February 2, 2016

Consolidated Financial Report for the First Three Quarters of the Fiscal Year Ending March 31, 2016

Ube Industries, Ltd.

1. Consolidated Companies

Fiscal period / Number of companies	Previous FY ended March 31, 2015	Current first 3Qs ended December 31, 2015	Change
Consolidated companies	71	70	-1
Companies using equity method accounting	24	25	+1
Total	95	95	0

2. Consolidated Business Results for the First Three Quarters the Fiscal Year Ending March 31, 2016 (April 1, 2015 to December 31, 2015)

(1) Results of Operations

(Billions of Yen – except per share data)

	Previous first 3Qs ended December 31, 2014	Current first 3Qs ended December 31, 2015	Change
Net sales	473.7	482.3	8.5
Operating income	14.3	31.2	16.9
Net interest expenses	-0.9	-0.8	0.1
Equity in earnings of affiliates	0.9	2.5	1.6
Other non-operating income	-0.3	-2.8	-2.5
Ordinary income	13.9	30.1	16.2
Extraordinary income	0.8	1.9	1.0
Extraordinary losses	-7.3	-5.2	2.1
Profit (loss) attributable to owners of parent	5.1	19.2	14.0

Net income per share	4.85 Yen	18.17 Yen	13.32 Yen

Environmental Factors

Exchange rate (Yen/US$)	106.9 Yen	121.7 Yen	14.8 Yen
Naphtha price (Yen/kl)	68,400 Yen	45,700 Yen	-22,700 Yen
Australian coal price (Yen/ton)	9,879 Yen	9,156 Yen	-723 Yen

Net Sales by Segment

(Billions of Yen)

	Previous first 3Qs ended December 31, 2014	Current first 3Qs ended December 31, 2015	Change	Comments
Chemicals	207.5	203.2	-4.3	- Decrease in sales price of caprolactam, nylon resin, and synthetic rubber, etc.
Pharmaceutical	6.0	5.7	-0.3	- Decrease in sales volume, etc.
Cement & Construction Materials	166.9	179.8	12.9	- Due to impact of newly consolidated subsidiary, etc.
Machinery & Metal Products	53.6	51.7	-1.8	- Decrease in shipment of industrial machines, etc.
Energy & Environment	49.6	53.2	3.6	- Increase in volume of selling electricity
Other	12.8	12.5	-0.2	
Adjustment	-22.8	-24.0	-1.1	
Total	473.7	482.3	8.5	

Operating Income by Segment (Billions of Yen)

	Previous first 3Qs ended December 31, 2014	Current first 3Qs ended December 31, 2015	Change	Comments
Chemicals	-3.4	9.5	13.0	- Improvement in costs of raw materials including ammonia, etc.
Pharmaceutical	1.0	0.5	-0.5	- Decrease in sales volume, etc.
Cement & Construction Materials	12.5	15.7	3.2	- Improvement in energy costs, etc.
Machinery & Metal Products	1.8	2.5	0.7	- Improvement in profitability of molding machines, etc.
Energy & Environment	1.8	2.6	0.7	- Increase in volume of selling electricity
Other	0.8	0.8	0.0	
Adjustment	-0.4	-0.7	-0.2	
Total	14.3	31.2	16.9	

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.

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 3Qs ended December 31, 2015	Change
Cash and deposits	38.1	31.0	-7.1
Notes and accounts receivable	144.9	143.5	-1.4
Inventories	78.4	89.8	11.4
Property, plant and equipment	347.4	334.4	-12.9
Intangible fixed assets	5.3	4.7	-0.6
Investments securities	48.4	50.5	2.0
Other assets	48.8	51.7	2.8
Total assets	711.5	705.8	-5.6

Liabilities	Previous FY ended March 31, 2015	Current first 3Qs ended December 31, 2015	Change
Notes and accounts payable	83.8	82.4	-1.3
Interest-bearing debt	239.7	227.2	-12.4
Other liabilities	98.3	98.3	0.0
Net assets	289.6	297.8	8.2
(Shareholders' Equity)	(249.3)	(263.0)	(13.6)
(Accumulated Other Comprehensive Income)	(13.9)	(9.9)	(-4.0)
(Share subscription rights and Minority interests)	(26.2)	(24.9)	(-1.3)
Total liabilities and Net assets	711.5	705.8	-5.6

Cash Flows (Billions of Yen) (Billions of Yen)

	Current first 3Qs ended December 31, 2015	(Ref.) Previous first 3Qs ended December 31, 2014
Cash flows from operating activities	35.9 *1	25.7
Cash flows from investing activities	-23.6 *2	-32.7
Cash flows from financing activities	-20.2	6.1
(Interest-bearing debt)	(-14.4)	(11.8)
(Dividend paid and Other)	(-5.5) *3	(-5.7)
Cash and cash equivalents at end of period	29.7	30.3

*1 Income before income taxes and minority interests 26.8 billion Yen
Depreciation and amortization 26.5 billion Yen
Increase or decrease in working capital -10.1 billion Yen, etc
*2 Acquisition of tangible/ intangible fixed assets -24.2 billion Yen, etc
*3 Dividend paid -5.2 billion Yen, etc

(3)Qualitative Information for business segments

Overview

During the consolidated cumulative third quarter under review, while the U.S. economy sustained recovery and the European economy started to recover moderately, signs of slowdown of the Chinese economy gradually became more noticeable in Asia; 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

Business of polyamide resins was steady as a whole, because of a steady increase in sales of the products used for food wrap films. Business of caprolactam, which is a material used for synthesize polyamide, suffered from sluggish market conditions mainly caused by the continued supply excess in the Chinese market, but price falls in the auxiliary materials such as ammonia in comparison with the same period of the previous year contributed to the business performance. 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 commercial-off-the-shelf products such as personal computers, as well as application of the latter on vehicles such as eco-cars, but business of the both products were affected by price falls. Shipment of fine chemicals was steady as a whole.

Pharmaceutical Segment

Among the drugs developed by UBE, shipment of active ingredients was weak, because distributors' inventories of hypotensive agents, antiallergic drugs and antiplatelet agents continued to be on adjustment phase. Shipment of active ingredients and intermediates for drugs manufactured under contract increased as a whole.

Cement & Construction Materials Segment

While shipment of cement and ready-mixed concrete decreased in comparison with the same period of the previous year due to sluggish demand in the Japanese market, overall business of the products was steady, thanks to fall in energy cost. Sales of calcia and magnesia products were steady as a whole.

Machinery & Metal Products Segment

Shipment of industrial machines such as vertical mills and ceramic industry machinery 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, North American and Mexican markets increased. Business performance of machinery services for those products increased further. Shipment of steel products was also steady.

Energy & Environment Segment

In the coal business, both coal sales volume and coal dealing volume at UBE’s Coal Center (a coal storage facility) were 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 third quarter of the fiscal year decreased by 5.6 billion yen, in comparison with the end of the previous fiscal year, to 705.8 billion yen. Although inventories, which include commercial products and manufactured goods, increased by 11.4 billion yen, cash on hand and in banks, and tangible fixed assets decreased respectively by 7.1 billion yen and 12.9 billion yen.

Total liabilities decreased by 13.9 billion yen to 408.0 billion yen, mainly because interest-bearing debt decreased by 12.4 billion yen.

Net assets increased by 8.2 billion yen to 297.8 billion yen. While foreign currency translation adjustments decreased by 4.5 billion yen, current net income attributable to shareholders of the parent company increased by 19.2 billion yen in spite of a 5.3 billion yen decrease in retained earnings resulted from payment of dividends.

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.

Considering the present economic condition, we maintain our earnings forecast for the whole financial year announced on October 15, 2015, as follow.

(Billions of Yen – except per share data)

	Fiscal Year ended March 31, 2015 (a)	Fiscal Year ending March 31, 2016 (forecast) (b)	Change (b)-(a)
Net sales	641.7	670.0	28.3
Operating income	24.1	39.0	14.9
Ordinary income	23.2	38.5	15.3
Extraordinary income (losses), net	-4.7	-8.0	-3.3
Profit attributable to owners of parent	14.6	21.0	6.4
Net income per share	13.85 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 March 31, 2015	Fiscal Year ending March 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 March 31, 2015	Fiscal Year ending March 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
Pharmacetutical	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 3Qs ended December 31, 2014	Current first 3Qs ended December 31, 2015	Fiscal Year ending March 31, 2016 (forecast)	Fiscal Year ended March 31, 2015
Capital investment	30.4	21.0	38.0	42.5
Depreciation and amortization	24.6	26.5	36.5	33.5
Research and development expenses	10.3	9.9	14.0	13.8
Adjusted operating income *1	16.1	34.5	42.0	26.6
Interest-bearing debt	259.6	227.2	217.0	239.7
Net debt *2	229.2	197.5	192.0	202.7
Equity capital*3	253.7	272.9	275.0	263.3
Total assets	729.8	705.8	710.0	711.5
Net D/E ratio (times)	0.90	0.72	0.70	0.77
Equity ratio (%)	34.8	38.7	38.7	37.0
Return on sales (%)	3.0	6.5	5.8	3.8
Return on assets - ROA (%) *4	-	-	5.9	3.8
Return on equity – ROE (%)	-	-	7.8	5.8
Number of employees	10,832	10,822	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