

June 5, 2024

To Our Shareholders and Investors

Company name: Zeon Corporation
Representative: Kimiaki Tanaka, Chairman
(Securities code: 4205; TSE Prime)

**Company's Opinion Regarding Proxy Advisor ISS's Recommendation "Against"
Item 2 to Be Proposed at the 99th Annual General Meeting of Shareholders**

The following is an explanation of the Company's opinion regarding a report issued by proxy advisory firm Institutional Shareholder Services Inc. ("ISS") recommending a vote "Against" candidates for director Kimiaki Tanaka and Tetsuya Toyoshima as per Proposal No. 2 to be proposed at the 99th Annual General Meeting of Shareholders, scheduled to be held on June 27, 2024.

We ask that shareholders and investors confirm the content of this explanation and understand the Company's proposal.

(1) Details of ISS's recommendation

ISS has set a criterion to the effect of recommending votes "Against" nominees for director, a top executive, when the amount of cross-shareholdings held by a company is 20% or more of the company's consolidated net assets.

With regard to shares held by the Company as cross-shareholdings, as shown on page 15 of the convocation notice, the Company has been reducing its cross-shareholdings and reduced the percentage from 23.7% as of the end of fiscal 2022 to 19.0% as of the end of fiscal 2023.

Notice of the 99th Annual General Meeting of Shareholders
<https://www.zeon.co.jp/en/ir/stock/meeting/pdf/240530.pdf>

Nevertheless, ISS is recommending a vote "Against" the proposed nominees for director, a top executive, on the basis of the ratio as of the end of fiscal 2022.

(2) Company's opinion

According to the 2024 edition of ISS's Proxy Voting Guidelines and Benchmark Policy Recommendations for Japan, the determination of the status of holdings in cross-shareholdings is in principle made using the information on cross-shareholdings included in the Company's annual securities report (*yukashoken hokokusho*). We therefore surmise that ISS's recommendation was made based on the report for fiscal 2022, submitted in June 2023. Under these guidelines, the specific criterion for a recommendation "Against" is whether the total balance sheet amount of investment security shares held for purposes other than pure investment and other shareholdings deemed to be cross-shareholdings is equivalent to 20% or more of consolidated net assets. However, as shown in the table below, the Company is not in violation of this criterion as of the end of fiscal 2023.

Status of cross-shareholdings

	FY2022		FY2023	
	No. of issuers (issuers)	Total value shown on balance sheet (million yen)	No. of issuers (issuers)	Total value shown on balance sheet (million yen)
Non-listed shares	31	635	30	534
Shares other than non-listed shares	48	79,660	49	68,605
Total	79	80,295	79	69,139
Consolidated net assets	—	339,308	—	363,729
Cross-shareholdings as a percentage of consolidated net assets	—	23.7%	—	19.0%

Note: There are no other items deemed to be shareholdings in fiscal 2022 or fiscal 2023.

The reduction in the number of issuers of “non-listed shares” and the increase in the number of issuers of “shares other than non-listed shares” were the result of the listing of Aidemy Inc. No new holdings were acquired as cross-shareholdings during fiscal 2023.

One of the Companywide strategies included in the “STAGE30 Phase 2” Mid-Term Management Plan being implemented from fiscal 2023 is “Refining the Management Base,” with a financial strategy target for fiscal 2026 of “a ratio of cross-shareholdings to consolidated net assets of less than 15%.” We are reducing cross-shareholdings to meet that target.

The total value of cross-shareholdings sold during fiscal 2023 was 33,511 million yen. As a result, as noted above, cross-shareholdings as a percentage of consolidated net assets stood at 19.0% as of the end of March 2024. We plan to continue to reduce this amount further, with the aforementioned target for fiscal 2026 as a minimum target.

On the basis of the fact that we have reduced the outstanding amount of cross-shareholdings to 19.0% of consolidated net assets as of the end of fiscal 2023, and that we have clearly stated our intention to continue this reduction, we ask that shareholders and investors have a correct understanding of the proposal before you exercise your voting rights.

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