

Financial Report
For the year ended March 31, 2016
(April 1, 2015 to March 31, 2016)

ZEON
ZEON CORPORATION

Apr 28, 2016

Statement of Income (Consolidated) for 12 Months ended Mar 31, 2016

ZEON

	2015	2014	Increase / Decrease		Remarks (JPY100m)
			Amount	Percentage	
Net sales	2,956	3,075	-119	-4 %	Comparative analysis of net sales
Elastomer Business	1,789	1,888	-99	-5 %	Quantity variance +84
Specialty Materials Business	710	709	1	0 %	Price variance -257
Others	479	500	-21	-4 %	Exchange rate variance +54
Eliminations	-22	-22	0		
Operating income	299	282	16	6 %	Comparative analysis of operating income
(Operating income ratio) (%)	10.1%	9.2%	0.9 pt		Quantity variance +10 Raw materials price variance +238
Elastomer Business	207	168	39	23 %	Price variance -257 SG & A etc. -29
Specialty Materials Business	82	94	-12	-13 %	Exchange rate variance +54
Others	9	20	-11	-54 %	
Non-operating income & expenses	23	29	-6	-19 %	
Ordinary income	322	311	11	3 %	
Profit or loss on extraordinary item	-59	-13	-46	- %	Loss for the U.K. subsidiary -48
Income before income taxes	263	298	-35	-12 %	
Net income	181	191	-10	-5 %	
Exchange rate (JPY/\$)	120.6	109.2	11.4	10 %	
Exchange rate (JPY/€)	132.5	139.4	-6.9	-5 %	
Naphtha price (JPY/kl)	42,800	63,700	-20,900	-33 %	
Asian Butadiene price (USD/t)	961	1,155	-194	-17 %	

Elastomer Business

	2015	2014	Increase / Decrease		Remarks (JPY100m)
			Amount	Percentage	
Sales volume (thousand tons)	568	546	22	4 %	
Rubbers	320	314	6	2 %	
Latices	123	112	11	10 %	
Chemicals	125	120	5	4 %	
Net sales	1,789	1,888	-99	-5 %	
Rubbers	1,188	1,283	-94	-7 %	
Latices	191	171	20	12 %	
Chemicals	382	408	-26	-6 %	
Eliminations	28	26	2	6 %	
Operating income	207	168	39	23 %	
(Operating income ratio) (%)	11.6%	8.9%	2.7 pt		

◆ Breakdown of year-on-year increase of 5% for rubbers sales volume

General-purpose rubbers	5%	Domestic sales -16%, Export sales +33%
Specialty rubbers	-4%	Domestic sales -2%, Export sales -5%

◆ Specialty rubbers component ratio

Sales volume	31%	(2014: 33%)
Sales amount	58%	(2014: 57%)

Specialty Materials Business

	2015	2014	Increase / Decrease		Remarks (JPY100m)
			Amount	Percentage	
Net sales	710	709	1	0 %	
Specialty Chemicals	190	194	-4	-2 %	
Specialty Plastics	472	470	3	1 %	
Medical Devices etc.	47	45	3	6 %	
Operating income	82	94	-12	-13 %	
(Operating income ratio) (%)	11.6%	13.3%	-1.7 pt		

- ◆ Breakdown of year-on-year decrease of -2% for specialty chemicals sales amount
Specialty Chemicals -3%, Electronic Materials +8%, Battery Materials +18%, Toner -19%
- ◆ Breakdown of year-on-year increase of +1% for specialty plastics sales amount
Cyclo-Olefin Polymer resins +2%, Optical Films 0%
- ◆ Sales volume growth rate for optical films +1%
- ◆ Proportion of the optical film sales for small-to medium sized FPD to total optical film sales
<2014>34% → <2015>37%

Others

	2015	2014	Increase / Decrease		Remarks (JPY100m)
			Amount	Percentage	
Net sales	479	500	-21	-4 %	
Operating income	25	20	5	24 %	
(Operating income ratio) (%)	5.2%	4.0%	1.2	<i>pt</i>	

Consolidated Statement of Income (Quarterly trends)

	2014				2015				Increase / Decrease Q3 2015 vs. Q4 2015		Remarks (JPY100m)
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Amount	Percentage	
Sales volume (thousand tons)	131	140	127	148	141	146	135	146	11	8 %	
Rubbers	75	80	72	88	77	85	75	83	8	11 %	
Latices	27	31	26	29	33	31	30	30	0	1 %	
Chemicals	29	30	29	31	32	30	30	33	3	9 %	
Net sales	748	785	792	750	760	765	722	710	-13	-2 %	Comparative analysis of operating income
Elastomer Business	462	477	482	468	468	463	430	429	-1	-0 %	Quantity variance +6
Rubbers	321	321	330	310	312	315	279	282	2	1 %	Price variance -13
Latices	42	43	45	41	51	44	50	45	-5	-10 %	Exchange rate variance -6
Chemicals	93	108	99	109	99	100	93	91	-2	-3 %	
Others and Eliminations	6	5	8	8	6	5	6	11	4	63 %	
Specialty Materials Business	167	190	184	168	176	184	179	170	-9	-5 %	
Specialty Chemicals	49	46	49	49	45	47	48	50	3	6 %	
Specialty Plastics	108	133	123	106	120	126	120	107	-13	-10 %	
Medical Devices etc.	10	11	11	13	11	12	12	13	0	2 %	
Others and Eliminations	120	118	126	114	115	118	114	111	-2	-2 %	
Operating income	62	83	87	50	78	87	77	56	-21	-28 %	Comparative analysis of operating income
(Operating income ratio) (%)	8%	11%	11%	7%	10%	11%	11%	8%	-3 pt		Quantity variance+2 Raw materials price variance +9
Elastomer Business	42	47	47	32	57	51	55	44	-11	-19 %	Price variance -13 SG & A etc. -13
Specialty Materials Business	16	29	36	13	19	34	19	10	-9	-45 %	Exchange rate variance -6
Others and Eliminations	4	6	4	5	3	2	3	1	-2	-67 %	
Ordinary income	61	95	97	59	85	86	83	67	-15	-19 %	
Net income	39	51	60	41	56	53	27	44	17	63 %	
Exchange rate (JPY/\$)	102.4	102.6	112.3	119.4	121.0	122.6	121.2	117.7	-3.6	-3 %	
Exchange rate (JPY/€)	140.5	137.6	141.3	138.0	132.7	136.3	132.5	128.6	-4.0	-3 %	
Naphtha price (JPY/kl)	69,900	70,900	66,000	47,000	48,800	47,200	42,000	34,100	-6,800	-17 %	
Asian Butadiene price (USD/t)	1,295	1,502	1,067	754	1,175	1,004	756	908	152	20 %	

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

ZEON

(Unit : JPY100m)

	2014				2015				Increase / Decrease 2014vs. 2015		2016 forecast	Increase / Decrease 2015 vs. 2016	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Amount	percentage		Amount	percentage
	Capital expenditures	39	77	91	78	59	72	86	60				
Elastomer Business	21	32	51	36	39	28	58	32					
Specialty Materials Business	14	30	27	25	16	25	17	17					
Others and Eliminations	4	15	14	17	4	18	12	11					
Cumulative capital expenditures	39	116	207	285	59	131	217	276	-9	-3 %	291	15	5%
Elastomer Business	21	52	103	139	39	67	125	157	18	13 %			
Specialty Materials Business	14	44	71	96	16	42	58	75	-21	-22 %			
Others and Eliminations	4	19	33	50	4	22	34	45	-5	-10 %			
Depreciation & amortization	42	46	51	55	50	51	54	55					
Elastomer Business	20	20	24	26	23	23	25	25					
Specialty Materials Business	17	21	21	22	21	21	22	22					
Others and Eliminations	5	6	6	7	6	6	7	7					
Cumulative depreciation & amortization	42	89	139	194	50	101	154	209	15	8 %	244	35	17%
Elastomer Business	20	40	63	89	23	46	72	97	8	9 %			
Specialty Materials Business	17	38	59	81	21	42	64	86	4	5 %			
Others and Eliminations	5	11	17	24	6	12	19	26	2	10 %			
R&D expenses	33	33	35	35	33	35	35	39					
Cumulative R&D expenses	33	66	101	136	33	68	103	141	5	4 %	139	-3	-2%

Comparative Balance Sheets (Consolidated)

ZEON

(Unit : JPY100m)

Liabilities and Net assets			
	As of Mar. 31, 2016	As of Mar. 31, 2015	Increase / Decrease
Current assets	1,729	1,766	-37
Cash and bank deposits	80	42	38
Notes and accounts receivable-trade	660	717	-57
Accounts receivable-other	266	323	-57
Inventories	637	612	25
Other current assets	86	73	13
Fixed assets	2,118	2,229	-111
Property, Plant and Equipment	1,385	1,342	43
Intangible assets	42	53	-11
Investment securities	608	760	-152
Other fixed assets	83	74	9
Total assets	3,848	3,995	-148

Liabilities and Net assets			
	As of Mar. 31, 2016	As of Mar. 31, 2015	Increase / Decrease
Current liabilities	1,144	1,192	-47
Notes and accounts payable-trade	536	613	-77
Short-term interest-bearing debt	278	282	-5
Other current liabilities	331	297	34
Long-term liabilities	547	647	-100
Long-term interest-bearing debt	293	307	-14
Other long-term liabilities	254	340	-86
Total net assets	2,156	2,156	-0
Equity capital	2,108	2,112	-4
Other net assets	48	44	4
Total liabilities and net assets	3,848	3,995	-148

Capital expenditures	276
Depreciation & amortization	-209
Other factors	-35
Fixed assets	32

Total interest-bearing debt	571	589	-18
Equity ratio	54.8	52.9	1.9
D/E Ratio	0.27	0.28	-0.01

◆ Cash flows

	2015	2014
Cash flows from operating activities	476	340
Cash flows from investing activities	-348	-268
Free cash flows	128	72
Cash flows from financing activities	-90	-120
Net increase (decrease) in cash and equivalents	38	-48

Forecast of Operating Performance for FY2017

ZEON

(Unit : JPY100m)

	2017	2016	Increase / Decrease	
			Amount	Percentage
Net sales	2,800	2,956	-156	-5 %
Elastomer Business	1,676	1,789	-113	-6 %
Specialty Materials Business	690	710	-20	-3 %
Others	453	479	-26	-6 %
Eliminations	-19	-22	3	
Operating income	280	299	-19	-6 %
(Operating income ratio) (%)	10.0%	10.1%	-0.1 pt	
Elastomer Business	204	207	-3	-2 %
Specialty Materials Business	77	82	-5	-6 %
Others	-1	9	-10	-111 %
Non-operating income & expenses	-	23	-23	
Ordinary income	280	322	-42	-13 %
Net income	190	181	9	5 %
<hr/>				
Exchange rate (JPY/\$)	105.0	120.6	-15.6	-13 %
Exchange rate (JPY/€)	120.0	132.5	-12.5	-9 %
Naphtha price (JPY/kl)	35,000	42,800	-7,800	-18 %
Asian Butadiene price (USD/t)	950	961	-11	-1 %

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.