

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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January 28, 2016

Consolidated Financial Report for the Third Quarter of the Year Ending March 31, 2016

Name of Listed Company	ZEON CORPORATION		
Ticker Code 4205	(URL http://www.zeon.co.jp)	Listed Stock Exchanges	Tokyo Stock Exchange
Representative	President	Name	Kimiaki Tanaka
Contact	Director and Corporate Officer	Name	Takeo Furuya
		TEL	+81-3-3216-2747
Scheduled Date of the Submission of the Quarterly Report	February 5, 2016	Scheduled Date of Dividend Payments	—

Note: All amounts less than one million yen in the tables are rounded off.

**1. Consolidated Performance for 3rd quarter of the year ending March 31, 2016
(April 1, 2015 to December 31, 2015)**

(1) Consolidated operating results (Cumulative)

(Percentage figures respectively indicate year-over-year changes from the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
3Q period ended December 31, 2015	224,673	(3.4)	24,261	4.4	25,427	0.8	13,660	(9.1)
3Q period ended December 31, 2014	232,539	4.0	23,236	(5.0)	25,236	(7.4)	15,028	(12.2)

Note: Comprehensive income:

3Q of the year ending March 31, 2016: 5,549 million yen (-77.5%);

3Q of the year ended March 31, 2015: 24,612 million yen (5.1%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
3Q period ended December 31, 2015	60.21	60.12
3Q period ended December 31, 2014	66.26	66.15

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
3Q period ended December 31, 2015	416,440	218,022	51.2
Year ended March 31, 2015	399,512	215,631	52.9

Reference: Equity:

As of December 31, 2015: 213,391 million yen As of March 31, 2015: 211,217 million yen

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2. Cash Dividends

Record date	Cash dividend per share				
	1Q end	2Q end	3Q end	Year-end	Full year
Year ended March 31, 2015	Yen —	Yen 7.00	Yen —	Yen 7.00	Yen 14.00
Year ending March 31, 2016	—	7.00	—		
Year ending March 31, 2016 (Forecast)				8.00	15.00

Note: Revisions to the most recently disclosed dividend forecasts: No

**3. Projected Consolidated Performance for the Year Ending March 31, 2016
(From April 1, 2015 to March 31, 2016)**

(Percentage figures respectively indicate changes from the previous year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2016 (Full year)	320,000	4.1	32,000	13.3	32,000	2.9	18,500	(3.0)	81.55

Note: Revisions to the most recently disclosed dividend forecasts: No

4. Other Matters

(1) Significant changes of specified subsidiaries during the three-month period under review (Changes of Specified Subsidiaries Accompanied by Change in Scope of Consolidation): No

(2) Application of special accounting methods for the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting principle, procedures and presentation on preparation of consolidated financial statements

(i) Changes due to amendment in accounting standards: Yes

(ii) Changes except above (i): No

(iii) Changes in accounting estimates: No

(iv) Restatement of revisions: No

(4) Number of shares outstanding (Common stock)

(i) Number of shares outstanding at the end of the period (Including treasury stock)

As of December 31, 2015: 242,075,556 shares As of March 31, 2015: 242,075,556 shares

(ii) Number of treasury stock outstanding

As of December 31, 2015: 15,179,681 shares As of March 31, 2015: 15,286,593 shares

(iii) Average number of shares during the period

3Q ended December 31, 2015: 226,853,263 shares 3Q ended December 31, 2014: 226,790,376 shares

Note regarding indication of status of implementation of the quarterly review procedure

This quarterly financial report is not subject to the quarterly review required under the Financial Instruments and Exchange Act. The review of quarterly consolidated financial statements based on the Financial Instruments and Exchange Act had not been completed as of the date of disclosure of this quarterly financial report.

Note concerning appropriate use of performance forecasts, etc.

The projected performance figures in this report are based on information available to Zeon's management at the time this report was prepared and are not intended to be interpreted as goals the company will achieve. Accordingly, users should be aware that actual results may differ materially from any expressed future performance herein due to various factors.

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3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (As of March 31, 2015)	As of December 31, 2015
(Assets)		
Current assets		
Cash and bank deposits	4,151	15,268
Notes and accounts receivable—trade	70,970	70,715
Electronically recorded monetary claims	720	1,326
Merchandise and products	43,299	51,550
Work in process	4,393	4,244
Raw materials and supplies	13,543	12,920
Accounts receivable—other	32,284	36,371
Deferred tax assets	3,231	3,301
Other current assets	4,115	5,322
Allowance for doubtful accounts	(95)	(64)
Total current assets	176,609	200,954
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	42,455	43,563
Machinery, equipment and vehicles, net	55,187	50,028
Land	18,371	18,318
Construction in progress	11,965	20,223
Other property, plant and equipment, net	6,249	6,069
Total property, plant and equipment	134,227	138,201
Intangible assets		
Other intangible assets	5,262	4,459
Total intangible assets	5,262	4,459
Investments and other assets		
Investment securities	75,972	65,828
Net defined benefit assets	44	43
Deferred tax assets	618	438
Other investments and assets	7,177	6,825
Allowance for doubtful accounts	(397)	(309)
Total investments and other assets	83,414	72,826
Total fixed assets	222,903	215,486
Total assets	399,512	416,440

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	Previous fiscal year (As of March 31, 2015)	(Millions of yen) As of December 31, 2015
(Liabilities)		
Current liabilities		
Notes and accounts payable—trade	60,466	75,851
Electronically recorded obligations	796	1,608
Short-term loans payable	18,220	30,861
Commercial paper	10,000	—
Income taxes payable	3,902	891
Reserve for bonuses	1,977	207
Reserve for loss on liquidation of affiliates	—	3,486
Other reserves	531	3,619
Other current liabilities	23,282	23,768
Total current liabilities	<u>119,174</u>	<u>140,291</u>
Long-term liabilities		
Bonds payable	10,000	20,000
Long-term loans payable	20,669	9,490
Deferred tax liabilities	12,908	9,544
Net defined benefit liability	14,209	13,309
Other reserves	1,461	344
Other long-term liabilities	5,460	5,439
Total long-term liabilities	<u>64,707</u>	<u>58,127</u>
Total Liabilities	<u>183,881</u>	<u>198,418</u>
(Net Assets)		
Shareholders' equity		
Common stock	24,211	24,211
Capital surplus	18,514	18,506
Retained earnings	148,285	158,769
Treasury stock, at cost	(12,737)	(12,649)
Total shareholders' equity	<u>178,273</u>	<u>188,838</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	28,350	20,825
Deferred gains (losses) on hedges	(0)	(2)
Foreign currency translation adjustments	7,666	6,679
Remeasurements of defined benefit plans	(3,072)	(2,949)
Total accumulated other comprehensive income	<u>32,943</u>	<u>24,554</u>
Stock acquisition rights	304	247
Non-controlling interests	4,111	4,384
Total net assets	<u>215,631</u>	<u>218,022</u>
Total liabilities and net assets	<u>399,512</u>	<u>416,440</u>

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(2) Consolidated Statements of Income

(Millions of yen)

	For the nine months ended December 31, 2014	For the nine months ended December 31, 2015
Net sales	232,539	224,673
Cost of sales	170,096	158,552
Gross profit	62,443	66,121
Selling, general and administrative expenses	39,207	41,861
Operating income	23,236	24,261
Non-operating income		
Interest income	95	88
Dividend income	1,054	1,291
Other non-operating income	2,073	729
Total non-operating income	3,223	2,108
Non-operating expenses		
Interest expense	575	464
Depreciation from idle assets	443	267
Other non-operating expenses	204	211
Total non-operating expenses	1,223	943
Ordinary income	25,236	25,427
Extraordinary gains		
Compensation income	—	338
Other	931	95
Total extraordinary gains	931	434
Extraordinary losses		
Loss on disposal of fixed assets	790	276
Impairment loss	1,263	1,946
Loss on liquidation of affiliates	—	3,566
Other	138	33
Total extraordinary losses	2,191	5,821
Income before income taxes	23,976	20,039
Income taxes	8,681	5,910
Net income	15,295	14,129
Net income attributable to owners of parent	267	469
Net income attributable to non-controlling interests	15,028	13,660

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(3) Statement of Comprehensive Income

	(Millions of yen)	
	For the nine months ended December 31, 2014	For the nine months ended December 31, 2015
Net income	15,295	14,129
Other comprehensive income		
Valuation difference on available-for-sale securities	7,889	(7,568)
Deferred gains (losses) on hedges	1	(2)
Foreign currency translation adjustments	1,331	(1,134)
Remeasurements of defined benefit plans	96	123
Total other comprehensive income	9,317	(8,580)
Comprehensive income	24,612	5,549
Comprehensive income attributable to:		
Owners of the parent	24,155	5,270
Non-controlling interests	456	279

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(4) Segment Information

Previous 3rd quarter cumulative period (From April 1, 2014 to December 31, 2014) (Millions of yen)

	Elastomer	Specialty Materials	Sub Total	Other	Total	Eliminations /Corporate	Consolidated
Net sales							
(1) Sales to third parties	140,666	54,099	194,765	37,774	232,539	—	232,539
(2) Intersegment sales and transfers	1,376	—	1,376	314	1,690	(1,690)	—
Total	142,042	54,099	196,141	38,088	234,229	(1,690)	232,539
Segment income	13,578	8,172	21,750	1,527	23,276	(40)	23,236

Current 3rd quarter cumulative period (From April 1, 2015 to December 31, 2015) (Millions of yen)

	Elastomer	Specialty Materials	Sub Total	Other	Total	Eliminations /Corporate	Consolidated
Net sales							
(1) Sales to third parties	134,826	53,982	188,808	35,865	224,673	—	224,673
(2) Intersegment sales and transfers	1,253	—	1,253	413	1,665	(1,665)	—
Total	136,079	53,982	190,061	36,278	226,339	(1,665)	224,673
Segment income and loss	16,281	7,183	23,464	1,832	25,296	(1,035)	24,261