

Consolidated Financial Report for the Fiscal Year Ended March 31, 2013

Ube Industries, Ltd.

1. Consolidated Companies

Fiscal period	Fiscal year ended Mar. 31, 2012	Fiscal year ended Mar. 31, 2013	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 Fiscal Year Ended March 31, 2013
(April 1, 2012 to March 31, 2012)

(1) Results of Operations

Billions of Yen – except per share data)

	Fiscal year ended Mar. 31, 2012	Fiscal year ended Mar. 31, 2013	Change
Net sales	638.6	626.0	-12.6
Operating income	46.0	29.9	-16.0
Net interest expenses	-3.1	-2.6	0.5
Equity in earnings of affiliates	0.8	1.2	0.3
Exchange gain or loss	-0.3	1.3	1.7
Other non-operating income	-2.5	-1.8	0.6
Ordinary income	40.8	28.0	-12.7
Extraordinary income	2.7	2.5	-0.2
Extraordinary losses	-5.9	(*) -14.7	-8.7
Net income	22.9	8.2	-14.7

(* includes losses comes from cease from caprolactam production of Sakai plant)

Net income per share	22.85 Yen	8.22 Yen	-14.63 Yen
Divident per share	5.0 Yen	5.0 Yen	0.0 Yen

Presupposition conditions

Exchange rate (Yen per US\$)	79.1	83.1	4.0
Naphtha price (Yen/kl)	55,000	57,500	2,500
Australian coal price (Yen/ton)	11,360	10,540	-820

Net Sales by Segment

(Billions of Yen)

	Fiscal year ended Mar. 31, 2012	Fiscal year ended Mar. 31, 2013	Change	Comments
Chemicals & Plastics	231.0	219.3	-11.6	- Decrease in sales price of caprolactam, synthetic rubber , etc.
Specialty Chemicals & Products	64.3	61.1	-3.2	- Decrease in selling price, etc.
Pharmaceutical	11.1	11.4	0.2	
Cement & Construction Materials	209.1	208.3	-0.7	- Decrease in sales volume of limestone related products, etc.
Machinery & Metal Products	72.5	71.3	-1.2	- Decrease in sales volume of steel products, increase in shipments of molding and industrial machines, etc.
Energy & Environment	62.5	68.7	6.2	- Increase in dealing volume of coal, and price rise of sold electric power, etc.
Other	25.9	25.2	-0.6	
Adjustment	-38.0	-39.6	-1.5	
Total	638.6	626.0	-12.6	

Operating Income by Segment

(Billions of Yen)

	Fiscal year ended Mar. 31, 2012	Fiscal year ended Mar. 31, 2013	Change	Comments
Chemicals & Plastics	22.9	5.0	-17.9	- Decrease in spread between selling prices and costs of raw materials for caprolactam, etc.
Specialty Chemicals & Products	5.4	1.2	-4.2	- Decrease in sales prices and license revenue, etc.
Pharmaceutical	3.7	3.4	-0.3	- Selling prices changes of active ingredients discovered by UBE, 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	3.6	0.6	- Increase in shipments of molding and industrial machines, and improvement in profitability of molding machines, etc.
Energy & Environment	3.3	5.9	2.6	- Improvement in profitability of electricity business, and decrease in repair costs of IPP, etc.
Other	1.0	1.0	0.0	
Adjustment	-2.3	-1.9	0.3	
Total	46.0	29.9	-16.0	

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.

(2) Financial Condition

(Billions of Yen)

Assets	Fiscal year ended Mar. 31, 2012	Fiscal year ended Mar. 31, 2013	Change
Cash and deposits	33.2	36.2	3.0
Accounts receivable	150.1	143.2	-6.8
Inventories	81.2	81.7	0.4
Property, plant and equipment	313.9	323.7	9.7
Intangible fixed assets	4.9	4.8	0.0
Investments and other assets	81.6	96.2	14.6
Total assets	664.9	685.8	20.9

Liabilities	Fiscal year ended Mar. 31, 2012	Fiscal year ended Mar. 31, 2013	Change
Notes and accounts payable-trade	88.8	83.2	-5.5
Interest-bearing debt	253.9	246.6	-7.3
Other liabilities	97.7	105.2	7.5
Net assets	224.4	250.7	26.3
(Shareholders' Equity)	(218.8)	(222.1)	(3.2)
(Accumulated Other Comprehensive Income)	(-19.3)	(-6.5)	(12.7)
(Share subscription rights and Minority interests)	(24.8)	(35.2)	(10.3)
Total liabilities and Net assets	664.9	685.8	20.9

(3)Cash Flows

	(Billions of Yen)	(Billions of Yen)
	Fiscal year ended Mar. 31, 2013	(Ref.) Fiscal year ended Mar. 31, 2012
Cash flows from operating activities	46.1 *1	40.6
Cash flows from investing activities	-39.0 *2	-43.5
Cash flows from financing activities	-5.8	-12.6
(Interest-bearing debt)	(-8.9)	(-6.6)
(Dividend paid and Other)	(3.0) *3	(-6.0)
Cash and cash equivalents at end of period	35.9	33.1

*1 Net income before taxes 15.8 billion Yen
Depreciation and amortization 31.3 billion Yen
Decrease in working capital 2.1 billion Yen , etc

*2 Acquisition of tangible/ intangible fixed assets -37.3 billion Yen
Acquisition of stocks of subsidiaries and affiliates -6.6 billion Yen
Sales of stocks of subsidiaries and affiliates 4.0 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

Overview

During the current term, although the U.S. economy continued recovering, the uncertainty comes from European financial crisis affected the world economy at large. In addition, deceleration of business expansion in China and other Asian countries brought a sense of a slowdown of the world economy. In Japan, on the other hand, the business year was marked by signs of improvement appearing on the backdrop of the so-called reconstruction demand and some other factors, but due to exchange fluctuations and a deceleration of the economic conditions overseas, in general, the environment remained uncertain.

With these economic conditions framing our business operations, the Company Group has been engaged in measures aiming to solve the various operational tasks determined based on the basic policies of the three-year midterm management plan, "Stage Up 2012—New Challenges", in which this business year was set as the final year, striving to " Establish a platform for profitability that ensures sustainable growth ", " Sustained improvement of financial position ", and " Strengthen CSR activities".

The overall conditions of the Group by segment are as follows.

Chemicals & Plastics Segment

Market of caprolactam, which is used as a raw material of synthesize 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. In addition, as prices of benzene, a raw material of caprolactam, rose, the spread between selling prices and cost of raw materials decreased substantially compared to the previous year when the sales were strong, and became the main cause of the profit decrease in this segment. 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 were strong, thanks to strong demand for the products used as a raw material of food packing films, and shipment of industrial chemicals were also steady, especially in the field of ammonia products.

As a result, consolidated segment sales decreased by 11.6 billion yen, compared to the previous year, to 219.3 billion yen, while consolidated operating income decreased by 17.9 billion yen to 5.0 billion yen.

Please also note that with a view to reinforce the competitive power of this business as a whole, the Company made a decision to cease caprolactam production at the Sakai Factory as of the end of March, 2014.

Specialty Chemicals & Products Segment

In the market of materials for lithium-ion batteries, shipment of separator continued to increase, partially because of 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 3.2 billion yen, compared to the previous year, to 61.1 billion yen, while consolidated operating income decreased by 4.2 billion yen to 1.2 billion yen.

Pharmaceutical Segment

Sales of active ingredients for antiallergic drug and antiplatelet agent discovered by UBE, as well as active ingredients and intermediates on consignment manufacturing increased, with royalty revenues increasing also. On the other hands, the quantity of drug substances for antihypertensive agents discovered by UBE sold has been less than in the previous year.

As a result, consolidated segment sales increased by 0.2 billion yen, compared to the previous year, to 11.4 billion yen, while consolidated operating income decreased by 0.3 billion yen to 3.4 billion yen.

Cement & Construction Materials Segment

Shipments of cement, ready-mixed concrete and building materials were higher than the previous year, thanks to launches of construction work on condominium and houses, a recovery in the capital investments among enterprises, as well as such factors as the fact that so-called reconstruction demand had also got into stride. The profitability of exports improved driven by a flourishing demand overseas centering on the Asian countries, and we also managed to expand the use of various kinds of waste products for recycling, producing raw materials/fuel from them. Shipments of calcia and magnesia products used for flue-gas desulfurization of privately-owned electrical power facilities and earthquake revival-related purposes have been robust, but as the demand for steel and electronic information materials dropped, on the whole, sales remained low.

As a result, consolidated segment sales decreased by 0.7 billion yen, compared to the previous year, to 208.3 billion yen, while consolidated operating income increased by 2.8 billion yen to 11.4 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. In the area of vertical mills and conveyers, it was again difficult to receive orders due to an intensification of price competition with the manufacturers in and outside the country, but shipments of those products remained at a steady level. Shipment of steel products was weak due to sluggish demand in the market and appreciation of yen in the first half of the year.

As a result, consolidated segment sales decreased by 1.2 billion yen, compared to the previous year, to 71.3 billion yen while consolidated operating income increased by 0.6 billion yen to 3.6 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 previous year.

As a result, consolidated segment sales increased by 6.2 billion yen, compared to the previous year, to 68.7 billion yen, while consolidated operating income increased by 2.6 billion yen to 5.9 billion yen.

Other

Consolidated segment sales of other businesses decreased by 0.6 billion yen to 25.2 billion yen, while consolidated operating income was unchanged by 1.0 billion yen.

(5) Main measures implemented in the current term

- ◆ Ube Industries, Ltd. entered into an alliance with capital involvement between Ube Chemicals Asia and IRPC (Thailand) (May, 2012)
- ◆ Ube Industries, Ltd. launched reinforcement of production equipment for liquefied carbon dioxide. (July, 2012)
- ◆ Ube Industries, Ltd. established Ube Industries India to serve as a base for sales and marketing in the country (July, 2012)

- ◆ Ube Industries, Ltd. completed work on reinforcement of production equipment for synthetic rubber at the Chiba Petrochemical Factory (first step of the initiative aimed at annual output of 15,000t) (August, 2012)
 - ◆ Ube Industries, Ltd. made a decision to reinforce production equipment for Nylon 6 resins at the UBE Engineering Plastics in Spain (to enable to add 10,000t of annual output) (October, 2012)
 - ◆ Ube Industries, Ltd. made a decision to discontinue production of caprolactam at the Sakai Factory as of the end of March, 2014 (February, 2013)
 - ◆ Ube Industries, Ltd. established a joint venture together with Lotte Chemical (Korea), Lotte Chemical Titan Holdings (Malaysia), and Mitsubishi Corporation with an aim to manufacture and sell polybutadiene rubber (March, 2013)
- Specialty Chemicals & Products Segment –
- ◆ Ube Industries, Ltd. launched reinforcement of production equipment for separators for rechargeable lithium-ion batteries at the Sakai Factory (April, 2012)
 - ◆ Ube Industries, Ltd. completed work on the Second Factory for Metal Organic Compounds (MO) (August, 2012)
- Cement and Construction Materials Segment –
- ◆ Ube Industries, Ltd. launched operation of drying equipment for sewage sludge at the Isa Cement Factory (January, 2013)
 - ◆ Ube Industries, Ltd. launched a full-scale start of development of Kanayamadai limestone mine at the Isa Cement Factory (March, 2013)
- Machinery and Metal Products Segment –
- ◆ Ube Industries, Ltd. agreed to enter into a business alliance with Toyo Machinery & Metals Co., Ltd. to produce die-cast machines (April, 2012)
- Energy and Environment Segment –
- ◆ Ube Industries, Ltd. established U.S. Power Co., Ltd. (a mega-solar power station), a joint venture with SHOWA SHELL SEKIYU Co., Ltd., to sell electric power generated through photovoltaics (March, 2013)

(6) Qualitative Information for Financial Condition

① Situation with assets, liabilities, and net assets

Property, plant and equipment increased by 9.7 billion yen, investment securities increased by 5.9 billion yen, resulting in an increase in assets by 20.9 billion yen adding to the total of 685.8 billion yen.

Liabilities decreased by 5.4 billion yen as a result of a decrease of interest-bearing debt by 7.3 billion yen and some other factors, adding to the total of 435.1 billion yen.

Net assets increased by 26.3 billion yen to 250.7 billion yen, mainly because of increases of 8.2 billion yen in retained earnings resulting from net profit for the year and of 10.2 billion yen in minority interest after private placement of new shares of our subsidiary in Thai, as well as an improvement of 11.8 billion yen in foreign currency translation adjustments, despite of dividend of 5.0 billion yen paid from the retained earnings.

② Situation with cash flow

Net cash provided by operating activities totaled 46.1 billion yen mainly comprised of pretax net profit for the year of 15.8 billion yen, reversing entry of 31.3 billion yen from depreciation and amortization, which is a non-fund entry, decrease of notes and accounts receivable by 8.8 billion yen, decrease of notes and account payable by 7.4 billion yen, and income taxes paid of 11.5 billion yen.

Net cash used in investment activities totaled 39.0 billion yen mainly comprised of purchase of property, plant and equipment and intangible assets of 37.3 billion yen, purchase of stocks of subsidiaries and affiliates of 6.6 billion yen, and proceeds from sales of stocks of subsidiaries and affiliates of 4.0 billion yen.

Net cash used in financing activities totaled 5.8 billion yen mainly comprised of repayment of long-term loans payable of 35.9 billion yen, redemption of bonds of 15.0 billion yen, cash dividends paid of 5.0 billion yen, proceeds from long-term loans payable of 28.6 billion yen, proceeds from issuance of bonds of 14.9 billion yen, and proceeds from stock issuance to minority shareholders of 9.6 billion yen.

Please note that the balance of interest-bearing debt at the end of the term decreased by 7.3 billion yen compared to the end of the previous term to 246.6 billion yen.

Also, the balance of cash and cash equivalents at the end of the term increased by 2.8 billion yen compared to the end of the previous term to 35.9 billion yen.

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

① Consolidated Earnings Forecast

Looking into future economic conditions, we should note that although there are expectations for continued economic growth in the newly-rising nations, the tempo of this growth has slowed down, and as for developed countries, although the U.S. is currently walking the path of economic recovery, there are such adverse factors as the financial crisis in Europe and fiscal problems in the U.S., all adding up to a situation, in which the world's economy still cannot wipe aside the fears of a downturn in economic conditions on the global scale. For the economy of Japan, due to high expectations regarding the reconstruction demand after the Great East Japan Earthquake and the improvement of the exports environment accompanying the correction of the high yen rates, the economy is showing signs of improvement, but as there are still such uncertain factors as the downturn risk surrounding the economic conditions overseas, the rise of prices for electricity, raw materials/fuel, as well as the situation with the exchange rates, we need to prepare for a severe situation with unpredictable business environment. Basing our expectations on the above understanding of the situation, for the earnings forecast for the next term we have assumed for the period from April, 2013 to March, 2014 the exchange rates at 1 dollar =95 yen, and the price of domestic product naphtha at 1kl=64,700 yen. Below is the forecast.

Consolidated sales are expected to total 675.0 billion yen mainly as a result of an increase of revenue following an increase in the quantity sold in the Chemicals and Plastics Segment and the Specialty Chemicals & Products Segment. Consolidated operating income is expected to reach 34.0 billion yen exceeding the result of the current term due to an increase of quantity sold in the Chemicals and Plastics Segment, Specialty Chemicals & Products Segment, and in Cement and Construction Materials Segment. Consolidated ordinary income is expected to total 28.5 billion yen. Consolidated net income for the year is expected to total 14.5 billion yen mainly due to an improvement in the situation with the extraordinary income and losses as compared with the current term.

② Consolidated Financial Conditions Forecast

The free cash flow for the next term (sum total of the net cash provided by operating activities and net cash used in investment activities) is expected to decrease compared with the current term as a result of an increase in the amount of capital investment and other factors.

The term-end balance of the interest-bearing debt is expected to increase by 3.4 billion yen compared with the end of this term to 250.0 billion yen.

③ Basic policy on profit-sharing and dividends for the current and the next term

The Group recognizes payment of dividends as an essential duty to its shareholders and pays dividends in proportion to its business results following its basic policy. At the same time, we believe that to improve financial standing and to ensure sufficient amounts of retained profit for the future business expansion are also essential tasks that need to be addressed to guarantee the medium- and long-term profits for our shareholders, and we take both aspects into consideration when creating a corporate dividend proposal for deliberation by the General Meeting of Shareholders.

In the midterm management plan launched in the 2010 fiscal year, it was stipulated that dividends shall amount to 20% to 25% of the consolidated net income for each year, and in accordance with this policy we intend to pay 5 yen per share as the year-end dividend of the current term.

The Group plans to pay the same 5 yen per share as the year-end dividend of the next term, and intends to steadily increase the dividends following the improvements made with business results.

(Billions of Yen – except per share data)

	Fiscal Year ended Mar. 31, 2013	Fiscal Year ending Mar. 31, 2014(forecast)	Change
Net sales	626.0	675.0	49.0
Operating income	29.9	34.0	4.1
Ordinary income	28.0	28.5	0.5
Extraordinary income (losses), net	-12.2	-3.5	8.7
Net income	8.2	14.5	6.3
Net income per share	8.22 Yen	14.42 Yen	6.20 Yen
Dividend per share	5.0 Yen	5.0 Yen	0.0 Yen

Business Conditions

Exchange rate (yen per US\$)	83.1 Yen	95.0 Yen	11.9 yen
Naphtha price (yen/kl)	57,500 Yen	64,700 Yen	7,200 yen
Australian coal price (yen/ton)	10,540 Yen	10,540 Yen	0 yen

Net Sales by Segment

	Fiscal Year ended Mar. 31, 2013	Fiscal Year ending Mar. 31, 2014 (forecast)	Change	Comments
Chemicals & Plastics	219.3	251.0	31.7	- Increase of quantity sold, increase of money received in Yen due to depreciation of the Yen, etc.
Specialty Chemicals & Products	61.1	74.0	12.9	- Increase in sales volume, etc.
Pharmaceutical	11.4	10.0	-1.4	- Decrease of sales price and volume of drug substances discovered by UBE.
Cement & Construction Materials	208.3	212.0	3.7	- Increase in domestic sales volume of cement and of limestone related products, etc.
Machinery & Metal Products	71.3	76.0	4.7	- Increase in shipment of molding machines, increase of quantity of metal products sold, etc.
Energy & Environment	68.7	65.5	-3.2	- Decrease of sales prices volume of coal, etc.
Other	25.2	26.0	0.8	
Adjustment	-39.6	-39.5	0.1	
Total	626.0	675.0	49.0	

Operating Income by Segment

	Fiscal Year ended Mar. 31, 2013	Fiscal Year ending Mar. 31, 2014 (forecast)	Change	Comments
Chemicals & Plastics	5.0	7.0	2.0	- Increase in sales volume, and decrease in fixed costs
Specialty Chemicals & Products	1.2	4.5	3.3	- Increase in sales volume, etc
Pharmaceutical	3.4	2.0	-1.4	-- Decrease of sales price and volume of drug substances discovered by UBE.
Cement & Construction Materials	11.4	13.0	1.6	- Increase in domestic sales volume of cement, increase of revenue from waste treatment, etc.
Machinery & Metal Products	3.6	4.0	0.4	- Increase in shipments of molding machines, and decrease in fixed costs, etc.
Energy & Environment	5.9	4.0	-1.9	- Decrease in dealing volume of coal, and price fall of sold electric power, etc.
Other	1.0	1.0	0.0	
Adjustment	-1.9	-1.5	0.4	
Total	29.9	34.0	4.1	

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)

	Fiscal Year ended Mar. 31, 2012	Fiscal Year ended Mar. 31, 2013	Fiscal Year ending Mar. 31, 2014 (forecast)
Capital investment	44.4	40.9	40.0
Depreciation and amortization	32.9	31.3	33.0
Research and development expenses	13.7	14.0	14.5
Adjusted operating income *1	47.9	32.1	35.0
Interest-bearing debt	253.9	246.6	250.0
Net debt *2	220.8	210.6	215.0
Equity capital*3	199.4	215.5	227.5
Total assets	664.9	685.8	710.0
Net D/E ratio (times)	1.1	0.98	0.95
Equity ratio (%)	30.0	31.4	32.0
Return on sales (%)	7.2	4.8	5.0
Return on assets - ROA (%) *4	7.2	4.8	5.0
Return on equity – ROE (%)	11.9	4.0	6.5
Number of employees	11,081	11,090	11,400

*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