

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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January 29, 2021

**Consolidated Financial Report for the
Third 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: February 9, 2021
 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, 2021
(April 1, 2020 to December 31, 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	%
3Q period ended December 31, 2020	216,304	(10.8)	21,070	(2.2)	22,925	(2.5)	17,445	4.7
3Q period ended December 31, 2019	242,553	(4.7)	21,540	(20.3)	23,518	(19.7)	16,668	32.5

Note: Comprehensive income (loss):

3Q of the year ending March 31, 2021: 22,368 million yen (26.0%);

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

	Net income per share	Fully diluted net income per share
	Yen	Yen
3Q period ended December 31, 2020	79.78	79.70
3Q period ended December 31, 2019	76.27	76.16

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
3Q period ended December 31, 2020	419,532	278,855	65.8
Year ended March 31, 2020	405,131	260,358	63.5

Reference: Equity:

As of December 31, 2020: 275,966 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	—	11.00	—		
Year ending March 31, 2021 (Forecast)				11.00	22.00

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

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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)	300,000	(6.8)	29,000	11.1	32,000	11.3	23,000	13.9	105.18

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

(ii) Number of treasury stock outstanding

As of December 31, 2020: 18,338,793 shares As of March 31, 2020: 18,515,473 shares

(iii) Average number of shares during the period

3Q ended December 31, 2020: 218,666,174 shares 3Q ended December 31, 2019: 218,535,512 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 December 31, 2020
(Millions of yen)		
(Assets)		
Current assets		
Cash and bank deposits	32,029	42,106
Notes and accounts receivable—trade	68,603	69,275
Electronically recorded monetary claims	2,729	3,319
Merchandise and finished goods	53,026	47,947
Work in process	3,937	3,861
Raw materials and supplies	16,240	16,831
Accounts receivable—other	30,018	25,520
Other current assets	7,946	9,918
Allowance for doubtful accounts	(81)	(101)
Total current assets	214,447	218,677
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	40,123	45,844
Machinery, equipment and vehicles, net	29,465	36,144
Land	18,268	18,427
Construction in progress	22,573	13,777
Other property, plant and equipment, net	4,361	4,233
Total property, plant and equipment	114,791	118,425
Intangible assets		
Other intangible assets	3,669	3,363
Total intangible assets	3,669	3,363
Investments and other assets		
Investment securities	62,118	71,303
Deferred tax assets	2,713	731
Other investments and assets	7,638	7,279
Allowance for doubtful accounts	(245)	(245)
Total investments and other assets	72,224	79,067
Total fixed assets	190,684	200,855
Total assets	405,131	419,532

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	(Millions of yen)	
	Previous fiscal year (As of March 31, 2020)	As of December 31, 2020
(Liabilities)		
Current liabilities		
Notes and accounts payable—trade	62,926	59,025
Electronically recorded monetary claims	2,765	3,143
Short-term loans payable	10,960	10,960
Income taxes payable	2,999	2,383
Provision for bonuses	1,919	329
Provision for repairs	2,989	3,726
Other provision	45	28
Other current liabilities	27,807	28,927
Total current liabilities	<u>112,410</u>	<u>108,521</u>
Long-term liabilities		
Bonds payable	10,000	10,000
Deferred tax liabilities	758	1,695
Net defined benefit liability	12,704	12,880
Provision for repairs	1,638	250
Other provision	106	123
Other long-term liabilities	7,156	7,207
Total long-term liabilities	<u>32,363</u>	<u>32,156</u>
Total Liabilities	<u>144,773</u>	<u>140,677</u>
(Net Assets)		
Shareholders' equity		
Common stock	24,211	24,211
Capital surplus	19,252	19,150
Retained earnings	220,379	234,029
Treasury stock, at cost	(17,181)	(17,017)
Total shareholders' equity	<u>246,662</u>	<u>260,373</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,027	16,437
Deferred gains (losses) on hedges	(1)	(1)
Foreign currency translation adjustments	2,511	1,014
Remeasurements of defined benefit plans	(1,981)	(1,857)
Total accumulated other comprehensive income	<u>10,556</u>	<u>15,593</u>
Stock acquisition rights	283	141
Non-controlling interests	2,858	2,748
Total net assets	<u>260,358</u>	<u>278,855</u>
Total liabilities and net assets	<u>405,131</u>	<u>419,532</u>

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(2) Consolidated Statements of Income

	(Millions of yen)	
	For the nine months ended December 31, 2019	For the nine months ended December 31, 2020
Net sales	242,553	216,304
Cost of sales	172,803	149,088
Gross profit	69,751	67,216
Selling, general and administrative expenses	48,211	46,147
Operating income	21,540	21,070
Non-operating income		
Interest income	123	88
Dividend income	2,132	1,749
Share of profit of entities accounted for using equity method	130	19
Subsidy income	0	755
Miscellaneous income	444	353
Total non-operating income	2,830	2,963
Non-operating expenses		
Interest expenses	100	101
Foreign exchange losses	438	463
Miscellaneous loss	313	544
Total non-operating expenses	851	1,108
Ordinary income	23,518	22,925
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	352	112
Loss on sales of investment securities	—	38
Other	25	16
Total extraordinary losses	378	166
Income before income taxes	23,142	22,867
Income taxes	6,347	5,346
Net income	16,795	17,521
Net income attributable to non-controlling interests	127	76
Net income attributable to owners of parent	16,668	17,445

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(3) Statement of Comprehensive Income

	(Millions of yen)	
	For the nine months ended December 31, 2019	For the nine months ended December 31, 2020
Net income	16,795	17,521
Other comprehensive income		
Valuation difference on available-for-sale securities	1,977	6,410
Deferred gains (losses) on hedges	1	(1)
Foreign currency translation adjustments	(1,197)	(1,514)
Remeasurements of defined benefit plans	106	124
Share of other comprehensive income of entities accounted for using equity method	70	(173)
Total other comprehensive income	957	4,847
Comprehensive income	17,752	22,368
Comprehensive income attributable to:		
Owners of parent	17,621	22,473
Non-controlling interests	130	(105)

(4) Segment Information

Previous 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

Current 3rd quarter cumulative period (From April 1, 2020 to December 31, 2020) (Millions of yen)

	Elastomer	Specialty Materials	Sub Total	Other	Total	Eliminations /Corporate	Consolidated
Net sales							
(1) Sales to third parties	113,312	70,167	183,480	32,825	216,304	—	216,304
(2) Intersegment sales and transfers	1,086	31	1,117	280	1,397	(1,397)	—
Total	114,398	70,198	184,597	33,105	217,702	(1,397)	216,304
Segment income and loss	5,317	16,326	21,643	1,094	22,737	(1,667)	21,070