

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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April 28, 2016

**Consolidated Financial Flash Report for the
Year Ended March 31, 2016**

Name of Listed Company	ZEON CORPORATION		
Ticker Code 4205	(URL http://www.zeon.co.jp)	Listed Stock Exchanges	Tokyo Stock Exchange
Representative	President	Name	Kimiaki Tanaka
Contact	Managing Director and Corporate Officer	Name	Takeo Furuya
		TEL	+81-3-3216-2747
Scheduled Date of the General Shareholders Meeting	June 29, 2016	Scheduled Date of Dividend Payments	From June 30, 2016
Scheduled Date of the Submission of the Securities Report	June 29, 2016		

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

1. Consolidated Performance for the Year Ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(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 attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2016	295,647	(3.9)	29,856	5.7	32,153	3.4	18,079	(5.2)
Year ended March 31, 2015	307,524	3.7	28,245	(5.5)	31,098	(4.5)	19,080	(2.9)

Notes: Comprehensive income:

Year ended March 31, 2016: 6,897 million yen (-81.6%);

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

	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, 2016	79.86	79.74	8.6	8.2	10.1
Year ended March 31, 2015	84.13	83.98	9.8	8.1	9.2

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

Year ended March 31, 2016: - million yen Year ended March 31, 2015: - 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, 2016	384,753	215,586	54.8	949.91
As of March 31, 2015	399,512	215,631	52.9	931.34

Reference: Equity:

As of March 31, 2016: 210,780 million yen As of March 31, 2015: 211,217 million yen

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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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, 2016	47,599	(34,847)	(9,010)	6,832
Year ended March 31, 2015	34,006	(26,767)	(12,019)	3,491

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, 2015	—	7.00	—	7.00	14.00	3,175	16.6	1.6
Year ended March 31, 2016	—	7.00	—	8.00	15.00	3,363	18.8	1.6
Year ending March 31, 2017 (Forecast)	—	8.00	—	8.00	16.00		18.7	

3. Projected Consolidated Performance for the Year Ending March 31, 2017

(From April 1, 2016 to March 31, 2017)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim period ending September 30, 2016	135,000	(11.4)	13,500	(18.3)	13,500	(21.3)	9,000	(17.8)	40.56
Year ending March 31, 2017 (Full year)	280,000	(5.3)	28,000	(6.2)	28,000	(12.9)	19,000	5.1	85.63

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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, 2016: 237,075,556 shares As of March 31, 2015: 242,075,556 shares

(ii) Number of treasury stock

As of March 31, 2016: 15,179,841 shares As of March 31, 2015: 15,286,593 shares

(iii) Average number of shares outstanding in each year

Year ended March 31, 2016: 226,389,994 shares Year ended March 31, 2015: 226,790,078 shares

Reference: Summary of Non-consolidated Performance**Non-consolidated Performance for the Year ended March 31, 2016**

(From April 1, 2015 to March 31, 2016)

(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, 2016	197,698	(7.7)	23,062	(2.7)	26,010	(2.7)	13,283	(25.2)
Year ended March 31, 2015	214,224	4.6	23,705	(6.9)	26,729	(5.5)	17,768	(3.3)

	Net income per share		Fully diluted net income per share	
	Yen		Yen	
Year ended March 31, 2016	58.67		58.58	
Year ended March 31, 2015	78.35		78.21	

(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, 2016	310,533	171,312	55.1	770.89
Year ended March 31, 2015	330,472	175,070	52.9	770.61

Reference: Equity

As of March 31, 2016: 171,058 million yen As of March 31, 2015: 174,766 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, 2015)	Current fiscal year (As of March 31, 2016)
(Assets)		
Current assets		
Cash and bank deposits	4,151	7,963
Notes and accounts receivable—trade	70,970	64,708
Electronically recorded monetary claims	720	1,308
Merchandise and products	43,299	47,462
Work in process	4,393	3,732
Raw materials and supplies	13,543	12,534
Accounts receivable—other	32,284	26,601
Deferred tax assets	3,231	4,607
Other current assets	4,115	4,070
Allowance for doubtful accounts	(95)	(79)
Total current assets	176,609	172,907
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	42,455	43,793
Machinery, equipment and vehicles, net	55,187	47,289
Land	18,371	18,276
Construction in progress	11,965	23,293
Other property, plant and equipment, net	6,249	5,875
Total property, plant and equipment	134,227	138,526
Intangible assets		
Other intangible assets	5,262	4,187
Total intangible assets	5,262	4,187
Investments and other assets		
Investment securities	75,972	60,821
Net defined benefit asset	44	165
Deferred tax assets	618	320
Other investments and assets	7,177	8,130
Allowance for doubtful accounts	(397)	(302)
Total investments and other assets	83,414	69,133
Total fixed assets	222,903	211,846
Total assets	399,512	384,753

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	(Millions of yen)	
	Previous fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
(Liabilities)		
Current liabilities		
Notes and accounts payable—trade	60,466	51,852
Electronically recorded monetary claims	796	1,754
Short-term loans payable	18,220	25,755
Income taxes payable	3,902	4,633
Reserve for bonuses	1,977	1,586
Provision for loss on liquidation of subsidiaries and associates	—	3,268
Other reserves	531	3,017
Other current liabilities	33,282	22,563
Total current liabilities	119,174	114,427
Long-term liabilities		
Bonds payable	10,000	20,000
Long-term loans payable	20,669	9,309
Deferred tax liabilities	12,908	6,463
Net defined benefit liability	14,209	13,383
Other reserves	1,461	386
Other long-term liabilities	5,460	5,199
Total long-term liabilities	64,707	54,740
Total Liabilities	183,881	169,167
(Net Assets)		
Shareholders' equity		
Common stock	24,211	24,211
Capital surplus	18,514	18,387
Retained earnings	148,285	159,255
Treasury stock, at cost	(12,737)	(12,345)
Total shareholders' equity	178,273	189,508
Accumulated other comprehensive income		
Net unrealized holding gain on available-for-sale securities	28,350	17,713
Deferred gains on hedges	(0)	(3)
Foreign currency translation adjustments	7,666	6,461
Remeasurements of defined benefit plans	(3,072)	(2,898)
Total accumulated other comprehensive income	32,943	21,272
Stock acquisition rights	304	255
Non-controlling interests	4,111	4,551
Total net assets	215,631	215,586
Total liabilities and net assets	399,512	384,753

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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(2) Consolidated Statements of Income

	(Millions of yen)	
	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Net sales	307,524	295,647
Cost of sales	224,887	208,460
Gross profit	82,636	87,187
Selling, general and administrative expenses	54,391	57,331
Operating income	28,245	29,856
Nonoperating income		
Interest income	131	123
Dividend income	1,610	2,760
Foreign exchange gain	457	—
Miscellaneous income	2,099	1,191
Total nonoperating income	4,297	4,074
Nonoperating expenses		
Interest expense	721	617
Foreign exchange loss	—	552
Depreciation from idle assets	539	351
Miscellaneous loss	183	256
Total nonoperating expenses	1,443	1,777
Ordinary income	31,098	32,153
Extraordinary gains		
Compensation income	—	338
Gain on sale of fixed assets	892	85
Other	234	10
Total extraordinary gains	1,126	434
Extraordinary losses		
Loss on disposal of fixed assets	1,027	541
Impairment loss	1,263	2,117
Loss on liquidation of affiliates	—	3,629
Other	144	34
Total extraordinary losses	2,434	6,322
Income before income taxes	29,791	26,265
Income taxes—current	10,093	9,637
Income taxes—deferred	282	(2,203)
Total taxes	10,375	7,433
Net income	19,416	18,831
Net income attributable to owners of parent	337	752
Net income attributable to non-controlling interests	19,080	18,079

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(3) Statement of Comprehensive Income

	(Millions of yen)	
	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Previous fiscal year (From April 1, 2015 to March 31, 2016)
Net income	19,416	18,831
Other comprehensive income		
Valuation difference on available-for-sale securities	13,439	(10,761)
Deferred gains (losses) on hedges	1	(3)
Foreign currency translation adjustments	5,583	(1,343)
Remeasurements of defined benefit plans	(867)	174
Total other comprehensive income	18,157	(11,934)
Comprehensive income	37,573	6,897
Comprehensive income attributable to:		
Owners of the parent	36,881	6,407
Non-controlling interests	692	490

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(4) Consolidated Statements of Changes in Net Assets

Previous 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)
Profit attributable to owners of parent			19,080		19,080
Purchase of treasury stock				(3)	(3)
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	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	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)
Profit attributable to owners of parent								19,080
Purchase of treasury stock								(3)
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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Current fiscal year (From April 1, 2015 to March 31, 2016)

(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	148,285	(12,737)	178,273
Cumulative effects of changes in accounting policies					—
Restated balance	24,211	18,514	148,285	(12,737)	178,273
Changes of items during the period					
Dividends from surplus			(3,176)		(3,176)
Profit attributable to owners of parent			18,079		18,079
Disposal of treasury stock		(9)		90	81
Purchase of treasury stock				(3,764)	(3,764)
Retirement of treasury stock		(4,066)		4,066	—
Transfer to Capital Surplus from Retained Earnings		3,933	(3,933)		—
Change in treasury shares of parent arising from transactions with non-controlling shareholders		15			15
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(127)	10,969	392	11,235
Balance at the end of current period	24,211	18,387	159,255	(12,345)	189,508

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	28,350	(0)	7,666	(3,072)	32,943	304	4,111	215,631
Cumulative effects of changes in accounting policies								—
Restated balance	28,350	(0)	7,666	(3,072)	32,943	304	4,111	215,631
Changes of items during the period								
Dividends from surplus								(3,176)
Profit attributable to owners of parent								18,079
Disposal of treasury stock								81
Purchase of treasury stock								(3,764)
Retirement of treasury stock								—
Transfer to Capital Surplus from Retained Earnings								—
Change in treasury shares of parent arising from transactions with non-controlling shareholders								15

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Net changes of items other than shareholders' equity	(10,637)	(3)	(1,205)	174	(11,671)	(49)	440	(11,280)
Total changes of items during the period	(10,637)	(3)	(1,205)	174	(11,671)	(49)	440	(45)
Balance at the end of current period	17,713	(3)	6,461	(2,898)	21,272	255	4,551	215,586

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(5) Cash Flow Statement

	(Millions of yen)	
	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Net cash provided by operating activities		
Income before income taxes and minority interests	29,791	26,265
Depreciation and amortization	19,439	20,904
Impairment loss	1,263	2,117
Gain on goodwill	670	670
Increase (decrease) in reserve for repair	(1,104)	1,566
Increase (decrease) in provision for loss on liquidation of subsidiaries and associates	—	3,399
Increase (decrease) in net defined benefit liability	733	(1,140)
Interest and dividends income	(1,741)	(2,883)
Interest expenses	721	617
Subsidy income	(986)	(369)
Decrease (increase) in notes and accounts receivable—trade	1,036	4,861
Decrease (increase) in inventories	1,819	(3,085)
Increase (decrease) in notes and accounts payable—trade	(4,548)	(7,021)
Other, net	208	8,792
Subtotal	47,301	54,693
Interest and dividends income received	1,745	1,906
Interest expenses paid	(714)	(600)
Proceeds from subsidy	1,075	200
Income taxes paid	(15,401)	(8,600)
Net cash provided by operating activities	34,006	47,599
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(25,257)	(29,200)
Proceeds from property, plant and equipment	1,139	67
Payments for retirement of property, plant and equipment	(405)	(709)
Purchase of intangible assets	(770)	(869)
Purchase of investment securities	(1,475)	(1,030)
Payments for investments in capital	—	(1,513)
Payments of loans receivable	(1,013)	(2,879)
Collection of loans receivable	918	2,261
Net decrease (increase) in time deposits	392	(533)
Other, net	(297)	(442)
Net cash provided by (used in) investing activities	(26,767)	(34,847)
Net cash used in financing activities		
Net increase (decrease) in short-term loans payable	1,710	(3,023)
Increase (decrease) in commercial papers	5,000	(8,000)
Proceeds from long-term loans payable	1,619	1,500
Repayment of long-term loans payable	(17,172)	(2,301)
Proceeds from issuance of bonds	—	10,000
Purchase of treasury shares	(3)	(3,765)
Cash dividends paid shareholders	(2,945)	(3,173)
Dividends paid to non-controlling interests	(34)	(33)
Other, net	(195)	(215)
Net cash used in financing activities	(12,019)	(9,010)
Effect of exchange rate change on cash and cash equivalents	154	(400)
Net increase (decrease) in cash and cash equivalents	(4,626)	3,342
Cash and cash equivalents at beginning of period	8,117	3,491
Cash and cash equivalents at end of period	3,491	6,832

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(6) Segment Information

a. Business segments

Previous 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

Current fiscal year (From April 1, 2015 to March 31, 2016) (Millions of yen)

	Elastomer	Specialty Materials	Sub Total	Other	Total	Eliminations/Corporate	Consolidated
Net sales							
Sales to third parties	177,248	70,979	248,227	47,420	295,647	—	295,647
Intersegment sales and transfers	1,691	—	1,691	530	2,222	(2,222)	—
Total	178,940	70,979	249,918	47,950	297,868	(2,222)	295,647
Operating income	20,725	8,221	28,945	2,503	31,448	(1,592)	29,856
Assets	193,560	80,916	274,475	27,873	302,349	82,404	384,753
Others							
Depreciation and amortization	9,693	8,569	18,262	316	18,578	2,326	20,904
Gain on goodwill	670	—	670	—	670	—	670
Capital expenditures	15,665	7,521	23,186	395	23,581	4,069	27,650

b. Sales by region

Previous 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

Current fiscal year (From April 1, 2015 to March 31, 2016) (Millions of yen)

Japan	North America	Europe	Asia (except Japan)	Other	Total
137,791	28,291	32,016	94,035	3,514	295,647