

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

February 6, 2014

**Consolidated Financial Report for the
Third Quarter of the Year Ending March 31, 2014**

Name of Listed Company	ZEON CORPORATION	Listed Stock	Tokyo Stock Exchange
Ticker Code	4205	Exchanges	
(URL http://www.zeon.co.jp)		Name	Kimiaki Tanaka
Representative	President	Name	Tadayuki Minami
Contact	Managing Director and Corporate Officer	TEL	+81-3-3216-2747
Scheduled Date of the Submission of the Quarterly Report	February 7, 2014	Scheduled Date of Dividend Payments	—

Note: All amounts less than one million yen in the tables are rounded off.

**1. Consolidated Performance for 3rd quarter of the year ending March 31, 2014
(April 1, 2013 to December 31, 2013)**

(1) Consolidated operating results (Cumulative)

(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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
3Q period ended December 31, 2013	223,514	19.8	24,470	42.7	27,247	58.1	17,124	52.6
3Q period ended December 31, 2012	186,589	(6.4)	17,142	(39.8)	17,240	(36.5)	11,225	(30.0)

Note: Comprehensive income:

3Q of the year ending March 31, 2014: 23,413 million yen (105.9%);

3Q of the year ended March 31, 2013: 11,370 million yen (-18.4%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
3Q period ended December 31, 2013	73.98	73.86
3Q period ended December 31, 2012	48.56	48.48

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
3Q period ended December 31, 2013	385,645	182,765	46.4
Year ended March 31, 2013	350,508	162,057	45.2

Reference: Equity:

As of December 31, 2013: 178,957 million yen As of March 31, 2013: 158,494 million yen

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

2. Cash Dividends

Record date	Cash dividend per share				
	1Q end	2Q end	3Q end	Year-end	Full year
Year ended March 31, 2013	Yen —	Yen 6.00	Yen —	Yen 6.00	Yen 12.00
Year ending March 31, 2014	—	7.00	—		
Year ending March 31, 2014 (Forecast)				6.00	13.00

Note: Revisions to the most recently disclosed dividend forecasts: No

**3. Projected Consolidated Performance for the Year Ending March 31, 2014
(From April 1, 2013 to March 31, 2014)**

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2014 (Full year)	293,000	16.8	28,000	18.2	30,000	19.0	17,500	18.6	75.70

Note: Revisions to the most recently disclosed projected performance: No

4. Other Matters

(1) Significant changes of subsidiaries during the three-month period under review (Changes of Specified Subsidiaries Accompanied by Change in Scope of Consolidation): No

(2) Application of special accounting methods for the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting principle and accounting estimates, and restatement of revisions

(i) Changes in accounting principle due to amendment in accounting standards: No

(ii) Changes in accounting principle except above (i): No

(iii) Changes in accounting estimates: No

(iv) Restatement of revisions: No

(4) Number of shares outstanding (Common stock)

(i) Number of shares outstanding at the end of the period (Including treasury stock)

As of December 31, 2013: 242,075,556 shares As of March 31, 2013: 242,075,556 shares

(ii) Number of treasury stock outstanding

As of December 31, 2013: 10,407,196 shares As of March 31, 2013: 10,913,315 shares

(iii) Average number of shares during the period

3Q ended December 31, 2013: 231,467,233 shares 3Q ended December 31, 2012: 231,165,197 shares

Note regarding indication of status of implementation of the quarterly review procedure

This quarterly financial report is not subject to the quarterly review required under the Financial Instruments and Exchange Act. The review of quarterly consolidated financial statements based on the Financial Instruments and Exchange Act had not been completed as of the date of disclosure of this quarterly financial report.

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.

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (As of March 31, 2013)	As of December 31, 2013
(Assets)		
Current assets		
Cash and bank deposits	12,216	8,280
Notes and accounts receivable—trade	69,299	79,249
Merchandise and products	43,145	46,117
Work in process	3,826	5,059
Raw materials and supplies	9,607	12,227
Accounts receivable—other	31,916	37,981
Deferred tax assets	2,703	2,781
Other current assets	3,019	4,137
Allowance for doubtful accounts	(75)	(85)
Total current assets	175,656	195,746
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	34,817	37,844
Machinery, equipment and vehicles, net	35,126	45,202
Land	18,042	18,102
Construction in progress	16,751	11,984
Other property, plant and equipment, net	4,200	5,233
Total property, plant and equipment	108,937	118,365
Intangible assets		
Other intangible assets	6,577	6,351
Total intangible assets	6,577	6,351
Investments and other assets		
Investment securities	51,971	57,768
Deferred tax assets	901	1,066
Other investments and assets	6,773	6,646
Allowance for doubtful accounts	(306)	(297)
Total investments and other assets	59,338	65,184
Total fixed assets	174,852	189,900
Total assets	350,508	385,645

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2013)	As of December 31, 2013
(Liabilities)		
Current liabilities		
Notes and accounts payable—trade	73,953	91,356
Short-term loans payable	20,156	32,539
Commercial paper	7,000	—
Corporate bonds redeemable within one year	10,000	—
Income taxes payable	3,923	6,243
Reserve for bonuses	1,657	301
Other reserves	123	2,915
Other current liabilities	17,747	21,427
Total current liabilities	<u>134,560</u>	<u>154,780</u>
Long-term liabilities		
Bonds payable	—	10,000
Long-term loans payable	29,327	12,475
Deferred tax liabilities	8,059	9,003
Allowance for employees' retirement benefits	11,549	12,237
Other reserves	1,762	522
Other long-term liabilities	3,194	3,863
Total long-term liabilities	<u>53,891</u>	<u>48,100</u>
Total Liabilities	<u>188,451</u>	<u>202,881</u>
(Net Assets)		
Shareholders' equity		
Common stock	24,211	24,211
Capital surplus	18,372	18,514
Retained earnings	115,836	129,951
Treasury stock, at cost	(8,108)	(7,735)
Total shareholders' equity	<u>150,312</u>	<u>164,941</u>
Accumulated other comprehensive income		
Net unrealized holding gain on available-for-sale securities	15,848	17,424
Deferred gains (losses) on hedges	(0)	(0)
Foreign currency translation adjustments	(5,468)	(927)
Pension liabilities adjustments	(2,199)	(2,482)
Total accumulated other comprehensive income	<u>8,182</u>	<u>14,016</u>
Stock acquisition rights	262	251
Minority interests	3,301	3,556
Total net assets	<u>162,057</u>	<u>182,765</u>
Total liabilities and net assets	<u>350,508</u>	<u>385,645</u>

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

(2) Consolidated Statements of Income

	(Millions of yen)	
	For the nine months ended December 31, 2012	For the nine months ended December 31, 2013
Net sales	186,589	223,514
Cost of sales	135,306	160,037
Gross profit	51,283	63,477
Selling, general and administrative expenses	34,141	39,007
Operating income	17,142	24,470
Nonoperating income		
Interest income	78	70
Dividend income	719	785
Foreign exchange gain	96	2,483
Other nonoperating income	981	699
Total nonoperating income	1,874	4,036
Nonoperating expenses		
Interest expense	730	548
Depreciation from idle assets	921	488
Other nonoperating expenses	125	223
Total nonoperating expenses	1,776	1,258
Ordinary income	17,240	27,247
Extraordinary gains		
Gain on sale of available-for-sale securities	—	329
Gain on negative goodwill	—	85
Gain on sales of affiliates' stock	209	—
Compensation income	199	—
Other	21	10
Total extraordinary gains	429	425
Extraordinary losses		
Loss on disposal of fixed assets	163	221
Other	552	45
Total extraordinary losses	715	266
Income before income taxes and minority interests	16,954	27,406
Income taxes	5,405	9,999
Income before minority interests in net income of consolidated subsidiaries	11,548	17,407
Minority interests in net income of consolidated subsidiaries	324	283
Net income	11,225	17,124

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

(3) Statement of Comprehensive Income

	(Millions of yen)	
	For the nine months (From April 1 to December 31, 2012)	For the nine months (From April 1 to December 31, 2013)
Income before minority interests in net income of consolidated subsidiaries	11,548	17,407
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	(143)	1,619
Deferred gains (losses) on hedges	(1)	0
Foreign currency translation adjustments	(38)	4,670
Pension liabilities adjustments	3	(284)
Total other comprehensive income (loss)	<u>(178)</u>	<u>6,005</u>
Comprehensive income	<u>11,370</u>	<u>23,413</u>
Comprehensive income attributable to:		
Owners of the parent	11,050	22,949
Minority interests	320	464

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

(4) Segment Information

Previous 3rd quarter cumulative period (From April 1, 2012 to December 31, 2012) (Millions of yen)

	Elastomer	Specialty Materials	Sub Total	Other	Total	Eliminations/ Corporate	Consolidated
Net sales							
(1) Sales to third parties	122,185	36,331	158,517	28,072	186,589	—	186,589
(2) Intersegment sales and transfers	1,127	—	1,127	197	1,324	(1,324)	—
Total	123,312	36,331	159,643	28,269	187,912	(1,324)	186,589
Segment income and loss	15,169	904	16,073	1,081	17,155	(13)	17,142

Current 3rd quarter cumulative period (From April 1, 2013 to December 31, 2013) (Millions of yen)

	Elastomer	Specialty Materials	Sub Total	Other	Total	Eliminations/ Corporate	Consolidated
Net sales							
(1) Sales to third parties	136,658	49,381	186,039	37,475	223,514	—	223,514
(2) Intersegment sales and transfers	1,926	—	1,926	290	2,216	(2,216)	—
Total	138,584	49,381	187,964	37,766	225,730	(2,216)	223,514
Segment income	15,195	8,112	23,307	1,166	24,473	(3)	24,470

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

(5) Major Subsequent Events

Acquisition of Treasury Stock

The company decided at a meeting of its Board of Directors held on February 6, 2014, to acquire treasury stock under Article 156 of the Company Law of Japan as applied pursuant to Article 165, Paragraph 3. Details are provided below.

(1) Reason for acquiring treasury stock:

To exercise agile capital policies in response to the business environment

(2) Buyback details

(a) Type of shares to be acquired:

ZEON CORPORATION common stock

(b) Maximum number of shares to be acquired:

6 million shares

(c) Maximum acquisition value of shares:

5 billion yen

(d) Acquisition period:

From February 7, 2014 to March 24, 2014

(e) Acquisition method:

Purchase in the market through a trust bank