

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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July 31, 2020

**Consolidated Financial Report for the
First Quarter of the Year Ending March 31, 2021**

Name of Listed Company ZEON CORPORATION
 Ticker Code 4205 (URL <http://www.zeon.co.jp>) Listed Stock Exchanges: Tokyo Stock Exchange
 Representative: President and CEO 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 6, 2020 Scheduled Date of Dividend Payments: —

Note: Figures are rounded down to the nearest million yen.

**1. Consolidated Performance for 1st quarter of the year ending March 31, 2021
(April 1, 2020 to June 30, 2020)**

(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, 2020	69,492	(15.7)	4,310	(48.2)	5,069	(41.5)	3,576	(41.0)
1Q period ended June 30, 2019	82,418	(1.5)	8,325	(1.6)	8,664	(10.3)	6,065	(8.8)

Note: Comprehensive income (loss):

1Q of the year ending March 31, 2021: 6,331 million yen (47.4%);

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

	Net income per share	Fully diluted net income per share
	Yen	Yen
1Q period ended June 30, 2020	16.36	16.34
1Q period ended June 30, 2019	27.76	27.72

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
1Q period ended June 30, 2020	393,727	265,204	66.6
Year ended March 31, 2020	405,131	260,358	63.5

Reference: Equity:

As of June 30, 2020: 262,256 million yen

As of March 31, 2020: 257,217 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, 2020	Yen —	Yen 11.00	Yen —	Yen 10.00	Yen 21.00
Year ending March 31, 2021	—	—	—	—	—
Year ending March 31, 2021 (Forecast)	—	11.00	—	—	—

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

Please refer to the Notice of Business and Dividend Forecasts (in Japanese), announced on July 31, 2020.

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3. Projected Consolidated Performance for the Year Ending March 31, 2021 (From April 1, 2020 to March 31, 2021)

(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, 2020	130,000	(20.4)	7,000	(53.4)	8,000	(50.1)	5,500	(52.4)	25.16

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

Please refer to the Notice of Business and Dividend Forecasts (in Japanese), announced on July 31, 2020. Given the difficulty of reasonably calculating future business performance, the notice discloses only the second quarter forecast for the fiscal year ending March 2021.

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, 2020: 237,075,556 shares As of March 31, 2020: 237,075,556 shares

(ii) Number of treasury stock outstanding

As of June 30, 2020: 18,515,547 shares As of March 31, 2020: 18,515,473 shares

(iii) Average number of shares during the period

1Q ended June 30, 2020: 218,560,064 shares 1Q ended June 30, 2020: 218,498,401 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, 2020)	As of June 30, 2020 (Millions of yen)
(Assets)		
Current assets		
Cash and bank deposits	32,029	25,873
Notes and accounts receivable—trade	68,603	61,779
Electronically recorded monetary claims	2,729	2,594
Merchandise and finished goods	53,026	56,043
Work in process	3,937	2,842
Raw materials and supplies	16,240	15,248
Accounts receivable—other	30,018	26,309
Other current assets	7,946	8,224
Allowance for doubtful accounts	(81)	(84)
Total current assets	214,447	198,827
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	40,123	40,818
Machinery, equipment and vehicles, net	29,465	30,152
Land	18,268	18,437
Construction in progress	22,573	21,572
Other property, plant and equipment, net	4,361	4,314
Total property, plant and equipment	114,791	115,292
Intangible assets		
Other intangible assets	3,669	3,514
Total intangible assets	3,669	3,514
Investments and other assets		
Investment securities	62,118	68,004
Deferred tax assets	2,713	855
Other investments and assets	7,638	7,479
Allowance for doubtful accounts	(245)	(245)
Total investments and other assets	72,224	76,093
Total fixed assets	190,684	194,900
Total assets	405,131	393,727

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	(Millions of yen)	
	Previous fiscal year (As of March 31, 2020)	As of June 30, 2020
(Liabilities)		
Current liabilities		
Notes and accounts payable—trade	62,926	50,552
Electronically recorded monetary claims	2,765	2,407
Short-term loans payable	10,960	10,960
Income taxes payable	2,999	1,322
Provision for bonuses	1,919	268
Provision for repair	2,989	5,476
Other provisions	45	33
Other current liabilities	27,807	26,431
Total current liabilities	<u>112,410</u>	<u>97,449</u>
Long-term liabilities		
Bonds payable	10,000	10,000
Deferred tax liabilities	758	844
Net defined benefit liability	12,704	12,766
Provision for repairs	1,638	311
Other provisions	106	117
Other long-term liabilities	7,156	7,036
Total long-term liabilities	<u>32,363</u>	<u>31,074</u>
Total liabilities	<u>144,773</u>	<u>128,522</u>
(Net Assets)		
Shareholders' equity		
Common stock	24,211	24,211
Capital surplus	19,252	19,152
Retained earnings	220,379	222,566
Treasury stock, at cost	(17,181)	(17,181)
Total shareholders' equity	<u>246,662</u>	<u>248,749</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,027	14,062
Deferred gains (losses) on hedges	(1)	(0)
Foreign currency translation adjustments	2,511	1,394
Remeasurements of defined benefit plans	(1,981)	(1,947)
Total accumulated other comprehensive income	<u>10,556</u>	<u>13,508</u>
Stock acquisition rights	283	283
Non-controlling interests	2,858	2,665
Total net assets	<u>260,358</u>	<u>265,204</u>
Total liabilities and net assets	<u>405,131</u>	<u>393,727</u>

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(2) Consolidated Statements of Income

	(Millions of yen)	
	For the three months ended June 30, 2019	For the three months ended June 30, 2020
Net sales	82,418	69,492
Cost of sales	58,499	50,292
Gross profit	23,919	19,200
Selling, general and administrative expenses	15,594	14,890
Operating income	8,325	4,310
Non-operating income		
Interest income	53	29
Dividend income	760	719
Foreign exchange gain	—	17
Share of profit of entities accounted for using equity method	50	28
Miscellaneous income	122	117
Total non-operating income	985	910
Non-operating expenses		
Interest expenses	34	33
Foreign exchange gains	465	—
Depreciation of inactive non-current assets	62	41
Miscellaneous loss	85	77
Total non-operating expenses	645	151
Ordinary income	8,664	5,069
Extraordinary gains		
Gain on sales of non-current assets	0	4
Gain on sales of investment securities	—	89
Total extraordinary gains	0	93
Extraordinary losses		
Loss on disposal of non-current assets	106	15
Loss on sales of investment securities	—	25
Other	23	18
Total extraordinary losses	130	59
Income before income taxes	8,535	5,103
Income taxes	2,406	1,522
Net income	6,129	3,581
Net income attributable to non-controlling interests	63	6
Net income attributable to owners of parent	6,065	3,576

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(3) Statement of Comprehensive Income

	(Millions of yen)	
	For the three months ended June 30, 2019	For the three months ended June 30, 2020
Net income	6,129	3,581
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,083)	4,035
Deferred gains (losses) on hedges	(1)	(0)
Foreign currency translation adjustments	180	(1,145)
Remeasurements of defined benefit plans	25	34
Share of other comprehensive income of entities accounted for using equity method	46	(173)
Total other comprehensive income	<u>(1,834)</u>	<u>2,750</u>
Comprehensive income	<u>4,295</u>	<u>6,331</u>
Comprehensive income attributable to:		
Owners of parent	4,188	6,519
Non-controlling interests	107	(188)

(4) Segment Information

Previous 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 (loss)	3,504	5,058	8,561	390	8,951	(626)	8,325

Current 1st quarter cumulative period (From April 1, 2020 to June 30, 2020)

(Millions of yen)

	Elastomer	Specialty Materials	Sub Total	Other	Total	Eliminations /Corporate	Consolidated
Net sales							
(1) Sales to third parties	36,721	22,333	59,054	10,438	69,492	—	69,492
(2) Intersegment sales and transfers	383	12	395	121	516	(516)	—
Total	37,104	22,345	59,449	10,559	70,008	(516)	69,492
Segment income (loss)	(117)	4,814	4,697	222	4,919	(609)	4,310