Annual Report 2015

Year ended March 31, 2015

Change & Challenge

Driving Growth

UBE

UBE INDUSTRIES,LTD.

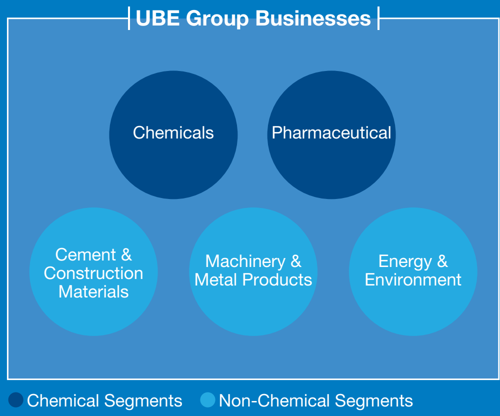
The UBE Group Vision

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

Contents

Profile

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



Forward-Looking Statements

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

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

Fiscal years are years ended March 31 of the following calendar year: for example, fiscal 2014 in the text is the year ended March 31, 2015.

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

To Our Stakeholders

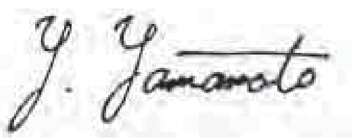
My first year as President and CEO of the UBE Group will involve addressing structural change in the UBE Group's operating environment as we complete the three-year medium-term management plan "Change & Challenge – Driving Growth" set in motion by my predecessor, Michio Takeshita. While the UBE Group continued to make steady progress in the Cement & Construction Materials segment and other non-chemical businesses in fiscal 2014, ended March 31, 2015, the operating environment remained challenging in our chemical business. We will rely on the core strategies now in place to resolve issues in each of our businesses with a sense of urgency.

The global economy lacked vigor during fiscal 2014. The U.S. economy continued to recover and the European economy seemed to gain momentum. However, economic growth was modest in China and other Asian countries. In Japan, the economy continued to recover moderately, with the benefits of various government policies and improved corporate results offsetting the drag on consumer spending caused by an increase in the consumption tax.

Under these conditions, the UBE Group implemented an array of strategies to generate overall expansion with differentiated chemical businesses driving growth and non-chemical businesses adding stability to earnings. As a result, consolidated net sales decreased by ¥8.7 billion from the previous fiscal year to ¥641.7 billion, operating income decreased by ¥0.2 billion to ¥24.1 billion, and net income increased by ¥2.0 billion to ¥14.6 billion.

During fiscal 2015 we will take a fresh look at our strategies given the intense change in our businesses while also accelerating initiatives, from developing globally to assiduously reducing costs. We also integrated the former Chemicals & Plastics and Specialty Chemicals & Products segments in April 2015 to create the Chemicals segment with a new organization that is committed to restoring growth.

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



Yuzuru Yamamoto
President and CEO

A Unique and Evolving Business Structure

The UBE Group has devoted all of its capabilities and an entrepreneurial spirit to evolving its businesses for coexistence and mutual prosperity with the local community.

1897 Coal

The UBE Group has a history of over 110 years since its establishment. We began in the coal mining business in our home region of Ube, Japan.

Used in mining

1914 Machinery

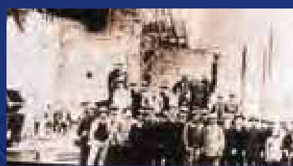
The Machinery & Metal Products segment got its start by manufacturing and servicing machinery used in coal mining.

Used for crushers

Used as a raw material

1923 Cement

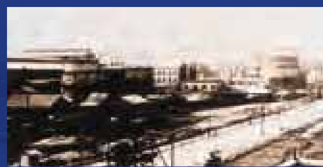
The Cement & Construction Materials segment began by using the coal, mine spoil and limestone that was widely available in the Ube region.



Used as a raw material

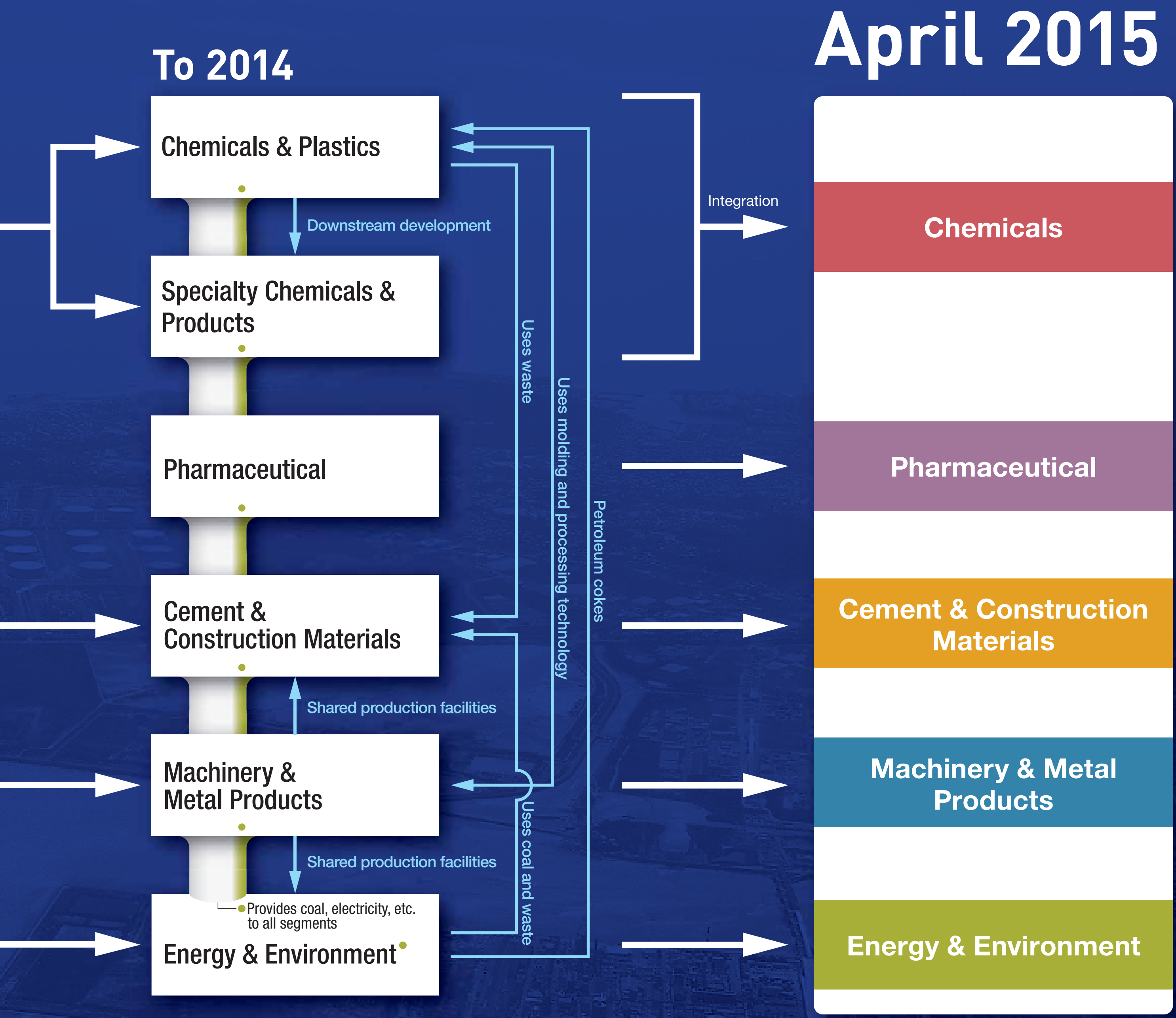
1933 Ammonia and Fertilizer

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



Coexistence and Mutual Prosperity

Our business activities center around production that is backed by technical ingenuity, combined with the ability to grasp modern needs and rise up to challenges without fearing change. The reach of the UBE Group today extends across the globe, yet we continue to hold true to the same common values that are embedded in our very DNA.



The history of Ube Industries began in 1897 when it entered the coal mining business in Ube. Driven by founder Sukesaku Watanabe's vision of "creating industries with infinite possibilities from the finite resources of coal, to bring long-term prosperity to communities," the people of Ube Industries continued to enter new businesses to meet the needs of society. The machinery business evolved from manufacturing and servicing machinery used in coal mining, and the cement business leveraged coal resources in the Ube area and widely available limestone and spoil (overburden) from coal mining in the surrounding region. The chemical business evolved from using coal raw materials to manufacture ammonium sulfate for chemical fertilizer. These three businesses form the cornerstones of the UBE Group today.

We are adapting to the evolution of manufacturing by constantly taking on new technological challenges and transforming ourselves. As we do so, technology and innovation are the constants underlying the UBE Group's identity. For more than a century, the UBE Group's operations worldwide have shared a frontier spirit that we expressed in fiscal 2015 by integrating the Chemicals & Plastics and Specialty Chemicals & Products segments into a single organization that will create new value. We embrace continuous change to meet the demands of modern manufacturing for unique technologies. Our vision statement is, "Wings of technology and spirit of innovation. That's our DNA driving our global success." It expresses the core UBE Group identity that inspires our total commitment to the evolution of our businesses.

An Interview with President and CEO Yuzuru Yamamoto

Profile

Yuzuru Yamamoto

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

Innovation and Speed Are Essential for Further Growth

UBE's Transformation and Sustainable Growth

**If our people change, the Group will change.
The UBE Group is changing dramatically to revitalize performance and generate further growth.**

Question 1:

How do you assess and analyze the UBE Group now that you are the President and CEO?

We need to revitalize the UBE Group by overcoming multiple challenges.

Since its establishment about 120 years ago, the UBE Group has expanded into various businesses from its origins in coal. The frontier spirit and entrepreneurial mindset represented by the Company founders' vision of "creating industries with infinite possibilities from the finite resources of coal," led us to enter new markets, as did our commitment to harmonious coexistence and mutual prosperity with the local community. These principles supported the UBE Group as it diversified into new businesses before World War II. Our commitment to innovation that drives our businesses forward is the backbone of the modern UBE Group, which pivoted from coal to oil to address the postwar energy revolution, expanded overseas and entered new businesses. At the same time, the UBE Group constantly needs to push itself to overcome the intrinsic and problematic conservatism typical of the basic materials industry.

Conditions are challenging in several of the UBE Group's businesses, so our top priority is learning to make timely changes more quickly. We have been slow to adapt to the significant changes in the structure of our industries over the past 10 years. I want the UBE Group to revitalize its performance by transforming itself in stages.

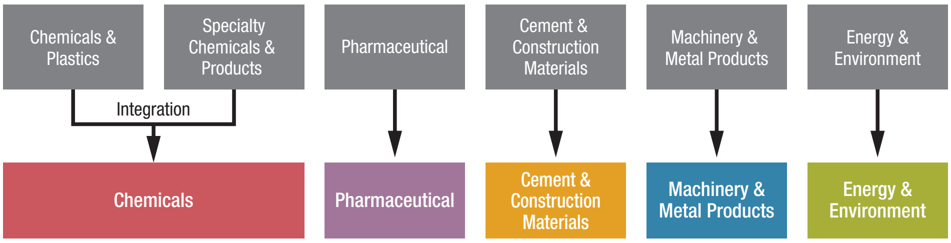
Question 2:

Please discuss the UBE Group's performance in fiscal 2014.

Rebuilding our chemical business was our top priority.

In fiscal 2014, non-chemical segments such as Cement & Construction Materials performed well, but operating conditions remained challenging in our chemical business. As a result, net sales decreased 1.3 percent from the previous year, and operating income was down 1.1 percent. Net income increased 16.1 percent due to factors including the effect of foreign exchange rates.

The chemical business is the core of the UBE Group, and we expect it to expand earnings in overseas markets. We intend to rebuild this business with a sense of urgency by capturing opportunities for further global growth and focusing on untapped markets. We will continue to strengthen the chemical business in the next medium-term management plan, which will start in fiscal 2016. In our Pharmaceutical



segment, we will make well-targeted, long-term investments in development, and Cement & Construction Materials will promptly anticipate and resolve issues in the domestic market. Machinery & Metal Products will increase profitability by establishing a business cycle of manufacturing, sales and after-sale service. Energy & Environment will create technologies and products that contribute to preservation of the environment. Administrative and support operations will help raise efficiency, as will the reorganization of internal companies we implemented in April 2015.

Question 3:

What is the UBE Group's medium-to-long-term outlook and future vision?

Our businesses will be market driven.

UBE's vision for the future is to advance the chemical business to the next level. We do not expect to achieve that during the next medium-term plan, but will explore new opportunities with the near-term goal of restoring operating results to past levels. This will involve two approaches. First, we will broaden our existing businesses and product lineup, and expand them further downstream. Our businesses will be market-driven, transforming our products to address customer needs. Second, we will build on the UBE Group's technological platform to introduce our products in completely new markets we have not traditionally served. For both approaches our priority will be addressing our weakness for developing products that capture attention rather than products that address specific customer needs. The UBE Group must better link its technological and product development capabilities to markets and earnings to achieve our best results ever. I want to ensure that the UBE Group can do this by encouraging the mindset that we are constantly moving forward and creating, even when we are involved in more conventional processes. This will lead employees to always think ahead and dedicate themselves to our mission in line with the UBE Group's overall direction.

Question 4:

What are the important corporate governance issues for the UBE Group?

Open communication and engagement are the keys.

We are a publicly listed company that is enhancing corporate governance to respond to the demands of capital markets and openly share information. Our dialogue with the UBE Group's shareholders and investors gives us insight into their expectations and requirements, which we will also reflect in our CSR efforts.

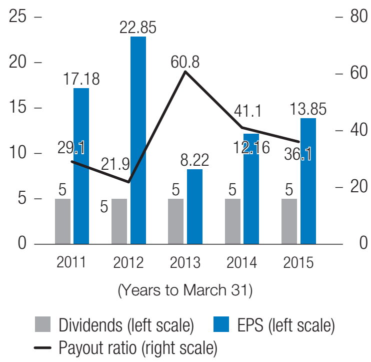
Outside directors have made up half of UBE's Board of Directors since June 2015. This creates an excellent environment at board meetings for discussing what is best for the Company, supported by the opinions of outside auditors and other external experts from various fields. Thus we ensure efficient, transparent and objective management that will drive medium- and long-term growth in corporate value as an internationally respected company.

Question 5:

Please explain the UBE Group's basic policy and outlook for dividends.

We will manage the Company to maintain stable dividends.

Consolidated Payout Ratio
(Yen / %)



The UBE Group is committed to paying dividends that are aligned with performance. At the same time, over the long term we are best able to generate the earnings we distribute to shareholders when we have ample capital resources to expand our businesses and further improve our financial integrity. We take all of these factors into consideration in setting dividends.

Question 6:

How is the UBE Group helping to realize a sustainable society?

We develop socially responsible, environmentally friendly products.

Curtailing the emission of greenhouse gases, reducing the amount of electricity and other forms of energy we use, and preserving biodiversity are among our initiatives to help realize a sustainable society. The UBE Group operates in the energy-intensive businesses of chemicals and cement, and we fully accept our social obligation to do everything we can to protect the environment. We believe that the UBE Group has a social responsibility to grow our businesses by expanding the use of renewable energy, conserving resources, and creating and popularizing technologies and products that reduce environmental impact.

Question 7:

Please close with insights for stakeholders.

We will transform UBE with a sense of urgency.

The UBE Group is focusing on the following three points:

- Increase corporate value by continuously improving earnings
- Provide safe, environmentally friendly products, services and systems
- Ensure effective corporate governance and compliance, and contribute to society

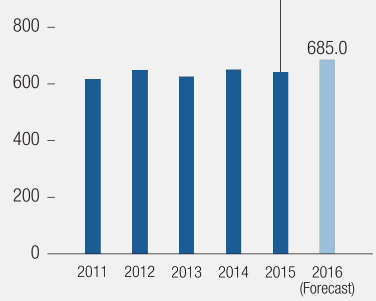
Results for fiscal 2014 were on par with the previous fiscal year because our portfolio of businesses offset lower earnings in the chemical business. We intend to address our challenges in the chemical business during fiscal 2015, and we are steadily implementing initiatives that will produce visible results. We have already integrated the former Chemicals & Plastics and Specialty Chemicals & Products segments into the Chemicals segment to improve organizational efficiency, and are emphasizing focus when we invest resources. We are not simply trying to revive our chemical business as quickly as possible; instead, the Group needs to change with a sense of urgency to restore its position of strength in chemicals. If our people change, the Group will change. I want to make the most of my opportunity as President and CEO to encourage employees to embrace change.

Consolidated Financial and Non-Financial Highlights

Ube Industries, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2011, 2012, 2013, 2014 and 2015

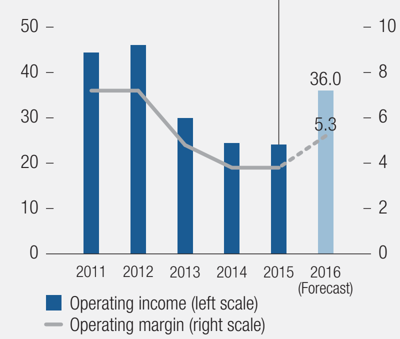
Net Sales
(Billions of yen)

¥641.7 billion



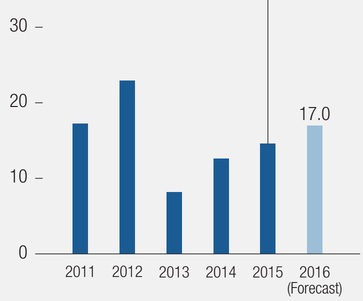
Operating Income & Operating Margin
(Billions of yen / %)

¥24.1 billion 3.8%



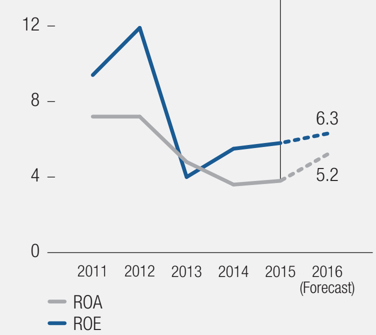
Net Income
(Billions of yen)

¥14.6 billion



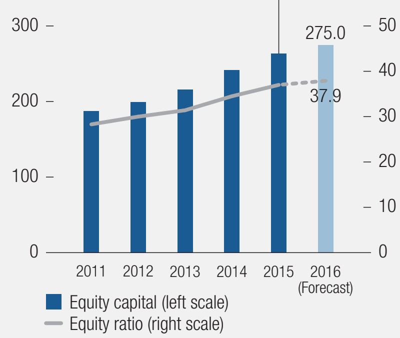
ROA[1] & ROE
(%)

ROA 3.8% ROE 5.8%



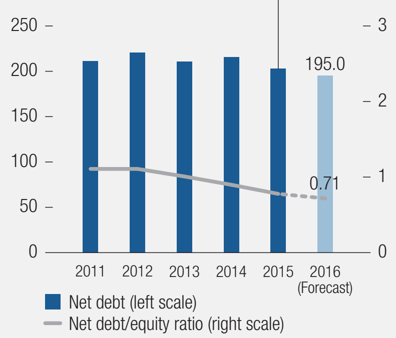
Equity Capital[2] & Equity Ratio
(Billions of yen / %)

¥263.3 billion 37.0%



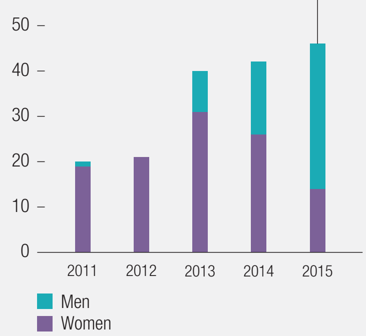
Net Debt[3] & Net Debt/Equity Ratio
(Billions of yen / times)

¥202.7 billion 0.77 times



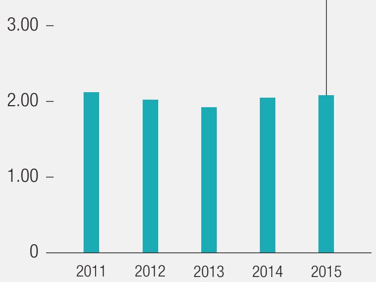
Child-Care Leave System Users[4]

Men 32 Women 14



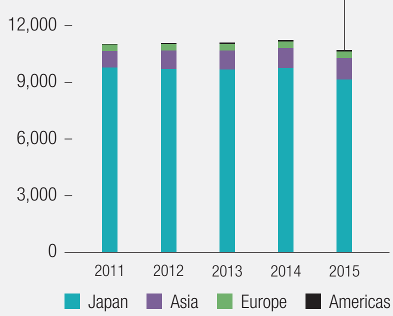
Percentage of Employees with Disabilities[4]
(%)

2.08%



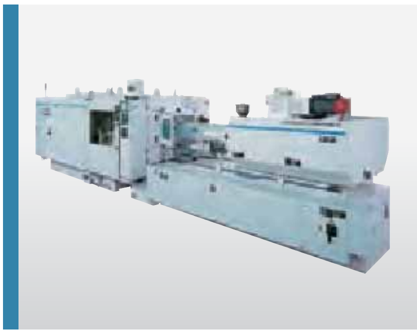
Consolidated Employees by Region[4]
(Number of employees)

10,702



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

Business Overview

	Share of Net Sales	Share of Operating Income	Share of Assets	Principal Products and Businesses
 **Chemicals**	44%	–	44%	• Synthetic rubber • Nylon and lactam chain –Caprolactam –Nylon –Industrial chemicals • Specialty products –Polyimide –Battery materials (Electrolytes and separators) –High purity chemicals –Separation membranes –Ceramics –Telecommunications devices –Aerospace materials • Fine chemicals
 **Cement & Construction Materials**	35%	71%	29%	• Cement • Resource recycling • Building materials (Self-leveling materials, plastering materials and waterproofing materials) • Limestone • Ready-mixed concrete • Calcia, magnesia • Specialty inorganic materials
 **Machinery & Metal Products**	12%	18%	9%	• Machinery –Molding machines (Die-casting machines and injection molding machines) –Industrial machinery, bridges and steel structures –Steelmaking products
 **Pharmaceutical**	1%	4%	2%	• Pharmaceuticals (Active ingredients, intermediates) • Drug discovery and co-development • Contract manufacturing
 **Energy & Environment**	10%	12%	7%	• Coal –Import and sales –Storage and distribution • Power –Independent power producer –In-house power plant

Notes: 1. Totals do not equal 100% because the Other segment has been omitted and intersegment sales and transfers have not been eliminated.
2. The Chemicals & Plastics segment and the Specialty Chemicals & Products segment were integrated on April 1, 2015. Results for FY 2014 are a simple aggregation of the two segments.

The Chemical Business Will Lead Change

We will steadily increase earnings as a result of the integration of two chemical business segments, and promote the reform of the UBE Group by rapidly improving performance.

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

Hideyuki Sugishita

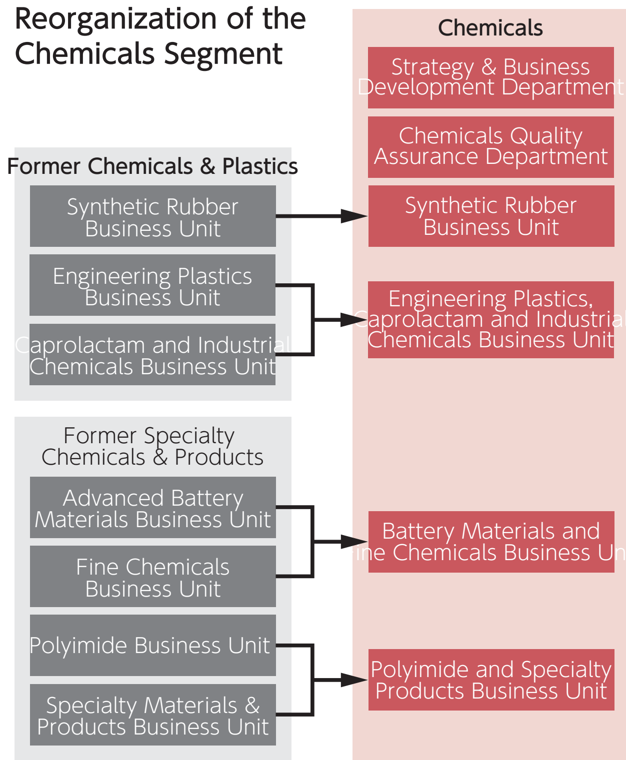
Senior Managing Executive Officer and President of Chemicals segment

The UBE Group integrated the Chemicals & Plastics segment and the Specialty Chemicals & Products segment on April 1, 2015 to create the reorganized Chemicals segment. This also involved establishing the Strategy & Business Development Department and reorganizing the segment around four business units. Targeting a rapid recovery for the chemical business, we flattened and simplified the organization and strengthened collaboration by placing the development and production departments and overseas operational units within the segment, which will accelerate our response to increasingly sophisticated customer and market needs.

An Integrated Organization Will Resolve Issues Faster

Sugishita ▶ Within the Chemicals segment, the businesses of the former Specialty Chemicals & Products segment offer many original products that are only available from UBE, which is a major strength. We established the former Specialty Chemicals & Products segment as a separate business around 1990, and it was steadily profitable. Its profitability subsequently declined, however, primarily because it failed to continuously create peripheral applications. Moreover, the business had its origin in bulk chemicals and did not have sufficient experience with specialty product lifecycles and rapid development.

Naturally, we had to address the poor earnings of the past four or five years. In particular, we aggressively strengthened collaboration among research, development, production technology, manufacturing and sales, but up to that point issues such as setting and evaluating research themes and enhancing the product pipeline were quite difficult. The reorganization and integration into the



Masato Izumihara

Managing Executive Officer,
Vice President of Chemicals segment, with responsibility for Management Department and Strategy & Business Development Department

Apr. 1983: Joined the Company
May. 2010: Executive Officer, Group CFO, and General Manager of Corporate Planning & Administration Office
Jun. 2011: Director. Resigned (June 2015)
Jul. 2011: Executive Officer, Group CFO, and General Manager of Corporate Planning & Administration Office
Apr. 2013: Managing Executive Officer, Group CFO, and General Manager of Corporate Planning & Administration Office
Apr. 2015: Managing Executive Officer, Vice President of Chemicals segment, with responsibility for Management Department and Strategy & Business Development Department (current position)

Chemicals segment has achieved unity that includes research.

At the same time, caprolactam was the main business of the former Chemicals & Plastics segment. A major strength of the nylon and caprolactam businesses was that they ranged widely from the upstream ammonia and industrial chemicals businesses to the downstream nylon resin business, and also led to the creation of peripheral fine chemicals businesses. The caprolactam business was structured to absorb its own fixed costs, but over the past three years a number of plants came online at the same time in China, resulting in an oversupply of caprolactam that drove down prices and caused difficulties for UBE's caprolactam business. With the Chemicals segment now integrated, our first priority is to restore nylon and caprolactam as viable, ongoing businesses by rapidly rationalizing them and reducing costs at all bases, including overseas.

Our Objective Is to Transform the Chemical Business for Strong Profitability

Izumihara ▶ I became the Vice President of the Chemicals segment in April 2015, but until then I oversaw the performance of each segment as the UBE Group's chief financial officer. From that perspective I saw the major impact of the multi-year decline of the Chemicals & Plastics segment on overall Group operations. Stakeholders are not seeing the growth they desire driven by appropriate earnings in the chemical business, so a priority for the UBE Group is enhancing the profile of the chemical business and generating earnings from it.

Business conditions deteriorated in the chemical business over the past several years for a variety of reasons, but perhaps the most significant is that our response to rapid market change has been slow.

Sugishita ▶ The success of a single set of businesses also made us complacent.

Izumihara ▶ Following the financial crisis of 2008, we were obviously slow to respond to the major changes in the user map in the specialty products and fine chemicals businesses. However, the integration of the chemical business allows us to accelerate our response. The chemical business was at one time unified, but was split up during the period of strong growth at the beginning of the 2000s in order to increase its speed. Given the currently challenging conditions, however, we have once again consolidated the segment and concentrated the allocation of resources. Effectively defending the business internally is the shortest route to rebuilding the business.

Our road in the caprolactam business is clear: cut costs at each factory and operate globally in the nylon business. In the specialty products and fine chemicals businesses, we will promote collaboration with the Production and Technology Division to address user needs by effectively using the capabilities of our facilities. I am responsible for following up on each of these initiatives and generating visible results.

Integration Clarifies Strategy and Creates a Sense of Unity

Sugishita ▶ As the Chemicals segment was getting started, we established the operating and technology strategies for the chemical business as a whole, and established the Strategy & Business Development Department as the organization that links research and development departments with the business units. We also established the Chemicals Quality Assurance Department under the direct control of the segment to further reinforce our quality assurance system for chemicals. Development and production departments were formerly divided among two companies under the Production & Technology Division, but development centers will now be part of the Chemicals segment, with the segment's new Production Division overseeing plants and the Production Technology Center.

I have courteously communicated the meaning and objectives of the integration of the chemical business to employees in our various locations and overseas bases. I also forcefully communicated that UBE needs to grow by strengthening its sales and marketing capabilities in order to appeal to markets.

Izumihara ▶ The key message is that we did not make one company from two in order to shrink it. Rather, we did it to clarify our strategy for issues including how we will allocate and prioritize resources through consolidation in working to rebuild the business with a sense of urgency. Bottom line, we need to quickly generate results. Now that all employees understand your message, Mr. Sugishita, I believe we are on the fast track to growth.

Sugishita ▶ Many employees reacted very positively. We effectively communicated that working together in collaboration with research and development departments is not going to compromise the independence of our research centers.

Izumihara ▶ The ideas created by research and development departments are linked to business success and earnings, and also help motivate the employees of those departments. I want to generate clear results by unifying the Chemicals segment from R&D to sales with a focus on markets.

Technology Development and Effective Investment Are the Foundation for Improved Profitability

Sugishita ▶ Looking at the status of each business, extruded film applications are an UBE strength in the nylon resin business and our plants in Thailand and Spain are operating at full capacity. That is driving rapid sales growth. In the synthetic rubber business, a new plant came online in

Malaysia in spring 2015. Japan's leading global tire manufacturers praise UBE's butadiene rubber, and our goal is to complement this international business by building our own organization for supplying synthetic rubber products worldwide. In the polyimide chain business, we have a 100 percent share of tape automated bonding applications. However, we became too dependent on that market and were slow to launch chip on film (COF), so profitability decreased for the business as a whole. We now have a 70 percent share of COF applications, and we are rallying in the significantly larger double-layer copper-clad laminate market by developing products that can take on those of competitors. Varnish is another core product for which we are developing technology that will contribute to improved results. Prices have fallen significantly in the battery materials market as more overseas companies have entered the business, so making a profit has become a real challenge. We expect applications for our electrolytes and separators to increase in the automotive market, which demands consistently high-level quality. Finally, we believe that high-performance coatings will become a core product line in the fine chemicals business. We created these coatings by combining C1 chemicals made using our unique nightlight technology with diol products derived from caprolactam.

Izumihara ▶ One key will be where we focus investment. One business should be nylon, which is a downstream caprolactam business. We have already begun executing a strategy to stabilize earnings in the nylon and lactam chain businesses by investing to expand the nylon production capacity of our overseas bases so that they use more internally produced caprolactam, which minimizes the volatility of the caprolactam business. We also need to invest in overseas expansion in the synthetic rubber business. We will invest in specialty products and fine chemicals as needed to address growing demand, but our first priority must be generating solid returns from investments we have already made. At the same time, we also need to conduct M&A in various businesses more aggressively than we have been. This is why we established the Strategy & Business Development Department – it will energize our framework for projects that bring divisions together.

Transforming the Chemicals Segment Will Transform UBE's Future

Sugishita ▶ I concentrated on consistently confirming that each of our businesses has a direction and a business model that enables broadly based collaboration, not just among executives but at every point from production through final sale as well. This is our top priority as we implement specific strategies.

Izumihara ▶ One thing my Groupwide perspective as CFO indelibly impressed upon me is the importance of a consensus between the president and the vice president on a single direction and goal for the Chemicals segment.

Sugishita ▶ At the end of the day, we need to figure out how to quickly achieve the numbers that effectively meet the expectations of external shareholders and internal divisions, and then use those results to decide how to evaluate the Chemicals segment.

Izumihara ▶ Results were down for the chemical business in fiscal 2013 and fiscal 2014, so I would like to see a rebound in fiscal 2015. We therefore need to steadily move forward with our initiatives to date to create an operating structure that is not dependent on caprolactam. That will clarify the evolutionary direction each business must take to increase earnings. Transforming the Chemicals segment will transform the UBE Group's future. I am confident we all agree on that because it is has been the subject of your discussions, Mr. Sugishita, with our new president, Yuzuru Yamamato, regarding the restructuring of the Chemicals segment.

Chemicals

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

Synthetic Rubber Business

- Address customer requirements with products using our unique synthetic rubber technologies. Ensure supplies of cost competitive raw materials to support global operations now that we have established the joint venture in Malaysia.

Nylon and Lactam Chain Businesses

- Switch the strategic focus and positioning of the caprolactam business to stable supplies of competitive nylon raw materials and revitalizing operations.
- Add higher value while aggressively expanding the nylon business. Strengthen supply capabilities and develop new grades in the extrusion market. Accelerate global business development and strengthen and enhance the UBE Group's compound business organization in the injection molding market.
- Expand earnings in the industrial chemical business with a focus on the ammonia business, which leads its industry in Japan and has an excellent competitive position.

Battery Materials Business

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

Fine Chemicals Business

- Expand in the growing eco-friendly coating materials market using core C1 chemical technology. Strengthen our business model as a solutions provider that solves customer problems. Increase earnings through alliances with other companies and out-licensing.

Polyimide Chain Business

- Develop a wide array of new applications and markets including flexible displays and sensors by leveraging our strength in the proprietary monomers we use as raw materials while complementing existing flat panel and flexible printed circuit board markets.

(Billions of yen)

	FY 2014	FY 2015 Forecast
Sales	**¥280.1**	¥292.0
Operating income	**(0.9)**	9.5
Assets	**311.3**	–
Depreciation and amortization	**17.4**	–
Capital expenditures	**17.9**	–

Note: The former Chemicals & Plastics segment and Specialty Chemicals & Products segment are included in the Chemicals segment as of April 1, 2015. Results for FY 2014 are a simple aggregation of the two segments.

"While fiscal 2014 results were down, the new Chemicals segment will go on the offensive during fiscal 2015."

Hideyuki Sugishita
President, Chemicals segment

Fiscal 2014 Initiatives and Outcomes / Fiscal 2015 Strategies

Synthetic Rubber Business

Fiscal 2014 Initiatives and Outcomes

- Shipments of polybutadiene synthetic rubber remained firm.

Fiscal 2015 Strategies

- Operate the Chiba and Thai plants at full capacity. Acquire approval from customers to stabilize operations at the Malaysian plant.

Nylon Business

Fiscal 2014 Initiatives and Outcomes

- Nylon shipments were firm, particularly for use in small hybrid automobiles.
- UBE launched *UBESTA XPA*, a high thermal conductivity grade.
- Toyota Motor Corporation is using our nylon for the high-pressure hydrogen tank of its MIRAI fuel-cell vehicle.

Fiscal 2015 Strategies

- Operate plants at high capacity utilization rates. Enter the global compound market on a commercial scale in Europe, the United States and China.
- Intensively develop projects with the goal of starting operations during the next three years.

Caprolactam Business

Fiscal 2014 Initiatives and Outcomes

- Caprolactam market prices and demand continued to decrease due to ongoing oversupply, particularly in China.
- Plant-wide maintenance at plants in Thailand and Spain conducted once every several years affected this business, as did higher prices for auxiliary materials such as ammonia.

Fiscal 2015 Strategies

- Steadily implement thorough cost reductions based on short-, medium- and long-term plans.
- Maintain spread by focusing on supplying key customers that are technologically sophisticated and strongly competitive.
- Raise ammonium sulfate sales prices through detailed marketing that takes into account time needed for sales development, regional characteristics, and optimum commercial distribution.

Industrial Chemical Business

Fiscal 2014 Initiatives and Outcomes

- Production and sales were strong, centered on ammonia.

Fiscal 2015 Strategies

- Implement thorough cost reductions in the core ammonia business based on full production and sales.

Battery Materials Business

Fiscal 2014 Initiatives and Outcomes

- Sales of electrolytes and separators increased, but lower sales prices pressured earnings.
- A joint venture in the electrolytes business became a subsidiary, and we began operating a plant in China.
- The Sakai Factory expanded production facilities for separators for lithium-ion rechargeable batteries.

Fiscal 2015 Strategies

- Enhance earnings by further increasing sales of both electrolytes and separators, particularly for automotive applications.
- Begin commercial shipments of Ube Maxell Co., Ltd.'s coated separators.

Fine Chemicals Business

Fiscal 2014 Initiatives and Outcomes

- The market for fine chemical products trended toward recovery.
- Decided to build a new polycarbonate diol plant in Thailand.

Fiscal 2015 Strategies

- Make focused investments that include sales and development resources in the high-performance coatings business.
- Complete and begin operating polycarbonate diol production facilities in Thailand.

Polyimide Chain Business

Fiscal 2014 Initiatives and Outcomes

- Polyimide film sales expanded, but fixed costs increased because a new plant began operating.

Fiscal 2015 Strategies

- Further expand sales of main film products by launching new grades.

Cement & Construction Materials

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

Cement and Ready-Mixed Concrete Business

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

Resource Recycling Business

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

Building Materials Business

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

Calcia and Magnesia Business

- Expand demand in environmental businesses as well as steelmaking and refractories and promote the development of new applications to enhance our business platform and generate steady earnings.

(Billions of yen)

	FY 2014	FY 2013	Change (%)	FY 2015 Forecast
Sales	**¥222.4**	¥223.5	(0.5)	¥242.0
Operating income	**17.0**	15.5	9.9	17.5
Assets	**208.3**	206.3	0.9	–
Depreciation and amortization	**8.1**	8.2	(1.4)	–
Capital expenditures	**10.7**	7.4	43.4	–

"Strengthen and expand existing businesses and continue to grow as a core platform business."

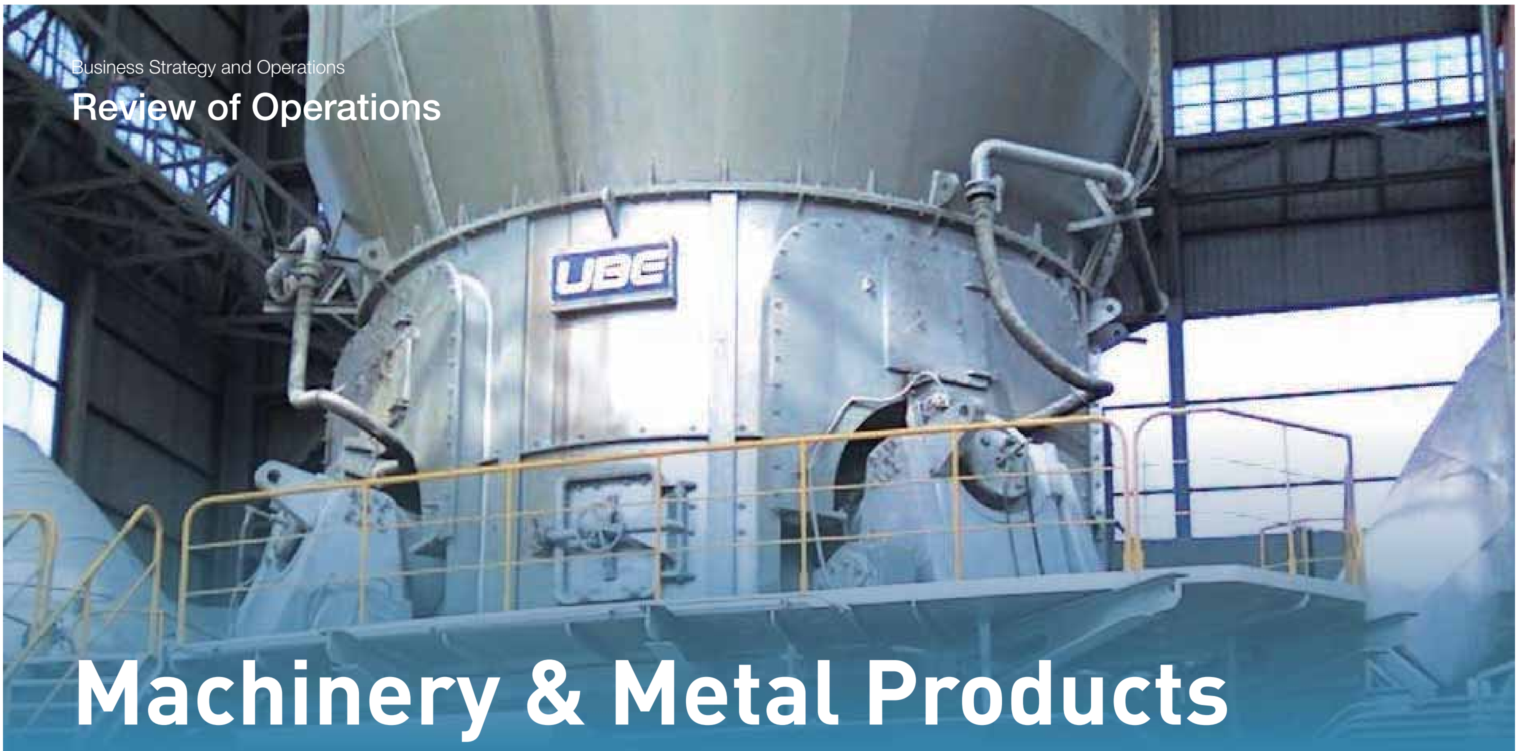
Tadashi Matsunami
President,
Cement & Construction Materials segment

Fiscal 2014 Initiatives and Outcomes	Fiscal 2015 Strategies
Cement and Ready-Mixed Concrete Business	
• Demand for cement, ready-mixed concrete and construction materials stalled temporarily because of factors including construction delays due to labor shortages and changes in construction methods. • Export sales volume and prices increased, backed by strong demand centered on Southeast Asia. • Began constructing a heat recovery power plant at the Kanda Factory. • Cement and construction material sales company Sanshin Tsusho Co., Ltd. became part of the UBE Group. • Use of *1 Day Pave*, a concrete pavement product that allows roads to reopen faster, began in public works projects.	• While demand should be flat year on year due to ongoing construction delays, concentrate on maintaining full production to benefit fully from a favorable environment that is backed by factors such as lower fuel prices and the improved profitability of exports due to the depreciation of the yen. • Reduce electricity costs by quickly starting operation of heat recovery power plants. • Prepare for lower demand after the Tokyo Olympics by promoting alliances with overseas customers to secure export customers.
Resource Recycling Business	
• The start of operation of sludge drying facilities benefited waste processing operations, but growth slowed in the recycling business because it did not achieve its waste collection target.	• Increase the use of resources such as waste plastic and incinerator ash that are difficult to process, and stabilize coal ash processing volume.
Building Materials Business	
• Employed aseismic retrofitting methods in the Tokyo metropolitan area. • Closed Ube Board Co., Ltd. and transferred part of its operations to the newly established Ube Kenzai Corporation.	• Steadily capture demand from the recovery in housing and condominium construction starts. Expand sales in the maintenance and retrofitting market. • Build momentum at Ube Kenzai.
Calcia and Magnesia Business	
• Sales volume was firm in Japan and overseas, primarily for steelmaking and refractory applications. Also focused on environmental markets.	• Demand is forecast to be flat year on year. Expanded sales and cost reductions for calcia and magnesia products should compensate for reduced shipments as a result of steel production adjustments and the move to slagless processes.
Specialty Inorganic Materials Business	
• Integrated the Inorganic Research Department of Ube Material Industries with Corporate R&D to further enhance R&D speed and efficiency. • Completed expansion of fibrous magnesium oxysulfate production facilities (Fibrous Magnesium Oxysulfate Plant III).	• Expand sales, reduce costs and study the construction of a fourth plant for fibrous magnesium oxysulfate. • Collaborate with the Inorganic Specialty Product Research Laboratory to launch and develop new inorganic products.

TOPICS *1 Day Pave* used for first time in public works

In 2014, the Yamaguchi Public Enterprise Bureau carried out road paving work using *1 Day Pave*, a concrete pavement product developed by the Japan Cement Association, of which UBE is a member. The concrete used was manufactured and shipped by the Ube Plant of UBE Group company Hagimori Industries, Ltd.

Conventional concrete pavement requires at least 14 days to set before traffic can be reopened. In contrast, *1 Day Pave* uses high-early-strength Portland cement and a high-performance air entraining and water reducing agent to achieve a lower water-cement ratio than conventional paving concrete to increase early strength, allowing traffic to reopen after only 24 hours. This use of *1 Day Pave* is expected to lead to expanded use in other public works projects.



Machinery & Metal Products

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

Molding Machinery Business

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

Industrial Machinery Business

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

Machinery Services Business

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

Steel Products Business

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

(Billions of yen)

	FY 2014	FY 2013	Change (%)	FY 2015 Forecast
Sales	**¥78.9**	¥75.5	4.6	¥83.5
Operating income	**4.3**	4.4	(3.6)	5.0
Assets	**62.4**	59.2	5.3	–
Depreciation and amortization	**1.3**	1.2	6.4	–
Capital expenditures	**1.8**	1.7	0.8	–

“All employees are committed to delivering world-class performance.”

Tokuhisa Okada
President,
Machinery & Metal Products segment

Fiscal 2014 Initiatives and Outcomes	Fiscal 2015 Strategies
Overall • UBE Machinery Thai Co., Ltd. became a wholly owned subsidiary, and we initiated studies to expand its business. • UBE Machinery Mexico S.A. de C.V. in Mexico began operating.	• Accelerate global business development and further expand earnings.
Molding Machinery Business • Production of large die-casting machines began in China. • Developed the mid-sized UB500iC die-casting machine through our alliance with Toyo Machinery & Metal Co., Ltd. • Sales of energy efficient oil pressure injection molding machines began in North America. • Developed a new casting process called hybrid fill casting (HFC).	• Expand earnings by launching new products in growing overseas automobile markets with a focus on North America and China.
Industrial Machinery Business • Shipments of conveyors and ceramics machinery increased as a result of intensified initiatives to capture earthquake recovery and energy-related demand. • Shipments of vertical mills increased, primarily to Southeast Asia.	• Further exploit the linkage between tangible machinery and intangible services to capture new and renewal demand in the domestic market while concentrating on expanding orders in emerging countries that are growing.
Machinery Services Business • Performance was solid. Shipments of molding and industrial machinery increased due to a focus on overseas business activities.	• Enhance the organization for the overseas services business to strengthen customer responsiveness in global markets and expand earnings.
Steel Products Business • Shipments were firm. Intensified initiatives to capture solid domestic demand and demand for power generation components drove firm shipments.	• Maintain and increase earnings by developing new customers in Japan, Taiwan and Southeast Asia and by expanding the lineup of high-grade billets and casting products for power generation components.

TOPICS Machinery subsidiary begins operations in Mexico

Ube Machinery Corporation, Ltd. and its wholly owned subsidiary UBE Machinery Inc. based in Michigan, U.S.A., jointly established UBE Machinery Mexico S.A. de C.V., a subsidiary for the servicing and maintenance of machinery in Irapuato, Guanajuato, Mexico. The new subsidiary commenced operations in April 2014.

In recent years, manufacturers in the automotive sector have set up and expanded production facilities in Mexico, taking advantage of its geographic proximity to the United States as well as its large labor pool and free-trade agreements with various countries. The establishment of the new company positions the UBE Group to provide rapid and comprehensive support according to the needs of users. The subsidiary will also strengthen market development and sales efforts for further business expansion.

Review of Operations

Pharmaceutical

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

Drug Discovery and Co-Development Business

- Enhance our pipeline and accelerate out-licensing. Expand the profitability of existing products through lifecycle management.

Contract Manufacturing Business

- Differentiate facilities and enhance technological capabilities to expand contract manufacturing opportunities in new markets. Obtain highly profitable contracts.

Generics Business

- Establish a new business based on Chemistry Manufacturing & Control (CMC) technology created through drug discovery, co-development and contract manufacturing.

"We will rejuvenate the Pharmaceutical segment in fiscal 2015 with a strong crisis mentality."

Nobuyuki Taenaka
General Manager,
Pharmaceutical segment

Fiscal 2014 Initiatives and Outcomes

Drug Discovery and Co-Development Business

- Sales of *Effient*® began in Japan. Co-developed this antiplatelet agent with Daiichi Sankyo Company, Limited.
- Submitted an application for the additional indication of pediatric use for the anti-allergy agent *Talion*®, which we co-developed with Mitsubishi Tanabe Pharma Corporation.
- DE-117, a therapeutic agent for glaucoma, made steady progress in a Phase IIb clinical trial.
- Enhanced our pipeline in ways such as determining themes for the transition to Phase I clinical trials and for identifying compounds.

Contract Manufacturing Business

- Project inquiries increased because we introduced facilities for high pharmacological activity and low-temperature reactions.
- Received contracts for APIs and intermediates for post-development and post-launch products.

Generics Business

- Development of multiple generic drugs made steady progress.

Other (Involves all segment businesses)

- Moved forward in preparing facilities at overseas bases with the goal of enhancing cost competitiveness and acquiring stable suppliers.

Fiscal 2015 Strategies

Drug Discovery and Co-Development Business

- Conduct Phase III clinical trials for *Effient*® for cerebral syndrome in Japan and for pediatric use in the United States.
- Continue to expand indications for *Talion*® and countries where it is marketed.
- Collaborate with partners to enhance our pipeline and continue early out-licensing.

Contract Manufacturing Business

- Continue to differentiate our facilities and focus on increasing contracts.

Generics Business

- Accelerate launch preparations in ways such as promoting development and providing samples to drug manufacturers.

Other (Involves all segment businesses)

- Complete manufacturing facilities at overseas bases so that they soon begin contributing to earnings.

(Billions of yen)

	FY 2014	FY 2013	Change (%)	FY 2015 Forecast
Sales	**¥ 7.8**	¥ 9.7	(19.4)	¥9.5
Operating income	**0.9**	1.6	(46.2)	1.5
Assets	**10.9**	12.0	(9.1)	–
Depreciation and amortization	**0.7**	0.6	14.6	–
Capital expenditures	**0.7**	1.3	(46.4)	–

Review of Operations

Energy & Environment

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

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

"With the IPP business back online, we are positioned for stronger earnings and future growth."

Takafumi Kurauchi
General Manager,
Energy & Environment segment

Fiscal 2014 Initiatives and Outcomes

Coal Business

- Coal sales volume was solid.
- Handling volume at the Okinoyama Coal Center decreased year on year due to reduced storage volume.
- Implementing our strategy of having an international bulk harbor, we conducted joint international coal shipments with The Chugoku Electric Power Co., Inc.

Electricity Business

- U.S. Power Co., Ltd., a joint venture with Showa Shell Sekiyu K.K., began operating solar power facilities on land in Fujimagari, Ube.
- An IPP power plant that was shut down due to facility problems restarted transmission of electricity.
- Established Yamaguchi-Ube Power Generation Co., Ltd. as a joint venture with J-Power and Osaka Gas Co., Ltd.

Fiscal 2015 Strategies

- Coal prices and ocean freight charges will continue to decrease. Increase the linkage of prices with the market and reduce costs.
- In a competitive market, increase coal sales volume and storage volume.
- Implement strategies to increase handling volume at the Okinoyama Coal Center.

- Steadily operate in-house and IPP power plants.
- Reduce fuel and other expenses to maximize earnings in the electricity sales business.
- Implement the power plant plan for Yamaguchi-Ube Power.

(Billions of yen)

	FY 2014	FY 2013	Change (%)	FY 2015 Forecast
Sales	**¥66.7**	¥59.0	13.0	¥72.5
Operating income	**2.8**	1.9	42.1	3.0
Assets	**53.2**	52.9	0.5	–
Depreciation and amortization	**2.5**	2.3	12.3	–
Capital expenditures	**7.4**	4.8	53.1	–

Research and Development

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

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

TOPICS UBE to open new Osaka R&D Center

UBE has decided to establish a new R&D facility in July 2016 in the Sakai Factory. The Osaka R&D Center will expand the Company’s R&D capabilities in the strategic growth segment of specialty products.

The new R&D center will be located in the Osaka area, close to customers and the UBE Group’s manufacturing facilities for battery materials and other specialty products. Its goal will be to generate original results from new techniques. With integrated management of R&D covering everything from elemental technologies to production technologies, the center will deliver efficient R&D that keeps pace with current trends, and will serve as the UBE Group’s core facility for generating new products for the future.

Initially, the center will have about 50 employees who will be mainly involved in research of battery materials. Eventually, it plans to grow to about 250 employees, integrating R&D departments related to specialty products.

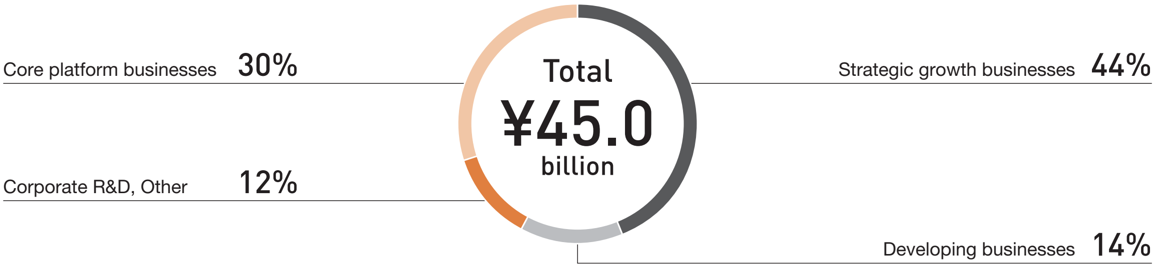
“We will deepen RDTP-B* collaboration, respond rapidly to market needs, and accelerate new product development.”

Morihisa Yokota
General Manager,
Corporate Research & Development

Corporate R&D introduced a new stage gate system for evaluating themes and proposing new themes, and made progress in visualizing R&D themes in conjunction with the monitoring activities of the R&D Promotion Office. In the third year of the medium-term management plan, in conjunction with the integration of the Chemicals segment we will deepen RDTP-B collaboration, respond rapidly to market needs, and accelerate new product development. At the same time, we have initiated a project that searches for new markets in order to create new businesses, and have proposed target markets including smart sensing and next-generation displays. We will define new targets to further deepen our involvement in these markets, and accelerate initiatives to create new businesses.

*Research, development, technology, production and business

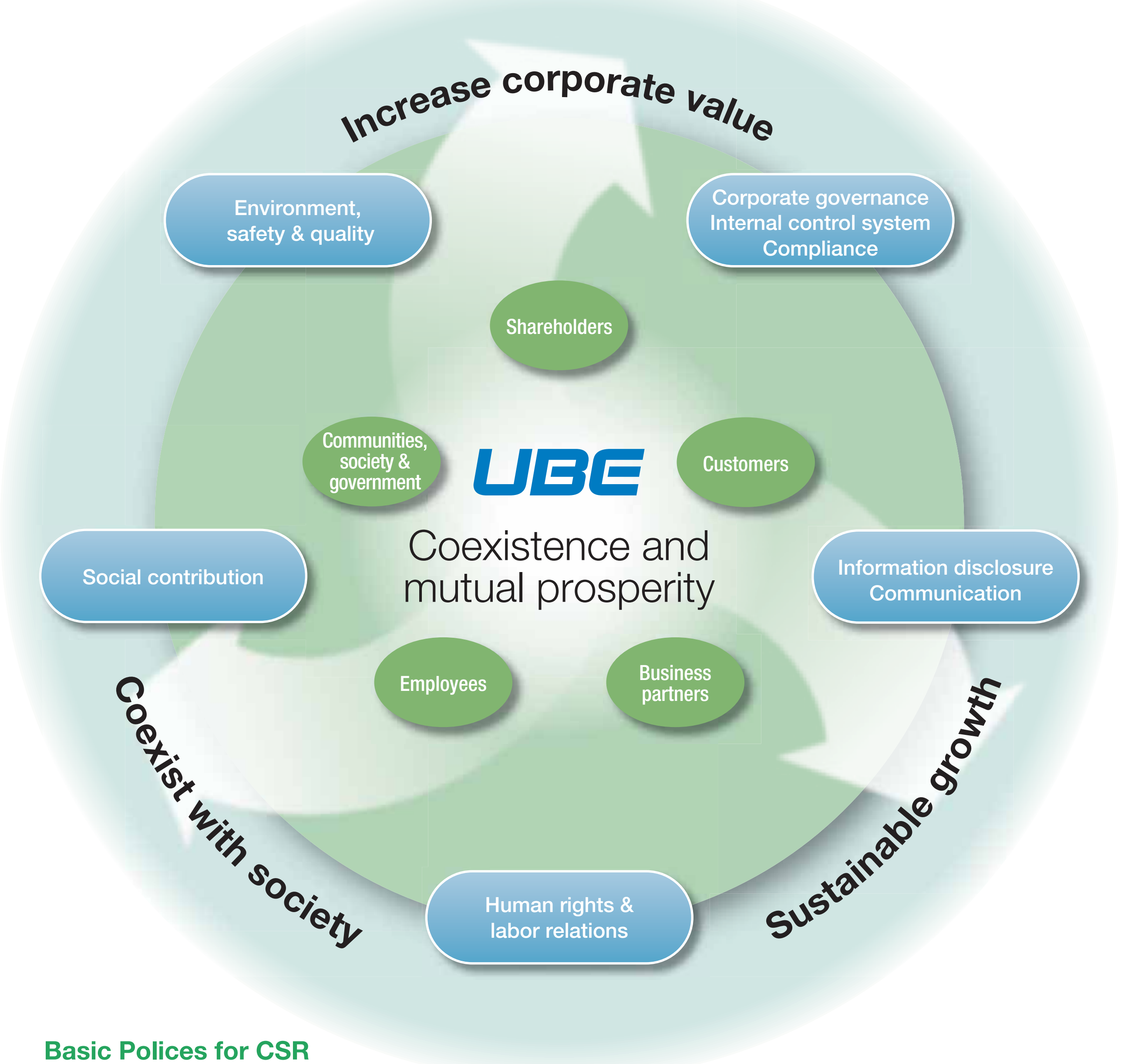
R&D Expenditures by Portfolio Segment over the Three Years



	Fiscal 2014 Initiatives and Outcomes	Fiscal 2015 Strategies
Organic Chemistry Research Laboratory	• Established production processes for drugs that UBE has discovered. • Developed ultraviolet curing technology for polyurethane dispersions.	• Strengthen and innovate the technology platform of existing chemical businesses. Research new chemical products and materials.
Pharmaceuticals Research Laboratory	• Continued to appropriately manage and allocate resources for drug discovery research themes. • New themes advanced to the clinical research stage, which enhanced our pipeline. • Introduced the results of our research to pharmaceutical companies to promote licensing activities.	• Advance drug discovery research themes and manage them to ensure linkage with actual successes. • Further enhance our pipeline by continuing to generate new themes.
Process Technology Research Laboratory	• Achieved our objectives in completing a national project to develop innovative basic production technologies for cement.	• Conduct research to strengthen process technology throughout the UBE Group.
Organic Specialty Materials Research Laboratory	• Discovered new catalysts for use with synthetic rubber. • Launched market evaluation of materials for new circuit forming technologies.	• Create new businesses that are related to existing businesses and enhance initiatives to create new businesses.
Inorganic Specialty Product Research Laboratory	• Recruited new users for oxide phosphor materials. • Established production technology for highly dispersive strontium carbonate nanoparticles.	• Conduct R&D to commercialize phosphor materials, specialty fillers and sputtering targets.
Hagihara Research Group	• Completed building technology platform for the use of functional materials in life science.	• Begin structuring businesses using the platform we have built and target definition of products.

UBE Group CSR

The UBE Group's CSR activities encompass increasing the Group's corporate value and purpose; ensuring sustainable growth; deepening the confidence of stakeholders and coexisting harmoniously with society through day-to-day dialogue; and globally expanding the scope of the Group's founding philosophy of "coexistence and mutual prosperity" through its business activities.



Basic Polices for CSR

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

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

Annual Report 2015 covers issues of interest to investors on the pages that follow.

Corporate Governance, Internal Control System, Compliance and Risk Management

Basic Approach to Corporate Governance

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

Board of Directors

In principle, a director who does not serve concurrently as an executive officer serves as Chairman of the Board of Directors. The Board of Directors makes decisions about important management issues in accordance with laws, regulations, the Company's articles of incorporation and the rules of the Board of Directors, and also supervises directors and executive officers to ensure they are performing their duties appropriately and efficiently.

Board of Corporate Auditors

Corporate auditors conduct audits based on auditing policies and auditing plans set each fiscal year to assess the decision-making process for key decisions and the execution of business. Corporate auditors attend Board of Directors meetings and other important meetings, examine important documents for approval and receive reports on operations from directors and other officers. As a result of these and other activities, corporate auditors are able to evaluate whether directors and executive officers are executing their professional duties appropriately.

Outside Directors

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

Executive Officers

UBE has been using an executive officer system to separate governance and management functions since June 2001. The President and Chief Executive Officer delegates authority to executive officers, who perform their duties based on management policies decided by the Board of Directors.

General Meeting of Shareholders and Exercise of Voting Rights

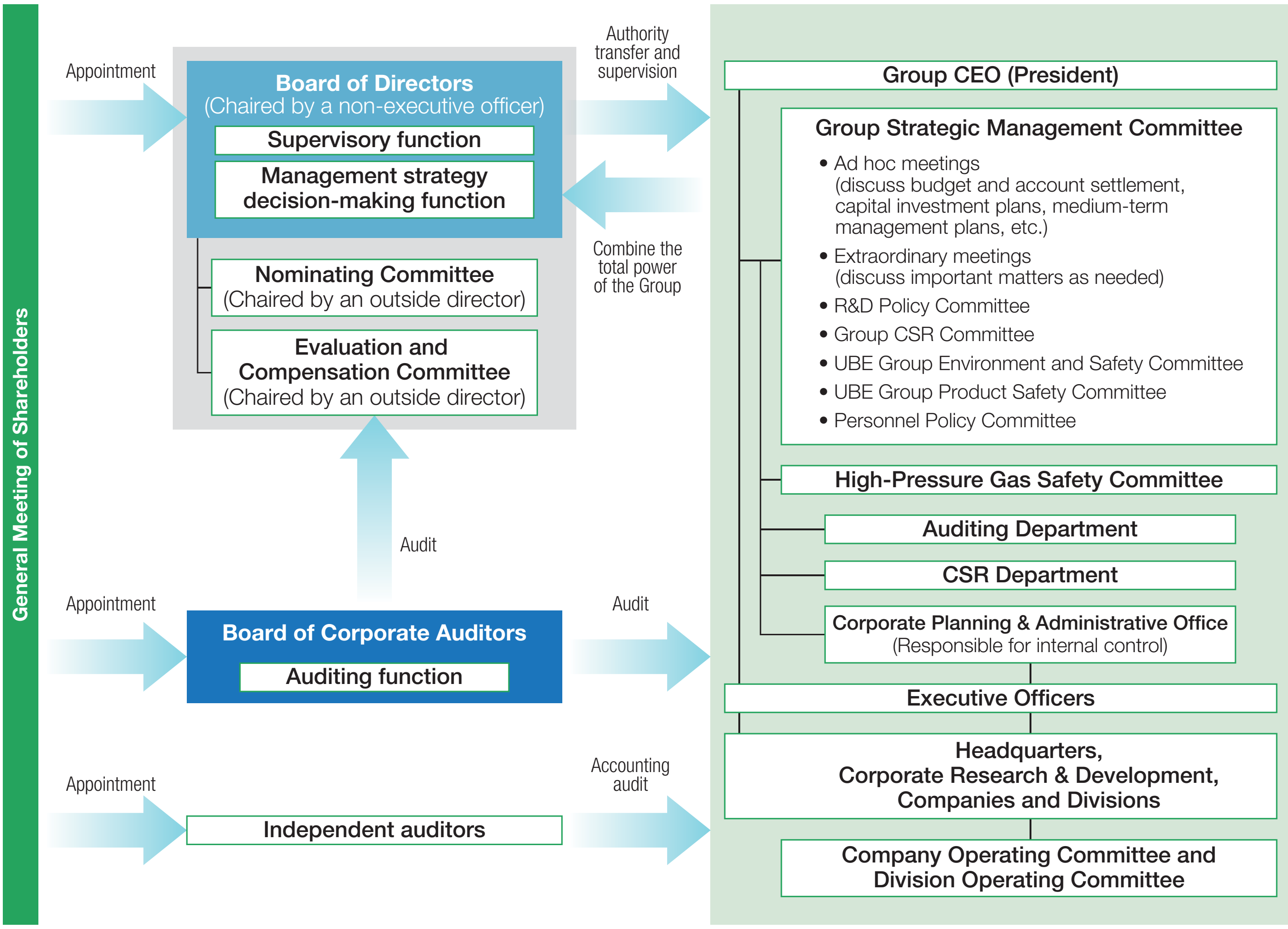
The Notice of Convocation is sent three weeks prior to the General Meeting of Shareholders, but its contents are posted on UBE's website before it is sent out to notify shareholders of information earlier. UBE provides access to mobile phone and Internet voting in addition to voting by mail so that shareholders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

Corporate Governance Overview

Organizational structure	Company with auditors
Chairman of the Board of Directors*	Michio Takeshita
Number of directors*	8 (of which 4 are outside directors)
Number of corporate auditors*	4 (of which 2 are outside corporate auditors)
Board of Directors meetings in the year ended March 2015	• Number of meetings: 13 • Director attendance rate: 99% • Corporate auditor attendance rate: 94%
Board of Corporate Auditors meetings in the year ended March 2015	• Number of meetings: 8 • Corporate auditor attendance rate: 97%
Independent officers appointed*	3 outside directors, 2 outside auditors
Determination of compensation for each director	• Compensation consists of base compensation, stock-based compensation in the form of stock options, annual bonus, and retirement benefits. • Total compensation for the year ended March 2015 (5 directors excluding the independent directors): ¥223 million (base compensation: ¥124 million; stock options: ¥15 million; bonuses: ¥18 million; retirement benefits: ¥64 million)
Determination of compensation for each corporate auditor	• Compensation consists of base compensation and annual bonuses. • Total compensation for the year ended March 2015 (2 auditors excluding the independent auditors): ¥53 million (base compensation: ¥48 million; bonuses: ¥4 million)
Outside officers (independent officers)	• Compensation consists of base compensation and annual bonus. • Total compensation for the year ended March 2015 (6 officers): ¥48 million (base compensation: ¥43 million; bonuses: ¥4 million)
Independent auditors	Ernst & Young ShinNihon LLC

*As of June 26, 2015

Corporate Governance Structure



At the General Meeting of Shareholders held on June 27, 2014, a total of 20,792 shareholders exercised their voting rights (including 19,780 shareholders who exercised voting rights in writing and via the Internet), representing 71.2% of total voting rights.

Engagement with Shareholders: Two-Way Communication through IR Activities

Principal investor relations activities in fiscal 2014 are listed below. The UBE Group conducts IR activities aimed at timely, accurate and fair disclosure, and believes that proactive communication with investors leads to higher corporate value.

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

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

Internal Control System

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

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

Compliance

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

UBE appoints compliance officers who are responsible for securing and promoting compliance throughout the Company, and operates a Compliance Committee that includes a legal advisor and acts as an advisory body for compliance officers. In particular, we have set up the Competition Law Compliance Committee to prevent acts that impede fair competition and to ensure the soundness of business operations. We have also established the Restricted Cargo and Export Management Committee to prevent the unauthorized export or provision of goods and technology that are restricted under export control laws and regulations designed to maintain international peace and stability, including the Foreign Exchange and Foreign Trade Act.

In addition, UBE is working to upgrade and strengthen compliance structures and frameworks. Initiatives include the introduction of the "UBE C-Line," a hotline that allows executive officers and employees to directly report compliance issues without going through normal channels. This encourages rapid reporting and swift correction of compliance issues. UBE also provides compliance information on the Company website and focuses on education and raising awareness through programs such as e-learning and team coaching.

In fiscal 2014, general training on compliance and education on laws and regulations such as the Subcontract Act were held a total of 31 times at Group workplaces. The Compliance Promotion Secretariat conducted this training through fiscal 2014. From fiscal 2015, internal companies and other units have assumed responsibility for this training using instructors developed by the Compliance Promotion Secretariat, allowing the Ube Group to train more employees more efficiently as needed.

Risk Management

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

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

An Interview with Outside Director Takeshi Kusama

"I will help UBE Group management resolve key issues under its new president."

Takeshi Kusama
Outside Director

My career at The Industrial Bank of Japan, Limited, now part of Mizuho Bank, Ltd., spanned some 30 years, and in 2000 I was involved in the establishment of Shinko Securities Co., Ltd. through the merger of New Japan Securities Co., Ltd. and Wako Securities Co., Ltd. I then became President and Chief Executive Officer of Shinko Securities and subsequently Chairman of the Board of Mizuho Securities Co., Ltd. I became an UBE outside director in June 2013. I first encountered UBE as a new employee of The Industrial Bank of Japan many years ago. I had been assigned to the Hiroshima Branch, and when I first visited the city of Ube in Yamaguchi Prefecture I learned that UBE was a company that had started many businesses.

Today, the UBE Group's primary challenge is restoring growth in its core chemical business. As a member of UBE's management team, I expect that the appointment of President Yuzuru Yamamoto in April 2015 will be the catalyst for the first steps in taking on this new challenge. Moreover, all members of UBE's management team from the top down must be as focused as the president to achieve the objectives of the medium-term management plan, Change & Challenge – Driving Growth. In particular, I would like to see the senior managers responsible for each segment approach their duties with a sense of mission that targets leadership in their respective industries. As an outside director from the financial industry, I want to proactively address the Board of Directors with an external perspective. I have been an outside director for two years now, and I am impressed that UBE has effectively employed its outside directors to enhance its internal governance functions. In this context, I am responsible for helping to create opportunities for open discussion for the Board of Directors.

We are in a time of significant change in which companies have to perceive and understand current trends and make major changes accordingly. UBE is therefore likely to consider bold business mergers and acquisitions. I intend to support UBE's management decisions using the knowledge of due diligence and business analysis skills I acquired during my banking career and my experience with merger projects.

Management Team

(As of June 26, 2015)

(From left) Takashi Shoda, Takashi Kusama, Hideyuki Sugishita, Michio Takeshita, Yuzuru Yamamoto, Tadashi Matsunami, Keikou Terui and Mahito Kageyama

Directors

Michio Takeshita

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

Yuzuru Yamamoto

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

Hideyuki Sugishita

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

Tadashi Matsunami

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

Takashi Kusama

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

Keikou Terui

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

Takashi Shoda

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

Mahito Kageyama

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

(From left) Seiichi Ochiai, Setsuro Miyake, Takanobu Kubota and Miyako Suda

Auditors

Setsuro Miyake

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

Takanobu Kubota

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

Seiichi Ochiai

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

Miyako Suda

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

Executive Officers and Responsibilities

Chief Executive Officer

Yuzuru Yamamoto
President and Group CEO

Senior Managing Executive Officers

Hideyuki Sugishita
President of Chemicals segment

Tadashi Matsunami
President of Cement & Construction Materials segment

Managing Executive Officers

Charunya Phichitkul
General Manager of Asia Operational Unit of Chemicals segment

Nobuyuki Taenaka
General Manager of Pharmaceutical segment

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

Masato Izumihara
Vice President of Chemicals segment, with responsibility for Management Dept. and Strategy & Business Development Department

Tokuhisa Okada
President of Machinery & Metal Products segment

Executive Officers

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

Masahiko Nojima
With responsibility for Synthetic Rubber Business Unit and Engineering Plastics, Caprolactam and Industrial Chemicals Business Unit, General Manager of Europe and Americas Operational Unit

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

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

Mitsuhiko Imoto
General Manager of Cement Dept., Cement & Construction Materials segment and Managing Executive Director of Ube-Mitsubishi Cement Corporation

Takafumi Kurauchi
General Manager of Energy & Environment segment

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

Makoto Aikawa
General Manager of Production Division, Chemicals segment

Takafumi Tanaka
With responsibility for Polyimide and Specialty Products Business Unit and Battery Materials and Fine Chemicals Business Unit, Chemicals segment

Morihisa Yokota
General Manager of Corporate Research & Development

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

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

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

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

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

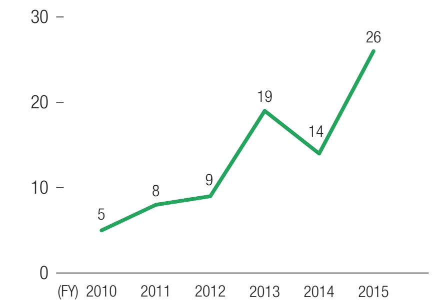
CEO: Chief Executive Officer
CFO: Chief Financial Officer
CCO: Chief Compliance Officer
CSR: Corporate Social Responsibility

Human Rights, Labor, Contribution to Society, Environment, Safety and Quality

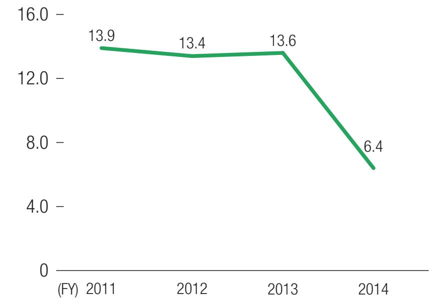
Diversification of Our Workforce

The UBE Group recruits and employs people from a wide array of fields regardless of career background, nationality, gender and other characteristics, and makes efforts to provide workplace environments that enable all employees to put their skills to use. Specifically, we promote the advancement of women, hire people with disabilities, and employ foreign nationals and senior workers, as well as promote work-life balance. Largely due to the characteristics of its businesses, which are centered on heavy and chemical industries, female employees make up only 6.4 percent of the UBE Group's total workforce and 0.8 percent of management-level positions. Currently we are hiring women for 20 percent of career-track positions, and have set the goal of tripling the percentage of female managers from the 2014 level by 2020. As of April 1, 2015, women accounted for 26 percent of new career-track employees.

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



Percentage of Female Employees
(%)



Note: Ube Industries Central Hospital became a legally incorporated medical institution and was removed from consolidation in fiscal 2014.

Contribution to Society

Forest Volunteer Activities

In November 2014, 99 UBE Group employees participated in the Seventh Forest Creation Experiential Activity for Water Conservation, which was held at Akiyoshidai International Art Village. Participants helped in thinning the forest, cutting bamboo and other activities. This program is intended to increase the water retention capacity of the forests around Lake Ono, an important water resource for local residents and businesses, and to prevent flooding.

Environmental Initiatives

CSR Procurement

The UBE Group formulated a CSR procurement policy and guidelines, which were posted on our website in March 2013. In the medium-term management plan, we also promote CSR procurement to improve the level of the overall supply chain. We are currently considering survey items and methods for our second survey on the CSR initiatives of suppliers and business partners.

We also meet the green purchasing requirements of customers, primarily in industries such as electrical and electronic equipment and automobiles, by designing products that are easy to recycle and reducing hazardous substances in our products. We have set internal standards and manage the hazardous substances contained in our products to respond proactively from our position as a provider of raw materials and other materials.

Evaluation by SRI Indexes

UBE has been included in the FTSE4Good Global Index, a leading socially responsible investment (SRI) index, since 2004. This index, which evaluates companies on their efforts in areas such as environmental protection measures, employment and labor issues, and human rights, is a key part of the investment selection criteria used by investors with a high level of interest in CSR. Since 2009, UBE has also been included in the Morningstar Socially Responsible Investment (MS-SRI) Index of Morningstar Japan K.K. This index comprehensively evaluates companies in the areas of corporate governance, environmental and social performance and human resource development. In 2014, UBE was one of 150 companies selected for inclusion in the index out of about 1,000 eligible companies. Moreover, UBE has received the highest ranking for three consecutive years in the rating screenings for the Development Bank of Japan's Project to Promote Environmentally Friendly Management.

Note: Project to Promote Environmentally Friendly Management: The world's first loan system that introduces a specialized method of "environmental ratings." The top companies are selected by grading their environmental management systems using a screening system (rating system) developed by the DBJ, and applicable interest rates are set at one of three levels according to the company's score.

FTSE4Good

DBJ 環境格付 2011

In February 2012, Ube Industries, Ltd. received a Development Bank of Japan loan under the DBJ Environmentally Rated Loan Program, having obtained the highest rating as a "company with particularly advanced environmental programs" and DBJ's commendation as a "model company."

Startup of Megasolar Power Plant

A megasolar power plant managed by US Power Co., Ltd., a 50/50 joint venture between UBE and Showa Shell Sekiyu K.K., began operating in July 2014. The solar modules generate more than 21MW, the largest power output in Yamaguchi Prefecture, and will generate 25 million kWh of electricity annually – enough to power about 6,900 typical households. The plant is also expected to reduce carbon dioxide emissions by an estimated 8,300 tons annually.

Megasolar Power Plant

Addressing and Being Part of the Solution for Environmental Issues

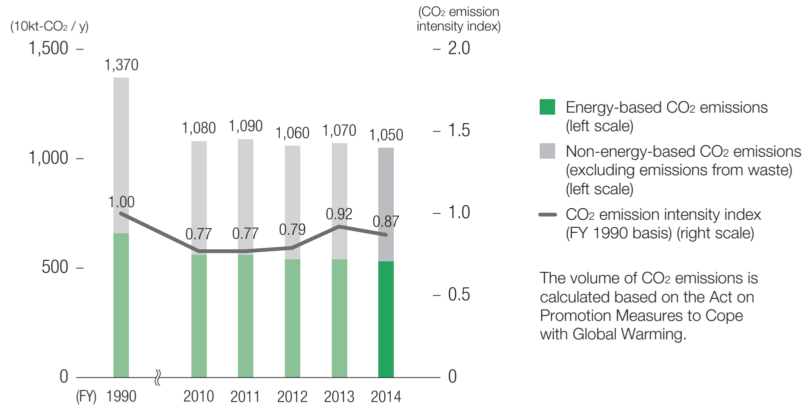
Reducing Greenhouse Gases

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

The Group is targeting a 15 percent reduction in CO_2 emissions from energy use and a 20 percent reduction in total CO_2 emissions from energy and non-energy use (excluding emissions from waste) compared with fiscal 1990 levels by fiscal 2015. In addition, the UBE Group will implement energy conservation measures, expand use of waste materials, and work to further reduce CO_2 emissions in the product manufacturing stage at factories.

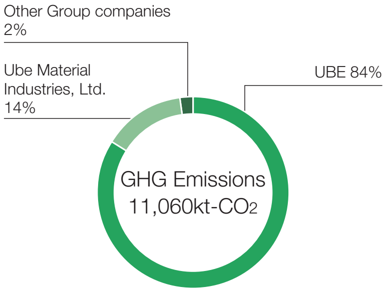
The UBE Group will also contribute to reduction of CO_2 emissions during the use of end products that contain the UBE Group's main products, and will continue efforts to monitor CO_2 emissions in the overall supply chain in its corporate activities.

CO₂ Emissions and CO₂ Emission Intensity Index

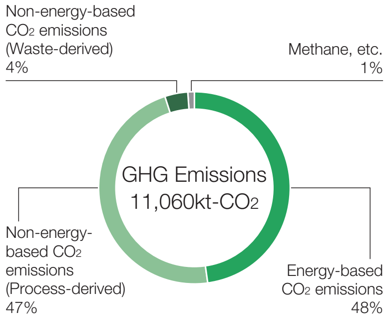


The volume of CO_2 emissions is calculated based on the Act on Promotion Measures to Cope with Global Warming.

GHG* Emissions for UBE Group by Company (FY 2014 Results)



GHG* Emissions for UBE Group by Type of Gas (FY 2014 Results)

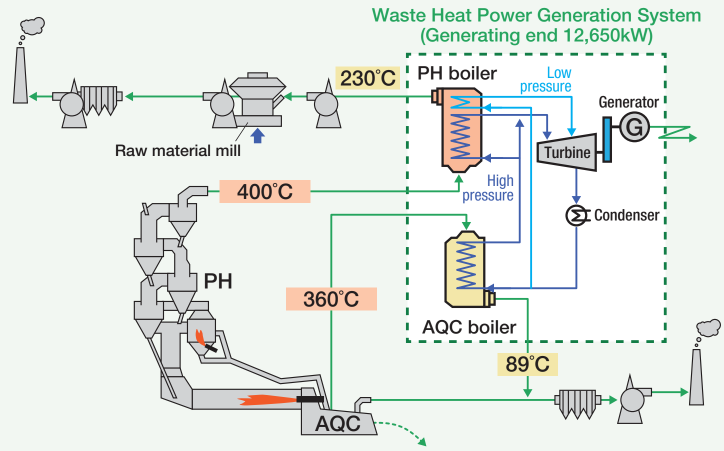


*GHG: Greenhouse gases – CO_2, CH_4, N_2O, HFC, PFC and SF_6 – specified in the Kyoto Protocol

TOPICS Cutting-edge waste heat power generation

Clinker, a key raw material in cement, is manufactured by putting limestone and other raw materials into a kiln at 1,450°C to initiate a chemical reaction. The generation of electricity using waste heat recovered from the pre-heater in which the raw materials are heated before going into the kiln and the clinker cooler for rapidly cooling the finished clinker is called waste heat power generation. The UBE Group has installed a state-of-the-art, efficient waste heat power generator at the Kanda Cement Factory. All of the generated electricity is used in the factory, thus reducing its fossil fuel use and CO_2 emissions associated with power generation. By installing the waste heat power generator, the Kanda Factory is expected to improve its energy consumption intensity index by approximately 15 percent and reduce its CO_2 emissions from energy use by approximately 10 percent.

Flow of Power Generation Using Waste Heat Recovered in Cement Manufacturing



Kanda Waste Heat Power Generation Facility


Turbine building


Interior of the building

(As of June 2015)

Consolidated Six-Year Financial Summary

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

	Millions of yen					
	2015	2014	2013	2012	2011	2010
Results of Operations:						
Breakdown of net sales by reportable segment:						
Chemicals & Plastics	**¥215,419**	¥230,585	¥219,368	¥231,026	¥204,516	¥165,098
Specialty Chemicals & Products	**63,288**	63,160	61,111	64,368	68,777	60,374
Pharmaceutical	**7,819**	9,706	11,452	11,186	8,853	9,994
Cement & Construction Materials	**222,419**	223,513	208,364	209,155	200,470	188,396
Machinery & Metal Products	**78,956**	75,511	71,310	72,575	83,433	81,750
Energy & Environment	**66,771**	59,073	68,769	62,518	59,145	54,155
Other	**33,242**	28,816	25,294	25,911	26,852	19,096
Adjustment	**(46,155)**	(39,854)	(39,646)	(38,086)	(35,984)	(29,307)
Net sales	**641,759**	650,510	626,022	638,653	616,062	549,556
Cost of sales	**538,983**	546,340	517,769	512,447	494,046	448,328
Selling, general and administrative expenses	**78,629**	79,757	78,291	80,200	77,653	73,633
Operating income	**24,147**	24,413	29,962	46,006	44,363	27,595
Income before income taxes and minority interests	**18,491**	19,666	15,842	37,595	28,747	15,592
Net income	**14,649**	12,623	8,265	22,969	17,267	8,217
Financial Position:						
Assets:						
Total current assets	**282,816**	296,538	287,399	284,417	281,701	261,587
Total property, plant and equipment, net	**347,438**	332,416	323,717	313,949	313,945	324,732
Total investments and other assets	**81,292**	71,761	74,768	66,599	65,866	68,474
Total assets	**711,546**	700,715	685,884	664,965	661,512	654,793
Liabilities and net assets:						
Total current liabilities	**239,500**	257,958	250,936	267,391	249,701	246,473
Total long-term liabilities	**182,436**	177,402	184,195	173,167	200,362	206,130
Minority interests	**25,718**	23,077	34,736	24,472	24,048	23,033
Total net assets	**289,610**	265,355	250,753	224,407	211,449	202,190
General:						
Per share data (yen):						
Net income, primary	**13.85**	12.16	8.22	22.85	17.18	8.17
Cash dividends applicable to the period	**5.00**	5.00	5.00	5.00	5.00	4.00
Net assets	**248.89**	228.51	214.35	198.41	186.02	177.88
Other data:						
Operating margin (%)	**3.8**	3.8	4.8	7.2	7.2	5.0
Return on assets (ROA)* (%)	**3.8**	3.6	4.8	7.2	7.2	4.4
Shares of common stock issued (thousands)	**1,062,001**	1,062,001	1,009,165	1,009,165	1,009,165	1,009,165
Number of consolidated subsidiaries	**71**	65	67	67	66	67
Number of shareholders with voting rights	**64,449**	58,873	57,243	55,407	57,537	59,232
Number of employees	**10,702**	11,225	11,090	11,081	11,026	11,108

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

Financial Review

The UBE Group launched its current three-year medium-term management plan, "Change & Challenge – Driving Growth," in 2013. It is the basis for our initiatives to enable sustainable growth. We are implementing an array of strategies with a paradigm of generating overall expansion by driving growth with differentiated chemical businesses and further strengthening earnings fundamentals in non-chemical businesses. Non-chemical businesses have made steady progress backed by firm demand, but the chemical business still needs time to benefit from our initiatives and results are not on plan. As a result, our top priority at present is to quickly restore earnings in the chemical business.

We will take a fresh look at our strategies given the intense change in our businesses while accelerating initiatives from expanding globally to comprehensively reducing costs. We also integrated the former Chemicals & Plastics and Specialty Chemicals & Products segments in April 2015 to create the Chemicals segment with a new organization that is committed to restoring growth.

SCOPE OF CONSOLIDATION

The UBE Group included 71 consolidated subsidiaries as of March 31, 2015, an increase of 6 from a year earlier. The UBE Group increased its investment in equity method affiliate Advanced Electrolyte Technologies LLC and added it to the scope of consolidation as a subsidiary along with three of its subsidiaries. We also consolidated Ube Machinery Thai Co., Ltd. because of its increasing materiality, along with two newly established subsidiaries, Ube Kenzai Corporation and UBE Machinery Mexico S.A. de C.V.

OPERATING PERFORMANCE

Results for Fiscal 2014

The global economy lacked vigor during fiscal 2014. The U.S. economy continued to recover and the European economy seemed to gain momentum. However, economic growth was modest in China and other Asian countries. In Japan, the economy continued to recover moderately, with the benefits of various government policies and improved corporate results offsetting the drag on consumer spending caused by an increase in the consumption tax.

Under these conditions, the UBE Group implemented an array of strategies to generate overall expansion with differentiated chemical businesses driving growth and non-chemical businesses adding stability to earnings. As a result, consolidated net sales decreased by ¥8.7 billion from the previous fiscal year to ¥641.7 billion, operating income decreased by ¥0.2 billion to ¥24.1 billion, and net income increased by ¥2.0 billion to ¥14.6 billion.

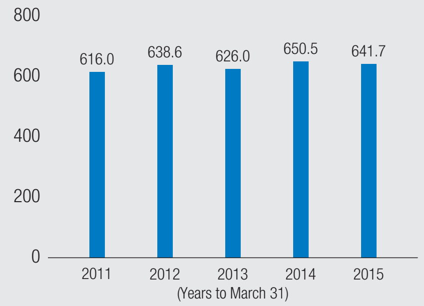
OPERATING RESULTS

Net Sales

Net sales decreased by 1.3 percent, or ¥8.7 billion, compared with the previous fiscal year to ¥641.7 billion. Sales increased in the Energy & Environment segment due in part to the restart of an IPP facility that had been out of operation, and in the Machinery & Metal Products segment due to factors including an increase in shipments of industrial machines. Sales decreased in the Chemicals & Plastics segment. Significant factors included reduced sales volume due to the shutdown of caprolactam production at the Sakai Factory and lower selling prices for chemical products such as caprolactam.

Overseas sales decreased 4.1 percent, or ¥8.4 billion, compared with the previous fiscal year to ¥197.5 billion. The ratio of overseas sales to net sales decreased by 0.9 percentage points compared with the previous fiscal year to 30.8 percent.

Net Sales
(Billions of yen)



Cost of Sales and Selling, General and Administrative Expenses

Cost of sales decreased by 1.3 percent, or ¥7.3 billion, compared with the previous fiscal year to ¥538.9 billion as a result of factors including the decrease in net sales. The ratio of cost of sales to net sales was unchanged at 84.0 percent.

Selling, general and administrative (SG&A) expenses decreased by 1.4 percent, or ¥1.1 billion, compared with the previous fiscal year to ¥78.6 billion, and the ratio of SG&A expenses to net sales was unchanged at 12.3 percent.

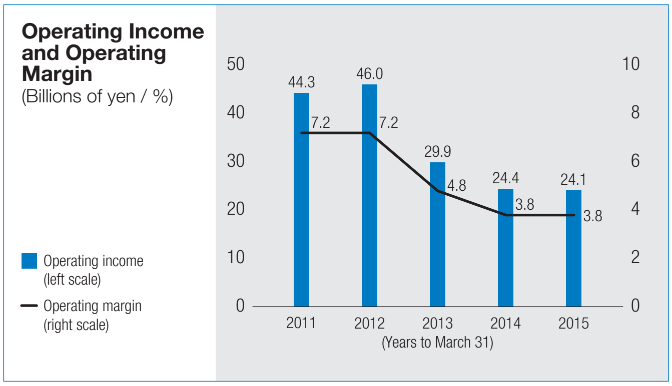
Research and development costs, which are included in SG&A expenses, were nominally lower compared with the previous fiscal year at ¥13.8 billion. The ratio of research and development costs to net sales was unchanged at 2.1 percent.

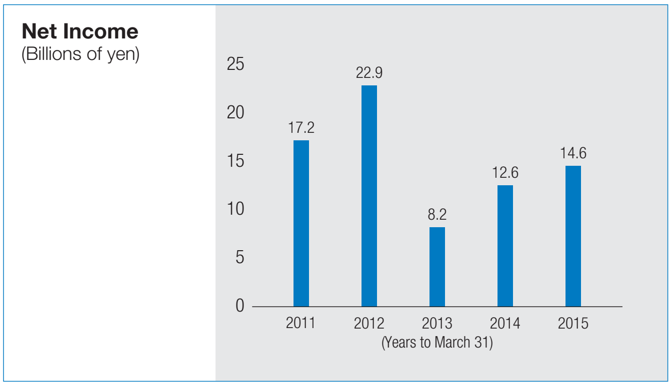
Operating Income

Operating income decreased by 1.1 percent, or ¥0.2 billion, compared with the previous fiscal year to ¥24.1 billion. The operating margin was unchanged at 3.8 percent.

Operating income increased in the Chemicals & Plastics, Cement & Construction Materials and other segments. However, operating loss widened in the Specialty Chemicals & Products segment because sales prices decreased. Operating income decreased in the Pharmaceutical segment due to factors including reduced sales volume because of flat demand for some active pharmaceutical ingredients; and in the Machinery & Metal Products segment because sales volume increased for less profitable products.

Please see pages 14 to 21 of the Review of Operations for additional segment details.





Other Income (Expenses)

Net other expenses increased by ¥0.9 billion from the previous fiscal year to ¥5.6 billion. Net interest expense, calculated as interest and dividend income less interest expense, decreased by 32.5 percent, or ¥0.6 billion, compared with the previous fiscal year to ¥1.4 billion. Others, net, which is disclosed in greater detail in note 13 to the consolidated financial statements, increased by 58.6 percent, or ¥1.6 billion, to a net expense of ¥4.3 billion. Gain on foreign currency exchange, net, increased by ¥0.9 billion to ¥1.1 billion, and proceeds from insurance income totaled ¥3.9 billion. However, compared with the previous fiscal year loss on impairment of fixed assets increased by ¥1.4 billion, largely because Ube Board Co., Ltd. was dissolved; loss on business restructuring increased by ¥4.5 billion; and loss on disposal of property, plant and equipment increased by ¥2.0 billion, due largely to the shutdown of caprolactam production at the Sakai Factory.

As a result, income before income taxes and minority interests decreased by 6.0 percent, or ¥1.1 billion, compared with the previous fiscal year to ¥18.4 billion.

Net Income

Income taxes net of deferrals decreased by 36.2 percent, or ¥2.4 billion, compared with the previous fiscal year to ¥4.3 billion for fiscal 2014. After tax effect accounting, the effective tax rate for fiscal 2014 was 23.4 percent.

As a result, net income increased by 16.1 percent, or ¥2.0 billion, compared with the previous fiscal year to ¥14.6 billion. Net income per share totaled ¥13.85, compared with ¥12.16 for the previous fiscal year.

Return on equity, calculated as net income divided by average equity capital, increased by 0.3 percentage points compared with the previous fiscal year to 5.8 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 35), increased by 0.2 percentage points to 3.8 percent.

FINANCIAL POSITION

Cash Flow

Net cash provided by operating activities increased by ¥25.1 billion compared with the previous fiscal year to ¥62.1 billion. Income before income taxes and minority interests decreased by ¥1.1 billion to ¥18.4 billion. Depreciation and amortization, a non-cash reconciliation, totaled ¥33.5 billion. Decrease in receivables provided cash totaling ¥9.5 billion and decrease in inventories provided cash totaling ¥6.4 billion, while decrease in payables used cash totaling ¥7.5 billion and income tax payment used cash totaling ¥5.5 billion. Net cash provided by operations also increased absent the impact of changes in the way the UBE Group handles retirement benefits in the previous fiscal year, and because of non-recurring proceeds from insurance income.

Net cash used in investing activities totaled ¥42.4 billion. Acquisition of property, plant and equipment totaled ¥41.9 billion. Other factors included net acquisition of consolidated subsidiaries' stocks, which used cash totaling ¥1.7 billion, and payments related to establishment of a medical corporation, which used cash totaling ¥3.0 billion.

Net cash used in financing activities increased by ¥6.4 billion compared with the previous fiscal year to ¥13.9 billion. Repayments of long-term borrowings used cash totaling ¥35.2 billion, net decrease in commercial paper used cash totaling ¥8.9 billion, and cash dividend paid used cash totaling ¥5.2 billion. Proceeds from long-term borrowings provided cash totaling ¥17.5 billion, and proceeds from long-term bonds provided cash totaling ¥19.9 billion.

Cash and cash equivalents at the end of the year increased by ¥6.8 billion compared with the previous fiscal year-end to ¥36.9 billion.

Assets, Liabilities and Net Assets

Total assets at March 31, 2015 increased by 1.5 percent, or ¥10.8 billion, from a year earlier to ¥711.5 billion.

Current assets decreased by 4.6 percent, or ¥13.7 billion, from a year earlier to ¥282.8 billion. Cash and cash equivalents and time deposits increased by ¥7.5 billion, while trade notes and accounts receivable decreased by ¥8.2 billion and inventories decreased by ¥3.9 billion. The inventory turnover ratio was essentially unchanged at 6.7 times.

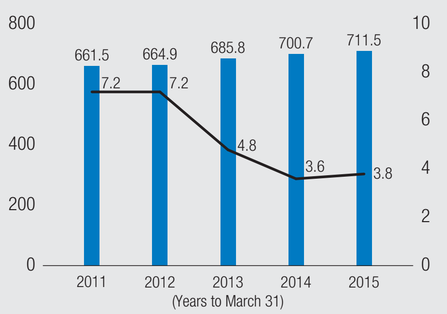
Property, plant and equipment increased by 4.5 percent, or ¥15.0 billion, from a year earlier to ¥347.4 billion. Investments and other assets increased by ¥9.5 billion from a year earlier to ¥81.2 billion.

Total liabilities at March 31, 2015 decreased by 3.1 percent, or ¥13.4 billion, from a year earlier to ¥421.9 billion.

Current liabilities decreased by 7.1 percent, or ¥18.4 billion, from a year earlier to ¥239.5 billion, mainly because interest-bearing liabilities in the form of short-term loans payable, commercial paper, current portion of long-term debt and lease obligations decreased by ¥15.4 billion and trade notes and accounts payable decreased by ¥5.3 billion. The current ratio was 118.1 percent, compared with 115.0 percent a year earlier.

Long-term liabilities increased by 2.8 percent, or ¥5.0 billion, from a year earlier to ¥182.4 billion. A primary reason was that long-term debt less current portion increased by 6.9 percent, or ¥9.4 billion, from a year earlier to ¥146.3 billion. Interest-bearing debt, defined as short-term loans payable, commercial paper, the current portion of long-term debt, long-term debt less current portion, and lease obligations, decreased by ¥6.0 billion from a year earlier to ¥239.7 billion.

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



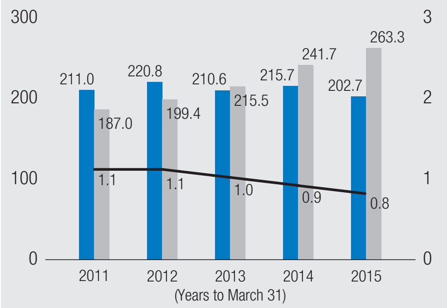
*ROA = (Operating income + Interest and dividend income + Equity in earnings of unconsolidated subsidiaries and affiliated companies) / Average total assets

Certain modifications have been made to the accompanying financial statements in order to present them in a form which is more familiar to readers outside Japan. As a result, the lease obligations totaling ¥1.3 billion that are a component of total interest-bearing liabilities are included in other current liabilities and other long-term liabilities rather than presented separately.

Total net assets at March 31, 2015 increased by 9.1 percent, or ¥24.2 billion, from a year earlier to ¥289.6 billion. Retained earnings increased ¥11.0 billion to ¥153.3 billion, largely reflecting net income of ¥14.6 billion for the fiscal year and an increase of ¥1.5 billion due to the change in the method for calculating retirement benefit obligations. At the same time, retirement benefit liability adjustments resulting from remeasurements of defined benefit plans decreased net assets by ¥2.4 billion. In addition, payment of cash dividends reduced net assets by ¥5.2 billion, while foreign currency translation adjustments increased net assets by ¥11.5 billion. Minority interests increased 11.4 percent, or ¥2.6 billion, to ¥25.7 billion.

The ratio of equity capital to total assets, or the equity ratio, increased by 2.5 percentage points from a year earlier to 37.0 percent. The net debt/equity ratio decreased to 0.77 times from 0.89 times a year earlier. Net assets per share increased to ¥248.89 from ¥228.51 a year earlier.

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



*Net debt = Interest-bearing debt - Cash and cash equivalents

BASIC POLICY FOR DISTRIBUTION OF EARNINGS AND DIVIDENDS FOR FISCAL 2014 AND FISCAL 2015

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

In the medium-term management plan "Change and Challenge – Driving Growth" that began in fiscal 2013, UBE set the goal of paying 30 percent or more of consolidated net income in cash dividends. In line with this policy, cash dividends per share totaled ¥5.00 for fiscal 2014, for a consolidated payout ratio of 36.1 percent.

UBE plans to pay cash dividends of ¥5.00 per share for fiscal 2015, and has the goal of increasing dividends as a result of improving performance.

PERFORMANCE FORECAST FOR FISCAL 2015

While we expect continued economic recovery in Japan, concerns clouding our operating environment include the risk of slower growth in the global economy, particularly in China and other emerging countries, along with the fiscal and political policies in the United States and Europe and the price of crude oil. Given present economic conditions, the UBE Group has made the following performance forecast for fiscal 2015, assuming an exchange rate of ¥120 to US$1.00, a domestic naphtha price of ¥52,000/kiloliter, and an Australian coal price of ¥9,266/ton.

We have restructured the management of our chemical business from fiscal 2015 by integrating the former Chemicals & Plastics and Specialty Chemicals & Products segments to create the Chemicals segment.

We forecast consolidated net sales of ¥685.0 billion due to factors including higher sales volume in the Chemicals segment and the addition of subsidiaries to the scope of consolidation in the Cement & Construction Materials segment. We forecast that consolidated operating income will increase year on year to ¥36.0 billion, mainly because we expect increased sales in the Chemicals and Cement & Construction Materials segments. We also forecast net income attributable to shareholders of Ube Industries, Ltd. of ¥17.0 billion.

Business and Other Risks

Among risks inherent to the UBE Group's business and other risks, the following may exert an important influence on the decisions of investors. The UBE Group is fully dedicated to a policy of recognizing these risks, avoiding and preventing their actualization, and minimizing and dealing with related problems should they arise. Statements below concerning the future represent the judgment of the UBE Group as of March 31, 2015. Business and other risks not covered here may arise.

1. Fluctuations in the Raw Material and Fuel Markets

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

2. Earnings in the Chemical Business

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

3. Earnings in the Specialty Products Business

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

4. Earnings in the Active Pharmaceutical Ingredients and Intermediates Business

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

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

5. Domestic Cement Demand

Domestic demand for cement, a main product of the Cement & Construction Materials segment, has increased due to reconstruction demand following the Great East Japan Earthquake. However, public investment has been restrained, and the accelerated advance of companies overseas could reduce demand. These factors could cause cement sales volume and segment earnings to decrease. UBE Group measures in this area include maintaining operating capacity through exports, expanding capability for (income fee-based) treatment of waste in the cement production process and overall cost cuts. However, a continuing decline in domestic demand for cement for a certain number of years may exert a material impact on the performance and financial position of the Group.

6. Earnings in the Machinery Business

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

7. Exchange Rate Fluctuations

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

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

8. Fluctuations in Financial Markets

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

9. Overseas Business Activities

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

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

11. Industrial Accidents and Disasters
In the event that a large-scale industrial accident, earthquake, windstorm or flood should occur and cause substantial damage to the production facilities at any of the UBE Group plants that handle hazardous materials or high-pressure gas, factors including compensation and other costs, loss of opportunities caused by cessation of production activities, compensation for customers and erosion of public trust may exert a material impact on the performance and financial position of the Group. In addition, factors including accidents or disasters affecting the suppliers of crucial raw materials to the UBE Group may impede operations and exert a material impact on the performance and financial position of the Group.

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

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

14. Lawsuits
The UBE Group strives for strict legal compliance, but the possibility exists that lawsuits may be brought against the Group in any of its various business operations. Pending lawsuits are as follows. No prediction of the final outcome of these lawsuits or the time required for resolution is possible at this time. Since May 2008, the Japanese government and 40 building material manufacturers, including Ube Board Co., Ltd. (formerly a consolidated subsidiary of UBE that has been dissolved), have been defendants in lawsuits brought jointly and severally by construction workers and their survivors alleging that the defendants are responsible for asbestos-related disease that affected the plaintiffs because they inhaled asbestos particles from asbestos building materials used at construction sites. The plaintiffs' claims against the building material manufacturers were dismissed. Subsequently, three plaintiff appeals were filed in the Tokyo High Court and the Fukuoka High Court, and similar lawsuits were filed in the Sapporo District Court, the Tokyo District Court, the Yokohama District Court, the Kyoto District Court, and the Osaka District Court. A total of 20 lawsuits seek damages totaling ¥24,700 million.

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

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

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

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

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

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

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

Consolidated Balance Sheet

Ube Industries, Ltd. and Consolidated Subsidiaries
March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
ASSETS			
Current assets:			
Cash and cash equivalents (Note 4)	¥ 36,964	¥ 30,098	$ 308,033
Time deposits (Note 4)	1,142	462	9,517
Receivables (Notes 4 and 23):			
Trade notes and accounts	144,918	153,160	1,207,650
Others	9,834	10,780	81,950
Allowance for doubtful accounts	(732)	(683)	(6,100)
Inventories (Note 6)	78,454	82,402	653,783
Deferred tax assets (Note 15)	7,695	10,033	64,125
Other current assets	4,541	10,286	37,842
Total current assets	282,816	296,538	2,356,800
Property, plant and equipment (Notes 8, 14 and 21)**:**			
Land	85,563	85,606	713,025
Buildings and structures	259,601	262,016	2,163,342
Machinery and equipment	674,368	675,367	5,619,733
Construction in progress	10,299	13,789	85,825
Accumulated depreciation	(682,393)	(704,362)	(5,686,608)
Total property, plant and equipment, net	347,438	332,416	2,895,317
Investments and other assets:			
Investment securities (Notes 4 and 5)	48,435	45,701	403,625
Long-term loans receivable	417	511	3,475
Long-term deferred tax assets (Note 15)	7,429	6,265	61,908
Assets for retirement benefits	8,315	4,872	69,292
Other non-current assets	17,332	15,184	144,433
Allowance for doubtful accounts	(636)	(772)	(5,300)
Total investments and other assets	81,292	71,761	677,433
Total assets	¥ 711,546	¥ 700,715	$ 5,929,550

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans payable (Notes 4, 7 and 8)	**¥ 60,916**	¥ 60,360	**$ 507,633**
Commercial paper (Note 4)	**3,000**	11,999	**25,000**
Current portion of long-term debt (Notes 4, 7 and 8)	**28,167**	35,154	**234,725**
Payables (Note 4):			
Trade notes and accounts	**83,853**	89,229	**698,775**
Others	**32,289**	32,593	**269,075**
Accrued employees' bonuses	**6,572**	6,815	**54,767**
Accrued income taxes (Note 4)	**3,754**	3,285	**31,283**
Other current liabilities	**20,949**	18,523	**174,575**
Total current liabilities	**239,500**	257,958	**1,995,833**
Long-term liabilities:			
Long-term debt less current portion (Notes 4, 7 and 8)	**146,316**	136,888	**1,219,301**
Liability for retirement benefits (Note 20)	**6,547**	7,019	**54,558**
Long-term deferred tax liabilities (Note 15)	**3,136**	3,683	**26,133**
Other long-term liabilities	**26,437**	29,812	**220,308**
Total long-term liabilities	**182,436**	177,402	**1,520,300**
Contingent liabilities (Note 9)			
Net assets (Note 10)**:**			
Capital stock, without par value: Authorized — 3,300,000,000 shares Issued —1,062,001,076 shares at March 31, 2015 and 2014	**58,435**	58,435	**486,959**
Capital surplus	**38,413**	38,398	**320,108**
Retained earnings	**153,368**	142,307	**1,278,067**
Treasury stock 4,016,641 shares at March 31, 2015 and 4,149,052 shares at March 31, 2014	**(850)**	(879)	**(7,083)**
Valuation difference on securities	**4,924**	2,985	**41,033**
Deferred hedge loss, net	**(97)**	(81)	**(808)**
Foreign currency translation adjustments	**11,581**	4,136	**96,508**
Retirement benefits liability adjustments	**(2,447)**	(3,572)	**(20,392)**
Share subscription rights (Note 22)	**565**	549	**4,708**
Minority interests	**25,718**	23,077	**214,317**
Total net assets	**289,610**	265,355	**2,413,417**
Total liabilities and net assets	**¥711,546**	¥700,715	**$5,929,550**

See accompanying notes.

Consolidated Statement of Income

Ube Industries, Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net sales (Note 23)	¥641,759	¥650,510	$5,347,992
Cost of sales	538,983	546,340	4,491,525
Gross profit	102,776	104,170	856,467
Selling, general and administrative expenses (Notes 11, 12 and 22)	78,629	79,757	655,242
Operating income	24,147	24,413	201,225
Other income (expenses):			
Interest and dividend income	1,027	847	8,559
Amortization of negative goodwill	133	134	1,108
Interest expense	(2,427)	(2,922)	(20,225)
Equity in earnings of unconsolidated subsidiaries and affiliated companies	—	(39)	—
Others, net (Note 13)	(4,389)	(2,767)	(36,575)
	(5,656)	(4,747)	(47,133)
Income before income taxes and minority interests	18,491	19,666	154,092
Income taxes (Note 15)**:**			
Current	5,982	4,865	49,850
Deferred	(1,656)	1,917	(13,800)
	4,326	6,782	36,050
Income before minority interests	14,165	12,884	118,042
Minority interests in income (loss)	(484)	261	(4,033)
Net income	¥ 14,649	¥ 12,623	$ 122,075

	Yen		U.S. dollars (Note 1)
	2015	2014	2015
Per share:			
Net income:			
Primary	¥13.85	¥12.16	$0.115
Diluted	13.81	12.14	0.115
Cash dividends applicable to the period	5.00	5.00	0.042

See accompanying notes.

Consolidated Statement of Comprehensive Income

Ube Industries, Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Income before minority interests	¥14,165	¥12,884	$118,042
Valuation difference on securities	1,925	544	16,042
Deferred hedge gain (loss), net	(16)	200	(134)
Foreign currency translation adjustments	8,016	4,408	66,800
Retirement benefits liability adjustments	1,085	—	9,042
Share of other comprehensive income of companies accounted for by the equity method	917	1,263	7,642
Other comprehensive income	11,927	6,415	99,392
Total comprehensive income	¥26,092	¥19,299	$217,434
Attributable to:			
Shareholders of Ube Industries, Ltd.	¥24,044	¥19,165	$200,367
Minority interests	2,048	134	17,067

See accompanying notes.

Consolidated Statement of Changes in Net Assets

Ube Industries, Ltd. and Consolidated Subsidiaries

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

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

	Thousands of U.S. dollars (Note 1)										
For the year ended March 31, 2015	Number of shares issued (thousands)	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on securities	Deferred hedge loss, net	Foreign currency translation adjustments	Retirement benefits liability adjustments	Share subscription rights	Minority interests
Opening balance	1,062,001	$486,959	$319,983	$1,185,892	$(7,325)	$24,875	$(675)	$34,467	$(29,767)	$4,575	$192,308
Cumulative effects of changes in accounting policies	–	–	–	12,633	–	–	–	–	–	–	75
Restated balance	–	486,959	319,983	1,198,525	(7,325)	24,875	(675)	34,467	(29,767)	4,575	192,383
Cash dividends at ¥5.00 per share	–	–	–	(44,158)	–	–	–	–	–	–	–
Net income for the year	–	–	–	122,075	–	–	–	–	–	–	–
Acquisition of treasury stock	–	–	–	–	(91)	–	–	–	–	–	–
Disposal of treasury stock	–	–	125	–	333	–	–	–	–	–	–
Change in the scope of consolidation	–	–	–	1,625	–	–	–	–	–	–	–
Net other changes during the year	–	–	–	–	–	16,158	(133)	62,041	9,375	133	21,934
Closing balance	1,062,001	$486,959	$320,108	$1,278,067	$(7,083)	$41,033	$(808)	$96,508	$(20,392)	$4,708	$214,317

See accompanying notes.

Consolidated Statement of Cash Flows

Ube Industries, Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 18,491	¥ 19,666	$ 154,092
Depreciation and amortization	33,586	32,400	279,883
Loss on impairment of fixed assets	1,596	152	13,300
Interest and dividend income	(1,027)	(847)	(8,558)
Interest expense	2,427	2,922	20,225
Gain on sales of property, plant and equipment	(584)	(172)	(4,867)
Gain on sales of investment securities	(6)	(3)	(50)
Decrease (increase) in receivables	9,518	(6,138)	79,317
Decrease in inventories	6,423	2,428	53,525
(Decrease) increase in payables	(7,503)	1,786	(62,525)
Loss on business restructuring	4,583	41	38,192
Changes in allowance for retirement benefits	—	(6,576)	—
Changes in asset and liability for retirement benefits	—	2,147	—
Other, net	(9,122)	(3,053)	(76,017)
Subtotal	58,382	44,753	486,517
Interest and dividend received	1,351	1,368	11,258
Interest payment	(2,430)	(3,009)	(20,250)
Proceeds from insurance income	9,763	—	81,358
Income tax payment	(5,575)	(7,035)	(46,458)
Other, net	703	983	5,858
Net cash provided by operating activities	62,194	37,060	518,283
Cash flows from investing activities:			
Proceeds from sales of property, plant and equipment	4,735	351	39,458
Acquisition of property, plant and equipment	(41,961)	(36,275)	(349,675)
Proceeds from sales of investment securities	22	19	183
Acquisition of investment securities	(97)	(1,652)	(808)
Proceeds from sales of consolidated subsidiaries' stocks	47	7	392
Acquisition of consolidated subsidiaries' stocks	(984)	(3,044)	(8,200)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(774)	—	(6,450)
Net decrease (increase) in loans receivable	88	(49)	733
Payments related to establishment of medical corporation	(3,000)	—	(25,000)
Other, net	(517)	(99)	(4,308)
Net cash used in investing activities	(42,441)	(40,742)	(353,675)
Cash flows from financing activities:			
Proceeds from long-term borrowings	17,525	23,754	146,042
Proceeds from long-term bonds	19,911	10,053	165,925
Repayments of long-term borrowings	(35,253)	(43,393)	(293,775)
Repayments of long-term bonds	(20)	(110)	(167)
Net decrease in short-term loans payable	(786)	(1,215)	(6,550)
Net (decrease) increase in commercial paper	(8,999)	10,000	(74,992)
Cash dividend paid	(5,287)	(4,984)	(44,058)
Cash dividend paid to minority shareholders	(164)	(747)	(1,367)
Other, net	(838)	(849)	(6,983)
Net cash used in financing activities	(13,911)	(7,491)	(115,925)
Effect of exchange rate changes on cash and cash equivalents	524	1,694	4,367
Increase (decrease) in cash and cash equivalents	6,366	(9,479)	53,050
Cash and cash equivalents at beginning of the year	30,098	35,962	250,817
Increase in cash and cash equivalents resulting from change in the scope of consolidation	500	327	4,167
Increase in cash and cash equivalents resulting from change in the reporting period of consolidated subsidiaries	—	3,288	—
Cash and cash equivalents at end of the year	¥ 36,964	¥ 30,098	$ 308,034

See accompanying notes.

Notes to Consolidated Financial Statements

Ube Industries, Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2015

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 ¥120=US$1, the approximate rate of exchange on March 31, 2015. 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 (71 and 65 companies for the years ended March 31, 2015 and 2014, 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 companies for the years ended March 31, 2015 and 2014). 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. Negative goodwill in the amounts of ¥985 million (US$8,208 thousand) and ¥1,238 million is included in "Other long-term liabilities" on the consolidated balance sheet at March 31, 2015 and 2014, respectively.

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

(b) Accounting for income taxes

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

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

Valuation allowance is provided for the deferred tax assets that are not realizable within a reasonable period.

(c) Securities

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

(d) Derivatives and hedge accounting

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

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

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

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

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

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

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

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

(e) Retirement and pension plan

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

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

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

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

(f) Allowance for doubtful accounts

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

(g) Inventories

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

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

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

Property, plant and equipment is stated at cost. Depreciation of property, plant and equipment is computed principally by the straight-line method for the Company and by the declining-balance method for consolidated subsidiaries at rates based on the estimated useful lives of the respective assets, ranging from 2 to 75 years for buildings and structures, and from 2 to 30 years for machinery and equipment.

(i) Intangible assets (except for leased assets)

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

(j) Leased assets

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

(k) Research and development costs

Research and development costs are charged to income when incurred.

(l) Net income per share

Primary net income per share is computed based on the net income available for distribution to stockholders of common stock and the weighted average number of shares of common stock outstanding during each year (1,057,859 thousand shares and 1,037,668 thousand shares for the years ended March 31, 2015 and 2014, respectively). Diluted net income per share is computed based on the net income available for distribution to the stockholders and the weighted average number of shares of common stock outstanding during each year assuming full exercise of share subscription rights (2,751 thousand shares and 2,374 thousand shares for the years ended March 31, 2015 and 2014, respectively).

(m) Accrued employees' bonuses

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

(n) Accrued directors' and statutory auditors' bonuses

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

Accrued directors' and statutory auditors' bonuses in the amounts of ¥75 million (US$625 thousand) and ¥55 million are included in "Other current liabilities" on the consolidated balance sheet at March 31, 2015 and 2014, respectively.

(o) Cash and cash equivalents

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

(p) Accrual for losses on contracts

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

These accruals for losses on contracts in the amounts of ¥315 million (US$2,625 thousand) and ¥710 million are included in "Other current liabilities" on the consolidated balance sheet at March 31, 2015 and 2014, respectively.

(q) Directors' and statutory auditors' retirement benefits

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

Retirement allowances of ¥789 million (US$6,575 thousand) and ¥767 million are included in "Other long-term liabilities" on the consolidated balance sheet at March 31, 2015 and 2014, respectively.

(r) Accrual for losses on business restructuring

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

These accruals for losses on business restructuring in the amounts of ¥877 million (US$7,308 thousand) and ¥2,252 million are included in "Other long-term liabilities" on the consolidated balance sheet at March 31, 2015 and 2014, respectively.

3. Accounting changes

(a) Retirement and pension plan

The Company has applied the “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 26 of May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 of March 26, 2015) pursuant to certain provisions in the main clause of Article 35 of the standard and in the main clause of Article 67 of the guidance effective from the beginning of the fiscal year ended March 31, 2015.

Under the new standards, the calculation methods of retirement benefit obligations and service costs are revised. In addition, the method of attributing the projected benefits is changed from a straight-line basis to a flat benefit formula, and the calculation method of the discount rate is also changed from the discount rate based on the average remaining service years of the employees to a single weighted average discount rate.

In accordance with transitional treatment as stipulated in Article 37 of the standard, the effects of these changes are recognized in retained earnings at April 1, 2014.

As a result, asset for retirement benefits has increased by ¥2,050 million (US$17,083 thousand) and liability for retirement benefits has decreased by ¥377 million (US$3,142 thousand) and retained earnings has increased by ¥1,516 million (US$12,633 thousand) at March 31, 2015, while the impact of the accounting change on the consolidated statement of income for the fiscal year ended March 31, 2015 was immaterial. Moreover, net assets value per share has increased by ¥1.41 (US$0.01).

(b) Accounting standards issued but not yet adopted

- Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013)
- Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013)
- Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013)
- Accounting Standard for Earnings Per Share (ASBJ Statement No. 2, September 13, 2013)
- Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, September 13, 2013)
- Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4, September 13, 2013)

1. Outline of changes

Under the revised accounting standards and guidance, the accounting treatment for changes in a parent’s ownership interest in a subsidiary when the parent retains control over the subsidiary in the additional acquisition of shares in the subsidiary and acquisition related costs were revised. In addition, the presentation method of net income was amended, the name “minority interests” was changed to “non-controlling interests,” and provisional accounting treatments were revised.

2. Date of application

The Company plans to adopt these revised accounting standards and guidance from the beginning of the fiscal year ending March 31, 2016.

In addition, provisional accounting treatments will be adopted for business combinations from the beginning of the fiscal year ending March 31, 2016.

3. Impact of adopting revised accounting standards and guidance

The effects of adopting these accounting standards and guidance on its consolidated financial statements are being evaluated.

4. Financial instruments

(a) Policy for financial instruments

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

(b) Types of financial instruments and related risk

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

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

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

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

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

(c) Risk management for financial instruments

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

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

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

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

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

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

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

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

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

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

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

Summarized in the table below are the carrying amounts and the estimated fair values of financial instruments outstanding at March 31, 2015 and 2014. 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		
	2015			2015		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Assets						
Cash and cash equivalents	¥ 36,964	¥ 36,964	¥ —	$ 308,033	$ 308,033	$ —
Time deposits	1,142	1,142	—	9,517	9,517	—
Trade notes and accounts receivable	144,918	144,918	—	1,207,650	1,207,650	—
Investment securities	13,569	13,569	—	113,075	113,075	—
Total assets	¥196,593	¥196,593	¥ —	$1,638,275	$1,638,275	$ —
Liabilities						
Trade notes and accounts payable	¥ 83,853	¥ 83,853	¥ —	$ 698,775	$ 698,775	$ —
Short-term loans payable	60,916	60,916	—	507,633	507,633	—
Commercial paper	3,000	3,000	—	25,000	25,000	—
Other payables	32,289	32,289	—	269,075	269,075	—
Accrued income taxes	3,754	3,754	—	31,283	31,283	—
Long-term debt*	174,483	175,491	1,008	1,454,026	1,462,426	8,400
Total liabilities	¥358,295	¥359,303	¥1,008	$2,985,792	$2,994,192	$8,400
Derivative financial transactions**	¥ (79)	¥ (79)	¥ —	$ (658)	$ (658)	$ —

* Current portions of long-term borrowings of ¥28,147 million (US$234,558 thousand) and bonds of ¥20 million (US$167 thousand) are included in long-term debt.

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

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

Assets

(a) "Cash and cash equivalents," "Time deposits" and "Trade notes and accounts receivable"

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

(b) "Investment securities"

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

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

Liabilities

(c) "Trade notes and accounts payable," "Short-term loans payable," "Commercial paper," "Other payables" and "Accrued income taxes"

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

(d) "Long-term debt"

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

Derivative financial transactions

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

	Millions of yen		
	2014		
	Carrying amount	Fair value	Difference
Assets			
Cash and cash equivalents	¥ 30,098	¥ 30,098	¥ —
Time deposits	462	462	—
Trade notes and accounts receivable	153,160	153,160	—
Investment securities	10,960	10,960	—
Total assets	¥194,680	¥194,680	¥ —
Liabilities			
Trade notes and accounts payable	¥ 89,229	¥ 89,229	¥ —
Short-term loans payable	60,360	60,360	—
Commercial paper	11,999	11,999	—
Other payables	32,593	32,593	—
Accrued income taxes	3,285	3,285	—
Long-term debt*	172,042	173,543	1,501
Total liabilities	¥369,508	¥371,009	¥1,501
Derivative financial transactions**	¥ 8	¥ 8	¥ —

* Current portions of long-term borrowings of ¥35,134 million and bonds of ¥20 million are included in long-term debt.
** The value of assets and liabilities arising from derivatives is shown at net value with amounts in parentheses representing net liability position.

Financial instruments for which it is extremely difficult to determine the fair value at March 31, 2015 and 2014 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unconsolidated subsidiaries and affiliates securities	¥29,853	¥29,790	$248,775
Non-listed equity securities	4,710	4,646	39,250
Others	303	305	2,525

Redemption schedule for financial assets and investment securities with contractual maturities subsequent to March 31, 2015 and 2014 are as follows:

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

	Thousands of U.S. dollars			
	2015			
	Within one year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	$ 307,758	$ —	$—	$—
Time deposits	9,517	—	—	—
Trade notes and accounts receivable	1,207,650	—	—	—
Debt securities	—	125	—	—
	$1,524,925	$125	$—	$—

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

Redemption schedule for long-term debt and other interest-bearing debt subsequent to March 31, 2015 and 2014 are as follows:

	Millions of yen					
	2015					
	Within one year	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years
Short-term loans payable	¥60,916	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper	3,000	—	—	—	—	—
Long-term debt	28,167	35,344	31,397	35,847	23,514	20,214
	¥92,083	¥35,344	¥31,397	¥35,847	¥23,514	¥20,214

	Thousands of U.S. dollars					
	2015					
	Within one year	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years
Short-term loans payable	$507,633	$ —	$ —	$ —	$ —	$ —
Commercial paper	25,000	—	—	—	—	—
Long-term debt	234,725	294,534	261,642	298,725	195,950	168,450
	$767,358	$294,534	$261,642	$298,725	$195,950	$168,450

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

5. Securities

Investment securities at March 31, 2015 and 2014 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Investment securities:			
Unconsolidated subsidiaries and affiliated companies	¥29,853	¥29,790	$248,775
Others	18,582	15,911	154,850
	¥48,435	¥45,701	$403,625

Marketable securities classified as other securities at March 31, 2015 and 2014 are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2015			2014			2015		
	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	¥12,778	¥5,390	¥7,388	¥ 9,673	¥4,880	¥4,793	$106,483	$44,917	$61,567
Debt securities	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—
Subtotal	12,778	5,390	7,388	9,673	4,880	4,793	106,483	44,917	61,567
Securities whose acquisition cost exceeds their carrying value:									
Stock	776	929	(153)	1,247	1,422	(175)	6,467	7,742	(1,275)
Debt securities	15	15	(0)	40	40	(0)	125	125	(0)
Others	—	—	—	—	—	—	—	—	—
Subtotal	791	944	(153)	1,287	1,462	(175)	6,592	7,867	(1,275)
Total	¥13,569	¥6,334	¥7,235	¥10,960	¥6,342	¥4,618	$113,075	$52,784	$60,292

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

Impairment losses in the amount of ¥3 million (US$25 thousand) were recognized for the year ended March 31, 2014.

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

Sales of securities classified as other securities and the aggregate gain for the year ended March 31, 2015 are as follows:

	Millions of yen			Thousands of U.S. dollars		
	2015			2015		
	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss
Stock	¥11	¥6	¥—	$92	$50	$—

6. Inventories

Inventories at March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Finished goods	¥38,535	¥36,847	$321,125
Work in process	14,844	18,443	123,700
Raw materials and supplies	25,075	27,112	208,958
	¥78,454	¥82,402	$653,783

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

Short-term loans payable represent bank loans, with average interest rates of 0.64% and 0.57% per annum at March 31, 2015 and 2014, respectively.

Long-term debt at March 31, 2015 and 2014 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
0.63% unsecured bonds due FY 2014	¥ —	¥ 20	$ —
0.63% unsecured bonds due FY 2015	20	20	167
0.63% to 0.77% unsecured bonds due FY 2016	15,020	15,020	125,167
0.58% to 0.63% unsecured bonds due FY 2017	15,020	15,020	125,167
0.60% to 0.63% unsecured bonds due FY 2018	10,010	10,010	83,417
0.33% unsecured bonds due FY 2019	10,000	—	83,333
0.53% unsecured bonds due FY 2021	10,000	—	83,333
Loans principally from banks and insurance companies:			
Secured, at 0.58% to 1.99%, maturing through FY 2019	—	7,557	—
Secured, at 0.79% to 1.69%, maturing through FY 2019	4,570	—	38,083
Unsecured, at 0.00% to 4.92%, maturing through FY 2026	109,843	—	915,359
Unsecured, at 0.00% to 6.76%, maturing through FY 2026	—	124,395	—
	174,483	172,042	1,454,026
Less current portion	28,167	35,154	234,725
	¥146,316	¥136,888	$1,219,301

The Company and certain consolidated subsidiaries have entered into loan commitment agreements amounting to ¥22,834 million (US$190,283 thousand) with certain banks. Loans payable outstanding at March 31, 2015 under these loan commitment agreements amounted to ¥253 million (US$2,108 thousand).

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

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2017	¥ 35,344	$ 294,534
2018	31,397	261,642
2019	35,847	298,725
2020	23,514	195,950
2021 and thereafter	20,214	168,450
	¥146,316	$1,219,301

8. Pledged assets

The assets pledged as collateral for short-term and long-term borrowings, guarantees and borrowings of affiliated companies at March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Assets pledged as collateral:			
Property, plant and equipment, at net book value	¥116,806	¥107,882	$973,384
Others	178	180	1,483

9. Contingent liabilities

At March 31, 2015 and 2014, the Company and its consolidated subsidiaries are contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
As endorser of trade notes discounted or endorsed	¥ 750	¥ 642	$ 6,250
As guarantor of employees' housing loans	170	256	1,417
As guarantor of indebtedness principally of unconsolidated subsidiaries and affiliated companies	3,523	1,798	29,358

The guaranteed amount includes similar commitments of ¥32 million (US$267 thousand) and ¥96 million at March 31, 2015 and 2014, 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 26, 2015, the distribution of retained earnings for the year ended March 31, 2015 was approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥5.00 per share)	¥5,300	$44,167

11. Selling, general and administrative expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Freight and storage	¥21,639	¥22,527	$180,325
Salaries and benefits	18,102	17,832	150,850
Research and development costs	13,766	13,864	114,717

12. Research and development costs

Research and development costs, all of which are included in "Selling, general and administrative expenses" and "Cost of sales" for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Research and development costs	¥13,858	¥13,909	$115,483

13. Other income (expenses)

"Other income (expenses) – Others, net" for the years ended March 31, 2015 and 2014 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Gain on sale of investment securities, net	¥ 6	¥ 3	$ 50
Gain on sale of property, plant and equipment, net	584	172	4,867
Loss on disposal of property, plant and equipment	(3,557)	(1,481)	(29,642)
Loss on impairment of fixed assets (Note 14)	(1,596)	(152)	(13,300)
Write-down of investment securities	(12)	(30)	(100)
Loss on business restructuring	(4,583)	(41)	(38,192)
Gain on foreign currency exchange, net	1,196	274	9,967
Gain on negative goodwill	240	2,841	2,000
Loss on business interruption	(746)	(1,179)	(6,217)
Others, net	4,079	(3,174)	33,992
	¥(4,389)	¥(2,767)	$(36,575)

14. Loss on impairment of fixed assets

Fixed assets of the Company and its consolidated subsidiaries are grouped at the business unit or department level for impairment testing. Loss on impairment of fixed assets for the year ended March 31, 2015 consists of the following:

	Millions of yen	Thousands of U.S. dollars
	2015	2015
Idle property:		
Land, machinery and equipment	¥ (348)	$ (2,900)
Business assets in use:		
Pearlite manufacturing plant (Ube Industries, Ltd.)	(196)	(1,633)
Siding board manufacturing plant (Ube Board Co., Ltd.)	(665)	(5,542)
Packing materials manufacturing plant (Ube Film Co., Ltd.)	(387)	(3,225)
	¥(1,596)	$(13,300)

(a) Idle property

Among idle property owned by the Company and its consolidated subsidiaries, there were certain assets whose book values exceeded their recoverable amounts. These assets were written down to their recoverable amounts and an impairment loss of ¥348 million (US$2,900 thousand) was recognized for the year ended March 31, 2015. This impairment loss consisted of ¥309 million (US$2,575 thousand) for land, ¥22 million (US$183 thousand) for machinery and equipment and ¥17 million (US$142 thousand) for others.

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

(b) Business assets in use

The Company decided to withdraw from the pearlite production business, and the related plant was written down to its memorandum price. This impairment loss consisted of ¥59 million (US$492 thousand) for machinery and equipment, ¥54 million (US$450 thousand) for land and ¥83 million (US$692 thousand) for others.

One consolidated subsidiary, Ube Board Co., Ltd., decided to close a siding board plant due to its dissolution, and the plant was written down to its memorandum price. This impairment loss consisted of ¥465 million (US$3,875 thousand) for machinery and equipment, ¥60 million (US$500 thousand) for land, and ¥140 million (US$1,167 thousand) for others.

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

This impairment loss consisted of ¥205 million (US$1,708 thousand) for land, ¥150 million (US$1,250 thousand) for buildings, and ¥32 million (US$267 thousand) for others.

Loss on impairment of fixed assets for the year ended March 31, 2014 consists of the following:

	Millions of yen
	2014
Idle property:	
Land, machinery and equipment	¥(101)
Business assets in use:	
Casting plant (Fukushima, Ltd.)	(51)
	¥(152)

(a) Idle property

Among idle property owned by the Company and its consolidated subsidiaries, there were certain assets whose book values exceeded their recoverable amounts. These assets were written down to their recoverable amounts and an impairment loss of ¥101 million was recognized for the year ended March 31, 2014.

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

(b) Business assets in use

Fukushima, Ltd. decided to withdraw from the casting business, and the related casting plant was written down to its memorandum price. This impairment loss consisted of ¥41 million for machinery and equipment, ¥9 million for buildings, and ¥1 million for others.

15. Income taxes

Income taxes applicable to the Company comprise corporation, enterprise and inhabitants' taxes which, in the aggregate, resulted in statutory tax rate of approximately 35.4% and 37.8% for the years ended March 31, 2015 and 2014, respectively.

The effective tax rates reflected in the consolidated statement of income for the years ended March 31, 2015 and 2014 differ from the statutory tax rates for the following reasons.

	Percentage	
	2015	2014
Statutory tax rate	35.4%	37.8%
Effect of:		
Permanently nondeductible expenses	0.8	1.0
Permanently nontaxable items including dividend income	(10.4)	(9.1)
Loss carried forward recognized on the liquidation of subsidiaries	—	(4.7)
Decrease in valuation allowance of resolution in subsidiary's dissolution	(8.4)	—
Loss carried forward without deferred tax assets	0.3	0.4
Deducted amount of loss without deferred tax assets	(0.5)	(1.2)
Effect of elimination of dividend income through consolidation procedures	10.2	9.2
Investment profit of affiliated companies by equity method	(2.9)	0.1
Tax rate difference of overseas consolidated subsidiaries	3.2	(0.9)
Gain on negative goodwill	(0.5)	(5.5)
Modification of net deferred tax assets and liabilities caused by a change in effective statutory tax rates	1.8	3.4
Retained earnings of foreign subsidiary companies	(1.6)	2.4
Deductible research and development expenses	(3.7)	(0.1)
Others	(0.3)	1.7
Effective tax rate	23.4%	34.5%

On March 31, 2015, the "Act for Partial Revision of the Income Tax Act and Others" (Act No. 9 of 2015) and the "Act for Partial Revision the Local Tax Act and Others" (Act No. 2 of 2015) were officially enacted and the income tax rate has been reduced from the fiscal year beginning April 1, 2015. Under these revised acts, the effective tax rate used for calculating deferred tax assets and deferred tax liabilities has been reduced from 35.4% to 32.8% for the temporary differences expected to reverse the fiscal year beginning April 1, 2015, and to 32.1% for those expected to reverse from the fiscal year beginning April 1, 2016.

As a result, deferred tax (assets after offsetting deferred tax liabilities) decreased by ¥217 million (US$1,808 thousand) and income taxes-deferred increased by ¥334 million (US$2,783 thousand), valuation difference on securities increased by ¥241 million (US$2,008 thousand) and deferred hedge loss, net decreased by ¥5 million (US$42 thousand), and retirement benefits liability adjustments decreased by ¥119 million (US$992 thousand) as of and for the year ended March 31, 2015.

The significant components of deferred tax assets and liabilities at March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Accrued employees' bonuses	¥ 2,159	¥ 2,413	$ 17,992
Liability for retirement benefits	2,535	2,833	21,125
Allowance for doubtful accounts	3,641	355	30,342
Loss carried forward	4,996	4,554	41,633
Intercompany profit	10,469	10,670	87,242
Depreciation and amortization	1,808	1,863	15,067
Write-down of investment securities	223	469	1,858
Disposal of fixed assets without dismantlement	3,188	3,573	26,567
Accrual for losses on business restructuring	522	985	4,350
Others	4,002	5,443	33,349
Gross deferred tax assets	33,543	33,158	279,525
Valuation allowance	(5,087)	(4,209)	(42,392)
Total deferred tax assets	28,456	28,949	237,133
Deferred tax liabilities:			
Reserve for advanced depreciation of non-current assets	(3,210)	(3,924)	(26,750)
Valuation difference on securities	(2,314)	(1,624)	(19,283)
Asset for retirement benefits	(2,527)	(1,477)	(21,058)
Revaluation surplus on assets	(2,951)	(2,727)	(24,592)
Retained earnings of foreign subsidiary companies	(2,946)	(3,289)	(24,550)
Others	(2,520)	(3,293)	(21,000)
Total deferred tax liabilities	(16,468)	(16,334)	(137,233)
Net deferred tax assets	¥ 11,988	¥ 12,615	$ 99,900

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current assets – Deferred tax assets	¥ 7,695	¥10,033	$ 64,125
Investments and other assets – Long-term deferred tax assets	7,429	6,265	61,908
Long term liabilities – Long-term deferred tax liabilities	(3,136)	(3,683)	(26,133)

16. Business combinations

Advanced Electrolyte Technologies LLC (AET), originally a 50-50 joint venture between the Company and the Dow Chemical Company, was established in December 2011 to manufacture electrolytes for lithium-ion batteries. AET founded two subsidiaries in the United States in December 2011 and another in China in June 2012, to manufacture and sell electrolytes for lithium-ion batteries and it continues to organize an international sales and production system.

In the year ended March 31, 2015, the Company acquired an additional 20% equity interest in AET, from the Dow Chemical Company. As a result, AET became a consolidated subsidiary of the Company, and the Company is going to expand its advanced battery business by managing AET along with its own business unit.

The Company will promote sales expansions and cost reductions through synergies involving research, products, and sales departments, focusing on electrolytes for automotive lithium-ion batteries, demand for which is expected to increase.

(a) Outline of business combination

1. Name of combined company
Advanced Electrolyte Technologies LLC

2. Business of acquired company
Production and sales of electrolytes for lithium-ion batteries

3. Date of business combination
December 22, 2014

4. Legal form of business combination
Acquisition of equity in exchange for cash

5. Company name after business combination
Unchanged

6. Additional equity acquired by the Company
Equity owned by the Company before business combination: 50%
Additional equity acquired by the Company at the date of business combination: 20%
Equity owned by the Company after business combination: 70%

7. Basis for determining the acquiring company
Because a wholly owned subsidiary of the Company acquired the additional equity of AET in exchange for cash.

(b) Period for which acquired company's operating results are included in consolidated statement of income

In this business combination under Japanese GAAP, the acquisition date is regarded as December 31, 2014. Therefore, in the period from January 1, 2014 to December 31, 2014, AET continued to be accounted for by the equity method.

(c) Acquisition cost

	Millions of yen	Thousands of U.S. dollars
Fair value of equity owned by the Company before business combination	¥2,375	$19,791
Fair value of additional equity acquired by the Company on the date of business combination	950	7,917
Total acquisition cost	¥3,325	$27,708

(d) Difference between acquisition cost and total acquisition cost of individual investments leading to acquisition

Loss on step acquisition: ¥154 million (US$1,283 thousand)

(e) Amount and reason for gain on negative goodwill

1. Amount of negative goodwill recognized:

¥214 million (US$1,783 thousand)

2. Reason for negative goodwill recognized:

The gain resulted from the difference between the net fair value of assets acquired and liabilities assumed and the acquisition cost.

(f) Details on assets acquired and liabilities assumed

	Millions of yen	Thousands of U.S. dollars
Current assets	¥1,266	$10,550
Fixed assets	5,563	46,358
Total assets	¥6,829	$56,908

	Millions of yen	Thousands of U.S. dollars
Current liabilities	¥1,245	$10,375
Fixed liabilities	529	4,408
Total liabilities	¥1,774	$14,783

17. Derivative financial instruments

Summarized below are the notional amounts and the estimated fair values of the derivative transactions outstanding at March 31, 2015 and 2014.

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

Currency-related transactions:

	Millions of yen						Thousands of U.S. dollars		
	2015			2014			2015		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Forward exchange contracts:									
Sell:									
EUR	¥ 12	¥ (0)	¥ (0)	¥ —	¥ —	¥ —	$ 100	$ (0)	$ (0)
USD	—	—	—	928	(24)	(24)	—	—	—
JPY	—	—	—	13	0	0	—	—	—
Buy:									
USD	965	27	27	980	(3)	(3)	8,042	225	225
EUR	277	(25)	(25)	40	0	0	2,308	(208)	(208)
Total	¥1,254	¥ 2	¥ 2	¥1,961	¥(27)	¥(27)	$10,450	$ 17	$ 17

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

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

1. Currency-related transactions

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

		Millions of yen				Thousands of U.S. dollars	
		2015		2014		2015	
		Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
Principle method	Forward exchange contracts:						
	Sell:						
	USD	¥ 417	¥ 1	¥ 34	¥ 0	$ 3,475	$ 9
	Buy:						
	EUR	656	(20)	472	10	5,467	(167)
Short-cut method	Forward exchange contracts:						
	Sell:						
	USD	1,448	(21)	—	—	12,067	(175)
	Currency swap contracts:						
	Receive/USD Pay/JPY	7,952	*	3,732	*	66,266	*
	Total	¥10,473	¥(40)	¥4,238	¥10	$87,275	$(333)

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

2. Interest-related transactions

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

		Millions of yen				Thousands of U.S. dollars	
		2015		2014		2015	
		Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
Principle method	Interest-rate cap:						
	Buy:	¥ 6,000	¥0	¥ 8,000	¥1	$ 50,000	$0
Short-cut method	Interest-rate swaps:						
	Receive/floating and pay/fixed:	29,330	*	41,775	*	244,417	*
	Total	¥35,330	¥0	¥49,775	¥1	$294,417	$0

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

3. Commodity-related transactions

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

		Millions of yen				Thousands of U.S. dollars	
		2015		2014		2015	
		Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
Principle method	Coal price swaps:						
	Receive/floating and pay/fixed:	¥912	¥(62)	¥—	¥—	$7,600	$(517)

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

18. Segment information

Reportable segments of the Company consist of the business units for which independent financial information is available. They are regularly monitored by the Board of Directors in order to decide the distribution of business resources and evaluate the business results. The Company classifies its products and services into seven reportable segments: “Chemicals & Plastics,” “Specialty Chemicals & Products,” “Pharmaceutical,” “Cement & Construction Materials,” “Machinery & Metal Products,” “Energy & Environment” and “Other.”

The operations of the Company and its consolidated subsidiaries for the years ended March 31, 2015 and 2014 are summarized by reportable segment as follows:

	Millions of yen								
Year ended March 31, 2015	Chemicals & Plastics	Specialty Chemicals & Products	Pharmaceutical	Cement & Construction Materials	Machinery & Metal Products	Energy & Environment	Other	Elimination & Corporate	Consolidated
Sales:									
Outside customers	¥198,773	¥57,271	¥ 7,819	¥216,475	¥76,511	¥54,317	¥30,593	¥ —	¥641,759
Intersegment sales and transfers	16,646	6,017	—	5,944	2,445	12,454	2,649	(46,155)	—
Total	215,419	63,288	7,819	222,419	78,956	66,771	33,242	(46,155)	641,759
Segment operating income (loss)	¥ 1,121	¥ (2,294)	¥ 902	¥ 17,033	¥ 4,305	¥ 2,840	¥ 1,293	¥ (1,053)	¥ 24,147
Segment assets	¥213,380	¥97,954	¥10,916	¥208,346	¥62,424	¥53,263	¥23,418	¥ 41,845	¥711,546
Depreciation and amortization	10,730	6,731	777	8,153	1,355	2,596	627	2,617	33,586
Equity method investments	13,281	976	—	8,087	—	1,113	2,415	—	25,872
Capital expenditures	11,427	6,491	702	10,731	1,806	7,452	407	3,488	42,504

	Thousands of U.S. dollars								
Year ended March 31, 2015	Chemicals & Plastics	Specialty Chemicals & Products	Pharmaceutical	Cement & Construction Materials	Machinery & Metal Products	Energy & Environment	Other	Elimination & Corporate	Consolidated
Sales:									
Outside customers	$1,656,441	$477,258	$65,158	$1,803,959	$637,592	$452,642	$254,942	$ —	$5,347,992
Intersegment sales and transfers	138,717	50,142	-	49,533	20,375	103,783	22,075	(384,625)	—
Total	1,795,158	527,400	65,158	1,853,492	657,967	556,425	277,017	(384,625)	5,347,992
Segment operating income (loss)	$ 9,342	$ (19,117)	$ 7,517	$ 141,942	$ 35,874	$ 23,667	$ 10,775	$ (8,775)	$ 201,225
Segment assets	$1,778,167	$816,283	$90,967	$1,736,217	$520,200	$443,858	$195,150	$ 348,708	$5,929,550
Depreciation and amortization	89,416	56,092	6,475	67,942	11,292	21,633	5,225	21,808	279,883
Equity method investments	110,675	8,133	—	67,392	—	9,275	20,125	—	215,600
Capital expenditures	95,224	54,092	5,850	89,425	15,050	62,100	3,392	29,067	354,200

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

Sales and amounts of property, plant and equipment of the Company and its consolidated subsidiaries as of and for the years ended March 31, 2015 and 2014 by geographic area are as follows:

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

	Thousands of U.S. dollars				
Year ended March 31, 2015	Japan	Asia	Europe	Other area	Consolidated
Sales	**$3,701,642**	**$1,064,933**	**$325,417**	**$256,000**	**$5,347,992**

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

	Thousands of U.S. dollars					
As of March 31, 2015	Japan	Thailand	Other Asia	Europe	Other area	Consolidated
Property, plant and equipment	**$2,221,358**	**$500,617**	**$46,800**	**$123,275**	**$3,267**	**$2,895,317**

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

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

19. Leases

(a) Finance leases

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

The following amounts represent the acquisition costs (including the interest portion thereon), accumulated depreciation and amortization and net book value of the leased property at March 31, 2015 and 2014. These amounts would have been reflected in the consolidated balance sheet if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen		Thousands of U.S. dollars
At March 31	**2015**	2014	**2015**
Acquisition costs:			
Machinery and equipment	**¥54**	¥1,713	**$450**
	¥54	¥1,713	**$450**
Accumulated depreciation and amortization:			
Machinery and equipment	**¥38**	¥1,241	**$317**
	¥38	¥1,241	**$317**
Net book value:			
Machinery and equipment	**¥16**	¥472	**$133**
	¥16	¥472	**$133**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥9 million (US$75 thousand) and ¥176 million for the years ended March 31, 2015 and 2014, respectively. They are equal to the depreciation and amortization expenses of the leased assets computed by the straight-line method over the lease terms.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2015 for finance leases accounted for as operating leases are summarized as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2016	¥ 8	$ 67
2017 and thereafter	8	67
	¥16	$134

(b) Operating leases

Future minimum lease payments subsequent to March 31, 2015 for non-cancelable operating leases are summarized as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2016	¥ 971	$ 8,092
2017 and thereafter	817	6,808
	¥1,788	$14,900

20. Retirement benefits

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

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

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

Defined contribution plans are mainly defined contribution pension plans.

(a) Defined benefit plans

The changes in the retirement benefit obligation during the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Opening balance of retirement benefit obligation	¥50,502	¥51,494	$420,850
Cumulative effects of changes in accounting policies	(2,427)	—	(20,225)
Restated balance	48,075	51,494	400,625
Service cost	2,653	2,815	22,108
Interest cost	644	714	5,367
Actuarial loss	3,527	65	29,392
Benefit paid	(2,862)	(4,586)	(23,850)
Closing balance of retirement benefit obligation	¥52,037	¥50,502	$433,642

The changes in plan assets during the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Opening balance of plan assets	¥52,443	¥52,469	$437,025
Expected return on pension assets	1,157	1,165	9,642
Actuarial gain	4,389	704	36,575
Contributions by the employer	2,622	2,536	21,850
Benefit paid	(2,734)	(4,431)	(22,783)
Closing balance of plan assets	¥57,877	¥52,443	$482,309

The reconciliation of the retirement benefit obligations and plan assets to the liability and asset for retirement benefits recognized in the consolidated balance sheet as of March 31, 2015 and 2014 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Funded retirement benefit obligations	¥49,685	¥47,748	$ 414,042
Plan assets	(57,877)	(52,443)	(482,308)
	(8,192)	(4,695)	(68,266)
Unfunded retirement benefit obligations	2,352	2,754	19,600
Net amount of liabilities and assets for retirement benefits in the consolidated balance sheet	¥ (5,840)	¥ (1,941)	$ (48,666)
Liability for retirement benefits	¥ 2,423	¥ 2,909	$ 20,192
Asset for retirement benefits	(8,263)	(4,850)	(68,858)
Net amount of liabilities and assets for the retirement benefits in the consolidated balance sheet	¥ (5,840)	¥ (1,941)	$ (48,666)

The breakdown of the retirement benefit expenses for the years ended March 31, 2015 and 2014 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost	¥ 2,653	¥ 2,815	$22,108
Interest cost	644	714	5,367
Expected return on plan assets	(1,157)	(1,165)	(9,642)
Amortization of actuarial loss	700	869	5,834
Amortization of prior service cost	181	181	1,508
Retirement benefit expenses	¥ 3,021	¥ 3,414	$25,175

The components of retirement benefits liability adjustments in other comprehensive income (before tax effect) for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Prior service cost	¥ 181	¥—	$ 1,508
Actuarial loss	1,562	—	13,017
Total	¥1,743	¥—	$14,525

The components of retirement benefits liability adjustments in accumulated other comprehensive income (before tax effect) for the years ended at March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized prior service cost	¥ 725	¥ 906	$ 6,042
Unrecognized actuarial loss	2,895	4,457	24,125
Total	¥3,620	¥5,363	$30,167

The breakdown of pension assets by major category as a percentage of total plan assets as of March 31, 2015 and 2014 is as follows:

	Ratio	
	2015	2014
Bonds	39%	39%
Equities	25	21
Insurance assets (General account)	26	29
Other	10	11
Total	100%	100%

The above total includes 14% and 11% of the retirement benefit trusts of company pension plans at March 31, 2015 and 2014, respectively.

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

The items of actuarial assumptions for the years ended March 31, 2015 and 2014 are as follows:

	Ratio	
	2015	2014
Discount rate	0.5~1.2%	1.1~2.0%
Expected long-term return on plan assets		
Pension assets	2.0~2.5	2.0~2.5
Retirement benefit trusts	0.0	0.0

The schedule of the defined benefit obligation and pension assets accounted for by simplified method for the years ended March 31, 2015 and 2014 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Opening balance of net liabilities and assets for retirement benefits	¥4,088	¥3,993	$34,066
Benefit expenses	648	723	5,400
Benefit paid	(384)	(492)	(3,200)
Contributions to the plans	(187)	(229)	(1,558)
Others	(93)	93	(775)
Closing balance of net liabilities and assets for retirement benefits	¥4,072	¥4,088	$33,933

The reconciliation of the retirement benefit obligations and plan assets to the liabilities and assets for retirement benefit for simplified method recognized in the consolidated balance sheet as of March 31, 2015 and 2014 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Funded retirement benefit obligations	¥1,090	¥ 1,383	$ 9,083
Plan assets	(892)	(1,087)	(7,433)
	198	296	1,650
Funded retirement benefit obligations	3,874	3,792	32,283
Net amount of liabilities and assets for retirement benefits in the consolidated balance sheet	¥4,072	¥ 4,088	$33,933
Liability for retirement benefits	¥4,124	¥ 4,110	$34,366
Asset for retirement benefits	(52)	(22)	(433)
Net amount of liabilities and assets for retirement benefits in the consolidated balance sheet	¥4,072	¥ 4,088	$33,933

The retirement benefit expenses under the simplified method are ¥648 million (US$5,400 thousand) and ¥723 million for the years ended March 31, 2015 and 2014, respectively.

(b) Defined contribution plans

The contributions by consolidated subsidiaries paid to defined contribution pension plans are ¥43 million (US$358 thousand) and ¥59 million for the years ended March 31, 2015 and 2014, respectively.

21. Investment and rental property

The Company and its consolidated subsidiaries own idle property and rental property in Yamaguchi prefecture, Japan and other areas. The carrying amount, net changes and fair value of investment and rental property for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen			
	2015			
	Carrying amount			Fair value at March 31, 2015
	Opening balance	Net change during the year	Closing balance	
Idle property	¥10,741	¥(728)	¥10,013	¥26,753
Rental property	8,816	99	8,915	16,850

	Thousands of U.S. dollars			
	2015			
	Carrying amount			Fair value at March 31, 2015
	Opening balance	Net change during the year	Closing balance	
Idle property	$89,509	$(6,067)	$83,442	$222,942
Rental property	73,467	825	74,292	140,417

Notes: Carrying amounts represent the acquisition costs less accumulated depreciation and impairment losses.
Net change for the year ended March 31, 2015 is mainly impairment loss of ¥(315) million (US$(2,625) thousand).
Fair value of main property at March 31, 2015 is based on external appraisal, and fair value of other property is estimated based on the index prices deemed to reflect the market price accurately.

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

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

The amount of income and expenses related to investment and rental property for the years ended March 31, 2015 and 2014 are as follows:

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

	Thousands of U.S. dollars			
	2015			
	Rental income	Rental expenses	Net income	Others
Idle property	$ —	$ —	$ —	$(2,983)
Rental property	7,209	3,142	4,067	(325)

Notes: Others in the above table for idle property consist of taxes and dues of ¥(206) million (US$(1,717) thousand), impairment loss of ¥(315) million (US$(2,625) thousand), gain on acceptance of dredged sand of ¥121 million (US$1,008 thousand) and gain on sale of ¥42 million (US$350 thousand).
Others for rental property is loss on sale of ¥(39) million (US$(325) thousand).

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

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

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22. Stock options

Stock option expenses in the amounts of ¥59 million (US$492 thousand) and ¥74 million were recognized as “Selling, general and administrative expenses” on the consolidated statement of income for the years ended March 31, 2015 and 2014, respectively.

The contents of stock options at March 31, 2015 are as follows:

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

	Fiscal year 2010 stock options	Fiscal year 2011 stock options	Fiscal year 2012 stock options
Position and number of grantees	Directors of the Company: 6 Executive officers of the Company: 17	Directors of the Company: 5 Executive officers of the Company: 17	Directors of the Company: 5 Executive officers of the Company: 18
Type and number of shares	Common stock of the Company: 322,000 shares	Common stock of the Company: 366,000 shares	Common stock of the Company: 355,000 shares
Date of grant	July 13, 2009	July 14, 2010	July 14, 2011
Settlement of rights	After providing service for the period	After providing service for the period	After providing service for the period
Period of providing service for stock option	Directors of the Company: For 1 year (From July 1, 2009 to June 30, 2010) Executive officers of the Company: For 1 year (From April 1, 2009 to March 31, 2010)	Directors of the Company: For 1 year (From July 1, 2010 to June 30, 2011) Executive officers of the Company: For 1 year (From April 1, 2010 to March 31, 2011)	Directors of the Company: For 1 year (From July 1, 2011 to June 30, 2012) Executive officers of the Company: For 1 year (From April 1, 2011 to March 31, 2012)
Exercise period of rights	For 25 years from grant date (From July 13, 2009 to July 12, 2034)	For 25 years from grant date (From July 14, 2010 to July 13, 2035)	For 25 years from grant date (From July 14, 2011 to July 13, 2036)
Condition of exercise of rights	A holder of share subscription rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.	A holder of share subscription rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.	A holder of share subscription rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.

	Fiscal year 2013 stock options	Fiscal year 2014 stock options	Fiscal year 2015 stock options
Position and number of grantees	Directors of the Company: 4 Executive officers of the Company: 19	Directors of the Company: 4 Executive officers of the Company: 20	Directors of the Company: 4 Executive officers of the Company: 19
Type and number of shares	Common stock of the Company: 377,000 shares	Common stock of the Company: 481,000 shares	Common stock of the Company: 430,000 shares
Date of grant	July 13, 2012	July 12, 2013	July 14, 2014
Settlement of rights	After providing service for the period	After providing service for the period	After providing service for the period
Period of providing service for stock option	Directors of the Company: For 1 year (From July 1, 2012 to June 30, 2013) Executive officers of the Company: For 1 year (From April 1, 2012 to March 31, 2013)	Directors of the Company: For 1 year (From July 1, 2013 to June 30, 2014) Executive officers of the Company: For 1 year (From April 1, 2013 to March 31, 2014)	Directors of the Company: For 1 year (From July 1, 2014 to June 30, 2015) Executive officers of the Company: For 1 year (From April 1, 2014 to March 31, 2015)
Exercise period of rights	For 25 years from grant date (From July 13, 2012 to July 12, 2037)	For 25 years from grant date (From July 12, 2013 to July 11, 2038)	For 25 years from grant date (From July 14, 2014 to July 13, 2039)
Condition of exercise of rights	A holder of share subscription rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.	A holder of share subscription rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.	A holder of share subscription rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.

	Fiscal year 2007 stock options	Fiscal year 2008 stock options	Fiscal year 2009 stock options	Fiscal year 2010 stock options	Fiscal year 2011 stock options	Fiscal year 2012 stock options	Fiscal year 2013 stock options	Fiscal year 2014 stock options	Fiscal year 2015 stock options	
	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	U.S. dollars
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	$0.01
Average stock price at exercise	185	190	189	—	—	—	—	—	—	—
Fair value at grant date	388	351	326	223	186	227	136	156	135	1.13

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

	Fiscal year 2015 stock options
Method of estimation	Black-Scholes model
Volatility *	34.903 %
Expected remaining period **	8 years
Expected dividend ***	¥5 (US$ 0.04)
Risk-free interest rate ****	0.366 %

* Volatility is calculated based on the monthly closing prices of common stock of the Company for 8 years prior to the last month ahead of each date of grant.
** Mid-term between date of grant and estimated exercisable period
*** Actual dividend per share for each year
**** Interest rate for a government bond with 8 years remaining

23. Related party transactions

The Company sold cement and related products for resale in the amounts of ¥38,168 million (US$318,067 thousand) and ¥37,672 million to Ube-Mitsubishi Cement Corporation (UMCC) for the years ended March 31, 2015 and 2014, respectively. The capital stock of UMCC is ¥8,000 million (US$66,667 thousand) and is accounted for by the equity method. The balances of accounts receivable were ¥14,410 million (US$120,083 thousand) and ¥13,621 million as of March 31, 2015 and 2014, respectively.

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

24. Subsequent events

Change in reportable segments

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

As a result, the reportable segments of the Company were changed to the following six segments: "Chemicals," "Pharmaceutical," "Cement & Construction Materials," "Machinery & Metal Products," "Energy & Environment" and "Other."

The operations of the Company and its consolidated subsidiaries for the fiscal year ended March 31, 2015 under the new segment classification are summarized as follows:

	Millions of yen							
Year ended March 31, 2015	Chemicals	Pharmaceutical	Cement & Construction Materials	Machinery & Metal Products	Energy & Environment	Other	Elimination & Corporate	Consolidated
Sales:								
Outside customers	¥271,398	¥7,819	¥216,475	¥76,511	¥54,317	¥15,239	¥ —	¥641,759
Intersegment sales and transfers	8,762	—	5,944	2,445	12,454	2,148	(31,753)	—
Total	280,160	7,819	222,419	78,956	66,771	17,387	(31,753)	641,759
Segment operating income (loss)	¥ (939)	¥ 902	¥ 17,033	¥ 4,305	¥ 2,840	¥ 1,146	¥ (1,140)	¥ 24,147

	Thousands of U.S. dollars							
Year ended March 31, 2015	Chemicals	Pharmaceutical	Cement & Construction Materials	Machinery & Metal Products	Energy & Environment	Other	Elimination & Corporate	Consolidated
Sales:								
Outside customers	$2,261,650	$65,158	$1,803,959	$637,592	$452,642	$126,991	$ —	$5,347,992
Intersegment sales and transfers	73,017	—	49,533	20,375	103,783	17,900	(264,608)	—
Total	2,334,667	65,158	1,853,492	657,967	556,425	144,891	(264,608)	5,347,992
Segment operating income (loss)	$ (7,825)	$ 7,517	$ 141,942	$ 35,874	$ 23,667	$ 9,550	$ (9,500)	$ 201,225

Building a better working world

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.

Independent Auditor's Report

The Board of Directors
Ube Industries, Ltd.

We have audited the accompanying consolidated financial statements of Ube Industries, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ube Industries, Ltd. and its consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

June 26, 2015
Tokyo, Japan

Ernst & Young ShinNihon LLC

Network

(As of March 31, 2015)

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Fax: +86 (21) 6273-3833

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Fax: +82 (2) 557-7592

11. **UBE AMERICA INC.**
261 Madison Avenue, 28th Floor, New York,
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Fax: +1 (212) 551-4739

12. **UBE LATIN AMERICA SERVIÇOS LTDA.**
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01451-010 Itaim Bibi, Sao Paulo, Brazil
Tel: + 55 (11) 30785424
Fax: +55 (11) 30788532

Major Consolidated Subsidiaries and Affiliates

1. Country **2.** Capital **3.** Voting Rights

Consolidated Subsidiaries

Chemicals

UBE EXSYMO CO., LTD.
1. Japan **2.** ¥2,493 million **3.** 100.0%
Manufacture and sales of polypropylene molded products and fibers, fiber-reinforced plastics

UBE AMMONIA INDUSTRY, LTD.
1. Japan **2.** ¥4,000 million **3.** 50.6%
Manufacture and sales of ammonia and others

UBE-MC HYDROGEN PEROXIDE LIMITED
1. Japan **2.** ¥1,000 million **3.** 51.0%
Manufacture and sales of hydrogen peroxide

UBE ELECTRONICS, LTD.
1. Japan **2.** ¥450 million **3.** 100.0%
Manufacture of electronic devices for telecommunication equipment

UBE FILM, LTD.
1. Japan **2.** ¥379 million **3.** 77.5%
Manufacture and sales of plastic film products

MEIWA PLASTIC INDUSTRIES, LTD.
1. Japan **2.** ¥99 million **3.** 100.0%
Manufacture and sales of phenolic resins and others

UBE MAXELL CO., LTD.
1. Japan **2.** ¥150 million **3.** 51.0%
Manufacture and sales of separator films for lithium-ion batteries

UBE-NITTO KASEI (WUXI) CO., LTD.
1. China **2.** RMB 78,993 thousand **3.** 100.0%
Manufacture of materials for optical communication, packing, etc.

UBE CHEMICALS (ASIA) PUBLIC CO., LTD.
1. Thailand **2.** BAHT 10,739 million **3.** 73.8%
Manufacture and sales of caprolactam and nylon 6

THAI SYNTHETIC RUBBERS CO., LTD.
1. Thailand **2.** BAHT 1,106 million **3.** 74.0%
Manufacture and sales of polybutadiene rubber

UBE FINE CHEMICALS (ASIA) CO., LTD.
1. Thailand **2.** BAHT 722 million **3.** 100.0%
Manufacture and sales of 1,6-Hexanediol (HDL) and 1,5-Pentanediol (PDL)

UBE CHEMICAL EUROPE, S.A.
1. Spain **2.** EUR 34,265 thousand **3.** 100.0%
Manufacture and sales of caprolactam, ammonium sulfate, and fine chemicals

UBE ENGINEERING PLASTICS, S.A.
1. Spain **2.** EUR 13,160 thousand **3.** 100.0%
Manufacture and sales of nylon 6

ADVANCED ELECTROLYTE TECHNOLOGIES LLC
1. U.S.A. **2.** US$95,000 thousand **3.** 80.5%
Manufacture and sales of electrolytes for lithium-ion batteries

Cement & Construction Materials

UBE MATERIAL INDUSTRIES, LTD.
1. Japan **2.** ¥4,047 million **3.** 100.0%
Production and sales of seawater magnesia, magnesium hydroxide, quicklime, slaked lime, and others

UBE SHIPPING & LOGISTICS, LTD.
1. Japan **2.** ¥665 million **3.** 82.9%
Domestic shipping, harbor transportation, shipping-agent services, and customs clearing

HAGIMORI INDUSTRIES, LTD.
1. Japan **2.** ¥282 million **3.** 75.2%
Manufacture and sales of ready-mixed concrete and concrete secondary products

KANTO UBE HOLDINGS CO., LTD.
1. Japan **2.** ¥100 million **3.** 100.0%
Manufacture and sales of ready-mixed concrete as well as accounting for subsidiary

UBE CONSTRUCTION MATERIALS SALES CO., LTD.
1. Japan **2.** ¥99 million **3.** 100.0%
Sales of ready-mixed concrete, building materials, and others

YAMAISHI METAL CO., LTD.
1. Japan **2.** ¥50 million **3.** 100.0%
Manufacture and sales of metal powders including magnesium and aluminum

DAIKYO KIGYO CO., LTD.
1. Japan **2.** ¥34 million **3.** 79.6%
Manufacture and sales of ready-mixed concrete and concrete secondary products

NANTONG UBE CONCRETE CO., LTD.
1. China **2.** RMB 52,984 thousand **3.** 100.0%
Manufacture and sales of ready-mix concrete

Machinery & Metal Products

UBE MACHINERY CORPORATION, LTD.
1. Japan **2.** ¥6,700 million **3.** 100.0%
Manufacture and sales of diecasting machines, injection-molding machines, extrusion presses, industrial machinery, bridge, metal dies, and molds

UBE STEEL CO., LTD.
1. Japan **2.** ¥1,000 million **3.** 100.0%
Manufacture and sales of cast iron and steel products and rolled steel billets

FUKUSHIMA LTD.
1. Japan **2.** ¥490 million **3.** 100.0%
Manufacture and sales of marine, industrial and recycling machinery

UBE MACHINERY (SHANGHAI) LTD.
1. China **2.** RMB 16,173 thousand **3.** 100.0%
Service, sales, assembly, and maintenance for metal processing and injection-molding machinery

UBE MACHINERY INC.
1. U.S.A. **2.** US$17,000 thousand **3.** 100.0%
Service, sales, assembly, and maintenance for metal processing and injection-molding machinery

Energy & Environment

UBE C&A CO., LTD.
1. Japan **2.** ¥490 million **3.** 75.5%
Sales of imported steaming coal

And 43 Other Consolidated Subsidiaries

Equity-Method Affiliates

UBE-MITSUBISHI CEMENT CORPORATION
1. Japan **2.** ¥8,000 million **3.** 50.0%
Sales of cement and soil-stabilizing cement

UMG ABS, LTD.
1. Japan **2.** ¥3,000 million **3.** 50.0%
Manufacture and sales of ABS resins

UBE-MARUZEN POLYETHYLENE CO., LTD.
1. Japan **2.** ¥490 million **3.** 50.0%
Manufacture and sales of low-density polyethylene

SUMATERIALS CO., LTD.
1. Korea **2.** KRW 19,400 million **3.** 50.0%
Manufacture and sales of polyimide for substrates to be used in next-generation displays

And 20 Other Equity-Method Affiliates

Investor Information

(As of March 31, 2015)

Ube Industries, Ltd.

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(IR & PR Dept.)
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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: 1,062,001,076 shares

Paid-in Capital: ¥58,435 million

Number of Shareholders with Voting Rights: 64,449

Annual General Shareholders' Meeting: June

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

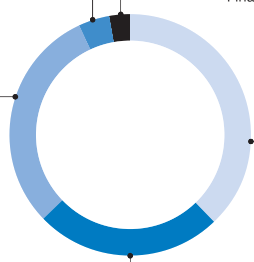
Transfer Agent and Share Registrar: Mitsubishi UFJ Trust and Banking Corporation, 1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212

Independent Auditors: Ernst & Young ShinNihon LLC

Principal Shareholders

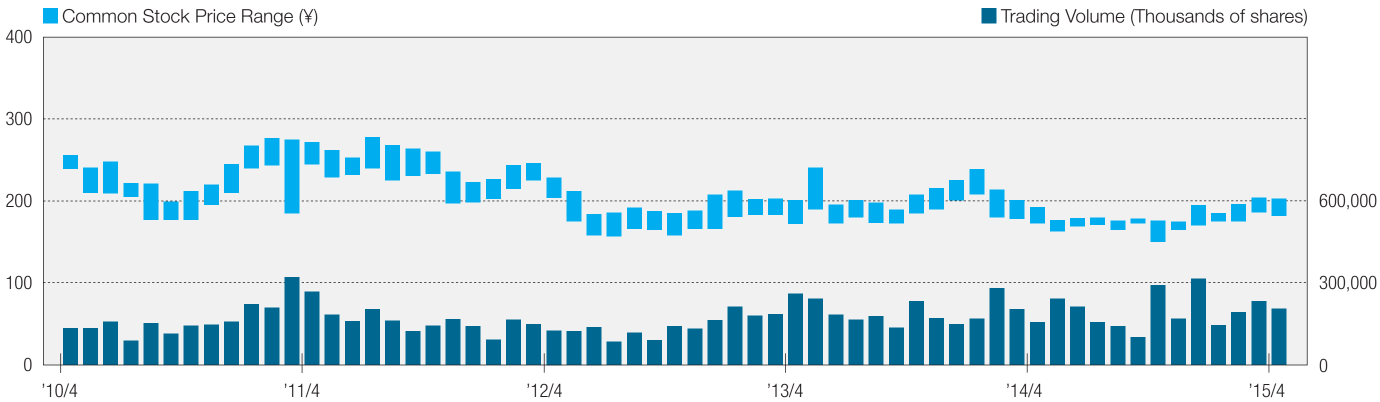
Name	Number of Shares (Thousands)	Percentage of Shareholding (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	67,617	6.37
The Master Trust Bank of Japan, Ltd. (Trust Account)	49,057	4.62
Nippon Life Insurance Company	20,000	1.88
Sumitomo Life Insurance Company	20,000	1.88
UNION BANCAIRE PRIVÉE (EUROPE) S.A.	19,400	1.83
TRUST & CUSTODY SERVICES BANK, LTD. –Securities Inv. Tr. Acc.–	18,769	1.77
STATE STREET BANK AND TRUST COMPANY 505223	18,741	1.76
BBH Boston Custodian for BlackRock Global Allocation Fund, Inc. 620313	18,046	1.70
THE YAMAGUCHI BANK, Ltd.	15,482	1.46
TRUST & CUSTODY SERVICES BANK, LTD. –Trust Collateral Acc.–	15,037	1.42

Breakdown of Shareholders



Stock Price Range & Trading Volume

(Tokyo Stock Exchange)



Please visit the following websites for more information about the UBE Group.

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

Product Website
http://www.ube.com

Wings of technology Spirit of innovation

UBE

UBE INDUSTRIES,LTD.

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Responsible Care

On the cover: Ube Machinery Corporation, Ltd. constructed the
Suo-Ohashi Bridge in Yamaguchi, Yamaguchi Prefecture, Japan.

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