

Financial Report

The 1st Half of FY2019

(From Apr. 1 to Sep. 30)

ZEON
ZEON CORPORATION

Oct. 31, 2019

- Overview P. 2
- Summary and business environment P. 3
- Summary of P/L P. 4
- Summary of B/S P. 13
- Summary of C/F P. 14
- Forecast of operating performance for
FY2019 P. 15

- **Both sales and operating income decreased YoY due to the impact of the global economic slowdown caused by the US-China trade friction.
(Net sales -3%, Operating income -17% YoY)**
- **Elastomers: Net sales decreased, operating income decreased**
- **Specialty Materials: Net sales increased, operating income increased. Optical resin and films, and Energy Materials are steady.**
- **Financial indicators remain solid.**
- **The outlook of the global economy is uncertain after 3Q-FY2019 with US-China trade friction and Brexit, etc. We will steadily secure profits by assessing the market environment.**

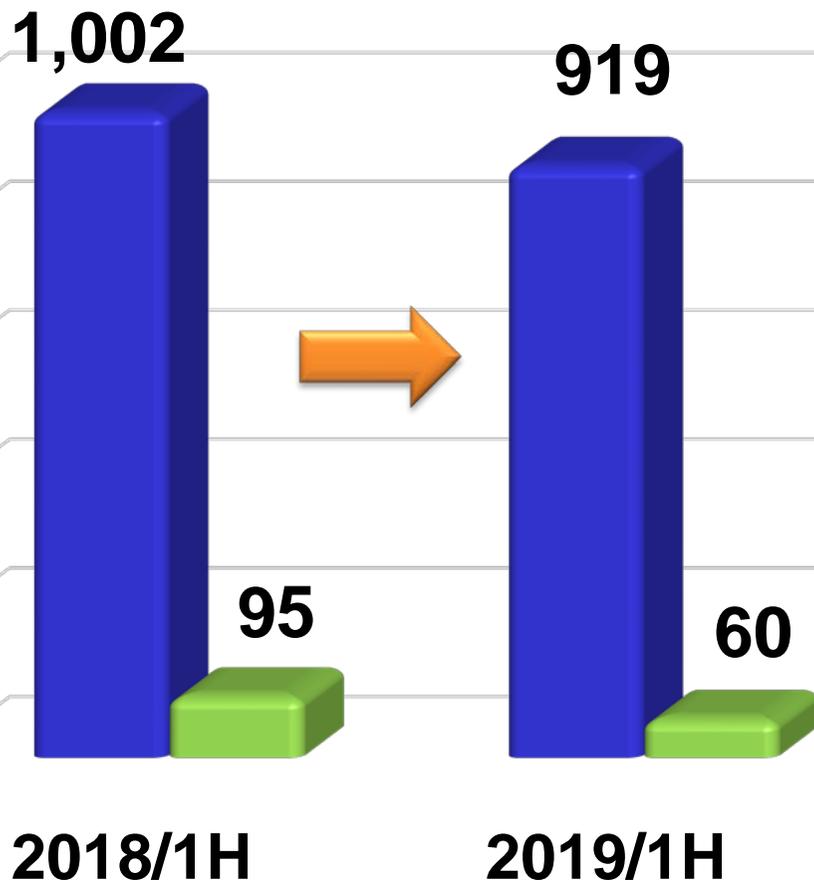
Summary and business environment

ZEON

(Unit : JPY100m)

	FY18/1H	FY19/1H	Increase/Decrease		Ref. Projected performance
			Amount	Rate	
Net Sales	1,690	1,634	-57	-3%	1,600
Operating Income	180	150	-30	-17%	145
Non-operating income & expenses	23	10	-13	-55%	-
Ordinary income	203	160	-42	-21%	155
Gain or loss on extraordinary item	-2	-2	+0	-	-
Income before income taxes	200	158	-42	-21%	-
Net income	145	116	-30	-21%	110
JPY/US\$	¥109.5	¥109.2	-0.3	-	¥105.0
JPY/€	¥129.5	¥122.0	-7.5	-6%	¥120.0
Naphtha price (JPY/KL)	¥51,100	¥42,800	-8,300	-16%	¥39,000
Asian Butadiene (US\$/t)	US\$1,614	US\$1,121	-493	-31%	US\$1,250

(Unit : JPY100m)



【Year-on-year】

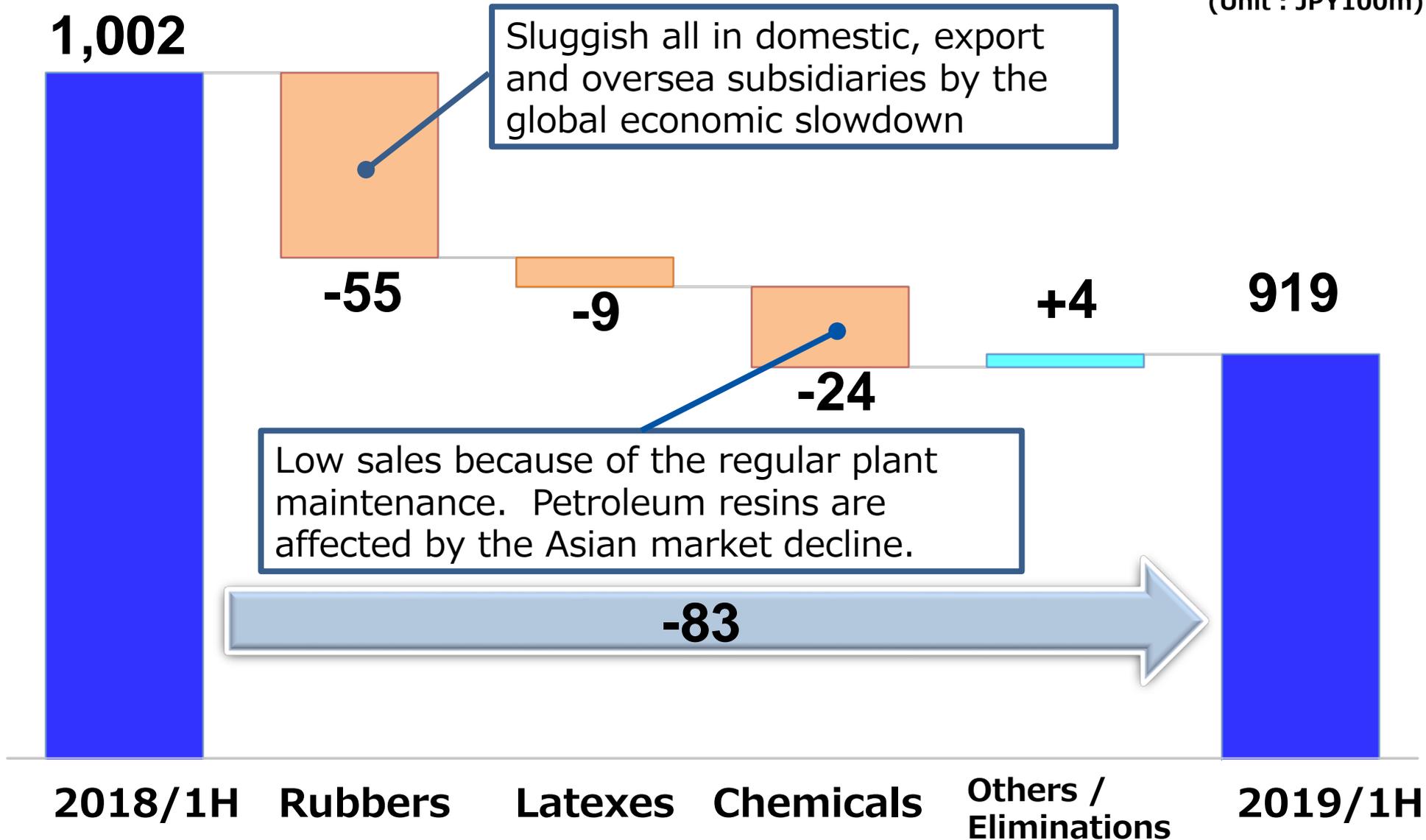
Net Sales: -8.3 billion yen, -8%

Operating Income: -3.6 billion yen, -37%

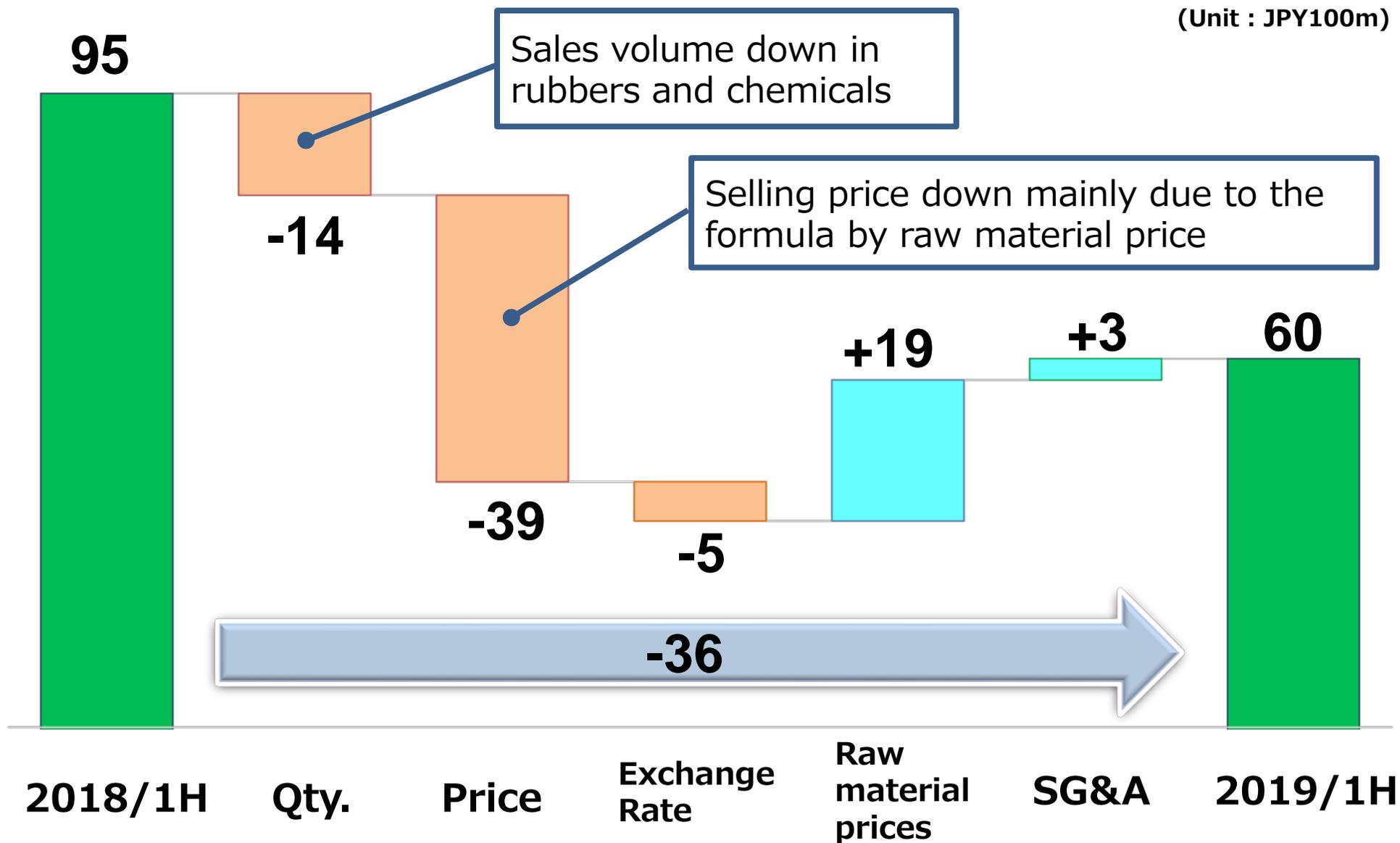
- **Rubbers:** Both net sales and operating income decreased due to the sluggish business in automobile and general industry.
- **Chemicals:** Both net sales and operating income decreased due to production volume decrease from the regular plant maintenance.

■ Net Sales ■ Operating Income

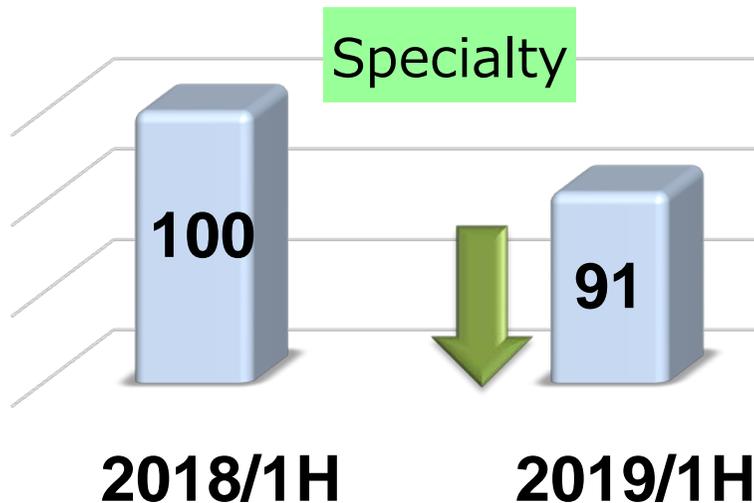
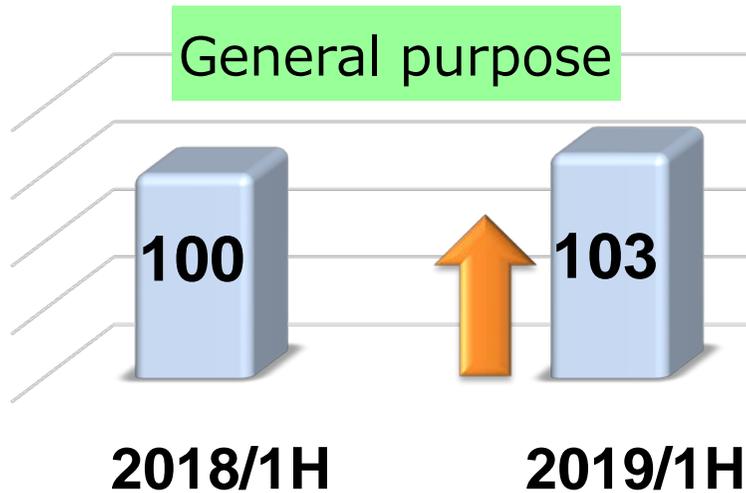
(Unit : JPY100m)



(Unit : JPY100m)



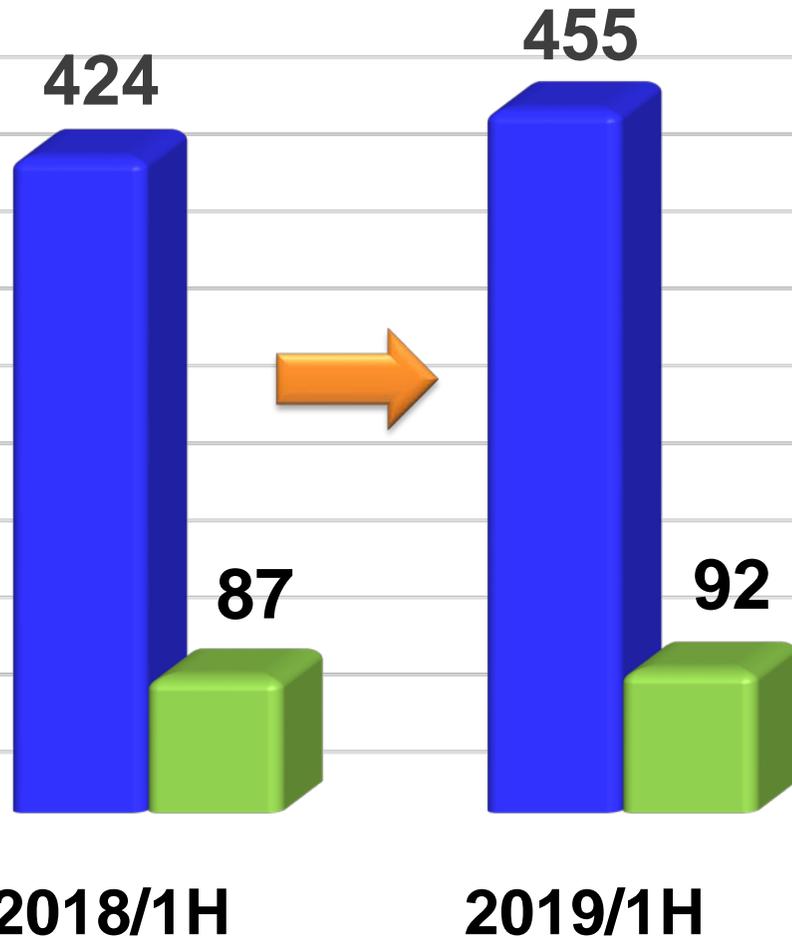
(Index) Volume for FY2018/1H=100



- **General purpose rubbers (mainly for tires)**
+3% by the growth of BR and S-SBR, regardless the demand for tires was weak.
- **Specialty rubbers (mainly for automobile industries)**
-9% due to global demand decline and sluggish market conditions

Summary of P/L : Specialty Materials Business ZEON

(Unit : JPY100m)



■ Net Sales ■ Operating Income

【Year-on-year】

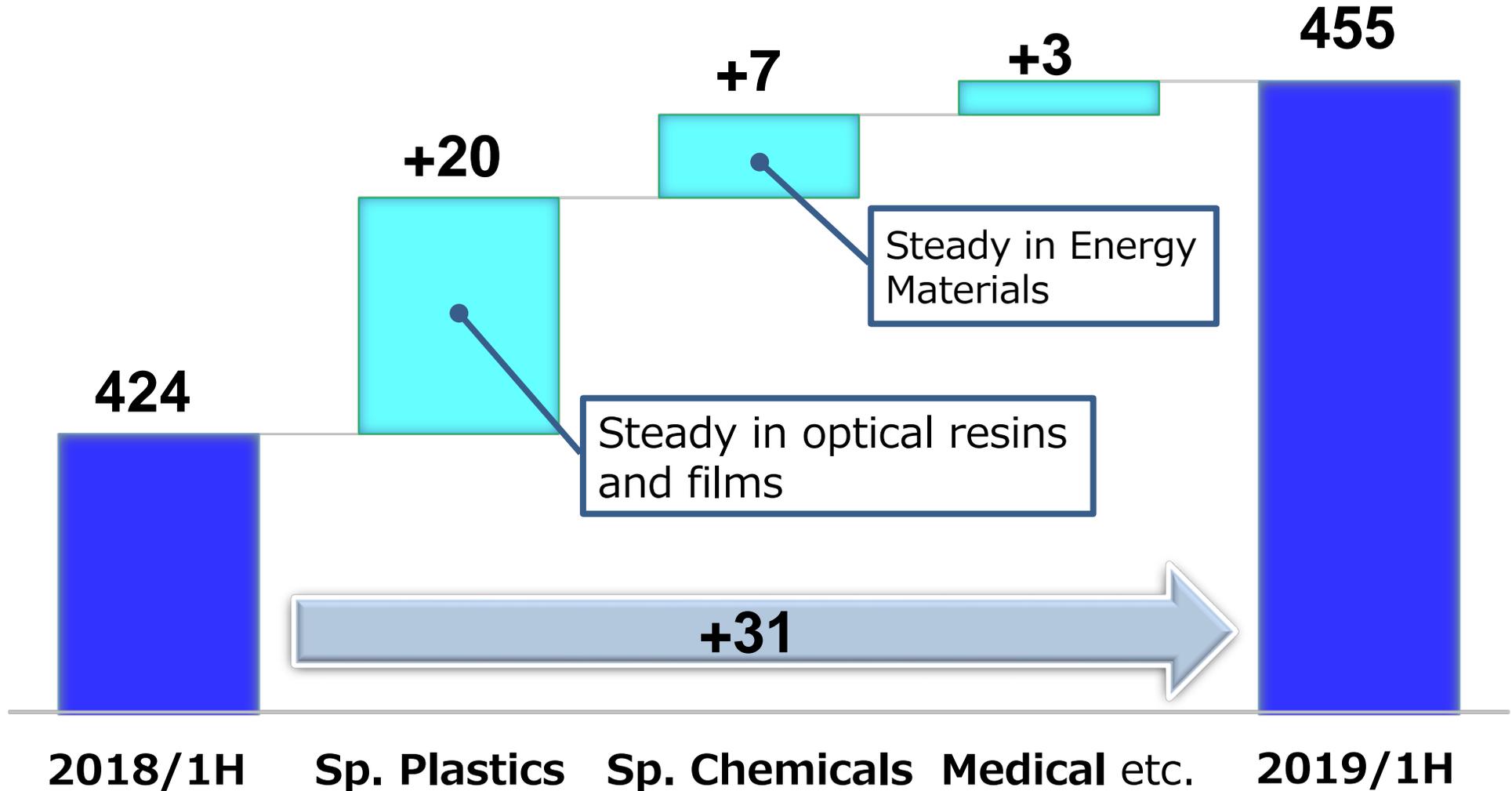
Net Sales : +3.1 billion yen, +7%

Operating Income: +0.4 billion yen, +5%

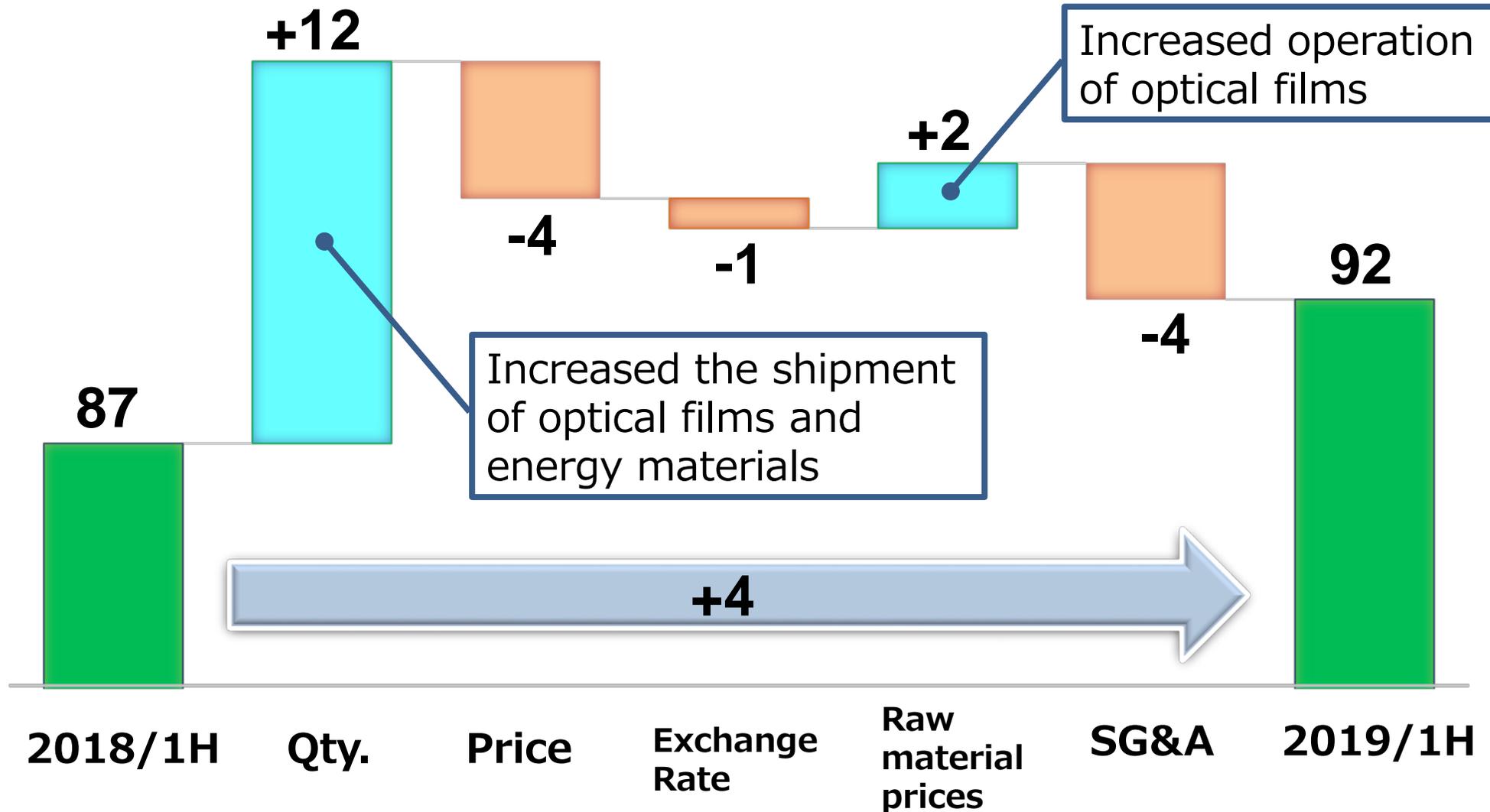
- **Specialty Plastics:** Both net sales and operating income increased due to the steady business in Optical resin and films.
- **Specialty Chemicals:**
 - **Specialty Chemicals Unit:** Both net sales and operating income decreased due to production volume decrease from the regular plant maintenance.
 - **Energy Materials:** Both net sales and operating income increased by steady business.

Specialty Materials: Net sales variance by business unit **ZEON**

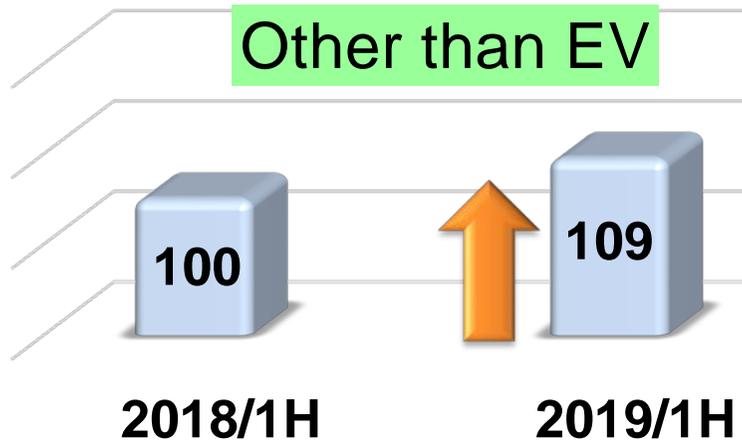
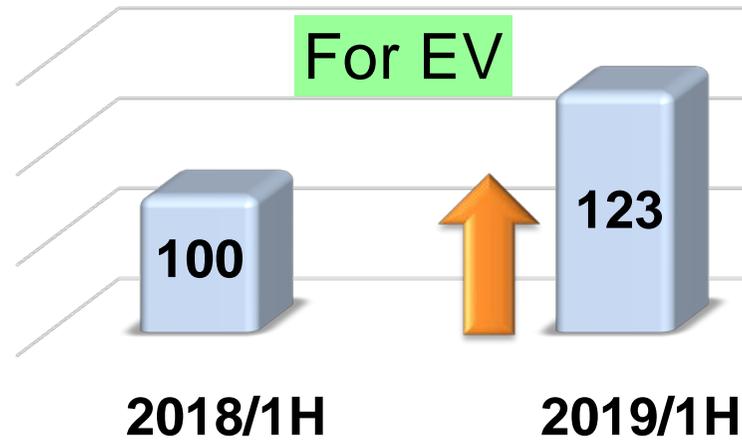
(Unit : JPY100m)



(Unit : JPY100m)



(Index) Volume for FY2018/1H=100



- **For EV: +23%**

Sales grow to the automobile manufacturers in Japan, Europe and USA.

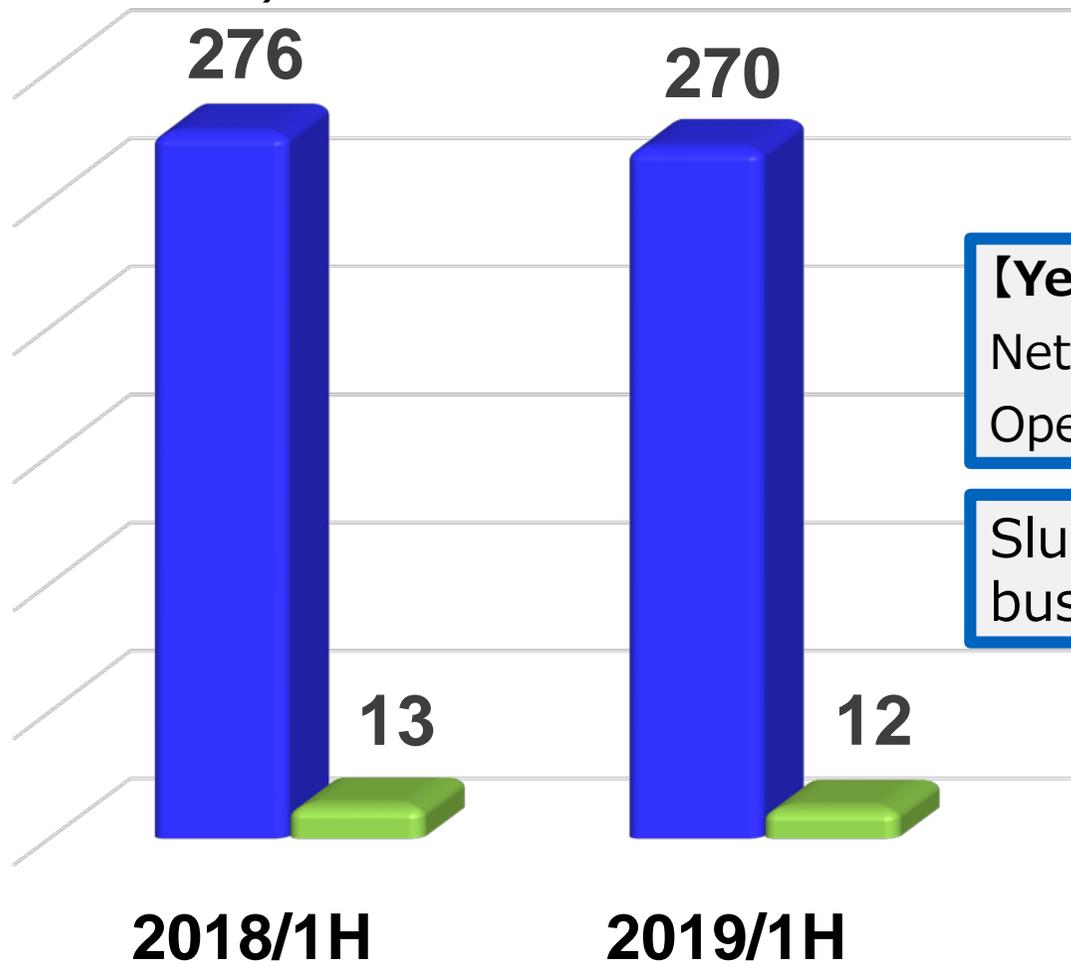
- **Other than EV: +9%**

The model numbers of power tools which adopted our products increased.

Volume analysis of usage is Zeon's estimation.

Summary of P/L : Others

(Unit : JPY100m)



【Year-on-year】

Net Sales : -0.5 billion yen, -2%

Operating Income: -0.1 billion yen, -8%

Sluggish in Trading and RIM business

■ Net Sales ■ Operating Income

Summary of B/S

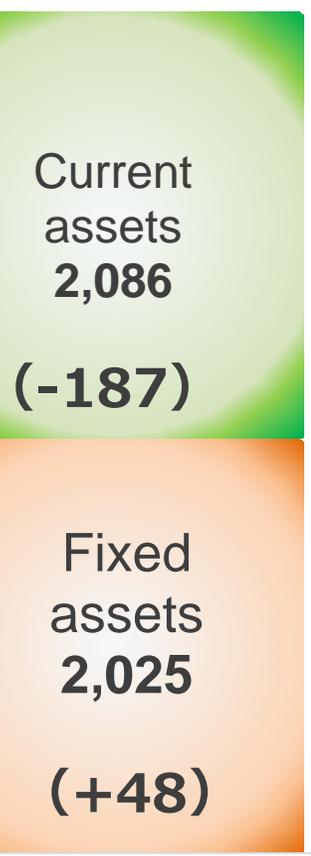
(Unit : JPY100m) **ZEON**

【Current assets】 -187

- ◆ Declined by the quarter-end-holiday
 - Accounts receivable - others -119
 - Notes and accounts receivable -trade -52
- ◆ Affected by regular maintenance of Mizushima Plant
 - Inventories -34

【Fixed assets】 +48

- ◆ Capital expenditures 130
 - Enhancement of optical film facility, etc.



Current liabilities

1,077
(-223)

Long-term liabilities 363 (+5)

Total net assets

2,671
(+79)

【Current liabilities】 -223

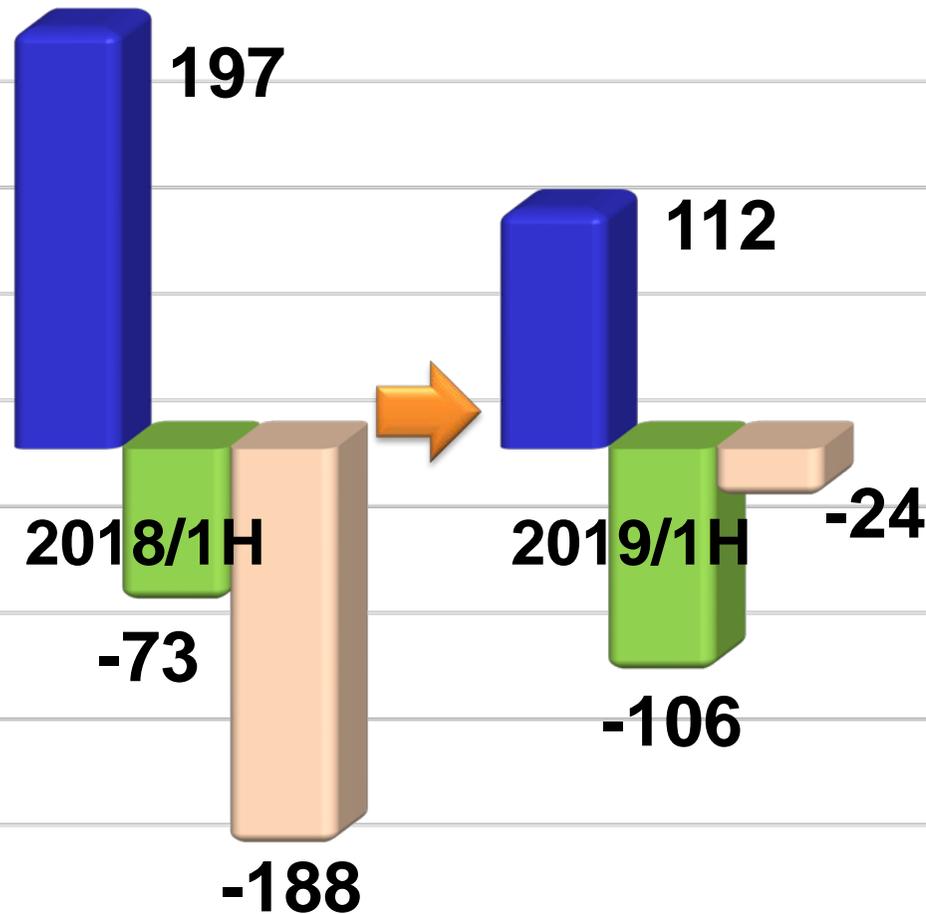
- ◆ Declined by the quarter-end-holiday
 - Notes and accounts payable-trade -204

【Total net assets】 +79

- ◆ Net income 116
 - Retained earnings +94
- ◆ Financial indicators
 - Interest-bearing debt 241 (±0)
 - Equity ratio 64.2% (+3.9%)
 - D/E ratio 0.09 (±0.00)

Year-on-year variance is in ()

(Unit : JPY100m)

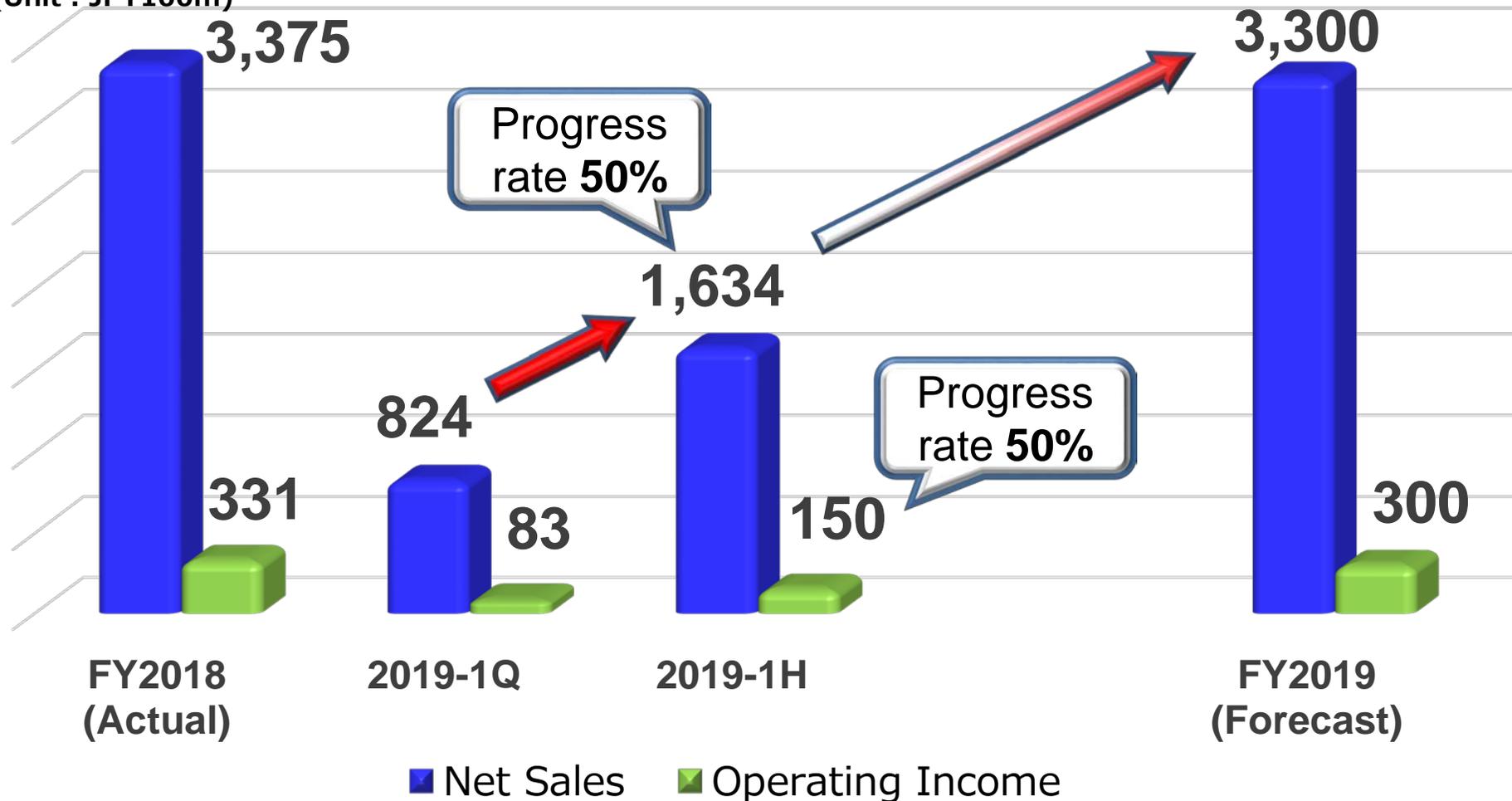


■ CF from Operating Act. ■ CF from Investing Act.
 ■ CF from Financing Act.

	2018/1H	2019/1H
CF from Operating Act.	197	112
CF from Investing Act.	-73	-106
Free CF	124	5
CF from financing Act.	-188	-24
CF	-65	-18

CF from Operating Activities:
 Declined YoY bases by the
 quarter-end-holiday

(Unit : JPY100m)



The Company is predicting no change in the forecast disclosed as of Apr. 26, 2019.

Next Announcement of Financial Statements

The third quarter of FY2019	Jan. 30, 2020
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Subject to change without notice

Zeon's plans, forecasts, and other data appearing in this presentation were calculated based on information which was currently available and therefore includes risks and uncertainties. Actual results may differ depending on various factors.

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In all cases, the original Japanese version shall take precedence.

Ave. for 6 mo.	FY2019 1H	FY2018 1H	Increase/Decrease	
			Amount	Rate
JPY/USD	109.2	109.5	-0.3	-0 %
JPY/Euro	122.0	129.5	-7.5	-6 %
Crude Oil (\$/bbl)	66	75	-9	-11 %
Naphtha price (JPY/kl)	42,800	51,000	-8,200	-16 %
Asian Butadiene (\$/ t)	1,121	1,614	-493	-31 %
Isoprene (\$/ t)	1,360	1,540	-180	-12 %
Natural rubber (\$/ t)	1,430	1,364	67	5 %

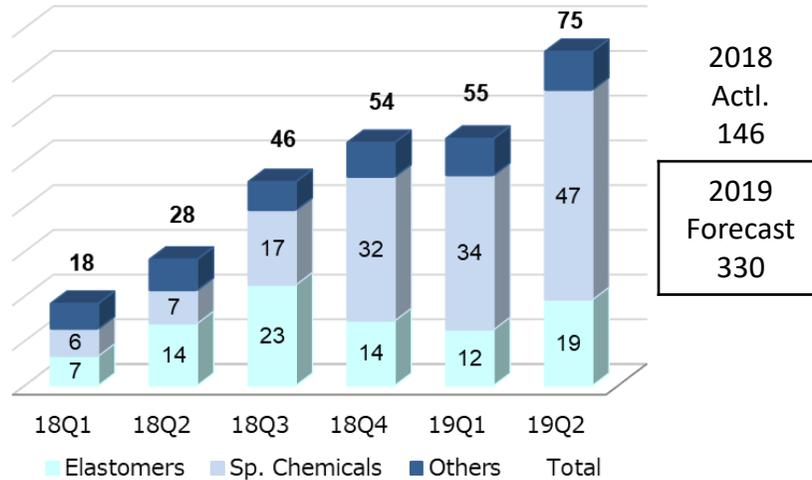
Reference: Consolidated Statement of Income (Quarterly)

(Unit : JPY100m)

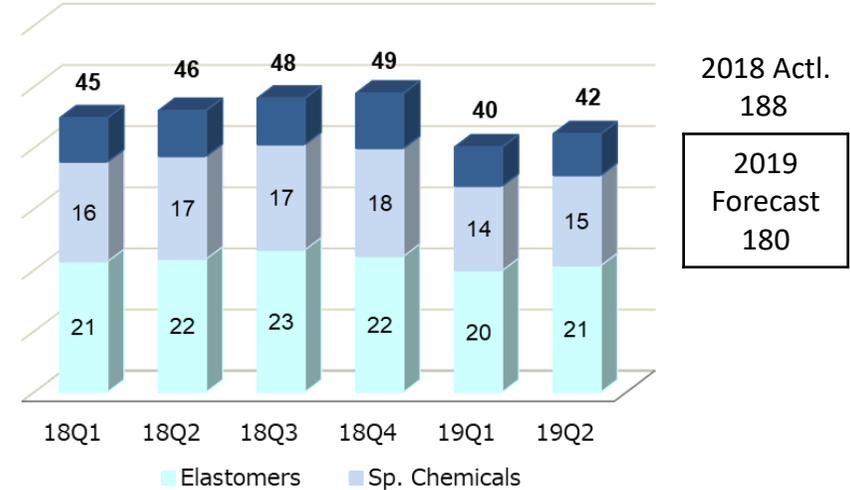
	2018				2019		1Q→2Q	
	Q1	Q2	Q3	Q4	Q1	Q2	Amount	Rate
Sales Volume (thousand tons)	159	149	145	164	147	150	3	2%
Rubbers	91	84	80	99	85	90	5	5%
Latexes	31	29	30	32	30	31	0	1%
Chemicals	37	35	34	32	32	30	-2	-5%
Net Sales	837	854	855	829	824	809	-15	-2%
Elastomers Business	509	493	490	489	471	448	-22	-5%
Rubbers	363	340	339	345	328	321	-6	-2%
Latexes	44	51	48	45	45	42	-3	-6%
Chemicals	98	96	95	94	92	78	-14	-15%
Others / Eliminations	4	6	7	5	7	7	0	3%
Specialty Materials Biz.	195	229	223	205	223	232	10	4%
Sp. Plastics	116	148	138	117	142	143	1	1%
Sp. Chemicals	66	68	70	72	67	75	8	12%
Medical, etc.	14	12	15	16	14	14	-0	0%
Others / Eliminations	132	132	143	136	131	129	-2	-1%
Operating income	85	95	90	61	83	67	-16	-20%
Operating income ratio	10%	11%	11%	7%	10%	8%	-2 pt	
Elastomer Business	51	44	49	33	35	25	-10	-30%
Specialty Materials Biz.	34	53	42	32	51	41	-9	-18%
Others	-1	-2	-0	-3	-2	1	3	-

(Unit : JPY100m)

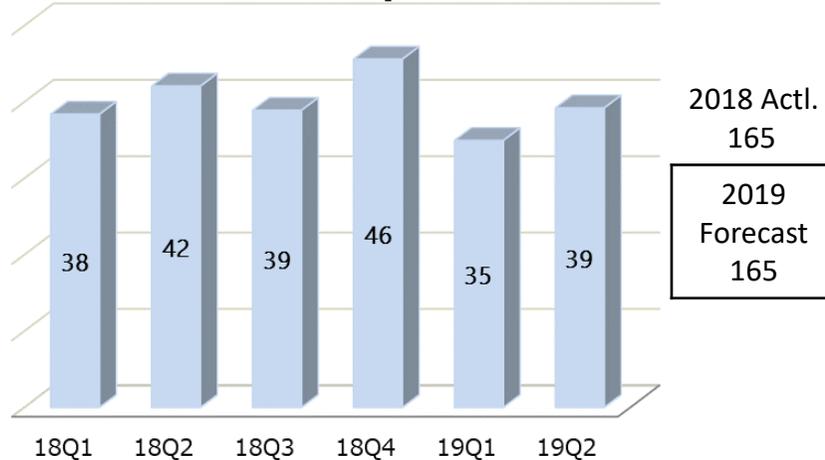
Capital Expenditures



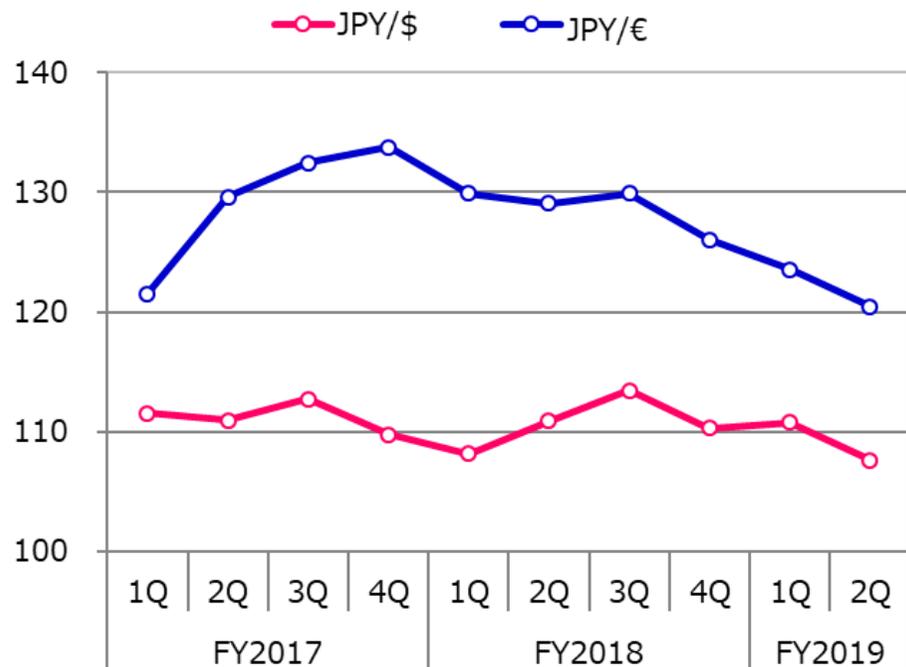
Depreciation & Amortization



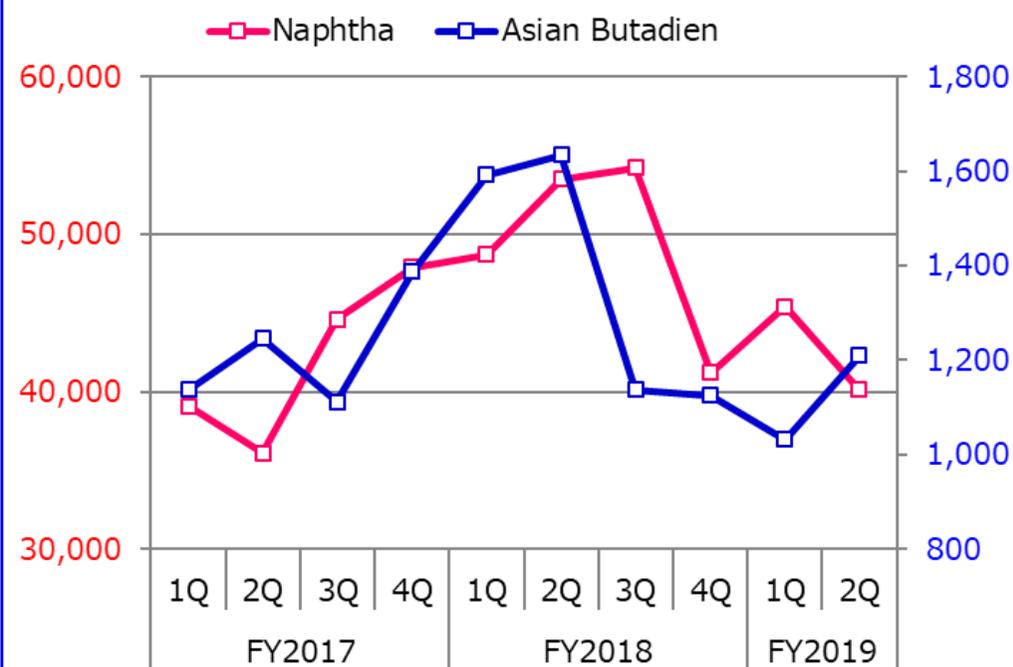
R&D Expenses



【Exchange rate】

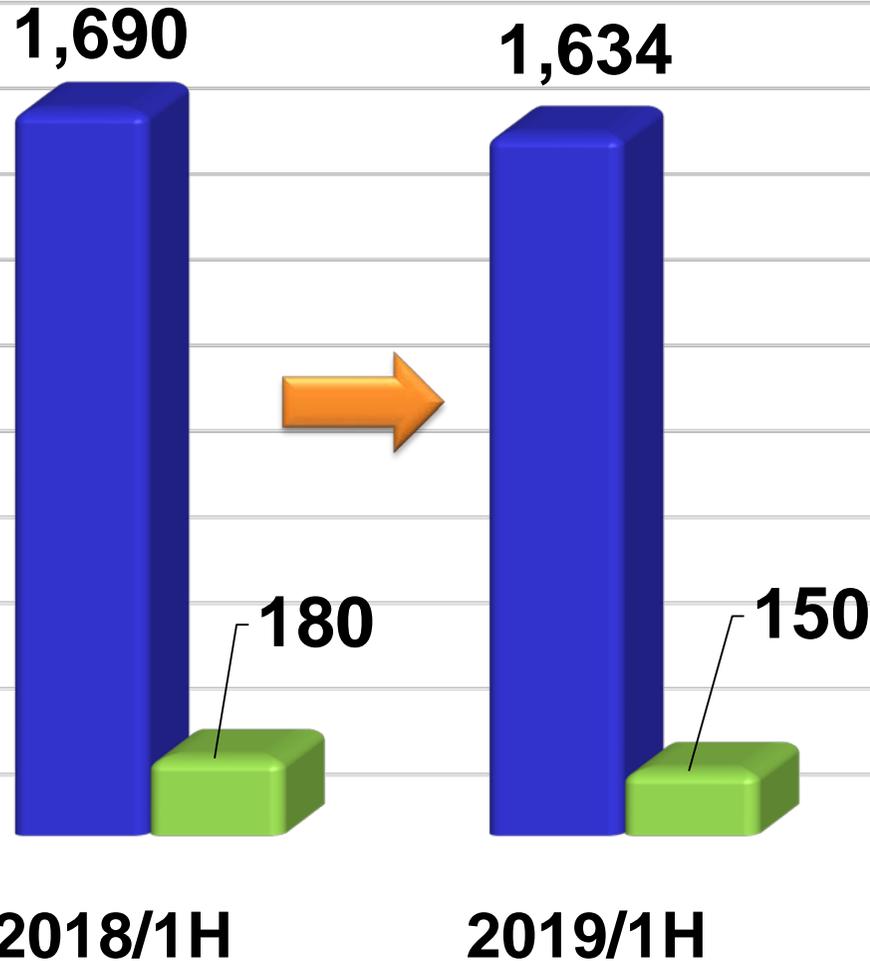


【Raw materials】



Summary of P/L: Total

(Unit : JPY100m)



【Year-on-year】

Net Sales : -5.7 billion yen, -3%

Operating Income: -3 billion yen, -17%

● **Elastomers:**

Net sales: decreased

operating income: decreased

● **Specialty Materials:**

Net sales: increased

Operating income: increased

■ Net Sales ■ Operating Income