



Kimiaki Tanaka President

ZEON CORPORATION(4205)



Company Information

Market	TSE 1st Section
Industry	Chemicals
President	Kimiaki Tanaka
HQ Address	Marunouchi 1-6-2, Chiyoda-ku, Tokyo
Year-end	March
HOME PAGE	http://www.zeon.co.jp/index_e.html

Stock Information

Share Price	Shares Outstanding (including treasury shares)	Total market cap	ROE Act.	Trading Unit	
¥1,286	237,075,556 shares	¥304,879 million	10.0%	100 shares	
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
¥25.00	1.9%	¥144.01	8.9x	¥1,349.89	1.0x

* Share price as of closing on December 7. Number of shares outstanding, DPS and EPS are from the financial results for the second quarter of the fiscal year ending March 2022. ROE and BPS are from the previous fiscal year.

Earnings Trend

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
Mar. 2018	332,682	38,881	40,893	13,056	58.81	17.00
Mar. 2019	337,499	33,147	36,319	18,458	84.06	19.00
Mar. 2020	321,966	26,104	28,744	20,201	92.44	21.00
Mar. 2021	301,961	33,408	38,668	27,716	126.74	22.00
Mar. 2022 Est.	333,000	42,000	44,500	31,500	144.01	25.00

*Unit: million yen, yen. Estimates are those of the company. As "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), etc. will be applied from the beginning of FY March 2022, the consolidated financial forecast is the amount after the application of the said accounting standard, etc. Net income is net income attributed to parent shareholders. The same shall apply hereafter.

This Bridge Report presents ZEON CORPORATION's earnings results for the second quarter of fiscal year ending March 2022.

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Key Points

- In the cumulative second quarter of the fiscal year March 2022, sales increased 30.3% year-on-year to 179.0 billion yen, and operating income rose 151.7% year-on-year to 24.9 billion yen. Sales in the Elastomer Business increased due to price revisions in response to higher prices of raw materials, and profit increased significantly despite higher costs. A shortage of export containers continued from the first quarter is causing delays in some shipments. Sales in the Specialty Materials Business increased due to steady demand for optical films and other products. Profit increased due to larger shipment volume, lower fixed manufacturing costs due to increased production, and reduction in costs. In energy materials there was a lull due to semiconductor shortages and power restrictions in China. On a quarterly basis, sales and profit increased year-on-year, but sales increased and profits decreased quarter-on-quarter.
- There is no change in the earnings forecasts. Net sales are expected to increase 10.3% year-on-year to 333 billion yen, and operating income is expected to increase 25.7% year-on-year to 42 billion yen. The company revised its dividend forecast to 25 yen per share, up 3 yen per share from the previous term (from 24 yen per share before the revision). The expected payout ratio is 17.4%.
- The progress rates of the results in the first half toward the full-year forecasts are 53.8% for net sales and 59.4% for operating income. Both are high compared to those in the past few years and can be said to be progressing well. However, we need to keep a close eye on the shortage of semiconductors, raw material price trends, container shortages, and soaring ocean freight rates, which are factors in downturn. In particular, what will happen to naphtha prices, which rose 80% from the previous year to 50,400 yen per kiloliter in the second quarter (July-September) and are expected to be 49,000 yen per kiloliter in the second half of the year, seems to be an important point.

1. Company Overview

ZEON CORPORATION is a petrochemical manufacturer that maintains numerous products with a large share of the global markets including synthetic rubber used in automobile parts and tires, synthetic latex used in surgery-use gloves, and other products. The Company's strengths include its creative technology development function, R&D structure, and high earnings generation capability. Many of the products and materials manufactured by Zeon are used in a wide variety of products including automobile parts and tires, rubber gloves, disposable diapers, cell phones, LCD televisions, perfumes and other products commonly used in everyday life. The Zeon Group is comprised of the parent company 59 subsidiaries and 7 affiliated companies. Zeon also has manufacturing and marketing facilities in 16 countries around the world.

(Annual Securities Report for the fiscal year March 2021)



(Source: the company)

1-1 Company Name and Management Vision

The company name “Zeon” is derived from the Greek word for earth “geo” (phonetically pronounced “zeo” in Japanese) and the English word reflecting eternity “eon,” and reflects the Company’s principle of **“deriving raw materials from the earth and perpetually contributing to human prosperity”** through the development and application of creative technologies.

(Zeon’s original name “Geon,” used at the time of its establishment, was derived from the trademark acquired for the vinyl chloride plastics “Geon” from B.F. Goodrich Company in the United States, with which it had capital and collaborative technological agreements. The company name was changed to “Zeon” when the capital agreement was dissolved in 1970.)

1-2 Corporate History

Zeon was established as a joint venture company formed by the Furukawa Group of companies: Nippon Light Metal Co., Ltd., Furukawa Electric Co., Ltd., and Yokohama Rubber Co., Ltd. in April 1950 to acquire and use the vinyl chloride resins technology from B.F. Goodrich Chemicals Co.

In 1951, Goodrich acquired 35% of the shares of Zeon for full-scale technological and capital partnership, and in 1952 mass production of vinyl chloride resins began in Japan for the first time.

In 1959, Goodrich transferred synthetic rubber manufacturing technologies to Zeon, which, in turn, started Japan’s first mass production of synthetic rubber. Manufacturing facilities were also expanded to match the growing demand for automobile parts.

In 1965, use of the Company’s unique technology called Geon Process of Butadiene (GPB) for the efficient manufacture of butadiene (main raw material of synthetic rubber) from C₄ fraction was operational.

Goodrich transferred its specialty synthetic rubber business to Zeon along with the shift in its main business focus toward vinyl chloride resins. Capital ties were dissolved in 1970. Along with these changes, the Company name was changed from Geon to Zeon in 1971.

Also, in 1971, Zeon developed a unique technology called Geon Process of Isoprene (GPI) and began using it to manufacture raw materials including high-purity isoprene, Petroleum plastics, and synthetic perfume ingredients from C₅ fraction.

After entering the 1980s, Zeon aggressively launched new businesses in various fields including photoresists and other information materials, synthetic fragrance, and medical-related applications in addition to its main synthetic rubber business.

In 1984, production of hydrogenated nitrile rubber Zetpol[®], which currently has top share of the worldwide market, began at the Takaoka Plant.

In 1990, manufacture of cyclo olefin polymer (COP) ZEONEX[®], which is the main product of the specialty materials business using the GPI method to extract and synthesize products, was started at the Mizushima Plant.

In 1993, Zeon entered China with its electronics materials business.

In 1999, Zeon Chemicals L.P. (Consolidated subsidiary in the United States) acquired the specialty rubber business of Goodyear Tire & Rubber Company of the United States to become the world’s top manufacturer of specialty rubber.

In 2000, Zeon discontinued production of vinyl chloride resins at the Mizushima Plant, and thus withdrew from the Company’s founding business.

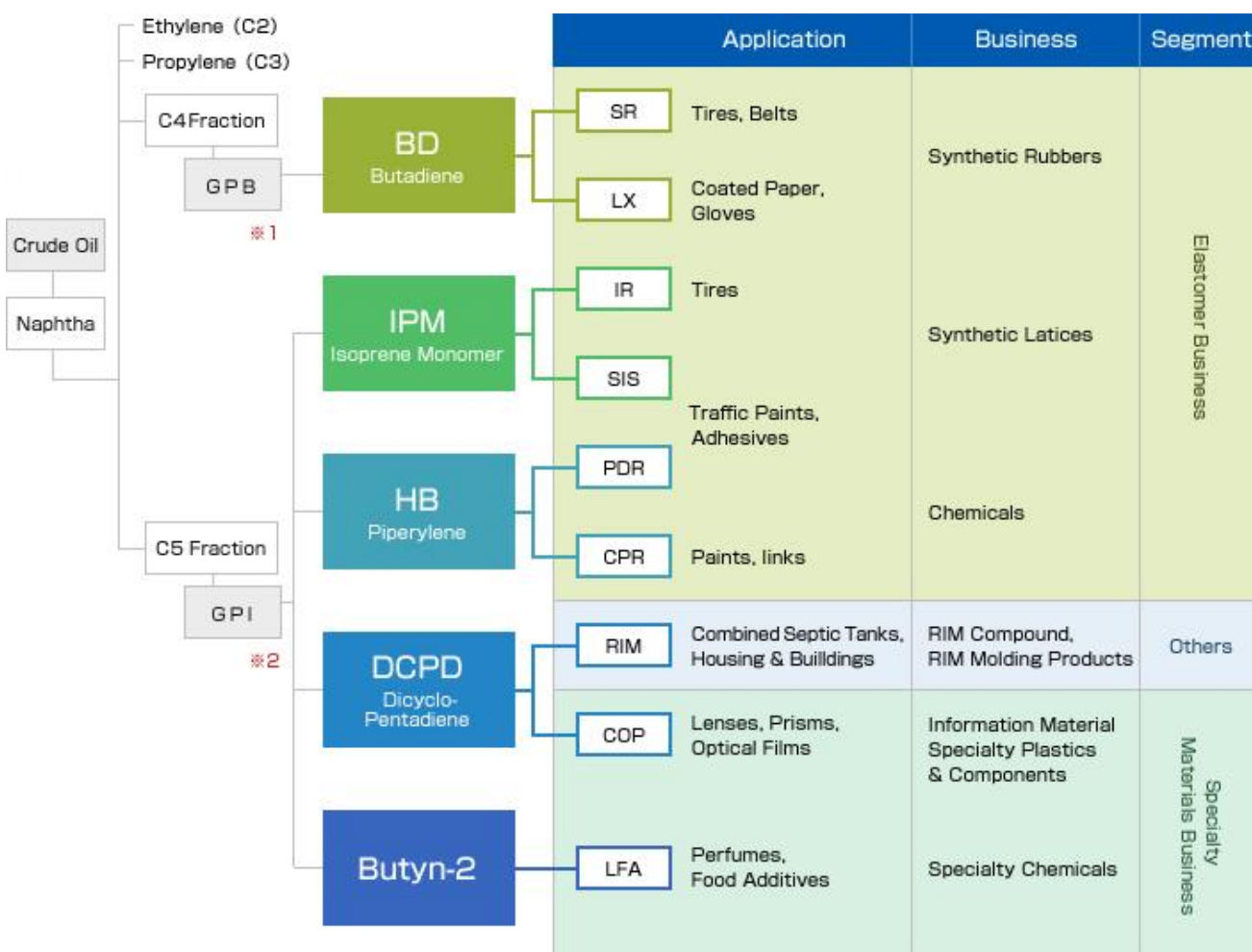
Since the 21st century came, the company has been operating business actively. For example, by releasing ZeonorFilm[®], an optical film for LCD, strengthening global production and sales systems, starting the commercial operation of solution-polymerized styrene-butadiene rubber(S-SBR) in Singapore, upgrading the equipment for optical films for LCD in Himi-shi, Toyama Prefecture, starting the operation of the world’s first mass-production factory for super-growth carbon nanotubes, and establishing a joint venture for manufacturing and selling S-SBR in cooperation with Sumitomo Chemical.

1-3 Business Description

Zeon’s main products use various extracted from naphtha, which is extracted by distillation of crude oil.

When the naphtha is heated, carbon monoxide gas (C₁), ethylene (C₂), and propylene (C₃) are extracted in sequence.

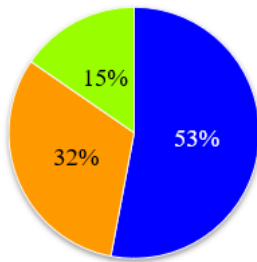
Zeon uses **butadiene** extracted in the GPB method developed in-house from C₄ fraction, **isoprene monomer**, **piperylene**, **dicyclopentadiene**, and **2-butyne** extracted from C₅ fraction using the GPI method, as raw materials to be processed into synthetic rubber, synthetic latex and various other materials.



(Source: the company)

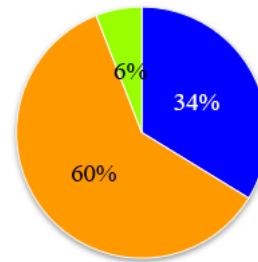
Zeon has three business segments: 1) the elastomer business, where manufactured basic materials are sold to customers; 2) the specialty materials business, where basic materials are submitted to primary processing for sale to customers as processed materials, and 3) the other business.

Sales (FY3/21)



■ Elastomer Business ■ Specialty Material Business ■ Other Business

Operating Income(FY3/21)



■ Elastomer Business ■ Specialty Material Business ■ Other Business

* Based on consolidated figures before companywide adjustments

*Both are results for the fiscal year ended March 2021. Composition ratio is before elimination and company-wide.

Elastomer Business

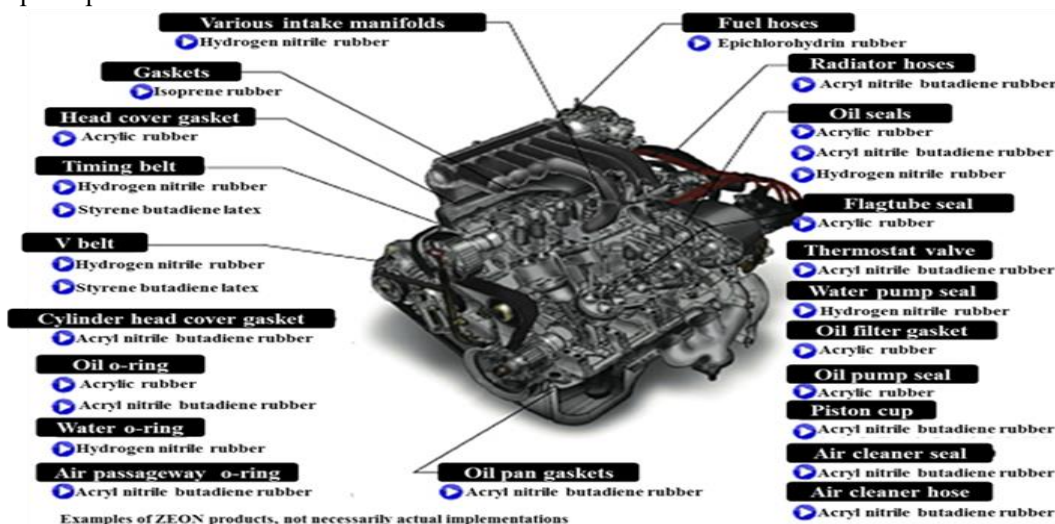
Elastomers are “high molecular compounds that have rubber-like elastic properties,” an example of which is synthetic rubber. As described in the corporate history section of this report, in 1959 Zeon became the first company in Japan to mass-produce synthetic rubber, which became the foundation underlying all of Zeon’s businesses. This business includes the segments of synthetic rubbers, synthetic latices, and chemicals products (Petroleum resins, thermoplastic elastomers) businesses.

1) Synthetic Rubbers Business

Example of final product: Tires

Zeon provides the world’s leading tire manufacturers with the world’s highest-quality synthetic rubber for use in tires. Among the various types of synthetic rubber manufactured are styrene butadiene rubber (SBR), which promotes superior abrasion resistance, aging resistance and mechanical strength properties, butadiene rubber (BR), which includes a superior balance between elasticity, wear and low-temperature properties, and isoprene rubber (IR), which features similar properties as natural rubber but with higher quality stability. It is expected that the demand for S-SBR for fuel-efficient tires, which was developed by improving the characteristics of SBR, will grow rapidly. In order to increase the supplying capacity for coping with it, the first line of Singapore Factory started operation in September 2013, and the second line in April 2016. The supplying capacity of Singapore Factory is now 70,000 tons.

Example of product: Automobile Parts



(Source: the company)

Radiator hoses, fuel hoses, fan belts, oil seals, and various other car engine parts use specialty synthetic rubber that has superior oil resistance and heat deterioration-resistant qualities.

Zeon is the world's number one manufacturer of specialty synthetic rubber and features high quality levels and high market share of specialty synthetic rubber automobile parts. In particular, Zeon's Zetpol[®] hydrogenated nitrile rubber, used for timing belts, displays superior heat and oil resistance and mechanical strength characteristic and claims high share of the worldwide market.

Furthermore, a new grade of Zetpol[®] has vastly improved the performance of products using the original versions of Zetpol[®].

Products using the new grade of Zetpol[®] are heat resistant at temperatures that exceed the limits for the original version of Zetpol[®] by 10 degrees centigrade, thereby extending the life of seals and gaskets, and are in strong demand for use in next generation bio-fuel engines. The new grade of Zetpol[®] is well suited to extrusion processing which is being leveraged to expand its usage in various hoses. Products using Zetpol[®] have also been well received by customers and are being used increasingly as a replacement material for more expensive competitive rubber in Japan, Asia, Europe, and North America.

2) Synthetic Latexes Business

Synthetic latex is liquid rubber that synthetic rubber dispersed in water. It is used to manufacture gloves, paper coating, textile processing, adhesives, paints, and cosmetic puffs, etc. Zeon has high share of NBR latex used in cosmetic puffs in the world.

3) Chemicals Business

Zeon produces C₅ fraction by its unique in-house GPI method, and turn it into materials for adhesive tapes and hot melt adhesive traffic paint binder and a wide variety of other products.

Specialty Materials Business

Zeon deals in high value-added materials and parts that are created using its unique technologies including polymer design and processing technologies.

This is composed of the specialty plastics business, including optical plastics and optical films, the specialty chemicals business, including specialty chemicals, energy materials, electronic materials and polymerized toners, and the medical devices business.

1) Specialty materials Business

◎ Optical plastics and optical films

Cyclo olefin polymer is thermoplastic polymer developed using raw material extracted from C₅ fraction using GPI methods and synthesized with Zeon's own unique technologies. The commercial products are ZEONEX[®] and ZEONOR[®].

ZEONEX[®] leverages its high transparency, low water absorption, low absorptive and chemical resistance properties for use in camera and projector lenses and other optical applications and in medical use containers including syringes and vials.

ZEONOR[®] leverages its high transparency, transferability, and heat resistance properties for use as transparent general use engineering plastics used in light guide plates, automobile parts, semiconductor containers and a wide range of other product applications.

ZeonorFilm[®] is the world's first optical film by the melt extrusion method from the cyclo olefin polymer. It is excellent in optical properties, low water absorption / low moisture permeability, high heat resistance, low outgassing, and dimensional stability. It is used in a wide range of applications such as displays for LCD TV, smartphones, tablets, and OLED displays.



(Source: the company)

“Diagonally-stretched optical film” is also Zeon’s world first development.

The OELD application as anti-reflection film is progressing, and demand for small- to medium-sized flat panel display applications is growing. The company’s optical films are produced in 3 bases: Takaoka city, Toyama prefecture, Himi city, Toyama prefecture, and Tsuruga city, Fukui prefecture.

ZEOCOAT® is organic insulation material used in electronic devices such as cellphones, smartphones, and LCD televisions.

ZEOCOAT® was successful in improving both the picture quality and reliability of displays because of its high transparency, extremely low water absorption and low gas generation properties. Zeon will aggressively expand its marketing efforts for OELDs, which will be thinner displays than LCD, thin-film transistors using new semiconductors, and flexible displays.

◎ Energy Materials

Zeon provides materials for Li-ion battery in this segment; anode / cathode binders, binder for functional layer (heat resistant separator), and sealant. Currently, Li-ion batteries are widely used as a power source for mobile devices such as smartphone and notebook computers and there is a strong demand for batteries with higher capacity.

Adoption for electric vehicles, including hybrid and plug-in hybrid cars, and industrial power sources (such as smart grids, etc.) is expanding, since it is lightweight and compact and can store a lot of energy. On the other hand, there was a problem that lifetime tends to decrease under high temperature usage. The company has advanced the function of Li-ion battery binder and succeeded in developing an aqueous cathode binder, which greatly contributes to longer battery life. In addition, Zeon succeeded in commercializing anode binder, which can raise the storage capacity of Li-ion battery by 5% to 15%.

The company believes that its binders and sealants for the cathode, anode, and functional layer (heat-resistant separator) will contribute to the improvement of the five major performance parameters of lithium-ion batteries: durability, capacity, productivity, safety, and quick charge, and thus contribute to the popularization of electric vehicles.

The company focused on the promising future of Li-ion batteries and worked on it for a long time. Zeon seeks to keep its top share in the Li-ion battery binder market, aims to expand the diffusion of new material functions that meet the needs of the application and propose functional materials to realize the next generation of new batteries.



(Source: the company)

◎ Specialty Chemicals

Zeon deals in specialty chemicals that use derivatives from C₅ fraction, such as synthesized fragrances for cosmetics and flavor used in foods, characteristic solvents, and plant growth regulator.

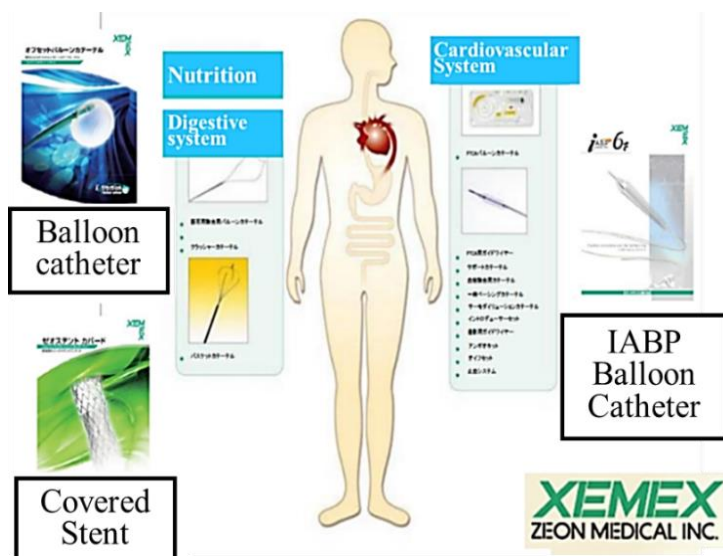
The Company holds the world’s top share of the synthesized fragrances in green note. They provide a wide range of specialty products including ingredients for intermediary bodies used in medical and agricultural chemicals, alternative solvents to CFCs, cleaning agents, urethane expanding agent, and functional ether agents.

2) Medical Devices Business

The medical device market is relatively well insulated from fluctuations in the economy and is anticipated to grow with the aging society in Japan and expansion in developing countries. Furthermore, medical device companies are subject to strict laws and regulations, and they need to submit approval applications to regulatory bodies. In addition, the need to develop relationships with healthcare professionals is critical and the subsequent high barriers to entry makes this a highly attractive market.

Along with the start of development of artificial kidneys in 1974, Zeon aggressively promoted its medical device business. In 1989, a subsidiary Zeon Medical Inc. was established to conduct development, manufacturing, sales, and all other functions of the medical field for the Zeon Group. Zeon has shown bountiful development track record both in gastroenterology and cardiovascular area.

“The Offset Balloon Catheter” as a means of differentiation in the gallstone removal process and with Japan’s first biliary covered stent “Zeostent Covered” in the area of gastroenterology products, and the world’s smallest diameter “XEMEX IABP Balloon PLUS” as a device to aid the heartbeat at times of acute myocardial infarction in the area of cardiovascular products.



(Source: the company)

Currently Zeon is focusing efforts in the development of the biliary stone removal devices that eliminate pain. Zeon has a lineup of products for extracting biliary stones ranging from extremely large stones to sludge and sand with products such as XEMEX Crusher Catheter, XEMEX Basket Catheter NT, Extraction Balloon Catheter, and is aiming at a 50% share of the gallstone removal market.

In March 2016, the Company launched the world’s first optical sensor FFR device as a type of guide wire. Because it uses an optical fiber sensor, mistaken readings of blood pressure measurements rarely occur. The operability as a guide wire has also gained a high evaluation.

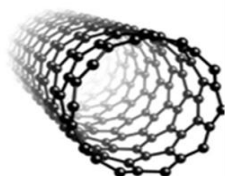
* FFR: fractional flow reserve ratio for quantitatively evaluating the severity of lesions and determining treatment strategies in diagnosing and treating coronary arteries.

【New Specialty Materials Development: ~Carbon Nano Tube (CNT)~】

Aggressive R&D activities have allowed Zeon to launch various new materials into the market, and particularly high expectation is in the development of “single-wall carbon nanotubes (CNT)”.

1) What is Single-Walled CNT?

Carbon Nanotubes (CNTs) are cylindrical nanostructure formed by hexagonal lattice of carbon atoms. In 1993, Sumio Iijima, Ph.D., head of the Applied Nanotube Research Center of the National Institute of Advanced Industrial Science and Technology (AIST), discovered this structure for the first time in the world and named *Carbon Nanotubes (CNTs)*. CNTs are categorized into single-walled and multiple-walled CNTs. Multiple-walled CNT is relatively easy to manufacture and the developments for commercial applications already started.



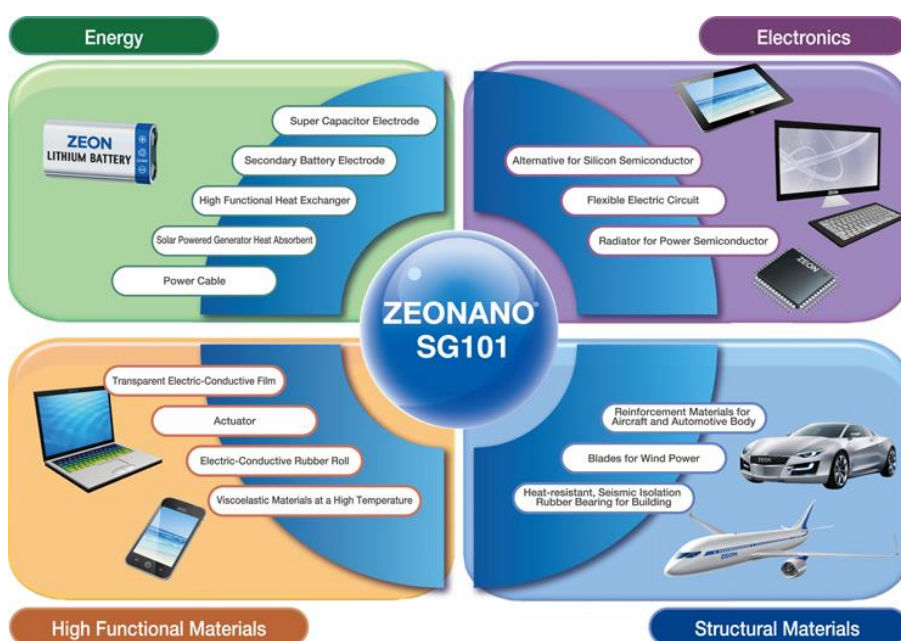
Single Wall Carbon Nanotube

(Source: the company)

At the same time, single-walled CNT exhibits the following properties and is superior to multiple-walled CNT:

- 20 times stronger than steel
- 10 times more heat conductive than copper
- Half as dense as aluminum
- 10 times the electron mobility of silicon
- lightweight but highly flexible
- has extremely high electric-and heat-conductivity properties

Possible CNT applications are electrical conductivity assistance agent in Li-ion batteries, transparent conductive film used in electronic paper and ultra-thin touch panel because of its high elasticity and strength, and as a thermal interface material. Because of its ability to absorb a wide spectrum of light, practical applications of single-walled CNT are being promoted in the area of electromagnetic wave absorbing materials for use in a wide range of fields including energy, electronics, structural materials, and other specialty materials.



(Source: Homepage of Zeon Nano Technology Co., Ltd.)

Conventional single-walled CNT has several major issues including high levels of impurities, low levels of productivity and high manufacturing costs, which are about several tens of thousands to hundreds of thousands of yen per gram.

2) Zeon's Efforts and Position

Against this backdrop, the company aims at establishing technologies that are necessary for the commercialization of new products using single-walled CNT developed in Japan with its numerous superior qualities in response to the worldwide social demands to realize a low-carbon society.

Using the synthesizing technology *super growth method* developed by Dr. Kenji Hata (Ph.D.) of the AIST as a base, Zeon has been conducting R&D for mass production and application development (Started supplying samples for mass production from AIST in April 2011 for compound materials at a validation plant that was established in December 2010 on the premises of the Tsukuba Center of the AIST).

Among the main reasons that the AIST Nanotube Application Research Center selected Zeon to become its partner were the impressive track record and results obtained by Kohei Arakawa, Zeon's former Managing Director, as a researcher in CNT R&D. The company is important to realize commercial applications of this new material.

3) Future Endeavors

Having established the mass production technology based on the *super growth* method, Zeon completed the CNT production facility and started mass production, the first in the world in November 2015 in its Tokuyama plant at Shunan-city, Yamaguchi Prefecture. Zeon is the only company in the world that has established mass production technologies for single-wall CNT. Companies around the world request for its product samples. Consequently, shipments of samples have already begun. Zeon has also begun to propose practical applications of this product.

At the same time, single-wall CNT is a type of nanomaterial that is extremely small and fiber shape. Therefore, there is a concern that it may have some impact upon biological processes depending upon its size and shape. Currently, the AIST is conducting standardization of the evaluation process, and activities for the OECD endpoint measurement are being conducted, with global standardization and legal and regulatory aspects being considered.

Other Business

The combination liquid for Reaction Injection Molding (RIM) using the ingredient dicyclopentadiene (DCPD) as a raw material.

1-4 ROE Analysis

	FY Mar. 14	FY Mar. 15	FY Mar. 16	FY Mar. 17	FY Mar. 18	FY Mar. 19	FY Mar. 20	FY Mar. 21
ROE (%)	11.7	9.8	8.6	10.3	5.3	7.2	7.9	10.0
Net income margin (%)	6.63	6.20	6.12	8.05	3.92	5.47	6.27	9.18
Total asset turnover (times)	0.82	0.80	0.75	0.72	0.78	0.79	0.78	0.71
Leverage (x)	2.15	1.98	1.86	1.77	1.71	1.66	1.62	1.55

Due to the rise in net income margin, the ROE for the fiscal year March 2021 exceeded 8%, which is generally said to be the percentage that Japanese companies should achieve, and reached the 10% range for the first time in four quarters. It is expected that profitability will continue to improve, mainly by the growth of the Specialty Materials Segment sales.

1-5 Characteristics and Strengths

1. World's Leading Creative Technology Development Capability

The GPB method used to manufacture butadiene from C₄ fraction is the most important development in Japan's postwar history of chemicals and is licensed to 49 plants in 19 countries around the world.

In addition, the Mizushima Plant is the world's only plant with GPI method to extract high-purity isoprene and other effective substances from C₃ fraction. This Zeon's GPI method is a completely unique technology, which is not provided to other companies.

These two technologies represent the creative technological capabilities that are among the strengths of Zeon. They also are highly regarded and have received numerous awards in the global markets. Regarding technologies, Zeon has received 48 awards since 1960 including the GPB and GPI methods, in addition to 26 awards since 1982 for its environment conservation and safety efforts.

2. High Worldwide Share

Zetpol[®], ZEONEX[®], and ZEONOR[®] are representative of the products born from Zeon's highly creative technologies, which have allowed it to acquire high shares of worldwide markets. In addition, their Leaf alcohol for in cosmetics and food flavorings and NBR latex for cosmetic puffs have the world's top share.

3. R&D Structure that Continues to Yield Creative Technologies

Zeon seeks to conduct R&D activities based upon its basic corporate philosophy of "contributing to society by continuously creating the world's No.1 products and businesses based on innovative and original technologies that are unique to ZEON, even in niche markets, in fields in which ZEON excels, and that no one else can imitate, and that are friendly to the earth."

The Company's main R&D center is in Kawasaki City, Kanagawa Prefecture. Zeon has also established the Precision Optics Laboratory

and Medical Laboratory at the Takaoka Plant, the Specialty Chemical Product Research Facility at the Yonezawa Plant, the Toner Research Facility at the Tokuyama Plant and C₅ Chemicals Laboratory at the Mizushima Plant for more efficient R&D activities to be conducted closer to the manufacturing sites. The technical support bases are in the U.S., Germany, Singapore, and China.

New research and development initiatives have also been launched, including the establishment of the Emergence Promotion Center, which specializes in new businesses and technologies, and is taking on the challenge of sustainable research and development, including efforts to address the SDGs, which are to be attained by 2030.

2. Second Quarter of the Fiscal Year ending March 2022 Earnings Results

2-1 Consolidated Earnings

◎Total Earnings

	2Q FY 3/21	Ratio to sales	2Q FY 3/22	Ratio to sales	YoY	Compared with forecast (1)	Compared with forecast (2)
Sales	137,415	100.0%	179,075	100.0%	+30.3%	+15.5%	+0.6%
Gross Profit	40,524	29.5%	59,896	33.4%	+47.8%	-	-
SG&A	30,610	22.3%	34,946	19.5%	+14.2%	-	-
Operating Income	9,913	7.2%	24,951	13.9%	+151.7%	+55.9%	-0.2%
Ordinary Income	10,939	8.0%	26,578	14.8%	+143.0%	+56.3%	+0.3%
Quarterly Net Income	8,182	6.0%	18,394	10.3%	+124.8%	+53.3%	-0.6%

*Unit: million yen. Forecast (1) and (2) are ratio to the initial forecast and the revised forecast announced in July 2021, respectively.

◎Quarterly Earnings

	1Q FY 3/21	2Q	3Q	4Q	1Q FY 3/22	2Q	3Q	4Q
Sales	69,492	67,923	78,889	85,657	87,171	91,904	-	-
Operating Income	4,310	5,603	11,157	12,338	13,865	11,086	-	-

*Unit: million yen.

Sales increased, Profit increased

Sales were 179.0 billion yen, up 30.3% from the previous term, operating income increased 151.7% to 24.9 billion yen.

In the elastomer materials business, sales increased due to price revisions in response to higher prices of raw materials, and profit increased significantly despite higher costs. Some shipments were delayed due to a shortage of export containers as in the first quarter. Sales of the specialty materials business increased due to steady demand for optical films and other products. Profit increased due to higher shipment volume, lower fixed manufacturing costs due to increased production, and cost reduction. In energy materials, there was a lull due to semiconductor shortages and power restrictions in China.

On a quarterly basis, sales and profits increased year-on-year, but sales increased and profits decreased quarter-on-quarter.

2-2 Trends by Business Segments

◎Total Earnings

	2Q FY 3/21	2Q FY 3/22	YoY	Compared with forecast (1)	Compared with forecast (2)
Sales					
Elastomer Business	71,271	98,896	+38.8%	+19.2%	-2.1%
Specialty materials Business	46,505	54,082	+16.3%	+15.1%	+7.1%
Other Business	20,585	27,606	+34.1%	+10.4%	+4.2%
adjustment	-946	-1,510	-	-	-
Total	137,415	179,075	+30.3%	+15.5%	+0.6%

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Operating Income					
Elastomer Business	829	10,842	+1207.8%	+97.1%	-1.4%
Specialty materials Business	9,747	14,019	+43.8%	+33.5%	+0.1%
Other Business	459	1,296	+182.4%	-	-
adjustment	-1,122	-1,206	-	-	-
Total	9,913	24,951	+151.7%	+55.9%	-0.2%

*Unit: million Yen. Forecast (1) and (2) are ratio to the initial forecast and the revised forecast announced in July 2021, respectively.

◎Quarterly Earnings

	1Q FY 3/21	2Q	3Q	4Q	1Q FY 3/22	2Q	3Q	4Q
Sales								
Elastomer Business	37,104	34,167	43,127	47,228	48,718	50,178	-	-
Specialty materials Business	22,345	24,160	23,693	25,267	25,159	28,923	-	-
Other Business	10,559	10,026	12,520	13,872	13,990	13,616	-	-
Operating Income								
Elastomer Business	-117	946	4,488	6,966	6,069	4,773	-	-
Specialty materials Business	4,814	4,933	6,579	5,634	7,761	6,258	-	-
Other Business	222	237	635	1,062	581	715	-	-

*Unit: million Yen

【Elastomers】

Sales and profit increased year on year.

Sales increased due to price revisions in response to rising prices of raw materials, and profits also increased substantially.

A shortage of export containers has caused delays in some shipments.

Sales increased from the previous term, but profit decreased due to higher prices of raw materials and the disposal of inventory assets.

*Synthetic rubbers

Demand remains strong even under the circumstances of reduced automobile production, and sales are strong for domestic, export, and overseas subsidiaries. Both sales and operating income significantly increased from the same period of the previous term, when the global economy slowed down sharply due to the spread of the novel coronavirus.

* Synthetic latexes

Sales and operating income both increased year on year due to continued growth in demand for medical and hygienic gloves against the backdrop of the spread of the novel coronavirus, as well as steady growth in resin modification applications.

*Chemical products

The demand for both the adhesive tape in Europe and the U.S. and the traffic paint in Asia is strong, but sales volume is lower than that in the same period of the previous term due to shipment adjustments caused by periodic inspections at the Mizushima plant. On the other hand, sales and operating income increased year-on-year owing to price revisions due to tight supply and demand and rising naphtha prices.

【Specialty Materials】

Sales and income increased year-on-year.

Sales increased thanks to the steady demand for specialty chemicals including energy materials and specialty plastics including optical films. Profit increased as a result of higher shipment volume, lower fixed manufacturing costs due to increased production, and cost reductions.

Operating income decreased due to expenses associated with optical film-related experiment production, etc., despite an increase in sales as a result of higher shipments of specialty plastics compared to the previous term.

(Trend of each item)

***Energy materials**

Second-quarter shipments were up 47% from the same period of the previous year and down 10% from the previous term.

The shipment volume of energy materials for EVs increased 82% year-on-year, but decreased 14% quarter-on-quarter. There was a temporary decrease due to semiconductor shortages and power restrictions in China. The company expects a recovery in the third quarter. The shipment volume of energy materials for consumer electronics and others increased 1% year-on-year, but remained unchanged quarter-on-quarter. The shipment volume of energy materials for consumer electronics and mobile devices were unchanged quarter-on-quarter, while sales for industrial applications (ESS) were firm.

***Optical plastics (cyclo olefin polymer)**

Shipment volume increased 17% from the same period of the previous year and down 9% from the previous term.

Sales of products for optical applications increased 26% from the same period of the previous year and increased by 7% from the previous term. Shipment volume for security cameras and mobile phones were strong.

Sales of products for medical and other applications augmented 11% from the same period of the previous year and decreased 18% from the previous term. Demand is steady, despite the decrease from the previous quarter due to the end of the shipping season.

*** Optical films**

Shipment volume increased 4% year on year and 2% from the previous term.

As for small and medium-sized applications, it increased by 1% YoY, and 11% from the previous term. Shipment volume for both smartphones and tablets were strong, and the impact of the semiconductor shortage was minimal.

Shipments for large-size products increased by 5% both year on year and compared to the previous term. Sales to the Chinese market remain strong.

2-3 Financial standing and cash flows

◎Main Balance Sheet

	End of 3/21	End of 9/21	Increase/ decrease		End of 3/21	End of 9/21	Increase/ decrease
Current Assets	233,248	268,120	+34,872	Current liabilities	113,853	145,334	+31,481
Cash	51,970	62,200	+10,230	Payables	65,921	84,275	+18,354
Receivables	75,688	80,645	+4,957	ST Interest- Bearing Liabilities	8,960	18,960	+10,000
Inventories	67,354	78,322	+10,968	Noncurrent liabilities	36,722	27,147	-9,575
Noncurrent Assets	215,573	221,572	+5,999	LT Interest- Bearing Liabilities	10,000	-	-10,000
Tangible Assets	117,579	122,367	+4,788	Total Liabilities	150,575	172,480	+21,905
Intangible Assets	3,293	3,135	-158	Net Assets	298,246	317,211	+18,965
Investment, Others	94,701	96,070	+1,369	Capital	295,269	314,054	+18,785
Total assets	448,821	489,691	+40,870	Total Liabilities and Net Assets	448,821	489,691	+40,870

*Unit: million yen. Receivables include electronically booked receivables; likewise, payables include electronically booked payables.

Total assets increased by 40.9 billion yen from the end of the previous fiscal year, mainly due to increases in cash, inventories, and tangible assets.

Net assets increased by 19.0 billion yen due to an increase in retained earnings and valuation difference on available-for-sale securities. As a result, the equity ratio decreased by 1.7 percentage points from the end of the previous fiscal year to 64.1%, and the D/E ratio remained unchanged at 0.06.

3. Fiscal Year ending March 2022 Earnings Forecasts

3-1 Earnings Forecast

	FY 3/21	Ratio to Sales	FY3/22(Est)	Ratio to Sales	YoY	Progress rate
Sales	301,961	100.0%	333,000	100.0%	+10.3%	53.8%
Operating Income	33,408	11.1%	42,000	12.6%	+25.7%	59.4%
Ordinary Income	38,668	12.8%	44,500	13.4%	+15.1%	59.7%
Net Income	27,716	9.2%	31,500	9.5%	+13.7%	58.4%

*Unit: million yen.

There is no change in the financial forecast. Sales increased and Profit increased

There is no change in the earnings forecasts. Net sales are expected to increase 10.3% year-on-year to 333 billion yen, and operating income is expected to increase 25.7% year-on-year to 42 billion yen. Although the shortage of semiconductors, raw material price trends, container shortages and rising ocean freight rates are uncertain factors, the company has revised its 2H forecast and left its full-year forecast unchanged. The company revised its dividend forecast to 25 yen per share, up 3 yen per share from the previous term (from 24 yen per share before the revision). The expected payout ratio is 17.4%.

3-2 Trends by Business Segments

The Elastomer Business is expected to increase sales by 13.2% from the previous term, while profits will increase 39.8% from the previous term. The sales and profits of the Specialty Materials Business are forecasted to go up 4.2% and 15.9%, respectively from the previous term.

	1H	2H (Est)	Full Year (Est)	YoY	Progress rate
Sales					
Elastomer Business	989	841	1,830	+13.2%	54.0%
Specialty materials Business	541	460	1,000	+4.8%	54.1%
Other Business and eliminations, etc.	261	239	500	+11.4%	55.2%
Total	1,791	1,540	3,330	+10.3%	53.8%
Operating Income					
Elastomer Business	108	56	165	+34.3%	65.7%
Specialty materials Business	140	118	258	+17.5%	54.3%
Other Business and eliminations, etc.	1	-4	-3	-	-
Total	250	170	420	+25.7%	59.4%

*Unit: billion yen

4. Status of Activities for the Mid-term Management Plan from FY 2021 to FY 2022

The status of major activities for the Mid-term Management Plan from fiscal year March 2021 to fiscal year March 2022 is as follows.

4-1 Status of Company-wide Strategic Activities (1)

Promoting a shift to manufacturing for realizing carbon neutrality and a circular economy

They will formulate a master plan for carbon neutrality with a focus on 2050 and will persistently implement research and development along with technological innovation necessary for the long-term shift of manufacturing. They will reduce total CO₂ emissions (emissions from manufacturing Scope 1 + 2) from 722,000 tons in 2013.

Specifically, they will focus on energy conservation, technological innovation, and fuel conversion, and make efforts to produce butadiene as a raw material from biomass in developmental stages.

The reduction target value for 2030 is being considered, with a focus on achieving carbon neutrality in fiscal year 2050.



4-2 Status of Company-wide Strategic Activities (2)

Polishing up existing businesses + Exploring new businesses + Building a digital infrastructure to create value for customers

The target for 2030 is to increase the ratio of sales of products contributing to SDGs to 50%, improve ROIC from existing businesses to 9.0%, and grow sales from new businesses by 60 billion yen from fiscal year March 2020.

◎Polishing up existing businesses

In terms of strengthening optical plastics, they will focus on timely investment in capacity expansion which will drive growing markets and resilience enhancement.

Regarding the former step, the production capacity of the Mizushima plant will be increased from 37,000 tons/year to 41,600 tons/year. The construction was completed in July 2021.

The demand for smartphone cameras and prefilled syringes is expected to grow in the future. Prefilled syringes are being highly appraised in the U.S.

Regarding the latter step, to reduce dependence on the Mizushima plant, they are seeking new production bases.



Regarding strengthening energy materials, the EV market is growing faster than previously expected, with sales forecasts for battery-powered vehicles being revised upward.

Competition for lithium-ion batteries is also intensifying, but they plan to launch highly competitive products that will contribute to the improvement of five major functions: durability, capacity, productivity, safety, and quick charge.

One of these products is AFL[®], an adhesive for separators, has a long life and high productivity, with high expected growth.



Regarding continuous success with existing SBU (Strategic Business Unit), they will pursue sustainability by improving the efficiency of use of resources and equipment.

In the field of elastomer materials, they will work to strengthen differentiated products and improve the efficiency of each production line.

Zeon Chemicals Asia Co., Ltd. (Thailand), the fourth plant, with a production capacity of 5,000 tons/year, began commercial production in August 2021.

The total production capacity of four sites around the world expanded to 22,000 tons/year. They will maintain the top share in the market of acrylic rubber.

They will continuously increase their market share of special rubber since internal combustion engine vehicles can coexist with EVs at a certain level, even as the electrification of vehicles continues.

At the same time, they will strive to meet new demand generated by the shift to EVs and develop new products while building a portfolio by utilizing the various advantages that their global bases offer and will work to improve production efficiency and optimize the production of items.

In the field of specialty materials, they will take initiatives toward product development and capacity enhancement to further strengthen their strengths.

In the field of optical films, they decided to expand the 2,500 mm-wide film line in Tsuruga factory to cope with the increasing sizes of TV sets. Production capacity is 50 million m² per year. Construction is scheduled to begin in April 2022, with production scheduled to begin in October 2023.



◎Exploring new businesses

Regarding the resource concentration with specifying priority areas, the priority areas are CASE/MaaS, Medical/Life Science, Information and Communication, and Energy Conservation.

Priority Areas	Specific Materials/Products
Medical/Life Science	Microfluidic chip/components for inspection and analysis using COP (Cyclic Olefin Polymer)
CASE/MaaS	Adhesive for automotive multi-materials (a newly developed material for bonding materials that do not stick together)
Information and Communication (5G and 6G)	Film circuit board and semiconductor container equipped with the newly developed heat resistant COP
Energy Conservation	Sheet-Based Thermal Interface Material (TIM), Solar Card

To this end, they established four organizations in April 2021: the Incubation Center, the Mobility Business Drive Department, the “ZEON NEXT” Exploration Department, and the Next Generation Devices Department . In the field of Information and Communication (5G, 6G), production of Thermal Interface Materials (TIM) has started. They believe it will contribute to the solution of the thermal management problem in the semiconductor industry. In addition, to promote open innovation activities, they participated as a partner company in 1st Round, a startup development program hosted by the University of Tokyo IPC, a subsidiary of the University of Tokyo.



4-3 Status of Company-wide Strategic Activities (3)

Creating a "stage" together where every individual can demonstrate their strengths

The target for 2030 is an employee engagement level of 75% and a ratio of non-Japanese/female directors (including internal and external directors and auditors) of 30%.

They will achieve the above targets by creating an environment that provides employees with more choices in their lives to realize their well-being, including work style reform, childcare and nursing care support, career design, recurrent education, workplace dialogue, and support for club activities.

They will make efforts to improve employee engagement by focusing on DI&B (Diversity, Inclusion and Belongings) activities. The in-house event “DI&B Week” was established in September 2021 to promote awareness and understanding throughout the company.

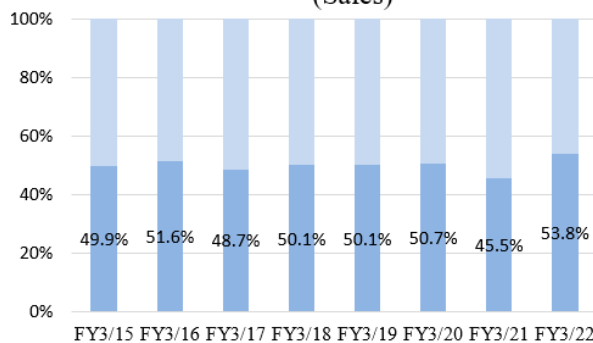
In April 2021, telework was officially systemized to implement a new way of working. At the company's head office in Marunouchi, Tokyo, discussions are underway on a full-scale reorganization aimed at the implementation of "a new way of working" and "cherishing." Regarding the redevelopment of the environment, initiatives such as the expansion of childcare and nursing care support measures, career design support, and review of the welfare system, are being taken to create a work style that is not limited by time and place.



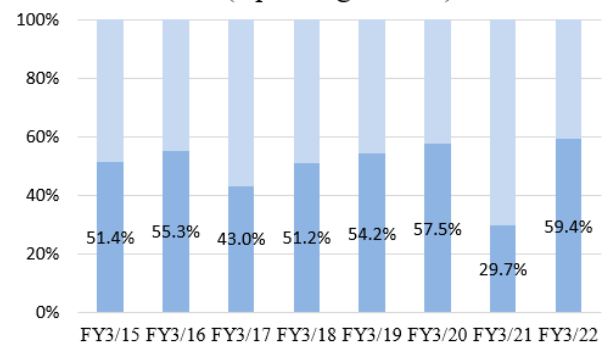
5. Conclusions

The progress rates of the results in the first half toward the full-year forecasts are 53.8% for net sales and 59.4% for operating income. Both are high compared to those in the past few years and can be said to be progressing well. However, we need to keep a close eye on the shortage of semiconductors, raw material price trends, container shortages, and soaring ocean freight rates, which are factors in downturn. In particular, what will happen to naphtha prices, which rose 80% from the previous year to 50,400 yen per kiloliter in the second quarter (July-September) and are expected to be 49,000 yen per kiloliter in the second half of the year, seems to be an important point.

Composition ratio of 1st half for full year results (Sales)



Composition ratio of 1st half for full year results (Operating income)



*FY 3/22 is a composition ratio for the full-year forecast. Other than that, Full-year results.

<Reference 1: New Medium-term Management Plan>

The company announced a new medium-term management plan with this term as the first fiscal year.

1-1 Summary of the Previous Medium-term Management Plan

In the previous medium-term management plan, SZ-20 Phase III, the company set goals of achieving record-high sales in the first year (fiscal year March 2019) and consolidated sales of 500 billion yen or more in the final year, fiscal year March 2021. However, the company did not achieve this goal.

The sales of the Elastomer Business were impacted by the global economic stagnation caused by the US-China trade conflict and the spread of the novel coronavirus. As for the Specialty Materials Business, the sales of optical plastics, optical films, and energy materials were strong.

1-2 Overview of the New Medium-term Management Plan

The corporate philosophy is to contribute to the preservation of the earth and the prosperity of human race.

Zeon's mission befits the company name's origin, which is acquiring raw materials from the earth and prospering for eternity. The company's mission is to contribute to a sustainable planet and a safe and comfortable life for people by providing unique technologies, products, and services.

Based on this mission, the company set its vision for 2030 to be a company that meets the expectations of society and the aspirations of employees.

Furthermore, the company has listed three specific action guidelines for all employees to focus on: "Let's try first," "Let's connect," and "Let's polish up."

Zeon will focus on achieving nine of the SDGs' target to be a company that meets society's expectations.



(Source: the company)

The company views the period of this new medium-term management plan as two years to build a foundation for realizing the vision for 2030.

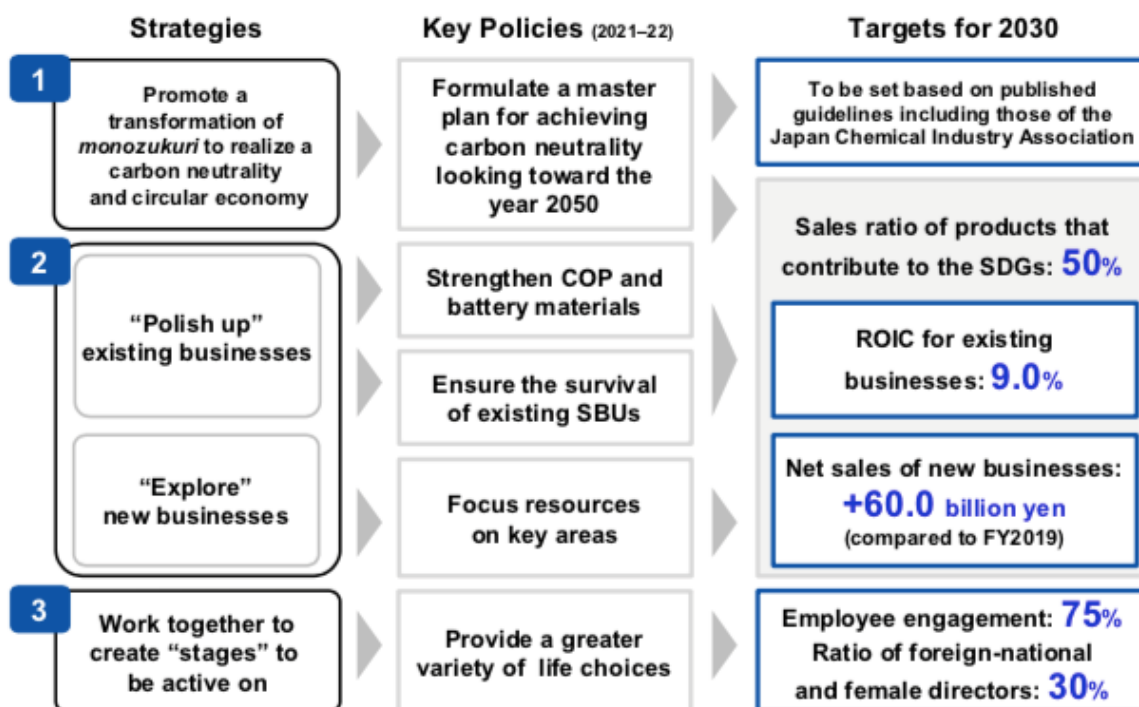
1-3 2030 Vision and Company-wide Strategies

The company has formulated three company-wide strategies to realize its vision for 2030.



(Source: the company)

Furthermore, the key measures of the company-wide strategies and the targets for 2030 are as follows.



(Source: the company)

1-4 Outline of the Company-wide Strategy

(1) Promote the shift to manufacturing that realizes carbon neutrality and a circular economy

The company will formulate a carbon-neutral master plan leading up to 2050 and persistently implement R & D and technological innovation necessary to shift to long-term manufacturing.

The company will reduce the total CO₂ emissions (emissions associated with the production of Scope 1 + 2) from the 722,000 tons released in 2013.

Specifically, the company will work on the production of butadiene, a raw material, from biomass.

The company will set the target values for 2030 based on the guidelines of the Japan Chemical Industry Association and such.



(2) “Polish up” existing businesses, “explorie” new businesses, and developing digital infrastructure to create value for customers

The targets for 2030 are a sales ratio of products contributing to the SDGs of 50%, a ROIC of the existing businesses of 9.0%, and an increase in new business sales of 60 billion yen from the fiscal year March 2020.

1) “Polish up” existing businesses

Regarding enhancing specialty plastics, the company will focus on timely capacity-building investments that drive growth markets and improving resilience.

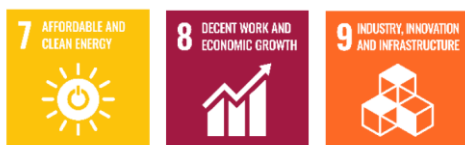
As for the former, the company will increase the production capacity of the Mizushima Plant from 37,000 tons to 41,600 tons per year. The construction is to be completed in July 2021.

As for the latter, the company will proceed with the study of new production bases to reduce the dependence on the Mizushima Plant.



Regarding enhancing energy materials, the company will introduce a new product group that contributes to improving the five major performances required for lithium-ion batteries; durability, capacity, productivity, safety, and charge and discharge rate.

One of them, AFL®, an adhesive for separators, possesses a long lifespan and high productivity, and its sales are expected to grow at a high rate.



Regarding the survival of existing SBUs (Strategic Business Units), Zeon will improve resource and equipment utilization efficiency to pursue sustainability.

For elastomers businesses, the company will work on enhancing differentiated products and improving the efficiency of all production lines. As for specialty materials, the company will work on product development and capacity enhancement to further improve its strengths.



2) “Explore” new businesses

Regarding determining priority fields and concentrating resources, the company has set CASE and MaaS, healthcare and life sciences, information technology, and energy-saving as the priority fields.

Priority fields	Specific materials and products
Healthcare and life sciences	Inspection and analysis components and microfluidic chips using COP (Cyclo olefin Polymer)
CASE and MaaS	Multi-material adhesive for vehicles (newly developed material that adheres substances that do not stick to each other)
Telecommunications	Film substrates and semiconductor containers using newly developed heat-resistant COP
Energy-Conservation	Sheet-type thermal interface materials (TIM) and solar cards



3) Developing a digital infrastructure for customer value creation

The promotion of digital transformation is indispensable for creating value for customers and achieving goals of both existing businesses and new businesses.

The company will go through the following stages to promote the reforms leading to 2030.

Build a digital infrastructure: human resource development (such as power user development), advanced simulation of existing businesses, and promotion of smart plants

↓

Transformation of corporate management and business management: understanding global markets and businesses in real-time

↓

Creation of customer value: Transformation of the business model by MI* and AI

* MI stands for Materials informatics, which works on improving the efficiency of material development by using informatics methods that utilize statistical analysis.



(3) Create “Stages” where everyone can demonstrate their individual strengths

The targets for 2030 are an employee engagement rate of 75% and a foreigner and female executive ratio of 30% (adding both internal and external company directors and audit & supervisory board members).

The company will create an environment that provides more lifestyle options to achieve employees’ well-being, such as work style reforms, childcare and nursing care support, career design, recurrent education, workplace dialogues, and club support to achieve the above goals.



1-5 Financial Targets for 2030 and Shareholder Returns

The company aims to achieve both business expansion through new investments and the improvement of capital efficiency.

The company plans to allocate a total of 350 billion yen for new investments by the fiscal year 2030 to achieve the targets, a ROIC of existing businesses of 9.0% and an increase in new business sales of 60 billion yen from the fiscal year March 2020.

Moreover, the company has continued to increase dividends from the fiscal year 2010 to the fiscal year 2020 and intends to provide continuous and stable shareholder returns.

<Reference 2: Regarding Corporate Governance>

◎ Organization type, and the composition of directors and auditors

Organization type	Company with auditors
Directors	6 directors, including 3 external ones
Auditors	5 auditors, including 3 external ones

◎ Corporate Governance Report

Last update date: :November, 25, 2021

Basic policy

Our company respects the interests of a broad range of stakeholders, including shareholders, and aims to earn revenue and continuously improve our corporate value while adjusting the relations of interests. To do so, we will make continuous efforts to establish a system for realizing efficient, sound business administration through corporate governance.

In addition, we will make decisions and execute business operations swiftly after clarifying the functions and roles of each institution and each in-company organization by developing internal control systems. We will properly monitor and disclose its progress and results and strive to improve the transparency of our business administration.

Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)

(All principles are based on the Code revised in June 2021, including the content for the prime market)

Our company follows the principles of the corporate governance code.

Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)

Principles	Disclosure content
【Principle 1-4 The so-called strategically held shares】	<ul style="list-style-type: none"> • Before strategically holding shares of any other companies, we consider carefully if the strategically held shares of a company strengthen the relationship between us and our business partners, the society and other stakeholders and will eventually enhance our corporate value in a medium- to long-term perspective. • As for shares held based on these considerations, the company will annually verify the appropriateness of holding shares of each company by considering the appropriateness of its holding purpose and whether the benefits, risks, etc. that come along are commensurate with the

	<p>capital cost. Most recently, the Board of Directors made the verification in their meeting, which was held on October 29, 2021, and decided that it would be appropriate to hold all of the stocks. We will continue to examine the possibility of reducing the number of stocks that are deemed to have lost their significance in the future.</p> <ul style="list-style-type: none"> • We will determine when to exercise our voting right of strategically held shares based on a medium- to long-term viewpoint on enhancement of the corporate value of the company that we invest in.
<p>[Supplementary Principle 4-11-1 Concept of Balance, Diversity, and Scale of the Board of Directors]</p>	<p>-The Board of Directors shall consist of diverse directors with different backgrounds such as knowledge, experience, and expertise. As the scale of the board should be appropriate for sufficient deliberation and prompt and rational decision-making, the number of directors shall be limited to 15 or less based on the provisions of the Articles of Incorporation.</p> <p>-In order to appropriately reflect the opinions of personnel with abundant experience and insight, such as outside corporate managers and those who possess experience in public administration, in the company's management policy and to ensure the effectiveness of independent and objective management supervision by the Board of Directors, we will appoint multiple independent outside directors who will not be involved in business execution.</p> <p>-For a list of the skills that the Board of Directors should possess in light of the Company's management strategy and the combination of skills that each Director possesses and that the Company specifically expects him/her to demonstrate (so-called skills matrix), please refer to the Company's Corporate Report (https://www.zeon.co.jp/csr/report/).</p>
<p>Principle 5-1 Policy on constructive dialogue with shareholders</p>	<ul style="list-style-type: none"> • In our company, the IR and SR Department is in charge of interacting with our shareholders, and the Director of Administration manages the office. • The IR and SR Dept. appropriately exchanges information with the related departments within our company and provides precise and unbiased information to our shareholders. • Our company will continuously strive to enrich methods of dialogue other than individual interviews, such as holding information sessions for investors on a quarterly basis, improving explanatory materials for our financial results disclosed on our website and participating in company information sessions for individual investors. • The IR and SR Dept. collates and analyzes opinions obtained through interaction with our shareholders when necessary and report them to the Representative Director. • Our company thoroughly manages unreleased important facts in accordance with the "Insider Trading and Timely Disclosure Management Rules", and communicates with our shareholders to prevent information leak.

BRIDGE REPORT



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<Appendix : Fact Sheet>

Fact Sheet

<Major Shareholders>

Shareholder	Number of Holding Shares (thousand)	Rate (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	23,761	10.86
Yokohama Rubber Co., Ltd.	22,682	10.37
Japan Custody Bank, Ltd. (Trust Account)	12,180	5.57
Mizuho Bank, Ltd	9,600	4.39
Asahi Mutual Life Insurance Company	7,679	3.51
Asahi Kasei Corporation	6,438	2.94
National Mutual Insurance Federation of Agricultural	4,765	2.18
The Norinchukin Bank	4,000	1.83
ZEON Business Partners Shareholding Association	3,802	1.74
STATE STREET BANK AND TRUST COMPANY 505001	3,544	1.62
	48,454	45.00

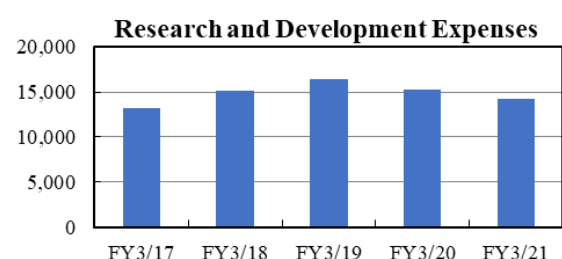
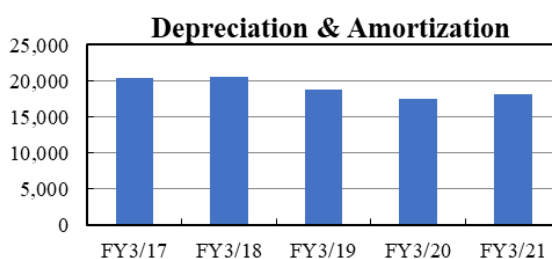
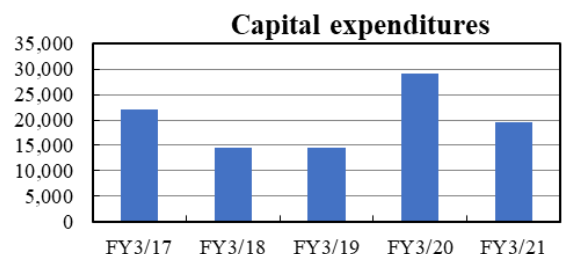
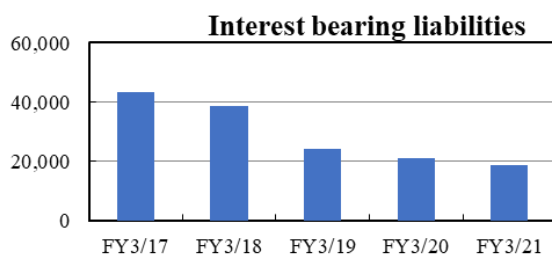
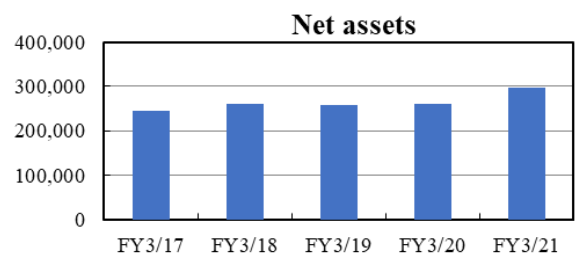
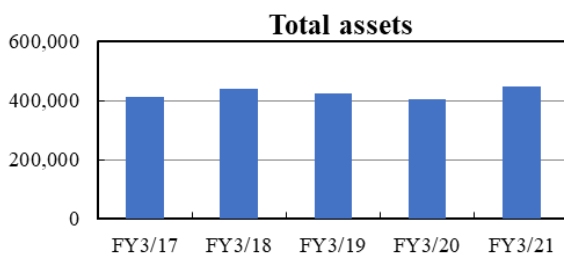
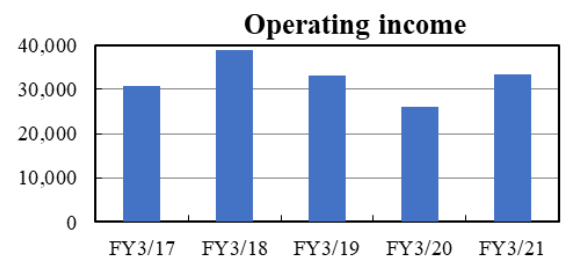
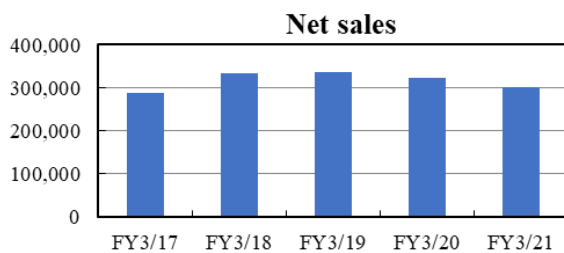
*Total number of shares issued at the end of the term common stock 237,075,556shares

As of Sept 30, 2021

<Selected Financial Data>

	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21
Net sales	287,624	332,682	337,499	321,966	301,961
Gross profit	86,925	101,272	96,742	91,911	97,552
Operating income	30,767	38,881	33,147	26,104	33,408
Ordinary income	31,805	40,893	36,319	28,744	38,668
Net income	23,152	13,056	18,458	20,201	27,716
EPS (JPY)	104.3	58.8	84.1	92.4	126.7
DPS (JPY)	16.00	17.00	19.00	21.00	22.00
Total assets	411,415	443,917	424,937	405,131	448,821
Net assets	244,634	259,940	259,156	260,358	298,246
Interest bearing liabilities	43,177	38,573	24,125	20,960	18,960
Capital expenditures	22,122	14,568	14,640	29,088	19,645
Depreciation & Amortization	20,431	20,539	18,780	17,448	18,154
R&D Expenses	13,233	15,103	16,480	15,274	14,258

(Units: Million Yen)



BRIDGE REPORT

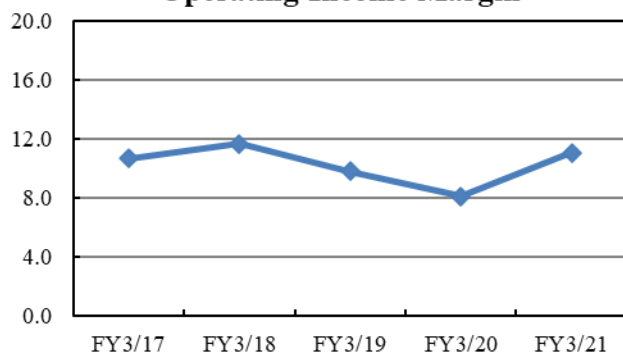


<Financial Summary>

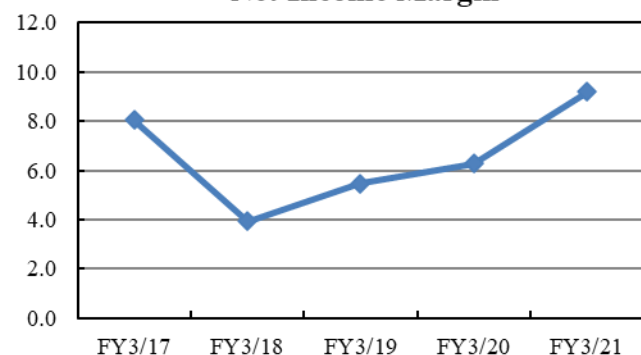
	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21
Operating Income Margin	10.7	11.7	9.8	8.1	11.1
Net Income Margin	8.0	3.9	5.5	6.3	9.2
Total Asset Turnover (times)	0.72	0.78	0.78	0.78	0.71
Capital Ratio	58.4	58.4	60.3	63.5	65.8
ROE	10.3	5.3	7.2	7.9	10.0
R&D-to-Sales Ratio	4.6	4.5	4.9	4.7	4.7

(Unit: %)

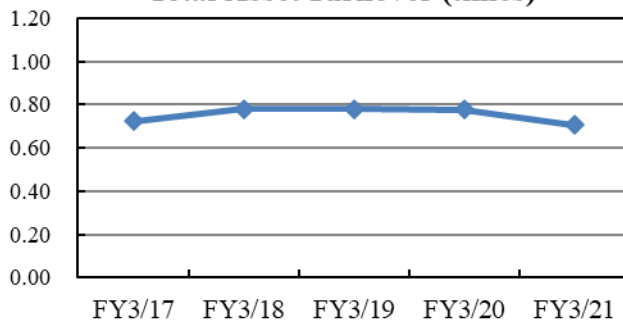
Operating Income Margin



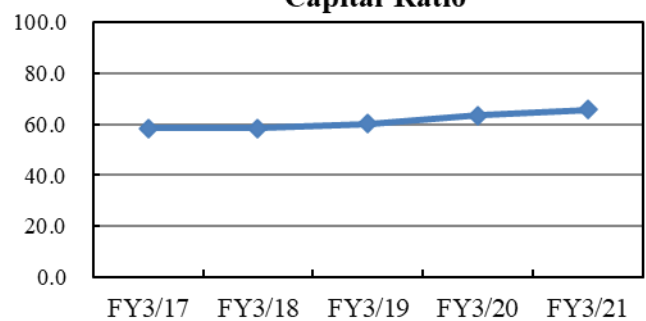
Net Income Margin



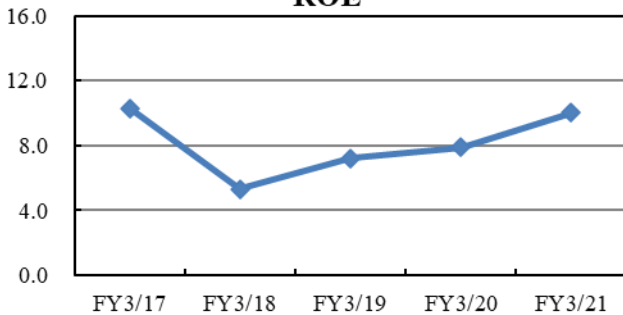
Total Asset Turnover (times)



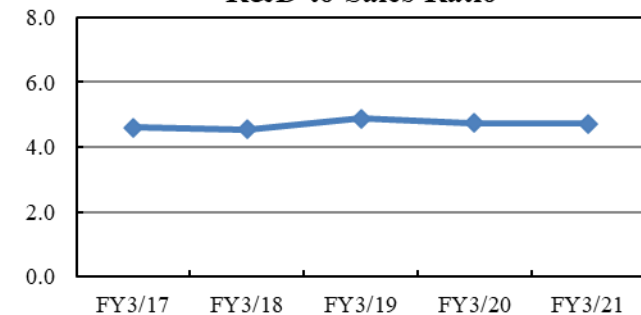
Capital Ratio



ROE



R&D-to-Sales Ratio



BRIDGE REPORT

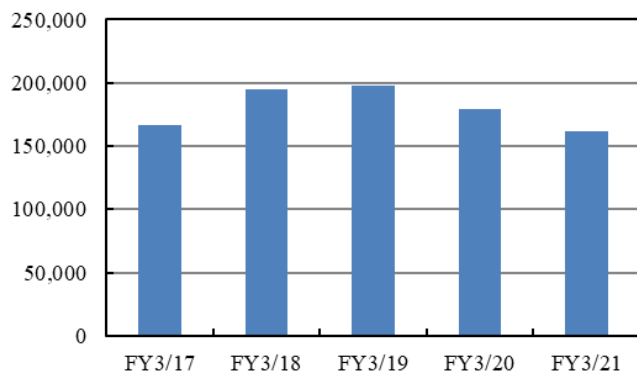


<Segment Information>

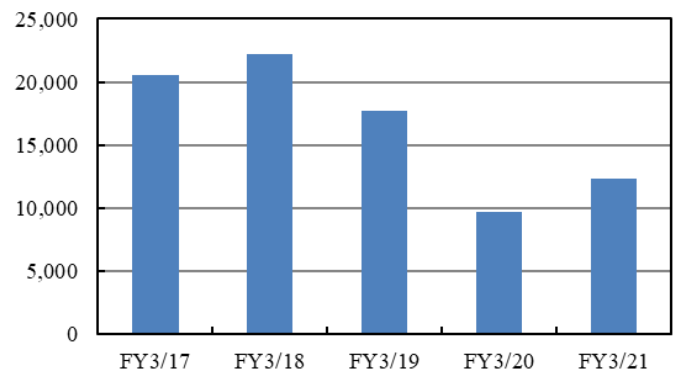
	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21
Sales					
Elastomer Business	166,243	194,570	198,087	178,847	161,626
Specialty Materials Business	74,980	86,479	85,142	91,749	95,465
Others	49,038	53,928	56,733	53,473	46,977
Eliminations and corporate assets	-2,637	-2,295	-2,463	-2,103	-2,107
Consolidated	287,624	332,682	337,499	321,966	301,961
Operating income					
Elastomer Business	20,552	22,169	17,691	9,642	12,283
Specialty Materials Business	9,832	16,742	16,115	17,311	21,960
Others	2,865	3,206	2,786	2,098	2,156
Eliminations and corporate assets	-2,482	-3,237	-3,446	-2,948	-2,991
Consolidated	30,767	38,881	33,147	26,104	33,408
Total assets					
Elastomer Business	201,054	213,137	209,089	189,618	195,856
Specialty Materials Business	82,673	88,122	89,402	101,425	118,840
Others	29,165	30,907	32,907	31,193	30,006
Eliminations and corporate assets	98,523	108,353	93,539	82,895	104,119
Consolidated	411,415	440,519	424,937	405,131	448,821
Depreciation & Amortization					
Elastomer Business	9,929	10,208	8,864	8,432	8,211
Specialty Materials Business	7,845	7,781	6,793	6,089	7,362
Others	353	326	302	312	263
Eliminations and corporate assets	2,304	2,223	2,822	2,616	2,318
Consolidated	20,431	20,539	18,780	17,448	18,154
Capital Expenditure					
Elastomer Business	11,166	7,998	5,744	7,792	7,440
Specialty Materials Business	7,644	3,644	6,234	17,965	10,111
Others	342	362	359	95	47
Eliminations and corporate assets	2,971	2,564	2,303	3,236	2,047
Consolidated	22,122	14,568	14,640	29,088	19,645

(Unit: Million Yen)

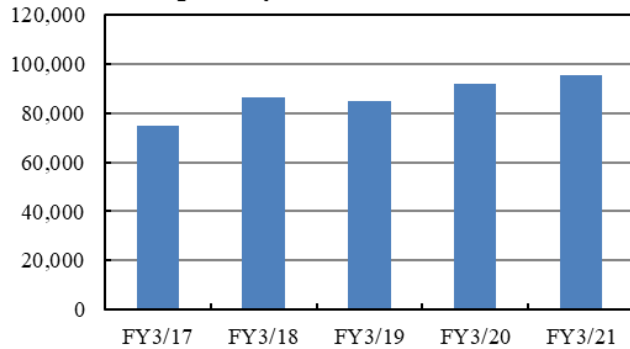
Elastomer Business Sales



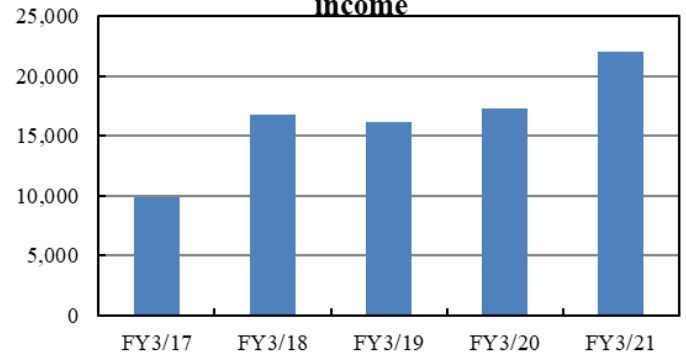
Elastomer Business Operating income



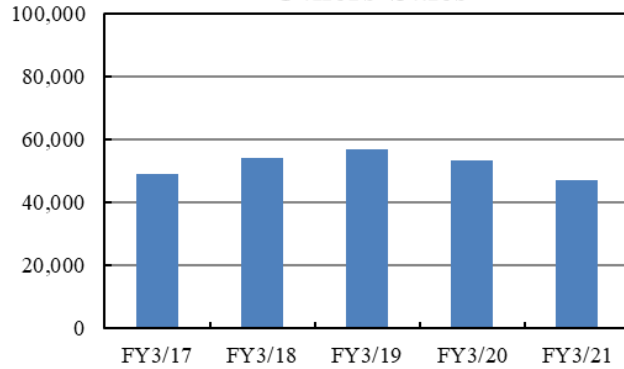
Specialty Material Business Sales



Specialty Material Business Operating income



Others Sales



Others Operating income

