

# Financial Report

**The 1st Quarter of FY2014 (From Apr. 1 to Jun. 30, 2013)**

---

## August, 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.

The user acknowledges that he/she agrees to exercise his/her own judgment in using these materials. The Company shall bear no responsibility for any loss arising from investment decisions relying fully on these materials.

**ZEON CORPORATION**

# Statements of Income (Consolidated) From Apr. 1 to Jun. 30, 2013

(Unit : Millions of JPY)

	First Quarter ended June 30, 2013	First Quarter ended June 30, 2012	Increase (Decrease)		Remarks
			Amount	Percentage	
<b>Net Sales</b>	<b>72,437</b>	<b>65,187</b>	<b>7,250</b>	<b>11.1%</b>	Comparative Analysis of Net Sales (JPY100m)
Elastomer Business	45,548	44,955	593	1.3%	Quantity Variance 100
Specialty Materials Business	15,482	11,296	4,186	37.1%	Price Variance -61
Others	12,115	9,483	2,632	27.8%	Exchange rate Variance 34
Eliminations	-707	-547	-160	-	
<b>Operating income</b>	<b>8,680</b>	<b>6,593</b>	<b>2,088</b>	<b>31.7%</b>	Comparative Analysis of Operating income (JPY100m)
Elastomer Business	5,859	6,348	-489	-7.7%	Quantity Variance 16 Raw materials price variance and others (net) 39
Specialty Materials Business	2,496	-41	2,536	-	Price Variance -61 SGA -11
Others	320	272	47	17.4%	Exchange rate Variance 34 Cost reduction effect 4
Eliminations	6	12	-7	-	
<b>Non-operating income and expenses</b>	<b>1,319</b>	<b>-857</b>	<b>2,175</b>	<b>-</b>	Comparative Analysis of Non-operating income and expenses (JPY100m)
Non-operating income	1,762	502	1,260	250.8%	Foreign exchange gain 13
Non-operating expenses	444	1,359	-915	-67.4%	Foreign exchange loss -7
<b>Ordinary income</b>	<b>9,999</b>	<b>5,736</b>	<b>4,263</b>	<b>74.3%</b>	
<b>Extraordinary gains and losses</b>	<b>-30</b>	<b>-579</b>	<b>548</b>	<b>-</b>	Comparative Analysis of Extraordinary gains and losses (JPY100m)
Extraordinary gains	13	11	2	17.6%	
Extraordinary losses	43	590	-546	-92.6%	loss on valuation of investment securities -5
<b>Net income</b>	<b>6,190</b>	<b>2,948</b>	<b>3,242</b>	<b>109.9%</b>	
Exchange rate (JPY/\$)	97.7	80.8	16.9	20.9%	
Exchange rate (JPY/€)	126.9	104.8	22.1	21.1%	
Naphtha Price (JPY/kl)	65,500	60,600	4,900	8.1%	
Asian Butadiene Price (USD/t)	1,405	2,509	-1,104	-44.0%	

# Segment Information (Consolidated) for 3 Months ended Jun.30, 2013



## - Elastomer Business -

(Unit : Millions of JPY)

	First Quarter ended June 30, 2013	First Quarter ended June 30, 2012	Increase (Decrease)	
			Amount	Percentage
<b>Sales Quantity (thousand ton)</b>	132.4	126.6	5.9	4.7%
Rubbers	78.9	73.3	5.6	7.6%
Latices	29.7	27.4	2.3	8.4%
Chemicals	23.9	25.9	-2.1	-8.0%
<b>Net Sales</b>	<b>45,548</b>	<b>44,955</b>	<b>593</b>	<b>1.3%</b>
Rubbers	31,140	30,797	343	1.1%
Latices	5,114	4,941	172	3.5%
Chemicals	8,772	8,762	10	0.1%
Others	1,822	1,493	329	22.1%
Eliminations	-1,300	-1,038	-262	-
<b>Operating expenses</b>	<b>39,688</b>	<b>38,606</b>	<b>1,082</b>	<b>2.8%</b>
<b>Operating income</b>	<b>5,859</b>	<b>6,348</b>	<b>-489</b>	<b>-7.7%</b>

## - Specialty Materials Business -

(Unit : Millions of JPY)

	First Quarter ended June 30, 2013	First Quarter ended June 30, 2012	Increase (Decrease)	
			Amount	Percentage
<b>Net Sales</b>	<b>15,482</b>	<b>11,296</b>	<b>4,186</b>	<b>37.1%</b>
Specialty materials	4,904	4,838	66	1.4%
Specialty plastics	9,573	5,521	4,051	73.4%
Medical devices etc.	1,005	937	68	7.3%
<b>Operating expenses</b>	<b>12,986</b>	<b>11,336</b>	<b>1,650</b>	<b>14.6%</b>
<b>Operating income</b>	<b>2,496</b>	<b>-41</b>	<b>2,536</b>	<b>-</b>

## - Others -

(Unit : Millions of JPY)

	First Quarter ended June 30, 2013	First Quarter ended June 30, 2012	Increase (Decrease)	
			Amount	Percentage
<b>Net Sales</b>	<b>12,115</b>	<b>9,483</b>	<b>2,632</b>	<b>27.8%</b>
<b>Operating expenses</b>	<b>11,795</b>	<b>9,211</b>	<b>2,585</b>	<b>28.1%</b>
<b>Operating income</b>	<b>320</b>	<b>272</b>	<b>47</b>	<b>17.4%</b>

# Statements of Income (Consolidated) for 3 Months ended Jun. 30, 2013

# ZEON

(Unit : Millions of JPY)

	Fiscal Year ended March 31, 2013				Fiscal Year ended March 31, 2014	Increase (Decrease) Q1/FY2014 vs. Q4/FY2013		Remarks
	Apr.- Jun.	Jul.- Sep.	Oct.- Dec.	Jan.- Mar.	Apr.- Jun.	Amount	Percentage	
<b>Sales Quantity (thousand ton)</b>	126.6	123.4	122.6	137.3	132.4	-4.9	-3.5%	
Rubbers	73.3	70.0	67.0	81.4	78.9	-2.5	-3.1%	
Latices	27.4	28.8	30.0	29.3	29.7	0.4	1.4%	
Chemicals	25.9	24.6	25.5	26.6	23.9	-2.7	-10.3%	
<b>Net Sales</b>	<b>65,187</b>	<b>62,018</b>	<b>59,384</b>	<b>64,174</b>	<b>72,437</b>	<b>8,263</b>	<b>12.9%</b>	Comparative Analysis of Net Sales (JPY100m)
<b>Elastomer business</b>	<b>44,955</b>	<b>40,341</b>	<b>38,016</b>	<b>40,716</b>	<b>45,548</b>	<b>4,832</b>	<b>11.9%</b>	Quantity Variance 76
Rubbers	30,797	27,140	25,136	26,971	31,140	4,169	15.5%	Price Variance -7
Latices	4,941	4,535	4,233	3,975	5,114	1,139	28.7%	Exchange rate Variance 14
Chemicals	8,762	8,284	8,057	9,101	8,772	-329	-3.6%	
Others	1,493	1,311	1,299	1,628	1,822	195	12.0%	
Eliminations	-1,038	-930	-710	-958	-1,300	-342	-	
<b>Specialty materials business</b>	<b>11,296</b>	<b>11,723</b>	<b>13,313</b>	<b>15,080</b>	<b>15,482</b>	<b>402</b>	<b>2.7%</b>	
Specialty materials	4,838	4,637	4,208	4,882	4,904	22	0.4%	
Specialty plastics	5,521	6,145	8,138	9,222	9,573	350	3.8%	
Medical devices etc.	937	941	967	975	1,005	30	3.0%	
<b>Others</b>	<b>9,483</b>	<b>10,319</b>	<b>8,467</b>	<b>9,239</b>	<b>12,115</b>	<b>2,876</b>	<b>31.1%</b>	
<b>Eliminations</b>	<b>-547</b>	<b>-366</b>	<b>-411</b>	<b>-861</b>	<b>-707</b>	<b>154</b>	<b>-</b>	
<b>Operating income</b>	<b>6,593</b>	<b>4,849</b>	<b>5,700</b>	<b>6,555</b>	<b>8,680</b>	<b>2,126</b>	<b>32.4%</b>	Comparative Analysis of Operating income (JPY100m)
<b>Elastomer business</b>	<b>6,348</b>	<b>4,591</b>	<b>4,230</b>	<b>4,426</b>	<b>5,859</b>	<b>1,433</b>	<b>32.4%</b>	Quantity Variance 16
<b>Specialty materials business</b>	<b>-41</b>	<b>-219</b>	<b>1,163</b>	<b>1,709</b>	<b>2,496</b>	<b>787</b>	<b>46.1%</b>	Price Variance -7
<b>Others</b>	<b>272</b>	<b>482</b>	<b>327</b>	<b>408</b>	<b>320</b>	<b>-88</b>	<b>-21.6%</b>	Exchange rate Variance 14
<b>Eliminations</b>	<b>12</b>	<b>-5</b>	<b>-20</b>	<b>12</b>	<b>6</b>	<b>-6</b>	<b>-</b>	Raw materials price variance and others. (net) -6
								SGA 0
								Cost reduction effect 4
<b>Ordinary income</b>	<b>5,736</b>	<b>4,586</b>	<b>6,918</b>	<b>7,973</b>	<b>9,999</b>	<b>2,026</b>	<b>25.4%</b>	
<b>Net income</b>	<b>2,948</b>	<b>2,602</b>	<b>5,675</b>	<b>3,525</b>	<b>6,190</b>	<b>2,665</b>	<b>75.6%</b>	
<b>Exchange rate (JPY/\$)</b>	<b>80.8</b>	<b>78.7</b>	<b>79.8</b>	<b>90.1</b>	<b>97.7</b>	<b>7.6</b>	<b>8.4%</b>	
<b>Exchange rate (JPY/€)</b>	<b>104.8</b>	<b>97.6</b>	<b>103.3</b>	<b>120.0</b>	<b>126.9</b>	<b>6.9</b>	<b>5.8%</b>	
<b>Naphtha Price (JPY/kl)</b>	<b>60,600</b>	<b>49,800</b>	<b>55,800</b>	<b>63,800</b>	<b>65,500</b>	<b>1,700</b>	<b>2.7%</b>	
<b>Asian Butadiene Price (USD/t)</b>	<b>2,509</b>	<b>2,169</b>	<b>1,694</b>	<b>1,885</b>	<b>1,405</b>	<b>-480</b>	<b>-25.5%</b>	
<b>Depreciation &amp; Amortization</b>	<b>4,116</b>	<b>4,439</b>	<b>4,589</b>	<b>4,978</b>	<b>3,867</b>	<b>-1,112</b>	<b>-22.3%</b>	
<b>Capital Expenditures</b>	<b>6,260</b>	<b>3,922</b>	<b>7,940</b>	<b>5,368</b>	<b>3,721</b>	<b>-1,646</b>	<b>-30.7%</b>	
<b>Research and Development Expenses</b>	<b>2,801</b>	<b>2,847</b>	<b>3,014</b>	<b>3,233</b>	<b>2,705</b>	<b>-528</b>	<b>-16.3%</b>	

# Comparative Balance Sheets (Consolidated)

# ZEON

(Unit : Millions of JPY, %)

Assets						Liabilities and Net assets					
Account item	As of Jun. 30, 2013		As of Mar. 31, 2013		Increase (Decrease)	Account item	As of Jun. 30, 2013		As of Mar. 31, 2013		Increase (Decrease)
<b>Current assets</b>	<b>177,665</b>	<b>50.4</b>	<b>175,656</b>	<b>50.1</b>	<b>2,009</b>	<b>Current liabilities</b>	<b>120,415</b>	<b>34.2</b>	<b>134,560</b>	<b>38.4</b>	<b>-14,144</b>
Cash and bank deposits	7,651		12,216		-4,565	Notes and accounts payable-trade	77,566		73,953		3,612
Notes and accounts receivable-trade	74,968		69,299		5,669	Short-term interest-bearing debt	21,835		37,156		-15,321
Accounts receivable-other	31,504		31,916		-411	Other current liabilities	21,015		23,450		-2,435
Inventories	57,630		56,578		1,052	<b>Long-term liabilities</b>	<b>63,219</b>	<b>17.9</b>	<b>53,891</b>	<b>15.4</b>	<b>9,328</b>
Other current assets	5,911		5,646		265	Long-term interest-bearing debt	39,210		29,327		9,883
<b>Fixed assets</b>	<b>174,740</b>	<b>49.6</b>	<b>174,852</b>	<b>49.9</b>	<b>-112</b>	Other long-term liabilities	24,009		24,564		-555
Property, Plant and Equipment	110,646		108,937		1,710	<b>Total Liabilities</b>	<b>183,634</b>	<b>52.1</b>	<b>188,451</b>	<b>53.8</b>	<b>-4,817</b>
Intangible assets	6,326		6,577		-251	Equity capital	164,947		158,494		6,454
Investment securities	50,426		51,971		-1,545	Stock acquisition rights	270		262		8
Other fixed assets	7,341		7,368		-27	Minority interests	3,553		3,301		252
<b>Deferred charges</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>Total Net assets</b>	<b>168,771</b>	<b>47.9</b>	<b>162,057</b>	<b>46.2</b>	<b>6,714</b>
<b>Total Assets</b>	<b>352,405</b>	<b>100.0</b>	<b>350,508</b>	<b>100.0</b>	<b>1,897</b>	<b>Total Liabilities and Net assets</b>	<b>352,405</b>	<b>100.0</b>	<b>350,508</b>	<b>100.0</b>	<b>1,897</b>

	As of Jun. 30, 2013	As of Mar. 31, 2013	Increase / Decrease
Total interest-bearing debt	61,045	66,484	-5,439
Equity capital	164,947	158,494	6,454
Equity ratio	46.8	45.2	1.6
D/E Ratio	0.37	0.42	-0.05

The company is predicting no changes in the forecast disclosed as of May 9, 2013.

(Unit : Millions of JPY)

	Fiscal Year ended March 31, 2014	Fiscal Year ended March 31, 2013	Increase (Decrease)	
			Amount	Percentage
<b>Net Sales</b>	290,000	250,762	39,238	15.6%
<b>Elastomer Business</b>	183,000	164,028	18,972	11.6%
<b>Specialty Materials Business</b>	59,000	51,411	7,589	14.8%
<b>Others</b>	50,000	37,508	12,492	33.3%
<b>Eliminations</b>	-2,000	-2,185	185	-
<b>Operating income</b>	27,000	23,696	3,304	13.9%
<b>Elastomer Business</b>	18,800	19,595	-795	-4.1%
<b>Specialty Materials Business</b>	6,200	2,613	3,587	137.3%
<b>Others</b>	2,000	1,489	511	34.3%
<b>Eliminations</b>	0	-1	1	-
<b>Ordinary income</b>	27,000	25,212	1,788	7.1%
<b>Net income</b>	17,000	14,750	2,250	15.3%
<b>Exchange rate (JPY/\$)</b>	95.0	82.3	12.7	15.4%
<b>Exchange rate (JPY/€)</b>	125.0	106.4	18.6	17.5%
<b>Naphtha Price (JPY/kl)</b>	61,600	57,500	4,100	7.1%
<b>Asian Butadiene Price (USD/t)</b>	2,200	2,064	136	6.6%
<b>Depreciation &amp; Amortization</b>	18,000	18,122	-122	-0.7%
<b>Capital Expenditures</b>	37,000	23,489	13,511	57.5%
<b>Research and Development Expenses</b>	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.