July 31, 2014

Consolidated Financial Report for the First Quarter of the Fiscal Year Ending March 31, 2015

Ube Industries, Ltd.

1. Consolidated Companies

Fiscal period / Number of companies	Previous FY ended March 31, 2014	Current First Q ended June 30, 2014	Change
Consolidated companies	65	66	＋1
Companies using equity method accounting	24	24	-
Total	89	90	＋0

2. Consolidated Business Results for the First Quarter of the Fiscal Year Ending March 31, 2015 (April 1, 2014 to June 30, 2014)

(1) Results of Operations

Billions of Yen – except per share data)

	Previous First Q ended June 30, 2013	Current First Q ended June 30, 2014	Change
Net sales	153.4	148.5	-4.8
Operating income	1.2	0.2	-1.0
Net interest expenses	-0.4	-0.1	0.3
Equity in earnings of affiliates	0.3	0.0	-0.2
Other non-operating income	-1.0	-0.5	0.4
Ordinary income	0.0	-0.3	-0.4
Extraordinary income (losses), net	-0.2	-1.0	-0.7
Net income	-0.2	-1.1	-0.9

Net income per share	-0.27 Yen	-1.13 Yen	-0.86 Yen

Presupposition conditions

Exchange rate (Yen per US$)	98.8	102.2	3.4
Naphtha price (Yen/kl)	65,500	70,000	4,500
Australian coal price (Yen/ton)	11,022	9,779	-1,243

Net Sales by Segment

(Billions of Yen)

	Previous First Q ended June 30, 2013	Current First Q ended June 30, 2014	Change	Comments
Chemicals & Plastics	53.0	49.8	-3.2	- Decrease in sales price and volume of caprolactam, etc.
Specialty Chemicals & Products	15.7	14.6	-1.1	- Decrease in sales price and volume of battery materials, etc.
Pharmaceutical	1.8	1.2	-0.5	- Decrease in sales volume of active ingredients witch UBE discovered, etc.
Cement & Construction Materials	52.5	54.3	1.8	- Increase in domestic sales volume of cement and ready-mixed concrete, etc
Machinery & Metal Products	18.1	15.7	-2.4	- Decrease in shipment of molding machines, etc.
Energy & Environment	12.9	14.4	1.5	- Increase in sales volume of coal, etc.
Other	7.4	8.5	1.0	
Adjustment	-8.2	-10.2	-1.9	
Total	153.4	148.5	-4.8	

Operating Income by Segment (Billions of Yen)

	Previous First Q ended June 30, 2013	Current First Q ended June 30, 2014	Change	Comments
Chemicals & Plastics	-2.9	-2.0	0.9	- Impact by ceasing production of caprolactam at Sakai Factory, increase in sales volume of synthetic rubber and polyamide resins, etc
Specialty Chemicals & Products	-0.0	-0.8	-0.8	-Decrease in sales price and volume of battery materials, etc.
Pharmaceutical	0.2	-0.1	-0.4	- Decrease in sales volume of active ingredients witch UBE discovered, etc.
Cement & Construction Materials	2.7	2.8	0.0	
Machinery & Metal Products	1.2	-0.0	-1.3	- Decrease in shipment and deterioration in profitability of molding machines
Energy & Environment	-0.0	0.4	0.5	- Decrease in maintenance cost of IPP power plant (in comparison with the previous quarter when extensive periodic inspection took place), etc.
Other	0.2	0.1	-0.0	
Adjustment	-0.2	-0.1	0.0	
Total	1.2	0.2	-1.0	

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

(2) Financial Condition

(Billions of Yen)

Assets	Fiscal year ended March 31, 2014	Currrent First Q ended June 30, 2014	Change
Cash and deposits	30.5	32.5	2.0
Accounts receivable	153.1	140.2	-12.8
Inventories	82.4	88.1	5.7
Property, plant and equipment	332.4	334.2	1.8
Intangible fixed assets	5.2	5.0	-0.2
Investments and other assets	96.9	98.4	1.5
Total assets	700.7	698.8	-1.8

Liabilities	Fiscal year ended March 31, 2014	Currrent First Q ended June 30, 2014	Change
Notes and accounts payable-trade	89.2	84.2	-4.9
Interest-bearing debt	245.8	253.4	7.6
Other liabilities	100.3	102.6	2.3
Net assets	265.3	258.4	-6.8
(Shareholders' Equity)	(238.2)	(233.4)	(-4.7)
(Accumulated Other Comprehensive Income)	(3.4)	(2.2)	(-1.1)
(Share subscription rights and Minority interests)	(23.5)	(22.7)	(-0.9)
Total liabilities and Net assets	700.7	698.8	-1.8

Cash Flows

	Currrent First Q ended June 30, 2014 (Billions of Yen)
Cash flows from operating activities	11.3 *1
Cash flows from investing activities	-12.2 *2
Cash flows from financing activities	2.3
(Interest-bearing debt)	(7.7)
(Dividend paid and Other)	(-5.3) *3
Cash and cash equivalents at end of period	31.8

(Ref.) Previous First Q ended June 30, 2013 (Billions of Yen)
12.0
-10.1
1.1
(6.6)
(-5.4)
43.2

*1 Net income before taxes -1.4 billion Yen
Depreciation and amortization 8.0 billion Yen
Decrease in working capital 2.2billion Yen, etc
*2 Acquisition of tangible/ intangible fixed assets -12.0 billion Yen
*3 Dividend paid -5.3 billion Yen, etc

(3)Qualitative Information

Overview

During the current term, while the U.S economy continued modest recovery and the European economy showed some signs of bottoming out, the pace of economic growth slowed down in China and other Asian countries; as a whole, the world economy seemed to lack momentum. On the other hand, the Japanese economy was on the course of modest recovery, thanks to relatively steady increase in investment in both private and public sectors to offset the remaining impact of the increase in the consumption tax.

Under such circumstances, the Company Group has engaged in activities to solve the various operational tasks and to respond to changes in structural business environments in a speedy manner based on the basic policies of "Change & Challenge—Driving Growth," the three-year midterm management plan (fiscal 2013-2015), in which this business year was set as the second year. However, the environment surrounding our chemicals-related business remains severe.

Please take note that our first quarter result tends to stay at a lower level than those of other quarters, due to various seasonal factors, such as concentration of periodic inspections of factories manufacturing chemical and plastic products in the first quarter, and functional products and fine chemicals; weak demand of cement, our core product in the construction materials segment, in comparison with the second half of the year when the demand is much stronger; and business custom to record sales of machine products at the end of a business year.

In addition, our first quarter result was greatly impacted by the full-scale maintenance conducted once in several years in Thai and Spain factories, as well as the extensive periodic inspection of UBE's in-house power plant based on our long-term repair plan.

The overall conditions of the Group by segment are as follows.

Chemicals & Plastics Segment

Shipment of caprolactam, which is used as a raw material of synthetic polyamide (nylon), greatly decreased due to market stagnation caused by excess supply after a series of opening of new facilities by competitors in China, annual periodic repair of the factories in Japan, and the full-scale maintenance of factories in Thai and Spain, as described above. In addition, such repair and maintenance also have negative impact on the business of the products. On the other hand, the loss of the overall caprolactam business decreased, because of production ceasing of caprolactam at Sakai Factory in March 2014. Shipment of both polyamide resins and polybutadiene rubber (synthetic rubber) hovered at the same level as the previous term, because sales of the former used for food wrap films and the latter used for tires were respectively strong. Sales of industrial chemicals were as steady as the same period in the previous year, in spite of the impact of the periodic repair.

Specialty Chemicals & Products Segment

Looking at the business performance of the products used for lithium-ion batteries, shipment of electrolytes hovered at the same level as the same period in the previous year, but that of separators decreased. In addition, sales of electrolytes and separators were impacted by drop of prices, and business condition for both products remains severe. Shipment of fine chemicals was steady as a whole, and that of polyimide films and separation membranes continued to be on the course of modest recovery

Pharmaceutical Segment

Shipment of pharmaceuticals including both Group's active ingredients for antiplatelet agents, antiallergic agents, etc. and active ingredient and intermediates for drugs manufactured under contract decreased in comparison with the same period in the previous year, although shipment of such products may vary from quarter to quarter.

Cement & Construction Materials Segment

Domestic shipments of cement, ready-mixed concrete and building materials hovered at the same level with the same period in the previous year, and profitability of export also improved. On the other hand, the business was greatly impacted by price rise of materials such as aggregates used to make ready-mixed concrete, as well as increase in cost for electric power and logistics. Sales of calcia and magnesia products were steady, especially in the business with the steel industry.

Machinery & Metal Products Segment

Shipment of industrial machinery such as vertical mills and conveyors increased, thanks to new capital investment and demand increases supported by replacement of old machines in Japan. On the other hand, shipment of molding machines mainly used in the automobile industry decreased, and profitability also deteriorated in comparison with the same period in the previous year when profitability of export had greatly improved, thanks to sharp appreciation of the yen. Received orders for both industrial machinery and molding machines increased, and those for the machinery service remained at a steady level. Business of steel products was affected by rise of electricity cost during the periodic inspection of UBE's in-house power plant

Energy & Environment Segment

In the call business, sales volume of salable coal hovered at a steady level, but volume of coal dealing at UBE's Coal Center (a coal storage facility) decreased from the same period of the previous year, due to decrease in overall volume of coal dealing. In the power producer business, while UBE's in-house power plant was greatly affected by the periodic inspection, the IPP power plant was not subjected to the impact of the maintenance cost increase resulted from the extensive periodic inspection in the same period of the previous year. In addition, restoration of the IPP power plant has progressed without any problem to resume operation in January 2015

3. Consolidated Earnings Forecast for the Year Ending March 31, 2015 (April 1, 2014 to March 31, 2015)

Looking into future economic conditions, we should note that although there are expectations for continued economic recovery in Japan, there is concern regarding the risk of slower growth in the global economy, particularly in China and other emerging nations. Although conditions differ depending on the business segment, we forecast that a severe business environment will continue for our Group as a whole.

During the current term, the company is basically on track to meet its earnings forecast. For the above reason, we do not revise our consolidated results forecast announced on May 12, 2014.

(Billions of Yen – except per share data)

	Fiscal Year ended March 31, 2014	Fiscal Year ending March 31, 2015(forecast)	Change
Net sales	650.5	670.0	19.5
Operating income	24.4	30.0	5.6
Ordinary income	18.6	24.0	5.4
Extraordinary income (losses), net	0.9	-2.0	-2.9
Net income	12.6	13.5	0.9
Net income per share	12.16 Yen	12.76 Yen	0.60 Yen
Dividend per share	5.0 Yen	5.0 Yen	0.0 Yen

Business Conditions

Exchange rate (yen per US$)	100.2 Yen	105.0 Yen	4.8 yen
Naphtha price (yen/kl)	67,300 Yen	71,300 Yen	4,000 yen
Australian coal price (yen/ton)	11,117 Yen	10,675 Yen	-442 yen

(Reference)

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

	Previous First Q ended June 30, 2013	Current First Q ended June 30, 2014	Fiscal Year ending March 31, 2015 (forecast)	Fiscal Year ended March 31, 2014
Capital investment	5.9	11.0	47.0	36.3
Depreciation and amortization	7.8	8.0	35.0	32.4
Research and development expenses	3.5	3.4	15.0	13.9
Adjusted operating income *1	1.9	0.8	31.5	25.2
Interest-bearing debt	253.4	253.4	246.0	245.8
Net debt *2	210.2	221.5	216.0	215.7
Equity capital*3	218.1	235.7	250.0	241.7
Total assets	707.1	698.8	720.0	700.7

Net D/E ratio (times)	0.96	0.94	0.86	0.89
Equity ratio (%)	30.9	33.7	34.7	34.5
Return on sales (%)	0.8	0.2	4.5	3.8
Return on assets - ROA (%) *4	-	-	4.4	3.6
Return on equity – ROE (%)	-	-	5.5	5.5
Number of employees	11,397	11,361	10,950	11,225

*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