

Consolidated Financial Report for the Fiscal Year Ended March 31, 2018

May 10, 2018

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 Security code: 4208 (shares listed on First Section of Tokyo
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(Amounts rounded to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2018

(From April 1, 2017 to March 31, 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 2017 – March 2018	695,574	12.8%	50,250	43.7%	50,728	52.1%	31,680	31.0%
April 2016 – March 2017	616,563	-3.9%	34,960	-15.6%	33,348	-15.8%	24,185	26.6%

(Note) Comprehensive Income: From April 1, 2017 to March 31, 2018: 39,218 Million Yen (48.7%)
 From April 1, 2016 to March 31, 2017: 26,377 Million Yen (384.4%)

	Net income per share (Yen)	Diluted net income per share (Yen)	Return on equity (%)	Ordinary profit to total assets (%)	Operating profit to net sales (%)
April 2017 – March 2018	301.65	300.63	10.5	7.0	7.2
April 2016 – March 2017	228.50	227.78	8.7	4.8	5.7

(Reference) Share of profit of entities accounted for using equity method: From April 1, 2017 to March 31, 2018: 3,612 Million Yen
 From April 1, 2016 to March 31, 2017: 2,021 Million Yen

(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 (%)	Shareholders' equity per share (Yen)
March 31, 2018	743,129	336,861	42.4	3,002.86
March 31, 2017	709,379	310,401	40.4	2,707.61

(Reference) Shareholders' equity: As of March 31, 2018: 315,352 Million Yen
 As of March 31, 2017: 286,599 Million Yen

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

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

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
April 2017 – March 2018	73,386	-33,978	-28,559	48,529
April 2016 – March 2017	53,418	-40,829	-17,686	35,806

2. Cash Dividends

	Cash dividends per share (Yen)					Total dividends paid (Annual)	Dividend payout ratio (Consolidated) (%)	Dividend on net assets ratio (Consolidated) (%)
	First quarter	Second quarter	Third quarter	Year end	Annual			
April 2016 – March 2017	-	0.00	-	6.00	6.00	6,362	26.3	2.3
April 2017 – March 2018	-	0.00	-	75.00	75.00	7,893	24.9	2.6
April 2018 – March 2019 (Forecast)	-	0.00	-	75.00	75.00		25.8	

(Note) The Company has consolidated its shares in the proportion of 10 common shares to one common share, effective as of October 1, 2017. The year-end dividends based on the calculation taking into account the share consolidation for the fiscal years ended March 31, 2017 is as follows:

Cash dividends per share (year end): 60.00 yen

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 2018 – 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

4. Number of Shares Outstanding (common stock)

	March 31, 2018	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	1,182,884	350,656

	April 2017 – March 2018	April 2016 – March 2017
Weighted-average number of shares outstanding during period	105,021,888	105,842,096

(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.

(Reference) Overview of Non-Consolidated Financial Results

Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2018

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

(1) Non-Consolidated Operating Results

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

	Net sales		Operating profit		Ordinary profit		Net income	
April 2017 – March 2018	315,241	13.4%	19,983	39.2%	26,043	54.6%	16,886	20.9%
April 2016 – March 2017	277,959	-7.9%	14,356	-44.5%	16,850	-39.2%	13,968	19.1%

	Net income per share (Yen)	Diluted net income per share (Yen)
April 2017 – March 2018	160.46	159.92
April 2016 – March 2017	131.73	131.32

(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) Non-Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio (%)	Shareholders' equity per share (Yen)
March 31, 2018	491,575	178,756	36.2	1,692.10
March 31, 2017	475,329	169,958	35.6	1,597.02

(Reference) Shareholders' equity: As of March 31, 2018: 178,084 Million Yen

As of March 31, 2017: 169,335 Million Yen

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

(Note) The Company has consolidated its shares in the proportion of 10 common shares to one common share, effective as of October 1, 2017. Shareholders' equity per share has 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

Overview

During the current term, the price rise of raw materials and fuels had an affect on overall business performance of the Company Group: in particular, the Construction Material Business was heavily affected by the coal price that remained high. On the other hand, the Company Group posted increases in both net sales and operating profit as a whole, thanks to a significant business improvement in the Chemicals Segment where periodic inspection of the domestic ammonia product factory was not performed and the continued strong demand contributed to improvement in the market condition for the chemicals products as well as sales expansion of functional chemical products. In addition, both consolidated ordinary profit and profit attributable to owners of parent reached the record high in Company Group's history.

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 2017 – March 2018 ①	695.5	50.2	50.7	31.6
April 2016 – March 2017 ②	616.5	34.9	33.3	24.1
Difference ① - ②	79.0	15.2	17.3	7.4
Percentage change	12.8%	43.7%	52.1%	31.0%

Overview by Segment

Net sales

(Billions of yen)

Segment	April 2017 – March 2018 ①	April 2016 – March 2017 ②	Difference ① – ②	Percentage change
Chemicals	305.4	258.3	47.0	18.2%
Pharmaceutical	10.2	10.9	-0.7	-6.9%
Cement & Construction Materials	238.8	227.2	11.6	5.1%
Machinery	90.1	71.6	18.4	25.8%
Energy & Environment	71.3	59.7	11.5	19.4%
Others	4.7	12.5	-7.7	-61.7%
Adjustment	-25.2	-23.9	-1.2	—
Total	695.5	616.5	79.0	12.8%

Operating profit

(Billions of yen)

Segment	April 2017 – March 2018 ①	April 2016 – March 2017 ②	Difference ① – ②	Percentage change
Chemicals	28.9	9.6	19.3	200.0%
Pharmaceutical	2.1	2.4	-0.3	-15.6%
Cement & Construction Materials	12.3	16.2	-3.9	-24.1%
Machinery	5.5	3.6	1.8	50.1%
Energy & Environment	2.3	2.8	-0.5	-17.7%
Others	0.8	0.7	0.1	15.6%
Adjustment	-1.9	-0.7	-1.1	—
Total	50.2	34.9	15.2	43.7%

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 a rise in the sale prices backed by the tighten supply-demand balance mainly after implementation of the environmental regulation in China.

The Nylon Business recorded a sales increase, because of a rise in the sale prices backed by price rises of raw materials such as caprolactam, as well as a steady increase in shipment of the products represented by the ones used for food wrap films.

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 ammonia product factory in Japan 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, thanks to a sales volume increase mainly supported by demand expansion of 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 strong business performance of the Ready-Mixed Concrete Business that offset the demand in the Japan market that remained at the same level of the previous years. 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, because of the price revision.

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 in January 2017.

■ The Steel Products Business recorded a sales increase, because of a price rise of steel billets supported by an increase in prices of scrap, the raw material for steel.

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, the periodic biyearly repair of the IPP power plant took place.

Others – Decreases in net sales and increase in operating profit

(2) Overview of Financial Condition

Total assets increased by 33.7 billion yen to 743.1 billion yen, because cash and deposits, notes and accounts receivable, inventories which include commercial products and manufactured goods increased respectively by 12.4 billion yen, 4.8 billion yen and 8.1 billion yen.

Total liabilities increased by 7.2 billion yen to 406.2 billion yen. While interest-bearing debt decreased by 14.9 billion yen, notes and accounts payable-trade and accounts payable - other increased respectively 12.1 billion yen and 7.7 billion yen.

Net assets increased by 26.4 billion yen to 336.8 billion yen. While retained earnings decreased by 6.3 billion yen for the reason of payment of dividends, current net income attributable to shareholders of the parent company increased by 31.6 billion yen.

(3) Overview of cash flow

Net cash provided by operating activities totaled 73.3 billion yen, which was mainly comprised of profit before income taxes for the year of 45.0 billion yen, depreciation and amortization of 35.3 billion yen, which is a non-fund entry, and income taxes paid of 9.2 billion yen.

Net cash used in investment activities totaled 33.9 billion yen, which was mainly comprised of purchase of property, plant and equipment and intangible assets of 33.7 billion yen.

Net cash used in financing activities totaled 28.5 billion yen, which was mainly comprised of increase and decrease of interest-bearing debt of 15.5 billion yen, payment of dividends of 6.6 billion yen and buy back of shares of 5.0 billion yen.

The balance of interest-bearing debt at the end of the term decreased by 14.9 billion yen compared to the end of the previous term to 195.5 billion yen.

The balance of cash and cash equivalents at the end of the term increased by 12.7 billion yen compared to the end of the previous term to 48.5 billion yen.

(4) Basic policy on profit-sharing and dividends for the current and the next term

We have a basic policy to pay the dividends corresponding to the business performance and buy back of shares in a flexible manner, but it is also important for us to accumulate sufficient internal reserves to strengthen our financial standings and expand our business further. Considering the above policy in a comprehensive manner, we develop the proposal for the stock dividends to be resolved at the general meeting of shareholders. In the midterm management plan in which the current term is positioned as the second year, we set a basic policy target of a consolidated total return ratio of 30% or more of current consolidated profit attributable to owners of parent. Now, we plan to pay the year-end dividends of 75 yen per share for the fiscal year under review.

For the next term, we plan to the year-end dividends of 75 yen per share, setting out to achieve a dividend increase steadily in conjunction with improvement of our business performance.

(5) Forecast for the next Fiscal Year (April 1, 2018 to March 31, 2019)

On the assumption that the dollar-yen exchange rate would hover at a level of 110yen /dollar and the prices of domestic product naphtha and Australian coal would be respectively around 44,800 yen per 1kl and 12,320 per ton, from April 1, 2018 through March 31, 2019, we forecast the earnings as follows.

As measures for the discovered improprieties in quality checks for our low-density polyethylene products at the Chiba Petrochemical Factory, we have set up an investigation committee comprising of an independent lawyer having no relationship with the Company Group and the outside directors, in order to expand the investigation and review even to our group companies. Currently, we have not found any matter to affect our forecast for the earnings in the next term, but if any matter to be disclosed arises in the future, we will announce such matter in an appropriate manner.

(Billions of yen)

Item	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
April 2018 – March 2019 ①	740.0	44.0	45.5	30.5
April 2017 – March 2018 ②	695.5	50.2	50.7	31.6
Difference ① - ②	44.5	-6.2	-5.2	-1.1
Percentage change	6.4%	-12.4%	-10.3%	-3.7%

Overview by Segment

Net sales (Billions of yen)

Segment	April 2018 – March 2019 ①	April 2017 – March 2018 ②	Difference ① – ②	Percentage change
Chemicals	320.0	305.4	14.6	4.8%
Pharmaceutical	10.0	10.2	-0.2	-2.0%
Cement & Construction Materials	250.0	238.8	11.2	4.7%
Machinery	100.0	90.1	9.9	11.0%
Energy & Environment	80.0	71.3	8.7	12.2%
Others	5.0	4.7	0.3	6.4%
Adjustment	-25.0	-25.2	0.2	—
Total	740.0	695.5	44.5	6.4%

Operating profit (Billions of yen)

Segment	April 2018 – March 2019 ①	April 2017 – March 2018 ②	Difference ① – ②	Percentage change
Chemicals	22.5	28.9	-6.4	-22.1%
Pharmaceutical	0.5	2.1	-1.6	-76.2%
Cement & Construction Materials	12.5	12.3	0.2	1.6%
Machinery	6.0	5.5	0.5	9.1%
Energy & Environment	2.5	2.3	0.2	8.7%
Others	1.0	0.8	0.2	25.0%
Adjustment	-1.0	-1.9	0.9	—
Total	44.0	50.2	-6.2	-12.4%

(Note) Adjustment includes corporate expenses (general expenses that are not distributed to each reportable segment) and internal transactions between the segments.

6. Management policy

(1) Basic policy for management of the Company

Based on our business principles “coexistence and mutual prosperity” and “from finite mining to infinite industry” and in order to share the value of the Company Group among employees and to indicate the direction we are moving forward clearly and externally, we have set the following Group Vision: “Wings of technology and spirit of innovation. That’s our DNA driving our global success. The UBE Group will embrace a frontier spirit in seeking to achieve coexistence with the global community driven by the limitless possibilities of technology, while continuing to create value for the next generation through manufacturing.”

The UBE Group was founded over 100 years ago in the Ube region as a coal mining operation, and has since continued to transform itself as times and industry change. During that time, there have been two constant values running through the history of the UBE Group: we express such values by the two key words “technology” and “innovation.”

The Company Group will only make further efforts to enhance disclosure information about environment, society and corporate governance (ESG information). In addition, embracing the pioneering spirit held in our founding principles, we will commit to co-exist with all stakeholders including shareholders, customers, business partners, employees and communities, and will co-exist with the global environment, by continuing to create value as a corporate entity.

(2) Target business indicator

In the midterm management plan “Change & Challenge 2018” in which the current term is positioned as the second year, the Company Group set the following numeric targets:

< Key Figures >		< Key Indicators >	
	Target for FY 2018		Target for FY 2018
Operating profit	50.0 billions of yen	Return on sales - ROS	6.5% or above
Ordinary profit	49.0 billions of yen	Return on equity – ROE	9.0% or above

(3) Medium- and long-term business strategy

① Strengthen the Business Foundation to Enable Sustainable Growth

- ◆ The Ube Group will focus on profit margin at each business divisions and improve profitability of existing products through painstaking cost reduction.
- ◆ Under the business strategy emphasizing consolidated cash flow, the Ube Group will carry out investment to support growth while ensuring that we will also reap the fruits of investment projects.
- ◆ The Ube Group will improve the ability to respond quickly to changes in the global business environment by expanding the network of business offices overseas and deepening coordination among Group companies in Japan and overseas.
- ◆ For the revitalization and further growth of the chemicals segment, the Ube Group will aim to achieve the recovery of the segment’s operating income to ¥20 billion or more before the end of the final year of the new medium-term management plan to reach the starting point of the next growth stage.

(2) Address and be Part of the Solution for Resource, Energy, and Global Environmental Issues

- ◆ The Ube Group actively pursues initiatives for realizing a sustainable society. In particular, the Ube Group will promote a reduction in greenhouse gas through the reduction of energy consumption and the expansion of waste recycling throughout our supply chain, while ensuring overall profitability. It will also promote the creation and expansion of technologies and products to contribute to, among others, the reduction in environmental load.

(4) Challenges that the Company should address

(About improprieties in quality checks)

On February 23, 2018, the Company Group announced that it had failed to conduct part of the stipulated quality testing of the low-density polyethylene that it had undertaken manufacturing on behalf of Ube-Maruzen Polyethylene Co Ltd., its affiliated company.

Immediately after the discovery of the improprieties, we implemented corrective measures and apologized to the customer; currently we have continued to explain that there would be no problem in the quality of the products for understanding of the customer.

In addition, we set up a task force for the measurement, as well as an investigation committee comprising of an independent lawyer not having relationship with the Company Group and the outside directors, in order to expand the investigation even to our group companies. Through these efforts, we will proceed the investigation into the cause of the improprieties and validation of the recurrence prevention measure developed by the in-company task force.

Taking this matter seriously, we will strengthen its quality control systems and internal audits and make full efforts for thorough investigation of the cause and prevention of recurrence, so that such matter cannot occur.

(About midterm management plan)

Through this midterm management plan, we will increase the values provided to our customers and enhance profitability of each segment by cutting cost thoroughly and deepening coordination among Group companies in Japan and overseas. In particular, we focus on strengthening the measures against the severe business environment in the Construction Material Segment. On the other hand, we will work for further enhancement in profitability in the Chemical Segment, where some signs of recovery of business performance just in sight, so that we will be able to execute the plans for business expansion and our growth.

Further, the Company Group will promote the activities for fair business operation and social responsibility, in order to live together with society based on our business principles "coexistence and mutual prosperity," and to deepen the relationship with not only shareholders and financial market, but also our customers, business partners, employees and local communities.

7. Basic policy on adoption of accounting standard

Considering comparability of consolidated financial statements in terms of the covered periods and respective companies, the Company Group has a policy to prepare consolidated financial statement based on the Japanese accounting standard.

In regard to adoption of the international accounting standard, we will make appropriate response with consideration to internal and external circumstances at the time.

6. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	36,634	49,059
Notes and accounts receivable - trade	157,845	162,739
Merchandise and finished goods	35,922	40,390
Work in process	19,587	20,084
Raw materials and supplies	27,293	30,455
Deferred tax assets	6,834	6,524
Other	11,449	14,726
Allowance for doubtful accounts	-523	-577
Total current assets	295,041	323,400
Non-current assets		
Property, plant and equipment		
Buildings and structures	265,505	272,819
Accumulated depreciation and impairment loss	-182,726	-187,756
Buildings and structures, net	82,779	85,063
Machinery, equipment and vehicles	637,817	664,135
Accumulated depreciation and impairment loss	-502,083	-520,356
Machinery, equipment and vehicles, net	135,734	143,779
Land	84,100	81,260
Leased assets	3,206	2,859
Accumulated depreciation and impairment loss	-1,538	-1,384
Leased assets, net	1,668	1,475
Construction in progress	19,715	14,514
Other	40,112	42,369
Accumulated depreciation and impairment loss	-32,665	-34,198
Other, net	7,447	8,171
Total property, plant and equipment	331,443	334,262
Intangible assets		
Leased assets	6	46
Other	5,365	4,960
Total intangible assets	5,371	5,006
Investments and other assets		
Investment securities	51,615	54,804
Long-term loans receivable	326	227
Net defined benefit asset	7,806	8,195
Deferred tax assets	7,521	6,518
Other	10,809	11,167
Allowance for doubtful accounts	-665	-606
Total investments and other assets	77,412	80,305
Total non-current assets	414,226	419,573
Deferred assets		
Bond issuance cost	112	156
Total deferred assets	112	156
Total assets	709,379	743,129

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	92,342	104,532
Short-term loans payable	65,931	69,802
Commercial papers	10,000	—
Current portion of bonds	15,020	10,010
Lease obligations	559	523
Accounts payable - other	26,813	34,601
Income taxes payable	4,546	6,027
Provision for bonuses	6,944	7,245
Provision for loss on order received	465	543
Other	23,208	19,815
Total current liabilities	245,828	253,098
Non-current liabilities		
Bonds payable	40,010	50,000
Long-term loans payable	77,655	64,121
Lease obligations	1,289	1,089
Deferred tax liabilities	2,271	2,478
Provision for directors' retirement benefits	727	627
Provision for special repairs	1,428	2,697
Provision for loss on business restructuring	199	1,214
Net defined benefit liability	6,850	6,897
Negative goodwill	808	647
Asset retirement obligations	1,666	1,695
Other	20,247	21,705
Total non-current liabilities	153,150	153,170
Total liabilities	398,978	406,268
Net assets		
Shareholders' equity		
Capital stock	58,435	58,435
Capital surplus	38,091	38,291
Retained earnings	185,747	211,065
Treasury shares	-726	-2,958
Total shareholders' equity	281,547	304,833
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,893	5,691
Deferred gains or losses on hedges	11	-6
Foreign currency translation adjustment	2,378	6,415
Remeasurements of defined benefit plans	-2,230	-1,581
Total accumulated other comprehensive income	5,052	10,519
Share acquisition rights	623	672
Non-controlling interests	23,179	20,837
Total net assets	310,401	336,861
Total liabilities and net assets	709,379	743,129

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

· Consolidated Statements of Income

(Millions of yen)

	April 1, 2016 – March 31, 2017	April 1, 2017 – March 31, 2018
Net sales	616,563	695,574
Cost of sales	500,642	560,100
Gross profit	115,921	135,474
Selling, general and administrative expenses	80,961	85,224
Operating profit	34,960	50,250
Non-operating income		
Interest income	201	226
Dividend income	692	1,038
Rent income	1,220	1,113
Amortization of negative goodwill	138	134
Share of profit of entities accounted for using equity method	2,021	3,612
Foreign exchange gains	—	55
Other	1,855	1,509
Total non-operating income	6,127	7,687
Non-operating expenses		
Interest expenses	1,597	1,408
Rent expenses	646	527
Foreign exchange losses	183	—
Other	5,313	5,274
Total non-operating expenses	7,739	7,209
Ordinary profit	33,348	50,728
Extraordinary income		
Gain on sales of non-current assets	240	142
Gain on sales of investment securities	—	11
Subsidy income	724	591
Gain on bargain purchase	1,611	—
Total extraordinary income	2,575	744
Extraordinary losses		
Loss on disposal of non-current assets	2,404	2,174
Impairment loss	586	3,667
Loss on valuation of investment securities	—	163
Provision for loss over investment cost of subsidiaries and affiliates	—	468
Total extraordinary losses	2,990	6,472
Profit before income taxes	32,933	45,000
Income taxes - current	7,989	10,899
Income taxes - deferred	394	964
Total income taxes	8,383	11,863
Profit	24,550	33,137
Profit attributable to non-controlling interests	365	1,457
Profit attributable to owners of parent	24,185	31,680

• Consolidated Statements of Comprehensive Income

(Millions of yen)

	April 1, 2016 – March 31, 2017	April 1, 2017 – March 31, 2018
Profit	24,550	33,137
Other comprehensive income		
Valuation difference on available-for-sale securities	1,337	823
Deferred gains or losses on hedges	24	-17
Foreign currency translation adjustment	-605	4,571
Remeasurements of defined benefit plans, net of tax	1,248	641
Share of other comprehensive income of entities accounted for using equity method	-177	63
Total other comprehensive income	1,827	6,081
Comprehensive income	26,377	39,218
Comprehensive income attributable to owners of parent	25,707	37,147
Comprehensive income attributable to non-controlling interests	670	2,071

(3) Consolidated Statements of Changes in Net Assets

• For the fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the year	58,435	38,536	166,862	-801	263,032
Changes during the year					
Cash dividends			-5,300		-5,300
Profit attributable to owners of parent			24,185		24,185
Purchase of treasury stock				-63	-63
Disposal of treasury stock		-18		138	120
Purchase of shares of consolidated subsidiaries		-427			-427
Net changes of items other than shareholders' equity					
Total changes during the year	—	-445	18,885	75	18,515
Balance at the end of the year	58,435	38,091	185,747	-726	281,547

(Millions of yen)

	Accumulated Other Comprehensive Income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the year	3,514	-13	3,674	-3,645	3,530	597	22,463	289,622
Changes during the year								
Cash dividends								-5,300
Profit attributable to owners of parent								24,185
Purchase of treasury stock								-63
Disposal of treasury stock								120
Purchase of shares of consolidated subsidiaries								-427
Net changes of items other than shareholders' equity	1,379	24	-1,296	1,415	1,522	26	716	2,264
Total changes during the year	1,379	24	-1,296	1,415	1,522	26	716	20,779
Balance at the end of the year	4,893	11	2,378	-2,230	5,052	623	23,179	310,401

• For the fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the year	58,435	38,091	185,747	-726	281,547
Changes during the year					
Cash dividends			-6,362		-6,362
Profit attributable to owners of parent			31,680		31,680
Purchase of treasury stock				-5,042	-5,042
Disposal of treasury stock		127		2,810	2,937
Purchase of shares of consolidated subsidiaries		73			73
Net changes of items other than shareholders' equity					
Total changes during the year	—	200	25,318	-2,232	23,286
Balance at the end of the year	58,435	38,291	211,065	-2,958	304,833

(Millions of yen)

	Accumulated Other Comprehensive Income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the year	4,893	11	2,378	-2,230	5,052	623	23,179	310,401
Changes during the year								
Cash dividends								-6,362
Profit attributable to owners of parent								31,680
Purchase of treasury stock								-5,042
Disposal of treasury stock								2,937
Purchase of shares of consolidated subsidiaries								73
Net changes of items other than shareholders' equity	798	-17	4,037	649	5,467	49	-2,342	3,174
Total changes during the year	798	-17	4,037	649	5,467	49	-2,342	26,460
Balance at the end of the year	5,691	-6	6,415	-1,581	10,519	672	20,837	336,861

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	April 1, 2016 – March 31, 2017	April 1, 2017 – March 31, 2018
Cash flows from operating activities		
Profit before income taxes	32,933	45,000
Depreciation and amortization	34,490	35,353
Impairment loss	586	3,667
Loss on retirement of non-current assets	896	761
Amortization of negative goodwill	-138	-134
Gain on bargain purchase	-1,611	—
Interest and dividend income	-893	-1,264
Interest expenses	1,597	1,408
Foreign exchange losses (gains)	-136	-115
Share of loss (profit) of entities accounted for using equity method	-2,021	-3,612
Loss (gain) on sales of investment securities	—	-11
Loss (gain) on valuation of investment securities	—	163
Provision for loss over investment cost of subsidiaries and affiliates	—	468
Loss (gain) on sales of non-current assets	-142	-42
Subsidy income	-724	-591
Increase (decrease) in allowance for doubtful accounts	28	-14
Increase(decrease) in defined benefit asset and liability	-686	-363
Increase (decrease) in provision for directors' retirement benefits	-74	-93
Decrease (increase) in notes and accounts receivable - trade	-19,026	-1,978
Decrease (increase) in inventories	-6,743	-6,803
Increase (decrease) in notes and accounts payable - trade	16,961	6,500
Other, net	7,503	1,620
Subtotal	62,800	79,920
Interest and dividend income received	1,736	3,532
Interest expenses paid	-1,615	-1,430
Proceeds from subsidy income	724	606
Income taxes paid	-10,227	-9,242
Net cash provided by (used in) operating activities	53,418	73,386

(Millions of yen)

	April 1, 2016 – March 31, 2017	April 1, 2017 – March 31, 2018
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-41,867	-33,769
Proceeds from sales of property, plant and equipment	488	866
Purchase of investment securities	-448	-245
Proceeds from sales of investment securities	132	21
Purchase of shares of subsidiaries and associates	-595	-1,391
Proceeds from sales of shares of subsidiaries and associates	56	111
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	309	—
Decrease (increase) in short-term loans receivable	47	259
Payments of long-term loans receivable	-38	-10
Collection of long-term loans receivable	48	69
Other, net	1,039	111
Net cash provided by (used in) investing activities	-40,829	-33,978
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-15,046	-5,345
Increase (decrease) in commercial papers	10,000	-10,000
Proceeds from long-term loans payable	20,562	15,887
Repayments of long-term loans payable	-21,306	-20,313
Proceeds from issuance of bonds	9,950	19,908
Redemption of bonds	-15,020	-15,020
Purchase of treasury shares	-63	-5,042
Proceeds from share issuance to non-controlling shareholders	465	—
Cash dividends paid	-5,287	-6,347
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	-1,201
Other, net	-703	-778
Net cash provided by (used in) financing activities	-17,686	-28,559
Effect of exchange rate change on cash and cash equivalents	-285	607
Net increase (decrease) in cash and cash equivalents	-5,382	11,456
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	35,806	48,529

(5) Notes to Quarterly Consolidated Financial Statements

(Note to events and conditions which indicate there could be substantial doubt about going concern assumption)

None.

7. Segment Information

(1) Summary of reportable segments

The reportable segments of UBE are defined as individual units, where separate financial information is available and which are subject to regular review by the Board of Directors of the Company to evaluate their results and decide the allocation of management resources.

UBE composed segments by product group based on business divisions, and had six reportable segments, Chemicals, Pharmaceutical, Cement & Construction Materials, Machinery, Energy & Environment, and Other.

Main products and services of each reportable segment are as follows;

Reportable segment	Main products and services
Chemicals	Polyamide (Nylon) resin, Caprolactam, Industrial chemicals, Polybutadiene (Synthetic rubber), Battery materials, Fine Chemicals, Polyimide and Specialty products, etc.
Pharmaceutical	Pharmaceuticals (APIs and intermediates)
Cement & Construction Materials	Cement, Ready-mixed Concrete, Limestone, Building Materials, Calcia and Magnesia, Specialty inorganic materials and Resource recycling, etc.
Machinery	Molding Machinery, Industrial Machinery (Conveyers, Crushers, Pulverizers), Bridges and Steel Structures and Steel Products, etc.
Energy & Environment	Import and sales of coal, operation of UBE's Coal Center (a coal storage facility), and electric power supply business including the independent power producer business (IPP)
Other	Purchase and sales, leasing and control of real estate

(2) Calculation method of net sales, income or loss, assets, liabilities and other items by the reportable segment

The accounting method applied for the reportable segments is subject to the account policy adopted for preparation of consolidated financial statement.

Reportable segment profit consists of figures based on operating profit.

Intersegment sales or transfers are based on market prices.

(3) Information concerning Net Sales and Operating Profit by Reportable Business Segment

For the Fiscal Year Ended March 31, 2017 (April 1, 2016 to March 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	254,963	10,975	221,432	69,289	49,477	10,427	616,563	—	616,563
Internal sales or transfers	3,401	—	5,804	2,379	10,305	2,093	23,982	-23,982	—
Total	258,364	10,975	227,236	71,668	59,782	12,520	640,545	-23,982	616,563
Segment profit (operating profit)	9,657	2,496	16,264	3,671	2,855	754	35,697	-737	34,960
Assets	324,232	12,915	219,126	75,121	48,613	14,824	694,831	14,548	709,379
Other items									
Depreciation and amortization (Note 3)	18,873	838	8,831	1,455	2,855	649	33,471	1,019	34,490
Investment in equity- method affiliates	19,323	—	8,778	—	1,219	1,903	31,223	—	31,223
Increase in property, plant and equipment and intangible assets (Note 4)	28,282	375	9,884	1,959	1,438	904	42,842	1,225	44,067

(Note 1) Adjustments are applied to the followings:

- i) -737 million yen for adjustment for Segment profit includes -135 million yen for the elimination of transaction between the Segments and -602 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.
- ii) 14,548 million yen for adjustment for Segment assets includes -45,067 million yen for the emission of credits between the Segments and 59,615 million yen for company-wide assets that are not attributed to each reported Segment.
- iii) 1,019 million yen for adjustment for depreciation and amortization consists of depreciation and amortization of company-wide assets that is not attributed to each reported Segment.
- iv) 1,225 million yen for adjustment for the increase in property, plant and equipment and intangible assets consists of a company-wide assets increase that is not attributed to each reported Segment.

(Note 2) Segment profit is adjusted with operating profit recorded in the consolidated financial statement.

(Note 3) Depreciation and amortization includes amortization of long-term prepaid expenses.

(Note 4) The increase in property, plant and equipment and intangible assets includes increases in long-term prepaid expenses.

For the Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 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	303,653	10,173	232,167	88,418	57,636	3,527	695,574	—	695,574
Internal sales or transfers	1,779	40	6,687	1,722	13,725	1,270	25,223	-25,223	—
Total	305,432	10,213	238,854	90,140	71,361	4,797	720,797	-25,223	695,574
Segment profit (operating profit)	28,974	2,107	12,340	5,511	2,350	872	52,154	-1,904	50,250
Assets	346,603	12,419	225,250	78,670	52,109	13,143	728,194	14,935	743,129
Other items									
Depreciation and amortization (Note 3)	19,969	880	8,889	1,700	2,834	271	34,543	810	35,353
Investment in equity- method affiliates	19,950	—	9,391	—	1,239	1,075	31,655	—	31,655
Increase in property, plant and equipment and intangible assets (Note 4)	20,350	566	10,755	2,710	4,683	211	39,275	1,061	40,336

(Note 1) Adjustments are applied to the followings:

- i) -1,904 million yen for adjustment for Segment profit includes -147 million yen for the elimination of transaction between the Segments and -1,757 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.
- ii) 14,935 million yen for adjustment for Segment assets includes -45,348 million yen for the emission of credits between the Segments and 60,283 million yen for company-wide assets that are not attributed to each reported Segment.
- iii) 810 million yen for adjustment for depreciation and amortization consists of depreciation and amortization of company-wide assets that is not attributed to each reported Segment.

iv) 1,061 million yen for adjustment for the increase in property, plant and equipment and intangible assets consists of a company-wide assets increase that is not attributed to each reported Segment.

(Note 2) Segment profit is adjusted with operating profit recorded in the consolidated financial statement.

(Note 3) Depreciation and amortization includes amortization of long-term prepaid expenses.

(Note 4) The increase in property, plant and equipment and intangible assets includes increases in long-term prepaid expenses.

(4) Related Information

For the Fiscal Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)

① Information by product and service

This information is omitted, because the same information are provided in the Segment information section.

② Information by region

i) Net sales

(Millions of yen)

Japan	Asia	Europe	Others	Total
440,584	113,837	32,881	29,261	616,563

ii) Tangible assets

(Millions of yen)

Japan	Thailand	Other asia	Europe	Others	Total
263,106	49,700	1,065	16,622	950	331,443

③ Information by major customer

This information is omitted, because net sales to certain external customers account for less than 10% of net sales in consolidated income statement.

For the Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)

① Information by product and service

This information is omitted, because the same information are provided in the Segment information section.

② Information by region

i) Net sales

(Millions of yen)

Japan	Asia	Europe	Others	Total
484,481	135,071	40,338	35,684	695,574

ii) Tangible assets

(Millions of yen)

Japan	Thailand	Other asia	Europe	Others	Total
264,888	48,518	755	19,696	405	334,262

③ Information by major customer

This information is omitted, because net sales to certain external customers account for less than 10% of net sales in consolidated income statement.

(5) Information Concerning Impairment Loss of Fixed Assets by Reportable Segment
Fiscal Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Chemicals	Pharmaceuticals	Cement & Construction Materials	Machinery	Energy & Environment	Others	Company wide / elimination	Total
Impairment loss	375	—	2	—	—	—	209	586

(Note) The amount in the “Company wide / elimination” section consists of impairment losses relating to company-wide assets that are not attributed to each reported Segment.

Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Chemicals	Pharmaceuticals	Cement & Construction Materials	Machinery	Energy & Environment	Others	Company wide / elimination	Total
Impairment loss	2,520	—	1,100	—	—	47	—	3,667

(6) Information about amortization of goodwill and balance of unamortized goodwill by reportable segment】
Fiscal Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Chemicals	Pharmaceuticals	Cement & Construction Materials	Machinery	Energy & Environment	Others	Company wide / elimination	Total
Amortization of goodwill	108	—	34	—	—	—	—	142
Balance at the end of the term	914	—	101	—	—	—	—	1,015

Amortization of negative goodwill and unamortized balances arising from business combinations, etc. before April 1, 2010 are as follows:

(Millions of yen)

	Chemicals	Pharmaceuticals	Cement & Construction Materials	Machinery	Energy & Environment	Others	Company wide / elimination	Total
Amortization of goodwill	226	—	33	—	—	21	—	280
Balance at the end of the term	1,451	—	309	—	—	63	—	1,823

Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Chemicals	Pharmaceuticals	Cement & Construction Materials	Machinery	Energy & Environment	Others	Company wide / elimination	Total
Amortization of goodwill	112	—	34	—	—	—	—	146
Balance at the end of the term	829	—	67	—	—	—	—	896

Amortization of negative goodwill and unamortized balances arising from business combinations, etc. before April 1, 2010 are as follows:

(Millions of yen)

	Chemicals	Pharmaceuticals	Cement & Construction Materials	Machinery	Energy & Environment	Others	Company wide / elimination	Total
Amortization of goodwill	226	—	33	—	—	21	—	280
Balance at the end of the term	1,225	—	276	—	—	42	—	1,543

(6) Information concerning gain on negative goodwill by reportable segment】
Fiscal Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)

Gain on negative goodwill of 1,611 million yen generated acquisition of shares of Mitsubishi Heavy Industries Plastic Technology Co., Ltd. (current U-MHI Platech Co., Ltd.) to convert it to our consolidated subsidiary was recorded in the Machinery Segment.

Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)

None.

(Information of per share)

	Fiscal Year Ended March 31, 2017	Fiscal Year Ended March 31, 2018
Shareholders' equity per share (Yen)	2,707.61	3,002.86
Net income per share (Yen)	228.50	301.65
Diluted net income per share (Yen)	227.78	300.63

(Note 1) The Company has consolidated its shares in the proportion of 10 common shares to one common share, effective as of October 1, 2017. Shareholders' equity per share, 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.

(Note 2) Basis of calculation of net income per share and diluted net income per share is as follows:

	Fiscal Year Ended March 31, 2017	Fiscal Year Ended March 31, 2018
Net income per share		
Profit attributable to owners of parent (Millions of yen)	24,185	31,680
Profit not attributable to shareholders of common stock (Millions of yen)	—	—
Profit attributable to shareholders of common stock of parent (Millions of yen)	24,185	31,680
Weighted-average number of shares outstanding during period of common stock (Thousand shares)	105,842	105,021
Diluted net income per share		
Adjustments of profit attributable to owners of parent (Millions of yen)	—	—
Increase in the number of common shares (Thousand shares)	332	355
Share acquisition rights (Internal)	(332)	(355)
Descriptions of potentially dilutive common shares that were not included in the computation of diluted net income per share because of their anti-dilutive effect	—	—

(Material subsequent events)

None.

(Reference) Consolidated Key Indicators

	April 2016 – March 2017	April 2017 – March 2018	April 2018 – March 2019 (forecast)
Capital investment	44.0	40.3	40.0
Depreciation and amortization	34.4	35.3	37.0
Research and development expenses	13.6	13.2	14.0
Adjusted operating profit *1	37.8	55.1	50.5
Interest-bearing debt	210.4	195.5	185.0
Shareholders' equity *2	286.5	315.3	334.0
Total assets	790.3	743.1	750.0
D/E ratio (times)	0.73	0.62	0.55
Shareholders' equity ratio (%)	40.4	42.4	44.5
Return on sales - ROS (%) *3	5.7	7.2	5.9
Return on assets - ROA (%) *4	5.5	7.6	6.8
Return on equity – ROE (%)	8.7	10.5	9.4
Number of employees	10,928	10,799	11,000

*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 ROS: Operating profit / Net sales

*4 ROA: Adjusted operating profit / Average total assets