

20. Subsequent Event

I. Issue of ZEON Corporation Unsecured Bond No. 5

The Company issued unsecured bond No. 5 in the domestic market through public offering on May 1, 2006, further to the resolution of the Board of Directors at their meeting held on March 9, 2006. The details of the issue are as follows.

(1) Security Name

ZEON Corporation Unsecured Bond No. 5 (with a pari passu clause limited to bonds and notes)

(2) Issue Amount

10 billion yen

(3) Issue Price

100 yen per 100 yen face-value

(4) Issue Date

May 1, 2006

(5) Coupon Rate

2.02% per annum

(6) Maturity Date

May 1, 2013

(7) Method of Redemption

The Company shall redeem the aggregate principal amount of the Bonds on May 1, 2013.

(8) Security or Guarantee

No security or guarantee is created for the benefit of the Bonds and no specific asset is reserved therefor.

(9) Special Financial Covenant

[1] Limited Pledge of Collateral

The Company will, as long as there is unredeemed portion of the Bonds, create a pari passu security for the Bonds as specified by the Secured Debenture Trust Law in case where the Company offers a security (in cases where the Company creates a security on the Company's assets, the Company reserves a security on certain assets of the Company or the Company promises not to offer certain assets as a collateral for debts other than specified as so) for other unsecured bonds that the Company already issued or will issue in the future (excluding unsecured bonds with security convertible clause as defined in "[2] Other Clauses" later) in the domestic market. Consequently the Bonds can be inferior to debts other than the unsecured bonds which the Company already issued or will issue in the future in the domestic market (excluding

unsecured bonds with security convertible clause as defined in "[2] Other Clauses" later).

[2] Other Clauses

No special financial covenants such as security convertible clause are attached to the Bonds. Security convertible clause refers to a special agreement that allows the Company to create a security any time or to create a security in order to cancel a special agreement such as net asset value maintenance clause that the Company forfeits the benefit of term in case a certain event occurs to the Company's financial indicators.

(10) Use of net proceeds

The Company intends to use the proceeds of this issue for repayment of borrowings (including commercial papers) and for loans and investments.

II . Appropriations of retained earnings

The following appropriations of retained earnings of the Company were approved at a shareholders' meeting held on June 29, 2006:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥ 6.00 = \$0.05 per share)	¥ 1,428	\$12,156
Bonuses to directors and statutory auditors	90	766

Report of Independent Auditors

The Board of Directors ZEON CORPORATION

We have audited the accompanying consolidated balance sheets of ZEON CORPORATION and consolidated subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of ZEON CORPORATION and consolidated subsidiaries at March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 20. I , the Company issued unsecured bond NO.5 on May 1, 2006, further to the resolution of the Board of Directors at their meeting held on March 9, 2006.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the years ended March 31, 2006 and 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note. 3.

Ernst & Young ShinNihon

June 29, 2006