

## ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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April 28, 2017

**Consolidated Financial Flash Report for the  
Year Ended March 31, 2017**

Name of Listed Company	ZEON CORPORATION		Listed Stock Exchanges	Tokyo Stock Exchange
Ticker Code	4205	(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 General Shareholders Meeting	June 29, 2017		Scheduled Date of Dividend Payments	From June 30, 2017
Scheduled Date of the Submission of the Securities Report	June 29, 2017			

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

**1. Consolidated Performance for the Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)**

(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, 2017	287,624	(2.7)	30,767	3.1	31,805	(1.1)	23,152	28.1
Year ended March 31, 2016	295,647	(3.9)	29,856	5.7	32,153	3.4	18,079	(5.2)

Notes: Comprehensive income:

Year ended March 31, 2017: 32,148 million yen (366.1%);

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

	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, 2017	104.31	104.17	10.3	8.0	10.7
Year ended March 31, 2016	79.86	79.74	8.6	8.2	10.1

Reference: Share of (profit) loss of entities accounted for using equity method:

Year ended March 31, 2017: - million yen      Year ended March 31, 2016: - 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, 2017	411,415	244,634	58.4	1,082.02
As of March 31, 2016	384,753	215,586	54.8	949.91

Reference: Equity:

As of March 31, 2017: 240,189 million yen      As of March 31, 2016: 210,780 million yen

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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, 2017	49,042	(29,121)	(15,834)	11,368
Year ended March 31, 2016	47,599	(34,847)	(9,010)	6,832

**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, 2016	—	7.00	—	8.00	15.00	3,363	18.8	1.6
Year ended March 31, 2017	—	8.00	—	8.00	16.00	3,552	15.3	1.6
Year ending March 31, 2018 (Forecast)	—	8.00	—	9.00	17.00		18.9	

**3. Projected Consolidated Performance for the Year Ending March 31, 2018**

(From April 1, 2017 to March 31, 2018)

(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, 2017	140,000	(0.1)	13,000	(1.6)	13,000	7.4	8,000	(0.9)	36.04
Year ending March 31, 2018 (Full year)	290,000	0.8	29,000	(5.7)	30,000	(5.7)	20,000	(13.6)	90.10

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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, 2017: 237,075,556 shares                      As of March 31, 2016: 237,075,556 shares

(ii) Number of treasury stock

As of March 31, 2017: 15,093,031 shares                      As of March 31, 2016: 15,179,841 shares

(iii) Average number of shares outstanding in each year

Year ended March 31, 2017: 221,957,049 shares                      Year ended March 31, 2016: 226,389,994 shares

**Reference: Summary of Non-consolidated Performance****Non-consolidated Performance for the Year ended March 31, 2017**

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

(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, 2017	193,405	(2.2)	23,219	0.7	24,722	(5.0)	19,471	46.6
Year ended March 31, 2016	197,698	(7.7)	23,062	(2.7)	26,010	(2.7)	13,283	(25.2)

	Net income per share		Fully diluted net income per share	
	Yen		Yen	
Year ended March 31, 2017	87.72		87.60	
Year ended March 31, 2016	58.67		58.58	

(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, 2017	347,651	196,910	56.6	886.05
Year ended March 31, 2016	310,533	171,312	55.1	770.89

Reference: Equity

As of March 31, 2017: 196,688 million yen      As of March 31, 2016: 171,058 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, 2016)	Current fiscal year (As of March 31, 2017)
<b>(Assets)</b>		
<b>Current assets</b>		
Cash and bank deposits	7,963	11,677
Notes and accounts receivable—trade	64,708	70,222
Electronically recorded monetary claims	1,308	2,782
Merchandise and products	47,462	43,734
Work in process	3,732	5,145
Raw materials and supplies	12,534	12,978
Accounts receivable—other	26,601	29,328
Deferred tax assets	4,607	3,799
Other current assets	4,070	2,959
Allowance for doubtful accounts	(79)	(91)
<b>Total current assets</b>	<b>172,907</b>	<b>182,533</b>
<b>Fixed assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	43,793	44,667
Machinery, equipment and vehicles, net	47,289	60,351
Land	18,276	18,698
Construction in progress	23,293	8,046
Other property, plant and equipment, net	5,875	6,297
<b>Total property, plant and equipment</b>	<b>138,526</b>	<b>138,058</b>
<b>Intangible assets</b>		
Other intangible assets	4,187	3,857
<b>Total intangible assets</b>	<b>4,187</b>	<b>3,857</b>
<b>Investments and other assets</b>		
Investment securities	60,821	76,828
Net defined benefit asset	165	87
Deferred tax assets	320	273
Other investments and assets	8,130	10,012
Allowance for doubtful accounts	(302)	(233)
<b>Total investments and other assets</b>	<b>69,133</b>	<b>86,967</b>
<b>Total fixed assets</b>	<b>211,846</b>	<b>228,883</b>
<b>Total assets</b>	<b>384,753</b>	<b>411,415</b>

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	(Millions of yen)	
	Previous fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
<b>(Liabilities)</b>		
Current liabilities		
Notes and accounts payable—trade	51,852	63,851
Electronically recorded monetary claims	1,754	2,834
Short-term loans payable	25,755	18,037
Income taxes payable	4,633	5,018
Reserve for bonuses	1,586	1,556
Provision for loss on liquidation of subsidiaries and associates	3,268	—
Other reserves	3,017	2,238
Other current liabilities	22,563	20,719
Total current liabilities	114,427	114,253
Long-term liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	9,309	5,140
Deferred tax liabilities	6,463	8,776
Net defined benefit liability	13,383	12,760
Other reserves	386	626
Other long-term liabilities	5,199	5,225
Total long-term liabilities	54,740	52,528
Total Liabilities	169,167	166,781
<b>(Net Assets)</b>		
Shareholders' equity		
Common stock	24,211	24,211
Capital surplus	18,387	19,128
Retained earnings	159,255	179,390
Treasury stock, at cost	(12,345)	(12,275)
Total shareholders' equity	189,508	210,454
Accumulated other comprehensive income		
Net unrealized holding gain on available-for-sale securities	17,713	27,767
Deferred gains on hedges	(3)	(1)
Foreign currency translation adjustments	6,461	4,474
Remeasurements of defined benefit plans	(2,898)	(2,505)
Total accumulated other comprehensive income	21,272	29,736
Stock acquisition rights	255	222
Non-controlling interests	4,551	4,224
Total net assets	215,586	244,634
Total liabilities and net assets	384,753	411,415

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## (2) Consolidated Statements of Income

	(Millions of yen)	
	Previous fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)
Net sales	295,647	287,624
Cost of sales	208,460	200,699
Gross profit	87,187	86,925
Selling, general and administrative expenses	57,331	56,158
Operating income	29,856	30,767
Nonoperating income		
Interest income	123	123
Dividend income	2,760	1,917
Subsidy income	369	470
Miscellaneous income	822	525
Total nonoperating income	4,074	3,035
Nonoperating expenses		
Interest expense	617	455
Foreign exchange loss	552	929
Depreciation from idle assets	351	354
Miscellaneous loss	256	261
Total nonoperating expenses	1,777	1,998
Ordinary income	32,153	31,805
Extraordinary gains		
Compensation income	338	1,060
Gain on sale of fixed assets	85	128
Other	10	37
Total extraordinary gains	434	1,226
Extraordinary losses		
Loss on disposal of fixed assets	541	758
Loss on liquidation of affiliates	3,629	555
Loss on abolishment of retirement benefit plan	—	489
Other	2,152	300
Total extraordinary losses	6,322	2,102
Income before income taxes	26,265	30,928
Income taxes—current	9,637	8,341
Income taxes—deferred	(2,203)	(1,179)
Total taxes	7,433	7,162
Net income	18,831	23,766
Net income attributable to non-controlling interests	752	613
Net income attributable to owners of parent	18,079	23,152

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## (3) Statement of Comprehensive Income

	(Millions of yen)	
	Previous fiscal year (From April 1, 2015 to March 31, 2016)	Previous fiscal year (From April 1, 2016 to March 31, 2017)
Net income	18,831	23,766
Other comprehensive income		
Valuation difference on available-for-sale securities	(10,761)	10,058
Deferred gains (losses) on hedges	(3)	3
Foreign currency translation adjustments	(1,343)	(2,072)
Remeasurements of defined benefit plans	174	393
Total other comprehensive income	(11,934)	8,383
Comprehensive income	6,897	32,148
Comprehensive income attributable to:		
Owners of parent	6,407	31,554
Non-controlling interests	490	594

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## (4) Consolidated Statements of Changes in Net Assets

Previous 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
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 stock 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
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 stock of parent arising from transactions with non-controlling shareholders								15
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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Current fiscal year (From April 1, 2016 to March 31, 2017)

(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	18,387	159,255	(12,345)	189,508
Changes of items during the period					
Dividends from surplus			(3,551)		(3,551)
Profit attributable to owners of parent			23,152		23,152
Disposal of treasury stock		(7)		74	67
Purchase of treasury stock				(4)	(4)
Transfer to capital surplus from retained earnings		7	(7)		—
Change in treasury stock of parent arising from transactions with non-controlling shareholders		741			741
Change of scope of consolidation			540		540
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	741	20,135	70	20,946
Balance at the end of current period	24,211	19,128	179,390	(12,275)	210,454

	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	17,713	(3)	6,461	(2,898)	21,272	255	4,551	215,586
Changes of items during the period								
Dividends from surplus								(3,551)
Profit attributable to owners of parent								23,152
Disposal of treasury stock								67
Purchase of treasury stock								(4)
Transfer to capital surplus from retained earnings								—
Change in treasury stock of parent arising from transactions with non-controlling shareholders								741
Change of scope of consolidation								540
Net changes of items other than shareholders' equity	10,054	2	(1,987)	393	8,463	(33)	(327)	8,103
Total changes of items during the period	10,054	2	(1,987)	393	8,463	(33)	(327)	29,049
Balance at the end of current period	27,767	(1)	4,474	(2,505)	29,736	222	4,224	244,634

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## (5) Cash Flow Statement

	(Millions of yen)	
	Previous fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)
Net cash provided by operating activities		
Income before income taxes and minority interests	26,265	30,928
Depreciation and amortization	20,904	20,431
Gain on goodwill	670	670
Increase (decrease) in reserve for repair	1,566	(455)
Increase (decrease) in provision for loss on liquidation of subsidiaries and associates	3,399	(2,673)
Increase (decrease) in net defined benefit liability	(1,140)	(798)
Interest and dividends income	(2,883)	(2,040)
Interest expenses	617	455
Compensation income	(338)	(1,060)
Loss (gain) on disposal of non-current assets	456	629
Subsidy income	(369)	(470)
Decrease (increase) in notes and accounts receivable—trade	4,861	(8,200)
Decrease (increase) in inventories	(3,085)	1,178
Increase (decrease) in notes and accounts payable—trade	(7,021)	13,802
Other, net	10,792	1,119
Subtotal	54,693	53,515
Interest and dividends income received	1,906	2,592
Interest expenses paid	(600)	(452)
Proceeds from subsidy	200	640
Proceeds from compensation	—	941
Income taxes paid	(8,600)	(8,195)
Net cash provided by operating activities	47,599	49,042
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(29,200)	(24,397)
Loss (gain) on disposal of non-current assets	(709)	(409)
Purchase of intangible assets	(869)	(1,303)
Purchase of investment securities	(1,030)	(2,400)
Proceeds from sales of investment securities	21	539
Payments for investments in capital	(1,513)	(88)
Purchase of long-term prepaid expenses	(437)	(1,951)
Payments of loans receivable	(2,879)	(5,812)
Collection of loans receivable	2,261	5,923
Net decrease (increase) in time deposits	(533)	730
Other, net	41	46
Net cash provided by (used in) investing activities	(34,847)	(29,121)
Net cash used in financing activities		
Net increase (decrease) in short-term loans payable	(3,023)	706
Increase (decrease) in commercial papers	(8,000)	(500)
Proceeds from long-term loans payable	1,500	500
Repayment of long-term loans payable	(2,301)	(12,567)
Proceeds from issuance of bonds	10,000	—
Purchase of treasury shares	(3,765)	(4)
Cash dividends paid shareholders	(3,173)	(3,546)
Dividends paid to non-controlling interests	(33)	(33)
Other, net	(215)	(390)
Net cash used in financing activities	(9,010)	(15,834)
Effect of exchange rate change on cash and cash equivalents	(400)	(162)
Net increase (decrease) in cash and cash equivalents	3,342	3,925
Cash and cash equivalents at beginning of period	3,491	6,832

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Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	611
Cash and cash equivalents at end of period	6,832	11,368

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## (6) Segment Information

## a. Business segments

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

	Elastomer	Specialty Materials	Sub Total	Other	Total	Adjustment	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
Increase in property, plant and equipment and intangible assets	15,665	7,521	23,186	395	23,581	4,069	27,650

Current fiscal year (From April 1, 2016 to March 31, 2017) (Millions of yen)

	Elastomer	Specialty Materials	Sub Total	Other	Total	Adjustment	Consolidated
Net sales							
Sales to third parties	163,967	74,980	238,947	48,677	287,624	—	287,624
Intersegment sales and transfers	2,276	—	2,276	361	2,637	(2,637)	—
Total	166,243	74,980	241,223	49,038	290,261	(2,637)	287,624
Operating income	20,552	9,832	30,384	2,865	33,250	(2,482)	30,767
Assets	201,054	82,673	283,727	29,165	312,892	98,523	411,415
Others							
Depreciation and amortization	9,929	7,845	17,774	353	18,127	2,304	20,431
Gain on goodwill	670	—	670	—	670	—	670
Increase in property, plant and equipment and intangible assets	11,166	7,644	18,810	342	19,151	2,971	22,122

## b. Sales by region

Previous 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

Current fiscal year (From April 1, 2016 to March 31, 2017) (Millions of yen)

Japan	North America	Europe	Asia (except Japan)	Other	Total
136,652	24,129	28,577	95,110	3,155	287,624