

**Financial Report**  
**1st Quarter of FY2017**  
(From Apr. 1 to Jun. 30, 2017)



Jul. 31, 2017

# Statement of Income (Consolidated) for 3 Months ended June 30, 2017

	FY2017 Q1	FY2016 Q1	Increase / Decrease		Remarks (JPY100m)
			Amount	Percentage	
<b>Net sales</b>	828	700	128	18 %	Comparative analysis of net sales
Elastomer Business	492	416	76	18 %	Quantity variance +92
Specialty Materials Business	212	174	38	22 %	Price variance +38
Others	129	115	14	12 %	Exchange rate variance -2
Eliminations	-5	-5	0		
<b>Operating income</b>	97	71	27	38 %	Comparative analysis of operating income
<b>(Operating income ratio) (%)</b>	11.7%	10.1%	1.7 pt		Quantity variance +26      Raw materials price variance -28
Elastomer Business	54	46	9	19 %	Price variance +38      SG & A etc. -7
Specialty Materials Business	41	25	17	68 %	Exchange rate variance -2
Others	1	0	1	258 %	
<b>Non-operating income &amp; expenses</b>	11	-13	24	- %	
<b>Ordinary income</b>	108	58	50	87 %	
<b>Profit or loss on extraordinary item</b>	-1	2	-3	-130 %	
<b>Income before income taxes</b>	107	60	48	80 %	
<b>Net income</b>	70	39	31	81 %	
Exchange rate (JPY/\$)	111.5	111.8	-0.3	-0 %	
Exchange rate (JPY/€)	121.5	125.8	-4.3	-3 %	
Naphtha price (JPY/kl)	39,300	31,600	7,700	24 %	
Asian Butadiene price (USD/t)	1,122	1,033	89	9 %	

## Elastomer Business

	FY2017 Q1	FY2016 Q1	Increase / Decrease		Remarks (JPY100m)
			Amount	Percentage	
Sales volume (thousand tons)	149	135	14	10 %	
Rubbers	84	81	4	4 %	
Latices	33	26	7	28 %	
Chemicals	32	29	3	11 %	
Net sales	492	416	76	18 %	
Rubbers	345	282	63	22 %	
Latices	52	46	6	13 %	
Chemicals	88	80	8	10 %	
Eliminations	6	8	-1	-17 %	
Operating income	54	46	9	19 %	
(Operating income ratio) (%)	11.0%	10.9%	0.1 pt		

◆ Breakdown of year-on-year increase of 4% for rubbers sales volume

General-purpose rubbers	6%	Domestic sales -6% , Export sales +14%
Specialty rubbers	-2%	Domestic sales +2%, Export sales -3%

◆ Specialty rubbers component ratio

Sales volume	28%	(FY2016/Q1: 30%)
Sales amount	51%	(FY2016/Q1: 57%)

## Specialty Materials Business

	FY2017 Q1	FY2016 Q1	Increase / Decrease		Remarks (JPY100m)
			Amount	Percentage	
Net sales	212	174	38	22 %	
Specialty Chemicals	55	49	6	13 %	
Specialty Plastics	144	113	31	27 %	
Medical Devices etc.	13	12	1	8 %	
Operating income	41	25	17	68 %	
(Operating income ratio) (%)	19.5%	14.1%	5.4 pt		

- ◆ Breakdown of year-on-year increase of 13% for specialty chemicals sales amount  
Specialty Chemicals +1%, Electronic Materials +14%, Battery Materials +26%, Toner +18%
- ◆ Breakdown of year-on-year increase of 27% for specialty plastics sales amount  
Cyclo-Olefin Polymer resins +15%, Optical Films +32%
- ◆ Sales volume growth rate for optical films +17%
- ◆ Proportion of the optical film sales for small-to-medium sized FPD to total optical film sales  
<FY2016/Q1>19% → <FY2017/Q1>27%

**Others**

	FY2017 Q1	FY2016 Q1	Increase / Decrease		Remarks (JPY100m)
			Amount	Percentage	
Net sales	129	115	14	12 %	
Operating income	9	6	3	47 %	
(Operating income ratio) (%)	6.9%	5.2%	1.6	pt	

# Consolidated Statement of Income (Quarterly trends)

	FY2016				FY2017	Increase / Decrease FY2017 Q1 vs. FY2016 Q4		Remarks  (JPY100m)
	Q1	Q2	Q3	Q4	Q1	Amount	Percentage	
	<b>Sales volume</b> (thousand tons)	135	135	134	154	149	-5	
Rubbers	81	72	72	84	84	-0	-0 %	
Latices	26	31	30	34	33	-1	-4 %	
Chemicals	29	32	33	35	32	-4	-10 %	
<b>Net sales</b>	700	702	704	770	828	58	7 %	<b>Comparative analysis of operating income</b>
<b>Elastomer Business</b>	416	399	384	463	492	29	6 %	Quantity variance +78
Rubbers	282	268	260	316	345	29	9 %	Price variance-15
Latices	46	39	41	50	52	2	4 %	Exchange rate variance -5
Chemicals	80	84	75	90	88	-2	-2 %	
Others and Eliminations	8	8	8	7	6	-1	-7 %	
<b>Specialty Materials Business</b>	174	190	195	190	212	22	11 %	
Specialty Chemicals	49	50	55	54	55	1	2 %	
Specialty Plastics	113	128	127	122	144	22	18 %	
Medical Devices etc.	12	12	13	14	13	-1	-6 %	
<b>Others and Eliminations</b>	109	112	125	117	124	7	6 %	
<b>Operating income</b>	71	62	84	92	97	6	6 %	<b>Comparative analysis of operating income</b>
<b>(Operating income ratio) (%)</b>	10%	9%	12%	12%	12%	-0 pt		Quantity variance+18      Raw materials price variance +8
<b>Elastomer Business</b>	46	38	52	70	54	-16	-23 %	Price variance -15      SG & A etc. 0
<b>Specialty Materials Business</b>	25	22	28	23	41	18	77 %	Exchange rate variance -5
<b>Others and Eliminations</b>	0	2	4	-2	1	4	166 %	
<b>Ordinary income</b>	58	63	101	96	108	12	12 %	
<b>Net income</b>	39	42	80	71	70	-1	-2 %	
<b>Exchange rate (JPY/\$)</b>	111.8	103.5	106.1	114.3	111.5	-2.8	-2 %	
<b>Exchange rate (JPY/€)</b>	125.8	115.0	116.0	121.1	121.5	0.4	0 %	
<b>Naphtha price (JPY/kl)</b>	31,600	31,300	34,000	41,800	39,300	-2,500	-6 %	
<b>Asian Butadiene price (USD/t)</b>	1,033	1,121	1,647	2,747	1,122	-1,625	-59 %	

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

**ZEON**

(Unit : JPY100m)

	FY2016				FY2017	Increase / Decrease FY2017Q1 vs. FY2016Q1		FY2017	Increase / Decrease FY2016 vs. FY2017	
	Q1	Q2	Q3	Q4	Q1	Amount	percentage	forecast	Amount	percentage
<b>Capital expenditures</b>	<b>86</b>	<b>41</b>	<b>50</b>	<b>44</b>	<b>33</b>					
Elastomer Business	44	20	30	17	17					
Specialty Materials Business	37	13	14	13	12					
Others and Eliminations	5	8	6	14	4					
<b>Cumulative capital expenditures</b>	<b>86</b>	<b>127</b>	<b>177</b>	<b>221</b>	<b>33</b>	<b>-53</b>	<b>-61 %</b>	<b>223</b>	<b>2</b>	<b>1 %</b>
Elastomer Business	44	64	94	112	17	-26	-60 %			
Specialty Materials Business	37	50	64	76	12	-25	-68 %			
Others and Eliminations	5	13	19	33	4	-1	-16 %			
<b>Depreciation &amp; amortization</b>	<b>45</b>	<b>49</b>	<b>53</b>	<b>57</b>	<b>48</b>					
Elastomer Business	22	24	26	28	24					
Specialty Materials Business	17	18	20	23	17					
Others and Eliminations	6	7	7	7	6					
<b>Cumulative depreciation &amp; amortization</b>	<b>45</b>	<b>94</b>	<b>147</b>	<b>204</b>	<b>48</b>	<b>3</b>	<b>7 %</b>	<b>226</b>	<b>22</b>	<b>11 %</b>
Elastomer Business	22	46	72	99	24	2	11 %			
Specialty Materials Business	17	35	56	78	17	1	4 %			
Others and Eliminations	6	12	20	27	6	0	1 %			
<b>R&amp;D expenses</b>	<b>31</b>	<b>33</b>	<b>32</b>	<b>36</b>	<b>35</b>					
<b>Cumulative R&amp;D expenses</b>	<b>31</b>	<b>64</b>	<b>96</b>	<b>132</b>	<b>35</b>	<b>4</b>	<b>14 %</b>	<b>140</b>	<b>7</b>	<b>6 %</b>

# Comparative Balance Sheets (Consolidated)

**ZEON**

(Unit : JPY100m)

Liabilities and Net assets			
	As of Jun. 30, 2017	As of Mar. 30, 2017	Increase / Decrease
<b>Current assets</b>	1,765	1,825	-60
Cash and bank deposits	149	117	33
Notes and accounts receivable-trade	758	730	28
Accounts receivable-other	223	293	-70
Inventories	546	619	-72
Other current assets	89	67	22
<b>Fixed assets</b>	2,305	2,289	16
Property, Plant and Equipment	1,350	1,381	-30
Intangible assets	36	39	-2
Investment securities	818	768	50
Other fixed assets	100	101	-1
<b>Total assets</b>	4,070	4,114	-44

Capital expenditures	33
Depreciation & amortization	-48
Other factors	-17
<b>Fixed assets</b>	-32

Liabilities and Net assets			
	As of Jun. 30, 2017	As of Mar. 30, 2017	Increase / Decrease
<b>Current liabilities</b>	1,129	1,143	-14
Notes and accounts payable-trade	567	667	-99
Short-term interest-bearing debt	324	195	128
Other current liabilities	237	280	-43
<b>Long-term liabilities</b>	420	525	-105
Long-term interest-bearing debt	143	251	-108
Other long-term liabilities	277	274	3
<b>Total net assets</b>	2,521	2,446	75
Equity capital	2,474	2,402	72
Other net assets	47	44	3
<b>Total liabilities and net assets</b>	4,070	4,114	-44

Total interest-bearing debt	467	447	20
Equity ratio	60.8	58.4	2.4
D/E Ratio	0.19	0.19	0.00

## ◆ Cash flows

	FY2017 Q1	FY2016 Q1
Cash flows from operating activities	56	96
Cash flows from investing activities	-26	-57
Free cash flows	30	40
Cash flows from financing activities	2	-31
Net increase (decrease) in cash and equivalents	33	8

# Forecast of Operating Performance for FY2017

**ZEON**

(Unit : JPY100m)

	FY2017	FY2016	Increase / Decrease	
			Amount	Percentage
<b>Net sales</b>	2,900	2,876	24	1 %
Elastomer Business	1,680	1,662	18	1 %
Specialty Materials Business	770	750	20	3 %
Others	480	490	-10	-2 %
Eliminations	-30	-26	-4	
<b>Operating income</b>	290	308	-18	-6 %
<b>(Operating income ratio) (%)</b>	10.0%	10.7%	-0.7 pt	
Elastomer Business	197	206	-9	-4 %
Specialty Materials Business	105	98	7	7 %
Others	-12	4	-16	-413 %
<b>Non-operating income &amp; expenses</b>	10	10	0	
<b>Ordinary income</b>	300	318	-18	-6 %
<b>Net income</b>	200	232	-32	-14 %
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Exchange rate (JPY/\$)	110.0	108.9	1.1	1 %
Exchange rate (JPY/€)	115.0	119.5	-4.5	-4 %
Naphtha price (JPY/kl)	39,000	34,700	4,300	12 %
Asian Butadiene price (USD/t)	1,400	1,637	-237	-14 %

The company is predicting no changes in the forecast disclosed as of Apr. 28, 2017.

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.

## Next Announcement of Financial Statements

The 2nd quarter of FY2017	Oct 31th, 2017
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Subject to change without notice