

Consolidated Financial Report for the First Half of the Fiscal Year Ending March 31, 2009

Ube Industries, Ltd.

1. Consolidated Companies

Fiscal period	Previous fiscal year ended Mar. 31, 2008	Current first half ended Sep. 30, 2008	Change
Number of companies			
Consolidated companies	67	67	0
Companies using equity method accounting	28	28	0
Total	95	95	0

2. Consolidated Business Results for the First Half of the Fiscal Year Ending March 31, 2009
(April 1, 2008 to September 30, 2008)

(1) Results of Operations

(Billions of yen – except per share data)

	Previous first half ended Sep. 30, 2007	Current first half ended Sep. 30, 2008	Change
Net sales	335.0	372.1	37.0
Operating income	22.2	27.1	4.8
Net interest expenses	-2.9	-2.3	0.6
Equity in earnings of affiliates	0.3	0.3	-0.1
Other non-operating income	-0.9	-1.4	-0.5
Ordinary income	18.6	23.5	4.8
Extraordinary income	0.7	0.3	-0.3
Extraordinary losses	-4.3	-0.7	3.6
Net income	7.8	14.4	6.6
Net income per share	7.75 yen	14.36 yen	6.61 yen

Presupposition conditions

Exchange rate (yen per US\$)	119.3	106.1	13.2
Naphtha price (yen/kl)	58,700	78,400	19,700
Australian coal price (yen/ton)	9,842	18,090	8,248

Net Sales by Segment

(Billions of yen)

	Previous first half ended Sep. 30, 2007	Current first half ended Sep. 30, 2008	Change	Comments
Chemicals & Plastics	112.7	127.3	14.5	-Increase in selling prices, etc
Specialty Chemicals & Products	45.6	48.4	2.8	-Increase in sales volume, etc
Cement & Construction Materials	99.7	105.5	5.8	-Increase in selling prices, etc
Machinery & Metal Products	54.2	59.6	5.3	-Increase in selling prices of steel products, etc
Energy & Environment	20.7	29.3	8.5	-Increase in selling prices and sales volume for coal sales, etc
Other	1.8	1.8	0.0	
Total	335.0	372.1	37.0	

Operating Income by Segment

(Billions of yen)

	Previous first half ended Sep. 30, 2007	Current first half ended Sep. 30, 2008	Change	Comments
Chemicals & Plastics	6.9	10.7	3.8	-Increase in spread between selling prices and cost of raw materials/ fuels -Increase in sales volume of caprolactam and ammonium sulfate, etc
Specialty Chemicals & Products	6.2	5.8	-0.3	-Decrease in selling prices of specialty products, etc
Cement & Construction Materials	4.2	3.8	-0.3	-Rise in energy costs -Decrease in sales volume of cement, ready-mixed concrete and building materials -Increase in selling prices -Increase in volume of waste processing, etc
Machinery & Metal Products	2.7	2.3	-0.3	-Increase in costs of materials and parts - Increase in utility costs of aluminum wheels, etc
Energy & Environment	1.8	4.2	2.4	-Increase in volume of coal storage by contract, etc
Other	0.3	0.3	0.0	
Total	22.2	27.1	4.8	

(2) Financial Condition

(Billions of yen)

Assets	Previous fiscal year ended Mar. 31, 2008	Current first half ended Sep. 30, 2008	Change
Cash and deposits	25.3	27.2	1.8
Accounts receivable	163.9	162.8	-1.1
Inventories	84.6	107.6	23.0
Property, plant and equipment	360.0	343.3	-16.6
Intangible fixed assets	4.1	3.8	-0.2
Investments and other assets	82.7	82.7	0.0
Total assets	720.8	727.7	6.8

Liabilities	Previous fiscal year ended Mar. 31, 2008	Current first half ended Sep. 30, 2008	Change
Notes and accounts payable-trade	107.1	119.4	12.3
Interest-bearing debt	300.7	292.7	-8.0
(Net debt) *1	(275.6)	(265.7)	(-9.9)
Other liabilities	93.9	100.7	6.7
Net assets	219.0	214.8	-4.1
(Shareholders' Equity)	(177.3)	(186.5)	(9.1)
(Valuation and translation adjustments)	(16.5)	(4.9)	(-11.5) *2
(Share subscription rights and Minority interests)	(25.1)	(23.3)	(-1.8)
Total liabilities and Net assets	720.8	727.7	6.8

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

*2 Decrease in foreign currency translation adjustment -11.2billion yen, etc

(3) Cash Flows

	(Billions of yen)	(Billions of yen)
	Current first half ended Sep. 30, 2008	(Ref.) Previous first half ended Sep. 30, 2007
Cash flows from operating activities	32.1 *1	27.7
Cash flows from investing activities	-17.5 *2	-14.2
Cash flows from financing activities	-11.8	-10.2
(Interest-bearing debt)	(-6.2)	(-5.8)
(Dividend paid and Other)	(-5.5)	(-4.4)
Cash and cash equivalents at end of period	26.9	26.8

*1 Net income before taxes for the first half of the fiscal year 23.1billion yen

Depreciation and amortization 17.4billion yen

Increase in working capital -11.0billion yen, etc

*2 Acquisition of tangible/ intangible fixed assets -17.4billion yen, etc

(4) Qualitative Information

Qualitative Information for Operating Results

Chemicals & Plastics Segment

Shipments of caprolactam, polyamide resins and polybutadiene rubber (synthetic rubber) were at a high level. Shipments of industrial chemicals were generally solid. Although this segment was significantly impacted by increasing fuel and raw material prices, firm demand enabled the UBE Group to reflect these increased costs in product prices and secure a spread (difference between raw material prices and product prices).

As a result, consolidated segment sales increased by 14.5 billion yen, or 12.9%, compared to the first half of the previous fiscal year to 127.3 billion yen and segment operating income increased by 3.8billion yen, or 55.1%, to 10.7 billion yen.

Specialty Chemicals & Products Segment

Shipments of electrolytes and separators for lithium-ion batteries, high-purity chemicals for semiconductors were generally strong. However, shipments of polyimide products were sluggish, though they started to recover, due to the impact of inventory adjustments for flat-screen television panels in the previous fiscal year. Growing demand for products such as nitrogen gas separation membranes underpinned a strong increase in shipments of gas separation membranes. Shipments of pharmaceutical active ingredients and intermediates were generally solid, and shipments of fine chemicals were strong.

As a result, consolidated segment sales increased by 2.8 billion yen, or 6.1%, compared to the first half of the previous fiscal year to 48.4 billion yen, but segment operating income decreased by 0.3 billion yen, or 5.3%, to 5.8 billion yen due in part to increased development costs.

Cement & Construction Materials Segment

Shipments of cement, ready-mixed concrete and building materials remained sluggish, reflecting the impact of the revised Building Standards Law from the previous year and soft construction demand associated with rising steel prices and a deteriorating real estate market. Recycling of various types of waste for use as fuel and raw materials expanded steadily. Shipments of calcia and magnesia were strong, centered on use in steelmaking. The segment was significantly impacted by the increase in coal and other fuel costs, but efforts were made to shift the costs by raising product prices.

As a result, consolidated segment sales increased by 5.8 billion yen, or 5.8%, compared to the first half of the previous fiscal year to 105.5 billion yen, but segment operating income decreased by 0.3 billion yen, or 9.2%, to 3.8 billion yen.

Machinery & Metal Products Segment

In the machinery business, shipments of molding machines were weak due to a decrease in automobile industry demand, but shipments of industrial machines such as ceramic industry machinery and vertical mills, primarily for the steelmaking industry in Japan and overseas and the cement industry overseas, were strong. Orders for molding machines declined, but industrial machinery orders increased substantially, so overall orders remained at a high level. Despite an increase in prices for scrap steel, the UBE Group was able to adjust the prices of products and shipments continued to be strong.

In the aluminum wheel business, shipments were weak in both Japan and North America due to the impact of slumping automobile sales. The UBE Group continues to work to raise productivity and make sweeping cost reductions.

As a result, consolidated segment sales increased by 5.3 billion yen , or 9.9%, compared to the first half of the previous fiscal year to 59.6 billion yen, but segment operating income decreased by 0.3 billion yen , or 14.3%, to 2.3 billion yen due to the weak performance of the aluminum wheel business.

Energy & Environment Segment

Tight supply and demand and rising prices for coal continued, but coal selling prices increased and shipments were strong. Coal dealing volume at UBE's Coal Center (a coal storage facility), which set a record high in the previous fiscal year, remained at a high level due in part to reinforcement in storage capacity in February of this year. In the independent power producer business, fuel costs were further reduced by expanding use of biomass fuel and low-grade coal.

As a result, consolidated segment sales increased by 8.5 billion yen, or 41.3%, compared with to the first half of the previous fiscal year to 29.3 billion yen , and segment operating income increased by 2.4 billion yen, or 130.8%, to 4.2 billion yen.

Other

Consolidated segment sales totaled 1.8 billion yen , and segment operating income was 0.3 billion yen.

Qualitative Information for Financial Condition

Total assets at the end of the first half of the fiscal year increased by 6.8 billion yen compared to the end of previous fiscal year to 727.7 billion yen. Current assets increased by 23.5 billion yen due to an increase in inventories, which includes commercial products, manufactured goods, raw materials and stored goods. However, fixed assets decreased by 16.7 billion yen due to a decrease in property, plant and equipment and other factors.

Total liabilities increased by 11.0 billion yen to 512.9 billion yen. Trade notes and accounts payable increased by 12.3 billion yen , but interest-bearing debt, which includes the current portion of convertible bonds, decreased by 8.0 billion yen.

Net assets decreased by 4.1 billion yen to 214.8 billion yen. Retained earnings increased by 9.1 billion yen due to net income for the first half of the fiscal year and other factors, but there was a 11.2 billion yen decrease in foreign currency translation adjustments.

(5)Consolidated Earnings Forecast for the Year Ending March 31, 2009 (April 1, 2008 to March 31, 2009)

The UBE Group expects business conditions to be increasingly challenging going forward as demand starts to slow due to the global economy decelerating under the impact of the financial crisis and uncertainty mounts regarding the outlook for fuel and raw material prices, exchange rates and other factors.

Given these circumstances, as announced on October 29, 2008, for fiscal 2008 the UBE Group projects net sales of 769.0 billion yen, operating income of 53.0 billion yen, ordinary income of 44.4 billion yen and net income of 25.0 billion yen.

(Billions of yen – except per share data)

	Previous fiscal year ended Mar. 31, 2008	Current fiscal year ending Mar. 31, 2009 (forecast)	Change
Net sales	704.2	769.0	64.8
Operating income	55.9	53.0	-2.9
Ordinary income	46.7	44.0	-2.7
Extraordinary income (losses), net	-5.8	0.0	5.8
Net income	24.0	25.0	1.0

Net income per share	23.88 yen	24.85 yen	0.97 yen
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Presupposition conditions

Exchange rate (yen per US\$)	114.3	105.6	8.7
Naphtha price (yen/kl)	61,500	65,900	4,400
Australian coal price (yen/ton)	11,030	16,843	5,813

Net Sales by Segment

(Billions of yen)

	Previous fiscal year ended Mar. 31, 2008	Current fiscal year ending Mar. 31, 2009 (forecast)	Change	Comments
Chemicals & Plastics	233.2	246.5	13.3	-Increase in selling prices, etc
Specialty Chemicals & Products	93.5	105.8	12.3	-Increase in sales volume, etc
Cement & Construction Materials	207.0	225.0	18.0	-Increase in selling prices, etc
Machinery & Metal Products	120.3	120.0	-0.3	
Energy & Environment	46.4	68.0	21.6	-Increase in selling prices and sales volume for coal sales, etc
Other	3.6	3.7	0.1	
Total	704.2	769.0	64.8	

Operating Income by Segment

(Billions of yen)

	Previous fiscal year ended Mar. 31, 2008	Current fiscal year ending Mar. 31, 2009 (forecast)	Change	Comments
Chemicals & Plastics	18.6	15.6	-3.0	-Decrease in spread between selling prices and costs of raw materials/ fuels for caprolactam -Decrease in sales volume of caprolactam, etc
Specialty Chemicals & Products	14.1	14.1	0.0	
Cement & Construction Materials	10.8	10.0	-0.8	- Rise in energy costs -Decrease in sales volume of cement and ready-mixed concrete -Increase in selling prices -Increase in revenue from waste processing, etc
Machinery & Metal Products	6.6	5.1	-1.5	-Increase in costs of materials and parts -Decrease in sales volume and selling prices for aluminum wheels, etc
Energy & environment	4.6	7.4	2.8	-Increase in volume of coal storage by contract, etc
Other	0.8	0.8	0.0	
Total	55.9	53.0	-2.9	

(Reference) Consolidated Key Indicators

(Billions of yen – except where noted)

	Previous first half ended Sep. 30, 2007	Current first half ended Sep. 30, 2008	Current fiscal year ending Mar. 31, 2009 (forecast)	Previous fiscal year ended Mar. 31, 2008
Capital investment	14.1	12.0	38.0	30.9
Depreciation and amortization	16.8	17.4	35.7	34.1
Research and development expenses	6.6	6.9	14.5	13.5
Adjusted operating income *1	23.5	28.3	54.6	58.6
Interest-bearing debt	320.4	292.7	287.0	300.7
Net debt *2	293.5	265.7	263.0	275.6
Equity capital*3	181.8	191.4	201.0	193.8
Total assets	723.7	727.7	773.0	720.8
Net D/E ratio (times)	1.6	1.4	1.3	1.4
Equity ratio(%)	25.1	26.3	26.0	26.9
Ratio of operating income to net sales (%)	6.6	7.3	6.9	7.9
Return on assets - ROA (%) *4	6.5	7.8	7.3	8.2
Return on equity – ROE (%)	8.8	7.5	12.7	13.1
Number of employees	11,280	11,288	11,430	11,058

*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