

**Financial Report**  
**The 1st Half of FY2017**  
(From Apr. 1 to Sep. 30, 2017)

**ZEON**  
**ZEON CORPORATION**

Oct. 31, 2017

# Statement of Income (Consolidated) for 6 Months ended Sep. 30, 2017

# ZEON

	FY2017 Q2	FY2016 Q2	Increase / Decrease		Remarks (JPY100m)
			Amount	Rate	
<b>Net sales</b>	1,667	1,402	265	19 %	Comparative analysis of net sales
Elastomer Business	984	816	169	21 %	Quantity variance +188
Specialty Materials Business	431	365	66	18 %	Price variance +62
Others	262	232	29	13 %	Exchange rate variance +15
Eliminations	-10	-10	0		
<b>Operating income</b>	199	132	67	51 %	Comparative analysis of operating income
<b>(Operating income ratio) (%)</b>	11.9%	9.4%	2.5 pt		Quantity variance +52      Raw materials price variance -44
Elastomer Business	114	83	31	37 %	Price variance +62      SG & A etc. -18
Specialty Materials Business	82	47	35	74 %	Exchange rate variance +15
Others	3	2	1	58 %	
<b>Non-operating income &amp; expenses</b>	18	-11	29	- %	
<b>Ordinary income</b>	217	121	96	79 %	
<b>Profit or loss on extraordinary item</b>	-7	-11	4	- %	
<b>Income before income taxes</b>	210	110	100	91 %	
<b>Net income</b>	143	81	63	78 %	
<b>Exchange rate (JPY/\$)</b>	111.2	107.7	3.5	3 %	
<b>Exchange rate (JPY/€)</b>	125.6	120.4	5.2	4 %	
<b>Naphtha price (JPY/kl)</b>	37,800	31,300	6,500	21 %	
<b>Asian Butadiene price (USD/t)</b>	1,184	1,077	107	10 %	

**Elastomer Business**

	FY2017 Q2	FY2016 Q2	Increase / Decrease		Remarks (JPY100m)
			Amount	Rate	
Sales volume (thousand tons)	303	270	33	12 %	
Rubbers	177	152	24	16 %	
Latices	65	57	8	14 %	
Chemicals	62	61	1	1 %	
Net sales	984	816	169	21 %	
Rubbers	695	550	145	26 %	
Latices	100	86	14	17 %	
Chemicals	178	164	13	8 %	
Eliminations	12	16	-4	-23 %	
Operating income	114	83	31	37 %	
(Operating income ratio) (%)	11.6%	10.2%	1.4 pt		

- ◆ Breakdown of year-on-year increase of 16% for rubbers sales volume
  - General-purpose rubbers           +20%           Domestic sales -4% , Export sales +38%
  - Specialty rubbers                   +3%             Domestic sales +3%, Export sales +4%

- ◆ Specialty rubbers component ratio
  - Sales volume                       27%           (FY2016/Q2: 31%)
  - Sales amount                       51%           (FY2016/Q2: 57%)

## Specialty Materials Business

	FY2017 Q2	FY2016 Q2	Increase / Decrease		Remarks (JPY100m)
			Amount	Rate	
Net sales	431	365	66	18 %	
Specialty Chemicals	113	99	14	14 %	
Specialty Plastics	290	241	49	20 %	
Medical Devices etc.	28	24	4	15 %	
Operating income	82	47	35	74 %	
(Operating income ratio) (%)	19.0%	12.9%	6.1 pt		

- ◆ Breakdown of year-on-year increase of 14% for specialty chemicals sales amount  
Specialty Chemicals -2%, Electronic Materials +16%, Battery Materials +37%, Toner +13%
- ◆ Breakdown of year-on-year increase of 20% for specialty plastics sales amount  
Cyclo-Olefin Polymer resins +4%, Optical Films +26%
- ◆ Sales volume growth rate for optical films +10%
- ◆ Proportion of the optical film sales for small-to-medium sized FPD to total optical film sales  
<FY2016/Q2>19% → <FY2017/Q2>28%

**Others**

	FY2017 Q2	FY2016 Q2	Increase / Decrease		Remarks (JPY100m)
			Amount	Rate	
Net sales	262	232	29	13 %	
Operating income	16	13	3	20 %	
(Operating income ratio) (%)	6.2%	5.8%	0.4	pt	

# Consolidated Statement of Income (Quarterly trends)

	FY2016				FY2017		Increase / Decrease FY2017 Q2 vs. FY2017 Q1		Remarks  (JPY100m)
	Q1	Q2	Q3	Q4	Q1	Q2	Amount	Rate	
	<b>Sales volume</b> (thousand tons)	135	135	134	154	149	154	5	
Rubbers	81	72	72	84	84	92	8	9%	
Latices	26	31	30	34	33	32	-1	-2%	
Chemicals	29	32	33	35	32	30	-2	-6%	
<b>Net sales</b>	700	702	704	770	828	839	11	1%	<b>Comparative analysis of operating income</b>
<b>Elastomer Business</b>	416	399	384	463	492	492	0	0%	Quantity variance +27
Rubbers	282	268	260	316	345	350	5	1%	Price variance-18
Latices	46	39	41	50	52	48	-5	-9%	Exchange rate variance +2
Chemicals	80	84	75	90	88	89	1	1%	
Others and Eliminations	8	8	8	7	6	6	-1	-9%	
<b>Specialty Materials Business</b>	174	190	195	190	212	219	7	3%	
Specialty Chemicals	49	50	55	54	55	58	3	5%	
Specialty Plastics	113	128	127	122	144	146	3	2%	
Medical Devices etc.	12	12	13	14	13	15	1	10%	
<b>Others and Eliminations</b>	109	112	125	117	124	128	4	3%	
<b>Operating income</b>	71	62	84	92	97	102	5	5%	<b>Comparative analysis of operating income</b>
(Operating income ratio) (%)	10%	9%	12%	12%	12%	12%	0 pt		Quantity variance +0 Raw materials price variance +24
<b>Elastomer Business</b>	46	38	52	70	54	60	5	10%	Price variance -18 SG & A etc. -3
<b>Specialty Materials Business</b>	25	22	28	23	41	41	-1	-2%	Exchange rate variance +2
<b>Others and Eliminations</b>	0	2	4	-2	1	2	0	14%	
<b>Ordinary income</b>	58	63	101	96	108	109	0	0%	
<b>Net income</b>	39	42	80	71	70	73	3	5%	
<b>Exchange rate (JPY/\$)</b>	111.8	103.5	106.1	114.3	111.5	110.9	-0.6	-1%	
<b>Exchange rate (JPY/€)</b>	125.8	115.0	116.0	121.1	121.5	129.6	8.1	7%	
<b>Naphtha price (JPY/kl)</b>	31,600	31,300	34,000	41,800	39,300	36,600	-2,500	-6%	
<b>Asian Butadiene price (USD/t)</b>	1,033	1,121	1,647	2,747	1,122	1,246	124	11%	

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

**ZEON**

(Unit : JPY100m)

	FY2016				FY2017		Increase / Decrease FY2017Q2 vs. FY2016Q2		FY2017	Increase / Decrease FY2016 vs. FY2017	
	Q1	Q2	Q3	Q4	Q1	Q2	Amount	Rate	forecast	Amount	Rate
<b>Capital expenditures</b>	86	41	50	44	33	42					
Elastomer Business	44	20	30	17	17	24					
Specialty Materials Business	37	13	14	13	12	12					
Others and Eliminations	5	8	6	14	4	6					
<b>Cumulative capital expenditures</b>	86	127	177	221	33	75	-52	-41%	201	-20	-9%
Elastomer Business	44	64	94	112	17	41	-23	-36%			
Specialty Materials Business	37	50	64	76	12	23	-27	-53%			
Others and Eliminations	5	13	19	33	4	10	-2	-19%			
<b>Depreciation &amp; amortization</b>	45	49	53	57	48	49					
Elastomer Business	22	24	26	28	24	25					
Specialty Materials Business	17	18	20	23	17	18					
Others and Eliminations	6	7	7	7	6	6					
<b>Cumulative depreciation &amp; amortization</b>	45	94	147	204	48	97	4	4%	218	14	7%
Elastomer Business	22	46	72	99	24	50	4	9%			
Specialty Materials Business	17	35	56	78	17	35	-0	-1%			
Others and Eliminations	6	12	20	27	6	12	-0	-1%			
<b>R&amp;D expenses</b>	31	33	32	36	35	34					
<b>Cumulative R&amp;D expenses</b>	31	64	96	132	35	70	6	9%	140	7	6%

# Comparative Balance Sheets (Consolidated)

**ZEON**

(Unit : JPY100m)

Liabilities and Net assets			
	As of Sep. 30, 2017	As of Mar. 30, 2017	Increase / Decrease
<b>Current assets</b>	2,007	1,825	182
Cash and bank deposits	279	117	162
Notes and accounts receivable-trade	806	730	76
Accounts receivable-other	264	293	-30
Inventories	571	619	-48
Other current assets	88	67	22
<b>Fixed assets</b>	2,342	2,289	53
Property, Plant and Equipment	1,340	1,381	-40
Intangible assets	35	39	-3
Investment securities	867	768	99
Other fixed assets	99	101	-3
<b>Total assets</b>	4,349	4,114	234

Liabilities and Net assets			
	As of Sep. 30, 2017	As of Mar. 30, 2017	Increase / Decrease
<b>Current liabilities</b>	1,276	1,143	133
Notes and accounts payable-trade	704	667	37
Short-term interest-bearing debt	279	195	83
Other current liabilities	293	280	13
<b>Long-term liabilities</b>	437	525	-88
Long-term interest-bearing debt	134	251	-117
Other long-term liabilities	303	274	29
<b>Total net assets</b>	2,636	2,446	190
Equity capital	2,588	2,402	186
Other net assets	48	44	4
<b>Total liabilities and net assets</b>	4,349	4,114	234

Capital expenditures	75
Depreciation & amortization	-97
Other factors	-20
<b>Fixed assets</b>	<b>-43</b>

Total interest-bearing debt	413	447	-34
Equity ratio	59.5	58.4	1.1
D/E Ratio	0.16	0.19	-0.03

## ◆ Cash flows

	FY2017 Q2	FY2016 Q2
Cash flows from operating activities	264	227
Cash flows from investing activities	-68	-128
Free cash flows	196	99
Cash flows from financing activities	-49	-86
Net increase (decrease) in cash and equivalents	146	13



# Forecast of Operating Performance for FY2017

**ZEON**

(Unit : JPY100m)

	FY2017	FY2016	Increase / Decrease	
			Amount	Rate
<b>Net sales</b>	3,250	2,876	374	13 %
Elastomer Business	1,890	1,662	228	14 %
Specialty Materials Business	850	750	100	13 %
Others	530	490	40	8 %
Eliminations	-20	-26	6	
<b>Operating income</b>	350	308	42	14 %
<b>(Operating income ratio) (%)</b>	10.8%	10.7%	0.1 pt	
Elastomer Business	207	206	1	1 %
Specialty Materials Business	143	98	45	45 %
Others	0	4	-4	-100 %
<b>Non-operating income &amp; expenses</b>	30	10	20	
<b>Ordinary income</b>	380	318	62	19 %
<b>Net income</b>	250	232	18	8 %
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Exchange rate (JPY/\$)	110.0	108.9	1.1	1 %
Exchange rate (JPY/€)	125.0	119.5	5.5	5 %
Naphtha price (JPY/kl)	36,000	34,700	1,300	4 %
Asian Butadiene price (USD/t)	1,200	1,637	-437	-27 %

The company is predicting no changes in the forecast disclosed as of Sep. 29, 2017.

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.

## Next Announcement of Financial Statements

The 3rd quarter of FY2017	Jan. 31th, 2018
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Subject to change without notice