

Translation of Press Release

May 17, 2006

To Whom It May Concern:

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(Stock listing: First Section, Tokyo Stock Exchange and Osaka Securities Exchange, Code number: 4205)
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**Policy toward Large-scale Purchases of Company Shares and other Securities
(Anti-takeover Defense Plan)**

ZEON Corporation (hereinafter referred to as “we”, “our” or the “Company”) announced that its Board of Directors’ meeting held on May 17, 2006 has decided to adopt a policy (hereinafter referred to as the “Policy”) toward (i) any purchase of Company shares and other securities³ by a group of shareholders¹ with the intent to hold twenty percent (20%) or more of the total voting rights² of the Company, or (ii) any purchase of Company shares and other securities resulting in a group of shareholders holding twenty percent (20%) or more of the total voting rights of the Company (The purchases set out in (i) or (ii) above do not include the purchases to which the Company’s Board of Directors has given consent in advance. Any purchase of Company shares and other securities set out in (i) or (ii) above shall be hereinafter referred to as a “Large-scale Purchase” and a person or a company that intends to conduct a Large-scale Purchase shall be hereinafter referred to as the “Large-scale Purchaser.”).

In addition, the Policy shall become effective provided that the shareholders approve the Policy at the Company’s ordinary general shareholders’ meeting to be held on June 29, 2006.

- Notes
1. A group of shareholders shall mean (i) a holder (defined in Paragraph 1, Article 27-23 of the Securities and Exchange Law, including a person deemed as a holder pursuant to Paragraph 3 thereof) of shares and other securities (defined in Paragraph 1, Article 27-23 of the Securities and Exchange Law) and any joint holders (defined in Paragraph 5, Article 27-23 of the Securities and Exchange Law, including a person deemed as a joint holder pursuant to Paragraph 6 thereof) or (ii) a person or a company who makes purchases (defined in Paragraph 1, Article 27-2 of the Securities and Exchange Law, including any purchase made on a securities exchange market) of the shares and other securities (defined in Paragraph 1, Article 27-2 of the Securities and Exchange Law) and any specially related parties (defined in Paragraph 7, Article 27-2 of the Securities and Exchange Law), and hereinafter the same.
 2. The ratio of the total voting rights shall mean (i) in the case of Notes 1(i) above, the share holding ratio (defined in Paragraph 4, Article 27-23 of the Securities and Exchange Law) of the holder of the shares and other securities of the Company (taking into account the number of shares (defined in the said Paragraph) held by any joint holders) or (ii) in the case of Notes 1(ii) above, the amount of the sum of the shareholding ratio (defined in Paragraph 8, Article 27-2 of the Securities and Exchange Law) of the purchaser of the shares and other securities of the Company and its specially related parties, and hereinafter the same. In calculating the voting rights ratio, the annual report, the semi-annual report or the treasury

stock purchase report of the Company, whichever document has been most recently submitted to the authorities, may be referred to in deciding the total number of voting rights (defined in Paragraph 8, Article 27-2 of the Securities and Exchange Law) or total number of issued shares (defined in Paragraph 4, Article 27-23 of the Securities and Exchange Law).

3. Shares and other securities mean either shares and other securities as defined in Paragraph 1, Article 27-23 of the Securities and Exchange Law or shares and other securities as defined in Paragraph 1, Article 27-2 of the same law, and hereinafter the same.

1. Efforts for the improvement of the corporate value of the Company and the common interests of shareholders of the Company

Our group lists “to promote the generation of new business continuously with securing stable profits of material business as a pillar” as our basic business strategy. Under this basic business strategy, our group has made a new mid-term management 3-year plan, “PZ-3”, which is subject to the three fiscal years starting from 2005 fiscal year and endeavors to achieve such plan. The outline of “PZ-3” is as follows:

(PZ-3 Concept)

- Improve corporate value
- Realize dramatic progress of businesses

(PZ-3 Basic Policy)

- Renew awareness of CSR and strive to establish a company that is trusted by society and is a source of pride for employees through “Speed,” “Communication” and “Contribution to Society”
- Align management strategies with R&D Strategies, create new businesses with world-leading original technologies, without imitating others nor being imitated by others, and sustain the growth and expansion of such businesses

(PZ-3 Strategy by segment)

(1) Elastomers Business

Realize world-leading quality and cost competitiveness, optimize its global supply system and secure stable profits

(2) Specialty Materials Business

Strengthen technology platforms based on original and world-leading technology, and the precision processing technology by taking advantage of ZEON's own materials, endeavor for user-oriented market development and realize the dramatic expansion of business

In particular, resources are to be devoted to the five following fields that sustain the IT and electronics industries: a) Recording, b) Computers (semi-conductors), c) Displays (flat panel displays), d) Energy and e) Communications.

In effort to move towards the achievement of “PZ-3 Concept” to “improve corporate value and realize dramatic progress,” as mentioned above, our group will address various challenges, including the strengthening of work site capabilities with the objective to realize a truly stable and safe manufacturing site and to further reinforce R&D following the mottos of “Speed,” “Communication” and “Contribution to Society.”

Detailed information regarding this new mid-term management 3-year plan, “PZ-3,” is available on our website, and updates on the progress of such plan will be made

public in a timely manner.

2. Purpose of initiation of the Policy

As we explained above, our group continues to work toward securing and improving the corporate value of our group and the common interests of shareholders under the new mid-term management 3-year plan, "PZ-3".

However, against the background of recent changes in the legal system and changes of corporate structure or corporate culture etc. in Japan, there have been especially-pronounced movements of purchasing large quantities of shares suddenly and without sufficient consultation with the management team of the subject company. And, out of such Large-scale Purchases, there are many cases which are not deemed to be beneficial to the corporate value of the Company and the common interests of shareholders, such as purchases which evidently violate the corporate value of the subject company and the common interests of shareholders, purchases which possibly force the shareholders in fact to sell the shares or purchases which permit only insufficient time and information for the board of directors and shareholders of the subject company to examine the conditions of purchase, etc. or for the board of directors of the subject company to offer any alternative plan, etc. Currently, the Company is not facing specific menace of the start of such a Large-scale Purchase, however, a fixed large shareholder of the Company does not exist and instead the Company's shares are dispersedly owned by many shareholders, and accordingly, we cannot deny the possibility of any Large-scale Purchase of the Company in the future.

Of course, our group does not categorically deny all Large-scale Purchase offers so long as they are beneficial to the common interests of the shareholders. The shareholders of the Company should be entrusted to give the final decision regarding whether or not to accept a Large-scale Purchase once it has started, and they should make their decisions based on an understanding of the management strategy of our group and the corporate value realized by the efforts based on such strategy, as explained above.

However, as you may be aware, the business of our group consists of the synthetic rubber business, synthetic latices business and chemical business as the elastomer material business department, specialty plastics business, imaging and electronics material business and specialty chemicals business as the high-performance material business department, and the environment business, health business and commercial department as other business departments. It is indispensable for the management of our group which operates such businesses to understand the specific knowledge, experience and know-how that has been accumulated since the establishment of the Company, and the relationships built with domestic and foreign customers and business partners, etc. Without sufficient understanding of the matters above, shareholder value which may be realized in the future may not be evaluated appropriately. Our group shall make all efforts to facilitate investors' understanding of the appropriate value of the Company's shares through its IR activity, however, the Company believes that it is indispensable that shareholders of the Company are provided with appropriate and sufficient information by both the Large-scale Purchaser and the board of directors of the Company in order to appropriately determine in a short period of time whether the purchase price of the Company's shares proposed by the Large-scale Purchaser is reasonable or not. In addition, the impact of the Large-scale Purchase on our group, as well as the management policies and the business plans, including the policy towards the relationships with stakeholders such as employees, affiliate companies, customers

and business partners of our group, which the Large-scale Purchaser wishes to adopt when the Large-scale Purchaser participates in the management of our group, are material information for shareholders of the Company who intend to hold the Company's shares continuously in order to decide whether to continue to hold such shares or not.

Taking into account the above, the board of directors has reached the conclusion that, upon a Large-scale Purchase, information concerning the Large-scale Purchase necessary and sufficient for shareholders of the Company to make their decisions should be provided in advance by the Large-scale Purchaser. After such information is provided, the board of directors shall immediately start to examine an opinion of the board of directors on the Large-scale Purchase with advice from experts and other parties, and subsequently form and disclose such opinion after careful consideration. In addition, the board of directors may negotiate with the Large-scale Purchaser in order to improve the proposal of the Large-scale Purchaser or offer shareholders of the Company alternative plans of the board of directors, if it is deemed necessary. Such process shall enable shareholders of the Company to examine the proposal of the Large-scale Purchaser and the alternative plans (in the case that any alternative plans are proposed) with reference to the opinion of the board of directors, and thus the shareholders shall be given the opportunity to make the final decision by themselves appropriately regarding whether or not to accept the proposal of the Large-scale Purchaser.

Based on the above viewpoints, the board of directors of the Company believes that the Large-scale Purchaser should comply with certain reasonable rules for the benefit of our group and all shareholders of the Company, and has decided to establish rules concerning any Large-scale Purchase of the shares of the Company (hereinafter referred to as the "Large-scale Purchase Rules") as described below.

3. Details of the Large-scale Purchase Rules

The Large-scale Purchase Rules require that (i) a Large-scale Purchaser provide, in advance, sufficient information to the board of directors of the Company, and that (ii) a Large-scale Purchaser be permitted to commence the Large-scale Purchase only after the prescribed period during which the board of directors of the Company assesses the Large-scale Purchase.

Specifically, first, a Large-scale Purchaser is required to provide the board of directors of the Company with sufficient information (hereinafter referred to as the "Large-sale Purchase Information") so that shareholders of the Company may make their decisions and the board of directors may form its opinion regarding such Large-scale Purchase. The Large-scale Purchase Information includes the following:

- (a) an outline of the Large-scale Purchaser and its group;
- (b) the purposes and substance of the Large-scale Purchase;
- (c) the basis for determination of the purchase price and funds for purchase;
and
- (d) management policies and business plans which the Large-scale Purchaser intends to adopt after the completion of the Large-scale Purchase.

Since the details of the Large-scale Purchase Information may vary depending on each specific Large-scale Purchase, the Company, first of all, requires the Large-scale Purchaser to submit to the Company a letter of intention to comply with the Large-scale Purchase Rules. A letter of intention shall specify the name, address, governing law of incorporation, name of the representative, contact details in Japan of

the Large-scale Purchaser and an outline of the proposed Large-scale Purchase. Within ten (10) business days after receipt of such letter, the Company will deliver to the Large-scale Purchaser a list of the Large-scale Purchase Information to be initially provided by the Large-scale Purchaser. If the information initially provided by the Large-scale Purchaser is deemed insufficient as the Large-scale Purchase Information, the Large-scale Purchaser may be required to provide additional information until the Company has received sufficient information. The Company will disclose at the time it deems appropriate all or part of the facts that the Large-scale Purchase is proposed and the Large-scale Purchase Information provided to the board of directors of the Company, if such disclosure is considered necessary for shareholders of the Company to make their decisions.

Next, the board of directors of the Company considers that it should be allowed a sixty (60) day period (in the case of the purchase of all the Company's shares by a tender offer with cash-only (yen) consideration) or a ninety (90) day period (in the case of any other Large-scale Purchase), depending on the difficulty level of assessment of the Large-scale Purchase, as the period during which it will assess, examine, negotiate, form an opinion and seek alternatives (hereinafter referred to as the "Assessment Period"). Namely, the Large-scale Purchase shall be commenced only after the Assessment Period has elapsed. The board of directors of the Company will thoroughly assess and examine the Large-scale Purchase Information it has received with advice from outside experts during the Assessment Period, and form and disclose its opinion. In addition, the board of directors may negotiate with the Large-scale Purchaser in order to improve the terms of the proposed Large-scale Purchase or it may offer alternative plans to shareholders of the Company, as necessary.

4. Policy toward Large-scale Purchase

(1) In the case of non-compliance by a Large-scale Purchaser with the Large-scale Purchase Rules

If a Large-scale Purchaser does not comply with the Large-scale Purchase Rules, regardless of the specific method of purchase, the board of directors of the Company may take countermeasures against the Large-scale Purchaser to protect the corporate value of the Company and the common interests of the shareholders. Countermeasures include the issuance of stock acquisition rights or any other measures that the board of directors is permitted to take under the Corporate Code of Japan or other laws and the Company's Articles of Incorporation. The board of directors will adopt specific countermeasures which it deems most appropriate at that time.

The outline of the issuance of such stock acquisition rights, in the case where the board of directors elects to issue such stock acquisition rights as a specific countermeasure, shall be described in the attachment hereto. If the board of directors actually elects to issue stock acquisition rights as a countermeasure, it may determine exercise period and exercise conditions of the stock acquisition rights in consideration of the effectiveness thereof as a countermeasure.

(2) In the case of compliance by a Large-scale Purchaser with the Large-scale Purchase Rules

If a Large-scale Purchaser complies with the Large-scale Purchase Rules, the board of directors, even if it disagrees with the proposed Large-scale Purchase, will not in principle take countermeasures against the Large-scale Purchase, while it may persuade the shareholders of the Company by expressing an objection to the proposal

of the Large-scale Purchaser or by offering alternative plans. The board of directors believes that the shareholders of the Company should make their decisions as to whether or not they accept the proposal of the Large-scale Purchaser upon consideration of such proposal and the opinion on such proposal and alternative plans provided by the Company.

Provided that, even if the Large-scale Purchaser complies with the Large-scale Purchase Rules, in the case where the board of directors determines that the Large-scale Purchase would cause irreparable harm to the corporate value of the Company and the common interests of the shareholders⁴, the board of directors may take countermeasures which it deems appropriate to protect the corporate value of the Company and the common interests of the shareholders. The specific countermeasures shall be described in Paragraph (1).

Note 4. Examples are as follows:

- (i) If a Large-scale Purchaser purchases the shares of the Company for the sole purpose of forcing the relevant parties related to the Company to purchase shares at the highest price, by boosting the share price of the Company, even though the Large-scale Purchaser does not intend to truly participate in the management of the Company (i.e., if a Large-scale Purchaser is the so-called green mailer);
- (ii) If a Large-scale Purchaser purchases the shares of the Company for the purpose of so-called scorched-earth management, which includes having the Company transfer the intellectual property rights, know-how, corporate secrets, main clients, customers, etc. necessary for the business management of the Company to such Large-scale Purchaser or its group companies, etc., by temporarily controlling the management of the Company;
- (iii) If a Large-scale Purchaser purchases the shares of the Company and plans to divest the assets of the Company with the intention of using such assets as security or the source of repayment of the debt of such Large-scale Purchaser or its group companies, etc. after controlling the management of the Company;
- (iv) If a Large-scale Purchaser purchases the shares of the Company for the purpose of having the Company sell or otherwise dispose of valuable assets, including real properties or securities that have no immediate relationship with the businesses of the Company, and temporarily pay large dividends against the profits gained from such disposition, or for the purpose of taking the opportunity to rapidly increase share price influenced by the payment of large dividends and the selling of such shares at the highest price, by temporarily controlling the management of the Company; or
- (v) If it is determined that the method proposed by the Large-scale Purchaser for purchase of the shares of the Company might practically compel the shareholders to sell their shares, including the purchase of the shares through a takeover bid, etc. without soliciting the purchase of all shares at the initial purchase and with terms and conditions for a second purchase that are unclear or that are less favorable than those for the initial purchase (so-called two-tier coercive takeover).

5. Procedures for securing appropriate operation of the Policy

- (1) As the board of directors makes the final decision on the significant determination with respect to the responses in accordance with the Policy, including the questions as to whether or not the Large-scale Purchase Rules were appropriately operated and whether or not the Large-scale Purchase will cause irreparable harm to the corporate value of the Company and the common interests of the shareholders, the Company will set up a special committee as an organization independent of the board of directors in order to secure the reasonableness, fairness and transparency of such decision. The number of committee members shall be three (3) to five (5), and they shall be elected from outside auditors, lawyers, tax accountants, certified public accountants, academic experts, persons who are familiar with the investment-banking

business or outside personnel who have achievements and experience as directors or operating officers.

- (2) When the board of directors makes a significant determination with respect to the responses in accordance with the Policy (which includes the determination concerning the scope and term of the information provision that the Large-scale Purchaser is requested, negotiations and discussions with the Large-scale Purchaser, proposal of alternative plans, implementation, non-implementation, discontinuation, continuation, etc. of a countermeasure; hereinafter the same), the board of directors shall take the following procedures in order to secure the fairness of the determination.

First, when the board of directors makes a significant determination with respect to the responses in accordance with the Policy, the board of directors shall consult with the special committee and receive the special committee's recommendation. The special committee, after obtaining advice from any third party independent of the Company's management (including financial advisors, certified public accountants, lawyers, consultants and other experts) or requesting the directors, statutory auditors or employees of the Company to attend the special committee and explain any necessary information, shall deliberate and resolve the matters for which the special committee has been consulted with by the board of directors, and shall make recommendations to the board of directors in accordance with the content of such resolution. The board of directors shall respect the recommendations of the special committee to the fullest extent in making a significant determination with respect to the responses in accordance with the Policy.

6. Influence on Shareholders and Investors, etc.

- (1) Influence on Shareholders and Investors, etc. given by the Large-scale Purchase Rules

The purpose of the Large-scale Purchase Rules is to provide with information necessary for the shareholders of the Company to determine whether or not the Large-scale Purchase is acceptable, and with an opinion of the board of directors that is actually in charge of the Company's management, and as well as to provide opportunities to receive any alternative plans. The board of directors believes that under the Large-scale Purchase Rules, the shareholders of the Company, with sufficient information, will be able to make appropriate decisions as to whether or not the Large-scale Purchase is acceptable, whereby the interests of all shareholders of the Company as a whole shall be protected. Accordingly, the board of directors believes that the establishment of the Large-scale Purchase Rules is a prerequisite for appropriate investment decisions of shareholders of the Company and investors and is for the benefit of the shareholders of the Company and investors.

The board of directors is hereby advising the shareholders of the Company and investors to observe carefully any actions by a Large-scale Purchaser, because steps and actions to be taken by the Company will be different depending on whether or not a Large-scale Purchaser complies with the Large-scale Purchase Rules, as described in 4 above.

- (2) Influence on Shareholders and Investors, etc. given by Countermeasures

If a Large-scale Purchaser does not comply with the Large-scale Purchase Rules, The board of directors may take countermeasures, which the board of directors is permitted to take under the Corporate Code of Japan or other laws and the Company's Articles of Incorporation, to protect the corporate value the Company and the common

interests of the shareholders of the Company. However, with the countermeasures being so structured, the board of directors does not expect that such countermeasure taken will cause any specific legal or economic damage or loss to the shareholders of the Company (excluding the Large-scale Purchaser who does not comply with the Large-scale Purchase Rules). When the board of directors elects to take any specific countermeasure, the board of directors will make appropriate disclosure at an appropriate time in accordance with the relevant laws and stock exchange regulations.

With respect to the issuance of stock acquisition rights contemplated as a countermeasure, it may be necessary for the shareholders of the Company to make subscription within a specific period in order to acquire such stock acquisition rights and to make payment of certain amount of money upon exercising such stock acquisition rights, depending on the conditions of such stock acquisition rights. The board of directors will make notification about the details of such steps in accordance with the relevant laws and regulations in the case the Company is to issue such stock acquisition rights. Please note, however, that a shareholder of the Company who has not been enrolled or recorded in register of shareholders (so-called change of registration) needs to complete the enrollment or recording of the register of shareholders by the record date, which the board of directors will separately determine and make a public notice of, in order to acquire the stock acquisition rights.

7. Others

(1) The Policy was adopted by the approval of all Directors at the board of directors' meeting held on May 17, 2006 and all statutory auditors of the Company including three (3) outside auditors stated agreement with the Policy, on the condition that the Policy be duly implemented.

(2) The Policy will become effective upon the approval at the Company's ordinary general shareholders' meeting to be held on June 29, 2006, and, where approved, will remain effective until July 31, 2007. Provided, however, that if the directors elected at the Company's ordinary general shareholders meeting to be held in June 2007 (the terms of office of all directors shall be set for one (1) year) decide to continue the Policy at the board of directors' meeting to be held by July 31, 2007, the effective term of the Policy will be extended for another one (1) year and the same shall apply thereafter. The board of directors shall, if it decides to continue the Policy, promptly disclose such fact.

In addition, the Company will continue to closely observe the trend of the future judicial rulings, trend of amendment of the Corporate Code and Securities and Exchange Law or the listing rules of the Stock Exchange, and responses by the stock exchange and other public institutions, and will review the Policy on an ongoing basis from the viewpoint of the protection of the corporate value of the Company and the common interests of the shareholders. If the essence of the Policy is to be amended at such time, the Company will hold consultation at the shareholders' meeting as an agenda thereof and will obtain the shareholders' approval in each case.

Furthermore, the Company recognizes no current indication of a specific Large-scale Purchase being contemplated with respect to the shares of the Company.

Exhibit

Outline of Issuance of Stock Acquisition Rights

1. Shareholders who are entitled to receive stock acquisition rights and conditions of issuance thereon:

One (1) stock acquisition right shall be granted to a shareholder without payment by the shareholder, per one (1) common stock held by such shareholder (excluding the common stocks held by the Company as treasury stock), whose name is recorded in the register of shareholders or the register of beneficial shareholders as of the record date to be specified by the board of directors.

2. Type and number of shares to be acquired upon exercise of stock acquisition rights:

The type of shares to be acquired upon exercise of stock acquisition rights shall be common stock, and the total number of shares to be acquired upon exercise of stock acquisition rights shall be up to the number obtained after deducting the total number of outstanding shares (excluding the shares held by the Company as treasury stock) from the total number of issuable shares as provided for in the Articles of Incorporation of the Company. The number of shares to be acquired upon exercise of one (1) stock acquisition right shall be the number determined by the board of directors separately. Provided, however, that such number shall be adjusted if the Company makes a stock split or a stock consolidation.

3. Total number of stock acquisition rights to be issued:

The total number of stock acquisition rights per one (1) allocation shall be determined by the board of directors separately. The board of directors may grant stock acquisition rights more than once.

4. Amount of property to be invested upon exercise of a stock acquisition right:

The amount to be paid upon exercise of a stock acquisition right shall be one (1) Japanese yen or more, to be determined by the board of directors.

5. Restriction on transfer of stock acquisition rights:

Stock acquisition rights may be acquired by transfer only with the approval of the board of directors.

6. Conditions of exercise of stock acquisition rights:

Such exercise conditions in consideration of the effectiveness thereof as a countermeasure may be established, the details of which will be determined by the board of directors separately:

- A person or a company belonging to a group of shareholders that holds 20% or more of the total voting rights cannot exercise the stock acquisition rights.

7. Exercise period and other conditions of stock acquisition rights:

The effective date, exercise period, acquisition condition and other conditions of stock acquisition rights shall be determined by the board of directors separately. In addition, with respect to the acquisition condition, a provision may be prescribed to the effect that the Company may acquire the stock acquisition rights, which are held by a person or a company other than a person or a company who cannot exercise the stock acquisition rights pursuant to the conditions in 6 above, and may issue number of such shares per one (1) stock acquisition right as determined by the board of directors.