

## ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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July 27, 2016

**Consolidated Financial Report for the  
First Quarter of the Year Ending March 31, 2017**

Name of Listed Company	ZEON CORPORATION	Listed Stock	Tokyo Stock Exchange
Ticker Code	4205	Exchanges	
(URL <a href="http://www.zeon.co.jp">http://www.zeon.co.jp</a> )		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 8, 2016	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, 2017  
(April 1, 2016 to June 30, 2016)**

(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 attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1Q period ended June 30, 2016	69,998	(7.8)	7,054	(10.1)	5,771	(32.4)	3,861	(31.1)
1Q period ended June 30, 2015	75,953	1.5	7,849	26.5	8,532	40.5	5,607	43.2

Note: Comprehensive income (loss):

1Q of the year ending March 31, 2017: (6,878 million yen) (—%);

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

	Net income per share	Fully diluted net income per share
	Yen	Yen
1Q period ended June 30, 2016	17.40	17.38
1Q period ended June 30, 2015	24.73	24.68

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
1Q period ended June 30, 2016	363,995	207,576	55.7
Year ended March 31, 2016	384,753	215,586	54.8

Reference: Equity:

As of June 30, 2016: 202,607 million yen

As of March 31, 2016: 210,780 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, 2016	—	7.00	—	8.00	15.00
Year ending March 31, 2017	—				
Year ending March 31, 2017 (Forecast)		8.00	—	8.00	16.00

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

**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

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

(ii) Number of treasury stock outstanding

As of June 30, 2016: 15,180,064 shares As of March 31, 2016: 15,179,841 shares

(iii) Average number of shares during the period

1Q ended June 30, 2016: 221,895,594 shares 1Q ended June 30, 2015: 226,788,775 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, 2016)	As of June 30, 2016
<b>(Assets)</b>		
<b>Current assets</b>		
Cash and bank deposits	7,963	8,739
Notes and accounts receivable—trade	64,708	61,501
Electronically recorded monetary claims	1,308	1,816
Merchandise and products	47,462	42,961
Work in process	3,732	4,075
Raw materials and supplies	12,534	11,480
Accounts receivable—other	26,601	20,836
Deferred tax assets	4,607	4,505
Other current assets	4,070	6,346
Allowance for doubtful accounts	(79)	(78)
<b>Total current assets</b>	<b>172,907</b>	<b>162,181</b>
<b>Fixed assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	43,793	44,037
Machinery, equipment and vehicles, net	47,289	49,224
Land	18,276	18,195
Construction in progress	23,293	23,134
Other property, plant and equipment, net	5,875	5,729
<b>Total property, plant and equipment</b>	<b>138,526</b>	<b>140,318</b>
<b>Intangible assets</b>		
Other intangible assets	4,187	3,813
<b>Total intangible assets</b>	<b>4,187</b>	<b>3,813</b>
<b>Investments and other assets</b>		
Investment securities	60,821	49,658
Deferred tax assets	320	312
Other investments and assets	8,295	8,011
Allowance for doubtful accounts	(302)	(299)
<b>Total investments and other assets</b>	<b>69,133</b>	<b>57,683</b>
<b>Total fixed assets</b>	<b>211,846</b>	<b>201,814</b>
<b>Total assets</b>	<b>384,753</b>	<b>363,995</b>

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(Millions of yen)

	Previous fiscal year (As of March 31, 2016)	As of June 30, 2016
<b>(Liabilities)</b>		
Current liabilities		
Notes and accounts payable—trade	51,852	47,622
Electronically recorded obligations	1,754	2,115
Short-term loans payable	25,755	25,519
Income taxes payable	4,633	2,001
Reserve for bonuses	1,586	198
Other reserves	6,285	5,725
Other current liabilities	22,563	23,694
Total current liabilities	114,427	106,875
Long-term liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	9,309	8,138
Deferred tax liabilities	6,463	2,976
Allowance for employees' retirement benefits	13,383	13,084
Other reserves	386	412
Other long-term liabilities	5,199	4,934
Total long-term liabilities	54,740	49,543
Total Liabilities	169,167	156,419
<b>(Net Assets)</b>		
Shareholders' equity		
Common stock	24,211	24,211
Capital surplus	18,387	18,387
Retained earnings	159,255	161,852
Treasury stock, at cost	(12,345)	(12,345)
Total shareholders' equity	189,508	192,105
Accumulated other comprehensive income		
Net unrealized holding gain on available-for-sale securities	17,713	10,165
Deferred gains (losses) on hedges	(3)	(4)
Foreign currency translation adjustments	6,461	3,081
Remeasurements of defined benefit plans	(2,898)	(2,739)
Total accumulated other comprehensive income	21,272	10,503
Stock acquisition rights	255	262
Non-controlling interests	4,551	4,706
Total net assets	215,586	207,576
Total liabilities and net assets	384,753	363,995

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## (2) Consolidated Statements of Income

(Millions of yen)

	For the three months ended June 30, 2015	For the three months ended June 30, 2016
Net sales	75,953	69,998
Cost of sales	54,070	49,191
Gross profit	21,883	20,807
Selling, general and administrative expenses	14,033	13,752
Operating income	7,849	7,054
Non-operating income		
Interest income	29	29
Dividend income	546	424
Foreign exchange gain	376	—
Other non-operating income	149	136
Total non-operating income	1,099	589
Non-operating expenses		
Interest expense	147	145
Foreign exchange loss	—	1,583
Other non-operating expenses	269	145
Total non-operating expenses	416	1,872
Ordinary income	8,532	5,771
Extraordinary gains		
Compensation income	138	357
Other	1	3
Total extraordinary gains	139	360
Extraordinary losses		
Loss on disposal of fixed assets	32	144
Other	0	13
Total extraordinary losses	32	157
Income before income taxes	8,639	5,974
Income taxes	2,877	1,954
Net income	5,762	4,020
Net income attributable to non-controlling interests	154	158
Net income attributable to owners of parent	5,607	3,861

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## (3) Segment Information

Previous 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	5,652	1,904	7,556	539	8,096	(246)	7,849

Current 1st quarter cumulative period (From April 1, 2016 to June 30, 2016) (Millions of yen)

	Elastomer	Specialty Materials	Sub Total	Other	Total	Eliminations /Corporate	Consolidated
Net sales							
(1) Sales to third parties	41,202	17,422	58,624	11,374	69,998	—	69,998
(2) Intersegment sales and transfers	425	—	425	94	519	(519)	—
Total	41,627	17,422	59,049	11,468	70,517	(519)	69,998
Segment income and loss	4,552	2,460	7,012	600	7,613	(559)	7,054