

Consolidated Financial Report for the First Quarter of the FY 2016

July 29, 2016

Company name: Ube Industries, Ltd.
 Representative: Yuzuru Yamamoto,
 President and Representative Director
 Security code: 4208 (shares listed on First Section of Tokyo
 Stock Exchange and Fukuoka Stock Exchange)
 URL: <http://www.ube.co.jp/>
 Contact: Shinsuke Tokumitsu, General Manager,
 IR/PR Department Tel: +81-3-5419-6110

(Amounts rounded to the nearest million yen)

1. Consolidated Financial Results for the First Quarter Ended June 30, 2016

(From April 1, 2016 to June 30, 2016)

(1) Consolidated Operating Results

(% Indicates the rate of increase/decrease year on year)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
1Q ended June 30, 2016	138,090	-14.4%	1,628	-83.0%	861	-91.4%	177	-97.2%
1Q ended June 30, 2015	161,378	8.6%	9,580	—	9,998	—	6,387	—

(Note) Comprehensive Income: 1Q Ended June 30, 2016: -10,042 Million Yen (- %)
 1Q Ended June 30, 2015: 7,348 Million Yen (- %)

	Net Income per Share(Yen)	Diluted Net Income per Share(Yen)
1Q ended June 30, 2016	0.17	0.17
1Q ended June 30, 2015	6.04	6.02

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
As of June 30, 2016	665,557	273,993	38.1%
As of March 31, 2016	679,783	289,622	39.2%

(Reference) Shareholder's equity: As of June 30, 2016: 253,488 Million Yen
 As of June 30, 2015: 266,562 Million Yen

2. Cash Dividends

	Cash Dividends (Annual)				
	First Quarter	Second Quarter	Third Quarter	Year End	Annual
Year Ended March 31, 2016	—	0.00	—	5.00	5.00
Year Ending March 31, 2017	—				
Year Ending March 31, 2017 (Forecast)		0.00	—	6.00	6.00

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2017

(From April 1, 2016 to March 31, 2017)

(% Indicates the rate of increase/decrease to the same period of previous year)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Net Income per Share(Yen)
First Half Ending September 30, 2016	310,000	-4.1%	9,000	-56.1%	8,000	-59.3%	5,000	-63.5%	4.73
Year Ending March 31, 2017	655,000	2.1%	35,000	-15.5%	33,000	-16.7%	20,000	4.7%	18.90

1. Qualitative Information on Quarterly Results

(1) Analysis of Operating Results

During the current term, the U.S. economy sustained recovery and the European economy continued to be on a track of modest recovery, but the slowing of the Chinese economy became more apparent in Asia; as a whole, the world economy continued modest recovery, although such recovery lacked strength. The overall Japanese economy continued to be on a track of modest recovery, but individual spending and performance in the private sector remained sluggish.

Under such circumstances, the Company Group has revealed “Change & Challenge 2018,” the three-year midterm plan for the next three years starting from this fiscal year. Based on the basic policies of the new midterm plan, such as “Strengthen the Business Foundation to Enable Sustainable Growth” and “Address and be Part of the Solution for Resource, Energy, and Global Environmental Issue,” we will make full efforts to enhance profitability of each business segment and to overcome business challenges one by one. During the current term, business performance of the Company Group was affected by various factors such as rapid appreciation of the yen, sluggish market conditions of caprolactam, and weak demand and worsened export environment in the Japanese cement market. In addition, we conducted periodic inspection of the ammonia product factory in Ube for which the inspection frequency was shifted to every two year last year, as well as periodic inspection of the privately-owned power plant, both of which also impacted our business result.

(Billions of Yen)				
	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent
1Q 2016	138.0	1.6	0.8	0.1
1Q 2015	161.3	9.5	9.9	6.3
Change	-14.4%	-83.0%	-91.4%	-97.2%

Please take note that our first quarter result tends to stay at a lower level than those of other quarters, due to various seasonal factors, such as weak demand of cement, which is a main product in the Cement & Construction Materials segment, in comparison with the second half of the fiscal year when the demand is much higher, and business custom to record sales of machine products at the end of a business year.

The overall conditions of the Group by segment are as follows.

Chemicals Segment

Shipment of polyamide resins was steady as a whole, because of a steady increase in sales of the products used for food wrap films. Price falls of auxiliary materials such as ammonia contributed to overseas business of caprolactam, which is a material used for synthesize polyamide, but the market condition was still weak due to the continued supply excess in the China market. Shipment of ammonia products was weak, due to periodic inspection of the factories. Shipment of polybutadiene rubber (synthetic rubber) was steady, thanks to strong demand for the products used for eco tires.

Business of both electrolyte and separators for lithium-ion batteries continued to be affected by harsh price competition, but shipment of those increased further, thanks to usage on vehicles such as eco-cars. Shipment of fine chemicals was steady as a whole. Shipment of polyimide films was weak.

(Billions of Yen)		
	Net Sales	Operating Income
1Q 2016	57.9	-2.3
1Q 2015	70.0	3.5
Change	-17.3%	-

Pharmaceutical Segment

Shipment of pharmaceutical products may vary from quarter to quarter, but that of active ingredients respectively for hypotensive agents, antiallergic drugs and antiplatelet agents developed by UBE in the current term increased in comparison with the same period in the previous year. Shipment of active ingredients and intermediates for drugs manufactured under contract was steady as a whole.

(Billions of Yen)

	Net Sales	Operating Income
1Q 2016	2.4	0.4
1Q 2015	1.7	-0.0
Change	35.6%	-

Cement & Construction Materials Segment

Domestic shipments of cement and ready-mixed concrete remained weak, due to sluggish demand. Export of those products was affected by price drop, especially in the Southeast Asia countries, resulted from increased supply of products manufactured in China. Shipment of calcia and magnesia products remained weak, especially in the business with the steel industry.

(Billions of Yen)

	Net Sales	Operating Income
1Q 2016	53.8	2.9
1Q 2015	58.9	4.2
Change	-8.6%	-30.7%

Machinery Segment

Shipment of industrial machines such as vertical mills and conveyers was weak in both domestic and overseas markets. While shipment of molding machines mainly supplied to the automobile industries was steady in the domestic and North America markets, but the shipment to China and Southeast Asian countries was sluggish. Business performance of machinery services for those products remained at a steady level. Shipment of steel products increased in comparison with the same period in the previous year, but the price was affected by the weak market condition.

(Billions of Yen)

	Net Sales	Operating Income
1Q 2016	12.6	-0.0
1Q 2015	14.3	0.6
Change	-11.3%	-

Energy & Environment Segment

In the coal business, sales volumes of salable coal and volume of coal dealing at UBE's Coal Center (a coal storage facility) respectively decreased in comparison with the same period in the previous year. The power producer business was affected by periodic inspection of UBE's privately-owned power plant.

(Billions of Yen)

	Net Sales	Operating Income
1Q 2016	12.9	0.8
1Q 2015	20.4	1.4
Change	-36.6%	-44.5%

(2) Analysis of Financial Condition

Total assets at the end of the first quarter of the fiscal year decreased by 14.2 billion yen, in comparison with the end of the previous fiscal year, to 665.5 billion yen, mainly because notes and accounts receivable, and tangible fixed assets decreased respectively by 15.3 billion yen and 4.4 billion yen in spite of a 3.8 billion yen increase in inventories, which include commercial products and manufactured goods.

Total liabilities increased by 1.4 billion yen to 391.5 billion yen in spite of a 5.1 billion yen decrease in income tax payable and others, because reserve for bonuses, and notes and accounts payable increased respectively by 3.1 billion yen and 3.0 billion yen.

Net assets decreased by 15.6 billion yen to 273.9 billion yen, mainly because retained earnings resulted from payment of dividends decreased by 5.3 billion yen and foreign currency translation adjustments decreased by 7.0 billion yen.

(3) Forecast for the next Fiscal Year (April 1, 2016 to March 31, 2017)

Looking into future economic conditions, we expect that while Japanese economy would continue modest recovery, the global economy would experience greater uncertainty for the reasons of future fluctuation of foreign exchange rate and fuel prices, slowdown in economic growth in emerging countries including China and resource-rich countries, and changes in political, economic and financial trends in the U.S. and European countries.

During the current term, the company is basically on track to meet our earnings forecast. For the above reason, we do not revise our consolidated results forecast announced on May 11, 2016.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2016	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	42,463	45,766
Notes and accounts receivable - trade	139,506	124,136
Merchandise and finished goods	34,389	32,987
Work in process	15,360	19,369
Raw materials and supplies	26,334	27,560
Other	19,510	19,465
Allowance for doubtful accounts	-637	-534
Total current assets	276,925	268,749
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	81,176	80,201
Machinery, equipment and vehicles, net	141,086	135,140
Land	84,468	84,215
Other, net	17,070	19,834
Total property, plant and equipment	323,800	319,390
Intangible assets		
Other	4,970	4,746
Total intangible assets	4,970	4,746
Investments and other assets		
Investment securities	48,167	45,558
Other	26,345	27,553
Allowance for doubtful accounts	-538	-539
Total investments and other assets	73,974	72,572
Total non-current assets	402,744	396,708
Deferred assets	114	100
Total assets	679,783	665,557

(Millions of Yen)

	As of March 31, 2016	As of June 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	74,280	77,294
Short-term loans payable	79,367	80,161
Current portion of bonds	15,020	15,020
Income taxes payable	6,766	1,653
Provision for bonuses	7,118	10,300
Other provision	963	1,043
Other	49,742	49,472
Total current liabilities	233,256	234,943
Non-current liabilities		
Bonds payable	45,030	45,030
Long-term loans payable	75,839	74,206
Provision	1,231	1,151
Net defined benefit liability	6,727	6,765
Negative goodwill	958	978
Asset retirement obligations	1,271	1,277
Other	25,849	27,214
Total non-current liabilities	156,905	156,621
Total liabilities	390,161	391,564
Net assets		
Shareholders' equity		
Capital stock	58,435	58,435
Capital surplus	38,536	38,542
Retained earnings	166,862	161,739
Treasury shares	-801	-704
Total shareholders' equity	263,032	258,012
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,514	2,367
Deferred gains or losses on hedges	-13	-17
Foreign currency translation adjustment	3,674	-3,379
Remeasurements of defined benefit plans	-3,645	-3,495
Total accumulated other comprehensive income	3,530	-4,524
Subscription rights to shares	597	598
Non-controlling interests	22,463	19,907
Total net assets	289,622	273,993
Total liabilities and net assets	679,783	665,557

(2) Consolidated Statements of Income / Consolidated Statements of Comprehensive Income

• Consolidated Statements of Income

(Millions of Yen)

	Previous First Quarter ended June 30, 2015	Current First Quarter ended June 30, 2016
Net sales	161,378	138,090
Cost of sales	131,948	116,949
Gross profit	29,430	21,141
Selling, general and administrative expenses	19,850	19,513
Operating income	9,580	1,628
Non-operating income		
Interest income	77	49
Dividend income	320	411
Rent income	332	303
Amortization of negative goodwill	33	33
Share of profit of entities accounted for using equity method	884	446
Other	695	359
Total non-operating income	2,341	1,601
Non-operating expenses		
Interest expenses	551	406
Rent expenses	181	185
Foreign exchange losses	24	790
Other	1,167	987
Total non-operating expenses	1,923	2,368
Ordinary income	9,998	861
Extraordinary income		
Gain on sales of non-current assets	4	1
Total extraordinary income	4	1
Extraordinary losses		
Loss on disposal of non-current assets	418	363
Total extraordinary losses	418	363
Profit before income taxes	9,584	499
Income taxes	3,146	1,304
Profit (loss)	6,438	-805
Profit (loss) attributable to non-controlling interests	51	-982
Profit attributable to owners of parent	6,387	177

• Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Previous First Quarter ended June 30, 2015	Current First Quarter ended June 30, 2016
Profit (loss)	6,438	-805
Other comprehensive income		
Valuation difference on available-for-sale securities	872	-1,163
Deferred gains or losses on hedges	85	-4
Foreign currency translation adjustment	-142	-7,853
Remeasurements of defined benefit plans, net of tax	107	145
Share of other comprehensive income of entities accounted for using equity method	-12	-362
Total other comprehensive income	910	-9,237
Comprehensive income	7,348	-10,042
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,665	-7,877
Comprehensive income attributable to non-controlling interests	-317	-2,165

(3) Consolidated Statements of Cash Flows

(Millions of Yen)

	Previous First Quarter ended June 30, 2015	Current First Quarter ended June 30, 2016
Cash flows from operating activities		
Profit before income taxes	9,584	499
Depreciation	8,888	8,350
Amortization of negative goodwill	-33	-33
Increase (decrease) in allowance for doubtful accounts	-32	-88
Interest and dividend income	-397	-460
Interest expenses	551	406
Foreign exchange losses (gains)	155	17
Share of (profit) loss of entities accounted for using equity method	-884	-446
Loss (gain) on sales of non-current assets	63	3
Decrease (increase) in notes and accounts receivable - trade	9,262	13,679
Decrease (increase) in inventories	-11,265	-5,578
Increase (decrease) in notes and accounts payable - trade	701	2,270
Other, net	6,823	4,306
Subtotal	23,416	22,925
Interest and dividend income received	815	1,221
Interest expenses paid	-377	-341
Income taxes paid	-3,819	-6,722
Net cash provided by (used in) operating activities	20,035	17,083
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-8,614	-7,038
Proceeds from sales of property, plant and equipment	182	30
Purchase of investment securities	—	-41
Purchase of shares of subsidiaries and associates	-16	-102
Proceeds from sales of investment securities	1	—
Proceeds from sales of shares of subsidiaries and associates	51	—
Decrease (increase) in short-term loans receivable	0	-26
Other, net	-58	336
Net cash provided by (used in) investing activities	-8,454	-6,841
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	685	287
Increase (decrease) in commercial papers	-3,000	—
Proceeds from long-term loans payable	821	1,427
Repayments of long-term loans payable	-1,501	-1,502
Cash dividends paid	-5,301	-5,300
Dividends paid to non-controlling interests	-98	-238
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	-84
Other, net	-137	-136
Net cash provided by (used in) financing activities	-8,531	-5,546
Effect of exchange rate change on cash and cash equivalents	108	-1,015
Net increase (decrease) in cash and cash equivalents	3,158	3,681
Cash and cash equivalents at beginning of period	36,964	41,188
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	906	—
Cash and cash equivalents at end of period	41,028	44,869

(References)

Information concerning Net Sales and Income or Loss by Reportable Business Segment

Previous First Quarter ended Ended June 30, 2015 (April 1, 2015 to June 30, 2015)

(Millions of Yen)

	Reported Segment							Adjustment (note)	Amount recorded in consolidated financial statement
	Chemicals	Pharma- ceutical	Cement & Construction Materials	Machinery & Metal Products	Energy & Environment	Others	Total		
Net Sales									
External sales	67,717	1,794	57,407	14,211	16,399	3,850	161,378	-	161,378
Internal sales or transfers	2,357	-	1,501	107	4,060	468	8,493	-8,493	-
Total	70,074	1,794	58,908	14,318	20,459	4,318	169,871	-8,493	161,378
Segment income or losses (-) (operating income or losses (-))	3,520	-38	4,234	668	1,455	203	10,042	-462	9,580

(Note) -462 million yen for adjustment for segment income or loss (-) includes 7 million yen for the elimination of transaction between the Segments and 469 million yen for company-wide cost that is not allocated to each reported Segment. Company-wide cost consists mainly of administration and general expense that are not attributed to each reported Segment.

Current First Quarter ended Ended June 30, 2016 (April 1, 2016 to June 30, 2016)

(Millions of Yen)

	Reported Segment							Adjustment (note1)	Amount recorded in consolidated financial statement
	Chemicals	Pharma- ceutical	Cement & Construction Materials	Machinery (Note 2)	Energy & Environment	Others	Total		
Net Sales									
External sales	56,549	2,433	52,656	12,563	10,585	3,304	138,090	-	138,090
Internal sales or transfers	1,374	-	1,158	131	2,393	548	5,604	-5,604	-
Total	57,923	2,433	53,814	12,694	12,978	3,852	143,694	-5,604	138,090
Segment income or losses (-) (operating income or losses (-))	-2,364	461	2,935	-67	808	114	1,887	-259	1,628

(Note 1) -259 million yen for adjustment for segment income or loss (-) includes 25 million yen for the elimination of transaction between the Segments and -284 million yen for company-wide cost that is not allocated to each reported Segment. Company-wide cost consists mainly of administration and general expense that are not attributed to each reported Segment.

(Note 2) Please take note that the name as the Machinery and Metal Product Segment has been changed to the Machinery Segment from this quarter.

Consolidated Key Indicators

(Billions of Yen – except where noted)

	Previous First Quarter ended June 30, 2015	Current First Quarter ended June 30, 2016	Fiscal Year ending March 31, 2017 (forecast)	Fiscal Year Ended March 31, 2016
Capital investment	5.8	9.0	48.0	34.4
Depreciation and amortization	8.8	8.3	35.0	35.5
Research and development expenses	3.3	3.3	14.5	13.7
Adjusted operating income *1	10.8	2.5	38.0	45.2
Interest-bearing debt	239.0	215.7	210.0	216.6
Equity capital*2	265.7	253.4	280.0	266.5
Total assets	720.0	665.5	700.0	679.7
D/E ratio (times)	0.90	0.85	0.75	0.81
Equity ratio (%)	36.9	38.1	40.0	39.2
Return on sales (%)	5.9	1.2	5.3	6.5
Return on assets - ROA (%) *3	-	-	5.5	6.5
Return on equity – ROE (%)	-	-	7.3	7.2
Number of employees	10,863	10,853	11,000	10,764

*1 Adjusted operating income: Operating income + Interest and dividend income + Equity in earnings of unconsolidated subsidiaries and affiliated companies

*2 Equity capital: Net assets – Share subscription rights – Minority interests

*3 ROA: Adjusted operating income / Average total assets