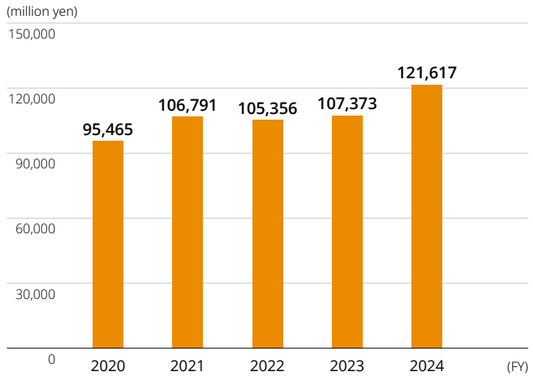


Operating income by business (consolidated)

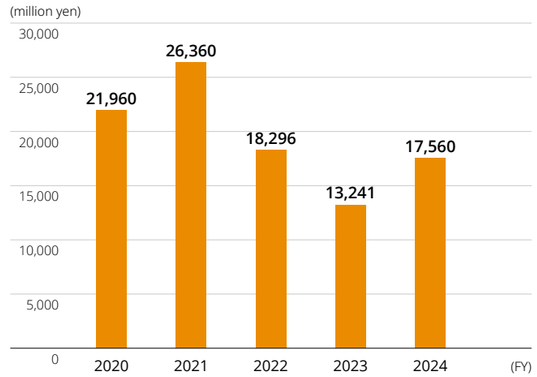


Specialty Materials Business

Net sales by business (consolidated)

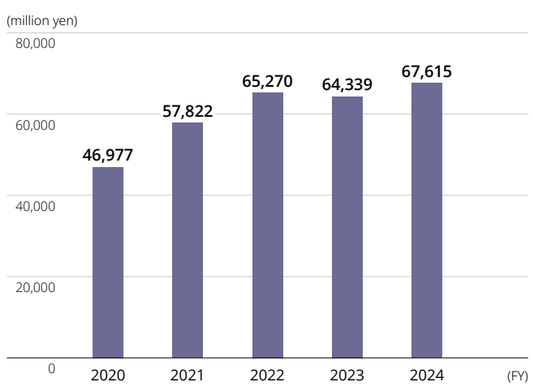


Operating income by business (consolidated)

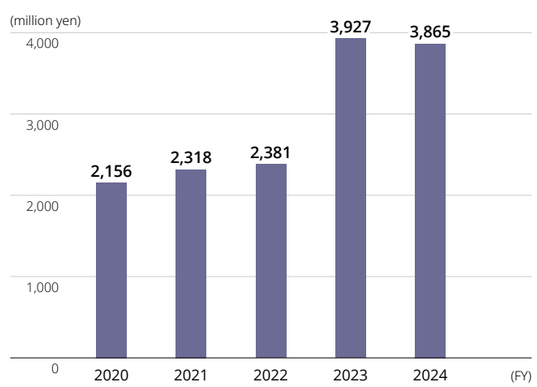


Other businesses

Net sales by business (consolidated)



Operating income by business (consolidated)



Production Capacity

Production capacity by products/plants

As of March 31, 2025

t/year

	Tokuyama	Kawasaki	Kurashiki	Takaoka	Mizushima	U.S.	Singapore	Thailand	Total
Monomer									
Butadiene	180,000				157,000*1				**337,000**
Isoprene					80,000				**80,000**
Rubber									
E-SBR	80,000								**80,000**
S-SBR	55,000						70,000		**125,000**
BR	65,000								**65,000**
IR					40,000				**40,000**
NBR	⊢ 60,000*2 ⊣					15,000			**75,000**
H-NBR		500		4,400		5,000			**9,900**
ACM		⊢ 8,500*3 ⊣				8,500		5,000	**22,000**
Others						10,000			**10,000**
Latex (dry basis)	⊢ 92,500*2 ⊣								**92,500**
Chemicals									
C_5 petroleum resin					40,000			40,000	**80,000**
Dicyclopentadiene petroleum resin					10,000				**10,000**
Thermoplastic elastomer SIS					60,000				**60,000**
Specialty chemicals									
Synthetic aroma chemicals	3,400								**3,400**
Specialty solvents	6,000								**6,000**
Cyclo Olefin Polymers	41,600								**41,600**
Polymerized toner	5,400								**5,400**

million m^2/year

	Takaoka	Himi Futagami	Tsuruga	Total
Optical films	30	129	110	**269**

*1 Okayama Butadiene (Zeon Corporation and Asahi Kasei each invested 50%)
*2 NBR and latex are totals from Tokuyama and Kawasaki
*3 ACM are totals from Kawasaki and Kurashiki

Stock Information

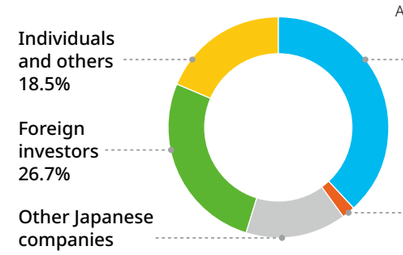
Shares

As of March 31, 2025

Type of shares issued	Common share
Number of shares issued	215,251,856
Stock exchange	Tokyo Stock Exchange (Prime Market)

Percentage of shareholders

As of March 31, 2025



Capital & net assets

million yen/end of FY

	2020	2021	2022	2023	2024
Capital	24,211	24,211	24,211	24,211	**24,211**
Net assets	298,246	321,836	339,308	363,729	**357,992**

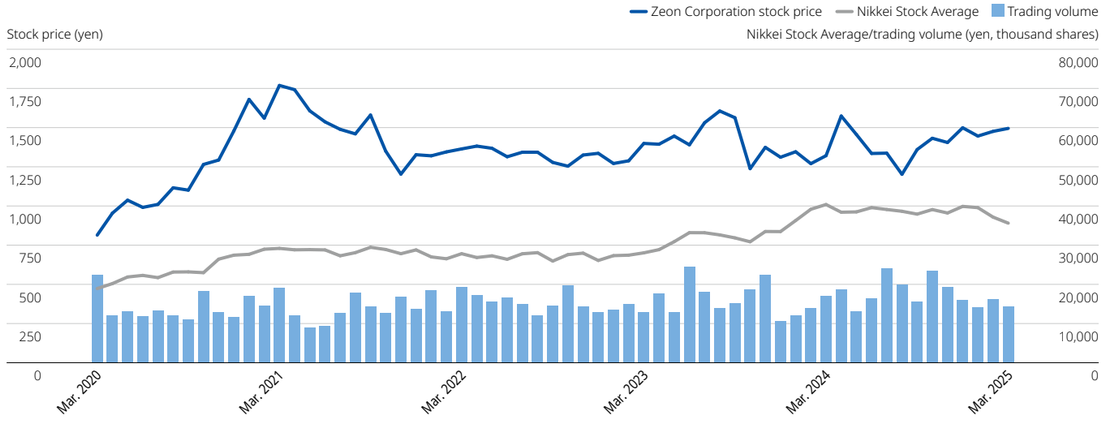
Major shareholders

As of March 31, 2025

Shareholder	Shares (thousand)	Rate (%)
The Master Trust Bank of Japan, Ltd. (trust account)	**25,560**	**12.86**
Custody Bank of Japan, Ltd. (trust account)	**13,001**	**6.54**
Mizuho Bank, Ltd.	**8,370**	**4.21**
Asahi Mutual Life Insurance Company	**7,679**	**3.86**
STATE STREET BANK AND TRUST COMPANY 505001	**5,306**	**2.67**
National Mutual Insurance Federation of Agricultural Cooperatives	**4,765**	**2.40**
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	**4,605**	**2.32**
CGML PB CLIENT ACCOUNT/COLLATERAL	**4,540**	**2.29**
Zeon Corporation Client Stock Ownership Association	**4,018**	**2.02**
The Norinchukin Bank	**4,000**	**2.01**

* Treasury stocks (16,570 thousand shares) are not included in the above list. Numbers of stocks have been rounded down to the nearest thousand.

Stock price trends



Company Profile

Name: Zeon Corporation

Established: April 12, 1950

Capital: 24.211 billion yen (as of March 31, 2025)

Employees: 4,493 (consolidated), 2,532 (non-consolidated) (as of March 31, 2025)

GPI Plant (Mizushima Plant)

Listed on: Tokyo Stock Exchange (Prime Market)

Business segments: Elastomers Business, Specialty Materials Business, and other businesses

For more details about Zeon's businesses, please see P.25 "Overview of Zeon's Business Areas."

Integrated Production Center (Takaoka Plant)

Head office: Shin Marunouchi Center Building, 1-6-2 Marunouchi, Chiyoda-ku, Tokyo 100-8246, Japan

Research laboratories: Kawasaki Innovation Frontier Port (Incubation Center and Research & Development Center)

Offices: Osaka Office and Nagoya Office

Plants: Takaoka Plant, Kawasaki Innovation Frontier Port (Kawasaki Plant), Mizushima Plant, Tokuyama Plant, Himi Futagami Plant, and Tsuruga Plant

Network in Japan

1 Head office

2 Kawasaki Innovation Frontier Port (R&D Center/Kawasaki Plant)
Synthetic rubbers, synthetic latexes, and battery materials

3 Takaoka Plant
Synthetic rubbers, Cyclo Olefin Polymers, and electronics materials

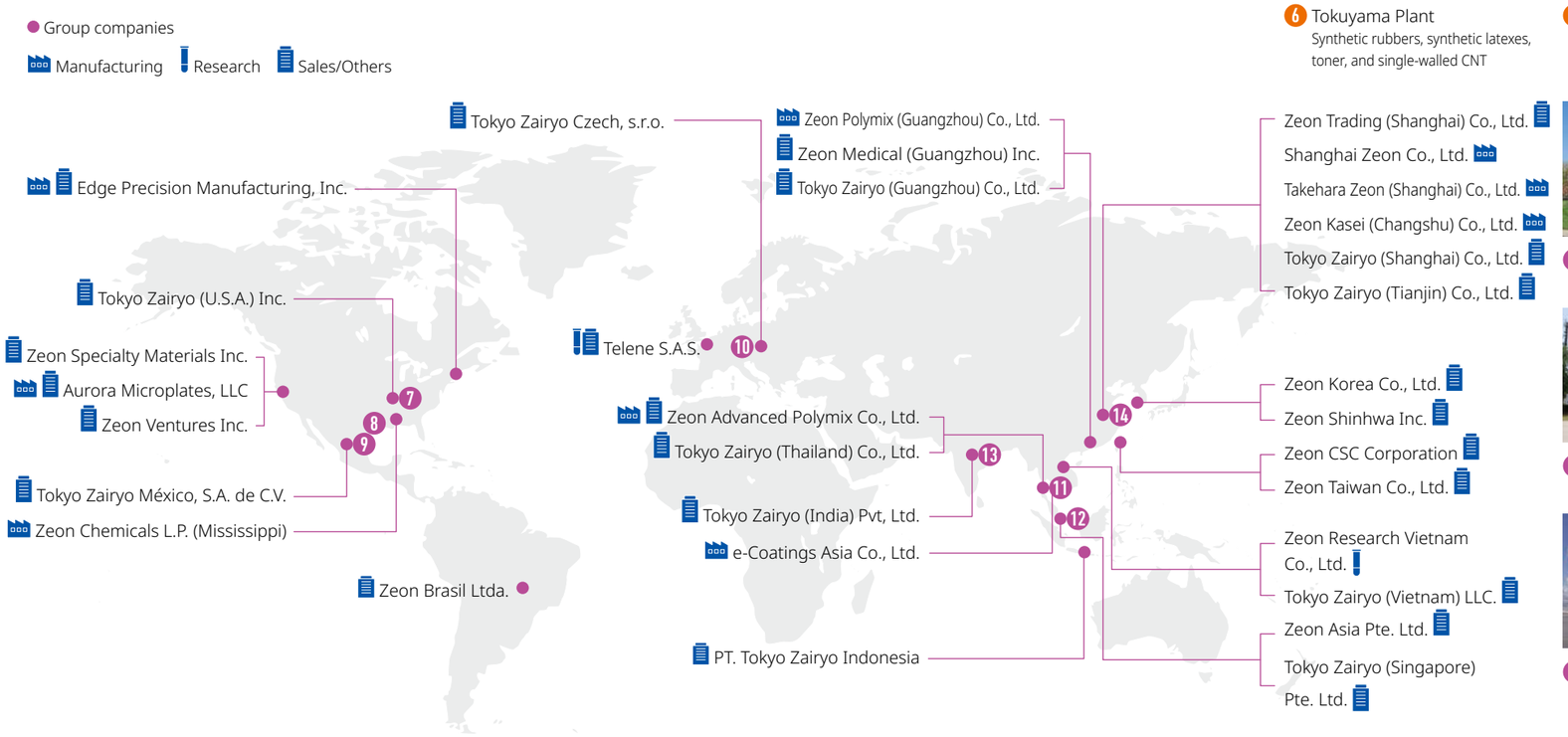
6 Tokuyama Plant
Synthetic rubbers, synthetic latexes, toner, and single-walled CNT

5 Mizushima Plant
Synthetic rubbers, Cyclo Olefin Polymers, chemicals, and specialty chemicals

4 Tsuruga Plant
Optical films

3 Himi Futagami Plant
Optical films

Network outside Japan



7 Zeon Chemicals L.P. (Kentucky)

10 Zeon Europe GmbH

12 Zeon Chemicals Singapore Pte. Ltd.

8 Zeon Chemicals L.P. (Texas)

11 Zeon Chemicals Asia Co., Ltd.

13 Zeon India Private Limited

9 Zeon Kasei México S.A. de C.V.

11 Zeon Chemicals (Thailand) Co., Ltd.

14 Zeon (Shanghai) Co., Ltd.

ZEON

Inquiries

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Online disclosure by Zeon Corporation

Website	https://www.zeon.co.jp/en/
Company Information	https://www.zeon.co.jp/en/company/ Corporate profile, Group information, etc.
Investor Relations	https://www.zeon.co.jp/en/ir/ Integrated Report, financial data, Fact Book, etc.
Sustainability	https://www.zeon.co.jp/en/csr/ Sustainability Report, etc.

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