Consolidated Financial Report for the First Half of the FY 2016

November 1, 2016

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Representative: Yuzuru Yamamoto,
President and Representative Director
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(Amounts rounded to the nearest million yen)

1. Consolidated Financial Results for the First Half Ended September 30, 2016

(From April 1, 2016 to September 30, 2016)

(1) Consolidated Operating Results

(% Indicates the rate of increase/decrease to the same period of previous year)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
1H ended Sept. 30, 2016	281,071	-13.1%	11,515	-43.8%	10,319	-47.5%	7,106	-48.2%
1H ended Sept. 30, 2015	323,263	5.0%	20,502	230.2%	19,653	303.0%	13,713	—

(Note) Comprehensive Income: 1H Ended Sept. 30, 2016: -3,606 Million Yen (- %)
1H Ended Sept. 30, 2015: 7,446 Million Yen (102.3 %)

	Net Income per Share(Yen)	Diluted Net Income per Share(Yen)
1H ended Sept. 30, 2016	6.71	6.69
1H ended Sept. 30, 2015	12.96	12.92

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
As of Sept. 30, 2016	653,545	280,008	39.6%
As of March 31, 2016	679,783	289,622	39.2%

(Reference) Equity Capital: As of Sept. 30, 2016: 259,090 Million Yen ／As of March 31, 2016: 266,562 Million Yen
[Equity Capital = Net assets – Subscription rights to shares – Non-controlling interests]

2. Cash Dividends

	Cash Dividends per share (yen)				
	First Quarter	Second Quarter	Third Quarter	Year End	Annual
Year Ended March 31, 2016	—	0.00	—	5.00	5.00
Year Ending March 31, 2017	—	0.00			
Year Ending March 31, 2017 (Forecast)			—	6.00	6.00

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2017

(From April 1, 2016 to March 31, 2017)

(% Indicates the rate of increase/decrease year on year)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Net Income per Share(Yen)
Year Ending March 31, 2017	610,000	-4.9%	35,000	-15.5%	33,000	-16.7%	20,000	4.7%	18.90

4. Number of shares outstanding (common stock)

	As of Sept. 30, 2016	As of March 31, 2016
Numbers of shares outstanding at period end	1,062,001,076	1,062,001,076
Numbers of shares of treasury stock at period end	3,469,516	3,813,962

	1H ended Sept. 30, 2016	1H ended Sept. 30, 2015
Weighted-average number o shares outstanding over period	1,058,385,885	1,058,007,891

1. Qualitative Information on Quarterly Results

(1) Analysis of Operating Results

During the current term, the U.S. economy sustained recovery and the European economy continued to be on a track of modest recovery, but the slowing of the Chinese economy became more apparent in Asia; as a whole, the world economy continued modest recovery, although such recovery lacked strength. The overall Japanese economy continued to be on a track of modest recovery, but individual spending and performance in the private sector remained sluggish.

Under such circumstances, the Company Group has announced “Change & Challenge 2018,” the three-year midterm plan for the next three years starting from this fiscal year. Based on the basic policies of the new midterm plan, such as “Strengthen the Business Foundation to Enable Sustainable Growth” and “Address and be Part of the Solution for Resource, Energy, and Global Environmental Issue,” we will make full efforts to enhance profitability of each business segment and to overcome business challenges one by one. During the current term, business performance of the Company Group was affected by various factors such as rapid appreciation of the yen, sluggish market conditions of caprolactam, and weak demand and worsened export environment in the Japanese cement market. In addition, we conducted periodic inspection of the ammonia product factory in Ube for which the inspection frequency was shifted to every two year last year, as well as periodic inspection of the privately-owned power plant, both of which also impacted our business result.

(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent
1H 2016	281.0	11.5	10.3	7.1
1H 2015	323.2	20.5	19.6	13.7
Change	-13.1%	-43.8%	-47.5%	-48.2%

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

Chemicals Segment

Shipment of both polyamide resins and polybutadiene rubber (synthetic rubber) was steady as a whole, because of a steady increase in sales of the products respectively used for food wrap films and eco tires. On the other hand, the market prices of the products remained low due to some factors represented by the appreciation of yen. Price falls of auxiliary materials such as ammonia contributed to overseas business of caprolactam, which is a material used for synthesize polyamide, but, in spite of some signs of recovery, the market prices were still low due to the continued supply excess in the China market. Shipment of ammonia products was weak, due to periodic inspection of the factory.

Shipment of both separators and electrolyte for lithium-ion batteries increased, thanks to application on vehicles such as eco-cars Shipment of polyimide films was weak. Shipment of fine chemicals continued to be steady as a whole, but was affected by the appreciation of yen.

(Billions of Yen)

	Net Sales	Operating Income
1H 2016	117.9	0.4
1H 2015	136.9	6.3
Change	-13.9%	-92.9%

Pharmaceutical Segment

Shipment of pharmaceutical products may vary from quarter to quarter, but that of active ingredients respectively for hypotensive agents, antiallergic drugs and antiplatelet agents developed by UBE in the current term increased in comparison with the same period in the previous year. Shipment of active ingredients and intermediates for drugs manufactured under contract was steady as a whole.

(Billions of Yen)

	Net Sales	Operating Income
1H 2016	4.5	1.1
1H 2015	3.2	0.2
Change	38.7%	415.1%

Cement & Construction Materials Segment

Domestic shipment of cement and ready-mixed concrete was affected by sluggish demand. Shipment of exported cement continued to be strong, but the market prices stayed relatively low. Shipment of calcia and magnesia products remained weak.

(Billions of Yen)

	Net Sales	Operating Income
1H 2016	109.7	7.3
1H 2015	118.2	9.8
Change	-7.2%	-24.5%

Machinery Segment

Shipment of industrial machines such as vertical mills and conveyers was weak in both domestic and overseas markets. While shipment of molding machines mainly supplied to the automobile industries was steady in the domestic and North America markets, but the shipment to China and Southeast Asian countries was sluggish. Business performance of machinery services for those products remained at a steady level. Shipment of steel products increased in comparison with the same period in the previous year, but the price was affected by the weak market condition.

(Billions of Yen)

	Net Sales	Operating Income
1H 2016	26.6	0.7
1H 2015	34.0	1.7
Change	-21.7%	-57.8%

Energy & Environment Segment

In the coal business, sales volumes of salable coal and volume of coal dealing at UBE's Coal Center (a coal storage facility) respectively decreased in comparison with the same period in the previous year. The power producer business was affected by periodic inspection of UBE's privately-owned power plant.

(Billions of Yen)

	Net Sales	Operating Income
1H 2016	26.6	1.7
1H 2015	37.2	2.4
Change	-28.5%	-28.8%

(2) Analysis of Financial Condition

Total assets at the end of the first Half of the fiscal year decreased by 26.2 billion yen, in comparison with the end of the previous fiscal year, to 653.5 billion yen, mainly because notes and accounts receivable, and cash on hand and in banks decreased respectively by 14.0 billion yen and 12.4 billion yen in spite of 4.9 billion yen increase in inventories, which include commercial products and manufactured goods.

Total liabilities decreased by 16.6 billion yen to 373.5 billion yen mainly because interest-bearing debt decreased by 12.4 billion yen.

Net assets decreased by 9.6 billion yen to 280.0 billion yen, mainly because retained earnings decreased from payment of dividends, and currency translation adjustments decreased respectively by 5.3 billion yen and 8.6 billion yen, in spite of 7.1 billion yen increase in profit attributable to owners of parent.

(3) Forecast for the next Fiscal Year (April 1, 2016 to March 31, 2017)

Looking into future economic conditions, we expect that while Japanese economy would continue modest recovery, the global economy would experience greater uncertainty for the reasons of future fluctuation of foreign exchange rate and fuel prices, slowdown in economic growth in emerging countries including China and resource-rich countries, and changes in political, economic and financial trends in the U.S. and European countries.

As announce on October 26, 2016, earnings of the first half of the fiscal year were higher than the initial forecast. Although, the earnings of the second half of the fiscal year are projected to be lower than the initial forecast due to increasingly severe business conditions. For the full-year forecasts, the company projects net sales of 610.0 billion yen, operating income of 35.0 billion yen, ordinary income of 33.0 billion yen and net income of 20.0 billion yen.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	42,463	30,007
Notes and accounts receivable - trade	139,506	125,459
Merchandise and finished goods	34,389	33,668
Work in process	15,360	21,590
Raw materials and supplies	26,334	25,746
Other	19,510	20,780
Allowance for doubtful accounts	-637	-470
Total current assets	276,925	256,780
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	81,176	81,835
Machinery, equipment and vehicles, net	141,086	134,623
Land	84,468	84,228
Other, net	17,070	18,005
Total property, plant and equipment	323,800	318,691
Intangible assets		
Other	4,970	4,535
Total intangible assets	4,970	4,535
Investments and other assets		
Investment securities	48,167	46,672
Other	26,345	27,288
Allowance for doubtful accounts	-538	-507
Total investments and other assets	73,974	73,453
Total non-current assets	402,744	396,679
Deferred assets	114	86
Total assets	679,783	653,545

(Millions of Yen)

	As of March 31, 2016	As of September 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	74,280	78,809
Short-term loans payable	79,367	67,635
Commercial papers	—	5,000
Current portion of bonds	15,020	30,020
Income taxes payable	6,766	3,870
Provision for bonuses	7,118	7,063
Other provision	963	908
Other	49,742	42,777
Total current liabilities	233,256	236,082
Non-current liabilities		
Bonds payable	45,030	30,020
Long-term loans payable	75,839	69,727
Provision	1,231	1,058
Net defined benefit liability	6,727	6,805
Negative goodwill	958	947
Asset retirement obligations	1,271	1,682
Other	25,849	27,216
Total non-current liabilities	156,905	137,455
Total liabilities	390,161	373,537
Net assets		
Shareholders' equity		
Capital stock	58,435	58,435
Capital surplus	38,536	37,980
Retained earnings	166,862	168,668
Treasury shares	-801	-705
Total shareholders' equity	263,032	264,378
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,514	2,999
Deferred gains or losses on hedges	-13	-9
Foreign currency translation adjustment	3,674	-4,934
Remeasurements of defined benefit plans	-3,645	-3,344
Total accumulated other comprehensive income	3,530	-5,288
Subscription rights to shares	597	625
Non-controlling interests	22,463	20,293
Total net assets	289,622	280,008
Total liabilities and net assets	679,783	653,545

(2) Consolidated Statements of Income / Consolidated Statements of Comprehensive Income

・Consolidated Statements of Income

(Millions of Yen)

	Previous First Half ended September 30, 2015	Current First Half ended September 30, 2016
Net sales	323,263	281,071
Cost of sales	262,646	230,798
Gross profit	60,617	50,273
Selling, general and administrative expenses	40,115	38,758
Operating income	20,502	11,515
Non-operating income		
Interest income	156	100
Dividend income	420	532
Rent income	632	624
Amortization of negative goodwill	65	68
Share of profit of entities accounted for using equity method	1,553	905
Other	1,189	958
Total non-operating income	4,015	3,187
Non-operating expenses		
Interest expenses	1,059	791
Rent expenses	358	371
Foreign exchange losses	643	906
Other	2,804	2,315
Total non-operating expenses	4,864	4,383
Ordinary income	19,653	10,319
Extraordinary income		
Gain on sales of non-current assets	5	56
Gain on sales of investment securities	40	―
Reversal of accrued expenses from business withdrawal	1,596	―
Total extraordinary income	1,641	56
Extraordinary losses		
Loss on disposal of non-current assets	845	518
Impairment loss	114	27
Loss on valuation of investment securities	356	―
Provision for loss over investment cost of subsidiaries and affiliates	404	―
Total extraordinary losses	1,719	545
Profit before income taxes	19,575	9,830
Income taxes	5,762	3,354
Profit	13,813	6,476
Profit (loss) attributable to non-controlling interests	100	-630
Profit attributable to owners of parent	13,713	7,106

・Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Previous First Half ended September 30, 2015	Current First Half ended September 30, 2016
Profit	13,813	6,476
Other comprehensive income		
Valuation difference on available-for-sale securities	-115	-530
Deferred gains or losses on hedges	63	4
Foreign currency translation adjustment	-6,585	-8,952
Remeasurements of defined benefit plans, net of tax	215	291
Share of other comprehensive income of entities accounted for using equity method	55	-895
Total other comprehensive income	-6,367	-10,082
Comprehensive income	7,446	-3,606
Comprehensive income attributable to owners of parent	9,207	-1,712
Comprehensive income attributable to non-controlling interests	-1,761	-1,894

(3) Consolidated Statements of Cash Flows

(Millions of Yen)

	Previous First Half ended September 30, 2015	Current First Half ended September 30, 2016
Cash flows from operating activities		
Profit before income taxes	19,575	9,830
Depreciation	17,764	16,871
Impairment loss	114	27
Amortization of negative goodwill	-65	-68
Increase (decrease) in allowance for doubtful accounts	-27	-161
Interest and dividend income	-576	-632
Interest expenses	1,059	791
Foreign exchange losses (gains)	613	-14
Share of (profit) loss of entities accounted for using equity method	-1,553	-905
Provision for loss over investment cost of subsidiaries and affiliates	404	—
Reversal of accrued expenses from business withdrawal	-1,596	—
Loss (gain) on sales of non-current assets	48	-62
Decrease (increase) in notes and accounts receivable - trade	14,562	11,971
Decrease (increase) in inventories	-11,327	-6,988
Increase (decrease) in notes and accounts payable - trade	-7,637	4,294
Other, net	998	-2,561
Subtotal	32,356	32,393
Interest and dividend income received	993	1,399
Interest expenses paid	-1,066	-792
Income taxes paid	-4,240	-6,987
Net cash provided by (used in) operating activities	28,043	26,013
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-17,054	-18,995
Proceeds from sales of property, plant and equipment	373	90
Purchase of investment securities	-1	-44
Proceeds from sales of investment securities	58	122
Purchase of shares of subsidiaries and associates	-16	-395
Proceeds from sales of shares of subsidiaries and associates	51	56
Decrease (increase) in short-term loans receivable	3	15
Other, net	-259	462
Net cash provided by (used in) investing activities	-16,845	-18,689
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	497	-9,154
Increase (decrease) in commercial papers	0	5,000
Proceeds from long-term loans payable	1,549	4,421
Repayments of long-term loans payable	-14,883	-11,812
Redemption of bonds	-10	-10
Proceeds from share issuance to non-controlling shareholders	—	465
Cash dividends paid	-5,280	-5,281
Dividends paid to non-controlling interests	-306	-354

Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	-870
Other, net	-457	-423
Net cash provided by (used in) financing activities	-18,890	-18,018
Effect of exchange rate change on cash and cash equivalents	-192	-1,236
Net increase (decrease) in cash and cash equivalents	-7,884	-11,930
Cash and cash equivalents at beginning of period	36,964	41,188
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	906	—
Cash and cash equivalents at end of period	29,986	29,258

(References)

Information concerning Net Sales and Income or Loss by Reportable Business Segment

Previous First Half ended September 30, 2015 (April 1, 2015 to September 30, 2015) (Millions of Yen)

	Reported Segment							Adjustment (note)	Amount recorded in consolidated financial statement
	Chemicals	Pharma-ceuticals	Cement & Construction Materials	Machinery	Energy & Environment	Others	Total		
Net Sales									
External sales	133,065	3,266	114,926	33,749	30,448	7,809	323,263	-	323,263
Internal sales or transfers	3,913	-	3,289	310	6,843	978	15,333	-15,333	-
Total	136,978	3,266	118,215	34,059	37,291	8,787	338,596	-15,333	323,263
Segment income or losses (-) (operating income or losses (-))	6,390	219	9,801	1,798	2,406	432	21,046	-544	20,502

(Note) -544 million yen for adjustment for segment income or loss (-) includes -42 million yen for the elimination of transaction between the Segments and -502 million yen for company-wide cost that is not allocated to each reported Segment. Company-wide cost consists mainly of administration and general expense that are not attributed to each reported Segment.

Current First Half ended September 30, 2016 (April 1, 2016 to September 30, 2016) (Millions of Yen)

	Reported Segment							Adjustment (note)	Amount recorded in consolidated financial statement
	Chemicals	Pharma-ceuticals	Cement & Construction Materials	Machinery	Energy & Environment	Others	Total		
Net Sales									
External sales	115,171	4,531	107,144	26,335	21,893	5,997	281,071	-	281,071
Internal sales or transfers	2,804	-	2,579	335	4,782	1,052	11,552	-11,552	-
Total	117,975	4,531	109,723	26,670	26,675	7,049	292,623	-11,552	281,071
Segment income or losses (-) (operating income or losses (-))	454	1,128	7,399	759	1,714	254	11,708	-193	11,515

(Note) -193 million yen for adjustment for segment income or loss (-) includes -37 million yen for the elimination of transaction between the Segments and -156 million yen for company-wide cost that is not allocated to each reported Segment. Company-wide cost consists mainly of administration and general expense that are not attributed to each reported Segment.

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

	Previous First Half ended September 30, 2015	Current First Half ended September 30, 2016	Fiscal Year ending March 31, 2017 (forecast)	Fiscal Year Ended March 31, 2016
Capital investment	13.7	18.3	48.0	34.4
Depreciation and amortization	17.7	16.8	35.0	35.5
Research and development expenses	6.5	6.5	14.5	13.7
Adjusted operating income *1	22.6	13.0	380	45.2
Interest-bearing debt	228.9	204.2	207.0	216.6
Equity capital*2	267.4	259.0	272.0	266.5
Total assets	694.5	653.5	680.0	679.7
D/E ratio (times)	0.86	0.79	0.76	0.81
Equity ratio (%)	38.5	39.6	40.0	39.2
Return on sales (%)	6.3	4.1	5.7	6.5
Return on assets - ROA (%) *3	-	-	5.6	6.5
Return on equity – ROE (%)	-	-	7.4	7.2
Number of employees	10,819	10,841	11,000	10,764

*1 Adjusted operating income: Operating income + Interest and dividend income +Share of profit of entities accounted for using equity method

*2 Equity capital: Net assets – Subscription rights to shares – Non-controlling interests

*3 ROA: Adjusted operating income / Average total assets

Topics

- Chemical Segment -

◆ Ube Industries, Ltd. decided to expand production capacity of large-grain ammonium sulfate and entered into an agreement with the National Federation of Agricultural Cooperative Association for establishment of a joint corporation to distribute and manage ammonium sulfate. (April 2016)

◆ Ube Industries, Ltd., JSR Corporation , and Mitsubishi Rayon Co., Ltd. reached basic agreement for merger of subsidiaries in ABS resin business. (May 2016)

◆ Ube Industries, Ltd. opened “Osaka Research and Development Center.” (July 2016)

◆ Ube Industries Ltd. will expand production capacity for lithium-ion battery separators. (September 2016)

- Cement & Construction Materials Segment -

◆ Ube Industries, Ltd. transferred its sales and logistic functions of the limestone-related business to Ube Material Industries, Ltd. (April 2016)

◆ Ube Industries, Ltd. launched “Tough Leveler G+,” self-leveling materials using high-performance cement. (June 2016)

- Machinery Segment -

◆ Ube Machinery Corporation, Ltd. launched “UB-iS3 Series," its new medium-sized die-cast machine series. (May 2016)

◆ Ube Machinery Corporation, Ltd. decided to purchase shares in Mitsubishi Heavy Industries Plastic Technology Co., Ltd. for acquisition of the management right. (July 2016)

◆ Ube Machinery Inc. established its sales and servicing office in Kentucky, USA. (August 2016)