

Consolidated Financial Report for the First Three Quarters of the Fiscal Year Ending March 31, 2014

Ube Industries, Ltd.

1. Consolidated Companies

Fiscal period	Previous FY ended Mar. 31, 2013	Current first 3Qs ended Dec. 31, 2013	Change
Number of companies			
Consolidated companies	67	65	-2
Companies using equity method accounting	25	24	-1
Total	92	89	-3

2. Consolidated Business Results for the First Three Quarters of the Fiscal Year Ending March 31, 2014 (April 1, 2013 to December 31, 2013)

(1) Results of Operations

(Billions of Yen – except per share data)

	Previous first 3Qs ended Dec. 31, 2012	Current first 3Qs ended Dec. 31, 2013	Change
Net sales	464.4	476.6	12.2
Operating income	23.1	16.4	-6.7
Net interest expenses	-1.9	-1.5	0.4
Equity in earnings of affiliates	1.1	-0.3	-1.5
Other non-operating income	-0.3	-2.4	-2.1
Ordinary income	22.0	11.9	-10.0
Extraordinary income / losses	-3.2	1.6	4.8
Net income	12.5	9.6	-2.9
Net income per share	12.51 Yen	9.32 Yen	-3.19 Yen

Presupposition conditions

Exchange rate (Yen per US\$)	80.0	99.4	19.4
Naphtha price (Yen/kl)	55,400	65,700	10,300
Australian coal price (Yen/ton)	10,230	11,071	841

Net Sales by Segment

(Billions of Yen)

	Previous first 3Qs ended Dec. 31, 2012	Current first 3Qs ended Dec. 31, 2013	Change	Comments
Chemicals & Plastics	162.9	164.7	1.8	- Effect of change in foreign exchange rate, etc
Specialty Chemicals & Products	46.9	47.0	0.1	-
Pharmaceutical	8.3	6.8	-1.5	- Price revision and decrease of volume in active ingredients witch UBE discovered, etc.
Cement & Construction Materials	155.9	168.0	12.0	- Increase in domestic sales volume of cement and ready-mixed concrete, etc
Machinery & Metal Products	50.9	53.0	2.1	- Increase in shipment of molding machines, etc
Energy & Environment	49.5	44.6	-4.8	- Decrease of income from IPP, etc.
Other	19.3	21.3	1.9	
Adjustment	-29.5	-29.1	0.4	
Total	464.4	476.6	12.2	

Operating Income by Segment

(Billions of Yen)

	Previous first 3Qs ended Dec. 31, 2012	Current first 3Qs ended Dec. 31, 2013	Change	Comments
Chemicals & Plastics	4.3	-2.0	-6.3	- Decrease in spread between selling prices and costs of raw materials for caprolactam, etc.
Specialty Chemicals & Products	1.5	0.2	-1.3	- Decrease in sales price, etc.
Pharmaceutical	2.7	1.2	-1.5	- Price revision and decrease of volume in active ingredients with UBE discovered, etc.
Cement & Construction Materials	8.0	12.0	3.9	- Increase in domestic sales volume of cement and ready-mixed concrete, etc
Machinery & Metal Products	2.7	3.1	0.3	- Increase in shipment of molding machines, etc
Energy & Environment	4.2	1.3	-2.9	- Decrease of income from IPP, etc.
Other	0.8	0.8	0.0	
Adjustment	-1.2	-0.2	0.9	
Total	23.1	16.4	-6.7	

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	Previous FY ended Mar. 31, 2013	Current first 3Qs ended Dec. 31, 2013	Change
Cash and deposits	36.2	33.5	-2.6
Accounts receivable	143.2	153.9	10.7
Inventories	81.7	97.3	15.5
Property, plant and equipment	323.7	327.2	3.5
Intangible fixed assets	4.8	5.1	0.2
Investments and other assets	96.2	103.0	6.8
Total assets	685.8	720.0	34.1

Liabilities	Previous FY ended Mar. 31, 2013	Current first 3Qs ended Dec. 31, 2013	Change
Notes and accounts payable-trade	83.2	95.5	12.3
Interest-bearing debt	246.6	258.8	12.1
Other liabilities	105.2	99.1	-6.1
Net assets	250.7	266.4	15.6
(Shareholders' Equity)	(222.1)	(235.2)	(13.1)
(Accumulated Other Comprehensive Income)	(-6.5)	(7.8)	(14.4)
(Share subscription rights and Minority interests)	(35.2)	(23.3)	(-11.8)
Total liabilities and Net assets	685.8	720.0	34.1

Cash Flows

(Billions of Yen)(Billions of Yen)

	Current first 3Qs ended Dec. 31, 2013	(Ref.) Previous first 3Qs ended Dec. 31, 2012
Cash flows from operating activities	15.6 *1	24.1
Cash flows from investing activities	-28.3 *2	-28.7
Cash flows from financing activities	4.6	7.8
(Interest-bearing debt)	(10.7)	(4.8)
(Dividend paid and Other)	(-6.1) *3	(3.0)
Cash and cash equivalents at end of period	33.2	36.8

*1 Net income before taxes 13.6 billion Yen
 Depreciation and amortization 24.0 billion Yen
 Increase or decrease in working capita -10.2 billion Yen
 Gain on negative goodwill -2.8 billion Yen , etc.
 *2 Acquisition of tangible/ intangible fixed assets -2.56 billion Yen

Acquisition of stocks of subsidiaries and affiliates	-2.6 billion Yen	,etc
*3 Dividend paid	-5.8 billion Yen	,etc

(3)Qualitative Information

Overview

During the current consolidated term, although the U.S. economy continued a gradual recovery, stagnation of the European economy continued and there was a deceleration of economic expansion in China and other Asian countries, resulting in a somewhat weak global economy. On the other hand, the Japanese economy was on a gradual upward trend, while the depreciation of the Japanese Yen improved export and various policies of the government created positive impacts.

The Company Group has been engaged in measures aiming to solve various operational tasks in order to enable speedy response to structural changes in the business environment. Our efforts are based on the basic policies of the three-year medium-term management plan “Change & Challenge –Driving Growth-,” which entered its first year in the current period. The basic policies are “Strengthen the revenue base to enable sustainable growth,” “Maximize the global strength of the Ube Group” and “Address and be part of the solution for resource, energy, and global environmental issues.” However, the circumstances surrounding Chemical field in particular remains difficulty and the field has yet to achieve results.

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

Chemicals & Plastics Segment

The market for caprolactam, which is used as a raw material of synthesise polyamide (nylon), continues to stagnate due to excess supply caused by the successive start of operation for new facilities of other companies in China. Furthermore, shipping decreased due to factory trouble. In the case of polybutadiene rubber (synthetic rubber), production in Japan continued to be unprofitable due to wild ups and downs in the market for the intermediate product butadiene. On the other hand, there was strong demand for nylon resins and industrial chemicals.

As a result, consolidated segment sales increased by 1.8 billion yen, compared to the same period in the previous year, to 164.7 billion yen, while consolidated operating income decreased by 6.3 billion yen to loss of 2.0 billion yen.

Specialty Chemicals & Products Segment

In the market of materials for lithium-ion batteries, shipment of electrolyte was at the same level as the same term in the previous year. However, the market for separators suffered due to a significant drop in prices. For functional materials including fine chemical products and the field of electronics and information materials, although some products show signs of increasing demand, shipment remained weak.

As a result, consolidated segment sales increased by 0.1 billion yen, compared to the same period in the previous year, to 47.0 billion yen, while consolidated operating income decreased by 1.3 billion yen to 0.2 billion yen.

Pharmaceutical Segment

Sales for active ingredients of Antiplatelet agent of the Group's pharmaceutical products were strong. However, sales decreased for other active ingredients of the Group's pharmaceutical products and intermediates on consignment manufacturing.

As a result, consolidated segment sales decreased by 1.5 billion yen, compared to the same period in the previous year, to 6.8 billion yen, while consolidated operating income decreased by 1.5 billion yen to 1.2 billion yen.

Cement & Construction Materials Segment

Domestic shipments of cement, ready-mixed concrete and building materials were higher than the same term in the previous year due to full-scale reconstruction from the Great East Japanese Earthquake and strong public investment. The profitability of exports also improved due to the correction of the yen appreciation. The waste recycling business was also strong. In the field of calcia and magnesia products, shipment of soil improvement material increased. Furthermore, demand for refractory material for steel industry had a trend toward recovery.

As a result, consolidated segment sales increased by 12.0 billion yen, compared to the same period in the previous year, to 168.0 billion yen, while consolidated operating income increased by 3.9 billion yen to 12.0 billion yen.

Machinery & Metal Products Segment

Although shipment of industrial machinery such as vertical mills and conveyors dropped below the same term in the previous year, obtaining order is recovering due to the correction of the yen appreciation. Due to further permeation of the market for new models, shipment for molding machines mainly used in the automobile industry were strong, especially for new facilities and expanded facilities of Japanese users in emerging countries and the North American market. Machinery service was also strong. Moreover, shipment of steel products was strong despite difficulty in obtaining orders.

As a result, consolidated segment sales increased by 2.1 billion yen, compared to the same period in the previous year, to 53.0 billion yen while consolidated operating income increased by 0.3 billion yen to 3.1 billion yen.

Energy & Environment Segment

In the coal business, although sales volume for salable coal increased, the traded volume of coal for storage decreased when compared to the same term in the previous year. In the power producer business, the volume of power sold dropped significantly due to periodic inspections of IPP power plants and subsequent facilities trouble.

As a result, consolidated segment sales decreased by 4.8 billion yen, compared to the same period in the previous year, to 44.6 billion yen, while consolidated operating income decreased by 2.9 billion yen to 1.3 billion yen.

Other

Consolidated segment sales of other businesses increased by 1.9 billion yen to 21.3 billion yen, while consolidated operating income did not change from 0.8 billion yen.

(4)Qualitative Information for Financial Condition

Regarding total assets for the current period when compared to the same period in the previous year, notes and accounts receivables increased by 10.7 billion yen, inventory assets including goods and products increased by 15.5 billion yen and tangible fixed assets increased by 3.5 billion yen. This caused total assets to increase by 34.1 billion yen to 720.0 billion yen.

Regarding liabilities, income taxes payable decreased by 3.2 billion yen and reserve for bonuses decreased by 3.5 billion yen. In contrast, notes and accounts payable increased by 12.3 billion yen and interest-bearing debt increased by 12.1 billion yen. This caused liabilities to increase by 18.4 billion yen to 453.6 billion yen.

Regarding net assets, minority interests decreased by 11.9 billion yen and capital surplus increased by 9.9 billion yen due to a share exchange which made Ube Material Industries, Ltd. a wholly-owned subsidiary, for instance. Furthermore, although retained earnings decreased by 5.0 billion yen due to dividends of surplus, retained earnings increased by 9.6 billion yen due to quarterly net income, and the foreign currency translation adjustment improved by 13.2 billion yen. This caused net assets to increase by 15.6 billion yen to 266.4 billion yen.

3. Consolidated Earnings Forecast for the Year Ending March 31, 2014 (April 1, 2013 to March 31, 2014)

Regarding future economic conditions, although a gradual upward trend is forecasted for the Japanese economy, there is concern regarding a downturn in the global economy such as the economic outlook in emerging countries including China. We forecast that our business environment as a whole tough situation will remain, although condition varies with each business.

Based on such conditions, as announced on September 30, 2013, we have changed the consolidated earnings forecast for the year ending March 31, 2014 as follows: net sales to 647 billion yen, operating income to 26 billion yen, ordinary income to 19.5 billion yen and net income to 12.5 billion yen.

(Billions of Yen – except per share data)

	Fiscal Year ended Mar. 31, 2013	Fiscal Year ending Mar. 31, 2014(forecast)	Change
Net sales	626.0	647.0	21.0
Operating income	29.9	26.0	-3.9
Ordinary income	28.0	19.5	-8.5
Extraordinary income (losses), net	-12.2	-0.5	11.7
Net income	8.2	12.5	4.3
Net income per share	8.22 Yen	12.05 Yen	3.83 Yen
Dividend per share	5.0 Yen	5.0 Yen	0.0 Yen

(Reference)

Consolidated Key Indicators

(Billions of yen)

	Previous first 3Qs ended Dec. 31, 2012	Current first 3Qs ended Dec. 31, 2013	Fiscal Year ending Mar. 31, 2014 (forecast)	Fiscal Year ended Mar. 31, 2013
Capital investment	27.7	20.7	38.0	40.9
Depreciation and amortization	23.4	24.0	32.5	31.3
Research and development expenses	10.3	10.4	14.5	14.0
Adjusted operating income *1	25.1	16.7	27.0	32.1
Interest-bearing debt	259.3	258.8	240.0	246.6
Net debt *2	222.5	225.6	210.0	210.6
Equity capital*3	210.3	243.0	237.0	215.5
Total assets	677.9	720.0	700.0	685.8
Net D/E ratio (times)	1.06	0.93	0.89	0.98
Equity ratio (%)	31.0	33.8	33.9	31.4
Return on sales (%)	5.0	3.4	4.0	4.8
Return on assets - ROA (%) *4	-	-	3.9	4.8
Return on equity – ROE (%)	-	-	5.5	4.0
Number of employees	11,217	11,310	11,300	11,090

*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