

Financial Report
1st Quarter of FY2016
(From Apr. 1 to Jun. 30, 2016)



July 27, 2016

Statement of Income (Consolidated) for 3 Months ended June 30, 2016

ZEON

	FY2016 Q1	FY2015 Q1	Increase / Decrease		Remarks (JPY100m)
			Amount	Percentage	
Net sales	700	760	-60	-8 %	Comparative analysis of net sales
Elastomer Business	416	468	-52	-11 %	Quantity variance +15
Specialty Materials Business	174	176	-2	-1 %	Price variance -61
Others	115	120	-6	-5 %	Exchange rate variance -14
Eliminations	-5	-5	0		
Operating income	71	78	-8	-10 %	Comparative analysis of operating income
(Operating income ratio) (%)	10.1%	10.3%	-0.3 pt		Quantity variance +16 Raw materials price variance +50
Elastomer Business	46	57	-11	-19 %	Price variance -61 SG & A etc. +1
Specialty Materials Business	25	19	6	29 %	Exchange rate variance -14
Others	0	3	-3	-86 %	
Non-operating income & expenses	-13	7	-20	-288 %	
Ordinary income	58	85	-28	-32 %	
Profit or loss on extraordinary item	2	1	1	91 %	
Income before income taxes	60	86	-27	-31 %	
Net income	39	56	-17	-31 %	
Exchange rate (JPY/\$)	111.8	121.0	-9.2	-8 %	
Exchange rate (JPY/€)	125.8	132.7	-6.9	-5 %	
Naphtha price (JPY/kl)	32,500	48,900	-16,400	-34 %	
Asian Butadiene price (USD/t)	1,033	1,175	-142	-12 %	

Elastomer Business

	FY2016 Q1	FY2015 Q1	Increase / Decrease		Remarks (JPY100m)
			Amount	Percentage	
Sales volume (thousand tons)	135	141	-6	-4 %	
Rubbers	81	77	4	6 %	
Latices	26	33	-7	-22 %	
Chemicals	29	32	-3	-10 %	
Net sales	416	468	-52	-11 %	
Rubbers	282	312	-30	-10 %	
Latices	46	51	-5	-10 %	
Chemicals	80	99	-19	-19 %	
Eliminations	8	6	2	31 %	
Operating income	46	57	-11	-19 %	
(Operating income ratio) (%)	10.9%	12.1%	-1.1 pt		

◆ Breakdown of year-on-year increase of 6% for rubbers sales volume

General-purpose rubbers	12 %	Domestic sales -14%, Export sales +43%
Specialty rubbers	-7%	Domestic sales +3%, Export sales -10%

◆ Specialty rubbers component ratio

Sales volume	30%	(FY2015/Q1: 34%)
Sales amount	57%	(FY2015/Q1: 61%)

Specialty Materials Business

	FY2016 Q1	FY2015 Q1	Increase / Decrease		Remarks (JPY100m)
			Amount	Percentage	
Net sales	174	176	-2	-1 %	
Specialty Chemicals	49	45	3	7 %	
Specialty Plastics	113	120	-7	-6 %	
Medical Devices etc.	12	11	1	13 %	
Operating income	25	19	6	29 %	
(Operating income ratio) (%)	14.1%	10.8%	3.3 pt		

- ◆ Breakdown of year-on-year decrease of +7% for specialty chemicals sales amount
Specialty Chemicals +12%, Electronic Materials +4%, Battery Materials +40%, Toner -22%
- ◆ Breakdown of year-on-year increase of -6% for specialty plastics sales amount
Cyclo-Olefin Polymer resins -10%, Optical Films -4%
- ◆ Sales volume growth rate for optical films +1%
- ◆ Proportion of the optical film sales for small-to-medium sized FPD to total optical film sales
<FY2015/Q1>33% → <FY2016Q1>19%

Others

	FY2016 Q1	FY2015 Q1	Increase / Decrease		Remarks (JPY100m)
			Amount	Percentage	
Net sales	115	120	-6	-5 %	
Operating income	6	5	1	11 %	
(Operating income ratio) (%)	5.2%	4.5%	0.8	<i>pt</i>	

Consolidated Statement of Income (Quarterly trends)

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	FY2015				FY2016	Increase / Decrease		Remarks (JPY100m)
	Q1	Q2	Q3	Q4	Q1	FY2016 Q1 vs. FY2015 Q4		
						Amount	Percentage	
Sales volume (thousand tons)	141	146	135	146	135	-11	-7 %	
Rubbers	77	85	75	83	81	-2	-2 %	
Latices	33	31	30	30	26	-4	-14 %	
Chemicals	32	30	30	33	29	-4	-13 %	
Net sales	760	765	722	710	700	-10	-1 %	Comparative analysis of operating income
Elastomer Business	468	463	430	429	416	-12	-3 %	Quantity variance +5 Price variance -6 Exchange rate variance -9
Rubbers	312	315	279	282	282	0	0 %	
Latices	51	44	50	45	46	1	2 %	
Chemicals	99	100	93	91	80	-11	-12 %	
Others and Eliminations	6	5	6	11	8	-3	-28 %	
Specialty Materials Business	176	184	179	170	174	4	2 %	
Specialty Chemicals	45	47	48	50	49	-2	-3 %	
Specialty Plastics	120	126	120	107	113	6	6 %	
Medical Devices etc.	11	12	12	13	12	-0	-3 %	
Others and Eliminations	115	118	114	111	109	-2	-1 %	
Operating income	78	87	77	56	71	15	26 %	Comparative analysis of operating income
(Operating income ratio) (%)	10%	11%	11%	8%	10%	2 pt		Quantity variance +9 Price variance -6 Exchange rate variance -9 Raw materials price variance +7 SG & A etc. +14
Elastomer Business	57	51	55	44	46	1	2 %	
Specialty Materials Business	19	34	19	10	25	14	137 %	
Others and Eliminations	3	2	3	1	0	-1	-63 %	
Ordinary income	85	86	83	67	58	-10	-14 %	
Net income	56	53	27	44	39	-6	-13 %	
Exchange rate (JPY/\$)	121.0	122.6	121.2	117.7	111.8	-5.9	-5 %	
Exchange rate (JPY/€)	132.7	136.3	132.5	128.6	125.8	-2.8	-2 %	
Naphtha price (JPY/kl)	48,800	47,200	40,900	34,300	32,500	-1,800	-5 %	
Asian Butadiene price (USD/t)	1,175	1,004	756	908	1,033	125	14 %	

Capital Expenditures, Depreciation & Amortization and R & D Expenses (Quarterly trends)

ZEON

(Unit : JPY100m)

	FY2015				FY2016 Q1	Increase / Decrease FY2016 Q1 vs. FY2015 Q1		FY2016	Increase / Decrease FY2015 vs. FY2016	
	Q1	Q2	Q3	Q4	Q1	Amount	percentage	forecast	Amount	percentage
Capital expenditures	59	72	86	60	86					
Elastomer Business	39	28	58	32	44					
Specialty Materials Business	16	25	17	17	37					
Others and Eliminations	4	18	12	11	5					
Cumulative capital expenditures	59	131	217	276	86	27	46 %	291	15	5%
Elastomer Business	39	67	125	157	44	5	13 %			
Specialty Materials Business	16	42	58	75	37	21	131 %			
Others and Eliminations	4	22	34	45	5	1	22 %			
Depreciation & amortization	50	51	54	55	45					
Elastomer Business	23	23	25	25	22					
Specialty Materials Business	21	21	22	22	17					
Others and Eliminations	6	6	7	7	6					
Cumulative depreciation & amortization	50	101	154	209	45	-5	-10 %	244	35	17%
Elastomer Business	23	46	72	97	22	-1	-5 %			
Specialty Materials Business	21	42	64	86	17	-4	-19 %			
Others and Eliminations	6	12	19	26	6	-0	-1 %			
R&D expenses	33	35	35	39	31					
Cumulative R&D expenses	33	68	103	141	31	-2	-5 %	139	-3	-2%

Comparative Balance Sheets (Consolidated)

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(Unit : JPY100m)

Liabilities and Net assets			
	As of Jun. 30, 2016	As of Mar. 31, 2016	Increase / Decrease
Current assets	1,622	1,729	-107
Cash and bank deposits	87	80	8
Notes and accounts receivable-trade	633	660	-27
Accounts receivable-other	208	266	-58
Inventories	585	637	-52
Other current assets	108	86	22
Fixed assets	2,018	2,118	-100
Property, Plant and Equipment	1,403	1,385	18
Intangible assets	38	42	-4
Investment securities	497	608	-112
Other fixed assets	80	83	-3
Total assets	3,640	3,848	-208

Liabilities and Net assets			
	As of Jun. 30, 2016	As of Mar. 31, 2016	Increase / Decrease
Current liabilities	1,069	1,144	-76
Notes and accounts payable-trade	497	536	-39
Short-term interest-bearing debt	275	278	-2
Other current liabilities	296	331	-34
Long-term liabilities	495	547	-52
Long-term interest-bearing debt	281	293	-12
Other long-term liabilities	214	254	-40
Total net assets	2,076	2,156	-80
Equity capital	2,026	2,108	-82
Other net assets	50	48	2
Total liabilities and net assets	3,640	3,848	-208

Capital expenditures	86
Depreciation & amortization	-45
Other factors	-27
Fixed assets	14

Total interest-bearing debt	557	571	-14
Equity ratio	55.7	54.8	0.9
D/E Ratio	0.27	0.27	0.00

◆ Cash flows

	FY2016 Q1	FY2015 Q1
Cash flows from operating activities	96	105
Cash flows from investing activities	-57	-55
Free cash flows	40	50
Cash flows from financing activities	-31	28
Net increase (decrease) in cash and equivalents	8	78

Forecast of Operating Performance for FY2016

ZEON

(Unit : JPY100m)

	FY2016	FY2015	Increase / Decrease	
			Amount	Percentage
Net sales	2,800	2,956	-156	-5 %
Elastomer Business	1,676	1,789	-113	-6 %
Specialty Materials Business	690	710	-20	-3 %
Others	453	479	-26	-6 %
Eliminations	-19	-22	3	
Operating income	280	299	-19	-6 %
(Operating income ratio) (%)	10.0%	10.1%	-0.1 pt	
Elastomer Business	204	207	-3	-2 %
Specialty Materials Business	77	82	-5	-6 %
Others	-1	9	-10	-111 %
Non-operating income & expenses	-	23	-23	
Ordinary income	280	322	-42	-13 %
Net income	190	181	9	5 %
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Exchange rate (JPY/\$)	105.0	120.6	-15.6	-13 %
Exchange rate (JPY/€)	120.0	132.5	-12.5	-9 %
Naphtha price (JPY/kl)	35,000	42,800	-7,800	-18 %
Asian Butadiene price (USD/t)	950	961	-11	-1 %

The company is predicting no changes in the forecast disclosed as of Apr 28, 2016.

Any forward-looking statements in this document are based upon information available to the company on the date of this release. These forward-looking statements are and will be, as the case may be, subject to many risks, uncertainties and factors relating to the company's operations and business environment which may cause the company's actual results to be materially different from any future results, expressed or implied, in these forward-looking statements.