

Financial Report

The 3rd Quarter of FY2014 (From Apr. 1 to Dec. 31, 2013)

February, 2014

Disclaimer Regarding Forward-Looking Statements

These materials are intended to provide information only, and are not to solicit actions of any kind. Business results forecasts are based on management's assumptions in light of information currently available. Actual sales and income may differ significantly from these forecasts.

The Company shall not take any responsibility regarding the accuracy or completeness of any forecasts pertaining to business results forecasts contained herein.

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ZEON CORPORATION

Statements of Income (Consolidated) From Apr. 1 to Dec. 31, 2013

ZEON

(Unit : Millions of JPY)

	Third Quarter ended December 31, 2013	Third Quarter ended December 31, 2012	Increase (Decrease)		Remarks
			Amount	Percentage	
Net Sales	223,514	186,589	36,925	19.8%	Comparative Analysis of Net Sales (JPY100m)
Elastomer Business	138,584	123,312	15,272	12.4%	Quantity Variance 342
Specialty Materials Business	49,381	36,331	13,049	35.9%	Price Variance -84
Others	37,766	28,269	9,496	33.6%	Exchange rate Variance 111
Eliminations	-2,216	-1,324	-892	-	
Operating income	24,470	17,142	7,328	42.7%	Comparative Analysis of Operating income (JPY100m)
Elastomer Business	15,195	15,169	26	0.2%	Quantity Variance 48 Raw materials price variance and others (net) -12
Specialty Materials Business	8,112	904	7,208	797.1%	Price Variance -84 SGA -12
Others	1,166	1,081	84	7.8%	Exchange rate Variance 111 Cost reduction effect 22
Eliminations	-3	-13	10	-	
Non-operating income and expenses	2,778	98	2,680	-	Comparative Analysis of Non-operating income and expenses (JPY100m)
Non-operating income	4,036	1,874	2,162	115.4%	Foreign exchange gain 24
Non-operating expenses	1,258	1,776	-518	-29.2%	Depreciation from idle assets -4
Ordinary income	27,247	17,240	10,008	58.1%	
Extraordinary gains and losses	159	-286	445	-	Comparative Analysis of Extraordinary gains and losses (JPY100m)
Extraordinary gains	425	429	-4	-1.0%	
Extraordinary losses	266	715	-449	-62.8%	loss on valuation of investment securities -5
Net income	17,124	11,225	5,900	52.6%	
Exchange rate (JPY/\$)	98.5	79.8	18.7	23.4%	
Exchange rate (JPY/€)	130.7	101.9	28.8	28.3%	
Naphtha Price (JPY/kl)	65,700	55,400	10,300	18.6%	
Asian Butadiene Price (USD/t)	1,373	2,124	-751	-35.4%	

- Elastomer Business -

(Unit : Millions of JPY)

	Third Quarter ended December 31, 2013	Third Quarter ended December 31, 2012	Increase (Decrease)	
			Amount	Percentage
Sales Quantity (thousand ton)	399.0	372.7	26.3	7.1%
Rubbers	236.3	210.4	25.9	12.3%
Latices	87.8	86.2	1.6	1.9%
Chemicals	74.9	76.1	-1.2	-1.6%
Net Sales	138,584	123,312	15,272	12.4%
Rubbers	94,817	83,074	11,743	14.1%
Latices	13,959	13,710	249	1.8%
Chemicals	28,349	25,104	3,246	12.9%
Others	5,150	4,103	1,047	25.5%
Eliminations	-3,691	-2,678	-1,013	-
Operating expenses	123,389	108,143	15,246	14.1%
Operating income	15,195	15,169	26	0.2%

- Specialty Materials Business -

(Unit : Millions of JPY)

	Third Quarter ended December 31, 2013	Third Quarter ended December 31, 2012	Increase (Decrease)	
			Amount	Percentage
Net Sales	49,381	36,331	13,049	35.9%
Specialty materials	14,394	13,683	711	5.2%
Specialty plastics	31,716	19,804	11,912	60.1%
Medical devices etc.	3,271	2,844	427	15.0%
Operating expenses	41,269	35,427	5,842	16.5%
Operating income	8,112	904	7,208	797.1%

- Others -

(Unit : Millions of JPY)

	Third Quarter ended December 31, 2013	Third Quarter ended December 31, 2012	Increase (Decrease)	
			Amount	Percentage
Net Sales	37,766	28,269	9,496	33.6%
Operating expenses	36,600	27,188	9,412	34.6%
Operating income	1,166	1,081	84	7.8%

Statements of Income (Consolidated) for 9 Months ended Dec. 31, 2013

ZEON

(Unit : Millions of JPY)

	Fiscal Year ended March 31, 2013				Fiscal Year ended March 31, 2014			Increase (Decrease) Q3/FY2014 vs. Q2/FY2014		Remarks
	Apr.- Jun.	Jul.- Sep.	Oct.- Dec.	Jan.- Mar.	Apr.- Jun.	Jul.- Sep.	Oct.- Dec.	Amount	Percentage	
Sales Quantity (thousand ton)	126.7	123.4	122.6	137.3	132.4	130.4	136.2	5.8	4.5%	
Rubbers	73.3	70.0	67.0	81.4	78.9	78.1	79.3	1.2	1.5%	
Latices	27.4	28.8	30.0	29.3	29.7	27.8	30.3	2.5	9.0%	
Chemicals	25.9	24.6	25.5	26.6	23.9	24.4	26.6	2.2	8.9%	
Net Sales	65,187	62,018	59,384	64,174	72,437	75,938	75,140	-798	-1.1%	Comparative Analysis of Net Sales (JPY100m)
Elastomer business	44,955	40,341	38,016	40,716	45,548	46,620	46,416	-204	-0.4%	Quantity Variance -7
Rubbers	30,797	27,140	25,136	26,971	31,140	31,694	31,984	290	0.9%	Price Variance -5
Latices	4,941	4,535	4,233	3,975	5,114	4,328	4,517	188	4.4%	Exchange rate Variance 4
Chemicals	8,762	8,284	8,057	9,101	8,772	10,149	9,428	-721	-7.1%	
Others	1,493	1,311	1,299	1,628	1,822	1,619	1,708	89	5.5%	
Eliminations	-1,038	-930	-710	-958	-1,300	-1,171	-1,221	-50	-	
Specialty materials business	11,296	11,723	13,313	15,080	15,482	17,523	16,377	-1,146	-6.5%	
Specialty materials	4,838	4,637	4,208	4,882	4,904	4,802	4,687	-115	-2.4%	
Specialty plastics	5,521	6,145	8,138	9,222	9,573	11,622	10,521	-1,101	-9.5%	
Medical devices etc.	937	941	967	975	1,005	1,098	1,168	70	6.4%	
Others	9,483	10,319	8,467	9,239	12,115	12,518	13,133	616	4.9%	
Eliminations	-547	-366	-411	-861	-707	-722	-786	-64	-	
Operating income	6,593	4,849	5,700	6,555	8,680	8,057	7,732	-325	-4.0%	Comparative Analysis of Operating income (JPY100m)
Elastomer business	6,348	4,591	4,230	4,426	5,859	4,794	4,541	-253	-5.3%	Quantity Variance -5
Specialty materials business	-41	-219	1,163	1,709	2,496	2,912	2,704	-208	-7.2%	Price Variance -5
Others	272	482	327	408	320	359	487	128	35.5%	Exchange rate Variance 4
Eliminations	12	-5	-20	11	6	-9	0	8	-	Raw materials price variance and others. (net). -8
										SGA 0
										Cost reduction effect 11
Ordinary income	5,736	4,586	6,918	7,973	9,999	8,163	9,085	922	11.3%	
Net income	2,948	2,602	5,675	3,525	6,190	4,616	6,319	1,703	36.9%	
Exchange rate (JPY/\$)	80.8	78.7	79.8	90.1	97.7	98.4	99.6	1.2	1.3%	
Exchange rate (JPY/€)	104.8	97.6	103.3	120.0	126.9	129.6	135.5	5.9	4.5%	
Naphtha Price (JPY/kl)	60,600	49,800	55,800	63,800	65,500	63,900	67,800	3,900	6.1%	
Asian Butadiene Price (USD/t)	2,509	2,169	1,694	1,885	1,405	1,144	1,570	426	37.2%	
Depreciation & Amortization	4,116	4,439	4,589	4,978	3,867	3,974	4,377	403	10.1%	
Capital Expenditures	6,260	3,922	7,940	5,368	3,721	7,045	9,142	2,098	29.8%	
Research and Development Expenses	2,801	2,847	3,014	3,233	2,705	3,051	3,214	163	5.3%	

Comparative Balance Sheets (Consolidated)

ZEON

(Unit : Millions of JPY, %)

Assets						Liabilities and Net assets					
Account item	As of Dec. 31, 2013		As of Mar. 31, 2013		Increase (Decrease)	Account item	As of Dec. 31, 2013		As of Mar. 31, 2013		Increase (Decrease)
Current assets	195,746	50.8	175,656	50.1	20,090	Current liabilities	154,780	40.1	134,560	38.4	20,221
Cash and bank deposits	8,280		12,216		-3,936	Notes and accounts payable-trade	91,356		73,953		17,403
Notes and accounts receivable- trade	79,249		69,299		9,950	Short-term interest-bearing debt	32,539		37,156		-4,618
Accounts receivable-other	37,981		31,916		6,065	Other current liabilities	30,886		23,450		7,436
Inventories	63,403		56,578		6,825	Long-term liabilities	48,100	12.5	53,891	15.4	-5,791
Other current assets	6,833		5,646		1,187	Long-term interest-bearing debt	22,475		29,327		-6,852
Fixed assets	189,900	49.2	174,852	49.9	15,048	Other long-term liabilities	25,625		24,564		1,061
Property, Plant and Equipment	118,365		108,937		9,429	Total Liabilities	202,881	52.6	188,451	53.8	14,430
Intangible assets	6,351		6,577		-226	Equity capital	178,957		158,494		20,464
Investment securities	57,768		51,971		5,798	Stock acquisition rights	251		262		-10
Other fixed assets	7,415		7,368		48	Minority interests	3,556		3,301		255
Deferred charges	-	-	-	-	-	Total Net assets	182,765	47.4	162,057	46.2	20,708
Total Assets	385,645	100.0	350,508	100.0	35,138	Total Liabilities and Net assets	385,645	100.0	350,508	100.0	35,138

	As of Dec. 31, 2013	As of Mar. 31, 2013	Increase / Decrease
Total interest-bearing debt	55,014	66,484	-11,470
Equity capital	178,957	158,494	20,464
Equity ratio	46.4	45.2	1.2
D/E Ratio	0.31	0.42	-0.11

The company is predicting no changes in the forecast disclosed as of November 6, 2013.

(Unit : Millions of JPY)

	Fiscal Year ended March 31, 2014	Fiscal Year ended March 31, 2013	Increase (Decrease)	
			Amount	Percentage
Net Sales	293,000	250,762	42,238	16.8%
Elastomer Business	180,500	164,028	16,472	10.0%
Specialty Materials Business	65,900	51,411	14,489	28.2%
Others	49,200	37,508	11,692	31.2%
Eliminations	-2,600	-2,185	-415	-
Operating income	28,000	23,696	4,304	18.2%
Elastomer Business	17,300	19,595	-2,295	-11.7%
Specialty Materials Business	9,100	2,613	6,487	248.3%
Others	1,600	1,489	111	7.5%
Eliminations	0	-1	1	-
Ordinary income	30,000	25,212	4,788	19.0%
Net income	17,500	14,750	2,750	18.6%
Exchange rate (JPY/\$)	100.0	82.3	17.7	21.5%
Exchange rate (JPY/€)	130.0	106.4	23.6	22.2%
Naphtha Price (JPY/kl)	64,000	57,500	6,500	11.3%
Asian Butadiene Price (USD/t)	1,300	2,064	-764	-37.0%
Depreciation & Amortization	18,000	18,122	-122	-0.7%
Capital Expenditures	37,000	23,489	13,511	57.5%
Research and Development Expenses	12,000	11,895	105	0.9%

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.