

Consolidated Financial Report for the First Half of the Fiscal Year Ending March 31, 2011

Ube Industries, Ltd.

1. Consolidated Companies

Fiscal period	Previous fiscal year ended Mar. 31, 2010	Current first half ended Sept. 30, 2010	Change
Number of companies			
Consolidated companies	67	66	-1
Companies using equity method accounting	24	24	0
Total	91	90	-1

2. Consolidated Business Results for the First Half of the Fiscal Year Ending March 31, 2011
(April 1, 2010 to September 30, 2010)

(1) Results of Operations

(Billions of Yen – except per share data)

	Previous first half ended Sept. 30, 2009	Current first half ended Sept. 30, 2010	Change
Net sales	256.2	294.6	38.3
Operating income	7.1	16.7	9.6
Net interest expenses	-2.3	-1.7	0.6
Equity in earnings of affiliates	-0.2	0.4	0.6
Other non-operating income	-2.0	-1.7	0.2
Ordinary income	2.5	13.7	11.2
Extraordinary income	0.1	0.6	0.4
Extraordinary losses	-2.2	-1.6	0.6
Net income	0.0	7.6	7.6

Net income per share	-0.07 Yen	7.56 Yen	7.63 Yen
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Presupposition conditions

Exchange rate (Yen per US\$)	95.5	88.9	-6.6
Naphtha price (Yen/kl)	37,300	46,300	9,000
Australian coal price (Yen/ton)	9,168	10,797	1,629

Net Sales by Segment

(Billions of Yen)

	Previous first half ended Sept. 30, 2009	Current first half ended Sept. 30, 2010	Change	Comments
Chemicals & Plastics	72.7	97.2	24.4	- Increase in sales price and volume, etc.
Specialty Chemicals & Products	28.2	34.4	6.1	- Increase in sales volume, etc.
Pharmaceutical	5.0	4.1	-0.9	- Decrease in sales price, etc.
Cement & Construction Materials	89.3	95.5	6.2	- Increase in sales volume of calcia and magnesia products, and functional inorganic materials, etc
Machinery & Metal Products	38.8	41.5	2.7	- Increase in shipment of molding machines - Increase in sales volume for aluminum wheels, etc.
Energy & Environment	25.7	26.7	0.9	
Other	9.0	12.4	3.3	
Adjustment	-12.7	-17.3	-4.5	
Total	256.2	294.6	38.3	

Operating Income by Segment

(Billions of Yen)

	Previous first half ended Sept. 30, 2009	Current first half ended Sept. 30, 2010	Change	Comments
Chemicals & Plastics	-2.3	5.6	7.9	- Increase in spread between selling prices and costs of raw materials/fuels for caprolactam, as well as in sales volume, etc.
Specialty Chemicals & Products	1.1	4.1	3.0	- Increase in sales volume, etc.
Pharmaceutical	2.2	1.4	-0.8	- Decrease in sales price, etc.
Cement & Construction Materials	1.4	2.9	1.5	- Increase in sales volume of calcia and magnesia products, and functional inorganic materials, as well as in volume of waste disposal, etc.
Machinery & Metal Products	1.7	1.1	-0.6	- Deterioration in profitability of industrial machines, and decrease in sales volume of steel products, etc.
Energy & Environment	2.1	1.2	-0.8	- Decrease in impact of unrealized income relating to coal in stock, etc.
Other	0.3	0.4	0.1	
Adjustment	0.2	-0.2	-0.5	
Total	7.1	16.7	9.6	

(2) Financial Condition

(Billions of Yen)

Assets	Previous fiscal year ended Mar. 31, 2010	Current first half ended Sept. 30, 2010	Change
Cash and deposits	37.5	36.4	-1.0
Accounts receivable	133.5	130.0	-3.4
Inventories	69.7	76.1	6.4
Property, plant and equipment	324.7	316.7	-7.9
Intangible fixed assets	4.2	4.3	0.1
Investments and other assets	85.1	85.6	0.5
Total assets	654.7	649.5	-5.2

Liabilities	Previous fiscal year ended Mar. 31, 2010	Current first half ended Sept. 30, 2010	Change
Notes and accounts payable-trade	78.9	82.7	3.8
Interest-bearing debt	281.3	273.1	-8.2
(Net debt) *1	(244.0)	(236.9)	(-7.1)
Other liabilities	92.2	92.8	0.6
Net assets	202.1	200.7	-1.4
(Shareholders' Equity)	(187.6)	(191.2)	(3.5)
(Valuation and translation adjustments)	(-8.8)	(-13.4)	(-4.5) *2
(Share subscription rights and Minority interests)	(23.3)	(22.8)	(-0.4)
Total liabilities and Net assets	654.7	649.5	-5.2

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

*2 Decrease in foreign currency translation adjustment -3.9billion Yen, etc

(3)Cash Flows

	(Billions of Yen)	(Billions of Yen)
	Current first half ended Sept. 30, 2010	(Ref.) Previous first half ended Sept. 30, 2009
Cash flows from operating activities	24.6 *1	25.5
Cash flows from investing activities	-12.0 *2	-17.4
Cash flows from financing activities	-12.7	-10.1
(Interest-bearing debt)	(-7.6)	(-4.7)
(Dividend paid and Other)	(-5.0)	(-5.4)
Cash and cash equivalents at end of period	36.2	37.4

*1 Net income before taxes for the first half of the fiscal year 12.6billion Yen
 Depreciation and amortization 16.3billion Yen
 Increase or decrease in working capital -0.5billion Yen, etc
 *2 Acquisition of tangible/ intangible fixed assets -12.0billion Yen, etc

(4)Qualitative Information

Qualitative Information for Operating Results

Chemicals & Plastics Segment

Shipments of caprolactam and industrial chemicals were strong, and those of polybutadiene rubber (synthetic rubber) and polyamide resins were steady, thanks to booming demand. In addition, the booming demand led to increase in prices of many types of products. In particular, spread between selling prices and cost of raw materials/fuels for caprolactam increased substantially compared to the same period in the previous year.

As a result, consolidated segment sales increased by 24.4 billion yen, compared to the same period in the previous year, to 97.2 billion yen, while consolidated operating income increased by 7.9 billion yen to 5.6 billion yen

Specialty Chemicals & Products Segment

Shipments of electrolyte and separators for lithium-ion batteries, high-purity chemicals for semiconductors, and fine chemical products were strong. Shipment of polyimide products increased, especially in the field of films used in flat-screen televisions. Shipments of gas separation membranes and ceramic products also recovered, and exceeded the figure of the same period in the previous year.

As a result, consolidated segment sales increased by 6.1 billion yen, compared to the same period in the previous year, to 34.4 billion yen, while consolidated operating income increased by 3.0 billion yen to 4.1 billion yen.

Pharmaceutical Segment

Shipments of pharmaceutical active ingredient for antiallergenic drug and blood-pressure-lowering drug increased, but those of other pharmaceutical active ingredients and intermediates, especially in the field of products manufactured under contract, were lower than the same period in the previous year.

As a result, consolidated segment sales decreased by 0.9 billion yen, compared to the same period in the previous year, to 4.1 billion yen, while consolidated operating income decreased by 0.8 billion yen to 1.4 billion yen.

Cement & Construction Materials Segment

Shipments of cement, ready-mixed concrete and building materials were lower than the same period in the previous year, although the shipment figures are ceasing to fall due to signs of recovery in the indices such condominium and housing construction and capital investments. In order to overcome the current situation, we made efforts for further cost reduction, and enhanced the performance of recycling of various types of waste used as raw materials / fuels. On the other hand, shipments of calcia and magnesia products were strong, especially in the field of products targeting to the iron and steel industry.

As a result, consolidated segment sales increased by 6.2 billion yen, compared to the same period in the previous year, to 95.5 billion yen, while consolidated operating income increased by 1.5 billion yen to 2.9 billion yen

Machinery & Metal Products Segment

In the machinery business, shipments of industrial machines such as vertical mills for the China market and conveyers for the electricity industry were strong. In addition, shipment of molding machines that had been in slump due to depressed capital investment from the automobile industries showed a sign of recovery and exceeded the figure of the same period in the previous year. Orders for both molding and industrial machines hovered at the seriously low level, due

to appreciation of yen and severe competition with overseas and domestic manufacturers. Shipment of steel products was strong, but was affected by appreciation of yen and the other factors.

In the aluminum wheel business, shipment increased, especially in the field of the products used in hybrid vehicles, but profitability remained at a severe level.

As a result, consolidated segment sales decreased by 2.7 billion yen, compared to the same period in the previous year when the contract of big and highly-profitable conveyor project had been won, to 41.5 billion yen, while consolidated operating income decreased by 0.6 billion yen to 1.1 billion yen.

Energy & Environment Segment

Shipment of coal increased, thanks to steady demand from main customers such as the chemical and paper-manufacturing industries, and the volume of coal dealing at UBE's Coal Center (a coal storage facility) was also steady, especially in the field targeting electricity industry. Profitability of the independent power producer business deteriorated, due to lowered price of electric power selling.

As a result, consolidated segment sales increased by 0.9 billion yen, compared to the same period in the previous year, to 26.7 billion yen, while consolidated operating income decreased by 0.8 billion yen to 1.2 billion yen, due to impact of unrealized income.

Other

Consolidated segment sales increased by 3.3 billion yen, compared to the same period in the previous year, to 12.4 billion yen, thanks to increased sales of overseas sales subsidiaries, while consolidated operating income increased by 0.1 billion yen to 0.4 billion yen.

Qualitative Information for Financial Condition

Total assets of the second quarter decreased by 5.2 billion yen to 649.5 billion yen. Though notes and accounts receivable decreased by 3.4 billion yen, current assets increased by 2.6 billion yen, thanks to a increase of 6.4 billion yen in inventories, which includes commercial products, manufactured goods, raw materials and stored goods, while fixed assets decreased by 7.9 billion yen to 393.1 billion yen, due to a decrease of 7.9 billion yen in tangible fixed assets.

Total liabilities decreased by 3.7 billion yen to 448.8 billion yen. There was a 3.8 billion yen increase in notes and accounts payable-trade, but interest-bearing debt decreased by 8.2 billion yen.

Net assets decreased by 1.4 billion yen to 200.7 billion yen. There was a 3.5 billion yen increase in retained earnings resulted from net profit of this quarter, but foreign currency translation adjustments decreased by 3.9 billion yen.

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

It is expected that the economy would continue to recover gradually, but the current situation remains unpredictable, because there is an ongoing concern in global economy that economy upturn may delay due to credit contraction and continuously high unemployment rates in Europe and the US, and because business environment is becoming more uncertain in Japan due to slump in export business resulted from yen's sharp climb, and impact of deflation.

Considering the present economic condition, we maintain our earnings forecast for the whole financial year as we announced on October 21, 2010: that is, consolidated sales of 613.0 billion yen, operating income of 36.0 billion yen, ordinary income of 28.5 billion yen, and net income of 17.0 billion yen.

(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	613.0	63.5
Operating income	27.5	36.0	8.5
Ordinary income	18.9	28.5	9.6
Extraordinary income (losses), net	-3.4	-0.5	2.9
Net income	8.2	17.0	8.8
Net income per share	8.17 Yen	16.91 Yen	8.74 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	87.0 Yen	-5.8 Yen
Naphtha price (Yen/kl)	41,200 Yen	45,400 Yen	4,200 Yen
Australian coal price (Yen/ton)	9,048 Yen	10,484 Yen	1,436 Yen

Net Sales by Segment

	Fiscal Year ended Mar. 31, 2010	Fiscal Year ending Mar. 31, 2011	Change	Comments
Chemicals & Plastics	165.0	202.0	37.0	- Increase in sales price and volume, etc.
Specialty Chemicals & Products	60.3	72.5	12.2	- Increase in sales volume, etc.
Pharmaceutical	9.9	9.5	-0.4	- Decrease in sales price, etc.
Cement & Construction Materials	188.3	193.0	4.7	- Increase in sales volume of calcia and magnesia products, and functional inorganic materials, etc.
Machinery & Metal Products	81.7	85.0	3.3	- Increase in shipment of molding machines, etc.
Energy & Environment	54.1	58.0	3.9	- Increase in selling price of coal and dealing volume of coal, etc.
Other	19.0	24.0	5.0	
Elimination	-29.3	-31.0	-1.7	
Total	549.5	613.0	63.5	

Operating Income by Segment

	Fiscal Year ended Mar. 31, 2010	Fiscal Year ending Mar. 31, 2011	Change	Comments
Chemicals & Plastics	4.7	14.0	9.3	- Increase in spread between selling prices and costs of raw materials/fuels for caprolactam, as well as in sales volume, etc.
Specialty Chemicals & Products	3.2	8.4	5.2	- Increase in sales volume, etc.
Pharmaceutical	3.7	2.4	-1.3	Decrease in sales price, etc.
Cement & Construction Materials	6.1	6.5	0.4	
Machinery & Metal Products	4.4	2.2	-2.2	- Deterioration in profitability of industrial machines, and decrease in sales volume of steel products, etc.
Energy & Environment	4.3	3.2	-1.1	- Decrease in impact of unrealized income relating to coal in stock, etc.
Other	0.9	0.8	-0.1	
Adjustment	-0.1	-1.5	-1.4	- Increase in cost for basic research and development, etc.
Total	27.5	36.0	8.5	

(Reference) Consolidated Key Indicators

(Billions of Yen – except where noted)

	Previous first half ended Sept. 30, 2009	Current first half ended Sept. 30, 2010	Fiscal Year ending Mar. 31, 2011 (forecast)	Fiscal Year ended Mar. 31, 2010
Capital investment	12.5	13.8	37.0	24.6
Depreciation and amortization	16.6	16.3	34.0	33.4
Research and development expenses	6.1	6.6	14.5	13.0
Adjusted operating income *1	7.5	17.9	37.5	29.3
Interest-bearing debt	302.7	273.1	265.0	281.3
Net debt *2	265.3	236.9	235.0	244.0
Equity capital*3	172.0	177.8	187.0	178.8
Total assets	662.4	649.5	654.0	654.7
Net D/E ratio (times)	1.5	1.3	1.3	1.4
Equity ratio (%)	26.0	27.4	28.6	27.3
Return on sales (%)	2.8	5.7	5.9	5.0
Return on assets - ROA (%) *4	-	-	5.7	4.4
Return on equity – ROE (%)	-	-	9.3	4.7
Number of employees	11,406	11,123	11,160	11,108

*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