

A Corporate Message to Our Shareholders

I am very pleased to announce our business results for the fiscal year under review, ended March 31, 2007. Before reporting on our activities during the year, I would like to express my deep appreciation for the support and cooperation you have extended to us.

During the fiscal year under review, prices of crude oil and other raw materials remained high and some forecasts predicted signs of a slowdown in the US economy. Despite such unfavorable factors in the global economy, the Japanese economy continued to follow a gradual but steady recovery path, supported by rising domestic demand such as capital investment in reflection of firm corporate performance and recovering personal consumption.

In the petrochemical industry, in which we operate, prices of raw materials such as crude oil and naphtha continued to rise steeply, while demand stayed firm owing to the rebounding domestic economy and brisk exports to the Asian market.

In this business environment, the ZEON Group endeavored to reduce costs thoroughly through ZΣ activities. At the same time in elastomer operations, product prices were revised, profit-oriented sales strategies were pursued, and the specialty materials sector strove to develop high-value-added products and to expand business, using its original technology.

As a result, net sales in the year under review reached ¥281,613 million, up 7.0% on the previous year and operating income jumped 12.4%, to ¥30,175 million. Ordinary income was ¥29,795 million, up 12.6%, and net income rose to ¥17,077 million, up 12.0% on the previous year.

Regarding dividends, we declared a year-end dividend of ¥6 per share. On a full-year basis, dividends came to ¥10 per share, thus realizing an increase in dividends for four consecutive fiscal years.

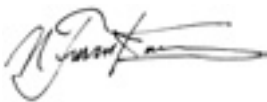
In the period ahead, the Asian economy is expected to develop steadily due largely to China and the domestic economy is expected to continue its strength by reflecting a steady recovery in exports and capital investment. However, interest rates are forecast to increase and there is concern about exchange rate fluctuations. In addition, crude oil prices will remain high. Therefore, the business environment surrounding ZEON warrants no optimism.

Under such circumstances, in order to improve our corporate value and

make significant advances—a basic concept of Proud ZEON (PZ)-3, our 3-year medium-term management plan—we intend to take on various challenges in line with our management principles, namely speed, communication and contribution to society. These challenges include improving our ability to create stable and safe production sites and further increase our research and development capacities. We sincerely request the continued support and cooperation of our shareholders.

June 2007

Naozumi Furukawa
President & CEO



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