

# Consolidated Financial Report for the First Half of the Fiscal Year Ending March 31, 2016

## Ube Industries, Ltd.

### 1. Consolidated Companies

Fiscal period	Previous FY ended March. 31, 2015	Current first half ended September. 30, 2015	Change
Number of companies			
Consolidated companies	71	70	-1
Companies using equity method accounting	24	25	+1
Total	95	95	0

### 2. Consolidated Business Results for the First Half of the Fiscal Year Ending March 31, 2016 (April 1, 2015 to September 30, 2015)

#### (1) Results of Operations

(Billions of Yen – except per share data)

	Previous first half ended September. 30, 2014	Current first half ended September. 30, 2015	Change
Net sales	307.7	323.2	15.5
Operating income	6.2	20.5	14.2
Net interest expenses	-0.5	-0.4	0.0
Equity in earnings of affiliates	0.1	1.5	1.3
Other non-operating income	-0.9	-1.9	-0.9
Ordinary income	4.8	19.6	14.7
Extraordinary income	0.0	1.6	1.5
Extraordinary losses	-5.4	-1.7	3.7
Profit (loss) attributable to owners of parent	0.0	13.7	13.6
Net income per share	0.04 Yen	12.96 Yen	12.92 Yen

#### Environmental Factors

	Previous first half ended Sept. 30, 2014	Current first half ended Sept. 30, 2015	Change
Exchange rate (Yen/US\$)	103.0 Yen	121.8 Yen	18.8 Yen
Naphtha price (Yen/kl)	70,900 Yen	47,800 Yen	-23,100 Yen
Australian coal price (Yen/ton)	9,671 Yen	9,380 Yen	-291 Yen

#### Net Sales by Segment

(Billions of Yen)

	Previous first half ended Sept. 30, 2014	Current first half ended Sept. 30, 2015	Change	Comments
Chemicals	134.1	136.9	2.8	- Increase in sales volume of materials for batteries, and ammonia products, etc.
Pharmaceutical	3.5	3.2	-0.3	
Cement & Construction Materials	109.9	118.2	8.2	-Due to impact of newly consolidated subsidiary, etc.
Machinery & Metal Products	35.2	34.0	-1.1	-Decrease in shipment of industrial machines, etc.
Energy & Environment	30.7	37.2	6.5	-Increase in volume of selling electricity
Other	8.9	8.7	-0.1	
Adjustment	-14.8	-15.3	-0.4	
Total	307.7	323.2	15.5	

## Operating Income by Segment

(Billions of Yen)

	Previous first half ended Sept. 30, 2014	Current first half ended Sept. 30, 2015	Change	Comments
Chemicals	-3.3	6.3	9.7	- Improvement in costs of raw materials including ammonia, etc.
Pharmaceutical	0.4	0.2	-0.2	
Cement & Construction Materials	7.1	9.8	2.6	- Improvement in energy cost and increase in income of recycling of wastes, etc.
Machinery & Metal Products	0.6	1.7	1.1	- Improvement in profitability of molding machines, etc.
Energy & Environment	1.0	2.4	1.3	- Increase in volume of selling electricity
Other	0.4	0.4	0.0	
Adjustment	-0.1	-0.5	-0.3	
Total	6.2	20.5	14.2	

Note: Adjustment of operating income is calculated by totaling the company-wide cost excluding allocation to each segment and the tradeoff of businesses among segments.

The former Chemicals & Plastics segment and Specialty Chemicals & Products segment were integrated into the Chemicals segment as of April 1, 2015. Results for the previous fiscal year have been restated.

## (2) Financial Condition

(Billions of Yen)

Assets	Previous FY ended March. 31, 2015	Current first half ended September. 30, 2015	Change
Cash and deposits	38.1	31.2	-6.8
Notes and accounts receivable	144.9	136.1	-8.7
Inventories	78.4	88.6	10.1
Property, plant and equipment	347.4	336.2	-11.2
Intangible fixed assets	5.3	5.0	-0.2
Investments securities	48.4	49.1	0.6
Deferred tax assets	15.1	15.6	0.5
Other assets	33.7	32.4	-1.2
Total assets	711.5	694.5	-16.9

Liabilities	Previous FY ended March. 31, 2015	Current first half ended September. 30, 2015	Change
Notes and accounts payable-trade	83.8	79.5	-4.2
Accrued expense	32.2	28.1	-4.1
Interest-bearing debt	239.7	228.9	-10.7
Other liabilities	66.0	65.9	-0.1
Net assets	289.6	291.9	2.3
(Shareholders' Equity)	(249.3)	(257.4)	(8.1)
(Accumulated Other Comprehensive Income)	(13.9)	(9.9)	(-3.9)
(Share subscription rights and Minority interests)	(26.2)	(24.4)	(-1.8)
Total liabilities and Net assets	711.5	694.5	-16.9

## Cash Flows

(Billions of Yen)

(Billions of Yen)

	Current first half ended September. 30, 2015	(Ref.) Previous first half ended September. 30, 2014
Cash flows from operating activities	28.0 *1	19.7
Cash flows from investing activities	-16.8 *2	-20.7
Cash flows from financing activities	-18.8	2.9
(Interest-bearing debt)	(-13.1)	(8.6)
(Dividend paid and Other)	(-5.7) *3	(-5.7)
Cash and cash equivalents at end of period	29.9	32.5

\*1 Income before income taxes and minority interests 19.5 billion Yen

Depreciation and amortization 17.7 billion Yen

Increase or decrease in working capital -4.4 billion Yen, etc

\*2 Acquisition of tangible/ intangible fixed assets -17.0 billion Yen, etc

\*3 Dividend paid -5.5 billion Yen, etc

### **(3)Qualitative Information for business segments**

#### Overview

During the consolidated six-month period, while the U.S. economy sustained recovery and the European economy started to recover moderately, the Asia economy saw growing signs of a slowdown in China; as a whole, the world economy continued modest recovery. The overall Japanese economy continued to be on a track of modest recovery. While some sectors such as export were weak, consumer spending was stable as a whole and some signs of improvement were seen in the private sector.

Under such circumstances, the Company Group has conducted business activities in accordance with our basic policies of "Change & Challenge – For Further Growth," the three-year midterm plan adopted in FY 2013, and in the final year of the said three-year midterm plan, we have tackled the operational challenges in each business segment including early improvement in earnings in the Chemicals segment. In addition, price declines of raw materials and fuels including coal and crude oil contributed to improvement of our business performance in the period under review.

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. Market conditions for caprolactam, which is used for synthesizing polyamide, were weak in spite of signs of slight recovery in the first quarter, due to continued supply excess in some markets represented by China. Shipment of ammonia products continued to be strong, thanks to shift in frequency of periodic inspection of the factories to every two years. Shipment of polybutadiene rubber (synthetic rubber) was steady as a whole, represented by the products used for eco-tires.

Shipment of both electrolyte and separators for lithium-ion batteries remained strong, thanks to usage of the former in consumer products such as personal computers, as well as application of the latter on vehicles such as eco-cars, but business of electrolyte were affected by price fall. Shipment of fine chemicals and polyimide products was steady as a whole.

#### Pharmaceutical Segment

Among the drugs developed by UBE, shipment of APIs was weak, because distributors' inventories of antihypertensive agents, anti-allergic drugs and antiplatelet agents continued to be on adjustment phase. Shipment of APIs and intermediates for drugs manufactured under contract was steady as a whole.

#### Cement & Construction Materials Segment

While domestic shipment of cement and ready-mixed concrete slightly decreased in comparison with the same period of the previous year due to sluggish demand in the Japanese market, overall business was steady. Sales of calcia and magnesia products were steady, especially in the business of refractories.

#### Machinery & Metal Products Segment

Shipment of industrial machines such as vertical mills and conveyers decreased from the same period of the previous year that big projects had concentrated on. Shipment of molding machines mainly used in the automobile industry to the Japanese and North American markets increased. Business performance of machinery services of those products continued to be strong. Shipment of steel products was steady.

#### 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) were respectively maintained at a steady level. In the power producer business, volume of selling electricity increased, thanks to recovery of the IPP electric power plant.

### **(4)Qualitative Information for Financial Condition**

Total assets at the end of the second quarter of the fiscal year decreased by 16.9 billion yen, in comparison with the end of the previous fiscal year, to 694.5 billion yen. Although inventories, which include commercial products and manufactured goods, increased by 10.1 billion yen, cash on hand and in banks, notes and accounts receivable, and tangible fixed assets decreased respectively by 6.8 billion yen, 8.7 billion yen and 11.2 billion yen.

Total liabilities decreased by 19.2 billion yen to 402.6 billion yen, mainly because notes and accounts payable-trade, and interest-bearing debt decreased respectively by 4.2 billion yen and 10.7 billion yen.

Net assets increased by 2.3 billion yen to 291.9 billion yen. While foreign currency translation adjustments decreased by 4.1 billion yen, current net income attributable to shareholders of the parent company increased by 13.7 billion yen in spite of a 5.3 billion yen decrease in retained earnings resulted from payment of dividends.

## (5) Topics

### —Chemicals Segment—

- ◆ Ube Industries, Ltd. integrated the Chemicals & Plastics segment and the Specialty Chemicals & Products segment into the “Chemicals Segment” for reorganization. (April 2015)
- ◆ Ube Industries, Ltd. commemorated launch of “Lotte Ube Synthetic Rubber Sdn. Bhd.,” a joint corporation to manufacture synthetic rubber in Malaysia (August 2015)
- ◆ Ube Industries, Ltd. decided to expand production capacity of lithium-ion battery separators (restructuring of its existing facilities at the Ube Chemical Factory and extension of the Sakai Factory). (September 2015)

### —Pharmaceutical Segment—

- ◆ “TALION® Tablets” and “TALION® OD Tablets,” anti-allergic agents jointly developed by Mitsubishi Tanabe Pharma Corporation and Ube Industries, Ltd. received approval for additional pediatric indications in Japan. (May 2015)
- ◆ Sanwa Kagaku Kenkyusho Co., Ltd. and Ube Industries, Ltd. started joint development of a therapeutic agent for itches caused by intractable pruritus. (September 2015)

### —Cement & Construction Materials Segment—

- ◆ Ube Kenzai Corporation, Ltd. started its operation. (April 2015)
- ◆ “U/D Ship Leveler A,” a self-leveling material for ship developed by Ube Industries, Ltd. received the type approval certificate issued by the Ministry of Land, Infrastructure, Transport and Tourism. (September 2015)

### —Machinery & Metal Products Segment—

- ◆ Ube Machinery Corporation, Ltd. launched new die casting machines jointly developed with Toyo Machinery & Metal Co., Ltd.. (July 2015)

## 3. Consolidated Earnings Forecast for the Year Ending March 31, 2016

(April 1, 2015 to March 31, 2016)

Looking into future economic conditions, while Japanese economy is expected to continue to be on a track to gradual recovery, there is concern about downside risks resulting from uncertainty about the future of economy of the emerging countries represented by China, shifts in monetary policies of the U.S., and rise in prices of raw material / fuel. It is, therefore, our business environment would remain uncertain.

(Billions of Yen – except per share data)

	Fiscal Year ended Mar. 31, 2015 (a)	Fiscal Year ending Mar. 31, 2016 (forecast)		Change (b)-(a)
		Interim Period	Full Year (b)	
Net sales	641.7	323.2	670.0	28.3
Operating income	24.1	20.5	39.0	14.9
Ordinary income	23.2	19.6	38.5	15.3
Extraordinary income (losses), net	-4.7	-0.0	-8.0	-3.3
Profit attributable to owners of parent	14.6	13.7	21.0	6.4
Net income per share	13.85 Yen	12.96 Yen	19.85 Yen	6.00 Yen
Dividend per share	5.0 Yen		5.0 Yen	0.0 Yen
Business Conditions				
Exchange rate (yen/ US\$)	109.9 Yen		120.9 Yen	11.0 yen
Naphtha price (yen/kl)	63,400 Yen		47,400 Yen	-16,000 yen
Australian coal price (yen/ton)	9,981 Yen		9,146 Yen	-835 yen

## Net Sales by Segment

	Fiscal Year ended Mar. 31, 2015	Fiscal Year ending Mar. 31, 2016 (forecast)	Change	Comments
Chemicals	280.1	287.0	6.9	- Increase in sales volume of materials for batteries, fine chemical products, and synthetic rubber, etc.
Pharmaceutical	7.8	9.5	1.7	- Increase in sales volume of drugs manufactured under contract, etc.
Cement & Construction Materials	222.4	240.0	17.6	- Due to impact of newly consolidated subsidiary, etc.
Machinery & Metal Products	78.9	76.0	-2.9	- Decrease in shipment of industrial machines, etc.
Energy & Environment	66.7	72.0	5.3	- Increase in volume of selling electricity, etc.
Other	17.3	15.5	-1.8	
Adjustment	-31.7	-30.0	1.7	
Total	641.7	670.0	28.3	

## Operating Income by Segment

	Fiscal Year ended Mar. 31, 2015	Fiscal Year ending Mar. 31, 2016 (forecast)	Change	Comments
Chemicals	-0.9	11.0	11.9	- Improvement in costs of raw materials including ammonia, increase in sales volume of fine chemical products, etc
Pharmaceutical	0.9	1.2	0.3	
Cement & Construction Materials	17.0	19.0	2.0	- Improvement in energy cost and increase in income of recycling of wastes, etc.
Machinery & Metal Products	4.3	5.0	0.7	- Improvement in profitability of molding machines and industrial machines, etc.
Energy & Environment	2.8	3.3	0.5	- Increase in volume of selling electricity, etc.
Other	1.1	1.0	-0.1	
Adjustment	-1.1	-1.5	-0.4	
Total	24.1	39.0	14.9	

Note: Adjustment of operating income is calculated by totaling the company-wide cost excluding allocation to each segment and the tradeoff of businesses among segments.

## (Reference)

### Consolidated Key Indicators (Billions of yen – except where noted)

	Previous first half ended Sept. 30, 2015	Current first half ended Sept. 30, 2015	Fiscal Year ending Mar. 31, 2016 (forecast)	Fiscal Year ended Mar. 31, 2015
Capital investment	20.0	13.7	38.0	42.5
Depreciation and amortization	16.2	17.7	36.5	33.5
Research and development expenses	7.0	6.5	14.0	13.8
Adjusted operating income *1	7.1	22.6	42.0	26.6
Interest-bearing debt	255.0	228.9	217.0	239.7
Net debt *2	222.5	198.9	192.0	202.7
Equity capital*3	241.4	267.4	275.0	263.3
Total assets	709.0	694.5	710.0	711.5
Net D/E ratio (times)	0.92	0.74	0.70	0.77
Equity ratio (%)	34.1	38.5	38.7	37.0
Return on sales (%)	2.0	6.3	5.8	3.8
Return on assets - ROA (%) *4	-	-	5.9	3.8
Return on equity – ROE (%)	-	-	7.8	5.8
Number of employees	11,261	10,819	10,800	10,702

- \*1 Adjusted operating income: Operating income + Interest and dividend income + Equity in earnings of unconsolidated subsidiaries and affiliated companies
- \*2 Net debt: Interest-bearing debt – Cash and cash equivalents
- \*3 Equity capital: Net assets – Share subscription rights – Minority interests
- \*4 ROA: Adjusted operating income / Average total assets