

UBE

**FY2018 Consolidated Results
FY2019 Consolidated Forecasts
Explanatory material**

May 14, 2019

UBE INDUSTRIES, LTD.

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FY2018 Consolidated Results

Scope of Consolidation

Item	End of FY 2017 (A)	End of FY 2018 (B)	Difference (B) - (A)	Notes
Number of consolidated subsidiaries	70	71	1	+ Oita Ube Co., Ltd. + Repol S.L. - Ube Concrete Co., Ltd.
Number of equity method affiliates	24	25	1	+ Ube Maxell Kyoto Co., Ltd.
Total	94	96	2	

Environmental Factors

Item			FY2017 (A)	FY 2018 (B)	Difference (B) - (A)	
Exchange Rate		Yen/\$	110.9	110.9	0.0	
Material Price	Naphtha	CIF	519	616	97	
		Domestic	42,000	49,400	7,400	
	Benzene (ACP)		826	764	(62)	
	Australian Coal (CIF)		\$/ t	104.6	125.0	20.4
			Yen/t	11,598	13,863	2,265

Major P/L Items

(Billions of yen)

Item	FY2017 (A)	FY 2018 (B)	Difference (B) - (A)	Percentage change
Net sales	695.5	730.1	34.5	5.0%
Operating profit	50.2	44.5	(5.6)	(11.3)%
Ordinary profit	50.7	47.8	(2.8)	(5.7)%
Profit attributable to owners of parent	31.6	32.4	0.8	2.6%

Net Sales and Operating Profit by Segment

(Billions of yen)

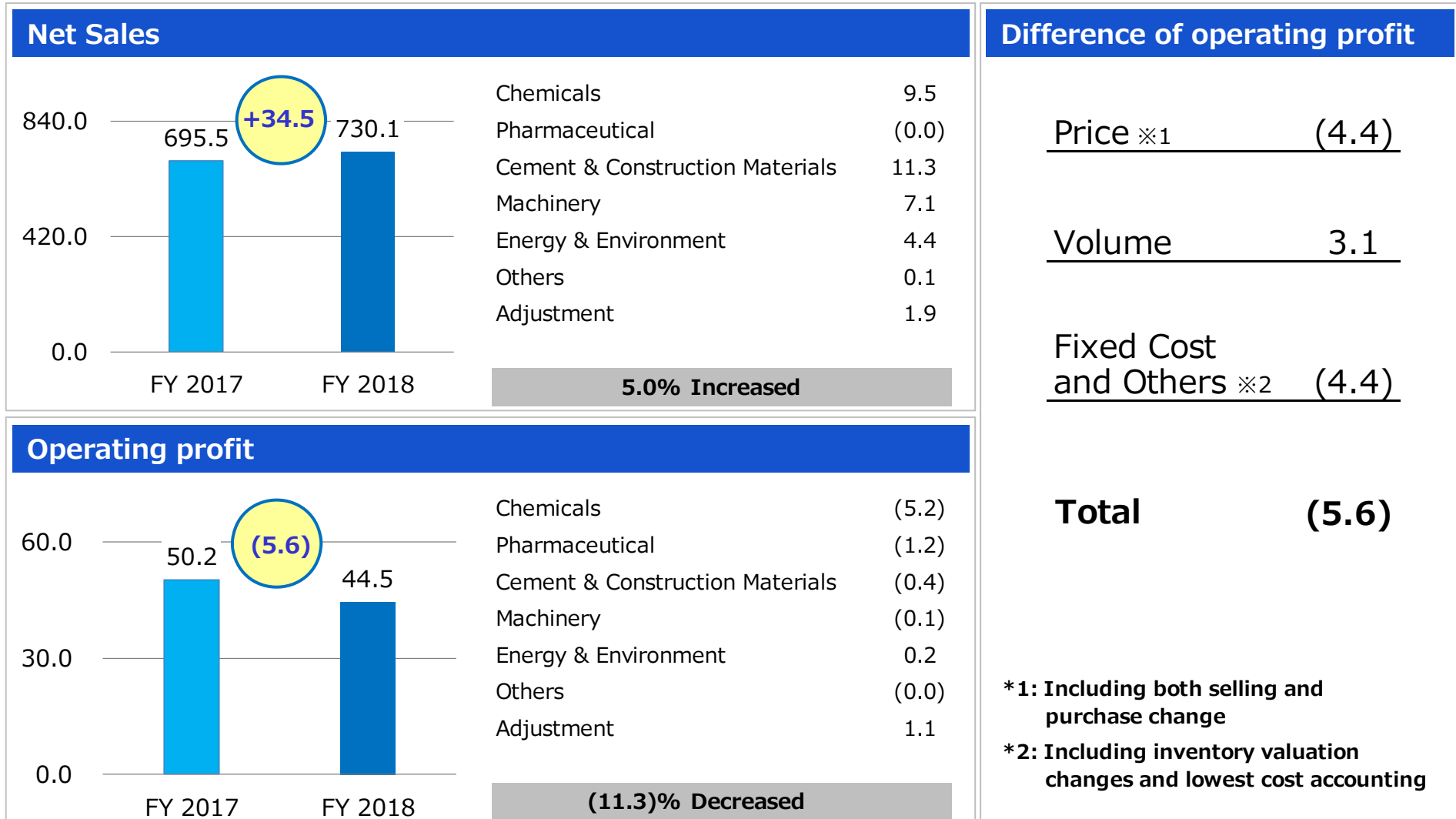
	Segment	FY2017	FY 2018	Difference
		(A)	(B)	(B) - (A)
Net sales	Chemicals	305.4	314.9	9.5
	Pharmaceutical	10.2	10.1	(0.0)
	Cement & Construction Materials	238.8	250.2	11.3
	Machinery	90.1	97.2	7.1
	Energy & Environment	71.3	75.8	4.4
	Others	4.7	4.9	0.1
	Adjustment	(25.2)	(23.2)	1.9
	Total	695.5	730.1	34.5
Operating profit	Chemicals	28.9	23.7	(5.2)
	Pharmaceutical	2.1	0.8	(1.2)
	Cement & Construction Materials	12.3	11.8	(0.4)
	Machinery	5.5	5.4	(0.1)
	Energy & Environment	2.3	2.5	0.2
	Others	0.8	0.8	(0.0)
	Adjustment	(1.9)	(0.7)	1.1
	Total	50.2	44.5	(5.6)

FY2018 Consolidated Results



Analysis - Total

(Billions of yen)

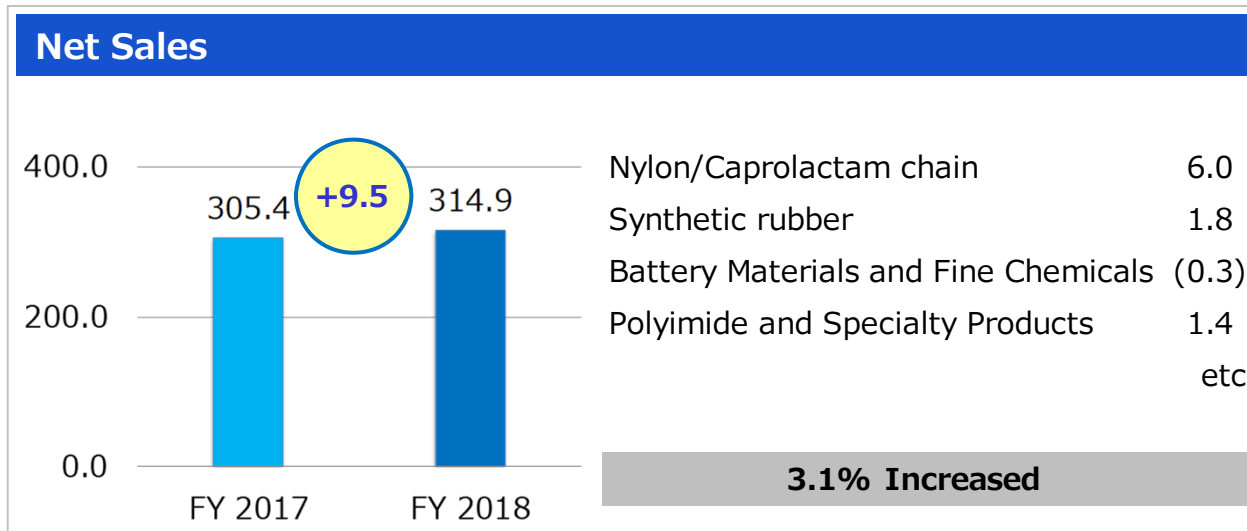


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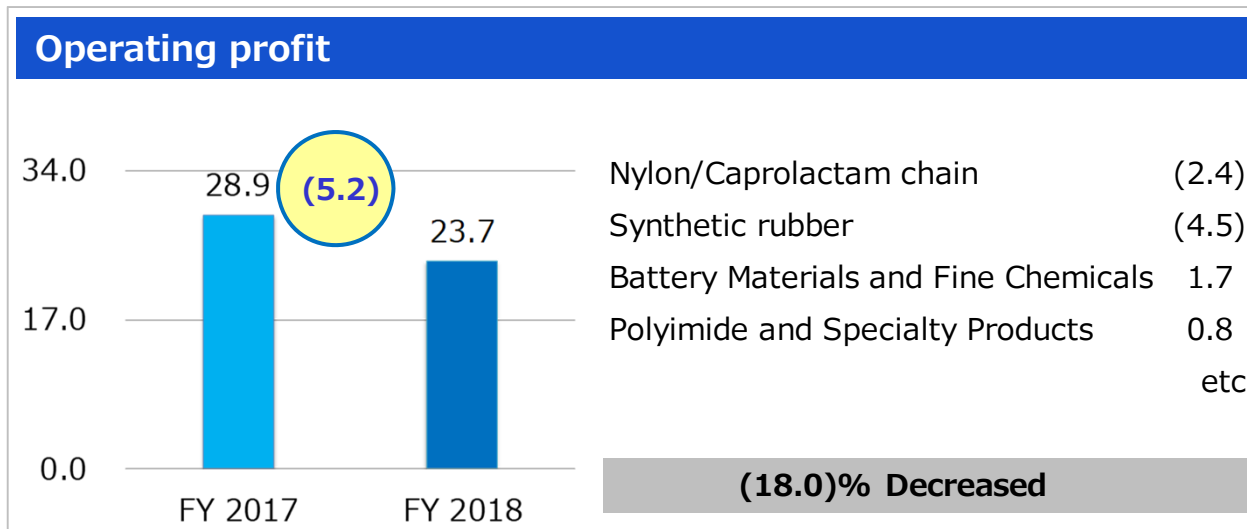
Analysis - Chemicals

(Billions of yen)



Difference of operating profit

Price ※1	(4.1)
Volume	2.0
Fixed Cost and Others ※2	(3.1)
Total	(5.2)



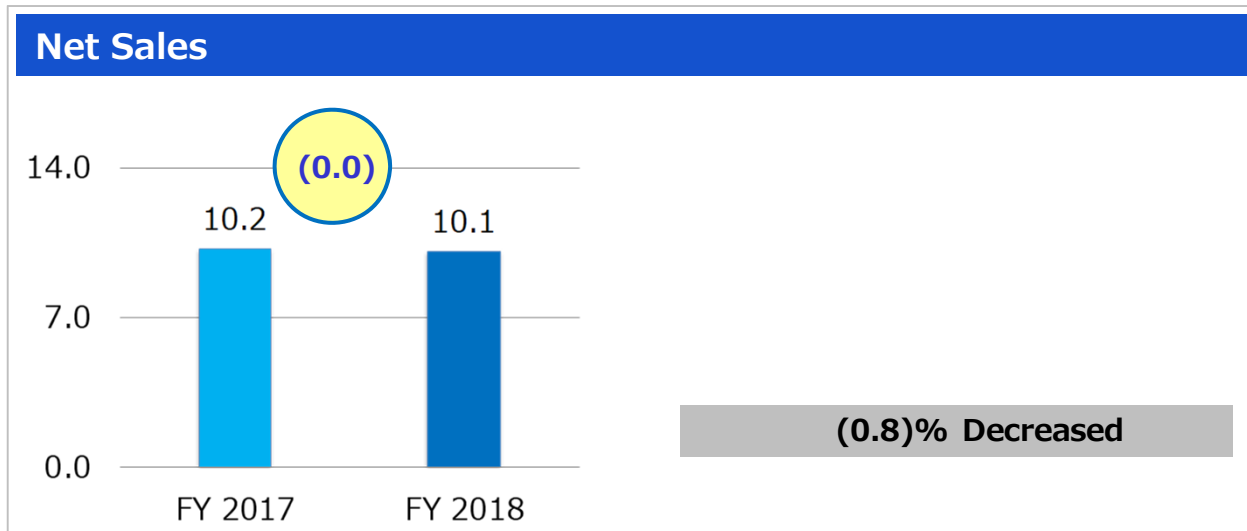
*1: Including both selling and purchase change
 *2: Including inventory valuation changes and lowest cost accounting

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Analysis - Pharmaceutical

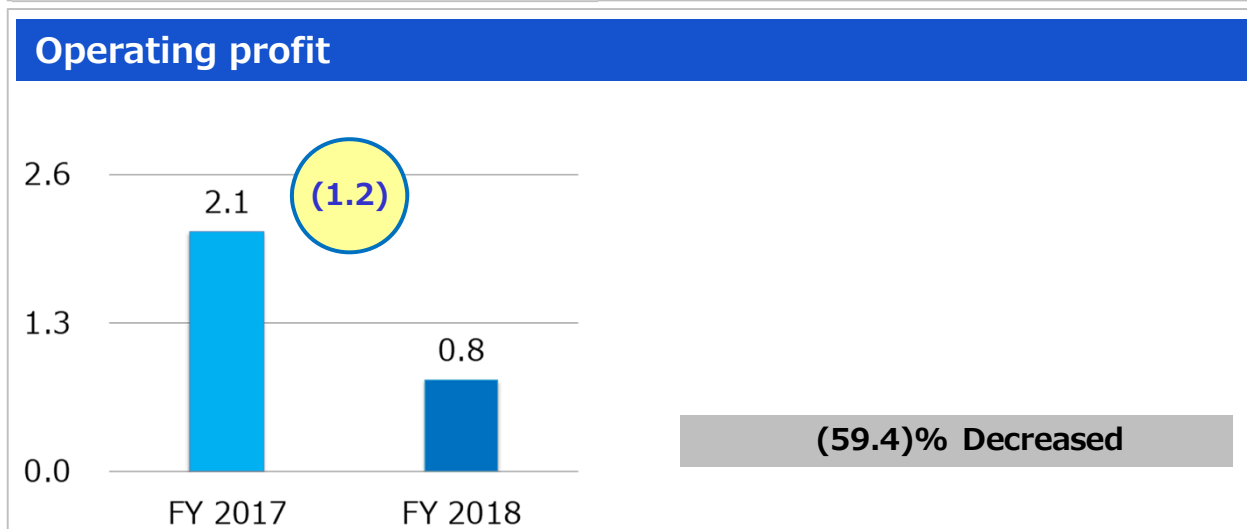
(Billions of yen)



Difference of operating profit

Price ※1	(0.8)
Volume	0.2
Fixed Cost and Others ※2	(0.6)
Total	(1.2)

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

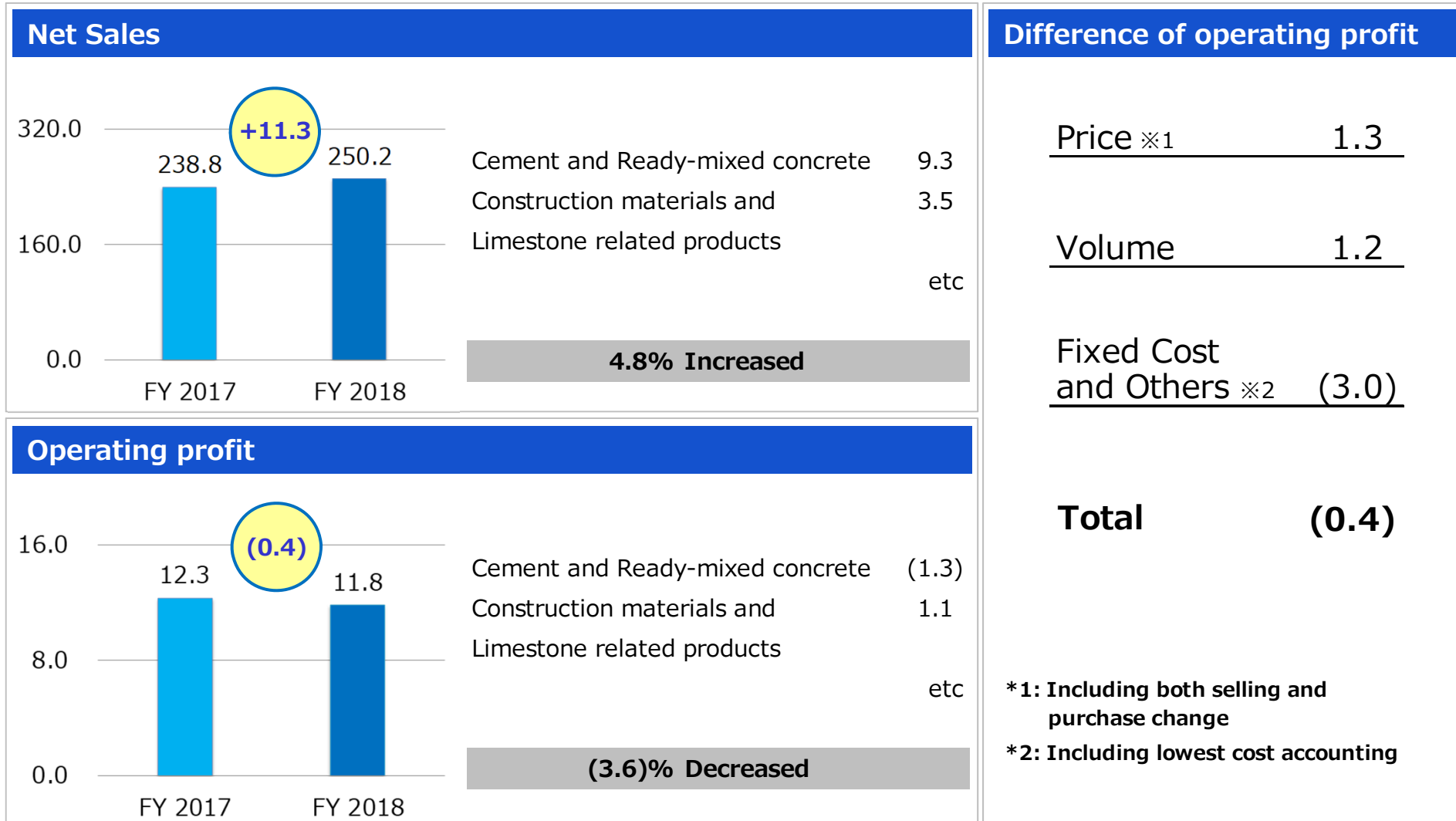


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Analysis – Cement & Construction Materials

(Billions of yen)

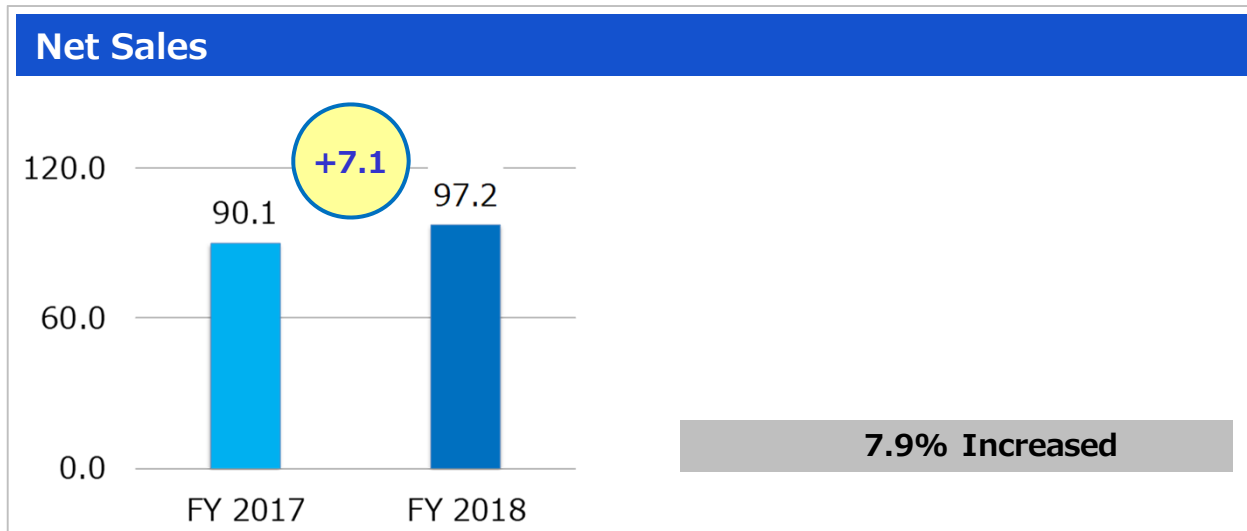


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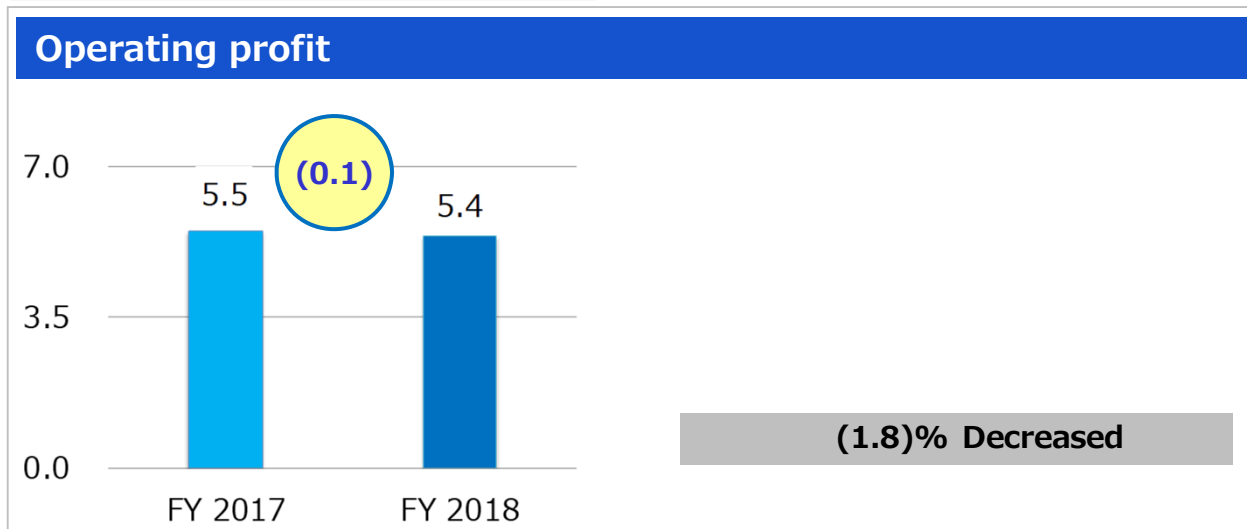
Analysis - Machinery

(Billions of yen)



Difference of operating profit

Price ※1	(0.2)
Volume	(0.0)
Fixed Cost and Others ※2	0.2
Total	(0.1)



*1: Including both selling and purchase change

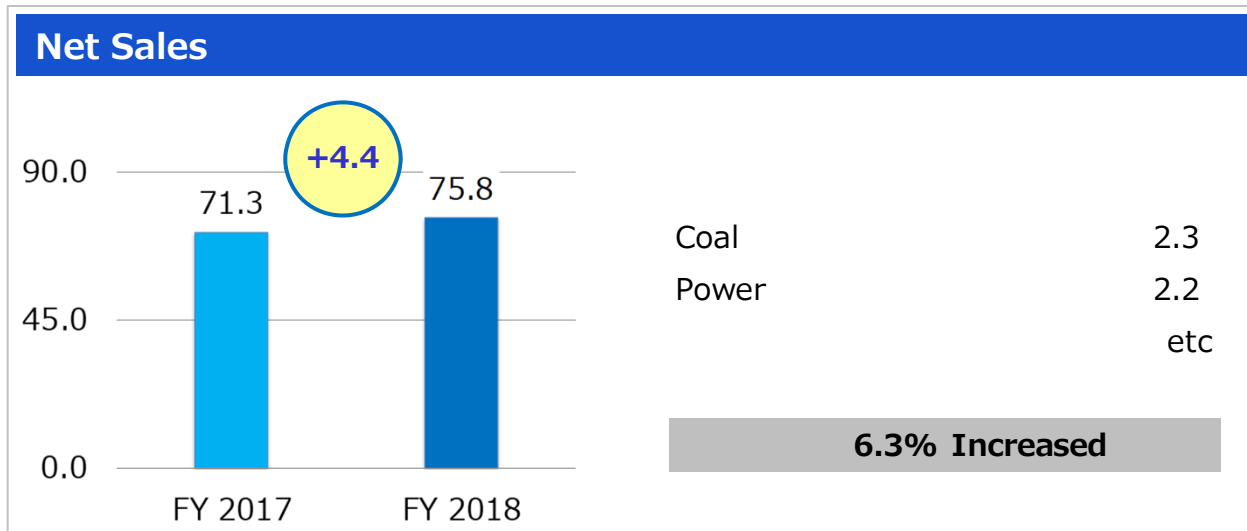
*2: Including marginal profit on machinery product 0.8

FY2018 Consolidated Results



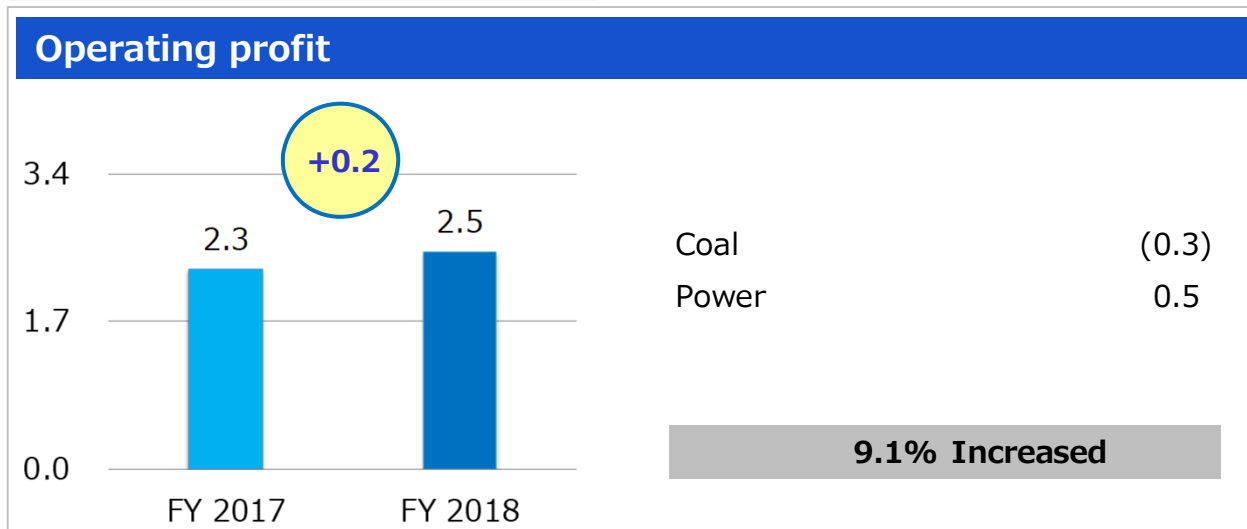
Analysis – Energy & Environment

(Billions of yen)



Difference of operating profit

Price ※1	(0.5)
Volume	(0.3)
Fixed Cost and Others ※2	1.0
Total	0.2



*1: Including both selling and purchase change

*2: Including lowest cost accounting

Operating Profit – Profit attributable to owners of parent

(Billions of yen)

Item	FY 2017 (A)	FY 2018 (B)	Difference (B) - (A)
Operating profit	50.2	44.5	(5.6)
Non-operating income/expenses	0.4	3.3	2.8
Net interests expenses	(0.1)	0.9	1.1
Share of profit of entities accounted for using equity method	3.6	4.9	1.3
Foreign currency gain/loss	0.0	0.9	0.8
Others	(3.0)	(3.4)	(0.4)
Ordinary profit	50.7	47.8	(2.8)
Extraordinary income/losses	(5.7)	(3.1)	2.5
Profit before income taxes	45.0	44.6	(0.3)
Income taxes and profit attributable to non-controlling interests	(13.3)	(12.1)	1.1
Profit attributable to owners of parent	31.6	32.4	0.8
Net income per share ^{*1}	301.65 yen	312.36 yen	10.71 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 FY 2017 (A)	End of FY 2018 (B)	Difference (B) - (A)
Current assets	316.8	315.6	(1.1)
Fixed assets	425.4	424.4	(0.9)
Total assets	742.4	740.2	(2.1)
Interest-bearing debts	195.5	187.2	(8.2)
Other liabilities	210.0	198.4	(11.6)
Total liabilities	405.5	385.7	(19.8)
Equity capital *1	315.3	329.5	14.1
Non-controlling interests and others	21.5	25.0	3.5
Total net assets	336.8	354.5	17.6
Total liabilities and net assets	742.4	740.2	(2.1)

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

Consolidated Statements of Cash Flows

(Billions of yen)

Item	FY2017	FY 2018	
A.Cash flows from operating activities	73.3	50.4	Profit before income taxes 44.6 Depreciation and amortization 36.4 Decrease workig capital (16.6) Income taxes paid (12.7) etc.
B.Cash flows from investing activities	(33.9)	(42.6)	Acquisition of PP&E (42.7) etc.
Free cash flows (A+B)	39.4	7.7	
C.Cash flows from financing activities	(28.5)	(24.0)	Decrease in interest-bearing debts (9.1) Dividends (8.5) Buy back of shares (10.0) etc.
D.Net increase/decrease in cash and cash equivalentents	12.7	(16.2)	
E.Cash and cash equivalentents at end of the fiscal year	48.5	32.2	

FY2019 Consolidated Forecasts

Scope of Consolidation

Item	End of FY 2018 (A)	End of FY 2019 (B)	Difference (B) - (A)	Notes
Number of consolidated subsidiaries	71	70	(1)	- UBE Coal Trading, Ltd.
Number of equity method affiliates	25	26	1	+ CNSG ANHUI HONG SIFANG and UBE NEW MATERIAL TECHNOLOGY CO., LTD.
Total	96	96	0	

Environmental Factors

Item		FY 2018 (A)	FY 2019 (B)	Difference (B) - (A)		
Exchange Rate		Yen/\$	110.9	110.0	(0.9)	
Material Price	Naphtha	CIF	\$/ t	616	570	(46)
		Domestic	Yen/KL	49,400	45,600	(3,800)
	Benzene (ACP)		\$/ t	764	720	(44)
	Australian Coal (CIF)		\$/ t	125.0	125.0	0.0
			Yen/t	13,863	13,750	(113)

Major P/L & B/S Items

(Billions of yen)

Item	FY 2018 (A)	FY 2019 (B)	Difference (B) - (A)	Percentage change
Net sales	730.1	760.0	29.9	4.1%
Operating profit	44.5	47.0	2.5	5.5%
Ordinary profit	47.8	47.0	(0.8)	(1.8)%
Profit attributable to owners of parent	32.4	31.0	(1.4)	(4.6)%

Item	End of FY 2018 (A)	End of FY 2019 (B)	Difference (B) - (A)
Total assets	740.2	780.0	39.8
Interest-bearing debt	187.2	190.0	2.8
Equity capital *1	329.5	352.0	22.5
Dividend(Yen /Share)	80.0	90.0	10.0

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

Net Sales and Operating Profit by Segment

(Billions of yen)

	Segment	FY 2018	FY 2019	Difference
		(A)	(B)	(B) - (A)
Net sales	Chemicals	324.2	345.0	20.8
	Cement & Construction Materials	321.0	330.0	9.0
	Machinery	97.2	100.0	2.8
	Others	4.9	5.0	0.1
	Adjustment	(17.3)	(20.0)	(2.7)
	Total	730.1	760.0	29.9
Operating profit	Chemicals	24.6	26.5	1.9
	Cement & Construction Materials	14.4	15.0	0.6
	Machinery	5.4	6.0	0.6
	Others	0.8	0.7	(0.1)
	Adjustment	(0.7)	(1.2)	(0.5)
	Total	44.5	47.0	2.5

In the fiscal year ending March 31, 2020, UBE has integrated the Pharmaceutical Segment into the Chemicals Segment, and the Energy & Environment Segment into the Cement & Construction Materials Segment. Following the above integration, the amounts reported for the fiscal year ended March 31, 2019 are modified according to the new segmentation for fair comparison.

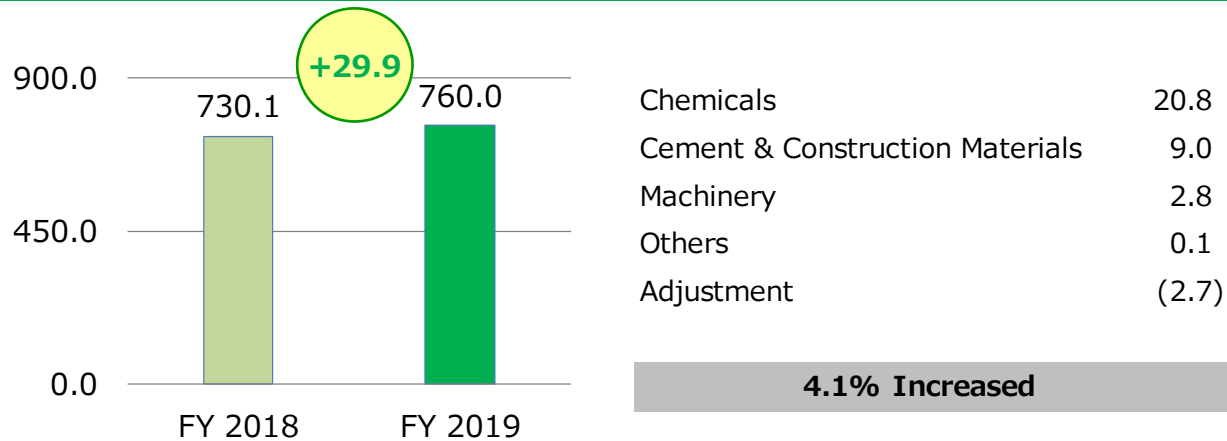
FY2019 Consolidated Forecasts



Analysis - Total

(Billions of yen)

Net Sales



Difference of operating profit

Price ※1 (0.3)

Volume 10.7

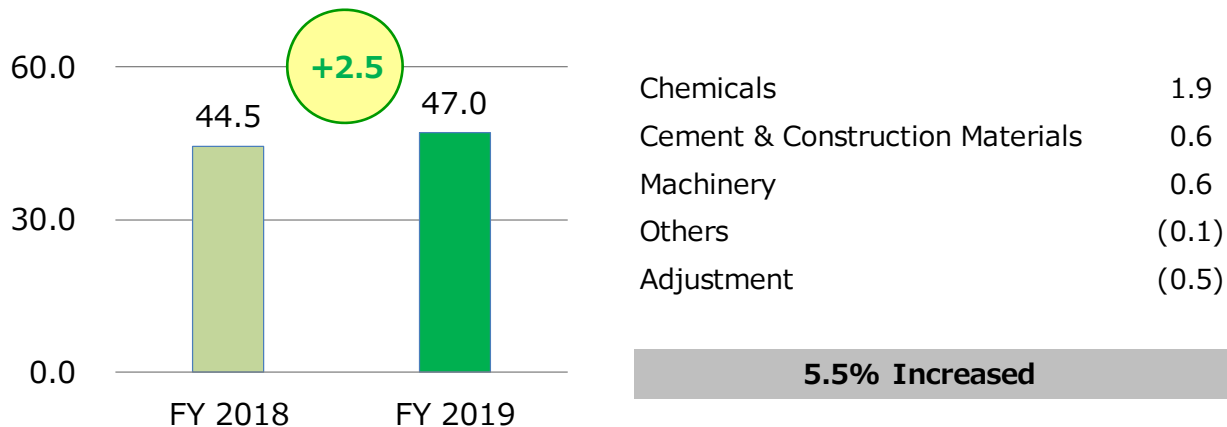
Fixed Cost and Others ※2 (8.0)

Total **2.5**

*1: Including both selling and purchase change

*2: Including inventory valuation changes and lowest cost accounting

Operating Profit



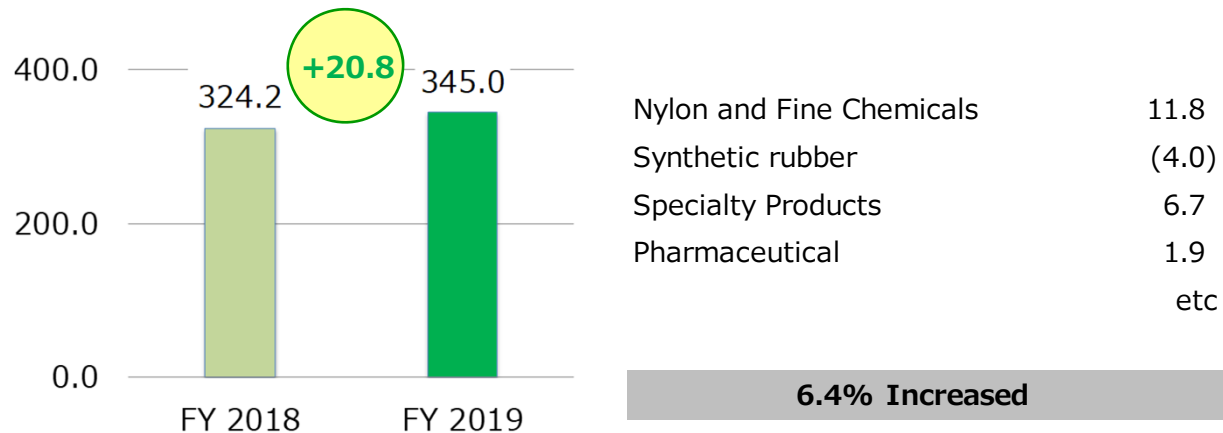
FY2019 Consolidated Forecasts



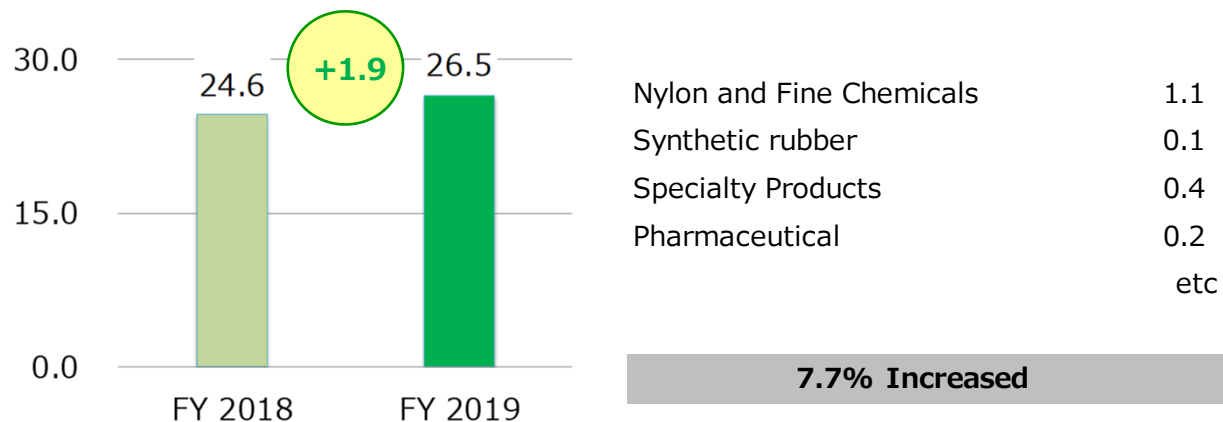
Analysis -Chemicals

(Billions of yen)

Net Sales



Operating Profit



Difference of operating profit

Price ※1 (2.1)

Volume 9.6

Fixed Cost and Others ※2 (5.6)

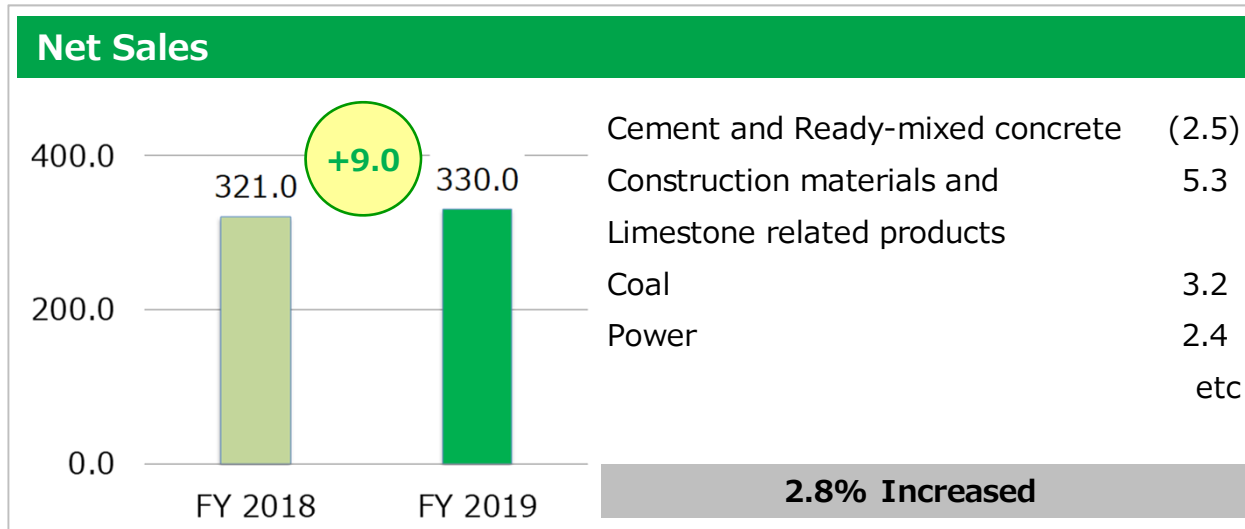
Total **1.9**

*1: Including both selling and purchase change

*2: Including inventory valuation changes and lowest cost accounting

Analysis – Cement & Construction Materials

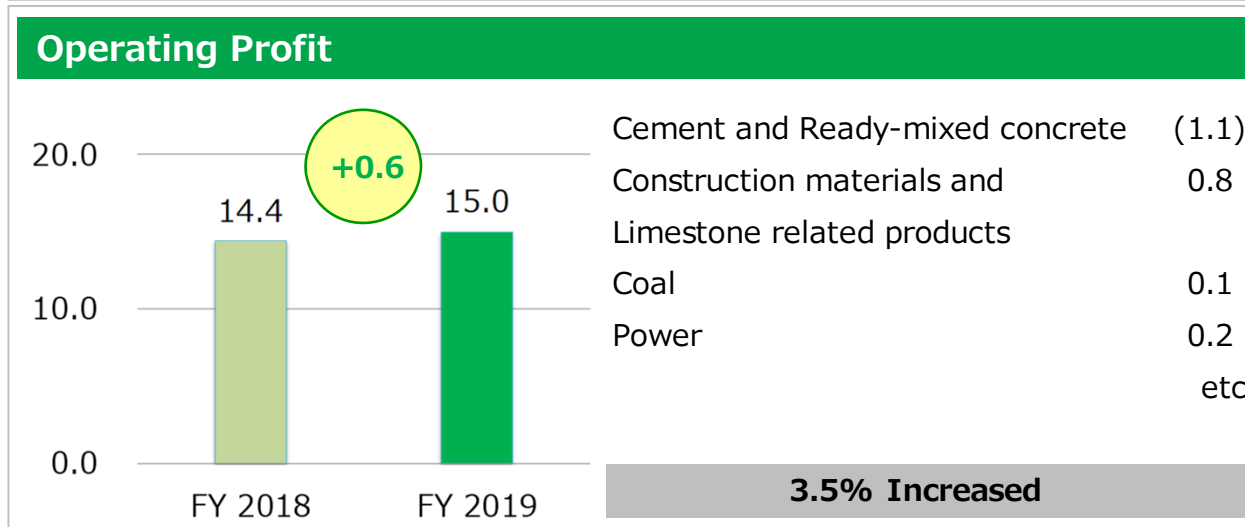
(Billions of yen)



Difference of operating profit

Price ※1	1.5
Volume	1.2
Fixed Cost and Others ※2	(2.2)
Total	0.6

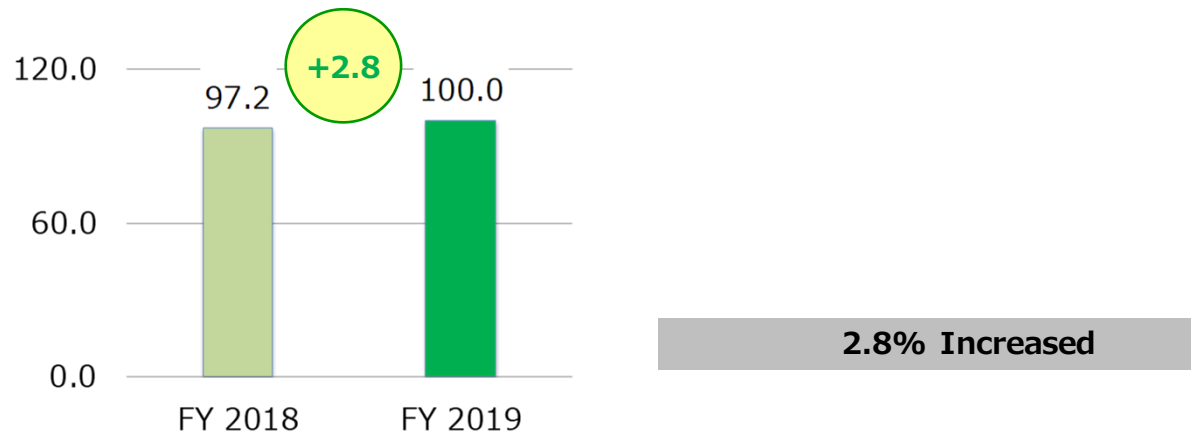
※1: Including both selling and purchase change
 ※2: Including lowest cost accounting



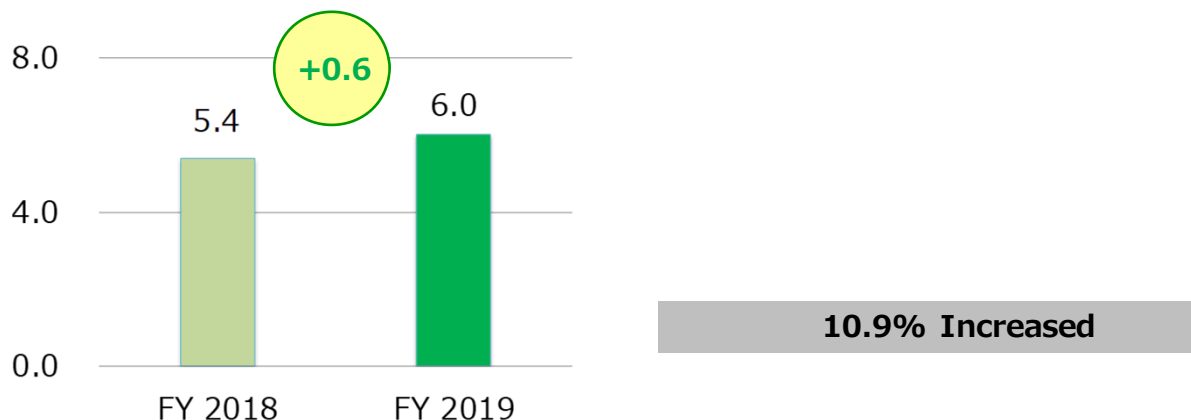
Analysis – Machinery

(Billions of yen)

Net Sales



Operating Profit



Difference of operating profit

Price ※1	0.3
Volume	(0.1)
Fixed Cost and Others ※2	0.4
Total	0.6

*1: Including both selling and purchase change

*2: Including marginal profit on machinery product 0.7

Operating Profit – Profit attributable to owners of parent

(Billions of yen)

Item	FY 2018 (A)	FY 2019 (B)	Difference (B) - (A)
Operating profit	44.5	47.0	2.5
Non-operating income/expenses	3.3	0.0	(3.3)
Ordinary profit	47.8	47.0	(0.8)
Extraordinary income/losses	(3.1)	(3.0)	0.1
Profit before income taxes	44.6	44.0	(0.6)
Income taxes and profit attributable to non-controlling Interests	(12.1)	(13.0)	(0.9)
Profit attributable to owners of parent	32.4	31.0	(1.4)
Net income per share	312.36 yen	306.80 yen	(5.56) yen

Reference



Analysis of Operating Profit by Segment

(Billions of yen)

Segment	Operating profit					
	FY 2017 (A)	FY 2018 (B)	Difference (B) - (A)	Price *1	Volume	Fixed cost and others *2
Chemicals	28.9	23.7	(5.2)	(4.1)	2.0	(3.1)
Pharmaceutical	2.1	0.8	(1.2)	(0.8)	0.2	(0.6)
Cement & construction Materials	12.3	11.8	(0.4)	1.3	1.2	(3.0)
Machinery	5.5	5.4	(0.1)	(0.2)	(0.0)	*3 0.2
Energy & Environment	2.3	2.5	0.2	(0.5)	(0.3)	1.0
Others	0.8	0.8	(0.0)	0.0	0.0	(0.1)
Adjustment	(1.9)	(0.7)	1.1	-	-	1.2
Total	50.2	44.5	(5.6)	(4.4)	3.1	(4.4)

*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

Net Sales

(Billions of yen)

Segment	FY2018					Full-year (Forecast)	Progress
	1Q	2Q	3Q	4Q	Total		
Chemicals	73.5	78.1	83.0	80.2	314.9	320.0	98.4%
Pharmaceutical	1.7	1.6	3.7	2.9	10.1	10.0	101.3%
Cement & Construction Materials	59.4	60.0	68.8	61.8	250.2	250.0	100.1%
Machinery	18.7	24.4	23.7	30.2	97.2	100.0	97.3%
Energy & Environment	18.4	20.0	17.3	19.9	75.8	80.0	94.8%
Others	1.1	1.1	1.4	1.2	4.9	5.0	98.7%
Adjustment	(4.0)	(6.2)	(6.1)	(6.8)	(23.2)	(25.0)	-
Total	169.0	179.1	192.2	189.6	730.1	740.0	98.7%

Operating Profit

(Billions of yen)

Segment	FY2018					Full-year (Forecast)	Progress
	1Q	2Q	3Q	4Q	Total		
Chemicals	3.6	4.6	7.6	7.8	23.7	22.5	105.6%
Pharmaceutical	(0.0)	0.0	0.8	(0.0)	0.8	0.5	171.0%
Cement & Construction Materials	2.0	2.5	3.9	3.3	11.8	12.5	95.1%
Machinery	0.1	1.1	1.3	2.7	5.4	6.0	90.2%
Energy & Environment	0.3	0.6	0.7	0.8	2.5	2.5	102.6%
Others	0.1	0.0	0.4	0.1	0.8	1.0	80.4%
Adjustment	(0.1)	(0.2)	(0.0)	(0.3)	(0.7)	(1.0)	-
Total	6.1	8.9	15.0	14.5	44.5	44.0	101.3%

Net Sales and Operating Profit in Half Years by Segment

(Billions of yen)

Segment	Net Sales			Operating profit		
	First half	Second half	Total	First half	Second half	Total
Chemicals	167.5	177.5	345.0	10.5	16.0	26.5
Cement & Construction Materials	162.5	167.5	330.0	6.5	8.5	15.0
Machinery	47.5	52.5	100.0	2.0	4.0	6.0
Others	2.5	2.5	5.0	0.5	0.2	0.7
Adjustment	(10.0)	(10.0)	(20.0)	(0.5)	(0.7)	(1.2)
Total	370.0	390.0	760.0	19.0	28.0	47.0

Consolidated Key Indicators

(Billions of yen)

Item	FY2017	FY 2018	FY 2019 (forecast)
Capital investment	40.3	41.7	50.0
Depreciation and amortization	35.3	36.4	37.0
Research and development expenses	13.2	12.1	14.0
Adjusted operating profit	55.1	51.5	51.5
Interest-bearing debt	195.5	187.2	190.0
Shareholders' equity	315.3	329.5	352.0
Total assets	742.4	740.2	780.0
D/E ratio (times)	0.62	0.57	0.54
Shareholders' equity ratio (%)	42.5	44.5	45.1
Return on sales - ROS (%)	7.2	6.1	6.2
Return on assets - ROA (%)	7.6	6.9	6.8
Return on equity - ROE (%)	10.5	10.1	9.1
Number of employees	10,799	11,010	11,200

Consolidated Major Subsidiaries

(Billions of yen)

Subsidiaries and Affiliates	Business	Net Sales FY 2018	Difference of operating profit from FY 2017
UBE Corporation Europe, S.A. Unipersonal	Manufacture and sales of caprolactam, ammonium sulfate, nylon, and fine chemical products	49.1	↑
UBE Chemicals (Asia) Public Company Limited	Manufacture and sales of caprolactam, ammonium sulfate, and nylon	45.7	↓
THAI SYNTHETIC RUBBERS COMPANY LIMITED	Manufacture and sales of polybutadiene rubber	15.8	↓
UBE Ammonia Industry, Ltd.	Manufacture and sales of ammonia and industrial gases	16.0	→
UBE Film, Ltd.	Manufacture and sales of plastic film products	9.8	↓
UBE EXSYMO CO., LTD.	Manufacture and sales of polypropylene molded products, fibers, fiber-reinforced plastics and electronic and information materials	13.5	↓
UBE Material Industries, Ltd.	Manufacture and sales of magnesia clinker, quicklime, slaked lime, etc.	49.9	↑
UBE Shipping & Logistics, Ltd.	Coastal shipping, port transport, containers, collection and transport of industrial waste, trading and engineering business	18.7	→
UBE Construction Materials Sales Co., Ltd.	Sales of cement, ready-mixed concrete, building materials, etc.	63.8	↓
SANSHIN TSUSHO Co., Ltd.	Sales of cement, ready-mixed concrete, building materials, etc.	23.6	→
Consolidated subsidiaries dealing ready-mixed concrete	Manufacture and sales of ready-mixed concrete	44.4	↑
Ube Construction Materials Co., Ltd.	Manufacture, sales and construction of various building materials	10.6	—
UBE Machinery Corporation, Ltd.	Manufacture, sales, and service of molding machines, industrial machinery and bridge, etc.	44.8	↓
UBE Steel Co., Ltd	Manufacture and sales of cast iron and steel products and rolled steel billets	23.6	↓
UBE Coal Trading, Ltd.	Sales of imported coal from Australia, Indonesia, and Russia	31.8	↓

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

Major Items for Capital Expenditure

Segment	Subject	Place	Estimated completion date
Chemicals	Expand production capacity of Lithium-ion battery separator	Sakai, Japan	FY 2020
	Construct 5th pharmaceutical plant	Ube, Japan	FY 2021
Cement & Construction Materials	Construct exhaust heat recovery system	Isa, Japan	FY 2019
	Construct facility for torrefied pellets (Carbonized Fuel from Woody Biomass)	Ube, Japan	FY 2019
	Construct high-efficiency clinker cooler	Kanda, Japan	FY 2020

UBE

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.

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