

Financial Report
The 1st Half of FY2016
(From Apr. 1 to Sep. 30, 2016)



Oct 31, 2016

Statement of Income (Consolidated) for 6 Months ended Sep 30, 2016

ZEON

	FY2016 Q2	FY2015 Q2	Increase / Decrease		Remarks (JPY100m)
			Amount	Percentage	
Net sales	1,402	1,524	-122	-8 %	Comparative analysis of net sales
Elastomer Business	816	931	-116	-12 %	Quantity variance +36
Specialty Materials Business	365	360	4	1 %	Price variance -110
Others	232	243	-11	-4 %	Exchange rate variance -48
Eliminations	-10	-11	0		
Operating income	132	165	-33	-20 %	Comparative analysis of operating income
(Operating income ratio) (%)	9.4%	10.8%	-1.4 pt		Quantity variance +17 Raw materials price variance +108
Elastomer Business	83	108	-25	-23 %	Price variance -110 SG & A etc. 0
Specialty Materials Business	47	53	-6	-11 %	Exchange rate variance -48
Others	2	5	-2	-55 %	
Non-operating income & expenses	-11	6	-18	-274 %	
Ordinary income	121	172	-51	-29 %	
Profit or loss on extraordinary item	-11	-5	-6	- %	
Income before income taxes	110	167	-57	-34 %	
Net income	81	109	-29	-26 %	
Exchange rate (JPY/\$)	107.7	121.8	-14.1	-12 %	
Exchange rate (JPY/€)	120.4	134.5	-14.1	-10 %	
Naphtha price (JPY/kl)	31,300	48,000	-16,700	-35 %	
Asian Butadiene price (USD/t)	1,077	1,090	-13	-1 %	

Elastomer Business

	FY2016 Q2	FY2015 Q2	Increase / Decrease		Remarks (JPY100m)
			Amount	Percentage	
Sales volume (thousand tons)	270	288	-17	-6 %	
Rubbers	152	162	-10	-6 %	
Latices	57	64	-7	-10 %	
Chemicals	61	62	-1	-2 %	
Net sales	816	931	-116	-12 %	
Rubbers	550	627	-77	-12 %	
Latices	86	95	-9	-10 %	
Chemicals	164	198	-34	-17 %	
Eliminations	16	11	5	42 %	
Operating income	83	108	-25	-23 %	
(Operating income ratio) (%)	10.2%	11.6%	-1.4 pt		

◆ Breakdown of year-on-year decrease of 6% for rubbers sales volume

General-purpose rubbers	-4%	Domestic sales -10%, Export sales +1%
Specialty rubbers	-9%	Domestic sales 0%, Export sales -13%

◆ Specialty rubbers component ratio

Sales volume	31%	(FY2015/Q1: 32%)
Sales amount	57%	(FY2015/Q1: 58%)

Specialty Materials Business

	FY2016 Q2	FY2015 Q2	Increase / Decrease		Remarks (JPY100m)
			Amount	Percentage	
Net sales	365	360	4	1 %	
Specialty Chemicals	99	92	7	8 %	
Specialty Plastics	241	246	-5	-2 %	
Medical Devices etc.	24	23	1	6 %	
Operating income	47	53	-6	-11 %	
(Operating income ratio) (%)	12.9%	14.6%	-1.8	pt	

- ◆ Breakdown of year-on-year increase of +8% for specialty chemicals sales amount
Specialty Chemicals +9%, Electronic Materials -1%, Battery Materials +46%, Toner -19%
- ◆ Breakdown of year-on-year decrease of -2% for specialty plastics sales amount
Cyclo-Olefin Polymer resins -6%, Optical Films 0%
- ◆ Sales volume growth rate for optical films +15%
- ◆ Proportion of the optical film sales for small-to-medium sized FPD to total optical film sales
【FY2015/Q2】31% → 【FY2016Q2】19%

Others

	FY2016 Q2	FY2015 Q2	Increase / Decrease		Remarks (JPY100m)
			Amount	Percentage	
Net sales	232	243	-11	-4 %	
Operating income	13	11	2	22 %	
(Operating income ratio) (%)	5.8%	4.5%	1.3	<i>pt</i>	

Consolidated Statement of Income (Quarterly trends)

	FY2015				FY2016		Increase / Decrease FY2016 Q2 vs. FY2016 Q1		Remarks (JPY100m)
	Q1	Q2	Q3	Q4	Q1	Q2	Amount	Percentage	
	Sales volume (thousand tons)	141	146	135	146	135	135	0	
Rubbers	77	85	75	83	81	72	-9	-11 %	
Latices	33	31	30	30	26	31	6	22 %	
Chemicals	32	30	30	33	29	32	4	13 %	
Net sales	760	765	722	710	700	702	2	0 %	Comparative analysis of operating income
Elastomer Business	468	463	430	429	416	399	-17	-4 %	Quantity variance +18
Rubbers	312	315	279	282	282	268	-15	-5 %	Price variance-1
Latices	51	44	50	45	46	39	-7	-15 %	Exchange rate variance -15
Chemicals	99	100	93	91	80	84	4	5 %	
Others and Eliminations	6	5	6	11	8	8	0	6 %	
Specialty Materials Business	176	184	179	170	174	190	16	9 %	
Specialty Chemicals	45	47	48	50	49	50	2	3 %	
Specialty Plastics	120	126	120	107	113	128	15	13 %	
Medical Devices etc.	11	12	12	13	12	12	0	-2 %	
Others and Eliminations	115	118	114	111	109	112	3	3 %	
Operating income	78	87	77	56	71	62	-9	-13 %	Comparative analysis of operating income
(Operating income ratio) (%)	10%	11%	11%	8%	10%	9%	-1 pt		Quantity variance+5 Raw materials price variance +8
Elastomer Business	57	51	55	44	46	38	-8	-17 %	Price variance -1 SG & A etc. -6
Specialty Materials Business	19	34	19	10	25	22	-2	-9 %	Exchange rate variance -15
Others and Eliminations	3	2	3	1	0	2	1	285 %	
Ordinary income	85	86	83	67	58	63	6	10 %	
Net income	56	53	27	44	39	42	3	9 %	
Exchange rate (JPY/\$)	121.0	122.6	121.2	117.7	111.8	103.5	-8.3	-7 %	
Exchange rate (JPY/€)	132.7	136.3	132.5	128.6	125.8	115.0	-10.8	-9 %	
Naphtha price (JPY/kl)	48,800	47,200	40,900	34,300	31,600	31,000	-600	-2 %	
Asian Butadiene price (USD/t)	1,175	1,004	756	908	1,033	1,121	88	9 %	

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

ZEON

(Unit : JPY100m)

	FY2015				FY2016		Increase / Decrease FY2016 Q2 vs. FY2015 Q2		FY2016	Increase / Decrease FY2015 vs. FY2016	
	Q1	Q2	Q3	Q4	Q1	Q2	Amount	percentage	forecast	Amount	percentage
Capital expenditures	59	72	86	60	86	41					
Elastomer Business	39	28	58	32	44	20					
Specialty Materials Business	16	25	17	17	37	13					
Others and Eliminations	4	18	12	11	5	8					
Cumulative capital expenditures	59	131	217	276	86	127	-4	-3 %	291	15	5%
Elastomer Business	39	67	125	157	44	64	-3	-4 %			
Specialty Materials Business	16	42	58	75	37	50	8	20 %			
Others and Eliminations	4	22	34	45	5	13	-10	-43 %			
Depreciation & amortization	50	51	54	55	45	49					
Elastomer Business	23	23	25	25	22	24					
Specialty Materials Business	21	21	22	22	17	18					
Others and Eliminations	6	6	7	7	6	7					
Cumulative depreciation & amortization	50	101	154	209	45	94	-7	-7 %	244	35	17%
Elastomer Business	23	46	72	97	22	46	-1	-1 %			
Specialty Materials Business	21	42	64	86	17	35	-7	-16 %			
Others and Eliminations	6	12	19	26	6	12	0	1 %			
R&D expenses	33	35	35	39	31	33					
Cumulative R&D expenses	33	68	103	141	31	64	-3	-5 %	139	-3	-2%

Comparative Balance Sheets (Consolidated)

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(Unit : JPY100m)

Liabilities and Net assets			
	As of Sep. 30, 2016	As of Mar. 31, 2016	Increase / Decrease
Current assets	1,616	1,729	-113
Cash and bank deposits	87	80	7
Notes and accounts receivable-trade	648	660	-12
Accounts receivable-other	228	266	-38
Inventories	554	637	-83
Other current assets	99	86	13
Fixed assets	2,070	2,118	-48
Property, Plant and Equipment	1,364	1,385	-22
Intangible assets	37	42	-5
Investment securities	584	608	-25
Other fixed assets	87	83	3
Total assets	3,686	3,848	-162

Capital expenditures	127
Depreciation & amortization	-94
Other factors	-60
Fixed assets	-27

Liabilities and Net assets			
	As of Sep. 30, 2016	As of Mar. 31, 2016	Increase / Decrease
Current liabilities	1,062	1,144	-82
Notes and accounts payable-trade	531	536	-5
Short-term interest-bearing debt	227	278	-50
Other current liabilities	305	331	-26
Long-term liabilities	489	547	-58
Long-term interest-bearing debt	263	293	-31
Other long-term liabilities	227	254	-27
Total net assets	2,134	2,156	-22
Equity capital	2,085	2,108	-23
Other net assets	49	48	1
Total liabilities and net assets	3,686	3,848	-162

Total interest-bearing debt	490	571	-81
Equity ratio	56.6	54.8	1.8
D/E Ratio	0.23	0.27	-0.04

◆ Cash flows

	FY2016 Q2	FY2015 Q2
Cash flows from operating activities	227	250
Cash flows from investing activities	-128	-166
Free cash flows	99	84
Cash flows from financing activities	-86	14
Net increase (decrease) in cash and equivalents	13	98

Forecast of Operating Performance for FY2016

ZEON

(Unit : JPY100m)

	FY2016	FY2015	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 %
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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 %

The company is predicting no changes in the forecast disclosed as of Apr 28, 2016.

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.