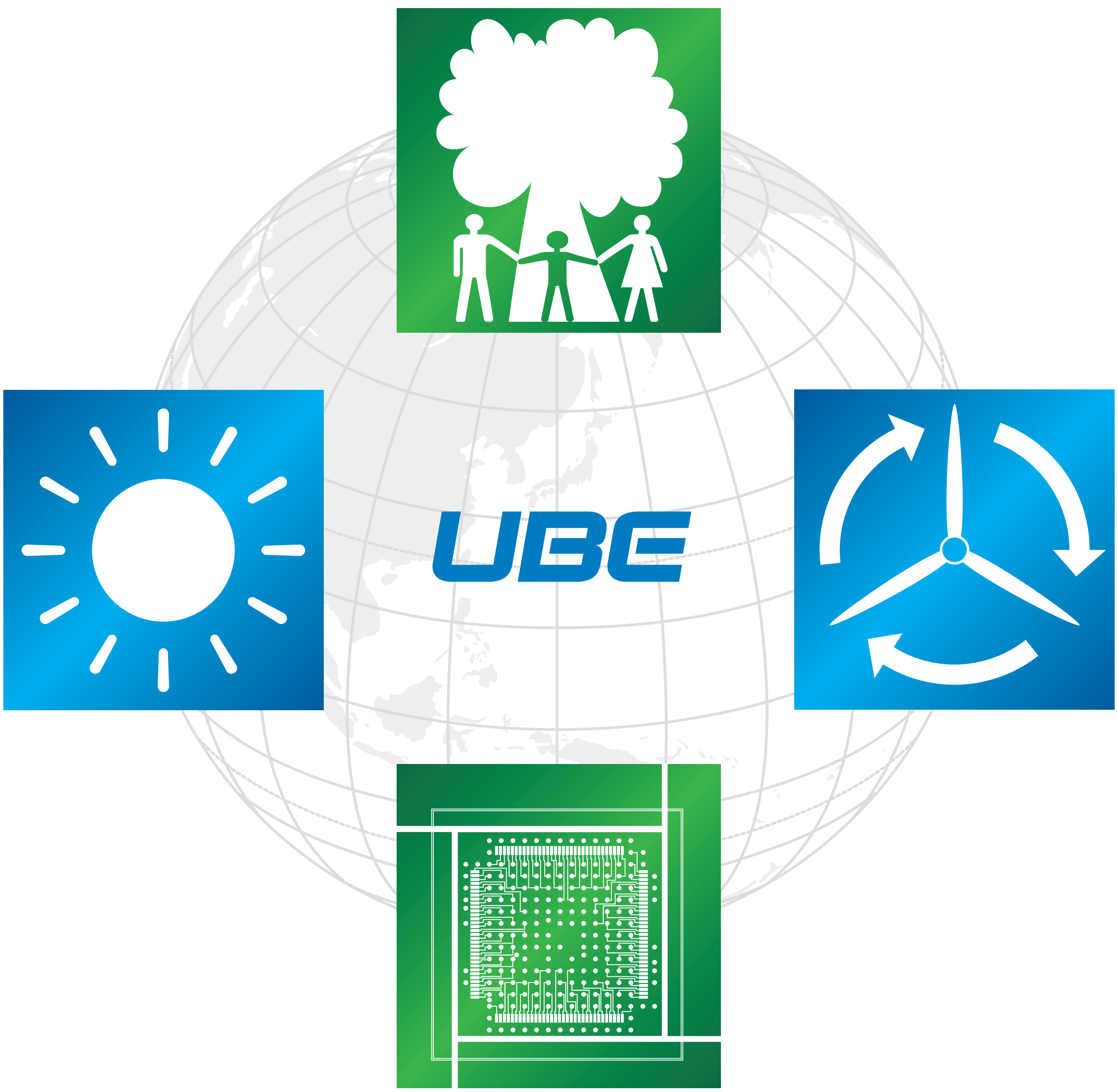
Innovation and Value Creation



UBE INDUSTRIES,LTD.

Annual Report 2010

Year ended March 31, 2010

PROFILE

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.

Contents

Forward-Looking Statements

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

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

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 2009 in the text is the year ended March 31, 2010.

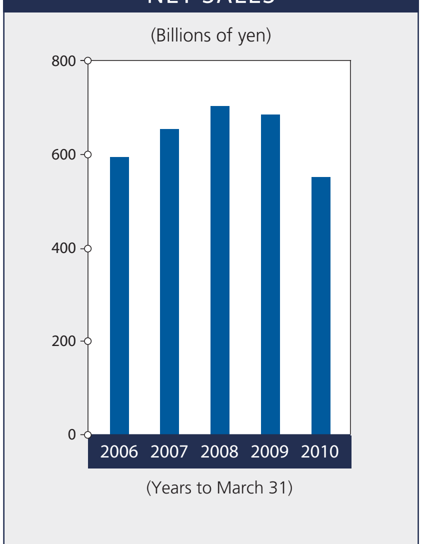
CONSOLIDATED FINANCIAL HIGHLIGHTS

UBE INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2010, 2009 and 2008

	Millions of yen			% change	Thousands of U.S. dollars (Note 1)
	2010	2009	2008	**2010**/2009	**2010**
For the year:					
Net sales	**¥549,556**	¥684,703	¥704,284	(19.7)%	**$5,909,204**
Operating income	**27,595**	31,163	55,900	(11.4)	**296,720**
Income before income taxes and minority interests	**15,592**	13,510	40,890	15.4	**167,656**
Net income	**8,217**	11,664	24,031	(29.6)	**83,355**
Capital expenditures	**24,684**	35,405	30,945	(30.3)	**265,419**
Depreciation and amortization	**33,434**	34,820	34,126	(4.0)	**359,505**
Research and development costs	**13,032**	14,124	13,598	(7.7)	**140,129**
At year-end:					
Total assets	**654,793**	677,986	720,898	(3.4)	**7,040,785**
Net assets	**202,190**	194,723	219,032	3.8	**2,174,086**
Equity capital (Note 2)	**178,839**	171,946	193,865	4.0	**1,923,000**
Interest-bearing debt	**281,374**	306,840	300,766	(8.3)	**3,025,527**
Net debt (Note 3)	**244,093**	267,709	275,684	(8.8)	**2,624,656**
Cash and cash equivalents	**37,281**	39,131	25,082	(4.7)	**400,871**
	Yen				U.S. dollars
Per share data:					
Net income, primary (Note 4)	**¥ 8.17**	¥ 11.59	¥ 23.88	(29.5)%	**$ 0.088**
Cash dividends applicable to the period	**4.00**	4.00	5.00	—	**0.043**
Net assets	**177.88**	170.92	192.72	(4.1)	**1.91**
Ratios:					
Operating margin (%)	**5.0**	4.6	7.9		
ROA (%) (Note 5)	**4.4**	4.8	8.2		
ROE (%)	**4.7**	6.4	13.1		
Net debt/equity ratio (times)	**1.4**	1.6	1.4		
Equity ratio (%)	**27.3**	25.4	26.9		
Number of employees at the end of the year	**11,108**	11,264	11,058	(1.4)%	

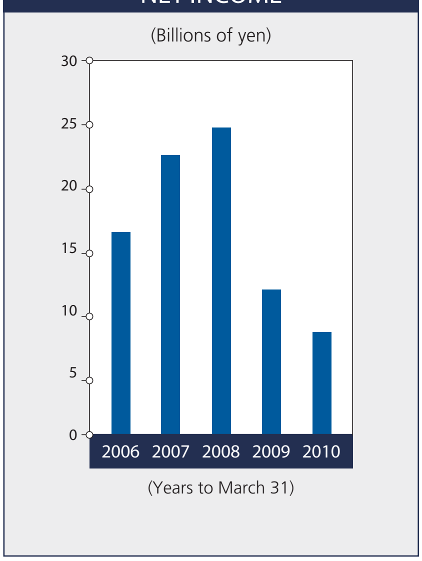
Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥93=US$1, the approximate rate of exchange on March 31, 2010.
2. Equity capital = Net assets – Share subscription rights – Minority interests
3. Net debt = Interest-bearing debt – Cash and cash equivalents
4. 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



OPERATING INCOME / OPERATING MARGIN

NET INCOME



TO OUR SHAREHOLDERS, CUSTOMERS AND BUSINESS PARTNERS

From left: **HIROAKI TAMURA** Chairman of the Board of Directors, **MICHIO TAKESHITA** President and CEO

Under a new management setup, the UBE Group will continue working to strengthen its core platform businesses while positioning strategic growth businesses as the driving force of expansion, with particular emphasis on our differentiated chemicals business. With this approach, we will work to increase the UBE Group's corporate value.

Results for Fiscal 2009

In the UBE Group's operating environment during fiscal 2009, ended March 31, 2010, economic stimulus measures in various countries supported a broader economic recovery trend in Asia. In the United States and Europe, economic conditions bottomed out, but the recession continued with high unemployment rates. The Japanese economy also showed indications of moving toward recovery, but generally harsh conditions persisted amid weak capital expenditure, a severe employment environment and deflation.

Under these conditions, in the final year of its medium-term management plan Stage Up 2009, the UBE Group faced an emergency situation brought on by extreme deterioration of the external environment. In response, we undertook a number of measures to ride out the storm as well as to enhance profitability, including cutbacks in capital investment and further reduction of inventories, while strengthening and enhancing efficiency in R&D.

As a result, the UBE Group's net sales decreased by 19.7 percent, or ¥135.1 billion, compared with the previous fiscal year, to ¥549.5 billion. Operating income fell 11.4 percent, or ¥3.5 billion, to ¥27.5 billion, and net income declined 29.6 percent, or ¥3.4 billion, to ¥8.2 billion.

Medium-Term Management Plan Stage Up 2009 Results

(FY 2007 - FY 2009)

Consolidated Management Indicators

	Targets	Fiscal 2009 Results
Net debt/equity ratio[1]	Under 1.3 times	**1.4 times**
Equity ratio[2]	30.0% +	**27.3%**
Operating margin	7.5% +	**5.0%**
Return on assets	7.5% +	**4.4%**
Return on equity[3]	12.0% +	**4.7%**

Key Figures for Statements of Income and Balance Sheet

Net sales	¥700.0 billion +	**¥549.5 billion**
Operating income	¥53.0 billion +	**¥27.5 billion**
Business income[4]	¥56.0 billion +	**¥29.3 billion**
Net debt	Under ¥279.0 billion	**¥244.0 billion**
Equity capital[5]	¥218.0 billion +	**¥178.8 billion**
Cost reductions (compared with FY2006)	¥19.0 billion +	**¥34.0 billion**

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

Summary of Stage Up 2009

Reviewing the three years of Stage Up 2009, the UBE Group achieved record profits in the first year, fiscal 2007, aided by a favorable external environment, and reached some of the plan's final-year targets two years ahead of schedule. However, conditions took a turn for the worse from the middle of fiscal 2008 due to the global recession, and we fell well short of our income targets. In spite of the challenging external environment, however, we improved our financial position, as we reached our target for net interest-bearing debt and made progress toward our goal for the net debt/equity ratio.

We were able to accomplish these results by aligning the UBE Group in a common direction to tap its full capabilities. In addition to clearly defining our business portfolio and relationships with the market, the R&D portfolio that is based upon them, as well as next-generation R&D areas and developing business areas both inside and outside the UBE Group, we also clarified future areas of challenge and our resource allocation plans. As a result, with steady profits and cash flow generated from our core platform businesses supporting earnings, even with the drastic changes in the economic environment, we have expanded strategic growth businesses centered on the Specialty Chemicals & Products segment. We have also cultivated new seeds of growth by advancing pharmaceuticals and a portion of inorganic specialty materials from developing businesses to strategic growth businesses. In addition, we established the Global Warming Countermeasures Promotion Office and UBE Group Business Promotion Office on Inorganic Specialty Products, while flattening the R&D organization into five laboratories and strengthening cooperation among sales, development, production, research and technical in chemical divisions. I believe that we have now established a structure for balanced, sustainable growth in the UBE Group, with solid core platform businesses that provide stable profits and cash flow serving as the foundation, and highly profitable strategic growth businesses as the driving force.

In addition, we steadily enhanced our corporate social responsibility (CSR) activities. Initiatives in this area included improvement of internal controls and corporate governance, payment of stable dividends, enhancement and expansion of social contribution programs such as charity concerts and academic research grants, and early achievement of greenhouse gas reduction targets. All of these activities are in line with the principles of "Living and prospering together with the local community" and "Creating industries with infinite possibilities from the finite resources of coal" that the UBE Group has maintained since its founding.

Start of the New Medium-Term Management Plan

The UBE Group will not change its direction in the future. We will continue working to strengthen our core platform businesses while positioning strategic growth businesses as the driving force of expansion, with particular emphasis on our differentiated chemicals business. With this approach, we will work to increase the UBE Group's corporate value.

Based on these principles, in "Stage Up 2012 — New Challenges," the new medium-term management plan that starts from fiscal 2010, we have set three basic objectives: 1) Establishment of a platform for profitability that ensures sustainable growth, 2) Sustained improvement of financial position, and 3) Response to global environmental issues.

To respond quickly to the paradigm shifts in our markets, we will tackle change and reform with a focus on newly industrialized countries and the environment and an even greater emphasis on speed. Specifically, we plan to implement the following measures:

(1) Establishment of a Platform for Profitability that Ensures Sustainable Growth

- Optimize the business portfolio by striking a balance between strategic growth businesses and core platform businesses to achieve sustainable growth.
- Among strategic growth businesses, place the highest priority on pharmaceuticals, battery materials and fine chemicals to drive growth. Furthermore, strengthen technology and production for the polyimide chain, and move this business onto a solid growth trajectory while meeting new demand for applications such as films for solar batteries and automotive components.
- Enhance cost competitiveness through innovation of production technologies and development of new processes for chemical products, with an eye on expansion in high-volume, mid-range sectors in newly industrialized countries. In machinery, focus on development of simpler products at lower price points.
- In the caprolactam and synthetic rubber businesses, further solidify our platform for profitability centered on overseas business with measures such as (1) expanding our operations and partnering with local enterprises in Thailand to target the Asian market including China and India, and (2) developing business in the South American market from our base in Spain. At the same time, in the machinery business, tailor strategies in overseas markets to the characteristics of each business segment, including expansion of the global service network.
- In sectors such as cement and ready-mixed concrete and molding machinery, where stagnant or shrinking demand is predicted for the foreseeable future, restructure production operations and take measures such as closing or consolidating facilities to secure profits.

(2) Sustained Improvement of Financial Position

- Lower the net debt/equity ratio to 1.0 or below as soon as possible, and achieve a financial position that qualifies for an “A” credit rating.
- To generate cash flow, continue to limit capital expenditures to the level of depreciation over the next three years, further strengthen inventory management and reduce selling and in-plant logistics costs. Also, enhance efficiency in administrative support operations.
- At the same time, make carefully selected investments necessary to strengthen our priority businesses and profit platform, and actively pursue alliances, mergers and acquisitions to accelerate growth and transform our business structure.

(3) Response to Global Environmental Issues

Voluntarily reduce the volume of greenhouse gas emissions and waste and promote energy conservation as part of our corporate social responsibility. In addition, endeavor to develop environmentally friendly technologies and products and incorporate them into our own growth as business opportunities.

Aiming for Sustainable Increases in Shareholder Value under New Management Setup

UBE recognizes that providing dividends is one of its key responsibilities to shareholders. Our policy is to pay dividends corresponding to business performance. On the other hand, we believe that enhancing retained earnings for further improvement of our financial position and for future business expansion is 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 set a guideline for the consolidated dividend payout ratio of 20 to 25 percent. We have aimed to continuously increase shareholder value by steadily increasing dividends in tandem with improved performance.

Based on this policy, and considering dividend stability, we maintained cash dividends for fiscal 2009 at ¥4.00 per share in the form of a year-end dividend. This was the same level as in the previous fiscal year and higher than our target. We remain committed to steadily increasing dividends by improving business performance.

As I mentioned, having established the framework needed for business expansion, we adopted a new management setup in April 2010. I became chairman of the Board of Directors, and Michio Takeshita was appointed as the new president. Mr. Takeshita possesses a rare breadth of experience, having worked as a leader in chemicals, cement, overseas business, purchasing, corporate planning and other businesses — in fact, in virtually every area of the company's business except machinery. He is also one of the main architects of the new medium-term management plan. I expect him to focus his energy on executing the new plan with an even greater emphasis on speed, and am confident that he will guide the UBE Group to further growth and development.

The strength of the UBE Group is that its markets are broad and well-balanced, encompassing lifestyle-related products, general industrial and social capital, automobiles, energy and the environment, information, electronics and communications, pharmaceuticals, and aerospace. Globally, we have operations primarily in Asia, where major growth is anticipated, as well as in the EU and North America, with plans to expand into South America. Moreover, many of our businesses are leaders in their markets. Consequently, in times of volatility in economic and other conditions, as we have seen recently, we are viewed as a corporate group that resists the impact of rising raw material and fuel prices and the economic cycle because the entire company's results are not heavily influenced by external factors in any one business.

By continuing to deploy our strengths in the differentiated business areas in which we excel, the UBE Group will strive to earn the deep confidence of its shareholders and all other stakeholders.

We remain committed to earning the steadfast support of our shareholders, customers and business partners.

July 2010

Hiroaki Tamura
Chairman of the Board of Directors

Michio Takeshita
President and CEO

MESSAGE FROM NEW PRESIDENT MICHIO TAKESHITA

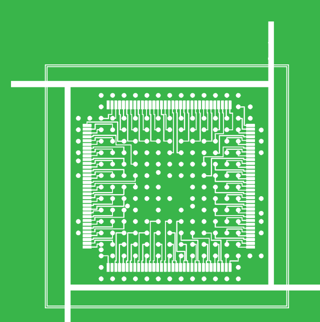
The elements that impact the UBE Group's operations — the shift of our main markets from developed countries to newly industrialized countries, the diversification of competitors, our response to environmental issues — are expected to become increasingly complex. My mission is to keep the Group on course toward achieving the goals of the new medium-term management plan, which we are launching at a time when a sense of urgency is required more than ever. Through closer cooperation in all areas from technology-based R&D to marketing, I intend to maximize the UBE Group's full capabilities as a manufacturer.

Under the leadership of Hiroaki Tamura as CEO, the UBE Group has built a stronger platform for profitability by restructuring its businesses and R&D portfolio with the aim of increasing its corporate value, based on the last two medium-term management plans. We have also steadily enhanced our operating platform by squarely tackling the improvement of our financial position, which was considered fragile.

As president, I fully realize the weight of my leadership responsibility. I am committed to working for the development of our businesses by building on our stronger operating platform and mobilizing the resources of the Group to live up to the accomplishments of my many predecessors, including President Tamura, which have underpinned the more than 110-year history of UBE Industries. I sincerely request your continued support.

Innovation and Value Creation

Building on its previous medium-term management plan, the UBE Group has begun Stage Up 2012 — New Challenges to establish a platform for profitability that ensures sustained growth and responds to environmental issues. The following section provides targets and explains how the UBE Group will emphasize speed and innovation to create value and efficiently adapt to change.



Stage Up 2012

The UBE Group has launched a new medium-term management plan, named "Stage Up 2012 — New Challenges," for the three years starting April 2010.

Stage Up 2012 does not significantly change the basic strategies of Stage Up 2009, the previous medium-term management plan, but adds three new challenges as the concept.

Emphasis on Speed and Innovation

Business conditions are rapidly changing today as paradigm shifts occur throughout the environment in which the UBE Group operates, making faster management decisions and constant self-transformation essential. The UBE Group will stay true to the vision and basic strategies of Stage Up 2009, while at the same time adapting flexibly to change and constantly reviewing and enhancing the efficiency of business operations. We will also step up our efforts to foster an innovative corporate culture that rises to challenges and sees opportunity in change and great risk in failing to change.

Concept

1 Challenge of Growth

Leverage strategic growth businesses—particularly pharmaceuticals, battery materials, fine chemicals and the polyimide chain—to put the UBE Group back on a growth path.

2 Challenge of Paradigm Shifts

Aggressively address major changes that are occurring in the external environment, with a strong emphasis on newly industrialized economies and the environment.

3 Renewed Challenge of Numerical Targets of the Previous Plan

Earnings: Renew the challenge of achieving the operating income target of ¥53.0 billion set out for the final year of Stage Up 2009 as soon as possible in the current economic climate. In addition, build a solid foundation to set the stage for achieving even higher targets.

Financial Position: Renew the challenge of lowering the net debt/equity ratio to below 1.0 times, as set out under Stage Up 2009.

Key Phrase:

Speed and Innovation

Numerical Targets

Target Indicators for Fiscal 2015

Operating income: ¥70.0 billion or higher

Operating margin and return on assets: each 8.0% or higher

Stage Up 2012 is positioned as an action plan for achieving these targets. The numerical targets to be achieved by the final year of the plan are summarized below.

Management Results and Targets

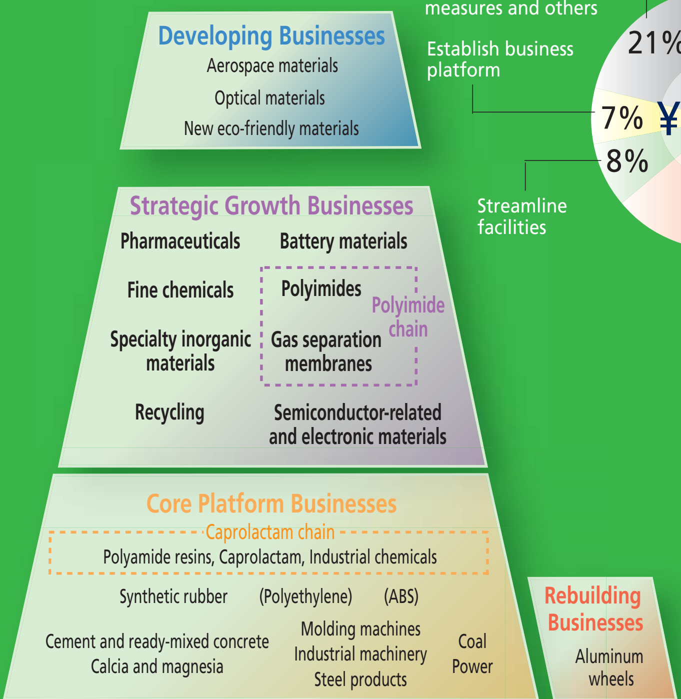
		Fiscal 2009 Results	Target for Final Year of Stage Up 2012
Financial indicators	Net debt/equity ratio[1]	1.4 times	**Under 1.0 times**
	Equity ratio[2]	27.3%	**30.0% +**
Profit indicators	Operating margin	5.0%	**7.5% +**
	Return on total assets	4.4%	**7.5% +**
	Return on equity[3]	4.7%	**12.0% +**

Key Figures for Statements of Income and Balance Sheet

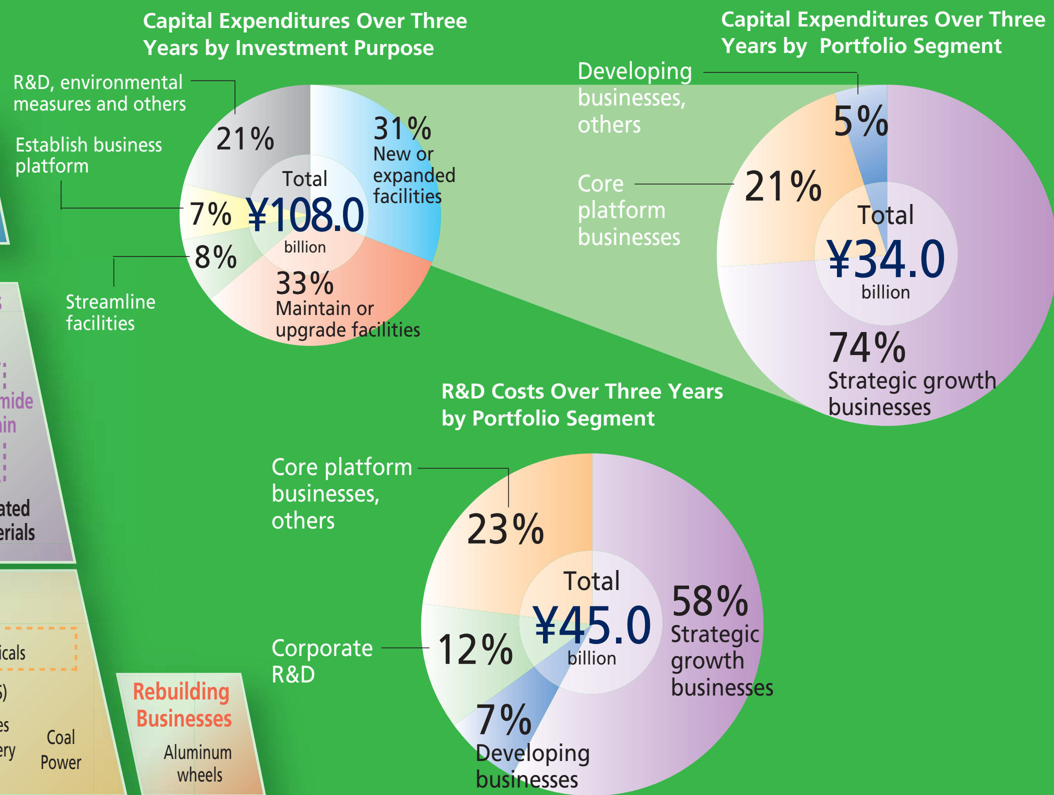
	Fiscal 2009 Results	Target for Final Year of Stage Up 2012
Net sales	¥549.5 billion	**¥670.0 billion +**
Operating income	¥27.5 billion	**¥53.0 billion +**
Business income[4]	¥29.3 billion	**¥55.0 billion +**
Net debt	¥244.0 billion	**Under ¥220.0 billion**
Equity capital[5]	¥178.8 billion	**¥225.0 billion +**

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

Business Portfolio



Capital Expenditures and R&D Costs



Business Strategies

The UBE Group has identified a long-term vision to achieve growth by focusing on its differentiated chemicals business. Continuing from the previous medium-term plan, in Stage Up 2012 we strategically divide the Group's business portfolio into four major areas, and will pursue the following strategies for each area.

Developing Businesses

(Businesses with growth and profitability potential that will enable them to become strategic growth businesses in the future)

We are working to build these businesses into strategic growth businesses by achieving their targets for scale and profitability as soon as possible.

Developing businesses are aerospace materials, optical materials and new eco-friendly materials. (See the following pages for a more detailed overview of these businesses.)

Strategic Growth Businesses

(Businesses in markets with strong growth potential that can expand and generate high profits by exercising the UBE Group's competitive advantages in areas such as technology and product development and marketing)

The UBE Group will concentrate resources on strategic growth businesses to rapidly expand the scale of the businesses and increase profitability. Among these businesses, we will focus in particular on pharmaceuticals, battery materials, fine chemicals and the polyimide chain.

- Pharmaceuticals: Establish a business model and create the foundation for faster growth.
- Battery materials: Accelerate capital expenditure for aggressive expansion into lithium-ion battery (LIB) materials, enlargement of the business domain and business expansion.
- Fine chemicals: Promote global business development and strengthen and expand distinctive products.
- Polyimide chain (polyimide, gas separation membranes): Strengthen business throughout the chain.

In addition, we have positioned specialty inorganic materials, recycling, and semiconductor-related and electronic materials as strategic growth businesses, and will pursue expansion of these businesses.

Core Platform Businesses

(Businesses in stable, maturing markets that allow the UBE Group to secure stable profits by exercising market dominance or competitive advantages such as cost and quality, and by differentiating its products)

The UBE Group will secure steady profits and cash flow from these businesses by allocating the necessary business resources to sustain and/or increase profitability.

In the caprolactam chain and synthetic rubber businesses, the UBE Group will increase production and add more value to capitalize on expected growth in demand in the Asian market and increase profits.

- Caprolactam: Maintain and strengthen our market presence.
- Synthetic rubber: Establish a supply network to meet increasing demand.

In the cement and ready-mixed concrete business, the calcia and magnesia business, the molding machines, industrial machinery and steel products business, and the coal and power business, we will strengthen business fundamentals and cash flow generation.

Rebuilding Businesses

The UBE Group will work to revitalize the aluminum wheel business concentrating on the Japanese market, which has strong demand for high-quality, lightweight wheels.

Capital Expenditures and R&D Costs

Capital expenditures over the three-year period will be set at a level equivalent to depreciation. Capital expenditures for new projects and to expand production will be concentrated on strategic growth businesses.
Capital expenditures over three years: ¥108.0 billion (equivalent to depreciation)

About three-quarters of capital expenditures for new projects and production expansion will be invested in strategic growth businesses.

R&D costs over three years: ¥45.0 billion

About two-thirds of this amount will be invested in projects related to strategic growth businesses and developing businesses.

Environmental Initiatives

The UBE Group will contribute to global environmental protection by stepping up energy conservation, fuel switching and waste recycling to reduce its greenhouse gas emissions, and by broadly promoting the use of its eco-friendly products.

As a company with its origins in coal, UBE has always been concerned with energy and environmental issues. In particular, the business, government, academic and civic sectors in the Ube region have aggressively undertaken air pollution countermeasures since the 1950s. Since then, UBE has created a variety of new technologies and products that contribute to environmental preservation, including energy-saving processes, gas separation membranes, lithium-ion battery materials, and waste processing at cement factories.

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

Results of Stage Up 2009

In Stage Up 2009, the UBE Group set the ambitious environmental target of reducing CO_2 emissions for fiscal 2010 by 12 percent compared with fiscal 1990 levels, based on guidelines for reducing CO_2 emissions not only from energy use but also from business processes (non-energy use). However, as a result of further strengthening our global warming prevention measures, we achieved this target ahead of schedule in fiscal 2008.

In addition to our existing organizations for energy saving, we established a Group-wide organization, the Global Warming Countermeasures Promotion Office, in July 2009 for the long-term investigation and promotion of measures to pursue further conservation of energy and reduce CO_2 emission volumes. The mission of this office is to exchange and share current information while promoting and providing support for compliance with global warming regulations and creation of new business opportunities.

Furthermore, the UBE Group's proprietary system for rapid assessment of greenhouse gas emissions was developed over a period of about one year and completed in March 2009. It has enabled timely, uniform management of energy usage and greenhouse gas emissions.

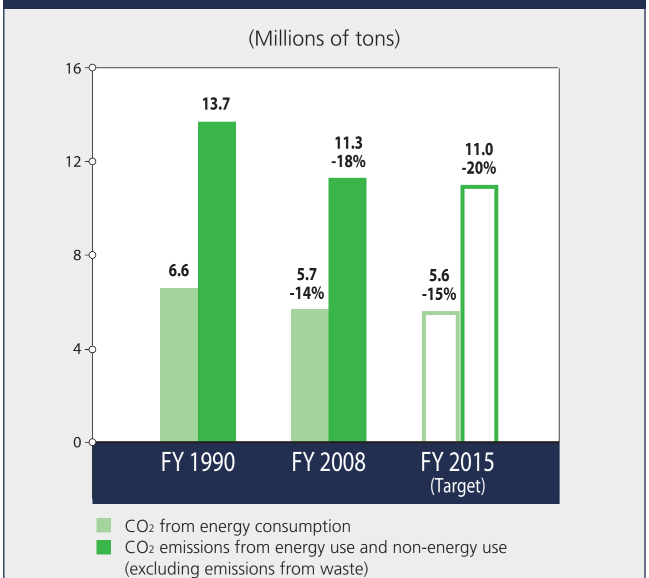
* Loan Program for Promoting Environmentally Responsible Business Management: The world's first loan program to adopt a special "environmental rating" technique. Companies are graded for their level of environmental management by a screening system developed by the Development Bank of Japan, and outstanding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

Environmental Initiatives under Stage Up 2012

Greenhouse Gas Reduction Targets

Stage Up 2012 includes the following targets for the UBE Group to reach by fiscal 2015. The Group will step up its initiatives to reduce greenhouse gas emissions by promoting energy conservation, fuel switching and waste recycling.

UBE GROUP OVERALL CO_2 EMISSIONS



Targets for Fiscal 2015

- CO_2 emissions from energy use: Reduce by 15% compared with fiscal 1990 levels
- Total CO_2 emissions from energy use and non-energy use (excluding emissions from waste): Reduce by 20% compared with fiscal 1990 levels

Specific Initiatives through Fiscal 2012

- Reduce CO_2 emissions from energy use by 180,000 tons annually through measures such as introducing energy-saving equipment and expanding use of waste materials.
- Monitor and manage CO_2 emissions from each business site using the greenhouse gas emission system, which enables swift and accurate assessment of emissions.
- Apply the Life Cycle Analysis (LCA) concept to core products to quantitatively grasp CO_2 emissions and reduction in every process, from raw material procurement to manufacturing, distribution, consumption, recycling and disposal.

Targets in Development of Eco-Friendly Technologies and Products

- In strategic growth businesses, expand sales of products including electrolytes and separators for LIBs, polyimide for flexible solar batteries, metal organic compounds for LEDs, and gas separation membranes.
- In core platform businesses, promote conversion to environmentally friendly applications, such as synthetic rubber for eco-tires and polyamide resin as a lightweight material for automobiles.
- In developing businesses, work toward early commercialization of optical materials for LEDs and organic electroluminescence, as well as new eco-friendly materials, including a synthetic fragrance that avoids destruction of aromatic trees, low-VOC coating materials, water purification systems that use photocatalytic reaction, and next-generation solar battery materials.

With these initiatives, we plan to increase sales of eco-friendly products from the current level of about ¥40.0 billion to about ¥120.0 billion in fiscal 2015. We will help to preserve the global environment through reduction of energy consumption and greenhouse gas emissions by encouraging widespread use of environmentally friendly products that are made from materials the UBE Group manufactures.

Examples of Environmental Initiatives at Cement Factories

Use of Waste Plastic as an Alternate Fuel

UBE's three cement factories are the ultimate resource recycling plants. They recycle more than 3 million tons of waste materials and by-products annually for use as raw materials or energy sources. By recycling waste plastic and other waste materials, which previously had been burned in simple incinerators or disposed of in landfills, as energy sources, we reduce the amount of coal we use, thus conserving energy while reducing the volume of CO_2 emissions.

Acceptance of Ash from Municipal Garbage Incinerators

Since April 2002, ash from municipal garbage incinerators, one type of waste used as a raw material, has been pre-processed for desalination, resolution of dioxin and removal of foreign substances at Yamaguchi Eco-Tech Corporation, a joint investment between UBE and Tokuyama Corp. The ash is then taken to the Ube Cement Factory. The Kanda Cement Factory has been accepting ash directly from the local government in increasing volume since its installation of a high chlorine bypass system. The factory has also installed dedicated processing equipment for incinerated ash recovered from the local government's final disposal site. This technology is drawing attention by extending the lives of disposal sites and allowing the reuse of land by cleaning it, thus contributing substantially to the preservation of the local environment. Further, UBE plans to accept even more waste material starting in 2011 when it begins operation of a waste plastic fuel conversion plant that pre-processes waste plastic and produces fuel from it.

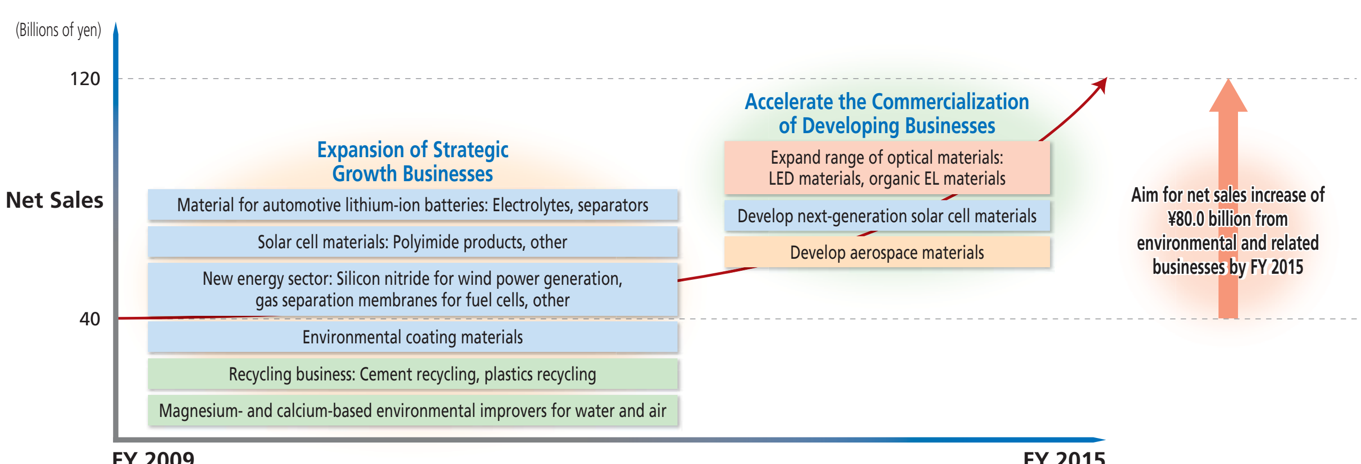
Recycling of Sewage Sludge

Sewage sludge discharged from sewage treatment plants of local governments is taken to UBE cement factories using Japan Railways' closed container shipping system as a modal shift. There it is recycled as a raw material for cement, thus significantly helping to extend the life of final treatment facilities and reduce CO_2 emissions. The Isa Cement Factory dries the sewage sludge in a kiln incinerator, and also plans to install equipment to use it as a thermal energy source.

Use of Exhaust Heat

In 2010 the Ube Cement Factory plans to begin recovering heat from clinker cooler exhaust gas and using it to pre-heat boiler feed water at a 145MW power generation facility. This will enable energy savings at the factory's on-site power plant.

Expansion of Environmental Businesses



FEATURE: INNOVATION AND VALUE CREATION

Research and Development

In its R&D operations, the UBE Group is undertaking initiatives to discover and nurture the "seeds" that will lead to sustained growth, with the mission of creating next-generation businesses and building on fundamental technologies.

Basic Strategies of Stage Up 2012

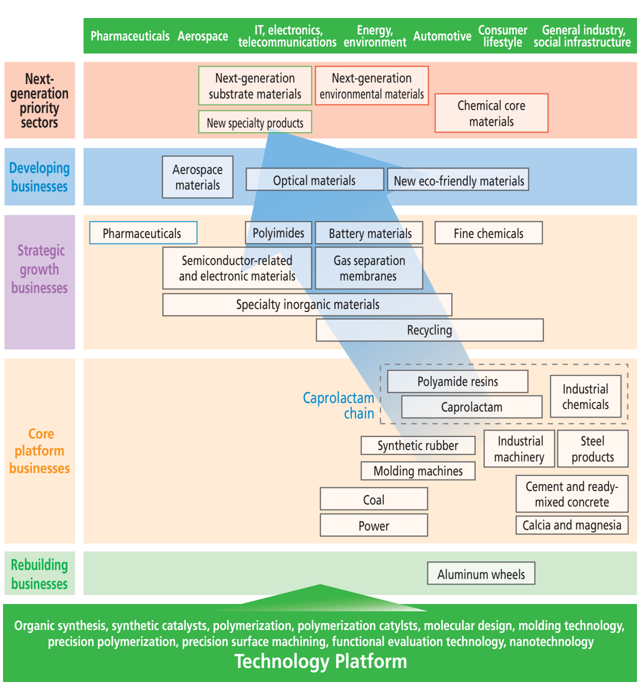
- R&D costs over the three years will be ¥45.0 billion, of which two-thirds will be allocated to strategic growth businesses and developing businesses.
- Corporate R&D will focus on commercialization of optical materials and new eco-friendly materials identified as developing businesses. It will also conduct research in next-generation areas such as next-generation battery materials and new chemical core materials, with a focus on paradigm shifts.

MAKOTO UMETSU Managing Executive Officer

Promotion of Fusion-Tech for Innovation

UBE's strength is that it is one of the few chemical companies with organic, polymer and inorganic technologies. In recent years, R&D has had great difficulty in meeting market demand using only a single technological area. Therefore, we leveraged this strength to combine technologies as we pursue breakthroughs with perspectives and technologies that differ from other companies.

UBE Group Business Portfolio and Target Market/Technology Direction



Results of Stage Up 2009

In Stage Up 2009, we established an R&D portfolio consisting of four key fields — IT & electronics (optics), energy (environment), pharmaceuticals and base chemicals — and focused on pharmaceuticals, specialty inorganic materials and aerospace materials as developing businesses. Following the approval and launch of Prasugrel in Europe and the United States in 2009, we combined our pharmaceutical department and pharmaceutical custom manufacturing operations into the new Pharmaceutical Division in April 2010 to promote the further growth of this business. In specialty inorganic materials, some products, including silicon nitride powder, advanced to the strategic growth business stage. In October 2009, the UBE Group Business Promotion Office on Inorganic Specialty Products was established to strengthen cooperation within the UBE Group toward creating new specialty materials. We are also making steady progress in aerospace materials, though full-scale commercialization will take more time because of the particularly high reliability demands in this business.

In our R&D organization, in April 2009 we restructured our research laboratories into five laboratories based on function, and appointed younger laboratory managers to energize research operations. This setup has better facilitated the development of junior staff and promotion of research themes.

R&D Strategy of Stage Up 2012

In Stage Up 2012, we will maintain the four key fields of the preceding medium-term plan in our R&D portfolio and further flesh out the content of each field. For developing businesses, we have changed our previous policy of setting a three-to-five-year development period. We have defined aerospace materials, optical materials and new eco-friendly materials as three businesses that are worth developing because of their future potential, and will strive to develop them into strategic growth businesses by achieving revenue and profitability targets as soon as possible, without setting any time limits.

Aerospace Materials

We will continue to develop the aerospace materials business, which requires a longer period from development to commercialization than other businesses. The UBE Group plans to steadily commercialize advanced materials that are expected to generate demand from the aerospace industry, and to build a framework for full-scale production. These materials include ultra heat-resistant polyimide foams, resins for composite materials, and *Tyranno Fiber*.

Optical Materials

Growth in demand for LEDs for lighting and display applications is projected to increase as people become more energy-conscious. To meet this demand, the UBE Group will work to quickly bring to market and commercialize its Melt Growth Composite (MGC) light conversion material and nitride phosphors for white LEDs, as well as blue light-emitting organic electroluminescent materials.

UBE's MGC light conversion material is a new fluorescent material for white LEDs that incorporates new functions in a specially manufactured ceramic single-crystal composite. It features excellent durability and heat resistance, and its high light efficiency helps customers shorten the manufacturing process.

UBE is also aiming to leverage its strength in manufacturing silicon nitride powder to develop nitride phosphors with higher performance.

New Eco-Friendly Materials

Products in this area include Heliotropin, a 100% synthetic fragrance that replaces fragrances derived from natural woods to prevent deforestation, and water-borne polyurethane dispersion (PUD) materials that provide an alternative to materials that emit volatile organic compounds (VOCs). The UBE Group will endeavor to rapidly launch mass production and expand commercial sales of these and other new eco-friendly fine chemicals. In addition, the UBE Group will develop and commercialize other eco-friendly materials such as the *Aqua Solution®* water purification system, which uses photocatalytic fibers to provide outstanding organic decomposition and antibacterial performance, and proprietary materials for dye-sensitive solar cells offering excellent durability.

Strengthening Next-Generation Priority Sectors

Strengthening next-generation R&D priority sectors is essential in promoting development themes to the level of developing businesses. One area of focus is next-generation substrate materials to follow lithium-ion batteries in the new eco-friendly materials business. Another is chemical core materials to follow existing materials such as caprolactam and dimethyl carbonate (DMC) in advancing the development of derivative products. UBE plans to deploy its catalytic and other technologies in pursuit of successors to its C1 and nitrite technologies.

Focus on Discoveries at External Research Institutes

In order to develop research themes more quickly and effectively, UBE has taken up open innovation. This includes strengthening relationships with universities and research organizations in Japan and overseas, and aiding discoveries by external organizations through technological intermediaries. Following our comprehensive cooperative partnership agreement with local Yamaguchi University in 2004, we have expanded the range of our partnerships by entering into a comprehensive partnership agreement with Kyushu University in 2009. Further, we are leveraging our manufacturing and research bases in Thailand in preparation for joint research with several Thai universities as a way to promote the globalization of research and personnel exchanges.

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

An intellectual property strategy is essential to fully mobilize our technology portfolio. UBE considers intellectual property a key asset supporting business operations, and works to create, protect and deploy strategic intellectual property using a "three-in-one" strategy that encompasses business divisions, research and development divisions and the Intellectual Property Department. Particularly for specialty materials, which are positioned as developing businesses and strategic growth businesses in our business portfolio, patent strategy can have a significant impact on the ability to expand and evolve a business. Therefore, we are focusing on acquiring strategic intellectual property linked with R&D and business strategies. We intend to obtain "offensive patents" that build a strong patent network to preclude the entry of competitors as we work to secure and maintain our competitive advantage. The Intellectual Property Department, which is directly controlled by the president of UBE, takes main charge of and pursues these strategies.

BUSINESS OVERVIEW

Segment	Share of Net Sales	Share of Operating Income	Share of Assets
CHEMICALS & PLASTICS	29%	19%	32%
SPECIALTY CHEMICALS & PRODUCTS / PHARMACEUTICAL	14%	26%	17%
CEMENT & CONSTRUCTION MATERIALS	34%	22%	31%
MACHINERY & METAL PRODUCTS	15%	14%	10%
ENERGY & ENVIRONMENT	8%	16%	8%

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

PHARMACEUTICAL

Principal Products/Businesses

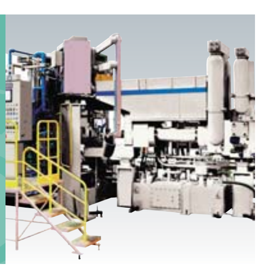
- Pharmaceuticals
  (Active ingredients, intermediates)

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

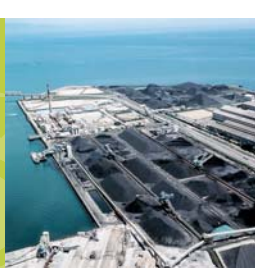
MACHINERY & METAL PRODUCTS



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.

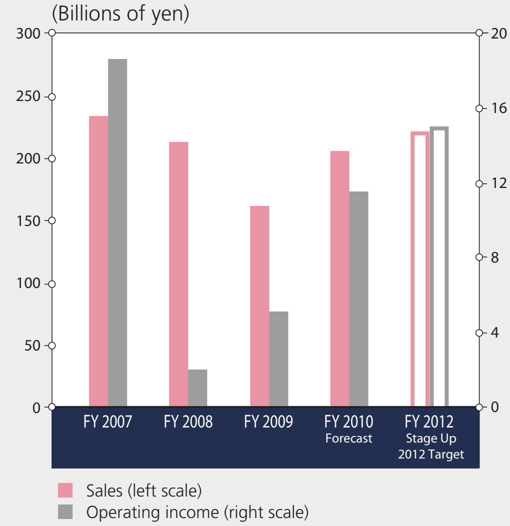
Market Trends	Fiscal 2009 Results
• Demand for caprolactam rose in Asia, centering on China, from the second quarter of fiscal 2009. • Recovery of polyamide resins firmed in Asia from the third quarter of fiscal 2009, but remained weak in Europe and the United States. The market for film applications for foodstuffs and other products was firm. • Demand increased in China for synthetic rubber for tires, HIPS and other applications. The Japanese tire market was also on a recovery track.	• Consolidated segment sales decreased by 24.2 percent year-on-year to ¥161.1 billion, and operating income increased by 152.5 percent to ¥5.1 billion. • In the caprolactam business, production increased to meet demand, and the spread was restored and expanded. • Preparations are underway for the July 2010 commencement of operations of a 50,000-ton polyamide resin production facility in Thailand. • In the synthetic rubber business, the polybutadiene factory of a Chinese equity affiliate began operations in May 2009.
• Demand for polyimide film began to recover firmly from early 2010. • In the battery materials business, demand continued to expand as the mobile lithium-ion battery market grew, but intense competition is driving prices down. Recovery in demand for high-end products has been slow. • Demand for fine chemicals recovered rapidly from the second quarter of fiscal 2009, mainly in Asian markets, but prices are weak. • Capital expenditure-related demand for gas separation membranes remained weak.	• Consolidated segment sales decreased by 13.4 percent year-on-year to ¥75.4 billion, and operating income increased by 7.4 percent to ¥7.2 billion. • Additional facilities are being added and test operations are under way at the 10th and 11th production facilities for polyimide film, which are now under construction, to respond to market demands for increased functionality. • The separator business commenced operation of its 6th separator production facility in April 2009. • New plant construction began in Thailand for 1, 6-hexanediol and in Ube City for polyurethane diversion, as demand grows for fine chemical products for environmental applications.
• Sales of in-house products *Talion*® and *Calblock*® remained strong. • Sales of Prasugrel (Product name: *Effient* ™ in the United States and *Efient*® in Europe) grew moderately.	• In the in-house pharmaceutical business, antiplatelet agent *Effient* ™ received sales approval from the U.S. Food and Drug Administration in July 2009. • Construction commenced of the cGMP-compliant 4th pharmaceutical production facility, with completion scheduled for summer 2012.
• Demand for cement in Japan continued to weaken, falling to 42,730 thousand tons in fiscal 2009. • Construction-related demand for calcia and magnesia remained weak, but demand for steelmaking recovered in the latter half of fiscal 2009. • Recovery in the semiconductor, home appliance and automobile markets boosted a rebound in demand for specialty inorganic materials.	• Consolidated segment sales decreased by 11.7 percent year-on-year to ¥184.8 billion, and operating income decreased by 30.5 percent to ¥6.1 billion. • In the cement business, UBE will adjust production to weakening domestic demand and reduce fixed costs. • The June 2009 completion of installation of equipment for pretreatment of incinerated ash at Kanda Cement Factory expanded UBE's urban waste and ash incineration capabilities. • Ube Material Industries, Ltd. successfully developed high-performance zinc oxide powder, which is expected to see market growth for use in solar cells and liquid crystals.
• Demand for molding machines continued to be weak from automobile manufacturers, the core customer industry. • In the industrial machinery business, competition for orders toughened due to cutbacks in capital expenditure since the global financial crisis. • Demand for steelmaking products decelerated from the latter half of fiscal 2008 and profitability worsened. • Domestic automobile sales bottomed out in March and April 2009 and now are trending toward recovery. Products for hybrid cars grew significantly.	• Consolidated segment sales decreased by 26.6 percent year-on-year to ¥80.8 billion, and operating income decreased by 7.9 percent to ¥3.7 billion. • Production and shipment for a large-scale project for Oman went as scheduled as UBE achieved record sales of industrial machinery. • Withdrawal from the North American aluminum wheel business was completed on schedule.
• Coal and freight prices dropped substantially as global demand slackened following the financial crisis. • With rising capacity utilization in all manufacturing industries, demand for coal for in-house power generation recovered from the third quarter for fiscal 2009.	• Consolidated segment sales decreased by 29.4 percent year-on-year to ¥43.6 billion, and operating income decreased by 49.5 percent to ¥4.3 billion. • Shipments of coal for sale and coal dealing volume decreased significantly. • In the IPP business, due in part to regular biannual repairs, operating efficiency and supply decreased, and repair costs increased. • UBE decided in May 2010 to withdraw from its plastic waste conversion operations using the Ebara-Ube Process (EUP) system as recovery could not be forecast.

CHEMICALS & PLASTICS

Designating the brisk Asian market as a priority target, we will meet demand with full production and product marketing to establish our position as a leading company and secure stable profits.

SEGMENT SALES AND OPERATING INCOME

(Billions of yen)



BASIC STRATEGIES OF STAGE UP 2012

Synthetic Rubber

- Expand the market for metallocene butadiene rubber (MBR), a new product.

Caprolactam Chain

- Designate the brisk Asian market as a priority target and meet demand with full production and product marketing. In particular, commence full-scale commercial operations to secure full operating levels for nylon polymers at expanded production facilities in Thailand.
- Strive to maintain or enlarge the spread between selling prices and raw materials, supported by strong demand; expand the nylon compound business and increase the ratio of specialized items in synthetic rubber to provide added value.
- Conduct feasibility studies on new production facilities for caprolactam and synthetic rubber as a measure in response to the Asian market, which will continue to grow.

Film applications for polyamide 6

Fiscal 2009 Results

Consolidated segment sales decreased by 24.2 percent, or ¥51.4 billion, year-on-year to ¥161.1 billion, and operating income increased by 152.5 percent, or ¥3.1 billion, to ¥5.1 billion.

Shipments of caprolactam, polyamide resins and polybutadiene rubber (synthetic rubber) increased from the previous fiscal year with the rapid recovery of demand, which had declined substantially from the second half of the previous fiscal year. However, product sales prices decreased due to the market slowdown and falling raw material prices. Shipments of industrial chemicals were weak, due to a delay in recovery of demand.

FISCAL 2009 INITIATIVES AND FISCAL 2010 STRATEGIES

Fiscal 2009 Initiatives

Synthetic Rubber Business:

- For butadiene rubber (BR), domestic sales recovered, exports to China increased, and there was a gradual recovery for both tire and non-tire applications.
- Start of commercial operations of BR production at a plant established as a joint venture in Nantong, China.
- Established production technology for metallocene butadiene rubber (MBR) using a metallocene catalyst, to respond to customer demand for higher functionality.

Caprolactam Business:

- Sales volume of caprolactam, the raw material of nylon, increased from the second quarter with strong demand from Asia, centering on China.
- Restored and enlarged the spread.

Polyamide Business:

- The Asian market staged a firm recovery from the third quarter, but Europe and the United States continued to struggle.
- Sales volume grew strongly, mainly for extrusion, but sales prices struggled.

Industrial Chemical Business:

- Recovery of liquid ammonia business firmed in the second half of fiscal 2009, but overseas markets remained weak.
- Worked to maintain sales prices.

Fiscal 2010 Strategies

Synthetic Rubber Business:

- A complete recovery is forecast in the Asian market, with full production and marketing.
- Commence commercial operations for MBR.

Caprolactam Business:

- Forecast full production at all plants.
- Set appropriate sales prices and maintain spread.

Polyamide Business:

- Fully implement price increases in Japanese market to substantially improve revenues.
- Expanded production facilities for nylon polymers are scheduled to begin sales in July 2010.

Industrial Chemical Business:

- Forecast of increase in capacity ratio with recovery of liquid ammonia.
- Strive for stable operation of production facilities and stabilize quality.

STRATEGIC FOCUS

Commercialization of MBR

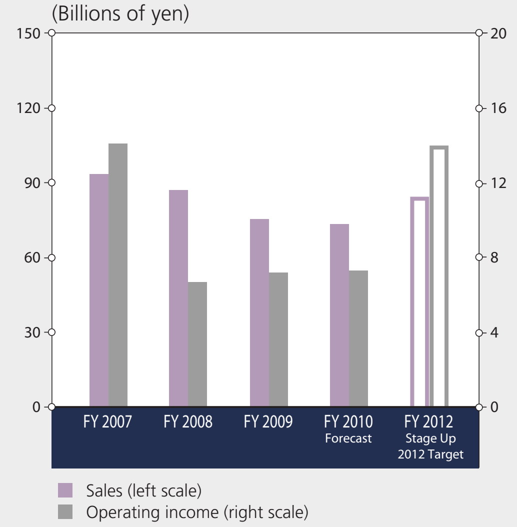
MBR is a butadiene rubber produced using a metallocene catalyst. When used as a modifier with polystyrene or ABS resins, it vastly improves shock resistance compared with existing products. Reducing the amount of rubber used improves a wide variety of physical properties, including formability and luster. UBE expects MBR to grow substantially in the future, as market demand is high.

UBE completed trial manufacture of MBR in fiscal 2009, and aims to increase profits with the start of the world's first MBR production in fiscal 2010.

SPECIALTY CHEMICALS & PRODUCTS

By expanding the scale and maximizing profits of businesses in growth markets and by expanding into related businesses, we aim to create a business structure with stable high revenues and growth potential.

SEGMENT SALES AND OPERATING INCOME



BASIC STRATEGIES OF STAGE UP 2012

Battery Materials Business

- Maintain our competitive edge in electrolytes with differentiation through our unique patents, our ability to develop additives that meet leading-edge, diverse customer needs, and other means, and establish an infrastructure to prepare for growing demand for lithium-ion batteries (LIBs) for vehicles. For separators, expand production capacity and strengthen cost competitiveness to meet growing demand, and lead the market by promoting use in new vehicle LIBs.

Fine Chemicals Business

- Increase revenues from 1,6-hexanediol with the startup of a new plant in Thailand and by coordinating and optimizing global production and sales. Also, commercialize Heliotropin, an eco-friendly product, and launch the polyurethane dispersion (PUD) business.

Polyimide Business

- Expand sales of film for flat-screen display panels to chip-on-film (COF) applications in addition to tape-automated bonding (TAB), and work to boost demand in the flexible solar battery market, the automotive parts field and other areas.

Polyimide molding materials

Fiscal 2009 Results

Consolidated segment sales decreased by 13.4 percent, or ¥11.6 billion, year-on-year to ¥75.4 billion due in part to the negative effect of foreign currency translation. However, operating income increased by 7.4 percent, or ¥0.4 billion, year-on-year to ¥7.2 billion.

Demand, which plunged with the economic downturn that began in autumn 2008, showed a modest recovery in the segment as a whole. Shipments of electrolytes and separators for lithium-ion batteries and pharmaceutical active ingredients and intermediates were particularly strong. Shipments of fine chemicals and high-purity chemicals for semiconductors were also solid. However, shipments of polyimide products were still in the process of recovering and shipments of gas separation membranes were weak.

Fiscal 2009 Initiatives

Polyimide Business:

- Demand for film for flat panel displays gained momentum from the start of 2010 despite the effect of temporary panel inventory adjustments in early autumn 2009.
- Although shipment volume increased in response to demand trends, stronger downward pressure on prices and intensified competition led to a drop in selling prices.
- Began entry into the Korean market with COF applications for LCD panels.
- The 10th and 11th production facilities at the Sakai Factory were under construction.

Battery Materials Business:

- Strong shipments of electrolytes continued, supported by growth in the mobile-use LIB market. While annual shipment volume returned to the level prior to the Lehman Brothers collapse, selling prices trended downward due to intensified competition. Conducted preparations to be ready for growth in the automotive market.
- Launched new electrolyte products for mobile use. In the automotive market, continued to receive and actively respond to brisk requests for samples from domestic and overseas customers.
- Demand for separators rose on strong market conditions in Asia, and a production facility expansion that came on line in April 2009 operated smoothly. Moved forward on development of new high-performance membranes in anticipation of automotive applications.

Gas Separation Membrane Business:

- Shipments were weak overall due to slumping demand in North America for nitrogen gas separation and alcohol dehydration, which are major applications.
- Conducted membrane development for performance improvement and new applications.

Fine Chemicals Business:

- Demand for most products recovered rapidly from the second quarter onward, primarily in the fast-growing Asian market.
- Achieved full production and full sales of 1,6-hexanediol, which is in growing demand for environmental applications, and polycarbonate diol (PCD).
- Began mass production of water-borne polyurethane dispersion (PUD) and developed Heliotropin production process.
- Began construction of a new 1,6-hexanediol production facility in Thailand and a PUD production facility in Ube City.

Silicon Nitride Powder Business:

- Although demand and shipments declined due to the weak economy, they trended toward recovery in the second half. There were large differences in the speed of recovery according to application, with moderate recovery for ceramic bearing balls.

Fiscal 2010 Strategies

- ◆ Raise market share by introducing upgraded features in the COF field.
- ◆ Begin full-fledged sales for flexible solar battery applications and develop new customers.
- ◆ Strengthen competitiveness by starting up the new production lines at the Sakai Factory and by reorganizing the existing production lines at the Ube Chemical Factory.

Electrolytes

- ◆ Amid market growth and increasing competition, continue our strategy of differentiation by performance and quality, including new product introductions, to further expand sales volume.
- ◆ Boost competitiveness by reviewing the supply chain and improving processes.
- ◆ Steadily expand production capacity to match demand.

Separators

- ◆ Plan to continue full production, primarily for mobile device applications in the Asian market.
- ◆ Prepare for mass-production phase for automotive applications.

- ◆ Demand recovery starting, but expected to take time.
- ◆ Promote sales expansion for environmental applications such as biogas decarboxylation, and upgrade sales operations globally to meet customer needs quickly and accurately.

- ◆ Expand sales in Asian market.
- ◆ Improve profit margins with pricing strategy based on improved supply-demand balance.
- ◆ Launch PUD production facility and expand sales in earnest.
- ◆ Increase capacity for high-purity dimethyl carbonate (DMC) to prepare for expansion of demand for LIBs.

- ◆ Focus on expanding sales for environmental applications.

STRATEGIC FOCUS

Lithium-Ion Battery Materials

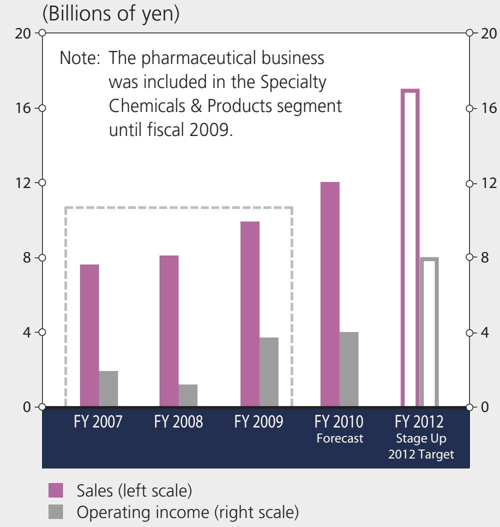
Lithium-ion batteries (LIBs) are increasingly used not only in mobile phones and notebook PCs, but also in new environmental applications such as the power sources of electric and hybrid vehicles and solar batteries. These new applications are expected to drive rapid growth in demand. UBE already has a well-established position as a manufacturer of electrolytes and separators, which are major components of LIBs. We are also developing products for vehicle applications. Here, our solid reputation in electrolytes for technology development and product quality and reliability as a leading manufacturer of high-performance consumer-use products, and in separators for our dry manufacturing process that enables cost competitiveness and safety, is fueling high expectations from the market.

PHARMACEUTICAL

By maximizing the strengths of its pharmaceutical business, which conducts research, development and manufacturing of UBE's in-house products and custom manufacturing of APIs and intermediates, UBE will accelerate the growth of this business as a third pillar of its chemicals operations.

SEGMENT SALES AND OPERATING INCOME

(Billions of yen)



BASIC STRATEGIES OF STAGE UP 2012

UBE's In-House Product Business

- UBE will expand its pipeline to develop new products to follow its three existing agents, and will strengthen collaboration with major pharmaceutical companies to further accelerate the pace of development. In addition, UBE will carry out life cycle management (LCM) of existing products and take measures to deal with the expected future entry of generics.

Custom Manufacturing Business

- Drawing on its extensive experience and track record in the development of industrialized processes and the manufacture of fine chemicals, the UBE Group manufactures APIs and intermediates for new drugs under contract for Japanese and international pharmaceutical companies. The Group will work to increase profits by expanding production capacity with a fourth pharmaceutical plant, now under construction, that is compliant with current Good Manufacturing Practice (cGMP), and by raising the level of Chemistry, Manufacturing and Controls (CMC).

UBE's in-house pharmaceutical products

Fiscal 2009 Results

The pharmaceutical business was included in the Specialty Chemicals & Products segment until fiscal 2009. With a stronger foundation for profitability, however, this business was repositioned from a developing business to a strategic growth business and established as a separate segment in fiscal 2010.

The segment's consolidated sales and operating income through fiscal 2009 are included in Specialty Chemicals & Products. Please refer to page 18.

FISCAL 2009 INITIATIVES AND FISCAL 2010 STRATEGIES

Fiscal 2009 Initiatives

UBE's In-House Product Business:

- The market share of *Talion*® gradually rose with continued expansion of the antiallergy market in Japan.
- Sales of *Talion*® began in Southeast Asia, and shipments of *Talion*® eye drops to the U.S. were strong.
- Prasugrel sales increased gradually following its approval and launch in the United States and Europe.
- Phase I-II clinical trials of a glaucoma treatment are in progress.

Custom Manufacturing Business:

- Although the market expanded, competition intensified due to the market entry of suppliers from countries such as China and India that have established GMP facilities.
- UBE focused on enhancing its pipeline, mainly with APIs, by drawing on its experience in development of industrialized processes and its fine chemical production technologies.
- This business struggled in competition with companies in other countries, due in part to the effect of currency exchange rates.

Manufacturing Facilities:

- UBE is constructing a cGMP-compliant fourth pharmaceutical plant that is slated for completion in 2011.

Fiscal 2010 Strategies

- ◆ We expect Prasugrel to gradually increase its market presence. We will also continue efforts to obtain approval in South America, Asia and Oceania.
- ◆ We will move toward filing and approval of the glaucoma treatment in the United States and Japan.

- ◆ The entry of low-cost suppliers from newly industrialized countries will accelerate.
- ◆ UBE will strive to obtain new orders by making efforts to continuously cut costs, raise cost competitiveness through sourcing from overseas, and eliminate the exchange rate effect.

STRATEGIC FOCUS

Development of Prasugrel

Prasugrel (product name: *Effient*™ in the United States and *Efient*® in Europe), an antiplatelet agent co-developed by UBE and Daiichi Sankyo Co., Ltd., is UBE's third product developed in-house, along with the antiallergy agent *Talion*® and the antihypertensive agent *Calblock*®. It is gaining recognition as a new treatment for prevention of atherothrombotic events such as heart attack or stroke.

Prasugrel was approved and launched in Europe in February 2009 and the United States in July 2009. Clinical trials for additional indications are currently under way.

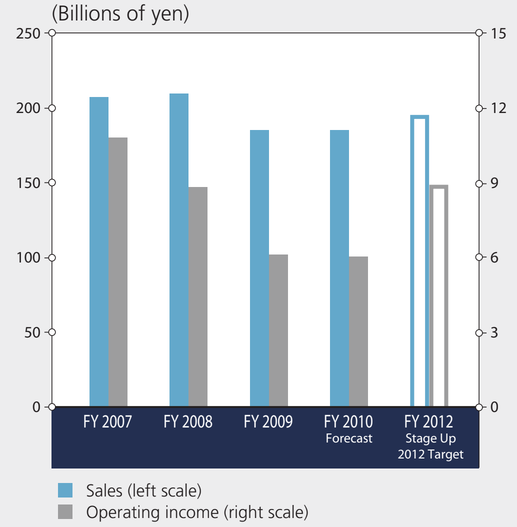
By leveraging its synthesis technologies honed over many years as a chemical manufacturer, UBE will conduct efficient discovery research to discover effective compounds and expand its business of pharmaceutical products developed in-house.

CEMENT & CONSTRUCTION MATERIALS

We will build the foundation for profitability into the future to contribute to improving the corporate value of the UBE Group's core platform business.

SEGMENT SALES AND OPERATING INCOME

(Billions of yen)



BASIC STRATEGIES OF STAGE UP 2012

Cement and Ready-Mixed Concrete Business

- In the cement business, build an optimized production system that matches current business conditions.
- In the ready-mixed concrete business, promote structural reform of ready-mixed concrete toward thorough streamlining aimed at securing profits.

Resource Recycling Business

- Waste processing at cement kilns is an important source of profit, with demand for recycling in the cement production process already high and forecast to grow, and we will implement technical development and planned investment to further expand the business.

Calcia, Magnesia and Specialty Inorganic Materials Business

- Strengthen profitability of the business platform and display business potential with growth of new markets and new products.

Building Materials Business

- Develop new uses for materials other than self-leveling materials to expand the scale of business.

Isa Cement Factory and limestone mine

Fiscal 2009 Results

Consolidated segment sales decreased by 11.7 percent, or ¥24.6 billion, year-on-year to ¥184.8 billion. Operating income decreased by 30.5 percent, or ¥2.7 billion, to ¥6.1 billion.

Shipments of cement, ready-mixed concrete and building materials were low, reflecting not only a slump in construction demand due to depressed capital investment and housing construction, but also weak public investment. Recycling of various types of waste for use as raw materials or fuel for cement manufacturers and shipments of magnesia products were also low. On the other hand, shipments of calcia products showed signs of recovery, supported by an increase in raw steel production, but still decreased compared with the previous fiscal year.

FISCAL 2009 INITIATIVES AND FISCAL 2010 STRATEGIES

Fiscal 2009 Initiatives

Cement and Ready-Mixed Concrete Business:

- Domestic demand for cement decreased from 50.1 million tons to 42.7 million tons. Construction demand remains weak, including demand for ready-mixed concrete.
- Raised cement prices citing, as reasons, the need to have a price for re-investment and the high price of coal.

Resource Recycling Business:

- With the slowdown in industrial activity, there was a reduction of overall volume of waste generated.
- In waste for fuel use, rising fuel costs, response to global warming and other factors drove up demand for waste plastic, making collection difficult.
- Shored up processing equipment for waste for fuel use, newly set up incinerator ash treatment equipment.

Calcia, Magnesia and Specialty Inorganic Materials Business:

- Construction-related demand declined, but steel-related demand recovered in the second half.
- A decline in sales of refractories for building was covered by a recovery in lime products.
- Ube Material Industries, Ltd. succeeded in developing a highly functional zinc oxide powder for use in markets expected to expand, such as solar batteries and liquid crystals.

Building Materials Business:

- The number of new housing starts remained low, with a particularly large decline in condominium construction.
- With a significant decline in sales of self-leveling materials, a core product, we strengthened sales for civil engineering and sought to develop applications for the self-leveling method, an UBE strength.

Fiscal 2010 Strategies

Cement and Ready-Mixed Concrete Business:

- ◆ Move to a production system more in line with demand, which is expected to fall further for both cement and ready-mixed concrete
- ◆ Improve management at sales company Ube-Mitsubishi Cement Corporation by cutting expenses, rationalizing distribution facilities and reforming its structure.
- ◆ Secure the same amount of export volume as fiscal 2009 to maintain domestic operations.

Resource Recycling Business:

- ◆ Shift toward waste with higher revenue for disposal and aim to boost profitability.
- ◆ Raise the price of waste accepted for use as raw materials and the unit price for treatment of urban waste ash.
- ◆ Bolster collection of waste plastic for waste for fuel use.

Calcia, Magnesia and Specialty Inorganic Materials Business:

- ◆ Work to restore profits with increased demand for specialty organics such as MOS-HIGE and electronic materials.
- ◆ Shore-up moves into the non-refractory and environment fields.
- ◆ Reduce inventories and cut costs through various streamlining.

Building Materials Business:

- ◆ To counter the decline in sales of core self-leveling materials, strengthen development of other applications.
- ◆ Rationalize and cut costs, including shipping fees and other fixed costs, to improve profits.
- ◆ Strengthen the framework of the renewal business.

STRATEGIC FOCUS

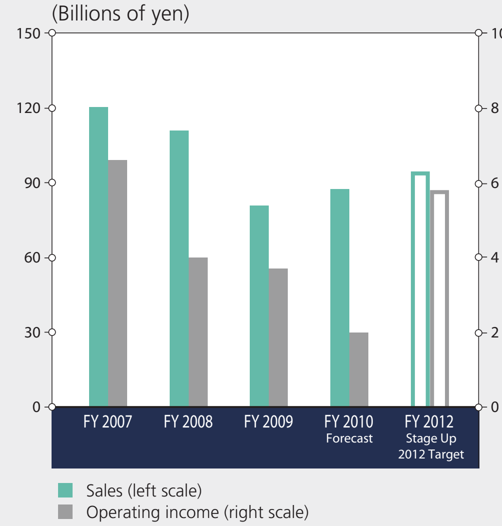
Contributing to the Environment through the Resource Recycling Business

The Resource Recycling Business actively engages in waste treatment to contribute to reducing greenhouse gases and work toward a recycling-based society, as well as to cut the cost of cement production. A variety of wastes can be used as raw materials in the cement production process, including sludge, incinerator ash, waste tires, waste lumber and waste plastic, thus reducing the burden placed on final disposal sites. Promoting the development of treatment technology and bolstering treatment equipment has made it possible to treat difficult-to-handle waste materials, including those with chlorine compounds. UBE will continue contributing to society and strengthening its platform for profitability by expanding this business.

MACHINERY & METAL PRODUCTS

We will pursue a unified approach to this segment, enhancing its ability to adapt to globalization and expanding the services business in order to generate stable profits and cash flow.

SEGMENT SALES AND OPERATING INCOME
(Billions of yen)



BASIC STRATEGIES OF STAGE UP 2012

Machinery Business

Molding Machinery Business

- Rebuild the business by expanding in newly industrialized economies and strengthening the service network.

Industrial Machinery Business

- Strengthen overseas sales and procurement to maintain profitability.

Steel Products Business

- Maintain profitability by expanding markets and customers.

Marine Machinery Business

- Maintain and expand high-profit models and make unprofitable models into earners to secure a stable profit structure.

Aluminum Wheel Business

- While raising customer satisfaction in terms of price, weight, quality and safety, achieve profitability with thorough rationalization and cost cutting.

UBE aluminum wheels

Fiscal 2009 Results

Consolidated segment sales decreased by 26.6 percent, or ¥29.2 billion, year-on-year to ¥80.8 billion, and segment operating income decreased by 7.9 percent, or ¥0.3 billion, to ¥3.7 billion.

In the machinery business, shipments of industrial machinery primarily for overseas resources-related industries, such as ceramic industry machinery and vertical mills, were strong, but shipment of molding machines were weak mainly due to depressed capital investment in the automobile industry. Orders for molding machines significantly decreased, and orders for various types of industrial machines slowed.

In the aluminum wheel business, shipments were lower than the previous fiscal year, in spite of an increase in the demand targeting hybrid vehicles. On the other hand, business performance improved in comparison with the previous fiscal year due to withdrawal from business in North America.

FISCAL 2009 INITIATIVES AND FISCAL 2010 STRATEGIES

Fiscal 2009 Initiatives

Molding Machinery Business:

- Automobile production volume showed a trend toward recovery, driven by newly industrialized economies, but remained weak in Japan, the United States and Europe.
- Despite strengthening sales in newly industrialized economies, intense price competition worsened profitability.
- Built a product lineup targeting newly industrialized economies.
- Continued development of machinery with reduced energy use and footprint.

Industrial Machinery Business:

- Latent demand existed for industrial machinery, but prices fell due to intensifying competition with other companies since the financial crisis.
- Strengthened the project management system of a large-scale project for Oman, ensured production and shipment according to plan and achieved record sales for all industrial machinery.
- For bridges, public works investment continued to decline and the weighting of corporate evaluation became larger in bidding.

Other Products (Steel):

- Demand dropped precipitously after the financial crisis and will be weak in the long-term. Signs of an upward turn showed in the South Korean market.
- Sales declined significantly compared with the past several years, and profitability worsened in conjunction with the fall in demand.

Aluminum Wheel Business:

- Japanese automobile sales bottomed out in March to April 2009 and are trending upward, but subsidies have ended and the outlook remains uncertain.
- Consumers have heightened environmental awareness and the subsequent fashionableness of eco-products led to significant growth in hybrid-related products.
- Implemented activities to make us the industry's leading light wheel manufacturer.

Fiscal 2010 Strategies

(Molding Machinery Business)

- Automobile production should recover, but production capacities are full globally and equipment demand is unlikely to rise with the situation in Japan, the United States and Europe in particular being unclear.
- Demand will rise in newly industrialized economies, but overseas manufacturers will focus on these markets, and competition with cheap local producers means we forecast a weak sales price.
- To expand sales in newly industrialized economies where demand is forecast to strengthen, we will post sales staff in priority areas, including shifts from Japan to overseas, and introduce products according to customer requirements.
- To respond to increasing demand in Asia, centering on China, and the globalization of automobile production, we will strengthen service base functions and enhance customer satisfaction to increase profitability.
- Study establishment of a base in Brazil.
- Develop new markets apart from the automobile market, such as general-purpose die casting engines in North America, two-wheelers in Southeast Asia, injection-molded household appliances and home equipment.
- Create new demand among customers by launching new products such as those with reduced energy and footprint.

(Industrial Machinery Business)

- In order to secure operating capacity at factories, strengthen overseas sales and secure order volume of industrial machinery by using general trading companies or agents, or through cooperation with overseas bases.
- Strengthen overseas procurement system to enhance cost competitiveness.
- Use UBE Machinery (Shanghai) Ltd. and UBE Machinery (Thailand) Ltd. as bases to strengthen overseas sales systems.
- For bridges, we will enhance responsiveness by improving the accuracy of our cost estimates and increase the number of engineers to enhance technical proposal capabilities in order to increase order opportunities and heighten order accuracy.

(Other Products (Steel))

- We forecast recovery of the Japanese market from the second half of fiscal 2010.
- We will maintain and strengthen relations with existing customers and develop new markets and customers to secure orders.
- We will maintain profitability by increasing productivity and cutting costs.

(Aluminum Wheel Business)

- Improve productivity and thoroughly streamline duties and cut costs.
- Develop lighter wheels.
- Secure production technologies using the HS casting method (low pressure casting and pressure applied within molds).
- Secure a management system and reform awareness about being an automobile components manufacturer.

STRATEGIC FOCUS

Products for Vale

The UBE Group's UBE Machinery Corporation Ltd. was awarded a contract in July 2008 for a range of industrial equipment including two rotary kilns from Shinsho Corporation to be used in an iron ore pellet plant being built in Oman by Vale, a major iron ore company based in Brazil. UBE delivered all the equipment ahead of schedule within fiscal 2009, earning high evaluation not just for quality, but also for its project management capability.

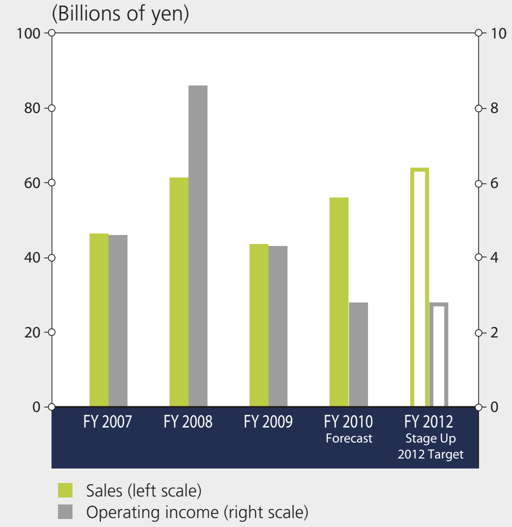
UBE will continue to enhance its ability to adapt to globalization, centering on newly industrialized economies, as it strives to secure orders in order to generate stable profits.

ENERGY & ENVIRONMENT

This segment is further improving its ability to ensure a stable supply of competitively priced energy to generate steadier earnings and cash flow.

SEGMENT SALES AND OPERATING INCOME

(Billions of yen)



BASIC STRATEGIES OF STAGE UP 2012

Energy & Environment Business

- This business functions as a shared infrastructure division of the UBE Group, and works to ensure a stable, competitively priced supply of energy (coal and electricity) to Group companies. In addition, as one of UBE's core platform businesses, it is reinforcing its operations to generate steadier earnings and cash flow.
- A long-term decline in demand for coal is projected with the transition to a low-carbon society. During the period of the medium-term plan, the Energy & Environment segment will therefore take proactive measures to cope with this adverse trend.

IPP power plant

Fiscal 2009 Results

Consolidated segment sales decreased by 29.4 percent, or ¥18.1 billion, year-on-year to ¥43.6 billion, and operating income declined 49.5 percent, or ¥4.2 billion, to ¥4.3 billion.

Both shipments of coal for sale and coal dealing volume at UBE's Okinoyama Coal Center (a coal storage facility) declined due to weak demand from customers in the electric power, chemical, fiber and textile, and other industries. In the independent power producer (IPP) business, capacity utilization and supply volume decreased relative to the previous year and maintenance expenses increased, due in part to scheduled maintenance carried out in alternate years.

FISCAL 2009 INITIATIVES AND FISCAL 2010 STRATEGIES

Fiscal 2009 Initiatives

Coal Business:

- The drop in coal demand following the economic downturn resulted in a steep decline in storage of coal for electric power.
- Minimized the decline in coal dealing volume by expanding coal sales.
- Raised overall sales competitiveness by diversifying import sources and enhancing technologies using coal.
- Expanded use of low-grade coal.

Electricity Business:

- Coal prices remained relatively high in spite of a decline from the levels in fiscal 2008, and prices are trending upward over the medium-to-long term. In UBE's private power plant and IPP businesses, ensuring competitiveness in coal-fired power has become imperative.
- In the power generation business, taking the initiative to reduce CO_2 emissions has become increasingly important.
- The IPP business continued to increase profits and reduce CO_2 emissions using biomass (wood chips, etc.) co-combustion.
- In the private power plant business, UBE worked to increase profits by selling surplus power to retail power suppliers and to the wholesale market. However, electric power prices fell.

Fiscal 2010 Strategies

Coal Business:

- Coal prices and ocean freight rates will rise with increasing demand in China and other newly industrialized countries. On the other hand, challenging conditions will continue in Japan with the slow economic recovery.
- Strengthen procurement and expand sales volume.
- Secure volume of coal for storage by developing new customers.
- Reorganize coal storage for more efficient management of Okinoyama Coal Center.
- Take steps to expand use of low-grade coal, with diversification of types of coal used and strengthening of measures at facilities.
- Diversify and optimize supply sources.
- Enhance technical services.

Electricity Business:

- UBE will need to address environmental issues as well as higher costs due to rising coal prices.
- Promote the use of low-grade coal and biomass co-combustion.
- Expand electricity sales to outside users.

STRATEGIC FOCUS

Okinoyama Coal Center

As Japan's largest fuel coal import and transshipment station, the Okinoyama Coal Center provides a stable supply of coal, an important energy source for Japan. The Coal Center has been working to expand capacity since fiscal 2007 to meet demand primarily in the Inland Sea region. It has a storage capacity of 2.6 million tons and is capable of handling 7.4 million tons annually (as of June 2010). The Coal Center includes facilities such as equipment for removing foreign substances and handling peat. It also strives to respond precisely to customer needs by providing technical support and other related services through its Coal Research & Development Department.

CORPORATE SOCIAL RESPONSIBILITY

The UBE Group will aggressively conduct initiatives for sustained growth with corporate social responsibility (CSR) activities as a core company focus and further enhance these activities to deepen the confidence of all stakeholders — from shareholders and capital markets to customers, business partners, employees, and local communities.

BASIC CSR POLICY

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

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

CORPORATE GOVERNANCE

Basic Policy

The UBE Group maintains good corporate governance as the basis for appropriate and sustainable business activities in order to fulfill its responsibilities to and earn the trust of all stakeholders, including shareholders, customers, suppliers, local communities and employees. Based on this commitment, UBE will continue to enhance corporate governance in ways such as working to raise management efficiency and transparency, accelerate decision making, clarify management responsibilities, and strengthen the supervisory function of management.

Corporate Governance System

UBE adopted an executive officer system with the aim of separating governance and management functions. This allows a system where executive officers can concentrate on executing duties, accelerating the decision-making process. In addition, the Board of Directors' role is clearly set as an organ for maximizing shareholder value from a medium- to long-term perspective, as the representative of shareholders' concerns for returns. The Board of Directors also oversees the appropriateness and efficiency of execution of duties in order to heighten transparency, maximize shareholder value and minimize risk.

UBE has not adopted the "company with committees" model, but to allow greater flexibility in the activities of the Board of Directors, UBE has established the Nominating Committee and Evaluation/Compensation Committee as internal committees.

Since fiscal 2005, UBE also appoints two outside directors to add a third-party view in the decision-making process to ensure transparency and objectivity.

To realize an agile reassignment of directors and executive officers and thoroughly instill an orientation toward results that raise short-, medium- and long-term performance for the UBE Group, the terms of office for directors and executive officers are one year. UBE considers corporate governance at all times and will continue striving for improvements in the strength and speed of corporate management's execution functions, strategic decision-making functions and corporate governance functions.

Board of Directors

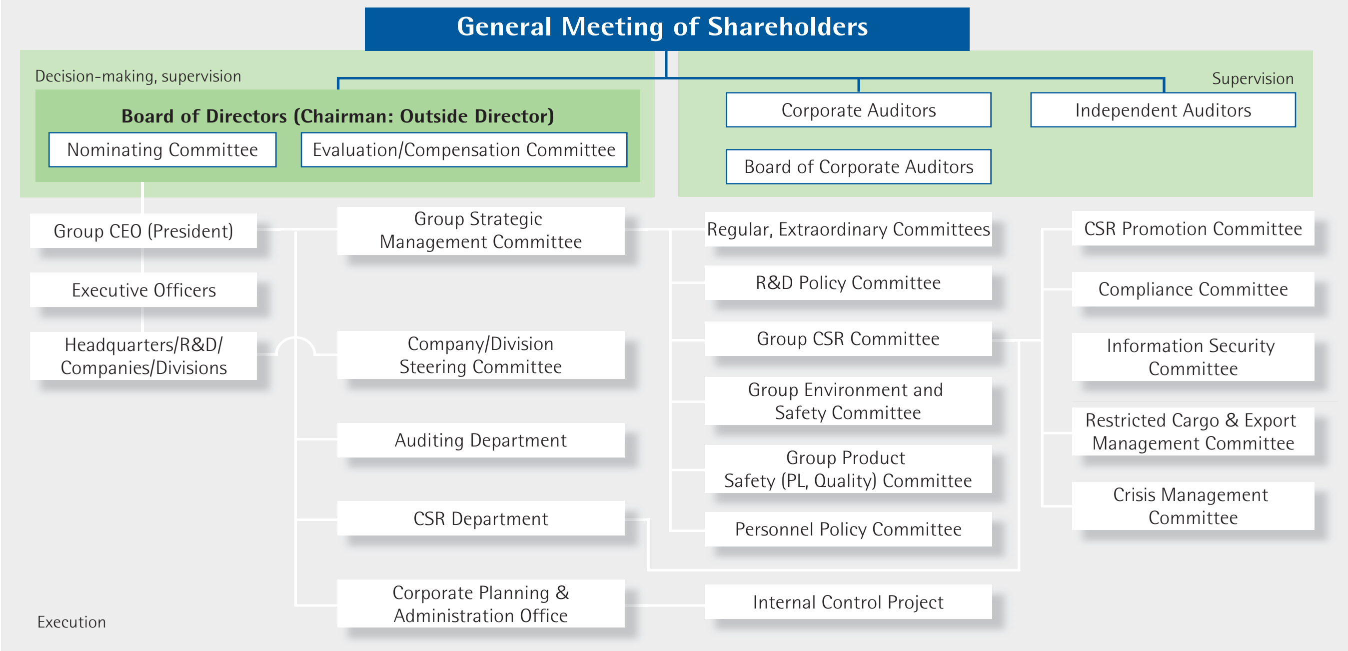
As the representative of shareholders' concerns for returns, the Board of Directors deliberates and makes resolutions regarding matters specified by law or regulation, the Company's articles of incorporation and the rules of the Board of Directors, as well as the Company's basic policy and important business execution issues from a medium- to long-term perspective. The Board of Directors comprises eight members (two of whom are outside directors) and aims to accelerate decision making. As of the end of May 2010, an outside director serves as Chairman of the Board of Directors and the Board holds meetings as necessary (at least once every three months).

To allow greater flexibility in the activities of the Board of Directors, subsidiary committees responsible for director nomination, evaluation and remuneration have been established. As of the end of May 2010, the Nominating Committee and the Evaluation/Compensation Committee each had eight members, and both were chaired by outside directors.

Board of Corporate Auditors

The Board of Corporate Auditors comprises four members (three of whom are full-time auditors), including two outside auditors. Auditors audit the Company's execution of duties from a stance independent of the Board of Directors.

Corporate Governance Structure



Operation of Group Management and Company Consolidated Management

• Group Management

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

• Company Management and Execution of Business Operations

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

Since fiscal 2005, two outside directors have been appointed to the Board of Directors. Their role is to add a third-party perspective to decision making, thereby ensuring transparency and objectivity in management.

Yoshiomi Matsumoto has various perspectives outside of the manufacturing industry, deep insight regarding overall management, and a wealth of experience. UBE judged him to be an appropriate appointment as a director because he could be expected to use his independent viewpoint to provide valuable opinions from a broad perspective and advice as an outside director. Serving as the Chairman of the Board of Directors from the end of May 2010, he is entrusted with enacting fair and appropriate operations of the Board as he strives to ensure a decision-making process with transparency and objectivity and to secure a more efficient internal control system.

Michitaka Motoda operated a think tank (he was the President & CEO of Mitsubishi UFJ Research and Consulting Co., Ltd. until June 2009), and based on this experience can provide valuable opinions and economic analysis from a macro-economic perspective. UBE judged him to be an appropriate appointment as a director because he could be expected to use his independent viewpoint to provide valuable opinions from a broad perspective and advice as an outside director.

The two outside directors attended all 13 of the Board of Directors meetings that were held in fiscal 2009, and provided constructive opinions at all meetings. They also attended all Nominating Committee and Evaluation/Compensation Committee meetings.

Revision of the Tokyo Stock Exchange's Securities Listing Regulations in December 2009 made it obligatory for listed companies to appoint an independent director who would work for the protection of general investors (Securities Listing Regulation 436-2). The independent director must be an outside director or outside auditor who has no conflict of interest with general investors. The independent director is expected to act in a manner that protects the earnings of general investors by considering their interests and expressing necessary opinions when the Board of Directors makes a decision on approval for the execution of duties. UBE has appointed outside directors Yoshiomi Matsumoto and Michitaka Motoda and outside auditor Kazuo Yamanaka as independent directors.

Compensation and Other Remuneration of Directors, Corporate Auditors and Decision-Making Policy

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

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

Compensation and other remuneration paid to directors and auditors in fiscal 2009 were as follows.

Numbers of Directors: 9	¥265 million
[Numbers of outside directors included in above]: [2]	[¥24 million]
Numbers of Auditors: 5	¥102 million
[Numbers of outside auditors included in above]: [3]	[¥32 million]

Note: Compensation and other remuneration include the following:

1. Accrued bonuses for directors and auditors recorded as expenses during fiscal 2009	¥34 million
2. Stock options for directors	¥49 million

Compensation and other remuneration for auditing paid to Ernst & Young Shin Nihon LLC, the Company's independent auditors, in fiscal 2009 were as follows.

• Compensation and other remuneration for fiscal 2009	¥101 million
• Total compensation paid by the Company and its consolidated subsidiaries	¥184 million

MANAGEMENT TEAM (As of June 29, 2010)

Back row from left: Eiichi Itoguchi, Nobuyuki Taenaka, Shinobu Watanabe, Yoshiomi Matsumoto, Nobuyuki Takahashi, Kazuma Sekiya, Yuzuru Yamamoto
Front row from left: Makoto Umetsu, Kazuhiko Okada, Hiroaki Tamura, Michio Takeshita, Akinori Furukawa, Michitaka Motoda

DIRECTORS

Chairman of the Board of Directors

Hiroaki Tamura

President and Representative Director

Michio Takeshita

Representative Director

Kazuhiko Okada

Directors

Akinori Furukawa
Makoto Umetsu
Yoshiomi Matsumoto*
Michitaka Motoda*

AUDITORS

Masaki Kashibe
Kazuo Yamanaka*
Keisuke Fujioka
Mitsuhiro Fujita*

*Outside Director or Auditor

EXECUTIVE OFFICERS AND RESPONSIBILITIES

Chief Executive Officer

Michio Takeshita
Group CEO

Vice-President and Executive Officer

Kazuhiko Okada
Special Assistant to the President, with responsibility for Group CSR, Special Assignments, Energy & Environment Div., and Procurement & Logistics Div.

Senior Managing Executive Officers

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

Akinori Furukawa
Group CCO, General Manager of General Affairs & Human Resources Office, with responsibility for Ube Industries Central Hospital

Kazuma Sekiya
Vice President and Representative Director of Ube-Mitsubishi Cement Corporation, and Company President of Cement & Construction Materials Company

Yuzuru Yamamoto
Company President of Machinery & Metal Products Company

Managing Executive Officers

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

Makoto Umetsu
General Manager of Corporate Research & Development, with responsibility for Intellectual Property Dept.

Hideyuki Sugishita
General Manager of Production & Technology Div., with responsibility for Environment & Safety Dept.

Shinobu Watanabe
Company President of Specialty Chemicals & Products Company

Nobuyuki Taenaka
General Manager of Pharmaceutical Div.

Executive Officers

Takanobu Kubota
General Manager of Procurement & Logistics Div., with responsibility for Logistics Efficiency Improvement Project

Ryoji Sugise
Technology Officer of Chemicals & Plastics Company

Tomoki Musumi
General Manager of Human Resources Dept., General Affairs & Human Resources Office

Tadashi Matsunami
Company Vice President of Cement & Construction Materials Company and General Manager of Cement Dept., with responsibility for Group Company Dept., Resources & Products Div., and Technical Development Center

Shinji Ohara
Technology Officer of Specialty Chemicals & Products Company

Jun Ueda
General Manager of Planning & Control Dept., Cement & Construction Materials Company, with responsibility for Construction Materials Div.

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

Eiichi Itoguchi
General Manager of Energy & Environment Div.

Masanori Hirai
General Manager of Production & Technology Div. and General Manager of Material Recycle Div., Cement & Construction Materials Company

Junichi Misumi
General Manager of Production Center, Production & Technology Div. and General Manager of Ube Chemical Factory

Masato Izumihara
Group CFO, General Manager of Corporate Planning & Administration Office, with responsibility for UBE Group Shared Service Center

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

Group Strategic Management Committee

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

Company/Division Steering Committee

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

Auditing System

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

Corporate Auditors

Corporate auditors meet regularly with the independent auditor and hear of the independent auditor's audit plan and status of the audit. In addition, corporate auditors report on the status of Group company audits and regularly hold audit training and exchanges of opinion to enhance the quality of audits. Corporate auditors also regularly exchange information with the Auditing Department, and maintain a close relationship between corporate auditors and the Auditing Department with, for example, department members assisting corporate auditors during audits if needed.

Internal Audits

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

SYSTEM OF INTERNAL CONTROL OF FINANCIAL REPORTING

In response to the internal control reporting system under the Financial Instruments and Exchange Law, the UBE Group upgrades and operates internal control of financial reporting in accordance with the basic framework for internal control outlined in "On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council. In addition, internal control of financial reporting of the UBE Group as of March 31, 2010 was determined to be effective as the result of an evaluation in compliance with generally accepted evaluation standards for internal control of financial reporting.

THOROUGH COMPLIANCE

UBE has established Personal Action Guidelines for corporate ethics for the UBE Group. These guidelines 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, which includes a consulting attorney, as an advisory body to this officer. In addition, UBE is working to upgrade and strengthen compliance structures and frameworks, as well as their implementation. Our initiatives include the introduction of the "UBE C-Line," a notification channel that allows executives and employees to directly report compliance issues without going through the normal chain of command, for rapid detection and correction of problems.

RISK MANAGEMENT

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

ENVIRONMENT, SAFETY AND HEALTH-RELATED ACTIVITIES

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

The UBE Group is actively implementing measures to acquire certification for its environmental management systems, quality management systems, and occupational safety and health management systems.

All UBE operating sites have already acquired certification for these three management systems. UBE is also actively working through its business activities to address the following environmental issues in Stage Up 2012:

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

CONTRIBUTION TO SOCIETY

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

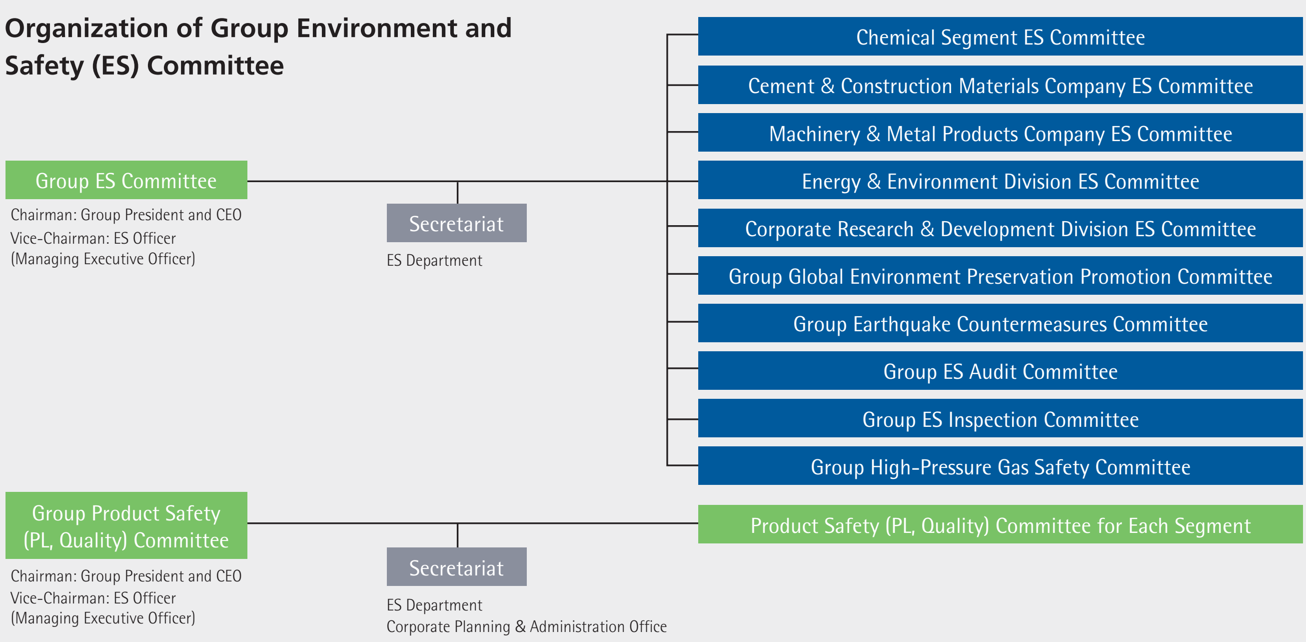
Since 2008, UBE has held the UBE Group Charity Concert by Japan Philharmonic Orchestra in Ube City with the objective of using music to contribute to the promotion of community culture. UBE donates revenue from the concerts to local junior high schools and music-related organizations.

In June 2009, UBE held a 50th anniversary ceremony for the UBE Foundation, which is supported by UBE.

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

http://www.ube-ind.co.jp/english/ecu/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					
	2010	2009	2008	2007	2006	2005
RESULTS OF OPERATIONS:						
Breakdown of net sales by product group:						
Chemicals & Plastics	**¥161,171**	¥212,610	¥233,227	¥210,402	¥175,868	¥164,935
Specialty Chemicals & Products	**75,444**	87,092	93,534	88,368	89,280	83,066
Cement & Construction Materials	**184,872**	209,486	207,017	207,820	192,408	175,797
Machinery & Metal Products	**80,831**	110,062	120,350	114,206	102,468	109,769
Energy & Environment	**43,698**	61,872	46,477	30,987	31,498	25,443
Other Businesses	**3,540**	3,581	3,679	3,825	3,869	3,698
Net sales	**549,556**	684,703	704,284	655,608	595,391	562,708
Cost of sales	**448,328**	572,010	564,876	527,990	474,997	453,250
Selling, general and administrative expenses	**73,633**	81,530	83,508	80,756	78,225	77,146
Operating income	**27,595**	31,163	55,900	46,862	42,169	32,312
Income before income taxes and minority interests	**15,592**	13,510	40,890	36,003	26,634	10,785
Net income	**8,217**	11,664	24,031	22,013	16,006	9,223
FINANCIAL POSITION:						
Assets:						
Total current assets	**261,587**	277,553	297,893	286,991	268,559	275,421
Total property, plant and equipment, net	**324,732**	332,418	360,031	359,886	357,519	360,787
Total investments and other assets	**68,474**	68,015	62,974	67,994	74,359	70,478
Total assets	**654,793**	677,986	720,898	714,871	700,437	706,686
Liabilities and net assets:						
Total current liabilities	**246,473**	269,025	318,072	314,833	291,293	320,446
Total long-term liabilities	**206,130**	214,238	183,794	204,842	240,781	260,161
Minority interests	**23,033**	22,527	24,988	22,525	18,600	17,696
Total net assets	**202,190**	194,723	219,032	195,196	168,363	126,079
GENERAL:						
Per share data (yen):						
Net income, primary	**8.17**	11.59	23.88	21.88	16.83	10.07
Cash dividends applicable to the period	**4.00**	4.00	5.00	4.00	3.00	2.00
Net assets	**177.88**	170.92	192.72	171.49	148.71	115.30
Other data:						
Operating margin (%)	**5.0**	4.6	7.9	7.1	7.1	5.7
Return on assets (ROA)* (%)	**4.4**	4.8	8.2	7.0	6.4	4.9
Shares of common stock issued (thousand)	**1,009,165**	1,009,165	1,008,996	1,008,993	1,008,993	942,993
Number of consolidated subsidiaries	**67**	65	67	68	66	70
Number of shareholders with voting rights	**59,232**	60,202	56,834	63,322	71,626	74,020
Number of employees	**11,108**	11,264	11,058	10,833	10,673	11,074

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

Financial Review

FINANCIAL REVIEW

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 ¥65.0 billion or higher
- Operating margin 8.5% or higher
- Return on assets 8.5% or higher
- Net debt/equity ratio (times) Under 1.0

The UBE Group positioned Stage Up 2009 as a three-year action plan to realize these indicators and targets, and achieved some of them in the first year, fiscal 2007, with the help of a favorable external environment. However, the serious financial crisis that began in the middle of the second year, fiscal 2008, inevitably had a substantially negative impact on results, and the UBE Group did not achieve its targets for the final fiscal year of the plan. At the same time, in a challenging environment the UBE Group generated stronger cash flow than planned by restraining capital expenditure and reducing inventories, and steadily reduced interest-bearing debt as a result.

SCOPE OF CONSOLIDATION

The UBE Group included 67 consolidated subsidiaries as of March 31, 2010, an increase of two subsidiaries from a year earlier. The increase was due to the establishment of Ube Fine Chemicals (Asia) Company Limited, and the establishment of Ube Aluminum Wheels Ltd. through corporate separation.

OPERATING PERFORMANCE

Results for Fiscal 2009

In the UBE Group's operating environment during fiscal 2009, ended March 31, 2010, amid the continuing global economic downturn stemming from the financial crisis of autumn 2008, economic stimulus measures in China and other countries supported a broader economic recovery trend in Asia. In the United States and Europe, economic conditions bottomed out, but the recession continued with high unemployment rates. The Japanese economy also showed a gradual recovery trend, with an increase in exports, primarily to Asia, and a pickup in personal consumption, but generally harsh conditions persisted in the economic environment for corporations amid weak capital investment, a severe employment environment and deflation.

Under these conditions, the UBE Group worked steadily towards its goals for fiscal 2009 and implemented a number of emergency measures including cutbacks in capital expenditure, further reduction of inventories and thorough cost cutting.

As a result, the UBE Group's net sales decreased by 19.7 percent, or ¥135.1 billion, compared with the previous fiscal year to ¥549.5 billion. Operating income fell 11.4 percent, or ¥3.5 billion, to ¥27.5 billion, and net income declined 29.6 percent, or ¥3.4 billion, to ¥8.2 billion.

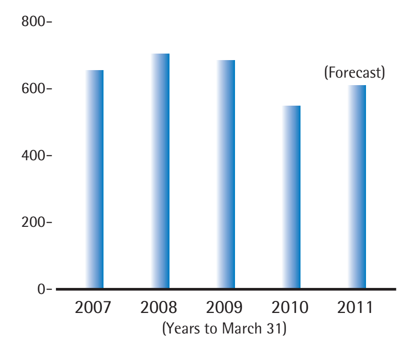
OPERATING RESULTS

Net Sales

Net sales decreased by 19.7 percent, or ¥135.1 billion, compared with the previous fiscal year to ¥549.5 billion. Sales began to recover, primarily in Asia, following the decrease in demand in the second half of the previous fiscal year. However, prices of chemicals and plastic products dropped and sales volume of building materials decreased.

Overseas sales decreased by 24.7 percent, or ¥49.8 billion, compared with the previous fiscal year to ¥151.7 billion. The ratio of overseas sales to net sales decreased by 1.8 percentage points compared with the previous fiscal year to 27.6 percent.

Net Sales
(Billions of yen)



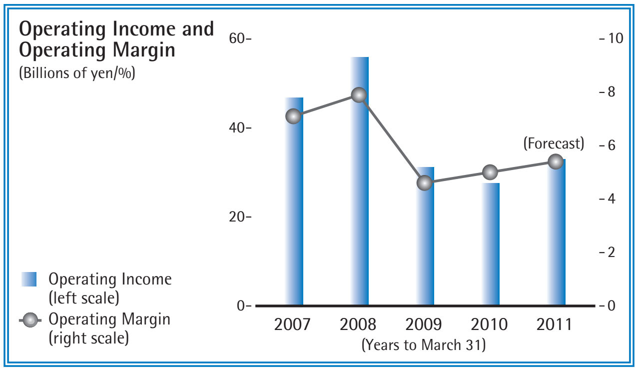
Cost of Sales and Selling, General and Administrative Expenses

Cost of sales decreased by 21.6 percent, or ¥123.6 billion, compared with the previous fiscal year to ¥448.3 billion as a result of factors including the decrease in net sales and lower raw material and fuel prices. The ratio of cost of sales to net sales decreased by 1.9 percentage points to 81.6 percent. Selling, general and administrative (SG&A) expenses decreased by 9.7 percent, or ¥7.8 billion, compared with the previous fiscal year to ¥73.6 billion, mainly due to lower freight and other costs. The ratio of SG&A expenses to net sales increased 1.5 percentage points to 13.4 percent.

Research and development costs, which are included in SG&A expenses, decreased by 7.7 percent, or ¥1.0 billion, compared with the previous fiscal year to ¥13.0 billion. The ratio of research and development costs to net sales increased by 0.3 percentage points to 2.4 percent.

Operating Income

Operating income decreased by 11.4 percent, or ¥3.5 billion, compared with the previous fiscal year to ¥27.5 billion. The operating margin increased by 0.4 percentage points to 5.0 percent. Operating income increased in the Chemicals & Plastics segment because of a decrease in write-down of inventories and improvement in the spread for caprolactam prices, and increased in the Specialty Chemicals & Products segment because of lower fixed costs. However, operating income decreased in the Cement & Construction Materials segment, the Machinery & Metal Products segment, and the Energy & Environment segment. Segment details follow below.



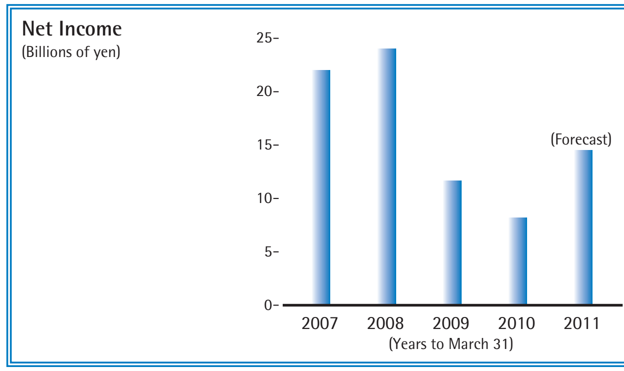
Other Income (Expenses)

Net other expenses decreased by ¥5.6 billion from the previous fiscal year to ¥12.0 billion. Net interest expense, calculated as interest and dividend income less interest payable, improved by 5.0 percent, or ¥0.2 billion, compared with the previous fiscal year to ¥4.8 billion. Others, net, which is disclosed in greater detail in note 12 to the consolidated financial statements, improved by 39.3 percent, or ¥5.4 billion, to a net expense of ¥8.3 billion. Loss on impairment of fixed assets and loss on business restructuring both decreased substantially as the issues related to the restructuring of the aluminum wheel business in the previous fiscal year were non-recurring. Loss on foreign currency exchange, net also decreased substantially. As a result, income before income taxes and minority interests increased by 15.4 percent, or ¥2.0 billion, compared with the previous fiscal year to ¥15.5 billion.

Net Income

Income taxes comprise corporation, enterprise and inhabitants' taxes. Income before income taxes and minority interests increased, and income taxes net of deferrals for the year ended March 31, 2010 increased ¥5.3 billion from the previous fiscal year to ¥6.2 billion. After tax effect accounting, the effective tax rate for the year ended March 31, 2010 was 39.8 percent. As a result, net income decreased by 29.6 percent, or ¥3.4 billion, compared with the previous fiscal year to ¥8.2 billion. Net income per share totaled ¥8.17, compared with ¥11.59 for the previous fiscal year.

Return on equity, calculated as net income divided by average equity capital, decreased by 1.7 percentage points compared with the previous fiscal year to 4.7 percent. Return on assets, calculated as the sum of operating income, interest and dividend income, and equity in earnings of unconsolidated subsidiaries and affiliated companies divided by average total assets (see page 37), decreased by 0.4 percentage points to 4.4 percent.



PERFORMANCE BY SEGMENT

Chemicals & Plastics

(Billions of yen)

Year to March 31	2010	2009	Change (%)
Sales	**¥161.1**	¥212.6	(24.2)
Operating income	**5.1**	2.0	152.5
Assets	**200.7**	196.1	2.3
Depreciation and amortization	**10.4**	10.7	(2.7)
Capital expenditures	**7.8**	13.1	(40.3)

Shipments of caprolactam, polyamide resins and polybutadiene rubber (synthetic rubber) increased from the previous fiscal year with the rapid recovery of demand, which had declined substantially from the second half of the previous fiscal year. However, product sales prices decreased due to the market slowdown and falling raw material prices. Shipments of industrial chemicals were weak, due to a delay in recovery of demand.

As a result, consolidated segment sales decreased by 24.2 percent, or ¥51.4 billion, year-on-year to ¥161.1 billion, and operating income increased by 152.5 percent, or ¥3.1 billion, to ¥5.1 billion.

Specialty Chemicals & Products

(Billions of yen)

Year to March 31	2010	2009	Change (%)
Sales	¥ 75.4	¥ 87.0	(13.4)
Operating income	7.2	6.7	7.4
Assets	106.3	101.6	4.6
Depreciation and amortization	6.8	6.7	1.4
Capital expenditures	8.5	10.0	(14.9)

Demand in the segment as a whole recovered modestly from the weakness following the economic downturn that began in autumn 2008. Shipments of electrolytes and separators for lithium-ion batteries and pharmaceutical active ingredients and intermediates were particularly strong. Shipments of fine chemicals and high-purity chemicals for semiconductors were also solid. However, shipments of polyimide products were still in the process of recovering and shipments of gas separation membranes were weak.

As a result, consolidated segment sales decreased by 13.4 percent, or ¥11.6 billion, year-on-year to ¥75.4 billion due in part to the negative effect of foreign currency translation. However, operating income increased 7.4 percent, or ¥0.4 billion, year-on-year to ¥7.2 billion.

Cement and Construction Materials

(Billions of yen)

Year to March 31	2010	2009	Change (%)
Sales	¥184.8	¥209.4	(11.7)
Operating income	6.1	8.8	(30.5)
Assets	194.0	203.8	(4.8)
Depreciation and amortization	10.1	10.5	(4.1)
Capital expenditures	5.3	7.4	(29.2)

Shipments of cement, ready-mixed concrete and building materials were low, reflecting not only a slump in construction demand due to depressed capital investment and housing construction, but also weak public investment. Recycling of various types of waste for use as raw materials or fuel for cement manufacturers and shipment of magnesia products were also low. On the other hand, shipments of calcia products showed signs of recovery, supported by an increase in raw steel production, but still decreased compared with the previous fiscal year.

As a result, consolidated segment sales decreased by 11.7 percent, or ¥24.6 billion, year-on-year to ¥184.8 billion. Operating income decreased by 30.5 percent, or ¥2.7 billion, to ¥6.1 billion.

Machinery & Metal Products

(Billions of yen)

Year to March 31	2010	2009	Change (%)
Sales	¥80.8	¥110.0	(26.6)
Operating income	3.7	4.0	(7.9)
Assets	64.4	73.1	(11.8)
Depreciation and amortization	2.7	3.5	(22.3)
Capital expenditures	2.1	3.2	(34.8)

The machinery business benefited from strong shipments of industrial machines including ceramics industry machinery and vertical mills, primarily for resources-related industries overseas. However, shipments of molding machines were weak mainly because of depressed capital investment in the automobile industry. Orders for molding machines decreased significantly, while orders for various other types of industrial machines slowed.

Shipments in the aluminum wheel business were lower than in the previous fiscal year, although demand for hybrid vehicle wheels increased. Results improved year on year due to withdrawal from business in North America.

As a result, consolidated segment sales decreased by 26.6 percent, or ¥29.2 billion, year-on-year to ¥80.8 billion, and segment operating income decreased by 7.9 percent, or ¥0.3 billion, to ¥3.7 billion.

Energy & Environment

(Billions of yen)

Year to March 31	2010	2009	Change (%)
Sales	¥43.6	¥61.8	(29.4)
Operating income	4.3	8.6	(49.5)
Assets	51.6	61.0	(15.3)
Depreciation and amortization	2.8	2.8	(1.0)
Capital expenditures	0.7	1.3	(41.4)

Both shipments of coal for sale and coal dealing volume at UBE's Okinoyama Coal Center (a coal storage facility) declined due to weak demand from customers in industries including electric power, chemicals, fibers and textiles. In the independent power producer (IPP) business, capacity utilization and supply volume decreased year on year while maintenance expenses increased, partly because scheduled maintenance takes place in alternate years.

As a result, consolidated segment sales decreased by 29.4 percent, or ¥18.1 billion, year-on-year to ¥43.6 billion, and operating income declined 49.5 percent, or ¥4.2 billion, to ¥4.3 billion.

Other

Consolidated segment sales totaled ¥3.5 billion, and segment operating income was ¥0.8 billion.

FINANCIAL POSITION

Cash Flow

Net cash provided by operating activities increased by ¥14.5 billion compared with the previous fiscal year to ¥60.1 billion. Income before income taxes and minority interests increased by ¥2.0 billion to ¥15.4 billion. Depreciation and amortization, a non-cash item, totaled ¥33.4 billion. Net change in working capital, the sum of changes in receivables, inventories and payables, contributed ¥11.4 billion to cash flow.

Net cash used in investing activities totaled ¥29.9 billion, compared with ¥32.9 billion in the previous fiscal year. Factors included acquisition of property, plant and equipment totaling ¥30.4 billion.

Free cash flow, calculated as net cash provided by operating activities less net cash used in investing activities, increased by ¥17.5 billion compared with the previous fiscal year to ¥30.1 billion.

Net cash used in financing activities was ¥32.2 billion, compared with net cash provided by financing activities of ¥4.3 billion in the previous fiscal year. Proceeds from long-term borrowings provided cash totaling ¥25.5 billion, while repayments of long-term borrowings used cash totaling ¥42.6 billion, and net decrease in short-term loans payable used cash totaling ¥8.5 billion. In addition, cash dividend paid used cash totaling ¥4.0 billion.

As a result, cash and cash equivalents at the end of the year decreased by ¥1.8 billion compared with the previous fiscal year-end to ¥37.2 billion.

Assets, Liabilities and Net Assets

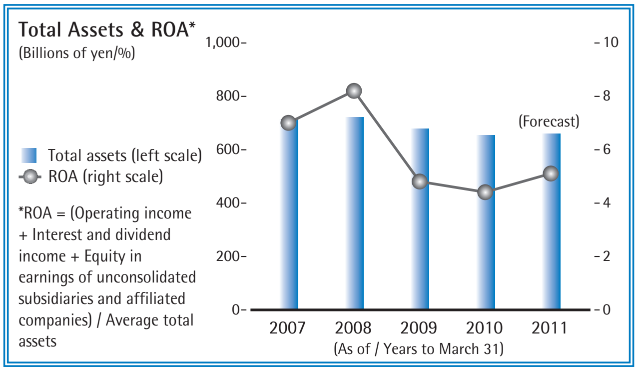
Total assets decreased by 3.4 percent, or ¥23.1 billion, from a year earlier to ¥654.7 billion.

Current assets decreased by 5.8 percent, or ¥15.9 billion, from a year earlier to ¥261.5 billion. A primary factor was a decrease of ¥22.9 billion in inventories. However, net sales decreased for the fiscal year but gained momentum near the balance sheet date, which caused receivables to increase ¥9.4 billion compared to a year earlier. The inventory turnover ratio decreased to 5.5 times from 6.5 times for the previous fiscal year.

Property, plant and equipment decreased by 2.3 percent, or ¥7.6 billion, from a year earlier to ¥324.7 billion. Investments and other assets increased by ¥0.4 billion from a year earlier to ¥68.4 billion.

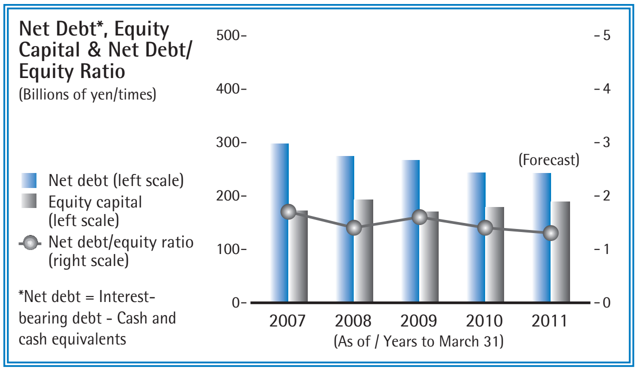
Total liabilities decreased by 6.3 percent, or ¥30.6 billion, from a year earlier to ¥452.6 billion.

Current liabilities decreased by 8.4 percent, or ¥22.5 billion, from a year earlier to ¥246.4 billion. Trade notes and accounts decreased by ¥1.3 billion, primarily reflecting the decrease in inventories, and short-term loans payable decreased by ¥8.5 billion, primarily reflecting the decrease in inventories. In addition, the current portion of long-term debt decreased by ¥9.5 billion. The current ratio was 106.1 percent, compared to 103.2 percent a year earlier.



Long-term liabilities decreased by 3.8 percent, or ¥8.1 billion, from a year earlier to ¥206.1 billion. The principal factor was a ¥7.7 billion decrease in long-term debt less current portion. Interest-bearing debt, defined as short-term loans payable, the current portion of long-term debt, long-term debt less current portion, and lease obligations totaling ¥0.8 billion included in other current and long-term liabilities, decreased by ¥25.4 billion from a year earlier to ¥281.3 billion.

Net assets at March 31, 2010 increased by 3.8 percent, or ¥7.4 billion, from a year earlier to ¥202.1 billion. Retained earnings increased by ¥4.0 billion, and foreign currency translation adjustments reduced net assets by ¥2.4 billion less than a year earlier. The ratio of equity capital to total assets, or the equity ratio, increased 1.9 percentage points from a year earlier to 27.3 percent. The net debt/equity ratio was 1.4 times, compared to 1.6 times a year earlier. Net assets per share decreased to ¥177.88 from ¥170.92 a year earlier.



BASIC POLICY FOR DISTRIBUTION OF EARNINGS AND DIVIDENDS FOR FISCAL 2009

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 first year of the Stage Up 2009 medium-term management plan, UBE set the goal of paying 20 to 25 percent of consolidated net income in cash dividends. In line with this policy, cash dividends per share totaled ¥4.00 for fiscal 2009, for a consolidated payout ratio of 49.0 percent. UBE plans to pay cash dividends of ¥5.00 per share for fiscal 2010, and has the goal of increasing dividends as a result of improving performance.

PERFORMANCE FORECAST FOR FISCAL 2010

Going forward, the global economy will need time to recover fully as the slow recovery in developed countries will offset the growth expected in newly industrialized economies. The domestic economy has shown some signs of recovery, but capital investment is at a low level and factors such as raw material and fuel prices and exchange rates are creating uncertainty. The UBE Group therefore expects its operating environment to remain challenging and difficult to predict. Given present economic conditions, the UBE Group has made the following earnings forecast for fiscal 2010, assuming an exchange rate of ¥90 to US$1.00 and a domestic naphtha price of ¥48,900/kiloliter.

We forecast that consolidated net sales will increase by 11.0 percent year on year to ¥610.0 billion, mainly because sales prices will better reflect raw material and fuel costs and sales volume will increase in the Chemicals & Plastics segment, and sales volume will increase in the Specialty Chemicals & Products segment. We forecast that consolidated operating income will increase by 19.6 percent year-on-year to ¥33.0 billion, mainly because of higher sales volume in the Specialty Chemicals & Products segment and an improved spread between selling prices and the cost of raw materials in the Chemicals & Plastics segment. We forecast that consolidated net income will increase by 76.5 percent to ¥14.5 billion.

The forecast for fiscal 2010 segment sales and operating income follows below. It conforms to the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" that the UBE Group adopted beginning in fiscal 2010, and includes the Pharmaceutical segment established as of April 1, 2010. In addition, results and segment information for fiscal 2009 on pages 3 to 5 have been restated to conform with the new presentation.

UBE forecasts that free cash flow, calculated as net cash provided by operating activities less net cash used in investing activities, will decrease in fiscal 2010, partly because inventories and acquisition of property, plant and equipment will both increase. We also forecast that interest-bearing debt will decrease by ¥11.3 billion from a year earlier to ¥270.0 billion.

Business and Other Risks

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

Statements below concerning the future represent the judgment of the UBE Group as of May 11, 2010. Business and other risks not covered here may arise.

1. Fluctuations in the Raw Material and Fuel Markets

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

2. Earnings in the Chemicals & Plastics Business

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

3. Earnings in the Specialty Products Business

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

4. Earnings in the Pharmaceutical Business

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

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

5. Domestic Cement Demand

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

6. Earnings in the Machinery Business

Amid decreasing automobile industry demand for facilities stemming from lower sales volumes in developed countries, the molding machinery business of the Machinery & Metal Products segment is working to enhance sales and services in newly industrialized countries, where automobile production is increasing rapidly, and to expand into non-automotive markets. However, the materialization of risks such as a decline in sales prices due to intensifying competition may exert a material impact on the performance and financial position of the Group.

7. Earnings in the Aluminum Wheel Business

The aluminum wheel business of the Machinery & Metal Products segment comprises production of aluminum wheels for automobiles in Japan for sale primarily in the domestic market. The UBE Group works to increase orders of large-diameter, lightweight, high-quality design products that capitalize on the advantages of the Group's proprietary squeeze process, and continuously promotes cost reductions and the development of new high-productivity processes. However, the materialization of risks such as local production of imported vehicles; a substantial contraction of the market in a weak economy; a decrease in demand for large-diameter wheels, an area of strength for UBE, due to anti-global warming measures and the resulting changes in market structure; or a decline in selling prices for products imported from China or elsewhere due to increased market competition may exert a material impact on the performance and financial position of the Group.

8. 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. Public Regulations

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

14. Asbestos

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

15. Lawsuits

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

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

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

16. Write-Down Due to Decreased Profitability of Inventories

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

17. 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.

18. 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.

19. 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.

In addition, revisions to accounting standards for retirement benefits that result in unrecognized actuarial losses, changes in the method of amortizing unrecognized prior service costs, or changes in the method of calculating retirement benefit obligations or service costs may exert a material impact on the performance and financial position of the Group.

20. 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.

Consolidated Balance Sheets

Ube Industries, Ltd. and Consolidated Subsidiaries
March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
ASSETS			
Current assets:			
Cash and cash equivalents (Note 4)	**¥ 37,281**	¥ 39,131	**$ 400,871**
Time deposits (Note 4)	**230**	212	**2,473**
Receivables (Notes 4, 8 and 21):			
Trade notes and accounts	**133,522**	124,049	**1,435,720**
Others	**10,501**	10,879	**112,914**
Allowance for doubtful accounts	**(478)**	(492)	**(5,140)**
Inventories (Note 6)	**69,704**	92,612	**749,505**
Deferred tax assets (Note 14)	**6,381**	6,747	**68,613**
Other current assets	**4,446**	4,415	**47,807**
Total current assets	**261,587**	277,553	**2,812,763**
Property, plant and equipment (Notes 8, 13 and 19)**:**			
Land	**82,264**	81,891	**884,559**
Buildings and structures	**252,163**	248,845	**2,711,430**
Machinery and equipment	**639,754**	626,439	**6,879,075**
Construction in progress	**15,409**	16,274	**165,688**
Accumulated depreciation	**(664,858)**	(641,031)	**(7,149,010)**
Total property, plant and equipment, net	**324,732**	332,418	**3,491,742**
Investments and other assets:			
Investment securities (Notes 4, 5 and 8)	**32,757**	32,132	**352,226**
Long-term loans receivable	**536**	624	**5,763**
Long-term deferred tax assets (Note 14)	**13,700**	14,324	**147,312**
Other non-current assets	**24,007**	23,887	**258,140**
Allowance for doubtful accounts	**(2,526)**	(2,952)	**(27,161)**
Total investments and other assets	**68,474**	68,015	**736,280**
Total assets	**¥ 654,793**	¥ 677,986	**$ 7,040,785**

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans payable (Notes 4, 7 and 8)	**¥ 80,841**	¥ 89,363	**$ 869,258**
Current portion of long-term debt (Notes 4, 7 and 8)	**31,274**	40,863	**336,280**
Payables (Note 4):			
Trade notes and accounts	**78,983**	80,304	**849,280**
Others	**25,404**	29,936	**273,161**
Accrued employees' bonuses	**6,474**	6,635	**69,613**
Accrued income taxes (Note 4)	**3,888**	2,909	**41,806**
Other current liabilities	**19,609**	19,015	**210,849**
Total current liabilities	**246,473**	269,025	**2,650,247**
Long-term liabilities:			
Long-term debt less current portion (Notes 4, 7 and 8)	**168,094**	175,810	**1,807,462**
Accrued retirement benefits (Note 18)	**7,246**	7,213	**77,914**
Long-term deferred tax liabilities (Note 14)	**6,298**	5,905	**67,721**
Other long-term liabilities	**24,492**	25,310	**263,355**
Total long-term liabilities	**206,130**	214,238	**2,216,452**
Contingent liabilities (Note 9)			
Net assets (Note 10)**:**			
Capital stock, without par value:			
Authorized — 3,300,000,000 shares			
Issued — 1,009,165,006 shares at March 31, 2010 and 2009	**58,435**	58,435	**628,333**
Capital surplus	**28,445**	28,440	**305,860**
Retained earnings	**101,579**	97,511	**1,092,247**
Treasury stock			
3,800,106 shares at March 31, 2010 and			
3,182,530 shares at March 31, 2009	**(770)**	(624)	**(8,279)**
Valuation difference on securities	**1,556**	1,119	**16,731**
Deferred hedge loss, net	**(251)**	(289)	**(2,699)**
Foreign currency translation adjustments	**(10,155)**	(12,646)	**(109,193)**
Share subscription rights (Note 20)	**318**	250	**3,419**
Minority interests	**23,033**	22,527	**247,667**
Total net assets	**202,190**	194,723	**2,174,086**
Total liabilities and net assets	**¥654,793**	¥677,986	**$7,040,785**

Consolidated Statements of Income

Ube Industries, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Net sales (Note 21)	¥549,556	¥684,703	$5,909,204
Cost of sales	448,328	572,010	4,820,731
Gross profit	101,228	112,693	1,088,473
Selling, general and administrative expenses (Notes 11 and 20)	73,633	81,530	791,753
Operating income	27,595	31,163	296,720
Other income (expenses):			
Interest and dividend income	871	1,635	9,366
Amortization of negative goodwill	185	193	1,989
Interest expense	(5,688)	(6,704)	(61,161)
Equity in earnings of unconsolidated subsidiaries and affiliated companies	916	866	9,849
Others, net (Note 12)	(8,287)	(13,643)	(89,107)
	(12,003)	(17,653)	(129,064)
Income before income taxes and minority interests	15,592	13,510	167,656
Income taxes (Note 14)**:**			
Current	5,392	6,468	57,978
Deferred	818	(5,610)	8,796
	6,210	858	66,774
Minority interests	(1,165)	(988)	(12,527)
Net income	¥ 8,217	¥ 11,664	$ 88,355

	Yen		U.S. dollars (Note 1)
	2010	2009	2010
Per share:			
Net income:			
Primary	¥ 8.17	¥ 11.59	$ 0.088
Diluted	8.16	11.59	0.088
Cash dividends applicable to the period	4.00	4.00	0.043

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Ube Industries, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2010 and 2009

	Number of shares issued (thousands)	Millions of yen									
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on securities	Deferred hedge loss, net	Revaluation surplus on assets	Foreign currency translation adjustments	Share subscription rights	Minority interests
Balance at March 31, 2008	1,008,996	¥58,400	¥28,387	¥ 91,133	¥(570)	¥ 2,640	¥(254)	¥329	¥ 13,800	¥179	¥24,988
Effect of changes in accounting policies applied to foreign consolidated subsidiaries	—	—	—	(247)	—	—	—	—	—	—	—
Acquisition of treasury stock	—	—	—	—	(95)	—	—	—	—	—	—
Disposal of treasury stock	—	—	21	—	41	—	—	—	—	—	—
Shares issued for conversion of convertible bonds	169	35	35	—	—	—	—	—	—	—	—
Decrease due to changes in shareholding ratio of equity method affiliate	—	—	(3)	—	—	—	—	—	—	—	—
Cash dividends at ¥5.00 per share	—	—	—	(5,039)	—	—	—	—	—	—	—
Net income for the year	—	—	—	11,664	—	—	—	—	—	—	—
Net other changes during the year	—	—	—	—	—	(1,521)	(35)	(329)	(26,446)	71	(2,461)
Balance at March 31, 2009	1,009,165	¥58,435	¥28,440	¥ 97,511	¥(624)	¥ 1,119	¥(289)	¥ —	¥(12,646)	¥250	¥22,527
Acquisition of treasury stock	—	—	—	—	(168)	—	—	—	—	—	—
Disposal of treasury stock	—	—	5	—	22	—	—	—	—	—	—
Cash dividends at ¥4.00 per share	—	—	—	(4,031)	—	—	—	—	—	—	—
Net income for the year	—	—	—	8,217	—	—	—	—	—	—	—
Effect of decrease in affiliates accounted for by equity method	—	—	—	(118)	—	—	—	—	—	—	—
Net other changes during the year	—	—	—	—	—	437	38	—	2,491	68	506
Balance at March 31, 2010	**1,009,165**	**¥58,435**	**¥28,445**	**¥101,579**	**¥(770)**	**¥ 1,556**	**¥(251)**	**¥ —**	**¥(10,155)**	**¥318**	**¥23,033**

	Thousands of U.S. dollars (Note 1)									
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on securities	Deferred hedge loss, net	Revaluation surplus on assets	Foreign currency translation adjustments	Share subscription rights	Minority interests
Balance at March 31, 2009	$628,333	$305,806	$1,048,505	$(6,710)	$12,032	$(3,108)	$—	$(135,978)	$2,688	$242,226
Acquisition of treasury stock	—	—	—	(1,806)	—	—	—	—	—	—
Disposal of treasury stock	—	54	—	237	—	—	—	—	—	—
Cash dividends at ¥4.00 per share	—	—	(43,344)	—	—	—	—	—	—	—
Net income for the year	—	—	88,355	—	—	—	—	—	—	—
Effect of decrease in affiliates accounted for by equity method	—	—	(1,269)	—	—	—	—	—	—	—
Net other changes during the year	—	—	—	—	4,699	409	—	26,785	731	5,441
Balance at March 31, 2010	**$628,333**	**$305,860**	**$1,092,247**	**$(8,279)**	**$16,731**	**$(2,699)**	**$—**	**$(109,193)**	**$3,419**	**$247,667**

See accompanying notes.

Consolidated Statements of Cash Flows

Ube Industries, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 15,592	¥ 13,510	$ 167,656
Depreciation and amortization	33,434	34,820	359,505
Loss on impairment of fixed assets	169	1,849	1,817
Interest and dividend income	(871)	(1,635)	(9,366)
Interest expense	5,688	6,704	61,161
Gain on sale of property, plant and equipment, net	(80)	(153)	(860)
Loss on sale of investment securities, net	28	247	301
(Increase) decrease in receivables	(9,829)	32,830	(105,688)
Decrease (increase) in inventories	22,341	(15,805)	240,226
Decrease in payables	(1,021)	(18,672)	(10,978)
Loss on business restructuring	150	2,653	1,613
Others, net	1,905	3,830	20,484
Subtotal	67,506	60,178	725,871
Interest and dividend received	1,574	1,777	16,925
Interest payment	(5,773)	(6,817)	(62,075)
Income tax payment	(3,206)	(9,769)	(34,473)
Others, net	6	162	64
Net cash provided by operating activities	60,107	45,531	646,312
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	287	415	3,086
Acquisition of property, plant and equipment	(30,415)	(34,216)	(327,043)
Proceeds from sale of investment securities	68	200	731
Acquisition of investment securities	(237)	(152)	(2,548)
Proceeds from sale of subsidiaries' shares resulting in change in consolidation scope	—	900	—
Net decrease (increase) in loans receivable	221	(210)	2,376
Others, net	148	134	1,592
Net cash used in investing activities	(29,928)	(32,929)	(321,806)
Cash flows from financing activities:			
Proceeds from long-term borrowings	25,526	69,429	274,473
Proceeds from long-term bonds	—	98	—
Repayments of long-term borrowings	(42,675)	(50,472)	(458,871)
Repayments of long-term bonds	(380)	(20,217)	(4,086)
Net (decrease) increase in short-term loans payable	(8,561)	11,063	(92,054)
Cash dividend paid	(4,015)	(5,034)	(43,172)
Cash dividend paid to minority shareholders	(955)	(501)	(10,269)
Others, net	(1,205)	(66)	(12,957)
Net cash (used in) provided by financing activities	(32,265)	4,300	(346,936)
Effect of exchange rate changes on cash and cash equivalents	129	(2,853)	1,387
Net (decrease) increase in cash and cash equivalents	(1,957)	14,049	(21,043)
Cash and cash equivalents at beginning of the year	39,131	25,082	420,763
Increase in cash and cash equivalents due to merger of unconsolidated subsidiaries	107	—	1,151
Cash and cash equivalents at end of the year	¥ 37,281	¥ 39,131	$ 400,871

See accompanying notes.

Notes to Consolidated Financial Statements

Ube Industries, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2010 and 2009

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

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

(b) The accompanying financial statements are expressed in Japanese yen and, solely for the convenience of the reader, have been translated into U.S. dollars at ¥93=US$1, the approximate rate of exchange on March 31, 2010. 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 65 companies for the years ended March 31, 2010 and 2009, respectively). Significant companies over which the Company exercises significant influence in terms of their operating and financial policies are included in the consolidated financial statements by the equity method (24 and 27 companies for the years ended March 31, 2010 and 2009, respectively). All significant intercompany balances and transactions are eliminated in consolidation.

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

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

The difference between acquisition cost and the underlying net assets at fair value at the date of acquisition is amortized over a period of 20 years on a straight-line basis. The negative goodwill in the amounts of ¥2,531 million (US$27,215 thousand) and ¥2,697 million is included in "Other long-term liabilities" on the consolidated balance sheets at March 31, 2010 and 2009, 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 ("Short-cut method").

Additional information on derivatives is presented in Note 15, Derivative Financial Instruments.

(e) Allowance for doubtful accounts

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

(f) Inventories

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

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

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

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

(h) Intangible assets (except for leased assets)

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

(i) Leased assets

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

(j) Research and development costs

Research and development costs are charged to income when incurred.

(k) Accrued retirement benefits

Accrued retirement benefits for employees are provided principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date. Net retirement benefit obligation at transition of ¥31,241 million (US$335,925 thousand) is being amortized principally over 13 years.

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

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

(l) Net income per share

Primary net income per share is computed based on the net income available for distribution to stockholders of common stock and the weighted average number of shares of common stock outstanding during each year (1,005,757 thousand shares and 1,005,960 thousand shares for the years ended March 31, 2010 and 2009, respectively). Diluted net income per share is computed based on the net income available for distribution to the stockholders and the weighted average number of shares of common stock outstanding during each year assuming full exercise of share subscription rights (1,030 thousand shares and 746 thousand shares for the years ended March 31, 2010 and 2009, 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 ¥70 million (US$753 thousand) and ¥76 million are included in "Other current liabilities" on the consolidated balance sheets at March 31, 2010 and 2009, 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 ¥551 million (US$5,925 thousand) and ¥358 million are included in "Other current liabilities" on the consolidated balance sheets at March 31, 2010 and 2009, 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.

¥1,126 million (US$12,108 thousand) and ¥1,157 million of the retirement allowances are included in "Other long-term liabilities" on the consolidated balance sheets at March 31, 2010 and 2009, respectively.

3. ACCOUNTING CHANGES

(a) Accounting standard for construction contracts

Until the year ended March 31, 2009, the percentage-of-completion method was applied to large-scale construction contracts, and otherwise the completed-contract method was applied.

Effective the year ended March 31, 2010, the Company and its consolidated subsidiaries have adopted the new accounting standard for construction contracts and the related implementation guidance. The percentage-of-completion method is applied to construction contracts commencing on or after April 1, 2009 if the outcome of construction activity is deemed certain during the course of the activity. If the outcome is uncertain, the completed-contract method is applied.

The percentage of completion is estimated based on the ratio of the cost incurred to the estimated total cost.

The effect of this change on operating income and income before income taxes and minority interests is immaterial.

(b) Accounting standard for retirement benefits

The Company and its consolidated subsidiaries have adopted the partially amended accounting standard for retirement benefits effective the year ended March 31, 2010.

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

(c) Accounting standard for financial instruments

The Company and its consolidated subsidiaries have adopted the revised accounting standard for financial instruments and the related implementation guidance on disclosures about fair value of financial instruments effective the year ended March 31, 2010.

(d) Accounting standard for disclosures about fair value of investment and rental property

The Company and its consolidated subsidiaries have adopted the new accounting standard for disclosures about fair value of investment and rental property and the related implementation guidance effective the year ended March 31, 2010.

(e) Accounting standard for measurement of inventories

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

This adoption decreased operating income and income before income taxes and minority interests by ¥3,050 million and ¥3,187 million, respectively, for the year ended March 31, 2009.

(f) Accounting standard for lease transactions

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

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

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

This adoption had no effect on operating income and income before income taxes and minority interests for the year ended March 31, 2009.

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

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

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

4. FINANCIAL INSTRUMENTS

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

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

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

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

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

(3) Risk management for financial instruments

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

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

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

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

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

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

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

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

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

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

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. The notional amounts of derivatives in Note 15, Derivative Financial Instruments are not necessarily indicative of the actual market risk involved in derivative transactions.

Summarized in the table below are the carrying amounts and the estimated fair values of financial instruments outstanding at March 31, 2010. Financial instruments for which it is extremely difficult to determine the fair value are not included in the table below.

	Millions of yen			Thousands of U.S. dollars		
	2010			2010		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Assets						
Cash and cash equivalents	¥ 37,281	¥ 37,281	¥ —	$ 400,871	$ 400,871	$ —
Time deposits	230	230	—	2,473	2,473	—
Trade notes and accounts receivable	133,522	133,522	—	1,435,720	1,435,720	—
Investment securities	6,432	6,432	—	69,162	69,162	—
Total assets	¥177,465	¥177,465	¥ —	$1,908,226	$1,908,226	$ —
Liabilities						
Trade notes and accounts payable	¥ 78,983	¥ 78,983	¥ —	$ 849,280	$ 849,280	$ —
Short-term loans payable	80,841	80,841	—	869,258	869,258	—
Other payables	25,404	25,404	—	273,161	273,161	—
Accrued income taxes	3,888	3,888	—	41,806	41,806	—
Long-term debt*	199,368	201,569	2,201	2,143,742	2,167,409	23,667
Total liabilities	¥388,484	¥390,685	¥2,201	$4,177,247	$4,200,914	$23,667
Derivative financial transactions**	¥ (7)	¥ (7)	¥ —	$ (75)	$ (75)	$ —

* Current portions of long-term borrowings of ¥30,714 million (US$330,258 thousand) and bonds of ¥560 million (US$6,022 thousand) are included in long-term debt.

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

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

Assets

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

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

(b) "Investment securities"

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

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

Liabilities

(c) "Trade notes and accounts payable," "short-term loans payable," "other payables" and "accrued income taxes"

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

(d) "Long-term debt"

The fair value of bonds is estimated based on either market price when available or present value of the total of principal and interest discounted by the interest rate that would be applied if similar new bonds were issued. The fair value of long-term borrowings is estimated based on present value of the total of principal and interest discounted by the interest rate that would be applied if similar new borrowings were entered into. Long-term borrowings with variable rates were accounted for by the short-cut method and the fair value was estimated based on the total of principal and interest under the short-cut method discounted by the interest rate that would be applied if similar new borrowings were entered into.

Derivative financial transactions

Please refer to Note15 Derivative Financial Instruments in these notes to the consolidated financial statements.

Financial instruments for which it is extremely difficult to determine the fair value at March 31, 2010 consist of the following:

	Millions of yen	Thousands of U.S. dollars
	2010	2010
Unconsolidated subsidiaries and affiliates securities	¥19,496	$209,635
Non-listed equity securities	6,523	70,140
Others	306	3,290

The annual maturities of financial assets and investment securities with contractual maturities subsequent to March 31, 2010 are as follows:

	Millions of yen			
	2010			
	Within one year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	¥ 37,225	¥—	¥ —	¥ —
Time deposits	230	—	—	—
Trade notes and accounts receivable	133,522	—	—	—
Debt securities	—	47	—	—
	¥170,977	¥47	¥ —	¥ —

	Thousands of U.S. dollars			
	2010			
	Within one year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	$ 400,269	$ —	$ —	$ —
Time deposits	2,473	—	—	—
Trade notes and accounts receivable	1,435,720	—	—	—
Debt securities	—	505	—	—
	$1,838,462	$505	$ —	$ —

The annual maturities of long-term debt subsequent to March 31, 2010 are as follows:

	Millions of yen			
	2010			
	Within one year	After one year through five years	After five years through ten years	After ten years
Long-term debt	¥31,274	¥138,057	¥29,980	¥57
	¥31,274	¥138,057	¥29,980	¥57

	Thousands of U.S. dollars			
	2010			
	Within one year	After one year through five years	After five years through ten years	After ten years
Long-term debt	$336,280	$1,484,484	$322,365	$613
	$336,280	$1,484,484	$322,365	$613

5. SECURITIES

Investment securities at March 31, 2010 and 2009 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Investment securities:			
Unconsolidated subsidiaries and affiliated companies	¥19,496	¥19,677	$209,635
Others	13,261	12,455	142,591
	¥32,757	¥32,132	$352,226

Marketable securities classified as other securities at March 31, 2010 and 2009 are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2010			2009			2010		
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:									
Stock	**¥5,624**	**¥2,854**	**¥2,770**	¥4,421	¥2,297	¥2,124	**$60,473**	**$30,688**	**$29,785**
Debt securities	**15**	**15**	**0**	—	—	—	**161**	**161**	**0**
Others	**13**	**10**	**3**	—	—	—	**140**	**108**	**32**
Subtotal	**5,652**	**2,879**	**2,773**	4,421	2,297	2,124	**60,774**	**30,957**	**29,817**
Securities whose acquisition cost exceeds their carrying value:									
Stock	**604**	**709**	**(105)**	1,070	1,260	(190)	**6,495**	**7,624**	**(1,129)**
Debt securities	**30**	**32**	**(2)**	68	72	(4)	**322**	**343**	**(21)**
Others	**146**	**187**	**(41)**	126	199	(73)	**1,570**	**2,011**	**(441)**
Subtotal	**780**	**928**	**(148)**	1,264	1,531	(267)	**8,387**	**9,978**	**(1,591)**
Total	**¥6,432**	**¥3,807**	**¥2,625**	¥5,685	¥3,828	¥1,857	**$69,161**	**$40,935**	**$28,226**

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

Impairment losses in the amounts of ¥6 million (US$65 thousand) and ¥111 million were recognized for the years ended at March 31, 2010 and 2009, respectively.

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 year ended March 31, 2009 are summarized as follows:

Millions of yen		
2009		
Sales amount	Aggregate gain	Aggregate loss
¥83	—	¥(95)

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

	Millions of yen
	2009
Other securities:	
Non-listed equity securities	¥6,464
Others	306
	¥6,770

6. INVENTORIES

Inventories at March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Finished goods	**¥26,508**	¥39,700	**$285,032**
Work in process	**19,178**	22,155	**206,215**
Raw materials and supplies	**24,018**	30,757	**258,258**
	¥69,704	¥92,612	**$749,505**

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

Short-term loans payable represent bank loans, with average interest rates of 0.91% and 1.20% per annum at March 31, 2010 and 2009, respectively.

Long-term debt at March 31, 2010 and 2009 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
0.78% unsecured bonds due 2010	¥ 20	¥ 60	$ 215
1.36% unsecured bonds due 2010	—	300	—
1.49% unsecured bonds due 2010	500	500	5,376
1.32% unsecured bonds due 2011	80	120	860
1.67% unsecured bonds due 2012	15,000	15,000	161,291
0.93% unsecured bonds due 2014	100	100	1,075
Loans principally from banks and insurance companies:			
Secured, at 1.21% to 4.64%, maturing through 2020	—	33,740	—
Secured, at 1.00% to 3.95%, maturing through 2020	23,986	—	257,914
Unsecured, at 0.00% to 6.80%, maturing through 2023	—	166,853	—
Unsecured, at 0.00% to 6.80%, maturing through 2024	159,682	—	1,717,011
	199,368	216,673	2,143,742
Less current portion	31,274	40,863	336,280
	¥168,094	¥175,810	$1,807,462

The Company and certain consolidated subsidiaries have entered into loan commitment agreements amounting to ¥22,940 million (US$246,667 thousand) with certain banks. Loans payable outstanding at March 31, 2010 under these loan commitment agreements amounted to ¥0 million (US$0 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, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Assets pledged as collateral:			
Trade notes receivable	¥ 1,600	¥ 1,600	$ 17,204
Property, plant and equipment, at net book value	124,807	158,694	1,342,011
Investment securities	2,629	2,281	28,269
	¥129,036	¥162,575	$1,387,484

9. CONTINGENT LIABILITIES

At March 31, 2010 and 2009, the Company and its consolidated subsidiaries are contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
As endorser of trade notes discounted or endorsed	¥1,653	¥2,998	$17,774
As guarantor of employees' housing loans	1,077	1,366	11,581
As guarantor of indebtedness principally of unconsolidated subsidiaries and affiliated companies	2,653	2,863	28,527

The guaranteed amount includes similar commitments of ¥1,393 million (US$14,978 thousand) and ¥1,602 million at March 31, 2010 and 2009, respectively.

10. NET ASSETS

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

At the general shareholders' meeting of the Company held on June 29, 2010, the distribution of retained earnings for the year ended March 31, 2010 was approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥4.00 per share)	¥4,029	$43,323

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, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Research and development costs	**¥13,032**	¥14,124	**$140,129**

12. OTHER INCOME (EXPENSES)

"Other income (expenses) — Others, net" for the years ended March 31, 2010 and 2009 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Loss on sale of investment securities, net	**¥ (28)**	¥ (247)	**$ (301)**
Gain on sale of property, plant and equipment, net	**80**	153	**860**
Loss on disposal of property, plant and equipment	**(3,932)**	(2,597)	**(42,280)**
Loss on impairment of fixed assets (Note 13)	**(169)**	(1,849)	**(1,817)**
Write-down of investment securities	**(27)**	(333)	**(290)**
Provision of allowance for doubtful accounts	**(139)**	(475)	**(1,495)**
Loss on business restructuring	**(150)**	(2,653)	**(1,613)**
Write-down of inventories	**—**	(137)	**—**
Loss on foreign currency exchange, net	**(95)**	(1,366)	**(1,021)**
Others, net	**(3,827)**	(4,139)	**(41,150)**
	¥(8,287)	¥(13,643)	**$(89,107)**

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, 2010 consists of the following:

	Millions of yen	Thousands of U.S. dollars
	2010	**2010**
Idle property:		
Land	**¥ (51)**	**$ (548)**
Machinery	**(117)**	**(1,258)**
Others	**(1)**	**(11)**
	¥(169)	**$(1,817)**

(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 ¥169 million (US$1,817 thousand) were reduced to their recoverable amounts and were recognized as impairment loss for the year ended March 31, 2010. The components of impairment loss were "Land" in the amount of ¥51 million (US$548 thousand), "Machinery" in the amount of ¥117 million (US$1,258 thousand) and "Others" in the amount of ¥1 million (US$11 thousand).

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

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

	Millions of yen
	2009
Idle property:	
Land	¥ (6)
Machinery	(48)
Others	(12)
Business assets in use:	
Aluminum automobile wheels manufacturing plant (UBE Automotive North America Sarnia Plant, Inc.)	(1,783)
	¥(1,849)

(a) Idle property

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

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

(b) Business assets in use

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

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

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, 2010 and 2009.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2010 and 2009 differ from the statutory tax rate for the following reasons.

	Percentage	
	2010	2009
Statutory tax rate	**40.4%**	40.4%
Effect of:		
Permanently nondeductible expenses	**1.5**	2.8
Permanently nontaxable items including dividend income	**(12.2)**	(19.0)
Tax credit	**(0.7)**	(1.5)
Loss carried forward without deferred tax assets	**4.5**	3.9
Deducted amount of loss without deferred tax assets	**(6.9)**	(1.4)
Investment profit of affiliated companies by equity method	**(2.4)**	(2.6)
Effect of elimination of dividend income through consolidation procedures	**14.0**	19.6
Loss on liquidated subsidiary without deferred tax assets	**—**	(31.6)
Others	**1.6**	(4.2)
Effective tax rate	**39.8%**	6.4%

The significant components of deferred tax assets and liabilities at March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets:			
Accrued employees' bonuses	¥ 2,637	¥ 2,709	$ 28,355
Accrued retirement benefits	3,054	3,014	32,839
Allowance for doubtful accounts	1,240	1,307	13,333
Loss carried forward	2,752	3,822	29,591
Intercompany profit	12,503	13,104	134,441
Depreciation and amortization	1,716	1,932	18,452
Write-down of investment securities	7,431	7,435	79,903
Others	6,917	6,514	74,376
Gross deferred tax assets	38,250	39,837	411,290
Valuation allowance	(6,715)	(7,088)	(72,204)
Total deferred tax assets	31,535	32,749	339,086
Deferred tax liabilities:			
Deferred gain on real properties	(5,188)	(5,652)	(55,785)
Reserve for special depreciation	—	(1)	—
Valuation difference on securities	(1,074)	(802)	(11,548)
Prepaid pension expenses	(2,976)	(2,914)	(32,000)
Revaluation surplus on assets	(4,651)	(4,517)	(50,011)
Others	(3,863)	(3,697)	(41,538)
Total deferred tax liabilities	(17,752)	(17,583)	(190,882)
Net deferred tax assets	¥ 13,783	¥ 15,166	$ 148,204

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, interest rates and commodity prices.

Summarized below are the notional amounts and the estimated fair value of the derivative transactions outstanding at March 31, 2010.

(1) Derivative financial instruments, for which deferred hedged accounting has not been applied

(a) Currency-related transactions

	Millions of yen			Thousands of U.S. dollars		
	2010			2010		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Forward exchange contracts:						
Sell:						
US$	¥722	¥(11)	¥(11)	$7,763	$(118)	$(118)
Buy:						
¥	18	(0)	(0)	194	(0)	(0)
Total	¥740	¥(11)	¥(11)	$7,957	$(118)	$(118)

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

(b) Interest-related transactions

	Millions of yen			Thousands of U.S. dollars		
	2010			2010		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Interest-rate collar:						
Buy	¥757	¥(28)	¥(28)	$ 8,140	$(301)	$(301)
Interest rate swaps:						
Receive/floating and pay/fixed	195	(1)	(1)	2,097	(11)	(11)
Total	¥952	¥(29)	¥(29)	$10,237	$(312)	$(312)

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

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

(a) Currency-related transactions

		Millions of yen		Thousands of U.S. dollars	
		2010		2010	
		Notional amount	Fair value	Notional amount	Fair value
Principle method	Forward exchange contracts:				
	Sell:				
	US$	¥ 772	¥13	$ 8,301	$140
Short-cut method	Forward exchange contracts:				
	Sell:				
	US$	139	6	1,495	64
	Buy:				
	US$	61	1	656	11
	EUR	67	0	720	0
	Total	¥1,039	¥20	$11,172	$215

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

(b) Interest-related transactions

		Millions of yen		Thousands of U.S. dollars	
		2010		2010	
		Notional amount	Fair value	Notional amount	Fair value
Principle method	Interest-rate swaps:				
	Receive/floating and pay/fixed:	¥ 4,027	¥(119)	$ 43,301	$(1,280)
	Interest-rate cap:				
	Buy:	8,000	123	86,021	1,323
Short-cut method	Interest-rate swaps:				
	Receive/floating and pay/fixed:	70,378	*	756,753	*
	Total	¥82,405	¥ 4	$886,075	$ 43

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

(c) Commodity-related transactions

		Millions of yen		Thousands of U.S. dollars	
		2010		2010	
		Notional amount	Fair value	Notional amount	Fair value
Principle method	Coal price swaps:				
	Receive/floating and pay/fixed:	¥1,868	¥33	$20,086	$355
	Total	¥1,868	¥33	$20,086	$355

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

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

(a) Currency-related transactions

	Millions of yen		
	2009		
	Notional amount	Fair value	Unrealized gain (loss)
Forward exchange contracts:			
Sell:			
US$	¥439	¥ 431	¥ 8
Buy:			
US$	247	228	(19)
¥	19	19	0
Currency swaps:			
Receive/US$ and pay/Baht	355	(133)	(133)
Total			¥(144)

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

(b) Interest-related transactions

	Millions of yen		
	2009		
	Notional amount	Fair value	Unrealized gain (loss)
Interest-rate collar:			
Buy	¥993	¥(23)	¥(23)
Total			¥(23)

16. SEGMENT INFORMATION

The operations of the Company and its consolidated subsidiaries for the years ended March 31, 2010 and 2009 are summarized by product group as follows:

	Millions of yen							
Year ended March 31, 2010	Chemicals & plastics	Specialty chemicals & products	Cement & construction materials	Machinery & metal products	Energy & environment	Other businesses	Elimination & corporate	Consolidated
Sales:								
Outside customers	**¥161,171**	**¥ 75,444**	**¥184,872**	**¥80,831**	**¥43,698**	**¥3,540**	**¥ —**	**¥549,556**
Intersegment sales and transfers	**6,003**	**1,814**	**3,524**	**919**	**10,457**	**1,417**	**(24,134)**	**—**
	167,174	**77,258**	**188,396**	**81,750**	**54,155**	**4,957**	**(24,134)**	**549,556**
Operating cost	**161,981**	**70,018**	**182,217**	**78,007**	**49,782**	**4,112**	**(24,156)**	**521,961**
Operating income	**¥ 5,193**	**¥ 7,240**	**¥ 6,179**	**¥ 3,743**	**¥ 4,373**	**¥ 845**	**¥ 22**	**¥ 27,595**
Assets	**¥200,763**	**¥106,330**	**¥194,010**	**¥64,462**	**¥51,651**	**¥9,024**	**¥ 28,553**	**¥654,793**
Depreciation and amortization	**10,423**	**6,877**	**10,101**	**2,765**	**2,887**	**381**	**—**	**33,434**
Loss on impairment	**—**	**15**	**125**	**—**	**—**	**29**	**—**	**169**
Capital expenditures	**7,840**	**8,551**	**5,302**	**2,110**	**781**	**100**	**—**	**24,684**

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

Year ended March 31, 2010	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	$1,733,022	$ 811,226	$1,987,871	$869,150	$469,871	$38,064	$ —	$5,909,204
Intersegment sales and transfers	64,548	19,505	37,892	9,882	112,441	15,237	(259,505)	—
	1,797,570	830,731	2,025,763	879,032	582,312	53,301	(259,505)	5,909,204
Operating cost	1,741,731	752,882	1,959,322	838,785	535,291	44,215	(259,742)	5,612,484
Operating income	$ 55,839	$ 77,849	$ 66,441	$ 40,247	$ 47,021	$ 9,086	$ 237	$ 296,720
Assets	$2,158,742	$1,143,333	$2,086,129	$693,140	$555,387	$97,032	$ 307,022	$7,040,785
Depreciation and amortization	112,075	73,946	108,613	29,731	31,043	4,097	—	359,505
Loss on impairment	—	161	1,344	—	—	312	—	1,817
Capital expenditures	84,301	91,946	57,011	22,688	8,398	1,075	—	265,419

The operations of the Company and its consolidated subsidiaries for the years ended March 31, 2010 and 2009 by geographic area are as follows:

Year ended March 31, 2010	Japan	Asia	Other area	Elimination & corporate	Consolidated
	Millions of yen				
Sales:					
Outside customers	¥471,308	¥41,125	¥37,123	¥ —	¥549,556
Intersegment sales and transfers	12,186	6,655	1,600	(20,441)	—
	483,494	47,780	38,723	(20,441)	549,556
Operating cost	463,147	42,455	37,292	(20,933)	521,961
Operating income	¥ 20,347	¥ 5,325	¥ 1,431	¥ 492	¥ 27,595
Assets	¥521,741	¥64,273	¥36,372	¥ 32,407	¥654,793

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

Year ended March 31, 2010	Japan	Asia	Other area	Elimination & corporate	Consolidated
	Thousands of U.S. dollars				
Sales:					
Outside customers	$5,067,828	$442,204	$399,172	$ —	$5,909,204
Intersegment sales and transfers	131,032	71,559	17,204	(219,795)	—
	5,198,860	513,763	416,376	(219,795)	5,909,204
Operating cost	4,980,075	456,505	400,989	(225,085)	5,612,484
Operating income	$ 218,785	$ 57,258	$ 15,387	$ 5,290	$ 296,720
Assets	$5,610,118	$691,108	$391,097	$ 348,462	$7,040,785

"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, 2010 and 2009 are as follows:

	Millions of yen			
Year ended March 31, 2010	Asia	Europe	Other area	Total
Overseas sales	**¥114,156**	**¥27,513**	**¥10,056**	**¥151,725**
Consolidated sales				**549,556**
Overseas/consolidated sales ratio	**20.8%**	**5.0%**	**1.8%**	**27.6%**

"Asia" consists principally of Korea, China, Taiwan and Thailand; "Europe" consists principally of Germany and Spain; and "Other area" consists principally of the United States, South America, Oceania and Africa. Effective the year ended March 31, 2010, the Company and its consolidated subsidiaries have changed area segmentation to the following three segments "Asia," "Europe" and "Other area" from the former four segments, including the "North America" segment, due to a decrease in materiality of the "North America" segment. Sales amounts of the "North America" segment for the year ended March 31, 2010 are ¥6,944 million (US$74,667 thousand).

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

"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.

	Thousands of U.S. dollars			
Year ended March 31, 2010	Asia	Europe	Other area	Total
Overseas sales	**$1,227,484**	**$295,839**	**$108,129**	**$1,631,452**
Consolidated sales				**5,909,204**

17. LEASES

(a) Finance leases

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

The following amounts represent the acquisition costs, accumulated depreciation and amortization and net book value of the leased property at March 31, 2010 and 2009 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	**2010**	2009	**2010**
Acquisition costs:			
Buildings and structures	**¥ 4**	¥ 24	**$ 43**
Machinery and equipment	**9,473**	10,446	**101,860**
	¥9,477	¥10,470	**$101,903**
Accumulated depreciation and amortization:			
Buildings and structures	**¥ 4**	¥ 23	**$ 43**
Machinery and equipment	**6,617**	5,920	**71,151**
	¥6,621	¥ 5,943	**$ 71,194**
Net book value:			
Buildings and structures	**¥ 0**	¥ 1	**$ 0**
Machinery and equipment	**2,856**	4,526	**30,710**
	¥2,856	¥ 4,527	**$ 30,710**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥1,638 million (US$17,613 thousand) and ¥1,935 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, 2010 and 2009, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2010 for finance leases accounted for as operating leases are summarized as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2011	¥1,333	$14,333
2012 and thereafter	1,523	16,377
	¥2,856	$30,710

(b) Operating leases

Future minimum lease payments subsequent to March 31, 2010 for non-cancelable operating leases are summarized as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2011	¥2,050	$22,043
2012 and thereafter	4,517	48,570
	¥6,567	$70,613

18. ACCRUED RETIREMENT BENEFITS

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

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

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

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Projected benefit obligations:			
Present value of projected benefit obligations	¥ 58,125	¥ 60,397	$ 625,000
Plan assets at fair value	(43,388)	(38,309)	(466,538)
Unrecognized benefit obligations at transition	(7,247)	(9,608)	(77,925)
Unrecognized actuarial loss	(6,367)	(11,044)	(68,462)
Unrecognized prior service cost	(1,633)	(1,816)	(17,559)
Retirement benefit obligations recognized in the balance sheets, net	(510)	(380)	(5,484)
Prepaid pension expenses	(7,756)	(7,593)	(83,398)
Accrued retirement benefits	¥ 7,246	¥ 7,213	$ 77,914

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Retirement benefit expenses:			
Service cost	¥2,895	¥3,218	$31,129
Interest cost	1,271	1,321	13,667
Expected return on plan assets	(771)	(844)	(8,290)
Amortization of prior service cost	183	99	1,968
Amortization of actuarial loss	1,767	824	19,000
Amortization of benefit obligations at transition	2,339	2,464	25,150
Cost on transition to defined contribution pension plan	—	93	—
Others	39	20	419
Total	¥7,723	¥7,195	$83,043

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

	Percentage	
	2010	2009
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 INVESTMENT AND RENTAL PROPERTY

The Company and its consolidated subsidiaries own idle property and rental property in Yamaguchi and other areas. The carrying amount, net changes and fair value of investment and rental property are as follows:

	Millions of yen			
	2010			
	Carrying amount			
	Balance at March 31, 2009	Net changes	Balance at March 31, 2010	Fair value at March 31, 2010
Idle property	**¥11,655**	**¥(58)**	**¥11,597**	**¥32,008**
Rental property	**3,790**	**(15)**	**3,775**	**12,447**

	Thousands of U.S. dollars			
	2010			
	Carrying amount			
	Balance at March 31, 2009	Net changes	Balance at March 31, 2010	Fair value at March 31, 2010
Idle property	**$125,323**	**$(624)**	**$124,699**	**$344,172**
Rental property	**40,752**	**(161)**	**40,591**	**133,839**

Notes: Carrying amounts represent the acquisition costs less accumulated depreciation and impairment losses.
Net changes for the year ended March 31, 2010 mainly consist of sale and impairments.
Fair value at March 31, 2010 of main property is based on external appraisal, other property is estimated based on the index prices deem to reflect the market price accurately.

The amount of income and expenses related to investment and rental property at March 31, 2010 are as follows:

	Millions of yen			
	2010			
	Rental income	Rental expenses	Net income	Others
Idle property	**¥ —**	**¥ —**	**¥ —**	**¥(221)**
Rental property	**695**	**296**	**399**	**33**

	Thousands of U.S. dollars			
	2010			
	Rental income	Rental expenses	Net income	Others
Idle property	**$ —**	**$ —**	**$ —**	**$(2,376)**
Rental property	**7,473**	**3,183**	**4,290**	**355**

Notes: Others in the above table for idle property consist of taxes and dues ¥(267) million (US$ (2,871) thousand), impairment loss ¥(51) million (US$ (548) thousand), gain on acceptance of dredged sand ¥50 million (US$538 thousand) and gain on sale ¥47 million (US$505 thousand).
Others for rental property are gain on sale.

20. STOCK OPTIONS

Stock option expenses in the amounts of ¥72 million (US$774 thousand) and ¥80 million are accounted for as "Selling, general and administrative expenses" on the consolidated statements of income for the years ended March 31, 2010 and 2009, respectively.

The contents of stock options at March 31, 2010 are as follows:

	Fiscal year 2007 stock options	Fiscal year 2008 stock options	Fiscal year 2009 stock options	Fiscal year 2010 stock options
Position and number of grantees	Directors of the Company: 5 Executive officers of the Company: 12	Directors of the Company: 5 Executive officers of the Company: 17	Directors of the Company: 6 Executive officers of the Company: 16	Directors of the Company: 6 Executive officers of the Company: 17
Type and number of shares	Common stock of the Company: 244,000 shares	Common stock of the Company: 225,000 shares	Common stock of the Company: 243,000 shares	Common stock of the Company: 322,000 shares
Date of grant	February 22, 2007	July 13, 2007	July 14, 2008	July 13, 2009
Settlement of rights	After providing service for the period	After providing service for the period	After providing service for the period	After providing service for the period
Period of providing service for stock option	For 1 year (From July 1, 2006 to June 30, 2007)	Directors of the Company: For 1 year (From July 1, 2007 to June 30, 2008) Executive officers of the Company: For 9 months (From July 1, 2007 to March 31, 2008) Newly designated executive officers of the Company: For 1 year (From April 1, 2007 to March 31, 2008)	Directors of the Company: For 1 year (From July 1, 2008 to June 30, 2009) Executive officers of the Company: For 1 year (From April 1, 2008 to March 31, 2009)	Directors of the Company: For 1 year (From July 1, 2009 to June 30, 2010) Executive officers of the Company: For 1 year (From April 1, 2009 to March 31, 2010)
Exercise period of rights	For 25 years from grant date (From February 22, 2007 to February 21, 2032)	For 25 years from grant date (From July 13, 2007 to July 12, 2032)	For 25 years from grant date (From July 14, 2008 to July 13, 2033)	For 25 years from grant date (From July 13, 2009 to July 12, 2034)
Condition of exercise of rights	A holder of share subscription rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.	A holder of share subscription rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.	A holder of share subscription rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.	A holder of share subscription rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.

	Fiscal year 2007 stock options	Fiscal year 2008 stock options	Fiscal year 2009 stock options	Fiscal year 2010 stock options	
	Yen	Yen	Yen	Yen	U.S. dollars
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	$0.01
Average stock price at exercise	231	—	—	—	—
Fair value at grant date	388	351	326	223	2.40

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

	Fiscal year 2007 stock options	Fiscal year 2008 stock options	Fiscal year 2009 stock options	Fiscal year 2010 stock options
Method of estimation	Black-Scholes model	Black-Scholes model	Black-Scholes model	Black-Scholes model
Volatility *	44.103 %	42.225 %	33.622 %	40.211 %
Expected remaining period **	8 years	8 years	8 years	8 years
Expected dividend ***	¥3	¥4	¥5	¥4 (US$ 0.04)
Risk-free interest rate ****	1.519 %	1.811 %	1.334 %	1.003 %

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

21. RELATED PARTY TRANSACTIONS

The Company sold goods for resale in the amount of ¥32,034 million (US$344,452 thousand) and ¥36,172 million to Ube-Mitsubishi Cement Corporation (UMCC), accounted for by the equity method, for the years ended March 31, 2010 and 2009, respectively. The balances of accounts receivable were ¥11,269 million (US$121,172 thousand) and ¥11,980 million at March 31, 2010 and 2009, respectively.

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

Report of Independent Auditors

ERNST & YOUNG

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

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

The Board of Directors
Ube Industries, Ltd.

We have audited the accompanying consolidated balance sheets of Ube Industries, Ltd. and consolidated subsidiaries as of March 31, 2010 and 2009, 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, 2010 and 2009, 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, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young ShinNihon LLC

June 29, 2010

Investor Information (As of March 31, 2010)

Ube Industries, Ltd.

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

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

Establishment: 1897

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

Paid-in Capital: ¥58,435 million

Number of Shareholders with Voting Rights: 59,232

Annual General Shareholders' Meeting: June

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

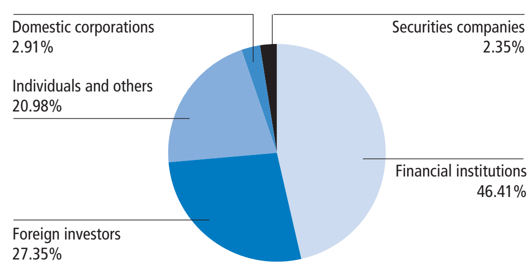
Transfer Agent and Share Registrar: Mitsubishi UFJ Trust and Banking Corporation, 1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212

Independent Auditors: Ernst & Young ShinNihon LLC

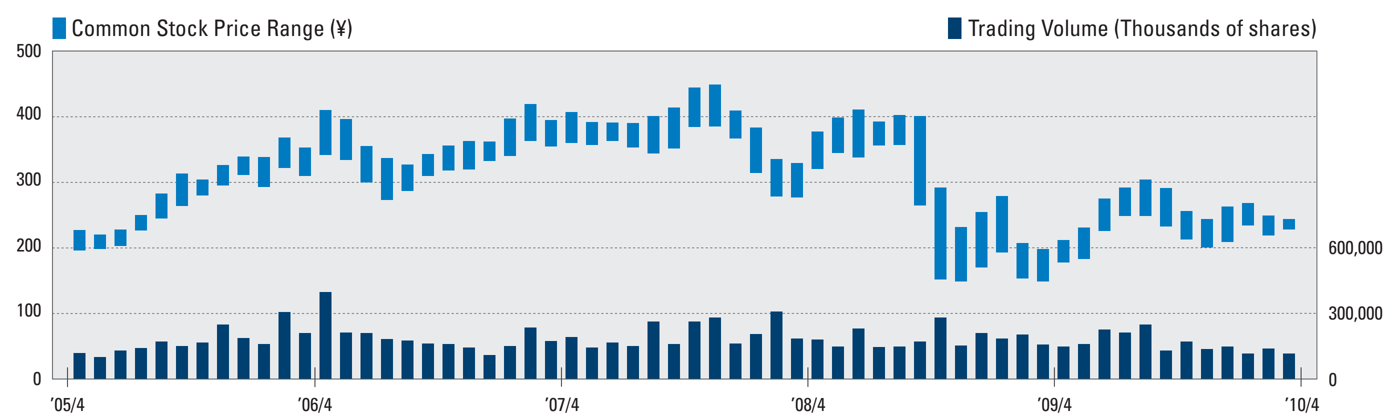
Principal Shareholders

Name	Number of Shares (Thousands)	Percentage of Shareholding (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	**99,142**	**9.82**
The Master Trust Bank of Japan, Ltd. (Trust Account)	**61,366**	**6.08**
Japan Trustee Services Bank, Ltd. (Trust Account 9)	**40,199**	**3.98**
Nippon Life Insurance Company	**20,000**	**1.98**
Sumitomo Life Insurance Company (Standing Proxy: Japan Trustee Services Bank, Ltd.)	**20,000**	**1.98**
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	**15,000**	**1.49**
Japan Trustee Services Bank, Ltd. (Trust Account 4)	**14,969**	**1.48**
Mizuho Corporate Bank, Ltd. (Standing Proxy: Trust & Custody Services Bank, Ltd.)	**12,487**	**1.24**
The Norinchukin Bank	**12,374**	**1.23**
Juniper	**12,102**	**1.20**

Breakdown of Shareholders



Stock Price Range & Trading Volume
(Tokyo Stock Exchange)



Network (As of March 31, 2010)

OVERSEAS OFFICES [SALES & REPRESENTATIVE]

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

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

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

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

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

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

MAJOR CONSOLIDATED SUBSIDIARIES AND AFFILIATES

① Country ② Business ③ Voting Rights

Chemicals & Plastics

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

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

❾ UBE CHEMICALS (ASIA) PUBLIC CO., LTD.
①Thailand
Tel: +66 (2) 263-6600
Fax: +66 (2) 263-3024
②Manufacture and sales of caprolactam and polyamide 6
③92.7%

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

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

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

Specialty Chemicals & Products

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

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

⓯ UBE FINE CHEMICALS (ASIA) CO., LTD.
①Thailand
Tel: +66 (2) 263-6623
Fax: +66 (2) 263-6688
②Manufacture and sales of fine chemical products
③100.0%

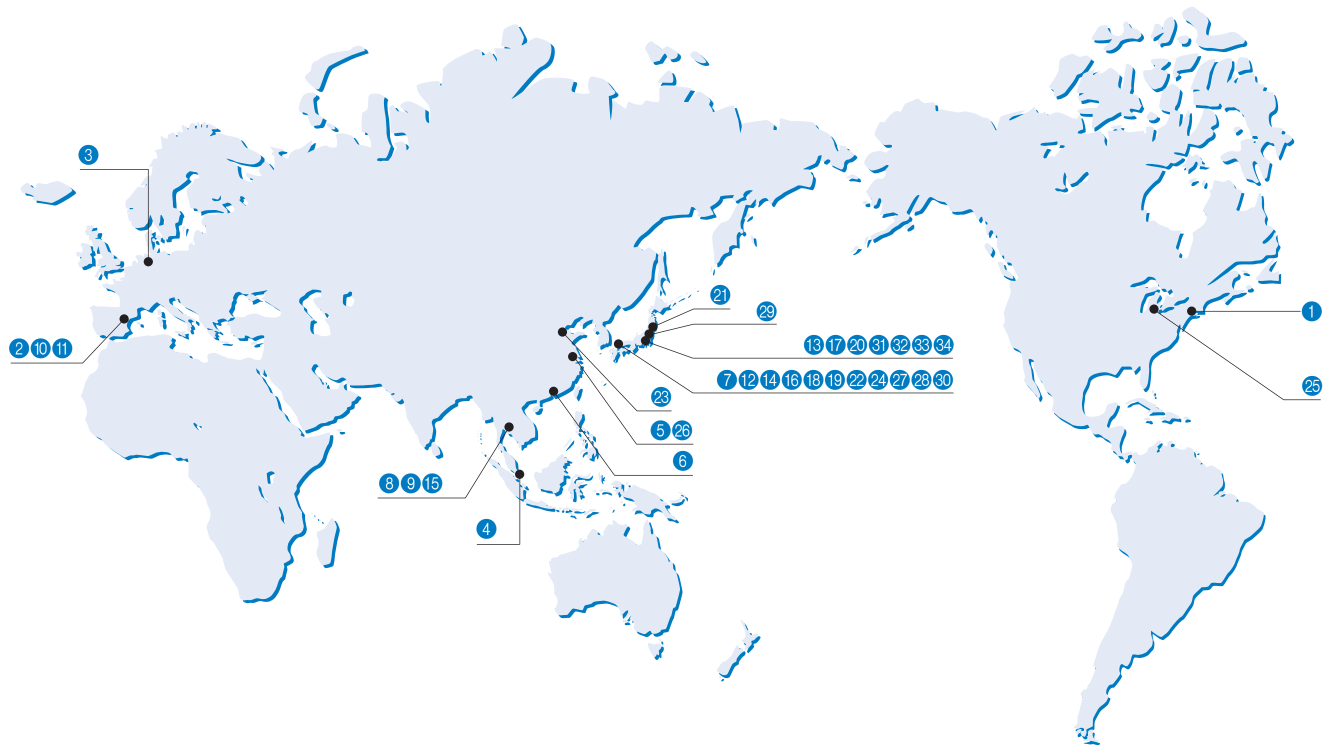
Cement & Construction Materials

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

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

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

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



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

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

22 HAGIMORI INDUSTRIES, LTD.
①Japan
Tel: +81 (836) 31-1678
Fax: +81 (836) 21-4554
②Manufacture and sales of ready-mixed concrete and concrete secondary products
③73.2%

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

Machinery & Metal Products

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

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

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

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

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

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

30 UBE ALUMINUM WHEELS LTD.
①Japan
Tel: +81 (836) 35-5401
Fax: +81 (836) 35-5440
②Manufacture and sales of aluminum wheels
③100%

Energy & Environment

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

... And 35 Other Consolidated Subsidiaries

EQUITY-METHOD AFFILIATES

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

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

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

... And 21 Other Equity-Method Affiliates

Wings of technology
Spirit of innovation
UBE

UBE INDUSTRIES,LTD.

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