

The background of the page is white, featuring several abstract, diagonal blue lines and shapes. A prominent thick blue line runs from the top right towards the bottom left. Other thinner blue lines and shapes are scattered across the page, particularly on the left side, creating a dynamic, geometric pattern.

# ZEON

Zeon Group Integrated Report 2024

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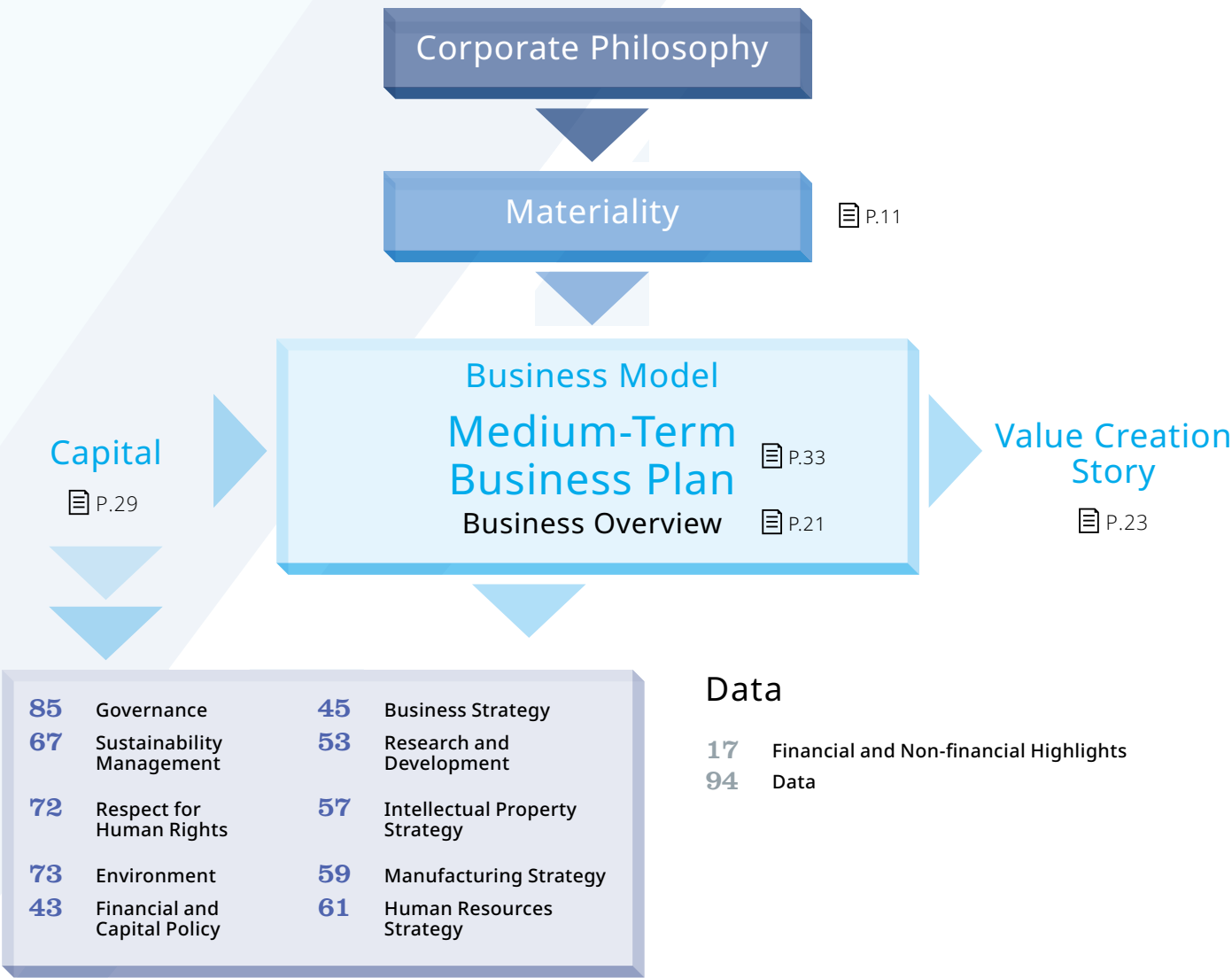
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Value Creation Flow and Structure of This Report



**Zeon's information disclosure**

The Integrated Report (this report) presents a wide range of information relating to Zeon's business activities and ESG. The Sustainability Report (available only in PDF format) contains detailed information about CSR-related initiatives. More detailed management information is available through our corporate website.

• **Company information**  
<https://www.zeon.co.jp/en/company/>  
Basic information on Zeon Corporation and Zeon Group

• **IR materials**  
<https://www.zeon.co.jp/en/ir/library/>  
Presentation materials on the financial results, Financial Flash Reports, Fact Book, etc.

• **Sustainability materials**  
<https://www.zeon.co.jp/en/csr/>  
Sustainability Report, ESG Data, Corporate Governance Report (Japanese version only), etc.

**Editorial policy**

In compiling the Zeon Integrated Report 2024, 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.

**Reporting period**

April 2023 to March 2024 (includes some information after April 2024)

**Reporting scope**

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



Key Points of the Integrated Report 2024

1

Established  
our materiality

P.3, P.11, and P.31

Our newly determined materiality  
is explained throughout the report.

2

Added the  
manufacturing strategy

P.59

Explains about our manufacturing  
sites that play a key role in  
*monozukuri*.

3

Added messages from  
outside directors

P.83

Conducted interviews with five  
outside directors.

# Corporate Philosophy and Materiality

## 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 recycling-based society





## Message from the President



**Tetsuya Toyoshima**  
President and CEO  
Zeon Corporation

## I want to support employees in their chosen endeavors to create the culture and systems for sparking innovation

Since becoming president one year ago, I have traveled to many places and met and talked with many different people. This has broadened my management perspective and changed how I see things. It has also brought into focus for me what is my mission and role as president, which had previously been somewhat nebulous. In fulfilling this mission and role, I must refine my own management approach and style as president while continuing to learn and maintaining focus on living up to the expectations of society and our public reputation.

I see my mission and role as president as creating the culture and systems for sparking innovation from Zeon and developing the people who will spark this innovation. This mindset is also part of Zeon's corporate philosophy, and sparking innovation is the only way for us to make contributions to the Earth's sustainability and safety and comfort in people's lives. For this reason, I intend to be a leader who actively supports all employees in pursuing their chosen endeavors.

### FY2023 overview and future outlook

To summarize Zeon's FY2023 in simple terms, it was a challenging year. As the world regained its dynamism and saw high levels of activity after COVID-19 pandemic-era restrictions eased, business performance at Japanese companies was impacted by exchange rate fluctuations, higher raw materials prices, and changes in demand. At Zeon, our performance measures suffered due to price competition and market changes in the chemicals segment and in battery materials for the EV market. While our competitive Cyclo Olefin Polymers posted solid sales based on robust demand, our optical film production facilities were damaged in the Noto Peninsula earthquake that struck in January 2024 and were forced to suspend operations for approximately three months. My first fiscal year as president was marked by many challenging events, but I also learned many things about being a leader from them.

We will implement a wide range of strategies and mitigation plans taking into account the FY2023 situation to achieve our targets for FY2026. First, in the chemicals segment of our Elastomers Business, we will improve our profitability by focusing on our outstanding high-quality products and regions that are dependable source of revenue. We have also received critical feedback, questioning how we will be able to do things that we have been unable to do through FY2023. To this, I intend to demonstrate results through our business performance, as conditions will enable us to gradually bring prices back to more suitable levels with the tightening of demand and

supply. In addition, we will also work to reduce our fixed expenses, focusing on the entire C<sub>s</sub> chain.

In the battery materials business, we revised our numerical targets for FY2026 in line with the current situation, based on the growth slowdown seen in the EV market over the last few years. Looking ahead, we aim to become a game changer in the battery industry through fast-paced development of new products in addition to growth achieved from EV market expansion in Europe and the United States with the shift to local production and consumption of battery materials. We welcome ideas for development and other projects and are looking forward to hearing from you.

While our optical film business had to suspend operations for approximately three months, this experience also forcefully demonstrated how much Zeon's optical films are needed in the world. During the time when we were unable to ship products, we received a very large number of inquiries and assertive requests from customers. I deeply apologize for the inconvenience and concern this situation caused. At the same time, it validated that society needs and values our optical films and made me more convinced than ever that the management decision to allocate resources to the optical film business was the right decision. Going forward, we will thoroughly implement risk management and make aggressive capital investments to enhance our business continuity so that we can steadfastly meet customers' expectations and demand.



## Business strategies in our Medium-Term Business Plan

To achieve our numerical targets for FY2030 while flexibly adapting to the fast-paced changes in the world, we roll our Medium-Term Business Plan every two years. FY2024 would not normally be the year in which we roll over to a new plan, but we have chosen to revise our numerical targets for FY2026 this year. By recovering momentum going forward, we anticipate achieving our numerical targets for FY2030.

One factor contributing to the decision to adjust our FY2026 targets is the significant changes in the external environment that have outpaced our projections. While I felt conflicted about not sticking to the numerical targets that we had announced, in conversations, stakeholders pointed out that when identifying the right strategy, it was important to flexibly set targets according to changes in the external environment. This made sense to me as well and we decided to revise our targets. However, we will not be satisfied just by meeting these targets. For example, we have assigned significant weight to our development project targets and aim to implement management so that we exceed our numerical targets.

In our Medium-Term Business Plan, while I also see some issues with our Group-wide Strategies 1, 3, and 4, I feel that the strategies are making steady progress.

See P.31 for details

### Strategy 1

#### Promote a transformation of *monozukuri* to realize carbon neutrality and a circular economy

As a chemicals manufacturer, we must absolutely reach the goal of achieving carbon neutrality. Toward this, our carbon neutrality and circular economy targets were certified under the SBT initiative this year, which should allow us to take more united action as Zeon Group. Additionally, in the future there will necessarily be a phase that requires investment to realize carbon neutrality. To support this investment as well, we must connect our carbon neutrality goals with our Group-wide strategy 2 for improving our business profitability and growth potential.

### Strategy 3

#### Work together to create “stages” to be active on

Next, for the strategy of working together to create “stages” to be active on, we have set ambitious targets on par with global excellent companies and are striving

to ensure that each individual’s strengths can be demonstrated. In terms of developing people who spark innovation, we have provided the system for people to actively submit research topics without manager approval at the idea generation stage of research and development. I want to accept and support even research topics that seem a little far-fetched and establish a culture that recognizes and praises people’s hard work for challenges instead of blaming them when they fail. This is because what may seem at a glance to be an outlandish idea can potentially lead to our next core business. In other words, this is where innovation is generated.

As stated in our materiality as “creating a truly exciting company,” we need to have a strong foundation that rewards employees who work hard and take on such challenges. This is merely one example, but Zeon presented wage increases to the labor union this spring in excess of what it had requested. Wages are the starting point for employees to feel a sense of fulfillment, and as such, I intend to reward them in good faith.

### Strategy 4

#### “Polish up” the management base

To appropriately reflect the expectations of society and build mutual trust between Zeon and stakeholders, in the area of “polishing up” the management base, we have pursued greater diversity in our management team and reducing our cross-shareholding as a means of strengthening our capital efficiency.

At our general shareholders meeting in June 2024, we invited Masayoshi Nakamura and Miyuki Tanabu to be our new outside Audit & Supervisory Board members as experts in safety and accounting and taxes, respectively. I look forward to both of them fully deploying their experience and insights in performing management instruction and check functions at Zeon. We welcome their critical viewpoints and feedback. We will receive them with an open mind and utilize them in service of our business development.

Regarding cross-shareholding, this was reduced to a ratio of 19.0% of our consolidated net assets as of March 31, 2024. The ratio was 23.7% as of March 31, 2023, meaning that we reduced our cross-shareholding by approximately 5% over one year. In addition, we announced the acquisition of treasury stock at the time of announcing our FY2023 financial results. The context for

these decisions was the urgency with which we viewed the need to improve our P/B ratio, which stood at less than 1.0, as quickly as possible. While our P/B ratio still stands at less than 1.0 currently, we will continue improving our capital efficiency and our P/B ratio.

### Strategy 2

#### “Polish up” existing businesses

In implementing sustainability management, improving our business profitability and growth velocity are essential as we continue to make investments aimed at increasing our corporate value. This is why we announced the restructuring of our business portfolio in June 2024. In the Elastomers Business, we will select and concentrate resources on highly profitable products. In the Specialty Materials Business, we have decided to invest in building a new plant to expand production of highly profitable Cyclo Olefin Polymer products. We will shift skilled resources engaged in production in the Elastomers Business to Cyclo Olefin Polymer production, where they can employ their existing skills in handling polymers. This connects to our Strategy 3 of developing our human resources and aiming to be a company where employees can continue achieving growth.

The launch of the SDGs Contribution Product Certification program is one development we achieved in FY2023. While it does not yet quantify contributions, this program is a first step in creating a framework anticipated

to increase our profitability by providing added value for customers that want to contribute to creating a sustainable world. As the program becomes able to quantify contributions, I believe it will also serve as an indicator and a guide for carbon neutrality activities.

How much will we be able to increase our number of certified products as we pursue our FY2030 target sales ratio of 50%? This is also linked to new product development. We are requiring researchers to design products that incorporate approaches for contributing to the SDGs from the product idea stage, which should become a beneficial design constraint. We need to be able to use metrics in forecasting whether we will achieve our 50% target by FY2030 and will develop ways to quantitatively calculate the SDG contributions of the products we develop. Through this program, we hope to not only make enhancements to our existing products but also to positively influence new product development.

As one means of enhancing our products, we will build a facility on the grounds of our Kawasaki Plant in 2026 with the goal of deploying our technologies in co-creation projects with partner companies around the world. As a materials manufacturer, we provide materials to companies that use them to create consumer products and to companies that make parts for upstream processes of those products. We are proud of our advanced technological capabilities, but we know that other companies will not adopt the





technologies we develop simply by sitting around and waiting for this to happen. In short, our success will be determined by the extent to which we can get our technologies embedded in the initial stages of customers' manufacturing processes.

This facility will be used to show customers from around the world new processes that adopt technologies we have developed and have them consider using them. It will truly be a customer-driven co-creation innovation facility. We hope customers adopt the new processes, and then we provide them with the materials used in them. This co-creation innovation facility was inspired by a similar project conducted by our colleagues at the Takaoka Plant. What they did at the time was create a separator production line for lithium-ion batteries and invite customers there to conduct development together, which opened the door to market entry. Based on this experience, we are extending the concept of creating processes together with customers from the battery materials field to other fields to achieve similar outcomes. We also envision a future framework of creating an innovation center that encompasses this co-creation innovation facility, our Research & Development Center, and the Kawasaki Plant where we conduct all kinds of polymer design. We should be able to capitalize on the geographical location, which is where state-of-the-art businesses and facilities in fields such as life sciences and quantum computers are concentrated and most important of all, is close to

Haneda Airport. We therefore intend to make this a key facility that involves customers and leads to new business creation.

#### Strategy 2

#### "Explore" new businesses

Turning to new businesses, we currently have several initiatives in the pipeline. In our medical devices business encompassing products such as microplates and microfluidic chips made from Cyclo Olefin Polymers, we have welcomed U.S.-based Aurora Microplates, LLC and Edge Precision Manufacturing, Inc. into our Group in addition to starting up our own business and now have a structure to accelerate business development. Customers have favorably evaluated our prototypes, and we are moving toward their mass production. We are aiming to have our battery materials that are designed for use in a new battery electrode manufacturing method and our thermal interface materials (TIM) that use carbon nanotubes, which we have begun some shipments of, contribute to our bottom line from FY2026. While the materials are not yet contributing to our business performance, we have finally reached the stage of market launch. Due to the nature of materials, it takes quite some time after market launch before they can contribute to our bottom line. Hydrogenated nitrile rubber (HNBR) and Cyclo Olefin Polymers are current sources of profit at Zeon, but it took several years to several decades after their market launch to achieve

revenue growth. However, we are not asking stakeholders to just wait and assume that everything will take time. Cyclo Olefin Polymer devices and TIM are processed products, and therefore we do not expect the market introduction period to be so long. Instead, we anticipate that they will contribute to our bottom line fairly quickly. We will design a multi-layered product release pipeline to rapidly launch processed products in the mid-term, focus on materials development, and ensure that we deliver materials five or ten years from now so that these businesses reach the level of our HNBR and Cyclo Olefin Polymer businesses.

Based in San Jose, California, Zeon Ventures Inc. has gotten off to a smooth start. It has grown into an expert group capable of executing high-quality investments that have been positively appraised by others in the corporate venture capital (CVC) world. Some technology

collaborations with investees are also moving forward, and we are already seeing some results. CVC is a new endeavor for us, however, and we do not necessarily yet have sufficient levels of internal know-how. We will consider our future options while welcoming everyone's expert input and advice.

Meanwhile, we have revised our FY2026 numerical target for M&A, together with CVC, down from 58 billion yen to 38 billion yen. M&A requires large movements of cash and therefore careful consideration, and we have revised our investment plan to ensure that we do not pay premium prices. This does not mean, however, that we have turned away from pursuing inorganic growth. We will actively pursue M&A when there is a good relationship and plan to flexibly revise our investment plan in such circumstances.

## Shareholder returns and fiscal strategy

We plan to enhance our shareholder returns while balancing this with growth investments. In addition to a minimum dividend payout ratio standard of 30%, we have also announced that we will maintain our progressive dividend policy. We have increased our dividends for 14 consecutive years and plan to increase them again in FY2024 for a 15th consecutive year. We have again declared a policy of not reducing dividends, as we have also done in the past. In terms of treasury stock acquisition, we have already decided to purchase 10 million shares, up to 10 billion yen, in FY2024, and are planning to purchase another 20 billion yen of shares by FY2026 for a total amount of 30 billion yen.

We have also updated our cross-shareholding reduction target to a ratio of less than 5% of consolidated net assets by FY2026.

We will continue to watch our growth investment projects and cash flow while dynamically and aggressively pursuing reductions in cross-shareholding and cancellation of treasury stock acquisitions. We will strive for appropriate disclosure to shareholders and investors at appropriate times and are creating more opportunities to communicate our strengths to them. I hope that through dialogue, our shareholders and investors will support us so that we can maximize increasing our corporate value.

## Determining materiality, our important issues of focus, together with employees

We have so far expressed our management framework through our corporate philosophy, our Sustainability Policy, and our Medium-Term Business Plan. Some issues that we are looking at, however, involve longer-term efforts than the timeline of our medium-term business plans. How to incorporate these issues into our framework and share them with employees and society has been an issue. We have therefore determined our materiality, the Five gears that drive Zeon aligned with our long-term initiatives and positioned it between our Sustainability Policy and our Medium-Term Business Plan.

This materiality feels right to me, in part thanks to the visual illustrating it as the Five gears that drive Zeon that a team of people across the company created. Still, it will take time before all employees see this materiality as applying to themselves. This means that management needs to take the lead and be accountable for building understanding for this materiality so that everyone takes ownership of it.

As a result, we will be able to increase our cohesion across Zeon Group based on the determined materiality toward realization of our corporate philosophy in Phase 3 of STAGE30, which starts in FY2025.








# Materiality: Five gears that drive Zeon

## Zeon's materiality

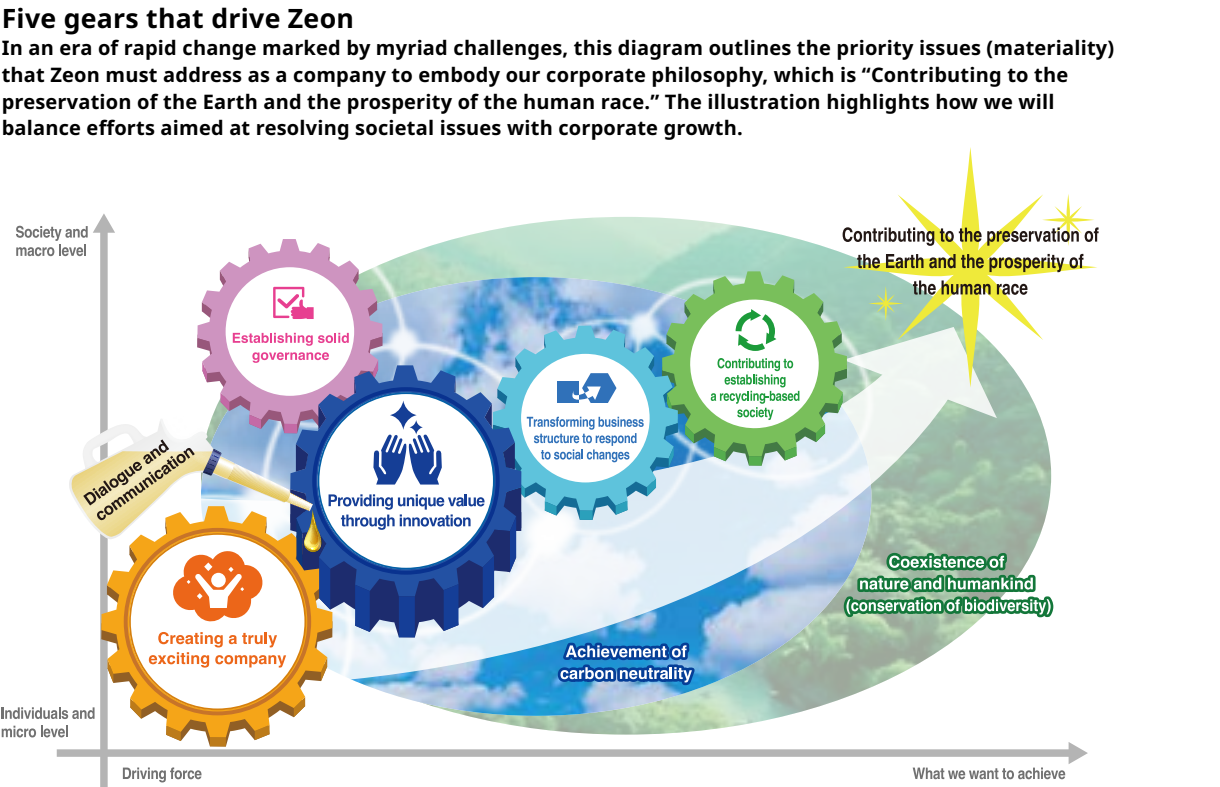
We have determined our materiality, the Five gears that drive Zeon, which represent the priority issues crucial for achieving sustainable growth together with society in alignment with our corporate philosophy of "Contributing to the preservation of the Earth and the prosperity of the human race."

### Five gears that drive Zeon

Creating a truly exciting company		
	<b>Examples of elements</b> <ul style="list-style-type: none"><li>• Achieving job satisfaction and improving engagement</li><li>• Achieving diversity, inclusion, and belonging (DI&amp;B)</li><li>• Ensuring psychological safety</li><li>• Streamlining operations to improve efficiency</li><li>• Eliminating harassment</li></ul>	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		
	<b>Examples of elements</b> <ul style="list-style-type: none"><li>• Creating culture and systems that bring innovation</li><li>• Creating original technologies, products, and services</li><li>• Cooperation with diverse stakeholders</li></ul>	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		
	<b>Examples of elements</b> <ul style="list-style-type: none"><li>• Ensuring management transparency</li><li>• Stable and secure production</li><li>• Quality assurance</li><li>• Anti-corruption</li><li>• Ensuring information security</li><li>• Sustainable procurement</li><li>• Respect for human rights</li><li>• Strategic financial management</li></ul>	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		
	<b>Examples of elements</b> <ul style="list-style-type: none"><li>• Response to informatization of society</li><li>• Enhancement of mobility</li><li>• Enabling better health and welfare</li><li>• Sustainable community development</li></ul>	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 recycling-based society		
	<b>Examples of elements</b> <ul style="list-style-type: none"><li>• Technology for decarbonization</li></ul>	A recycling-based 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 recycling-based society, and this will in turn help realize our corporate philosophy.

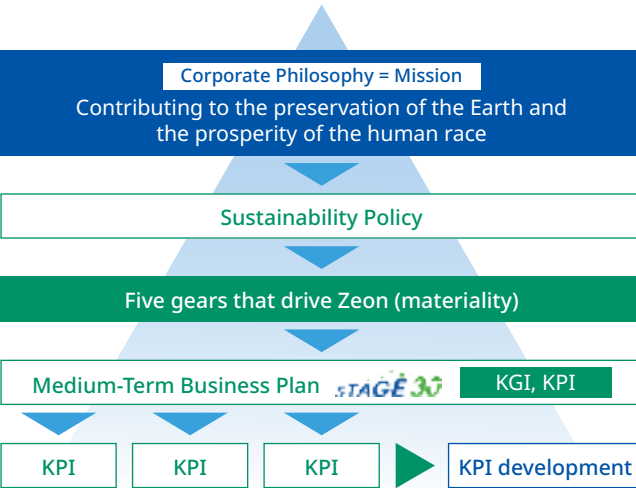
We organized the Five gears that drive Zeon (materiality) to show the path the company should follow in the future clarifying the relationships among five gears.  
The below diagram indicates the Five gears that drive

Zeon as a center core to unite our efforts to realize our corporate philosophy consistently even in the rapidly changing business environment.



- What the diagram shows**
- The bottom of the vertical axis represents the individual, in other words, micro level, and as we go up, our view widens as the vertical axis approaches the society and macro level. The leftmost point on the horizontal axis denotes driving force, and as we go to the right, we come close to what Zeon Group wants to achieve. The diagram indicates that we start from the level of familiar story as shown in the lower left of the diagram and that as we go to the upper right, our view further widens while we move toward longer-term issues in the timeline.
  - The five gears in the diagram show that as power is conveyed from the lower left to the upper right, what Zeon Group wants to achieve, in other words, its corporate philosophy, is realized.
  - Dialogue and communication are important to keep each of the gears rotating smoothly, and this is shown as a lubricant.
  - Keeping the five gears rotating leads to solving two major issues for the entire globe behind Zeon's materiality: achievement of carbon neutrality and coexistence of nature and humankind, including the conservation of biodiversity.

**Positioning of the Five gears that drive Zeon**  
The Five gears that drive Zeon (materiality) represent the material issues that the company should address to realize its corporate philosophy in accordance with the Sustainability Policy. Based on the concept of the Five gears that drive Zeon, we will review and deepen the Medium-Term Business Plan: STAGE30 as we discuss its third phase in the future.





## 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.

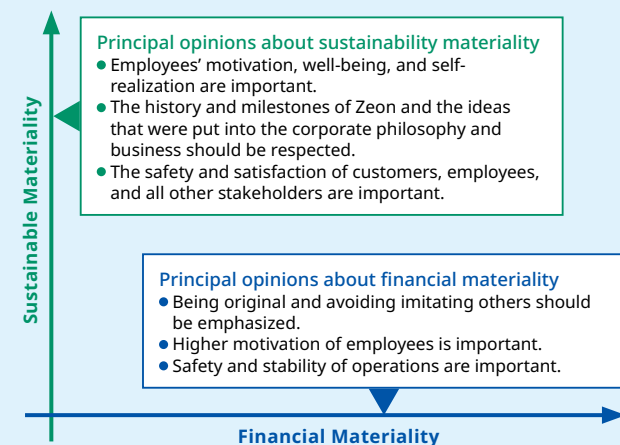
We took below steps to determine Zeon's materiality.

### 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' motivation, 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 managers

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.

## Message

### Message from the General Manager of Corporate Sustainability



**Erisa Watanabe**

Director & Corporate Officer  
General Manager, Corporate Sustainability

The internal discussions held to determine materiality were a way to ask big questions, like what is truly important for Zeon Group and what should we focus on to make the most of our strengths and achieve sustainable growth together with society? It was an opportunity to reaffirm the Zeon Group's purpose in the world and to lay out a path for sustainability management based on our corporate philosophy.

Our Medium-Term Business Plan: STAGE30 identifies the SDGs targeted by Zeon and clearly states our vision, along with the strategies and targets we will use to reach our goals. However, it doesn't state in specific language what exactly we should focus on. That is why we felt it necessary to determine the materiality that would form the basis of our activities and help us advance toward the goals of our corporate philosophy and vision in a rapidly changing business environment.

With the Materiality Determination Project, we were particularly conscious of how to communicate our materiality clearly to stakeholders, including our employees, who are the driving force behind our initiatives. We created the image of interlocking gears to make the relationships and positioning of the materiality issues easy to understand. These gears, set within a timeframe, symbolize the company's progress toward realizing its corporate philosophy. We also came up with the name "Five gears that drive Zeon" to help spread the concept of materiality throughout the Group. We will continue to promote initiatives so that all employees become aware that they are the ones who drive these gears and can put this into practice in their day-to-day work activities and get results.

## Comment

### Comment from an outside expert

The materiality recently determined by Zeon Corporation is highly commendable for three reasons: (1) it properly incorporates the concept of double materiality; (2) as a diagram, the relationships and mutual influences between materiality areas are clear; and (3) it outlines the company's path toward its envisioned future. While many companies simply list as their materiality what is important to them and to their stakeholders, Zeon leads the way to the future in its new approach to materiality.

Now that the issues and goals have been sufficiently outlined, the crucial challenge moving forward will be how the company implements specific measures to address these issues to achieve results, and how it can apply insights from resolving one issue to

other issues. I am confident that Zeon will continue to make solid progress in these endeavors.



**Kazuo Tase**

Representative Director and CEO  
SDG Partners, Inc.

**Zeon Group is creating innovations and continuously taking on new challenges that lead to our business in order to contribute to the preservation of the Earth and the prosperity of the human race. Here, we present some of those innovations and challenges.**

## Creating innovations

### Strategic investment

- **Ammonia power generation**  
(AMOGY Inc.)



AMOGY is a U.S. startup that is developing a modular system for converting ammonia into energy. We are working with AMOGY to investigate materials for advancing the ammonia-to-power system and the feasibility of introducing the system into chemical plants.

- **Accelerating chemical reactions using light**  
(Syzygy Plasmonics Inc.)



Syzygy is a U.S. startup that is developing technology for using light instead of heat from burning fossil fuels to accelerate chemical reactions. We are using Syzygy's technology to develop new manufacturing methods for the raw materials used in products. We are sharing our assets with Syzygy to support its further growth.

- **AI drug discovery**  
(Knowledge Palette, Inc.)



Knowledge Palette is a startup developing drug discovery technology using the world's most accurate cell diagnostic technology and AI technology. We are helping them create a drug discovery and regenerative medicine platform by sharing our technology and other resources.

- **Green hydrogen**  
(Verdag, Inc.)



Verdag is a U.S. startup that is developing highly scalable and cost-effective green hydrogen electrolysis technology. We are working with Verdag to investigate the feasibility of introducing green hydrogen manufacturing equipment that uses electrolyzer technology into chemical plants.

- **Bio-derived SAF\***  
(Visolis, Inc.)



Visolis is a U.S. startup developing production technologies and products that can contribute to carbon neutrality. Zeon and Visolis are researching the potential for commercialization of bio-isoprene monomer, SAF, and other products. We have begun proposals for sample products to be used for evaluation purposes in markets where there is high demand for bio-based materials.

\* SAF: sustainable aviation fuel

### Collaboration with outside parties

- **Joint research with Osaka University Graduate School**



Developing highly-functional catalysts will be the key to creating next-generation chemical processes that can contribute to achieving carbon neutrality. We have polymer development technologies, and by conducting joint research with Osaka University, which has cutting-edge catalyst development technologies, we are pursuing social implementation of highly-functional catalysts. We also seek synergistic effects of improving our basic research capabilities, accelerating joint research, and cultivating human resources.

- **Participation in an alliance program for innovative medical/healthcare research by government-academia-industry collaboration selected by AMED\***

\* AMED: Japan Agency for Medical Research and Development

We are exploring new business through collaboration among government, academia, and industry to achieve ultra-personalized treatments in regenerative medicine and cell therapy. We are also contributing to the realization of ultra-personalized medicine by sharing new technologies including our unique materials.

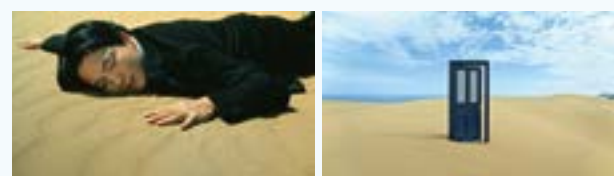
### Answers beyond Challenges.

Zeon wants to make a number of suggests to the Earth equal to the number of its employees. In our corporate advertising, we convey Zeon's stance of boldly and continuously taking on new challenges.

Special website for commercials  
<https://www.zeon.co.jp/en/cm/>



"The Next Door" (first half of FY2023)



"The Last Door" (starting in the second half of FY2023)

Four key areas    ● CASE and MaaS    ● Healthcare and life science    ● Telecommunications (5G/6G)    ● Energy conservation

## Connecting innovations to business

### Zeon's initiatives

- **Revolutionary electrode manufacturing method**

We established a new electrode manufacturing method for lithium-ion batteries that does not require an extensive drying process, contributing to reduced CO<sub>2</sub> emissions and other benefits.

- **Multi-material adhesive**

We started full-scale deployment of a highly reliable multi-material adhesive (development product).

### Collaboration with outside parties

- **Awarded by two academic societies for development of tough functionalized styrenic thermoplastic elastomers**  
(Nagoya University)

- **Searching for new business in healthcare and life science field and diverse collaboration**  
(University of Hyogo)

- **Development of the world's first method for using microorganisms to degrade carbon nanotubes**  
(Nagoya University and Friend Microbe Inc.)

- **Demonstration in a project for applying microwave processing to elastomer manufacturing**  
(Microwave Chemical Co., Ltd.)

- **Development of new applications for a material with innovative visual effects**  
(ROMERO BRITTO)

We have developed a new material that can contribute to addressing the social problem of forged works of fine art. To develop new applications outside the arts, we conducted a joint project with Romero Britto, a renowned artist. This was an opportunity to broadly raise public awareness of our new material. There has been a tremendous reaction from new customers, and there are expectations that in the future we will develop applications other than preventing forgery.



Renowned artist Romero Britto with Corporate Officer Masao Akasaka at the Isetan Shinjuku Store



Title of work: SEED OF LOVE (ROMERO BRITTO)

An unprecedented and innovative visual effect reveals a hidden message: "I love you!"

### Strategic investment

- **Battery cathode materials with a focus on LFP\***  
(Mitra Future Technologies, Inc.)    \* LFP: lithium ferro-phosphate



Mitra Future Technologies (Mitra Chem) is a U.S. startup that is developing battery cathode materials with a focus on LFP. We are leveraging our proprietary binder design technologies and lithium-ion battery evaluation and analysis technologies to propose materials and processes suitable for Mitra Chem's cathode materials. We are supporting their further growth.

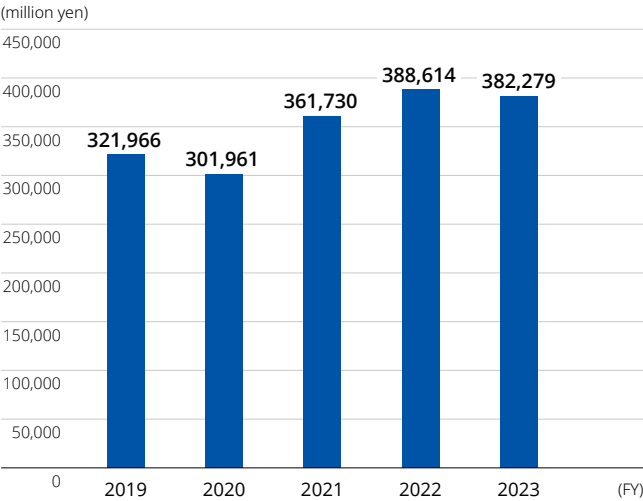
- **Improving the characteristics and safety of lithium-ion batteries**  
(Coreshell Technologies, Inc.)



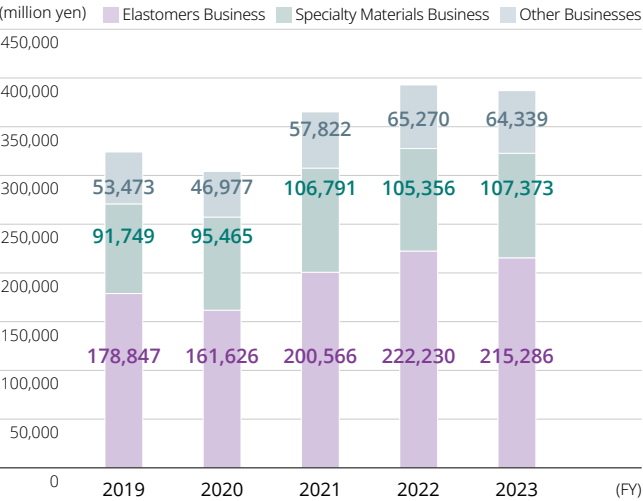
Coreshell is a U.S. startup developing technologies that can dramatically improve the characteristics and safety of lithium-ion batteries without making substantial changes to current manufacturing processes. By combining our proprietary technologies with those of Coreshell, we are proposing more advanced batteries and supporting the commercialization of Coreshell's technologies.

# Financial and Non-financial Highlights

Consolidated net sales

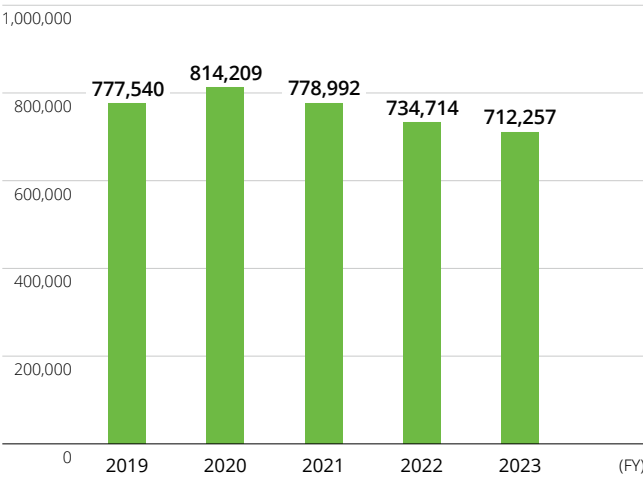


Segment net sales (consolidated)



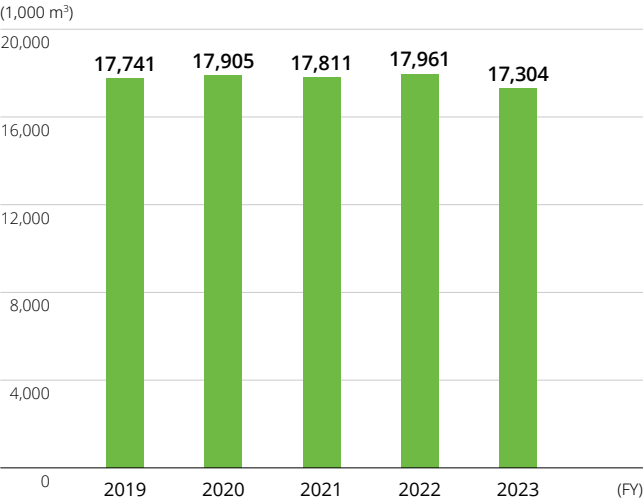
\* Please note that the sum of the sales of individual businesses may not be the same as total consolidated sales due to eliminations or not including the group-wide portion.

CO<sub>2</sub> emissions (non-consolidated, Scope 1+2, estimation based on the GHG Protocol standards)  
(t-CO<sub>2</sub>)

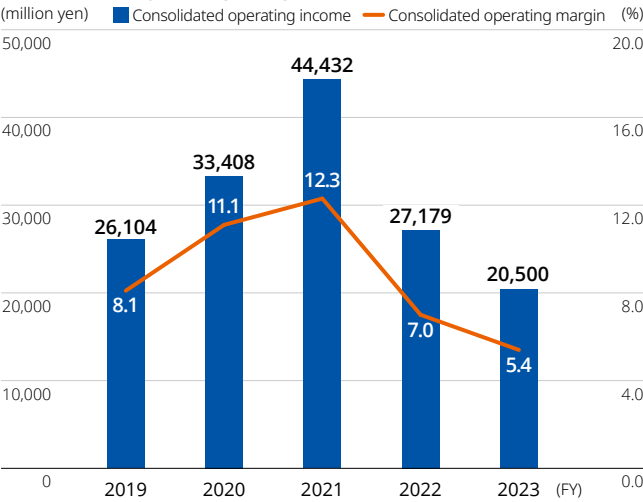


\* CO<sub>2</sub> emissions of Himi Futagami Plant and Tsuruga Plant, which had previously been subsidiaries and were incorporated into Zeon Corporation in FY2021, have been added to the figure from FY2019 onwards.

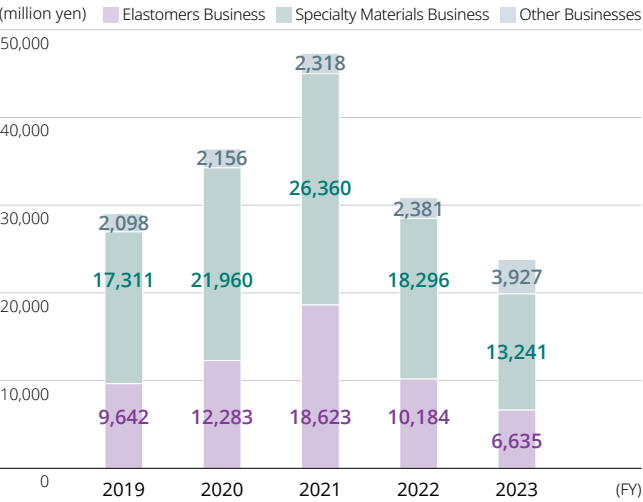
Water resource usage (non-consolidated)



Consolidated operating income and consolidated operating margin

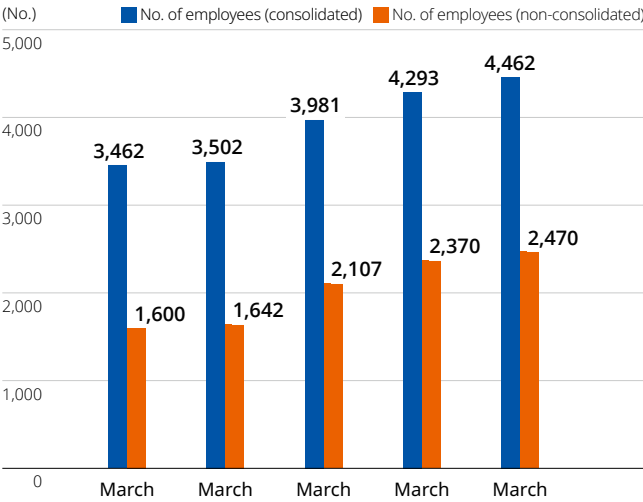


Segment operating income (consolidated)

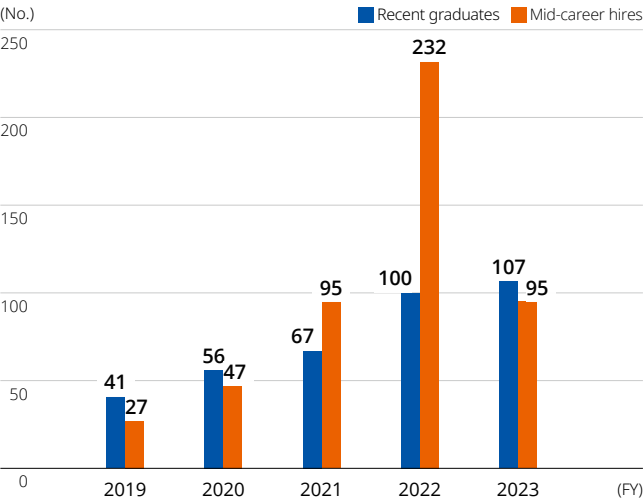


\* Please note that the sum of the operating income of individual businesses may not be the same as total consolidated operating income due to eliminations or not including the group-wide portion.

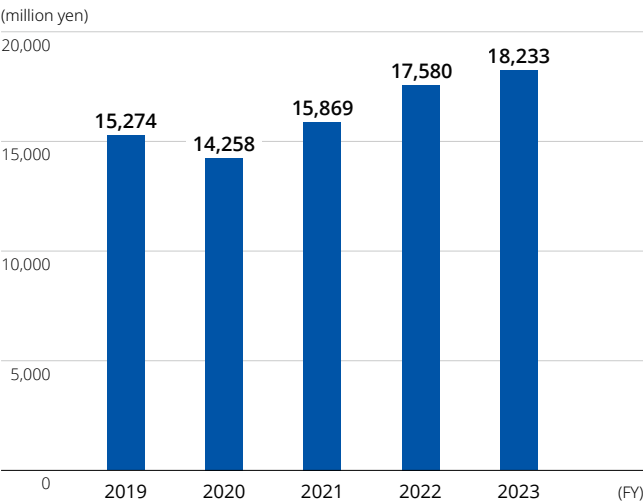
Number of employees (consolidated/non-consolidated)



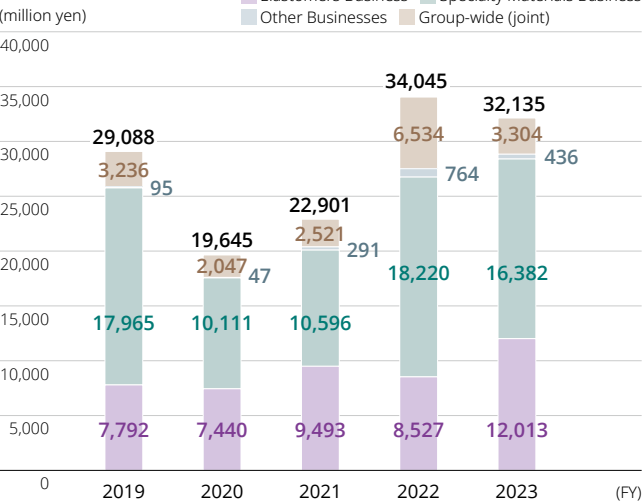
Number of new hires (non-consolidated)



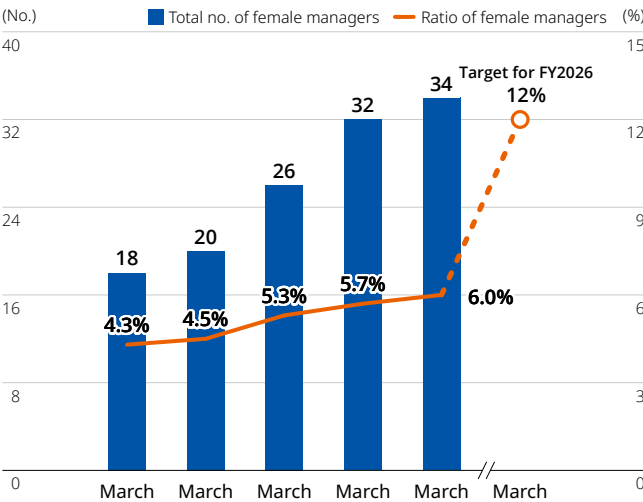
R&D expenses (consolidated)



Capital investment by business (consolidated)



Ratio and number of female managers (non-consolidated)



Human capital data for FY2023 (non-consolidated)

Employee engagement survey results	
Employee engagement	52%
Environment maximizing employee potential	50%
Wage disparities between male and female employees	
Regular employment	75.3%
Non-regular employment	79.7%
Company-wide	66.5%
Share of male employees taking childcare leave	92%



Company Profile

**Name:** Zeon Corporation

**Established:** April 12, 1950

**Capital:** 24.211 billion yen (as of March 31, 2024)

**Employees:** 4,462 (consolidated),  
2,470 (non-consolidated)  
(as of March 31, 2024)

**Listed on:** Tokyo Stock Exchange (Prime Market)

**Business segments:** Elastomers Business, Specialty Materials Business, Other Businesses  
For more details about Zeon's businesses, please see P.45 "Business Strategy."

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

**Research laboratories:** Research & Development Center

**Offices:** Osaka Office and Nagoya Office

**Plants:** Takaoka Plant, Kawasaki Plant, Mizushima Plant, Tokuyama Plant, Himi Futagami Plant, and Tsuruga Plant



GPI Plant (Mizushima Plant)

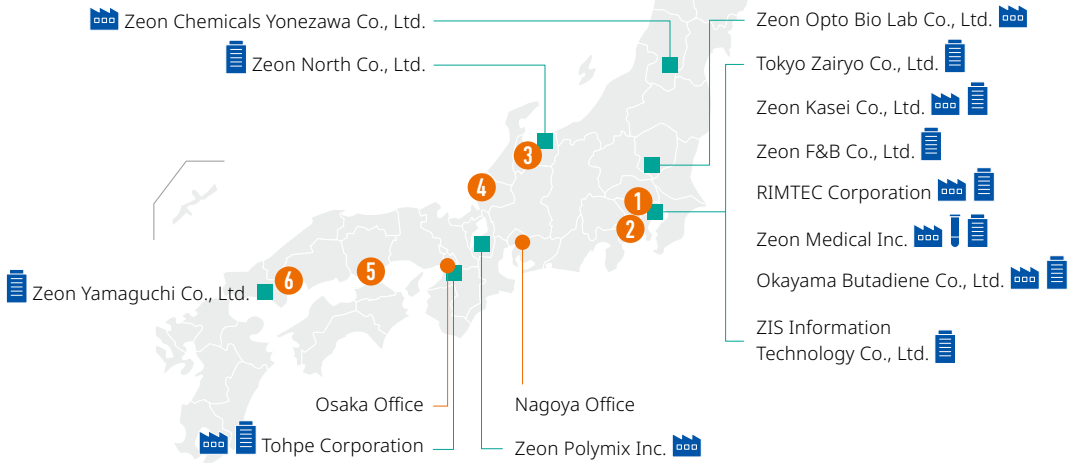


Integrated Production Center (Takaoka Plant)

Network in Japan (as of October 2024)

Offices/Plants    Group companies

Manufacturing    Research    Sales/Others



1 Head office



2 Research & Development 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 CNT



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



4 Tsuruga Plant  
Plastic films

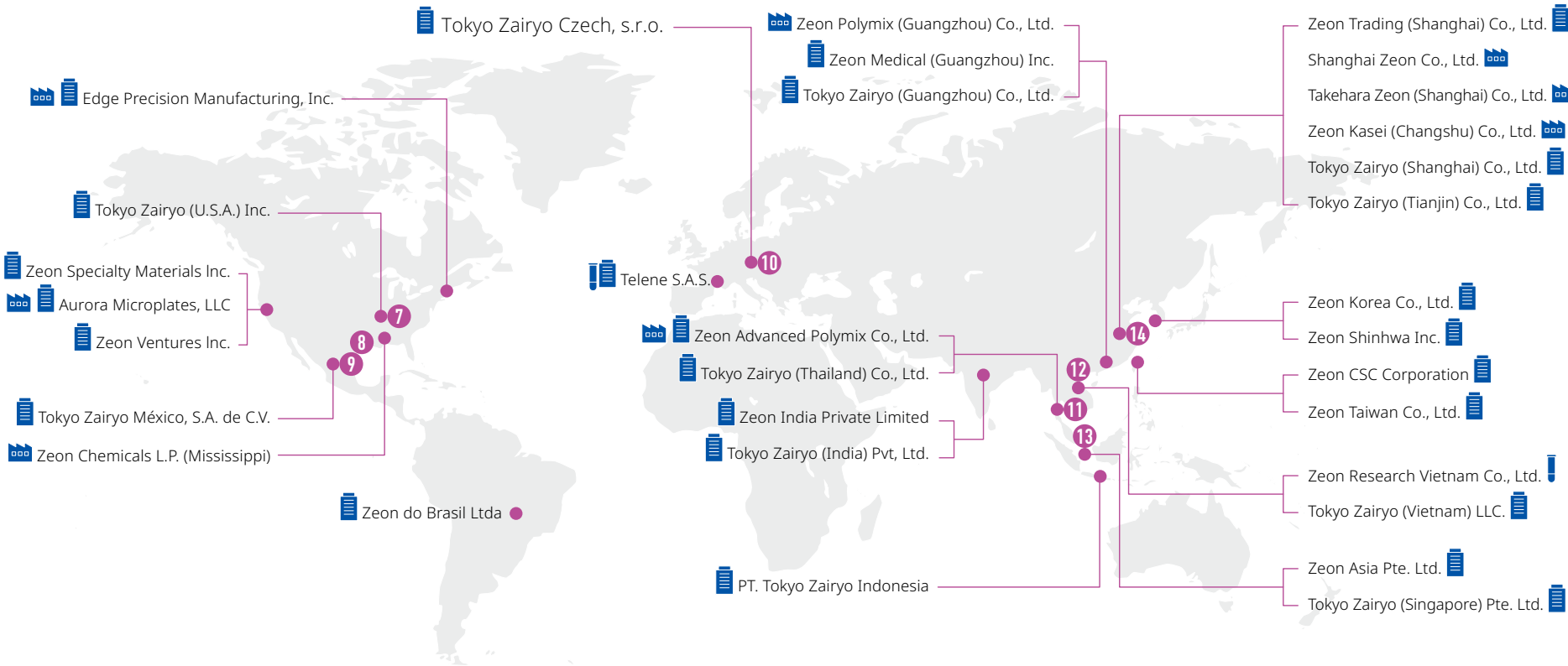


3 Himi Futagami Plant  
Plastic films

Network outside Japan (as of October 2024)

Group companies

Manufacturing    Research    Sales/Others



7 Zeon Chemicals L.P. (Kentucky)



10 Zeon Europe GmbH



12 Zeon Manufacturing Vietnam Co., Ltd.



8 Zeon Chemicals L.P. (Texas)



11 Zeon Chemicals Asia Co., Ltd.



13 Zeon Chemicals Singapore Pte. Ltd.



9 Zeon Kasei México S.A. de C.V.



11 Zeon Chemicals (Thailand) Co., Ltd.

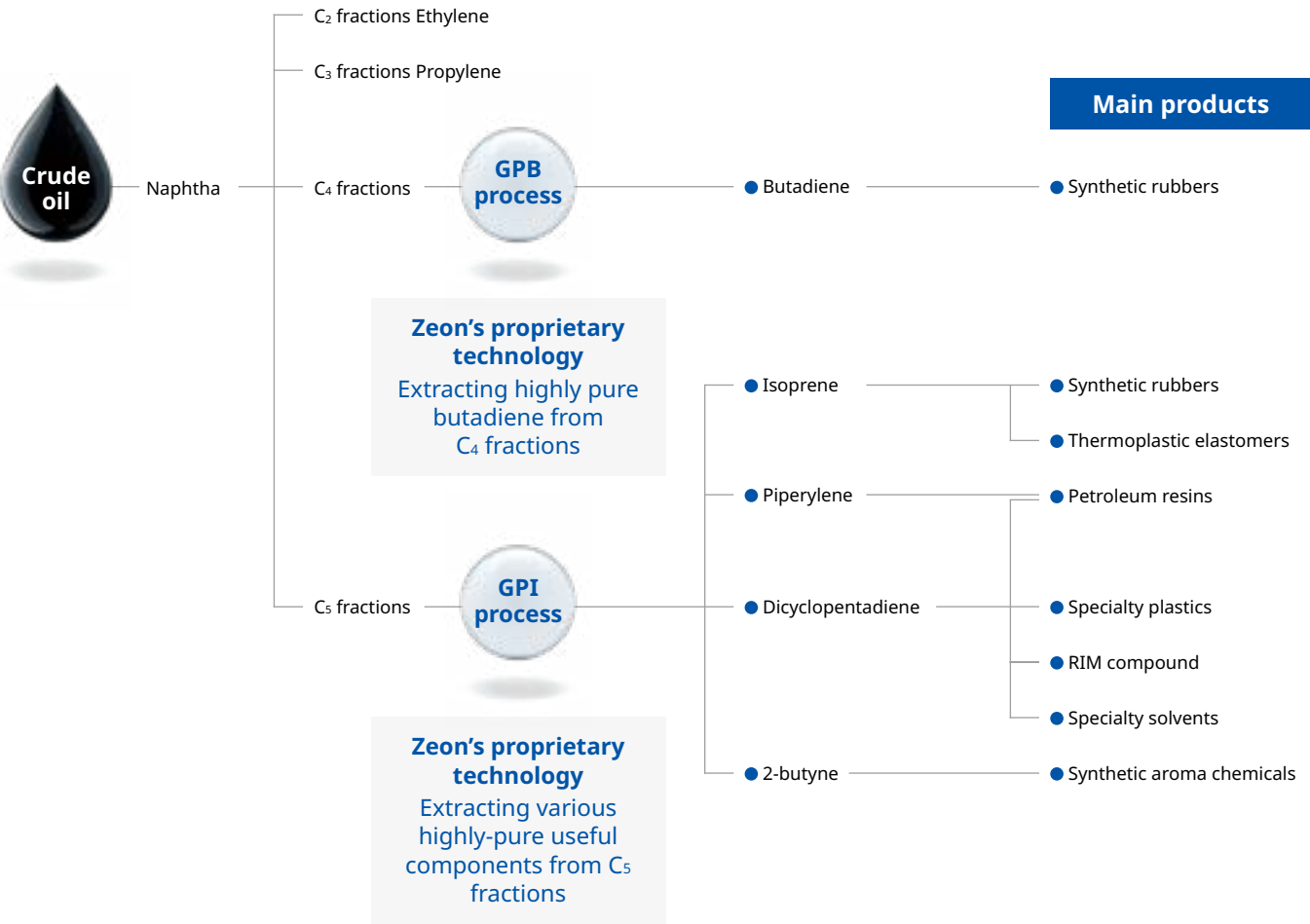


14 Zeon (Shanghai) Co., Ltd.

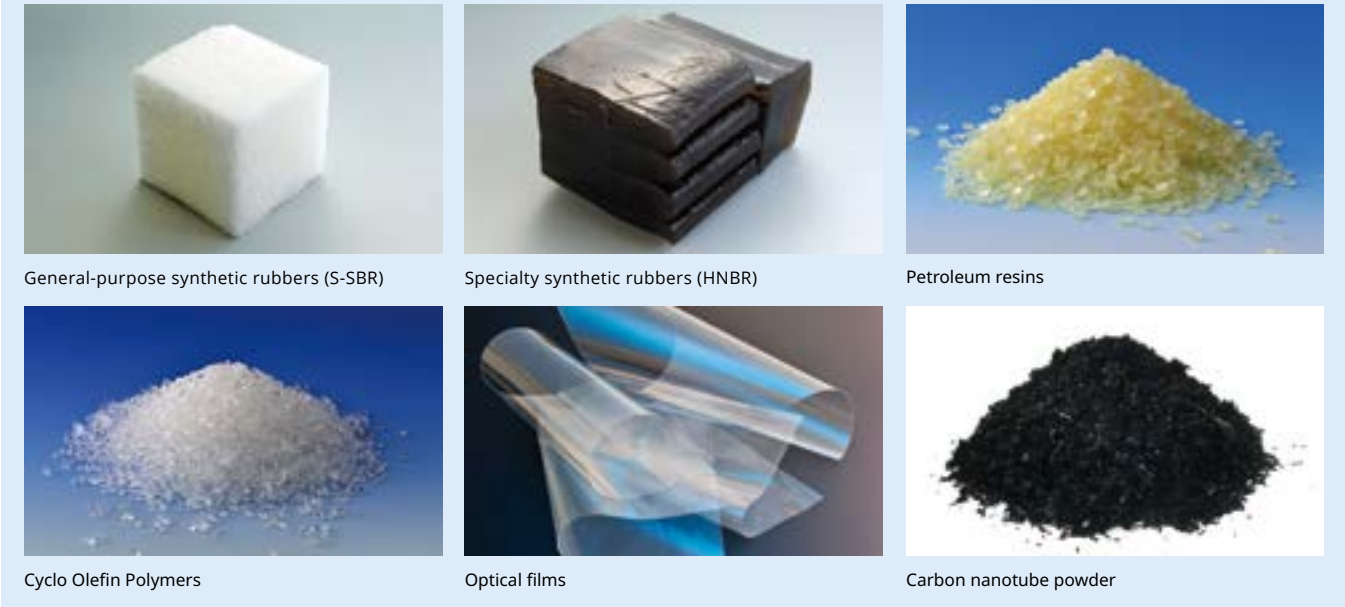
# Business Overview

Zeon is focused on expanding its business through a range of products, mainly incorporating raw materials from C<sub>4</sub> and C<sub>5</sub> fractions (hydrocarbons with four or five carbon atoms) derived from petroleum.

Business segments are divided into the **Elastomers Business**, **Specialty Materials Business**, and **Other businesses**.



## Product photos



## Product applications by business

### Elastomers Business

In 1959, Zeon became the first company in Japan to mass-produce synthetic rubbers. Since then, beyond providing the world with an array of synthetic rubbers, it has also made significant contributions to the development of the automotive industry.

#### Synthetic rubbers

General-purpose synthetic rubber is used as a raw material for tires, while specialty synthetic rubbers are primarily used for components that need to be heat-resistant and oil-resistant due to their close proximity to car engines. HNBR (hydrogenated nitrile rubber) refers to our specialty rubber used for timing belts and hydraulic equipment.

ACM (polyacrylate rubber) has a high heat resistance and is used in automotive parts such as oil seals and hoses.



#### Latexes

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

#### Chemicals

C<sub>5</sub> petroleum resins and thermoplastic elastomer SIS are used as raw materials for manufacturing adhesives and adhesive tapes.

### Specialty Materials Business

Materials and components with high added value thanks to our unique core technologies are the driving force behind Zeon's current growth.

#### Specialty plastics

Cyclo Olefin Polymers are used as a material for making optical lenses and medical devices.



#### Optical Films

Film made from Cyclo Olefin Polymers by extrusion is used as a material in large-sized LCD displays and in mobile device displays.



#### Battery materials

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



#### Specialty chemicals

Synthetic fragrances are used in cosmetic/fragrance products, as well as for food fragrances, etc. We also produce raw materials for pharmaceuticals and agrochemicals, specialty solvents, etc.



#### Electronics materials

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



#### Polymerized toner

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

#### Medical devices

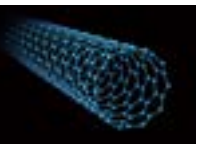
Gastrointestinal medical equipment (catheters, stents, etc.) and cardiovascular medical equipment (FFR devices, IABP balloon catheters, etc.)

### Other businesses

Engineering, packaging materials, building materials, deodorants, RIM compounds, single-walled carbon nanotubes, paints/coatings, trading, etc.

#### Carbon nanotubes

Carbon nanotubes produced using the Super Growth Method. R&D is undertaken in relation to various types 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.



#### Paints/coatings

Powder coatings are environmentally friendly paints that do not contain solvents and are highly durable, economical, and leave an excellent finish. Used in home appliances, steel furniture, automotive parts, etc., it contributes to the creation of sustainable products.





History of Value Creation

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

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.

From the 2000s onwards, Zeon has pursued higher value for customers and brought chemical products that provide greater functionality into the world. Today, thanks to its proprietary technologies, Zeon has a number of businesses that control high shares of the global market, and is contributing toward solving social and customer issues through its products and services.

Changes in social circumstances and needs

**1950-**

This was the time of the rise of the petrochemical industry, when petrochemical complexes were established and quality and quantity of chemical materials were required for economic growth.

**1970-**

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

**2000-**

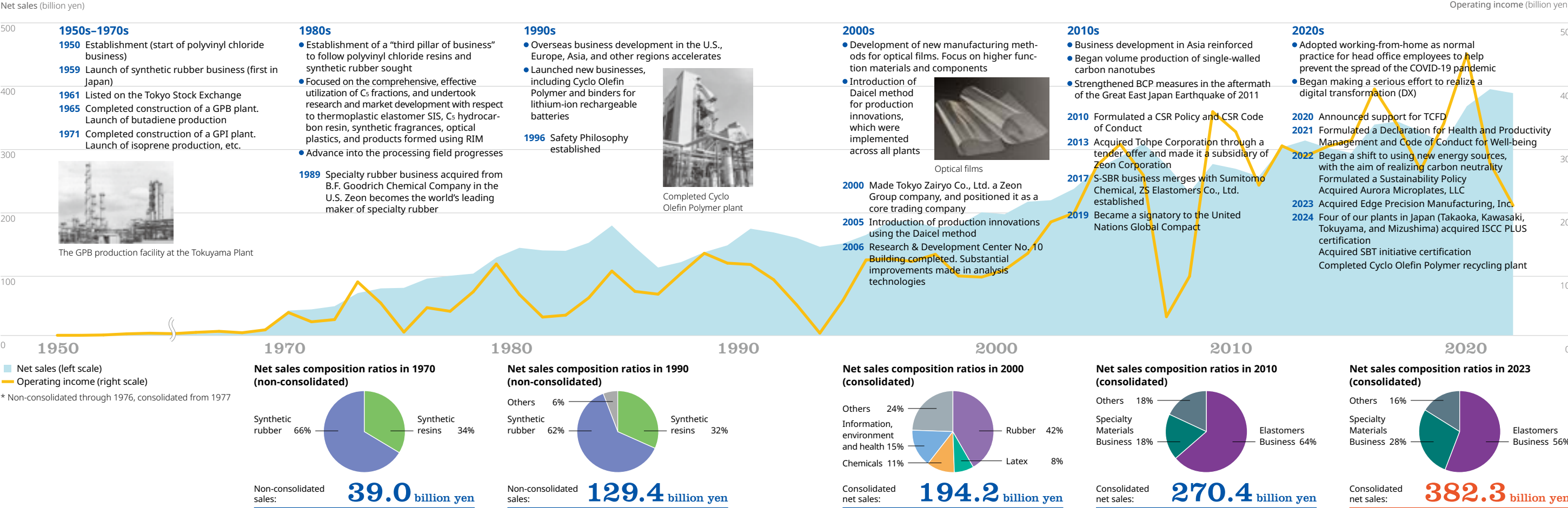
Higher functional chemical products are needed for the advancement of digitization and advanced information technology.

**2020-**

Entering an era of unprecedented demands to reduce environmental impact including carbon neutrality and circular economy.

Business-related events

Zeon Group business results



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<sub>5</sub> hydrocarbon resin
- 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
- 1990s**

  - Balloon catheters
  - NBR latex
  - Binder for lithium-ion batteries
  - Cyclo Olefin Polymers ZEONEX®, ZEONOR®
  - ZEORORA® etching gas
  - Polymerized toner
- 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
- 2010s**

  - Single-walled carbon nanotubes formed using the Super Growth Method
  - Microfluidic chip prototype provision service
  - SOLAR CARD®
  - Technology for creating isoprene from biomass
  - Fractional flow reserve (FFR) measurement device
- 2020s**

  - Crystalline Cyclo Olefin Polymers
  - Technology for creating butadiene from biomass
  - High thermal interface materials
  - Cyclo Olefin Polymer recycling technology
  - 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)



# Products that Drive Value / SDGs Contribution Product Certification Program

## Implementation of the SDGs Contribution Product Certification Program (from April 2024)

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.

### 1 Certification criteria

Criteria for certification includes the level of contribution toward solving social issues, the scope of their contribution, and business sustainability, among others.

### 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.

Certify products based on the evaluation conducted by the SDGs Contribution Product Certification Subcommittee

SDGs Contribution Products

Sustainability Conference  
Sustainability Committee

SDGs Contribution Product Certification Subcommittee

Evaluate the applied products according to the certification criteria

### 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

### 3 Certified SDGs Contribution Products

Based on certification criteria, 39 of our products have been certified as SDGs Contribution Products, including our synthetic rubbers such as solution-polymerization styrene-butadiene rubber (S-SBR) and hydrogenated nitrile rubber (HNBR), as well as Cyclo Olefin Polymers, lithium-ion battery binders, polymerized toners, synthetic aroma chemicals, and thermoplastic elastomers. These 39 products account for 34.8% of sales in FY2023.

### 4 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 to achieve the above target.

Sales ratio of SDGs Contribution Products: results and targets

34.8%



FY2023 result

40.0%



FY2026 target

50.0%



FY2030 target

### Major SDGs Contribution Products (for reference)

Product name * Photos illustrating product applications	Applications and contribution points	Relevant SDGs
<b>Solution-polymerization styrene-butadiene rubber (S-SBR)</b> 	<b>Main applications</b> Fuel-efficient tires <b>Contribution points</b> <ul style="list-style-type: none"> <li>Achieved three properties of wet grip, rolling resistance, and abrasion resistance at a high success level by controlling the molecular structure</li> <li>Reduces GHG emissions from improved automotive fuel efficiency</li> <li>Helps prevent air pollution as result of improved wear resistance that generates less dust</li> </ul>	<b>3 GOOD HEALTH AND WELL-BEING</b> <b>7 AFFORDABLE AND CLEAN ENERGY</b> <b>13 CLIMATE ACTION</b>
<b>Cyclo Olefin Polymers</b> 	<b>Main applications</b> Medical test devices, containers for pharmaceutical manufacturing, medical packaging <b>Contribution points</b> <ul style="list-style-type: none"> <li>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</li> </ul>	<b>3 GOOD HEALTH AND WELL-BEING</b> <b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b>
<b>Lithium-ion battery binders</b> 	<b>Main applications</b> Lithium-ion batteries <b>Contribution points</b> <ul style="list-style-type: none"> <li>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</li> <li>Reduces GHG emissions and helps prevent driving related air pollution when used as power source for EVs</li> <li>Facilitates industrial development and economic growth by reducing the size and boosting the performance of mobile devices, electronic devices, and other products</li> </ul>	<b>7 AFFORDABLE AND CLEAN ENERGY</b> <b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b> <b>13 CLIMATE ACTION</b>

# Value Creation Flow

Taking the Medium-Term Business Plan (implementation of which began in FY2021) as the foundation, Zeon Group is contributing toward building a “Sustainable Earth” and a “Safe and Comfortable Life for People” through the provision of unique, innovative technologies and services.

Being aware of social issues and social changes

\* VUCA: Volatility, uncertainty, complexity and ambiguity

Major trends

**SDGs:** Social issues affecting the whole world

**VUCA\*:** Difficulty in forecasting the future, both for business and for society as a whole

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 Resources

Human capital

Employees: 4,462

(consolidated, as of March 31, 2024)

Strengthening the link between management and human resource strategies

Driving human resources management to promote employee growth and motivation

Creating an enabling work environment that does not interfere career pursuits

Financial capital

Implementing strategies to increase capital efficiency and to remain conscious of capital costs and stock prices

Pursuing an optimal capital structure and maintaining a solid financial base

Promoting measures which help us achieve sustainable growth and increase corporate value

Capital: 24.2 billion yen

Total assets: 532.3 billion yen

Net assets: 363.7 billion yen

Manufacturing capital

Strengthening production capacity

In Japan 6 plants and 1 research center, and 11 group companies

Outside Japan 14 overseas group companies

Risk diversification

Improving safety

Intellectual capital

R&D expenses: 18.2 billion yen

(FY2023)

Cooperation between research and production

Strategic acquisition and utilization of intellectual property

Natural capital

Ensuring a stable supply of naphtha (an important raw material)

Reducing the amount of energy used in production activities

Social capital

Technology support for customers

Collaboration with local communities

VALUE DRIVERS

Zeon's Business Model

Materiality: Five gears that drive Zeon

Medium-Term Business Plan: STAGE30—Group-wide strategy

Materiality: P.11

Medium-Term Business Plan: P.31

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

Coexistence of nature and humankind (conservation of biodiversity)

Achievement of carbon neutrality

Providing unique value through innovation

Transforming business structure to respond to social changes

Contributing to establishing a recycling-based society

Establishing solid governance

Creating a truly exciting company

Dialogue and communication

Society and macro level

Individuals and micro level

Driving force

What we want to achieve

Zeon's strengths and competitiveness

1 High-degree multiple usage model for C<sub>4</sub> and C<sub>5</sub> produced by our proprietary GPB and GPI methods

2 Extremely pure resin manufacturing technology (specialty plastics)

3 A comprehensive, integrated development and manufacturing capability that covers every stage from plastics material design through to component manufacturing using Zeon's unique technology (optical film, life sciences business, etc.)

4 Technology to simulate customers' development and evaluation (battery material)

Business areas

Existing businesses

Elastomers Business

Synthetic rubbers

Synthetic latexes

Chemicals

Specialty Materials Business

Specialty plastics

Optical films

Specialty chemicals

Battery materials

Electronics materials

Toner

Medical devices

Carbon nanotube

New businesses

Key areas

CASE and MaaS

Healthcare and life science

Telecommunications (5G/6G)

Energy conservation

SDGs targeted by Zeon

3 GOOD HEALTH AND WELL-BEING

5 GENDER EQUALITY

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

10 REDUCED INEQUALITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

17 PARTNERSHIPS FOR THE GOALS

Core values

Let's try first

Let's connect

Let's polish up

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

Take vigorous action with the steps "Let's try first," "Let's connect," and "Let's polish up"

OUTPUTS

FY2023 Results

Net sales: 382.3 billion yen

Operating income: 20.5 billion yen

GOALS

Targets for 2030

Medium-Term Business Plan: P.33

CO<sub>2</sub> emissions: 42% reduction

(Group-wide, as compared to FY2020, Scope 1+2)

Sales ratio of SDGs Contribution Products: 50%

Existing businesses: ROIC 9.0%

New businesses: Net sales (compared to FY2019) +60.0 billion yen

Employee engagement: 75%







Ratio of foreign-national and/or female directors: 30%



Capital/Risk and Opportunity

Capital

Under the Medium-Term Business Plan: STAGE30, the Group is working to strengthen its manufacturing and intellectual capital to enhance existing businesses and identify new ones. During the Phase 2 of the plan, we will pursue a range of initiatives with a focus on human capital investment.

<div>Human capital</div> <div> P.61</div>	<div>Employees (consolidated, March 31, 2024) <b>Human resources strategy</b></div> <div>4,462</div> <div>To realize our Vision for 2030, “a company that lives up to societal expectations and the aspirations of employees,” during the Phase 2 of our Medium-Term Business Plan, we aim to create “stages” together with employees where they can demonstrate their individual strengths, listed as part of Strategy 3. By promoting the following initiatives, we will realize one of our materiality: Creating a truly exciting company.<ul style="list-style-type: none"><li>● Driving human resources management to promote employee growth and motivation</li><li>● Strengthening the link between management and human resources strategies</li><li>● Creating an enabling work environment that does not interfere career pursuits</li><li>● Deepening diversity, inclusion and belonging (DI&amp;B)</li><li>● Increasing engagement</li></ul></div> <div>Reformation of the personnel system</div> <div>We are looking for human resources who can actively think things through individually, making the continual change necessary to achieve big targets. By revising our system to bring out the strengths of each individual and making connections between individual and company growth, we are able to better hone these human resources.<ul style="list-style-type: none"><li>● Reformation of the managerial personnel system (managers and specialists)</li><li>● Reformation of the non-managerial personnel system</li><li>● Reformation of the personnel system for senior employees</li></ul></div>
<div>Financial capital</div> <div> P.43</div>	<div>Maintaining stable cash flow</div> <div>Capital 24.2 billion yen Total assets 532.3 billion yen Net assets 363.7 billion yen</div> <div>We will be proceeding with the following initiatives to realize management conscious of capital costs and stock prices, to increase corporate value in the medium- to long-term.<ul style="list-style-type: none"><li>● Implementing strategies to increase capital efficiency and to remain conscious of capital costs and stock prices</li><li>● Pursuing an optimal capital structure and maintaining a solid financial base</li><li>● Promoting measures which help us achieve sustainable growth and increase corporate value</li></ul></div>
<div>Manufacturing capital</div> <div> P.59</div>	<div>Strengthening production capacity</div> <div>In Japan 6 plants and 1 research center 11 Group companies Outside Japan 14 Group companies</div> <div>Risk diversification Improving safety</div> <div>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.<ul style="list-style-type: none"><li>● High-degree multiple usage model for C<sub>4</sub> and C<sub>5</sub> produced by our proprietary GPB and GPI methods</li><li>● Extremely pure resin manufacturing technology (specialty plastics)</li><li>● One-stop development and manufacturing abilities, from raw resin design to material manufacturing using proprietary technology (optical film, life science business, etc.)</li><li>● Autonomous production system (the DAICEL Production Innovation method)</li></ul></div>
<div>Intellectual capital</div> <div> P.57</div>	<div>Creation, protection, and utilization of intellectual property Proactive use of intellectual property information with IP landscapes Developing the IP mindset</div> <div>FY2023 R&amp;D expenses 18.2 billion yen Number of patents held 6,647 In Japan 2,616 Outside Japan 4,031</div> <div>Zeon has established patent coordinators in charge of promoting IP activities. With our patent coordinators as the center, R&amp;D and IP strategies are linked to business strategies through collaboration between each of our research institutes and Intellectual Property Department in a system where intellectual property can best serve our business strategies. 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.</div>
<div>Natural capital</div> <div> P.73</div>	<div>Ensuring a stable supply of naphtha (an important raw material) Reducing the amount of energy used in production activities</div> <div>We see it as our mission to protect the environment, and are promoting the following activities.<ul style="list-style-type: none"><li>● Promoting a circular economy</li><li>● Initiatives to reduce industrial waste from plastic products</li><li>● Initiatives on water resources</li><li>● Climate change initiatives</li></ul></div>
<div>Social capital</div> <div> P.69</div>	<div>Technology support for customers Collaboration with local communities CSR dialogue with suppliers</div> <div>In addition to dialogue and collaboration with customers, suppliers, and local communities, we are engaged in activities to educate the next generation, which will be responsible for the future of chemistry in Japan. In response to growing concerns that the young are losing interest in science, we are encouraging children to be curious about chemistry by offering on-site lessons for elementary school students and by creating videos about experiments.</div>

Risk and opportunity

The Group analyzes a broad range of risks, including the volatile business environment and appropriate long-term external environment response. We are setting targets that are linked to our Group-wide strategies in the Medium-Term Business Plan: STAGE30 and carrying out various activities to realize these goals.

External environment (risk)	Corresponding strategies	Targets for FY2030	Activities to bring us closer to our FY2030 targets
Strengthened requirements and regulations for carbon neutrality	Strategy 1 (carbon neutrality)	Ratio of reduction in CO <sub>2</sub> emissions (Scope 1+2) <b>42% reduction</b> Group-wide, as compared to FY2020	To promote a transformation of <i>monozukuri</i> to realize carbon neutrality and a circular economy, we formulated our Carbon Neutrality Master Plan and are promoting various initiatives to reduce CO <sub>2</sub> emissions. Moreover, by obtaining certification under the SBT initiative in March 2024, we have unified our target of reducing CO <sub>2</sub> emissions across the entire Group. Furthermore, in 2024 we plan to begin operation of a new recycling plant that uses new, original technology for Cyclo Olefin Polymers, an example of our strategic product line. Additionally, we will prepare for a transition to bio-based raw materials, including collaboration with partner companies around the world with the aim of expanding our range of products and business development focused on carbon neutrality. To achieve our FY2030 targets and to further become carbon neutral, we are promoting energy conservation, process innovation, and energy conversion to create a manufacturing base that contributes to a recycling-based society.
Challenges to raw materials procurement	Strategy 1 (circular economy)		
Demands to prioritize SDGs	Strategy 1 and 2	Sales ratio of SDGs Contribution Products <b>50%</b>	We officially started implementing the SDGs Contribution Product Certification program from April 2024. This program evaluates the level of contribution toward solving social issues, the scope of their contribution, and business sustainability, among others, certifying products that meet these standards as SDGs Contribution Products. Our products have a wide range of use and are beneficial across the globe. To maintain profitability and provide many high value-added products that solve social issues as well as steady returns for our stakeholders, we are working toward further expanding our range of SDGs Contribution Products.
Progress in automotive CASE	Strategy 2	Net sales of new businesses <b>+60 billion yen</b> Compared to FY2019	The Group is focused on four key areas—CASE and MaaS, healthcare and life science, telecommunications (5G/6G), and energy conservation—and is proceeding with the development of new technologies and products. We aim to generate 60 billion yen in new business sales by FY2030 through the launch and expansion of new product sales in these four key areas, proactive CVC activities, and M&A. Specifically in the fields of healthcare and life science, we have acquired two U.S. start-up companies, which allow us to handle everything from raw material production to the precise manufacture of one of our strategic products, Cyclo Olefin Polymers. We plan to accelerate the expansion of our vertically integrated business model.
Widespread use of 5G/6G	Strategy 2		
Innovation in health-care and life sciences technology	Strategy 2		
Progress in AI/MI	Strategy 2		
Aging labor population	Strategy 3	Employee engagement <b>75%</b>	To realize one of our materiality “creating a truly exciting company,” we are revising our personnel system that drives employee growth and motivation. Striving for an enabling work environment that does not interfere career pursuits, we are in the process of implementing various initiatives to support diverse work styles and improve physical and mental health. Beginning in FY2021, we have been conducting annual engagement surveys, and our entire Group is united to increase engagement through the implementation of a PDCA cycle to further improve organizational issues.
Limited human resource availability in Japan	Strategy 3		
Changing attitudes toward employment and work	Strategy 3		
Progress in diversity	Strategy 3		
Geopolitical risk	Strategy 2	ROIC for existing businesses <b>9%</b>	Global geopolitical risk continues to be high, including the situation in Ukraine. In this environment, to mitigate threats to our business continuity, we are striving to not only ensure stable raw material procurement, but maintain a safe and secure supply to meet customer needs by continuing to promote diversification of our global production bases and reinforcement of business resilience.

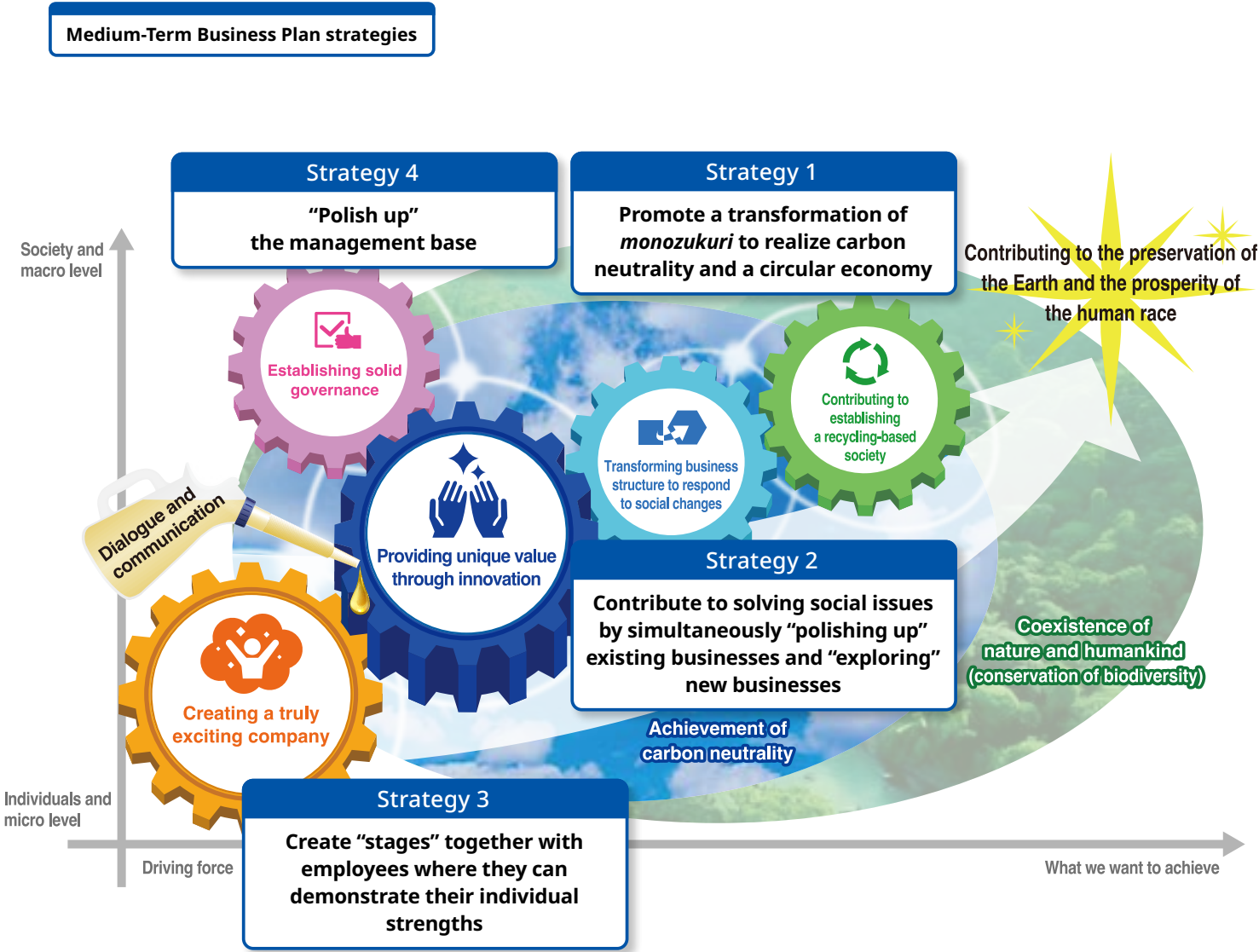


Materiality and Medium-Term Business Plan

Our Medium-Term Business Plan: STAGE30 was developed according to the Zeon Group’s materiality, the Five gears that drive Zeon, and the diagram below shows the relationship between each of these gears and our Medium-Term Business Plan strategies.

During future discussions from the Phase 3, we will continue to strive toward realizing materiality and our corporate philosophy that lies beyond it, keeping in mind the connection between these five gears and our Group-wide strategies, including more specific targets.

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



Medium-Term Business Plan



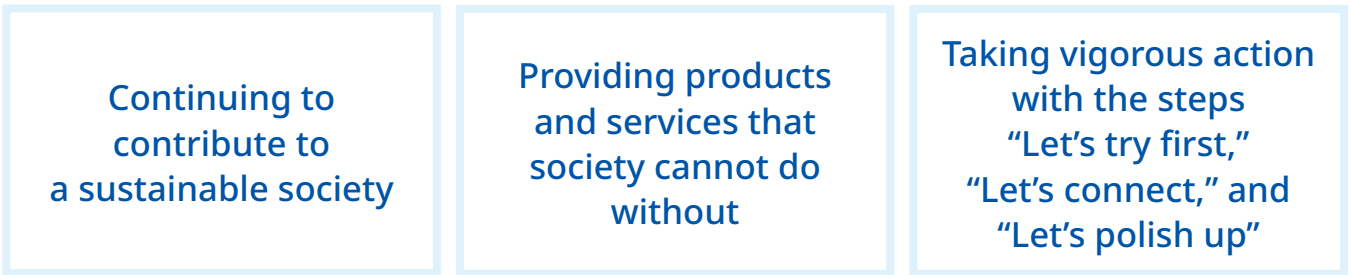
Overview of the Medium-Term Business Plan: STAGE30

In 2021, we formulated “Vision for 2030” and created Group-wide strategies to guide our actions concretely and help us achieve that 10-year vision. We also set FY2030 targets corresponding to each strategy. To meet these targets, we positioned the two years from FY2021 to FY2022 as Phase 1, and the four years from FY2023 to FY2026 as Phase 2, with the plan to renew every two years.

Vision for 2030



Directions for 2030 (what we want to be)



Strategies 1 through 4 and targets for FY2030

Diagram of each phase and target revision

Medium-Term Business Plan: STAGE30									
FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
Phase 1		Phase 2							
				Phase 3					
						Phase 4			
<ul style="list-style-type: none"><li>• Sets targets for four years ahead in the first year of each phase.</li><li>• Will announce targets for FY2030 in FY2027.</li></ul>									

# Medium-Term Business Plan: STAGE30

## —Progress of Phase 2

During Phase 2 of the Medium-Term Business Plan: STAGE30, we set and are now working to achieve concrete targets by FY2026 corresponding to each Group-wide strategy.

In conjunction with the acquisition of certification from the SBT initiative in March 2024, the Scope 1 and 2 CO<sub>2</sub> emissions reduction rate set under Strategy 1 was revised from a target for Zeon Corporation only to a Group-wide target. As a result of the effects of regular improvements made in plants in Japan and energy-saving initiatives, the reduction rate improved in FY2023.

With respect to Strategy 2, the battery materials net sales

indicator remained at 149 in FY2023 due to recent changes in the EV market business environment, and results deviated substantially from the FY2026 target. As a result, we re-examined the EV market growth rate, the feasibility of expanding new sales, and other factors, and revised the target.

In addition to sluggish growth of battery material sales volumes, operations at the Cyclo Olefin Polymers optical film plant were temporarily suspended due to the 2024 Noto Peninsula Earthquake that occurred at the beginning of the year (operations were fully restored by the end of March

2024), and there were effects from falling market prices resulting from delayed recovery of global demand for adhesive tape and label products in the Chemicals Business and intensified competition with competitor products. As a result of these and other factors, in FY2023, ROIC for existing businesses was 4% and operating profit per employee fell to 4.3 million yen, substantial deviations from the FY2026 targets. In conjunction with the target revision for battery materials and other adjustments, Group-wide business targets for

FY2026 were revised, and accordingly, the ROIC target for existing businesses and operating profit per employee in FY2026 were adjusted.

Regarding Strategies 3 and 4, we are making steady progress towards achieving the FY2026 targets in all areas. We also revised our target to achieve even further reduction of cross-shareholdings by FY2026 to improve capital efficiency.

At this time, we believe that the FY2030 targets are achievable, and accordingly, no adjustments were made.

			Targets for the final year of Phase 2			
	Strategies	Targets	FY2023 Results	Targets for FY2026 before revision	Targets for FY2026 after revision	Targets for 2030
1	Promote a transformation of <i>monozukuri</i> to realize carbon neutrality and a circular economy	Ratio of reduction in CO <sub>2</sub> emissions (Scope 1+2) Zeon Corporation (compared to FY2019)	19%	29%	—	—
		Ratio of reduction in CO <sub>2</sub> emissions (Scope 1+2) Group-wide (compared to FY2020)	12%	—	10%	42%
		Sales ratio of the SDGs Contribution Products	35%	40%	40%	50%
2	Contributing to solving social issues by simultaneously “polishing up” existing businesses and “exploring” new businesses	Lost time accidents	9	0	0	ROIC for existing businesses 9%
		Operating income per person (million yen/person)	4.3	11	7	
		ROIC for existing businesses (%)	4%	9%	7%	
		Net sales indicator: Cyclo Olefin Polymers (FY2019 as 100)	163	210	210	Net sales of new businesses +60.0 billion yen (compared to FY2019)
		Net sales indicator: Battery materials (FY2019 as 100)	149	590	240	
		Net sales of new businesses (billion yen)	1.2	16.0	16.0	
		External collaboration/Customer themes (FY2023–FY2026 cumulative total)	3	10	10	
3	Create “stages” together with employees where they can demonstrate their individual strengths	Employee engagement	52%	56%	56%	Employee engagement 75%
		Environment maximizing employee potential	51%	55%	55%	
		Zeon Healthy Behavior Indicator	62%	65%	65%	
		Paid leave utilization rate	71%	70%	70%	
4	“Polish up” the management base	Ratio of foreign-national and/or female directors and officers (inside and outside Directors and Audit & Supervisory Board Members)	19%	25%	25%	Ratio of foreign-national and/or female directors & officers 30%
		Ratio of outside directors and officers (Directors and Audit & Supervisory Board Members)	50%	Majority	Majority	
		Ratio of female managers	6%	12%	12%	
		Cross-shareholdings as ratio of net assets	19%	Less than 15%	Less than 5%	

\* When calculating ROIC, the tax calculation for NOPAT is revised as indicated below.

Previously: NOPAT = Operating profit - Tax expense; Revised: NOPAT = Operating profit - Operating profit × (Tax expense ÷ pretax profit)



Strategy 1

Promote a transformation of *monozukuri* to realize carbon neutrality and a circular economy

Phase 2 Progress

Targets	FY2023 results	Targets for FY2026
Ratio of reduction in CO <sub>2</sub> emissions Group-wide, as compared to FY2020, scope 1+2	12% reduction	10% reduction

Measures to reduce CO<sub>2</sub> emissions

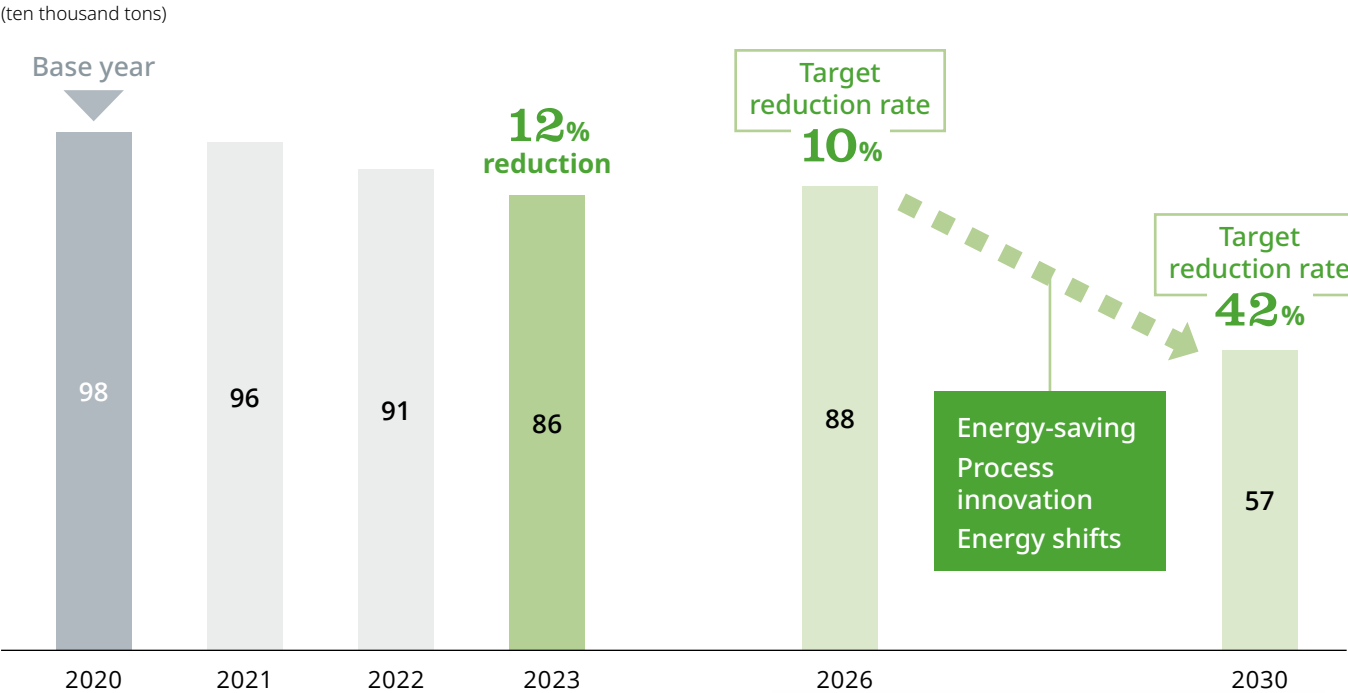
Zeon Group received certification from the Science Based Targets initiatives\* (SBTi) regarding Strategy 1 in March 2024. Accordingly, we consolidated the CO<sub>2</sub> emissions reduction rate (covering Scope 1 and 2) set in the Medium-Term Business Plan with the Group's CO<sub>2</sub> reduction target.

Results in FY2023 in comparison to the FY2026 target were as follows: The CO<sub>2</sub> emissions reduction rate exceeded the FY2026 target as a result of reduced operating volume caused by changes in the market environment for our products and the effects of regular maintenance at plants in Japan and by the Group-wide implementation of energy-saving measures.

As part of our efforts to reduce Scope 1 and 2 emissions with a view toward FY2030, we will continue to promote energy-saving, process innovation, and energy shifts. Furthermore, there will also be CO<sub>2</sub> reduction effects from the partial shut-down of elastomer manufacturing facilities at the Tokuyama Plant in line with portfolio restructuring under Strategy 2. Through these initiatives, we will work to achieve our FY2023 Group-wide Scope 1 and 2 targets.

\* The SBTi was formed as a collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF).

Group-wide CO<sub>2</sub> emissions reduction ratio (Scope 1+2)



Measures to achieve carbon neutrality by 2050

As part of our efforts to achieve carbon neutrality by 2050, we will start operating a Cyclo Olefin Polymer recycling plant at our Takaoka Plant in 2024 and expand this initiative, and to prepare for the shift to bio-based materials, we will launch various collaborative projects that seek to conserve energy

Operation of Recycling Plant

- Cyclo Olefin Polymer recycling plant (at the Takaoka Plant)



Annual production capacity: **6,000 tons**  
CO<sub>2</sub> generation: Annual reduction of **12,000 tons** compared to virgin resin



Conventional recycling technology



Zeon's new technology

including external collaborations.

By expanding these initiatives, we will further reduce CO<sub>2</sub> emissions and build the foundation for *monozukuri* that contributes to a circular economy.

Collaborative projects to pursue energy-saving

- Memorandum of understanding on commercialization of bio-isoprene monomer and SAF signed



Collaboration with Visolis Inc. based in California, U.S.A.



World's first successful synthesis of bio-SIS

Strategy 1 and Strategy 2

Phase 2 Progress

Targets	FY2023 results	Targets for FY2026	Revised targets for FY2026
Sales ratio of the SDGs Contribution Products	35%	40%	40%
Lost time accidents	9	0	0
Operating income per person (million yen/person)	4.3	11	7

In relation to both Strategies 1 and 2, we officially commenced operation of the SDGs Contribution Product Certification program in April 2024. SDGs Contribution Products undergo a review by the SDGs Contribution Product Certification Subcommittee based on the degree and scope of contribution to solutions to social issues, the sustainability of the business, and other criteria and are then selected by the Sustainability Conference, the company's highest decision-making body regarding sustainability.

The FY2026 target for operating profit per employee was reviewed and revised in line with business targets for that fiscal year.

See page 25 for more information about the SDGs Contribution Product Certification program

Examples of SDGs Contribution Products and their main applications



Strategy 2		“Polish up” existing businesses		Phase 2 Progress	
Targets		FY2023 results	Targets for FY2026	Revised targets for FY2026	
Net sales indicator (FY2019 value set at 100)	Cyclo Olefin Polymers	163	210	210	
	Battery materials	149	590	240	

Cyclo Olefin Polymers

The main applications for Cyclo Olefin Polymers are optical and medical, and we are making progress toward achieving our FY2026 targets

Under Strategy 2, we set net sales indicator target with the aim of further expanding the scale of business for specialty plastics and battery materials, our key businesses.

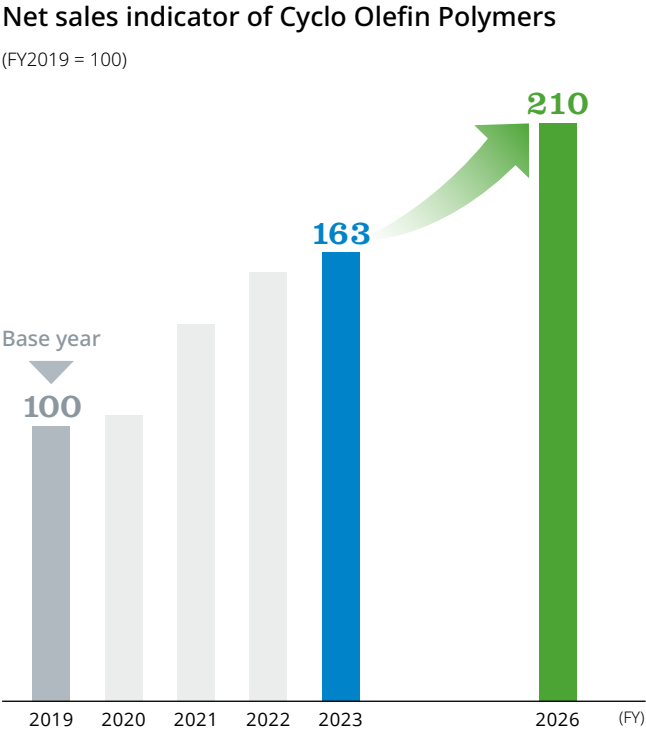
With FY2019 sales of Cyclo Olefin Polymers set at 100, we set a target of reaching a sales indicator of 210 in FY2026.

Cyclo Olefin Polymers have outstanding optical properties and are used in optical applications such as camera lenses and VR lenses as well as for healthcare applications, such as pre-filled syringes and vials, to take advantage of its transparency, excellent barrier performance, and high purity.

Cyclo Olefin Polymers, which we independently developed, also feature excellent processability and precision molding properties, and consequently, holding the potential for expansion into a wide range of applications and new business models. As one potential new business model, in addition to maintaining existing sales of Cyclo Olefin Polymers, we will also seek to expand sales in new businesses by entering the Cyclo Olefin Polymer processed product business. In addition, we are working to augment capacity and bolster business resilience so that we can establish safe and secure supply structures able to respond to increasing demand.

See page 39 for more information on the increase of Cyclo Olefin Polymer production capacity.

See pages 41 and 50 for more information on new Cyclo Olefin Polymer businesses.



Battery materials

Revision of FY2026 targets in response to EV market environmental changes

In FY2023, the net sales indicator for the battery materials business showed substantially sluggish growth due to falling demand caused by an economic downturn in China, a key EV market, as well as intensification of price competition, slumping EV sales globally, changes to EV subsidy measures in Europe, and other factors.

The EV market environment has changed substantially from our initial expectations at the time of formulation of the Medium-Term Business Plan Phase 2, and as a result, it became necessary to make significant revisions to targets.

Accordingly, we revised the battery materials net sales indicator for FY2026 from 590 at the time when the plan was formulated to 240. There were three primary causes of the change in the market environment: slowing growth in the EV market, changes in battery technology trends (including a transition to LFP\*), and delayed development of new products.

The slowing growth in the EV market reflects the trends toward reviewing preferential subsidies for EV, particularly in Europe, and the increase in sales of PHEV/HEV.

With respect to changes in technology trends, the transition toward introducing technologies that prioritize lower cost, exemplified by LFP batteries, has accelerated with the intensifying market competition, giving rise to a need for the company to adjust the course of our product development.

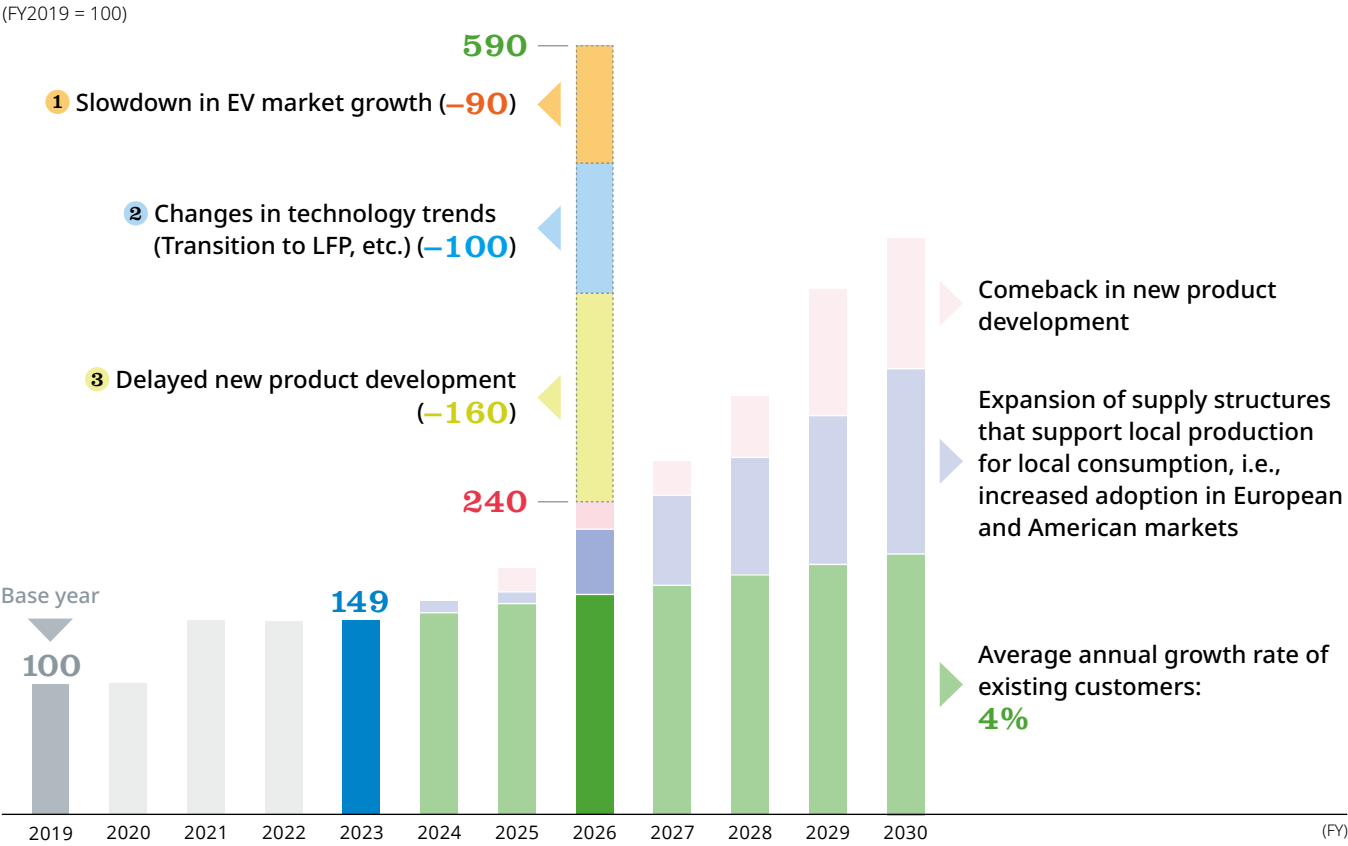
Regarding delayed development of new products, slowing growth in EV markets has caused lower evaluations of new product development and decreased willingness to adopt new products by battery manufacturers, resulting in a substantial downward revision of our plan targets for new product market introduction in FY2026.

\* Lithium-ion iron phosphate batteries that use lithium (Li), iron (Fe), and phosphorus (P) as the cathode material.

Over the long term, the EV market is expected to continue steady growth. We will continue to expand our global supply structures so that we can cover European and American markets, where supply chains that support local production for local consumption in EV manufacturing are being developed

and created, as well as Asian markets. We will seek to steadily expand sales through FY2030 by revising our plans to reflect slower growth than initially anticipated in the valuation and adoption of new product development which have stagnated due to the slowdown in EV markets.

Net sales indicator of battery materials



Targets	FY2023 results	Targets for FY2026	Revised targets for FY2026
ROIC for existing businesses	4%	9%	7%

ROIC for existing businesses

FY2026 targets revised, no changes to FY2030 targets

ROIC of existing businesses in FY2023 was just 4%, a substantial deviation from the FY2026 target. This result was caused primarily by slumping sales of battery materials and deteriorating profitability of chemical products in the Elastomer Business. We are implementing measures to achieve the revised targets for battery materials indicated above.

We engage in the chemical products business by using byproducts from the production of raw materials for Cyclo Olefin Polymers, one of our strategic products, from Cs fractions with a focus on adhesive tape and label applications, but profitability declined due to a slow recovery of global demand and intense competition with competing manufacturers in

China. Going forward, we will narrow our target to the Japanese and American markets, where we can emphasize the superior quality of our products to increase profitability.

As a result of the revision of targets for battery materials and other factors, we revised the FY2026 ROIC target for existing businesses downward, but to date, we have not made any changes to the 9% target for FY2030, based on the belief that this target can be achieved.

In parallel with the portfolio restructuring discussed below, we are shifting to high-profit business while working to achieve the FY2030 targets.



Strategy 2

"Polish up" existing businesses

Business Portfolio Restructuring

Specialty Materials Business

Decision made to construct a new Cyclo Olefin Polymer plant in the Tokuyama area to respond to growth in the Cyclo Olefin Polymer business

To achieve the ROIC target for existing businesses for FY2030, we have started restructuring the business portfolio that was set as our initial policy when Phase 2 of the Medium-Term Business Plan was formulated.

We will suspend low-profit businesses and shift and concentrate various resources on high-profit businesses. To implement these measures, we decided to construct a new plant for Cyclo Olefin Polymers, which is a high-profit product for the company and is expected to maintain growth into the future, in the Tokuyama area.

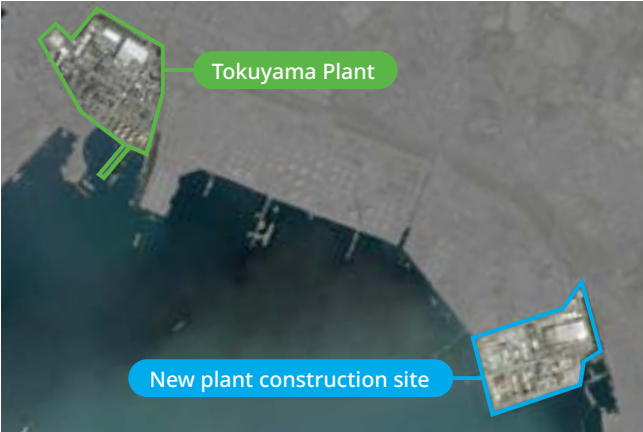
Cyclo Olefin Polymers are related to multiple businesses, including not just the core resin business for optical and medical applications, but also products for medical device applications that support genomic analysis and drug discovery and optical films for display applications. We expect market growth in all of these businesses, and we will need to increase production capacity to respond to growing demand from customers.

The new Cyclo Olefin Polymer plant is intended not only to respond to growing demand from customers, but also to bolster business resilience against earthquakes and other natural disasters by shifting away from the current single-site production system at the Mizushima Plant to multiple production sites.

We plan to invest approximately 70 billion yen in the new Cyclo Olefin Polymer plant. This figure includes infrastructure and other development expenses for the entire construction site. This will leave sufficient space to quickly expand production capacity even further for high-profit products, such as Cyclo Olefin Polymers in the future, and the construction of this new plant is positioned as the first step in portfolio restructuring. We will take measures to transform the Tokuyama area into our largest production base for high-profit products.

Overview of new plant

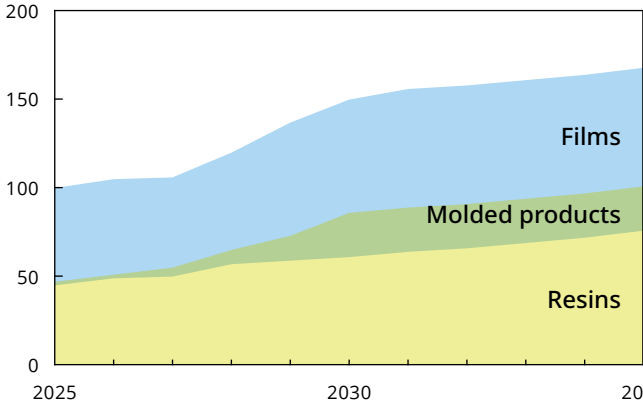
Site: Shunan City, Yamaguchi Prefecture  
Site area: Approx. 186,500 m<sup>2</sup>  
Cyclo Olefin Polymer production capacity: Approx. 12,000 t/year  
Start of construction: Second half of FY2025  
Completion of construction: First half of FY2028  
Investment amount: Approx. 70 billion yen



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

Envisioned Business Growth

Net sales indicator for Cyclo Olefin Polymer related business (FY2025 = 100)



Cyclo Olefin Polymers



Mizushima Plant  
Cyclo Olefin Polymer production capacity: Approx. 42,000 t/year

Elastomers Business

Some production equipment of Tokuyama Elastomer will be taken out of operation in stages starting in FY2026

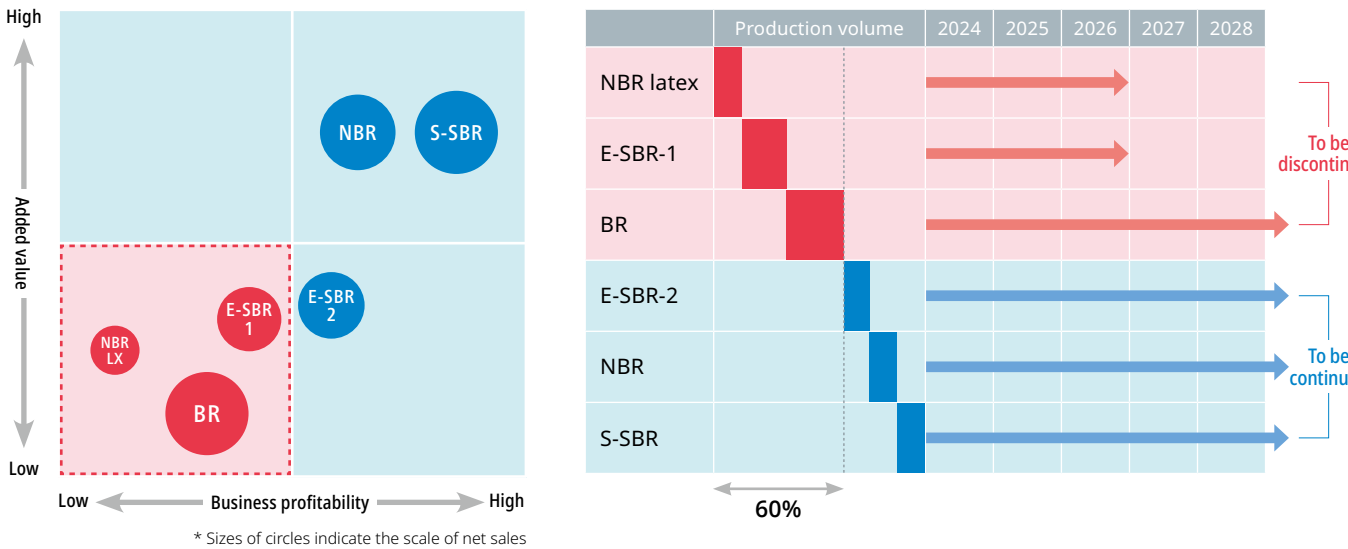
To transform the Tokuyama area into a high-profit specialization area, we will concentrate on production of the synthetic rubber and latex products currently produced at the Tokuyama Plant.

We plan to stop the production of one E-SBR production line and NBR latex (NBR LX), which are considered low-profit items, by the end of FY2026, while BR production facilities will be shut down in FY2028 or later. These products account for 60% of elastomer product production at the Tokuyama Plant.

By discontinuing the manufacture of low-profit products in stages and specializing in high-profit products, we seek to remain the best owner of specialty rubbers and achieve success in global markets.

Elastomer portfolio of the Tokuyama Plant

Tokuyama Plant elastomer production discontinuation plan



Impact on profit/loss from portfolio restructuring by shifting from Tokuyama elastomer materials to Cyclo Olefin Polymers

Ongoing transition to a high-profit business structure

In addition to the burden of investment cost for the new Cyclo Olefin Polymer plant, we expect that the phased suspension of some Tokuyama elastomer manufacturing equipment will cause a temporary decline in operating profit. However, as the new Cyclo Olefin Polymer plant begins operating, amortization of the investment cost progresses, and sales of high-profit products increase, we expect that operating profits will bottom out in FY2028 and increase substantially toward FY2035.

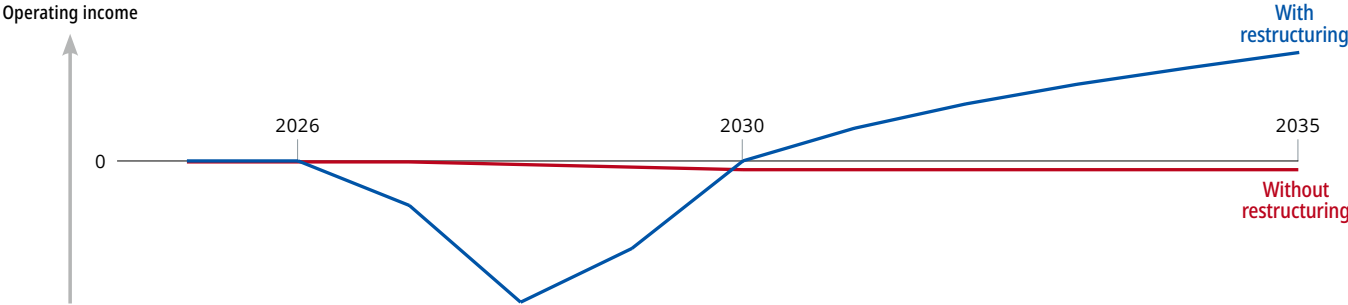
In parallel with the portfolio restructuring, we will of course continue to stringently select other investments and steadily reduce costs in an effort to minimize the decrease in operating profit.

Our objective in restructuring our business portfolio is not to simply withdraw from low-profit businesses, thereby abandoning human resources or facilities.

We will strive to seamlessly provide our highly loyal and technically skilled human resources with new opportunities to work in high-profit businesses.

We intend to carry out the business portfolio restructuring, build high-profit foundations over the medium- to long-term, and transition to an even-higher profit business structure.

Envisioned growth in operating profit with and without portfolio restructuring



Strategy 2	"Explore" new businesses	Phase 2 Progress
Targets		
Net sales of new businesses	FY2023 results 1.2 billion yen	Targets for FY2026 16.0 billion yen
External collaboration/ Customer themes FY2023–2026 cumulative total	3	10
New businesses	Introducing new products in four key areas and capturing inorganic growth	

In FY2023, we recorded net sales of 1.2 billion yen in new businesses, primarily in the telecommunications (5G/6G) field, one of the four key areas.

Going forward, we will pursue further expansion of net sales in new businesses by introducing new products to markets such as microplates and microfluidic devices made from Cyclo Olefin Polymers for use in genomic analysis and drug discovery.

Starting in Phase 2, in addition to the introduction of new products, we will begin searching for CVC\* topics, focus on the

four key areas—CASE and MaaS, healthcare and life science, telecommunications (5G/6G), and energy conservation—and build up a portfolio of investment projects while collaborating with Zeon Ventures Inc., a U.S.-based subsidiary. By collaborating with investment targets and undertaking M&A, we will seek to achieve our net sales target for new businesses.

\* Corporate Venture Capital: Measures for achieving synergy effects that contribute to the expansion of our business through investment in startups and other companies.

Four key areas

● Investments/partners ● Acquisitions ● Products for which sales have already been recorded ● Products under development by Zeon

CASE and MaaS

- AM Batteries (U.S.) Innovative electrode manufacturing for lithium-ion batteries
- Mitra Future Technologies, Inc. (U.S.) LFP (lithium-ion phosphate) as an activated material for lithium-ion battery cathodes
- Coreshell Technologies, Inc. (U.S.) Electrode coating materials that improve the capacity and safety of lithium-ion batteries
- CNT (Carbon Nano Tube) Single-walled carbon nanotubes manufactured using the Super Growth Method, a revolutionary synthesis technique
- Dry formation method Methods of forming lithium-ion battery electrodes using a dry process without the use of water or solvents

Healthcare and life science

- Aurora Microplates, LLC (U.S.) Microplates made from Cyclo Olefin Polymers for biochemical analysis applications
- Edge Precision Manufacturing, Inc. (U.S.) Microfluidic devices for the healthcare and life sciences markets, with high resolution and high aspect ratio based on proprietary compression molding technology
- Jiksak Bioengineering, Inc. (Japan) New diagnostic and treatment methods for neuromuscular conditions
- Knowledge Palette, Inc. (Japan) Overcoming intractable diseases using cell measurement and culture optimization technologies
- Microplates Testing and experimentation equipment used for biochemical analysis
- Microfluidic devices A device for handling extremely small amounts of liquid on a chip that has micro-scale flow channels for biochemical analysis

Telecommunications (5G/6G)

- QunaSys Inc. (Japan) Algorithms for quantum computers
- Aidemy Inc. (Japan) Products and solutions relating to AI and DX
- FOUP (Front Opening Unified Pod) Containers made from Cyclo Olefin Polymers for transporting wafers in semiconductor production equipment
- TIM (Thermal Interface Material) Heat conduction and dissipation materials for IC chips and other products
- Multi-material adhesive A hot melt-type sheet-shaped adhesive that can adhere to both inorganic and organic materials
- CNT (Carbon Nano Tube) Single-walled carbon nanotubes manufactured using the Super Growth Method, a revolutionary synthesis technique

Energy conservation

- Visolis, Inc. (U.S.) SAF production using biological reactions (fermentation) and chemical reactions
- Syzygy Plasmonics (U.S.) Accelerating chemical reactions using light
- AMOGY Inc. (U.S.) Fuel cells that use ammonia as fuel
- Verdagy, Inc. (U.S.) Electrolysis hydrogen production equipment
- Inkbit Corp. (U.S.) 3D printers that can use multiple materials in a single component
- Dry formation method Methods of forming lithium-ion battery electrodes using a dry process without the use of water or solvents

Strategy 3	Work together to create "stages" to be active on	Phase 2 Progress
Targets		
Employee engagement	FY2023 results 52%	Targets for FY2026 56%
Environment maximizing employee potential	51%	55%
Zeon Healthy Behavior Indicator	62%	65%
Paid leave utilization rate	71%	70%

The "stages" we aim to create are companies where all employees can realize freedom and well-being and where diverse individuals can demonstrate their strengths.

The results of an employee engagement survey conducted in FY2023 indicated that both "employee engagement" and "environment maximizing employee potential" improved compared to the previous year.

Furthermore, steady progress is being made toward achieving the FY2026 targets regarding new targets set in Phase 2: Zeon Healthy Behavior Indicator and paid leave utilization rate.

We believe that continuity of these initiatives to improve engagement is important, and we will continue our efforts in Phase 2 so that they become a significant driving force of company growth.

We will strive to achieve the targets set in the Medium-Term Business Plan through human resource management centered on personnel system that rewards employees according to their job size.

For more details, see page 61.

Strategy 4		"Polish up" the management base		Phase 2 Progress	
Targets		FY2023 results	Targets for FY2026	Revised targets for FY2026	
Ratio of foreign-national and/or female directors & officers (Inside and outside Directors and Audit & Supervisory Board Members)	▶	19%	25%	25%	
Ratio of outside directors and officers (Directors and Audit & Supervisory Board Members)	▶	50%	Majority	Majority	
Ratio of female managers	▶	6%	12%	12%	
Cross-shareholdings as ratio of net assets	▶	19%	Less than 15%	Less than 5%	

To "polish up" the management base, we will enhance corporate governance, train diverse human resources for future management, and refine capital efficiency.

To enhance corporate governance, we will select highly diverse and independent officers and reduce cross-shareholdings. In particular, the FY2026 target set in the Medium-Term Business Plan for cross-shareholdings as a ratio of net assets was less than 15% until now, but we will reduce cross-shareholdings even further and revised the target to less than 5%.

To train diverse human resources for future management, we are reforming managerial personnel system and also continuing to hire diverse career human resources.

To refine capital efficiency, we will continuously implement measures designed to achieve sustainable growth and increase corporate value through the implementation of strategies with an awareness of capital costs and share prices, the pursuit of an optimal capital structure, and financial management that supports proactive business investment.

For further details, see pages 43, 61, and 85.



# Financial and Capital Policy



**Zeon Group will proactively pursue growth investments to enhance corporate value over the medium to long term while maintaining a sound financial position and remaining aware of the cost of capital.**

**Financial targets for FY2026**

Net sales	Operating income	Group ROIC	ROE
<b>450 billion yen</b>	<b>38 billion yen</b>	<b>6%</b>	<b>9%</b>

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

In this report, we will look back on our activities and achievements in FY2023 and explain our initiatives started in FY2024 based on the Phase 2 of our Medium-Term Business Plan.

## Medium-Term Business Plan: STAGE30 ▶ Looking back at the first year of Phase 2 (FY2023)

In FY2023, the first year of Phase 2 of our Medium-Term Business Plan, our consolidated income results were as follows: net sales of 382.3 billion yen (down 6.3 billion yen YoY), operating income of 20.5 billion yen (down 6.7 billion yen YoY), ordinary income of 26.9 billion yen (down 4.5 billion yen YoY), and net income attributable to owners of the parent company of 31.1 billion yen (up 20.5 billion yen YoY).

Regarding our financial position, we worked to improve capital efficiency in line with the financial strategy of our Medium-Term Business Plan and also reduced our cross-shareholdings to generate cash for growth investments aimed at transforming our business portfolio. As a result, the balance of investment securities as of the end of March 2024 decreased by 14.8 billion yen compared to the previous fiscal year-end, representing 19.0% of net assets (down 4.7 points from the previous fiscal year-end), which was achieved ahead of schedule. The reduction and sale of these shares resulted in a gain on sales of investment securities of 25.5 billion yen recorded as extraordinary income, contributing to a consolidated net income surpassing the previous year's results. The D/E ratio was 0.02 (down 0.06

points from the previous fiscal year-end), and the equity ratio was 68.1% (up 3.8 points from the previous fiscal year-end), reflecting our stable financial position.

Regarding shareholder returns, taking into account our consolidated performance, cash flow status, and the outlook for earnings and investment plans in the next fiscal year and beyond, we have decided to further increase the year-end dividend by 5 yen, bringing the total annual dividend to 45 yen per share (20 yen interim, 25 yen year-end, 14 yen increase over the previous fiscal year, with a payout ratio of 30.6%) from the initial annual dividend forecast of 40 yen per share (20 yen interim, 20 yen year-end, 9 yen increase over the previous fiscal year).

Additionally, the Nikkei Stock Average continued to rise as we have been reducing our cross-shareholdings, exceeding 40,000 yen, which has meant higher-than-anticipated cash inflows. Having ensured sufficient funds for future growth investments, we also decided to implement an additional share buyback of 10 billion yen and take further measures to expand shareholder returns, pressing forward with flexible and agile financial management.

## Medium-Term Business Plan: STAGE30 ▶ Initiatives for the second year of Phase 2

In FY2024, year two of Phase 2 of the Medium-Term Business Plan, we will focus on the following four initiatives, as announced at the progress briefing held on June 11, 2024.

### ① Securing and expanding earnings and cash flow from existing businesses and promoting growth investments to meet Medium-Term Business Plan targets

To enhance corporate value over the medium term, we believe it is crucial to maintain and expand profits and cash flow from existing businesses to secure funds for new businesses and growth investments. Our earnings and cash flow in FY2023 were adversely affected by economic trends,

market conditions, geopolitical risks, and the impact of the 2024 Noto Peninsula Earthquake. From the end of FY2023, however, there were signs of recovery in the business environment, so we will continue to actively invest in growth businesses, including the new Cyclo Olefin Polymer plant investment announced on June 11, 2024.

### ② Reduction of cross-shareholdings (to further improve capital efficiency)

In addition to expanding profits and cash flow, we will work to enhance capital efficiency by reducing cross-shareholdings in other companies. Our initial plan was to reduce the ratio of cross-shareholdings to net assets to below 15% by the

end of FY2026. We have recently set a more ambitious target of reducing the ratio to below 5%. We plan to accelerate this sell-off and use the cash to fund growth investments and transform our business portfolio, aiming to achieve even higher capital efficiency.

### ③ Pursuit of an optimal capital structure (Expanding shareholder returns and utilizing interest-bearing debt to fund growth investments)

Our Medium-Term Business Plan for financing growth investments, new businesses, and R&D is to generate operating cash flow from existing businesses, improve capital efficiency, and procure and utilize interest-bearing debt. Taking an agile approach to leveraging interest-bearing debt, we aim to maintain a sound financial position through financial discipline that takes into account credit ratings. Our goal is to optimize our capital structure and enhance our corporate value by maintaining a target equity ratio of 50–55% and a D/E ratio of 0.2–0.3.

Our shareholder return policy is to maintain a minimum dividend payout ratio of 30%, to be expanded from 2024 onwards. For FY2024, we forecast a dividend of 47 yen per share (an increase of 2 yen over the previous year, with 23 yen paid at mid-year and 24 yen at year-end). This will mark the 15th consecutive year of dividend increases since FY2010. We have also decided to adopt a progressive divi-

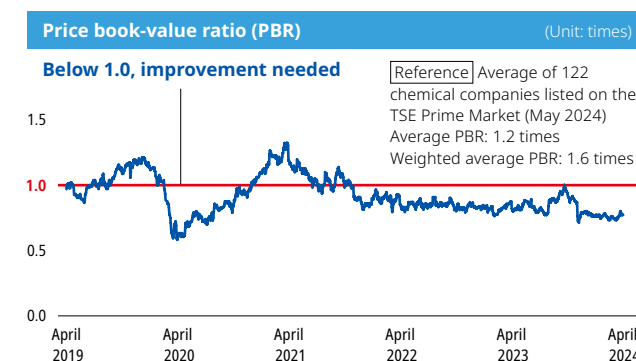
dend policy as part of our dividend strategy.

Furthermore, as we continue to reduce our cross-shareholdings, the resulting higher-than-expected cash inflows from the rising stock market price will be used to enhance shareholder returns. We have announced the buyback of 10 billion yen worth of treasury stock for cancellation in FY2024, and we plan to increase that to a total of 30 billion yen by FY2026.

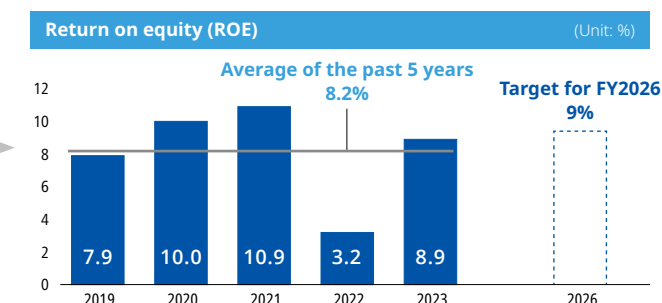
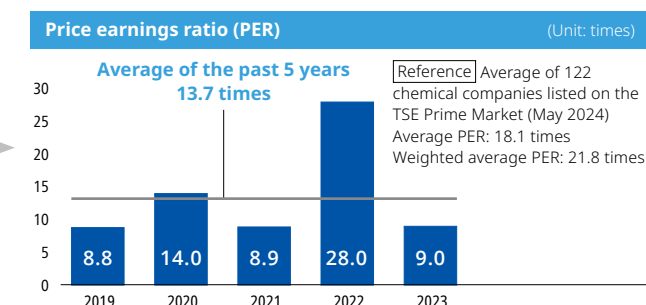
### ④ Implementing management that is conscious of cost of capital and stock price

We recognize that one of our management policies is to closely monitor the return on invested capital (ROIC), which is a target set in our Medium-Term Business Plan, in relation to capital costs. In March 2023, the Tokyo Stock Exchange (TSE) issued a document titled “Action to Implement Management that is Conscious of Cost of Capital and Stock Price,” and we published the results of our internal analysis and discussions on January 31, 2024. We take seriously the fact that our PBR is currently lower than 1.0, and we are committed to improving the ratio to over one. To achieve this, we plan to integrate business management and financial management organically and implement strategies that will lead to the sustainable and ongoing enhancement of corporate value while also expanding the dialogue with our stakeholders.

$$PBR = PER \times ROE$$



\* PBR: Market cap (after adjustment for treasury shares)/Total shareholders' equity (fiscal year result)  
Note: Prepared based on SPEEDA database



## Aiming for sustainable growth and enhancement of corporate value

We will continue to execute our financial strategies in FY2024 and beyond with a proper awareness of capital costs. We aim to improve capital efficiency, pursue an optimal capital structure, and demonstrate flexibility in adapting to changes in our environment and situation. Constant effort in refining our strategies and initiatives will drive sustainable growth and enhance Zeon's corporate value.

We will continue to foster organization, personnel, and culture that encourage innovation while strengthening collaboration both within and outside the Group. To meet the expectations of stakeholders and work toward the ideal of a sustainable society, we will take measures that lead to the resolution of ESG issues—including climate change and biodiversity—along with key social issues.

Message from  
the General Manager of  
Elastomers and Chemicals Business

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



Since becoming the first company in Japan to produce synthetic rubber domestically in 1959, Zeon has grown with elastomer materials, primarily synthetic rubber, at the core of its business.

Within this business, we provide products and services to meet diverse needs as a world-leading manufacturer of specialty synthetic rubbers and have contributed to the development of the global automotive and other industries to the present day. On the other hand, for those products for which we are unable to adopt a cost leadership strategy, such as our general-purpose rubbers for general industrial use, we are downsizing or withdrawing from business. To effectively use limited management resources and fulfill stakeholder expectations, we are simultaneously looking into restructuring our business portfolio.

We have positioned the battery materials business, where we are able to leverage the synthesis and dispersal technologies that we developed through the Elastomers Business, as a growth driver that will play an important role in our core business, and we are taking action to expand this business. However, the market environment for the automotive batteries used in electric vehicles and their peripheral technologies are undergoing continuous and rapid change, and we are focusing our efforts on developing new products that employ new technologies so that we can meet the demand for even higher-capacity, safer, and cost competitive automotive batteries. Furthermore, in light of geopolitical risks and other factors, to respond to local production for local consumption of automotive batteries, we are working to create regional supply structures in Asia, Europe, and North America.

Segment net sales (consolidated)

	2019	2020	2021	2022	2023
Elastomers Business	¥ 178,847	¥ 161,626	¥ 200,566	¥ 222,230	¥ 215,286
Specialty Materials Business	91,749	95,465	106,791	105,356	107,373
Other businesses	53,473	46,977	57,822	65,270	64,339
Elimination or corporate	(2,103)	(2,107)	(3,449)	(4,242)	(4,720)
Consolidated	¥ 323,985	¥ 303,981	¥ 363,751	¥ 390,636	¥ 384,301

Segment operating income (consolidated)

	2019	2020	2021	2022	2023
Elastomers Business	¥ 9,642	¥ 12,283	¥ 18,623	¥ 10,184	¥ 6,635
Specialty Materials Business	17,311	21,960	26,360	18,296	13,241
Other businesses	2,098	2,156	2,318	2,381	3,927
Elimination or corporate	(2,948)	(2,991)	(2,868)	(3,682)	(3,303)
Consolidated	¥ 28,122	¥ 35,428	¥ 46,454	¥ 29,201	¥ 22,523

Message from  
the General Manager of  
Specialty Business

**Yuichiro Konishi**  
Director & Senior Corporate Officer  
General Manager, Specialty Business Headquarters  
Division Manager, Specialty Plastics Division



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.

To “polish up” existing businesses, one of the Group-wide strategies of the STAGE30 Medium-Term Business Plan, we are working to expand business with a focus on Cyclo Olefin Polymers and optical films.

Cyclo Olefin Polymers not only have applications in the healthcare and life sciences fields, but are important strategic product for the company for which we expect even higher demand for optical and semiconductor applications in the future. A new recycling plant will come online at the Takaoka Plant at the end of 2024, increasing production capacity, but we expect even further growth in demand, and to respond to this demand, we purchased a new business site near the existing Tokuyama Plant in Shunan City, Yamaguchi Prefecture and have started preparations to begin operation of a new Cyclo Olefin Polymer plant in 2028. We also plan to look into investment in this recently-purchased business site for the company's high-value-added products other than Cyclo Olefin Polymers.

Furthermore, in optical films, a key application for Cyclo Olefin Polymers, LCD television screens continue to increase in size, and as a result, demand for optical films made from Cyclo Olefin Polymers, which exhibits excellent dimensional stability, is growing. In response to this robust demand, we increased the production capacity of one of the world's largest 2,500 mm wide films at the Tsuruga Plant in September 2023, but demand is forecast to remain strong, and we are looking into further increases in production capacity.

To “explore” new businesses, another of our Group-wide strategies, we will introduce new products into new markets and conduct M&A with the aim of increasing sales performance from 1.2 billion yen in FY2023 to 16 billion yen in FY2026 and 60 billion yen in FY2030.

As a part of these efforts, we began by positioning the life sciences as a priority field and are developing business. Microplates and microfluidic devices made from precision-molded Cyclo Olefin Polymers are used in genomic analysis and drug discovery support, and demand for these products is expected to grow significantly in the future. We are currently accelerating business expansion through collaboration with two U.S.-based companies that we acquired: Aurora, a manufacturer of microplates, and Edge Precision, a manufacturer of microfluidic devices.

In addition, we are working to expand sales of thermal interface materials (TIMs) and to develop processed products that use single-walled carbon nanotubes for use in the semiconductor and energy fields.

We are committed to achieving our FY2026 targets while addressing each of these issues.

Capital expenditures by business (consolidated)

	2019	2020	2021	2022	2023
Elastomers Business	¥ 7,792	¥ 7,440	¥ 9,493	¥ 8,527	¥ 12,013
Specialty Materials Business	17,965	10,111	10,596	18,220	16,382
Other businesses	95	47	291	764	436
Elimination or corporate	3,236	2,047	2,521	6,534	3,304
Consolidated	¥ 29,088	¥ 19,645	¥ 22,902	¥ 34,045	¥ 32,135



## Business target revision

For Phase 2 of the STAGE30 Medium-Term Business Plan, we set business performance targets for FY2026, but we reviewed those targets in response to changes in the business environment including revision of the sales target for battery materials. In addition, we revised the FY2026 overall performance targets and financial target values.

### FY2026 business performance and financial targets

	Net sales	Operating income	Group ROIC	ROE
Initial target value	510 billion yen	58 billion yen	8%	10%
Revised target value	450 billion yen	38 billion yen	6%	9%

### Business performance targets by segment

Initial target value	Elastomers	Specialty Materials	Other, elimination, etc.	Total
Net sales	244 billion yen	189 billion yen	77 billion yen	510 billion yen
Operating income	23 billion yen	39 billion yen	-4 billion yen	58 billion yen

Revised target value	Elastomers	Specialty Materials	Other, elimination, etc.	Total
Net sales	230 billion yen	145 billion yen	75 billion yen	450 billion yen
Operating income	16.5 billion yen	25.5 billion yen	-4 billion yen	38 billion yen

## 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 then need to reduce CO<sub>2</sub> 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 and production 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.

With respect to specialty rubbers, we will increase our hydrogenated nitrile rubber (HNBR) production capacity in the U.S. (from 5,000 tons per year to approximately 7,500 tons per year) and expand sales of polyacrylate rubber

### Chemicals business

#### ► Business description

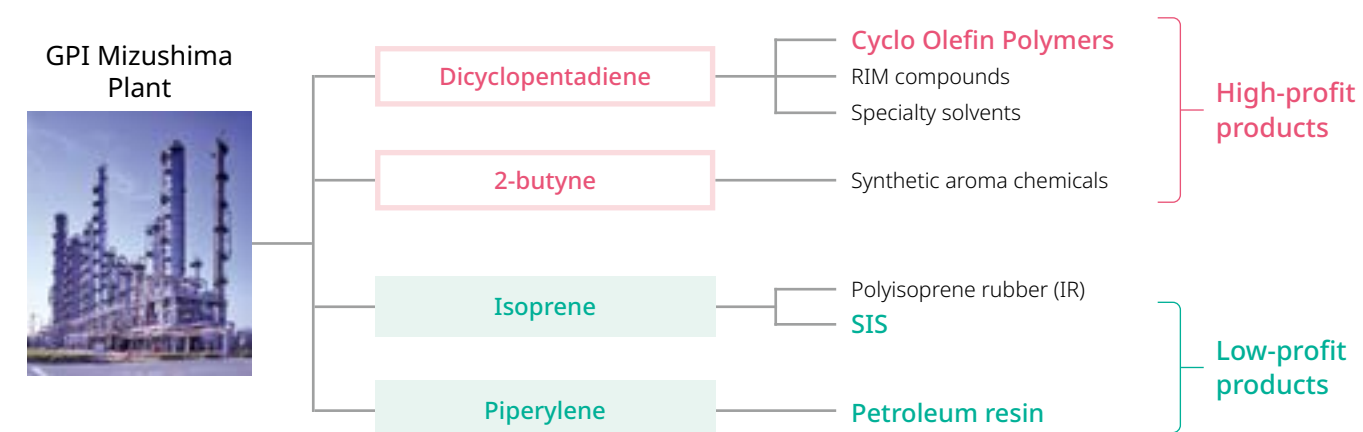
In the chemicals business, we will develop business with a focus on petroleum resins and thermoplastic elastomer SIS, which are made from C<sub>5</sub> fractions. These materials are primarily used in adhesive tapes, adhesive labels, and adhesives. We can make maximum use of components such as isoprene and piperylene refined from C<sub>5</sub> fractions, and as a result, this business serves as the foundation of Zeon's comprehensive use of C<sub>5</sub> fractions.

In addition, we handle polymerized toner used in printers and multifunction office copiers.

#### ► Current issues

Following the COVID-19 pandemic, there continue to be excess inventories in the adhesive tape market, and our operating rates have declined substantially. In addition, market prices for petroleum resins are quite soft due to the new market entry by competitors for thermoplastic elastomer SIS, and profitability has fallen considerably.

Various monomers are refined in certain ratios from the C<sub>5</sub> 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 and synthetic aroma chemicals. The C<sub>5</sub> business is based on polymerizing these monomers to sell products such as petroleum resins and SIS. 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, such as Cyclo Olefin Polymers and synthetic aroma chemicals, which are produced in conjunction with this process.



(ACM), and regarding general-purpose rubbers, we will strive to develop and increase sales of solution-polymerization styrene-butadiene rubber (S-SBR) products.

At the same time, we will discontinue operation of one line of emulsion polymerization styrene-butadiene rubber (E-SBR) and NBR latex, which are produced at the Tokuyama Plant, in FY2026.



#### ► Measures for increasing ROIC

Demand for adhesive tapes is recovering and the business environment is improving, but there is an excess of supply due to considerable expansion by Chinese competitors, and profitability will likely struggle for some time. Under this business environment, we will continue the Zeon C<sub>5</sub> business so that it can fulfill its important role in supporting the balance of raw materials.

Our strategy is to maximize net operating profit after taxes (NOPAT) by focusing on the Japanese and North American markets, 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.

## Battery materials business

### ► Business description

In this business, we conduct research and development on and manufacture and sell cathode and anode binders, separator materials, seal materials, and other products for rechargeable 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

Against the backdrop of rising demand for new-energy vehicles, such as PHEVs and BEVs, in response to rising environmental awareness globally, we have continuously expanded the battery materials business.

On the other hand, sales of BEVs have slumped recently because of the discontinuation of government subsidies in China and Europe, and market growth has lagged behind our initial expectations.

Furthermore, in conjunction with the market rollout of LFP batteries, which are less expensive than ternary batteries, such as NMC, high-performance binders for anodes are becoming unnecessary and the market is shrinking due to the diversification of separator designs, resulting in an increasingly challenging market environment for our battery materials business.

Under this market environment, accelerating the development of differentiated products and new battery materials such as all solid-state batteries as a part of our R&D efforts and expanding production sites with a focus on local production for local consumption are issues that we must address.

### ► Measures for increasing ROIC

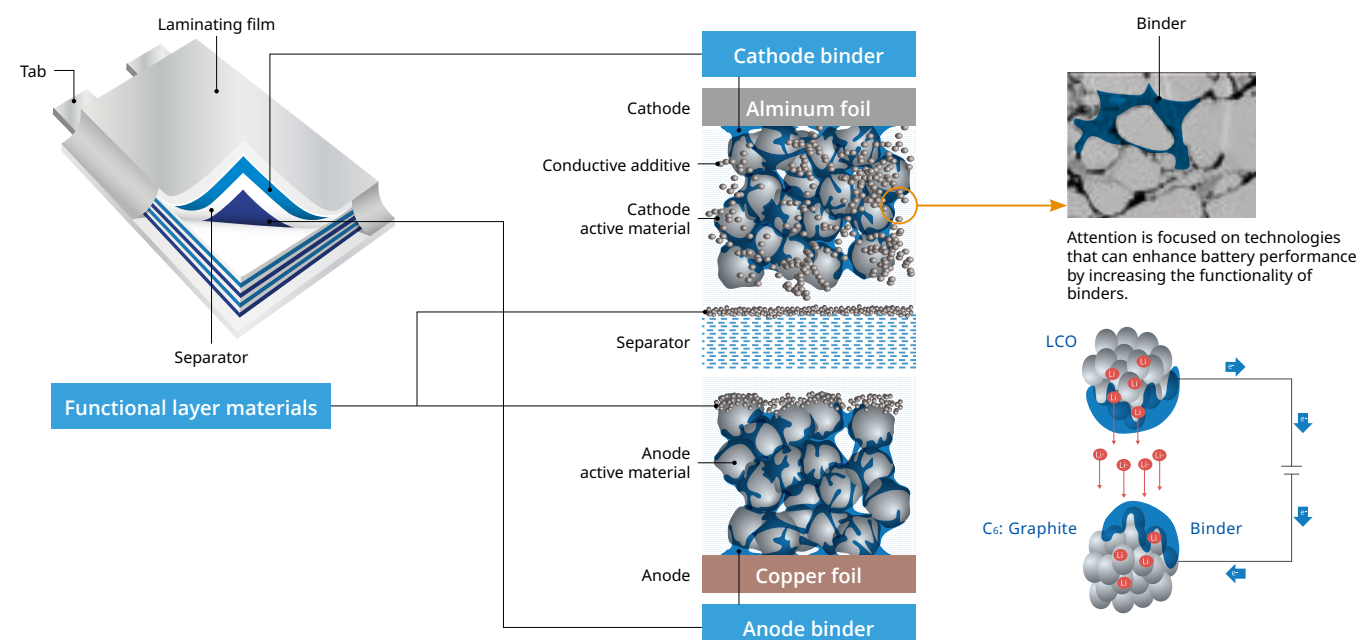
We will leverage our original polymer design technologies, mass production technologies, and battery and binder evaluation and analysis technologies to develop products with competitive edge and propose dry formation method that use



innovative production processes to markets. We will also accelerate development of new battery materials, such as all solid-state batteries, and roll them out globally. The specific direction of development is described below.

- **Cathode binders:** Development of products that support next-generation active materials
- **Anode binders:** Development of products that can solve design and process issues
- **Functional layer materials:** Development of water-based products in anticipation of PFAS regulations
- **New battery materials:** Development of products for all solid-state batteries in collaboration with battery manufacturers

In addition, we will build a robust global supply chain in response to the rising demand for transition to battery production in Japan and local production of battery materials for local consumption. We expanded our production bases in Asia and Europe in FY2024, and starting in FY2025, we plan to increase the production capacity of our cathode binder plants in the U.S. and to construct a new anode binder plant.



## Specialty plastics business

### ► Business description

Our uniquely developed Cyclo Olefin Polymers have outstanding optical and chemical properties and are widely used in various types of 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 Cyclo Olefin Polymers, molded products, and films, we plan to complete a new plant in the Tokuyama area 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 Cyclo Olefin Polymers for existing applications, developing new products, and accelerating molded product development.

### ► Strategies for achieving FY2026 targets

#### Resin sales

##### ■ 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.

##### ■ Healthcare applications

Biomedicines (protein-based therapeutics) are seeing marked growth and demand expansion, and needs for stable packaging and containers that do not affect the pharmaceutical agents are rising. Our Cyclo Olefin Polymers precisely meet these needs with low protein absorption, low leachability of impurities, and barrier properties, and are being increasingly used in pre-filled syringes, vials, and infusion bags. We will seek to make Cyclo Olefin Polymers the de facto standard for pharmaceutical container materials and will promote its suitability for various biopharmaceuticals to the market while maintaining stable supplies to further increase our market share.

We also plan to develop applications for Cyclo Olefin Polymers including use as a testing device material by leveraging its properties such as low auto-fluorescence.

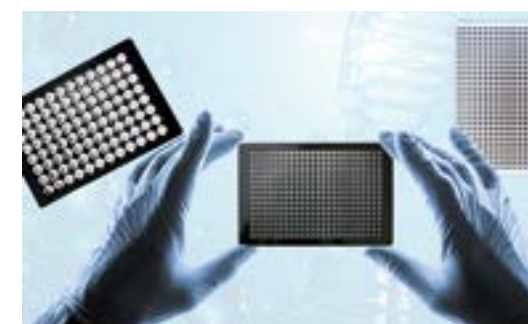


### Molded product development and sales

#### ■ Microplates

We plan to expand business through two applications: bioassays and cell culturing. One of the features of our microplates is low auto-fluorescence, which enhances analytical precision, and we will actively work to reduce costs and develop new products in the future. Sales for cell culturing commenced in July 2024. Going forward, we plan to expand our plate lineup in stages.

In addition, as a vertical integration strategy, we are developing products and implementing production strategies that leverage the synergy effects generated from the integration of Aurora Microplates' technologies with our own technologies.



#### ■ Microfluidic chips

A transition from observation of the state of cells to DNA analysis on the single cell level is currently underway in drug discovery and development, and 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. The demand for high-precision microfluidic chips is particularly high in the U.S., and we expect sales by Edge Precision Manufacturing to steadily increase. At our production sites in Japan and the U.S., we leverage our cutting machining, thermal compression molding, and injection molding technologies to perform all processes from prototype production to mass production, and we are building systems that can meet the wide-ranging needs of diverse customers.



## Specialty components business (optical films)

### ► Business description

Optical films made from Cyclo Olefin Polymers that we process in-house are used as functional materials in large flat-screen 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.

Following the 2024 Noto Peninsula Earthquake in January, operation of the Himi Futagami Plant was partially suspended, resulting in considerable inconvenience and concern on the part of customers regarding supplies. We were able to meet a portion of the demand through operation at the Tsuruga Plant. Taking a lesson from this earthquake, we are introducing means of resilient production against earthquakes and building more robust sharing systems.

In March 2024, we completed construction of a Cyclo Olefin Polymer recycling plant. Recycled resin has the same performance as resin produced in existing Cyclo Olefin Polymer plants, and we are moving forward to start mass production at the earliest possible time, which will lead to reduced CO<sub>2</sub> emissions.



### ► Strategies for achieving FY2026 targets

We are responding to customer demand for wider widths and increasing sales by focusing on 2,500 mm sequential biaxial stretched films. The depreciation burden of this production line will peak in FY2024 and then decline, and as a result, we expect business profits to improve.

At this time, we have not made any decisions on future investments, but we will make the necessary decisions depending on market growth.

At the same time, we are searching for future growth drivers by developing applications that leverage the low moisture absorption, thin film, and advanced optical properties of Cyclo Olefin Polymers.

### ► Current issues

We are taking action to increase sales of thermal interface materials (TIMs), demand for which is expected to grow substantially in the future.

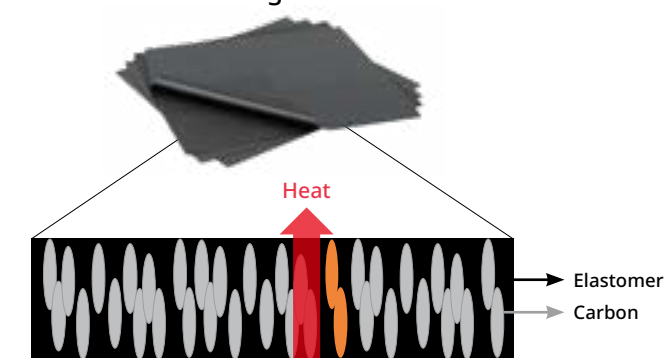
TIMs are materials developed based on a special elastomer designed to solve the thermal management issues associated with the miniaturization and high integration of electronic devices in recent years. They can efficiently transfer heat by taking advantage of their high thermal conductivity, and we expect substantial growth of TIMs in the future as materials that can reliably transfer heat from IC chips and other components to adjacent cooling mechanisms.

### ► Strategies for increasing ROIC

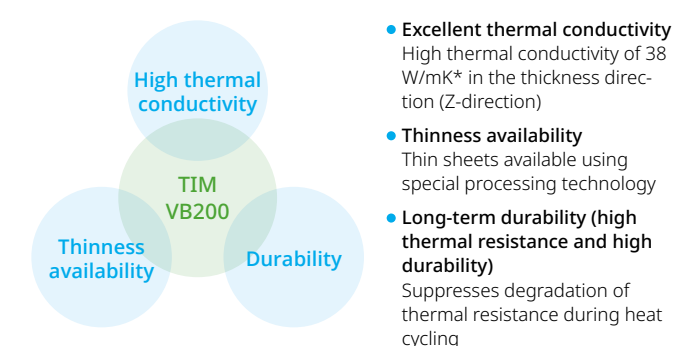
To increase ROIC of this business, we analyze the capital returns of each SBU and investigate measures for achieving an optimal business portfolio.

We also seek to improve operating profit by marketing and expanding sales of new products including TIMs.

### TIM structural image and features



Creating heat paths with vertical filler orientation contributes to efficient thermal conductivity.



\* Value measured by Zeon Corporation and not guaranteed

## Specialty materials business (specialty chemicals and electronic materials)

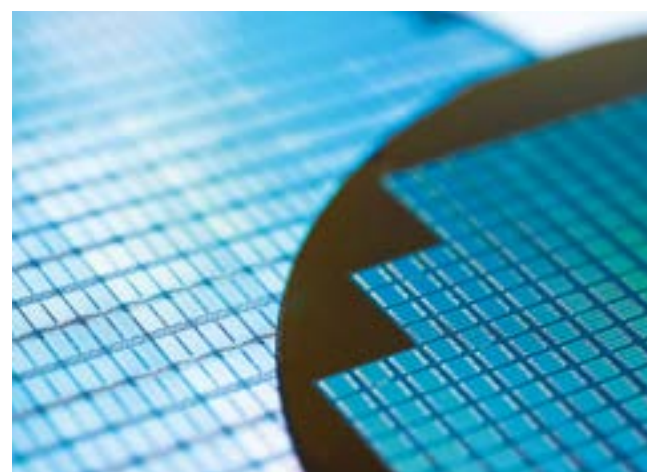
### ► Business description

Our product lineup includes synthetic aroma chemicals and specialty solvents made from C<sub>5</sub> fraction derivatives as well as photo resists, electron beam resists, and etching gases in the electronic materials field including 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, demand for which is expected to grow in line with global economic growth.

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.



## 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 (SWCNT) 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.

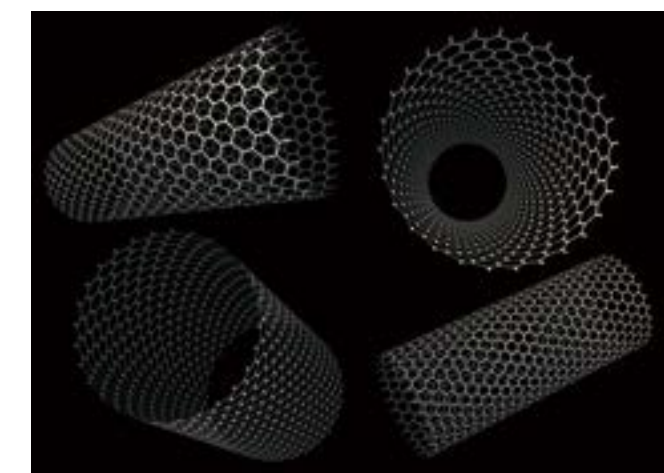
### ► Current issues

We are working to address the various issues that have arisen as we develop diverse applications that take advantage of the properties of our CNTs, and we expect that it will take more time than initially planned to get this project on track.

### ► Strategies for achieving future targets

We are developing materials and products with new properties by combining our CNTs with various other materials.

We are proactively conducting joint research with a number of companies and research institutes. By leveraging the high purity that characterizes our CNTs, we are developing hybrid



materials such as clean, anti-static polytetrafluoroethylene (PTFE) and materials for use in electricity storage devices, such as lithium-ion batteries. We are also developing energy harvesting materials that leverage the large surface area and long length of our CNTs.

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

Research and Development

Our Research & Development Center is responsible for undertaking the Zeon Group’s research and development activities. One aspect of our 2030 Vision is “providing products and services that society cannot do without,” and to realize this goal, we are proceeding with R&D to “polish up existing businesses” and “explore new businesses.”



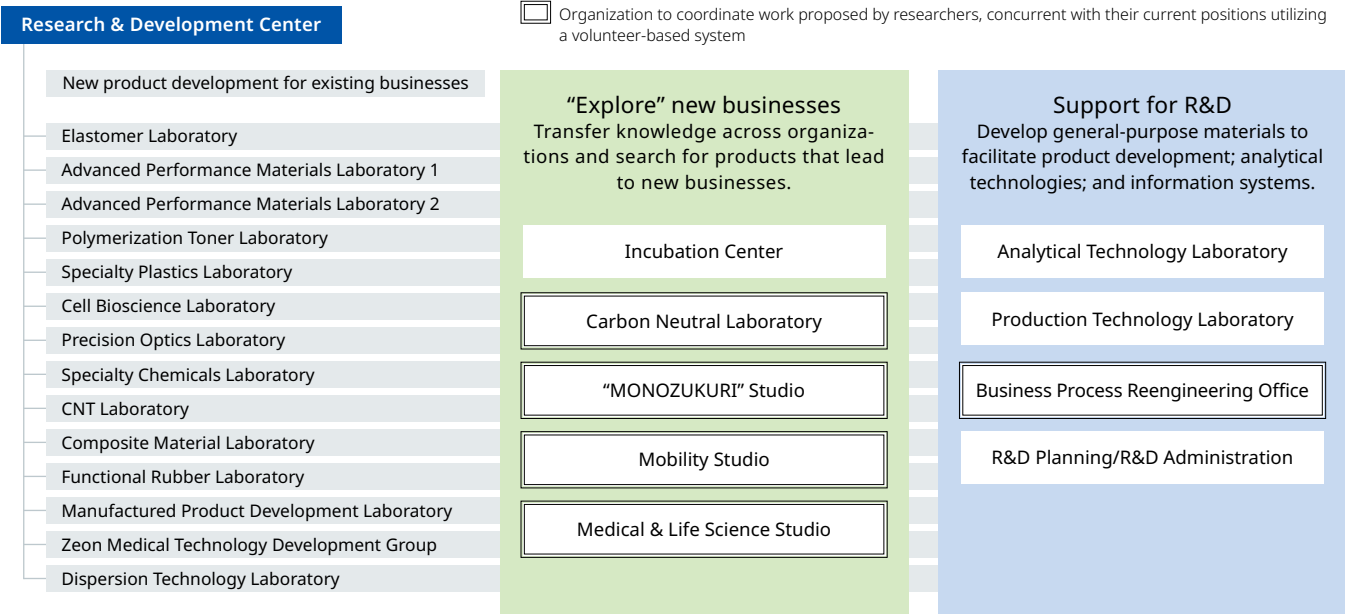
Aiming to Continue Creating Innovative Products and Services

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: Key R&D fields, organizational structure, promotion methods, and effective utilization of human resources.

- 1 Key R&D fields: We have identified Medical & Life Sciences, Mobility, Telecommunications, and the Circular Economy, as areas where Zeon can effectively exercise its strengths to help realize the SDGs.
- 2 Organizational structure: In 2022, we have established a number of horizontal, inter-departmental organizations that extend over all of the units under the R&D Center, with the aim of generating new research topics in key fields. These new organizations have researchers from multiple different laboratories assigned to them concurrently with the researchers’ regular positions, working collaboratively to explore research topics in key R&D fields. We are currently taking active measures so that these organizations can function with agility and organically connect researchers who are creating original products and services from new ideas.
- 3 Promotion methods: The process by which a research topic progresses toward social implementation contains multiple steps, from the initial idea through prototype creation, proof of concept (PoC) with the customer, to final implementation. By changing the management methods used at each stage flexibly, from giving researchers complete freedom to come up with initial ideas, through to rigorous progress management after customer PoC has been completed, we are able to ensure that good ideas are brought to social implementation smoothly and efficiently.
- 4 Effective utilization of human resources: Organizations and frameworks are the measures through which the creation of original value takes place, while the key element in actually creating value is people. To enable researchers to fulfill their potential in a self-directed manner, we have increased the range of options available to help them achieve personal growth by, for example, providing “double-track career paths” and recruiting members for horizontal, cross-departmental teams. We are also implementing services that enable researchers to share gratitude and praise and to feel that they are growing.

In addition, by implementing these initiatives in a coordinated fashion, we are promoting digital transformation (DX) of R&D that allows us to control R&D processes in digital space. By transforming ourselves, 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

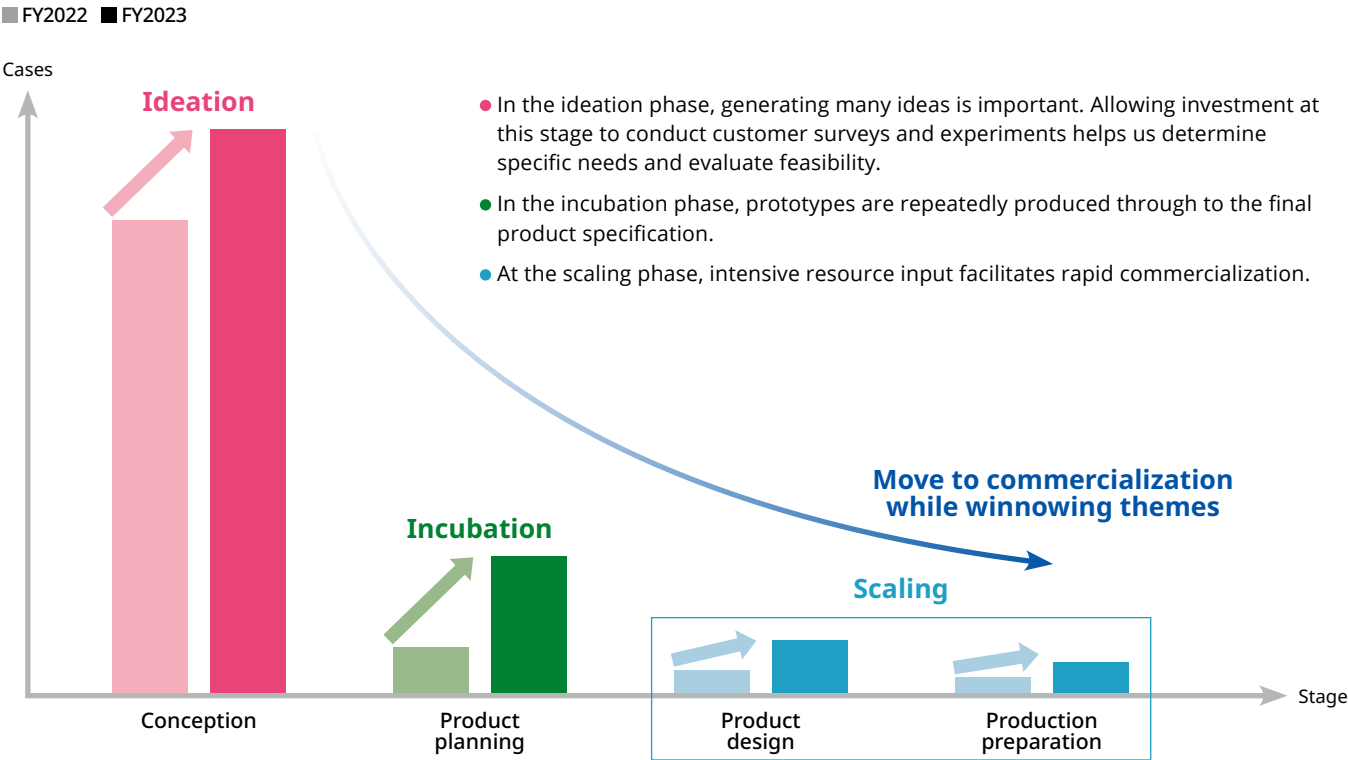


Working hypotheses in developing new products

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. This process spans the conception stage, product planning stage 1, product planning stage 2, product design stage, and production preparation stage. As a measure to strengthen ideation (conception stage), we launched a dedicated business exploration organization focused on technology, and a cross-laboratory organization

focused on markets, technologies, and challenges. In addition, to facilitate communication, we use free-address office space. Furthermore, we are experimenting with co-creation to deepen ideas by making themes in the conception stage visible throughout the management process. As a result, FY2023 showed a significant increase compared to FY2022 in both the number of ideas generated and the number of cases that progressed to the next stage.

Stage-Gate Quick Start, Quick Stop Model



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	Planning stage 1	Goal: customer takes notice of our products	Secure samples Feasibility check Basic patent application	Submit to customer
	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	Product design stage	Goal: satisfy all customer needs	Communicate with customers (product design)	Satisfy needs of all customers Complete design guidelines
	Production preparation stage	Goal: stable product supply	Verify process capability Verify cost	Determine process capability Ensure profitability



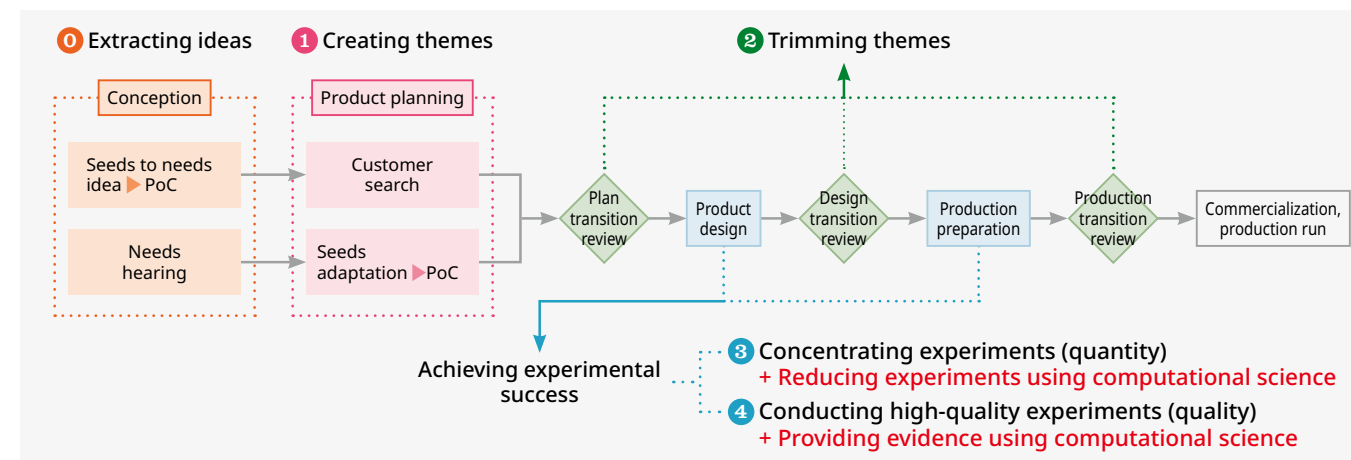
## Use of computational science to transform research

The Business Process Reengineering Office is a challenge-focused, cross-laboratory organization. The Office conducts activities to enhance R&D content, speed, and efficiency through the power of digital technology. These activities are carried out by volunteer researchers across multiple laboratories who have proposed research themes to be pursued concurrently with their current positions. By building, linking, and utilizing databases (DBs) of various types, we are achieving results in terms of **① extracting ideas**, **② creating themes**, **③ trimming themes**, **④ concentrating experiments (quantity)**, and **⑤ conducting high-quality experiments (quality)**.

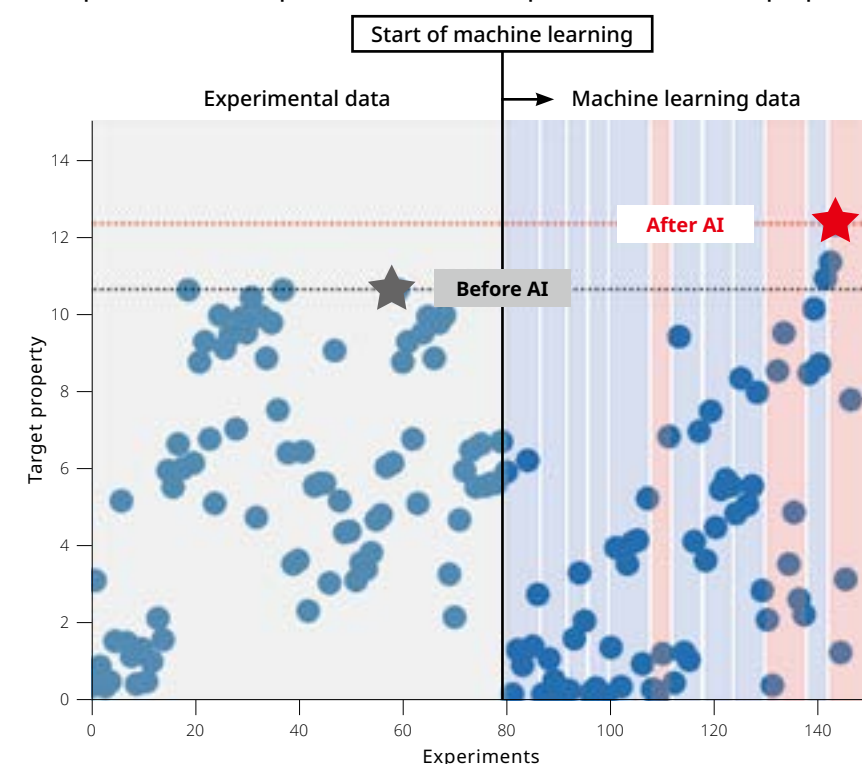
### ④ conducting high-quality experiments (quality).

We use computational science based on databases to increase efficiency and optimize experimentation. When employing computational science, it is important to compare the results with experimental science, extrapolate results using data science, and verify the extracted results. We also verify whether mass production at reasonable cost is possible and whether development into *kotozukuri* (creating valuable solution, concept, or services for customers) is also possible. Keeping these points in mind, we will create mechanisms that lead to higher experimentation efficiency and social implementation.

## Changing the content, speed, and efficiency of R&D with the power of digital



## Example of use of computational science: Experiment conditions proposed by AI



### Proposal of experiment conditions using two functions

By using a function for broadly exploring conditions and a function for optimizing target values, we will perform comprehensive calculations and the pursuit of optimal values. As a result, experimental data will be updated to the optimal values.



## Research and Development Examples

### Receiving Special Technology Prize at the 56th JCIA Technology Awards

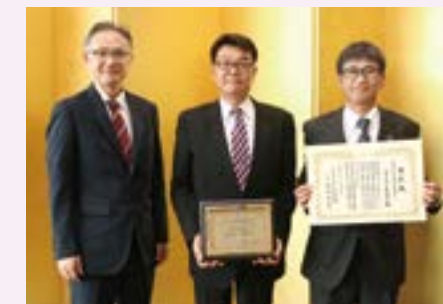
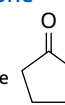
Zeon Corporation has won the Special Technology Prize at the 56th JCIA Technology Awards, sponsored by the Japan Chemical Industry Association (JCIA). Zeon received this award for developing a new and innovative manufacturing method for Cyclopentanone and creating business for five-membered ring compounds. The company was highly recognized for using dicyclopentadiene extracted from C<sub>5</sub> fractions as the starting material for this method, which has advanced the chemical industry through the development, manufacture, and sale of associated products.

The JCIA Technology Award program recognizes

businesses that have contributed to advancing the chemical industry as well as the economy and society by developing and commercializing superior chemical technologies. The program consists of three prizes: the Grand Prize, the Special Technology Prize, and the Environmental Technology Prize. The Special Technology Prize awarded to Zeon is given for an original or improved technology that, even if small in scale, excels in originality and technology. This is the first time Zeon has received a JCIA Technology Award since winning the Environmental Technology Prize at the 32nd JCIA Technology Awards.

**Properties of cyclopentanone (CPN)**

- Purity: Minimum 99%
- Cleaning agent based on a single substance with a relatively low boiling point and excellent drying and recovery properties
- Can be recycled, and easily managed as a fluid
- Good biodegradability and low toxicity



At the awards ceremony



### Developing new material for creating innovative visual effects

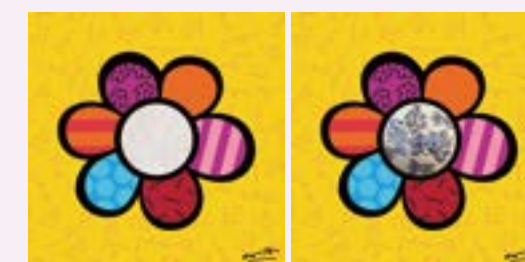
Zeon has developed a new material with innovative visual effects, drawing from its proprietary technologies in its optical film and other businesses. This new material is a broadband<sup>\*1</sup> cholesteric liquid crystal<sup>\*2</sup> material that can produce various visual effects from reflected light. The helical pitch of the cholesteric structure<sup>\*2</sup> is controlled at the nano level using Zeon's uniquely designed liquid crystal material and special coating process. Zeon has achieved development of a film made from this material with an ultra-precisely controlled structure as well as printing of flakes of the pulverized film, both of which can produce innovative visual effects. The new material is therefore expected to be used for unprecedented design applications and anti-counterfeiting due to its proprietary manufacturing technology, with the potential of displaying visual effects that are both delightful and functional.

<sup>\*1</sup> The wavelength of the reflected light extends across a broader bandwidth than visible light.

<sup>\*2</sup> Molecules are arranged in a helical structure, and the color of reflected light varies according to differences in helical pitch.



Although the sheet is transparent, the front and back display different image patterns



The new material is used in the center

Title of work: CLASSIC FLOWER POWER (ROMERO BRITTO)  
Left: As seen with the naked eye  
Right: As seen through a polarizing viewer



# Intellectual Property Strategy

## Intellectual property strategy

Of Five gears that drive Zeon (materiality), our intellectual property 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 polishing up existing businesses through traditional intellectual property activities, and the latter supports exploring new businesses through IP landscaping.

The Group has established patent coordinators who assist division managers in promoting IP activities, guided by intellectual property 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 intellectual property to assist our business activities.

We are aligning our expanding supply chain to optimize the advantages of new products developed through Zeon’s proprietary technology platform and focusing on proactive IP activities that anticipate future trends, contributing to business growth and enhancing corporate value.

Here, we explain the three main components of our intellectual property strategy—the creation, protection, and utilization of intellectual property; forward-looking utilization of IP information from IP landscapes; and the development of an IP mindset.

### Creation, protection, and utilization of intellectual property

We constantly develop new ideas and technologies through R&D, and acquire patents, design rights, and trademarks, and know-how—intellectual property that allows us to maintain

and improve our competitive advantages. The intellectual property born from our R&D investments is a vital management resource. It is the cornerstone upon which we establish future business advantages.

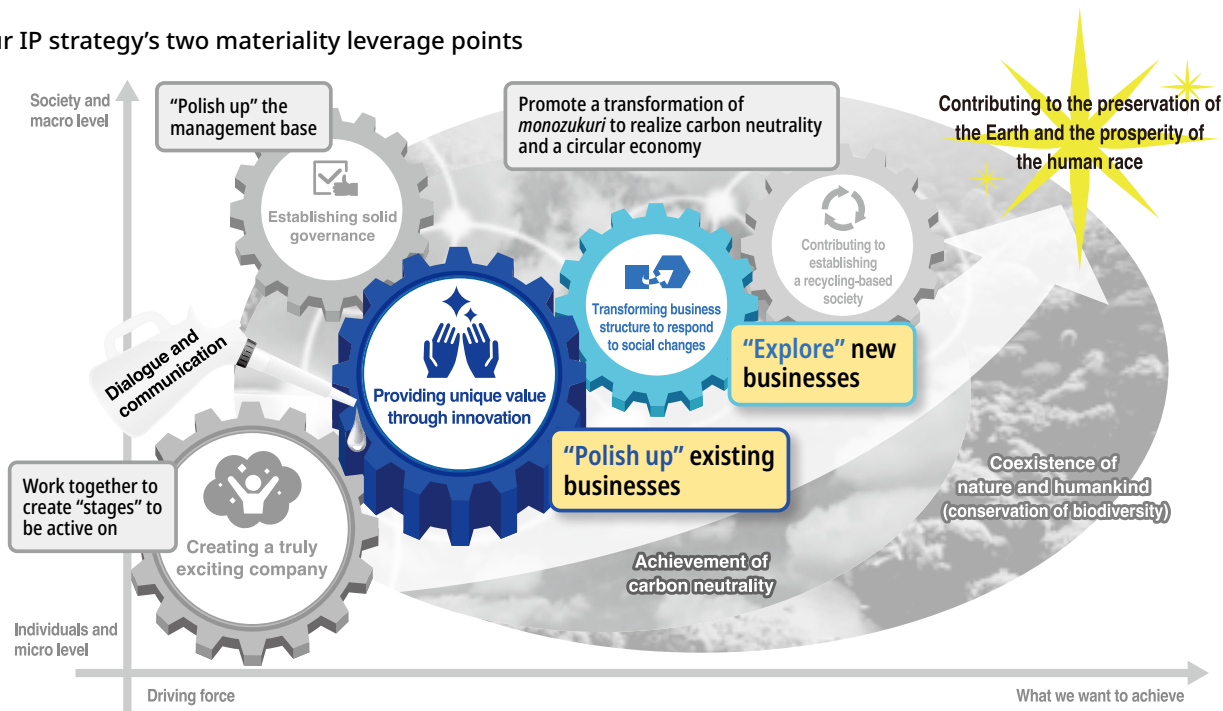
As we acquire rights for the intellectual property generated, we assess its importance. This process is complemented by environmental analyses that consider market and competitor information, enabling us to formulate strategies and build an appropriate IP portfolio.

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.

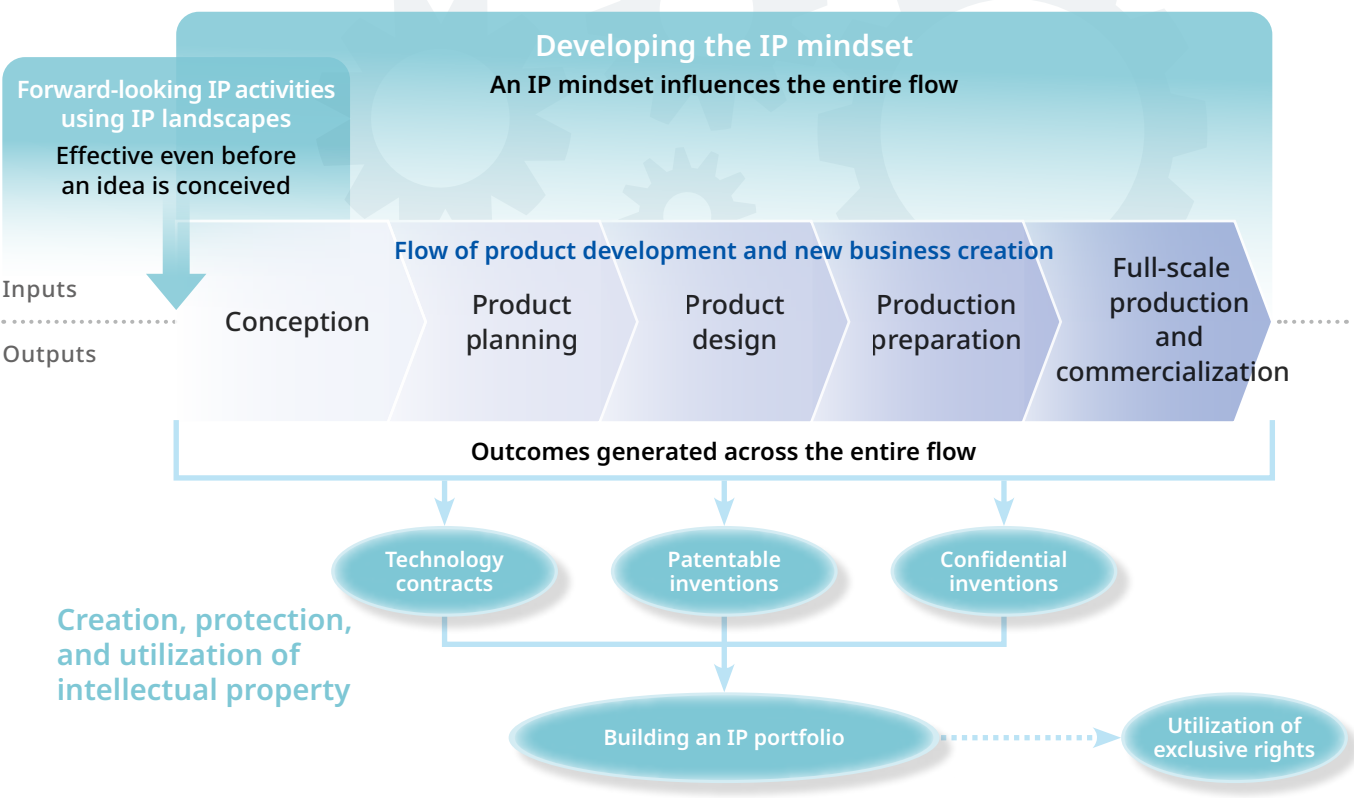
One aspect of our IP utilization involves taking a firm stance against rights infringement by third parties. We respond as appropriate to each situation, whether that is to issue an infringement notice or grant a license. Concerning counterfeit products in emerging markets, for example, we are working 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 have built a strong portfolio through these efforts to create and protect intellectual property. By appropriately utilizing the exclusive rights of each industrial property, we maintain control over the market environment in ways that benefit the company, ensuring that intellectual property effectively supports our business.

### Our IP strategy’s two materiality leverage points



### Contribution of IP to new product development and new business creation



### Forward-looking utilization of IP information from IP landscapes

In April 2021, a survey group was established within the Intellectual Property Department to explore business opportunities using IP landscapes. 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.

### Developing the IP mindset

Understanding that intellectual property is the key to strengthening our corporate competitiveness, we are promoting measures to instill an IP mindset among all employees. That means three main things: conducting training related to intellectual property, sharing information about intellectual property, and introducing a system for evaluating IP activities. The goal of bringing together the business divisions, laboratories, and Intellectual Property Department is to facilitate daily communication and ensure that the language

used is consistent across all levels of management. Our education and training programs on intellectual property 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 intellectual property of others as they interact with or investigate various types of information. The goal is to help researchers understand the role of intellectual property 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 intellectual property. To share information about intellectual property, 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 talk about intellectual property, so we promote shared terminology to align employees with the company’s overall direction. For evaluating intellectual property activities, we use both publicly available third-party evaluation metrics and internally developed metrics to assess our position. Given the approximately 18-month time lag between patent filing and publication, which can create a skewed perception that a company’s most recent information places it at an advantage, we use objective data to adjust for this lag and reduce bias, enabling more accurate and fair assessments.

# Manufacturing Strategy

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



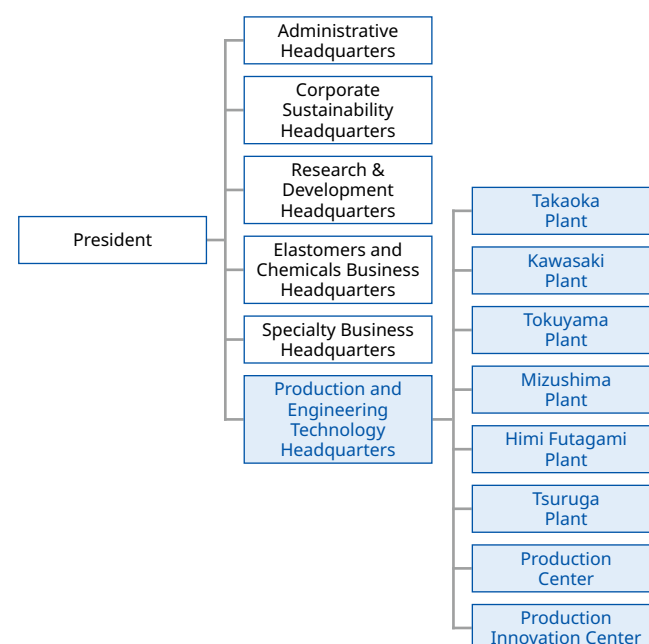
**Takafumi Kawanaka**  
General Manager  
Production and  
Engineering Technology

### Priority issues and organizational structures in the Production and Engineering Technology Headquarters

**Priority issues:** 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 manufacturing.
- 2 Raise productivity and optimize construction and facility expenses to contribute to improved profitability.
- 3 Transform the way work is performed by adopting production innovation systems.

**Organizational structures:** 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 manufacturing 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 the Mizushima Plant and Hokuriku area to achieve comprehensive worksite training including skills transfer and safety education, and numerous employees from different

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.

Group manufacturing sites have undergone training. Not only have the IPCs and Monozukuri Training Centers improved production systems and reduced manufacturing costs, but they also play important roles in reforming production site environments and developing human resources.



Integrated Production Center (Takaoka Plant)

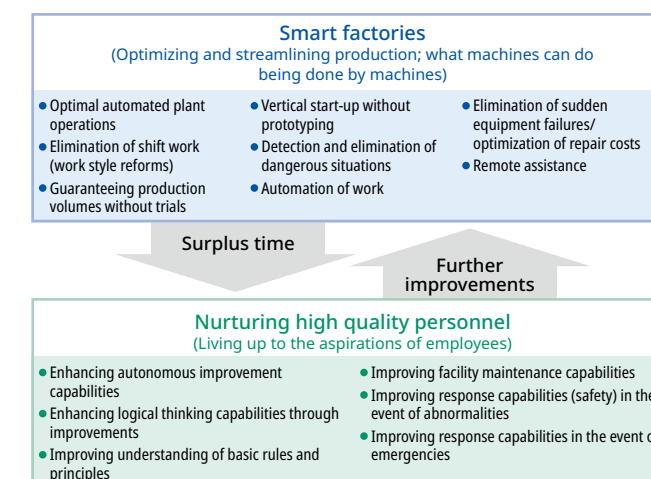
## Creation of “smart factories” to simultaneously improve plant efficiency and realize work style reforms

At Zeon, we have been working to make our plants “smarter” since 2020. The creation of smart factories will enable further production innovations and transformations in work tasks by increasing the range of things that can be accomplished by machines through the leveraging of digital technologies. For plants, this will optimize and streamline production and continually ensuring product quality. For employees, it will lead to the realization of comfortable and rewarding work environments.

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. As a result, we have positioned the ideal of the smart factories as a spiral, as shown in the figure to the right, 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 even further

improvements. Here, we introduce some examples of specific initiatives for creating smart factories.

### Vision for smart factories

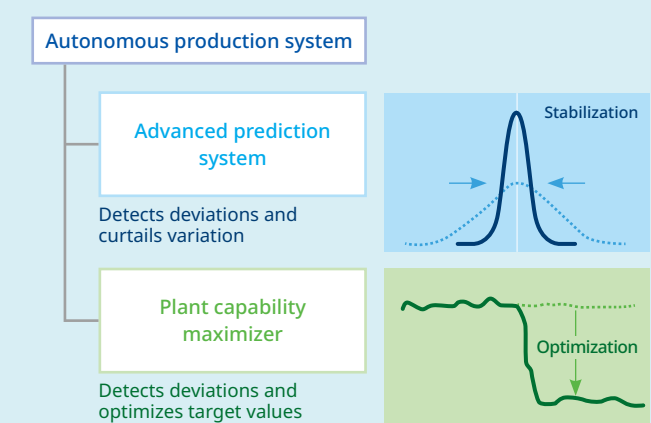


### Mechanisms for achieving both safety and quality

We have formalized the know-how of veteran operators and introduced and used an intelligent production system\*1 that enables less experienced operators to also perform safe and stable operations.

To advance this system 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 formalized know-how with data science.

\*1, 2 Daicel Production Innovation Method



### Work style reforms (improved safety)

We have been conducting tests of autonomous patrols performed by robots at an actual plant since 2022. Although many issues unique to chemical plants were identified in actual operation, the direction for solving these issues is becoming clear as we accumulate expertise through investigations conducted in collaboration among industry, government, and academia while combining various peripheral technologies and solutions. Our objective is to create safer work environments where people are not placed in dangerous situations during emergencies.



Patrol inspection by a robot

### Digital education reforms

To raise the efficiency of new employee training by using virtual reality, we have looked into the use of 360-degree cameras as a tool. It creates an environment where learners can move freely throughout the plant observing surroundings and learn procedures by performing them repeatedly without the need to go to the actual work site. As a result of our investigations, we were able to perform all photography, document preparation, and revisions in-house and we have started use in practical training.



Training using virtual reality

### Expanding Monozukuri Training Centers

In addition to the Mizushima Monozukuri Training Center, which is intended to enable employees to acquire chemical plant operational skills, we established the new Hokuriku Monozukuri Training Center, which specializes in film manufacturing line operation, in March 2024. These training centers not only provide knowledge on operating techniques, but also play an important role in developing a corporate culture that supports operations through experience-based learning of fundamental work skills including reporting, communication, and coordination.



Training session



# Human Resources Strategy

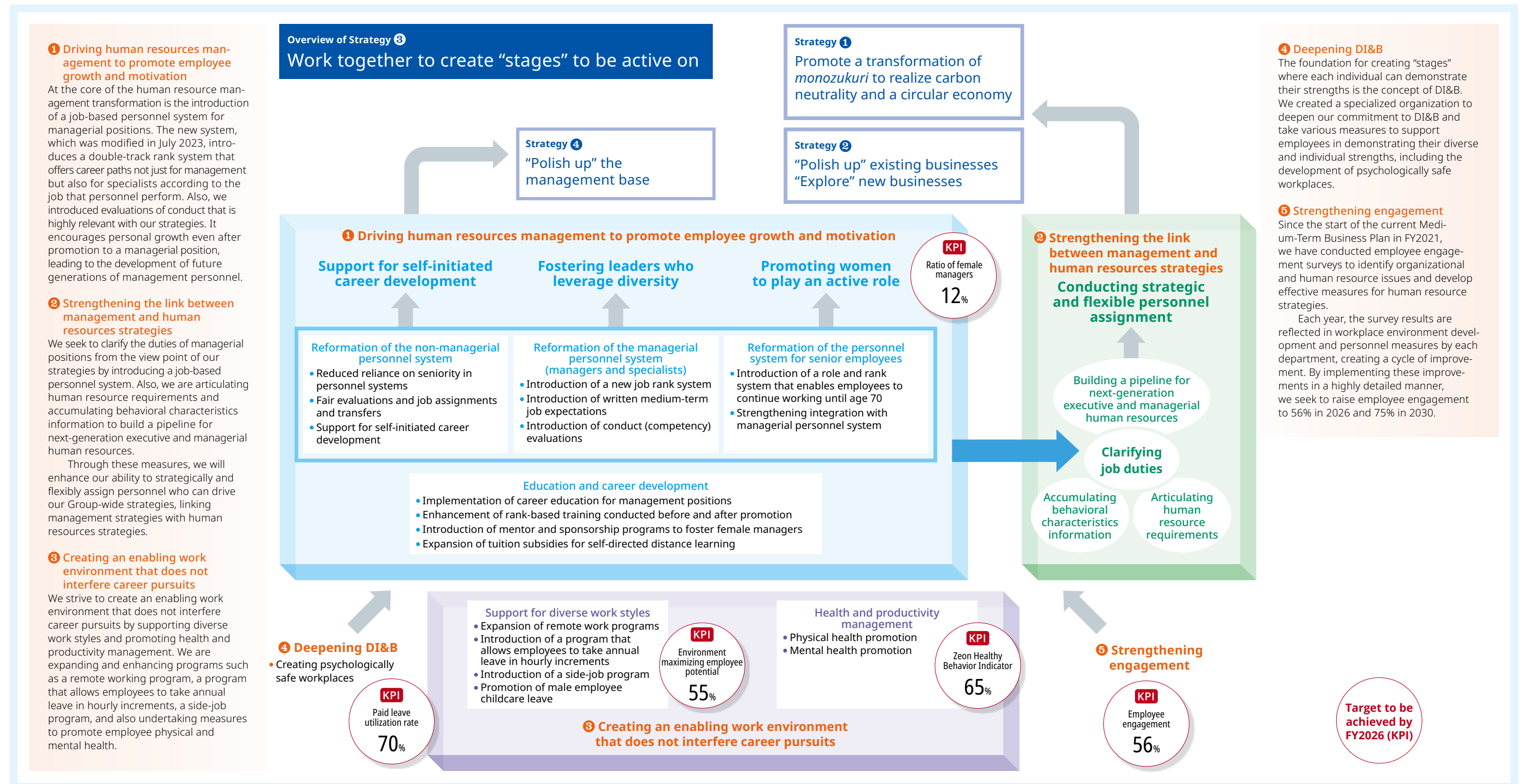
We are looking for human resources who can actively think things through individually, making the continual change necessary to achieve big targets. To recruit even more human resources with this ability, we are creating organizations in developing environments that draw out, develop, and fully use the capabilities of each employee.

To achieve our Vision for 2030, to be “a company that lives up to societal expectations and the aspirations of employees,” in Phase 2 of our Medium-Term Business Plan, we aim to create “stages” together with employees where they can demonstrate their individual strengths, as described in Strategy ③.

By steadily promoting the creation of a “stage” indicated below, we will achieve one of our materiality (Five gears that drive Zeon): Creating a truly exciting company.

The overall view of Strategy ③—Work together to create “stages” to be active on—is as follows: ① Driving human resources management to promote employee growth and motivation, ② Strengthening the link between management and human resources strategies, and ③ Creating an enabling work environment that does not interfere career pursuits. We set KPIs to be achieved by FY2026 and will continue taking specific action, as shown in the diagram, to achieve those KPIs.

In addition, we believe that the followings are also important as prerequisites for these strategies: ④ Creating psychologically safe workplaces by deepening diversity, inclusion and belonging (DI&B), and ⑤ Strengthening engagement. By carrying out these five human resources strategic initiatives, we will work to achieve our Group-wide strategies: ① Promote a transformation of *monozukuri* to realize carbon neutrality and a circular economy; ② “Polish up” existing businesses and “explore” new businesses; and ④ “Polish up” the management base.



## ① Driving human resources management to promote employee growth and motivation

### Reformation of the managerial personnel system (managers and specialists)

Our previous managerial personnel system was a skill-based system, which presented challenges including personalization of job duties, a lack of clarity in the connections between strategies and job roles, and a rank-based design premised on a management career path.

We introduced a job-based personnel system in July 2023, as flexible human resource assignment, strategic human resource development, and recruiting expert human resources become increasingly important. Specifically, we ❶ established written medium-term job expectations

that clarify the work duties of all managers from a strategic perspective, ❷ introduced a double-track rank system that indicates career paths not just for management, but for specialists as well, and ❸ introduced conduct evaluations that promote individual growth after appointment to a managerial position and lead to the development of future generations of managerial human resources. We are working to further refine human resource management as we spread the new personnel systems throughout the organization.

### Reformation of the non-managerial personnel system

Following these measures concerning managers, we are investigating changes to non-managerial personnel system to draw out individual strengths and link individual growth to the company's growth. During worksite dialogue sessions to understand issues, various opinions were expressed, including

concerns regarding human resource development, the main points for evaluations, and the company's image of human resources that will be needed for corporate growth. We seek to create better personnel systems based on these opinions.



Worksite dialogue sessions



### Reformation of the personnel system for senior employees

We created a personnel system for senior employees that applies to employees who are at or above the mandatory retirement age of 60 years. The concept of this system is "creating stages where employees who have entered or are about to enter their senior years can demonstrate their individual strengths for an even longer period in anticipation of an era of 100-year life spans." Under the reforms implemented in April 2022, we created a mechanism that allows re-employment until age 70 and created attractive benefits and flexible work styles including part-time work and side-

jobs. As of March 2024, a total of 177 senior employees (including personnel seconded to the Group) are working under this program and are active in various areas including assignment outside Japan.

In April 2024, we adjusted to rank and compensation systems to align better with managerial personnel system. Going forward, we will continue to provide more life choices and environments where employees can work with peace of mind to meet to desire of senior employees to actively participate and take on challenges.

remained at 6.0% as of the end of March 2024, we expect that the results of these efforts will lead to an increase in the number of female managers in the future.

When we updated the managerial personnel system in July 2023, we were able to better clarify the job duties and human resource requirements of managerial positions. We will develop a pool of candidates based on human resource requirements and examine the introduction of a sponsorship program to support the growth of candidates. We are also actively recruiting female career-track human resources from outside the company.

### Promoting women to play an active role

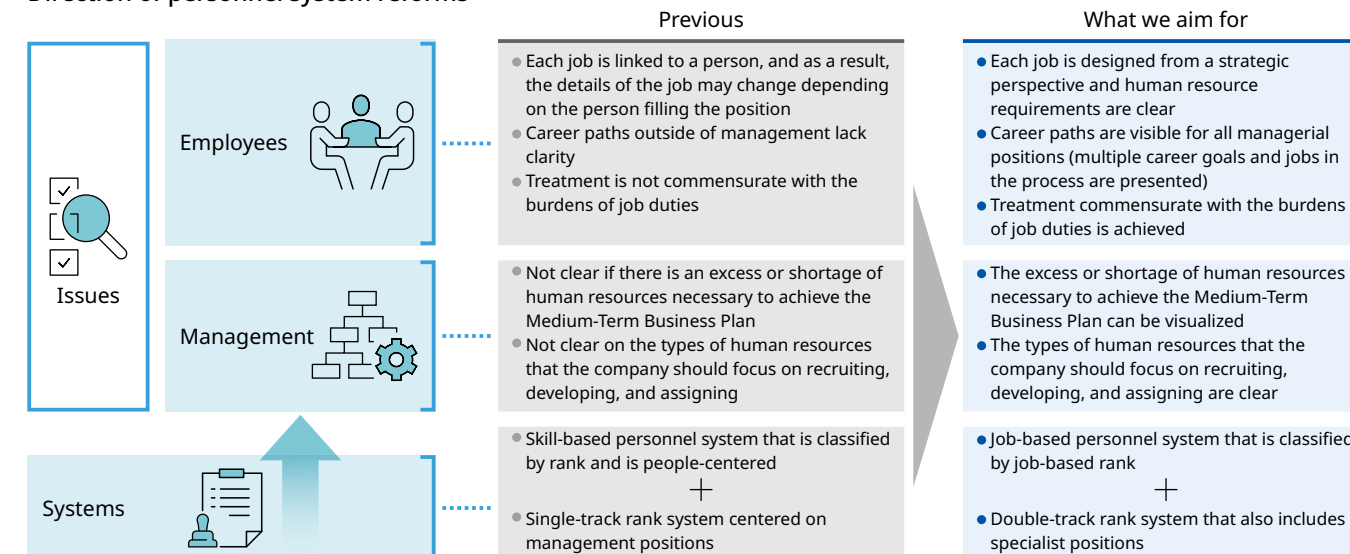
We are undertaking initiatives to support women to play an active role with the objective of providing opportunities for diverse human resources to demonstrate their individual strengths and play significant roles. We are focusing our efforts on the development of female employees who can serve as managers and general managers and have set a target of 12% for the ratio of female managers in FY2026.

In recent years, the number of our female employees has increased 2.2 times compared to 10 years ago, and the ratio of female employees has increased from 9.6% to 13.8% as a result of our efforts to actively hire new female graduates. Although the percentage of female in managerial positions

## ② Strengthening the link between management and human resources strategies

By clarifying job duties, we are achieving strategic and flexible personnel assignments.

### Direction of personnel system reforms



## ③ Creating an enabling work environment that does not interfere career pursuits

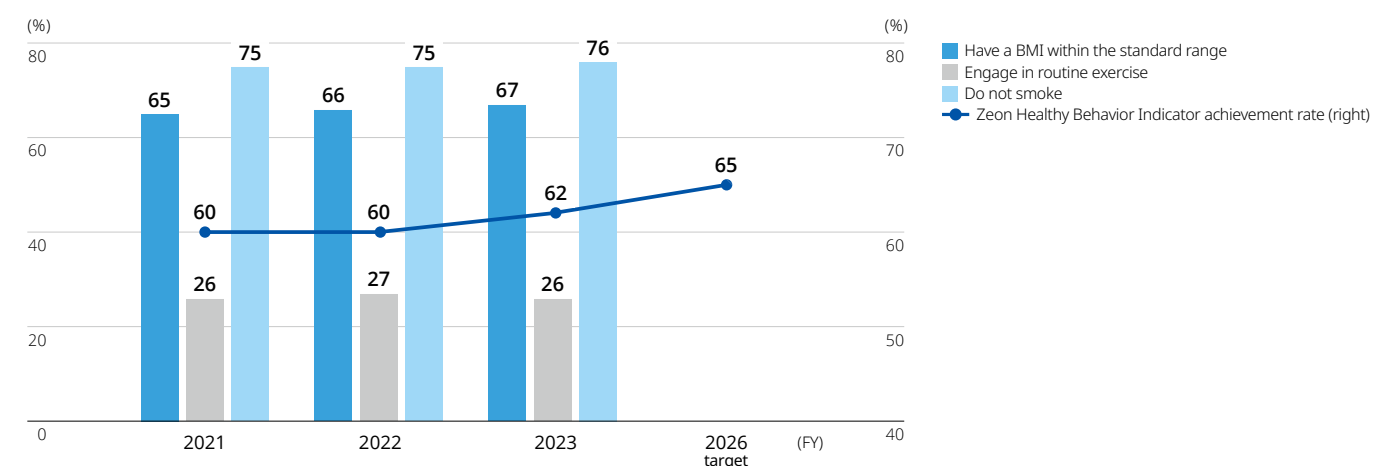
### Initiatives to promote health and productivity management

In 2021, we established the Declaration for Health and Productivity Management and the Code of Conduct for Well-being. This is based on the belief that promoting health and productivity management and enhancing support for each employee so that they can continue working with enthusiasm will lead to the creation of "a company that lives up to societal expectations and the aspirations of employees." In FY2023, we introduced the Zeon Healthy Behavior Indicator as an indicator for promoting employee health, established the Health and Productivity Management Conference, and focused efforts on proposing and implementing measures from the perspective of employees. Going forward, the company will collaborate with employees to promote health and productivity management.

### Zeon Healthy Behavior Indicator

We created the Zeon Healthy Behavior Indicator as an indicator for promoting employee health. This original index consists of the three health indicators of a BMI within the standard range, engaging in routine exercise, and not smoking. Key points of this index are making the self-assessment easy to complete and including healthy activities that anyone can do. We will take measures with the aim of increasing the percentage of employees who have achieved at least two of three healthy behaviors from 60% in 2022 to at least 65% in 2026.

### Healthy Behavior Indicator targets and results

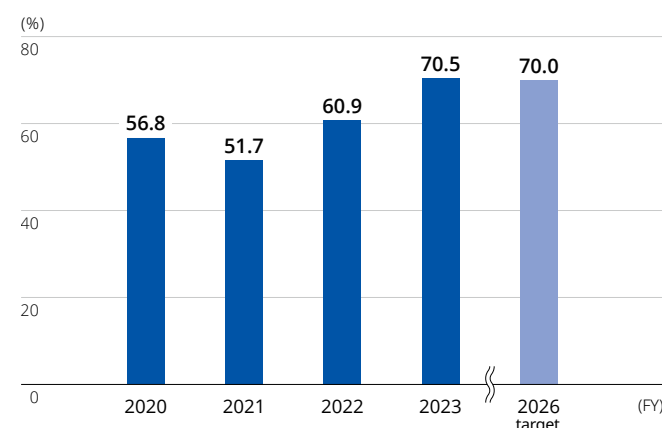




### Improving paid leave utilization rate

We set the paid leave utilization rate as a KPI with the objective of creating work environments where employees can work in good health and with enthusiasm. In FY2023, we established systems that encourage employees to use their annual paid leave, including setting periods and days where employees are encouraged to take leave and allowing employees to take leave in hourly and half-day increments. As a result, the utilization rate increased to 70.5%, achieving the 70% target for FY2026 early. However, when looking at individual employees, there are still some who have not reached the 70% target, and accordingly, we continue our efforts to create environments where everyone can easily use their annual paid leave under the Group-wide strategy of working together to create “stages” to be active on.

Paid leave utilization rate



### Enhanced support for transferees

We have expanded and enhanced our support for transferred employees to reduce burdens at the time of transfer and to cover expenses for traveling home. Also, if an employee returns to their pre-transfer home or if a spouse joins the employee at the new assignment, the company pays travel expenses for up to six trips each year according to distance zones separate from the unaccompanied trans-

ferred employee allowance. We also began paying expenses for travel home for some single employees who are transferred to a business location other than the area where they were initially hired. We expect that these enhanced support programs for transferred employees will help all our employees to thrive and work with enthusiasm.

### Supporting employees with children by creating leave programs

Approximately 80% of married union member households have both partners working, and as a result, it is necessary for the company to create an environment where employees can continue their careers with confidence even if their spouse is transferred. Employees who are recognized as having difficulty continuing to work due to accompany-

ing a spouse who is being transferred to another location are allowed to take a leave of absence for up to three years. The objective of this program is to avoid disrupting the careers of employees confirmed through discussions with the labor union and to prevent the loss of high-quality human resources.

## 4 Deepening DI&B

### Creating an organizational culture of high psychological safety

To make full use of the potential of a diverse workforce, it is essential that we foster an organizational culture of high psychological safety. We are also reforming our organizational culture so that our Group can continue fair and good-faith activities and contribute to the perpetual prosperity of the earth and the human race through innovation. We will

establish mechanisms that contribute to changes in the day-to-day behavior of individual employees including core education on psychological safety, building relationships based on mutual respect regardless of position or status, utilization of one-on-one meetings for personal development, and various training programs.

### Developing leaders to promote DI&B (DI&B Promotion Project)

We are developing leaders who can demonstrate various forms of leadership and drive organizational reforms.

Project members, selected through departmental and self-nomination, participate in a one-year program to learn leadership skills as they take on the challenges of DI&B issues to become agents for change in their workplaces.

Project members play a central role in an annual campaign called DI&B Week. During this campaign, all employees participate at their preferred times in events held daily to learn about and gain first-hand experience with DI&B.



Participants in the DI&B Promotion Project

## 5 Strengthening engagement

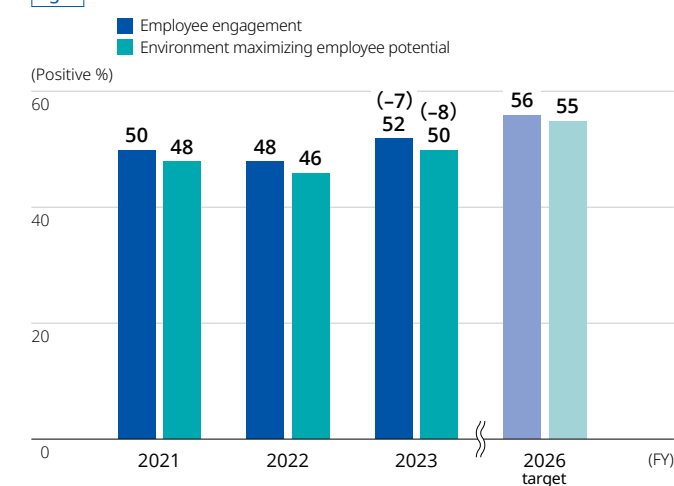
To achieve a target of “driving human resources management to promote employee growth and motivation,” the company has been conducting an employee engagement survey annually since FY2021, the start of the current Medium-Term Business Plan. In this engagement survey, we benchmark against high-performing global and Japanese companies and focus on two indicators: employee engagement, which represents employee motivation such as loyal to the company and voluntary efforts; and environment maximizing employee potential, which represents a workplace environment where employees can demonstrate their skills and abilities. Our Group-wide targets for 2026 are scores of 56% for employee engagement and 55% for environment maximizing employee potential. (Fig. 1)

Based on the results, we are working to improve and enhance these indicators by creating hypotheses and verifying organizational issues in each department, and having department heads implement the PDCA cycle to make improvements. As a result of these efforts, the score for employee engagement reached 52% and the score for environment maximizing employee potential reached 50% in FY2023, indicating improvement from the previous year. (Fig. 2)

In particular, we are starting to see steady results from our efforts to achieve freedom and well-being, including increasing support for achieving a good work-life balance and addressing issues of human resources through active

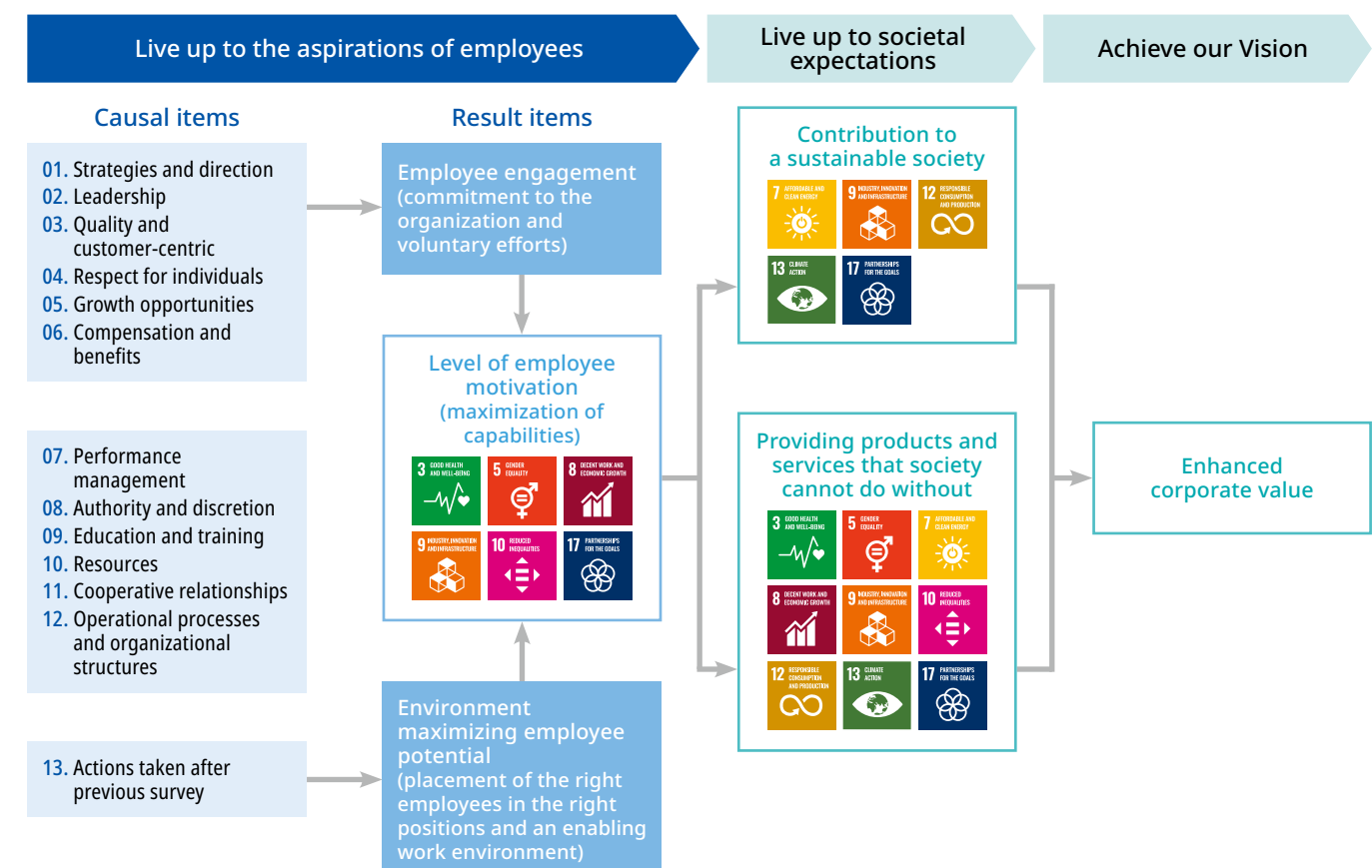
recruiting measures. To comprehensively address business processes, which had been an issue, we established a Group-wide business reform project team in February 2024. We have started efforts to create an environment where our Group-wide strategies under the Medium-Term Business Plan: STAGE30 can be efficiently and functionally implemented so that we can draw out the enthusiasm of employees for taking on new challenges.

Fig. 2



\* Figures in parentheses are the difference from the average in Japan.

Fig. 1



Sustainability Management

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.



Determining materiality (Five gears that drive Zeon)

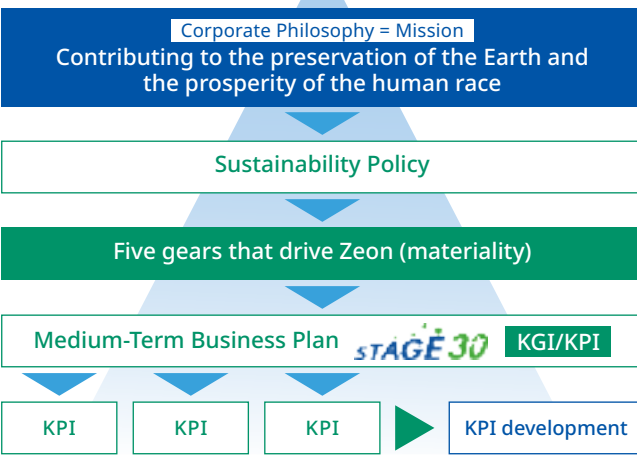
In FY2023, we determined the Group's materiality, presented as the Five gears that drive Zeon, to clarify the priority issues that will enable us to launch focused and effective initiatives and achieve sustainable growth together with society.

Materiality provides a guideline that enables the Group's employees to stay aligned and work together, even in a rapidly changing business environment, to live up to the ideals of our corporate philosophy and uphold our Sustainability Policy.

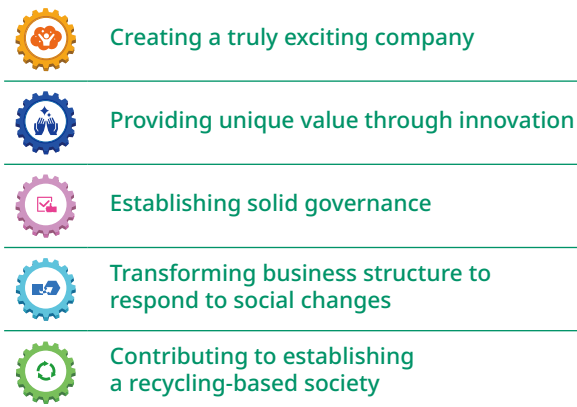
We have incorporated the materiality (Five gears that drive Zeon) into specific KPIs through our Medium-Term Business Plan. In the second half of FY2024, we will ensure that these gears are fully engaged and rotating smoothly to promote a fuller understanding of materiality throughout the Group.

See P.11 for more information about materiality and its determination process

Positioning of materiality



Zeon's materiality (Five gears that drive Zeon)



Launching SDGs Contribution Product Certification program

We regard SDGs as societal expectations, and are working to achieve our Vision for 2030 through SDG-related activities. As part of this initiative, in April 2024, we launched a system for certifying our products positioned to have a positive effect in addressing social issues and contributing to sustainable development goals. In our Medium-Term Business Plan: STAGE30, we aim for these SDG-aligned products to make up 50% of our sales. To achieve this target, we will focus on the development,

production, and sales of these products.

By expanding the sales of such products, we aim to address social challenges and contribute to the SDGs while also ensuring the continued sustainable growth of our Group as we pursue sustainable management practices.

See P.25 for more information about SDGs Contribution Product Certification program

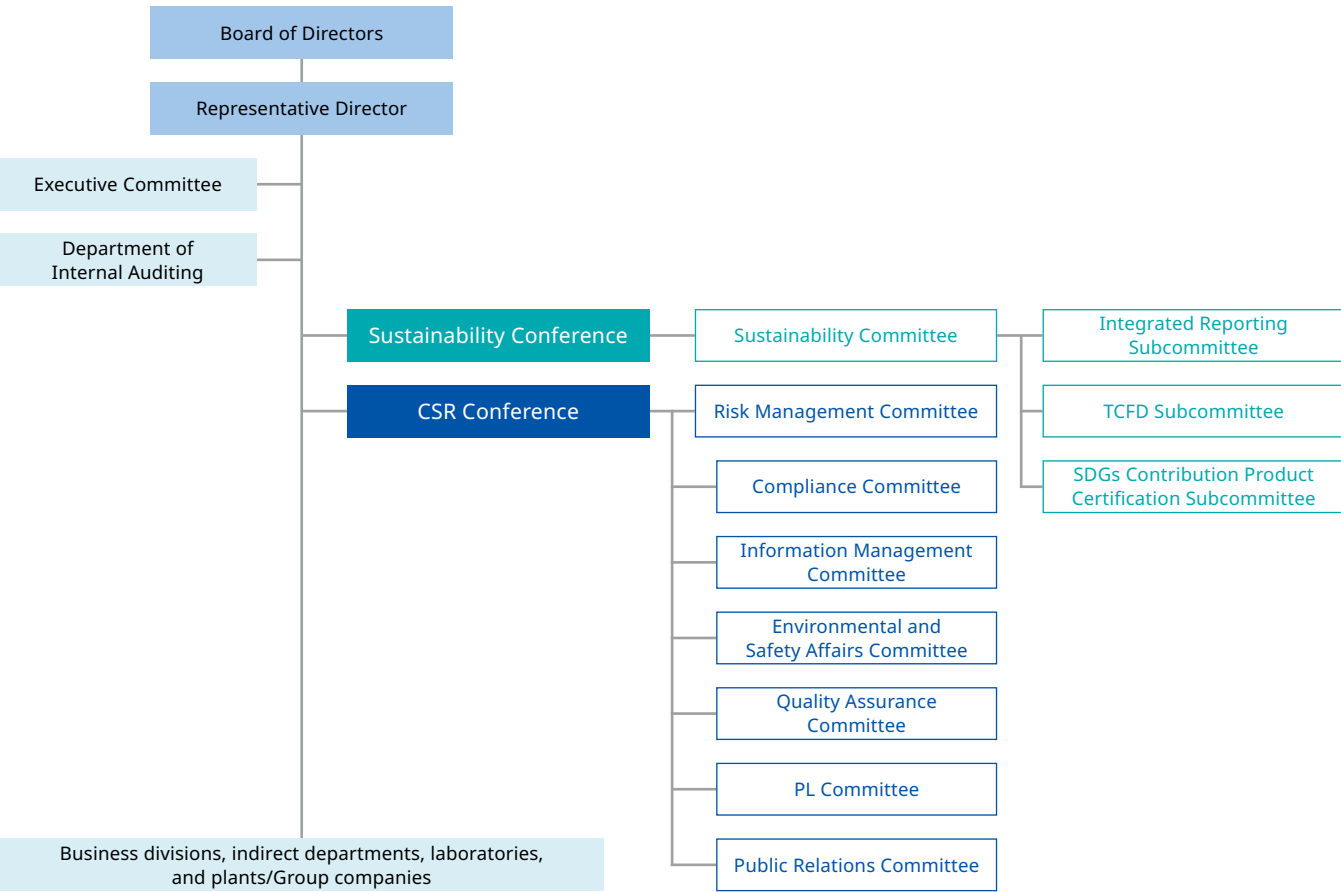
Sustainability promotion structure

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 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.

Sustainability promotion structure

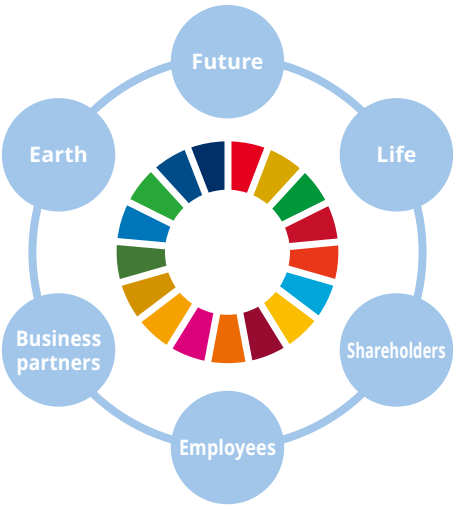




Stakeholder Engagement

We believe that building relationships of trust with stakeholders is essential for us to continue to grow sustainably together with society. This will help us contribute to a “Sustainable Earth” and “Safe and Comfortable Life for People” under our mission of “Contributing to the preservation of the Earth and the prosperity of the human race.”

Our Vision for 2030 is to be “a company that lives up to societal expectations and the aspirations of employees.” In practice, we identify societal expectations as the SDGs, incorporating the concept of six-way satisfaction. Of the six, “business partners” refers to our customers and suppliers, “shareholders” refers to our shareholders and investors, “life” refers to people everywhere and their lifestyles, and “employees” refers to the people who work with us at Zeon. To realize our Vision, we strive to create opportunities for dialogue on a sustainable planet and a bright future with these stakeholders and promote efforts to further deepen mutual understanding.



	Stakeholder relations	Main dialogue 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.	<ul style="list-style-type: none"><li>• Sales activities</li><li>• Exhibitions</li><li>• Websites (product introduction/consultation)</li><li>• Customer satisfaction surveys</li><li>• Sustainability (CSR) assessments and surveys</li></ul>
Suppliers	Our goal is to realize a sustainable society throughout our supply chain, by engaging in responsible procurement activities in conformance with our Sustainable Procurement Policy. As such, it is incumbent upon us to build strong partnerships with suppliers. We strive to gain supplier understanding of our procurement policy, and work closely with them to achieve enhanced procurement sustainability. We also monitor the progress of their activities through procurement surveys and interviews.	<ul style="list-style-type: none"><li>• Procurement activities</li><li>• Sustainable Procurement Guidelines enhancement and notifications for suppliers</li><li>• Procurement questionnaire for suppliers</li></ul>
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.	<ul style="list-style-type: none"><li>• Financial results briefing</li><li>• Medium-Term Business Plan briefing</li><li>• General shareholders meeting</li><li>• Meetings with analysts and investors</li><li>• Website (IR information)</li></ul>
Local community	We operate correctly and reliably at each of our locations, and contribute to community development through our business. As a member of the local community, we engage in diverse activities in response to local expectations. We work to create contexts for communication, and based on trust through mutual understanding, collaborate to achieve a sustainable and prosperous community.	<ul style="list-style-type: none"><li>• Business location visits and internships</li><li>• Local event participation, support, and hosting (summer festivals, etc.)</li><li>• Volunteer employee activities (preserving the local environment, etc.)</li><li>• Chemical experiments classroom and other on-site lessons</li></ul>
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.	<ul style="list-style-type: none"><li>• Get-togethers with employees</li><li>• Employee engagement survey</li><li>• Corporate management policy briefings</li><li>• Internal portal site and in-house newsletter</li><li>• Training sessions and briefings on sustainability, compliance, etc.</li></ul>

Dialogue with analysts and investors: Briefings on company condition

Through such activities as quarterly briefings for analysts and institutional investors, posting detailed financial result materials on our website, and hosting company briefings for individual investors, we are striving to enhance our communication activities beyond one-on-one interchanges. In FY2023, we exhibited at the Nikkei IR Fair held in September 2023 to introduce the company. And in February 2024, President Toyoshima appeared on a Nikkei CNBC broadcast to explain our products and strengths.



Dialogue with employees: Lunch meetings between President Toyoshima and employees

President Toyoshima, who took office in June 2023, expressed a desire to share his thoughts with employees and close the gap between employees and top management. So, at his initiative, we began hosting lunch gatherings at our business sites, starting with the open space of Zeon Corporation's head office in October 2023. President Toyoshima and the participants each brought their own lunch and spent the lunch break together, sharing ideas about how they want to make Zeon a better company. A total of 11 lunch meetings were held in FY2023, with 37 employees participating in all.



External evaluations

CDP



CDP is an international environmental NGO which focuses on three areas: Climate, Water, and Forests. In FY2023, more than 23,000 enterprises disclosed data to the CDP and Zeon received an A- rating for Climate Change, one rank below the highest A rating.

EcoVadis



EcoVadis is an information-sharing platform on which more than 130,000 registered organizations in about 180 countries share data for assessing the corporate policies, strategies, and performance of participating firms in terms of their impact on the environment, labor practices, human rights, ethical issues, and sustainable procurement. Zeon has received the Commitment Badge as proof of our continued compliance with EcoVadis' sustainability standards and the proper functioning of our management system.

Certified Health & Productivity Management Outstanding Organization



The Certified Health & Productivity Management Outstanding Organizations Recognition Program is a program established by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi. It recognizes enterprises that practice excellent health management, with a focus on addressing local health issues and health initiatives led by the Nippon Kenko Kaigi. Zeon has been recognized as a Certified Health & Productivity Management Outstanding Organization for six consecutive years.

## Inclusion in ESG indices

### S&P/JPX Carbon Efficient Index

This is an ESG index jointly developed by S&P Dow Jones Indices and the Tokyo Stock Exchange. It targets companies included in the TOPIX index and determines the weighting of each company based on their level of environmental information disclosure and carbon efficiency (carbon emissions per unit of revenue). Zeon has been selected as one of the constituents of this index.

### Morningstar Japan ex-REIT Gender Diversity Tilt Index (GenDi J)

This index was established by U.S.-based Morningstar, using the data and scoring methodology of Equileap. It emphasizes companies that have strong gender diversity policies embedded in their corporate culture and that ensure equal opportunities to employees, irrespective of their gender. This index is one of the ESG indices adopted by Japan's Government Pension Investment Fund (GPIF).

## Commitment to international initiatives

### The United Nations Global Compact (UNGC)



The United Nations Global Compact (UNGC) is a voluntary initiative aimed at realizing sustainable growth, by encouraging companies and other organizations to act as good corporate citizens through the exercise of responsible, creative leadership, under the guidance of the United Nations. In July 2019, we announced our support for the UNGC's ten principles relating to protection of human rights, elimination of improper labor practices, safeguarding the environment, and preventing corruption.

### TCFD



The Task Force on Climate-Related Financial Disclosures (TCFD) was established under the Financial Stability Board (FSB). TCFD recommendations encourage companies to recognize risks and opportunities related to climate change and incorporate them into their business strategies, ultimately calling for companies to disclose the impact of these factors. Zeon announced its support for the TCFD in August 2020.

### Science Based Targets (SBT)



These are greenhouse gas emission reduction targets set by a company for the next 5 to 10 years, consistent with the levels required by the Paris Agreement. The 2030 target set by Zeon Group has been certified by the Science Based Targets initiative as being based on scientific evidence, limiting emissions to keep the global temperature rise to 1.5 °C.

See P.35 for more information

### ISCC PLUS Certification

This is an international certification scheme for managing and ensuring the sustainability of products made from renewable materials, such as biomass, throughout the supply chain. Zeon obtained certification in February 2024 for products manufactured at our four plants in Japan (Takaoka, Kawasaki, Tokuyama, and Mizushima).

## 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 August 2019. Of the Five gears that drive Zeon (materiality determined in FY2023), human rights are closely related to two—"Creating a truly exciting company" and "Establishing solid governance." We plan to strengthen our efforts in these areas going forward.

See P.11 for more information about Materiality: Five gears that drive Zeon

### 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/>

## Human rights due diligence initiatives

Based on the Zeon Group Human Rights Policy, the Group launched full-scale human rights due diligence initiatives in FY2022. In implementing these initiatives, Zeon Corporation, along with our Group companies and supply chain partners, have been carrying out relevant measures while receiving 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

For our Group companies in Japan, we have provided education to the management and staff involved with human rights at each company regarding the background of our initiatives and the importance of efforts to promote respect for human rights. Starting in FY2024, we will begin full-fledged efforts to identify human rights risks at each Group company in and outside Japan, and formulate and implement measures to reduce such risks.

### Supply chain

We regularly conduct the Global Compact Network Japan's common Self-Assessment Questionnaire (SAQ) for suppliers across our purchasing departments, covering such areas as raw materials, materials, and logistics to get a grasp of their actions and identify potential risks.

In FY2023, we established our Sustainable Procurement

Policy, which outlines the Group's fundamental approach to procurement. To share this approach with our suppliers and build a sustainable supply chain, we compiled this policy, along with various other policies, packaged as the Sustainable Procurement Guidelines.

In FY2024, we plan to distribute the Sustainable Procurement Guidelines to our suppliers and implement the common SAQ mentioned above. We will also continue to build a robust supply chain by engaging in dialogue through follow-up interviews and providing feedback based on the answers to the questionnaire.

Sustainable Procurement Guidelines

[https://www.zeon.co.jp/en/csr/policies/pdf/Sustainable\\_Procurement\\_Guidelines.pdf](https://www.zeon.co.jp/en/csr/policies/pdf/Sustainable_Procurement_Guidelines.pdf)

In January 2024, in accordance with the UN's Guiding Principles on Business and Human Rights, we established a supply chain reporting hub on the Zeon Group website to serve as a point of contact for reporting any legal or compliance violations or human rights abuses within the supply chain.

Supply chain reporting hub

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

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

Zeon Group endorses the UN Global Compact. We participate regularly in the activities of Global Compact Network Japan through its Supply Chain Subcommittee and Human Rights Education Subcommittee, which focus on human rights. The insights and information gained from these subcommittees are used to further enhance our efforts in the area of human rights.



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 measures and promote improvement initiatives following these guidelines.

### Responsible Care Policy

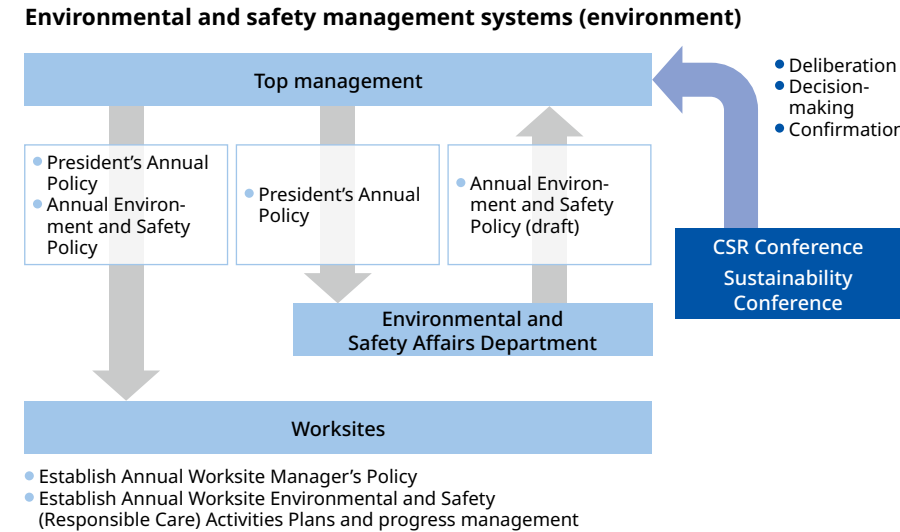
(Established June 1998)

- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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 (Environment)

We have built environmental and safety management systems based on a responsible care policy and have obtained ISO 14001 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.



Introducing environmental safety training

Based on article one of our Responsible Care Policy, "Prioritize the environment and safety," we carry out safety and environmental training at each of our business sites.

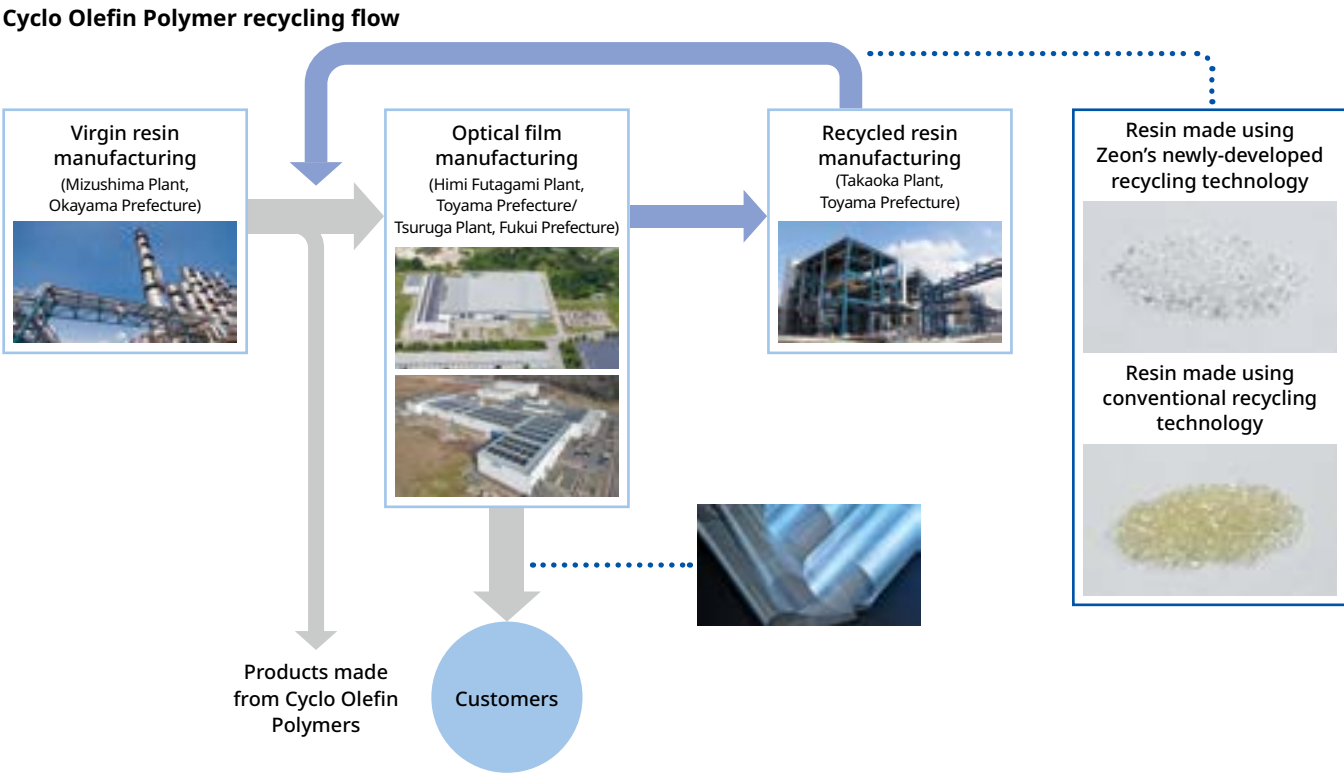
Sponsored by the Environmental and Safety Affairs Department, we conduct safety and environmental training as part of Group-wide basic training, in direct relation to each site. Through training we strive to eliminate accidents and work-related injuries and prevent the occurrence and spread of damage when they do occur, aiming to maintain local community trust.

Safety training on past accidents by experienced managers ensures they aren't forgotten, part of a program we have been conducting since FY2003 with the aim of learning from past accidents and applying them to future endeavors to improve both safety and subconscious awareness. Lecturers with factory management experience provide concrete examples of accidents at their own companies or others to all plant employees, with detailed explanation of how awful they can be while providing analysis of their causes and going over measures to prevent their recurrence.



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. Using this technology, construction of a recycling facility which will have an annual production capacity of 6,000 tons began at the Takaoka Plant in October 2022, and was completed in March 2024. 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<sub>2</sub> emissions.



Climate change initiatives

Zeon Group views climate change as a serious social issue, and in order to contribute to a sustainable planet, promotes initiatives to reduce CO<sub>2</sub> 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 through the promotion of 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<sub>2</sub> 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<sub>2</sub> emissions throughout the value chain as we strive to improve the added value of our products.

See P.35 for more information

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), implementing the initiatives listed in the table below. 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.

Efforts taken toward TCFD-related initiatives

2020	<ul style="list-style-type: none"><li>Support for TCFD announced</li><li>Implementation, on a trial basis, of analysis of the impact on Zeon's rubber business of the 2°C and 4°C climate change scenarios</li></ul>
2021	<ul style="list-style-type: none"><li>Analysis of the impact of the 2°C and 4°C climate change scenarios on Zeon's businesses other than rubber</li></ul>
2022	<ul style="list-style-type: none"><li>Formulation of a Carbon Neutrality Master Plan, and presentation of metrics and targets</li><li>Promotion of activities aimed at securing SBT certification (Group-wide Scope 1, 2, 3)</li></ul>
2023	<ul style="list-style-type: none"><li>Implementation of 1.5°C scenario analysis among our business divisions, and clarification of countermeasures while deepening our understandings of the risks and opportunities that climate change poses to our business</li></ul>

Disclosure of Zeon's activities in response to TCFD recommendations

Governance

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

In July 2021, we established the Corporate Sustainability Headquarters, driving sustainability efforts and promoting the disclosure of its progress and results. In July 2022, we established a new Carbon Neutral Division under the headquarters, and are promoting a transformation in *monozukuri* to realize carbon neutrality and a circular economy as a Group strategy under our Medium-Term Business Plan. These systems have been established with the approval of the Board of Directors.

Our Sustainability Conference, which is our highest decision-making body regarding sustainability, in addition to the Sustainability Committee under it, regard responding to climate change, including TCFD activities, as an important sustainability issue, carrying out any necessary deliberations and decisions. In addition, the content of Sustainability Conference is appropriately reported in our sustainability report held four times annually by the Board of Directors, with any points raised by the Board 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 direction.

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 analysis and identified risks and opportunities. Furthermore, in FY2021 we expanded these efforts, conducting the same scenario analysis company-wide. In FY2023, we began conducting 1.5°C scenario analysis under a company-wide system.

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

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

Risks and opportunities related to climate change, identified by company activities in FY2023, are shown in the table on the following page. Newly identified in FY2023 are indicated in the colored sections.

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

Our climate-related risks and opportunities

Newly identified risks and opportunities

Type of risks	Evaluation item		Risks	Opportunities
	Category	Sub-category		
Transition	Policy/ regulations	Carbon pricing and carbon tax	● Adoption of carbon taxes	● Increased opportunities for sale of products that contribute toward reducing CO <sub>2</sub> emissions
		Individual countries' carbon emissions targets/policies	● Life cycle assessment and carbon footprint assessment	● Higher demand for storage batteries for renewable energy
		Internal combustion engine (ICE) vehicles	● Decrease of specialty rubber sales due to ICE sales regulations	—
	Industry/ Market	Key products/Increase or decrease in product prices	● Rising raw material prices	● Falling raw material prices
		Changes in energy demand	● Rising energy prices	● Higher demand for ZB series of ZeonorFilm® due to widespread use of energy-saving TVs ● Increased opportunities for thermal interface material (TIM) sales due to higher demand for power semiconductors
	Technology	Widespread use of low-carbon technology	● Passing on rising costs of raw materials and energy to product price ● Raw material changes and procurement difficulties due to introduction of new technologies	● Increased sales opportunities of EVs
		Evolution of next-generation technologies	—	● Business opportunities associated with the development of material recycling technology
	Reputation	Changes in customer behavior	● Deterioration of product or company reputation ● Decrease of specialty rubber sales due to the transition toward EVs	● Increased sales opportunities for products contributing toward reducing CO <sub>2</sub> emissions ● Customers prefer to adopt products with higher recyclability
	Physical	Chronic	Rising sea levels	● Negative impacts on operations from rising sea levels
Rising average temperatures			● Increased burden of responding to rising temperatures	● Increased sales accompanying rising temperatures
Water stress			● Sales decrease due to semiconductor factory operation suspension in light of water intake restrictions	● Decrease in natural rubber production due to droughts, etc.
Acute		Increasing seriousness of abnormal weather conditions	● Disruption caused to operations by severe natural disasters	● Increased sales opportunities resulting from large-scale natural disasters

Business impact assessment

With regard to our activity during FY2023, we identified an increase in raw material procurement costs as a major risk under a 4°C scenario, as well as carbon taxes as a major risk under a 1.5°C scenario. Moreover, we identified that an accelerated shift toward EVs would have a major impact on our business opportunities in the energy material field.

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

In March 2024 the company obtained SBT certification, with a target standard of 1.5°C. Under our company-wide system we conducted a 1.5°C scenario analysis, laying out countermeasures for newly identified risks and opportunities.

During FY2024, we will expand our TCFD activities to include the Manufacturing Division and reflect recent impacts from climate change in discussions for the Phase 3 of our Medium-Term Business Plan.

Risk management

a) Processes for identifying and assessing climate-related risks

Following the FY2024 1.5°C scenario analysis, we will identify transitional and physical risks associated with climate change in 2030 and beyond, and classify them according to their importance to further enhance our efforts.

b) Processes for managing climate-related risks

Climate-related risks identified via TCFD activities are discussed by the Sustainability Committee before being deliberated and decided on at the Sustainability Conference. Relevant divisions engage in risk management through risk assessment and clarifying appropriate response strategies.

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

Regarding risk in general, the company has a system in place where the Risk Management Committee is aware of and discusses Group-wide risks, reporting to the CSR Conference. With regard to climate change risks and the importance of identifying its medium- to long-term risks, the Sustainability Committee familiarizes itself with and discusses these risks before they are deliberated and decided on at the Sustainability Conference. Both Conferences are headed by representative director, while Group-wide risks and climate change risks are ultimately consolidated and managed by the Board of Directors.

From FY2024, the newly established TCFD Subcommittee identifies risks and opportunities, integrating them into our business strategies and Group-wide risk management system while ensuring their progress management, which is discussed and deliberated on at a higher-level by the Sustainability Committee and at the Sustainability Conference.



Metrics and targets

a) Metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process

After formulating our initial Carbon Neutral Master Plan during FY2022, which set reduction targets for Zeon Corporation by FY2030 to achieve carbon neutrality by 2050, we have unified reduction targets for the whole Zeon Group during FY2023, as outlined in the chart below.

b) Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks

We established a system for determining Scope 1, 2, and 3 data, including that of Group companies, and are implementing CDP disclosure on the basis of these results. Upon obtaining SBT certification in March 2024, we have accelerated our initiatives to achieve set targets.

	Base year	Target year	Reduction target
Scope1, 2	2020	2030	42% reduction (1.5°C level)
Scope3			25% reduction (WB2.0°C level)

c) Targets used by the organization to manage climate-related risks and opportunities and performance against targets

We are currently promoting various initiatives to achieve targets set for FY2023. We have begun strategy efforts for reducing Scope 1 and 2 combining three approaches: ① Energy conservation, ② Process innovation, and ③ Energy shift. Additionally, we are working on Scope 3 in collaborative cooperation with our business partners both upstream and downstream in the supply chain.

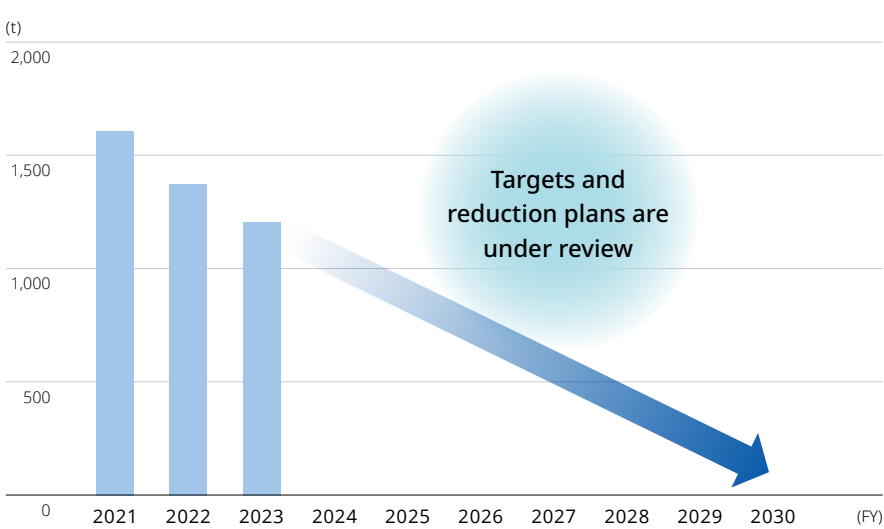
See P.35 for more information about the Carbon Neutrality Master Plan

Initiatives to reduce industrial waste from plastic products

Article three in our Responsible Care Policy is “Minimize the discharge of toxic chemicals and waste.” Under the Act on Promotion of Resource Circulation for Plastics, which came into force in April 2022, Zeon is classified as a business that generates a large amount of industrial waste from plastic products (250 tons or more). We are working to reduce the amount of waste we generate and set up medium- to long term targets and plans to manage waste.

As a result of these initiatives, we were able to reduce industrial waste from plastic products from 1,606 tons in FY2021 to 1,373 tons in FY2022, and finally 1,206 tons in FY2023, as illustrated by the diagram on the right.

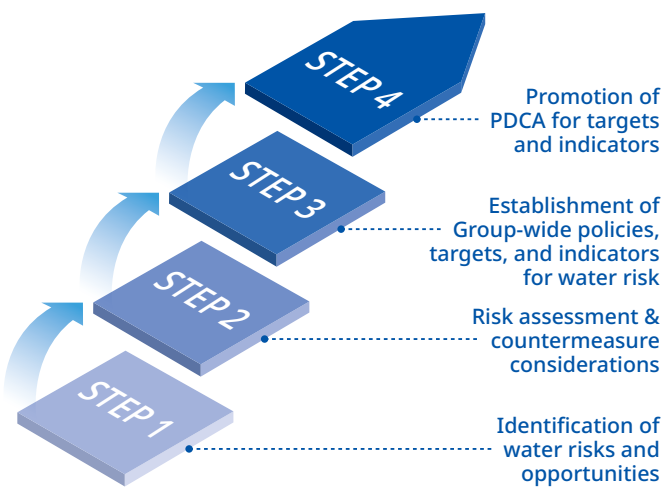
Amount of industrial waste from plastic products



Initiatives on water resources

Water is the basis for sustaining all life forms on the earth, making it an important natural capital. Moreover, because it is indispensable for our manufacturing activities, if water resources were to become depleted or water quality deteriorates, we understand that it would be a serious risk to both our Group and local communities. It is with this recognition that we consider water to be an urgent issue and have been actively considering ways to tackle it since FY2022. We will proceed with the steps outlined in the diagram below.

Steps toward water resource initiatives



\* The status of Steps 1 through 4 is disclosed to stakeholders as needed.

Initiative achievements in FY2023

During FY2023, we used our Kawasaki Plant as a model to gain an understanding of the current state of water security issues that affect our plants. Specifically, we identified the location of water risks at the Kawasaki Plant while also referencing physical risks in our TCFD scenario analysis. Additionally, regarding water risks that have already materialized during business operation, such as floods and droughts, we have assessed risk impacts and are considering countermeasures at a Group-wide level, including from a BCP perspective.

Meanwhile, we have also started considering any water-related business opportunities utilizing our technology and intellectual property.

Policies & plans from FY2024 onward

In FY2023, we will conduct risk analysis and identification to all plants, using our Kawasaki Plant as a model case. Based on the results, we will formulate countermeasures after content analysis and impact evaluation of identified risks.

Collaboration with local communities and society

Article six of our Responsible Care Policy is “Live together with society.” At every one of our business sites we focus on conducting business in a trustworthy way, and we hold dialogues with the local community to ensure that the area’s residents understand our operations and efforts. We work actively to build community ties through beach and river cleanups, weed

cutting, etc., to protect the environment and ensure peace of mind for local residents. We also promote integration with the community for the future through initiatives that include holding on-site chemistry classes for nearby elementary school kids and offering work internships.



Beach cleanup (Takaoka City and Himi City, Toyama Prefecture)



Zeon Advanced Polymix Co., Ltd. cleanup activity (Thailand)

# 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 11 directors, including 5 outside directors, have been appointed since the general shareholders meeting at the end of June 2024.

## Directors



**Chairman**  
**Kimiaki Tanaka**  
Profile  
April 1979 Joined Zeon  
June 2005 Zeon Director  
June 2007 Zeon Director and Corporate Officer  
June 2011 Zeon Director and Senior Corporate Officer  
June 2012 Zeon Director and 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)



**Director & Corporate Officer**  
**Erisa Watanabe**  
General Manager – Corporate Sustainability  
Corporate Sustainability Division Manager  
Profile  
April 1987 Joined Zeon  
April 2013 Zeon Production Center Manager – Materials Procurement  
June 2018 Zeon Corporate Officer  
June 2022 Zeon Director & Corporate Officer (current)



**Outside Director**  
**Takao Kitabata**  
President – Kaishi Professional University



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



**Outside Director**  
**Fumiaki Ikeno**  
Board Member, Co-Founder, Chief Medical Officer, GP – MedVenture Partners, Inc.



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



**Outside Director**  
**Saeko Masumi**  
Attorney at law – Sengokuyama Law Firm

## Audit & Supervisory Board Members



**Audit & Supervisory Board Member**  
**Toru Nishijima**



**Audit & Supervisory Board Member**  
**Sachio Hayashi**



**Audit & Supervisory Board Member (External)**  
**Hiroki Kimura**  
Chair and Representative Director – 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



**Tomoyuki Kose**  
Plant Manager – Takaoka Plant



**Tsutomu Eguchi**  
President – Zeon (Shanghai) Co., Ltd.



**Satoshi Tominaga**  
Division Manager – Corporate Administration  
President – Zeon F&B Corporation



**Kazuo Nakajima**  
Division Manager – Compliance



**Masahiro Nakamura**  
General Manager – “ZEON NEXT” Business Development



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



**Masao Akasaka**  
General Manager – Research & Development



**Noboru Watanabe**  
Plant Manager – Mizushima Plant



**Takahiro Kakiyama**  
Division Manager – Elastomers



**Masayuki Shirakawa**  
Division Manager – Corporate Planning



**Koichi Miyagi**  
Plant Manager – Tokuyama Plant



# Message from the Chairman



Kimiaki Tanaka  
Chairman  
Zeon Corporation

As Zeon Corporation and Zeon Group, we have developed business while launching numerous industry-leading chemical materials based on our original technologies.

We are now in Phase 2 of STAGE30, our Medium-Term Business Plan toward realizing our Vision for 2030 to be “A company that lives up to societal expectations and the aspirations of employees.”

Looking back on my first year as chairman, it feels like a year of a lot of big change. We have advanced a range of initiatives in accordance with our Medium-Term Business Plan, including executing investments and investing in startups to build up our capabilities aimed at business expansion, making progress on our greenhouse gas reduction plan, and working to improve employee engagement. In addition, we have proactively implemented governance reforms and measures to enhance our financial efficiency. And to my knowledge, this past year has seen some of the most lively discussions among our Board of Directors.

Something we have revised in significant ways as a result is our executive compensation system. While sharing a wide range of differing opinions in Board of Director meetings, we reached the conclusion that increasing our percentage of shares by some degree was necessary based on the thinking that the outcomes of our management activities would be reflected in our share price. Discussions then turned to how we should reflect the outcomes of our Medium-Term Business Plan in compensation.

We also conducted a skills assessment for our inside directors for the first time. The assessment is based on human resource requirements with an emphasis on skills in creating new technologies and business as well as skills in driving innovation. It produced intriguing results that we cannot get from seeing directors in their day-to-day activities. Based on this assessment, the Director and Officer Nomination and Compensation Committee held discussions with

outside directors and provided feedback to all directors. The skill I expect directors to have can be summed up as the ability to realize creation and innovation. I am confident that, after receiving objective evaluations of their own skills and further refining them, all of our directors will more dynamically lead our Group as key persons driving innovation.

In July 2024, we appointed an outside director the chair of the Director and Officer Nomination and Compensation Committee, while the representative director has served as the committee chair in the past. This change should further increase understanding among stakeholders for the transparency of our corporate governance.

Meanwhile, the misconduct took place at our Group company Zeon Medical Inc. in FY2023. The investigation conducted by our Special Review Committee for the Prevention of Recurrence has reached an end, and we are currently in the process of rebuilding our prevention framework. I humbly ask our stakeholders to continue monitoring our activities with a critical eye.

This year, our Himi Futagami and Takaoka plants sustained damage in the 2024 Noto Peninsula Earthquake that struck on January 1, and the Himi Futagami Plant had to temporarily suspend operations on some of its production lines. While this situation caused a great deal of concern and inconvenience to our customers, thanks to support from partner companies and the hard work of our employees, the Himi Futagami Plant was able to fully restore operations on March 29. Realizing safe and stable production is the fundamental mission of a manufacturer, we will strive to uphold this mission.

While future of the world is uncertain, Zeon Group will engage in business development based on our corporate philosophy of “Contributing to the preservation of the Earth and the prosperity of the human race” so as to continue earning the trust of stakeholders. We ask for your ongoing support.

I would like to express my heartfelt condolences to everyone who lost loved ones in the 2024 Noto Peninsula Earthquake that occurred on January 1, and my deepest sympathies to all who have been affected by the earthquake, their families, and everyone involved.

Zeon Group has business locations near the disaster-stricken area, and we have prayed for the area to recover as soon as possible and given support through donations. We will continue to stand by everyone who has been affected by this disaster.

# Messages from Outside Directors

## Outside directors with diverse skills will “polish up” Zeon’s management base

To “polish up” our management base, we are appointing foreign-national and/or female corporate officers as well as increasing our ratio of outside corporate officers to ensure that our executive team has high levels of both diversity and independence. As part of this, we welcomed two female outside directors in June 2023 who have skills that we need in implementing our Medium-Term Business Plan.

Since their appointment, the outside directors have overseen management from a high-level perspective based on their experience. They have also generously provided our management team with extensive feedback and advice based on their respective expert insights. We will continue holding constructive discussions together with our outside directors, who provide valuable external points of view on our Group governance, and will strive to further enhance Zeon Group sustainability management and corporate value.

Following are their messages to stakeholders on the role of outside directors in Zeon's management and governance looking back over this past year.



**Takao Kitabata**  
Outside Director

There are now more outside directors on Zeon Corporation's Board of Directors, including directors who are involved in international relations, business executives, lawyers, and university professors, which has diversified its composition. We share our opinions in all meetings based on our respective expertise, and inside directors not only respond to these opinions but also share their own wide-ranging opinions. This open atmosphere has enlivened our discussions. As a result, our Board of Directors meetings run longer than they did when I was first appointed outside director, and I view this as a positive development.

Zeon Corporation has achieved growth in the chemicals sector with its technical and research and development capabilities. How to develop its technologies, however, is a challenge. We are now seeing employees start to gain better understanding of Zeon's technical capabilities and connect them organically to company development instead of keeping them in organizational or hierarchical silos. Fully achieving this shift will open the door to major company development.

The most important role of outside directors is to increase Zeon Corporation's corporate value and provide returns to shareholders. With the growing complexity of political, economic, social, and technological (PEST) factors, individual companies are not able to simply pursue economic efficiencies. Amid this, I intend to provide my insights into what Zeon Corporation can do in both the short and the mid- to long term based on my own experience and background in order to contribute to Zeon Corporation realizing its aspirations, to social progress using its technical and research and development capabilities, and to its development into a highly profitable company.



**Tadanobu Nagumo**  
Outside Director

Zeon Corporation's Cyclo Olefin Polymer products are highly profitable and have future growth potential, and as such, we are attempting to restructure the Tokuyama Plant's portfolio to focus on Cyclo Olefin Polymers. I have strongly advocated for focusing shortening launch timelines at the Board of Directors to ensure that Zeon Corporation survives in our rapidly changing world and increases its corporate value, which is important for shareholders. For a chemical manufacturer to enhance its corporate value, it must make the right investments and capture opportunities for development and responses. Acting with speed is key to this. To also ensure contributions to its 2030 targets, Zeon needs to make management decisions faster than it has in the past.

As an outside director, I serve as the moderator at the outside officers' discussion meetings and as the chair of the Corporate Value Creation Conference. The outside officers' discussion meetings involve only outside officers, while the Corporate Value Creation Conference mainly involves external participants including influential experts. Participants at the meetings regularly exchange frank opinions from diverse perspectives without sticking to the Board of Directors' agenda topics, and I report a summary of the proceedings to the Board of Directors. The role and mission of outside directors have changed a great deal from what they were in the past. I remain firmly aware of my responsibility to provide accurate advice and direction to increase Zeon's corporate value.



**Fumiaki Ikeno**  
Outside Director

I feel that Zeon Corporation has achieved a very good balance in its current outside director composition. Outside directors who have served for a long time have used their experience, while newer outside directors have used their expert perspectives in other areas than the long-serving directors, to provide appropriate suggestions and feedback. In regards to the Zeon Medical incident, I strongly advocated for the need to keep in mind first and foremost that patients' lives are involved. This is something that Zeon Corporation must not lose sight of, as healthcare and life sciences are one of its essential business fields.

I also think it is important to look around the world and proactively bring in outside technologies in these times of rapid social change. The new research facility being built in Kawasaki is part of this. We can anticipate that developing the conditions for creating technologies and products together with people and companies from other fields will lead to discontinuous innovation. On the other hand, some 80 to 90% of large companies in the U.S. make continuous advances, while the remaining 10 to 20% achieve discontinuous advances by acquiring startups. This means that it is also necessary to engage in R&D portfolio management and create evaluation criteria for researchers that support both continuous and discontinuous advances. To increase the velocity of innovation, I will provide beneficial information and feedback to management from my experience.



**Miki Akiyama**  
Outside Director

Human capital is a strength I see at Zeon Corporation. Its greatest value is having diverse human capital with research capabilities able to develop outstanding technologies and technical and production capabilities able to make high-quality products. This is stated as “Providing unique value through innovation” in the materiality Zeon determined last year. At the same time, human capital needs to set appropriate targets and enhance its skills. A point I raised as an outside director is the importance of not just setting targets and seeing if they are met, but of discussing the background and factors that cause targets not to be achieved. When all employees understand the value of diverse human capital and are deeply motivated to realize this diversity, I believe it will lead to spontaneous action.

In my participation in the Board of Directors, I have seen outside directors engage in lively exchanges of opinions including impassioned and critical discussions. I sense their love for Zeon Corporation. All outside directors contributed their respective expertise and provided feedback from their diverse perspectives on the incident at Zeon Medical. I hope to contribute to increasing Zeon Corporation's corporate value in the context of utilizing its diverse human capital, whether they are employees or officers.



**Saeko Masumi**  
Outside Director

Over this past year, I have given especially strong feedback on occupational accidents. I have requested detailed reports to discuss improvement strategies and have pointed out that the ongoing incidence of occupational accidents is also a management risk. Safe and stable production floors are not only important for workers; if improvements are not realized, it suggests the presence of gaps in the management framework and the company's approach. If the risks present in workplace environments spilled out beyond the plant's borders and outside the company, the blow would be huge. Chemical manufacturers need to maintain keen awareness able to detect when the alarm bells begin to sound.

Along with improvements to its business performance in the near term, I very much want to see how Zeon Corporation builds its vision for 30 and 50 years into the future in light of worldwide momentum for decarbonization and a focus on environmental considerations. There are no easy answers, and I look forward to continuing this dialogue with other officers.

When I was a young lawyer, I was involved in an occupational illness lawsuit against a chemical manufacturer. While chemicals contribute to social progress and are an essential part of our lives, I also witnessed firsthand how they can have negative consequences if they are not controlled. From this experience, I would like to provide advice as an outside director not only on economic growth but also on how to contribute to communities and make environmental considerations while conducting business activities.



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.

- > How reports are handled via our internal reporting system

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- **Deepen discussions on the following matters with a focus on medium- to long-term strategies and growth strategies to achieve goals**
  - Medium-Term Business Plan progress
  - SDGs measures (particularly, maintaining an awareness of the connection between SDGs and our businesses)
- **Regular reporting on matters related to IR/SR activities to spark discussion with stakeholders in mind**
- **Strengthening provision of information to and support for outside officers**
  - Establishing preliminary briefings for priority issues
  - Holding ongoing exchanges of opinion and free discussions with outside officers
  - Setting up opportunities for on-site visits to plants, etc.

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.

President/CEO and Director succession plan

The Director and Officer Nomination and Compensation Committee discusses the ideal type and requirements for future President/CEOs and Directors, as well as talent development. Based on the opinions gained in these discussions, initiatives related to officer succession are implemented, including identification and assessment of future management candidates and direct dialogue with outside officers.

One current challenge is creating a system for integral training. Future measures under consideration include promoting junior employees to top positions at Group companies so that they have the opportunity to gain more experience.

President Toyoshima's appointment in 2023 was recommended by former President Tanaka (currently Chairman) as a candidate to succeed him at the Director and Officer Nomination and Compensation Committee. It was unanimously decided that he possessed the skills necessary to lead and execute our Medium-Term Business Plan: STAGE30 in motion as top executive. His achievements and the reasons for his nomination are listed as follows.

- As head of research and development, he has made it possible for Zeon to continually provide products and services that help solve global and social issues, contributing to strengthening and creating the unique technologies that, with sustainability at its core, support the company's sustainability.
- He has significantly advanced the use of digital technology in the research and development field (including the establishment of a data utilization platform by a large-scale cross-sectional organization, agile development, and launching the start of a Technology Trends Predictive Analysis System).
- In the past, he served as a manager of the Specialty Materials Business and director of a U.S. subsidiary, leading corporate value enhancement as a global manager.

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 recent years we have been actively promoting roles for women. These currently include one female director and corporate officer who was promoted internally, two female outside directors, and one female outside Audit & Supervisory Board member in office. As part of our Medium-Term Business Plan: STAGE30, we set a target of raising the ratio of foreign-national and/or female directors and officers (inside and outside directors and Audit & Supervisory Board members) to 30% by 2030.

The table below shows the combination of skills (the so-called skills matrix) the Board of Directors should possess given Zeon's management strategy. It also shows specific skills (maximum four) that each director possesses and that Zeon expects him or her to demonstrate.

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.

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 Fumiaki Ikeno

Based on the experience and knowledge obtained from his involvement in medical device product development as a medical doctor and researcher, with insight across the medical industry which he has cultivated through his career as a venture capitalist specializing in medical devices, we particularly look forward to receiving useful guidance and advice regarding the company's research and development, innovation, and business development.

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.

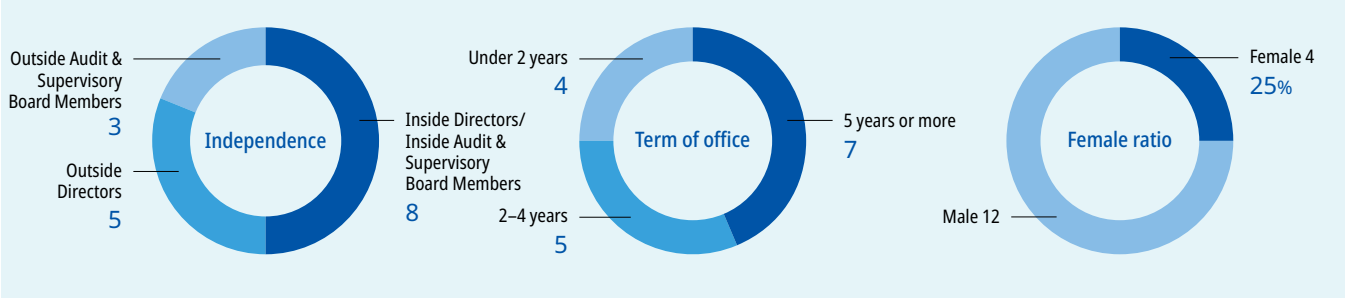
Outside Director Saeko Masumi

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.

Skills table

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

Composition of Directors and Audit & Supervisory Board Members





Director and officer compensation

The company updated its executive compensation system in 2023 to more effectively incentivize the medium- to long-term creation and enhancement of corporate value. For inside directors and corporate officers, we expanded the performance-linked share of total compensation. We also introduced the Board Benefit Trust (BBT-RS), a performance-linked stock compensation plan, to clarify the link between compensation and Zeon's sales performance and stock value. These steps are intended to raise awareness of the need to contribute to the enhancement of medium- to long-term performance and corporate value.

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

Evaluation indicators for performance-linked cash and stock compensation under the updated 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.

FY2023 compensation (paid under the former compensation system)

Directors and officers	Compensation structure
Inside directors (6 directors)	424 million yen Breakdown: Cash compensation (fixed), 72 million yen; cash compensation (performance-linked), 206 million yen; stock compensation (restricted), 146 million yen
Inside Audit & Supervisory Board Members (3 members)	47 million yen
Outside officers (8 officers)	84 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 Group-wide ROIC	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

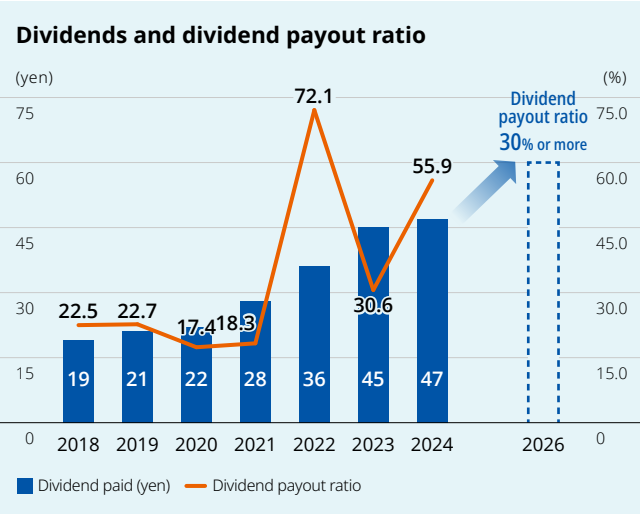
\*1 Applies only to executive business division managers. For growth businesses and new businesses, the sole indicator is divisional sales.  
\*2 CO<sub>2</sub> reductions, engagement survey items, female manager ratio, cross-shareholdings to net assets ratio, etc.  
\*3 Executive officers are allocated 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 the distribution of surplus, Phase 2 of the Medium-Term Business Plan: STAGE30 sets a minimum dividend payout ratio of 30% while aiming to maintain a progressive dividend policy. For FY2024, we expect an increase in the dividend for the 15th consecutive term.

In addition, the company will be flexible in implementing share buybacks, with consideration given to factors such as market conditions and capital needs, with plans for acquiring 30 billion yen in treasury stock over the three years between FY2024 and FY2026.

Moreover, regarding our capital policy including shareholder returns, in a Board of Directors meeting it was highlighted by one outside officer that, “Some experts have pointed out that reason for Japan's recent slowdown in economic growth can be attributed to placing more emphasis on shareholder returns and retained earnings.” In Phase 2 of STAGE30, taking this point into consideration, we have launched a financial strategy focused on clarifying capital allocation to support investment growth.



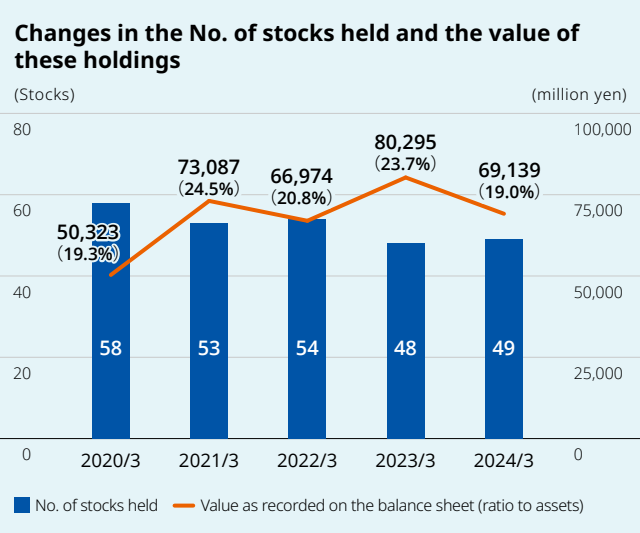
Cross-shareholdings

When deciding whether to take cross-shareholdings in other companies, we undertake careful examination to determine whether such shareholdings will help to strengthen our relationship with business partners, local community and other stakeholders, and whether they will contribute toward the enhancement of the company's corporate value over the medium- to long-term. In cases where, after such examination, we do acquire shares in other companies, every year we conduct close scrutiny for each individual stock to examine the appropriateness of the purpose for which the stock is being held, and whether the benefits and risk of holding the stock are commensurate with the capital cost, etc.

On the other hand, in Phase 2 of the Medium-Term Business Plan: STAGE30 that started in FY2023, one of our Group-wide strategies is to “polish up” the management base, and to optimize our financial strategy, we have set specific goals for FY2026, including a target for a cross-shareholdings to consolidated net assets ratio of less than 15%, and are working toward lowering the ratio to achieve this goal.

In FY2023, we proceeded with the sale of some of our holdings, with a total sale price of 33.511 billion yen. As a result, the value of cross-held shares listed on the consolidated balance sheet amounted to 69.139 billion yen (19.0% of consolidated net assets) as of the end of March 2024.

At a Board of Directors meeting, it was pointed out that there was risk of “unraveling” cross-shareholdings (i.e., when we sell shares, the companies that hold our shares also sell them). Ultimately, however, the Board of Directors came to a shared agreement to communicate to investors that the company would make effective use of the funds raised from these sales, and that by enhancing shareholder value itself, would work to earn and maintain trust in the current management team.



Takeover defense measures

Since introducing our “Policy on Responding to Large-Scale Purchases of the Company's Shares” at the general shareholders meeting held in 2008, we resolved to continue reviewing the policy every three years. After discussions by the Board of Directors and at other meetings, the policy was abolished at the conclusion of the general shareholders meeting held in 2023, when its effective period expired. There have recently been cases in which, in

response to a large-scale purchase of shares, companies have considered the need for a policy for responding to such large-scale purchases based on specific circumstances, and have introduced such policies upon confirming the will of their shareholders. In light of recent trends and the status of our dialogue with shareholders and investors, we decided not to continue with the response policies introduced in 2008.

The company's purpose is to ensure that shareholders have the time and information necessary to consider the pros and cons of a takeover proposal or large-scale purchase that could possibly damage the common interests of those shareholders, and we are taking whatever appropriate and necessary measures to do so.

Active and constructive dialogue with shareholders and investors

The IR & SR office, a specialized department that was established in 2021, 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 strive continuously to extend 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 information sessions for individual investors.

At the general shareholders meeting held in June 2024, 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.



General shareholders meeting livestream



Exhibitor at the 2023 Nikkei IR/Investor Fair

A small meeting with outside directors was held in FY2023. An excerpt of the Q&A portion can be found on the next page.

Communication inclusive of outside directors

Hosted by Mikiya Yamada, Senior Analyst at Mizuho Securities Co., Ltd., a small meeting with outside director was held on December 7, 2023.

Please note that we revised some of the targets of our Medium-Term Business Plan in June 2024. As this meeting was held prior to those revisions, some questions and answers are based on the former original targets.

Host:  
Mikiya Yamada, Senior Analyst,  
Mizuho Securities Co., Ltd.  
Zeon participants:  
Tetsuya Toyoshima, President and CEO  
Takao Kitabata, Outside Director  
Secretariat:  
Yoshiyuki Sone, General Manager,  
Administrative Headquarters  
IR & SR office

Q&A (Excerpt)

— Looking at the recent measures Zeon has taken, such as improving capital efficiency, selling cross-shareholdings, establishing the Corporate Value Creation Conference, and abolishing takeover defense measures, it seems apparent there are some changes taking place regarding the management team's thought processes. How has your way of thinking changed compared to the past and what is the background or urgency behind it?

Kitabata: I would say a major change has been adopting a policy that emphasizes capital efficiency. A particularly big change has been in Zeon's efforts to steadily sell cross-shareholdings without relying on takeover defense measures, and working proactively to make Zeon's value apparent to shareholders, especially among long-term shareholders. I think when you consider Zeon's strength its stock price is low, so in addition to increasing corporate value, the company should focus on information disclosure and IR to gain somewhat greater appreciation for that value.

We've established the Corporate Value Creation Conference, attended by the Chairman and President as well as outside officers and experts, to engage in free and open discussion. The purpose of the conference is to give honest feedback by actively talking about corporate value in relation to management, without a reliance on takeover defense measures.

Toyoshima: Generally speaking, external views on corporate governance have become harsher in recent years, and if companies are not sincere in their response, they lose the trust of their shareholders. I think we find ourselves in a situation where we are urged toward change due to external environmental factors. Rather than passively accepting this, we would like to view it as an opportunity to be more flexible and adaptable with how we manage our business through open dialogue with others.

— As for the PBR being below 1, I think this issue is likely to be resolved once those in the stock market become more familiar with your Medium-Term Business Plan. Perhaps you haven't promoted the plan adequately. Are you considering a more refined explanation of the plan to help others understand it better?

Kitabata: I think it's important for us to make an effort to explain Zeon's strengths in a way that's easy to understand. I would say many people might only have a vague idea of the company as one that uses a lot of petroleum raw material that generates CO<sub>2</sub>. We want to highlight how our company is actively working toward carbon neutrality through our technological and R&D capability.

Toyoshima: I believe our stocks are undervalued. I think there's an issue with the way information is communicated, and that internal information and what gets disclosed doesn't always line up. Although we've disclosed what our targets are, there are some areas where it's difficult to explain how we reach them, and investors want to know what that path looks like. It's very difficult to decide exactly how much information should be disclosed, as this information cannot be disclosed unless it was coordinated with stakeholders and decided by the organization. I look forward to having more closer discussions with your input on how to go about disclosure.

— Could you tell us why the target value of cross-shareholdings was set at this level (less than 15% of net assets), the benefit of holding onto them, and future policies on decreasing them?

Kitabata: There were varied opinions within the Board of Directors regarding the sale of cross-shareholdings. From the viewpoint of not making stock retention and sales an end in itself, our policy is to set qualitative and quantitative goals and sell those stocks that meet those goals. Quantitative refers to efficiency, including dividends and the like, while qualitative refers to whether it will benefit Zeon as a whole, including its business relationships. Individual briefings are given to the Board of Directors and from there things proceed accordingly. The most important point is whether Zeon maintains good capital efficiency, using funds obtained to increase corporate value while maintaining the holdings we should keep. Through careful selection, we decide where to make reductions depending on market conditions.

Toyoshima: Our general policy is to use proceeds from the sale of cross-shareholdings toward growth investments, and as such began with the goal of reducing our net asset ratio to less than 20% in FY2022. Although we were unable to achieve this target due to recent stock price trends, through it we were able to establish a target value for our Medium-Term Business Plan (less than 15%). Market feedback urged us to bring this number down to 0 as soon as possible, and we would thus moving toward reducing our holdings while considering when and how to utilize the proceeds.

— Isn't a 9% ROIC target for 2030 a low figure for such a global, specialized company? Zeon occasionally achieved an ROIC of 9% when market conditions were favorable, and by setting this target there is some risk that you wouldn't have the ability to make timely and proper business decisions which would normally require structural reform. If you were to aim a little higher, I think you would be able to reconsider whether or not to leave the product as it is, even if market conditions are good and the product is profitable. Isn't there room to raise your target a bit higher?

Kitabata: As you said, there is no point in achieving targets only when market conditions are favorable. We hope people will understand that our goal is to achieve 9% over the medium- to long-term.

Toyoshima: Rather than getting emotional over the short-term, we have to consider whether business is structurally sustainable and whether it's worth pursuing or not. I would like to change how we communicate based on such conditions.

There has been considerable debate within the company regarding our ROIC target, specifically, whether or not they should be examined over a single-year period or as an average, including the possibility that ROIC may experience a temporary drop when large investments are anticipated. At present, our target is to achieve a single-year ROIC of 9% for our existing businesses in FY2030, but we hope people will recognize that this number takes into consideration of large-scale investments. Of course, we will still need to determine whether this number is adequate in the long term or not. Even when market conditions are not favorable, we would like business to operate with a profit margin well over 9%.

Risk management

Risk management system

The company had been considering a review of its risk management system in response to the March 2024 report from the Special Review Committee for the Prevention of Recurrence, and in June 2024 we changed our governance system and implemented organizational reforms to prevent recurrence.

With the aim of identifying and preventing potential risks, we established a new 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 regarding CSR. We are advancing the development and management of this system in an effort to control emerging risks. Additionally, each committee established under the CSR Conference reports back to it on the status of its activities and future plans regarding controlling risks within its jurisdiction.

See P.85 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 creates a Group-wide risk list, monitoring and controlling whether Group risks are being managed appropriately. Group-wide risks also include those related to climate change and human rights. Risk Management Committee activity is reported to the CSR Conference and the Board of Directors to confirm risk management effectiveness.

Moreover, each 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.

Internal reporting system

We have put in place an internal reporting system to collect information about latent risks as early as possible so that appropriate action can be taken. We have set up a Compliance Hotline that serves as a way to report risk information and has contact routes not only via a superior or directly to the Compliance Committee secretariat (changed from the Risk Management Committee in June 2024), but also to an outside lawyer as its contact point.

The Compliance Committee secretariat investigates the facts of reports that are made and responds as appropriate, such as by instructing the internal organization to implement countermeasures based on the results of the investigation.

Number of internal reports in FY2023	7
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BCP formulation and implementation of related training

Recognizing the need on business continuity to mitigate 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 FY2023, we conducted one whole-company emergency headquarters drill, one whole-company emergency headquarters secretariat drill, and others. In response to the 2024 Noto Peninsula Earthquake, we have ensured the effectiveness of our BCP through dialogue with affected factories as we work to improve our disaster response capability.

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 making necessary adjustments on an ongoing basis, and implementing our own unique training.

Structuring and strengthening our information security system

As part of our aim to be a company people can trust, we have set up a specialized security department as part of our information security measures as we work to strengthen information security. To date, our main efforts have been concentrated on technical measures to strengthen the cloud environment. In terms of organizational measures, the Cyber Security Committee reports directly to the representative director. The committee oversees planned cybersecurity enhancements and provides prompt emergency response. It is also responsible for managing electronic information security. In addition, a Computer Security Incident Response Team (CSIRT) within the Committee ensures prompt response in the event of security incidents.

Responding to unauthorized access incidents

On August 16, 2023, it was discovered that an external hacker gained unauthorized access to our server equipment, and some personal information managed by the company may have been compromised.

Although no cases of unauthorized use of personal information have been confirmed at this time, we sincerely apologize for any inconvenience and cause for concern this has resulted in for everyone concerned. Please accept our utmost apologies.

Though we already outlined this in detail in our notification\* dated August 23, 2023, in light of the possibility that personal information may have been compromised, the company is taking the following action.

- 1 Reporting to administrative agencies (reported to the Personal Information Protection Commission on August 22, 2023)
- 2 Responding to 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.

\* <https://www.zeon.co.jp/en/news/assets/pdf/230823-2.pdf>



## DX promotion

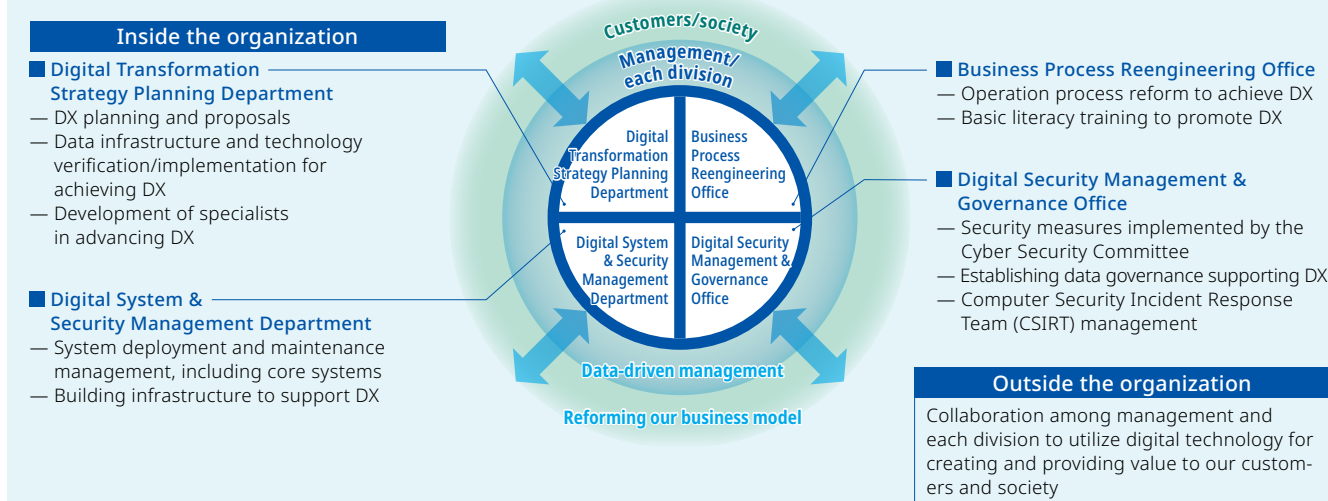
Until now Zeon has been working on promoting digital transformation (DX) driven mainly by the digital strategic planning and a digital system management organization.

To further accelerate DX, in April 2024 we established an

organization responsible for operational process reforms and digital security functions.

We will continue collaborating among management and each division to create value by utilizing digital technology, providing value to both our customers and society.

### DX Division organization (cooperation from inside and outside)



## Quality assurance

The company has a Basic Policy for Quality Assurance in place in accordance with our corporate philosophy and the Sustainability Policy. We have established the necessary internal systems to contribute to society by providing high-quality products, goods and services with excellent reliability and safety to the market.

### Achieving product safety

Our quality includes ensuring product safety. We strive to ensure product safety in every possible aspect by conducting PSR\* using our own checklists that consider product safety at every stage of the product lifecycle, from initial product development through planning, design, manufacturing, sales, use, and disposal.

\* PSR: Product safety review

### Managing information regarding new product quality

Zeon conducts a comprehensive review (PSTR)\*<sup>1</sup> from quality assurance perspectives when transitioning from the product design to the production preparations stages, as well as from the production preparations stage to actual production.

This review confirms items related to product quality to ensure that new products satisfy the quality requirements of our customers, and to allow us to fulfill supply obligations.

Items subject to review include data on the chemical substances making up the product; 3D-QFD (quality function deployment), for data-based clarification of cause-and-effect relationships of information related to manufacturing; FMEA\*<sup>2</sup>, which attempts to prevent potential post-production abnormalities; and testing methodologies and testing facilities to measure product standards and characteristics of critical processes.

\*1 PSTR: Product Stage-gate Transfer Review

\*2 FMEA: Failure Mode and Effects Analysis

### Setting targets for the Medium-Term Business Plan period

The Quality Assurance Department has reviewed its contributory actions and KPIs that contribute to achieving the Medium-Term Business Plan: STAGE30 target of a **50% sales ratio of SDGs Contribution Products**, and has established the following KPIs as particularly important.

**KPI: the number of applications in PSR and PSTR for the products aimed at contributing to the SDGs**

From FY2024 onward, using this KPI we have undertaken initiatives to continually monitor the status of our contribution to achieving the target for sales ratio of the SDGs Contribution Products.

# Data

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

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

# Zeon Corporation (consolidated) Data for the Past 11 Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Fiscal year: April 1 to March 31 of the following year											
Annual performance											million yen
Net sales	¥ 296,427	¥ 307,524	¥ 295,647	¥ 287,624	¥ 332,682	¥ 337,499	¥ 321,966	¥ 301,961	¥ 361,730	¥ 388,614	¥ 382,279
Operating income	29,901	28,245	29,856	30,767	38,881	33,147	26,104	33,408	44,432	27,179	20,500
Ordinary income	32,561	31,098	32,153	31,805	40,893	36,319	28,744	38,668	49,468	31,393	26,906
Adjusted net income before tax	32,528	29,791	26,265	30,928	24,853	27,044	27,480	38,158	46,226	14,467	43,849
Net income attributable to owners of the parent company	19,650	19,080	18,079	23,152	13,056	18,458	20,201	27,716	33,413	10,569	31,101
Capital investment	27,111	28,516	27,650	22,122	14,568	14,640	29,088	19,645	22,902	34,045	32,135
Depreciation	17,068	19,439	20,904	20,431	20,539	18,780	17,448	18,154	21,469	20,382	20,123
R&D expenses	12,661	13,627	14,148	13,233	15,103	16,480	15,274	14,258	15,869	17,580	18,233
Cash flow from operations	36,396	34,006	47,599	49,042	54,462	40,393	28,430	56,080	33,140	14,358	47,413
Cash flow from investment	(31,513)	(26,767)	(34,847)	(29,121)	(14,951)	(21,426)	(24,570)	(30,239)	(26,436)	(28,899)	(5,428)
Cash flow from financial activities	(10,105)	(12,019)	(9,010)	(15,834)	(11,625)	(23,575)	(8,276)	(8,259)	(11,883)	(2,820)	(30,085)
Financial position											million yen
Total assets	¥ 370,872	399,512	384,753	411,415	443,917	424,937	405,131	448,821	484,660	522,868	¥ 532,254
Tangible fixed assets	122,721	134,227	138,526	138,058	115,559	102,323	114,791	117,579	118,299	113,924	130,672
Interest-bearing debt	65,565	58,889	57,064	44,677	38,573	24,125	20,960	18,960	18,960	27,960	8,960
Net assets	181,414	215,631	215,586	244,634	259,940	259,156	260,358	298,246	321,836	339,308	363,729
Key indicators											
Equity ratio (%)	47.9	52.9	54.8	58.4	58.4	60.3	63.5	65.8	65.7	64.3	68.1
Return on sales (ROS) (%)	10.1	9.2	10.1	10.7	11.7	9.8	8.1	11.1	12.3	7.0	5.4
Return on assets (ROA)* (%)	9.0	8.1	8.2	8.0	9.6	8.4	6.9	9.1	10.6	6.2	5.1
Return on equity (ROE) (%)	11.7	9.8	8.6	10.3	5.3	7.2	7.9	10.0	10.9	3.2	8.9
Price earnings ratio (PER) (%)	11	13.2	9.1	12.2	26.2	13.3	8.8	14.0	8.9	28.0	9.0
Price book-value ratio (PBR) (%)	1.19	1.19	0.77	1.17	1.33	0.96	0.69	1.31	0.92	0.88	0.77
Cash flow per share (CFPS)	159.1	169.8	172.2	196.4	151.3	169.6	172.3	209.8	251.7	132.4	242.4
Price cash flow ratio (P/CF) (%)	5.9	6.5	4.2	6.5	10.2	6.6	4.7	8.4	5.4	10.6	5.4
Earnings per share (EPS)	85.2	84.1	79.9	104.3	58.8	84.1	92.4	126.7	153.2	49.9	147.2
Book-value per share (BPS)	783.1	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
Dividend per share (DPS)	13	14	15	16	17	19	21	22	28	36	45

\* 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.



Consolidated balance sheets

Assets					
	2019	2020	2021	2022	million yen/FY 2023
Current assets					
Cash and bank deposits	¥ 32,029	¥ 51,970	¥ 47,271	¥ 30,082	¥ 42,784
Operating receivables	71,332	75,688	82,498	83,594	87,446
Inventories	73,203	67,354	93,076	127,452	123,353
Other current assets	37,883	38,236	52,102	55,503	47,399
Total current assets	¥ 214,447	¥ 233,248	¥ 274,947	¥ 296,631	¥ 300,982
Fixed assets					
Tangible fixed assets	¥ 114,791	¥ 117,579	¥ 118,299	¥ 113,924	¥ 130,672
Intangible fixed assets	3,669	3,293	3,249	4,442	5,432
Investment securities	62,118	86,201	80,729	100,113	85,316
Other fixed assets	10,106	8,500	7,436	7,758	9,852
Total fixed assets	¥ 190,684	¥ 215,573	¥ 209,713	¥ 226,237	¥ 231,272
Total assets	¥ 405,131	¥ 448,821	¥ 484,660	¥ 522,868	¥ 532,254
Liabilities and net assets					
	2019	2020	2021	2022	million yen/FY 2023
Current liabilities					
Operating payables	¥ 65,691	¥ 65,921	¥ 82,994	¥ 86,781	¥ 86,754
Bonds and loans payable	10,960	8,960	18,960	27,960	8,960
Other current liabilities	35,759	38,972	36,699	45,846	47,847
Total current liabilities	¥ 112,410	¥ 113,853	¥ 138,653	¥ 160,587	¥ 143,561
Non-current liabilities					
Bonds and borrowings	¥ 10,000	¥ 10,000	¥ 0	¥ 0	¥ 0
Other non-current liabilities	22,363	26,722	24,172	22,973	24,965
Total non-current liabilities	¥ 32,363	¥ 36,722	¥ 24,172	¥ 22,973	¥ 24,965
Net assets					
Capital stock	¥ 24,211	¥ 24,211	¥ 24,211	¥ 24,211	¥ 24,211
Capital surplus	19,252	19,150	19,162	19,137	19,582
Retained earnings	220,379	244,301	272,679	268,363	289,930
Other	(3,484)	10,584	5,784	27,597	30,006
Total net assets	¥ 260,358	¥ 298,246	¥ 321,836	¥ 339,308	¥ 363,729
Total liabilities and net assets	¥ 405,131	¥ 448,821	¥ 484,660	¥ 522,868	¥ 532,254

Consolidated statements of income and consolidated statements of comprehensive income

	2019	2020	2021	2022	million yen/FY 2023
Net sales	¥ 321,966	¥ 301,961	¥ 361,730	¥ 388,614	¥ 382,279
Cost of sales	230,055	204,409	241,371	278,971	279,769
Gross profit	91,911	97,552	120,358	109,643	102,510
Selling, general and administrative expenses	65,807	64,144	75,927	82,464	82,010
Operating income	26,104	33,408	44,432	27,179	20,500
Non-operating income	3,813	6,099	5,670	5,172	7,705
Non-operating expenses	1,173	839	634	958	1,299
Ordinary income	28,744	38,668	49,468	31,393	26,906
Extraordinary gains	5	108	7	3,077	25,514
Extraordinary losses	1,268	618	3,250	20,004	8,570
Income before income taxes	27,480	38,158	46,226	14,467	43,849
Income taxes	7,130	10,279	12,520	3,858	12,847
Net income	20,350	27,880	33,706	10,609	31,002
Net income attributable to non-controlling interests	148	164	293	39	(99)
Net income attributable to owners of the parent company	20,201	27,716	33,413	10,569	31,101
Other comprehensive income					
Valuation difference on available-for-sale securities	(14,091)	15,893	(4,734)	10,353	(1,036)
Foreign currency translation adjustments	(154)	(1,486)	3,749	7,085	5,257
Other	(295)	(439)	1,921	892	(42)
Total other comprehensive income	(14,540)	13,968	936	18,330	4,179
Comprehensive income	5,810	41,848	34,642	28,939	35,182
(Breakdown)					
Comprehensive income attributable to owners of the parent company	5,571	41,777	34,296	28,622	35,131
Comprehensive income attributable to non-controlling interests	239	71	346	317	51

## Consolidated statements of changes in net assets

	2019	2020	2021	2022	million yen/FY 2023
<b>Capital</b>					
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
<b>Capital surplus</b>					
Balance at beginning of period	¥ 19,240	¥ 19,252	¥ 19,150	¥ 19,162	¥ 19,137
Change in treasury stock of parent arising from transactions with non-controlling shareholders	0	(100)	0	0	(17)
Transfer to capital surplus from retained earnings	0	0	0	7,869	0
Purchase and disposal of treasury stock	12	(2)	12	(5)	461
Retirement of treasury stock	0	0	0	(7,889)	0
Balance at end of period	¥ 19,252	¥ 19,150	¥ 19,162	¥ 19,137	¥ 19,582
<b>Retained earnings</b>					
Balance at beginning of period	¥ 204,767	¥ 220,379	¥ 244,301	¥ 272,679	¥ 268,363
Cumulative effect of change in accounting policy	0	0	(343)	0	0
Dividend paid	(4,589)	(4,592)	(5,250)	(7,016)	(8,058)
Net income	20,201	27,716	33,413	10,569	31,101
Increase/decrease due to merger	0	(1)	103	0	0
Transfer to capital surplus from retained earnings	0	0	0	(7,869)	0
Change of scope of consolidation	0	797	457	0	(1,476)
Balance at end of period	¥ 220,379	¥ 244,301	¥ 272,679	¥ 268,363	¥ 289,930
<b>Treasury stock</b>					
Balance at beginning of period	¥ (17,238)	¥ (17,181)	¥ (17,017)	¥ (23,000)	¥ (19,024)
Purchase and disposal of treasury stock	57	163	(5,982)	(3,914)	(411)
Retirement of treasury stock	0	0	0	7,889	0
Balance at end of period	¥ (17,181)	¥ (17,017)	¥ (23,000)	¥ (19,024)	¥ (19,435)
Total shareholders' equity	¥ 246,662	¥ 270,644	¥ 293,053	¥ 292,688	¥ 314,288
Total accumulated other comprehensive income	10,556	24,625	25,570	43,623	48,092
Stock acquisition rights	283	141	126	88	88
Non-controlling interests	2,858	2,836	3,086	2,910	1,262
Total net assets	¥ 260,358	¥ 298,246	¥ 321,836	¥ 339,308	¥ 363,729

## Consolidated statements of cash flows

	2019	2020	2021	2022	million yen/FY 2023
<b>Cash flows from operating activities</b>					
Net income	¥ 27,480	¥ 38,158	¥ 46,226	¥ 14,467	¥ 43,849
Depreciation	17,448	18,154	21,469	20,382	20,123
Finance income and expenses	(2,875)	(2,570)	(2,736)	(3,486)	(3,541)
Changes in assets and liabilities	(11,988)	1,281	(12,457)	(27,601)	4,020
Impairment losses	0	0	2,069	19,390	2,550
Other	6,714	1,917	(13,610)	1,610	(14,625)
Subtotal	36,779	56,940	40,961	24,762	52,376
Interest and dividends income	2,997	2,614	2,954	3,569	3,543
Interest expenses paid	(132)	(127)	(133)	(99)	(91)
Income taxes paid	(11,451)	(5,357)	(10,691)	(13,896)	(9,441)
Other	238	2,010	50	21	1,025
Cash flows from operating activities	¥ 28,430	¥ 56,080	¥ 33,140	¥ 14,358	¥ 47,413
<b>Cash flows from investing activities</b>					
Payments for purchase/disposal of fixed assets	¥ (23,135)	¥ (24,033)	¥ (24,293)	¥ (27,309)	¥ (36,418)
Payments for purchase/disposal of investments and other assets	(1,987)	(1,790)	(1,921)	(1,699)	31,255
Payments for collection of loans and advances	(99)	(2,266)	(1,208)	(723)	(1,714)
Net increase/decrease in time deposits	947	(2,045)	1,077	1,192	1,653
Other	(295)	(106)	(90)	(360)	(203)
Cash flows from investing activities	¥ (24,570)	¥ (30,239)	¥ (26,436)	¥ (28,899)	¥ (5,428)
<b>Cash flows from financing activities</b>					
Proceeds from and repayments of bonds and borrowings	¥ (3,165)	¥ (2,000)	¥ 0	¥ 9,000	¥ (19,000)
Cash dividends paid	(4,587)	(4,592)	(5,250)	(7,013)	(8,055)
Payments for purchases of shares of subsidiaries	(149)	(1,193)	0	0	0
Payments for purchase of treasury stock	(1)	0	(6,011)	(3,990)	(1,998)
Other	(374)	(474)	(622)	(817)	(1,032)
Cash flows from financing activities	(8,276)	(8,259)	(11,883)	(2,820)	(30,085)
Effect of exchange rate changes on cash and cash equivalents	(232)	320	1,494	1,111	1,771
Net increase/decrease in cash and cash equivalents	(4,648)	17,902	(3,685)	(16,251)	13,672
Cash and cash equivalents at beginning of period	34,846	30,198	48,152	44,521	28,270
Other increase/decrease	0	52	53	0	592
Cash and cash equivalents at end of period	¥ 30,198	¥ 48,152	¥ 44,521	¥ 28,270	¥ 42,533



Data by segment

Net sales by business (consolidated)

	2019	2020	2021	2022	million yen/FY 2023
Elastomers Business	¥ 178,847	¥ 161,626	¥ 200,566	¥ 222,230	¥ 215,286
Specialty Materials Business	91,749	95,465	106,791	105,356	107,373
Other businesses	53,473	46,977	57,822	65,270	64,339
Elimination or corporate	(2,103)	(2,107)	(3,449)	(4,242)	(4,720)
Consolidated	¥ 323,985	¥ 303,981	¥ 363,751	¥ 390,636	¥ 384,301

Operating income by business (consolidated)

	2019	2020	2021	2022	million yen/FY 2023
Elastomers Business	¥ 9,642	¥ 12,283	¥ 18,623	¥ 10,184	¥ 6,635
Specialty Materials Business	17,311	21,960	26,360	18,296	13,241
Other businesses	2,098	2,156	2,318	2,381	3,927
Elimination or corporate	(2,948)	(2,991)	(2,868)	(3,682)	(3,303)
Consolidated	¥ 28,122	¥ 35,428	¥ 46,454	¥ 29,201	¥ 22,523

Capital investment by business (consolidated)

	2019	2020	2021	2022	million yen/FY 2023
Elastomers Business	¥ 7,792	¥ 7,440	¥ 9,493	¥ 8,527	¥ 12,013
Specialty Materials Business	17,965	10,111	10,596	18,220	16,382
Other businesses	95	47	291	764	436
Elimination or corporate	3,236	2,047	2,521	6,534	3,304
Consolidated	¥ 31,107	¥ 21,665	¥ 24,922	¥ 36,067	¥ 34,158

Assets by business (consolidated)

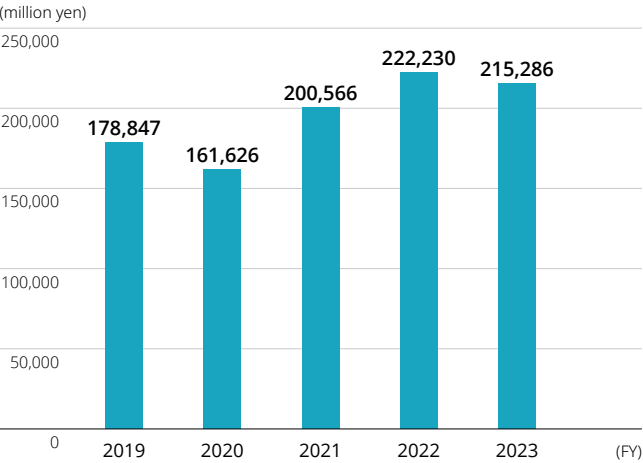
	2019	2020	2021	2022	million yen/FY 2023
Elastomers Business	¥ 189,618	¥ 195,856	¥ 223,375	¥ 234,261	¥ 233,233
Specialty Materials Business	101,425	118,840	118,724	134,490	143,563
Other businesses	31,193	30,006	42,008	41,778	49,468
Elimination or corporate	82,895	104,119	100,553	112,339	105,992
Consolidated	¥ 407,150	¥ 450,841	¥ 486,681	¥ 524,890	¥ 534,279

Depreciation by business (consolidated)

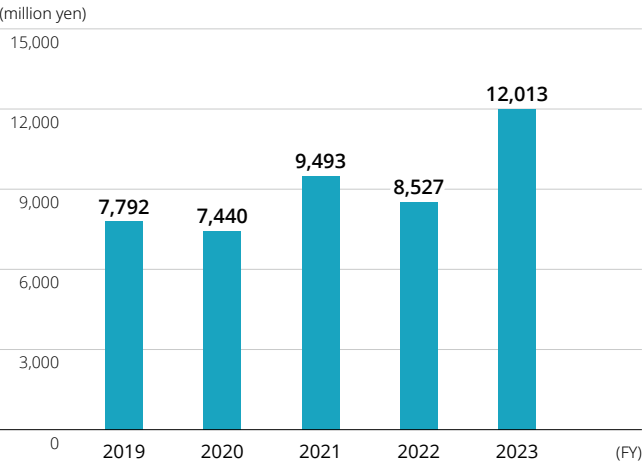
	2019	2020	2021	2022	million yen/FY 2023
Elastomers Business	¥ 8,432	¥ 8,211	¥ 8,846	¥ 8,475	¥ 7,385
Specialty Materials Business	6,089	7,362	10,208	9,574	10,631
Other businesses	312	263	243	268	171
Elimination or corporate	2,616	2,318	2,170	2,065	1,935
Consolidated	¥ 19,468	¥ 20,174	¥ 23,488	¥ 22,404	¥ 22,145

Elastomers Business

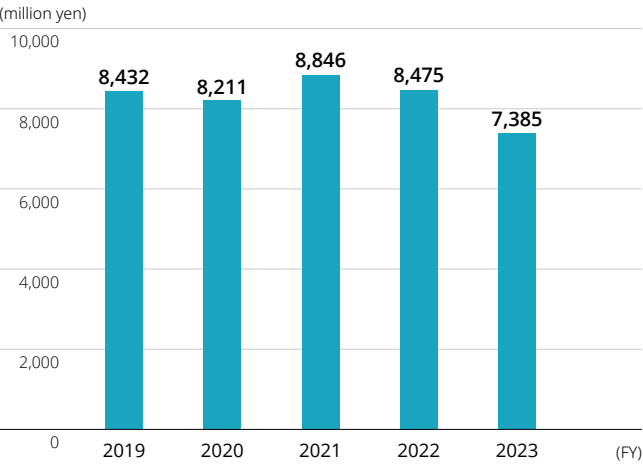
Net sales by business (consolidated)



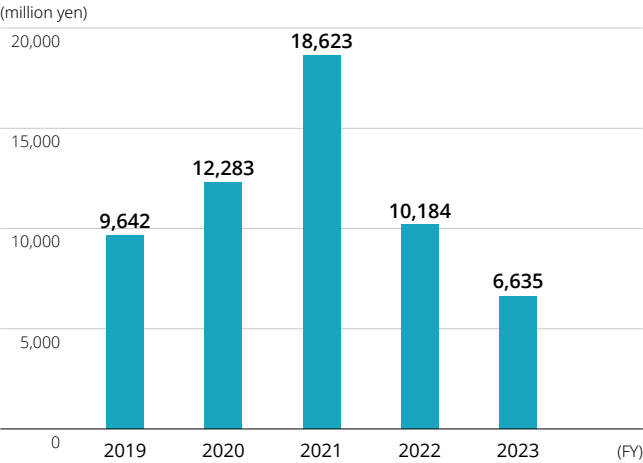
Capital investment by business (consolidated)



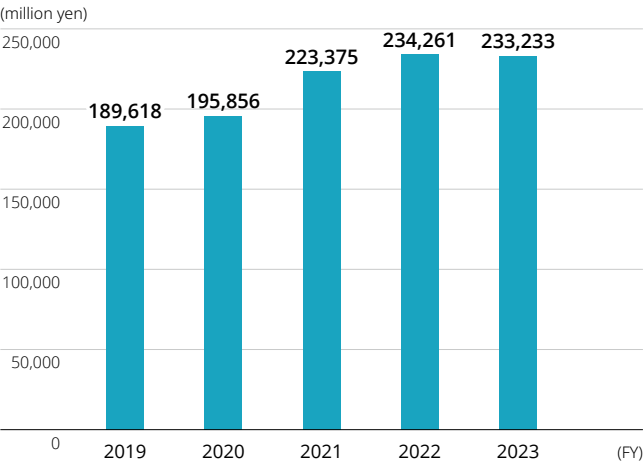
Depreciation by business (consolidated)



Operating income by business (consolidated)

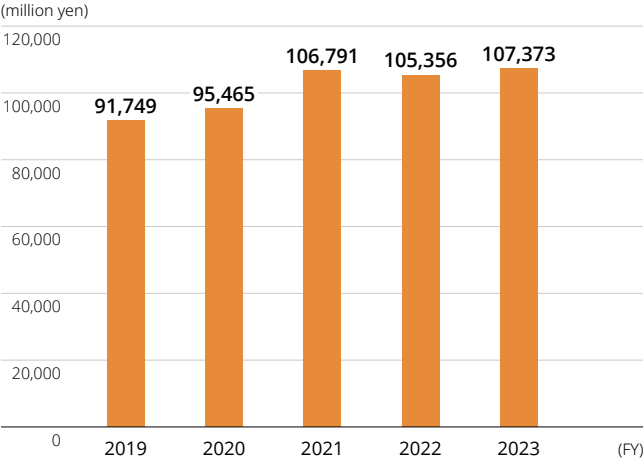


Assets by business (consolidated)

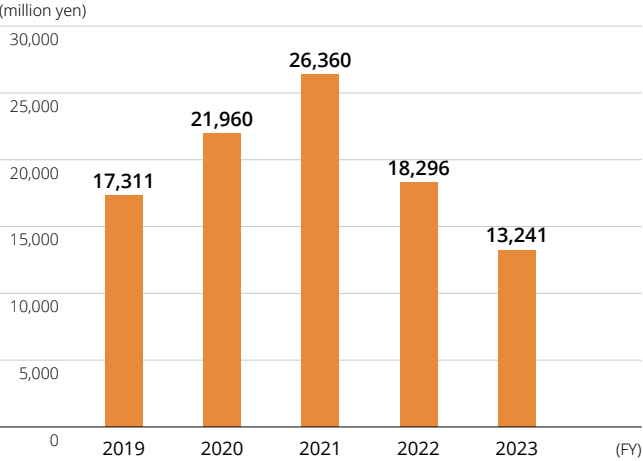


Specialty Materials Business

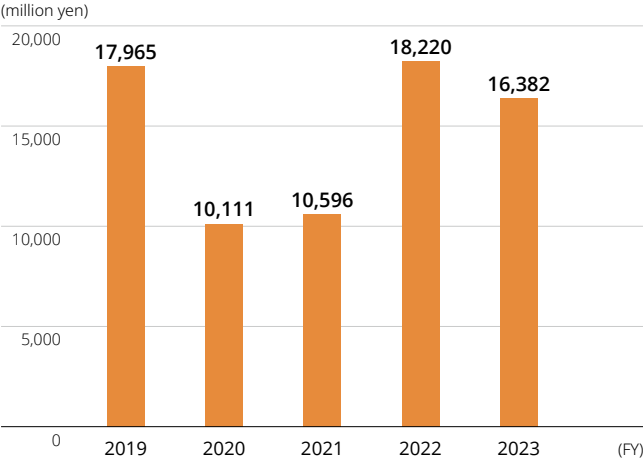
Net sales by business (consolidated)



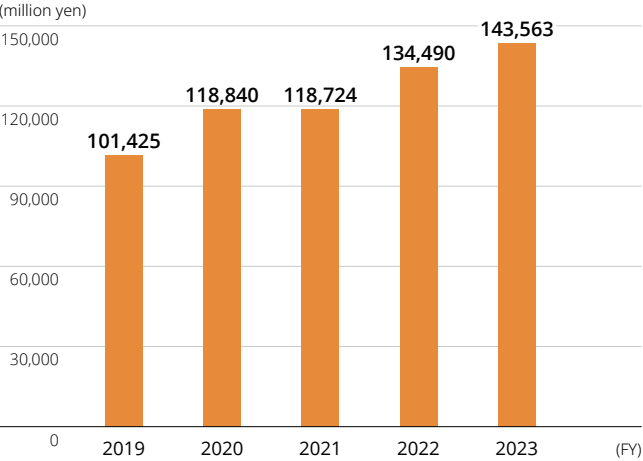
Operating income by business (consolidated)



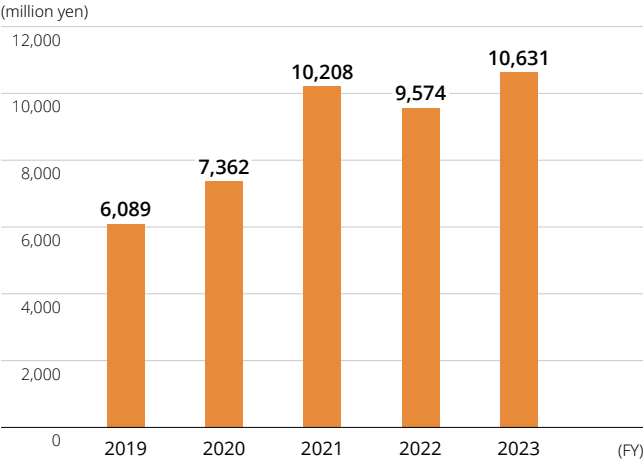
Capital investment by business (consolidated)



Assets by business (consolidated)

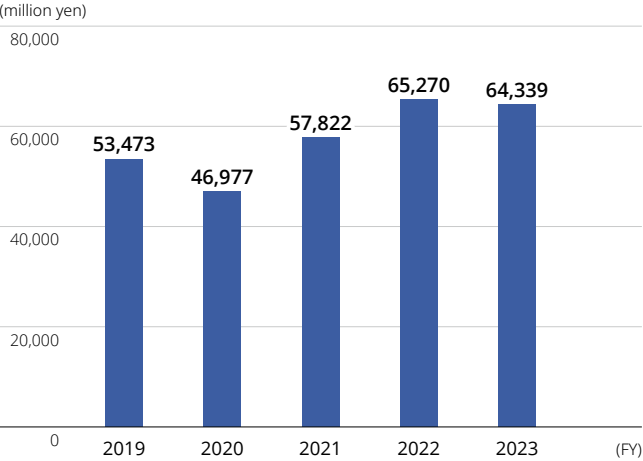


Depreciation by business (consolidated)

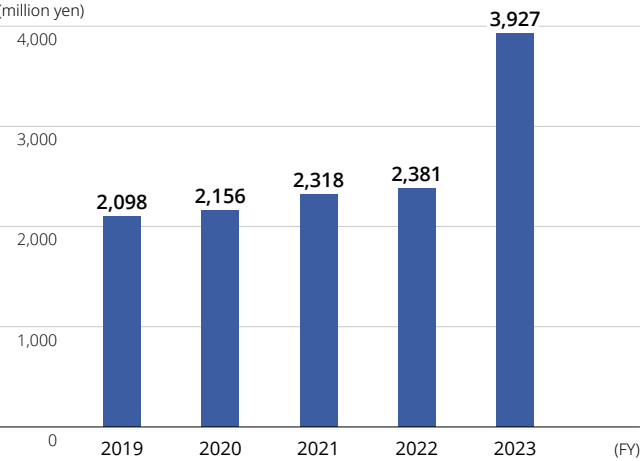


Other businesses

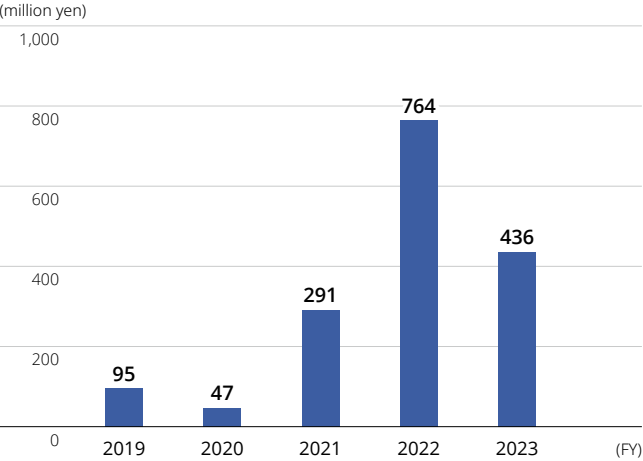
Net sales by business (consolidated)



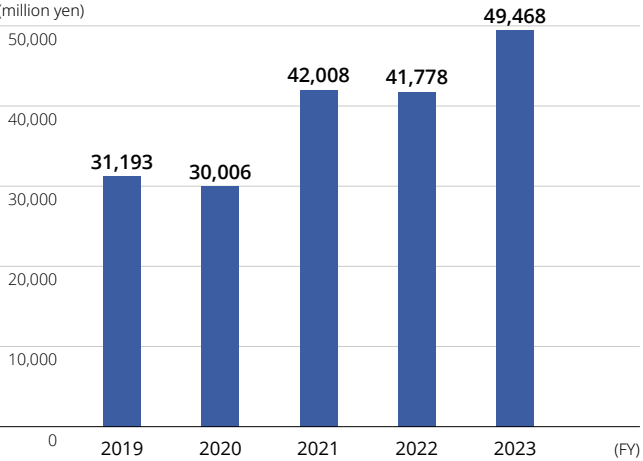
Operating income by business (consolidated)



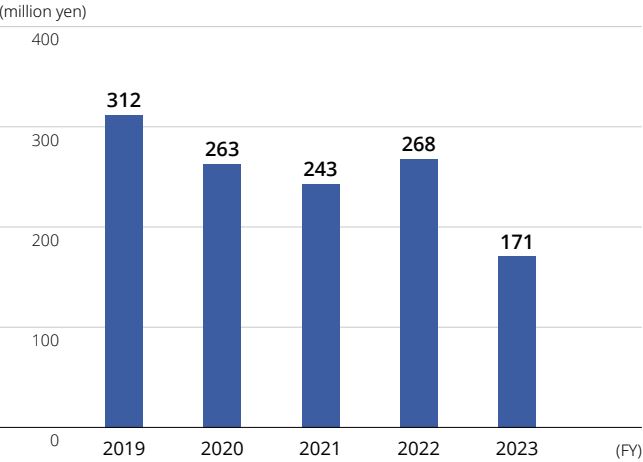
Capital investment by business (consolidated)



Assets by business (consolidated)



Depreciation by business (consolidated)





Production Capacity

Production capacity by products/plants

	Tokuyama	Kawasaki	Kurashiki	Takaoka	Mizushima	U.S.	Singapore	Thailand	t/year Total
Monomer									
Butadiene	180,000				157,000 <sup>*1</sup>				337,000
Isoprene					80,000				80,000
Rubber									
ESBR	80,000								80,000
SSBR	55,000						70,000		125,000
BR	65,000								65,000
IR					40,000				40,000
NBR	└─60,000 <sup>*2</sup> ─┐					15,000			75,000
HNBR		500		4,400		5,000			9,900
ACM		└─8500 <sup>*3</sup> ─┐				8,500		5,000	22,000
Others						10,000			10,000
Latex (dry basis)	└─92,500 <sup>*2</sup> ─┐								92,500
Chemicals									
Cs 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

	Takaoka	Himi Futagami	Tsuruga	million m <sup>2</sup> /year Total
Optical films	30	129	110 <sup>*4</sup>	269

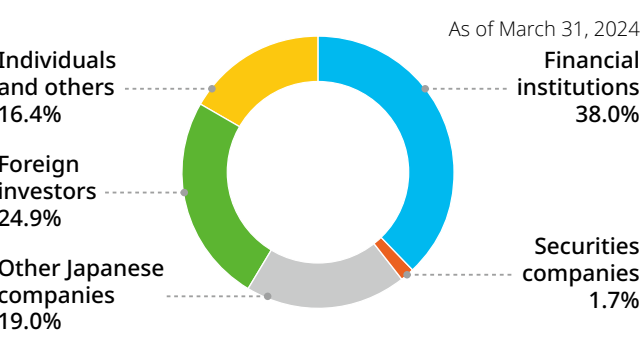
<sup>\*1</sup> Okayama Butadiene (Zeon Corporation and Asahi Kasei each invested 50%)  
<sup>\*2</sup> NBR and latex are totals from Tokuyama and Kawasaki  
<sup>\*3</sup> ACM are totals from Kawasaki and Kurashiki  
<sup>\*4</sup> Capacity increased from 60 million m<sup>2</sup> to 110 million m<sup>2</sup> in FY2023

Stock Information

Shares

	As of March 31, 2024
Type of shares issued	Common share
Number of shares issued	229,513,656
Stock exchange	Tokyo Stock Exchange (Prime Market)

Percentage of shareholders



Capital & net assets

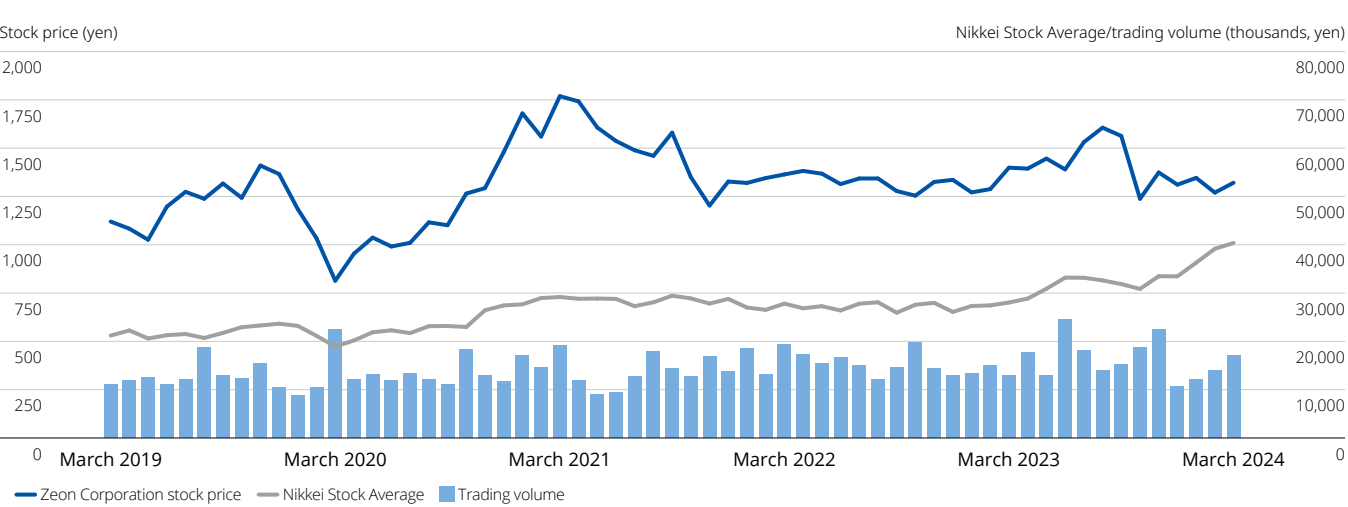
	March 2020	March 2021	March 2022	March 2023	million yen March 2024
Capital	24,211	24,211	24,211	24,211	24,211
Net assets	260,358	298,246	321,836	339,308	363,729

Major shareholders

Shareholder	Shares (thousand)	As of March 31, 2024 Rate (%)
The Master Trust Bank of Japan, Ltd. (trust account)	25,191	11.84
Custody Bank of Japan, Ltd. (trust account)	15,878	7.46
SSBTC CLIENT OMNIBUS ACCOUNT	12,652	5.95
Mizuho Bank, Ltd.	8,370	3.93
Asahi Mutual Life Insurance Company	7,679	3.61
The Yokohama Rubber Co., Ltd.	7,678	3.61
Asahi Kasei Corporation	5,043	2.37
National Mutual Insurance Federation of Agricultural Cooperatives	4,765	2.24
The Norinchukin Bank	4,000	1.88
Zeon Corporation Client Stock Ownership Association	3,847	1.81

<sup>\*</sup> Treasury stocks (16,762 thousand shares) are not included in the above list. Numbers of stocks have been rounded down to the nearest thousand.

Stock price trends



# ZEON

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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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