

Financial Results for FY2018

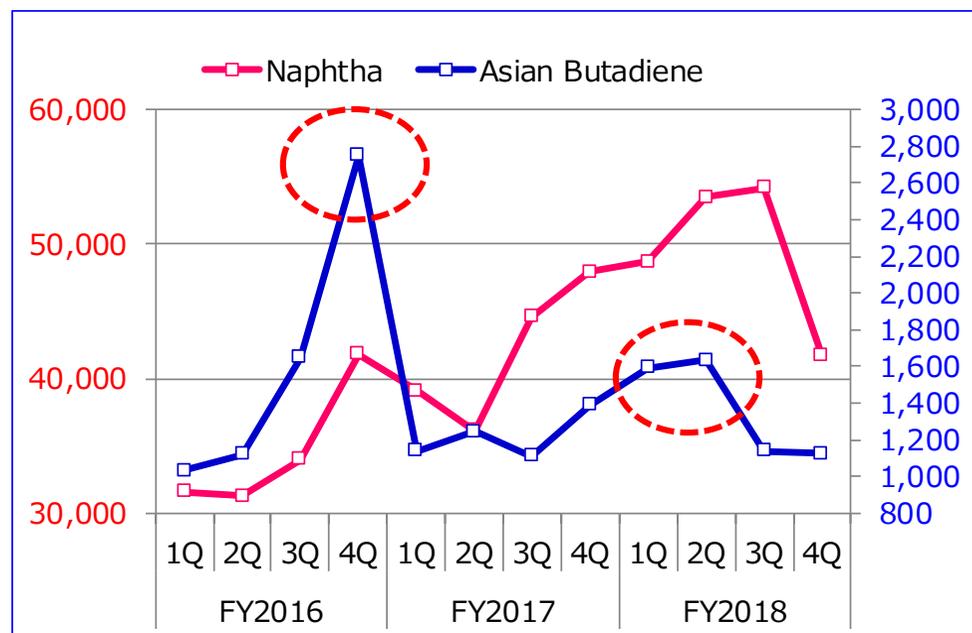
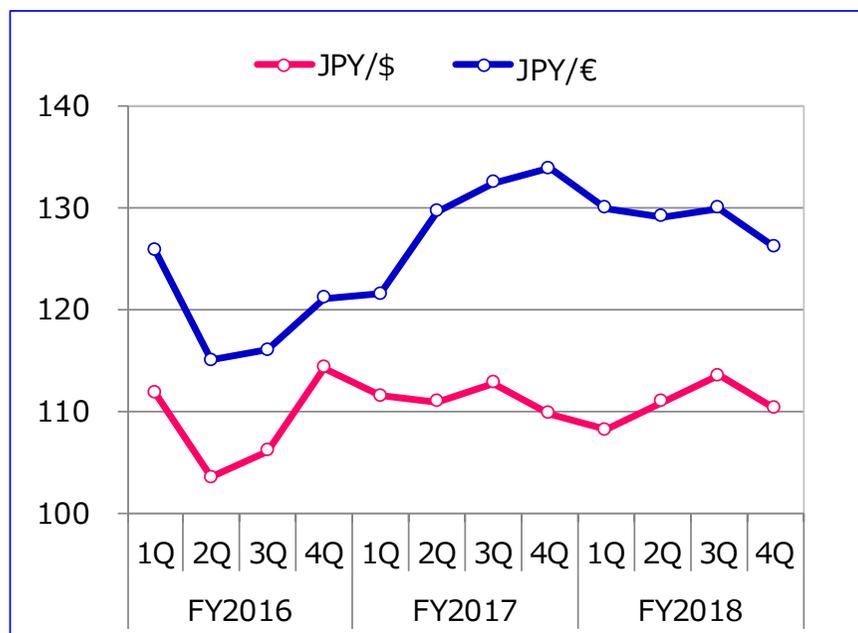
(Ended March 31, 2019)



Apr. 26, 2019

- ◆ Business Environment
- ◆ Summary and Topics
- ◆ Statement of Income (Consolidated)
 - Total
 - Elastomer Business
 - Specialty Materials Business
 - Others
- ◆ Comparative Balance Sheet (Consolidated)
- ◆ Forecast of Operating Performance for FY2019

Ave. for 12 mo.		FY2018	FY2017	Increase/Decrease	
				Amount	Rate
Exchange rate	(JPY/\$)	110.7	111.2	-0.5	-0 %
Exchange rate	(JPY/€)	128.7	129.3	-0.6	-0 %
Crude Oil	(\$/bbl)	70	58	12	21 %
Naphtha price	(¥/kl)	49,500	41,900	7,600	18 %
Asian Butadiene price	(\$/ t)	1,372	1,221	151	12 %
Isoprene	(\$/ t)	1,465	1,331	134	10 %
Natural rubber	(\$/ t)	1,348	1,493	-145	-10 %



(Ave. for Q)

Summary

■ Elastomer Business

- **Rubbers** Steady in domestic sales and oversea subsidiaries, but weak in export of specialty rubbers. Operating Income was lower than FY2017 due to fluctuation of raw material price.
- **Latexes** Weak in sales of domestic resin modifier and export to China. Slight decline in NBR gloves.
- **Chemicals** Steady in all sales in domestic, export and oversea subsidiaries. Growth in SIS. Profit is on the way to improve, but the operating income was lower than FY2017 due to the raise of raw material prices.

■ Specialty Materials Business

- **Specialty Chemicals** Price improved in Specialty Chemicals due to the imbalance of supply and demand. Steady growth in Battery Materials.
- **Specialty Plastics** Solid sales of Cycle Olefin Polymer for optical and medical use. Optical Film sales was affected by the customers' inventory adjusting both for TV and mobile use.

Topics

2018-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 sales.

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[™] "
TV in Tsuruga, Fukui (Scheduled operation start in Apr. 2020)

2019-Jan. Impairment on fixed assets of Singapore subsidiary (S-SBR manufacturing facilities) (JPY 8.6 billion)

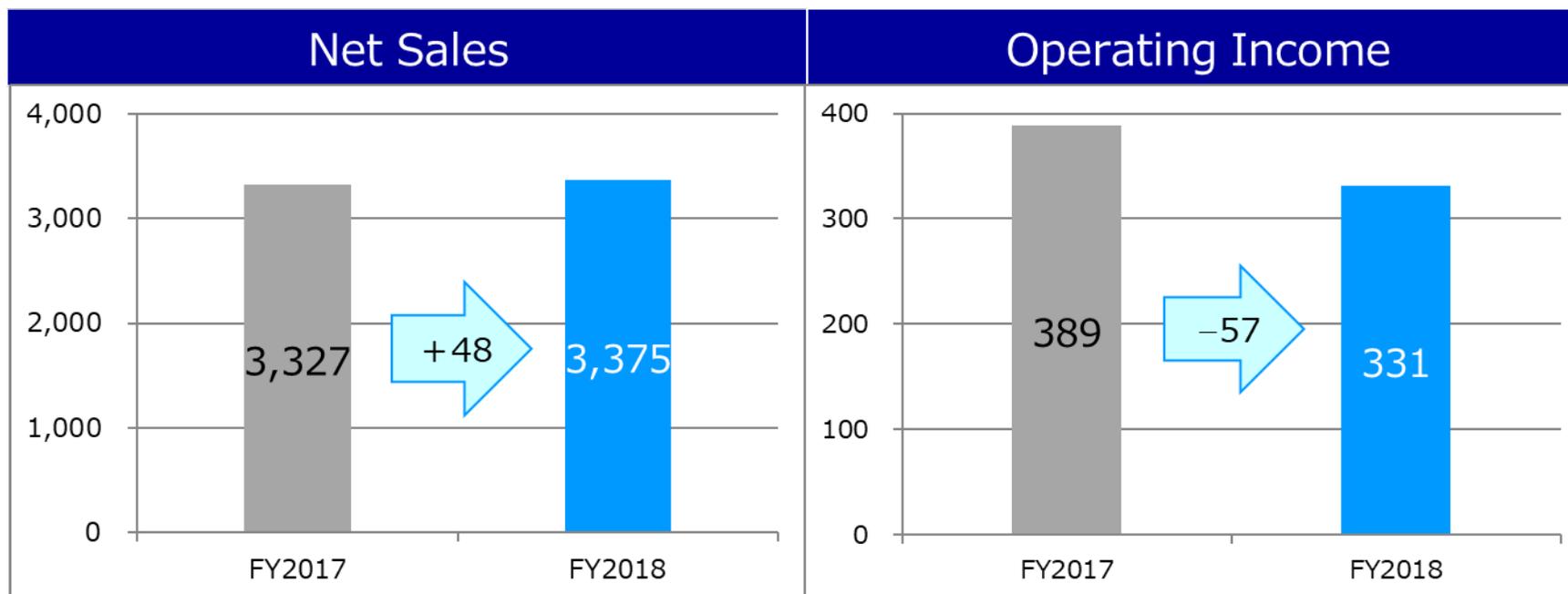
(Unit : JPY100m)

	FY2018	FY2017	Increase/Decrease	
			Amount	Rate
Net Sales	3,375	3,327	48	1 %
Operating income	331	389	-57	-15 %
Non-operating income & expenses	32	20	12	58 %
Ordinary income	363	409	-46	-11 %
Profit or loss on extraordinary item	-93	-160	68	- %
Income before income taxes	270	249	22	9 %
Net income	185	131	54	41 %

Comparative analysis

Net sales: +4.8 billion yen, Operating income: -5.7 billion yen

- ◆ **Elastomers:** Net sales: Increased, Operating income: Decreased
Net sales has increased due to the rise of the sales prices, but profit declined due to the formulated selling price drop on the basis of raw material price in the second half of FY2018.
- ◆ **Specialty Materials:** Net sales: Decreased, Operating income: Decreased
Steady sales and revenue growth of Specialty chemicals and Battery materials in the Specialty Chemicals segment.
Sales decreased in Specialty Plastic segment by customers' inventory adjusting.



<Net sales>

Elastomers	+35
Specialty Materials	- 13
Others・Eliminations	+26

<Operating income>

Elastomers	-45
Specialty Materials	- 6
Others・Eliminations	- 6

Elastomer Business

	FY2018	FY2017	Increase/Decrease	
			Amount	Rate
Sales volume (thousand tons)	616	621	-5	-1 %
Rubbers	355	360	-5	-1 %
Latexes	123	130	-7	-5 %
Chemicals	138	131	7	5 %
Net sales	1,981	1,946	35	2 %
Rubbers	1,388	1,380	7	1 %
Latexes	188	192	-4	-2 %
Chemicals	383	347	36	10 %
Others / Eliminations	22	26	-4	-15 %
Operating income	177	222	-45	-20 %
Operating income ratio	8.9%	11.4%	-2.5 pt	

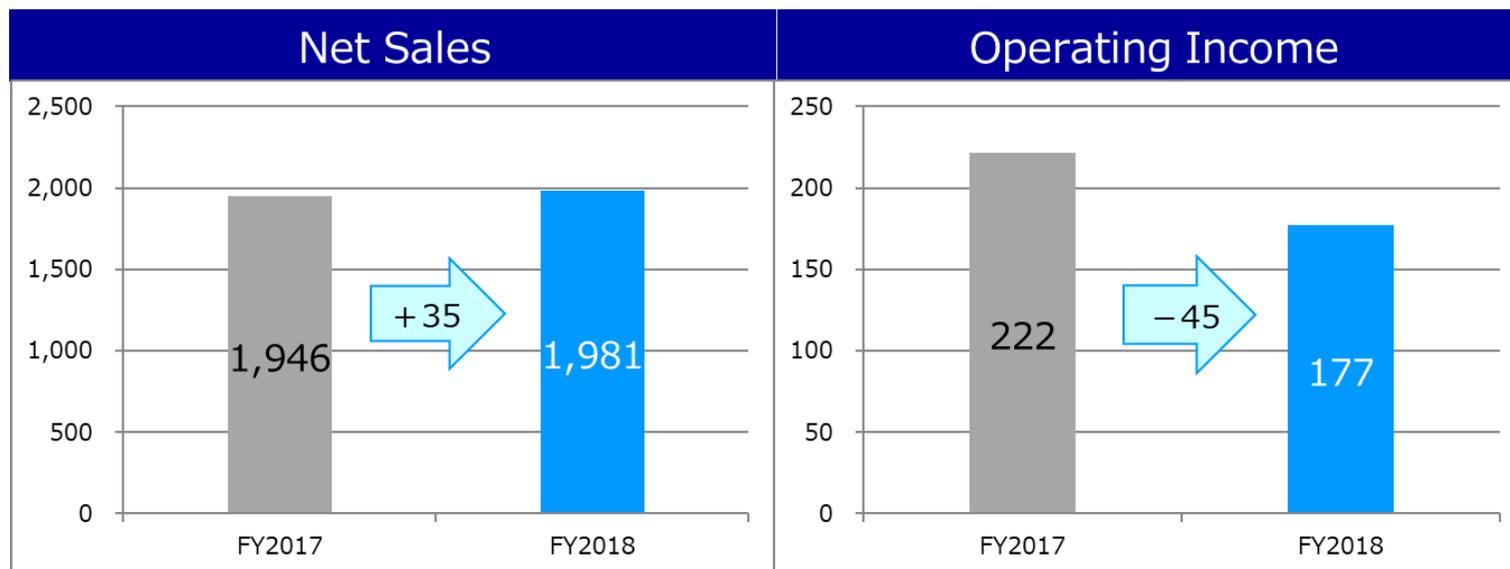
◆ **Elastomers:** Net Sales: Increased, Operating income: Decreased

- Net Sales has increased due to the rise of the selling prices in Rubbers and Chemicals.
- SIS is especially growing in Chemicals business. Profit is improving by price revision.

◆ Break down of YoY -1% for the rubbers sales volume:

- General-purpose rubbers: -1%: Weak in both domestic and export sales. S-SBR is growing.
- Specialty rubbers: -4%: Weak in export sales. Steady in domestic sales and Subsidiaries.

Elastomer Business



◆ Net Sales

- **Rubbers:** +7: Selling prices raised, solid business in oversea subsidiaries
- **Latexes:** -4: Domestic sales for resin modifier and export to China were weak
- **Chemicals:** +36: Passed along the raise of the raw material prices to the selling prices
- **Others:** -4

◆ Operating Income Variance YoY

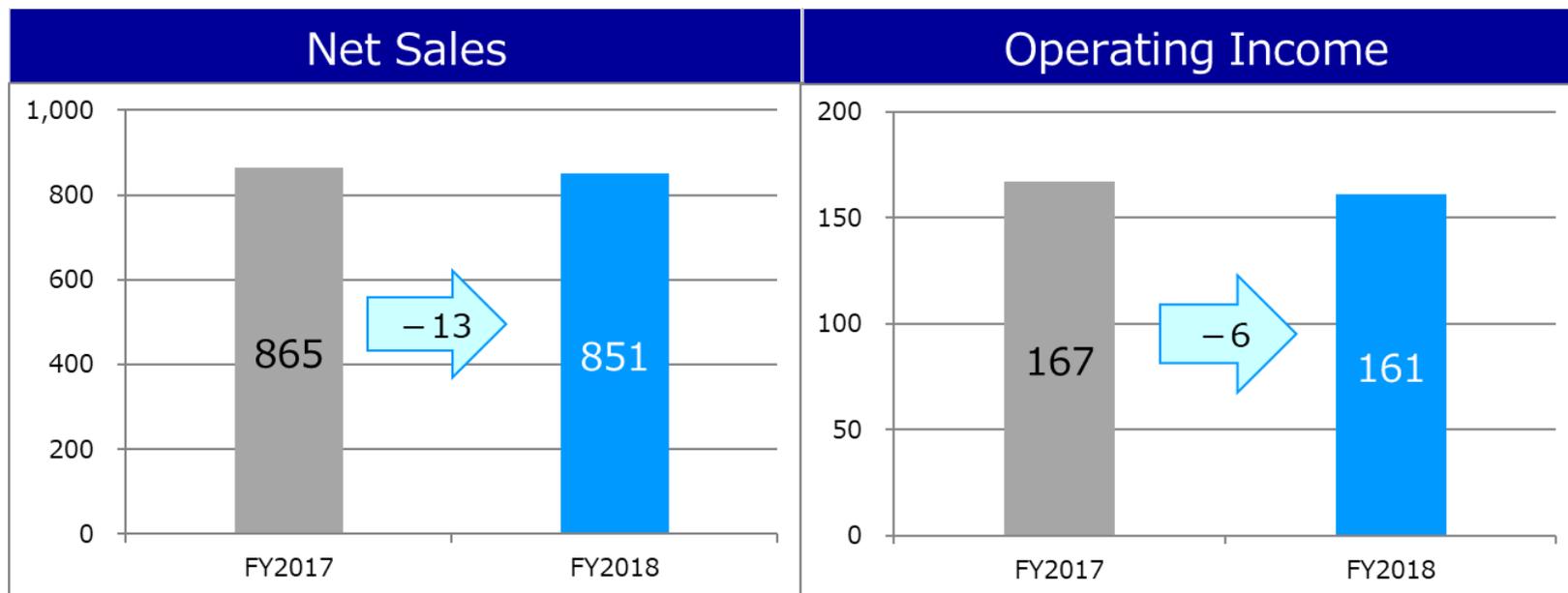
- **Quantity:** +10: Export sales volume increases in Chemicals
- **Price:** +42: Increase of selling prices, raising the price of Chemicals being accepted
- **Exchange rate:** -4: JPY 111.2/ \$ ⇒ JPY 110.7/ \$
- **Raw materials prices:** -90: Increase of the raw material prices
- **SG&A:** -3: Increase of the inventory cost in Rubbers (due to the periodic inspection) and the freight in Chemicals (sales volume growth)

Specialty Materials Business

	FY2018	FY2017	Increase/Decrease	
			Amount	Rate
Net sales	851	865	-13	-2 %
Specialty Chemicals	276	243	33	13 %
Specialty Plastics	519	565	-46	-8 %
Medical Devices, etc.	57	56	0	1 %
Operating income	161	167	-6	-4 %
Operating income ratio	18.9%	19.4%	-0.4 pt	

- ◆ Specialty Materials: Net Sales: Decreased, Operating income: Decreased
 - Healthy business with revised selling price in Specialty Chemicals.
 - Steady in Battery Materials.
 - Steady in Cyclo Olefin Polymer. Weak demand in Optical Films.
- ◆ Break down of YoY +13% for the Specialty Chemicals sales:
 - Specialty Chemicals +1%, Electronic Materials -1%, Battery Materials +32%, Toner +11%
- ◆ Break down of YoY -8% for the Specialty Plastics sales:
 - Optical Films -10%
- ◆ Sales volume growth rate for Optical Films -1%
- ◆ Proportion of the optical film sales for small-to-medium sized FPD to total optical film
 - FY2017: 28% ⇒ FY2018: 21%

Specialty Materials Business



◆ Net Sales

- **Sp.Chem.:** +33: Solid demand in Specialty Chemicals and Battery Materials.
- **Sp.Plastics:** -46: Customers' inventory adjustment of Optical film
- **Medical etc.:** +0

◆ Operating Income Variance YoY

- **Quantity:** +18: Increase in Battery Materials
- **Price:** - 2: Sales mix variance in Optical Films
- **Exchange rate:** -1: JPY111.2/\$ ⇒ JPY110.7/\$
- **Raw materials prices:** -17: Increase of the raw material prices
- **SG&A:** - 4: Increase of the freight in Battery Materials (sales volume growth)

Others

	FY2018	FY2017	Increase/Decrease	
			Amount	Rate
Net sales	567	539	28	5 %
Operating income	28	32	-4	-13 %
Operating income ratio	4.9%	5.9%	-1.0 pt	

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

Comparative Balance Sheets (Consolidated)

ZEON

(Unit : JPY100m)

Assets			
	E/Mar. 2019	E/Mar. 2018	Increase / Decrease
Current assets	2,272	2,249	24
Cash and bank deposits	375	417	-41
Notes and accounts receivable- trade	784	793	-10
Accounts receivable- other	357	362	-6
Inventories	711	639	72
Other current assets	46	37	8
Fixed assets	1,977	2,157	-180
Property, Plant and Equipment	1,023	1,156	-132
Intangible assets	32	34	-2
Investment securities	811	874	-63
Other fixed assets	111	94	17
Total assets	4,249	4,405	-156

Liabilities and Net Assets			
	E/Mar. 2019	E/Mar. 2018	Increase / Decrease
Current liabilities	1,300	1,393	-92
Notes and account payable- trade	824	840	-16
Short-term interest-bearing debt	121	266	-144
Other current liabilities	355	287	68
Long-term Liabilities	357	413	-56
Long-term interest-bearing debt	120	120	0
Other long-term liabilities	237	293	-56
Total net assets	2,592	2,599	-8
Equity capital	2,562	2,572	-10
Other net assets	30	28	2
Total Liabilities and net assets	4,249	4,405	-156

Capital expenditures	146
Depreciation & amortization	-188
Other factors	-93
Fixed assets	-134

Total interest-bearing debt	241	386	-144
Equity ratio (%)	60.3	58.4	1.9
D/E ratio	0.09	0.15	-0.06

◆ Cash flows

	2018	2017
Cash flows from operating activities	404	545
Cash flows from investing activities	-214	-150
Free cash flows	190	395
Cash flows from financing activities	-236	-116
Net increase (decrease) in cash and equivalents	-46	279

◆ Redeemed JPY 10 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 FY2019

ZEON

(Unit : JPY100m)

	FY2019	FY2018	Increase/Decrease	
			Amount	Rate
Net sales	3,300	3,375	-75	-2 %
Elastomer Business	1,900	1,981	-81	-4 %
Specialty Materials Business	860	851	9	1 %
Others	565	567	-2	-0 %
Eliminations	-25	-25	-0	
Operating income	300	331	-31	-9 %
Operating income ratio	9.1%	9.8%	-0.7 pt	
Elastomer Business	144	177	-33	-19 %
Specialty Materials Business	170	161	9	5 %
Others	-14	-7	-7	- %
Non-operating income & expenses	20	32	-12	-37 %
Ordinary income	320	363	-43	-12 %
Net income	220	185	35	19 %
Exchange rate (JPY/\$)	105.0	110.7	-5.7	-5 %
Exchange rate (JPY/€)	120.0	128.7	-8.7	-7 %
Naphtha price (JPY/kl)	39,000	49,500	-10,500	-21 %
Asian Butadiene price (USD/t)	1,250	1,372	-122	-9 %

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 first quarter of FY2019	July 31th, 2019
--------------------------------	-----------------

Subject to change without notice

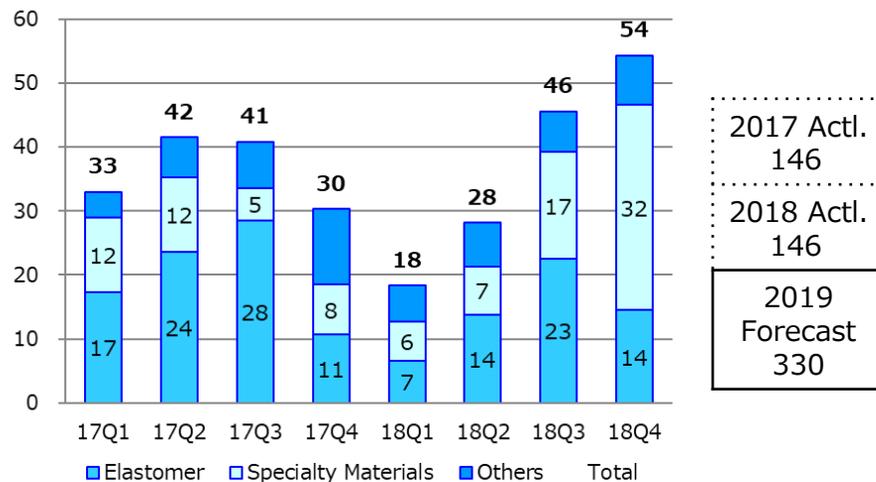
This document is a translation of the original Japanese-language and is provided for convenience only.
In all cases, the original Japanese version shall take precedence.

(Unit: JPY100m)	2017				2018				Q3→Q4	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Amount	Rate
Sales volume (thousand tons)	149	154	156	162	159	149	145	164	19	13%
Rubbers	84	92	90	93	91	84	80	99	19	23%
Latexes	33	32	32	33	31	29	30	32	2	6%
Chemicals	32	30	34	36	37	35	34	32	-1	-4%
Net sales	828	839	843	817	837	854	855	829	-26	-3%
Elastomer Business	492	492	476	486	509	493	490	489	-1	0%
Rubbers	345	350	347	339	363	340	339	345	5	2%
Latexes	52	48	45	47	44	51	48	45	-3	-7%
Chemicals	88	89	77	93	98	96	95	94	-1	-1%
Others / Eliminations	6	6	7	7	4	6	7	5	-3	-35%
Specialty Materials Biz.	212	219	231	203	195	229	223	205	-18	-8%
Sp. Chemicals	55	58	66	64	66	68	70	72	2	3%
Sp. Plastics	144	146	150	124	116	148	138	117	-21	-15%
Medical, etc.	13	15	14	14	14	12	15	16	1	8%
Others / Eliminations	124	128	137	128	132	132	143	136	-7	-5%
Operating income	97	102	108	82	85	95	90	61	-29	-32%
Operating income ratio	12%	12%	13%	10%	10%	11%	11%	7%	-3 pt	
Elastomer Business	54	60	52	55	51	44	49	33	-16	-32%
Specialty Materials Biz.	41	41	52	33	34	53	42	32	-11	-25%
Others	1	2	3	-7	-1	-2	-0	-3	-3	-

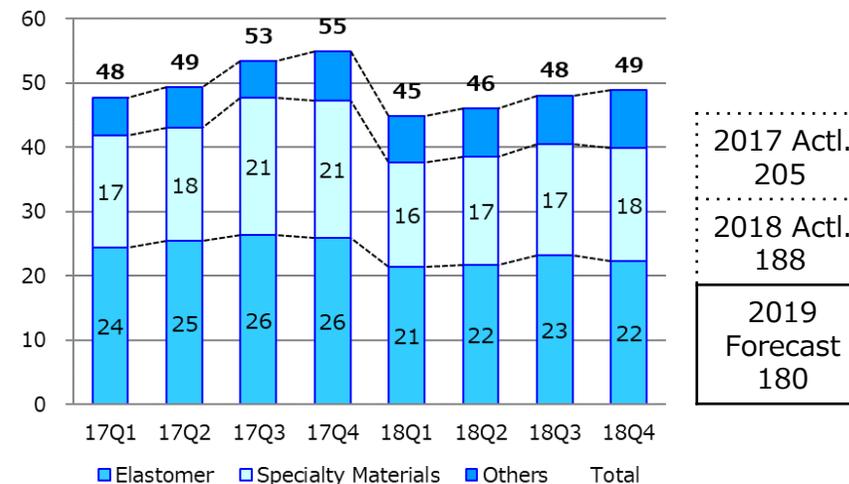
Reference: Capital Expenditures, Depreciation & Amortization and R&D Expenses

(Unit : JPY100m)

Capital Expenditures



Depreciation & Amortization



R&D Expenses

