



Consolidated Financial Report for the First Quarter Ended June 30, 2017

August 1, 2017

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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 Quarter Ended June 30, 2017

(From April 1, 2017 to June 30, 2017)

(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 – June 2017	159,611	15.6%	9,098	458.8%	10,182	–%	6,576	–%
April – June 2016	138,090	-14.4%	1,628	-83.0%	861	-91.4%	177	-97.2%

(Note) Comprehensive Income: From April 1, 2017 to June 30, 2017: 9,983 Million Yen (–%)
 From April 1, 2016 to June 30, 2016: -10,042 Million Yen (–%)

	Net income per share (Yen)	Diluted net income per share (Yen)
April – June 2017	6.24	6.22
April – June 2016	0.17	0.17

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio (%)
June 30, 2017	710,555	309,906	40.3
March 31, 2017	709,379	310,401	40.4

(Reference) Shareholders' equity: As of June 30, 2017: 286,193 Million Yen
 As of June 30, 2016: 286,599 Million Yen

[Shareholders' equity = 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
April 2016 – March 2017	-	0.00	-	6.00	6.00
April 2017 – March 2018	-				
April 2017 – March 2018 (Forecast)		0.00	-	60.00	60.00

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

The Company will consolidate its shares in the proportion of 10 common shares to one common share, effective as of October 1, 2017. As for the forecast of the year-end dividends for the fiscal year ending March 31, 2018, we quote the amount that takes into account the impact of the said share consolidation. The dividend forecast that does not take into account the share consolidation for the fiscal year ending March 31, 2018 is as follows:

Cash dividends per share (year end): 6.00 yen

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2018

(From April 1, 2017 to March 31, 2018)

(% 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 – September 2017	330,000	17.4%	17,000	47.6%	16,000	55.1%	10,000	40.7%	95.29
April 2017 – March 2018	700,000	13.5%	40,000	14.4%	38,000	13.9%	24,500	1.3%	233.98

(Note) Revision of the latest forecast of consolidated operating results: No

The Company will consolidate its shares in the proportion of 10 common shares to one common share, effective as of October 1, 2017. As for the forecast of the net income per share for the fiscal year ending March 31, 2018, we quote the amount that takes into account the impact of the said share consolidation. The forecast of the net income per share that does not take into account the share consolidation for the fiscal year ending March 31, 2018 is as follows:

Net income per share: From April 1, 2017 to September 30, 2017: 9.53 yen
From April 1, 2017 to March 31, 2018: 23.40 yen

4. Number of Shares Outstanding (common stock)

	June 30, 2017	June 30, 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	17,570,508	3,506,575

	April – June 2017	April – June 2016
Weighted-average number of shares outstanding during period	1,053,110,314	1,058,187,932

5. Qualitative Information on Operating Results

(1) Overview of Operating Results

During the current term, business of the Company Group was affected by price rises of coal, as well as periodic repair of the IPP power plant, but overall sales remained strong, mainly because prices of chemical products such as synthetic rubber and nylon were normalized; production and shipment of industrial chemical products increased for the reason that there was no regular maintenance of the factory; and sales of cement and ready-mixed concrete increased backed by strong demand in Japan.

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 – June 2017 ①	159.6	9.0	10.1	6.5
April – June 2016 ②	138.0	1.6	0.8	0.1
Difference ① - ②	21.5	7.4	9.3	6.3
Percentage change	15.6%	458.8%	—	—

(2) Overview by Segment

Net sales (Billions of yen)

Segment	April – June 2017 ①	April – June 2016 ②	Difference ① – ②	Percentage change
Chemicals	73.3	57.9	15.4	26.7%
Pharmaceutical	2.4	2.4	0.0	1.6%
Cement & Construction Materials	57.2	53.8	3.4	6.3%
Machinery	16.2	12.6	3.5	28.1%
Energy & Environment	15.3	12.9	2.3	18.1%
Others	1.1	3.8	-2.7	-70.9%
Adjustment	-6.1	-5.6	-0.5	—
Total	159.6	138.0	21.5	15.6%

Operating profit (Billions of yen)

Segment	April – June 2017 ①	April – June 2016 ②	Difference ① – ②	Percentage change
Chemicals	6.1	-2.3	8.4	—
Pharmaceutical	0.7	0.4	0.2	64.0%
Cement & Construction Materials	2.4	2.9	-0.4	-15.6%
Machinery	0.3	-0.0	0.3	—
Energy & Environment	-0.2	0.8	-1.0	—
Others	0.1	0.1	0.0	12.3%
Adjustment	-0.4	-0.2	-0.1	—
Total	9.0	1.6	7.4	458.8%

Chemicals – Increases in both net sales and operating profit

■ Nylon, Caprolactam and Industrial Chemicals Businesses

The Caprolactam Business recorded a sales increase, thanks to price normalization of the products to offset the continued excess supply in the China market.

The Nylon Business recorded a sales increase, because of sales price rises supported by price rises of raw materials such as caprolactam.

The Industrial Chemicals Business recorded a sales increase, thanks to increases in production and shipment for the reason that there was no regular maintenance of the factory.

■ The Synthetic Rubber Business recorded a sales increase, because the sales prices rose supported by price rises of raw materials such as butadiene; and shipment of the products was steady as a whole, represented by the products used for tires.

■ Battery Materials and Fine Chemicals Businesses

The Battery Materials Business recorded a sales increase, thanks to a sales volume increase supported by strong demand mainly for automotive lithium-ion battery.

The Fine Chemicals Business recorded a sales increase, thanks to an increase in a sales volume as a whole.

■ Polyimide and Functional Products Businesses

The Polyimide Business recorded a sales increase, because of a sales volume increase in films mainly used on circuit boards.

Pharmaceutical – Increases in both net sales and operating profit

■ While sales volume of both drugs developed by UBE and those manufactured under contract remained at the almost same level with the same period of the previous fiscal year, the Pharmaceutical Business, as a whole, recorded a sales increase supported by an increase in the royalty revenues.

Construction Materials – Increase in net sales and decrease in operating profit

■ The Cement and Ready-Mixed Concrete Business recorded a sales increase, thanks to a sales volume increase supported by a demand increase in the Japanese market. On the other hand, the business was affected by a price rise of coal.

■ The Calcia, Magnesia and Construction Materials Businesses recorded a sales increase, thanks to an increase in a sales volume as a whole.

Machinery – Increases in both net sales and operating profit

■ The Molding and Industrial Machines Business recorded a sales increase, thanks to strong product sales and addition of a new consolidated subsidiary.

■ The Steel Products Business recorded a sales increase, thanks to a sales volume increase supported by strong demand in the Japanese market.

Energy & Environment – Increase in net sales and decrease in operating profit

■ While both sales volume and volume of coal dealing at UBE's Coal Center (a coal storage facility) remained at the almost same level with the same period of the previous fiscal year as a whole, the Coal Business recorded a sales increase, thanks to rises of sales prices backed by good condition of the coal market.

■ Although power generation output remained at the almost same level with the same period of the previous fiscal year, the Power Producer Business recorded a sales increase, thanks to rises of sales prices backed by good condition of the coal market. During the current term, periodic repair of the IPP power plant took place.

Others – Decreases in net sales and increase in operating profit

6. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of March 31 and June 30, 2017

(Millions of yen)

	March 31, 2017	June 30, 2017
Assets		
Current assets		
Cash and deposits	36,634	42,872
Notes and accounts receivable - trade	157,845	143,828
Merchandise and finished goods	35,922	39,121
Work in process	19,587	22,579
Raw materials and supplies	27,293	28,344
Other	18,283	20,194
Allowance for doubtful accounts	△523	△530
Total current assets	295,041	296,408
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	82,779	83,628
Machinery, equipment and vehicles, net	135,734	136,196
Land	84,100	84,158
Other, net	28,830	26,232
Total property, plant and equipment	331,443	330,214
Intangible assets		
Other	5,371	5,217
Total intangible assets	5,371	5,217
Investments and other assets		
Investment securities	51,615	53,090
Other	26,462	26,109
Allowance for doubtful accounts	△665	△674
Total investments and other assets	77,412	78,525
Total non-current assets	414,226	413,956
Deferred assets	112	191
Total assets	709,379	710,555

(Millions of yen)

	March 31, 2017	June 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	92,342	91,048
Short-term loans payable	65,931	64,332
Commercial papers	10,000	—
Current portion of bonds	15,020	25,020
Income taxes payable	4,546	2,570
Provision for bonuses	6,944	10,059
Other provision	979	954
Other	50,066	46,784
Total current liabilities	245,828	240,767
Non-current liabilities		
Bonds payable	40,010	50,010
Long-term loans payable	77,655	74,639
Provision	2,354	2,386
Net defined benefit liability	6,850	6,850
Negative goodwill	808	770
Asset retirement obligations	1,666	1,675
Other	23,807	23,552
Total non-current liabilities	153,150	159,882
Total liabilities	398,978	400,649
Net assets		
Shareholders' equity		
Capital stock	58,435	58,435
Capital surplus	38,091	38,084
Retained earnings	185,747	185,961
Treasury shares	△726	△4,526
Total shareholders' equity	281,547	277,954
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,893	6,022
Deferred gains or losses on hedges	11	11
Foreign currency translation adjustment	2,378	4,303
Remeasurements of defined benefit plans	△2,230	△2,097
Total accumulated other comprehensive income	5,052	8,239
Subscription rights to shares	623	614
Non-controlling interests	23,179	23,099
Total net assets	310,401	309,906
Total liabilities and net assets	709,379	710,555

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

• Consolidated Statements of Income

For the first quarter ended June 30, 2016 and 2017

(Millions of yen)

	April 1, 2016 – June 30, 2016	April 1, 2017 – June 30, 2017
Net sales	138,090	159,611
Cost of sales	116,949	130,009
Gross profit	21,141	29,602
Selling, general and administrative expenses	19,513	20,504
Operating profit	1,628	9,098
Non-operating income		
Interest income	49	49
Dividend income	411	657
Rent income	303	271
Amortization of negative goodwill	33	31
Share of profit of entities accounted for using equity method	446	911
Foreign exchange gains	—	246
Other	359	378
Total non-operating income	1,601	2,543
Non-operating expenses		
Interest expenses	406	359
Rent expenses	185	146
Foreign exchange losses	790	—
Other	987	954
Total non-operating expenses	2,368	1,459
Ordinary profit	861	10,182
Extraordinary income		
Gain on sales of non-current assets	1	—
Subsidy income	—	30
Total extraordinary income	1	30
Extraordinary losses		
Loss on disposal of non-current assets	363	173
Total extraordinary losses	363	173
Profit before income taxes	499	10,039
Income taxes	1,304	3,395
Profit (loss)	Δ805	6,644
Profit (loss) attributable to non-controlling interests	Δ982	68
Profit attributable to owners of parent	177	6,576

• Consolidated Statements of Comprehensive Income
For the first quarter ended June 30, 2016 and 2017

(Millions of yen)

	April 1, 2016 – June 30, 2016	April 1, 2017 – June 30, 2017
Profit (loss)	Δ805	6,644
Other comprehensive income		
Valuation difference on available-for-sale securities	Δ1,163	1,137
Deferred gains or losses on hedges	Δ4	0
Foreign currency translation adjustment	Δ7,853	2,106
Remeasurements of defined benefit plans, net of tax	145	139
Share of other comprehensive income of entities accounted for using equity method	Δ362	Δ43
Total other comprehensive income	Δ9,237	3,339
Comprehensive income	Δ10,042	9,983
Comprehensive income attributable to owners of parent	Δ7,877	9,763
Comprehensive income attributable to non-controlling interests	Δ2,165	220

(3) Consolidated Statements of Cash Flows
For the first quarter ended June 30, 2016 and 2017

(Millions of yen)

	April 1, 2016 – June 30, 2016	April 1, 2017 – June 30, 2017
Cash flows from operating activities		
Profit before income taxes	499	10,039
Depreciation and amortization	8,350	8,599
Amortization of negative goodwill	△33	△31
Increase (decrease) in allowance for doubtful accounts	△88	19
Interest and dividend income	△460	△706
Interest expenses	406	359
Foreign exchange losses (gains)	17	△21
Share of (profit) loss of entities accounted for using equity method	△446	△911
Loss (gain) on sales of non-current assets	3	△7
Decrease (increase) in notes and accounts receivable - trade	13,679	15,915
Decrease (increase) in inventories	△5,578	△6,325
Increase (decrease) in notes and accounts payable - trade	2,270	△6,204
Other, net	4,306	1,447
Subtotal	22,925	22,173
Interest and dividend income received	1,221	1,817
Interest expenses paid	△341	△311
Income taxes paid	△6,722	△4,671
Net cash provided by (used in) operating activities	17,083	19,008
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	△7,038	△6,951
Proceeds from sales of property, plant and equipment	30	8
Purchase of investment securities	△41	△82
Purchase of shares of subsidiaries and associates	△102	△988
Proceeds from sales of shares of subsidiaries and associates	—	106
Decrease (increase) in short-term loans receivable	△26	230
Other, net	336	△68
Net cash provided by (used in) investing activities	△6,841	△7,745
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	287	△2,162
Increase (decrease) in commercial papers	—	△10,000
Proceeds from long-term loans payable	1,427	278
Repayments of long-term loans payable	△1,502	△2,633
Proceeds from issuance of bonds	—	19,908
Purchase of treasury shares	△1	△3,820
Decrease (increase) in deposits for purchase of treasury shares	—	△1,197
Cash dividends paid	△5,300	△6,364
Dividends paid to non-controlling interests	△238	△300
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	△84	—

Other, net	Δ135	Δ237
Net cash provided by (used in) financing activities	Δ5,546	Δ6,527
Effect of exchange rate change on cash and cash equivalents	Δ1,015	316
Net increase (decrease) in cash and cash equivalents	3,681	5,052
Cash and cash equivalents at beginning of period	41,188	35,806
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	1,267
Cash and cash equivalents at end of period	44,869	42,125

7. Segment Information

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

For the First Quarter Ended June 30, 2016 (April 1, 2016 to June 30, 2016) (Millions of yen)

	Reported segment							Adjustment (note 1)	Amount recorded in consolidated statements of income (note 2)
	Chemicals	Pharma- ceuticals	Cement & Construction Materials	Machinery	Energy & Environment	Others	Total		
Net sales									
External sales	56,549	2,433	52,656	12,563	10,585	3,304	138,090	—	138,090
Internal sales or transfers	1,374	—	1,158	131	2,393	548	5,604	-5,604	—
Total	57,923	2,433	53,814	12,694	12,978	3,852	143,694	-5,604	138,090
Segment profit or loss (operating profit or loss)	-2,364	461	2,935	-67	808	114	1,887	-259	1,628

(Note 1) -259 million yen for adjustment for Segment profit or loss includes -25 million yen for the elimination of transaction between the Segments and -284 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 or loss recorded in the consolidated statements of income.

For the First Quarter Ended June 30, 2017 (April 1, 2017 to June 30, 2017) (Millions of yen)

	Reported segment							Adjustment (note 1)	Amount recorded in consolidated statements of income (note 2)
	Chemicals	Pharma- ceuticals	Cement & Construction Materials	Machinery	Energy & Environment	Others	Total		
Net sales									
External sales	72,886	2,432	55,501	16,138	11,801	853	159,611	—	159,611
Internal sales or transfers	494	40	1,721	119	3,530	267	6,171	-6,171	—
Total	73,380	2,472	57,222	16,257	15,331	1,120	165,782	-6,171	159,611
Segment profit or loss (operating profit or loss)	6,124	756	2,478	301	-265	128	9,522	-424	9,098

(Note 1) -424 million yen for adjustment for Segment profit or loss includes -16 million yen for the elimination of transaction between the Segments and -440 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 or loss recorded in the consolidated statements of income.

(Reference) Consolidated Key Indicators

(Billions of yen – except where noted)

	April – June 2016	April – June 2017	April 2017 – March 2018 (forecast)	April 2016 – March 2017
Capital investment	9.0	5.9	42.0	44.0
Depreciation and amortization	8.3	8.5	35.0	34.4
Research and development expenses	3.3	3.3	14.5	13.6
Adjusted operating profit *1	2.5	10.7	43.5	37.8
Interest-bearing debt	215.7	215.6	200.0	210.4
Shareholders' equity *2	253.4	286.1	303.0	286.5
Total assets	665.5	710.5	725.0	709.3
D/E ratio (times)	0.85	0.75	0.66	0.73
Shareholders' equity ratio (%)	38.1	40.3	41.8	40.4
Return on sales - ROS (%) *3	1.2	5.7	5.7	5.7
Return on assets - ROA (%) *4	—	—	6.1	5.5
Return on equity – ROE (%)	—	—	8.3	8.7
Number of employees	10,853	11,157	11,000	10,928

*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 – Subscription rights to shares – Non-controlling interests

*3 ROS: Operating profit / Net sales

*4 ROA: Adjusted operating profit / Average total assets