# Consolidated Financial Report for the First Quarter Ended June 30, 2017

August 1, 2017


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Representative: Yuzuru Yamamoto,
President and Representative Director
Security code: 4208 (shares listed on First Section of Tokyo Stock Exchange and Fukuoka Stock Exchange)
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(Amounts rounded to the nearest million yen)

## 1. Consolidated Financial Results for the First Quarter Ended June 30, 2017

(From April 1, 2017 to June 30, 2017)

### (1) Consolidated Operating Results

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

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|---|---|---|---|---|---|---|---|---|
| April – June 2017 | 159,611 | 15.6% | 9,098 | 458.8% | 10,182 | －% | 6,576 | －% |
| April – June 2016 | 138,090 | -14.4% | 1,628 | -83.0% | 861 | -91.4% | 177 | -97.2% |

(Note) Comprehensive Income: From April 1, 2017 to June 30, 2017: 9,983 Million Yen (－%)
From April 1, 2016 to June 30, 2016: -10,042 Million Yen (－%)

| | Net income per share (Yen) | Diluted net income per share (Yen) |
|---|---|---|
| April – June 2017 | 6.24 | 6.22 |
| April – June 2016 | 0.17 | 0.17 |

### (2) Consolidated Financial Position

| | Total assets | Net assets | Shareholders' equity ratio (%) |
|---|---|---|---|
| June 30, 2017 | 710,555 | 309,906 | 40.3 |
| March 31, 2017 | 709,379 | 310,401 | 40.4 |

(Reference) Shareholders' equity: As of June 30, 2017: 286,193 Million Yen
As of June 30, 2016: 286,599 Million Yen
[Shareholders' equity = 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 |
| April 2016 – March 2017 | - | 0.00 | - | 6.00 | 6.00 |
| April 2017 – March 2018 | - | | | | |
| April 2017 – March 2018 (Forecast) | | 0.00 | - | 60.00 | 60.00 |

(Note) Revision of the latest forecast of cash dividends: No

The Company will consolidate its shares in the proportion of 10 common shares to one common share, effective as of October 1, 2017. As for the forecast of the year-end dividends for the fiscal year ending March 31, 2018, we quote the amount that takes into account the impact of the said share consolidation. The dividend forecast that does not take into account the share consolidation for the fiscal year ending March 31, 2018 is as follows:

Cash dividends per share (year end): 6.00 yen

## 3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2018

(From April 1, 2017 to March 31, 2018)

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

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Net income per share(Yen) |
|---|---|---|---|---|---|---|---|---|---|
| April – September 2017 | 330,000 | 17.4% | 17,000 | 47.6% | 16,000 | 55.1% | 10,000 | 40.7% | 95.29 |
| April 2017 – March 2018 | 700,000 | 13.5% | 40,000 | 14.4% | 38,000 | 13.9% | 24,500 | 1.3% | 233.98 |

(Note) Revision of the latest forecast of consolidated operating results: No

The Company will consolidate its shares in the proportion of 10 common shares to one common share, effective as of October 1, 2017. As for the forecast of the net income per share for the fiscal year ending March 31, 2018, we quote the amount that takes into account the impact of the said share consolidation. The forecast of the net income per share that does not take into account the share consolidation for the fiscal year ending March 31, 2018 is as follows:

Net income per share: From April 1, 2017 to September 30, 2017: 9.53 yen
From April 1, 2017 to March 31, 2018: 23.40 yen

## 4. Number of Shares Outstanding (common stock)

| | June 30, 2017 | June 30, 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 | 17,570,508 | 3,506,575 |

| | April – June 2017 | April – June 2016 |
|---|---|---|
| Weighted-average number of shares outstanding during period | 1,053,110,314 | 1,058,187,932 |

## 5. Qualitative Information on Operating Results

(1) Overview of Operating Results

During the current term, business of the Company Group was affected by price rises of fuels including coal, as well as periodic repair of the IPP power plant, but overall sales remained strong, mainly because prices of chemical products such as synthetic rubber and nylon were normalized; production and shipment of industrial chemical products increased for the reason that there was no regular maintenance of the factory; and sales of cement and ready-mixed concrete increased backed by strong demand in Japan.

As a result, the Company Group reports its consolidated results during the current term as follows:

(Billions of yen)

| Item | Net sales | Operating profit | Ordinary profit | Profit attributable to owners of parent |
|---|---|---|---|---|
| April – June 2017 ① | 159.6 | 9.0 | 10.1 | 6.5 |
| April – June 2016 ② | 138.0 | 1.6 | 0.8 | 0.1 |
| Difference ① - ② | 21.5 | 7.4 | 9.3 | 6.3 |
| Percentage change | 15.6% | 458.8% | — | — |

(2) Overview by Segment

Net sales (Billions of yen)

| Segment | April – June 2017 ① | April – June 2016 ② | Difference ① － ② | Percentage change |
|---|---|---|---|---|
| Chemicals | 73.3 | 57.9 | 15.4 | 26.7% |
| Pharmaceutical | 2.4 | 2.4 | 0.0 | 1.6% |
| Cement & Construction Materials | 57.2 | 53.8 | 3.4 | 6.3% |
| Machinery | 16.2 | 12.6 | 3.5 | 28.1% |
| Energy & Environment | 15.3 | 12.9 | 2.3 | 18.1% |
| Others | 1.1 | 3.8 | -2.7 | -70.9% |
| Adjustment | -6.1 | -5.6 | -0.5 | ― |
| Total | 159.6 | 138.0 | 21.5 | 15.6% |

Operating profit (Billions of yen)

| Segment | April – June 2017 ① | April – June 2016 ② | Difference ① － ② | Percentage change |
|---|---|---|---|---|
| Chemicals | 6.1 | -2.3 | 8.4 | ― |
| Pharmaceutical | 0.7 | 0.4 | 0.2 | 64.0% |
| Cement & Construction Materials | 2.4 | 2.9 | -0.4 | -15.6% |
| Machinery | 0.3 | -0.0 | 0.3 | ― |
| Energy & Environment | -0.2 | 0.8 | -1.0 | ― |
| Others | 0.1 | 0.1 | 0.0 | 12.3% |
| Adjustment | -0.4 | -0.2 | -0.1 | ― |
| Total | 9.0 | 1.6 | 7.4 | 458.8% |

Chemicals – Increases in both net sales and operating profit

■ Nylon, Caprolactam and Industrial Chemicals Businesses

The Caprolactam Business recorded a sales increase, thanks to price normalization of the products to offset the continued excess supply in the China market.

The Nylon Business recorded a sales increase, because of sales price rises supported by price rises of raw materials such as caprolactam.

The Industrial Chemicals Business recorded a sales increase, thanks to increases in production and shipment for the reason that there was no regular maintenance of the factory.

■ The Synthetic Rubber Business recorded a sales increase, because the sales prices rose supported by price rises of raw materials such as butadiene; and shipment of the products was steady as a whole, represented by the products used for tires.

■ Battery Materials and Fine Chemicals Businesses

The Battery Materials Business recorded a sales increase, thanks to a sales volume increase supported by strong demand mainly for automotive lithium-ion battery.

The Fine Chemicals Business recorded a sales increase, thanks to an increase in a sales volume as a whole.

■ Polyimide and Functional Products Businesses

The Polyimide Business recorded a sales increase, because of a sales volume increase in films mainly used on circuit boards.

Pharmaceutical – Increases in both net sales and operating profit

■ While sales volume of both drugs developed by UBE and those manufactured under contract remained at the almost same level with the same period of the previous fiscal year, the Pharmaceutical Business, as a whole, recorded a sales increase supported by an increase in the royalty revenues.

Construction Materials – Increase in net sales and decrease in operating profit

■ The Cement and Ready-Mixed Concrete Business recorded a sales increase, thanks to a sales volume increase supported by a demand increase in the Japanese market. On the other hand, the business was affected by a price rise of coal used as the fuel for cement production.

■ The Calcia, Magnesia and Construction Materials Businesses recorded a sales increase, thanks to an increase in a sales volume as a whole.

Machinery – Increases in both net sales and operating profit

■ The Molding and Industrial Machines Business recorded a sales increase, thanks to strong product sales and addition of a new consolidated subsidiary.

■ The Steel Products Business recorded a sales increase, thanks to a sales volume increase supported by strong demand in the Japanese market.

Energy & Environment – Increase in net sales and decrease in operating profit

■ While both sales volume and volume of coal dealing at UBE's Coal Center (a coal storage facility) remained at the almost same level with the same period of the previous fiscal year as a whole, the Coal Business recorded a sales increase, thanks to rises of sales prices backed by good condition of the coal market.

■ Although power generation output remained at the almost same level with the same period of the previous fiscal year, the Power Producer Business recorded a sales increase, thanks to rises of sales prices backed by good condition of the coal market. During the current term, periodic repair of the IPP power plant took place.

Others – Decreases in net sales and increase in operating profit

## 6. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of March 31 and June 30, 2017

(Millions of yen)

| | March 31, 2017 | June 30, 2017 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 36,634 | 42,872 |
| Notes and accounts receivable - trade | 157,845 | 143,828 |
| Merchandise and finished goods | 35,922 | 39,121 |
| Work in process | 19,587 | 22,579 |
| Raw materials and supplies | 27,293 | 28,344 |
| Other | 18,283 | 20,194 |
| Allowance for doubtful accounts | △523 | △530 |
| Total current assets | 295,041 | 296,408 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 82,779 | 83,628 |
| Machinery, equipment and vehicles, net | 135,734 | 136,196 |
| Land | 84,100 | 84,158 |
| Other, net | 28,830 | 26,232 |
| Total property, plant and equipment | 331,443 | 330,214 |
| Intangible assets | | |
| Other | 5,371 | 5,217 |
| Total intangible assets | 5,371 | 5,217 |
| Investments and other assets | | |
| Investment securities | 51,615 | 53,090 |
| Other | 26,462 | 26,109 |
| Allowance for doubtful accounts | △665 | △674 |
| Total investments and other assets | 77,412 | 78,525 |
| Total non-current assets | 414,226 | 413,956 |
| Deferred assets | 112 | 191 |
| Total assets | 709,379 | 710,555 |

(Millions of yen)

| | March 31, 2017 | June 30, 2017 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 92,342 | 91,048 |
| Short-term loans payable | 65,931 | 64,332 |
| Commercial papers | 10,000 | — |
| Current portion of bonds | 15,020 | 25,020 |
| Income taxes payable | 4,546 | 2,570 |
| Provision for bonuses | 6,944 | 10,059 |
| Other provision | 979 | 954 |
| Other | 50,066 | 46,784 |
| Total current liabilities | 245,828 | 240,767 |
| Non-current liabilities | | |
| Bonds payable | 40,010 | 50,010 |
| Long-term loans payable | 77,655 | 74,639 |
| Provision | 2,354 | 2,386 |
| Net defined benefit liability | 6,850 | 6,850 |
| Negative goodwill | 808 | 770 |
| Asset retirement obligations | 1,666 | 1,675 |
| Other | 23,807 | 23,552 |
| Total non-current liabilities | 153,150 | 159,882 |
| Total liabilities | 398,978 | 400,649 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 58,435 | 58,435 |
| Capital surplus | 38,091 | 38,084 |
| Retained earnings | 185,747 | 185,961 |
| Treasury shares | △726 | △4,526 |
| Total shareholders' equity | 281,547 | 277,954 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 4,893 | 6,022 |
| Deferred gains or losses on hedges | 11 | 11 |
| Foreign currency translation adjustment | 2,378 | 4,303 |
| Remeasurements of defined benefit plans | △2,230 | △2,097 |
| Total accumulated other comprehensive income | 5,052 | 8,239 |
| Subscription rights to shares | 623 | 614 |
| Non-controlling interests | 23,179 | 23,099 |
| Total net assets | 310,401 | 309,906 |
| Total liabilities and net assets | 709,379 | 710,555 |

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

・Consolidated Statements of Income

For the first quarter ended June 30, 2016 and 2017

(Millions of yen)

| | April 1, 2016 – June 30, 2016 | April 1, 2017 – June 30, 2017 |
|---|---|---|
| Net sales | 138,090 | 159,611 |
| Cost of sales | 116,949 | 130,009 |
| Gross profit | 21,141 | 29,602 |
| Selling, general and administrative expenses | 19,513 | 20,504 |
| Operating profit | 1,628 | 9,098 |
| Non-operating income | | |
| Interest income | 49 | 49 |
| Dividend income | 411 | 657 |
| Rent income | 303 | 271 |
| Amortization of negative goodwill | 33 | 31 |
| Share of profit of entities accounted for using equity method | 446 | 911 |
| Foreign exchange gains | ― | 246 |
| Other | 359 | 378 |
| Total non-operating income | 1,601 | 2,543 |
| Non-operating expenses | | |
| Interest expenses | 406 | 359 |
| Rent expenses | 185 | 146 |
| Foreign exchange losses | 790 | ― |
| Other | 987 | 954 |
| Total non-operating expenses | 2,368 | 1,459 |
| Ordinary profit | 861 | 10,182 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 1 | ― |
| Subsidy income | ― | 30 |
| Total extraordinary income | 1 | 30 |
| Extraordinary losses | | |
| Loss on disposal of non-current assets | 363 | 173 |
| Total extraordinary losses | 363 | 173 |
| Profit before income taxes | 499 | 10,039 |
| Income taxes | 1,304 | 3,395 |
| Profit (loss) | △805 | 6,644 |
| Profit (loss) attributable to non-controlling interests | △982 | 68 |
| Profit attributable to owners of parent | 177 | 6,576 |

・Consolidated Statements of Comprehensive Income

For the first quarter ended June 30, 2016 and 2017

(Millions of yen)

| | April 1, 2016 – June 30, 2016 | April 1, 2017 – June 30, 2017 |
|---|---|---|
| Profit (loss) | △805 | 6,644 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | △1,163 | 1,137 |
| Deferred gains or losses on hedges | △4 | 0 |
| Foreign currency translation adjustment | △7,853 | 2,106 |
| Remeasurements of defined benefit plans, net of tax | 145 | 139 |
| Share of other comprehensive income of entities accounted for using equity method | △362 | △43 |
| Total other comprehensive income | △9,237 | 3,339 |
| Comprehensive income | △10,042 | 9,983 |
| Comprehensive income attributable to owners of parent | △7,877 | 9,763 |
| Comprehensive income attributable to non-controlling interests | △2,165 | 220 |

(3) Consolidated Statements of Cash Flows

For the first quarter ended June 30, 2016 and 2017

(Millions of yen)

| | April 1, 2016 – June 30, 2016 | April 1, 2017 – June 30, 2017 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 499 | 10,039 |
| Depreciation and amortization | 8,350 | 8,599 |
| Amortization of negative goodwill | △33 | △31 |
| Increase (decrease) in allowance for doubtful accounts | △88 | 19 |
| Interest and dividend income | △460 | △706 |
| Interest expenses | 406 | 359 |
| Foreign exchange losses (gains) | 17 | △21 |
| Share of (profit) loss of entities accounted for using equity method | △446 | △911 |
| Loss (gain) on sales of non-current assets | 3 | △7 |
| Decrease (increase) in notes and accounts receivable - trade | 13,679 | 15,915 |
| Decrease (increase) in inventories | △5,578 | △6,325 |
| Increase (decrease) in notes and accounts payable - trade | 2,270 | △6,204 |
| Other, net | 4,306 | 1,447 |
| Subtotal | 22,925 | 22,173 |
| Interest and dividend income received | 1,221 | 1,817 |
| Interest expenses paid | △341 | △311 |
| Income taxes paid | △6,722 | △4,671 |
| Net cash provided by (used in) operating activities | 17,083 | 19,008 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment and intangible assets | △7,038 | △6,951 |
| Proceeds from sales of property, plant and equipment | 30 | 8 |
| Purchase of investment securities | △41 | △82 |
| Purchase of shares of subsidiaries and associates | △102 | △988 |
| Proceeds from sales of shares of subsidiaries and associates | — | 106 |
| Decrease (increase) in short-term loans receivable | △26 | 230 |
| Other, net | 336 | △68 |
| Net cash provided by (used in) investing activities | △6,841 | △7,745 |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | 287 | △2,162 |
| Increase (decrease) in commercial papers | — | △10,000 |
| Proceeds from long-term loans payable | 1,427 | 278 |
| Repayments of long-term loans payable | △1,502 | △2,633 |
| Proceeds from issuance of bonds | — | 19,908 |
| Purchase of treasury shares | △1 | △3,820 |
| Decrease (increase) in deposits for purchase of treasury shares | — | △1,197 |
| Cash dividends paid | △5,300 | △6,364 |
| Dividends paid to non-controlling interests | △238 | △300 |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | △84 | — |

| | | |
|---|---|---|
| Other, net | △135 | △237 |
| Net cash provided by (used in) financing activities | △5,546 | △6,527 |
| Effect of exchange rate change on cash and cash equivalents | △1,015 | 316 |
| Net increase (decrease) in cash and cash equivalents | 3,681 | 5,052 |
| Cash and cash equivalents at beginning of period | 41,188 | 35,806 |
| Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation | — | 1,267 |
| Cash and cash equivalents at end of period | 44,869 | 42,125 |

**7.Segment Information**

(1) Information concerning Net Sales and Operating Profit or Loss by Reportable Business Segment

For the First Quarter Ended June 30, 2016 (April 1, 2016 to June 30, 2016) (Millions of yen)

| | Reported segment | | | | | | | Adjustment (note 1) | Amount recorded in consolidated statements of income (note 2) |
|---|---|---|---|---|---|---|---|---|---|
| | Chemicals | Pharma-ceuticals | Cement & Construction Materials | Machinery | Energy & Environment | Others | Total | | |
| Net sales | | | | | | | | | |
| External sales | 56,549 | 2,433 | 52,656 | 12,563 | 10,585 | 3,304 | 138,090 | — | 138,090 |
| Internal sales or transfers | 1,374 | — | 1,158 | 131 | 2,393 | 548 | 5,604 | -5,604 | — |
| Total | 57,923 | 2,433 | 53,814 | 12,694 | 12,978 | 3,852 | 143,694 | -5,604 | 138,090 |
| Segment profit or loss (operating profit or loss) | -2,364 | 461 | 2,935 | -67 | 808 | 114 | 1,887 | -259 | 1,628 |

(Note 1) -259 million yen for adjustment for Segment profit or loss includes -25 million yen for the elimination of transaction between the Segments and -284 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 is not attributed to each reported Segment.

(Note 2) Segment profit is adjusted with operating profit or loss recorded in the consolidated statements of income.

For the First Quarter Ended June 30, 2017 (April 1, 2017 to June 30, 2017) (Millions of yen)

| | Reported segment | | | | | | | Adjustment (note 1) | Amount recorded in consolidated statements of income (note 2) |
|---|---|---|---|---|---|---|---|---|---|
| | Chemicals | Pharma-ceuticals | Cement & Construction Materials | Machinery | Energy & Environment | Others | Total | | |
| Net sales | | | | | | | | | |
| External sales | 72,886 | 2,432 | 55,501 | 16,138 | 11,801 | 853 | 159,611 | — | 159,611 |
| Internal sales or transfers | 494 | 40 | 1,721 | 119 | 3,530 | 267 | 6,171 | -6,171 | — |
| Total | 73,380 | 2,472 | 57,222 | 16,257 | 15,331 | 1,120 | 165,782 | -6,171 | 159,611 |
| Segment profit or loss (operating profit or loss) | 6,124 | 756 | 2,478 | 301 | -265 | 128 | 9,522 | -424 | 9,098 |

(Note 1) -424 million yen for adjustment for Segment profit or loss includes -16 million yen for the elimination of transaction between the Segments and -440 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 is not attributed to each reported Segment.

(Note 2) Segment profit is adjusted with operating profit or loss recorded in the consolidated statements of income.

(Reference) Consolidated Key Indicators

(Billions of yen – except where noted)

| | April – June 2016 | April – June 2017 | April 2017 – March 2018 (forecast) | April 2016 – March 2017 |
|---|---|---|---|---|
| Capital investment | 9.0 | 5.9 | 42.0 | 44.0 |
| Depreciation and amortization | 8.3 | 8.5 | 35.0 | 34.4 |
| Research and development expenses | 3.3 | 3.3 | 14.5 | 13.6 |
| Adjusted operating profit *1 | 2.5 | 10.7 | 43.5 | 37.8 |
| Interest-bearing debt | 215.7 | 215.6 | 200.0 | 210.4 |
| Shareholders' equity *2 | 253.4 | 286.1 | 303.0 | 286.5 |
| Total assets | 665.5 | 710.5 | 725.0 | 709.3 |
| D/E ratio (times) | 0.85 | 0.75 | 0.66 | 0.73 |
| Shareholders' equity ratio (%) | 38.1 | 40.3 | 41.8 | 40.4 |
| Return on sales - ROS (%) *3 | 1.2 | 5.7 | 5.7 | 5.7 |
| Return on assets - ROA (%) *4 | — | — | 6.1 | 5.5 |
| Return on equity – ROE (%) | — | — | 8.3 | 8.7 |
| Number of employees | 10,853 | 11,157 | 11,000 | 10,928 |

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

*2 Shareholders' equity: Net assets – Subscription rights to shares – Non-controlling interests

*3 ROS: Opeating profit / Net sales

*4 ROA: Adjusted operating profit / Average total assets