

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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August 6, 2014

**Consolidated Financial Report for the
First Quarter of the Year Ending March 31, 2015**

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	+81-3-3216-1412
Scheduled Date of the Submission of the Quarterly Report	August 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 1st quarter of the year ending March 31, 2015
(April 1, 2014 to June 30, 2014)**

(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	%
1Q period ended June 30, 2014	74,815	3.3	6,206	(28.5)	6,071	(39.3)	3,916	(36.7)
1Q period ended June 30, 2013	72,437	11.1	8,680	31.7	9,999	74.3	6,190	109.9

Note: Comprehensive income:

1Q of the year ending March 31, 2015: 2,397 million yen (-70.4%);

1Q of the year ended March 31, 2014: 8,102 million yen (105.8%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
1Q period ended June 30, 2014	17.27	17.24
1Q period ended June 30, 2013	26.78	26.73

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
1Q period ended June 30, 2014	376,022	182,055	47.4
Year ended March 31, 2014	370,872	181,414	47.9

Reference: Equity:

As of June 30, 2014: 178,228 million yen

As of March 31, 2014: 177,604 million yen

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2. Cash Dividends

Record date	Cash dividend per share				
	1Q end	2Q end	3Q end	Year-end	Full year
Year ended March 31, 2014	Yen —	Yen 7.00	Yen —	Yen 6.00	Yen 13.00
Year ending March 31, 2015	—				
Year ending March 31, 2015 (Forecast)		7.00	—	7.00	14.00

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

**3. Projected Consolidated Performance for the Year Ending March 31, 2015
(From April 1, 2014 to March 31, 2015)**

(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
Interim period ending September 30, 2014	150,000	1.1	11,000	(34.3)	11,000	(39.4)	8,000	(26.0)	35.27
Year ending March 31, 2015 (Full year)	310,000	4.6	25,000	(16.4)	25,000	(23.2)	17,000	(13.5)	74.96

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

4. Other Matters

(1) Significant changes of specified 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, procedures and presentation on preparation of consolidated financial statements

(i) Changes due to amendment in accounting standards: Yes

(ii) Changes 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 June 30, 2014: 242,075,556 shares As of March 31, 2014: 242,075,556 shares

(ii) Number of treasury stock outstanding

As of June 30, 2014: 15,284,803 shares As of March 31, 2014: 15,283,615 shares

(iii) Average number of shares during the period

1Q ended June 30, 2014: 226,791,121 shares 1Q ended June 30, 2013: 231,162,163 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.

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5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (As of March 31, 2014)	As of June 30, 2014
(Assets)		
Current assets		
Cash and bank deposits	9,105	10,213
Notes and accounts receivable—trade	71,060	73,047
Merchandise and products	44,659	45,910
Work in process	4,099	4,548
Raw materials and supplies	12,201	12,645
Accounts receivable—other	30,303	31,833
Deferred tax assets	3,721	3,628
Other current assets	3,294	4,207
Allowance for doubtful accounts	(45)	(40)
Total current assets	178,396	185,989
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	38,953	39,220
Machinery, equipment and vehicles, net	45,319	48,590
Land	18,192	18,163
Construction in progress	14,109	9,613
Other property, plant and equipment, net	6,148	6,009
Total property, plant and equipment	122,721	121,596
Intangible assets		
Other intangible assets	5,943	5,817
Total intangible assets	5,943	5,817
Investments and other assets		
Investment securities	56,030	55,102
Net defined benefit assets	293	307
Deferred tax assets	536	499
Other investments and assets	7,247	6,995
Allowance for doubtful accounts	(295)	(284)
Total investments and other assets	63,812	62,620
Total fixed assets	192,476	190,032
Total assets	370,872	376,022

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(Millions of yen)

	Previous fiscal year (As of March 31, 2014)	As of June 30, 2014
(Liabilities)		
Current liabilities		
Notes and accounts payable—trade	64,769	70,779
Short-term loans payable	30,302	31,921
Commercial paper	5,000	11,000
Income taxes payable	8,929	2,166
Reserve for bonuses	1,813	220
Other reserves	2,632	2,490
Other current liabilities	20,223	19,756
Total current liabilities	133,668	138,331
Long-term liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	20,263	19,966
Deferred tax liabilities	8,290	7,927
Allowance for employees' retirement benefits	12,368	12,689
Other reserves	507	753
Other long-term liabilities	4,361	4,300
Total long-term liabilities	55,789	55,636
Total Liabilities	189,457	193,966
(Net Assets)		
Shareholders' equity		
Common stock	24,211	24,211
Capital surplus	18,514	18,514
Retained earnings	132,476	134,710
Treasury stock, at cost	(12,734)	(12,735)
Total shareholders' equity	162,467	164,699
Accumulated other comprehensive income		
Net unrealized holding gain on available-for-sale securities	15,081	14,413
Deferred gains (losses) on hedges	(1)	(0)
Foreign currency translation adjustments	2,261	1,250
Remeasurements of defined benefit plans	(2,205)	(2,134)
Total accumulated other comprehensive income	15,136	13,529
Stock acquisition rights	266	280
Minority interests	3,545	3,547
Total net assets	181,414	182,055
Total liabilities and net assets	370,872	376,022

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(2) Consolidated Statements of Income

(Millions of yen)

	For the three months ended June 30, 2013	For the three months ended June 30, 2014
Net sales	72,437	74,815
Cost of sales	51,189	55,369
Gross profit	21,248	19,446
Selling, general and administrative expenses	12,568	13,241
Operating income	8,680	6,206
Nonoperating income		
Interest income	22	31
Dividend income	292	397
Foreign exchange gain	1,255	—
Other nonoperating income	194	279
Total nonoperating income	1,762	708
Nonoperating expenses		
Interest expense	192	206
Foreign exchange loss	—	400
Depreciation from idle assets	161	169
Other nonoperating expenses	90	68
Total nonoperating expenses	444	842
Ordinary income	9,999	6,071
Extraordinary gains		
Gain on sale of fixed assets	0	833
Other	13	59
Total extraordinary gains	13	891
Extraordinary losses		
Loss on disposal of fixed assets	36	547
Other	8	4
Total extraordinary losses	43	551
Income before income taxes and minority interests	9,969	6,412
Income taxes	3,665	2,399
Income before minority interests in net income of consolidated subsidiaries	6,303	4,013
Minority interests in net income of consolidated subsidiaries	114	96
Net income	6,190	3,916

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(3) Segment Information

Previous 1st quarter cumulative period (From April 1, 2013 to June 30, 2013) (Millions of yen)

	Elastomer	Specialty Materials	Sub Total	Other	Total	Eliminations /Corporate	Consolidated
Net sales							
(1) Sales to third parties	44,908	15,482	60,389	12,047	72,437	—	72,437
(2) Intersegment sales and transfers	640	—	640	67	707	(707)	—
Total	45,548	15,482	61,029	12,115	73,144	(707)	72,437
Segment income	5,859	2,496	8,355	320	8,675	6	8,680

Current 1st quarter cumulative period (From April 1, 2014 to June 30, 2014) (Millions of yen)

	Elastomer	Specialty Materials	Sub Total	Other	Total	Eliminations /Corporate	Consolidated
Net sales							
(1) Sales to third parties	45,674	16,651	62,325	12,489	74,815	—	74,815
(2) Intersegment sales and transfers	476	—	476	145	621	(621)	—
Total	46,150	16,651	62,802	12,634	75,436	(621)	74,815
Segment income and loss	4,190	1,616	5,806	389	6,195	11	6,206

Changes Related to the Reporting Segment

The Company adopted the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012) with regard to provisions set forth in the text of paragraph 35 of the Accounting Standard for Retirement Benefits and paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits from the consolidated cumulative first quarter under review, and has revised the calculation methods for retirement benefit obligations and service costs. Accordingly, the Company changed the method for attributing expected benefit to periods from one calculated on a straight-line basis to a method based on the benefit formula, and the method for determining the discount rate from one based on the average period up to the estimated timing of benefit payment to a method using a single weighted average discount rate reflecting the estimated timing and the amount of benefit payment.

These changes had no material impact in terms of the monetary value of segment information reported for the consolidated cumulative first quarter.