Consolidated Financial Report for the First Quarter Ended June 30, 2018

July 31, 2018

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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, 2018

(From April 1, 2018 to June 30, 2018)

(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 2018	169,078	5.9%	6,114	-32.8%	10,244	0.6%	6.924	5.3%
April – June 2017	159,611	15.6%	9,098	458.8%	10,182	-%	6,576	-%

(Note) Comprehensive Income: From April 1, 2018 to June 30, 2018: 4,714 Million Yen (-52.8%)
From April 1, 2017 to June 30, 2017: 9,983 Million Yen (-%)

	Net income per share (Yen)	Diluted net income per share (Yen)
April – June 2018	65.93	65.71
April – June 2017	62.44	62.25

(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 (%)
June 30, 2018	725,563	333,263	43.1
March 31, 2018	742,445	336,861	42.5

(Reference) Shareholders' equity: As of June 30, 2018: 312,384 Million Yen
As of March 31, 2018: 315,352 Million Yen

[Shareholders' equity = Net assets – Share acquisition rights – Non-controlling interests]

2. Cash Dividends

	Cash dividends per share (Yen)				
	First quarter	Second quarter	Third quarter	Year end	Annual
April 2017 – March 2018	-	0.00	-	75.00	75.00
April 2018 – March 2019	-				
April 2018 – March 2019 (Forecast)		0.00	-	75.00	75.00

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

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2019

(From April 1, 2018 to March 31, 2019)

(% 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 2018	350,000 7.0%	16,000 -29.3%	18,000 -24.1%	12,000 -24.0%	114.27
April 2018 – March 2019	740,000 6.4%	44,000 -12.4%	45,500 -10.3%	30,500 -3.7%	290.43

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

4. Number of Shares Outstanding (common stock)

	June 30, 2018	March 31, 2018
Numbers of shares outstanding at period end	106,200,107	106,200,107
Numbers of shares of treasury stock at period end	1,154,403	1,182,884

	April – June 2018	April – June 2017
Weighted-average number of shares outstanding during period	105,025,815	105,311,032

(Note) The Company has consolidated its shares in the proportion of 10 common shares to one common share, effective as of October 1, 2017. 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, net sales of the Company Group remained stable, thanks to increases in shipment of industrial machines and in sales volume of coal, respectively backed by the continued strong demand in the Japanese market. On the other hand, operating profit of the Company Group was affected by a price rise of coal, the once-every-two-year inspection of the ammonia product factory and UBE's privately-owned power plant, and a price decline in the synthetic rubber market. Non-operating income increased, mainly because of business integration of equity-method affiliates.

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 2018 ①	169.0	6.1	10.2	6.9
April – June 2017 ②	159.6	9.0	10.1	6.5
Difference ① - ②	9.4	-2.9	0.0	0.3
Percentage change	5.9%	-32.8%	0.6%	5.3%

(2) Overview by Segment

Net sales (Billions of yen)

Segment	April – June 2018 ①	April – June 2017 ②	Difference ① － ②	Percentage change
Chemicals	73.5	73.3	0.1	0.2%
Pharmaceutical	1.7	2.4	-0.7	-30.0%
Cement & Construction Materials	59.4	57.2	2.2	4.0%
Machinery	18.7	16.2	2.5	15.6%
Energy & Environment	18.4	15.3	3.0	20.2%
Others	1.1	1.1	0.0	1.2%
Adjustment	-4.0	-6.1	2.1	－
Total	169.0	159.6	9.4	5.9%

Operating profit (Billions of yen)

Segment	April – June 2018 ①	April – June 2017 ②	Difference ① － ②	Percentage Change
Chemicals	3.6	6.1	-2.5	-41.0%
Pharmaceutical	-0.0	0.7	-0.8	－
Cement & Construction Materials	2.0	2.4	-0.4	-17.5%
Machinery	0.1	0.3	-0.1	-43.5%
Energy & Environment	0.3	-0.2	0.6	－
Others	0.1	0.1	0.0	13.3%
Adjustment	-0.1	-0.4	0.2	－
Total	6.1	9.0	-2.9	-32.8%

Chemicals – Increases in net sales and decrease in operating profit

■ Nylon, Caprolactam and Industrial Chemicals Businesses

The Caprolactam Business recorded a sales increase, thanks to price normalization of the products mainly in the China market.

The Nylon Business recorded a sales increase, thanks to a sales volume increase resulted from a rise in production capacity in Spain.

The Industrial Chemicals Business recorded a sales decrease, due to decreases in production and shipment as the result of the once-every-two-year inspection in the ammonia product factory.

Both net sales and operating profit increased in the Nylon, Caprolactam and Industrial Chemicals Businesses as a whole, thanks to improvement in the spread between caprolactam selling prices and cost of raw materials.

■ The Synthetic Rubber Business recorded decreases in both net sales and operating profit, mainly due to the weak market prices of the products that offset the continued stable shipment of the products mainly used for tires.

■ Battery Materials and Fine Chemicals Businesses

The Battery Materials Business recorded a sales increase, thanks to a sales volume increase resulted from a production capacity increase of separators supported by strong demand mainly for the products mounted on automobiles.

The Fine Chemicals Business recorded a sales increase, thanks to rises in overall sales prices.

Both net sales and operating profit increased in the Battery Materials and Fine Chemicals Businesses as a whole, thanks to sales expansion of separators.

■ Polyimide and Functional Products Businesses

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

Net sales increased, but operating profit decreased in the Polyimide and Functional Products Businesses as a whole, due to operating profit decreases in consolidated subsidiaries.

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, the Pharmaceutical Business, as a whole, recorded decreases in both net sales and operating profit, due to a fall in the royalty revenues.

Cement & 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 resulted from a demand increase in the Japan market. On the other hand, the business was affected by a price rise of coal.

■ The Calcia and Magnesia Business recorded a sales increase, thanks to an increase in sales volume and rises of sales prices.

■ Net sales increased, but operating profit decreased in the Cement & Construction Materials Segment as a whole, due to strong impact of a price rise of coal.

Machinery – Increases in net sales and decrease in operating profit

■ The Molding and Industrial Machines Business recorded a sales increase, thanks to strong product sales.

■ The Steel Products Business recorded a sales increase, thanks to rises in the sales prices for the reason that prices of scrap, the raw material for steel, remained high.

■ Net sales increased, but operating profit decreased in the Machinery Segment as a whole due to the strong impact of increases in expenses such as raw materials and construction.

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

- The Coal Business recorded a sales increase, thanks to an increase in sale volume as well as rises of sales prices backed by favorable condition of coal market.
- The Power Business recorded a sales increase, thanks to an increase in volume of selling electricity for the reason that the once-every-two-year inspection of the IPP power plant did not take place.
- Both net sales and operating profit increased in the Energy & Environment Segment as a whole, mainly for the reason that the once-every-two-year inspection of the IPP power plant did not take place.

Others – Increases in both net sales and operating profit

6. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of March 31 and June 30, 2018

(Millions of yen)

	March 31, 2018	June 30, 2018
Assets		
Current assets		
Cash and deposits	49,059	34,669
Notes and accounts receivable - trade	162,739	156,429
Merchandise and finished goods	40,390	43,278
Work in process	20,084	24,106
Raw materials and supplies	30,455	28,968
Other	14,726	16,315
Allowance for doubtful accounts	-577	-536
Total current assets	316,876	303,229
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	85,063	84,365
Machinery, equipment and vehicles, net	143,779	141,342
Land	81,260	80,703
Other, net	24,160	22,689
Total property, plant and equipment	334,262	329,099
Intangible assets		
Other	5,006	5,668
Total intangible assets	5,006	5,668
Investments and other assets		
Investment securities	54,804	55,949
Other	31,947	32,077
Allowance for doubtful accounts	-606	-605
Total investments and other assets	86,145	87,421
Total non-current assets	425,413	422,188
Deferred assets	156	146
Total assets	742,445	725,563

(Millions of yen)

	March 31, 2018	June 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	104,532	105,362
Short-term loans payable	69,802	65,896
Commercial papers	—	5,000
Current portion of bonds	10,010	10,010
Income taxes payable	6,027	2,102
Provision for bonuses	7,245	10,492
Other provision	1,062	1,352
Other	54,420	53,548
Total current liabilities	253,098	253,762
Non-current liabilities		
Bonds payable	50,000	40,000
Long-term loans payable	64,121	62,809
Provision	4,538	2,018
Net defined benefit liability	6,897	6,956
Negative goodwill	647	628
Asset retirement obligations	1,695	1,700
Other	24,588	24,427
Total non-current liabilities	152,486	138,538
Total liabilities	405,584	392,300
Net assets		
Shareholders' equity		
Capital stock	58,435	58,435
Capital surplus	38,291	38,307
Retained earnings	211,065	210,096
Treasury shares	-2,958	-2,879
Total shareholders' equity	304,833	303,959
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,691	5,289
Deferred gains or losses on hedges	-6	-6
Foreign currency translation adjustment	6,415	4,652
Remeasurements of defined benefit plans	-1,581	-1,510
Total accumulated other comprehensive income	10,519	8,425
Share acquisition rights	672	611
Non-controlling interests	20,837	20,268
Total net assets	336,861	333,263
Total liabilities and net assets	742,445	725,563

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

・Consolidated Statements of Income

For the first quarter ended June 30, 2017 and 2018

(Millions of yen)

	April 1, 2017 – June 30, 2017	April 1, 2018 – June 30, 2018
Net sales	159,611	169,078
Cost of sales	130,009	142,318
Gross profit	29,602	26,760
Selling, general and administrative expenses	20,504	20,646
Operating profit	9,098	6,114
Non-operating income		
Interest income	49	66
Dividend income	657	1,438
Rent income	271	260
Amortization of negative goodwill	31	31
Share of profit of entities accounted for using equity method	911	2,758
Foreign exchange gains	246	586
Other	378	816
Total non-operating income	2,543	5,955
Non-operating expenses		
Interest expenses	359	294
Rent expenses	146	149
Other	954	1,382
Total non-operating expenses	1,459	1,825
Ordinary profit	10,182	10,244
Extraordinary income		
Gain on sales of non-current assets	—	37
Gain on sales of investment securities	—	6
Subsidy income	30	—
Total extraordinary income	30	43
Extraordinary losses		
Loss on disposal of non-current assets	173	70
Impairment loss	—	95
Loss on valuation of investment securities	—	8
Total extraordinary losses	173	173
Profit before income taxes	10,039	10,114
Income taxes	3,395	2,980
Profit	6,644	7,134
Profit attributable to non-controlling interests	68	210
Profit attributable to owners of parent	6,576	6,924

・Consolidated Statements of Comprehensive Income

For the first quarter ended June 30, 2017 and 2018

(Millions of yen)

	April 1, 2017 – June 30, 2017	April 1, 2018 – June 30, 2018
Profit	6,644	7,134
Other comprehensive income		
Valuation difference on available-for-sale securities	1,137	-396
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	2,106	-1,944
Remeasurements of defined benefit plans, net of tax	139	100
Share of other comprehensive income of entities accounted for using equity method	-43	-180
Total other comprehensive income	3,339	-2,420
Comprehensive income	9,983	4,714
Comprehensive income attributable to owners of parent	9,763	4,830
Comprehensive income attributable to non-controlling interests	220	-116

(3) Consolidated Statements of Cash Flows

For the first quarter ended June 30, 2017 and 2018

(Millions of yen)

	April 1, 2017 – June 30, 2017	April 1, 2018 – June 30, 2018
Cash flows from operating activities		
Profit before income taxes	10,039	10,114
Depreciation and amortization	8,599	8,930
Impairment loss	—	95
Amortization of negative goodwill	-31	-31
Increase (decrease) in allowance for doubtful accounts	19	-38
Interest and dividend income	-706	-1,504
Interest expenses	359	294
Foreign exchange losses (gains)	-21	53
Share of loss (profit) of entities accounted for using equity method	-911	-2,758
Loss (gain) on sales of non-current assets	-7	2
Decrease (increase) in notes and accounts receivable - trade	15,915	5,816
Decrease (increase) in inventories	-6,325	-6,007
Increase (decrease) in notes and accounts payable - trade	-6,204	891
Other, net	1,447	1,714
Subtotal	22,173	17,571
Interest and dividend income received	1,817	2,254
Interest expenses paid	-311	-307
Income taxes paid	-4,671	-6,477
Net cash provided by (used in) operating activities	19,008	13,041
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-6,951	-9,173
Proceeds from sales of property, plant and equipment	8	489
Purchase of investment securities	-82	-42
Purchase of shares of subsidiaries and associates	-988	-45
Proceeds from sales of shares of subsidiaries and associates	106	12
Decrease (increase) in short-term loans receivable	230	28
Other, net	-68	-91
Net cash provided by (used in) investing activities	-7,745	-8,822

(Millions of yen)

	April 1, 2017 – June 30, 2017	April 1, 2018 – June 30, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-2,162	-1,850
Increase (decrease) in commercial papers	-10,000	5,000
Proceeds from long-term loans payable	278	469
Repayments of long-term loans payable	-2,633	-3,632
Proceeds from issuance of bonds	19,908	—
Redemption of bonds	—	-10,000
Purchase of treasury shares	-3,820	-2
Decrease (increase) in deposits for purchase of treasury shares	-1,197	—
Cash dividends paid	-6,364	-7,894
Dividends paid to non-controlling interests	-300	-331
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	-90
Other, net	-237	-149
Net cash provided by (used in) financing activities	-6,527	-18,479
Effect of exchange rate change on cash and cash equivalents	316	-218
Net increase (decrease) in cash and cash equivalents	5,052	-14,478
Cash and cash equivalents at beginning of period	35,806	48,529
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	1,267	—
Cash and cash equivalents at end of period	42,125	34,051

(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.

(Additional Information)
(Adoption of the “Partial Amendment to ‘Accounting Standard for Tax Effect Accounting’”)

The Company Group has adopted the ‘Partial Amendment to Accounting Standard for Tax Effect Accounting’ (Accounting Standards Board of Japan Statement No. 28 issued on February 16, 2018) from the beginning of the first quarter consolidated period under review. Accordingly, deferred tax assets are presented in the section of investments and other assets, and deferred tax liabilities are presented in the section of non-current liabilities.

7.Segment Information

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

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.

For the First Quarter Ended June 30, 2018 (April 1, 2018 to June 30, 2018) (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	73,110	1,731	58,407	18,434	16,558	838	169,078	—	169,078
Internal sales or transfers	420	—	1,086	357	1,869	295	4,027	-4,027	—
Total	73,530	1,731	59,493	18,791	18,427	1,133	173,105	-4,027	169,078
Segment profit or loss (operating profit or loss)	3,616	-85	2,045	170	390	145	6,281	-167	6,114

(Note 1) -167 million yen for adjustment for Segment profit or loss includes -8 million yen for the elimination of transaction between the Segments and -159 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 2017	April – June 2018	April 2018 – March 2019 (forecast)	April 2017 – March 2018
Capital investment	5.9	7.2	40.0	40.3
Depreciation and amortization	8.5	8.9	37.0	35.3
Research and development expenses	3.3	3.2	14.0	13.2
Adjusted operating profit *1	10.7	10.3	50.5	55.1
Interest-bearing debt	215.6	185.2	185.0	195.5
Shareholders' equity *2	286.1	312.3	334.0	315.3
Total assets	709.9	725.5	750.0	742.4
D/E ratio (times)	0.75	0.59	0.55	0.62
Shareholders' equity ratio (%)	40.3	43.1	44.5	42.5
Operating profit to net sales (%)	5.7	3.6	5.9	7.2
Return on assets - ROA (%) *3	—	—	6.8	7.6
Return on equity – ROE (%)	—	—	9.4	10.5
Number of employees	11,157	11,014	11,000	10,799

*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 – Share acquisition rights – Non-controlling interests

*3 ROA: Adjusted operating profit / Average total assets