



UBE Group CSR Report 2014

Focusing on Harmonious Coexistence with All Stakeholders

UBE INDUSTRIES, LTD.



Supporting I

Estimated Ratios of Social Infrastructure Aged Over 50 Years Since Construction

	March 2012	March 2022	March 2032
Road bridges (bridges over 2 m long)	16%	40%	65%
Tunnels	18%	31%	47%
River management facilities (state-managed water gates, etc.)	24%	40%	62%
Sewer lines	2%	7%	23%
Harbor quays (water depth of 4.5 m or more)	7%	29%	56%

Source: White Paper on Ministry of Land, Infrastructure, Transport and Tourism, 2013

Infrastructure

On September 8, 2013, Tokyo was chosen to host the 2020 Summer Olympics for the second time in its history, the first being in 1964. As a result, infrastructure investment, such as for sporting venues, the Olympic village and transportation, is expected to increase. At the same time, the expressways, bridges, waterworks, sewers and other infrastructure built at a rapid pace at the time of the 1964 Tokyo Olympics is now 40 to 50 years old. Because the risks related to the aging of this

infrastructure are increasing, the need to reinforce such public facilities is growing urgent. Through its cement and construction materials business, the UBE Group strives to provide a stable supply of cement, for which demand is forecast to grow, while offering safe, low-cost technologies and products that address social needs related to infrastructure earthquake resistance and aging.

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Special Feature

The UBE Group
Meeting Society's Needs
Addressing Infrastructure Needs

Meeting Needs for Earthquake Resistance

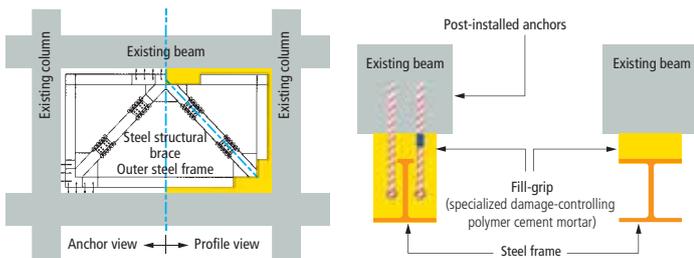
Seismic Retrofitting Method: *DESIGN FIT*

Reinforcement of Infrastructure



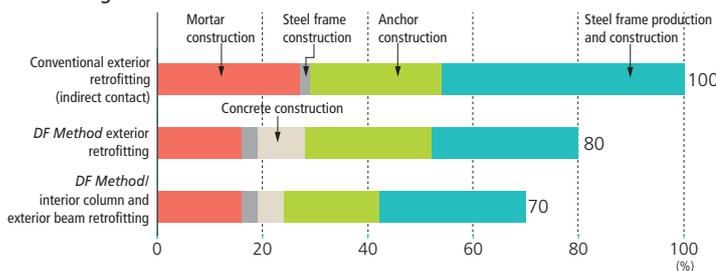
An elementary school in Ube, Yamaguchi Prefecture

DESIGN FIT Method (interior retrofit)



The *DESIGN FIT Method (DF Method)* is a process for the seismic reinforcement of buildings using steel structural braces. The *DF Method* allows a great deal of freedom in design, and can be installed either inside the building or entirely outside. Anchor construction is reduced compared with conventional methods, helping to reduce noise and dust.

Outstanding Cost Performance



School facilities are not only important venues for education and development, they often also function as evacuation centers for local communities in times of emergency. As such, ensuring these buildings' safety is of crucial importance, and improving their earthquake resistance is a pressing issue. Against this backdrop, the UBE Group jointly developed the *DESIGN FIT Method (DF Method)* with construction company Sanyokensetsu Service Co., Ltd. This seismic retrofitting process uses steel structural bracing and offers reductions in cost, construction lead time and noise compared with conventional processes. The Group has been engaged in the *DF Method* business since 2009. DF has been used to reinforce schools, particularly in Japan's Chugoku region, where seismic retrofitting has been lagging, helping to ensure the safety of children, who represent their communities' hopes for the future. The Company furthermore took part in establishing the Design Fit Method Association to ensure quality in construction, and is advancing the adoption of the process throughout Japan, with over 280 buildings reinforced to date. In 2014, UBE received architectural technology performance certification for its Design U-Frame Method of seismic retrofitting, which does not use steel structural braces. With this technology, UBE hopes to expand the use of seismic retrofitting in buildings where the light provided by and views from windows are especially prioritized, such as condominiums, hotels and hospitals.

Today, the problem of Concrete corrosion in sewerage facilities by sulfuric acid is an important and unavoidable issue affecting the lifespan of sewerage facilities.

The sulfuric acid resistant mortar developed by the UBE Group can be applied in high-humidity environments, where the application of conventional organic lining materials is difficult, a property that makes it especially useful in construction to prevent the corrosion of existing concrete structures.



Wastewater facility



Demonstration of concrete pavement that allows early opening to traffic (Ube)

Cement is produced by recycling various industrial wastes for use as materials and fuel. The use of concrete pavement is being widely reconsidered and the use of concrete, a material that can help solve social problems and contribute to the creation of a recycling-oriented society, is expected to grow. Concrete pavement is thought to offer superior performance over asphalt pavement in terms of durability, CO₂ emissions (due to the better fuel efficiency of large vehicles) and reducing heat islands. UBE hopes to see the increased use of concrete pavement, which offers an effective use of resources and reduced environmental burden, throughout Japan.

At the same time, because infrastructure construction is extremely expensive, repairs and retrofitting to extend the lifespan of structures are of great interest. The UBE Group is helping to ensure the safety of infrastructure by extending its lifespan, focusing on developing mortar for the repair of concrete structures. In particular, UBE's sulfate-resistant mortar, developed using the Company's abundant experience and know-how in cement chemistry, boasts top-class performance in the industry for use in addressing problems of concrete sewer and sewage treatment structure corrosion.

Ryukyu-Cement Co., Ltd. Yabu Factory

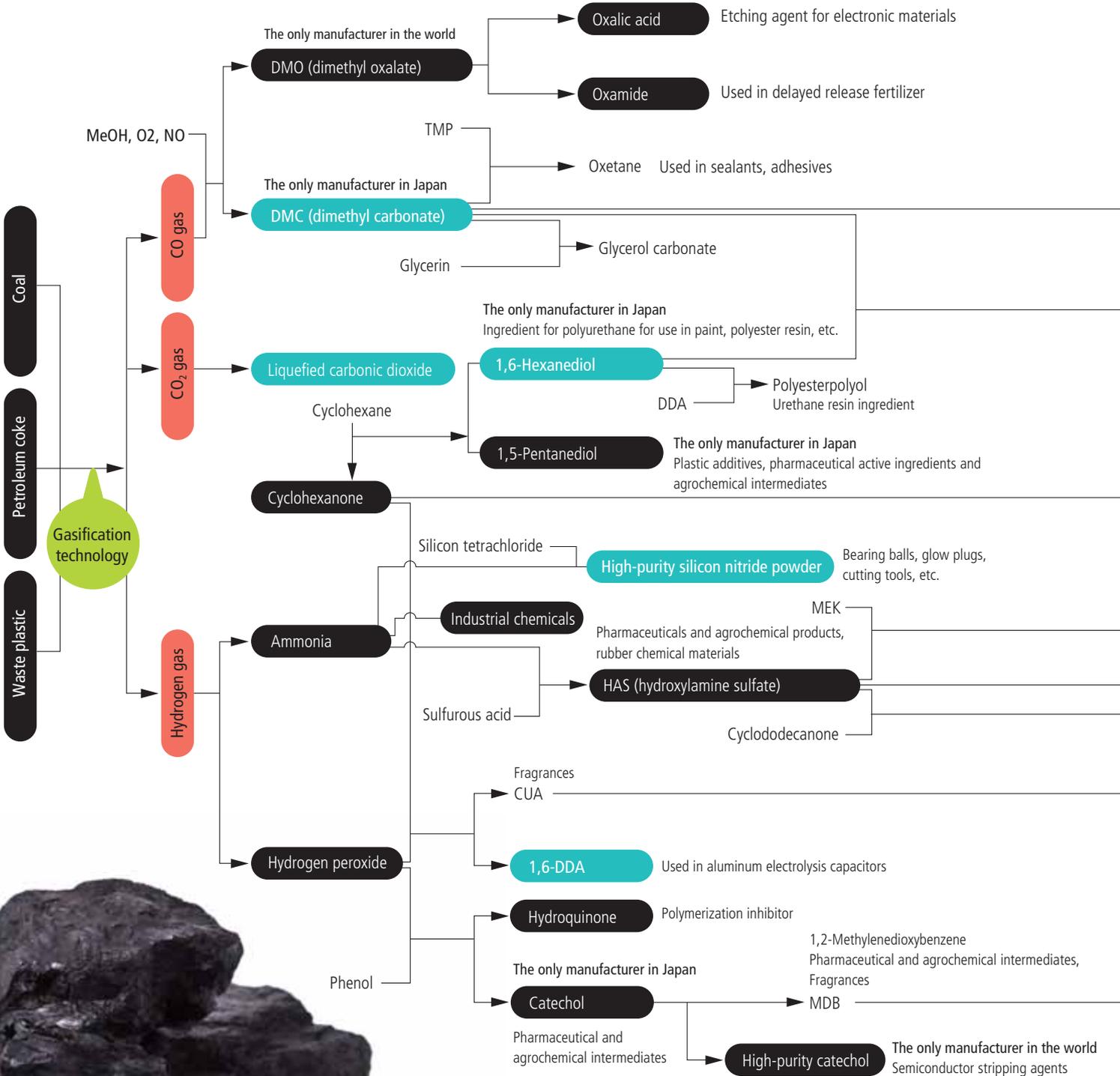
Solving Problems in Aging Facilities

Surface repair mortar: *Repair Flow*



Clean and Efficient Use of Coal

Environment-Friendly Products

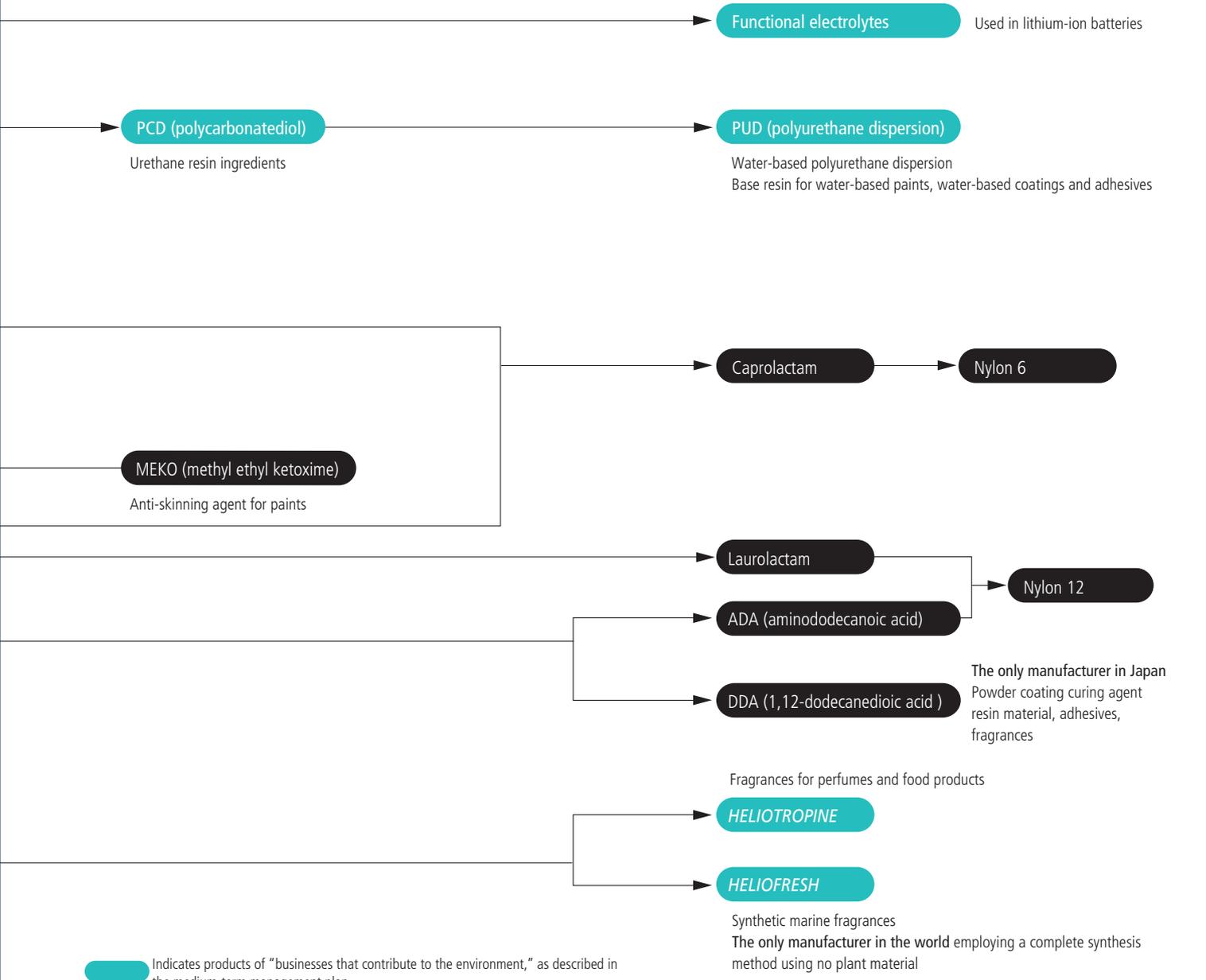


million tons imported per year

Derived From Coal

Society today faces a wide range of environmental issues, including global warming caused by carbon dioxide (CO₂). Through tireless technical innovation, the UBE Group has established advanced gasification technologies and is creating a broad array of environment-friendly products from synthetic gas produced from coal. By using the CO₂ and other byproducts of the gasification process as

materials for other products, UBE is ensuring that the planet's limited resources are used as effectively as possible. The UBE Group will continue to drive forward technical innovation to create new environment-friendly technologies and products and help solve environmental problems through its businesses.



Polyamide resin :UBE Nylon 6



PUD



Functional electrolyte **PURELYTE**



High-purity silicon nitride powder

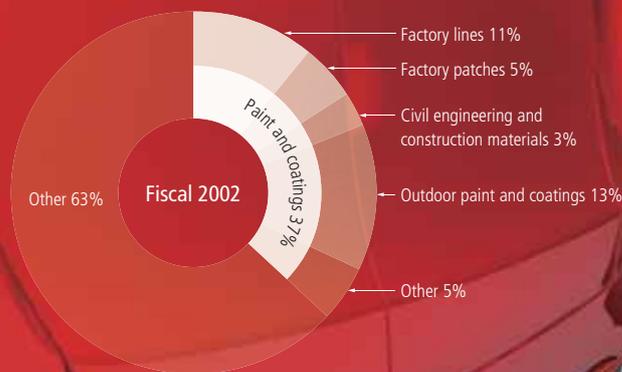


HELIOFRESH

● Indicates example of application



VOC Emissions Volumes by Emissions Source



Many paints and coatings contain significant amounts of organic solvents, which can cause photochemical smog, sick building syndrome and other pollution and health problems. When such paints and coatings are applied, volatile organic compounds (VOCs)* escape into the atmosphere. As concerns about the health impact of VOCs rise, the shift from solvent-based to water-based coating materials, which do not contain VOCs, is advancing.

Focusing on the new field of environment-friendly coating materials, UBE has developed water-based polyurethane dispersion (PUD), a base resin for water-based coating materials that is friendlier to the environment and human health. In conventional resins used as the base for coatings, polyurethane is dissolved in organic solvents. With PUD, fine particles of polyurethane are dispersed in water, eliminating the use of organic solvents.

PUD is used in a broad range of applications, including automobile interior and exterior materials, resin coatings, flooring materials and surface coatings for wall materials, helping to reduce the use of VOCs.

* Volatile Organic Compounds: Organic chemicals that evaporate or sublime easily, entering the atmosphere as gases. Factories in Japan use some 200 such substances.

UBE's Environment-Friendly Water-Based Coatings Help Prevent Air Pollution

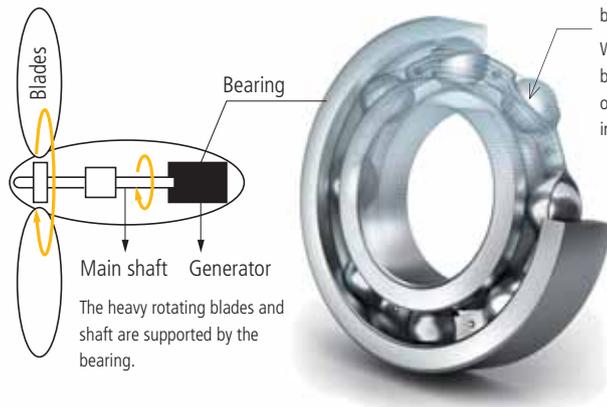
Silicon Nitride, Making a Difference in Renewable Energy

UBE was among the first in the world to establish technology for the industrial production of silicon nitride.

UBE's proprietary chemical synthesis method uses imide thermal decomposition to produce high-purity silicon nitride powder. This powder is used as a material in engineering ceramics* and has earned praise from ceramics manufacturers the world over. Besides being hard, highly heat-resistant and lighter than metal, UBE's silicon nitride powder is characterized by the high regularity of its particle size and high purity compared with that made by other manufacturers.

Widely used in automobiles and machine tools, bearings made using UBE's silicon nitride help reduce friction, allowing the more effective transmission of power and thus achieving superior functionality. Such components are also used around the world in wind turbines for their corrosion resistance, contributing to the wider adoption of renewable energy by achieving maintenance-free operation.

* Ceramics that are not only hard and heat-resistant, but have been made more durable to prevent cracking and chipping.

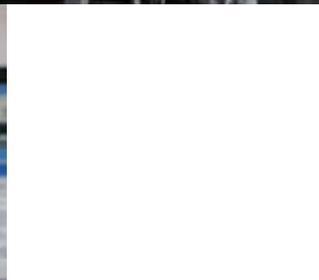




for the Stakeholders

“Living and prospering together” is one of the founding philosophies of the UBE Group. We are continually creating new products and technologies to solve the various problems faced by society. Each and every member of the Group takes the core Ube Group values* to heart, and we are evolving in order to deepen the trust of all stakeholders and enhance the presence of the Group.

* See page 12





Message from the President

The founding philosophies of the UBE Group are
“living and prospering together” and
“creating industries with infinite possibilities from the finite resources of coal.”
These philosophies, espoused by founder Sukesaku Watanabe,
have been passed down over the Group’s 117 year history to today.
All of us at UBE take pride in these traditions
as we embrace new challenges to make the Group’s presence even stronger.

We have now entered the second year of the medium-term management plan Change & Challenge—Driving Growth. Through our global business, we are working to enhance UBE’s corporate value, meet stakeholder expectations and share the core UBE Group values throughout the Group while continuing to pursue *change* and take on new *challenges*.

The UBE Group’s CSR

CSR is an approach to corporate management that defines such management as a company’s actions to fulfill its role as a member of society. It is of the utmost importance that the UBE Group grows and develops sustainably.

Companies have a range of stakeholders. Pursuing corporate activities that benefit those various stakeholders is an obvious must, as is securing steady profit and returning it to shareholders by supplying products and services that are useful to society.

Maximizing the benefits offered to various stakeholders means meeting the expectations of shareholders, customers, suppliers, employees, local communities and governments. Building from this understanding, we strive to maintain a well-balanced business.

In addition, a company is a member of the local community in which it is situated, and social contribution activities that benefit community development are an important part of CSR activities. It is important to think seriously about what kinds of activities make sense for us and will be useful to local communities, and then to systematically implement those activities. In Ube, Sakai, Chiba, Spain, Thailand and all the other locations where the UBE Group maintains business bases, this policy does not waver. Growing in vitality along with local communities through the consistent application of this approach is what “living and prospering together” is all about.

Basic Strategies of the Medium-Term Management Plan

The medium-term management plan lays out the following three strategies.

- ① Strengthen the revenue base to enable sustainable growth
- ② Maximize the global strength of the UBE Group
- ③ Address and be part of the solution for resource, energy and global environmental issues

About strategy ① Enabling sustainable growth is the key point here. There is still a fairly wide range of profitability among our businesses. While cement and certain other businesses are growing steadily, the Chemicals Segment and a number of other businesses have yet to recover from the economic downturn, significantly impacting the UBE Group’s overall profit. Revitalizing the Chemical Segment is a major business task for us now.

On the other hand, demand for the cement and construction materials business is firm, reflecting renovations to structures aimed at addressing aging infrastructure and preventing and minimizing disasters. The UBE Group will continue to address such societal issues with advanced technologies and products.

About strategy ② The importance of maintaining a global perspective is growing, and, with its companies in Thailand and Spain, the UBE Group is advancing multi-faceted collaboration encompassing R&D, production technology, sales and other areas. To take the next step, which aims to advance maximizing the global strength of the UBE Group to an even higher level, we must further enhance marketing.

About strategy ③ The initiatives we have in place to deal with global environmental issues are evolving day by day. As part of its CSR, UBE actively engages in activities aimed at realizing a sustainable society that include working to cut greenhouse gas emissions, reduce electricity and other energy consumption, and preserve biodiversity. The UBE Group also has a great number of environment-friendly technologies and products, such as lithium-ion battery materials, gas separation membranes, ceramic powder and environment-friendly coating materials. Simultaneously, we strive to create new technologies and products to further expand UBE businesses that contribute to the environment.



Michio Takeshita.

Michio Takeshita
Ube Industries, Ltd. President and Group CEO,
Representative Director

Under the current medium-term management plan, we also set new core UBE Group values to be shared throughout the Group. I think that it is important that everyone in the Group be aware of these three values as they engage in their daily work.

- (1) Provide customers with added value as a manufacturer and contribute to global society
- (2) Create and enhance new value by actively seeking new challenges
- (3) Comprehend essential issues deeply and act swiftly, thoroughly and in a timely manner.

Dialogue with Employees

Top management continues to hold corporate briefings with the managers of each business location, as well as roundtable meetings for section heads, vice-heads and lower level managers.

In particular, since 2010 we have held more than 50 roundtable meetings with over 600 total participants. It is clear to me that these meetings have enabled a valuable exchange of opinions. Each location comprises a variety of operations, and the heads of each of these take part in the meetings. I think that this kind of assembly and exchange of opinions between people involved in different types of work is of great value.

Going forward, we will continue to hold these meetings in each location to further enhance mutual communication.

Promoting Diversity

In October 2013, the Human Resources Department established the Diversity Promotion Office. Recently, not a day goes by without hearing phrases like "utilizing women's abilities" and "diversity." The model of management that supported Japanese companies through the country's period of rapid economic growth, which assumed the life-long

employment of mainly Japanese men, is beginning to crumble in the face of globalization and changes in Japan's industrial structure and population pyramid.

In June 2013, the national government set a target of increasing the proportion of women in leadership positions to at least 30%. Currently, women make up 14% of UBE's employees, and hold just 3% of management positions.

Also with regard to diversity, the UBE Group's overseas sales ratio exceeds 30%, and is over 50% when looking at just chemicals and machinery. The overseas markets served by UBE and other Japanese companies in the past were mainly developed countries. Today, however, these markets have expanded to include emerging nations, making it necessary to operate in markets where needs are more diverse than we have encountered before. Clearly, this is an era for integration and collaboration among more diverse human resources and viewpoints.

Securing and maintaining top-class human resources is one goal of UBE's promotion of diversity. Because industry-specific factors make it relatively difficult to increase the ratio of women among our employees, we are not adopting the national target, but, taking a leaf from our facilities in Thailand, where many women hold important positions, it is important that we work to increase the hiring of women and make that hiring better known.

To more effectively use diverse human resources, we need to innovate and update our conventional modes of operation, work and communication. In doing so, it is most important that, in line with the core UBE Group values, each member of the UBE Group take it upon themselves to change and grow.

August 2014

Corporate Profile

● Corporate Information

Company Name: Ube Industries, Ltd.

Head Office: Tokyo Head Office

Seavans North Bldg., 1-2-1, Shibaura,
Minato-ku, Tokyo 105-8449, Japan

Ube Head Office

1978-96, Kogushi, Ube,
Yamaguchi 755-8633, Japan

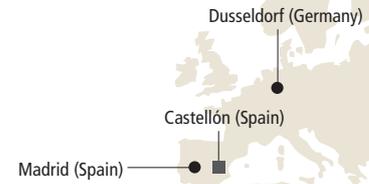
Founded: June 1, 1897

Consolidated: March 10, 1942

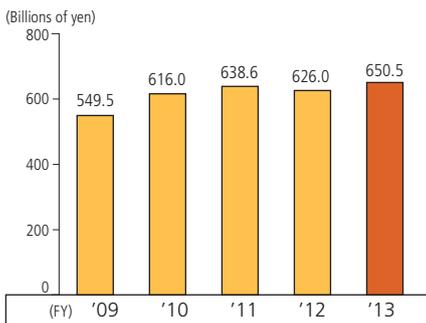
President and Group CEO: Michio Takeshita

Capital: ¥58.4 billion (as of March 31, 2014)

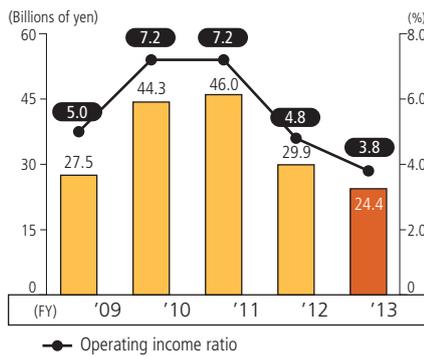
No. of Employees: 11,225 consolidated;
4,262 unconsolidated
(as of March 31, 2014)



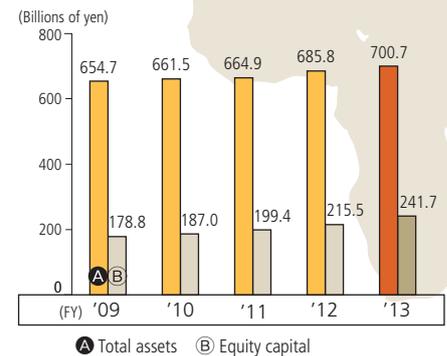
Net Sales



Operating Income and Operating Margin



Total Assets and Equity Capital



● Business Profile

The history of Ube Industries, Ltd. stretches back 117 years. Since beginning coal mining operations in Ube, Yamaguchi Prefecture, we have adapted to social and industrial change, continually innovating and evolving. Through all this, certain values at UBE—technology and innovation—have never changed.

Today, UBE is active around the world. We pursue business based on product manufacturing backed by innovative technologies and an entrepreneurial spirit that anticipates evolving needs and embraces change. These values are etched deeply into the entire Group and continue to be passed down.

The UBE Group's current businesses are centered on chemistry and range from cement and construction materials to machinery and metal products, pharmaceuticals, and energy and the environment. UBE's products and technologies in these fields are used in a wide variety of applications, from those close at hand, including home appliances, household goods, automotive components and pharmaceuticals, to such areas as infrastructure and state-of-the-art aerospace applications.

Segments



Chemicals & Plastics

UBE boasts world-class caprolactam production capacity, and its nylon resins are widely used in packaging materials and automotive components. Operating globally, UBE produces both types of products in three regions.

UBE's polybutadiene rubber is used by some of the world's top tire manufacturers and enjoys a strong reputation.

Ammonia and various other industrial chemicals as well as ABS resin and polyethylene for general-use plastics support industry and modern lifestyles across a variety of fields.



Specialty Chemicals & Products

UBE's specialty chemicals and products lineup includes lithium-ion battery electrolytes and separators, circuit substrates for flat-screen displays, heat-resistant polyimide resin for use in aerospace, and other advanced materials as well as a large number of such environment-friendly fine chemical products as waterborne paint and coating materials and raw materials, resin materials and fragrance materials. Demand for UBE's separation membranes is also growing for use in explosion prevention in the coal mining and oil fields. The Company's silicon nitride is used in bearings for wind power and machine tool applications.

Among the high-value-added materials and products made using UBE's unique technologies, UBE boasts a number of products not offered anywhere else as well as products with high market shares, a reflection of the UBE Group's technical strength.



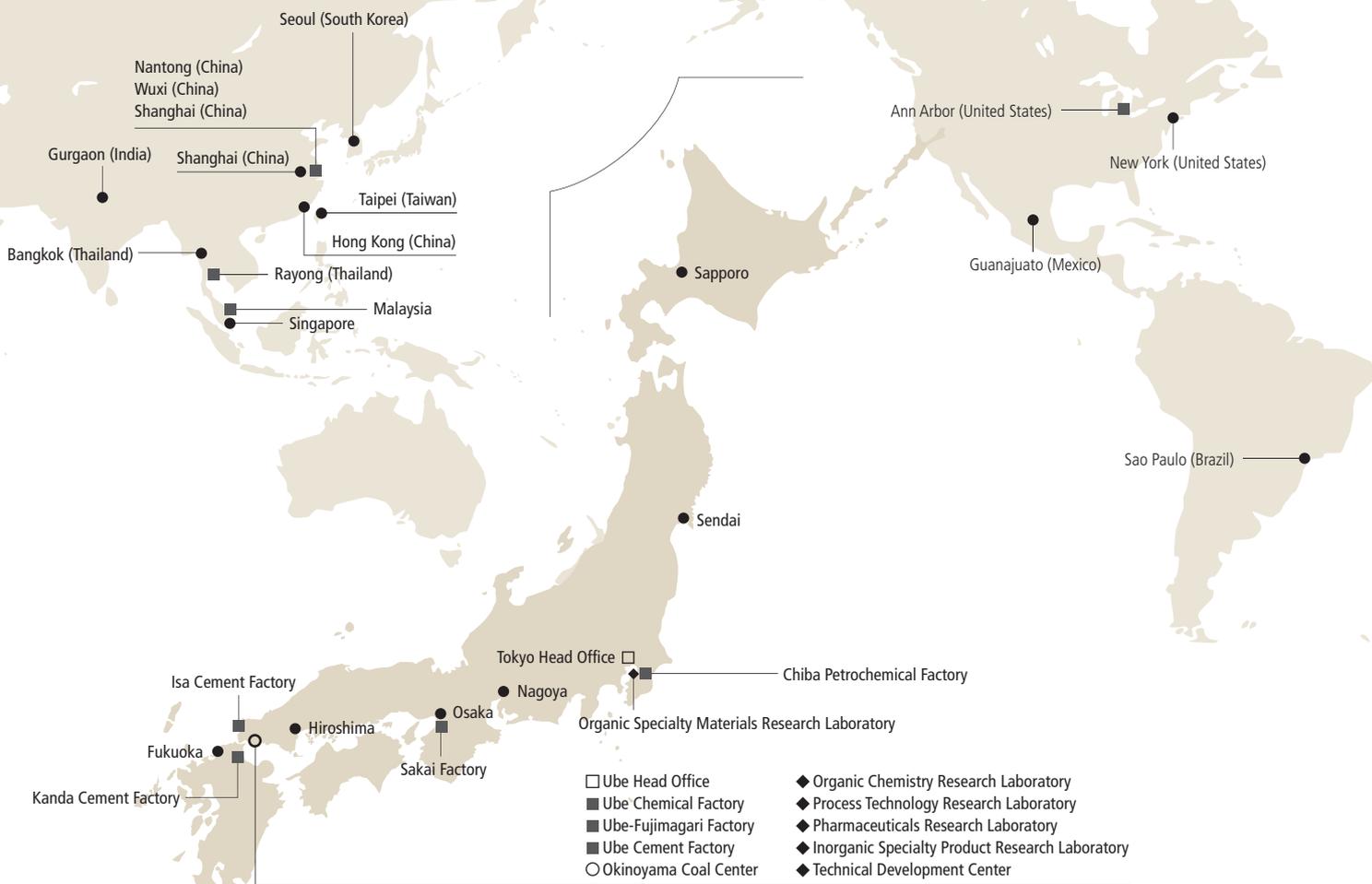
Pharmaceutical

UBE began pharmaceutical R&D in the 1980s, building on its abundant organic synthesis technologies nurtured in other businesses. Today, UBE partakes in drug discovery, developing active pharmaceutical ingredients in-house and in collaboration with other pharmaceutical manufacturers, as well as contract manufacturing of active ingredients and intermediates, in which the Company undertakes production process development and manufacturing on behalf of pharmaceutical companies. These two areas are the pillars of UBE's pharmaceutical business.

The UBE-produced anti-allergy agent **Talion**, (marketed by Mitsubishi Tanabe Pharma Corporation), antihypertensive agent **Calblock** (marketed by Daiichi Sankyo Company, Limited) and antiplatelet agent **Effient** (marketed by Daiichi Sankyo Company, Limited and Eli Lilly and Company) are already on the market, helping to improve users' health.

- Head office
- ◆ Research laboratory
- Factory
- Coal center
- Sales base (location)

Business Bases in Japan and Overseas



Cement & Construction Materials

The UBE Group responds to a wide range of needs in the areas of civil engineering and construction, constantly introducing excellent products to the market and expanding its trustworthy reputation.

Ube-Mitsubishi Cement Corporation provides a stable supply of UBE brand cement throughout Japan. From ordinary cement to specialty cement and solidification agents, UBE's broad spectrum of products supports the formation of infrastructure.

UBE's cement factories accept various waste materials for reuse as fuel. UBE also boasts an extensive lineup of construction materials. In recent years, seismic retrofitting using RC frames has been widely adopted in schools and other buildings.



Machinery & Metal Products

UBE brand molding machines and industrial machinery, including die-casting machines, injection molding machines and extrusion presses, enjoy an excellent reputation in the global market. UBE supplies die-casting machines primarily to the automotive industry in and outside Japan, and boasts a particularly outstanding global track record in large machines. The Company also has an industry-leading lineup of injection molding machines with mold clamping force ranging from 650 tons to 3,000 tons, among the strongest in the world.

By strengthening and enhancing the linkage of products and services, UBE is reinforcing its ability to meet the needs of customers in the global market while expanding its network of locations to emerging nations that promise growth, such as India and Mexico.



Energy & Environment

In addition to the UBE Group's overall energy infrastructure, which includes from coal-related businesses that provide a stable supply of imported coal and the supply of electricity from in-house power stations, the Group operates new energy businesses, such as the independent power producer (IPP) business and solar power (megasolar) business.

UBE's annual coal handling capacity is approximately seven million tons. The Okinojama Coal Center in Ube City is one of Japan's largest. UBE stores coal at the center. From there, it distributes coal to users throughout the country.

Furthermore, the UBE Group is actively engaged in the development of new biomass fuels, which are promising for their potential to reduce greenhouse gas emissions.

This is UBE's founding philosophy and core CSR concept and has been passed down for over 117 years

The Spirit of "Living and Prospering Together with Local Communities"

■ Promoting the Management Philosophy, "Living and Prospering Together" to Create Ideal Local Communities

Sukesaku Watanabe, the founder of UBE Kosan, was a businessman who loved his hometown. Strongly believing in the importance of maintaining close links with local communities while pursuing business development, Watanabe undertook various initiatives to upgrade the civil and social infrastructure of the region. Such initiatives included establishing an electric company that provided the region's first electric lighting, constructing water supply facilities and railroads, and setting up schools to foster the development of human resources. Sukesaku Watanabe's favorite phrase, "living and prospering together with the local community," forms the basis of the UBE Group's CSR activities.

■ Promoting the Management Philosophy "Creating Industries with Infinite Possibilities from the Finite Resources of Coal" to Foster a Frontier Spirit

Anticipating a future in which there would be no coal left to mine, Watanabe espoused the philosophy of "creating industries with infinite possibilities from the finite resources of coal" in order to ensure the continuing prosperity of local communities. Consequently, he focused his efforts on making the transition from the coal mining industry to new, developing industries. In particular, Sukesaku Watanabe had the foresight to use soil removed from mines to create waterfront landfills that could serve as industrial sites. In addition, he established harbor jetties and railroads while opening steel, cement and chemical factories. Such facilities form the foundation of the present UBE Group. In line with Watanabe's philosophy of taking on new business challenges, UBE cultivates a corporate culture that encourages a spirit of challenge that fosters a frontier spirit in every employee.

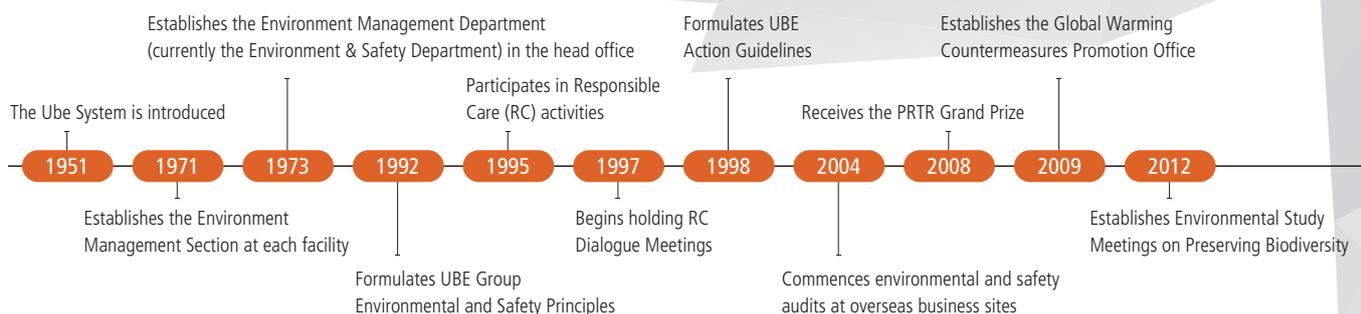
■ Undertaking the "Ube System" Pollution Prevention Initiative through Dialogue with Industry, Government, Academia and Citizens

Japan's period of rapid economic growth produced air and other types of industrial pollution in a number of places. Ube City was no exception. However with a spirit of autonomy that emphasizes independent action to protect one's community, in 1951 Ube City launched a pollution prevention committee chaired by the mayor and comprising representatives from industry (including UBE), government, academia and members of the city council. The proactive dialogue and information disclosure that took place among these parties led to the formulation of independent pollution prevention measures and constituted the beginning of what is now known as the Ube System. These efforts predated the Japanese government's Environmental Pollution Prevention Act by 15 years.

During a visit to the United States around that time, then UBE Vice President Kanichi Nakayasu was astonished to find out how the city of Pittsburgh had solved its severe air pollution problem in a very short time period. Having studied this accomplishment, immediately upon his return to Japan Nakayasu began promoting an environmental pollution initiative spearheaded by measures to control dust emissions. Ever since, the UBE Group has steadily implemented voluntary environmental preservation measures at all Group factories.

In 1997, Ube System environmental protection initiatives were globally recognized, with Ube City being awarded the Global 500 Award by the United Nations Environmental Programme (UNEP).

Environmental Protection and Safety Initiative



Prospering Together with

Group Vision:

Wings of Technology and Spirit of Innovation

This is the heritage 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.

The UBE corporate philosophy, "living and prospering together with the local community," and a spirit of unremitting self-reform comprise the UBE Group vision. This Group vision is being passed along to every employee. The UBE Group's strengths lie in business activities centered on product manufacturing through the use of original technology as well as a proactive approach that meets the needs of the age. Expanding these strengths worldwide, we will work to realize sustainable development around the globe with the aim of achieving global coexistence.

The UBE Group works to achieve sustainable business and social development by positioning its **Basic CSR Policy** at the center of its business activities. In so doing, we are fulfilling our responsibility to maintain coexistence between business and society. In addition, we adhere to the **UBE Action Guidelines** in order to realize proactive CSR activities and, in turn, attain the trust of all stakeholders.

UBE Group Basic Policies 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

Established July 2005

Nine Chapters of the UBE Action Guidelines

Chapter 1 Corporate Mission and Social Responsibility

We will strive to create new value and achieve sustainable growth as a corporation while actively fulfilling our corporate social responsibilities to contribute to the sound growth of society.

Chapter 2 UBE Group and the Law

We will comply with applicable legislation and our company regulations, conducting ourselves as a member of a sound society. We will refrain from any ties or transactions with antisocial forces, and will not bow to the unreasonable demands of antisocial forces.

Chapter 3 Business Activities and Creating Value

We will develop and supply technologies, products and services that are safe and serve useful purposes, in order to earn the confidence of the public.

Chapter 4 Fairness and Integrity

We will strive to promote fair and open competition while executing our work with integrity as we pursue our business activities both at home and abroad.

Chapter 5 Safety and the Environment

We are committed to safety, and will actively and voluntarily implement initiatives to conserve the global environment as an issue facing all humankind.

Chapter 6 UBE Group and Human Rights

We will respect human rights and create healthy and positive workplaces that are comfortable to work in, as we pursue our business activities both at home and abroad.

Chapter 7 UBE Group and Information

We will strive to protect information and engage in appropriate disclosure of corporate information, while actively and thoroughly facilitating communication with society.

Chapter 8 UBE Group and the International Community

We will contribute to the growth of the regions we are involved in, as a member of the international community.

Chapter 9 Summary: Building a Firm Foundation of Corporate Ethics

We will build a firm foundation of corporate ethics, based on the Ube Action Guidelines and through close cooperation between UBE Group companies and our business partners.

Revised July 2009

01 CSR Management

CSR Promotion Initiatives

CSR is an approach to corporate management that defines such management as a company's actions to fulfill its role as a member of society.

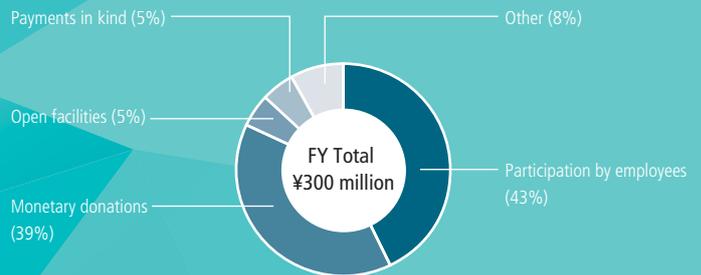
The UBE Group's CSR activities encompass increasing the Group's corporate value and purpose; ensuring sustainable growth; deepening the confidence of stakeholders and broadly working to coexist harmoniously with society through day-to-day dialogue with its stakeholders; and globally expanding the scope of "growing and prospering together," the Company's founding philosophy, through business activities going forward.

● The Group CSR Committee

CSR activities are promoted by the Group CSR Committee, which is composed of members of the Group Strategic Management Committee and chaired by the Group's CEO. In line with the Group's Basic CSR Policies, the Group CSR Committee makes decisions on and revises important matters related to CSR activities and assesses the results of the Group's CSR-related activities. Under the Group CSR Committee are six specialized committees,

namely the Compliance Committee, the Competition Law Compliance Committee, the Information Security Committee, the Restricted Cargo and Export Management Committee, the Crisis Management Committee and the CSR Promotion Committee. Each of these undertakes deliberations, reporting and revisions related to concrete action plans.

Breakdown of Spending on Social Contribution Activities in Fiscal 2013 (By Type)



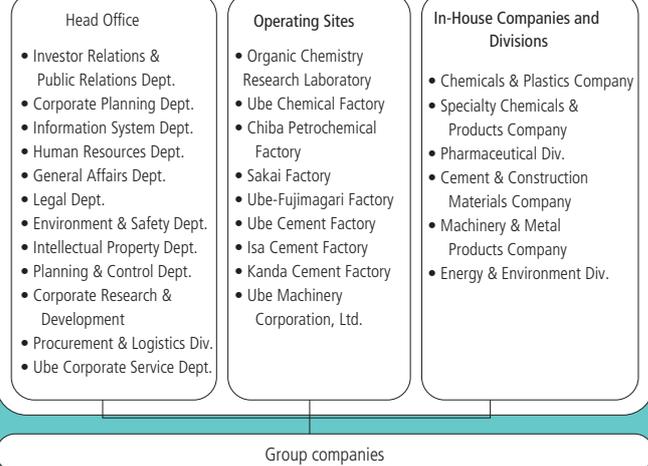
Group CSR Committee

CSR Promotion Committee

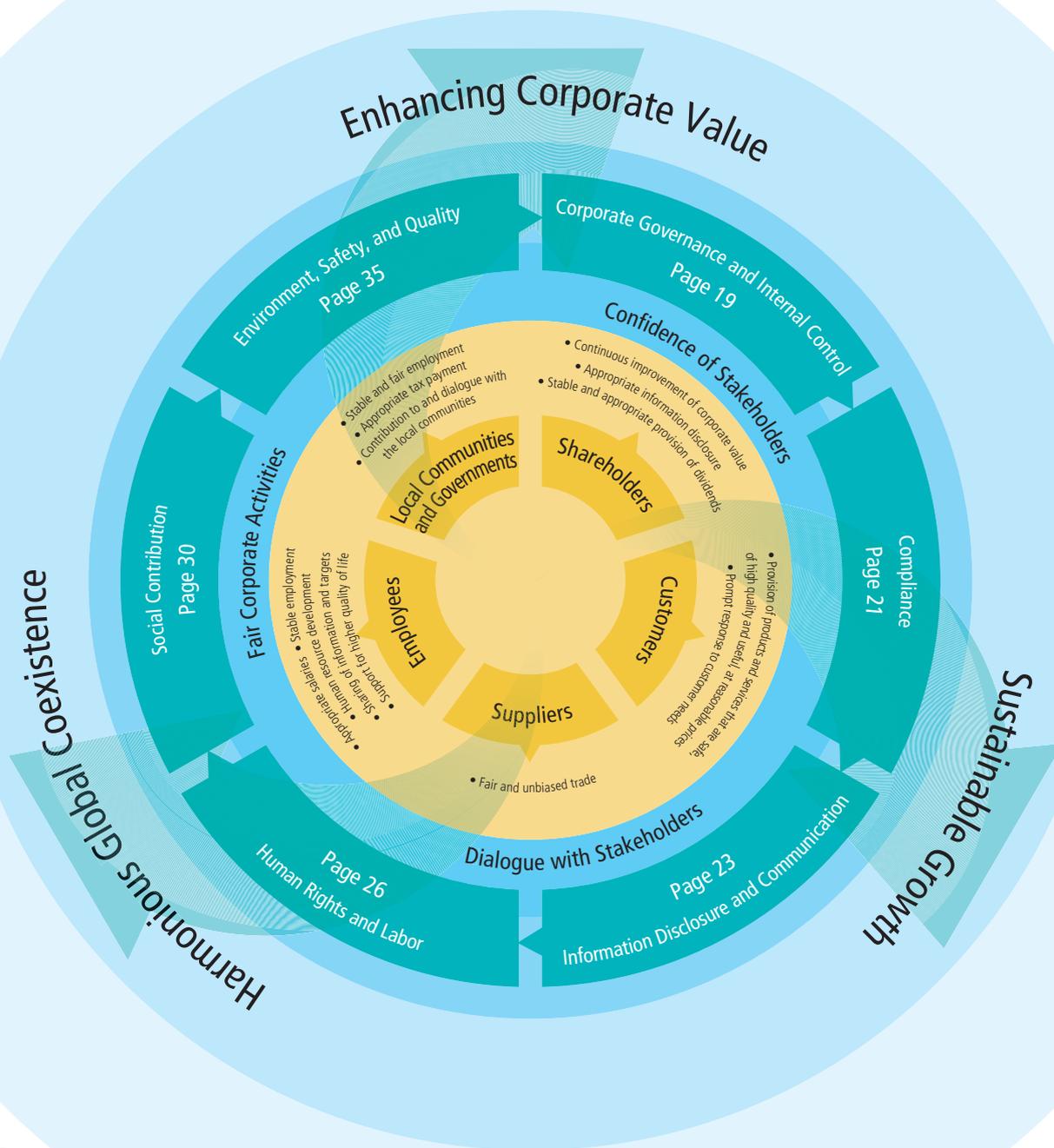
Group CSR Committee
Committee Chair: Group CEO (President)



CSR Promotion Secretariat



Expanding the Scope of Living and Prospering Together That is the UBE Group's CSR.



The concentric circles and outward pointing arrows of this diagram convey the concept of globally expanding the scope of living and prospering together, UBE's founding philosophy, through daily business.

In the center circle (in yellow) are the five stakeholder categories and UBE's mission with regard to each.

To address the six CSR issues of concern to stakeholders (in the teal ring), the UBE Group always conducts fair business activities and works to deepen stakeholder confidence through regular dialogue.

UBE believes that the organic operation of these separate CSR activities will contribute to enhancing corporate value, sustainable growth and harmonious global coexistence.

Corporate Governance and Internal Control

- [Basic Policies]
- To establish highly transparent corporate governance and an efficient and disciplined system of execution
 - To ensure ongoing business operations by formulating a business continuity plan (BCP)

● Initiatives to Establish and Maintain Corporate Governance

Board of Directors

Two outside corporate directors have been appointed to the Board of Directors to bring a third-party perspective to decision making, thereby ensuring transparency and objectivity in management. Composed of seven corporate directors, of whom two are appointed from outside the Company, the Board of Directors is chaired by a director who, in principle, is not an executive officer. In addition, UBE has positioned a Nominating Committee and an Evaluation and Compensation Committee as subsidiary entities of the Board of Directors, allowing greater flexibility in the activities of the Board. Both of the committees are chaired by outside directors.

Executive Officer System

In June 2001, UBE adopted an executive officer system with the aim of separating governance and management functions. The management team currently consists of 24 executive officers, of whom four are also directors. Executive officers carry out business operations in accordance with management policies determined by the Board of Directors, using authority delegated to them by the President and Representative Director. To realize flexible personnel matters with regard to directors and fully enforce a performance-related rewards system, corporate director and executive officer terms of service are set at one year.

Audit System

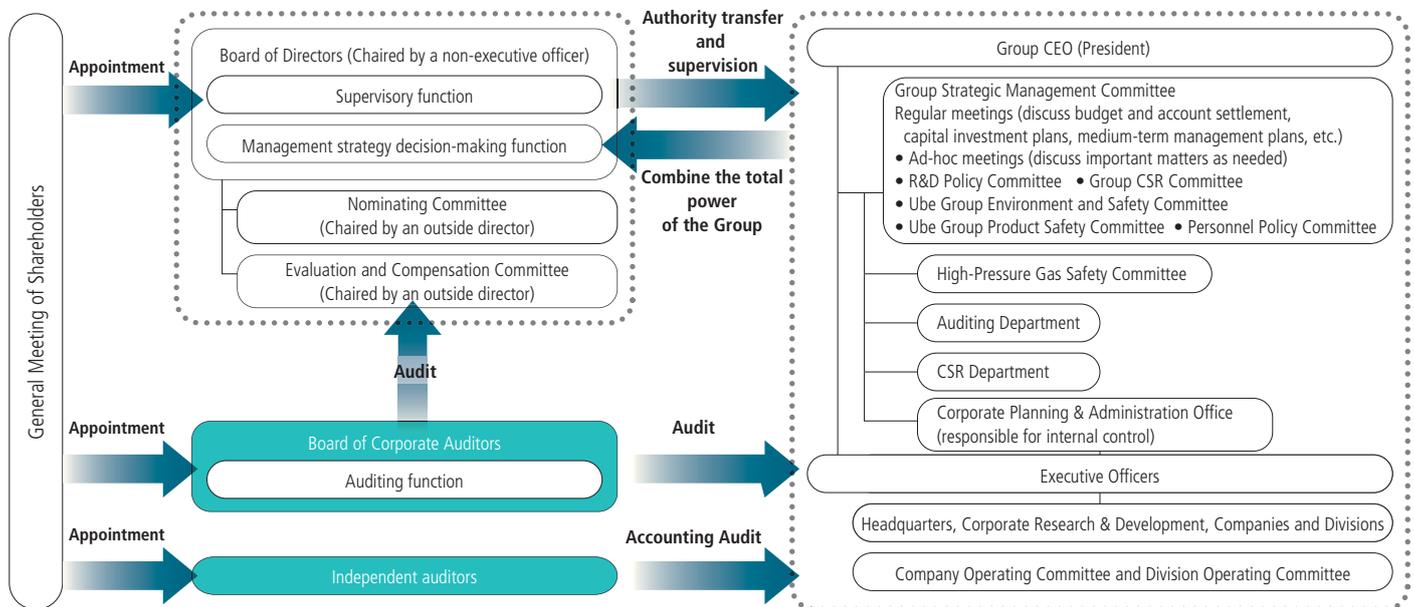
Internal audits are conducted by UBE's Auditing Department, which reports

directly to the President as an independent organization. Audits cover the entire UBE Group, including UBE's overseas subsidiaries. By checking the status of internal control and compliance with laws and regulations as well as adherence to manuals, UBE endeavors to identify potential risk across all areas of its business activities. Moreover, as a member of companywide risk management organizations, such as the Compliance Committee, the head of the Auditing Department collaborates with each committee and works to strengthen risk management systems.

The corporate auditor organization consists of four corporate auditors, of whom two are appointed from outside the Company. The task of corporate auditors is to ensure that directors and executive officers perform their duties appropriately by attending important meetings, including meetings of the Board of Directors, by examining important approval documents and by receiving reports on operations from directors and other officers.

The corporate auditors and the Auditing Department regularly exchange information and work in close cooperation with each other; for example, when the auditors conduct audits, some of the Auditing Department staff may accompany and support them as required. The corporate auditors also regularly meet the independent auditors to hear about their auditing plans and the status of implementation. In addition to receiving audit reports from the Group's corporate auditors, audit training sessions and exchanges of opinions are held regularly for the purpose of improving the quality of the audits.

Corporate Governance Structure



Decision-Making System

● Board of Directors

On behalf of shareholders, the Board of Directors discusses and makes decisions on the issues provided for by the Companies Act, the basic policies of the Company and important executive issues from medium- to long-term perspectives.

● Group Strategic Management Committee

The Group Strategic Management Committee is responsible for discussing and making decisions on key matters concerning resource allocation, items that need to be adjusted from an overall Group perspective, and other key matters that affect the Group as a whole in accordance with the Group Management Guidelines and Group Strategic Management Committee rules.

● Company Operating Committee and Division Operating Committee

The Company Operating Committee and the Division Operating Committee are responsible for discussing and making decisions on key matters, such as business strategy, at their respective levels. They engage in these activities for Ube Industries and other UBE Group companies in accordance with the Group Management Guidelines and Company/Division Operating Committee rules that govern their operations.

● Risk Management Systems

The UBE Group is developing and reinforcing its risk management systems so that it can identify and assess the probability and impact of risks that might prevent the attainment of its business objectives and implement appropriate risk countermeasures.

In order to deal with specific types of risks, we have established the UBE Group Environment and Safety Committee and UBE the Group Product Safety Committee, which address issues related to environment and safety, and product safety, respectively. Specifically, for the entire Group, these two committees formulate and actively implement policies. In addition, the Group has established the following committees to deal with individual risk categories.

Information Security Committee

Due to the digitization of a wide range of information, companies are facing the risk of information leakage, falsification and loss, and these risks can have a serious influence on their corporate activities.

In 2002, the UBE Group established the Basic Information Security Policy to ensure information security, and it is raising employees' awareness of the policy and monitoring their compliance. We have also established information security rules and regulations to ensure appropriate information management.

In addition, UBE provides yearly information security training via e-learning for all employees as well as opportunities to learn about the latest information security measures.

Restricted Cargo and Export Management Committee

We constantly reinforce awareness within the Group of the fact that the basic requirement of export management is to prevent the illegal export or supply of goods and technologies that are subject to export controls under laws and regulations designed to maintain international peace and stability, such as Japan's Foreign Exchange and Foreign Trade Act.

Crisis Management Committee

In order to deal with environment- and safety-related accidents and disasters, including those at factories, and occupational injuries, the UBE Group has established crisis management regulations, a crisis management manual and other measures to respond to emergencies that could occur either in Japan or overseas. Through such measures, the Group maintains a system that enables rapid and appropriate responses to a variety of incidents, thus minimizing the impact on its business operations. Moreover, the Overseas Crisis Management committee has been established within the Crisis Management Committee to take charge of crisis management for employees who are on business trips or working overseas.

● Business Continuity Framework: BCP*¹ and BCM*²

The UBE Group strives to minimize the impact of unexpected events on corporate activities and on stakeholders. Specifically, the Group has established a business continuity plan (BCP) and promotes business continuity management (BCM), putting in place advance safety measures and performing drills, and verifying, evaluating and reviewing such activities to enhance the effectiveness of the BCP.

In terms of preparedness for a major earthquake directly below the Tokyo metropolitan area or the Tokai, Tonankai and Nankai regions that lie south of it, every year we conduct field drills at the head office and branches and review the BCP. We hold monthly disaster response BCP briefings to promote the sharing of the BCP among all management and employees and incorporate the opinions and suggestions of employees into revisions of the BCP.

To prepare for outbreaks of infectious disease, we have updated the Group's manual for responding to future outbreaks of new influenza strains, which lays out the Group's policy, in line with the countermeasure guidelines based on Japan's Special Measures Act to Counter New Types of Influenza Governmental Action Plan, enacted in 2013. We are also advancing appropriate revisions to the BCP.

Furthermore, considering the enormous impact of industrial disasters, we are developing a Companywide response structure for dealing with the unlikely event of an explosion, fire or other such incident at an UBE factory, and plan to expand this structure to the entire Group in the near future.



BCP briefing about response to an earthquake directly below the Tokyo Metropolitan Area (Tokyo Head Office)



BCP response drill for an earthquake directly below the Tokyo Metropolitan Area (Tokyo Head Office and Ube Head Office)



BCP drill for response to an earthquake in the Tokai, Tonankai or Nankai regions (Nagoya Branch)

Glossary

*1. BCP (business continuity plan): A plan made to minimize the suspension of business in the event of a disaster and to recover its functions as early as possible to ensure business continuity.

*2. BCM (business continuity management): Continuous management to improve responsiveness to crises and help BCPs take root within the organization through such activities as regular drilling in order to evaluate and improve the effectiveness of BCPs.

01-2 Compliance

[Basic Policies]

- To comply with corporate ethics and social norms without fail
- To eliminate the presence of antisocial elements
- To comply with laws, regulations and contractual obligations

● Measures to Ensure Compliance

No matter how profitable a company may be, if it is engaged in improper behavior, it will lose the trust of society and eventually be forced out of the market. As such, it is vital for companies to place sure compliance with laws and regulations, corporate ethics and social norms at the core of business activities.

To ensure compliance, the UBE Group maintains a system of responsibility as well as education and information provision systems for officers and employees and internal consultation and notification systems. Through these measures, the Group has created a framework to prevent compliance violations and, in the rare event that a violation occurs, quickly correct it.

● Clarifying and Increasing Awareness of Guidelines That Ensure Compliance

Increasing Awareness of UBE Action Guidelines (see page 16)

The UBE Action Guidelines have been established as behavioral standards for all Group employees and executive officers. The Group posts the guidelines along with easy to understand explanations on its intranet and distributes a booklet version to all executive officers and employees so that officers and employees can refer to the Guidelines at any time in the course of their work. The Group has also created a case example guidebook available via the Group's intranet that gives concrete details on how to respond in specific situations that employees are likely to encounter, and provides opportunities for employees to enhance their awareness of compliance issues.

Measures to Eliminate Antisocial Elements

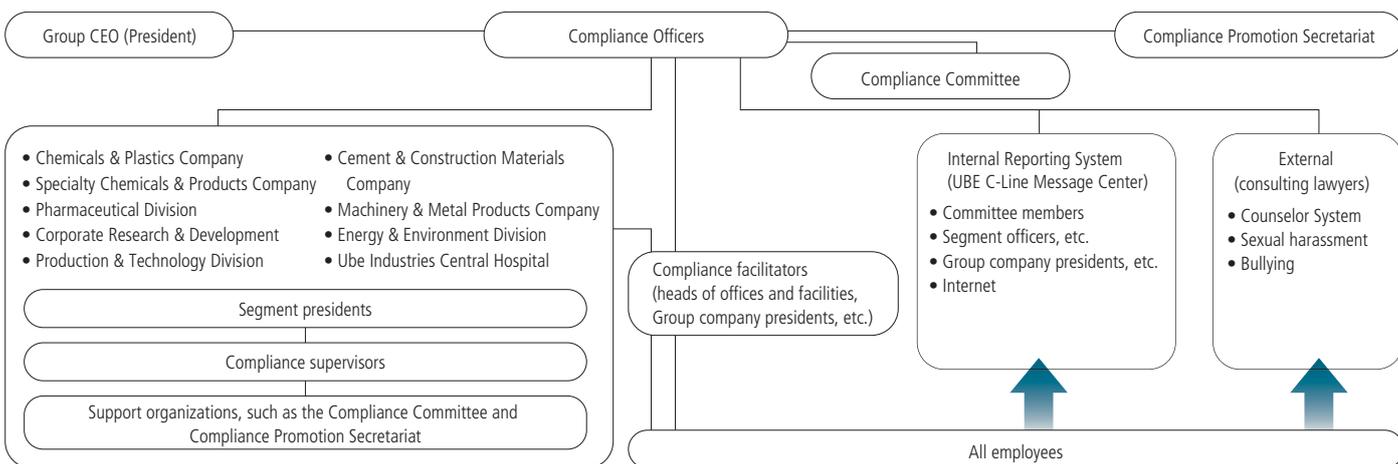
Through its website, the UBE Group clearly states its Basic Policy with Regard to Anti-Social Elements to the Group and the world. The Group takes measures to ensure that even in the event of unintentional dealings with antisocial elements it can end such relationships as soon as the antisocial elements are identified, for example by including cancellation clauses in contracts. Furthermore, the Group has created and updates a response manual for front-line personnel and conducts training for the employees of sales and procurement divisions. Through these and other measures, UBE maintains a system that provides organizational backup to prevent personnel from being exposed to danger in the process of cutting off relations with antisocial elements.

● Organizational Structure for Ensuring Compliance

Clarifying the Individuals and Departments Responsible for Ensuring Compliance

To unify measures to ensure compliance across the Group, UBE has appointed three executive officers as compliance officers (COs) and established the Compliance Promotion Secretariat to plan and execute compliance-related measures. The Compliance Committee acts as a consultative body for the COs, discusses important issues related to compliance and checks whether compliance measures are being implemented appropriately. Furthermore, each division and office has its own compliance committee, as part of a system in which each organization proactively works to ensure its own compliance.

Compliance System



Overview of Systems Ensuring Compliance

● Compliance Officers (CO)

Three executive officers have been appointed as Compliance Officers (one of whom was appointed as Chief Compliance Officer). Their task is to promote and ensure compliance throughout the UBE Group by supervising compliance-related activities.

● Compliance Committee

The Compliance Committee advises the Compliance Officers and deliberates on important compliance-related issues. To ensure transparency, a legal adviser (a consulting lawyer) has been invited to serve as an outside committee member.

● Compliance Promotion Secretariat

This unit administers compliance-related activities under the direction and supervision of the COs.

System to Ensure Fair Competition

(The Competition Law Compliance Committee, Liaison Conference for the Act against the Delay in Payment of Subcontract Proceeds, etc., to Subcontractors)

The UBE Group is advancing initiatives to promote compliance with competition law (specifically, the Antimonopoly Act) and the Act against the Delay in Payment of Subcontract Proceeds, etc., to Subcontractors, and other legislation aimed at ensuring fair transactions and free competition. In April 2014, the Company revised its competition law compliance rules, appointed personnel in charge of ensuring compliance with competition law to sales and procurement divisions, and established the Competition Law Compliance Committee to discuss issues related to competition law. In addition, the Liaison Conference for the Act against the Delay in Payment of Subcontract Proceeds, etc., to Subcontractors, which comprises relevant personnel from procurement, manufacturing and legal divisions, is held annually to discuss and exchange information about violations published by the Japan Fair Trade Commission and measures to prevent violations.

● Initiatives to Prevent and Rapidly Rectify Violations

Providing Information on Compliance

On its intranet, the UBE Group has set up a compliance page that is accessible to Group officers and employees. Explanations of important items and information about revisions to relevant laws are posted on this page.

Training Via e-Learning

Twice a year, we hold online training sessions that focus on actual compliance-related incidents that have happened or could happen within the Group. The materials used are updated every year, and cover themes ranging from issues important to all executive officers and employees, including bullying, sexual harassment, copyright infringement and confidential information leaks, to more specialized problems, including waste treatment, the handling of regulated cargo and unfair subcontractor transactions. Materials from past sessions are available on the Company intranet so that employees may review them at any time.

Compliance Workshops

To help spread and enhance compliance awareness, we hold workshops at Group offices and facilities led by personnel in charge of compliance. In fiscal 2013, these workshops were held 12 times for employees of Group companies, and 217 employees participated.

Awareness Raising and Training on Individual Laws

To ensure compliance, both compliance awareness and a correct understanding of the rules are necessary. The UBE Group holds regular annual training on such themes as the Antimonopoly Act, the Act against the Delay in Payment of Subcontract Proceeds, etc., to Subcontractors and the Unfair Competition Prevention Act, as well as training, on an as-needed basis, for managers of offices and facilities to deepen understanding of bullying, sexual harassment and labor management rules. In addition, UBE held briefings on the Act Concerning Special Measures for Pass-on of Consumption Tax, promulgated in fiscal 2013, mainly for relevant personnel from procurement divisions.

Consultation Centers

The departments in charge of the environment, intellectual property and other such areas of concern have been designated as consultation centers for their respective areas. By making it easy to inquire about concerns that may arise in the course of ordinary business, UBE expects this system to help nip compliance violations in the bud.

Internal Reporting System

We have established compliance hotlines (the UBE C-Line) inside and outside the Group, that allow executive officers, employees and temporary workers to immediately report compliance-related problems should they occur. Reports received through UBE C-Line are handled by the Compliance Promotion Secretariat, which works in cooperation with the parties involved to conduct rapid and careful fact gathering and work toward a solution.

Number of Internal Notifications in Fiscal 2013

Classification	Number of cases
① Human relationship issues in the workplace (bullying, sexual harassment, etc.)	5
② Business conduct issues in the workplace (improper actions)	2
③ Combinations of (1) and (2)	2
④ Other	2



Takeno Kikyo

Procurement Department,
Procurement & Logistics Division

Striving to Abide by the Law when Doing Business

To maintain and cultivate the relationships of trust we have built up with our suppliers, those of us in procurement operations always prioritize legal compliance and moderation in price negotiations while making sure to allow ample time when managing delivery dates. We deal with both large and small suppliers, and we are particularly careful with smaller companies, maintaining an awareness of relevant laws in our interactions. In fiscal 2013, we optimized our warehousing inventories, which changed the way we operate, and we were careful to avoid asking our business partners for more than they could reasonably provide. I used to not get around to considering legal issues much in the course of my ordinary work, but through legal training in and outside the Company and e-learning courses, I gradually began to question the way I had been doing things and look for a better approach. Now, when something seems off, however small it may be, I try to never leave it be, but consult the legal department and find a way to improve the situation. Going forward, making sure that we can respond as an organization to frequently changing laws will be a major task for us. As a member of the UBE Group, I hope to continue to fulfill my social responsibility by approaching my work with an awareness of CSR.



01-3

Information Disclosure and Communication

- [Basic Policies]
- To disclose information to stakeholders appropriately and in a timely manner and expand communication channels
 - To appropriately manage information

● Relationships with Shareholders and Investors

Interactive Communication through IR Activities

UBE always conducts its IR activities in good faith, striving to promote understanding of the UBE Group's management strategy and business conditions in capital markets and to implement transparent management in order to earn the trust of the market. To this end, we are disclosing information in a timely, appropriate and fair manner. In addition, we are actively increasing opportunities for interactive communication with market participants, such as shareholders, investors and securities analysts, thereby promoting mutual understanding and incorporating market perceptions and evaluations into our management.

The following were the main IR activities conducted in fiscal 2013.

- Results briefings for institutional investors and securities analysts (Held after full-year results were announced)
- Web-based conferences for institutional investors and securities analysts (Held on the days that quarterly results were announced)
- Overseas IR (Individual visits to institutional investors in Europe, the United States and Asia: Three times)
- Small-scale meetings held with the President (Three times)
- Individual meetings with institutional investors and securities analysts (Approximately 200 during the year)
- Facility tours and business briefing sessions (One time each)

UBE creates many opportunities for direct dialogue with investors in and outside Japan, including conferences and individual meetings. In addition, UBE also provides a wide range of information through its website.

Furthermore, in the semiannual *UBE Business Report*, UBE's business content and strategies are explained in an easy to digest format. UBE will continue to adhere to its commitment to timely, appropriate and fair information disclosure, and it will enhance interactive communication with stakeholders.



Analyst briefing

Ordinary General Meeting of Shareholders

UBE holds its ordinary general meeting of shareholders in Ube City, Yamaguchi Prefecture, where the Company was founded, in late June of every year. More than 1,000 shareholders attend this meeting each year. With the aim of creating an open, easy to understand event, we hold business briefings after the meeting that help shareholders understand UBE's business, including a brief explanation by the president of what progress has been made in the medium-term management plan.

Dividend Policy

UBE regards the payment of dividends to shareholders as an important responsibility to be fulfilled by the Company for its shareholders and makes it a fundamental policy to pay dividends at a level that is commensurate with its earnings results. At the same time, we must also bear in mind the need to maintain an adequate level of retained earnings in order to ensure future business development and secure profits for shareholders on a medium- and a long-term basis. We determine the amount of dividends to be paid to shareholders based on these overall considerations. In line with the medium-term management plan, we are aiming to increase the payout ratio to more than 30%.

In fiscal 2013, UBE paid dividends of ¥5 per share.

Ratings

Under the previous medium-term management plan, UBE set "sustained improvement of its financial position" as one of its key management priorities, and, as a result, its financial indicators have steadily improved. UBE's current rating with the Japan Credit Rating Agency, Ltd. and that with Rating and Investment Information, Inc. are both A-.

Socially Responsible Investment (SRI) Index Rating

UBE has been selected by the FTSE4Good Global Index, a leading SRI index, since 2004. This index measures the performance of companies that meet globally recognized corporate responsibility standards in terms of environmental measures as well as employment, labor and human rights issues and is thus important as an investment selection standard for investors deeply concerned with CSR. In addition, Morningstar Japan K.K. has selected UBE to be included in the "Morningstar Socially Responsible Investment Index" (MS-SRI) since 2009. In this SRI index, the social character of companies is comprehensively rated in the four areas of corporate governance, the environment, social contributions and use of human resources. Out of some 1,000 companies evaluated in 2013, UBE was one of 150 selected for inclusion in the index.

● Intellectual Property Initiatives

Patents and other intellectual property (IP) are a source of competitiveness for UBE. Aiming to construct and utilize a stronger network of patents, UBE's Intellectual Property Department maintains a global IP management system encompassing all Group companies. Currently, we have formed IP service contracts with our facilities in Thailand and Spain, and are cooperating on patent applications, patent searches and IP education.

At the end of fiscal 2013, patents held by the UBE Group in Japan numbered approximately 1,550, and those in other countries totaled about 1,400, while trademarks registered in Japan came to around 330 and those outside Japan totaled about 240. This intellectual property network forms the base of the UBE Group's business operations. UBE files over 400 new patents in Japan per year. These patents are aimed not just at reinforcing UBE's current businesses, but also at actively creating a base for R&D activities that will contribute to new businesses in the future.

● UBE Engages in Purchasing That Thoroughly Adheres to Its Purchasing Policies

Approach to Green Purchasing*1

In line with the Law on Promoting Green Purchasing, the UBE Group encourages its employees to choose eco-friendly products when purchasing stationery goods, copy paper, work uniforms, toner and other supplies. We aim to increase the use of eco-friendly copy paper to 100%; UBE's percentage already stands at over 99%, while the UBE Group's percentage stands at 74%. In addition, vegetable oil-based ink has been used to print this CSR report on paper certified by the FSC.*2 The UBE Group's green purchasing rate stands at 72%.

Measures Concerning Green Procurement

Under its previous medium-term management plan, the Group established a CSR procurement policy*3 and guidelines that it published on its website in March 2013. Under the current medium-term management plan, we will advance CSR procurement to effect improvements at all stages of the supply chain.

Basic Purchasing Policies

Fair and Unbiased Transactions

We are committed to treating our suppliers in a fair and unbiased manner based on free competition and constantly search for opportunities to deal with new suppliers. We will cooperate with suppliers on a fair and equal footing and promote mutual understanding and relations of trust on a long-term basis.

Objective Selection of Suppliers

We will choose suppliers from the viewpoint of economic rationality by comprehensively examining their quality, prices and delivery schedules.

Compliance with Laws and Regulations, and Confidentiality

We will comply with all relevant laws and regulations and with social norms, and we will protect all the confidential information obtained in our purchasing activities.

Green Procurement and Purchasing

We will give due consideration to environment-friendliness in our product selection and purchasing activities.

CSR Procurement

UBE is advancing CSR procurement at all stages of the supply chain, including with suppliers, to increase its social credibility.

The UBE Group gives priority to suppliers that meet the following criteria.

- Have in place an internal framework for promoting CSR
- Emphasize quality and maintaining a stable supply
- Conduct business in a fair manner that honors corporate ethics, laws and societal standards
- Prioritize environmental considerations
- Exercise respect for human rights and safety and hygiene management
- Emphasize contributing to and communicating with society as well as information management and disclosure

● Internal Communication

With the aim of improving its CSR, the UBE Group encourages internal communication. We convene corporate briefings for corporate officers and managers as well as roundtable meetings for corporate officers and employees. The casual exchange of opinions among participants is characteristic of these gatherings. In fiscal 2013, we held corporate briefings 13 times, with 1,611 participants, and roundtable meetings 16 times, with 148 participants. In addition, the Group utilizes its intranet, internal publications and other forms of communication to deepen mutual understanding. Such efforts foster a sense of unity within the Company and increase employee morale.

● Communication with Local Communities, Society, Government and Individual Organizations

Responsible Care (RC)*4 Regional Dialogue Meetings

The local member companies of the Japan Chemical Industry Association (JCIA) RC Committee hold RC Regional Dialogue meetings every two years, and every year in the Ube district, with the purpose of building relationships of trust with local residents.

We held the 11th annual RC Regional Dialogue meeting in the Ube district in January 2014. Following an explanation of RC activities undertaken in the last year by participating companies, there were presentations on various topics, including presentations from the JCIA's Responsible Care Committee about the history and principles of responsible care and from the Ube City Disaster and Crisis Management Office about public relations systems serving local residents. Afterward, group discussions on expectations for local chemical companies were held. Additionally, 9th annual RC Regional Dialogue meetings were held in the Yamaguchi western district and the Sakai/Senboku district in November 2013 and February 2014, respectively.

Takaya Higuchi

Associate Professor, Yamaguchi University



Looking Forward to the Continued Evolution of Dialogue Meetings

The 11th annual Ube District Dialogue Meeting, held in fiscal 2013, was a success thanks to the high level of awareness and mutual cooperation between UBE and other companies, local residents, the city and other related parties. Because these dialogue meetings are held for members of the local community, it is important to continually improve the way they are organized from the perspective of residents. I hope that these dialogue meetings will become even more approachable for residents through the use of accessible language and straightforward discussions that they can easily take part in.

Guest Message

Glossary

*1. Green purchasing: To purchase products and services that have minimal environmental impact from suppliers who are committed to reducing their environmental impact, considering not only the quality and price of the products, but also the environment

*2. FSC: Forest Stewardship Council

*3. CSR Procurement: The procurement of goods and other items by companies using a set of criteria based on the status of supplier's CSR measures.

*4. RC: Responsible Care. See page 36.

Tours of Local Industrial Facilities

The UBE Group once again participated in tours of local industrial facilities entitled "Social Tours for Grownups" in fiscal 2013. These tours are conducted by a local council established to promote industrial tourism in the cities of Ube, Mine and Sanyoonoda. Various tours were undertaken at UBE Group facilities, with 1,171 participants. Activities included a tour showcasing the production of cement (Isa Cement Factory and highlighting roads used exclusively by UBE) and another highlighting the Okinoyama Coal Mine and its founder Sukesaku Watanabe (UBE-i-Plaza and the Okinomiya Coal Mine electric powered mine shaft).

Participation in Local Events (Main Events)

UBE's offices and facilities participate in various local events to promote harmonious coexistence with local communities.

Chiba Prefecture: 2013

May: 292 employees participated in Challenge Day 2013*

June: 12 employees participated in the Goi-Rinkai Festival

*Challenge Day: Part of World Challenge Day, a community sporting event held annually around the world on the last Wednesday of May (Organized in Japan by the Sasakawa Sports Foundation)

Yamaguchi Prefecture: 2013

July: 123 employees from the UBE Group competed in 13 teams in the 20th Annual Ube City Marine Day Cutter Race.

August: 31 employees from the UBE Group participated in the 25th Annual Ammonite Festival (Mine City).

October: UBE group companies presented exhibits at the Kirara Product and Exchange Fair 2013 and Yamaguchi Ikiki Eco Fair, two of the largest such events in Yamaguchi Prefecture.

November: More than 1,000 participants, comprising UBE Group employees and their families, participated in the 62nd Ube Festival.

Hosting Local Events

The Ube Chemical Factory held the Eighth UBE Chemical Summer Festival in August 2013, welcoming more than 3,000 people, including nearby community associations. The lively event featured a stage show and *yosakoi* dance by UBE employees as well as a performance by the UBE Kosan Mixed Chorus Group.

Business Facility Tours

We invite various stakeholders, beginning with nearby schools, to tour our business facilities. In fiscal 2013, the number of people participating in tours at the Company's comprehensive information center in the Ube District, UBE-i-Plaza, reached 7,891. In July 2013, the Chiba Petrochemical Factory held a facility tour for 107 local elementary school students. Between June and November 2013, the Sakai Factory also held facility tours for 137 students attending three nearby technical high schools.



Factory tour for elementary school students (Chiba Petrochemical Factory)

Volunteering in Afforestation and Flower Campaigns

In November 2013, the UBE Group participated in the Sixth Forest Creation Experiential Activity for Water Conservation, held in the Akiyoshidai International Art Village and sponsored by the Mine City Office of Yamaguchi Prefecture's Agriculture & Forestry Department, with 99 employees taking part in the thinning and logging of bamboo. These activities help to improve the water retention of the woodlands around Ono Lake, an important source of water for local residents and companies, and prevent flooding. In addition, the gardens planted every year by employees within the premises of UBE Group sites won six awards in flowerbed contests held by Ube City in fiscal 2013.

Fiscal 2013 Ube City Flowerbed Contests

Ube Chemical Factory	Spring	Ube City Greening Promotion Committee Award and Teamwork Award
	Autumn	Ube City Mayor's Award (second time)
Ube Material Industries, Ltd.	Spring	First Place Award (second time)
	Autumn	Ube City Greening Promotion Committee Award
Ube Machinery Corporation, Ltd.	Spring	Second Place Award



Ube City Mayor's Award (Ube Chemical Factory)

Local Newsletter *Tsubasa*

Since November 2012, the UBE Group has been issuing *Tsubasa*, a newsletter for local residents. This newsletter was created to deepen communication with local communities and is distributed on a regular basis to residents of Ube, Yamaguchi Prefecture, where the UBE Group was founded. The newsletter is published twice a year, in May and November, and delivered directly to people's mailboxes, inserted in newspapers, and offered through both UBE-i-Plaza and UBE's website. The new online version was launched in response to reader feedback, with the first being the May 2014 issue. The online version of *Tsubasa* is being used to deliver information that could not be included in the print version, from the perspective of the authors. We will continue to cover a range of topics while remaining attentive to feedback from the local community.



01-4 Human Rights and Labor

- [Basic Policies]
- To respect the human rights of people who are affected by the Group's corporate activities
 - To respect the human rights of employees, including those of partner companies

Fundamental Philosophy

Respect for Human Rights

In its Action Guidelines for Business Conduct, the UBE Group has stated that it will respect human rights and develop healthy, bright and motivating workplaces. We regard respect for human rights as a fundamental rule guiding the corporate activities of the UBE Group.

Ideal Personnel

The UBE Group gives top priority to human resources among its management assets, and it is committed to developing highly skilled professionals who can act independently and produce results. The basic image that the UBE Group promotes for individual employees is that of someone who has unparalleled skills, sets their own goals, works independently and takes on new challenges while being unafraid of change.

● Personnel System

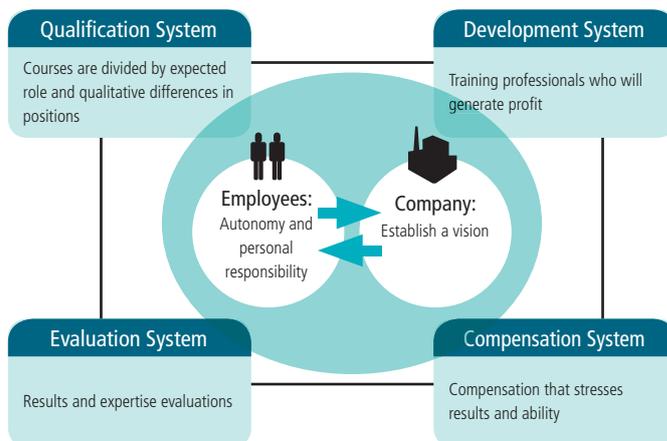
UBE has introduced an evaluation system that incorporates a goal management system and a performance-based component. By organically linking the development, evaluation, qualification and compensation systems, and impartially evaluating individual efforts, UBE seeks to create a workplace that is challenging and motivating for every employee.

● Human Resource Development

Initiatives

In order to develop superior human resources, we work to enhance the following key areas: 1) on-the-job training (OJT); 2) off-the-job training (workshops, etc.); and 3) self improvement support programs. At the same time, we maintain support systems so that all UBE employees can fully exercise their abilities in carrying out their work. Specifically, to assist in employee career development, every year employees prepare Career Development Sheets and Employee Development Plans. Opportunities are provided for interviews about their careers with their superiors using these documents, and employees are rotated through various posts to enable them to gain a broad perspective and learn specialized skills. Furthermore,

The Interconnecting Aims of Each System



UBE updates the content of off-the-job training, consisting mainly of workshops, based on changes in the external environment.

Strengthening Global Human Resource Development

Given that overseas business development is expected to expand going forward, UBE is actively fostering globally capable human resources. The key points of these efforts are 1) raising the level of language abilities 2) enhancing opportunities for overseas experience 3) reinforcing cultural sensitivity, and 4) cultivating global business leaders. Based on these points, we are conducting various types of global training to increase awareness and ambition among employees with regard to foreign languages and global business.



Global business leader training

Training System Overview

		Level-Based Training	Training by Theme	International Business Personnel Development	Support for Self-Improvement	Independent Training	Affiliates
Executives		New executive training					
Manager		Upper-level management training Mid-level management training New management training	Refresher courses Training on various themes	Global business leader training program			
Generalist 1	Key employee 1		Elder training Training on various themes	Business English training Overseas MBA programs Cultural sensitivity training	Various types of home-study courses and assistance for acquiring official certifications TOEIC exams	Company- and division-specific training	Group company new executive training
	Key employee 2	Key employee twentieth-year training					
	Key employee 3	Basic management training Career design training					
Generalist 2	Key employee 4	Key employee tenth-year training					
	Key employee 5	Key employee fifth-year training Generalist third-year training					
Generalist 3	Key employee 6	Follow-up training for generalists Follow-up training for key employees					
	Key employee 7	Training for newly hired generalists Training for newly hired key employees					

In addition, human resource managers from Thailand, Spain and Japan gather at the Group's annual Global Human Resources Meeting to set global human resource policy, exchange information on human resource development and personnel systems and conduct joint training. Furthermore, by reviewing personnel and evaluation systems, we are responding to globalization on the human resources front.

We are also actively promoting personnel exchanges with overseas UBE Group companies. Through exchanges of young employees for periods of one to three years, we provide Group employees with real work experience in another country, helping to cultivate global mindsets.

● Diversification of Employment

UBE recruits and employs personnel from a wide array of fields regardless of social background, gender or nationality, and works to create systems and work environments that allow each UBE employee to fully exercise his/her abilities to make a useful contribution.

Employment of People with Work Experience

The UBE Group proactively hires mid-career workers who have expertise and knowledge in technological areas in which the Group's human resources are insufficient. After entering the Group, these mid-career workers exercise their abilities by using the experience gained at their former workplaces.

Hiring Foreign Nationals

With globalization continuing, UBE Head Office and facilities in Japan need to become more international. Accordingly, we will expand personnel exchanges with the Group's non-Japanese employees based overseas and actively hire foreign nationals in Japan in order to provide opportunities for employees to use their experience with different value systems and cultures.

Employment of People with Disabilities

The UBE Group actively undertakes measures to promote the employment of people with disabilities. We have organized a network to support the employment of people with disabilities Groupwide. To this end, the Group leverages relevant expertise accumulated by our special-purpose subsidiary, Libertas Ube, Ltd.

Helping Women Succeed

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

Employing Seniors

We are rehiring employees who have reached standard retirement age as senior employees and rethinking programs and other aspects of the workplace environment as well as working to change the mindsets of senior

Promoting Diversity Management

● Diversity Promotion Office Established

The Diversity Promotion Office was established as a dedicated organization within the Human Resources Department in October 2013 to actively promote diversity management with the aim of enhancing corporate competitiveness by embracing and drawing on the value of the unique traits of each employee (gender, race, nationality, religion, age, academic background, personal background, etc.) and their diverse lifestyles. The Diversity Promotion Office is pursuing initiatives under the five themes of 1) helping women excel 2) employing foreign nationals, 3) employing seniors, 4) employing people with disabilities, and 5) work-life balance.

● Initiatives at Overseas Bases

1. Thailand: Asia Operational Unit (AOU)

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

2. Spain: Europe Operational Unit (EOU)

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

Yasuko Sakamoto

Manager, Diversity Promotion Office



The UBE Group diversified its businesses early on, but in terms of human resources has maintained male-centric management, like so many other Japanese corporations. However, diversity is essential to adapting to changes in the operating environment and generating sustained growth. In October 2013, UBE established the Diversity Promotion Office, thus strengthening diversity initiatives from the three perspectives of 1) drawing on diversity to generate innovation; 2) securing labor; and 3) corporate social responsibility. The UBE Group will work to achieve true diversity by effecting change and challenging itself (as expressed in the title of the medium-term management plan) in various areas, including management, work processes and work styles, in order to hire and make use of diverse employees while helping employees faced with time constraints imposed by child and nursing care to achieve results and continue working.



employees so that they can take advantage of their experience and skills to work with enthusiasm and dedication.

UBE's Employment Status

FY	2011	2012	2013
New graduates	136	147	135
New graduates deployed as generalists	50	55	54
Mid-career employees	38	84	43
Percentage of people with disabilities (annual average (%))	2.02	1.92	2.05

UBE Employee Data (as of March 31, 2014)

FY	Number of employees	Average age	Average number of years at UBE
Male	3,681	41.3	15.2
Female	581	39.0	12.5
Total (average)	4,262	40.9	14.9

● Quality Working Environments

In order to enable employees to fully display their abilities, the Group promotes comfortable working environments that maintain a good work-life balance while accommodating a variety of different work styles.

Respect for Human Rights at Workplaces

We have established the Human Rights Education Promotion Committee, which provides human rights education to employees, including training for company officers, training by workplace and rank, and various opportunities to learn from external instructors. We implement Groupwide training programs via e-learning to ensure that all employees have a proper understanding of and fully recognize human rights issues. Such initiatives help ensure comfortable work environments where employees respect and work comfortably with each other.

Work-Life Balance

We are working to improve systems to allow employees, regardless of gender, to continue working in ways that make sense for them at various stages of their lives and to create a climate that ensures that employees are able to take advantage of such systems.

Childcare and Nursing Leave

To maintain a good balance between employees' work and private lives, UBE has introduced childcare and nursing leave systems. In addition, depending on how much time they require to take care of their children or other family members, employees can work shorter or flextime hours as well as take time off or limit the number of overtime hours worked.

Furthermore, over the course of three years, UBE has developed a main activity plan for general businesses to help ensure an employment environment that allows employees to use their abilities to the fullest while both working and raising children. UBE also strives to ensure that work conditions are wide-ranging and flexible. Under the action plan for fiscal 2013 to fiscal 2015, UBE has undertaken initiatives in two areas to allow male employees to actively participate in child rearing, namely,

1) encouraging male employees to take child care leave and 2) expanding the range of the accumulated leave entitlement program to support the development of the next generation.

Since 2012, part of the childcare leave has been paid, making it easier for both men and women to take leave. In November 2013, UBE received "Kurumin" next-generation certification as a company that is friendly to child rearing.



Next-Generation Certification Logo "Kurumin"

Incentives for Taking Annual Paid Vacations

As an incentive for getting employees to systematically take annual paid vacations, not only do we ask employees to set scheduled vacation dates in advance for every six-month period, but we also take steps to reduce actual working hours by setting an annual paid vacation incentive day.

Flexible Working Systems

We have introduced flextime, self-managed work* and other systems to enable employees to work in a flexible and efficient manner. We are also committed to appropriately managing employees' working hours. For example, we provide guidance for departments with long overtime work hours in implementing measures to help reduce these hours and arrange consultations between employees and industrial doctors.

* A system that entrusts employees to make their own decisions regarding how to undertake their duties and the allocation of work time in order to achieve work-related goals.

Leave for Volunteer Activities

The Group has established a system that enables UBE employees to use accumulated leave time for volunteer activities that contribute to society or local communities. In fiscal 2013, 17 employees used this system.

Usage of Work-Life Balance System (Fiscal 2013)

System	Description	Number of employees who used it
Paternity leave	• Employees whose wives have given birth can take four days of leave.	126 (80% of those eligible)
Childcare leave	• Such leave can be taken until the day before a child's first birthday (in accordance with legal standards, the period of leave may be extended by up to six months). • Can be used for seven continuous days.	42 (including 16 men)
Child nursing leave	• Until children complete the third grade of elementary school, employees can take leave to nurse children. Five days per year per child can be taken per year. • Employees can use this leave in half-day units.	3 (including 2 men)
Shortened working time	• Until children complete the third grade of elementary school, work time can be shortened by up to two hours per day, on an as-needed basis.	21 (including 1 man)
Refresh leave	• Employees over the age of 50 who have worked at UBE for over 15 years can take five days of "refresh" leave. • A ¥100,000 support stipend is paid when leave is taken.	119 (91% of those eligible)

● **Developing a Comfortable Workplace and Undertaking Initiatives to Maintain Employee Health**

Meet and Greet Campaign

We implement the Groupwide Meet and Greet Campaign every year. Through this campaign, we are encouraging all employees to exchange words of greeting and encouragement as a way of promoting better communication and openness in the workplace. In fiscal 2013 we once again implemented the campaign at all Group companies.

Mental Health Care

The UBE Group works together with industrial physicians, nurses and other health specialists to maintain the mental health of its employees. In fiscal 2013, we promoted the use of mental health maintenance plans at our various offices and facilities and conducted mental health-related training, focused mainly on prevention. Other efforts to enhance mental health measures included counseling through external institutions, support for returning to the workplace after leave, and lectures for Group companies.

Measures to Counter Lifestyle-Related Diseases

To reduce risks of illnesses, such as those related to the brain and heart, UBE uses the results of employee health checks to recommend additional examinations as needed and to diagnose health risks. In fiscal 2013, efforts to provide instruction on improving lifestyle habits—based on the Ministry of Health, Labour and Welfare’s specified health checkups and specified health guidance measures—again yielded results, including a drop in the

rate of employees who fall under the criteria of the specified health guidance measures. At the Ube Chemical Factory, as part of efforts to promote health, we held the Chemical Health Festival in March 2014, featuring fitness tests, health-related lectures, and exercise classes.

Improving Employees’ Dietary Environment

To raise employee awareness with regard to food and nutrition, we have taken such measures as having registered dieticians provide nutritional guidance and evaluating improvements to the dietary environment of employee dormitories and canteens. The Canteen Meal Committee meets regularly to help provide tasty, nutritionally balanced food at all Group canteens as part of efforts to improve employees’ dietary environment.

Classes on Quitting Smoking

UBE continued seminars on quitting smoking at various offices and facilities in fiscal 2013, attracting around 100 participants. After the seminar, more employees said that they wanted to try to quit.

Overseas Bases

To safeguard the health of employees and their families stationed overseas, UBE provides consultations with industrial doctors, conducts surveys on medical circumstances, and offers education about infectious disease. In fiscal 2013, UBE’s industrial doctors visited Group facilities in Thailand, Malaysia, Singapore, India and China.

Shuya Osada

In-house industrial doctor
Health Management Office,
Health Care & Support Center



Developing Comfortable Workplaces and Maintaining Employees’ Health

At the Health Care & Support Center, we offer support for employee-driven maintenance and health improvement under the themes of taking responsibility for managing one’s own health as well as the responsibility to give due concern to safety. While responsible self-driven effort is a key part of maintaining and improving health, support that offers expert knowledge and technique is also important. We work daily to prevent employee illness and, when employees do become ill, to ensure their peace of mind and allow them to continue working. People in modern societies are surrounded with such health risk factors as sleep deficiency, tobacco use, unbalanced diets and insufficient exercise. By reducing and eliminating these risks, we can improve our health. As the UBE Group Environmental and Safety Principles state, maintaining and promoting the health of UBE’s employees is the basis of corporate and social vitality. As an expert health management team, we strive to promote the health of all Group employees.



Meet and Greet Campaign
(T&U Electronics Co., Ltd.)



Mental health seminar
(Ube Head Office)



Chemical Health Festival
(the Ube Chemical Factory)



Health consultation at
an overseas base
(India)

01-5 Social Contribution

[Basic Policy] • To conduct social contribution activities toward the creation of a sound and sustainable society

● Support of Culture and Art

UBE supports the activities of the UBE Foundation and the Watanabe Memorial Culture Association in the form of regular donations and human support.

The UBE Foundation

The UBE Foundation (Director: Hiroaki Tamura) was established in 1959 as the Watanabe Memorial Science Foundation at the bequest of the late Takaji Watanabe, the founding chairman of UBE. The Watanabe Memorial Science Foundation was renamed the UBE Foundation in 1997. In 2010, the UBE Foundation was certified as an organization operating in the common interest by the Japanese Cabinet Office and registered as a foundation incorporated in the public interest. In Japan, the Foundation aims to promote academic research activities, improve research facilities and assist academic researchers in their activities in order to contribute to the future development of academic culture. In fiscal 2013, the 54th annual Ube Foundation Grant was awarded to 11 recipients from a total of 134 applicants. At the awards ceremony, held in June 2014, Dr. Kazutoshi Takahashi of the Kyoto University Center for iPS Cell Research and Application gave the keynote address, entitled "Tomorrow's Chemistry: the Outlook for iPS Cells."



The Ube Foundation Grand Prize Award Ceremony

Watanabe Memorial Culture Association

Established in 1936 as a private bequest of the late Sukesaku Watanabe, the founder of UBE, the Watanabe Memorial Culture Association (Director, Hiroaki Tamura) supports a variety of cultural and art-related activities that include lectures and concerts. In October 2013, the association hosted a community concert with the Japan Philharmonic Orchestra. In fiscal 2012, the association began accepting open applications from organizations seeking support, and in November 2013 donated funds to support five selected cultural organizations in the UBE District. We donated ¥500,000 to both the Watanabe Memorial Book Collection and the Watanabe Memorial Culture Association Picture Book Collection in February 2014. The Watanabe Memorial Book Collection, established in the Ube City Library in 1953, contains 2,199 volumes, primarily in the field of art. Moreover, the Picture Book Collection, which lends books to kindergartens and childcare centers, has reached 3,768 volumes. The Watanabe Memorial Cultural Association officially became a foundation incorporated in the public interest in April 2014, and will continue to support the well-being of the residents of the Ube district and the development of local culture.



(Left) UBE donated sponsorship funds to the Watanabe Memorial Book Collection

(Right) Certificate of appreciation presented to the Foundation by Ube City

Social Capital That Revitalizes Local Communities

Since its earliest days, in the spirit of living and working together, the UBE Group has contributed to the development of Ube City, investing in numerous infrastructure projects, including sewerage, dams, electricity supply, schools, railroads, an airport, and television stations. Currently, as part of its services to contribute to local communities, the Group operates a hospital, golf course and hotel.

● Ube Industries Central Hospital

The Ube Industries Central Hospital was established in 1953 as a treatment facility for tuberculosis. Today, the hospital is oriented toward acute care and accepts patients 24 hours a day, with 17 specialized departments. While contributing to local medical care, the hospital also fulfills a role as a comprehensive community hospital through such activities as offering a work experience program for local junior high school students interested in pursuing a career in medicine, public lectures by doctors, on-site lessons by nurses, and a health care program on FM radio.

URL: www.ube.co.jp/hospital

● Ube 72 Country Club

Since opening the Ajisu Golf Course in October 1961, the Ube 72 Country Club has become well known in the local community as the place in Ube City for sport and

relaxation. Surrounded by woodland and lake, the club is western Japan's largest golf course. Together with the adjacent Ube 72 Ajisu Spa Hotel, the club is used for recreation by both visitors to the area and locals.

URL: www.ube72cc.com/

● ANA Crowne Plaza Hotel Ube

Since its establishment in 1983, this facility has been one of Yamaguchi Prefecture's leading city hotels, well known among local residents for its guest rooms and restaurant and as a venue for weddings and business events. In 2011, the hotel was rebranded, with its name changed from the ANA Hotel UBE to the ANA Crowne Plaza Hotel Ube. The hotel strives to offer intelligent service for a comfortable and rich hotel experience.

URL: www.anacrowneplaza-ube.jp



Work experience program for junior high schoolers at the Ube Industries Central Hospital



Ube 72 Country Club



ANA Crowne Plaza Hotel Ube

Charity Concert by the Japan Philharmonic Orchestra

In 2013, we invited the Japan Philharmonic Orchestra to perform the 6th annual UBE Group Charity Concert. We also opened the Charity Concert's dress rehearsal, free of charge, to 380 students from local elementary and junior high schools and 50 students from local schools for the disabled and their respective guardians and teachers. Furthermore, in cooperation with Pioneer Corporation, we installed that company's systems for experiencing sound through vibrations felt through the body in certain seats, allowing hearing impaired audience members to experience the concert. All of the proceeds from the concert were donated to local organizations and schools. Specifically, five municipal junior high schools in Ube City were each given a wind instrument, while the Ube City Folk Orchestra and the Ube Music Appreciation Society received monetary donations.

The day before the performance, members of the Japan Philharmonic Orchestra participated in a "hands on concert" for patients admitted to Ube Industries Central Hospital and the Yamaguchi University Hospital. The Watanabe Memorial Culture Association also hosted a music clinic for members of brass band clubs at local municipal junior high schools and a mini concert for the local community that was attended by more than 200 local residents.



Concert poster



"Hands on concert" (Ube Industries Central Hospital)

UBE Biennale (Modern Japanese Sculpture Exhibition)



The UBE Biennale is a world-class, outdoor sculpture exhibition held every two years since 1961. Support from UBE includes the provision of the UBE Industries Prize as well as a donation matching the purchase price of the award-winning sculpture. At the 2013, 25th UBE Biennale, Hidetsugu Tonoiso's piece, entitled *Sin*, received the UBE Industries Prize.

Naka-Boso International Art Festival Ichihara Art × Mix

The Chiba Petrochemical Factory provided support for the Naka-Boso International Art Festival, held over 52 days starting in March 2014 as part of events commemorating the 50th anniversary of the formation of Ichihara City. The festival's theme was Ichihara as an oasis from the Tokyo Metropolitan Area featuring exhibits of art projects by young artists, local residents, companies and government bodies. By appreciating the art and actively

participating in various events, UBE helped bolster tourism in Ichihara City and invigorate the local community.

● Education and Social Contributions

Chemistry Experiment Events for Children

Every year, UBE invites schoolchildren to attend chemistry experiment programs. The purpose of such activities is to help children experience the fascinating world of chemistry by introducing them to UBE's advanced technologies.

In fiscal 2013, the Organic Chemistry Research Laboratory in Ube hosted the Summer Holiday Junior Science Lesson, in which participants learned about the mysterious world of light and color. In Tokyo, the Organic Specialty Materials Research Laboratory and the Polyimide Business Unit gave children the opportunity to enjoy creating their own original bookmarks using high-performance plastics (polyimide).



25th Annual Summer Holiday Junior Science Lesson (Ube)



Dream/Chemistry-21 Children's Chemistry Experiment Show (Tokyo)

Internships

The UBE Group offers internships for undergraduate and graduate university students, technical college students and high school students. In fiscal 2013, the UBE Chemical Factory, UBE Cement Factory, Isa Cement Factory, Kanda Cement Factory and UBE Industries Power Generation Plant accepted 17 students from 13 technical colleges and universities in the Chugoku, Shikoku and Kyushu regions of Japan for four to five days of practical training.

In addition, the Chiba Petrochemical Factory and Sakai Factory, as well as Group research facilities and companies accepted interns.



Interns at Sakai Factory



Social Contribution (Overseas Initiatives)



● Initiatives in Spain

The UBE Group in Spain (controlling company: Ube Corporation Europe, S.A. (UCE)) continued various initiatives to enhance communication with local communities in fiscal 2013.

Interacting with Local Communities

Commemorating the 400th anniversary of relations between Spain and Japan, UCE and UBE worked in concert to nurture the growing friendship between Castellón de la Plana and Ube City in fiscal 2013. In March 2014, UCE signed an agreement to conserve the environment of the Mijares River, which runs near UCE plants (see page 45). Going forward, UCE will work with relevant authorities to help conserve biodiversity in the local area.



Biodiversity conservation project pamphlet

Social Contribution Activities

In fiscal 2013, UCE once again collected food and clothing donations for the local NGO Father Ricardo's Community Kitchen, continuing efforts begun in fiscal 2012 with voluntary efforts by UCE employees. Fiscal 2013 results far exceeded those of fiscal 2012, with over 750 kg of supplies donated. In addition, UCE also made donations to the Red Cross and other organizations in nearby towns.

These activities were featured in the April 2014 article of the monthly magazine "Gekkan Global Keiei" published by the Japan Overseas Enterprises Association,*1 of which UBE is a member, under the title "Living and Prospering Together with Local Communities—Contributions to Local Communities of UBE's Location in Spain."



Boxes of donated supplies (Father Ricardo's Community Kitchen)



Excerpt from "Gekkan Global Keiei" (Japan Overseas Enterprises Association)

Support for Education and Culture

Every year, UBE holds factory tours for students and teachers in nearby communities and distributes chemistry sets. With the aim of increasing overall interest in science among high school students, UCE supports a contest held by Jaume I University that is set up like an academic conference and aimed at helping students learn about and enjoy themes related to research and development, contributing considerably to education in the local community.



Factory tour for high school students

Sports Promotion and Support

UBE supports local sports promotion in a variety of ways, including active support for volleyball and soccer clubs, basketball tournaments, footraces and other sporting events. In mid-March 2014, UCE sponsored a junior soccer tournament in a nearby town, in which members of the Nagoya Grampus team from Japan participated.



Glossary

*1. Japan Overseas Enterprises Association: An organization established in 1974 to facilitate the overseas business of Japanese companies. The association now has around 280 member companies. The association's wide ranging activities include holding seminars and training on overseas business operations, international human resources, local labor issues, safety overseas and medical care overseas as well as making proposals to government.



● Initiatives in Thailand

The UBE Group in Thailand* strives toward active communication with local communities based on the idea that the UBE Group is an integral part of the community.

*The UBE Group in Thailand:

- | | |
|---------------------------------------|----------------------------------|
| UBE Chemicals (Asia) Public Co., Ltd. | Thai Synthetic Rubbers Co., Ltd. |
| UBE Fine Chemicals (Asia) Co., Ltd. | UBE Technical Center (Asia) Ltd. |
| Rayong Fertilizer Trading Co., Ltd. | UBE (Thailand) Co., Ltd. |

Interacting with Local Communities

In fiscal 2013, we held three tree planting events in which 799 participants from local communities and schools as well as the navy, and 161 UBE Group employees planted a total of 3,750 trees in areas near our factories. In October and November 2013, we also invited around 100 representatives of local communities to tour our plants. The tours offered a site overview, introduced safety management systems and included time for exchanges of opinions with employees. On November 14, 2013, we held an emergency drill based on an accident scenario at one of our factories. With the cooperation of approximately 90 nearby residents, as well as neighboring companies, the navy and a hospital, the drill covered post-accident notification, evacuation and rescue procedures, and a meeting was held afterward to discuss the drill. We intend to continue similar emergency drills in the future. Also in November, UBE donated to a local temple through a traditional Thai ceremony.



Tree planting event



Plant tour for local communities



Emergency drill



Donation to a temple in Thailand

Support for Education and Culture

In June 2013, UBE donated supplementary educational materials to an elementary school in Chanthaburi Province, and UBE employees helped the students to study the characteristics of electricity using hand-made equipment and materials. We also accepted 44 university students and 60 vocational school students for a total of 104 interns during fiscal 2013. These students were able to gain work experience in departments related to their respective areas of study. UBE's plant tours for vocational school and university undergraduate and graduate students welcomed 391 visitors in fiscal 2013. Furthermore, we held our fourth open house for fourth-year university students majoring in chemical and mechanical engineering. In October 2013, we welcomed 50 university students for training over two days, including discussions and exchanges with UBE employees, allowing participants to deepen their understanding of UBE's business and of petrochemistry.



Donation of supplementary educational materials to an elementary school



Fourth annual UBE Open House

Sports Promotion and Support

UBE and PTT Global Chemical co-sponsored the PTT GC-UBE Rayong Marathon, organized by a Rayong running club and held in December 2013. UBE employees volunteered as staff to help organize the marathon, in which some 2,300 runners, including local community members and UBE employees, participated.



PTT GC-UBE Rayong Marathon

01-6 UBE Group Social Contribution Activities

Meiwa Plastic Industries, Ltd.

Manufacturing base: Ube Factory (Ube City)

● Business Prioritizing the Environment and Safety

Meiwa Plastic Industries has produced and sold phenol resin since it was founded in 1946. We work to reduce the environmental impact of the manufacturing process and to maximize communication with the local communities that support our business in order to better contribute to society.

Due to the excellent properties of phenol resin, it is widely used in binders and molding materials. In addition to such applications, we also provide semiconductor sealants, laminates, base polymers for LCD resists and other products to meet customer needs in the area of electronics materials.

In recent years, electronics manufacturers have been replacing materials containing heavy metals and halogens with "green" compounds. In this context, our biphenyl-based resins are making a difference by virtue of their environment-friendliness. In 2012 we began operations at a new factory with an environment- and employee-safe design, increasing our production of biphenyl-based resins and other environment-friendly phenyl resins.

Through special sponsorships for sporting events and other means, we also actively participate in exchanges with local communities. The FM Kirara Cup Ube Ekiden Relay Race, held annually in February, draws over 2,000 participants, and the Meiwa Plastic Industries Cup Western Yamaguchi Junior Soccer Tournament, held in November, has grown into a large-scale event that brings together 69 teams.

We are undertaking green activities in close cooperation with local communities, including participation by many employees in baseball stadium area cleanup activities and cleanup activities around the coast of the Seto Inland Sea with local communities.



Author:
Hirofumi Tokuda
Manager, Quality Assurance
Department and
Environment & Safety
Department

Ube Industries Consulting, Ltd.

Locations: Head Office (Ube City), Business offices (Hofu City, Hagi City)

● Business Rooted in Local Communities and the Provision of Environment-Friendly Products

Ube Industries Consulting comprises three main divisions, namely construction consulting, environmental business, and facilities management.

The construction consulting business mainly undertakes surveying, including soil surveys, and design under contract to municipal governments in Yamaguchi Prefecture, helping to manage and improve infrastructure.

The environmental business operates the Ube Bay Higashimizome Landfill under contract, managing facilities and accepting and burying waste materials. In particular, to prevent the intake of waste contaminated with harmful materials, we conduct strict quality inspections upon receipt and work to ensure landfill operations are always sound and safe.

The facilities management business plays an important part in supporting the UBE Group's business continuity by maintaining and managing the infrastructure of the Group's various locations and companies.

In terms of new technologies and products, we offer systems that display data on maps using geographic information system (GIS) technology that is much like the GPS used in cars. Displays include a Disaster Prevention Map, a Harmful Materials Map and a Waste Landfill Map. These systems help communities prevent and minimize disasters.

Furthermore, using specialized technology, we conduct inspections of sediment control facilities and perform safety evaluations of mountain streambeds, landslides and precipitous slopes. We also actively participate in various volunteer activities related to environmental maintenance and preservation, including efforts to maintain the environment along the coast and near riverheads. Going forward, we will work to better contribute to local communities alongside the rest of the UBE Group.



Author:
Keiichiro Moroi
Consultant (Safety
Promotion Office and
Quality Management)



Factory No. 4,
completed in
2012



Meiwa Plastic Industries Cup Western
Yamaguchi Junior Soccer Tournament



FM Kirara Cup Ube Ekiden Relay Race
co-sponsored by Meiwa Plastic Industries, Ltd.



Baseball stadium cleanup



GIS screenshot



Surveying a disaster-affected area



Sediment prevention volunteering



Thinning and harvesting bamboo near
a riverhead

02 Initiatives for Environment and Safety

At the UBE Group, conserving the environment and protecting health and safety come first in its business operations. This emphasis is necessary in order to provide products and services that make people's lives better and to achieve solid and sustainable growth.

UBE Group Environmental and Safety Principles

As members of society, corporations must be fully conscious of their responsibilities regarding contributions to society, environmental preservation and the maintenance of health and safety in carrying out their corporate activities.

The UBE Group shall pursue the following vision in order to fulfill its leadership role and shall work to improve the safety and the quality of the environment among all of its Group companies through the publication of performance reports and the implementation of dialogues with society.

• Operational Safety

Ensuring operational safety shall be the priority in all areas and activities under UBE's commitment to respect human life.

• Process Safety

Maintenance of process safety shall be part of its basic mission as a manufacturer.

• Environmental Preservation

As a responsible corporate citizen, the UBE Group shall act positively to protect and improve both community and regional conditions and work for the preservation of the global environment.

• Product Safety

The UBE Group shall pursue its corporate responsibility in providing its customers and the public with safe and reliable products.

• Health Management

The UBE Group recognizes that maintaining and promoting the health of its employees is the basis of corporate and social vitality.

Revised in April 2010

Michio Takeshita

President and Group CEO, Representative Director

Michio Takeshita.

02-1 Environment and Safety Management

● Environment and Safety Promotion System

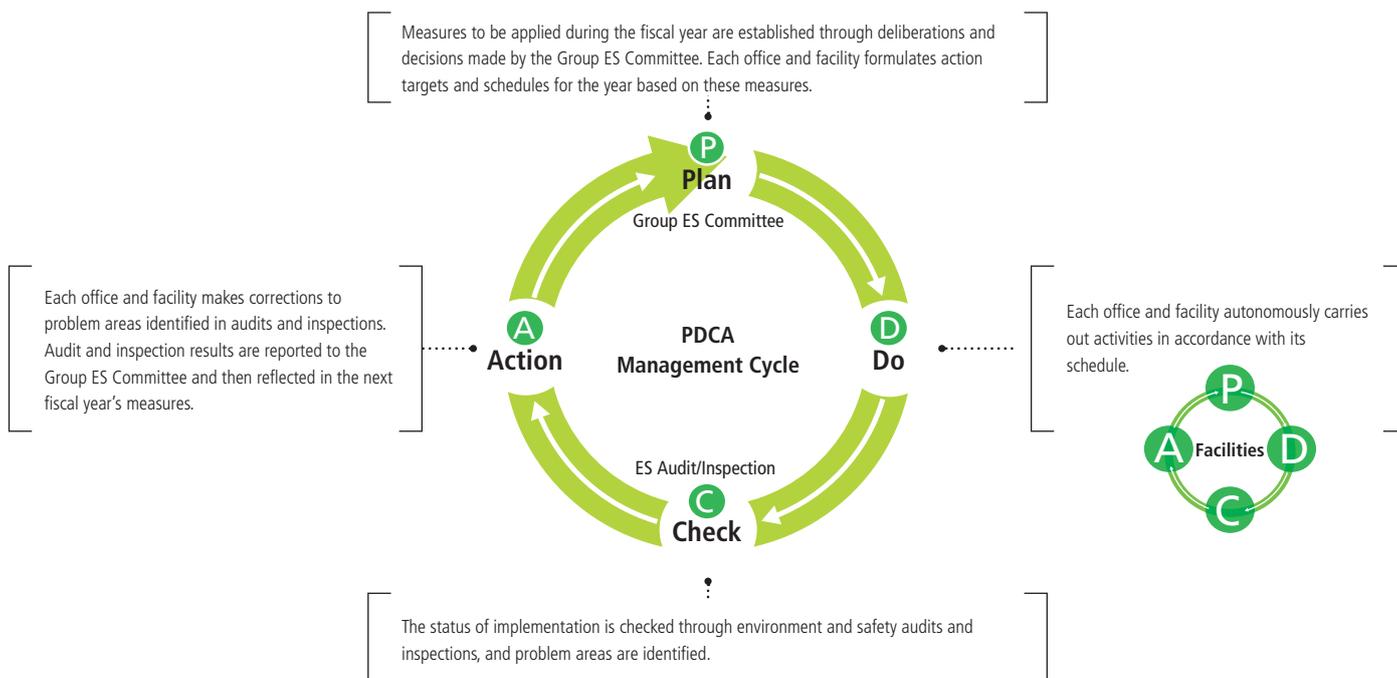
The UBE Group has established the Group Environment and Safety (ES) Committee and the Group Product Safety (PS) Committee as the top decision-making organizational units for the promotion of the Environmental and Safety Principles. In addition, the Group has established the Group High-Pressure Gas Safety (HPGS) Committee for decision-making regarding the process safety measures outlined in the ministerial order related to the High Pressure Gas Safety Act. These committees comprise members of the Group Management Committee, which is headed by the Group CEO (the president), and decide and revise policy and measures related to Group issues in the areas of the environment, safety and health, product safety and process safety.

The Group ES Committee and the Group PS Committee have established subcommittees for each segment. These subcommittees are involved in translating the policies of Group-level committees into concrete initiatives appropriate to segment business activities. In addition, the Group ES Committee maintains four other subcommittees charged with implementing activities across the Group based on their specific areas of responsibility.

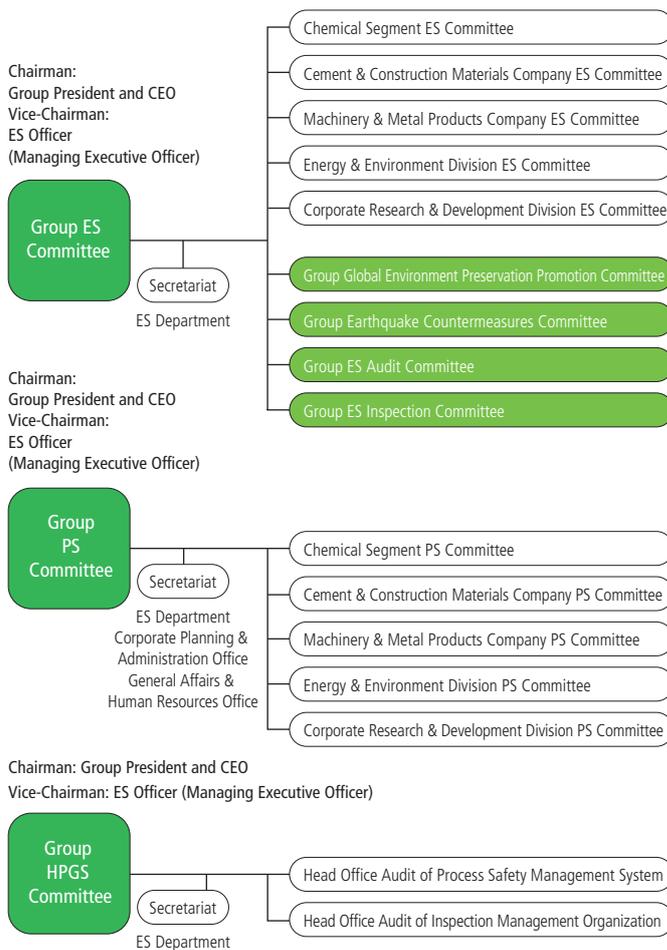
● Responsible Care Management System

Aiming for continuous improvement in areas related to the environment, occupational safety and health, product safety, and process safety, the UBE Group pursues responsible care (RC)^{*1} initiatives in all its business areas.

With the aim of achieving constant improvement, RC is undertaken according to the Plan-Do-Check-Action (PDCA) cycle. To steadily promote RC initiatives, the UBE Group systematically implements the PDCA cycle outlined below each year:



Organization of Environment and Safety Committee



Glossary

*1. RC (responsible care): Under RC, corporations that manufacture and/or handle chemical substances work voluntarily to preserve "safety, health and the environment" throughout product life cycles, from the development of chemicals through their manufacture, distribution, use and final consumption to disposal and/or recycling. These commitments must be clearly reflected in the corporations' management policies. Activities are carried out in the areas of environmental protection (protect people's health and the natural environment worldwide); disaster prevention (work to prevent disasters at facilities and counter natural disasters); occupational safety and health (ensure the safety and health of workers); chemicals and product safety (clarify chemical products' properties and handling methods and thereby protect the safety and health of all handlers, including customers, while preserving the environment); and logistics safety (strive to prevent logistics-related accidents and disasters). Pursuant to these activities, communication in these areas is undertaken (announce activity details and results and promote social dialogue).

● Outline of Environment and Safety Activities

In order to advance its medium-term environment and safety policy, each fiscal year the UBE Group strives to improve its environment and safety activities by formulating action plans in line with its Responsible Care Code and through the use of the PDCA cycle.

Fiscal 2013 evaluation: Plans were achieved or mostly achieved in all categories.

The UBE Group's Medium-Term Environmental & Safety Policy (Fiscal 2013–2015)

Continually improving the quality of responsible care (RC) activities.

Responsible Care Code		FY 2013 Action Plans
Process Safety and Disaster Prevention	Reinforcing process safety frameworks	<ol style="list-style-type: none"> 1. Build a framework for information sharing and usage 2. Develop human resources to appropriately respond to emergencies and irregularities 3. Implement countermeasures related to the deterioration of facilities (to understand the extent of and manage deterioration)
	Earthquake and tsunami readiness	<ol style="list-style-type: none"> 1. Revise earthquake and tsunami damage predictions and countermeasures
Occupational Safety and Health	Health management	<ol style="list-style-type: none"> 1. Curb days lost to non-occupational injuries and illnesses 2. Respond to regular health check results
	Occupational safety	<ol style="list-style-type: none"> 1. Promote small groups for safety*1 initiatives 2. Utilize safety evaluations of facilities and offices 3. Improve abilities of line managers and address under-skilled employees
Environmental Preservation	Global warming countermeasures	<ol style="list-style-type: none"> 1. Promote measures to prevent global warming Greenhouse gas reduction (fiscal 2015 targets) <ol style="list-style-type: none"> 1-1. [Energy-oriented] CO₂ emissions: Down 15% compared with the fiscal 1990 level 1-2. [Energy-oriented + Non-energy-oriented (excluding waste-oriented)] CO₂ emissions: Down 20% compared with the fiscal 1990 level Greenhouse gas reduction (initiatives to be taken by fiscal 2015) <ol style="list-style-type: none"> 1-3. Reduce CO₂ emissions by reducing energy use (90,000 ton reduction) 1-4. Understand CO₂ emissions throughout the supply chain 2. Implement initiatives to conserve biodiversity
	Reduce emissions of environmentally hazardous substances	<ol style="list-style-type: none"> 1. Reduce chemical substance emissions 2. Promote recycling of industrial waste and reduce its external final disposal 3. Promote green purchasing*3
Chemicals and Product Safety (Transportation Safety)	Chemicals and product safety	<ol style="list-style-type: none"> 1. Correspondence to Chemical Regulations in and outside Japan <ol style="list-style-type: none"> 1-1. Register 2013 REACH*4 designated substances within their deadlines and build a REACH promotion framework 1-2. Steadily operate new system to comply with Japanese laws 1-3. Gather information and appropriately manage overseas chemical products through coordination with major bases 1-4. Appropriate use of GHS*5 SDSs*6 and labeling in Japan, Europe and Asia 2. Quality Loss Costs Management 3. Promotion of GHS Labeling in the Workplace
	Transportation safety	<ol style="list-style-type: none"> 1. Secure transportation safety <ol style="list-style-type: none"> 1-1. Maintain/revise Yellow Card, Container Yellow Card and Transportation Label 1-2. Maintain compliance with new systems for aviation security
Dialogue with Communities		<ol style="list-style-type: none"> 1. Promote dialogue with communities 2. Improve information disclosure and transparency
Management Systems		<ol style="list-style-type: none"> 1. Implement environment and safety audits and inspections and quality and product safety audits

Glossary

- *1. Small groups for safety: Groups of employees (of the UBE Group or partner companies) that are small in the number of participating individuals so that group leaders can effectively supervise them. Each small group for safety has its own safety goals to encourage employees take initiative in safety promotion.
- *2. Scope 3: Indirect emissions of CO₂ such as those that occur during material procurement, transport and product use. CO₂ produced directly by manufacturing falls under Scope 1, while indirect emissions resulting from energy use fall under Scope 2.
- *3. Green purchasing: To purchase products and services that have minimal environmental impact from suppliers who are committed to reducing their environmental impact, considering not only the quality and price of the products, but also the environment
- *4. REACH: Regulation covering chemical substances promulgated in the EU in June 2007 (REACH stands for Registration, Evaluation, Authorisation and Restriction of Chemicals)
- *5. GHS: Globally Harmonized System of Classification and Labeling of Chemicals, a universally standardized hazardous chemical classification system used in preparing SDS and container labels
- *6. SDS: Safety Data Sheet, documentation containing the product name, physicochemical properties, hazard and toxicity information, usage, and related laws and regulations

★★★: Achieved ★★: Mostly achieved ★: Not achieved

FY 2013 Results		Self evaluation	See page(s)
<ul style="list-style-type: none"> 1. Shared and utilized information gathered by the Process Safety Management Liaison Group and Accident Information Liaison Group 2. Reviewed the Basic Operations Instruction Guide, worked on the technical manual for design (<i>Know-Why</i>), and reviewed education and training methods, including evaluations of employee comprehension of standards and processes 3. Created Inspection Guidelines for managing corrosion on the outer surfaces of pipes 	★★	P. 39	
<ul style="list-style-type: none"> 1. Created Earthquake and Tsunami Countermeasure Plans at each department and location in light of government guidelines and revisions to earthquake resistance standards 	★★		
<ul style="list-style-type: none"> 1. Implemented mental health initiatives 2. Used results from health examinations to implement health risk diagnoses and responses, lifestyle-related disease countermeasures, overwork countermeasures and dietary environment improvement initiatives 	★★	P. 29	
<ul style="list-style-type: none"> 1. Evaluated small groups for safety initiatives at facilities. Recognized outstanding groups to promote such initiatives 2. Evaluated facility safety with environment and safety audits. Outstanding initiatives were published in a collection of best practices, and particularly important safety initiatives were published as Safety and Health Guidelines for use as Groupwide standards 3. Expanded hands-on safety and health education, expanded OJT led by foremen and promoted development of under-skilled employees 	★★	P. 40	
<ul style="list-style-type: none"> 1. Promote measures to prevent global warming <ul style="list-style-type: none"> Greenhouse gas reduction (fiscal 2015 targets) 1-1. Reduced 18% compared with the fiscal 1990 level 1-2. Reduced 22% compared with the fiscal 1990 level Greenhouse gas reduction (initiatives to be taken by fiscal 2015) 1-3. Reduced CO₂ emissions by 60,000 tons (reflecting the implementation of planned measures) 1-4. Calculated scope 3² emissions and received third-party verification 2. Shared information through biodiversity preservation study meetings and participated in woodland conservation activities 	★★★	P. 43-45	
<ul style="list-style-type: none"> 1. Emissions of 12 voluntarily selected chemical substances: Reduced 81% compared with fiscal 2000 2. External final disposal: Reduced 76% compared with fiscal 2000 3. The UBE Group's green purchasing rate: 72% 	★★	P. 47, 48	
<ul style="list-style-type: none"> 3. The UBE Group's green purchasing rate: 72% 		P. 24	
<ul style="list-style-type: none"> 1. Correspondence to Chemical Regulations in and outside Japan <ul style="list-style-type: none"> 1-1. Registered two substances. Currently building a REACH compliance framework for greater continuity in Japan and Europe 1-2. Reinforced operation of new system through internal audits, education and consultations about individual laws conducted by experts appointed in each division 1-3. Improved chemical management systems in China and the U.S. Currently improving system in South Korea in light of new laws. 1-4. Continued creating/updating SDSs/labels based on each country's laws and regulations 2. Reduction of quality loss costs is realized by place-of-business initiative by 34% compared with fiscal 2006 levels. 3. Promoted GHS Labeling in the workplace for products, intermediates and purchased at all facilities. 	★★	P. 46	
<ul style="list-style-type: none"> 1. Secure transportation safety <ul style="list-style-type: none"> 1-1 Maintained/revised Yellow Cards, Container Yellow Cards and Transportation Labels as needed 1-2 Continued to implement security measures for air cargo as a specified cosigner under the new system 	★★★		
<ul style="list-style-type: none"> 1. Promote dialogue with communities <ul style="list-style-type: none"> 1-1 Held 11th RC Dialogue meeting in the Ube District 1-2 Held 9th Dialogue Meeting in the Yamaguchi western district 1-3 Held 9th Dialogue Meeting in the Sakai/Senboku district 1-4 Published local newsletter <i>Tsubasa</i> (released semiannually) 2. Published <i>UBE Group CSR Report 2013</i> and received third-party verification related to RC 	★★★	P. 24, 25 P. 55	
<ul style="list-style-type: none"> 1. Implement environment and safety audits and inspections and quality and product safety audits <ul style="list-style-type: none"> 1-1. UBE and its divisions implemented environment and safety audits at 15 facilities and Group companies 1-2. UBE implemented quality and product safety audits at 12 facilities and Group companies 1-3. Implemented environmental safety inspections at six facilities and Group companies 	★★★	P. 36	

02-2 Process Safety and Disaster Prevention

● Initiatives for Industrial Safety

In light of damage to petrochemical complexes due to the Great East Japan Earthquake and numerous serious accidents at chemical plants, industrial process safety has become a major social issue. The UBE Group recognizes that it, too, harbors such risks. Based on action plans and guidelines recommended by a March 2013 Ministry of Economy, Trade and Industry report and by industry organizations, the Group incorporated reinforcing process safety frameworks and earthquake and tsunami readiness as key measures in its fiscal 2013 action plans (see pages 37 to 38), and is working to prevent industrial accidents.

Furthermore, UBE is actively responding to the Japan Petrochemical Industry Association's Industrial Process Safety Action Plan (July 2013). With regard to the Japan Chemical Industry Association's Process Safety and Accident Prevention Guidelines, UBE adopted and tested the guidelines at certified sites for pressurized gas. We are considering using these guidelines in future training on process principles and safety design.

Building a Companywide Response System for Large-Scale Plant Disasters

Because large-scale accidents are likely to cause significant harm that extends beyond the facility where they occur, rapid and precise conveyance of information and response are particularly important. To that end, we maintain a comprehensive, practical manual on the internal contact system and external response.

Earthquake and Tsunami Readiness

In light of governmental guidance and revised earthquake resistance standards, the Group Earthquake Countermeasures Committee discussed overall policy and assisted in formulating Earthquake and Tsunami Readiness Action Plans for divisions, offices and facilities.

Emergency Drills

The Group regularly implements emergency drills, including such responses as reporting, issuing alerts, and extinguishing fires at its facilities. We have also secured evacuation sites and conduct evacuation drills in preparation for an earthquake or tsunami.

Plant Safety Assessment

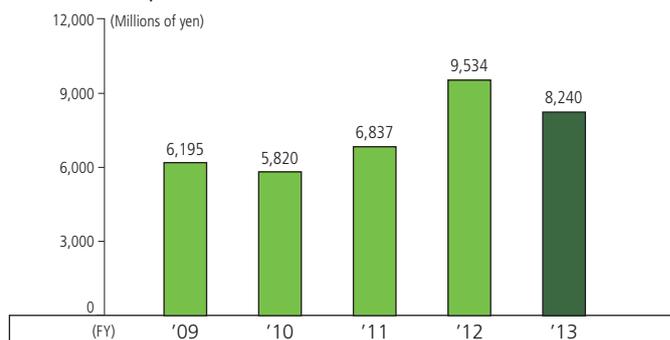
The methods stipulated in the plant safety assessment standards* are followed when carrying out plant safety assessments of new, additional, or modified facilities. In fiscal 2013, the UBE Group carried out 88 such safety assessments.

*Safety Assessment Implementation Rules (Revised January 2010)

UBE Group Facility-Related Accidents (including environmental accidents)

	(Number of accidents)				
FY	2010	2011	2012	2013	2014
UBE	4	2	3	3	2
Group companies	3	3	1	3	2

Occupational Safety, Health and Disaster Prevention Expenditure of the UBE Group



Response to the Japan Petrochemical Industry Association's Industrial Process Safety Action Plan

	Initiatives That Member Companies Should Take	UBE's Initiatives	
1. Commitment of corporate management to industrial process safety	(1) Express and strongly advance basic principles and policy	UBE Group Environmental and Safety Principles and UBE Action Guidelines Roundtable meetings are held at facilities each year, facilitating direct communication between the president and employees	
	(2) Appropriate resource allocation for industrial process safety (human resources, facilities, etc.)	Formulation of budgets and manpower plans based on plans for facility maintenance and repair	
2. Setting goals for industrial process safety	(1) Set numerical targets for process safety	Numerical target: Zero major facilities accidents	
3. Formulating action plans to implement industrial process safety measures	(1) Risk assessments (RA) at irregular times	Using a broad interpretation of irregular times, we are investigating RA methods based on possible malfunction or incorrect operation of safety mechanisms during emergency shutdown	
	(2) Education and training (development of human resources who can understand entire processes)	Implementing Companywide initiatives to reinforce the process safety framework	Reviewing methods of training and drilling aimed at enhancing emergency response capabilities
	(3) Utilize information about accidents		Sharing information on accidents and their countermeasures through the Accident Information Liaison Group
	(4) Prevent facilities problems (facility maintenance and deterioration countermeasures)		Sharing information on facility failure and problems through the Process Safety Management Liaison Group
	(5) Ensure earthquake resistance of high-pressure gas facilities	Companywide initiatives implemented to review earthquake and tsunami damage predictions and formulate countermeasures. Action plans formulated for each facility to evaluate compliance with high-pressure gas facility earthquake resistance standards and formulate countermeasures	
4. Surveying and evaluating implementation and achievement of measures and goals	(1) Evaluate and confirm results, and reflect them in the next year's plans	Checks and evaluations of implementation status through yearly audits. Environment and Safety Committees consider the results of the year's activities when discussing measures for the next year	
5. Initiatives to advance each company's own process safety activities	(1) Evaluate everyday process safety activities	Recognition by the president at Group safety and health rallies of individuals, small groups for safety, facilities and partner companies that achieved excellent results	
	(2) Develop a culture of safety (utilize conferences, etc.)	Implemented the Process Safety Enhancement Center's Process Safety Evaluation System and began evaluations in fiscal 2013	

02-3 Occupational Safety and Health

● Measures to Prevent Occupational Accidents

Utilizing Occupational Accident-Related Information

UBE compiles occupational accident-related information into a database that is made openly available within the Company. Examples of countermeasures are shared horizontally within offices and facilities, and are used as important data in risk assessments of facilities and operations, helping to prevent the occurrence of similar types of accidents.

Small Groups for Safety Activities and Promotion

UBE began using the small groups for safety approach in fiscal 2009, and evaluates the activities of each group. At the Group safety and health rally held every year, outstanding small groups for safety recommended by their divisions or facilities are recognized by the president. These initiatives help to raise safety awareness.

Safety Evaluations of Facilities

UBE evaluates the safety of its facilities through yearly environment and safety audits. Outstanding initiatives identified through these audits are compiled into a collection of best practices and Safety and Health Guidelines, which are then used by offices and facilities as well as small groups for safety as reference for improving their activities.

Enhancing Safety and Disaster Prevention Training

The increasing pace of the generational shift from older to younger employees is making the passing along of skills ever more important, and we are focusing on experiential training. We established a safety training center at the Cement & Construction Materials Company in August 2009, that simulates hazardous situations, such as being caught in machinery or working in high places, to provide experiential safety training. The Chemicals & Plastics Company established a Chemical Training Center in April 2014. The center simulates phenomena that are unique to chemical plants to help employees understand the principles and basic rules of safety. Both of these training centers train not only Group employees, but employees of partner companies as well. We plan to utilize the centers to enhance and develop Companywide safety and disaster prevention training going forward.

Experiential Safety Training at the Safety Training Center (Cement & Construction Materials Company)



Getting caught in a V-belt



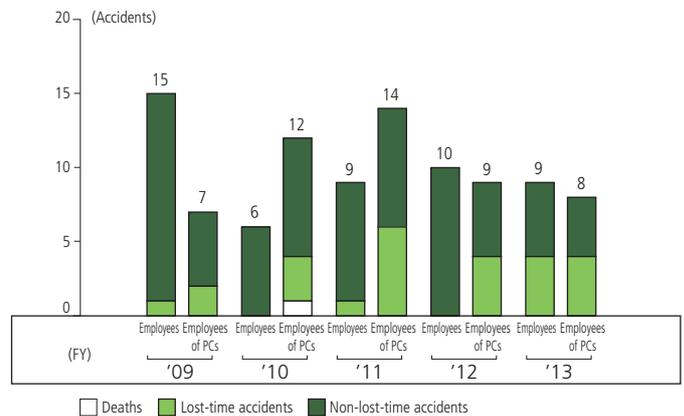
Simulated crane operation hazard

Measures against Asbestos

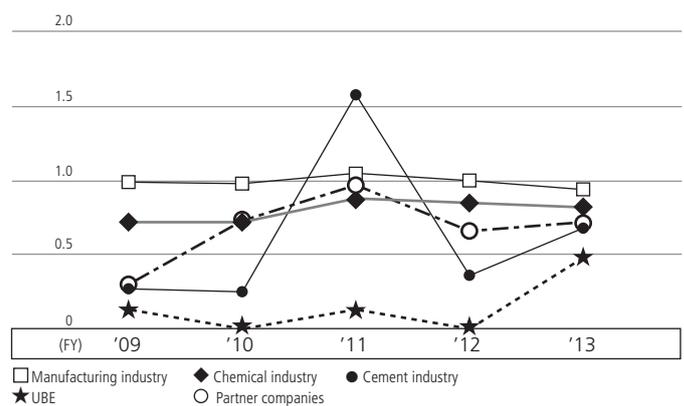
Employees who have handled asbestos-related products, including those who are now retired, undergo regular health examinations. As a result of health hazard-related surveys that determine whether or not employees have been exposed to asbestos, the Group cooperates in the submission of industrial accident reports by individuals whose examination results warrant medical attention. The Group also appropriately treats problems at locations

where a high rate of asbestos diffusion has been found. In addition, the Group is promoting systematic measures for the disposal and replacement of asbestos materials. Insulation and gasket packing are replaced regularly with substitute materials when piping and reactors are opened.

Number of Occupational Accidents (Involving Employees of UBE and Those from Partner Companies (PCs))



UBE Lost-Time Injury Frequency Rate



Training at the Chemical Training Center



Pipeline closing/liquid draining



Maneuvering while connected to a safety harness

02-4 Environmental Accounting

Since fiscal 1999, the UBE Group has employed environmental accounting as a tool for quantitatively understanding and evaluating the costs and effects of environmental preservation in Group business activities while promoting more efficient, sustained environmental preservation. The results for fiscal 2013 are as shown in the following tables.

Environmental Preservation Costs

Capital investment in fiscal 2013 totaled ¥2,350 million. This was primarily attributable to construction related to the relocation of distillation columns at the Ube Chemical Factory, replacement of electrical facilities at the Kanda Cement Factory and the installation of an electrostatic precipitator at Ube Material Industries, Ltd.

Costs rose ¥760 million compared with those of fiscal 2012 to ¥12,410 million.

Economic Effect

The income effect amounted to ¥910 million. This figure includes proceeds from the sale of marketable waste.

The savings effect was ¥5,060 million, due to promoting the reuse of resources and energy conservation.



Distillation column facilities at the Ube Chemical Factory



Electrostatic precipitator at Ube Material Industries, Ltd.

Environmental Preservation Costs

(Unit: ¥100 million)

Category		Main Activity	Capital Investment			Costs		
			FY2012	FY2013	Difference	FY2012	FY2013	Difference
Cost by business area	Pollution prevention	Investing in and maintaining energy-saving facilities	12.6	9.4	(3.2)	47.7	50.3	2.6
	Investing in and maintaining air and water pollution prevention facilities	Resource recycling	9.5	9.5	0.0	4.4	5.8	1.4
	Global environment preservation	Recycling and reducing industrial waste	24.0	4.3	(19.7)	42.3	44.8	2.5
Upstream/downstream costs		Container/packaging recycling, green purchasing	0.2	0.0	(0.2)	7.0	6.5	(0.5)
Costs of management activities		Acquiring, running and maintaining environmental management systems	0.0	0.0	0.0	5.1	5.1	0.0
Research and development costs		R&D of environment-friendly products and technologies	0.5	0.1	(0.4)	5.9	7.0	1.1
Costs of social activities		Greening and beautifying offices/facilities and their surroundings	0.2	0.2	0.0	1.9	2.3	0.4
Costs of cleaning up environment damage		Payment of environment-related levy	0.0	0.0	0.0	2.2	2.3	0.1
Total			47.0	23.5	(23.5)	116.5	124.1	7.6

Economic Effect

(Unit: ¥100 million)

Category	Effect	FY 2012	FY 2013	Difference
Income Effect	Proceeds from sales of marketable waste products	11.4	9.1	(2.3)
Savings Effect	Savings achieved through resource recycling and energy conservation	57.0	50.6	(6.4)

UBE Group Environmental Accounting Method

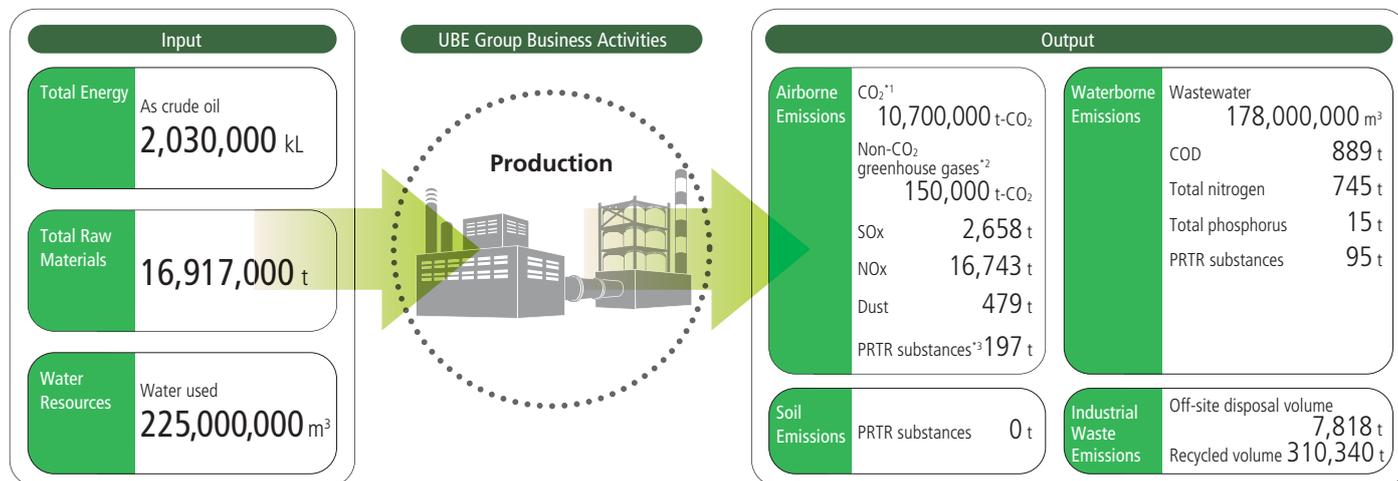
- Companies covered: UBE Group companies (Only consolidated subsidiaries described under "Companies covered" on page 57, except for Ems-Ube, Ltd. and UBE-MC Hydrogen Peroxide, Ltd.)
- Calculations are based on Environmental Accounting Guidelines (Ministry of the Environment, 2005 edition).
- The economic effect is the effect obtained in fiscal 2013 as a result of environmental protection activities.
- This is limited to what can be calculated rationally and excludes hypothetical calculations, such as the avoidance of the cost of cleaning up environmental damage.
- Internal transactions within the UBE Group are eliminated.

02-5 Environmental Performance

The UBE Group recognizes that environment-oriented business practices are vital to its ongoing growth. We will continue to promote measures to prevent global warming, reduce emissions of toxic chemical substances, and

reduce and effectively use industrial waste in order to continuously foster business activities that contribute to the formation of a recycling-based society.

Overview of the UBE Group's Environmental Impact in Fiscal 2013



*See "Companies covered" on page 57 for details on the scope of UBE Group performance data.

Fiscal 2012 and 2013 Environmental Impact Data by Factory

(Unit: tons/year)

	SO _x Emissions		NO _x Emissions		Dust Emissions		COD Emissions		Total Phosphorus Emissions		Total Nitrogen Emissions		Industrial Waste Off-Site Disposal Volume	
	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012	2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013
Chiba Petrochemical Factory	1	2	40	37	0.2	0.4	8	11	0.1	0.1	2	2	8	5
Sakai Factory	0	0	159	132	20	9	163	151	4	4	235	215	42	48
Ube Chemical Factory	1,850	1,630	3,424	3,535	113	117	455	477	7	6	447	462	303	204
Ube-Fujimagari Factory	—	551	—	390	—	4	—	232	—	4	—	60	—	13
Ube Cement Factory	38	37	1,501	1,637	64	60	8	8	—	—	—	—	0	0
Isa Cement Factory	338	319	7,039	7,033	188	168	0	0	—	—	—	—	0	0
Kanda Cement Factory	4	8	2,444	2,828	60	58	2	1	0	0	1	1	22	80
Okinoyama Coal Center	—	—	—	—	—	—	—	—	—	—	—	—	1	4
Ube Film, Ltd.	—	—	—	—	—	—	—	—	—	—	—	—	0	0
Ems-Ube, Ltd.	0	0	5	5	0	0	6	6	0	0	1	2	0	0
Ube Ammonia Industry, Ltd.	508	—	446	—	5	—	275	—	4	—	61	—	319	—
UBE-MC Hydrogen Peroxide, Ltd.	—	—	—	—	—	—	0.2	0.2	0	0	0	0	0	0
Ube Exsymo Co., Ltd.	2.4	1.1	2.4	1.3	0.3	0.2	2.0	0.9	0	0	0	0	17	2
Meiwa Plastic Industries, Ltd.	—	—	—	—	—	—	0.1	0.1	0	0	0	0	10	8
Ube Material Industries, Ltd.	93	93	1,169	1,058	50	47	—	—	—	—	—	—	3,934	1,942
Ube Board Co., Ltd.	0.2	0.5	7	6	3	3	0.4	0.0	0	0	0.2	0.0	940	1,412
Ube Machinery Corporation, Ltd.	0	0	—	—	—	—	1.0	1.1	0.2	0.2	1.3	1.4	85	62
Fukushima, Ltd.	1	1	29	29	0.1	0.1	0	0	0	0	0	0	26	31
Ube Steel Co., Ltd.	13	14	40	51	10	14	0.5	0.7	0	0	0	0	2,466	3,303
Thailand	2	1	61	52	16	9	75	98	5	3	38	7	1,118	925
Spain	74	37	565	857	22	35	92	96	1	2	67	96	8,170	9,925

Note: As of October 2013, UBE has taken on the factory operations of Ube Ammonia Industry, Ltd. at the new Ube-Fujimagari Factory. As a result, the fiscal 2013 environmental impact data for Ube Ammonia Industry, Ltd. is calculated as part of that for the Ube-Fujimagari Factory.

Glossary

*1. Shows CO₂ emission volumes (excluding emissions from waste)

*2. Five gases, namely CH₄, N₂O, HFC, PFC and SF₆

*3. The 462 substances specified under the Japanese PRTR Law, on an aggregate basis (see page 47).

02-6

Measures to Prevent Global Warming

Medium-Term Management Plan

Change & Challenge—Driving Growth

Reducing Greenhouse Gases

CO₂ Reduction Targets for the Domestic UBE Group

1. CO₂ emissions from energy use: Reduce 15% compared with fiscal 1990 levels by fiscal 2015
 2. Total CO₂ emissions from energy use and non-energy-use (excluding emissions from waste): Reduce 20% compared with fiscal 1990 levels by fiscal 2015
- Steadily implement measures to reduce energy use, expand reuse of waste materials and work toward further CO₂ reductions in factories at the product manufacturing stage.
 - Reduce CO₂ generated by use of finished products that employ the UBE Group's main products and continue to monitor the amount of CO₂ emissions at all stages of the Group's supply chains.
 - Consider CO₂ reduction targets for all UBE facilities, including those outside Japan, and enhance Groupwide efforts to reduce emissions of greenhouse gases.

● Measures to Reduce Greenhouse Gases

CO₂ Emissions and CO₂ Emission Intensity Index

The Group's CO₂ emissions in fiscal 2013 increased 1% compared with fiscal 2012, due largely to the increased production of cement and quick lime, which cause significant non-energy-use CO₂ emissions, the suspension of IPP power generation facilities and reduced lactam production at the Sakai Factory. The CO₂ emission intensity index worsened 17% compared with fiscal 2012.

Energy Consumption and Energy Consumption Intensity Index

The Group's energy consumption in fiscal 2013 decreased 15% compared with fiscal 2012. The energy consumption intensity index was on par with fiscal 2012.

Efforts in Logistics

Under its Logistics Re-Engineering Project, the UBE Group is improving load ratios by using larger lots and co-loading in coordination with customers, replacing specialized vehicles with more fuel efficient vehicles, and using larger vehicles for transport between the Ube District factories and the Isa Cement Factory to address the recent shortage of drivers.

As a result, energy consumption intensity in fiscal 2013 was 99.6% that of fiscal 2012, and 98.6% of the average over the past five years, achieving both the goals of improvement over the previous year and a 1% improvement over the average for the past five years.

Going forward, UBE will promote reductions in environmental burden and costs by expanding the range of co-loading within the Group and advancing modal shifts.*1

Efforts in Factories

The UBE Group is working to reduce energy consumption through far-reaching energy-saving measures being undertaken at all factories. In fiscal

2013, through the expanded use of waste materials at cement factories, a reduction in the use of steam, the replacement of aging facilities, the installation of a boiler combustion control system at a 145 MW private thermal power facility and other initiatives, we reduced our CO₂ emissions by approximately 120,000 tons. In particular, the liquefied carbon dioxide production facilities at the Ube-Fujimagari Factory, which entered service in August 2013, reduce non-energy CO₂ emissions by approximately 80,000 tons over the course of a year. In addition, the Mine Factory of Ube Material Industries Ltd. switched from bunker C to recycled fuel (fuel refined from gasified scrap tires), saving approximately 3,700 kiloliters of fuel (about 10,000 tons of CO₂ equivalent) per year.

A division of the UBE head office conducts audits of energy management at UBE factories. In fiscal 2013, we audited the Ube Chemical Factory and Ube Cement Factory, confirming that energy saving measures were being implemented steadily under an energy management framework.

In fiscal 2014 and onward, we will continue to install exhaust heat power generation facilities at cement factories and pursue other initiatives to enhance energy savings.



Liquefied carbon dioxide manufacturing facilities (Ube-Fujimagari Factory)

Initiatives Related to Electric Power

Following the Great East Japan Earthquake, in response to requests to cut back on power usage (and government orders to limit usage during summer 2011) due to damage to power plants in eastern Japan, UBE established an Electric Power Countermeasures Working Group as part of efforts to reduce peak power usage at Group factories in the area affected by the power saving measures (the Chiba Petrochemical Factory and Sakai Factory). Since then, the UBE Group has continued efforts to reduce summer and winter peak electricity usage, including the shifting of operating hours at factories in addition to Companywide information sharing and support for initiatives through the Electric Power Countermeasures Working Group. Accordingly, there has been no impact on the Group's production due to electricity shortages.

Furthermore, since the great East Japan Earthquake, fossil fuels have become a greater component of Japan's energy mix, causing electricity prices to shoot up. In response, UBE has worked constantly to reduce energy consumption. Under our 2012-2013 power saving project in the Ube District, our in-house power stations in the Ube District promoted power saving among all their users, achieving a consumption reduction effect of approximately 3% (summer, 10,000 MWh).

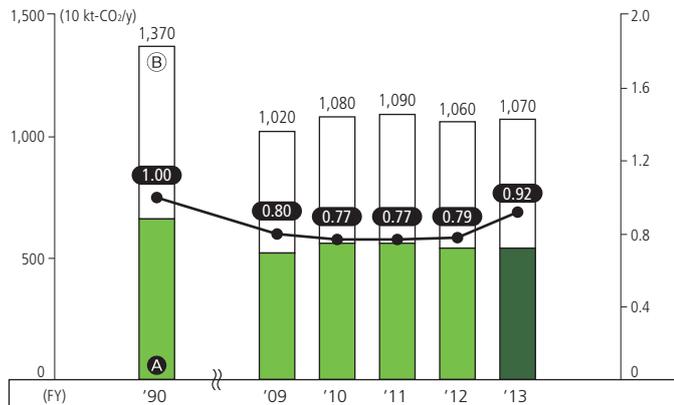
Glossary

*1. Modal shift: A shift from truck transport to rail and domestic marine-based transport, both of which use less energy per amount of mass transported.

*2. GHG (Greenhouse Gas): CO₂, CH₄, N₂O, HFC, PFC and SF₆ are six greenhouse gases specified in the Kyoto Protocol.

*3. Scope 3: Indirect emissions of CO₂ throughout the supply chain, such as those that occur during material procurement, transport and product processing, use and disposal.

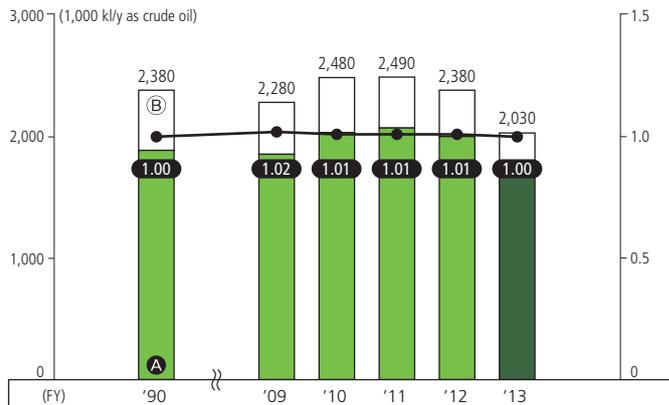
CO₂ Emissions and CO₂ Emission Intensity Index



- Ⓐ Energy-based CO₂ emissions
- Ⓑ Non-energy-based CO₂ emissions (excluding emissions from waste)
- CO₂ emission intensity index (fiscal 1990 basis)

The volume of CO₂ emissions is calculated based on the Act on Promotion Measures to Cope with Global Warming.

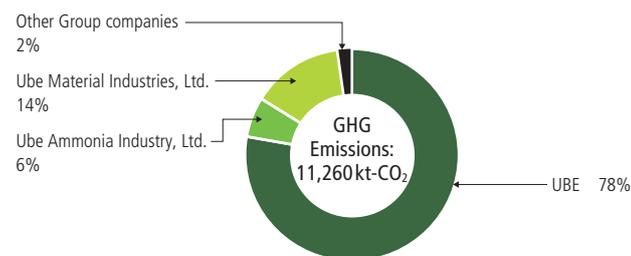
Energy Consumption and Energy Consumption Intensity Index



- Ⓐ UBE
- Ⓑ Group companies
- Energy intensity index (fiscal 1990 basis)

The volume of energy consumption is calculated based on the Act on the Rational Use of Energy.

GHG² Emissions for UBE Group by Company (Fiscal 2013 Results)



In July 2014, a mega solar power station began operation in Fujimagari, Ube City (output: 21.3 MW, equivalent to the amount used by about 6,900 households). This project is part of a joint venture with Showa Shell Sekiyu K.K. Through the generation of renewable energy, the UBE Group is contributing to the preservation of the global environment and to resolving problems related to energy resources.



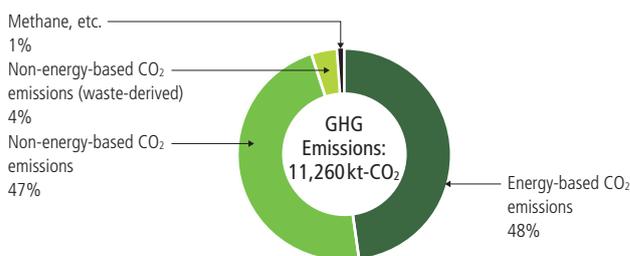
Mega solar power station (U.S. Power Co., Ltd.)

Understanding CO₂ Emissions throughout the Supply Chain

To understand and work to reduce CO₂ emissions throughout the supply chain, the UBE Group measures scope 3 emissions^{*3} and in March 2014 received independent verification of this measurement.

A particularly large portion of the scope3 CO₂ emissions calculated from fiscal 2012 results was due to the use of products sold by UBE, including coal, die-casting machines and injection molding machines. To reduce these emissions, the UBE Group is advancing initiatives to utilize biomass and to enhance the energy saving functions of die-casting machines and other products.

GHG² Emissions for UBE Group by Type of Gas (Fiscal 2013 Results)



GREENHOUSE GAS EMISSIONS VERIFICATION STATEMENT

To: Ube Industries, Ltd.

March 20, 2014

Bureau Veritas Japan Co., Ltd.
System Certification Services Headquarters

Bureau Veritas Japan Co., Ltd. (Bureau Veritas) was engaged by Ube Industries, Ltd. (Ube Industries) to conduct verification to a limited level of assurance of the greenhouse gas (GHG) emissions of the UBE Group, as reported by Ube Industries for the period of April 1, 2012 through March 31, 2013.

1. Scope of Verification
Bureau Veritas verified the accuracy of the following GHG information:
UBE Industries required Bureau Veritas to verify the accuracy of the following GHG information:
Categories 1, 2, 3, 4, 5, 6, 7, 9, 10, 11, 12 and 15 of Scope 3 GHG emissions accounted in line with the GHG Protocol's 'Corporate Value Chain (Scope3) Accounting and Reporting Standard', and the boundaries defined by UBE Industries for each category.

2. Methodology
Bureau Veritas conducted the verification in accordance with the requirements of the international standard ISO 14064-3:2009: Greenhouse gases - Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions.
As part of Bureau Veritas' assurance, the following activities were undertaken:
-Interviews with relevant personnel of Ube Industries responsible for the identification and calculation of GHG emissions;
-Review of Ube Industries' information systems and methodology for collection, aggregation, analysis and review of information used to determine GHG emissions; and
-Audit of a sample of source data to check accuracy of quantified GHG emissions.

3. Conclusion
Based on the verification work and processes followed, there is no evidence to suggest that the scope 3 GHG emissions assertions shown below:
-are not materially correct and are not a fair representation of the GHG emissions of the UBE Group, as per the scope of work;
-are not prepared in accordance with the methodology for calculating GHG emissions established and implemented by Ube Industries.

Verified greenhouse gas emissions	
Scope 3	14,278,765 t-CO ₂ e

The breakdown of Scope 3 emissions are as follows:

Category	t-CO ₂ e	Category	t-CO ₂ e
1. Purchased goods and services	871,268	7. Employee commuting	1,880
2. Capital goods	111,086	8. Downstream transportation and distribution	511,547
3. Fuel and energy-related activities	555,957	9. Processing of sold products	92,880
4. Upstream transportation and distribution	858,296	10. Use of sold products	10,232,764
5. Waste generated in operations	16,506	11. End-of-life treatment of sold products	1,672,557
6. Business travel	12,633	15. Investments	41,061

(Statement of independence, impartiality and competence)
Bureau Veritas is an independent professional services company that specializes in Quality, Health, Safety, Social and Environmental management with over 150 years history in providing independent assurance services. No member of the verification team has a business relationship with Ube Industries, its Directors or Managers beyond that required of this assignment. We conducted this verification independently and to our knowledge there has been no conflict of interest. Bureau Veritas has implemented a Code of Ethics across the business to maintain high ethical standards among staff in their day-to-day business activities. The verification team has extensive experience in conducting assurance over environmental, social, ethical and health and safety information, systems and processes.

Certificate of greenhouse gas emissions verification from Bureau Veritas Japan Co., Ltd. (dated March 20, 2014)

02-7 Preserving Biodiversity

● Partnership to Promote the Declaration of Biodiversity of Keidanren (Japan Business Federation)

Fully approving the Declaration of Biodiversity of the Keidanren, UBE is participating as a partner to promote this initiative with the aim of establishing more proactive measures to preserve biodiversity.

● Environmental Study Meetings on Preserving Biodiversity to Promote Activities

The UBE Group has established Environmental Study Meetings as part of Companywide efforts to promote the conservation of biodiversity. Through these meetings, we are working to spread awareness, understand and evaluate the impact of UBE's business activities on biodiversity, explore themes for future activities, and promote the development of environment-friendly products, technologies and business.

In fiscal 2013, UBE Group Employees contributed approximately 1,000 man-hours to initiatives to preserve biodiversity, and the Group spent some ¥9 million on efforts that included forest maintenance and tree planting at former limestone quarries.

● Initiatives in the Ube District

In fiscal 2013, the UBE Group participated in the Sixth Forest Creation Experiential Activity for Water Conservation, sponsored by the Mine City Office of Yamaguchi Prefecture's Agriculture, Forestry & Fisheries Department, with 99 employees taking part in the thinning and logging of bamboo over about two hectares. Furthermore, UBE employees participated in activities to protect and nurture the Akiyoshidai plateau in Mine (hosted annually from autumn to winter by the Akago Area Community-Building Council). In addition, some of the management of forest and water sources undertaken by Yamaguchi Prefecture is supported by fees paid by UBE for the water it uses in its factories.



Spreading awareness: Lecture on biodiversity at the Sakai Factory (June 2013)



Sixth Forest Creation Experiential Activity for Water Conservation (November 2013)

● Initiatives in Thailand

UBE Group (Thailand) is cooperating with the Thai Ministry of Agriculture and Cooperatives to promote the use of ammonium sulfate fertilizers to palm oil producers as part of efforts to support efficient and sustainable production in compliance with the standards of the Roundtable on Sustainable Palm Oil (RSPO).



Ammonium sulfate presentation ceremony in UBE Group (Thailand) (February 2013)

Tatsuo Yoshinaga
Ube Corporate Service Department



Biodiversity Conservation

The term "biodiversity conservation" is unfamiliar to many people. In fact, most employees who participate in forest maintenance activities in the Kotou River Basin, which we do every year, do not realize that they are taking part in biodiversity conservation. Their reasons for participating are almost always that it sounded fun, that they wanted to give back to the community, or that they thought it would make them feel like they did something good. I think that all of these are good reasons. If touching the trees and breathing the air of the forest can help to generate an awareness of biodiversity conservation, that alone is reason enough for the activities. At the same time, employees who take part multiple times and the number of younger participants are increasing, which is a sign of real progress. Taking action by doing what we can right now as residents of the Earth is key, and there's something impressive about seeing someone in work clothes, work gloves and work boots with a saw in hand, working to thin or prune the forest. We at the Secretariat will continue to strive to make these activities meaningful for even more people.



Staff
Message

● Initiatives in Spain

The UBE Group in Spain (UCE) has signed an agreement to conserve the environment of the nearby Mijares River with an environmental foundation in Valencia and VAERSA, Generalitat Valenciana (a company that provides environmental services). Going forward, UBE plans to manage a two-hectare area along the river, in which it will remove invasive species and protect endemic plant life.



Signing ceremony for the agreement on managing the area around the Mijares River at UCE (March 2014)



02-8 Product Safety and Quality Assurance

● Product Safety and Quality Assurance Initiatives

Safety Data Sheet (SDS)

To ensure the safe use of our chemical products, we actively provide SDSs for all of our products to our customers and disclose them on our website. In addition, employees can access our product SDS database. This database provides employees with information that includes data on product hazards and toxicity, relevant laws and regulations, and storage, transport and disposal procedures. We continually update SDSs in light of country-specific laws (including those of China), product labels, the REACH Regulation, CLP^{*1} and other relevant regulations.

Product Labels

A GHS label listing cautionary measures to be taken during handling is attached to every product container. Moreover, we have fully adopted the Container Yellow Card labeling system.



GHS labeling

Transportation Safety

Based on the annual plans of the Group Product Safety Committee, we undertake measures to prevent transportation accidents and improve the quality of transportation operations. Such measures include maintaining Yellow Card^{*2} and other transportation labeling systems as well as conducting disaster drills.

Response to Customers' Green Procurement^{*3}

Particularly in the electric and electronic device and automotive industries, we are seeing advances in products designed for easier recycling and the reduced use of harmful materials. As a provider of raw materials, UBE responds enthusiastically to its customers' green procurement efforts. With regard to its own raw materials procurement, the Company has set internal standards and monitors procured parts, materials and products for harmful materials.

Advance Safety Assessments of Chemical Substances

We conduct advance safety assessments of newly developed chemical substances and chemical substances that we will be handling in factories for



Norihiko Sawabe

General Manager, Quality Assurance,
Production and Technology Headquarters
Cement & Construction Materials Company

Pushing Our Technologies

Forward to Enhance Customer Satisfaction

My main duties are related to quality management/quality assurance for such products as cement and solidification agents. In particular, we are working to reinforce the management of heavy metal elution in response to environmental standards. While seeking to expand the use of waste as raw material for cement, we are constantly pursuing exacting management and product inspection and monitoring changes in the law in order to avoid any negative impact on product quality or the environment.

The scope of our work is also expanding to include such factors as monitoring radioactivity to ensure that the nuclear accidents in Japan have absolutely no effect on our product safety and reviewing environmental harmfulness in order to compile SDSs. We hope to respond solidly to newly emerging issues. In addition, about one fourth of the cement we produce is exported, so we are working to comply with changes in overseas standards, such as ASTM, BS-EN and API (for oil-wells), in addition to the JIS standards, endeavoring to enhance the satisfaction of overseas users as well as the level of our own technology.



the first time. In fiscal 2013, the UBE Group performed 13 advance safety assessments of chemical substances.

Participation in Chemical Safety Management Initiatives in Japan and Overseas

UBE actively gathers and communicates hazard information about its chemical products, taking part in the International Council of Chemical Associations (ICCA) HPV Program^{*4} and the Japan Challenge Program.^{*5} Since fiscal 2011, we have been participating in the JCIA's Japan Initiative of Product Stewardship (JIPS)^{*6} (the domestic version of GPS^{*7}), while promoting the gathering and communication of hazard information and risk assessments. The results of this participation include summary sheets^{*8} for eight substances published on the GPS web portal. Through the JCIA, we also actively support the ICCA in its voluntary Long-Range Research Initiative, which focuses on the effects of chemical substances on human health and the environment.

Glossary

- *1. CLP Regulation: A new EU regulation in addition to REACH pertaining to classification, labeling and packaging that facilitates the introduction of GHS within the EU. (CLP stands for Classification, Labelling and Packaging)
- *2. Yellow card: A card for use in case of an accident during transport that displays product name, relevant laws, attributes, handling procedures, accident response procedures and emergency contact information
- *3. Green procurement: Procurement of materials conducted by companies based on their individual safety and environmental criteria established to meet the requirements of relevant legal regulations, including the EU RoHS Directive that restricts the use of certain hazardous substances in electrical and electronic equipment
- *4. High Production Volume Chemicals Program (HPV): An international chemical safety management initiative that gathers safety information about, conducts toxicity assessments of, and shares information regarding mass-produced chemical substances. Begun by the OECD, it is now carried out by the ICCA
- *5. Japan Challenge Program: A domestic chemical safety inspection program. The Japanese version of the High Production Volume Chemicals (HPV) Program that gathers and communicates information on the hazards and toxicity of chemical substances in Japan and internationally in coordination with industry and the national government
- *6. Japan Initiative of Product Stewardship (JIPS): Voluntary risk management of chemical substances
- *7. Global Product Strategy (GPS): An initiative for voluntary chemical substance risk management promoted by the ICCA with the goal of minimizing the impact of chemical substances on the environment and people by 2020
- *8. Safety Summary Sheet: A document summarizing the results of in-house chemical substance risk assessments that reflects the results of GPS initiatives, published on the ICCA's GPS website

02-9 Management of Chemical Substances

● Response to PRTR*1 and VOC*2

Due to a revision of the Japanese PRTR Law, in fiscal 2010 the number of substances subject to reporting rose from 354 to 462, and the number of substances on which the UBE Group reports rose accordingly from 50 to 59. Nevertheless, the Group's total emissions of such substances in fiscal 2013 were down 40.2% compared with fiscal 2012.

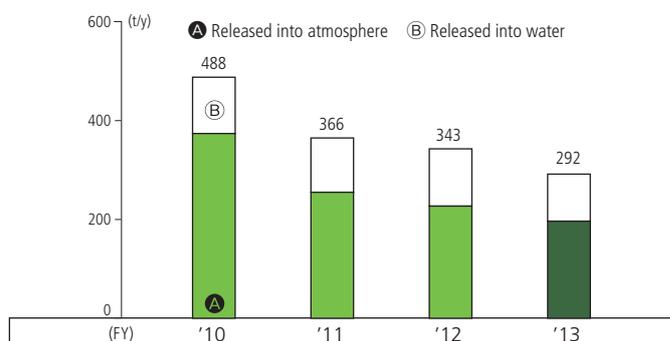
With regard to volatile organic compounds (VOCs), UBE has continued efforts to reduce emissions even after attaining its goals for fiscal 2010. As a result, fiscal 2013 emissions were down 27.8% compared with those of fiscal 2010.

In addition, UBE has voluntarily selected 12 substances*3 from the list of substances subject to the Japanese PRTR law and VOCs for special attention and reduced its emissions of said substances 81% compared with fiscal 2000.

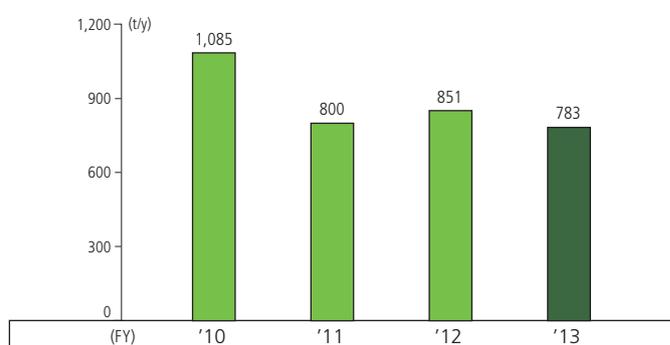
● Polychlorinated Biphenyl (PCB) Management

The UBE Group appropriately stores and manages PCB-containing transformers, condensers and fluorescent lighting stabilizers in its factories in accordance with the Law Concerning Special Measures against PCB Waste. In December 2012, the enforcement order for the Law Concerning Special Measures against PCB Waste was partially amended, extending the disposal deadline to March 31, 2027. In accordance with this law, the Group is advancing treatment of PCB-containing items in coordination with the Japan Environmental Safety Corporation.

Emissions Volume of PRTR Substances



VOC Emissions



Total Volume of PRTR Substances Emitted/Transferred in Fiscal 2013

	Handling Volume	Emissions Volume				Increase/Decrease Rate Compared with Fiscal 2012 (Total emissions)	Transfer Volume	Number of PRTR Substances
		Atmosphere	Public Water	Soil	Total			
UBE	361,963	107.9	84.4	0.0	192.3	(14.7%)	628.6	49 substances
Other Group companies	31,773	88.6	10.9	0.0	99.5	(15.6%)	750.6	24 substances
Total (UBE Group)	393,736	196.5	95.3	0.0	291.8	(15.0%)	1,379.1	59 substances

Emissions of Individual PRTR Substances in Fiscal 2013*4

Ordinance Designation Number	Chemical Substance	CAS No.	Handling Volume	Total Emissions Volume				Increase/Decrease Rate Compared with Fiscal 2012 (Total Emissions)	Transfer Volume
				Atmosphere	Public Water	Soil	Total		
300	Toluene	108-88-3	973	77.0	12.0	0.0	89.0	(2.6%)	305.2
76	ε-Caprolactam	105-60-2	196,553	0.0	76.1	0.0	76.1	(12.1%)	345.3
134	Vinyl acetate	108-05-4	6,701	28.1	0.0	0.0	28.1	71.4%	0.0
80	Xylene	1330-20-7	96	26.4	0.0	0.0	26.4	(29.7%)	6.8
400	Benzene	71-43-2	53,464	16.4	0.1	0.0	16.5	(21.0%)	0.0
53	Ethylbenzene	100-41-4	23	13.0	0.0	0.0	13.0	(25.1%)	1.3
392	n-Hexane	110-54-3	234	12.3	0.0	0.0	12.3	(13.8%)	26.7
104	Chlorodifluoromethane	75-45-6	8	7.7	0.0	0.0	7.7	6.9%	0.0
213	N,N-dimethylacetamide	127-19-5	421	3.7	0.0	0.0	3.7	(76.0%)	139.3
405	Boron compounds	*	71	1.2	1.9	0.0	3.1	(1.0%)	1.6
243	Dioxins	*	—	123.4	1.2	0.0	124.5	(65.7%)	0.4

CAS No.: Chemical Abstract Service registry number
Unit for dioxins: mg-TEQ/year

* Contains various compounds

Glossary

*1. PRTR (Pollutant Release and Transfer Register): A registration system for emissions and transfers of chemical substances. Involves conducting voluntary surveys to assess the volume of chemical substances that are emitted into the environment (atmosphere, water, soil) and transferred outside in the form of waste from company facilities during business activities and reporting survey findings to national and other governments while undertaking full public disclosure. The aim of PRTR is to take steps to control and reduce environmental burden through the appropriate use and management of chemical substances.

*2. Volatile Organic Compounds: Organic chemicals that evaporate or sublimate easily, entering the atmosphere as gases. Includes a wide variety of substances, such as toluene and xylene.

*3. UBE's 12 voluntarily selected chemical substances: xylene, vinyl acetate, cyclohexane, dichloromethane, toluene, 1,3-butadiene, butyl alcohol, n-hexane, benzene, methyl alcohol, ammonia, caprolactam.

*4. The top ten PRTR substances by volume emitted by UBE and dioxins.

02-10

Measures to Prevent Air and Water Pollution

● Measures to Prevent Air and Water Pollution

Measures to Prevent Air Pollution

The UBE Group monitors pollutants at the source, and pollution control is undertaken according to levels established in agreement with governments and its own voluntary pollution prevention management standards. All of these measures are reflected in our factory operations.

Measures to Prevent Odors

The UBE Group is working together with governments on odor countermeasures, installing odor reducing equipment and building proprietary odor monitoring systems in the UBE District.

Measures to Prevent Water Pollution

The UBE Group has installed systems to monitor water pollutants in emissions to bodies of water. In addition, UBE Group factories, which can have an impact on public water quality, purify wastewater through the use of wastewater treatment facilities.

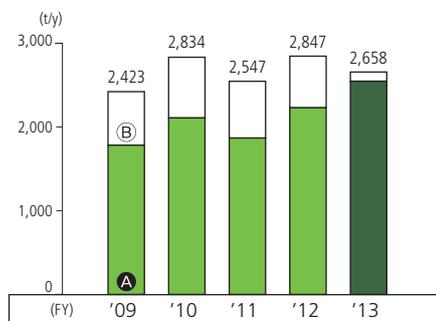
Measures to Prevent Soil and Ground Water Pollution

The UBE Group performs surveys and takes appropriate measures in accordance with the regulations set forth in the Soil Contamination Countermeasures Law and ordinances established by local governments.

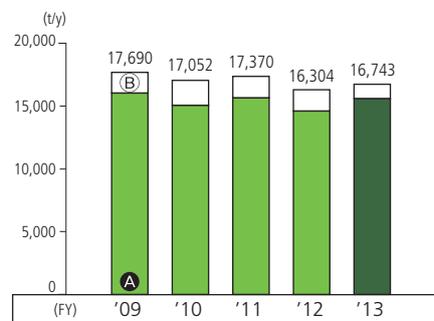
Emissions to the Air (Note)

Ⓐ UBE Ⓑ Group companies

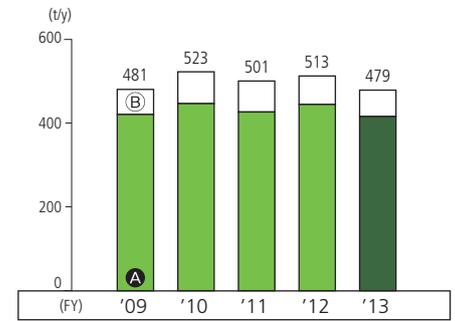
SOx Emissions*1



NOx Emissions*2



Dust Emissions

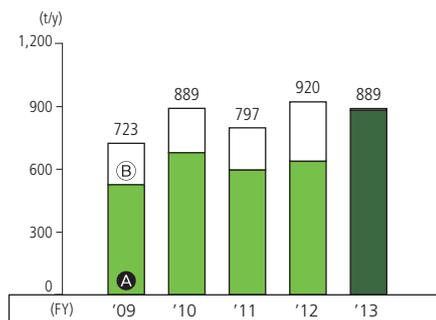


Note: As of October 2013, UBE has taken on the factory operations of Ube Ammonia Industry, Ltd. at the new Ube-Fujimagari Factory. As a result, the fiscal 2013 environmental impact data for Ube Ammonia Industry, Ltd. is calculated as part of that of the Ube-Fujimagari Factory.

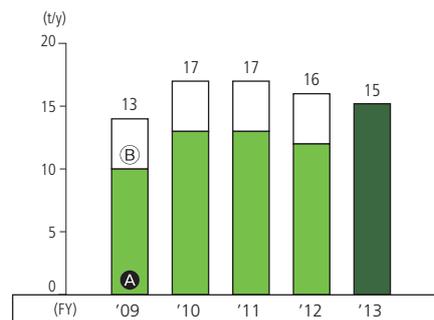
Emissions to Bodies of Water (Note)

Ⓐ UBE Ⓑ Group companies

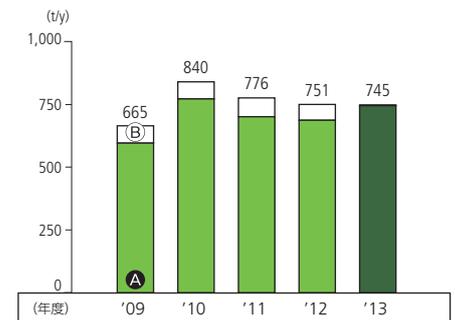
COD Emissions*3



Total Phosphorus Emissions



Total Nitrogen Emissions



Note: As of October 2013, UBE has taken on the factory operations of Ube Ammonia Industry, Ltd. at the new Ube-Fujimagari Factory. As a result, the fiscal 2013 environmental impact data for Ube Ammonia Industry, Ltd. is calculated as part of that of the Ube-Fujimagari Factory.

Reference: Please refer to page 42 for environmental impact data by factory

Glossary

*1. SOx: Sulfur oxides originate in the sulfur (S) component of fuels. Boilers are UBE's main source of SOx.

*2. NOx: Nitrogen oxides originate when a fuel is combusted in the air. Boilers and cement kilns are the main sources of NOx.

*3. COD (Chemical Oxygen Demand): This is an indicator of water pollution by organic substances and represents the amount of oxygen consumed in the chemical oxidation of organic matter.

02-11

Effective Use of Waste

Waste Recycling at Cement Factories

Cement Factories are the Ultimate Resource Recycling Factories

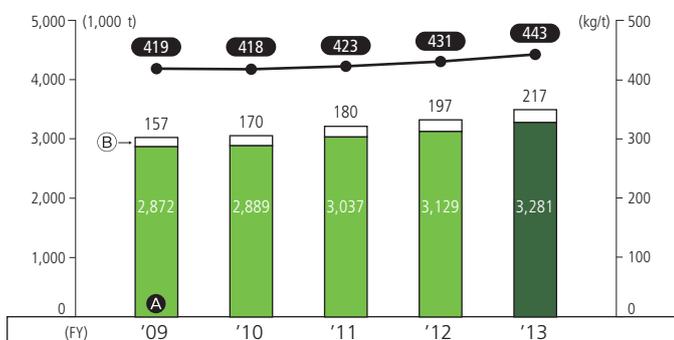
Waste can be reused as a raw material (material recycling) and an alternative fuel (thermal recycling) in the cement-making process. For this reason, a wide variety of waste is treated at cement factories. Cement kilns reach a very high internal temperature in the calcining zone (1,450°C), where substances that cannot be disposed of by ordinary incinerators can be burned and degraded. The kilns also offer a large waste-processing capacity. Ash produced by incineration can also be used as an alternative to clay, a component of cement, eliminating the need for final disposal sites for incineration ash.

The three UBE cement factories actively accept and reuse various waste materials, such as coal ash, from both inside and outside the UBE Group. In fiscal 2013, the UBE cement factories made effective use of around 3.50 million tons of waste and byproducts. Of this, 3.28 million tons was sourced from outside of the UBE Group. This is one way the UBE is significantly contributing to the formation of a recycling-based society.

In addition, we are developing new, environment-related businesses to be future business pillars.

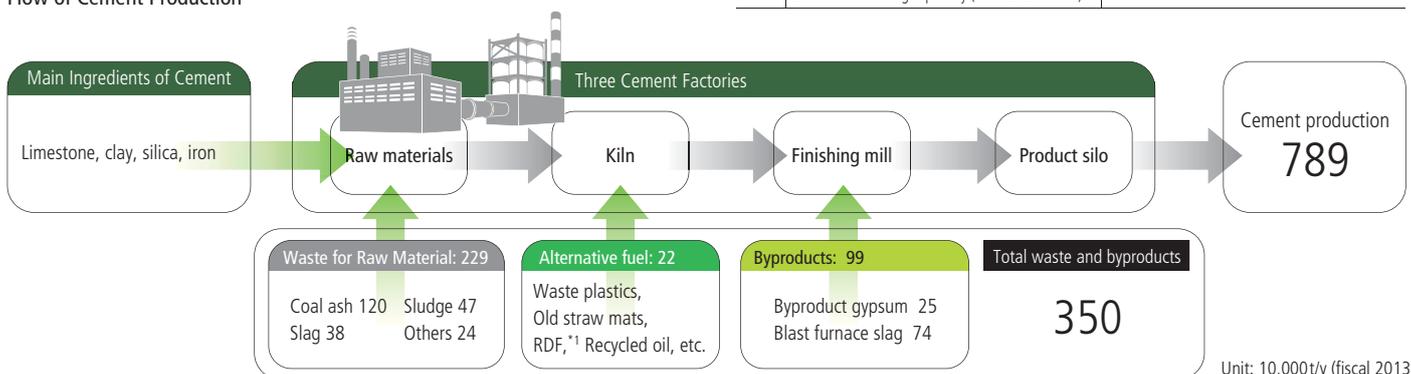
UBE will continue to strengthen its systems for dealing with a variety of waste and work to expand its recycling business.

Waste and Byproduct Use



- Ⓐ Waste and byproducts used as raw materials
- Ⓑ Waste used as alternative fuels
- Usage amount per ton of cement (kg/t)

Flow of Cement Production



Eizo Takimoto

Director
Amita Corporation



Promoting Resource Recycling

Since Amita's founding in 1977, it has operated a resource recycling business, using waste materials to manufacture such recycled products as cement materials, alternative fuels, and ferrous and non-ferrous metal materials.

We have been working with UBE for around 30 years. Particularly since the opening of our recycling plant in Kitakyushu in 2010, we have been supplying products for new alternative fuel lines at UBE's Kanda Factory and Ube Factory. In addition, we plan to make UBE's CSR report available on our CSR JAPAN website from fiscal 2014 onward. To promote resource recycling, we will continue to provide a stable supply of recycled products.



History of Waste Treatment Facility Installations

FY	Alternative Fuels	Raw Materials
1998	Kanda Factory: Waste oil treatment facility	Isa Factory: Chlorine bypass system
1999		Ube/Kanda Factories: Wastewater receiving treatment facility
2000	Ube Factory: Waste plastic treatment facility (1st train)	
2001		Ube Factory: Sewage sludge treatment facility
2002	Kanda Factory: Waste plastic treatment facility (1st train)	Isa Factory: Sewage sludge waste treatment facility (1st train) Ube Factory: Chlorine bypass system Ube/Isa/Kanda Factories: Meat and bone meal treatment facility
2003	Isa Factory: Waste plastic treatment facility (1st train)	
2004	Isa Factory: Wood chip combustion facility for in-house power generation Isa Factory: Waste plastic treatment facility (2nd train)	
2005		Kanda Factory: High-chlorine bypass system
2006	Kanda Factory: Waste plastic treatment facility (2nd train)	
2007	Ube Factory: Waste plastic treatment facility (2nd train)	Isa Factory: Sewage sludge waste treatment facility (2nd train)
2008	Isa Factory: Waste plastic treatment facility (3rd train)	Kanda Factory: Waste for raw material loading facility
2009	Kanda Factory: Waste plastic treatment facility (3rd train)	Kanda Factory: Ash pretreatment facility
2011	Kanda Factory: Waste plastic pretreatment facility	
2012	Isa Factory sludge drying equipment	Ube Factory: Ash pretreatment facility Ube Factory: Closed sludge injection facility
2013	Isa Factory: Waste plastic treatment facility Enhanced shredding capability (1st and 2nd trains)	

Glossary

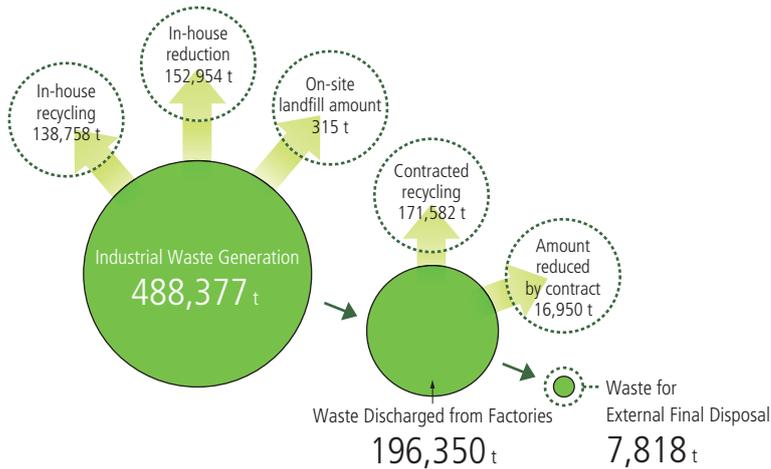
*1. Refuse Derived Fuel (RDF): Solid fuel made by compressing waste plastic, scrap wood and general garbage

02-12 Reduction of Industrial Waste

Waste Reduction Target

By fiscal 2018, the UBE Group plans to have reduced the volume of industrial waste for external final disposal by 80% compared with the fiscal 2000 level.

Overall Flow of Industrial Waste in Fiscal 2013



Industrial Waste Reduction

The entire UBE Group strives to recycle industrial waste and reduce its final disposal volume.

Industrial Waste Recycling

Most of the industrial waste, such as sludge and coal ash, produced by Group factories is recycled at cement factories and other facilities within the Group.

Industrial Waste Discharged from Factories

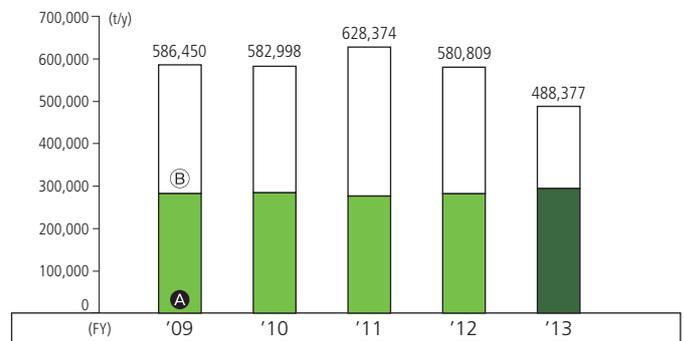
When contracting waste treatment or disposal, the UBE Group utilizes industrial waste management forms (waste manifest system) in compliance with waste treatment and clean-up laws and carefully manages the entire process.

Industrial Waste for External Final Disposal

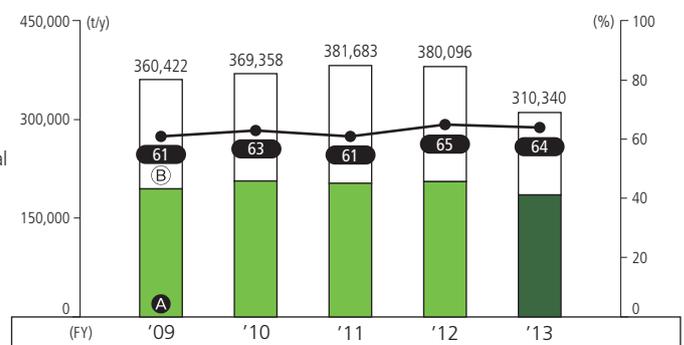
In fiscal 2013, we recorded a 76% reduction in industrial waste for external final disposal, close to our target of 80%. We will continue to work toward reduction in fiscal 2014 and onward.

● A UBE ● B Group companies ● Waste recycling ratio (%)

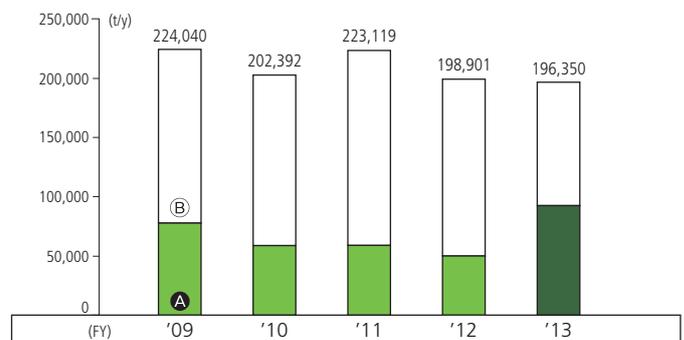
Industrial Waste Generation



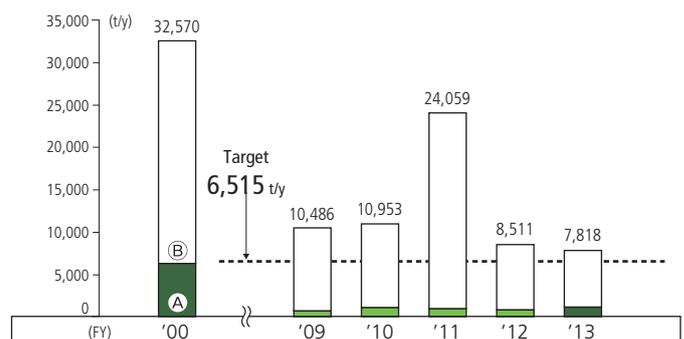
Industrial Waste Recycling Amount and Ratio



Industrial Waste Discharged from Factories



Industrial Waste for External Final Disposal



Protecting a Beautiful Future for the Planet

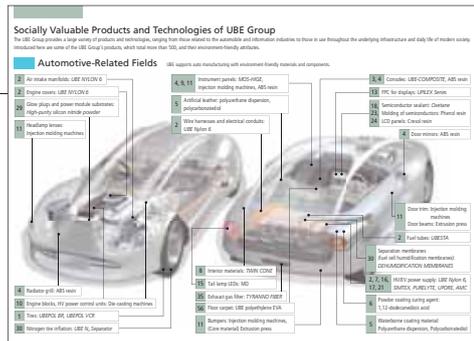
Environmentally Valuable Products and Technologies of the UBE Group

The UBE Group works constantly to develop products and technologies that address issues faced by the world today.

This section features a number of products and technologies that are contributing to environmental conservation selected from among the more than 500 diverse products offered by the UBE Group.

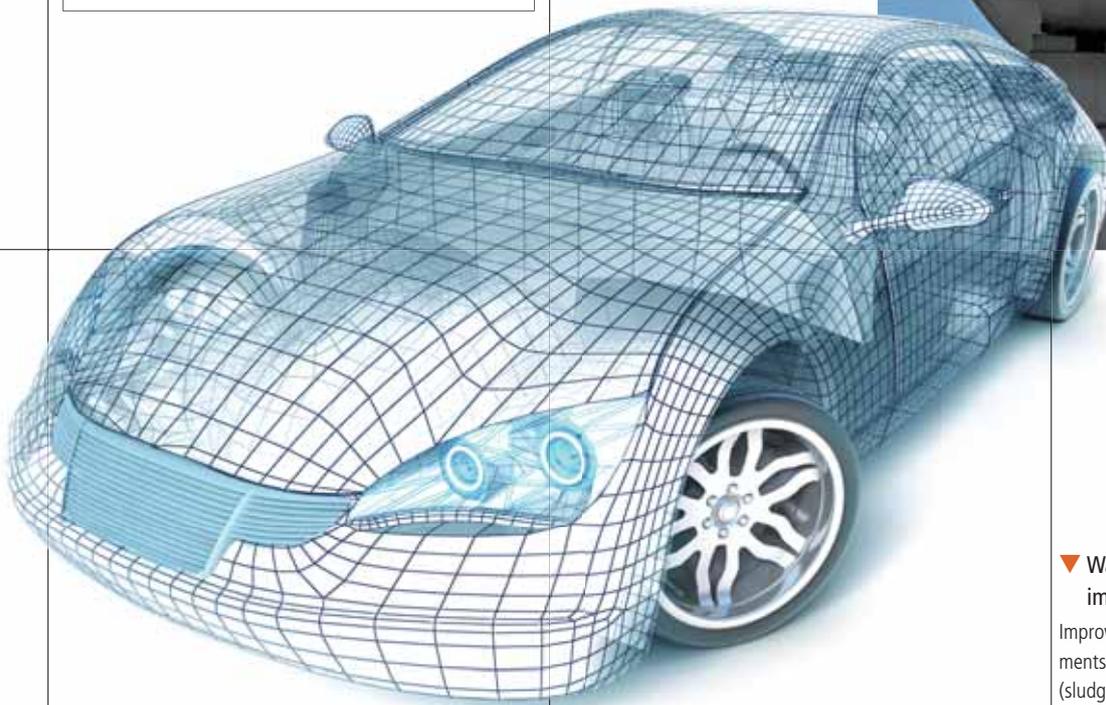
For an overview of UBE's socially valuable products and technologies, please see

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



► Cement/waste processing technologies

We accept urban waste, waste plastic, sewage sludge, coal ash and other processing wastes as resources. We use proprietary waste treatment technologies to pretreat this waste as necessary for reuse as materials and fuel for making cement.



▼ Water and sediment quality environmental improvement agent *CLEAR WATER*

Improves water and sediment quality and thus the environments of fish farms, enclosed water areas, etc. (sludge cleanup)



▲ Raw material for waterborne coatings and artificial leather

Polyurethane dispersion: Contributes to the reduction of VOCs through use in waterborne coatings.

Polycarbonatediol: Contributes to the reduction of VOCs through use as an ingredient in resins for waterborne coatings and to resource saving as an ingredient in highly durable resins.

▲ Polybutadiene rubber

More elastic and abrasion resistant than natural rubber. Used in a wide variety of specialty products, including *UBEPOL VCR*, which enables the weight reduction of tires and thus reduces CO₂ emissions.

▲ Recycled compound *UBE-COMPOSITE*

Color-adjusted recycled plastic produced using proprietary technology that easily alters the coloring of waste plastic (polypropylene). Recycled plastic represents not only an effective use of resources, but also generates fewer CO₂ emissions during manufacturing than new plastic.



◀ Facility to produce biomass fuel for power plants

A facility to produce wood biomass from such sources as construction waste for use in cofiring power generation with coal. Contributes to resource saving and the reduction of CO₂ emissions.

▶ High-purity silicon nitride powder

Featuring excellent purity and regularity of particle size, our silicon nitride powder is used in applications that include as a material in the bearing balls used in wind turbines, contributing to the expansion of renewable energy.



▶ Functional electrolytes for lithium-ion batteries *PURELYTE*

▶ Microporous Polyolefin Film *UPORE*

This film is used in the lithium-ion batteries used in hybrid and electric vehicles, personal computers, mobile phones and other technologies.

▶ 1,6-Hexanediol

Used as a raw material for dry laminate adhesive for food packaging and also for UV-curing coating used in various items, including mobile phones.

Use of 1,6-Hexanediol requires no solvents and therefore contributes to VOC reduction.



▲ Exhaust gas processing agent

CALBREED SIIIEX
Sorbalit

Used to enhance the absorption of harmful gases from waste incinerators and other sources.

▲ Exhaust gas processing facility *UBE RID*

Completely captures toxic hazardous gases/powders emitted by semiconductor/liquid crystal factories.

▲ Gas separation membranes

UBE organic solvent (alcohol) dehydration membranes
UBE carbon dioxide gas separation membranes

Used in applications related to bioethanol dehydration and to separate CO₂ from biogases, contributing to the development of environment-related businesses



▶ *YASASHII KABE*

Primarily made from natural diatomite. Capable of humidity conditioning and the absorption and decomposition of the VOCs that cause sick building syndrome, helping to maintain a pleasant living environment.

◀ Material for fragrance and toiletry products

HELIOFRESH, HELIOTROPINE

An alternative to scents made with natural ingredients. These products prevent the deforestation of the Sassafras tree (a member of the Laurel family), helping to preserve woodlands.



Site Reports (UBE Group's Principal Manufacturing Bases)

Ube Chemical Factory



Location: 1978-10 Kogushi, Ube City, Yamaguchi Prefecture **Start of operations:** 1933 **No. of employees:** 1,384

Main products: Caprolactam, ammonium sulfate, nylon resins, industrial chemicals, fine chemicals, high-purity chemicals, polyimide products, separation membranes, specialty membranes, new materials, active pharmaceutical ingredients, intermediates

As the mother factory for the Company's chemical business, this factory produces a wide range of products through safe and stable operations with due consideration given to the environment and product quality. In fiscal 2013, we built new, environment-friendly facilities, updated and maintained existing facilities, and established a training center to reinforce on-site capabilities. The center includes facilities for experiential training to help all employees act in accordance with basic rules and principles while thinking for themselves in order to enhance their frontline abilities. We were reminded of the importance of education and training for employees through dialogue with local communities and government. In fiscal 2014, we will strive to promote the use of the training center, reinforce the self-managed process safety system and further reduce chemical substance emissions.

Chiba Petrochemical Factory



Location: 8-1 Goi Minami Kaigan, Ichihara City, Chiba Prefecture **Start of operations:** 1964 **No. of employees:** 272

Main products: Polyethylene, synthetic rubber, waterproofing materials

The Chiba Petrochemical Factory is located in Ichihara City, Chiba Prefecture, within the Keiyo Industrial Zone. We produce petrochemical products that support people's lives, including the synthetic rubber used as a raw material for tires and polyethylene for making electrical cable coatings and various types of packaging materials. To fulfill our promise to ensure the safety and security of local communities and customers, we strive to anticipate every possible risk and promote related prevention measures. Regarding our environmental initiatives, we are significantly reducing the factory's environmental impact by ceasing the use of highly harmful solvents and putting in place countermeasures in such areas as exhaust gas and the incineration of waste solvents in boilers. In addition, we regularly monitor the water and gas discharged from the factory in order to identify irregularities early on. With the aim of encouraging interaction between the local community and UBE, we participate in the Goi-Rinkai Festival, hold factory tours for local elementary school students and engage in other events. Through such efforts, we support active exchange with the local community.

Sakai Factory



Location: 3-1 Chikko Shinmachi, Nishi-ku, Sakai City, Osaka

Start of operations: 1967

No. of employees: 321

Main products: Electrolytes, specialty membranes, separation membranes, polyimide products, recycled compounds

Our factory is located in Sakai City, which as an environment-friendly model city, has announced the "Cool City Sakai" Concept. The factory manufactures chemical products and specialty materials and is taking proactive steps to conserve energy and resources. In 2013, we invited members of the local community to visit the factory to exchange opinions and promote interaction with residents. Our goal is to contribute to the local community through dialogue with local residents and cooperation with the government, while maintaining safe and secure operations.

Ube-Fujimagari Factory



Location: 2575 Fujimagari, Ube City, Yamaguchi Prefecture

Start of operations: 2013 **No. of employees:** 95

Main products: Ammonia, liquid carbon dioxide

This factory was established in October 2013, taking over the factory operations of Ube Ammonia Industry, Ltd., which had been in operation since 1969. With operations that, among the Ube District factories, are the furthest upstream along the value chain, the Ube-Fujimagari Factory is the only factory in Japan that produces ammonia, the main ingredient in lactam and nylon chains, from petroleum coke. In August 2013, this factory's capture facilities for CO₂ produced through chemical processes were expanded, greatly reducing the facility's environmental burden. We also constantly monitor the water and gas discharged from the factory to ensure the early detection of irregularities. Moreover, we are dedicated to disaster prevention and systematically undertake earthquake resistance evaluations. Going forward, we will continue to work with all employees and partner companies to enhance safety and hygiene, environmental preservation and disaster prevention.

Ube Cement Factory



Location: 1978-2 Kogushi, Ube City, Yamaguchi Prefecture

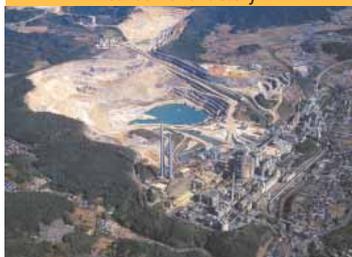
Start of operations: 1923

No. of employees: 232

Main products: Cement, limestone, perlite

The Ube Cement Factory is a manufacturing and shipping base for cement and limestone products produced in the Ube and Isa regions. At the same time, this factory is a production base for specialty cement that meets various customer needs. With the collaboration of all our employees, we are recycling waste plastic chips and biomass in our manufacturing processes while reducing energy consumption. The factory has been contributing to the recovery from the Great East Japan Earthquake, the maintenance and replacement of structures, the development of social infrastructure and the construction of a recycling society through the manufacturing of cement and reuse of waste materials and byproducts. Aiming to be the safest cement factory in Japan, we work every day with all employees and partner companies to prevent operational accidents and accidents related to process safety.

Isa Cement Factory



Location: 4768 Isa, Isa-cho, Mine City, Yamaguchi Prefecture

Start of operations: 1948

No. of employees: 164

Main products: Cement, limestone

Located in Mine City, home of Akiyoshidai Quasi-National Park—famous for its karstic (limestone) topography—Isa Cement Factory has one of the largest cement manufacturing and limestone mining operations in Japan. With our factory and mine situated close to the local community, we have established and operate within voluntary managerial targets that are stricter than existing laws and regulations in such areas as noise, vibrations and water discharge. We also recognize the importance of maintaining smooth communication with the local community. We seek to become an "eco factory trusted by the community" by paying the utmost attention to environmental protection while participating in various local events and operating factory tours. In recent years, we have received favorable reviews for tours of our industrial facilities, which highlight roads used exclusively by UBE.

Kanda Cement Factory



Location: 7 Nagahama-machi, Kanda-cho, Miyako-gun, Fukuoka Prefecture
Start of operations: 1964
No. of employees: 121
Main products: Cement, limestone

This year marks the 50th anniversary of the start of operations at the Kanda Cement Factory in 1964, the same year the Tokyo Olympics were held. From the beginning, we've aimed to be a green factory that is considerate of the environment, and, as we have a limestone quarry in Kanda Town, we always maintain an awareness of our relationship with the local community and seek to promote smooth communication. A leader in waste treatment in recent years, the Kanda Cement Factory first installed equipment for processing waste materials as alternative fuel in 2002, and in March 2012 completed facilities for the pretreatment of waste plastic. These facilities are now operating steadily. Furthermore, we began construction of exhaust heat power generation facilities in April 2013. While working to further increase the factory's presence, we will continue to do our utmost to prosper together with local communities and carry on the Kanda safety culture built by our forebears in cooperation with all employees and our partner companies.

Okinoyama Coal Center



Location: 1980-29 Okinoyama, Kogushi, Ube City, Yamaguchi Prefecture
Start of operations: 1980
No. of employees: 36
Main products: Storage and distribution of coal and petroleum coke

Although UBE started out in the coal mining business, the Company completely withdrew from such operations in 1977, having closed the Okinoyama Coal Mine in 1967. However, in 1980 the Okinoyama Coal Center commenced activities focused on such coal-related businesses as operating Japan's largest fuel coal import transshipment station (annual amount handled: 6 million tons), which provides a stable supply of coal, an important energy source for Japan. In particular, the importance of coal as fuel for thermal power generation has recently been reevaluated, reflecting the suspension of nuclear power generation in the aftermath of the Great East Japan Earthquake. Aiming to maintain the trust of the local community, we are working in unison with employees and partner companies in the areas of health and safety, environmental preservation, and process safety and disaster prevention.

Ube Machinery Corporation, Ltd.



Location: 1980 Okinoyama, Kogushi, Ube City, Yamaguchi Prefecture
Start of operations: 1914 **No. of employees:** 990

Main products: Die-casting machines, injection molding machines, extrusion presses, crushing machines, ceramic machines, transportation equipment, water screen equipment, bridge members, floodgates, steel structures, and the manufacture, sales, service and maintenance of other industrial machinery

We merged with Ube Techno Eng. Co., Ltd. in October 2013, and have been working to integrate our production, sales and service frameworks while reinforcing our capabilities to meet globalizing and diversifying needs. At the same time, we are also working to develop environment-friendly products through technological innovation, thus contributing to the reduction of environmental impact.

In line with our fundamental policy of creating a safe and secure workplace by fostering a culture that places the highest priority on safety, we are promoting safety management in close cooperation with partner companies and enhancing activities that promote employee health as part of efforts to create work environments that are safe and healthy for all employees.

Thailand



UBE Chemicals (Asia) Public Co., Ltd.

Location: Rayong, Thailand
Start of operations: 1997
No. of employees: 541
Main products: Nylon 6 resin, nylon compound, caprolactam, ammonium sulfate

Thai Synthetic Rubbers Co., Ltd.

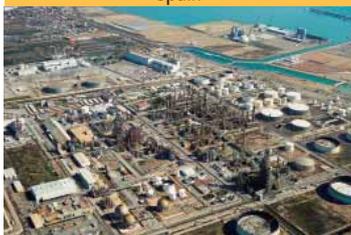
Location: Rayong, Thailand
Start of operations: 1998
No. of employees: 81
Main products: Synthetic rubber

UBE Fine Chemical (Asia) Co., Ltd.

Location: Rayong, Thailand
Start of operations: 2011
No. of employees: 24
Main products: 1,6-hexanediol, 1,5-pentanediol

UBE Group (Thailand)'s plants are located in the Eastern Seaboard Economic Region of Thailand, known for its automotive and petrochemical industrial clusters. Our factory is surrounded by communities famous for their fisheries and agriculture. We always pay close attention to the preservation of the environment and nature and have implemented many projects, such as reducing VOC and odor emissions and solid industrial waste, to minimize our environmental impact. Furthermore, in support of the agricultural sector, we are cooperating with the Thai Ministry of Agriculture and Cooperatives to promote ammonium sulfate fertilizers to palm oil producers in order to ensure efficient and sustainable production in compliance with the standards of the Roundtable on Sustainable Palm Oil. As a result, we have received a steady stream of awards from Thai Ministry of Labor and Ministry of Industry for excellence in health and safety. Moreover, we marked 20 million man-hours without lost time accidents, a major achievement, in September 2013. We always work hard to ensure safety and health as well as environmental conservation to achieve our targets to "live in harmony with the community" and "be the safest petrochemical workplace in Thailand."

Spain



UBE Corporation Europe, S.A./UBE Chemical Europe, S.A.

Location: Castellón, Spain
Start of operations: 1967
No. of employees: 296
Main products: Caprolactam, ammonium sulfate and liquid fertilizers, polycarbonatediols, 1,5-pentanediol, 1,6-hexanediol

UBE Engineering Plastics, S.A.

Location: Castellón, Spain (adjoining UCE)
Start of operations: 2004
No. of employees: 52
Main products: Nylon 6 resin, copolymerized nylon

In fiscal 2013, thanks to new technologies and various improvements, UCE achieved its highest ever production volumes of caprolactam, ammonium sulfate, large-grain ammonium sulfate and nylon, all of which are main products, as well as reductions in raw material use and energy consumption intensity. For example, the use of chemical agents and untreated water was reduced through the adoption of the latest reverse osmosis membrane technology. By improving the raw 1,5-pentanediol (PDL) distillation process, we improved product yield while using less steam and electricity. Furthermore, the steady operation of our wastewater treatment boiler greatly reduced the amount of waste treated externally, helping to reduce risk related to environmental pollution.

In terms of safety and disaster prevention, we promoted the development of systems, methods and audits aimed at enhancing safety and continued training, enhancing employee safety awareness and reinforcing the management system. As a result, we achieved a new record in the number of days without lost-time accidents for UCE contractors.

Third-Party Verification and Opinion

In June and July 2014, UBE received third-party verification of the environment and safety activities outlined in the UBE Group CSR Report 2014 from the Responsible Care Verification Center. UBE annually receives verification in order to enhance the trustworthiness of its CSR reports, and it aims to further improve the quality and content of future CSR reports by reflecting the feedback the Center provides in its verification questionnaire and written opinion regarding the verification results.



Michio Takeshita
President & Representative Director
Ube Industries, Ltd.

UBE Group CSR Report 2014 Third-Party Verification—Written Opinion

July 7, 2014

Junji Takase
Chief Director
Responsible Care Verification Center
Japan Chemical Industry Association

Objectives of CSR Report Verification

The Responsible Care Verification Center has verified the *UBE Group CSR Report 2014* (hereinafter, "the CSR Report"), created by Ube Industries, Ltd., by providing its opinion regarding the following items, in its capacity as an expert in the chemical industry:

- 1) Rationality and accuracy of the method used to calculate and tabulate the performance indicators (numerical data)
- 2) Accuracy of the information (other than numerical data) provided in the CSR Report
- 3) Performance of Responsible Care (RC) activities
- 4) Characteristics of the CSR Report

Verification Procedures

- The Center staff visited the head office of Ube Industries, Ltd. and asked questions to verify the rationale of the method the Company used to compile numerical data reported by each of its sites (offices and plants) and to check the accuracy of information provided in the CSR Report. Employees in charge of relevant business operations and those in charge of creating the CSR Report answered the questions of the Center staff and made presentations and explanations covering the documentation used.
- The Center staff also visited the Ube Chemical Factory and asked questions to verify the rationale of the method the sites employed to calculate the numerical data reported to the head office and the accuracy of the numerical data and other information provided in the CSR Report. Factory employees in charge of relevant business operations and those in charge of creating the CSR Report answered the questions of the Center staff, making presentations and providing explanations covering the documentation used. The Center staff also checked the consistency of the items used with the material evidence submitted.
- The Center used its sampling method to verify the numerical data and other information contained in the CSR Report.

Opinions

- 1) Rationale of the method used to calculate and tabulate the performance indicators and accuracy of the numerical data
 - Both the head office and the Ube Chemical Factory calculated and tabulated the performance indicators in a rational manner.
 - Performance-related numerical data within the scope of the survey was accurately calculated and tabulated.
- 2) Accuracy of information contained in the CSR Report, excluding numerical data
 - The information published in the CSR Report was accurate. The Center pointed out that some of the expressions used in the draft CSR Report were not appropriate or easy to understand. These expressions have been corrected in the final version of the report.
- 3) Performance of the Responsible Care (RC) activities
 - The Center commends the reduction of paperwork and improvement of audit efficiency achieved by unifying the various management systems, such as those related to disaster prevention, occupational health and safety, environmental preservation (including measures to combat global warming), chemicals and products.
 - We commend the efforts at the Ube Chemical Factory focused on human resource development. Specifically, the training center employs various creative techniques, including experiential learning, to make training more effective; the training system, including the quality of the trainers, is excellent. We look forward to seeing its continued use going forward.
 - We commend the wide range of social contribution activities undertaken in pursuit of the goal for CSR and RC of earning the recognition of society. The activities in support of culture and art undertaken through the UBE Foundation and the Watanabe Memorial Culture Association as well as the involvement with local communities and government in Spain and Thailand deserve particular praise. We hope to see continuous improvement guided by clear goals going forward.
- 4) Characteristics of the CSR Report
 - Information disclosure, such as that of UBE's dividend policy, credit ratings and number of patents held, is advancing.
 - This year's special feature, "Supporting Infrastructure," is quite relevant in light of the problem of aging infrastructure in Japan and should be interesting for readers.

Third-Party Expert Comments

The UBE Group welcomes expert comments on its CSR report to enhance objectivity and identify new CSR challenges. We intend to reflect these opinions in future reports and take them into consideration when promoting UBE Group CSR activities.

Katsuhiko Kokubu

Professor of Social and Environmental Accounting
Graduate School of Business Administration, Kobe University

The Responsibilities of an Integrated Chemical Manufacturer Rooted in Technology and Local Communities

Last year, I visited some of the UBE Group's main facilities and observed their activities. I saw that the UBE Group truly is operating globally as an integrated chemical manufacturer rooted in the local community of Ube. I think that placing the starting point of value creation in the Group's birthplace, Ube, while pursuing business globally is a model for responsible companies in the 21st century. I say this because global companies going forward will need, above all, not to chase short-term profit, hopping from place to place, but to pursue long-term strategies that integrate the global and the local.

The Creation of Shared Value throughout the UBE Group

Under the concept of "The UBE Group Meeting Society's Needs," this year's special feature focuses on reinforcing infrastructure and environment-friendly products. These themes are in line with the idea of shared value espoused by Harvard professor Michael Porter and are consistent with UBE's corporate philosophy, "living and prospering together." This is an area of great importance, so I hope to see continued reporting on CSR activities centered on such initiatives, with goals set and results (in the form of value created) reported on an ongoing basis in the future.

Disclosure of Detailed CSR Data

The Group's CSR activities, including numerical values, are comprehensively covered in this year's report in a concrete and detailed manner. The report, therefore, deserves praise. I particularly found disclosure related to diversity, an issue of growing importance in Japan and around the world, to be well covered. However, with regard to individual areas of concern, despite inclusion in basic policy, it appears that concrete goals and the use of the PDCA cycle are still limited to certain areas. I think that greater overall systemization and materiality analysis of each area to determine priorities is a task for UBE going forward.

Response to the Third-Party Comments

We very much appreciate Dr. Kokubu's valuable insights with regard to the UBE Group CSR Report 2014.

Dr. Kokubu's assessment that "the UBE Group truly is operating globally as an integrated chemical manufacturer rooted in the local community of Ube" is surely the product of his visits and interactions with various offices and facilities, and we are very glad to hear it. Moreover, his complimentary observation that UBE's approach provides "a model for responsible companies in the 21st century" is a great reassurance that our initiatives are on the right track. Going forward, we will work to further enhance our "long-term strategies that integrate the global and the local."

This year's report included two special features based on the idea of CSV.* Dr. Kokubu praised these as being "consistent with UBE's corporate philosophy, 'living and prospering together.'" We will continue to pursue business from a perspective of creating shared value for both society and the Company and addressing social issues.

While our disclosure of CSR information received favorable marks, Dr. Kokubu pointed out that our setting of concrete goals and use of the PDCA cycle for specific issues are inadequate. We will work to address this issue going forward.

Active Environmental and Safety Management

Because the UBE Group is engaged in industries that have a great environmental impact, environmental and safety management is extremely important. Looking at UBE's proactive initiatives and self-evaluations in the areas of environmental and safety management, I think the Group is achieving solid results. Recently, interest and concern about disaster prevention have been rising, and I think the UBE Group is also engaged in active information disclosure on that front. In terms of the environment, I think that dialogue with local communities and other stakeholders to secure their understanding will be important moving forward.



Katsuhiko Kokubu

After graduating with a PhD from Osaka City University's Graduate School of Business, Dr. Kokubu served as an associate professor at Osaka City University and Kobe University. In 2011, Dr. Kokubu assumed a position as professor at Kobe University's Graduate School of Business Administration, and in 2014 became chair of the program. Dr. Kokubu also serves as the chairman of Material Flow Cost Accounting (MFCA) ISO/TC207/WG8 Committee established by the Japanese Ministry of Economy, Trade and Industry (METI). Dr. Kokubu has served many times a member and chairman of various committees overseen by METI and Japanese Ministry of the Environment. In addition, Dr. Kokubu's major publications include *Material Flow Cost Accounting* (Nikkei Publishing Inc.) and *Accounting System Supporting Corporate Decision-Making for Environmental Management* (Chuokeizai-Sha, Inc.).

Official website: www.b.kobe-u.ac.jp/~kokubu (Japanese language only)

This year, we began self-evaluations of our environmental and safety initiatives. By enhancing and implementing our policies based on these results and through ongoing dialogue with stakeholders and active disclosure, we will do our utmost to deepen confidence in the UBE Group.

* CSV: Creating shared value. An approach that aims to create value for both the company and society and thus help to solve social problems through corporate activities.



Atsushi Yamamoto

Executive Officer with Responsibility for Group CSR

Editorial Policy

We began publishing an annual RC report in 1997 to introduce our environmental initiatives. We subsequently changed the name of the report to the *CSR Report*. This year, 17 years after the very first publication of the report, we have created the *UBE Group CSR Report 2014* as our tenth such report. In our editing of this year's report, we have maintained a commitment to producing a readable document that is of interest to readers. The main features of the 2014 edition are as follows:

1. Special Feature: The UBE Group Meeting Society's Needs

For the UBE Group to fulfill its role as a useful member of society, and to help solve various social issues through its business, the Group is advancing the development of new products and technologies. As examples of this, the special features focused on how UBE's cement and construction materials business help support infrastructure (seismic reinforcement and countermeasures against structural deterioration), and contributions made through chemicals technology (namely environment-friendly products).

Scope of This Report

Period covered	Fiscal 2013 (from April 1, 2013 to March 31, 2014) (The report, however, does at times refer to activities conducted in fiscal 2014 and future plans.)		
Companies covered: • The UBE Group (146 companies)	Of which the following companies are covered in the reporting of major financial data (page 13)	Ube Industries, Ltd. and its consolidated companies (89)	Consolidated subsidiaries: 65 Equity-method affiliates: 24
	Of which the following companies are covered in the reporting of environmental performance data	Ube Industries, Ltd. Other Group companies (11)	Four chemical factories (Chiba, Sakai, Ube and Ube-Fujimagari) Three cement factories (Ube, Isa and Kanda) Okinoyama Coal Center Ube Film, Ltd., Meiwa Plastic Industries, Ltd., Ube Ammonia Industry, Ltd., Ems-Ube, Ltd., UBE-MC Hydrogen Peroxide, Ltd., Ube Exsymo Co., Ltd., Ube Material Industries, Ltd., Ube Board Co., Ltd., Ube Machinery Corporation, Ltd., Ube Steel Co., Ltd., Fukushima, Ltd.
Definitions	UBE: refers to Ube Industries, Ltd. (unconsolidated) The UBE Group: refers to the UBE Group companies, including Ube Industries, Ltd.		
Areas covered	Japan and some locations overseas (including Thailand, Spain and Others)		
Statistical data published in this report	<ul style="list-style-type: none"> • All statistical data and relevant descriptions published in this report, excluding the environmental performance data, cover all Group companies. • In principle, data is for the last five years (fiscal 2009 to 2013) • The scope of data, however, does vary in places. In such cases, the specific scope is noted on the relevant page. 		
Reference guidelines	This report was created with reference to the Japanese Ministry of the Environment's Environmental Reporting Guidelines (2012 edition). We also referred to the Ministry's Environmental Performance Indicators Guidelines for Organizations (2002 edition) for environmental performance data and to the Ministry's Environmental Accounting Guidelines (2005 edition) for environmental accounting standards.		

2. The Scope of Living and Prospering Together

The UBE Group has established a CSR matrix to clarify the issues, broken down by stakeholder, that must be addressed by every UBE Group executive and employee. This year, we used an illustration to express the idea of harmoniously expanding the scope and boundaries of our corporate philosophy, living and prospering together, and the CSR matrix.

3. Enhance interactive communication:

To clearly show how the public views the UBE Group and to identify new CSR-related issues for the Group, we included "Guest Messages" and other opinions from third parties in this report. By doing this, we aim to realize interactive communication.

4. Create an easy-to-read page format:

We structured this report to feature concise content and an easy-to-read design in order to make it satisfactory for all of our stakeholders. We have paid particular attention to the Color Universal Design and have used universal font in this report.

Main Tools of Communication

Website

The UBE Group's website delivers the latest information about UBE to its stakeholders in Japanese and English. The website is divided into sections that include Corporate Profile, News Releases, Investor Relations, Products, Research & Development and CSR Activities.



www.ube.co.jp

Corporate Brochure and UBE Group Introductory Video

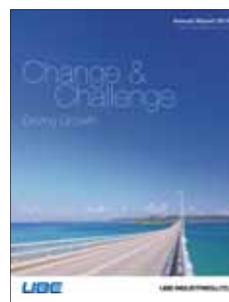
The corporate brochure succinctly summarizes the UBE Group's business activities. The UBE Group introductory video introduces UBE's businesses, products and facilities in video format. Both are the brochure and video available in Japanese, English and Chinese.



(left)
Corporate brochure
(below)
Introductory video

Annual Report

The Company's annual report is targeted mainly toward institutional investors and is printed every July, in English only. The report mainly covers management strategy, results and financial information. The report is available in PDF format in Japanese and English on UBE's website.



UBE Business Report

This report, intended mainly for individual investors, is printed semiannually in Japanese only. The report explains UBE's businesses and strategies in an easy to understand way and also explains various procedures related to holding shares. The Company's first business report was compiled in 2013, following the overhaul and renaming of its predecessor publication, *UBE Stockholder Communication*. The *UBE Business Report* is also available as a PDF in Japanese on UBE's website.



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Dr. Kokubu (third-party expert, second from right) on a tour of the Isa Cement Factory. After observing several factories, Dr. Kokubu engaged in a discussion CSR themes (November 2013)



About the cover: The cover shows an elementary school in Ube City, Yamaguchi Prefecture. The school building has been seismically reinforced using UBE's *DESIGN FIT Method*. This photo was taken at the same school as the photo used in the Special Feature (page 3), with the cooperation of the smiling children.

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CSR Department

Wings of
technology
Spirit of
innovation
UBE



UBE DOG
ロボくん

The UBE DOG was created in March 1997 as a character for the UBE Group's TV commercials.



The "Heartfelt Mark" logo affirms that this report was published by a company that proactively promotes the employment of persons with disabilities.

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