

Consolidated Financial Report for the First Three Quarters Ended December 31, 2019

February 4, 2020

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 Security code: 4208 (shares listed on First Section of Tokyo
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(Amounts rounded to the nearest million yen)

1. Consolidated Financial Results for the First Three Quarters Ended December 31, 2019

(From April 1, 2019 to December 31, 2019)

(1) Consolidated Operating Results

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

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
April – December 2019	497,867 (7.9)%	25,408 (15.4)%	24,947 (25.4)%	15,176 (33.6)%
April – December 2018	540,468 6.6%	30,043 (20.1)%	33,430 (14.4)%	22,845 (14.3)%

(Note) Comprehensive Income: From April 1, 2019 to December 31, 2019: 16,894 Million Yen (22.9)%
 From April 1, 2018 to December 31, 2018: 21,917 Million Yen (40.7)%

	Net income per share (Yen)	Diluted net income per share (Yen)
April – December 2019	150.16	149.69
April – December 2018	218.09	217.39

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio (%)
December 31, 2019	725,778	357,307	45.9
March 31, 2019	740,286	354,552	44.5

(Reference) Shareholders' equity: As of December 31, 2019: 333,352 Million Yen

As of March 31, 2019: 329,520 Million Yen

[Shareholders' equity = Net assets – Share acquisition rights – Non-controlling interests]

2. Cash Dividends

	Cash dividends per share (Yen)				
	First quarter	Second quarter	Third quarter	Year end	Annual
April 2018 – March 2019	-	0.00	-	80.00	80.00
April 2019 – March 2020	-	45.00	-		
April 2019 – March 2020 (Forecast)				45.00	90.00

(Note) Revision of the latest forecast of cash dividends: No

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2020

(From April 1, 2019 to March 31, 2020)

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

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Net income per share (Yen)
April 2019 – March 2020	675,000 (7.6)%	36,000 (19.2)%	35,500 (25.8)%	22,000 (32.3)%	217.68

(Note) Revision of the latest forecast of consolidated financial results: Yes

For more information about the revised forecast of consolidated financial results, see "Ube Industries Announces Revised Earnings Forecasts," which was released today (February 4, 2020).

(Notes)

(1) Changes in significant subsidiaries during the first three quarters ended December 31, 2019: No

(Note) This item indicates whether there were changes in significant subsidiaries affecting the scope of consolidation during the first three quarters ended December 31, 2019.

(2) Adoption of special accounting methods for presenting quarterly consolidated financial statements: Yes

(Note) For more details, please refer to "5. Consolidated Financial Statements (4) Notes to Quarterly Consolidated Financial Statements (Application of the special accounting methods for preparing the quarterly consolidated financial statements)".

(3) Changes in accounting policies applied, changes in accounting estimates and retrospective restatement

Changes in accounting policies applied due to revisions of accounting standards: No

Changes in accounting policies other than the above: No

Changes in accounting estimates: No

Retrospective restatement: No

(4) Number of shares outstanding (common stock)

	December 31, 2019	March 31, 2019
Numbers of shares outstanding at period end	106,200,107	106,200,107
Numbers of shares of treasury stock at period end	5,128,997	5,158,424

	April – December 2019	April – December 2018
Weighted-average number of shares outstanding during period	101,063,051	104,748,941

(Information regarding quarterly review procedures)

The financial information contained in this report is not subject to quarterly review procedures by independent auditors.

(Cautionary statement on forward-looking statements)

The performance forecast and other forward-looking statements contained in this material have been prepared on the basis of information available at this point and certain assumptions which are judged to be rational. It may be substantially different from the actual performance because of various factors such as economic conditions in key markets, supply and demand of products, the prices of raw material and fuel, interest rates, and exchange rates.

4. Qualitative Information on Operating Results

(1) Overview of Operating Results

During the current term, net sales of the Corporate Group decreased due to falling sales prices for materials such as nylon, caprolactam, and synthetic rubber, as well as reduced sales volume for materials such as coal.

Company Group's operating profit also decreased despite a fall in the raw material prices such as coal, because weak demand in the nylon and caprolactam markets had a substantial negative impact on the overall business.

Profit attributable to owners of parent decreased, mainly because profit from business integration of equity-method affiliates that had taken place in the previous term was eliminated and because extraordinary losses also increased as the result of business transfer of a golf course that had been owned by a consolidated subsidiary of the Company Group.

As a result, the Company Group reports its consolidated results during the current term as follows:

(Billions of yen)				
Item	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
April – December 2019 ①	497.8	25.4	24.9	15.1
April – December 2018 ②	540.4	30.0	33.4	22.8
Difference ① - ②	(42.6)	(4.6)	(8.4)	(7.6)
Percentage change	(7.9)%	(15.4)%	(25.4)%	(33.6)%

(2) Overview by Segment

Net sales (Billions of yen)				
Segment	April – December 2019 ①	April – December 2018 ②	Difference ① – ②	Percentage change
Chemicals	214.9	241.4	(26.4)	(11.0)%
Construction Materials	227.7	240.7	(13.0)	(5.4)%
Machinery	64.7	67.0	(2.2)	(3.4)%
Others	3.5	3.7	(0.1)	(3.9)%
Adjustment	(13.0)	(12.3)	(0.6)	—
Total	497.8	540.4	(42.6)	(7.9)%

Operating profit (Billions of yen)				
Segment	April – December 2019 ①	April – December 2018 ②	Difference ① – ②	Percentage change
Chemicals	11.0	16.8	(5.7)	(34.0)%
Construction Materials	11.3	10.3	1.0	9.9%
Machinery	2.9	2.6	0.2	10.4%
Others	0.4	0.6	(0.1)	(27.8)%
Adjustment	(0.4)	(0.4)	(0.0)	—
Total	25.4	30.0	(4.6)	(15.4)%

Chemicals – Decreases in both net sales and operating profit

■ Engineering Plastics & Fine Chemicals Businesses

The Caprolactam Business recorded a sales decrease, due to falls in sales prices and sales volume resulted from sluggish growth in markets such as China.

The Nylon Business recorded a net sales decrease due to relaxation of supply and demand resulting from the sluggish growth in markets such as China, in addition to the effects of the falling caprolactam prices.

The Industrial Chemicals Business recorded a sales increase, thanks to increases in both production and shipment volume for the reason that there were no once-every-two-year periodic repair of the ammonia product factory.

The Fine Chemicals Business recorded a net sales decrease despite the continued strong demand as a whole, because the harsher competition caused sales volume decreases in some products.

Both net sales and operating profit decreased in the Engineering Plastics and Fine Chemicals Businesses as a whole, because price declines in nylon and caprolactam had a substantial negative impact on the overall performance of these businesses.

■ Both net sales and operating profit decreased in the Synthetic Rubber Business: while shipment of the products as a whole, particularly ones for mainly used for tires, was strong, the product prices fell more steeply than the ones of butadiene, main raw materials in the business, did, resulting shrinking in the spread between the selling prices of the products and buying price of butadiene.

■ Specialty Products Businesses

The Battery Materials Business recorded a sales decrease, because the sales volume decreased under the condition that competition became harsher in the China market and some main customers adjusted their production volume.

The Polyimide Business recorded an increase in net sales, because sales volume of the COF films mainly used on displays remained stable and expansion of demand for varnish used for organic EL panels in the China market drove an increase in sale volume.

Both net sales and operating profit decreased in the Specialty Products Business as a whole, despite the continued strong sales, because a decrease in battery materials sales volume greatly affected the overall business.

■ The Pharmaceutical Business recorded an increase in net sales and a decrease in operating profit: while our customers, pharmaceutical companies, expanded sales both in drugs developed by UBE and those manufactured under contract, royalty revenues decreased.

■ Both net sales and operating profit decreased in the Chemicals Segment as a whole: while sales of polyimide continued to be strong, price decline in nylon and caprolactam had a substantial negative impact on the overall performance of these businesses.

Construction Materials – Decreases in net sales and increase in operating profit

■ The Cement and Ready-Mixed Concrete Business recorded a net sales decrease due to the effects of sluggish domestic demand, for which natural disasters and the large number of holidays and resulting decrease in business days were contributing factors.

■ The Calcia and Magnesia Business recorded a net sales decrease, despite of a positive impact of the price revision of some products including the magnesia products used in the steel and electric power industries, because downturn in economy such as China had a significant impact on sales volume of the products.

■ The Energy Business recorded a net sales decrease, due to decreases in sales volume and prices of coal.

■ The Construction Materials Segment as a whole recorded a decrease in net sales and an increase in operating profit, because impact of a price fall of coal used as the raw materials offset a decrease in sales volume of cement, ready-mixed concrete and coal.

Machinery – Decreases in net sales and increase in operating profit

■ The Segment recorded a decrease in net sales and an increase in operating profit. Although the shipment volume of Industrial Machine Business products decreased due to the impact of the economic downturn resulting from the trade frictions between the US and China spreading to capital investment on a global basis, the Service Business remained strong and the Steel Products Business saw improvement in profitability.

Others – Decreases in both net sales and operating profit

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of March 31 and December 31, 2019

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	32,903	29,964
Notes and accounts receivable - trade	171,611	155,426
Merchandise and finished goods	42,585	45,575
Work in process	22,611	25,078
Raw materials and supplies	31,568	31,390
Other	15,020	15,807
Allowance for doubtful accounts	(599)	(482)
Total current assets	315,699	302,758
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	88,100	85,332
Machinery, equipment and vehicles, net	143,335	134,224
Land	80,510	76,897
Other, net	19,371	30,340
Total property, plant and equipment	331,316	326,793
Intangible assets		
Goodwill	643	521
Other	6,463	6,881
Total intangible assets	7,106	7,402
Investments and other assets		
Investment securities	55,567	57,321
Other	31,063	31,941
Allowance for doubtful accounts	(628)	(615)
Total investments and other assets	86,002	88,647
Total non-current assets	424,424	422,842
Deferred assets	163	178
Total assets	740,286	725,778

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	102,223	95,408
Short-term borrowings	51,371	45,440
Commercial papers	—	5,000
Current portion of bonds	10,000	—
Income taxes payable	4,106	1,883
Provision for bonuses	7,163	3,571
Other provisions	1,298	1,244
Other	49,902	47,973
Total current liabilities	226,063	200,519
Non-current liabilities		
Bonds payable	50,000	60,000
Long-term borrowings	74,275	71,735
Provisions	2,727	3,352
Retirement benefit liability	7,011	7,386
Asset retirement obligations	1,884	1,908
Other	23,774	23,571
Total non-current liabilities	159,671	167,952
Total liabilities	385,734	368,471
Net assets		
Shareholders' equity		
Share capital	58,435	58,435
Capital surplus	40,355	40,355
Retained earnings	235,671	238,188
Treasury shares	(12,798)	(12,723)
Total shareholders' equity	321,663	324,255
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,217	4,713
Deferred gains or losses on hedges	(5)	(262)
Foreign currency translation adjustment	6,075	6,858
Remeasurements of defined benefit plans	(2,430)	(2,212)
Total accumulated other comprehensive income	7,857	9,097
Share acquisition rights	626	616
Non-controlling interests	24,406	23,339
Total net assets	354,552	357,307
Total liabilities and net assets	740,286	725,778

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

• Consolidated Statements of Income

For the first three quarters ended December 31, 2018 and 2019

(Millions of yen)

	April 1, 2018 - December 31, 2018	April 1, 2019 - December 31, 2019
Net sales	540,468	497,867
Cost of sales	447,167	409,045
Gross profit	93,301	88,822
Selling, general and administrative expenses	63,258	63,414
Operating profit	30,043	25,408
Non-operating income		
Interest income	203	250
Dividend income	1,720	1,086
Rental income	793	798
Amortization of negative goodwill	96	19
Share of profit of entities accounted for using equity method	3,776	1,826
Foreign exchange gains	725	163
Other	1,432	1,182
Total non-operating income	8,745	5,324
Non-operating expenses		
Interest expenses	829	737
Rental expenses	451	459
Other	4,078	4,589
Total non-operating expenses	5,358	5,785
Ordinary profit	33,430	24,947
Extraordinary income		
Gain on sales of non-current assets	58	10
Gain on sales of investment securities	19	62
Total extraordinary income	77	72
Extraordinary losses		
Loss on disposal of non-current assets	1,706	612
Loss on sales of investment securities	—	1
Impairment loss	154	4,797
Loss on valuation of investment securities	11	257
Total extraordinary losses	1,871	5,667
Profit before income taxes	31,636	19,352
Income taxes	7,438	4,318
Profit	24,198	15,034
Profit attributable to non-controlling interests	1,353	(142)
Profit attributable to owners of parent	22,845	15,176

• Consolidated Statements of Comprehensive Income
For the first three quarters ended December 31, 2018 and 2019

(Millions of yen)

	April 1, 2018 – December 31, 2018	April 1, 2019 – December 31, 2019
Profit	24,198	15,034
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,836)	485
Deferred gains or losses on hedges	(4)	(257)
Foreign currency translation adjustment	(588)	1,712
Remeasurements of defined benefit plans, net of tax	300	202
Share of other comprehensive income of entities accounted for using equity method	(153)	(282)
Total other comprehensive income	(2,281)	1,860
Comprehensive income	21,917	16,894
Comprehensive income attributable to owners of parent	20,528	16,416
Comprehensive income attributable to non-controlling interests	1,389	478

(3) Consolidated Statements of Cash Flows

For the first three quarters ended December 31, 2018 and 2019

(Millions of yen)

	April 1, 2018 – December 31, 2018	April 1, 2019 – December 31, 2019
Cash flows from operating activities		
Profit before income taxes	31,636	19,352
Depreciation and amortization	26,938	27,292
Impairment loss	154	4,797
Amortization of negative goodwill	(96)	(19)
Increase (decrease) in allowance for doubtful accounts	58	(118)
Interest and dividend income	(1,923)	(1,336)
Interest expenses	829	737
Share of loss (profit) of entities accounted for using equity method	(3,776)	(1,826)
Loss (gain) on sales of non-current assets	(23)	166
Decrease (increase) in trade receivables	(5,378)	15,670
Decrease (increase) in inventories	(14,427)	(5,173)
Increase (decrease) in trade payables	2,472	(5,596)
Other, net	(4,697)	(2,382)
Subtotal	31,767	51,564
Interest and dividends received	2,885	2,428
Interest paid	(891)	(725)
Income taxes paid	(12,637)	(7,089)
Net cash provided by (used in) operating activities	21,124	46,178
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(28,817)	(30,909)
Proceeds from sales of property, plant and equipment	910	606
Purchase of investment securities	(119)	(259)
Proceeds from sales of investment securities	5	106
Purchase of shares of subsidiaries and associates	(345)	(686)
Proceeds from sales of shares of subsidiaries and associates	43	—
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(194)
Decrease (increase) in short-term loans receivable	32	355
Other, net	(247)	(116)
Net cash provided by (used in) investing activities	(28,538)	(31,097)

(Millions of yen)

	April 1, 2018 – December 31, 2018	April 1, 2019 – December 31, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	9,689	(2,463)
Increase (decrease) in commercial papers	11,000	5,000
Proceeds from long-term borrowings	2,641	7,543
Repayments of long-term borrowings	(18,044)	(13,467)
Proceeds from issuance of bonds	9,955	9,955
Redemption of bonds	(10,010)	(10,000)
Purchase of treasury shares	(5,007)	(5)
Dividends paid	(7,872)	(12,640)
Dividends paid to non-controlling interests	(667)	(770)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(430)	(679)
Other, net	(553)	(710)
Net cash provided by (used in) financing activities	(9,298)	(18,236)
Effect of exchange rate change on cash and cash equivalents	1	177
Net increase (decrease) in cash and cash equivalents	(16,711)	(2,978)
Cash and cash equivalents at beginning of period	48,529	32,295
Cash and cash equivalents at end of period	31,818	29,317

(4) Notes to Quarterly Consolidated Financial Statements

(Note to events and conditions which indicate there could be substantial doubt about going concern assumption)

None.

(Note to significant changes in shareholders' equity)

None.

(Application of the special accounting methods for preparing the quarterly consolidated financial statements)

Tax expenses are calculated by estimating an effective tax rate for net income based on reasonable assumptions of an effective tax rate after application of tax effect accounting for net income before tax for the consolidated fiscal year, including the current term, and by multiplying the quarterly net income before tax by the estimated tax rate of net income. However, for subsidiaries for which calculating tax expenses using the said estimation of the effective tax rate would significantly lack rationality, tax expenses are calculated by using the statutory effective tax rate.

Income taxes adjustment is included in income taxes.

6. Segment Information

(1) Information concerning Net Sales and Operating Profit by Reportable Business Segment

For the First Three Quarters Ended December 31, 2018 (April 1, 2018 to December 31, 2018) (Millions of yen)

	Reported segment					Adjustment (note 1)	Amount recorded in consolidated statements of income (note 2)
	Chemicals	Construction Materials	Machinery	Others	Total		
Net sales							
External sales	240,699	230,981	66,128	2,660	540,468	—	540,468
Internal sales or transfers	701	9,749	872	1,061	12,383	(12,383)	—
Total	241,400	240,730	67,000	3,721	552,851	(12,383)	540,468
Segment profit (Operating profit)	16,805	10,323	2,661	658	30,447	(404)	30,043

Note 1: (404) million yen for adjustment for Segment profit includes (61) million yen for the elimination of transaction between the Segments and (343) 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 is not attributed to each reported Segment.

Note 2: Segment profit is adjusted with operating profit recorded in the consolidated statements of income.

For the First Three Quarters Ended December 31, 2019 (April 1, 2019 to December 31, 2019) (Millions of yen)

	Reported segment					Adjustment (note 1)	Amount recorded in consolidated statements of income (note 2)
	Chemicals	Construction Materials	Machinery	Others	Total		
Net sales							
External sales	214,297	217,968	63,131	2,471	497,867	—	497,867
Internal sales or transfers	619	9,762	1,573	1,105	13,059	(13,059)	—
Total	214,916	227,730	64,704	3,576	510,926	(13,059)	497,867
Segment profit (Operating profit)	11,097	11,348	2,937	475	25,857	(449)	25,408

Note 1: (449) million yen for adjustment for Segment profit includes (91) million yen for the elimination of transaction between the Segments and (358) 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 is not attributed to each reported Segment.

Note 2: Segment profit is adjusted with operating profit recorded in the consolidated statements of income.

(2) Information Concerning Changes in Reported Segments

Effective from the first quarter of this consolidated fiscal year, the Company Group modified its management framework, and as the result, integrated the former Pharmaceutical Segment into the Chemicals Segment, and the Energy & Environment Segment into the Construction Materials Segment.

For fair comparison over the same period last year, the segment information in the first three quarters of the previous consolidated fiscal year is reported under the segmentation after the modification.

(Reference) Consolidated Key Indicators

(Billions of yen – except where noted)

	April – December 2018	April – December 2019	April 2019 – March 2020 (forecast)	April 2018 – March 2019
Capital investment	24.9	26.6	48.0	41.7
Depreciation and amortization	26.9	27.2	37.0	36.4
Research and development expenses	9.0	9.7	14.0	12.1
Adjusted operating profit *1	35.7	28.5	39.0	51.5
Interest-bearing debt	200.5	184.9	195.0	187.2
Shareholders' equity *2	323.1	333.3	340.0	329.5
Total assets	743.1	725.7	740.0	740.2
D/E ratio (times)	0.62	0.55	0.57	0.57
Shareholders' equity ratio (%)	43.5	45.9	45.9	44.5
Return on sales - ROS (%) *3	5.6	5.1	5.3	6.1
Return on assets - ROA (%) *4	—	—	5.3	6.9
Return on equity - ROE (%) *5	—	—	6.6	10.1
Number of employees	11,087	11,033	11,000	11,010

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

*2 Shareholders' equity: Net assets – Share acquisition rights – Non-controlling interests

*3 ROS: Operating profit / Net sales

*4 ROA: Adjusted operating profit / Average total assets

*5 ROE: Profit attributable to owners of parent / Average shareholders' equity