

## ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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January 30, 2017

**Consolidated Financial Report for the  
Third 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	February 9, 2017	Scheduled Date of Dividend Payments	—

Note: All amounts less than one million yen in the tables are rounded off.

**1. Consolidated Performance for 3rd quarter of the year ending March 31, 2017  
(April 1, 2016 to December 31, 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	%
3Q period ended December 31, 2016	210,610	(6.3)	21,612	(10.9)	22,194	(12.7)	16,026	17.3
3Q period ended December 31, 2015	224,673	(3.4)	24,261	4.4	25,427	0.8	13,660	(9.1)

Note: Comprehensive income (loss):

3Q of the year ending March 31, 2017: 15,728 million yen (183.4%);

3Q of the year ended March 31, 2016: 5,549 million yen (-77.5%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
3Q period ended December 31, 2016	72.20	72.11
3Q period ended December 31, 2015	60.21	60.12

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
3Q period ended December 31, 2016	404,403	228,269	55.4
Year ended March 31, 2016	384,753	215,586	54.8

Reference: Equity:

As of December 31, 2016: 224,157 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	—	8.00	—		
Year ending March 31, 2017 (Forecast)				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
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 December 31, 2016: 237,075,556 shares As of March 31, 2016: 237,075,556 shares

(ii) Number of treasury stock outstanding

As of December 31, 2016: 15,091,818 shares As of March 31, 2016: 15,179,841 shares

(iii) Average number of shares during the period

3Q ended December 31, 2016: 221,949,300 shares 3Q ended December 31, 2015: 226,853,263 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 December 31, 2016
(Assets)		
Current assets		
Cash and bank deposits	7,963	15,148
Notes and accounts receivable—trade	64,708	68,667
Electronically recorded monetary claims	1,308	2,928
Merchandise and products	47,462	40,943
Work in process	3,732	4,342
Raw materials and supplies	12,534	12,705
Accounts receivable—other	26,601	27,255
Deferred tax assets	4,607	4,362
Other current assets	4,070	6,113
Allowance for doubtful accounts	(79)	(81)
Total current assets	172,907	182,382
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	43,793	43,573
Machinery, equipment and vehicles, net	47,289	59,064
Land	18,276	18,123
Construction in progress	23,293	8,295
Other property, plant and equipment, net	5,875	6,134
Total property, plant and equipment	138,526	135,189
Intangible assets		
Other intangible assets	4,187	3,678
Total intangible assets	4,187	3,678
Investments and other assets		
Investment securities	60,821	73,574
Deferred tax assets	320	294
Other investments and assets	8,295	9,521
Allowance for doubtful accounts	(302)	(235)
Total investments and other assets	69,133	83,155
Total fixed assets	211,846	222,022
Total assets	384,753	404,403

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	(Millions of yen)	
	Previous fiscal year (As of March 31, 2016)	As of December 31, 2016
<b>(Liabilities)</b>		
Current liabilities		
Notes and accounts payable—trade	51,852	64,390
Electronically recorded obligations	1,754	3,293
Short-term loans payable	25,755	17,618
Income taxes payable	4,633	2,961
Reserve for bonuses	1,586	222
Provision for loss on liquidation of subsidiaries and associates	3,268	2,422
Other reserves	3,017	1,426
Other current liabilities	22,563	31,499
Total current liabilities	<u>114,427</u>	<u>123,830</u>
Long-term liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	9,309	5,546
Deferred tax liabilities	6,463	9,160
Net defined benefit liability	13,383	12,523
Other reserves	386	310
Other long-term liabilities	5,199	4,763
Total long-term liabilities	<u>54,740</u>	<u>52,304</u>
Total liabilities	<u>169,167</u>	<u>176,134</u>
<b>(Net Assets)</b>		
Shareholders' equity		
Common stock	24,211	24,211
Capital surplus	18,387	19,128
Retained earnings	159,255	172,263
Treasury stock, at cost	(12,345)	(12,274)
Total shareholders' equity	<u>189,508</u>	<u>203,328</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	17,713	25,809
Deferred gains (losses) on hedges	(3)	3
Foreign currency translation adjustments	6,461	(2,493)
Remeasurements of defined benefit plans	(2,898)	(2,491)
Total accumulated other comprehensive income	<u>21,272</u>	<u>20,829</u>
Stock acquisition rights	255	213
Non-controlling interests	4,551	3,900
Total net assets	<u>215,586</u>	<u>228,269</u>
Total liabilities and net assets	<u>384,753</u>	<u>404,403</u>

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## (2) Consolidated Statements of Income

(Millions of yen)

	For the nine months ended December 31, 2015	For the nine months ended December 31, 2016
Net sales	224,673	210,610
Cost of sales	158,552	147,721
Gross profit	66,121	62,889
Selling, general and administrative expenses	41,861	41,277
Operating income	24,261	21,612
Non-operating income		
Interest income	88	83
Dividend income	1,291	1,233
Other non-operating income	729	445
Total non-operating income	2,108	1,761
Non-operating expenses		
Interest expense	464	362
Foreign exchange gain	—	462
Other non-operating expenses	478	355
Total non-operating expenses	943	1,179
Ordinary income	25,427	22,194
Extraordinary gains		
Compensation income	338	486
Other	95	165
Total extraordinary gains	434	651
Extraordinary losses		
Loss on disposal of fixed assets	276	424
Loss on liquidation of subsidiaries and affiliates	3,566	335
Other	1,980	54
Total extraordinary losses	5,821	813
Income before income taxes	20,039	22,032
Income taxes	5,910	5,549
Net income	14,129	16,483
Net income attributable to non-controlling interests	469	457
Net income attributable to owners of parent	13,660	16,026

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## (3) Statement of Comprehensive Income

	(Millions of yen)	
	For the nine months ended December 31, 2015	For the nine months ended December 31, 2016
Net income	14,129	16,483
Other comprehensive income		
Valuation difference on available-for-sale securities	(7,568)	8,079
Deferred gains (losses) on hedges	(2)	7
Foreign currency translation adjustments	(1,134)	(9,249)
Remeasurements of defined benefit plans	123	408
Total other comprehensive income	(8,580)	(756)
Comprehensive income	5,549	15,728
Comprehensive income attributable to:		
Owners of the parent	5,270	15,521
Non-controlling interests	279	207

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## (4) Segment Information

Previous 3rd quarter cumulative period (From April 1, 2015 to December 31, 2015) (Millions of yen)

	Elastomer	Specialty Materials	Sub Total	Other	Total	Eliminations /Corporate	Consolidated
Net sales							
(1) Sales to third parties	134,826	53,982	188,808	35,865	224,673	—	224,673
(2) Intersegment sales and transfers	1,253	—	1,253	413	1,665	(1,665)	—
Total	136,079	53,982	190,061	36,278	226,339	(1,665)	224,673
Segment income	16,281	7,183	23,464	1,832	25,296	(1,035)	24,261

Current 3rd quarter cumulative period (From April 1, 2016 to December 31, 2016) (Millions of yen)

	Elastomer	Specialty Materials	Sub Total	Other	Total	Eliminations /Corporate	Consolidated
Net sales							
(1) Sales to third parties	118,454	55,946	174,400	36,210	210,610	—	210,610
(2) Intersegment sales and transfers	1,490	—	1,490	259	1,750	(1,750)	—
Total	119,945	55,946	175,890	36,470	212,360	(1,750)	210,610
Segment income and loss	13,508	7,493	21,001	2,329	23,330	(1,718)	21,612