

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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July 29, 2015

**Consolidated Financial Report for the
First Quarter of the Year Ending March 31, 2016**

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	Takeo Furuya
Contact	Director and Corporate Officer	TEL	+81-3-3216-2747
Scheduled Date of the Submission of the Quarterly Report	August 11, 2015	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, 2016
(April 1, 2015 to June 30, 2015)**

(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, 2015	75,953	1.5	7,849	26.5	8,532	40.5	5,607	43.2
1Q period ended June 30, 2014	74,815	3.3	6,206	(28.5)	6,071	(39.3)	3,916	(36.7)

Note: Comprehensive income:

1Q of the year ending March 31, 2016: 5,326 million yen (122.2%);

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

	Net income per share	Fully diluted net income per share
	Yen	Yen
1Q period ended June 30, 2015	24.73	24.68
1Q period ended June 30, 2014	17.27	17.24

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
1Q period ended June 30, 2015	405,183	219,372	53.0
Year ended March 31, 2015	399,512	215,631	52.9

Reference: Equity:

As of June 30, 2015: 214,774 million yen

As of March 31, 2015: 211,217 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
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2015	—	7.00	—	7.00	14.00
Year ending March 31, 2016	—				
Year ending March 31, 2016 (Forecast)		7.00	—	8.00	15.00

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

**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

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

(ii) Number of treasury stock outstanding

As of June 30, 2015: 15,287,009 shares As of March 31, 2015: 15,286,593 shares

(iii) Average number of shares during the period

1Q ended June 30, 2015: 226,788,775 shares 1Q ended June 30, 2014: 226,791,121 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, 2015)	As of June 30, 2015
(Assets)		
Current assets		
Cash and bank deposits	4,151	11,918
Notes and accounts receivable—trade	70,970	70,715
Electronically recorded monetary claims	720	577
Merchandise and products	43,299	44,747
Work in process	4,393	5,039
Raw materials and supplies	13,543	12,203
Accounts receivable—other	32,284	28,512
Deferred tax assets	3,231	3,065
Other current assets	4,115	4,683
Allowance for doubtful accounts	(95)	(95)
Total current assets	176,609	181,364
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	42,455	42,738
Machinery, equipment and vehicles, net	55,187	54,666
Land	18,371	18,429
Construction in progress	11,965	13,064
Other property, plant and equipment, net	6,249	6,183
Total property, plant and equipment	134,227	135,080
Intangible assets		
Other intangible assets	5,262	5,010
Total intangible assets	5,262	5,010
Investments and other assets		
Investment securities	75,972	76,420
Net defined benefit assets	44	49
Deferred tax assets	618	593
Other investments and assets	7,177	7,062
Allowance for doubtful accounts	(397)	(395)
Total investments and other assets	83,414	83,729
Total fixed assets	222,903	223,819
Total assets	399,512	405,183

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(Millions of yen)

	Previous fiscal year (As of March 31, 2015)	As of June 30, 2015
(Liabilities)		
Current liabilities		
Notes and accounts payable—trade	60,466	61,993
Electronically recorded obligations	796	1,430
Short-term loans payable	18,220	20,923
Commercial paper	10,000	2,500
Income taxes payable	3,902	2,656
Reserve for bonuses	1,977	233
Other reserves	531	1,940
Other current liabilities	23,282	20,844
Total current liabilities	119,174	112,519
Long-term liabilities		
Bonds payable	10,000	20,000
Long-term loans payable	20,669	19,831
Deferred tax liabilities	12,908	13,053
Allowance for employees' retirement benefits	14,209	13,970
Other reserves	1,461	974
Other long-term liabilities	5,460	5,464
Total long-term liabilities	64,707	73,292
Total Liabilities	183,881	185,811
(Net Assets)		
Shareholders' equity		
Common stock	24,211	24,211
Capital surplus	18,514	18,514
Retained earnings	148,285	152,305
Treasury stock, at cost	(12,737)	(12,738)
Total shareholders' equity	178,273	182,292
Accumulated other comprehensive income		
Net unrealized holding gain on available-for-sale securities	28,350	28,618
Deferred gains (losses) on hedges	(0)	0
Foreign currency translation adjustments	7,666	6,892
Remeasurements of defined benefit plans	(3,072)	(3,029)
Total accumulated other comprehensive income	32,943	32,482
Stock acquisition rights	304	312
Minority interests	4,111	4,286
Total net assets	215,631	219,372
Total liabilities and net assets	399,512	405,183

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(2) Consolidated Statements of Income

(Millions of yen)

	For the three months ended June 30, 2014	For the three months ended June 30, 2015
Net sales	74,815	75,953
Cost of sales	55,369	54,070
Gross profit	19,446	21,883
Selling, general and administrative expenses	13,241	14,033
Operating income	6,206	7,849
Non-operating income		
Interest income	31	29
Dividend income	397	546
Foreign exchange gain	—	376
Other non-operating income	279	149
Total non-operating income	708	1,099
Non-operating expenses		
Interest expense	206	147
Foreign exchange loss	400	—
Depreciation from idle assets	169	135
Other non-operating expenses	68	134
Total non-operating expenses	842	416
Ordinary income	6,071	8,532
Extraordinary gains		
Compensation income	—	138
Other	891	1
Total extraordinary gains	891	139
Extraordinary losses		
Loss on disposal of fixed assets	547	32
Other	4	0
Total extraordinary losses	551	32
Income before income taxes and minority interests	6,412	8,639
Income taxes	2,399	2,877
Income before minority interests in net income of consolidated subsidiaries	4,013	5,762
Minority interests in net income of consolidated subsidiaries	96	154
Net income	3,916	5,607

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(3) Segment Information

Previous 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	4,190	1,616	5,806	389	6,195	11	6,206

Current 1st quarter cumulative period (From April 1, 2015 to June 30, 2015) (Millions of yen)

	Elastomer	Specialty Materials	Sub Total	Other	Total	Eliminations /Corporate	Consolidated
Net sales							
(1) Sales to third parties	46,370	17,645	64,015	11,938	75,953	—	75,953
(2) Intersegment sales and transfers	439	—	439	103	542	(542)	—
Total	46,809	17,645	64,454	12,041	76,495	(542)	75,953
Segment income and loss	5,652	1,904	7,556	539	8,096	(246)	7,849