Tetsuya Toyoshima
President and CEO

ZEON CORPORATION（4205）

Company Information

Market	TSE Prime Market
Industry	Chemicals
President and CEO	Tetsuya Toyoshima
HQ Address	Marunouchi 1-6-2, Chiyoda-ku, Tokyo Shin-Marunouchi Centre Building
Year-end	March
HOMEPAGE	http://www.zeon.co.jp/index_e.html

Stock Information

Share Price	Shares Outstanding (including treasury shares)		Total market cap	ROE Act.	Trading Unit
¥1,466.5	229,513,656 shares		¥336,581 million	8.9%	100 shares
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
¥47.00	3.2%	¥84.13	17.4x	¥1,714.88	0.9x

* Share price as of closing on May 14. All figures are from the financial results for the fiscal year ended March 2024.

Earnings Trend

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
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	388,614	27,179	31,393	10,569	49.94	36.00
Mar. 2024	382,279	20,500	26,906	31,101	147.19	45.00
Mar. 2025 Est.	397,000	26,500	27,500	17,500	84.13	47.00

*Unit: million yen, yen. Estimates are those of the company. Effective from the beginning of March 2022, the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and others are applied. Net income is net income attributable to owners of the parent company. The same applies hereinafter.

This Bridge Report presents ZEON CORPORATION's earnings results for the fiscal year ended March 2024.

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Key Points

- **In the fiscal year ended March 2024, sales decreased 1.6% year on year to 382.2 billion yen, and operating income dropped 24.6% year on year to 20.5 billion yen. The Elastomer Business experienced decreases in both sales and profit. Although the synthetic rubber segment saw increases in sales and profit due to the increase of shipments and favorable exchange rates, the segment of chemical products suffered reduced shipments and falling market prices, leading to decreased sales and profit. The Specialty Materials Business saw increased sales, but profit decreased. Specifically, the specialty plastics segment benefited from a recovery in large-sized TV film sales, but profit dropped due to the costs of starting a new production line and the impact of the Noto Peninsula Earthquake. The battery materials, chemicals, and electronic materials segments all faced declines in both sales and profit. However, due to the recording of gain on sale of investment securities as extraordinary income, net income rose 194.3% year on year to 31.1 billion yen. The year-end dividend was raised from the previous forecast of 20 yen/share to 25 yen/share, leading to an annual dividend of 45 yen/share, up 9 yen/share from 36 yen/share in the previous fiscal year. The dividend payout ratio stood at 30.6%.**

- **For the fiscal year ending March 2025, the company expects sales to rise 3.9% year on year to 397 billion yen, and operating income to increase 29.3% year on year to 26.5 billion yen. Both the Elastomer Business and Specialty Materials Business are expected to see increases in sales and profit. In the Elastomer Business, synthetic rubber, latex, and chemical products are all expected to achieve larger sales and profits. The Specialty Materials Business is expected to see growth in sales and profit from optical plastics and optical films. The assumed foreign exchange rates and market conditions are set at 1 U.S. dollar = 145 yen, 1 euro = 155 yen, domestically produced naphtha = 68,000 yen, and 900 U.S. dollars for Asian butadiene. The dividend forecast is composed of an interim dividend of 23 yen/share, a year-end dividend of 24 yen/share, and an annual dividend of 47 yen/share, showing a 2 yen/share increase. This marks the 15th consecutive annual dividend increase since the fiscal year 2010, with a forecast dividend payout ratio of 55.9%.**

- **The results in the fiscal year ended March 2024 exceeded the company's forecast announced in January. For the fiscal year ending March 2025, the Elastomer Business is expected to benefit from a recovery in demand, while the Specialty Materials Business is expected to see increased sales and profit due to the demand recovery and the subsiding of the Noto Peninsula Earthquake's impact. The enhancement of shareholder return in their financial report attracted our attention. As they recorded extraordinary income in the fiscal year ended March 2024, dividend payout ratio exceeded 30%, and for the fiscal year ending March 2025, even though net income is projected to decrease, a dividend increase of 2 yen is forecast. Additionally, on the earnings announcement day, a significant share buyback was announced, demonstrating their robust commitment to shareholder returns and stock price measures. The market of lithium-ion batteries for electric vehicles, for which the company provides materials, is expected to grow in the future, although it is anticipated to remain at the same level between the fiscal year 2023 and the fiscal year 2024. Moreover, the outlook for cyclo olefin polymer (COP), valued for their optical and medical properties, remains bright. At present, EPS is expected to be close to 200 yen if the company achieves the profit level it is aiming for in the fiscal year ending March 2027. Against this backdrop, the stock price is below the BPS (1,714.88 yen) level. PBR exceeding 1 is considered a milestone, and we will continue to pay attention to business developments and shareholder returns.**

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, 60 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 2023)

（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 chemical 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.

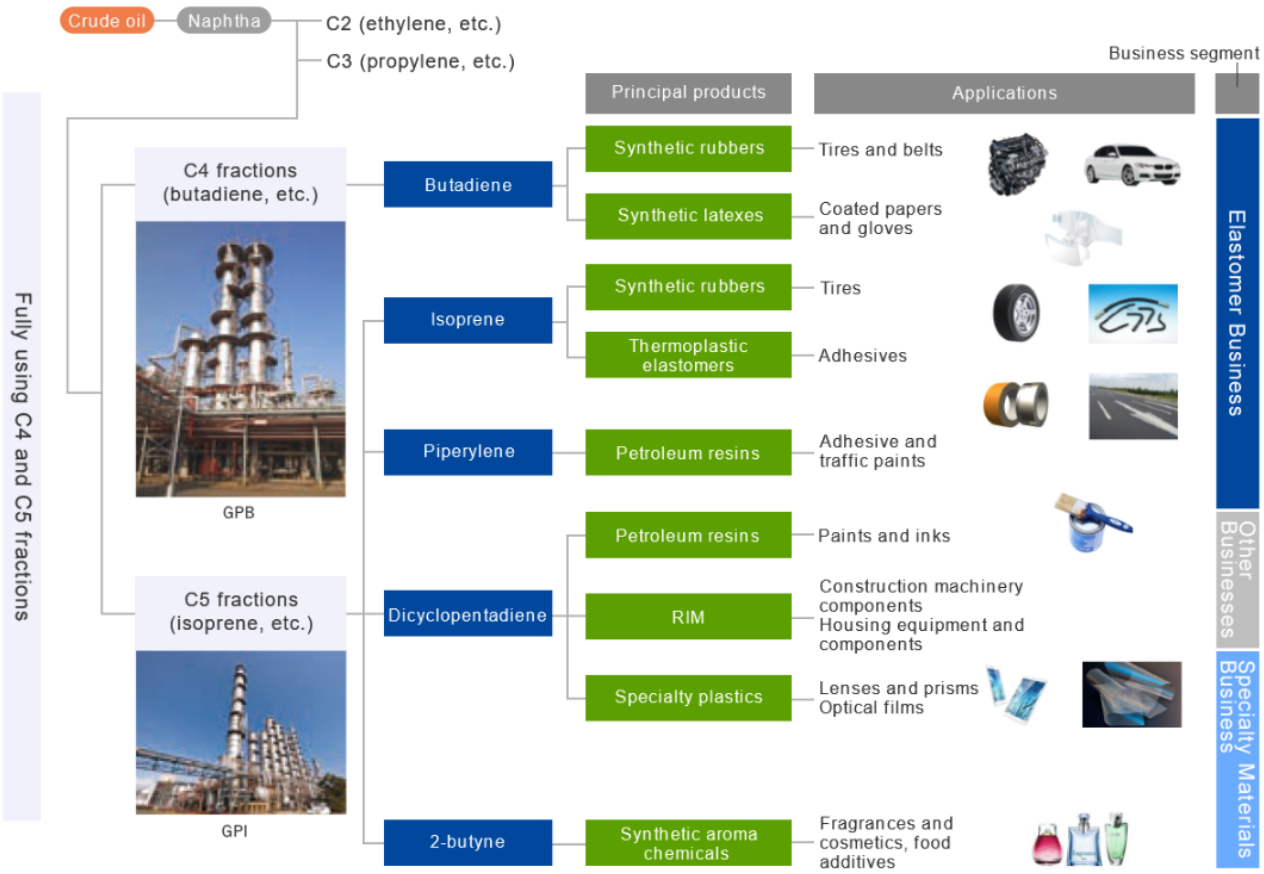
In 1965, use of the Company's unique technology called Geon Process of Butadiene (GPB) for the efficient manufacture of butadiene (main raw material of synthetic rubber) from C_4 fraction was operational.
Goodrich transferred its specialty synthetic rubber business to Zeon along with the shift in its 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 C_5 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.

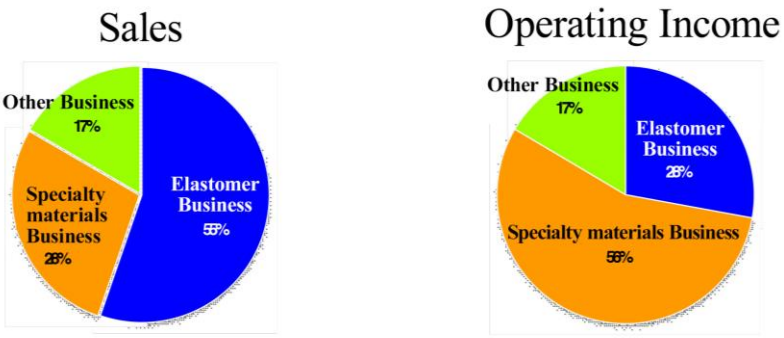
[1-3 Business Description]
Zeon's main products use various extracted from naphtha, which is extracted by distillation of crude oil.
When the naphtha is heated, carbon monoxide gas (C_1), ethylene (C_2), and propylene (C_3) are extracted in sequence.
Zeon uses **butadiene** extracted in the GPB method developed in-house from C_4 fraction, **isoprene monomer, piperylene, dicyclopentadiene,** and **2-butyne** extracted from C_5 fraction using the GPI method, as raw materials to be processed into synthetic rubber, synthetic latex and various other materials.



GPB Process … A technology for efficiently manufacturing highly pure butadiene
GPI Process … A technology for economically manufacturing highly pure isoprene, petroleum resins, synthetic aroma chemicals, and other useful components.

（Source: the company's website）

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.



*Both are results for the fiscal year ended March 2024. Composition ratio is before elimination and company-wide.

Elastomer Business

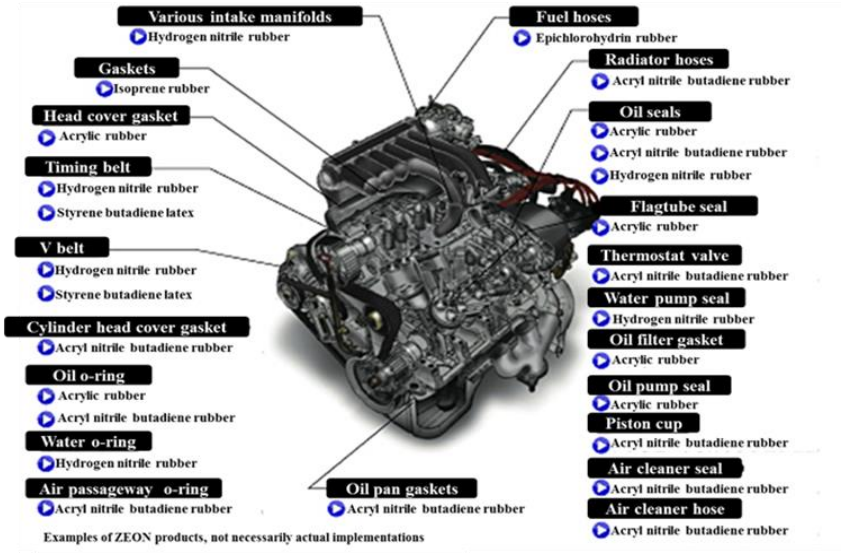
Elastomers are "high molecular compounds that have rubber-like elastic properties," an example of which is synthetic rubber. As described in the corporate history section of this report, in 1959 Zeon became the first company in Japan to mass-produce synthetic rubber, which became the foundation underlying 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 Latices 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 C_5 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 C_5 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.

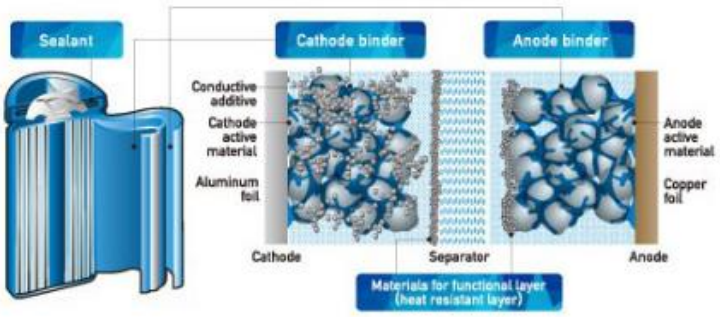
ZEOCOAT® is organic insulation material used in electronic devices such as cellphones, smartphones, and LCD televisions.
ZEOCOAT® was successful in improving both the picture quality and reliability of displays because of its high transparency, extremely low water absorption and low gas generation properties.
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.

2) High Performance Chemicals Business

◎ 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%. Furthermore, as part of its efforts to expand the product lineup while paying attention to environmental burdens, the company embarked on full-scale development of adhesive slurry for separator coating designed as an aqueous product.
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.
Recognizing the potential of lithium-ion batteries and working on them earlier than any other company, ZEON continuously proposes specialty materials for further generalizing new material functions and developing new batteries that meet needs in automobile applications, such as quick charging, as the top innovator in the market of lithium-ion battery binders.

Binder for Battery



（Source: the company's website）

◎ Specialty Chemicals

Zeon deals in specialty chemicals that use derivatives from C_5 fraction, such as synthesized fragrances for cosmetics and flavor used in foods, characteristic solvents, and plant growth regulator.

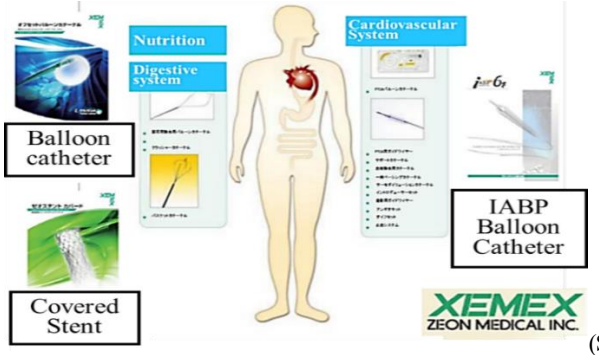
The Company holds the world's top share of the synthesized fragrances in green note. They provide a wide range of specialty products including ingredients for intermediary bodies used in medical and agricultural chemicals, alternative solvents to CFCs, cleaning agents, urethane expanding agent, and functional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

3) 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.

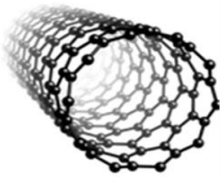
* FFR: fractional flow reserve ratio for quantitatively evaluating the severity of lesions and determining treatment strategies in diagnosing and treating coronary arteries.

【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?

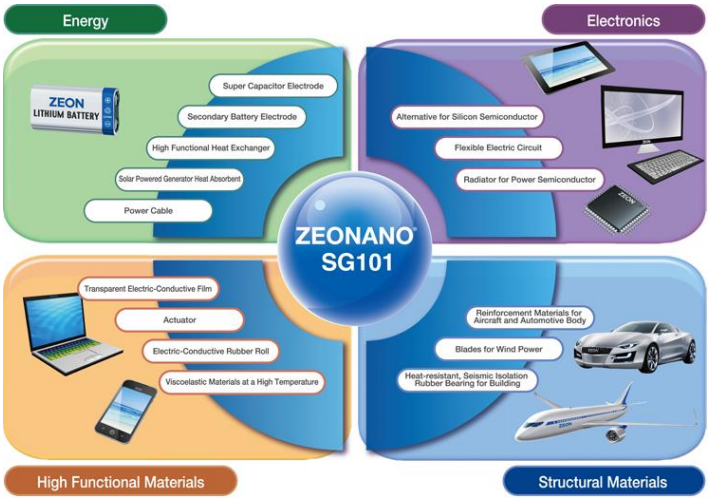
Carbon Nanotubes (CNTs) are cylindrical nanostructure formed by hexagonal lattice of carbon atoms. In 1993, Sumio Iijima, Ph.D., head of the Applied Nanotube Research Center of the National Institute of Advanced Industrial Science and Technology (AIST), discovered this structure for the first time in 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: the company's website)

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.

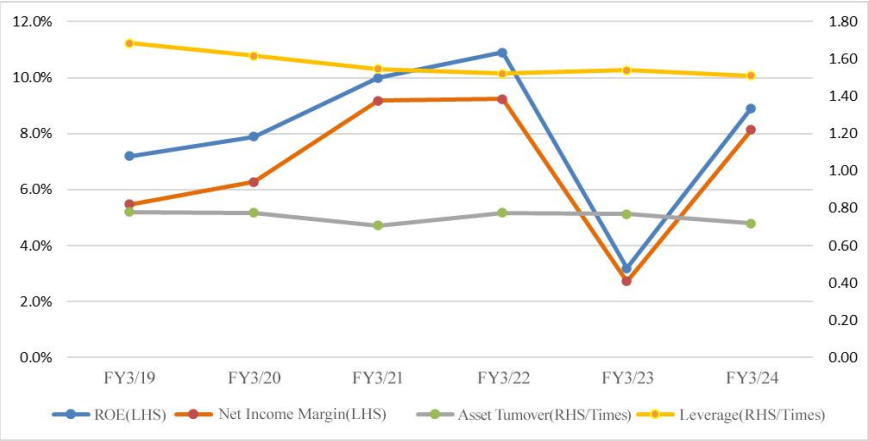
Other Business

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

[1-4 ROE Analysis]

	FY Mar. 17	FY Mar. 18	FY Mar. 19	FY Mar. 20	FY Mar. 21	FY Mar. 22	FY Mar. 23	FY Mar. 24
ROE (%)	**10.3**	**5.3**	**7.2**	**7.9**	**10.0**	**10.9**	**3.2**	**8.9**
Net income margin (%)	8.05	3.92	5.47	6.27	9.18	9.24	2.72	8.14
Total asset turnover (times)	0.72	0.78	0.79	0.78	0.71	0.78	0.77	0.72
Leverage（x）	1.77	1.71	1.66	1.62	1.55	1.52	1.54	1.51

ROE exceeded 10% in the fiscal years ended March 2021 and March 2022. In the fiscal year ended March 2023, however, the demand environment deteriorated, so net income margin shrank and ROE was at a low level. Although the fiscal year ended March 2024 showed a numerical recovery due to the posting of extraordinary income, the actual situation was unchanged from the fiscal year ended March 2023. In addition to recovery of demand and profitability improvement in the future, we would like to expect medium- and long-term increase in profitability based mainly on growth in the Specialty Materials segment.



*Prepared by Investment Bridge Co., Ltd. based on the disclosed material.

[1-5 Characteristics and Strengths]

1. World's Leading Creative Technology Development Capability

The GPB method used to manufacture butadiene from C_4 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 C_5 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 54 awards since 1960 including the GPB and GPI methods, in addition to 28 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 C_5 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 2024 Earnings Results

[2-1 Consolidated Earnings]

	FY 3/23	Ratio to sales	FY 3/24	Ratio to sales	YoY	Compared with forecast
Sales	388,614	100.0%	382,279	100.0%	-1.6%	+2.2%
Gross Profit	109,643	28.2%	102,510	26.8%	-6.5%	-
SG&A	82,464	21.2%	82,010	21.5%	-0.6%	-
Operating Income	27,179	7.0%	20,500	5.4%	-24.6%	+10.8%
Ordinary Income	31,393	8.1%	26,906	7.0%	-14.3%	+14.5%
Net Income	10,569	2.7%	31,101	8.1%	+194.3%	+17.4%

*Unit: million yen. Figures in compared with forecast are percentage compared with the forecasts announced on January 31, 2024.

Sales and Operating Income Declined Year on Year.

Sales decreased 1.6% year on year to 382.2 billion yen, and operating income dropped 24.6% year on year to 20.5 billion yen.

The Elastomer Business experienced decreases in both sales and profit. In the synthetic rubber segment, while prices dropped in response to raw material costs, the increase of shipments and favorable exchange rates led to increased sales and profit, particularly driven by the automotive sector's recovery. In the synthetic latex segment, excess inventory of medical and hygiene gloves continued to suppress supply improvement, resulting in decreased sales; however, cost reduction efforts led to an increase in profit. The segment of chemical products faced a delay in the global demand recovery for adhesive tapes and labels, resulting in the decrease in shipments and declining market prices, which caused decreased sales and profit.

The Specialty Materials Business saw increased sales, but profit decreased. Although the telework-related surge in demand for optical films for mobile devices subsided, sales of films for large-sized TV sets recovered, and demand for optical plastics for medical applications remained strong, leading to increased sales. However, increased costs associated with the start of operation of a new optical film production line and the impact of the Noto Peninsula Earthquake resulted in a decrease in profit. The battery materials segment suffered a decline in demand due to the sluggish Chinese economy, weak global EV sales, and changes in European EV subsidy policies, leading to decreased sales and profit. The segment of chemical products saw reduced sales and profit due to a decline in the market for synthetic fragrances. The electronic materials segment faced decreased sales and profit due to the semiconductor market downturn and the decline in utilization rate of factories of semiconductor manufacturers.

Despite an increase in foreign exchange gains in non-operating income, ordinary income dropped 14.3% year on year to 26.9 billion yen. Extraordinary income from the sale of investment securities rose from 3 billion yen to 25.5 billion yen, and impairment losses in extraordinary losses shrank from 19.3 billion yen to 2.5 billion yen in the previous fiscal year, resulting in a 194.3% year-on-year increase in net income to 31.1 billion yen.

The year-end dividend was raised from the previous forecast of 20 yen/share to 25 yen/share, leading to an annual dividend of 45 yen/share, up 9 yen/share from 36 yen/share in the previous fiscal year. The dividend payout ratio stood at 30.6%.

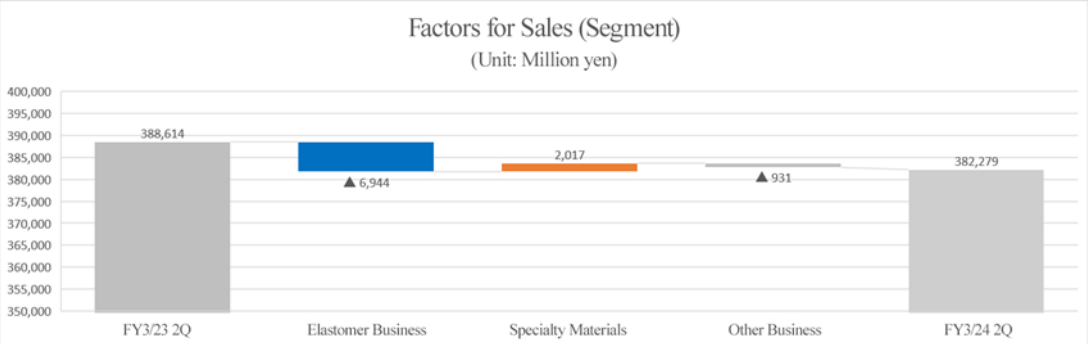
[2-2 Trends by Business Segments]

◎Full year

	FY 3/23	Composition ratio	FY 3/24	Composition ratio	YoY
Sales					
Elastomer Business	222,230	57.2%	215,286	56.3%	-3.1%
Specialty Materials Business	105,356	27.1%	107,373	28.1%	+1.9%
Other Business	65,270	16.8%	64,339	16.8%	-1.4%
Adjustment	-4,242	-	-4,720	-	-
Total	388,614	100.0%	382,279	100.0%	-1.6%
Operating Income					
Elastomer Business	10,184	4.6%	6,635	3.1%	-34.8%

Specialty materials Business	18,296	17.4%	13,241	12.3%	-27.6%
Other Business	2,381	3.6%	3,927	6.1%	+64.9%
Adjustment	-3,682	-	-3,303	-	-
Total	27,179	7.0%	20,500	5.4%	-24.6%

*Unit: million Yen. Composition of operating profit as % of operating profit on sales.



*Prepared by Investment Bridge Co., Ltd. based on the disclosed material.

[2-3 Quarterly Trends]

	1Q FY 3/23	2Q	3Q	4Q	1Q FY 3/24	2Q	3Q	4Q
Sales	97,576	99,841	96,788	94,409	91,927	93,515	98,364	98,473
Operating Income	10,726	9,458	7,651	-656	6,114	3,347	6,525	4,514

*Unit: million Yen.

From the previous quarter (the third quarter of the fiscal year March 2024), sales grew 0.1%, but profit shrank 30.8%.

◎Segment

	1Q FY 3/23	2Q	3Q	4Q	1Q FY 3/24	2Q	3Q	4Q
Sales								
Elastomer Business	53,547	57,865	55,921	54,897	52,218	52,513	54,951	55,604
Specialty materials Business	30,076	26,486	24,941	23,853	25,196	26,213	27,664	28,300
Other Business	15,099	16,512	16,853	16,806	15,374	16,089	17,122	15,754
Operating Income								
Elastomer Business	4,058	5,273	2,878	-2,025	2,464	1,180	2,520	471
Specialty materials Business	6,981	4,655	4,905	1,755	3,998	2,594	3,600	3,049
Other Business	422	297	686	976	637	762	1,341	1,187

*Unit: million Yen

【Elastomers】
Quarter-on-quarter increase in sales but decrease in profit.
The demand for and shipment of synthetic rubber remained generally strong. Sales increased due to the growth of shipment volume, but profit decreased due to increased allocation of indirect costs at the end of the fiscal year.

*Synthetic Rubber
While shipment volume increased, particularly for general-purpose products overseas, sales decreased due to seasonal inventory adjustments of specialty products. Profit also declined due to increased allocation of indirect costs at the end of the fiscal year.

*Latex
Sales increased due to the increase of shipments of products for gloves, but operating income remained flat due to increased allocation of indirect costs at the end of the fiscal year.

*Chemical Products
The adhesive market recovered, leading to increased shipment volume and sales. However, profit decreased due to increased allocation of indirect costs at the end of the fiscal year.

【Specialty Materials】
Quarter-on-quarter increase in sales but decrease in profit.
Sales decreased, but profit increased for specialty plastics, while specialty chemicals saw increased sales, but profit decreased.

*Specialty plastics
Sales decreased due to the impact of the earthquake, but profit increased due to the growth of shipment volume of optical plastics. Increased shipment volume of small- and medium-sized films contributed to year-on-year increases in both sales and profit.

*Specialty chemicals
Sales of battery materials experienced quarter-on-quarter and year-on-year increases due to the delay in posting in overseas affiliates. However, profit decreased due to lower shipment volume and flat selling, general, and administrative expenses.

◎Trends in shipment volume by item
* Battery materials
In the fourth quarter (January-March), shipment volume increased 19% year on year, but decreased 32% quarter on quarter. The cumulative shipment volume for the fourth quarter (April-March) increased by 6%.
The volume of battery materials for EVs shipped were up 6% year on year, but down 40% quarter on quarter, due to weak global EV sales and the impact of front-loaded shipments ahead of the Chinese New Year.
The volume of shipments for consumer product and other industries rose 129% year on year and 33% quarter on quarter. The mobile device market gradually recovered, and the sales of battery materials for ESS (energy storage systems) increased, resulting in the year-on-year and quarter-on-quarter increases in shipment volume.

* Optical plastics
In the fourth quarter (January-March), shipment volume increased 12% year on year and 15% quarter on quarter. The cumulative shipment volume for the fourth quarter (April-March) increased by 4%.
Shipments of products for optical applications rose in volume by 18% year on year and by 3% quarter on quarter. The shipment volumes of products for both smartphones and printers increased.
Shipments of products for medical and other applications rose in volume by 10% year on year and by 18% quarter on quarter. The increase in customer demand, along with the recovery of the semiconductor market, contributed to the rise in year-on-year and quarter-on-quarter shipment volumes.

* Optical films
In the fourth quarter (January-March), shipment volume decreased 8% year on year and 27% quarter on quarter. The cumulative

shipment volume for the fourth quarter (April-March) increased by 24%.
Shipments of small- and medium-sized product industries rose in volume by 34% year on year and fell in volume by 18% quarter on quarter. Strong demand for smartphones and tablet devices led to a year-on-year increase in shipment volume, but the usual shipment lull for smartphones in fourth quarter resulted in a quarter-on-quarter decrease.
The volume of shipments for large-sized product industries went down 15% year on year and 29% quarter on quarter. The temporary halt in operations due to the Noto Peninsula Earthquake led to year-on-year and quarter-on-quarter declines in shipment volume. However, full recovery was achieved on March 29.

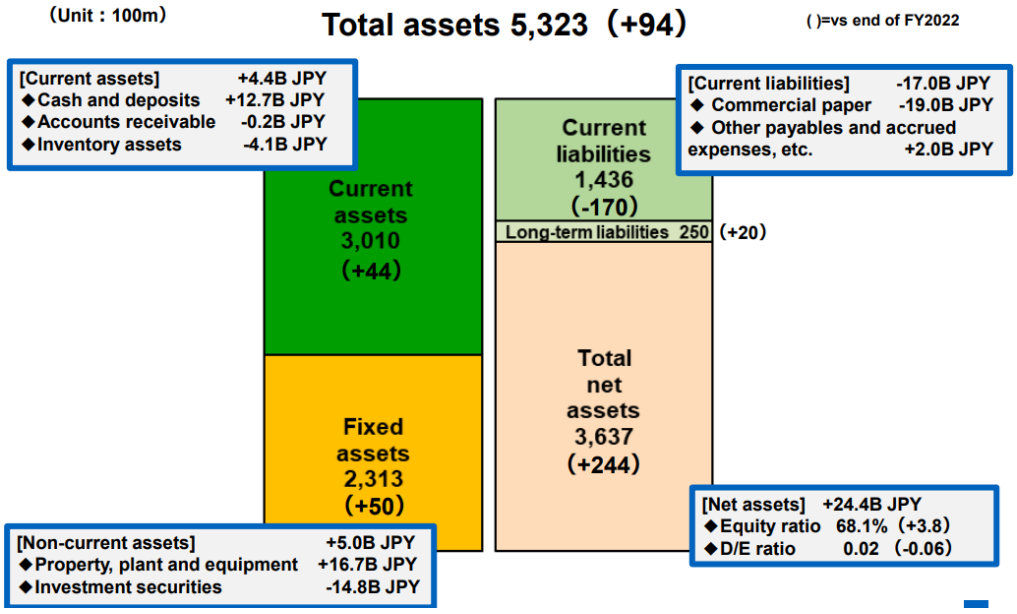
[2-4 Financial standing and cash flows]

◎Main Balance Sheet

	End of 3/23	End of 3/24	Increase/ decrease		End of 3/23	End of 3/24	Increase/ decrease
Current Assets	296,631	300,982	+4,351	Current liabilities	160,587	143,561	-17,026
Cash	30,082	42,784	+12,702	Payables	86,781	86,754	-27
Receivables	83,594	87,446	+3,852	ST Interest-Bearing Liabilities	27,960	8,960	-19,000
Inventories	127,452	123,353	-4,099	Non-current liabilities	22,973	24,965	+1,992
Non-current Assets	226,237	231,272	+5,035	LT Interest-Bearing Liabilities	-	-	-
Tangible Assets	113,924	130,672	+16,748	Total Liabilities	183,560	168,525	-15,035
Intangible Assets	4,442	5,432	+990	Net Asset	339,308	363,729	+24,421
Investment, Others	107,871	95,168	-12,703	Capital	336,311	362,380	+26,069
Total assets	522,868	532,254	+9,386	Total Liabilities and Net Assets	522,868	532,254	+9,386

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

Total assets increased 9.3 billion yen from the end of the previous term due to increases in cash, tangible assets, and other assets.
Total liabilities decreased 15.0 billion yen from the end of the previous term due to decreases in ST interest-bearing liabilities.
Net assets increased 24.4 billion yen from the end of the previous term due to increases in retained earnings and foreign currency translation adjustments.
As a result, the equity ratio increased by 3.8 points from the end of the previous fiscal year to 68.1%, and the D/E ratio was 0.02, down 0.06 from the end of the previous period.



(Source: the company)

3. Fiscal Year ending March 2025 Earnings Forecasts

[3-1 Earnings Forecast]

	FY 3/24	Ratio to Sales	FY 3/25(Est)	Ratio to Sales	YoY
Sales	382,279	100.0%	397,000	100.0%	+3.9%
Operating Income	20,500	5.4%	26,500	6.7%	+29.3%
Ordinary Income	26,906	7.0%	27,500	6.9%	+2.2%
Net Income	31,101	8.1%	17,500	4.4%	-43.7%

*Unit: million yen.

Sales and operating income are expected to increase 29.3%.

For the fiscal year ending March 2025, the company expects sales to rise 3.9% year on year to 397 billion yen, and operating income to increase 29.3% year on year to 26.5 billion yen. Both the Elastomer Business and Specialty Materials Business are expected to see increases in sales and profit. In the Elastomer Business, synthetic rubber, latex, and chemical products are all expected to achieve larger sales and profits. The Specialty Materials Business is expected to see growth in sales and profit from optical plastics and optical films.
The assumed foreign exchange rates and market conditions are set at 1 U.S. dollar = 145 yen, 1 euro = 155 yen, domestically produced naphtha = 68,000 yen, and 900 U.S. dollars for Asian butadiene.
Ordinary income is expected to increase 2.2% to 27.5 billion yen, as no foreign exchange gains recorded as non-operating income in the previous fiscal year are anticipated. Due to the impact of gains from the sale of investment securities recorded as extraordinary income in the previous fiscal year, net income is projected to decrease 43.7% to 17.5 billion yen.
The dividend forecast is composed of an interim dividend of 23 yen/share, a year-end dividend of 24 yen/share, and an annual dividend of 47 yen/share, showing a 2 yen/share increase. This marks the 15th consecutive annual dividend increase since the fiscal year 2010, with a forecast dividend payout ratio of 55.9%.

[3-2 Trends by Business Segments]

	FY 3/24	FY 3/25（Est）	YoY
Sales			
Elastomer Business	215,286	221,500	+2.9%
Specialty materials Business	107,373	115,500	+7.6%
Sales Total	382,279	397,000	+3.9%
Operating Income			
Elastomer Business	6,635	10,000	+50.7%
Specialty materials Business	13,241	15,500	+17.1%
Operating Income Total	20,500	26,500	+29.3%

*Unit: million yen.

Business Environment in FY3/25

(1) Elastomer Business

* Synthetic rubber

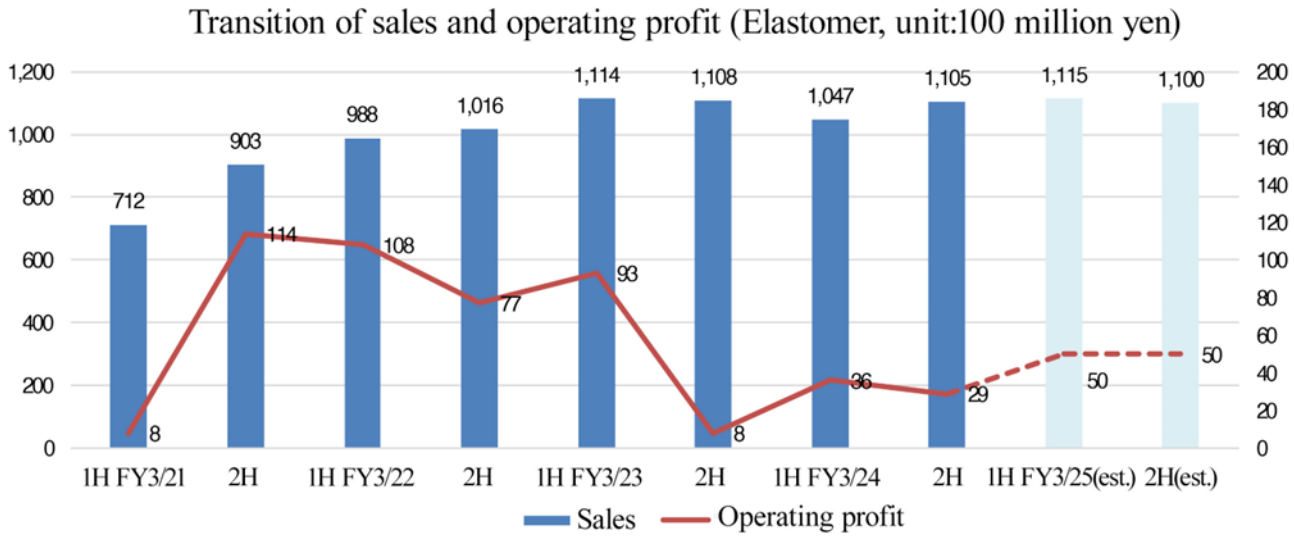
Sales and profits are expected to increase as demand in the automobile market is strong, although there are regional differences.

＊Latex

The market for gloves is expected to recover gradually.

*Chemical Products

The adhesive tape market is expected to recover gradually, with regional differences.



(2) Specialty materials

* Optical plastics

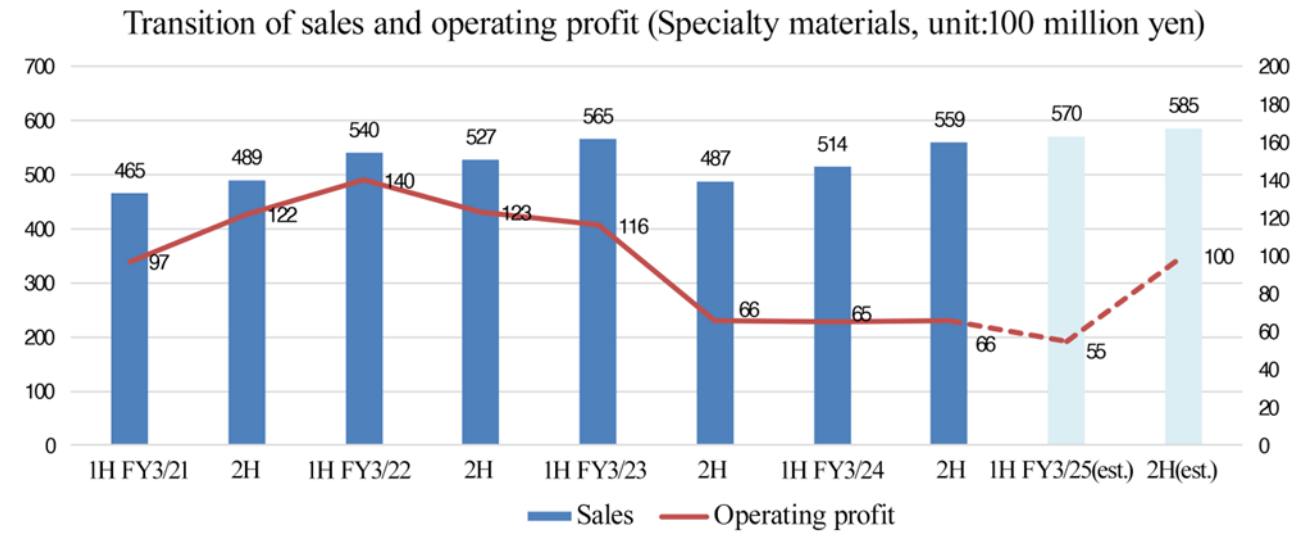
Demand is expected to remain strong for both optical/medical and other applications.

* Optical films

Shipments are expected to recover due to the full restoration of the production line for large-sized applications. The market for tablet devices and laptop computers is expected to recover, while the market for smartphones is projected to remain sluggish.

* Battery materials

The global decline in EV sales is forecast to keep the performance level flat from the fiscal year 2023.



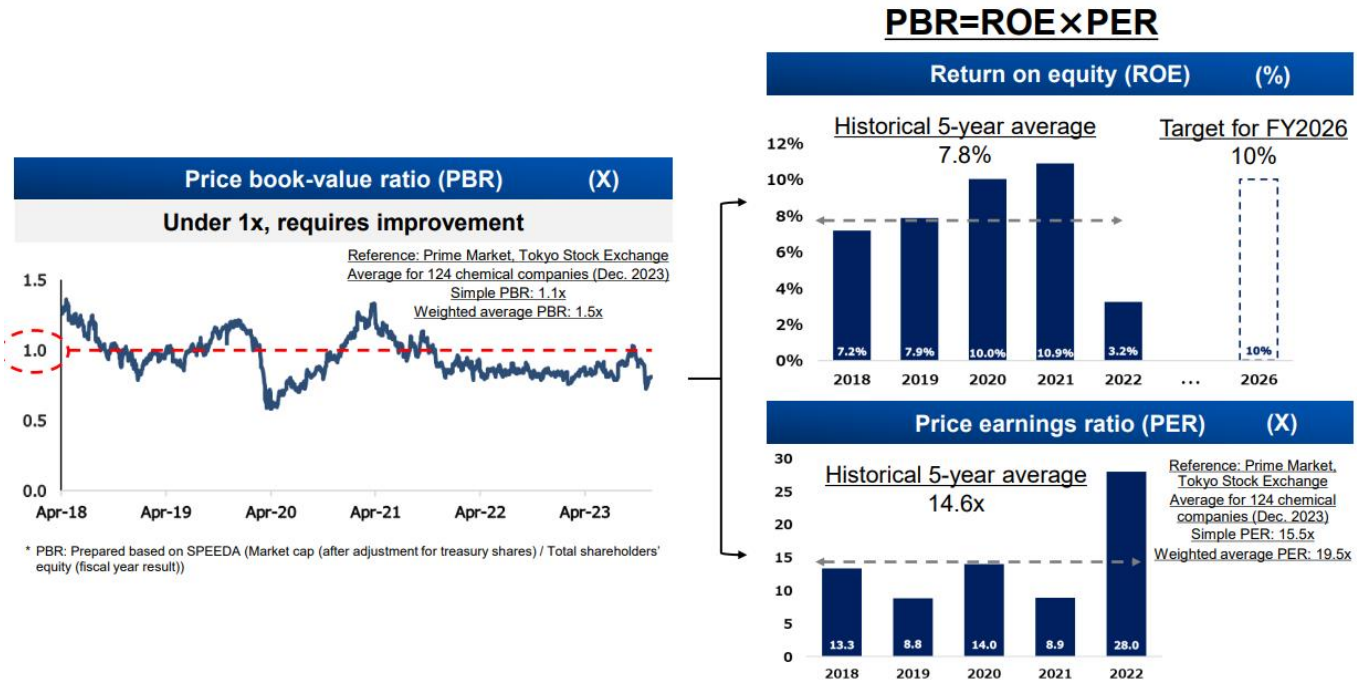
4. Measures for Achieving Management with a Focus on Capital Costs and Stock Price

In January, measures for achieving management with a focus on capital costs and stock price were announced.
See also <Reference 1: Medium-Term Management Plan>.

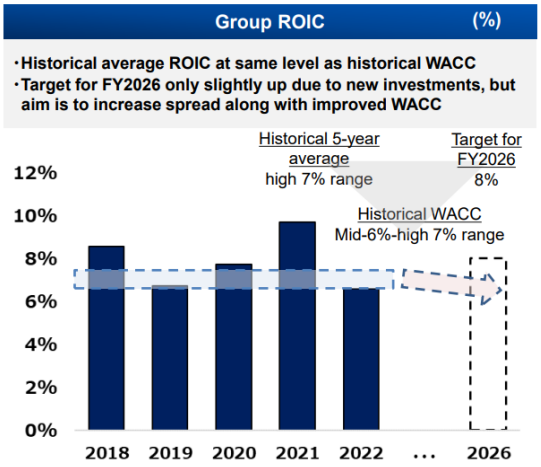
I. Overview

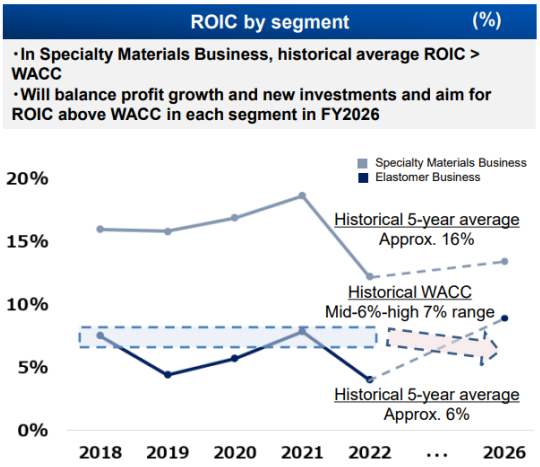
Analysis of the current situation	■Recently, the PBR (Price-to-Book Ratio) has fallen below 1, making it a critical management challenge to improve it to above 1. ➢The primary reason for the recent decline in PBR is the drop in ROE (Return on Equity). ➢The average ROIC (Return on Invested Capital) over the past five years is at the same level as the historical WACC (Weighted Average Cost of Capital). The goal is to expand the WACC-ROIC spread by fiscal year 2026.
Policy	To aim to achieve the targets of the second phase of the medium-term management plan: ➢Company-wide ROIC: 8%, Existing business's ROIC: 9% ➢ROE: 10% ➢Sales: 510 billion yen (overall), 16 billion yen (new businesses) ➢Operating income: 58 billion yen, Net assets: 400 billion yen ➢D/E ratio: below 0.3 ➢Strategically held shares: less than 15% of net assets ➢Dividend payout ratio: 30% or over
Initiatives for improvement	■Business Management ➢Improve the profitability of the Elastomer Business. ➢Expand sales and promote the provision of new products in the Specialty Materials Business. ➢Identify new investments that can induce differentiation. ■Financial Management ➢Enhance leverage through the effective use of interest-bearing debt. ➢Continuously reduce strategically held shares. ➢Ensure stable and continuous shareholder returns. ➢Promote dialogue with capital markets.

II. Analysis of Capital Costs and Capital Profitability



(Source: the company)



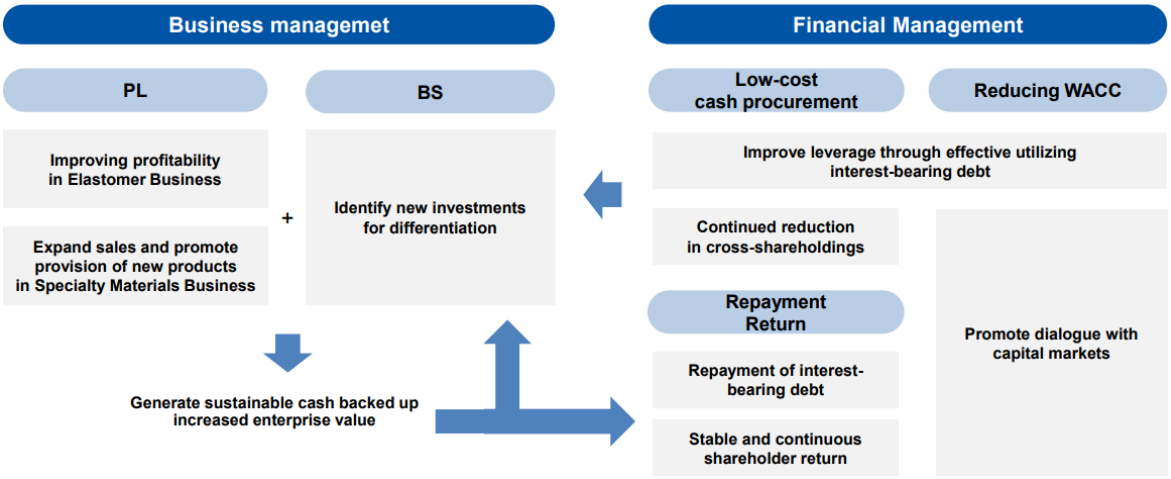


Historical WACCs are those estimated by the company.

(Source: the company)

III. Initiatives for Improvement

To aim to achieve ROIC above WACC by promoting the medium-term management plan

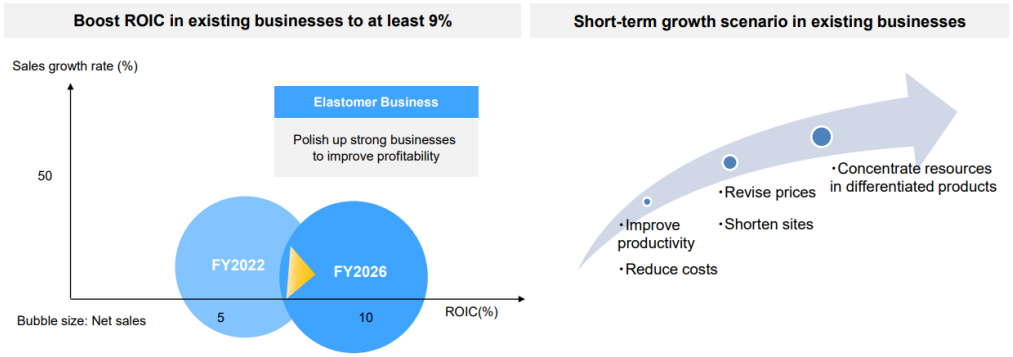


(Source: the company)

III-1. Business Management

① Improving Profitability of Elastomers

The company aims to enhance the profitability of its existing business products by means of thorough cost reduction and differentiation.



(Source: the company)

It is currently considering medium/long-term business structure and portfolio reforms.

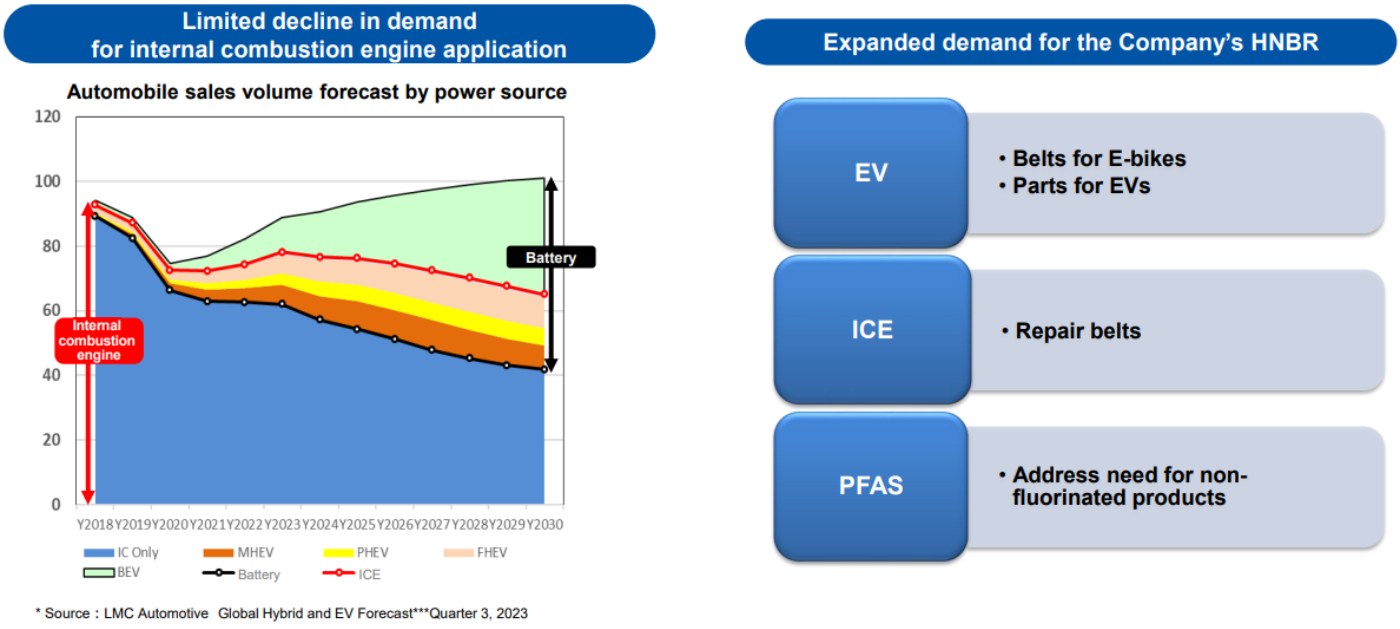
• Increase production capacity of hydrogenated nitrile rubber (product name: Zetpol®).
• Expect approximately 25% increase in production capacity, with production starting in 2025.
• Meet the growing demand in various industrial fields requiring high heat resistance and high strength, and serve as an alternative to fluororubber.

• Improve profitability through price adjustments.
• Fiscal year ending 2023: synthetic rubber and synthetic latex.

• Minimize sales and research personnel.
• Increase efficiency by integrating production items and production plants.

• Ongoing discussions without setting any exceptions.

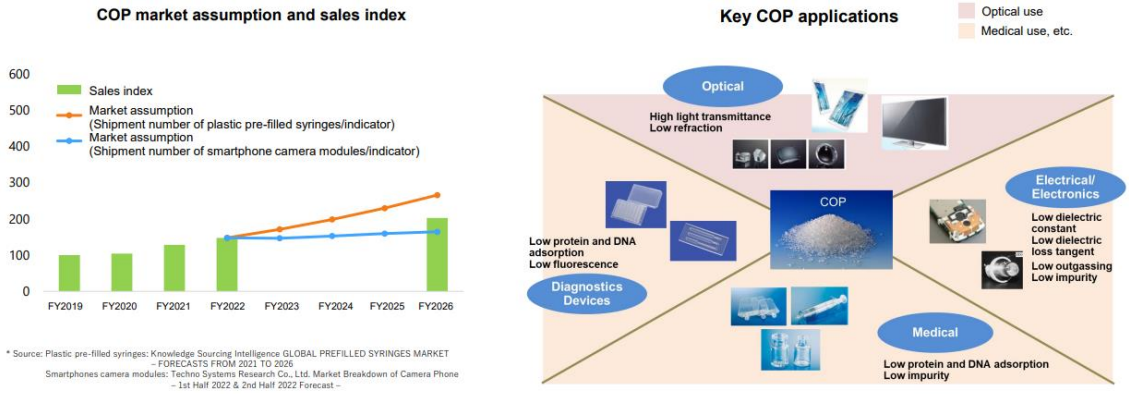
Growth scenarios for special rubber:



(Source: the company)

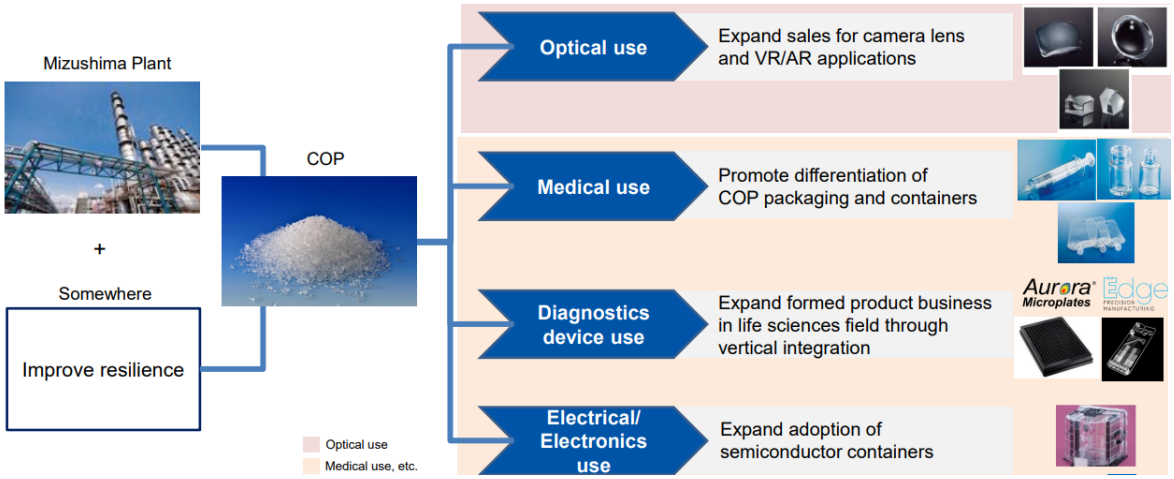
② Expanding Sales and Promoting the Provision of New Products in the Specialty Materials Business (COP):

Under the company's medium-term management plan, it plans to expand sales mainly for medical and other applications.



(Source: the company)

Target for fiscal year 2026: COP sales index of 210 (Fiscal year 2019 = 100).	Leveraging the diverse properties of COP, the company plans to develop individual strategies for optical, medical, diagnostic devices, and electrical/electronic applications to expand sales.

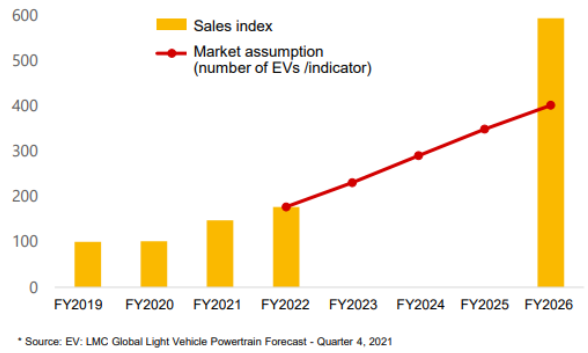


(Source: the company)

(3) Expand sales of the Specialty Materials Business and promote new products (battery materials)

Under the medium-term management plan, the company aims to achieve sales growth exceeding that of the EV market.

Battery materials market assumption and sales index



* Source: EV: LMC Global Light Vehicle Powertrain Forecast - Quarter 4, 2021

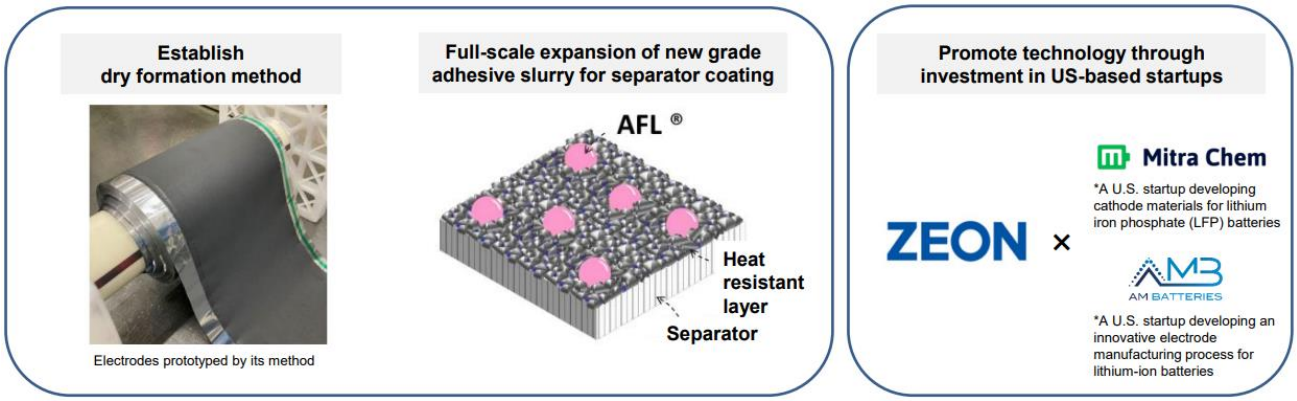
Approach to medium- to long-term growth

	China	Europe	USA
Core Product of Market	LFPs	NMCs	NMCs
Production	Establishment of global production system in Japan, Thailand, USA, and Europe		
R&D	Development of technologies that contribute to providing customers with comprehensive solutions for lithium-ion batteries and next-generation batteries		
Sales	Provision of products that meet the needs of each area based on local production for local consumption		
	Proposing a total process that suits the customer's slurry design and process		
Opportunities	Growing need for products with low environmental impact		
	Expansion of battery market		Construction of a supply network with non-Chinese products
	Global support for overseas expansion		
Risks	Intensified competition due to increased entry of competitors		Stagnation in electric vehicle growth

Expanding existing products by providing solutions to customers' challenges.

Developing and launching differentiated technologies and products into the market.
(Source: the company)

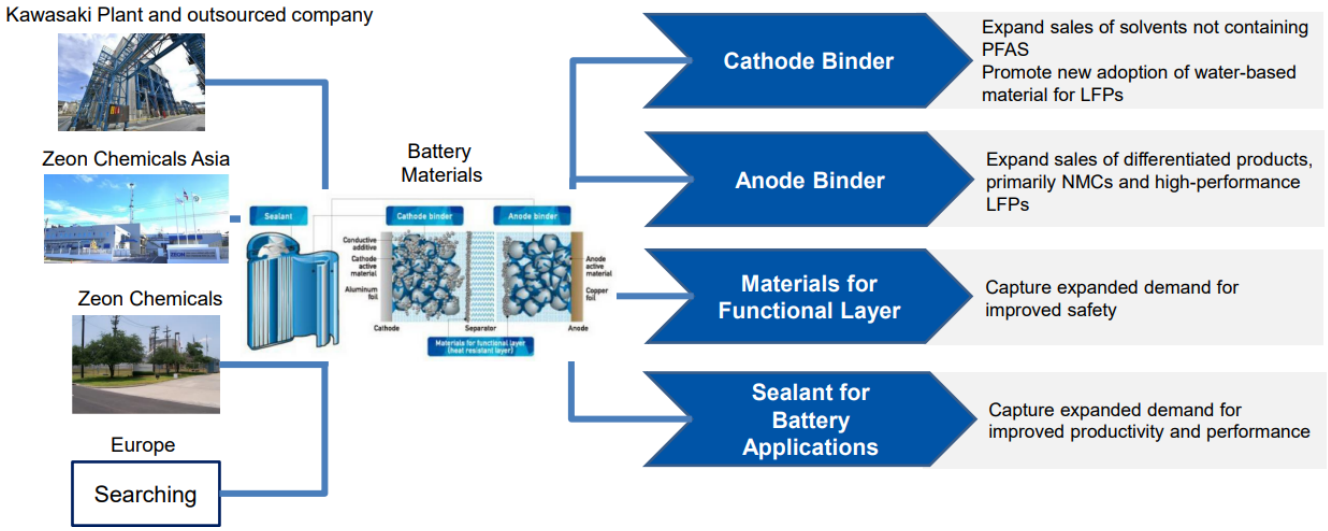
Offering advantages to stakeholders through the company's products



Improving battery productivity and performance
Reducing investment in battery manufacturing equipment
Lowering environmental impact
*contributing to the reduction of CO_2 emissions, and using materials free of perfluoroalkyl substances (PFAS), an organic fluorine compound.
(Source: the company)

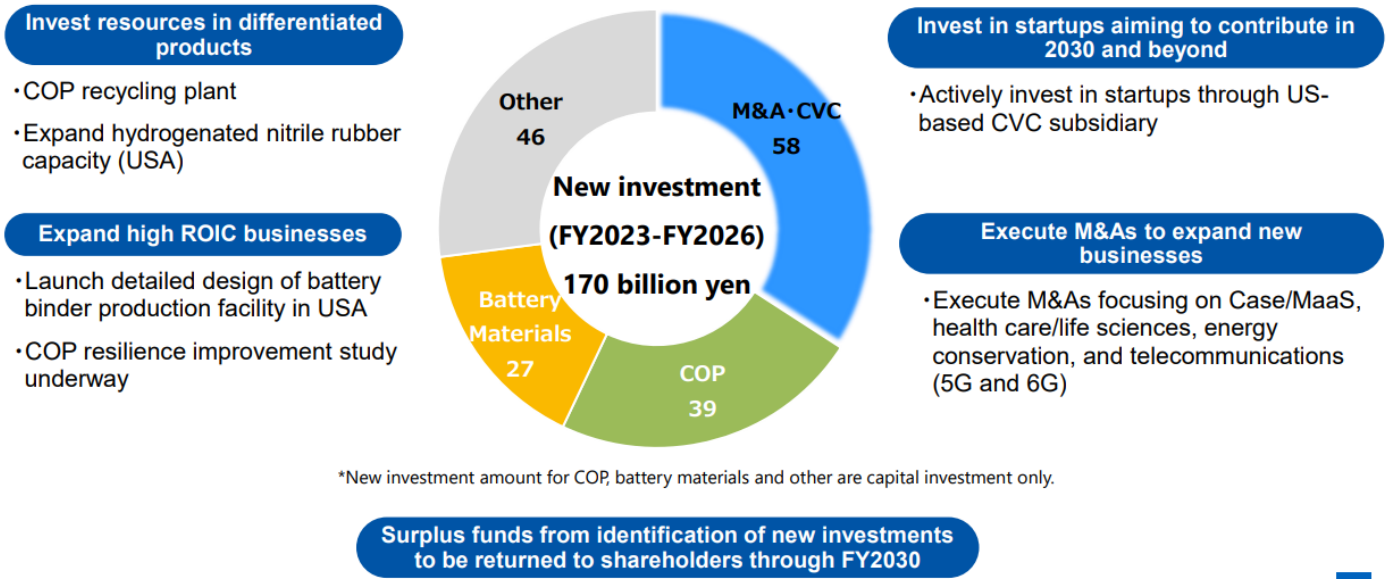
Sales index target for battery materials in fiscal year 2026 (100 in fiscal year 2019).

The company is also establishing a global four-pillar production system based on local production for local consumption, aiming to capture EV market growth through both the expansion of existing products and the development of new products.



(Source: the company)

④Identify new investments for differentiation

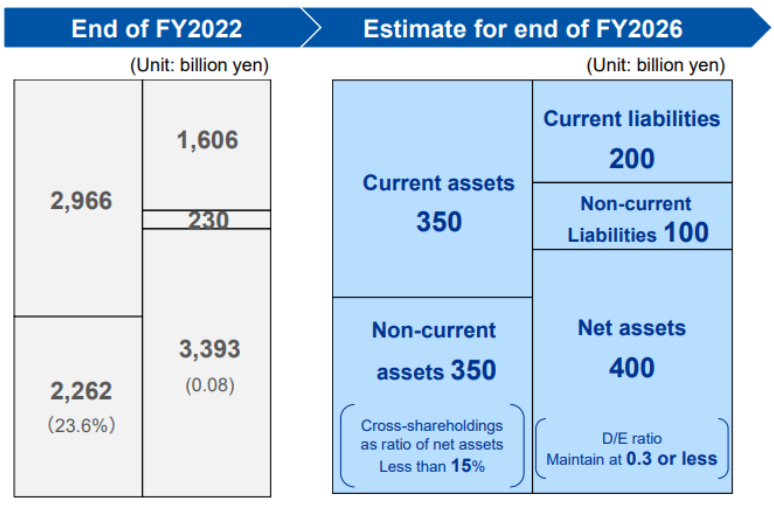


(Source: the company)

III-2. Financial Management

① Enhancing Leverage through Effective Use of Interest-Bearing Debt:

Until fiscal year 2026, they will prioritize the allocation of funds to new investments and research and development, increasing the denominator (invested capital) of ROIC.
To keep D/E ratio below 0.3



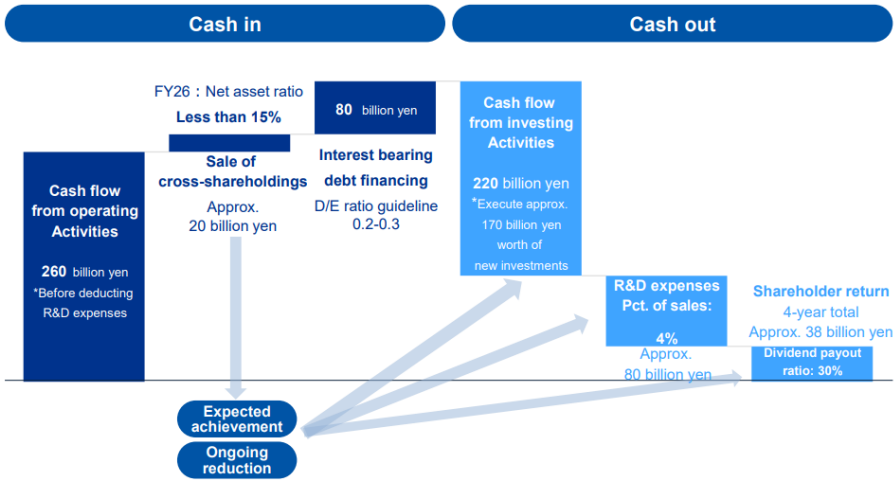
Maintain a bond rating of Single A or higher, even if temporarily lowered due to increased interest-bearing debt.

Adapt to changes in the balance sheet resulting from structural reforms while keeping D/E ratio below 0.3.

(Source: the company)

② Continuous Reduction of Strategically Held Shares:

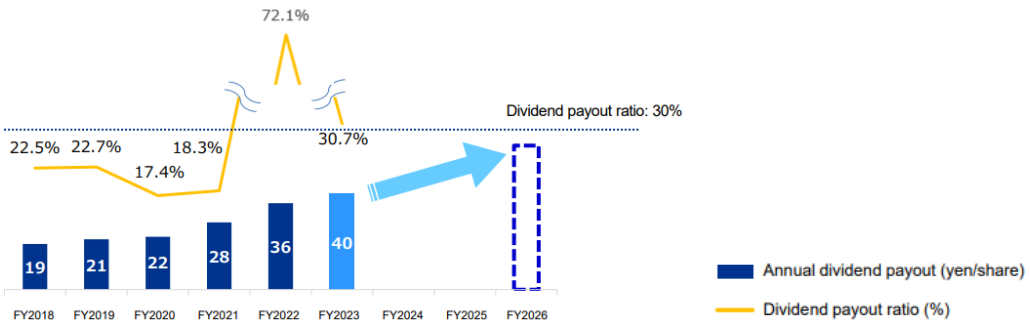
The company plans to achieve its fiscal year 2026 target for the reduction of strategically held shares ahead of schedule and will continue to work toward further reductions.



*The difference between cash inflow and cash outflow is the increase or decrease in cash and cash equivalents through the expansion of scale.
(Source: the company)

③ Stable and Continuous Shareholder Returns:

In line with its shareholder return policy, the company will maintain stable and continuous dividends and a dividend payout ratio of 30% or higher.



(Source: the company)

5. Conclusions

In the fiscal year ended March 2024, the financial results exceeded the company's forecast announced in January, which had been revised downwardly due to the impact of the Noto Peninsula Earthquake. For the fiscal year ending March 2025, the Elastomer Business is expected to benefit from a recovery in demand, while the Specialty Materials Business is expected to see increased sales and profit due to the demand recovery and the subsiding of the Noto Peninsula Earthquake's impact. While the overall business environment is expected to remain strong, there is some concern regarding battery materials for electric vehicles (EVs). This concern, which was highlighted previously, has become more pronounced with potential risks of excess inventory in the EV market that need to be closely monitored.

The enhancement of shareholder return in their financial report attracted our attention. Recording temporary extraordinary income in the fiscal year ended March 2024, the company revised its dividend payout ratio upwardly to over 30%. For the fiscal year ending March 2025, net income is projected to decrease due to the absence of these extraordinary income, but the dividend is still forecast to increase 2 yen. Additionally, on the day of the earnings announcement, the company announced a significant share buyback program of up to 10 million shares, equivalent to 4.7% of the total number of outstanding shares, demonstrating a robust commitment to shareholder returns and stock price measures.

The market of lithium-ion batteries for electric vehicles, for which the company provides materials, is expected to grow in the future, although it is anticipated to remain at the same level between the fiscal year 2023 and the fiscal year 2024. Moreover, the outlook for cyclo olefin polymer (COP), valued for their optical and medical properties, remains bright. The company plans to continue making proactive investments, focusing on absorbing the associated costs while expanding its business.

Regarding the ongoing medium-term management plan, which is now in its second phase, the company plans to hold an explanatory

meeting in June to outline its approach to structural reforms. At present, EPS is expected to be close to 200 yen if the company achieves the profit level it is aiming for in the fiscal year ending March 2027. Against this backdrop, the stock price is below the BPS (1,714.88 yen) level. PBR exceeding 1 is considered a milestone, and we will continue to pay attention to business developments and shareholder returns.

<Reference 1: Medium-term Management Plan>

The company is promoting its Medium-Term Business Plan, “STAGE 30,” which began in the fiscal year ended March 2022. Having completed “Phase 1” of the plan in the fiscal year ended March 2023, the company has entered “Phase 2” of the business plan, which will end in the fiscal year ending March 2027.

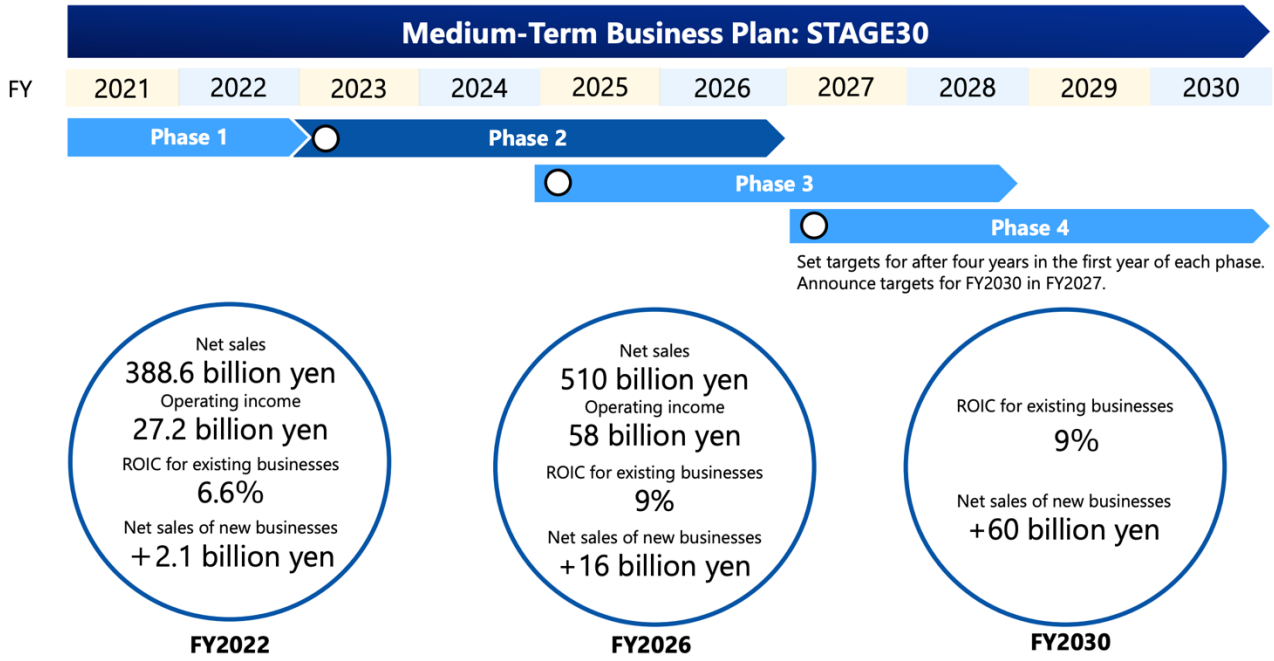
[1-1-1 Overview of the New Medium-term Management Plan]

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)

[1-1-2 Overview of the Medium-Term Business Plan - Phases and Performance Targets]



(Source: the company)

[1-2-1 Progress of Phase 1]

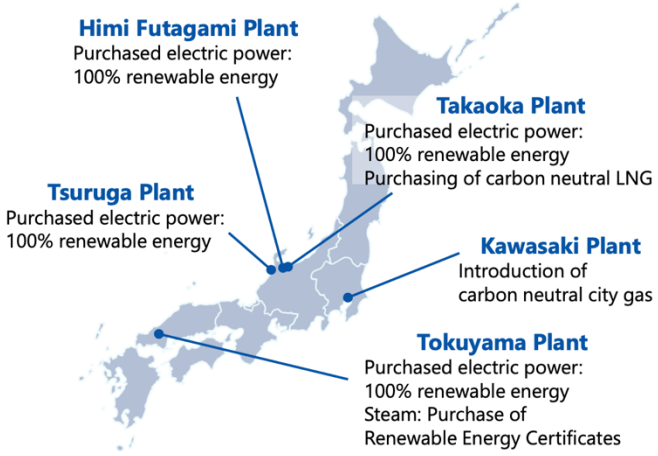
Strategies	Indexes	FY2019	FY2022	Targets for FY2030
1 Promote a transformation of "monozukuri" to realize carbon neutrality and a circular economy	Ratio of reduction in CO_2 emissions compared to FY2019 levels (Zeon Corporation's Scope 1+2 emissions)	—%	Approx. 11% (forecast) reduction	50% reduction
2 "Polish up" existing businesses	Sales ratio of products that contribute to the SDGs	—	Working on system introduction	50%
	ROIC for existing businesses	6.7%	6.6%	9%
"Explore" new businesses	Net sales of new businesses (compared to FY2019)	—	+2.1 billion yen	+60 billion yen
3 Work together to create "stages" to be active on	Employee engagement	—%	48%	75%
	Ratio of foreign national and female directors and officers	0%	7%	30%

(Source: the company)

[1-2-2 Explanation of Progress of Phase 1 for Each Corporate Strategy]

（1）Promote a Transformation of "monozukuri" to Realize Carbon Neutrality and a Circular Economy

(1) Energy conversion at domestic plants



(2) Establishment of 1st Carbon Neutrality Master Plan
→Establishment of CO_2 emission reduction target for FY2030

(3) Introduction of internal carbon pricing (ICP) scheme

(4) Selected by NEDO* as a business for the Green Innovation Fund Project

- Development of carbon recycling basic chemical manufacturing technology for synthetic rubber
- Development of high-performance and energy-efficient non-volatile memory for photonic chips
- MATSURI Project

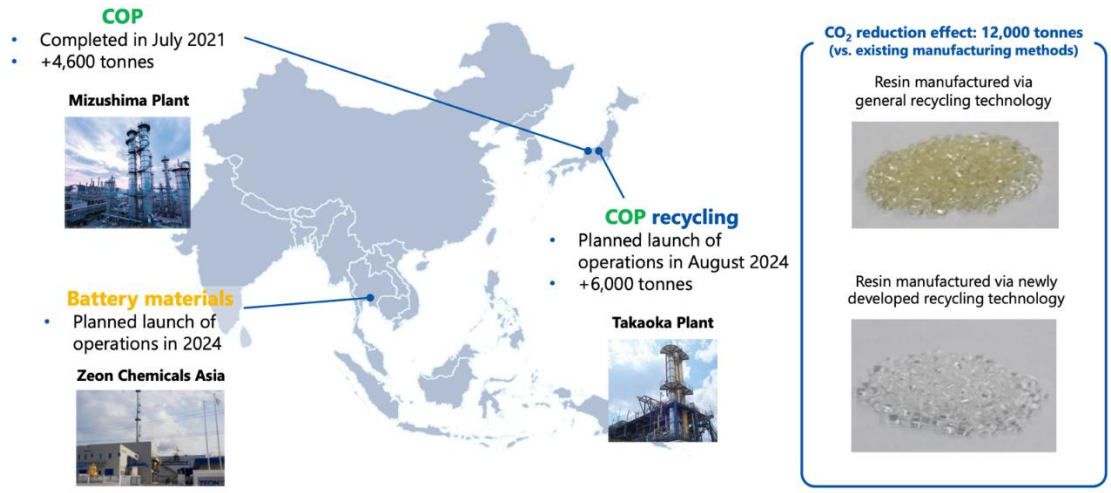
*New Energy and Industrial Technology Development Organization

(Source: the company)

(2) "Polish up" existing businesses, "explore" new businesses, and developing digital infrastructure to create value for customers

"Polish up" existing businesses①

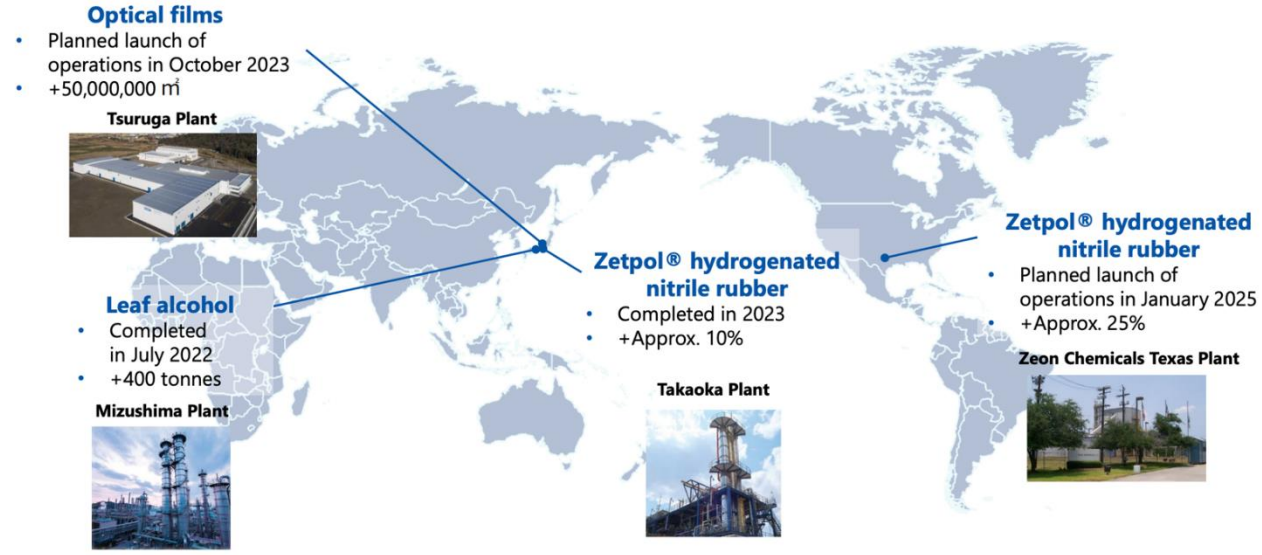
The company is improving its capacities to enhance the manufacturing of COP* and battery materials. *Cyclo Olefin Polymers



(Source: the company)

"Polish up" existing businesses②

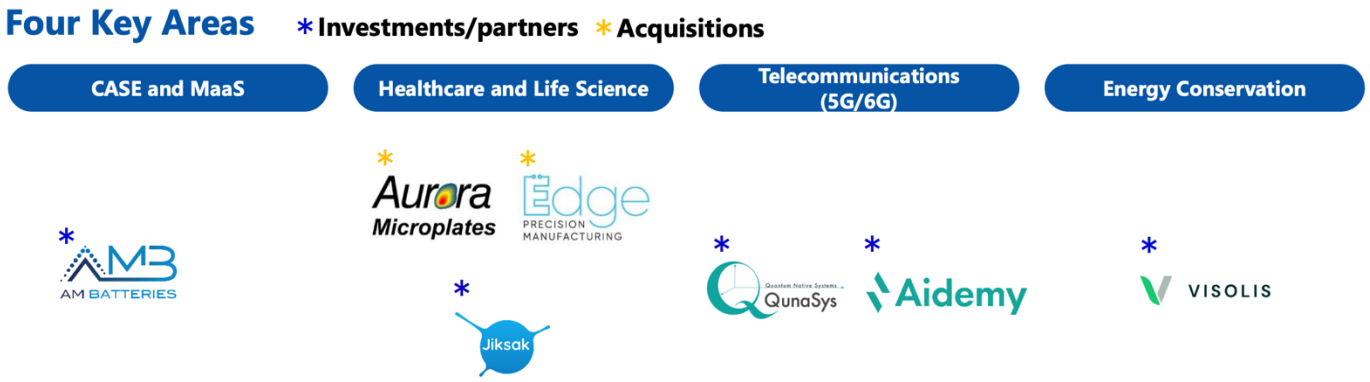
The company is aggressively expanding the capacity for its differentiated product range to ensure the survival of the existing SBUs (Strategic Business Units).



(Source: the company)

"Explore" new businesses

Among the four key areas of the company, Telecommunication drove a 2.1 billion yen increase in net sales of new business.
It also promoted external collaboration in each area, including the acquisition of two companies in the "Healthcare/Life Science" area to achieve further growth.



(Source: the company)

(3) Work together to create "stages" to be active on

The company proceeded with the development of workplace systems and environments to provide more choices in life.

- **Launch of measures to improve engagement**
- **Renewal of headquarter office**
- **Promotion of telework**
- **Introduction of cafeteria plan**
- **Introduction or revision of several systems**
  - **Childcare/Family Leave System**
  - **Senior Employee System**
  - **Side Job System**

etc.

(Source: the company)

[1-3-1 Overview of Phase 2 of the Medium-Term Business Plan]

	Strategies	Targets for FY2026	Targets for FY2030
1	Promote a transformation of "monozukuri" to realize carbon neutrality and a circular economy	Ratio of reduction in CO_2 emissions*: 29% *compared to FY2019 levels *Zeon Corporation's Scope 1+2 emissions	**50%** reduction in CO_2 emissions compared to FY2019 levels (Zeon Corporation's Scope 1+2 emissions)
2	"Polish up" existing businesses "Explore" new businesses	・Lost time accidents: 0 ・Sales ratio of products that contribute to the SDGs*: 40% *tentative name ・Labor productivity indicator Consolidated operating income per person: 11 million yen ・Net sales indicator*: COP 210 Battery materials 590 *FY2019 as 100 ・ROIC for existing businesses: 9% ・Net sales of new business: 16 billion yen ・External collaboration/Customer themes* : 10 *FY2023-2026 cumulative total	**50%** sales ratio of products that contribute to the SDGs ROIC for existing businesses: **9%** Net sales of new business: **+60** billion yen (compared to FY2019)
3	Work together to create "stages" to be active on	・Engagement survey item/Employee engagement: 56% ・Engagement survey item/Environment maximizing employee potential: 55% ・ZEON Healthy Behavior Indicator: 65% ・Paid leave utilization rate: 70%	Employee engagement: **75%**
4	"Polish up" the management base New	・Ratio of foreign national and female directors and officers: 25% ・Ratio of outside directors and officers: Majority ・Ratio of female managers: 12% ・Cross-shareholdings as ratio of net assets: Less than 15%	Ratio of foreign national and female directors and officers: **30%**

(Source: the company)

Phase 1 was positioned as a "run-up period" amid a sluggish external environment. Although no clear quantitative targets were set, progress was seen in each corporate strategy as planning and execution proceeded simultaneously. In Phase 2, without changing the vision for 2030, "A company that lives up to societal expectations and aspirations of employees," it set performance targets for the fiscal year ending March 2027, with an emphasis on profitability. The company was meticulous about quantifying and defining the target values for the fiscal year 2026, which is the final year of this phase. The company intends to roll out interim targets and measures every two years to achieve the targets for the fiscal year 2030. Additionally, in the overall strategy, there is a policy to establish a "polished management base" and further enhance governance.
New name for the Medium-Term Plan: "STAGE 30"

STAGE 30

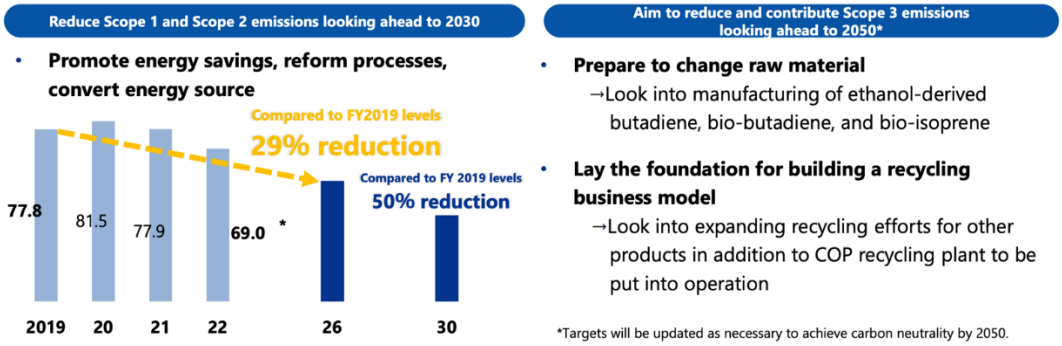
(Source: the company)

[1-3-2 Company-wide Strategy in Phase 2 of the Medium-term Business Plan]

(1) Promote a Shift to "Manufacturing" to Realize Carbon Neutrality and a Circular Economy

Key Measures

Reduce Scope 1 and Scope 2 CO_2 emissions for 2030.
Looking ahead to 2050, to contribute to the reduction of Scope 3 emissions.



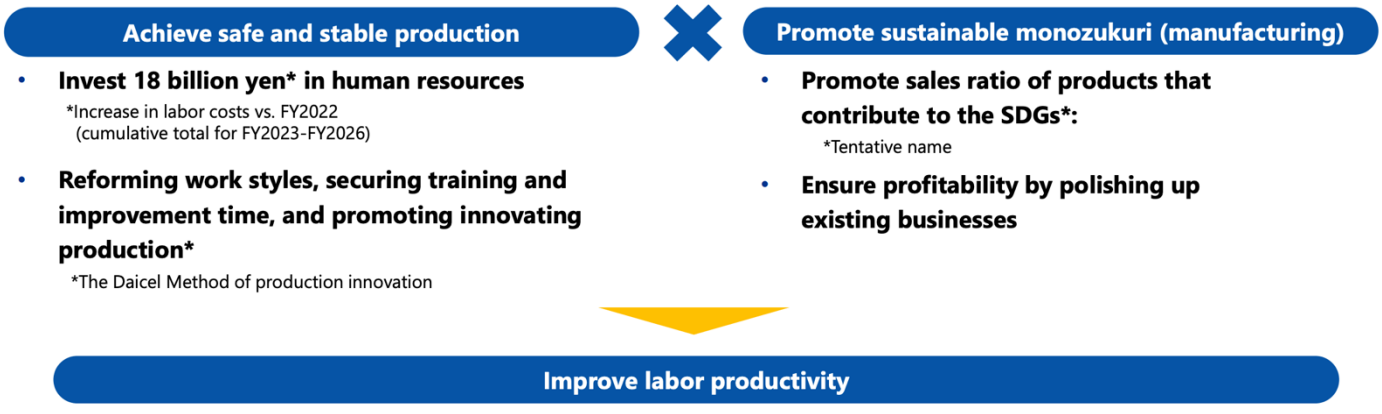
* 729,000 tons when calculated based on GHG protocol

(Source: the company)

(2) Promoting a Shift to "Manufacturing" to Realize Carbon Neutrality and a Circular Economy + "Polishing up" existing businesses + "Exploring" new businesses

Key Measures

Achieving safe and stable production and promoting sustainable manufacturing.
These will improve labor productivity.

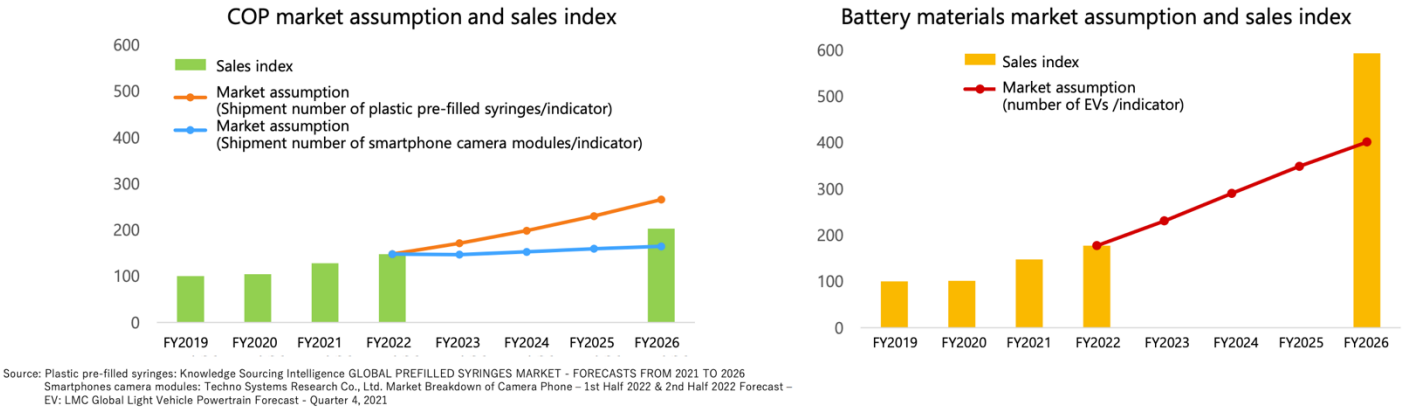


(Source: the company)

(3) "Polishing up" existing businesses

(1) COP will grow steadily in mainstay optical and medical applications, and battery materials will steadily take advantage of the growth of the global EV market.

Investment Plans for Business Expansion are Ongoing.

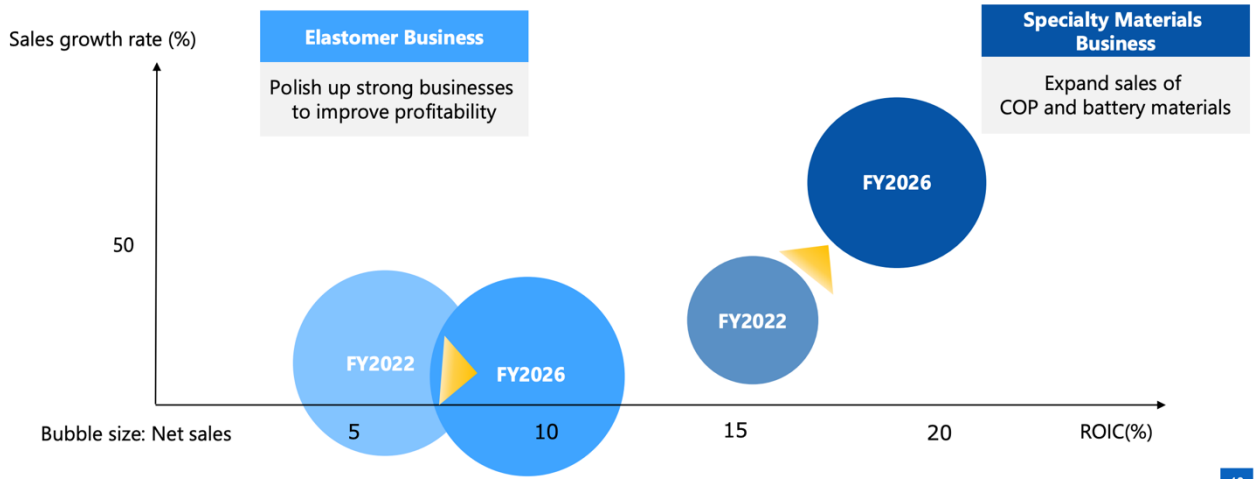


Source: Plastic pre-filled syringes: Knowledge Sourcing Intelligence GLOBAL PREFILLED SYRINGES MARKET - FORECASTS FROM 2021 TO 2026
Smartphones camera modules: Techno Systems Research Co., Ltd. Market Breakdown of Camera Phone – 1st Half 2022 & 2nd Half 2022 Forecast –
EV: LMC Global Light Vehicle Powertrain Forecast - Quarter 4, 2021

(Source: the company)

The company is currently engaged in production system improvement for battery materials in Europe and North America, and although the areas have not been disclosed, it is considering strengthening the resilience of COPs. By establishing a production system based on local production for local consumption, they aim to promptly and appropriately meet customer needs and expand sales.

(2) Polishing up business efficiency based on cost of capital and ROIC

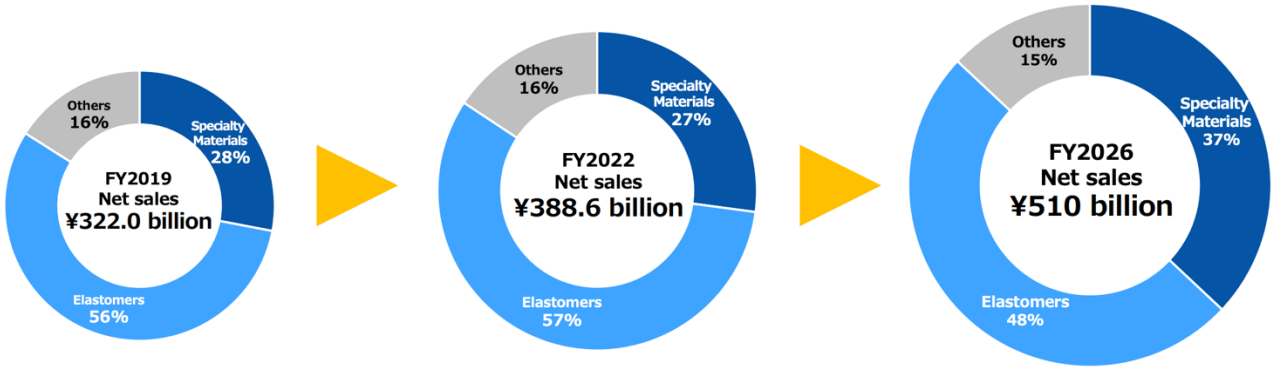


(Source: the company)

(3) COP is expected to grow steadily in its mainstay optical and medical applications, while battery materials are expected to steadily take advantage of the growth of the global EV market, thereby expanding the sales ratio of the Specialty Materials Business.

Elastomer Business: Promoting structural reforms with a focus on efficiency

Specialty Materials Business: Expanding sales of COP and battery materials



(Source: the company)

(4) "Explore" new businesses

Expanding the net sales of new business mainly in four key areas, namely "CASE and MaaS," "Healthcare/Life Science," "Telecommunications (5G/6G)," and "Energy Conservation"

- Strengthening resources and mechanisms to ensure that CVC and M&A are spread throughout the company
- Bringing manufacturing, sales, and technology together to release new products to new markets

(Source: the company)

(5) Work together to create "stages" to be active on

Key Measures

Creating a working environment where employees can work healthily and enthusiastically.

Promoting initiatives for health-oriented management	● Efforts to reduce the risk of lifestyle-related diseases through the introduction of the ZEON Healthy Behavior Indicator (*) (*) ZEON Healthy Behavior Indicator: Percentage of participants who achieved at least 2 of the 3 actions (BMI baseline maintenance, physical activity habits, and non-smoking) to reduce the risk of lifestyle-related diseases
Operating a personnel system that allows people to demonstrate their "individuality"	● Transforming the human resources management system to draw out individual strengths and foster growth ● Adopting and integrating a new personnel system for managerial positions centered around "duties"
Instilling the DI & B concept	● Creating an organizational culture that supports the expression of individuality through the promotion of Diversity, Inclusion, and Belonging (DI&B) ● Leadership education that leverages diverse talents

(6) "Polish" a Management Base (new)

Target values for the fiscal year ending March 2027

Ratio of foreign national & female directors & officers*:	Ratio of outside directors & officers*:	Ratio of female managers:	Cross-shareholdings as ratio of net assets:
25%	Majority	12%	Less than 15%
*Directors and Audit & Supervisory Board Members (inside and outside)	*Directors or Audit & Supervisory Board members		

(Source: the company)

Key Measures

"Polishing" Corporate Governance.

Strengthening Governance	● Strengthening the linkage of executives' compensation to the medium-term plan ● Appointing diverse and independent executives ● Reducing strategically-held shares
Developing diverse human resources for future management	● Starting the operation of the new personnel system for managers ● Promoting the training of managers and candidates for managers ● Diversifying career opportunities
Polishing up Capital Efficiency	● Advanced financial management to support aggressive business investment

[1-3-3 Phase 2 of the Medium-Term Business Plan, Financial Targets]

(1) Performance Target

Target values for the fiscal year ending March 2027

Net sales	Operating income	Group ROIC	ROE
510 billion yen	58 billion yen	8%	10%

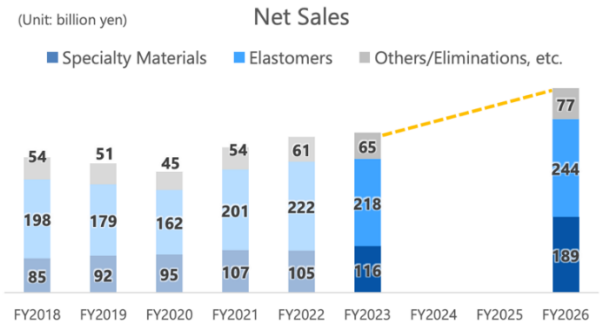
(Source: the company)

Targets in Each Segment

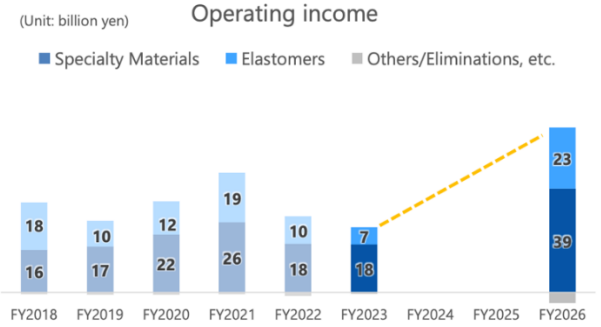
(Unit: billion yen)	Elastomers	Specialty Materials	Others/ Eliminations, etc.	Total
Net sales	244	189	77	510
Operating income	23	39	-4	58

(Source: the company)

The company intends to expand the operating income from elastomers, mainly by improving the profitability of synthetic rubber.



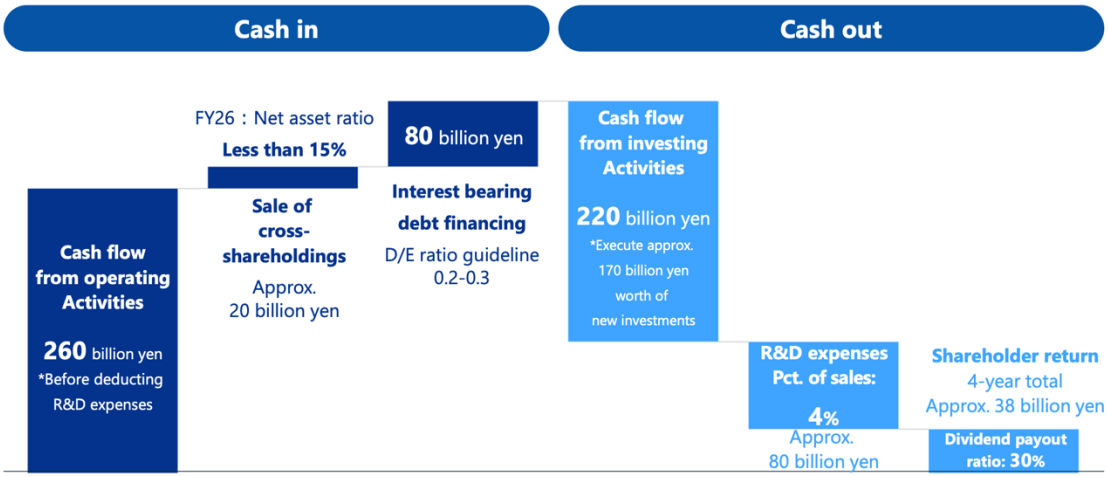
(Source: the company)



Figures for FY3/23 are the company's forecasts at the beginning of the term.

(2) Cash Flow Allocation

- Making aggressive investments and conducting R&D to expand enhanced businesses and new businesses while increasing shareholder returns
- Optimizing the capital structure and improving capital efficiency by using funds from the sale of strategically-held shares and interest-bearing debt as resources

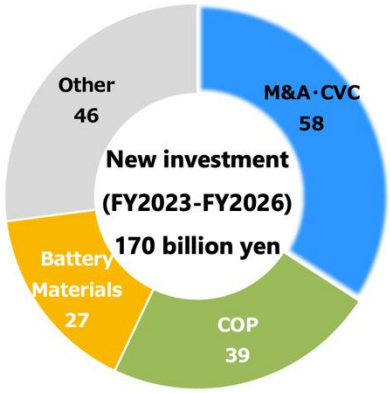


*The difference between cash in and cash out is the increase or decrease in cash and deposits according to the expansion of the business.

(Source: the company)

(3) Investment Plan

- Concentrating new investments on differentiated products such as COP and battery materials, and new businesses
- Plans to invest approximately 220 billion yen, including approximately 170 billion yen in new investments and 50 billion yen in maintenance and replacement of existing businesses in the period from FY 3/2024 to FY 3/2027



*New investment amount for COP, battery materials and other are capital investment only.

(Source: the company)

(4) Shareholder Return

- Aim to increase shareholder returns in line with profit growth

Shareholder Return Policy

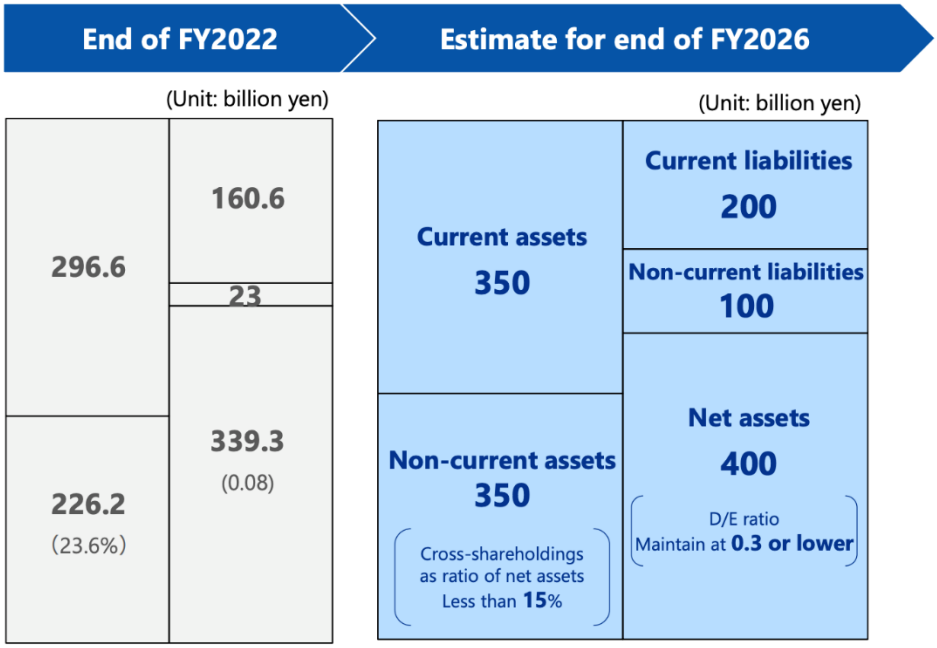
- Maintaining stable and consistent dividends
- Maintaining a dividend payout ratio of 30% or higher
- Purchasing treasury shares flexibly, based on market conditions, capital needs, and other factors

(5) Capital Structure

- D/E ratio will rise (maintained at 0.3 or lower) with the increased use of interest-bearing debt and enhanced shareholder returns
- Optimizing the capital structure to enhance corporate value over the medium to long-term

BS Management Policy

- Procuring more funds with interest-bearing debt to support aggressive investment and optimize the capital structure
- Controlling financial discipline to a level that keeps the single A rating
- Reducing strategically-held shares and improving asset efficiency



(Source: the company)

<Reference 2: Regarding Corporate Governance>

◎ Organization type, and the composition of directors and auditors

Organization type	Company with auditors
Directors	11 directors, including 5 external ones
Auditors	5 auditors, including 3 external ones

◎ Corporate Governance Report

Last update date: January 31, 2024

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 (Excerpt)

Principles	Disclosure content
【Principle 1-4 The so-called strategically held shares】	・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 capital cost. Based on the examination of appropriateness, we judged at the meeting of the board of directors held on October 27, 2023, that it was appropriate to hold the shares in all of the companies. ・In the second phase of the medium-term management plan, STAGE30, which was initiated in fiscal year 2023, we hold up "brush up the management base" as one of the company-wide strategies and will raise our corporate value while attaching weight to enhancement of the governance structure. Regarding the financial strategies, we have set a target for fiscal year 2026 which is that the shares we strategically hold account for less than 15% of the consolidated net assets. As part of this initiative, we plan to sell a portion of our listed securities by March 2024. After this sale, the ratio of strategically held shares to consolidated net assets is expected to fall below 20%, allowing us to achieve the fiscal year 2026 reduction target ahead of schedule. We will continue to work toward further reduction in the future. ・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.
[Supplementary Principle 4-11-1 Concept of Balance, Diversity, and Scale of the Board of Directors]	-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. -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. -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 Reference documents for the General Meeting of Shareholders in the "Notice of Convocation of the Ordinary General Meeting of Shareholders" (https://www.zeon.co.jp/ir/stock/meeting/).
Principle 5-1 Policy on constructive dialogue with shareholders	・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. ・For detailed information on IR activities, including dialogues with shareholders, please refer to section III-2 (IR Activities) under "Measures for Shareholders and Other Stakeholders.”
【Measures for Achieving Management with a Focus on Capital Costs and Stock Price】	Our current PBR (Price-to-Book Ratio) is below 1, and improving this to above 1 is an important management challenge. We have analyzed that the primary reason for the recent decline in PBR is the drop in ROE (Return on Equity). To address this, we are committed to steadily advancing efforts to achieve the goals in the second phase of the medium-term management plan, STAGE30, aiming to improve capital profitability. Our specific initiatives are as follows: ■ Business Management: ・Improve the profitability of the Elastomer Business. ・Expand sales and promote the provision of new products in the Specialty Materials Business. ・Identify new investment opportunities that can induce differentiation ■ Financial Management: ・Enhance leverage through the effective use of interest-bearing debt. ・Continuously reduce strategically held shares. ・Ensure stable and continuous shareholder returns. ・Promote dialogue with the capital markets.

For back numbers of Bridge Reports on ZEON CORPORATION（4205）and Bridge Salon (IR seminar), please go to our website at the following URL. www.bridge-salon.jp

Fact Sheet

<Major Shareholders>

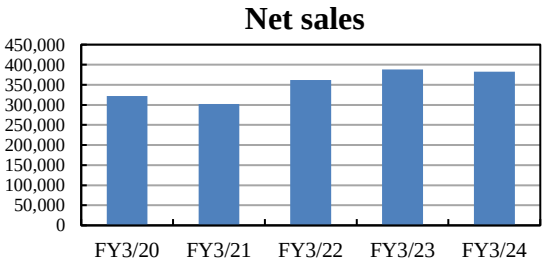
As of Mar. 31, 2024

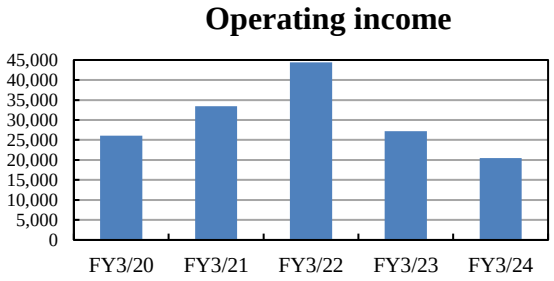
Shareholder	Number of Holding Shares (thousand)	Rate (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	25,191	11.84
Custoday Bank of Japan, Ltd.(Trust Account)	15,878	7.46
SSBTC CLIENT OMNIBUS ACCOUNT	12,652	5.95
Mizuho Bank, Ltd	8,370	3.93
Asahi Mutual Life Insurance Company	7,679	3.61
Yokohama Rubber Co., Ltd.	7,678	3.61
Asahi Kasei Corporation	5,043	2.37
National Mutual Insurance Federation of Agricultural Cooperatives	4,765	2.24
The Norinchukin Bank	4,000	1.88
Zeon Corporation Client Stock Ownership Association	3,847	1.81
	95,103	**44.7**

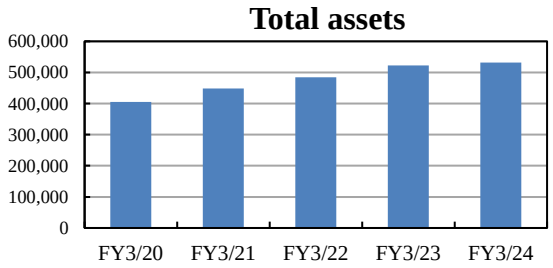
<Selected Financial Data>

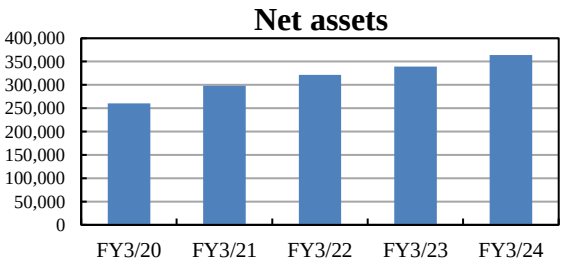
(Units: Million Yen)

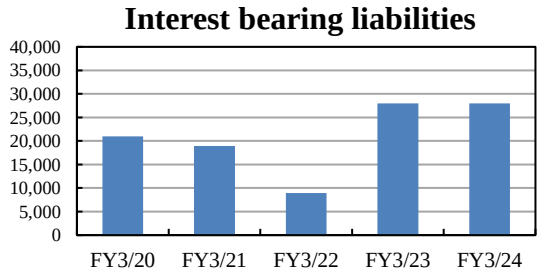
	FY3/20	FY3/21	FY3/22	FY3/23	FY3/24
Net sales	321,966	301,961	361,730	388,614	382,279
Gross profit	91,911	97,552	120,358	109,643	102,510
Operating income	26,104	33,408	44,432	27,179	20,500
Ordinary income	28,744	38,668	49,468	31,393	26,906
Net income	20,201	27,716	33,413	10,569	31,101
EPS (JPY)	92.4	126.7	153.2	49.9	147.2
DPS (JPY)	21.00	22.00	28.00	36.00	40.00
Total assets	405,131	448,821	484,660	522,868	532,254
Net assets	260,358	298,246	321,836	339,308	363,729
Interest bearing liabilities	20,960	18,960	8,960	27,960	27,960
Capital expenditures	29,088	19,645	22,902	34,045	32,135
Depreciation & Amortization	17,448	18,154	21,469	20,382	20,123
Research and Development Expenses	15,274	14,258	15,869	17,580	18,233

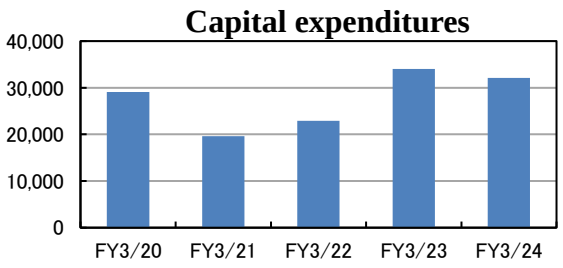


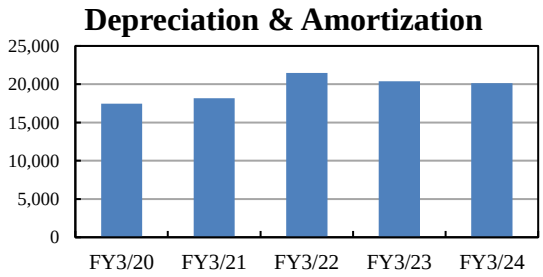


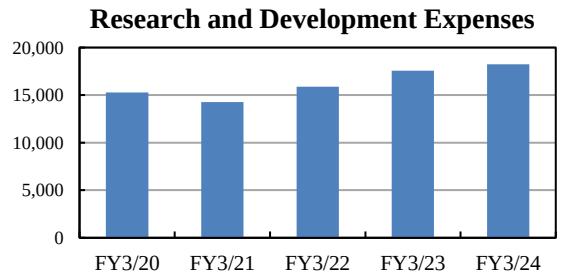








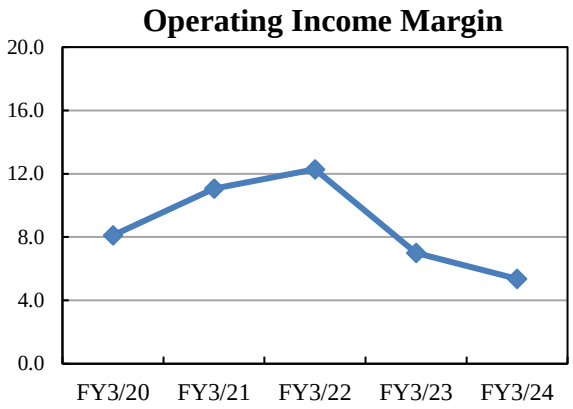


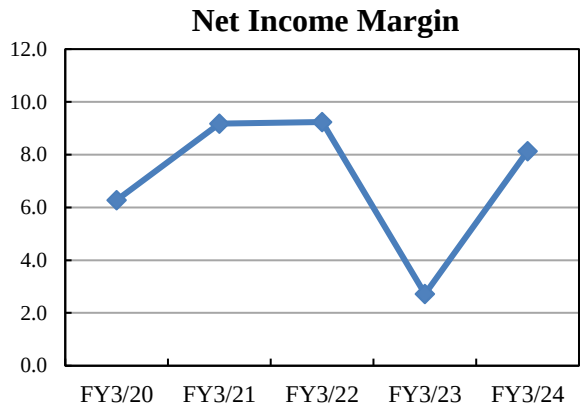


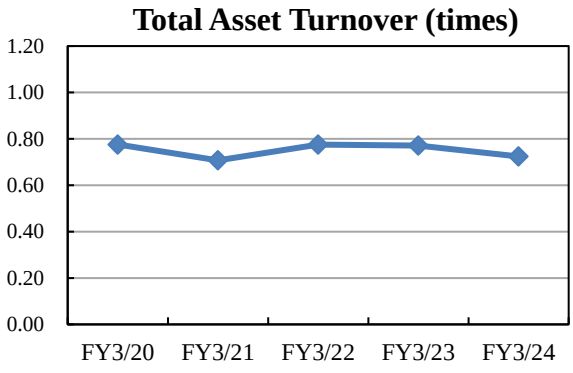
<Financial Summary>

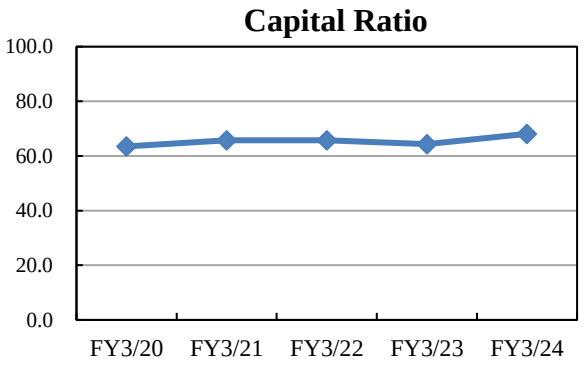
(%)

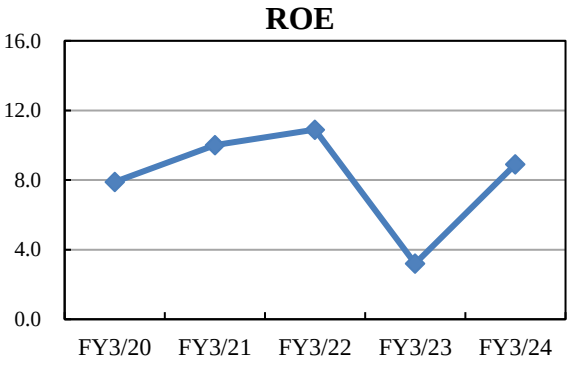
	FY3/20	FY3/21	FY3/22	FY3/23	FY3/24
Operating Income Margin	8.1	11.1	12.3	7.0	5.4
Net Income Margin	6.3	9.2	9.2	2.7	8.1
Total Asset Turnover (times)	0.78	0.71	0.78	0.77	0.72
Capital Ratio	63.5	65.8	65.7	64.3	68.1
ROE	7.9	10.0	10.9	3.2	8.9
R&D-to-Sales Ratio	4.7	4.7	4.4	4.5	4.8

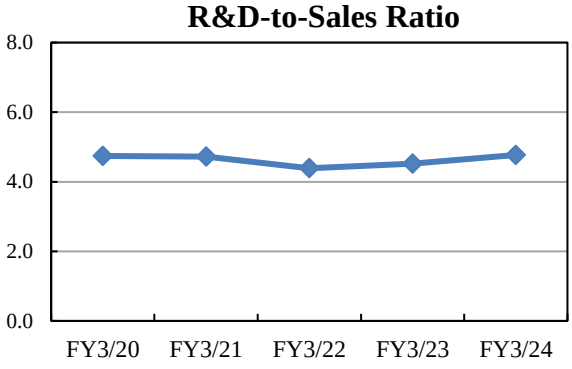










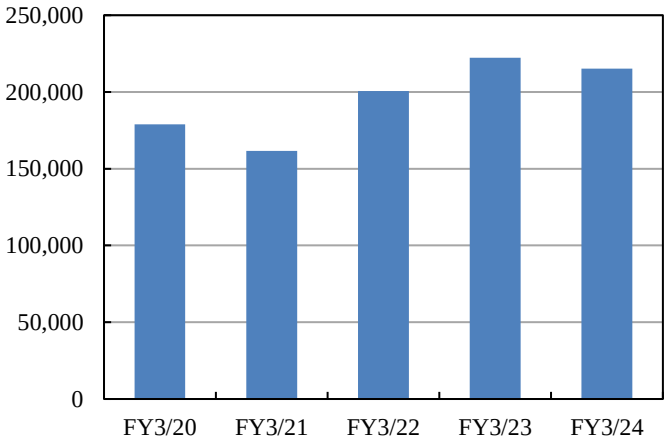


<Segment Information>

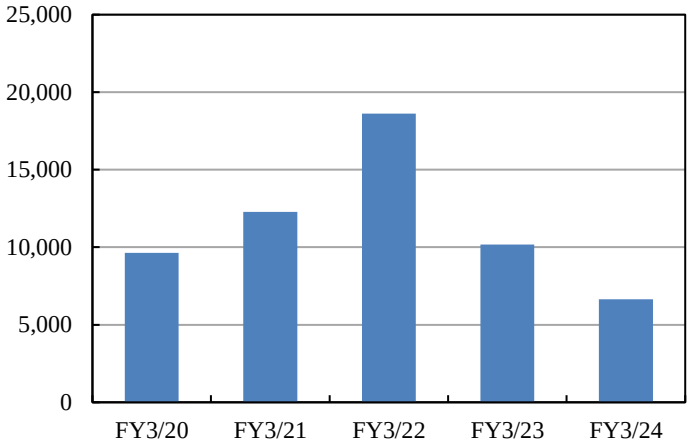
(Units: Million Yen)

	FY3/20	FY3/21	FY3/22	FY3/23	FY3/24
Sales					
Elastomer Business	178,847	161,626	200,566	222,230	215,286
Specialty Material Business	91,749	95,465	106,791	105,356	107,373
Others	53,473	46,977	57,822	65,270	64,339
Eliminations and corporate assets	-2,103	-2,107	-3,449	-4,242	-4,720
Consolidated	321,966	301,961	361,730	388,614	382,279
Operating income					
Elastomer Business	9,642	12,283	18,623	10,184	6,635
Specialty Material Business	17,311	21,960	26,360	18,296	13,241
Others	2,098	2,156	2,318	2,381	3,927
Eliminations and corporate assets	-2,948	-2,991	-2,868	-3,682	-3,303
Consolidated	26,104	33,408	44,432	27,179	20,500
Total assets					
Elastomer Business	189,618	195,856	223,375	234,261	233,233
Specialty Material Business	101,425	118,840	118,724	134,490	143,563
Others	31,193	30,006	42,008	41,778	49,468
Eliminations and corporate assets	82,895	104,119	100,553	112,339	105,992
Consolidated	405,131	448,821	484,660	522,868	532,254
Depreciation & Amortization					
Elastomer Business	8,432	8,211	8,846	8,475	7,385
Specialty Material Business	6,089	7,362	10,208	9,574	10,631
Others	312	263	243	268	171
Eliminations and corporate assets	2,616	2,318	2,170	2,065	1,935
Consolidated	17,448	18,154	21,469	20,382	20,123
Capital Expenditure					
Elastomer Business	7,792	7,440	9,493	8,527	12,013
Specialty Material Business	17,965	10,111	10,596	18,220	16,382
Others	95	47	291	764	436
Eliminations and corporate assets	3,236	2,047	2,521	6,534	3,304
Consolidated	29,088	19,645	22,902	34,045	32,135

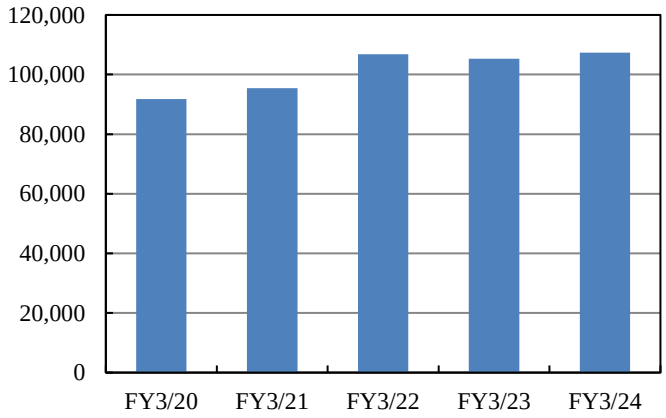
Elastomer Business Sales



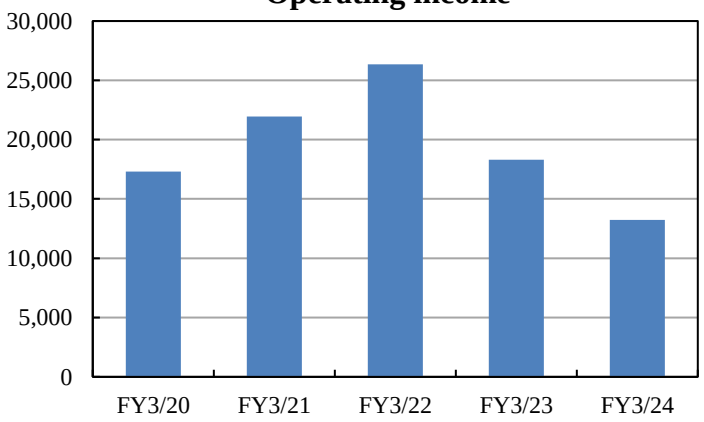
Elastomer Business Operating income



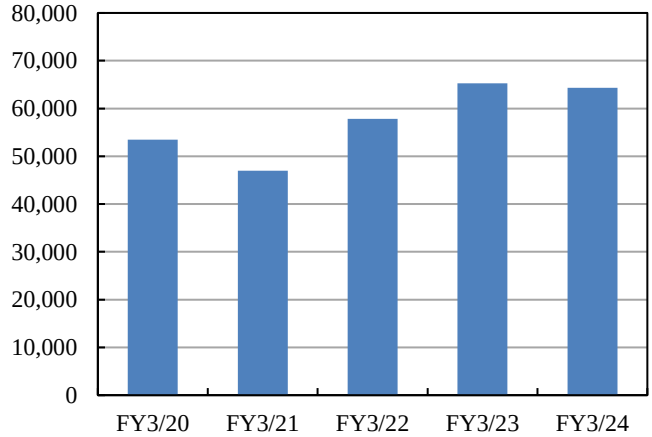
Specialty Material Business Sales



Specialty Material Business Operating income



Others Sales



Others Operating income