



UBE INDUSTRIES, LTD.

Annual Report 2016

Year ended March 31, 2016



Change &
Challenge 2018



Managing Value Creation



We will further increase the value we have built since the Group's establishment and work toward our ideals for the UBE Group.

The UBE Group's business principles are "coexistence and mutual prosperity" and "from finite mining to infinite industry." Established 119 years ago, the UBE Group has retained the same principles, which are the cornerstone of all our business activities. We have continued to coexist with society while developing original technologies, using innovative manufacturing and creating value that is unique to the UBE Group to carry our principles into the future. Our previous medium-term management plan prioritized the rapid rebuilding of our core platform chemical business. We were able to achieve some success through means including organizational consolidation, global business development and cost reductions, but did not achieve our initial targets. Restoring our chemical business and further strengthening our business foundation will therefore be our focus during the new medium-term management plan we initiated at the beginning of fiscal 2016, "Change & Challenge 2018."

We formulated the new medium-term management plan with the 10-year goal of being an enterprise that continues to create value for customers. If all employees take the initiative in creating products and services that anticipate market needs, we will be contributing to a sustainable society and thus truly achieve coexistence and mutual prosperity.

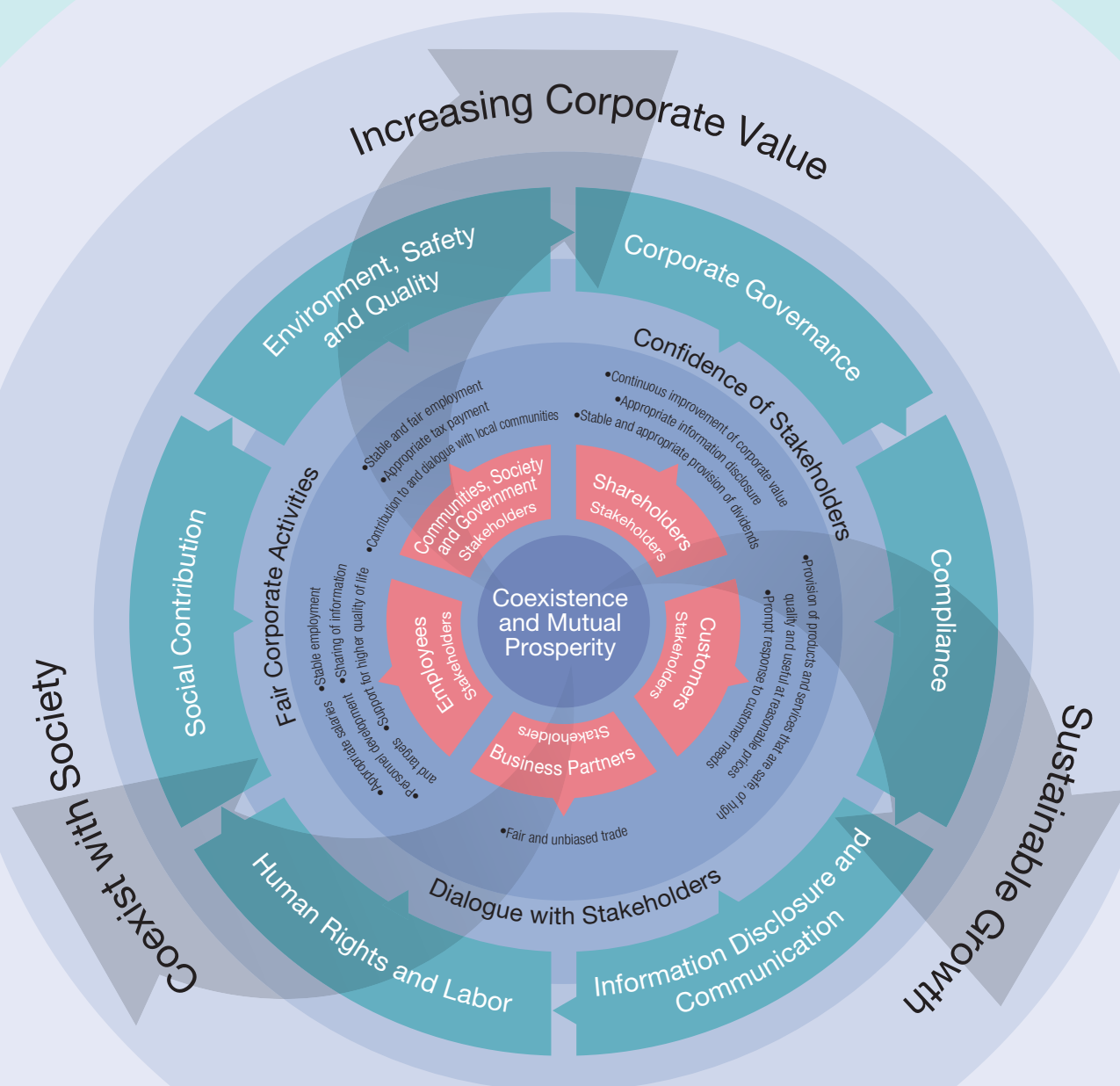
We will devote ourselves to earning the trust and meeting the expectations of our shareholders and other stakeholders, and ask for your continued support.

July 2016

Yuzuru Yamamoto
President and CEO

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 through manufacturing.”



Basic Policies for CSR

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

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

Creating Value with a Spirit of Coexistence

The UBE Group's history began with the start of the coal mining business in Ube, Japan in 1897.

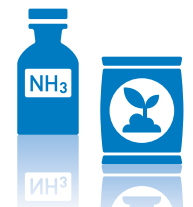
Based on the business principles of “coexistence and mutual prosperity” and “from finite mining to infinite industry,” the UBE Group's goal since its establishment has been coexistence with the various people involved with the Group. We have developed new businesses to meet modern needs, creating industries that use the limited resource of coal to produce unlimited value. We are totally committed to evolving our businesses using our comprehensive strengths in line with the UBE Group vision of “Wings of technology and spirit of innovation. That's our DNA driving our global success.”

“Coexistence and Mutual Prosperity” and “From Finite Mining to Infinite Industry”

The founder of Ube Industries, Sukesaku Watanabe, believed that the company should develop in tandem with the community. The UBE Group therefore helped the community thrive once coal mining was no longer viable by dedicating itself to developing new industries to replace the coal business.

Our business activities center on production that is backed by technical ingenuity, combined with a frontier spirit that allows us to grasp modern needs 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.

1933



Ammonia and Fertilizer

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

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

Used for crushers

1914



Machinery

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

Used in mining

1897



Coal

The UBE Group has a history spanning nearly 120 years. We began in the coal mining business in our home region of Ube, Japan.

and Mutual Prosperity

April 2015 ▶

Fiscal 2015 Results

Principal Products and Businesses

Chemicals

Share of Net Sales	42%
Share of Operating Income	29%
Share of Assets	44%

- Synthetic rubber
- Nylon and lactam chain
 - Nylon resin
 - Caprolactam
 - Industrial chemicals
- Battery materials and fine chemicals
 - Battery materials (Electrolytes and separators)
 - Fine chemicals
 - High purity chemicals
- Polyimide and specialty products
 - Polyimide
 - Ceramics
 - Separation membranes
 - Tyranno Fiber®
 - Telecommunications devices

Pharmaceutical

Share of Net Sales	1%
Share of Operating Income	3%
Share of Assets	2%

- Pharmaceuticals (Active ingredients, intermediates)
 - In-house pharmaceuticals
 - Contract pharmaceuticals
 - Generics

Cement & Construction Materials

Share of Net Sales	37%
Share of Operating Income	48%
Share of Assets	32%

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

Machinery

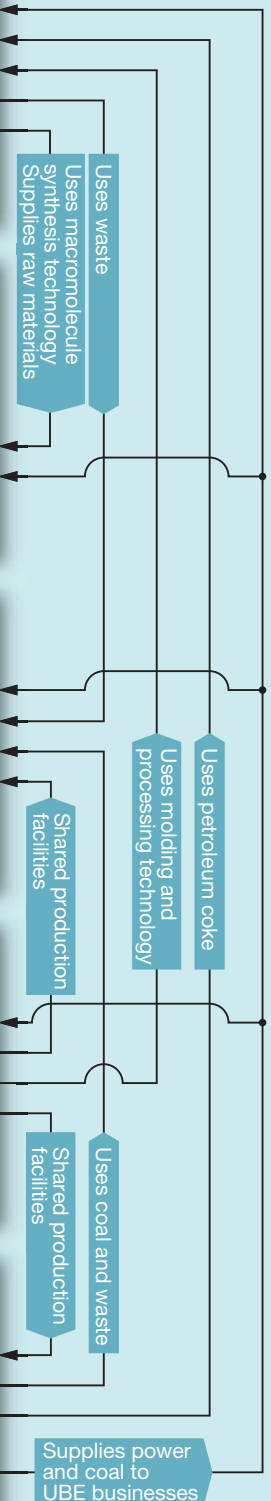
Share of Net Sales	11%
Share of Operating Income	11%
Share of Assets	9%

- Machinery
 - Molding machines (Die-casting machines, injection molding machines and extrusion presses)
 - Industrial machinery and bridges
 - Steelmaking products

Energy & Environment

Share of Net Sales	11%
Share of Operating Income	9%
Share of Assets	7%

- Coal
 - Import and sales
 - Coal center (storage and distribution)
- Power
 - Independent power producer
 - In-house power plant



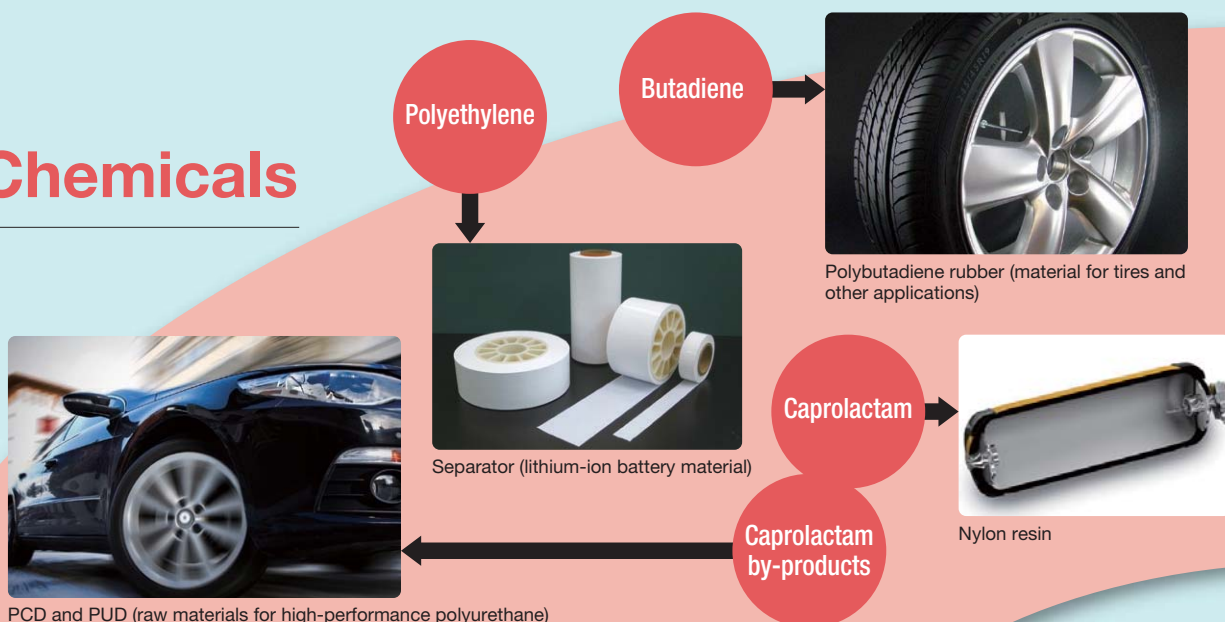
Notes: 1. Totals do not equal 100% because the Other segment has been omitted and intersegment sales and transfers have not been eliminated.
2. The Chemicals & Plastics segment and the Specialty Chemicals & Products segment were integrated into the Chemicals segment on April 1, 2015.

The UBE Group Creates Unique Value

The UBE Group has continued to transform itself as times and industry change by taking on the challenge of new technologies. Through all this, certain values at UBE — technology and innovation as expressed in the Group vision — have never changed. We have consistently evolved by taking on the challenge of manufacturing through creative technologies to meet modern needs.

We embrace the frontier spirit held in our business principles. We are committed to coexistence with all stakeholders — including shareholders, customers, business partners, employees, and communities — and coexistence with the global environment, by continuing to create value as a corporate entity.

Chemicals



We broaden the foundation for industry and daily life with products such as nylon resin for engineering plastics, polybutadiene rubber, electrolytes and separators for lithium-ion batteries, gas separation membranes and other advanced materials, and fine chemical products designed to be environmentally friendly.

Trusted for many years, UBE's many cement products ranging from ordinary and specialized cement to solidifiers have been used in the development of infrastructure. In addition, UBE building materials leverage our knowledge as a chemical manufacturer to create a broad lineup that includes interior and exterior materials, waterproofing materials, floor underlayment materials, plastering materials, and foundation materials.



Cement & Construction Materials

through Technology

Macromolecule
synthesis
technology

Pharmaceutical



Calblock®



Talion®



Effient®

We draw on our competency as a chemical manufacturer in applying our proprietary macromolecule synthesis technology in the drug discovery business that spans in-house pharmaceuticals, contract pharmaceuticals and generics.

Automotive
industry



Vertical roller mill

Cement



Die-casting machines



Bridges

Infrastructure

Responsible for the entire Group's energy infrastructure, we are also involved in businesses including wholesale power, and are implementing new energy strategies. In addition, introducing biomass energy technologies is among our approaches to reducing environmental burden.



Coal yard

Fuel for
cement



IPP, in-house power generation

Group
electric power
supply

Energy & Environment

UBE is recognized for excellence across a product line that includes injection molding machines and die-casting machines used worldwide by automobile manufacturers, and in transport equipment, grinding equipment, and bridges. The exceptional reliability of our proprietary technologies also differentiates UBE.

Creating Value in Partnership with Our

Since its establishment, UBE has operated in coexistence with the people of the Ube region. Many of the Group's main factories are concentrated in Ube, including Ube Chemical Factory, Ube Cement Factory, and Ube Machinery Corporation. These factories and other members of the UBE Group cooperate closely in production processes to create value unique to UBE. The Ube region is also an integral part of our value creation process because it is home to laboratories involved in a wide range of fields including power plants, organic chemicals, organic and inorganic performance materials, and automobile components.



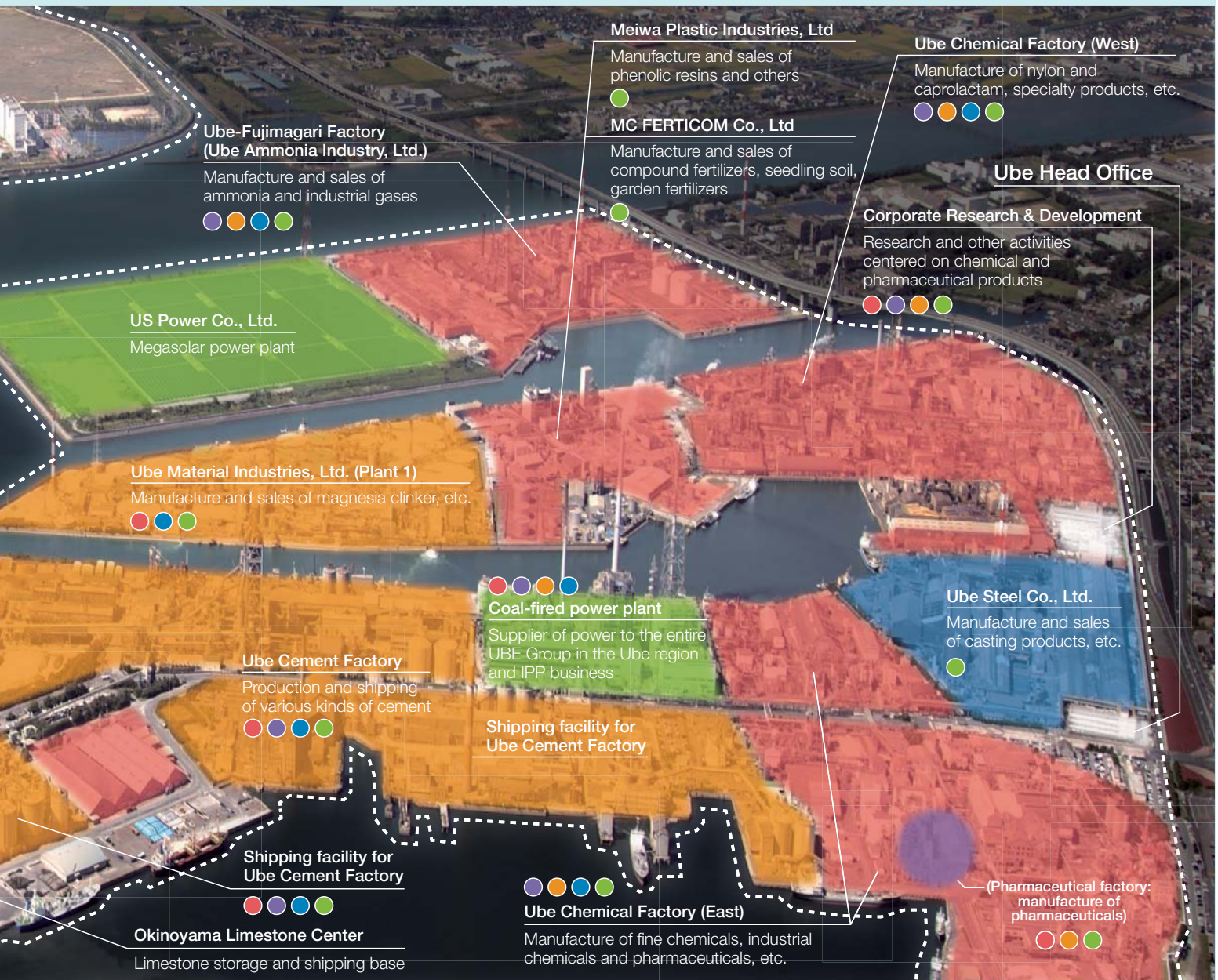
True Coexistence with Stakeholders in a Spirit of Coexistence and Mutual Prosperity

The UBE Group was founded in Ube, where we have operated in coexistence with the region with the goal of sustainable growth. The core factories of each of our business segments are located in the Ube industrial belt, where our matrixed production processes using raw materials such as coal, electricity, ammonia (nitrogen) create value and competitiveness that is unique to UBE. Moreover, the UBE Group has always linked its development with that of the Ube region since its establishment, and has emphasized earning the trust and empathy of the community. As regional members of the Responsible Care

Committee of the Japan Chemical Industry Association, our chemical factories are promoting an energetic dialogue with the community. The UBE Group's CSR activities include initiatives that emphasize community interaction such as factory tours for area residents and the publication of the regional magazine *Tsubasa* (Wings).

The UBE Group is committed to sustainable growth in cooperation with the community through energetic communication with stakeholders including customers, business partners, shareholders and employees.

Home Region of Ube



The Ube System: Ube City's Unique Coexistence Initiative



13th annual Responsible Care Regional Dialogue Meeting in the Ube district

The Ube System is a unique initiative undertaken by Ube City to address environmental problems. The goal is to build consensus based on mutual trust and cooperation between industry, government, academia and citizens. As a citizen of Ube City, UBE has cooperated with local universities and governments since the post-war reconstruction era in the 1950s to control particulate matter at the Ube Cement Factory. We also initiated anti-pollution measures 20 years ahead of the government's full-fledged introduction of such measures, which allowed us to address increasingly complex environmental issues. In 1997, Ube City received international recognition in the form of the Global 500 Award from the United Nations Environmental Programme (UNEP). The spirit of the Ube System continues on today. We are working with our stakeholders to achieve a sustainable society that supports bountiful nature and good living.

Consolidated Financial and Non-Financial Highlights

Ube Industries, Ltd. and Consolidated Subsidiaries

Financial Highlights



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 – Non-controlling interests

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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 2015 in the text is the year ended March 31, 2016.