

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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July 31, 2019

**Consolidated Financial Report for the
First Quarter of the Year Ending March 31, 2020**

Name of Listed Company ZEON CORPORATION
 Ticker Code 4205 (URL <http://www.zeon.co.jp>) Listed Stock Exchanges: Tokyo Stock Exchange
 Representative: President Name Kimiaki Tanaka
 Contact: Director and Corporate Officer Name Kazuyoshi Matsuura TEL: +81-3-3216-2747
 Scheduled Date of the Submission of the Quarterly Report: August 8, 2019 Scheduled Date of Dividend Payments: —

Note: All amounts less than one million yen in the tables are rounded off.

**1. Consolidated Performance for 1st quarter of the year ending March 31, 2020
(April 1, 2019 to June 30, 2019)**

(1) Consolidated operating results (Cumulative)

(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	%
1Q period ended June 30, 2019	82,418	(1.5)	8,325	(1.6)	8,664	(10.3)	6,065	(8.8)
1Q period ended June 30, 2018	83,672	1.1	8,456	(13.0)	9,658	(10.6)	6,653	(5.0)

Note: Comprehensive income (loss):

1Q of the year ending March 31, 2020: 4,295 million yen (202.0%);

1Q of the year ended March 31, 2019: 1,422 million yen (down 81.5%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
1Q period ended June 30, 2019	27.76	27.72
1Q period ended June 30, 2018	29.97	29.93

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
1Q period ended June 30, 2019	412,551	261,279	62.6
Year ended March 31, 2019	424,937	259,156	60.3

Reference: Equity:

As of June 30, 2019: 258,170 million yen

As of March 31, 2019: 256,167 million yen

2. Cash Dividends

Record date	Cash dividend per share				
	1Q end	2Q end	3Q end	Year-end	Full year
Year ended March 31, 2019	Yen —	Yen 9.00	Yen —	Yen 10.00	Yen 19.00
Year ending March 31, 2020	—	—	—	—	—
Year ending March 31, 2020 (Forecast)	—	10.00	—	10.00	20.00

Note: Revisions to the most recently disclosed dividend forecasts: No

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3. Projected Consolidated Performance for the Year Ending March 31, 2020 (From April 1, 2019 to March 31, 2020)

(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, 2019	160,000	(5.3)	14,500	(19.4)	15,500	(23.5)	11,000	(24.4)	50.34
Year ending March 31, 2020 (Full year)	330,000	(2.2)	30,000	(9.5)	32,000	(11.9)	22,000	19.2	100.69

Note: Revisions to the most recently disclosed dividend forecasts: No

4. Other Matters

(1) Material changes in subsidiaries during the three-month period (changes in scope of consolidations resulting from change in subsidiaries): No

(2) Application of special accounting methods for the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, procedures and presentation on preparation of consolidated financial statements

(i) Changes in policy due to amendment in accounting standards: No

(ii) Changes in policy other than above (i): No

(iii) Changes in accounting estimates: No

(iv) Restatements: No

(4) Number of shares outstanding (Common stock)

(i) Number of shares outstanding at the end of the period (Including treasury stock)

As of June 30, 2019: 237,075,556 shares

As of March 31, 2019: 237,075,556 shares

(ii) Number of treasury stock outstanding

As of June 30, 2019: 18,577,212 shares

As of March 31, 2019: 18,577,060 shares

(iii) Average number of shares during the period

1Q ended June 30, 2019: 218,498,401 shares

1Q ended June 30, 2018: 222,020,920 shares

This quarterly financial report is not subject to the quarterly review required under the Financial Instruments and Exchange Act.

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

	Previous fiscal year (As of March 31, 2019)	(Millions of yen) As of June 30, 2019
(Assets)		
Current assets		
Cash and bank deposits	37,534	37,339
Notes and accounts receivable—trade	74,823	72,695
Electronically recorded monetary claims	3,529	3,153
Merchandise and products	52,494	49,774
Work in process	3,832	3,570
Raw materials and supplies	14,799	15,133
Accounts receivable—other	35,675	25,510
Other current assets	4,631	7,639
Allowance for doubtful accounts	(80)	(83)
Total current assets	227,238	214,731
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	39,354	39,429
Machinery, equipment and vehicles, net	33,334	31,924
Land	18,255	18,262
Construction in progress	8,323	11,412
Other property, plant and equipment, net	3,057	4,397
Total property, plant and equipment	102,323	105,424
Intangible assets		
Other intangible assets	3,197	3,068
Total intangible assets	3,197	3,068
Investments and other assets		
Investment securities	81,103	78,326
Deferred tax assets	801	779
Other investments and assets	10,505	10,467
Allowance for doubtful accounts	(229)	(244)
Total investments and other assets	92,179	89,328
Total fixed assets	197,700	197,820
Total assets	424,937	412,551

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	(Millions of yen)	
	Previous fiscal year (As of March 31, 2019)	As of June 30, 2019
(Liabilities)		
Current liabilities		
Notes and accounts payable—trade	78,862	67,302
Electronically recorded monetary claims	3,552	3,413
Short-term loans payable	12,125	12,125
Income taxes payable	6,894	2,268
Reserve for bonuses	2,216	314
Reserve for repair	4,013	4,687
Other reserves	46	36
Other current liabilities	22,331	24,662
Total current liabilities	<u>130,039</u>	<u>114,807</u>
Long-term liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	2,000	2,000
Deferred tax liabilities	5,107	4,221
Net defined benefit liability	12,373	12,401
Other reserves	771	1,154
Other long-term liabilities	5,491	6,688
Total long-term liabilities	<u>35,742</u>	<u>36,465</u>
Total Liabilities	<u>165,781</u>	<u>151,272</u>
(Net Assets)		
Shareholders' equity		
Common stock	24,211	24,211
Capital surplus	19,240	19,240
Retained earnings	204,767	208,648
Treasury stock, at cost	(17,238)	(17,238)
Total shareholders' equity	<u>230,981</u>	<u>234,861</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	24,117	22,034
Deferred gains on hedges	(0)	(1)
Foreign currency translation adjustments	2,629	2,811
Remeasurements of defined benefit plans	(1,560)	(1,535)
Total accumulated other comprehensive income	<u>25,187</u>	<u>23,309</u>
Stock acquisition rights	296	309
Non-controlling interests	2,693	2,800
Total net assets	<u>259,156</u>	<u>261,279</u>
Total liabilities and net assets	<u>424,937</u>	<u>412,551</u>

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(2) Consolidated Statements of Income

	(Millions of yen)	
	For the three months ended June 30, 2018	For the three months ended June 30, 2019
Net sales	83,672	82,418
Cost of sales	59,674	58,499
Gross profit	23,997	23,919
Selling, general and administrative expenses	15,541	15,594
Operating income	8,456	8,325
Non-operating income		
Interest income	32	53
Dividend income	745	760
Foreign exchange gain	378	—
Share of profit of investments accounted for using the equity method	66	50
Miscellaneous income	168	122
Total non-operating income	1,390	985
Non-operating expenses		
Interest expenses	62	34
Foreign exchange gains	—	465
Miscellaneous loss	126	146
Total non-operating expenses	187	645
Ordinary income	9,658	8,664
Extraordinary gains		
Gain on sales of non-current assets	0	0
Total extraordinary gains	0	0
Extraordinary losses		
Loss on disposal of non-current assets	172	106
Other	16	23
Total extraordinary losses	188	130
Income before income taxes	9,470	8,535
Income taxes	2,732	2,406
Net income	6,738	6,129
Net income attributable to non-controlling interests	84	63
Net income attributable to owners of parent	6,653	6,065

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(3) Statement of Comprehensive Income

(Millions of yen)

	For the three months ended June 30, 2018	For the three months ended June 30, 2019
Net income	6,738	6,129
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,131)	(2,083)
Deferred gains (losses) on hedges	2	(1)
Foreign currency translation adjustments	(2,264)	180
Remeasurements of defined benefit plans	109	25
Share of other comprehensive income of entities accounted for using equity method	(32)	46
Total other comprehensive income	(5,316)	(1,834)
Comprehensive income	1,422	4,295
Comprehensive income attributable to:		
Owners of parent	1,397	4,188
Non-controlling interests	25	107

(4) Segment Information

Previous 1st quarter cumulative period (From April 1, 2018 to June 30, 2018)

(Millions of yen)

	Elastomer	Specialty Materials	Sub Total	Other	Total	Eliminations /Corporate	Consolidated
Net sales							
(1) Sales to third parties	50,398	19,522	69,921	13,751	83,672	—	83,672
(2) Intersegment sales and transfers	530	—	530	86	616	(616)	—
Total	50,928	19,522	70,451	13,837	84,287	(616)	83,672
Segment income and loss	5,123	3,398	8,521	643	9,164	(708)	8,456

Current 1st quarter cumulative period (From April 1, 2019 to June 30, 2019)

(Millions of yen)

	Elastomer	Specialty Materials	Sub Total	Other	Total	Eliminations /Corporate	Consolidated
Net sales							
(1) Sales to third parties	46,626	22,259	68,884	13,534	82,418	—	82,418
(2) Intersegment sales and transfers	459	—	459	45	504	(504)	—
Total	47,085	22,259	69,343	13,579	82,922	(504)	82,418
Segment income and loss	3,504	5,058	8,561	390	8,951	(626)	8,325