

Fiscal year ending March 31, 2004

Summary of Nonconsolidated Financial Statements for the Interim Period Ended September 30, 2003

November 14, 2003

Name of Listed Company: ZEON CORPORATION

Location of Head Office (Prefecture): Metropolis of Tokyo

Ticker Code: 4205

Listed Stock Exchange: Tokyo Stock Exchange and Osaka Securities Exchange

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

Representative: Naozumi Furukawa, President

Contact: Yoichi Mishima, Managing Director and General Manager, Finance & Accounting Department

Phone: +81-3-3216-1785

Date of the Board of Directors Meeting held for Closing of Accounts: November 14, 2003

Start Date for Payment of Interim Dividends: December 5, 2003

Interim Dividend System: Applied

Unit (*tangen*) Stock System: Adopted (Unit (*tangen*) stock of shares: 1,000 shares)

1. Nonconsolidated Performance for the Interim Period Ended September 30, 2003 (April 1, 2003, through September 30, 2003)

(1) Nonconsolidated operating results

Note: All figures less than one million yen in the tables below are truncated.

| | Net sales | | Operating income | | Ordinary income | |
|---|-------------------|-------|-------------------|-------|-------------------|-------|
| | (Millions of yen) | (%) | (Millions of yen) | (%) | (Millions of yen) | (%) |
| Interim period ended September 30, 2003 | 59,888 | 5.6 | 5,627 | 73.3 | 5,600 | 137.7 |
| Interim period ended September 30, 2002 | 56,703 | (0.3) | 3,246 | (7.8) | 2,355 | (9.5) |
| Year ended March 31, 2003 | 117,948 | 5.3 | 9,366 | 22.7 | 7,874 | 30.6 |

| | Net income | | Net income per share |
|---|-------------------|------|----------------------|
| | (Millions of yen) | (%) | (Yen) |
| Interim period ended September 30, 2003 | 1,893 | 70.3 | 7.82 |
| Interim period ended September 30, 2002 | 1,111 | - | 4.59 |
| Year ended March 31, 2003 | 2,569 | - | 10.41 |

Notes:

- Average number of shares outstanding during the period
Interim period ended September 30, 2003 242,058,383 shares
Interim period ended September 30, 2002 242,073,699 shares
Year ended March 31, 2003 242,069,156 shares
- Change in accounting method: None
- The percentage figures of net sales, operating income, ordinary income and net income indicate year-over-year change from the corresponding previous period.

(2) Dividends

| | Interim dividend per share (Yen) | Annual dividend per share (Yen) |
|---|----------------------------------|---------------------------------|
| Interim period ended September 30, 2003 | 3.00 | - |
| Interim period ended September 30, 2002 | 2.50 | - |
| Year ended March 31, 2003 | - | 5.00 |

(3) Nonconsolidated financial position

| | Total assets (Millions of yen) | Shareholders' equity (Millions of yen) | Equity ratio (%) | Shareholders' equity per share (Yen) |
|---|-----------------------------------|---|------------------|---|
| Interim period ended September 30, 2003 | 161,549 | 64,063 | 39.7 | 264.70 |
| Interim period ended September 30, 2002 | 157,350 | 59,508 | 37.8 | 245.83 |
| Year ended March 31, 2003 | 153,824 | 60,642 | 39.4 | 250.32 |

Notes:

1. Number of shares outstanding at the end of the respective periods:

242,057,074 shares at September 30, 2003

242,072,208 shares at September 30, 2002

242,059,585 shares at March 31, 2003

2. Number of treasury stock of shares at the end of the respective periods:

18,482 shares at September 30, 2003

3,348 shares at September 30, 2002

15,971 shares at March 31, 2003

2. Projected Nonconsolidated Performance for the Year Ending March 31, 2004 (April 1, 2003, through March 31, 2004)

| | Net sales (Millions of yen) | Ordinary income (Millions of yen) | Net income (Millions of yen) | Annual dividend per share | |
|-----------|--------------------------------|--------------------------------------|---------------------------------|---------------------------|-------|
| | | | | Year-end (Yen) | (Yen) |
| Full-year | 120,600 | 9,800 | 900 | 3.00 | 6.00 |

(Reference) Projected net income per share (full year): ¥3.72

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 9 of "Consolidated Financial Flash Report" for further information on forecasts.

(1) Nonconsolidated Financial Statements

1. Comparative Balance Sheet

(Millions of yen)

| Account item | Fiscal period | | Previous interim period (As of September 30, 2002) | | Current interim period (As of September 30, 2003) | | Year-over-year change | Last fiscal year (As of March 31, 2003) | |
|------------------------------------|---------------|-----------------------|--|-----------------------|---|-----------------------|-----------------------|---|-----------------------|
| | Amount | Composition ratio (%) | Amount | Composition ratio (%) | Amount | Composition ratio (%) | | Amount | Composition ratio (%) |
| (Assets) | | | | | | | | | |
| Current assets | | | | | | | | | |
| Cash and bank deposits | 5,048 | | 439 | | 3,199 | | | | |
| Notes receivable-trade | 796 | | 266 | | 620 | | | | |
| Accounts receivable-trade | 19,183 | | 29,003 | | 22,241 | | | | |
| Inventories | 17,801 | | 18,000 | | 17,042 | | | | |
| Accounts receivable-other | 13,816 | | 14,006 | | 15,218 | | | | |
| Other current assets | 6,570 | | 5,427 | | 4,344 | | | | |
| Allowance for doubtful accounts | (651) | | (1,413) | | (642) | | | | |
| Total current assets | 62,566 | 39.8 | 65,729 | 40.7 | 3,163 | | 62,024 | 40.3 | |
| Fixed assets | | | | | | | | | |
| Tangible assets | | | | | | | | | |
| Buildings | 10,982 | | 11,833 | | 10,783 | | | | |
| Machinery and equipment | 26,341 | | 26,039 | | 25,907 | | | | |
| Land | 9,031 | | 9,031 | | 9,031 | | | | |
| Other tangible assets | 8,482 | | 7,830 | | 7,576 | | | | |
| Total tangible assets | 54,837 | | 54,735 | | 53,299 | | | | |
| Intangible assets | 2,665 | | 2,545 | | 2,654 | | | | |
| Investments and other assets | | | | | | | | | |
| Investment securities | 30,497 | | 34,175 | | 30,399 | | | | |
| Other investments and other assets | 7,147 | | 4,771 | | 5,843 | | | | |
| Valuation reserve for investments | (40) | | (40) | | (40) | | | | |
| Allowance for doubtful accounts | (401) | | (367) | | (356) | | | | |
| Total investments and other assets | 37,202 | | 38,539 | | 35,846 | | | | |
| Total fixed assets | 94,706 | 60.2 | 95,820 | 59.3 | 1,113 | | 91,800 | 59.7 | |
| Deferred charges | 78 | 0.0 | - | - | (78) | | - | - | |
| Total Assets | 157,350 | 100.0 | 161,549 | 100.0 | 4,198 | | 153,824 | 100.0 | |

(Millions of yen)

| Account item | Fiscal period | | Previous interim period (As of September 30, 2002) | | Current interim period (As of September 30, 2003) | | Year-over-year change | Last fiscal year (As of March 31, 2003) | |
|---|---------------|-----------------------|--|-----------------------|---|-----------------------|-----------------------|---|--|
| | Amount | Composition ratio (%) | Amount | Composition ratio (%) | Amount | Composition ratio (%) | | | |
| (Liabilities) | | | | | | | | | |
| Current liabilities | | | | | | | | | |
| Notes payable-trade | 89 | | 42 | | 49 | | | | |
| Accounts payable-trade | 25,908 | | 30,041 | | 30,872 | | | | |
| Short-term loans payable | 24,042 | | 20,290 | | 20,742 | | | | |
| Commercial paper | 3,000 | | 1,500 | | - | | | | |
| Bonds redeemable within one year | 10,000 | | 10,000 | | 10,000 | | | | |
| Reserves | 1,452 | | 1,441 | | 1,199 | | | | |
| Other current liabilities | 8,935 | | 10,981 | | 7,654 | | | | |
| Total current liabilities | 73,427 | 46.7 | 74,296 | 46.0 | 869 | | 70,517 | 45.9 | |
| Long-term liabilities | | | | | | | | | |
| Bonds payable | 10,000 | | - | | 10,000 | | | | |
| Long-term loans payable | 7,282 | | 14,425 | | 4,675 | | | | |
| Allowance for employees' retirement benefits | 6,405 | | 8,115 | | 7,283 | | | | |
| Other reserves | 673 | | 649 | | 670 | | | | |
| Other long-term liabilities | 53 | | - | | 34 | | | | |
| Total long-term liabilities | 24,415 | 15.5 | 23,189 | 14.3 | (1,225) | | 22,664 | 14.7 | |
| Total Liabilities | 97,842 | 62.2 | 97,486 | 60.3 | (356) | | 93,181 | 60.6 | |
| (Shareholders' equity) | | | | | | | | | |
| Common stock | 24,211 | 15.4 | 24,211 | 15.0 | - | | 24,211 | 15.8 | |
| Capital surplus | | | | | | | | | |
| Additional paid-in capital | 18,335 | | 18,335 | | 18,335 | | | | |
| Total capital surplus | 18,335 | 11.7 | 18,335 | 11.3 | - | | 18,335 | 11.9 | |
| Retained earnings | | | | | | | | | |
| Revenue reserve | 3,026 | | 3,026 | | 3,026 | | | | |
| Voluntary reserves | 11,110 | | 10,998 | | 11,110 | | | | |
| Unappropriated retained earnings | 3,076 | | 5,279 | | 3,929 | | | | |
| Total retained earnings | 17,213 | 10.9 | 19,305 | 12.0 | 2,091 | | 18,066 | 11.7 | |
| Net unrealized holding gain (loss) on available-for-sale securities | (250) | (0.2) | 2,219 | 1.4 | 2,470 | | 36 | 0.0 | |
| Treasury stock, at cost | (1) | (0.0) | (9) | (0.0) | (7) | | (7) | (0.0) | |
| Total Shareholders' equity | 59,508 | 37.8 | 64,063 | 39.7 | 4,555 | | 60,642 | 39.4 | |
| Total Liabilities and Shareholders' equity | 157,350 | 100.0 | 161,549 | 100.0 | 4,198 | | 153,824 | 100.0 | |

2. Comparative Statement of Income

(Millions of yen)

| Fiscal period Account item | Previous interim period (From April 1, 2002, to September 30, 2002) | | Current interim period (From April 1, 2003, to September 30, 2003) | | Year- over- year change | Last fiscal year (From April 1, 2002, to March 31, 2003) | |
|--|---|-------------------|--|-------------------|----------------------------------|--|-------------------|
| | Amount | Percentage (%) | Amount | Percentage (%) | | Amount | Percentage (%) |
| Net sales | 56,703 | 100.0 | 59,888 | 100.0 | 3,184 | 117,948 | 100.0 |
| Cost of sales | 41,202 | 72.7 | 41,685 | 69.6 | 483 | 84,013 | 71.2 |
| Gross profit | 15,501 | 27.3 | 18,202 | 30.4 | 2,701 | 33,934 | 28.8 |
| Selling, general and administrative expenses | 12,254 | 21.6 | 12,574 | 21.0 | 320 | 24,568 | 20.8 |
| Operating income | 3,246 | 5.7 | 5,627 | 9.4 | 2,381 | 9,366 | 8.0 |
| Nonoperating income | 699 | 1.2 | 900 | 1.5 | 201 | 1,216 | 1.0 |
| Nonoperating expenses | 1,590 | 2.8 | 928 | 1.5 | (662) | 2,708 | 2.3 |
| Ordinary income | 2,355 | 4.1 | 5,600 | 9.4 | 3,244 | 7,874 | 6.7 |
| Extraordinary gains | 458 | 0.8 | 98 | 0.1 | (359) | 426 | 0.3 |
| Extraordinary losses | 1,692 | 2.9 | 2,446 | 4.1 | 753 | 4,525 | 3.8 |
| Income before income taxes | 1,121 | 2.0 | 3,252 | 5.4 | 2,130 | 3,775 | 3.2 |
| Income, inhabitant and enterprise taxes | 9 | 0.0 | 1,657 | 2.7 | 1,647 | 1,761 | 1.5 |
| Foreign taxes for prior years | (112) | (0.2) | - | - | 112 | - | - |
| Income taxes-deferred | 112 | 0.2 | (299) | (0.5) | (411) | (556) | (0.5) |
| Net income | 1,111 | 2.0 | 1,893 | 3.2 | 782 | 2,569 | 2.2 |
| Retained earnings brought forward | 1,964 | | 3,385 | | | 1,964 | |
| Interim dividends | - | | - | | | 605 | |
| Unappropriated retained earnings at end of period | 3,076 | | 5,279 | | | 3,929 | |

Summary of Significant Accounting Policies

1. Valuation basis and method for assets

(1) Marketable securities and investments in securities

Held-to-maturity debt securities: Carried at amortized cost by the straight-line method.

Investment in stocks of subsidiaries and affiliates: Stated at cost determined by the moving-average method.

Available-for-sale securities for which the fair values are readily determinable: Carried at fair value as of the interim balance-sheet date with the corresponding unrealized holding gain or loss, net of the applicable income taxes, recorded directly as a separate component of shareholders' equity. The cost of securities sold is determined by the moving-average method.

Available-for-sale securities for which the fair values are not readily determinable: Carried at cost determined by the moving-average method.

(2) Derivative instruments

Market value method

(3) Inventories

Merchandise and finished products, work in process and major raw materials: Carried at cost determined by the gross average method

Other raw materials and supplies: Carried at cost determined by the moving-average method.

2. Depreciation method of fixed assets

(1) The depreciation of property, plant and equipment is computed by the straight-line method.

(2) The amortization of intangible assets is computed by the straight-line method.

Computer software for internal use is amortized by the straight-line method over the estimated useful life (5 years).

3. Accounting standards for reserves

(1) An allowance for doubtful accounts is provided for possible loss from bad debt at an amount estimated based on a loan-loss ratio for normal receivables, plus anticipated uncollectible amounts determined by reference to the collectibility of individual doubtful receivables.

(2) A valuation reserve for investments is provided at an amount corresponding to the estimated possible losses due to the declined investment value of investments in the stocks of investee companies for which the financial conditions have deteriorated.

(3) A reserve for bonuses is principally provided at an amount considered sufficient to cover estimated possible payment.

(4) An allowance for employees' retirement benefits is provided at an amount to be accrued at the interim balance-sheet date which is calculated based on the projected benefit obligation and fair value of pension plan assets at the end of this fiscal year ending March 31, 2004.

The net retirement benefit obligation at transition (¥15,162 million) is being amortized as incurred on a pro-rata basis by the straight-line method over five years, excluding the portion covered by the employees' retirement benefit trust.

The unrecognized actuarial gain or loss is amortized on a pro-rata basis by the straight-line method over a certain period (13 years), which is not over than the average remaining service years for employees when incurred, from the following fiscal year of the accrual.

(5) Retirement allowances for directors and statutory auditors are provided for possible payments at an amount that would be required to be paid in accordance with the Company's internal rules if all eligible directors and statutory auditors resigned their positions as of the interim balance-sheet date.

(6) A reserve for repairs is provided for periodic repairs of manufacturing facilities at an amount corresponding to the portion for the interim period ended September 30, 2003, by allocating the estimated expenses that would be necessary for periodic repairs to a fixed period.

4. Basis of translation of assets and liabilities denominated in foreign currencies into yen

Receivables and payables denominated in foreign currencies are translated into yen at the spot rate of exchange in effect at the interim balance-sheet date. The resulting exchange differences are charged or credited to income.

5. Accounting for leases

Finance leases which are not deemed to transfer ownership of leased property to lessee are accounted for in the same manner as operating leases.

6. Accounting for hedging activities

(1) Accounting for hedging activities

The preferential treatment is applied to interest rate swaps.

(2) Hedging instruments and hedged items

Hedging instruments: Interest rate swaps

Hedged items: Borrowings

(3) Hedging policy

As a general rule, the Company enters into derivative transactions to avoid and hedge the interest-rate risk.

The counter parties of derivative transactions are limited to highly credible financial institutions.

(4) Assessment of the effectiveness of a hedge

For interest rate swaps, the effectiveness assessment is omitted because the swap trades are qualified for preferential treatment.

7. Other important matters

Transactions subject to the consumption tax and local consumption tax are recorded at amounts exclusive of the consumption taxes.

Notes to Nonconsolidated Financial Statements

(Notes to Nonconsolidated Comparative Balance Sheet)

(Millions of yen)

| | As of September 30, 2002 | As of September 30, 2003 | As of March 31, 2003 |
|--|-----------------------------|-----------------------------|-------------------------|
| 1. Accumulated depreciation for property, plant and equipment | 120,339 | 123,893 | 122,726 |
| 2. Assets pledged as collateral and secured debt | | | |
| Assets pledged: | | | |
| Property, plant and equipment | 43,113 | 42,092 | 41,720 |
| Investment securities | 1,499 | 1,283 | 1,370 |
| Total | 44,613 | 43,376 | 43,090 |
| Secured debt: | | | |
| Long-term loans payable (including long-term loans payable due within one year) | 3,000 | 2,500 | 3,000 |
| Long-term loans payable of affiliates | 835 | 509 | 684 |
| Total | 3,835 | 3,009 | 3,684 |
| 3. Liabilities for guarantee | 16,634 | 15,836 | 17,718 |
| 4. Status of shares (shares): | | | |
| Number of shares authorized to be issued | 800,000,000 | 800,000,000 | 800,000,000 |
| Total number of shares outstanding | 242,075,556 | 242,075,556 | 242,075,556 |
| 5. Treasury stock | | | |
| Number of treasury stock of shares at end of period (shares) | 3,348 | 18,482 | 15,971 |
| Book value per balance sheet at end of period | (1) | (9) | (7) |

(Notes to Nonconsolidated Comparative Statement of Income)

(Millions of yen)

| Previous interim period (From April 1, 2002, to September 30, 2002) | Current interim period (From April 1, 2003, to September 30, 2003) | Last fiscal year (From April 1, 2002, to March 31, 2003) |
|---|---|---|
| 1. Major items under "Nonoperating income" | | |
| Interest income 62 | Interest income 22 | Interest income 121 |
| Dividend income 359 | Dividend income 617 | Dividend income 529 |
| 2. Major items under "Nonoperating expenses" | | |
| Interest expense 179 | Interest expense 122 | Interest expense 319 |
| Interest on corporate bonds 325 | Interest on corporate bonds 168 | Interest on corporate bonds 550 |
| Foreign exchange loss 582 | Foreign exchange loss 344 | Foreign exchange loss 607 |
| Loss on disposal of inventories 266 | Loss on disposal of inventories 102 | Loss on disposal of inventories 690 |
| 3. Major items under "Extraordinary gains" | | |
| Reversal of allowance for doubtful accounts 218 | Gain on liquidation of affiliates 59 | Gain on sales of fixed assets 32 |
| Gain on sales of investment securities 209 | Gain on sales of investment securities 39 | Gain on sales of investment securities 286 |
| 4. Major items under "Extraordinary losses" | | |
| Loss on disposal of fixed assets 168 | Loss on disposal of fixed assets 251 | Loss on disposal of fixed assets 250 |
| Amortization of net retirement benefit obligation at transition 1,020 | Amortization of net retirement benefit obligation at transition 1,020 | Amortization of net retirement benefit obligation at transition 2,040 |
| Loss on devaluation of investment securities 188 | Loss on devaluation of investments in stocks of affiliates 299 | Loss on devaluation of investment securities 1,918 |
| Loss on sales of investment securities 316 | Provision for reserve for doubtful accounts 827 | |
| 5. Depreciation and amortization | | |
| Property, plant and equipment 3,316 | 3,353 | 6,594 |
| Intangible assets 390 | 411 | 784 |
| Total 3,706 | 3,764 | 7,378 |

(Notes to Lease Transactions)

(Millions of yen)

As of September 30, 2002 As of September 30, 2003 As of March 31, 2003

(Millions of yen)

1. Finance leases that do not transfer ownership of leased property to the lessee

(1) Assumed data as to acquisition cost, accumulated depreciation and net book value at the end of the period

| | Acquisi- tion cost | Accumu- lated de- preciation | Net book value | Acquisi- tion cost | Accumu- lated de- preciation | Net book value | Acquisi- tion cost | Accumu- lated de- preciation | Net book value |
|--|-----------------------|------------------------------------|-------------------|-----------------------|------------------------------------|-------------------|-----------------------|------------------------------------|-------------------|
| Machinery and equipment | 23 | 17 | 5 | 17 | 4 | 13 | 19 | 7 | 12 |
| “Other” under “Property, plant and equipment, at cost” | 2,801 | 1,496 | 1,305 | 2,458 | 1,457 | 1,000 | 2,722 | 1,503 | 1,219 |
| Intangible assets | 448 | 254 | 193 | 428 | 307 | 121 | 432 | 268 | 164 |
| Total | 3,273 | 1,768 | 1,505 | 2,905 | 1,769 | 1,135 | 3,175 | 1,779 | 1,396 |

(2) Assumed future lease payments at end of period

| | | | |
|---------------------|-------|-------|-------|
| Due within one year | 702 | 574 | 693 |
| Due after one year | 803 | 560 | 702 |
| Total | 1,505 | 1,135 | 1,396 |

Assumed acquisition cost and assumed future lease payments at end of the period are calculated by including the interest portion thereon because the ratio of outstanding future lease payments to property, plant and equipment at the end of the current interim period is low.

(3) Lease payments and assumed depreciation expenses

| | | | |
|----------------------------------|-----|-----|-----|
| Lease payments | 408 | 367 | 818 |
| Assumed depreciation expenses | 408 | 367 | 818 |

(4) Computation method of assumed depreciation expenses

Depreciation expenses is computed by the straight-line method, assuming the lease period as the useful life and no residual value.

2. Operating leases

Future lease payments

| | | | |
|---------------------|-----|-----|-----|
| Due within one year | 126 | 126 | 126 |
| Due after one year | 221 | 94 | 157 |
| Total | 347 | 221 | 284 |