FASF MEMBERSHIP

February 3, 2015

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

Ube Industries, Ltd.

1. Consolidated Companies

Fiscal period / Number of companies	Previous FY ended Mar. 31, 2014	Current first 3Qs ended Dec. 31, 2014	Change
Consolidated companies	65	70	+5
Companies using equity method accounting	24	24	0
Total	89	94	+5

2. Consolidated Business Results for the First Three Quarters of the Fiscal Year Ending March 31, 2015 (April 1, 2014 to December 31, 2014)

(1) Results of Operations

(Billions of Yen – except per share data)

	Previous first 3Qs ended Dec. 31, 2013	Current first 3Qs ended Dec. 31, 2014	Change
Net sales	476.6	473.7	-2.9
Operating income	16.4	14.3	-2.0
Net interest expenses	-1.5	-0.9	0.5
Equity in earnings of affiliates	-0.3	0.9	1.2
Other non-operating income	-2.4	-0.3	2.1
Ordinary income	11.9	13.9	1.9
Extraordinary income	3.0	0.8	-2.1
Extraordinary losses	-1.3	* -7.3	-5.9
Net income	9.6	5.1	-4.4

* Loss related to liquidation of a subsidiary

Net income per share	9.32 Yen	4.85 Yen	-4.47 Yen

Environmental Factors

Exchange rate (Yen/US$)	99.4 Yen	106.9 Yen	7.5 Yen
Naphtha price (Yen/kl)	65,700 Yen	68,400 Yen	2,700 Yen
Australian coal price (Yen/ton)	11,071 Yen	9,879 Yen	-1,192 Yen

Net Sales by Segment

(Billions of Yen)

	Previous first 3Qs ended Dec. 31, 2013	Current first 3Qs ended Dec. 31, 2014	Change	Comments
Chemicals & Plastics	164.7	159.4	-5.3	- Decrease in sales volume, due to ceased production of caprolactam at Sakai Factory, decrease in sales price of caprolactam, etc
Specialty Chemicals & Products	47.0	46.5	-0.5	
Pharmaceutical	6.8	6.0	-0.7	- Decrease in sales volume, etc.
Cement & Construction Materials	168.0	166.9	-1.0	- Decrease in sales volume of ready-mixed concrete, etc.
Machinery & Metal Products	53.0	53.6	0.5	
Energy & Environment	44.6	49.6	4.9	- Increase in volume of selling electricity, thanks to resumption of IPP power plant, etc.
Other	21.3	24.6	3.3	- Increase in sales volume of overseas subsidiaries, etc.
Adjustment	-29.1	-33.0	-3.9	
Total	476.6	473.7	-2.9	

Operating Income by Segment

(Billions of Yen)

	Previous first 3Qs ended Dec. 31, 2013	Current first 3Qs ended Dec. 31, 2014	Change	Comments
Chemicals & Plastics	-2.0	-1.6	0.3	- Reduction of cost as a result of ceased production of caprolactam at Sakai Factory. Decrease in spread between selling prices and costs of raw materials for caprolactam, etc.
Specialty Chemicals & Products	0.2	-1.9	-2.1	- Decrease in sales price of battery materials, etc.
Pharmaceutical	1.2	1.0	-0.1	
Cement & Construction Materials	12.0	12.5	0.5	- Increase in sales volume of limestone related materials, etc
Machinery & Metal Products	3.1	1.8	-1.2	- Deterioration in profitability of molding machines, etc.
Energy & Environment	1.3	1.8	0.5	- Increase in volume of selling electricity, thanks to resumption of IPP power plant. Decrease in maintenance cost of IPP power plant (in comparison with the previous quarter when extensive periodic inspection took place), etc.
Other	0.8	0.9	0.0	
Adjustment	-0.2	-0.3	-0.0	
Total	16.4	14.3	-2.0	

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.

(2) Financial Condition

(Billions of Yen)

Assets	Previous FY ended Mar. 31, 2014	Current first 3Qs ended Dec. 31, 2014	Change
Cash and deposits	30.5	31.5	0.9
Accounts receivable	153.1	147.5	-5.5
Inventories	82.4	93.7	11.3
Property, plant and equipment	332.4	346.6	14.2
Intangible fixed assets	5.2	5.2	-0.0
Investments and other assets	96.9	104.9	8.0
Total assets	700.7	729.8	29.0

Liabilities	Previous FY ended Mar. 31, 2014	Current first 3Qs ended Dec. 31, 2014	Change
Notes and accounts payable-trade	89.2	93.3	4.1
Interest-bearing debt	245.8	259.6	13.8
Other liabilities	100.3	96.3	-3.9
Net assets	265.3	280.4	15.0
(Shareholders' Equity)	(238.2)	(239.8)	(1.5)
(Accumulated Other Comprehensive Income)	(3.4)	(13.9)	(10.4)
(Share subscription rights and Minority interests)	(23.6)	(26.6)	(3.0)
Total liabilities and Net assets	700.7	729.8	29.0

Cash Flows

(Billions of Yen)

	Current first 3Qs ended Dec. 31, 2014
Cash flows from operating activities	25.7 *1
Cash flows from investing activities	-32.7 *2
Cash flows from financing activities	6.1
(Interest-bearing debt)	(11.8)
(Dividend paid and Other)	(-5.7) *3
Cash and cash equivalents at end of period	30.3

(Billions of Yen)

(Ref.) Previous first 3Qs ended Dec. 31, 2013
15.6
-28.3
4.6
(10.7)
(-6.0)
33.2

*1 Net income before taxes	7.4 billion Yen
Depreciation and amortization	24.6 billion Yen,
*2 Acquisition of tangible/ intangible fixed assets	-31.5 billion Yen, etc
*3 Dividend paid	-5.4 billion Yen, etc

(3)Qualitative Information for business segments

During the current term, while the U.S economy continued recovery and the European economy showed some signs of bottoming out, the pace of economic growth turned out to be modest in China and other Asian countries; as a whole, the world economy seemed to lack momentum. On the other hand, although individual spending was still weak, the overall Japanese economy, which was underpinned by effects of various economic policies implemented by the Japanese government, continued to be on the course of modest recovery.

Under such circumstances, the Company Group currently advances efforts 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.

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

Chemicals & Plastics Segment

Sales of caprolactam, which is a material used to synthesize polyamide, suffered from continued sluggish market conditions caused by weak demand, especially in the China market where supply was excessive. Sales of the products were also affected by the full-scale maintenance conducted once in several years in our Thai and Spain factories, as well as price hike of auxiliary materials such as ammonia. On the other hand, improvement effect has been achieved as we expected after production ceasing of caprolactam at Sakai Factory at the end of March 2014. Shipment of polyamide resins remained strong, because of a steady increase in sales of the products used for food wrap films. Shipment of polybutadiene rubber (synthetic rubber) and industrial chemicals also remained steady.

Specialty Chemicals & Products Segment

Looking at the business performance of the products used for lithium-ion batteries, shipment of electrolyte remained strong and that of separators hovered at the same level with the same period last year, but sales of both products were greatly affected by falling in price. Shipment of fine chemical products, polyimide films and separation membranes was on a gradual recovery trend, but sales of polyimide films was affected by an increase in fixed costs generated by operation start of new facilities.

Pharmaceutical Segment

Among the drugs developed by UBE, shipment of blood-pressure-lowering drugs was relatively steady, but that of antiallergic drugs and antiplatelet agents was sluggish, because distributors' inventories of these products were on adjustment phase. Shipment of active ingredients and intermediates for drugs manufactured under contract was weak.

Cement & Construction Materials Segment

Domestic shipments of cement, ready-mixed concrete and building materials slightly decreased in comparison with the same period in the previous year in spite of continued healthy demand, mainly because labor shortage at construction sites resulted in delay in commencement of construction. On the other hand, export of these products remained strong as a whole, because strong demand in the overseas markets resulted in increases of both sales volumes and prices of them, and revenues of recycle business of various types of waste also increased. Sales of calcia and magnesia products continued to be 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 investment in new equipment and replacement of old machines in Japan. On the other hand, shipment of molding machines mainly used in the automobile industry was affected by the business performance of the first and second quarters when profitability of many shipped products were relatively low, because shipment of these products tends to concentrate in the fourth quarter due to customers' manufacturing schedule. Received orders for both industrial machinery and molding machines increased, and that for the machinery service remained at a steady level. Shipment of steel products was also steady.

Energy & Environment Segment

In the coal business, sales volume of salable coal remained strong, 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 privately-owned power plant was greatly affected by the periodic inspection, the IPP power plant was released, in the current term, from 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 had progressed without any problem and transmission of the rated power was resumed on October 18, 2014.

(4)Qualitative Information for Financial Condition

Total assets at the end of the third quarter of the fiscal year increased by 29.0 billion yen, in comparison with the end of the previous fiscal year, to 729.8 billion yen, because of increases of 11.3 billion yen in inventories including commercial products and manufactured goods and 14.2 billion yen in tangible fixed assets.

Total liabilities increased by 14.0 billion yen to 449.3 billion yen in spite of decrease of 3.6 billion yen in reserve for bonuses, because increases of 4.1 billion yen in notes and accounts payable and 13.8 billion yen in interest-bearing debt.

Net assets increased by 15.0 billion yen to 280.4 billion yen, because retained earnings increased by 1.5 billion yen by impact of the change of the calculation method liabilities for employees' retirement benefits in addition to a 5.1 billion yen increase resulted from net profit of this quarter in spite of a 5.2 billion yen decrease due to payment of dividends, and because both foreign currency translation adjustments and minority interest increased respectively by 8.6 billion yen and 3.0 billion yen.

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

Under the current uncertain situation where prices of raw materials and fuels including crude oil, we forecast that our Group as a whole will continue to face a severe business environment, although conditions differ depending on the business segment. Considering the present economic condition, we maintain our earnings forecast for the whole financial year announced on October 16, 2014, with net sales of 660.0 billion yen, operating income of 26.0 billion yen, ordinary income of 22.0 billion yen and net income of 12.5 billion yen.

(Billions of Yen – except per share data)

	Fiscal Year ended Mar. 31, 2014	Fiscal Year ending Mar. 31, 2015(forecast)	Change
Net sales	650.5	660.0	9.5
Operating income	24.4	26.0	1.6
Ordinary income	18.6	22.0	3.4
Extraordinary income (losses), net	0.9	-3.5	-4.4
Net income	12.6	12.5	-0.1
Net income per share	12.16 Yen	11.82 Yen	-0.34 Yen
Dividend per share	5.0 Yen	5.0 Yen	0.0 Yen

(Reference)

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

	Previous first 3Qs ended Dec. 31, 2013	Current first 3Qs ended Dec. 31, 2014	Fiscal Year ending Mar. 31, 2015 (forecast)	Fiscal Year ended Mar. 31, 2014
Capital investment	20.7	30.4	47.0	36.3
Depreciation and amortization	24.0	24.6	34.5	32.4
Research and development expenses	10.4	10.3	15.0	13.9
Adjusted operating income *1	16.7	16.1	27.5	25.2
Interest-bearing debt	258.8	259.6	242.0	245.8
Net debt *2	225.6	229.2	217.0	215.7
Equity capital*3	243.0	253.7	252.0	241.7
Total assets	720.0	729.8	715.0	700.7
Net D/E ratio (times)	0.93	0.90	0.86	0.89
Equity ratio (%)	33.8	34.8	35.2	34.5
Return on sales (%)	3.4	3.0	3.9	3.8
Return on assets - ROA (%) *4	-	-	3.9	3.6
Return on equity – ROE (%)	-	-	5.1	5.5
Number of employees	11,310	10,832	10,850	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