

Financial Report

The 1st Quarter of FY2016

(From Apr. 1 to Jun. 30, 2015)



July 29, 2015

Statement of Income (Consolidated) for 3 Months ended June 30, 2015

	2015 Q1	2014 Q1	Increase (Decrease)		Remarks (JPY100m)
			Amount	Percentage	
Net sales	760	748	11	2 %	Comparative Analysis of Net sales
Elastomer Business	468	462	7	1 %	Quantity variance +46
Specialty Materials Business	176	167	10	6 %	Price variance -57
Others	120	126	-6	-5 %	Exchange rate variance +22
Eliminations	-5	-6	1		
Operating income	78	62	16	26 %	Comparative Analysis of Operating income
(Operating income ratio) (%)	10.3%	8.3%	2.0 pt		Quantity variance +9 Raw materials price variance +50
Elastomer Business	57	42	15	35 %	Price variance -57 SG & A etc. -8
Specialty Materials Business	19	16	3	18 %	Exchange rate variance +22
Others	3	4	-1	-27 %	
Non-operating income & expenses	7	-1	8	- %	
Ordinary income	85	61	25	41 %	
Income before income taxes	86	64	22	35 %	
Net income	56	39	17	43 %	
Exchange rate (JPY/\$)	121.0	102.4	18.6	18 %	
Exchange rate (JPY/€)	132.7	140.5	-7.8	-6 %	
Naphtha price (JPY/kl)	48,900	69,900	-21,000	-30 %	
Asian Butadiene price (USD/t)	1,175	1,295	-120	-9 %	

Elastomer Business

	2015 Q1	2014 Q1	Increase (Decrease)		Remarks (JPY100m)
			Amount	Percentage	
Sales volume (thousand ton)	141	131	10	8 %	
Rubbers	77	75	2	2 %	
Latices	33	27	6	21 %	
Chemicals	32	29	3	10 %	
Net Sales	468	462	7	1 %	
Rubbers	312	321	-9	-3 %	
Latices	51	42	9	23 %	
Chemicals	99	93	6	7 %	
Eliminations	6	6	0	3 %	
Operating income	57	42	15	35 %	
(Operating income ratio) (%)	12.1%	9.1%	3.0 pt		

◆ Breakdown of year on year increase of 2% for rubbers sales volume

General-purpose rubbers

5% Domestic sales -7%, Export sales +24%

Specialty rubbers

-2% Domestic sales -5%, Export sales -2%, Overseas subsidiaries +1%

◆ Specialty rubbers component ratio

Sales volume

34% (Q1.2014: 36%)

Sales amount

61% (Q1.2014: 58%)

Specialty Materials Business

	2015 Q1	2014 Q1	Increase (Decrease)		Remarks (JPY100m)
			Amount	Percentage	
Net Sales	176	167	10	6 %	
Specialty chemicals	45	49	-4	-8 %	
Specialty plastics	120	108	13	12 %	
Medical devices etc.	11	10	1	9 %	
Operating Income	19	16	3	18 %	
(Operating income ratio) (%)	10.8%	9.7%	1.1 pt		

- ◆ Breakdown of year on year decrease of 8% for specialty chemicals sales amount
Specialty Chemicals -15%, Electronic materials -7%, Battery materials +10%, Toner -8%
- ◆ Breakdown of year on year increase of 12% for specialty plastics sales amount
Cyclo-Olefin Polymer resins +2%, Optical films +16%
- ◆ Sales volume growth rate for optical films +12%
- ◆ Proportion of the optical film sales for small - to medium sized FPD to total optical film sales
<Q1.2014>24% → <Q1.2015>33%

Others

	2015 Q1	2014 Q1	Increase (Decrease)		Remarks (JPY100m)
			Amount	Percentage	
Net Sales	120	126	-6	-5 %	
Operating Income	5	4	2	39 %	
(Operating income ratio) (%)	4.5%	3.1%	1.4	<i>pt</i>	

Consolidated Statement of Income (Quarterly trends)

	2014				2015	Increase (Decrease) Q4 2014 vs. Q1 2015		Remarks (JPY100m)
	Q1	Q2	Q3	Q4	Q1	Amount	Percentage	
Sales Volume (thousand ton)	131	140	127	148	141	-7	-5 %	
Rubbers	75	80	72	88	77	-11	-13 %	
Latices	27	31	26	29	33	4	13 %	
Chemicals	29	30	29	31	32	1	2 %	
Net Sales	748	785	792	750	760	10	1 %	Comparative Analysis of Operating income
Elastomer business	462	477	482	468	468	0	0 %	Quantity variance +10
Rubbers	321	321	330	310	312	3	1 %	Price variance -1
Latices	42	43	45	41	51	10	24 %	Exchange rate variance +1
Chemicals	93	108	99	109	99	-10	-9 %	
Others and Eliminations	6	5	8	8	6	-2	-29 %	
Specialty materials business	167	190	184	168	176	9	5 %	
Specialty chemicals	49	46	49	49	45	-4	-7 %	
Specialty plastics	108	133	123	106	120	14	13 %	
Medical devices etc.	10	11	11	13	11	-2	-15 %	
Others and Eliminations	120	118	126	114	115	1	1 %	
Operating income	62	83	87	50	78	28	57 %	Comparative Analysis of Operating income
(Operating income ratio) (%)	8%	11%	11%	7%	10%	4 pt		Quantity variance +2 Raw materials price variance +14
Elastomer business	42	47	47	32	57	24	74 %	Price variance -1 SG & A etc. +12
Specialty materials business	16	29	36	13	19	6	49 %	Exchange rate variance +1
Others and Eliminations	4	6	4	5	3	-2	-41 %	
Ordinary income	61	95	97	59	85	27	46 %	
Net income	39	51	60	41	56	16	38 %	
Exchange rate (JPY/\$)	102.4	102.6	112.3	119.4	121.0	1.6	1 %	
Exchange rate (JPY/€)	140.5	137.6	141.3	138.0	132.7	-5.3	-4 %	
Naphtha price (JPY/kl)	69,900	70,900	66,000	47,000	48,900	1,900	4 %	
Asian Butadiene price (USD/t)	1,295	1,502	1,067	754	1,175	421	56 %	

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

ZEON

(Unit : JPY100m)

	2014				2015	Increase (Decrease) Q1.2014vs. Q1.2015		2015	Increase (Decrease) 2014 vs. 2015	
	Q1	Q2	Q3	Q4	Q1	Amount	percentage	forecast	Amount	percentage
Capital Expenditures	39	77	91	78	59					
Elastomer business	21	32	51	36	39					
Specialty materials business	14	30	27	25	16					
Others and Eliminations	4	15	14	17	4					
Cumulative Capital Expenditures	39	116	207	285	59	20	50 %	503	218	76%
Elastomer business	21	52	103	139	39	18	88 %			
Specialty materials business	14	44	71	96	16	2	14 %			
Others and Eliminations	4	19	33	50	4	-0	-11 %			
Depreciation & Amortization	42	46	51	55	50					
Elastomer business	20	20	24	26	23					
Specialty materials business	17	21	21	22	21					
Others and Eliminations	5	6	6	7	6					
Cumulative Depreciation & Amortization	42	89	139	194	50	8	18 %	226	32	16%
Elastomer business	20	40	63	89	23	3	17 %			
Specialty materials business	17	38	59	81	21	3	20 %			
Others and Eliminations	5	11	17	24	6	1	15 %			
R & D Expenses	33	33	35	35	33					
Cumulative R & D Expenses	33	66	101	136	33	-1	-2 %	138	2	1%

Comparative Balance Sheets (Consolidated)

ZEON

(Unit : JPY100m)

Liabilities and Net assets

	As of Jun 30, 2015	As of Mar. 31, 2015	Increase (Decrease)
Current assets	1,814	1,766	48
Cash and bank deposits	119	42	78
Notes and accounts receivable-trade	713	717	-4
Accounts receivable-other	285	323	-38
Inventories	620	612	8
Other current assets	77	73	4
Fixed assets	2,238	2,229	9
Property, Plant and Equipment	1,351	1,342	9
Intangible assets	50	53	-3
Investment securities	764	760	4
Other fixed assets	73	74	-1
Total Assets	4,052	3,995	57

Liabilities and Net assets

	As of Jun 30, 2015	As of Mar. 31, 2015	Increase (Decrease)
Current liabilities	1,125	1,192	-67
Notes and accounts payable-trade	634	613	22
Short-term interest-bearing debt	234	282	-48
Other current liabilities	257	297	-40
Long-term liabilities	733	647	86
Long-term interest-bearing debt	398	307	92
Other long-term liabilities	335	340	-6
Total Net assets	2,194	2,156	37
Equity capital	2,148	2,112	36
Other net assets	46	44	2
Total Liabilities and Net assets	4,052	3,995	57

Capital Expenditures	59
Depreciation & Amortization	-50
Other factors	-3
Fixed assets	6

Total interest-bearing debt	633	589	44
Equity ratio	53.0	52.9	0.1
D/E Ratio	0.29	0.28	0.01

Forecast of Operating Performance for FY2016

ZEON

(Unit : JPY100m)

	2015	2014	Increase (Decrease)	
			Amount	Percentage
Net sales	3,200	3,075	125	4 %
Elastomer Business	1,955	1,888	67	4 %
Specialty Materials Business	763	709	54	8 %
Others	504	500	4	1 %
Eliminations	-22	-22	0	
Operating income	320	282	38	13 %
(Operating income ratio) (%)	10.0%	9.2%	0.8 pt	
Elastomer Business	207	168	39	23 %
Specialty Materials Business	97	94	3	3 %
Others	16	20	-4	-21 %
Non-operating income & expenses	-	29	-29	
Ordinary income	320	311	9	3 %
Net income	230	191	39	21 %
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Exchange rate (JPY/\$)	120.0	109.2	10.8	10 %
Exchange rate (JPY/€)	130.0	139.4	-9.4	-7 %
Naphtha price (JPY/kl)	54,000	63,700	-9,700	-15 %
Asian Butadiene price (USD/t)	1.100	1,155	-55	-5 %

The company is predicting no changes in the forecast disclosed as of May 8, 2015.

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.