Annual Report 2014
Year ended March 31, 2014

Change & Challenge

Driving Growth

UBE

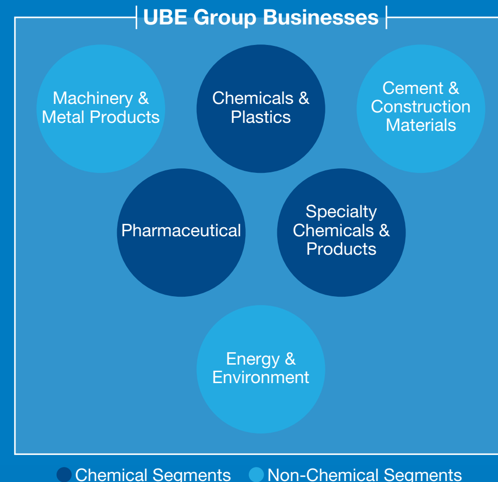
UBE INDUSTRIES,LTD.

The UBE Group Vision

“Wings of technology and spirit of innovation. That’s our DNA driving our global success. The UBE Group will embrace a frontier spirit in seeking to achieve coexistence with the global community driven by the limitless possibilities of technology, while continuing to create value for the next generation.”

Profile

Ube Industries, Ltd. (“UBE” or “the Company”) and its consolidated subsidiaries (collectively, “the UBE Group”) have consistently embraced innovation since the Company’s beginnings as an entrepreneurial venture to develop the coal fields of Ube, Yamaguchi Prefecture in 1897. Today, we continue to challenge ourselves to creatively apply technology to develop and prosper together with our stakeholders.



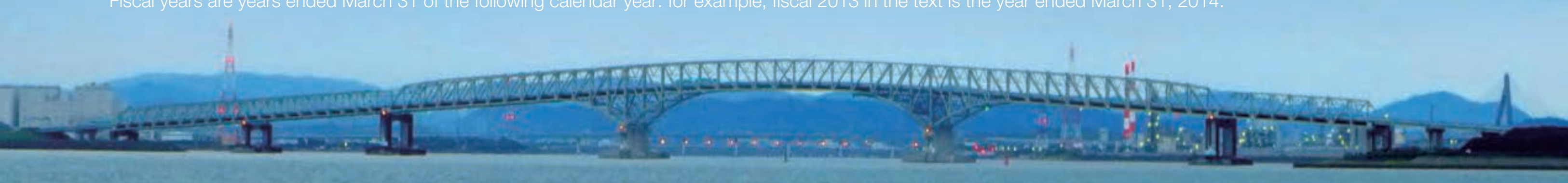
Contents

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 the UBE Group’s 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.

Fiscal years are years ended March 31 of the following calendar year: for example, fiscal 2013 in the text is the year ended March 31, 2014.



Completed in 1982, the Kosan-Ohashi Highway Bridge is part of a 31.94 km roadway for the exclusive use of the UBE Group.

To Our Stakeholders

During fiscal 2013, ended March 31, 2014, the global economy lacked vigor. The U.S. economy continued to recover moderately, but the European economy remained stagnant and economic expansion decelerated in China and other Asian countries. In Japan, the economy recovered moderately supported by increased exports due to the deprecation of the yen and the positive effect of various government policies.

Under these conditions, the three-year medium-term management plan "Change & Challenge – Driving Growth" guided the UBE Group during the plan's first year as we worked to resolve issues in each of our businesses to address structural changes in our operating environment with a sense of urgency under the three basic strategies of the plan: strengthen the revenue base to enable sustainable growth; maximize the global strength of the UBE Group; and address and be part of the solution for resource, energy, and global environmental issues. However, our chemical businesses have yet to achieve significant results under "Change & Challenge" because their operating environment has been particularly challenging.

As a result, consolidated net sales increased by ¥24.4 billion compared with the previous fiscal year to ¥650.5 billion. Operating income decreased by ¥5.5 billion to ¥24.4 billion, and net income increased by ¥4.3 billion to ¥12.6 billion.

The UBE Group believes that CSR equates to Group management that fulfills its responsibilities as a public institution and member of society. We therefore enhance compliance, risk management and other corporate functions to ensure fair corporate conduct. Moreover, the UBE Group embraces its founding principle of coexisting with society in the spirit of living and prospering together with the local community, and is committed to deepening the confidence of all stakeholders, including shareholders, capital markets, customers, business partners, employees, and local communities.

We are counting on your continued support.

July 2014

Michio Takeshita
President and CEO

Change & Challenge — Driving Growth
(FY 2013 – FY 2015)

The UBE Group has begun a new medium-term management plan for the three years ending fiscal 2015 called "Change & Challenge — Driving Growth." UBE Group employees will change their methods and approaches by breaking with convention with the will to succeed in energetically taking on new challenges to achieve the objectives of Change & Challenge.

This page reports on progress during the first year of the plan.

Numerical Targets

	Fiscal 2013 Results	Targets for FY 2015	Targets for FY 2020
Operating income	¥ 24.4 billion	¥ **55.0** billion +	¥**80.0** billion +
Equity capital	¥241.7 billion	¥**270.0** billion +	—
Operating margin	3.8%	**7**% +	—
Return on total assets	3.6%	**7**% +	—
Return on equity	5.5%	**12**% +	—

Basic Strategies

1.

Strengthen the revenue base to enable sustainable growth

2.

Maximize the global strength of the UBE Group

3.

Address and be part of the solution for resource, energy, and global environmental issues

Topics in FY 2013

- **Shutdown of caprolactam chain production at Sakai Factory**
- **Decided to expand nylon 6 production facilities in Spain**
- **Established a joint synthetic rubber company in Malaysia with the Lotte Chemical Group**
- **Electrolytes: Launch of Advanced Electrolyte Technologies (Zhangjiagang) Co., Ltd. joint venture with Dow Chemical of the US in June 2013**

Nylon 6 plant in Spain

Electrolyte manufacturing at Advanced Electrolyte Technologies (Zhangjiagang)

- **Corporate Research & Development established a new organization to share information and set themes collaboratively**
- **Made Ube Material Industries, Ltd. into wholly owned subsidiary through stock swap in August 2013**
- **Merger of Ube Machinery Corporation, Ltd. and its subsidiary Ube Techno Eng Co., Ltd., which provides maintenance services for equipment and machinery, in October 2013**

Ube Material Industries, Ltd.

- **Established a joint venture with Showa Shell Sekiyu K.K. to participate in the power generation business by generating solar power**
- **Operation of trial facilities for low-temperature carbonization of palm kernel shells (PKS) in Indonesia in April 2013**
- **Launch of sludge drying facilities at Isa Cement Factory in June 2013, full capacity operation of waste plastics preprocessing (for fuel) at Kanda Cement Factory**

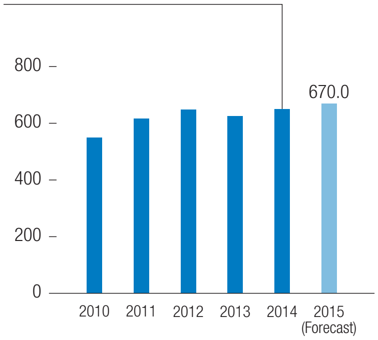
Megasolar power plant (began operating in July 2014)

Consolidated Financial Highlights

Ube Industries, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2010, 2011, 2012, 2013 and 2014

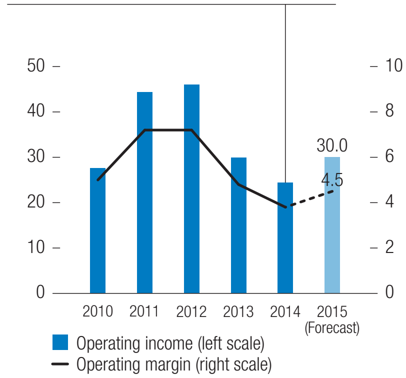
Net Sales
(Billions of yen)

¥650.5 billion



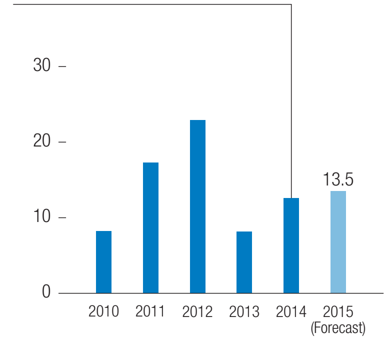
Operating Income & Operating Margin
(Billions of yen / %)

¥24.4 billion 3.8%



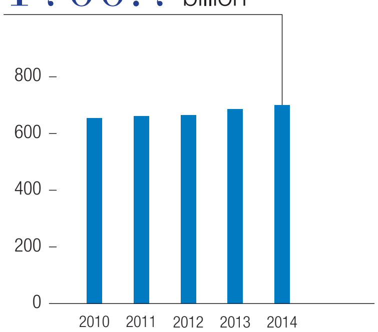
Net Income
(Billions of yen)

¥12.6 billion



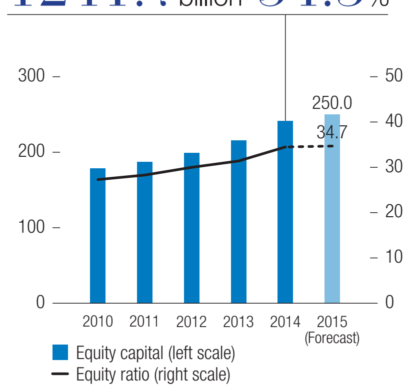
Total Assets
(Billions of yen)

¥700.7 billion



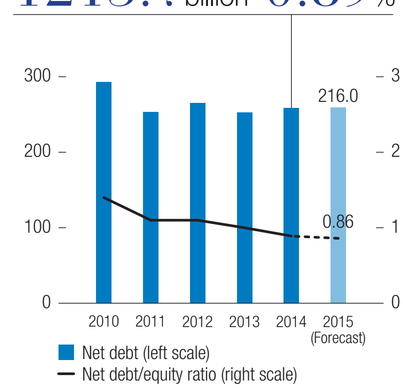
Equity Capital[1] & Equity Ratio
(Billions of yen / %)

¥241.7 billion 34.5%



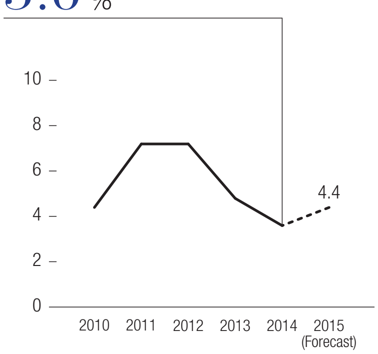
Net Debt[2] & Net Debt/Equity Ratio
(Billions of yen / %)

¥215.7 billion 0.89%



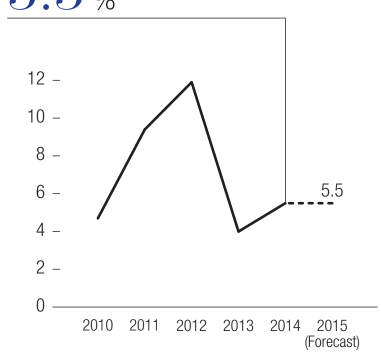
ROA[3]
(%)

3.6 %



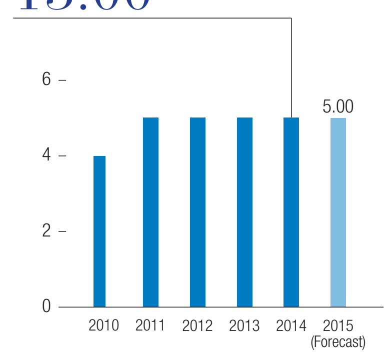
ROE
(%)

5.5 %



Cash Dividends Applicable to the Period
(Yen)

¥5.00



Notes: 1. Equity capital = Net assets – Share subscription rights – Minority interests
2. Net debt = Interest-bearing debt – Cash and cash equivalents
3. ROA = (Operating income + Interest and dividend income + Equity in earnings of unconsolidated subsidiaries and affiliated companies) / Average total assets

An Interview with President and CEO Michio Takeshita

Change & Challenge — Driving Growth

We completed the first year of our medium-term management plan, and we will improve results and achieve growth by leveraging the UBE Group's strength in technology-driven innovation.

Q Please begin by discussing results for fiscal 2013.

"A downturn in our chemical businesses reduced earnings."

Fiscal 2013 was the first year of our new medium-term management plan. Net sales increased by ¥24.4 billion compared with the previous fiscal year, but operating income decreased by ¥5.5 billion. Performance was better than we expected in the Cement & Construction Materials segment due to increased shipments of cement and ready-mixed concrete, but lower earnings in chemical businesses and factors including IPP facility problems in the Energy & Environment segment caused operating income to fall short of the quantitative targets we announced publicly at the end of the second quarter of fiscal 2013 for the first year of the medium-term management plan.

Earnings in our chemical businesses decreased for several reasons. In the Chemicals & Plastics segment, the market for caprolactam, a nylon raw material, continued to stagnate due to an oversupply caused by a succession of new plants that other companies brought online in China. In addition, facility problems reduced shipments. In the Specialty Chemicals & Products segment, shipments of lithium-ion battery materials such as electrolytes and separators were flat year on year, but a substantial decrease in separator prices affected segment results. In the Pharmaceutical segment, sales of active pharmaceutical ingredients (APIs) for antiallergic drugs and antihypertensive agents for which the patents have expired, and APIs and intermediates we manufacture on consignment all decreased. Our three segments related to chemicals only generated ¥2.0 billion of overall Group operating income of ¥24.4 billion. That is an unacceptable outcome for the Group's core chemical businesses, and we recognize that resolving this issue is our primary mission.

"We will respond agilely to changes in the business environment."

Looking at our operating environment during fiscal 2013, the impact of the yen's depreciation had virtually no impact on the UBE Group. Widely varying factors besides foreign exchange negatively impacted each of our businesses, but major ones included the deterioration of the caprolactam market, ongoing price deflation in the battery materials market, and falling prices for electronic materials applications. However, cement demand continued to grow, and we expect demand to remain firm.

We implemented several key measures during fiscal 2013 in response to our operating environment. First, we terminated caprolactam chain production at the Sakai Factory. We enhanced our production system for nylon resin used in automotive and packaging film applications, where demand is solid. In the synthetic rubber business, we increased production capacity at the Chiba Factory to meet strong demand from Japanese tire manufacturers, and are constructing a new plant in Malaysia. In the battery materials business, our electrolyte joint venture in China with The Dow Chemical Company of the United States, Advanced Electrolyte Technologies (Zhangjiagang), began operating. We also expanded pharmaceutical product plant and equipment to enhance productivity and our ability to handle consignments. Outside of our chemical businesses, we made Ube Materials Co., Ltd. a wholly owned subsidiary. This will enable us to maximize synergies by unifying operations and accelerating decision-making. In addition, we are enhancing the recycling business and making it more sophisticated to reinforce operating fundamentals in the cement business. In the machinery business, we merged Ube Machinery Corporation, Ltd. with its service subsidiary Ube Techno Eng Co., Ltd. to strengthen our service business and create operations that are unified from manufacturing through sales. In the Energy & Environment segment, we are concentrating on rapidly restoring IPP facilities, developing biomass energy to enhance our renewable energy business, and growing our mega solar business.

Q ***Please discuss policies for fiscal 2014, the second year of the medium-term management plan.***

"Reviewing strategies for addressing changes in the operating environment is a top priority."

The UBE Group is at its best when its differentiated chemical businesses perform well and drive growth over the medium and long term while non-chemical businesses provide stability in a changing operating environment and support our earnings platform. We will therefore restructure our lactam and nylon chain, and aggressively strengthen both strategic growth businesses such as battery materials and core platform businesses with growth potential such as synthetic rubber while reengineering our chemical businesses. In strategic growth businesses, we will review our strategies for addressing changes in the operating environment for businesses that have been slow to expand while selectively focusing with a sense of urgency on businesses that we can transform into pillars of earnings. At the same time, in our non-chemical businesses, we will maximize earnings in the Cement & Construction Materials segment, in which demand is solid, while upgrading the global network of our Machinery & Metal Products segment and strengthening their service operations. In the Energy & Environment segment, we will concentrate on quickly restarting IPP facilities and expanding renewable energy operations.

“Getting back on track for growth is key in fiscal 2014.”

During fiscal 2014, we expect continued economic recovery in Japan, but concerns include the risk of slower growth in the global economy, particularly in China and other emerging countries. Although conditions differ by business segment, we expect that international operations in our chemical businesses will remain challenging. We also expect demand to be firm in Japan in the Cement & Construction Materials segment, and a favorable order environment in the Machinery & Metal Products segment. Even if the Energy & Environment segment does not recover completely during fiscal 2014, we intend to get back on track for growth and expect the Group as a whole to rebound from the low point in fiscal 2013.

Q What are the UBE Group’s prospects over the medium and long term?

“We will restore the profitability of our chemical businesses to drive growth.”

The UBE Group was founded over 110 years ago in the Ube region as a coal mining operation, and has since continued to transform itself as times and industry have changed. During that time, technology and innovation have been two constants running through the history of the UBE Group, as expressed by our Group Vision, “Wings of technology and spirit of innovation. That’s our DNA driving our global success.” Our corporate philosophy will continue to inform our management strategy over the medium and long term. The basic strategies of medium-term management

plan “Change and Challenge – Driving Growth,” which we initiated in fiscal 2013, are strengthen the revenue base to enable sustainable growth; maximize the global strength of the UBE Group; and address and be part of the solution for resource, energy, and global environmental issues. These strategies will guide our initiatives in fiscal 2014 and beyond.

As I mentioned earlier, over the medium and long term the UBE Group should transform itself so that non-chemical businesses support earnings and differentiated chemical businesses drive growth. We intend to grow the Group as a whole over the medium and long term with the chemical businesses accounting for over half of net sales and operating income. While non-chemical businesses have made progress backed by steady demand, the consistently challenging environment has caused significant variance with our plan for our chemical businesses. Improving earnings in our chemical businesses is therefore our top priority. Our chemical businesses range from nylon resin and synthetic rubber to battery materials and functional materials for electronics, and we can expect steady growth in many of them. We will support these businesses with steady technology development as we expand them to accommodate market growth.

"Our goal is to rapidly strengthen and expand our businesses."

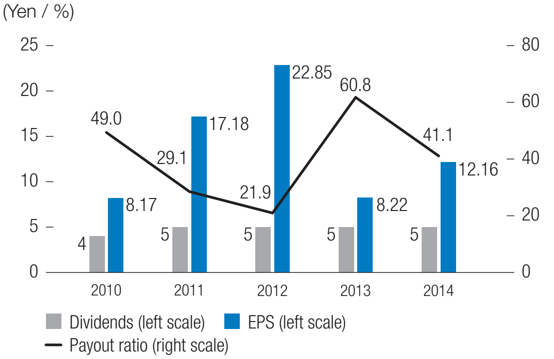
The "Change" in medium-term management plan "Change and Challenge" refers to the key issues of relative change in market conditions and the external environment, and how we change in order to address them. These are issues that every part of the Group must be aware of, from sales, marketing, production technology and R&D to administrative and indirect divisions, and we need to make sure that a detailed understanding of these changes is reflected in our approaches to our work. The key perspective for "Challenge" is thinking about how we can use our existing, limited resources, and also thinking about deficiencies and how we can rectify them to expand and strengthen businesses with potential. Going forward, we may choose to address our weaknesses and build our strengths through alliances with competitors and mergers and acquisitions.

Q Please share your thoughts about shareholder returns.

"We will concentrate on increasing corporate value over the medium and long term."

Naturally, we recognize that providing dividends to shareholders is an important obligation, and we continue to distribute steady dividends even when earnings have decreased. Payout ratio and dividend yield are important indicators, but I also believe that expanding the bottom line that is the basis for the absolute value of dividends and increasing corporate value over the medium and long term are important for meeting shareholder expectations. How we retain our potential for future growth while increasing market capitalization are long-term issues we need to be aware of while we execute our initiatives over the short term.

Consolidated Payout Ratio



(Years to March 31)

Q Several chemical manufacturers have had facility disasters at their plants over the past two years. What is the UBE Group's concept of safety?

"We will continue to raise safety awareness through persistent efforts."

Chemical manufacturers had a string of accidents in 2012 and 2013, and rectifying the underlying problems is only possible with fundamental solutions, not quick fixes. Companies involved in the chemical business need committed programs to raise safety awareness among all employees, both in terms of the tangible side of the business and the intangible side of the business including operations and maintenance. Aging facilities are typically blamed for accidents, but the issue is not that simple. Aspects from facility management and operations to maintenance all call to mind an array of risks, and countermeasures for dealing with them have to be enhanced. Risk management and relevant countermeasures are particularly important during system startup, shutdown and maintenance. While creating safety systems is key, the most important issue is employee awareness of safety and a corporate culture that is committed to continuously raising it.

Q Please discuss the UBE Group's corporate governance. What are your key challenges and issues?

"Upgrading governance systems is a corporate duty."

Corporate governance enables the UBE Group to ensure fair business activities and fulfill its obligations to stakeholders ranging from shareholders to customers, business partners, employees and communities, whose confidence in us is very important. In particular, corporate governance and information disclosure are of the utmost importance in maintaining the trust of shareholders.

We will strengthen corporate governance so that shareholders will definitely not incur unexpected losses, while providing accurate, timely disclosure of information such as the direction of our governance and management, the status of each of our businesses, relationships with competitors, and our outlook for the future. I am proud of the composition of our directors and auditors and how we use our internal control system because I feel our initiatives are advanced in comparison with our peers. Our approach will not change – we will continuously upgrade corporate governance to make it even better.

Q Please reaffirm the UBE Group's social responsibilities and its value to society.

"We contribute to society and communities under our philosophy of 'coexistence and mutual prosperity.'"

The UBE Group's founder was an entrepreneur who loved his hometown. He saw development of the UBE Group and the local area as one in the same, and contributed in various ways to the improvement of the community's infrastructure. "Coexistence and mutual prosperity" has been our founding philosophy since that era and has been passed down unbroken as the point of origin of the UBE Group.

The UBE Group fulfills its social responsibilities through corporate management that fulfills its responsibilities as a public institution with the

intention of sustained growth and increased corporate value. We therefore believe in the absolute importance of strengthening our platform for profitability and addressing environmental issues, as well as coexisting with the community and contributing to society. We need to carefully consider and systematically implement contributions to society that are realistic and helpful to the community. Initiatives implemented with this attitude over many years have built constructive relationships with communities in Japan and also with the communities surrounding our bases in Thailand and Spain, thus building a strong foundation for stable and sustained operations at all of our bases.

"Our technology and material development has signifigant social appeal."

Many aspects of materials manufacturers such as UBE receive little media attention, but we contribute to society significantly by supporting finished products such as eco-cars and electric vehicles that are making a big difference environmentally. Materials manufacturers make substantial social and environmental contributions in so many ways, from making cars and tires lighter and developing tire materials that raise fuel efficiency to developing battery materials for electric vehicles and other applications and creating technologies to process and recycle enormous volumes of waste in the cement business. Communicating the appeal of these social contributions will be another important issue for companies such as the UBE Group.

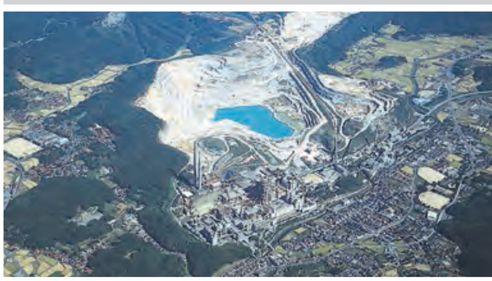
Q Please close with a message for stakeholders.

"We will meet the expectations of all stakeholders."

The term "stakeholder" refers to a wide range of constituents including shareholders, employees, customers, suppliers, communities and society, and living up to all of their expectations is our top priority. We are therefore determined to think about both growing in the short term and increasing and delivering corporate value over the long term in managing the UBE Group and operating its businesses.

One of the most appealing aspects of the UBE Group is that we are diligent in everything we do. Over our 116-year history, we have cultivated this corporate culture, which represents a form of corporate value that cannot be expressed numerically and is essential to maintaining relationships based on trust with our many stakeholders. We intend to improve our results and restore growth in fiscal 2014 and beyond in ways such as taking a fresh look at our strategies given the intense change in our businesses while also developing globally and assiduously reducing costs. We will also further accelerate our initiatives and push ahead with rapid restructuring in our chemical businesses. I would like to invite our stakeholders to share the UBE Group's enthusiasm for "Change and Challenge."

Business Overview

	Segment: Share of Net Sales	Segment: Share of Operating Income	Segment: Share of Assets	Principal Products/ Businesses
 **Chemicals & Plastics**	35%	3%	31%	**•Synthetic rubber** **•Caprolactam chain** –Caprolactam –Nylon –Industrial chemicals
 **Specialty Chemicals & Products**	10%	–	13%	**•Specialty products** –Polyimide –Battery materials (Electrolytes and separators) –High purity chemicals –Separation membranes –Ceramics –Telecommunications devices –Aerospace materials **•Fine chemicals**
 **Pharmaceutical**	2%	7%	2%	**•Pharmaceuticals** (Active ingredients, intermediates)
 **Cement & Construction Materials**	34%	63%	29%	**•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**	12%	18%	8%	**•Machinery** •Molding machines (Die-casting machines and injection molding machines) •Industrial machinery, bridges and steel structures •Steelmaking products
 **Energy & Environment**	9%	8%	8%	**•Coal** **•Power**

Note: Totals do not equal 100% because the Other segment has been omitted and intersegment sales and transfers have not been eliminated.

Chemicals & Plastics

Principal Products / Businesses

- **Synthetic rubber**
- **Caprolactam chain**
  - –Caprolactam
  - –Nylon
  - –Industrial chemicals

Net Sales

¥230.5 billion | Change +5.1 %

Operating Income

¥0.8 billion

(Billions of yen)

	FY 2013	FY 2012	Change (%)	FY 2014 Forecast	FY 2015 Change & Challenge Target
Sales	**¥230.5**	¥219.3	5.1	¥227.0	¥265.0
Operating income	**0.8**	5.0	(84.1)	4.5	16.5
Assets	**218.2**	202.1	8.0	–	–
Depreciation and amortization	**9.7**	8.6	12.7	–	–
Capital expenditures	**12.1**	11.6	3.8	–	–

Basic Strategies of Medium-Term Management Plan "Change & Challenge — Driving Growth"

Synthetic Rubber Business

- Add unique synthetic rubber products to our lineup. Respond to growth in demand, and take overseas business development to the next level by continuing to develop the joint venture in Malaysia while ensuring supplies of competitive raw materials.

Caprolactam and Nylon Chain Businesses

- Switch the strategic focus and positioning of the caprolactam business from the UBE Group's presence in Asian markets to stable supplies of competitive nylon raw materials and revitalizing operations.
- Add higher value while aggressively expanding the nylon business. Strengthen supply capabilities and develop new grades to become a global leader in the extrusion market. Accelerate global business development and strengthen and enhance the UBE Group's compound business organization in the injection molding market, which has room for expansion.
- In the industrial chemical business, leverage the high cost competitiveness and external sales capacity of Ube Ammonia Industry, Ltd. to expand stable earnings.

"Now that we have shut down caprolactam chain production at the Sakai Factory, we will devote ourselves to globally revitalizing the chemical business in fiscal 2014."

Shinobu Watanabe
Company President,
Chemicals & Plastics Company

Fiscal 2013 Initiatives and Outcomes

Overall

- Terminated caprolactam chain production at the Sakai Factory at the end of March 2014. Clarified the positioning of caprolactam as a nylon raw material and decided measures to expand our nylon business.
- Construction of a synthetic rubber plant began in Malaysia.

Synthetic Rubber Business

- Prices rose for naphtha, a butadiene raw material, but decreased for butadiene, a synthetic rubber raw material. Profitability decreased as a result.
- Completed production capacity expansion at the Chiba Factory.

Caprolactam Business

- Market prices continued to decrease due to oversupply, as a succession of companies in China began operating new plants. Took steps such as reviewing raw material sources and reducing costs, but the reduced spread resulted in a substantial loss.
- Shipments decreased due to numerous problems with facilities.

Nylon Business

- Steady sales generated record earnings.

Industrial Chemical Business

- Solid results despite the temporary production halt at the Sakai Factory and the Ube Fujimagari Factory.

Fiscal 2014 Strategies

Overall

- Thoroughly reduce caprolactam costs and expand in the global nylon market.
- Synthetic rubber: maximize production from the start at the Malaysian plant and subsequently consider a fifth plant.

Synthetic Rubber Business

- Increase earnings by leveraging capacity expansion at the Chiba Factory and the start of production at the Malaysian plant to expand sales and offer more specialty products.

Caprolactam Business

- Thoroughly reduce costs, including in the supply chain. Revitalize caprolactam as a competitive raw material for nylon.

Nylon Business

- Sales expansion: Full operation of the 50,000-ton capacity facilities in Thailand, maximum production from the start for OLIVE-S specialty extrusion projects in Europe.
- Restructure the compounding business in Japan and reduce costs.
- Create foundation to expand further in global markets and increase the use of lactam UBE produces.

Industrial Chemical Business

- Expand sales of competitive ammonia and liquefied carbon dioxide.

Specialty Chemicals & Products

Principal Products / Businesses

- **Specialty products**
  - –Polyimide
  - –Battery materials (Electrolytes and separators)
  - –High purity chemicals
  - –Separation membranes
  - –Ceramics
  - –Telecommunications devices
  - –Aerospace materials
- **Fine chemicals**

Net Sales

¥63.1 billion | Change +3.4 %

Operating Loss

¥0.4 billion

(Billions of yen)

	FY 2013	FY 2012	Change (%)	FY 2014 Forecast	FY 2015 Change & Challenge Target
Sales	**¥63.1**	¥61.1	3.4	¥73.0	¥95.0
Operating income (loss)	**(0.4)**	1.2	–	1.0	10.5
Assets	**92.8**	93.1	(0.3)	–	–
Depreciation and amortization	**6.7**	6.5	2.6	–	–
Capital expenditures	**5.1**	8.6	(40.7)	–	–

Basic Strategies of Medium-Term Management Plan “Change & Challenge — Driving Growth”

Polyimide Chain Business

- Develop a wide array of new markets including next-generation displays and semiconductor packaging by leveraging our strength in proprietary monomer raw materials while complementing existing flat panel and flexible printed circuit markets.

Battery Materials Business

- For electrolytes, develop and propose high-performance, differentiated grades for the consumer market to increase market share. In the automotive, stationary and power storage battery markets, expand the business by globalizing the supply system.
- For separators, expand sales in the automotive market by reconciling coating functionalization with standardized dry process manufacturing methods and synchronizing appropriately timed capital investment with market expansion. Improve quality and raise productivity to establish a powerful market position.

Fine Chemicals Business

- Expand in the growing eco-friendly coating materials market using core C1 chemical technology. Increase earnings with a business model that involves alliances with other companies and out-licensing.

“We are focusing on restoring earnings in the short term while also developing new sources of future earnings.”

Hideyuki Sugishita
Company President,
Specialty Chemicals & Products Company

Fiscal 2013 Initiatives and Outcomes / Fiscal 2014 Strategies

Polyimide Chain Business

Fiscal 2013 Initiatives and Outcomes
- Sales of films for LCD televisions were robust, but sales of films for mobile devices were sluggish.

Fiscal 2014 Strategies
- Expand sales in growth markets for existing smartphone applications and also for new next-generation display applications.

Battery Materials Business

Fiscal 2013 Initiatives and Outcomes
- Shipments of electrolytes were solid. Our joint venture plant in China began operating.
- Earnings decreased despite growth in separator shipments because sales prices decreased substantially.

Fiscal 2014 Strategies
- Leverage electrolyte development and proposal capabilities to expand sales in the growing automotive and stationary markets.
- Develop high-performance, high-quality separators that customers need. Concentrate on development to raise productivity.

Fine Chemicals Business

Fiscal 2013 Initiatives and Outcomes
- Shipments were strong overall because of the depreciation of the yen, despite the impact of lowering prices for certain products in emerging countries.
- C1 chemical out-licensing continued to contribute to earnings. Promoted expanded sales of eco-friendly coating materials.

Fiscal 2014 Strategies
- Overall, full-scale market recovery is expected in the second half of fiscal 2014.
- Accelerate growth by further concentrating resources on eco-friendly coating materials, including investment to expand polycarbonate diol production capacity.

Other Specialty Chemical Businesses

Fiscal 2013 Initiatives and Outcomes
- Shipments of ceramics recovered gradually because the market environment improved and policies to expand sales took effect.

Fiscal 2014 Strategies
- Grow sales of ceramics by expanding sales for new applications.

Pharmaceutical

Principal Products / Businesses

- **Pharmaceuticals**
  (Active ingredients, intermediates)

Net Sales

¥9.7 billion

Operating Income

¥1.6 billion

(Billions of yen)

	FY 2013	FY 2012	Change (%)	FY 2014 Forecast	FY 2015 Change & Challenge Target
Sales	**¥ 9.7**	¥11.4	(15.2)	¥10.0	¥14.0
Operating income	**1.6**	3.4	(51.0)	1.7	4.0
Assets	**12.0**	12.0	0.0	–	–
Depreciation and amortization	**0.6**	0.7	(6.9)	–	–
Capital expenditures	**1.3**	0.4	202.3	–	–

Basic Strategies of Medium-Term Management Plan “Change & Challenge — Driving Growth”

Drug Discovery and Co-Development Business

- Proceed with the discovery and co-development of new drugs and expand the profitability of existing products through lifecycle management.

Contract Manufacturing Business

- Strengthen and restructure supply chains for drugs manufactured under contract. Consider overseas production bases in alliances with other companies with the goal of adding the manufacture of APIs for generic drugs to existing production of APIs for new drugs.

"We will implement measures to develop and expand our businesses to make significant progress as a strategic growth business."

Nobuyuki Taenaka
General Manager,
Pharmaceutical Division

Fiscal 2013 Initiatives and Outcomes

Drug Discovery and Co-Development Business

- *Effient*® received approval for cardiac syndrome in March 2014.
- The impact of the launch of *Calblock*® generics was limited, so shipments of this product and combination drug *Rezaltas*® were steady.
- *Talion*® is available in Japan, the United States, South Korea and Indonesia. Worked toward launching this drug in additional Southeast Asian countries.
- Prepared for a Phase IIb clinical trial for DE-117.
- Phase I clinical trial for DE-1442 began in the United States.

Contract Manufacturing Business

- Efforts to build new relationships with major pharmaceutical companies spurred growth in inquiries and orders.
- Promoted technology and facility differentiation to enable UBE to serve a broad array of businesses.

Other (Involving the drug discovery and co-development business and the contract manufacturing business)

- Promoted the restructuring of supply chains to strengthen cost competitiveness.
- Created and then narrowed down list of candidates for overseas production bases.
- Focused on various studies and development to prepare for participation in the generics business.

Fiscal 2014 Strategies

Drug Discovery and Co-Development Business

- *Effient*® is expected to contribute to sales in Japan in addition to its current contribution to sales overseas.
- Concurrently, proceed with the *Effient*® Phase III clinical trial for cerebral syndrome in Japan.
- Strengthen life cycle management for *Talion*® by proceeding with Phase III clinical trials in Japan for pediatric rhinitis and allergy indications.

Contract Manufacturing Business

- Concentrate on adding more customers and acquiring orders for products at late stages of development and immediately before product launches.
- Target new orders for high potency, low-temperature reacting drugs.

Other (Involving the drug discovery and co-development business and the contract manufacturing business)

- Accelerate preparations to establish overseas production bases.
- Continue moving forward with generic product development.

Cement & Construction Materials

Principal Products / Businesses

- Cement
- Resource recycling
- Building materials
  (Self-leveling materials, plastering materials and waterproofing materials)
- Limestone
- Ready-mixed concrete
- Calcia, magnesia
- Specialty inorganic materials

Net Sales

¥223.5 billion | Change +7.3%

Operating Income

¥15.5 billion | +34.9%

(Billions of yen)

	FY 2013	FY 2012	Change (%)	FY 2014 Forecast	FY 2015 Change & Challenge Target
Sales	**¥223.5**	¥208.3	7.3	¥228.0	¥223.0
Operating income	**15.5**	11.4	34.9	15.5	14.5
Assets	**206.3**	201.7	2.3	–	–
Depreciation and amortization	**8.2**	8.2	0.0	–	–
Capital expenditures	**7.4**	12.1	(38.5)	–	–

Basic Strategies of Medium-Term Management Plan "Change & Challenge — Driving Growth"

Cement and Ready-Mixed Concrete Business

- Execute initiatives to benefit from solid medium-term demand in areas including reconstruction demand, disaster management and mitigation, and infrastructure renewal. Energetically enhance our operating capabilities as a core platform business in areas including construction of waste heat recovery power plants and development of the Kanayamadai mining zone.

Resource Recycling Business

- Target the establishment of sophisticated recycling operations by strengthening our ability to collect waste that is difficult to process and using methods such as carbonizing plastic to produce an alternative fuel in order to promote recycling as a source of cement raw materials, while strengthening initiatives to make recycling a source of raw materials for applications other than cement in the future.

Calcia and Magnesia Business

- Develop new demand in environmental businesses as well as steelmaking to enhance our business platform and generate steady earnings.

Building Materials Business

- Expand the renovation business by capturing maintenance and retrofitting demand, and further strengthen the self-leveling materials and waterproofing materials businesses.

“We will further strengthen our operations to create a sustainable core platform business.”

Tadashi Matsunami
Company President,
Cement & Construction Materials Company

Fiscal 2013 Initiatives and Outcomes	Fiscal 2014 Strategies
Cement and Ready-Mixed Concrete Business	
• Reconstruction and restoration demand was strong. All three plants operated at full capacity. Restrained exports to meet domestic demand. Sales volume increased, primarily in Tohoku and the Tokyo area.	• Capture reconstruction and disaster management and mitigation demand while continuing to adjust exports. Rectify prices.
Resource Recycling Business	
• Waste received was steady.	• Add sources of coal ash and shift to sophisticated waste processing.
Calcia and Magnesia Business	
• Demand for core products quicklime and magnesium hydroxide showed signs of recovery. • Sales of soil improvement materials in areas hit by the earthquake grew	• Strengthen operations by leveraging high-grade limestone capabilities. Optimize the Group’s limestone chain.
Specialty Inorganic Materials Business	
• Decided to expand facilities for products such as resin fillers for automobiles. • Entered the market for phosphor materials.	• Further expand in the businesses of resin fillers for automobiles and phosphor materials.
Building Materials Business	
• Sales of self-leveling materials and waterproofing materials were solid because of a spike in condominium construction in major metropolitan areas and a surge in demand before the consumption tax increase.	• Accelerate self-leveling material sales in China. • Enhance initiatives to capture maintenance and retrofitting demand.

Machinery & Metal Products

Principal Products / Businesses

- **Machinery**
  - Molding machines (Die-casting machines and injection molding machines)
  - Industrial machinery, bridges and steel structures
  - Steelmaking products

Net Sales

¥75.5 billion | Change +5.9 %

Operating Income

¥4.4 billion | +21.1 %

(Billions of yen)

	FY 2013	FY 2012	Change (%)	FY 2014 Forecast	FY 2015 Change & Challenge Target
Sales	**¥75.5**	¥71.3	5.9	¥77.0	¥83.0
Operating income	**4.4**	3.6	21.1	4.5	5.5
Assets	**59.2**	62.2	(4.8)	–	–
Depreciation and amortization	**1.2**	1.2	2.0	–	–
Capital expenditures	**1.7**	1.3	35.1	–	–

Basic Strategies of Medium-Term Management Plan "Change & Challenge — Driving Growth"

Molding Machinery Business

- Increase sales in the expanding overseas automobile markets of Asia and North, Central and South America with the goal of establishing stable earnings.

Industrial Machinery Business

- Strengthen the linkage between tangible machinery and intangible services to capture renewed demand in the shrinking and competitive domestic market while concentrating on expanding orders in emerging countries that are growing.

Machinery Services Business

- Strengthen the linkage between products and services to enhance customer responsiveness in global markets with the goal of expanding earnings.

Steel Products Business

- Strengthen market development by expanding billet grades. In the castings business, concentrate on winning orders for large, high-value-added products in the electric power, resource and energy markets.

“All employees consistently think about how they can deliver world-class performance.”

Tokuhisa Okada
Company President,
Machinery & Metal Products Company

Fiscal 2013 Initiatives and Outcomes

Overall

- Consolidated operations by merging Ube Machinery Corporation Ltd. and Ube Techno Eng. Co., Ltd. Reviewed internal divisional organization to transition to an information-intensive organization with a sense of urgency.

Molding Machinery Business

- Shipments of die-casting and injection molding machines were robust, primarily for automobiles.

Industrial Machinery Business

- The order environment for products including vertical mills and conveyors improved because of the correction of the strong yen and the recovery of Japan’s economy. Inquiries and orders increased.

Machinery Services Business

- Results were solid.

Steel Products Business

- Shipments were solid despite a challenging order environment.

Fiscal 2014 Strategies

Overall

- Shift to a business structure that emphasizes product lifecycle, and strengthen cost competitiveness by reviewing the production system, including capital investment.
- Unify management within a framework that transcends Group company lines.

Molding Machinery Business

- Develop business in the expanding overseas automobile markets of Asia and North, Central and South America with the goal of establishing stable earnings.

Industrial Machinery Business

- Strengthen the linkage between tangible machinery and intangible services to capture renewed demand in the domestic market while concentrating on expanding orders in emerging countries that are growing.

Machinery Services Business

- Strengthen the linkage between products and services to enhance customer responsiveness in global markets with the goal of expanding earnings.

Steel Products Business

- Maintain and increase earnings by developing new customers in Japan, Taiwan, Southeast Asia and India by expanding the lineup of high-grade billets and casting products for heavy electrical applications.

Energy & Environment

Principal Products / Businesses

- **Coal**
- **Power**

Net Sales

¥59.0 billion

Operating Income

¥1.9 billion

(Billions of yen)

	FY 2013	FY 2012	Change (%)	FY 2014 Forecast	FY 2015 Change & Challenge Target
Sales	**¥59.0**	¥68.7	(14.1)	¥64.0	¥72.0
Operating income	**1.9**	5.9	(66.5)	2.5	5.0
Assets	**52.9**	46.5	13.8	–	–
Depreciation and amortization	**2.3**	2.4	(6.9)	–	–
Capital expenditures	**4.8**	1.8	169.8	–	–

Basic Strategies of Medium-Term Management Plan "Change & Challenge — Driving Growth"

- Take advantage of business opportunities created by the progress of electricity market liberalization and other power grid reforms to aggressively expand the electricity and coal businesses.
- Position the renewable energy business as a growth strategy and promote mega solar power generation and the supply of biomass fuels to accommodate the projected shift to a low-carbon society over the medium and long term.
- Support the cost competitiveness of various UBE Group products by providing a stable supply of competitively priced energy as a shared infrastructure division of the UBE Group.

"We will quickly make the IPP business our formidable strength while enhancing and developing our businesses in line with energy policies."

Takafumi Kurauchi
General Manager,
Energy & Environment Division

Fiscal 2013 Initiatives and Outcomes

Coal Business

- Coal costs increased because the yen depreciated, which offset the decrease in coal prices on a U.S. dollar basis.
- UBE countered competition from the coal centers of other companies through differentiation and additional cost reductions.
- Robust sales of coal for in-house power generation among manufacturers contributed to earnings.

Electricity Business

- Sales decreased significantly because of periodic inspections of independent power producer (IPP) power plants and subsequent facility problems.

Fiscal 2014 Strategies

Coal Business

- Coal market prices continue to decrease as the benchmark Australian coal price fell for the third consecutive year. Ocean freight charges are also decreasing. Increase the linkage of prices with the market and reduce costs.
- Target increased coal sales volume and storage volume.

Electricity Business

- Restart IPP power plants that have been shut down for an extended period.
- Begin commercial operations at mega solar power plants.

Research and Development

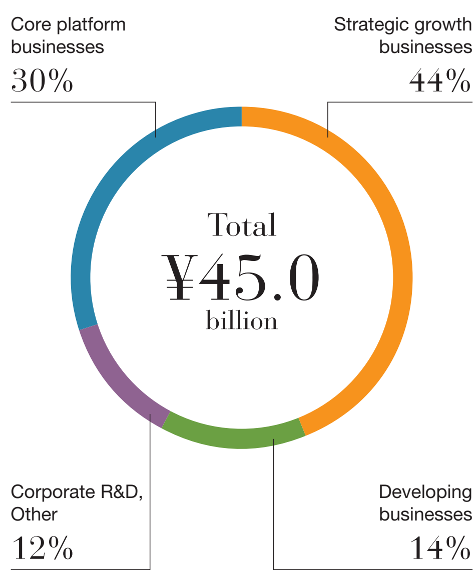
R&D Strategy of Medium-Term Management Plan "Change & Challenge — Driving Growth"

During "Change & Challenge" we will balance themes that strengthen existing businesses with R&D themes for next-generation products and businesses while reallocating resources through concentration and selection to accelerate R&D. Specifically, we will forge ahead in three areas: 1) strengthen core platform businesses and expand strategic growth businesses; 2) quickly transform developing fields into strategic growth businesses; and 3) strengthen technology fundamentals in new priority areas and quickly transfer technologies to developing fields.

Basic Strategies of Medium-Term Management Plan "Change & Challenge — Driving Growth"

- R&D costs over the three years will be ¥45.0 billion, of which 44 percent will be allocated to strategic growth businesses and 30 percent to core platform businesses.
- Corporate R&D will strengthen collaboration with business divisions while evaluating research projects at earlier stages. We will also preferentially allocate resources to the priority areas of new carbon-based chemicals, next-generation chemicals, information electronics, energy and the environment, and health care while executing initiatives to enhance the competitiveness of existing businesses and develop and commercialize new materials.

R&D Expenditures by Portfolio Segment



"We will balance R&D themes that strengthen existing businesses with next-generation themes while allocating resources based on concentration and selection."

Morihisa Yokota
General Manager,
Corporate Research & Development

Corporate R&D implemented the R&D Strategy Plan Project to evaluate and review R&D resources and each R&D theme, and established the R&D Promotion Office. We have considered current technology levels and our future vision for our businesses in strengthening existing businesses and allocating resources to next-generation R&D themes based on concentration and selection while raising efficiency and accelerating development by reviewing the allocation of R&D resources. In addition, we will create unique new UBE technologies by fusing and integrating our technological strengths in organic, inorganic and polymer chemistry.

Reevaluate and Review Resources and Themes to Take on Market Challenges with R&D That Fully Leverages UBE's Broad Technology Portfolio

Fiscal 2013 Initiatives and Outcomes	Fiscal 2014 Strategies
Organic Chemistry Research Laboratory • Established processes to reduce the cost of proprietary APIs. • Participated in a national project to diversify raw materials.	• Promote new and proprietary pharmaceutical chemistry, manufacturing and controls research. • Participate in a national project to diversify raw materials.
Pharmaceuticals Research Laboratory • Received approval in Japan for the antiplatelet agent Prasugrel. • Proceeded with a clinical trial for DE-117, which is a new treatment for glaucoma. • Enhanced our pipeline.	• Further enhance our pipeline by continuing to generate new themes.
Process Technology Research Laboratory • Improved quality at the nylon plant in Thailand. • Participated in a national project.	• Support process technology throughout the UBE Group.
Organic Specialty Materials Research Laboratory • Marketed eco-friendly coating materials. • Discovered a high-mobility organic semiconductor.	• Strengthen the fundamentals of existing businesses and create new businesses.
Inorganic Specialty Product Research Laboratory • The Environment and Energy Materials Group and the Information and Electronics Materials Group developed new materials and technologies to create new businesses and enhance and improve core technologies. • Initiated a *Tyranno Fiber* R&D project.	• Raise efficiency and speed through UBE Group collaboration in inorganic material R&D.

Corporate Governance

Basic Approach to Corporate Governance

The UBE Group's fundamental mission is to steadily increase the corporate value of the Group over the long term. The confidence of shareholders, customers, business partners, employees, communities and other stakeholders is essential to this mission, so we have established corporate governance to maintain appropriate business activities that fulfill our obligations to stakeholders.

Board of Directors and Executive Officers

UBE has been using an executive officer system to separate governance and management functions since June 2001. In principle, a director who does not serve concurrently as an executive officer serves as Chairman of the Board of Directors. The Board of Directors makes decisions about important management issues in accordance with laws, regulations, the Company's articles of incorporation and the rules of the Board of Directors, and also supervises directors and executive officers to ensure they are performing their duties appropriately and efficiently. The President and Chief Executive Officer delegates authority to executive officers, who perform their duties based on management policies decided by the Board of Directors.

Board of Corporate Auditors

Corporate auditors conduct audits based on auditing policies and auditing plans set each fiscal year. Corporate auditors attend Board of Directors meetings 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 evaluate whether directors and executive officers are executing their professional duties appropriately.

Outside Directors

UBE appoints outside directors to add third-party viewpoints to the decision-making process to ensure transparency and objectivity. UBE does not use a committee management system, but employs a Nominating Committee and Evaluation and Compensation Committee that report to the Board to enhance the responsiveness of the Board of Directors. Each consists of five members and is chaired by an outside director.

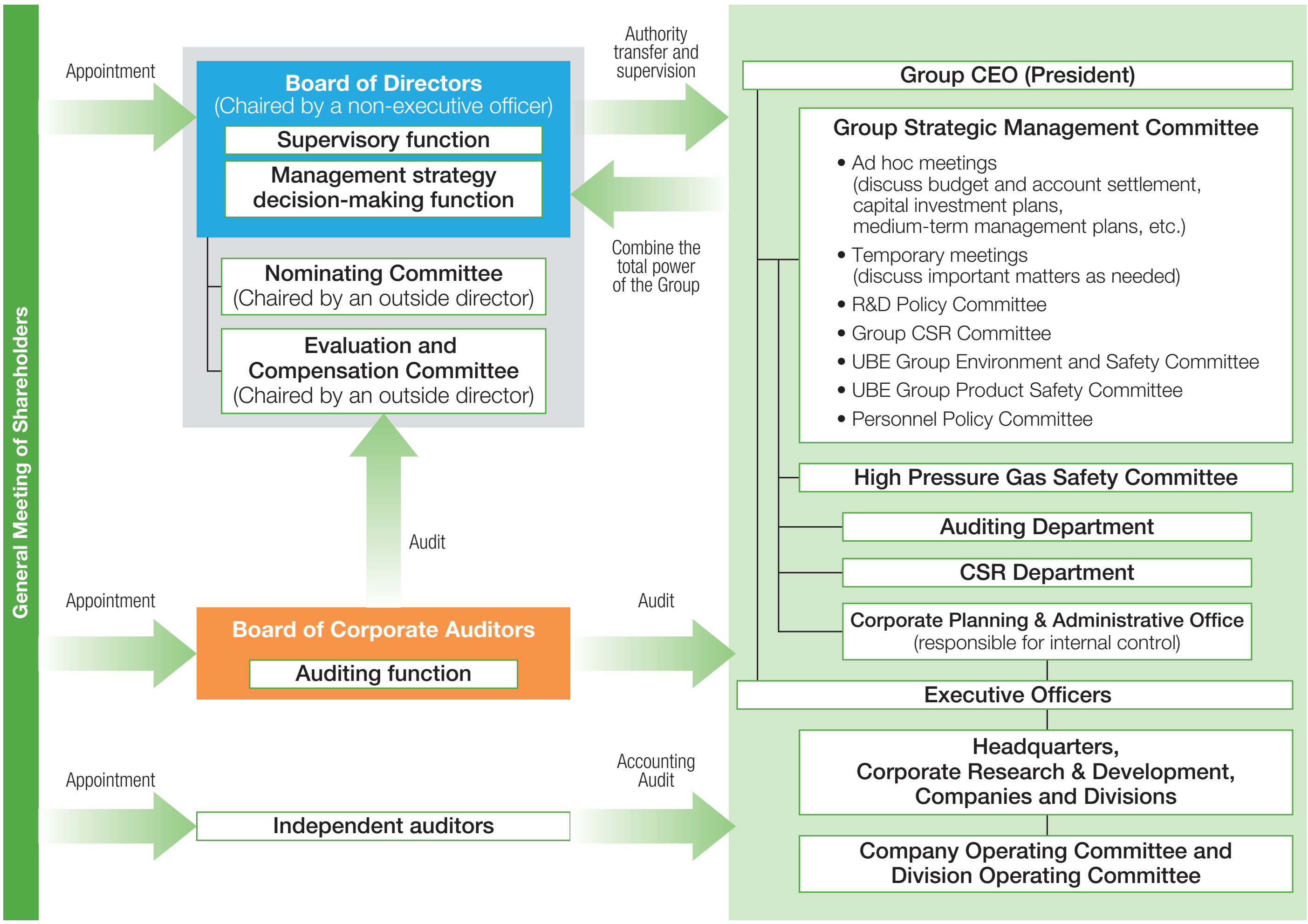
Corporate Governance Overview

As of May 2014

Organizational structure	Company with auditors
Chairman of the Board of Directors	Hiroaki Tamura
Number of directors	7 (of which 3 are outside directors)
Number of corporate auditors	4 (of which 2 are outside corporate auditors)
Board of Directors meetings in the year ended March 2014	• Number of meetings: 13 • Director attendance rate: 96% • Corporate auditor attendance rate: 100%
Board of Corporate Auditors meetings in the year ended March 2014	• Number of meetings: 7 • Corporate auditor attendance rate: 100%
Independent officers appointed	2 outside directors, 1 outside auditor
Determination of compensation for each director*	• Compensation consists of base compensation, stock-based compensation in the form of stock options, annual bonus, and retirement benefits. • Total compensation for the year ended March 2014 (5 directors excluding the independent directors): ¥198 million (base compensation: ¥157 million; stock options: ¥18 million; bonuses: ¥16 million; retirement benefits: ¥6 million)
Determination of compensation for each corporate auditor*	• Compensation consists of base compensation and annual bonuses. • Total compensation for the year ended March 2014 (3 auditors excluding the independent auditors): ¥56 million (base compensation: ¥52 million; bonuses: ¥4 million)
Outside officers* (independent officers)	• Compensation consists of base compensation and annual bonus. • Total compensation for the year ended March 2014 (7 officers): ¥52 million (base compensation: ¥47 million; bonuses: ¥5 million)
Independent auditors	Ernst & Young ShinNihon LLC

*Includes newly elected officers and officers who retired

Corporate Governance Structure



General Meeting of Shareholders and Exercise of Voting Rights

The Notice of Convocation is sent three weeks prior to the General Meeting of Shareholders. UBE provides access to mobile phone and Internet voting in addition to voting by mail so that shareholders who are unable to attend can exercise their voting rights. UBE also uses an electronic voting platform for institutional investors so that institutional investors with material voting rights may exercise those rights.

At the General Meeting of Shareholders held on June 27, 2013, a total of 20,073 shareholders exercised their voting rights (including 18,912 shareholders who exercised voting rights in writing and via the Internet), representing 73.9% of total voting rights.

Compliance

The UBE Group has developed a set of Personal Action Guidelines outlining the Company's corporate ethics. The guidelines outline the standards and criteria for compliance in corporate activities, which directors and employees are expected to adhere to.

UBE appoints compliance officers who are responsible for securing and promoting compliance throughout the Company, and operates a Compliance Committee that includes a legal advisor and acts as an advisory body for compliance officers. In addition, UBE is working to upgrade and strengthen compliance structures and frameworks. Initiatives include the introduction of the "UBE C-Line," a hotline that allows directors and employees to directly report compliance issues without going through normal channels. This encourages rapid reporting and swift correction of compliance issues. In addition, UBE provides compliance information on the Company website and focuses on education and raising awareness through programs such as e-learning and team coaching. In fiscal 2013, the Compliance Promotion Secretariat went to each Group workplace to hold compliance workshops. A total of 12 workshops were held, with 271 employees participating.

Compliance workshop

Internal Control System

The Board of Directors has resolved the basic policies for the configuration of the UBE Group's internal control system. Basic Policy 5 presents the Group's mechanisms for decision-making meetings.

Please refer to **http://www.ube-ind.co.jp/english/ir/management/internalcontrol.htm** for details of the UBE Group's Basic Policy for Establishing Internal Control.

Risk Management

The UBE Group's risk management system involves the steady implementation of systems for Securing the Regulatory Compliance of Directors and Employees, and Adherence to the Articles of Incorporation in Executing Their Duties and Rules and Other Measures for Risk Management of the UBE Group's Basic Policy for Establishing Internal Control.

An Interview with Outside Director Michitaka Motoda

"I am focused on a top-down approach to corporate culture reforms and personnel cultivation that addresses the rapidly changing operating environment."

Michitaka Motoda
Outside Director

UBE's diverse employees and activities are just as important as its signature broad product lineup as elements that enhance corporate value. A standout achievement over the past 10 years is that while developing its diverse businesses internationally, UBE has created a corporate culture that embraces employee diversity to generate sustainable growth by improving its finances, implementing an internal company system, and establishing a culture of good internal communication.

In the chemical industry of the future, however, global markets will change even more because of factors such as the evolving demand structure and ever shorter product lifecycles, in addition to factors such as sluggish domestic demand, increasing dependence on overseas markets, the growing supply capabilities of Chinese companies, and challenges in procuring raw materials and fuel. UBE still needs more global employees who can deal with these changes, so developing the people who can respond to rapid change in the operating environment will require UBE to transform itself in step with its changing environment.

I see that UBE has development and technology potential as well as young employees who are capable of developing while adapting to globalization. In terms of governance, however, the key issues are how UBE can make the best use of its employees and link their potential to tangible, concrete outcomes. I believe that the Chairman of the Board and the President and CEO must take the initiative in the corporate culture reforms and personnel cultivation needed to resolve these issues to support UBE's long-term development as a sustainable corporation. As an outside director, my role in making this happen involves drawing on experience I have gained in management cultures and corporate environments that are different to UBE's and knowledge acquired over many years of working with personnel divisions to highlight various issues by frankly providing opinions to senior management.

Corporate Social Responsibility

Basic Approach to CSR

The UBE Group centers its business activities on its Basic Polices for CSR in order to fulfill its responsibility to coexist with society and generate sustainable corporate and social growth.

Basic CSR Policies

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

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

Environmental Initiatives

One of the UBE Group's three basic strategies under Medium-Term Management Plan "Change & Challenge – Driving Growth" is, "address and be part of the solution for resource, energy, and global environmental issues."

The UBE Group supports the achievement of a sustainable society through energetic initiatives that include curtailing the emission of greenhouse gases, reducing the amount of electricity and other forms of energy it uses, and preserving biodiversity. We also grow by creating and popularizing technologies and products that help to increase the use of renewable energy, conserve resources and reduce environmental impact.


温室効果ガス排出量検証報告書

宇部興産株式会社 御中

Third-party environmental certification

Contribution to Society

Since its founding in 1897, UBE has adhered to its founding principle of 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 remain committed to this social spirit through provision of medical services, volunteer activities including forest preservation, grants for scientific institutes and research facilities, and cultural activities. Both in Japan and overseas, UBE strives to invigorate local communities and promote science through its various activities.

The UBE Foundation, established in 1959, promotes academic research in Japan and supports research facility visits and individuals pursuing academic research. The Foundation received applications for 134 research themes during fiscal 2013.

The UBE Group also supports culture. Established in 1936 as a private bequest of the late Sukesaku Watanabe, the founder of UBE, the Watanabe Memorial Culture Association supports a variety of cultural and art-related activities that include lectures and concerts with the goal of cultivating local culture. Since 2008, UBE has held the UBE Group Charity Concert by the Japan Philharmonic Orchestra in Ube City with the objective of using music to contribute to the promotion of community culture.

UBE Group Charity Concert by the Japan Philharmonic Orchestra in Ube City

Led by the CSR departments in Thailand and Spain, which have become important global operating bases, the UBE Group proactively conducts activities to communicate with local residents. These activities include high school and university student exchanges, and promotional and material support for sports.

Students and teachers from neighboring towns customarily tour the UBE Group factory in Spain each year.

UBE's Safety Initiatives

Group Initiatives to Prevent Disasters at Facilities

The UBE Group Environmental and Safety Principles state that "maintenance of process safety shall be part of the UBE Group's basic mission as a manufacturer." We target sustained operations with zero accidents and disasters.

Policies to Prevent Disasters at Facilities

The UBE Action Guidelines state that "we recognize zero accidents and disasters as the starting point of our business. In all business activities, UBE and UBE Group companies shall ensure safety and thoroughly prevent disasters to maintain the trust of society."

Initiatives to Prevent Disasters at Facilities

Fiscal 2013: Key Measures and Progress

1. Reinforced the Safety Management Organization

1) *Creation of a System for Sharing and Using Information Obtained from the Process Safety Management Liaison Group (Chemicals Division) and the Accident Information Liaison Group*

Targeting a system for sharing and using information even more effectively, we established the Process Safety Management Liaison Group and the Accident Information Liaison Group, created a database of information they obtained, and began reflecting it in manuals and other communications.

2) *Countermeasures and Review of Training and Exercises to Improve Emergency Response Capabilities*

We reviewed whether conventional approaches were appropriate for responding to situations similar to a series of accidents and disasters. The Accident Information Liaison Group also introduced and shared improved case studies.

3) *Determination of Facility Deterioration Levels and Establishment of Risk-based Management Methods*

Management of corrosion of external piping, which is one cause of accidents, is a national issue. We began studies for risk assessment methods and for creating guidelines for the use of non-destructive inspections.

2. Review of Earthquake and Tsunami Damage Estimates and Countermeasures

1) *Countermeasure Planning Based on New Damage Estimates and Verification Exercises*

We reviewed emergency response manuals and other materials based on "Damage Assumptions," "Local Disaster Prevention Plans" and other guidance issued by administrative authorities. In particular, concerning confirmation of conformance with and countermeasures for earthquake resistance standards for high-pressure gas facilities, we are moving ahead with preparations to enable reliable responses and make public announcements.

Interview

Junichi Misumi

Managing Executive Officer, with responsibility for Environment & Safety Dept., Pharma Quality Assurance Dept. and Intellectual Property Dept.

A number of major facility accidents have occurred at chemical factories over the past several years. The causes can be generally categorized as insufficient risk assessment, insufficient personnel training and technological inculcation, inadequate information sharing and communication, and half-hearted safety initiatives. In particular, at industrial complexes that handle materials such as hazardous substances and high-pressure gases, all employees, including senior management, must be involved with a commitment to all of these fundamental activities. The UBE Group targets continuous improvement with a PDCA cycle for activities within legally mandated certification systems and voluntary management systems such as ISO. Additionally, over the past several years the UBE Group has been using third-party institutions to assess its ability to maintain safety while starting to create and employ a training infrastructure to enhance employee and technology education. We want to organize factories that do not give rise to accidents, so we will ensure close communication among related parties as we upgrade a wide range of measures to enhance our safety culture.

UBE and Diversity

Achieving Diversity during “Change & Challenge”

The UBE Group believes that embracing diverse employees and values is more important than ever to further increase corporate value.

Five Diversity Themes

1. Help Women Excel
Women currently make up 14 percent of UBE Group employees, but only 3 percent of managers. We will increase the number of women we recruit, improve the workplace environment, and raise awareness to expand opportunities for women to excel.

2. Employ Foreign Nationals
We began recruiting foreign national employees in 2011, and have promoted personnel exchanges with overseas bases.

3. Employ Seniors
We are rethinking programs and other aspects of the workplace environment to take advantage of the experience and skills of seniors.

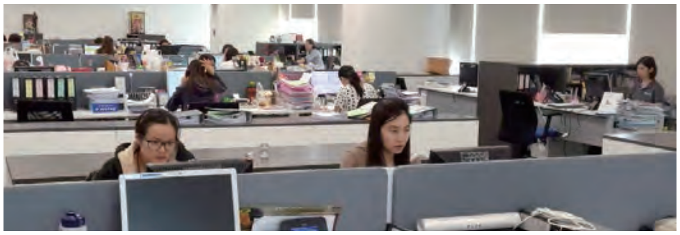
4. Employ Disabled People
The ratio of employees with disabilities was 2.05 percent in fiscal 2013.

5. Work-Life Balance
We are rethinking programs and creating an environment that encourages their use so that both men and women can continue working in step with their life stages.

Initiatives at Overseas Bases

Thailand: Asia Operational Unit (AOU)

Women make up 20 percent of employees and managers, and many women are excelling in key posts. AOU is pressing for even greater productivity and cross-cultural understanding in anticipation of increased labor mobility with the launch of the ASEAN Economic Community (AEC) in 2015.



Women are empowered at the Asia Operational Unit in Thailand.

Spain: Europe Operational Unit (EOU)

The EOU encompasses employees of many nationalities, and as a matter of policy provides rights and opportunities to them regardless of nationality, gender, race or religion. Women currently make up 20 percent of employees, and we will increase the number of women managers through additional recruiting.

Our female employees excel in frontline production, research and other roles.

Interview

Yasuko Sakamoto
Manager,
Diversity Promotion Office

The UBE Group quickly diversified its businesses, but in terms of human resources has maintained male-centric management like many other Japanese corporations. However, diversity is essential for accommodating changes in the operating environment and generating sustained growth. In October 2013, UBE established the Diversity Promotion Office, thus strengthening diversity initiatives from the three perspectives of 1) generating innovation; 2) securing labor; and 3) corporate social responsibility.

During “Change & Challenge,” the UBE Group will work to achieve true diversity through initiatives in various areas including management, work processes and work styles in order to hire and employ diverse employees while helping employees faced with time constraints imposed by child and nursing care to achieve results and continue working.

Management Team

(As of June 27, 2014)

Directors

President and Representative Director

Michio Takeshita

Representative Director

Yuzuru Yamamoto

Directors

Masato Izumihara
Michitaka Motoda*
Takashi Kusama*
Takanobu Kubota
Keikou Terui*

Auditors

Setsuro Miyake
Naoya Kitamura
Hitoshi Sugio*
Seiichi Ochiai*

*Outside Director or Auditor

Executive Officers and Responsibilities

Chief Executive Officer

Michio Takeshita
Group CEO

Senior Managing Executive Officers

Yuzuru Yamamoto
Special Assistant to the President, Group CCO and General Manager of Procurement & Logistics Div., with responsibility for General Affairs & Human Resources Office

Hideyuki Sugishita
Company President of Specialty Chemicals & Products Company

Managing Executive Officers

Charunya Phichitkul
General Manager of Asia Operational Unit

Shinobu Watanabe
Company President of Chemicals & Plastics Company

Nobuyuki Taenaka
General Manager of Pharmaceutical Div. and General Manager of Project Development & Management Dept.

Takanobu Kubota
With responsibility for Ube Corporate Service Dept. and Ube Industries Central Hospital

Tadashi Matsunami
Company President of Cement & Construction Materials Company and General Manager of Cement Dept.

Junichi Misumi
With responsibility for Environment & Safety Dept., Pharma Quality Assurance Dept. and Intellectual Property Dept.

Masato Izumihara
Group CFO and General Manager of Corporate Planning & Administration Office

Tokuhisa Okada
Company President of Machinery & Metal Products Company

Executive Officers

Tsuyoshi Sato
Group Company Dept., Construction Materials Div. and Resources & Products Div., Cement & Construction Materials Company

Etsuo Matsunaga
With responsibility for Polymers Development Center, Chemicals Development Center, Specialty Products Development Center, Advanced Energy Materials R&D Center, Automotive Materials Development Center of Production & Technology Div.; and Deputy General Manager of Corporate Research & Development

Masahiko Nojima
General Manager of Europe Operational Unit

Masataka Ichikawa
General Manager of Production & Technology Div., Cement & Construction Materials Company, with responsibility for Material Recycle Div.

Atsushi Yamamoto
General Manager of General Affairs & Human Resources Office, with responsibility for Group CSR

Mitsuhiko Imoto
General Manager of Planning & Control Dept., Cement & Construction Materials Company

Takafumi Kurauchi
General Manager of Energy & Environment Div.

Yukio Hisatsugu
President and Representative Director of Ube Machinery Corporation Ltd.

Makoto Aikawa
General Manager of Production & Technology Div.

Takafumi Tanaka
General Manager of Strategy Planning Dept., Specialty Chemicals & Products Company

Morihisa Yokota
General Manager of Corporate Research & Development

Genji Koga
General Manager of Production Center, Production & Technology Div. and General Manager of Ube Chemical Factory

Makoto Koyama
Deputy General Manager of Production & Technology Div., Cement & Construction Materials Company, with responsibility for Technical Development Center

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

Consolidated Six-Year Financial Summary

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

	Millions of yen					
	2014	2013	2012	2011	2010	2009
Results of Operations:						
Breakdown of net sales by reportable segment:						
Chemicals & Plastics	**¥230,585**	¥219,368	¥231,026	¥204,516	¥165,098	¥220,033
Specialty Chemicals & Products	**63,160**	61,111	64,368	68,777	60,374	89,785
Pharmaceutical*	**9,706**	11,452	11,186	8,853	9,994	—
Cement & Construction Materials	**223,513**	208,364	209,155	200,470	188,396	213,785
Machinery & Metal Products	**75,511**	71,310	72,575	83,433	81,750	111,042
Energy & Environment	**59,073**	68,769	62,518	59,145	54,155	76,864
Other	**28,816**	25,294	25,911	26,852	19,096	5,163
Adjustment	**(39,854)**	(39,646)	(38,086)	(35,984)	(29,307)	(31,969)
Net sales	**650,510**	626,022	638,653	616,062	549,556	684,703
Cost of sales	**546,340**	517,769	512,447	494,046	448,328	572,010
Selling, general and administrative expenses	**79,757**	78,291	80,200	77,653	73,633	81,530
Operating income	**24,413**	29,962	46,006	44,363	27,595	31,163
Income before income taxes and minority interests	**19,666**	15,842	37,595	28,747	15,592	13,510
Net income	**12,623**	8,265	22,969	17,267	8,217	11,664
Financial Position:						
Assets:						
Total current assets	**296,538**	287,399	284,417	281,701	261,587	277,553
Total property, plant and equipment, net	**332,416**	323,717	313,949	313,945	324,732	332,418
Total investments and other assets	**71,761**	74,768	66,599	65,866	68,474	68,015
Total assets	**700,715**	685,884	664,965	661,512	654,793	677,986
Liabilities and net assets:						
Total current liabilities	**257,958**	250,936	267,391	249,701	246,473	269,025
Total long-term liabilities	**177,402**	184,195	173,167	200,362	206,130	214,238
Minority interests	**23,077**	34,736	24,472	24,048	23,033	22,527
Total net assets	**265,355**	250,753	224,407	211,449	202,190	194,723
General:						
Per share data (yen):						
Net income, primary	**12.16**	8.22	22.85	17.18	8.17	11.59
Cash dividends applicable to the period	**5.00**	5.00	5.00	5.00	4.00	4.00
Net assets	**228.51**	214.35	198.41	186.02	177.88	170.92
Other data:						
Operating margin (%)	**3.8**	4.8	7.2	7.2	5.0	4.6
Return on assets (ROA)** (%)	**3.6**	4.8	7.2	7.2	4.4	4.8
Shares of common stock issued (thousands)	**1,062,001**	1,009,165	1,009,165	1,009,165	1,009,165	1,009,165
Number of consolidated subsidiaries	**65**	67	67	66	67	65
Number of shareholders with voting rights	**58,873**	57,243	55,407	57,537	59,232	60,202
Number of employees	**11,225**	11,090	11,081	11,026	11,108	11,264

* The Pharmaceutical business was included in the Specialty Chemicals & Products segment until fiscal 2009.
** ROA = (Operating income + Interest and dividend income + Equity in earnings of unconsolidated subsidiaries and affiliated companies) / Average total assets

FINANCIAL STRATEGY

The UBE Group completed the medium-term management plan Stage Up 2012 – New Challenges in fiscal 2012. Its basic strategies were to establish a platform for profitability that enables sustainable growth, achieve sustained improvement of financial position, and respond to and address global environmental issues. The UBE Group was unable to achieve this plan's profit targets due to pronounced deterioration of the operating environment. However, the UBE Group did improve its financial position during Stage Up 2012, creating the foundation for the new three-year medium term management plan initiated in fiscal 2013, "Change & Challenge – Driving Growth." Its basic strategies are:

- Strengthen the revenue base to enable sustainable growth
- Maximize the global strength of the UBE Group
- Address and be part of the solution for resource, energy, and global environmental issues

These three strategies will guide the UBE Group as it resolves issues in each of its businesses to address structural changes in its operating environment with a sense of urgency. The UBE Group's targets for fiscal 2015, the final year of the plan, are operating income of ¥55.0 billion or more, an operating margin of 7.0 percent or higher, return on total assets of 7.0 percent or higher, and return on equity of 12.0 percent or higher.

		Medium-Term Management Plan Targets for Fiscal 2015	Fiscal 2013 Results
Profit indicators	Operating margin	7.0% or higher	3.8%
	Return on total assets	7.0% or higher	3.6%
	Return on equity	12.0% or higher	5.5%

SCOPE OF CONSOLIDATION

The UBE Group included 65 consolidated subsidiaries as of March 31, 2014, a decrease of 2 from a year earlier. Subsidiary Ube-Nitto Kasei (Wuxi) Co., Ltd. was added to the scope of consolidation, while Ube Aluminum Wheels Ltd. and Ube Trading Co., Ltd. were completely liquidated and removed from the scope of consolidation during fiscal 2013. In addition, consolidated subsidiary Ube Techno Eng Co., Ltd. was removed from the scope of consolidation after its absorption merger with Ube Machinery Corporation, Ltd.

OPERATING PERFORMANCE

Results for Fiscal 2013

The global economy lacked vigor during fiscal 2013. The U.S. economy continued to recover moderately, but the European economy remained stagnant and economic expansion decelerated in China and other Asian countries. In Japan, the economy recovered moderately supported by increased exports due to the deprecation of the yen and the positive effect of various government policies.

Under these conditions, the three-year medium-term management plan "Change & Challenge – Driving Growth" guided the UBE Group as it worked to resolve issues in each of its businesses to address structural changes in its operating environment with a sense of urgency. However, the Chemicals & Plastics segment has yet to achieve significant results under "Change & Challenge" because its operating environment has been particularly challenging.

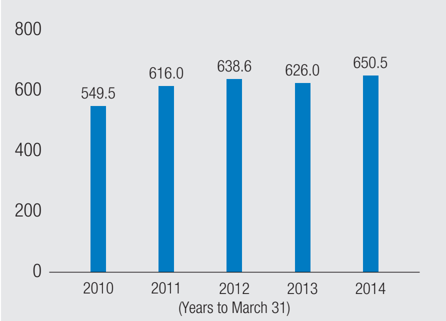
OPERATING RESULTS

Net Sales

Net sales increased by 3.9 percent, or ¥24.4 billion, compared with the previous fiscal year to ¥650.5 billion, despite factors including reduced selling prices for chemical products such as caprolactam and specialty products and problems at IPP power plants. Sales increased in five of the UBE Group's segments. Factors included the favorable impact of foreign exchange in the Chemical & Plastics segment, and increased domestic sales volume in the Cement & Construction Materials segment.

Overseas sales increased a nominal 0.4 percent, or ¥0.7 billion, compared with the previous fiscal year to ¥206.0 billion. The ratio of overseas sales to net sales decreased by 1.1 percentage points compared with the previous fiscal year to 31.7 percent.

Net Sales
(Billions of yen)



Cost of Sales and Selling, General and Administrative Expenses

Cost of sales increased by 5.5 percent, or ¥28.5 billion, compared with the previous fiscal year to ¥546.3 billion as a result of factors including increased shipments of cement, ready-mixed concrete and building materials in the Cement & Construction Materials segment. The ratio of cost of sales to net sales increased by 1.3 percentage points to 84.0 percent.

Selling, general and administrative (SG&A) expenses increased by 1.9 percent, or ¥1.4 billion, compared with the previous fiscal year to ¥79.7 billion, and the ratio of SG&A expenses to net sales decreased 0.3 percentage points to 12.3 percent.

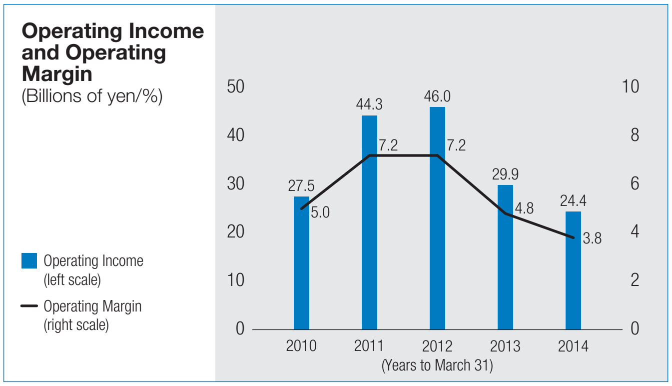
Research and development costs, which are included in SG&A expenses, were essentially unchanged compared with the previous fiscal year at ¥13.9 billion. The ratio of research and development costs to net sales decreased by 0.1 percentage point to 2.1 percent.

Operating Income

Operating income decreased by 18.5 percent, or ¥5.5 billion, compared with the previous fiscal year to ¥24.4 billion. The operating margin decreased 1.0 percentage point to 3.8 percent.

Operating income increased in the Cement & Construction Materials and other segments. However, operating income decreased in the Chemicals & Plastics segment because the spread between selling prices and the cost of raw materials narrowed for caprolactam; in the Specialty Chemicals & Products segment because sales prices decreased; in the Pharmaceutical segment due to factors including reduced sales volume because of sales price revisions for UBE's pharmaceuticals; and in the Energy & Environment segment because problems at IPP power plants reduced the volume of power sold.

Please see pages 12 to 23 of the Review of Operations for additional segment details.

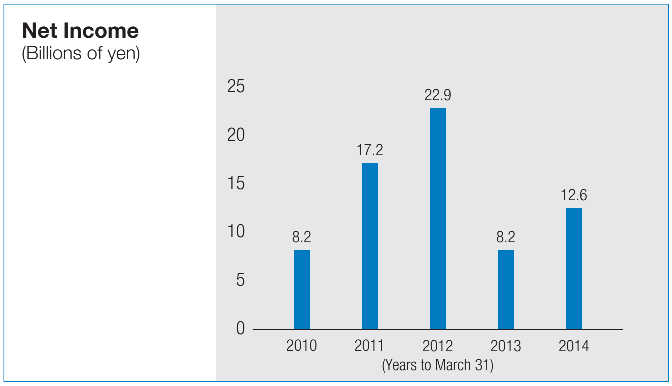


Net Income

Income taxes net of deferrals increased by 3.7 percent, or ¥0.2 billion, compared with the previous fiscal year to ¥6.7 billion for fiscal 2013. After tax effect accounting, the effective tax rate for fiscal 2013 was 34.5 percent.

As a result, net income increased by 52.7 percent, or ¥4.3 billion, compared with the previous fiscal year to ¥12.6 billion. Net income per share totaled ¥12.16, compared with ¥8.22 for the previous fiscal year.

Return on equity, calculated as net income divided by average equity capital, increased by 1.5 percentage points compared with the previous fiscal year to 5.5 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 36), decreased by 1.2 percentage points to 3.6 percent.



Other Income (Expenses)

Net other expenses decreased by ¥9.3 billion from the previous fiscal year to ¥4.7 billion. Net interest expense, calculated as interest and dividend income less interest expense, decreased by 21.9 percent, or ¥0.6 billion, compared with the previous fiscal year to ¥2.0 billion. However, equity in earnings of unconsolidated subsidiaries and affiliated companies was a nominal loss, compared with income of ¥1.2 billion for the previous fiscal year, and gain on foreign currency exchange, net, decreased by ¥1.0 billion. Others, net, which is disclosed in greater detail in note 13 to the consolidated financial statements, decreased by 78.4 percent, or ¥10.0 billion, to a net expense of ¥2.7 billion. Loss on impairment of fixed assets decreased by ¥3.0 billion, loss on disposal of property, plant and equipment decreased by ¥7.7 billion, and loss on business restructuring decreased by ¥2.6 billion compared with the previous fiscal year. These three non-recurring charges were substantial in the previous fiscal year largely because of the decision to terminate caprolactam production at the Sakai Factory.

As a result, income before income taxes and minority interests increased by 24.1 percent, or ¥3.8 billion, compared with the previous fiscal year to ¥19.6 billion.

FINANCIAL POSITION

Cash Flow

Net cash provided by operating activities decreased by ¥9.0 billion compared with the previous fiscal year to ¥37.0 billion. Income before income taxes and minority interests increased by ¥3.8 billion to ¥19.6 billion. Depreciation and amortization, a non-cash reconciliation, totaled ¥32.4 billion. Increase in receivables used cash totaling ¥6.1 billion, decrease in inventories provided cash totaling ¥2.4 billion, increase in payables provided cash totaling ¥1.7 billion, and income tax payment used cash totaling ¥7.0 billion.

Net cash used in investing activities totaled ¥40.7 billion. Acquisition of property, plant and equipment totaled ¥36.2 billion. Other factors included net acquisition of consolidated subsidiaries' stocks, which used cash totaling ¥3.0 billion, and acquisition of investment securities, which used cash totaling ¥1.6 billion.

Net cash used in financing activities increased by ¥1.6 billion compared with the previous fiscal year to ¥7.4 billion. Repayments of long-term borrowings used cash totaling ¥43.3 billion, and cash dividend paid used cash totaling ¥4.9 billion. Proceeds from long-term borrowings provided cash totaling ¥23.7 billion, proceeds from long-term bond issues provided cash totaling ¥10.0 billion, and increase in commercial paper provided cash totaling ¥10.0 billion.

Cash and cash equivalents at the end of the year decreased by ¥5.8 billion compared with the previous fiscal year-end to ¥30.0 billion.

Assets, Liabilities and Net Assets

Total assets at March 31, 2014 increased by 2.2 percent, or ¥14.8 billion, from a year earlier to ¥700.7 billion.

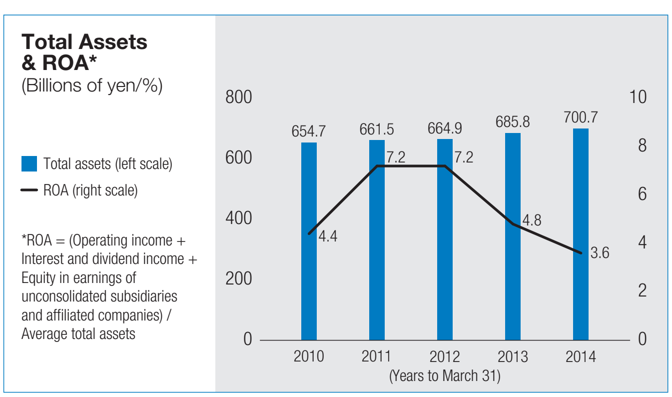
Current assets increased by 3.2 percent, or ¥9.1 billion, from a year earlier to ¥296.5 billion. Cash and cash equivalents and time deposits decreased, but trade notes and accounts receivable increased by ¥9.9 billion. The inventory turnover ratio increased to 6.7 times from 6.4 times for the previous fiscal year.

Property, plant and equipment increased by 2.7 percent, or ¥8.6 billion, from a year earlier to ¥332.4 billion. Investments and other assets decreased by ¥3.0 billion from a year earlier to ¥71.7 billion.

Total liabilities at March 31, 2014 were essentially unchanged from a year earlier at ¥435.3 billion.

Current liabilities increased by 2.8 percent, or ¥7.0 billion, from a year earlier to ¥257.9 billion, mainly because interest-bearing liabilities in the form of short-term loans payable, commercial paper, current portion of long-term debt and lease obligations increased by ¥2.7 billion and trade notes and accounts payable increased by ¥5.9 billion. The current ratio was 115.0 percent, compared with 114.5 percent a year earlier.

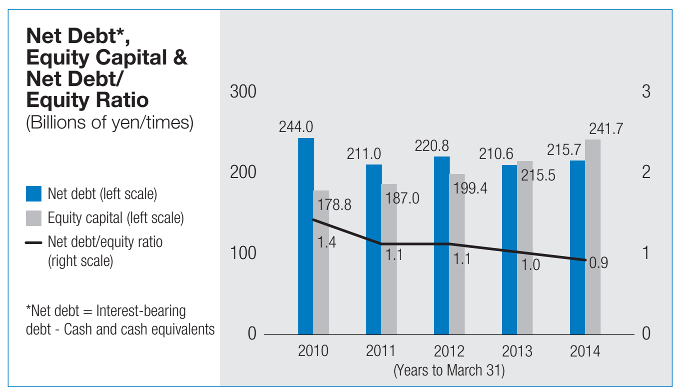
Long-term liabilities decreased by 3.7 percent, or ¥6.7 billion, from a year earlier to ¥177.4 billion. A primary reason was that long-term debt less current portion decreased by 2.5 percent, or ¥3.5 billion, from a year earlier to ¥136.8 billion. Interest-bearing debt, defined as short-term loans payable, commercial paper, the current portion of long-term debt, long-term debt less current portion, and lease obligations, decreased by ¥0.8 billion from a year earlier to ¥245.8 billion.



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. As a result, the lease obligations totaling ¥1.4 billion that are a component of total interest-bearing liabilities are included in other current liabilities and other long-term liabilities rather than presented separately.

Total net assets at March 31, 2014 increased by 5.8 percent, or ¥14.6 billion, from a year earlier to ¥265.3 billion. An exchange of shares to make Ube Materials Co., Ltd. a wholly owned subsidiary increased capital surplus by ¥9.9 billion. Payment of cash dividends reduced retained earnings by ¥5.0 billion, while net income increased retained earnings by ¥12.6 billion. Remeasurements of defined benefit plans decreased net assets by ¥3.5 billion, while foreign currency translation adjustments increased net assets by ¥4.1 billion. Minority interests decreased 33.6 percent, or ¥11.6 billion, because of the exchange of shares with Ube Materials discussed above.

The ratio of equity capital to total assets, or the equity ratio, increased by 3.1 percentage points from a year earlier to 34.5 percent. The net debt/equity ratio decreased to 0.89 times from 0.98 times a year earlier. Net assets per share increased to ¥228.51 from ¥214.35 a year earlier.



BASIC POLICY FOR DISTRIBUTION OF EARNINGS AND DIVIDENDS FOR FISCAL 2013 AND FISCAL 2014

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

In the medium-term management plan “Change and Challenge — Driving Growth” that began in fiscal 2013, UBE set the goal of paying 30 percent or more of consolidated net income in cash dividends. In line with this policy, cash dividends per share totaled ¥5.00 for fiscal 2013, for a consolidated payout ratio of 41.1 percent.

UBE plans to pay cash dividends of ¥5.00 per share for fiscal 2014, and has the goal of increasing dividends as a result of improving performance.

PERFORMANCE FORECAST FOR FISCAL 2014

While we expect continued economic recovery in Japan, concerns include the risk of slower growth in the global economy, particularly in China and other emerging countries, and the impact of the increased consumption tax in Japan. Although conditions differ by business segment, we forecast that the business environment will remain challenging for the UBE Group as a whole. Given present economic conditions, the UBE Group has made the following performance forecast for fiscal 2014, assuming an exchange rate of ¥105 to US$1.00, a domestic naphtha price of ¥71,300/kiloliter, and an Australian coal price of ¥10,675/ton.

We forecast consolidated net sales of ¥670.0 billion due to factors including higher sales in the Specialty Chemicals & Products segments from increased sales volume. We forecast that consolidated operating income will increase year on year to ¥30.0 billion, mainly because we expect increased sales in the Chemicals & Plastics segment. We also forecast consolidated net income of ¥13.5 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 June 27, 2014. 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 Business

Earnings in the Chemicals & Plastics business are highly dependent on demand trends and supply and demand conditions in Japan, Asia and Europe, the primary markets for this business'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 Active Pharmaceutical Ingredients and Intermediates Business

The active ingredients and intermediates business comprises a contract manufacturing business through which the UBE Group manufactures pharmaceutical bulk ingredients and intermediates under contract for pharmaceutical companies and the drug discovery and co-development business through which the Group conducts research and development for new drugs either independently or jointly with pharmaceutical companies. The contract manufacturing 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 contract manufacturing business may be unable to be commercialized 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 contract manufacturing 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 contract and lapsed patents may lead to sluggish sales.

The drug discovery and co-development business is broadly divided into independent research and joint research with pharmaceutical companies. Although the UBE Group 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 contract manufacturing and drug discovery and co-development businesses may exert a material impact on the performance and financial position of the Group.

5. Domestic Cement Demand

Domestic demand for cement, a main product of the Cement & Construction Materials segment, has increased due to reconstruction demand following the Great East Japan Earthquake. However, public investment has been restrained, and the accelerated advance of companies overseas could reduce demand. These factors could cause cement sales volume and segment earnings to decrease. 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 Machinery Business

The UBE Group is strengthening and enhancing the linkage between products and services in the Machinery & Metal Products segment in working to expand earnings in global markets with a focus on emerging countries that are growing. However, the materialization of risks such as a decline in sales prices due to intensifying competition or a sudden rise in prices for raw materials and construction 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, South 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 and Disasters

In the event that a large-scale industrial accident, earthquake, windstorm or flood should occur and cause substantial damage to the production facilities 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.

In addition, factors including accidents or disasters affecting the suppliers of crucial raw materials to the UBE Group may impede operations and 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. No prediction of the final outcome of these lawsuits or the time required for resolution is possible at this time. Since May 2008, the Japanese government and 40 building material manufacturers, including Ube Board Co., Ltd. (a consolidated subsidiary of UBE), have been defendants in lawsuits brought jointly and severally by construction workers and their survivors alleging that the defendants are responsible for asbestos-related disease that affected the plaintiffs because they inhaled asbestos particles from asbestos building materials used at construction sites. The plaintiffs' claims against the building material manufacturers were dismissed. Subsequently, two plaintiff appeals were filed in the Tokyo High Court and similar lawsuits were filed in the Sapporo District Court, the Yokohama District Court, the Kyoto District Court, the Osaka District Court and the Fukuoka District Court. A total of 20 lawsuits seek damages totaling ¥20,200 million.

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, 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, reversal of 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

At the start of fiscal 2013, the UBE Group launched a new three-year medium-term management plan called New Medium-Term Management Plan "Change & Challenge." The basic strategies of this plan are to strengthen the revenue base to enable sustainable growth; maximize the global strength of the UBE Group; and address and be part of the solution for resource, energy, and global environmental issues. The UBE Group's targeted management indicators for fiscal 2015, the final year of the plan, are operating margin and return on assets of 7.0 percent or higher each, and return on equity of 12 percent or higher.

The UBE Group is working to execute the basic strategies and achieve the targeted management indicators outlined above. However, unforeseen changes in the business environment and the issues discussed in items 1 through 19 above are among the risks that could negatively affect the performance and financial position of the Group and make the Group unable to execute the medium-term management plan as originally conceived or achieve the targeted management indicators of the plan.

Consolidated Statement of Income

Ube Industries, Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Net sales (Note 23)	¥650,510	¥626,022	$6,315,631
Cost of sales	546,340	517,769	5,304,272
Gross profit	104,170	108,253	1,011,359
Selling, general and administrative expenses (Notes 11, 12 and 22)	79,757	78,291	774,340
Operating income	24,413	29,962	237,019
Other income (expenses):			
Interest and dividend income	847	916	8,224
Amortization of negative goodwill	134	90	1,301
Interest expense	(2,922)	(3,572)	(28,369)
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(39)	1,239	(379)
Others, net (Note 13)	(2,767)	(12,793)	(26,864)
	(4,747)	(14,120)	(46,087)
Income before income taxes and minority interests	19,666	15,842	190,932
Income taxes (Note 15)**:**			
Current	4,865	11,007	47,233
Deferred	1,917	(4,464)	18,612
	6,782	6,543	65,845
Income before minority interests	12,884	9,299	125,087
Minority interests	(261)	(1,034)	(2,534)
Net income	¥ 12,623	¥ 8,265	$ 122,553

	Yen		U.S. dollars (Note 1)
	2014	2013	2014
Per share:			
Net income:			
Primary	¥12.16	¥8.22	$0.118
Diluted	12.14	8.20	0.118
Cash dividends applicable to the period	5.00	5.00	0.049

See accompanying notes.

Financial Section

Consolidated Statement of Comprehensive Income

Ube Industries, Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Income before minority interests	¥12,884	¥ 9,299	$125,087
Valuation difference on securities	544	1,021	5,282
Deferred hedge gain (loss), net	200	(88)	1,942
Foreign currency translation adjustments	4,408	13,010	42,796
Share of other comprehensive income of companies accounted for by the equity method	1,263	588	12,262
Other comprehensive income	6,415	14,531	62,282
Total comprehensive income	¥19,299	¥23,830	$187,369
Attributable to:			
Shareholders of Ube Industries, Ltd.	¥19,165	¥21,057	$186,068
Minority interests	134	2,773	1,301

See accompanying notes.

Consolidated Balance Sheet

Ube Industries, Ltd. and Consolidated Subsidiaries
March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
ASSETS			
Current assets:			
Cash and cash equivalents (Note 4)	¥ 30,098	¥ 35,962	$ 292,214
Time deposits (Note 4)	462	318	4,486
Receivables (Notes 4, 8 and 23):			
Trade notes and accounts	153,160	143,223	1,486,990
Others	10,780	10,897	104,660
Allowance for doubtful accounts	(683)	(507)	(6,631)
Inventories (Note 6)	82,402	81,754	800,019
Deferred tax assets (Note 15)	10,033	9,339	97,408
Other current assets	10,286	6,413	99,864
Total current assets	296,538	287,399	2,879,010
Property, plant and equipment (Notes 8, 14 and 21)**:**			
Land	85,606	85,099	831,126
Buildings and structures	262,016	263,891	2,543,845
Machinery and equipment	675,367	659,629	6,556,961
Construction in progress	13,789	11,935	133,874
Accumulated depreciation	(704,362)	(696,837)	(6,838,466)
Total property, plant and equipment, net	332,416	323,717	3,227,340
Investments and other assets:			
Investment securities (Notes 4, 5 and 8)	45,701	40,786	443,699
Long-term loans receivable	511	285	4,961
Long-term deferred tax assets (Note 15)	6,265	8,012	60,825
Assets for retirement benefits	4,872	—	47,301
Other non-current assets	15,184	26,761	147,418
Allowance for doubtful accounts	(772)	(1,076)	(7,495)
Total investments and other assets	71,761	74,768	696,709
Total assets	¥ 700,715	¥ 685,884	$ 6,803,059

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans payable (Notes 4, 7 and 8)	¥ 60,360	¥ 61,979	$ 586,020
Commercial paper (Note 4)	11,999	1,999	116,495
Current portion of long-term debt (Notes 4, 7 and 8)	35,154	40,680	341,301
Payables (Note 4):			
Trade notes and accounts	89,229	83,247	866,301
Others	32,593	32,512	316,437
Accrued employees' bonuses	6,815	7,117	66,165
Accrued income taxes (Note 4)	3,285	5,897	31,893
Other current liabilities	18,523	17,505	179,835
Total current liabilities	257,958	250,936	2,504,447
Long-term liabilities:			
Long-term debt less current portion (Notes 4, 7 and 8)	136,888	140,390	1,329,010
Accrued retirement benefits (Note 20)	—	6,544	—
Liability for retirement benefits (Note 20)	7,019	—	68,146
Long-term deferred tax liabilities (Note 15)	3,683	4,376	35,757
Other long-term liabilities	29,812	32,885	289,437
Total long-term liabilities	177,402	184,195	1,722,350
Contingent liabilities (Note 9)			
Net assets (Note 10)**:**			
Capital stock, without par value: Authorized — 3,300,000,000 shares Issued —1,062,001,076 shares at March 31, 2014 and 1,009,165,006 shares at March 31, 2013	58,435	58,435	567,330
Capital surplus	38,398	28,465	372,796
Retained earnings	142,307	135,981	1,381,621
Treasury stock 4,149,052 shares at March 31, 2014 and 3,756,900 shares at March 31, 2013	(879)	(776)	(8,534)
Valuation difference on securities	2,985	2,436	28,981
Deferred hedge loss, net	(81)	(278)	(786)
Foreign currency translation adjustments	4,136	(8,754)	40,155
Retirement benefits liability adjustments	(3,572)	—	(34,680)
Share subscription rights (Note 22)	549	508	5,330
Minority interests	23,077	34,736	224,049
Total net assets	265,355	250,753	2,576,262
Total liabilities and net assets	¥700,715	¥685,884	$6,803,059

Consolidated Statement of Changes in Net Assets

Ube Industries, Ltd. and Consolidated Subsidiaries

For the year ended March 31, 2014	Number of shares issued (thousands)	Millions of yen									
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on securities	Deferred hedge loss, net	Foreign currency translation adjustments	Retirement benefits liability adjustments	Share subscription rights	Minority interests
Opening balance	1,009,165	¥58,435	¥28,465	¥135,981	¥(776)	¥2,436	¥(278)	¥(8,754)	¥ –	¥508	¥ 34,736
Acquisition of treasury stock	–	–	–	–	(148)	–	–	–	–	–	–
Disposal of treasury stock	–	–	11	–	45	–	–	–	–	–	–
Cash dividends at ¥5.00 per share	–	–	–	(5,035)	–	–	–	–	–	–	–
Net income for the year	–	–	–	12,623	–	–	–	–	–	–	–
Change in the scope of consolidation	–	–	–	(176)	–	–	–	–	–	–	–
Changes due to share exchange	52,836	–	9,922	–	–	–	–	–	–	–	–
Effect of change in the reporting period of consolidated subsidiaries and affiliates	–	–	–	(1,086)	–	–	–	–	–	–	–
Net other changes during the year	–	–	–	–	–	549	197	12,890	(3,572)	41	(11,659)
Closing balance	1,062,001	¥58,435	¥38,398	¥142,307	¥(879)	¥2,985	¥ (81)	¥ 4,136	¥(3,572)	¥549	¥ 23,077

For the year ended March 31, 2013	Number of shares issued (thousands)	Millions of yen								
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on securities	Deferred hedge loss, net	Foreign currency translation adjustments	Share subscription rights	Minority interests
Opening balance	1,009,165	¥58,435	¥28,459	¥132,751	¥(784)	¥1,427	¥(193)	¥(20,622)	¥462	¥24,472
Acquisition of treasury stock	–	–	–	–	(8)	–	–	–	–	–
Disposal of treasury stock	–	–	6	–	16	–	–	–	–	–
Cash dividends at ¥5.00 per share	–	–	–	(5,035)	–	–	–	–	–	–
Net income for the year	–	–	–	8,265	–	–	–	–	–	–
Net other changes during the year	–	–	–	–	–	1,009	(85)	11,868	46	10,264
Closing balance	1,009,165	¥58,435	¥28,465	¥135,981	¥(776)	¥2,436	¥(278)	¥ (8,754)	¥508	¥34,736

For the year ended March 31, 2014	Number of shares issued (thousands)	Thousands of U.S. dollars (Note 1)									
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on securities	Deferred hedge loss, net	Foreign currency translation adjustments	Retirement benefits liability adjustments	Share subscription rights	Minority interests
Opening balance	1,009,165	$567,330	$276,359	$1,320,203	$(7,534)	$23,650	$(2,699)	$(84,990)	$ –	$4,932	$ 337,243
Acquisition of treasury stock	–	–	–	–	(1,437)	–	–	–	–	–	–
Disposal of treasury stock	–	–	107	–	437	–	–	–	–	–	–
Cash dividends at ¥5.00 per share	–	–	–	(48,883)	–	–	–	–	–	–	–
Net income for the year	–	–	–	122,553	–	–	–	–	–	–	–
Change in the scope of consolidation	–	–	–	(1,709)	–	–	–	–	–	–	–
Changes due to share exchange	52,836	–	96,330	–	–	–	–	–	–	–	–
Effect of change in the reporting period of consolidated subsidiaries and affiliates	–	–	–	(10,543)	–	–	–	–	–	–	–
Net other changes during the year	–	–	–	–	–	5,331	1,913	125,145	(34,680)	398	(113,194)
Closing balance	1,062,001	$567,330	$372,796	$1,381,621	$(8,534)	$28,981	$ (786)	$ 40,155	$(34,680)	$5,330	$ 224,049

See accompanying notes.

Consolidated Statement of Cash Flows

Ube Industries, Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 19,666	¥ 15,842	$ 190,932
Depreciation and amortization	32,400	31,384	314,563
Loss on impairment of fixed assets	152	3,152	1,476
Interest and dividend income	(847)	(916)	(8,224)
Interest expense	2,922	3,572	28,369
Gain on sales of property, plant and equipment	(172)	(260)	(1,670)
Gain on sales of investment securities	(3)	(113)	(29)
(Increase) decrease in receivables	(6,138)	8,876	(59,592)
Decrease (increase) in inventories	2,428	677	23,573
Increase (decrease) in payables	1,786	(7,407)	17,340
Loss on business restructuring	41	2,710	398
Changes in allowance for retirement benefits	(6,576)	(12)	(63,845)
Changes in asset and liability for retirement benefits	2,147	—	20,845
Other, net	(3,053)	1,214	(29,641)
Subtotal	44,753	58,719	434,495
Interest and dividend received	1,368	1,794	13,282
Interest payment	(3,009)	(3,699)	(29,214)
Income tax payment	(7,035)	(11,545)	(68,301)
Other, net	983	857	9,544
Net cash provided by operating activities	37,060	46,126	359,806
Cash flows from investing activities:			
Proceeds from sales of property, plant and equipment	351	705	3,408
Acquisition of property, plant and equipment	(36,275)	(37,314)	(352,184)
Proceeds from sales of investment securities	19	39	184
Acquisition of investment securities	(1,652)	(5)	(16,039)
Proceeds from sales of consolidated subsidiaries' stocks	7	4,021	68
Acquisition of consolidated subsidiaries' stocks	(3,044)	(6,687)	(29,553)
(Increase) decrease in loans receivable	(49)	130	(476)
Other, net	(99)	48	(961)
Net cash used in investing activities	(40,742)	(39,063)	(395,553)
Cash flows from financing activities:			
Proceeds from long-term borrowings	23,754	28,680	230,621
Proceeds from long-term bonds	10,053	14,925	97,602
Repayments of long-term borrowings	(43,393)	(35,970)	(421,291)
Repayments of long-term bonds	(110)	(15,000)	(1,068)
(Decrease) increase in short-term loans payable	(1,215)	143	(11,796)
Increase (decrease) in commercial paper	10,000	(1,000)	97,087
Proceeds from issuance of shares to minority shareholders	—	9,663	—
Cash dividend paid	(4,984)	(5,054)	(48,388)
Cash dividend paid to minority shareholders	(747)	(1,081)	(7,252)
Other, net	(849)	(1,178)	(8,243)
Net cash used in financing activities	(7,491)	(5,872)	(72,728)
Effect of exchange rate changes on cash and cash equivalents	1,694	1,467	16,446
(Decrease) increase in cash and cash equivalents	(9,479)	2,658	(92,029)
Cash and cash equivalents at beginning of the year	35,962	33,107	349,146
Increase in cash and cash equivalents resulting from change in the scope of consolidation	327	197	3,175
Increase in cash and cash equivalents resulting from change in the reporting period of consolidated subsidiaries	3,288	—	31,922
Cash and cash equivalents at end of the year	¥ 30,098	¥ 35,962	$ 292,214

See accompanying notes.

Notes to Consolidated Financial Statements

Ube Industries, Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2014

1. Basis of presenting consolidated 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 ¥103=US$1, the approximate rate of exchange on March 31, 2014. 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, 2014 and 2013, 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 (24 and 25 companies for the years ended March 31, 2014 and 2013, 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.

Ube Chemical Europe S.A. and other 10 subsidiaries changed their fiscal year–end from December 31 to March 31 in order to present consolidated financial position more appropriately. As a result, the consolidated financial statements for the year ended March 31, 2014 include the results for the 12-month period (from April 1, 2013, to March 31, 2014) of these subsidiaries. Profit and loss and changes in cash and cash equivalents for the three month period from January 1, 2013 to March 31, 2013 for these subsidiaries are separately disclosed in the consolidated statement of changes in net assets and consolidated statement of cash flows as "Effect of change in the reporting period of consolidated subsidiaries and affiliates" and "Increase in cash and cash equivalents resulting from changes in the reporting period of consolidated subsidiaries," respectively.

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. Negative goodwill in the amounts of ¥1,238 million (US$12,019 thousand) and ¥1,461 million is included in "Other long-term liabilities" on the consolidated balance sheet at March 31, 2014 and 2013, 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 that will be in effect when the differences are expected to reverse.

Valuation allowance is provided for the deferred tax assets that are not realizable within 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 ("Short-cut method").

Summarized in the table below are hedging instruments and items hedged.

Hedging instruments	Items hedged
Interest rate swaps	Loans
Interest rate options	Loans
Forward foreign exchange contracts	Foreign currency receivables and payables Forecasted foreign currency transactions
Currency options	Foreign currency receivables and payables Forecasted foreign currency transactions
Currency swaps	Foreign currency loans
Coal price swaps	Coal purchased at market linked price

The Company and its consolidated subsidiaries use hedging instruments for the purpose of reducing risk in accordance with company regulations.

The effectiveness of hedging activities is assessed by confirming whether each hedging instrument corresponds to the item hedged.

Additional information on derivatives is presented in Note 17. Derivative Financial Instruments.

(e) Retirement and pension plan

The company attributes projected benefits on a straight-line basis.

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.

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.

Many subsidiaries adopt the simplified method to calculate net defined benefit liability and retirement benefit expenses.

(f) 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.

(g) Inventories

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

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

(h) Property, plant and equipment (except for leased assets) and depreciation

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 30 years for machinery and equipment.

(i) 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.

(j) 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.

(k) Research and development costs

Research and development costs are charged to income when incurred.

(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 (1,037,668 thousand shares and 1,005,342 thousand shares for the years ended March 31, 2014 and 2013, 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 exercise of share subscription rights (2,374 thousand shares and 1,999 thousand shares for the years ended March 31, 2014 and 2013, respectively).

(m) Accrued employees' bonuses

Accrued employees' bonuses are provided for payments to employees at the estimated amount incurred current fiscal year.

(n) Accrued directors' and statutory auditors' bonuses

Accrued directors' and statutory auditors' bonuses are provided at the estimated amount incurred current fiscal year.

Accrued directors' and statutory auditors' bonuses in the amounts of ¥55 million (US$534 thousand) and ¥38 million are included in "Other current liabilities" on the consolidated balance sheet at March 31, 2014 and 2013, 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 likely to be incurred and the amounts of which can be reasonably estimated, on the future revenue recognition of particular machinery.

These accruals for losses on contracts in the amounts of ¥710 million (US$6,893 thousand) and ¥622 million are included in "Other current liabilities" on the consolidated balance sheet at March 31, 2014 and 2013, respectively.

(q) Directors' and statutory auditors' retirement benefits

Consolidated subsidiaries provide for retirement allowances for directors and statutory auditors at the necessary amount at the year-end based on their internal regulations.

Retirement allowances of ¥767 million (US$7,447 thousand) and ¥974 million are included in "Other long-term liabilities" on the consolidated balance sheet at March 31, 2014 and 2013, respectively.

(r) Accrual for losses on business restructuring

Accrual for losses on business restructuring is provided to cover the losses, which are likely to be incurred and the amounts of which can be reasonably estimated, related to certain businesses of the Company and its consolidated subsidiaries.

These accruals for losses on business restructuring in the amounts of ¥2,252 million (US$21,864 thousand) and ¥3,606 million are included in "Other long-term liabilities" on the consolidated balance sheet at March 31, 2014 and 2013, respectively.

3. Accounting changes

(a) Retirement and pension plan

The Company has applied the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No. 26 of May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of May 17, 2012) since the current fiscal year end (except for certain provisions described in the main clause of Article 35 of the standard and in the main clause of Article 67 of the guidance).

Under the new standard, retirement benefit obligations after deducting pension plan assets are recognized as asset/liability for retirement benefits. In addition, unrecognized actuarial loss, unrecognized prior service cost and unrecognized benefit obligations at transition are recorded as asset/liability for retirement benefits.

In accordance with transitional treatment as stipulated in Article 37 of the standard, the effect of these changes are recognized as retirement benefits liability adjustments in accumulated other comprehensive income at the current fiscal year end.

As a result, asset for retirement benefits and liability for retirement benefits are recognized in the amount of ¥4,872 million (US$47,301 thousand) and ¥7,019 million (US$68,146 thousand), respectively, and accumulated other comprehensive income has decreased by ¥3,572 million (US$34,680 thousand) at the current fiscal year end. In addition, net assets per share has decreased by ¥3.38 (US$0.03).

(b) Accounting standard issued but not yet adopted

- Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012)
- Guidance on Accounting Standard for Retirement Benefits (ASBJ Statement No. 25, May 17, 2012)

1. Outline of changes

Under the new accounting standard and guidance, the accounting for unrecognized actuarial differences and unrecognized prior service cost, and the calculation method for the retirement benefit obligations and service costs were revised. In addition, disclosure requirements were enhanced.

2. Date of application

The Company plans to adopt the revision of calculation method for the retirement benefit obligations and service costs from the beginning of the fiscal year ending March 31, 2015. In addition, past consolidated financial statements will not be restated by these accounting standards.

3. Effect

The effects of these accounting standards are not substantial.

4. Financial instruments

(a) Policy for financial instruments

The Company and its consolidated subsidiaries (collectively, the "Group") manage funds by utilizing short-term deposits, etc. subject to an insignificant risk of change in value. The Group raises money by borrowing from financial institutions and by issuing commercial paper, straight bonds and bonds with warrants. The Group uses derivatives for the purpose of reducing risk and does not hold or issue derivative financial instruments for speculative purposes.

(b) Types of financial instruments and related risk

Trade receivables—trade notes and accounts receivable—are exposed to credit risk in relation to customers. In addition, the Group is exposed to foreign currency exchange risk arising from receivables and payables denominated in foreign currencies. The foreign currency exchange risks deriving from those receivables and payables are hedged by forward foreign exchange contracts, currency options and currency swaps.

Investment securities are exposed to market risk and credit risk in relation to issuers. Those securities are composed of the shares of common stock of other companies.

Trade payables—trade notes and accounts payable—have payment due dates within one year.

Short-term borrowings are raised and commercial paper is issued mainly in connection with business activities, and long-term debt is taken out principally for the purpose of making capital investments. Short-term borrowings and long-term debt with variable interest rates are exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for those bearing interest at variable rates, the Group utilizes interest rate swap or option transactions as a hedging instrument.

Regarding derivatives, the Group enters into derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates, interest rates and commodity prices.

(c) Risk management for financial instruments

1. Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies of the Group for managing credit risk arising from receivables, each related division monitors the credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by individual customer. In addition, the Group is making efforts to identify and mitigate risks of bad debts from customers who are having financial difficulties.

The Group also believes that the credit risk of derivatives is insignificant as it enters into derivative transactions only with financial institutions which have a sound credit profile.

2. Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

For trade receivables and payables denominated in foreign currencies, the Group identifies the foreign currency exchange risk for each currency and enters into forward foreign exchange contracts, currency options and currency swaps to hedge such risk. In order to mitigate the interest rate risk for loans payable bearing interest at variable rates, the Group may also enter into interest rate swap transactions and interest rate option transactions.

For investment securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers.

In conducting derivative transactions, the division in charge of derivative transactions follows the internal policies, which set forth delegation of authority and maximum upper limit on positions.

3. Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)

Based on a report from each division, the Group prepares and updates its cash flow plans on a timely basis to manage liquidity risk.

(d) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. The notional amounts of derivatives in Note 17. Derivative Financial Instruments are not necessarily indicative of the actual market risk involved in derivative transactions.

Summarized in the table below are the carrying amounts and the estimated fair values of financial instruments outstanding at March 31, 2014 and 2013. Financial instruments for which it is extremely difficult to determine the fair value are not included in the table below.

	Millions of yen			Thousands of U.S. dollars		
	2014			2014		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Assets						
Cash and cash equivalents	¥ 30,098	¥ 30,098	¥ —	$ 292,214	$ 292,214	$ —
Time deposits	462	462	—	4,485	4,485	—
Trade notes and accounts receivable	153,160	153,160	—	1,486,990	1,486,990	—
Investment securities	10,960	10,960	—	106,408	106,408	—
Total assets	¥194,680	¥194,680	¥ —	$1,890,097	$1,890,097	$ —
Liabilities						
Trade notes and accounts payable	¥ 89,229	¥ 89,229	¥ —	$ 866,301	$ 866,301	$ —
Short-term loans payable	60,360	60,360	—	586,019	586,019	—
Commercial paper	11,999	11,999	—	116,495	116,495	—
Other payables	32,593	32,593	—	316,437	316,437	—
Accrued income taxes	3,285	3,285	—	31,893	31,893	—
Long-term debt*	172,042	173,543	1,501	1,670,311	1,684,884	14,573
Total liabilities	¥369,508	¥371,009	¥1,501	$3,587,456	$3,602,029	$14,573
Derivative financial transactions**	¥ 8	¥ 8	¥ —	$ 78	$ 78	$ —

* Current portions of long-term borrowings of ¥35,134 million (US$341,107 thousand) and bonds of ¥20 million (US$194 thousand) are included in long-term debt.

** The value of assets and liabilities arising from derivatives is shown at net value with amounts in parentheses representing net liability position.

Note: Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Assets

(a) "Cash and cash equivalents," "time deposits" and "trade notes and accounts receivable"

These are settled in a short period of time, therefore their carrying amounts approximate fair value.

(b) "Investment securities"

The fair values of marketable securities are based on quoted market prices.

The fair values of debt securities are based on either quoted market prices or quotes provided by the financial institutions. For information on securities classified by holding purpose, please refer to Note 5. Securities in these notes to the consolidated financial statements.

Liabilities
(c) "Trade notes and accounts payable," "short-term loans payable," "commercial paper," "other payables" and "accrued income taxes"
These are settled in a short period of time, therefore their carrying amounts approximate fair value.
(d) "Long-term debt"
The fair value of bonds is estimated based on either market price, when available, or present value of the total of principal and interest discounted by the interest rate that would be applied if similar new bonds were issued. The fair value of long-term borrowings is estimated based on present value of the total of principal and interest discounted by the interest rate that would be applied if similar new borrowings were entered into. Long-term borrowings with variable rates are hedged by interest rate swap contracts that are accounted for by the short-cut method and the fair value is estimated based on the total of principal and interest under the short-cut method discounted by the interest rate that would be applied if similar new borrowings were entered into.

Derivative financial transactions
Please refer to Note 17. Derivative Financial Instruments in these notes to the consolidated financial statements.

	Millions of yen		
	2013		
	Carrying amount	Fair value	Difference
Assets			
Cash and cash equivalents	¥ 35,962	¥ 35,962	¥ —
Time deposits	318	318	—
Trade notes and accounts receivable	143,223	143,223	—
Investment securities	8,494	8,494	—
Total assets	¥187,997	¥187,997	¥ —
Liabilities			
Trade notes and accounts payable	¥ 83,247	¥ 83,247	¥ —
Short-term loans payable	61,979	61,979	—
Commercial paper	1,999	1,999	—
Other payables	32,512	32,512	—
Accrued income taxes	5,897	5,897	—
Long-term debt*	181,070	183,721	2,651
Total liabilities	¥366,704	¥369,355	¥2,651
Derivative financial transactions**	¥ (169)	¥ (169)	¥ —

* Current portions of long-term borrowings of ¥40,580 million and bonds of ¥100 million are included in long-term debt.
** The value of assets and liabilities arising from derivatives is shown at net value with amounts in parentheses representing net liability position.

Financial instruments for which it is extremely difficult to determine the fair value at March 31, 2014 and 2013 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unconsolidated subsidiaries and affiliates securities	¥29,790	¥27,348	$289,223
Non-listed equity securities	4,646	4,639	45,107
Others	305	305	2,961

Redemption schedule for financial assets and investment securities with contractual maturities subsequent to March 31, 2014 and 2013 are as follows:

	Millions of yen			
	2014			
	Within one year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	¥ 30,065	¥—	¥—	¥—
Time deposits	462	—	—	—
Trade notes and accounts receivable	153,160	—	—	—
Debt securities	—	40	—	—
	¥183,687	¥40	¥—	¥—

	Thousands of U.S. dollars			
	2014			
	Within one year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	$ 291,893	$ —	$—	$—
Time deposits	4,485	—	—	—
Trade notes and accounts receivable	1,486,990	—	—	—
Debt securities	—	388	—	—
	$1,783,368	$388	$—	$—

	Millions of yen			
	2013			
	Within one year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	¥ 35,916	¥—	¥—	¥—
Time deposits	318	—	—	—
Trade notes and accounts receivable	143,223	—	—	—
Debt securities	—	40	—	—
	¥179,457	¥40	¥—	¥—

Redemption schedule for long-term debt and other interest-bearing debt subsequent to March 31, 2014 and 2013 are as follows:

	Millions of yen					
	2014					
	Within one year	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years
Short-term loans payable	¥ 60,360	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper	11,999	—	—	—	—	—
Long-term debt	35,154	27,530	34,693	30,844	31,622	12,199
	¥107,513	¥27,530	¥34,693	¥30,844	¥31,622	¥12,199

	Thousands of U.S. dollars					
	2014					
	Within one year	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years
Short-term loans payable	$ 586,020	$ —	$ —	$ —	$ —	$ —
Commercial paper	116,495	—	—	—	—	—
Long-term debt	341,302	267,282	336,825	299,456	307,010	118,437
	$1,043,816	$267,282	$336,825	$299,456	$307,010	$118,437

	Millions of yen					
	2013					
	Within one year	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years
Short-term loans payable	¥ 61,979	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper	1,999	—	—	—	—	—
Long-term debt	40,680	34,347	26,919	32,606	26,484	20,034
	¥104,658	¥34,347	¥26,919	¥32,606	¥26,484	¥20,034

5. Securities

Investment securities at March 31, 2014 and 2013 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Investment securities:			
Unconsolidated subsidiaries and affiliated companies	¥29,790	¥27,348	$289,223
Others	15,911	13,438	154,476
	¥45,701	¥40,786	$443,699

Marketable securities classified as other securities at March 31, 2014 and 2013 are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2014			2013			2014		
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:									
Stock	¥ 9,673	¥4,880	¥4,793	¥7,141	¥3,190	¥3,951	$ 93,913	$47,379	$46,534
Debt securities	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—
Subtotal	9,673	4,880	4,793	7,141	3,190	3,951	93,913	47,379	46,534
Securities whose acquisition cost exceeds their carrying value:									
Stock	1,247	1,422	(175)	1,313	1,480	(167)	12,107	13,806	(1,699)
Debt securities	40	40	(0)	40	40	(0)	388	388	(0)
Others	—	—	—	—	—	—	—	—	—
Subtotal	1,287	1,462	(175)	1,353	1,520	(167)	12,495	14,194	(1,699)
Total	¥10,960	¥6,342	¥4,618	¥8,494	¥4,710	¥3,784	$106,408	$61,573	$44,835

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

Impairment losses in the amounts of ¥3 million (US$29 thousand) was recognized for the year ended March 31, 2014.

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 of securities classified as other securities and the aggregate gain for the year ended March 31, 2014 are as follows:

	Millions of yen			Thousands of U.S. dollars		
	2014			2014		
	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss
Stock	¥19	¥8	¥—	$184	$78	$—

6. Inventories

Inventories at March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Finished goods	¥36,847	¥36,272	$357,738
Work in process	18,443	19,142	179,058
Raw materials and supplies	27,112	26,340	263,223
	¥82,402	¥81,754	$800,019

7. Short-term loans payable and long-term debt

Short-term loans payable represent bank loans, with average interest rates of 0.57% and 0.60% per annum at March 31, 2014 and 2013, respectively.

Long-term debt at March 31, 2014 and 2013 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
0.93% unsecured bonds due 2014	¥ —	¥ 100	$ —
0.63% unsecured bonds due 2014	20	—	194
0.63% unsecured bonds due 2015	20	—	194
0.63% to 0.77% unsecured bonds due 2016	15,020	15,000	145,825
0.58% to 0.63% unsecured bonds due 2017	15,020	15,000	145,825
0.60% to 0.63% unsecured bonds due 2018	10,010	—	97,185
Loans principally from banks and insurance companies:			
Secured, at 0.25% to 3.95%, maturing through 2019	—	13,769	—
Secured, at 0.58% to 1.99%, maturing through 2019	7,557	—	73,369
Unsecured, at 0.00% to 6.76%, maturing through 2026	124,395	—	1,207,719
Unsecured, at 0.00% to 6.95%, maturing through 2026	—	137,201	—
	172,042	181,070	1,670,311
Less current portion	35,154	40,680	341,301
	¥136,888	¥140,390	$1,329,010

The Company and certain consolidated subsidiaries have entered into loan commitment agreements amounting to ¥22,151 million (US$215,058 thousand) with certain banks. Loans payable outstanding at March 31, 2014 under these loan commitment agreements amounted to ¥913 million (US$8,864 thousand).

The aggregate annual maturities of the noncurrent portion of long-term debt are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2016	¥ 27,530	$ 267,282
2017	34,693	336,825
2018	30,844	299,456
2019	31,622	307,010
2020 and thereafter	12,199	118,437
	¥136,888	$1,329,010

8. Pledged assets

The assets pledged as collateral for short-term and long-term borrowings, guarantees and borrowings of affiliated companies at March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Assets pledged as collateral:			
Trade notes receivable	¥ —	¥ —	$ —
Property, plant and equipment, at net book value	108,062	112,355	1,049,146
Investment securities	—	2,724	—
	¥108,062	¥115,079	$1,049,146

9. Contingent liabilities

At March 31, 2014 and 2013, the Company and its consolidated subsidiaries are contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
As endorser of trade notes discounted or endorsed	¥ 642	¥1,223	$ 6,233
As guarantor of employees' housing loans	256	378	2,485
As guarantor of indebtedness principally of unconsolidated subsidiaries and affiliated companies	1,798	1,306	17,456

The guaranteed amount includes similar commitments of ¥96 million (US$932 thousand) and ¥760 million at March 31, 2014 and 2013, respectively.

10. 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 27, 2014, the distribution of retained earnings for the year ended March 31, 2014 was approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥5.00 per share)	¥5,299	$51,447

11. Selling, general and administrative expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Freight and storage	¥22,531	¥19,270	$218,748
Salaries and benefits	25,027	25,975	242,981

12. 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, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Research and development costs	¥13,909	¥14,017	$135,039

13. Other income (expenses)

"Other income (expenses) – Others, net" for the years ended March 31, 2014 and 2013 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Gain on sale of investment securities, net	¥ 3	¥ 113	$ 29
Gain on sale of property, plant and equipment, net	172	260	1,670
Loss on disposal of property, plant and equipment	(1,481)	(9,193)	(14,379)
Loss on impairment of fixed assets (Note 14)	(152)	(3,152)	(1,476)
Write-down of investment securities	(30)	(219)	(291)
Loss on business restructuring	(41)	(2,710)	(398)
Gain on foreign currency exchange, net	274	1,367	2,660
Gain on negative goodwill	2,841	65	27,583
Loss on business interruption	(1,179)	—	(11,447)
Others, net	(3,174)	676	(30,815)
	¥(2,767)	¥(12,793)	$(26,864)

14. 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, 2014 consists of the following:

	Millions of yen	Thousands of U.S. dollars
	2014	**2014**
Idle property:		
Land, machinery and equipment	**¥(101)**	**$ (981)**
Business assets in use:		
Casting plant (Fukushima, Ltd.)	**(51)**	**(495)**
	¥(152)	**$(1,476)**

(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. These assets were written down to their recoverable amounts and impairment loss of ¥101 million (US$981 thousand) was recognized for the year ended March 31, 2014.

The recoverable amounts for land are determined at net selling price based on the appraisal and those for machinery and equipment are determined at their memorandum prices.

(b) Business assets in use

As Fukushima, Ltd. decided to withdraw from the casting business, the casting plant was written down to its memorandum price.

This impairment loss consisted of ¥41 million (US$398 thousand) for machinery and equipment, ¥9 million (US$87 thousand) for buildings, and ¥1 million (US$10 thousand) for others.

Loss on impairment of fixed assets for the year ended March 31, 2013 consists of the following:

	Millions of yen
	2013
Idle property:	
Land	¥ (134)
Business assets in use:	
Caprolactam manufacturing plant (UBE Industries, Ltd.)	(2,611)
Double layer copper-clad laminates (CCL) manufacturing plant (Ube-Nitto Kasei Co., Ltd.)	(352)
Liquid concrete manufacturing land (Urayasu Ube Concrete Co., Ltd.)	(55)
	¥(3,152)

(a) Idle property

Among idle property and rental property which the Company and its consolidated subsidiaries own, there were certain assets whose book values exceeded their recoverable amounts. Such excesses of ¥134 million were reduced to their recoverable amounts and were recognized as impairment loss for the year ended March 31, 2013.

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

(b) Business assets in use

The Company decided it would dispose of certain caprolactam production facilities after a specified period of operation, and therefore recognized an impairment loss of ¥2,611 million upon reducing the book value of these facilities to their recoverable amount. This impairment loss consisted of ¥1,946 million for machinery and equipment, ¥417 million for buildings and structures, and ¥248 million for others. The recoverable amount of the asset group is measured by value in use, but the discount rate is not presented because undiscounted cash flow was negative.

Ube-Nitto Kasei Co., Ltd. reduced the book value of the CCL manufacturing plant to its recoverable amount due to profitability decline. This reduction of ¥352 million was recognized as impairment loss. The components of impairment loss were machinery and equipment in the amount of ¥198 million, buildings and structures in the amount of ¥137 million and others in the amount of ¥17 million.

The recoverable amount of the asset group is measured by value in use, but the discount rate is not presented because undiscounted cash flow was negative.

The Company liquidated Urayasu Ube Concrete Co., Ltd. and recognized an impairment loss of ¥55 million upon reducing the book value of land used for a cement production facility to recoverable value. The recoverable value of the land was measured by net selling price, with market value determined by appraisal.

15. Income taxes

Income taxes applicable to the Company comprise corporation, enterprise and inhabitants' taxes which, in the aggregate, resulted in statutory tax rate of approximately 37.8% for the years ended March 31, 2014 and 2013, respectively.

The effective tax rates reflected in the consolidated statement of income for the year ended March 31, 2014 differ from the statutory tax rates for the following reasons.

	Percentage	
	2014	2013
Statutory tax rate	37.8%	37.8%
Effect of:		
Permanently nondeductible expenses	1.0	1.5
Permanently nontaxable items including dividend income	(9.1)	(27.4)
Loss carried forward recognized on the liquidation of subsidiaries	(4.7)	—
Loss carried forward without deferred tax assets	0.4	(0.8)
Deducted amount of loss without deferred tax assets	(1.2)	(1.4)
Effect of elimination of dividend income through consolidation procedures	9.2	28.7
Investment profit of affiliated companies by equity method	0.1	(3.0)
Tax rate difference of overseas consolidated subsidiaries	(0.9)	(4.0)
Gain on change in equity	—	0.5
Gain on negative goodwill	(5.5)	(0.2)
Application of new tax law and revised tax rates	3.4	—
Retained earnings of foreign subsidiary companies	2.4	8.3
Others	1.6	1.3
Effective tax rate	34.5%	41.3%

The significant components of deferred tax assets and liabilities at March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Accrued employees' bonuses	¥ 2,413	¥ 2,707	$ 23,427
Accrued retirement benefits	—	2,569	—
Liability for retirement benefits	2,833	—	27,505
Allowance for doubtful accounts	355	3,569	3,447
Loss carried forward	4,554	2,850	44,214
Intercompany profit	10,670	11,100	103,592
Depreciation and amortization	1,863	2,066	18,087
Write-down of investment securities	469	498	4,553
Disposal of fixed assets without dismantlement	3,573	4,079	34,689
Accrual for losses on business restructuring	985	1,046	9,563
Others	5,443	5,938	52,845
Gross deferred tax assets	33,158	36,422	321,922
Valuation allowance	(4,209)	(5,741)	(40,864)
Total deferred tax assets	28,949	30,681	281,058
Deferred tax liabilities:			
Reserve for advanced depreciation of non-current assets	(3,924)	(4,393)	(38,097)
Valuation difference on securities	(1,624)	(1,335)	(15,767)
Prepaid pension expenses	—	(3,376)	—
Asset for retirement benefits	(1,477)	—	(14,340)
Revaluation surplus on assets	(2,727)	(2,646)	(26,476)
Retained earnings of foreign subsidiary companies	(3,289)	(2,760)	(31,932)
Others	(3,293)	(3,196)	(31,970)
Total deferred tax liabilities	(16,334)	(17,706)	(158,582)
Net deferred tax assets	¥ 12,615	¥ 12,975	$ 122,476

Note: Net deferred tax assets in the preceding table are classified as follows in the accompanying consolidated balance sheet.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Current assets – Deferred tax assets	¥10,033	¥ 9,339	$ 97,408
Investments and other assets – Long-term deferred tax assets	6,265	8,012	60,825
Current liabilities – Deferred tax liabilities	—	—	—
Long term liabilities – Long-term deferred tax liabilities	(3,683)	(4,376)	(35,757)

16. Business combinations

Making Ube Material wholly owned subsidiary through share exchange:
The Company and Ube Material Industries, Ltd. (Ube Material) which was a consolidated subsidiary of the Company entered into an agreement whereby Ube Material will become a wholly owned subsidiary through a share exchange.
Based on preceding agreement, Ube Material became a wholly owned subsidiary of the Company in August 1, 2013. The stocks of Ube Material were delisted on July 29, 2013.

(a) Outline of business combination

1. Name of combined company
Ube Material Industries, Ltd.

2. Business of combined company
Production and distribution of magnesia clinker, lime-related products and fine materials, etc.

3. Date of business combination
August 1, 2013

4. The legal procedure of business combination
Share exchange that the Company became the parent company holding 100% ownership of Ube Material and Ube Material became a wholly owned subsidiary of the Company

5. Company name after business combination
Same as before

6. Reason for business combination
To improve the value of Ube Group by accelerating the decision making and the unifying business strategies

(b) Summary of accounting procedures

The share exchange was accounted for as a business combination of entities under common control based on "Accounting Standard for Business Combinations" (ASBJ Statement No.21 of December 26, 2008) and "Guidance of Accounting Standard for Business Combinations and Accounting Standard for Business Divestiture" (ASBJ Guidance No.10 of December 26, 2008).

(c) Acquisition cost

	Millions of yen	Thousands of U.S. dollars
Ordinary shares of the Company	¥ 9,922	$96,330
Advisory fee and others	86	835
Total	¥10,008	$97,165

(d) Details of allotment

1.4 shares of the Company were allotted for each 1 share of Ube Material and 52,836,070 shares of the Company were issued through this exchange.

(e) Amount and cause of gain on negative goodwill

1. Amount of negative goodwill incurred:
¥2,841 million (US$27,583 thousand)

2. Reason for negative goodwill incurred:
The gain resulted from the difference between an increase in the parent's interest of Ube Material and acquisition cost.

17. Derivative financial instruments

Summarized below are the notional amounts and the estimated fair value of the derivative transactions outstanding at March 31, 2014 and 2013.

(a) Derivative financial instruments for which deferred hedge accounting has not been applied

Currency-related transactions:

	Millions of yen						Thousands of U.S. dollars		
	2014			2013			2014		
	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:									
USD	¥ 928	¥(24)	¥(24)	¥1,040	¥(88)	¥(88)	$ 9,010	$(233)	$(233)
JPY	13	0	0	—	—	—	126	0	0
Buy:									
USD	980	(3)	(3)	473	35	35	9,515	(29)	(29)
EUR	40	0	0	—	—	—	388	0	0
Total	¥1,961	¥(27)	¥(27)	¥1,513	¥(53)	¥(53)	$19,039	$(262)	$(262)

Note: Calculation of fair value is based on the forward rate.

(b) Derivative financial instruments for which deferred hedged accounting has been applied

1. Currency-related transactions

Main items hedged by foreign exchange forward contracts are trade accounts receivable and payable.

		Millions of yen				Thousands of U.S. dollars	
		2014		2013		2014	
		Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
Principle method	Forward exchange contracts:						
	Sell:						
	USD	¥ 34	¥ 0	¥ 789	¥(107)	$ 330	$ 0
	THB	—	—	258	(58)	—	—
	Buy:						
	EUR	472	10	—	—	4,583	97
Short-cut method	Forward exchange contracts:						
	Sell:						
	USD	—	—	1,532	(49)	—	—
	Buy:						
	USD	—	—	41	4	—	—
	EUR	—	—	476	(2)	—	—
	Currency swap contracts:						
	Receive/USD Pay/JPY	3,732	*	—	—	36,233	*
	Total	¥4,238	¥10	¥3,096	¥(212)	$41,146	$97

*The fair value of currency swaps accounted for by the short-cut method is included in the fair value of long-term debt, which is designated as the hedged item.
Note: Calculation of fair value is based on the forward rate.

2. Interest-related transactions

Main items hedged by interest-rate swap and interest-cap contracts are short-term loans payable and long-term debt.

		Millions of yen				Thousands of U.S. dollars	
		2014		2013		2014	
		Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
Principle method	Interest-rate swaps:						
	Receive/floating and pay/fixed:	¥ —	¥—	¥ 173	¥(4)	$ —	$ —
	Interest-rate cap:						
	Buy:	8,000	1	8,000	13	77,670	10
Short-cut method	Interest-rate swaps:						
	Receive/floating and pay/fixed:	41,775	*	50,811	*	405,583	*
	Total	¥49,775	¥ 1	¥58,984	¥ 9	$483,253	$10

*The fair value of interest-rate swaps accounted for by the short-cut method is included in the fair value of long-term debt, which is designated as the hedged item.
Note: Calculation of fair value is based on the prices provided by financial institutions.

3. Commodity-related transactions

The main item hedged by coal price swap contracts is coal purchased at market linked price.

		Millions of yen				Thousands of U.S. dollars	
		2014		2013		2014	
		Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
Principle method	Coal price swaps:						
	Receive/floating and pay/fixed:	¥ —	¥ —	¥879	¥(50)	$ —	$ —
	Total	¥ —	¥ —	¥879	¥(50)	$ —	$ —

Note: Calculation of fair value is based on the prices provided by financial institutions.

18. Segment information

Reportable segments of the Company consist of the business units for which independent financial information is available. They are regularly monitored by the Board of Directors in order to decide the distribution of business resources and evaluate the business results.

The Company classifies its products and services into seven reportable segments: “Chemicals & plastics,” “Specialty chemicals & products,” “Pharmaceutical,” “Cement & construction materials,” “Machinery & metal products,” “Energy & environment” and “Other.”

The operations of the Company and its consolidated subsidiaries for the years ended March 31, 2014 and 2013 are summarized by reportable segment as follows:

	Millions of yen								
Year ended March 31, 2014	Chemicals & plastics	Specialty chemicals & products	Pharmaceutical	Cement & construction materials	Machinery & metal products	Energy & environment	Other	Elimination & corporate	Consolidated
Sales:									
Outside customers	¥215,798	¥58,247	¥ 9,706	¥218,049	¥74,375	¥48,124	¥26,211	¥ —	¥650,510
Intersegment sales and transfers	14,787	4,913	—	5,464	1,136	10,949	2,605	(39,854)	—
Total	230,585	63,160	9,706	223,513	75,511	59,073	28,816	(39,854)	650,510
Segment operating income	¥ 811	¥ (461)	¥ 1,678	¥ 15,501	¥ 4,466	¥ 1,999	¥ 1,093	¥ (674)	¥ 24,413
Segment assets	¥218,248	¥92,877	¥12,011	¥206,396	¥59,255	¥52,972	¥23,258	¥ 35,698	¥700,715
Depreciation and amortization	9,770	6,741	678	8,267	1,274	2,312	662	2,696	32,400
Equity method investments	12,385	3,120	—	7,428	—	190	2,085	—	25,208
Capital expenditures	12,111	5,103	1,309	7,483	1,792	4,867	580	3,153	36,398

	Thousands of U.S. dollars								
Year ended March 31, 2014	Chemicals & plastics	Specialty chemicals & products	Pharmaceutical	Cement & construction materials	Machinery & metal products	Energy & environment	Other	Elimination & corporate	Consolidated
Sales:									
Outside customers	$2,095,127	$565,505	$ 94,233	$2,116,980	$722,087	$467,223	$254,476	$ —	$6,315,631
Intersegment sales and transfers	143,563	47,699	—	53,049	11,029	106,301	25,291	(386,932)	—
Total	2,238,690	613,204	94,233	2,170,029	733,116	573,524	279,767	(386,932)	6,315,631
Segment operating income	$ 7,874	$ (4,476)	$ 16,291	$ 150,495	$ 43,359	$ 19,408	$ 10,612	$ (6,544)	$ 237,019
Segment assets	$2,118,913	$901,718	$116,612	$2,003,845	$575,291	$514,291	$225,806	$ 346,582	$6,803,058
Depreciation and amortization	94,854	65,447	6,583	80,262	12,369	22,446	6,427	26,175	314,563
Equity method investments	120,243	30,291	—	72,116	—	1,845	20,243	—	244,738
Capital expenditures	117,583	49,544	12,709	72,650	17,398	47,252	5,631	30,612	353,379

	Millions of yen								
Year ended March 31, 2013	Chemicals & plastics	Specialty chemicals & products	Pharmaceutical	Cement & construction materials	Machinery & metal products	Energy & environment	Other	Elimination & corporate	Consolidated
Sales:									
Outside customers	¥205,428	¥57,222	¥11,355	¥202,903	¥69,895	¥56,305	¥22,914	¥ —	¥626,022
Intersegment sales and transfers	13,940	3,889	97	5,461	1,415	12,464	2,380	(39,646)	—
Total	219,368	61,111	11,452	208,364	71,310	68,769	25,294	(39,646)	626,022
Segment operating income	¥ 5,088	¥ 1,236	¥ 3,423	¥ 11,494	¥ 3,688	¥ 5,959	¥ 1,037	¥ (1,963)	¥ 29,962
Segment assets	¥202,162	¥93,119	¥12,068	¥201,727	¥62,256	¥46,541	¥21,723	¥46,288	¥685,884
Depreciation and amortization	8,666	6,570	728	8,266	1,249	2,483	631	2,791	31,384
Equity method investments	12,047	3,229	—	6,746	13	182	1,683	—	23,900
Capital expenditures	11,666	8,603	433	12,176	1,326	1,804	493	4,490	40,991

Sales and amounts of property, plant and equipment of the Company and its consolidated subsidiaries as of and for the years ended March 31, 2014 and 2013 by geographic area are as follows:

	Millions of yen				
Year ended March 31, 2014	Japan	Asia	Europe	Other area	Consolidated
Sales	**¥444,482**	**¥137,312**	**¥38,394**	**¥30,322**	**¥650,510**

	Thousands of U.S. dollars				
Year ended March 31, 2014	Japan	Asia	Europe	Other area	Consolidated
Sales	**$4,315,360**	**$1,333,126**	**$372,757**	**$294,388**	**$6,315,631**

	Millions of yen					
As of March 31, 2014	Japan	Thailand	Other Asia	Europe	Other area	Consolidated
Property, plant and equipment	**¥263,577**	**¥51,348**	**¥1,617**	**¥15,525**	**¥349**	**¥332,416**

	Thousands of U.S. dollars					
As of March 31, 2014	Japan	Thailand	Other Asia	Europe	Other area	Consolidated
Property, plant and equipment	**$2,559,000**	**$498,525**	**$15,699**	**$150,728**	**$3,388**	**$3,227,340**

	Millions of yen				
As of March 31, 2013	Japan	Asia	Europe	Other area	Consolidated
Sales	¥420,736	¥135,330	¥42,206	¥27,750	¥626,022

	Millions of yen					
As of March 31, 2013	Japan	Thailand	Other Asia	Europe	Other area	Consolidated
Property, plant and equipment	¥262,339	¥48,095	¥937	¥12,033	¥313	¥323,717

19. 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 (including the interest portion thereon), accumulated depreciation and amortization and net book value of the leased property at March 31, 2014 and 2013. These amounts would have been reflected in the consolidated balance sheet if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen		Thousands of U.S. dollars
At March 31	**2014**	2013	**2014**
Acquisition costs:			
Machinery and equipment	**¥1,713**	¥2,031	**$16,631**
	¥1,713	¥2,031	**$16,631**
Accumulated depreciation and amortization:			
Machinery and equipment	**¥1,241**	¥1,367	**$12,048**
	¥1,241	¥1,367	**$12,048**
Net book value:			
Machinery and equipment	**¥ 472**	¥ 664	**$ 4,583**
	¥ 472	¥ 664	**$ 4,583**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥176 million (US$1,709 thousand) and ¥260 million for the years ended March 31, 2014 and 2013, respectively. They are equal to the depreciation and amortization expenses of the leased assets computed by the straight-line method over the lease terms.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2014 for finance leases accounted for as operating leases are summarized as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2015	¥1,062	$10,310
2016 and thereafter	1,786	17,340
	¥2,848	$27,650

(b) Operating leases

Future minimum lease payments subsequent to March 31, 2014 for non-cancelable operating leases are summarized as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2015	¥1,000	$ 9,709
2016 and thereafter	1,594	15,475
	¥2,594	$25,184

20. Retirement benefits

The Company and certain domestic consolidated subsidiaries have funded and unfunded defined benefit company pension plans. Certain domestic consolidated subsidiaries have defined contribution pension plans.

Under the defined benefit pension plans, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay and years of service. The retirement benefit trusts have been established for some defined benefit pension plans.

Under the lump-sum retirement benefit of defined pension plans, benefits are determined on based on the rate of pay and years of service.

Defined contribution plans are mainly defined contribution pension plans and Smaller Enterprise Retirement Allowance Mutual Aid System.

For the year ended March 31, 2014

(a) Defined benefit plans

The changes in the retirement benefit obligation during the year ended March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Retirement benefit obligation as of April 1, 2013	¥51,494	$499,942
Service cost	2,815	27,330
Interest cost	714	6,932
Actuarial losses	65	631
Benefit paid	(4,586)	(44,524)
Retirement benefit obligation as of March 31, 2014	¥50,502	$490,311

The changes in plan assets during the year ended March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Plan asset as of April 1, 2013	¥52,469	$509,408
Expected return on pension assets	1,165	11,311
Actuarial losses	704	6,835
Contributions by the employer	2,536	24,621
Benefit paid	(4,431)	(43,020)
Plan asset as of March 31, 2014	¥52,443	$509,155

The reconciliation of the retirement benefit obligations and plan assets to the liability and asset for retirement benefits recognized in the consolidated balance sheet as of March 31, 2014 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Funded retirement benefit obligations	¥ 47,748	$ 463,573
Plan assets	(52,443)	(509,155)
	(4,695)	(45,582)
Unfunded retirement benefit obligations	2,754	26,737
Net amount of liabilities and assets for retirement benefits in the consolidated balance sheet	(1,941)	(18,845)
Liability for retirement benefits	2,909	28,242
Asset for retirement benefits	(4,850)	(47,087)
Net amount of liabilities and assets for the retirement benefits in the consolidated balance sheet	¥ (1,941)	$ (18,845)

The breakdown of the retirement benefit expenses for the year ended March 31, 2014 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service cost	¥ 2,815	$ 27,330
Interest cost	714	6,932
Expected return on plan assets	(1,165)	(11,310)
Amortization of actuarial loss	869	8,437
Amortization of prior service cost	181	1,757
Retirement benefit expense	¥ 3,414	$ 33,146

The breakdown of items in other comprehensive income (before tax effect) for the year ended as March 31, 2014 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Unrecognized prior service cost	¥ 906	$ 8,796
Unrecognized actuarial loss	4,457	43,272
Total	¥5,363	$52,068

The breakdown of pension assets by major category as a percentage of total plan assets as of March 31, 2014 is as follows:

	Ratio
	2014
Bonds	39%
Equities	21
Insurance assets (General account)	29
Other	11
Total	100%

The above total includes 11% of the retirement benefit trusts of company pension plans.

The expected return rate on plan assets is estimated based on the current and anticipated allocation to each asset class and current and anticipated long-term return on asset held in each category.

The items of actuarial assumptions for the year ended March 31, 2014 are as follows:

	Ratio
	2014
Discount rate	1.1~2.0%
Expected long-term return on plan assets	
Pension assets	2.0~2.5
Retirement benefit trusts	0.0

The schedule of the defined benefit obligation and pension assets accounted for by simplified method for the year ended March 31, 2014 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Net amount of liabilities and assets for retirement benefits as of April 1, 2013	¥3,993	$38,767
Benefit expenses	723	7,019
Benefit paid	(492)	(4,777)
Contributions to the plans	(229)	(2,223)
Others	93	903
Net amount of liabilities and assets for retirement benefits as of March 31, 2014	¥4,088	$39,689

The reconciliation of the retirement benefit obligations and plan assets to the liabilities and assets for retirement benefit for simplified method recognized in the consolidated balance sheet as of March 31, 2014 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Funded retirement benefit obligations	¥ 1,383	$ 13,427
Plan assets	(1,087)	(10,553)
	296	2,874
Unfunded retirement benefit obligations	3,792	36,815
Net amount of liabilities and assets for retirement benefits in the consolidated balance sheet	4,088	39,689
Liability for retirement benefits	4,110	39,903
Asset for retirement benefits	(22)	(214)
Net amount of liabilities and assets for retirement benefits in the consolidated balance sheet	¥ 4,088	$ 39,689

The retirement benefit expense under simplified method is ¥723 million (US$7,019 thousand).

(b) Defined contribution plans

The amount which consolidated companies paid to defined contribution pension plan is ¥59 million (US$573 thousand).

For the year ended March 31, 2013

Projected benefit obligations and its breakdown for the year ended March 31, 2013 is as follows:

	2013
Projected benefit obligations:	
Present value of projected benefit obligations	¥(56,639)
Plan assets at fair value	53,434
Unrecognized benefit obligations at transition	187
Unrecognized actuarial loss	5,965
Unrecognized prior service cost	1,087
Retirement benefit obligations recognized in the balance sheet, net	4,034
Prepaid pension expenses	10,578
Accrued retirement benefits	¥ (6,544)

The breakdown of the retirement benefit expenses for the year ended March 31, 2013 is as follows:

	2013
Retirement benefit expenses:	
Service cost	¥ 2,722
Interest cost	1,161
Expected return on plan assets	(1,011)
Amortization of prior service cost	182
Amortization of actuarial loss	1,027
Amortization of benefit obligations at transition	2,354
Others	44
Total	¥ 6,479

Assumptions used in accounting for the above plans for the year ended March 31, 2013 are as follows:

	2013
Discount rate	1.1-2.0%
Expected rate of return on plan assets	2.0-2.5
Expected rate of return on retirement benefit trust	0.0
Periodic allocation method for projected benefit	Straight-line
Amortization period for prior service cost	10-14 years
Amortization period for actuarial difference	5-14 years
Amortization period for transitional obligation	Mostly 13 years

21 Investment and rental property

The Company and its consolidated subsidiaries own idle property and rental property in Yamaguchi prefecture, Japan and other areas. The carrying amount, net changes and fair value of investment and rental property for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen			
	2014			
	Carrying amount			Fair value at March 31, 2014
	Opening balance	Net change during the year	Closing balance	
Idle property	¥11,148	¥ (407)	¥10,741	¥28,967
Rental property	6,647	2,169	8,816	17,197

	Thousands of U.S. dollars			
	2014			
	Carrying amount			Fair value at March 31, 2014
	Opening balance	Net change during the year	Closing balance	
Idle property	$108,233	$ (3,951)	$104,282	$281,233
Rental property	64,534	21,058	85,592	166,961

Notes: Carrying amounts represent the acquisition costs less accumulated depreciation and impairment losses.
Net change for the year ended March 31, 2014 is mainly change of use classification of ¥1,826 million (US$17,728 thousand).
Fair value of main property at March 31, 2014 is based on external appraisal, and fair value of other property is estimated based on the index prices deemed to reflect the market price accurately.

	Millions of yen			
	2013			
	Carrying amount			Fair value at March 31, 2013
	Opening balance	Net change during the year	Closing balance	
Idle property	¥10,883	¥265	¥11,148	¥29,718
Rental property	6,493	154	6,647	13,892

Notes: Carrying amounts represent the acquisition costs less accumulated depreciation and impairment losses.
Net change for the year ended March 31, 2013 is mainly acquisition of property of ¥1,173 million and change of use classification of ¥442 million.
Fair value of main property at March 31, 2013 is based on external appraisal, and fair value of other property is estimated based on the index prices deemed to reflect the market price accurately.

The amount of income and expenses related to investment and rental property for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen			
	2014			
	Rental income	Rental expenses	Net income	Others
Idle property	¥ —	¥ —	¥ —	¥(301)
Rental property	826	427	399	(6)

	Thousands of U.S. dollars			
	2014			
	Rental income	Rental expenses	Net income	Others
Idle property	$ —	$ —	$ —	$(2,922)
Rental property	8,020	4,146	3,874	(58)

Notes: Others in the above table for idle property consist of taxes and dues of ¥(211) million (US$ (2,049) thousand), impairment loss of ¥(93) million (US$ (903) thousand) and gain on sale of ¥3 million (US$29 thousand).
Others for rental property is loss on sale of ¥(6) million (US$58 thousand).

	Millions of yen			
	2013			
	Rental income	Rental expenses	Net income	Others
Idle property	¥ —	¥ —	¥ —	¥(193)
Rental property	750	397	353	0

Notes: Others in the above table for idle property consist of taxes and dues of ¥(224) million, impairment loss of ¥(134) million, gain on acceptance of dredged sand of ¥159 million and gain on sale of ¥6 million.

22. Stock options

Stock option expenses in the amounts of ¥74 million (US$718 thousand) and ¥54 million were recognized as "Selling, general and administrative expenses" on the consolidated statement of income for the years ended March 31, 2014 and 2013, respectively.

The contents of stock options at March 31, 2014 are as follows:

	Fiscal year 2007 stock options	Fiscal year 2008 stock options	Fiscal year 2009 stock options	Fiscal year 2010 stock options
Position and number of grantees	Directors of the Company: 5 Executive officers of the Company: 12	Directors of the Company: 5 Executive officers of the Company: 17	Directors of the Company: 6 Executive officers of the Company: 16	Directors of the Company: 6 Executive officers of the Company: 17
Type and number of shares	Common stock of the Company: 269,000 shares	Common stock of the Company: 237,000 shares	Common stock of the Company: 243,000 shares	Common stock of the Company: 322,000 shares
Date of grant	February 22, 2007	July 13, 2007	July 14, 2008	July 13, 2009
Settlement of rights	After providing service for the period	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)	Directors of the Company: For 1 year (From July 1, 2009 to June 30, 2010) Executive officers of the Company: For 1 year (From April 1, 2009 to March 31, 2010)
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)	For 25 years from grant date (From July 13, 2009 to July 12, 2034)
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.	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 2011 stock options	Fiscal year 2012 stock options	Fiscal year 2013 stock options	Fiscal year 2014 stock options
Position and number of grantees	Directors of the Company: 5 Executive officers of the Company: 17	Directors of the Company: 5 Executive officers of the Company: 18	Directors of the Company: 4 Executive officers of the Company: 19	Directors of the Company: 4 Executive officers of the Company: 20
Type and number of shares	Common stock of the Company: 366,000 shares	Common stock of the Company: 355,000 shares	Common stock of the Company: 377,000 shares	Common stock of the Company: 481,000 shares
Date of grant	July 14, 2010	July 14, 2011	July 13, 2012	July 12, 2013
Settlement of rights	After providing service for the period	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	Directors of the Company: For 1 year (From July 1, 2010 to June 30, 2011) Executive officers of the Company: For 1 year (From April 1, 2010 to March 31, 2011)	Directors of the Company: For 1 year (From July 1, 2011 to June 30, 2012) Executive officers of the Company: For 1 year (From April 1, 2011 to March 31, 2012)	Directors of the Company: For 1 year (From July 1, 2012 to June 30, 2013) Executive officers of the Company: For 1 year (From April 1, 2012 to March 31, 2013)	Directors of the Company: For 1 year (From July 1, 2013 to June 30, 2014) Executive officers of the Company: For 1 year (From April 1, 2013 to March 31, 2014)
Exercise period of rights	For 25 years from grant date (From July 14, 2010 to July 13, 2035)	For 25 years from grant date (From July 14, 2011 to July 13, 2036)	For 25 years from grant date (From July 13, 2012 to July 12, 2037)	For 25 years from grant date (From July 12, 2013 to July 11, 2038)
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.	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	Fiscal year 2010 stock options	Fiscal year 2011 stock options	Fiscal year 2012 stock options	Fiscal year 2013 stock options	Fiscal year 2014 stock options	
	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	U.S. dollars
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	$0.01
Average stock price at exercise	189	188	196	181	187	—	—	—	—
Fair value at grant date	388	351	326	223	186	227	136	156	1.51

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

	Fiscal year 2014 stock options
Method of estimation	Black-Scholes model
Volatility *	35.316%
Expected remaining period **	8 years
Expected dividend ***	¥5 (US$ 0.05)
Risk-free interest rate ****	0.685%

* Volatility is calculated based on the monthly closing prices of common stock of the Company for 8 years prior to 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

23. Related party transactions

The Company sold cement and related products for resale in the amount of ¥37,672 million (US$365,748 thousand) and ¥34,586 million to Ube-Mitsubishi Cement Corporation (UMCC) for the years ended March 31, 2014 and 2013, respectively. The capital stock of UMCC is ¥8,000 million (US$77,670 thousand) and is accounted for by the equity method. The balances of accounts receivable were ¥13,621 million (US$132,243 thousand) and ¥13,395 million as of March 31, 2014 and 2013, 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.

24. Subsequent events

Issuance of unsecured bonds

The Company decided to issue the 10th and 11th domestic unsecured bonds at the Board of Directors Meeting held on March 28, 2014. Following are details of the bonds.

10th domestic unsecured bond	
Ⅰ. Total amount	¥10,000 million ($97,087 thousand)
Ⅱ. Issued price	¥100 ($0.97) with a par value of ¥100
Ⅲ. Interest rate	0.334%
Ⅳ. Payment date	June 4 and December 4, every year
Ⅴ. Due date of payment	June 4, 2014
Ⅵ. Maturity date	June 4, 2019
Ⅶ. Method of redemption	Bullet payment
Ⅷ. Utilization of funds	Payment of long-term loans and commercial paper

11th domestic unsecured bond	
Ⅰ. Total amount	¥10,000 million ($97,087 thousand)
Ⅱ. Issued price	¥100 ($0.97) with a par value of ¥100
Ⅲ. Interest rate	0.532%
Ⅳ. Payment date	June 4 and December 4, every year
Ⅴ. Due date of payment	June 4, 2014
Ⅵ. Maturity date	June 4, 2021
Ⅶ. Method of redemption	Bullet payment
Ⅷ. Utilization of funds	Payment of long-term loans and commercial paper

Independent Auditor's Report

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Independent Auditor's Report

The Board of Directors
Ube Industries, Ltd.

We have audited the accompanying consolidated financial statements of Ube Industries, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ube Industries, Ltd. and its consolidated subsidiaries as at March 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

June 27, 2014
Tokyo, Japan

Ernst & Young ShinNihon LLC

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Yamaguchi 755-8633, Japan
Phone: +81 (836) 31-2111
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Establishment: 1897

Common Stock: Outstanding: 1,062,001,076 shares

Paid-in Capital: ¥58,435 million

Number of Shareholders with Voting Rights: 58,873

Annual General Shareholders' Meeting: June

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

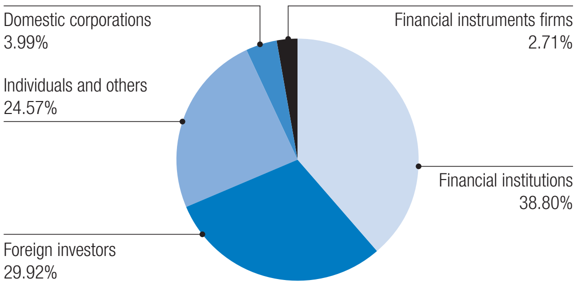
Transfer Agent and Share Registrar: Mitsubishi UFJ Trust and Banking Corporation, 1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212

Independent Auditors: Ernst & Young ShinNihon LLC

Principal Shareholders

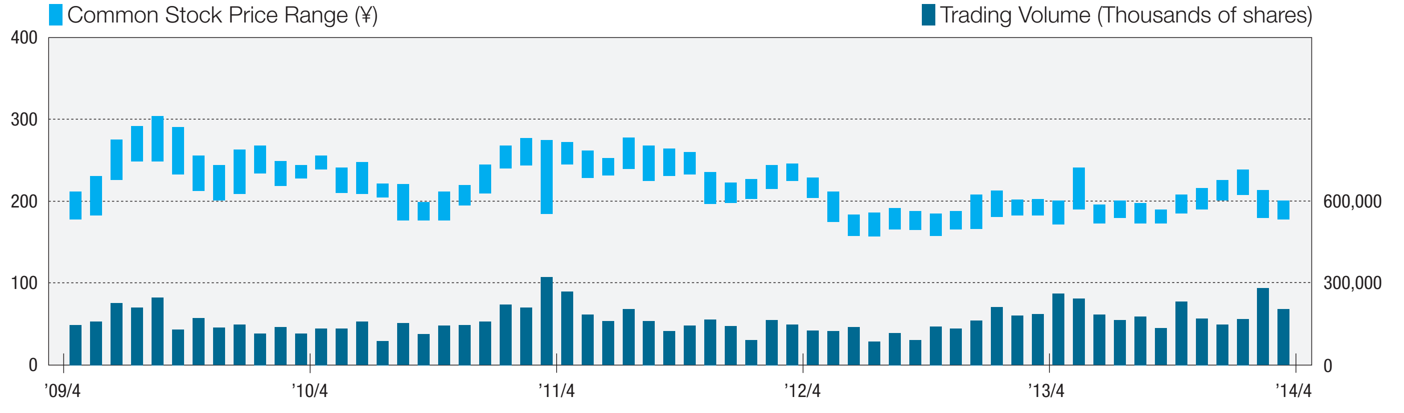
Name	Number of Shares (Thousands)	Percentage of Shareholding (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	67,429	6.35
The Master Trust Bank of Japan, Ltd. (Trust Account)	57,668	5.43
National Mutual Insurance Federation of Agricultural Cooperatives	34,994	3.30
Nippon Life Insurance Company	20,000	1.88
Sumitomo Life Insurance Company	20,000	1.88
Nomura Bank (Luxembourg) S/A Pledged Assets from Nomura Multi CCY Japan Stock Leaders Fund	18,260	1.72
THE YAMAGUCHI BANK, Ltd.	15,482	1.46
BBH Boston Custodian for Black Rock Global Allocation Fund, Inc. 620313	13,796	1.30
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,500	1.27
State Street Bank West Client-Treaty	12,769	1.20

Breakdown of Shareholders

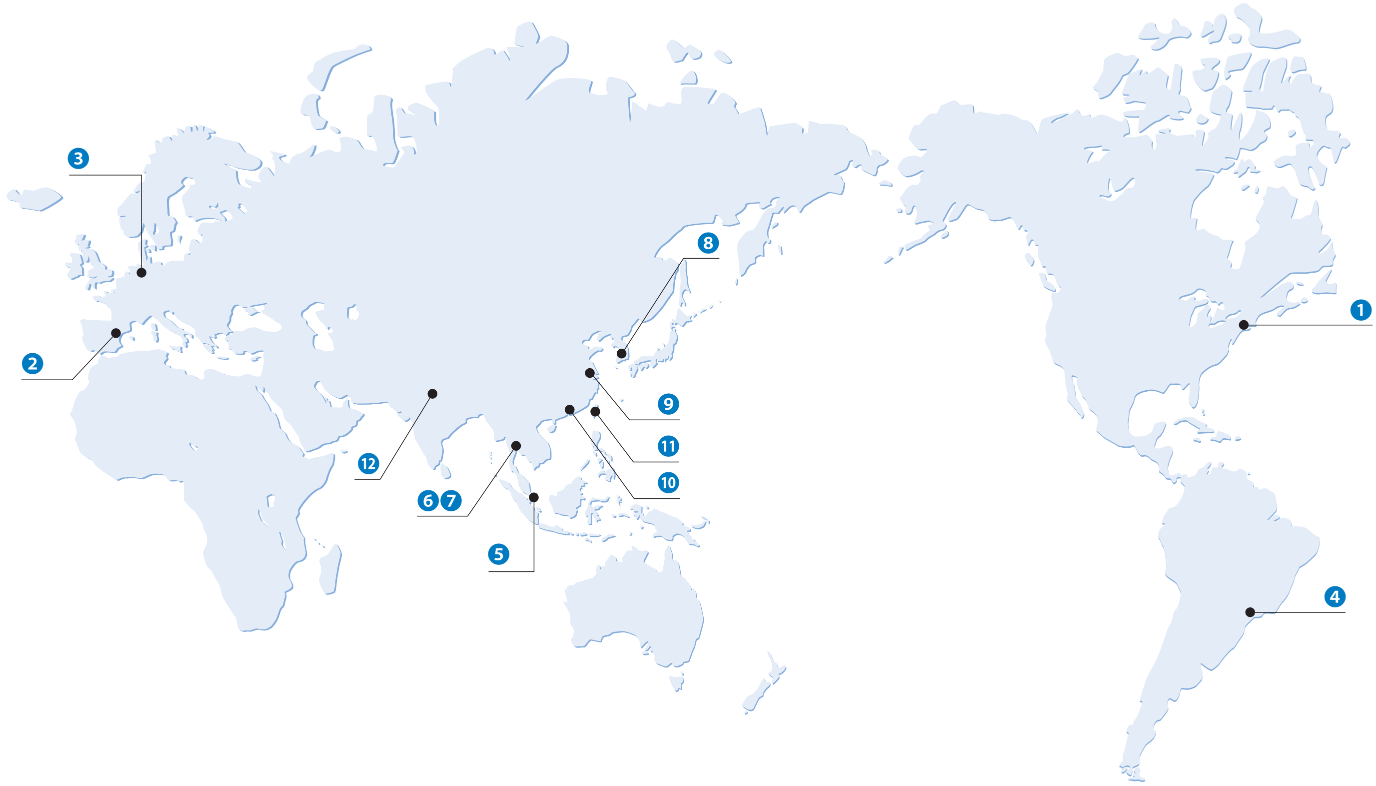


Stock Price Range & Trading Volume

(Tokyo Stock Exchange)



(As of March 31, 2014)



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Spirit of innovation
UBE

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