

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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May 8, 2015

**Consolidated Financial Flash Report for the
Year Ended 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	+81-3-3216-2747
Scheduled Date of the General Shareholders Meeting	June 26, 2015	Scheduled Date of Dividend Payments	From June 29, 2015
Scheduled Date of the Submission of the Securities Report	June 26, 2015		

Note: Figures are rounded down to the nearest million yen.

1. Consolidated Performance for the Year Ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

(1) Consolidated operating results

(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	%
Year ended March 31, 2015	307,524	3.7	28,245	(5.5)	31,098	(4.5)	19,080	(2.9)
Year ended March 31, 2014	296,427	18.2	29,901	26.2	32,561	29.1	19,650	33.2

Notes: Comprehensive income:

Year ended March 31, 2015: 37,573 million yen (32.8%);

Year ended March 31, 2014: 28,291 million yen (-3.8%)

	Net income per share	Fully diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to sales
	Yen	Yen	%	%	%
Year ended March 31, 2015	84.13	83.98	9.8	8.1	9.2
Year ended March 31, 2014	85.15	85.01	11.7	9.0	10.1

Reference: Equity in earnings (losses) of unconsolidated subsidiaries and affiliates, net:

Year ended March 31, 2015: - million yen Year ended March 31, 2014: - million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2015	399,512	215,631	52.9	931.34
As of March 31, 2014	370,872	181,414	47.9	783.11

Reference: Equity:

As of March 31, 2015: 211,217 million yen As of March 31, 2014: 177,604 million yen

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(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2015	34,006	(26,767)	(12,019)	3,491
Year ended March 31, 2016	36,396	(31,513)	(10,105)	8,117

2. Cash Dividends

Record date	Cash dividend per share					Total annual cash dividends	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1Q end	Interim	3Q end	Year-end	Full year			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2014	—	7.00	—	6.00	13.00	2,982	15.3	1.8
Year ended March 31, 2015	—	7.00	—	7.00	14.00	3,175	16.6	1.6
Year ending March 31, 2016 (Forecast)	—	7.00	—	8.00	15.00		14.8	

**3. Projected Consolidated Performance for the Year Ending March 31, 2016
(From April 1, 2015 to March 31, 2016)**

(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, 2015	155,000	1.1	15,000	3.4	15,000	(3.6)	11,000	21.9	48.50
Year ending March 31, 2016 (Full year)	320,000	4.1	32,000	13.3	32,000	2.9	23,000	20.5	101.42

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4. Other Matters

(1) Significant changes of specified subsidiaries (Changes of Specified Subsidiaries Accompanied by Change in Scope of Consolidation): None

(2) Changes in accounting principle, procedures and presentation on preparation of consolidated financial statements

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

(ii) Changes in policy other than above (i): No

(iii) Changes in accounting estimates: No

(iv) Restatements: No

(3) Number of shares outstanding (Common stock)

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

As of March 31, 2015: 242,075,556 shares As of March 31, 2014: 242,075,556 shares

(ii) Number of treasury stock

As of March 31, 2015: 15,286,593 shares As of March 31, 2014: 15,283,615 shares

(iii) Average number of shares outstanding in each year

Year ended March 31, 2015: 226,790,078 shares Year ended March 31, 2014: 230,763,417 shares

Reference: Summary of Non-consolidated Performance**Non-consolidated Performance for the Year ended March 31, 2015**

(From April 1, 2014 to March 31, 2015)

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

(1) Non-consolidated operating results

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2015	214,224	4.6	23,705	(6.9)	26,729	(5.5)	17,768	(3.3)
Year ended March 31, 2014	204,738	13.2	25,449	44.5	28,275	47.0	18,367	59.0

	Net income per share		Fully diluted net income per share	
	Yen		Yen	
Year ended March 31, 2015	78.35		78.21	
Year ended March 31, 2014	79.59		79.46	

(2) Non-consolidated financial position

	Total assets	Net Assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2015	330,472	175,070	52.9	770.61
Year ended March 31, 2014	307,315	147,805	48.0	650.55

Reference: Equity

As of March 31, 2015: 174,766 million yen As of March 31, 2014: 147,539 million yen

Note regarding indication of status of implementation of the review procedure

The review of consolidated financial statements based on the Financial Instruments and Exchange Act had not been completed as of the date of disclosure of this 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)	Current fiscal year (As of March 31, 2015)
(Assets)		
Current assets		
Cash and bank deposits	9,105	4,151
Notes and accounts receivable—trade	70,602	70,970
Electronically recorded monetary claims	457	720
Merchandise and products	44,659	43,299
Work in process	4,099	4,393
Raw materials and supplies	12,201	13,543
Accounts receivable—other	30,303	32,284
Deferred tax assets	3,721	3,231
Other current assets	3,294	4,115
Allowance for doubtful accounts	(45)	(95)
Total current assets	178,396	176,609
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	38,953	42,455
Machinery, equipment and vehicles, net	45,319	55,187
Land	18,192	18,371
Construction in progress	14,109	11,965
Other property, plant and equipment, net	6,148	6,249
Total property, plant and equipment	122,721	134,227
Intangible assets		
Other intangible assets	5,943	5,262
Total intangible assets	5,943	5,262
Investments and other assets		
Investment securities	56,030	75,972
Net defined benefit asset	293	44
Deferred tax assets	536	618
Other investments and assets	7,247	7,177
Allowance for doubtful accounts	(295)	(397)
Total investments and other assets	63,812	83,414
Total fixed assets	192,476	222,903
Total assets	370,872	399,512

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	(Millions of yen)	
	Previous fiscal year (As of March 31, 2014)	Current fiscal year (As of March 31, 2015)
(Liabilities)		
Current liabilities		
Notes and accounts payable—trade	64,769	60,466
Electronically recorded monetary claims	—	796
Short-term loans payable	30,302	18,220
Commercial paper	5,000	10,000
Income taxes payable	8,929	3,902
Reserve for bonuses	1,813	1,977
Other reserves	2,632	531
Other current liabilities	20,223	23,282
Total current liabilities	133,668	119,174
Long-term liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	20,263	20,669
Deferred tax liabilities	8,290	12,908
Net defined benefit liability	12,368	14,209
Other reserves	507	1,461
Other long-term liabilities	4,361	5,460
Total long-term liabilities	55,789	64,707
Total Liabilities	189,457	183,881
(Net Assets)		
Shareholders' equity		
Common stock	24,211	24,211
Capital surplus	18,514	18,514
Retained earnings	132,476	148,285
Treasury stock, at cost	(12,734)	(12,737)
Total shareholders' equity	162,467	178,273
Accumulated other comprehensive income		
Net unrealized holding gain on available-for-sale securities	15,081	28,350
Deferred gains on hedges	(1)	(0)
Foreign currency translation adjustments	2,261	7,666
Remeasurements of defined benefit plans	(2,205)	(3,072)
Total accumulated other comprehensive income	15,136	32,943
Stock acquisition rights	266	304
Minority interests	3,545	4,111
Total net assets	181,414	215,631
Total liabilities and net assets	370,872	399,512

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(2) Consolidated Statements of Income

	(Millions of yen)	
	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)
Net sales	296,427	307,524
Cost of sales	213,307	224,887
Gross profit	83,120	82,636
Selling, general and administrative expenses	53,219	54,391
Operating income	29,901	28,245
Nonoperating income		
Interest income	100	131
Dividend income	1,268	1,610
Foreign exchange gain	1,991	457
Gain on sale of goods	490	477
Subsidy income	178	986
Miscellaneous income	403	636
Total nonoperating income	4,430	4,297
Nonoperating expenses		
Interest expense	724	721
Depreciation from idle assets	630	539
Miscellaneous loss	416	183
Total nonoperating expenses	1,770	1,443
Ordinary income	32,561	31,098
Extraordinary gains		
Gain on sale of fixed assets	42	892
Gain on sale of available-for-sale securities	334	136
Other	168	98
Total extraordinary gains	544	1,126
Extraordinary losses		
Loss on disposal of fixed assets	479	1,027
Impairment loss	8	1,263
Other	91	144
Total extraordinary losses	577	2,434
Income before income taxes and minority interests	32,528	29,791
Income taxes—current	12,752	10,093
Income taxes—deferred	(217)	282
Total taxes	12,535	10,375
Income before minority interests in net income of consolidated subsidiaries	19,992	19,416
Minority interests in net income of consolidated subsidiaries	343	337
Net income	19,650	19,080

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(3) Statement of Comprehensive Income

	(Millions of yen)	
	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Previous fiscal year (From April 1, 2014 to March 31, 2015)
Income before minority interests in net income of consolidated subsidiaries	19,992	19,416
Other comprehensive income		
Valuation difference on available-for-sale securities	(741)	13,439
Deferred gains (losses) on hedges	(1)	1
Foreign currency translation adjustments	7,929	5,583
Pension liabilities adjustments	1,111	—
Remeasurements of defined benefit plans	—	(867)
Total other comprehensive income	8,298	18,157
Comprehensive income	28,291	37,573
Comprehensive income attributable to:		
Owners of the parent	27,707	36,881
Minority interests	583	692

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(4) Consolidated Statements of Changes in Net Assets

Previous fiscal year (From April 1, 2013 to March 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	24,211	18,372	115,836	(8,108)	150,312
Cumulative effects of changes in accounting policies					—
Restated balance	24,211	18,372	115,836	(8,108)	150,312
Changes of items during the period					
Dividends from surplus			(3,009)		(3,009)
Net income			19,650		19,650
Disposal of treasury stock		(7)		54	46
Purchase of treasury stock				(5,007)	(5,007)
Changes due to share exchanges		149		327	476
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	142	16,640	(4,626)	12,155
Balance at the end of current period	24,211	18,514	132,476	(12,734)	162,467

	Accumulated other comprehensive income						Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Pension liability adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	15,848	(0)	(5,468)	(2,199)	—	8,182	262	3,301	162,057
Cumulative effects of changes in accounting policies									—
Restated balance	15,848	(0)	(5,468)	(2,199)	—	8,182	262	3,301	162,057
Changes of items during the period									
Dividends from surplus									(3,009)
Net income									19,650
Disposal of treasury stock									46
Purchase of treasury stock									(5,007)
Changes due to share exchanges									476
Net changes of items other than shareholders' equity	(768)	(1)	7,729	2,199	(2,205)	6,955	4	244	7,202
Total changes of items during the period	(768)	(1)	7,729	2,199	(2,205)	6,955	4	244	19,358
Balance at the end of current period	15,081	(1)	2,261	—	(2,205)	15,136	266	3,545	181,414

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Current fiscal year (From April 1, 2014 to March 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	24,211	18,514	132,476	(12,734)	162,467
Cumulative effects of changes in accounting policies			(322)		(322)
Restated balance	24,211	18,514	132,154	(12,734)	162,145
Changes of items during the period					
Dividends from surplus			(2,948)		(2,948)
Net income			19,080		19,080
Disposal of treasury stock					—
Purchase of treasury stock				(3)	(3)
Change due to share exchanges					—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	16,131	(3)	16,128
Balance at the end of current period	24,211	18,514	148,285	(12,737)	178,273

	Accumulated other comprehensive income						Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Pension liability adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	15,081	(1)	2,261	—	(2,205)	15,136	266	3,545	181,414
Cumulative effects of changes in accounting policies									(322)
Restated balance	15,081	(1)	2,261	—	(2,205)	15,136	266	3,545	181,092
Changes of items during the period									
Dividends from surplus									(2,948)
Net income									19,080
Disposal of treasury stock									—
Purchase of treasury stock									(3)
Change due to share exchanges									—
Net changes of items other than shareholders' equity	13,269	1	5,404	—	(867)	17,807	38	565	18,411
Total changes of items during the period	13,269	1	5,404	—	(867)	17,807	38	565	34,539
Balance at the end of current period	28,350	(0)	7,666	—	(3,072)	32,943	304	4,111	215,631

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(5) Cash Flow Statement

	(Millions of yen)	
	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)
Net cash provided by operating activities		
Income before income taxes and minority interests	32,528	29,791
Depreciation and amortization	17,068	19,439
Impairment loss	8	1,263
Gain on goodwill	629	670
Increase (decrease) in provision for retirement benefits	(12,103)	—
Increase (decrease) in reserve for repair	1,522	(1,104)
Increase (decrease) in net defined benefit liability	12,736	733
Interest and dividends income	(1,368)	(1,741)
Interest expenses	724	721
Subsidy income	(178)	(986)
Decrease (increase) in notes and accounts	1,266	1,036
Decrease (increase) in inventories	(1,386)	1,819
Increase (decrease) in notes and accounts	(12,278)	(4,548)
Other, net	4,074	208
Subtotal	43,241	47,301
Interest and dividends income received	1,355	1,745
Interest expenses paid	(790)	(714)
Proceeds from subsidy	267	1,075
Income taxes paid	(7,676)	(15,401)
Net cash provided by operating activities	36,396	34,006
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(24,535)	(25,257)
Proceeds from property, plant and equipment	855	1,139
Purchase of intangible assets	(913)	(770)
Purchase of investment securities	(6,520)	(1,475)
Proceeds from sales of investment securities	1,421	166
change in scope of consolidation		
Payments of loans receivable	(680)	(1,013)
Collection of loans receivable	354	918
Net increase (decrease) in time deposits	(783)	392
Purchase of long-term prepaid expenses	(680)	(135)
Other, net	(30)	(732)
Net cash provided by (used in) investing activities	(31,513)	(26,767)
Net cash used in financing activities		
Net increase (decrease) in short-term loans payable	(2,581)	1,710
Increase (decrease) in commercial papers	(2,000)	5,000
Proceeds from long-term loans payable	7,283	1,619
Repayment of long-term loans payable	(4,610)	(17,172)
Proceeds from issuance of bonds	10,000	—
Redemption of bonds	(10,000)	—
Purchase of treasury shares	(5,008)	(3)
Cash dividends paid shareholders	(3,005)	(2,945)
Cash dividends paid to minority shareholders	(30)	(34)
Other, net	(155)	(195)
Net cash used in financing activities	(10,105)	(12,019)
Effect of exchange rate change on cash and cash	1,223	154

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Net increase (decrease) in cash and cash equivalents	(3,999)	(4,626)
Cash and cash equivalents at beginning of period	12,115	8,117
Cash and cash equivalents at end of period	8,117	3,491

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(6) Segment Information

a. Business segments

Previous fiscal year (From April 1, 2013 to March 31, 2014) (Millions of yen)

	Elastomer	Specialty Materials	Sub Total	Other	Total	Eliminations/ Corporate	Consolidated
Net sales							
Sales to third parties	181,852	64,154	246,006	50,421	296,427	—	296,427
Intersegment sales and transfers	2,499	—	2,499	377	2,876	(2,876)	—
Total	184,351	64,154	248,505	50,798	299,303	(2,876)	296,427
Operating income	19,322	9,121	28,444	1,488	29,932	(31)	29,901
Assets	192,704	76,687	269,391	28,021	297,412	73,460	370,872
Others							
Depreciation and amortization	7,378	7,380	14,759	324	15,083	1,985	17,068
Gain on goodwill	629	—	629	—	629	—	629
Capital expenditures	12,788	12,053	24,841	386	25,227	1,884	27,111

Current fiscal year (From April 1, 2014 to March 31, 2015) (Millions of yen)

	Elastomer	Specialty Materials	Sub Total	Other	Total	Eliminations/ Corporate	Consolidated
Net sales							
Sales to third parties	187,044	70,875	257,919	49,605	307,524	—	307,524
Intersegment sales and transfers	1,785	—	1,785	444	2,229	(2,229)	—
Total	188,829	70,875	259,704	50,049	309,753	(2,229)	307,524
Operating income	16,818	9,446	26,264	2,017	28,281	(36)	28,245
Assets	196,115	78,754	274,870	26,919	301,789	97,723	399,512
Others							
Depreciation and amortization	8,902	8,144	17,046	278	17,325	2,114	19,439
Gain on goodwill	670	—	670	—	670	—	670
Capital expenditures	13,906	9,650	23,556	355	23,911	4,605	28,516

b. Sales by region

Previous fiscal year (From April 1, 2013 to March 31, 2014) (Millions of yen)

Japan	North America	Europe	Asia (except Japan)	Other	Total
153,452	25,898	31,130	83,015	2,932	296,427

Current fiscal year (From April 1, 2014 to March 31, 2015) (Millions of yen)

Japan	North America	Europe	Asia (except Japan)	Other	Total
150,178	28,773	35,622	89,807	3,144	307,524