Consolidated Financial Report for the First Half Ended September 30, 2017

November 1, 2017

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(Amounts rounded to the nearest million yen)

1. Consolidated Financial Results for the First Half Ended September 30, 2017

(From April 1, 2017 to September 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 – September 2017	327,159	16.4%	22,617	96.4%	23,727	129.9%	15,781	122.1%
April – September 2016	281,071	-13.1%	11,515	-43.8%	10,319	-47.5%	7,106	-48.2%

(Note) Comprehensive Income: From April 1, 2017 to September 30, 2017: 23,235 Million Yen (－%)
From April 1, 2016 to September 30, 2016: -3,606 Million Yen (－%)

	Net income per share (Yen)	Diluted net income per share (Yen)
April – September 2017	150.24	149.74
April – September 2016	67.14	66.94

(Note) The Company has consolidated its shares in the proportion of 10 common shares to one common share, effective as of October 1, 2017. Net income per share and diluted net income per share have been calculated assuming that such consolidation was carried out at the beginning of the previous consolidated fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio (%)
September 30, 2017	722,314	321,827	41.6
March 31, 2017	709,379	310,401	40.4

(Reference) Shareholders' equity: As of September 30, 2017: 300,614 Million Yen
As of March 31, 2017: 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	-	0.00			
April 2017 – March 2018 (Forecast)			-	60.00	60.00

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

The Company has consolidated 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 2017 – March 2018	685,000 11.1%	45,000 28.7%	45,000 34.9%	29,000 19.9%	276.14

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

The Company has consolidated 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: 27.61 yen

4. Number of Shares Outstanding (common stock)

	September 30, 2017	March 31, 2017
Numbers of shares outstanding at period end	106,200,107	106,200,107
Numbers of shares of treasury stock at period end	1,206,184	350,656

	April – September 2017	April – September 2016
Weighted-average number of shares outstanding during period	105,040,659	105,838,589

(Note) The Company has consolidated its shares in the proportion of 10 common shares to one common share, effective as of October 1, 2017. Numbers of shares outstanding at period end, numbers of shares of treasury stock at period end and weighted-average number of shares outstanding during period have been calculated assuming that such consolidation was carried out at the beginning of the previous consolidated fiscal year.

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 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 – September 2017 ①	327.1	22.6	23.7	15.7
April – September 2016 ②	281.0	11.5	10.3	7.1
Difference ① - ②	46.0	11.1	13.4	8.6
Percentage change	16.4%	96.4%	129.9%	122.1%

(2) Overview by Segment

Net sales (Billions of yen)

Segment	April – September 2017 ①	April – September 2016 ②	Difference ① － ②	Percentage change
Chemicals	146.3	117.9	28.3	24.0%
Pharmaceutical	5.1	4.5	0.6	13.5%
Cement & Construction Materials	115.9	109.7	6.2	5.7%
Machinery	35.7	26.6	9.0	34.1%
Energy & Environment	33.0	26.6	6.3	23.8%
Others	2.2	7.0	-4.7	-68.1%
Adjustment	-11.3	-11.5	0.2	―
Total	327.1	281.0	46.0	16.4%

Operating profit (Billions of yen)

Segment	April – September 2017 ①	April – September 2016 ②	Difference ① － ②	Percentage change
Chemicals	13.3	0.4	12.8	―
Pharmaceutical	1.6	1.1	0.5	46.6%
Cement & Construction Materials	5.8	7.3	-1.5	-20.7%
Machinery	1.3	0.7	0.5	72.9%
Energy & Environment	0.6	1.7	-1.0	-63.8%
Others	0.2	0.2	0.0	14.2%
Adjustment	-0.4	-0.1	-0.2	―
Total	22.6	11.5	11.1	96.4%

Chemicals Segment – 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 excessive supply capacity 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 in the Japanese market.

■ Battery Materials and Fine Chemicals Businesses

The Battery Materials Business recorded a sales increase under the condition that competition became harsher due to market expansion, because of a sales volume increase supported by strong demand mainly for the products mounted on automobiles.

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

■ Pharmaceutical Business recorded a sales increase, thanks to increases in sales volumes of both drugs developed by UBE and those manufactured under contract remained.

Construction Materials – Increases 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.

■ 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 an increase in a sales volume of steel billets, which was supported by continued strong demand in the Japanese market.

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

■ The Coal Business saw increases in a sales volume of coal as well as a volume of coal dealing at UBE's Coal Center (a coal storage facility), and its sales also increased, due to rises of sales prices backed by strong 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

(3) Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2018

As we announced on October 26, 2017, net sales of the first half of the fiscal year fell below our expectation, while operating profit exceeded our expectation. Due to the above reason, we have revised our forecast for consolidated financial results for the fiscal year ending March 31, 2018 to net sales of 685.0 billion yen, operating profit of 45 billion yen, ordinary profit of 45.0 billion yen, and profit attributable to owners of parent of 29.0 billion yen.

6. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of March 31 and September 30, 2017

(Millions of yen)

	March 31, 2017	September 30, 2017
Assets		
Current assets		
Cash and deposits	36,634	37,653
Notes and accounts receivable - trade	157,845	151,717
Merchandise and finished goods	35,922	42,492
Work in process	19,587	23,956
Raw materials and supplies	27,293	29,815
Other	18,283	20,278
Allowance for doubtful accounts	△523	△474
Total current assets	295,041	305,437
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	82,779	83,737
Machinery, equipment and vehicles, net	135,734	135,854
Land	84,100	84,205
Other, net	28,830	27,781
Total property, plant and equipment	331,443	331,577
Intangible assets		
Other	5,371	5,072
Total intangible assets	5,371	5,072
Investments and other assets		
Investment securities	51,615	55,060
Other	26,462	25,622
Allowance for doubtful accounts	△665	△631
Total investments and other assets	77,412	80,051
Total non-current assets	414,226	416,700
Deferred assets	112	177
Total assets	709,379	722,314

(Millions of yen)

	March 31, 2017	September 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	92,342	98,152
Short-term loans payable	65,931	68,636
Commercial papers	10,000	—
Current portion of bonds	15,020	10,020
Income taxes payable	4,546	5,977
Provision for bonuses	6,944	6,906
Other provision	979	917
Other	50,066	47,082
Total current liabilities	245,828	237,690
Non-current liabilities		
Bonds payable	40,010	50,000
Long-term loans payable	77,655	77,282
Provision	2,354	2,723
Net defined benefit liability	6,850	6,901
Negative goodwill	808	720
Asset retirement obligations	1,666	1,684
Other	23,807	23,487
Total non-current liabilities	153,150	162,797
Total liabilities	398,978	400,487
Net assets		
Shareholders' equity		
Capital stock	58,435	58,435
Capital surplus	38,091	38,497
Retained earnings	185,747	195,166
Treasury shares	△726	△2,997
Total shareholders' equity	281,547	289,101
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,893	6,833
Deferred gains or losses on hedges	11	10
Foreign currency translation adjustment	2,378	6,643
Remeasurements of defined benefit plans	△2,230	△1,973
Total accumulated other comprehensive income	5,052	11,513
Subscription rights to shares	623	663
Non-controlling interests	23,179	20,550
Total net assets	310,401	321,827
Total liabilities and net assets	709,379	722,314

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

・Consolidated Statements of Income

For the first half ended September 30, 2016 and 2017

(Millions of yen)

	April 1, 2016 – September 30, 2016	April 1, 2017 – September 30, 2017
Net sales	281,071	327,159
Cost of sales	230,798	263,500
Gross profit	50,273	63,659
Selling, general and administrative expenses	38,758	41,042
Operating profit	11,515	22,617
Non-operating income		
Interest income	100	102
Dividend income	532	822
Rent income	624	575
Amortization of negative goodwill	68	65
Share of profit of entities accounted for using equity method	905	1,596
Foreign exchange gains	—	436
Other	958	789
Total non-operating income	3,187	4,385
Non-operating expenses		
Interest expenses	791	731
Rent expenses	371	286
Foreign exchange losses	906	—
Other	2,315	2,258
Total non-operating expenses	4,383	3,275
Ordinary profit	10,319	23,727
Extraordinary income		
Gain on sales of non-current assets	56	6
Gain on sales of investment securities	—	8
Subsidy income	—	30
Total extraordinary income	56	44
Extraordinary losses		
Loss on disposal of non-current assets	518	441
Impairment loss	27	71
Loss on valuation of investment securities	—	5
Total extraordinary losses	545	517
Profit before income taxes	9,830	23,254
Income taxes	3,354	7,028
Profit	6,476	16,226
Profit (loss) attributable to non-controlling interests	△630	445
Profit attributable to owners of parent	7,106	15,781

・Consolidated Statements of Comprehensive Income

For the first half ended September 30, 2016 and 2017

(Millions of yen)

	April 1, 2016 – September 30, 2016	April 1, 2017 – September 30, 2017
Profit	6,476	16,226
Other comprehensive income		
Valuation difference on available-for-sale securities	△530	1,896
Deferred gains or losses on hedges	4	△1
Foreign currency translation adjustment	△8,952	4,873
Remeasurements of defined benefit plans, net of tax	291	262
Share of other comprehensive income of entities accounted for using equity method	△895	△21
Total other comprehensive income	△10,082	7,009
Comprehensive income	△3,606	23,235
Comprehensive income attributable to owners of parent	△1,712	22,242
Comprehensive income attributable to non-controlling interests	△1,894	993

(3) Consolidated Statements of Cash Flows

For the first half ended September 30, 2016 and 2017

(Millions of yen)

	April 1, 2016 – September 30, 2016	April 1, 2017 – September 30, 2017
Cash flows from operating activities		
Profit before income taxes	9,830	23,254
Depreciation and amortization	16,871	17,220
Impairment loss	27	71
Amortization of negative goodwill	△68	△65
Increase (decrease) in allowance for doubtful accounts	△161	△82
Interest and dividend income	△632	△924
Interest expenses	791	731
Foreign exchange losses (gains)	△14	△83
Share of (profit) loss of entities accounted for using equity method	△905	△1,596
Loss (gain) on sales of non-current assets	△62	△13
Decrease (increase) in notes and accounts receivable - trade	11,971	8,809
Decrease (increase) in inventories	△6,988	△11,937
Increase (decrease) in notes and accounts payable - trade	4,294	651
Other, net	△2,561	△1,602
Subtotal	32,393	34,434
Interest and dividend income received	1,399	2,204
Interest expenses paid	△792	△718
Income taxes paid	△6,987	△4,902
Net cash provided by (used in) operating activities	26,013	31,018
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	△18,995	△15,619
Proceeds from sales of property, plant and equipment	90	23
Purchase of investment securities	△44	△141
Proceeds from sales of investment securities	122	13
Purchase of shares of subsidiaries and associates	△395	△1,120
Proceeds from sales of shares of subsidiaries and associates	56	111
Decrease (increase) in short-term loans receivable	15	223
Other, net	462	82
Net cash provided by (used in) investing activities	△18,689	△16,428

(Millions of yen)

	April 1, 2016 – September 30, 2016	April 1, 2017 – September 30, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	△9,154	△2,035
Increase (decrease) in commercial papers	5,000	△10,000
Proceeds from long-term loans payable	4,421	15,278
Repayments of long-term loans payable	△11,812	△10,998
Proceeds from issuance of bonds	―	19,908
Redemption of bonds	△10	△15,010
Purchase of treasury shares	△3	△5,011
Proceeds from share issuance to non-controlling shareholders	465	―
Cash dividends paid	△5,281	△6,340
Dividends paid to non-controlling interests	△354	△308
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	△870	△200
Other, net	△420	△510
Net cash provided by (used in) financing activities	△18,018	△15,226
Effect of exchange rate change on cash and cash equivalents	△1,236	621
Net increase (decrease) in cash and cash equivalents	△11,930	△15
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	29,258	37,058

(4) Notes to Quarterly Consolidated Financial Statements

(Note to events and conditions which indicate there could be substantial doubt about going concern assumption)
None.

(Note to significant changes in shareholders' equity)
None.

(Application of the specific accounting methods for preparing the quarterly consolidated financial statements)
Tax expenses are calculated by estimating an effective tax rate for net income based on reasonable assumptions of an effective tax rate after application of tax effect accounting for net income before tax for the consolidated fiscal year, including the current term, and by multiplying the quarterly net income before tax by the estimated tax rate of net income. However, for subsidiaries for which calculating tax expenses using the said estimation of the effective tax rate would significantly lack rationality, tax expenses are calculated by using the statutory effective tax rate.
Income taxes adjustment is included in income taxes.

7.Segment Information

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

For the First Half Ended September 30, 2016 (April 1, 2016 to September 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	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 profit (operating profit)	454	1,128	7,399	759	1,714	254	11,708	-193	11,515

(Note 1) -193 million yen for adjustment for Segment profit 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 is not attributed to each reported Segment.
(Note 2) Segment profit is adjusted with operating profit recorded in the consolidated statements of income.

For the First Half Ended September 30, 2017 (April 1, 2017 to September 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	145,492	5,104	112,582	35,412	26,901	1,668	327,159	—	327,159
Internal sales or transfers	831	40	3,412	353	6,125	584	11,345	-11,345	—
Total	146,323	5,144	115,994	35,765	33,026	2,252	338,504	-11,345	327,159
Segment profit (operating profit)	13,313	1,654	5,869	1,312	621	290	23,059	-442	22,617

(Note 1) -442 million yen for adjustment for Segment profit includes 28 million yen for the elimination of transaction between the Segments and -470 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 recorded in the consolidated statements of income.

(Reference) Consolidated Key Indicators

(Billions of yen – except where noted)

	April – September 2016	April – September 2017	April 2017 – March 2018 (forecast)	April 2016 – March 2017
Capital investment	18.3	13.8	42.0	44.0
Depreciation and amortization	16.8	17.2	35.0	34.4
Research and development expenses	6.5	6.4	14.5	13.6
Adjusted operating profit *1	13.0	25.1	48.0	37.8
Interest-bearing debt	204.2	207.5	194.0	210.4
Shareholders' equity *2	259.0	300.6	314.0	286.5
Total assets	653.5	722.3	720.0	709.3
D/E ratio (times)	0.79	0.69	0.62	0.73
Shareholders' equity ratio (%)	39.6	41.6	43.6	40.4
Return on sales - ROS (%) *3	4.1	6.9	6.6	5.7
Return on assets - ROA (%) *4	—	—	6.7	5.5
Return on equity – ROE (%)	—	—	9.7	8.7
Number of employees	10,841	10,998	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