

Consolidated Financial Report for the First Half of the Fiscal Year Ending March 31, 2012

Ube Industries, Ltd.

1. Consolidated Companies

Fiscal period	Previous fiscal year ended Mar. 31, 2011	Current first half ended Sept. 30, 2011	Change
Number of companies			
Consolidated companies	66	65	-1
Companies using equity method accounting	24	24	±0
Total	90	89	-1

2. Consolidated Business Results for the First Half of the Fiscal Year Ending March 31, 2012
(April 1, 2011 to September 30, 2011)

(1) Results of Operations

(Billions of Yen – except per share data)

	Previous first half ended Sept. 30, 2010	Current first half ended Sept. 30, 2011	Change
Net sales	294.6	311.6	16.9
Operating income	16.7	22.6	5.9
Net interest expenses	-1.7	-1.4	0.2
Equity in earnings of affiliates	0.4	1.0	0.6
Other non-operating income	-1.7	-1.5	0.2
Ordinary income	13.7	20.7	7.0
Extraordinary income	0.6	0.1	-0.5
Extraordinary losses	-1.6	-1.4	0.1
Net income	7.6	12.1	4.5

Net income per share	7.56 Yen	12.11 Yen	4.55 Yen
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Presupposition conditions

Exchange rate (Yen per US\$)	88.9	79.8	-9.1
Naphtha price (Yen/kl)	46,200	57,000	10,800
Australian coal price (Yen/ton)	10,797	11,407	610

Net Sales by Segment

(Billions of Yen)

	Previous first half ended Sept. 30, 2010	Current first half ended Sept. 30, 2011	Change	Comments
Chemicals & Plastics	97.2	115.2	17.9	- Increase in sales prices, etc.
Specialty Chemicals & Products	34.4	33.5	-0.8	- Decrease in sales prices, etc.
Pharmaceutical	4.1	3.8	-0.3	- Decrease in sales prices, etc.
Cement & Construction Materials	95.5	100.8	5.2	- Increase in sales volume of cement, ready-mixed concrete, and increase in income of recycling of wastes
Machinery & Metal Products	41.5	33.5	-7.9	- Withdrawal from aluminum wheel business, decrease in shipment of industrial machines, etc.
Energy & Environment	26.7	30.8	4.1	- Increase in selling prices and dealing volume of coal, etc.
Other	12.4	12.5	0.1	
Adjustment	-17.3	-18.6	-1.3	
Total	294.6	311.6	16.9	

Operating Income by Segment

(Billions of Yen)

	Previous first half ended Sept. 30, 2010	Current first half ended Sept. 30, 2011	Change	Comments
Chemicals & Plastics	5.6	13.7	8.1	- Increase in spread between selling prices and costs of raw materials for caprolactam, etc.
Specialty Chemicals & Products	4.1	3.7	-0.4	- Decrease in sales prices, etc.
Pharmaceutical	1.4	0.7	-0.7	- Decrease in sales prices, etc.
Cement & Construction Materials	2.9	2.9	0	-
Machinery & Metal Products	1.1	0.6	-0.4	- Decrease in shipment and deterioration in profitability of industrial machines, etc.
Energy & Environment	1.2	1.5	0.2	
Other	0.4	0.4	0.0	
Adjustment	-0.2	-1.0	-0.7	- Increase in administration and general expense, etc.
Total	16.7	22.6	5.9	

Note: Adjustment of operating income is calculated by totaling the company-wide cost excluding allocation to each segment and the tradeoff of inter-segment trades.

(2) Financial Condition

(Billions of Yen)

Assets	Previous fiscal year ended Mar. 31, 2011	Current first half ended Sept. 30, 2011	Change
Cash and deposits	49.7	32.3	-17.3
Accounts receivable	134.9	134.6	-0.2
Inventories	73.2	89.8	16.5
Property, plant and equipment	313.9	315.2	1.2
Intangible fixed assets	4.9	4.8	0.0
Investments and other assets	84.9	85.7	0.8
Total assets	661.5	662.4	0.9

Liabilities	Previous fiscal year ended Mar. 31, 2011	Current first half ended Sept. 30, 2011	Change
Notes and accounts payable-trade	89.1	86.7	-2.3
Interest-bearing debt	260.5	260.6	0.0
(Net debt) *1	(211.0)	(228.4)	(17.4)
Other liabilities	100.2	96.5	-3.7
Net assets	211.4	218.3	6.8
(Shareholders' Equity)	(200.9)	(208.0)	(7.1)
(Accumulated Other Comprehensive Income)	(-13.9)	(-14.1)	(-0.2)
(Share subscription rights and Minority interests)	(24.3)	(24.3)	(0.0)
Total liabilities and Net assets	661.5	662.4	0.9

*1 Net debt: Interest-bearing debt – Cash and cash equivalents

(3)Cash Flows

	(Billions of Yen)	(Billions of Yen)
	Current first half ended Sept. 30, 2011	(Ref.) Previous first half ended Sept. 30, 2010
Cash flows from operating activities	11.6 *1	24.6
Cash flows from investing activities	-23.3 *2	-12.0
Cash flows from financing activities	-5.9	-12.7
(Interest-bearing debt)	(0.1)	(-7.8)
(Dividend paid and Other)	(-6.0)	(-4.9)
Cash and cash equivalents at end of period	32.1	36.2

*1 Net income before taxes for the first half of the fiscal year 19.3billion Yen
 Depreciation and amortization 15.8billion Yen
 Increase or decrease in inventories -15.8billion Yen, etc
 *2 Acquisition of tangible/ intangible fixed assets -23.1billion Yen, etc

(4)Qualitative Information

Qualitative Information for Operating Results

Chemicals & Plastics Segment

Thanks to booming demand in the Asia market, sales of caprolactam used to synthesize polyamide were strong, and the spread between selling prices and cost of raw materials for caprolactam also increased substantially compared to the same period in the previous year. Sales of polybutadiene rubber (synthetic rubber) and polyamide resins were steady, because the concerned damage of the Great East Japan Earthquake was not so serious in terms of raw material procurement and demand from the automobile industry. As for industrial chemicals, sales of ammonia, especially for thermal power plants, were strong.

As a result, consolidated segment sales increased by 17.9 billion yen, compared to the same period in the previous year, to 115.2 billion yen, while consolidated operating income increased by 8.1 billion yen to 13.7 billion yen

Specialty Chemicals & Products Segment

Shipments of many products in this segment were weak, due to sluggish demand in the field of electronics and information materials, and prices of some products decreased. In addition, business of fine chemical products and polyimide products represented by films used in flat-screen televisions was affected by the troubles of supply chains after the Great East Japan Earthquake. On the other hand, sales of electrolyte and separators for lithium-ion batteries were strong, and demand for ceramic products used mainly for production of solar cells was booming.

As a result, consolidated segment sales decreased by 0.8 billion yen, compared to the same period in the previous year, to 33.5 billion yen, while consolidated operating income decreased by 0.4 billion yen to 3.7 billion yen.

Pharmaceutical Segment

Shipments of pharmaceutical active ingredient and intermediates were generally steady, especially ones used for antiallergic drug developed by UBE. However, the sales were lower than the same period in the previous year, because the planned shipment concentrated on the later period of this term.

As a result, consolidated segment sales decreased by 0.3 billion yen, compared to the same period in the previous year, to 3.8 billion yen, while consolidated operating income decreased by 0.7 billion yen to 0.7billion yen, partly due to impact of appreciation of yen.

Cement & Construction Materials Segment

Sales of cement, ready-mixed concrete and building materials seem to cease to fall, thanks to signs of recovery in the indices such condominium and housing construction and capital investments, but still hovered at a low level. However, thanks to booming overseas demand that drove increase in export, cement manufacturing facilities continued to be in full operation and recycling of various types of waste for use as raw materials/fuel was also expanded. As for business of calcia and magnesia products, sales were weak as a whole, due to the calcia products getting affected by aftermath of the Great East Japan Earthquake.

As a result, consolidated segment sales increased by 5.2 billion yen, compared to the same period in the previous year, to 100.8 billion yen, while consolidated operating income decreased by 0.1 billion yen to 2.9 billion yen.

Machinery & Metal Products Segment

Shipment and received orders of molding machines mainly to the automobile industry increased, while shipments and received orders of industrial machines such as vertical mills and conveyers decreased. Profitability of both molding machines and industrial machines remained low, due to appreciation of yen and severe competition with overseas and domestic manufacturers. Shipment of steel products continued to be steady, but was affected by price rise of scrap, the raw material for steel.

As a result, consolidated segment sales decreased by 7.9 billion yen, compared to the same period in the previous year, to 33.5 billion yen, while consolidated operating income decreased by 0.4 billion yen to 0.6 billion yen, partly due to the withdrawal from the aluminum wheel business decided in March, this year.

Energy & Environment Segment

Sales of coal increased, thanks to steady demand from main customers such as the chemical and fiber-manufacturing industries. The volume of coal dealing at UBE's Coal Center (a coal storage facility) also hovered at a steady level, especially in the field targeting electricity industry. In spite of rising coal prices for fuel, profit of electricity business remained steady, thanks to rising price of electricity selling.

As a result, consolidated segment sales increased by 4.1 billion yen, compared to the same period in the previous year, to 30.8 billion yen, while consolidated operating income increased by 0.2 billion yen to 1.5 billion yen.

Other

Consolidated segment sales of other businesses increased by 0.1 billion yen to 12.5 billion yen, while consolidated operating income decreased by 0.1 billion yen to 0.4 billion yen compared to the same period in the previous year.

Qualitative Information for Financial Condition

Total assets at the end of the second quarter of the fiscal year increased by 0.9 billion yen to 662.4 billion yen compared to the end of the previous fiscal year. Current assets decreased by 1.4 billion yen due to a decrease of 17.3 billion yen in cash on hand and in banks to offset an increase of 16.5 billion yen in inventories, which include commercial products and manufactured goods. Fixed assets increased by 2.4 billion yen, thanks to an increase of 1.2 billion yen in tangible fixed assets as well as a 1.2 billion yen increase in investments and other assets.

Total liabilities decreased by 5.9 billion yen to 444.1 billion yen, mainly because of a decrease of 2.3 billion yen in notes and accounts payable-trade.

Net assets increased by 6.8 billion yen to 218.3 billion yen, mainly because of a 12.1 billion yen increase in retained earnings resulted from net profit of this quarter, despite of dividend of 5.0 billion yen paid from the retained earnings.

3. Consolidated Earnings Forecast for the Year Ending March 31, 2012 (April 1, 2011 to March 31, 2012)

The consolidated results for the second quarter under review substantially exceeded expectation. However, in terms of economic climate, it is concerned that the world economy may slow down, due to the financial crisis in Europe and the U.S as well as restrictive monetary policy in emerging countries, and in addition, conditions such as appreciation of yen, electricity shortfall and aftermath of flood in Thailand may bring our business environment increasingly uncertain.

Considering the business performance until this second quarter and the above mentioned economic condition, we revise our full year result forecast announced on May 11, 2011 as for the fiscal year ending march31, 2012.

(Billions of Yen – except per share data)

	Fiscal Year ended Mar. 31, 2011	Fiscal Year ending Mar. 31, 2012 (forecast)	Change
Net sales	616.0	662.0	46.0
Operating income	44.3	50.0	5.7
Ordinary income	39.1	44.5	5.4
Extraordinary income (losses), net	-10.4	-4.0	6.3
Net income	17.2	24.0	6.8
Net income per share	17.18 Yen	23.87 Yen	6.69 Yen

Business Conditions

	Fiscal Year ended Mar. 31, 2011	Fiscal Year ending Mar. 31, 2012 (forecast)	Change
Exchange rate (Yen per US\$)	85.7 Yen	78.4 Yen	-7.3 Yen
Naphtha price (Yen/kl)	47,500 Yen	56,200 Yen	8,700 Yen
Australian coal price (Yen/ton)	10,287 Yen	11,399 Yen	1,112 Yen

Net Sales by Segment

	Fiscal Year ended Mar. 31, 2011	Fiscal Year ending Mar. 31, 2012	Change	Comments
Chemicals & Plastics	204.5	242.0	37.5	- Increase in sales prices, etc.
Specialty Chemicals & Products	68.7	74.0	5.3	- Increase in sales volume, etc.
Pharmaceutical	8.8	11.5	2.7	- Increase in sales volume, etc.
Cement & Construction Materials	200.4	205.0	4.6	- Increase in sales volume of cement, ready-mixed concrete, and increase in income of recycling of wastes, etc.
Machinery & Metal Products	83.4	78.0	-5.4	- Withdrawal from aluminum wheel business, etc.
Energy & Environment	59.1	66.0	6.9	- Increase in selling prices of coal, etc.
Other	26.8	25.0	-1.8	
Elimination	-35.9	-39.5	-3.6	
Total	616.0	662.0	46.0	

Operating Income by Segment

	Fiscal Year ended Mar. 31, 2011	Fiscal Year ending Mar. 31, 2012	Change	Comments
Chemicals & Plastics	20.0	24.7	4.7	- Increase in spread between selling prices and costs of raw materials for caprolactam
Specialty Chemicals & Products	8.7	8.8	0.1	
Pharmaceutical	2.3	3.7	1.4	- Increase in sales volume, etc.
Cement & Construction Materials	8.0	8.0	0.0	
Machinery & Metal Products	1.7	2.8	1.1	- Withdrawal from aluminum wheel business, etc.
Energy & Environment	4.0	3.5	-0.5	- Deterioration in profitability of coal business, etc.
Other	1.1	1.0	-0.1	
Adjustment	-1.6	-2.5	-0.9	- Increase in administration and general expense, etc.
Total	44.3	50.0	5.7	

Note: Adjustment of operating income is calculated by totaling the company-wide cost excluding allocation to each segment and the tradeoff of inter-segment trades.

(Reference) Consolidated Key Indicators

(Billions of Yen – except where noted)

	Previous first half ended Sept. 30, 2010	Current first half ended Sept. 30, 2011	Fiscal Year ending Mar. 31, 2012 (forecast)	Fiscal Year ended Mar. 31, 2011
Capital investment	13.8	20.6	43.0	35.3
Depreciation and amortization	16.3	15.8	33.2	33.1
Research and development expenses	6.6	6.6	14.0	13.7
Adjusted operating income *1	17.9	24.4	52.0	47.0
Interest-bearing debt	273.1	260.6	252.0	260.5
Net debt *2	236.9	228.4	222.0	211.0
Equity capital*3	177.8	193.9	205.0	187.0
Total assets	649.5	662.4	675.0	661.5
Net D/E ratio (times)	1.3	1.2	1.1	1.1
Equity ratio (%)	27.4	29.3	30.4	28.3
Return on sales (%)	5.7	7.3	7.6	7.2
Return on assets - ROA (%) *4	-	-	7.8	7.2
Return on equity – ROE (%)	-	-	12.2	9.4
Number of employees	11,123	11,171	11,250	11,026

*1 Adjusted operating income: Operating income + Interest and dividend income + Equity in earnings of unconsolidated subsidiaries and affiliated companies

*2 Net debt: Interest-bearing debt – Cash and cash equivalents

*3 Equity capital: Net assets – Share subscription rights – Minority interests

*4 ROA: Adjusted operating income / Average total assets