UBE INDUSTRIES,LTD.

Annual Report 2016

Year ended March 31, 2016

Change & Challenge 2018

Managing Value Creation

We will further increase the value we have built since the Group's establishment and work toward our ideals for the UBE Group.

The UBE Group's business principles are "coexistence and mutual prosperity" and "from finite mining to infinite industry." Established 119 years ago, the UBE Group has retained the same principles, which are the cornerstone of all our business activities. We have continued to coexist with society while developing original technologies, using innovative manufacturing and creating value that is unique to the UBE Group to carry our principles into the future. Our previous medium-term management plan prioritized the rapid rebuilding of our core platform chemical business. We were able to achieve some success through means including organizational consolidation, global business development and cost reductions, but did not achieve our initial targets. Restoring our chemical business and further strengthening our business foundation will therefore be our focus during the new medium-term management plan we initiated at the beginning of fiscal 2016, "Change & Challenge 2018."

We formulated the new medium-term management plan with the 10-year goal of being an enterprise that continues to create value for customers. If all employees take the initiative in creating products and services that anticipate market needs, we will be contributing to a sustainable society and thus truly achieve coexistence and mutual prosperity.

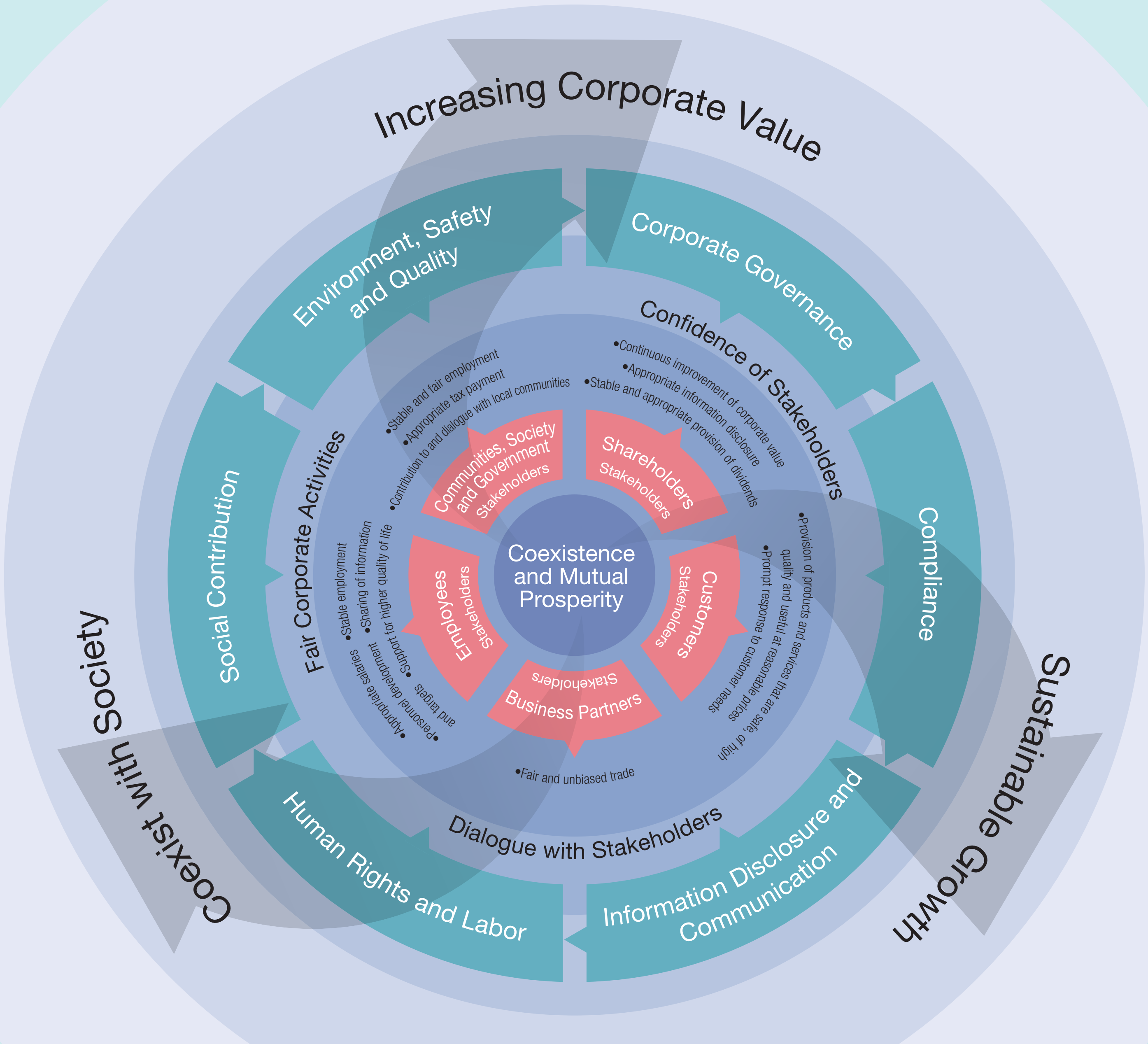
We will devote ourselves to earning the trust and meeting the expectations of our shareholders and other stakeholders, and ask for your continued support.

July 2016

Yuzuru Yamamoto
President and CEO

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 through manufacturing."



Basic Polices for CSR

- 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 the use of harmful materials and waste, and institute policies for the prevention of global warming in order to contribute to the conservation of the global environment
- Establish compliance procedures to improve corporate governance and create a better working environment as a part of our 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

Creating Value with a Spirit of Coexistence

The UBE Group's history began with the start of the coal mining business in Ube, Japan in 1897.

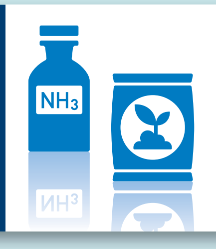
Based on the business principles of "coexistence and mutual prosperity" and "from finite mining to infinite industry," the UBE Group's goal since its establishment has been coexistence with the various people involved with the Group. We have developed new businesses to meet modern needs, creating industries that use the limited resource of coal to produce unlimited value. We are totally committed to evolving our businesses using our comprehensive strengths in line with the UBE Group vision of "Wings of technology and spirit of innovation. That's our DNA driving our global success."

"Coexistence and Mutual Prosperity" and "From Finite Mining to Infinite Industry"

The founder of Ube Industries, Sukesaku Watanabe, believed that the company should develop in tandem with the community. The UBE Group therefore helped the community thrive once coal mining was no longer viable by dedicating itself to developing new industries to replace the coal business.

Our business activities center on production that is backed by technical ingenuity, combined with a frontier spirit that allows us to grasp modern needs without fearing change. The reach of the UBE Group today extends across the globe, yet we continue to hold true to the same common values that are embedded in our very DNA.

1933



Ammonia and Fertilizer

The Chemicals segment evolved from using coal as a raw material to manufacturing ammonium sulfate for chemical fertilizer.

Used as a raw material

1923

Cement

The Cement & Construction Materials segment began by using the coal, mine spoil and limestone that was widely available in the Ube region.

Used as a raw material

Used for crushers

1914

Machinery

The Machinery segment got its start by manufacturing and servicing machinery used in coal mining.

Used in mining

1897

Coal

The UBE Group has a history spanning nearly 120 years. We began in the coal mining business in our home region of Ube, Japan.

and Mutual Prosperity

April 2015 ▶

Fiscal 2015 Results | Principal Products and Businesses

Chemicals

Share of Net Sales	42%
Share of Operating Income	29%
Share of Assets	44%

- **Synthetic rubber**
- **Nylon and lactam chain**
  - Nylon resin
  - Caprolactam
  - Industrial chemicals
- **Battery materials and fine chemicals**
  - Battery materials (Electrolytes and separators)
  - Fine chemicals
  - High purity chemicals
- **Polyimide and specialty products**
  - Polyimide
  - Ceramics
  - Separation membranes
  - Tyranno Fiber®
  - Telecommunications devices

Pharmaceutical

Share of Net Sales	1%
Share of Operating Income	3%
Share of Assets	2%

- **Pharmaceuticals**
  (Active ingredients, intermediates)
  - In-house pharmaceuticals
  - Contract pharmaceuticals
  - Generics

Cement & Construction Materials

Share of Net Sales	37%
Share of Operating Income	48%
Share of Assets	32%

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

Machinery

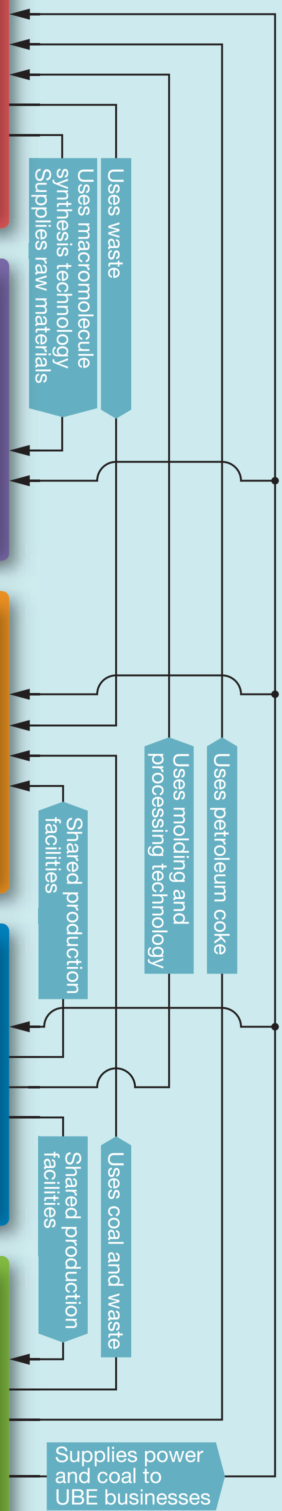
Share of Net Sales	11%
Share of Operating Income	11%
Share of Assets	9%

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

Energy & Environment

Share of Net Sales	11%
Share of Operating Income	9%
Share of Assets	7%

- **Coal**
  - Import and sales
  - Coal center (storage and distribution)
- **Power**
  - Independent power producer
  - In-house power plant



Notes: 1. Totals do not equal 100% because the Other segment has been omitted and intersegment sales and transfers have not been eliminated.
2. The Chemicals & Plastics segment and the Specialty Chemicals & Products segment were integrated into the Chemicals segment on April 1, 2015.

The UBE Group Creates Unique Value

The UBE Group has continued to transform itself as times and industry change by taking on the challenge of new technologies. Through all this, certain values at UBE — technology and innovation as expressed in the Group vision — have never changed. We have consistently evolved by taking on the challenge of manufacturing through creative technologies to meet modern needs.

We embrace the frontier spirit held in our business principles. We are committed to coexistence with all stakeholders — including shareholders, customers, business partners, employees, and communities — and coexistence with the global environment, by continuing to create value as a corporate entity.

Chemicals

Polyethylene

Butadiene

Polybutadiene rubber (material for tires and other applications)

Separator (lithium-ion battery material)

Caprolactam

Nylon resin

Caprolactam by-products

PCD and PUD (raw materials for high-performance polyurethane)

We broaden the foundation for industry and daily life with products such as nylon resin for engineering plastics, polybutadiene rubber, electrolytes and separators for lithium-ion batteries, gas separation membranes and other advanced materials, and fine chemical products designed to be environmentally friendly.

Trusted for many years, UBE's many cement products ranging from ordinary and specialized cement to solidifiers have been used in the development of infrastructure. In addition, UBE building materials leverage our knowledge as a chemical manufacturer to create a broad lineup that includes interior and exterior materials, waterproofing materials, floor underlayment materials, plastering materials, and foundation materials.

Limestone

Portland cement (including ordinary, high-early-strength, and low heat), blast furnace cement, silica cement, fly ash cement

Calcium carbonate, quicklime, hydrated lime, magnesia clinker, magnesium hydroxide slurry

Self-leveling materials, plastering materials, waterproofing materials

Cement & Construction Materials

through Technology

Pharmaceutical

Macromolecule synthesis technology

Calblock®

Talion®

Effient®

We draw on our competency as a chemical manufacturer in applying our proprietary macromolecule synthesis technology in the drug discovery business that spans in-house pharmaceuticals, contract pharmaceuticals and generics.

Machinery

Vertical roller mill

Cement

Automotive industry

Die-casting machines

Bridges

Infrastructure

UBE is recognized for excellence across a product line that includes injection molding machines and die-casting machines used worldwide by automobile manufacturers, and in transport equipment, grinding equipment, and bridges. The exceptional reliability of our proprietary technologies also differentiates UBE.

Energy & Environment

Responsible for the entire Group's energy infrastructure, we are also involved in businesses including wholesale power, and are implementing new energy strategies. In addition, introducing biomass energy technologies is among our approaches to reducing environmental burden.

Coal yard

Fuel for cement

IPP, in-house power generation

Group electric power supply

Creating Value in Partnership with Our

Since its establishment, UBE has operated in coexistence with the people of the Ube region. Many of the Group's main factories are concentrated in Ube, including Ube Chemical Factory, Ube Cement Factory, and Ube Machinery Corporation. These factories and other members of the UBE Group cooperate closely in production processes to create value unique to UBE. The Ube region is also an integral part of our value creation process because it is home to laboratories involved in a wide range of fields including power plants, organic chemicals, organic and inorganic performance materials, and automobile components.

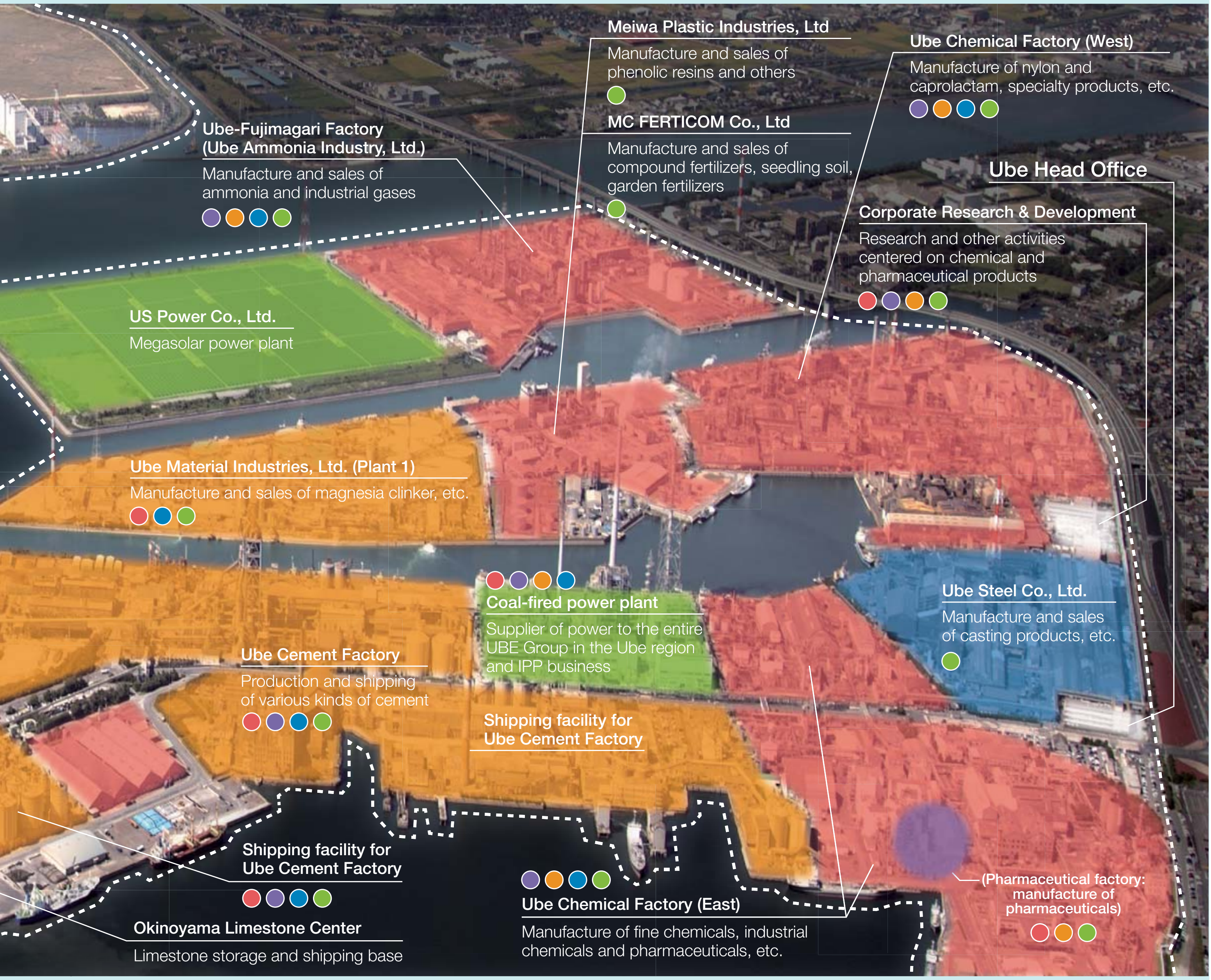
Note: The colored dots show the relationship between segments and the surrounding area.

True Coexistence with Stakeholders in a Spirit of Coexistence and Mutual Prosperity

The UBE Group was founded in Ube, where we have operated in coexistence with the region with the goal of sustainable growth. The core factories of each of our business segments are located in the Ube industrial belt, where our matrixed production processes using raw materials such as coal, electricity, ammonia (nitrogen) create value and competitiveness that is unique to UBE. Moreover, the UBE Group has always linked its development with that of the Ube region since its establishment, and has emphasized earning the trust and empathy of the community. As regional members of the Responsible Care Committee of the Japan Chemical Industry Association, our chemical factories are promoting an energetic dialogue with the community. The UBE Group's CSR activities include initiatives that emphasize community interaction such as factory tours for area residents and the publication of the regional magazine *Tsubasa* (Wings).

The UBE Group is committed to sustainable growth in cooperation with the community through energetic communication with stakeholders including customers, business partners, shareholders and employees.

Home Region of Ube



The Ube System: Ube City's Unique Coexistence Initiative

13th annual Responsible Care Regional Dialogue Meeting in the Ube district

The Ube System is a unique initiative undertaken by Ube City to address environmental problems. The goal is to build consensus based on mutual trust and cooperation between industry, government, academia and citizens. As a citizen of Ube City, UBE has cooperated with local universities and governments since the post-war reconstruction era in the 1950s to control particulate matter at the Ube Cement Factory. We also initiated anti-pollution measures 20 years ahead of the government's full-fledged introduction of such measures, which allowed us to address increasingly complex environmental issues. In 1997, Ube City received international recognition in the form of the Global 500 Award from the United Nations Environmental Programme (UNEP). The spirit of the Ube System continues on today. We are working with our stakeholders to achieve a sustainable society that supports bountiful nature and good living.

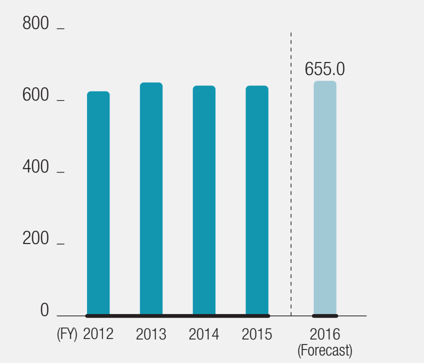
Consolidated Financial and Non-Financial Highlights

Ube Industries, Ltd. and Consolidated Subsidiaries

Financial Highlights

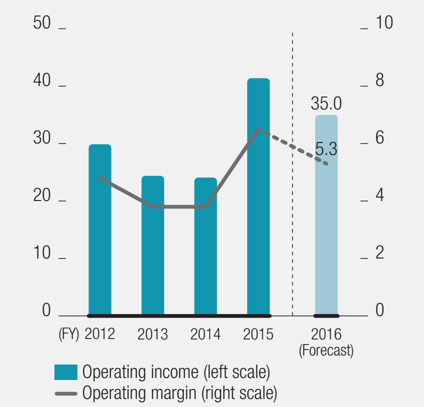
Net Sales (Billions of yen)

¥641.7 billion



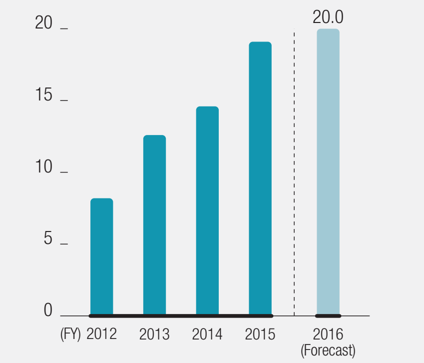
Operating Income & Operating Margin (Billions of yen / %)

¥41.4 billion 6.5%



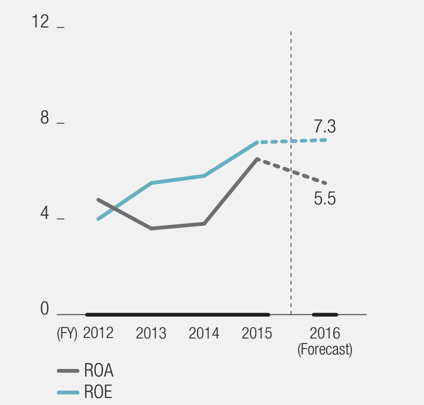
Net Income Attributable to Owners of Parent (Billions of yen)

¥19.1 billion



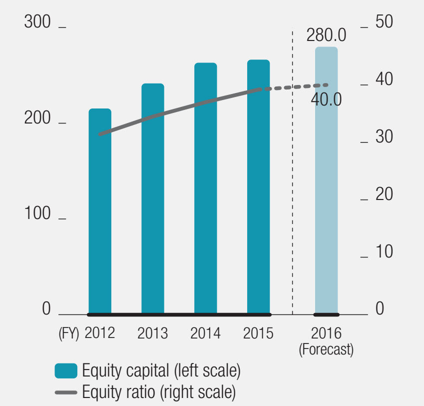
ROA[1] & ROE (%)

ROA 6.5% ROE 7.2%



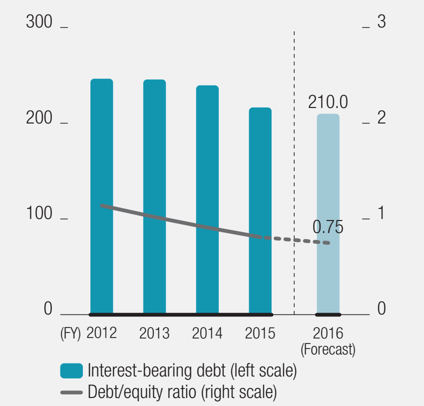
Equity Capital[2] & Equity Ratio (Billions of yen / %)

¥266.5 billion 39.2%



Interest-Bearing Debt & Debt/Equity Ratio (Billions of yen / times)

¥216.6 billion 0.81 times



Notes: 1. ROA = (Operating income + Interest and dividend income + Equity in earnings of unconsolidated subsidiaries and affiliated companies) / Average total assets
2. Equity capital = Net assets – Share subscription rights – Non-controlling interests

Contents

Forward-Looking Statements

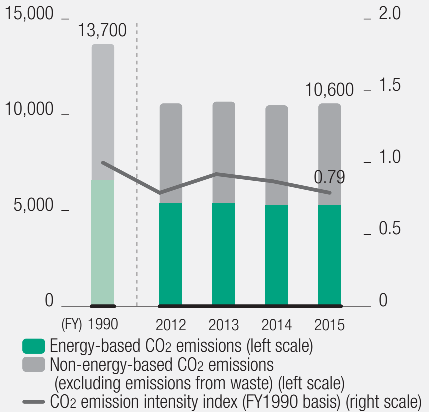
This annual report contains forward-looking statements regarding UBE's plans, outlook, strategies and results for the future. All forward-looking statements are based on judgments derived from information available to the Company at the time of publication. Certain risks and uncertainties could cause 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 2015 in the text is the year ended March 31, 2016.

Non-Financial Highlights

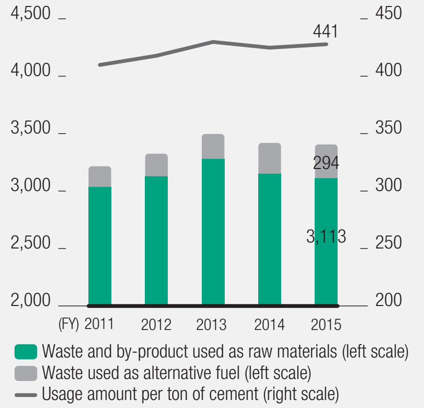
CO_2 Emissions & CO_2 Emission Intensity Index[3] (1,000t – CO_2/y)

10,600 1,000t – CO_2/y



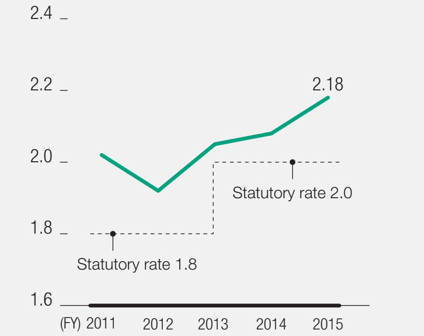
Waste and By-Product Use (1,000t/y / kg/t)

3,113 1,000t/y **294** 1,000t/y **441** kg/t



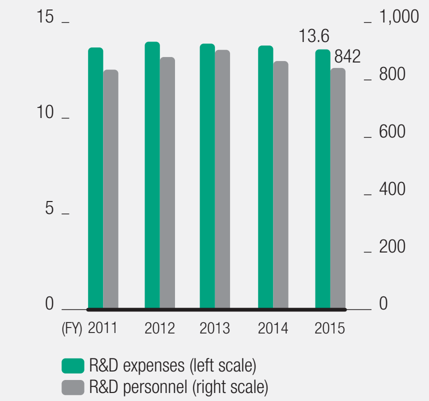
Percentage of Employees with Disabilities (%)

2.18%



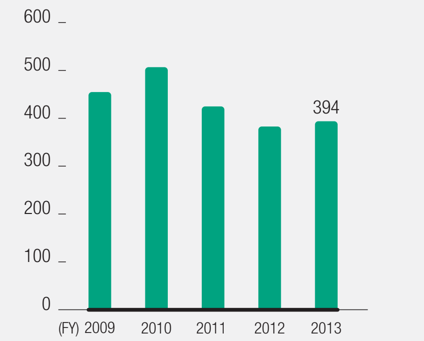
R&D Expenses & R&D Personnel (Billions of yen / people)

¥13.6 billion **842** people



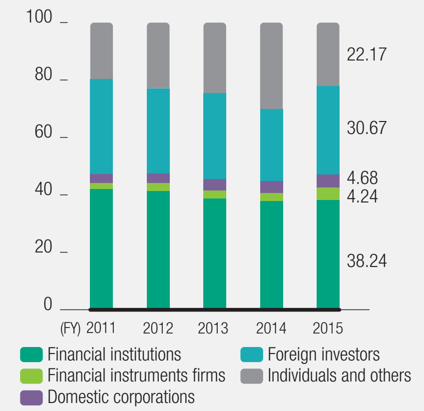
Number of Patent Applications (Cases)

394 cases



Breakdown of Shareholders (%)

52,977 (fiscal 2015)



3. CO_2 emission intensity index = Energy-based CO_2 emissions + Non-energy-based CO_2 emissions (excluding emissions from waste)

Editorial Policy

Annual Report 2016 tells the story of how the UBE Group creates unique value centered on the new medium-term management plan and the theme of beginning a new stage of growth. The Introduction explains the process UBE uses to create value. Under Business Strategy and Operations, President and CEO Yuzuru Yamamoto explains the new medium-term management plan while the Review of Operations presents specific strategies by business. Under Governance and Sustainability, the foundation for UBE's growth is presented in the Corporate Governance and the Environment and Human Resources sections. We will continue to provide our stakeholders with useful information.

External Evaluations

FTSE4Good Global Index

FTSE4Good

MS-SRI (Morningstar Socially Responsible Investment Index)

MS-SRI

(As of June 30, 2016)

President and CEO Yuzuru Yamamoto on Group Strategy

We will revitalize the chemical business and increase profitability to achieve steady and sustainable growth.

1

Review of the Previous Medium-Term Management Plan and Challenges Ahead

We achieved some success in rebuilding the chemical business, but new challenges emerged.

One year has passed with astonishing speed since I became president and representative director in April 2015. While I believe I personally still have much to achieve to meet my responsibilities, it was a year in which each employee executed their own responsibilities with dedication.

Reviewing our previous three-year medium-term management plan, in a challenging market environment we achieved some of the targets we set for restoring growth in our chemical business, which is a core platform business for the UBE Group. At the same time, I feel we only reached the midway point when I compare what we achieved to what our competitors did in the same challenging environment. The Cement & Construction Materials segment, a non-chemical business, provided strong support for Group earnings by reducing the cost of energy for cement and ready-mixed concrete products, continuing firm shipments of products including calcia and magnesia products for refractories, and significantly exceeding its targets with the help of lower fuel prices. However, the chemical business is a core UBE Group business that drives both earnings and growth. I strongly believe that we must revitalize the chemical business, in name and reality, as it is essential to achieving sustainable growth for the UBE Group. This is our top priority during the new medium-term management plan.

2

Current and Future Market Trends

We will configure our businesses for the market trends we identify.

UBE and other Japanese chemical companies that operate in the global chemical market have built their businesses in steps since their establishment. Therefore, our growth may appear slower than overseas chemical companies that have acquired significant share in market categories through corporate separations and consolidation. Conversely, however, our approach is also an advantage, because we are establishing management systems that are resilient to major market changes through patient, steady growth over the long term. Future market trends are mostly unclear, so we need to take a medium-to-long-term perspective and concentrate on businesses in which we forecast steady growth.

During the new medium-term management plan, we will therefore expand existing and peripheral businesses and foster new businesses in four business domains: environment and energy (resource and energy conservation, new materials), mobility (automotive, rail, aeronautical fields), construction and infrastructure (infrastructure, living environment, smart cities), and healthcare (foods, pharmaceuticals, lifestyle enhancement). Analyzing market trends and then selecting businesses in which we see opportunities for growth always entails risk. However, I am confident that the UBE Group will be able to grow by accurately responding to diversifying needs.

3

Policies and Key Points of the New Medium-Term Management Plan

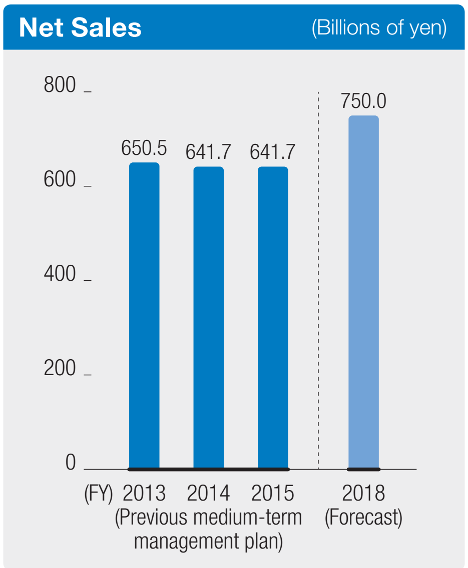
We formulated the new medium-term management plan to ensure sustainable growth.

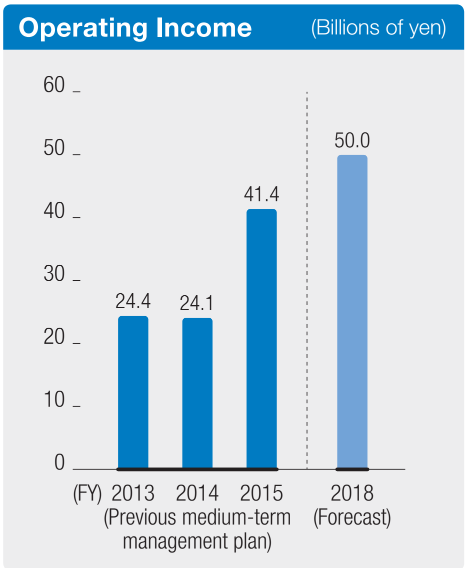
In May 2016, the UBE Group announced its new medium-term management plan, "Change & Challenge 2018," with fiscal 2016 as its first year. The title "Change & Challenge" is maintained from the previous medium-term management plan. It sends a message to internal and external stakeholders that we will continue to take on the challenge of restoring growth in the chemical business, a goal we did not achieve during the previous medium-term management plan. The new medium-term management plan has two basic policies for implementing the plan and achieving its goals: strengthen the business foundation to enable sustainable growth, and address and be part of the solution for resource, energy, and global environmental issues.

First, I would like to explain how we will strengthen our business foundation. Each of our businesses will be more conscious of profit margins, so we will strengthen profitability by reducing costs to improve the competitiveness of existing products. In addition, we will emphasize consolidated cash flow and concentrate the investment of resources to active growth businesses, with the objective of maintaining efficiency and profitability while expanding and growing as an enterprise. This will create the basis for an enterprise that can deal with various changes in the operating environment. Moreover, a top priority in strengthening our management base will be achieving the chemical business performance goal we have set for the three years of the new medium-term management plan, which is to restore operating income to the ¥20 billion level. This goal sends a strong message about restoring growth in our chemical business. We will also expand our overseas bases and deepen collaboration among Group companies in Japan and overseas to enhance our ability to quickly respond to changes in our global operating environment.

Second, addressing and being part of the solution for resource, energy, and global environmental issues will involve reducing the amount of energy we use throughout our supply chain, expanding the use of thermoelectric conversion of waste, and reducing greenhouse gas emission in ways such as switching to a different caprolactam production method. Our goal for fiscal 2021 is to reduce greenhouse gas emissions to 15 percent below the level in fiscal 2005. Moreover, we will energetically create and broaden technologies and products that can contribute to reducing environmental burden. This effort includes our battery materials business, which helps to popularize eco cars, and our high-performance coatings and gas separation membrane businesses, which contribute to resource conservation.

Net Sales and Operating Income





4

Initiatives and Personnel Development to Support a Sustainable Society

We will resolve environmental, safety and compliance issues by developing personnel.

The new medium-term management plan is our foundation for initiatives to realize a sustainable society. We are sincerely committed to the goals and challenges of the new medium-term management plan, and believe that achieving our goals will help us create value.

Japan's population is decreasing due to aging and a low birthrate, so the Japanese market will likely experience an increasingly acute labor shortage. Developing personnel by continuously training employees is therefore a top priority for UBE in terms of our businesses and the environment, safety and compliance. UBE is enhancing the capabilities of each and every employee by continuously implementing measures to develop personnel. We have, to a certain extent, established measures for education, training, gaining technical skills and knowledge and systems for mentoring. We need to regularly review and enhance these measures and systems. In particular, fostering the creativity of managers and other employee classes rather than simply imparting knowledge is difficult. Without a doubt, self-development and the on-the-job training held up until now no longer suffice. We are raising the consciousness of those being trained and managers, and are studying plans to enhance management skills in the course of business.

Moreover, the UBE Group has overseas factories and operates globally, so we must create an environment that allows outstanding people to excel regardless of age, gender or nationality. We respect diversity. We will therefore redouble our initiatives to achieve diversity by training global personnel, evaluating people from a global perspective, and helping women excel.

5

Basic Policy for Shareholder Returns

We will maintain a policy of stable dividends.

We will maintain the policy of stable dividends that we had during the previous medium-term management plan. We will increase corporate value by providing shareholder returns while enhancing financial soundness and maintaining our equity capital to support future investments. We will maintain the principle of a consolidated payout ratio of 30 percent or higher.

6

Message to Stakeholders

We will evolve as an enterprise based on the principle of coexistence and mutual prosperity.

Our business principles of “coexistence and mutual prosperity” and “from finite mining to infinite industry” have remained constant values as we have transformed the Group and operated our businesses. Coexistence and mutual prosperity first referred to our involvement with the Ube region and its prosperity when the Group was established, but has evolved over time to encompass the prosperity of all stakeholders. We began as a coal mining business, and over time have grown into an interdisciplinary enterprise that operates in a diverse array of manufacturing businesses. We will continue to both embrace and enhance these principles and frontier spirit, realizing coexistence and mutual prosperity by passing on to the next generation a company that will grow further and by fulfilling our responsibilities to stakeholders.

UBE will celebrate its 120th anniversary in 2017. This will be both a turning point and a milestone. I know that all employees share my confidence that UBE will never stop growing as long as we share the same principles.

New Medium-Term Management Plan Change & Challenge 2018: Overview

Corporate Images the UBE Group Targets to Realize

Business principles

"Coexistence and mutual prosperity" and "from finite mining to infinite industry"

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 through manufacturing.

What we want to become in 10 years

An enterprise that continues to create value for customers

The UBE Group will have a positive social impact as a corporate entity having a presence in expanding business domains by developing products and services that anticipate market needs.

Management Strategies

- Strengthen the business foundation to enable sustainable growth
- Address and be part of the solution for resource, energy, and global environmental issues

FY2018 Numerical Targets: Key Figures and Indicators

Key Figures

Operating income	¥50.0 billion
Ordinary income	¥49.0 billion

Key Indicators

Return on sales (ROS)	6.5% or above
Return on equity (ROE)	9.0% or above

Target Business Domains

Expand existing and peripheral businesses and foster new businesses in the four target business domains

Environment and energy
(Resource and energy conservation, new materials)

Battery materials	Coal	Power
Recycling	New battery materials	Biomass fuel
Phosphors	Optical materials	

Mobility
(Automotive, rail, aeronautical fields)

Nylon	High-performance coatings	Battery materials
Synthetic rubber	Separation membranes	Molding machinery
Fine materials	Tyranno fiber	New battery materials

Construction and infrastructure
(Infrastructure, living environment, smart cities)

Ceramics	High-performance coatings	Separation membranes
Cement and ready-mixed concrete	Calcia and magnesia	Industrial machinery Steel products
Neutral solidification material	Heavy metal immobilizer	

Healthcare
(Foods, pharmaceuticals, lifestyle enhancement)

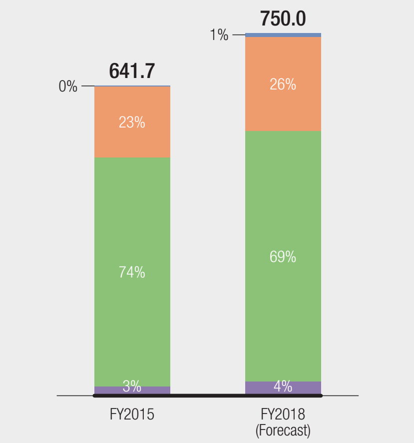
Pharmaceuticals	Industrial chemicals	Fine chemicals
Nylon	Biomaterials	

Business Portfolio Segmentation

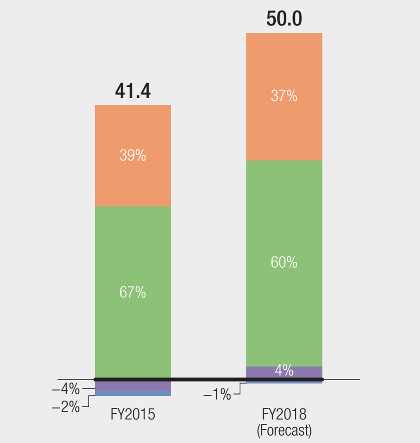
	Chemicals and Pharmaceuticals	Cement & Construction Materials	Machinery	Energy & Environment
Developing Fields	New battery materials, specialty inorganic materials (phosphor, optical materials, etc.), biomass fuel, aeronautical fields (tyranno fiber), biomaterials, environmental materials (neutral solidification material, heavy metal immobilizer, etc.)			
Active Growth Businesses	Nylon, synthetic rubber, separators, high performance coatings, pharmaceuticals	Fine materials (MOS-HIGE, etc.)	Machinery services	
Platform Businesses	Caprolactam and industrial chemicals, fine chemicals, separation membranes, ceramics	Cement and ready-mixed concrete, calcia and magnesia, recycling	Molding machinery, industrial machinery, steel products	Coal, power
Restructuring Businesses	Polyimide, electrolytes			

Developing Fields: The Company will promote growth in these fields to turn them into future sources of income.
Active Growth Businesses: Market expansion is expected and the Company will pursue further growth in its fields of strength.
Platform Businesses: The Company will aim to maintain and expand stable income.
Restructuring Businesses: The Company will revamp their business models and undertake business restructuring.

Net Sales (Billions of yen)



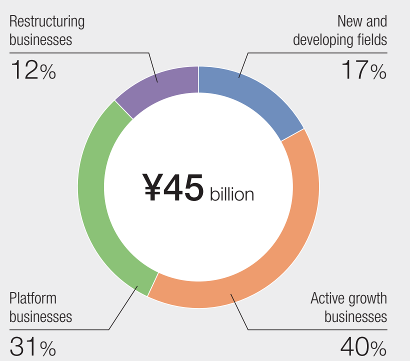
Operating Income (Billions of yen)



For fiscal 2018, we target net sales of ¥750.0 billion centered on the expansion of active growth businesses and operating income of ¥50.0 billion mainly due to increased earnings in active growth businesses and a recovery in restructuring businesses. For restructuring businesses, although we will limit investment, research and development will continue in new growth fields.

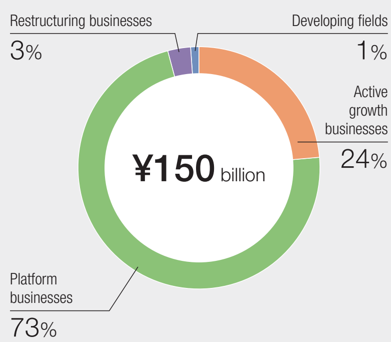
Developing fields Active growth businesses Platform businesses Restructuring businesses

R&D Expenditure over Three Years

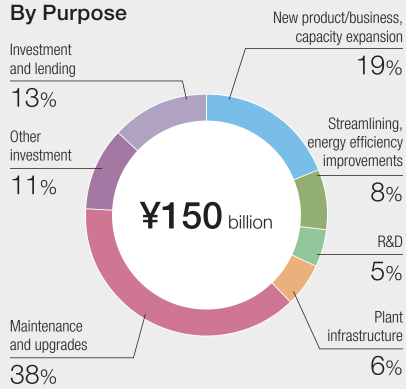


Investments over Three Years

By Portfolio



By Purpose



Chemicals

We will achieve growth by creating value and completely revitalize the Chemicals segment.

Hideyuki Sugishita
President, Chemicals segment

Business Overview

Strength 1	We concentrate on the platform businesses of nylon and the caprolactam chain and cover a broad array of chemical product categories.
Strength 2	We compete with major chemical companies worldwide by developing numerous products that are not available elsewhere and products that are number one in their markets.
Strength 3	We address sophisticated customer needs with trusted technological capabilities as a joint development partner and manufacturing capabilities that assure product quality levels.

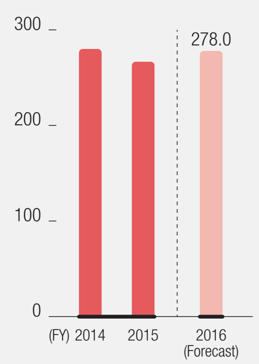
(Billions of yen)

	FY2014	FY2015	Change (%)
Assets	¥332.5	**¥301.7**	(9.2)
Depreciation and amortization	18.7	**20.4**	9.0
Capital expenditures	17.9	**14.6**	(18.5)

Note: The Chemicals & Plastics segment and Specialty Chemicals & Products segment were integrated into the Chemicals segment on April 1, 2015. Results for FY2014 are a simple aggregation of the two segments.

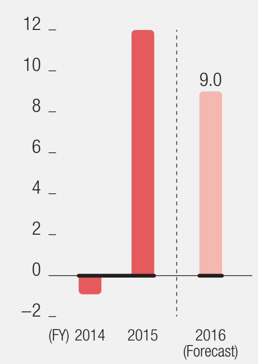
Net Sales (Billions of yen)

¥266.7 billion



Operating Income (Billions of yen)

¥12.0 billion



Progress during the Previous Medium-Term Management Plan

•Significant cost reductions contributed to revitalizing the Chemicals segment

Ube Ammonia Industry, Ltd. obtained self-inspection certification that enables it to conduct routine maintenance only every other year. This significantly reduced costs in fiscal 2015 and contributed to a rebound in results.

•Synthetic rubber production base established in Malaysia

We established Lotte Ube Synthetic Rubber Sdn. Bhd. in Malaysia to produce polybutadiene rubber (synthetic rubber). It joins factories in Chiba, Thailand and China as our fourth synthetic rubber manufacturing base. This enhanced production capacity to address growing global demand, primarily in the largest market of Asia.

•New polycarbonate diol (PCD) production facility in Thailand began operating

We constructed new production facilities to produce PCD at UBE Fine Chemicals (Asia) Co., Ltd. in Thailand to address expanding global PCD demand. It joins factories in Japan and Spain as our third PCD manufacturing base. The start of production allowed us to achieve our target of the number one share in the Asian market.

•Established mass-production and a supply organization for automotive separators

We established a mass-production and supply organization to meet expanding demand for automotive separators. Sakai Factory and Ube Chemical Factory increased production of the base films for lithium-ion battery separators, and Ube Maxell Co., Ltd. began to increase production of coated separator films.

Strategies and Initiatives during the New Medium-Term Management Plan

- **Achieve ¥20.0 billion in operating income**
- **Designate four active growth businesses**
- **Create new functions by integrating materials and technologies**
- **Strengthen and cultivate global marketing capabilities**
- **Quickly monetize development themes through RDTP-B* alliances**

*Research, development, technology, production and business

The Chemicals segment will establish the stable earnings fundamentals appropriate for an UBE core business, and will create growth drivers with the goal of achieving operating income of ¥20.0 billion in fiscal 2018.

We will further promote business portfolio management and cash flow management in discrete businesses. We have also identified nylon, synthetic rubber, separators, and high-performance coatings as four active growth businesses to which we will prioritize resource allocation. Our strategies in the nylon business are to expand the nylon 6 business, focus on high added value and strengthen the nylon chain. In the synthetic rubber business, we will proactively conduct joint development with the major tire manufacturers that are strategic customers with the goal of increasing added value through differentiation and specialization. For separators, we will expand our coated separator film business to meet the growing demand for automotive applications and the increasing sophistication of market requirements. For high-performance coatings, we will accelerate business development as a solutions provider with a business model centered on solving problems for customers. At the same time, we will revitalize and rebuild our polyimide and electrolyte businesses by thoroughly reducing costs and increasing productivity. We will also accelerate new business development.

Moreover, we will provide products and services that we differentiate by integrating our extensive portfolio of materials and technologies in order to create value that is unique to UBE. We will also create functions that address customer needs and fully reduce costs to balance the allocation of resources to research, development and production technology. In addition, we will strengthen and nurture global marketing skills that are aligned with the globalization of customer needs.

We will achieve these goals by further strengthening our promotion organization, raising the precision and speed of business development, and reinforcing RDTP-B alliances that are central to businesses units.

Pharmaceutical

We will concentrate our strengths and target dynamic growth with a sense of unity.

Yasushi Konno
General Manager of Pharmaceutical segment

Business Overview

Strength 1	Drug discovery capabilities linked to appropriate themes and speed and mobility lead to quick results.
Strength 2	We use CMC* technology acquired through the development of active pharmaceutical ingredients (APIs) and many years of experience and expertise in chemical product manufacturing to serve Japanese and overseas pharmaceutical manufacturers as a contract manufacturer from the development stage of APIs and intermediates for new drugs.

*Chemistry, manufacturing and controls (CMC) refers to work that relates to manufacturing and quality control for APIs (and drug formulations), taking place under new drug development. CMC information is used to prepare documents for new drug approval.

(Billions of yen)

	FY2014	FY2015	Change (%)	FY2016 Forecast
Net sales	¥7.8	**¥9.2**	18.7	¥10.0
Operating income	0.9	**1.1**	22.5	1.0

Progress during the Previous Medium-Term Management Plan

Pharmaceutical segment initiatives during the previous medium-term management plan centered on lifecycle management for existing products. Lifecycle management initiatives included expanding sales of the antiplatelet agent *Effient*® worldwide including Japan and conducting clinical trials for it as a treatment for cerebral syndrome, and submitting an application for the additional indication of pediatric use for the anti-allergy agent *Talion*®. We also enhanced our pipeline for new in-house drugs. For example, DE-117, a therapeutic agent for glaucoma and ocular hypertension, made steady progress, and we began joint development with Sanwa Kagaku Kenkyusho Co., Ltd. of SK-1405, a treatment for refractory pruritus. In the contract manufacturing business, project inquiries increased because we began operating commercial facilities for high pharmacological activity and low-temperature reactions.

Strategies and Initiatives during the New Medium-Term Management Plan

Our overall targets for the Pharmaceutical segment are to reform our earnings structure and return to a growth track. The in-house pharmaceutical business will continue initiatives from the previous medium-term management plan that involve generating quick results. These initiatives include implementing various measures to enhance our drug pipeline and enhancing the profitability of existing pharmaceuticals developed in-house through lifecycle management. The contract manufacturing business is targeting more contracts by enhancing facilities and technological capabilities and approaching users at the initial development stage. We will also commercialize the production and sale of APIs for generics. Moreover, we will enhance overall Pharmaceutical segment competitiveness and profitability by strengthening our overseas supply chain.

Cement & Construction Materials

We will build a powerful business foundation by strengthening core platform businesses and expanding into new business areas and markets.

Tadashi Matsunami
President, Cement & Construction Materials segment

Business Overview

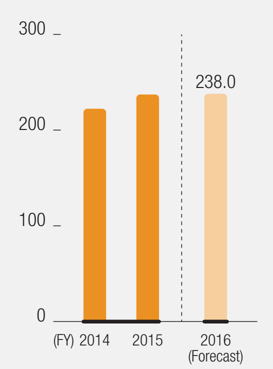
Strength 1	Our outstanding infrastructure includes an organization that provides stable, low-cost supplies of coal and electric power, and large-scale port facilities.
Strength 2	We have solid potential because we operate in a wide array of product businesses and are responsible for business formation processes for the Group as a whole.
Strength 3	Our sophisticated technological capabilities allow us to contribute to the formation of a recycling society by using a wide range of waste.

(Billions of yen)

	FY2014	FY2015	Change (%)
Assets	¥208.3	**¥216.9**	4.1
Depreciation and amortization	8.1	**8.3**	1.9
Capital expenditures	10.7	**14.7**	37.1

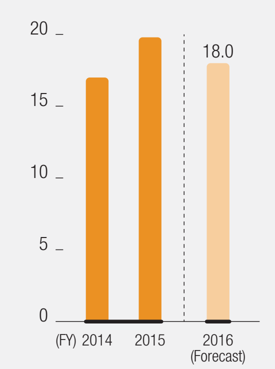
Net Sales (Billions of yen)

¥237.3 billion



Operating Income (Billions of yen)

¥19.8 billion



Progress during the Previous Medium-Term Management Plan

•Strengthened the ability of core platform businesses to generate earnings
We addressed energy costs and environmental issues, and began operating a waste heat recovery power generation system at Kanda Cement Factory. We also began full-scale development of the Kanayamadai mining zone with the objective of securing a stable supply of limestone resources.

•Expanded the scale of environmentally friendly businesses
Aiming to promote the use of industrial waste, we expanded lines I and II of the Isa plastic processing facility (began operations in October 2014), and expanded the Isa chlorine bypass facility (began operations in March 2016).

•Group restructuring and enhanced Group synergies
With the goal of maximizing both management resources and Group earnings, we dissolved consolidated subsidiary Ube Board Co., Ltd., established Ube Kenzai Corporation, Ltd., added Sanshin Tsusho Co., Ltd. to the Group, and transferred sales and distribution operations related to limestone products to Ube Material Industries, Ltd.

•Promoted expansion in active growth businesses
In the fine materials business, we completed expansion of and began operating Fibrous Magnesium Oxysulfate Plant III in December 2014. Fibrous magnesium oxysulfate is increasingly in demand for automotive components.

Strategies and Initiatives during the New Medium-Term Management Plan

- **Maintain and strengthen the ability of core platform businesses to generate earnings**
- **Refine and expand growth strategies**
- **Revamp and enhance operating fundamentals**

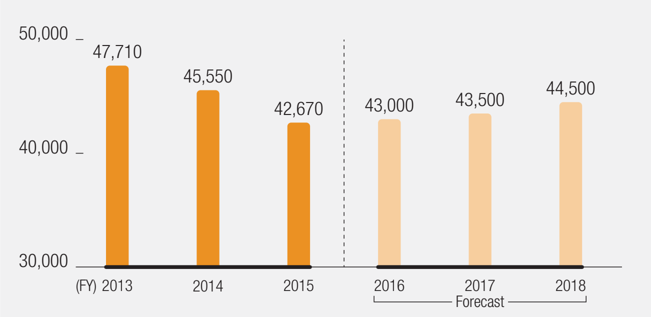
The Cement & Construction Materials segment will maintain and strengthen the ability of core platform businesses to generate earnings by reducing costs, streamlining production and expanding the use of waste. In addition, we intend to maximize Group synergies by enhancing collaboration with Group companies.

Specifically, in the cement business (including resource recycling) we will maintain full production, reduce environmental burden through effective use of waste heat recovered during manufacturing processes, and reduce energy costs while promoting the use of waste to contribute to a sustainable society. The calcia and magnesia business will streamline production, renovate factories and expand shipping operations. It will integrate its resource sales operations and strengthen cooperation between production and maintenance departments. The building materials business will expand sales of self-leveling and waterproofing materials and increase sales in the renovation business to stabilize earnings.

We also intend to expand our business areas and the markets we serve to refine and develop growth strategies. Our approaches will include expanding our business areas by acquiring stable export customers through equity investments and joint ventures, taking advantage of the expansion of fibrous magnesium oxysulfate production to increase sales of this product, and developing our logistics and shipping consulting businesses to expand overseas operations. We will expand the markets we serve by focusing on environmental businesses, increasing sales of environmental materials such as neutral solidification material and heavy metal immobilizer, and by concentrating on developing and commercializing new products.

Finally, we will revamp and enhance operating fundamentals to execute these strategies. We will enhance R&D to identify and commercialize themes that will help us expand the markets we serve. We will also cultivate personnel and build an operating organization that is resilient to changes in the operating environment. This will involve enhancing the six operating fundamentals of organization, personnel, systems, facilities, information technology, and finances.

Expected Domestic Demand for Cement (Thousand tons)



FOCUS

Addressing Energy and Environmental Issues

During the new medium-term management plan, we will energetically address energy and environmental issues in ways such as enhancing our waste heat recovery power generation system and facilities for thermoelectric conversion of waste. While ensuring a stable supply of electricity and reducing costs had been an issue, from January 2016 we began full-scale operation of a waste heat recovery power generation system at the Kanda Cement Factory. This plant raises our electricity self-sufficiency ratio from about 10 percent to about 40 percent, which we expect to significantly reduce costs. Targeting a 30 percent thermoelectric conversion rate, our initiatives for facilities for thermoelectric conversion of waste will include maximizing the processing capacity of existing facilities, and expanding and enhancing waste plastic processing facilities.

Maximizing Group Synergy

UBE made Ube Material Industries, Ltd. a wholly owned subsidiary in 2013, largely to unify its business strategy and reduce costs with the objective of maximizing Group synergy. Under the new medium-term management plan, we transferred the sales and logistics operations for limestone-related products to Ube Material Industries on April 1, 2016 and integrated its sales organization. This initiative helped us optimize the Group as a whole and targets increased sales of limestone products for flue gas desulfurization, limestone aggregate, and neutral solidification material and heavy metal immobilizer for soil improvement, along with international business development. Accelerating the strong collaboration between UBE and Ube Material Industries will further enhance the corporate value of the UBE Group.

Machinery

> We will sustain and evolve our businesses with the slogan "We Deliver Worldclass Performance."
>
> **Tokuhisa Okada**
> President, Machinery segment

Business Overview

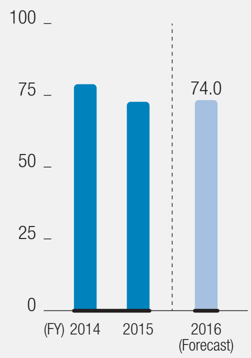
Strength 1	Our products meet individual customer needs and specifications.
Strength 2	Customers appreciate our experience in providing a wide array of products to key industries including automobiles, steel, cement and electric power.
Strength 3	We have established a service and support organization that serves global markets from numerous offices in Japan and around the world.

(Billions of yen)

	FY2014	FY2015	Change (%)
Assets	¥62.4	**¥62.0**	(0.6)
Depreciation and amortization	1.3	**1.4**	4.4
Capital expenditures	1.8	**1.6**	(10.3)

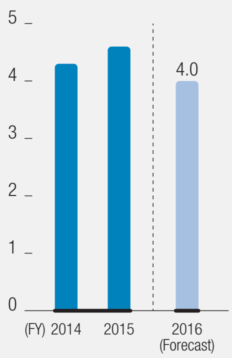
Net Sales (Billions of yen)

¥73.4 billion



Operating Income (Billions of yen)

¥4.6 billion



Progress during the Previous Medium-Term Management Plan

•Strengthened the unified management of production, sales and service by consolidating subsidiaries

In October 2013, Ube Machinery Corporation, Ltd. merged with Ube Techno Eng Co., Ltd., allowing the two companies to make the best use of unified production, sales and service. This strengthened our ability to penetrate global markets and address various customer needs.

•Launched new small and medium-sized die-casting machines developed jointly with other companies

In China, we began manufacturing and marketing small and medium-sized iC Series die-casting machines developed jointly with Toyo Machinery & Metal Co., Ltd. as part of a business alliance. These state-of-the-art models feature high performance and rigidity, and we will expand sales in Korea, Southeast Asia, India and elsewhere.

•Strengthened our service organization by establishing a subsidiary in Mexico

We established UBE Machinery Mexico S.A. de C.V. as a base for machinery group product sales and market development in Mexico. This allows us to serve the growing Mexican market and to strengthen our service organization in North America.

Strategies and Initiatives during the New Medium-Term Management Plan

•Enhance our competitive products for global markets
•Expand the service and support business with an emphasis on product lifecycles
•Maximize earnings by deepening integrated management and operations

The overall aim of the Machinery segment is to expand earnings by increasing bases overseas and deepening collaboration.

Molding machines and industrial machinery are core platform businesses. We will strengthen product competitiveness in these businesses to serve the infrastructure needs of industries with growth potential including automobiles, electric power and cement. Specifically, we will continuously reduce costs and develop products while globally introducing a variety of new machines that anticipate customer needs. We forecast growth in the machinery service business, which we consider an active growth business. We will expand the service business by strengthening overseas bases with a focus on the Americas and Asia, and proposing customer support and service activities.

Energy & Environment

We will address changes in the operating environment and make investments with emphasis on cash flow.

Takafumi Kurauchi
General Manager, Energy & Environment segment

Business Overview

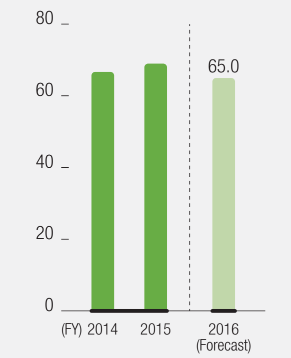
Strength 1	The coal business includes the Okinoyama Coal Center, which is the largest facility (storage and distribution) of its kind in Japan, and a Technology Services Department.
Strength 2	The electricity business has over 50 years of experience managing in-house power generation, and operates in the wholesale power generation and renewable energy businesses.
Strength 3	The Technology Department is competent in both development and engineering, and is addressing global warming by developing biomass fuels and technologies for effectively using low-grade coal.

(Billions of yen)

	FY2014	FY2015	Change (%)
Assets	¥53.2	**¥49.0**	(8.0)
Depreciation and amortization	2.5	**2.8**	10.6
Capital expenditures	7.4	**1.0**	(86.6)

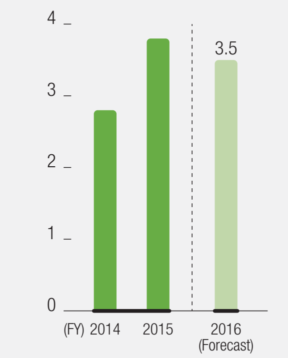
Net Sales (Billions of yen)

¥69.0 billion



Operating Income (Billions of yen)

¥3.8 billion



Progress during the Previous Medium-Term Management Plan

•Provided a stable supply of coal while at the same time reduced costs
Coal market conditions were weak, but we flexibly procured coal in ways such as increasing the percentage of coal we purchased under variable market-price contracts. This both provided a stable supply of the coal the UBE Group uses and reduced costs.

•Record coal sales volume for the third consecutive year
Low coal prices intensified coal sales competition, but we achieved record coal sales volume for the third consecutive year during the previous medium-term management plan.

•Addressed the problem of global warming by entering the megasolar power generation business
We entered the megasolar business as a result of the introduction of the feed-in tariff system for renewable energy. Thus we addressed the problem of global warming.

Strategies and Initiatives during the New Medium-Term Management Plan

•Contribute to a stronger earnings base for the Group through the stable supply of energy
•Strengthen and enhance infrastructure to support sustainable growth

The Energy & Environment segment is a shared UBE Group infrastructure. We will strengthen the earnings base of the UBE Group as a whole through the stable supply of cost-competitive energy (coal and electricity). We therefore intend to procure coal at low prices and enhance the capabilities of our port facilities and coal center (storage). In the electricity business, we will execute planned, efficient renovations of out-dated in-house power plants. In addition, we will energetically create and expand technologies and products that contribute to reducing greenhouse gases and environmental loading.

Research and Development

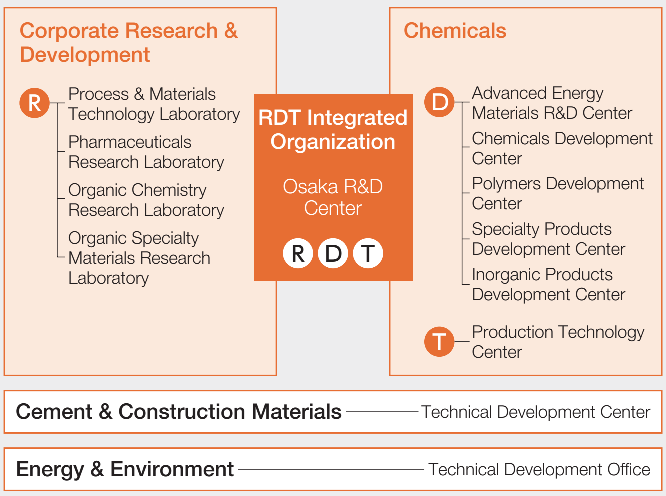
We will devote all of our energies to creating next-generation businesses for the future of the UBE Group.

Morihisa Yokota
General Manager, Corporate Research & Development

Business Overview

Strength 1	We are able to create the seeds of innovation because we have a broad array of basic technologies ranging from organic and inorganic chemistry to polymer chemistry, processing technology and mass-production technology.
Strength 2	We can resolve challenges by leveraging molecular design and synthesis technology that uses the features of UBE's unique materials.
Strength 3	We use advanced high-order structural control, functional design and evaluation technologies that enable us to develop high-performance materials that anticipate future customer needs.

Research and Development Organization



Progress during the Previous Medium-Term Management Plan

•Development of high-dispersion strontium carbonate nanoparticles
UBE used its proprietary gas-liquid reaction method to become the first in the world to successfully synthesize high-dispersion strontium carbonate nanoparticles for the optical films used in applications including liquid crystal and organic electroluminescent displays.

•Successful creation of innovative elements for biopharmaceutical manufacturing
We increased the potential for new business expansion in the healthcare market by successfully creating innovative bioreactor elements for the production of biopharmaceuticals.

•Development of multiple new products and grades of environmental coating materials
We contributed to business expansion by developing multiple grades of highly durable water-based polyurethane dispersions, which are environmental coating materials that can reduce emissions of volatile organic compounds that cause air and soil pollution, for use in new products, automobiles and interior and exterior building materials.

•Joint development of new pruritus treatments
SK-1405, a treatment for refractory pruritus we developed jointly with Sanwa Kagaku Kenkyusho, entered the clinical trial stage. Both companies are cooperating in development to acquire manufacturing and marketing approval.

•Technological support for the mass-production of separators coated with inorganic particles
We supported the establishment of mass-production technology for separators coated with inorganic particles, which feature excellent durability and high temperature resistance, by proposing mechanisms to elucidate and resolve obstacles to mass-production.

Strategies and Initiatives during the New Medium-Term Management Plan

- **Strengthen fundamental technologies and strategic technology areas**
- **Strengthen RDTP-B* alliances and structure systems to promote R&D**
- **Enhance and use mechanisms for cultivating personnel**

*Research, development, technology, production and business

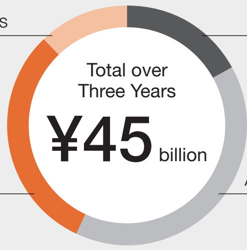
Business Domain	Field of R&D (Developing and New Fields)	Strategic Technology Areas
Mobility	New battery materials CMC for next-generation jet engines (Tyranno fiber) Power control-related materials Components and materials for intelligent solutions	Performance design High-order structural control technology Composite technology Performance evaluation
Environment and energy	Phosphors for next-generation white LEDs Biomass fuel Waste recycling technology Next-generation energy components and materials	
Construction and infrastructure	Environmental materials (heavy metal immobilizer and neutral solidification material) Chemicals for construction and infrastructure	
Healthcare	Bioreactor components and materials Next-generation healthcare components and materials	

Our basic R&D strategy is to strengthen fundamental technologies with an emphasis on long-term value creation, with goals that include raising the sophistication of manufacturing technology in existing businesses, expanding peripheral businesses, and creating businesses in new markets.

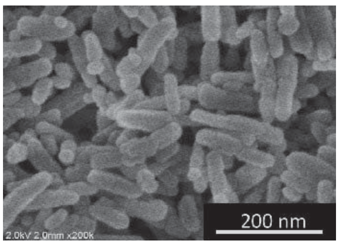
During the new medium-term management plan, we will first strengthen fundamental technologies and strategic technology areas and target the creation of next-generation businesses in four business domains. We will focus on creating new construction and infrastructure, and healthcare businesses.

Our objective for construction and infrastructure is to create relevant new chemical businesses that use the material design and synthesis technologies we have acquired in the field of organic performance materials. For healthcare, we aim to rapidly commercialize innovative bioreactor elements for manufacturing newly created biopharmaceuticals, and to promote R&D. In addition, we will enhance our leading-edge technological capabilities and promote open innovation in the strategic technology areas of functional design, high-order process control technologies, composite technologies and functional evaluation.

In addition, we will deepen RDTP-B alliances for each segment and division to maintain and strengthen existing businesses and expand into peripheral businesses. We will also structure and use an R&D promotion system that enables efficient processes from R&D theme planning to new business creation. At the same time, we will propose new business models, and structure and use systems to continuously cultivate technology personnel who can autonomously take responsibility from R&D theme planning to new business creation.



R&D Highlights from Fiscal 2015



Development of High-Dispersion Strontium Carbonate Nanoparticles

In May 2015, UBE became the first in the world to successfully synthesize high-dispersion strontium carbonate nanoparticles for optical applications. The retardation film[1] used in the optical film for applications including liquid crystal and organic electroluminescent displays employs multiple layers of resin film, but the process is complex and expensive. UBE resolved these problems by developing a proprietary gas-liquid reaction method[2] to add high-dispersion, nano-sized particles to the resin film, which enables thin, large displays. We expect that the use of these particles in optical films will enhance performance by increasing viewing angle and image clarity. Our goal is to win over the display market, and we plan to study non-film applications including condensers and LED phosphors.

1. Film used to correct distortion and deviation of light to widen the viewing angle at which the screen looks correct when an LCD or other display is viewed at an angle.
2. Method for propagating a reaction at a gas-liquid interface

Start of Joint Development of a New Treatment for Refractory Pruritus with Sanwa Kagaku Kenkyusho

UBE and Sanwa Kagaku Kenkyusho are jointly developing a compound (development code SK-1405), which is a treatment for refractory pruritus that the two companies discovered through joint research. Refractory pruritus is caused by diseases such as chronic kidney failure, atopic dermatitis and chronic liver disease. A new treatment is needed because the condition involves intense and chronic itching that anti-histamines or other drugs cannot suppress. We have begun a Phase I clinical trial, and our two companies share the goal of cooperating in development to acquire manufacturing and marketing approval.

Corporate Governance

A Message from Chairman Takeshita

Michio Takeshita
Chairman of the
Board of Directors

The unique pursuits of the UBE Group help to increase corporate value.

UBE is a company with a Board of Corporate Auditors in accordance with the Companies Act. We began appointing outside directors over 10 years ago, and now have a Board composed of four independent outside directors and four directors, which means we have a relatively high ratio of outside directors on the Board for companies in Japan with a Board of Corporate Auditors. In addition, we established the Nominating Committee and the Evaluation and Compensation Committee. These committees operate under the Board of Directors and each committee is chaired by an outside director. Transparency is a major feature of our approach to corporate governance. Consequently, our Board operates with emphasis on its monitoring responsibilities and engages in meaningful discussion. As Chairman of the Board and with a commitment to sustainable growth for UBE, I focus on the functional effectiveness of the Board and maintain an objective stance in fulfilling my responsibility of increasing corporate value. UBE's Board engages in discussion with great energy. Directors and outside directors frankly share their opinions and create the ideal atmosphere to achieve consensus. In addition, the formulation of our new medium-term management plan included management seminars for officers, with the participation of outside directors to ensure focused discussion. Our outside directors also attend R&D progress presentations and R&D policy meetings. This gives them insights into UBE's businesses and an accurate understanding of issues including the status of R&D. In this way, our outside directors go beyond simply providing third-party opinions to help the Board function as a deliberative organ driven by meaningful discussion.

The Corporate Governance Code came into effect in Japan in June 2015. The Corporate Governance Report we published at the end of 2015 explained the planning for future candidates for president and executive officers, and the evaluation of the effectiveness of the Board of Directors among other items. We plan to further broaden the selection and cultivation of candidates for president and executive officers to complement our conventional approach in which the Nomination Committee of the Board of Directors discusses and decides candidates for the Board. The Corporate Governance Report also explained our use of periodic questionnaires and external organizations in evaluating the effectiveness of the Board of Directors, which we had not done before. The Board of Directors is currently evaluating the effectiveness of the Board based on the self-evaluations of directors and corporate auditors, and will use the results to further enhance its functions.

UBE's initiatives to improve its finances over the past several years have achieved certain targeted outcomes. This has broadened our options in selecting investments. UBE must further increase corporate value by deploying resources more strategically and aggressively to quickly rebuild the chemical business and strengthen the profitability of platform businesses. I intend to help UBE do so as Chairman of the Board of Directors.

Governance

The UBE Group's fundamental mission is to achieve sustainable growth and 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 effective corporate governance to maintain appropriate business activities that fulfill our obligations to stakeholders.

Board of Directors

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.

Board of Corporate Auditors

Corporate auditors conduct audits based on auditing policies and auditing plans set each fiscal year to assess the decision-making process for key decisions and the execution of business. Corporate auditors attend Board of Directors meetings and other important meetings, examine important documents for approval 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 has appointed outside directors to add independent, third-party viewpoints to the decision-making process and to monitor management to ensure efficiency, transparency and objectivity from June 2005. UBE does not use a committee management system, but employs a Nominating Committee and Evaluation and Compensation Committee that report to the Board of Directors. Each consists of six members (four outside directors and two directors) and is chaired by an outside director.

Executive Officers

UBE has been using an executive officer system to separate governance and management functions since June 2001. 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.

General Meeting of Shareholders and Exercise of Voting Rights

The Notice of Convocation is sent three weeks prior to the General Meeting of Shareholders, but its contents are posted on UBE's website before it is sent out to notify shareholders of information earlier. UBE provides access to mobile phone and Internet voting in addition to voting by mail so that shareholders who are unable to attend can also exercise their voting rights. UBE also uses an electronic voting platform for institutional investors.

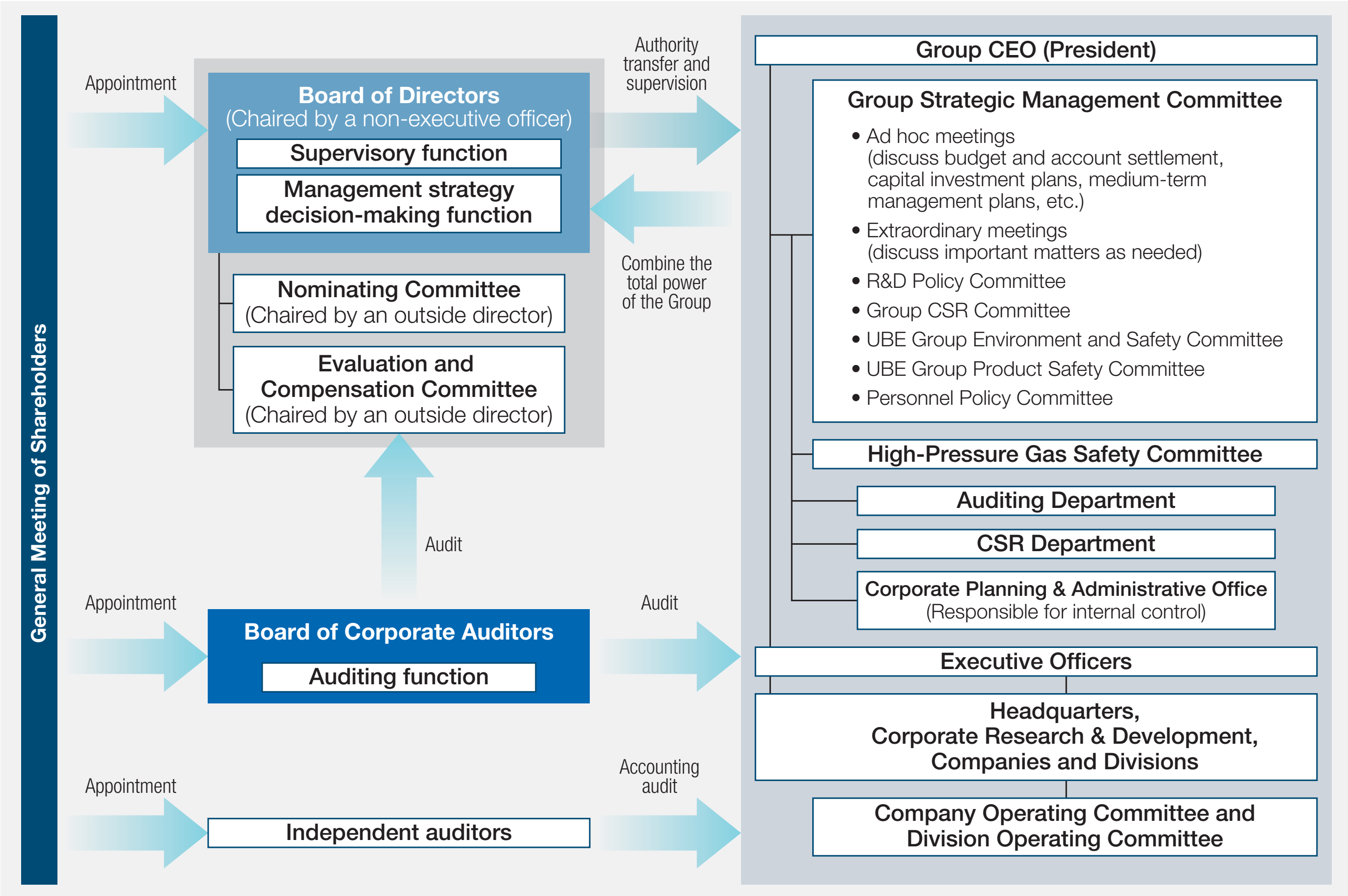
At the General Meeting of Shareholders held on June 26, 2015, a total of 23,061 shareholders exercised their voting rights

Corporate Governance Overview

Organizational structure	Company with Board of Corporate Auditors
Chairman of the Board of Directors[1]	Michio Takeshita
Number of directors[1]	8 (of which 4 are outside directors)
Number of corporate auditors[1]	4 (of which 2 are outside corporate auditors)
Board of Directors meetings in the year ended March 2016	• Number of meetings: 13 • Director attendance rate: 98% • Corporate auditor attendance rate: 98%
Board of Corporate Auditors meetings in the year ended March 2016	• Number of meetings: 8 • Corporate auditor attendance rate: 97%
Independent officers appointed[1]	4 outside directors, 2 outside auditors
Determination of compensation for each director[2]	• Compensation consists of base compensation and stock-based compensation. • Total compensation for the year ended March 2016 (6 directors excluding the independent directors): ¥196 million (base compensation: ¥173 million; stock options: ¥22 million)
Determination of compensation for each corporate auditor[2]	• Compensation consists of base compensation. • Total compensation for the year ended March 2016 (3 auditors excluding the independent auditors): ¥54 million (base compensation: ¥54 million)
Outside officers[2] **(independent officers)**	• Compensation consists of base compensation and retirement benefits. • Total compensation for the year ended March 2016 (8 officers): ¥66 million (base compensation: ¥63 million; retirement benefits: ¥2 million)
Independent auditors	Ernst & Young ShinNihon LLC

Notes: 1. As of June 29, 2016
2. Includes retiring officers and new appointees

Corporate Governance Structure



(including 22,067 shareholders who exercised voting rights in writing and via the Internet), representing 70.8% of total voting rights.

Engagement with Shareholders: Two-Way Communication through IR Activities

Principal investor relations activities in fiscal 2015 are listed below. The UBE Group conducts IR activities aimed at timely, accurate and fair disclosure, and believes that proactive communication with investors leads to higher corporate value.

- Earnings briefing for institutional investors and securities analysts (after main briefing)
- Telephone conference for institutional investors and securities analysts (held quarterly)
- Overseas IR (visits with overseas investors, total of three times, in Europe, the U.S. and Asia)
- Small meetings by the President and CEO (four times yearly)
- Individual meetings with institutional investors and securities analysts (about 220 per year)
- Business briefing (twice) and factory tours (twice) for institutional investors and securities analysts
- Briefings for individual investors (three times)

Detailed information is available in the Investor Relations section of our website: http://www.ube-ind.co.jp/english/ir/index.htm

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.

Compliance

The UBE Group formulated its Personal Action Guidelines outlining the Company's corporate ethics in 1998. 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 particular, we have set up the Competition Law Compliance Committee to prevent acts that impede fair competition and to ensure the soundness of business operations. We have also established the Restricted Cargo and Export Management Committee to prevent the unauthorized export or provision of goods and technology that are restricted under export control laws and regulations designed to maintain international peace and stability, including the Foreign Exchange and Foreign Trade Act.

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 executive officers and employees to directly report compliance issues without going through normal channels. This encourages rapid reporting and swift correction of compliance issues. UBE also 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 2015, group training and education on laws and regulations such as the Anti-Monopoly Act, Subcontract Act and Unfair Competition Prevention Act were held a total of 23 times. In addition, from fiscal 2015 the instructors of internal companies conducted general compliance training at Group workplaces on behalf of the Compliance Promotion Secretariat, and 2,800 employees received training during the fiscal year.

Risk Management

The UBE Group is enhancing its risk management system to identify risks that would impede achievement of its business objectives, and to take appropriate measures after evaluating the probability of those risks materializing, the scale of their impact and other factors.

The UBE Group Environment and Safety Committee and the UBE Group Product Safety Committee formulate policies and promote various measures across the UBE Group concerning safety and environmental protection and product safety and quality management, respectively. In addition, the Information Security Committee and Crisis Management Committee have been set up to respond to specific areas of risk.

An Interview with Outside Director Keikou Terui

I will contribute to the UBE Group's further growth by participating in effective discussion in support of increased corporate value.

Keikou Terui
Outside Director

Energetically Enhancing Corporate Governance

My career at the Ministry of Economy, Trade and Industry (METI) spanned 34 years. My work encompassed technology development in the chemical industry, chemical product safety and industrial safety. In addition to work related to chemical technology development, I was involved in industrial policy and trade policy. Upon retiring from METI, I began working with an organization that examines the safety of chemical substances. In June 2014, I became an outside director of the UBE Group.

I strongly believe that the UBE Group has been a leader in the materials industry in enhancing corporate governance under its own initiative and has been ensuring systemic compliance in both form and function. The Group added an additional outside director in 2015, which increased the ratio of outside directors on the Board to 50 percent. This helped create a highly effective organization and an environment conducive to incorporating the energetic opinions of outside directors in initiatives to increase corporate value. The UBE Group also spent considerable time engaged in open and vigorous debate, including management seminars for officers, and emphasized processes for setting shared goals for the Group during the formulation of its new medium-term management plan.

Aiming to Further Increase Corporate Value

I believe that increasing corporate value involves an emphasis on delighting employees and other stakeholders as well as on the fundamental pursuit of earnings. I would like the UBE Group to be a company that rewards and delights its employees in the course of providing products and services that delight customers. The UBE Group must therefore be even more focused on tenaciously creating new products and services, maintaining a sense of urgency in intelligently understanding its business environment, and boldly exploiting its potent corporate image. In addition, UBE's businesses have an important responsibility to reduce greenhouse gas emissions such as CO_2. I will put the knowledge and experience I gained with METI at the service of the UBE Group to help it achieve its goals.

Management Team (As of June 26, 2016)

Directors

Michio Takeshita

Apr. 1973	Joined the Company
Jun. 2001	Executive Officer
Apr. 2005	Executive Officer, General Manager of Energy & Environment segment and Procurement & Logistics Div.
Jun. 2005	Managing Executive Officer, General Manager of Energy & Environment segment and Procurement & Logistics Div.
Jun. 2008	Director
Apr. 2009	Senior Managing Executive Officer, Group CFO, and General Manager of Corporate Planning & Administration Office
Apr. 2010	President & Representative Director, President & Executive Officer, and Group CEO
Apr. 2015	Chairman of the Board of Directors & Representative Director
Jun. 2015	Chairman of the Board of Directors & Director (current position)

Yuzuru Yamamoto

Apr. 1977	Joined the Company
Jun. 2001	Executive Officer, Ube Machinery Corporation, Ltd.
Jun. 2003	Executive Officer, General Manager of Machinery Div., Machinery & Metal Products segment, Ube Industries, Ltd., and Representative Director, Ube Machinery Corporation, Ltd.
Apr. 2007	Managing Executive Director, Vice President of Machinery & Metal Products segment, and General Manager of Machinery Div., Ube Industries, Ltd.
Apr. 2010	Senior Managing Executive Officer and President of Machinery & Metal Products segment, Ube Industries, Ltd.
Jun. 2010	Chairman of the Board, Ube Machinery Corporation, Ltd. Resigned (June 2013)
Apr. 2013	Senior Managing Executive Officer, Special Assistant to the President, Group CCO, and General Manager of Procurement & Logistic Div., with responsibility for General Affairs & Human Resources Office
Jun. 2013	Representative Director
Apr. 2015	President & Representative Director, President & Executive Officer, and Group CEO (current position)

Hideyuki Sugishita

Apr. 1977	Joined the Company
Apr. 2007	Executive Officer, General Manager of Production Center, Production & Technology Div. and General Manager of Ube Chemical Factory
Apr. 2009	Managing Executive Officer, General Manager of Production & Technology Div.
Apr. 2011	Managing Executive Officer, President of Chemicals & Plastics segment and General Manager of Europe Operational Unit
Apr. 2012	Senior Managing Executive Officer and President of Chemicals & Plastics segment
Apr. 2013	Senior Managing Executive Officer and President of Specialty Chemicals & Products segment
Apr. 2015	Senior Managing Executive Officer and President of Chemicals segment
Jun. 2015	Senior Managing Executive Officer & Representative Director, and President of Chemicals segment (current position)

Tadashi Matsunami

Apr. 1979	Joined the Company
Apr. 2007	Executive Officer, General Manager of Production & Technology Div., Cement & Construction Materials segment, with responsibility for Material Recycle Div.
Apr. 2009	Executive Officer, Vice President of Cement & Construction Materials segment and General Manager of Cement Dept., with responsibility for Group Company Dept., Resources & Products Div.
Apr. 2011	Managing Executive Officer, President of Cement & Construction Materials segment and General Manager of Cement Dept.
Apr. 2015	Senior Managing Executive Officer and President of Cement & Construction Materials segment
Jun. 2015	Senior Managing Executive Officer & Representative Director, and President of Cement & Construction Materials segment (current position)
Apr. 2016	Senior Managing Executive Officer & Representative Director, and President of Cement & Construction Materials segment and General Manager of Cement Dept. (current position)

Takashi Kusama

Apr. 1971	Joined The Industrial Bank of Japan, Limited
Jun. 1999	Executive Officer, The Industrial Bank of Japan, Limited
Jun. 2000	Managing Director, Shinko Securities Co., Ltd.
Jun. 2003	President and Representative Director, Shinko Securities Co., Ltd.
May 2009	Chairman of the Board and Representative Director, Mizuho Securities Co., Ltd.
Jun. 2011	Advisor, Mizuho Securities Co., Ltd. (current position)
Jun. 2012	Outside Auditor, WOWOW Inc. (current position)
Jun. 2013	Outside Director of the Company (current position), Outside Auditor, WOWOW Inc. (important concurrent position)

Keikou Terui

Apr. 1979	Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry (METI))
Jun. 2008	Director-General for Technology Policy Coordination, Minister's Secretariat, METI
Jan. 2011	Director-General, Kanto Bureau of Economy, Trade and Industry, METI
Apr. 2012	Director-General for Regional Economic and Industrial Policy, METI
Aug. 2013	President, Japan Utility Telemetering Association. Non-Profit Organization (current position)
Oct. 2013	Senior Research Associate, Chemicals Evaluation and Research Institute (current position)
Jun. 2014	Outside Director of the Company (current position), Senior Research Associate, Chemicals Evaluation and Research Institute (important concurrent position)
Mar. 2016	Outside Director, Bridgestone Corporation (current position)
Jun. 2016	Outside Director, Organo Corporation (current position)

Takashi Shoda

Apr. 1972	Joined Sankyo Co., Ltd.
Jun. 1999	Senior General Manager of International Pharmaceutical Division & General Manager of Europe Department, Sankyo Co., Ltd.
Jun. 2001	Director, Sankyo Co., Ltd.
Jun. 2002	Managing Director, Sankyo Co., Ltd.
Jun. 2003	President and Representative Director, Sankyo Co., Ltd.
Sep. 2005	President & CEO, and Representative Director, Daiichi Sankyo Co., Ltd.
Jun. 2010	Representative Director and Chairman, Daiichi Sankyo Co., Ltd.
Jun. 2014	Senior Corporate Adviser, Daiichi Sankyo Co., Ltd. (current position)
Jun. 2015	Outside Director of the Company (current position)

Mahito Kageyama

Apr. 1972	Joined The Sanwa Bank, Ltd.
Jun. 1999	Executive Officer & Head of Investment Banking Group Global Finance & Investment Banking Division, The Sanwa Bank Ltd.
Jan. 2002	Senior Executive Officer & Head of Global Banking & Trading Division, UFJ Bank Ltd. Resigned (February 2003)
Jun. 2003	Director and President, TOMEN ELECTRONICS CORPORATION
Apr. 2006	Representative Director and Executive Vice President, Toyota Tsusho Corporation. Resigned (June 2008)
Jun. 2008	Chairman of the Board and Representative Director, TOMEN ELECTRONICS CORPORATION. Resigned (June 2010)
Jun. 2010	Corporate Auditor, Toyota Tsusho Corporation. Resigned (June 2013)
Jul. 2013	Advisor, Toyota Tsusho Corporation (current position)
Jun. 2015	Outside Director of the Company (current position)

Auditors

Setsuro Miyake

Apr. 1976	Joined the Company
Apr. 2006	General Manager of Accounting Dept. of Corporate Planning & Administration Office
Jun. 2011	Auditor (current position)

Takanobu Kubota

Apr. 1979	Joined the Company
Jun. 2005	Executive Officer, General Manager of Finance Dept., Corporate Planning & Administration Office
Apr. 2009	Executive Officer, General Manager of Procurement & Logistic Div.
Apr. 2011	Managing Executive Officer, General Manager of Procurement & Logistic Div., with responsibility for Ube Corporate Service Dept.
Apr. 2013	Managing Executive Officer, with responsibility for Ube Corporate Service Dept. and Ube Industries Central Hospital
Jun. 2014	Director
Oct. 2014	Managing Executive Officer, with responsibility for Ube Corporate Service Dept. Resigned (March 2015)
Jun. 2015	Auditor (current position)

Seiichi Ochiai

Apr. 1981	Professor, Seikei University Faculty of Law
Apr. 1990	Professor, The University of Tokyo Graduate Schools for Law and Politics, and Faculty of Law
Apr. 2007	Professor, Chuo Law School Registered as an attorney (Daiichi Tokyo BAR Association), and joined as Of Counsel of Nishimura & Tokiwa (currently Nishimura & Asahi) (current position)
Jun. 2007	Professor Emeritus, The University of Tokyo (current position)
Jun. 2012	Outside Audit & Supervisory Board Member of Nippon Telegraph and Telephone Corporation (current position)
Jul. 2012	Outside Director of Meiji Yasuda Life Insurance Company (current position)
Jun. 2013	Outside Auditor of the Company (current position)

Miyako Suda

Apr. 1982	Associate Professor, School of Economics, Senshu University
Apr. 1988	Professor, School of Economics, Senshu University
Apr. 1990	Professor, Faculty of Economics, Gakushuin University
Apr. 2001	Member of the Policy Board, the Bank of Japan Resigned (March 2011)
May 2011	Special Advisor, the Canon Institute for Global Studies (current position)
Jun. 2013	Outside Director, Fujitsu Limited (current position)
Jul. 2014	Outside Director, Meiji Yasuda Life Insurance Company (current position)
Jun. 2015	Outside Auditor of the Company (current position)

(From left)
Back row: Takashi Kusama, Setsuro Miyake, Takashi Shoda, Keikou Terui and Seiichi Ochiai
Front row: Takanobu Kubota, Hideyuki Sugishita, Michio Takeshita, Yuzuru Yamamoto, Tadashi Matsunami, Miyako Suda, and Mahito Kageyama

Executive Officers and Responsibilities

Chief Executive Officer

Yuzuru Yamamoto
President and Group CEO

Senior Managing Executive Officers

Hideyuki Sugishita
President of Chemicals segment

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

Tokuhisa Okada
President of Machinery segment

Managing Executive Officers

Charunya Phichitkul
General Manager of Asia Operational Unit of Chemicals segment

Junichi Misumi
With responsibility for Environment & Safety Dept., Intellectual Property Dept. and information systems

Masato Izumihara
Vice President of Chemicals segment

Masahiko Nojima
Head of Engineering Plastics, Caprolactam and Industrial Chemicals Business Unit, and General Manager of Europe and Americas Operational Unit

Masataka Ichikawa
General Manager of Production & Technology Division, with responsibility for Material Recycle Division and Technical Development Center, Cement & Construction Materials segment

Executive Officers

Etsuo Matsunaga
With responsibility for Polymers Development Center, Chemicals Development Center, Specialty Products Development Center, Inorganic Products Development Center, Advanced Energy Materials R&D Center and Development Management Group of Chemicals segment

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

Takafumi Kurauchi
General Manager of Energy & Environment segment

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

Makoto Aikawa
General Manager of Production Division, Chemicals segment

Takafumi Tanaka
General Manager of Management Dept., Chemicals segment

Morihisa Yokota
General Manager of Corporate Research & Development

Genji Koga
Deputy General Manager of Production Division, Chemicals segment and General Manager of Ube Chemical Factory

Makoto Koyama
With responsibility for Resources & Products Dept. and Group Company Dept., Cement & Construction Materials segment

Hideo Tamada
General Manager of Procurement & Logistics Div., with responsibility for Ube Corporate Service Dept.

Hiroshi Nishida
General Manager of Planning and Control Dept., with responsibility for Construction Materials Dept., Cement & Construction Materials segment

Masayuki Fujii
Group CFO, General Manager of Corporate Planning & Administration Office

Yasushi Konno
General Manager of Pharmaceutical segment

Yuuki Nishida
Head of Battery Materials and Fine Chemicals Business Unit, Chemicals segment

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

Environment

Initiatives for a Sustainable Society

The UBE Group is fully conscious of its responsibilities for contributing to society, environmental preservation, and maintaining health and safety in undertaking business activities that support the realization of a sustainable society. We therefore have environmental and safety principles for operational safety, process safety, environmental preservation, product safety and health management. We also aim to improve the quality of Group environmental preservation by publicizing our successes and maintaining a dialogue with society.

Initiatives to Counter Global Warming

UBE prioritizes the reduction of greenhouse gas emissions, and has set the goal for fiscal 2021 of reducing emissions by 15 percent compared with fiscal 2005. In addition, we are reducing CO_2 in product manufacturing at plants and in the use of end products that contain UBE products. We will continue to monitor CO_2 emissions throughout the entire supply chain of Group business activities.

Protecting Biodiversity

UBE energetically protects biodiversity. We have established interdisciplinary, Groupwide environmental study meetings to monitor and evaluate the impact of our business activities on biodiversity, and to collect and share information. We also discuss the development of environmentally friendly products and technologies and businesses. In addition, we actively participate and cooperate in activities including forest preservation and the greening of mines in Yamaguchi Prefecture.

Effective Use of Waste

UBE's three cement plants actively use waste and byproducts from within the Group and from external sources. We accepted 3.41 million tons of waste in fiscal 2015. Waste can be a source of both raw materials and fuel for cement, so our plants strongly support a recycling society by processing a wide range of waste.

Yuuki Nishida
Executive Officer and Head of Battery Materials and Fine Chemicals Business Unit, Chemicals segment

1 Lithium-Ion Battery Electrolytes and Separators
Our Battery Material Business Helps Popularize Eco Cars

Our high-quality, high-performance electrolytes and separators are key materials in the lithium-ion batteries used in hybrid and electric vehicles. Our electrolytes are based on a high-purity solvent produced using our proprietary organic synthesis technology, and we were the first in the world to commercialize a functional electrolyte with additives to manage battery performance. We produce separators with outstanding resistance to solvents and heat in an environmentally friendly process that does not use organic solvents or inorganic fillers. These separators have driven growth in the automotive lithium-ion battery market while reducing environmental burden and contributing to a sustainable mobile society.

PCD production facility in Thailand began operating in October 2015

2 High-Performance Coatings
A High-Performance Polyurethane Business That Is Friendly to People and the Environment

Polycarbonate diol (PCD) is a raw material for highly durable polyurethane. It helps reduce resource use and is a key material in aqueous polyurethane dispersions (PUD) that help reduce the use of volatile organic compounds. Operating globally, we are the world's largest PCD manufacturer with plants in Japan, Spain and Thailand. We strengthen and develop our business model of providing solutions that resolve customer issues by leveraging the features of PCD to operate worldwide in our environmentally friendly, high-performance polyurethane business that includes PUD.

Human Resources

Diversity Initiatives

UBE respects diverse individuality and values and aims for a corporate culture that fosters creativity and the will to take on challenges. We recruit and employ people in a wide range of fields regardless of factors including background, nationality and gender, and make use of each employee's capabilities in creating an environment that enables success.

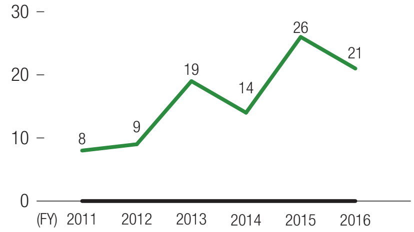
A key feature of UBE is its focus on heavy chemical businesses. Women only represent 6.7 percent of employees and 1.1 percent of managers. We are therefore concentrating on recruiting and promoting women with the targets for 2020 of increasing female employees to 20 percent of career-track employees and tripling the number of female managers compared with 2014. We raise employee consciousness through initiatives such as providing training for managers and female employees, expanding recruitment of and opportunities for women, and improving our workplace culture. Women accounted for 21 percent of new career-track employees in fiscal 2016.

We are also employing people with disabilities with a strategic emphasis on putting their unique skills to work. In addition, we have created a network to support the employment of people with disabilities throughout the Group. In 1991, we established a special subsidiary, Libertas Kosan Co., Ltd., to make use of the expertise and skills of people with disabilities and to promote their employment Groupwide.

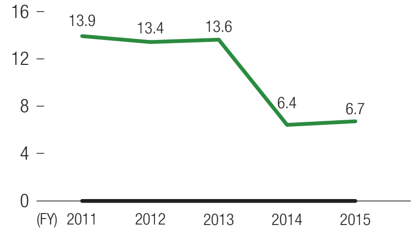
As globalization continues, we are expanding personnel exchanges with UBE Group companies overseas to benefit from different values and cultural experiences. We have also been recruiting foreign nationals in Japan annually. In addition, we have been rehiring as senior employees a majority of the employees who have reached mandatory retirement age, and have successfully leveraged their experience and skills.

As a result, we have been creating a workplace environment that empowers diverse employees, allowing them to excel at approaches to work that are attuned to their respective life stages.

Percentage of Women among New Career-Track Employees[1] (%)



Percentage of Female Employees[1,2] (%)
(As of end of fiscal year)



Notes: 1. Figures are for Ube Industries, Ltd.
2. Figures for Ube Industries Central Hospital are not included from fiscal 2014.

Miyuki Kioka

Operations Section – Shipping
Shikoku Ube Factory
Chushikoku Ube Concrete Co., Ltd.

Employees at Shikoku Ube Factory
(As of March 2016)

Women with the Flexibility to Excel in Their Own Way on the Front Lines

Demonstrating That Customer Satisfaction and Transport Efficiency Are Compatible

I am responsible for arranging transportation for shipments of ready-mixed concrete that customers have ordered and efficiently dispatching and scheduling cement mixers. Meeting all customer requirements would entail increasing the number of vehicles, so I regularly suggest alternative delivery plans that are readily acceptable to customers because they reduce cost without reducing customer satisfaction. I also took on the challenge of obtaining concrete technician qualification to deepen my understanding of ready-mixed concrete. I was able to obtain this qualification with the enthusiastic support of my boss. I really feel that my company supports the ambitions of its employees, creating a positive workplace environment.

The Challenges I Take on Are Linked to Company Growth

I am one of two women at the Shikoku Ube Factory. My boss assigns work with no special treatment for women, so I feel the value of our work. In order to work efficiently, I prepare destination instructions as per the delivery schedule before work so that I can complete my day without working overtime. This is another aspect that creates a comfortable workplace for women. Companies need to increase profits, but Shikoku Ube Factory has a fundamental commitment to adhere to payload and blending compliance and ensure the delivery of high-quality ready-mixed concrete to customers. I believe that all employees continuing to work with pride supports the company's sustainable growth.

Consolidated Six-Year Financial Summary

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

	Millions of yen					
	2016	2015	2014	2013	2012	2011
Results of Operations:						
Breakdown of net sales by reportable segment:						
Chemicals[1]	**¥266,736**	¥ —	¥ —	¥ —	¥ —	¥ —
(Chemicals & Plastics)	**—**	215,419	230,585	219,368	231,026	204,516
(Specialty Chemicals & Products)	**—**	63,288	63,160	61,111	64,368	68,777
Pharmaceutical	**9,280**	7,819	9,706	11,452	11,186	8,853
Cement & Construction Materials	**237,343**	222,419	223,513	208,364	209,155	200,470
Machinery[2]	**73,435**	78,956	75,511	71,310	72,575	83,433
Energy & Environment	**69,066**	66,771	59,073	68,769	62,518	59,145
Other	**16,792**	33,242	28,816	25,294	25,911	26,852
Adjustment	**(30,902)**	(46,155)	(39,854)	(39,646)	(38,086)	(35,984)
Net sales	**641,750**	641,759	650,510	626,022	638,653	616,062
Cost of sales	**519,960**	538,983	546,340	517,769	512,447	494,046
Selling, general and administrative expenses	**80,382**	78,629	79,757	78,291	80,200	77,653
Operating income	**41,408**	24,147	24,413	29,962	46,006	44,363
Non-operating income[3]	**(1,788)**	(919)	(5,722)	(1,917)	(5,198)	(5,263)
Ordinary income[3]	**39,620**	23,228	18,691	28,045	40,808	39,100
Extraordinary items[3]	**(11,967)**	(4,737)	975	(12,203)	(3,213)	(10,353)
Income before income taxes	**27,653**	18,491	19,666	15,842	37,595	28,747
Net income attributable to owners of parent	**19,111**	14,649	12,623	8,265	22,969	17,267
Financial Position:						
Assets:						
Total current assets	**276,925**	282,816	296,538	287,399	284,417	281,701
Total property, plant and equipment, net	**323,800**	347,438	332,416	323,717	313,949	313,945
Total investments and other assets	**79,058**	81,292	71,761	74,768	66,599	65,866
Total assets	**679,783**	711,546	700,715	685,884	664,965	661,512
Liabilities and net assets:						
Total current liabilities	**233,256**	239,500	257,958	250,936	267,391	249,701
Total long-term liabilities	**156,905**	182,436	177,402	184,195	173,167	200,362
(Non-controlling interests)	**22,463**	25,718	23,077	34,736	24,472	24,048
Total net assets	**289,622**	289,610	265,355	250,753	224,407	211,449
General:						
Per share data (yen):						
Net income, primary	**18.06**	13.85	12.16	8.22	22.85	17.18
Cash dividends applicable to the period	**5.00**	5.00	5.00	5.00	5.00	5.00
Net assets	**251.90**	248.89	228.51	214.35	198.41	186.02
Other data:						
Operating margin (%)	**6.5**	3.8	3.8	4.8	7.2	7.2
Return on assets (ROA)[4] (%)	**6.5**	3.8	3.6	4.8	7.2	7.2
Shares of common stock issued (thousands)	**1,062,001**	1,062,001	1,062,001	1,009,165	1,009,165	1,009,165
Number of consolidated subsidiaries	**68**	71	65	67	67	66
Number of shareholders with voting rights	**52,977**	64,449	58,873	57,243	55,407	57,537
Number of employees	**10,764**	10,702	11,225	11,090	11,081	11,026

Notes: 1. The Chemicals & Plastics segment and the Specialty Chemicals & Products segment were integrated into the Chemicals segment on April 1, 2015.
2. The Machinery & Metal Products segment changed its name to the Machinery segment on April 1, 2016.
3. Based on Japanese GAAP
4. ROA = (Operating income + Interest and dividend income + Equity in earnings of unconsolidated subsidiaries and affiliated companies) / Average total assets

Financial Review

The UBE Group launched its current three-year medium-term management plan, "Change & Challenge 2018," at the start of fiscal 2016. The basic policies of this plan are "strengthen the business foundation to enable sustainable growth" and "address and be part of the solution for resource, energy, and global environmental issues."

During Change & Challenge 2018, a three-year action plan to support the achievement of our vision for the future, we will increase the value we provide to customers and raise profitability in each segment by comprehensively reducing costs and deepening collaboration among Group companies in Japan and overseas. Restoring the performance of our chemical business will be a particular focus.

SCOPE OF CONSOLIDATION

The UBE Group included 68 consolidated subsidiaries as of March 31, 2016, a decrease of 3 from a year earlier.

Sanshin Tsusho Co., Ltd. was added to the scope of consolidation because of its increasing materiality.

Consolidated subsidiary Advanced Electrolyte Technologies (USA) was removed from the scope of consolidation due to an absorption merger during fiscal 2015 with Advanced Electrolyte Technologies LLC.

Consolidated subsidiary Advanced Electrolyte Technologies (Europe) was liquidated during fiscal 2015 and removed from the scope of consolidation.

Consolidated subsidiaries Ube Chemical Europe, S.A.U. and Ube Engineering Plastics, S.A.U. were removed from the scope of consolidation due to an absorption merger during fiscal 2015 with Ube Corporation Europe, S.A.U.

OPERATING PERFORMANCE

Results for Fiscal 2015

During fiscal 2015, the overall global economy continued to recover moderately. The U.S. economy continued to recover and the European economy recovered modestly as well. In Asia, however, the slowdown in the Chinese economy gradually became more pronounced. The Japanese economy also continued to recover modestly. Although some sectors such as exports were weak, consumer spending was stable as a whole and corporate results improved.

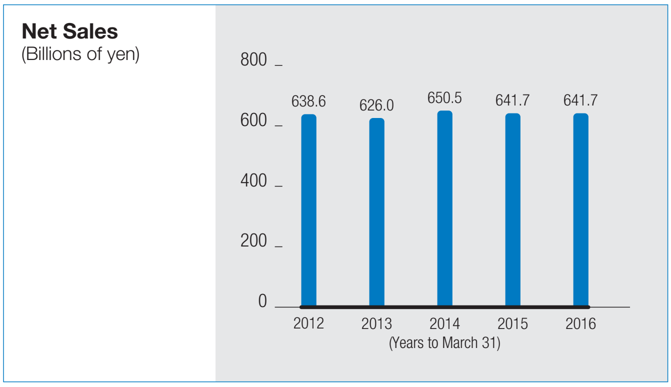
Under these conditions, non-chemical businesses including the Cement & Construction Materials segment performed well supported by factors including low prices for coal and crude oil. The Chemicals segment recovered to a certain degree, but recognized a non-recurring impairment loss for businesses that were marginally profitable for the past several years. As a result, consolidated net sales were essentially unchanged from the previous fiscal year at ¥641.7 billion, operating income increased by ¥17.2 billion to ¥41.4 billion, and net income attributable to owners of parent increased by ¥4.4 billion to ¥19.1 billion.

OPERATING RESULTS

Net Sales

Net sales were essentially unchanged compared with the previous fiscal year at ¥641.7 billion. Sales increased in the Cement & Construction Materials segment because of steady sales of cement, ready-mixed concrete, and calcia and magnesia products. Sales increased in the Energy & Environment segment due to steady sales in the coal and electricity businesses. Sales decreased in the Chemicals segment due in part to low prices for the nylon raw material caprolactam, primarily in the Chinese market.

Overseas sales decreased 7.0 percent, or ¥13.9 billion, compared with the previous fiscal year to ¥183.6 billion. The ratio of overseas sales to net sales decreased by 2.2 percentage points compared with the previous fiscal year to 28.6 percent.



Cost of Sales and Selling, General and Administrative Expenses

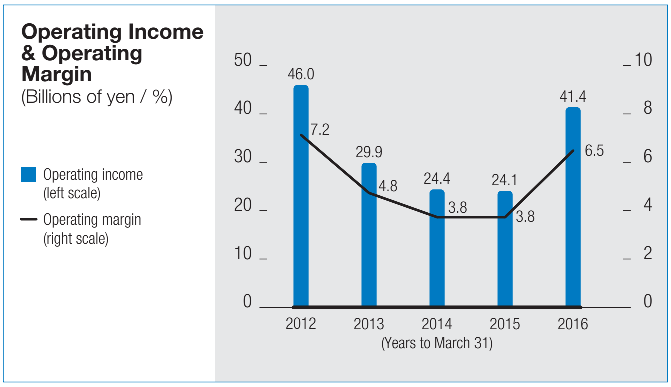
Cost of sales decreased by 3.5 percent, or ¥19.0 billion, compared with the previous fiscal year to ¥519.9 billion as a result of factors including the decrease in net sales. The ratio of cost of sales to net sales was 81.0 percent.

Selling, general and administrative (SG&A) expenses increased by 2.2 percent, or ¥1.7 billion, compared with the previous fiscal year to ¥80.3 billion, and the ratio of SG&A expenses to net sales was 12.5 percent.

Research and development expenses, which are included in SG&A expenses, were essentially unchanged compared with the previous fiscal year at ¥13.6 billion. The ratio of research and development costs to net sales was unchanged at 2.1 percent.

Operating Income

Operating income increased by 71.5 percent, or ¥17.2 billion, compared with the previous fiscal year to ¥41.4 billion. The operating margin increased 2.7 percentage points to 6.5 percent. Key factors included lower costs in the Chemicals segment for raw materials such as ammonia. Please see pages 16 to 21 of the Review of Operations for additional segment details.



Other Income (Expenses)

Net other expenses increased by ¥8.0 billion from the previous fiscal year to ¥13.7 billion. Net interest expense, calculated as interest and dividend income less interest expense, decreased by 16.1 percent, or ¥0.2 billion, compared with the previous fiscal year to ¥1.1 billion. Others, net, which is disclosed in greater detail in note 13 to the consolidated financial statements, increased by 165.4 percent, or ¥9.7 billion, to a net expense of ¥15.6 billion.

Loss on business restructuring decreased by ¥4.1 billion. However, loss on foreign currency exchange, net, was ¥1.0 billion, compared to gain on foreign currency exchange, net, of ¥1.1 billion for the previous fiscal year. Moreover, proceeds from insurance income of ¥3.9 billion in the previous fiscal year did not recur. Loss on impairment of fixed assets increased by ¥7.4 billion compared with the previous fiscal year, largely because of impairment losses associated with the polyimide business and AET Electrolyte Technologies (Zhangjiagang) Co., Ltd. Loss on disposal of property, plant and equipment increased by ¥2.2 billion.

As a result, income before income taxes increased by 49.5 percent, or ¥9.1 billion, compared with the previous fiscal year to ¥27.6 billion.

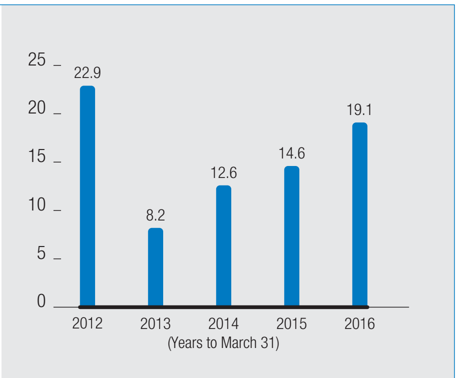
Net Income Attributable to Owners of Parent

Income taxes net of deferrals increased by 105.6 percent, or ¥4.5 billion, compared with the previous fiscal year to ¥8.8 billion for fiscal 2015. After tax effect accounting, the effective tax rate for fiscal 2015 was 32.2 percent.

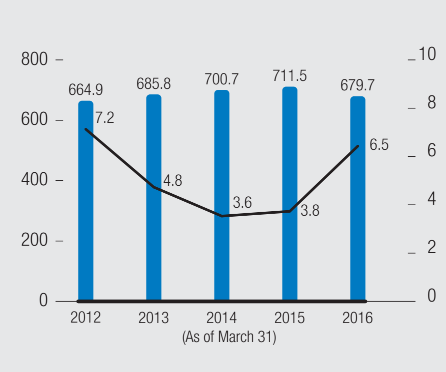
As a result, net income attributable to owners of parent increased by 30.5 percent, or ¥4.4 billion, compared with the previous fiscal year to ¥19.1 billion. Net income per share totaled ¥18.06, compared with ¥13.85 for the previous fiscal year.

Return on equity, calculated as net income divided by average equity capital, increased by 1.4 percentage points compared with the previous fiscal year to 7.2 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 above right), increased by 2.7 percentage points to 6.5 percent.

Net Income Attributable to Owners of Parent
(Billions of yen)



Total Assets & ROA*
(Billions of yen / %)



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

FINANCIAL POSITION

Cash Flow

Net cash provided by operating activities increased by ¥6.4 billion compared with the previous fiscal year to ¥68.6 billion. Income before income taxes increased by ¥9.1 billion to ¥27.6 billion. Depreciation and amortization, a non-cash reconciliation, increased ¥2.0 billion to ¥35.5 billion. Decrease in receivables provided cash totaling ¥10.2 billion and decrease in inventories provided cash totaling ¥0.1 billion, while decrease in payables used cash totaling ¥12.4 billion. Income tax payment used cash totaling ¥6.5 billion.

Net cash used in investing activities decreased ¥8.7 billion compared with the previous fiscal year to ¥33.7 billion. Acquisition of property, plant and equipment decreased ¥7.4 billion to ¥34.4 billion.

Net cash used in financing activities increased by ¥17.0 billion compared with the previous fiscal year to ¥31.0 billion. The Group did not issue bonds in fiscal 2015 and proceeds from long-term borrowings provided significantly less cash than in the previous fiscal year.

Cash and cash equivalents at the end of the year increased by ¥4.2 billion compared with the previous fiscal year-end to ¥41.1 billion.

Assets, Liabilities and Net Assets

Total assets at March 31, 2016 decreased by 4.5 percent, or ¥31.7 billion, from a year earlier to ¥679.7 billion.

Current assets decreased by 2.1 percent, or ¥5.8 billion, from a year earlier to ¥276.9 billion. Cash and cash equivalents and time deposits increased by ¥4.3 billion, while trade notes and accounts receivable decreased by ¥5.4 billion and inventories decreased by ¥2.3 billion. The inventory turnover ratio was unchanged at 6.7 times.

Property, plant and equipment decreased by 6.8 percent, or ¥23.6 billion, from a year earlier to ¥323.8 billion. Investments and other assets decreased by ¥2.2 billion from a year earlier to ¥79.0 billion.

Total liabilities at March 31, 2016 decreased by 7.5 percent, or ¥31.7 billion, from a year earlier to ¥390.1 billion.

Current liabilities decreased by 2.6 percent, or ¥6.2 billion, from a year earlier to ¥233.2 billion, mainly because accrued income taxes increased by ¥3.0 billion while trade notes and accounts payable decreased by ¥9.5 billion. The current ratio was 118.7 percent, compared with 118.1 percent a year earlier.

Long-term liabilities decreased by 14.0 percent, or ¥25.5 billion, from a year earlier to ¥156.9 billion. A primary reason was that long-term debt less current portion decreased by 17.4 percent, or ¥25.4

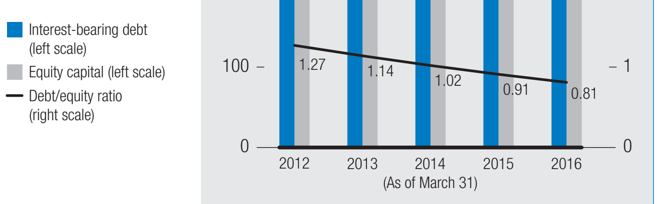
billion, from a year earlier to ¥120.9 billion. Interest-bearing debt, defined as short-term loans payable, commercial paper, the current portion of long-term debt, long-term debt less current portion, and lease obligations, decreased by ¥23.0 billion from a year earlier to ¥216.6 billion.

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, 2016 were essentially unchanged from a year earlier at ¥289.6 billion. Retained earnings increased ¥13.4 billion to ¥166.8 billion, largely reflecting net income attributable to owners of parent of ¥19.1 billion for the fiscal year and payments of cash dividends of ¥5.3 billion. However, foreign currency translation adjustments reduced accumulated other comprehensive income by ¥7.9 billion. Non-controlling interests decreased 12.6 percent, or ¥3.2 billion, to ¥22.4 billion.

The ratio of equity capital to total assets, or the equity ratio, increased by 2.2 percentage points from a year earlier to 39.2 percent. The debt/equity ratio decreased to 0.81 times from 0.91 times a year earlier. Net assets per share increased to ¥251.90 from ¥248.89 a year earlier.

Interest-Bearing Debt, Equity Capital & Debt/ Equity Ratio
(Billions of yen / times)



BASIC POLICY FOR DISTRIBUTION OF EARNINGS AND DIVIDENDS FOR FISCAL 2015 AND FISCAL 2016

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.

During the medium-term management plan “Change and Challenge 2018” that began in fiscal 2016, UBE intends to maintain and improve the soundness of its finances and to enhance the internal reserves required for future investments while maintaining its commitment to stable dividends with a consolidated payout ratio of 30 percent or more. In line with this policy, cash dividends per share totaled ¥5.00 for fiscal 2015, for a consolidated payout ratio of 27.7 percent. UBE plans to pay cash dividends of ¥6.00 per share for fiscal 2016, and has the goal of increasing dividends as a result of improving performance.

PERFORMANCE FORECAST FOR FISCAL 2016

While we expect continued economic recovery in Japan, ongoing concerns include the direction of exchange rates and natural resource prices, slower growth in China and other emerging countries, and fiscal and political policies in the United States and Europe. Given present economic conditions, the UBE Group has made the following performance forecast for fiscal 2016, assuming an exchange rate of ¥110 to US$1.00, a domestic naphtha price of ¥34,900/kiloliter, and an Australian coal price of ¥7,597/ton.

We forecast consolidated net sales of ¥655.0 billion due to factors including higher sales volume in the Chemicals segment. We forecast consolidated operating income of ¥35.0 billion, and net income attributable to owners of parent of ¥20.0 billion.

Business and Other Risks

Among risks inherent to the UBE Group’s business and other risks, the following may exert an important influence on the decisions of investors. The UBE Group is fully dedicated to a policy of recognizing these risks, avoiding and preventing their actualization, and minimizing and dealing with related problems should they arise. Statements below concerning the future represent the judgment of the UBE Group as of March 31, 2016. 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 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 Chemical Business

Earnings in the chemical 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 Chemicals 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, and may decrease 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. Cement Export Prices

Construction related to the Tokyo Olympics and Paralympics has already begun, and domestic demand for cement, a main product of the Cement & Construction Materials segment, is forecast to increase to a certain extent. However, demand in China for exports of cement has decreased, and cement production capacity has increased in Southeast Asian countries. These factors have quickly upset the balance between supply and demand, which has caused export prices and earnings to decrease. UBE Group initiatives in this area include expanding capability for fee-based treatment of waste in the cement production process and overall cost cuts. However, a decline in export prices for cement 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 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, Central 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 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. (formerly a consolidated subsidiary of UBE that has been dissolved), 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. In January 2016, the Kyoto District Court ruled in favor of damages against certain building material manufacturers, but this initial ruling rejected all of the claims against Ube Board.

The plaintiffs' claims were dismissed. Subsequently, five plaintiff appeals were filed in the Tokyo High Court, Osaka High Court and the Fukuoka High Court, and similar lawsuits were filed in the Sapporo District Court, the Tokyo District Court, and the Yokohama District Court. A total of 13 lawsuits seek damages totaling ¥24,700 million.

15. Write-Down Due to Decreased Profitability of Inventories

Under the current Accounting Standard for Measurement of Inventories, 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. Impairment losses in the event of 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.

Consolidated Balance Sheet

Ube Industries, Ltd. and Consolidated Subsidiaries
March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
ASSETS			
Current assets:			
Cash and cash equivalents (Note 4)	¥ 41,188	¥ 36,964	$ 364,496
Time deposits (Note 4)	1,275	1,142	11,283
Receivables (Notes 4 and 22):			
Trade notes and accounts	139,506	144,918	1,234,566
Others	6,029	9,834	53,354
Allowance for doubtful accounts	(637)	(732)	(5,637)
Inventories (Note 6)	76,083	78,454	673,301
Deferred tax assets (Note 15)	7,809	7,695	69,106
Other current assets	5,672	4,541	50,195
Total current assets	276,925	282,816	2,450,664
Property, plant and equipment (Notes 8, 14 and 20)**:**			
Land	84,468	85,563	747,505
Buildings and structures	259,958	259,601	2,300,513
Machinery and equipment	673,192	674,368	5,957,451
Construction in progress	9,661	10,299	85,496
Accumulated depreciation	(703,479)	(682,393)	(6,225,478)
Total property, plant and equipment, net	323,800	347,438	2,865,487
Investments and other assets:			
Investment securities (Notes 4 and 5)	48,167	48,435	426,257
Long-term loans receivable	421	417	3,725
Long-term deferred tax assets (Note 15)	8,263	7,429	73,124
Assets for retirement benefits	7,006	8,315	62,000
Other non-current assets	15,739	17,332	139,283
Allowance for doubtful accounts	(538)	(636)	(4,761)
Total investments and other assets	79,058	81,292	699,628
Total assets	¥679,783	¥711,546	$6,015,779

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans payable (Notes 4, 7 and 8)	**¥ 58,370**	¥ 60,916	**$ 516,549**
Commercial paper (Note 4)	**—**	3,000	**—**
Current portion of long-term debt (Notes 4, 7 and 8)	**36,017**	28,167	**318,735**
Payables (Note 4):			
Trade notes and accounts	**74,280**	83,853	**657,344**
Others	**32,225**	32,289	**285,177**
Accrued employees' bonuses	**7,118**	6,572	**62,991**
Accrued income taxes (Note 4)	**6,766**	3,754	**59,876**
Other current liabilities	**18,480**	20,949	**163,540**
Total current liabilities	**233,256**	239,500	**2,064,212**
Long-term liabilities:			
Long-term debt less current portion (Notes 4, 7 and 8)	**120,869**	146,316	**1,069,637**
Liability for retirement benefits (Note 19)	**6,727**	6,547	**59,531**
Long-term deferred tax liabilities (Note 15)	**2,142**	3,136	**18,956**
Other long-term liabilities	**27,167**	26,437	**240,416**
Total long-term liabilities	**156,905**	182,436	**1,388,540**
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, 2016 and 2015	**58,435**	58,435	**517,124**
Capital surplus	**38,536**	38,413	**341,027**
Retained earnings	**166,862**	153,368	**1,476,655**
Treasury stock 3,813,962 shares at March 31, 2016 and 4,016,641 shares at March 31, 2015	**(801)**	(850)	**(7,088)**
Valuation difference on available-for-sale securities	**3,514**	4,924	**31,097**
Deferred hedge loss, net	**(13)**	(97)	**(115)**
Foreign currency translation adjustments	**3,674**	11,581	**32,513**
Retirement benefits liability adjustments	**(3,645)**	(2,447)	**(32,257)**
Share subscription rights (Note 21)	**597**	565	**5,283**
Non-controlling interests	**22,463**	25,718	**198,788**
Total net assets	**289,622**	289,610	**2,563,027**
Total liabilities and net assets	**¥679,783**	¥711,546	**$6,015,779**

See accompanying notes.

Financial Section

Consolidated Statement of Income

Ube Industries, Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Net sales (Note 22)	¥641,750	¥641,759	$5,679,204
Cost of sales	519,960	538,983	4,601,416
Gross profit	121,790	102,776	1,077,788
Selling, general and administrative expenses (Notes 11, 12 and 21)	80,382	78,629	711,345
Operating income	41,408	24,147	366,443
Other income (expenses):			
Interest and dividend income	936	1,027	8,283
Amortization of negative goodwill	133	133	1,177
Interest expense	(2,110)	(2,427)	(18,673)
Equity in earnings of unconsolidated subsidiaries and affiliated companies	2,950	1,513	26,106
Others, net (Note 13)	(15,664)	(5,902)	(138,619)
	(13,755)	(5,656)	(121,726)
Income before income taxes	27,653	18,491	244,717
Income taxes (Note 15)**:**			
Current	9,400	5,982	83,186
Deferred	(504)	(1,656)	(4,460)
	8,896	4,326	78,726
Net income	18,757	14,165	165,991
Net loss attributable to non-controlling interests	(354)	(484)	(3,133)
Net income attributable to owners of parent	¥ 19,111	¥ 14,649	$ 169,124

	Yen		U.S. dollars (Note 1)
	2016	2015	2016
Per share:			
Net income:			
Primary	¥18.06	¥13.85	$0.160
Diluted	18.01	13.81	0.159
Cash dividends applicable to the period	5.00	5.00	0.044

See accompanying notes.

Consolidated Statement of Comprehensive Income

Ube Industries, Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Net income	¥ 18,757	¥14,165	$ 165,991
Valuation difference on available-for-sale securities	(1,369)	1,925	(12,115)
Deferred hedge gain (loss), net	84	(16)	743
Foreign currency translation adjustments	(10,522)	8,016	(93,115)
Retirement benefits liability adjustments	(1,028)	1,085	(9,097)
Share of other comprehensive income of companies accounted for by the equity method	(477)	917	(4,221)
Other comprehensive income (loss)	(13,312)	11,927	(117,805)
Total comprehensive income (loss)	¥ 5,445	¥26,092	$ 48,186
Attributable to:			
Owners of parent	¥ 8,159	¥24,044	$ 72,204
Non-controlling interests	(2,714)	2,048	(24,018)

See accompanying notes.

Consolidated Statement of Changes in Net Assets

Ube Industries, Ltd. and Consolidated Subsidiaries

For the year ended March 31, 2016	Number of shares issued (thousands)	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred hedge loss, net	Foreign currency translation adjustments	Retirement benefits liability adjustments	Share subscription rights	Non-controlling interests
		Millions of yen									
Opening balance	1,062,001	¥58,435	¥38,413	¥153,368	¥(850)	¥ 4,924	¥(97)	¥11,581	¥(2,447)	¥565	¥25,718
Cash dividends at ¥5.00 per share	–	–	–	(5,300)	–	–	–	–	–	–	–
Net income attributable to owners of parent	–	–	–	19,111	–	–	–	–	–	–	–
Acquisition of treasury stock	–	–	–	–	(16)	–	–	–	–	–	–
Disposal of treasury stock	–	–	11	–	65	–	–	–	–	–	–
Change in the scope of consolidation	–	–	–	(317)	–	–	–	–	–	–	–
Purchase of shares of consolidated subsidiaries	–	–	112	–	–	–	–	–	–	–	–
Net other changes during the year	–	–	–	–	–	(1,410)	84	(7,907)	(1,198)	32	(3,255)
Closing balance	1,062,001	¥58,435	¥38,536	¥166,862	¥(801)	¥ 3,514	¥(13)	¥ 3,674	¥(3,645)	¥597	¥22,463

For the year ended March 31, 2015	Number of shares issued (thousands)	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred hedge loss, net	Foreign currency translation adjustments	Retirement benefits liability adjustments	Share subscription rights	Non-controlling interests
		Millions of yen									
Opening balance	1,062,001	¥58,435	¥38,398	¥142,307	¥(879)	¥2,985	¥(81)	¥ 4,136	¥(3,572)	¥549	¥23,077
Cumulative effects of changes in accounting policies	–	–	–	1,516	–	–	–	–	–	–	9
Restated balance	–	58,435	38,398	143,823	(879)	2,985	(81)	4,136	(3,572)	549	23,086
Cash dividends at ¥5.00 per share	–	–	–	(5,299)	–	–	–	–	–	–	–
Net income attributable to owners of parent	–	–	–	14,649	–	–	–	–	–	–	–
Acquisition of treasury stock	–	–	–	–	(11)	–	–	–	–	–	–
Disposal of treasury stock	–	–	15	–	40	–	–	–	–	–	–
Change in the scope of consolidation	–	–	–	195	–	–	–	–	–	–	–
Net other changes during the year	–	–	–	–	–	1,939	(16)	7,445	1,125	16	2,632
Closing balance	1,062,001	¥58,435	¥38,413	¥153,368	¥(850)	¥4,924	¥(97)	¥11,581	¥(2,447)	¥565	¥25,718

For the year ended March 31, 2016	Number of shares issued (thousands)	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred hedge loss, net	Foreign currency translation adjustments	Retirement benefits liability adjustments	Share subscription rights	Non-controlling interests
		Thousands of U.S. dollars (Note 1)									
Opening balance	1,062,001	$517,124	$339,938	$1,357,239	$(7,522)	$ 43,575	$(858)	$102,487	$(21,655)	$5,000	$227,593
Cash dividends at ¥5.00 per share	–	–	–	(46,903)	–	–	–	–	–	–	–
Net income attributable to owners of parent	–	–	–	169,124	–	–	–	–	–	–	–
Acquisition of treasury stock	–	–	–	–	(142)	–	–	–	–	–	–
Disposal of treasury stock	–	–	98	–	576	–	–	–	–	–	–
Change in the scope of consolidation	–	–	–	(2,805)	–	–	–	–	–	–	–
Purchase of shares of consolidated subsidiaries	–	–	991	–	–	–	–	–	–	–	–
Net other changes during the year	–	–	–	–	–	(12,478)	743	(69,974)	(10,602)	283	(28,805)
Closing balance	1,062,001	$517,124	$341,027	$1,476,655	$(7,088)	$ 31,097	$(115)	$ 32,513	$(32,257)	$5,283	$198,788

See accompanying notes.

Consolidated Statement of Cash Flows

Ube Industries, Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Cash flows from operating activities:			
Income before income taxes	¥ 27,653	¥ 18,491	$ 244,717
Depreciation and amortization	35,574	33,586	314,814
Loss on impairment of fixed assets	9,080	1,596	80,354
Interest and dividend income	(936)	(1,027)	(8,283)
Interest expense	2,110	2,427	18,673
Gain on sales of property, plant and equipment	(515)	(584)	(4,558)
Gain on sales of investment securities	(40)	(6)	(354)
Decrease in receivables	10,233	9,518	90,558
Decrease in inventories	126	6,423	1,115
Decrease in payables	(12,453)	(7,503)	(110,204)
Loss on business restructuring	466	4,583	4,124
Reversal of accrued expenses on business withdrawal	(1,596)	—	(14,124)
Changes in asset and liability for retirement benefits	1,405	(679)	12,434
Other, net	2,898	(8,743)	25,646
Subtotal	74,005	58,082	654,912
Interest and dividend received	1,449	1,351	12,823
Interest payment	(2,130)	(2,430)	(18,850)
Proceeds from compensation	—	703	—
Proceeds from insurance income	—	9,763	—
Proceeds from subsidy income	1,829	300	16,186
Income tax payment	(6,525)	(5,575)	(57,744)
Net cash provided by operating activities	68,628	62,194	607,327
Cash flows from investing activities:			
Proceeds from sales of property, plant and equipment	1,023	4,735	9,053
Acquisition of property, plant and equipment	(34,485)	(41,961)	(305,177)
Proceeds from sales of investment securities	58	22	513
Acquisition of investment securities	(404)	(97)	(3,574)
Proceeds from sales of consolidated subsidiaries' stocks	51	47	451
Acquisition of consolidated subsidiaries' stocks	(166)	(984)	(1,469)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(774)	—
Net decrease in loans receivable	457	88	4,044
Payments related to establishment of medical corporation	—	(3,000)	—
Other, net	(260)	(517)	(2,301)
Net cash used in investing activities	(33,726)	(42,441)	(298,460)
Cash flows from financing activities:			
Proceeds from long-term borrowings	10,841	17,525	95,938
Proceeds from long-term bonds	—	19,911	—
Repayments of long-term borrowings	(28,409)	(35,253)	(251,407)
Repayments of long-term bonds	(20)	(20)	(177)
Net decrease in short-term loans payable	(3,769)	(786)	(33,354)
Net decrease in commercial paper	(3,000)	(8,999)	(26,549)
Cash dividends paid	(5,288)	(5,287)	(46,796)
Dividends paid to non-controlling interests	(306)	(164)	(2,708)
Payments from changes in ownership interest in subsidiaries that do not result in change in scope of consolidation	(346)	—	(3,062)
Other, net	(703)	(838)	(6,221)
Net cash used in financing activities	(31,000)	(13,911)	(274,336)
Effect of exchange rate changes on cash and cash equivalents	(584)	524	(5,168)
Increase in cash and cash equivalents	3,318	6,366	29,363
Cash and cash equivalents at beginning of the year	36,964	30,098	327,115
Increase in cash and cash equivalents resulting from change in the scope of consolidation	906	500	8,018
Cash and cash equivalents at end of the year	¥ 41,188	¥ 36,964	$ 364,496

See accompanying notes.

Notes to Consolidated Financial Statements

Ube Industries, Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2016

1. Basis of presenting consolidated financial statements

(a) Ube Industries, Ltd. (the "Company") and its consolidated subsidiaries (collectively, the "Group") 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 Act 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 ¥113=US$1, the approximate rate of exchange on March 31, 2016. 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 (68 and 71 companies for the years ended March 31, 2016 and 2015, 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 (25 and 24 companies for the years ended March 31, 2016 and 2015, respectively). All significant intercompany balances and transactions are eliminated in consolidation.

Certain subsidiaries are consolidated using their financial statements as of their respective fiscal year end, which falls on December 31 and necessary adjustments are made to their financial statements to reflect any significant transactions occurring during the January 1 to March 31 period.

In the initial consolidation, assets and liabilities of subsidiaries including those attributable to non-controlling interests 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 ¥958 million (US$8,478 thousand) and ¥985 million is included in "Other long-term liabilities" on the consolidated balance sheet at March 31, 2016 and 2015, 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 recognized in the consolidated financial statements with respect to the differences between the 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 other than equity securities issued by subsidiaries and affiliates 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 Group defers 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 the fluctuation risk of interest rates, foreign exchange and coal prices in accordance with company policies.

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 16. Derivative Financial Instruments.

(e) Retirement and pension plan

The Company attributes projected benefits based on a flat benefit formula.

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

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

Many consolidated subsidiaries adopt a simplified method to calculate net defined benefit liability and retirement benefit expenses based on the assumption that the benefits payable, which are calculated as if all eligible employees voluntarily terminate their employment at fiscal year end, approximates the retirement benefit obligations at year end.

(f) Allowance for doubtful accounts

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 the lower of cost or market, cost being determined principally by the weighted-average method.

(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 some consolidated subsidiaries, except for certain buildings of domestic consolidated subsidiaries acquired on or after April 1, 1998, which are depreciated by the straight-line method, at rates based on the estimated useful lives of the respective assets.

The estimated useful lives of the assets are as follows:

Buildings and structures: 2 to 75 years

Machinery and equipment: 2 to 30 years

(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 does not transfer ownership of the leased property to lessees is 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

Basic 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 (1,058,045 thousand shares and 1,057,859 thousand shares for the years ended March 31, 2016 and 2015, 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 (3,075 thousand shares and 2,751 thousand shares for the years ended March 31, 2016 and 2015, respectively).

(m) Accrued employees' bonuses

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

(n) Accrued directors' and audit & supervisory board members' bonuses

Accrued directors' and audit & supervisory board members' bonuses are provided in certain subsidiaries at the estimated amount incurred attributable to the current fiscal year.

Accrued directors' and audit & supervisory board members' bonuses in the amounts of ¥51 million (US$451 thousand) and ¥75 million are included in "Other current liabilities" on the consolidated balance sheet at March 31, 2016 and 2015, 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 that are highly likely to be incurred and the amounts of which can be reasonably estimated.

These accruals for losses on contracts in the amounts of ¥401 million (US$3,549 thousand) and ¥315 million are included in "Other current liabilities" on the consolidated balance sheet at March 31, 2016 and 2015, respectively.

(q) Directors' and audit & supervisory board members' retirement benefits

Consolidated subsidiaries provide for retirement allowances for directors and audit & supervisory board members at the necessary amount at the year end based on their internal policies.

Retirement allowances of ¥807 million (US$7,142 thousand) and ¥789 million are included in "Other long-term liabilities" on the consolidated balance sheet at March 31, 2016 and 2015, respectively.

(r) Accrual for losses on business restructuring

Accrual for losses on business restructuring is provided to cover the losses, which are highly 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 ¥267 million (US$2,363 thousand) and ¥877 million are included in "Other long-term liabilities" on the consolidated balance sheet at March 31, 2016 and 2015, respectively.

3. Accounting changes

(a) Business combinations

The Company and its domestic consolidated subsidiaries adopted "Revised Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (the "ASBJ") Statement No. 21 issued on September 13, 2013), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on September 13, 2013) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 issued on September 13, 2013) effective from April 1, 2015.

As a result, in accordance with these revised accounting standards, the accounting treatment for any changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary was revised to recognize any such change in capital surplus. In addition, acquisition-related costs shall be recognized as expenses in the fiscal year in which such costs are incurred. Regarding business combinations, from the beginning of the fiscal year ended March 31, 2016, the Company changed the accounting method to reflect the revised allocation of purchases price arising from the finalization of provisional accounting treatment on the consolidated financial statements for the period in which the business combination occurs. In addition, the presentation method for "net income (loss)" and "net income (loss) attributable to owners of parent" were amended, the reference to "minority interests" was changed to "non-controlling interests." To reflect these changes, the consolidated financial statements for the previous fiscal year were reclassified.

In the consolidated statement of cash flows for the current fiscal year, cash flows from acquisition or sale of shares of subsidiaries with no resulting change in the scope of consolidation are included in "cash flows from financing activities." In accordance with the transitional treatment as stipulated in Article 58-2 (4) of "Revised Accounting Standard for Business Combinations," Article 44-5 (4) of "Revised Accounting Standard for Consolidated Financial Statements," and Article 57-4 (4) of "Revised Accounting Standard for Business Divestitures," the Company applied these accounting standards effective from the beginning of the current fiscal year. The effect of these changes on the consolidated financial statements for the year ended March 31, 2016 was immaterial.

(b) Accounting standards issued but not yet adopted

- Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26 issued on March 28, 2016)

1. Overview

The practical guidance on accounting and auditing of tax effect accounting was transferred from the Japanese Institute of Certified Public Accountants (the "JICPA") to the ASBJ, and the ASBJ subsequently issued "Implementation Guidance on Recoverability of Deferred Tax Assets." The ASBJ basically continues to apply the framework for the accounting treatment in which companies are categorized into one for five categories and deferred tax assets are estimated based on the applicable category, mainly as prescribed in "Auditing Treatment for Judgment of Recoverability of Deferred Assets" (JICPA Guidance No. 66). In addition, the ASBJ conducted a necessary review of the criteria for the categories and the treatment for the recognition of deferred tax assets and developed the "Implementation Guidance on Recoverability of Deferred Tax Assets" as implementation guidance on accounting standards for tax effect accounting as to the recoverability of deferred tax assets.

2. Scheduled date of adoption

The Company expects to adopt the revised implementation guidance from the beginning of the fiscal year ending March 31, 2017.

3. Impact of adopting revised implementation guidance

The Company is currently evaluating the effect of adopting the revised implementation guidance on its consolidated financial statements.

4. Financial instruments

(a) Policy for financial instruments

The Group manages 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 16. 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, 2016 and 2015. 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		
	2016			2016		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Assets						
Cash and cash equivalents	¥ 41,188	¥ 41,188	¥ —	$ 364,496	$ 364,496	$ —
Time deposits	1,275	1,275	—	11,283	11,283	—
Trade notes and accounts receivable	139,506	139,506	—	1,234,566	1,234,566	—
Investment securities	11,396	11,396	—	100,850	100,850	—
Total assets	¥193,365	¥193,365	¥ —	$1,711,195	$1,711,195	$ —
Liabilities						
Trade notes and accounts payable	¥ 74,280	¥ 74,280	¥ —	$ 657,344	$ 657,344	$ —
Short-term loans payable	58,370	58,370	—	516,549	516,549	—
Commercial paper	—	—	—	—	—	—
Other payables	32,225	32,225	—	285,177	285,177	—
Accrued income taxes	6,766	6,766	—	59,876	59,876	—
Long-term debt*	156,886	158,260	1,374	1,388,372	1,400,531	12,159
Total liabilities	¥328,527	¥329,901	¥1,374	$2,907,318	$2,919,477	$12,159
Derivative financial transactions**	¥ (51)	¥ (51)	¥ —	$ (451)	$ (451)	$ —

* Current portions of long-term borrowings of ¥20,997 million (US$185,814 thousand) and bonds of ¥15,020 million (US$132,920 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 16. Derivative financial instruments in these notes to the consolidated financial statements.

	Millions of yen		
	2015		
	Carrying amount	Fair value	Difference
Assets			
Cash and cash equivalents	¥ 36,964	¥ 36,964	¥ —
Time deposits	1,142	1,142	—
Trade notes and accounts receivable	144,918	144,918	—
Investment securities	13,569	13,569	—
Total assets	¥196,593	¥196,593	¥ —
Liabilities			
Trade notes and accounts payable	¥ 83,853	¥ 83,853	¥ —
Short-term loans payable	60,916	60,916	—
Commercial paper	3,000	3,000	—
Other payables	32,289	32,289	—
Accrued income taxes	3,754	3,754	—
Long-term debt*	174,483	175,491	1,008
Total liabilities	¥358,295	¥359,303	¥1,008
Derivative financial transactions**	¥ (79)	¥ (79)	¥ —

* Current portions of long-term borrowings of ¥28,147 million and bonds of ¥20 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, 2016 and 2015 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unconsolidated subsidiaries and affiliates securities	**¥31,559**	¥29,853	**$279,283**
Non-listed equity securities	**4,909**	4,710	**43,443**
Others	**303**	303	**2,681**

Redemption schedules for financial assets and investment securities with contractual maturities subsequent to March 31, 2016 and 2015 are as follows:

	Millions of yen			
	2016			
	Within one year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	**¥ 41,157**	**¥—**	**¥—**	**¥—**
Time deposits	**1,275**	**—**	**—**	**—**
Trade notes and accounts receivable	**139,506**	**—**	**—**	**—**
Debt securities	**—**	**5**	**—**	**—**
	¥181,938	**¥ 5**	**¥—**	**¥—**

	Thousands of U.S. dollars			
	2016			
	Within one year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	**$ 364,222**	**$—**	**$—**	**$—**
Time deposits	**11,283**	**—**	**—**	**—**
Trade notes and accounts receivable	**1,234,566**	**—**	**—**	**—**
Debt securities	**—**	**44**	**—**	**—**
	$1,610,071	**$44**	**$—**	**$—**

	Millions of yen			
	2015			
	Within one year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	¥ 36,931	¥—	¥—	¥—
Time deposits	1,142	—	—	—
Trade notes and accounts receivable	144,918	—	—	—
Debt securities	—	15	—	—
	¥182,991	¥15	¥—	¥—

Redemption schedule for long-term debt and other interest-bearing debt subsequent to March 31, 2016 and 2015 are as follows:

	Millions of yen					
	2016					
	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	¥58,370	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper	—	—	—	—	—	—
Long-term debt	36,017	32,454	36,857	25,496	8,498	17,564
	¥94,387	¥32,454	¥36,857	¥25,496	¥8,498	¥17,564

	Thousands of U.S. dollars					
	2016					
	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	$516,549	$ —	$ —	$ —	$ —	$ —
Commercial paper	—	—	—	—	—	—
Long-term debt	318,735	287,203	326,168	225,628	75,204	155,434
	$835,284	$287,203	326,168	$225,628	$75,204	$155,434

	Millions of yen					
	2015					
	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	¥60,916	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper	3,000	—	—	—	—	—
Long-term debt	28,167	35,344	31,397	35,847	23,514	20,214
	¥92,083	¥35,344	¥31,397	¥35,847	¥23,514	¥20,214

5. Securities

Investment securities at March 31, 2016 and 2015 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Investment securities:			
Unconsolidated subsidiaries and affiliated companies	¥31,559	¥29,853	$279,283
Others	16,608	18,582	146,974
	¥48,167	¥48,435	$426,257

Marketable securities classified as other securities at March 31, 2016 and 2015 are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2016			2015			2016		
	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	¥ 9,607	¥4,288	¥5,319	¥12,778	¥5,390	¥7,388	$ 85,018	$37,947	$47,071
Debt securities	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—
Subtotal	9,607	4,288	5,319	12,778	5,390	7,388	85,018	37,947	47,071
Securities whose acquisition cost exceeds their carrying value:									
Stock	1,784	1,988	(204)	776	929	(153)	15,788	17,593	(1,805)
Debt securities	5	5	(0)	15	15	(0)	44	44	(0)
Others	—	—	—	—	—	—	—	—	—
Subtotal	1,789	1,993	(204)	791	944	(153)	15,832	17,637	(1,805)
Total	¥11,396	¥6,281	¥5,115	¥13,569	¥6,334	¥7,235	$100,850	$55,584	$45,266

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

Impairment losses in the amount of ¥320 million (US$2,832 thousand) were recognized for the year ended March 31, 2016.

Impairment losses are recognized 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.

Sales of securities classified as other securities and the aggregate gain for the year ended March 31, 2016 are as follows:

	Millions of yen			Thousands of U.S. dollars		
	2016			2016		
	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss
Stock	¥52	¥39	¥—	$460	$345	$—

6. Inventories

Inventories at March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Finished goods	¥34,389	¥38,535	$304,328
Work in process	15,360	14,844	135,929
Raw materials and supplies	26,334	25,075	233,044
	¥76,083	¥78,454	$673,301

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

Short-term loans payable represent bank loans, with average interest rates of 0.55% and 0.64% per annum at March 31, 2016 and 2015, respectively.

Long-term debt at March 31, 2016 and 2015 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
0.63% unsecured bonds due FY 2015	¥ —	¥ 20	$ —
0.63% to 0.77% unsecured bonds due FY 2016	15,020	15,020	132,920
0.58% to 0.63% unsecured bonds due FY 2017	15,020	15,020	132,920
0.60% to 0.63% unsecured bonds due FY 2018	10,010	10,010	88,584
0.33% unsecured bonds due FY 2019	10,000	10,000	88,496
0.53% unsecured bonds due FY 2021	10,000	10,000	88,496
Loans principally from banks and insurance companies:			
Secured, at 0.76% to 1.69%, maturing through FY 2019	—	4,570	—
Secured, at 0.47% to 1.65%, maturing through FY 2021	3,686	—	32,620
Unsecured, at 0.00% to 3.8%, maturing through FY 2026	93,150	—	824,336
Unsecured, at 0.00% to 4.92%, maturing through FY 2026	—	109,843	—
	156,886	174,483	1,388,372
Less current portion	36,017	28,167	318,735
	¥120,869	¥146,316	$1,069,637

The Company and certain consolidated subsidiaries have entered into loan commitment agreements amounting to ¥23,189 million (US$205,212 thousand) with certain banks. Loans payable outstanding at March 31, 2016 under these loan commitment agreements amounted to ¥0 million (US$0 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
2018	¥ 32,454	$ 287,203
2019	36,857	326,168
2020	25,496	225,628
2021	8,498	75,204
2022 and thereafter	17,564	155,434
	¥120,869	$1,069,637

8. Pledged assets

The assets pledged as collateral for short-term and long-term borrowings, guarantees and borrowings of affiliated companies at March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Assets pledged as collateral:			
Property, plant and equipment, at net book value	¥117,040	¥116,806	$1,035,752
Others	177	178	1,566

9. Contingent liabilities

At March 31, 2016 and 2015, the Company and its consolidated subsidiaries are contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
As endorser of trade notes discounted or endorsed	¥ 426	¥ 750	$ 3,770
As guarantor of employees' housing loans	114	170	1,009
As guarantor of indebtedness principally of unconsolidated subsidiaries and affiliated companies	3,190	3,523	28,230

The guaranteed amount includes similar commitments of ¥0 (US$0) and ¥32 million at March 31, 2016 and 2015, 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 29, 2016, the distribution of retained earnings for the year ended March 31, 2016 was approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥5.00 per share)	¥5,300	$46,903

11. Selling, general and administrative expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Freight and storage	¥21,309	¥21,639	$188,575
Salaries and benefits	18,885	18,102	167,124
Research and development costs	13,639	13,766	120,699

12. Research and development costs

Research and development costs, all of which are included in "Selling, general and administrative expenses" and "Cost of sales" for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Research and development costs	¥13,705	¥13,858	$121,283

13. Other income (expenses)

"Other income (expenses) – Others, net" for the years ended March 31, 2016 and 2015 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Gain on sale of investment securities, net	¥ 40	¥ 6	$ 354
Gain on sale of property, plant and equipment, net	515	584	4,558
Loss on disposal of property, plant and equipment	(5,814)	(3,557)	(51,451)
Loss on impairment of fixed assets (Note 14)	(9,080)	(1,596)	(80,354)
Write-down of investment securities	(589)	(12)	(5,212)
Loss on business restructuring	(466)	(4,583)	(4,124)
Gain (loss) on foreign currency exchange, net	(1,074)	1,196	(9,504)
Gain on negative goodwill	—	240	—
Loss on business interruption	—	(746)	—
Others, net	804	2,566	7,114
	¥(15,664)	¥(5,902)	$(138,619)

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, 2016 consists of the following:

	Millions of yen	Thousands of U.S. dollars
	2016	2016
Idle property and assets held for sales:		
Land, buildings and structures	¥ (115)	$ (1,018)
Business assets in use:		
Polymide film manufacturing plant (Ube Industries, Ltd.)	(5,861)	(51,867)
Recycling compound manufacturing plant (Ube Industries, Ltd.)	(255)	(2,257)
Electrolyte manufacturing plant (AET Electrolyte Technologies (Zhangjiagang) Co., Ltd.)	(2,759)	(24,416)
Fine materials manufacturing plant (Ube Material Industries, Ltd.)	(90)	(796)
	¥(9,080)	$(80,354)

(a) Idle property and assets held for sales

Among idle property and assets held for sales owned by the Company and its consolidated subsidiaries, there were certain assets whose book values exceeded their recoverable amounts. These assets were written down to their recoverable amounts and an impairment loss of ¥115 million (US$1,018 thousand) was recognized for the year ended March 31, 2016. This impairment loss consisted of ¥113 million (US$1,000 thousand) for land and ¥2 million (US$18 thousand) for buildings and structures.

The recoverable amounts for land are determined at net selling price based on appraisal and those for buildings and structures are determined at their contract prices.

(b) Business assets in use

The Company wrote down the book value of the polymide film manufacturing plant to its recoverable amount due to a decline in profitability and recorded an impairment loss of ¥5,861 million (US$51,867 thousand). This impairment loss consisted of ¥2,740 million (US$24,248 thousand) for machinery and equipment, ¥2,636 million (US$23,327 thousand) for buildings and structures, and ¥485 million (US$4,292 thousand) for others.

The recoverable amount of the asset group was measured based on value in use. That amount was calculated by discounting future cash flows by 3.9%.

The Company decided to withdraw from the recycling compound business. The book value of the related plant was written down to its memorandum price and an impairment loss of ¥255 million (US$2,257 thousand) was recorded. This impairment loss consisted of ¥207 million (US$1,832 thousand) for machinery and equipment, ¥34 million (US$301 thousand) for buildings and structures, and ¥14 million (US$124 thousand) for others.

One consolidated subsidiary, AET Electrolyte Technologies (Zhangjiagang) Co., Ltd., wrote down the book value of an electrolyte manufacturing plant to its recoverable amount due to a decline in profitability and recorded an impairment loss of ¥2,759 million (US$24,416 thousand). This impairment loss consisted of ¥1,612 million (US$14,265 thousand) for machinery and equipment, ¥486 million (US$4,301 thousand) for buildings and structures, and ¥661 million (US$5,850 thousand) for others.

The recoverable amount of the asset group was measured based on value in use. That amount was calculated by discounting future cash flows by 13.33%.

Ube Material Industries, Ltd. wrote down the book value of the fine materials manufacturing plant to its recoverable amount due to a decline in profitability and recorded an impairment loss of ¥90 million (US$796 thousand). This impairment loss consisted of ¥63 million (US$558 thousand) for machinery and equipment, ¥16 million (US$141 thousand) for buildings and structures, and ¥11 million (US$97 thousand) for others.

The recoverable amount of the asset group was measured based on value in use, but the discount rate is not disclosed because the undiscounted cash flows were negative.

Loss on impairment of fixed assets for the year ended March 31, 2015 consists of the following:

	Millions of yen
	2015
Idle property:	
Land, machinery and equipment	¥ (348)
Business assets in use:	
Pearlite manufacturing plant (Ube Industries, Ltd.)	(196)
Siding board manufacturing plant (Ube Board Co., Ltd.)	(665)
Packing materials manufacturing plant (Ube Film Co., Ltd.)	(387)
	¥(1,596)

(a) Idle property

Among idle property owned by the Group, there were certain assets whose book values exceeded their recoverable amounts. These assets were written down to their recoverable amounts and an impairment loss of ¥348 million was recognized for the year ended March 31, 2015. This impairment loss consisted of ¥309 million for land, ¥22 million for machinery and equipment and ¥17 million for others.

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

(b) Business assets in use

The Company decided to withdraw from the pearlite production business, and the related plant was written down to its memorandum price. This impairment loss consisted of ¥59 million for machinery and equipment, ¥54 million for land and ¥83 million for others.

One consolidated subsidiary, Ube Board Co., Ltd., decided to close a siding board plant due to its dissolution, and the plant was written down to its memorandum price. This impairment loss consisted of ¥465 million for machinery and equipment, ¥60 million for land, and ¥140 million for others.

Ube Film Co., Ltd. decided to close a packing materials manufacturing plant and reduced the book value of the related facilities to their recoverable amounts.

This impairment loss consisted of ¥205 million for land, ¥150 million for buildings, and ¥32 million for others.

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 32.8% and 35.4% for the years ended March 31, 2016 and 2015, respectively.

The effective tax rates reflected in the consolidated statement of income for the years ended March 31, 2016 and 2015 differ from the statutory tax rates for the following reasons.

	Percentage	
	2016	2015
Statutory tax rate	32.8%	35.4%
Effect of:		
Permanently nondeductible expenses	0.6	0.8
Permanently nontaxable items including dividend income	(5.8)	(10.4)
Decrease in valuation allowance of resolution in subsidiary's dissolution	—	(8.4)
Loss carried forward without deferred tax assets	3.5	0.3
Deducted amount of loss without deferred tax assets	(0.3)	(0.5)
Effect of elimination of dividend income through consolidation procedures	5.8	10.2
Investment profit of affiliated companies by equity method	(3.5)	(2.9)
Tax rate difference of overseas consolidated subsidiaries	0.1	3.2
Gain on negative goodwill	—	(0.5)
Modification of net deferred tax assets and liabilities caused by a change in effective statutory tax rates	0.2	1.8
Retained earnings of foreign subsidiary companies	0.4	(1.6)
Deductible research and development expenses	(4.5)	(3.7)
Others	2.9	(0.3)
Effective tax rate	32.2%	23.4%

On March 29, 2016, the "Act for Partial Revision of the Income Tax Act and Others" (Act No. 15 of 2016) and the "Act for Partial Revision the Local Tax Act and Others" (Act No. 13 of 2016) were officially enacted and the income tax rate will be reduced from the fiscal year beginning April 1, 2016. Under these revised acts, the effective tax rate used for calculating deferred tax assets and deferred tax liabilities has been reduced from 32.1% to 30.7% for the temporary differences expected to reverse during the fiscal years beginning April 1, 2016 and 2017, and to 30.5% for those expected to reverse from the fiscal year beginning April 1, 2018.

As a result, deferred tax assets (after offsetting deferred tax liabilities) decreased by ¥20 million (US$177 thousand) and income taxes-deferred increased by ¥45 million (US$398 thousand), retirement benefits liability adjustments decreased by ¥51 million (US$451 thousand), and valuation difference on available-for-sale securities increased by ¥76 million (US$673 thousand) as of and for the year ended March 31, 2016.

The significant components of deferred tax assets and liabilities at March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Deferred tax assets:			
Accrued employees' bonuses	¥ 2,209	¥ 2,159	$ 19,549
Liability for retirement benefits	2,366	2,535	20,938
Allowance for doubtful accounts	628	3,641	5,558
Loss carried forward	3,991	4,996	35,318
Intercompany profit	11,761	10,469	104,080
Depreciation and amortization	3,690	1,808	32,655
Write-down of investment securities	140	223	1,239
Disposal of fixed assets without dismantlement	3,824	3,188	33,841
Accrual for losses on business restructuring	209	522	1,849
Others	4,585	4,002	40,575
Gross deferred tax assets	33,403	33,543	295,602
Valuation allowance	(4,506)	(5,087)	(39,876)
Total deferred tax assets	28,897	28,456	255,726
Deferred tax liabilities:			
Reserve for advanced depreciation of non-current assets	(2,857)	(3,210)	(25,282)
Valuation difference on available-for-sale securities	(1,570)	(2,314)	(13,894)
Asset for retirement benefits	(1,891)	(2,527)	(16,735)
Revaluation surplus on assets	(2,336)	(2,951)	(20,673)
Retained earnings of foreign subsidiary companies	(2,900)	(2,946)	(25,664)
Others	(3,413)	(2,520)	(30,204)
Total deferred tax liabilities	(14,967)	(16,468)	(132,452)
Net deferred tax assets	¥ 13,930	¥ 11,988	$ 123,274

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
	2016	2015	2016
Current assets – Deferred tax assets	¥ 7,809	¥ 7,695	$ 69,106
Investments and other assets – Long-term deferred tax assets	8,263	7,429	73,124
Long term liabilities – Long-term deferred tax liabilities	(2,142)	(3,136)	(18,956)

16. Derivative financial instruments

Summarized below are the notional amounts and the estimated fair values of the derivative transactions outstanding at March 31, 2016 and 2015.

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

Currency-related transactions:

	Millions of yen						Thousands of U.S. dollars		
	2016			2015			2016		
	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:									
EUR	¥ —	¥ —	¥ —	¥ 12	¥ 0	¥ 0	$ —	$ —	$ —
USD	121	0	0	—	—	—	1,071	0	0
Buy:									
USD	1,450	(47)	(47)	965	27	27	12,832	(416)	(416)
EUR	44	(1)	(1)	277	(25)	(25)	389	(9)	(9)
AUD	23	0	0	—	—	—	204	0	0
Total	¥1,638	¥(48)	¥(48)	¥1,254	¥ 2	¥ 2	$14,496	$(425)	$(425)

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	
		2016		2015		2016	
		Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
Principle method	Forward exchange contracts:						
	Sell:						
	USD	¥ 2	¥ 0	¥ 417	¥ 1	$ 18	$ 0
	Buy:						
	EUR	236	(3)	656	(20)	2,088	(26)
Short-cut method	Forward exchange contracts:						
	Sell:						
	USD	523	38	1,448	(21)	4,628	336
	Currency swap contracts:						
	Receive/USD Pay/JPY	7,952	*	7,952	*	70,372	*
	Total	¥8,713	¥35	¥10,473	¥(40)	$77,106	$310

* 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	
		2016		2015		2016	
		Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
Principle method	Interest-rate cap:						
	Buy:	¥ 2,000	¥0	¥ 6,000	¥0	$ 17,699	$0
Short-cut method	Interest-rate swaps:						
	Receive/floating and pay/fixed:	17,757	*	29,330	*	157,142	*
	Total	¥19,757	¥0	¥35,330	¥0	$174,841	$0

*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	
		2016		2015		2016	
		Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
Principle method	Coal price swaps:						
	Receive/floating and pay/fixed:	¥—	¥—	¥912	¥(62)	$—	$—

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

17. 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 changed the management structure of its chemical-related segments on April 1, 2015 and the "Chemicals & Plastics" and the "Specialty Chemicals & Products" segments were integrated into a single "Chemicals" segment.

As a result, the reportable segments of the Company were changed to the following six segments: "Chemicals," "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, 2016 and 2015 are summarized by reportable segment as follows:

	Millions of yen							
Year ended March 31, 2016	Chemicals	Pharmaceutical	Cement & Construction Materials	Machinery & Metal Products	Energy & Environment	Other	Elimination & Corporate	Consolidated
Sales:								
Outside customers	¥258,661	¥ 9,221	¥231,051	¥71,367	¥56,616	¥14,834	¥ —	¥641,750
Intersegment sales and transfers	8,075	59	6,292	2,068	12,450	1,958	(30,902)	—
Total	266,736	9,280	237,343	73,435	69,066	16,792	(30,902)	641,750
Segment operating income (loss)	¥ 12,083	¥ 1,105	¥ 19,841	¥ 4,600	¥ 3,856	¥ 1,142	¥ (1,219)	¥ 41,408
Segment assets	¥301,784	¥12,533	¥216,948	¥62,039	¥49,014	¥16,246	¥ 21,219	¥679,783
Depreciation and amortization	20,491	837	8,309	1,415	2,870	609	1,043	35,574
Equity method investments	18,407	—	8,322	—	1,199	2,270	—	30,198
Capital expenditures	14,610	703	14,716	1,620	1,002	570	1,208	34,429

	Thousands of U.S. dollars							
Year ended March 31, 2016	Chemicals	Pharmaceutical	Cement & Construction Materials	Machinery & Metal Products	Energy & Environment	Other	Elimination & Corporate	Consolidated
Sales:								
Outside customers	$2,289,036	$ 81,602	$2,044,699	$631,566	$501,027	$131,274	$ —	$5,679,204
Intersegment sales and transfers	71,460	522	55,681	18,301	110,177	17,328	(273,469)	—
Total	2,360,496	82,124	2,100,380	649,867	611,204	148,602	(273,469)	5,679,204
Segment operating income (loss)	$ 106,929	$ 9,779	$ 175,584	$ 40,708	$ 34,124	$ 10,106	$ (10,787)	$ 366,443
Segment assets	$2,670,655	$110,912	$1,919,894	$549,018	$433,752	$143,769	$ 187,779	$6,015,779
Depreciation and amortization	181,336	7,407	73,531	12,522	25,398	5,390	9,230	314,814
Equity method investments	162,894	—	73,646	—	10,611	20,088	—	267,239
Capital expenditures	129,292	6,221	130,230	14,336	8,867	5,044	10,690	304,680

	Millions of yen							
Year ended March 31, 2015	Chemicals	Pharmaceutical	Cement & Construction Materials	Machinery & Metal Products	Energy & Environment	Other	Elimination & Corporate	Consolidated
Sales:								
Outside customers	¥271,398	¥ 7,819	¥216,475	¥76,511	¥54,317	¥15,239	¥ —	¥641,759
Intersegment sales and transfers	8,762	—	5,944	2,445	12,454	2,148	(31,753)	—
Total	280,160	7,819	222,419	78,956	66,771	17,387	(31,753)	641,759
Segment operating income (loss)	¥ (939)	¥ 902	¥ 17,033	¥ 4,305	¥ 2,840	¥ 1,146	¥ (1,140)	¥ 24,147
Segment assets	¥332,509	¥10,916	¥208,346	¥62,424	¥53,263	¥17,610	¥ 26,478	¥711,546
Depreciation and amortization	18,797	777	8,153	1,355	2,596	616	1,292	33,586
Equity method investments	14,257	—	8,087	—	1,113	2,415	—	25,872
Capital expenditures	20,282	702	10,731	1,806	7,452	405	1,126	42,504

Sales and amounts of property, plant and equipment of the Company and its consolidated subsidiaries as of and for the years ended March 31, 2016 and 2015 by geographic area are as follows:

	Millions of yen				
Year ended March 31, 2016	Japan	Asia	Europe	Other area	Consolidated
Sales	¥458,098	¥117,297	¥36,459	¥29,896	¥641,750

	Thousands of U.S. dollars				
Year ended March 31, 2016	Japan	Asia	Europe	Other area	Consolidated
Sales	$4,053,965	$1,038,027	$322,646	$264,566	$5,679,204

	Millions of yen					
As of March 31, 2016	Japan	Thailand	Other Asia	Europe	Other area	Consolidated
Property, plant and equipment	¥255,944	¥50,243	¥1,460	¥15,130	¥1,023	¥323,800

	Thousands of U.S. dollars					
As of March 31, 2016	Japan	Thailand	Other Asia	Europe	Other area	Consolidated
Property, plant and equipment	$2,264,991	$444,628	$12,921	$133,894	$9,053	$2,865,487

	Millions of yen				
Year ended March 31, 2015	Japan	Asia	Europe	Other area	Consolidated
Sales	¥444,197	¥127,792	¥39,050	¥30,720	¥641,759

	Millions of yen					
As of March 31, 2015	Japan	Thailand	Other Asia	Europe	Other area	Consolidated
Property, plant and equipment	¥266,563	¥60,074	¥5,616	¥14,793	¥392	¥347,438

18. 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, 2016 and 2015. 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	2016	2015	2016
Acquisition costs:			
Machinery and equipment	¥17	¥54	$150
	¥17	¥54	$150
Accumulated depreciation and amortization:			
Machinery and equipment	¥14	¥38	$123
	¥14	¥38	$123
Net book value:			
Machinery and equipment	¥ 3	¥16	$ 27
	¥ 3	¥16	$ 27

Lease payments relating to finance leases accounted for as operating leases amounted to ¥8 million (US$71 thousand) and ¥9 million for the years ended March 31, 2016 and 2015, 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, 2016 for finance leases accounted for as operating leases are summarized as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2017	¥2	$18
2018 and thereafter	1	9
	¥3	$27

(b) Operating leases

Future minimum lease payments subsequent to March 31, 2016 for non-cancelable operating leases are summarized as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2017	¥ 705	$6,239
2018 and thereafter	303	2,681
	¥1,008	$8,920

19. 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 based on the rate of pay and years of service.

Defined contribution plans are mainly defined contribution pension plans.

(a) Defined benefit plans

The changes in the retirement benefit obligation during the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Opening balance of retirement benefit obligation	¥52,037	¥50,502	$460,504
Cumulative effects of changes in accounting policies	—	(2,427)	—
Restated balance	52,037	48,075	460,504
Service cost	2,849	2,653	25,212
Interest cost	322	644	2,851
Actuarial loss	330	3,527	2,920
Benefit paid	(4,441)	(2,862)	(39,301)
Closing balance of retirement benefit obligation	¥51,097	¥52,037	$452,186

The changes in plan assets during the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Opening balance of plan assets	¥57,877	¥52,443	$512,186
Expected return on pension assets	1,229	1,157	10,876
Actuarial gain (loss)	(1,747)	4,389	(15,460)
Contributions by the employer	2,627	2,622	23,248
Benefit paid	(4,277)	(2,734)	(37,850)
Closing balance of plan assets	¥55,709	¥57,877	$493,000

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, 2016 and 2015 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Funded retirement benefit obligations	¥48,760	¥49,685	$ 431,504
Plan assets	(55,709)	(57,877)	(493,000)
	(6,949)	(8,192)	(61,496)
Unfunded retirement benefit obligations	2,337	2,352	20,681
Net amount of liabilities and assets for retirement benefits in the consolidated balance sheet	¥ (4,612)	¥ (5,840)	$ (40,815)
Liability for retirement benefits	¥ 2,337	¥ 2,423	$ 20,681
Asset for retirement benefits	(6,949)	(8,263)	(61,496)
Net amount of liabilities and assets for the retirement benefits in the consolidated balance sheet	¥ (4,612)	¥ (5,840)	$ (40,815)

The breakdown of the retirement benefit expenses for the years ended March 31, 2016 and 2015 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Service cost	¥ 2,849	¥ 2,653	$ 25,212
Interest cost	322	644	2,851
Expected return on plan assets	(1,229)	(1,157)	(10,876)
Amortization of actuarial loss	505	700	4,469
Amortization of prior service cost	181	181	1,601
Retirement benefit expenses	¥ 2,628	¥ 3,021	$ 23,257

The components of retirement benefits liability adjustments in other comprehensive income (before tax effect) for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Prior service cost	¥ 181	¥ 181	$ 1,601
Actuarial gain (loss)	(1,572)	1,562	(13,911)
Total	¥(1,391)	¥1,743	$(12,310)

The components of retirement benefits liability adjustments in accumulated other comprehensive income (before tax effect) as of March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unrecognized prior service cost	¥ 543	¥ 725	$ 4,805
Unrecognized actuarial loss	4,468	2,895	39,540
Total	¥5,011	¥3,620	$44,345

The breakdown of pension assets by major category as a percentage of total plan assets as of March 31, 2016 and 2015 is as follows:

	Ratio	
	2016	2015
Bonds	38%	39%
Equities	21	25
Insurance assets (General account)	27	26
Other	14	10
Total	100%	100%

The above total includes 11% and 14% of the retirement benefit trusts of company pension plans at March 31, 2016 and 2015, respectively.

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

The items of actuarial assumptions for the years ended March 31, 2016 and 2015 are as follows:

	Ratio	
	2016	2015
Discount rate	0.2~1.2%	0.5~1.2%
Expected long-term return on plan assets		
Pension assets	2.0~2.5	2.0~2.5
Retirement benefit trusts	0.0	0.0

The schedule of the defined benefit obligation and pension assets accounted for by simplified method for the years ended March 31, 2016 and 2015 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Opening balance of net liabilities and assets for retirement benefits	¥4,072	¥4,088	$36,035
Benefit expenses	575	648	5,089
Benefit paid	(354)	(384)	(3,133)
Contributions to the plans	(87)	(187)	(770)
Others	127	(93)	1,124
Closing balance of net liabilities and assets for retirement benefits	¥4,333	¥4,072	$38,345

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, 2016 and 2015 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Funded retirement benefit obligations	¥1,203	¥1,090	$10,646
Plan assets	(977)	(892)	(8,646)
	226	198	2,000
Funded retirement benefit obligations	4,107	3,874	36,345
Net amount of liabilities and assets for retirement benefits in the consolidated balance sheet	¥4,333	¥4,072	$38,345
Liability for retirement benefits	¥4,390	¥4,124	$38,850
Asset for retirement benefits	(57)	(52)	(505)
Net amount of liabilities and assets for retirement benefits in the consolidated balance sheet	¥4,333	¥4,072	$38,345

The retirement benefit expenses under the simplified method were ¥575 million (US$5,089 thousand) and ¥648 million for the years ended March 31, 2016 and 2015, respectively.

(b) Defined contribution plans

The contributions by consolidated subsidiaries paid to defined contribution pension plans were ¥43 million (US$381 thousand) and ¥43 million for the years ended March 31, 2016 and 2015, respectively.

20. 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, 2016 and 2015 are as follows:

	Millions of yen			
	2016			
	Carrying amount			Fair value at March 31, 2016
	Opening balance	Net change during the year	Closing balance	
Idle property	¥10,013	¥(1,379)	¥8,634	¥23,302
Rental property	8,915	312	9,227	18,682

	Thousands of U.S. dollars			
	2016			
	Carrying amount			Fair value at March 31, 2016
	Opening balance	Net change during the year	Closing balance	
Idle property	$88,611	$(12,204)	$76,407	$206,212
Rental property	78,894	2,761	81,655	165,327

Notes: Carrying amounts represent the acquisition costs less accumulated depreciation and impairment losses.
Net change for the year ended March 31, 2016 is mainly loss on sale of ¥(1,135) million (US$(10,044) thousand).
Fair value of main property at March 31, 2016 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			
	2015			
	Carrying amount			Fair value at March 31, 2015
	Opening balance	Net change during the year	Closing balance	
Idle property	¥10,741	¥ (728)	¥10,013	¥26,753
Rental property	8,816	99	8,915	16,850

Notes: Carrying amounts represent the acquisition costs less accumulated depreciation and impairment losses.
Net change for the year ended March 31, 2015 is mainly impairment loss of ¥(315) million.
Fair value of main property at March 31, 2015 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, 2016 and 2015 are as follows:

	Millions of yen			
	2016			
	Rental income	Rental expenses	Net income	Others
Idle property	¥ —	¥ —	¥ —	¥(243)
Rental property	1,068	554	514	(63)

	Thousands of U.S. dollars			
	2016			
	Rental income	Rental expenses	Net income	Others
Idle property	$ —	$ —	$ —	$(2,150)
Rental property	9,451	4,903	4,548	(558)

Notes: Others in the above table for idle property consist of taxes and dues of ¥(193) million (US$(1,708) thousand), impairment loss of ¥(23) million (US$(204) thousand), loss on sale of ¥(27) million (US$(239) thousand).
Others for rental property is impairment loss of ¥(75) million (US$(664) thousand) and gain on sale of ¥12 million (US$106 thousand).

	Millions of yen			
	2015			
	Rental income	Rental expenses	Net income	Others
Idle property	¥ —	¥ —	¥ —	¥(358)
Rental property	865	377	488	(39)

Notes: Others in the above table for idle property consist of taxes and dues of ¥(206) million, impairment loss of ¥(315) million, gain on acceptance of dredged sand of ¥121 million and gain on sale of ¥42 million.
Others for rental property is loss on sale of ¥(39) million.

21. Stock options

Stock option expenses in the amounts of ¥88 million (US$779 thousand) and ¥59 million were recognized as “Selling, general and administrative expenses” on the consolidated statement of income for the years ended March 31, 2016 and 2015, respectively.

The contents of stock options at March 31, 2016 are as follows:

	Fiscal year 2007 stock options	Fiscal year 2008 stock options	Fiscal year 2009 stock options
Position and number of grantees	Directors of the Company: 5 Executive officers of the Company: 12	Directors of the Company: 5 Executive officers of the Company: 17	Directors of the Company: 6 Executive officers of the Company: 16
Type and number of shares	Common stock of the Company: 269,000 shares	Common stock of the Company: 237,000 shares	Common stock of the Company: 243,000 shares
Date of grant	February 22, 2007	July 13, 2007	July 14, 2008
Settlement of rights	After providing service for the period	After providing service for the period	After providing service for the period
Period of providing service for stock option	For 1 year (From July 1, 2006 to June 30, 2007)	Directors of the Company: For 1 year (From July 1, 2007 to June 30, 2008) Executive officers of the Company: For 9 months (From July 1, 2007 to March 31, 2008) Newly designated executive officers of the Company: For 1 year (From April 1, 2007 to March 31, 2008)	Directors of the Company: For 1 year (From July 1, 2008 to June 30, 2009) Executive officers of the Company: For 1 year (From April 1, 2008 to March 31, 2009)
Exercise period of rights	For 25 years from grant date (From February 22, 2007 to February 21, 2032)	For 25 years from grant date (From July 13, 2007 to July 12, 2032)	For 25 years from grant date (From July 14, 2008 to July 13, 2033)
Condition of exercise of rights	A holder of share subscription rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.	A holder of share subscription rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.	A holder of share subscription rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.

	Fiscal year 2010 stock options	Fiscal year 2011 stock options	Fiscal year 2012 stock options
Position and number of grantees	Directors of the Company: 6 Executive officers of the Company: 17	Directors of the Company: 5 Executive officers of the Company: 17	Directors of the Company: 5 Executive officers of the Company: 18
Type and number of shares	Common stock of the Company: 322,000 shares	Common stock of the Company: 366,000 shares	Common stock of the Company: 355,000 shares
Date of grant	July 13, 2009	July 14, 2010	July 14, 2011
Settlement of rights	After providing service for the period	After providing service for the period	After providing service for the period
Period of providing service for stock option	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)	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)
Exercise period of rights	For 25 years from grant date (From July 13, 2009 to July 12, 2034)	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)
Condition of exercise of rights	A holder of share subscription rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.	A holder of share subscription rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.	A holder of share subscription rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.

	Fiscal year 2013 stock options	Fiscal year 2014 stock options	Fiscal year 2015 stock options
Position and number of grantees	Directors of the Company: 4 Executive officers of the Company: 19	Directors of the Company: 4 Executive officers of the Company: 20	Directors of the Company: 4 Executive officers of the Company: 19
Type and number of shares	Common stock of the Company: 377,000 shares	Common stock of the Company: 481,000 shares	Common stock of the Company: 430,000 shares
Date of grant	July 13, 2012	July 12, 2013	July 14, 2014
Settlement of rights	After providing service for the period	After providing service for the period	After providing service for the period
Period of providing service for stock option	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)	Directors of the Company: For 1 year (From July 1, 2014 to June 30, 2015) Executive officers of the Company: For 1 year (From April 1, 2014 to March 31, 2015)
Exercise period of rights	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)	For 25 years from grant date (From July 14, 2014 to July 13, 2039)
Condition of exercise of rights	A holder of share subscription rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.	A holder of share subscription rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.	A holder of share subscription rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.

	Fiscal year 2016 stock options
Position and number of grantees	Directors of the Company: 4 Executive officers of the Company: 19
Type and number of shares	Common stock of the Company: 500,000 shares
Date of grant	July 13, 2015
Settlement of rights	After providing service for the period
Period of providing service for stock option	Directors of the Company: For 1 year (From July 1, 2015 to June 30, 2016) Executive officers of the Company: For 1 year (From April 1, 2015 to March 31, 2016)
Exercise period of rights	For 25 years from grant date (From July 13, 2015 to July 12, 2040)
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.

	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	Fiscal year 2015 stock options	Fiscal year 2016 stock options	
	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	U.S. dollars
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	$0.01
Average stock price at exercise	207	218	194	196	215	—	—	—	—	—	—
Fair value at grant date	388	351	326	223	186	227	136	156	135	181	1.60

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

	Fiscal year 2016 stock options
Method of estimation	Black-Scholes model
Volatility*	34.910%
Expected remaining period**	8 years
Expected dividend ***	¥5 (US$ 0.04)
Risk-free interest rate ****	0.290%

* 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.
** Mid-term 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

22. Information of related party

(a) Related party transactions

The Company sold cement and related products for resale in the amounts of ¥37,830 million (US$334,779 thousand) and ¥38,168 million to Ube-Mitsubishi Cement Corporation (UMCC) for the years ended March 31, 2016 and 2015, respectively. The capital stock of UMCC is ¥8,000 million (US$70,796 thousand) and is accounted for by the equity method. The balances of accounts receivable were ¥12,966 million (US$114,743 thousand) and ¥14,410 million as of March 31, 2016 and 2015, 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.

(b) Condensed financial information of significant affiliates

UMG ABS, Ltd. became a significant affiliate from March 31, 2016 because the significance of UMG ABS, Ltd. increased.

As of March 31, 2016, total current assets were ¥14,906 million (US$131,912 thousand) and total non-current assets were ¥13,554 (US$119,947 thousand). Also, total current liabilities were ¥13,229 million (US$117,071 thousand) and total non-current liabilities were ¥1,973 million (US$17,460 thousand). Therefore, total net assets were ¥13,258 million (US$117,328 thousand). Furthermore, net sales were ¥43,130 million (US$381,681 thousand), income before income taxes was ¥5,913 million (US$52,327 thousand) and net income was ¥3,989 million (US$35,301 thousand).

23. Subsequent events

Not applicable

Building a better working world

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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, 2016, 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, 2016, 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.

Ernst & Young ShinNihon LLC

June 29, 2016
Tokyo, Japan

Network (As of March 31, 2016)

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UBE LATIN AMERICA SERVICOS LTDA.
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UBE INDUSTRIES INDIA PRIVATE LTD.
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Major Consolidated Subsidiaries

Company Name	Business	Country	Net Sales			
			Currency	2016/3	2015/3	2014/3
UBE CORPORATION EUROPE S.A.U.*	Manufacture and sales of caprolactam, ammonium sulfate, nylon and fine chemical products	Spain	(EUR million)	405.9	371.5	350.4
UBE CHEMICALS (ASIA) PUBLIC COMPANY LIMITED	Manufacture and sales of caprolactam, ammonium sulfate and nylon	Thailand	(THB billion)	14.3	12.4	11.6
THAI SYNTHETIC RUBBERS COMPANY LIMITED	Manufacture and sales of polybutadiene rubber	Thailand	(THB billion)	4.6	4.4	3.5
UBE EXSYMO CO., LTD.	Manufacture and sales of polypropylene molded products, fibers, and fiber-reinforced plastics	Japan	(JPY billion)	12.4	11.2	12.4
UBE FILM, LTD.	Manufacture and sales of plastic film products	Japan	(JPY billion)	9.2	9.0	9.2
UBE AMMONIA INDUSTRY, LTD.	Manufacture and sales of ammonia and industrial gases	Japan	(JPY billion)	13.0	15.4	13.9
ADVANCED ELECTROLYTE TECHNOLOGIES LLC	Manufacture and sales of electrolytes for lithium-ion batteries outside Japan	U.S.A.	(USD million)	6.7	17.6	14.3
UBE FINE CHEMICALS (ASIA) CO., LTD.	Manufacture and sales of 1,6-Hexanediol (HDL) and 1,5-Pentanediol (PDL)	Thailand	(THB billion)	0.6	0.6	0.7
UBE MATERIAL INDUSTRIES, LTD.	Manufacture and sales of magnesia clinker, quicklime, slaked lime, etc.	Japan	(JPY billion)	38.9	38.9	39.4
UBE CONSTRUCTION MATERIALS SALES CO., LTD.	Sales of cement, ready-mixed concrete, building materials, etc.	Japan	(JPY billion)	56.2	54.1	55.1
UBE SHIPPING & LOGISTICS, LTD.	Domestic shipping, harbor transportation, shipping-agent services and customs clearing	Japan	(JPY billion)	21.2	21.5	20.7
KANTO UBE HOLDINGS CO., LTD. (and 4 other subsidiaries)	Manufacture and sales of ready-mixed concrete	Japan	(JPY billion)	14.4	14.2	13.3
SANSHIN TSUSHO CO., LTD.	Sales of building materials, public works materials, etc.	Japan	(JPY billion)	19.6	—	—
HAGIMORI INDUSTRIES, LTD.	Manufacture and sales of ready-mixed concrete, concrete piles and self-leveling materials	Japan	(JPY billion)	1.8	1.8	1.8
UBE MACHINERY CORPORATION, LTD.	Manufacture, sales and service of metal and resin molding machines, extrusion presses, vertical mills, water screening equipment, etc.	Japan	(JPY billion)	45.0	47.5	38.2
UBE MACHINERY (SHANGHAI) LTD.	Sales, assembly and service for metal processing and injection-molding machinery	China	(RMB million)	140.8	135.5	109.8
UBE STEEL CO., LTD	Manufacture and sales of cast iron and steel products and rolled steel billets	Japan	(JPY billion)	16.7	20.5	20.1
UBE MACHINERY INC.	Sales, assembly and service for metal processing and injection-molding machinery	U.S.A.	(USD million)	72.4	60.7	64.7
UBE C&A CO., LTD.	Sales of imported coal from Australia, Indonesia and Russia	Japan	(JPY billion)	29.6	33.4	30.8

*Ube Corporate Europe, S.A.U., Ube Chemical Europe, S.A.U., and Ube Engineering Plastics, S.A.U. merged at the end of March 2016. Figures are a simple aggregation of the three companies.

Major Equity-Method Affiliates

Company Name	Business	Country
UMG ABS, LTD.	Manufacture, processing and sales of ABS resins and ABS polymer alloys	Japan
UBE-MARUZEN POLYETHYLENE CO., LTD.	Development, production and sales of low-density polyethylene and HAO-LLDPE	Japan
CHIBA BUTADIENE INDUSTRY CO., LTD.	Manufacture and sales of butadiene	Japan
UBE-MITSUBISHI CEMENT CORPORATION	Sales of cement, soil-stabilizing cement, slag, etc.	Japan
LOTTE UBE SYNTHETIC RUBBER SDN. BHD.	Manufacture and sales of polybutadiene rubber (synthetic rubber)	Malaysia
SUMATERIALS CO., LTD.	Production of polyimide for substrates to be used in next-generation displays	Korea

Ube Industries, Ltd.

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

Establishment: 1897

Employees: 10,764 (consolidated)
3,693 (non-consolidated)

Consolidated Companies: 93 (68 consolidated subsidiaries and 25 equity-method affiliates)

Fiscal Year: April 1 to March 31

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

Paid-in Capital: ¥58,435 million

Number of Shareholders with Voting Rights: 52,977

Annual General Shareholders' Meeting: June

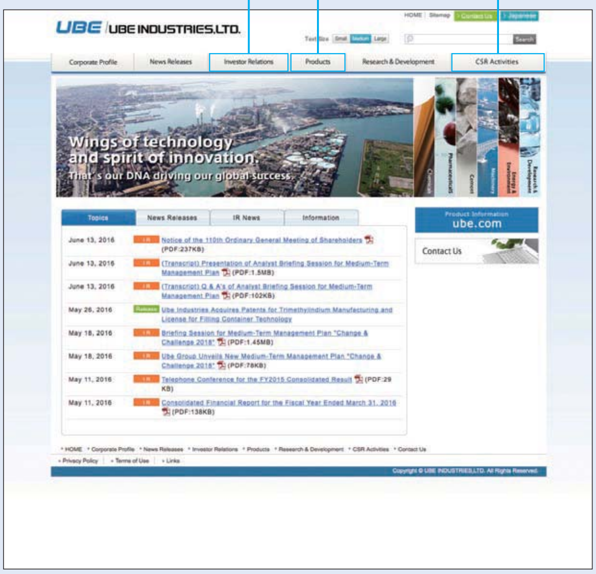
Stock Exchange Listings: Tokyo Stock Exchange (Code: 4208)
Fukuoka Stock Exchange

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

The UBE Group publishes information for its stakeholders on its website. Please refer to the website below for additional data and information on activities and products not covered in this report.

Corporate Information



http://www.ube-ind.co.jp/english/

Shareholder and Investor Information

Management policies, finances, results and shareholder information and IR materials are available in the Investor Relations section of our website:

http://www.ube-ind.co.jp/english/ir/

Product Information

UBE Group product information is available on our website.

http://www.ube-ind.co.jp/english/products/

CSR Activities

Environment & safety, corporate social responsibility and compliance information is available on our website.

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

Wings of technology Spirit of innovation UBE

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URL: https://www.ube.com

Photos of the value created during fiscal 2015 are presented on the cover.


PCD production facility in Thailand (Chemicals)


Waste heat recovery power generation system at Kanda Cement Factory (Cement and Construction Materials)


iC Series die-casting machine (Machinery)

VEGETABLE OIL INK
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Printed in Japan with vegetable oil ink on partially recycled paper.