

# A Corporate Message to Our Shareholders

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I am very pleased to announce our business results for the fiscal year under review, ended March 31, 2008. Before reporting on our activities during the year, I would like to express my deep appreciation for the support and cooperation you have extended to us. During the fiscal year under review, prices of crude oil soared, while credit uncertainty triggered by the US subprime loan problem increased and currency exchange rates fluctuated significantly, particularly at the beginning of 2008. As a result, by the end of the fiscal year the Japanese economy, which had been gradually recovering, faltered once again.

In the petrochemical industry, in which we operate, prices of raw materials such as crude oil and naphtha remained at high levels. Despite a sudden shift in the supply and demand balance in certain parts of the manufacturing sector, demand remained firm owing to brisk exports to Asian markets.

In this business environment, the ZEON Group endeavored to reduce costs thoroughly through ZΣ activities. At the same time, in elastomer operations, product prices were revised, profit-oriented sales strategies were pursued, and the specialty materials sector strove to develop high-value-added products and to expand business using its original technology.

As a result, net sales for the year under review reached ¥302,925 million, up 7.6% on the previous year, while operating income fell 16.3%, to ¥25,268 million.

Ordinary income was ¥20,638 million, down 30.7%, and net income declined to ¥9,092 million, a decrease of 46.8% on the previous year.

Regarding dividends, we declared a year-end dividend of ¥6 per share. On a full-year basis, dividends came to ¥12 per share, making this the fifth consecutive year of higher dividends.

In the period ahead, there are fears that the global economy will slow down as a result of the downturn in the US economy. In addition, corporate earnings are expected to slow due to the falling US dollar and appreciation of the yen and high prices for crude oil and other raw materials, and there are concerns that personal consumption will stagnate in view of uncertain economic prospects. Therefore, the business environment surrounding ZEON will remain severe.

Under such circumstances, we will strive to make ZEON a highly profitable company able to withstand change, by improving our ability to create stable and safe production sites and further increasing our research and development capacities, as set out in our new 3-year mid-term management plan “IZ-60” for fiscal 2008 through 2010.

We sincerely request the continued support and cooperation of our shareholders.

June 2008  
Naozumi Furukawa  
President & CEO



**Naozumi Furukawa**  
President & CEO

