

Financial Report

The 1st Quarter of FY2015

(From Apr. 1 to Jun. 30, 2014)



August 6, 2014

Statement of Income (Consolidated) for 3 Months ended June 30, 2014

ZEON

	First Quarter ended June 30 2014	First Quarter ended June 30 2013	Increase (Decrease)		Remarks (JPY100m)
			Amount	Percentage	
Net sales	748	724	24	3 %	Comparative Analysis of Net sales
Elastomer Business	462	455	6	1 %	Quantity variance +36
Specialty Materials Business	167	155	12	8 %	Price variance -22
Others	126	121	5	4 %	Exchange rate variance +10
Eliminations	-6	-7	1		
Operating income	62	87	-25	-29 %	Comparative Analysis of Operating income
(Operating income ratio) (%)	8.3%	12.0%	-3.7 pt		Quantity variance -2 Raw materials price variance -4
Elastomer Business	42	59	-17	-28 %	Price variance -22 SG & A etc. -7
Specialty Materials Business	16	25	-9	-35 %	Exchange rate variance +10
Others	4	3	1	23 %	
Non-operating income & expenses	-1	13	-15	-110 %	Foreign exchange gain -17
Ordinary income	61	100	-39	-39 %	
Income before income taxes	64	100	-36	-36 %	
Net income	39	62	-23	-37 %	
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Exchange rate (JPY/\$)	102.4	97.7	5	5 %	
Exchange rate (JPY/€)	140.5	126.9	14	11 %	
Naphtha price (JPY/kl)	70,100	65,500	4,600	7 %	
Asian Butadiene price (USD/t)	1,295	1,405	-110	-8 %	

Elastomer Business

	First Quarter ended June 30 2014	First Quarter ended June 30 2013	Increase (Decrease)		Remarks (JPY100m)
			Amount	Percentage	
Sales volume (thousand ton)	131	132	-1	-1 %	
Rubbers	75	79	-4	-5 %	
Latices	27	30	-3	-9 %	
Chemicals	29	24	5	22 %	
Net Sales	462	455	6	1 %	
Rubbers	321	311	10	3 %	
Latices	42	51	-9	-18 %	
Chemicals	93	88	5	5 %	
Eliminations	6	5	0	8 %	
Operating income	42	59	-17	-28 %	
(Operating income ratio) (%)	9.1%	12.9%	-3.8 pt		

◆ Breakdown of year on year decrease of 5% for rubbers sales volume

General-purpose rubbers	-10%	Domestic sales -5%, Export sales -17%, Overseas subsidiaries 0%
Specialty rubbers	+5%	Domestic sales +5%, Export sales +2%, Overseas subsidiaries +6%

◆ Specialty rubbers component ratio

Sales volume	36%	(Q1/FY2013: 32%)
Sales amount	58%	(Q1/FY2013: 53%)

Specialty Materials Business

	First Quarter ended June 30 2014	First Quarter ended June 30 2013	Increase (Decrease)		Remarks (JPY100m)
			Amount	Percentage	
Net Sales	167	155	12	8 %	
Specialty chemicals	49	49	0	0 %	
Specialty plastics	108	96	12	12 %	
Medical devices etc.	10	10	-0	-2 %	
Operating Income	16	25	-9	-35 %	
(Operating income ratio) (%)	9.7%	16.1%	-6.4 pt		

◆ Breakdown of year on year increase of 0% for specialty chemicals sales amount

Specialty Chemicals +20%, Electronic materials +8%, Battery materials +2%,
Toner -13%, Withdrawal from the magnetic tape materials business

◆ Breakdown of year on year increase of +12% for specialty plastics sales amount

Cyclo-Olefin Polymer resins +13%, Optical films +12%

◆ Sales volume growth rate for optical films +18%

◆ Proportion of the diagonally stretched optical film sales to total optical film sales

Q1/FY2014 24% → Q1/FY2015 24%

Others

	First Quarter ended June 30 2014	First Quarter ended June 30 2013	Increase (Decrease)		Remarks (JPY100m)
			Amount	Percentage	
Net Sales	126	121	5	4 %	
Operating Income	4	3	1	22 %	
(Operating income ratio) (%)	3.1%	2.6%	0.4 pt		

Consolidated Statement of Income (Quarterly trends)

	FY2014				FY 2015	Increase (Decrease) Q4/FY2014 vs. Q1/FY2015		Remarks (JPY100m)
	Q1	Q2	Q3	Q4	Q1	Amount	Percentage	
Sales Volume (thousand ton)	132	130	136	130	131	1	1 %	
Rubbers	79	78	79	76	75	-1	-1 %	
Latices	30	28	30	26	27	1	3 %	
Chemicals	24	24	27	28	29	1	3 %	
Net Sales	724	759	751	729	748	19	3 %	Comparative Analysis of Net sales
Elastomer business	455	466	464	458	462	4	1 %	Quantity variance +27
Rubbers	311	317	320	309	321	13	4 %	Price variance -6
Latices	51	43	45	43	42	-1	-2 %	Exchange rate variance -2
Chemicals	88	101	94	100	93	-8	-8 %	
Others and Eliminations	5	4	5	6	6	-0	-6 %	
Specialty materials business	155	175	164	148	167	19	13 %	
Specialty chemicals	49	48	47	46	49	4	8 %	
Specialty plastics	96	116	105	91	108	16	18 %	
Medical devices etc.	10	11	12	11	10	-1	-11 %	
Others and Eliminations	114	118	123	124	120	-4	-3 %	
Operating income	87	81	77	54	62	8	14 %	Comparative Analysis of Operating income
(Operating income ratio) (%)	12%	11%	10%	7%	8%	1 pt		Quantity variance +7 Raw materials price variance -1
Elastomer business	59	48	45	41	42	1	2 %	Price variance -6 SG & A etc. +10
Specialty materials business	25	29	27	10	16	6	60 %	Exchange rate variance -2
Others and Eliminations	3	4	5	3	4	1	36 %	
Ordinary income	100	82	91	53	61	8	14 %	
Net income	62	46	63	25	39	14	55 %	
Exchange rate (JPY/\$)	97.7	98.4	99.6	103.4	102.4	-1.0	-1 %	
Exchange rate (JPY/€)	126.9	129.6	135.5	141.4	140.5	-0.9	-1 %	
Naphtha price (JPY/kl)	65,500	63,900	67,800	72,000	70,100	-1,900	-3 %	
Asian Butadiene price (USD/t)	1,405	1,144	1,570	1,409	1,295	-114	-8 %	

Capital Expenditures, Depreciation & Amortization and R & D Expenses (Quarterly trends)

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(Unit : Millions of JPY)

	FY2014				FY 2015	Increase (Decrease) Q1/FY2014 vs. Q1/FY2015		FY 2015	Increase (Decrease) FY2015 vs. FY2014	
	Q1	Q2	Q3	Q4	Q1	Amount	percentage	forecast	Amount	percentage
Capital Expenditures	37	70	91	72	39					
Elastomer business	26	30	50	21	21					
Specialty materials business	8	35	35	43	14					
Others and Eliminations	3	5	6	8	4					
Cumulative Capital Expenditures	37	108	199	271	39	2	5 %	267	-4	-2 %
Elastomer business	26	57	107	128	21	-6	-22 %			
Specialty materials business	8	43	78	121	14	6	73 %			
Others and Eliminations	3	8	15	23	4	2	61 %			
Depreciation & Amortization	39	40	44	48	42					
Elastomer business	16	17	19	22	20					
Specialty materials business	18	18	20	18	17					
Others and Eliminations	5	5	5	8	5					
Cumulative Depreciation & Amortization	39	78	122	171	42	3	9 %	216	45	27 %
Elastomer business	16	33	52	74	20	4	22 %			
Specialty materials business	18	36	56	74	17	-0	-2 %			
Others and Eliminations	5	10	15	23	5	0	6 %			
R & D Expenses	27	31	32	37	33					
Cumulative R & D Expenses	27	58	90	127	33	6	23 %	133	6	5 %

Comparative Balance Sheets (Consolidated)

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(Unit : Millions of JPY)

Assets			
	As of June 30, 2014	As of Mar. 31, 2014	Increase (Decrease)
Current assets	1,860	1,784	76
Cash and bank deposits	102	91	11
Notes and accounts receivable-trade	730	711	20
Accounts receivable-other	318	303	15
Inventories	631	610	21
Other current assets	78	70	8
Fixed assets	1,900	1,925	-24
Property, Plant and Equipment	1,216	1,227	-11
Intangible assets	58	59	-1
Investment securities	551	560	-9
Other fixed assets	75	78	-3
Total Assets	3,760	3,709	51

Liabilities and Net assets			
	As of June 30, 2014	As of Mar. 31, 2014	Increase (Decrease)
Current liabilities	1,383	1,337	47
Notes and accounts payable-trade	708	648	60
Short-term interest-bearing debt	429	353	76
Other current liabilities	246	336	-90
Long-term liabilities	556	558	-2
Long-term interest-bearing debt	300	303	-3
Other long-term liabilities	257	255	1
Total Net assets	1,821	1,814	6
Equity capital	1,782	1,776	6
Other net assets	38	38	0
Total Liabilities and Net assets	3,760	3,709	51

Capital Expenditures	39
Depreciation & Amortization	-42
Other factors	-9
Fixed assets	-13

Total interest-bearing debt	729	656	73
Equity ratio	47.4	47.9	-0.5
D/E Ratio	0.41	0.37	0.04

Forecast of Operating Performance for FY2015

ZEON

(Unit : Millions of JPY)

	FY2015	FY2014	Increase (Decrease)	
			Amount	Percentage
Net sales	3,100	2,964	136	5 %
Elastomer Business	1,964	1,844	120	7 %
Specialty Materials Business	646	642	4	1 %
Others	511	508	3	1 %
Eliminations	-21	-29	8	
Operating income	250	299	-49	-16 %
(Operating income ratio) (%)	8.1%	10.1%	-2.0 pt	
Elastomer Business	203	193	10	5 %
Specialty Materials Business	32	91	-59	-65 %
Others	15	15	0	3 %
Non-operating income & expenses	0	27	-27	
Ordinary income	250	326	-76	-23 %
Net income	170	197	-27	-14 %
Exchange rate (JPY/\$)	100.0	99.8	0	0 %
Exchange rate (JPY/€)	140.0	133.4	7	5 %
Naphtha price (JPY/kl)	69,000	67,200	1,800	3 %
Asian Butadiene price (USD/t)	1,500	1,382	118	9 %

The company is predicting no changes in the forecast disclosed as of May 8, 2014.

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.