UBE

UBE INDUSTRIES,LTD.

Annual Report 2008

Year ended March 31, 2008

A Balanced Portfolio Drives Sustainable Growth

+5%

Forecast growth range in the caprolactam market (2007 – 2010)

+4x

Growth range in production capacity for gas separation membranes (2007 – 2008)

+35%

Forecast growth range in waste processing revenues (FY 2007 – FY 2011)

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Forward-Looking Statements

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

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

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

A Long Tradition of Growth and Innovation

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

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

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

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

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

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

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

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

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

Fiscal years are years ended March 31 of the following calendar year: for example, fiscal 2007 in the text is the year ended March 31, 2008.

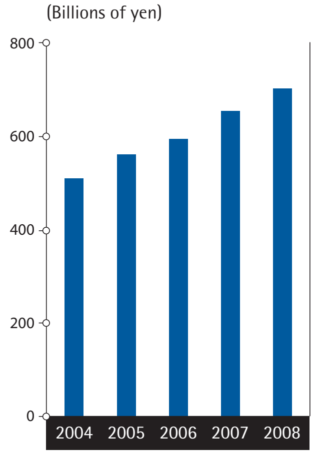
CONSOLIDATED FINANCIAL HIGHLIGHTS

UBE INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2008, 2007 and 2006

	Millions of yen			% change	Thousands of U.S. dollars (Note 1)
	2008	2007	2006	**2008**/2007	**2008**
For the year:					
Net sales	**¥704,284**	¥655,608	¥595,391	7.4%	**$7,042,840**
Operating income	**55,900**	46,862	42,169	19.3	**559,000**
Income before income taxes and minority interests	**40,890**	36,003	26,634	13.6	**408,900**
Net income	**24,031**	22,013	16,006	9.2	**240,310**
Capital expenditures	**30,945**	31,919	24,734	(3.1)	**309,450**
Depreciation and amortization	**34,126**	30,980	30,807	10.2	**341,260**
Research and development costs	**13,598**	13,020	12,488	4.4	**135,980**
At year-end:					
Total assets	**720,898**	714,871	700,437	0.8	**7,208,980**
Net assets	**219,032**	195,196	168,363	12.2	**2,190,320**
Equity capital (Note 2)	**193,865**	172,593	149,763	12.3	**1,938,650**
Interest-bearing debt	**300,766**	320,016	341,946	(6.0)	**3,007,660**
Net debt (Note 3)	**275,684**	298,738	321,869	(7.7)	**2,756,840**
Cash and cash equivalents	**25,082**	21,278	20,077	17.9	**250,820**
	Yen				U.S. dollars
Per share data:					
Net income, primary (Note 4)	**¥ 23.88**	¥ 21.88	¥ 16.83	9.1%	**$ 0.239**
Cash dividends applicable to the period	**5.00**	4.00	3.00	25.0	**0.050**
Net assets	**192.72**	171.49	148.71	12.4	**1.927**
Ratios:					
Operating margin (%)	**7.9**	7.1	7.1		
ROA (%) (Note 5)	**8.2**	7.0	6.4		
ROE (%)	**13.1**	13.7	12.4		
Net debt/equity ratio (times)	**1.4**	1.7	2.1		
Equity ratio (%)	**26.9**	24.1	21.4		
Number of employees at the end of the year	**11,058**	10,833	10,673	2.1%	

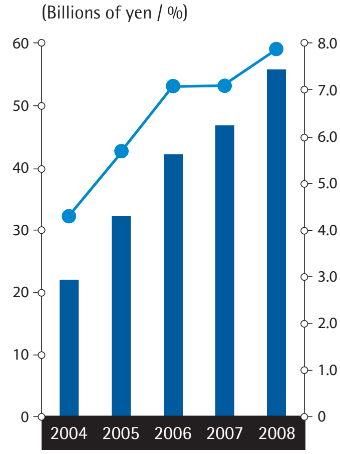
Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥100=US$1, the approximate rate of exchange on March 31, 2008.
2. Equity capital = Net assets – Share subscription rights – Minority interests
3. Net debt = Interest-bearing debt – Cash and cash equivalents
4. Net income, primary, per share is computed based on the net income available for distribution to shareholders and the weighted average number of shares of common stock outstanding during each year.
5. ROA = (Operating income + Interest and dividend income + Equity in earnings of unconsolidated subsidiaries and affiliated companies) / Average total assets

Net Sales
(Billions of yen)



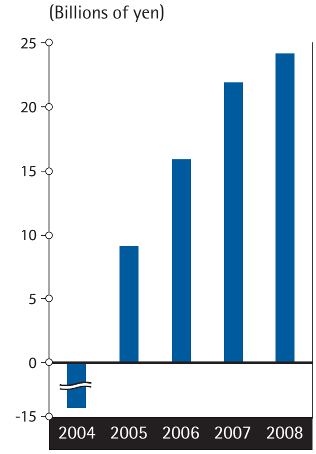
(Years to March 31)

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



Operating income (left scale)
Operating margin (right scale)
(Years to March 31)

Net Income (Loss)
(Billions of yen)



(Years to March 31)

In the year ended March 31, 2008, the first year of its medium-term management plan Stage Up 2009, the UBE Group achieved record sales and income for the fourth consecutive year. This year, the UBE Group will work together to fully display the Group's potential and achieve the targets of the plan ahead of schedule.

HIROAKI TAMURA President and CEO

RESULTS FOR FISCAL 2007: FOURTH CONSECUTIVE YEAR OF SALES AND INCOME GROWTH AND RECORD EARNINGS

Economic conditions were favorable for the UBE Group in fiscal 2007, the year ended March 31, 2008. Turbulence in the financial markets stemming from the subprime mortgage crisis in the United States precipitated global financial instability. In addition, raw material and fuel prices continued to climb due to the impact of increasing demand for resources and energy in newly industrialized countries. Nevertheless, generally firm conditions prevailed in the global economy, underpinned by growth in China and other newly industrialized countries. The Japanese economy also maintained steady growth, driven by exports and private-sector capital investment, despite the effect of the Revised Building Standards Law.

Under these conditions, the UBE Group worked to improve earnings to reach its targets under the policies of Stage Up 2009, our three-year medium-term management plan. As a result, the UBE Group increased sales and income for the fourth consecutive year. Consolidated net sales increased by 7.4 percent, or ¥48.6 billion, to ¥704.2 billion. Operating income increased by 19.3 percent, or ¥9.0 billion, to ¥55.9 billion, and net income increased by 9.2 percent, or ¥2.0 billion, to ¥24.0 billion.

EVALUATION OF YEAR ONE OF STAGE UP 2009: ON PACE TO SURPASS THE PLAN

In Stage Up 2009, we raised our targets to a higher level based on the achievements under New 21•UBE Plan II, our previous medium-term management plan, and are aiming to establish the solid earnings base that will enable sustainable growth. All of the numerical targets of Stage Up 2009 represent record highs, and the UBE Group is taking the challenge of breaking through to a new stage of performance.

We achieved some of these targets in the first year, fiscal 2007, with the help of a favorable external environment. We will continue to move aggressively to reach all of the final-year targets, and to achieve the fiscal 2011 target indicators ahead of schedule.

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

Consolidated Management Indicators

		Fiscal 2007 (Actual)	Fiscal 2009 (Final Year Targets)
Financial indicators	Net debt/equity ratio[1]	1.4 times	**Under 1.3 times**
	Equity ratio[2]	26.9%	**30% +**
Profit indicators	Operating margin	7.9%	**7.5% +**
	Return on assets	8.2%	**7.5% +**
	Return on equity[3]	13.1%	**12% +**

Key Figures for Statements of Income and Balance Sheet

	Fiscal 2007 (Actual)	Fiscal 2009 (Final Year Targets)
Net sales	¥704.2 billion	**¥700 billion +**
Operating income	¥55.9 billion	**¥53 billion +** [¥57.5 billion[4]]
Business income[5]	¥58.6 billion	**¥56 billion +** [¥60.5 billion[4]]
Net debt	¥275.6 billion	**Under ¥279 billion**
Equity capital[6]	¥193.8 billion	**¥218 billion +**

Notes: 1. Net debt (Interest–bearing debt – Cash and cash equivalents) / Equity capital
2. Equity capital / Total assets
3. Net income / Average equity capital
4. Not accounting for changes in the depreciation standard.
5. Business income = Operating income + Interest and dividend income + Equity in earnings of unconsolidated subsidiaries and affiliated companies
6. Equity capital = Net assets – Share subscription rights – Minority interests

BASIC STRATEGY 1: ESTABLISH A PLATFORM FOR PROFITABILITY THAT ENSURES SUSTAINABLE GROWTH

In Stage Up 2009, our business portfolio is divided into four categories: Developing businesses, strategic growth businesses, core platform businesses, and rebuilding businesses. In addition, we will make clear our relationship to the direction of markets and technologies, as well as our R&D portfolio, as we aim for balanced, sustainable growth throughout the entire UBE Group with our solid array of core platform businesses that generate stable earnings and cash flow as the base, and highly profitable strategic growth businesses as the driving force.

• CORE PLATFORM BUSINESSES: OFF TO A STRONGER-THAN-EXPECTED START

In the caprolactam chain business, the spread between selling prices and raw material costs for caprolactam increased as demand for fertilizer expanded to support the increase in global food production and for biofuel crops. Prices of ammonium sulfate, a caprolactam by-product, also rose sharply. As a result, caprolactam and ammonium sulfate contributed strongly to earnings.

We also continued to ramp up production capacity. First, we decided to add 50,000 tons/year in production capacity at Ube Nylon (Thailand) Ltd. to meet growing demand for polyamide 6 in Asia. Construction has begun on the new facilities, which are scheduled to go into operation in October 2009. In addition, the balance of supply and demand for caprolactam continues to be tight because new plant construction and expansions have not kept pace with growing demand. Therefore, we are promoting a debottlenecking project at our Thailand subsidiary and the Sakai Factory with the aim of increasing caprolactam production by a total of 30,000 tons/year.

The synthetic rubber business continued to perform well in fiscal 2007 as UBE secured spreads. We moved to supply tire manufacturers in the Asian market by completing vinyl cis rubber (VCR) production facilities in August 2007 in Thailand, establishing a second production base in addition to the one in Chiba, Japan. In fall 2008, we plan to begin operation of a synthetic rubber production facility in China.

The coal business also contributed to earnings. UBE increased coal dealing as global supply and demand tightened and prices rose. In May 2007, UBE (Shanghai) Ltd. opened a representative office in Beijing to promote stable procurement of coal produced in China.

• STRATEGIC GROWTH BUSINESSES: EXPANDING PRODUCTION FACILITIES FOR GROWTH

Fiscal 2007 was more challenging than expected due to the impact of inventory adjustments of polyimide, a core product. However, sales of battery materials (separators and electrolytes), gas separation membranes and other functional materials showed steady growth. Expectations for growth remain unchanged and UBE is expanding production facilities.

The 9th production facility for *UBE UPILEX®* polyimide film was completed in September 2007, and construction began on the 10th and 11th production facilities at the Sakai Factory in February 2008. We intend to capture a share of the market for use in flat panel displays, an UBE strength, by meeting customer quality requirements.

In the gas separation membrane business, the 2nd and 3rd spinning facilities for polyimide hollow fiber used in gas separation membranes were completed and began production in October 2007 and February 2008, respectively. Demand for nitrogen gas separation membranes for anti-explosive applications is growing significantly, reflecting rising safety consciousness worldwide. In addition, demand for alcohol dehydration membranes for use in ethanol refining is rising along with the rapid increase in demand for bio-ethanol, and UBE will work to expand this business along with existing products such as hydrogen separation membranes and dehumidification membranes.

In the semiconductor and electronic materials business, UBE completed a capacity expansion in January 2008 for high-purity nitric acid, which is used in silicon wafer cleaning solutions and other applications.

In the fine chemicals business, demand for water-borne polyurethane dispersion (PUD) is growing rapidly, primarily for automotive interior and exterior coatings. To start up business in this area more quickly, UBE signed a technology licensing agreement in August 2008 with Industrial Copolymers Ltd. of the U.K., which has many years of experience in the European market.

In the recycling business, UBE sees waste processing in cement kilns as a key source of profits that will continue to grow. We are moving to expand acceptance of waste materials that are difficult to process because they offer higher processing revenue. In fiscal 2007, revenue from waste processing increased ¥1.0 billion from the previous fiscal year to ¥11.2 billion, supporting the earnings of the cement business.

• REBUILDING BUSINESSES: FULLY COMMITTED TO RESTRUCTURING FOR PROFITABILITY IN FISCAL 2009 AMID ADVERSE CONDITIONS

In the aluminum wheel business, declining sales volume at the Sarnia Plant in Canada since the second half of fiscal 2006 as well as the sharp rise of the Canadian dollar against the U.S. dollar in fiscal 2007 raised the hurdles for restructuring. However, UBE is steadily implementing improvement measures including expanding the proportion of OEM sales to Japanese automakers, improving the yield and painting in-house.

Lightweight and tough, UBE's aluminum wheels have won positive evaluations in the growing hybrid car market. UBE is moving a casting machine capable of lower-cost production quickly through development in our effort to return to this business to profitability in fiscal 2009.

• DEVELOPING BUSINESSES: STATISTICAL SIGNIFICANCE OF PROMISING NEW ANTIPLATELET AGENT PRASUGREL (CS-747) VERIFIED

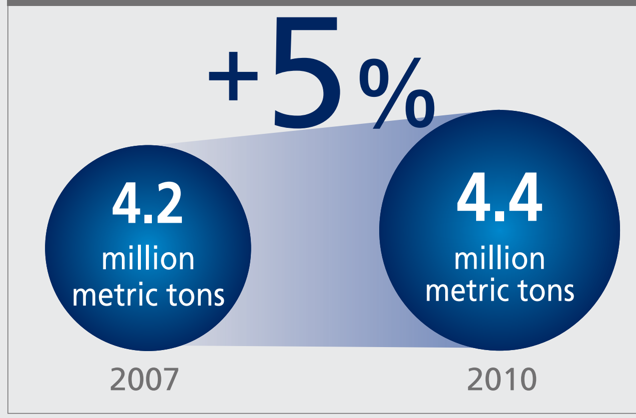
In developing businesses, the pharmaceutical business in particular is making progress. Sales of *Talion®* and *Calblock®*, which are currently on the market, are both growing steadily. In November 2007 at the annual meeting of the American Heart Association, it was announced that Prasugrel (CS-747), an antiplatelet agent derived through joint development by UBE

The Caprolactam Business: Steady Earnings from a Core Platform Business

Solid Growth in the Caprolactam Market

Globally, 60 percent of caprolactam production goes for polyimide fiber production, and the remaining 40 percent goes for polyamide resin production. Over the long term, the use of caprolactam in polyimide fiber is projected to grow at less than 1 percent annually, while the use of caprolactam for resin is projected to expand by 4-5 percent annually. Overall, caprolactam demand is therefore expected to grow by about 2-3 percent annually. Polyamide 6 resin demand is decreasing in Europe and North America, but is projected to increase by 10 percent annually in Asia. Demand for polyamide 12 resin is projected to increase by 5-6 percent annually in a market supplied by an oligopoly of four companies.

Forecast Growth Range in the Caprolactam Market



UBE: Asia's Top Caprolactam Supplier

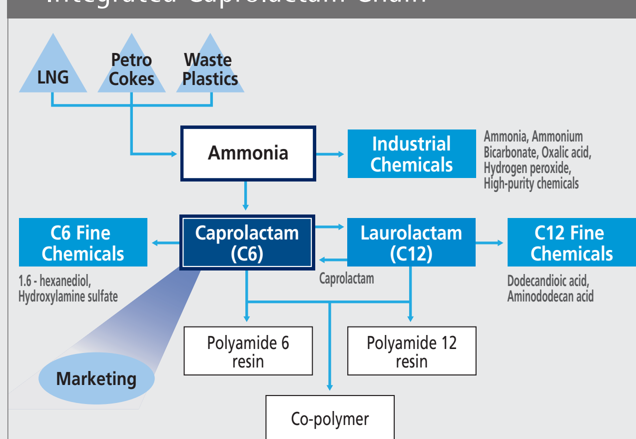
Global caprolactam production capacity totals about 4.5 million tons. With three facilities in Japan, Thailand and Spain, UBE produces 390 thousand tons of caprolactam annually, a global share of about 9 percent that makes UBE the world's third-largest producer and Asia's largest producer. In the absence of major additions to capacity, supply is projected to remain tight in fiscal 2008. In the polyamide business, caprolactam producers in the Commonwealth of Independent States and Eastern Europe are aggressively targeting the engineering plastic and film markets while continuing to invest in China and elsewhere in Asia, which resulted in new production capacity of over 500 thousand tons in 2007 and 2008. UBE has bases in the growing Asian market with advantageous geographic locations and pricing power, allowing thorough control of spreads. At the same time, UBE is executing measures to procure low-cost raw materials, maximize production volume and reduce costs. In addition, UBE aims to achieve overwhelming cost competitiveness by beginning operation of a polyamide polymer plant in Thailand in fiscal 2009 with production capacity of 50 thousand tons.

The High-Value-Added Product Lineup from the Caprolactam Chain Supports Stable Earnings

The backbone of UBE's caprolactam chain business is the flow from ammonia to caprolactam and polyamide resins. The advantage of this chain is that intermediate materials generated in the production process form the basis for numerous related high-value-added products.

Demand for bioethanol increased rapidly in fiscal 2007, resulting in sharp increases in demand for the byproducts of the caprolactam chain that are used as fertilizer for bioethanol crops. Moreover, price increases contributed substantially to the profitability of UBE's caprolactam chain, which validated the chain's strength.

UBE's Vertically and Horizontally Integrated Caprolactam Chain



and Daiichi Sankyo Co., Ltd., had shown statistically significant superiority in effectiveness compared to an existing standard therapeutic agent. As a result, new drug applications were submitted to the U.S. Food and Drug Administration (FDA) in December 2007 and the European Medicines Agency (EMEA) in February 2008. Prasugrel was granted priority review by the FDA, and expectations are rising for its approval and market launch. In addition, a glaucoma and ocular hypertension treatment that UBE is co-developing with Santen Pharmaceutical Co., Ltd. has moved into Phase II clinical trials. This high "hit rate" compared to the scale of UBE's pharmaceutical business is boosting the confidence and motivation of our research team.

BASIC STRATEGY 2: SUSTAINED IMPROVEMENT OF FINANCIAL POSITION

The UBE Group's profitability and financial position have improved rapidly after we significantly exceeded the goals of the previous management plan. Based on an evaluation of our results through fiscal 2006 and subsequent efforts, our rating from Rating and Investment Information, Inc. (R&I) was restored to BBB from BBB- for the first time in five years in October 2007. While we are very pleased with this, in my view it is still not a satisfactory level.

To further enhance shareholder value, we must stay focused on accelerating the reforms we have been implementing and emphasize rigorous management of cash flow to further improve our financial position. Profits should be our primary source of cash flow, and therefore we must focus intensely on generating cash flow and strengthening profitability, while also promoting continuous and consistent cost reductions. We will also work to generate additional cash flow by launching a project to reduce inventories and increase logistics efficiency.

At the same time, we will steadily make the investments necessary for future growth and expansion. We will set cumulative capital expenditures for the UBE Group over the three years at an amount equivalent to depreciation and prioritize investments based on the positioning of businesses in our portfolio.

BASIC STRATEGY 3: STRENGTHENING CSR ACTIVITIES

In recent years, fulfilling corporate social responsibility (CSR) has become even more critical for companies to achieve sustainable growth. In addition to strengthening internal controls, companies are expected to address safety and the environment in ways such as reducing CO_2 emissions and implementing the REACH regulations for chemical products.

The UBE Group has been taking various steps to enhance its organization from economic, environmental and social perspectives, and we intend to deepen these efforts. Specifically, while managing from the perspective of promoting shareholder value in ways such as increasing our market capitalization and enhancing shareholder returns, we are making broadly based efforts to deepen our CSR activities, including contributing to the environment, ensuring thorough compliance, improving internal controls and corporate governance, and promoting mutually beneficial relationships with local communities.

UBE marked its 110th anniversary in June 2007. To celebrate this milestone, in November we opened the UBE i-Plaza, a facility with general information about the UBE Group, in Ube, Yamaguchi Prefecture, which is the company's birthplace and still the location of our largest operating base. The plaza features easy-to-understand overviews of the UBE Group's history, its current businesses, products and technologies, and its future-oriented activities. We expect it to help our various stakeholders, including customers, employees and local residents, gain a deeper understanding of UBE. Moreover, we had been considering initiating philanthropic activities, and have invited the Japan Philharmonic Orchestra to Ube City in August 2008 to visit schools and hold family concerts. We plan to make this an

Gas Separation Membranes: A High-Potential Business That Is Useful to Industry and Preserves Safety and the Environment

UBE's Gas Separation Membranes and Market Growth

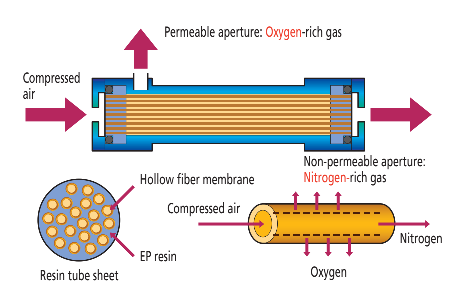
Gas separation membranes were developed at UBE as an application of the high-performance resin polyimide. UBE developed the first version of this product, a hydrogen separation membrane system, in 1986, and supplied it to oil companies for hydrogen recovery at refineries. UBE later expanded manufacturing and sales, but in 1997 shifted to sales of smaller gas separation membrane modules in an effort to increase the profitability of this business. At the same time UBE was stabilizing and improving the quality of the product, applications in which nitrogen was needed by society were increasing. Since 2003, the market for explosion prevention and safety enhancement in tankers, aircraft, oil and coal drilling sites and other settings has grown rapidly along with the global economy, and demand continues to expand. Sales of nitrogen separation membranes in fiscal 2010 are projected to rise to nearly twice their fiscal 2007 level.

Growth Range in Production Capacity for Gas Separation Membranes

Development of Separation Membranes for Bioethanol

Bioethanol has been attracting attention recently as an alternative fuel to gasoline, and its use is spreading worldwide. UBE's alcohol dehydration membrane, which established the world's only special technique capable of achieving alcohol dehydration up to 99.95 percent or higher in organic steam membranes, is gaining attention because it allows refining of bioethanol at low energy cost. Currently, questions are being raised about bioethanol as a cause of higher grain prices because it uses food as a raw material. While manufacturers are expected to switch to non-food raw materials such as cellulose, bioethanol itself will continue to be a clean energy source. In addition to alcohol dehydration membranes using this organic solvent dehydration technique, UBE's gas separation business also contributes to greenhouse gas reduction through processes such as methane concentration in CO_2 separators, and thus is expected to grow substantially.

Nitrogen Separation Membrane Module Construction



Expansion of Production Facilities

At the Ube Chemical Factory, UBE's first hollow fiber spinning facility had an annual production capacity of 480,000km. A 320,000km second facility began operating in October 2007 and a third facility came on line in February 2008, raising total annual capacity to 1.8 million tons. Module production capacity also increased from 20,000 units annually before the expansion to 80,000 units for the Ube Chemical Factory and Sakai Factory combined.

Nitrogen gas separation membranes

ongoing part of our CSR program.

In addition, as our facilities age and a generational change takes place with the retirement of veteran employees, the risk of industrial injuries and accidents is increasing. We recognize that this is a significant issue, and will reinforce the importance of safety and compliance throughout the UBE Group.

OBJECTIVE: CONTINUALLY INCREASE SHAREHOLDER VALUE

UBE recognizes that delivering dividends is one of its key responsibilities to shareholders, and our policy is to pay dividends corresponding to performance. On the other hand, we believe that further improvement of our financial position and enhancement of retained earnings for future business expansion are also important in securing long-term profits for shareholders. We take both of these factors into account in setting dividends. Under Stage Up 2009, we have set a guideline for our consolidated dividend payout ratio of 20 to 25 percent. We aim to continuously increase shareholder value by steadily increasing dividends in tandem with improved performance.

UBE increased cash dividends per share for fiscal 2007 by ¥1.00 to ¥5.00 in the form of a year-end dividend. We will aim to continue improving performance and steadily increase dividends.

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

In fiscal 2007, a succession of unforeseen changes occurred in our operating environment. The UBE Group's businesses are by no means large in scale, but are spread across a wide range of business areas, and in that sense are unique even from an international perspective. Moreover, the UBE Group operates many businesses with a global, Asian and domestic presence. In the past, our selection and concentration in these businesses was inadequate from the viewpoint of the market. Consequently, we were unable to make focused investments, which often led to our growth rate being considered slow. However, amid the current volatile economic and other conditions, UBE has come to be seen as a corporate group that resists the impact of rising raw material and fuel prices and the economic cycle because its entire performance does not depend heavily on any one external factor. This demonstrates the validity of the balanced business development emphasized in Stage Up 2009, and has reinforced my confidence that we are a corporate group with a promising future.

In fiscal 2008, I believe that it is important that we not only reach the goals we have promised to the market, but reach them ahead of schedule. While we work toward the early achievement of the fiscal 2011 target indicators set forth in Stage Up 2009, we will also start to consider our next three-year plan and our future directions.

The UBE Group has a unique presence among chemical companies in that we have many businesses that are not large in scale, but are wide-ranging and have a dominant share in global niche or target markets. By further deploying our strengths in differentiated business areas in which we excel, the UBE Group aims to earn the deep confidence of its shareholders and all other stakeholders.

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

July 2008

Hiroaki Tamura

Hiroaki Tamura
President and CEO

Working Toward a Society that Can Achieve Sustainable Growth While Keeping the Earth Clean

No company today can afford to ignore environmental measures. We view this as an investment: If we can link environmental measures to the creation of new businesses in anticipation of our future society, we can widen our business opportunities.

UBE is a company with its origins in coal, and has always been concerned with energy issues. Air pollution countermeasures have been undertaken by the business, government, academic and civic sectors in the Ube region since the 1950s, about 20 years before pollution became a social issue. This innovative approach has received both domestic and international acclaim as the "Ube Model," and was chosen for the United Nations Global 500 Award in 1997.

Since then, UBE has created a variety of new technologies and products that contribute to environmental preservation, including energy-saving processes, gas separation membranes, the EUP two-stage pressure gasification system, and waste processing at cement factories. Recently, the UBE Group has promoted programs such as CDM[1] in Thailand and forest preservation, which contributes to CO_2 absorption and storage. In recognition of these efforts, UBE received the highest rating in the March 2008 screening for the Development Bank of Japan's Loan Program for Promoting Environmentally Conscious Management[2]. Moreover, UBE was the first general chemical manufacturer to win a special award, and received a loan under this program.

In our medium-term management plan, Stage Up 2009, we set the targets of reducing CO_2 emissions for fiscal 2010 by 12 percent compared with fiscal 1990 levels, and reducing greenhouse gas emissions other than CO_2 by 100,000 tons (CO_2 conversion) by fiscal 2010. Furthermore, we have now set the ambitious goal of reaching these targets in fiscal 2009, ahead of schedule. To further strengthen our global warming prevention efforts, in addition to existing organizations, we are launching the Global Warming Countermeasures Project to achieve even greater reductions.

Notes: 1. **The Clean Development Mechanism (CDM):** An arrangement to reduce greenhouse gases under the Kyoto Protocol. It is a system in which developed countries and developing countries conduct joint projects, and the reduction amount can be credited toward the carbon emission reduction targets of the investing countries (developed countries).

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

YASUHISA CHIBA
Vice-President and
Executive Officer/CTO

Waste Processing at Cement Factories: The Ultimate Resource Recycling Plants that Accept a Wide Variety of Waste Materials

UBE's cement factories are the ultimate resource recycling plants. They recycle 3.45 million tons of waste materials and by-products annually for use as raw materials or energy sources. Waste plastics previously had been burned in simple incinerators or disposed of in landfills, but by recycling them as energy sources, we reduce the amount of coal we use. UBE won the 2006 Fuji Sankei Group Award for a high chlorine bypass system that we installed as a chlorine countermeasure, which enabled us to resolve a bottleneck in processing waste materials. We are also achieving results in expansion of waste material acceptance needs and improvement of energy efficiency.

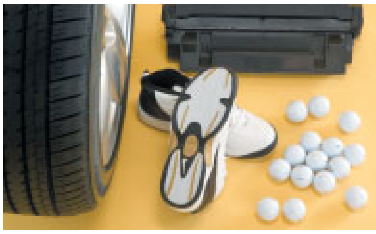
Development of Colored Recycled Resin Technology for Re-coloring of Waste Plastic

Waste plastic that has been surface painted or colored with dyes and pigments previously had limited uses because it could only be colored black. This meant that a large proportion of waste plastic was processed as industrial waste. UBE developed a technology for re-coloring waste plastics to make recycled resins with an excellent surface appearance. The technology was commercialized as *Ube Composite*® in October 2006, and has been adopted by a succession of consumer electronics manufacturers and automakers. Recycled resins processed from waste plastics of various colors are now being used in visible parts of refrigerators, washing machines and other appliances.

BUSINESS OVERVIEW

Segment	Share of Net Sales	Share of Operating Income	Share of Assets
CHEMICALS & PLASTICS	33%	33%	34%
SPECIALTY CHEMICALS & PRODUCTS	13%	25%	15%
CEMENT & CONSTRUCTION MATERIALS	29%	19%	29%
MACHINERY & METAL PRODUCTS	17%	12%	12%
ENERGY & ENVIRONMENT	7%	8%	7%

CHEMICALS & PLASTICS



Principal Products/Businesses:

- Synthetic rubber
- Caprolactam chain
  - Caprolactam
  - Polyamide resins
  - Industrial chemicals

SPECIALTY CHEMICALS & PRODUCTS

Principal Products/Businesses:

- Specialty products
  - Polyimide
  - Battery materials (Electrolytes and separators)
  - High purity chemicals
  - Separation membranes
  - Ceramics
  - Telecommunications devices
  - Aerospace materials
- Fine chemicals
- Pharmaceuticals
  (Active ingredients, intermediates)

CEMENT & CONSTRUCTION MATERIALS

Principal Products/Businesses:

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

MACHINERY & METAL PRODUCTS

Principal Products/Businesses:

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

ENERGY & ENVIRONMENT

Principal Products/Businesses:

- Coal
- Power

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

Market Trends	Fiscal 2007 Achievements
• The balance of supply and demand for caprolactam remains tight. • Demand is increasing for ammonium sulfate as a fertilizer for crops for bioethanol. • The market for polyamide resins is expanding, mainly in Asia. • Demand remains strong for synthetic rubber due to capacity expansions at Asian tire manufacturers.	• Consolidated segment sales increased by 10.8 percent year-on-year to ¥233.2 billion, and operating income increased by 35.0 percent year-on-year to ¥18.6 billion. • Although raw material prices rose in the caprolactam business, the tight balance of supply and demand allowed UBE to pass the increase along in product prices. • In the polyamide business, a 50,000-ton expansion project now in progress in Thailand is scheduled for completion in September 2009. • The synthetic rubber business started operation of vinyl cis rubber (VCR) production facilities in Thailand in August 2007.
• Inventory adjustments in the polyimide market are ending, with signs of a recovery. • Supply is unable to keep up with demand in the electrolytes and battery separators business. • Demand is rapidly increasing for gas separation membranes for anti-explosive applications. • Demand for 1,6-hexanediol is growing. • Proprietary pharmaceuticals *Talion*® and *Calblock*® are maintaining strong sales.	• Consolidated segment sales increased by 5.8 percent year-on-year to ¥93.5 billion, and operating income increased by 22.8 percent year-on-year to ¥14.1 billion. • Construction is under way on the 10th and 11th production facilities for polyimide at the Sakai Factory, which are scheduled for completion in fall 2009. • The gas separation membrane business began production at its new 2nd and 3rd polyimide hollow fiber spinning facilities. • In the pharmaceuticals business, two existing products contributed to earnings, and a new drug application was filed for novel antiplatelet agent CS-747 in the United States and Europe.
• Demand for cement weakened from summer 2007 onward. • Needs are increasing in the building materials business for materials that can reduce construction time. • Demand for calcia and magnesia for use in steelmaking is strong.	• Consolidated segment sales decreased by 0.4 percent year-on-year to ¥207.0 billion, and operating income decreased by 12.5 percent year-on-year to ¥10.8 billion. • With the impact of rising fuel prices, UBE raised the price of cement shipments from April 2008 onward. • Increased acceptance of waste materials supported earnings. • UBE acquired a production base for lime products.
• Demand for molding machines by automobile manufacturers has declined from its peak. • Orders for industrial machinery from steel and cement manufacturers remains at a high level. • Shipments to steelmakers in South Korea remain strong. • Full production and sales are continuing in the aluminum wheel business in Japan. • Demand for the aluminum wheel business in North America is weak due to the downturn at the Big Three U.S. auto manufacturers.	• Consolidated segment sales increased by 5.4 percent year-on-year to ¥120.3 billion, and operating income increased by 20.0 percent year-on-year to ¥6.6 billion. • A newly established joint venture with a Chinese company will aim to expand sales channels in the molding machinery business. • The steel business was able to reflect higher prices for scrap steel used as a raw material in its product prices. • The aluminum wheel business in North America is implementing a restructuring project.
• Damage and incidents at coal production sites has decreased supply while demand remains solid, resulting in an increase in price. • At UBE's Coal Center, needs for coal storage are rising as the price of coal increases.	• Consolidated segment sales increased by 50.0 percent year-on-year to ¥46.4 billion, and operating income increased by 69.6 percent year-on-year to ¥4.6 billion. • UBE established an office in Beijing for stable procurement of coal. • In the IPP business, the use of wood biomass fuel and an improvement in capacity utilization rates increased earnings.

CHEMICALS & PLASTICS

In fiscal 2007, sales grew for the fourth consecutive year despite the significant impact of rising raw material prices because UBE was able to adjust the prices of products that are in strong demand. Higher ammonium sulfate prices because of booming demand for bioethanol in recent years coupled with cost reductions in the caprolactam and polyamide resin businesses resulted in an increase in operating income, and the Chemicals & Plastics segment generated ¥10.0 billion in cash flow.

Our theme for fiscal 2008 is specialization. We will promote selection, concentration and other initiatives with a focus on the future.

NOBUYUKI TAKAHASHI Senior Managing Executive Officer

Basic Strategies of Stage Up 2009

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

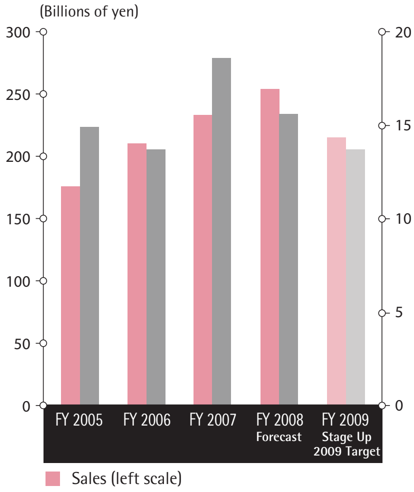
Caprolactam Chain: Secure stable profits in the caprolactam business that are not affected by market fluctuations.

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

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

Segment Sales and Operating Income

(Billions of yen)



Fiscal 2007 Results

Consolidated segment sales increased by 10.8 percent, or ¥22.8 billion, year on year to ¥233.2 billion. Operating income increased by 35.0 percent, or ¥4.8 billion, year on year to ¥18.6 billion.

Shipments of butadiene rubber, caprolactam and polyamide resin remained strong, and shipments of industrial chemicals were generally firm.

Segment earnings increased year on year despite the impact of rising raw material prices as UBE was able to adjust the prices of products that are in strong demand. Additional factors included higher prices for ammonium sulfate, a byproduct of the caprolactam business for which demand for use in manufacturing bioethanol has increased sharply in recent years.

Synthetic Rubber Business

Worldwide sales of butadiene rubber are forecast to increase 3-4 percent annually due to strong demand for use in the tire industry, a major market. Tire manufacturers are planning to build new facilities in Asia, particularly in China and Thailand, and they will depend heavily on UBE, which has the world's third largest sales volume, to supply the butadiene rubber they use as a raw material. Under these conditions, UBE has enhanced and expanded its stable supply system and promoted a shift to high-value-added products by strengthening its lineup of specialty rubbers in response to customer development of high-performance products.

UBE subsidiary Thai Synthetic Rubbers Co., Ltd. (TSL) expanded its production facilities in February 2006, and continues to operate at full capacity. In August 2007, TSL moved to supply the Asian tire manufacturer market by completing and starting operation of vinyl cis rubber (VCR) production facilities, a product UBE had formerly produced only in Japan. In addition,

Applications for polybutadiene

Applications for polyamide 6

Applications for polyamide 6

Applications for polyamide 6, 66 and 12

in September 2006 UBE made its first large-scale investment in China by taking a 25-percent share in a new butadiene rubber manufacturing and sales company that will have an annual production capacity of 50,000 tons. This company's plant is under construction and is scheduled to start operations in 2008. Moreover, UBE is working to meet increasing customer needs for high performance and plans to commercialize metallocene butadiene rubber produced using a metallocene catalyst during 2008. In addition, UBE is developing nano VCR, a differentiated high-performance product, with the goal of rapid commercialization.

Caprolactam Business

Demand for caprolactam, a raw material used in the manufacture of polyamide, is forecast to grow at an annual rate of 5-6 percent in China and the rest of Asia, driven by demand for use in resins. In Japan, the United States and Europe, demand for caprolactam for use in fiber is decreasing, but demand for caprolactam for use in resins is increasing. Therefore, worldwide demand for caprolactam is expected to maintain a strong annual growth rate of 2-3 percent. Under these conditions, UBE's caprolactam business will meet customer demand for stable supply from its three global bases for the caprolactam chain in Japan, Thailand and Spain.

In fiscal 2007, UBE executed a project with the goal of reducing costs by US$100/t, and continued to improve production technologies. Although raw material prices are rising, supply and demand has been tight, especially in China and Taiwan. UBE has therefore been able to adjust product prices and maintain a strong spread. Moreover, higher prices for the byproducts of the caprolactam business have contributed to earnings in the caprolactam chain.

UBE projects that supply and demand will remain tight in fiscal 2008. UBE will therefore develop pricing strategies to rapidly reflect the volatile prices of raw materials with the aim of stable supply at appropriate prices. In addition, UBE will steadily implement strategic marketing focused on the Asian market.

Polyamide Business

Demand for polyamide for use as an engineering plastic for automobile parts, food packaging and other applications is forecast to grow at an annual rate of 4-5 percent worldwide, with significantly stronger growth in Asia. UBE is responding to increasing demand by expanding its polyamide 6 production capacity. In January 2007, a 10,000-ton expansion project was completed in Spain, and a 50,000-ton expansion project in Thailand is in progress and scheduled for completion in October 2009.

In fiscal 2007, earnings were sound despite difficulty in adjusting to costs, and sales of new products such as *UBESTA XPA®* increased steadily. Moreover, at the development center for automobile components established in Japan and R&D centers in Thailand and Spain, UBE is working to further enhance customer service and accelerate R&D based on market needs.

Going forward, UBE will execute an aggressive scrap-and-build program in its polyamide 6 business. In the polyamide 12 market, which is expected to expand steadily, UBE will raise its position as a global supplier by assiduously implementing a niche strategy and continuing to develop highly profitable products.

Industrial Chemical Business

The industrial chemical business produces basic chemicals centered on ammonia, a raw material of caprolactam and other products. The largest ammonia supplier in Japan, UBE is working to enhance productivity. UBE is also restructuring other industrial chemical product operations, centered on nitric acid, in moving to strengthen its market presence and the overall profitability of the caprolactam chain.

Fiscal 2008 Initiatives

UBE expects market conditions to remain favorable even though raw material prices will continue to rise. UBE will emphasize stable supply at its production facilities, proactively scrap and build facilities, and focus on improving processes and reducing costs. Other industry participants plan to begin operating large-scale plants beginning in 2010. UBE is therefore preparing for the next three-year management plan slated to begin in 2010. The key to winning out over the competition will be the high product performance and added value that UBE has been promoting, and UBE will also employ selection and concentration to build a business framework for the future.

SPECIALTY CHEMICALS & PRODUCTS

In fiscal 2007, UBE made aggressive capital investments to expand the scale of strategic growth businesses and increase earnings. While launching new businesses, we exited businesses with declining profits and restructured our product mix to create a framework for a stronger business foundation. In fiscal 2008, our main focus will be on additional quality improvements as we work to achieve further profit increases and fulfill our mission as a growth-oriented company.

KOJI KIHIRA Senior Managing Executive Officer

Basic Strategies of Stage Up 2009

Specialty Products: Expand the current field of business with timely reinforcement of production facilities where rapid growth is expected (polyimide, gas separation membranes, etc.), and maintain our core competence with enhanced cost competitiveness and prompt development of new products.

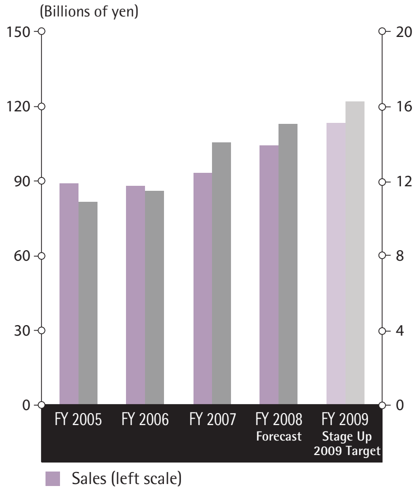
Fine Chemicals and Pharmaceuticals:

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

Pharmaceuticals: Strengthen the new agent pipeline while increasing earnings by thoroughly reducing costs and increasing the operating rate.

Segment Sales and Operating Income

(Billions of yen)



Fiscal 2007 Results

Consolidated segment sales increased by 5.8 percent, or ¥5.1 billion, year-on-year to ¥93.5 billion. Operating income increased by 22.8 percent, or ¥2.6 billion, year-on-year to ¥14.1 billion.

Shipments of polyimide products were weak due to the impact of inventory adjustments of flat-screen television panels and other products that have continued since the beginning of fall 2006. However, demand in the IT and digital markets continued to expand, and shipments of products for these sectors, including electrolytes and separators for lithium-ion batteries and high-purity chemicals for semiconductors, were generally strong. Shipments of gas separation membranes were also robust, driven by rapidly expanding demand for nitrogen gas separation membranes, alcohol dehydration membranes and other products. Shipments of pharmaceutical active ingredients and intermediates and fine chemicals were generally strong.

Polyimide Business

UBE polyimide film offers unique features including high elasticity, good dimensional stability and a smooth surface. UBE holds a dominant market share for tape-automated bonding (TAB) used in plasma televisions and other products. *UBE UPILEX®* polyimide film is highly evaluated by customers who require high-precision, high-density features for use in large-screen LCD televisions.

To respond to expanding markets such as IT and digital consumer electronics, UBE completed construction on its 8th polyimide production in 2006, followed by completion of its 9th production facility in September 2007. Construction is now under way on the 10th and 11th production facilities at the Sakai Factory, which are scheduled for completion in fall 2009. These new facilities will double production capacity compared to the beginning of fiscal 2006, and allow a stable and flexible supply of polyimide products.

In addition, in April 2008, UBE transferred the dual-layer copper clad laminate (product name: *Upisel N®*) business to Ube-Nitto Kasei Co., Ltd. to strengthen collaboration among production, sales and development and increase market responsiveness.

Applications for polyimide

Separator (battery material)

Applications for gas separation membranes

Pharmaceutical products

Battery Materials Business

Demand for electrolytes and separators for lithium-ion secondary batteries (LIB) continues to outpace supply, and high growth of around 10 percent annually is expected in the LIB market. In electrolytes, UBE is focusing on development of functional additives under a strategy of specializing in high-performance electrolytes for high-performance batteries, but is also preparing for a possible entry into the mid-range market, where volume expansion is expected. In separators, UBE will maintain and expand its sales volume in the Chinese market, and also develop technologies and reduce costs with a focus on LIB applications in Hybrid Electric Vehicles (HEV) in Japan.

Gas Separation Membrane Business

Increasing safety consciousness has characterized the market for gas separation membranes, which use polyimide hollow fiber membranes. As a result, demand has been increasing for nitrogen gas separation membranes for anti-explosive applications in areas including oil wells, coal mines and oil tankers. Furthermore, demand for alcohol dehydration membrane applications, a critical element in refining bio-ethanol, which is attracting attention around the world as an alternative fuel to gasoline, is increasing rapidly. To meet this rapid growth in demand, UBE completed construction of its 2nd and 3rd polyimide hollow fiber spinning facilities in October 2007 and February 2008, respectively, and has started production. Current production capacity is 3.6 times the level at the beginning of fiscal 2006.

Fine Chemicals

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

In the area of caprolactam derivatives, UBE produces 1,6-hexanediol, which is used as a raw material in products including urethane resins, in Japan and Spain, and is considering production in Thailand as well.

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

In specialty chemicals, UBE is increasing production and accelerating grade development at its plant for polycarbonatediol, a raw material for high-grade urethane, made from dimethyl carbonate, at Ube Chemical Europe, S.A. in Spain. Responding to market expansion, UBE is also moving to quickly commercialize water-borne polyurethane dispersion (PUD), which is in rapidly growing demand primarily for automotive interior and exterior coatings. In August 2007, UBE signed a technology licensing agreement with Industrial Copolymers Ltd. of the U.K., which has many years of experience in manufacturing and selling water-borne PUD in the European market.

In addition, UBE launched three products — porous nylon spherical particle (POMP), *UBE-Fucoidan*, and natural-based synthetic ceramide II — for the cosmetics market, where growth is expected.

Pharmaceuticals Business

In the proprietary pharmaceuticals business, steady shipments continued for *Calblock*®, an antihypertensive agent co-developed with Daiichi Sankyo Co., Ltd., and for *Talion*®, an antiallergic treatment co-developed with Mitsubishi Tanabe Pharma Corporation. In addition, CS-747 ("Prasugrel") is a novel antiplatelet agent created by UBE and Daiichi Sankyo Co., Ltd. that Daiichi Sankyo and Eli Lilly are jointly developing. New drug applications have been filed for CS-747 in Europe and the United States, and expectations are rising for its launch as a major pharmaceutical. Preparations for the launch are now under way.

Fiscal 2008 Initiatives

In the first year of Stage Up 2009, UBE made capital investments aimed at expanding the scale and increasing the profitability of strategic growth businesses such as polyimide and gas separation membranes. UBE has also embarked on new businesses through measures such as signing a technology license for PUD with Industrial Copolymers Ltd. of the U.K., while restructuring its product mix by withdrawing from business with declining profits. Moreover, UBE created a framework for strengthening its business foundation with the aim of future expansion of its business areas and enhancement of its business structure. With a development system in place that can anticipate market needs and direction, UBE will aim to develop solution-based businesses. In fiscal 2008, based on the core concept that "quality is the lifeline of a business," UBE will work to strengthen its manufacturing capabilities and meet the quality requirements of the market, which are growing more stringent every year, in order to take full advantage of the strong demand environment and an enhanced business foundation. In this way, the Specialty Chemicals & Products Company will achieve further profit increases and fulfill its mission as a growth-oriented business.

CEMENT & CONSTRUCTION MATERIALS

KAZUMA SEKIYA Senior Managing Executive Officer

In fiscal 2007, despite strong performance in the first quarter, consolidated segment sales and earnings declined year-on-year due to stagnation of building projects caused by enforcement of the revised Building Standards Law starting in the second quarter, and a steep rise in fuel costs. In fiscal 2008, UBE will work to secure profits in the Cement & Construction Materials segment by addressing the sharp increase in coal prices. UBE will also take measures to improve profits in the resource recycling business and magnesia and calcia business, which are not affected by slumps in building construction, to create a stronger business platform that is not dependent on the external environment.

Basic Strategies of Stage Up 2009

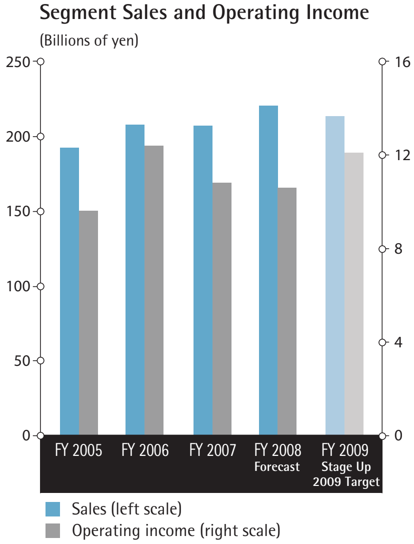
Cement and Ready-Mixed Concrete Business: Generate stable earnings and cash flow by continuing to adjust prices and establish a solid business foundation. Work closely with the entire UBE Group to continue to raise cost competitiveness and make the capital expenditures needed to maintain the business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

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

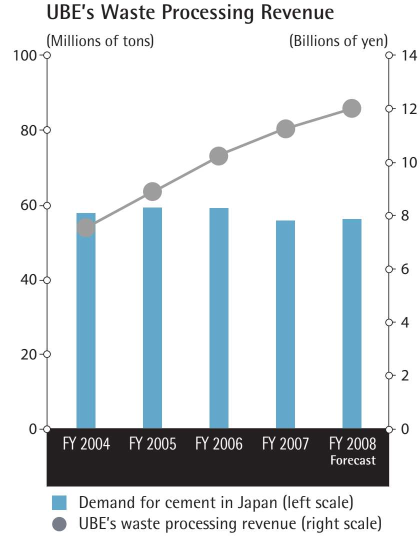
Calcia, Magnesia and Specialty Inorganic Materials Business: Expand the calcia business throughout Japan, and the magnesia business into new fields. Raise management efficiency in the specialty inorganic materials business, and develop new high-performance, high-quality products, primarily for plasma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

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

Segment Sales and Operating Income



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



Fiscal 2007 Results

Consolidated segment sales decreased by 0.4 percent, or ¥0.8 billion, year-on-year to ¥207.0 billion. Operating income decreased by 12.5 percent, or ¥1.5 billion, year-on-year to ¥10.8 billion.

Shipments of cement and ready-mixed concrete were weak from the summer onward due to the impact of the revised Building Standards Law. Shipments of building materials were also sluggish. While UBE steadily expanded recycling of various types of waste as raw materials and fuel, these businesses were significantly impacted by the high cost of coal and other fuels. Shipments of calcia and magnesia, primarily for steel, were strong.

Cement and Ready-Mixed Concrete Business

In the cement business in Japan, private-sector

NSP kiln at Isa Cement Factory

This facility uses a chlorine bypass system, achieving a high bypass ratio

Application of self-leveling materials

demand in urban areas had been compensating for low demand for public projects, but the revision of the Building Standards Law in June 2007 caused delays in building authorizations, leading to a drop in demand from August onwards, and a 5.8 percent decline in total demand for fiscal 2007 compared with the previous year. Amid these conditions, the price of coal for fuel rose sharply, and UBE conducted negotiations from December 2007 to quickly implement cement price increases of ¥1,000/t or more regarding shipments in or after April 2008, and realized the largest price increase since the second oil shock. UBE aims to ensure profits by making appropriate price adjustments while securing stable export customers.

Resource Recycling Business

UBE is making a series of expansions at its three cement factories to increase their acceptance of waste materials with higher processing fees, including soil from construction, ash from incinerated urban trash and plastics. The UBE Group uses the recycled waste as raw materials or fuel for cement manufacturing. In June 2007, UBE started phase III construction of facilities to process waste for use as fuel at the Isa Cement Factory. UBE will make capital investments totaling approximately ¥4.0 billion over the three years of Stage Up 2009, and will aim for sales and earnings growth by capitalizing on UBE's unique chemical knowledge that other specialized cement manufacturers do not have.

Calcia, Magnesia and Specialty Inorganic Materials Business

Ube Material Industries, Ltd. is the leading manufacturer of quicklime and the only producer of magnesia clinkers (refractories) in Japan. Its ability to use the UBE Group to operate efficiently in areas ranging from limestone to quicklime and magnesia gives it a strong advantage. In fiscal 2007, shipments were strong due to brisk demand from the steel industry. However, profits declined because of the time lag in passing on higher fuel prices.

In May 2007, Ube Material Industries purchased lime producer Tohoku Tekkosha as part of its expansion of its calcia business network nationwide. At the same time, Ube Material Industries acquired Tohoku Tekkosha's limestone mine, which has estimated deposits of 100 million tons. In addition, Ube Material Industries manufactures slaked lime for use in exhaust gas treatment for waste incinerators, and has developed *Calbreed EX*, a next-generation, super-reactive slaked lime that delivers 30 percent higher performance than existing products. Production facilities are under construction at the Chiba Factory, with production slated to begin in August 2008.

Building Materials

In the building materials business, UBE continued working to develop and rapidly market new products that anticipate market needs while strengthening and expanding sales of existing products. Delays in building construction due to the revised Building Standards Law led to a sharp increase in inquiries for UBE's self-leveling materials for construction because of short project periods.

Amid increasing demand for self-leveling materials, which offer excellent smoothness for floor surfaces, UBE launched *Floor Leveler G* in October 2006. This is a cement-based self-leveling material for outdoor use, an application beyond the purview of previous products. UBE followed this with the November 2007 launch of *Tough Leveler G*, a cement-based self-leveling product that offers high strength and rapid hardening for use in coated floor and heavy floor load applications. This product has received an enthusiastic market response because its leveling precision and superior workability enable significantly shorter construction time. UBE aims to continue expanding earnings by concentrating resources in the core product areas of self-leveling and plastering.

Fiscal 2008 Initiatives

In fiscal 2008, UBE will respond to the "coal shock" by rectifying contracts and other business practices in the cement and ready-mixed concrete business to enable rising energy costs to be passed on to product prices. At the same time, UBE will work to lower manufacturing costs and increase profits by using low-grade and other low-cost coal, and by expanding revenues from waste processing in the resource recycling business. In addition, UBE will focus efforts on developing businesses such as the specialty inorganic materials business and building material renewal business in order to solidify its business platform and insulate it from the external environment.

Moreover, UBE will work to upgrade its operating base from the perspective of ten years in the future with initiatives that include securing limestone resources, training personnel and strengthening the infrastructure of the ready-mixed cement business.

MACHINERY & METAL PRODUCTS

In fiscal 2007, demand for molding machines due to automobile-related capital investment, which had been the core driver of the machinery business, retreated from its peak. However, consolidated segment sales and income increased year-on-year because the industrial machinery business performed well due to strong capital investment centered on Asia. In fiscal 2008, UBE will focus on enhancing service and steadily promoting globalization through unified UM4 management* in continuing to build a powerful business structure that is not affected by changes in the operating environment to secure a high level of earnings. On the other hand, in the aluminum wheel business UBE is concentrating on progressing beyond restructuring.

* UM4 refers to the four consolidated subsidiaries at the core of the UBE Group's machinery segment: Ube Machinery Corporation, Ltd.; Ube Techno Eng Co., Ltd.; Ube Machinery Inc.; and Ube Machinery (Shanghai) Ltd.

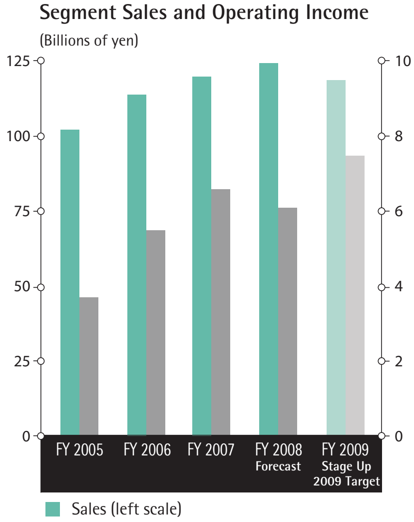
KAZUHIKO OKADA Vice-President and Executive Officer

Basic Strategies of Stage Up 2009

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

Aluminum Wheels Business: In Japan, boost the production capacity for high-value-added large-diameter wheels. Promote a cost reduction project and raise profitability. Develop new machines to improve cost competitiveness, prepare for future replacement of machines, and expand production capacity in North America. In North America, increase the proportion of sales to Japanese automakers. Thoroughly reduce costs by improving the yield, painting in-house and other methods to reduce outsourcing costs. Return the aluminum wheel business in North America to profitability by fiscal 2009.

Segment Sales and Operating Income



Fiscal 2007 Results

Consolidated segment sales increased by 5.4 percent, or ¥6.1 billion, year-on-year to ¥120.3 billion. Operating income increased by 20.1 percent, or ¥1.1 billion, year-on-year to ¥6.6 billion.

In the machinery business, shipments of all types of industrial machinery increased substantially, including shipments of vertical mills and kilns to the iron and steel industry in Japan and overseas and the cement industry overseas. In addition, orders for industrial machinery remained at a high level. Despite rising prices for steel scrap, demand for steel billets was strong and shipments remained robust.

In the aluminum wheel business, shipments in Japan were strong. However, UBE was unable to avoid a low level of capacity utilization in North America while the shift in focus to Japanese automakers gathers momentum, and worked to rebuild this business through comprehensive cost reduction.

Machinery Business

The machinery business is making steady efforts under unified UM4 management to strengthen its global responsiveness and service operations, such as maintenance support and renovation for machinery, and build a stronger operating base. Demand for molding machines due to capital investment among automobile manufacturers, which had

Aluminum die-casting machine

Vertical mill

UBE aluminum wheels

been the core driver of the machinery business, retreated from its peak. Amid these conditions, UBE is expanding marketing to local manufacturers in China, Korea, Southeast Asia and elsewhere. Ube Machinery (Shanghai) Ltd. established a fifty-fifty joint venture for the manufacture of plastics injection molding machines with Cosmos Machinery Enterprises Limited of Hong Kong. The joint venture is located in Wuxi City, Jiangsu Province, China, and began operations in May 2007. Moreover, the UH Series of large-scale die-casting machines with the world's smallest footprint, launched in November 2006, large-capacity all-electric injection molding machines, and Dieprest molding machines continued to receive an enthusiastic response.

In the industrial machinery business, orders for vertical mills and other machinery remained at a high level due to strong capital investment among domestic and overseas iron and steel manufacturers and the overseas cement industry. UBE put intense effort into raising productivity and enhancing profitability, and an upturn in market conditions amplified these efforts, leading to improved profits that contributed to results. Ube Steel Co., Ltd. secured profits by adjusting sales prices to reflect higher prices for the scrap steel it uses as a raw material in producing casting and steel products and billets, and shipments to South Korea and other markets remained strong. In addition, orders increased sharply for low-oil-pressure anchor handling winches at Fukushima Ltd., one of only two companies in the world that manufacture these products.

Aluminum Wheel Business

The aluminum wheel business in Japan continued full production and sales year-on-year. However, intensifying price competition and higher costs for utilities resulted in weak earnings. UBE inaugurated the aluminum wheel restructuring project in January 2006, and is working to restore the competitiveness of this business. Responding to expanding demand for light, strong, large-diameter wheels (18 inches and above) with high-quality design, UBE completed the first stage of construction to shift to large-diameter products at its aluminum wheel plant in August 2007, thus creating annual production capacity for 1.2 million large-diameter aluminum wheels. UBE will continue working to expand manufacturing capacity to the planned 1.5 million large-diameter units annually at this plant.

UBE Automotive North America Sarnia Plant, Inc. handles an export business that is entirely denominated in U.S. dollars, and was affected by the appreciation of the Canadian dollar. This negated the effects of rationalization measures, including improved productivity resulting from the shift of painting processes in-house and yield improvements. In addition, slack orders from the Big Three U.S. auto manufacturers kept sales volume low. The shift in focus to Japanese automakers is proceeding according to plan, but the Canadian dollar is forecast to remain strong, and North American operations recognized impairment losses in fiscal 2007.

Fiscal 2008 Initiatives

In the machinery business, UBE will minimize the impact of the near-term decline in demand for molding machines by capitalizing on demand in newly industrialized countries such as China and India. Concurrently, the industrial machinery business and service business will generate steady profits.

The aluminum wheel business in Japan has already secured orders into 2009. UBE is working to improve productivity and reduce costs through the restructuring project while accelerating the development of cost-competitive new casting machinery. UBE Automotive North America Sarnia Plant, Inc. should return to profitability in fiscal 2009, and is working to further improve productivity and reduce costs through close cooperation with UBE plants.

ENERGY & ENVIRONMENT

During fiscal 2007, the global balance of supply and demand for raw materials and energy tightened and prices rose. Customer demand for stable supply resulted in significant increases in coal sales volume and dealing at the Coal Center. In addition, facilities that use wood biomass as fuel in the independent power producer (IPP) business operated at nearly full capacity. As a result of these and other factors, sales and income increased substantially.

In fiscal 2008, UBE will gather and analyze information in the coal and shipping markets and carry out nimble procurement while expanding the use of low-cost coal to avert major energy cost increases for the UBE Group. We also aim for steady growth in sales.

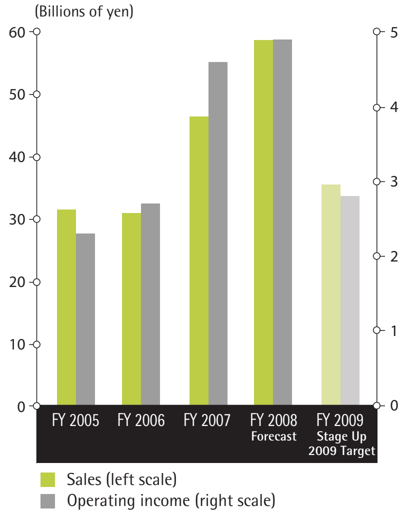
MICHIO TAKESHITA Managing Executive Officer

Basic Strategies of Stage Up 2009

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

Segment Sales and Operating Income

(Billions of yen)



Fiscal 2007 Results

Consolidated segment sales increased by 50.0 percent, or ¥15.4 billion, year-on-year to ¥46.4 billion. Operating income increased by 69.6 percent, or ¥1.9 billion, year-on-year to ¥4.6 billion.

The balance of supply and demand for raw materials and energy tightened and prices rose. Customers placed advance procurement orders, and coal sales volume and coal storage volume increased. Coal dealing at the Coal Center set a record. In addition, the electricity business increased capacity utilization rates and significantly expanded the use of wood biomass as fuel.

Okinoyama Coal Center

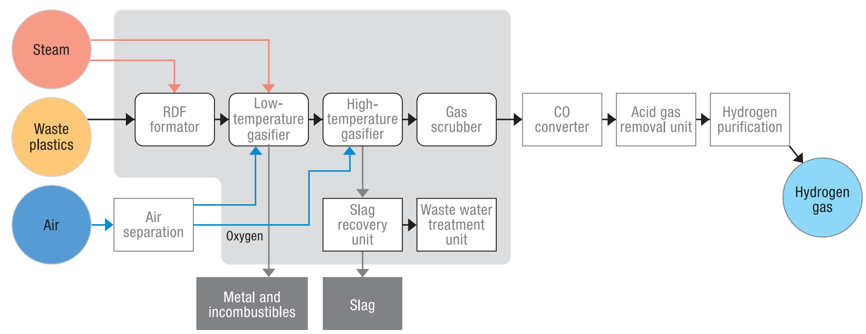
Coal Business

Market prices for coal have been approximately twice their traditional level since a rapid increase from the second half of 2003. In fiscal 2007, factors including procurement demand, reduced coal exports from China, demurrage and storm damage in Australia, and prolonged rains in Indonesia reduced supply. As a result, the supply and demand balanced tightened, and coal prices rose to historical highs. In addition, users sought to build a safety margin into procurement, which resulted in substantial increases in dealing and directly shipped sales volume at UBE's Coal Center. Consequently, sales and income increased strongly.

UBE has diversified coal sources and contracts to mitigate price risk, but the global coal supply and demand balance has tightened. With the objective of stable procurement of cost-competitive coal, UBE stationed employees in Singapore in February 2007 and in Beijing in April 2007 to strengthen relationships with shippers and enhance customer trust. On the other hand, UBE's Coal Center, which provides a stable supply of imported steaming coal to users in

EUP System Block Flow

The Ebara-Ube Process (EUP) system is a state-of-the-art technology that produces synthetic gas from waste plastics and other organic wastes. Using a combination of low- and high-temperature gasifiers, the technology produces synthetic gas composed chiefly of hydrogen and carbon monoxide for use as raw materials in chemical industries.



Japan, reduced facility down time and worked to manage coal storage more efficiently. Dealing increased significantly as a result in a favorable operating environment. UBE also succeeded at procuring coal for internal use at prices below that of other companies despite rising coal prices and freight costs by proactively concluding coal price contracts and long-term freight contracts.

Electricity Business

In the IPP business, improved capacity utilization rates and full operation of facilities installed to use wood biomass fuel mitigated the impact of the rising price of coal used for fuel. Unlike the use of fossil fuels such as coal, which has uniform quality, the use of wood biomass for fuel can pose problems for stable operation. However, UBE has expanded the range of materials it can use for fuel from wood chips to rice husks and coffee lees with the objective of maximizing earnings.

Recycling Business

In the recycling business, UBE recycles biomass fuels used in the electricity business, and operates a plastic waste conversion business in compliance with Japan's Containers and Packaging Recycling Law. In its plastic waste conversion operations, UBE uses the Ebara-Ube Process (EUP) system, a two-stage pressure gasification system developed and commercialized with Ebara Corporation. In May 2007, this chemical recycling technology won the 39th Japan Chemical Industry Association Prize as an excellent technology that promotes the advancement of chemical technology and the chemical industry. EUP is an advanced process in tune with the increasing importance of environmental protection, but requires further improvement as a business. As a result, in March 2008 UBE absorbed the subsidiary that handles the EUP business, EUP Co., Ltd., with the objective of streamlining its operations and making them more efficient.

Fiscal 2008 Initiatives

Coal and freight prices will continue to rise, and UBE must prepare for higher costs. Coal has a high global share among primary energy sources, and supply is stable in terms of geographic location and mineable reserves. Moreover, coal is competitive in terms of unit energy cost, and expansion of nuclear power and new sources of energy will take many years. These and other factors indicate that coal will remain an important source of energy. However, speculation has significantly increased risks in the coal and shipping markets. The UBE Group will collect and analyze information and respond swiftly and accurately in working to avert a sharp increase in its energy costs while steadily increasing earnings in the coal business.

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

Biomass fuel manufacturing facility at IPP power plant

R&D STRATEGY

We will work to innovate basic technologies, support the strengthening and expansion of existing businesses with emphasis on base chemicals, and actively create the seeds for UBE's future.

Basic Strategies of Stage Up 2009

- Capital expenditures over the three years of the plan will be ¥105.0 billion, equivalent to depreciation (excluding the effect of the change in the depreciation standard). We will invest 60 percent of capital expenditures for new or expanded facilities in strategic growth businesses.
- R&D costs over the three-year period will be ¥43.0 billion, of which 60 percent will be invested in strategic growth businesses and developing businesses.
- Corporate research and development will aim to create new next-generation businesses, with a focus on the fields of IT & electronics (optics), energy (environment), pharmaceuticals and base chemicals.

MAKOTO UMETSU Managing Executive Officer

UBE GROUP BUSINESS PORTFOLIO AND TARGET MARKET/TECHNOLOGY DIRECTION

Creating the Environment for More Strategic and Efficient R&D

During fiscal 2007, based on the technology platform specified by Stage Up 2009, we identified four key fields for next-generation businesses: information technology and electronics (optics); energy (environment); pharmaceuticals; and base chemicals. In working toward these goals, to promote even more efficient and effective R&D, we implemented reforms to simplify our organizational structure and focused on cultivating human resources.

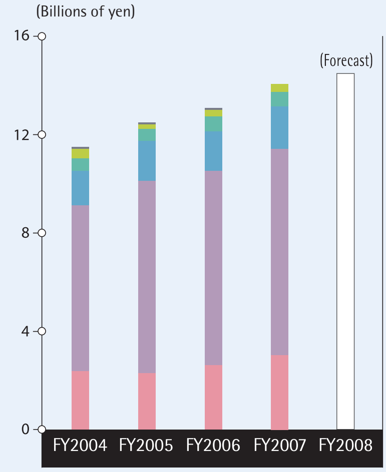
The organizational reforms of April 2007 reorganized research centers according to function throughout the three key areas of UBE's core technologies: organic synthesis, organic materials (polymers) and inorganic materials. In addition, we made the organization flatter and actively promoted younger employees to group leader positions. Researchers have clearer goals and are motivated to link them efficiently to success, and have enthusiastically praised the creation of an environment that allows them to concentrate on R&D activities.

UBE is putting particular emphasis on management of technology (MOT) and coaching in cultivating human resources. In addition, we have strengthened marketing functions because while the mission of researchers is creating as many seeds as possible for next-generation businesses in the four key areas, these seeds are meaningless if they are not eventually commercialized. We are thoroughly implementing MOT based on the technology platform in our leader classes to enable early-stage cooperation with business divisions and other organizations and optimal team building.

In addition, we have placed priority on training overseas and at external research institutions, and are also emphasizing a long-term training program that accepts outstanding researchers from Thailand, where UBE has a significant presence. The creation and commercialization of new seeds depends on our researchers setting themes, but in the absence of new large-scale themes that are worthy of the Nobel Prize, our goal is to create hybrid seeds by synthesizing work from different areas. We believe that the possibilities generated by this "composite" approach have a higher probability of coming to fruition. UBE has technologies in the three areas of organic synthesis, organic materials (polymers) and inorganic materials. This is one of UBE's strengths, as few chemical companies are involved in all three of these areas. Researchers are actively deepening exchanges outside their area of specialization, exploring various worlds outside the Company and interacting with highly motivated trainees. Our aim is to uncover themes from inspired, free thinking.

R&D Costs by Segment

(Billions of yen)

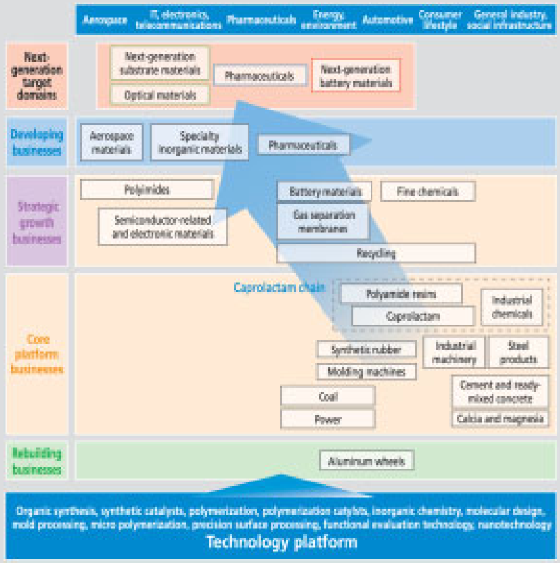


Progress in Next-Generation Businesses in Key Fields

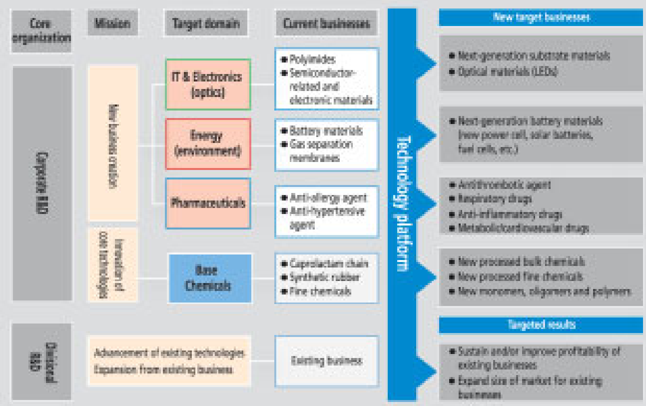
UBE is making steady progress in next-generation businesses in the four key areas specified by Stage Up 2009: information technology and electronics (optics); energy (environment); pharmaceuticals; and base chemicals.

In the field of information technology and electronics (optics), UBE is pursuing new inorganic and organic specialty materials. UBE's goal in inorganic specialty materials is the development of white light-emitting diodes (LEDs). In organic specialty materials, UBE is conducting R&D into organic electroluminescent materials that emit blue light and liquid crystal materials. In energy (environment), UBE is active not only in areas in which it is experienced such as lithium-ion battery materials, but also in next-generation dye-sensitized solar cell materials and high-efficiency thermoelectric conversion materials. In the environment area, UBE is concentrating on developing water purification systems using its original *Aqua Solution*® photocatalytic fiber module. In pharmaceuticals, UBE has completed clinical trials and filed applications in the United States and Europe for Prasugrel (CS-747), an antiplatelet agent, raising the possibility of launches in those markets. A glaucoma treatment has entered Phase II clinical trials, and other promising pharmaceuticals in UBE's development pipeline include an anti-

UBE Group Business Portfolio and Target Market/Technology Direction



R&D Portfolio



rheumatic and a pulmonary disease treatment in the pre-clinical trial phase. In base chemicals, UBE uses technical platforms including catalysis, synthesis and manufacturing technologies and proprietary raw materials in working to develop core new materials. This includes active efforts to develop products such as the already commercialized synthetic marine fragrance *Heliofresh*® using green sustainable chemistry.

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

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

Strongly Promoting Academic-Industrial Collaboration

Aiming for a higher level of research and development, UBE promotes academic-industrial collaboration not only to find research themes and conduct R&D activities that combine industry needs and scientific seeds, but also for R&D human resource development and exchange. In April 2004, we formed a comprehensive collaboration agreement with nearby Yamaguchi University with the specific medium-to-long-term theme of developing technology to control and reduce CO_2. Four years of collaborative development have produced significant results, including valuable new technologies and knowledge for polyamide recycling technology using the green sustainable chemistry that has been a recent focus of society, and for producing biodiesel using UBE products without generating waste glycerin.

UBE also plans to collaborate with overseas universities and research institutions, particularly in Thailand and Spain, which are now key operating bases for the UBE Group, with a view toward cooperating with a wider range of universities and securing future R&D human resources.

Fiscal 2008 Initiatives

In the first year of Stage Up 2009, we started and completed major initiatives, and we expect the results of these initiatives to open the minds of researchers and the blossoms of businesses.

New efforts in fiscal 2008 will include rethinking the role of research staff divisions. Planning and searching for themes and managing and promoting progress are the major responsibilities of staff divisions, and we will expand staff involved in promoting themes in particular and provide support for staff involved in moving themes forward to commercialization. We will also strengthen functions that promote selection and concentration of themes from an objective viewpoint. These initiatives will contribute to the achievement of Stage Up 2009.

Pharmaceuticals on the Market and under Development (As of June 1, 2008)

	Product Name (Development Code)	Indications	Sales	Source	Present Status
Commercially released	*Talion*® antiallergy agent	Allergic rhinitis Skin disorders with pruritus, eczema, etc.	Mitsubishi Tanabe Pharma Corporation	Co-development	2000: Market launch in Japan 2007: Approval of oral disintegrant tablets
	Calblock® antihypertensive agent	Hypertension	Daiichi Sankyo Co., Ltd.	Co-development	2003: Market launch in Japan
Under development	Prasugrel (CS-747) antiplatelet agent	Heart attack, stroke, etc.	Daiichi Sankyo Co., Ltd. Eli Lilly and Company	Co-development with Daiichi Sankyo	USA/Europe: Application filed Japan: Phase II clinical trials
	DE-104	Glaucoma and ocular hypertension	Santen Pharmaceutical Co., Ltd.	Co-development with Santen Pharmaceutical	USA/Japan: Phase II clinical trials
	UR5269	Rheumatoid arthritis	N/A	In-house	Pre-clinical trials
	UR5908	Chronic obstructive pulmonary disease	N/A	In-house	Pre-clinical trials

CORPORATE SOCIAL RESPONSIBILITY

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

CSR AT UBE

The UBE Group engages in various businesses offering products and services that contribute to bettering people's lives. In conducting our business activities, we believe that generating profits is our primary CSR. To do so, gaining the trust and understanding of society is essential. In conducting its business, UBE strives for coexistence with all its stakeholders, building constructive and harmonious relationships with its shareholders, customers, employees, suppliers and the residents of communities near UBE offices and factories, because it is these relationships that sustain the long-term development of the UBE Group.

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

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

During fiscal 2007, the first year of strengthening CSR activities as designated by UBE's medium-term management plan, the UBE Group reviewed the current status of its CSR activities, conducted evaluations and analyses, and worked to ensure correct understanding inside and outside the Group of the state of activities implemented. Moreover, in April 2008, the UBE Group established the Group CSR Committee as one of the Group organizations with the highest decision-making authority, and also inaugurated the CSR Promotion Department to support UBE Group CSR activities. We also clarified CSR roles, positions, responsibilities and tasks, and created a system for determining external evaluation and ensuring thorough knowledge of CSR inside the Group.

STRENGTHENING CORPORATE GOVERNANCE

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

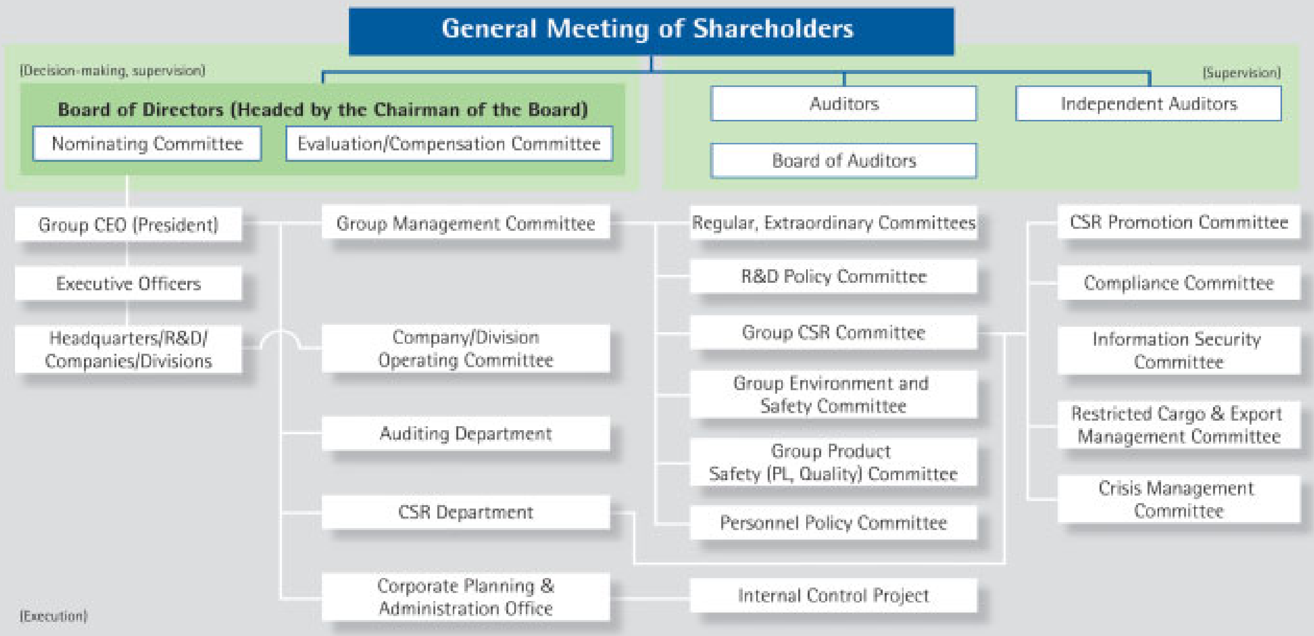
MANAGEMENT AND EXECUTIVE SYSTEMS

In fiscal 2001, UBE adopted an executive officer system with the aim of separating governance and management functions. As of May 31, 2008, the management team consists of eight directors and 23 executive officers, of whom six are also directors. The Board of Directors, as a rule chaired by a director not concurrently serving as an executive officer, makes decisions on important management-related matters, in accordance with laws and regulations, the Company's Articles of Incorporation, and the Board Regulations. It also supervises the activities of directors and executive officers to ensure that all duties are being performed appropriately and efficiently.

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

In fiscal 2005, two outside directors were appointed to the Board of Directors. Their role is to bring a third-party

Corporate Governance Structure



Operation of Group Management and Company Consolidated Management

• Group Management

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

• Company Management and Execution of Business Operations

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

Decision-making System

• BOARD OF DIRECTORS

The Board of Directors deliberates and makes resolutions regarding matters specified by the Company Law, the Company's basic policy and important business execution issues from a medium- to long-term perspective, as the representative of shareholders' concerns for returns. Moreover, the Nominating Committee and the Evaluation/Compensation Committee are made up of some of the members of the Board of Directors, and function as subcommittees, enabling the Board of Directors to operate flexibly.

• GROUP MANAGEMENT COMMITTEE

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

• COMPANY OPERATING COMMITTEE

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

Compensation and Other Remuneration of Directors and Corporate Auditors

Compensation and other remuneration paid to directors and auditors in fiscal 2007 were as follows.

Numbers of Directors: 8	¥349 million
[Numbers of outside directors included in above]: [2]	[¥24 million]
Numbers of Auditors: 4	¥97 million
[Numbers of outside auditors included in above]: [2]	[¥36 million]

Note: Compensation and other remuneration include the following:
1. Accrued bonuses for directors and auditors recorded as expenses during fiscal 2007 .... ¥55 million
2. Stock options for directors .... ¥36 million

Compensation and other remuneration for auditing paid to Ernst & Young ShinNihon, the Company's independent auditors, in fiscal 2007 were as follows.

• Compensation and other remuneration for fiscal 2007	¥70 million
• Total compensation paid by the Company and its consolidated subsidiaries	¥84 million

MANAGEMENT TEAM (As of July 1, 2008)

From left: Koji Kihira, Kazuma Sekiya, Kazuhiko Okada, Masao Uno, Hiroaki Tamura, Akinori Furukawa, Yasuhisa Chiba, Yoshiomi Matsumoto, Michio Takeshita, Michitaka Motoda and Nobuyuki Takahashi

DIRECTORS

President and Representative Director

Hiroaki Tamura

Representative Directors

Yasuhisa Chiba

Kazuhiko Okada

Directors

Akinori Furukawa

Masao Uno

Michio Takeshita

Yoshiomi Matsumoto*

Michitaka Motoda*

AUDITORS

Hiroshi Ikeda

Masaki Kashibe

Kazuo Yamanaka*

Hiroshi Takimoto*

*Outside Director or Auditor

EXECUTIVE OFFICER RESPONSIBILITIES

Chief Executive Officer

Hiroaki Tamura
Group CEO

Vice-President and Executive Officers

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

Kazuhiko Okada
Machinery & Metal Products Company President; Responsible for Group CSR

Senior Managing Executive Officers

Koji Kihira
Specialty Chemicals & Products Company President

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

Akinori Furukawa
Group CCO; General Manager, General Affairs and Human Resources Departments

Kazuma Sekiya
Cement & Construction Materials Company President

Managing Executive Officers

Michio Takeshita
General Manager, Energy & Environment Division; General Manager, Procurement & Logistics Division

Masao Uno
Group CFO; General Manager, Corporate Planning & Administration Office

Katsunori Suzuki
General Manager, Production & Technology Division

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

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

Tetsuo Sueshige
Cement & Construction Materials Company Vice-President

Makoto Umetsu
General Manager, Corporate Research & Development

Executive Officers

Ryuichi Deguchi
Chemicals & Plastics Company Vice-President (Responsible for technology)

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

Takanobu Kubota
Deputy General Manager, Procurement & Logistics Division

Ryoji Sugise
General Manager, Organic Chemistry Research Laboratory, Corporate Research & Development

Tomoki Musumi
Specialty Chemicals & Products Company Vice-President (Responsible for business development)

Hideyuki Sugishita
General Manager, Production Center, Production & Technology Division

Tadashi Matsunami
General Manager, Production & Technology Division, Cement & Construction Materials Company

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

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

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

perspective to decision-making, thereby ensuring transparency and objectivity in management. The Chairman of the Board is an outside director. Although UBE has not switched to a "company with committees" system, to allow greater flexibility in the activities of the Board of Directors, subsidiary committees responsible for director nomination, evaluation and remuneration have been established. The Nomination Committee (seven members) and the Evaluation and Compensation Committee (six members) are both chaired by outside directors.

To realize an agile reassignment of directors and executive officers and instill an orientation toward results in order to raise short-, medium- and long-term performance, the terms of office for directors and executive officers were shortened to one year as of July 2007.

AUDIT SYSTEM

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

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

The corporate auditors regularly exchange information with the Audit Department and request surveys as necessary. Audit Department staff cooperate closely with the corporate auditors during corporate audits, for example, accompanying corporate auditors to assist them with the audit process. The corporate auditors regularly gather information about audit plans and the state of audits in progress from the Company's independent auditors.

Fees in accordance with services described in Paragraph 1, Article 2 of the Certified Public Accountant Law

(1948, Law No. 103)	¥70 million
Fees based on services other than above	¥4 million

DECISION-MAKING SYSTEM

BOARD OF DIRECTORS

The Board of Directors deliberates and makes resolutions regarding matters specified by the Company Law, the Company's basic policy and important business execution issues from a medium-to-long-term perspective, as the representative of shareholders' concerns for returns. Moreover, a number of directors serve on the Nominating Committee and the Evaluation/Compensation Committee, which function as subcommittees enabling the Board of Directors to operate flexibly.

BUILDING AN INTERNAL CONTROL SYSTEM

The system for internal control of reporting in Japan, which was applied in April 2008, requires evaluation by senior management of public companies of the system for internal control of financial reporting and audits by certified public accountants and others. In response, in April 2006 the UBE Group established a project team to construct an internal control system in order to enhance internal controls. Moreover, over the past two years the UBE Group has built a system for evaluating the effectiveness of the system for internal control of financial reporting. Looking forward, the UBE Group will continue to check if the system is being correctly applied to ensure accurate financial reporting

THOROUGH COMPLIANCE

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

Moreover, the UBE Group has designated October of each year as Strengthen Compliance Month, and implements educational activities such as basic compliance training.

RISK MANAGEMENT

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

ENVIRONMENT, SAFETY AND HEALTH-RELATED ACTIVITIES

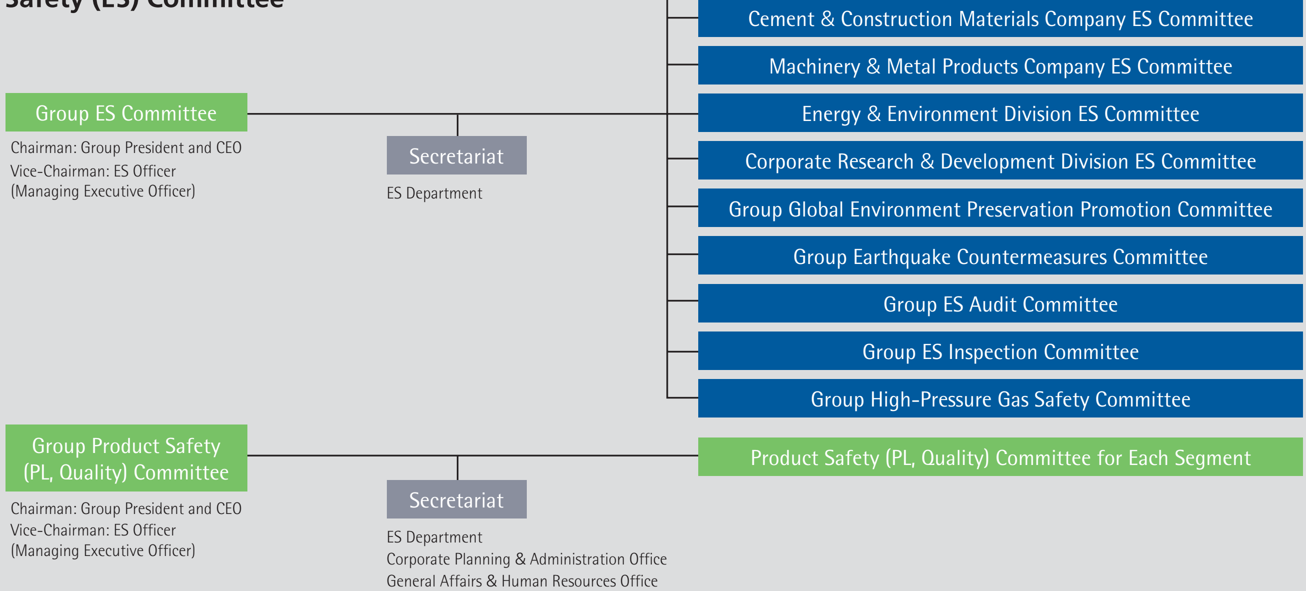
The UBE Group conducts environmental, safety and health-related activities based on Responsible Care programs – voluntary initiatives within the Japanese chemical industry to preserve health, safety and the environment. The Group is aggressively acquiring ISO 14000S and ISO 9000S international certifications for its environmental management systems and quality management systems, respectively. The Group has acquired ISO 14000S certification for 38 sites and ISO 9000 certification for 45 sites. The UBE Group will strive to achieve the following new Stage Up 2009 environmental targets: (1) reduce CO_2 emissions by 12 percent (compared with fiscal 1990 levels) by fiscal 2010 through methods including energy conservation, switching fuels and reusing wastes; (2) reduce emissions of greenhouse gases other than CO_2 by 100,000 tons (CO_2 conversion) by fiscal 2010; and (3) achieve both targets 1 and 2 by fiscal 2009, one year ahead of schedule..

CONTRIBUTION TO SOCIETY

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

For a detailed explanation of the UBE Group’s CSR activities, see the UBE Group CSR Report:
http://www.ube-ind.co.jp/english/eco/csr_report.htm

Organization of Group Environment and Safety (ES) Committee



Consolidated Six-Year Financial Summary

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

	Millions of yen					
	2008	2007	2006	2005	2004	2003
RESULTS OF OPERATIONS:						
Breakdown of net sales by product group:						
Chemicals & Plastics	**¥233,227**	¥210,402	¥175,868	¥164,935	¥149,381	¥150,504
Specialty Chemicals & Products	**93,534**	88,368	89,280	83,066	65,880	57,345
Cement & Construction Materials	**207,017**	207,820	192,408	175,797	173,738	185,640
Machinery & Metal Products	**120,350**	114,206	102,468	109,769	101,693	95,281
Energy & Environment	**46,477**	30,987	31,498	25,443	16,296	19,617
Other Businesses	**3,679**	3,825	3,869	3,698	4,385	5,148
Net sales	**704,284**	655,608	595,391	562,708	511,373	513,535
Cost of sales	**564,876**	527,990	474,997	453,250	411,209	410,982
Selling, general and administrative expenses	**83,508**	80,756	78,225	77,146	78,147	76,154
Operating income	**55,900**	46,862	42,169	32,312	22,017	26,399
Income (loss) before income taxes and minority interests	**40,890**	36,003	26,634	10,785	(9,463)	18,834
Net income (loss)	**24,031**	22,013	16,006	9,223	(13,635)	8,120
FINANCIAL POSITION:						
Assets:						
Total current assets	**297,893**	286,991	268,559	275,421	257,220	275,073
Total property, plant and equipment, net	**360,031**	359,886	357,519	360,787	377,106	398,783
Total investments and other assets	**62,974**	67,994	74,359	70,478	65,172	72,034
Total assets	**720,898**	714,871	700,437	706,686	699,498	745,890
Liabilities and net assets*:						
Total current liabilities	**318,072**	314,833	291,293	320,446	337,954	359,907
Total long-term liabilities	**183,794**	204,842	240,781	260,161	258,594	273,340
Minority interests	**24,988**	22,525	18,600	17,696	17,194	16,482
Total net assets	**219,032**	195,196	168,363	126,079	102,950	112,643
GENERAL:						
Per share data (yen):						
Net income (loss), primary**	**23.88**	21.88	16.83	10.07	(16.07)	9.61
Cash dividends applicable to the period	**5.00**	4.00	3.00	2.00	—	3.00
Net assets	**192.72**	171.49	148.71	115.30	98.77	114.55
Other data:						
Operating margin (%)	**7.9**	7.1	7.1	5.7	4.3	5.1
Return on assets (ROA)*** (%)	**8.2**	7.0	6.4	4.9	3.3	3.5
Shares of common stock issued (thousand)	**1,008,996**	1,008,993	1,008,993	942,993	871,201	845,835
Number of consolidated subsidiaries	**67**	68	66	70	71	83
Number of shareholders with voting rights	**56,834**	63,322	71,626	74,020	79,223	75,080
Number of employees	**11,058**	10,833	10,673	11,074	11,397	10,829

* See pages 32-33 regarding presentation and calculation of assets and equity.

** Effective from the year ended March 31, 2003, Net income (loss), primary, per share is computed based on the net income available for distribution to shareholders and the weighted average number of shares of common stock outstanding during each year.

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

Financial Review

FINANCIAL ANALYSIS

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

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

Stage Up 2009 is positioned as a three-year action plan to realize these targets, and includes the indicators and goals shown below. The UBE Group reached some of these goals in the first year, fiscal 2007, with the help of a favorable external environment, but will work to achieve all of the final-year goals and the fiscal 2011 target indicators ahead of schedule.

SCOPE OF CONSOLIDATION

The UBE Group included 67 consolidated subsidiaries as of March 31, 2008, a decrease of one subsidiary from a year earlier.

The UBE Group added five companies to the scope of consolidation by means such as acquisition of shares of Ozawa Shoji Co., Ltd. and acquisition of additional shares of Kemira-Ube, Ltd. which had been accounted for by the equity method (the company's name was changed to Ube-MC Hydrogen Peroxide Ltd. in January 2008). Six companies, including Shinwa Ready-mixed Concrete Co., Ltd., were removed from the scope of consolidation. However, these additions and removals had no material effect on the consolidated accounts.

OPERATING PERFORMANCE

Overview of Fiscal 2007

In fiscal 2007, turmoil in financial markets against the backdrop of the U.S. subprime mortgage crisis precipitated global financial instability, while fuel and raw material prices continued to rise due to the flow of investment capital into commodity markets and increased resource demand, mainly from newly industrialized countries. However, the global economy remained solid, supported by growth in newly industrialized countries including China. The Japanese economy also maintained firm growth, led by exports and private-sector capital investment, despite the adverse effect of the Revised Building Standards Law beginning in summer.

Under these conditions, the UBE Group focused on improving its financial performance toward achievement of its objectives under the basic strategies of its three-year management plan Stage Up 2009, which began in fiscal 2007.

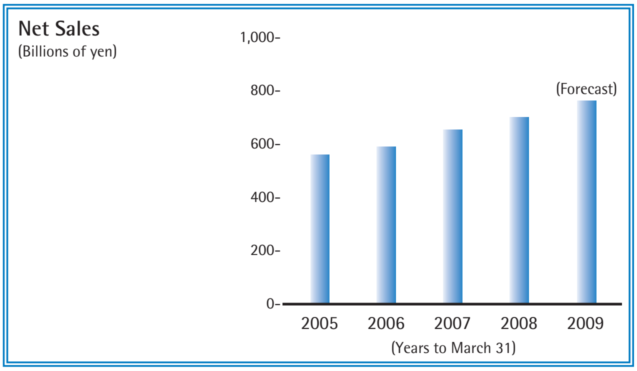
As a result, the UBE Group's net sales increased by ¥48.6 billion compared with the previous fiscal year to ¥704.2 billion, operating income increased by ¥9.0 billion to ¥55.9 billion, and net income increased by ¥2.0 billion to ¥24.0 billion.

OPERATING RESULTS

Net Sales

Net sales increased by 7.4 percent, or ¥48.6 billion, compared with the previous fiscal year to ¥704.2 billion. Sales volume increased, and the UBE Group adjusted prices to reflect increases in the prices of raw materials.

Overseas sales increased by 12.2 percent, or ¥24.1 billion, compared with the previous fiscal year to ¥222.8 billion due to sales growth mainly in Asia, despite a decrease in sales in North America. The ratio of overseas sales to net sales increased by 1.3 percentage points compared with the previous fiscal year to 31.6 percent.



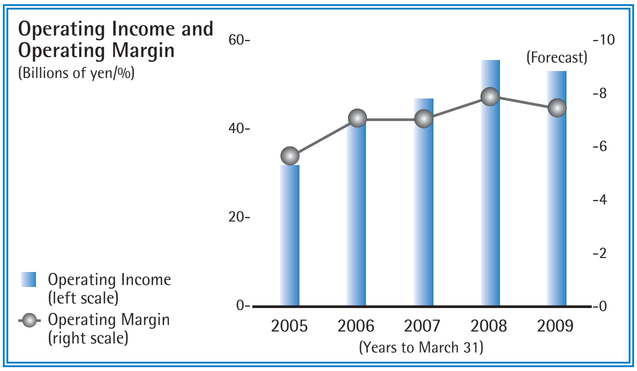
Cost of Sales and Selling, General and Administrative Expenses

Cost of sales increased by 7.0 percent, or ¥36.8 billion, compared with the previous fiscal year to ¥564.8 billion as a result of factors including increased shipments of key products in the Chemicals & Plastics segment, the Energy & Environment segment and the machinery business, as well as higher raw material and fuel prices. The ratio of cost of sales to net sales decreased by 0.3 percentage points to 80.2 percent. Selling, general and administrative (SG&A) expenses increased by 3.4 percent, or ¥2.7 billion, compared with the previous fiscal year to ¥83.5 billion. The ratio of SG&A expenses to net sales decreased by 0.4 percentage points to 11.9 percent.

Research and development costs, all of which are included in SG&A expenses, increased by 4.4 percent, or ¥0.5 billion, compared with the previous fiscal year to ¥13.5 billion. The ratio of research and development costs to net sales decreased by 0.1 percentage point to 1.9 percent.

Operating Income

Operating income increased by 19.3 percent, or ¥9.0 billion, compared with the previous fiscal year to ¥55.9 billion. The operating margin increased by 0.8 percentage points. Operating income decreased in the Cement & Construction Materials segment due to factors including the effects of the Revised Building Standards Law, but increased in the Chemicals & Plastics segment and other segments, resulting in a substantial increase overall. Additional segment information follows below.



Other Income (Expenses)

Net other expenses increased by ¥4.1 billion from the previous fiscal year to ¥15.0 billion. Net interest expense, calculated as interest and dividend income less interest payable, improved by 7.5 percent, or ¥0.4 billion, compared with the previous fiscal year to ¥5.9 billion. Others, net, which is disclosed in greater detail in note 10 to the consolidated financial statements, increased by 60.4 percent, or ¥4.0 billion, to a net expense of ¥10.7 billion. UBE recorded a gain on contribution of investment securities to retirement benefit trust totaling ¥2.3 billion, and a net gain of ¥0.2 billion on the sale of property, plant and equipment. However, the net gain on foreign currency exchange in the previous fiscal year decreased by ¥2.8 billion to a net loss in fiscal 2007, while loss on impairment of fixed assets at the aluminum wheel plant in North America and elsewhere totaled ¥5.9 billion, and loss on disposal of property, plant and equipment was ¥2.1 billion.

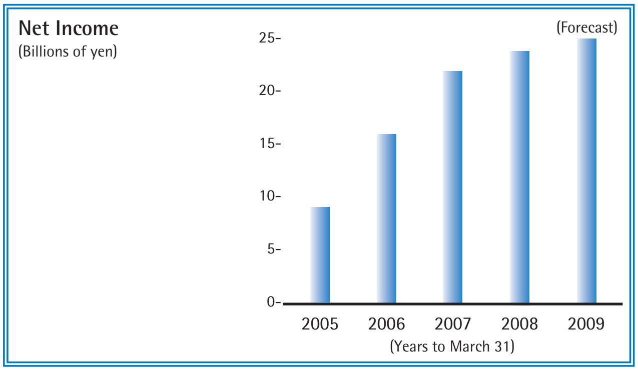
As a result, income before income taxes and minority interests increased by 13.6 percent, or ¥4.8 billion, compared with the previous fiscal year to ¥40.8 billion.

Net Income

Income taxes comprise corporation, enterprise and inhabitants' taxes. Income taxes net of deferrals for the year ended March 31, 2008 totaled ¥15.0 billion, an increase of ¥2.4 billion from the previous fiscal year. After tax effect accounting, the effective tax rate for the year ended March 31, 2008 was 36.9 percent.

As a result, net income increased by 9.2 percent, or ¥2.0 billion, compared with the previous fiscal year to ¥24.0 billion. Net income per share totaled ¥23.88, compared to ¥21.88 for the previous fiscal year.

Return on equity, calculated as net income divided by average equity capital (see pages 33-34), decreased by 0.6 percentage points compared with the previous fiscal year to 13.1 percent. Return on assets, calculated as the sum of operating income, interest and dividend income, and equity in profit or loss of unconsolidated subsidiaries and affiliated companies divided by average total assets, increased by 1.2 percentage points to 8.2 percent.



PERFORMANCE BY SEGMENT

Chemicals & Plastics Segment

(Billions of yen)

Year to March 31	2008	2007	Change (%)
Sales	**233.2**	210.4	10.8
Operating income	**18.6**	13.7	35.0
Assets	**246.1**	232.0	6.1
Depreciation and amortization	**11.2**	9.3	20.5
Capital expenditures	**7.9**	8.7	(9.6)

Shipments of polybutadiene (synthetic rubber), caprolactam and nylon resins remained strong. Shipments of industrial chemicals were generally strong as well. Although this segment was significantly impacted by increasing fuel and raw material prices, robust demand enabled the UBE Group to reflect these increased costs in product prices. In addition, demand for ammonium sulfate, a by-product of caprolactam, contributed to the expansion of profits as selling prices rose amid a sharp increase in demand for use as a fertilizer for bio-ethanol crops.

As a result, consolidated segment sales increased by ¥22.8 billion, compared with the previous fiscal year to ¥233.2 billion. Segment operating income increased by ¥4.8 billion compared with the previous fiscal year to ¥18.6 billion.

Specialty Chemicals & Products Segment

(Billions of yen)

Year to March 31	2008	2007	Change (%)
Sales	**93.5**	88.3	5.8
Operating income	**14.1**	11.5	22.8
Assets	**110.1**	105.1	4.8
Depreciation and amortization	**6.1**	5.8	4.3
Capital expenditures	**9.4**	9.7	(3.6)

Shipments of polyimide products were weak due to the impact of inventory adjustments for flat-screen television panels that have continued since fall 2006. However, shipments of other products including electrolytes and separators for lithium-ion batteries and high-purity chemicals for semiconductors were generally strong, backed by continued expansion of demand in the IT and digital markets. Rapidly growing demand for products such as nitrogen gas separation membranes and alcohol dehydration membranes underpinned a strong increase in shipments of gas separation membranes. Shipments of pharmaceutical active ingredients and intermediates and fine chemicals were also generally strong.

As a result, consolidated segment sales increased by ¥5.1 billion compared with the previous fiscal year to ¥93.5 billion, and segment operating income increased by ¥2.6 billion to ¥14.1 billion.

Cement & Construction Materials Segment

(Billions of yen)

Year to March 31	2008	2007	Change (%)
Sales	**207.0**	207.8	(0.4)
Operating income	**10.8**	12.4	(12.5)
Assets	**209.3**	218.3	(4.1)
Depreciation and amortization	**9.5**	8.4	12.7
Capital expenditures	**6.7**	6.8	(1.1)

Shipments of cement and ready-mixed concrete were sluggish and shipments of building materials were also generally weak, reflecting the impact from the Revised Building Standards Law from summer 2007. Recycling of various types of waste for use as fuel and raw materials expanded steadily, but the increase in coal and other fuel costs had a significant impact. Shipments of calcia and magnesia were strong, centered on use in steelmaking.

As a result, consolidated segment sales decreased by ¥0.8 billion compared with the previous fiscal year to ¥207.0 billion, and segment operating income decreased by ¥1.5 billion to ¥10.8 billion, partly due to the change in the method of depreciation.

Machinery & Metal Products Segment

(Billions of yen)

Year to March 31	2008	2007	Change (%)
Sales	**120.3**	114.2	5.4
Operating income	**6.6**	5.5	20.1
Assets	**86.1**	84.4	2.1
Depreciation and amortization	**4.0**	4.5	(9.9)
Capital expenditures	**5.2**	4.6	13.9

In the machinery business, shipments of industrial machines such as ceramic industry machinery and vertical mills, primarily for the steelmaking industry in Japan and overseas and the cement industry overseas, increased substantially. Shipments of molding machines, mainly for the automobile industry, were also solid. Orders for industrial machinery increased and remained at a high level. Shipments of steel products continued to be strong as demand was robust despite high prices for scrap steel.

In the aluminum wheel business, shipments were strong in Japan. However, in North America, low capacity utilization is unavoidable while the shift to Japanese customers gains momentum. The UBE Group is making sweeping cost reductions in restructuring this business.

As a result, consolidated segment sales increased by ¥6.1 billion compared with the previous fiscal year to ¥120.3 billion, and segment operating income increased by ¥1.1 billion to ¥6.6 billion.

Energy & Environment Segment

(Billions of yen)

Year to March 31	2008	2007	Change (%)
Sales	**46.4**	30.9	50.0
Operating income	**4.6**	2.7	69.6
Assets	**53.0**	51.8	2.4
Depreciation and amortization	**2.7**	2.4	13.9
Capital expenditures	**1.4**	1.7	(20.0)

Tight supply and demand and rising prices for coal led to a trend of accelerated procurement among users, and coal sales volume and the volume of coal storage both increased. Coal dealing volume at UBE's Coal Center (a coal storage facility) set a new record. The UBE Group also increased the operating rate in the independent power producer business and expanded use of wood biomass fuel.

As a result, consolidated segment sales increased by ¥15.4 billion compared with the previous fiscal year to ¥46.4 billion. Segment operating income increased by ¥1.9 billion to ¥4.6 billion.

Other Businesses Segment

Consolidated segment sales totaled ¥3.6 billion and segment operating income was ¥0.8 billion.

FINANCIAL POSITION

Cash Flow

Net cash provided by operating activities increased by ¥4.4 billion compared with the previous fiscal year to ¥58.8 billion. Expenditures increased primarily due to a ¥4.8 billion increase in income tax payment, while revenue increased due to factors including an increase of ¥4.8 billion in income before income taxes and minority interests and a ¥3.1 billion increase in depreciation and amortization.

Net cash used in investing activities increased by ¥1.2 billion compared with the previous fiscal year to ¥28.4 billion. Decreases in expenditures included ¥1.1 billion from a net decrease in loans receivable and a ¥0.9 billion decrease in acquisition of property, plant and equipment. However, net proceeds from sale of investment securities decreased by ¥3.6 billion. Free cash flow, calculated as net cash provided by operating activities less net cash used in investing activities, totaled ¥30.4 billion.

Net cash used in financing activities increased by ¥1.0 billion compared with the previous fiscal year to ¥28.6 billion. Proceeds from long-term borrowings and proceeds from long-term bonds increased by ¥27.1 billion and repayments of long-term bonds decreased by ¥12.6 billion. However, a ¥32.0 billion decrease in cash due to a net decrease in short-term loans payable resulted in the net outflow of cash from financing activities.

As a result, cash and cash equivalents at the end of the year increased by 17.9 percent, or ¥3.8 billion, compared with the previous fiscal year-end to ¥25.0 billion.

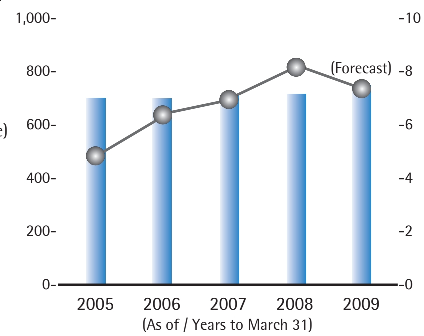
Assets, Liabilities and Net Assets

Total assets increased by 0.8 percent, or ¥6.0 billion, from a year earlier to ¥720.8 billion.

Current assets increased by 3.8 percent, or ¥10.9 billion, from a year earlier to ¥297.8 billion. Factors included an increase of ¥5.4 billion in inventories and an increase of ¥2.3 billion in trade notes and accounts receivable as a result of the increase in net sales, as well as increases in cash and cash equivalents and time deposits totaling ¥3.6 billion. The inventory turnover ratio improved to 6.9 times from 6.6 times for the previous fiscal year. Property, plant and equipment increased by ¥0.1 billion from a year earlier to ¥360.0 billion. Investments and other assets decreased by ¥5.0 billion from a year earlier to ¥62.9 billion.

Total liabilities decreased by 3.4 percent, or ¥17.8 billion, from a year earlier to ¥501.8 billion.

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



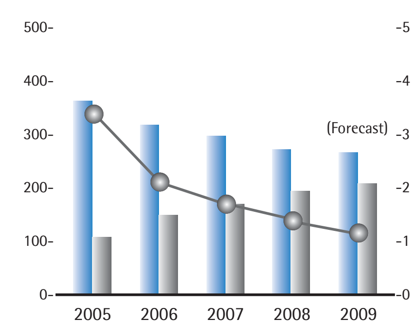
*ROA = (Operating income + Interest and dividend income + Equity in profit of unconsolidated subsidiaries and affiliated companies) / Average total assets

Current liabilities increased by 1.0 percent, or ¥3.2 billion, from a year earlier to ¥318.0 billion. Short-term loans payable decreased by ¥16.8 billion due to repayments, but the current portion of convertible bonds increased by ¥19.9 billion, and trade notes and accounts payable increased by ¥2.7 billion. The current ratio was 93.7 percent, compared to 91.2 percent a year earlier.

Long-term liabilities decreased by 10.3 percent, or ¥21.0 billion, from a year earlier to ¥183.7 billion, due primarily to the transfer of the current portion of long-term debt to current liabilities. Interest-bearing debt, defined as short-term loans payable, the current portion of long-term debt, and long-term debt less current portion, decreased by ¥19.2 billion from a year earlier to ¥300.7 billion.

Net assets at March 31, 2008 increased by 12.2 percent, or ¥23.8 billion from a year earlier to ¥219.0 billion. The increase was primarily the result of an increase in retained earnings totaling ¥19.4 billion, representing the addition to net assets from the increase in net income, and a ¥7.2 billion increase in foreign currency translation adjustments, which primarily represented the positive effect of exchange rates on the assets and liabilities of overseas consolidated subsidiaries. Valuation difference on securities, representing the unrealized difference between the holding cost and fair value of securities, decreased by ¥5.0 billion, and minority interests increased by ¥2.4 billion. The ratio of equity capital to total assets, or the equity ratio,

Net Debt*, Equity Capital & Net Debt/ Equity Ratio
(Billions of yen/times)



*Net debt = Interest-bearing debt - Cash and cash equivalents stood at 26.9 percent, up by 2.8 percentage points from a year earlier. The net debt/equity ratio improved to 1.4 times from 1.7 times a year earlier. Net assets per share increased to ¥192.72 from ¥171.49 a year earlier.

BASIC POLICY FOR DISTRIBUTION OF EARNINGS

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

In fiscal 2007, the UBE Group increased cash dividends by ¥1.00 per share compared with the previous fiscal year to ¥5.00 per share. Under Stage Up 2009, the UBE Group has the target of maintaining the consolidated payout ratio in the range of 20 to 25 percent. Therefore, the UBE Group plans to pay a year-end dividend of ¥5.00 per share for fiscal 2008, and aims to steadily raise dividends in conjunction with improved performance in the future.

FORECAST FOR FISCAL 2008

The UBE Group expects the global economy in fiscal 2008 to maintain its expansion, supported by factors including growth in newly industrialized countries. However, the slowdown in the U.S. economy is likely to have an effect on the global economy, and the Japanese economy is also expected to slow in some sectors due to the impact of the rising yen and falling stock prices. On the other hand, the operating environment is expected to become increasingly challenging with the continuing rise in fuel and raw material prices and the uncertain outlook for exchange rates and other factors. Given these circumstances, for fiscal 2008 the UBE Group assumes an exchange rate of ¥105 to US$1.00, and a domestic naphtha price of ¥67,600/kiloliter.

Based on these assumptions, the UBE Group projects an 8.8 percent increase in net sales to ¥766.0 billion. The UBE Group will continue working to adjust product prices to reflect cost increases due to the rising price of coal and other fuels and raw materials for chemical products, plastics and other products. The UBE Group also forecasts growth in shipments of polyimide film, gas separation membranes and other specialty chemicals and products. Operating income is forecast to decrease by 5.2 percent to ¥53.0 billion. The UBE Group projects increased profits in the Specialty Chemicals & Products segment, mainly due to higher sales volume. However, this will not fully offset the decline in profits caused by the lag in adjusting product selling prices to reflect rising fuel and raw material costs and changes to the tax code that will increase depreciation expenses and other fixed costs. Net income is projected to increase by 4.0 percent to ¥25.0 billion due to a forecast decrease in non-operating expenses.

Business and Other Risks

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

Statements below concerning the future represent the judgment of the UBE Group as of May 31, 2008. Business and other risks not covered here may arise.

1. Fluctuations in the Raw Material and Fuel Markets

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

2. Earnings in the Specialty Products Business

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

3. Earnings in the Pharmaceutical Bulk Ingredients and Intermediates Business

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

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

4. Domestic Cement Demand

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

5. Earnings in the Aluminum Wheel Business

The aluminum wheel business of the Machinery & Metal products segment comprises production and sales of aluminum wheels for automobiles. In addition to production and sales in Japan, the UBE Group conducts production in Canada and sales in North America. In Japan and North America, UBE works to increase orders and reduce selling prices of large-diameter, light, high-quality design products that capitalize on the advantages of the Group's proprietary squeeze process, in response to changes in the operating environment including intensified competition due to emergence of inexpensive products from China and other countries. However, productivity that is significantly lower than forecast in difficult areas including large-diameter, light, high-quality design and small-lot production, and/or continuing decreases in selling prices due to intensifying competition may exert a material impact on the performance and financial position of the UBE Group.

6. Exchange Rate Fluctuations

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

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

7. Fluctuations in Financial Markets

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

8. Overseas Business Activities

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

9. Intellectual Property/Product Liability

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

10. Industrial Accidents

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

11. Lawsuits

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

12. Asbestos

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

13. Impairment of Fixed Assets

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

14. Marketable Securities

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

15. Retirement Benefit Liabilities

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

16. Deferred Tax Assets

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

17. Medium-Term Management Plan

With the completion of "New 21•UBE Plan II," a medium-term management plan for the three-year period beginning with fiscal 2004, the UBE Group has formulated "Stage Up 2009," a medium-term management plan for the three-year period beginning with fiscal 2007. Under the basic policies of establishing a platform for profitability that ensures sustainable growth, sustained improvement of financial position and strengthening of CSR activities, the plan sets a net debt/equity ratio (see pages 33-34) of under 1.3 times, an equity ratio (see pages 33-34) of 30 percent or more, an operating margin and return on assets (ROA) (see pages 33-34) of 7.5 percent of more each, and return on equity (ROE) (see pages 33-34) of 12 percent or more as its management indicator targets for fiscal 2009, the final year of the plan.

The UBE Group will continue to work to achieve the aforesaid basic policies and targets. However, unexpected changes in the business environment or the materialization of any of the risks covered in items 1 through 16 above may exert a material impact on the performance and financial position of the Group. In addition, there is also the possibility that the UBE Group will be unable to carry out the medium-term management plan on schedule or meet its target management indicators.

Consolidated Balance Sheets

Ube Industries, Ltd. and Consolidated Subsidiaries
March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 25,082	¥ 21,278	$ 250,820
Time deposits	256	416	2,560
Securities (Note 4)	10	5	100
Receivables (Notes 6, 8 and 20):			
Trade notes and accounts	163,967	161,581	1,639,670
Others	13,291	14,414	132,910
Allowance for doubtful accounts	(609)	(1,653)	(6,090)
Inventories (Note 5)	84,677	79,185	846,770
Deferred tax assets (Note 14)	6,514	6,827	65,140
Other current assets	4,705	4,938	47,050
Total current assets	297,893	286,991	2,978,930
Property, plant and equipment (Notes 8 and 13)**:**			
Land	82,747	82,714	827,470
Buildings and structures	251,637	244,224	2,516,370
Machinery and equipment	664,439	632,344	6,644,390
Construction in progress	6,513	7,339	65,130
Accumulated depreciation	(645,305)	(606,735)	(6,453,050)
Total property, plant and equipment, net	360,031	359,886	3,600,310
Investments and other assets:			
Investment securities (Notes 4 and 8)	34,116	43,293	341,160
Long-term loans receivable	945	2,158	9,450
Long-term deferred tax assets (Note 14)	6,692	6,752	66,920
Other non-current assets	23,605	19,517	236,050
Allowance for doubtful accounts	(2,384)	(3,726)	(23,840)
Total investments and other assets	62,974	67,994	629,740
Total assets	¥ 720,898	¥ 714,871	$ 7,208,980

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans payable (Notes 7 and 8)	¥ 79,165	¥ 95,776	$ 791,650
Current portion of long-term debt (Notes 7 and 8)	68,810	50,632	688,100
Payables (Note 6):			
Trade notes and accounts	107,130	104,351	1,071,300
Others	30,977	30,390	309,770
Accrued employees' bonuses	7,482	7,042	74,820
Accrued income taxes	6,051	8,263	60,510
Other current liabilities	18,457	18,379	184,570
Total current liabilities	318,072	314,833	3,180,720
Long-term liabilities:			
Long-term debt less current portion (Notes 7 and 8)	152,791	173,608	1,527,910
Accrued retirement benefits (Note 18)	7,209	7,486	72,090
Long-term deferred tax liabilities (Note 14)	1,470	1,373	14,700
Other long-term liabilities	22,324	22,375	223,240
Total long-term liabilities	183,794	204,842	1,837,940
Contingent liabilities (Note 9)			
Net assets (Note 10)**:**			
Capital stock, without par value:			
Authorized — 3,300,000,000 shares			
Issued — 1,008,996,332 shares at March 31, 2008 and 1,008,993,923 shares at March 31, 2007	58,400	58,399	584,000
Capital surplus	28,387	28,362	283,870
Retained earnings	91,133	71,676	911,330
Treasury stock			
3,051,637 shares at March 31, 2008 and 2,543,186 shares at March 31, 2007	(570)	(375)	(5,700)
Valuation difference on securities	2,640	7,724	26,400
Deferred hedge loss, net	(254)	(97)	(2,540)
Revaluation surplus on assets	329	332	3,290
Foreign currency translation adjustments	13,800	6,572	138,000
Share subscription rights (Note 19)	179	78	1,790
Minority interests	24,988	22,525	249,880
Total net assets	219,032	195,196	2,190,320
Total liabilities and net assets	¥720,898	¥714,871	$7,208,980

Consolidated Statements of Income

Ube Industries, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	**2008**
Net sales (Note 20)	**¥704,284**	¥655,608	**$7,042,840**
Cost of sales	**564,876**	527,990	**5,648,760**
Gross profit	**139,408**	127,618	**1,394,080**
Selling, general and administrative expenses (Notes 11 and 19)	**83,508**	80,756	**835,080**
Operating income	**55,900**	46,862	**559,000**
Other income (expenses):			
Interest and dividend income	**1,403**	1,080	**14,030**
Amortization of negative goodwill	**392**	400	**3,920**
Interest payable	**(7,371)**	(7,530)	**(73,710)**
Equity in earnings of unconsolidated subsidiaries and affiliated companies	**1,314**	1,888	**13,140**
Others, net (Note 12)	**(10,748)**	(6,697)	**(107,480)**
	(15,010)	(10,859)	**(150,100)**
Income before income taxes and minority interests	**40,890**	36,003	**408,900**
Income taxes (Note 14)**:**			
Current	**11,071**	12,189	**110,710**
Deferred	**4,004**	407	**40,040**
	15,075	12,596	**150,750**
Minority interests	**(1,784)**	(1,394)	**(17,840)**
Net income	**¥ 24,031**	¥ 22,013	**$ 240,310**

	Yen		U.S. dollars (Note 1)
	2008	2007	**2008**
Per share:			
Net income:			
Primary	**¥ 23.88**	¥ 21.88	**$ 0.239**
Diluted	**22.95**	21.04	**0.230**
Cash dividends applicable to the period	**5.00**	4.00	**0.050**

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Ube Industries, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2008 and 2007

		Millions of yen									
	Number of shares issued (thousands)	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on securities	Deferred hedge gain (loss), net	Revaluation surplus on assets	Foreign currency translation adjustments	Share subscription rights	Minority interests
Balance at March 31, 2006	1,008,993	¥58,399	¥28,294	¥52,708	¥(326)	¥11,588	¥ —	¥365	¥ (1,265)	¥ —	¥18,600
Acquisition of treasury stock	—	—	—	—	(94)	—	—	—	—	—	—
Disposal of treasury stock	—	—	68	—	45	—	—	—	—	—	—
Increase due to merger of unconsolidated subsidiaries	—	—	—	16	—	—	—	—	—	—	—
Transfer from revaluation surplus on assets	—	—	—	39	—	—	—	—	—	—	—
Cash dividends at ¥3.00 per share	—	—	—	(3,026)	—	—	—	—	—	—	—
Bonuses to directors and statutory auditors	—	—	—	(74)	—	—	—	—	—	—	—
Net income for the year	—	—	—	22,013	—	—	—	—	—	—	—
Net other changes during the year	—	—	—	—	—	(3,864)	(97)	(33)	7,837	78	3,925
Balance at March 31, 2007	1,008,993	¥58,399	¥28,362	¥71,676	¥(375)	¥ 7,724	¥ (97)	¥332	¥ 6,572	¥ 78	¥22,525
Acquisition of treasury stock	—	—	—	—	(222)	—	—	—	—	—	—
Disposal of treasury stock	—	—	25	—	31	—	—	—	—	—	—
Increase in treasury stock due to changes in shareholding ratio of consolidated subsidiaries	—	—	—	—	(4)	—	—	—	—	—	—
Shares issued for conversion of convertible bonds	2	1	—	—	—	—	—	—	—	—	—
Transfer from revaluation surplus on assets	—	—	—	45	—	—	—	—	—	—	—
Decrease in earnings due to exclusion of affiliated companies of equity method	—	—	—	(585)	—	—	—	—	—	—	—
Cash dividends at ¥4.00 per share	—	—	—	(4,034)	—	—	—	—	—	—	—
Net income for the year	—	—	—	24,031	—	—	—	—	—	—	—
Net other changes during the year	—	—	—	—	—	(5,084)	(157)	(3)	7,228	101	2,463
Balance at March 31, 2008	1,008,996	¥58,400	¥28,387	¥91,133	¥(570)	¥ 2,640	¥(254)	¥329	¥13,800	¥179	¥24,988

	Thousands of U.S. dollars (Note 1)									
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on securities	Deferred hedge gain (loss), net	Revaluation surplus on assets	Foreign currency translation adjustments	Share subscription rights	Minority interests
Balance at March 31, 2007	$583,990	$283,620	$716,760	$(3,750)	$ 77,240	$ (970)	$3,320	$ 65,720	$ 780	$225,250
Acquisition of treasury stock	—	—	—	(2,220)	—	—	—	—	—	—
Disposal of treasury stock	—	250	—	310	—	—	—	—	—	—
Increase in treasury stock due to changes in shareholding ratio of consolidated subsidiaries	—	—	—	(40)	—	—	—	—	—	—
Shares issued for conversion of convertible bonds	10	—	—	—	—	—	—	—	—	—
Transfer from revaluation surplus on assets	—	—	450	—	—	—	—	—	—	—
Decrease in earnings due to exclusion of affiliated companies of equity method	—	—	(5,850)	—	—	—	—	—	—	—
Cash dividends at ¥4.00 per share	—	—	(40,340)	—	—	—	—	—	—	—
Net income for the year	—	—	240,310	—	—	—	—	—	—	—
Net other changes during the year	—	—	—	—	(50,840)	(1,570)	(30)	72,280	1,010	24,630
Balance at March 31, 2008	$584,000	$283,870	$911,330	$(5,700)	$ 26,400	$(2,540)	$3,290	$138,000	$1,790	$249,880

See accompanying notes.

Consolidated Statements of Cash Flows

Ube Industries, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 40,890	¥ 36,003	$ 408,900
Depreciation and amortization	34,126	30,980	341,260
Loss on impairment of fixed assets	5,941	5,741	59,410
Interest and dividend income	(1,403)	(1,080)	(14,030)
Interest payable	7,371	7,530	73,710
Gain on sale of property, plant and equipment, net	(230)	(355)	(2,300)
Loss (gain) on sale of investment securities, net	(41)	737	(410)
Decrease (increase) in receivables	1,062	(11,190)	10,620
Decrease (increase) in inventories	(3,094)	1,070	(30,940)
Increase (decrease) in payables	(913)	3,707	(9,130)
Loss on business restructuring	184	125	1,840
Gain on contribution of investment securities to retirement benefit trust	(2,378)	(2,942)	(23,780)
Others, net	(4,653)	(1,439)	(46,530)
Subtotal	76,862	68,887	768,620
Interest and dividend received	1,522	1,300	15,220
Interest payment	(7,305)	(7,906)	(73,050)
Income tax payment	(12,750)	(7,941)	(127,500)
Others, net	485	45	4,850
Net cash provided by operating activities	58,814	54,385	588,140
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	1,793	1,138	17,930
Acquisition of property, plant and equipment	(30,990)	(31,944)	(309,900)
Proceeds from sale of investment securities	1,261	4,909	12,610
Acquisition of investment securities	(516)	(290)	(5,160)
Proceeds from acquisition of subsidiaries' shares resulting in change in consolidation scope	880	—	8,800
Net increase in loans receivable	(113)	(1,097)	(1,130)
Others, net	(727)	142	(7,270)
Net cash used in investing activities	(28,412)	(27,142)	(284,120)
Cash flows from financing activities:			
Proceeds from long-term borrowings	32,625	20,679	326,250
Proceeds from long-term bonds	15,417	198	154,170
Repayments of long-term borrowings	(50,960)	(43,671)	(509,600)
Repayments of long-term bonds	(1,850)	(14,460)	(18,500)
Net increase (decrease) in short-term loans payable	(19,285)	12,808	(192,850)
Cash dividend paid	(4,019)	(3,024)	(40,190)
Cash dividend paid to minority shareholders	(442)	(325)	(4,420)
Others, net	(135)	203	(1,350)
Net cash used in financing activities	(28,649)	(27,592)	(286,490)
Effect of exchange rate changes on cash and cash equivalents	1,766	673	17,660
Net increase in cash and cash equivalents	3,519	324	35,190
Increase in cash and cash equivalents due to merger of unconsolidated subsidiaries	–	26	–
Adjustment due to change in consolidation scope	285	851	2,850
Cash and cash equivalents at beginning of the year	21,278	20,077	212,780
Cash and cash equivalents at end of the year	¥ 25,082	¥ 21,278	$ 250,820

See accompanying notes.

Notes to Consolidated Financial Statements

Ube Industries, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2008 and 2007

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

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

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

(b) The accompanying financial statements are expressed in Japanese yen and, solely for the convenience of the reader, have been translated into U.S. dollars at ¥100=US$1, the approximate rate of exchange on March 31, 2008. The translation should not be construed as a representation that Japanese yen have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

2. SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying consolidated financial statements include the accounts of the Company and significant companies controlled directly or indirectly by the Company (67 and 68 companies for the years ended March 31, 2008 and 2007, respectively). Significant companies over which the Company exercises significant influence in terms of their operating and financial policies are included in the consolidated financial statements by the equity method (28 and 32 companies for the years ended March 31, 2008 and 2007, respectively). All significant intercompany balances and transactions are eliminated in consolidation.

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

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

The difference between acquisition cost and the underlying net assets at fair value at the date of acquisition is amortized over a period of 20 years on a straight-line basis. The negative goodwill in the amounts of ¥5,855 million (US$58,550 thousand) and ¥5,929 million is included in "Other long-term liabilities" on the consolidated balance sheet at March 31, 2008 and 2007, respectively.

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

(b) Accounting for income taxes

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

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

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

(c) Securities

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

(d) Derivatives and hedge accounting

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

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

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

Additional information on derivatives is presented in Note 15.

(e) Allowance for doubtful accounts

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

(f) Inventories

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

(g) Property, plant and equipment

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

(h) Intangible assets

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

(i) Leases

Finance leases other than those that are deemed to transfer the ownership of the leased assets to the lessees are accounted for in the same manner as operating leases.

(j) Research and development costs

Research and development costs are charged to income when incurred.

(k) Accrued retirement benefits

Accrued retirement benefits for employees are provided principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date. Net retirement benefit obligation at transition of ¥31,241 million (US$312,410 thousand) is being amortized principally over 13 years.

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

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

(l) Net income per share

Primary net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during each year (1,006,271 thousand shares and 1,006,289 thousand shares for the years ended March 31, 2008 and 2007, respectively). Diluted net income per share is computed based on the net income available for distribution to the shareholders and the weighted average number of shares of common stock outstanding during each year assuming full conversion of convertible bonds (47,968 thousand shares and 47,971 thousand shares for the years ended March 31, 2008 and 2007, respectively) and full exercise of share subscription rights (505 thousand shares and 28 thousand shares for the years ended March 31, 2008 and 2007, respectively).

(m) Accrued employees’ bonuses

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

(n) Accrued directors’ and statutory auditors’ bonuses

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

Accrued directors’ and statutory auditors’ bonuses in the amounts of ¥108 million (US$1,080 thousand) and ¥107 million are included in “Other current liabilities” on the consolidated balance sheet at March 31, 2008 and 2007, respectively.

(o) Cash and cash equivalents

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

(p) Accrual for losses on contracts

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

These accruals for losses on contracts in the amounts of ¥1,094 million (US$10,940 thousand) and ¥1,473 million are included in “Other current liabilities” on the consolidated balance sheets at March 31, 2008 and 2007, respectively.

(q) Directors' and statutory auditors' retirement benefits

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

¥1,070 million (US$10,700 thousand) and ¥1,020 million of the retirement allowances are included in "Other long-term liabilities" on the consolidated balance sheets at March 31, 2008 and 2007, respectively.

3. ACCOUNTING CHANGES

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

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

As a result, operating income, and income before income taxes and minority interests for the year ended March 31, 2008 both decreased by ¥333 million (US$3,330 thousand) from the corresponding amounts which would have been reported under the previous method.

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

As a result, operating income, and income before income taxes and minority interests decreased by ¥2,896 million (US$28,960 thousand) and ¥2,932 million (US$29,320 thousand), respectively, for the year ended March 31, 2008 from the corresponding amounts which would have been reported under the previous method.

The effect of these changes on segment information is explained in Note 16.

(b) Accounting standard for directors' bonuses

The Company and its consolidated subsidiaries have adopted the new accounting standard for directors' bonuses effective the year ended March 31, 2007.

The new standard requires that directors' and statutory auditors' bonuses are accounted for as an expense in the year incurred.

This adoption decreased operating income and income before income taxes and minority interests by ¥107 million for the year ended March 31, 2007.

(c) Accounting standard for stock options

The Company and its consolidated subsidiaries have adopted the new accounting standard for stock options and the related implementation guidance effective the year ended March 31, 2007.

Under the new standard, stock options granted are measured by their fair value and are accounted for as an expense.

This adoption decreased operating income and income before income taxes and minority interests by ¥78 million for the year ended March 31, 2007.

4. SECURITIES

Securities and investment securities at March 31, 2008 and 2007 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Securities:			
Bonds and others	**¥ 10**	¥ 5	**$ 100**
Investment securities:			
Unconsolidated subsidiaries and affiliated companies	**18,852**	19,777	**188,520**
Others	**15,264**	23,516	**152,640**
	¥34,116	¥43,293	**$341,160**

Marketable securities classified as other securities at March 31, 2008 and 2007 are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2008			2007			2008		
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:									
Stock	¥3,140	¥7,754	¥4,614	¥3,379	¥16,422	¥13,043	$31,400	$77,540	$46,140
Others	10	10	0	40	42	2	100	100	0
Subtotal	3,150	7,764	4,614	3,419	16,464	13,045	31,500	77,640	46,140
Securities whose acquisition cost exceeds their carrying value:									
Stock	513	404	(109)	534	448	(86)	5,130	4,040	(1,090)
Debt securities	71	71	(0)	71	71	0	710	710	(0)
Others	213	171	(42)	173	149	(24)	2,130	1,710	(420)
Subtotal	797	646	(151)	778	668	(110)	7,970	6,460	(1,510)
Total	¥3,947	¥8,410	¥4,463	¥4,197	¥17,132	¥12,935	$39,470	$84,100	$44,630

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

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

Sales amounts of securities classified as other securities and the related aggregate gain and loss for the years ended March 31, 2008 and 2007 are summarized as follows:

Millions of yen						Thousands of U.S. dollars		
2008			2007			2008		
Sales amount	Aggregate gain	Aggregate loss	Sales amount	Aggregate gain	Aggregate loss	Sales amount	Aggregate gain	Aggregate loss
¥34	¥6	—	¥930	¥283	¥(172)	$340	$60	—

Other securities without market value at March 31, 2008 and 2007 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Other securities:			
Non-listed equity securities	¥6,557	¥6,082	$65,570
Others	307	307	3,070
	¥6,864	¥6,389	$68,640

5. INVENTORIES

Inventories at March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Finished goods	¥35,850	¥34,671	$358,500
Work in process	23,135	22,507	231,350
Raw materials and supplies	25,692	22,007	256,920
	¥84,677	¥79,185	$846,770

6. NOTES PAYABLE AND RECEIVABLE

Trade notes receivable of ¥3,348 million and trade notes payable of ¥3,002 million whose maturity date fell on March 31, 2007, a non-working day for financial institutions in Japan, have been accounted as if they had been settled on their maturity date.

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

Short-term loans payable represent bank loans, with average interest rates of 1.46% and 1.96% per annum at March 31, 2008 and 2007, respectively.

Long-term debt at March 31, 2008 and 2007 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
1.10% unsecured bonds due 2007	¥ —	¥ 1,000	$ —
0.75% unsecured bonds due 2007	—	150	—
0.69% unsecured bonds due 2008	—	100	—
0.32% unsecured bonds due 2008	110	330	1,100
1.24% unsecured bonds due 2008	100	300	1,000
0.78% unsecured bonds due 2010	100	140	1,000
1.36% unsecured bonds due 2010	400	500	4,000
1.49% unsecured bonds due 2010	500	—	5,000
1.32% unsecured bonds due 2011	160	200	1,600
1.67% unsecured bonds due 2012	15,000	—	150,000
1.40% convertible bonds due 2008, convertible at ¥415.00 per share	19,907	19,908	199,070
Elimination of intercompany transactions	(10)	(10)	(100)
Loans principally from banks and insurance companies:			
Secured, at 0.81% to 7.06%, maturing through 2020	—	62,099	—
Secured, at 0.95% to 7.03%, maturing through 2020	52,321	—	523,210
Unsecured, at 0.00% to 5.39%, maturing through 2027	—	139,523	—
Unsecured, at 0.00% to 6.80%, maturing through 2024	133,013	—	1,330,130
	221,601	224,240	2,216,010
Less current portion	68,810	50,632	688,100
	¥152,791	¥173,608	$1,527,910

The annual maturities of long-term debt subsequent to March 31, 2008 are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2009	¥ 68,820	$ 688,200
2010	41,054	410,540
2011	32,608	326,080
2012	24,234	242,340
2013 and thereafter	54,895	548,950
Elimination of intercompany transactions	(10)	(100)
	¥221,601	$2,216,010

The Company has entered into loan commitment agreements amounting to ¥20,000 million (US$200,000 thousand) with seven banks. Loan payable outstanding at March 31, 2008 under these loan commitment agreements amounted to ¥2,000 million (US$20,000 thousand).

8. PLEDGED ASSETS

The assets pledged as collateral for short-term and long-term borrowings, guarantees and borrowings of affiliated companies at March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Assets pledged as collateral:			
Trade notes receivable	¥ 1,600	¥ 1,500	$ 16,000
Trade accounts receivable	—	451	—
Property, plant and equipment, at net book value	183,163	198,177	1,831,630
Investment securities	3,141	4,507	31,410
	¥187,904	¥204,635	$1,879,040

9. CONTINGENT LIABILITIES

At March 31, 2008 and 2007, the Company and its consolidated subsidiaries are contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
As endorser of trade notes discounted or endorsed	**¥2,946**	¥2,666	**$29,460**
As guarantor of employees' housing loans	**1,698**	2,051	**16,980**
As guarantor of indebtedness principally of unconsolidated subsidiaries and affiliated companies	**3,085**	4,450	**30,850**

The guaranteed amount includes similar commitments of ¥2,198 million (US$21,980 thousand) and ¥3,271 million at March 31, 2008 and 2007, respectively.

10. NET ASSETS

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

At the general shareholders' meeting of the Company held on June 27, 2008, the distribution of retained earnings for the year ended March 31, 2008 were approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥5.00 per share)	¥5,039	$50,390

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs, all of which are included in "Selling, general and administrative expenses" for the years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Research and development costs	**¥13,598**	¥13,020	**$135,980**

12. OTHER INCOME (EXPENSES)

"Other income (expenses) — Others, net" for the years ended March 31, 2008 and 2007 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Gain (loss) on sale of investment securities, net	¥ 28	¥ (784)	$ 280
Gain on sale of property, plant and equipment, net	230	355	2,300
Loss on disposal of property, plant and equipment	(2,636)	(3,156)	(26,360)
Loss on impairment of fixed assets (Note 13)	(5,941)	(5,741)	(59,410)
Write-down of investment securities	(220)	(714)	(2,200)
Provision of allowance for doubtful accounts	(279)	(208)	(2,790)
Loss on business restructuring	(184)	(125)	(1,840)
Gain on contribution of investment securities to retirement benefit trust	2,378	2,942	23,780
Write-down of inventories	—	(2,027)	—
Gain (loss) on foreign currency exchange, net	(86)	2,897	(860)
Others, net	(4,038)	(136)	(40,380)
	¥(10,748)	¥(6,697)	$(107,480)

13. LOSS ON IMPAIRMENT OF FIXED ASSETS

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

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

	Millions of yen	Thousands of U.S. dollars
	2008	2008
Idle property:		
Land	¥(1,112)	$(11,120)
Machinery	(137)	(1,370)
Others	(10)	(100)
Business assets in use:		
Construction materials manufacturing plant (UBE Board Co., Ltd.)	(1,957)	(19,570)
Aluminum automobile wheels manufacturing plant (UBE Automotive North America Sarnia Plant, Inc.)	(2,725)	(27,250)
	¥(5,941)	$(59,410)

(a) Idle property

Among idle property which the Company and its consolidated subsidiaries own, there were certain assets whose book values exceeded their recoverable amounts. Such excesses of ¥1,259 million (US$12,590 thousand) were reduced to their recoverable amounts and were recognized as impairment loss for the year ended March 31, 2008. The components of impairment loss were "Land" in the amount of ¥1,112 million (US$11,120 thousand), "Machinery" in the amount of ¥137 million (US$1,370 thousand) and "Others" in the amount of ¥10 million (US$100 thousand).

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

(b) Business assets in use

As for "Construction materials manufactured by UBE Board Co., Ltd.," the book value of the construction materials manufacturing plant was reduced to its recoverable amount due to sluggish business results. This reduced amount of ¥1,957 million (US$19,570 thousand) was recognized as impairment loss. The components of impairment loss were "Buildings" in the amount of ¥855 million (US$ 8,550 thousand) and "Machinery" in the amount of ¥1,102 million (US$11,020 thousand).

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

As for "Aluminum wheels manufactured by UBE Automotive North America Sarnia Plant, Inc.," the book value of the aluminum automobile wheels manufacturing plant was reduced to its recoverable amount due to worsening of profitability resulting from the strong Canadian dollar against the U.S. dollar. This reduced amount of ¥2,725 million (US$27,250 thousand) was recognized as impairment loss. The components of impairment loss were "Machinery" in the amount of ¥2,624 million (US$26,240 thousand) and "Others" in the amount of ¥101 million (US$1,010 thousand).

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

Loss on impairment of fixed assets for the year ended March 31, 2007 consists of the following:

	Millions of yen
	2007
Idle property:	
Land	¥ (250)
Machinery	(83)
Business assets in use:	
Aluminum die castings manufacturing plant (UBE Machinery Corporation, Ltd.)	(177)
Ready-mixed concrete manufacturing plant (Ichinoseki Remicon Co., Ltd.)	(41)
Aluminum automobile wheels manufacturing plant (UBE Automotive North America Sarnia Plant, Inc.)	(5,190)
	¥ (5,741)

(a) Idle property

Among idle property which the Company and its consolidated subsidiaries own, there were certain assets whose book values exceeded their recoverable amounts. Such excesses of ¥333 million were reduced to their recoverable amounts and were recognized as impairment loss for the year ended March 31, 2007. The components of impairment loss were "Land (13 places)" in the amount of ¥250 million and "Machinery (1unit)" in the amount of ¥83 million.

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

(b) Business assets in use

As for "Aluminum die castings manufactured by UBE Machinery Corporation, Ltd.," the book value of the aluminum die castings manufacturing plant was reduced to its recoverable amount due to sluggish business results related to worsening of profitability. This reduced amount of ¥177 million was recognized as impairment loss. The components of impairment loss were "Machinery" in the amount of ¥164 million and "Others" in the amount of ¥13 million.

The recoverable amount of the asset group is measured by net selling price, and selling prices are based on expected prices as scrap.

As for "Ready-mixed concrete manufactured by Ichinoseki Remicon Co., Ltd.," the book value of the ready-mixed concrete manufacturing plant was reduced to its recoverable amount due to sluggishness of the market. This reduced amount of ¥41 million was recognized as impairment loss. The components of impairment loss were "Structures" in the amount of ¥16 million, "Machinery" in the amount of ¥17 million and "Others" in the amount of ¥8 million.

The recoverable amount of the asset group is measured by net selling price, and selling prices are based on expected prices as scrap.

As for "Aluminum wheels manufactured by UBE Automotive North America Sarnia Plant, Inc.," the book value of the aluminum automobile wheels manufacturing plant was reduced to its recoverable amount due to sluggish business results related to keener competition in the market. This reduced amount of ¥5,190 million was recognized as impairment loss. The components of impairment loss were "Buildings" in the amount of ¥1,053 million, "Machinery" in the amount of ¥3,585 million and "Others" in the amount of ¥552 million.

The recoverable amount of the asset group is measured by value in use based on estimated future cash flows discounted at 4.15%.

14. INCOME TAXES

Income taxes applicable to the Company comprise corporation, enterprise and inhabitants' taxes which, in the aggregate, result in a statutory tax rate of approximately 40.4% for the years ended March 31, 2008 and 2007, respectively.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2008 and 2007 differ from the statutory tax rate for the following reasons.

	Percentage	
	2008	2007
Statutory tax rate	**40.4%**	40.4%
Effect of:		
Permanently nondeductible expenses	**0.7**	0.9
Permanently nontaxable items including dividend income	**(3.8)**	(3.4)
Tax credit	**(2.8)**	(1.2)
Loss carried forward without deferred tax assets	**9.2**	1.4
Deducted amount of loss without deferred tax assets	**(10.0)**	(8.1)
Investment valuation loss of consolidated subsidiaries and affiliates	**—**	(3.5)
Loss on impairment of fixed assets	**—**	5.9
Investment profit of affiliated companies by equity method	**(1.3)**	(2.1)
Effect of elimination of dividend income through consolidation procedures	**4.9**	4.9
Others	**(0.4)**	(0.2)
Effective tax rate	**36.9%**	35.0%

The significant components of deferred tax assets and liabilities at March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Deferred tax assets:			
Accrued employees' bonuses	**¥ 3,070**	¥ 2,844	**$ 30,700**
Accrued retirement benefits	**3,155**	3,259	**31,550**
Allowance for doubtful accounts	**814**	1,155	**8,140**
Loss carried forward	**7,167**	2,296	**71,670**
Intercompany profit	**13,120**	13,142	**131,200**
Depreciation and amortization	**2,301**	2,062	**23,010**
Write-down of investment securities	**856**	3,325	**8,560**
Accrual for losses on business restructuring	**—**	2,314	**—**
Others	**6,399**	6,738	**63,990**
Gross deferred tax assets	**36,882**	37,135	**368,820**
Valuation allowance	**(10,978)**	(8,340)	**(109,780)**
Total deferred tax assets	**25,904**	28,795	**259,040**
Deferred tax liabilities:			
Deferred gain on real properties	**(6,449)**	(7,325)	**(64,490)**
Reserve for special depreciation	**(2)**	(5)	**(20)**
Valuation difference on securities	**(1,824)**	(5,226)	**(18,240)**
Prepaid pension expenses	**(2,504)**	(871)	**(25,040)**
Others	**(3,389)**	(3,162)	**(33,890)**
Total deferred tax liabilities	**(14,168)**	(16,589)	**(141,680)**
Net deferred tax assets	**¥ 11,736**	¥ 12,206	**$ 117,360**

15. DERIVATIVE FINANCIAL INSTRUMENTS

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

Summarized below are the notional amounts and the estimated fair value of the derivative transactions outstanding at March 31, 2008 and 2007.

Currency-related transactions

	Millions of yen						Thousands of U.S. dollars		
	2008			2007			2008		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Forward exchange contracts:									
Sell:									
US$	¥ 108	¥ 99	¥ 9	¥ —	¥ —	¥ —	$ 1,080	$ 990	$ 90
Currency swaps:									
Receive/US$ and pay/¥	2,590	(15)	(15)	2,590	(2)	(2)	25,900	(150)	(150)
Receive/US$ and pay/CA$	—	—	—	787	(88)	(88)	—	—	—
Receive/US$ and pay/Baht	2,007	(320)	(320)	2,642	(165)	(165)	20,070	(3,200)	(3,200)
Total			¥(326)			¥(255)			$(3,260)

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

16. SEGMENT INFORMATION

The operations of the Company and its consolidated subsidiaries for the years ended March 31, 2008 and 2007 are summarized by product group as follows:

	Millions of yen							
Year ended March 31, 2008	Chemicals & plastics	Specialty chemicals & products	Cement & construction materials	Machinery & metal products	Energy & environment	Other businesses	Elimination & corporate	Consolidated
Sales:								
Outside customers	¥233,227	¥ 93,534	¥207,017	¥120,350	¥46,477	¥3,679	¥ —	¥704,284
Intersegment sales and transfers	8,546	1,500	4,253	921	11,687	1,529	(28,436)	—
	241,773	95,034	211,270	121,271	58,164	5,208	(28,436)	704,284
Operating cost	223,173	80,885	200,412	114,602	53,467	4,358	(28,513)	648,384
Operating income	¥ 18,600	¥ 14,149	¥ 10,858	¥ 6,669	¥ 4.697	¥ 850	¥ 77	¥ 55,900
Assets	¥246,189	¥110,150	¥209,318	¥ 86,159	¥53,084	¥9,482	¥ 6,516	¥720,898
Depreciation and amortization	11,223	6,125	9,516	4,096	2,785	381	—	34,126
Loss on impairment	26	—	3,180	2,725	—	10	—	5,941
Capital expenditures	7,909	9,424	6,789	5,254	1,431	138	—	30,945

Year ended March 31, 2007	Chemicals & plastics	Specialty chemicals & products	Cement & construction materials	Machinery & metal products	Energy & environment	Other businesses	Elimination & corporate	Consolidated
	Millions of yen							
Sales:								
Outside customers	¥210,402	¥ 88,368	¥207,820	¥114,206	¥30,987	¥3,825	¥ —	¥655,608
Intersegment sales and transfers	7,791	1,829	3,770	1,013	8,710	1,237	(24,350)	—
	218,193	90,197	211,590	115,219	39,697	5,062	(24,350)	655,608
Operating cost	204,414	78,677	199,183	109,666	36,928	4,300	(24,422)	608,746
Operating income	¥ 13,779	¥ 11,520	¥ 12,407	¥ 5,553	¥ 2,769	¥ 762	¥ 72	¥ 46,862
Assets	¥232,051	¥105,137	¥218,317	¥ 84,422	¥51,852	¥6,058	¥ 17,034	¥714,871
Depreciation and amortization	9,317	5,875	8,440	4,548	2,446	354	—	30,980
Loss on impairment	2	—	221	5,367	—	151	—	5,741
Capital expenditures	8,745	9,781	6,863	4,613	1,788	129	—	31,919

Year ended March 31, 2008	Chemicals & plastics	Specialty chemicals & products	Cement & construction materials	Machinery & metal products	Energy & environment	Other businesses	Elimination & corporate	Consolidated
	Thousands of U.S. dollars							
Sales:								
Outside customers	**$2,332,270**	**$ 935,340**	**$2,070,170**	**$1,203,500**	**$464,770**	**$36,790**	**$ —**	**$7,042,840**
Intersegment sales and transfers	**85,460**	**15,000**	**42,530**	**9,210**	**116,870**	**15,290**	**(284,360)**	**—**
	2,417,730	**950,340**	**2,112,700**	**1,212,710**	**581,640**	**52,080**	**(284,360)**	**7,042,840**
Operating cost	**2,231,730**	**808,850**	**2,004,120**	**1,146,020**	**534,670**	**43,580**	**(285,130)**	**6,483,840**
Operating income	**$ 186,000**	**$ 141,490**	**$ 108,580**	**$ 66,690**	**$ 46,970**	**$ 8,500**	**$ 770**	**$ 559,000**
Assets	**$2,461,890**	**$1,101,500**	**$2,093,180**	**$ 861,590**	**$530,840**	**$94,820**	**$ 65,160**	**$7,208,980**
Depreciation and amortization	**112,230**	**61,250**	**95,160**	**40,960**	**27,850**	**3,810**	**—**	**341,260**
Loss on impairment	**260**	**—**	**31,800**	**27,250**	**—**	**100**	**—**	**59,410**
Capital expenditures	**79,090**	**94,240**	**67,890**	**52,540**	**14,310**	**1,380**	**—**	**309,450**

Note: As described in Note 3(a), in accordance with the revision made to the Corporate Tax Law (the "Tax Law"), effective the year ended March 31, 2008, the Company and domestic consolidated subsidiaries have adopted the new method prescribed in the revised Tax Law for depreciating tangible fixed assets acquired on or after April 1, 2007.

As a result, operating cost increased by ¥82 million (US$820 thousand) in Chemicals & plastics segment, ¥133 million (US$1,330 thousand) in Specialty chemicals & products segment, ¥62 million (US$620 thousand) in Cement & construction materials segment, ¥47 million (US$470 thousand) in Machinery & metal products segment, and ¥9 million (US$90 thousand) in Energy & environment segment, over the corresponding amounts which would have been reported under the previous method, and operating income decreased by the same amounts for the year ended March 31, 2008.

As described in Note 3(a), in addition to the above adoption, effective the year ended March 31, 2008, these companies depreciate the difference between 5% of acquisition cost and nominal value by the straight-line method over a period of five years from the year following the year in which the accumulated depreciation has reached 95% of acquisition cost with respect to the tangible fixed assets acquired on or before March 31, 2007

As a result, operating cost increased by ¥1,057 million (US$10,570 thousand) in Chemicals & plastics segment, ¥347 million (US$3,470 thousand) in Specialty chemicals & products segment, ¥1,175 million (US$11,750 thousand) in Cement & construction materials segment, ¥234 million (US$2,340 thousand) in Machinery & metal products segment, ¥61 million (US$610 thousand) in Energy & environment segment and ¥22 million (US$220 thousand) in Other businesses segment over the corresponding amounts which would have been reported under the previous method, and operating income decreased by the same amounts for the year ended March 31, 2008.

The operations of the Company and its consolidated subsidiaries for the years ended March 31, 2008 and 2007 by geographic area are as follows:

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

	Millions of yen				
Year ended March 31, 2007	Japan	Asia	Other area	Elimination & corporate	Consolidated
Sales:					
Outside customers	¥528,614	¥55,164	¥71,830	¥ —	¥655,608
Intersegment sales and transfers	22,450	12,237	2,061	(36,748)	—
	551,064	67,401	73,891	(36,748)	655,608
Operating cost	510,498	61,771	73,726	(37,249)	608,746
Operating income	¥ 40,566	¥ 5,630	¥ 165	¥ 501	¥ 46,862
Assets	¥572,944	¥77,153	¥52,975	¥ 11,799	¥714,871

	Thousands of U.S. dollars				
Year ended March 31, 2008	Japan	Asia	Other area	Elimination & corporate	Consolidated
Sales:					
Outside customers	**$5,654,180**	**$649,360**	**$739,300**	**$ —**	**$7,042,840**
Intersegment sales and transfers	**222,810**	**126,060**	**36,090**	**(384,960)**	**—**
	5,876,990	**775,420**	**775,390**	**(384,960)**	**7,042,840**
Operating cost	**5,435,820**	**691,090**	**745,490**	**(388,560)**	**6,483,840**
Operating income	**$ 441,170**	**$ 84,330**	**$ 29,900**	**$ 3,600**	**$ 559,000**
Assets	**$5,704,740**	**$870,450**	**$534,600**	**$ 99,190**	**$7,208,980**

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

Overseas sales, which represent sales to customers outside Japan, of the Company and its consolidated subsidiaries for the years ended March 31, 2008 and 2007 are as follows:

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

	Millions of yen				
Year ended March 31, 2007	Asia	North America	Europe	Other area	Total
Overseas sales	¥121,860	¥30,023	¥44,296	¥2,510	¥198,689
Consolidated sales					655,608
Overseas/consolidated sales ratio	18.6%	4.6%	6.7%	0.4%	30.3%

Year ended March 31, 2008	Thousands of U.S. dollars				
	Asia	North America	Europe	Other area	Total
Overseas sales	**$1,424,500**	**$248,720**	**$514,920**	**$40,430**	**$2,228,570**
Consolidated sales					**7,042,840**

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

17. LEASES

(a) Finance leases

The following amounts represent the acquisition costs, accumulated depreciation and amortization and net book value of the leased property at March 31, 2008 and 2007 which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen		Thousands of U.S. dollars
At March 31	**2008**	2007	**2008**
Acquisition costs:			
Buildings and structures	**¥ 24**	¥ 20	**$ 240**
Machinery and equipment	**11,544**	11,401	**115,440**
	¥11,568	¥11,421	**$115,680**
Accumulated depreciation and amortization:			
Buildings and structures	**¥ 20**	¥ 14	**$ 200**
Machinery and equipment	**5,361**	5,058	**53,610**
	¥ 5,381	¥ 5,072	**$ 53,810**
Net book value:			
Buildings and structures	**¥ 4**	¥ 6	**$ 40**
Machinery and equipment	**6,183**	6,343	**61,830**
	¥ 6,187	¥ 6,349	**$ 61,870**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥2,064 million (US$20,640 thousand) and ¥1,856 million, which are equal to the depreciation and amortization expenses of the leased assets computed by the straight-line method over the lease terms, for the years ended March 31, 2008 and 2007, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2008 for finance leases accounted for as operating leases are summarized as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2009	¥1,851	$18,510
2010 and thereafter	4,336	43,360
	¥6,187	$61,870

(b) Operating leases

Future minimum lease payments subsequent to March 31, 2008 for non-cancelable operating leases are summarized as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2009	¥3,310	$33,100
2010 and thereafter	6,189	61,890
	¥9,499	$94,990

18. ACCRUED RETIREMENT BENEFITS

The Company and a part of domestic consolidated subsidiaries have defined benefit company pension plans.

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

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Projected benefit obligations:			
Present value of projected benefit obligations	**¥ 62,758**	¥ 67,344	**$ 627,580**
Plan assets at fair value	**(43,273)**	(45,148)	**(432,730)**
Unrecognized benefit obligations at transition	**(12,068)**	(14,487)	**(120,680)**
Unrecognized actuarial loss	**(4,888)**	(464)	**(48,880)**
Unrecognized prior service cost	**(1,915)**	(2,014)	**(19,150)**
Retirement benefit obligations recognized in balance sheets, net	**614**	5,231	**6,140**
Prepaid pension expenses	**(6,595)**	(2,255)	**(65,950)**
Accrued retirement benefits	**¥ 7,209**	¥ 7,486	**$ 72,090**

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Retirement benefit expenses:			
Service cost	**¥3,137**	¥3,446	**$31,370**
Interest cost	**1,353**	1,448	**13,530**
Expected return on plan assets	**(832)**	(816)	**(8,320)**
Amortization of prior service cost	**99**	100	**990**
Amortization of actuarial loss	**176**	293	**1,760**
Amortization of benefit obligations at transition	**2,420**	2,389	**24,200**
Total	**¥6,353**	¥6,860	**$63,530**

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

	Percentage	
	2008	2007
Discount rate	**2.0-2.5%**	2.0-2.5%
Expected rate of return on plan assets	**2.0-2.5**	2.0-2.5
Expected rate of return on retirement benefit trust	**0.0**	0.0

19. STOCK OPTIONS

Stock option expenses in the amounts of ¥101 million (US$1,010 thousand) and ¥78 million are accounted for as "Selling, general and administrative expenses" on the consolidated statements of income for the years ended March 31, 2008 and 2007, respectively.

The contents of stock options at March 31, 2008 are as follows:

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

* The term of the executive officers of the Company is for 1 year (From April 1, 2007 to March 31, 2008)

	Fiscal year 2007 stock option	Fiscal year 2008 stock option	
	Yen	Yen	U.S. dollars
Exercise price	¥ 1	¥ 1	$0.01
Fair value at grant date	388	351	3.51

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

	Fiscal year 2007 stock options	Fiscal year 2008 stock options
Method of estimation	Black-Scholes model	Black-Scholes model
Volatility *	44.103 %	42.225 %
Expected remaining period **	8 years	8 years
Expected dividend ***	¥3	¥4 (US$0.04)
Risk-free interest rate ****	1.519 %	1.811 %

* Rate of variability, which is calculated based on the monthly closing prices of common stock of the Company for 8 years from February 1999 to January 2007 and from July 1999 to June 2007 for the 2007 stock options and the 2008 stock options, respectively.
** Midterm between date of grant and estimated exercisable period
*** Actual dividend per share for the years ended March 31, 2006 and 2007 for the 2007 stock options and the 2008 stock options, respectively.
**** Interest rate for a government bond with 8 years remaining period

20. RELATED PARTY TRANSACTIONS

The Company sold goods for resale in the amount of ¥33,976 million (US$339,760 thousand) and ¥33,843 million to Ube-Mitsubishi Cement Corporation (UMCC), accounted for by the equity method, for the years ended March 31, 2008 and 2007, respectively. The balances of accounts receivable were ¥12,214 million (US$122,140 thousand) and ¥12,407 million at March 31, 2008 and 2007, respectively.

Selling prices are negotiated in accordance with the amounts after deducting UMCC's selling costs and logistics costs from its net sales.

Report of Independent Auditors

ERNST & YOUNG SHINNIHON

■ Certified Public Accountants
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011
C.P.O. Box 1196, Tokyo, Japan 100-8641

■ Tel : 03 3503 1100
Fax : 03 3503 1197

The Board of Directors
Ube Industries, Ltd.

We have audited the accompanying consolidated balance sheets of Ube Industries, Ltd. and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ube Industries, Ltd. and consolidated subsidiaries at March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young ShinNihon

June 27, 2008

Investor Information (As of March 31, 2008)

Ube Industries, Ltd.

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

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

Establishment: 1897

Common Stock: Outstanding: 1,008,996,332 shares

Paid-in Capital: ¥58,400 million

Number of Shareholders: 56,834

Annual General Shareholders' Meeting: June

Stock Exchange Listing: Tokyo Stock Exchange (Code: 4208)

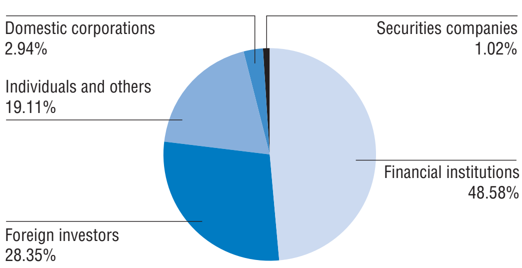
Transfer Agent and Share Registrar: Mitsubishi UFJ Trust and Banking Corporation, 1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212

Independent Auditors: Ernst & Young ShinNihon

Principal Shareholders

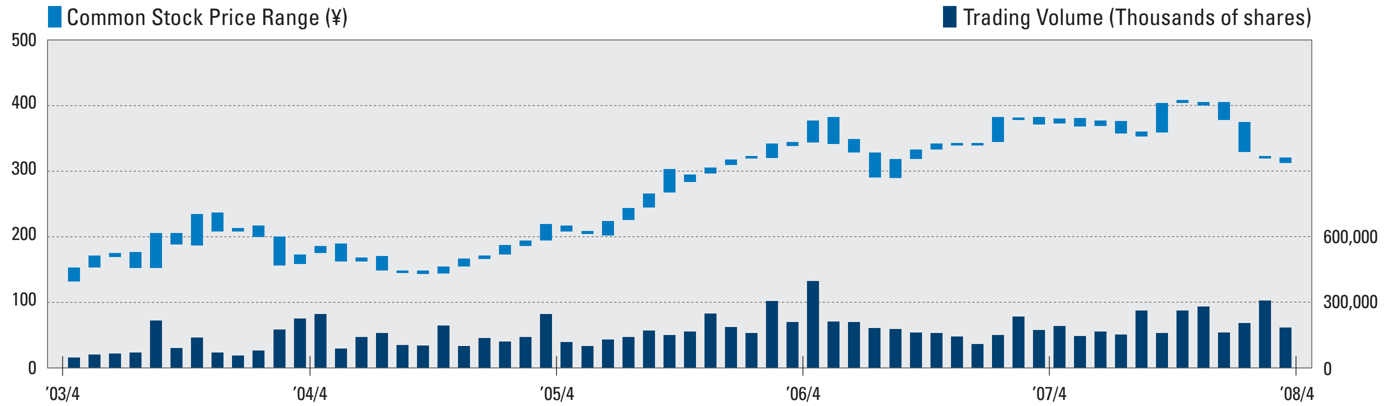
Name	Number of Shares (Thousands)	Percentage of shareholding (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	115,256	11.42
The Master Trust Bank of Japan, Ltd. (Trust Account)	93,780	9.29
Japan Trustee Services Bank, Ltd. (Trust Account 4)	29,506	2.92
Sumitomo Life Insurance Company (Standing Proxy: Japan Trustee Services Bank, Ltd.)	20,000	1.98
NIPPONKOA Insurance Co., Ltd.	16,373	1.62
Nippon Life Insurance Company	16,356	1.62
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	15,000	1.49
The Nomura Trust and Banking Co., Ltd. (Trust Account)	13,518	1.34
Goldman Sachs International (Standing Proxy: Goldman Sachs Japan Holdings, Ltd.)	13,336	1.32
Trust & Custody Services Bank, Ltd.	12,808	1.27

Breakdown of Shareholders



Stock Price Range & Trading Volume

(Tokyo Stock Exchange)



Network (As of March 31, 2008)

OVERSEAS OFFICES [SALES & REPRESENTATIVE]

1 UBE AMERICA INC.
55 East 59th Street, 18th Floor, New York, NY 10022, U.S.A.
Tel: +1-212-813-8300
Fax: +1-212-826-0454

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

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

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

5 UBE (SHANGHAI) LTD.
Room 2501-03, Metro Plaza, 555 Loushanguan Road,
Shanghai, China P.C. 200051
Tel: +86-21-6273-2288
Fax: +86-21-6273-3833

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

MAJOR CONSOLIDATED SUBSIDIARIES AND AFFILIATES

① Country ② Business ③ Voting Rights

Chemicals & Plastics

7 UBE FILM, LTD.
① Japan
Tel: +81 (836) 88-0111
Fax: +81 (836) 89-0005
② Manufacture and sales of plastic-film products
③ 77.5%

8 THAI SYNTHETIC RUBBERS CO., LTD.
① Thailand
Tel: +66 (2) 263-6600
Fax: +66 (2) 685-3056
② Manufacture and sales of polybutadiene
③ 73.1%

9 UBE NYLON (THAILAND) LTD.
① Thailand
Tel: +66 (2) 263-6600
Fax: +66 (2) 685-3042
② Manufacture and sales of polyamide 6
③ 100.0%

10 THAI CAPROLACTAM PUBLIC CO., LTD.
① Thailand
Tel: +66 (2) 263-6600
Fax: +66 (2) 685-3024
② Manufacture and sales of caprolactam and ammonium sulfate
③ 90.9%

11 UBE ENGINEERING PLASTICS, S.A.
① Spain
Tel: +34 (964) 738000
Fax: +34 (964) 280013
② Manufacture and sales of polyamide 6
③ 100.0%

12 UBE CHEMICAL EUROPE, S.A.
① Spain
Tel: +34 (964) 738000
Fax: +34 (964) 280013
② Manufacture and sales of caprolactam, ammonium sulfate, and fine chemicals
③ 100.0%

13 UBE AMMONIA INDUSTRY, LTD.
① Japan
Tel: +81 (836) 31-5858
Fax: +81 (836) 34-0472
② Manufacture and sales of ammonia, carbon dioxide, argon, oxygen, and nitrogen
③ 50.6%

Specialty Chemicals & Products

14 UBE-NITTO KASEI CO., LTD.
① Japan
Tel: +81 (3) 3863-5201
Fax: +81 (3) 3863-5508
② Manufacture and sales of polypropylene molded products and fibers, fiber-reinforced plastics
③ 100.0%

15 MEIWA PLASTIC INDUSTRIES, LTD.
① Japan
Tel: +81 (836) 22-9211
Fax: +81 (836) 29-0100
② Manufacture and sales of phenolic resins, extruded plastics, and others
③ 100.0%

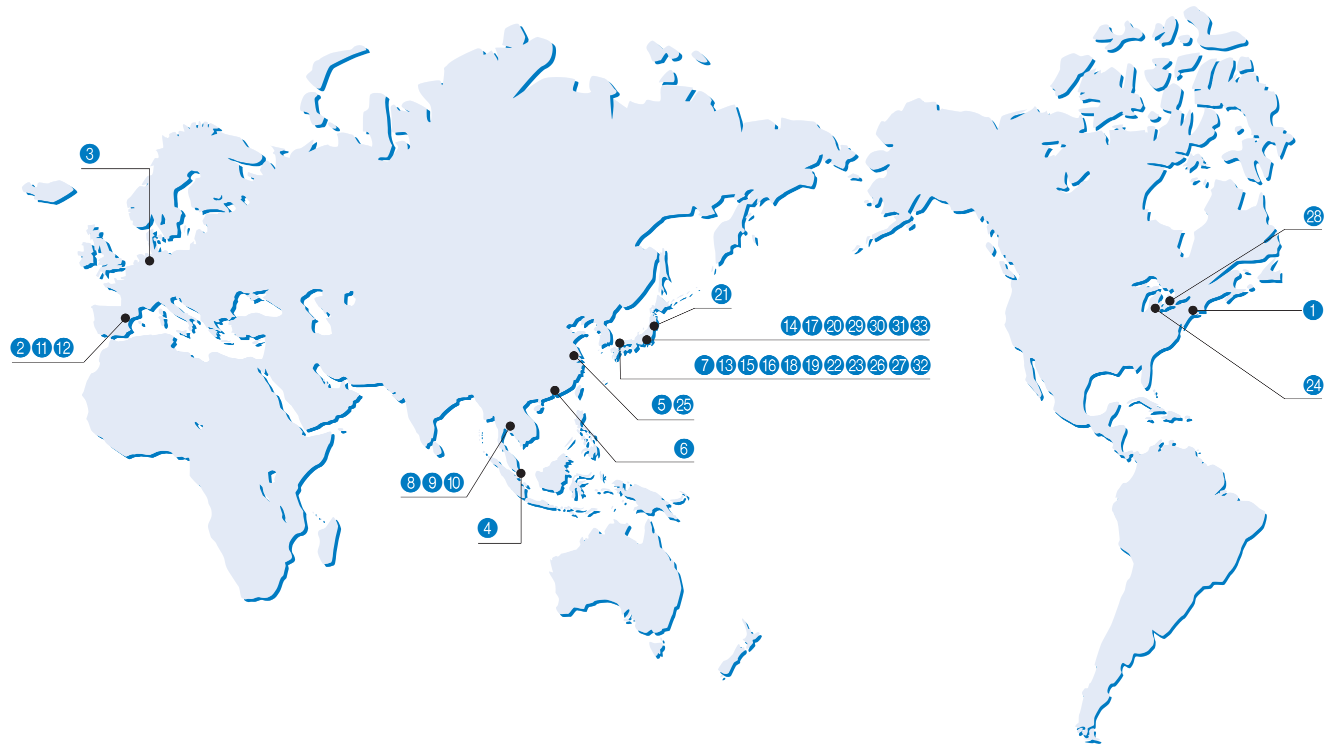
Cement & Construction Materials

16 UBE MATERIAL INDUSTRIES, LTD.
① Japan
Tel: +81 (836) 31-0156
Fax: +81 (836) 21-9778
② Production and sales of seawater magnesia, magnesium hydroxide, quicklime, slaked lime, and others
③ 54.4%

17 UBE CONSTRUCTION MATERIALS SALES CO., LTD.
① Japan
Tel: +81 (3) 5487-3560
Fax: +81 (3) 5487-3567
② Sales of ready-mixed concrete, building materials, and others
③ 100.0%

18 UBE SHIPPING & LOGISTICS, LTD.
① Japan
Tel: +81 (836) 34-1181
Fax: +81 (836) 34-1183
② Domestic shipping, harbor transportation, shipping-agent services, and customs clearing
③ 81.3%

19 UBE BOARD CO., LTD.
① Japan
Tel: +81 (836) 22-0251
Fax: +81 (836) 22-0271
② Manufacture and sales of boards, corrugated sheets, and OA flooring as well as related responsibilities
③ 100.0%



⑳ KANTO UBE HOLDINGS CO., LTD.
① Japan
Tel: +81 (3) 5759-7715
Fax: +81 (3) 5759-7732
② Sales of cement and aggregates as well as accounting for subsidiary
③ 100.0%

㉑ DAIKYO KIGYO CO., LTD.
① Japan
Tel: +81 (191) 25-3161
Fax: +81 (191) 25-4163
② Manufacture and sales of ready-mixed concrete and concrete secondary products
③ 60.6%

㉒ HAGIMORI INDUSTRIES, LTD.
① Japan
Tel: +81 (836) 31-1678
Fax: +81 (836) 21-4554
② Manufacture and sales of ready-mixed concrete and concrete secondary products
③ 70.7%

Machinery & Metal Products

㉓ UBE MACHINERY CORPORATION, LTD.
① Japan
Tel: +81 (836) 22-0072
Fax: +81 (836) 22-6457
② Manufacture and sales of diecasting machines, injection-molding machines, extrusion presses, industrial machinery, bridge, metal dies, and molds
③ 100.0%

㉔ UBE MACHINERY INC.
① U.S.A.
Tel: +1 (734) 741-7000
Fax: +1 (734) 741-7017
② Service, sales, assembly, and maintenance for metal processing and injection-molding machinery
③ 100.0%

㉕ UBE MACHINERY (SHANGHAI) LTD.
① China
Tel: +86 (21) 5868-1633
Fax: +86 (21) 5868-1634
② Services, sales, assembly and maintenance for metal processing and injection molding machinery
③ 100.0%

㉖ UBE TECHNO ENG. CO., LTD.
① Japan
Tel: +81 (836) 34-5080
Fax: +81 (836) 34-0666
② Service and maintenance of industrial machinery and equipment; manufacture and sales of automation and environment machinery
③ 100.0%

㉗ UBE STEEL CO., LTD.
① Japan
Tel: +81 (836) 35-1300
Fax: +81 (836) 35-1331
② Manufacture and sales of cast iron and steel products and rolled steel billets
③ 100.0%

㉘ UBE AUTOMOTIVE NORTH AMERICA SARNIA PLANT, INC.
① Canada
Tel: +1 (519) 542-8262
Fax: +1 (519) 542-3666
② Manufacture of aluminum automobile wheels
③ 100.0%

Energy & Environment

㉙ UBE C&A CO., LTD.
① Japan
Tel: +81 (3) 5419-6331
Fax: +81 (3) 5419-6332
② Sales of imported steaming coal
③ 75.5%

... And 38 Other Consolidated Subsidiaries

EQUITY-METHOD AFFILIATES

㉚ UBE-MARUZEN POLYETHYLENE CO., LTD.
① Japan
Tel: +81 (3) 5419-6164
Fax: +81 (3) 5419-6249
② Manufacture and sales of low-density polyethylene
③ 50.0%

㉛ UMG ABS, LTD.
① Japan
Tel: +81 (3) 5148-5170
Fax: +81 (3) 5148-5186
② Manufacture and sales of ABS resins
③ 42.7%

㉜ UBE AGRI-MATERIALS, LTD.
① Japan
Tel: +81 (836) 31-2155
Fax: +81 (836) 31-2158
② Manufacture and sales of fertilizers and compost
③ 49.0%

㉝ UBE-MITSUBISHI CEMENT CORPORATION
① Japan
Tel: +81 (3) 3518-6670
Fax: +81 (3) 3518-6685
② Sales of cement and soil-stabilizing cement
③ 50.0%

... And 24 Other Equity-Method Affiliates

Wings of technology Spirit of innovation

UBE

UBE INDUSTRIES,LTD.

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