

Change & Challenge

Driving Growth



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Forward-Looking Statements

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

Certain risks and uncertainties could cause 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 2012 in the text is the year ended March 31, 2013.

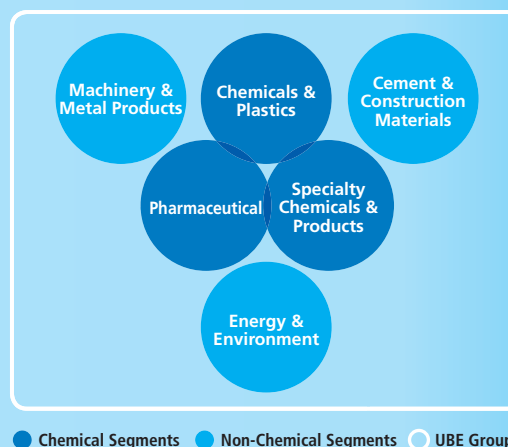
The UBE Group Is Innovative, Entrepreneurial and Socially Responsible

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. Since then, we have steadily expanded the value we create by developing new businesses to meet emerging needs. Today, we continue to challenge ourselves to creatively apply technology to develop and prosper together with our stakeholders.

A Tradition of Growing with Stakeholders through Innovation

- 1897** Okinoyama Coal Mines is established as anonymous partnership, capitalized at ¥45,000.
- 1914** Shinkawa Iron Works is established as anonymous partnership, capitalized at ¥100,000. UBE's machinery business started with the manufacture of machinery for coal mining.
- 1923** Ube Cement Production, Ltd. is established, capitalized at ¥3.5 million. We entered the cement business, using coal for fuel and the abundant nearby limestone as raw material.
- 1933** Ube Nitrogen Industry, Ltd. is established, capitalized at ¥5.0 million. We expanded into the chemical field of synthesizing ammonia by pyrolysis of coal, used in the manufacture of ammonium sulfate.
- 1942** Ube Industries, Ltd. is established through consolidation of the four companies above, capitalized at ¥69.6 million.

Since 1942, UBE has used its entrepreneurialism and commitment to innovation to build a synergistic portfolio of businesses ranging from energy, petrochemicals and plastics to pharmaceuticals and sophisticated materials for semiconductors and electronics. We are also emerging as a leader in innovating to protect the environment.



The UBE Group Vision was set as described below based on the principles of "coexistence and mutual prosperity" and "from finite mining to infinite industry" at the time of the foundation of the company.

"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."

The UBE Group was founded over 100 years ago in the Ube region as a coal mining operation, and has since continued to transform itself as times and industry have changed. During that time, technology and innovation have been two constant values running through the history of the UBE Group.

Our business activities center around production that is backed by technical ingenuity, combined with the ability to grasp modern needs and rise 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 Group Vision describes our ongoing commitment to embrace the pioneering spirit held in our founding principles. It also describes our commitment to co-exist with all stakeholders – including shareholders, customers, business partners, employees, and communities – and co-exist with the global environment, by continuing to create value as a corporate entity.

Our history and our vision are the basis for our previous management plan, Stage Up 2012 – New Challenges, and for Change & Challenge – Driving Growth, our new medium-term management plan for the three-year period ending in March 2016. Cooperating with stakeholders to achieve mutual benefit, UBE Group employees will change their methods and approaches by breaking with convention with the will to succeed in energetically taking on new challenges with the objective of further increasing the UBE Group's corporate value.

Consolidated Financial Highlights

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

	Millions of yen			% change	Thousands of U.S. dollars (Note 1)
	2013	2012	2011	2013/2012	2013
For the year:					
Net sales	¥626,022	¥638,653	¥616,062	(2.0)%	\$6,659,809
Operating income	29,962	46,006	44,363	(34.9)	318,745
Income before income taxes and minority interests	15,842	37,595	28,747	(57.9)	168,532
Net income	8,265	22,969	17,267	(64.0)	87,925
Capital expenditures	40,991	44,423	35,334	(7.7)	436,074
Depreciation and amortization	31,384	32,984	33,128	(4.9)	333,872
Research and development costs	14,017	13,782	13,749	1.7	149,117
At year-end:					
Total assets	685,884	664,965	661,512	3.1	7,296,638
Total net assets	250,753	224,407	211,449	11.7	2,667,585
Equity capital (Note 2)	215,509	199,473	187,014	8.0	2,292,648
Interest-bearing debt	246,656	253,981	260,583	(2.9)	2,624,000
Net debt (Note 3)	210,694	220,874	211,061	(4.6)	2,241,425
Cash and cash equivalents	35,962	33,107	49,522	8.6	382,574
	Yen				U.S. dollars
Per share data:					
Net income, primary (Note 4)	¥ 8.22	¥ 22.85	¥ 17.18	(64.0)%	\$ 0.087
Cash dividends applicable to the period	5.00	5.00	5.00	0.0	0.053
Net assets	214.35	198.41	186.02	8.0	2.28
Ratios:					
Operating margin (%)	4.8	7.2	7.2		
ROA (%) (Note 5)	4.8	7.2	7.2		
ROE (%)	4.0	11.9	9.4		
Net debt/equity ratio (times)	1.0	1.1	1.1		
Equity ratio (%)	31.4	30.0	28.3		
Number of employees at the end of the year	11,090	11,081	11,026	0.1%	

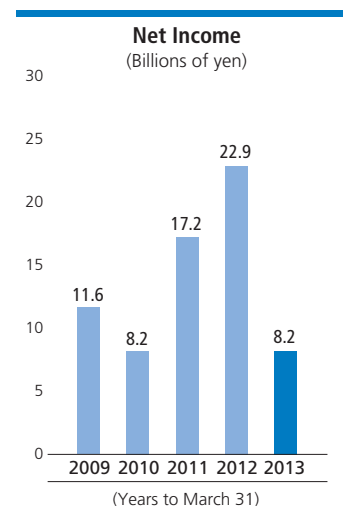
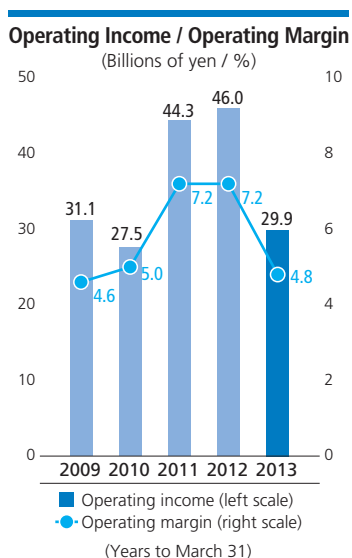
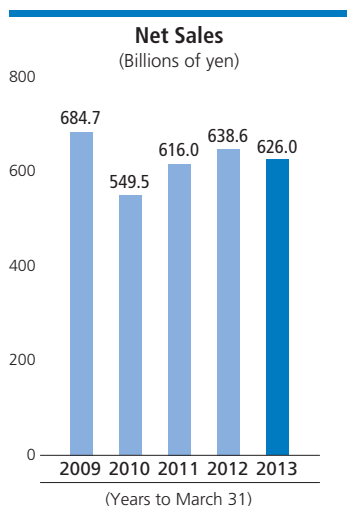
Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥94=US\$1, the approximate rate of exchange on March 29, 2013.

2. Equity capital = Net assets – Share subscription rights – Minority interests

3. Net debt = Interest-bearing debt – Cash and cash equivalents

4. Net income, primary, per share is computed based on the net income available for distribution to shareholders and the weighted average number of shares of common stock outstanding during each year.

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





During fiscal 2012, ended March 31, 2013, the U.S. economy continued to recover moderately. However, the uncertainties associated with the European financial crisis affected the global economy, and the pace of economic expansion moderated in China and other Asian countries. The global economy was increasingly perceived as slowing due to these and other factors. Meanwhile, the operating environment in Japan remained uncertain despite signs of economic recovery backed by factors including post-earthquake reconstruction demand because of exchange rate volatility and slowing overseas economies.

Under these conditions, during the final year of the three-year medium-term management plan Stage Up 2012 – New Challenges the UBE Group worked to resolve issues in each of its businesses under the basic strategies of its management plan: establish a platform for profitability that enables sustainable growth, achieve sustained improvement of financial position, and respond to and address global environmental issues.

As a result, consolidated net sales decreased by 2.0 percent, or ¥12.6 billion, compared with the previous fiscal year to ¥626.0 billion. Operating income decreased by 34.9 percent, or ¥16.0 billion, to ¥29.9 billion, and net income decreased by 64.0 percent, or ¥14.7 billion, to ¥8.2 billion.

The UBE Group has begun a new medium-term management plan for the three years ending fiscal 2015 called Change & Challenge – Driving Growth. UBE Group employees will change their methods and approaches by breaking with convention with the will to succeed in energetically taking on new challenges to achieve the objectives of Change & Challenge.

In addition, the UBE Group believes that CSR equates to Group management that fulfills its responsibilities as a public institution and member of society. This belief is the reason we enhance compliance, risk management and other corporate functions to ensure fair corporate conduct. Moreover, the UBE Group embraces its founding principle of coexisting with society in the spirit of living and prospering together with the local community, and is committed to deepening the confidence of all stakeholders, including shareholders, capital markets, customers, business partners, employees, and local communities.

We are counting on your continued support.

July 2013

Michio Takeshita.

Michio Takeshita
President and CEO



The basic policies of the new medium-term management plan will guide us in responding flexibly to our rapidly changing environment as we steadily enhance our ability to generate further significant growth.

Please recap the recently completed medium-term management plan Stage Up 2012.

“ We did not achieve our earnings targets because our business environment deteriorated significantly. However, we steadily improved our financial position.”

Establish a Platform for Profitability that Enables Sustainable Growth

During the three years of Stage Up 2012, we energetically strengthened our overseas production bases and promoted alliances in anticipation of our future business environment. We responsively implemented various initiatives to accommodate our markets. Among them, we reconfigured our caprolactam and nylon business through a capital alliance with IRPC Public Company Limited of Thailand involving UBE Chemicals (Asia) Public

Company Limited. In our electrolytes business, we created a global production and sales organization by establishing a joint venture with The Dow Chemical Company of the United States. In our polyimide business, we established a joint venture with Samsung Display Co., Ltd. of Korea for substrate materials that will be used in next-generation displays.

At the same time, we implemented structural reforms such as closing our aluminum wheel business and terminating caprolactam production at the Sakai Factory. Such moves were necessary and largely successful, but they also made us acutely aware that structural change is taking place in our markets even faster than we expected. The variance between forecast and reality was greatest in the Specialty Chemicals & Products segment, where UBE and the industry as a whole continue to experience challenging conditions. Oversupply has also affected the

Mid-Term Management Plan Stage Up 2012 Numerical Targets (FY 2010 – FY 2012)

Management Results and Targets

		Fiscal 2010 Results	Fiscal 2011 Results	Fiscal 2012 Results	Target for Final Year of Stage Up 2012
Financial indicators	Net debt/equity ratio ¹	1.1 times	1.1 times	0.98 times	Under 1.0 times
	Equity ratio ²	28.3%	30.0%	31.4%	30.0% +
Profit indicators	Operating margin	7.2%	7.2%	4.8%	7.5% +
	Return on total assets	7.2%	7.2%	4.8%	7.5% +
	Return on equity ³	9.4%	11.9%	4.0%	12.0% +

Key Figures for Statements of Income and Balance Sheets (Billions of yen)

	Fiscal 2010 Results	Fiscal 2011 Results	Fiscal 2012 Results	Target for Final Year of Stage Up 2012
Net sales	¥616.0	¥638.6	¥626.0	¥670.0 +
Operating income	¥44.3	¥46.0	¥29.9	¥53.0 +
Business income ⁴	¥47.0	¥47.9	¥32.1	¥55.0 +
Net debt	¥211.0	¥220.8	¥210.6	Under ¥220.0
Equity capital ⁵	¥187.0	¥199.4	¥215.5	¥225.0 +

Notes: 1. Net debt/equity ratio = (Interest-bearing debt – Cash and cash equivalents) / Equity capital

2. Equity ratio = Equity capital / Total assets

3. Return on equity = Net income / Average equity capital

4. Business income = Operating income + Interest and dividend income + Equity in earnings of unconsolidated subsidiaries and affiliated companies

5. Equity capital = Net assets – Share subscription rights – Minority interests

caprolactam business in the Chemicals & Plastics segment because companies in China built significantly more production facilities than we projected.

Achieve Sustained Improvement of Financial Position

We improved our financial position year by year. As a result, our net debt/equity ratio was 0.98 times as of March 31, 2013, which met our net debt/equity ratio target of under 1.0 times. Japan Credit Rating Agency, Ltd. (JCR) recognized our improved financial position by upgrading our bond rating to A-, which we had hoped to obtain.

Respond to and Address Global Environmental Issues

Our greenhouse gas reduction target for fiscal 2015 was reducing CO₂ emissions by 15% compared with fiscal 1990 levels, and we achieved it ahead of schedule. We are also concentrating on developing eco-friendly technologies and products, and sales in eco-friendly businesses expanded steadily.

Overall, Stage Up 2012 was not an unqualified success, but it did position us to execute our new medium-term management plan.

Given the strategies of the medium-term management plan Change & Challenge – Driving Growth, what does the UBE Group need to do?

“We need to flexibly accommodate an operating environment that is different than it used to be, and execute initiatives that enable the next phase of significant growth.”

We have experienced changes in our operating environment that caused sharp drops in demand including the Asian currency crisis, the financial crisis of 2008, and the Great East Japan Earthquake. However, we cannot respond to change in our current environment as we did in the past because it is not conventional cyclical change. Major structural changes are altering the customer and competitor landscape, so deciding how we respond to these changes will be a top priority for the

UBE Group over the coming three years.

In this context, I do not believe we need to fundamentally restructure the UBE Group. We have focused on chemical businesses in developing differentiated products and categories, with diversification providing stability as we deal with change in our operating environment. Going forward, chemical businesses will drive growth while non-chemical businesses will stabilize earnings.

Another issue in generating further growth will be restoring earnings in the Chemicals & Plastics segment, which decreased substantially in fiscal 2012, while developing significant additional core businesses. We also need to share a keen awareness that we must enhance fundamental earnings in non-chemical businesses and accelerate the commercialization of new products to ensure rapid contribution to earnings.

What are your expectations for the new medium-term management plan?

“I want the UBE Group to steadily enhance its ability to generate significant growth in the future and energetically take on new challenges with the will to succeed.”

We expect intense volatility in our operating environment and increased uncertainty during the three years beginning fiscal 2013. The UBE Group therefore intends to expand by emphasizing earnings without weakening its financial position in order to generate stable growth over the medium and long term. We will steadily implement strategies with reference to the positioning of our businesses and the directions they should take for the future in order to enable the next phase of significant growth.

In implementing these strategies, the employees of the UBE Group will embrace the UBE Group Vision: “Wings of technology and spirit of innovation. That’s our DNA driving our global success.” We will change our methods and approaches by breaking with convention with the will to succeed in energetically taking on new challenges. The title of the medium-term management plan, Change & Challenge – Driving Growth, expresses this mindset.

Please summarize Change & Challenge.

“We will build on the results and remaining tasks of Stage Up 2012 to strengthen our revenue base, globalize, and enhance initiatives that help achieve a sustainable society.”

1. Strengthen the Revenue Base to Enable Sustainable Growth

“We will continue to emphasize consolidated cash flow while balancing strategic growth businesses with core platform businesses as we gradually increase proactive investment to achieve sustainable growth over the medium and long term.”

The theme of strengthening the revenue base to enable sustainable growth has carried over from Stage Up 2012, but has evolved in our new medium-term management plan. Over the next three years we will carefully determine the growth potential of each core platform business and strategic growth business to formulate our growth strategy for the future.

Strategic growth businesses include the battery materials market, which is anticipated to grow strongly. The UBE Group will maintain and enhance

its position of leadership in the battery materials market by prioritizing the allocation of resources to R&D. We will also prevail over intensifying competition with focused investments in plant and equipment to meet demand.

In addition, the UBE Group will revise its strategies and narrow its focus as necessary for strategic growth businesses that have not grown as expected because of unfavorable business conditions. We will focus on effectiveness throughout the process of quickly restructuring these businesses to restore growth.

The UBE Group will increase earnings from core platform businesses by aggressively allocating resources to those with solid potential for growth in demand, such as nylon resins and synthetic rubber, in which the Group can generate a competitive advantage by adding value and enhancing performance. Core platform businesses have had the primary mission of generating stable cash flow by effectively generating earnings from existing facilities, but we are now clarifying areas with growth potential in which we can generate significant growth through aggressive investment. At the same time, we will strengthen and improve the profitability of businesses such as caprolactam that have the mission of maintaining stable earnings and cash flow by reducing costs to accommodate structural changes in the operating environment while restructuring supply chains, including resource and raw material procurement.

Medium-Term Management Plan Change & Challenge – Driving Growth (FY 2013 – FY 2015)

Basic Strategies	Numerical Targets		
		Fiscal 2012 Results	Targets for FY2015 Targets for FY2020
1. Strengthen the revenue base to enable sustainable growth	Operating income	¥ 29.9 billion	¥ 55.0 billion + ¥80.0 billion +
	Equity capital	¥215.5 billion	¥270.0 billion + —
2. Maximize the global strength of the UBE Group	Operating margin	4.8%	7% + —
	Return on total assets	4.8%	7% + —
3. Address and be part of the solution for resource, energy, and global environmental issues	Return on equity	4.0%	12% + —

In addition, the UBE Group will focus on the increasingly important Energy & Environment segment with the objective of accelerating the creation and development of new businesses in key segments that will quickly contribute to earnings.

2. Maximize the Global Strength of the UBE Group

“The UBE Group will strengthen its global marketing organization to fully benefit from the potential of its products and technologies.”

The UBE Group has been globalizing by leveraging the features of its businesses for much of its early history, but we recognize that we still have much to do to be truly global. During Change & Challenge, we therefore intend to actualize the potential of each Group company that operates globally.

The UBE Group will strengthen its global marketing organization to maximize the scope of opportunities for its products and technologies. We will energetically develop new customers by further strengthening our network of offices in emerging countries with a focus on the chemical and machinery businesses, customizing marketing organization upgrades to the characteristics of our businesses and

the markets they serve, and redeploying personnel. We will support these initiatives by globally sharing and using Group marketing assets such as internal customer and application information. Moreover, we will further deepen collaboration among Group companies by integrating administrative functions and utilizing and developing human resources, while broadening the regional scope of our operations to ensure that we miss no opportunities.

The UBE Group will also support timely new business development and product launches through R&D at key centers in Japan, Thailand and Spain that is closely linked to regional customer needs.

3. Address and Be Part of the Solution for Resource, Energy, and Global Environmental Issues

“We will sincerely fulfill our corporate social responsibilities while growing our Energy & Environment segment.”

Our initiatives under this theme must be ceaseless and sustained because they are crucial for the UBE Group



Outline of Change & Challenge Basic Strategies

1. Strengthen the revenue base to enable sustainable growth

- Maintain a strategic emphasis on cash flow, while increasing proactive investment to achieve sustainable growth over the medium- and long-term
- Concentrate on capital investment for strategic growth businesses, and expand global businesses
- Core platform businesses: Actively invest in segments anticipated to deliver increased earnings
- Accelerate efforts to develop and foster new businesses, focusing on energy and the environment

2. Maximize the global strength of the UBE Group

- Strengthen global marketing
- Share and use information and marketing assets, and strengthen collaboration among Group companies
- Pursue global R&D

3. Address and be part of the solution for resource, energy, and global environmental issues

- Contribute to a sustainable society by energetically executing initiatives to decrease greenhouse gas (GHG) emissions, reduce electricity and other energy consumption, and conserve biodiversity
- Develop and popularize technologies that help to expand the use of renewable energy while conserving resources and reducing environmental impact

An Interview with President and CEO Michio Takeshita

and its corporate social responsibilities.

The scope of our environmental initiatives has expanded to include fighting pollution, reducing CO₂ emissions, progressive carbon footprint life cycle analysis, and biodiversity. We must also enhance the effectiveness, continuity, scope and quality of our initiatives because the issues we face are evolving rapidly, exemplified by the shift to assessing our entire supply chain rather than just the UBE Group itself.

The UBE Group fulfills its corporate social responsibility and supports the achievement of a sustainable society through energetic initiatives that include curtailing the emission of greenhouse gases, reducing the amount of electricity and other forms of energy it uses, and preserving biodiversity. We also grow

by creating and popularizing technologies and products that help to increase the use of renewable energy, conserve resources and reduce environmental impact.

Has the UBE Group's portfolio of businesses changed after Stage Up 2012?

“We have not made major changes to our portfolio, but we have reviewed the position of our businesses in light of changes in their operating environment.”

As I explained earlier, clearly differentiated chemical businesses are the nucleus of the UBE Group. At the same time, we are enhancing stability within a changing operating environment because non-chemical businesses are supporting earnings.

We do not need major changes to our business portfolio. However, we have revised the positioning of our core platform businesses by categorizing their mission as either active expansion or platform reinforcement according to changes in the operating environment of each business.



Change & Challenge Business Portfolio

		Pharmaceutical	Chemicals & Plastics	Specialty Chemicals & Products	Cement & Construction Materials	Energy & Environment	Machinery & Metal Products
Developing Fields				Aerospace, information electronics, energy and the environment			
Strategic Growth Businesses		Pharmaceuticals		Battery materials Specialty chemicals Specialty plastics Specialty inorganic materials Recycling and renewable energy			
Core Platform Businesses	Actively Expand		Synthetic rubber				Machinery services
	Strengthen Business Platform		Lactam and nylon chain Nylon resins				
			Caprolactam, industrial chemicals (Polyethylene, ABS)	Lactam-based fine chemicals Polyimide chain Polyimides, gas separation membranes Semiconductor, electronic, and optical materials	Cement and ready-mixed concrete Limestone, calcia and magnesia	Coal, electricity	Molding machinery, industrial machinery, steel products