

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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April 28, 2020

**Consolidated Financial Flash Report for the
Year Ended March 31, 2020**

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 Kazuyoshi Matsuura TEL: +81-3-3216-2747

Scheduled Date of the General Shareholders Meeting: June 26, 2020

Scheduled Date of the Submission of the Securities Report: June 26, 2020

Scheduled Date of Dividend Payments: From June 29, 2020

Note: Figures are rounded down to the nearest million yen.

1. Consolidated Performance for the Year Ended March 31, 2020 (From April 1, 2019 to March 31, 2020)**(1) Consolidated operating results**

(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 | % |
| Year ended March 31, 2020 | 321,966 | (4.6) | 26,104 | (21.2) | 28,744 | (20.9) | 20,201 | 9.4 |
| Year ended March 31, 2019 | 337,499 | 1.4 | 33,147 | (14.7) | 36,319 | (11.2) | 18,458 | 41.4 |

Notes: Comprehensive income:

Year ended March 31, 2020: 5,810 million yen (down 29.4%);

Year ended March 31, 2019: 8,224 million yen (down 57.6%)

| | Net income per share | Fully diluted net income per share | Return on equity | Ordinary income to total assets | Operating income to sales |
|---------------------------|----------------------|------------------------------------|------------------|---------------------------------|---------------------------|
| | Yen | Yen | % | % | % |
| Year ended March 31, 2020 | 92.44 | 92.30 | 7.9 | 6.9 | 8.1 |
| Year ended March 31, 2019 | 84.06 | 83.94 | 7.2 | 8.4 | 9.8 |

Reference: Share of (profit) loss of entities accounted for using equity method:

Year ended March 31, 2020: 116 million yen Year ended March 31, 2019: 235 million yen

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|----------------------|-----------------|-----------------|--------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| As of March 31, 2020 | 405,131 | 260,358 | 63.5 | 1,176.87 |
| As of March 31, 2019 | 424,937 | 259,156 | 60.3 | 1,172.40 |

Reference: Equity:

As of March 31, 2020: 257,217 million yen As of March 31, 2019: 256,167 million yen

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(3) Consolidated cash flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at the end of the year |
|---------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Year ended March 31, 2020 | 28,430 | (24,570) | (8,276) | 30,198 |
| Year ended March 31, 2019 | 40,393 | (21,426) | (23,575) | 34,846 |

2. Cash Dividends

| Record date | Cash dividend per share | | | | | Total annual cash dividends | Dividend payout ratio (Consolidated) | Ratio of dividends to net assets (Consolidated) |
|---------------------------------------|-------------------------|-------------|----------|--------------|--------------|-----------------------------|--------------------------------------|---|
| | 1Q end | Interim | 3Q end | Year-end | Full year | | | |
| Year ended March 31, 2019 | Yen — | Yen 9.00 | Yen — | Yen 10.00 | Yen 19.00 | Millions of yen 4,151 | % 22.6 | % 1.6 |
| Year ended March 31, 2020 | — | 11.00 | — | 10.00 | 21.00 | 4,590 | 22.7 | 1.8 |
| Year ending March 31, 2021 (Forecast) | — | — | — | — | — | | — | |

Note: The forecast of cash dividends for the year ending March 31, 2021 has yet to be determined.

3. Projected Consolidated Performance for the Year Ending March 31, 2021

(From April 1, 2020 to March 31, 2021)

The projected consolidated performance for the year ending March 31, 2021 has yet to be determined due to the difficulty of rationally calculating how the COVID-19 pandemic will affect the company's business operations and performance; however, it will be promptly disclosed when it becomes available.

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4. Other Matters

(1) Material changes in subsidiaries during this period (changes in scope of consolidations resulting from change in subsidiaries): No

(2) Changes in accounting principle, 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

(3) Number of shares outstanding (Common stock)

- (i) Number of shares outstanding at the end of the year (Including treasury stock)
As of March 31, 2020: 237,075,556 shares As of March 31, 2019: 237,075,556 shares
- (ii) Number of treasury stock
As of March 31, 2020: 18,515,473 shares As of March 31, 2019: 18,577,060 shares
- (iii) Average number of shares outstanding in each year
Year ended March 31, 2020: 218,541,188 shares Year ended March 31, 2019: 219,582,485 shares

Reference: Summary of Non-consolidated Performance**Non-consolidated Performance for the Year ended March 31, 2020**

(From April 1, 2019 to March 31, 2020)

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

(1) Non-consolidated operating results

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---------------------------|-----------------|-------|------------------|--------|-----------------|--------|-----------------|-------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Year ended March 31, 2020 | 214,977 | (4.0) | 19,268 | (12.3) | 26,023 | (5.6) | 19,594 | 90.8 |
| Year ended March 31, 2019 | 223,848 | 2.2 | 21,973 | (21.1) | 27,573 | (14.7) | 10,270 | 484.0 |

| | Net income per share | | Fully diluted net income per share | |
|---------------------------|----------------------|--|------------------------------------|--|
| | Yen | | Yen | |
| Year ended March 31, 2020 | 89.66 | | 89.53 | |
| Year ended March 31, 2019 | 46.77 | | 46.70 | |

(2) Non-consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---------------------------|-----------------|-----------------|--------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| Year ended March 31, 2020 | 326,723 | 194,240 | 59.4 | 887.43 |
| Year ended March 31, 2019 | 350,230 | 192,771 | 55.0 | 880.90 |

Reference: Equity

As of March 31, 2020: 193,957 million yen As of March 31, 2019: 192,475 million yen

The financial flash report is not subject to auditing procedures by certified public accountants or auditing firms.

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

| | (Millions of yen) | |
|--|--|---|
| | Previous fiscal year (As of March 31, 2019) | Current fiscal year (As of March 31, 2020) |
| (Assets) | | |
| Current assets | | |
| Cash and bank deposits | 37,534 | 32,029 |
| Notes and accounts receivable—trade | 74,823 | 68,603 |
| Electronically recorded monetary claims | 3,529 | 2,729 |
| Merchandise and finished goods | 52,494 | 53,026 |
| Work in process | 3,832 | 3,937 |
| Raw materials and supplies | 14,799 | 16,240 |
| Accounts receivable—other | 35,675 | 30,018 |
| Other current assets | 4,631 | 7,946 |
| Allowance for doubtful accounts | (80) | (81) |
| Total current assets | 227,238 | 214,447 |
| Fixed assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 39,354 | 40,123 |
| Machinery, equipment and vehicles, net | 33,334 | 29,465 |
| Land | 18,255 | 18,268 |
| Construction in progress | 8,323 | 22,573 |
| Other property, plant and equipment, net | 3,057 | 4,361 |
| Total property, plant and equipment | 102,323 | 114,791 |
| Intangible assets | | |
| Other intangible assets | 3,197 | 3,669 |
| Total intangible assets | 3,197 | 3,669 |
| Investments and other assets | | |
| Investment securities | 81,103 | 62,118 |
| Net defined benefit asset | 44 | 21 |
| Deferred tax assets | 801 | 2,713 |
| Other investments and assets | 10,460 | 7,618 |
| Allowance for doubtful accounts | (229) | (245) |
| Total investments and other assets | 92,179 | 72,224 |
| Total fixed assets | 197,700 | 190,684 |
| Total assets | 424,937 | 405,131 |

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| | (Millions of yen) | |
|---|--|---|
| | Previous fiscal year (As of March 31, 2019) | Current fiscal year (As of March 31, 2020) |
| (Liabilities) | | |
| Current liabilities | | |
| Notes and accounts payable—trade | 78,862 | 62,926 |
| Electronically recorded monetary claims | 3,552 | 2,765 |
| Short-term loans payable | 12,125 | 10,960 |
| Income taxes payable | 6,894 | 2,999 |
| Provision for bonuses | 2,216 | 1,919 |
| Other provisions | 4,059 | 3,035 |
| Other current liabilities | 22,331 | 27,807 |
| Total current liabilities | 130,039 | 112,410 |
| Long-term liabilities | | |
| Bonds payable | 10,000 | 10,000 |
| Long-term loans payable | 2,000 | — |
| Deferred tax liabilities | 5,107 | 758 |
| Net defined benefit liability | 12,373 | 12,704 |
| Other provisions | 771 | 1,744 |
| Other long-term liabilities | 5,491 | 7,156 |
| Total long-term liabilities | 35,742 | 32,363 |
| Total Liabilities | 165,781 | 144,773 |
| (Net Assets) | | |
| Shareholders' equity | | |
| Common stock | 24,211 | 24,211 |
| Capital surplus | 19,240 | 19,252 |
| Retained earnings | 204,767 | 220,379 |
| Treasury stock, at cost | (17,238) | (17,181) |
| Total shareholders' equity | 230,981 | 246,662 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 24,117 | 10,027 |
| Deferred gains (losses) on hedges | (0) | (1) |
| Foreign currency translation adjustments | 2,629 | 2,511 |
| Remeasurements of defined benefit plans | (1,560) | (1,981) |
| Total accumulated other comprehensive income | 25,187 | 10,556 |
| Stock acquisition rights | 296 | 283 |
| Non-controlling interests | 2,693 | 2,858 |
| Total net assets | 259,156 | 260,358 |
| Total liabilities and net assets | 424,937 | 405,131 |

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(2) Consolidated Statements of Income

| | (Millions of yen) | |
|---|---|--|
| | Previous fiscal year (From April 1, 2018 to March 31, 2019) | Current fiscal year (From April 1, 2019 to March 31, 2020) |
| Net sales | 337,499 | 321,966 |
| Cost of sales | 240,757 | 230,055 |
| Gross profit | 96,742 | 91,911 |
| Selling, general and administrative expenses | 63,595 | 65,807 |
| Operating income | 33,147 | 26,104 |
| Non-operating income | | |
| Interest income | 146 | 165 |
| Dividend income | 2,338 | 2,848 |
| Foreign exchange gains | 83 | — |
| Share of profit of entities accounted for using equity method | 235 | 116 |
| Miscellaneous income | 1,092 | 684 |
| Total non-operating income | 3,894 | 3,813 |
| Non-operating expenses | | |
| Interest expense | 200 | 139 |
| Foreign exchange loss | — | 663 |
| Depreciation of inactive non-current assets | 177 | 172 |
| Miscellaneous loss | 346 | 199 |
| Total non-operating expenses | 723 | 1,173 |
| Ordinary income | 36,319 | 28,744 |
| Extraordinary gains | | |
| Gain on sales of investment securities | 8 | 2 |
| Gain on sales of non-current assets | 13 | 3 |
| Other | 0 | — |
| Total extraordinary gains | 22 | 5 |
| Extraordinary losses | | |
| Loss on disposal of non-current assets | 642 | 539 |
| Loss on valuation of investment securities | — | 707 |
| Impairment loss | 8,606 | — |
| Other | 49 | 22 |
| Total extraordinary losses | 9,297 | 1,268 |
| Income before income taxes | 27,044 | 27,480 |
| Income taxes—current | 9,485 | 7,392 |
| Income taxes for prior periods | (359) | — |
| Income taxes—deferred | (879) | (261) |
| Total taxes | 8,247 | 7,130 |
| Net income | 18,797 | 20,350 |
| Net income attributable to non-controlling interests | 338 | 148 |
| Net income attributable to owners of parent | 18,458 | 20,201 |

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(3) Statement of Comprehensive Income

| | (Millions of yen) | |
|--|---|--|
| | Previous fiscal year (From April 1, 2018 to March 31, 2019) | Current fiscal year (From April 1, 2019 to March 31, 2020) |
| Net income | 18,797 | 20,350 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (9,654) | (14,091) |
| Deferred gains (losses) on hedges | 1 | (0) |
| Foreign currency translation adjustments | (1,343) | (154) |
| Remeasurements of defined benefit plans | 448 | (421) |
| Share of other comprehensive income of entities accounted for using equity method | (25) | 126 |
| Total other comprehensive income | <u>(10,573)</u> | <u>(14,540)</u> |
| Comprehensive income | <u>8,224</u> | <u>5,810</u> |
| Comprehensive income attributable to: | | |
| Owners of parent | 7,958 | 5,571 |
| Non-controlling interests | 266 | 239 |

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(4) Consolidated Statements of Changes in Net Assets

Previous fiscal year (From April 1, 2018 to March 31, 2019)

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of current period | 24,211 | 19,240 | 190,273 | (12,245) | 221,480 |
| Changes of items during the period | | | | | |
| Dividends from surplus | | | (3,965) | | (3,965) |
| Profit attributable to owners of parent | | | 18,458 | | 18,458 |
| Disposal of treasury stock | | (0) | | 7 | 7 |
| Purchase of treasury stock | | | | (5,001) | (5,001) |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the period | — | (0) | 14,494 | (4,993) | 9,501 |
| Balance at the end of current period | 24,211 | 19,240 | 204,767 | (17,238) | 230,981 |

| | Accumulated other comprehensive income | | | | | Subscription rights to shares | Non-controlling interests | Total net assets |
|--|---|-----------------------------------|---|---|--|-------------------------------|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains (losses) on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at the beginning of current period | 33,771 | (2) | 3,925 | (2,008) | 35,687 | 246 | 2,527 | 259,940 |
| Changes of items during the period | | | | | | | | |
| Dividends from surplus | | | | | | | | (3,965) |
| Profit attributable to owners of parent | | | | | | | | 18,458 |
| Disposal of treasury stock | | | | | | | | 7 |
| Purchase of treasury stock | | | | | | | | (5,001) |
| Net changes of items other than shareholders' equity | (9,654) | 1 | (1,296) | 448 | (10,500) | 50 | 166 | (10,285) |
| Total changes of items during the period | (9,654) | 1 | (1,296) | 448 | (10,500) | 50 | 166 | (784) |
| Balance at the end of current period | 24,117 | (0) | 2,629 | (1,560) | 25,187 | 296 | 2,693 | 259,156 |

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Current fiscal year (From April 1, 2019 to March 31, 2020)

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of current period | 24,211 | 19,240 | 204,767 | (17,238) | 230,981 |
| Changes of items during the period | | | | | |
| Dividends from surplus | | | (4,589) | | (4,589) |
| Profit attributable to owners of parent | | | 20,201 | | 20,201 |
| Disposal of treasury stock | | 12 | | 58 | 70 |
| Purchase of treasury stock | | | | (1) | (1) |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the period | — | 12 | 15,612 | 57 | 15,681 |
| Balance at the end of current period | 24,211 | 19,252 | 220,379 | (17,181) | 246,662 |

| | Accumulated other comprehensive income | | | | | Subscription rights to shares | Non-controlling interests | Total net assets |
|--|---|-----------------------------------|---|---|--|-------------------------------|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains (losses) on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at the beginning of current period | 24,117 | (0) | 2,629 | (1,560) | 25,187 | 296 | 2,693 | 259,156 |
| Changes of items during the period | | | | | | | | |
| Dividends from surplus | | | | | | | | (4,589) |
| Profit attributable to owners of parent | | | | | | | | 20,201 |
| Disposal of treasury stock | | | | | | | | 70 |
| Purchase of treasury stock | | | | | | | | (1) |
| Net changes of items other than shareholders' equity | (14,091) | (0) | (119) | (421) | (14,631) | (13) | 165 | (14,479) |
| Total changes of items during the period | (14,091) | (0) | (119) | (421) | (14,631) | (13) | 165 | 1,202 |
| Balance at the end of current period | 10,027 | (1) | 2,511 | (1,981) | 10,556 | 283 | 2,858 | 260,358 |

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(5) Cash Flow Statement

| | (Millions of yen) | |
|---|---|--|
| | Previous fiscal year (From April 1, 2018 to March 31, 2019) | Current fiscal year (From April 1, 2019 to March 31, 2020) |
| Net cash provided by operating activities | | |
| Income before income taxes and minority interests | 27,044 | 27,480 |
| Depreciation and amortization | 18,780 | 17,448 |
| Gain on goodwill | 41 | — |
| Increase (decrease) in provision for repair | 1,419 | (34) |
| Interest and dividends income | (2,483) | (3,014) |
| Interest expenses | 200 | 139 |
| Loss (gain) on disposal of non-current assets | 629 | 536 |
| Impairment loss | 8,606 | — |
| Loss (gain) on valuation of investment securities | — | 707 |
| Decrease (increase) in notes and accounts receivable—trade | 48 | 6,617 |
| Decrease (increase) in inventories | (7,760) | (2,204) |
| Increase (decrease) in notes and accounts payable—trade | (916) | (16,401) |
| Other, net | 1,911 | 5,504 |
| Subtotal | 47,518 | 36,779 |
| Interest and dividends income received | 2,561 | 2,997 |
| Interest expenses paid | (219) | (132) |
| Proceeds from insurance income | 501 | — |
| Income taxes paid | (10,387) | (11,451) |
| Other, net | 419 | 238 |
| Net cash provided by operating activities | 40,393 | 28,430 |
| Net cash provided by (used in) investing activities | | |
| Purchase of property, plant and equipment | (12,041) | (21,788) |
| Purchase of intangible assets | (733) | (1,347) |
| Purchase of investment securities | (7,388) | (1,345) |
| Purchase of long-term prepaid expenses | (218) | (642) |
| Payments of loans receivable | (2,096) | (4,568) |
| Collection of loans receivable | 2,283 | 4,469 |
| Net decrease (increase) in time deposits | (859) | 947 |
| Other, net | (373) | (295) |
| Net cash provided by (used in) investing activities | (21,426) | (24,570) |
| Net cash used in financing activities | | |
| Net increase (decrease) in short-term loans payable | (1,407) | (3,165) |
| Repayment of long-term loans payable | (2,971) | — |
| Redemption of bonds | (10,000) | — |
| Purchase of treasury shares | (5,001) | (1) |
| Cash dividends paid shareholders | (3,959) | (4,587) |
| Dividends paid to non-controlling interests | (82) | (34) |
| Other, net | (155) | (489) |
| Net cash used in financing activities | (23,575) | (8,276) |
| Effect of exchange rate change on cash and cash equivalents | (338) | (232) |
| Net increase (decrease) in cash and cash equivalents | (4,946) | (4,648) |
| Cash and cash equivalents at beginning of period | 39,791 | 34,846 |
| Cash and cash equivalents at end of period | 34,846 | 30,198 |

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(6) Segment Information

a. Business segments

Previous fiscal year (From April 1, 2018 to March 31, 2019) (Millions of yen)

| | Elastomer | Specialty Materials | Sub Total | Other | Total | Adjustment | Consolidated |
|---|----------------|---------------------|----------------|---------------|----------------|----------------|----------------|
| Net sales | | | | | | | |
| Sales to third parties | 195,931 | 85,142 | 281,073 | 56,426 | 337,499 | — | 337,499 |
| Intersegment sales and transfers | 2,156 | — | 2,156 | 308 | 2,463 | (2,463) | — |
| Total | 198,087 | 85,142 | 283,229 | 56,733 | 339,962 | (2,463) | 337,499 |
| Operating income | 17,691 | 16,115 | 33,807 | 2,786 | 36,593 | (3,446) | 33,147 |
| Assets | 209,089 | 89,402 | 298,491 | 32,907 | 331,398 | 93,539 | 424,937 |
| Others | | | | | | | |
| Depreciation and amortization | 8,864 | 6,793 | 15,657 | 302 | 15,958 | 2,822 | 18,780 |
| Gain on goodwill | 41 | — | 41 | — | 41 | — | 41 |
| Investments in entities accounted for using equity method | 1,943 | — | 1,943 | — | 1,943 | — | 1,943 |
| Increase in property, plant and equipment and intangible assets | 5,744 | 6,234 | 11,978 | 359 | 12,337 | 2,303 | 14,640 |

Current fiscal year (From April 1, 2019 to March 31, 2020) (Millions of yen)

| | Elastomer | Specialty Materials | Sub Total | Other | Total | Adjustment | Consolidated |
|---|----------------|---------------------|----------------|---------------|----------------|----------------|----------------|
| Net sales | | | | | | | |
| Sales to third parties | 176,956 | 91,749 | 268,705 | 53,262 | 321,966 | — | 321,966 |
| Intersegment sales and transfers | 1,892 | — | 1,892 | 211 | 2,103 | (2,103) | — |
| Total | 178,847 | 91,749 | 270,596 | 53,473 | 324,069 | (2,103) | 321,966 |
| Operating income | 9,642 | 17,311 | 26,953 | 2,098 | 29,052 | (2,948) | 26,104 |
| Assets | 189,618 | 101,425 | 291,044 | 31,193 | 322,236 | 82,895 | 405,131 |
| Others | | | | | | | |
| Depreciation and amortization | 8,432 | 6,089 | 14,520 | 312 | 14,832 | 2,616 | 17,448 |
| Gain on goodwill | — | — | — | — | — | — | — |
| Investments in entities accounted for using equity method | 2,156 | — | 2,156 | — | 2,156 | — | 2,156 |
| Increase in property, plant and equipment and intangible assets | 7,792 | 17,965 | 25,757 | 95 | 25,852 | 3,236 | 29,088 |

b. Sales by region

Previous fiscal year (From April 1, 2018 to March 31, 2019) (Millions of yen)

| Japan | North America | Europe | Asia (except Japan) | Other | Total |
|---------|---------------|--------|------------------------|-------|---------|
| 150,003 | 29,759 | 34,214 | 119,104 | 4,419 | 337,499 |

Current fiscal year (From April 1, 2019 to March 31, 2020) (Millions of yen)

| Japan | North America | Europe | Asia (except Japan) | Other | Total |
|---------|---------------|--------|------------------------|-------|---------|
| 142,303 | 26,075 | 32,355 | 117,620 | 3,613 | 321,966 |