



Kimiaki Tanaka President

ZEON CORPORATION(4205)



Company Information

Market	TSE Prime Market
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	
¥1,353	237,075,556 shares	¥320,763 million	10.9%	100 shares	
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
¥36.00	2.7%	¥163.04	8.3x	¥1,487.33	0.9x

* Share price as of closing on May 2. Each figure is from the financial results for the fiscal year ended March 2022.

Earnings Trend

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
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	361,730	44,432	49,468	33,413	153.22	28.00
Mar. 2023 Est.	400,000	45,500	48,000	34,500	163.04	36.00

*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 fiscal year ended March 2022.

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Key Points

- In the fiscal year March 2022, sales increased 19.8% year on year to 361.7 billion yen, and operating income grew 33.0% year on year to 44.4 billion yen. In the Elastomer Business, sea freight rates soared and repair-related costs augmented, but sales and profit increased due to the revision of selling prices along with the rise in main raw material prices. Due to the shortage of export containers and the impact of issues in ship allotment, there were delays in shipping to Europe and the United States. The price of domestically produced naphtha, a primary raw material, continue to rise. The price of Asian butadiene fell in the third quarter, but rose again toward the end of the term. The sales and profit of Specialty Material Business grew, despite the impact of a shortage of semiconductors. The demand for specialty materials remained firm overall. Both sales and profit exceeded the initial forecasts, and the company's performance was almost in line with the revised forecasts announced on January 31, 2022.
- For the fiscal year March 2023, sales are expected to increase 10.6% year on year to 400 billion yen, and operating income is projected to grow 2.4% year on year to 45.5 billion yen. The sales of elastomer are expected to increase while profit is forecasted to decrease. Regarding specialty materials, sales and profit are projected to rise. Logistics status will be the same as in the fourth quarter of the previous term as the impact of the novel coronavirus and the situation in Russia and Ukraine on procurement and production is expected to be minor. The estimated exchange rates are 1 US dollar = 120 yen and 1 euro = 135 yen. The estimated raw material prices are 60,000 yen for domestic naphtha and 1,000 US dollars for Asian butadiene. The dividend is expected to increase by 8 yen/share from the previous term to 36 yen/share (interim dividend: 18 yen/share, term -end dividend: 18 yen/share). The expected payout ratio is 22.1%.
- Following the two upward revisions and the double-digit increase in sales and profit in the fiscal year March 2022, the company expects sales and operating income to grow in the fiscal year March 2023 as well. There are many uncertainties in the external environment, due to rising raw material prices, penetration of price revisions, depreciation of the yen, and turmoil in international logistics. Yet, the company increased sales for the second consecutive term by taking advantage of its competitive advantage. We would like to pay attention to whether the company can increase operating income for the third consecutive term. In addition, both businesses are growing their production capacities. Thus, it seems that the medium-term management plan is steadily progressing. We also want to focus on how the profitability of the Specialty Material Business, which is steadily rising, will increase in the future.

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.

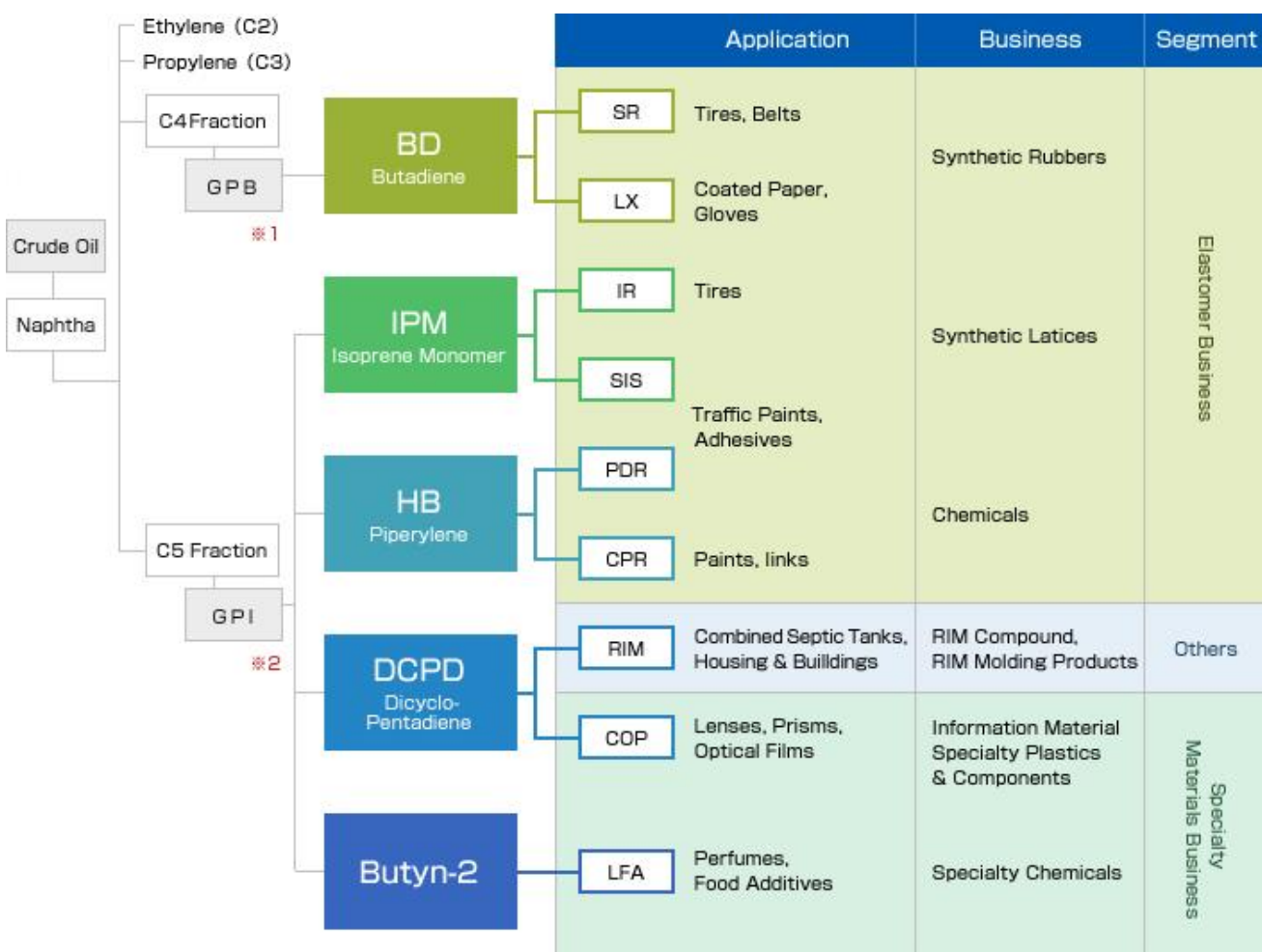
Since the 21st century came, the company has been operating business actively. For example, by releasing ZeonorFilm[®], an optical film for LCD, strengthening global production and sales systems, starting the commercial operation of solution-polymerized styrene-butadiene rubber(S-SBR) in Singapore, upgrading 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.

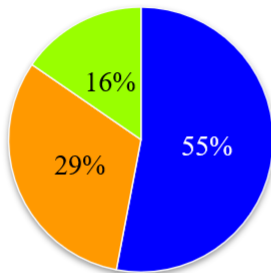
Zeon uses **butadiene** extracted in the GPB method developed in-house from C₄ fraction, **isoprene monomer**, **piperylene**, **dicyclopentadiene**, and **2-butyne** extracted from C₅ fraction using the GPI method, as raw materials to be processed into synthetic rubber, synthetic latex and various other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



(Source: the company)

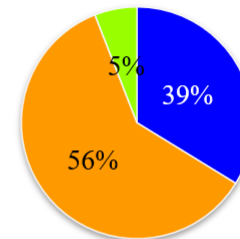
Zeon has three business segments: 1) the elastomer business, where manufactured basic materials are sold to customers; 2) the specialty materials business, where basic materials are submitted to primary processing for sale to customers as processed materials, and 3) the other business.

Sales (FY3/22)



■ Elastomer Business ■ Specialty Material Business ■ Other Business

Operating Income(FY3/22)



■ Elastomer Business ■ Specialty Material Business ■ Other Business

* Based on consolidated figures before companywide adjustments

*Both are results for the fiscal year ended March 2022. Composition ratio is before elimination and company-wide.

Elastomer Business

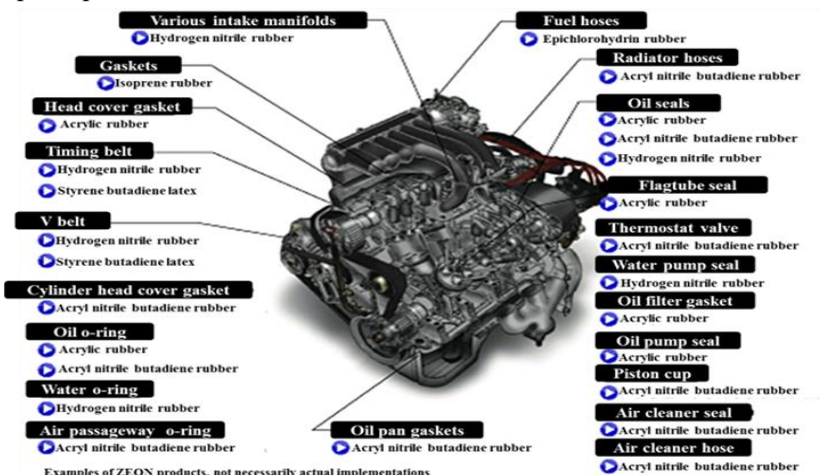
Elastomers are “high molecular compounds that have rubber-like elastic properties,” an example of which is synthetic rubber. As described in the corporate history section of this report, in 1959 Zeon became the first company in Japan to mass-produce synthetic rubber, which became the foundation underlying 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



Examples of ZEON products, not necessarily actual implementations

(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, battery 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.

◎ Battery 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.

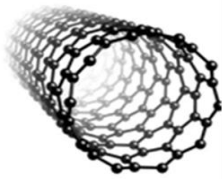
* FFR: fractional flow reserve ratio for quantitatively evaluating the severity of lesions and determining treatment strategies in diagnosing and treating coronary arteries.

【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.

Developing a technology for suppressing lithium dendrites with the sheets based on carbon nanotubes is expected to contribute to significant improvement in the life of lithium metal electrodes (negative electrodes) and to accelerating the practical application of high energy density and large capacity lithium metal electrodes (negative electrodes) (from the company's press release on January 25, 2022). 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. 15	FY Mar. 16	FY Mar. 17	FY Mar. 18	FY Mar. 19	FY Mar. 20	FY Mar. 21	FY Mar. 22
ROE (%)	9.8	8.6	10.3	5.3	7.2	7.9	10.0	10.9
Net income margin (%)	6.20	6.12	8.05	3.92	5.47	6.27	9.18	9.24
Total asset turnover (times)	0.80	0.75	0.72	0.78	0.79	0.78	0.71	0.78
Leverage (x)	1.98	1.86	1.77	1.71	1.66	1.62	1.55	1.52

ROE in the fiscal year March 2022 was higher than 10%, like the previous term, due to the rise in net income margin and total asset turnover. 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 C₅ 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. Fiscal Year ended March 2022 Earnings Results

2-1 Consolidated Earnings

◎Total Earnings

	FY 3/21	Ratio to sales	FY 3/22	Ratio to sales	YoY	Compared with forecast (1)	Compared with forecast (2)
Sales	301,961	100.0%	361,730	100.0%	+19.8%	+16.7%	-0.3%
Gross Profit	97,552	32.3%	120,358	33.3%	+23.4%	-	-
SG&A	64,144	21.2%	75,927	21.0%	+18.4%	-	-
Operating Income	33,408	11.1%	44,432	12.3%	+33.0%	+34.6%	-2.3%
Ordinary Income	38,668	12.8%	49,468	13.7%	+27.9%	+41.3%	+1.0%
Net Income	27,716	9.2%	33,413	9.2%	+20.6%	+33.7%	-0.3%

*Unit: million yen. Forecast (1) and (2) are ratio to the revised forecast announced in May 2021, and January 2022, 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	89,681	92,974
Operating Income	4,310	5,603	11,157	12,338	13,865	11,086	11,454	8,027

*Unit: million yen.

Transition of quarterly sales and operating income (unit:million yen)



Sales and profit increased

Sales were 361.7 billion yen, up 19.8% from the previous term, operating income increased 33.0% to 44.4 billion yen.

In the elastomer materials business, sales saw increases in both sales and income due to sales price revisions in line with higher prices of main raw materials, despite higher ocean freight rates and repair-related expenses. Shipments mainly to Europe and the U.S., have been delayed due to shipping congestion and the shortage of export containers. Domestic naphtha, the main raw material, continues to rise. Asian butadiene also fell in the third quarter but rose again toward the end of the fiscal year.

In the specialty materials business, sales and profits increased despite the impact of semiconductor shortages and other factors. Demand for the specialty materials was generally firm.

Both sales and profit exceeded the initial forecast and were almost in line with the revised forecast announced on January 31, 2022.

BRIDGE REPORT



2-2 Trends by Business Segments

◎Total Earnings

	FY 3/21	FY 3/22	YoY
Sales			
Elastomer Business	161,626	200,566	+24.1%
Specialty materials Business	95,465	106,791	+11.9%
Other Business	46,977	57,822	+23.1%
adjustment	-2,107	-3,449	-
Total	301,961	361,730	+19.8%
Operating Income			
Elastomer Business	12,283	18,623	+51.6%
Specialty materials Business	21,960	26,360	+20.0%
Other Business	2,156	2,318	+7.5%
adjustment	-2,991	-2,868	-
Total	33,408	44,432	+33.0%

*Unit: million Yen.

◎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	49,030	52,640
Specialty materials Business	22,345	24,160	23,693	25,267	25,159	28,923	26,232	26,477
Other Business	10,559	10,026	12,520	13,872	13,990	13,616	15,251	14,965
Operating Income								
Elastomer Business	-117	946	4,488	6,966	6,069	4,773	5,088	2,693
Specialty materials Business	4,814	4,933	6,579	5,634	7,761	6,258	6,377	5,964
Other Business	222	237	635	1,062	581	715	635	387

*Unit: million Yen

【Elastomers】

Sales and profit increased for the full year.

Sales increased due to price adjustments associated with soaring raw material prices. Although there were negative factors, such as an increase in ocean freight charges and repair costs, operating income rose due to a rise in shipments and price adjustments.

In the fourth quarter, sales increased year on year and quarter on quarter due to price adjustments of synthetic rubbers and chemicals. Regarding operating income, it decreased year on year and quarter on quarter due to declining latex prices, and an increase in ocean freight charges and repair costs.

* Synthetic rubber

Demand remained steady despite decreased automobile production, and so domestic sales, exports, and overseas subsidiary sales were all steady. Both sales and operating profit were substantially higher than the same period of the previous year.

* Latex

Overall sales exceeded those of the previous year owing to steady demand in general, but operating profit dropped due to a lull in the market for medical use and disposable gloves combined with soaring raw material prices and distribution costs.

* Chemicals

Although demand was steady, shipments were adjusted at the Mizushima Plant and the subsidiary in Thailand due to regular inspections, and the business was impacted by the export container shortage and difficulties in arranging ships. As a result, the sales

volume was down from the same period of the previous year. On the other hand, the sharp rise in raw material prices and distribution costs was reflected in selling prices, so both overall net sales and operating profit were up from the previous year.

【Specialty Materials】

Sales and profit increased for the full year.

The demand in specialty plastics and specialty chemicals business such as battery materials and optical films remained strong, and sales increased. Profit rose due to increased shipments of optical plastics and battery materials, price adjustments of optical plastics and chemicals, and the reduction of fixed manufacturing expenses owing to increased production and cost reduction.

In the fourth quarter, sales increased year on year and quarter on quarter due to favorable sales of specialty chemicals such as battery materials. Although profit increased year on year, it decreased quarter on quarter due to an increase in ocean freight charges and increased new product development costs.

(Trends in shipment volume by item)

* Battery materials

Annual shipment volume increased 45% year on year.

The sales of products for EVs increased 77% year on year. Demand is strong due to the expansion of the EV and PHV markets, primarily in China, Europe, and the United States.

The sales of products for consumer use and others decreased 8% year on year. The demand for home appliances and mobile devices has increased from the previous quarter, but lull continues.

Shipments of industrial applications (ESS) have increased from the previous quarter, and demand is expected to be strong this quarter as well.

* Optical plastics

Annual shipment volume increased 8% year on year.

The sales of products for optical use increased 12% year on year. Demand for printers was sluggish due to semiconductor shortage, but demand for security cameras was steady.

The sales of products for medical use and other products increased 5% year on year. The demand for medical packaging and containers such as prefilled syringes and other medical packaging containers was steady. In the fourth quarter, shipment volume grew 76% quarter on quarter because portion not shipped in the third quarter due to production and logistical factors shipped together.

* Optical films

Annual shipment volume increased 4% year on year.

Regarding small-to-medium-sized applications, shipment volume decreased 8% year on year due to a reduction in the production of smartphones and tablets because of a shortage of semiconductors. The shipment volume is expected to recover with launch of next model from the first quarter of the fiscal year March 2023.

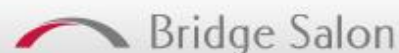
Regarding large-sized applications, shipment volume increased 8% year on year. Demand was steady, especially in the Chinese market. The impact of changes in the LCD panel market situation on the films is expected to be minor

2-3 Financial standing and cash flows

◎Main Balance Sheet

	End of 3/21	End of 3/22	Increase/ decrease		End of 3/21	End of 3/22	Increase/ decrease
Current Assets	233,248	274,947	+41,699	Current liabilities	113,853	138,653	+24,800
Cash	51,970	47,271	-4,699	Payables	65,921	82,994	+17,073
Receivables	75,688	82,498	+6,810	ST Interest- Bearing Liabilities	8,960	18,960	+10,000
Inventories	67,354	93,076	+25,722	Noncurrent liabilities	36,722	24,172	-12,550
Noncurrent Assets	215,573	209,713	-5,860	LT Interest- Bearing Liabilities	10,000	0	-10,000

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Tangible Assets	117,579	118,299	+720	Total Liabilities	150,575	162,824	+12,249
Intangible Assets	3,293	3,249	-44	Net Assets	298,246	321,836	+23,590
Investment, Others	94,701	88,166	-6,535	Capital	295,269	318,623	+23,354
Total assets	448,821	484,660	+35,839	Total Liabilities and Net Assets	448,821	484,660	+35,839

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

Total assets increased 35.8 billion yen from the end of the previous term due to increases in receivables and inventories.

Total liabilities rose 12.2 billion yen from the end of the previous term due to increased payables.

Net assets increased 23.6 billion yen from the end of the previous term due to rises in retained earnings and foreign currency translation adjustment.

As a result, the equity ratio decreased by 0.1 percentage points from the end of the previous fiscal year to 65.7%, and the D/E ratio remained unchanged at 0.06.

3. Fiscal Year ending March 2023 Earnings Forecasts

3-1 Earnings Forecast

	FY 3/22	Ratio to Sales	FY3/23(Est)	Ratio to Sales	YoY
Sales	361,730	100.0%	400,000	100.0%	+10.6%
Operating Income	44,432	12.3%	45,500	11.4%	+2.4%
Ordinary Income	49,468	13.7%	48,000	12.0%	-3.0%
Net Income	33,413	9.2%	34,500	8.6%	+3.3%

*Unit: million yen.

Forecasted increase in sales and operating income

Net sales are expected to increase 10.6% year-on-year to 400 billion yen, and operating income is expected to increase 2.4% year-on-year to 45.5 billion yen.

Sales and profits are expected to increase and decrease for elastomer materials, while sales and profits are both expected to increase for high-performance materials.

The logistics situation is expected to be on par with the fourth quarter of the previous year, and the impact of the novel coronavirus and the situation in Russia and Ukraine on production and procurement is expected to be minor.

Exchange rate and raw material price assumptions are USD=JPY120, €=JPY135, domestic naphtha = JPY60,000, Asian butadiene = USD1,000.

The dividend is forecast to be 36 yen per share, up 8yen per share from the previous term (interim 18 yen/share, year-end 18 yen/share).

The expected payout ratio is 22.1%.

3-2 Trends by Business Segments

	FY3/22	FY3/23 (Est)	YoY
Sales	361,730	400,000	+10.6%
Elastomer Business	200,566	217,000	+8.2%
Specialty materials Business	106,791	123,000	+15.2%
Other Business and eliminations, etc.	57,822	63,200	+9.3%
Elimination or corporate	-3,449	-3,200	-
Operating Income			
Elastomer Business	18,623	16,000	-14.1%
Specialty materials Business	26,360	30,000	+13.8%

*Unit: million yen.

(1) Elastomer Business

Sales are expected to increase, and profit is projected to decrease.

* Synthetic rubber

Sales are expected to rise due to price revisions along with the soaring prices of main raw materials with adjustment of sales prices associated with soaring raw material prices. However, profit is forecasted to decrease due to the impacts such as an increase in fixed manufacturing expenses associated with repairs at main synthetic rubbers plant.

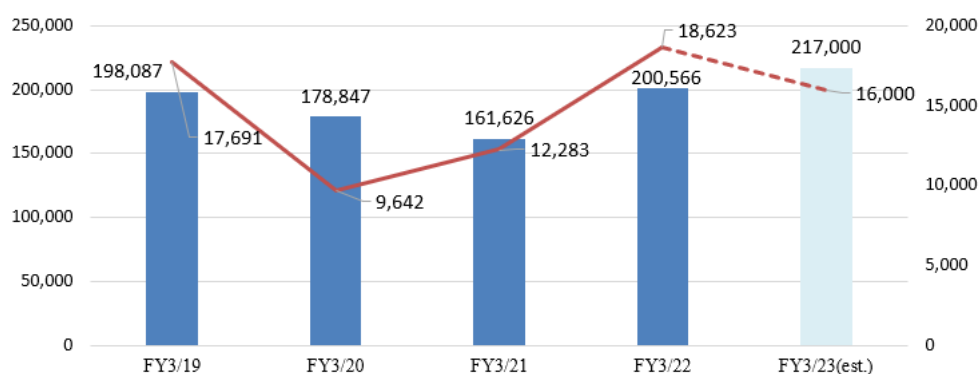
* Latex

Sales and profit are expected to decline in selling price of glove latex.

* Chemicals

The selling price will be adjusted due to the soaring prices of the main raw materials. In addition, fixed manufacturing expenses will decline due to the completion of regular repairs at main plant in the previous term. Sales and profit are predicted to increase.

Transition of sales and operating profit(Elastomer, unit:milliom yen)



(2) Specialty materials

Sales and profit are expected to increase.

* Optical plastics

Demand for optical, medical, and other uses is strong. Thus, sales and profit are expected to increase.

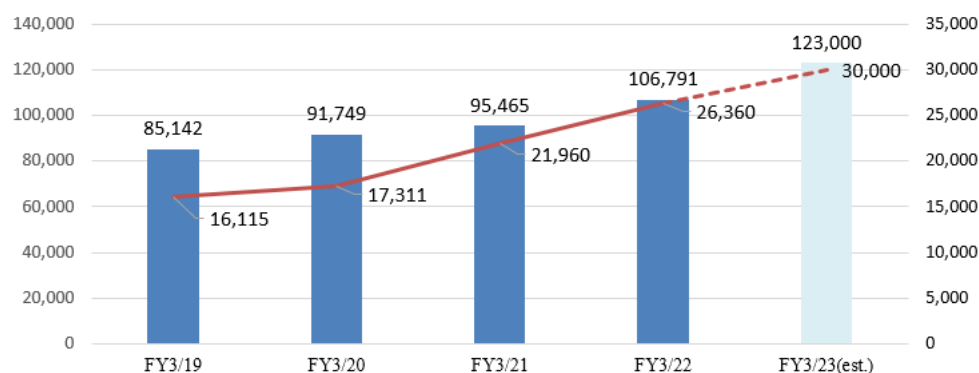
* Optical films

Demand is strong for large and small-to-medium sized applications. Sales are expected to increase and profit to decrease due to an increase in costs for increasing production capacity, such as labor expenses for new large lines.

* Battery materials

Demand is steady in conjunction with expansion of EV market, and sales and profit are expected to increase.

Transition of sales and operating profit(Specialty materials , unit:milliom yen)



4. Status of Activities for the Mid-term Management Plan

The company is currently promoting a medium-term management plan with the fiscal year ending March 31, 2022 as its first year.

4-1 Overview of the Medium-Term Business Plan

“Contributing to the preservation of the Earth and the prosperity of the human race,” as stated in our Corporate Philosophy, is tantamount to contributing to a “Sustainable Earth” and a “Safe and Comfortable Life for People,” as expressed through our social mission. We have therefore included in our 2030 Vision our goal of becoming: “a company that lives up to societal expectations and the aspirations of employees.” We will seek to achieve the 2030 Vision through our SDG-related initiatives. Also, we have defined “Let’s try first,” “Let’s connect,” and “Let’s polish up” as core values that will guide us in our actions as we endeavor to become the company we envision.

We aim to be a company that meets society's expectations by focusing on the realization of nine of the SDGs.

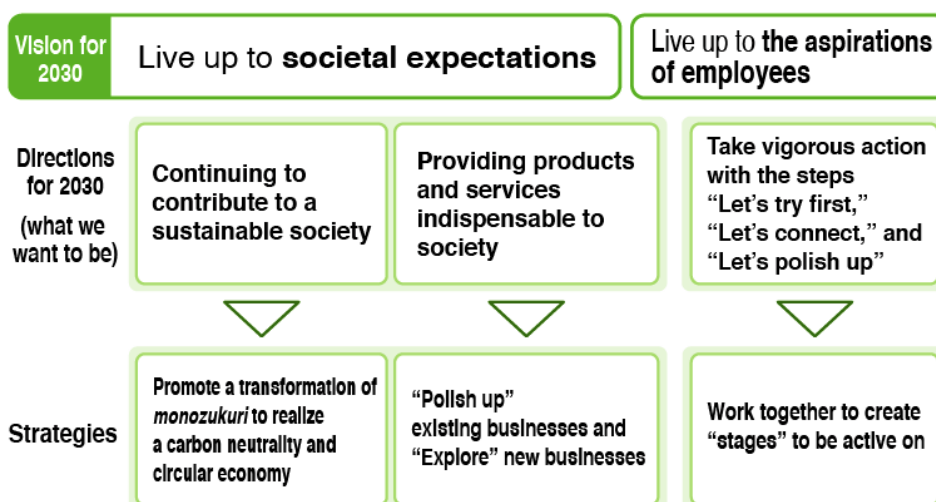


(Source: the company)

The new medium-term management plan is positioned as a two-year period for laying the foundation for the realization of this vision for 2030.

4-2 Our Goals and Company-wide Strategies for 2030

Considering these directions for our objectives, we formulated three strategies.



(Source: the company)

4-3 Overview of Company-wide Strategies and Activities

(1) Company-wide strategies

① Promote a shift to "manufacturing" that realizes carbon neutrality and a circular economy.

Formulate a carbon neutral master plan for 2050, and persistently implement R&D and technological innovation necessary for a long-term shift to "monozukuri" (manufacturing).

In fiscal 2021, the company created the primary master plan for carbon neutrality.

The company will reduce the total carbon dioxide emissions (emissions associated with the production of Scopes 1 + 2) by 50%, from 778,000 tonnes in the fiscal 2019 to 389,000 tonnes in 2030, through energy conservation process innovation and fuel conversion.

Scope 3 (total emissions, associated with purchased raw materials and with use of products including transportation) will be set in the future.

◎ Concrete initiatives

In April 2022, the company started implementing the following initiatives in the plants in Japan.

Takaoka Plant	-Electricity to purchase: 100% renewable energy -Purchase of carbon-neutral LNG
Tokuyama Plant	-Electricity to purchase: 100% renewable energy -Steam: Purchase of green heat certificates
Himi Futagami Plant	-Electricity to purchase: 100% renewable energy
Tsuruga Plant	-Electricity to purchase: 100% renewable energy

NEDO (New Energy and Industrial Technology Development Organization) has selected the two demonstration projects, "Development of a manufacturing technology that applies carbon recycling for commodity chemicals used in synthetic rubbers " and "Development of photonic chips for higher performance, energysaving non-volatile memories ," for the Green Innovation Fund projects.

The first demonstration project aims for effective utilization of used tires and their raw materials to meet the growing global demand for tires. The project will establish a technology for high-yield manufacturing of butadiene and isoprene from recyclable carbon resources .

The second demonstration project works on reducing the power consumption at data centers with non-volatile memory using carbon nanotubes (CNTs) in response to the social need to reduce power consumed by rapidly increasing data centers.

Both demonstration projects aim to contribute to the realization of carbon neutrality and the circular economy by making use of the company's technological advantages.

② Polishing up existing businesses + Exploring new businesses + Building a digital finfrastructure 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.

The ROIC* for the existing business in 2021 was 9.7%, which was higher than the target. There are no plans to change the target at the moment as the company will determine whether the amount should be reviewed after elaborating on the impact of capital investment in anticipation of future business expansion. The net sales of new business were still low due to the first year of medium-term management plan. Additionally, a certification system is considered for products that contribute to the SDGs.

*ROIC = operating income after tax ÷ (average interest-bearing liabilities at the beginning and end of the term + average net assets at the beginning and end of the term)

© Specific Efforts

*** Polishing up existing businesses**

Strengthen specialty plastics and battery materials and ensure the survival of existing SBUs (Strategic Business Units) are positioned as the company's essential measures.

Strengthening specialty plastics

The capacity expansion of the Mizushima Plant was completed in July 2021, and the annual production capacity increased by 4,600 tonnes.

The company is planning to increase the capacity of Takaoka Plant's recycling plant by 6,000 tonnes annually, and preparations are underway for launching operations in August 2024.

The company is considering further capacity expansion over an annual production.

Strengthening battery materials

Zeon Chemicals Asia in Thailand has decided to establish a new base for lithium-ion battery binders. Preparations are underway for launching operations in 2024.

Ensure the survival of existing SBUs

The efforts undertaken in each SBU are as follows:

Hydrogenated nitrile rubber	The company will increase the production capacity of the Takaoka Plant by about 10% to an annual production of about 9,900 tonnes to develop new applications. It is scheduled to start operation in 2023.
Optical film	The world's first melt extrusion method will be used at the Tsuruga Plant. The production capacity will be increased by 50 million m ² to achieve an annual production of 269 million m ² . It is scheduled to start operation in October 2023.
Leaf alcohol	The company will increase the production capacity of the Mizushima Plant by 400 tonnes to 1,600 tonnes per year. It is scheduled to be completed in the fall of 2022. The company will further strengthen its position as the company with the largest market share in the world.

*** Exploring new businesses**

Regarding the resource concentration with specifying priority areas, the priority areas are CASE/MaaS, Healthcare/Life Science, Telecommunication, 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

© Specific initiatives

*** Acquiring Aurora Microplates (USA)**

In February 2022, the company acquired Aurora Microplates (USA), which sells microplates used in biochemical analysis, as part of the company's efforts to acquire new business opportunities that use cycloolefin polymers.

Zeon's COPs (product names ZEONEX® and ZEONOR®), well known for their unique properties such as low autofluorescence, high light transmittance, low biomolecules adsorption, and low impurities, have been used for biotechnological/biological products containers, analytical devices, microfluidic chips and other lab equipment associated with biochemical analysis. Under the agreement to acquire Aurora Microplates, Zeon intends to make use of its branded products and customer network centered on Europe and the U.S. while seeking to develop new businesses that leverage its technology.

* Establishing an investment subsidiary, Zeon Ventures Inc. in the United States

In February 2022, an investment subsidiary, Zeon Ventures Inc., was established in California, USA (Silicon Valley) to accelerate the creation of new businesses through strategic investment in start-up companies.

In addition to investing 50 million US dollars in start-up companies in the above four growth fields, the company will support the further growth of investee companies by sharing assets such as research resources and sales channels owned by the group.

* Development of a lithium dendrite suppression technology using sheets based on carbon nanotubes

In January 2022, in collaboration with the National Institute of Advanced Industrial Science and Technology (AIST), the company developed a technology to suppress dendrites (dendritic crystals) generated during the charging and discharging of lithium metal through sheets made using single-walled carbon nanotubes (SGCNT) synthesized by the super-growth method.

Lithium-ion rechargeable batteries are required to have five capabilities: capacity, life, safety, charge and discharge rate, and productivity. This technology achieves a significant improvement in the life of the lithium metal electrode (negative electrode), and enables designing a high energy density and large capacity lithium metal electrode (negative electrode). SGCNT sheets can be mass-produced, and the company aims to put specialty lithium metal electrodes to practical use.

③ Work together to create “stages” to be active on

The targets for 2030 are an employee engagement index of 75%, a non-Japanese and female executive ratio of 30% (both inside and outside the company, including directors and corporate auditors), a female employee ratio of about 20%, and a female manager ratio of about 20%.

In 2021, the employee engagement index was 52%, the ratio of female employees was 13%, and the ratio of female managers was 5%.

In the same year, the company renovated the head office to make it "a place to connect and improve one's skills" and started "demonstrating transparency regarding work tasks" to help build autonomous career design. In addition, as part of the open recruitment system DI & B (Diversity, Inclusion & Belonging) promotion project, the company tried implementing a DI & B Week and created an in-house public relations website.

The company aims to achieve its goals by incorporating new concepts and offering more options.

(2) Major outstanding issues

The company believes there is a need to consider introducing ICP as a criterion for investment decisions, introducing certification system for products that contribute to the SDGs, ensuring the diversity in the board of directors, and clarifying financial strategies to achieve the goals for 2030.

*ICP (Internal carbon pricing)

It is a method in which a company sets its own carbon price and uses it for organizational strategy and decision-making. By converting the carbon emitted by the company into monetary value based on its own standards and visualizing it as costs and incentives, companies can utilize it to shift their management to low carbon and decarbonization.

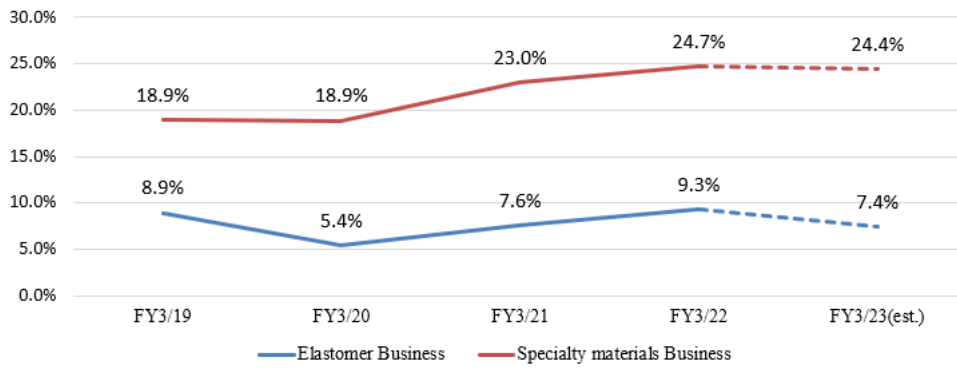
5. Conclusions

Following the two upward revisions and the double-digit increase in sales and profit in the fiscal year March 2022, the company expects sales and operating income to grow in the fiscal year March 2023 as well. There are many uncertainties in the external environment, due to rising raw material prices, penetration of price revisions, depreciation of the yen, and turmoil in international logistics. Yet, the company increased sales for the second consecutive term by taking advantage of its competitive advantage. We would like to pay attention to whether the company can increase operating income for the third consecutive term. In addition, both businesses are growing their production capacities. Thus, it seems that the medium-term management plan is steadily progressing. We also want to focus on how the profitability of the Specialty Material Business, which is steadily rising, will increase in the future.

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Trends of Income Margin



<Reference 1: Medium-term Management Plan>

The company is currently promoting a medium-term management plan with the fiscal year ending March 31, 2022 as its first 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 battery 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.

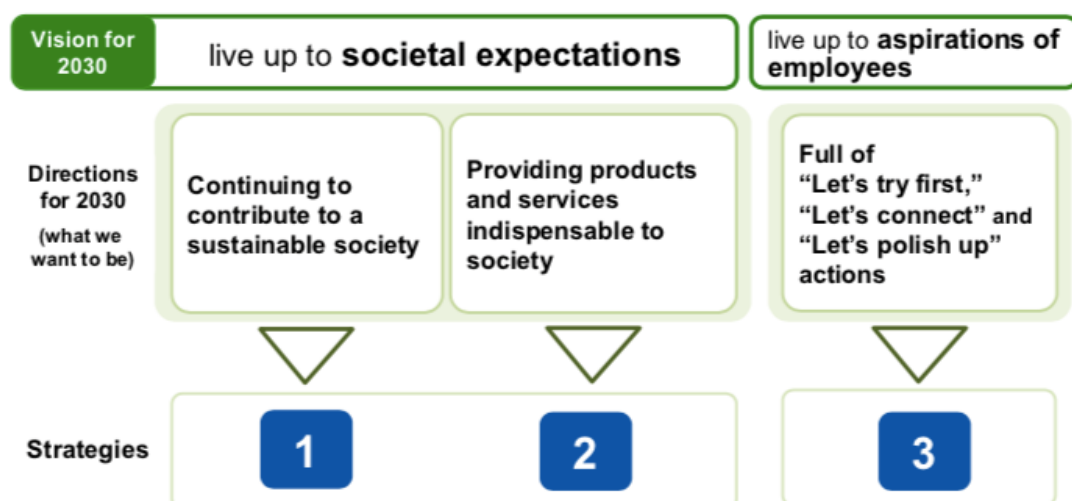


(Source: the company)

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.

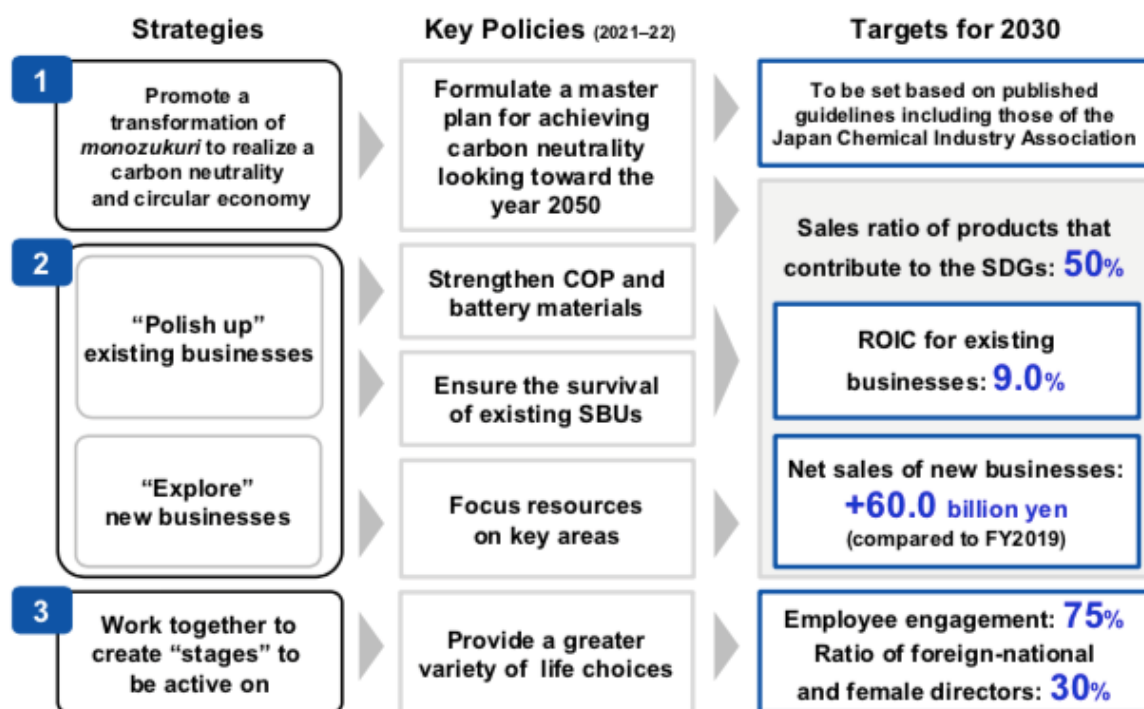
1-3 2030 Vision and Company-wide Strategies

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, “explorier” 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.

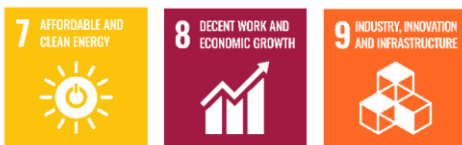
As for the former, the company will increase the production capacity of the Mizushima Plant from 37,000 tons to 41,600 tons per year. The construction is to be completed in July 2021.

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 battery 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)	27,456	12.82
Yokohama Rubber Co., Ltd.	22,682	10.59
Japan Custody Bank, Ltd. (Trust Account)	13,862	6.47
Mizuho Bank, Ltd	9,600	4.48
Asahi Mutual Life Insurance Company	7,679	3.58
Asahi Kasei Corporation	6,116	2.85
National Mutual Insurance Federation of Agricultural	4,765	2.22
The Norinchukin Bank	4,000	1.87
ZEON Business Partners Shareholding Association	3,753	1.75
STATE STREET BANK AND TRUST COMPANY 505001	3,700	1.73
	103,613	48.36

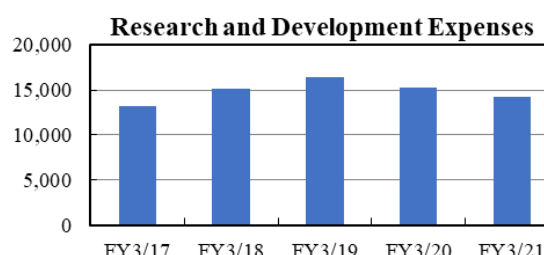
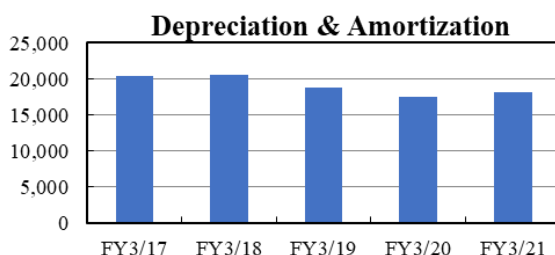
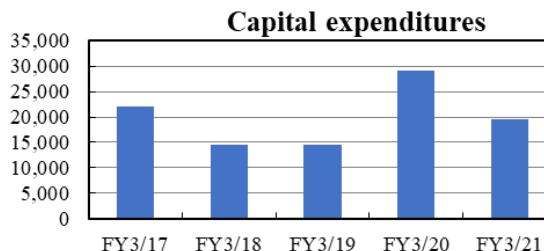
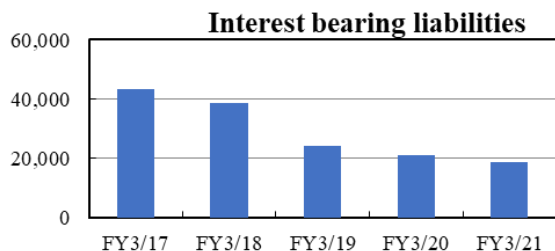
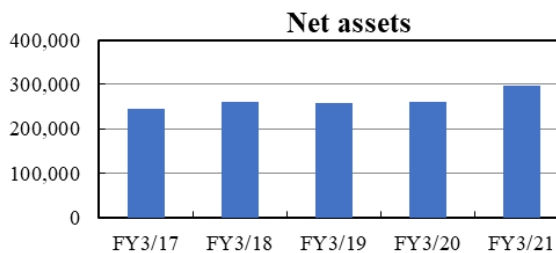
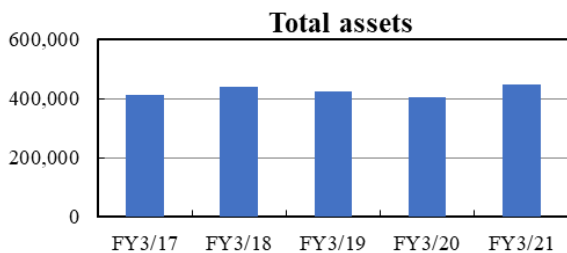
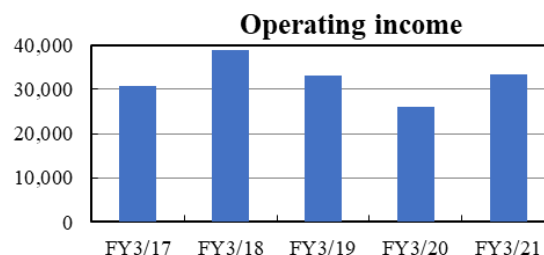
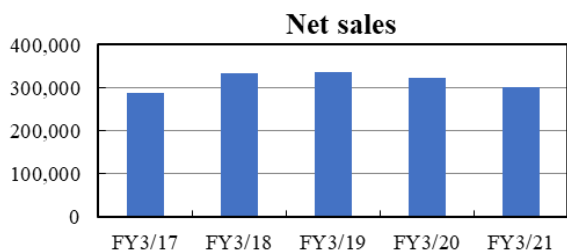
*Total number of shares issued at the end of the term common stock 237,075,556shares

As of Mar 31, 2022

<Selected Financial Data>

	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22
Net sales	332,682	337,499	321,966	301,961	361,730
Gross profit	101,272	96,742	91,911	97,552	120,358
Operating income	38,881	33,147	26,104	33,408	44,432
Ordinary income	40,893	36,319	28,744	38,668	49,468
Net income	13,056	18,458	20,201	27,716	33,413
EPS (JPY)	58.8	84.1	92.4	126.7	153.2
DPS (JPY)	17.00	19.00	21.00	22.00	28.00
Total assets	440,519	424,937	405,131	448,821	484,660
Net assets	259,940	259,156	260,358	298,246	321,836
Interest bearing liabilities	38,573	24,125	20,960	18,960	8,960
Capital expenditures	14,568	14,640	29,088	19,645	22,902
Depreciation & Amortization	20,539	18,780	17,448	18,154	21,468
R&D Expenses	15,103	16,480	15,274	14,258	15,869

(Units: Million Yen)



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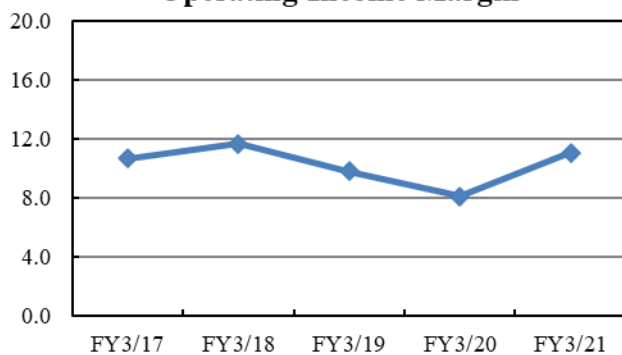


<Financial Summary>

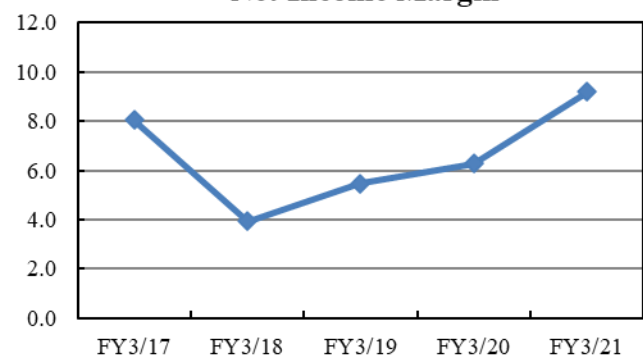
	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22
Operating Income Margin	11.7	9.8	8.1	11.1	12.3
Net Income Margin	3.9	5.5	6.3	9.2	9.2
Total Asset Turnover (times)	0.78	0.78	0.78	0.71	0.78
Capital Ratio	58.4	60.3	63.5	65.8	65.7
ROE	5.3	7.2	7.9	10.0	10.9
R&D-to-Sales Ratio	4.5	4.9	4.7	4.7	4.4

(Unit: %)

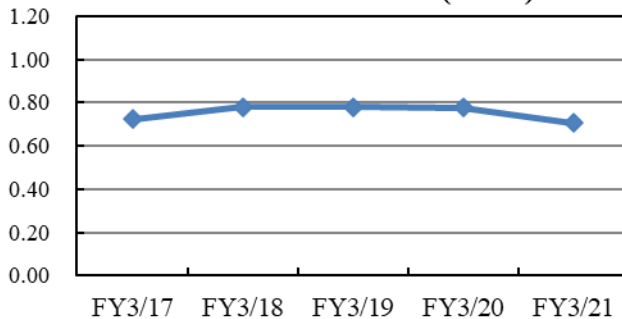
Operating Income Margin



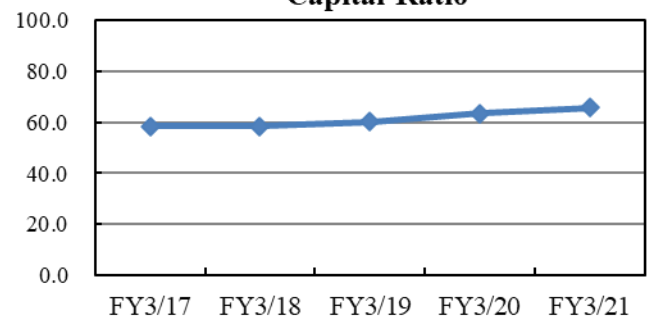
Net Income Margin



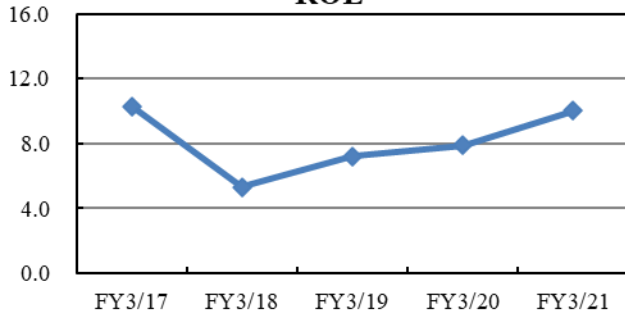
Total Asset Turnover (times)



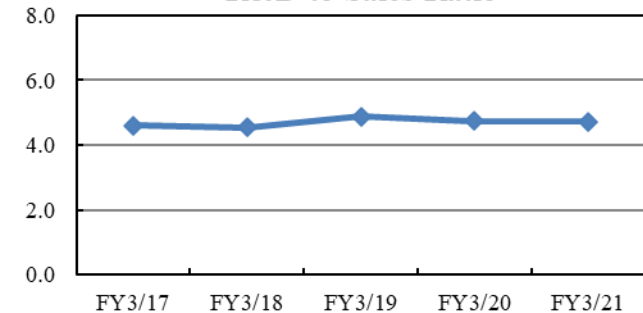
Capital Ratio



ROE



R&D-to-Sales Ratio



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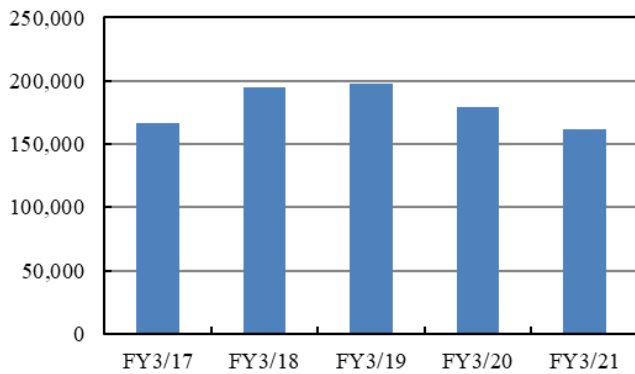


<Segment Information>

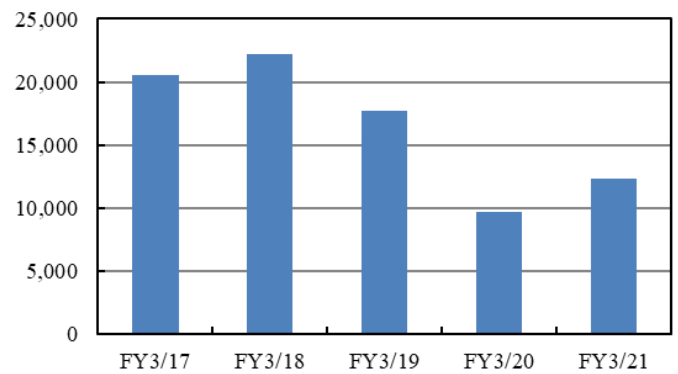
	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22
Sales					
Elastomer Business	194,570	198,087	178,847	161,626	200,566
Specialty Materials Business	86,479	85,142	91,749	95,465	106,791
Others	53,928	56,733	53,473	46,977	57,822
Eliminations and corporate assets	-2,295	-2,463	-2,103	-2,107	-3,449
Consolidated	332,682	337,499	321,966	301,961	361,730
Operating income					
Elastomer Business	22,169	17,691	9,642	12,283	18,623
Specialty Materials Business	16,742	16,115	17,311	21,960	26,360
Others	3,206	2,786	2,098	2,156	2,318
Eliminations and corporate assets	-3,237	-3,446	-2,948	-2,991	-2,868
Consolidated	38,881	33,147	26,104	33,408	44,432
Total assets					
Elastomer Business	213,137	209,089	189,618	195,856	223,375
Specialty Materials Business	88,122	89,402	101,425	118,840	118,724
Others	30,907	32,907	31,193	30,006	42,008
Eliminations and corporate assets	108,353	93,539	82,895	104,119	100,553
Consolidated	440,519	424,937	405,131	448,821	484,660
Depreciation & Amortization					
Elastomer Business	10,208	8,864	8,432	8,211	8,846
Specialty Materials Business	7,781	6,793	6,089	7,362	10,208
Others	326	302	312	263	243
Eliminations and corporate assets	2,223	2,822	2,616	2,318	2,170
Consolidated	20,539	18,780	17,448	18,154	21,468
Capital Expenditure					
Elastomer Business	7,998	5,744	7,792	7,440	9,493
Specialty Materials Business	3,644	6,234	17,965	10,111	10,596
Others	362	359	95	47	291
Eliminations and corporate assets	2,564	2,303	3,236	2,047	2,521
Consolidated	14,568	14,640	29,088	19,645	22,902

(Unit: Million Yen)

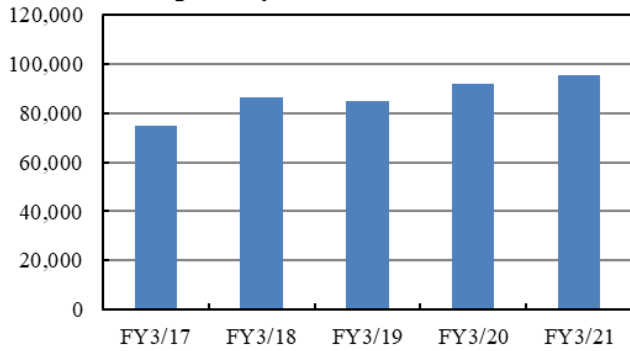
Elastomer Business Sales



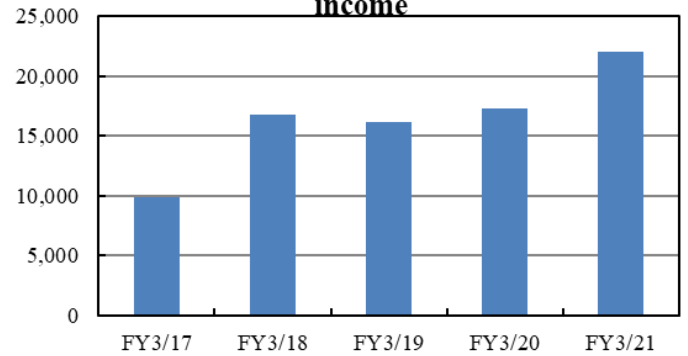
Elastomer Business Operating income



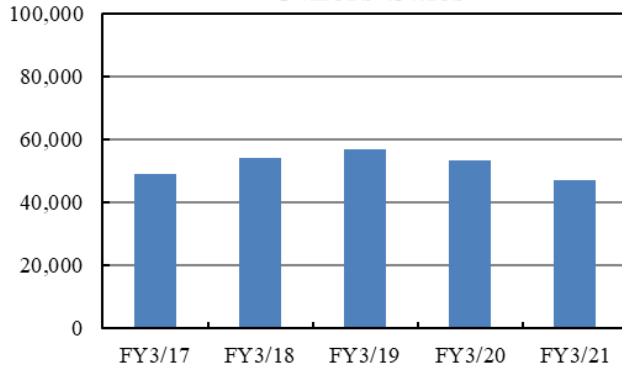
Specialty Material Business Sales



Specialty Material Business Operating income



Others Sales



Others Operating income

