May 12, 2014

Consolidated Financial Report for the Fiscal Year Ended March 31, 2014

Ube Industries, Ltd.

1. Consolidated Companies

Number of companies / Fiscal period	Fiscal year ended Mar. 31, 2013	Fiscal year ended Mar. 31, 2014	Change
Consolidated companies	67	65	-2
Companies using equity method accounting	25	24	-1
Total	92	89	-3

2. Consolidated Business Results for the Fiscal Year Ended March 31, 2014 (April 1, 2013 to March 31, 2014)

(1) Results of Operations

Billions of Yen – except per share data)

	Fiscal year ended Mar. 31, 2013	Fiscal year ended Mar. 31, 2014	Change
Net sales	626.0	650.5	24.4
Operating income	29.9	24.4	-5.5
Net interest expenses	-2.6	-2.0	0.5
Equity in earnings of affiliates	1.2	0.0	-1.2
Exchange gain or loss	1.3	0.2	-1.0
Other non-operating income	-1.8	-3.8	-2.0
Ordinary income	28.0	18.6	-9.3
Extraordinary income	2.5	3.1	0.6
Extraordinary losses	-14.7	-2.1	12.5
Net income	8.2	12.6	4.3
Net income per share	8.22 Yen	12.16 Yen	3.94 Yen
Divident per share	5.0 Yen	5.0 Yen	0.0 Yen

Presupposition conditions

Exchange rate (Yen per US$)	83.1	100.2	17.1
Naphtha price (Yen/kl)	57,500	67,300	9,800
Australian coal price (Yen/ton)	10,540	11,117	577

Net Sales by Segment

(Billions of Yen)

	Fiscal year ended Mar. 31, 2013	Fiscal year ended Mar. 31, 2014	Change	Comments
Chemicals & Plastics	219.3	230.5	11.2	-Effect of change in foreign exchange rate, etc
Specialty Chemicals & Products	61.1	63.1	2.0	- Effect of change in foreign exchange rate, etc
Pharmaceutical	11.4	9.7	-1.7	- Price revision and decrease of volume in active ingredients witch UBE discovered, etc.
Cement & Construction Materials	208.3	223.5	15.1	- Increase in domestic sales volume of cement and ready-mixed concrete, etc
Machinery & Metal Products	71.3	75.5	4.2	- Increase in shipment of molding machines, price hike of steel products, etc
Energy & Environment	68.7	59.0	-9.6	- Decrease of income from IPP, etc.
Other	25.2	28.8	3.5	
Adjustment	-39.6	-39.8	-0.2	
Total	626.0	650.5	24.4	

Operating Income by Segment

(Billions of Yen)

	Fiscal year ended Mar. 31, 2013	Fiscal year ended Mar. 31, 2014	Change	Comments
Chemicals & Plastics	5.0	0.8	-4.2	- Decrease in spread between selling prices and costs of raw materials for caprolactam, etc.
Specialty Chemicals & Products	1.2	-0.4	-1.6	- Decrease in sales price, etc.
Pharmaceutical	3.4	1.6	-1.7	- Price revision and decrease of volume in active ingredients witch UBE discovered, etc.
Cement & Construction Materials	11.4	15.5	4.0	- Increase in domestic sales volume of cement and ready-mixed concrete, etc
Machinery & Metal Products	3.6	4.4	0.7	- Increase in shipment of molding machines, etc
Energy & Environment	5.9	1.9	-3.9	- Decrease of income from IPP, etc.
Other	1.0	1.0	0.0	
Adjustment	-1.9	-0.6	1.2	
Total	29.9	24.4	-5.5	

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	Fiscal year ended Mar. 31, 2013	Fiscal year ended Mar. 31, 2014	Change
Cash and deposits	36.2	30.5	-5.7
Accounts receivable	143.2	153.1	9.9
Inventories	81.7	82.4	0.6
Property, plant and equipment	323.7	332.4	8.6
Intangible fixed assets	4.8	5.2	0.3
Investments and other assets	96.2	97.1	0.9
Total assets	685.8	700.7	14.8

Liabilities	Fiscal year ended Mar. 31, 2013	Fiscal year ended Mar. 31, 2014	Change
Notes and accounts payable-trade	83.2	89.2	5.9
Interest-bearing debt	246.6	32.5	-0.8
Other liabilities	105.2	100.2	-4.9
Net assets	250.7	265.3	14.6
(Shareholders' Equity)	(222.1)	(238.2)	(16.1)
(Accumulated Other Comprehensive Income)	(-6.5)	(3.4)	(10.0)
(Share subscription rights and Minority interests)	(35.2)	(23.5)	(-11.6)
Total liabilities and Net assets	685.8	700.7	14.8

Cash Flows

(Billions of Yen)

	Fiscal year ended Mar. 31, 2014
Cash flows from operating activities	37.0 *1
Cash flows from investing activities	-40.7 *2
Cash flows from financing activities	-7.4
(Interest-bearing debt)	(-1.4)
(Dividend paid and Other)	(-6.0) *3
Cash and cash equivalents at end of period	30.0

(Billions of Yen)

(Ref.) Fiscal year ended Mar. 31, 2013
46.1
-39.0
5.8
(-8.9)
(3.0)
35.9

*1 Net income before taxes 19.6 billion Yen
Depreciation and amortization 32.4 billion Yen
Incease or decrease in working capital -1.9 billion Yen

Gain on negative goodwill	-2.8	billion Yen, etc
*2 Acquisition of tangible/ intangible fixed assets	-36.2	billion Yen
Acquisition of stocks of subsidiaries and affiliates	-3.0	billion Yen, etc
*3 Dividend paid	-5.7	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.

Under these circumstances, 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

Business losses of caprolactam, which is used as a raw material of synthetic polyamide (nylon), expanded due to market stagnation caused by excess supply after a series of opening of new facilities by competitors in China, as well as a significant shipping decrease as a result of production issues in our plants. Shipment of polybutadiene rubber (synthetic rubber) hovered at the same level as the previous term, because sales of both nylon resins used in food wrap films and industrial chemicals such as ammonia products were steady.

As a result, consolidated segment sales increased by 11.2 billion yen, compared to the previous year, to 230.5 billion yen, while consolidated operating income decreased by 4.2 billion yen to 0.8 billion yen.

Specialty Chemicals & Products Segment

Looking at the business performance of lithium-ion batteries, while shipments of electrolytes and separators were at the same level as the previous term, earnings of separators was affected by a significant drop in prices. On the other hand, shipments of both fine chemicals and materials for environmental coatings improved, thanks to the enhanced export environment. Shipments of separation membranes, ceramics and polyimide film showed some signs for recovery, but has not yet reached to the previous levels.

As a result, consolidated segment sales increased by 2.0 billion yen, compared to the previous year, to 63.1 billion yen, while consolidated operating income decreased by 1.6 billion yen resulting 0.4 billion yen of loss.

Pharmaceutical Segment

Sales of the Group's active ingredients for antiplatelet agents are growing steadily. However, sales decreased for the Group's active ingredients for antiallergic agents, for hypotensive agents for which patents have expired, as well as for active ingredients and intermediates on consignment manufacturing.

As a result, consolidated segment sales decreased by 1.7 billion yen, compared to the previous year, to 9.7 billion yen, while consolidated operating income decreased by 1.7 billion yen to 1.6 billion yen.

Cement & Construction Materials Segment

Domestic shipments of cement, ready-mixed concrete and building materials were higher than the previous term due to full-scale reconstruction from the Great East Japanese Earthquake, strong public investment, and private demand. The profitability of exports also improved. The business of recycling waste into raw materials/fuels was also strong. In the field of calcia and magnesia products, shipments of soil improvement material to the Tohoku region were strong. Furthermore, demand for desulfurizing agents and refractory material for the steel industry showed a recovery in demand compared to the previous term.

As a result, consolidated segment sales increased by 15.1 billion yen, compared to the previous year, to 223.5 billion yen, while consolidated operating income increased by 4.0 billion yen to 15.5 billion yen.

Machinery & Metal Products Segment

Although shipments of industrial machinery such as vertical mills and conveyors declined from the previous period, orders are recovering as a result of depreciation of the yen. Due to market acceptance of new models, shipments of molding machines mainly used in the automobile industry were strong, especially for the expansion of Japanese-owned facilities in emerging countries and the North American market. Machinery service was also strong. Moreover, shipments of steel products were strong despite a challenging market.

As a result, consolidated segment sales increased by 4.2 billion yen, compared to the previous year, to 75.5 billion yen while consolidated operating income increased by 0.7 billion yen to 4.4 billion yen.

Energy & Environment Segment

In the coal business, the volume of both salable coal and coal for storage increased. However, in the power producer business, the volume of power sold dropped significantly due to periodic inspections of IPP power plants and subsequent facilities trouble. Such factors had a strong impact on this segment.

As a result, consolidated segment sales decreased by 9.6 billion yen, compared to the previous year, to 59.0 billion yen, while consolidated operating income decreased by 3.9 billion yen to 1.9 billion yen.

Other

Consolidated segment sales of other businesses decreased by 3.5 billion yen to 28.8 billion yen, while consolidated operating income was unchanged by 1.0 billion yen.

(4) Main measures implemented in the current term

– Chemicals & Plastics Segment –

◆Ube Industries, Ltd. installed new liquefied carbon dioxide manufacturing facilities at the Ube Chemical Factory to effectively use carbon dioxide, to reduce emissions, and to respond to increased demand for liquefied carbon (August 2013).

◆Ube Industries, Ltd. completed construction for the expansion of synthetic rubber manufacturing facilities (2nd step, annual production of 16,000 tons) at the Chiba Petrochemical Factory (March 2014).

◆Ube Industries, Ltd. ceased production of caprolactam at the Sakai Factory in order to strengthen the overall competitiveness of the caprolactam business (March 2014).

– Specialty Chemicals & Products Segment –

◆Ube Industries, Ltd. started operation of No.8 functional membrane (separator) manufacturing facilities at the Sakai Factory in response to increasing demand for vehicle-mounted lithium-ion rechargeable batteries (May 2013).

◆Ube Industries, Ltd. started business activities at Advanced Electrolyte Technologies (Zhangjiagang), a Chinese joint venture with America's The Dow Chemical Company (June 2013)

– Pharmaceutical Segment–

◆Ube Industries, Ltd. received approval in Japan for manufacturing and sale of the antiplatelet agent Prasurgrel (product name: Efient) which was developed jointly with Daiichi Sankyo Company, Limited (March 2014).

– Cement and Construction Materials Segment –

◆Ube Industries, Ltd. made Ube Material Industries, Ltd. a wholly owned subsidiary through an exchange of shares (August 2013). Moving forward, this will improve the corporate value of the Group by strengthening earning power in the limestone chain, advancing the commercialization of functional inorganic material, and maximizing synergy by unifying business strategy for a faster decision-making process.

◆Ube Industries, Ltd. started a cement receipt silo business in Singapore (November 2013).

– Machinery and Metal Products Segment –

◆Ube Machinery Corporation, Ltd. merged with our wholly owned subsidiary Ube Techno Eng Co., Ltd. (October 2013). Moving forward, this merger will unify the manufacturing, sales and service functions, and will strengthen response capacity to diversifying customer needs under the slogan of "We Deliver World Class Performance."

◆Ube Machinery Corporation, Ltd. developed a highly-functional and compact die-casting machine through business collaboration with Toyo Machinery & Metal Co., Ltd. (October 2013). Based on these successful results, in order to further strengthen collaboration, Ube Machinery Corporation, Ltd. conducted an equity alliance contract with Toyo Machinery & Metal Co., Ltd. for the development, production and sales of die-casting machines (March 2014).

– Energy and Environment Segment –

◆ Ube Industries, Ltd. is currently conducting recovery work at our independent power producer (IPP) plant in response to deficiencies which arose when restarting operation after the completion of a routine inspection (May 2013). Operation is scheduled to start again in January 2015.

◆ Ube Industries, Ltd. started low-temperature carbonization demonstrative tests for PKS (palm kernel shells) in Indonesia (July 2013)

(5)Qualitative Information for Financial Condition

① Situation with assets, liabilities, and net assets

Total assets increased by 14.8 billion yen to 700.7 billion yen, thanks to a 9.9 billion yen increase in notes and accounts receivables and a 8.6 billion yen increase intangible fixed assets.

Liabilities increase by 0.2 billion yen to 435.3 billion yen, because notes and accounts payable increased by 5.9 billion yen, in spite of 2.6 billion yen and 0.8 billion yen decreases respectively in income taxes payable and interest-bearing liabilities.

Net assets increased by 14.6 billion yen to 265.3 billion yen. Minority interests decreased by 11.6 billion yen; that capital surplus increased by 9.9 billion yen due to a share exchange which made Ube Material Industries, Ltd. a wholly-owned subsidiary. Accumulated other comprehensive income decreased by 3.5 billion yen due to adjustments of defined benefit plans, and retained earnings decreased by 5.0 billion yen due to dividends of surplus. However, retained earnings increased by 12.6 billion yen due to net income for the current year and the foreign currency translation adjustment improved by 12.8 billion yen.

② Situation with cash flow

Net cash provided by operating activities totaled 37.0 billion yen mainly comprised of pretax net profit for the year of 19.6 billion yen, a reversing entry of 32.4 billion yen from depreciation and amortization, which is a non-fund entry, increase of notes and accounts receivable by 6.1 billion yen, decrease of inventories by 2.4 billion yen, and income taxes paid of 7.0 billion yen.

Net cash used in investment activities totaled 40.7 billion yen mainly comprised of purchase of property, plant and equipment and intangible assets of 36.2 billion yen, purchase of stocks of subsidiaries and affiliates of 3.0 billion yen, and purchase of investments in securities of 1.6 billion yen.

Net cash used in financing activities totaled 7.4 billion yen mainly comprised of repayment of long-term loans payable of 43.3 billion yen, cash dividends paid of 4.9 billion yen, proceeds from long-term loans payable of 23.7 billion yen, proceeds from issuance of bonds of 10.0 billion yen, and proceeds from an increase of commercial paper of 10.0 billion yen.

Please note that the balance of interest-bearing debt at the end of the term decreased by 0.8 billion yen compared to the end of the previous term to 245.8 billion yen.

Also, the balance of cash and cash equivalents at the end of the term decreased by 5.8 billion yen compared to the end of the previous term to 30.0 billion yen.

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

①Consolidated Earnings Forecast

Looking into future economic conditions, we should note that although there are expectations for continued economic recovery in Japan, there is concern regarding the risk of slower growth in the global economy, particularly in China and other emerging nations. There is also concern regarding the impact of the increased consumption tax in Japan. Although conditions differ depending on the business segment, we forecast that a severe business environment will continue for our Group as a whole. Basing our expectations on the above understanding of the situation, for the earnings forecast for the next term we have assumed for the period from April, 2014 to March, 2015 an exchange rate of 1 dollar=105 yen, the price of domestic product naphtha at 1kl=71,300 yen, and the price of Australian coal at 1 ton=10,675 yen. Below is the forecast.

Consolidated sales are expected to total 670.0 billion yen mainly as a result of an increase in revenue following an increase in the quantity sold in the Specialty Chemicals & Products Segment. Consolidated operating income is expected to reach 30.0 billion yen, exceeding the result of the current term due to improved profitability in the Chemicals and Plastics Segment. Consolidated ordinary income is expected to total 24.0 billion yen, while consolidated net income for the year is expected to total 13.5 billion yen.

②Consolidated Cash Flow Forecast

The free cash flow for the next term (sum total of the net cash provided by operating activities and net cash used in investment activities) is expected to increase compared with the current term as a result of an increase in the income before taxes.

The term-end balance of the interest-bearing debt is expected to increase by 0.2 billion yen compared with the end of this term to 246.0 billion yen.

③ Basic policy on profit-sharing and dividends for the current and the next term

The Group recognizes payment of dividends as an essential duty to its shareholders and settles paying dividends in proportion to its business results, as basic policy. At the same time, we believe that improving the Group's financial standing and ensuring sufficient amounts of retained profit are available for future business expansion are also essential tasks that need to be addressed to guarantee the medium- and long-term profits for our shareholders, and we take both aspects into consideration when creating a corporate dividend proposal for deliberation by the General Meeting of Shareholders.

In the midterm management plan launched in the 2013 fiscal year, it was stipulated that dividends shall amount to at least 30% of the consolidated net income for the medium term, and in accordance with this policy we intend to pay 5 yen per share as the year-end dividend of the current term.
The Group plans to pay the same 5 yen per share as the year-end dividend of the next term, and intends to steadily increase the dividends following the improvements made with business results.

(Billions of Yen – except per share data)

	Fiscal Year ended Mar. 31, 2014	Fiscal Year ending Mar. 31, 2014(forecast)	Change
Net sales	650.5	670.0	19.5
Operating income	24.4	30.0	5.6
Ordinary income	18.6	24.0	5.4
Extraordinary income (losses), net	0.9	-2.0	-2.9
Net income	12.6	13.5	0.9
Net income per share	12.16 Yen	12.76 Yen	0.60 Yen
Dividend per share	5.0 Yen	5.0 Yen	0.0 Yen

Business Conditions

Exchange rate (yen per US$)	100.2 Yen	105.0 Yen	4.8 yen
Naphtha price (yen/kl)	67,300 Yen	71,300 Yen	4,000 yen
Australian coal price (yen/ton)	11,117 Yen	10,675 Yen	-442 yen

Net Sales by Segment

	Fiscal Year ended Mar. 31, 2014	Fiscal Year ending Mar. 31, 2014 (forecast)	Change	Comments
Chemicals & Plastics	230.5	227.0	-3.5	-Impacted by ceasing production of caprolactam at Sakai Factory, etc.
Specialty Chemicals & Products	63.1	73.0	9.9	- Increase in sales volume, etc.
Pharmaceutical	9.7	10.0	0.3	
Cement & Construction Materials	223.5	228.0	4.5	- Increase in sales volume of cement and limestone related products, etc
Machinery & Metal Products	75.5	77.0	1.5	- Increase in shipment of industrial machines, etc
Energy & Environment	59.0	64.0	5.0	- Increase of income from IPP, etc.
Other	28.8	31.0	2.2	- Increased sales amount to overseas companies, etc.
Adjustment	-39.8	-40.0	-0.2	
Total	650.5	670.0	19.5	

Operating Income by Segment

	Fiscal Year ended Mar. 31, 2014	Fiscal Year ending Mar. 31, 2014 (forecast)	Change	Comments
Chemicals & Plastics	0.8	4.5	3.7	-Impacted by ceasing production of caprolactam at Sakai Factory, etc.
Specialty Chemicals & Products	-0.4	1.0	1.4	- Increase in sales volume, etc.
Pharmacetutical	1.6	1.7	0.1	
Cement & Construction Materials	15.5	15.5	0.0	
Machinery & Metal Products	4.4	4.5	0.1	
Energy & Environment	1.9	2.5	0.6	- Increase of income from IPP, etc.
Other	1.0	1.0	0.0	
Adjustment	-0.6	-0.7	-0.1	
Total	24.4	30.0	5.6	

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.

(Reference)

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

	Fiscal Year ended Mar. 31, 2013	Fiscal Year ended Mar. 31, 2014	Fiscal Year ending Mar. 31, 2015 (forecast)
Capital investment	40.9	36.3	47.0
Depreciation and amortization	31.3	32.4	35.0
Research and development expenses	14.0	13.9	15.0
Adjusted operating income *1	32.1	25.2	31.5
Interest-bearing debt	246.6	245.8	246.0
Net debt *2	210.6	215.7	216.0
Equity capital*3	215.5	241.7	250.0
Total assets	685.8	700.7	720.0
Net D/E ratio (times)	0.98	0.89	0.86
Equity ratio (%)	31.4	34.5	34.7
Return on sales (%)	4.8	3.8	4.5
Return on assets - ROA (%) *4	4.8	3.6	4.4
Return on equity – ROE (%)	4.0	5.5	5.5
Number of employees	11,090	11,225	10,950

*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