

Financial Results for the 2nd Quarter FY2016

November 1, 2016

UBE INDUSTRIES,LTD.

Contents

- **FY2016 2nd Quarter Consolidated Results**
- **FY2016 Consolidated Forecasts**
- **Appendix**

※This"2nd Quarter(2Q)" date states information for 6 month total.

FY2016 2nd Quarter Consolidated Results

Scope of Consolidation

— Financial Results for the 2nd Quarter FY2016 —

Item	End of FY2015 (A)	End of FY2016 2Q (B)	Change (B) - (A)	Notes
Number of consolidated subsidiaries	68	68	0	
Number of equity method affiliates	25	25	0	
Total	93	93	0	

Environmental Factors

— Financial Results for the 2nd Quarter FY2016 —

Item		FY2015 2Q (A)	FY2016 2Q (B)	Change (B) - (A)
Exchange Rate	Yen/\$	121.8	105.3	-16.5
Material Price	(CIF) Naphtha	541	398	-143
	(Domestic)	47,800	31,400	-16,400
	Benzene(ACP)	754	637	-117
	Australian Coal	77.0	71.8	-5.2
	(CIF)	9,380	7,568	-1,812

Major P/L & B/S Items

— Financial Results for the 2nd Quarter FY2016 —

(Billion Yen)

Item	FY2015 2Q (A)	FY2016 2Q (B)	Difference (B) - (A)
Net sales	323.2	281.0	-42.1
Operating income	20.5	11.5	-8.9
Ordinary income	19.6	10.3	-9.3
Profit attributable to owners of parent	13.7	7.1	-6.6
Item	End of FY2015 (A)	End of FY2016 2Q (B)	Difference (B) - (A)
Total assets	679.7	653.5	-26.2
Interest-bearing debt	216.6	204.2	-12.4
Equity capital *1	266.5	259.0	-7.4

*1: Equity capital = Net assets - Subscription rights to shares - Non-controlling interests

Net Sales by Segment

— Financial Results for the 2nd Quarter FY2016 —

(Billion Yen)

Segment	FY2015 2Q (A)	FY2016 2Q (B)	Difference (B) - (A)	Major Factors
Chemicals	136.9	117.9	-19.0	Nylon/Caprolactam chain -17.1, Synthetic rubber -1.2, Battery Materials and Fine Chemicals 0.9, Polyimide and Specialty Products -0.7, etc
Pharmaceutical	3.2	4.5	1.2	
Cement & Construction Materials	118.2	109.7	-8.4	Cement and Ready-mixed concrete -7.6, Construction materials and Limestone related products -1.6, etc
Machinery	34.0	26.6	-7.3	
Energy & Environment	37.2	26.6	-10.6	Coal -9.5, Power -1.2, etc
Others	8.7	7.0	-1.7	
Adjustment	-15.3	-11.5	3.7	
Total	323.2	281.0	-42.1	Decreased by 13.1%

Operating Income by Segment

— Financial Results for the 2nd Quarter FY2016 —

(Billion Yen)

Segment	FY2015 2Q (A)	FY2016 2Q (B)	Difference (B) - (A)	Major Factors
Chemicals	6.3	0.4	-5.9	Nylon/Caprolactam chain -7.1, Synthetic rubber 0.2, Battery Materials and Fine Chemicals -0.5, Polyimide and Specialty Products -0.2, etc
Pharmaceutical	0.2	1.1	0.9	
Cement & Construction Materials	9.8	7.3	-2.4	Cement and Ready-mixed concrete -1.9, Construction materials and Limestone related products -0.7, etc
Machinery	1.7	0.7	-1.0	
Energy & Environment	2.4	1.7	-0.6	Coal -0.6, Power -0.1, etc
Others	0.4	0.2	-0.1	
Adjustment	-0.5	-0.1	0.3	
Total	20.5	11.5	-8.9	Decreased by 43.8%

Analysis of Operating Income

— Financial Results for the 2nd Quarter FY2016 —

(Billion Yen)

Segment	Operating Income						
	FY2015 2Q (A)	FY2016 2Q (B)	Difference (B) - (A)	Variance			
				Price *1	Sales Volume	Fixed Cost	Others *2
Chemicals	6.3	0.4	-5.9	-4.0	0.1	-3.8	1.7
Pharmaceutical	0.2	1.1	0.9	0.1	1.1	0.0	-0.3
Cement & construction Materials	9.8	7.3	-2.4	-0.2	-1.4	-0.4	-0.4
Machinery	1.7	0.7	-1.0	-0.2	-0.0	0.2	*3 -1.0
Energy & Environment	2.4	1.7	-0.6	0.5	-1.3	-0.2	0.2
Others	0.4	0.2	-0.1	0.0	0.0	-0.1	-0.1
Adjustment	-0.5	-0.1	0.3	-	-	0.3	0.1
Total	20.5	11.5	-8.9	-3.8	-1.5	-4.0	0.2

*1: Including both selling and purchase change *2: Including inventory valuation changes and lowest cost accounting

*3: Including marginal profit on machinery product -0.8

Non Operating Income/Expenses

— Financial Results for the 2nd Quarter FY2016 —

(Billion Yen)

Item		FY2015 2Q (A)	FY2016 2Q (B)	Difference (B) - (A)
Operating income		20.5	11.5	-8.9
Non-operating income/expenses	Net interest expenses	-0.4	-0.1	0.3
	Share of profit of entities accounted for using equity method	1.5	0.9	-0.6
	Foreign currency gain/loss	-0.6	-0.9	-0.2
	Others	-1.2	-1.0	0.2
	Total	-0.8	-1.1	-0.3
Ordinary income		19.6	10.3	-9.3

Extraordinary Income/Losses

— Financial Results for the 2nd Quarter FY2016 —

(Billion Yen)

Item		FY2015 2Q (A)	FY2016 2Q (B)	Difference (B) - (A)
	Reversal of accrued expenses from business withdrawal	1.5	-	-1.5
	Loss on disposal of non-current assets	-0.8	-0.5	0.3
	Loss on valuation of investment securities	-0.3	-	0.3
	Provision for loss over investment cost of subsidiaries and affiliates	-0.4	-	0.4
	Others	-0.0	0.0	0.0
Extraordinary income/losses		-0.0	-0.4	-0.4

Operating Income – Net Income

– Financial Results for the 2nd Quarter FY2016 –

(Billion Yen)

Item	FY2015 2Q (A)	FY2016 2Q (B)	Difference (B) - (A)
Operating income	20.5	11.5	-8.9
Non-operating income/expenses	-0.8	-1.1	-0.3
Ordinary income	19.6	10.3	-9.3
Extraordinary income/losses	-0.0	-0.4	-0.4
Profit before income taxes	19.5	9.8	-9.7
Income taxes and Profit attributable to non-controlling interest	-5.8	-2.7	3.1
Profit attributable to owners of parent	13.7	7.1	-6.6
Net income per share	12.96yen	6.71yen	-6.25yen

Consolidated Balance Sheet

— Financial Results for the 2nd Quarter FY2016 —

(Billion Yen)

Item		End of FY2015 (A)	End of FY2016 2Q (B)	Difference (B) - (A)
	Current assets	276.9	256.7	-20.1
	Fixed assets	402.7	396.6	-6.0
	Total assets	679.7	653.5	-26.2
	Interest-bearing debts	216.6	204.2	-12.4
	Other liabilities	173.4	169.3	-4.1
	Total liabilities	390.1	373.5	-16.6
	Equity capital *1	266.5	259.0	-7.4
	Non-controlling interests and others	23.0	20.9	-2.1
	Total net assets	289.6	280.0	-9.6
Total liabilities and net assets		679.7	653.5	-26.2

*1: Equity capital = Net assets - Subscription rights to shares - Non-controlling interests

Consolidated Statements of Cash Flows

— Financial Results for the 2nd Quarter FY2016 —

(Billion Yen)

Item	FY2015 2Q	FY2016 2Q	
A.Cash flows from operating activities	28.0	26.0	Profit before income taxes 9.8, Depreciation and amortization 16.8, etc.
B.Cash flows from investing activities	-16.8	-18.6	Acquisition of PP&E -18.9, etc
Free cash flows (A+B)	11.1	7.3	
C.Cash flows from financing activities	-18.8	-18.0	Decrease in interest-bearing debts -11.8, Dividends -5.6, etc.
D.Net increase/decrease in cash and cash equivalents	-6.9	-11.9	
E.Cash and cash equivalents at end of the quarter	29.9	29.2	

FY2016 Consolidated Forecasts

Scope of Consolidation

– FY2016 Consolidated Forecasts –

Item	End of FY2015 (A)	End of FY2016 (B)	Change (B) - (A)	Notes
Number of consolidated subsidiaries	68	70	2	Second Half: + Mitsubishi Heavy Industries Plastic Technology Co., Ltd. + Sales company to handle injection molding machines (name is not determined yet)
Number of equity method affiliates	25	25	0	
Total	93	95	2	

Environmental Factors

– FY2016 Consolidated Forecasts –

Item		FY2015 (A)	FY2016 (B)	Change (B) - (A)
Exchange Rate	Yen/\$	120.1	105.2 [105.0]	-14.9
Material Price	(CIF) Naphtha (Domestic)	\$/ t	484 [450]	-60
		Yen/KL	42,600 [34,800]	-9,500
	Benzene(ACP)	\$/ t	667 [650]	-24
	Australian Coal (CIF)	\$/ t	73.6 [85.0]	4.8
		Yen/t	8,843 [8,925]	-596

[] : numbers for the second half of the period only

Major P/L & B/S Items

– FY2016 Consolidated Forecasts –

(Billion Yen)

Item	FY2015 (A)	FY2016 (B)	Difference (B) - (A)
Net sales	641.7	610.0	-31.7
Operating income	41.4	35.0	-6.4
Ordinary income	39.6	33.0	-6.6
Profit attributable to owners of parent	19.1	20.0	0.9
Item	End of FY2015 (A)	End of FY2016 (B)	Difference (B) - (A)
Total assets	679.7	680.0	0.3
Interest-bearing debt	216.6	207.0	-9.6
Equity capital *1	266.5	272.0	5.5
Dividend(Yen /Share)	5.0	6.0	1.0

*1: Equity capital = Net assets - Subscription rights to shares - Non-controlling interests

Net Sales by Segment

– FY2016 Consolidated Forecasts –

(Billion Yen)

Segment	FY2015 (A)	FY2016 (Revised) (B)	Difference (B) - (A)	Major Factors
Chemicals	266.7	250.0	-16.7	Nylon/Caprolactam chain -23.6, Synthetic rubber -0.8, Battery Materials and Fine Chemicals 6.6, Polyimide and Specialty Products 0.2, etc
Pharmaceutical	9.2	10.0	0.8	
Cement & Construction Materials	237.3	230.0	-7.3	Cement and Ready-mixed concrete -7.2, Construction materials and Limestone related products 0.8, etc.
Machinery	73.4	68.0	-5.4	
Energy & Environment	69.0	60.0	-9.0	Coal -8.4 Power -1.7, etc.
Others	16.7	14.0	-2.7	
Adjustment	-30.9	-22.0	8.9	
Total	641.7	610.0	-31.7	4.9% Decrease

Operating Income by Segment

– FY2016 Consolidated Forecasts –

(Billion Yen)

Segment	FY2015 (A)	FY2016 (Revised) (B)	Difference (B) - (A)	Major Factors
Chemicals	12.0	9.0	-3.0	Nylon/Caprolactam chain -5.3, Synthetic rubber -0.6, Battery Materials and Fine Chemicals 1.4, Polyimide and Specialty Products -0.1, etc
Pharmaceutical	1.1	1.5	0.4	
Cement & Construction Materials	19.8	17.5	-2.3	Cement and Ready-mixed concrete -2.0, Construction materials and Limestone related products - 0.4, etc.
Machinery	4.6	4.0	-0.6	
Energy & Environment	3.8	3.5	-0.3	Coal -0.3
Others	1.1	1.0	-0.1	
Adjustment	-1.2	-1.5	-0.3	
Total	41.4	35.0	-6.4	15.5% decrease

Operating Income – Net Income

– FY2016 Consolidated Forecasts –

(Billion Yen)

Item	FY2015 (A)	FY2016 (B)	Difference (B) - (A)
Operating income	41.4	35.0	-6.4
Non-operating income/expenses	-1.7	-2.0	-0.3
Ordinary income	39.6	33.0	-6.6
Extraordinary income/losses	-11.9	-4.0	7.9
Profit before income taxes	27.6	29.0	1.4
Income taxes and Profit attributable to non-controlling interests	-8.5	-9.0	-0.5
Profit attributable to owners of parent	19.1	20.0	0.9
Net income per share	18.06yen	18.90yen	0.84yen

Appendix

【Reference】 Progress of Major P/L Items
— Financial Results for the 2nd Quarter FY2016 —

(Billion Yen)

Item	FY2015 (A)		FY2016 (B)		Difference (B) - (A)	
		2Q (Progress)		2Q (Progress)		2Q
Net Sales	641.7	323.2 (50.4%)	610.0	281.0 (46.1%)	-31.7	-42.1
Operating income	41.4	20.5 (49.5%)	35.0	11.5 (32.9%)	-6.4	-8.9
Ordinary income	39.6	19.6 (49.6%)	33.0	10.3 (31.2%)	-6.6	-9.3
Profit attributable to owners of parent	19.1	13.7 (71.8%)	20.0	7.1 (35.5%)	0.9	-6.6

【Reference】 FY2016 Changes in Results – Net Sales by Segment –

(Billion Yen)

Segment	FY2016					Full-year Forecast	Progress %
	1Q	2Q	3Q	4Q	Total		
Chemicals	57.9	60.0	-	-	117.9	250.0	47.2%
Pharmaceutical	2.4	2.0	-	-	4.5	10.0	45.0%
Cement & Construction Materials	53.8	55.9	-	-	109.7	230.0	47.7%
Machinery	12.6	13.9	-	-	26.6	68.0	39.1%
Energy & Environment	12.9	13.6	-	-	26.6	60.0	44.3%
Others	3.8	3.1	-	-	7.0	14.0	50.0%
Adjustment	-5.6	-5.9	-	-	-11.5	-22.0	-
Total	138.0	142.9	-	-	281.0	610.0	46.1%

【Reference】 FY2016 Changes in Results – Operating Income by Segment –

Segment	FY2016					(Billion Yen)	
	1Q	2Q	3Q	4Q	Total	Full-year Forecast	Progress %
Chemicals	-2.3	2.8	-	-	0.4	9.0	4.4%
Pharmaceutical	0.4	0.6	-	-	1.1	1.5	73.3%
Cement & Construction Materials	2.9	4.4	-	-	7.3	17.5	41.7%
Machinery	-0.0	0.8	-	-	0.7	4.0	17.5%
Energy & Environment	0.8	0.9	-	-	1.7	3.5	48.6%
Others	0.1	0.1	-	-	0.2	1.0	20.0%
Adjustment	-0.2	0.0	-	-	-0.1	-1.5	-
Total	1.6	9.8	-	-	11.5	35.0	32.9%

【Reference】 Major Data

— Financial Results for the 2nd Quarter FY2016 —

(Billion Yen)

Item	FY2015 2Q	FY2016 2Q	FY2016 full-year Forecast	FY2015 full-year
Capital investment	13.7	18.3	48.0	34.4
Depreciation and amortization	17.7	16.8	35.0	35.5
R&D expenses	6.5	6.5	14.5	13.7
Adjusted operating income	22.6	13.0	38.0	45.2
Interest-bearing debt	228.9	204.2	207.0	216.6
Equity capital	267.4	259.0	272.0	266.5
Total assets	694.5	653.5	680.0	679.7
D/E ratio (times)	0.86	0.79	0.76	0.81
Equity ratio (%)	38.5	39.6	40.0	39.2
Return on sales (%)	6.3	4.1	5.7	6.5
Return on assets [ROA] (%)	-	-	5.6	6.5
Return on equity [ROE] (%)	-	-	7.4	7.2
Number of employees	10,819	10,841	11,000	10,764

【Reference】 Major Subsidiaries

— Financial Results for the 2nd Quarter FY2016 —

(Billion Yen)

Subsidiaries and Affiliates	Business	Sales FY2016 2Q	Operating income change from FY2015 2Q
UBE CHEMICALS (ASIA) PUBLIC CO., LTD	Manufacture and sales of caprolactam and polyamide resin	16.2	↓
UBE CORPORATION EUROPE, S.A.U.	Manufacture and sales of caprolactam, polyamide resin, ammonium sulfate and fine chemicals	16.5	→
THAI SYNTHETIC RUBBERS CO., LTD.	Manufacture and sales of polybutadiene rubber	6.1	↑
UBE AMMONIA INDUSTRY, LTD.	Manufacture and sales of ammonia and industrial gases	5.8	↓
UBE FILM, LTD.	Manufacture and sales of plastic-film products	4.8	↑
UBE EXSYMO CO.,LTD	Manufacture and sales of polypropylene molded products, fibers, and fiber-reinforced plastics	6.2	↑
UBE CONSTRUCTION MATERIALS SALES CO., LTD.	Sales of cement, ready-mixed concrete and construction materials	26.8	→
UBE MATERIAL INDUSTRIES,LTD.	Manufacture and sales of Magnesium, Limestone products	21.0	↓
UBE SHIPPING & LOGISTICS, LTD.	Domestic shipping, harbor transportation, shipping-agent services and customs clearing	10.4	↓
SANSHIN TSUSHO Co., Ltd.	Sales of cement, ready-mixed concrete and construction materials	8.1	→
Consolidated subsidiaries dealing ready-mixed concrete	Manufacture and sales of ready-mixed concrete	17.4	↓
UBE MACHINERY CORPORATION, LTD.	Manufacture, sales and service of metal and resin molding machines, extrusion presses, vertical mills, water screening	15.5	↓
UBE STEEL CO., LTD.	Manufacture and sales of cast iron, steel products and rolled steel billets	8.1	↓
UBE C&A CO., LTD.	Sales of imported coal from Australia and other countries	9.5	→

Note: ↑ ↓ :Represent an increase or decrease of over 0.1 billion JPY



This presentation material contains forward-looking statements concerning UBE's future plans, strategies, and performance. These forward-looking statements are not historical facts; rather, they represent assumptions and beliefs based on economic, financial, and competitive data currently available. Forward-looking statements include information preceded by, followed by, or that include the words "project", "predicts", "expects", "forecasts", "could", "may", or similar expressions.

Furthermore, they are subject to a number of risks and uncertainties which include, but are not limited to, economic conditions, fierce competition in this industry, customer demand, tax rules and regulations. Readers of this presentation material are cautioned not to place undue reliance on these forward-looking statements. Actual results may differ materially from expectations.

Copyright 2016 Ube Industries, Ltd. All Rights Reserved