UBE INDUSTRIES,LTD.

Annual Report 2009

Year ended March 31, 2009

UBE consistently transforms ideas into opportunities for value creation and growth.

Innovation

Commitment to

A Sustained

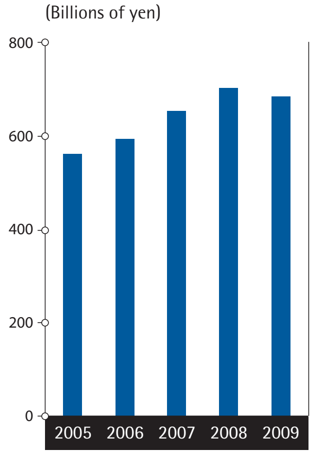
CONSOLIDATED FINANCIAL HIGHLIGHTS

UBE INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2009, 2008 and 2007

	Millions of yen			% change	Thousands of U.S. dollars (Note 1)
	2009	2008	2007	**2009**/2008	**2009**
For the year:					
Net sales	**¥684,703**	¥704,284	¥655,608	(2.8)%	**$6,986,765**
Operating income	**31,163**	55,900	46,862	(44.3)	**317,990**
Income before income taxes and minority interests	**13,510**	40,890	36,003	(67.0)	**137,857**
Net income	**11,664**	24,031	22,013	(51.5)	**119,020**
Capital expenditures	**35,405**	30,945	31,919	14.4	**361,276**
Depreciation and amortization	**34,820**	34,126	30,980	2.0	**355,306**
Research and development costs	**14,124**	13,598	13,020	3.9	**144,122**
At year-end:					
Total assets	**677,986**	720,898	714,871	(6.0)	**6,918,224**
Net assets	**194,723**	219,032	195,196	(11.1)	**1,986,969**
Equity capital (Note 2)	**171,946**	193,865	172,593	(11.3)	**1,754,551**
Interest-bearing debt	**306,840**	300,766	320,016	2.0	**3,131,020**
Net debt (Note 3)	**267,709**	275,684	298,738	(2.9)	**2,731,724**
Cash and cash equivalents	**39,131**	25,082	21,278	56.0	**399,296**
	Yen				U.S. dollars
Per share data:					
Net income, primary (Note 4)	**¥ 11.59**	¥ 23.88	¥ 21.88	(51.5)%	**$ 0.118**
Cash dividends applicable to the period	**4.00**	5.00	4.00	(20.0)	**0.041**
Net assets	**170.92**	192.72	171.49	(11.3)	**1.74**
Ratios:					
Operating margin (%)	**4.6**	7.9	7.1		
ROA (%) (Note 5)	**4.8**	8.2	7.0		
ROE (%)	**6.4**	13.1	13.7		
Net debt/equity ratio (times)	**1.6**	1.4	1.7		
Equity ratio (%)	**25.4**	26.9	24.1		
Number of employees at the end of the year	**11,264**	11,058	10,833	1.9%	

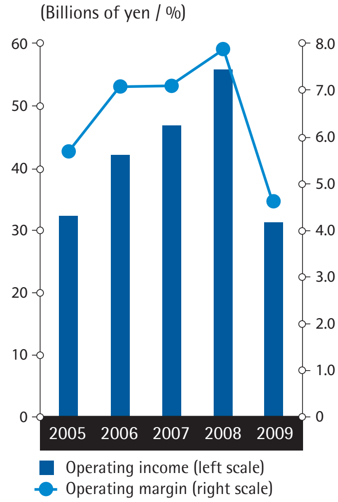
Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥98=US$1, the approximate rate of exchange on March 31, 2009.
2. Equity capital = Net assets – Share subscription rights – Minority interests
3. Net debt = Interest-bearing debt – Cash and cash equivalents
4. Net income, primary, per share is computed based on the net income available for distribution to shareholders and the weighted average number of shares of common stock outstanding during each year.
5. ROA = (Operating income + Interest and dividend income + Equity in earnings of unconsolidated subsidiaries and affiliated companies) / Average total assets

Net Sales
(Billions of yen)



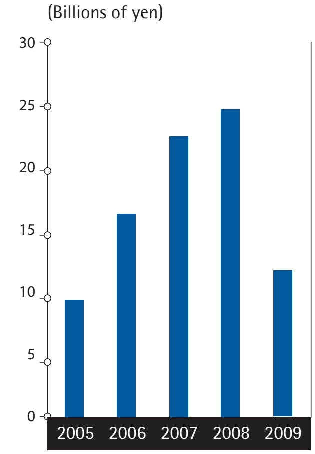
(Years to March 31)

Operating Income / Operating Margin
(Billions of yen / %)



(Years to March 31)

Net Income
(Billions of yen)



(Years to March 31)

In over a century of business operations since its origins as a coal mining venture in Ube, Yamaguchi Prefecture, UBE INDUSTRIES, LTD. has embraced a ceaseless commitment to innovation in manufacturing, while meeting the challenge of finding solutions to modern needs through the creative application of technology and engineering.

A Long Tradition of Growth and Innovation

1897 Okinoyama Coal Mines is established as anonymous partnership, capitalized at ¥45,000.

1914 Shinkawa Iron Works is established as anonymous partnership, capitalized at ¥100,000. UBE's machinery business started with the manufacture of machinery for coal mining.

1923 Ube Cement Production, Ltd. is established, capitalized at ¥3.5 million. We entered the cement business, using coal for fuel and the abundant nearby limestone as raw material.

1933 Ube Nitrogen Industry, Ltd. is established, capitalized at ¥5.0 million. We expanded into the chemical field of synthesizing ammonia by pyrolysis of coal, used in the manufacture of ammonium sulfate.

1942 Ube Industries, Ltd. is established through consolidation of the four companies above, capitalized at ¥69.6 million.

Later UBE entered a wide range of business sectors such as petrochemical, specialty products and aluminum wheels, establishing the operating divisions that would distinguish it as a comprehensive manufacturer of value-added products.

This long-standing tradition and core identity of UBE is captured in its group vision for the 21st century: **"Wings of technology and spirit of innovation. That's our DNA driving our global success."**

Embracing a frontier spirit and optimizing infinite technology, the UBE Group coexists with the world to continue creating values for the new generation. We focus on "competitive edge businesses" to achieve further success.

With an extensive base of technologies and expertise built up over more than a century, UBE is taking decisive actions for further innovation and growth.

Fiscal years are years ended March 31 of the following calendar year: for example, fiscal 2008 in the text is the year ended March 31, 2009.

Contents

Forward-Looking Statements

This annual report contains forward-looking statements regarding UBE's plans, outlook, strategies and results for the future. All forward-looking statements are based on judgments derived from information available to the Company at the time of publication.

Certain risks and uncertainties could cause UBE Group actual results to differ materially from any projections presented in this report. These risks and uncertainties include, but are not limited to, the economic circumstances surrounding the Company's business, competitive pressures, related laws and regulations, product development programs and changes in exchange rates.

With conditions expected to remain challenging, the UBE Group is working to minimize their impact and position itself to benefit from an economic upturn. We will also further shore up the fundamentals of our core platform businesses, while focusing on expanding existing strategic growth businesses and rapidly turning developing businesses into strategic growth businesses, based on one of the basic strategies of our medium-term management plan Stage Up 2009.

HIROAKI TAMURA President and CEO

RESULTS FOR FISCAL 2008

In the UBE Group's operating environment in fiscal 2008, ended March 31, 2009, the financial crisis deepened starting in mid-September, and had broad repercussions on the real economy in both developed and newly industrialized countries. In the Japanese economy, decreased demand coupled with a strong yen led to a steep decline in exports, followed by production cutbacks, restrained investment and employment adjustments across many industries.

Under these conditions, the UBE Group focused on improving its financial performance by establishing a platform for profitability and further improving its financial position under the basic strategies of Stage Up 2009. Despite favorable trends until the second quarter, the sharp downturn in the global economy in the third quarter had a substantial impact on the Group's performance.

As a result, the UBE Group's net sales decreased by 2.8 percent, or ¥19.5 billion, compared with the previous fiscal year to ¥684.7 billion. Operating income decreased by 44.3 percent, or ¥24.7 billion, to ¥31.1 billion, and net income decreased by 51.5 percent, or ¥12.3 billion, to ¥11.6 billion.

PROGRESS OF YEAR TWO OF STAGE UP 2009 AND INITIATIVES GOING FORWARD

In fiscal 2007, the first year of Stage Up 2009, the UBE Group posted record earnings, supported by a favorable external environment, and achieved some of the final-year targets of the plan in the first year. However, conditions took a downward turn from the middle of fiscal 2008 due to the global recession.

With the harsh external environment expected to continue in fiscal 2009, we are forced to put achievement of the Stage Up 2009 targets on hold, and will concentrate first on attaining the figures set in our fiscal 2009 performance forecast. In addition, the entire UBE Group will continue working with a sense of speed toward the establishment of a platform for profitability, a key objective in Stage Up 2009.

Medium-Term Management Plan Stage Up 2009 Numerical Targets and Fiscal 2009 Forecast
(FY 2007 - FY 2009)

Consolidated Management Indicators

		Fiscal 2007 (Actual)	Fiscal 2008 (Actual)	Fiscal 2009 (Forecast)	Fiscal 2009 (Final Year Targets)
Financial indicators	Net debt/equity ratio[1]	1.4 times	1.6 times	1.5 times	**Under 1.3 times**
	Equity ratio[2]	26.9%	25.4%	25.6%	**30% +**
Profit indicators	Operating margin	7.9%	4.6%	4.5%	**7.5% +**
	Return on assets	8.2%	4.8%	3.8%	**7.5% +**
	Return on equity[3]	13.1%	6.4%	4.0%	**12% +**

Key Figures for Statements of Income and Balance Sheet

Net sales	¥704.2 billion	¥684.7 billion	¥552.0 billion	**¥700 billion +**
Operating income	¥55.9 billion	¥31.1 billion	¥25.0 billion	**¥53 billion +**
Business income[4]	¥58.6 billion	¥33.6 billion	¥25.5 billion	**¥56 billion +**
Net debt	¥275.6 billion	¥267.7 billion	¥265.0 billion	**Under ¥279 billion**
Equity capital[5]	¥193.8 billion	¥171.9 billion	¥174.0 billion	**¥218 billion +**

Notes: 1. Net debt/equity ratio = Net debt (Interest–bearing debt – Cash and cash equivalents) / Equity capital
2. Equity ratio = Equity capital / Total assets
3. Return on equity = Net income / Average equity capital
4. Business income = Operating income + Interest and dividend income + Equity in earnings of unconsolidated subsidiaries and affiliated companies
5. Equity capital = Net assets – Share subscription rights – Minority interests

Basic Strategy 1: Establishment of a Platform for Profitability that Ensures Sustainable Growth

In Stage Up 2009, our business portfolio is divided into four categories: Developing businesses, strategic growth businesses, core platform businesses, and rebuilding businesses. From this foundation, we are aiming for balanced, sustainable growth throughout the UBE Group with our solid array of core platform businesses that generate stable earnings as the base, and highly profitable strategic growth businesses as the driving force.

Core Platform Businesses

In fiscal 2008, the caprolactam chain business was unable to avoid a steep drop in profits due to the substantial effects of the global recession. However, the coal and power generation businesses achieved strong profit growth amid tightening energy supply and demand. Core platform businesses, including synthetic rubber, cement, calcia, magnesia, industrial machinery and steelmaking products, generated stable profits and supported earnings. We achieved progress in making individual core platform businesses leaner, and exhibited the strengths of UBE's mix of businesses, which operate in broad and balanced markets centered on Asia, including Japan.

Rebuilding Businesses

We had been focusing on restructuring our aluminum wheel business in North America, but in a harsh environment for the automobile industry, we decided to reorganize this business by withdrawing from our North American operations and concentrating on the domestic market. In the domestic market, we have spun off this business into a company specializing in original equipment manufacturing (OEM). The new company will be run with a focus on speed and customer satisfaction, and will pursue rigorous streamlining of the production process and minimization of cash outflow. It is aiming for a return to profitability in fiscal 2010 by commercializing a new casting process that enables high quality and low cost.

Strategic Growth Businesses

Businesses positioned as strategic growth businesses maintained steady earnings growth through the second quarter of fiscal 2008. In the last two quarters, however, the global recession directly hit the target markets of our strategic growth businesses, including information and electronics, energy and automobiles.

In each of the two businesses below, we will closely watch demand trends while conducting development for the future and pursuing expansion of business scale and earnings growth.

• POLYIMIDE CHAIN BUSINESS: Polyimide film demand is in an adjustment phase, but we see expansion over the medium-to-long term. We are fortifying our well-established position in circuit boards for flat-panel televisions and stepping up expansion of new applications such as solar cells. The 10th and 11th production facilities now under construction at the Sakai Factory are slated for completion in fall 2009, and will enable us to deliver a stable and flexible supply of polyimide film. We also produce a wide array of other polyimide products, including monomers as a material for polyimide, varnishes, powders, dual-layer copper clad laminates, foams and heat-resistant composite materials, and are adding gas separation membranes that use polyimide hollow fiber membranes in our drive to rebuild and strengthen this business as a polyimide chain.

• BATTERY MATERIALS BUSINESS: UBE has commercialized electrolytes and separators for lithium-ion secondary batteries (LIB). In the electrolyte category, while maintaining our position as a leading manufacturer of high-performance electrolytes, we are preparing for a possible expansion into mid-range products to promote lower costs and are stepping up our efforts in electrolytes for LIB in hybrid cars. In separators, we will leverage our cost competitiveness to maintain and expand sales in the Chinese market, and will also expand sales of separators for hybrid vehicle LIB.

Developing Businesses

All three of our developing businesses are making steady progress, and we aim to quickly build them into strategic growth businesses.

• PHARMACEUTICALS BUSINESS: The antiplatelet agent Prasugrel, UBE's third proprietary pharmaceutical product after *Talion*® and *Calblock*®, was approved in Europe in February 2009. Prasugrel is expected to be approved in the United States soon, and is in Phase II trials in Japan. A glaucoma treatment that will be our fourth proprietary pharmaceutical product is also in Phase II in Japan. In consignment pharmaceutical manufacturing, we are using our technological strengths and the trust we have built up to win new large-scale orders from major domestic and foreign pharmaceutical companies. In this way, UBE's pharmaceutical business is displaying synergy with a mix of proprietary and consignment pharmaceuticals, and we intend to establish it as a pillar of our chemicals business in the near future.

• AEROSPACE MATERIALS BUSINESS: In January 2009, UBE entered into an agreement with Boeing for joint development of new materials technology for aerospace applications. In the first stage, from 2009 to 2011, the two companies will focus on developing UBE's heat-resistant composite material PETI as a high-temperature polymer matrix composite for Boeing's commercial aircraft that is intended to reduce the weight and cost of airframe structures near the engines.

• SPECIALTY INORGANIC MATERIALS BUSINESS: This business is cultivating products with future growth prospects, focusing on ceramics in rapidly growing demand for applications such as bearing balls for wind turbines, cutting tools and ceramic substrates for hybrid cars, as well as UBE's photocatalytic fiber module *Aqua Solution* for water decontamination, and fine calcia and magnesia handled by Ube Materials Industries, Ltd. We plan to expand business by expediting technology and business tie-ups between UBE Group companies.

Basic Strategy 2: Sustained Improvement of Financial Position

We recognize that strengthening of the UBE Group's profitability and financial position is still only half done. Our rating from Rating and Investment Information, Inc. (R&I) was restored to BBB from BBB- for the first time in five years in October 2007. However, with the present tight credit situation, the relative quality of our financial position is drawing even more attention, and we must reinforce our ability to generate cash flow. We recognize that enhancing shareholder value requires a financial position with enough equity to enable us to perform M&A activities and to accommodate major changes in our business structure.

To that end, we will emphasize rigorous management of cash flow to further improve our financial position. Profits should be our principal source of cash flow, and therefore we must focus intensely on generating cash flow and strengthening profitability, while also holding down capital expenditures, reducing inventory, making distribution for sale more efficient and continuously cutting costs. Through these efforts, we plan to generate free cash flow of ¥15.0 billion in fiscal 2009.

Basic Strategy 3: Strengthening CSR Activities

Since its founding, UBE has had a philosophy of “Living and prospering together with the local community” and “Creating industries with infinite possibilities from finite resources.” This is the starting point of our CSR activities.

An objective of Stage Up 2009 is to further deepen the UBE Group's various activities from economic, environment and social perspectives. Specifically, while practicing management that promotes shareholder value in ways such as increasing our market capitalization and enhancing shareholder returns, we are making broadly based efforts to deepen our CSR activities, including contribution to the environment, ensuring thorough compliance, improving internal controls and corporate governance, and fostering mutually beneficial relationships with local communities.

As a social contribution activity, we invited the Japan Philharmonic Orchestra to the city of Ube in August 2008 for the First UBE Group Charity Concert to support the development of local culture through music. The day before the performance, we also held smaller musical gatherings featuring an ensemble from the orchestra at a local junior high school and hospital, providing an opportunity for contact with the arts and their healing power. All proceeds from the gate at the main performance were donated to five junior high schools in Ube City and the Ube Citizen Orchestra. We plan to hold this event on an ongoing basis.

The UBE Foundation, whose purpose is to provide research grants to researchers throughout Japan with an interest in pursuing academic research and to nurture promising young researchers in the medical field, marks its fiftieth anniversary in 2009. To date, the UBE Foundation has assisted 212 researchers, and is moving to enhance and expand its activities.

We are also aware that addressing the environment is a key issue for the UBE Group, due to the high proportion of its business that consumes large amounts of energy and relies on coal. We will reinforce our greenhouse gas reduction initiatives while focusing on development of materials, products and technologies to contribute to a low-carbon society through our technologies and products.

Please see the feature in this annual report for more details on our environmental initiatives.

FISCAL 2009 POLICY: CONTINUE ADHERING TO THE BASIC STRATEGIES OF STAGE UP 2009 AND RESPOND RAPIDLY TO EMERGENCY CONDITIONS, WHILE AIMING TO RELIABLY ACHIEVE OUR EARNINGS FORECAST FOR FISCAL 2009.

We expect that the recession will continue through the first half of fiscal 2009 and start to bottom out in the third quarter. Based on this assumption, management's focus in fiscal 2009 will be on staying fully prepared for the possibility of another phase of financial contraction. At a minimum, we want to ensure positive total cash flow, defined as free cash flow less cash dividends paid. Therefore, we plan to raise the base level of earnings as much as possible by reducing capital expenditures by about 30 percent compared to our original plan, trimming inventories by ¥16.0 billion, and saving ¥12.5 billion with across-the-board cost cutting, as well as minimizing avoidable losses and conducting rigorous credit management.

In business operations, we will adhere to the policies and strategies of Stage Up 2009 to continue solidifying the foundations of core platform businesses. In addition, we will move to expand strategic growth businesses with a sense of speed and quickly shift developing businesses to strategic growth businesses as we push steadily toward

achievement of the figures in our fiscal 2009 performance forecast.

At the same time, we believe that the current uncertain times raise the importance of taking a medium-to-long-term view in our actions, and we will begin drawing up the next medium-term management plan that will start in fiscal 2010. Based on the assumption of a gradual economic recovery, the plan will anticipate a paradigm shift in markets and technologies after the recovery, and will focus on positioning the UBE Group to quickly reap the benefits of the economic upturn. Continuing the basic strategies of Stage Up 2009, we will solidify core platform businesses and expanding strategic growth businesses, with an emphasis on chemicals, and quickly shift developing businesses to strategic growth businesses. Meanwhile, we will continue to improve our financial position and aim for steady and balanced development. We will consider measures including restructuring of our business and R&D portfolios as we formulate the plan.

AIMING TO CONTINUALLY INCREASE SHAREHOLDER VALUE

UBE recognizes that delivering dividends is one of its key responsibilities to shareholders, and our policy is to pay dividends corresponding to performance. On the other hand, we believe that further improvement of our financial position and enhancement of retained earnings for future business expansion are also important in securing long-term profits for shareholders. We take both of these factors into account in setting dividends. Under Stage Up 2009, we have set a guideline for our consolidated dividend payout ratio of 20 to 25 percent. We aim to continuously increase shareholder value by steadily increasing dividends in tandem with improved performance. Based on this policy, and considering dividend stability, we paid cash dividends for fiscal 2008 of ¥4.00 per share in the form of a year-end dividend. The consolidated dividend payout ratio temporarily rose to 34.5 percent in fiscal 2008 from 20.9 percent in fiscal 2007, reflecting the decrease in income due to the harsh external environment. Our goal is to steadily increase dividends by improving business performance.

DEPLOYING OUR STRENGTHS IN DIFFERENTIATED FIELDS IN WHICH WE EXCEL, WITH A FOCUS ON CHEMICALS

The UBE Group has a unique presence among chemical companies in that we operate many businesses that are not large in size but cover a wide range of markets, and have a distinct identity globally as market leaders with a dominant share in global niche or target markets. Consequently, amid the present volatility in economic and other conditions, we are regarded as a corporate group that resists the impact of high raw material and fuel prices and the economic cycle because its entire performance does not depend heavily on the external factors of any single business.

By further deploying our strengths in the differentiated business areas in which we excel, the UBE Group aims to earn the deep confidence of its shareholders and all other stakeholders.

We remain committed to earning even greater support from our shareholders, customers and business partners.

July 2009

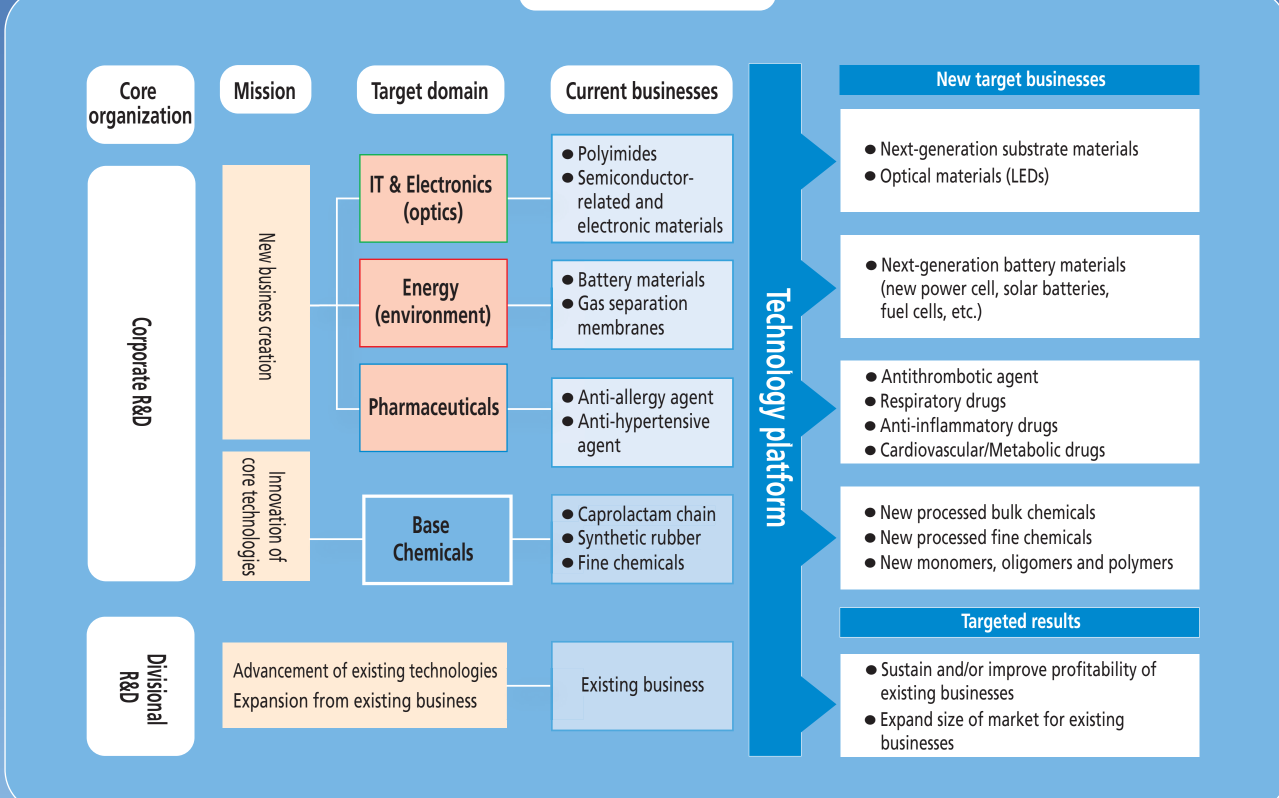
Hiroaki Tamura

Hiroaki Tamura
President and CEO

A Sustained Commitment to Innovation

UBE has a clear strategy for business and technology innovation that has yielded consistently solid results. This feature article reports on progress in our R&D portfolio and examines successful innovation that is driving value creation in our target domains of pharmaceuticals and the environment.

R&D Portfolio



Innovation in Fundamental Technologies

By fostering innovation in fundamental technologies and a composite approach in proprietary technologies in line with the technology portfolio strategy set in Stage Up 2009, UBE is nurturing the new seeds of its future.

Basic Strategy under Stage Up 2009

- R&D costs over the three-year period will be ¥43.0 billion, of which 60 percent will be invested in strategic growth businesses and developing businesses.
- Corporate research and development will aim to create new next-generation businesses, with a focus on the fields of IT & electronics (optics), energy (environment), pharmaceuticals and base chemicals.

MAKOTO UMETSU Managing Executive Officer

Market and Technological Trends in the R&D Technology Portfolio and the UBE Group's Business Portfolio

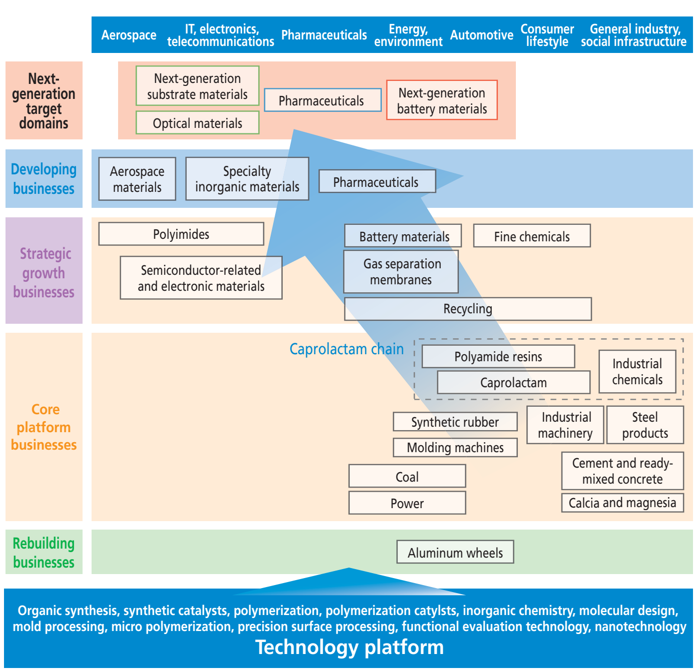
Fostering the Composite Approach in Proprietary Technologies

UBE's strength is in being one of the few chemical companies with technologies in the three areas of organic, polymer and inorganic. In recent years, R&D has had great difficulty in responding to challenging market needs using only a single proprietary technological area. Consequently, we leveraged our strengths in this area to take a composite approach that further differentiates our viewpoint and technologies.

UBE has also been working to cultivate human resources, including through management of technology (MOT) and coaching, which began in 2007. Particularly in fiscal 2008, we have started rotating technical personnel between both the Chemicals & Plastics segment and the Specialty Chemicals & Products segment and the Research and Development Division as a measure to foster a composite approach to human resources.

UBE is brushing up the quality of its unique proprietary technologies through the unusual combination of these composites and its concentration of ideas and wisdom.

UBE Group Business Portfolio and Target Market/Technology Direction



Focus on Discoveries at External Research Institutes

In order to develop research themes more quickly and effectively, UBE has taken up open innovation. This includes strengthening relationships with universities and research organizations in Japan and overseas, and aiding in the discovery of external organizations through technological intermediaries. Strengthened joint research with our local Yamaguchi University, with which we signed a comprehensive cooperative partnership agreement in 2004, has had such tangible results as substantial progress in the number of both research themes and patent applications. We plan to continue deepening these ties, including through personnel exchanges. Further, we are leveraging our manufacturing and research bases in Thailand in preparation for joint research with several Thai universities as a way to promote the globalization of research and personnel exchanges.

An Aggressive "Three-In-One" Intellectual Property Strategy

An intellectual property strategy is essential to fully mobilize our technology portfolio. UBE considers intellectual property a key asset supporting business operations, and works to create, protect and deploy strategic intellectual property using a "three-in-one" strategy that encompasses business divisions, the Corporate Research and Development Division and the Intellectual Property Department. Particularly for specialty materials, which are positioned as developing businesses and strategic growth businesses in our business portfolio, the strength of business opportunities can vary greatly depending on patent strategy. Therefore, we are focusing on acquiring strategic intellectual property linked with R&D and business strategies. We intend to obtain "offensive patents" that build a strong patent network to preclude the entry of competitors as we work to secure and maintain our competitive advantage. In January 2009, we made the Intellectual Property Department independent of the Corporate Research and Development Division and under the direct control of the president of UBE in order to further strengthen "three-in-one" operations.

Progress in Key R&D Fields

Aiming to create next-generation businesses and enhance fundamental technologies, in Stage Up 2009 UBE has specified the following four key R&D fields: information technology and electronics (optics); energy (environment); pharmaceuticals; and base chemicals.

Information Technology and Electronics (Optics)

UBE is pursuing new inorganic and organic specialty materials in this field. In inorganic materials, we strengthened the development of materials for LED lighting including MGC light conversion materials and sialon fluorescent substances, as well as ultra-heat-resistant materials. In addition, we gathered together inorganic specialty material technologies that were dispersed throughout the Group at companies including Ube Material Industries, Ltd. and Ube-Nitto Kasei Co., Ltd. and are progressing with the development of new areas. In organic specialty materials, UBE is producing organic electroluminescent materials, and in the area of electronic materials the Company is taking a composite approach to the two technologies of monomers and polymers to continue creating next-generation polyimide substrate technologies.

Energy (Environment)

In battery materials, UBE is concentrating on the development of electrolytes and separators for lithium-ion secondary batteries in order to increase capacity and secure a high degree of safety. In addition, we are developing polyimide for applications in thin-film solar cells and next-generation dye-sensitized solar cell materials.

In the environment area, UBE is developing a wide range of water purification applications to use all the purification technologies of its *Aqua Solution* photocatalytic fiber module.

Pharmaceuticals

Following up on antiallergic agent *Talion*® and antihypertensive agent *Calblock*®, during fiscal 2008 authorization to market antiplatelet agent Prasugrel in Europe was granted, and sales began. We are upgrading the pipeline of high-quality pharmaceutical candidates with promising new drugs to follow these, including a glaucoma treatment that is in clinical trials. UBE is not only focusing on new drugs, but also on development to broaden applications of existing pharmaceuticals on the market, such as *Calblock*® for use in combination with other drugs and *Talion*® eye drops.

A detailed discussion of the pharmaceutical business is on the following page.

Base Chemicals

We are working to develop new core materials with an eye toward green and sustainable chemistry that use a technology platform that includes catalyst, organic synthesis and production technologies. We are developing the synthetic technology of the already commercialized *Heliofresh*, which is created by synthesizing plant-based marine fragrances, and the development of plant-based marine fragrance raw material Heliotropin has progressed to study of commercialization. In addition, in the core caprolactam business, we are developing production technologies in order to further improve cost competitiveness.

Fiscal 2009 Initiatives

UBE is steadily carrying out research and development to create new businesses in line with the technology portfolio set out in Stage Up 2009.

As a specific initiative, in April 2009 we established as independent organizations the Pharmaceuticals Research Laboratory and Process Technology Research Laboratory, which had been part of the Organic Chemistry Research Laboratory, in order to deepen our specialized technological expertise and improve the efficiency and speed of our research activities. In addition, in high-potential inorganic materials, we are maximizing Group synergies by gathering together research and development functions that were dispersed among UBE's departments and Group companies.

In addition, looking beyond Stage Up 2009 we are proceeding with research and development that is aimed at commercialization, focused on the areas of optics (LED and organic electroluminescent materials) and the environment (green and sustainable chemistry and photocatalytic fibers), which will be the pillars of our next generation of businesses.

Innovation in Pharmaceuticals

Positioned as a development business under Stage Up 2009 due to its potential for future growth and profitability, the UBE Group's pharmaceuticals business utilizes synergies resulting from the hybridization of its proprietary development business and consignment manufacturing business to offer valuable new pharmaceuticals to the world.

Drug Discovery Research that Leverages Synthetic Technologies to Discover Valuable Compounds

Drug discovery research identifies valuable compounds through the research cycle of repeated drug design, compound synthesis and fundamental evaluation. When this results in the creation of a breakthrough compound, the time needed to commercialization is long at 10 years or more due to patent applications, high-level evaluation, preclinical trials, clinical trials and finally application for approval. In addition, because the likelihood of success for new drugs is low and approval is difficult to obtain, efficiently creating superior candidate compounds for development is important. UBE, which is a chemical rather than a pharmaceuticals manufacturer, nevertheless has had successful proprietary development of three pharmaceutical products over the 30 years since beginning drug discovery research: *Talion®* in 2000, *Calblock®* in 2003 and antiplatelet agent Prasugrel, which received marketing approval in Europe in fiscal 2008. Against this backdrop, the characteristics of UBE's drug discovery research include longstanding capabilities in synthetic chemistry, effective joint research and development with major pharmaceutical manufacturers and unique drug discovery strategies carried out by theme-centered task forces.

Increasing Development Efficiency and Speed by Narrowing Focus

Speedy and reliable selection of pharmaceutical candidates is the key to drug discovery and development. As part of making pipeline management more thorough under Stage Up 2009, the UBE Group will follow a policy of specifying one candidate compound and working on two new research themes each year.

UBE currently has a glaucoma treatment, an anti-rheumatic and a treatment for chronic obstructive pulmonary disease (COPD) as compounds under development in its bipartite system of independent research and joint research with pharmaceutical companies. Because managing the balance between compounds under joint research and under independent research is critical, we steadily launch new themes in both areas and implement initiatives in all areas of research.

Independent research has so far progressed with development in the broad fields of circulation, metabolism, anti-inflammation and respiration, but UBE has prioritized the respiratory field as a result of

Pharmaceuticals on the Market and under Development

(As of June 1, 2009)

Business Strategy for Pharmaceuticals: Dual strategy of proprietary pharmaceuticals and pharmaceutical manufacturing on consignment

Status of Proprietary Pharmaceuticals

	Product Name (Development Code)	Indications	Sales	Source	Present Status
Commercially released	*Talion®*	Antiallergy agent Allergic rhinitis Skin disorders with pruritus, eczema, etc.	Mitsubishi Tanabe Pharma Corporation	Co-development FY 2008 sales: ¥10.4 billion FY 2009 sales (est.): ¥12.2 billion	2000: Market launch in Japan 2004: Market launch in South Korea * Application filed by ISTA Pharmaceuticals (USA), which was granted license for ophthalmic formulation
	Calblock®	Antihypertensive agent Hypertension	Daiichi Sankyo Co., Ltd.	Co-development FY 2008 sales: ¥12.1 billion FY 2009 sales: ¥15.0 billion	2003: Market launch in Japan
	Efient®/Effient™ (Generic name: Prasugrel)	Antiplatelet agent Heart attack, stroke, etc.	Daiichi Sankyo Co., Ltd. Eli Lilly and Company	Co-development with Daiichi Sankyo	Europe: Launched in 2009 USA: Application filed Japan: Phase II clinical trials
Under development	DE-104	Glaucoma and ocular hypertension	Santen Pharmaceutical Co., Ltd.	Co-development with Santen Pharmaceutical	USA: Phase I /II, Japan: Phase II clinical trials
	UR5269	Rheumatoid arthritis	N/A	In-house	Pre-clinical trials
	UR5908	Chronic obstructive pulmonary disease	N/A	In-house	Pre-clinical trials

Status of Pharmaceuticals Manufactured on Consignment: Growth in large orders for new drugs from major Japanese and international drug companies

Commercially released	Active pharmaceutical ingredients: antiphlogistic agents, antihypertensive agents, antibacterial agents, etc. Intermediates: hypolipidemic agents, anticancer agents, etc.
Under development	Active pharmaceutical agents and intermediates: anticancer agents, antithrombotic agents, antiarrhythmic agents, influenza drugs, etc.

Talion®
(Registered trademark of Mitsubishi Tanabe Pharma Corporation)

Calblock®
(Registered trademark of Daiichi Sankyo Co., Ltd)

Efient®**/*****Effient***™
(Registered trademarks of Eli Lilly and Company in Europe and the United States, respectively)

AP-3 manufacturing facility

its evaluations over the last several years to identify and emphasize fields with the capacity to increase differentiation. In Japan, we are deepening our technology platform, including rare dry powder inhalation technologies. As a result, we discovered a treatment for COPD and a good prospective candidate to follow it.

In addition, because preclinical trials of development candidates are highly costly, making rapid and effective progress is important. We will promote speedy early research and development by looking to create product derivations early in the product life cycle, which was not part of our stepwise addition of value until now.

Building Reliable Partnerships with Pharmaceutical Manufacturers

UBE's pharmaceutical development includes business management, which consists of promoting drug discovery of UBE's proprietary pharmaceuticals, improving their value and conducting effective strategies, and product management, in which UBE fulfills its role in moving clinical research themes toward marketing approval together with partner pharmaceutical manufacturers. Since April 2009, it also includes pharmaceutical affairs management to build and support a development framework based on the Pharmaceutical Affairs Law.

In addition to promoting new drug research, because opportunities to create major new drugs are limited, business management focuses on expanding and prolonging value, including adding features to existing treatments that generic drugs do not possess. UBE's business management has been successful so far in areas such as launching *Talion*® in orally disintegrating tablets in Japan, launching *Talion*® in Korea, developing *Talion*® eye drops in the United States and developing *Calblock*® for use in combination with other drugs.

Production management is progressing with Phase II clinical trials for a glaucoma treatment with Santen Pharmaceutical Co., Ltd. UBE is also focusing on building personal connections with pharmaceutical developers and licensors to create and strengthen relationships.

Antiplatelet Agent Prasugrel

UBE began drug discovery research concerning Prasugrel jointly with Sankyo Co., Ltd. (currently Daiichi Sankyo Co., Ltd.). UBE was in charge of drug discovery and synthesis, and Sankyo was in charge of product evaluation. Through the process of design and synthesis to search for a more effective compound, UBE achieved results including the discovery of an active metabolite, which produces a therapeutic effect. Daiichi Sankyo and Eli Lilly subsequently carried out clinical trials, and Prasugrel was approved in Europe in February 2009. Approval in the United States is expected soon, and Phase II clinical trials are under way in Japan.

Prasugrel acts against platelet aggregation, which may induce arteriosclerosis-related heat attacks and strokes. It has shown superior effectiveness compared with current treatments as a result of its continuing development as a new treatment for patients with myocardial infarctions and unstable angina.

UBE manufactures and supplies the active ingredients for Prasugrel, and Daiichi Sankyo and Eli Lilly conduct sales.

A Consignment Pharmaceutical Manufacturing Business that Leverages the Strengths of the UBE Group

UBE's pharmaceutical business includes both its own drug discovery and a consignment manufacturing business under contract to other pharmaceutical manufacturers.

UBE's pharmaceutical manufacturing facilities conform to Good Manufacturing Practice. In addition to manufacturing the active ingredients for drugs it has discovered, UBE handles outsourcing from other pharmaceutical manufacturers and consignment manufacturing of active ingredients and intermediates for new drugs. UBE offers pharmaceutical manufacturers the development of processes for commercialization and manufacture of investigational new drugs for clinical trials. For pharmaceuticals that are already launched, UBE always seeks the best supply chain for a stable supply to customers. Among the many companies with consignment operations, UBE has gained deep trust from pharmaceutical manufacturers in Japan and overseas as a major manufacturer with high technological capabilities and reliability.

In this way, the strength of UBE's pharmaceutical business lies in the complementary relationship between development of its own pharmaceuticals and its consignment manufacturing business. We have constantly refined our manufacturing technologies by developing the consignment business in addition to our own pharmaceutical development business. We will continue seeking to maximize profits by shifting to a hybrid structure that incorporates the pharmaceutical business of drug discovery and the consignment pharmaceutical manufacturing business.

Innovation in Environmental Initiatives

YASUHISA CHIBA
Vice President and
Representative Director,
Executive Officer, Group CTO

The UBE Group contributes to a low-carbon society in all its wide-ranging business sectors through aggressive initiatives to reduce CO_2 emissions and realize a society that recycles resources, as well as through its technologies and products.

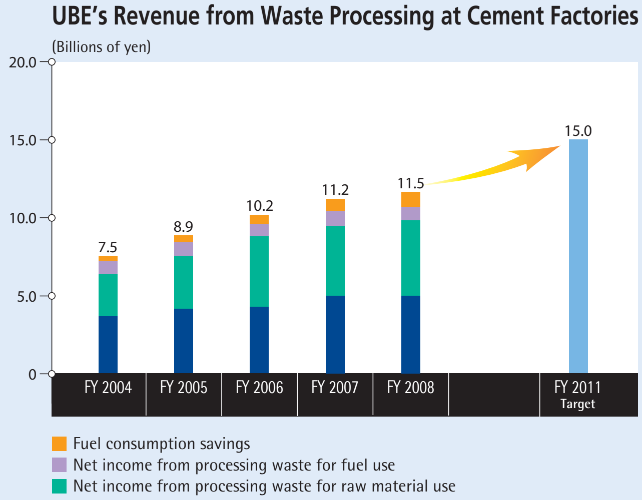
As a company with its origins in coal, UBE has always been concerned with energy and environmental issues. In particular, the business, government, academic and civic sectors in the Ube region have aggressively undertaken air pollution countermeasures since the 1950s. Since then, UBE has created a variety of new technologies and products that contribute to environmental preservation, including energy-saving processes, gas separation membranes, the EUP two-stage pressure gasification system, and waste processing at cement factories. Technologies UBE has pioneered, such as gasification of waste plastic and power generation using biomass, were also developed looking to the future.

In recognition of these proactive efforts, UBE received the highest rating in the March 2008 screening for the Development Bank of Japan's Loan Program for Promoting Environmentally Responsible Business Management.* Moreover, UBE was the first general chemical manufacturer to win a special award, and received a loan under this program. In addition, in February 2009 the Center for Environmental Information Science awarded UBE its PRTR Grand Prize 2008 in recognition of our excellent results in chemical substance management and risk communication.

UBE's medium-term management plan, Stage Up 2009, presents guidelines for reducing CO_2 emissions not only from energy use, but also from business processes. We set the targets of reducing CO_2 emissions for fiscal 2010 by 12 percent compared with fiscal 1990 levels, and have set the ambitious goal of reaching these targets ahead of schedule in fiscal 2009 to further strengthen our global warming prevention efforts. In addition to existing organizations, we have established the Global Warming Countermeasures Promotion Office for the long-term investigation and promotion of measures to conserve energy and reduce CO_2 emission volumes with the aim of further strengthening UBE's global warming prevention initiatives. Going forward, we will contribute to a low-carbon society through UBE products and technologies by implementing a Life Cycle Assessment (LCA) concept to reduce the environmental impact through the entire life cycle of products for automobile and other fields, and increasing our focus on the development of materials and technologies.

*Loan Program for Promoting Environmentally Responsible Business Management: The world's first loan program to adopt a special "environmental rating" technique. Companies are graded for their level of environmental management by a screening system developed by the Development Bank of Japan, and outstanding companies are selected for loans with interest rates set at one of three levels based on the company's score.

UBE's Revenue from Waste Processing at Cement Factories



The recycling business is positioned as a strategic growth business in the business portfolio set out in Stage Up 2009. In addition, we are concentrating on the development of next-generation battery materials as part of the key field of energy (environment) in our technology portfolio.

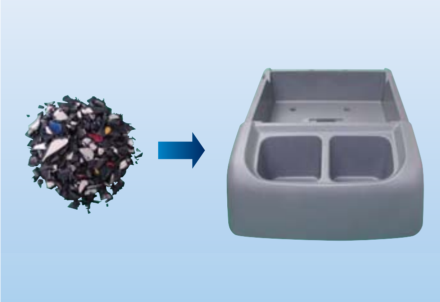
Products and Technologies that Support a Recycling-Based Society

Waste Recycling at Cement Factories

UBE's three cement factories are the ultimate resource recycling plants. They recycle 3.25 million tons of waste materials and by-products annually for use as raw materials or energy sources. Waste plastics and other material previously had been burned in simple incinerators or disposed of in landfills, but by recycling them as energy sources, we reduce the amount of coal we use, which conserves energy and reduces CO_2 emission volume.

Contributing through the Development of Color-matched Recycled Resin from Waste Plastic

Recycling of some materials made from waste plastic is limited to interior or black components because their coloration is mixed and they contain foreign substances, while a large proportion of waste plastic is processed as industrial waste. Using its unique compound technologies such as a compound of strong light-blocking pigments, UBE succeeded in developing a recycled resin that incorporates a technology to render foreign substances invisible and that can be colored freely. In October 2006, we commercialized it as recycled polypropylene compound *Ube Composite*. In addition to shorter injection-molding times and improved resistance to scratching, *Ube Composite* has a lower cost than virgin materials because it is produced using existing equipment. It has a broad range of applications in surface components for household appliances and in interiors for automobiles. With sales of the compound propelled by the promotion of green purchasing and other environmental conservation policies, we expect demand will continue to increase for applications including as a material in chair manufacturing.



Promotion of Green and Sustainable Chemistry

Green and sustainable chemistry (GSC) comprises chemical technologies that aim for the health and safety of people and the environment in order to contribute to realizing a sustainable society. UBE is focusing efforts on GSC initiatives. Recent representative initiatives include the development of environmentally friendly water-borne polyurethane dispersion (PUD) coating materials based on C1 chemical technologies, the commercialization of *Heliofresh*, which as a synthetic marine fragrance does not involve deforestation from excessively cutting down aromatic trees, and the development of water purification systems using photocatalytics.

Technologies and Materials that Support New Sources of Energy

UBE is focusing on developing technologies and materials that support new sources of energy.

We are focusing on development aimed at environmental applications. This includes silicon nitride powder, where demand is increasing for use as bearing balls in the rapidly growing field of wind power generation, as well as polyimide for substrate films in solar batteries and gas separation membranes used in refining bioethanol and biogas. In addition, we are developing next-generation battery materials for environmentally friendly automobiles such as hybrid and electric cars. These include electrolytes and separators for lithium ion batteries, where substantial market growth is expected.

The high chlorine bypass system that UBE developed in 2005 allows the processing of waste that is high in chlorine without sacrificing the quality of cement. The system installed at the Kanda Cement Factory, UBE's main base for waste recycling, is one of the largest in Japan and won the 2006 Fuji Sankei Group Award at the Global Environment Award ceremony.

Since April 2002, ash from municipal garbage incinerators, one type of waste used as a raw material, has been pre-processed for desalination, resolution of dioxin and removal of foreign substances at Yamaguchi Eco-tech Corporation, a joint investment between UBE and Tokuyama Corp. The ash is then taken to the Ube Cement Factory. The Kanda Cement Factory has been accepting ash directly from the local government in increasing volume since the installation of the high chlorine bypass system. In fiscal 2008, the factory installed dedicated processing equipment for incinerated ash recovered from the local government's final disposal site, and began accepting ash in July 2008. This technology is drawing attention by extending the lives of disposal sites and allowing the reuse of land by cleaning it, thus contributing substantially to the preservation of the local environment. Further, we plan to expand the volume accepted in fiscal 2009 by installing pretreatment equipment to remove foreign substances from incinerated ash.

For use as energy sources, the cement factories at Ube, Isa and Kanda have successively installed shredders for waste plastic. All three factories have completed Stage II of the installation, and the Isa Cement Factory completed Stage III in January 2009 and is currently operating.

We will continue aiming to expand volume processed by upgrading equipment to handle recycling of waste for use as raw materials and energy sources that are more difficult to process.

BUSINESS OVERVIEW

Segment		Share of Net Sales	Share of Operating Income	Share of Assets	Principal Products/Businesses
CHEMICALS & PLASTICS		31%	7%	30%	● Synthetic rubber ● Caprolactam chain • Caprolactam • Polyamide resins • Industrial chemicals
SPECIALTY CHEMICALS & PRODUCTS		13%	22%	16%	● Specialty products • Polyimide • Battery materials (Electrolytes and separators) • High purity chemicals • Separation membranes • Ceramics • Telecommunications devices • Aerospace materials ● Fine chemicals ● Pharmaceuticals (Active ingredients, intermediates)
CEMENT & CONSTRUCTION MATERIALS		31%	28%	32%	● Cement ● Resource recycling ● Building materials (Self-leveling materials, plastering materials and waterproofing materials) ● Limestone ● Ready-mixed concrete ● Calcia, magnesia ● Specialty inorganic materials
MACHINERY & METAL PRODUCTS		16%	13%	11%	● Machinery • Molding machines (Die-casting machines and injection molding machines) • Industrial machinery, bridges and steel structures • Steelmaking products ● Aluminum wheels
ENERGY & ENVIRONMENT		9%	28%	9%	● Coal ● Power

Note: Totals do not equal 100% because the Other Businesses segment has been omitted.

Market Trends	Fiscal 2008 Achievements
• Demand and capacity utilization for caprolactam dropped markedly in the second half of fiscal 2008, but has begun recovering in Asia in fiscal 2009. • Demand for nylon resin for automobiles decreased from the end of 2008, but remains firm for film applications for food and other industries. • Despite adjustments following decreased production by tire manufacturers, the core customer industry, demand for synthetic rubber is forecast to rise substantially.	• Consolidated segment sales decreased by 8.8 percent year-on-year to ¥212.6 billion, and operating income decreased by 88.9 percent year-on-year to ¥2.0 billion. • In the caprolactam business, UBE passed higher raw material prices along to product prices in the first half and reduced production in response to weak demand in the second half. • In the polyamide business, a 50,000-ton expansion project now in progress in Thailand is scheduled for completion in September 2009. • The synthetic rubber business completed construction of a polybutadiene factory at as equity affiliate in China in December 2008.
• Demand for polyimide film recovered from inventory adjustments in the first half of fiscal 2008, but weakened from the second half. • The battery materials business, where demand continues to grow for use in lithium ion batteries, entered an adjustment phase from the end of 2008, and recovery in demand for electrolytes for high-end products was delayed. • Growth in demand for nitrogen gas separation membranes, which had been expanding, stalled due to the recession. • Sales of proprietary pharmaceuticals *Talion*® and *Calblock*® remain strong.	• Consolidated segment sales decreased by 6.9 percent year-on-year to ¥87.0 billion, and operating income decreased by 52.3 percent year-on-year to ¥6.7 billion. • Construction is under way on the 10th and 11th production facilities for polyimide film at the Sakai Factory, which are scheduled for completion in July and September 2009, respectively. • The battery materials business completed construction of its 6th separator production facility in March 2009. • In the pharmaceuticals business, novel platelet agent Prasugrel received manufacturing approval from the European Medicines Agency in February 2009.
• Demand for cement in Japan continued to weaken, reaching only 50,090 thousand tons in fiscal 2008. • Demand for calcia and magnesia, which had been strong for use in steelmaking, decreased due to cutbacks in steel production. • Growth is forecast for specialty inorganic materials *MOS-HIGE* and vapor process high-purity powders, but sales were substantially impacted by slowdowns in the semiconductor, home appliance and automobile markets.	• Consolidated segment sales increased by 1.2 percent year-on-year to ¥209.4 billion, and operating income decreased by 18.1 percent year-on-year to ¥8.8 billion. • In the cement business, exports compensated for weak domestic demand. • UBE raised the price of cement in Japan for shipments from April 2008 onward. • In January 2009, the Isa Cement Factory completed construction of its 3rd facility for processing waste as fuel.
• Demand for molding machines was weak from automobile manufacturers, the core customer industry. • Investment in infrastructure in Asia continued, despite a trend toward cutbacks in expenditures from the third quarter of fiscal 2008. • Demand for steelmaking products in South Korea remained firm through the first half of fiscal 2008, but declined in the second half. • Sales volume of aluminum wheels decreased due to weak automobile sales.	• Consolidated segment sales decreased by 8.5 percent year-on-year to ¥110.0 billion, and operating income decreased by 39.0 percent year-on-year to ¥4.0 billion. • In the machinery business, shipments to the steelmaking and cement industries were strong, with a high level of orders for machinery for kilns and vertical mills. • UBE decided to liquidate the aluminum wheel business in North America, having judged that rebuilding will be difficult amid the notable weakness in demand.
• Amid a tight balance of supply and demand, coal and freight prices, which had been high, dropped substantially as global demand slackened following the financial crisis. • With declining capacity utilization in all industries, demand for coal for in-house power generation decreased from the fourth quarter for fiscal 2008.	• Consolidated segment sales increased by 33.1 percent year-on-year to ¥61.8 billion, and operating income increased by 84.4 percent year-on-year to ¥8.6 billion. • Earnings in the coal business increased due to high coal prices and brisk demand until summer. • The IPP business reduced costs through the use of low-grade coal and wood biomass fuel.

Basic Strategies of Stage Up 2009

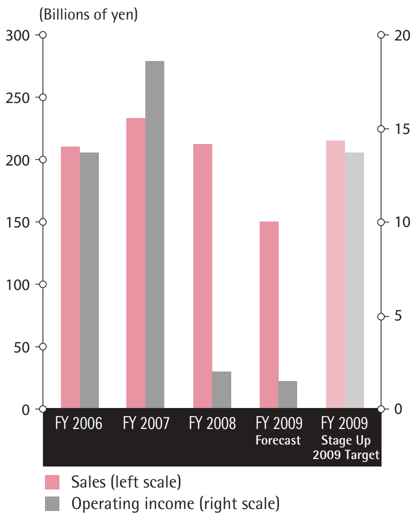
Synthetic Rubber: Begin operations at our 50,000-ton capacity plant in China to establish a third global base in addition to Japan and Thailand. In order to stably maintain or expand profits, UBE will promote a differentiation strategy by launching production of specialty rubbers in Thailand, adding to existing production in Japan.

Caprolactam Chain: Through persisting in spread management and cost reductions, secure stable profits in the caprolactam business that are not affected by market fluctuations.

Expand production capacity and raise cost competitiveness in the polyamide resin business, which is a core component of the caprolactam chain. Boost sales in priority markets, targeting the automotive market for injection molding and the film market for extrusion. Raise the percentage of caprolactam for captive use to approximately 40 percent.

Enhance our stable supply system in the industrial chemicals market as Japan's leading supplier of ammonia.

Segment Sales and Operating Income



Fiscal 2008 Results

Consolidated segment sales decreased by 8.8 percent, or ¥20.6 billion, year-on-year to ¥212.6 billion, and operating income decreased by 88.9 percent, or ¥16.5 billion, to ¥2.0 billion.

Shipments of caprolactam, polyamide resins, polybutadiene rubber (synthetic rubber) and industrial chemicals were generally strong until the second quarter, but fell significantly after the third quarter due to production cutbacks following stagnating demand caused by the rapid slowdown in the global economy.

In addition, UBE recorded a significant valuation loss on inventories due to a major decline in product prices caused by the impact of a sudden drop in raw material market conditions from summer 2008 and declining demand.

Fiscal 2008 Initiatives

Synthetic Rubber Business

Tight supply of butadiene rubber continued in the first half of fiscal 2008, with brisk demand mainly from the tire industry, a major market. UBE's efforts to pass along the high price of butadiene as a raw material in its rubber prices were impacted by tire manufacturers' production cutbacks in the second half. Tire manufacturers are planning to build new facilities in Asia, particularly in China and Thailand. UBE, which has the world's third-largest sales volume, continued to enhance and expand its stable supply system and promote a shift to high-value-added products by strengthening its lineup of specialty rubbers in order to meet ongoing customer demand for the butadiene rubber they use as a raw material.

UBE established the butadiene rubber manufacturing and sales company TSRC-UBE (Nantong) Chemical Industrial Co., Ltd. in Nantong, China as a joint venture. UBE has a 25 percent share. A plant with an annual production capacity of 50,000 tons was completed in 2008, and began operation in May 2009 as UBE's third production base in the Asian market.

In fiscal 2008, the Chemicals & Plastics segment achieved record operating income in the first half by securing a spread between selling prices and raw material costs, supported by strong demand. However, in the second half sales and income decreased due to the impact of the sudden global economic slowdown.

We expect the operating environment to remain challenging in fiscal 2009. However, under the theme of specialization that we have adopted, we will promote selection and concentration and flexibly respond to changes in the operating environment with improved operations at every stage as we work toward the targets of Stage Up 2009.

NOBUYUKI TAKAHASHI Senior Managing Executive Officer

Moreover, UBE is developing metallocene butadiene rubber (MBR), produced using a metallocene catalyst, and nano vinyl cis rubber (VCR), a differentiated high-performance product, to meet increasing customer needs for high performance with the goal of rapid commercialization.

Caprolactam Business

Demand for caprolactam, a raw material used in the manufacture of polyamide, had maintained firm annual growth of around 2-3 percent overall globally, but fell substantially in fiscal 2008 below 4 million tons.

Raw material prices soared in the first half of fiscal 2008. However, UBE secured spreads by passing on prices amid continued full production that was supported by firm demand. In contrast, spreads shrank substantially in the second half as demand decreased due to anticipation of low prices for raw material benzene and the rapid slowdown of the real economy.

UBE expects the operating environment to remain challenging in fiscal 2009. However, UBE, which has three global caprolactam chain bases in Japan, Thailand and Spain, will further promote its ongoing cost reductions and production technology upgrades to optimize production, and will steadily implement strategic marketing to prepare for market recovery.

Polyamide Business

Demand for polyamide for use as an engineering plastic for automobile parts, food packaging and other applications is forecast to grow worldwide. In the second half of fiscal 2008, demand from the automobile industry slowed, but stable demand for film uses in the food industry continued. UBE is responding to increasing demand by expanding its polyamide 6 production capacity. In January 2007, a 10,000-ton expansion project was completed in Spain, and in Thailand a 50,000-ton expansion project is in progress and scheduled for completion in September 2009.

Going forward, UBE will execute an aggressive scrap-and-build program in its polyamide 6 business. In polyamide 12, UBE will raise its position as a global supplier by assiduously implementing a niche strategy and continuing to develop products in this market, which is expected to expand steadily over the long term. Moreover, at its development center for automobile components in Japan and R&D centers in Thailand and Spain, UBE is working to further enhance customer service and accelerate R&D based on market needs.

Industrial Chemical Business

Demand for industrial chemicals is comparatively stable, so substantial increases are not expected. However, UBE is bolstering competitiveness by expanding its distribution framework and using distributors in order to maintain and increase market share. UBE is the largest supplier in Japan of ammonia, a raw material of caprolactam and other products, and is working on developing new demand as it expands its distribution framework.

UBE is also maintaining and upgrading its business base for other industrial chemical products, mainly nitric acid, in moving to strengthen its market presence and the overall profitability of the caprolactam chain.

Fiscal 2009 Initiatives

Based on the assumption that fiscal 2009 will be an extremely challenging year, UBE will continue proactive scrap and build activities with an emphasis on stable supply at its production facilities, and focus on improving processes and reducing costs. In addition, while we expect economic recovery from 2010, we will work to assure our competitiveness in caprolactam and stabilize earnings in response to factors including other industry participants' plans to begin operating large-scale plants in China and elsewhere. UBE will continue promoting high product performance, added value, and selection and concentration in order to build a business framework for the future.

Collaboration with PTT of Thailand

In December 2008, Ube signed a memorandum of agreement with PTT Public Company Limited (PTT) to study the future establishment of joint chemicals businesses in Thailand, in a wide range of segments such as caprolactam and synthetic rubber. PTT has natural gas, oil refining and petrochemical operations in Thailand. The collaboration with PTT, which has access to abundant chemical raw materials, provides an avenue for UBE to secure reliable supplies of raw materials and further expand its operations in Thailand.

Applications for polybutadiene

Applications for caprolactam (polyamide 6)

Film applications for polyamide 6

Applications for polyamide 6, 66 and 12

Basic Strategies of Stage Up 2009

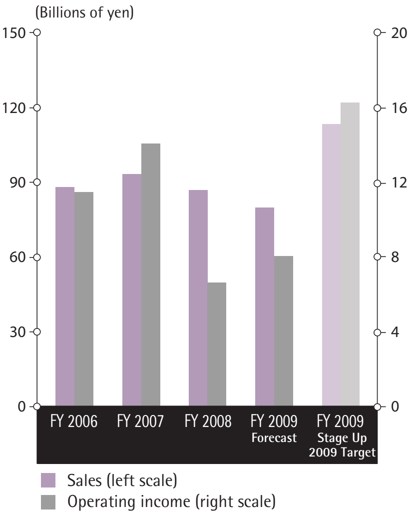
Specialty Products: Expand the current field of business with timely reinforcement of production facilities in response to expected medium-to-long-term growth in demand for polyimide, gas separation membranes, and electrolytes and separators for lithium-ion batteries, and maintain our core competence with enhanced cost competitiveness and prompt development of new products.

Fine Chemicals and Pharmaceuticals:

Fine Chemicals: Increase production of diol and dimethyl carbonate (DMC), environmentally friendly products for which global demand is growing. Actively conduct development and introduce new technologies for expansion in new business domains such as environmental coating materials.

Pharmaceuticals: Strengthen the new agent pipeline while increasing earnings by thoroughly reducing costs and increasing the operating rate in order to nurture pharmaceuticals as a core business.

Segment Sales and Operating Income



Fiscal 2008 Results

Consolidated segment sales decreased by 6.9 percent, or ¥6.4 billion, year-on-year to ¥87.0 billion. Operating income decreased by 52.3 percent, or ¥7.4 billion, year-on-year to ¥6.7 billion.

Until the second quarter, shipments of electrolytes and separators for lithium-ion batteries were strong and shipments of high-purity chemicals and other products for semiconductors were solid. However, shipments of both declined sharply in the latter half of the third quarter due to plummeting IT/digital products-related demand. Shipments of polyimide products, which had been recovering, were sluggish due to the impact of inventory adjustments for flat-screen television panels. Shipments of fine chemicals and gas separation membranes, including nitrogen gas separation membranes, were generally solid until the second quarter, but plunged in the third quarter. Shipments of pharmaceutical active ingredients and intermediates were generally strong throughout the full year. It should also be noted that operating income was substantially impacted by a strong yen.

Fiscal 2008 Initiatives

Polyimide Business

UBE's polyimide film, *UPILEX*, offers unique features including high elasticity, good dimensional stability and a smooth surface. UBE holds a dominant market share for tape-automated bonding (TAB) used in plasma televisions and other products. The polyimide film is highly evaluated by customers who require high-precision, high-density features for use in substrates for large-screen LCD televisions and is gaining market share in chip-on-film applications. Demand in fiscal 2008 was sluggish due to the impact of inventory adjustments for flat-screen television panels, but we foresee ongoing expansion of demand over the medium-to-long term due to expected growth for new applications, such as in solar batteries. Construction is now under way on the 10th and 11th production facilities at the Sakai Factory, which are scheduled for completion in fall 2009. These new facilities will allow a more stable and flexible supply of polyimide products.

Having designated fiscal 2008 as "the year of strengthening manufacturing," UBE achieved the high-quality manufacturing that customers demand. In fiscal 2009, UBE will continue the assiduous rationalization of production and development that responds to market changes, and will strengthen operations in the polyimide chain including polyimide-related products such as monomers, varnishes and compacts as well as gas separation membranes.

The Specialty Chemicals & Products segment mainly consists of core strategic growth businesses with an abundance of unique products, but it was unable to avoid the impact of the global recession in fiscal 2008. Results were strong in the first half, but weakened in the second half as most businesses experienced decreased demand. Based on the core concept that "quality is the lifeline of a business," we work on development that responds to changes in market needs, as well as more advanced and efficient production technologies.

KOJI KIHIRA Senior Managing Executive Officer

Battery Materials Business

High growth of around 10 percent annually is forecast in the lithium-ion secondary batteries (LIB) market. In March 2009, the 6th separator production facility was completed at the Ube Chemical Factory in response to increasing demand for polyolefin microporous film *U-Pore*® for use as separators for LIB.

In electrolytes, UBE is focusing on development of functional additives under a strategy of specializing in high-performance electrolytes for high-performance batteries, but is also working to reduce costs for a possible entry into the consumer-use mid-range and automotive application markets, where volume expansion is expected. In separators, UBE will maintain and expand its sales volume in the Chinese market, and also develop technologies and reduce costs with a focus on LIB applications in Hybrid Electric Vehicles (HEV).

Gas Separation Membrane Business

Increasing safety consciousness has characterized the market for gas separation membranes, which use polyimide hollow fiber membranes. As a result, demand had been increasing for nitrogen gas separation membranes for anti-explosive applications in areas including oil wells, coal mines and oil tankers, as well as a filler for automobile tires. However, this demand growth stalled as a result of the economic slowdown. With a view toward expanding demand for alcohol dehydration membrane applications, a critical element in refining bioethanol, UBE constructed a demonstration plant in fiscal 2008 in order to prepare for a market environment that seeks rapid development. In fiscal 2009, UBE will use this plant to concentrate on expanding sales of alcohol dehydration membranes and on environment-related fields including the development of CO_2 separation membranes.

Fine Chemicals Business

The fine chemicals business is stepping up business development in high-performance niche markets including caprolactam derivatives (C6 chemicals), dihydric phenol derivatives, C1 chemicals and environmental coating materials.

In the area of caprolactam derivatives, UBE produces 1,6-hexanediol, which is used as a raw material in products including urethane resins, in Japan and Spain, and has decided to establish a new factory in Thailand as well. As a result, facilities with a total annual production capacity of 6,000 tons including co-produced 1,5-pentanediol are scheduled to be on line in mid-2011. The sluggish automobile market has impacted this area since the end of 2008, but until then the Asian market including China had been growing at 10 percent or more annually. By responding to vigorous demand in the Asian market with the new Thai factory, UBE will further solidify its position in the global market.

In the area of dihydric phenol derivatives, production began in July 2006 for *Heliofresh*, the world's first marine aroma fragrance synthesized from cathecols, which are replacing plant-based fragrances that are threatened with resource depletion. Sales have since expanded steadily, and UBE is progressing with commercializing Heliotropin through synthesis.

In C1 chemicals, UBE plans to increase production of high-purity dimethyl carbonate (DMC) in response to growing demand for electrolytes for lithium-ion batteries.

In environmental coating materials, UBE is moving to quickly commercialize water-borne polyurethane dispersion (PUD), which is in rapidly growing demand primarily for automotive interior and exterior coatings, using the technology acquired through a licensing agreement signed in August 2007 with Industrial Copolymers Ltd. of the U.K.

Silicon Nitride Powder Business

In May 2008, UBE increased production of silicon nitride powder (ceramics), where demand is increasing rapidly for applications including ceramic bearing balls in wind power generation, cutting tools and ceramic substrates for hybrid cars. Further production expansions in April and September 2009 are aimed at steadily expanding operations to meet growing demand for environment-related applications.

Pharmaceuticals Business

In the proprietary pharmaceuticals business, steady shipments continued for *Calblock*®, an antihypertensive agent co-developed with Daiichi Sankyo Co., Ltd., and for *Talion*®, an antiallergic treatment co-developed with Mitsubishi Tanabe Pharma Corporation. In addition, Prasugrel (product name: *Effient*™ in the United States and *Efient*® in Europe) is a novel antiplatelet agent created through joint development between UBE and Daiichi Sankyo Co., Ltd. that Daiichi Sankyo and Eli Lilly of the United States are jointly manufacturing and developing globally. Marketing approval was granted by the European Commission in February 2009. UBE manufactures and supplies the active ingredients for this novel antiplatelet agent, and Daiichi Sankyo and Eli Lilly will conduct sales sequentially in all EU countries, having started in March 2009 in the U.K.

In the future, UBE plans to nurture the pharmaceuticals business, including consignment pharmaceutical manufacturing, as a pillar of its chemicals businesses.

Fiscal 2009 Initiatives

UBE believes the economic climate will further intensify. However, we will assiduously implement policies to restrain the use of cash. Further, based on the core concept that “quality is the lifeline of a business” we will continue to strengthen the foundation of our manufacturing, including through cost reductions and satisfying market demand for higher quality during this temporary pause in the global economy. Each field of business will lead the markets in quickly taking the next road to growth when the economy recovers, allowing Specialty Products & Chemicals to play its role as the segment that will shoulder UBE’s future growth.

Polyimide molding materials

Battery materials and applications

Applications for silicon nitride powder

Pharmaceutical products

Basic Strategies of Stage Up 2009

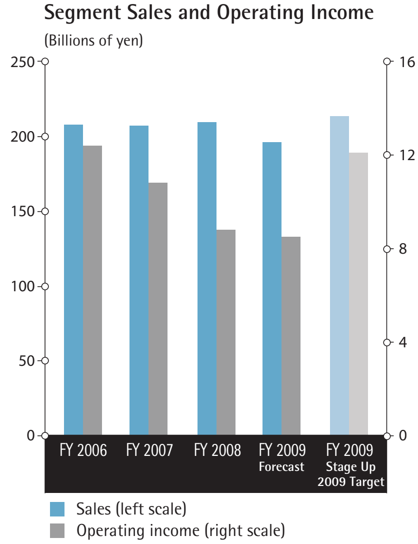
Cement and Ready-Mixed Concrete Business: Generate stable earnings and cash flow by continuing to work for reasonable prices and establish a solid business foundation. Work closely with the entire UBE Group to continue to raise cost competitiveness and make the capital expenditures needed to maintain the business and secure stable operations. Also, work together to continue to secure stable limestone resources.

Recycling Business: Utilize waste in the production process at cement kilns to generate stable profits for the cement business while contributing significantly to the UBE Group's effort to help build a recycling-based society. Further expand waste processing facilities to boost processing capacity. Increase revenue from waste processing by ¥1 billion in each fiscal year, with the goal of achieving target revenues of ¥15 billion by fiscal 2011.

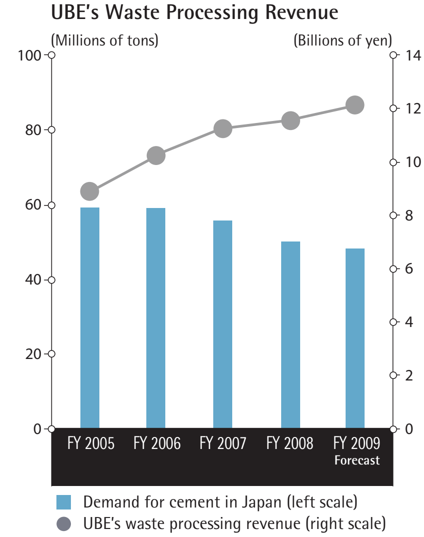
Calcia, Magnesia and Specialty Inorganic Materials Business: Expand the calcia business throughout Japan, and the magnesia business into new fields. Raise management efficiency in the specialty inorganic materials business, and develop new high-performance, high-quality products, primarily for plasma display panels (PDPs), to launch in the short-term. Increase sales of high purity and ultra-fine single crystal magnesia powder.

Building Materials: Expand the scale of business by developing new products, technologies and applications focused on self-leveling and plastering materials, where UBE has a competitive advantage.

Segment Sales and Operating Income



Demand for Cement in Japan and UBE's Waste Processing Revenue



Fiscal 2008 Results

Consolidated segment sales increased by 1.2 percent, or ¥2.4 billion, year-on-year to ¥209.4 billion. Operating income decreased by 18.1 percent, or ¥1.9 billion, to ¥8.8 billion.

Shipments of cement, ready-mixed concrete and building materials were sluggish due to the continuing impact of a revision to the Building Standards Law in 2007, higher material prices and worsening economic conditions. Recycling of various types of waste for use as fuel and raw materials expanded steadily. Backed mainly by steel-related demand, shipments of calcia and magnesia were generally strong until the second quarter, but were affected by the rapid drop-off in steel demand in the third quarter. The

In fiscal 2008, the Cement & Construction materials segment succeeded in passing on high energy costs through cement price increases. However, demand slackened as market conditions further weakened due to high prices for various raw materials and the economic downturn. As a result, sales increased but operating income decreased. We expect the operating environment to remain challenging in fiscal 2009, but we are fully committed to improving earnings, including reducing fixed costs. We are also working to strengthen the operations of the resource recycling business and the specialty inorganic materials business, which are strategic growth businesses, in preparation for a turnaround in economic conditions.

KAZUMA SEKIYA Senior Managing Executive Officer segment was significantly impacted by increases in coal and other fuel costs, which exceeded efforts made to shift the costs by raising product prices.

Fiscal 2008 Initiatives

Cement and Ready-Mixed Concrete Business

In the cement business in Japan, the revision of the Building Standards Law caused delays in building authorizations that led to a decrease in total demand from 55,500,000 tons in fiscal 2007 to 50,090,000 tons in fiscal 2008. Under these conditions, UBE worked to generate income by maintaining production levels through increased exports, raising cement prices and reducing costs. UBE will continue to work for reasonable prices, while aiming to further reduce costs and secure profit.

Resource Recycling Business

The UBE Group uses recycled waste as raw materials or fuel for cement manufacturing. UBE is making a series of expansions at its three cement factories to increase their acceptance of waste materials with higher revenue potential, including ash from incinerated urban trash and plastics. Phase III construction of facilities to process waste for use as fuel was completed in January 2009 at the Isa Cement Factory, one of these factories. This allows greater acceptance of waste plastic for cement manufacturing, thus lowering fuel costs.

Calcia, Magnesia and Specialty Inorganic Materials Business

Ube Material Industries, Ltd. is the leading manufacturer of quicklime and the only producer of magnesia clinkers (refractories) in Japan. Its ability to use the UBE Group to operate efficiently in areas ranging from limestone to quicklime and magnesia gives it a strong advantage. In fiscal 2008, Ube Material Industries manufactured slaked lime for use in exhaust gas treatment for waste incinerators, and developed *Calbreed EX*, a next-generation, superreactive slaked lime that delivers 30 percent higher performance than existing products. Production started in August 2008. Moreover, higher demand in China for magnesium hydroxide caused volumes of natural magnesium imports to Japan to decline precipitously. This increased Ube Material Industries' shipments, which contributed to operating income. Further, in April 2008 the company published the significant results that seawater-magnesia-based ecological improvement agent *Clear Water* had in enhancing water and sediment quality in rivers and lakes. This product is also effective against surface algae. As a result, UBE expects it to grow as an environment-related business.

Building Materials Business

In the building materials business, demand decreased due to the sluggish construction market, but UBE continued working to develop and rapidly market new products that anticipate market needs while strengthening and expanding sales of existing products. There was an increase in inquiries for UBE's self-leveling materials for construction, which offer excellent smoothness for floor surfaces, because of short project periods. UBE aims to continue expanding earnings by concentrating resources in the core product areas of self-leveling and plastering.

Fiscal 2009 Initiatives

In addition to the continued challenging operating environment and sluggish demand, coal prices are expected to remain at the high level they reached in fiscal 2008. To cope with this situation, UBE is fully committed to improving earnings, including reducing fixed costs. UBE will work to increase the earnings of its resource recycling business, and will focus efforts on developing businesses such as the specialty inorganic materials business and building maintenance materials business in order to solidify its business platform and insulate it from the external environment.

Moreover, from fiscal 2009 UBE will switch to an operational framework that delineates the rights and responsibilities of each cost center and profit center, and will steadily implement the plan, do, check and act (PDCA) cycle with a focus on operating income. In addition, UBE will continue working to upgrade its operating base from the perspective of ten years in the future with initiatives that include training personnel, securing limestone resources, and strengthening the infrastructure of the ready-mixed concrete business.

Isa Cement Factory and limestone mine

NSP kiln at Ube Cement Factory

Application of self-leveling materials

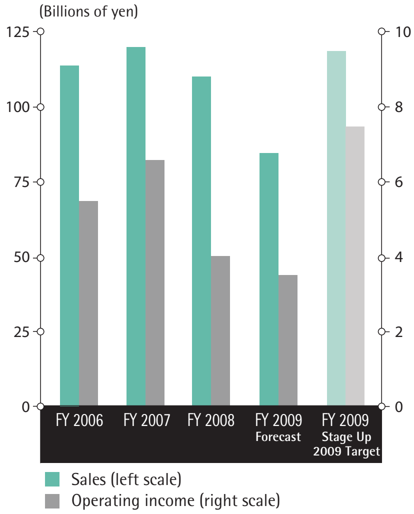
MACHINERY & METAL PRODUCTS

Basic Strategies of Stage Up 2009

Machinery Business (Molding Machinery, Industrial Machinery, Steel Products): Leverage the advanced and respected technological capabilities of core company Ube Machinery Corporation in the automotive and other industries. Under the unified UM4 management, strengthen our flexible global production and service system to enhance stable profitability in the molding and industrial machinery businesses. Strengthen stable profitability in the molding and industrial machinery businesses and synergy in UM7 to create a structure that is not affected by changes in the operating environment.

Aluminum Wheels Business: In a weak sales environment for automobiles, operate exclusively in the Japanese market, switching to management from the points of view of increasing speed and enhancing customer satisfaction as a split-off, specialized OEM. Work to assiduously rationalize the business and minimize cash use with the aim of returning to profitability in fiscal 2010.

Segment Sales and Operating Income



Fiscal 2008 Results

Consolidated segment sales decreased by 8.5 percent, or ¥10.2 billion, year-on-year to ¥110.0 billion. Operating income decreased by 39.0 percent, or ¥2.6 billion yen, to ¥4.0 billion.

In the machinery business, shipments of molding machinery were weak due to a decrease in automobile industry demand, but shipments of vertical mills and other industrial machinery were solid, primarily for the steelmaking industry in Japan and overseas and the cement industry overseas. Orders of industrial machinery for major overseas resource-related projects were at a high level until the second quarter but slumped in the third quarter due to a sharp drop in plant investment. Operating income decreased significantly due to the impact of surging steel prices and the appreciation of the yen in the machinery business, and the impact of a decline in automobile sales in the aluminum wheel business. In the aluminum wheel business, shipments were weak in both Japan and North America.

Fiscal 2008 Initiatives

Machinery Business

Under the unified UM4 management that UBE has been promoting since 2005, the machinery business has been making progress in strengthening its global responsiveness and service operations, such as maintenance support and renovation for machinery.

In the molding machinery business, demand peaked and subsequently slowed. However, from fall 2008 demand was hit by poor results among automakers, the core

In fiscal 2008, the substantial impact of a sudden downturn in the automobile industry, a core customer of the Machinery & Metal Products segment, caused automobile-related demand to decrease farther than projected. In the machinery business, sales of the molding machinery business were sluggish due to restrained automobile-related capital expenditures. Orders and deliveries were strong in the industrial machinery business, particularly overseas, due to vigorous infrastructure investment resulting from high resource prices until summer 2008. However, this was not sufficient to cover the decrease in the molding machinery business, and overall net sales and operating income for the machinery division decreased. In fiscal 2009, we will further develop the unified UM4[1] management that we have been promoting, and will strengthen UM7[2] synergy, aiming to secure stable profits.

Amid continuing sluggish automobile demand, the aluminum wheel business decided to withdraw from North America and work to revitalize its operations by specializing in the Japanese market.

KAZUHIKO OKADA Vice-President and Executive Officer

1. UM4 refers to the four consolidated subsidiaries at the core of the UBE Group's machinery segment: Ube Machinery Corporation, Ltd.; Ube Techno Eng Co., Ltd.; Ube Machinery Inc.; and Ube Machinery (Shanghai) Ltd.
2. UM7 refers to seven companies consisting of the abovementioned UM4 and UBE Steel Co., Ltd., T & U Electronics Co., Ltd., and Fukushima Ltd.

customers of the business, and decreased further than projected.

In June 2008, Ube Machinery Corporation launched the MDS-V series of next-generation large-scale all-electric injection molding machines. This series has high-rigidity toggle clamps that allow small machines to have more clamp capacity, and improvements to a wide range of basic functions including reduced CO_2 emissions due to greater energy efficiency. By introducing these energy- and space-saving high-value-added products, Ube Machinery is strengthening its competitiveness in preparation for a recovery in demand.

Orders and deliveries were strong in the industrial machinery business, particularly overseas, due to vigorous infrastructure investment resulting from high resource prices through summer 2008. Ube Machinery made progress in creating a framework appropriate to the operating environment, including improvements to productivity and profitability, and shifting to staffing based on current orders.

Ube Steel Co., Ltd. secured profits by adjusting sales prices to reflect higher prices for the scrap steel it uses as a raw material in producing casting and steel products and billets, and shipments to South Korea and other markets remained strong. In addition, Fukushima Ltd., which carries out production and sales of marine machinery, maintained strong orders, which supported the results of the industrial machinery business. This company's products include low-oil-pressure anchor handling winches, which only two companies in the world manufacture.

Aluminum Wheel Business

Results were sluggish for the aluminum wheel business as sales of large vehicles, an UBE specialty, decreased in the first half of the fiscal year due to high gasoline prices. Thereafter, automobile sales volume decreased precipitously from the time of the financial crisis, seriously impacting the business.

UBE Automotive North America Sarnia Plant, Inc., which manufactures and sells large-diameter wheels, aimed to turn profitable by shifting to Japanese users, improving yield, and focusing on assiduously reducing costs through measures including shifting painting processes in-house. However, based on increasingly slack demand from North American automakers and forecasts on the direction of the automobile market, in February 2009 UBE decided to withdraw from North America as a result of an investigation into the viability of reconstructing the business.

In Japan, UBE has decided to split this business off as a separate company in order to ensure competitiveness through management that conforms to operational characteristics and rapid decision-making amid volatility in the automobile market.

Fiscal 2009 Initiatives

In the machinery business, although automobile production is expected to remain sluggish, infrastructure investment among newly industrialized countries will continue. Based on this, UBE is focusing on strengthening the service business and unearthing demand in newly industrialized countries. Activities under unified UM4 management since 2005 have bolstered UBE's shift to service models and globalization. UBE will secure more stable profits by further developing these activities and strengthening UM7 synergies, and will aim at a stronger business structure by minimizing cash outlays so that the cost structure conforms to the scale of the business. In addition, the entire machinery business will determine its position within the UBE Group and its growth strategy through interaction and cooperative relations based on the shared theme of "machinery manufacturing."

The aluminum wheel business will deal with the volatile automobile market by specializing in the Japanese market and splitting off as a separate company. It will work to further improve productivity and reduce costs, including development of cost-competitive new die casting machines by strengthening its tie-up with the machinery business, in order to return to sustainable profitability in fiscal 2010.

Aluminum die-casting machine

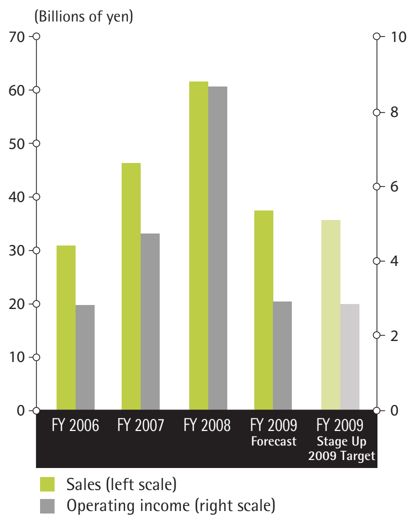
Vertical mill

UBE aluminum wheels

Basic Strategies of Stage Up 2009

Coal and Power: As a shared infrastructure business of the UBE Group, this business will deliver a stable, competitive supply of energy in the form of coal and electricity to Group companies while maximizing profits and cash flow through outside sales.

Segment Sales and Operating Income



Fiscal 2008 Results

Consolidated segment sales increased by 33.1 percent, or ¥15.3 billion, year-on-year to ¥61.8 billion. Operating income increased by 84.4 percent, or ¥3.9 billion, to ¥8.6 billion.

Coal selling prices increased and shipments were strong with tight supply and demand and rising coal prices until summer. 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, despite a sharp decrease in the fourth quarter, due in part to reinforcements to storage capacity made in February 2008. In the independent power producer (IPP) business, fuel costs were further reduced through use of biomass fuel and low-grade coal.

Fiscal 2008 Initiatives

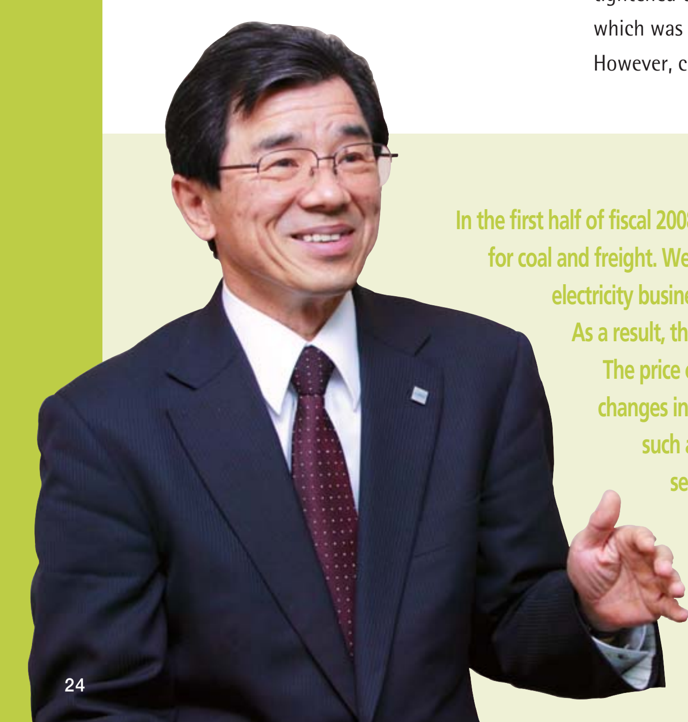
Coal Business

Market prices for coal rose to a historical high in July 2008 as a result of continued firm demand since fiscal 2007, and reduced supply due to decreased coal exports from China, demurrage and storm damage in Australia, and prolonged rains in Indonesia. These factors tightened the balance of supply and demand, which was further tightened by speculation. However, coal and freight prices have decreased rapidly since summer 2008 amid rapidly declining prices for natural resources and energy as a result of the financial crisis. Under these conditions, demand for coal was strong and customers favored stable supply through the first half of 2008. UBE's coal dealing increased as a result of its stable supply capability and leading domestic coal storage facilities.

UBE has diversified coal sources and contracts to mitigate price and supply risks. Further, UBE stationed employees in Singapore in February 2007 and in Beijing in May 2007 to strengthen relationships with shippers and ensure stable procurement of cost-competitive coal. On the other hand, UBE's Coal Center, a staging facility that provides a stable supply of imported steaming coal to users in Japan, succeeded in maintaining high levels of sales volume and dealing in spite of the economic slowdown from the second half by reducing facility down time, working to manage coal storage more efficiently, and upgrading and expanding the Nishioki storage facility.

Newly Appointed Executive Officer

EIICHI ITOGUCHI
Executive Officer



In the first half of fiscal 2008, dealing was at a high level in the coal business, supported by strong demand amid high prices for coal and freight. We were able to maintain this high level in the second half despite the economic slowdown. The electricity business contributed by reducing costs through mixed biomass fuel combustion and low-cost coal use. As a result, the segment once again achieved substantial overall increases in sales and income. The price of coal is expected to return to an upward trend in the medium-term, as there have been no changes in such fundamentals as increasing demand due to the growth of newly industrialized countries such as China and a market supplied by an oligopoly. In fiscal 2009, the Energy & Environment segment will steadily work on current initiatives to control costs, including reducing fuel costs, streamlining facility operation, promoting businesses that contribute to the environment, and optimizing coal procurement, including organizing procurement sources and shipping.

MICHIO TAKESHITA Senior Managing Executive Officer

Electricity Business

Although the rising price of coal used for fuel presented a headwind, the IPP business substantially increased operating income through policies of sequentially introducing mixed combustion of wood biomass fuel from mid-2006, increasing operating efficiency, and using low-grade coal.

Unlike the use of fossil fuels such as coal, which has uniform quality, the use of wood biomass for fuel can pose problems for stable operation. However, UBE has expanded the range of materials it can use for fuel from wood chips to rice husks and coffee lees. We aggressively progressed in selling surplus power from our private power plant, with sales in 2008 expanding to bidding on the Japan Electric Power Exchange (JEPX) in addition to existing purchaser Ennet Corporation. We are working not only for stable operations, the mission of our private power plant, but also to maximize earnings.

Recycling Business

In the recycling business, UBE recycles biomass fuels used in the electricity business, and operates a plastic waste conversion business in compliance with Japan's Containers and Packaging Recycling Law. In its plastic waste conversion operations, UBE uses the Ebara-Ube Process (EUP) system, a two-stage pressure gasification system developed and commercialized with Ebara Corporation. EUP is an advanced process in tune with the increasing importance of environmental protection, but requires further improvement as a business. As a result, in March 2008 UBE absorbed the subsidiary that handles the EUP business, EUP Co., Ltd., with the objective of streamlining its operations and making them more efficient. However, because of the operational challenge presented by the low evaluation of its chemical recycling under Japan's current Containers and Packaging Recycling Law, we have decided to suspend its operations until that evaluation is revised such that it becomes a viable business again.

Fiscal 2009 Initiatives

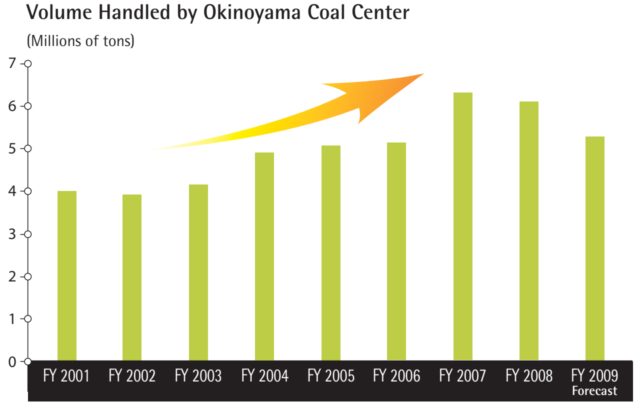
Coal has a high global share among primary energy sources, and supply is stable in terms of geographic location and mineable reserves. Moreover, coal is competitive in terms of unit energy cost, and expansion of nuclear power and new sources of energy will take many years. These and other factors indicate that coal will remain an important source of energy. However, speculation caused wide fluctuation in the coal and shipping markets in fiscal 2008. In fiscal 2009, we expect coal prices to weaken and freight charges to remain low. However, UBE will focus on these markets in order to respond appropriately to any substantial fluctuations that may result from economic trends.

Although medium-term prices for natural resources and energy will be affected by decreased investment in natural resource development due to the recent economic recession, they are expected to return to a rising trend due to the growth of China and other newly industrialized countries. Therefore, we will steadily work on current initiatives to control costs, including reducing fuel costs, streamlining facility operation, promoting businesses that contribute to the environment, and optimizing coal procurement, including organizing procurement sources and shipping.

In the electricity business, UBE will assiduously manage and maintain facilities to ensure stable operation. More detailed management will include expanding the use of low-grade coal and improving energy efficiency to reduce variable costs, as well as selling surplus power. The IPP business will cooperate with the Cement & Construction Materials segment to secure stable supplies of wood biomass, maximize the merits of multi-fuel usage, and widen the range of biomass fuels UBE can use.

IPP power plant

Volume Handled by Okinoyama Coal Center



Okinoyama Coal Center

CORPORATE SOCIAL RESPONSIBILITY

Strengthening corporate social responsibility (CSR) activities is one of the basic strategies of Stage Up 2009, our medium-term management plan. The UBE Group will further enhance these activities to deepen the confidence of all stakeholders — from shareholders and capital markets to customers, business partners, employees, and local communities.

BASIC CSR POLICY

The UBE Group engages in various businesses offering products and services that contribute to bettering people's lives. In conducting our business activities, we believe that generating profits and striving for sustainable growth are our primary CSR, as well as our mission as a corporation.

Based on this concept, the UBE Group has formulated the following basic policies for CSR in the areas of "Economy (Management)," "Environment," and "Social ties":

- To continually improve profits and earnings, and maintain a sound financial position, in order to increase corporate value.
- To provide products, services, and systems that contribute to safety and the environment, to reduce use of harmful materials and wastes, and to institute policies for prevention of global warming, in order to contribute to conservation of the global environment.
- To establish compliance procedures in order to improve corporate governance, and to create a better working environment, as a part of activities to contribute to society.

In fiscal 2008, in order to strengthen its CSR activities, the UBE Group established the Group CSR Committee as one of the Group organizations with the highest decision-making authority, under which there are five committees including the CSR Promotion Committee, which oversees and facilitates social contribution activities, the Compliance Committee and the Information Security Committee. In addition, the CSR Department has been newly established as an organization to support and strengthen the CSR promotion system.

CORPORATE GOVERNANCE

BASIC POLICY

The UBE Group's basic mission is to achieve, stable, long-term enhancement of Group-level corporate value. To do so, the UBE Group maintains good corporate governance as the basis for appropriate and sustainable business activities in order to fulfill its responsibilities to and earn the trust of all stakeholders, including shareholders, customers, suppliers, local communities and employees. Based on this concept, UBE will continue to enhance corporate governance in ways such as working to raise management efficiency and transparency, accelerate decision-making, clarify management responsibilities, and strengthen the supervisory function of management.

MANAGEMENT AND EXECUTIVE SYSTEMS

In fiscal 2001, UBE adopted an executive officer system with the aim of separating governance and management functions. As of May 31, 2009, the management team consists of eight directors and 23 executive officers, of whom six are also directors.

The Board of Directors makes decisions on important management-related matters, in accordance with laws and regulations, the Company's Articles of Incorporation, and the Board Regulations. It also supervises the activities of directors and executive officers to ensure that all duties are being performed appropriately and efficiently.

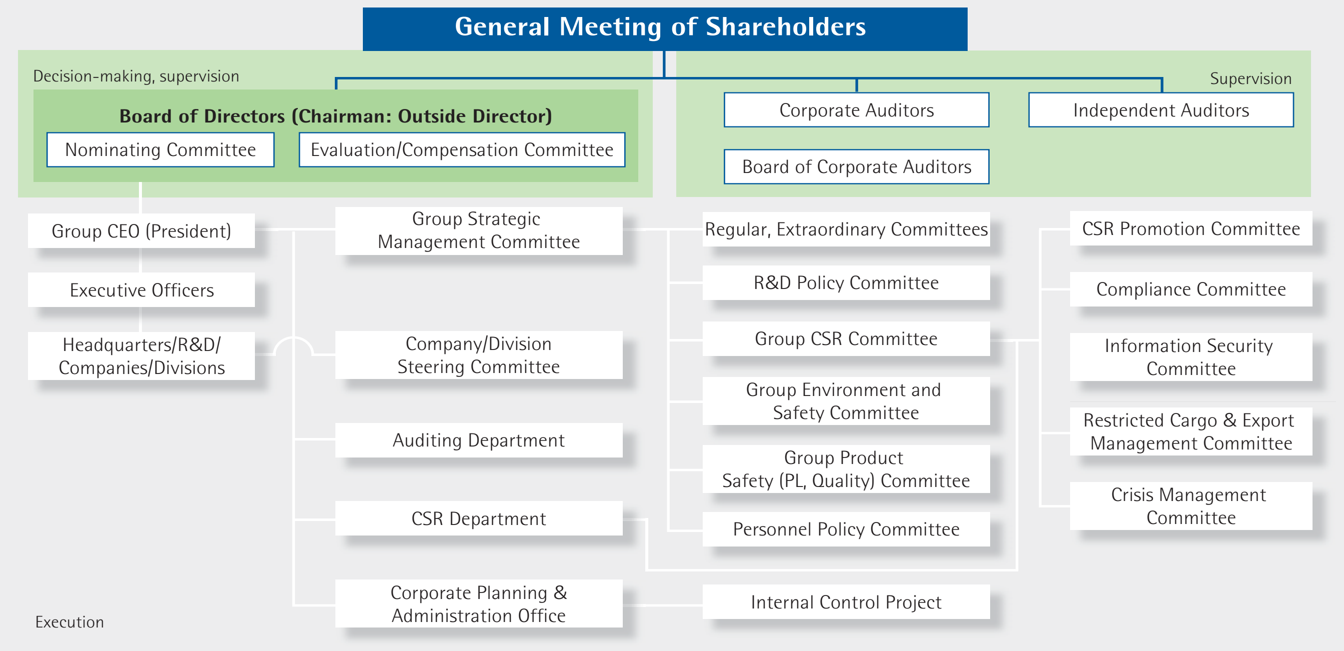
Executive officers carry out business operations in accordance with management policies determined by the Board of Directors, using authority delegated to them by the Chief Executive Officer.

In fiscal 2005, two outside directors were appointed to the Board of Directors. Their role is to bring a third-party perspective to decision-making, thereby ensuring transparency and objectivity in management. The Chairman of the Board is an outside director.

To allow greater flexibility in the activities of the Board of Directors, subsidiary committees responsible for director nomination, evaluation and remuneration have been established. The Nomination Committee (seven members) and the Evaluation and Compensation Committee (six members) are both chaired by outside directors.

The two outside directors attended all 13 of the Board of Directors meetings that were held in fiscal 2008, and provided constructive opinion at all meetings. They also attended all Nomination Committee and Evaluation and Compensation Committee meetings.

Corporate Governance Structure



Operation of Group Management and Company Consolidated Management

- **Group Management**

The Group CEO (President), who is entrusted with the execution of the business operations of the UBE Group by the Board of Directors, articulates policy on business execution and sets the objectives for each company as well as allocating management resources such as personnel, goods and capital needed to attain those objectives. In addition, the resolution of important issues in the execution of business operations that exceed the authority of a single company falls to the Group CEO.

- **Company Management and Execution of Business Operations**

Companies effectively utilize the management resources allocated, based on a policy aligned with Group management, to execute business operations autonomously with the aim of attaining Company objectives.

Decision-making System

- BOARD OF DIRECTORS

The Board of Directors deliberates and makes resolutions regarding matters specified by the Company Law, the Company's basic policy and important business execution issues from a medium- to long-term perspective, as the representative of shareholders' concerns for returns. Moreover, the Nominating Committee and the Evaluation/Compensation Committee have been established as substructures of the Board of Directors in order to allow greater flexibility in the activity of the Board of Directors.

- GROUP STRATEGIC MANAGEMENT COMMITTEE

The Group Strategic Management Committee deliberates and makes decisions concerning allocation of resources, matters for which coordination is needed within the entire Group, and important issues that affect the Group overall. These decisions are made based on the Group Management Guidelines and the Group Strategic Management Committee Regulations.

- COMPANY STEERING COMMITTEE

The Company Steering Committee deliberates and makes decisions concerning important issues including UBE Industries and Group company business strategy at the company or department level. These decisions are made based on the Group Management Guidelines and the Company Steering Committee Regulations.

Compensation and Other Remuneration of Directors and Corporate Auditors

Director Incentives

UBE uses a performance-based system and a stock option system of compensation for directors. Compensation and bonuses in the performance-based system are determined by quantifying both individual performance, through evaluation of individually-set targets, and five performance-based indices throughout the entire Group to evaluate achievement of net income target, year-on-year improvement in net income, operating income per employee, return on assets, and achievement of free cash flow target. The system also considers safety performance including occupational accidents.

In addition, the stock option compensation system was introduced from July 2006 following elimination of the retirement bonus system for directors and corporate auditors. Internal directors and executive officers are eligible for stock options, which are not granted to outside directors or corporate auditors in order to ensure their independence.

Compensation and other remuneration paid to directors and auditors in fiscal 2008 were as follows.

Numbers of Directors: 9	**¥316 million**
[Numbers of outside directors included in above]: [2]	**[¥24 million]**
Numbers of Auditors: 5	**¥94 million**
[Numbers of outside auditors included in above]: [3]	**[¥35 million]**

Note: Compensation and other remuneration include the following:
1. Accrued bonuses for directors and auditors recorded as expenses during fiscal 2008 . . . . ¥27 million
2. Stock options for directors . . . . ¥30 million

Compensation and other remuneration for auditing paid to Ernst & Young ShinNihon LLC, the Company's independent auditors, in fiscal 2008 were as follows.

- Compensation and other remuneration for fiscal 2008 . . . . **¥102 million**
- Total compensation paid by the Company and its consolidated subsidiaries . . . . **¥163 million**

MANAGEMENT TEAM (As of June 26, 2009)

Back row from left: Nobuyuki Takahashi, Michitaka Motoda, Yoshiomi Matsumoto, Koji Kihira, Kazuma Sekiya
Front row from left: Michio Takeshita, Kazuhiko Okada, Hiroaki Tamura, Yasuhisa Chiba, Akinori Furukawa, Makoto Umetsu

DIRECTORS

President and Representative Director

Hiroaki Tamura

Representative Directors

Yasuhisa Chiba

Kazuhiko Okada

Directors

Akinori Furukawa

Michio Takeshita

Makoto Umetsu

Yoshiomi Matsumoto*

Michitaka Motoda*

AUDITORS

Masaki Kashibe

Kazuo Yamanaka*

Keisuke Fujioka

Mitsuhiro Fujita*

*Outside Director or Auditor

EXECUTIVE OFFICER RESPONSIBILITIES

Chief Executive Officer

Hiroaki Tamura
Group CEO

Vice-President and Executive Officers

Yasuhisa Chiba
Group CTO; Responsible for Environment & Safety Department and Ube Corporate Service Department

Kazuhiko Okada
Machinery & Metal Products Company President; Responsible for Group CSR, Energy & Environment Division and Procurement & Logistics Division

Senior Managing Executive Officers

Koji Kihira
Specialty Chemicals & Products Company President

Nobuyuki Takahashi
Chemicals & Plastics Company President; General Manager, Europe Operational Unit

Akinori Furukawa
Group CCO; General Manager, General Affairs & Human Resources Office

Kazuma Sekiya
Cement & Construction Materials Company President

Michio Takeshita
Group CFO; General Manager, Corporate Planning & Administration Office

Managing Executive Officers

Charunya Phichitkul
General Manager, Asia Operational Unit, Chemicals & Plastics Company

Yuzuru Yamamoto
Machinery & Metal Products Company Vice-President; General Manager, Machinery Division

Makoto Umetsu
General Manager, Corporate Research & Development; Responsible for Intellectual Property Department

Hideyuki Sugishita
General Manager, Production & Technology Division

Shinobu Watanabe
Specialty Chemicals & Products Company Vice-President (Responsible for business)

Executive Officers

Nobuyuki Taenaka
General Manager, Development Center, Production & Technology Division

Takanobu Kubota
General Manager, Procurement & Logistics Division

Ryoji Sugise
Chemicals & Plastics Company Vice-President (Responsible for technology)

Tomoki Musumi
General Manager, Human Resources Department, General Affairs & Human Resources Office

Tadashi Matsunami
Cement & Construction Materials Company Vice-President

Shinji Ohara
Specialty Chemicals & Products Company Vice-President (Responsible for technology)

Jun Ueda
General Manager, Planning & Control Department, Cement & Construction Materials Company

Masayuki Kinouchi
Responsible for Organic Chemistry Research Laboratory, Organic Specialty Materials Research Laboratory and Process Technology Research Laboratory, Corporate Research & Development

Eiichi Itoguchi
General Manager, Energy & Environment Division

Masanori Hirai
General Manager, Production & Technology Division, Cement & Construction Materials Company

Junichi Misumi
General Manager, Product Center, Production & Technology Division

CEO: Chief Executive Officer
CTO: Chief Technology Officer
CCO: Chief Compliance Officer
CFO: Chief Financial Officer
CSR: Corporate Social Responsibility

To realize an agile reassignment of directors and executive officers and instill an orientation toward results in order to raise short-, medium- and long-term performance, the terms of office for directors and executive officers are one year.

AUDIT SYSTEM

As a company with auditors, UBE's auditing system consists of four corporate auditors (including two outside auditors) and the Auditing Office (two members), who are the corporate auditors' staff. This organization conducts audits based on auditing policies and auditing plans set each fiscal year. To assess the process of important decision-making and the state of business execution, the corporate auditors attend the Board of Directors and other important meetings, examine important accounting documents and receive reports on operations from directors and other officers. As a result of these and other activities, corporate auditors are able to audit whether directors and executive officers are executing their professional duties appropriately.

Internal audits are conducted by UBE's Audit Department, which reports directly to the President and CEO, and cover the entire UBE Group, including overseas subsidiaries. Aspects checked include internal controls and compliance with laws and manuals. The purpose of these audits is to identify potential risks affecting any facet of the UBE Group's management activities. The General Manager of the Audit Department is also a member of Group-wide risk management organizations, including the Compliance Committee and the Information Security Committee, and works closely with these committees to strengthen risk management systems.

The corporate auditors regularly exchange information with the Audit Department and request surveys as necessary. Audit Department staff cooperate closely with the corporate auditors during corporate audits, for example, accompanying corporate auditors to assist them with the audit process. The corporate auditors regularly gather information about audit plans and the state of audits in progress from the Company's independent auditors. In addition, the corporate auditors regularly hold meetings to exchange opinions with the corporate auditors of UBE Group companies in order to improve audit quality and to gather information about the state of audits at Group companies.

SYSTEM OF INTERNAL CONTROL OF FINANCIAL REPORTING

In response to the internal control reporting system implemented in April 2008 under the Financial Instruments and Exchange Law, the UBE Group upgrades and operates internal control of financial reporting in accordance with the basic framework for internal control outlined in “On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” published by the Business Accounting Council.

In addition, internal control of financial reporting of the UBE Group as of March 31, 2009 was determined to be effective as the result of an evaluation in compliance with generally accepted evaluation standards for internal control of financial reporting.

THOROUGH COMPLIANCE

UBE has established Personal Action Guidelines for corporate ethics for the UBE Group, which set the standards for and scope of its corporate activities, as well as the compliance practices to which its executives and employees must adhere. For its compliance system, UBE has established the position of compliance officer and a Compliance Committee, including a consulting attorney, as an advisory body to this officer. In addition, we are working to upgrade and strengthen compliance structures and frameworks, as well as their practices. Our initiatives include the introduction of the “UBE C-Line,” a notification channel that allows executives and employees to directly report compliance issues without going through the normal chain of command, for rapid detection and correction of problems.

RISK MANAGEMENT

UBE implements appropriate measures to identify and assess the probability and impact of risks that could affect business activities. The Group Environment and Safety Committee and the Group Product Safety Committee were established to formulate policies for the entire UBE Group and coordinate measures for safety, environmental protection and product safety management. Committees and units established to deal with individual risk categories include the Information Security Committee, the Restricted Cargo Export Management Committee and the Crisis Management Committee. In addition, UBE works to upgrade its Manual for Handling Emergencies.

ENVIRONMENT, SAFETY AND HEALTH-RELATED ACTIVITIES

The UBE Group conducts environmental, safety and health-related activities based on Responsible Care programs — voluntary initiatives within the Japanese chemical industry to preserve health, safety and the environment.

The UBE Group is actively implementing measures to acquire certifications for its environmental management systems, quality management systems, and occupational safety and health management systems. All the operating sites of UBE have already acquired certification for these three management systems.

UBE is also actively working through its business activities to address the following environmental issues in Stage Up 2009:

1. Lessen environmental burden by reducing emissions of greenhouse gases
2. Contribute to the environment through products and technologies

CONTRIBUTION TO SOCIETY

Since its founding in 1897, UBE has adhered to its corporate slogan “Living and prospering together with the local community,” and has conducted a broad range of activities that contribute to society including the establishment of schools, hospitals and other community facilities. We carry this social spirit down to the present through volunteer activities including forest preservation, provision of medical services, subsidies to scientific institutes and facilities, and cultural activities. Both in Japan and overseas, UBE strives to invigorate local communities and academics through its various activities.

On August 10, 2008, UBE held the First UBE Group Charity Concert by the Japan Philharmonic Orchestra in Ube City to a very impressed capacity audience.

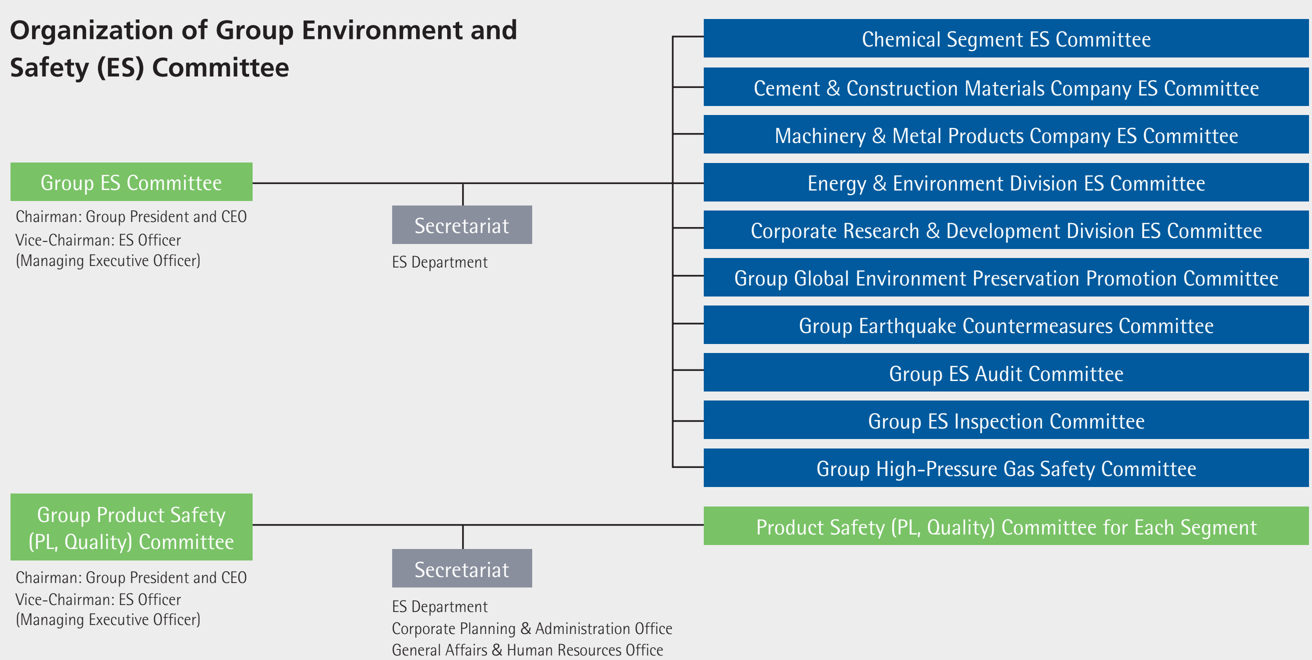
The day before the concert, UBE held smaller musical gatherings featuring an ensemble from the orchestra at a local junior high school and hospital. All ticket proceeds from the concert went to local music-related causes.

UBE contributes to the progress of music in the local community through such activities.

For a detailed explanation of the UBE Group's CSR activities, see the UBE Group CSR Report:

http://www.ube-ind.co.jp/english/eco/csr_report.htm

Organization of Group Environment and Safety (ES) Committee



Consolidated Six-Year Financial Summary

Ube Industries, Ltd. and Consolidated Subsidiaries
For the years ended March 31

	Millions of yen					
	2009	2008	2007	2006	2005	2004
RESULTS OF OPERATIONS:						
Breakdown of net sales by product group:						
Chemicals & Plastics	**¥212,610**	¥233,227	¥210,402	¥175,868	¥164,935	¥149,381
Specialty Chemicals & Products	**87,092**	93,534	88,368	89,280	83,066	65,880
Cement & Construction Materials	**209,486**	207,017	207,820	192,408	175,797	173,738
Machinery & Metal Products	**110,062**	120,350	114,206	102,468	109,769	101,693
Energy & Environment	**61,872**	46,477	30,987	31,498	25,443	16,296
Other Businesses	**3,581**	3,679	3,825	3,869	3,698	4,385
Net sales	**684,703**	704,284	655,608	595,391	562,708	511,373
Cost of sales	**572,010**	564,876	527,990	474,997	453,250	411,209
Selling, general and administrative expenses	**81,530**	83,508	80,756	78,225	77,146	78,147
Operating income	**31,163**	55,900	46,862	42,169	32,312	22,017
Income (loss) before income taxes and minority interests	**13,510**	40,890	36,003	26,634	10,785	(9,463)
Net income (loss)	**11,664**	24,031	22,013	16,006	9,223	(13,635)
FINANCIAL POSITION:						
Assets:						
Total current assets	**277,553**	297,893	286,991	268,559	275,421	257,220
Total property, plant and equipment, net	**332,418**	360,031	359,886	357,519	360,787	377,106
Total investments and other assets	**68,015**	62,974	67,994	74,359	70,478	65,172
Total assets	**677,986**	720,898	714,871	700,437	706,686	699,498
Liabilities and net assets:						
Total current liabilities	**269,025**	318,072	314,833	291,293	320,446	337,954
Total long-term liabilities	**214,238**	183,794	204,842	240,781	260,161	258,594
Minority interests	**22,527**	24,988	22,525	18,600	17,696	17,194
Total net assets	**194,723**	219,032	195,196	168,363	126,079	102,950
GENERAL:						
Per share data (yen):						
Net income (loss), primary	**11.59**	23.88	21.88	16.83	10.07	(16.07)
Cash dividends applicable to the period	**4.00**	5.00	4.00	3.00	2.00	—
Net assets	**170.92**	192.72	171.49	148.71	115.30	98.77
Other data:						
Operating margin (%)	**4.6**	7.9	7.1	7.1	5.7	4.3
Return on assets (ROA)* (%)	**4.8**	8.2	7.0	6.4	4.9	3.3
Shares of common stock issued (thousand)	**1,009,165**	1,008,996	1,008,993	1,008,993	942,993	871,201
Number of consolidated subsidiaries	**65**	67	68	66	70	71
Number of shareholders with voting rights	**60,202**	56,834	63,322	71,626	74,020	79,223
Number of employees	**11,264**	11,058	10,833	10,673	11,074	11,397

* ROA = (Operating income + Interest and dividend income + Equity in earnings of unconsolidated subsidiaries and affiliated companies) / Average total assets

Financial Review

FINANCIAL ANALYSIS

In formulating Stage Up 2009, its medium-term management plan for the three-year period beginning in fiscal 2007, the UBE Group set the targets below for fiscal 2011, five years from the start of the plan. The UBE Group intends to achieve these targets by increasing profitability and continuing to improve its financial position.

- Operating income ¥65 billion or higher
- Operating margin 8.5% or higher
- Return on assets 8.5% or higher
- Net debt/equity ratio (times) Under 1.0

Stage Up 2009 is positioned as a three-year action plan to realize these targets, and includes indicators and goals. The UBE Group reached some of these goals in the first year, fiscal 2007, with the help of a favorable external environment. However, the rapid downturn in the global economy since the middle of the second year, fiscal 2008, has had a substantial impact on the UBE Group, and the challenging external environment is expected to continue in fiscal 2009, the final year of Stage Up 2009. Although the UBE Group will not attain its original targets, the performance forecast for fiscal 2009 has been set as shown on page 36. The UBE Group will first achieve these forecast figures, while continuing its efforts to quickly reach the numerical targets set in Stage Up 2009 as soon as the global economy recovers.

SCOPE OF CONSOLIDATION

The UBE Group included 65 consolidated subsidiaries as of March 31, 2009, a decrease of two subsidiaries from a year earlier. The decrease was due to the sale of Ube Medical Co., Ltd. and the dissolution of Ube Electronics (Philippines), Inc.

OPERATING PERFORMANCE

Overview of Fiscal 2008

In fiscal 2008, the year ended March 31, 2009, the effect of turmoil in global financial markets stemming from the subprime mortgage problem led to deepening of the financial crisis from the middle of September 2008. This had widespread repercussions on the real economy in both developed and newly industrialized countries, and precipitated a worldwide recession. In the Japanese economy, decreased demand coupled with a strong yen led to a steep decline in exports, followed by production cutbacks, restrained investment and employment adjustments in many industries as the economy fell into a clear recession.

Under these conditions, the UBE Group focused on improving its financial performance by establishing a platform for profitability and further improving its financial position under the basic strategies of its three-year management plan Stage Up 2009, which began in fiscal 2007. Despite favorable trends until the second quarter, the sharp downturn in the global economy in the third quarter had a substantial impact on the Group's performance.

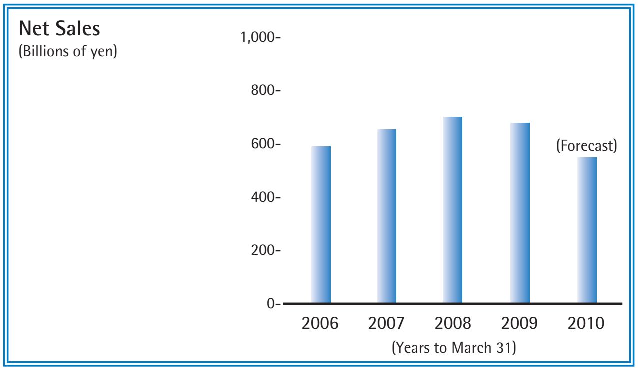
As a result, the UBE Group's net sales decreased by 2.8 percent, or ¥19.5 billion, compared with the previous fiscal year to ¥684.7 billion. Operating income decreased by 44.3 percent, or ¥24.7 billion, to ¥31.1 billion, and net income decreased by 51.5 percent, or ¥12.3 billion, to ¥11.6 billion.

OPERATING RESULTS

Net Sales

Net sales decreased by 2.8 percent, or ¥19.5 billion, compared with the previous fiscal year to ¥684.7 billion. Sales through the second quarter were strong as the UBE Group passed on high raw material prices to product prices and sales volume increased. However, sales volume in the last two quarters fell substantially due to the decrease in demand.

Overseas sales decreased by 9.6 percent, or ¥21.3 billion, compared with the previous fiscal year to ¥201.5 billion. The ratio of overseas sales to net sales decreased by 2.2 percentage points compared with the previous fiscal year to 29.4 percent.



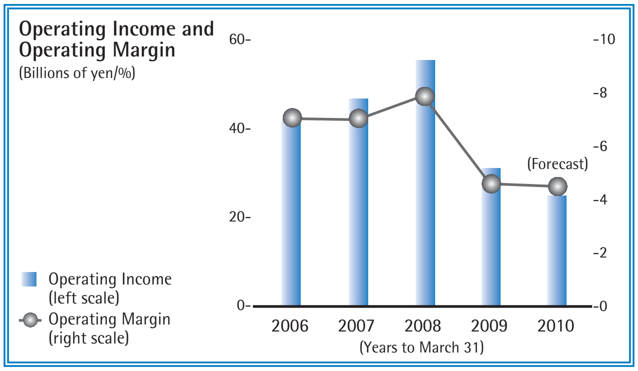
Cost of Sales and Selling, General and Administrative Expenses

Cost of sales increased by 1.3 percent, or ¥7.1 billion, compared with the previous fiscal year to ¥572.0 billion as a result of factors including high raw material prices and a write-down of inventories due to application of the lower of cost or market method. The ratio of cost of sales to net sales increased by 3.3 percentage points to 83.5 percent. Selling, general and administrative (SG&A) expenses decreased by 2.4 percent, or ¥1.9 billion, compared with the previous fiscal year to ¥81.5 billion, mainly due to cost-cutting efforts. The ratio of SG&A expenses to net sales was 11.9 percent, unchanged from the previous fiscal year.

Research and development costs, all of which are included in SG&A expenses, increased by 3.9 percent, or ¥0.5 billion, compared with the previous fiscal year to ¥14.1 billion. The ratio of research and development costs to net sales decreased by 0.2 percentage points to 2.1 percent.

Operating Income

Operating income decreased by 44.3 percent, or ¥24.7 billion, compared with the previous fiscal year to ¥31.1 billion. The operating margin decreased by 3.3 percentage points to 4.6 percent. Operating income increased in the Energy & Environment segment due to higher sales of coal, but decreased in all other segments as a result of factors including decreased sales volume and write-down of inventories due to application of the lower of cost or market method.



Other Income (Expenses)

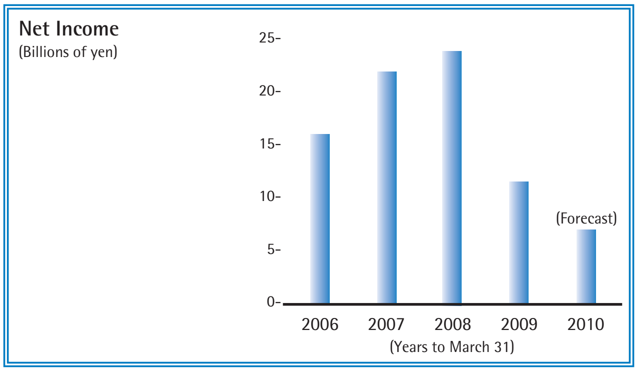
Net other expenses increased by ¥2.6 billion from the previous fiscal year to ¥17.6 billion. Net interest expense, calculated as interest and dividend income less interest payable, improved by 15.1 percent, or ¥0.8 billion, compared with the previous fiscal year to ¥5.0 billion. Others, net, which is disclosed in greater detail in note 11 to the consolidated financial statements, deteriorated by 26.9 percent, or ¥2.8 billion, to a net expense of ¥13.6 billion. The gain on contribution of investment securities to retirement benefit trust totaling ¥2.3 billion in the previous fiscal year did not occur in fiscal 2008, loss on foreign currency exchange, net increased by ¥1.2 billion, and UBE recorded a loss on business restructuring of ¥2.6 billion and a loss on impairment of fixed assets of ¥1.8 billion, both of which were mainly caused by its withdrawal from the aluminum wheel business in North America. As a result, income before income taxes and minority interests decreased by 67.0 percent, or ¥27.3 billion, compared with the previous fiscal year to ¥13.5 billion.

Net Income

Income taxes comprise corporation, enterprise and inhabitants' taxes. Income taxes net of deferrals for the year ended March 31, 2009 totaled ¥0.8 billion, a decrease of ¥14.2 billion from the previous fiscal year. After tax effect accounting, the effective tax rate for the year ended March 31, 2009 was 6.4 percent.

As a result, net income decreased by 51.5 percent, or ¥12.3 billion, compared with the previous fiscal year to ¥11.6 billion. Net income per share totaled ¥11.59, compared to ¥23.88 for the previous fiscal year.

Return on equity, calculated as net income divided by average equity capital, decreased by 6.7 percentage points compared with the previous fiscal year to 6.4 percent. Return on assets, calculated as the sum of operating income, interest and dividend income, and equity in earnings of unconsolidated subsidiaries and affiliated companies divided by average total assets (see page 35), decreased by 3.4 percentage points to 4.8 percent.



PERFORMANCE BY SEGMENT

Chemicals & Plastics Segment

(Billions of yen)

Year to March 31	2009	2008	Change (%)
Sales	**¥212.6**	¥233.2	(8.8)
Operating income	**2.0**	18.6	(88.9)
Assets	**196.1**	246.1	(20.3)
Depreciation and amortization	**10.7**	11.2	(4.6)
Capital expenditures	**13.1**	7.9	66.0

Shipments of caprolactam, polyamide resins, polybutadiene rubber (synthetic rubber) and industrial chemicals were generally strong until the second quarter, but fell significantly in the last two quarters as production cuts were made due to stagnating demand caused by the rapid slowdown in the global economy. The UBE Group posted a significant write-down on inventories due to a major drop in product prices caused by the impact of the sudden decline in raw material market conditions in summer 2008 and falling demand.

As a result, consolidated segment sales decreased by 8.8 percent, or ¥20.6 billion, compared with the previous fiscal year to ¥212.6 billion, and segment operating income decreased by 88.9 percent, or ¥16.5 billion, to ¥2.0 billion.

Specialty Chemicals & Products Segment

(Billions of yen)

Year to March 31	2009	2008	Change (%)
Sales	**¥ 87.0**	¥ 93.5	(6.9)
Operating income	**6.7**	14.1	(52.3)
Assets	**101.6**	110.1	(7.7)
Depreciation and amortization	**6.7**	6.1	10.8
Capital expenditures	**10.0**	9.4	6.7

Shipments of electrolytes and separators for lithium-ion batteries were generally strong and shipments of high-purity chemicals for semiconductors were solid in the first two quarters.

However, shipments of both declined sharply in the latter half of the third quarter due to plummeting demand in the IT and digital markets. Shipments of polyimide products, which had been on the upswing, were sluggish due to the impact of inventory adjustments for flat-screen television panels. Until the second quarter, shipments were generally solid for fine chemicals and gas separation membranes, including nitrogen gas separation membranes, but shipments of these products plunged in the third quarter. Shipments of pharmaceutical active ingredients and intermediates were generally strong. Segment operating income was substantially impacted by a strong yen.

As a result, consolidated segment sales decreased by 6.9 percent, or ¥6.4 billion, compared with the previous fiscal year to ¥87.0 billion, and segment operating income decreased by 52.3 percent, or ¥7.4 billion, to ¥6.7 billion.

Cement & Construction Materials Segment

(Billions of yen)

Year to March 31	2009	2008	Change (%)
Sales	**¥209.4**	¥207.0	1.2
Operating income	**8.8**	10.8	(18.1)
Assets	**203.8**	209.3	(2.6)
Depreciation and amortization	**10.5**	9.5	10.7
Capital expenditures	**7.4**	6.7	10.3

Shipments of cement, ready-mixed concrete and building materials were sluggish due to the impact of revisions to the Building Standards Law in 2007, rising material prices and worsening economic conditions. Recycling of various types of waste for use as fuel and raw materials expanded steadily. Backed mainly by steel-related demand, shipments of calcia and magnesia were generally strong until the second quarter, but were impacted by the rapid drop-off in steel demand in the third quarter. The segment was significantly impacted by increases in coal and other fuel costs which exceeded efforts to pass along higher costs by raising product prices.

As a result, consolidated segment sales increased by 1.2 percent, or ¥2.4 billion, compared with the previous fiscal year to ¥209.4 billion, but segment operating income decreased by 18.1 percent, or ¥1.9 billion, to ¥8.8 billion.

Machinery & Metal Products Segment

(Billions of yen)

Year to March 31	2009	2008	Change (%)
Sales	**¥110.0**	¥120.3	(8.5)
Operating income	**4.0**	6.6	(39.0)
Assets	**73.1**	86.1	(15.1)
Depreciation and amortization	**3.5**	4.0	(13.1)
Capital expenditures	**3.2**	5.2	(38.4)

In the machinery business, shipments of molding machinery were weak due to a decrease in automobile industry demand, but shipments of industrial machinery, including vertical mills, were solid primarily for the steelmaking industry in Japan and overseas and the cement industry overseas. Orders of industrial machinery for major overseas resource-related projects were at a high level until the second quarter but slumped from the third quarter onward due to a sharp drop in plant investment. Operating income from the machinery business was significantly impacted by surging steel prices and yen appreciation.

In the aluminum wheel business, shipments were weak in both Japan and North America due to the impact of slumping automobile sales.

As a result, consolidated segment sales decreased by 8.5 percent, or ¥10.2 billion, compared with the previous fiscal year to ¥110.0 billion, and segment operating income decreased by 39.0 percent, or ¥2.6 billion, to ¥4.0 billion.

The UBE Group aggressively worked to restructure its aluminum wheel business in North America, but in light of increasingly severe stagnation in automobile demand, the decision was made in February 2009 to withdraw from the market. For the domestic aluminum wheel business, with the automobile market changing drastically, the UBE Group will spin off a company in July 2009 to bring management more in line with the characteristics of the business and expedite decision making.

Energy & Environment Segment

(Billions of yen)

Year to March 31	2009	2008	Change (%)
Sales	**¥61.8**	¥46.4	33.1
Operating income	**8.6**	4.6	84.4
Assets	**61.0**	53.0	14.9
Depreciation and amortization	**2.8**	2.7	2.7
Capital expenditures	**1.3**	1.4	(6.8)

Coal selling prices increased and shipments were strong with tight supply and demand and rising coal prices until summer. 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, despite a sharp decrease in the fourth quarter, due in part to an expansion of storage capacity made in February 2008. In the independent power producer business, fuel costs were further reduced through use of biomass fuel and low-grade coal.

As a result, consolidated segment sales increased by 33.1 percent, or ¥15.3 billion, compared with the previous fiscal year to ¥61.8 billion, and segment operating income increased by 84.4 percent, or ¥3.9 billion, to ¥8.6 billion.

Other Businesses Segment

Consolidated segment sales totaled ¥3.5 billion, and segment operating income was ¥0.7 billion.

FINANCIAL POSITION

Cash Flow

Net cash provided by operating activities decreased by ¥13.2 billion compared with the previous fiscal year to ¥45.5 billion. Income before income taxes decreased by ¥27.3 billion to ¥13.5 billion, but depreciation and amortization, a noncash item, of ¥34.8 billion, loss on impairment of fixed assets of ¥1.8 billion, and loss on business restructuring of ¥2.6 billion and other items contributed to cash flow. Cash outflows included ¥9.7 billion for income tax payment.

Net cash used in investing activities increased by ¥4.5 billion compared with the previous fiscal year to ¥32.9 billion. Factors included a ¥3.2 billion increase in expenditures for acquisition of property, plant and equipment to ¥34.2 billion, and proceeds of ¥0.9 billion from the sale of subsidiaries' shares resulting in a change in consolidation scope.

Free cash flow, calculated as net cash provided by operating activities less net cash used in investing activities, decreased by ¥17.8 billion compared with the previous fiscal year to ¥12.6 billion.

Net cash provided by financing activities was ¥4.3 billion compared with net cash used in financing activities of ¥28.6 billion in the previous fiscal year. Expenditures included ¥50.4 billion for repayments of long-term borrowings, an ¥18.3 billion increase in repayments of long-term bonds to ¥20.2 billion, and cash dividend paid of ¥5.0 billion. Offsetting these expenditures were a net increase of ¥11.0 billion in short-term loans payable and a ¥36.8 billion increase in proceeds from long-term borrowings to ¥69.4 billion.

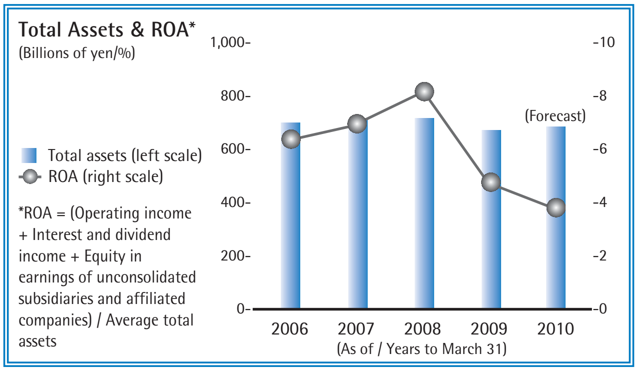
As a result, cash and cash equivalents at the end of the year increased by 56.0 percent, or ¥14.0 billion, compared with the previous fiscal year-end to ¥39.1 billion.

Interest-bearing debt at the end of the year increased ¥6.0 billion compared with the previous fiscal year-end to ¥306.8 billion. Net debt, defined as interest-bearing debt less cash and cash equivalents, improved by ¥7.9 billion from the previous fiscal year-end to ¥267.7 billion. As a result, the net debt/equity ratio increased to 1.6 times from 1.4 times at the previous fiscal year-end.

Assets, Liabilities and Net Assets

Total assets decreased by 6.0 percent, or ¥42.9 billion, from a year earlier to ¥677.9 billion.

Current assets decreased by 6.8 percent, or ¥20.3 billion, from a year earlier to ¥277.5 billion. Factors included a decrease of ¥39.9 billion in trade notes and accounts receivable to ¥124.0 billion as a result of the decrease in net sales, an increase of ¥7.9



billion in inventories and an increase of ¥14.0 billion in cash and cash equivalents and time deposits.

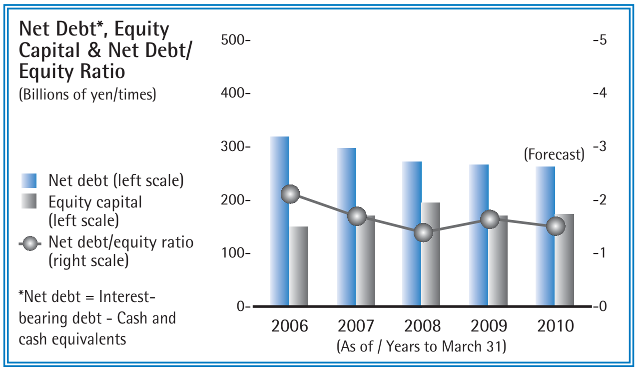
The inventory turnover ratio decreased to 6.5 times from 6.9 times for the previous fiscal year. Property, plant and equipment decreased by 7.7 percent, or ¥27.6 billion, from a year earlier to ¥332.4 billion. Investments and other assets increased by ¥5.0 billion from a year earlier to ¥68.0 billion.

Total liabilities decreased by 3.7 percent, or ¥18.6 billion, from a year earlier to ¥483.2 billion.

Current liabilities decreased by 15.4 percent, or ¥49.0 billion, from a year earlier to ¥269.0 billion. Short-term loans payable increased by ¥2.3 billion, but the current portion of long-term debt, consisting of straight and convertible bonds, decreased by ¥20.1 billion and trade notes and accounts payable decreased by ¥26.8 billion. The current ratio was 103.2 percent, compared to 93.7 percent a year earlier.

Long-term liabilities increased by 16.6 percent, or ¥30.4 billion, from a year earlier to ¥214.2 billion. The principal factors were a ¥23.0 billion increase in long-term debt less current portion and a ¥4.4 billion increase in long-term deferred tax liabilities. Interest-bearing debt, defined as short-term loans payable, the current portion of long-term debt, and long-term debt less current portion, increased by ¥6.0 billion from a year earlier to ¥306.8 billion.

Net assets at March 31, 2009 decreased by 11.1 percent, or ¥24.3 billion, from a year earlier to ¥194.7 billion. Retained earnings increased by ¥6.3 billion, but the decrease was primarily



the result of a ¥26.4 billion decrease in foreign currency translation adjustments, which mainly represented the negative effect of exchange rates on the assets and liabilities of overseas consolidated subsidiaries; a ¥1.5 billion decrease in valuation difference on securities, representing the unrealized difference between the holding cost and fair value of securities; and a ¥2.4 billion decrease in minority interests. The ratio of equity capital to total assets, or the equity ratio, was 25.4 percent, down by 1.5 percentage points from a year earlier. The net debt/equity ratio was 1.6 times, compared to 1.4 times a year earlier. Net assets per share decreased to ¥170.92 from ¥192.72 a year earlier.

BASIC POLICY FOR DISTRIBUTION OF EARNINGS

The UBE Group recognizes that paying dividends to shareholders is a primary responsibility and it is a fundamental policy of the UBE Group to pay dividends at a level commensurate with the UBE Group's performance and earnings. Concurrently, the UBE Group also places priority on securing earnings for shareholders over the medium term to long term by improving its financial structure and maintaining the internal reserves required for future business expansion. The UBE Group takes all of these issues into consideration when determining dividends.

In Stage Up 2009, UBE has set the goal of paying 20 to 25 percent of consolidated net income in cash dividends. In line with this policy, UBE reduced cash dividends by ¥1.00 per share from the previous fiscal year to ¥4.00 per share for fiscal 2008, a consolidated payout ratio of 34.5 percent.

The year-end cash dividend for fiscal 2009 is not yet determined.

FORECAST FOR FISCAL 2009

The UBE Group expects the global economy will likely need significant time to recover as economies slump in developed countries and growth slows in newly industrialized countries. The domestic economy is also expected to stagnate for the foreseeable future due to downturns in exports and capital expenditures, which had been powering business activity. There are also uncertainties going forward in demand, raw material prices, exchange rates and other factors. The UBE Group therefore expects business conditions to continue to be harsh and unpredictable.

Based on these considerations, UBE has made the following earnings forecast for fiscal 2009, assuming an exchange rate of ¥95 to US$1.00 and a domestic naphtha price of ¥35,000/kiloliter.

Consolidated net sales are projected to decline substantially from the previous fiscal year, by 19.4 percent to ¥552.0 billion. Falling raw material prices are expected to drive down prices of chemicals, plastic products and coal. In addition to such price factors, volumes and shipments are expected to decline, including sales volumes for construction materials, shipments of molding machinery for the automobile industry and coal sales volumes. Consolidated operating income is projected to decrease by 19.8 percent year on year to ¥25.0 billion. The UBE Group will make aggressive efforts to reduce fixed expenses and other costs, but with the exception of Specialty Chemicals & Products, volume factors are expected to worsen in all main segments. Net income is forecast to decrease by 40.0 percent year on year to ¥7.0 billion.

Business and Other Risks

Among risks inherent to the UBE Group's business and other risks, the following may exert an important influence on the decisions of investors. The UBE Group is fully dedicated to a policy of recognizing these risks, avoiding and preventing their actualization, and minimizing and dealing with related problems should they arise.

Statements below concerning the future represent the judgment of the UBE Group as of May 11, 2009. Business and other risks not covered here may arise.

1. Fluctuations in the Raw Material and Fuel Markets

Purchase costs of raw materials used in the main products of the UBE Group's Chemicals & Plastics segment are influenced by factors including international market conditions and fluctuations in crude oil and naphtha prices. Depending on supply and demand conditions for products, increases in prices of these raw materials may exert a material impact on the performance and financial position of the UBE Group if increased costs cannot be reflected in selling prices in a timely manner. In addition, increases in the procurement costs of overseas coal, which the UBE Group purchases for use in cement production and for in-house power generation, may also exert a material impact on the performance and financial position of the Group.

2. Earnings in the Chemicals & Plastics Segment

Earnings in the Chemicals & Plastics segment are highly dependent on demand trends and supply and demand conditions in Japan, Asia and Europe, the primary markets for this segment's main products. Consequently, a substantial decrease in demand in these regions due to economic fluctuations, or worsening supply and demand conditions due to expansion of production capacity by other companies, an influx of products from other regions or other factors, could result in stagnant market prices or a significant narrowing of price spreads, which may exert a material impact on the performance and financial position of the Group.

3. Earnings in the Specialty Products Business

In the specialty products business of the Specialty Chemicals & Products segment, timely development of materials that meet customer needs is paramount in supplying materials for use in products with quick turnovers, particularly in the core information technology (IT) and digital home appliance fields. Failure to meet customer needs due to delayed development or other factors may exert a material impact on the performance and financial position of the Group, as may decreased demand for information technology related products, which are particularly susceptible to market fluctuations.

4. Earnings in the Pharmaceutical Bulk Ingredients and Intermediates Business

The pharmaceutical bulk ingredients and intermediates business of the Specialty Chemicals & Products segment comprises a consignment production business through which UBE manufactures pharmaceutical bulk ingredients and intermediates on consignment for pharmaceutical companies and an in-house business through which UBE conducts research and development for new drugs either independently or jointly with pharmaceutical companies. The consignment production business requires forward expenditures including those for production facilities of a certain scale that meet standards, though research and development expenditures are limited. New drugs handled by the consignment production business may be subject to uncertainty over commercialization due to the long lead time needed by the pharmaceutical companies to obtain production approval and to the possibility of delays in full-scale launch should approval be revoked after completion of consignment production due to side effects or other factors. In addition, factors including the launch of generic drugs due to intensified competition in the market for pharmaceuticals manufactured from pharmaceutical bulk ingredients and intermediates under consignment production and lapsed patents may lead to sluggish sales.

Drug discovery is broadly divided into independent research and joint research with pharmaceutical companies. Although UBE minimizes the risk of large clinical trial outlays and low success rates through a basic strategy of licensing out research in the final stages regardless of drug type, necessary research and development costs before that stage entail risk associated with possible failure of the research and market launch. In addition, authorization may be revoked and launch delayed, as is the case of development for new drugs by pharmaceutical companies. Materialization of these risks in the consignment production and in-house businesses may exert a material impact on the performance and financial position of the UBE Group.

5. Domestic Cement Demand

A downward trend in domestic demand for cement, a main product of the Cement & Construction Materials segment, due to factors including restraint in public spending, has in part reduced sales volume and revenues. UBE Group measures in this area include maintaining operating capacity through exports, expanding capability for (income fee-based) treatment of waste in the cement production process and overall cost cuts. However, a continuing decline in domestic demand for cement for a certain number of years may exert a material impact on the performance and financial position of the Group.

6. Earnings in the Aluminum Wheel Business

The aluminum wheel business of the Machinery & Metal Products segment comprises production of aluminum wheels for automobiles in Japan for sale primarily in the domestic market. (UBE decided to dissolve its manufacturing subsidiary in Canada and its sales subsidiary in the United States in February 2009.) UBE works to increase orders of large-diameter, lightweight, high-quality design products that capitalize on the advantages of the Group's proprietary squeeze process, and is steadily raising productivity and reducing costs in response to intense competition from inexpensive products, including imports from China and other countries. In addition, UBE is focusing on development of higher-productivity processes for the future and is structuring its business operations to respond swiftly to changes in the market environment. However, the materialization of risks such as a substantial contraction of the market in a weak economy, a decrease in demand for large-diameter wheels or UBE's other areas of strength in this business due to promotion of anti-global warming measures and the resulting changes in market structure, or a continued decline in selling prices due to increased market competition may exert a material impact on the performance and financial position of the Group.

7. Exchange Rate Fluctuations

The UBE Group minimizes exchange rate risk related to exports paid for in foreign currencies through hedge transactions such as balancing of debts and credits and foreign currency contracts. However, short- and medium-term exchange rate fluctuations that exceed forecasts may exert a material impact on the performance and financial position of the Group.

UBE Group overseas subsidiaries record financial statements in local currencies, leading to exposure to the influence of exchange rates when these amounts are converted into yen. In addition, losses on exchange rate fluctuations may occur at the time of conversion into local currencies for redemption, interest payment and settlement of liabilities of U.S. dollar denominated interest-bearing liabilities held by Group production companies in Thailand.

8. Fluctuations in Financial Markets

Fluctuations in financial markets at the time of capital procurement exert a material impact on the performance and financial position of the UBE Group. The UBE Group minimizes risk related to interest rate fluctuations through interest swaps and other hedges, but short- and medium-term interest rate fluctuations that exceed forecasts may exert a material impact on the performance and financial position of the Group.

9. Overseas Business Activities

The UBE Group manufactures and sells products in Asia, North America and Europe. Overseas operations entail economic risks related to factors including unforeseen changes to laws and regulations, weakening of the industrial base, the ability to secure personnel and acquire technical proficiency and labor union issues, in addition to social and political confusion resulting from terrorism, war and/or other factors. Emergence of these risks may impede overseas operations and exert a material impact on the performance and financial position of the UBE Group.

10. Intellectual Property/Product Liability

The UBE Group recognizes the importance of intellectual property and works to protect it, but failure to do so properly and/or violation of UBE's intellectual property rights, or inability to cover costs of product recalls or damages in the event that these risks materialize in connection with product flaws may impede operations and exert a material impact on the performance and financial position of the Group.

11. Industrial Accidents

In the event that a large-scale industrial accident should occur at any of the UBE Group plants that handle hazardous materials or high-pressure gas, factors including compensation and other costs, loss of opportunities caused by cessation of production activities, compensation for customers and erosion of public trust may exert a material impact on the performance and financial position of the Group.

12. Public Regulations

The UBE Group conducts its businesses according to the laws, rules and other regulations of the countries and regions where it operates. However, any modification or strengthening of these regulations may exert a material impact on the performance and financial position of the Group due to restrictions on the Group's business activities, increased costs of regulatory compliance, accounting and tax responses to the regulations, or other effects.

13. Asbestos

In the past, the UBE Group manufactured and sold products containing asbestos, and used construction materials containing asbestos in plant facilities. In order to eliminate asbestos from plant facilities, the UBE Group plans to institute a series of complete or partial changes of facilities, for which certain expenditures are expected until the changes are complete. Moreover, in the event that employees (including retired employees) or residents in the vicinity of the plants face health hazards, an increase in employees receiving workers' compensation, lawsuits, efforts to further strengthen regulations and other factors may exert a material impact on the performance and financial position of the Group.

14. Lawsuits

The UBE Group strives for strict legal compliance, but the possibility exists that lawsuits may be brought against the Group in any of its various business operations.

Pending lawsuits are as follows.

1) On May 16, 2008, a lawsuit was filed in the Tokyo District Court against the Japanese government and 46 building material manufacturers, including Ube Board Co., Ltd. (a consolidated subsidiary of UBE), on behalf of 178 construction workers and their family members in the Tokyo area. The lawsuit alleges that the defendants are responsible for asbestos-related disease that affected the plaintiffs, and seeks a total of ¥6.6 billion in compensation for damages.

2) On June 30, 2008, a lawsuit was filed in the Yokohama District Court against the Japanese government and 46 building material manufacturers, including Ube Board Co., Ltd. (a consolidated subsidiary of UBE), on behalf of 43 construction workers and their family members in Kanagawa Prefecture. The lawsuit alleges that the defendants are responsible for asbestos-related disease that affected the plaintiffs, and seeks a total of ¥1.5 billion in compensation for damages.

15. Write-Down Due to Decreased Profitability of Inventories

The Accounting Standard for Measurement of Inventories is applied for fiscal years beginning on or after April 1, 2008. Under this standard, inventories held for sale in the ordinary course of business are carried at their original cost on the balance sheets, but are judged to have decreased in profitability if the net realizable value falls below the original cost at the end of the period. In such cases, the balance sheet value is written down to the net realizable value, and the difference between the original cost and the net realizable value is charged against income for the period in which the loss occurs. If the UBE Group judges inventories to have decreased in profitability because the net realizable value has fallen below original cost as a result of a rise in fuel and raw material purchase prices, a rise in manufacturing costs, an increase in fixed manufacturing costs, a decrease in production volume or a drop in product selling prices, this may exert a material impact on the performance and financial position of the Group.

16. Impairment of Fixed Assets

The UBE Group adopted accounting standards for impairment of fixed assets in fiscal 2003. However, additional impairment losses in the event of further depreciation in the market value of unused land and/or significant deterioration of the operating environment may exert a material impact on the performance and financial position of the Group.

17. Marketable Securities

The UBE Group holds marketable securities, the majority of which are shares of listed stocks. For this reason, a decline in the stock market may exert a material impact on the performance and financial position of the Group.

18. Retirement Benefit Liabilities

The UBE Group calculates its retirement benefit liabilities and retirement benefit payments based on discount and retirement rates used in pension calculations, and on conditions including rate of salary increases and year-end working income ratios for pension assets. For this reason, deterioration of operating interest rates for pension assets, decreases in the discount rate and other factors may exert a material impact on the performance and financial position of the Group.

19. Deferred Tax Assets

The UBE Group recognizes deferred tax assets resulting from temporary differences and operating loss carryforwards for tax purposes, which will reduce taxable income in future periods. Deferred tax assets are recognized in consideration of their probability of recovery based on forecasts of future income and other factors. In the event that actual taxable income should differ from projections, payment to adjust deferred tax assets may become necessary and exert a material impact on the performance and financial position of the Group.

20. Medium-Term Management Plan

The UBE Group is implementing "Stage Up 2009," a medium-term management plan for the three-year period beginning with fiscal 2007. Under the basic policies of establishing a platform for profitability that ensures sustainable growth, sustained improvement of financial position and strengthening of CSR activities, the plan sets a net debt/equity ratio (see page 35) of under 1.3 times, an equity ratio (see page 36) of 30 percent or more, an operating margin and return on assets (ROA) (see page 35) of 7.5 percent or more each, and return on equity (ROE) (see page 33) of 12 percent or more as its management indicator targets for fiscal 2009, the final year of the plan.

The UBE Group will continue to work to achieve the aforesaid basic policies and targets. However, unexpected changes in the business environment or the materialization of any of the risks covered in items 1 through 19 above may exert a material impact on the performance and financial position of the Group. In addition, there is also the possibility that the UBE Group will be unable to carry out the medium-term management plan on schedule or meet its target management indicators.

Consolidated Balance Sheets

Ube Industries, Ltd. and Consolidated Subsidiaries
March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 39,131	¥ 25,082	$ 399,296
Time deposits	212	256	2,163
Securities (Note 4)	—	10	—
Receivables (Notes 7 and 19):			
Trade notes and accounts	124,049	163,967	1,265,806
Others	10,879	13,291	111,010
Allowance for doubtful accounts	(492)	(609)	(5,020)
Inventories (Note 5)	92,612	84,677	945,020
Deferred tax assets (Note 13)	6,747	6,514	68,847
Other current assets	4,415	4,705	45,051
Total current assets	277,553	297,893	2,832,173
Property, plant and equipment (Notes 7 and 12)**:**			
Land	81,891	82,747	835,622
Buildings and structures	248,845	251,637	2,539,235
Machinery and equipment	626,439	664,439	6,392,235
Construction in progress	16,274	6,513	166,061
Accumulated depreciation	(641,031)	(645,305)	(6,541,133)
Total property, plant and equipment, net	332,418	360,031	3,392,020
Investments and other assets:			
Investment securities (Notes 4 and 7)	32,132	34,116	327,878
Long-term loans receivable	624	945	6,367
Long-term deferred tax assets (Note 13)	14,324	6,692	146,163
Other non-current assets	23,887	23,605	243,745
Allowance for doubtful accounts	(2,952)	(2,384)	(30,122)
Total investments and other assets	68,015	62,974	694,031
Total assets	¥ 677,986	¥ 720,898	$ 6,918,224

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans payable (Notes 6 and 7)	¥ 89,363	¥ 79,165	$ 911,867
Current portion of long-term debt (Notes 6 and 7)	40,863	68,810	416,969
Payables:			
Trade notes and accounts	80,304	107,130	819,429
Others	29,936	30,977	305,469
Accrued employees' bonuses	6,635	7,482	67,704
Accrued income taxes	2,909	6,051	29,684
Other current liabilities	19,015	18,457	194,031
Total current liabilities	269,025	318,072	2,745,153
Long-term liabilities:			
Long-term debt less current portion (Notes 6 and 7)	175,810	152,791	1,793,980
Accrued retirement benefits (Note 17)	7,213	7,209	73,602
Long-term deferred tax liabilities (Note 13)	5,905	1,470	60,255
Other long-term liabilities	25,310	22,324	258,265
Total long-term liabilities	214,238	183,794	2,186,102
Contingent liabilities (Note 8)			
Net assets (Note 9)**:**			
Capital stock, without par value:			
Authorized — 3,300,000,000 shares			
Issued — 1,009,165,006 shares at March 31, 2009 and 1,008,996,332 shares at March 31, 2008	58,435	58,400	596,276
Capital surplus	28,440	28,387	290,204
Retained earnings	97,511	91,133	995,010
Treasury stock			
3,182,530 shares at March 31, 2009 and 3,051,637 shares at March 31, 2008	(624)	(570)	(6,367)
Valuation difference on securities	1,119	2,640	11,418
Deferred hedge loss, net	(289)	(254)	(2,949)
Revaluation surplus on assets	—	329	—
Foreign currency translation adjustments	(12,646)	13,800	(129,041)
Share subscription rights (Note 18)	250	179	2,551
Minority interests	22,527	24,988	229,867
Total net assets	194,723	219,032	1,986,969
Total liabilities and net assets	¥677,986	¥720,898	$6,918,224

Consolidated Statements of Income

Ube Industries, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Net sales (Note 19)	¥684,703	¥704,284	$6,986,765
Cost of sales	572,010	564,876	5,836,836
Gross profit	112,693	139,408	1,149,929
Selling, general and administrative expenses (Notes 10 and 18)	81,530	83,508	831,939
Operating income	31,163	55,900	317,990
Other income (expenses):			
Interest and dividend income	1,635	1,403	16,683
Amortization of negative goodwill	193	392	1,969
Interest payable	(6,704)	(7,371)	(68,408)
Equity in earnings of unconsolidated subsidiaries and affiliated companies	866	1,314	8,837
Others, net (Note 11)	(13,643)	(10,748)	(139,214)
	(17,653)	(15,010)	(180,133)
Income before income taxes and minority interests	13,510	40,890	137,857
Income taxes (Note 13)**:**			
Current	6,468	11,071	66,000
Deferred	(5,610)	4,004	(57,245)
	858	15,075	8,755
Minority interests	(988)	(1,784)	(10,082)
Net income	¥ 11,664	¥ 24,031	$ 119,020

	Yen		U.S. dollars (Note 1)
	2009	2008	2009
Per share:			
Net income:			
Primary	¥ 11.59	¥ 23.88	$ 0.118
Diluted	11.59	22.95	0.118
Cash dividends applicable to the period	4.00	5.00	0.041

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Ube Industries, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2009 and 2008

		Millions of yen									
	Number of shares issued (thousands)	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on securities	Deferred hedge loss, net	Revaluation surplus on assets	Foreign currency translation adjustments	Share subscription rights	Minority interests
Balance at March 31, 2007	1,008,993	¥58,399	¥28,362	¥71,676	¥(375)	¥ 7,724	¥ (97)	¥332	¥ 6,572	¥ 78	¥22,525
Acquisition of treasury stock	—	—	—	—	(222)	—	—	—	—	—	—
Disposal of treasury stock	—	—	25	—	31	—	—	—	—	—	—
Increase in treasury stock due to changes in shareholding ratio of consolidated subsidiaries	—	—	—	—	(4)	—	—	—	—	—	—
Shares issued for conversion of convertible bonds	2	1	—	—	—	—	—	—	—	—	—
Transfer from revaluation surplus on assets	—	—	—	45	—	—	—	—	—	—	—
Decrease in earnings due to exclusion of affiliated companies of equity method	—	—	—	(585)	—	—	—	—	—	—	—
Cash dividends at ¥4.00 per share	—	—	—	(4,034)	—	—	—	—	—	—	—
Net income for the year	—	—	—	24,031	—	—	—	—	—	—	—
Net other changes during the year	—	—	—	—	—	(5,084)	(157)	(3)	7,228	101	2,463
Balance at March 31, 2008	1,008,996	¥58,400	¥28,387	¥91,133	¥(570)	¥ 2,640	¥(254)	¥329	¥ 13,800	¥179	¥24,988
Effect of changes in accounting policies applied to foreign consolidated subsidiaries	—	—	—	(247)	—	—	—	—	—	—	—
Acquisition of treasury stock	—	—	—	—	(95)	—	—	—	—	—	—
Disposal of treasury stock	—	—	21	—	41	—	—	—	—	—	—
Shares issued for conversion of convertible bonds	169	35	35	—	—	—	—	—	—	—	—
Decrease in capital surplus due to changes in shareholding ratio of affiliated company of equity method	—	—	(3)	—	—	—	—	—	—	—	—
Cash dividends at ¥5.00 per share	—	—	—	(5,039)	—	—	—	—	—	—	—
Net income for the year	—	—	—	11,664	—	—	—	—	—	—	—
Net other changes during the year	—	—	—	—	—	(1,521)	(35)	(329)	(26,446)	71	(2,461)
Balance at March 31, 2009	1,009,165	¥58,435	¥28,440	¥97,511	¥(624)	¥ 1,119	¥(289)	¥ —	¥(12,646)	¥250	¥22,527

	Thousands of U.S. dollars (Note 1)									
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on securities	Deferred hedge loss, net	Revaluation surplus on assets	Foreign currency translation adjustments	Share subscription rights	Minority interests
Balance at March 31, 2008	$595,919	$289,663	$929,928	$(5,816)	$ 26,939	$(2,592)	$ 3,357	$ 140,816	$1,827	$254,979
Effect of changes in accounting policies applied to foreign consolidated subsidiaries	—	—	(2,520)	—	—	—	—	—	—	—
Acquisition of treasury stock	—	—	—	(969)	—	—	—	—	—	—
Disposal of treasury stock	—	214	—	418	—	—	—	—	—	—
Shares issued for conversion of convertible bonds	357	357	—	—	—	—	—	—	—	—
Decrease in capital surplus due to changes in shareholding ratio of affiliated company of equity method	—	(30)	—	—	—	—	—	—	—	—
Cash dividends at ¥5.00 per share	—	—	(51,418)	—	—	—	—	—	—	—
Net income for the year	—	—	119,020	—	—	—	—	—	—	—
Net other changes during the year	—	—	—	—	(15,521)	(357)	(3,357)	(269,857)	724	(25,112)
Balance at March 31, 2009	$596,276	$290,204	$995,010	$(6,367)	$ 11,418	$(2,949)	$ —	$(129,041)	$2,551	$229,867

See accompanying notes.

Consolidated Statements of Cash Flows

Ube Industries, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 13,510	¥ 40,890	$ 137,857
Depreciation and amortization	34,820	34,126	355,306
Loss on impairment of fixed assets	1,849	5,941	18,867
Interest and dividend income	(1,635)	(1,403)	(16,684)
Interest payable	6,704	7,371	68,408
Gain on sale of property, plant and equipment, net	(153)	(230)	(1,561)
Loss (gain) on sale of investment securities, net	247	(41)	2,520
Decrease in receivables	32,830	1,062	335,000
Increase in inventories	(15,805)	(3,094)	(161,275)
Decrease in payables	(18,672)	(913)	(190,530)
Loss on business restructuring	2,653	184	27,071
Gain on contribution of investment securities to retirement benefit trust	—	(2,378)	—
Others, net	3,830	(4,653)	39,082
Subtotal	60,178	76,862	614,061
Interest and dividend received	1,777	1,522	18,133
Interest payment	(6,817)	(7,305)	(69,561)
Income tax payment	(9,769)	(12,750)	(99,684)
Others, net	162	485	1,653
Net cash provided by operating activities	45,531	58,814	464,602
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	415	1,793	4,235
Acquisition of property, plant and equipment	(34,216)	(30,990)	(349,143)
Proceeds from sale of investment securities	200	1,261	2,041
Acquisition of investment securities	(152)	(516)	(1,551)
Proceeds from acquisition of subsidiaries' shares resulting in change in consolidation scope	—	880	—
Proceeds from sale of subsidiaries' shares resulting in change in consolidation scope	900	—	9,184
Net increase in loans receivable	(210)	(113)	(2,143)
Others, net	134	(727)	1,367
Net cash used in investing activities	(32,929)	(28,412)	(336,010)
Cash flows from financing activities:			
Proceeds from long-term borrowings	69,429	32,625	708,459
Proceeds from long-term bonds	98	15,417	1,000
Repayments of long-term borrowings	(50,472)	(50,960)	(515,021)
Repayments of long-term bonds	(20,217)	(1,850)	(206,296)
Net increase (decrease) in short-term loans payable	11,063	(19,285)	112,888
Cash dividend paid	(5,034)	(4,019)	(51,367)
Cash dividend paid to minority shareholders	(501)	(442)	(5,112)
Others, net	(66)	(135)	(674)
Net cash used in financing activities	4,300	(28,649)	43,877
Effect of exchange rate changes on cash and cash equivalents	(2,853)	1,766	(29,112)
Net increase in cash and cash equivalents	14,049	3,519	143,357
Adjustment due to change in consolidation scope	—	285	—
Cash and cash equivalents at beginning of the year	25,082	21,278	255,939
Cash and cash equivalents at end of the year	¥ 39,131	¥ 25,082	$ 399,296

See accompanying notes.

Notes to Consolidated Financial Statements

Ube Industries, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2009 and 2008

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

(a) Ube Industries, Ltd. (the "Company") and its consolidated subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan. The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required under the Financial Instruments and Exchange Law of Japan and, accordingly, have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Certain modifications have been made to the accompanying financial statements in order to present them in a form which is more familiar to readers outside Japan.

(b) The accompanying financial statements are expressed in Japanese yen and, solely for the convenience of the reader, have been translated into U.S. dollars at ¥98=US$1, the approximate rate of exchange on March 31, 2009. The translation should not be construed as a representation that Japanese yen have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and significant companies controlled directly or indirectly by the Company (65 and 67 companies for the years ended March 31, 2009 and 2008, respectively). Significant companies over which the Company exercises significant influence in terms of their operating and financial policies are included in the consolidated financial statements by the equity method (27 and 28 companies for the years ended March 31, 2009 and 2008, respectively). All significant intercompany balances and transactions are eliminated in consolidation.

Certain subsidiaries are consolidated using a fiscal period ending December 31. Significant transactions occurring during the January 1 to March 31 period are adjusted in the consolidated financial statements.

In the initial consolidation, assets and liabilities of subsidiaries including those attributable to minority shareholders are recorded based on fair value in the consolidated financial statements.

The difference between acquisition cost and the underlying net assets at fair value at the date of acquisition is amortized over a period of 20 years on a straight-line basis. The negative goodwill in the amounts of ¥2,697 million (US$27,520 thousand) and ¥5,855 million is included in "Other long-term liabilities" on the consolidated balance sheets at March 31, 2009 and 2008, respectively.

Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost.

(b) Accounting for income taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities.

Deferred tax assets and liabilities are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

Valuation allowance is provided for the deferred tax assets which are not realizable based on a scheduling for a reasonable period.

(c) Securities

Securities are classified into three categories: "Trading," "Held-to-maturity" and "Others." The Company and its consolidated subsidiaries have no trading securities. Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in the valuation difference, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving-average method.

(d) Derivatives and hedge accounting

All derivatives are stated at fair value, with changes in fair value recorded as gain or loss for the period in which they arise.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its consolidated subsidiaries defer the recognition of gains or losses resulting from changes in the fair value of the derivative financial instruments until the related losses or gains on the hedged items are recognized.

If interest rate swap contracts meet certain hedging criteria, the net amount to be paid or received under these swap contracts is added to or deducted from the interest on the assets or liabilities for which the swap contracts were executed.

Additional information on derivatives is presented in Note 14.

(e) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount estimated with reference to individual uncollectible accounts plus an amount calculated using a historical rate determined based on the actual uncollectible amounts incurred in prior years.

(f) Inventories

Inventories are stated at cost principally determined by the weighted-average method.

The carrying value on the consolidated balance sheets is stated by the devaluation method based on declines in profitability.

(g) Property, plant and equipment (except for leased assets)

Property, plant and equipment is stated at cost. Depreciation of property, plant and equipment is computed principally by the straight-line method for the Company and by the declining-balance method for consolidated subsidiaries at rates based on the estimated useful lives of the respective assets, ranging from 2 to 75 years for buildings and structures, and from 2 to 20 years for machinery and equipment.

(h) Intangible assets (except for leased assets)

Mining rights are amortized by the unit-of-production method and patent rights, software and others are amortized by the straight-line method over their estimated useful lives.

(i) Leased assets

Leased property under finance leases which do not transfer ownership of the leased property are depreciated or amortized by the straight-line method over the lease terms assuming no residual value.

(j) Research and development costs

Research and development costs are charged to income when incurred.

(k) Accrued retirement benefits

Accrued retirement benefits for employees are provided principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date. Net retirement benefit obligation at transition of ¥31,241 million (US$318,786 thousand) is being amortized principally over 13 years.

Prior service cost is being amortized as incurred mainly by the straight-line method over 5-14 years, which is shorter than the average remaining service years of the employees.

Actuarial gain or loss is being amortized in the year following the year incurred mainly by the declining-balance method over 10-14 years, which is shorter than the average remaining service years of employees.

(l) Net income per share

Primary net income per share is computed based on the net income available for distribution to stockholders of common stock and the weighted average number of shares of common stock outstanding during each year (1,005,960 thousand shares and 1,006,271 thousand shares for the years ended March 31, 2009 and 2008, respectively). Diluted net income per share is computed based on the net income available for distribution to the stockholders and the weighted average number of shares of common stock outstanding during each year assuming full conversion of convertible bonds (47,968 thousand shares for the year ended March 31, 2008) and full exercise of share subscription rights (746 thousand shares and 505 thousand shares for the years ended March 31, 2009 and 2008, respectively).

(m) Accrued employees' bonuses

Accrued employees' bonuses are provided at an amount estimated based on the bonus for this term to be paid subsequent to the balance sheet date.

(n) Accrued directors' and statutory auditors' bonuses

Accrued directors' and statutory auditors' bonuses are provided at an amount estimated based on the bonus for this term to be paid subsequent to the balance sheet date.

Accrued directors' and statutory auditors' bonuses in the amounts of ¥76 million (US$776 thousand) and ¥108 million are included in "Other current liabilities" on the consolidated balance sheets at March 31, 2009 and 2008, respectively.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term investments. Short-term investments included here are readily convertible into cash, exposed to insignificant risk of changes in value and mature or become due within three months of the date of acquisition.

(p) Accrual for losses on contracts

Accrual for losses on contracts is provided to cover the losses, which are probable to be incurred and the amounts of which can be reasonably estimated, on the future sales recognition of particular machinery.

These accruals for losses on contracts in the amounts of ¥358 million (US$3,653 thousand) and ¥1,094 million are included in "Other current liabilities" on the consolidated balance sheets at March 31, 2009 and 2008, respectively.

(q) Directors' and statutory auditors' retirement benefits

Consolidated subsidiaries provide for retirement allowances for directors and statutory auditors at an amount determined based on their internal regulations for their provision.

¥1,157 million (US$11,806 thousand) and ¥1,070 million of the retirement allowances are included in "Other long-term liabilities" on the consolidated balance sheets at March 31, 2009 and 2008, respectively.

3. ACCOUNTING CHANGES

(a) Accounting standard for measurement of inventories

The Company and its domestic consolidated subsidiaries have adopted the new accounting standard for measurement of inventories effective the year ended March 31, 2009.

This adoption decreased operating income and income before income taxes and minority interests by ¥3,050 million (US$31,122 thousand) and ¥3,187 million (US$32,520 thousand), respectively.

The effect of this change on segment information is explained in Note 15.

(b) Accounting standard for lease transactions

The Company and its domestic consolidated subsidiaries have adopted the new accounting standard for lease transactions and the related implementation guidance effective the year ended March 31, 2009.

Until the year ended March 31, 2008, finance leases which do not transfer ownership had been accounted for in the same manner as operating leases. Under the new standard, finance leases, which do not transfer ownership, are recognized as leased assets and lease obligations on the consolidated balance sheets.

Finance leases commencing on or before March 31, 2008 continue to be accounted for in the same manner as operating leases.

This adoption had no effect on operating income and income before income taxes and minority interests.

(c) Changes in estimated useful lives of tangible fixed assets

In accordance with the revision made to the Corporate Tax Law of Japan which went into effect on April 1, 2008, effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries have partially revised the estimated useful lives of tangible fixed assets (mainly machinery and equipment).

As a result, operating income, and income before income taxes and minority interests decreased by ¥1,088 million (US$11,102 thousand) and ¥1,093 million (US$11,153 thousand), respectively, for the year ended March 31, 2009 from the corresponding amounts which would have been reported under the previous method.

The effect of this change on segment information is explained in Note 15.

(d) Changes in method of depreciation of tangible fixed assets

In accordance with the revision made to the Corporate Tax Law of Japan (the "Tax Law"), which went into effect on April 1, 2007, effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have adopted the new method prescribed in the revised Tax Law for depreciating tangible fixed assets acquired on or after April 1, 2007.

As a result, operating income, and income before income taxes and minority interests for the year ended March 31, 2008 both decreased by ¥333 million from the corresponding amounts which would have been reported under the previous method.

In addition to the above adoption, effective the year ended March 31, 2008, these companies depreciate the difference between 5% of acquisition cost and nominal value by the straight-line method over a period of five years from the year following the year in which the accumulated depreciation has reached 95% of acquisition cost with respect to the tangible fixed assets acquired on or before March 31, 2007.

As a result, operating income, and income before income taxes and minority interests decreased by ¥2,896 million and ¥2,932 million, respectively, for the year ended March 31, 2008 from the corresponding amounts which would have been reported under the previous method.

4. SECURITIES

Securities and investment securities at March 31, 2009 and 2008 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Securities:			
Bonds and others	**¥ —**	¥ 10	**$ —**
Investment securities:			
Unconsolidated subsidiaries and affiliated companies	**19,677**	18,852	**200,786**
Others	**12,455**	15,264	**127,092**
	¥ 32,132	¥34,116	**$327,878**

Marketable securities classified as other securities at March 31, 2009 and 2008 are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2009			2008			2009		
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:									
Stock	¥2,297	¥4,421	¥2,124	¥3,140	¥7,754	¥4,614	$23,439	$45,112	$21,673
Others	—	—	—	10	10	0	—	—	—
Subtotal	2,297	4,421	2,124	3,150	7,764	4,614	23,439	45,112	21,673
Securities whose acquisition cost exceeds their carrying value:									
Stock	1,260	1,070	(190)	513	404	(109)	12,857	10,918	(1,939)
Debt securities	72	68	(4)	71	71	(0)	735	694	(41)
Others	199	126	(73)	213	171	(42)	2,030	1,286	(744)
Subtotal	1,531	1,264	(267)	797	646	(151)	15,622	12,898	(2,724)
Total	¥3,828	¥5,685	¥1,857	¥3,947	¥8,410	¥4,463	$39,061	$58,010	$18,949

Acquisition costs in the tables above represent the amounts after deduction of impairment losses.

As for securities whose fair values at the year end are less than 50% of the acquisition costs, or are more than 50% but less than 70% and deemed to be unrecoverable, the impairment losses are recognized.

Sales amounts of securities classified as other securities and the related aggregate gain and loss for the years ended March 31, 2009 and 2008 are summarized as follows:

Millions of yen						Thousands of U.S. dollars		
2009			2008			2009		
Sales amount	Aggregate gain	Aggregate loss	Sales amount	Aggregate gain	Aggregate loss	Sales amount	Aggregate gain	Aggregate loss
¥83	—	¥(95)	¥34	¥6	–	$847	—	$(969)

Other securities without market value at March 31, 2009 and 2008 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Other securities:			
Non-listed equity securities	¥6,464	¥6,557	$65,959
Others	306	307	3,123
	¥6,770	¥6,864	$69,082

5. INVENTORIES

Inventories at March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Finished goods	¥39,700	¥35,850	$405,102
Work in process	22,155	23,135	226,071
Raw materials and supplies	30,757	25,692	313,847
	¥92,612	¥84,677	$945,020

6. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT

Short-term loans payable represent bank loans, with average interest rates of 1.20% and 1.46% per annum at March 31, 2009 and 2008, respectively.

Long-term debt at March 31, 2009 and 2008 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
0.32% unsecured bonds due 2008	¥ —	¥ 110	$ —
1.24% unsecured bonds due 2008	—	100	—
0.78% unsecured bonds due 2010	60	100	612
1.36% unsecured bonds due 2010	300	400	3,061
1.49% unsecured bonds due 2010	500	500	5,102
1.32% unsecured bonds due 2011	120	160	1,225
1.67% unsecured bonds due 2012	15,000	15,000	153,061
0.93% unsecured bonds due 2014	100	—	1,020
1.40% convertible bonds due 2008, convertible at ¥415.00 per share	—	19,907	—
Elimination of intercompany transactions	—	(10)	—
Loans principally from banks and insurance companies:			
Secured, at 0.95% to 7.03%, maturing through 2020	—	52,321	—
Secured, at 1.21% to 4.64%, maturing through 2020	33,740	—	344,286
Unsecured, at 0.00% to 6.80%, maturing through 2024	—	133,013	—
Unsecured, at 0.00% to 6.80%, maturing through 2023	166,853	—	1,702,582
	216,673	221,601	2,210,949
Less current portion	40,863	68,810	416,969
	¥175,810	¥152,791	$1,793,980

The annual maturities of long-term debt subsequent to March 31, 2009 are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2010	¥ 40,863	$ 416,969
2011	30,693	313,194
2012	27,636	282,000
2013	44,580	454,898
2014 and thereafter	72,901	743,888
	¥216,673	$2,210,949

The Company and certain consolidated subsidiaries have entered into loan commitment agreements amounting to ¥24,757 million (US$252,622 thousand) with certain banks. Loan payable outstanding at March 31, 2009 under these loan commitment agreements amounted to ¥161 million (US$1,643 thousand).

7. PLEDGED ASSETS

The assets pledged as collateral for short-term and long-term borrowings, guarantees and borrowings of affiliated companies at March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Assets pledged as collateral:			
Trade notes receivable	¥ 1,600	¥ 1,600	$ 16,327
Property, plant and equipment, at net book value	158,694	183,163	1,619,327
Investment securities	2,281	3,141	23,275
	¥162,575	¥187,904	$1,658,929

8. CONTINGENT LIABILITIES

At March 31, 2009 and 2008, the Company and its consolidated subsidiaries are contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
As endorser of trade notes discounted or endorsed	**¥2,998**	¥2,946	**$30,592**
As guarantor of employees' housing loans	**1,366**	1,698	**13,939**
As guarantor of indebtedness principally of unconsolidated subsidiaries and affiliated companies	**2,863**	3,085	**29,214**

The guaranteed amount includes similar commitments of ¥1,602 million (US$16,347 thousand) and ¥2,198 million at March 31, 2009 and 2008, respectively.

9. NET ASSETS

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) shall be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

At the general shareholders' meeting of the Company held on June 26, 2009, the distribution of retained earnings for the year ended March 31, 2009 was approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥4.00 per share)	¥4,031	$41,133

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs, all of which are included in "Selling, general and administrative expenses" for the years ended March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Research and development costs	**¥14,124**	¥13,598	**$144,122**

11. OTHER INCOME (EXPENSES)

"Other income (expenses) — Others, net" for the years ended March 31, 2009 and 2008 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Gain (loss) on sale of investment securities, net	**¥ (247)**	¥ 28	**$ (2,520)**
Gain on sale of property, plant and equipment, net	**153**	230	**1,561**
Loss on disposal of property, plant and equipment	**(2,597)**	(2,636)	**(26,500)**
Loss on impairment of fixed assets (Note 12)	**(1,849)**	(5,941)	**(18,867)**
Write-down of investment securities	**(333)**	(220)	**(3,398)**
Provision of allowance for doubtful accounts	**(475)**	(279)	**(4,847)**
Loss on business restructuring	**(2,653)**	(184)	**(27,071)**
Gain on contribution of investment securities to retirement benefit trust	**—**	2,378	**—**
Write-down of inventories	**(137)**	—	**(1,398)**
Loss on foreign currency exchange, net	**(1,366)**	(86)	**(13,939)**
Others, net	**(4,139)**	(4,038)	**(42,235)**
	¥(13,643)	¥(10,748)	**$(139,214)**

12. LOSS ON IMPAIRMENT OF FIXED ASSETS

Fixed assets of the Company and its consolidated subsidiaries are grouped at the business unit or department level for impairment testing.

Loss on impairment of fixed assets for the year ended March 31, 2009 consists of the following:

	Millions of yen	Thousands of U.S. dollars
	2009	**2009**
Idle property:		
Land	**¥ (6)**	**$ (61)**
Machinery	**(48)**	**(490)**
Others	**(12)**	**(122)**
Business assets in use:		
Aluminum automobile wheels manufacturing plant (UBE Automotive North America Sarnia Plant, Inc.)	**(1,783)**	**(18,194)**
	¥(1,849)	**$(18,867)**

(a) Idle property

Among idle property which the Company and its consolidated subsidiaries own, there were certain assets whose book values exceeded their recoverable amounts. Such excesses of ¥66 million (US$673 thousand) were reduced to their recoverable amounts and were recognized as impairment loss for the year ended March 31, 2009. The components of impairment loss were "Land" in the amount of ¥6 million (US$61 thousand), "Machinery" in the amount of ¥48 million (US$490 thousand) and "Others" in the amount of ¥12 million (US$122 thousand).

The recoverable amounts of these assets are measured by net selling price, and selling prices are based on appraisal evaluation or on nominal prices.

(b) Business assets in use

UBE Automotive North America Sarnia Plant, Inc. resolved its liquidation and reduced the book value of the aluminum automobile wheels manufacturing plant to its recoverable amount. This reduction of ¥1,783 million (US$18,194 thousand) was recognized as impairment loss. The components of impairment loss were "Machinery" in the amount of ¥905 million (US$9,235 thousand) and "Others" in the amount of ¥878 million (US$8,959 thousand).

The recoverable amounts of these assets are measured by net selling price, and selling prices are based on appraisal evaluation.

Loss on impairment of fixed assets for the year ended March 31, 2008 consists of the following:

	Millions of yen 2008
Idle property:	
Land	¥(1,112)
Machinery	(137)
Others	(10)
Business assets in use:	
Construction materials manufacturing plant (UBE Board Co., Ltd.)	(1,957)
Aluminum automobile wheels manufacturing plant (UBE Automotive North America Sarnia Plant, Inc.)	(2,725)
	¥(5,941)

(a) Idle property

Among idle property which the Company and its consolidated subsidiaries own, there were certain assets whose book values exceeded their recoverable amounts. Such excesses of ¥1,259 million were reduced to their recoverable amounts and were recognized as impairment loss for the year ended March 31, 2008. The components of impairment loss were "Land" in the amount of ¥1,112 million, "Machinery" in the amount of ¥137 million and "Others" in the amount of ¥10 million.

The recoverable amounts of these assets are measured by net selling price, and selling prices are based on appraisal evaluation or on expected prices.

(b) Business assets in use

As for "Construction materials manufacturing plant (UBE Board Co., Ltd.)," the book value of the construction materials manufacturing plant was reduced to its recoverable amount due to sluggish business results. This reduction of ¥1,957 million was recognized as impairment loss. The components of impairment loss were "Buildings" in the amount of ¥855 million and "Machinery" in the amount of ¥1,102 million.

The recoverable amount of the asset group is measured by value in use based on estimated future cash flows discounted at 5.50%.

As for "Aluminum automobile wheels manufacturing plant (UBE Automotive North America Sarnia Plant, Inc.)," the book value of the aluminum automobile wheels manufacturing plant was reduced to its recoverable amount due to worsening of profitability resulting from the strong Canadian dollar against the U.S. dollar. This reduction of ¥2,725 million was recognized as impairment loss. The components of impairment loss were "Machinery" in the amount of ¥2,624 million and "Others" in the amount of ¥101 million.

The recoverable amounts of these assets are measured by net selling price, and selling prices are based on appraisal evaluation.

13. INCOME TAXES

Income taxes applicable to the Company comprise corporation, enterprise and inhabitants' taxes which, in the aggregate, result in a statutory tax rate of approximately 40.4% for the years ended March 31, 2009 and 2008, respectively.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2009 and 2008 differ from the statutory tax rate for the following reasons.

	Percentage	
	2009	2008
Statutory tax rate	**40.4%**	40.4%
Effect of:		
Permanently nondeductible expenses	**2.8**	0.7
Permanently nontaxable items including dividend income	**(19.0)**	(3.8)
Tax credit	**(1.5)**	(2.8)
Loss carried forward without deferred tax assets	**3.9**	9.2
Deducted amount of loss without deferred tax assets	**(1.4)**	(10.0)
Investment profit of affiliated companies by equity method	**(2.6)**	(1.3)
Effect of elimination of dividend income through consolidation procedures	**19.6**	4.9
Loss on liquidated subsidiary without deferred tax assets	**(31.6)**	—
Others	**(4.2)**	(0.4)
Effective tax rate	**6.4%**	36.9%

The significant components of deferred tax assets and liabilities at March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Deferred tax assets:			
Accrued employees' bonuses	**¥ 2,709**	¥ 3,070	**$ 27,643**
Accrued retirement benefits	**3,014**	3,155	**30,755**
Allowance for doubtful accounts	**1,307**	814	**13,337**
Loss carried forward	**3,822**	7,167	**39,000**
Intercompany profit	**13,104**	13,120	**133,714**
Depreciation and amortization	**1,932**	2,301	**19,714**
Write-down of investment securities	**7,435**	856	**75,867**
Others	**6,514**	6,399	**66,470**
Gross deferred tax assets	**39,837**	36,882	**406,500**
Valuation allowance	**(7,088)**	(10,978)	**(72,327)**
Total deferred tax assets	**32,749**	25,904	**334,173**
Deferred tax liabilities:			
Deferred gain on real properties	**(5,652)**	(6,449)	**(57,673)**
Reserve for special depreciation	**(1)**	(2)	**(10)**
Valuation difference on securities	**(802)**	(1,824)	**(8,184)**
Prepaid pension expenses	**(2,914)**	(2,504)	**(29,735)**
Revaluation surplus on assets	**(4,517)**	—	**(46,092)**
Others	**(3,697)**	(3,389)	**(37,724)**
Total deferred tax liabilities	**(17,583)**	(14,168)	**(179,418)**
Net deferred tax assets	**¥ 15,166**	¥ 11,736	**$ 154,755**

14. DERIVATIVE FINANCIAL INSTRUMENTS

The Company and certain consolidated subsidiaries have entered into derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates and in interest rates.

Summarized below are the notional amounts and the estimated fair value of the derivative transactions outstanding at March 31, 2009 and 2008.

(a) Currency-related transactions

	Millions of yen						Thousands of U.S. dollars		
	2009			2008			2009		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Forward exchange contracts:									
Sell:									
US$	**¥439**	**¥ 431**	**¥ 8**	¥ 108	¥ 99	¥ 9	**$4,480**	**$ 4,398**	**$ 82**
Buy:									
US$	**247**	**228**	**(19)**	—	—	—	**2,521**	**2,327**	**(194)**
¥	**19**	**19**	**0**	—	—	—	**194**	**194**	**0**
Currency swaps:									
Receive/US$ and pay/¥	**—**	**—**	**—**	2,590	(15)	(15)	**—**	**—**	**—**
Receive/US$ and pay/Baht	**355**	**(133)**	**(133)**	2,007	(320)	(320)	**3,622**	**(1,357)**	**(1,357)**
Total			**¥(144)**			¥(326)			**$(1,469)**

Note: Forward exchange contracts and currency swaps presented above exclude those entered into to hedge receivables and payables denominated in foreign currencies which have been translated and are reflected at the corresponding contracted rates in the accompanying consolidated balance sheets.

(b) Interest-related transactions

	Millions of yen			Thousands of U.S. dollars		
	2009			2009		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Interest-rate collar:						
Buy:	**¥993**	**¥(23)**	**¥(23)**	**$10,133**	**$(235)**	**$(235)**
Total			**¥(23)**			**$(235)**

15. SEGMENT INFORMATION

The operations of the Company and its consolidated subsidiaries for the years ended March 31, 2009 and 2008 are summarized by product group as follows:

	Millions of yen							
Year ended March 31, 2009	Chemicals & plastics	Specialty chemicals & products	Cement & construction materials	Machinery & metal products	Energy & environment	Other businesses	Elimination & corporate	Consolidated
Sales:								
Outside customers	**¥212,610**	**¥ 87,092**	**¥209,486**	**¥110,062**	**¥61,872**	**¥3,581**	**¥ —**	**¥684,703**
Intersegment sales and transfers	**7,423**	**2,693**	**4,299**	**980**	**14,992**	**1,582**	**(31,969)**	**—**
	220,033	**89,785**	**213,785**	**111,042**	**76,864**	**5,163**	**(31,969)**	**684,703**
Operating cost	**217,976**	**83,041**	**204,893**	**106,976**	**68,201**	**4,364**	**(31,911)**	**653,540**
Operating income	**¥ 2,057**	**¥ 6,744**	**¥ 8,892**	**¥ 4,066**	**¥ 8,663**	**¥ 799**	**¥ (58)**	**¥ 31,163**
Assets	**¥196,188**	**¥101,638**	**¥203,881**	**¥ 73,110**	**¥61,006**	**¥9,038**	**¥ 33,125**	**¥677,986**
Depreciation and amortization	**10,707**	**6,784**	**10,530**	**3,559**	**2,861**	**379**	**—**	**34,820**
Loss on impairment	**—**	**—**	**60**	**1,783**	**—**	**6**	**—**	**1,849**
Capital expenditures	**13,130**	**10,051**	**7,486**	**3,234**	**1,333**	**171**	**—**	**35,405**

Year ended March 31, 2008	Chemicals & plastics	Specialty chemicals & products	Cement & construction materials	Machinery & metal products	Energy & environment	Other businesses	Elimination & corporate	Consolidated
	Millions of yen							
Sales:								
Outside customers	¥233,227	¥ 93,534	¥207,017	¥120,350	¥46,477	¥3,679	¥ —	¥704,284
Intersegment sales and transfers	8,546	1,500	4,253	921	11,687	1,529	(28,436)	—
	241,773	95,034	211,270	121,271	58,164	5,208	(28,436)	704,284
Operating cost	223,173	80,885	200,412	114,602	53,467	4,358	(28,513)	648,384
Operating income	¥ 18,600	¥ 14,149	¥ 10,858	¥ 6,669	¥ 4,697	¥ 850	¥ 77	¥ 55,900
Assets	¥246,189	¥110,150	¥209,318	¥ 86,159	¥53,084	¥9,482	¥ 6,516	¥720,898
Depreciation and amortization	11,223	6,125	9,516	4,096	2,785	381	—	34,126
Loss on impairment	26	—	3,180	2,725	—	10	—	5,941
Capital expenditures	7,909	9,424	6,789	5,254	1,431	138	—	30,945

Year ended March 31, 2009	Chemicals & plastics	Specialty chemicals & products	Cement & construction materials	Machinery & metal products	Energy & environment	Other businesses	Elimination & corporate	Consolidated
	Thousands of U.S. dollars							
Sales:								
Outside customers	**$2,169,490**	**$ 888,693**	**$2,137,612**	**$1,123,082**	**$631,347**	**$36,541**	**$ —**	**$6,986,765**
Intersegment sales and transfers	**75,745**	**27,480**	**43,868**	**10,000**	**152,980**	**16,143**	**(326,216)**	**—**
	2,245,235	**916,173**	**2,181,480**	**1,133,082**	**784,327**	**52,684**	**(326,216)**	**6,986,765**
Operating cost	**2,224,245**	**847,357**	**2,090,745**	**1,091,592**	**695,929**	**44,531**	**(325,624)**	**6,668,775**
Operating income	**$ 20,990**	**$ 68,816**	**$ 90,735**	**$ 41,490**	**$ 88,398**	**$ 8,153**	**$ (592)**	**$ 317,990**
Assets	**$2,001,918**	**$1,037,123**	**$2,080,418**	**$ 746,021**	**$622,510**	**$92,224**	**$ 338,010**	**$6,918,224**
Depreciation and amortization	**109,255**	**69,224**	**107,449**	**36,316**	**29,194**	**3,868**	**—**	**355,306**
Loss on impairment	**—**	**—**	**612**	**18,194**	**—**	**61**	**—**	**18,867**
Capital expenditures	**133,980**	**102,561**	**76,388**	**33,000**	**13,602**	**1,745**	**—**	**361,276**

Notes: As described in Note 3(a), the Company and its domestic consolidated subsidiaries have adopted the new accounting standard for measurement of inventories effective the year ended March 31, 2009.

As a result, operating cost increased by ¥1,916 million (US$19,551 thousand) in the Chemicals & plastics segment, ¥736 million (US$7,510 thousand) in the Specialty chemicals & products segment, ¥134 million (US$1,367 thousand) in the Cement & construction materials segment, ¥112 million (US$1,143 thousand) in the Machinery & metal products segment, ¥144 million (US$1,469 thousand) in the Energy & environment segment and ¥8 million (US$82 thousand) in the Other businesses segment over the corresponding amounts which would have been reported under the previous method, and operating income decreased by the same amounts for the year ended March 31, 2009.

As described in Note 3(c), in accordance with the revision to the Corporate Tax Law of Japan which went into effect on April 1, 2008, effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries have partially revised the estimated useful lives of tangible fixed assets (mainly machinery and equipment).

As a result, operating cost increased by ¥35 million (US$357 thousand) in the Chemicals & plastics segment, ¥80 million (US$816 thousand) in the Specialty chemicals & products segment, ¥952 million (US$9,714 thousand) in the Cement & construction materials segment, ¥7 million (US$72 thousand) in the Machinery & metal products segment, ¥8 million (US$82 thousand) in the Energy & environment segment and ¥6 million (US$61 thousand) in the Other businesses segment over the corresponding amounts which would have been reported under the previous method, and operating income decreased by the same amounts for the year ended March 31, 2009.

The operations of the Company and its consolidated subsidiaries for the years ended March 31, 2009 and 2008 by geographic area are as follows:

	Millions of yen				
Year ended March 31, 2009	Japan	Asia	Other area	Elimination & corporate	Consolidated
Sales:					
Outside customers	**¥557,028**	**¥61,588**	**¥66,087**	**¥ —**	**¥684,703**
Intersegment sales and transfers	**18,040**	**12,052**	**2,824**	**(32,916)**	**—**
	575,068	**73,640**	**68,911**	**(32,916)**	**684,703**
Operating cost	**547,566**	**70,045**	**69,034**	**(33,105)**	**653,540**
Operating income (loss)	**¥ 27,502**	**¥ 3,595**	**¥ (123)**	**¥ 189**	**¥ 31,163**
Assets	**¥547,291**	**¥59,152**	**¥37,026**	**¥ 34,517**	**¥677,986**

	Millions of yen				
Year ended March 31, 2008	Japan	Asia	Other area	Elimination & corporate	Consolidated
Sales:					
Outside customers	¥565,418	¥64,936	¥73,930	¥ —	¥704,284
Intersegment sales and transfers	22,281	12,606	3,609	(38,496)	—
	587,699	77,542	77,539	(38,496)	704,284
Operating cost	543,582	69,109	74,549	(38,856)	648,384
Operating income	¥ 44,117	¥ 8,433	¥ 2,990	¥ 360	¥ 55,900
Assets	¥570,474	¥87,045	¥53,460	¥ 9,919	¥720,898

	Thousands of U.S. dollars				
Year ended March 31, 2009	Japan	Asia	Other area	Elimination & corporate	Consolidated
Sales:					
Outside customers	**$5,683,959**	**$628,449**	**$674,357**	**$ —**	**$6,986,765**
Intersegment sales and transfers	**184,082**	**122,980**	**28,817**	**(335,879)**	**—**
	5,868,041	**751,429**	**703,174**	**(335,879)**	**6,986,765**
Operating cost	**5,587,408**	**714,745**	**704,430**	**(337,808)**	**6,668,775**
Operating income (loss)	**$ 280,633**	**$ 36,684**	**$ (1,256)**	**$ 1,929**	**$ 317,990**
Assets	**$5,584,602**	**$603,592**	**$377,816**	**$ 352,214**	**$6,918,224**

"Asia" consists principally of Thailand, and "Other area" consists principally of the United States, Germany and Spain.

Overseas sales, which represent sales to customers outside Japan, of the Company and its consolidated subsidiaries for the years ended March 31, 2009 and 2008 are as follows:

	Millions of yen				
Year ended March 31, 2009	Asia	North America	Europe	Other area	Total
Overseas sales	**¥133,578**	**¥17,701**	**¥45,773**	**¥4,483**	**¥201,535**
Consolidated sales					**684,703**
Overseas/consolidated sales ratio	**19.5%**	**2.6%**	**6.7%**	**0.6%**	**29.4%**

	Millions of yen				
Year ended March 31, 2008	Asia	North America	Europe	Other area	Total
Overseas sales	¥142,450	¥24,872	¥51,492	¥4,043	¥222,857
Consolidated sales					704,284
Overseas/consolidated sales ratio	20.2%	3.5%	7.3%	0.6%	31.6%

Year ended March 31, 2009	Thousands of U.S. dollars Asia	North America	Europe	Other area	Total
Overseas sales	**$1,363,041**	**$180,623**	**$467,071**	**$45,745**	**$2,056,480**
Consolidated sales					**6,986,765**

"Asia" consists principally of Korea, China, Taiwan and Thailand, "North America" consists principally of the United States and Canada, "Europe" consists principally of Germany and Spain, and "Other area" consists principally of South America, Oceania and Africa.

16. LEASES

(a) Finance leases

Finance leases commencing on or before March 31, 2008 continue to be accounted for in the same manner as operating leases.

The following amounts represent the acquisition costs, accumulated depreciation and amortization and net book value of the leased property at March 31, 2009 and 2008 which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

At March 31	Millions of yen 2009	2008	Thousands of U.S. dollars 2009
Acquisition costs:			
Buildings and structures	**¥ 24**	¥ 24	**$ 245**
Machinery and equipment	**10,446**	11,544	**106,592**
	¥10,470	¥11,568	**$106,837**
Accumulated depreciation and amortization:			
Buildings and structures	**¥ 23**	¥ 20	**$ 235**
Machinery and equipment	**5,920**	5,361	**60,408**
	¥ 5,943	¥ 5,381	**$ 60,643**
Net book value:			
Buildings and structures	**¥ 1**	¥ 4	**$ 10**
Machinery and equipment	**4,526**	6,183	**46,184**
	¥ 4,527	¥ 6,187	**$ 46,194**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥1,935 million (US$19,745 thousand) and ¥2,064 million, which are equal to the depreciation and amortization expenses of the leased assets computed by the straight-line method over the lease terms, for the years ended March 31, 2009 and 2008, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2009 for finance leases accounted for as operating leases are summarized as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2010	¥1,645	$16,786
2011 and thereafter	2,882	29,408
	¥4,527	$46,194

(b) Operating leases

Future minimum lease payments subsequent to March 31, 2009 for non-cancelable operating leases are summarized as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2010	¥2,746	$28,020
2011 and thereafter	3,605	36,786
	¥6,351	$64,806

17. ACCRUED RETIREMENT BENEFITS

The Company and certain domestic consolidated subsidiaries have defined benefit company pension plans.

Most domestic consolidated subsidiaries have noncontributory tax-qualified pension plans and lump-sum retirement benefit plans as defined benefit plans. Certain domestic consolidated subsidiaries have defined contribution pension plans.

In addition, the Company and certain domestic consolidated subsidiaries have established retirement benefit trusts.

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Projected benefit obligations:			
Present value of projected benefit obligations	¥ 60,397	¥ 62,758	$ 616,296
Plan assets at fair value	(38,309)	(43,273)	(390,908)
Unrecognized benefit obligations at transition	(9,608)	(12,068)	(98,041)
Unrecognized actuarial loss	(11,044)	(4,888)	(112,694)
Unrecognized prior service cost	(1,816)	(1,915)	(18,531)
Retirement benefit obligations recognized in the balance sheets, net	(380)	614	(3,878)
Prepaid pension expenses	(7,593)	(6,595)	(77,480)
Accrued retirement benefits	¥ 7,213	¥ 7,209	$ 73,602

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Retirement benefit expenses:			
Service cost	¥3,218	¥3,137	$32,837
Interest cost	1,321	1,353	13,479
Expected return on plan assets	(844)	(832)	(8,612)
Amortization of prior service cost	99	99	1,010
Amortization of actuarial loss	824	176	8,408
Amortization of benefit obligations at transition	2,464	2,420	25,143
Cost on transition to defined contribution pension plan	93	—	949
Others	20	—	204
Total	¥7,195	¥6,353	$73,418

Assumptions used in accounting for the above plans were as follows:

	Percentage	
	2009	2008
Discount rate	2.0-2.5%	2.0-2.5%
Expected rate of return on plan assets	2.0-2.5	2.0-2.5
Expected rate of return on retirement benefit trust	0.0	0.0

18. STOCK OPTIONS

Stock option expenses in the amounts of ¥80 million (US$816 thousand) and ¥101 million are accounted for as "Selling, general and administrative expenses" on the consolidated statements of income for the years ended March 31, 2009 and 2008, respectively.

The contents of stock options at March 31, 2009 are as follows:

	Fiscal year 2007 stock options	Fiscal year 2008 stock options	Fiscal year 2009 stock options
Position and number of grantees	Directors of the Company: 5 Executive officers of the Company: 13	Directors of the Company: 5 Executive officers of the Company: 17	Directors of the Company: 6 Executive officers of the Company: 16
Type and number of shares	Common stock of the Company: 255,000 shares	Common stock of the Company: 225,000 shares	Common stock of the Company: 243,000 shares
Date of grant	February 22, 2007	July 13, 2007	July 14, 2008
Settlement of rights	After providing service for the period	After providing service for the period	After providing service for the period
Period of providing service for stock option	For 1 year (From July 1, 2006 to June 30, 2007)	Directors of the Company: For 1 year (From July 1, 2007 to June 30, 2008) Executive officers of the Company: For 9 months (From July 1, 2007 to March 31, 2008) Newly designated executive officers of the Company: For 1 year (From April 1, 2007 to March 31, 2008)	Directors of the Company: For 1 year (From July 1, 2008 to June 30, 2009) Executive officers of the Company: For 1 year (From April 1, 2008 to March 31, 2009)
Exercise period of rights	For 25 years from grant date (From February 22, 2007 to February 21, 2032)	For 25 years from grant date (From July 13, 2007 to July 12, 2032)	For 25 years from grant date (From July 14, 2008 to July 13, 2033)
Condition of exercise of rights	A holder of share subscription rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.	A holder of share subscription rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.	A holder of share subscription rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.

	Fiscal year 2007 stock options	Fiscal year 2008 stock options	Fiscal year 2009 stock options	
	Yen	Yen	Yen	U.S. dollars
Exercise price	¥ 1	¥ 1	¥ 1	$0.01
Average stock price at exercise	168	168	—	—
Fair value at grant date	388	351	326	3.33

Assumptions used in estimation of the fair value of stock options above were as follows:

	Fiscal year 2007 stock options	Fiscal year 2008 stock options	Fiscal year 2009 stock options
Method of estimation	Black-Scholes model	Black-Scholes model	Black-Scholes model
Volatility *	44.103 %	42.225 %	33.622 %
Expected remaining period **	8 years	8 years	8 years
Expected dividend ***	¥3	¥4	¥5 (US$0.05)
Risk-free interest rate ****	1.519 %	1.811 %	1.334 %

* Rate of variability, which is calculated based on the monthly closing prices of common stock of the Company for 8 years from the last month ahead of each date of grant
** Midterm between date of grant and estimated exercisable period
*** Actual dividend per share for each year
**** Interest rate for a government bond with 8 years remaining

19. RELATED PARTY TRANSACTIONS

The Company sold goods for resale in the amount of ¥36,172 million (US$369,102 thousand) and ¥33,976 million to Ube-Mitsubishi Cement Corporation (UMCC), accounted for by the equity method, for the years ended March 31, 2009 and 2008, respectively. The balances of accounts receivable were ¥11,980 million (US$122,245 thousand) and ¥12,214 million at March 31, 2009 and 2008, respectively.

Selling prices are negotiated based on the amount of goods sold after deducting UMCC's selling costs and logistics costs from its net sales.

Report of Independent Auditors

ERNST & YOUNG

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho,
Chiyoda-ku, Tokyo, Japan 100-0011

Tel : +81 3 3503 1100
Fax: +81 3 3503 1197

The Board of Directors
Ube Industries, Ltd.

We have audited the accompanying consolidated balance sheets of Ube Industries, Ltd. and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ube Industries, Ltd. and consolidated subsidiaries at March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young ShinNihon LLC

June 26, 2009

Investor Information (As of March 31, 2009)

Ube Industries, Ltd.

Head Office:
Tokyo Head Office
(IR & PR Dept.)
Seavans North Bldg., 1-2-1, Shibaura,
Minato-ku, Tokyo 105-8449, Japan
Phone: +81 (3) 5419-6110
Fax: +81 (3) 5419-6230

Ube Head Office
1978-96, Kogushi, Ube,
Yamaguchi 755-8633, Japan
Phone: +81 (836) 31-2111
Fax: +81 (836) 21-2252

Establishment: 1897

Common Stock: Outstanding: 1,009,165,006 shares

Paid-in Capital: ¥58,435 million

Number of Shareholders with Voting Rights: 60,202

Annual General Shareholders' Meeting: June

Stock Exchange Listings: Tokyo Stock Exchange (Code: 4208)
Fukuoka Stock Exchange

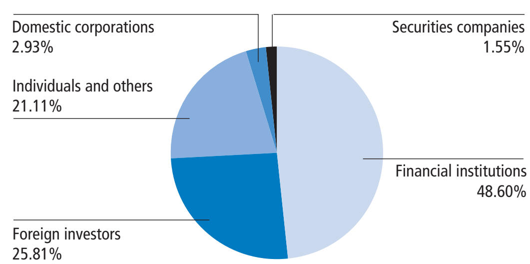
Transfer Agent and Share Registrar: Mitsubishi UFJ Trust and Banking Corporation, 1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212

Independent Auditors: Ernst & Young ShinNihon LLC

Principal Shareholders

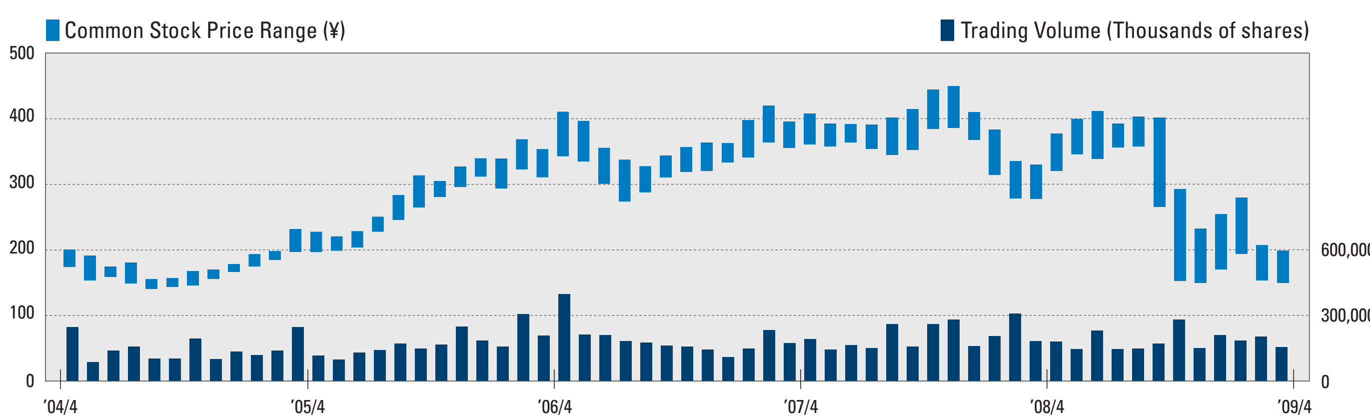
Name	Number of Shares (Thousands)	Percentage of Shareholding (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	**105,874**	**10.49**
The Master Trust Bank of Japan, Ltd. (Trust Account)	**88,415**	**8.76**
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	**59,441**	**5.89**
Japan Trustee Services Bank, Ltd. (Trust Account 4)	**20,990**	**2.08**
Nippon Life Insurance Company	**20,000**	**1.98**
Sumitomo Life Insurance Company (Standing Proxy: Japan Trustee Services Bank, Ltd.)	**20,000**	**1.98**
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	**15,000**	**1.49**
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	**12,997**	**1.29**
The Chase Manhattan Bank NA London SL Omnibus Account (Standing Proxy: Mizuho Corporate Bank, Ltd. Kabutocho Custody & Proxy Department)	**12,742**	**1.26**
Mizuho Corporate Bank, Ltd. (Standing Proxy: Trust & Custody Services Bank, Ltd.)	**12,487**	**1.24**

Breakdown of Shareholders



Stock Price Range & Trading Volume

(Tokyo Stock Exchange)



Network (As of March 31, 2009)

OVERSEAS OFFICES [SALES & REPRESENTATIVE]

❶ UBE AMERICA INC.
261 Madison Avenue, 28th Floor, New York, NY 10016, U.S.A.
Tel: +1 (212) 551-4700
Fax: +1 (212) 551-4739

❷ UBE CORPORATION EUROPE, S.A.
Poligono El Serrallo, Grao de Castellón 12100, Spain
Tel: +34 (964) 738000
Fax: +34 (964) 280013

❸ UBE EUROPE GMBH
Immermann Hof, Immermannstr. 65B, D-40210 Düsseldorf, Germany
Tel: +49 (211) 178830
Fax: +49 (211) 3613297

❹ UBE SINGAPORE PTE. LTD.
150 Beach Road, 20-05 Gateway West, Singapore 189720
Tel: +65-6291-9363
Fax: +65-6293-9039

❺ UBE (SHANGHAI) LTD.
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Tel: +86 (21) 6273-2288
Fax: +86 (21) 6273-3833

❻ UBE (HONG KONG) LTD.
Rooms 1001-1009, Sun Hung Kai Centre, 30 Harbour Road, Hong Kong
Tel: +852-2877-1628
Fax: +852-2877-1262

MAJOR CONSOLIDATED SUBSIDIARIES AND AFFILIATES

① Country ② Business ③ Voting Rights

Chemicals & Plastics

❼ UBE FILM, LTD.
①Japan
Tel: +81 (836) 88-0111
Fax: +81 (836) 89-0005
②Manufacture and sales of plastic-film products
③77.5%

❽ THAI SYNTHETIC RUBBERS CO., LTD.
①Thailand
Tel: +66 (2) 263-6600
Fax: +66 (2) 685-3056
②Manufacture and sales of polybutadiene rubber
③73.1%

❾ UBE NYLON (THAILAND) LTD.
①Thailand
Tel: +66 (2) 263-6600
Fax: +66 (2) 685-3042
②Manufacture and sales of polyamide 6
③100.0%

❿ THAI CAPROLACTAM PUBLIC CO., LTD.
①Thailand
Tel: +66 (2) 263-6600
Fax: +66 (2) 685-3024
②Manufacture and sales of caprolactam and ammonium sulfate
③90.9%

⓫ UBE ENGINEERING PLASTICS, S.A.
①Spain
Tel: +34 (964) 738000
Fax: +34 (964) 280013
②Manufacture and sales of polyamide 6
③100.0%

⓬ UBE CHEMICAL EUROPE, S.A.
①Spain
Tel: +34 (964) 738000
Fax: +34 (964) 280013
②Manufacture and sales of caprolactam, ammonium sulfate, and fine chemicals
③100.0%

⓭ UBE AMMONIA INDUSTRY, LTD.
①Japan
Tel: +81 (836) 31-5858
Fax: +81 (836) 34-0472
②Manufacture and sales of ammonia, carbon dioxide, argon, oxygen, and nitrogen
③50.6%

Specialty Chemicals & Products

⓮ UBE-NITTO KASEI CO., LTD.
①Japan
Tel: +81 (3) 3863-5201
Fax: +81 (3) 3863-5508
②Manufacture and sales of polypropylene molded products and fibers, fiber-reinforced plastics
③100.0%

⓯ MEIWA PLASTIC INDUSTRIES, LTD.
①Japan
Tel: +81 (836) 22-9211
Fax: +81 (836) 29-0100
②Manufacture and sales of phenolic resins, extruded plastics, and others
③100.0%

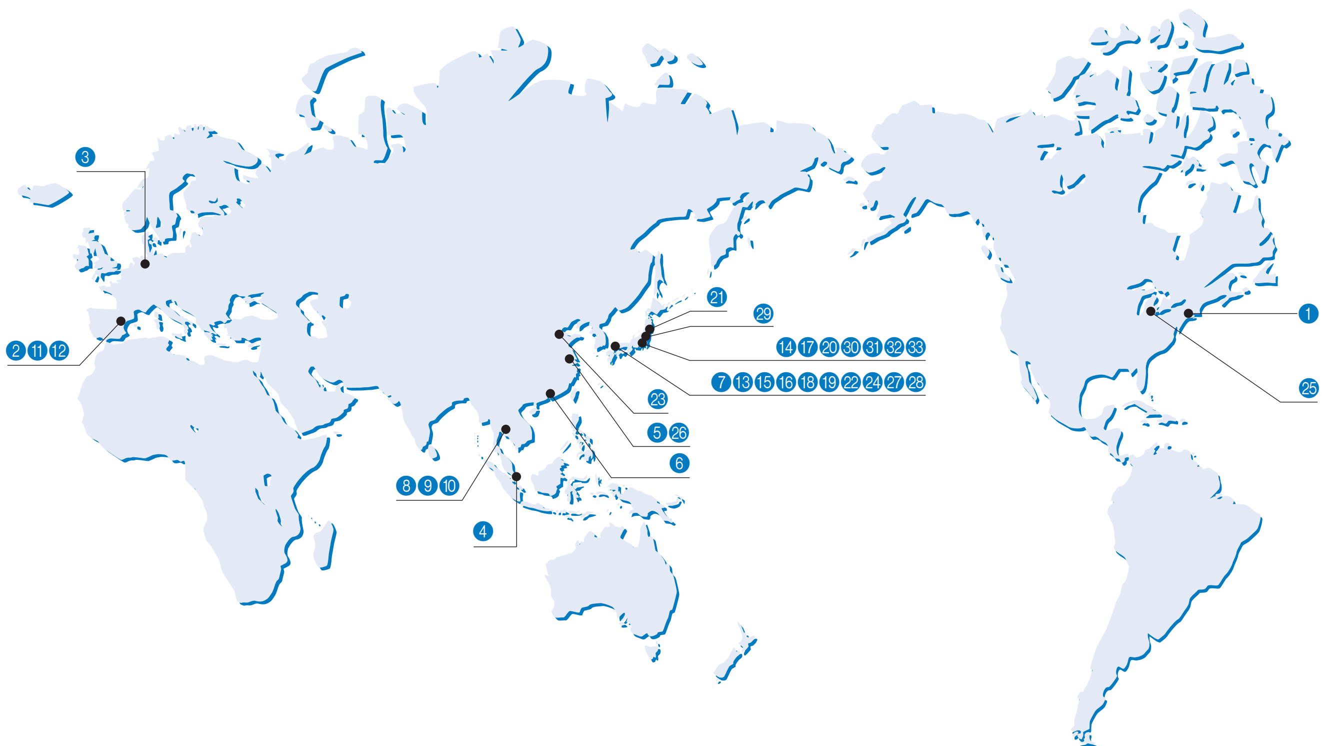
Cement & Construction Materials

⓰ UBE MATERIAL INDUSTRIES, LTD.
①Japan
Tel: +81 (836) 31-0156
Fax: +81 (836) 21-9778
②Production and sales of seawater magnesia, magnesium hydroxide, quicklime, slaked lime, and others
③54.3%

⓱ UBE CONSTRUCTION MATERIALS SALES CO., LTD.
①Japan
Tel: +81 (3) 5487-3560
Fax: +81 (3) 5487-3567
②Sales of ready-mixed concrete, building materials, and others
③100.0%

⓲ UBE SHIPPING & LOGISTICS, LTD.
①Japan
Tel: +81 (836) 34-1181
Fax: +81 (836) 34-1183
②Domestic shipping, harbor transportation, shipping-agent services, and customs clearing
③81.8%

⓳ UBE BOARD CO., LTD.
①Japan
Tel: +81 (836) 22-0251
Fax: +81 (836) 22-0271
②Manufacture and sales of boards, corrugated sheets, and OA flooring as well as related responsibilities
③100.0%



20 KANTO UBE HOLDINGS CO., LTD.
①Japan
Tel: +81 (3) 5759-7715
Fax: +81 (3) 5759-7732
②Sales of cement and aggregates as well as accounting for subsidiary
③100.0%

21 DAIKYO KIGYO CO., LTD.
①Japan
Tel: +81 (191) 25-3161
Fax: +81 (191) 25-4163
②Manufacture and sales of ready-mixed concrete and concrete secondary products
③79.6%

22 HAGIMORI INDUSTRIES, LTD.
①Japan
Tel: +81 (836) 31-1678
Fax: +81 (836) 21-4554
②Manufacture and sales of ready-mixed concrete and concrete secondary products
③72.9%

23 NANTONG UBE CONCRETE CO., LTD.
①China
Tel: +86 (513) 8535-5222
Fax: +86 (513) 8535-5221
②Manufacture and sales of ready-mix concrete
③100%

Machinery & Metal Products

24 UBE MACHINERY CORPORATION, LTD.
①Japan
Tel: +81 (836) 22-0072
Fax: +81 (836) 22-6457
②Manufacture and sales of diecasting machines, injection-molding machines, extrusion presses, industrial machinery, bridge, metal dies, and molds
③100.0%

25 UBE MACHINERY INC.
①U.S.A.
Tel: +1 (734) 741-7000
Fax: +1 (734) 741-7017
②Service, sales, assembly, and maintenance for metal processing and injection-molding machinery
③100.0%

26 UBE MACHINERY (SHANGHAI) LTD.
①China
Tel: +86 (21) 5868-1633
Fax: +86 (21) 5868-1634
②Services, sales, assembly and maintenance for metal processing and injection molding machinery
③100.0%

27 UBE TECHNO ENG. CO., LTD.
①Japan
Tel: +81 (836) 34-5080
Fax: +81 (836) 34-0666
②Service and maintenance of industrial machinery and equipment; manufacture and sales of automation and environment machinery
③100.0%

28 UBE STEEL CO., LTD.
①Japan
Tel: +81 (836) 35-1300
Fax: +81 (836) 35-1331
②Manufacture and sales of cast iron and steel products and rolled steel billets
③100.0%

29 FUKUSHIMA, LTD.
①Japan
Tel: +81 (24) 534-3146
Fax: +81 (24) 533-8318
②Manufacture and sales of marine, industrial and recycling machinery
③100.0%

Energy & Environment

30 UBE C&A CO., LTD.
①Japan
Tel: +81 (3) 5419-6331
Fax: +81 (3) 5419-6332
②Sales of imported steaming coal
③75.5%

... And 35 Other Consolidated Subsidiaries

EQUITY-METHOD AFFILIATES

31 UBE-MARUZEN POLYETHYLENE CO., LTD.
①Japan
Tel: +81 (3) 5419-6164
Fax: +81 (3) 5419-6249
②Manufacture and sales of low-density polyethylene
③50.0%

32 UMG ABS, LTD.
①Japan
Tel: +81 (3) 5148-5170
Fax: +81 (3) 5148-5186
②Manufacture and sales of ABS resins
③42.7%

33 UBE-MITSUBISHI CEMENT CORPORATION
①Japan
Tel: +81 (3) 3518-6670
Fax: +81 (3) 3518-6685
②Sales of cement and soil-stabilizing cement
③50.0%

... And 24 Other Equity-Method Affiliates

Wings of technology Spirit of innovation

UBE

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