

I am very pleased to announce our business results for the fiscal year under review, ended March 31, 2006. 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.

Emerging from a standstill in the second half of the previous year, the Japanese economy followed a mild recovery path during the fiscal year under review. The main engine of recovery was domestic demand in the form of increasing personal consumption and capital investment and improving employment conditions, in reflection of firm corporate performance. On the other hand, soaring prices of crude oil and other raw materials were a destabilizing factor for the economy.

In the petrochemical industry, in which we operate, prices of naphtha and other raw materials continued to rise steeply. There is concern that in the coming years this trend may remain a factor significantly increasing costs. Meanwhile, demand stayed firm on the strength of the rebounding domestic economy and brisk exports, particularly shipments to China, among other factors. In this business environment, the ZEON Group endeavored to further cut costs through the promotion of ZΣ activities. At the same time, in elastomer operations, product prices were adjusted in response to increasing raw materials prices, and the specialty materials sector continued its efforts to develop new products and increase sales.

As a result, net sales in the year under review reached ¥263,074 million, up 13.7% from the previous year, and operating income amounted to ¥26,835 million, rising a sharp 39.0%. Ordinary income jumped 40.7%, to ¥26,459 million, while net income soared 96.2%, to ¥15,249 million.

Regarding dividends, we declared a year-end dividend of ¥6 per share as a result of a ¥1 dividend increase, in addition to an extra dividend of ¥1 per share paid in commemoration of our 55th anniversary. On a full-year basis, dividends including the interim dividend came to ¥9 per share.

In the period ahead, demand is expected to continue steady. However, interest rates are forecast to increase, and there is concern about exchange rate fluctuations. In addition, raw materials prices will continue to increase

substantially for some time. Thus, the business environment surrounding ZEON warrants no optimism.

In order to improve our corporate value and make great advances — a basic concept of Proud ZEON (PZ)-3, our medium-term management plan — we intend to take on various challenges in line with our management principles — speed, communication and contribution to society. These challenges include improving our ability to create stable and safe production sites, and further increasing our research and development capacities, as well as actively engaging in corporate social responsibility (CSR) activities. In this way, we aim to create a ZEON that we can be very proud of.

We sincerely request the continuing support and cooperation of our shareholders.

June 2006

Naozumi Furukawa
President & CEO



A handwritten signature in black ink, which appears to read 'N. Furukawa', written in a cursive style.

Naozumi Furukawa
President & CEO