



Fiscal Year ended March 31, 2005 **Consolidated Financial Flash Report for the Year Ended March 31, 2005**

May 18, 2005

Name of Listed Company ZEON CORPORATION  
 Ticker Code 4205  
 (URL <http://www.zeon.co.jp>)  
 Representative Contact President & CEO  
 Managing Director and General Manager, Finance & Accounting Department  
 Listed Stock Exchanges Tokyo Stock Exchange and Osaka Securities Exchange  
 Location of Head Office (Prefecture) Metropolis of Tokyo  
 Name Name Naozumi Furukawa  
 Yoichi Mishima  
 TEL +81-3-3216-1412  
 Date of the Board of Directors Meeting held for Closing of Accounts May 18, 2005  
 Adoption of U.S. GAAP No

**1. Consolidated Performance for the Year Ended March 31, 2005 (April 1, 2004, through March 31, 2005)**

(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	%
Year ended March 31, 2005	231,364	8.5	19,304	7.9	18,804	37.1
Year ended March 31, 2004	213,297	1.1	17,897	38.3	13,712	40.0

	Net income		Net income per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Year ended March 31, 2005	7,773	69.4	32.01	—
Year ended March 31, 2004	4,588	50.4	18.74	—

	Return on shareholders' equity (ROE)	Ordinary income to total assets	Ordinary income to net sales
	%	%	%
Year ended March 31, 2005	10.5	8.2	8.1
Year ended March 31, 2004	6.7	6.3	6.4

- Notes
- Equity in earnings of unconsolidated subsidiaries and affiliates, net:  
 Year ended March 31, 2005 ¥32 million, Year ended March 31, 2004 ¥37 million
  - Average number of shares outstanding during the year (consolidated)  
 Year ended March 31, 2005 241,126,214 shares  
 Year ended March 31, 2004 241,910,445 shares
  - Change in accounting method: Yes
  - The percentage figures for net sales, operating income, ordinary income and net income indicate respective year-over-year changes from the previous fiscal year.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
Year ended March 31, 2005	Millions of yen 236,861	Millions of yen 76,357	% 32.3	Yen 317.86
Year ended March 31, 2004	222,254	71,575	32.2	295.47

Note Number of shares outstanding at the end of the year (consolidated)  
Year ended March 31, 2005 240,044,279 shares  
Year ended March 31, 2004 242,053,220 shares

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
Year ended March 31, 2005	Millions of yen 20,556	Millions of yen (17,666)	Millions of yen (5,489)	Millions of yen 10,295
Year ended March 31, 2004	27,617	(11,920)	(11,939)	12,920

(4) Scope of consolidation and application of the equity method

Number of consolidated subsidiaries: 23  
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: 1, Excluded subsidiaries: 2  
Equity method:  
Newly applied affiliates: 0, Excluded affiliates: 0

**2. Projected Consolidated Performance for the Year Ending March 31, 2006 (April 1, 2005, through March 31, 2006)**

	Net sales	Ordinary income	Net income
Interim period ending September 30, 2005	Millions of yen 117,000	Millions of yen 10,200	Millions of yen 4,500
Year ending March, 31, 2006 (Full year)	241,500	22,400	11,000

(Reference) 1. Projected net income per share (full year): ¥45.82

Note: These projected performance figures are based on information available to ZEON's management at the time this report was prepared. There are many uncertain factors inherent in forecasting, and there might be cases in which actual results differ from forecast values. See page 5 of the Attachment for further information on forecasts.

### 3. Operating Results

#### (1) Overview of Operations

During the year ended March 31, 2005, the Japanese economy remained steady on the whole, reflecting improved corporate profits mainly due to increased exports to the United States and Asia and a rally in consumer spending. However, the domestic economy also faced sluggish conditions and a slowdown was feared because of the high rise in crude oil prices and other factors.

The petrochemical industry continued to experience a boost in demand as represented by expanded exports to Asia, despite price increases for raw materials including naphtha.

In these circumstances, the ZEON Group revised product prices to improve the profitability level in the elastomer business, for which the high rise of raw material costs had begun to suppress revenue, and engaged in aggressive cost-cutting efforts via the ZΣ campaign. Moreover, the Group continued developing high-value-added products based on the Group's innovative technologies and promoted sales in the specialty materials business.

Effective from the year ended March 31, 2005, the Company and a domestic consolidated subsidiary have changed the depreciation of their property, plant and equipment (except for buildings) from the previous straight-line method to the declining-balance method to cope with environmental changes such as the change in business structure and accelerating economic obsolescence of facilities and to ensure more sound financial capabilities by recovering invested capital at an early stage.

As a result of these factors, consolidated net sales for the year ended March 31, 2005, increased 8.5% from the previous fiscal year to ¥231,364 million. Operating income rose 7.9% year over year to ¥19,304 million and ordinary income improved 37.1% to ¥18,804 million. Accordingly, consolidated net income amounted to ¥7,773 million, up 69.4% from the previous fiscal year.

(Consolidated)

(Millions of yen)

Fiscal year	Year ended March 31, 2005		Year ended March 31, 2004		Increase (decrease)	
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount	Year over Year (%)
Segment						
Net sales	231,364	100.0	213,297	100.0	18,067	8.5
Elastomer	138,417	59.8	126,148	59.1	12,269	9.7
Specialty materials	36,897	15.9	31,331	14.7	5,566	17.8
Other	56,409	24.4	56,238	26.4	171	0.3
Eliminations/Corporate	(359)	(0.1)	(420)	(0.2)	61	(14.5)

Fiscal year	Year ended March 31, 2005		Year ended March 31, 2004		Increase (decrease)	
	Amount	Ratio to net sales (%)	Amount	Ratio to net sales (%)	Amount	Year over Year (%)
Account item						
Operating income	19,304	8.3	17,897	8.4	1,407	7.9
Ordinary income	18,804	8.1	13,712	6.4	5,092	37.1
Net income	7,773	3.4	4,588	2.2	3,185	69.4

(Nonconsolidated)

(Millions of yen)

Fiscal year	Year ended March 31, 2005		Year ended March 31, 2004		Increase (decrease)	
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount	Year over Year (%)
Segment						
Net sales	133,621	100.0	122,234	100.0	11,387	9.3
Elastomer	100,390	75.1	91,180	74.6	9,210	10.1
Specialty materials	30,118	22.6	26,784	21.9	3,333	12.5
Other	3,112	2.3	4,269	3.5	(1,156)	(27.1)

Fiscal year Account item	Year ended March 31, 2005		Year ended March 31, 2004		Increase (decrease)	
	Amount	Ratio to net sales (%)	Amount	Ratio to net sales (%)	Amount	Year over Year (%)
Operating income	11,165	8.4	12,510	10.2	(1,345)	(10.8)
Ordinary income	11,966	9.0	12,368	10.1	(402)	(3.3)
Net income	5,771	4.3	1,983	1.6	3,788	191.0

## (2) Overview by Business Segment (Elastomer)

Domestic sales of synthetic rubber exceeded the previous year's figures in sales volume and value for both general-purpose and specialty rubber, reflecting continued steady demand for principal applications in automotive production and vehicle tires. Export sales of synthetic rubber, which enjoyed steady demand in the Chinese and other Asian markets, were up year over year due to an upturn in export market conditions and a rise in the ratio of high-value-added products to total sales despite a year-over-year decline in sales volume owing principally to restrictions on production capability. Sales by synthetic rubber subsidiaries in Western countries resulted in a year-over-year increase on a yen basis, with sales by U.S. subsidiaries up year over year, whereas European subsidiaries suffered from sales declines due to the decreased supply of products by the Company and adverse exchange rate fluctuations. Consequently, overall sales of synthetic rubber expanded considerably year over year. The domestic sales volume of synthetic latices edged down year over year, mainly affected by a decline in demand for ABS resin. However, the price revisions to compensate for rises in raw materials helped to increase sales compared with the previous year. Meanwhile, export sales rose year over year for both sales volume and value due to active demand for puffs, ABS resin and rubber gloves. As a result, overall sales of synthetic latices increased year over year.

In chemicals, domestic sales and exports of thermoplastic elastomer "SIS" were steady although sales of petrochemical resins were flat year over year in both sales volume and value. Our Thai subsidiary for petrochemical resins saw sales rise owing to price revisions, although export volume failed to increase and overall sales volume declined. Given these factors, overall sales of chemicals increased year over year.

As a result of these factors, segmental net sales for the year ended March 31, 2005, rose 9.7% to ¥138,417 million, and operating income increased 8.5% to ¥10,163 million.

## (Specialty materials)

In the specialty plastics (cyclo-olefin polymer) business, sales of the ZEONOR series increased substantially, reflecting expanded sales of ZEONOR FILM, an optical film application for LC panels. Sales of the ZEONEX series also steadily increased, supported by firm demand for digital equipment applications, such as lenses for laser printers, lenses for mobile phones with camera CCDs and pickup lenses for DVDs. As a consequence, overall sales of specialty plastics increased year over year.

In information materials, the sales value of the mainstay electronic materials improved year over year, owing principally to favorable sales of ZEOROLA ZFL-58, a dry etching gas for semiconductor manufacture, photoresist products and battery materials. In the imaging materials field, sales of polymerized toner expanded year over year. As a result, overall sales of information materials advanced year over year.

In specialty chemicals, sales of the mainstay synthetic aroma chemicals rose year over year owing principally to sales promotion efforts, despite the negative effect of higher yen appreciation. Sales of special chemicals also increased as a result of steady sales. Consequently, overall sales of specialty chemicals improved year over year.

As a result of these factors, segmental net sales for the year ended March 31, 2005, rose 17.8% to ¥36,897 million, and operating income expanded 14.4% to ¥8,602 million.

## (Other)

Overall sales of the environmental business decreased year over year because part of the environmental material business was transferred to a third party in the second half of the previous fiscal year.

Overall sales of the health materials business also fell year over year, as the medical equipment business was sluggish due to delayed sales promotion for new products.

Sales from the outsourced production of vinyl chloride resins were flat year over year. Revenue from technology licensing and equipment sales decreased year over year, whereas sales from the trading operations of several related subsidiaries exceeded those for the previous fiscal year.

As a result of these factors, segmental net sales for the year ended March 31, 2005, edged up 0.3% to ¥56,409 million, whereas operating income dropped 41.3% to ¥568 million.

### (3) Future Outlook

The outlook for the Japanese economy portends a slow upturn, supported by the steady Asian economies centering on China and an anticipated recovery in exports and capital investment. Nevertheless, the ZEON Group will continue to face a severe operating environment that warrants little optimism in view of such negative factors as exchange rate fluctuations and the adverse effects of rising raw material prices.

On a consolidated basis for the year ending March 31, 2006, we project ¥241.5 billion in net sales (up 4.4% year over year), ¥23.0 billion in operating income (up 19.1% year over year), ¥22.4 billion in ordinary income (up 19.1%) and ¥11.0 billion in net income (up 41.5%), assuming that the full-year exchange rate is ¥100/\$ and the naphtha price averages ¥35,000/KL. ZEON plans to pay an annual dividend of ¥8.0 per share, consisting of a ¥3.0 interim dividend and a ¥5.0 year-end dividend, which is an increase of ¥1.0 per share from the year under review. The year-end dividend will include a ¥1.0 commemorative dividend to celebrate the 55th anniversary in addition to a ¥4.0 ordinary dividend.

(Consolidated)

(Millions of yen)

Fiscal year	Year ending March 31, 2006		Year ended March 31, 2005		Increase (decrease)	
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount	Year over Year (%)
Segment						
Net sales	241,500	100.0	231,364	100.0	10,136	4.4
Elastomer	142,580	59.0	138,417	59.8	4,163	3.0
Specialty materials	45,130	18.7	36,897	15.9	8,233	22.3
Other	54,100	22.4	56,409	24.4	(2,309)	(4.1)
Eliminations/Corporate	(310)	(0.1)	(359)	(0.1)	49	(13.6)

Fiscal year	Year ending March 31, 2006		Year ended March 31, 2005		Increase (decrease)	
	Amount	Ratio to net sales (%)	Amount	Ratio to net sales (%)	Amount	Year over Year (%)
Account item						
Operating income	23,000	9.5	19,304	8.3	3,696	19.1
Ordinary income	22,400	9.3	18,804	8.1	3,596	19.1
Net income	11,000	4.6	7,773	3.4	3,227	41.5

(Nonconsolidated)

(Millions of yen)

Fiscal year	Year ending March 31, 2006		Year ended March 31, 2005		Increase (decrease)	
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount	Year over Year (%)
Segment						
Net sales	145,400	100.0	133,621	100.0	11,779	8.8
Elastomer	107,800	74.1	100,390	75.1	7,410	7.4
Specialty materials	34,600	23.8	30,118	22.6	4,482	14.9
Other	3,000	2.1	3,112	2.3	(112)	(3.6)

Fiscal year	Year ending March 31, 2006		Year ended March 31, 2005		Increase (decrease)	
	Amount	Ratio to net sales (%)	Amount	Ratio to net sales (%)	Amount	Year over Year (%)
Account item						
Operating income	12,100	8.3	11,165	8.4	935	8.4
Ordinary income	12,500	8.6	11,966	9.0	534	4.5
Net income	6,200	4.3	5,771	4.3	429	7.4

(4) Other Matters

(a) The Company and its wholly owned U.S. subsidiary, Zeon Chemicals L.P. (“ZCLP”, located in Kentucky, U.S.) were investigated by the Department of Justice (DOJ) regarding an allegation of restraint of trade of NBR (acrylonitrile butadiene rubber). ZCLP entered into a plea agreement with the DOJ in January 2005. In accordance with the sentence reflecting such agreement, ZCLP paid a fine of \$10.5 million. This fine payment was recorded in the consolidated financial statements for the year ended March 31, 2005.

In addition, the Company and ZCLP have been sued for damages (class action and individual lawsuits) by direct and indirect purchasers of NBR alleging price fixing regarding NBR in the U.S. Other corporate groups have also been sued. ZCLP has reached a settlement agreement with respect to an individual lawsuit filed by certain large direct purchasers, who consequently filed a motion for dismissal of the suit against the Company and ZCLP. The Company and ZCLP are cooperatively dealing with the remaining litigation. The complaints do not explicitly assert the amounts of damages.

In addition, the Company and its European subsidiary are being investigated by the European Commission regarding an allegation of restraint of trade of NBR.

(b) The Company’s Board of Directors, at a meeting held on March 15, 2005, resolved to repurchase the treasury stock of shares under Article 211-3, Paragraph 1, Item 2, of the Japanese Commercial Code and subsequently conducted the repurchase in the following manner.

Reason for the repurchase:	To conduct flexible capital policies in response to changes in the business environment
Type of shares repurchased:	The Company’s common shares
Total number of shares repurchased:	1,000,000 shares
Acquisition value:	¥825 per share
Date of acquisition:	March 16, 2005
Method of acquisition:	Purchasing in the market via “Single-stock-name transaction to acquire treasury stock” at the Osaka Securities Exchange Co., Ltd.

#### 4. Consolidated Financial Statements

##### (1) Consolidated Balance Sheets

(Millions of yen)

Account item	Note No.	Previous fiscal year (As of March 31, 2004)		Current fiscal year (As of March 31, 2005)		Year-over-year
		Amount	Compo- sition ratio (%)	Amount	Compo- sition ratio (%)	Increase/decrease
(Assets)						
Current assets						
Cash and bank deposits	*5	13,004		10,378		
Notes and accounts receivable—trade	*7	42,701		45,776		
Marketable securities		25		25		
Inventories		31,812		37,702		
Accounts receivable—other		13,955		15,855		
Deferred tax assets		1,761		2,641		
Other current assets		2,581		2,523		
Allowance for doubtful accounts		(112)		(89)		
Total current assets		105,727	47.6	114,811	48.5	9,084
Fixed assets						
Property, plant and equipment	*1, 5					
Buildings and structures		19,514		21,780		
Machinery, equipment and vehicles		34,694		37,801		
Land		12,279		12,435		
Construction in progress		6,278		7,020		
Other property, plant and equipment		2,959		2,592		
Total property, plant and equipment		75,724	34.1	81,628	34.5	5,905
Intangible assets						
Goodwill		3,353		3,545		
Other intangible assets		3,189		2,682		
Total intangible assets		6,542	2.9	6,227	2.6	(315)
Investments and other assets						
Investment securities	*2, 3, 5	28,001		29,267		
Deferred tax assets		1,429		437		
Other investments and other assets	*3	5,900		5,574		
Allowance for doubtful accounts		(1,076)		(1,089)		
Total investments and other assets		34,254	15.4	34,189	14.4	(65)
Total fixed assets		116,520	52.4	122,044	51.5	5,525
Deferred charges		7	0.0	6	0.0	(2)
Total Assets		222,254	100.0	236,861	100.0	14,607
(Liabilities)						
Current liabilities						
Notes and accounts payable—trade	*5	46,953		55,486		
Short-term loans payable	*5	28,506		21,558		
Commercial paper		—		16,500		
Income taxes payable		3,766		3,121		
Reserve for bonuses		1,312		1,462		
Other reserves		5		51		
Other current liabilities	*5	28,182		26,794		
Total current liabilities		108,724	48.9	124,971	52.7	16,247
Long-term liabilities						
Long-term loans payable	*5	17,752		15,580		
Deferred tax liabilities		414		750		
Allowance for employees' retirement benefits		10,083		11,749		

Account item	Note No.	Previous fiscal year (As of March 31, 2004)		Current fiscal year (As of March 31, 2005)		Year-over-year
		Amount	Compo- sition ratio (%)	Amount	Compo- sition ratio (%)	Increase/decrease
Reserve for retirement benefits for directors and statutory auditors		706		776		
Other reserves		15		-		
Consolidation adjustments account		539		441		
Other long-term liabilities	*2	10,487		4,038		
Total long-term liabilities		39,996	18.0	33,336	14.1	(6,659)
Total Liabilities		148,720	66.9	158,307	66.8	9,588
(Minority Interests)						
Minority interests		1,959	0.9	2,197	0.9	238
(Shareholders' Equity)						
Common stock	*9	24,211	10.9	24,211	10.2	-
Capital surplus		18,372	8.3	18,372	7.8	-
Retained earnings		26,413	11.9	32,078	13.6	5,664
Net unrealized holding gain on available-for-sale securities		4,920	2.2	5,710	2.4	790
Foreign currency translation adjustments		(2,329)	(1.0)	(2,433)	(1.0)	(104)
Treasury stock, at cost	*10	(12)	(0.0)	(1,582)	(0.7)	(1,569)
Total Shareholders' Equity		71,575	32.2	76,357	32.3	4,781
Total Liabilities, Minority Interests and Shareholders' Equity		222,254	100.0	236,861	100.0	14,607

## (2) Consolidated Statements of Income

(Millions of yen)

Account item	Note No.	Previous fiscal year (From April 1, 2003, to March 31, 2004)		Current fiscal year (From April 1, 2004, to March 31, 2005)		Year-over-year		
		Amount		Percent- age (%)	Amount		Percent- age (%)	Increase/decrease
Net sales			213,297	100.0		231,364	100.0	18,067
Cost of sales			153,987	72.2		170,694	73.8	16,707
Gross profit			59,310	27.8		60,671	26.2	1,361
Selling, general and administrative expenses	*1, 3		41,413	19.4		41,367	17.9	(46)
Operating income			17,897	8.4		19,304	8.3	1,407
Nonoperating income								
Interest income		103			129			
Dividend income		534			840			
Amortization of consolidation adjustments account		98			98			
Equity in earnings of unconsolidated subsidiaries and affiliates, net:		37			32			
Rental income		177			189			
Gain on sales of utilities		233			192			
Other nonoperating income		426	1,608	0.7	638	2,117	0.9	508
Nonoperating expenses								
Interest expense		1,072			642			
Foreign exchange loss, nets		3,557			111			
Loss on disposal of inventories		663			715			
Head office moving expense		—			491			
Other nonoperating expenses		501	5,793	2.7	658	2,616	1.1	(3,177)
Ordinary income			13,712	6.4		18,804	8.1	5,092
Extraordinary gains								
Gain on sales of fixed assets	*2	41			1			
Gain on sales of investment securities		124			12			
Income from recovery of bad debts		—			2			
Other		21	186	0.1	2	16	0.0	(169)
Extraordinary losses								
Loss on disposal of fixed assets		1,069			1,084			
Loss on devaluation of investment securities		155			335			
Amortization of net retirement benefit obligation at transition		2,103			1,985			

Account item	Note No.	Previous fiscal year (From April 1, 2003, to March 31, 2004)			Current fiscal year (From April 1, 2004, to March 31, 2005)			Year-over-year
		Amount		Percent- age (%)	Amount		Percent- age (%)	Increase/decrease
Loss caused by transition of retirement benefit scheme	*4	3,534			—			
Litigation costs		—			1,615			
Other		872	7,733	3.6	278	5,297	2.3	(2,436)
Income before income taxes and minority interests			6,165	2.9		13,524	5.8	7,359
Income taxes—current		5,281			5,587			
Income taxes—deferred		(3,920)	1,361	0.6	(116)	5,471	2.3	4,110
Minority interests in net (income) losses of consolidated subsidiaries			(216)	(0.1)		(280)	(0.1)	(64)
Net income			4,588	2.2		7,773	3.4	3,185

## (3) Consolidated Statements of Surplus

(Millions of yen)

Account item	Note No.	Previous fiscal year (From April 1, 2003, to March 31, 2004)		Current fiscal year (From April 1, 2004, to March 31, 2005)	
		Amount		Amount	
(Capital surplus)					
Capital surplus at beginning of year			18,336		18,372
Increase in capital surplus					
Surplus from sales of treasury stock		36	36	—	—
Capital surplus at end of year			18,372		18,372
(Retained earnings)					
Retained earnings at beginning of year			24,168		26,413
Increase in retained earnings					
Net income		4,588		7,773	
Increase due to an increase in the number of consolidated subsidiaries		75		—	
Increase due to merger of consolidated and unconsolidated subsidiaries		121	4,784	—	7,773
Decrease in retained earnings					
Dividends paid		1,330		1,449	
Bonuses to directors and statutory auditors		54		55	
Decrease due to an increase in the number of consolidated subsidiaries		964		0	
Decrease due to a decrease in the number of consolidated subsidiaries		—		221	
Other	*1	191	2,539	383	2,109
Retained earnings at end of year			26,413		32,078

## (4) Consolidated Statements of Cash Flows

(Millions of yen)

		Previous fiscal year (From April 1, 2003, to March 31, 2004)	Current fiscal year (From April 1, 2004, to March 31, 2005)	Year-over-year
Account item	Note No.	Amount	Amount	Increase/decrease
Cash flows from operating activities:				
Income before income taxes and minority interests		6,165	13,524	
Depreciation and amortization		10,328	12,881	
(Decrease) increase in allowance for doubtful accounts		(528)	—	
Increase in allowance for employees' retirement benefits		6,080	1,694	
Interest and dividend income		(637)	(968)	
Interest expense		1,072	642	
Foreign exchange gain or loss		3,006	-	
Loss on disposal of fixed assets		1,069	1,084	
Decrease (increase) in receivables—trade		2,829	(3,042)	
Decrease (increase) in inventories		920	(6,041)	
(Decrease) increase in payables—trade		(1,732)	8,649	
Other, net		3,428	(1,705)	
Subtotal		32,000	26,718	(5,282)
Interest and dividends received		584	958	
Interest paid		(1,141)	(696)	
Income taxes paid		(3,826)	(6,425)	
Net cash provided by operating activities		27,617	20,556	(7,061)
Cash flows from investing activities:				
Acquisition of property, plant and equipment		(11,281)	(15,720)	
Acquisition of intangible assets		(702)	(989)	
Purchases of investment securities		(705)	(564)	
Proceeds from redemption of bonds		1,006	—	
Increase in loans receivable		(1,069)	(1,207)	
Proceeds from collection of loans receivable		626	1,072	
Other, net		205	(258)	
Net cash used in investing activities		(11,920)	(17,666)	(5,746)

		Previous fiscal year (From April 1, 2003, to March 31, 2004)	Current fiscal year (From April 1, 2004, to March 31, 2005)	Year-over-year
Account item	Note No.	Amount	Amount	Increase/decrease
Cash flows from financing activities:				
Net (decrease) increase in short-term loans payable		(1,122)	(6,508)	
Net (decrease) increase in commercial paper		—	16,500	
Proceeds from long-term loans payable		15,541	7,154	
Repayment of long-term loans payable		(15,451)	(9,598)	
Redemption of bonds payable		(10,000)	(10,000)	
Dividends paid for minority shareholders		(11)	(23)	
Dividends paid		(1,327)	(1,444)	
Repurchase of treasury stock		-	(1,570)	
Other, net		431	—	
Net cash used in financing activities		(11,939)	(5,489)	6,450
Effect of exchange rate changes on cash and cash equivalents		(251)	(88)	163
Net increase (decrease) in cash and cash equivalents		3,507	(2,688)	(6,195)
Cash and cash equivalents at beginning of year		9,334	12,920	3,586
Increase in cash and cash equivalents due to an increase in the number of consolidated subsidiaries		6	85	79
Increase in cash and cash equivalents due to merger of consolidated and unconsolidated subsidiaries		73	—	(73)
Decrease in cash and cash equivalents due to a decrease in the number of consolidated subsidiaries		—	(23)	(23)
Cash and cash equivalents at end of year		12,920	10,295	(2,626)

## Notes to Consolidated Financial Statements

(Notes to Consolidated Balance Sheets)

	As of March 31, 2004	As of March 31, 2005
*1.	Accumulated depreciation for property, plant and equipment ¥146,393 million	Accumulated depreciation for property, plant and equipment ¥153,081million
*2.	“Investment securities” include ¥11,801 million in securities lent under loan-for-consumption contracts. “Deposits received” of ¥5,303 million related to the relevant transactions are included in “Other long-term liabilities” under “Long-term liabilities.”	“Investment securities” include ¥12,468 million in securities lent under loan-for-consumption contracts. “Deposits received” of ¥5,303 million related to the relevant transactions are included in “Other current liabilities” under “Current liabilities.”
*3.	The amounts regarding unconsolidated subsidiaries and affiliates  (Millions of yen)	The amounts regarding unconsolidated subsidiaries and affiliates  (Millions of yen)
	Investment securities (stocks) 1,298	Investment securities (stocks) 1,073
	Other investments and other assets (investments) 460	Other investments and other assets (investments) 467
4	(Millions of yen)	(Millions of yen)
	Notes receivable discounted —	Notes receivable discounted —
	Notes receivable endorsed and transferred 111	Notes receivable endorsed and transferred 248
*5	Assets pledged as collateral and secured debt (Millions of yen)	Assets pledged as collateral and secured debt (Millions of yen)
	Assets pledged:	Assets pledged:
	Cash and bank deposits (time deposits) 100	Cash and bank deposits (time deposits) 100
	Land 27	Land 25
	Investment securities 2,802	Investment securities 1,003
	Total 2,929	Total 1,128
	Debt corresponding to the above:	Debt corresponding to the above:
	Notes and accounts payable—trade 4,015	Notes and accounts payable—trade 4,288
	Long-term loans payable (including current portion of long-term loans payable) 349	Long-term loans payable (including current portion of long-term loans payable) 118
	Long-term loans payable of unconsolidated subsidiaries 17	Long-term loans payable of unconsolidated subsidiaries 11
	Other (*) 5,467	Other (*) 15,213
	Total 9,848	Total 19,630
	(*) Debt involved in the banking transaction of Mizushima Ecoworks Ltd.	(*) Debt involved in the banking transaction of Mizushima Ecoworks Ltd.

As of March 31, 2004		As of March 31, 2005																																		
6.	<p>Contingent liabilities</p> <p>Liabilities for guarantee:</p> <p>Debt guarantee against borrowings from financial institutions by associated companies other than consolidated subsidiaries and employees</p> <p style="text-align: right;">(Millions of yen)</p> <table border="1"> <tr> <td>Zeon Chemicals Yonezawa Co., Ltd.</td> <td style="text-align: right;">369</td> </tr> <tr> <td>Zeon Advanced Polymix Co., Ltd.</td> <td style="text-align: right;">330</td> </tr> <tr> <td>Gunma Zeon Kasei Co., Ltd.</td> <td style="text-align: right;">50</td> </tr> <tr> <td>Zeon France S.A.</td> <td style="text-align: right;">92</td> </tr> <tr> <td>TOKYO ZAIRYO (U.S.A) INC.</td> <td style="text-align: right;">53</td> </tr> <tr> <td>TOKYO ZAIRYO (MALAYSIA) SDN.BHD.</td> <td style="text-align: right;">42</td> </tr> <tr> <td>TOKYO ZAIRYO (Shanghai) CO., LTD.</td> <td style="text-align: right;">50</td> </tr> <tr> <td>Ibaraki Zeon Kasei Co., Ltd.</td> <td style="text-align: right;">59</td> </tr> <tr> <td>Other affiliate(s) Employees</td> <td style="text-align: right;">(two) 37 1,341</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b>2,423</b></td> </tr> </table> <p>Responsibility for reparations related to contentious cases</p> <p>In December 2003, the Company and its U.S. Subsidiaries were sued for damages in class actions by direct purchasers of Acrylonitrile Butadiene Rubber ("NBR") by reason of price fixing regarding NBR in the U.S.</p> <p>Three other corporate groups have also been sued. However, the complaint does not explicitly assert the amount of damages.</p> <p>The Company and its subsidiaries are dealing with this litigation in cooperation with each other.</p> <p>In addition, the Company and its U.S. and European subsidiaries are being investigated by the Department of Justice and European Commission regarding an allegation of restraint of trade of NBR.</p> <p>On April 1, 2004, the Company and its U.S. subsidiaries were sued for damages in a class action by indirect purchasers of NBR in the State of California in accordance with the law of that state.</p> <p>Three other corporate groups have also been sued in that lawsuit and other similar class actions. The complaint does not explicitly assert the amount of damages.</p>	Zeon Chemicals Yonezawa Co., Ltd.	369	Zeon Advanced Polymix Co., Ltd.	330	Gunma Zeon Kasei Co., Ltd.	50	Zeon France S.A.	92	TOKYO ZAIRYO (U.S.A) INC.	53	TOKYO ZAIRYO (MALAYSIA) SDN.BHD.	42	TOKYO ZAIRYO (Shanghai) CO., LTD.	50	Ibaraki Zeon Kasei Co., Ltd.	59	Other affiliate(s) Employees	(two) 37 1,341	<b>Total</b>	<b>2,423</b>	<p>Contingent liabilities</p> <p>Liabilities for guarantee:</p> <p>Debt guarantee against borrowings from financial institutions by associated companies other than consolidated subsidiaries and employees</p> <p style="text-align: right;">(Millions of yen)</p> <table border="1"> <tr> <td>Zeon Chemicals Yonezawa Co., Ltd.</td> <td style="text-align: right;">218</td> </tr> <tr> <td>Zeon Advanced Polymix Co., Ltd.</td> <td style="text-align: right;">334</td> </tr> <tr> <td>Zeon Polymix (Guangzhou) CO., LTD.</td> <td style="text-align: right;">65</td> </tr> <tr> <td>Zeon France S.A.</td> <td style="text-align: right;">54</td> </tr> <tr> <td>TOKYO ZAIRYO (Shanghai) CO., LTD.</td> <td style="text-align: right;">71</td> </tr> <tr> <td>Other affiliate(s) Employees</td> <td style="text-align: right;">(one) 43 1,443</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b>2,228</b></td> </tr> </table> <p>Responsibility for reparations related to contentious cases</p> <p>The Company and its wholly owned U.S. subsidiary, Zeon Chemicals L.P. ("ZCLP", located in Kentucky, U.S.) have been sued for damages (class action and individual lawsuits) by direct and indirect purchasers of NBR alleging price fixing regarding NBR in the U.S. Other corporate groups have also been sued. ZCLP has reached a settlement agreement with respect to an individual lawsuit filed by certain large direct purchasers, who consequently filed a motion for dismissal of the suit against the Company and ZCLP. The Company and ZCLP are cooperatively dealing with the remaining litigation. The complaints do not explicitly assert the amounts of damages.</p> <p>In addition, the Company and its European subsidiary are being investigated by the European Commission regarding an allegation of restraint of trade of NBR.</p>	Zeon Chemicals Yonezawa Co., Ltd.	218	Zeon Advanced Polymix Co., Ltd.	334	Zeon Polymix (Guangzhou) CO., LTD.	65	Zeon France S.A.	54	TOKYO ZAIRYO (Shanghai) CO., LTD.	71	Other affiliate(s) Employees	(one) 43 1,443	<b>Total</b>	<b>2,228</b>
Zeon Chemicals Yonezawa Co., Ltd.	369																																			
Zeon Advanced Polymix Co., Ltd.	330																																			
Gunma Zeon Kasei Co., Ltd.	50																																			
Zeon France S.A.	92																																			
TOKYO ZAIRYO (U.S.A) INC.	53																																			
TOKYO ZAIRYO (MALAYSIA) SDN.BHD.	42																																			
TOKYO ZAIRYO (Shanghai) CO., LTD.	50																																			
Ibaraki Zeon Kasei Co., Ltd.	59																																			
Other affiliate(s) Employees	(two) 37 1,341																																			
<b>Total</b>	<b>2,423</b>																																			
Zeon Chemicals Yonezawa Co., Ltd.	218																																			
Zeon Advanced Polymix Co., Ltd.	334																																			
Zeon Polymix (Guangzhou) CO., LTD.	65																																			
Zeon France S.A.	54																																			
TOKYO ZAIRYO (Shanghai) CO., LTD.	71																																			
Other affiliate(s) Employees	(one) 43 1,443																																			
<b>Total</b>	<b>2,228</b>																																			
*7.	<p>Subordinated portion of beneficial interest in trust included in notes receivable</p> <p style="text-align: right;">¥638 million</p>	<p>Subordinated portion of beneficial interest in trust included in notes receivable</p> <p style="text-align: right;">¥502 million</p>																																		

As of March 31, 2004		As of March 31, 2005																
8	<p>The Company has entered into several contracts on overdraft and lending commitment with five banks for efficient procurement of working capital. The balance of unexecuted borrowings under these contracts as of March 31, 2004, was as follows:</p> <table border="1"> <thead> <tr> <th colspan="2">(Millions of yen)</th> </tr> </thead> <tbody> <tr> <td>Total of the maximum limit of overdraft and the lending commitment</td> <td>20,000</td> </tr> <tr> <td>Executed borrowings</td> <td>—</td> </tr> <tr> <td>On balance:</td> <td>20,000</td> </tr> </tbody> </table>	(Millions of yen)		Total of the maximum limit of overdraft and the lending commitment	20,000	Executed borrowings	—	On balance:	20,000	<p>The Company has entered into several contracts on lending commitment with eight banks for efficient procurement of working capital. The balance of unexecuted borrowings under these contracts as of March 31, 2005, was as follows:</p> <table border="1"> <thead> <tr> <th colspan="2">(Millions of yen)</th> </tr> </thead> <tbody> <tr> <td>Total lending commitment</td> <td>18,000</td> </tr> <tr> <td>Executed borrowings</td> <td>—</td> </tr> <tr> <td>On balance:</td> <td>18,000</td> </tr> </tbody> </table>	(Millions of yen)		Total lending commitment	18,000	Executed borrowings	—	On balance:	18,000
(Millions of yen)																		
Total of the maximum limit of overdraft and the lending commitment	20,000																	
Executed borrowings	—																	
On balance:	20,000																	
(Millions of yen)																		
Total lending commitment	18,000																	
Executed borrowings	—																	
On balance:	18,000																	
*9	The Company's total number of shares outstanding was 242,075,556 common shares.	The Company's total number of shares outstanding was 242,075,556 common shares.																
*10	The treasury stock of shares held by the Company and consolidated subsidiaries, as well as by unconsolidated subsidiaries and affiliates accounted for by the equity method, were 22,336 common shares in total as of March 31, 2004.	The treasury stock of shares held by the Company and consolidated subsidiaries, as well as by unconsolidated subsidiaries and affiliates accounted for by the equity method, were 2,031,277 common shares in total as of March 31, 2005.																

## (Notes to Consolidated Statements of Income)

Previous fiscal year (From April 1, 2003, to March 31, 2004)		Current fiscal year (From April 1, 2004, to March 31, 2005)	
*1	Major accounts and amounts of selling, general and administrative expenses (Millions of yen)	Major accounts and amounts of selling, general and administrative expenses (Millions of yen)	
	Freight charges	8,107	Freight charges
	Salaries and allowances	8,386	Salaries and allowances
	Research and development expenses	8,491	Research and development expenses
	Provision for reserve for bonuses	518	Provision for reserve for bonuses
	Provision for allowance for employees' retirement benefits	1,245	Provision for allowance for employees' retirement benefits
*2	“Gain on sales of fixed assets” principally resulting from sales of land as a component of “Plant, property and equipment.”		“Gain on sales of fixed assets” principally resulting from sales of machinery, equipment and vehicles as a component of “Plant, property and equipment.”
*3	R&D expenditures included in “Selling, general and administrative expenses” and “current manufacturing costs” ¥8,491 million		R&D expenditures included in “Selling, general and administrative expenses” and “current manufacturing costs” ¥8,962 million
*4	_____		“Litigation costs” in extraordinary losses refer to costs (mainly corresponding to the fine in accordance with a plea agreement between the DOJ and ZCLP (a U.S. subsidiary)) regarding an allegation of restraint of trade of NBR (acrylonitrile butadiene rubber), which was posted by the ZEON Group. ¥1,615 million

## (Note to Consolidated Statements of Surplus)

Previous fiscal year (From April 1, 2003, to March 31, 2004)		Current fiscal year (From April 1, 2004, to March 31, 2005)	
*1	“Other” under “Decrease in retained earnings” Additional minimum pension liability included in “Other comprehensive income” posted by ZEON’s U.S. subsidiary in accordance with the U.S. GAAP. ¥191 million	“Other” under “Decrease in retained earnings” Additional minimum pension liability included in “Other comprehensive income” posted by ZEON’s U.S. subsidiary in accordance with the U.S. GAAP. ¥383 million	

## (Note to Consolidated Statements of Cash Flows)

Previous fiscal year (From April 1, 2003, to March 31, 2004)		Current fiscal year (From April 1, 2004, to March 31, 2005)	
(1)	Relations between the cash and cash equivalents at end of year (as of March 31, 2004) and the accounts listed in the consolidated balance sheets (Millions of yen)	Relations between the cash and cash equivalents at end of year (as of March 31, 2005) and the accounts listed in the consolidated balance sheets (Millions of yen)	
	Cash and bank deposits	13,004	Cash and bank deposits
	Marketable securities	25	Marketable securities
	Time deposits for which depositing period exceeds three months	(109)	Time deposits for which depositing period exceeds three months
	Cash and cash equivalents	12,920	Cash and cash equivalents
			10,295

## Segment Information

### a. Business segments

Previous fiscal year (From April 1, 2003, to March 31, 2004)

(Millions of yen)

	Elastomer	Specialty materials	Other	Total	Eliminations/Corporate	Consolidated
Net sales and operating income/expenses						
Net sales						
(1) Sales to third parties	126,087	31,314	55,896	213,297		213,297
(2) Intersegment sales and transfers	61	17	342	420	(420)	
Total	126,148	31,331	56,238	213,717	(420)	213,297
Operating expenses	116,781	23,813	55,271	195,865	(465)	195,400
Operating income	9,367	7,518	967	17,852	45	17,897
Assets, depreciation and amortization and capital expenditures						
Assets	112,197	33,831	33,136	179,164	43,090	222,254
Depreciation and amortization	5,687	2,548	1,094	9,329	999	10,328
Capital expenditures	3,831	4,624	463	8,918	1,115	10,033

Notes:

#### 1. 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 (COP) and fine processed products with COP)
Other	Civil engineering materials, 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.

2. The amount of assets included in "Eliminations/corporate" was ¥45,883 million. They consisted mainly of surplus funds operated by the Company (i.e., securities, short-term loans receivable (*gensaki*)), long-term investment funds (investment securities) and properties related to administrative departments.

3. Depreciation and amortization and capital expenditures included amortization of and an increase in long-term prepaid expenses, respectively.

(Change in business segmentation method)

Previously, petrochemical materials, the mainstay product line of the ZEON Group, were categorized into three segments ("Rubber," "Latices" and "Chemicals") in view of the mainstream classification method in the chemical industry and business development within the group companies. Two more segments, "Information, environment and health" and "Other," both of which were commercialized based on the technologies derived from the production of the mainstay petrochemical materials, were added. Effective from the year ended March 31, 2004, the five segments were realigned into three ("Elastomer," "Specialty materials" and "Other") according to the ZEON Group's renewed segmentation categories for business management purposes. Moreover, the segments to which affiliated companies belong are also being reviewed.

This change in the segmentation method was made in conjunction with the newly formulated three-year medium-term business plan in anticipation of future business development and corporate growth so that the groupwide positioning of respective businesses and actual circumstances of management changes could be adequately presented.

Current fiscal year (From April 1, 2004, to March 31, 2005)

(Millions of yen)

	Elastomer	Specialty materials	Other	Total	Eliminations/ Corporate	Consolidated
Net sales and operating income/expenses						
Net sales						
(1) Sales to third parties	138,408	36,897	56,060	231,364		231,364
(2) Intersegment sales and transfers	9		349	359	(359)	
Total	138,417	36,897	56,409	231,723	(359)	231,364
Operating expenses	128,255	28,294	55,841	212,390	(330)	212,061
Operating income	10,163	8,602	568	19,332	(29)	19,304
Assets, depreciation and amortization and capital expenditures						
Assets	116,065	41,429	30,900	188,393	48,468	236,861
Depreciation and amortization	6,080	4,422	754	11,256	1,625	12,881
Capital expenditures	5,201	10,914	1,041	17,156	1,795	18,951

Notes:

1. 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 (COP) and fine processed products with COP)
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.

2. The amount of assets included in "Eliminations/corporate" was ¥49,008 million. These consisted mainly of long-term investment funds (investment securities) used by the Company and properties related to administrative departments.

3. Depreciation and amortization and capital expenditures included amortization of and an increase in long-term prepaid expenses, respectively.

4. Change in the depreciation method of property, plant and equipment

Previously, the depreciation of property, plant and equipment was principally computed by the straight-line method. Effective from the year ended March 31, 2005, however, it has been computed primarily by the declining-balance method over the estimated useful lives of the assets, except for buildings, at the Company and one domestic consolidated subsidiary.

This change mainly aims to achieve sounder financial capabilities by recovering invested funds as early as possible in response to recent environmental changes, including considerably rising investments in the businesses with shorter product cycles such as electronic materials and optical resins, and the accelerated obsolescence of entire facilities due to remarkable technological progress, along with the changes in our business structure. As a result of this change, compared with the previous accounting method, operating expenses for the year increased ¥584 million for "Elastomer," ¥754 million for "Specialty materials" and ¥180 million for "Other," whereas operating income decreased by the same amount for the respective segments.

b. Geographical Segments

Previous fiscal year (From April 1, 2003, to March 31, 2004)

(Millions of yen)

	Japan	North America	Europe	Asia	Total	Eliminations/ Corporate	Consolidated
Net sales and operating income/expenses							
Net sales							
(1) Sales to third parties	173,192	17,638	15,011	7,456	213,297		213,297
(2) Intersegment sales and transfers	15,373	7,171	206	1,092	23,842	(23,842)	
Total	188,565	24,809	15,217	8,548	237,139	(23,842)	213,297
Operating expenses	172,763	22,946	15,156	8,232	219,097	(23,697)	195,400
Operating income	15,802	1,863	61	316	18,042	(145)	17,897
Assets	156,768	29,006	8,420	3,407	197,601	24,653	222,254

Notes:

- Segmentation by geographic area is based on geographical proximity.
- Principal countries or regions by geographic area
  - North America: United States
  - Europe: United Kingdom and Germany
  - Asia: Thailand and Singapore
- The amount of assets included in "Eliminations/corporate" was ¥45,883 million. They consisted mainly of surplus funds operated by the Company (securities, short-term loans receivable (*gensaki*)), long-term investment funds (investment securities) and properties related to administrative departments.

Current fiscal year (From April 1, 2004, to March 31, 2005)

(Millions of yen)

	Japan	North America	Europe	Asia	Total	Eliminations/ Corporate	Consolidated
Net sales and operating income/expenses							
Net sales							
(1) Sales to third parties	189,155	19,381	15,223	7,605	231,364		231,364
(2) Intersegment sales and transfers	16,430	7,863	181	828	25,301	(25,301)	
Total	205,585	27,243	15,404	8,434	256,666	(25,301)	231,364
Operating expenses	189,565	24,368	15,434	8,268	237,635	(25,575)	212,061
Operating income	16,020	2,875	(30)	166	19,030	273	19,304
Assets	168,754	29,175	8,705	3,468	210,103	26,758	236,861

Notes:

- Segmentation by geographic area is based on geographical proximity.
- Principal countries or regions by geographic area
  - North America: United States
  - Europe: United Kingdom and Germany
  - Asia: Thailand and Singapore
- The amount of assets included in "Eliminations/corporate" was ¥49,008 million. They consisted mainly of long-term investment funds (investment securities) used by the Company and properties related to administrative departments.
- Change in the depreciation method of property, plant and equipment  
 Previously, the depreciation of property, plant and equipment was principally computed by the straight-line method. Effective from the year ended March 31, 2005, however, it has been computed primarily by the declining-balance method over the estimated useful lives of the assets, except for buildings, at the Company and one domestic consolidated subsidiary.  
 This change mainly aims to achieve sounder financial capabilities by recovering invested funds as early as possible in response to recent environmental changes, including considerably rising investments in the businesses with shorter product cycles such as electronic materials and optical resins, and the accelerated obsolescence of entire facilities due to remarkable technological progress, along with the changes in our business structure.  
 As a result of this change, compared with the previous accounting method, operating expenses for the year ended March 31, 2005, increased ¥1,518 million in Japan, whereas operating income decreased by the same amount in Japan.

c. Overseas Sales

Previous fiscal year (From April 1, 2003, to March 31, 2004)

(Millions of yen)

	North America	Europe	Asia	Other	Total
Overseas sales	22,618	23,446	36,614	2,139	84,817
Consolidated sales					213,297
Ratio of overseas sales to consolidated sales (%)	10.6%	11.0%	17.2%	1.0%	39.8%

Current fiscal year (From April 1, 2004, to March 31, 2005)

(Millions of yen)

	North America	Europe	Asia	Other	Total
Overseas sales	24,317	24,182	47,359	2,082	97,939
Consolidated sales					231,364
Ratio of overseas sales to consolidated sales (%)	10.5	10.4	20.5	0.9	42.3

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 and Malaysia
  - (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.

(Significant Subsequent Events)

Previous fiscal year (From April 1, 2003, to March 31, 2004)	Current fiscal year (From April 1, 2004, to March 31, 2005)
<p>(Repurchase of treasury stock)</p> <p>The Board of Directors, at a meeting held on May 14, 2004, adopted and then executed a resolution in the following manner with regard to the repurchase of treasury stock under Article 210 of the Japanese Commercial Code, which was resolved by the Ordinary General Meeting of Shareholders held on June 27, 2003.</p> <p>Substance of the resolution:</p> <p>(1) Method of acquisition Purchase of shares at the closing price of the Tokyo Stock Exchange "ToSTNet-2" (closing price transaction)</p> <p>(2) Total number of shares to be repurchased 1,100,000 common shares</p> <p>(3) Date of acquisition May 17, 2004</p> <p>Result:</p> <p>(1) Total number of shares repurchased: 1,000,000 common shares</p> <p>(2) Acquisition value: ¥737 million</p>	<p>(Sale of a subsidiary's shares)</p> <p>The Board of Directors, at a meeting held on May 18, 2005, resolved to sell common shares of ZEON BIOMUNE INC. held by ZEON CHEMICALS INC., a U.S. subsidiary.</p> <p>(1) Substance of the sale Number of shares to be sold: 1,000 (100% of the shares held) Date of conclusion of the sales contract: May 31, 2005 (scheduled)</p> <p>(2) Counterparty to whom they are assigned CEVA SANTE ANIMALE S.A.</p> <p>(3) Reason for the assignment To allow ZEON CHEMICALS INC. to focus its management resources on the mainstay synthetic rubber business and to build a solid financial capability by selling the animal vaccine business as a non-staple business.</p> <p>(4) Effects on consolidated performance Relative to this sale of a subsidiary's shares, an extraordinary gain of approximately ¥2.0 billion is expected for the year ending March 31, 2006.</p>