

# Financial Report

**The 3rd Quarter of FY2013 (From Apr. 1 to Dec. 31, 2012)**

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## February, 2013

### 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, 2012

# ZEON

(Unit : Millions of JPY)

	Third Quarter ended December 31, 2012	Third Quarter ended December 31, 2011	Increase (Decrease)		Remarks
			Amount	Percentage	
<b>Net Sales</b>	<b>186,589</b>	<b>199,419</b>	<b>-12,830</b>	<b>-6.4%</b>	Comparative Analysis of Net Sales (JPY100m)
Elastomer Business	123,312	134,014	-10,702	-8.0%	Quantity Variance -104
Specialty Materials Business	36,331	37,310	-979	-2.6%	Price Variance -18
Others	28,269	29,592	-1,323	-4.5%	Exchange rate Variance -6
Eliminations	-1,324	-1,498	174	-	
<b>Operating income</b>	<b>17,142</b>	<b>28,459</b>	<b>-11,317</b>	<b>-39.8%</b>	Comparative Analysis of Operating income (JPY100m)
Elastomer Business	15,169	25,288	-10,119	-40.0%	Quantity Variance -33 Raw materials price variance and others (net) -52
Specialty Materials Business	904	2,088	-1,183	-56.7%	Price Variance -18 SG&A -19
Others	1,081	1,061	20	1.9%	Exchange rate Variance -6 Cost reduction effect 15
Eliminations	-13	22	-35	-	
<b>Non-operating income and expenses</b>	<b>98</b>	<b>-1,323</b>	<b>1,421</b>	<b>-</b>	
<b>Non-operating income</b>	<b>1,874</b>	<b>1,347</b>	<b>527</b>	<b>39.1%</b>	Comparative Analysis of Non-operating income (JPY100m)
					Subsidy 2
<b>Non-operating expenses</b>	<b>1,776</b>	<b>2,670</b>	<b>-894</b>	<b>-33.5%</b>	Comparative Analysis of Non-operating expenses (JPY100m)
					Exchange rate Variance -9
<b>Ordinary income</b>	<b>17,240</b>	<b>27,136</b>	<b>-9,896</b>	<b>-36.5%</b>	
<b>Extraordinary gains and losses</b>	<b>-286</b>	<b>-881</b>	<b>595</b>	<b>-</b>	
Extraordinary gains	429	707	-278	-39.3%	Comparative Analysis of Extraordinary gains (JPY100m)
					Gain on negative goodwill -3
Extraordinary losses	715	1,588	-873	-55.0%	Comparative Analysis of Extraordinary losses (JPY100m)
					Loss on devaluation of investment securities -7
<b>Net income</b>	<b>11,225</b>	<b>16,032</b>	<b>-4,808</b>	<b>-30.0%</b>	
Exchange rate (JPY/\$)	79.8	79.1	0.7	0.8%	
Exchange rate (JPY/€)	101.9	112.2	-10.3	-9.2%	
Naphtha Price (JPY/kl)	55,400	55,200	200	0.4%	
Asian Butadiene Price (USD/t)	2,124	3,141	-1,017	-32.4%	

# Segment Information (Consolidated) for 3 Months ended Dec.31, 2012

# ZEON

## - Elastomer Business -

(Unit : Millions of JPY)

	Third Quarter ended December 31, 2012	Third Quarter ended December 31, 2011	Increase (Decrease)	
			Amount	Percentage
<b>Sales Quantity (thousand ton)</b>	<b>372.7</b>	<b>397.5</b>	<b>-24.8</b>	<b>-6.2%</b>
Rubbers	210.4	223.2	-12.8	-5.7%
Latices	86.2	99.9	-13.7	-13.7%
Chemicals	76.1	74.4	1.7	2.2%
<b>Net Sales</b>	<b>123,312</b>	<b>134,014</b>	<b>-10,702</b>	<b>-8.0%</b>
Rubbers	83,074	90,143	-7,069	-7.8%
Latices	13,710	17,118	-3,408	-19.9%
Chemicals	25,104	25,647	-543	-2.1%
Others	4,103	3,431	672	19.6%
Eliminations	-2,678	-2,324	-354	-
<b>Operating expenses</b>	<b>108,143</b>	<b>108,726</b>	<b>-583</b>	<b>-0.5%</b>
<b>Operating income</b>	<b>15,169</b>	<b>25,288</b>	<b>-10,119</b>	<b>-40.0%</b>

## - Specialty Materials Business -

(Unit : Millions of JPY)

	Third Quarter ended December 31, 2012	Third Quarter ended December 31, 2011	Increase (Decrease)	
			Amount	Percentage
<b>Net Sales</b>	<b>36,331</b>	<b>37,310</b>	<b>-979</b>	<b>-2.6%</b>
Specialty materials	13,683	14,373	-690	-4.8%
Specialty plastics	19,804	19,950	-146	-0.7%
Medical devices etc.	2,844	2,987	-143	-4.8%
Eliminations	-	-	-	-
<b>Operating expenses</b>	<b>35,427</b>	<b>35,222</b>	<b>205</b>	<b>0.6%</b>
<b>Operating income</b>	<b>904</b>	<b>2,088</b>	<b>-1,183</b>	<b>-56.7%</b>

## - Others -

(Unit : Millions of JPY)

	Third Quarter ended December 31, 2012	Third Quarter ended December 31, 2011	Increase (Decrease)	
			Amount	Percentage
<b>Net Sales</b>	<b>28,269</b>	<b>29,592</b>	<b>-1,323</b>	<b>-4.5%</b>
<b>Operating expenses</b>	<b>27,188</b>	<b>28,531</b>	<b>-1,343</b>	<b>-4.7%</b>
<b>Operating income</b>	<b>1,081</b>	<b>1,061</b>	<b>20</b>	<b>1.9%</b>

# Statements of Income (Consolidated) for 3 Months ended Dec. 31, 2012

# ZEON

(Unit : Millions of JPY)

	Fiscal Year ended March 31, 2012				Fiscal Year ended March 31, 2013			Increase (Decrease) Q3/FY2013 vs. Q2/FY2013		Remarks
	Apr.- Jun.	Jul.- Sep.	Oct.- Dec.	Jan.- Mar.	Apr.- Jun.	Jul.- Sep.	Oct.- Dec.	Amount	Percentage	
<b>Sales Quantity (thousand ton)</b>	136.0	134.2	127.3	146.6	126.7	123.4	122.6	-0.9	-0.7%	
Rubbers	75.7	74.8	72.8	82.5	73.3	70.0	67.0	-3.0	-4.2%	
Latices	33.6	33.8	32.5	33.8	27.4	28.8	30.0	1.1	4.0%	
Chemicals	26.7	25.6	22.0	30.2	25.9	24.6	25.5	1.0	3.9%	
<b>Net Sales</b>	66,730	67,342	65,347	63,424	65,187	62,018	59,384	-2,634	-4.2%	Comparative Analysis of Net Sales (JPY100m)
<b>Elastomer business</b>	43,987	45,496	44,531	43,533	44,955	40,341	38,016	-2,325	-5.8%	Quantity variance -22
Rubbers	29,148	31,227	29,767	29,319	30,797	27,140	25,137	-2,003	-7.4%	Price variance -7
Latices	5,283	5,798	6,038	4,999	4,941	4,535	4,234	-301	-6.6%	Exchange rate variance 3
Chemicals	9,228	8,379	8,040	8,596	8,762	8,284	8,058	-226	-2.7%	
Others	876	888	1,667	1,348	1,493	1,311	1,299	-12	-0.9%	
Eliminations	-548	-795	-981	-730	-1,038	-930	-710	220	-	
<b>Specialty materials business</b>	13,951	11,995	11,364	10,824	11,296	11,723	13,312	1,589	13.6%	
Specialty materials	5,352	4,706	4,314	4,527	4,837	4,637	4,209	-428	-9.2%	
Specialty plastics	7,626	6,258	6,066	5,374	5,521	6,146	8,137	1,991	32.4%	
Medical devices etc.	973	1,030	984	922	937	940	967	27	2.9%	
Eliminations	0	0	0	0	0	0	0	0	-	
<b>Others</b>	9,303	10,339	9,951	9,465	9,483	10,319	8,467	-1,852	-17.9%	
<b>Eliminations</b>	-511	-488	-499	-398	-547	-365	-412	-47	-	
<b>Operating income</b>	11,825	9,458	7,176	3,664	6,593	4,848	5,701	853	17.6%	Comparative Analysis of Operating income (JPY100m)
Elastomer business	9,740	8,560	6,988	4,878	6,348	4,591	4,230	-361	-7.9%	Quantity variance -5
Specialty materials business	1,883	472	-268	-1,597	-41	-218	1,163	1,381	-	Price variance -7
Others	218	406	437	374	272	482	327	-155	-32.2%	Exchange rate variance 3
Eliminations	-16	20	18	8	12	-5	-20	-15	-	Raw materials price variance and others. (net). 14
										SG&A 0
										Cost reduction effect 4
<b>Ordinary income</b>	11,661	8,131	7,344	4,351	5,736	4,584	6,919	2,335	50.9%	
<b>Net income</b>	7,081	5,154	3,797	3,095	2,948	2,602	5,675	3,073	118.1%	
<b>Exchange rate (JPY/\$)</b>	82.0	78.4	76.8	78.3	80.8	78.7	79.8	1.1	1.4%	
<b>Exchange rate (JPY/€)</b>	118.5	113.0	105.1	103.3	104.8	97.6	103.3	5.7	5.8%	
<b>Naphtha Price (JPY/kl)</b>	59,000	54,900	51,700	54,100	60,600	49,800	55,800	6,000	12.0%	
<b>Asian Butadiene Price (USD/t)</b>	3,430	3,815	2,178	3,415	2,509	2,169	1,694	-475	-21.9%	
<b>Depreciation &amp; Amortization</b>	4,614	5,061	5,070	5,140	4,116	4,439	4,589	150	3.4%	
<b>Capital Expenditures</b>	5,374	6,855	5,626	5,140	6,260	3,922	7,940	4,018	102.4%	
<b>Research and Development Expenses</b>	2,417	2,464	2,769	3,456	2,801	2,847	3,014	167	5.9%	

# Comparative Balance Sheets (Consolidated)

# ZEON

(Unit : Millions of JPY, %)

Assets						Liabilities and Net assets					
Account item	As of Dec. 31, 2012		As of Mar. 31, 2012		Increase (Decrease)	Account item	As of Dec. 31, 2012		As of Mar. 31, 2012		Increase (Decrease)
<b>Current assets</b>	<b>173,913</b>	<b>54.1</b>	<b>169,244</b>	<b>54.3</b>	<b>4,669</b>	<b>Current liabilities</b>	<b>133,712</b>	<b>41.6</b>	<b>120,312</b>	<b>38.6</b>	<b>13,401</b>
Cash and Deposits	9,368		13,302		-3,935	Notes and Accounts payable-trade	70,470		71,552		-1,082
Notes and Accounts receivable- trade	64,325		67,117		-2,793	Short-term interest-bearing debt	42,650		26,383		16,266
Accounts receivable-other	35,035		30,051		4,984	Other current liabilities	20,593		22,377		-1,784
Inventories	56,067		52,789		3,278	<b>Long-term liabilities</b>	<b>43,921</b>	<b>13.7</b>	<b>56,133</b>	<b>18.0</b>	<b>-12,212</b>
Other current assets	9,119		5,985		3,134	Long-term interest-bearing debt	28,250		41,201		-12,951
<b>Fixed assets</b>	<b>147,816</b>	<b>45.9</b>	<b>142,680</b>	<b>45.7</b>	<b>5,136</b>	Other long-term liabilities	15,671		14,931		740
Property, Plant and Equipment	102,815		97,774		5,042	<b>Total Liabilities</b>	<b>177,634</b>	<b>55.2</b>	<b>176,444</b>	<b>56.6</b>	<b>1,189</b>
Intangible assets	3,664		4,017		-353	Equity capital	140,724		132,451		8,272
Investment securities	34,127		34,336		-209	Stock acquisition rights	254		228		26
Other fixed assets	7,210		6,553		656	Minority interests	3,118		2,801		317
<b>Deferred charges</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>Total Net assets</b>	<b>144,095</b>	<b>44.8</b>	<b>135,480</b>	<b>43.4</b>	<b>8,615</b>
<b>Total Assets</b>	<b>321,729</b>	<b>100.0</b>	<b>311,925</b>	<b>100.0</b>	<b>9,804</b>	<b>Total Liabilities and Net assets</b>	<b>321,729</b>	<b>100.0</b>	<b>311,925</b>	<b>100.0</b>	<b>9,804</b>

	As of Dec. 31, 2012	As of Mar. 31, 2012	Increase / Decrease
Total interest-bearing debt	70,900	67,585	3,315
Equity capital	140,724	132,451	8,272
Equity ratio	43.7	42.5	1.2
D/E Ratio	0.50	0.51	-0.01

(Unit : Millions of JPY)

	Fiscal Year ended March 31, 2013	Fiscal Year ended March 31, 2012	Increase (Decrease)	
			Amount	Percentage
Net Sales	260,000	262,842	-2,842	-1.1%
Operating income	22,000	32,123	-10,123	-31.5%
Ordinary income	21,000	31,487	-10,487	-33.3%
Net income	12,000	19,127	-7,127	-37.3%

The company is predicting no change in the forecast disclosed as of November 7, 2012.

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.