

# Financial Report

## The 3rd Quarter of FY2016

(From Apr. 1 to Dec. 31, 2016)

**ZEON**  
ZEON CORPORATION

Jan 30, 2017

# Statement of Income (Consolidated) for 9 Months ended Dec 31, 2016

# ZEON

	FY2016 Q3	FY2015 Q3	Increase / Decrease		Remarks (JPY100m)
			Amount	Percentage	
<b>Net sales</b>	2,106	2,247	-141	-6 %	Comparative analysis of net sales
Elastomer Business	1,199	1,361	-161	-12 %	Quantity variance +59
Specialty Materials Business	559	540	20	4 %	Price variance -122
Others	365	363	2	1 %	Exchange rate variance -78
Eliminations	-17	-17	-1		
<b>Operating income</b>	216	243	-26	-11 %	Comparative analysis of operating income
(Operating income ratio) (%)	10.3%	10.8%	-0.5 pt		Quantity variance +31      Raw materials price variance +134
Elastomer Business	135	163	-28	-17 %	Price variance -122      SG & A etc. +9
Specialty Materials Business	75	72	3	4 %	Exchange rate variance -78
Others	6	8	-2	-23 %	
<b>Non-operating income &amp; expenses</b>	6	12	-6	-50 %	
<b>Ordinary income</b>	222	254	-32	-13 %	
<b>Profit or loss on extraordinary item</b>	-2	-54	52	- %	
<b>Income before income taxes</b>	220	200	20	10 %	
<b>Net income</b>	160	137	24	17 %	
Exchange rate (JPY/\$)	107.2	121.6	-14.5	-12 %	
Exchange rate (JPY/€)	118.9	133.9	-15.0	-11 %	
Naphtha price (JPY/kl)	32,400	45,600	-13,200	-29 %	
Asian Butadiene price (USD/t)	1,267	978	289	30 %	

## Elastomer Business

	FY2016 Q3	FY2015 Q3	Increase / Decrease		Remarks (JPY100m)
			Amount	Percentage	
Sales volume (thousand tons)	405	422	-18	-4 %	
Rubbers	224	237	-13	-5 %	
Latices	87	93	-6	-7 %	
Chemicals	94	92	2	2 %	
Net sales	1,199	1,361	-161	-12 %	
Rubbers	810	906	-97	-11 %	
Latices	127	146	-18	-13 %	
Chemicals	239	291	-52	-18 %	
Eliminations	23	17	6	33 %	
Operating income	135	163	-28	-17 %	
(Operating income ratio) (%)	11.3%	12.0%	-0.7 pt		

## ◆ Breakdown of year-on-year decrease of 5% for rubbers sales volume

General-purpose rubbers	-5 %	Domestic sales -10%, Export sales 0%
Specialty rubbers	-7%	Domestic sales +4%, Export sales -12%

## ◆ Specialty rubbers component ratio

Sales volume	31%	(FY201/5Q3: 32%)
Sales amount	56%	(FY2015/Q3: 58%)

## Specialty Materials Business

	FY2016 Q3	FY2015 Q3	Increase / Decrease		Remarks (JPY100m)
			Amount	Percentage	
Net sales	559	540	20	4 %	
Specialty Chemicals	154	139	15	11 %	
Specialty Plastics	368	365	2	1 %	
Medical Devices etc.	37	35	3	7 %	
Operating income	75	72	3	4 %	
(Operating income ratio) (%)	13.4%	13.3%	0.1 pt		

- ◆ Breakdown of year-on-year increase of 11% for specialty chemicals sales amount  
Specialty Chemicals +7%, Electronic Materials -1%, Battery Materials +48%, Toner -11%
- ◆ Breakdown of year-on-year increase of 1% for specialty plastics sales amount  
Cyclo-Olefin Polymer resins -7%, Optical Films +4%
- ◆ Sales volume growth rate for optical films +20%
- ◆ Proportion of the optical film sales for small-to-medium sized FPD to total optical film sales  
<FY2015/Q3>40% → <FY2016/Q3>19%

## Others

	FY2016 Q3	FY2015 Q3	Increase / Decrease		Remarks (JPY100m)
			Amount	Percentage	
Net sales	365	363	2	1 %	
Operating income	23	18	5	27 %	
(Operating income ratio) (%)	6.4%	5.0%	1.3	<i>pt</i>	

# Consolidated Statement of Income (Quarterly trends)

	FY2015				FY2016			Increase / Decrease FY2016 Q3 vs. FY2016 Q2		Remarks  (JPY100m)
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Amount	Percentage	
<b>Sales volume</b> (thousand tons)	141	146	135	146	135	135	134	-1	-1 %	
Rubbers	77	85	75	83	81	72	72	-0	-0 %	
Latices	33	31	30	30	26	31	30	-1	-4 %	
Chemicals	32	30	30	33	29	32	33	1	2 %	
<b>Net sales</b>	760	765	722	710	700	702	704	2	0 %	<b>Comparative analysis of operating income</b>
<b>Elastomer Business</b>	468	463	430	429	416	399	384	-15	-4 %	Quantity variance -5
Rubbers	312	315	279	282	282	268	260	-8	-3 %	Price variance+3
Latices	51	44	50	45	46	39	41	2	5 %	Exchange rate variance +4
Chemicals	99	100	93	91	80	84	75	-9	-11 %	
Others and Eliminations	6	5	6	11	8	8	8	-0	-6 %	
<b>Specialty Materials Business</b>	176	184	179	170	174	190	195	5	2 %	
Specialty Chemicals	45	47	48	50	49	50	55	5	9 %	
Specialty Plastics	120	126	120	107	113	128	127	-2	-1 %	
Medical Devices etc.	11	12	12	13	12	12	13	2	13 %	
Others and Eliminations	115	118	114	111	109	112	125	13	11 %	
<b>Operating income</b>	78	87	77	56	71	62	84	22	36 %	<b>Comparative analysis of operating income</b>
(Operating income ratio) (%)	10%	11%	11%	8%	10%	9%	12%	3 pt		Quantity variance+14      Raw materials price variance -4
<b>Elastomer Business</b>	57	51	55	44	46	38	52	14	38 %	Price variance +3      SG & A etc. +5
<b>Specialty Materials Business</b>	19	34	19	10	25	22	28	6	25 %	Exchange rate variance +4
Others and Eliminations	3	2	3	1	0	2	4	2	153 %	
<b>Ordinary income</b>	85	86	83	67	58	63	101	38	59 %	
<b>Net income</b>	56	53	27	44	39	42	80	37	89 %	
<b>Exchange rate (JPY/\$)</b>	121.0	122.6	121.2	117.7	111.8	103.5	106.1	2.6	2 %	
<b>Exchange rate (JPY/€)</b>	132.7	136.3	132.5	128.6	125.8	115.0	116.0	1.0	1 %	
<b>Naphtha price (JPY/kl)</b>	48,800	47,200	40,900	34,300	31,600	31,000	34,400	3,100	10 %	
<b>Asian Butadiene price (USD/t)</b>	1,175	1,004	756	908	1,033	1,121	1,647	526	47 %	

# Capital Expenditures, Depreciation & Amortization and R & D Expenses (Quarterly trends)

# ZEON

(Unit : JPY100m)

	FY2015				FY2016			Increase / Decrease FY2016 Q3 vs. FY2015 Q3		FY2016 forecast	Increase / Decrease FY2015 vs. FY2016	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Amount	percentage		Amount	percentage
<b>Capital expenditures</b>	59	72	86	60	86	41	50					
Elastomer Business	39	28	58	32	44	20	30					
Specialty Materials Business	16	25	17	17	37	13	14					
Others and Eliminations	4	18	12	11	5	8	6					
<b>Cumulative capital expenditures</b>	59	131	217	276	86	127	177	-40	-18 %	236	-40	-15 %
Elastomer Business	39	67	125	157	44	64	94	-30	-24 %			
Specialty Materials Business	16	42	58	75	37	50	64	6	9 %			
Others and Eliminations	4	22	34	45	5	13	19	-15	-44 %			
<b>Depreciation &amp; amortization</b>	50	51	54	55	45	49	53					
Elastomer Business	23	23	25	25	22	24	26					
Specialty Materials Business	21	21	22	22	17	18	20					
Others and Eliminations	6	6	7	7	6	7	7					
<b>Cumulative depreciation &amp; amortization</b>	50	101	154	209	45	94	147	-8	-5 %	202	-7	-3 %
Elastomer Business	23	46	72	97	22	46	72	0	0 %			
Specialty Materials Business	21	42	64	86	17	35	56	-8	-13 %			
Others and Eliminations	6	12	19	26	6	12	20	0	2 %			
<b>R&amp;D expenses</b>	33	35	35	39	31	33	32					
<b>Cumulative R&amp;D expenses</b>	33	68	103	141	31	64	96	-7	-7 %	139	-3	-2 %

# Comparative Balance Sheets (Consolidated)

**ZEON**

(Unit : JPY100m)

Liabilities and Net assets			
	As of Dec. 31, 2016	As of Mar. 31, 2016	Increase / Decrease
<b>Current assets</b>	1,824	1,729	95
Cash and bank deposits	151	80	72
Notes and accounts receivable-trade	716	660	56
Accounts receivable-other	273	266	7
Inventories	580	637	-57
Other current assets	104	86	18
<b>Fixed assets</b>	2,220	2,118	102
Property, Plant and Equipment	1,352	1,385	-33
Intangible assets	37	42	-5
Investment securities	736	608	128
Other fixed assets	96	83	13
<b>Total assets</b>	4,044	3,848	197

Liabilities and Net assets			
	As of Dec. 31, 2016	As of Mar. 31, 2016	Increase / Decrease
<b>Current liabilities</b>	1,238	1,144	94
Notes and accounts payable-trade	677	536	141
Short-term interest-bearing debt	276	278	-1
Other current liabilities	285	331	-45
<b>Long-term liabilities</b>	523	547	-24
Long-term interest-bearing debt	255	293	-38
Other long-term liabilities	268	254	13
<b>Total net assets</b>	2,283	2,156	127
Equity capital	2,242	2,108	134
Other net assets	41	48	-7
<b>Total liabilities and net assets</b>	4,044	3,848	197

Capital expenditures	177
Depreciation & amortization	-147
Other factors	-69
<b>Fixed assets</b>	<b>-38</b>

Total interest-bearing debt	532	571	-39
Equity ratio	55.4	54.8	0.6
D/E Ratio	0.24	0.27	-0.03

## ◆Cash flows

	FY2016 Q3	FY2015 Q3
Cash flows from operating activities	391	343
Cash flows from investing activities	-185	-214
Free cash flows	206	129
Cash flows from financing activities	-154	-10
Net increase (decrease) in cash and equivalents	50	119

# Forecast of Operating Performance for FY2016

**ZEON**

(Unit : JPY100m)

	FY2016	FY2015	Increase / Decrease	
			Amount	Percentage
<b>Net sales</b>	2,800	2,956	-156	-5 %
Elastomer Business	1,676	1,789	-113	-6 %
Specialty Materials Business	690	710	-20	-3 %
Others	453	479	-26	-6 %
Eliminations	-19	-22	3	
<b>Operating income</b>	280	299	-19	-6 %
<b>(Operating income ratio) (%)</b>	10.0%	10.1%	-0.1 pt	
Elastomer Business	204	207	-3	-2 %
Specialty Materials Business	77	82	-5	-6 %
Others	-1	9	-10	-111 %
<b>Non-operating income &amp; expenses</b>	-	23	-23	
<b>Ordinary income</b>	280	322	-42	-13 %
<b>Net income</b>	190	181	9	5 %
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Exchange rate (JPY/\$)	105.0	120.6	-15.6	-13 %
Exchange rate (JPY/€)	120.0	132.5	-12.5	-9 %
Naphtha price (JPY/kl)	35,000	42,800	-7,800	-18 %
Asian Butadiene price (USD/t)	950	961	-11	-1 %

Revisions of the latest financial forecasts: None

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.