

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

January 31, 2018

**Consolidated Financial Report for the
Third Quarter of the Year Ending March 31, 2018**

Name of Listed Company	ZEON CORPORATION		
Ticker Code	4205 (URL http://www.zeon.co.jp)	Listed Stock Exchanges	Tokyo Stock Exchange
Representative	President	Name	Kimiaki Tanaka
Contact	Director and Corporate Officer	Name	Takeo Furuya TEL: +81-3-3216-2747
Scheduled Date of the Submission of the Quarterly Report	February 9, 2018	Scheduled Date of Dividend Payments	—

Note: All amounts less than one million yen in the tables are rounded off.

**1. Consolidated Performance for 3rd Quarter of the Year Ending March 31, 2018
(April 1, 2017 to December 31, 2017)**

(1) Consolidated operating results (Cumulative)

(Percentage figures respectively indicate year-over-year changes from the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
3Q period ended December 31, 2017	251,017	19.2	30,680	42.0	32,855	48.0	6,375	(60.2)
3Q period ended December 31, 2016	210,610	(6.3)	21,612	(10.9)	22,194	(12.7)	16,026	17.3

Note: Comprehensive income:

3Q of the year ending March 31, 2018: 19,255 million yen (22.4%);

3Q of the year ended March 31, 2017: 15,728 million yen (183.4%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
3Q period ended December 31, 2017	28.71	28.68
3Q period ended December 31, 2016	72.20	72.11

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
3Q period ended December 31, 2017	448,447	260,096	57.3
Year ended March 31, 2017	411,415	244,634	58.4

Reference: Equity:

As of December 31, 2017: 257,013 million yen As of March 31, 2017: 240,189 million yen

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

2. Cash Dividends

Record date	Cash dividend per share				
	1Q end	2Q end	3Q end	Year-end	Full year
Year ended March 31, 2017	Yen —	Yen 8.00	Yen —	Yen 8.00	Yen 16.00
Year ending March 31, 2018	—	8.00	—		
Year ending March 31, 2018 (Forecast)				9.00	17.00

Note: Revisions to the most recently disclosed dividend forecasts: No

**3. Projected Consolidated Performance for the Year Ending March 31, 2018
(From April 1, 2017 to March 31, 2018)**

(Percentage figures respectively indicate changes from the previous year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2018 (Full year)	335,000	16.5	39,000	26.8	42,000	32.1	13,000	(43.8)	58.56

Note: Revisions to the most recently disclosed dividend forecasts: Yes

4. Other Matters

(1) Significant changes of specified subsidiaries during the three-month period under review (Changes of Specified Subsidiaries Accompanied by Change in Scope of Consolidation): No

(2) Application of special accounting methods for the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting principle, procedures and presentation on preparation of consolidated financial statements

(i) Changes due to amendment in accounting standards: No

(ii) Changes except above (i): No

(iii) Changes in accounting estimates: No

(iv) Restatement of revisions: No

(4) Number of shares outstanding (Common stock)

(i) Number of shares outstanding at the end of the period (Including treasury stock)

As of December 31, 2017: 237,075,556 shares As of March 31, 2017: 237,075,556 shares

(ii) Number of treasury stock outstanding

As of December 31, 2017: 15,054,478 shares As of March 31, 2017: 15,093,031 shares

(iii) Average number of shares during the period

3Q ended December 31, 2017: 222,005,794 shares 3Q ended December 31, 2016: 221,949,300 shares

This quarterly financial report is not subject to the quarterly review required under the Financial Instruments and Exchange Act.

Note concerning appropriate use of performance forecasts, etc.

The projected performance figures in this report are based on information available to Zeon's management at the time this report was prepared and are not intended to be interpreted as goals the company will achieve. Accordingly, users should be aware that actual results may differ materially from any expressed future performance herein due to various factors.

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Previous fiscal year (As of March 31, 2017)	As of December 31, 2017
(Millions of yen)		
(Assets)		
Current assets		
Cash and bank deposits	11,677	32,969
Notes and accounts receivable—trade	70,222	80,775
Electronically recorded monetary claims	2,782	3,615
Merchandise and products	43,734	42,976
Work in process	5,145	3,511
Raw materials and supplies	12,978	14,373
Accounts receivable—other	29,328	32,600
Deferred tax assets	3,799	3,844
Other current assets	2,959	6,098
Allowance for doubtful accounts	(91)	(92)
Total current assets	182,533	220,668
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	44,667	41,747
Machinery, equipment and vehicles, net	60,351	45,426
Land	18,698	18,332
Construction in progress	8,046	8,241
Other property, plant and equipment, net	6,297	4,406
Total property, plant and equipment	138,058	118,152
Intangible assets		
Other intangible assets	3,857	3,471
Total intangible assets	3,857	3,471
Investments and other assets		
Investment securities	76,828	97,014
Deferred tax assets	273	261
Other investments and assets	10,099	9,112
Allowance for doubtful accounts	(233)	(231)
Total investments and other assets	86,967	106,155
Total fixed assets	228,883	227,779
Total assets	411,415	448,447

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2017)	As of December 31, 2017
(Liabilities)		
Current liabilities		
Notes and accounts payable—trade	63,851	81,804
Electronically recorded monetary claims	2,834	3,149
Short-term loans payable	18,037	17,999
Current portion of bonds payable	—	10,000
Income taxes payable	5,018	5,084
Reserve for bonuses	1,556	424
Other reserves	2,238	1,782
Other current liabilities	20,719	22,305
Total current liabilities	<u>114,253</u>	<u>142,546</u>
Long-term liabilities		
Bonds payable	20,000	10,000
Long-term loans payable	5,140	2,715
Deferred tax liabilities	8,776	15,340
Net defined benefit liability	12,760	11,888
Other reserves	626	680
Other long-term liabilities	5,225	5,182
Total long-term liabilities	<u>52,528</u>	<u>45,805</u>
Total liabilities	<u>166,781</u>	<u>188,351</u>
(Net Assets)		
Shareholders' equity		
Common stock	24,211	24,211
Capital surplus	19,128	19,091
Retained earnings	179,390	183,592
Treasury stock, at cost	(12,275)	(12,245)
Total shareholders' equity	<u>210,454</u>	<u>214,650</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	27,767	40,325
Deferred gains on hedges	(1)	(1)
Foreign currency translation adjustments	4,474	3,419
Remeasurements of defined benefit plans	(2,505)	(1,380)
Total accumulated other comprehensive income	<u>29,736</u>	<u>42,364</u>
Stock acquisition rights	222	229
Non-controlling interests	4,224	2,853
Total net assets	<u>244,634</u>	<u>260,096</u>
Total liabilities and net assets	<u>411,415</u>	<u>448,447</u>

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

(2) Consolidated Statements of Income

	(Millions of yen)	
	For the nine months ended December 31, 2016	For the nine months ended December 31, 2017
Net sales	210,610	251,017
Cost of sales	147,721	174,554
Gross profit	62,889	76,463
Selling, general and administrative expenses	41,277	45,783
Operating income	21,612	30,680
Non-operating income		
Interest income	83	81
Dividend income	1,233	1,595
Foreign exchange gain	—	662
Share of profit of investments accounted for using the equity method	—	224
Miscellaneous income	445	325
Total non-operating income	1,761	2,886
Non-operating expenses		
Interest expenses	362	249
Foreign exchange loss	462	—
Depreciation of inactive non-current assets	211	278
Miscellaneous loss	144	183
Total non-operating expenses	1,179	710
Ordinary income	22,194	32,855
Extraordinary gains		
Compensation income	486	—
Gain on sales of investment securities	37	231
Gain on reversal of foreign currency translation adjustment	—	316
Other	128	74
Total extraordinary gains	651	622
Extraordinary losses		
Loss on disposal of fixed assets	424	358
Impairment loss	54	14,726
Other	335	2,472
Total extraordinary losses	813	17,556
Income before income taxes	22,032	15,921
Income taxes	5,549	9,222
Net income	16,483	6,700
Net income attributable to non-controlling interests	457	325
Net income attributable to owners of parent	16,026	6,375

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

(3) Statement of Comprehensive Income

	(Millions of yen)	
	For the nine months ended December 31, 2016	For the nine months ended December 31, 2017
Net income	16,483	6,700
Other comprehensive income		
Valuation difference on available-for-sale securities	8,079	12,429
Deferred gains (losses) on hedges	7	(0)
Foreign currency translation adjustments	(9,249)	(1,016)
Remeasurements of defined benefit plans	408	1,125
Share of profit of investments accounted for using the equity method	—	17
Total other comprehensive income	(756)	12,555
Comprehensive income	15,728	19,255
Comprehensive income attributable to:		
Owners of the parent	15,521	18,790
Non-controlling interests	207	465

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

(4) Segment Information

Previous 3rd quarter cumulative period (From April 1, 2016 to December 31, 2016) (Millions of yen)

	Elastomer	Specialty Materials	Sub Total	Other	Total	Adjustment	Consolidated
Net sales							
(1) Sales to third parties	118,454	55,946	174,400	36,210	210,610	—	210,610
(2) Intersegment sales and transfers	1,490	—	1,490	259	1,750	(1,750)	—
Total	119,945	55,946	175,890	36,470	212,360	(1,750)	210,610
Segment income	13,508	7,493	21,001	2,329	23,330	(1,718)	21,612

Current 3rd quarter cumulative period (From April 1, 2017 to December 31, 2017) (Millions of yen)

	Elastomer	Specialty Materials	Sub Total	Other	Total	Adjustment	Consolidated
Net sales							
(1) Sales to third parties	144,588	66,146	210,734	40,283	251,017	—	251,017
(2) Intersegment sales and transfers	1,422	—	1,422	197	1,618	(1,618)	—
Total	146,009	66,146	212,155	40,480	252,635	(1,618)	251,017
Segment income	16,642	13,400	30,042	2,548	32,590	(1,910)	30,680