

## ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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October 30, 2020

**Consolidated Financial Report for the  
Second 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: November 10, 2020  
 Scheduled Date of Dividend Payments: December 4, 2020

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, 2021  
(April 1, 2020 to September 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	%
2Q period ended September 30, 2020	137,415	(15.9)	9,913	(34.0)	10,939	(31.8)	8,182	(29.2)
2Q period ended September 30, 2019	163,358	(3.4)	15,020	(16.5)	16,045	(20.9)	11,550	(20.6)

Note: Comprehensive income (loss):

2Q of the year ending March 31, 2021: 10,988 million yen (9.1%);

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

	Net income per share	Fully diluted net income per share
	Yen	Yen
2Q period ended September 30, 2020	37.42	37.38
2Q period ended September 30, 2019	52.85	52.78

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
2Q period ended September 30, 2020	395,308	269,880	67.5
Year ended March 31, 2020	405,131	260,358	63.5

Reference: Equity:

As of September 30, 2020: 266,981 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
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2020	—	11.00	—	10.00	21.00
Year ending March 31, 2021	—	11.00	—	—	—
Year ending March 31, 2021 (Forecast)	—	—	—	10.00	21.00

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

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### 3. Projected Consolidated Performance for the Year Ending March 31, 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
Year ending March 31, 2021 (Full year)	275,000	(14.6)	16,000	(38.7)	19,000	(33.9)	13,000	(35.6)	59.45

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

(ii) Number of treasury stock outstanding

As of September 30, 2020: 18,338,608 shares      As of March 31, 2020: 18,515,473 shares

(iii) Average number of shares during the period

2Q ended September 30, 2020: 218,635,889 shares      2Q ended September 30, 2019: 218,524,921 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

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2020)	As of September 30, 2020
(Assets)		
Current assets		
Cash and bank deposits	32,029	35,467
Notes and accounts receivable—trade	68,603	57,818
Electronically recorded monetary claims	2,729	2,173
Merchandise and finished goods	53,026	53,137
Work in process	3,937	3,093
Raw materials and supplies	16,240	15,457
Accounts receivable—other	30,018	22,132
Other current assets	7,946	9,657
Allowance for doubtful accounts	(81)	(83)
Total current assets	214,447	198,852
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	40,123	40,320
Machinery, equipment and vehicles, net	29,465	29,597
Land	18,268	18,445
Construction in progress	22,573	24,450
Other property, plant and equipment, net	4,361	4,356
Total property, plant and equipment	114,791	117,168
Intangible assets		
Other intangible assets	3,669	3,491
Total intangible assets	3,669	3,491
Investments and other assets		
Investment securities	62,118	67,688
Deferred tax assets	2,713	981
Other investments and assets	7,638	7,374
Allowance for doubtful accounts	(245)	(245)
Total investments and other assets	72,224	75,798
Total fixed assets	190,684	196,457
Total assets	405,131	395,308

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	(Millions of yen)	
	Previous fiscal year (As of March 31, 2020)	As of September 30, 2020
<b>(Liabilities)</b>		
Current liabilities		
Notes and accounts payable—trade	62,926	48,596
Electronically recorded monetary claims	2,765	2,081
Short-term loans payable	10,960	10,960
Income taxes payable	2,999	2,703
Provision for bonuses	1,919	1,462
Provision for repairs	2,989	6,517
Other provision	45	32
Other current liabilities	27,807	21,482
Total current liabilities	<u>112,410</u>	<u>93,832</u>
Long-term liabilities		
Bonds payable	10,000	10,000
Deferred tax liabilities	758	817
Net defined benefit liability	12,704	12,892
Provision for repairs	1,638	442
Other provision	106	120
Other long-term liabilities	7,156	7,324
Total long-term liabilities	<u>32,363</u>	<u>31,596</u>
Total Liabilities	<u>144,773</u>	<u>125,428</u>
<b>(Net Assets)</b>		
Shareholders' equity		
Common stock	24,211	24,211
Capital surplus	19,252	19,150
Retained earnings	220,379	227,172
Treasury stock, at cost	(17,181)	(17,017)
Total shareholders' equity	<u>246,662</u>	<u>253,516</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,027	13,834
Deferred gains (losses) on hedges	(1)	(1)
Foreign currency translation adjustments	2,511	1,540
Remeasurements of defined benefit plans	(1,981)	(1,909)
Total accumulated other comprehensive income	<u>10,556</u>	<u>13,465</u>
Stock acquisition rights	283	141
Non-controlling interests	2,858	2,758
Total net assets	<u>260,358</u>	<u>269,880</u>
Total liabilities and net assets	<u>405,131</u>	<u>395,308</u>

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## (2) Consolidated Statements of Income

	(Millions of yen)	
	For the six months ended September 30, 2019	For the six months ended September 30, 2020
Net sales	163,358	137,415
Cost of sales	115,997	96,892
Gross profit	47,361	40,524
Selling, general and administrative expenses	32,341	30,610
Operating income	15,020	9,913
Non-operating income		
Interest income	89	58
Dividend income	1,639	1,325
Share of profit of entities accounted for using equity method	91	5
Miscellaneous income	212	317
Total non-operating income	2,031	1,706
Non-operating expenses		
Interest expenses	70	67
Foreign exchange losses	691	153
Miscellaneous loss	245	460
Total non-operating expenses	1,006	680
Ordinary income	16,045	10,939
Extraordinary gains		
Gain on sales of non-current assets	2	4
Gain on sales of investment securities	—	104
Total extraordinary gains	2	108
Extraordinary losses		
Loss on disposal of non-current assets	218	53
Loss on sales of investment securities	—	38
Other	25	15
Total extraordinary losses	244	106
Income before income taxes	15,803	10,941
Income taxes	4,151	2,745
Net income	11,652	8,196
Net income attributable to non-controlling interests	102	14
Net income attributable to owners of parent	11,550	8,182

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## (3) Statement of Comprehensive Income

	(Millions of yen)	
	For the six months ended September 30, 2019	For the six months ended September 30, 2020
Net income	11,652	8,196
Other comprehensive income		
Valuation difference on available-for-sale securities	(838)	3,808
Deferred gains (losses) on hedges	0	0
Foreign currency translation adjustments	(880)	(1,005)
Remeasurements of defined benefit plans	81	72
Share of other comprehensive income of entities accounted for using equity method	58	(83)
Total other comprehensive income	<u>(1,578)</u>	<u>2,792</u>
Comprehensive income	<u>10,074</u>	<u>10,988</u>
Comprehensive income attributable to:		
Owners of parent	9,953	11,082
Non-controlling interests	122	(94)

## (4) Segment Information

Previous 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

Current 2nd quarter cumulative period (From April 1, 2020 to September 30, 2020) (Millions of yen)

	Elastomer	Specialty Materials	Sub Total	Other	Total	Eliminations /Corporate	Consolidated
Net sales							
(1) Sales to third parties	70,554	46,487	117,041	20,374	137,415	—	137,415
(2) Intersegment sales and transfers	717	18	735	211	946	(946)	—
Total	71,271	46,505	117,776	20,585	138,361	(946)	137,415
Segment income and loss	829	9,747	10,576	459	11,036	(1,122)	9,913