

Consolidated Financial Report for the Fiscal Year Ended March 31, 2010

Ube Industries, Ltd.

1. Consolidated Companies

Fiscal period	Fiscal Year ended Mar. 31, 2009	Fiscal Year ended Mar. 31, 2010	Change
Number of companies			
Consolidated companies	65	67	2
Companies using equity method accounting	27	24	-3
Total	92	91	-1

2. Consolidated Business Results for the Fiscal Year Ended March 31, 2010
(April 1, 2009 to March 31, 2010)

(1) Results of Operations

(Billions of yen – except per share data)

	Fiscal Year ended Mar. 31, 2009	Fiscal Year ended Mar. 31, 2010	Change
Net sales	684.7	549.5	-135.1
Operating income	31.1	27.5	-3.5
Net interest expenses	-5.0	-4.8	0.2
Equity in earnings of affiliates	0.8	0.9	0.0
Other non-operating income	-6.5	-4.6	1.8
Ordinary income	20.3	18.9	-1.4
Extraordinary income	0.9	0.7	-0.2
Extraordinary losses	-7.8	-4.1	3.7
Net income	11.6	8.2	-3.4

Net income per share	11.59 Yen	8.17 Yen	-3.42 Yen
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Business conditions

Exchange rate (yen per US\$)	100.5	92.8	-7.7
Naphtha price (yen/kl)	58,900	41,100	-17,800
Australian coal price (yen/ton)	15,382	9,048	-6,334

Net Sales by Segment

(Billions of yen)

	Fiscal Year ended Mar. 31, 2009	Fiscal Year ended Mar. 31, 2010	Change	Comments
Chemicals & Plastics	212.6	161.1	-51.4	-Decrease in selling prices, etc.
Specialty Chemicals & Products	87.0	75.4	-11.6	-Decrease in selling prices and sales volume of fine chemical products, etc.
Cement & Construction Materials	209.4	184.8	-24.6	-Decrease in sales volume, etc.
Machinery & Metal Products	110.0	80.8	-29.2	-Decrease in shipments of molding machines, and in selling prices of steel products -Impact of withdrawal from aluminum wheels business in North America, etc.
Energy & Environment	61.8	43.6	-18.1	-Decrease in selling prices and sales volume for coal sales, etc.
Other	3.5	3.5	0.0	
Total	684.7	549.5	-135.1	

Operating Income by Segment

(Billions of yen)

	Fiscal Year ended Mar. 31, 2009	Fiscal Year ended Mar. 31, 2010	Change	Comments
Chemicals & Plastics	2.0	5.1	3.1	- Decrease in loss on valuation of inventories - Improvement in spread between selling prices and costs of raw materials/fuels for caprolactam, etc.
Specialty Chemicals & Products	6.7	7.2	0.4	- Decrease in fixed costs, etc.
Cement & Construction Materials	8.8	6.1	-2.7	- Decrease in sales volume, etc.
Machinery & Metal Products	4.0	3.7	-0.3	- Decrease in shipment of molding machines - Improvement in profit and loss as a result of withdrawal from aluminum wheels business in North America, etc.
Energy & Environment	8.6	4.3	-4.2	- Decrease in volume of coal storage by contract and in sales of coal, etc.
Other	0.7	0.8	0.0	
Total	31.1	27.5	-3.5	

(2) Financial Condition

(Billions of yen)

Assets	Fiscal Year ended Mar. 31, 2009	First Year ended Mar. 31, 2010	Change
Cash and deposits	39.3	37.5	-1.8
Accounts receivable	124.0	133.5	9.4
Inventories	92.6	69.7	-22.9
Property, plant and equipment	332.4	324.7	-7.6
Intangible fixed assets	4.1	4.2	0.0
Investments and other assets	85.4	85.1	-0.2
Total assets	677.9	654.7	-23.1

Liabilities	Fiscal Year ended Mar. 31, 2009	Fiscal Year ended Mar. 31, 2010	Change
Notes and accounts payable-trade	80.3	78.9	-1.3
Interest-bearing debt	306.8	281.3	-25.4
(Net debt) *1	(267.7)	(244.0)	(-23.6)
Other liabilities	96.1	92.2	-3.8
Net assets	194.7	202.1	7.4
(Shareholders' Equity)	(183.7)	(187.6)	(3.9)
(Valuation and translation adjustments)	(-11.8)	(-8.8)	(2.9) *2
(Share subscription rights and Minority interests)	(22.7)	(23.3)	(0.5)
Total liabilities and Net assets	677.9	654.7	-23.1

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

*2 Increase in foreign currency translation adjustment 2.4 billion yen, etc

(3)Cash Flows

	(Billions of yen)	(Billions of yen)
	Fiscal Year ended Mar. 31, 2010	(Ref.) Fiscal Year ended Mar. 31, 2009
Cash flows from operating activities	60.1 *1	45.5
Cash flows from investing activities	-29.9 *2	-32.9
Cash flows from financing activities	-32.2	4.3
(Interest-bearing debt)	(-26.0)	(9.9)
(Dividend paid and Other)	(-6.1)	(-5.6)
Cash and cash equivalents at end of period	37.2	39.1

*1 Net income before taxes	15.5 billion yen
Depreciation and amortization	33.4 billion yen
Increase or decrease in working capital	11.4 billion yen, etc
*2 Acquisition of tangible/ intangible fixed assets	-30.4 billion yen, etc

(4)Qualitative Information

Qualitative Information for Operating Results

Chemicals & Plastics Segment

Shipments of caprolactam, polyamide resins and polybutadiene rubber (synthetic rubber) respectively increased in comparison with the previous fiscal year, thanks to the rapid recovery of demand that had experienced substantial decline after the second half of the previous fiscal year and beyond, but the sales prices of the products decreased, due to slowdown in the market along with drop of raw material prices. Shipment of industrial chemicals was low, due to slower recovery of demand.

As a result, consolidated segment sales decreased by 51.4 billion yen compared to the previous fiscal year to 161.1 billion yen, while segment operating income increased to 5.1 billion yen which was higher by 3.1 billion yen compared to the previous fiscal year in which a large amount of loss on valuation of inventories was accounted.

Specialty Chemicals & Products Segment

Demand that had experienced substantial decline since the fall of 2008 showed signs of gradual recovery throughout the segment, and shipments of electrolyte and separators for lithium-ion batteries and pharmaceutical active ingredients and intermediates were particularly strong. Shipments of fine chemical products and high-purity chemicals for semiconductors were also steady. On the other hand, shipment of polyimide products is still in process of recovery, and that of gas separation membranes remained low.

As a result, consolidated segment sales decreased by 11.6 billion yen compared to the previous fiscal year to 75.4 billion yen, partly due to the exchange rate, while segment operating income increased by 0.4 billion yen to 7.2 billion yen.

Cement & Construction Materials Segment

Shipments of cement, ready-mixed concrete and building materials were low, reflecting not only a slump in construction demand due to depressed capital investment and housing construction, but depressed public investment. Recycling of various types of waste for use as raw materials/fuel and shipment of magnesia products were also low. On the other hand, shipment of calcia product showed a sign of recovery, thanks to increase in raw steel production, but was still lower than the previous fiscal year.

As a result, consolidated segment sales decreased by 24.6 billion yen compared to the previous fiscal year to 184.8 billion yen, and segment operating income decreased by 2.7 billion yen to 6.1 billion yen.

Machinery & Metal Products Segment

In the machinery business, shipment of industrial machines primarily for the resources related industry overseas, such as ceramic industry machinery and vertical mills, were strong, but shipment of molding machines were weak mainly due to depressed capital investment in the automobile industry. Orders for molding machines significantly decreased, and those for various types of industrial machines slowed.

In the aluminum wheel business, shipments were lower than the previous fiscal year, in spite of increase in the demand targeting hybrid vehicles. On the other hand, the business performance improved in comparison with the previous fiscal year.

As a result, consolidated segment sales decreased by 29.2 billion yen compared to the previous fiscal year to 80.8, and segment operating income decreased by 0.3 billion yen to 3.7 billion yen.

Energy & Environment Segment

Shipments of coal and the volume of coal dealing at UBE's Coal Center (a coal storage facility) were low due to sluggish demand from our main customers such as the chemical, fiber and textile, and electricity industries. In the independent power producer business, utilization and power supplied declined compared to the previous fiscal year due to periodic repairs performed biyearly, and repair costs also increased.

As a result, consolidated segment sales decreased by 18.1 billion yen compared to the previous fiscal year to 43.6, and segment operating income decreased by 4.2 billion yen to 4.3 billion yen.

Other

Consolidated segment sales totaled 3.5 billion yen, and segment operating income was 0.8 billion yen.

Qualitative Information for Financial Condition

Total assets decreased by 23.1 billion yen to 654.7 billion yen compared to the end of the previous fiscal year. Though notes and accounts receivable increased by 9.4 billion yen, current assets decreased by 15.9 billion yen due to a decrease of 22.9 billion yen in inventories, which includes commercial products, manufactured goods, raw materials and stored goods. In addition, fixed assets decreased by 7.2 billion yen due to a decrease in tangible fixed assets.

Total liabilities decreased by 30.6 billion yen to 452.6 billion yen mainly because of a decrease of 25.4 billion yen in interest-bearing debt.

Net assets increased by 7.4 billion yen to 202.1 billion yen mainly because of a 4.0 billion yen increase in retained earnings resulted from net profit of this fiscal year as well as a 2.4 billion yen increase in foreign currency translation adjustments.

3. Consolidated Earnings Forecast for the Year Ending March 31, 2011 (April 1, 2010 to March 31, 2011)

In terms of economic climate, it is expected that it would require substantial time until full-scale recovery of the global economy, because economic upturn in the developed countries seem to be slow in spite of the anticipated economic growth in the emerging countries. Domestic economy has shown some signs of recovery, but there still are some uncertain factors such as raw material/fuel prices and exchange rates, in addition to domestic capital investment at low level. It is, therefore, expected that our business environment would remain uncertain and severe. Considering the present economic condition and on the assumption that the dollar-yen exchange rate hovers at 90yen/dollar and the price of domestic product naphtha at 48,900 yen per 1kl from April 2010 through March 2011, we forecast the earnings as follows.

We forecast that the consolidated sales will increase by 11.0% year on year to 610.0 billion yen, mainly because of earnings increases in Chemicals & Plastics segment resulted from sales price adjustment responding to increased raw material/fuel prices and expected sale increase, as well as those in Specialty Chemicals & Products segment resulted from expected sales increase. The consolidated operating income is forecasted to increase by 19.6% year on year to 33.0 billion yen, mainly because of sales volume factors particularly in Specialty Chemicals & Products segments as well as improved spread between selling prices and cost of raw materials in Chemicals & Plastics segment. The consolidated ordinary income is forecasted to increase by 29.0%, as much as an increase in operating income, to 24.5 billion yen. The consolidated net income is forecasted to increase by 76.5% to 14.5 billion yen.

The consolidated sales and consolidate operating income by segment are forecasted as follows. The forecasts conform to "Accounting Standards on Disclosure of Segment Information", which is adopted after the new consolidated fiscal year starting from April 1st 2010, and include Pharmaceutical Division established in April 2010, as a segment. In addition, the results for the fiscal year 2009 was reviewed and adjusted by extending back to the amounts indicated in Net Sales by Segment, Operating Income by Segment on the page 1 to page 2 to meet the forecasts for the next quarter.

(Billions of yen – except per share data)

	Fiscal Year ended Mar. 31, 2010	Fiscal Year ending Mar. 31, 2011 (forecast)	Change
Net sales	549.5	610.0	60.5
Operating income	27.5	33.0	5.5
Ordinary income	18.9	24.5	5.6
Extraordinary income (losses), net	-3.4	-1.0	2.4
Net income	8.2	14.5	6.3
Net income per share	8.17 Yen	14.42 Yen	6.25 yen

Business Conditions

	Fiscal Year ended Mar. 31, 2010	Fiscal Year ending Mar. 31, 2011 (forecast)	Change
Exchange rate (yen per US\$)	92.8 Yen	90.0 Yen	-2.8 yen
Naphtha price (yen/kl)	41,100 Yen	48,900 Yen	7,800 yen
Australian coal price (yen/ton)	9,048 Yen	11,520 Yen	2,472 yen

Net Sales by Segment

	Fiscal Year ended Mar. 31, 2010	Fiscal Year ending Mar. 31, 2011	Change	Comments
Chemicals & Plastics	165.0	205.0	40.0	- Increase in selling prices and volume, etc.
Specialty Chemicals & Products	60.3	73.5	13.2	- Increase in sales volume, etc.
Pharmaceutical	9.9	12.0	2.1	- Increase in sales volume, etc.
Cement & Construction Materials	188.3	185.0	-3.3	- Decrease in sales volume, etc.
Machinery & Metal Products	81.7	87.5	5.8	- Increase in shipment of molding machines, etc.
Energy & Environment	54.1	56.0	1.9	- Increase in selling prices of coal, etc.
Other	19.0	22.0	3.0	
Elimination	-29.3	-31.0	-1.7	
Total	549.5	610.0	60.5	

Operating Income by Segment

	Fiscal Year ended Mar. 31, 2010	Fiscal Year ending Mar. 31, 2011	Change	Comments
Chemicals & Plastics	4.7	11.5	6.8	- Improvement in spread between selling prices and costs of raw materials and increase in sales volume, etc.
Specialty Chemicals & Products	3.2	7.3	4.1	- Increase in sales volume, etc.
Pharmaceutical	3.7	4.0	0.3	
Cement & Construction Materials	6.1	6.0	-0.1	
Machinery & Metal Products	4.4	2.0	-2.4	- Deterioration in profitability of industrial machines, etc.
Energy & Environment	4.3	2.8	-1.5	- Deterioration in profitability of electricity business, etc.
Other	0.9	0.8	-0.1	
Adjustment	-0.1	-1.4	-1.3	- Increase in basic research and development expenses, etc.
Total	27.5	33.0	5.5	

(Reference) Consolidated Key Indicators

(Billions of yen – except where noted)

	First Year ended Mar. 31, 2009	Fiscal Year ended Mar. 31, 2010	Fiscal Year ending Mar. 31, 2011 (forecast)
Capital investment	35.4	24.6	37.0
Depreciation and amortization	34.8	33.4	34.0
Research and development expenses	14.1	13.0	14.5
Adjusted operating income *1	33.6	29.3	33.6
Interest-bearing debt	306.8	281.3	270.0
Net debt *2	267.7	244.0	243.0
Equity capital*3	171.9	178.8	189.0
Total assets	677.9	654.7	660.0
Net D/E ratio (times)	1.6	1.4	1.3
Equity ratio (%)	25.4	27.3	28.6
Return on sales (%)	4.6	5.0	5.4
Return on assets - ROA (%) *4	4.8	4.4	5.1
Return on equity – ROE (%)	6.4	4.7	7.9
Number of employees	11,264	11,108	11,300

*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