

# Consolidated Financial Report for the First Three Quarters of the Fiscal Year Ending March 31, 2017

February 1, 2017

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(Amounts rounded to the nearest million yen)

## 1. Consolidated Financial Results for the First Three Quarters of the Fiscal Year Ending March 31, 2017 (From April 1, 2016 to December 31, 2016)

### (1) Consolidated Operating Results

(% 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	
1st 3Qs ended Dec. 31, 2016	439,909	-8.8%	22,693	-27.4%	22,603	-25.0%	15,072	-21.6%
1st 3Qs ended Dec. 31, 2015	482,326	1.8%	31,252	118.0%	30,134	116.6%	19,228	274.9%

(Note) Comprehensive Income: 1st 3Qs ended Dec. 31, 2016: 14,915 Million Yen ( 11.8 %)  
 1st 3Qs ended Dec. 31, 2015: 13,337 Million Yen ( -19.1 %)

	Net Income per Share(Yen)	Diluted Net Income per Share(Yen)
1st 3Qs ended Dec. 31, 2016	14.24	14.20
1st 3Qs ended Dec. 31, 2015	18.17	18.12

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
As of Dec. 31, 2016	690,457	298,514	39.9%
As of March 31, 2016	679,783	289,622	39.2%

(Reference) Equity Capital: As of Dec. 31, 2016: 275,559 Million Yen / As of March 31, 2016: 266,562 Million Yen  
 [Equity Capital = Net assets – Subscription rights to shares – Non-controlling interests]

## 2. Cash Dividends

	Cash Dividends per share (yen)				
	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	—	0.00	—		
Year Ending March 31, 2017(Forecast)			—	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 year on year)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Net Income per Share(Yen)
Year Ending March 31, 2017	610,000	-4.9%	33,000	-20.3%	31,000	-21.8%	20,000	4.7%	18.90

## 4. Number of shares outstanding (common stock)

	As of Dec. 31, 2016	As of March 31, 2016
Numbers of shares outstanding at period end	1,062,001,076	1,062,001,076
Numbers of shares of treasury stock at period end	3,543,898	3,813,962
	1st 3Qs ended Dec. 31, 2016	1st 3Qs ended Dec. 31, 2015
Weighted-average number of shares outstanding during period	1,058,402,999	1,058,018,489

## 1. Qualitative Information on Quarterly Results

### (1) Analysis of Operating Results

During this nine-month consolidated period, the U.S. economy sustained recovery and the European economy was also 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, while lacking a strength. Although improvement was delayed in some sectors, the overall Japanese economy continued to be on a track of modest recovery.

Under such circumstances, the Company Group has announced “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. In this nine-month consolidated period, the business of the Company Group was affected by various factors such as the rapid appreciation of yen, and weak demand in the Japanese cement market and worsened export environment. The business was also affected by price rises of raw materials including coal in this third quarter. In addition, we conducted periodic inspection of the ammonia product factory in Ube for which the inspection frequency was shifted to every two year from the previous year, as well as periodic inspection of the in-house power plant, which also affected our business result.

(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent
1st 3Qs 2016	439.9	22.6	22.6	15.0
1st 3Qs 2015	482.3	31.2	30.1	19.2
Change	-8.8%	-27.4%	-25.0%	-21.6%

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

#### Chemicals Segment

Shipment of polyamide resins was steady, because of a steady increase in sales of the products used for food wrapping films. On the other hand, the market prices of the products remained low and the appreciation of yen also affected the business of the product. Although state of supply excess continued in the China market, some signs of recovery were seen in the business of caprolactam, which is a material used for polyamide. In the overseas markets, price falls of auxiliary materials such as ammonia also contributed to the business of the products. Shipment of ammonia products was weak, due to periodic inspection of the factory. Shipment of polybutadiene rubber (synthetic rubber) was steady as a whole, including the products used for eco tires, but was affected by price rises of raw materials.

Shipment of both separators and electrolyte for lithium-ion batteries increased, thanks to application on vehicles such as eco-cars. Shipment of polyimide films and fine chemicals was steady as a whole.

(Billions of Yen)

	Net Sales	Operating Income
1st 3Qs 2016	183.5	4.4
1st 3Qs 2015	203.2	9.5
Change	-9.7%	-53.5%

### Pharmaceutical Segment

Shipment of pharmaceutical products may vary depending on the time, but that of active ingredients respectively for antihypertensive agents, antiallergic drugs and antiplatelet agent 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
1st 3Qs 2016	7.1	1.6
1st 3Qs 2015	5.7	0.5
Change	24.3%	195.4%

### Cement & Construction Materials Segment

Domestic shipment of cement and ready-mixed concrete decreased slightly in comparison with the same period in the previous year. Shipment of exported cement continued to be strong, but the market prices stayed relatively low. In this third quarter, price rises of coal also affected the business. Shipment of calcia and magnesia products was steady as a whole.

(Billions of Yen)

	Net Sales	Operating Income
1st 3Qs 2016	169.3	12.4
1st 3Qs 2015	179.8	15.7
Change	-5.9%	-20.9%

### Machinery Segment

Shipment of industrial machines such as vertical mills and conveyers was weak in both domestic and overseas markets. Shipment of molding machines mainly supplied to the automobile industries was steady in the domestic, but the export of those products 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
1st 3Qs 2016	43.2	1.5
1st 3Qs 2015	51.7	2.5
Change	-16.4%	-40.7%

### 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 in-house power plant.

(Billions of Yen)

	Net Sales	Operating Income
1st 3Qs 2016	42.7	2.2
1st 3Qs 2015	53.2	2.6
Change	-19.7%	-14.8%

(2) Analysis of Financial Condition

Total assets at the end of the third quarter increased by 10.6 billion yen to 690.4 billion yen in comparison with the end of the previous fiscal year, despite of a decrease of 10.8 billion yen in cash on hand and in banks, because inventories, which include commercial products and manufactured goods, and notes and accounts receivable increased respectively by 12.0 billion yen and 3.6 billion yen.

Total liabilities increased by 1.7 billion yen to 391.9 billion yen in comparison with the end of the previous fiscal year, despite of a decrease of 5.6 billion yen in interest-bearing debt, because notes and accounts payable increased by 16.1 billion yen.

Net assets increased by 8.8 billion yen to 298.5 billion yen. While retained earnings decreased by 5.3 billion yen for the reason of payment of dividends, increased by 15.0 billion yen by profit attributable to owners of the parent.

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

As described in "Ube Industries Announces Revised Earnings Forecasts" released today, we have revised our earnings forecast for the whole financial year to net sales of 610.0 billion yen, operating income of 33.0 billion yen, ordinary income of 31.0 billion yen, and profit attributable to owners of the parent of 20.0 billion yen.

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	42,463	31,624
Notes and accounts receivable - trade	139,506	143,161
Merchandise and finished goods	34,389	37,672
Work in process	15,360	21,935
Raw materials and supplies	26,334	28,548
Other	19,510	22,008
Allowance for doubtful accounts	-637	-509
Total current assets	276,925	284,439
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	81,176	82,576
Machinery, equipment and vehicles, net	141,086	136,513
Land	84,468	84,534
Other, net	17,070	21,976
Total property, plant and equipment	323,800	325,599
Intangible assets		
Other	4,970	4,602
Total intangible assets	4,970	4,602
Investments and other assets		
Investment securities	48,167	50,355
Other	26,345	25,850
Allowance for doubtful accounts	-538	-511
Total investments and other assets	73,974	75,694
Total non-current assets	402,744	405,895
Deferred assets	114	123
<b>Total assets</b>	<b>679,783</b>	<b>690,457</b>

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	74,280	90,472
Short-term loans payable	79,367	69,358
Commercial papers	—	16,000
Current portion of bonds	15,020	15,020
Income taxes payable	6,766	3,056
Provision for bonuses	7,118	3,528
Other provision	963	806
Other	49,742	47,045
Total current liabilities	233,256	245,285
Non-current liabilities		
Bonds payable	45,030	40,020
Long-term loans payable	75,839	68,673
Provision	1,231	1,105
Net defined benefit liability	6,727	6,862
Negative goodwill	958	849
Asset retirement obligations	1,271	1,690
Other	25,849	27,459
Total non-current liabilities	156,905	146,658
<b>Total liabilities</b>	<b>390,161</b>	<b>391,943</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	58,435	58,435
Capital surplus	38,536	38,086
Retained earnings	166,862	176,634
Treasury shares	-801	-736
Total shareholders' equity	263,032	272,419
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,514	4,499
Deferred gains or losses on hedges	-13	-17
Foreign currency translation adjustment	3,674	1,846
Remeasurements of defined benefit plans	-3,645	-3,188
Total accumulated other comprehensive income	3,530	3,140
Subscription rights to shares	597	638
Non-controlling interests	22,463	22,317
<b>Total net assets</b>	<b>289,622</b>	<b>298,514</b>
<b>Total liabilities and net assets</b>	<b>679,783</b>	<b>690,457</b>

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

• Consolidated Statements of Income

	(Millions of yen)	
	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net sales	482,326	439,909
Cost of sales	391,042	358,213
Gross profit	91,284	81,696
Selling, general and administrative expenses	60,032	59,003
Operating income	31,252	22,693
Non-operating income		
Interest income	193	168
Dividend income	534	655
Rent income	901	929
Amortization of negative goodwill	97	101
Share of profit of entities accounted for using equity method	2,561	1,882
Foreign exchange gains	—	113
Other	1,560	1,207
Total non-operating income	5,846	5,055
Non-operating expenses		
Interest expenses	1,528	1,171
Rent expenses	552	517
Foreign exchange losses	749	—
Other	4,135	3,457
Total non-operating expenses	6,964	5,145
Ordinary income	30,134	22,603
Extraordinary income		
Gain on sales of non-current assets	352	78
Gain on sales of investment securities	40	—
Reversal of accrued expenses from business withdrawal	1,596	—
Total extraordinary income	1,988	78
Extraordinary losses		
Loss on disposal of non-current assets	4,214	1,526
Impairment loss	369	27
Loss on valuation of investment securities	251	—
Provision for loss over investment cost of subsidiaries and affiliates	404	—
Total extraordinary losses	5,238	1,553
Profit before income taxes	26,884	21,128
Income taxes	7,302	6,034
Profit	19,582	15,094
Profit attributable to non-controlling interests	354	22
Profit attributable to owners of parent	19,228	15,072

• Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Profit	19,582	15,094
Other comprehensive income		
Valuation difference on available-for-sale securities	199	954
Deferred gains or losses on hedges	43	-4
Foreign currency translation adjustment	-6,604	-750
Remeasurements of defined benefit plans, net of tax	323	443
Share of other comprehensive income of entities accounted for using equity method	-206	-822
Total other comprehensive income	-6,245	-179
Comprehensive income	13,337	14,915
Comprehensive income attributable to owners of parent	14,647	14,682
Comprehensive income attributable to non-controlling interests	-1,310	233



### (3) Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
<b>Cash flows from operating activities</b>		
Profit before income taxes	26,884	21,128
Depreciation	26,591	25,478
Impairment loss	369	27
Amortization of negative goodwill	-97	-101
Increase (decrease) in allowance for doubtful accounts	-35	-122
Interest and dividend income	-727	-823
Interest expenses	1,528	1,171
Foreign exchange losses (gains)	250	183
Share of (profit) loss of entities accounted for using equity method	-2,561	-1,882
Provision for loss over investment cost of subsidiaries and affiliates	404	—
Reversal of accrued expenses from business withdrawal	-1,596	—
Loss (gain) on sales of non-current assets	-240	-54
Decrease (increase) in notes and accounts receivable - trade	7,006	-4,334
Decrease (increase) in inventories	-12,655	-12,032
Increase (decrease) in notes and accounts payable - trade	-4,521	13,743
Other, net	1,914	-4,996
Subtotal	42,514	37,386
Interest and dividend income received	1,174	1,591
Interest expenses paid	-1,422	-1,134
Income taxes paid	-6,294	-9,647
Net cash provided by (used in) operating activities	35,972	28,196
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	-24,277	-25,884
Proceeds from sales of property, plant and equipment	954	172
Purchase of investment securities	-21	-447
Proceeds from sales of investment securities	58	122
Purchase of shares of subsidiaries and associates	-166	-499
Proceeds from sales of shares of subsidiaries and associates	51	56
Decrease (increase) in short-term loans receivable	49	35
Other, net	-255	1,146
Net cash provided by (used in) investing activities	-23,607	-25,299
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	192	-8,480
Increase (decrease) in commercial papers	0	16,000
Proceeds from long-term loans payable	2,416	4,571
Repayments of long-term loans payable	-16,662	-13,160
Proceeds from issuance of bonds	—	9,950
Redemption of bonds	-10	-15,010
Proceeds from share issuance to non-controlling shareholders	—	465
Cash dividends paid	-5,285	-5,284
Dividends paid to non-controlling interests	-306	-354

Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	-884
Other, net	-577	-593
Net cash provided by (used in) financing activities	-20,232	-12,779
Effect of exchange rate change on cash and cash equivalents	-294	-399
Net increase (decrease) in cash and cash equivalents	-8,161	-10,281
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	29,709	30,907

## (References)

### Information concerning Net Sales and Income by Reportable Business Segment

Previous Nine months ended December 31, 2016 (April 1, 2016 to December 31, 2016) (Millions of Yen)

	Reported Segment							Adjustment (note)	Amount recorded in consolidated financial statement
	Chemicals	Pharma- ceuticals	Cement & Construction Materials	Machinery	Energy & Environment	Others	Total		
Net Sales									
External sales	197,178	5,712	174,960	50,563	42,861	11,052	482,326	-	482,326
Internal sales or transfers	6,032	-	4,930	1,177	10,413	1,487	24,039	-24,039	-
Total	203,210	5,712	179,890	51,740	53,274	12,539	506,365	-24,039	482,326
Segment income (operating income)	9,578	546	15,799	2,546	2,633	858	31,990	-738	31,252

(Note) -738 million yen for adjustment for segment income includes -58 million yen for the elimination of transaction between the Segments and -680 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 Nine months ended December 31, 2016 (April 1, 2016 to December 31, 2016) (Millions of Yen)

	Reported Segment							Adjustment (note)	Amount recorded in consolidated financial statement
	Chemicals	Pharma- ceuticals	Cement & Construction Materials	Machinery	Energy & Environment	Others	Total		
Net Sales									
External sales	180,358	7,101	165,175	42,633	35,748	8,894	439,909	-	439,909
Internal sales or transfers	3,179	-	4,162	622	7,014	1,624	16,601	-16,601	-
Total	183,537	7,101	169,337	43,255	42,762	10,518	456,510	-16,601	439,909
Segment income (operating income)	4,456	1,613	12,490	1,511	2,269	639	22,978	-285	22,693

(Note) -285 million yen for adjustment for segment income includes -73 million yen for the elimination of transaction between the Segments and -212 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.

## Consolidated Key Indicators

(Billions of Yen – except where noted)

	Previous Nine months ended December 31, 2015	Current Nine months ended December 31, 2016	Fiscal Year ending March 31, 2017 (forecast)	Fiscal Year Ended March 31, 2016
Capital investment	21.0	26.6	48.0	34.4
Depreciation and amortization	26.5	25.4	35.0	35.5
Research and development expenses	9.9	10.0	14.5	13.7
Adjusted operating income *1	34.5	25.3	36.0	45.2
Interest-bearing debt	227.2	210.9	208.0	216.6
Equity capital*2	272.9	275.5	280.0	266.5
Total assets	705.8	690.4	685.0	679.7
D/E ratio (times)	0.83	0.77	0.74	0.81
Equity ratio (%)	38.7	39.9	40.9	39.2
Return on sales (%)	6.5	5.2	5.4	6.5
Return on assets - ROA (%) *3	-	-	5.3	6.5
Return on equity – ROE (%)	-	-	7.3	7.2
Number of employees	10,822	10,846	11,000	10,764

\*1 Adjusted operating income: Operating income + Interest and dividend income + Share of profit of entities accounted for using equity method

\*2 Equity capital: Net assets – Subscription rights to shares – Non-controlling interests

\*3 ROA: Adjusted operating income / Average total assets