

# Financial Report

**The 1st Half of FY2014 (From Apr. 1 to Sep. 30, 2013)**

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## November, 2013

### Disclaimer Regarding Forward-Looking Statements

These materials are intended to provide information only, and are not to solicit actions of any kind. Business results forecasts are based on management's assumptions in light of information currently available. Actual sales and income may differ significantly from these forecasts.

The Company shall not take any responsibility regarding the accuracy or completeness of any forecasts pertaining to business results forecasts contained herein.

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**ZEON CORPORATION**

# Statements of Income (Consolidated) From Apr. 1 to Sep. 30, 2013

# ZEON

(Unit : Millions of JPY)

	Second Quarter ended September 30, 2013	Second Quarter ended September 30, 2012	Increase (Decrease)		Remarks
			Amount	Percentage	
<b>Net Sales</b>	<b>148,374</b>	<b>127,204</b>	<b>21,170</b>	<b>16.6%</b>	Comparative Analysis of Net Sales (JPY100m)
Elastomer Business	92,167	85,296	6,871	8.1%	Quantity Variance 205
Specialty Materials Business	33,004	23,019	9,986	43.4%	Price Variance -59
Others	24,632	19,802	4,831	24.4%	Exchange rate Variance 66
Eliminations	-1,430	-912	-517	-	
<b>Operating income</b>	<b>16,738</b>	<b>11,442</b>	<b>5,296</b>	<b>46.3%</b>	Comparative Analysis of Operating income (JPY100m)
Elastomer Business	10,654	10,939	-286	-2.6%	Quantity Variance 21 Raw materials price variance and others (net) 32
Specialty Materials Business	5,408	-259	5,667	-	Price Variance -59 SGA -18
Others	679	754	-75	-10.0%	Exchange rate Variance 66 Cost reduction effect 11
Eliminations	-3	7	-10	-	
<b>Non-operating income and expenses</b>	<b>1,425</b>	<b>-1,120</b>	<b>2,545</b>	<b>-</b>	Comparative Analysis of Non-operating income and expenses (JPY100m)
Non-operating income	2,265	1,223	1,042	85.2%	Foreign exchange gain 11
Non-operating expenses	840	2,343	-1,503	-64.2%	Foreign exchange loss -10
<b>Ordinary income</b>	<b>18,162</b>	<b>10,321</b>	<b>7,841</b>	<b>76.0%</b>	
<b>Extraordinary gains and losses</b>	<b>-573</b>	<b>-1,568</b>	<b>995</b>	<b>-</b>	Comparative Analysis of Extraordinary gains and losses (JPY100m)
Extraordinary gains	13	13	-	-	
Extraordinary losses	586	1,581	-996	-63.0%	loss on valuation of investment securities -10
<b>Net income</b>	<b>10,806</b>	<b>5,550</b>	<b>5,256</b>	<b>94.7%</b>	
Exchange rate (JPY/\$)	98.0	79.7	18.3	23.0%	
Exchange rate (JPY/€)	128.3	101.2	27.1	26.8%	
Naphtha Price (JPY/kl)	64,700	55,200	9,500	17.2%	
Asian Butadiene Price (USD/t)	1,275	2,339	-1,064	-45.5%	

## - Elastomer Business -

(Unit : Millions of JPY)

	Second Quarter ended September 30, 2013	Second Quarter ended September 30, 2012	Increase (Decrease)	
			Amount	Percentage
<b>Sales Quantity (thousand ton)</b>	<b>262.8</b>	<b>250.1</b>	<b>12.7</b>	<b>5.1%</b>
Rubbers	157.0	143.3	13.7	9.6%
Latices	57.5	56.3	1.2	2.1%
Chemicals	48.3	50.5	-2.2	-4.4%
<b>Net Sales</b>	<b>92,167</b>	<b>85,296</b>	<b>6,871</b>	<b>8.1%</b>
Rubbers	62,834	57,937	4,896	8.5%
Latices	9,442	9,476	-34	-0.4%
Chemicals	18,921	17,046	1,875	11.0%
Others	3,441	2,804	637	22.7%
Eliminations	-2,470	-1,968	-503	-
<b>Operating expenses</b>	<b>81,514</b>	<b>74,357</b>	<b>7,157</b>	<b>9.6%</b>
<b>Operating income</b>	<b>10,654</b>	<b>10,939</b>	<b>-286</b>	<b>-2.6%</b>

## - Specialty Materials Business -

(Unit : Millions of JPY)

	Second Quarter ended September 30, 2013	Second Quarter ended September 30, 2012	Increase (Decrease)	
			Amount	Percentage
<b>Net Sales</b>	<b>33,004</b>	<b>23,019</b>	<b>9,986</b>	<b>43.4%</b>
Specialty materials	9,706	9,475	232	2.4%
Specialty plastics	21,195	11,667	9,528	81.7%
Medical devices etc.	2,103	1,877	226	12.0%
<b>Operating expenses</b>	<b>27,596</b>	<b>23,278</b>	<b>4,318</b>	<b>18.6%</b>
<b>Operating income</b>	<b>5,408</b>	<b>-259</b>	<b>5,667</b>	<b>-</b>

## - Others -

(Unit : Millions of JPY)

	Second Quarter ended September 30, 2013	Second Quarter ended September 30, 2012	Increase (Decrease)	
			Amount	Percentage
<b>Net Sales</b>	<b>24,632</b>	<b>19,802</b>	<b>4,831</b>	<b>24.4%</b>
<b>Operating expenses</b>	<b>23,953</b>	<b>19,047</b>	<b>4,906</b>	<b>25.8%</b>
<b>Operating income</b>	<b>679</b>	<b>754</b>	<b>-75</b>	<b>-10.0%</b>

# Statements of Income (Consolidated) for 3 Months ended Sep. 30, 2013

# ZEON

(Unit : Millions of JPY)

	Fiscal Year ended March 31, 2013				Fiscal Year ended March 31, 2014		Increase (Decrease) Q2/FY2014 vs. Q1/FY2014		Remarks
	Apr.- Jun.	Jul.- Sep.	Oct.- Dec.	Jan.- Mar.	Apr.- Jun.	Jul.- Sep.	Amount	Percentage	
<b>Sales Quantity (thousand ton)</b>	126.7	123.4	122.6	137.3	132.4	130.4	-2.1	-1.6%	
Rubbers	73.3	70.0	67.0	81.4	78.9	78.1	-0.8	-1.0%	
Latices	27.4	28.8	30.0	29.3	29.7	27.8	-1.9	-6.4%	
Chemicals	25.9	24.6	25.5	26.6	23.9	24.4	0.6	2.4%	
<b>Net Sales</b>	<b>65,187</b>	<b>62,018</b>	<b>59,384</b>	<b>64,174</b>	<b>72,437</b>	<b>75,938</b>	<b>3,501</b>	<b>4.8%</b>	Comparative Analysis of Net Sales (JPY100m)
<b>Elastomer business</b>	<b>44,955</b>	<b>40,341</b>	<b>38,016</b>	<b>40,716</b>	<b>45,548</b>	<b>46,620</b>	<b>1,072</b>	<b>2.4%</b>	Quantity Variance 52
Rubbers	30,797	27,140	25,136	26,971	31,140	31,694	554	1.8%	Price Variance -19
Latices	4,941	4,535	4,233	3,975	5,114	4,328	-785	-15.4%	Exchange rate Variance 2
Chemicals	8,762	8,284	8,057	9,101	8,772	10,149	1,377	15.7%	
Others	1,493	1,311	1,299	1,628	1,822	1,619	-203	-11.1%	
Eliminations	-1,038	-930	-710	-958	-1,300	-1,171	129	-	
<b>Specialty materials business</b>	<b>11,296</b>	<b>11,723</b>	<b>13,313</b>	<b>15,080</b>	<b>15,482</b>	<b>17,523</b>	<b>2,041</b>	<b>13.2%</b>	
Specialty materials	4,838	4,637	4,208	4,882	4,904	4,802	-102	-2.1%	
Specialty plastics	5,521	6,145	8,138	9,222	9,573	11,622	2,050	21.4%	
Medical devices etc.	937	941	967	975	1,005	1,098	93	9.3%	
<b>Others</b>	<b>9,483</b>	<b>10,319</b>	<b>8,467</b>	<b>9,239</b>	<b>12,115</b>	<b>12,518</b>	<b>403</b>	<b>3.3%</b>	
<b>Eliminations</b>	<b>-547</b>	<b>-366</b>	<b>-411</b>	<b>-861</b>	<b>-707</b>	<b>-722</b>	<b>-15</b>	<b>-</b>	
<b>Operating income</b>	<b>6,593</b>	<b>4,849</b>	<b>5,700</b>	<b>6,555</b>	<b>8,680</b>	<b>8,057</b>	<b>-623</b>	<b>-7.2%</b>	Comparative Analysis of Operating income (JPY100m)
<b>Elastomer business</b>	<b>6,348</b>	<b>4,591</b>	<b>4,230</b>	<b>4,426</b>	<b>5,859</b>	<b>4,794</b>	<b>-1,065</b>	<b>-18.2%</b>	Quantity Variance 16
<b>Specialty materials business</b>	<b>-41</b>	<b>-219</b>	<b>1,163</b>	<b>1,709</b>	<b>2,496</b>	<b>2,912</b>	<b>417</b>	<b>16.7%</b>	Price Variance -19
<b>Others</b>	<b>272</b>	<b>482</b>	<b>327</b>	<b>408</b>	<b>320</b>	<b>359</b>	<b>40</b>	<b>12.4%</b>	Exchange rate Variance 2
<b>Eliminations</b>	<b>12</b>	<b>-5</b>	<b>-20</b>	<b>12</b>	<b>6</b>	<b>-9</b>	<b>-14</b>	<b>-</b>	Raw materials price variance and others. (net). -4
									SGA -8
									Cost reduction effect 7
<b>Ordinary income</b>	<b>5,736</b>	<b>4,586</b>	<b>6,918</b>	<b>7,973</b>	<b>9,999</b>	<b>8,163</b>	<b>-1,836</b>	<b>-18.4%</b>	
<b>Net income</b>	<b>2,948</b>	<b>2,602</b>	<b>5,675</b>	<b>3,525</b>	<b>6,190</b>	<b>4,616</b>	<b>-1,574</b>	<b>-25.4%</b>	
<b>Exchange rate (JPY/\$)</b>	<b>80.8</b>	<b>78.7</b>	<b>79.8</b>	<b>90.1</b>	<b>97.7</b>	<b>98.4</b>	<b>0.7</b>	<b>0.7%</b>	
<b>Exchange rate (JPY/€)</b>	<b>104.8</b>	<b>97.6</b>	<b>103.3</b>	<b>120.0</b>	<b>126.9</b>	<b>129.6</b>	<b>2.7</b>	<b>2.1%</b>	
<b>Naphtha Price (JPY/kl)</b>	<b>60,600</b>	<b>49,800</b>	<b>55,800</b>	<b>63,800</b>	<b>65,500</b>	<b>63,900</b>	<b>-1,600</b>	<b>-2.4%</b>	
<b>Asian Butadiene Price (USD/t)</b>	<b>2,509</b>	<b>2,169</b>	<b>1,694</b>	<b>1,885</b>	<b>1,405</b>	<b>1,144</b>	<b>-261</b>	<b>-18.6%</b>	
<b>Depreciation &amp; Amortization</b>	<b>4,116</b>	<b>4,439</b>	<b>4,589</b>	<b>4,978</b>	<b>3,867</b>	<b>3,974</b>	<b>107</b>	<b>2.8%</b>	
<b>Capital Expenditures</b>	<b>6,260</b>	<b>3,922</b>	<b>7,940</b>	<b>5,368</b>	<b>3,721</b>	<b>7,045</b>	<b>3,323</b>	<b>89.3%</b>	
<b>Research and Development Expenses</b>	<b>2,801</b>	<b>2,847</b>	<b>3,014</b>	<b>3,233</b>	<b>2,705</b>	<b>3,051</b>	<b>346</b>	<b>12.8%</b>	

# Comparative Balance Sheets (Consolidated)

# ZEON

(Unit : Millions of JPY, %)

Assets					Liabilities and Net assets						
Account item	As of Sep. 30, 2013		As of Mar. 31, 2013		Increase (Decrease)	Account item	As of Sep. 30, 2013		As of Mar. 31, 2013		Increase (Decrease)
<b>Current assets</b>	<b>175,697</b>	<b>49.5</b>	<b>175,656</b>	<b>50.1</b>	<b>42</b>	<b>Current liabilities</b>	<b>121,596</b>	<b>34.3</b>	<b>134,560</b>	<b>38.4</b>	<b>-12,964</b>
Cash and bank deposits	9,046		12,216		-3,170	Notes and accounts payable-trade	67,233		73,953		-6,720
Notes and accounts receivable-trade	73,412		69,299		4,113	Short-term interest-bearing debt	30,552		37,156		-6,604
Accounts receivable-other	29,120		31,916		-2,795	Other current liabilities	23,811		23,450		361
Inventories	58,382		56,578		1,804	<b>Long-term liabilities</b>	<b>57,265</b>	<b>16.1</b>	<b>53,891</b>	<b>15.4</b>	<b>3,374</b>
Other current assets	5,736		5,646		90	Long-term interest-bearing debt	32,593		29,327		3,265
<b>Fixed assets</b>	<b>179,229</b>	<b>50.5</b>	<b>174,852</b>	<b>49.9</b>	<b>4,377</b>	Other long-term liabilities	24,672		24,564		109
Property, Plant and Equipment	114,620		108,937		5,683	<b>Total Liabilities</b>	<b>178,861</b>	<b>50.4</b>	<b>188,451</b>	<b>53.8</b>	<b>-9,590</b>
Intangible assets	6,628		6,577		51	Equity capital	172,262		158,494		13,769
Investment securities	50,719		51,971		-1,252	Stock acquisition rights	237		262		-25
Other fixed assets	7,262		7,368		-105	Minority interests	3,566		3,301		264
<b>Deferred charges</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>Total Net assets</b>	<b>176,065</b>	<b>49.6</b>	<b>162,057</b>	<b>46.2</b>	<b>14,009</b>
<b>Total Assets</b>	<b>354,926</b>	<b>100.0</b>	<b>350,508</b>	<b>100.0</b>	<b>4,419</b>	<b>Total Liabilities and Net assets</b>	<b>354,926</b>	<b>100.0</b>	<b>350,508</b>	<b>100.0</b>	<b>4,419</b>

	As of Sep. 30, 2013	As of Mar. 31, 2013	Increase / Decrease
Total interest-bearing debt	63,145	66,484	-3,339
Equity capital	172,262	158,494	13,769
Equity ratio	48.5	45.2	3.3
D/E Ratio	0.37	0.42	-0.05

The company is predicting no changes in the forecast disclosed as of September 26, 2013.

(Unit : Millions of JPY)

	Fiscal Year ended March 31, 2014	Fiscal Year ended March 31, 2013	Increase (Decrease)	
			Amount	Percentage
Net Sales	293,000	250,762	42,238	16.8%
Elastomer Business	180,500	164,028	16,472	10.0%
Specialty Materials Business	65,900	51,411	14,489	28.2%
Others	49,200	37,508	11,692	31.2%
Eliminations	-2,600	-2,185	-415	-
Operating income	28,000	23,696	4,304	18.2%
Elastomer Business	17,300	19,595	-2,295	-11.7%
Specialty Materials Business	9,100	2,613	6,487	248.3%
Others	1,600	1,489	111	7.5%
Eliminations	0	-1	1	-
Ordinary income	30,000	25,212	4,788	19.0%
Net income	17,500	14,750	2,750	18.6%

Exchange rate (JPY/\$)	100.0	82.3	17.7	21.5%
Exchange rate (JPY/€)	130.0	106.4	23.6	22.2%
Naphtha Price (JPY/kl)	64,000	57,500	6,500	11.3%
Asian Butadiene Price (USD/t)	1,300	2,064	-764	-37.0%
Depreciation & Amortization	18,000	18,122	-122	-0.7%
Capital Expenditures	37,000	23,489	13,511	57.5%
Research and Development Expenses	12,000	11,895	105	0.9%

Any forward-looking statements in this document are based upon information available to the company on the date of this release. These forward-looking statements are and will be, as the case may be, subject to many risks, uncertainties and factors relating to the company's operations and business environment which may cause the company's actual results to be materially different from any future results, expressed or implied, in these forward-looking statements.