

## Consolidated Financial Report for the First Half of the Fiscal Year Ending March 31, 2013

## Ube Industries, Ltd.

## 1. Consolidated Companies

Fiscal period	Previous fiscal year ended Mar. 31, 2012	Current first half ended Sept. 30, 2012	Change
Number of companies			
Consolidated companies	67	67	0
Companies using equity method accounting	25	25	0
Total	92	92	0

2. Consolidated Business Results for the First Half of the Fiscal Year Ending March 31, 2013  
(April 1, 2012 to September 30, 2012)

## (1) Results of Operations

(Billions of Yen – except per share data)

	Previous first half ended Sept. 30, 2011	Current first half ended Sept. 30, 2012	Change
Net sales	311.6	310.7	-0.8
Operating income	22.6	16.1	-6.4
Net interest expenses	-1.4	-1.2	0.1
Equity in earnings of affiliates	1.0	0.5	-0.5
Other non-operating income	-1.5	-0.7	0.7
Ordinary income	20.7	14.6	-6.0
Extraordinary income	0.1	0.6	0.5
Extraordinary losses	-1.4	-1.1	0.3
Net income	12.1	8.4	-3.7
Net income per share	12.11 Yen	8.42 Yen	-3.69 Yen

## Presupposition conditions

Exchange rate (Yen per US\$)	79.8	79.4	-0.4
Naphtha price (Yen/kl)	57,000	55,200	-1,800
Australian coal price (Yen/ton)	11,407	10,327	-1,080

## Net Sales by Segment

(Billions of Yen)

	Previous first half ended Sept. 30, 2011	Current first half ended Sept. 30, 2012	Change	Comments
Chemicals & Plastics	115.2	109.3	-5.8	- Decrease in sales price of caprolactam, etc.
Specialty Chemicals & Products	33.5	32.1	-1.4	- Decrease in sales prices, etc.
Pharmaceutical	3.8	5.6	1.8	- Increase in sales volume and license revenue
Cement & Construction Materials	100.8	101.5	0.7	- Increase in sales volume of cement, ready-mixed concrete, etc.
Machinery & Metal Products	33.5	34.3	0.7	- Increase in shipments of molding and industrial machines, and decrease in sales of steel products, etc.
Energy & Environment	30.8	35.4	4.6	- Increase in dealing volume of coal, and price rise of sold electric power, etc.
Other	12.5	12.3	-0.1	
Adjustment	-18.6	-20.1	-1.4	
Total	311.6	310.7	-0.8	

## Operating Income by Segment

(Billions of Yen)

	Previous first half ended Sept. 30, 2011	Current first half ended Sept. 30, 2012	Change	Comments
Chemicals & Plastics	13.7	3.8	-9.8	- Decrease in spread between selling prices and costs of raw materials for caprolactam, etc
Specialty Chemicals & Products	3.7	1.8	-1.8	- Decrease in sales prices, etc.
Pharmaceutical	0.7	1.9	1.2	- Increase in sales volume and license revenue
Cement & Construction Materials	2.9	4.5	1.6	- Increase in domestic sales volume of cement, and decrease in fixed costs, etc.
Machinery & Metal Products	0.6	1.6	1.0	-Increase in shipments of molding and industrial machines, and improvement in profitability of molding machines, etc.
Energy & Environment	1.5	2.6	1.1	- Improvement in profitability of electricity business, and decrease in repair costs of IPP, etc.
Other	0.4	0.4	0.0	
Adjustment	-1.0	-0.8	0.1	-
<b>Total</b>	<b>22.6</b>	<b>16.1</b>	<b>-6.4</b>	

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)

<b>Assets</b>	Previous Fiscal year ended Mar. 31, 2012	Current first half ended Sept. 30, 2012	Change
Cash and deposits	33.2	32.5	-0.6
Accounts receivable	150.1	144.7	-5.3
Inventories	81.2	88.6	7.4
Property, plant and equipment	313.9	314.0	0.1
Intangible fixed assets	4.9	4.7	-0.1
Investments and other assets	81.6	85.4	3.6
<b>Total assets</b>	<b>664.9</b>	<b>669.9</b>	<b>4.9</b>

<b>Liabilities</b>	Previous Fiscal year ended Mar. 31, 2012	Current first half ended Sept. 30, 2012	Change
Notes and accounts payable-trade	88.8	86.1	-2.6
Interest-bearing debt	253.9	249.6	-4.3
(Net debt) *1	(220.8)	(217.2)	(-3.6)
Other liabilities	97.7	96.4	-1.3
<b>Net assets</b>	<b>224.4</b>	<b>237.6</b>	<b>13.2</b>
(Shareholders' Equity)	(218.8)	(222.2)	(3.4)
(Accumulated Other Comprehensive Income)	(-19.3)	(-17.2)	(2.1)
(Share subscription rights and Minority interests)	(24.9)	(32.6)	(7.7)
<b>Total liabilities and Net assets</b>	<b>664.9</b>	<b>669.9</b>	<b>4.9</b>

\*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, 2012	(Ref.) Previous first half ended Sept. 30, 2011
Cash flows from operating activities	18.9 *1	11.6
Cash flows from investing activities	-18.1 *2	-23.3
Cash flows from financing activities	-1.7	-5.9
(Interest-bearing debt)	(-4.8)	(0.1)
(Dividend paid and Other)	(3.0) *3	(-6.0)
Cash and cash equivalents at end of period	32.4	32.1

*1 Net income before taxes	14.1 billion Yen
Depreciation and amortization	15.4 billion Yen
Increase or decrease in working capital	-5.1 billion Yen, etc
*2 Acquisition of tangible/ intangible fixed assets	-18.4 billion Yen, etc
*3 Payment from minority shareholders for their shares.	9.6 billion Yen
Dividend paid	-6.1 billion Yen, etc

### (4)Qualitative Information

#### Qualitative Information for Operating Results

##### Chemicals & Plastics Segment

Market of caprolactam, which is used as a raw material of synthesise polyamide, was slow because of the economic slowdown on the global scale, as well as relaxation of supply and demand in the China market due to operation start-up of competitor's facilities, and the spread between selling prices and cost of raw materials decreased substantially compared to the same period last year when the sales were strong. Shipment of polybutadiene rubber (synthetic rubber) was also affected by weakening demand in China, and decreased in comparison with the same period in the previous year. On the other hand, shipment of polyamide resins was strong, especially in the field targeting the automobile industry, thanks to so-called eco-car subsidy, and shipment of industrial chemicals were also steady in general.

As a result, consolidated segment sales decreased by 5.8 billion yen, compared to the same period in the previous year, to 109.3 billion yen, while consolidated operating income decreased by 9.8 billion yen to 3.8 billion yen.

##### Specialty Chemicals & Products Segment

In the market of materials for lithium-ion batteries, shipment of separator continued to increase, thanks to initial rise of demand for in-vehicle units, but shipment of electrolyte was weak due to slow demand for consumer products in the domestic market. Shipment of polyimide products mainly used as films of flat-screen televisions was also sluggish, due to slower recovery of demand in the field of electronics and information materials, and shipments of many functional materials such as ceramic products mainly used as components for solar cell production were weak. Shipments of fine chemical products were generally affected by the weak market condition.

As a result, consolidated segment sales decreased by 1.4 billion yen, compared to the same period in the previous year, to 32.1 billion yen, while consolidated operating income decreased by 1.8 billion yen to 1.8 billion yen.

##### Pharmaceutical Segment

Sales of pharmaceutical active ingredients and intermediates grew steadily, especially ones used for antiallergic drug, blood-pressure-lowering drug and antiplatelet agent discovered by UBE. The royalty revenues of those products also increased.

As a result, consolidated segment sales increased by 1.8 billion yen, compared to the same period in the previous year, to 5.6 billion yen, while consolidated operating income increased by 1.2 billion yen to 1.9 billion yen.

##### Cement & Construction Materials Segment

Shipments of cement, ready-mixed concrete and building materials increased in comparison with the same period in the previous year, thanks to signs of recovery in the indices such as condominium and housing construction and capital investments as well as signs of increase in so-called reconstruction demand. Recycling of various types of waste for use as raw materials/fuel also hovered at a steady level. Sales of calcia and magnesia products used for flue-gas desulfurization of privately-owned electrical power facilities hovered at a steady level, but the demand for those used as electronics and information materials, or steel materials were weak.

As a result, consolidated segment sales increased by 0.7 billion yen, compared to the same period in the previous year, to 101.5 billion yen, while consolidated operating income increased by 1.6 billion yen to 4.5 billion yen.

### Machinery & Metal Products Segment

Received orders for molding machines mainly used in the automobile industries increased, especially in the emerging countries and North America markets, thanks to continuous adaptation of new models in the market. Received orders of industrial machines such as vertical mills and conveyers continued to be in a harsh condition, due to appreciation of yen and severe competition with overseas and domestic manufacturers, but shipments of those products remained at a steady level in the quarter under review. Shipment of steel products was weak due to sluggish demand in the market and appreciation of yen.

As a result, consolidated segment sales increased by 0.7 billion yen, compared to the same period in the previous year, to 34.3 billion yen while consolidated operating income increased by 1.0 billion yen to 1.6 billion yen.

### Energy & Environment Segment

In the coal business, both shipment of salable coals and traded volumes of the coals stored at UBE's Coal Center (transshipment station) were steady, especially in the fields targeting chemical and paper manufacturing industries. Profitability of the power producer business was improved, thanks to falling in coal price, as well as price rise of sold electric power for the reason of the tight relationship between electricity supply and demand, and repair costs relating to the IPP electric power plant decreased compared to the same period of last year.

As a result, consolidated segment sales increased by 4.6 billion yen, compared to the same period in the previous year, to 35.4 billion yen, while consolidated operating income increased by 1.1 billion yen to 2.6 billion yen.

### Other

Consolidated segment sales of other businesses decreased by 0.1 billion yen to 12.3 billion yen, while consolidated operating income increased by 0.04 billion yen to 0.4 billion yen.

## **Qualitative Information for Financial Condition**

Total assets at the end of the second quarter of the fiscal year increased by 4.9 billion yen to 669.9 billion yen compared to the end of the previous fiscal year. Current assets increased by 3.6 billion yen in spite of a decrease of 5.3 billion yen in notes and accounts receivable, but thanks to an increase of 7.4 billion yen in inventories, which include commercial products and manufactured goods.

Total liabilities decreased by 8.2 billion yen to 432.2 billion yen due to decreases of 4.3 billion yen in interest-bearing and of 2.6 billion yen in notes and accounts payable.

Net assets increased by 13.2 billion yen to 237.6 billion yen, mainly because of increases of 8.4 billion yen in retained earnings resulted from net profit of this quarter and of 7.6 billion yen in minority interest after private placement of new shares of our subsidiary in Thai, and an improvement of 2.8 billion yen in foreign currency translation adjustments, despite of dividend of 5.0 billion yen paid from the retained earnings.

## **3. Consolidated Earnings Forecast for the Year Ending March 31, 2013 ( April 1, 2012 to March 31, 2013)**

Seeing the current economic climate, we expect that our business environment would become increasingly severe. As seen in slow down of economic growth in the emerging countries, economy is decelerating across countries in the world, and the domestic economy is experiencing various negative factors such as sluggish export and impact of deflation.

Considering the present economic condition, we maintain our earnings forecast for the whole financial year announced on October 15, 2012, with net sales of 638.0 billion yen, operating income of 36.0 billion yen, ordinary income of 30.0 billion yen and net income of 16.0 billion yen.

(Billions of Yen – except per share data)

	Fiscal Year ended Mar. 31, 2012	Fiscal Year ending Mar. 31, 2013(forecast)	Change
Net sales	638.6	638.0	-0.6
Operating income	46.0	36.0	-10.0
Ordinary income	40.8	30.0	-10.8
Extraordinary income (losses), net	-3.2	-3.0	0.2
Net income	22.9	16.0	-6.9
Net income per share	22.85 Yen	15.91 Yen	-6.94 Yen
Dividend per share	5.0 Yen	5.0 Yen	0.0 Yen

#### Business Conditions

Exchange rate (yen per US\$)	79.1 Yen	78.7 Yen	-0.4 yen
Naphtha price (yen/kl)	55,000 Yen	54,400 Yen	-600 yen
Australian coal price (yen/ton)	11,360 Yen	10,009 Yen	-1,351 yen

#### Net Sales by Segment

	Fiscal Year ended Mar. 31, 2012	Fiscal Year ending Mar. 31, 2013 (forecast)	Change	Comments
Chemicals & Plastics	231.0	224.0	-7.0	- Decrease in sales price of caprolactam
Specialty Chemicals & Products	64.3	71.0	6.7	- Increase in sales prices, etc.
Pharmaceutical	11.1	12.5	1.4	- Increase in sales volume and license revenue
Cement & Construction Materials	209.1	207.5	-1.6	
Machinery & Metal Products	72.5	72.5	0.0	
Energy & Environment	62.5	65.0	2.5	- Increase in dealing volume of coal
Other	25.9	23.5	-2.4	
Adjustment	-38.0	-38.0	0.0	
Total	638.6	638.0	-0.6	

#### Operating Income by Segment

	Fiscal Year ended Mar. 31, 2012	Fiscal Year ending Mar. 31, 2013 (forecast)	Change	Comments
Chemicals & Plastics	22.9	7.9	-15.0	- Decrease in spread between selling prices and costs of raw materials for caprolactam
Specialty Chemicals & Products	5.4	5.7	0.3	- Increase in sales volume, decrease in sales price, etc.
Pharmaceutical	3.7	4.0	0.3	- Increase in license revenue, etc.
Cement & Construction Materials	8.6	11.4	2.8	- Increase in domestic sales volume of cement, and decrease in fixed costs, etc.
Machinery & Metal Products	3.0	3.5	0.5	- Increase in shipments of molding machines, etc.
Energy & Environment	3.3	4.8	1.5	- Improvement in profitability of electricity business, and decrease in repair costs of IPP, etc.
Other	1.0	1.0	0.0	
Adjustment	-2.3	-2.3	0.0	
Total	46.0	36.0	-10.0	

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, 2011	Current first half ended Sept. 30, 2012	Fiscal Year ending Mar. 31, 2013 (forecast)	Fiscal Year ended Mar. 31, 2012
Capital investment	20.6	173	38.0	44.4
Depreciation and amortization	15.8	15.4	32.5	32.9
Research and development expenses	6.6	6.9	14.5	13.7
Adjusted operating income *1	24.4	17.3	37.5	47.9
Interest-bearing debt	260.6	249.6	247.0	253.9
Net debt *2	228.4	217.2	213.0	220.8
Equity capital*3	193.9	205.0	213.0	199.4
Total assets	662.4	669.9	677.0	664.9
Net D/E ratio (times)	1.2	1.1	1.0	1.1
Equity ratio (%)	29.3	30.6	31.5	30.0
Return on sales (%)	7.3	5.2	5.6	7.2
Return on assets - ROA (%) *4	-	-	5.6	7.2
Return on equity – ROE (%)	-	-	7.8	11.9
Number of employees	11,171	11,202	11,300	11,081

\*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

### Topics of the First Half

#### - Chemicals & Plastics Segment -

- Ube Chemicals (Asia) Public Co., Ltd. forms capital alliance with IRPC Public Company Limited of Thai. [May 2012]
- Ube Industries, Ltd. set out augment of liquefied carbon dioxide plant. [July 2012]
- Ube Industries, Ltd. established a local subsidiary in India. [July 2012]
- Ube Industries, Ltd. completed augment work of synthetic rubber manufacturing facility at Chiba petrochemical plant (as the 1st step, 15,000 tons a year). [August 2012]

#### - Specialty Chemicals & Products Segment -

- Ube Industries, Ltd. launched augment work of facility to manufacture separator for lithium-ion rechargeable batteries at Sakai plant. [April 2012]
- Ube Industries, Ltd. agreed on establishment of joint company to manufacture dimethyl carbonate in China. [April 2012]
- Ube Industries, Ltd. completed construction of 2nd metal organic compound (MO) plant. [August 2012]

#### - Machinery & Metal Products Segment -

- Ube Industries, Ltd. agreed on business tie-up for manufacturing of die-cast machines with Toyo Machinery & Metal Co., Ltd. [April 2012]