

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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April 26, 2019

**Consolidated Financial Flash Report for the
Year Ended March 31, 2019**

Name of Listed Company	ZEON CORPORATION		Listed Stock Exchanges	Tokyo Stock Exchange
Ticker Code	4205	(URL http://www.zeon.co.jp)	Name	Kimiaki Tanaka
Representative	President		Name	Hirofumi Imai
Contact	Director and Senior Corporate Officer		TEL	+81-3-3216-2747
Scheduled Date of the General Shareholders Meeting	June 27, 2019		Scheduled Date of Dividend Payments	From June 28, 2019
Scheduled Date of the Submission of the Securities Report	June 27, 2019			

Note: Figures are rounded down to the nearest million yen.

1. Consolidated Performance for the Year Ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

(1) Consolidated operating results

(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	%
Year ended March 31, 2019	337,499	1.4	33,147	(14.7)	36,319	(11.2)	18,458	41.4
Year ended March 31, 2018	332,682	15.7	38,881	26.4	40,893	28.6	13,056	(43.6)

Notes: Comprehensive income:

Year ended March 31, 2019: 8,224 million yen (down 57.6%);

Year ended March 31, 2018: 19,374 million yen (down 39.7%)

	Net income per share	Fully diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to sales
	Yen	Yen	%	%	%
Year ended March 31, 2019	84.06	83.94	7.2	8.4	9.8
Year ended March 31, 2018	58.81	58.73	5.3	9.6	11.7

Reference: Share of (profit) loss of entities accounted for using equity method:

Year ended March 31, 2019: 235 million yen Year ended March 31, 2018: 283 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2019	424,937	259,156	60.3	1,172.40
As of March 31, 2018	440,519	259,940	58.4	1,158.30

Reference: Equity:

As of March 31, 2019: 256,167 million yen As of March 31, 2018: 257,167 million yen

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(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2019	40,393	(21,426)	(23,575)	34,846
Year ended March 31, 2018	54,462	(14,951)	(11,625)	39,791

2. Cash Dividends

Record date	Cash dividend per share					Total annual cash dividends	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1Q end	Interim	3Q end	Year-end	Full year			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2018	—	8.00	—	9.00	17.00	3,774	28.9	1.5
Year ended March 31, 2019	—	9.00	—	10.00	19.00	4,151	22.6	1.6
Year ending March 31, 2020 (Forecast)	—	10.00	—	10.00	20.00		19.9	

3. Projected Consolidated Performance for the Year Ending March 31, 2020
(From April 1, 2019 to March 31, 2020)

(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
Interim period ending September 30, 2019	160,000	(5.3)	14,500	(19.4)	15,500	(23.5)	11,000	(24.4)	50.34
Year ending March 31, 2020 (Full year)	330,000	(2.2)	30,000	(9.5)	32,000	(11.9)	22,000	19.2	100.69

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4. Other Matters

(1) Material changes in subsidiaries during this period (changes in scope of consolidations resulting from change in subsidiaries): No

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

- (i) Changes in policy due to amendment in accounting standards: No
- (ii) Changes in policy other than above (i): No
- (iii) Changes in accounting estimates: No
- (iv) Restatements: No

(3) Number of shares outstanding (Common stock)

- (i) Number of shares outstanding at the end of the year (Including treasury stock)
As of March 31, 2019: 237,075,556 shares As of March 31, 2018: 237,075,556 shares
- (ii) Number of treasury stock
As of March 31, 2019: 18,577,060 shares As of March 31, 2018: 15,054,569 shares
- (iii) Average number of shares outstanding in each year
Year ended March 31, 2019: 219,582,485 shares Year ended March 31, 2018: 222,009,301 shares

Reference: Summary of Non-consolidated Performance**Non-consolidated Performance for the Year ended March 31, 2019**

(From April 1, 2018 to March 31, 2019)

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

(1) Non-consolidated operating results

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2019	223,848	2.2	21,973	(21.1)	27,573	(14.7)	10,270	484.0
Year ended March 31, 2018	219,002	13.2	27,856	20.0	32,324	30.8	1,759	(91.0)

	Net income per share		Fully diluted net income per share	
	Yen		Yen	
Year ended March 31, 2019	46.77		46.70	
Year ended March 31, 2018	7.92		7.91	

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2019	350,230	192,771	55.0	880.90
Year ended March 31, 2018	370,538	200,738	54.1	903.03

Reference: Equity

As of March 31, 2019: 192,475 million yen As of March 31, 2018: 200,491 million yen

The financial flash report is not subject to auditing procedures by certified public accountants or auditing firms.

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.

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5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
(Assets)		
Current assets		
Cash and bank deposits	41,666	37,534
Notes and accounts receivable—trade	75,787	74,823
Electronically recorded monetary claims	3,557	3,529
Merchandise and products	45,448	52,494
Work in process	4,689	3,832
Raw materials and supplies	13,759	14,799
Accounts receivable—other	36,241	35,675
Other current assets	3,810	4,631
Allowance for doubtful accounts	(97)	(80)
Total current assets	224,859	227,238
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	41,914	39,354
Machinery, equipment and vehicles, net	45,888	33,334
Land	18,246	18,255
Construction in progress	5,285	8,323
Other property, plant and equipment, net	4,225	3,057
Total property, plant and equipment	115,559	102,323
Intangible assets		
Other intangible assets	3,355	3,197
Total intangible assets	3,355	3,197
Investments and other assets		
Investment securities	87,362	81,103
Net defined benefit asset	49	44
Deferred tax assets	886	801
Other investments and assets	8,677	10,460
Allowance for doubtful accounts	(228)	(229)
Total investments and other assets	96,746	92,179
Total fixed assets	215,660	197,700
Total assets	440,519	424,937

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	(Millions of yen)	
	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
(Liabilities)		
Current liabilities		
Notes and accounts payable—trade	81,103	78,862
Electronically recorded monetary claims	2,900	3,552
Short-term loans payable	16,573	12,125
Current portion of bonds	10,000	—
Income taxes payable	4,920	6,894
Reserve for bonuses	2,160	2,216
Other reserves	2,032	4,059
Other current liabilities	19,576	22,331
Total current liabilities	139,264	130,039
Long-term liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	2,000	2,000
Deferred tax liabilities	10,060	5,107
Net defined benefit liability	12,181	12,373
Other reserves	1,359	771
Other long-term liabilities	5,715	5,491
Total long-term liabilities	41,315	35,742
Total Liabilities	180,579	165,781
(Net Assets)		
Shareholders' equity		
Common stock	24,211	24,211
Capital surplus	19,240	19,240
Retained earnings	190,273	204,767
Treasury stock, at cost	(12,245)	(17,238)
Total shareholders' equity	221,480	230,981
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	33,771	24,117
Deferred gains (losses) on hedges	(2)	(0)
Foreign currency translation adjustments	3,925	2,629
Remeasurements of defined benefit plans	(2,008)	(1,560)
Total accumulated other comprehensive income	35,687	25,187
Stock acquisition rights	246	296
Non-controlling interests	2,527	2,693
Total net assets	259,940	259,156
Total liabilities and net assets	440,519	424,937

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(2) Consolidated Statements of Income

	(Millions of yen)	
	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Net sales	332,682	337,499
Cost of sales	231,410	240,757
Gross profit	101,272	96,742
Selling, general and administrative expenses	62,392	63,595
Operating income	38,881	33,147
Non-operating income		
Interest income	120	146
Dividend income	2,237	2,338
Foreign exchange gains	—	83
Share of profit of entities accounted for using equity method	283	235
Miscellaneous income	640	1,092
Total non-operating income	3,280	3,894
Non-operating expenses		
Interest expense	323	200
Foreign exchange loss	318	—
Depreciation from idle assets	306	177
Miscellaneous loss	321	346
Total non-operating expenses	1,268	723
Ordinary income	40,893	36,319
Extraordinary gains		
Gain on sales of investment securities	231	8
Gain on sales of non-current assets	31	13
Gain on sales of investments in capital of subsidiaries and associates	480	—
Insurance income	501	—
Gain on reversal of foreign currency translation adjustment	316	—
Other	183	0
Total extraordinary gains	1,742	22
Extraordinary losses		
Loss on disposal of fixed assets	497	642
Impairment loss	14,775	8,606
Loss on abolishment of retirement benefit plan	2,378	—
Other	132	49
Total extraordinary losses	17,782	9,297
Income before income taxes	24,853	27,044
Income taxes—current	10,069	9,485
Income taxes for prior periods	—	(359)
Income taxes—deferred	1,332	(879)
Total taxes	11,401	8,247
Net income	13,451	18,797
Net income attributable to non-controlling interests	396	338
Net income attributable to owners of parent	13,056	18,458

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(3) Statement of Comprehensive Income

	(Millions of yen)	
	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Previous fiscal year (From April 1, 2018 to March 31, 2019)
Net income	13,451	18,797
Other comprehensive income		
Valuation difference on available-for-sale securities	5,848	(9,654)
Deferred gains (losses) on hedges	(1)	1
Foreign currency translation adjustments	(527)	(1,343)
Remeasurements of defined benefit plans	497	448
Share of other comprehensive income of entities accounted for using equity method	106	(25)
Total other comprehensive income	5,922	(10,573)
Comprehensive income	19,374	8,224
Comprehensive income attributable to:		
Owners of parent	18,770	7,958
Non-controlling interests	604	266

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(4) Consolidated Statements of Changes in Net Assets

Previous fiscal year (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	24,211	19,128	179,390	(12,275)	210,454
Changes of items during the period					
Dividends from surplus			(3,552)		(3,552)
Profit attributable to owners of parent			13,056		13,056
Disposal of treasury stock		3		33	35
Purchase of treasury stock				(2)	(2)
Change in ownership interest of parent due to transactions with non-controlling interests		110			110
Change in scope of equity method			1,380		1,380
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	112	10,884	30	11,026
Balance at the end of current period	24,211	19,240	190,273	(12,245)	221,480

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	27,767	(1)	4,474	(2,505)	29,736	222	4,224	244,634
Changes of items during the period								
Dividends from surplus								(3,552)
Profit attributable to owners of parent								13,056
Disposal of treasury stock								35
Purchase of treasury stock								(2)
Change in ownership interest of parent due to transactions with non-controlling interests								110
Change of scope of consolidation								1,380
Net changes of items other than shareholders' equity	6,004	(1)	(549)	497	5,951	25	(1,697)	4,279
Total changes of items during the period	6,004	(1)	(549)	497	5,951	25	(1,697)	15,306
Balance at the end of current period	33,771	(2)	3,925	(2,008)	35,687	246	2,527	259,940

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Current fiscal year (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	24,211	19,240	190,273	(12,245)	221,480
Changes of items during the period					
Dividends from surplus			(3,965)		(3,965)
Profit attributable to owners of parent			18,458		18,458
Disposal of treasury stock		(0)		7	7
Purchase of treasury stock				(5,001)	(5,001)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(0)	14,494	(4,993)	9,501
Balance at the end of current period	24,211	19,240	204,767	(17,238)	230,981

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	33,771	(2)	3,925	(2,008)	35,687	246	2,527	259,940
Changes of items during the period								
Dividends from surplus								(3,965)
Profit attributable to owners of parent								18,458
Disposal of treasury stock								7
Purchase of treasury stock								(5,001)
Net changes of items other than shareholders' equity	(9,654)	1	(1,296)	448	(10,500)	50	166	(10,285)
Total changes of items during the period	(9,654)	1	(1,296)	448	(10,500)	50	166	(784)
Balance at the end of current period	24,117	(0)	2,629	(1,560)	25,187	296	2,693	259,156

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(5) Cash Flow Statement

	(Millions of yen)	
	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Net cash provided by operating activities		
Income before income taxes and minority interests	24,853	27,044
Depreciation and amortization	20,539	18,780
Gain on goodwill	670	41
Increase (decrease) in reserve for repair	597	1,419
Increase (decrease) in net defined benefit liability	(1,751)	377
Interest and dividends income	(2,357)	(2,483)
Increase (decrease) in provision for bonuses	580	67
Interest expenses	323	200
Loss (gain) on disposal of non-current assets	466	629
Impairment loss	14,775	8,606
Insurance income	(501)	—
Decrease (increase) in notes and accounts receivable—trade	(5,813)	48
Decrease (increase) in inventories	(1,949)	(7,760)
Increase (decrease) in notes and accounts payable—trade	16,930	(916)
Other, net	(5,161)	1,466
Subtotal	62,199	47,518
Interest and dividends income received	2,443	2,561
Interest expenses paid	(334)	(219)
Proceeds from insurance income	—	501
Income taxes paid	(10,092)	(10,387)
Other, net	246	419
Net cash provided by operating activities	54,462	40,393
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(12,140)	(12,041)
Purchase of intangible assets	(1,197)	(733)
Purchase of investment securities	(626)	(7,388)
Proceeds from sales of investments in capital of subsidiaries and associates	543	—
Purchase of long-term prepaid expenses	(778)	(218)
Payments of loans receivable	(2,169)	(2,096)
Collection of loans receivable	2,056	2,283
Net decrease (increase) in time deposits	(1,472)	(859)
Other, net	831	(373)
Net cash provided by (used in) investing activities	(14,951)	(21,426)
Net cash used in financing activities		
Net increase (decrease) in short-term loans payable	(83)	(1,407)
Increase (decrease) in commercial papers	(1,500)	—
Repayment of long-term loans payable	(4,324)	(2,971)
Redemption of bonds	—	(10,000)
Purchase of treasury shares	(2)	(5,001)
Cash dividends paid shareholders	(3,547)	(3,959)
Dividends paid to non-controlling interests	(136)	(82)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2,097)	—
Other, net	64	(155)
Net cash used in financing activities	(11,625)	(23,575)
Effect of exchange rate change on cash and cash equivalents	253	(338)
Net increase (decrease) in cash and cash equivalents	28,139	(4,946)
Cash and cash equivalents at beginning of period	11,368	39,791
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	0	—
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	284	—
Cash and cash equivalents at end of period	39,791	34,846

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(6) Segment Information

a. Business segments

Previous fiscal year (From April 1, 2017 to March 31, 2018) (Millions of yen)

	Elastomer	Specialty Materials	Sub Total	Other	Total	Adjustment	Consolidated
Net sales							
Sales to third parties	192,542	86,479	279,021	53,661	332,682	—	332,682
Intersegment sales and transfers	2,028	—	2,028	267	2,295	(2,295)	—
Total	194,570	86,479	281,049	53,928	334,977	(2,295)	332,682
Operating income	22,169	16,742	38,911	3,206	42,117	(3,237)	38,881
Assets	213,137	88,122	301,259	30,907	332,166	108,353	440,519
Others							
Depreciation and amortization	10,208	7,781	17,990	326	18,316	2,223	20,539
Gain on goodwill	670	—	670	—	670	—	670
Investments in entities accounted for using equity method	1,782	—	1,782	—	1,782	—	1,782
Increase in property, plant and equipment and intangible assets	7,998	3,644	11,642	362	12,004	2,564	14,568

Current fiscal year (From April 1, 2018 to March 31, 2019) (Millions of yen)

	Elastomer	Specialty Materials	Sub Total	Other	Total	Adjustment	Consolidated
Net sales							
Sales to third parties	195,931	85,142	281,073	56,426	337,499	—	337,499
Intersegment sales and transfers	2,156	—	2,156	308	2,463	(2,463)	—
Total	198,087	85,142	283,229	56,733	339,962	(2,463)	337,499
Operating income	17,691	16,115	33,807	2,786	36,593	(3,446)	33,147
Assets	209,089	89,402	298,491	32,907	331,398	93,539	424,937
Others							
Depreciation and amortization	8,864	6,793	15,657	302	15,958	2,822	18,780
Gain on goodwill	41	—	41	—	41	—	41
Investments in entities accounted for using equity method	1,943	—	1,943	—	1,943	—	1,943
Increase in property, plant and equipment and intangible assets	5,744	6,234	11,978	359	12,337	2,303	14,640

b. Sales by region

Previous fiscal year (From April 1, 2017 to March 31, 2018) (Millions of yen)

Japan	North America	Europe	Asia (except Japan)	Other	Total
151,579	29,039	32,846	114,861	4,357	332,682

Current fiscal year (From April 1, 2018 to March 31, 2019) (Millions of yen)

Japan	North America	Europe	Asia (except Japan)	Other	Total
150,003	29,759	34,214	119,104	4,419	337,499