

## Summary of Nonconsolidated Financial Statements for the Year Ended March 31, 2003

Name of Listed Company: ZEON Corporation

Location of Head Office: Tokyo

Ticker Code: 4205

Listed Stock Exchange: Tokyo Stock Exchange and Osaka Securities Exchange

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

Representative: Katsuhiko Nakano, President

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

Phone: +81-3-3216-1785

Date of the Board of Directors Meeting held for Closing of Accounts: May 16, 2003

Date of Ordinary General Shareholders' Meeting: June 27, 2003

Interim Dividend System: Applied

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

### 1. Nonconsolidated Performance for the Year Ended March 31, 2003 (April 1, 2002, through March 31, 2003)

Note: All figures in the tables below are rounded down to the nearest million.

#### (1) Nonconsolidated operating results

	Net sales		Operating income		Ordinary income	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Year ended March 2003	117,948	5.3	9,366	22.7	7,874	30.6
Year ended March 2002	111,983	(5.5)	7,633	39.7	6,027	22.8

	Net income (Millions of yen) (%)		Net income per share (Yen)	Fully diluted net income per share (Yen)	Return on shareholders' equity (%)	Ordinary income to total assets (%)	Ordinary income to net sales (%)
		(%)					
Year ended March 2003	2,569	-	10.41	-	4.2	4.8	6.7
Year ended March 2002	52	(95.6)	0.22	-	0.1	3.4	5.4

Notes:

1. Average number of shares outstanding during fiscal year

Year ended March 2003 242,069,156 shares

Year ended March 2002 242,075,290 shares

2. Change in accounting method: None

3. The percentages figures of net sales, operating income, ordinary income and net income indicate year-over-year change.

#### (2) Dividends

	Annual dividend per share (Yen)	Dividend (Yen)		Total amount of dividends (annually) (Millions of yen)	Payout ratio (%)	Ratio of dividends to shareholders' equity (%)
		Interim (Yen)	Year-end (Yen)			
Year ended March 2003	5.00	2.50	2.50	1,210	47.1	2.0
Year ended March 2002	5.00	-	5.00	1,210	2,309.4	2.0

Note: Breakdown of year-end dividend for the year ended March 2003

Commemorative dividend: ¥0.00

Special dividend: ¥0.00

(3) Financial position

	Total assets (Millions of yen)	Shareholders' equity (Millions of yen)	Equity ratio (%)	Shareholders' equity per share (Yen)
Year ended March 2003	153,824	60,642	39.4	250.32
Year ended March 2002	172,047	60,460	35.1	249.76

Notes:

1. Number of shares outstanding at end of year

Year ended March 2003 242,059,585 shares

Year ended March 2002 242,074,858 shares

2. Number of treasury stock of shares at end of year

Year ended March 2003: 15,971 shares

Year ended March 2002: 698 shares

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 (Yen)		
				Interim (Yen)	Year-end (Yen)	
Interim period	59,200	2,650	670	3.00	-	-
Full-year	120,700	7,900	2,800	-	3.00	6.00

(Reference) Projected net income per share (full year): ¥11.36

Note: The projected performance figures above are based on the information available to the Company's management at the time of preparing this report. 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 the Attachment to Consolidated Financial Flash Report for the Year Ended March 31, 2003, for further information on forecasts.

(Attachment)

**(1) Nonconsolidated Financial Statements**

## 1. Comparative Balance Sheet

(Millions of yen)

Account item	Current fiscal year (As of March 31, 2003)		Previous fiscal year (As of March 31, 2002)		Year-over- year change
	Amount	Composition	Amount	Composition	
(Assets)					
Current assets					
Cash and bank deposits	3,199		6,149		
Notes receivable—trade	620		1,054		
Accounts receivable—trade	22,241		27,881		
Marketable securities	30		30		
Merchandise	1,912		2,252		
Finished products	10,337		14,131		
Raw materials	1,776		2,133		
Work in process	2,159		2,082		
Supplies	856		1,112		
Prepaid expenses	326		341		
Deferred tax assets	1,370		1,669		
Short-term loans receivable from affiliates	2,402		5,250		
Accounts receivable—other	15,218		12,476		
Other current assets	214		360		
Allowance for doubtful accounts	(642)		(616)		
Total current assets	62,024	40.3	76,308	44.4	(14,283)
Fixed assets:					
Property, plant and equipment, at cost					
Buildings	10,783		11,127		
Structures	3,658		3,696		
Machinery and equipment	25,907		27,609		
Vehicles and transportation equipment	67		23		
Tools, furniture and fixtures	1,848		1,977		
Land	9,031		9,031		
Construction in progress	2,002		1,965		
Total property, plant and equipment	53,299	34.7	55,430	32.2	(2,131)
Intangible assets					
Goodwill	5		2		
Patent rights	47		81		
Leasehold	4		4		
Trademark rights	1		1		
Software	2,559		2,674		
Other intangible assets	35		37		
Total intangible assets	2,654	1.7	2,801	1.6	(146)
Investments and other assets					
Investment securities	16,393		15,966		
Investments in stocks of affiliates	14,005		14,451		

Investments in capital of affiliates	473		473		
Long-term loans receivable	814		328		
Long-term loans receivable from employees	3		2		
Long-term loans receivable from affiliates	224		3,130		
Long-term prepaid expenses	1,022		1,350		
Deferred tax assets	2,241		1,111		
Other investments	1,063		1,237		
Valuation reserve for investments	(40)		(40)		
Allowance for doubtful accounts	(356)		(661)		
Total investments and other assets	35,846	23.3	37,350	21.7	(1,504)
Total fixed assets	91,800	59.7	95,582	55.5	(3,782)
Deferred charges					
Research and development costs	-		156		
Total deferred charges	-	0.0	156	0.1	(156)
Total Assets	153,824	100.0	172,047	100.0	(18,222)

(Millions of yen)

Account item	Current fiscal year (As of March 31, 2003)		Previous fiscal year (As of March 31, 2002)		Year-over- year change
	Amount	Composition	Amount	Composition	
(Liabilities)					
Current liabilities					
Notes payable trade	49		231		
Accounts payable trade	30,872		27,002		
Short-term borrowings	20,742		24,902		
Corporate bonds redeemable within one year	10,000		10,000		
Accounts payable—other	4,449		8,915		
Accrued expenses	1,118		2,004		
Accrued income taxes	1,744		152		
Advance received	187		215		
Deposits received	151		315		
Reserve for bonuses	860		806		
Reserve for repairs	339		101		
Other current liabilities	3		265		
Total current liabilities	70,517	45.9	74,910	43.6	(4,392)
Long-term liabilities					
Corporate bonds	10,000		20,000		
Long-term debt	4,675		9,794		
Reserve for repairs	-		114		
Allowance for employees' retirement benefits	7,283		6,043		
Retirement allowances for directors and statutory auditors	670		652		
Other long-term liabilities	34		70		
Total long-term liabilities	22,664	14.7	36,675	21.3	(14,011)
Total Liabilities	93,181	60.6	111,586	64.9	(18,404)
(Shareholders' Equity)					
Common stock	-	-	24,211	14.1	
Capital reserve	-	-	18,335	10.6	
Legal reserve	-	-	3,026	1.8	
Retained earnings					
Voluntary reserves					
Reserve for technical research expenses	-		240		
Reserve for advanced depreciation of fixed assets	-		919		
Reserve for special account for advanced depreciation of fixed assets	-		397		
Reserve for special depreciation	-		63		
Reserve for overseas investment loss	-		1,559		
General reserve	-		9,081		
Unappropriated retained earnings	-		2,059		

Total retained earnings	-	-	14,320	8.3	
Net unrealized holding gain on available-for-sale securities	-	-	567	0.3	
Treasury stock, at cost	-	-	(0)	(0.0)	
Total Shareholders' Equity	-	-	60,460	35.1	
Capital stock	24,211	15.8	-	-	
Capital surplus					
Additional paid-in capital	18,335		-	-	
Total capital surplus	18,335	11.9	-	-	
Earned surplus					
Legal reserve	3,026		-		
Voluntary reserves					
Reserve for advanced depreciation of fixed assets	1,437		-		
Reserve for special account for advanced depreciation of fixed assets	545		-		
Reserve for special depreciation	45		-		
General reserve	9,081		-		
Unappropriated retained earnings	3,929		-		
Total earned surplus	18,066	11.7	-	-	
Net unrealized holding gain on available-for-sale securities	36	0.0	-	-	
Treasury stock, at cost	(7)	(0.0)	-	-	
Total Shareholders' Equity	60,642	39.4	-	-	
Total Liabilities and Shareholders' Equity	153,824	100.0	172,047	100.0	(18,222)

## 2. Comparative Statement of Income

(Millions of yen)

Account item	Current fiscal year (From April 1, 2002, to March 31, 2003)			Previous fiscal year (From April 1, 2001, to March 31, 2002)			Year-over-year change
	Amount		%	Amount		%	
Net sales		117,948	100.0		111,983	100.0	5,965
Cost of sales		84,013	71.2		80,176	71.6	3,837
Gross profit		33,934	28.8		31,806	28.4	2,127
Selling, general and administrative expenses		24,568	20.8		24,172	21.6	395
Operating income		9,366	8.0		7,633	6.8	1,732
Nonoperating income							
Interest income	121			278			
Interest on securities	15			16			
Dividend income	529			835			
Rental income	150			134			
Gain on allotment sale	217			215			
Other gains	181	1,216	1.0	182	1,663	1.5	(446)
Nonoperating expenses							
Interest expense	319			451			
Interest on bonds	550			654			
Foreign exchange loss	607			650			
Loss on disposal of inventories	690			605			
Amortization of research and development costs	156			216			
Other losses	384	2,708	2.3	691	3,269	2.9	(560)
Ordinary income		7,874	6.7		6,027	5.4	1,846
Extraordinary gains							
Gain on sales of fixed assets	32			1,724			
Gain on sales of investment securities	286			129			
Reversal of allowance for doubtful accounts	107	426	0.3	220	2,074	1.8	(1,648)
Extraordinary losses							
Loss on disposal of fixed assets	250			258			
Provision for allowance for employees' retirement benefits relating to the amortization of the net retirement benefit obligation at transition	2,040			2,040			
Loss on devaluation of investment securities	1,918			5,214			
Other	316	4,525	3.8	475	7,988	7.1	(3,463)
Income before income taxes		3,775	3.2		113	0.1	3,661

Income taxes current	1,761			140			
Income, inhabitant and enterprise taxes for the prior fiscal years	-			105			
Income taxes deferred	(556)	1,205	1.0	(184)	61	0.1	1,143
Net income		2,569	2.2		52	0.0	2,517
Retained earnings brought forward		1,964			2,007		
Interim dividends		605			-		
Unappropriated retained earnings at end of year		3,929			2,059		

### 3. Proposal for Appropriation of Retained Earnings

(Millions of yen)

Account item	Current fiscal year (From April 1, 2002, to March 31, 2003)		Previous fiscal year (From April 1, 2001, to March 31, 2002)	
Unappropriated retained earnings at the end of the year		3,929		2,059
Reversal of voluntary reserves				
Reversal of reserve for special depreciation	14		17	
Reversal of reserve for special account for advanced depreciation of fixed assets	545		397	
Reversal of reserve for advanced depreciation of fixed assets	177		132	
Reversal of reserve for technical research expenses	-		240	
Reversal of reserve for overseas investment loss	-	737	1,559	2,346
Total		4,667		4,406
To be appropriated as follows				
Legal reserve	-		-	
Cash dividends	605		1,210	
Bonuses to directors and statutory auditors (including bonuses to statutory auditors)	50 (3)		35 (2)	
Voluntary reserves				
Reserve for special depreciation	0		-	
Reserve for special account for advanced depreciation of fixed assets	-		545	
Reserve for advanced depreciation of fixed assets	625	1,281	650	2,441
Retained earnings carried forward		3,385		1,964

## Significant accounting policies

### 1. Valuation basis and method for securities

Securities other than investments in affiliates have been classified as “held-to-maturity securities” and “available-for-sale securities.” Available-for-sale securities are securities other than trading securities and held-to-maturity securities.

Held-to-maturity securities are carried at amortized cost calculated by the straight-line method.

Stocks of subsidiaries and affiliates are stated at cost determined by the moving-average method.

Other securities:

Available-for-sale securities for which the fair value is readily determinable classified as other securities are carried at market value as of the balance sheet date with changes in net unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders’ equity. The cost of securities sold is determined by the moving-average method.

Available-for-sale securities for which the fair value is not readily determinable classified as other securities are carried at cost determined by the moving-average method.

### 2. Valuation basis and method for derivative instruments

Derivative instruments are stated at market value.

### 3. Valuation basis and method for inventories

Merchandise, finished products, work in process and major raw materials are carried at cost determined by the gross average method.

Other raw materials and supplies are carried at cost determined by the moving-average method.

### 4. Depreciation of property, plant and equipment

(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).

### 5. Accounting for deferred charges

In accordance with the transitional guideline of the “Practical guideline concerning the accounting treatment for research and development cost and software” (Company Accounting System Committee Report No. 12 of the Japanese Institute of Certified Public Accountants, issued on March 31, 1999), the Company continues to apply the previous accounting method to the Company’s balance of certain research and development costs at March 31, 1999, by adopting the transitional measure set forth in the guideline, whereas the costs incurred during the year ended March 31, 2003, are amortized as incurred when disbursed.

### 6. Translation of assets and liabilities denominated in foreign currencies into yen

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

### 7. Accounting for important provisions

(1) An allowance for doubtful accounts is provided for possible bad debt at an amount estimated based on the past bad debt experience for normal receivables, plus 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) A reserve for repairs is provided for periodic repairs of manufacturing facilities at an amount corresponding to the portion for the year March 31, 2003, by allocating the estimated expenses that would be necessary for periodic repairs to a fixed period.

(5) An allowance for employees’ retirement benefits is provided for possible payment of employees’

post-retirement benefits at an amount to be accrued at the balance-sheet date, and is calculated based on the projected benefit obligation and fair value of pension plan assets at the end of this fiscal year.

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 shorter than the average remaining service years for employees at the time of recognition, from the following fiscal year of recognition.

- (6) 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 resign their positions as of the balance-sheet date.

#### 8. Accounting for leases

Finance leases that do not transfer ownership of leased property to the lessee are accounted for as rental transactions.

#### 9. 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 movement risk exposure to foreign currency transactions. The parties of derivative transactions are limited to highly credible financial institutions.

##### (4) Assessment of the effectiveness of the hedging instruments

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

#### 10. Accounting standard for treasury stock and reduction of legal reserves

Effective from the year under review, the Company has adopted the "Accounting Standard for Treasury Stock and Reduction of Legal Reserves" (Business Accounting Standard No. 1). The adoption of this standard had no significant impact on the Company's income and expenses.

Pursuant to the amendment to the relevant Regulations of Financial Statements, the shareholders' equity in the comparative balance sheet for the year ended March 31, 2003, is prepared in accordance with the Amended Regulations of Financial Statements.

#### 11. Other important matters

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

## Notes to Nonconsolidated Financial Statements

(Notes to Nonconsolidated Comparative Balance Sheet)

	Current fiscal year (As of March 31, 2003)	Previous fiscal year (As of March 31, 2002)
	(Millions of yen)	(Millions of yen)
<b>1. Accumulated depreciation for property, plant and equipment</b>	122,726	119,473
<b>2. Assets pledged as collateral and secured debt</b>		
Assets pledged:		
Property, plant and equipment	41,720	44,710
Investment securities	1,370	1,599
Total	43,090	46,309
Secured debt:		
Long term debt (including current portion of long-term debt)	3,000	4,000
Long-term debt of affiliates	684	1,058
Total	3,684	5,058
<b>3. Number of shares authorized to be issued and total number of shares outstanding</b>	(Shares)	(Shares)
Number of shares authorized to be issued	800,000,000	800,000,000
Total number of shares outstanding	242,075,556	242,075,556
<b>4. Receivables due from/payables due to affiliates</b>	(Millions of yen)	(Millions of yen)
Accounts receivable trade	11,813	12,099
Accounts receivable other	4,800	5,531
Accounts payable trade	8,529	8,495
Short-term borrowings	-	2,000
Accounts payable other	3,351	6,757
<b>5. Contingent liabilities</b>	(Millions of yen)	(Millions of yen)
Debt guarantee	17,718	18,153

(Notes to Nonconsolidated Comparative Statement of Income)

		(Millions of yen)
	Current fiscal year (From April 1, 2002, to March 31, 2003)	Previous fiscal year (From April 1, 2001, to March 31, 2002)
1. Total amount of research and development costs	6,045	5,570
Research and development costs included in selling, general and administrative expenses and manufacturing expenses for the year ended March 31, 2003 and 2002		
2. Breakdown of gain on sales of fixed assets		
Land	-	1,724
Other	32	-
Total	32	1,724
3. Affiliates related		
Sales to affiliates	38,872	35,070
Purchase from affiliates	40,404	35,449
Nonoperating income		
Interest income	100	269
Dividend income	292	699
Rental income	419	321
Gain on allotment sale	674	1,306

(Notes to Lease Transactions)

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 year

(Millions of yen)

	Current fiscal year			Previous fiscal year		
	(From April 1, 2002, to March 31, 2003)			(From April 1, 2001, to March 31, 2002)		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	19	7	12	24	19	5
Vehicles and transportation equipment	328	154	173	399	208	191
Tools, furniture and fixtures	2,394	1,349	1,045	2,795	1,386	1,409
Intangible assets	432	268	164	470	225	244
Total	3,175	1,779	1,396	3,690	1,839	1,850

(2) Assumed future lease payments at end of year

Due within one year			693			785
Due after one year			702			1,065
Total			1,396			1,850

Assumed acquisition cost and future lease payments at the end of the year 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 year is low.

(3) Lease payments and assumed depreciation cost

Lease payments			818			987
Assumed depreciation cost			818			987

(4) Calculation method on assumed depreciation cost

Straight-line method using the lease period as the useful life and with no residual value.

2. Operating leases

Future lease payments						
Due within one year			126			-
Due after one year			157			-
Total			284			-

(Note to Securities)

The Company had no available-for-sale securities for which the fair value is readily determinable in its stocks of subsidiaries and affiliates for the years ended March 31, 2003 and 2002.

(Notes to Tax-Effect Accounting)

1. The significant components of deferred tax assets and liabilities are summarized as follows:

	Current fiscal year (As of March 31, 2003)	Previous fiscal year (As of March 31, 2002)
(Millions of yen)		
Deferred tax assets:		
Inventories	405	363
Allowance for doubtful accounts	345	360
Investment securities	86	101
Accrued enterprise tax	174	-
Reserve for bonuses	304	235
Allowance for employees' retirement benefits	3,008	2,337
Retirement allowances for directors and statutory auditors	273	274
Operating losses brought forward	-	570
Other	328	437
Total deferred tax assets	4,927	4,681
Deferred tax liabilities:		
Reserve for deferred gain on fixed assets for tax purposes	(1,268)	(1,437)
Net unrealized holding gain on available-for-sale securities	(24)	(410)
Other	(21)	(53)
Total deferred tax liabilities	(1,314)	(1,900)
Net deferred tax assets	3,612	2,780

2. A reconciliation of the differences between the statutory tax rate and the effective tax rates for the years ended March 31, 2003 and 2002, is as follows:

	Current fiscal year (As of March 31, 2003)	Previous fiscal year (As of March 31, 2002)
Statutory tax rate	42.0%	42.0%
Increase (reduction) in taxes resulting from:		
Permanently nondeductible expenses such as entertainment expenditures	0.1	60.5
Permanent exclusion from gross revenue such as dividends received	(2.3)	(73.7)
Inhabitant tax per capita	1.1	27.2
Tax credit	(6.1)	-
Effect due to tax rate change	3.4	-
Other	(6.3)	(2.0)
Effective tax rates when tax-effect accounting is applied	31.9%	54.0%

## (2) Transfers of Directors and Statutory Auditors

1. Candidate for new representative of the Company: None

2. Retiring representative directors: None

3. Candidates for newly appointed directors

Director	Masaaki Niimura
Director	Tadayuki Minami
Director	Kohei Arakawa
Director	Yoshimasa Fushimi

4. Retiring directors

Managing Director	Mikio Shohara
Managing Director	Hiroyuki Watanabe
Director	Dai Kagawa (planned to be appointed as Standing Statutory Auditor)
Director	Yoshiyori Saito

5. Candidates for newly appointed statutory auditors

Standing Statutory Auditor	Dai Kagawa (currently Director)
Part-Time Auditor	Tamiki Ishihara (currently President, SEIWA KOGYO CO., LTD.)

Note: Tamiki Ishihara is a candidate as outside auditor as stipulated in Article 18, Paragraph 1, of “The Law for Special Exceptions to the Commercial Code Concerning Audits, etc. of Corporations (Kabushiki-Kaisha).”

6. Retiring statutory auditors

Standing Statutory Auditor	Koichiro Nakajima
----------------------------	-------------------

7. Directors being promoted

Senior Managing Director	Masahiro Yamazaki (currently Managing Director)
Managing Director	Teruaki Hiramatsu (currently Director)
Managing Director	Hideki Seki (currently Director)
Managing Director	Yoichi Mishima (currently Director)
Managing Director	Masafumi Miyamoto (currently Director)