

Financial Report
The 3rd Quarter of FY2017
(From Apr. 1 to Dec. 31, 2017)

ZEON
ZEON CORPORATION

Jan. 31, 2018

Statement of Income (Consolidated) for 9 Months ended Dec. 31, 2017

	FY2017 Q3	FY2016 Q3	Increase / Decrease		Remarks (JPY100m)
			Amount	Rate	
Net sales	2,510	2,106	404	19 %	Comparative analysis of net sales
Elastomer Business	1,460	1,199	261	22 %	Quantity variance +285
Specialty Materials Business	661	559	102	18 %	Price variance +96
Others	405	365	40	11 %	Exchange rate variance +23
Eliminations	-16	-17	1		
Operating income	307	216	91	42 %	Comparative analysis of operating income
(Operating income ratio) (%)	12.2%	10.3%	2.0 pt		Quantity variance +68 Raw materials price variance -55
Elastomer Business	166	135	31	23 %	Price variance +96 SG & A etc. -41
Specialty Materials Business	134	75	59	79 %	Exchange rate variance +23
Others	6	6	0	4 %	
Non-operating income & expenses	22	6	16	274 %	
Ordinary income	329	222	107	48 %	
Profit or loss on extraordinary item	-169	-2	-168	- %	
Income before income taxes	159	220	-61	-28 %	Impairment loss on fixed assets -147
Net income	64	160	-97	-60 %	
Exchange rate (JPY/\$)	111.7	107.2	4.6	4 %	
Exchange rate (JPY/€)	127.9	118.9	9.0	8 %	
Naphtha price (JPY/kl)	39,900	32,400	7,500	23 %	
Asian Butadiene price (USD/t)	1,161	1,267	-106	-8 %	

Elastomer Business

	FY2017 Q3	FY2016 Q3	Increase / Decrease		Remarks (JPY100m)
			Amount	Rate	
Sales volume (thousand tons)	459	405	54	13 %	
Rubbers	267	224	43	19 %	
Latexes	97	87	10	12 %	
Chemicals	95	94	2	2 %	
Net sales	1,460	1,199	261	22 %	
Rubbers	1,041	810	232	29 %	
Latexes	145	127	18	14 %	
Chemicals	255	239	15	6 %	
Eliminations	19	23	-4	-19 %	
Operating income	166	135	31	23 %	
(Operating income ratio) (%)	11.4%	11.3%	0.1 pt		

◆ Breakdown of year-on-year increase of 19% for rubbers sales volume

General-purpose rubbers	+24%	Domestic sales	0%,	Export sales	+43%
Specialty rubbers	+5%	Domestic sales	+2%,	Export sales	+6%

◆ Specialty rubbers component ratio

Sales volume	27%	(FY2016/Q3: 31%)
Sales amount	51%	(FY2016/Q3: 56%)

Specialty Materials Business

	FY2017 Q3	FY2016 Q3	Increase / Decrease		Remarks (JPY100m)
			Amount	Rate	
Net sales	661	559	102	18 %	
Specialty Chemicals	179	154	25	16 %	
Specialty Plastics	441	368	73	20 %	
Medical Devices etc.	42	37	5	12 %	
Operating income	134	75	59	79 %	
(Operating income ratio) (%)	20.3%	13.4%	6.9 pt		

- ◆ Breakdown of year-on-year increase of 16% for specialty chemicals sales amount
Specialty Chemicals +6%, Electronic Materials +15%, Battery Materials +34%, Toner +9%
- ◆ Breakdown of year-on-year increase of 20% for specialty plastics sales amount
Cyclo-Olefin Polymer resins -1%, Optical Films +27%
- ◆ 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/Q3>19% → <FY2017/Q3>30%

Others

	FY2017 Q3	FY2016 Q3	Increase / Decrease		Remarks (JPY100m)
			Amount	Rate	
Net sales	405	365	40	11 %	
Operating income	25	23	2	9 %	
(Operating income ratio) (%)	6.3%	6.4%	-0.1	pt	

Consolidated Statement of Income (Quarterly trends)

	FY2016				FY2017			Increase / Decrease FY2017 Q3 vs. FY2017 Q2		Remarks (JPY100m)
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Amount	Rate	
Sales volume (thousand tons)	135	135	134	154	149	154	156	2	1%	
Rubbers	81	72	72	84	84	92	90	-2	-2%	
Latexes	26	31	30	34	33	32	32	0	0%	
Chemicals	29	32	33	35	32	30	34	4	13%	
Net sales	700	702	704	770	828	839	843	4	1%	Comparative analysis of operating income
Elastomer Business	416	399	384	463	492	492	476	-17	-3%	Quantity variance -11
Rubbers	282	268	260	316	345	350	347	-3	-1%	Price variance+11
Latexes	46	39	41	50	52	48	45	-2	-5%	Exchange rate variance +4
Chemicals	80	84	75	90	88	89	77	-12	-14%	
Others and Eliminations	8	8	8	7	6	6	7	1	17%	
Specialty Materials Business	174	190	195	190	212	219	231	12	5%	
Specialty Chemicals	49	50	55	54	55	58	66	8	14%	
Specialty Plastics	113	128	127	122	144	146	150	4	3%	
Medical Devices etc.	12	12	13	14	13	15	14	-0	-2%	
Others and Eliminations	109	112	125	117	124	128	137	10	7%	
Operating income	71	62	84	92	97	102	108	6	6%	Comparative analysis of operating income
(Operating income ratio) (%)	10%	9%	12%	12%	12%	12%	13%	1 pt		Quantity variance +17 Raw materials price variance -14
Elastomer Business	46	38	52	70	54	60	52	-7	-12%	Price variance +11 SG & A etc. -12
Specialty Materials Business	25	22	28	23	41	41	52	12	28%	Exchange rate variance +4
Others and Eliminations	0	2	4	-2	1	2	3	1	86%	
Ordinary income	58	63	101	96	108	109	112	3	3%	
Net income	39	42	80	71	70	73	-80	-153	-209%	
Exchange rate (JPY/\$)	111.8	103.5	106.1	114.3	111.5	110.9	112.7	1.7	2%	
Exchange rate (JPY/€)	125.8	115.0	116.0	121.1	121.5	129.6	132.4	2.8	2%	
Naphtha price (JPY/kl)	31,600	31,300	34,000	41,800	39,100	36,100	44,400	8,300	23%	
Asian Butadiene price (USD/t)	1,033	1,121	1,647	2,747	1,122	1,246	1,116	-130	-10%	

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

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(Unit : JPY100m)

	FY2016				FY2017			Increase / Decrease FY2017Q3 vs. FY2016Q3		FY2017 forecast	Increase / Decrease FY2016 vs. FY2017	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Amount	Rate		Amount	Rate
	Capital expenditures	86	41	50	44	33	42	41				
Elastomer Business	44	20	30	17	17	24	28					
Specialty Materials Business	37	13	14	13	12	12	5					
Others and Eliminations	5	8	6	14	4	6	7					
Cumulative capital expenditures	86	127	177	221	33	75	115	-62	-35%	160	-61	-28%
Elastomer Business	44	64	94	112	17	41	69	-25	-27%			
Specialty Materials Business	37	50	64	76	12	23	29	-35	-55%			
Others and Eliminations	5	13	19	33	4	10	17	-2	-8%			
Depreciation & amortization	45	49	53	57	48	49	53					
Elastomer Business	22	24	26	28	24	25	26					
Specialty Materials Business	17	18	20	23	17	18	21					
Others and Eliminations	6	7	7	7	6	6	6					
Cumulative depreciation & amortization	45	94	147	204	48	97	151	4	3%	205	1	0%
Elastomer Business	22	46	72	99	24	50	76	5	6%			
Specialty Materials Business	17	35	56	78	17	35	56	1	1%			
Others and Eliminations	6	12	20	27	6	12	18	-2	-8%			
R&D expenses	31	33	32	36	35	34	36					
Cumulative R&D expenses	31	64	96	132	35	70	105	9	10%	140	7	6%

Comparative Balance Sheets (Consolidated)

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(Unit : JPY100m)

Liabilities and Net assets			
	As of Dec. 31, 2017	As of Mar. 31, 2017	Increase / Decrease
Current assets	2,207	1,825	381
Cash and bank deposits	330	117	213
Notes and accounts receivable-trade	844	730	114
Accounts receivable-other	326	293	33
Inventories	609	619	-10
Other current assets	98	67	32
Fixed assets	2,278	2,289	-11
Property, Plant and Equipment	1,182	1,381	-199
Intangible assets	35	39	-4
Investment securities	970	768	202
Other fixed assets	91	101	-10
Total assets	4,484	4,114	370

Liabilities and Net assets			
	As of Dec. 31, 2017	As of Mar. 31, 2017	Increase / Decrease
Current liabilities	1,425	1,143	283
Notes and accounts payable-trade	850	667	183
Short-term interest-bearing debt	280	195	85
Other current liabilities	296	280	16
Long-term liabilities	458	525	-67
Long-term interest-bearing debt	127	251	-124
Other long-term liabilities	331	274	57
Total net assets	2,601	2,446	155
Equity capital	2,570	2,402	168
Other net assets	31	44	-14
Total liabilities and net assets	4,484	4,114	370

Capital expenditures	115
Depreciation & amortization	-151
Other factors	-168
Fixed assets	-203

Total interest-bearing debt	407	447	-40
Equity ratio	57.3	58.4	-1.1
D/E Ratio	0.16	0.19	-0.03

◆ Cash flows

	FY2017 Q3	FY2016 Q3
Cash flows from operating activities	356	391
Cash flows from investing activities	-127	-185
Free cash flows	229	206
Cash flows from financing activities	-73	-154
Net increase (decrease) in cash and equivalents	156	50

Forecast of Operating Performance for FY2017

ZEON

(Unit : JPY100m)

	FY2017	FY2016	Increase / Decrease	
			Amount	Rate
Net sales	3,350	2,876	474	16 %
Elastomer Business	1,970	1,662	308	19 %
Specialty Materials Business	850	750	100	13 %
Others	550	490	60	12 %
Eliminations	-20	-26	6	
Operating income	390	308	82	27 %
(Operating income ratio) (%)	11.6%	10.7%	0.9 pt	
Elastomer Business	219	206	13	7 %
Specialty Materials Business	164	98	66	67 %
Others	7	4	3	83 %
Non-operating income & expenses	30	10	20	
Ordinary income	420	318	102	32 %
Net income	130	232	-102	-44 %
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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 %

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

FY2017	Apr. 27th, 2018
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Subject to change without notice