

Overview by Business Segment

• Elastomer

Domestic sales of synthetic rubber fell in volume from the previous year although the demand for automobiles and tires continued to be strong since the previous year. This fall is because the Group could not match the demand increase due to lean inventory from the continuous tight demand. Export sales of synthetic rubber, which enjoyed steady demand in the Chinese and other Asian markets, dipped in volume from the previous year failing to meet the strong demand for the same reason as the domestic sales. Accordingly, the sales volume for both domestic and exports decreased from the previous year. However, net sales was higher than the previous year helped by the price revision corresponding to the continuous hike in material prices, a shift to profit-oriented sales policy and sales promotion of strategically focused products. As for the overseas subsidiaries, sales of the U.S. subsidiaries were solid. Although sales of U.K. subsidiary were sluggish, the

subsidiary focuses on increasing profitability through improvement of productivity and introduction of new products. In sum, the overall synthetic rubber surpassed the previous year's figures in sales as well as in operating income.

The domestic sales of synthetic latices were somewhat lower in volume than the previous year, but surpassed in amount due to an increase in specialty products and revision of sales prices. On the other hand, export sales exceeded the previous year's level with strong demand for glove material continuing from the previous period and as a result of improvement by reassessing the clients for other uses. As a result, overall sales and operating income of synthetic latices increased year over year. In chemicals, sales of petrochemical resins decreased from the previous year in volume and the sales volume of thermoplastic elastomer "SIS" fell mainly in domestic market from last year due to failure to meet the demand because of lean inventory. However, net sales exceeded the last year's figures thanks to price revision corresponding to the rises

in material prices. In addition, the Thai subsidiary for petrochemical resins performed well and posted a sales rise. As a result, overall sales and operating income of chemicals increased year over year.

As a result of these factors, segmental net sales for the year ended March 31, 2006 were 156,136 million yen (12.8% increase from previous year) and the operating income was 15,237 million yen (49.9% increase).

• Specialty materials

In the specialty plastics (cyclo-olefin polymer) business, sales of ZEONOR FILM, an optical film application for LC panels, rose significantly due to strong demand. Also, sales for ZEONEX series for optical lenses and medical uses rose as well. Consequently, overall sales and operating income of specialty plastics increased year over year. In information materials, the sales quantities of ZEOROLA ZFL-58, a dry etching gas for semiconductor manufacture and battery materials increased among electronic materials. But due to the change in accounting method for sales of etching gas, the sales decreased year on year. In addition and starting this fiscal year, our Korean subsidiary joined the scope of consolidation. As a result, overall sales and operating income of information materials increased year over year. In specialty chemicals, while sales of the mainstay synthetic aroma chemicals decreased for reasons that include some of the users starting to manufacture their own products and a drop in sales quantity, sales of special chemicals

increased year on year. As a consequence, overall sales and operating income of specialty chemicals decreased year over year.

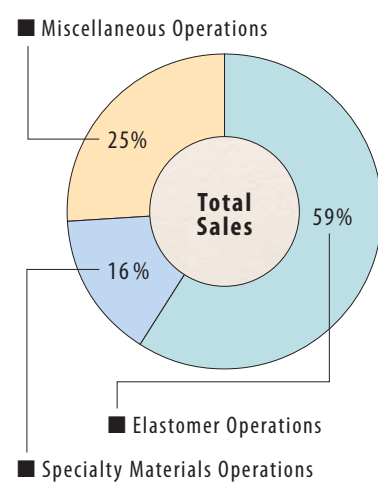
As a result of these factors, segmental net sales for the year ended March 31, 2006 were 41,762 million yen (13.2% increase from the previous year) and the operating income was 10,202 million yen (18.6% increase).

• Other

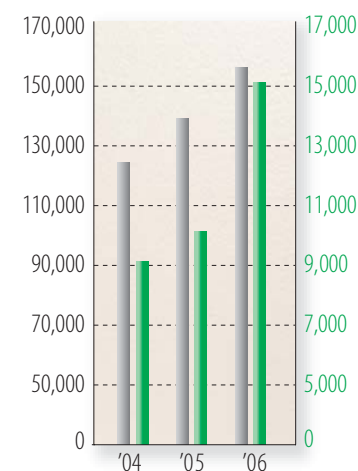
In other business, the sales from the trading operations of the subsidiaries rose significantly, although sales of environmental business and health materials business were approximately the same levels as the previous year.

Consequently, segmental net sales for the year ended March 31, 2006 were 65,799 million yen (16.6% increase from the previous year) and the operating income was 1,416 million yen (149.5% increase).

Sales Composition
(for the year ended March 31, 2006)



Automobile parts

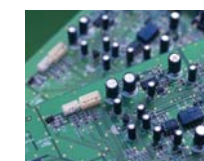


Elastomer Operations

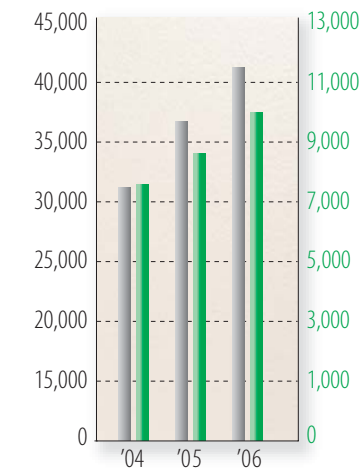
■ Net Sales (Millions of yen)
■ Operating Income (Millions of yen)



Automobile headlight extension



Printed-circuit boards



Specialty Materials Operations

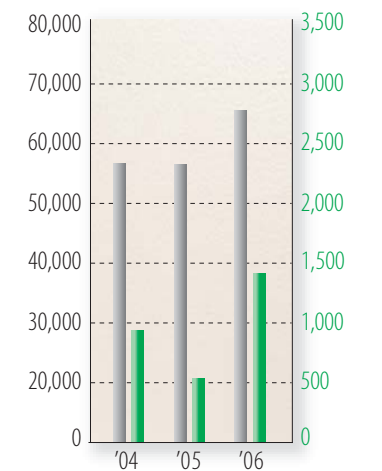
■ Net Sales (Millions of yen)
■ Operating Income (Millions of yen)



ZEON Medical Inc.



Combined septic tanks



Other Operations

■ Net Sales (Millions of yen)
■ Operating Income (Millions of yen)