

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.

January 30, 2020

**Consolidated Financial Report for the
Third 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: February 5, 2020
 Scheduled Date of Dividend Payments: —

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

**1. Consolidated Performance for 3rd quarter of the year ending March 31, 2020
(April 1, 2019 to December 31, 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	%
3Q period ended December 31, 2019	242,553	(4.7)	21,540	(20.3)	23,518	(19.7)	16,668	32.5
3Q period ended December 31, 2018	254,550	1.4	27,020	(11.9)	29,303	(10.8)	12,575	97.3

Note: Comprehensive income (loss):

3Q of the year ending March 31, 2020: 17,752 million yen (782.6%);

3Q of the year ended March 31, 2019: 2,011 million yen (down 89.6%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
3Q period ended December 31, 2019	76.27	76.16
3Q period ended December 31, 2018	57.18	57.10

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
3Q period ended December 31, 2019	440,563	272,374	61.1
Year ended March 31, 2019	424,937	259,156	60.3

Reference: Equity:

As of December 31, 2019: 269,268 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)	320,000	(5.2)	25,000	(24.6)	27,000	(25.7)	18,000	(2.5)	82.37

Note: Revisions to the most recently disclosed dividend forecasts: Yes

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

(ii) Number of treasury stock outstanding

As of December 31, 2019: 18,515,397 shares As of March 31, 2019: 18,577,060 shares

(iii) Average number of shares during the period

3Q ended December 31, 2019: 218,535,512 shares 3Q ended December 31, 2018: 219,907,679 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

	Previous fiscal year (As of March 31, 2019)	(Millions of yen) As of December 31, 2019
(Assets)		
Current assets		
Cash and bank deposits	37,534	40,196
Notes and accounts receivable—trade	74,823	73,576
Electronically recorded monetary claims	3,529	3,218
Merchandise and finished goods	52,494	53,633
Work in process	3,832	3,819
Raw materials and supplies	14,799	14,970
Accounts receivable—other	35,675	34,521
Other current assets	4,631	9,787
Allowance for doubtful accounts	(80)	(87)
Total current assets	227,238	233,634
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	39,354	39,227
Machinery, equipment and vehicles, net	33,334	30,407
Land	18,255	18,255
Construction in progress	8,323	17,680
Other property, plant and equipment, net	3,057	4,198
Total property, plant and equipment	102,323	109,766
Intangible assets		
Other intangible assets	3,197	3,352
Total intangible assets	3,197	3,352
Investments and other assets		
Investment securities	81,103	85,484
Deferred tax assets	801	757
Other investments and assets	10,505	7,816
Allowance for doubtful accounts	(229)	(246)
Total investments and other assets	92,179	93,811
Total fixed assets	197,700	206,929
Total assets	424,937	440,563

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 December 31, 2019
(Liabilities)		
Current liabilities		
Notes and accounts payable—trade	78,862	80,521
Electronically recorded monetary claims	3,552	3,233
Short-term loans payable	12,125	12,125
Income taxes payable	6,894	1,638
Provision for bonuses	2,216	442
Provision for repairs	4,013	1,820
Other provision	46	39
Other current liabilities	22,331	30,197
Total current liabilities	<u>130,039</u>	<u>130,016</u>
Long-term liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	2,000	2,000
Deferred tax liabilities	5,107	6,055
Net defined benefit liability	12,373	12,571
Provision for repairs	648	944
Other provision	122	113
Other long-term liabilities	5,491	6,489
Total long-term liabilities	<u>35,742</u>	<u>38,173</u>
Total Liabilities	<u>165,781</u>	<u>168,189</u>
(Net Assets)		
Shareholders' equity		
Common stock	24,211	24,211
Capital surplus	19,240	19,252
Retained earnings	204,767	216,846
Treasury stock, at cost	(17,238)	(17,181)
Total shareholders' equity	<u>230,981</u>	<u>243,128</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	24,117	26,095
Deferred gains on hedges	(0)	0
Foreign currency translation adjustments	2,629	1,499
Remeasurements of defined benefit plans	(1,560)	(1,454)
Total accumulated other comprehensive income	<u>25,187</u>	<u>26,140</u>
Stock acquisition rights	296	283
Non-controlling interests	2,693	2,823
Total net assets	<u>259,156</u>	<u>272,374</u>
Total liabilities and net assets	<u>424,937</u>	<u>440,563</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 nine months ended December 31, 2018	For the nine months ended December 31, 2019
Net sales	254,550	242,553
Cost of sales	180,390	172,803
Gross profit	74,160	69,751
Selling, general and administrative expenses	47,140	48,211
Operating income	27,020	21,540
Non-operating income		
Interest income	104	123
Dividend income	1,693	2,132
Foreign exchange gains	343	—
Share of profit of entities accounted for using equity method	180	130
Miscellaneous income	570	445
Total non-operating income	2,890	2,830
Non-operating expenses		
Interest expenses	156	100
Foreign exchange losses	—	438
Miscellaneous loss	452	313
Total non-operating expenses	607	851
Ordinary income	29,303	23,518
Extraordinary gains		
Gain on sales of non-current assets	7	2
Gain on sales of investment securities	1	—
Other	0	—
Total extraordinary gains	9	2
Extraordinary losses		
Loss on disposal of non-current assets	362	352
Impairment loss	8,561	—
Other	37	25
Total extraordinary losses	8,961	378
Income before income taxes	20,351	23,142
Income taxes	7,509	6,347
Net income	12,842	16,795
Net income attributable to non-controlling interests	266	127
Net income attributable to owners of parent	12,575	16,668

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 nine months ended December 31, 2018	For the nine months ended December 31, 2019
Net income	12,842	16,795
Other comprehensive income		
Valuation difference on available-for-sale securities	(10,650)	1,977
Deferred gains (losses) on hedges	0	1
Foreign currency translation adjustments	(288)	(1,197)
Remeasurements of defined benefit plans	82	106
Share of other comprehensive income of entities accounted for using equity method	25	70
Total other comprehensive income	<u>(10,830)</u>	<u>957</u>
Comprehensive income	<u>2,011</u>	<u>17,752</u>
Comprehensive income attributable to:		
Owners of parent	1,750	17,621
Non-controlling interests	261	130

(4) Segment Information

Previous 3rd quarter cumulative period (From April 1, 2018 to December 31, 2018) (Millions of yen)

	Elastomer	Specialty Materials	Sub Total	Other	Total	Eliminations /Corporate	Consolidated
Net sales							
(1) Sales to third parties	147,570	64,662	212,232	42,318	254,550	—	254,550
(2) Intersegment sales and transfers	1,651	—	1,651	226	1,876	(1,876)	—
Total	149,221	64,662	213,883	42,543	256,426	(1,876)	254,550
Segment income and loss	14,401	12,962	27,364	1,951	29,315	(2,295)	27,020

Current 3rd quarter cumulative period (From April 1, 2019 to December 31, 2019) (Millions of yen)

	Elastomer	Specialty Materials	Sub Total	Other	Total	Eliminations /Corporate	Consolidated
Net sales							
(1) Sales to third parties	134,091	67,869	201,959	40,594	242,553	—	242,553
(2) Intersegment sales and transfers	1,378	—	1,378	161	1,539	(1,539)	—
Total	135,469	67,869	203,338	40,755	244,093	(1,539)	242,553
Segment income and loss	8,544	13,237	21,781	1,671	23,453	(1,913)	21,540