

# Financial Report

## 1st Quarter of FY2018

(From Apr. 1 to Jun. 30, 2018)

**ZEON**  
ZEON CORPORATION

Jul. 31, 2018

# Statement of Income (Consolidated) for 3 Months ended June 30, 2018

# ZEON

	FY2018 Q1	FY2017 Q1	Increase / Decrease		Remarks (JPY100m)
			Amount	Rate	
<b>Net sales</b>	837	828	9	1 %	Comparative analysis of net sales
Elastomer Business	509	492	17	3 %	Quantity variance +19
Specialty Materials Business	195	212	-17	-8 %	Price variance -8
Others	138	129	10	8 %	Exchange rate variance -2
Eliminations	-6	-5	-1		
<b>Operating income</b>	85	97	-13	-13 %	Comparative analysis of operating income
<b>(Operating income ratio) (%)</b>	10.1%	11.7%	-1.6 pt		Quantity variance +7      Raw materials price variance -2
Elastomer Business	51	54	-3	-6 %	Price variance -8      SG & A etc. -8
Specialty Materials Business	34	41	-7	-18 %	Exchange rate variance -2
Others	-1	1	-2	-143 %	
<b>Non-operating income &amp; expenses</b>	12	11	1	10 %	
<b>Ordinary income</b>	97	108	-11	-11 %	
<b>Profit or loss on extraordinary item</b>	-2	-1	-1	- %	
<b>Income before income taxes</b>	95	107	-13	-12 %	
<b>Net income</b>	67	70	-4	-5 %	
Exchange rate (JPY/\$)	108.1	111.5	-3.4	-3 %	
Exchange rate (JPY/€)	129.9	121.5	8.4	7 %	
Naphtha price (JPY/kl)	49,100	39,100	10,000	26 %	
Asian Butadiene price (USD/t)	1,594	1,122	472	42 %	

## Elastomer Business

	FY2018 Q1	FY2017 Q1	Increase / Decrease		Remarks (JPY100m)
			Amount	Rate	
Sales volume (thousand tons)	159	149	10	7 %	
Rubbers	91	84	7	8 %	
Latexes	31	33	-1	-4 %	
Chemicals	37	32	5	17 %	
Net sales	509	492	17	3 %	
Rubbers	363	345	18	5 %	
Latexes	44	52	-8	-16 %	
Chemicals	98	88	10	11 %	
Eliminations	4	6	-3	-41 %	
Operating income	51	54	-3	-6 %	
(Operating income ratio) (%)	10.1%	11.0%	-1.0 pt		

## ◆ Breakdown of year-on-year increase of 8% for rubbers sales volume

General-purpose rubbers	+8%	Domestic sales	+3%	Export sales	+11%
Specialty rubbers	+7%	Domestic sales	+8%	Export sales	+7%

## ◆ Specialty rubbers component ratio

Sales volume	28%	(FY2017 Q1: 28%)
Sales amount	53%	(FY2017 Q1: 51%)

## Specialty Materials Business

	FY2018 Q1	FY2017 Q1	Increase / Decrease		Remarks (JPY100m)
			Amount	Rate	
Net sales	195	212	-17	-8 %	
Specialty Chemicals	66	55	11	20 %	
Specialty Plastics	116	144	-28	-20 %	
Medical Devices etc.	14	13	1	5 %	
Operating income	34	41	-7	-18 %	
(Operating income ratio) (%)	17.4%	19.5%	-2.1 pt		

- ◆ Breakdown of year-on-year increase of 20% for specialty chemicals sales amount  
Specialty Chemicals +16%, Electronic Materials -15%, Battery Materials +57%, Toner -5%
- ◆ Breakdown of year-on-year decrease of 20% for specialty plastics sales amount  
Cyclo-Olefin Polymer resins -8%, Optical Films -23%
- ◆ Sales volume growth rate for optical films -12%
- ◆ Proportion of the optical film sales for small-to-medium sized FPD to total optical film sales  
<FY2017 Q1>27% → <FY2018 Q1>19%

## Others

	FY2018 Q1	FY2017 Q1	Increase / Decrease		Remarks (JPY100m)
			Amount	Rate	
Net sales	138	129	10	8 %	
Operating income	6	9	-2	-27 %	
(Operating income ratio) (%)	4.6%	6.9%	-2.2	pt	

# Consolidated Statement of Income (Quarterly trends)

	FY2017				FY2018	Increase / Decrease FY2018 Q1 vs. FY2017 Q4		Remarks  (JPY100m)
	Q1	Q2	Q3	Q4	Q1	Amount	Rate	
<b>Sales volume</b> (thousand tons)	149	154	156	162	159	-3	-2%	
Rubbers	84	92	90	93	91	-3	-3%	
Latexes	33	32	32	33	31	-2	-5%	
Chemicals	32	30	34	36	37	1	4%	
<b>Net sales</b>	828	839	843	817	837	20	2%	<b>Comparative analysis of net sales</b>
<b>Elastomer Business</b>	492	492	476	486	509	24	5%	Quantity variance +10
Rubbers	345	350	347	339	363	24	7%	Price variance +14
Latexes	52	48	45	47	44	-3	-6%	Exchange rate variance -4
Chemicals	88	89	77	93	98	5	5%	
Others and Eliminations	6	6	7	7	4	-3	-46%	
<b>Specialty Materials Business</b>	212	219	231	203	195	-8	-4%	
Specialty Chemicals	55	58	66	64	66	1	2%	
Specialty Plastics	144	146	150	124	116	-9	-7%	
Medical Devices etc.	13	15	14	14	14	-1	-4%	
Others and Eliminations	124	128	137	128	132	4	4%	
<b>Operating income</b>	97	102	108	82	85	3	3%	<b>Comparative analysis of operating income</b>
(Operating income ratio) (%)	12%	12%	13%	10%	10%	0 pt		Quantity variance -3      Raw materials price variance -15
<b>Elastomer Business</b>	54	60	52	55	51	-4	-7%	Price variance +14      SG & A etc. +11
<b>Specialty Materials Business</b>	41	41	52	33	34	1	2%	Exchange rate variance -4
Others and Eliminations	1	2	3	-7	-1	6	-	
<b>Ordinary income</b>	108	109	112	80	97	16	20%	
<b>Net income</b>	70	73	-80	67	67	-0	0%	
<b>Exchange rate (JPY/\$)</b>	111.5	110.9	112.7	109.8	108.1	-1.7	-2%	
<b>Exchange rate (JPY/€)</b>	121.5	129.6	132.4	133.8	129.9	-3.9	-3%	
<b>Naphtha price (JPY/kl)</b>	39,100	36,100	44,600	47,900	49,100	1,200	3%	
<b>Asian Butadiene price (USD/t)</b>	1,122	1,246	1,116	1,387	1,594	207	15%	

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

**ZEON**

(Unit : JPY100m)

	FY2017				FY2018	Increase / Decrease FY2018 Q1 vs. FY2017 Q1		FY2018	Increase / Decrease FY2017 vs. FY2018	
	Q1	Q2	Q3	Q4	Q1	Amount	Rate	forecast	Amount	Rate
<b>Capital expenditures</b>	<b>33</b>	<b>42</b>	<b>41</b>	<b>30</b>	<b>18</b>					
Elastomer Business	17	24	28	11	7					
Specialty Materials Business	12	12	5	8	6					
Others and Eliminations	4	6	7	12	6					
<b>Cumulative capital expenditures</b>	<b>33</b>	<b>75</b>	<b>115</b>	<b>146</b>	<b>18</b>	<b>-15</b>	<b>-44%</b>	<b>230</b>	<b>84</b>	<b>58%</b>
Elastomer Business	17	41	69	80	7	-11	-62%			
Specialty Materials Business	12	23	29	36	6	-6	-48%			
Others and Eliminations	4	10	17	29	6	2	42%			
<b>Depreciation &amp; amortization</b>	<b>48</b>	<b>49</b>	<b>53</b>	<b>55</b>	<b>45</b>					
Elastomer Business	24	25	26	26	21					
Specialty Materials Business	17	18	21	21	16					
Others and Eliminations	6	6	6	8	7					
<b>Cumulative depreciation &amp; amortization</b>	<b>48</b>	<b>97</b>	<b>151</b>	<b>205</b>	<b>45</b>	<b>-3</b>	<b>-6%</b>	<b>200</b>	<b>-5</b>	<b>-3%</b>
Elastomer Business	24	50	76	102	21	-3	-12%			
Specialty Materials Business	17	35	56	78	16	-1	-6%			
Others and Eliminations	6	12	18	25	7	1	20%			
<b>R&amp;D expenses</b>	<b>35</b>	<b>34</b>	<b>36</b>	<b>46</b>	<b>38</b>					
<b>Cumulative R&amp;D expenses</b>	<b>35</b>	<b>70</b>	<b>105</b>	<b>151</b>	<b>38</b>	<b>3</b>	<b>9%</b>	<b>160</b>	<b>9</b>	<b>6%</b>

# Comparative Balance Sheets (Consolidated)

**ZEON**

(Unit : JPY100m)

Liabilities and Net assets			
	As of Jun. 30, 2018	As of Mar. 31, 2018	Increase / Decrease
<b>Current assets</b>	2,176	2,249	-72
Cash and bank deposits	293	417	-124
Notes and accounts receivable-trade	813	793	20
Accounts receivable-other	359	362	-3
Inventories	667	639	28
Other current assets	44	37	7
<b>Fixed assets</b>	2,074	2,157	-82
Property, Plant and Equipment	1,119	1,156	-36
Intangible assets	32	34	-2
Investment securities	830	874	-44
Other fixed assets	93	94	-1
<b>Total assets</b>	4,250	4,405	-155

Liabilities and Net assets			
	As of Jun. 30, 2018	As of Mar. 31, 2018	Increase / Decrease
<b>Current liabilities</b>	1,267	1,393	-125
Notes and accounts payable-trade	851	840	11
Short-term interest-bearing debt	156	266	-110
Other current liabilities	261	287	-26
<b>Long-term liabilities</b>	389	413	-24
Long-term interest-bearing debt	120	120	0
Other long-term liabilities	269	293	-24
<b>Total net assets</b>	2,594	2,599	-6
Equity capital	2,566	2,572	-6
Other net assets	28	28	0
<b>Total liabilities and net assets</b>	4,250	4,405	-155

Capital expenditures	18
Depreciation & amortization	-45
Other factors	-11
<b>Fixed assets</b>	<b>-38</b>

Total interest-bearing debt	276	386	-110
Equity ratio	60.4	58.4	2.0
D/E Ratio	0.11	0.15	-0.04

## ◆ Cash flows

	FY2018 Q1	FY2017 Q1
Cash flows from operating activities	40	56
Cash flows from investing activities	-38	-26
Free cash flows	2	30
Cash flows from financing activities	-127	2
Net increase (decrease) in cash and equivalents	-125	33

# Forecast of Operating Performance for FY2018

**ZEON**

(Unit : JPY100m)

	FY2018	FY2017	Increase / Decrease	
			Amount	Rate
<b>Net sales</b>	3,200	3,327	-127	-4 %
Elastomer Business	1,840	1,946	-106	-5 %
Specialty Materials Business	850	865	-15	-2 %
Others	530	539	-9	-2 %
Eliminations	-20	-23	3	
<b>Operating income</b>	320	389	-69	-18 %
<b>(Operating income ratio) (%)</b>	10.0%	11.7%	-1.7 pt	
Elastomer Business	170	222	-52	-23 %
Specialty Materials Business	160	167	-7	-4 %
Others	-10	-0	-10	-
<b>Non-operating income &amp; expenses</b>	20	20	-0	
<b>Ordinary income</b>	340	409	-69	-17 %
<b>Net income</b>	240	131	109	84 %
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Exchange rate (JPY/\$)	100.0	111.2	-11.2	-10 %
Exchange rate (JPY/€)	130.0	129.3	0.7	1 %
Naphtha price (JPY/kl)	44,000	41,800	2,200	5 %
Asian Butadiene price (USD/t)	1,200	1,218	-18	-1 %

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 FY2018	Oct 31st, 2018
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Subject to change without notice