

Financial Report

The 3rd Quarter of FY2016

(From Apr. 1 to Dec. 31, 2015)



Jan 28, 2016

Statement of Income (Consolidated) for 9 Months ended Dec 31, 2015

ZEON

	2015 Q3	2014 Q3	Increase (Decrease)		Remarks (JPY100m)
			Amount	Percentage	
Net sales	2,247	2,325	-79	-3 %	Comparative Analysis of Net sales
Elastomer Business	1,361	1,420	-60	-4 %	Quantity variance +63
Specialty Materials Business	540	541	-1	-0 %	Price variance -202
Others	363	381	-18	-5 %	Exchange rate variance +60
Eliminations	-17	-17	0		
Operating income	243	232	10	4 %	Comparative Analysis of Operating income
(Operating income ratio) (%)	10.8%	10.0%	0.8 pt		Quantity variance +22 Raw materials price variance +157
Elastomer Business	163	136	27	20 %	Price variance -202 SG & A etc. -27
Specialty Materials Business	72	82	-10	-12 %	Exchange rate variance +60
Others	8	15	-7	-46 %	
Non-operating income & expenses	12	20	-8	-42 %	
Ordinary income	254	252	2	1 %	
Profit or loss on extraordinary item	-54	-13	-41	- %	Loss for the British subsidiary -48
Income before income taxes	200	240	-39	-16 %	
Net income	137	150	-14	-9 %	
Exchange rate (JPY/\$)	121.6	105.8	15.8	15 %	
Exchange rate (JPY/€)	133.9	139.8	-6.0	-4 %	
Naphtha price (JPY/kl)	46,100	68,800	-22,700	-33 %	
Asian Butadiene price (USD/t)	978	1,288	-310	-24 %	

Specialty Materials Business

	2015 Q3	2014 Q3	Increase (Decrease)		Remarks (JPY100m)
			Amount	Percentage	
Net Sales	540	541	-1	-0 %	
Specialty chemicals	139	145	-5	-4 %	
Specialty plastics	365	364	2	0 %	
Medical devices etc.	35	32	3	8 %	
Operating Income	72	82	-10	-12 %	
(Operating income ratio) (%)	13.3%	15.1%	-1.8 pt		

- ◆ Breakdown of year-on-year decrease of -4% for specialty chemicals sales amount
Specialty Chemicals -6%, Electronic materials +9%, Battery materials +9%, Toner -14%
- ◆ Breakdown of year-on-year increase of 0% for specialty plastics sales amount
Cyclo-Olefin Polymer resins +2%, Optical films 0%
- ◆ Sales volume growth rate for optical films +3%
- ◆ Proportion of the optical film sales for small-to medium sized FPD to total optical film sales
<Q3.2014>37% → <Q3.2015>40%

Others

	2015 Q3	2014 Q3	Increase (Decrease)		Remarks (JPY100m)
			Amount	Percentage	
Net Sales	363	381	-18	-5 %	
Operating Income	18	15	3	20 %	
(Operating income ratio) (%)	5.0%	4.0%	1.0	<i>pt</i>	

Consolidated Statement of Income (Quarterly trends)

ZEON

	2014				2015		Q3	Increase (Decrease) Q2 2015 vs. Q3 2015		Remarks (JPY100m)
	Q1	Q2	Q3	Q4	Q1	Q2		Amount	Percentage	
Sales Volume (thousand tons)	131	140	127	148	141	146	135	-12	-8 %	
Rubbers	75	80	72	88	77	85	75	-11	-12 %	
Latices	27	31	26	29	33	31	30	-1	-3 %	
Chemicals	29	30	29	31	32	30	30	-0	-0 %	
Net Sales	748	785	792	750	760	765	722	-42	-6 %	Comparative Analysis of Operating income
Elastomer business	462	477	482	468	468	463	430	-34	-7 %	Quantity variance -13
Rubbers	321	321	330	310	312	315	279	-35	-11 %	Price variance -26
Latices	42	43	45	41	51	44	50	7	15 %	Exchange rate variance -3
Chemicals	93	108	99	109	99	100	93	-6	-6 %	
Others and Eliminations	6	5	8	8	6	5	6	1	24 %	
Specialty materials business	167	190	184	168	176	184	179	-5	-3 %	
Specialty chemicals	49	46	49	49	45	47	48	1	2 %	
Specialty plastics	108	133	123	106	120	126	120	-6	-5 %	
Medical devices etc.	10	11	11	13	11	12	12	0	4 %	
Others and Eliminations	120	118	126	114	115	118	114	-4	-3 %	
Operating income	62	83	87	50	78	87	77	-9	-11 %	Comparative Analysis of Operating income
(Operating income ratio) (%)	8%	11%	11%	7%	10%	11%	11%	-1 pt		Quantity variance+9 Raw materials price variance +14
Elastomer business	42	47	47	32	57	51	55	4	7 %	Price variance -26 SG & A etc. -3
Specialty materials business	16	29	36	13	19	34	19	-15	-44 %	Exchange rate variance -3
Others and Eliminations	4	6	4	5	3	2	3	2	117 %	
Ordinary income	61	95	97	59	85	86	83	-4	-4 %	
Net income	39	51	60	41	56	53	27	-26	-49 %	
Exchange rate (JPY/\$)	102.4	102.6	112.3	119.4	121.0	122.6	121.2	-1.3	-1 %	
Exchange rate (JPY/€)	140.5	137.6	141.3	138.0	132.7	136.3	132.5	-3.8	-3 %	
Naphtha price (JPY/kl)	69,900	70,900	66,000	47,000	48,800	47,200	42,000	-5,200	-11 %	
Asian Butadiene price (USD/t)	1,295	1,502	1,067	754	1,175	1,004	756	-248	-25 %	

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

ZEON

(Unit : JPY100m)

	2014				2015			Increase (Decrease) Q3.2014vs. Q3.2015		2015 forecast	Increase (Decrease) 2014 vs. 2015	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Amount	percentage		Amount	percentage
Capital Expenditures	39	77	91	78	59	72	86					
Elastomer business	21	32	51	36	39	28	58					
Specialty materials business	14	30	27	25	16	25	17					
Others and Eliminations	4	15	14	17	4	18	12					
Cumulative Capital Expenditures	39	116	207	285	59	131	217	10	5 %	303	18	6%
Elastomer business	21	52	103	139	39	67	125	22	21 %			
Specialty materials business	14	44	71	96	16	42	58	-13	-18 %			
Others and Eliminations	4	19	33	50	4	22	34	1	3 %			
Depreciation & Amortization	42	46	51	55	50	51	54					
Elastomer business	20	20	24	26	23	23	25					
Specialty materials business	17	21	21	22	21	21	22					
Others and Eliminations	5	6	6	7	6	6	7					
Cumulative Depreciation & Amortization	42	89	139	194	50	101	154	15	11 %	228	34	17%
Elastomer business	20	40	63	89	23	46	72	8	13 %			
Specialty materials business	17	38	59	81	21	42	64	5	8 %			
Others and Eliminations	5	11	17	24	6	12	19	2	13 %			
R&D Expenses	33	33	35	35	33	35	35					
Cumulative R&D Expenses	33	66	101	136	33	68	103	2	2 %	138	2	1%

Comparative Balance Sheets (Consolidated)

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(Unit : JPY100m)

Liabilities and Net assets			
	As of Dec. 31, 2015	As of Mar. 31, 2015	Increase (Decrease)
Current assets	2,010	1,766	243
Cash and bank deposits	153	42	111
Notes and accounts receivable-trade	720	717	4
Accounts receivable-other	364	323	41
Inventories	687	612	75
Other current assets	86	73	13
Fixed assets	2,155	2,229	-74
Property, Plant and Equipment	1,382	1,342	40
Intangible assets	45	53	-8
Investment securities	658	760	-101
Other fixed assets	70	74	-4
Total Assets	4,164	3,995	169

Liabilities and Net assets			
	As of Dec. 31, 2015	As of Mar. 31, 2015	Increase (Decrease)
Current liabilities	1,403	1,192	211
Notes and accounts payable-trade	775	613	162
Short-term interest-bearing debt	309	282	26
Other current liabilities	320	297	23
Long-term liabilities	581	647	-66
Long-term interest-bearing debt	295	307	-12
Other long-term liabilities	286	340	-54
Total Net assets	2,180	2,156	24
Equity capital	2,134	2,112	22
Other net assets	46	44	2
Total Liabilities and Net assets	4,164	3,995	169

Capital Expenditures	217
Depreciation & Amortization	-154
Other factors	-30
Fixed assets	33

Total interest-bearing debt	604	589	15
Equity ratio	51.2	52.9	-1.6
D/E Ratio	0.28	0.28	0.00

◆ Cash Flows

	15Q3
Cash Flows from operating activities	343
Cash Flows from investing activities	-214
Free cash Flows	129
Cash Flows from financing activities	-10
Net increase (decrease) in cash and equivalents	119

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	185	191	-6	-3 %
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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 Nov 25, 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.