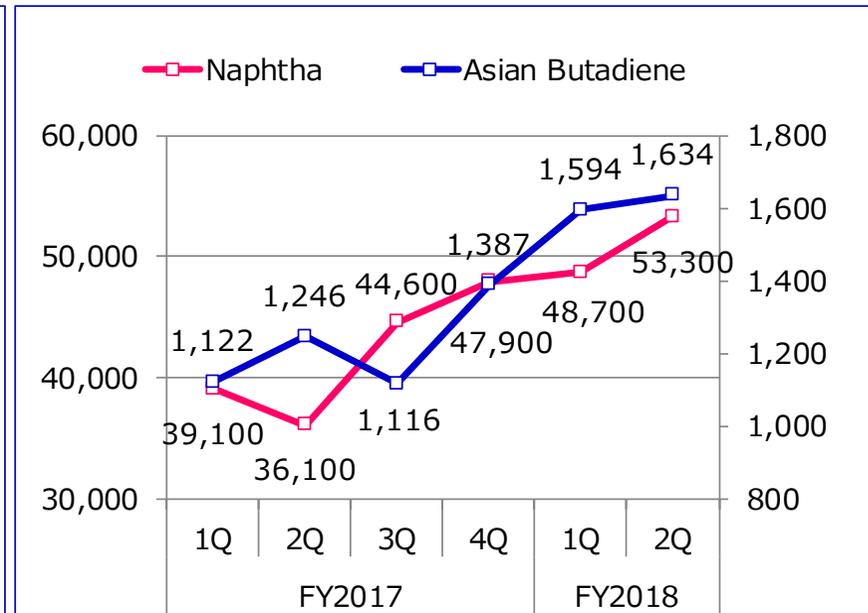
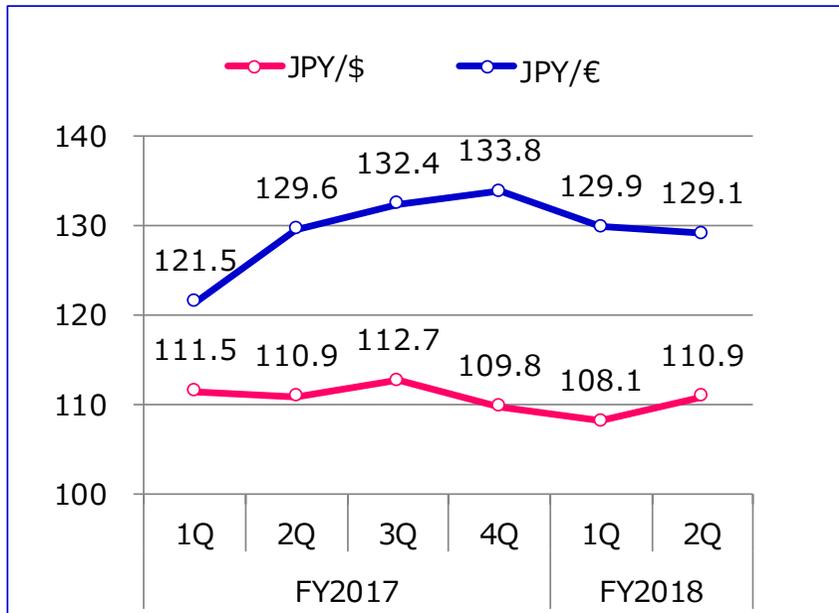


Financial Report
The 1st Half of FY2018
(From Apr. 1 to Sep. 30, 2018)



Oct. 31, 2018

	Ave. for 6 mo	FY2018 2Q	FY2017 2Q	Increase / Decrease	
				Amount	Rate
Exchange rate	(JPY/\$)	109.5	111.2	-1.7	-2 %
Exchange rate	(JPY/\$)	129.5	125.6	3.9	3 %
Crude Oil	(\$/bbl)	75	51	24	46 %
Naphtha price	(JPY/kl)	51,000	37,600	13,400	36 %
Asian Butadiene price	(\$/ t)	1,614	1,184	430	36 %
Isoprene	(\$/ t)	1,540	1,079	461	43 %
Natural rubber	(\$/ t)	1,364	1,535	-172	-11 %



(Ave. for Q)

Summary

■ Elastomer Business

- **Rubbers** Steady in domestic sales, fare well business in oversea subsidiaries (esp. USA).
Export net sales declined due to the stagnant natural rubber market price.
- **Latexes** Export sales for gloves was weak at one point.
- **Chemicals** Steady in all sales in domestic, export and oversea subsidiaries,
but the Operating Income was declined due to the raise of the raw material prices.

■ Specialty Materials Business

- **Specialty Chemicals** Healthy demand in Synthetic aroma chemicals.
Steady growth in Battery materials.
- **Specialty Plastics** Solid sales of Cyclo-olefin polymer for optical uses.
Optical film sales was affected by the customers inventory adjusting
both for TV and mobile use

Topics

- Apr.** Announcement of the decision to expand the drying capacity of the "High-performance Zetpol[®] "
(Scheduled to be completed in Sep. 2019)
- Aug.** Announcement of the decision to establish a new subsidiary in Thailand for Acrylic Rubber
manufacture and sale.
- Oct.** Announcement of the decision to expand the production capacity of the "ZeonorFilm[™] " in Takaoka,
Toyama (Scheduled operation start in Oct. 2019)
- Oct.** Announcement of the decision to construct the production line of the "ZeonorFilm[™] " for large size
LCD-TV in Tsuruga, Fukui (Scheduled operation start in Apr. 2019)

(Unit : JPY100m)

	FY2018 2Q	FY2017 2Q	Increase / Decrease	
			Amount	Rate
Net sales	1,690	1,667	24	1 %
Operating income	180	199	-19	-10 %
Non-operating income & expenses	23	18	5	31 %
Ordinary income	203	217	-14	-6 %
Profit or loss on extraordinary item	-2	-7	5	- %
Income before income taxes	200	210	-9	-4 %
Net income	145	143	2	1 %

Comperative analysis

Net sales : +2.4 billion yen, Operating income : -1.9 billion yen

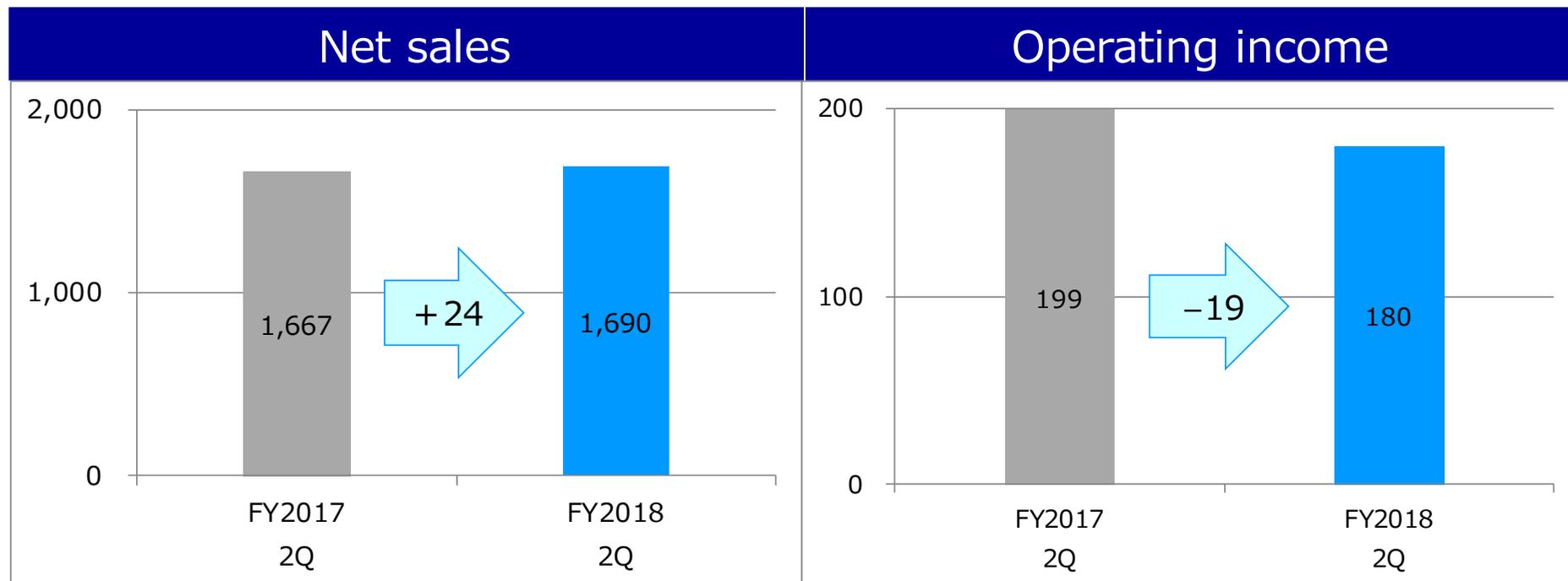
◆ **Elastomers:** Net Sales: Increased, Operating Income: Decreased □

Net Sales has increased due to the rise of the raw material prices, but delay to pass-along the selling prices in the export market.

◆ **Specialty Materials:** Net Sales: Decreased, Operating Income: Increased

Steady sales in the Specialty Chemicals segment.

Affected by the customers inventory adjusting in Specialty Plastics segment.



<Net sales>

Elastomers	+18
Specialty Materials	- 7
Others・Eliminations	+13

<Operating income>

Elastomers	-18
Specialty Materials	+ 6
Others・Eliminations	- 6

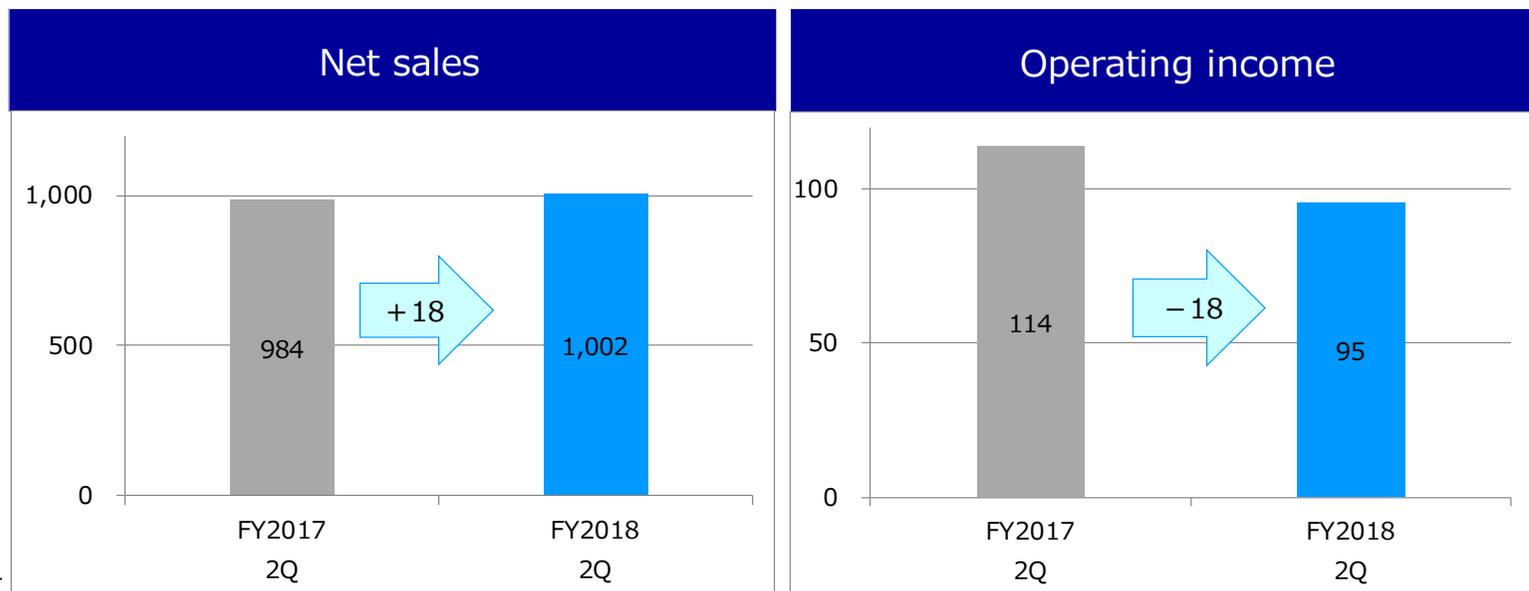
Elastomer Business

	FY2018 2Q	FY2017 2Q	Increase / Decrease	
			Amount	Rate
Sales volume (thousand tons)	308	303	5	2 %
Rubbers	175	177	-2	-1 %
Latexes	61	65	-4	-6 %
Chemicals	72	62	11	17 %
Net sales	1,002	984	18	2 %
Rubbers	704	695	9	1 %
Latexes	95	100	-5	-5 %
Chemicals	194	178	16	9 %
Eliminations	10	12	-2	-19 %
Operating income	95	114	-18	-16 %
(Operating income ratio) (%)	9.5%	11.6%	-2.0 pt	

- ◆ **Elastomers:** Net Sales: Increased, Operating Income: Decreased
 - Net Sales has increased due to the rise of the raw material prices in Rubbers and Chemicals
 - The export market of the Chemicals business is weak, but the raise of the selling price is getting accepted.

- ◆ Break down of YoY -1% for the rubbers sales volume:
 - General-purpose rubbers: -2% : weak in export sales □
 - Specialty rubbers: +2%: steady in domestic sales

Elastomer Business



◆ Net Sales

- **Rubbers:** +9: Selling prices raised, solid business in oversea subsidiaries
- **Latexes:** -5: Decreased by the periodic inspections of plants of both customers and Zeon
- **Chemicals:** +16: Passed along the raise of the raw material prices to the selling prices
- **Others:** -2

◆ Operating Income Variance YoY

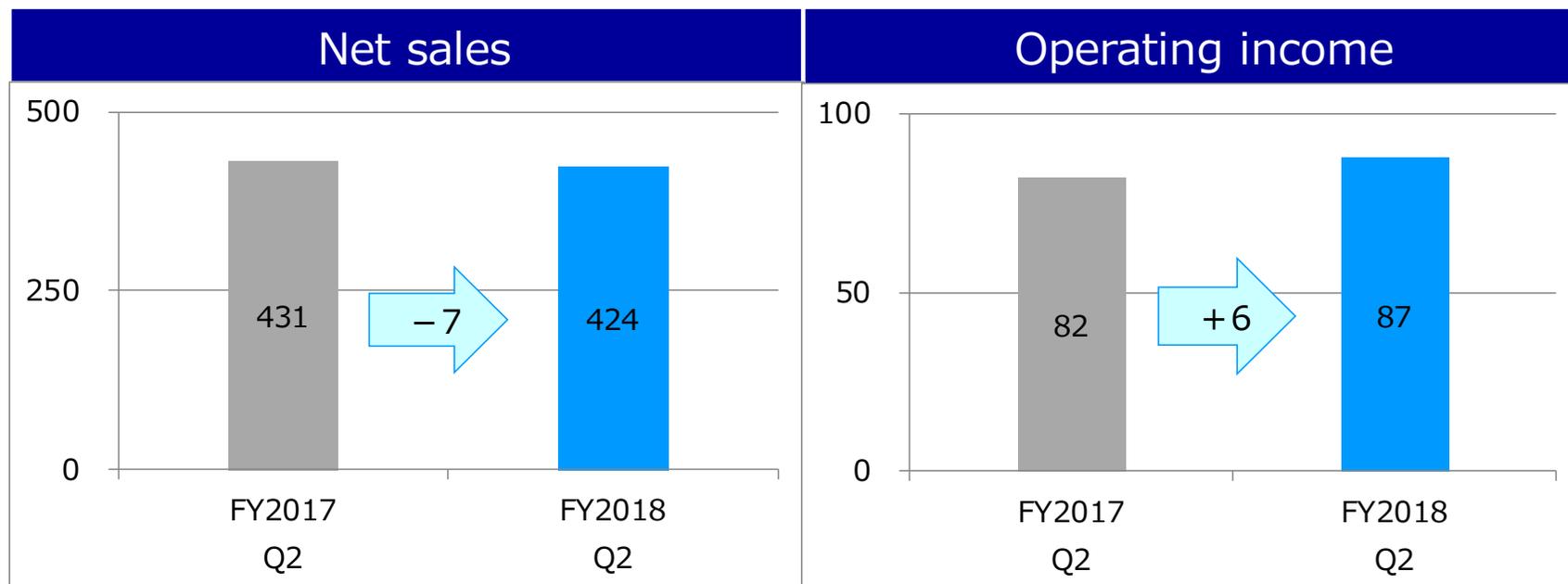
- **Quantity:** +10: Increase in Chemicals
- **Price:** +14: Increase of selling prices, raising the price of Chemicals being accepted
- **Exchange rate:** -2: \$111.2/JPY ⇒ \$109.5/JPY
- **Raw materials prices:** -33: Increase of the raw material prices
- **SG&A:** -7: Increase of the cost of inventory holding in Rubbers (due to the periodic inspection) and the freight in Chemicals (sales volume growth)

Specialty Materials Business

	FY2018 Q2	FY2017 Q2	Increase / Decrease	
			Amount	Rate
Net sales	424	431	-7	-2 %
Specialty Chemicals	134	113	21	19 %
Specialty Plastics	264	290	-26	-9 %
Medical Devices etc.	26	28	-2	-7 %
Operating income	87	82	6	7 %
(Operating income ratio) (%)	20.6%	19.0%	1.6 pt	

- ◆ Specialty Materials: Net Sales: Decreased, Operating Income: Increased
 - Healthy demand in Synthetic aroma chemicals and Battery materials
 - Weak demand in optical films due to the customers' inventory adjustment but recovering in the latter half of this period
- ◆ Break down of YoY +19% for the Specialty Chemicals sales:
 - Specialty Chemicals +14%, Electronic Materials -5%, Battery Materials +36%, Toner +12%
- ◆ Break down of YoY -9% for the Specialty Plastics sales:
 - Cyclo-olefin Polymer +3%, Optical Films -12%
- ◆ Sales volume growth rate for Optical Films -3%
- ◆ Proportion of the optical film sales for small-to-medium sized FPD to total optical film
 - FY2017-2Q: 28% ⇒ FY2018-2Q: 23%

Specialty Materials Business



- ◆ Net Sales
 - **Sp.Chem.:** +21: Healthy demand in Specialty Chemicals and Battery materials.
 - **Sp.Plas.:** -26: Customers' inventory adjustment of Optical film
 - **Medical** etc.: -2
- ◆ Operating Income Variance YoY
 - **Quantity:** +20: Increase in Specialty Chemicals and Battery materials
 - **Price:** - 6: Sales mix variance in Battery materials
 - **Exchange rate:** -1: \$111.2/JPY ⇒ \$109.5/JPY
 - **Raw materials prices:** -3: Increase of the raw material prices
 - **SG&A:** - 4: Increase of the freight in Battery materials (sales volume growth)

Others

	FY2018 Q2	FY2017 Q2	Increase / Decrease	
			Amount	Rate
Net sales	276	262	14	5 %
Operating income	13	16	-4	-22 %
(Operating income ratio)	4.6%	6.2%	-1.6 pt	

- ◆ Others: Net Sales: Increased, Operating Income: Decreased
 - Stable sales in RIM business and Trading.

Comparative Balance Sheets (Consolidated)

ZEON

(Unit : JPY100m)

Liabilities and Net Assets

Liabilities and Net Assets

	E/Sep. 2018	E/Mar. 2018	Increase / Decrease
Current assets	2,266	2,249	18
Cash and bank deposits	357	417	-59
Notes and accounts receivable- trade	816	793	22
Accounts receivable-other	369	362	7
Inventories	682	639	43
Other current assets	43	37	6
Fixed assets	2,125	2,157	-31
Property, Plant and Equipment	1,107	1,156	-48
Intangible assets	31	34	-3
Investment securities	894	874	21
Other fixed assets	93	94	-1
Total assets	4,392	4,405	-14

	E/Sep. 2018	E/Mar. 2018	Increase / Decrease
Current liabilities	1,306	1,393	-86
Notes and accounts payable-trade	872	840	32
Short-term interest-bearing debt	148	266	-118
Other current liabilities	286	287	-1
Long-term liabilities	409	413	-4
Long-term interest-bearing debt	120	120	0
Other long-term liabilities	289	293	-4
Total net assets	2,676	2,599	76
Equity capital	2,647	2,572	75
Other net assets	29	28	1
Total liabilities and net assets	4,392	4,405	-14

Capital expenditures	47
Depreciation & amortization	-91
Other factors	-7
Fixed assets	-51

Total interest-bearing debt	268	386	-118
Equity ratio	60.3	58.4	1.9
D/E Ratio	0.10	0.15	-0.05

◆ Cash flows

	FY2018 2Q	FY2017 2Q
Cash flows from operating activities	197	264
Cash flows from investing activities	-73	-68
Free cash flows	124	196
Cash flows from financing activities	-188	-49
Net increase (decrease) in cash and equivalents	-65	146

- ◆ Redeemed JPY10 billion corporate bond. The equity capital ratio and D/E ratio improved due to the decrease in interest-bearing debt.

Forecast of Operating Performance for FY2018

ZEON

(Unit : JPY100m)

	FY2018	FY2017	Increase / Decrease	
			Amount	Rate
Net sales	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	
Operating income	320	389	-69	-18 %
(Operating income ratio) (%)	10.0%	11.7%	-1.7 pt	
Elastomer Business	170	222	-52	-23 %
Specialty Materials Business	160	167	-7	-4 %
Others	-10	-0	-10	- %
Non-operating income & expenses	20	20	-0	
Ordinary income	340	409	-69	-17 %
Net income	240	131	109	84 %
Dividend (JPY per stock)	19.00	17.00	2.00	12 %
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 %

The company is predicting no changes in the forecast disclosed as of Apr. 27, 2018.

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 3rd quarter of FY2018	Jan. 31st, 2019
------------------------------	-----------------

Subject to change without notice

This document is a translation of the original Japanese-language and is provided for convenience only.
In all cases, the original Japanese version shall take precedence.

Appendix

Consolidated Statement of Income (Quarterly)

ZEON

(Unit : JPY100m)

	2017				2018		1Q→2Q	
	1Q	2Q	3Q	4Q	1Q	2Q	Amount	Rate
Sales volume (thousand tons)	149	154	156	162	159	149	-10	-6%
Rubbers	84	92	90	93	91	84	-7	-7%
Latexes	33	32	32	33	31	29	-2	-6%
Chemicals	32	30	34	36	37	35	-2	-5%
Net sales	828	839	843	817	837	854	17	2%
Elastomer Business	492	492	476	486	509	493	-16	-3%
Rubbers	345	350	347	339	363	340	-23	-6%
Latexes	52	48	45	47	44	51	7	15%
Chemicals	88	89	77	93	98	96	-2	-2%
Others / Eliminations	6	6	7	7	4	6	2	61%
Specialty Materials B.	212	219	231	203	195	229	34	17%
Sp. Chemicals	55	58	66	64	66	68	3	4%
Sp. Plastics	144	146	150	124	116	148	33	29%
Medical, etc.	13	15	14	14	14	12	-2	-13%
Others / Eliminations	124	128	137	128	132	132	-0	0%
Operating income	97	102	108	82	85	95	11	13%
Operating income ratio (%)	12%	12%	13%	10%	10%	11%	1 pt	
Elastomer Business	54	60	52	55	51	44	-7	-14%
Specialty Materials B.	41	41	52	33	34	53	20	57%
Others	1	2	3	-7	-1	-2	-2	-

(Unit : JPY100m)

