Financial Results for the 2nd Quarter FY2018

November 1, 2018

2nd Quarter: April – September

UBE INDUSTRIES,LTD.

Scope of Consolidation

Item	End of FY2017 (A)	End of FY2018 2Q (B)	Difference (B) - (A)	Notes
Number of consolidated subsidiaries	70	71	1	+ Oita Ube Co., Ltd.
Number of equity method affiliates	24	24	0	
Total	94	95	1	

Environmental Factors

Item				FY2017 2Q (A)	FY2018 2Q (B)	Difference (B) - (A)
Exchange Rate			Yen/$	111.1	110.3	(0.8)
Material Price	Naphtha	CIF	$/ t	463	646	183
		Domestic	Yen/KL	37,700	51,300	13,600
	Benzene(ACP)		$/ t	777	855	78
	Australian Coal (CIF)		$/ t	100.3	127.8	27.5
			Yen/t	11,134	14,086	2,952

Major P/L Items

(Billions of yen)

Item	FY2017 2Q (A)	FY2018 2Q (B)	Difference (B) - (A)	Percentage change
Net sales	327.1	348.2	21.1	6.5%
Operating profit	22.6	15.0	(7.5)	(33.5)%
Ordinary profit	23.7	18.6	(5.0)	(21.2)%
Profit attributable to owners of parent	15.7	12.3	(3.4)	(21.7)%

Net Sales and Operating Profit by Segment

(Billions of yen)

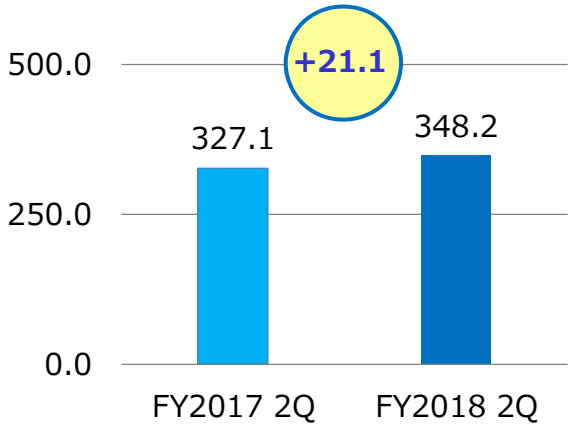
	Segment	FY2017 2Q (A)	FY2018 2Q (B)	Difference (B) - (A)
Net sales	Chemicals	146.3	151.6	5.3
	Pharmaceutical	5.1	3.3	(1.7)
	Cement & Construction Materials	115.9	119.4	3.5
	Machinery	35.7	43.2	7.4
	Energy & Environment	33.0	38.5	5.4
	Others	2.2	2.2	(0.0)
	Adjustment	(11.3)	(10.2)	1.1
	Total	327.1	348.2	21.1
Operating profit	Chemicals	13.3	8.2	(5.0)
	Pharmaceutical	1.6	(0.0)	(1.6)
	Cement & Construction Materials	5.8	4.5	(1.2)
	Machinery	1.3	1.3	0.0
	Energy & Environment	0.6	1.0	0.3
	Others	0.2	0.2	(0.0)
	Adjustment	(0.4)	(0.3)	0.0
	Total	22.6	15.0	(7.5)

2nd Quarter of the FY2018

Analysis - Total

(Billions of yen)

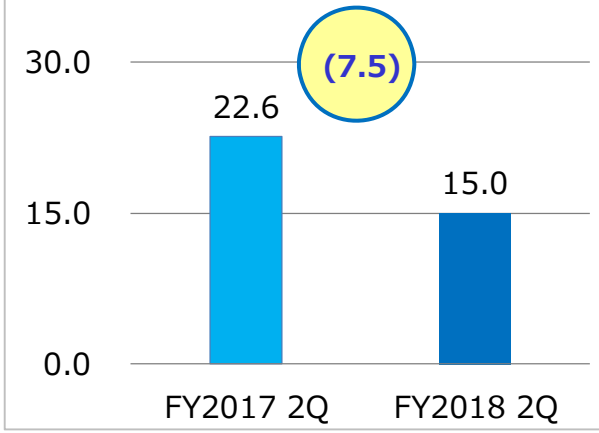
Net Sales



Chemicals	5.3
Pharmaceutical	(1.7)
Cement & Construction Materials	3.5
Machinery	7.4
Energy & Environment	5.4
Others	(0.0)
Adjustment	1.1

6.5% Increased

Operating profit



Chemicals	(5.0)
Pharmaceutical	(1.6)
Cement & Construction Materials	(1.2)
Machinery	0.0
Energy & Environment	0.3
Others	(0.0)
Adjustment	0.0

(33.5)% Decreased

Difference of operating profit

Price ※1	(7.4)
Volume	1.5
Fixed Cost and Others ※2	(1.6)
Total	**(7.5)**

***1: Including both selling and purchase change**

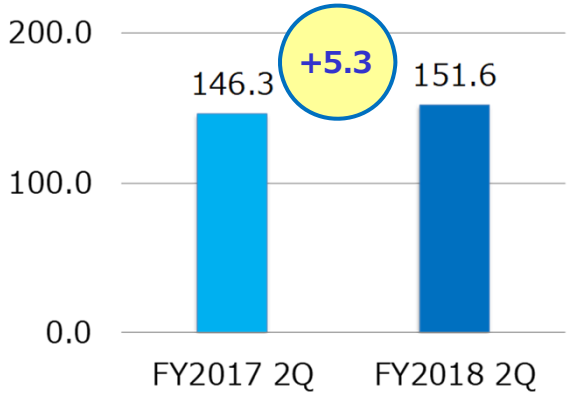
***2: Including inventory valuation changes and lowest cost accounting**

2nd Quarter of the FY2018

Analysis - Chemicals

(Billions of yen)

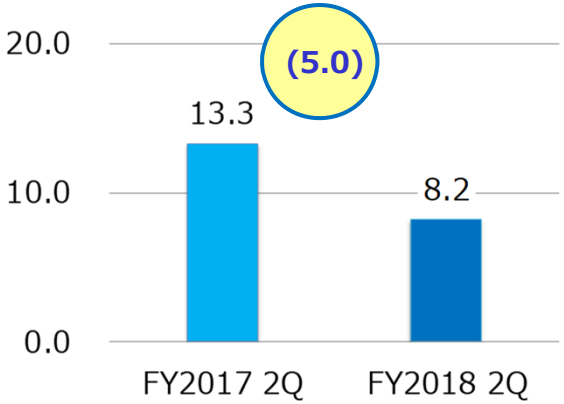
Net Sales



Nylon/Caprolactam chain	6.3
Synthetic rubber	(2.5)
Battery Materials and Fine Chemicals	1.0
Polyimide and Specialty Products	0.4
etc	

3.6% Increased

Operating profit



Nylon/Caprolactam chain	(0.6)
Synthetic rubber	(5.9)
Battery Materials and Fine Chemicals	1.5
Polyimide and Specialty Products	(0.1)
etc	

(38.0)% Decreased

Difference of operating profit

Price ※1	(6.8)
Volume	1.3
Fixed Cost and Others ※2	0.4
Total	**(5.0)**

***1: Including both selling and purchase change**

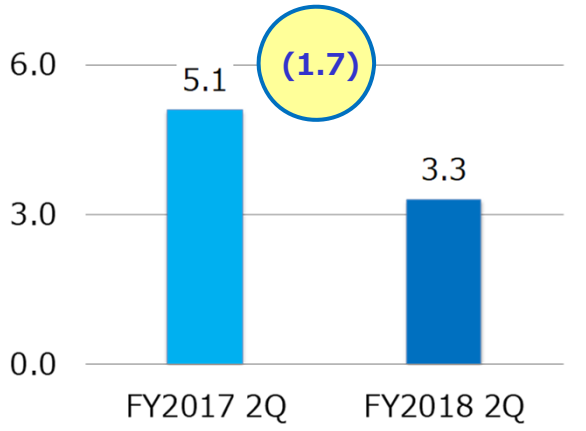
***2: Including inventory valuation changes and lowest cost accounting**

2nd Quarter of the FY2018

Analysis - Pharmaceutical

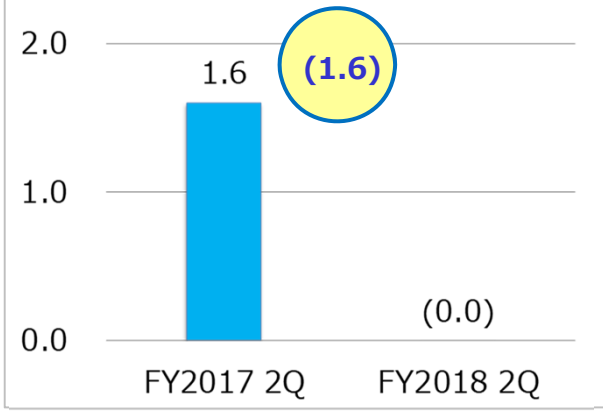
(Billions of yen)

Net Sales



(34.2)% Decreased

Operating profit



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Difference of operating profit

Price ※1	(0.1)
Volume	(0.0)
Fixed Cost and Others ※2	(1.5)
Total	**(1.6)**

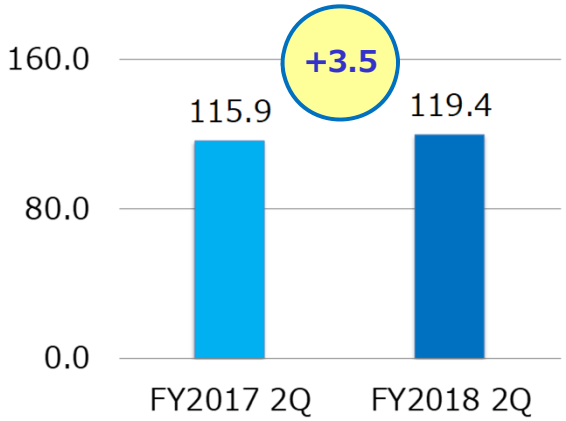
*1: Including both selling and purchase change

*2: Including inventory valuation changes and lowest cost accounting

Analysis – Cement & Construction Materials

(Billions of yen)

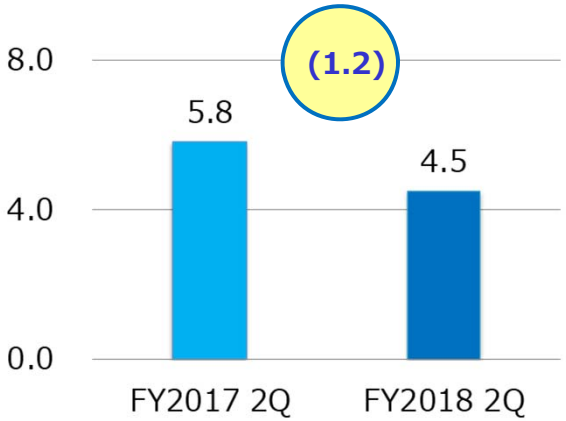
Net Sales



Cement and Ready-mixed concrete	2.6
Construction materials and	0.9
Limestone related products	
	etc

3.0% Increased

Operating profit



Cement and Ready-mixed concrete	(1.7)
Construction materials and	0.4
Limestone related products	
	etc

(21.7)% Decreased

Difference of operating profit

Price ※1	(0.1)
Volume	0.5
Fixed Cost and Others ※2	(1.6)
Total	**(1.2)**

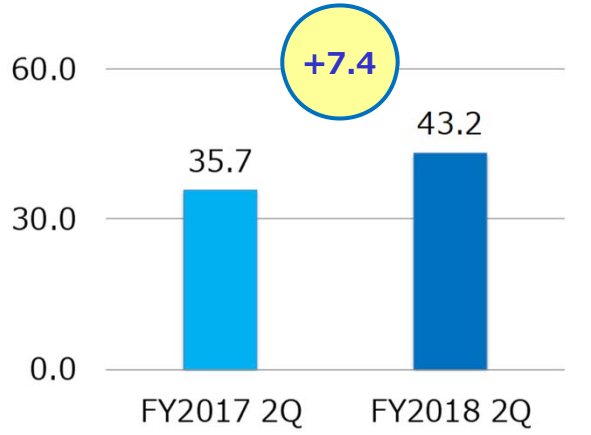
***1: Including both selling and purchase change**

***2: Including lowest cost accounting**

Analysis - Machinery

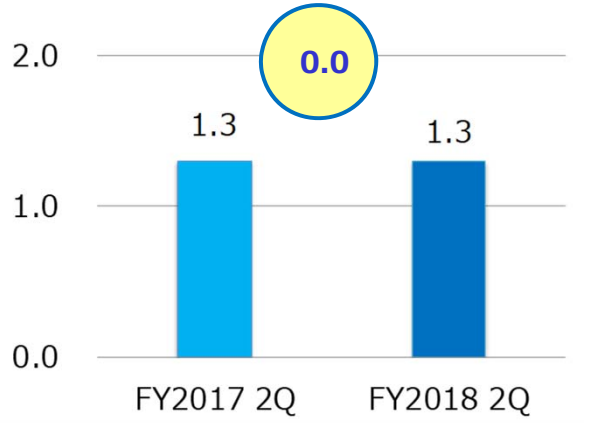
(Billions of yen)

Net Sales



20.8% Increased

Operating profit



3.1% Increased

Difference of operating profit

Price ※1	(0.4)
Volume	0.1
Fixed Cost and Others ※2	0.4
Total	**0.0**

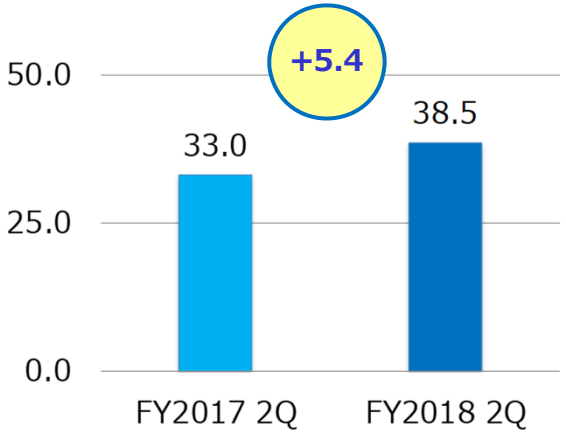
***1: Including both selling and purchase change**

***2: Including marginal profit on machinery product 0.7**

Analysis – Energy & Environment

(Billions of yen)

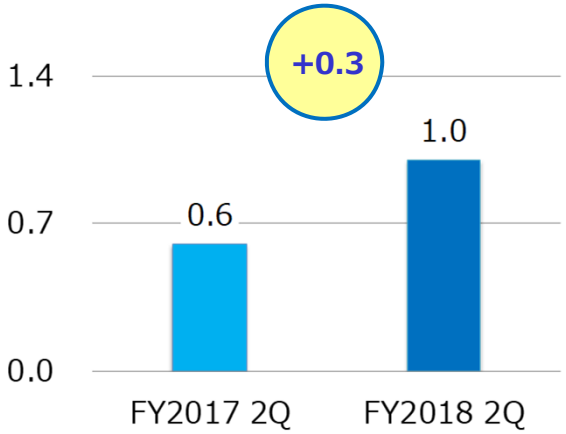
Net Sales



Coal	4.2
Power	1.3

16.7% Increased

Operating profit



Coal	(0.1)
Power	0.5

61.0% Increased

Difference of operating profit

Price ※1	(0.0)
Volume	(0.3)
Fixed Cost and Others ※2	0.7
Total	**0.3**

＊1: Including both selling and purchase change

＊2: Including lowest cost accounting

Operating Profit – Profit attributable to owners of parent

(Billions of yen)

Item	FY2017 2Q (A)	FY2018 2Q (B)	Difference (B) - (A)
Operating profit	22.6	15.0	(7.5)
Non-operating income/expenses	1.1	3.6	2.5
Net Interests expenses	0.1	1.1	0.9
Share of profit of entities accounted for using equtiy method	1.5	2.8	1.2
Foreign currency gain	0.4	1.0	0.5
Others	(1.1)	(1.3)	(0.1)
Ordinaly profit	23.7	18.6	(5.0)
Extraordinary losses	(0.4)	(1.0)	(0.5)
Profit before income taxes	23.2	17.6	(5.5)
Income taxes and profit attributable to non-controlling Interests	(7.4)	(5.3)	2.1
Profit attributable to owners of parent	15.7	12.3	(3.4)
Net income per share *1	150.24 yen	117.60 yen	(32.64) yen

*1: UBE has consolidated its shares in the proportion of 10 common shares to one common share, effective as of October 1, 2017. Net income per share have been calculated assuming that such consolidation was carried out at the beginning of the previous consolidated fiscal year.

Consolidated Balance Sheet

(Billions of yen)

Item	End of FY2017 (A)	End of FY2018 2Q (B)	Difference (B) - (A)
Current assets	316.8	310.2	(6.6)
Fixed assets	425.4	424.0	(1.3)
Total assets	742.4	734.4	(8.0)
Interest-bearing debts	195.5	192.3	(3.2)
Other liabilities	210.0	198.2	(11.7)
Total liabilities	405.5	390.6	(14.9)
Shareholders' equity *1	315.3	322.5	7.1
Non-controlling interests and others	21.5	21.2	(0.2)
Total net assets	336.8	343.8	6.9
Total liabilities and net assets	742.4	734.4	(8.0)

*1: Shareholders' equity = Net assets - Subscription rights to shares - Non-controlling interests

Consolidated Statements of Cash Flows

(Billions of yen)

Item	FY2017 2Q	FY2018 2Q	
A.Cash flows from operating activities	31.0	21.6	Profit before income taxes 17.6 Depreciation and amortization 17.8 Income taxes paid (7.0), etc.
B.Cash flows from investing activities	(16.4)	(22.1)	Acquisition of PP&E (22.2), etc.
Free cash flows (A+B)	14.5	(0.4)	
C.Cash flows from financing activities	(15.2)	(12.5)	Decrease in interest-bearing debts (3.3) Dividends (8.5), etc.
D.Net increase/decrease in cash and cash equivalents	1.2	(12.5)	
E.Cash and cash equivalents at end of the quarter	37.0	35.9	

UBE

Net Sales and Operating Profit by Segment – Forecast/Result

(Billions of yen)

	Segment	FY2018 2Q forecast (A)	FY2018 2Q result (B)	Difference (B) - (A)	FY2018 full-year published on May 10
Net sales	Chemicals	150.0	151.6	1.6	320.0
	Pharmaceutical	4.0	3.3	(0.7)	10.0
	Cement & Construction Materials	120.0	119.4	(0.6)	250.0
	Machinery	45.0	43.2	(1.8)	100.0
	Energy & Environment	40.0	38.5	(1.5)	80.0
	Others	2.0	2.2	0.2	5.0
	Adjustment	(11.0)	(10.2)	0.8	(25.0)
	Total	350.0	348.2	(1.8)	740.0
Operating profit	Chemicals	8.5	8.2	(0.3)	22.5
	Pharmaceutical	0.0	(0.0)	(0.0)	0.5
	Cement & Construction Materials	5.5	4.5	(1.0)	12.5
	Machinery	1.0	1.3	0.3	6.0
	Energy & Environment	1.0	1.0	0.0	2.5
	Others	0.5	0.2	(0.3)	1.0
	Adjustment	(0.5)	(0.3)	0.2	(1.0)
	Total	16.0	15.0	(1.0)	44.0

(Note) 45.5 billion yen for ordinary profit and 30.5 billion yen for profit attributable to owners of parent also have not revised since May 10, 2018.

Reference

Analysis of Operating Profit - All Segments

(Billions of yen)

Segment	Operating profit					
	FY2017 2Q (A)	FY2018 2Q (B)	Difference (B) - (A)	Price *1	Volume	Fixed cost and others *2
Chemicals	13.3	8.2	(5.0)	(6.8)	1.3	0.4
Pharmaceutical	1.6	(0.0)	(1.6)	(0.1)	(0.0)	(1.5)
Cement & construction Materials	5.8	4.5	(1.2)	(0.1)	0.5	(1.6)
Machinery	1.3	1.3	0.0	(0.4)	0.1	*3 0.4
Energy & Environment	0.6	1.0	0.3	(0.0)	(0.3)	0.7
Others	0.2	0.2	(0.0)	0.0	0.0	(0.0)
Adjustment	(0.4)	(0.3)	0.0	-	-	0.0
Total	22.6	15.0	(7.5)	(7.4)	1.5	(1.6)

*1:Including both selling and purchase change *2:Including inventory valuation changes and lowest cost accounting
*3:Including marginal profit on machinery product 0.7

Progress of Major P/L Items

(Billions of yen)

Item	FY2017 (A)		FY2018 (B)		Difference (B) - (A)	
		2Q Progress		2Q Progress		2Q
Net sales	695.5	327.1 47.0%	740.0	348.2 47.1%	44.5	21.1
Operating profit	50.2	22.6 45.0%	44.0	15.0 34.1%	(6.2)	(7.5)
Ordinary profit	50.7	23.7 46.8%	45.5	18.6 40.9%	(5.2)	(5.0)
Profit attributable to owners of parent	31.6	15.7 49.8%	30.5	12.3 40.3%	(1.1)	(3.4)

Net Sales

(Billions of yen)

Segment	FY2018					Full-year (Forecast)	Progress
	1Q	2Q	3Q	4Q	Total		
Chemicals	73.5	78.1	-	-	151.6	320.0	47.4%
Pharmaceutical	1.7	1.6	-	-	3.3	10.0	33.0%
Cement & Construction Materials	59.4	60.0	-	-	119.4	250.0	47.8%
Machinery	18.7	24.4	-	-	43.2	100.0	43.2%
Energy & Environment	18.4	20.0	-	-	38.5	80.0	48.1%
Others	1.1	1.1	-	-	2.2	5.0	44.0%
Adjustment	(4.0)	(6.2)	-	-	(10.2)	(25.0)	-
Total	169.0	179.1	-	-	348.2	740.0	47.1%

Operating Profit

(Billions of yen)

Segment	FY2018					Full-year (Forecast)	Progress
	1Q	2Q	3Q	4Q	Total		
Chemicals	3.6	4.6	-	-	8.2	22.5	36.4%
Pharmaceutical	(0.0)	0.0	-	-	(0.0)	0.5	-
Cement & Construction Materials	2.0	2.5	-	-	4.5	12.5	36.0%
Machinery	0.1	1.1	-	-	1.3	6.0	21.7%
Energy & Environment	0.3	0.6	-	-	1.0	2.5	40.0%
Others	0.1	0.0	-	-	0.2	1.0	20.0%
Adjustment	(0.1)	(0.2)	-	-	(0.3)	(1.0)	-
Total	6.1	8.9	-	-	15.0	44.0	34.1%

Consolidated Key Indicators

(Billions of yen)

Item	FY2017 2Q	FY2018 2Q	FY2018 full-year (forecast)	FY2017 full-year
Capital investment	13.8	17.0	40.0	40.3
Depreciation and amortization	17.2	17.8	37.0	35.3
R&D expenses	6.4	5.9	14.0	13.2
Adjusted operating profit	25.1	19.5	50.5	55.1
Interest-bearing debt	207.5	192.3	185.0	195.5
Shareholders' equity	300.6	322.5	334.0	315.3
Total assets	721.5	734.4	750.0	742.4
D/E ratio (times)	0.69	0.60	0.55	0.62
Shareholders' equity ratio (%)	41.6	43.9	44.5	42.5
Return on sales - ROS (%)	6.9	4.3	5.9	7.2
Return on assets - ROA (%)	-	-	6.8	7.6
Return on equity – ROE (%)	-	-	9.4	10.5
Number of employees	10,998	11,016	11,000	10,799

Consolidated Major Subsidiaries

(Billions of yen)

Subsidiaries and affiliates	Business	Net Sales FY2018 2Q	Difference of operating profit from FY2017 2Q
UBE Corporation Europe, S.A. Unipersonal	Manufacture and sales of caprolactam, ammonium sulfate, nylon, and fine chemical products	23.0	↑
UBE Chemicals (Asia) Public Company Limited	Manufacture and sales of caprolactam, ammonium sulfate, and nylon	23.3	↑
THAI SYNTHETIC RUBBERS COMPANY LIMITED	Manufacture and sales of polybutadiene rubber	7.5	↓
UBE Ammonia Industry, Ltd.	Manufacture and sales of ammonia and industrial gases	5.7	↓
UBE Film, Ltd.	Manufacture and sales of plastic film products	5.0	→
UBE EXSYMO CO., LTD.	Manufacture and sales of polypropylene molded products, fibers, fiber-reinforced plastics and electronic and information materials	6.8	↓
UBE Material Industries, Ltd.	Manufacture and sales of magnesia clinker, quicklime, slaked lime, etc.	23.6	↑
UBE Shipping & Logistics, Ltd.	Coastal shipping, port transport, containers, collection and transport of industrial waste, trading and engineering business	9.1	→
UBE Construction Materials Sales Co., Ltd.	Sales of cement, ready-mixed concrete, building materials, etc.	30.5	→
SANSHIN TSUSHO Co., Ltd.	Sales of cement, ready-mixed concrete, building materials, etc.	11.0	→
Consolidated subsidiaries dealing ready-mixed concrete	Manufacture and sales of ready-mixed concrete	20.4	↑
Ube Construction materials Co., Ltd.	Manufacture, sales and construction of various building materials	4.8	-
UBE Machinery Corporation, Ltd.	Manufacture, sales, and service of molding machines, industrial machinery and bridge, etc.	19.6	↓
UBE Steel Co., Ltd	Manufacture and sales of cast iron and steel products and rolled steel billets	11.2	↓
UBE COAL TRADING, LTD.	Sales of imported coal from Australia, Indonesia, and Russia	17.5	↓

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

Wings of technology
Spirit of innovation
UBE

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