Consolidated Financial Report for the First Three Quarters Ended December 31, 2017

February 2, 2018

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(Amounts rounded to the nearest million yen)

1. Consolidated Financial Results for the First Three Quarters Ended December 31, 2017

(From April 1, 2017 to December 31, 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 – December 2017	507,056	15.3%	37,613	65.7%	39,069	72.8%	26,670	77.0%
April – December 2016	439,909	-8.8%	22,693	-27.4%	22,603	-25.0%	15,072	-21.6%

(Note) Comprehensive Income: From April 1, 2017 to December 31, 2017: 36,967 Million Yen (147.9%)
From April 1, 2016 to December 31, 2016: 14,915 Million Yen (11.8%)

	Net income per share (Yen)	Diluted net income per share (Yen)
April – December 2017	253.94	253.08
April – December 2016	142.40	141.96

(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 (%)
December 31, 2017	734,867	335,573	42.7
March 31, 2017	709,379	310,401	40.4

(Reference) Shareholders' equity: As of December 31, 2017: 313,437 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)

	December 31, 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	1,205,129	350,656

	April – December 2017	April – December 2016
Weighted-average number of shares outstanding during period	105,026,676	105,840,301

(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, caprolactam 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 – December 2017 ①	507.0	37.6	39.0	26.6
April – December 2016 ②	439.9	22.6	22.6	15.0
Difference ① - ②	67.1	14.9	16.4	11.5
Percentage change	15.3%	65.7%	72.8%	77.0%

(2) Overview by Segment

Net sales (Billions of yen)

Segment	April – December 2017 ①	April – December 2016 ②	Difference ① － ②	Percentage change
Chemicals	225.3	183.5	41.8	22.8%
Pharmaceutical	6.8	7.1	-0.2	-3.7%
Cement & Construction Materials	178.8	169.3	9.5	5.6%
Machinery	58.7	43.2	15.5	35.9%
Energy & Environment	51.0	42.7	8.2	19.4%
Others	3.6	10.5	-6.8	-65.0%
Adjustment	-17.4	-16.6	-0.8	－
Total	507.0	439.9	67.1	15.3%

Operating profit (Billions of yen)

Segment	April – December 2017 ①	April – December 2016 ②	Difference ① － ②	Percentage change
Chemicals	22.1	4.4	17.7	398.1%
Pharmaceutical	1.4	1.6	-0.1	-9.2%
Cement & Construction Materials	9.8	12.4	-2.6	-21.2%
Machinery	2.6	1.5	1.1	77.3%
Energy & Environment	1.5	2.2	-0.7	-32.6%
Others	0.7	0.6	0.0	10.6%
Adjustment	-0.8	-0.2	-0.5	－
Total	37.6	22.6	14.9	65.7%

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 the continued price normalization of the products to offset the 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 increase in production and shipment for the reason that there were no regular maintenance of the factory and backed by strong demand.

■ 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 – Decreases in both net sales and operating profit

■ While sales volumes of both drugs developed by UBE and those manufactured under contract were at the same level with the same period of the previous fiscal year, a sales of the Pharmaceutical Business decreased as a whole, due to a fall in the royalty revenues.

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

6. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of March 31 and December 31, 2017

(Millions of yen)

	March 31, 2017	December 31, 2017
Assets		
Current assets		
Cash and deposits	36,634	37,042
Notes and accounts receivable - trade	157,845	159,626
Merchandise and finished goods	35,922	43,874
Work in process	19,587	23,780
Raw materials and supplies	27,293	30,234
Other	18,283	21,047
Allowance for doubtful accounts	△523	△494
Total current assets	295,041	315,109
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	82,779	85,532
Machinery, equipment and vehicles, net	135,734	141,249
Land	84,100	84,188
Other, net	28,830	22,745
Total property, plant and equipment	331,443	333,714
Intangible assets		
Other	5,371	5,057
Total intangible assets	5,371	5,057
Investments and other assets		
Investment securities	51,615	56,306
Other	26,462	25,138
Allowance for doubtful accounts	△665	△624
Total investments and other assets	77,412	80,820
Total non-current assets	414,226	419,591
Deferred assets	112	167
Total assets	709,379	734,867

(Millions of yen)

	March 31, 2017	December 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	92,342	99,912
Short-term loans payable	65,931	68,912
Commercial papers	10,000	—
Current portion of bonds	15,020	10,020
Income taxes payable	4,546	5,059
Provision for bonuses	6,944	3,442
Other provision	979	959
Other	50,066	50,573
Total current liabilities	245,828	238,877
Non-current liabilities		
Bonds payable	40,010	50,000
Long-term loans payable	77,655	74,730
Provision	2,354	3,130
Net defined benefit liability	6,850	6,887
Negative goodwill	808	675
Asset retirement obligations	1,666	1,688
Other	23,807	23,307
Total non-current liabilities	153,150	160,417
Total liabilities	398,978	399,294
Net assets		
Shareholders' equity		
Capital stock	58,435	58,435
Capital surplus	38,091	38,505
Retained earnings	185,747	206,055
Treasury shares	△726	△3,010
Total shareholders' equity	281,547	299,985
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,893	6,996
Deferred gains or losses on hedges	11	5
Foreign currency translation adjustment	2,378	8,295
Remeasurements of defined benefit plans	△2,230	△1,844
Total accumulated other comprehensive income	5,052	13,452
Subscription rights to shares	623	681
Non-controlling interests	23,179	21,455
Total net assets	310,401	335,573
Total liabilities and net assets	709,379	734,867

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

・Consolidated Statements of Income

For the first three quarters ended December 31, 2016 and 2017

(Millions of yen)

	April 1, 2016 - December 31, 2016	April 1, 2017 – December 31, 2017
Net sales	439,909	507,056
Cost of sales	358,213	406,964
Gross profit	81,696	100,092
Selling, general and administrative expenses	59,003	62,479
Operating profit	22,693	37,613
Non-operating income		
Interest income	168	160
Dividend income	655	953
Rent income	929	846
Amortization of negative goodwill	101	97
Share of profit of entities accounted for using equity method	1,882	2,862
Foreign exchange gains	113	489
Other	1,207	1,152
Total non-operating income	5,055	6,559
Non-operating expenses		
Interest expenses	1,171	1,066
Rent expenses	517	401
Other	3,457	3,636
Total non-operating expenses	5,145	5,103
Ordinary profit	22,603	39,069
Extraordinary income		
Gain on sales of non-current assets	78	39
Gain on sales of investment securities	－	8
Subsidy income	－	30
Total extraordinary income	78	77
Extraordinary losses		
Loss on disposal of non-current assets	1,526	975
Impairment loss	27	71
Loss on valuation of investment securities	－	5
Total extraordinary losses	1,553	1,051
Profit before income taxes	21,128	38,095
Income taxes	6,034	10,414
Profit	15,094	27,681
Profit attributable to non-controlling interests	22	1,011
Profit attributable to owners of parent	15,072	26,670

・Consolidated Statements of Comprehensive Income

For the first three quarters ended December 31, 2016 and 2017

(Millions of yen)

	April 1, 2016 – December 31, 2016	April 1, 2017 – December 31, 2017
Profit	15,094	27,681
Other comprehensive income		
Valuation difference on available-for-sale securities	954	2,153
Deferred gains or losses on hedges	△4	△6
Foreign currency translation adjustment	△750	6,803
Remeasurements of defined benefit plans, net of tax	443	390
Share of other comprehensive income of entities accounted for using equity method	△822	△54
Total other comprehensive income	△179	9,286
Comprehensive income	14,915	36,967
Comprehensive income attributable to owners of parent	14,682	35,070
Comprehensive income attributable to non-controlling interests	233	1,897

(3) Consolidated Statements of Cash Flows

For the first three quarters ended December 31, 2016 and 2017

(Millions of yen)

	April 1, 2016 – December 31, 2016	April 1, 2017 – December 31, 2017
Cash flows from operating activities		
Profit before income taxes	21,128	38,095
Depreciation and amortization	25,478	26,156
Impairment loss	27	71
Amortization of negative goodwill	△101	△97
Increase (decrease) in allowance for doubtful accounts	△122	△73
Interest and dividend income	△823	△1,113
Interest expenses	1,171	1,066
Foreign exchange losses (gains)	183	△53
Share of (profit) loss of entities accounted for using equity method	△1,882	△2,862
Loss (gain) on sales of non-current assets	△54	△38
Decrease (increase) in notes and accounts receivable - trade	△4,334	1,623
Decrease (increase) in inventories	△12,032	△13,128
Increase (decrease) in notes and accounts payable - trade	13,743	2,189
Other, net	△4,996	△2,022
Subtotal	37,386	49,814
Interest and dividend income received	1,591	2,846
Interest expenses paid	△1,134	△1,063
Income taxes paid	△9,647	△9,021
Net cash provided by (used in) operating activities	28,196	42,576
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	△25,884	△25,623
Proceeds from sales of property, plant and equipment	172	247
Purchase of investment securities	△447	△143
Proceeds from sales of investment securities	122	13
Purchase of shares of subsidiaries and associates	△499	△1,177
Proceeds from sales of shares of subsidiaries and associates	56	111
Decrease (increase) in short-term loans receivable	35	191
Other, net	1,146	175
Net cash provided by (used in) investing activities	△25,299	△26,206

(Millions of yen)

	April 1, 2016 – December 31, 2016	April 1, 2017 – December 31, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	△8,480	△2,989
Increase (decrease) in commercial papers	16,000	△10,000
Proceeds from long-term loans payable	4,571	15,309
Repayments of long-term loans payable	△13,160	△12,536
Proceeds from issuance of bonds	9,950	19,908
Redemption of bonds	△15,010	△15,010
Purchase of treasury shares	△45	△5,037
Proceeds from share issuance to non-controlling shareholders	465	—
Cash dividends paid	△5,284	△6,344
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	△884	△200
Other, net	△548	△650
Net cash provided by (used in) financing activities	△12,779	△17,857
Effect of exchange rate change on cash and cash equivalents	△399	911
Net increase (decrease) in cash and cash equivalents	△10,281	△576
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	30,907	36,497

(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 by Reportable Business Segment

For the First Three Quarters Ended December 31, 2016 (April 1, 2016 to December 31, 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	180,358	7,101	165,175	42,633	35,748	8,894	439,909	—	439,909
Internal sales or transfers	3,179	—	4,162	622	7,014	1,624	16,601	-16,601	—
Total	183,537	7,101	169,337	43,255	42,762	10,518	456,510	-16,601	439,909
Segment profit (operating profit)	4,456	1,613	12,490	1,511	2,269	639	22,978	-285	22,693

(Note 1) -285 million yen for adjustment for Segment profit includes -73 million yen for the elimination of transaction between the Segments and -212 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 Three Quarters Ended December 31, 2017 (April 1, 2017 to December 31, 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	224,078	6,799	173,759	58,083	41,630	2,707	507,056	—	507,056
Internal sales or transfers	1,262	40	5,093	709	9,423	972	17,499	-17,499	—
Total	225,340	6,839	178,852	58,792	51,053	3,679	524,555	-17,499	507,056
Segment profit (operating profit)	22,194	1,464	9,841	2,679	1,530	707	38,415	-802	37,613

(Note 1) -802 million yen for adjustment for Segment profit includes -37 million yen for the elimination of transaction between the Segments and -765 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 – December 2016	April – December 2017	April 2017 – March 2018 (forecast)	April 2016 – March 2017
Capital investment	26.6	24.0	42.0	44.0
Depreciation and amortization	25.4	26.1	35.0	34.4
Research and development expenses	10.0	9.8	14.5	13.6
Adjusted operating profit *1	25.3	41.5	48.0	37.8
Interest-bearing debt	210.9	205.2	194.0	210.4
Shareholders' equity *2	275.5	313.4	314.0	286.5
Total assets	690.4	734.8	720.0	709.3
D/E ratio (times)	0.77	0.65	0.62	0.73
Shareholders' equity ratio (%)	39.9	42.6	43.6	40.4
Return on sales - ROS (%) *3	5.2	7.4	6.6	5.7
Return on assets - ROA (%) *4	—	—	6.7	5.5
Return on equity – ROE (%)	—	—	9.7	8.7
Number of employees	10,846	10,953	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