Financial Results for the 3rd Quarter FY2018 Explanatory material

February 4, 2019

3rd Quarter: April – December

UBE INDUSTRIES,LTD.

Scope of Consolidation

Item	End of FY2017 (A)	End of FY2018 3Q (B)	Difference (B) - (A)	Notes
Number of consolidated subsidiaries	70	71	1	+ Oita Ube Co., Ltd.
Number of equity method affiliates	24	25	1	+ Ube Maxell Kyoto Co., Ltd.
Total	94	96	2	

Environmental Factors

Item				FY2017 3Q (A)	FY2018 3Q (B)	Difference (B) - (A)
Exchange Rate			Yen/$	111.7	111.1	(0.6)
Material Price	Naphtha	CIF	$/ t	485	657	172
		Domestic	Yen/KL	39,600	52,600	13,000
	Benzene(ACP)		$/ t	794	826	32
	Australian Coal (CIF)		$/ t	102.7	127.0	24.3
			Yen/t	11,468	14,115	2,647

Major P/L Items

(Billions of yen)

Item	FY2017 3Q (A)	FY2018 3Q (B)	Difference (B) - (A)	Percentage change
Net sales	507.0	540.4	33.4	6.6%
Operating profit	37.6	30.0	(7.5)	(20.1)%
Ordinary profit	39.0	33.4	(5.6)	(14.4)%
Profit attributable to owners of parent	26.6	22.8	(3.8)	(14.3)%

Net Sales and Operating Profit by Segment

(Billions of yen)

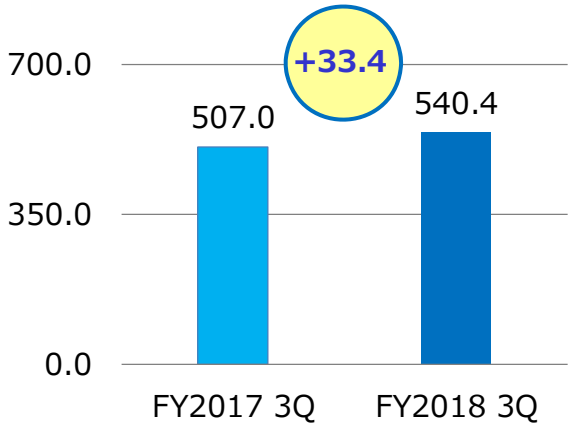
	Segment	FY2017 3Q (A)	FY2018 3Q (B)	Difference (B) - (A)
Net sales	Chemicals	225.3	234.7	9.3
	Pharmaceutical	6.8	7.1	0.3
	Cement & Construction Materials	178.8	188.3	9.5
	Machinery	58.7	67.0	8.2
	Energy & Environment	51.0	55.8	4.8
	Others	3.6	3.7	0.0
	Adjustment	(17.4)	(16.3)	1.1
	Total	507.0	540.4	33.4
Operating profit	Chemicals	22.1	15.9	(6.2)
	Pharmaceutical	1.4	0.8	(0.5)
	Cement & Construction Materials	9.8	8.5	(1.2)
	Machinery	2.6	2.6	(0.0)
	Energy & Environment	1.5	1.7	0.2
	Others	0.7	0.6	(0.0)
	Adjustment	(0.8)	(0.4)	0.3
	Total	37.6	30.0	(7.5)

3rd Quarter of the FY2018

Analysis - Total

(Billions of yen)

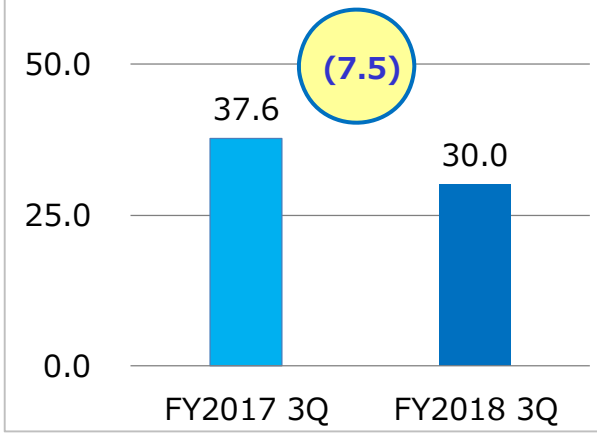
Net Sales



Chemicals	9.3
Pharmaceutical	0.3
Cement & Construction Materials	9.5
Machinery	8.2
Energy & Environment	4.8
Others	0.0
Adjustment	1.1

6.6% Increased

Operating profit



Chemicals	(6.2)
Pharmaceutical	(0.5)
Cement & Construction Materials	(1.2)
Machinery	(0.0)
Energy & Environment	0.2
Others	(0.0)
Adjustment	0.3

(20.1)% Decreased

Difference of operating profit

Price ※1	(5.9)
Volume	1.8
Fixed Cost and Others ※2	(3.4)
Total	**(7.5)**

***1: Including both selling and purchase change**

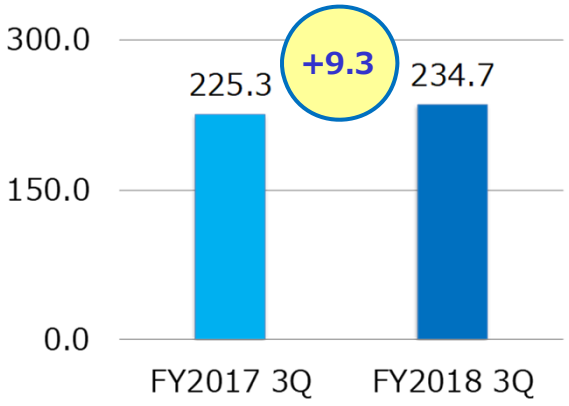
***2: Including inventory valuation changes and lowest cost accounting**

3rd Quarter of the FY2018

Analysis - Chemicals

(Billions of yen)

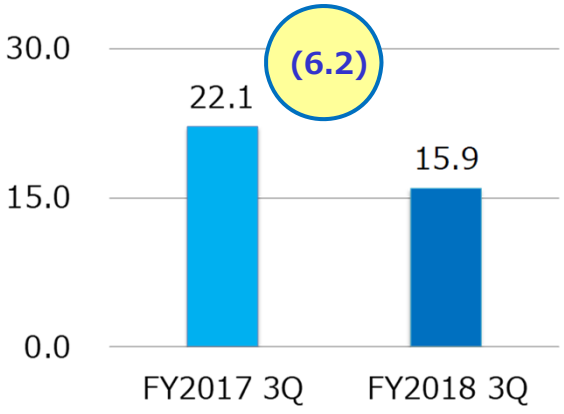
Net Sales



Nylon/Caprolactam chain	7.0
Synthetic rubber	0.9
Battery Materials and Fine Chemicals	0.7
Polyimide and Specialty Products	0.7
etc	

4.2% Increased

Operating profit



Nylon/Caprolactam chain	(2.3)
Synthetic rubber	(5.0)
Battery Materials and Fine Chemicals	1.3
etc	

(28.3)% Decreased

Difference of operating profit

Price ※1	(5.7)
Volume	1.0
Fixed Cost and Others ※2	(1.6)
Total	**(6.2)**

***1: Including both selling and purchase change**

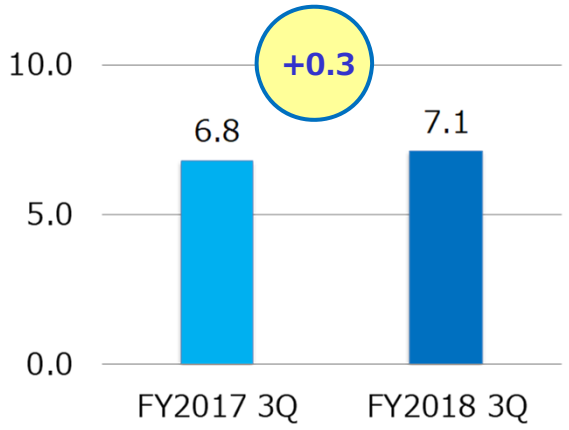
***2: Including inventory valuation changes and lowest cost accounting**

3rd Quarter of the FY2018

Analysis - Pharmaceutical

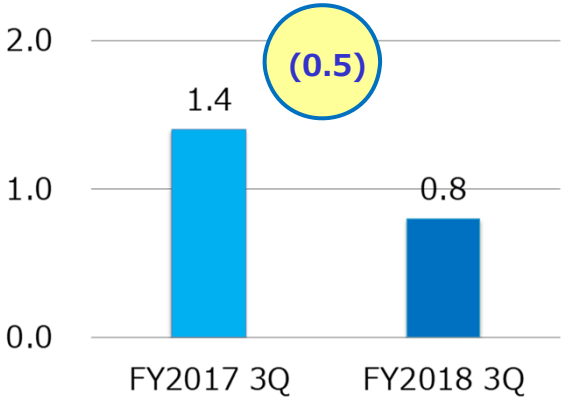
(Billions of yen)

Net Sales



4.6% Increased

Operating profit



(39.1)% Decreased

Difference of operating profit

Price ※1	(0.2)
Volume	0.0
Fixed Cost and Others ※2	(0.4)
Total	**(0.5)**

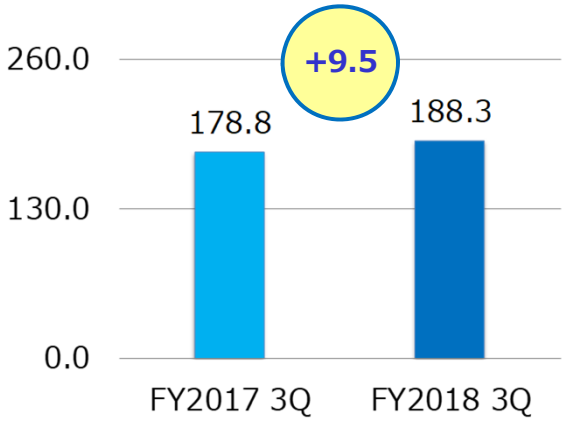
***1: Including both selling and purchase change**

***2: Including inventory valuation changes and lowest cost accounting**

Analysis – Cement & Construction Materials

(Billions of yen)

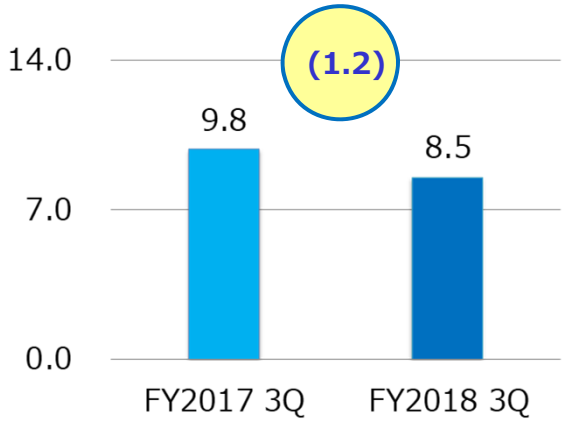
Net Sales



Cement and Ready-mixed concrete	8.2
Construction materials and	2.2
Limestone related products	
etc	

5.3% Increased

Operating profit



Cement and Ready-mixed concrete	(1.8)
Construction materials and	0.7
Limestone related products	
etc	

(12.7)% Decreased

Difference of operating profit

Price ※1	0.6
Volume	1.0
Fixed Cost and Others ※2	(2.8)
Total	**(1.2)**

***1: Including both selling and purchase change**

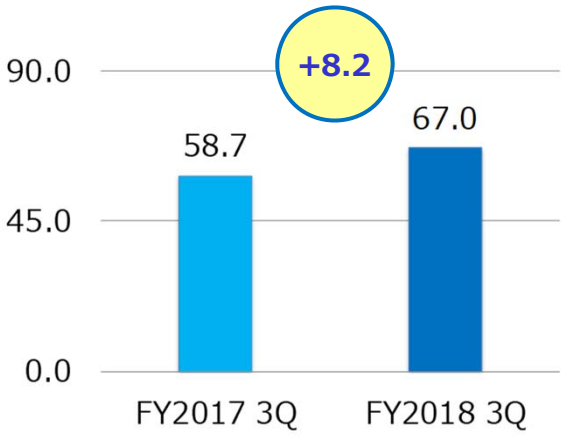
***2: Including lowest cost accounting**

3rd Quarter of the FY2018

Analysis - Machinery

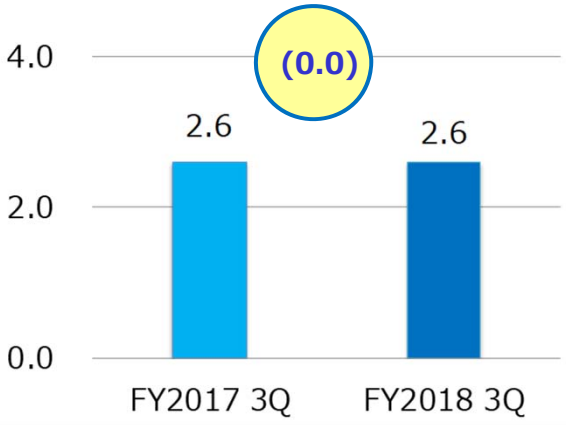
(Billions of yen)

Net Sales



14.0% Increased

Operating profit



(0.7)% Decreased

Difference of operating profit

Price ※1	(0.3)
Volume	0.1
Fixed Cost and Others ※2	0.2
Total	**(0.0)**

***1: Including both selling and purchase change**

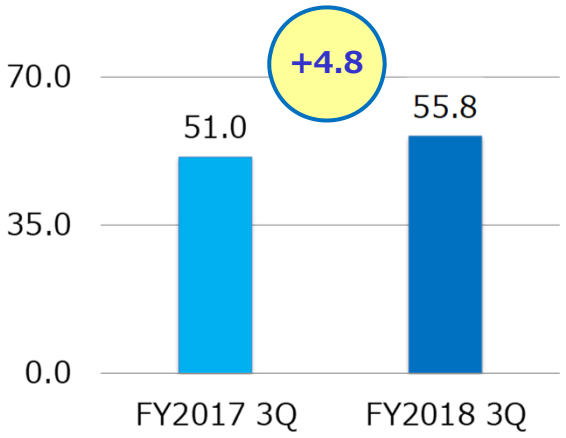
***2: Including marginal profit on machinery product 0.8**

3rd Quarter of the FY2018

Analysis – Energy & Environment

(Billions of yen)

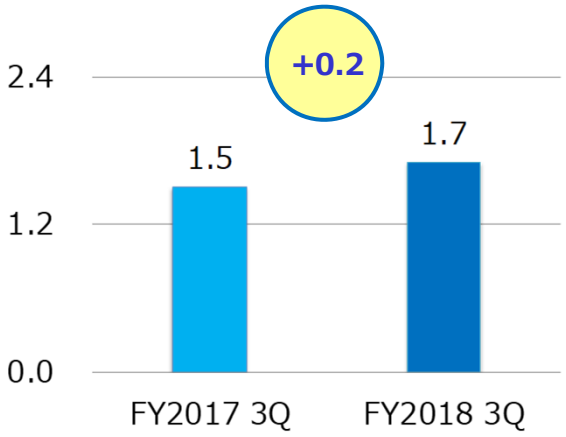
Net Sales



Coal	2.8
Power	2.1

9.4% Increased

Operating profit



Coal	(0.3)
Power	0.4

13.1% Increased

Difference of operating profit

Price ※1	(0.3)
Volume	(0.4)
Fixed Cost and Others ※2	0.9
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	FY2017 3Q (A)	FY2018 3Q (B)	Difference (B) - (A)
Operating profit	37.6	30.0	(7.5)
Non-operating income/expenses	1.4	3.3	1.9
Net Interests expenses	0.0	1.0	1.0
Share of profit of entities accounted for using equtiy method	2.8	3.7	0.9
Foreign currency gain	0.4	0.7	0.2
Others	(1.9)	(2.2)	(0.2)
Ordinaly profit	39.0	33.4	(5.6)
Extraordinary losses	(0.9)	(1.7)	(0.8)
Profit before income taxes	38.0	31.6	(6.4)
Income taxes and profit attributable to non-controlling Interests	(11.4)	(8.7)	2.6
Profit attributable to owners of parent	26.6	22.8	(3.8)
Net income per share *1	253.94 yen	218.09 yen	(35.85) 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 FY2017 (A)	End of FY2018 3Q (B)	Difference (B) - (A)
Current assets	316.8	323.7	6.9
Fixed assets	425.4	419.2	(6.1)
Total assets	742.4	743.1	0.7
Interest-bearing debt	195.5	200.5	5.0
Other liabilities	210.0	197.7	(12.2)
Total liabilities	405.5	398.3	(7.2)
Shareholders' equity *1	315.3	323.1	7.8
Non-controlling interests and others	21.5	21.6	0.1
Total net assets	336.8	344.8	7.9
Total liabilities and net assets	742.4	743.1	0.7

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

Consolidated Statements of Cash Flows

(Billions of yen)

Item	FY2017 3Q	FY2018 3Q	
A.Cash flows from operating activities	42.5	21.1	Profit before income taxes 31.6 Depreciation and amortization 26.9 Decrease workig capital (17.3) Income taxes paid (12.6), etc.
B.Cash flows from investing activities	(26.2)	(28.5)	Acquisition of PP&E (28.8), etc.
Free cash flows (A+B)	16.3	(7.4)	
C.Cash flows from financing activities	(17.8)	(9.2)	Dividends (8.5) Increase in interest-bearing debt 4.8 Purchase of treasury shares (5.0), etc.
D.Net increase/decrease in cash and cash equivalents	0.6	(16.7)	
E.Cash and cash equivalents at end of the quarter	36.4	31.8	

Reference



Reference: 3rd Quarter of the FY2018

Analysis of Operating Profit by Segment

(Billions of yen)

Segment	Operating profit					
	FY2017 3Q (A)	FY2018 3Q (B)	Difference (B) - (A)	Price *1	Volume	Fixed cost and others *2
Chemicals	22.1	15.9	(6.2)	(5.7)	1.0	(1.6)
Pharmaceutical	1.4	0.8	(0.5)	(0.2)	0.0	(0.4)
Cement & construction Materials	9.8	8.5	(1.2)	0.6	1.0	(2.8)
Machinery	2.6	2.6	(0.0)	(0.3)	0.1	*3 0.2
Energy & Environment	1.5	1.7	0.2	(0.3)	(0.4)	0.9
Others	0.7	0.6	(0.0)	0.0	0.0	(0.1)
Adjustment	(0.8)	(0.4)	0.3	-	-	0.3
Total	37.6	30.0	(7.5)	(5.9)	1.8	(3.4)

*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

Reference: 3rd Quarter of the FY2018

Progress of Major P/L Items

(Billions of yen)

Item	FY2017 (A)		FY2018 (B)		Difference (B) - (A)	
		3Q Progress		3Q Progress		3Q
Net sales	695.5	507.0 72.9%	740.0	540.4 73.0%	44.5	33.4
Operating profit	50.2	37.6 74.9%	44.0	30.0 68.2%	(6.2)	(7.5)
Ordinary profit	50.7	39.0 77.0%	45.5	33.4 73.4%	(5.2)	(5.6)
Profit attributable to owners of parent	31.6	26.6 84.2%	30.5	22.8 74.8%	(1.1)	(3.8)

Net Sales

(Billions of yen)

Segment	FY2018					Full-year (Forecast)	Progress
	1Q	2Q	3Q	4Q	Total		
Chemicals	73.5	78.1	83.0	-	234.7	320.0	73.3%
Pharmaceutical	1.7	1.6	3.7	-	7.1	10.0	71.0%
Cement & Construction Materials	59.4	60.0	68.8	-	188.3	250.0	75.3%
Machinery	18.7	24.4	23.7	-	67.0	100.0	67.0%
Energy & Environment	18.4	20.0	17.3	-	55.8	80.0	69.8%
Others	1.1	1.1	1.4	-	3.7	5.0	74.0%
Adjustment	(4.0)	(6.2)	(6.1)	-	(16.3)	(25.0)	-
Total	169.0	179.1	192.2	-	540.4	740.0	73.0%

Operating Profit

(Billions of yen)

Segment	FY2018					Full-year (Forecast)	Progress
	1Q	2Q	3Q	4Q	Total		
Chemicals	3.6	4.6	7.6	-	15.9	22.5	70.7%
Pharmaceutical	(0.0)	0.0	0.8	-	0.8	0.5	160.0%
Cement & Construction Materials	2.0	2.5	3.9	-	8.5	12.5	68.0%
Machinery	0.1	1.1	1.3	-	2.6	6.0	43.3%
Energy & Environment	0.3	0.6	0.7	-	1.7	2.5	68.0%
Others	0.1	0.0	0.4	-	0.6	1.0	60.0%
Adjustment	(0.1)	(0.2)	(0.0)	-	(0.4)	(1.0)	-
Total	6.1	8.9	15.0	-	30.0	44.0	68.2%

Reference: 3rd Quarter of the FY2018

Consolidated Key Indicators

(Billions of yen)

Item	FY2017 3Q	FY2018 3Q	FY2018 full-year (forecast)	FY2017 full-year
Capital investment	24.0	24.9	40.0	40.3
Depreciation and amortization	26.1	26.9	37.0	35.3
Research and development expenses	9.8	9.0	14.0	13.2
Adjusted operating profit	41.5	35.7	50.5	55.1
Interest-bearing debt	205.2	200.5	185.0	195.5
Shareholders' equity	313.4	323.1	334.0	315.3
Total assets	734.1	743.1	750.0	742.4
D/E ratio (times)	0.65	0.62	0.55	0.62
Shareholders' equity ratio (%)	42.7	43.5	44.5	42.5
Return on sales - ROS (%)	7.4	5.6	5.9	7.2
Return on assets - ROA (%)	-	-	6.8	7.6
Return on equity – ROE (%)	-	-	9.4	10.5
Number of employees	10,953	11,087	11,000	10,799

Consolidated Major Subsidiaries

(Billions of yen)

Subsidiaries and affiliates	Business	Net Sales FY2018 3Q	Difference of operating profit from FY2017 3Q
UBE Corporation Europe, S.A. Unipersonal	Manufacture and sales of caprolactam, ammonium sulfate, nylon, and fine chemical products	35.6	↑
UBE Chemicals (Asia) Public Company Limited	Manufacture and sales of caprolactam, ammonium sulfate, and nylon	34.7	↑
THAI SYNTHETIC RUBBERS COMPANY LIMITED	Manufacture and sales of polybutadiene rubber	12.2	↓
UBE Ammonia Industry, Ltd.	Manufacture and sales of ammonia and industrial gases	10.6	↓
UBE Film, Ltd.	Manufacture and sales of plastic film products	7.5	↓
UBE EXSYMO CO., LTD.	Manufacture and sales of polypropylene molded products, fibers, fiber-reinforced plastics and electronic and information materials	10.3	→
UBE Material Industries, Ltd.	Manufacture and sales of magnesia clinker, quicklime, slaked lime, etc.	36.9	↑
UBE Shipping & Logistics, Ltd.	Coastal shipping, port transport, containers, collection and transport of industrial waste, trading and engineering business	14.0	→
UBE Construction Materials Sales Co., Ltd.	Sales of cement, ready-mixed concrete, building materials, etc.	48.6	↑
SANSHIN TSUSHO Co., Ltd.	Sales of cement, ready-mixed concrete, building materials, etc.	17.7	→
Consolidated subsidiaries dealing ready-mixed concrete	Manufacture and sales of ready-mixed concrete	33.3	↑
Ube Construction materials Co., Ltd.	Manufacture, sales and construction of various building materials	7.9	–
UBE Machinery Corporation, Ltd.	Manufacture, sales, and service of molding machines, industrial machinery and bridge, etc.	30.3	↓
UBE Steel Co., Ltd	Manufacture and sales of cast iron and steel products and rolled steel billets	17.5	↓
UBE COAL TRADING, LTD.	Sales of imported coal from Australia, Indonesia, and Russia	23.4	↓

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

Wings of technology
Spirit of innovation

UBE

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