

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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

October 31, 2019

**Consolidated Financial Report for the
Second 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: November 12, 2019
 Scheduled Date of Dividend Payments: December 6, 2019

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

**1. Consolidated Performance for 2nd quarter of the year ending March 31, 2020
(April 1, 2019 to September 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	%
2Q period ended September 30, 2019	163,358	(3.4)	15,020	(16.5)	16,045	(20.9)	11,550	(20.6)
2Q period ended September 30, 2018	169,031	1.4	17,979	(9.7)	20,273	(6.4)	14,549	1.5

Note: Comprehensive income (loss):

2Q of the year ending March 31, 2020: 10,074 million yen (down 31.0%);

2Q of the year ended March 31, 2019: 14,597 million yen (down 23.9%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
2Q period ended September 30, 2019	52.85	52.78
2Q period ended September 30, 2018	65.98	65.89

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
2Q period ended September 30, 2019	411,083	267,101	64.2
Year ended March 31, 2019	424,937	259,156	60.3

Reference: Equity:

As of September 30, 2019: 264,004 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	—	11.00	—	—	—
Year ending March 31, 2020 (Forecast)	—	—	—	10.00	21.00

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

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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

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
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 September 30, 2019: 237,075,556 shares As of March 31, 2019: 237,075,556 shares

(ii) Number of treasury stock outstanding

As of September 30, 2019: 18,515,299 shares As of March 31, 2019: 18,577,060 shares

(iii) Average number of shares during the period

2Q ended September 30, 2019: 218,524,921 shares 2Q ended September 30, 2018: 220,511,496 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.

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2019)	As of September 30, 2019
(Assets)		
Current assets		
Cash and bank deposits	37,534	35,193
Notes and accounts receivable—trade	74,823	70,487
Electronically recorded monetary claims	3,529	2,658
Merchandise and finished goods	52,494	50,102
Work in process	3,832	2,919
Raw materials and supplies	14,799	14,747
Accounts receivable—other	35,675	23,798
Other current assets	4,631	8,765
Allowance for doubtful accounts	(80)	(90)
Total current assets	227,238	208,580
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	39,354	39,347
Machinery, equipment and vehicles, net	33,334	31,509
Land	18,255	18,253
Construction in progress	8,323	15,000
Other property, plant and equipment, net	3,057	4,271
Total property, plant and equipment	102,323	108,380
Intangible assets		
Other intangible assets	3,197	3,057
Total intangible assets	3,197	3,057
Investments and other assets		
Investment securities	81,103	81,312
Deferred tax assets	801	779
Other investments and assets	10,505	9,221
Allowance for doubtful accounts	(229)	(245)
Total investments and other assets	92,179	91,066
Total fixed assets	197,700	202,503
Total assets	424,937	411,083

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2019)	As of September 30, 2019
(Liabilities)		
Current liabilities		
Notes and accounts payable—trade	78,862	59,256
Electronically recorded monetary claims	3,552	2,722
Short-term loans payable	12,125	12,125
Income taxes payable	6,894	3,643
Provision for bonuses	2,216	1,602
Provision for repairs	4,013	2,864
Other provision	46	38
Other current liabilities	22,331	25,467
Total current liabilities	<u>130,039</u>	<u>107,716</u>
Long-term liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	2,000	2,000
Deferred tax liabilities	5,107	4,851
Net defined benefit liability	12,373	12,396
Provision for repairs	648	372
Other provision	122	124
Other long-term liabilities	5,491	6,522
Total long-term liabilities	<u>35,742</u>	<u>36,266</u>
Total Liabilities	<u>165,781</u>	<u>143,982</u>
(Net Assets)		
Shareholders' equity		
Common stock	24,211	24,211
Capital surplus	19,240	19,252
Retained earnings	204,767	214,132
Treasury stock, at cost	(17,238)	(17,181)
Total shareholders' equity	<u>230,981</u>	<u>240,415</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	24,117	23,280
Deferred gains on hedges	(0)	(0)
Foreign currency translation adjustments	2,629	1,788
Remeasurements of defined benefit plans	(1,560)	(1,479)
Total accumulated other comprehensive income	<u>25,187</u>	<u>23,589</u>
Stock acquisition rights	296	283
Non-controlling interests	2,693	2,815
Total net assets	<u>259,156</u>	<u>267,101</u>
Total liabilities and net assets	<u>424,937</u>	<u>411,083</u>

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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

(2) Consolidated Statements of Income

	(Millions of yen)	
	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Net sales	169,031	163,358
Cost of sales	119,745	115,997
Gross profit	49,286	47,361
Selling, general and administrative expenses	31,307	32,341
Operating income	17,979	15,020
Non-operating income		
Interest income	69	89
Dividend income	1,276	1,639
Foreign exchange gains	847	—
Share of profit of entities accounted for using equity method	124	91
Miscellaneous income	348	212
Total non-operating income	2,664	2,031
Non-operating expenses		
Interest expenses	112	70
Foreign exchange losses	—	691
Miscellaneous loss	259	245
Total non-operating expenses	371	1,006
Ordinary income	20,273	16,045
Extraordinary gains		
Gain on sales of non-current assets	7	2
Total extraordinary gains	7	2
Extraordinary losses		
Loss on disposal of non-current assets	232	218
Other	20	25
Total extraordinary losses	252	244
Income before income taxes	20,027	15,803
Income taxes	5,280	4,151
Net income	14,747	11,652
Net income attributable to non-controlling interests	197	102
Net income attributable to owners of parent	14,549	11,550

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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

(3) Statement of Comprehensive Income

	(Millions of yen)	
	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Net income	14,747	11,652
Other comprehensive income		
Valuation difference on available-for-sale securities	1,282	(838)
Deferred gains (losses) on hedges	4	0
Foreign currency translation adjustments	(1,453)	(880)
Remeasurements of defined benefit plans	88	81
Share of other comprehensive income of entities accounted for using equity method	(70)	58
Total other comprehensive income	(150)	(1,578)
Comprehensive income	14,597	10,074
Comprehensive income attributable to:		
Owners of parent	14,505	9,953
Non-controlling interests	92	122

(4) Segment Information

Previous 2nd quarter cumulative period (From April 1, 2018 to September 30, 2018) (Millions of yen)

	Elastomer	Specialty Materials	Sub Total	Other	Total	Eliminations /Corporate	Consolidated
Net sales							
(1) Sales to third parties	99,217	42,411	141,628	27,402	169,031	—	169,031
(2) Intersegment sales and transfers	1,007	—	1,007	162	1,169	(1,169)	—
Total	100,224	42,411	142,635	27,565	170,200	(1,169)	169,031
Segment income and loss	9,545	8,745	18,291	1,265	19,556	(1,577)	17,979

Current 2nd quarter cumulative period (From April 1, 2019 to September 30, 2019) (Millions of yen)

	Elastomer	Specialty Materials	Sub Total	Other	Total	Eliminations /Corporate	Consolidated
Net sales							
(1) Sales to third parties	90,968	45,471	136,440	26,918	163,358	—	163,358
(2) Intersegment sales and transfers	951	—	951	97	1,048	(1,048)	—
Total	91,920	45,471	137,391	27,015	164,406	(1,048)	163,358
Segment income and loss	5,967	9,189	15,156	1,170	16,326	(1,305)	15,020