Financial Results for the 1st Quarter FY2020 Explanatory material

July 31, 2020

1st Quarter: April – June

UBE INDUSTRIES,LTD.

FY2020 1st Quarter Consolidated Result

Scope of Consolidation

Item	End of FY2019 (A)	End of FY2020 1Q (B)	Difference (B) - (A)	Notes
Number of consolidated subsidiaries	69	70	1	+Premium Composite Technology North America
Number of equity method affiliates	26	26	0	
Total	95	96	1	

Environmental Factors

Item				FY2019 1Q (A)	FY2020 1Q (B)	Difference (B) - (A)
Exchange Rate			Yen/$	109.9	107.6	(2.3)
Material Price	Naphtha	CIF	$/ t	567	311	(256)
		Domestic	Yen/KL	45,500	25,300	(20,200)
	Benzene (ACP)		$/ t	618	358	(260)
	Australian Coal (CIF)		$/ t	106.3	76.0	(30.3)
			Yen/t	11,677	8,179	(3,498)

Major P/L Items

(Billions of yen)

Item	FY2019 1Q (A)	FY2020 1Q (B)	Difference (B) - (A)	Percentage change
Net sales	165.0	136.1	(28.9)	(17.5)%
Operating profit (loss)	7.3	(0.6)	(7.9)	−%
Ordinary profit (loss)	7.7	(1.2)	(9.0)	−%
Profit (loss) attributable to owners of parent	4.5	(1.3)	(5.8)	−%

Net Sales and Operating Profit by Segment

(Billions of yen)

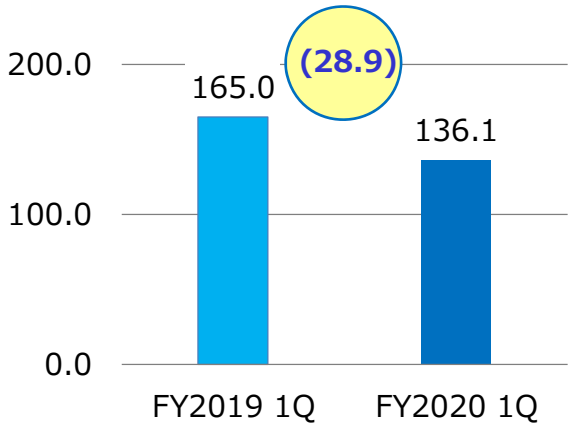
	Segment	FY2019 1Q (A)	FY2020 1Q (B)	Difference (B) - (A)
Net sales	Chemicals	74.5	52.5	(21.9)
	Construction Materials	75.4	69.1	(6.2)
	Machinery	18.8	16.7	(2.1)
	Others	1.1	0.7	(0.4)
	Adjustment	(4.9)	(3.1)	1.8
	Total	165.0	136.1	(28.9)
Operating profit (loss)	Chemicals	4.6	(2.7)	(7.4)
	Construction Materials	2.3	1.9	(0.3)
	Machinery	0.4	0.2	(0.2)
	Others	0.1	0.0	(0.0)
	Adjustment	(0.2)	(0.1)	0.1
	Total	7.3	(0.6)	(7.9)

1st Quarter of the FY2020

Analysis - Total

(Billions of yen)

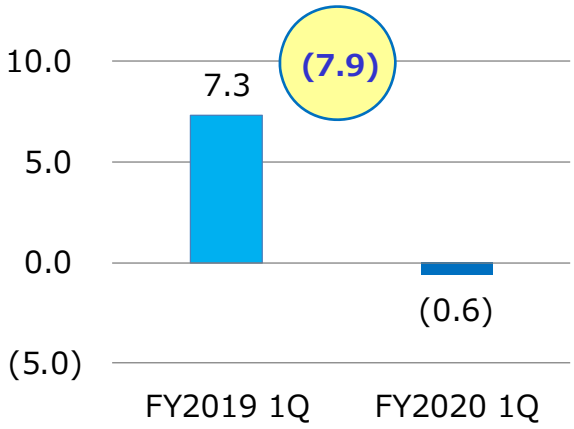
Net Sales



Chemicals	(21.9)
Construction Materials	(6.2)
Machinery	(2.1)
Others	(0.4)
Adjustment	1.8

(17.5)% Decreased

Operating profit (loss)



Chemicals	(7.4)
Construction Materials	(0.3)
Machinery	(0.2)
Others	(0.0)
Adjustment	0.1

–

Difference of operating profit

Price ※1	(4.4)
Volume	(4.9)
Fixed Cost and Others ※2	1.3
Total	**(7.9)**

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

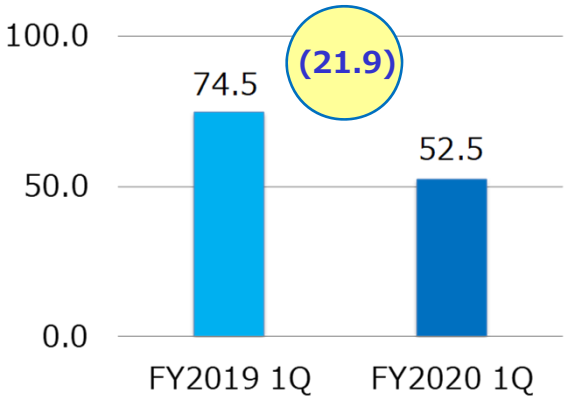
***2: Including inventory valuation changes and lowest cost accounting**

1st Quarter of the FY2020

Analysis - Chemicals

(Billions of yen)

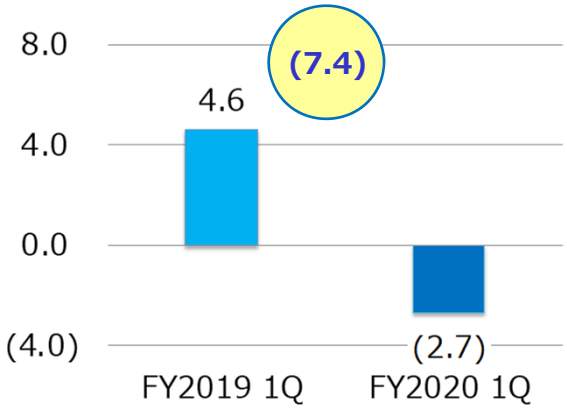
Net Sales



Engineering Plastics & Fine Chemicals	(12.2)
Synthetic rubber	(5.3)
Specialty Products	(2.7)
Pharmaceutical	(1.2)
etc	

(29.4)% Decreased

Operating profit (loss)



Engineering Plastics & Fine Chemicals	(6.2)
Synthetic rubber	(0.8)
Specialty Products	(0.2)
Pharmaceutical	(0.5)
etc	

–

Difference of operating profit

Price ※1	(5.5)
Volume	(3.3)
Fixed Cost and Others ※2	1.3
Total	**(7.4)**

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

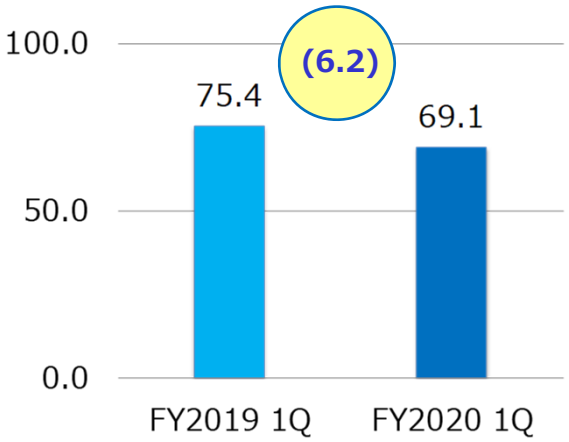
***2: Including inventory valuation changes and lowest cost accounting**

1st Quarter of the FY2020

Analysis – Construction Materials

(Billions of yen)

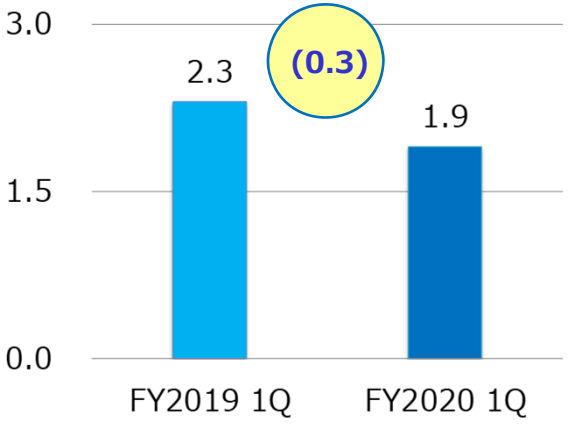
Net Sales



Cement and Ready-mixed concrete	(0.6)
Construction materials and Limestone related products	(3.0)
Coal	(2.8)
Power	(0.3)
etc	

(8.3)% Decreased

Operating profit (loss)



Cement and Ready-mixed concrete	(0.2)
Construction materials and Limestone related products	(0.9)
Coal	(0.1)
Power	0.8
etc	

(15.8)% Decreased

Difference of operating profit

Price ※1	1.3
Volume	(1.6)
Fixed Cost and Others	(0.1)
Total	**(0.3)**

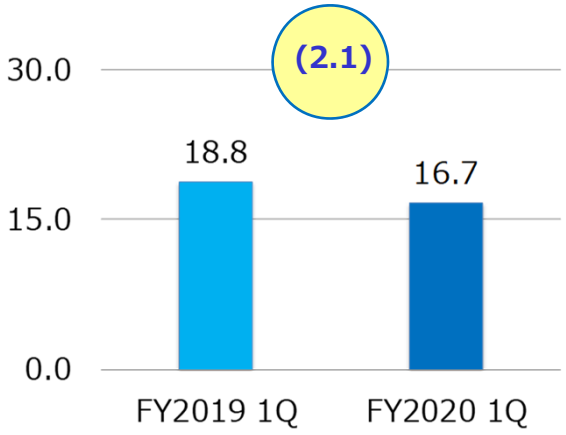
***1: Including both selling and purchase change**

1st Quarter of the FY2020

Analysis - Machinery

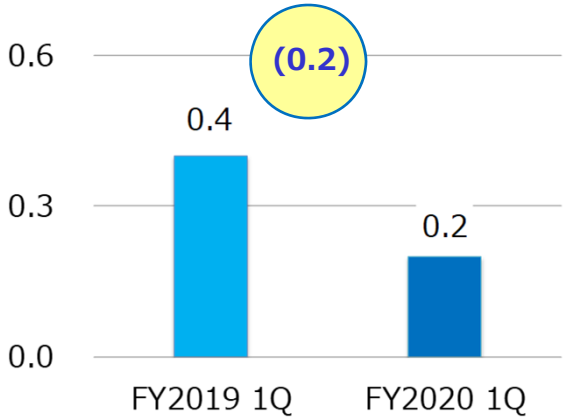
(Billions of yen)

Net Sales



(11.5)% Decreased

Operating profit (loss)



(44.6)% Decreased

Difference of operating profit

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

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

***2: Including marginal profit on machinery product (0.4)**

Operating Profit – Profit attributable to owners of parent

(Billions of yen)

Item	FY2019 1Q (A)	FY2020 1Q (B)	Difference (B) - (A)
Operating profit (loss)	7.3	(0.6)	(7.9)
Non-operating income (expenses)	0.4	(0.6)	(1.0)
Net interests expenses	0.4	0.2	(0.2)
Share of profit of entities accounted for using equtiy method	0.6	0.0	(0.6)
Foreign exchange gains	(0.3)	(0.2)	0.1
Others	(0.3)	(0.7)	(0.3)
Ordinary profit (loss)	7.7	(1.2)	(9.0)
Extraordinary income (expenses)	(0.4)	0.4	0.9
Profit (loss) before income taxes	7.2	(0.7)	(8.0)
Income taxes and profit (loss) attributable to non-controlling interests	(2.7)	(0.5)	2.1
Profit (loss) attributable to owners of parent	4.5	(1.3)	(5.8)
Net income per share	44.94 yen	(13.16) yen	(58.10) yen

Consolidated Balance Sheet

(Billions of yen)

Item	End of FY2019 (A)	End of FY2020 1Q (B)	Difference (B) - (A)
Current assets	303.9	296.9	(6.9)
Fixed assets	423.1	427.8	4.7
Total assets	727.2	725.0	(2.2)
Interest-bearing debt	190.7	202.1	11.4
Other liabilities	182.1	171.5	(10.5)
Total liabilities	372.8	373.7	0.8
Shareholders' equity *1	332.3	329.1	(3.2)
Non-controlling interests and others	22.0	22.1	0.0
Total net assets	354.4	351.3	(3.1)
Total liabilities and net assets	727.2	725.0	(2.2)

*1: Shareholders' equity = Net assets – Share acquisition rights – Non-controlling interests

Consolidated Statements of Cash Flows

(Billions of yen)

Item	FY2019 1Q	FY2020 1Q	
A.Cash flows from operating activities	15.5	18.1	Loss before income taxes (0.7) Depreciation and amortization 9.0 Increase in working capital 10.1 etc.
B.Cash flows from investing activities	(10.2)	(9.6)	Acquisition of PP&E (7.9) etc.
Free cash flows (A+B)	5.3	8.5	
C.Cash flows from financing activities	(4.9)	3.5	Increase in interest-bearing debt 8.3 Dividends paid (4.7) etc.
D.Net increase/decrease in cash and cash equivalents	0.3	12.9	
E.Cash and cash equivalents at end of the quarter	32.6	53.5	

Reference



Reference: 1st Quarter of the FY2020

Analysis of Operating Profit by Segment

(Billions of yen)

Segment	Operating profit (loss)					
	FY2019 1Q (A)	FY2020 1Q (B)	Difference (B) - (A)	Price *1	Volume	Fixed cost and others *2
Chemicals	4.6	(2.7)	(7.4)	(5.5)	(3.3)	1.3
Construction Materials	2.3	1.9	(0.3)	1.3	(1.6)	(0.1)
Machinery	0.4	0.2	(0.2)	(0.2)	(0.0)	*3 0.0
Others	0.1	0.0	(0.0)	0.0	0.0	(0.1)
Adjustment	(0.2)	(0.1)	0.1	-	-	0.1
Total	7.3	(0.6)	(7.9)	(4.4)	(4.9)	1.3

*1:Including both selling and purchase change *2:Including inventory valuation changes and lowest cost accounting
*3:Including marginal profit on machinery product (0.4)

Reference: 1st Quarter of the FY2020

Progress of Major P/L Items

(Billions of yen)

Item	FY2019 (A)		FY2020 (B)		Difference (B) - (A)	
		1Q Progress		1Q Progress		1Q
Net sales	667.8	165.0 24.7%	614.0	136.1 22.2%	(53.8)	(28.9)
Operating profit (loss)	34.0	7.3 21.5%	26.0	(0.6) –%	(8.0)	(7.9)
Ordinary profit (loss)	35.7	7.7 21.7%	23.5	(1.2) –%	(12.2)	(9.0)
Profit (loss) attributable to owners of parent	22.9	4.5 19.8%	14.0	(1.3) –%	(8.9)	(5.8)

Reference: 1st Quarter of the FY2020

Net Sales

(Billions of yen)

Segment	FY2020					Full-year (Forecast)	Progress
	1Q	2Q	3Q	4Q	Total		
Chemicals	52.5	–	–	–	52.5	260.0	20.2%
Construction Materials	69.1	–	–	–	69.1	290.0	23.9%
Machinery	16.7	–	–	–	16.7	79.0	21.2%
Others	0.7	–	–	–	0.7	3.0	23.9%
Adjustment	(3.1)	–	–	–	(3.1)	(18.0)	–%
Total	136.1	–	–	–	136.1	614.0	22.2%

Reference: 1st Quarter of the FY2020

Operating Profit

(Billions of yen)

Segment	FY2020					Full-year (Forecast)	Progress
	1Q	2Q	3Q	4Q	Total		
Chemicals	(2.7)	–	–	–	(2.7)	9.5	–%
Construction Materials	1.9	–	–	–	1.9	13.5	14.4%
Machinery	0.2	–	–	–	0.2	3.5	7.1%
Others	0.0	–	–	–	0.0	0.5	8.6%
Adjustment	(0.1)	–	–	–	(0.1)	(1.0)	–%
Total	(0.6)	–	–	–	(0.6)	26.0	–%

Reference: 1st Quarter of the FY2020

1Q on 4Q - Net Sales

(Billions of yen)

Segment	FY2019 4Q (A)	FY2020 1Q (B)	Difference (B) - (A)	Major factors
Chemicals	71.1	52.5	(18.5)	Engineering Plastics & Fine Chemicals (11.3) Synthetic rubber (4.0) Specialty Products (2.0) Pharmaceutical (1.0) etc.
Construction Materials	75.3	69.1	(6.1)	Cement and Ready-mixed concrete (1.9) Construction materials and Limestone related products (2.1) Coal (2.0) Power 0.2 etc.
Machinery	26.0	16.7	(9.3)	
Others	1.0	0.7	(0.2)	
Adjustment	(3.5)	(3.1)	0.3	
Total	170.0	136.1	(33.9)	

Reference: 1st Quarter of the FY2020

1Q on 4Q – Operating profit

(Billions of yen)

Segment	FY2019 4Q (A)	FY2020 1Q (B)	Difference (B) - (A)	Major factors
Chemicals	3.4	(2.7)	(6.1)	Engineering Plastics & Fine Chemicals (4.2) Synthetic rubber (0.7) Specialty Products (0.3) Pharmaceutical (0.3) etc.
Construction Materials	3.2	1.9	(1.2)	Cement and Ready-mixed concrete (0.4) Construction materials and Limestone related products (0.6) Coal 0.1 Power (0.2) etc.
Machinery	2.0	0.2	(1.7)	
Others	0.1	0.0	(0.0)	
Adjustment	(0.1)	(0.1)	0.0	
Total	8.6	(0.6)	(9.2)	

Reference: 1st Quarter of the FY2020

Consolidated Key Indicators

(Billions of yen)

Item	FY2019 1Q	FY2020 1Q	FY2020 full-year (forecast)	FY2019 full-year
Capital investment	5.6	10.8	47.0	47.6
Depreciation and amortization	9.0	9.0	37.0	36.8
Research and development expenses	3.2	2.7	14.0	12.8
Adjusted operating profit	8.6	(0.1)	29.0	37.8
Interest-bearing debt	192.3	202.1	190.0	190.7
Shareholders' equity	324.8	329.1	337.0	332.3
Total assets	730.0	725.0	720.0	727.2
D/E ratio (times)	0.59	0.61	0.56	0.57
Shareholders' equity ratio (%)	44.5	45.4	46.8	45.7
Return on sales - ROS (%)	4.4	(0.5)	4.2	5.1
Return on assets - ROA (%)	-	-	4.0	5.2
Return on equity – ROE (%)	-	-	4.2	6.9
Number of employees	11,213	11,120	11,000	10,890

Consolidated Major Subsidiaries

(Billions of yen)

Subsidiaries and affiliates	Business	Net Sales FY2020 1Q	Difference of operating profit from FY2019 1Q
UBE Corporation Europe, S.A. Unipersonal	Manufacture and sales of nylon, caprolactam, ammonium sulfate and fine chemical products	7.0	↓
UBE Chemicals (Asia) Public Company Limited	Manufacture and sales of nylon, caprolactam and ammonium sulfate	6.3	↓
THAI SYNTHETIC RUBBERS COMPANY LIMITED	Manufacture and sales of polybutadiene rubber	1.9	→
UBE Ammonia Industry, Ltd.	Manufacture and sales of ammonia and industrial gases	2.2	↓
UBE Film, Ltd.	Manufacture and sales of plastic film products	2.4	→
UBE EXSYMO CO., LTD.	Manufacture and sales of polypropylene molded products, fibers, fiber-reinforced plastics and electronic and information materials	3.0	↑
UBE Material Industries, Ltd.	Manufacture and sales of magnesia clinker, quicklime, slaked lime, etc.	9.4	↓
UBE Shipping & Logistics, Ltd.	Coastal shipping, port transport, containers, collection and transport of industrial waste, trading and engineering business	4.4	↓
UBE Construction Materials Sales Co., Ltd.	Sales of cement, ready-mixed concrete, building materials, etc.	14.8	→
SANSHIN TSUSHO Co., Ltd.	Sales of cement, ready-mixed concrete, building materials, etc.	5.1	→
Consolidated subsidiaries dealing ready-mixed concrete	Manufacture and sales of ready-mixed concrete	9.1	→
Ube Construction materials Co., Ltd.	Manufacture, sales and construction of various building materials	2.4	→
UBE Machinery Corporation, Ltd.	Manufacture, sales, and service of molding machines, industrial machinery and bridge, etc.	7.4	↓
UBE Steel Co., Ltd	Manufacture and sales of cast iron and steel products and rolled steel billets	4.1	↓

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

Announcement of 1st half Business Results

- **Announcement of 1st half Business Results**
  - **October 30, 15:30**

- **Telephone Conference for 1st half Business Results**
  - **October 30, 18:15**

(Note) This schedule is subject to change without notice due to circumstances.

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