

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT.

This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.



Fiscal Year Ending March 31, 2007 **Interim Consolidated Financial Flash Report for the Fiscal Year Ending March 31, 2007**

October 31, 2006

Name of Listed Company ZEON CORPORATION  
Listed Exchanges Tokyo Stock Exchange and Osaka Securities Exchange  
Ticker Code 4205  
Location of Head Office (Prefecture) Metropolis of Tokyo

(URL <http://www.zeon.co.jp>)

Representative Contact President & CEO  
Director and General Manager,  
Finance & Accounting Department  
Name Naozumi Furukawa  
Name Tadayuki Minami  
TEL +81-3-3216-1412

Date of the Board of Directors Meeting Held for Closing of Accounts October 31, 2006  
Adoption of U.S. GAAP No

### 1. Consolidated Performance for the Interim Period Ended September 30, 2006 (From April 1, 2006 to September 30, 2006)

#### (1) Consolidated Operating Results

Note: All amounts less than one million yen in the tables below are rounded off.

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim period ended September 30, 2006	138,620	11.1	13,677	6.4	13,775	7.8
Interim period ended September 30, 2005	124,749	12.1	12,856	44.4	12,774	40.4
Fiscal year ended March 31, 2006	263,074		26,835		26,459	

	Net income		Net income per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Interim period ended September 30, 2006	7,909	8.5	33.23	33.22
Interim period ended September 30, 2005	7,292	61.4	30.38	—
Fiscal year ended March 31, 2006	15,249		63.23	—

- Notes
- Equity in earnings (losses) of unconsolidated subsidiaries and affiliates, net:
 

Interim period ended September 30, 2006	(¥0 million)
Interim period ended September 30, 2005	(¥32 million)
Fiscal year ended March 31, 2006	(¥21 million)
  - Average number of shares outstanding during the period (consolidated):
 

Interim period ended September 30, 2006	238,033,665 shares
Interim period ended September 30, 2005	240,041,342 shares
Fiscal year ended March 31, 2006	239,577,391 shares
  - Change in accounting method: None
  - The percentage figures for net sales, operating income, ordinary income and net income indicate year-on-year changes from the previous interim period.

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT.

This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

## (2) Consolidated Financial Position

Note: All amounts less than one million yen in the tables below are rounded off.

	Total assets	Net Assets	Equity ratio	Net Assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2006	306,553	103,753	32.8	421.93
As of September 30, 2005	253,102	86,170	34.0	358.99
As of March 31, 2006	272,674	96,528	35.4	405.10

Note: Number of shares outstanding at the end of the period (consolidated):

As of September 30, 2006	238,031,937 shares
As of September 30, 2005	240,037,989 shares
As of March 31, 2006	238,034,549 shares

## (3) Consolidated Cash Flows

Note: All amounts less than one million yen in the tables below are rounded off.

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Interim period ended September 30, 2006	11,082	(13,542)	3,272	8,133
Interim period ended September 30, 2005	11,046	(9,469)	(2,693)	9,352
Fiscal year ended March 31, 2006	26,948	(25,011)	(5,653)	7,320

## (4) Scope of Consolidation and Application of the Equity Method

Number of consolidated subsidiaries: 22

Number of unconsolidated subsidiaries accounted for by the equity method: 2

Number of affiliates accounted for by the equity method: 0

## (5) Changes in Scope of Consolidation and Application of the Equity Method

Consolidation:

Newly consolidated subsidiaries: 0, Excluded subsidiaries: 0

Equity method:

Newly applied affiliates: 0, Excluded affiliates: 0

**2. Projected Consolidated Performance for the Year Ending March 31, 2007 (From April 1, 2006, to March 31, 2007)**

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Full fiscal year ending March 31, 2007	289,000	29,000	16,000

(Reference) Projected net income per share (full year): ¥67.22

Note: These projected performance figures are based on information available to ZEON's management at the time this report was prepared and are subject to potential risks and uncertainty. Accordingly, users should be aware that actual results may differ materially from any expressed future performance herein due to various factors. See pages 4 to 5 of the Attachment for further information on forecasts.

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT.

This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

### 3. Operating Results

#### (1) Overview of Operating Results for the Interim Period Ended September 30, 2006

During the period, the Japanese economy was affected by the prolonged run-up in oil prices and other destabilizing factors. However, growth in capital investment backed by strong corporate earnings conditions, as well as ongoing improvements in employment and personal income, supported a gradual but continued economic expansion.

The petrochemicals industry benefited from the rebound in the domestic economy, as well as strong exports to China and other parts of Asia. However, earnings conditions remained harsh due to the pressure on raw materials costs created by high crude oil and naphtha prices.

Against this backdrop, the ZEON Group continued to make efforts to cut expenses through its ZΣ activities. However, the high cost of raw materials severely kept earnings under pressure, so the Group took steps to try to improve profitability, centering in the elastomers business segment, by negotiating better sales prices. In the specialty materials business segment, meanwhile, the Group continued to develop high value-added products and work to maintain business growth.

As a result of these efforts, both sales and profits expanded. Consolidated net sales for the period rose to ¥138,620 million (up 11.1% year on year), operating income increased to ¥13,677 million (up 6.4% year on year), ordinary income rose to ¥13,775 million (up 7.8% year on year) and net income grew to ¥7,909 million (up 8.5% year on year).

#### (2) Overview by Business Segment

##### (Elastomers)

Domestic sales of synthetic rubber were supported by continued steady demand from major users, the automobile and tire industries, as was the case last year. As a result, sales volume increased year on year, and sales value was also higher than in the previous year, due to raising unit prices in response to the continued run-up in costs of raw materials. As was the case in the domestic market, export sales were supported by strong demand particularly from China and other parts of Asia. Sales volume increased year on year, and as was the case in the domestic market, the Company hiked unit prices. This, coupled with the impact of a weaker yen, caused sales value to surpass year-ago levels. Looking at overseas subsidiaries, ZEON's US subsidiaries enjoyed steady results while productivity at the UK subsidiary improved and the introduction of new products supported a year-on-year improvement. As a result, both net sales and operating income from overall synthetic rubber increased year on year.

Domestic sales of synthetic latices were affected by a severe year-on-year drop in sales volume of products used for paper. However, this was offset by an increase in sales of specialty products and an increase in unit prices, which supported a year-on-year increase in total sales value. In the export market, sales growth for latex work gloves stagnated, but an increase in sales of specialty products supported an overall increase in sales volume. Sales value also rose year on year, partly thanks to hikes in unit prices. Overall net sales in the synthetic latices business increased year on year, but operating income fell sharply, compared with last year, due to rising raw materials costs.

In the chemicals segment, sales volume of petrochemical resins increased year on year as the Company cultivated new overseas markets. Sales of the thermoplastic elastomer "SIS" were favorable for the same reason, with sales volume increasing year on year. Sales value was elevated both by the Company's efforts to hike unit prices in response to higher raw materials prices, and by the impact of the weak yen. Sales volume and sales value at the Company's petrochemical resin subsidiary in Thailand increased, year on year. As a result of the above factors, both net sales and operating income surpassed year-ago levels.

As a consequence, consolidated net sales in the overall elastomers business rose to ¥87,954 million (up 16.6% year on year). Operating income growth was affected by the impact of sales of inventories as of the end of last business year, in preparation for regularly scheduled maintenance work. Operating income rose to ¥8,487 million (up 6.5% year on year).

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT.

This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

#### (Specialty materials)

Looking at products related to specialty plastics (cyclo-olefin polymer), sales of ZEONOR® film, an optical film used in LCD panels, were weak in the early stages of 1H 2006, but began to improve in the latter part of the period, surpassing year-ago sales levels. Breaking down the results by product, new ZEONOR® film (extrusion film) supported the sales growth. Sales of molded products (diffusion panels) increased. ZEONEX® resins for optical lens uses and medical applications also posted steady sales growth. In the information materials segment, sales of both ZEOROLA ZFL-58, a dry etching gas for semiconductor manufacture, and battery materials registered steady growth among electronic materials. In the imaging & electronic materials business, sales of polymerized toner surpassed year-ago levels. As a result, total sales in the information materials segment increased, year on year.

Synthetic aroma chemicals, which are key products in the specialty chemicals segment, were supported by particularly favorable demand for jasmine-type aroma, which elevated sales volume, and increased sales value year on year. However, Specialty chemicals sales declined from the previous year. As a consequence, overall sales in the specialty chemicals segment surpassed year-ago levels.

Total consolidated net sales in the specialty materials business increased to ¥23,297 million (up 25.8% year on year). Operating income rose to ¥5,124 million (up 16.9% year on year).

#### (Other)

In the “other” business segment, sales in the environmental business declined slightly, year on year. Sales in the health materials business were affected by the sale of a consolidated subsidiary, last year, and also declined compared with the previous year. Sales by the trading operations of the Company subsidiaries declined year on year, as well. As a result, overall consolidated sales in this segment fell 10.2% year on year, to ¥27,935 million, and operating income dropped 89.0% year on year, to ¥56 million.

### (3) Other Items

#### (Settlement of lawsuits related to acrylonitrile butadiene rubber (NBR))

The Company and its wholly owned US subsidiary, ZEON Chemicals L.P. (hereafter “ZCLP”, incorporated in Kentucky, USA), was the target of lawsuits (class action suits) brought in many states by indirect purchasers of acrylonitrile butadiene rubber (NBR), charging that the Company, together with other unnamed corporate groups, had conspired to fix prices of NBR. Regarding a lawsuit (class action suit) brought in the state of California, in April 2004, ZCLP reached a settlement in May 2006 with the legal team representing the plaintiffs, under which ZCLP agreed to pay US\$1.53 million (about ¥180 million) to the plaintiffs to settle the lawsuit.

And, in multiple states including Vermont, lawsuits (class action suits) were brought against the Company beginning in January 2005. In October 2006, ZCLP and the legal team representing the plaintiffs reached a basic agreement under which ZCLP would pay a sum of US\$1.67 million (about ¥190 million) to settle the suit. This settlement would apply to all legal claims against the Company in the jurisdictions of 31 US states. At this point, the plaintiffs and the Company began negotiating the details of a contract to reach a final settlement of the issue. It is believed that this contract will be completed and signed by November 2006.

As the Company’s intent to reach settlements is acknowledged by the courts in California and in the 31 other states, the settlement will be applicable to all plaintiffs who comprise and did not opt out of the legal teams, the Company believes that it could settle all prospective lawsuits (class action suits that could be brought by indirect purchasers of NBR), in the United States.

In addition, the Company and its European subsidiaries have become the target of an investigation by the European Commission into anti-competitive business practices regarding NBR, and are cooperating fully in this investigation.

### (4) Outlook for the Full Fiscal Year

Projections for future earnings are based on the assumption that Japan’s economic recovery will continue, but that destabilizing factors such as continued high oil prices and the Bank of Japan’s decision to lift its zero-interest-rate policy will also emerge.

As part of the medium term management plan that the Company embarked upon last year, entitled “PZ-3”, the Company maintains the basic stance of “securing stable earnings in basic materials businesses while continuing to work to develop new businesses”.

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT.

This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

Consolidated earnings forecasts for the full fiscal year ending March 31, 2007 are based on the assumption that the yen-dollar exchange rate will average ¥110=US\$1.00 in the second half, and that naphtha prices will average ¥46,000/kl. On this basis, sales are expected to increase by 9.9% year on year, to ¥289.0 billion. However, due to the uncertain business environment caused by the continued impact of high raw materials prices and other reasons, operating income is expected to increase by 8.1% year on year, to ¥29.0 billion; ordinary income is forecasted to rise 9.6% year on year, to ¥29.0 billion; and net income is expected to increase by 4.9% year on year, to ¥16.0 billion. These figures are unchanged from the Company's initial projections

Regarding dividends, the Company plans to pay a midterm dividend of ¥4.0 per share and a year-end dividend of ¥5.0 per share, for a total annual dividend of ¥9.0 per share.

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT.

This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

**4. Interim Consolidated Financial Statements**

## (1) Interim Consolidated Balance Sheets

(Millions of yen)

Account item	Previous interim period (As of September 30, 2005)		Current interim period (As of September 30, 2006)		Previous year (As of March 31, 2006)	
	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)
(Assets)						
Current assets						
Cash and bank deposits	9,386		8,439		7,663	
Notes and accounts receivable—trade	47,256		63,525		48,338	
Marketable securities	25		2		2	
Inventories	40,093		44,620		44,666	
Accounts receivable—other	19,259		31,613		21,128	
Other current assets	7,467		7,352		4,486	
Allowance for doubtful accounts	(107)		(109)		(117)	
Total current assets	123,379	48.7	155,441	50.7	126,167	46.3
Fixed assets						
Property, plant and equipment						
Buildings and structures	22,001		27,638		23,299	
Machinery, equipment and vehicles	38,185		44,823		40,678	
Land	12,340		13,848		12,462	
Other property, plant and equipment	10,981		11,352		12,232	
Total property, plant and equipment	83,507		97,661		88,672	
Intangible assets	5,894		6,053		6,370	
Investments and other assets						
Investment securities	35,424		41,841		45,820	
Other investments and other assets	5,858		6,116		6,246	
Allowance for doubtful accounts	(964)		(564)		(606)	
Total investments and other assets	40,317		47,394		51,460	
Total fixed assets	129,718	51.3	151,108	49.3	146,502	53.7
Deferred charges	5	0.0	4	0.0	5	0.0
Total Assets	253,102	100.0	306,553	100.0	272,674	100.0

## ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT.

This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

(Millions of yen)

Account item	Previous interim period (As of September 30, 2005)		Current interim period (As of September 30, 2006)		Previous year (As of March 31, 2006)	
	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)
(Liabilities)						
Current liabilities						
Notes and accounts payable—trade	58,903		85,322		63,710	
Short-term loans payable	24,754		25,638		28,317	
Commercial paper	14,000		-		4,000	
Accounts payable—other	10,170		14,477		-	
Reserves	2,386		2,611		1,731	
Other current liabilities	16,563		14,449		24,275	
Total current liabilities	126,776	50.1	142,496	46.5	122,032	44.7
Long-term Liabilities						
Bonds payable	-		20,000		10,000	
Long-term loans payable	16,166		15,193		14,013	
Allowance for employees' retirement benefits	11,858		11,284		11,695	
Other reserves	661		749		1,265	
Consolidation adjustments account	393		-		349	
Negative goodwill	-		305		-	
Other long-term liabilities	8,573		12,772		13,629	
Total long-term liabilities	37,651	14.9	60,304	19.7	50,951	18.7
Total Liabilities	164,427	65.0	202,800	66.2	172,983	63.4
(Minority Interests)						
Minority interests	2,505	1.0	-	-	3,162	1.2
(Shareholders' Equity)						
Common stock	24,211	9.5	-	-	24,211	8.9
Capital surplus	18,372	7.2	-	-	18,372	6.7
Retained earnings	37,755	14.9	-	-	44,963	16.5
Net unrealized holding gain on available-for-sale Securities	9,293	3.7	-	-	14,497	5.3
Foreign currency translation adjustments	(1,874)	(0.7)	-	-	(1,080)	(0.4)
Treasury stock, at cost	(1,588)	(0.6)	-	-	(4,435)	(1.6)
Total Shareholders' Equity	86,170	34.0	-	-	96,528	35.4
Total Liabilities, Minority Interests and Shareholders' Equity	253,102	100.0	-	-	272,674	100.0

## ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT.

This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

(Millions of yen)

Account item	Previous interim period (As of September 30, 2005)		Current interim period (As of September 30, 2006)		Previous year (As of March 31, 2006)	
	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)
(Net Assets)						
Owners' equity						
Paid-in capital	-	-	24,211	7.9	-	-
Capital surplus	-	-	18,372	6.0	-	-
Earned surplus	-	-	52,326	17.1	-	-
Treasury stock	-	-	(4,438)	(1.5)	-	-
Owners' equity total	-	-	90,471	29.5	-	-
Valuation and translation adjustments						
Valuation difference on available-for-sale securities	-	-	12,056	3.9	-	-
Deferred gains or losses on hedges	-	-	34	0.0	-	-
Translation adjustments	-	-	(1,123)	(0.4)	-	-
Minimum pension liabilities	-	-	(1,005)	(0.3)	-	-
Total valuation and translation adjustments	-	-	9,962	3.2	-	-
Subscription rights to shares	-	-	34	0.0	-	-
Minority interest	-	-	3,287	1.1	-	-
Total net assets	-	-	103,753	33.8	-	-
Total liabilities and net assets	-	-	306,553	100.0	-	-

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT.

This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

## (2) Interim Consolidated Statements of Income

(Millions of yen)

Account item	Previous interim period (From April 1, 2005, to September 30, 2005)			Current interim period (From April 1, 2006, to September 30, 2006)			Previous fiscal year (From April 1, 2005, to March 31, 2006)		
	Amount		Percentage (%)	Amount		Percentage (%)	Amount		Percentage (%)
Net sales		124,749	100.0		138,620	100.0		263,074	100.0
Cost of sales		90,869	72.8		101,641	73.3		193,218	73.4
Gross profit		33,880	27.2		36,979	26.7		69,856	26.6
Selling, general and administrative expenses		21,024	16.9		23,303	16.8		43,021	16.4
Operating income		12,856	10.3		13,667	9.9		26,835	10.2
Nonoperating income									
Interest income	75			90			181		
Dividend income	412			456			671		
Foreign exchange gain	332			20			349		
Rental income	65			35			120		
Gain on sales of utilities	109			144			221		
Subsidy	-			117			-		
Other nonoperating income	309	1,302	1.0	214	1,075	0.7	684	2,226	0.9
Nonoperating expenses									
Interest expense	317			456			621		
Loss on disposal of inventories	782			245			1,459		
Other nonoperating expenses	286	1,385	1.1	276	977	0.7	523	2,603	1.0
Ordinary income		12,774	10.2		13,775	9.9		26,459	10.1
Extraordinary gains									
Gain on sales of fixed assets	1			1			2		
Gain on sales of consolidated subsidiary stocks	1,792			-			1,947		
Reversal of Allowance for doubtful accounts	-			50			-		
Other	22	1,816	1.5	0	52	0.0	90	2,039	0.8

## ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT.

This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

(Millions of yen)

Account item	Previous interim period (From April 1, 2005, to September 30, 2005)			Current interim period (From April 1, 2006, to September 30, 2006)			Previous fiscal year (From April 1, 2005, to March 31, 2006)		
	Amount		Percentage (%)	Amount		Percentage (%)	Amount		Percentage (%)
Extraordinary losses									
Loss on disposal of fixed assets	811			399			1,507		
Loss on devaluation of investment securities	41			-			-		
Litigation costs	1,823			246			2,002		
Other	282	2,957	2.4	0	646	0.4	887	4,396	1.7
Income before income taxes and minority interests		11,633	9.3		13,181	9.5		24,101	9.2
Income taxes —current	4,148			4,243			8,665		
Income taxes —deferred	(3)	4,146	3.3	794	5,036	3.6	(310)	8,355	3.2
Minority interests in net (income) losses of consolidated subsidiaries		(195)	(0.2)		(236)	(0.2)		(498)	(0.2)
Interim net income		7,292	5.8		7,909	5.7		15,249	5.8

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT.

This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

## (3). Segment Information

## a. Business Segments

Previous Interim Period (From April 1, 2005, to September 30, 2005) (Millions of yen)

	Elastomer	Specialty materials	Other	Total	Eliminations/ Corporate	Consolidated
Net sales						
(1) Sales to third parties	75,419	18,524	30,806	124,749	-	124,749
(2) Intersegment sales and transfers	-	-	316	316	(316)	-
Total	75,419	18,524	31,122	125,065	(316)	124,749
Operating expenses	67,449	14,140	30,614	112,203	(310)	111,893
Operating income	7,970	4,384	508	12,862	(6)	12,856

Notes: Business segmentation method and major products by business segment

## (1) Business segmentation method

According to the ZEON Group's segmentation categories for business management purposes

## (2) Major products by business segment

Business segment	Major business line and products
Elastomer	Synthetic rubbers, Synthetic latices, Chemicals (e.g., C5 petrochemical resins, Thermoplastic elastomers)
Specialty materials	Specialty Chemicals (e.g., Synthetic aroma, Synthetic organic pharmaceuticals), Information materials (e.g., Electronic materials, Polymerized toners), Specialty plastics (Cyclo-olefin polymer and fine processed products with cyclo-olefin polymer)
Other	RIM blending liquid, RIM molding products, Medical equipment, Gene recombination vaccines, Butadiene extraction technology, Outsourced production of vinyl chloride resins, Vinyl chloride compounds, Packaging and distribution materials, Housing materials, etc.

Current Interim Period (From April 1, 2006 to September 30, 2006) (Millions of yen)

	Elastomer	Specialty materials	Other	Total	Eliminations/ Corporate	Consolidated
Net sales						
(1) Sales to third parties	87,949	23,297	27,374	138,620	-	138,620
(2) Intersegment sales and transfers	5	-	561	566	(566)	-
Total	87,954	23,297	27,935	139,186	(566)	138,620
Operating expenses	79,467	18,173	27,879	125,520	(577)	124,943
Operating income	8,487	5,124	56	13,666	10	13,677

Notes: Business segmentation method and major products by business segment

## (1) Business segmentation method

According to the ZEON Group's segmentation categories for business management purposes

## (2) Major products by business segment

Business segment	Major business line and products
Elastomer	Synthetic rubbers, Synthetic latices, Chemicals (e.g., C5 petrochemical resins, Thermoplastic elastomers)
Specialty materials	Chemicals (e.g., Synthetic aroma, Synthetic organic pharmaceuticals), Information materials (e.g., Electronic materials, Polymerized toners), Specialty plastics (Cyclo-olefin polymer and fine processed products with cyclo-olefin polymer)
Other	RIM blending liquid, RIM molding products, Medical equipment, Butadiene extraction technology, Outsourced production of vinyl chloride resins, Vinyl chloride compounds, Packaging and distribution materials, Housing materials, etc.

## ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT.

This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

Previous Fiscal Year (From April 1, 2005, to March 31, 2006) (Millions of yen)

	Elastomer	Specialty materials	Other	Total	Eliminations/ Corporate	Consolidated
Net sales and operating income/expenses						
Net sales						
(1) Sales to third parties	156,132	41,762	65,180	263,074	-	263,074
(2) Intersegment sales and transfers	4	-	619	623	(623)	-
Total	156,136	41,762	65,799	263,698	(623)	263,074
Operating expenses	140,900	31,560	64,383	236,843	(603)	236,239
Operating income	15,237	10,202	1,416	26,855	(20)	26,835

Notes: Business segmentation method and major products by business segment

## (1) Business segmentation method

According to the ZEON Group's segmentation categories for business management purposes.

## (2) Major products by business segment

Business segment	Major business line and products
Elastomer	Synthetic rubbers, Synthetic latices, Chemicals (e.g., C5 petrochemical resins, Thermoplastic elastomers)
Specialty materials	Chemicals (e.g., Synthetic aroma, Synthetic organic pharmaceuticals), Information materials (e.g., Electronic materials, Polymerized toners), Specialty plastics (Cyclo-olefin polymer and fine processed products with cyclo-olefin polymer)
Other	RIM blending liquid, RIM molding products, Medical equipment, Gene recombination vaccines, Butadiene extraction technology, Outsourced production of vinyl chloride resins, Vinyl chloride compounds, Packaging and distribution materials, Housing materials, etc.

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT.

This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

## b. Geographical Segments

Previous Interim Period (From April 1, 2005, to September 30, 2005)

(Millions of yen)

	Japan	North America	Europe	Asia	Total	Eliminations/ Corporate	Consolidated
Net sales							
(1) Sales to third parties	101,742	10,853	7,745	4,409	124,749	-	124,749
(2) Intersegment sales and transfers	9,399	3,376	88	508	13,372	(13,372)	-
Total	111,141	14,229	7,833	4,918	138,121	(13,372)	124,749
Operating expenses	100,275	12,085	7,871	4,723	124,953	(13,060)	111,893
Operating income (Operating loss)	10,866	2,144	(37)	194	13,168	(312)	12,856

Notes:

1. Segmentation by geographic area is based on geographical proximity.
2. Principal countries or regions by geographic area
  - (1) North America: United States
  - (2) Europe: United Kingdom and Germany
  - (3) Asia: Thailand and Singapore

Current Interim Period (From April 1, 2006, to September 30, 2006)

(Millions of yen)

	Japan	North America	Europe	Asia	Total	Eliminations/ Corporate	Consolidated
Net sales							
(1) Sales to third parties	110,098	12,255	9,451	6,815	138,620	-	138,620
(2) Intersegment sales and transfers	11,251	4,207	167	717	16,341	(16,341)	-
Total	121,349	16,463	9,618	7,532	154,961	(16,341)	138,620
Operating expenses	110,092	14,448	9,530	7,329	141,399	(16,456)	124,943
Operating income (Operating loss)	11,257	2,015	88	202	13,562	114	13,677

Notes:

1. Segmentation by geographic area is based on geographical proximity.
2. Principal countries or regions by geographic area
  - (1) North America: United States
  - (2) Europe: United Kingdom and Germany
  - (3) Asia: Thailand, Singapore and South Korea

Previous Fiscal Year (From April 1, 2005, to March 31, 2006)

(Millions of yen)

	Japan	North America	Europe	Asia	Total	Eliminations/ Corporate	Consolidated
Net sales							
(1) Sales to third parties	216,164	20,373	15,041	11,496	263,074	-	263,074
(2) Intersegment sales and transfers	21,654	7,605	181	1,192	30,633	(30,633)	-
Total	237,819	27,979	15,222	12,688	293,708	(30,633)	263,074
Operating expenses	213,892	25,157	15,507	12,045	266,601	(30,362)	236,239
Operating income (Operating loss)	23,926	2,822	(285)	643	27,107	(271)	26,835

Notes:

1. Segmentation by geographic area is based on geographical proximity.
2. Principal countries or regions by geographic area
  - (1) North America: United States
  - (2) Europe: United Kingdom and Germany
  - (3) Asia: Thailand, Singapore and South Korea

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT.

This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

## c. Overseas Sales

Previous Interim Period (From April 1, 2005, to September 30, 2005) (Millions of yen)

	North America	Europe	Asia	Other	Total
Overseas sales	12,662	11,379	30,712	1,517	56,270
Consolidated sales					124,749
Ratio of overseas sales to consolidated sales (%)	10.2	9.1	24.6	1.2	45.1

Notes:

1. Segmentation by geographic area is based on geographical proximity.
2. Principal countries or regions by geographic area
  - (1) North America: United States, Canada and Mexico
  - (2) Europe: United Kingdom, Germany and Italy
  - (3) Asia: China, South Korea, Thailand and Malaysia
  - (4) Other: Brazil and Australia

Current Interim Period (From April 1, 2006, to September 30, 2006) (Millions of yen)

	North America	Europe	Asia	Other	Total
Overseas sales	14,743	14,842	31,765	1,417	62,767
Consolidated sales					138,620
Ratio of overseas sales to consolidated sales (%)	10.6	10.7	22.9	1.0	45.3

Notes:

1. Segmentation by geographic area is based on geographical proximity.
2. Principal countries or regions by geographic area
  - (1) North America: United States, Canada and Mexico
  - (2) Europe: United Kingdom, Germany and Italy
  - (3) Asia: China, South Korea, Thailand, Malaysia and Taiwan
  - (4) Other: Brazil and Australia

Previous Fiscal Year (From April 1, 2005, to March 31, 2006) (Millions of yen)

	North America	Europe	Asia	Other	Total
Overseas sales	24,552	23,221	64,150	2,790	114,712
Consolidated sales					263,074
Ratio of overseas sales to consolidated sales (%)	9.3	8.8	24.4	1.1	43.6

Notes:

1. Segmentation by geographic area is based on geographical proximity.
2. Principal countries or regions by geographic area
  - (1) North America: United States, Canada and Mexico
  - (2) Europe: United Kingdom, Germany and Italy
  - (3) Asia: China, South Korea, Thailand, Malaysia and Taiwan
  - (4) Other: Brazil and Australia
3. Overseas sales indicate sales amounts in countries or regions other than Japan recorded by the Company and its consolidated subsidiaries.