

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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January 31, 2019

**Consolidated Financial Report for the
Third Quarter of the Year Ending March 31, 2019**

Name of Listed Company	ZEON CORPORATION		Listed Stock	Tokyo Stock Exchange
Ticker Code	4205		Exchanges	
(URL)	http://www.zeon.co.jp)		Name	Kimiaki Tanaka
Representative	President		Name	Hirofumi Imai
Contact	Director and Senior Corporate Officer		TEL	+81-3-3216-2747
Scheduled Date of the Submission of the Quarterly Report	February 13, 2019		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, 2019
(April 1, 2018 to December 31, 2018)**

(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, 2018	254,550	1.4	27,020	(11.9)	29,303	(10.8)	12,575	97.3
3Q period ended December 31, 2017	251,017	19.2	30,680	42.0	32,855	48.0	6,375	(60.2)

Note: Comprehensive income:

3Q period ended December 31, 2018: 2,011 million yen (down 89.6%);

3Q period ended December 31, 2017: 19,255 million yen (22.4%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
3Q period ended December 31, 2018	57.18	57.10
3Q period ended December 31, 2017	28.71	28.68

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
3Q period ended December 31, 2018	417,451	253,030	59.9
Year ended March 31, 2018	440,519	259,940	58.4

Reference: Equity:

As of December 31, 2018: 249,959 million yen As of March 31, 2018: 257,167 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
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2018	—	8.00	—	9.00	17.00
Year ending March 31, 2019	—	9.00	—		
Year ending March 31, 2019 (Forecast)				10.00	19.00

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

**3. Projected Consolidated Performance for the Year Ending March 31, 2019
(From April 1, 2018 to March 31, 2019)**

(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
Year ending March 31, 2019 (Full year)	340,000 2.2	34,000 (12.6)	37,000 (9.5)	18,000 37.9	81.97

Note: Revisions to the most recently disclosed dividend forecasts: Yes

4. Other Matters

(1) Material changes in subsidiaries during the three-month period (changes in scope of consolidations resulting from change in subsidiaries): No

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

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

- (i) Changes in policy due to amendment in accounting standards: No
- (ii) Changes in policy other than above (i): No
- (iii) Changes in accounting estimates: No
- (iv) Restatements: 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, 2018: 237,075,556 shares As of March 31, 2018: 237,075,556 shares
- (ii) Number of treasury stock outstanding
As of December 31, 2018: 18,576,875 shares As of March 31, 2018: 15,054,569 shares
- (iii) Average number of shares during the period
3Q ended December 31, 2018: 219,907,679 shares 3Q ended December 31, 2017: 222,005,794 shares

This quarterly financial report is not subject to the quarterly review required under the Financial Instruments and Exchange Act.

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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5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Previous fiscal year (As of March 31, 2018)	(Millions of yen) As of December 31, 2018
(Assets)		
Current assets		
Cash and bank deposits	41,666	32,062
Notes and accounts receivable—trade	75,787	79,240
Electronically recorded monetary claims	3,557	3,552
Merchandise and products	45,448	52,934
Work in process	4,689	4,596
Raw materials and supplies	13,759	14,511
Accounts receivable—other	36,241	34,367
Other current assets	3,810	4,813
Allowance for doubtful accounts	(97)	(99)
Total current assets	224,859	225,975
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	41,914	39,702
Machinery, equipment and vehicles, net	45,888	35,659
Land	18,246	18,251
Construction in progress	5,285	5,428
Other property, plant and equipment, net	4,225	3,157
Total property, plant and equipment	115,559	102,197
Intangible assets		
Other intangible assets	3,355	3,089
Total intangible assets	3,355	3,089
Investments and other assets		
Investment securities	87,362	77,100
Deferred tax assets	886	810
Other investments and assets	8,726	8,510
Allowance for doubtful accounts	(228)	(229)
Total investments and other assets	96,746	86,190
Total fixed assets	215,660	191,476
Total assets	440,519	417,451

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	(Millions of yen)	
	Previous fiscal year (As of March 31, 2018)	As of December 31, 2018
(Liabilities)		
Current liabilities		
Notes and accounts payable—trade	81,103	82,722
Electronically recorded monetary claims	2,900	3,741
Short-term loans payable	16,573	14,095
Current portion of bonds payable	10,000	—
Income taxes payable	4,920	2,229
Reserve for bonuses	2,160	561
Other reserves	2,032	2,998
Other current liabilities	19,576	21,658
Total current liabilities	139,264	128,004
Long-term liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	2,000	2,000
Deferred tax liabilities	10,060	5,690
Net defined benefit liability	12,181	12,482
Other reserves	1,359	397
Other long-term liabilities	5,715	5,848
Total long-term liabilities	41,315	36,417
Total Liabilities	180,579	164,421
(Net Assets)		
Shareholders' equity		
Common stock	24,211	24,211
Capital surplus	19,240	19,240
Retained earnings	190,273	198,884
Treasury stock, at cost	(12,245)	(17,238)
Total shareholders' equity	221,480	225,098
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	33,771	23,122
Deferred gains on hedges	(2)	(1)
Foreign currency translation adjustments	3,925	3,667
Remeasurements of defined benefit plans	(2,008)	(1,926)
Total accumulated other comprehensive income	35,687	24,862
Stock acquisition rights	246	283
Non-controlling interests	2,527	2,788
Total net assets	259,940	253,030
Total liabilities and net assets	440,519	417,451

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(2) Consolidated Statements of Income

	(Millions of yen)	
	For the nine months ended December 31, 2017	For the nine months ended December 31, 2018
Net sales	251,017	254,550
Cost of sales	174,554	180,390
Gross profit	76,463	74,160
Selling, general and administrative expenses	45,783	47,140
Operating income	30,680	27,020
Non-operating income		
Interest income	81	104
Dividend income	1,595	1,693
Foreign exchange gain	662	343
Share of profit of investments accounted for using the equity method	224	180
Miscellaneous income	325	570
Total non-operating income	2,886	2,890
Non-operating expenses		
Interest expenses	249	156
Depreciation of inactive non-current assets	278	159
Miscellaneous loss	183	293
Total non-operating expenses	710	607
Ordinary income	32,855	29,303
Extraordinary gains		
Gain on sales of non-current assets	2	7
Gain on sales of investment securities	231	1
Reversal of foreign currency translation adjustment	316	—
Other	72	0
Total extraordinary gains	622	9
Extraordinary losses		
Loss on disposal of fixed assets	358	362
Impairment loss	14,726	8,561
Other	2,472	37
Total extraordinary losses	17,556	8,961
Income before income taxes	15,921	20,351
Income taxes	9,222	7,509
Net income	6,700	12,842
Net income attributable to non-controlling interests	325	266
Net income attributable to owners of parent	6,375	12,575

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(3) Statement of Comprehensive Income

	(Millions of yen)	
	For the nine months ended Decembers 31, 2017	For the nine months ended Decembers 31, 2018
Net income	6,700	12,842
Other comprehensive income		
Valuation difference on available-for-sale securities	12,429	(10,650)
Deferred gains (losses) on hedges	(0)	(0)
Foreign currency translation adjustments	(1,016)	(288)
Remeasurements of defined benefit plans	1,125	82
Share of other comprehensive income of entities accounted for using equity method	17	25
Total other comprehensive income	<u>12,555</u>	<u>(10,830)</u>
Comprehensive income	<u>19,255</u>	<u>2,011</u>
Comprehensive income attributable to:		
Owners of parent	18,790	1,750
Non-controlling interests	465	261

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(4) Segment Information

Previous 3rd quarter cumulative period (From April 1, 2017 to December 31, 2017) (Millions of yen)

	Elastomer	Specialty Materials	Sub Total	Other	Total	Eliminations /Corporate	Consolidated
Net sales							
(1) Sales to third parties	144,588	66,146	210,734	40,283	251,017	—	251,017
(2) Intersegment sales and transfers	1,422	—	1,422	197	1,618	(1,618)	—
Total	146,009	66,146	212,155	40,480	252,635	(1,618)	251,017
Segment income and loss	16,642	13,400	30,042	2,548	32,590	(1,910)	30,680

Current 3rd quarter cumulative period (From April 1, 2018 to December 31, 2018) (Millions of yen)

	Elastomer	Specialty Materials	Sub Total	Other	Total	Eliminations /Corporate	Consolidated
Net sales							
(1) Sales to third parties	147,570	64,662	212,232	42,318	254,550	—	254,550
(2) Intersegment sales and transfers	1,651	—	1,651	226	1,876	(1,876)	—
Total	149,221	64,662	213,883	42,543	256,426	(1,876)	254,550
Segment income and loss	14,401	12,962	27,364	1,951	29,315	(2,295)	27,020