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 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.)

<table>
<thead>
<tr>
<th></th>
<th>Net sales</th>
<th>Operating income</th>
<th>Ordinary income</th>
<th>Net income attributable to owners of parent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Millions of yen</td>
<td>%</td>
<td>Millions of yen</td>
<td>%</td>
</tr>
<tr>
<td>3Q period ended December 31, 2017</td>
<td>251,017</td>
<td>19.2</td>
<td>30,680</td>
<td>42.0</td>
</tr>
<tr>
<td>3Q period ended December 31, 2016</td>
<td>210,610</td>
<td>(6.3)</td>
<td>21,612</td>
<td>(10.9)</td>
</tr>
</tbody>
</table>

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%)

<table>
<thead>
<tr>
<th></th>
<th>Net income per share</th>
<th>Fully diluted net income per share</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yen</td>
<td>Yen</td>
</tr>
<tr>
<td>3Q period ended December 31, 2017</td>
<td>28.71</td>
<td>28.68</td>
</tr>
<tr>
<td>3Q period ended December 31, 2016</td>
<td>72.20</td>
<td>72.11</td>
</tr>
</tbody>
</table>

(2) Consolidated financial position

<table>
<thead>
<tr>
<th></th>
<th>Total assets</th>
<th>Net assets</th>
<th>Equity ratio %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Millions of yen</td>
<td>Millions of yen</td>
<td></td>
</tr>
<tr>
<td>3Q period ended December 31, 2017</td>
<td>448,447</td>
<td>260,096</td>
<td>57.3</td>
</tr>
<tr>
<td>Year ended March 31, 2017</td>
<td>411,415</td>
<td>244,634</td>
<td>58.4</td>
</tr>
</tbody>
</table>

Reference: Equity:
As of December 31, 2017: 257,013 million yen  As of March 31, 2017: 240,189 million yen
2. Cash Dividends

<table>
<thead>
<tr>
<th>Record date</th>
<th>1Q end</th>
<th>2Q end</th>
<th>3Q end</th>
<th>Year-end</th>
<th>Full year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year ended March 31, 2017</td>
<td></td>
<td>8.00</td>
<td></td>
<td>8.00</td>
<td>16.00</td>
</tr>
<tr>
<td>Year ending March 31, 2018</td>
<td></td>
<td>8.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year ending March 31, 2018 (Forecast)</td>
<td></td>
<td></td>
<td></td>
<td>9.00</td>
<td>17.00</td>
</tr>
</tbody>
</table>

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)

<table>
<thead>
<tr>
<th></th>
<th>Net sales</th>
<th>Operating income</th>
<th>Ordinary income</th>
<th>Net income attributable to owners of parent</th>
<th>Net income per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year ending March 31, 2018 (Full year)</td>
<td>Millions of yen</td>
<td>Millions of yen</td>
<td>Millions of yen</td>
<td>Millions of yen</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td>335,000</td>
<td>16.5</td>
<td>39,000</td>
<td>26.8</td>
<td>42,000</td>
</tr>
</tbody>
</table>

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.
5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

<table>
<thead>
<tr>
<th>(Assets)</th>
<th>Previous fiscal year (As of March 31, 2017)</th>
<th>As of December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and bank deposits</td>
<td>11,677</td>
<td>32,969</td>
</tr>
<tr>
<td>Notes and accounts receivable—trade</td>
<td>70,222</td>
<td>80,775</td>
</tr>
<tr>
<td>Electronically recorded monetary claims</td>
<td>2,782</td>
<td>3,615</td>
</tr>
<tr>
<td>Merchandise and products</td>
<td>43,734</td>
<td>42,976</td>
</tr>
<tr>
<td>Work in process</td>
<td>5,145</td>
<td>3,511</td>
</tr>
<tr>
<td>Raw materials and supplies</td>
<td>12,978</td>
<td>14,373</td>
</tr>
<tr>
<td>Accounts receivable—other</td>
<td>29,328</td>
<td>32,600</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>3,799</td>
<td>3,844</td>
</tr>
<tr>
<td>Other current assets</td>
<td>2,959</td>
<td>6,098</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>(91)</td>
<td>(92)</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>182,533</td>
<td>220,668</td>
</tr>
<tr>
<td><strong>Fixed assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings and structures, net</td>
<td>44,667</td>
<td>41,747</td>
</tr>
<tr>
<td>Machinery, equipment and vehicles, net</td>
<td>60,351</td>
<td>45,426</td>
</tr>
<tr>
<td>Land</td>
<td>18,698</td>
<td>18,332</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>8,046</td>
<td>8,241</td>
</tr>
<tr>
<td>Other property, plant and equipment, net</td>
<td>6,297</td>
<td>4,406</td>
</tr>
<tr>
<td><strong>Total property, plant and equipment</strong></td>
<td>138,058</td>
<td>118,152</td>
</tr>
<tr>
<td><strong>Intangible assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other intangible assets</td>
<td>3,857</td>
<td>3,471</td>
</tr>
<tr>
<td><strong>Total intangible assets</strong></td>
<td>3,857</td>
<td>3,471</td>
</tr>
<tr>
<td>Investments and other assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment securities</td>
<td>76,828</td>
<td>97,014</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>273</td>
<td>261</td>
</tr>
<tr>
<td>Other investments and assets</td>
<td>10,099</td>
<td>9,112</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>(233)</td>
<td>(231)</td>
</tr>
<tr>
<td><strong>Total investments and other assets</strong></td>
<td>86,967</td>
<td>106,155</td>
</tr>
<tr>
<td><strong>Total fixed assets</strong></td>
<td>228,883</td>
<td>227,779</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>411,415</td>
<td>448,447</td>
</tr>
</tbody>
</table>
## (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** | 114,253 | 142,546 |

| 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** | 52,528 | 45,805 |
| **Total liabilities** | 166,781 | 188,351 |

## (Net Assets)

| 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** | 210,454 | 214,650 |

| 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** | 29,736 | 42,364 |
| Stock acquisition rights | 222 | 229 |
| Non-controlling interests | 4,224 | 2,853 |
| **Total net assets** | 244,634 | 260,096 |
| **Total liabilities and net assets** | 411,415 | 448,447 |
### (2) Consolidated Statements of Income

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

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

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

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

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

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