

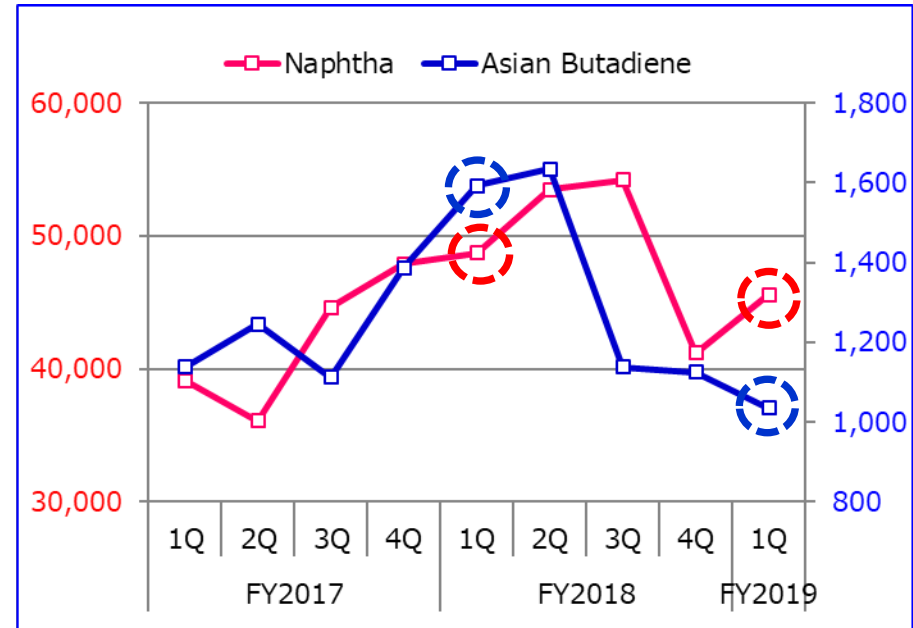
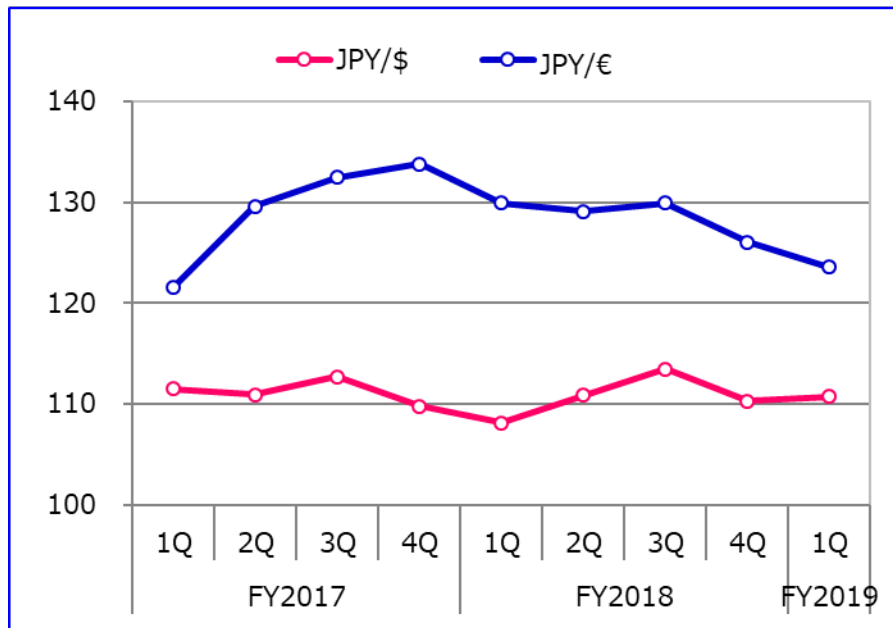
**Financial Report**  
**The 1<sup>st</sup> Quarter of FY2019**  
(From Apr. 1 to Jun. 30)

**ZEON**  
ZEON CORPORATION

Jul. 31, 2019

- ◆ Business Environment
- ◆ Summary and Topics
- ◆ Statement of Income (Consolidated)
  - Total
  - Elastomer Business
  - Specialty Business
  - Others
- ◆ Comparative Balance Sheet
- ◆ Forecast of Operating Performance for FY2019

		FY2019 1Q	FY2018 1Q	Increase/Decrease	
				Amount	Rate
	Ave. for 3 mo.				
Exchange rate	(JPY/\$)	110.8	108.1	2.7	2 %
Exchange rate	(JPY/€)	123.6	129.9	-6.3	-5 %
Crude Oil	(\$/bbl)	69	74	-5	-7 %
Naphtha price	(JPY/kl)	45,600	48,700	-3,100	-6 %
Asian Butadiene	(\$/ t )	1,035	1,593	-558	-35 %
Isoprene	(\$/ t )	1,380	1,390	-10	-1 %
Natural rubber	(\$/ t )	1,514	1,399	115	8 %



## Elastomer Business

- **Rubbers** Sluggish in domestic sales, export and overseas subsidiaries due to the global economic slowdown from US-China trade disputes.  
Operating Income was lower YoY due to fluctuation of raw material price.
- **Latexes** Net sales and operating income were almost the same YoY, due to the steady domestic sales of resin modifier.
- **Chemicals** Net sales in domestic and export was lower YoY due to the regular plant maintenance in Mizushima.  
Operating income increased due to the cost reductions.

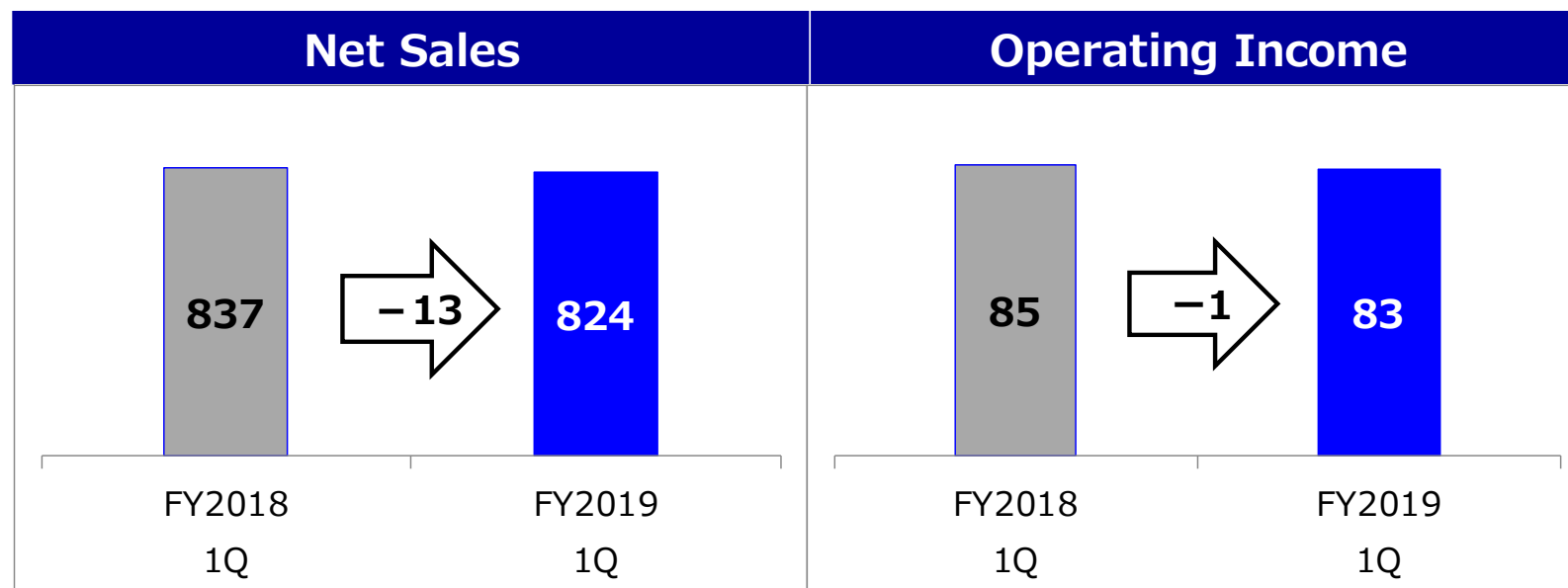
## Specialty Materials Business

- **Specialty Plastics** Steady both in optical resin and film. Net sales and operating income increased YoY.
- **Specialty Chemicals** Net sales in domestic and export of *Specialty Chemicals* Unit was lower YoY due to the regular plant maintenance in Mizushima.  
Net sales and operating income in this business segment total increased YoY due to the steady sales in Electronic Materials, Toner and Battery Materials.

	FY2019 1Q	FY2018 1Q	Increase/Decrease	
			Amount	Rate
Net Sales	824	837	-13	-1 %
Operating income	83	85	-1	-2 %
Non-operating income & expenses	3	12	-9	-72 %
Ordinary income	87	97	-10	-10 %
Profit or loss on extraordinary item	-1	-2	1	- %
Income before income taxes	85	95	-9	-10 %
Net income	61	67	-6	-9 %

## Comparative analysis

**Net sales: -1.3 billion yen, Operating income: -0.1 billion yen**



<Net Sales>		<Operating income>	
Elastomers	-38	Elastomers	-16
Specialty Materials	+27	Specialty Materials	+17
Others·Eliminations	- 1	Others	- 2

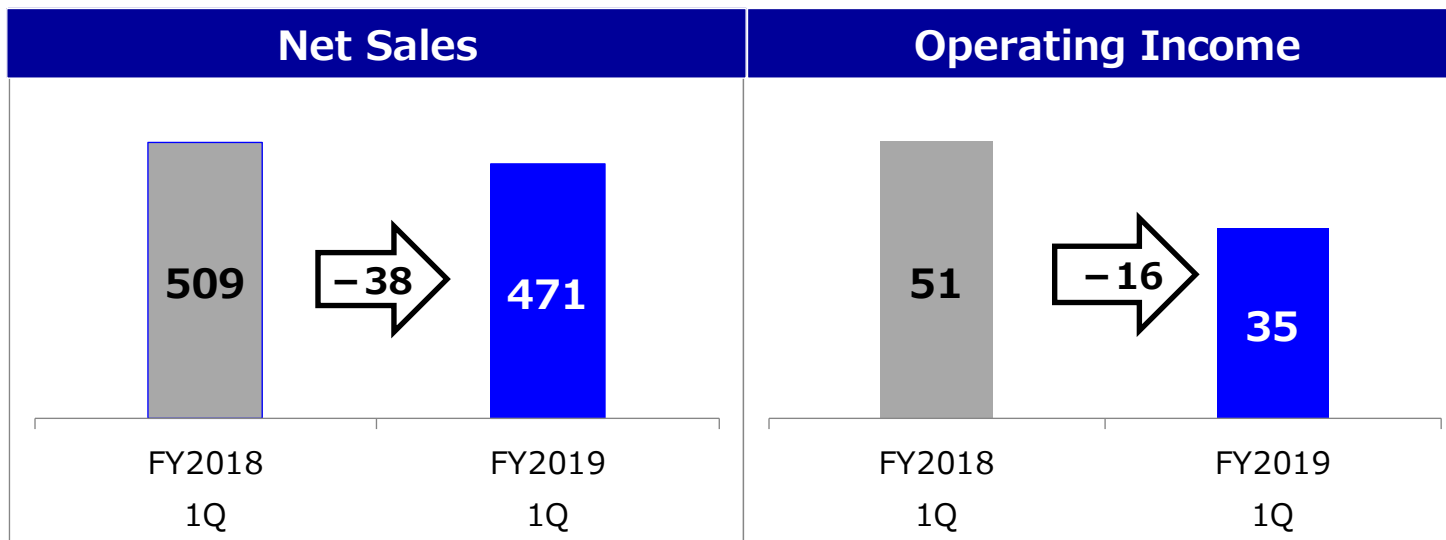
- ◆ **Elastomers:** Net sales: Decreased, Operating income: Decreased
- ◆ **Specialty Materials:** Net sales: Increased, Operating income: Increased

## Elastomer Business

	FY2019 1Q	FY2018 1Q	Increase/Decrease	
			Amount	Rate
<b>Sales volume</b> (thousand tons)	<b>147</b>	<b>159</b>	<b>-12</b>	<b>-8 %</b>
Rubbers	85	91	-6	-6 %
Latexes	30	31	-1	-4 %
Chemicals	32	37	-5	-14 %
<b>Net sales</b>	<b>471</b>	<b>509</b>	<b>-38</b>	<b>-8 %</b>
Rubbers	328	363	-36	-10 %
Latexes	45	44	0	1 %
Chemicals	92	98	-6	-6 %
Others / Eliminations	7	4	3	78 %
<b>Operating income</b>	<b>35</b>	<b>51</b>	<b>-16</b>	<b>-32 %</b>
Operating income ratio	7.4%	10.1%	-2.6 pt	

- ◆ **Rubbers:** Net Sales: Decreased, Operating income: Decreased  
10% decreased in net sales due to the sluggish business in automobile and general industry.
- ◆ **Chemicals:** Net Sales: Decreased, Operating income: Increased  
Sales volume decreased 6% due to the plant shut down, but the profit increased due to the cost reduction, etc.

## Elastomer Business



### ◆ Net Sales Variance by business unit

- **Rubbers:** -36: Sluggish in domestic, export and oversea subsidiaries
- **Latexes:** + 0
- **Chemicals:** - 6: Production adjustment by regular plant maintenance
- **Others:** + 3

### ◆ Operating Income Variance YoY

- **Quantity:** -9: Sales volume decreases in Rubbers and Chemicals
- **Price:** -9: Selling prices drop by formula
- **Exchange rate:** +1: JPY 108.1/ \$ ⇒ JPY 110.8/ \$
- **Raw materials prices:** -2: Impact of the high price raw material inventory from last fiscal year
- **SG&A:** +3: Decrease of freight and storage fee due to the sales volume decrease

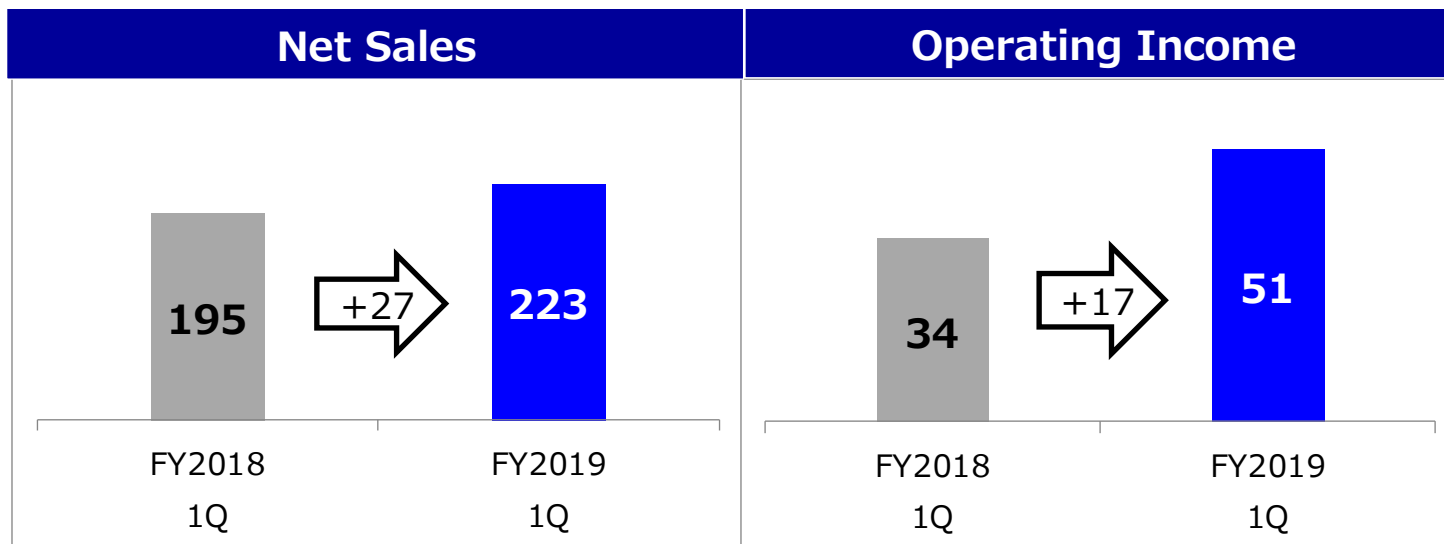


## Specialty Materials Business

	FY2019 1Q	FY2018 1Q	Increase/Decrease	
			Amount	Rate
<b>Net sales</b>	<b>223</b>	<b>195</b>	<b>27</b>	<b>14 %</b>
Specialty Plastics	142	116	26	23 %
Specialty Chemicals	67	66	1	1 %
Medical Devices, etc.	14	14	1	4 %
<b>Operating income</b>	<b>51</b>	<b>34</b>	<b>17</b>	<b>49 %</b>
Operating income ratio	22.7%	17.4%	5.3 pt	

- ◆ **Specialty Plastics:** Net Sales: Increased, Operating income: Increased
  - 2.6 billion yen increased in sales due to the steady sales in optical resins and optical films. Increased about 30% in net sales of optical films.
- ◆ **Specialty Chemicals:** Net Sales: Increased, Operating income: Increased
  - Specialty Chemical Unit: decreased in sales volume due to the regular plant maintenance.
  - Electronic Materials and Toner are steady.
  - Sales of Energy Materials marks double-digit growth.
  - Sales grows 1% in this segment total.

## Specialty Materials Business



### ◆ Net Sales Variance by business unit

- **Sp. Plastics: +26:** Steady in optical resins and optical films
- **Sp. Chemicals: + 1:** Steady in Electronic Materials, Toner and Battery Materials
- **Medical etc.: + 1**

### ◆ Operating Income Variance YoY

- **Quantity: +15:** Sales volume increased in optical films and energy materials
- **Price: - 5:** Selling prices of optical film market is weakened
- **Exchange rate: +1:** JPY 108.1/ \$ ⇒ JPY 110.8/ \$
- **Raw materials prices: +10:** Increase of the optical film production
- **SG&A: -4:** Increase of the freight due to the sales growth of the optical films

**Others**

	FY2019 1Q	FY2018 1Q	Increase/Decrease	
			Amount	Rate
Net sales	136	138	-3	-2 %
Operating income	4	6	-3	-39 %
Operating income ratio	2.9%	4.6%	-1.8 pt	

◆ **Others:** Net Sales: Decreased, Operating income: Decreased  
Sluggish in sales of Trading and RIM business.

# Comparative Balance Sheets (Consolidated)

**ZEON**

(Unit : JPY100m)

Assets				Liabilities and Net Assets			
	E/Jun. 2019	E/Mar. 2019	Increase / Decrease		E/Jun. 2019	E/Mar. 2019	Increase / Decrease
Current assets	2,147	2,272	-125	Current liabilities	1,148	1,300	-152
Cash and bank deposits	373	375	-2	Notes and account payable- trade	707	824	-117
Notes and accounts receivable- trade	758	784	-25	Short-term interest-bearing debt	121	121	0
Accounts receivable- other	255	357	-102	Other current liabilities	320	355	-35
Inventories	685	711	-26	Long-term Liabilities	365	357	7
Other current assets	76	46	30	Long-term interest-bearing debt	120	120	0
Fixed assets	1,978	1,977	1	Other long-term liabilities	245	237	7
Property, Plant and Equipment	1,054	1,023	31	Total net assets	2,613	2,592	21
Intangible assets	31	32	-1	Equity capital	2,582	2,562	20
Investment securities	783	811	-28	Other net assets	31	30	1
Other fixed assets	110	111	-1	Total Liabilities and net assets	4,126	4,249	-124
Total assets	4,126	4,249	-124				
Capital expenditures	55			Total interest-bearing debt	241	241	0
Depreciation & amortization	-40			Equity ratio (%)	62.6	60.3	2.3
Other factors	15			D/E ratio	0.09	0.09	0.00
Fixed assets	30						

## ◆ Cash flows

	19Q1	18Q1
Cash flows from operating activities	63	40
Cash flows from investing activities	-50	-38
Free cash flows	13	2
Cash flows from financing activities	-20	-127
Net increase (decrease) in cash and equivalents	-7	-125

# Forecast of Operating Performance for FY2019

(Unit : JPY100m)

	FY2019	FY2018	Increase/Decrease	
			Amount	Rate
Net sales	3,300	3,375	-75	-2 %
Elastomer Business	1,900	1,981	-81	-4 %
Specialty Materials Business	860	851	9	1 %
Others	565	567	-2	-0 %
Eliminations	-25	-25	-0	
Operating income	300	331	-31	-9 %
Operating income ratio	9.1%	9.8%	-0.7 pt	
Elastomer Business	144	177	-33	-19 %
Specialty Materials Business	170	161	9	5 %
Others	-14	-7	-7	- %
Non-operating income & expenses	20	32	-12	-37 %
Ordinary income	320	363	-43	-12 %
Net income	220	185	35	19 %
Exchange rate (JPY/\$)	105.0	110.7	-5.7	-5 %
Exchange rate (JPY/€)	120.0	128.7	-8.7	-7 %
Naphtha price (JPY/kl)	39,000	49,500	-10,500	-21 %
Asian Butadiene price (USD/t)	1,250	1,372	-122	-9 %

The Company is predicting no change in the forecast disclosed as of Apr. 26, 2019.

## Next Announcement of Financial Statements

The second quarter of FY2019	Oct. 31, 2019
---------------------------------	---------------

Subject to change without notice

Any forward-looking statements in this document are based upon information available to the company on the date of this release. These forward-looking statements are and will be, as the case may be, subject to many risks, uncertainties and factors relating to the company's operations and business environment which may cause the company's actual results to be materially different from any future results, expressed or implied, in these forward-looking statements.

This document is a translation of the original Japanese-language and is provided for convenience only.  
In all cases, the original Japanese version shall take precedence.

# Reference: Consolidated Statement of Income (Quarterly)

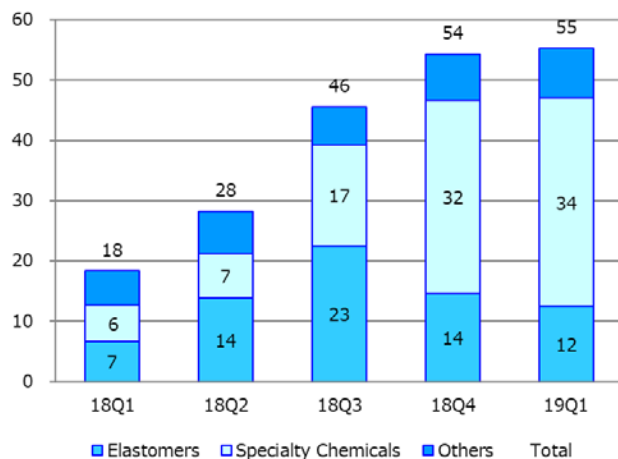
(Unit : JPY100m)

	2018				2019	Q4→Q1	
	Q1	Q2	Q3	Q4	Q1	Amount	Rate
Sales volume (thousand tons)	159	149	145	164	147	-17	-10%
Rubbers	91	84	80	99	85	-14	-14%
Latexes	31	29	30	32	30	-2	-6%
Chemicals	37	35	34	32	32	-1	-2%
Net sales	837	854	855	829	824	-5	-1%
Elastomer Business	509	493	490	489	471	-18	-4%
Rubbers	363	340	339	345	328	-17	-5%
Latexes	44	51	48	45	45	-0	-1%
Chemicals	98	96	95	94	92	-2	-2%
Others / Eliminations	4	6	7	5	7	2	39%
Specialty Materials Biz.	195	229	223	205	223	18	9%
Sp. Chemicals	66	68	70	72	67	-5	-7%
Sp. Plastics	116	148	138	117	142	25	21%
Medical, etc.	14	12	15	16	14	-2	-10%
Others / Eliminations	132	132	143	136	131	-5	-4%
Operating income	85	95	90	61	83	22	36%
Operating income ratio	10%	11%	11%	7%	10%	3 pt	
Elastomer Business	51	44	49	33	35	2	6%
Specialty Materials Biz.	34	53	42	32	51	19	60%
Ohters	-1	-2	-0	-3	-2	1	-

# Reference: Capital Expenditures, Depreciation & Amortization and R&D Expenses

(Unit : JPY100m)

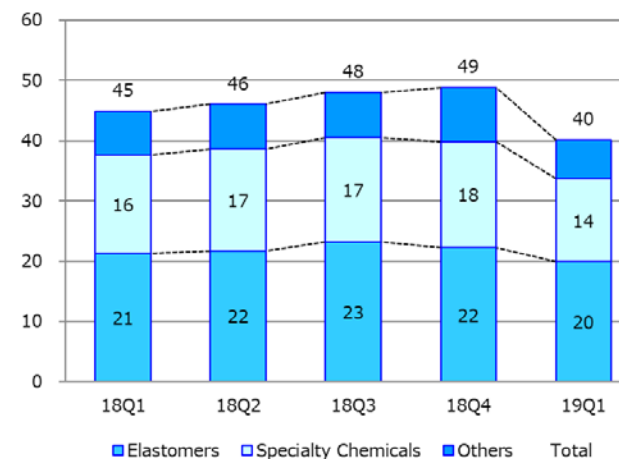
### Capital Expenditures



2018 Actl.  
146

2019  
Forecast  
330

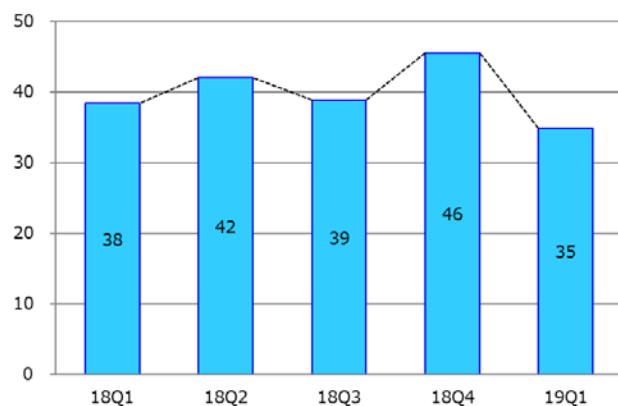
### Depreciation & Amortization



2018 Actl.  
188

2019  
Forecast  
180

### R&D Expenses



2018 Actl.  
165

2019  
Forecast  
165