



Wings of technology, Spirit of innovation

UBE Group

CSR Report 2007

Economic, Environmental, and Social Activities of the Group



Responsible Care®

Ube Industries, Ltd.

The history of Ube Industries, Ltd. and its affiliated companies (the UBE Group) starts with Okinoyama Coal Mine, established 110 years ago to develop coal fields in Ube, Yamaguchi Prefecture. With its commitment to “living and prospering together with the local community,” the Company used the limited coal resource as a starting point to create an industry with infinite possibilities, developing a succession of new businesses needed by the times to bring long-lasting prosperity. Unremitting self reform, a desire to progress through original technologies and the ideal of sharing with various stakeholders throughout our long history—these elements make up the UBE Group’s core identify.

Today, more than a century after its foundation, UBE contributes widely to society with its diversified products in the following five business segments: Chemicals and Plastics (nylon resin, synthetic rubber, etc.); Specialty Chemicals and Products (electronics and battery materials, pharmaceutical products, etc.); Cement and Construction Materials; Machinery and Metal Products (heavy machines, industrial machines, aluminum wheels, etc.); and Energy and Environment (coal and electric power).

Corporate Profile

Company Name:	Ube Industries, Ltd.
Founded:	June 1897
Consolidated:	March 1942
President and Group CEO:	Hiroaki Tamura
Capital:	¥58.3 billion (as of March 31, 2007)
Sales (Consolidated):	¥655.6 billion (Year ended March 31, 2007)
No. of Employees (Consolidated):	10,833 (as of March 31, 2007)
Website:	http://www.ube.co.jp

Front Cover Image

The photo on the front cover was taken off the coast of Ube, where the UBE Group was initiated. We have long been committed to protecting the environment and being aware of the importance of the environment, even before society began to become more environmentally aware. In order to protect the blue sky and the sparkling sea for future generations, we will continue to develop environment-friendly products and technologies.

Back Cover Image

The UBE DOG on the back cover was created in March 1997 as a character for the UBE Group’s TV commercials. This character is made using Ube Industries’ leading-edge technology and materials to highlight its corporate image as a company engaged in a range of businesses.

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Scope of This Report

Period covered:

Fiscal 2006 (from April 1, 2006 to March 31, 2007)

(The report, however, does at times refer to activities conducted in fiscal 2007 and future plans.)

Companies covered:

- The UBE Group (152 companies)
 - Of which, the following companies are covered in the reporting of environmental performance data:
 - Ube Industries, Ltd.
 - Four chemical factories (Chiba, Sakai, Ube, and Nishioki)
 - Three cement factories (Ube, Isa, and Kanda)
 - Ube Aluminum Wheel Factory
 - Other major Group companies (11 companies)
 - Ube Film, Ltd.
 - Meiwa Kasei Industries, Ltd.
 - Ube Ammonia Industry, Ltd.
 - Ube Agri-Materials, Ltd.
 - Ems-Ube, Ltd.
 - Kemira-Ube, Ltd.
 - Ube-Nitto Kasei, Ltd.
 - Ube Material Industries, Ltd.
 - Ube Board Co., Ltd.
 - Ube Machinery Co., Ltd.
 - Ube Steel Co., Ltd.

● Definitions

UBE: refers to Ube Industries, Ltd. (unconsolidated)

The UBE Group: refers to the UBE Group companies, including Ube Industries, Ltd.

Areas covered

This report describes the UBE Group's activities in Japan and some locations overseas.

Statistical data published in this report

- All statistical data and relevant descriptions published in this report, excluding the environmental performance data, cover all Group companies.
- In principle, data is for the last five years (2002 to 2006).
- The scope of data, however, does vary in places. In such cases, the specific scope is noted on the relevant page.

Reference guidelines

This report was created in line with the Japanese Ministry of the Environment's Environmental Reporting Guidelines FY 2007 Version. We also referred to the Ministry's Environmental Performance Indicators Guidelines for Organizations (FY 2002 Version) for environmental performance data and to the Ministry's Environmental Accounting Guidelines 2005 for accounting standards.

As for the details of the UBE Group's economic activities, please refer to *Annual Report 2007* and other information posted on UBE's Web site.

<http://www.ube-ind.co.jp/japanese/ir/annual.htm>

Providing Products as a Group with a Strong Presence that Truly Serves the Needs of Society

Q How does the UBE Group conduct its corporate social responsibility (CSR) activities?

We conduct our CSR activities based on the universal concept of CSR, and so the way we conduct CSR activities is not so different from that of other companies. The UBE Group, however, has been operating its business in line with very clear CSR policies. From the very beginning of its business, or since its foundation in 1897, the Group has been conducting its operations incorporating the concept of CSR under the slogan of “living and prospering together” while implementing the corporate philosophy of “creating an industry with infinite possibilities from the finite resources of coal.”

Upholding the slogan of “living and prospering together,” we have been consistently engaged in creative manufacturing. We are continually reforming ourselves, manufacturing products that meet the needs of the age using our unique technologies, and working to create harmonious relationships with society as a whole. These activities have led us to formulate our Group Vision: “Wings of technology, Spirit of innovation. Our DNA driving our global success.” The UBE Group has thus long been committed to CSR activities as part of its business operations.

Q What unique CSR initiatives has the UBE Group been engaged in?

We have long disclosed our economic, environmental, and social contribution-related information to all stakeholders as a way to increase our management transparency. We started this basic CSR activity long ago and continue to do it today.



Hiroaki Tamura
President & Representative Director
Ube Industries, Ltd.

As for environmental activities, we have long been contributing to the development of Ube City’s environmental program through cooperative efforts to promote the disclosure of environmental information. Under the city’s environmental program, which was launched in 1949, citizens, experts, city officials and local companies work together to implement voluntary anti-pollution measures, including those against soot and dust, based on the principle of appropriate information disclosure.

Recognized for its efforts to prevent pollution—even since before pollution became a serious social concern—Ube City was added to the Global 500 Roll of Honour of the United Nations Environment Programme (UNEP) in 1997. Incorporating new perspectives, the city is continuing this environmental program more than 50 years after its launch.

In CSR activities, the focus tends to more often than not be placed on contribution to local communities. I, however, believe it essential for a company to conduct its economic, environmental, and social activities in a balanced manner and on its own initiative, without being urged by others. Doing this will in turn help the UBE Group attain sustainable growth and provide even greater benefits to stakeholders.

By achieving our expected business performance targets, we can activate the local economy, promote employment and boost employees’ motivation levels. By conducting environmental protection activities, we can help improve the lives of local residents by increasing safety. As for the management of the UBE Group, we have built solid compliance and internal control systems. We are also actively engaged in activities that contribute to the communities in which we operate.

In regard to the employees of the UBE Group, approximately 56% of them are based in Yamaguchi Prefecture, mainly in Ube City. The rest of the employees are spread throughout various regions, including Ichihara (Chiba Prefecture) and Sakai (Osaka) in Japan as well as Spain, Thailand, Canada, the United States and China etc. We are thus operating on a global scale and conduct social contribution activities in each of these countries, Spain and Thailand in particular (pages 25 and 26).

Q What specific CSR activities did the Group engage in throughout fiscal 2006?

As I have mentioned, the UBE Group has been conducting activities that have become known as CSR activities ever since its foundation. In recent years, the concept of CSR has been attracting renewed public attention, and it is now regarded that companies must proactively fulfill their presumed responsibilities as an essential element of their sustainable growth.

The UBE Group established a CSR Promotion System in fiscal 2005 to examine its past CSR activities and review and improve them from an economic, environmental, and social perspective.

In fiscal 2006, we revised our Action Guidelines for Business Conduct based on the CSR Matrix formulated the pre-

vious year. We first established the Action Guidelines in 1998 in order to ensure the UBE Group's compliance with all laws and regulations as well as in-house rules both within and outside Japan, respect social norms and conduct business activities with a social awareness. We subsequently revised the guidelines several times to incorporate new social trends. In fiscal 2006, we comprehensively revised them from the viewpoint of CSR and provided employees with e-learning seminars to raise their awareness in regard to the importance of fulfilling CSR.

In fiscal 2006, we achieved the following economic, environmental, and social results.

As for economic results, fiscal 2006 represented the final year of our medium-term management plan that was launched in fiscal 2004. Not only were we able to achieve the targets set in the plan one year earlier than forecast, but we also increased both sales and profit in fiscal 2006, posting records in terms of both ordinary and net income. As a result, we were able to increase the amount of dividend per share by ¥1.0.

In relation to the environment, in our new medium-term management plan formulated in fiscal 2006 and announced in April 2007, we set a CO₂ emission reduction target of 12% for the entire UBE Group, which is higher than the greenhouse gas emission reduction target of 6% (below 1990 levels) that Japan is obliged to achieve by 2010 under the Kyoto Protocol. Also, we are implementing global measures to comply with the RoHS Directive and the EU's REACH Regulation.

As for social results, we organized a project team to build an internal control system in April 2006. In addition, we have been continuing our cultural and scientific support activities through the Watanabe Memorial Culture Association and the UBE Foundation, although these activities have not been widely publicized (pages 23 and 24).

Q You have listed "Strengthening of CSR activities" as one of your basic policies in the new medium-term management plan. What is specifically meant by this?

The range of our stakeholders has been expanding in recent years, and it is necessary for us to strengthen our CSR activities while incorporating new social trends if we want the activities of the entire UBE Group to be fully appreciated by all stakeholders. This is also important as we strive to create even greater bonds of trust with them. We therefore plan to conduct new types of CSR activities in a proactive manner.

It is, however, necessary to always improve our CSR activities instead of just carrying them out unchanged. Accordingly, we will set higher targets for our conventional CSR activities and conduct new activities in a sincere manner to proactively fulfill our responsibility as a corporate citizen. We aim to strengthen our CSR activities through these measures.



Q What is your future vision for the UBE Group's CSR activities?

The UBE Group has made it clear that it will achieve further growth based on its differentiated chemicals business. Specifically, we will provide unique products, mainly differentiated chemical products, which will make UBE a company with a strong presence that serves the needs of society. To this end, it is important for us to fulfill our responsibility, comply with rules and ethics, and constantly make improvement efforts, while promptly responding to changes in social trends from an economic, environmental and social aspect. If we can achieve this, I am sure we will be able to produce good results.

I hope that the readers of this CSR report will appreciate the results of the UBE Group's long-running CSR activities and provide us with even more support and cooperation.

Introducing the Business Activities of the UBE Group

The UBE Group globally manufactures and supplies a wide spectrum of products in the following five business segments: Chemicals & Plastics, Specialty Chemicals & Products, Cement & Construction Materials, Machinery & Metal Products, and Energy & Environment.

Chemicals & Plastics Segment

- Main products: Synthetic rubber/nylon resins/caprolactam/ industrial chemicals/fertilizers/ABS resins/polyethylene

For the production of caprolactam, which is a raw material for nylon, the UBE Group is ranked among the top three manufacturers in the world. We also produce nylon resins for use as engineering plastics in automobile parts and in a variety of other products such as food wrapping film. In addition, we are one of Asia's biggest manufacturers of synthetic rubber, and our synthetic rubber (butadiene rubber: BR) products are used by all tire manufacturers in Japan. Through these products, we support the industrial and household infrastructures.



Nylon 6:
Automotive intake manifolds



Nylon 12:
Automotive fuel tubes



Synthetic rubber (BR):
Tires, golf balls, shoe soles, etc.



Polyethylene:
Wrapping film for household use

Specialty Chemicals & Products Segment

- Main products: Specialty materials (polyimide, battery materials, gas separation membranes, communication equipment, and aerospace materials); fine chemicals (paints, adhesives, resin materials, aroma and cosmetic chemicals, and high-purity chemicals); pharmaceuticals (contract production)

UBE regards and promotes this segment as its core segment in its growth strategy. Highly functional and high value-added products that UBE has developed using its advanced technology in this segment include polyimide (super heat-resistant plastic), specialty electrolytes and separators for lithium ion batteries, nitrogen separation membranes and alcohol dehydration membranes, fine chemicals as raw materials for industrial use, and pharmaceutical active ingredients and intermediates. These products are used in a range of cutting-edge industries.



Polyimide films: Products for tape automated bonding (TAB) of ICs



Gas separation membrane modules



Electric vehicle (EV) equipped with a newly developed rechargeable power source



Polyimide PETI-330 for high temperature composites

Cement & Construction Materials Segment

- Main products: Cement and ready-mixed concrete, construction materials, lime stone, and calcia and magnesia

In addition to producing cement, which is a vital material for social capital development, the UBE Group factories have been actively installing waste processing facilities to process a variety of waste products as raw materials for cement production. In addition, the UBE Group offers an extensive line-up of materials to meet the changing needs of the construction industry. These include flooring and plastering materials and waterproofing materials.



A kiln at the Ube Cement Factory



High-chlorine bypass facility at the Kanda Cement Factory



Self-leveling materials



Waterproofing materials

Machinery & Metal Products Segment

- Main products: Molding machines (die-casting machines, injection molding machines, and extrusion presses); industrial machinery (crushers and conveyors); bridges; steelmaking products; and aluminum wheels

UBE has earned an excellent reputation in Japan and overseas as a manufacturer of die-casting and injection molding machines. The UBE brand stands for superb reliability backed by advanced UBE technology. UBE is also recognized for its contribution to the reduction of motor vehicle weights through the development of high-performance, high-quality aluminum wheels. These products are widely used in both Japanese-made and foreign vehicles, luxury cars in particular.



Die-casting machine



Large-scale all electric injection molding machine



Vertical roller mill



Aluminum wheels

Energy & Environment Segment

- Main products: Coal, electric power, and environment-related systems

The UBE Group's overall energy infrastructure depends on the reliable supply of imported coal through the coal business, and the supply of electric power from in-house power stations. The Group is now implementing a new energy strategy that includes involvement in electricity wholesaling. In addition, we have developed and commercialized an environmental system that gasifies waste plastic and other organic waste for use as materials for ammonia.



Okinoyama Coal Center



Waste plastic recycling facility "EUP"



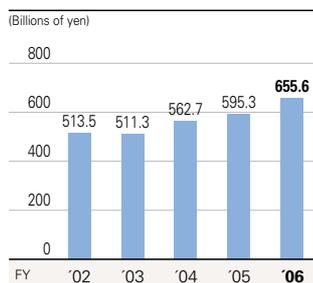
IPP coal-fired thermal power plant



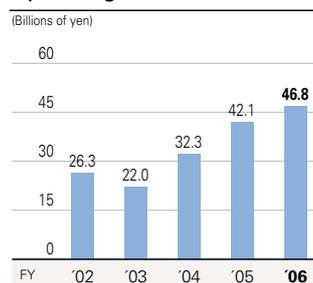
Woody biomass fuel facility at IPP power plant

Major Financial Data (Consolidated)

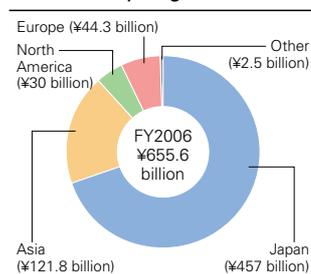
Net Sales



Operating Income



Net Sales by Region (FY 2006)



No. of Employees



Previous and New Medium-Term Management Plans

Summary of the Previous Medium-Term Management Plan—New 21 • Ube Plan II

New 21 • Ube Plan II, which the UBE Group completed in fiscal 2006, had two major objectives: to improve the financial position of the Group and to boost its profitability. As a result of steadily implementing reforms according to the plan and thanks to the favorable business environment surrounding us, we were able to achieve the related numerical targets a full year ahead of schedule.

Outline of the New Medium-Term Management Plan—Stage Up 2009

Following the end of its medium-term management plan New 21 • UBE Plan II covering the period from fiscal 2004 to 2006, the UBE Group formulated a new medium-term management plan named “Stage Up 2009.” In the new plan for the three-year period through to fiscal 2009 we have set higher targets based on the results of our previous medium-term management plan, with the aim of eventually establishing a platform for profitability that ensures sustainable growth.

Entering the 21st century, the UBE Group created its Group vision for the new century—“Wings of technology, Spirit of innovation. Our DNA driving our global success.” Based on this vision, we have already clearly established our long-term direction, which is to further develop our Group focusing on our differentiated chemicals business. In formulating our new medium-term management plan Stage Up 2009, we set targets to be achieved over

Achievement of Numerical Targets in the Plan

		Results for FY2003	Final year targets in New 21 • Ube Plan II	Results for FY2006
Financial indicators	Net debt/equity ratio (times)*1	4.4	Less than 3.0	1.7
	Equity ratio (%)*2	12.3	17.1	24.1
Profit indicators	Operating income ratio (%)	4.3	6.0 or more	7.1
	Return on assets (%)*3	3.3	5.0 or more	7.0
	Operating income	¥22 billion	¥33 billion	¥46.8 billion

five years by fiscal 2011, and in order to achieve these targets, we will further boost our profitability and continue to improve our financial position.

We regard Stage Up 2009 as an action plan for the next three years, which will enable us to achieve the targets for 2011. Based on the following basic policies set under the new plan, we will implement specific measures and achieve steady results.

Targets for 2011

Operating income: ¥65 billion or more (Not accounting for changes in the depreciation method: ¥70.5 billion or more)
Operating income ratio and return on assets: 8.5% or higher, respectively
Net debt/equity ratio: Under 1

Basic Policies of the New Plan

(1) Establishment of a platform for profitability that ensures sustainable growth
(2) Sustained improvement of financial position
(3) Strengthening of CSR activities
Key phrase: “Speed and Trust”

Numerical Targets in the New Plan

		Results for FY2006	Targets for the final year of “Stage Up 2009”
Financial indicators	Net debt/equity ratio (times)	1.7	Under 1.3
	Equity ratio (%)	24.1	30 or more
Profit indicators	Operating income ratio (%)	7.1	7.5 or more
	Return on assets (ROA)(%)	7.0	7.5 or more
	Return on equity (ROE) (%)	13.7	12 or more

Glossary

*1 Net debt/equity ratio: Net interest-bearing debt (interest-bearing debt – cash and cash equivalents)/shareholders' equity (equity capital for fiscal 2006 onward)

*2 Equity capital: Net assets – minority interests – share subscription rights

*3 Return on assets: (Operating income + interest and dividend income + investment profit and loss by equity method)/Total assets

The UBE Group's CSR

Basic Policies for CSR

UBE is committed to achieving sustainable growth of the Company and society at large, and regards the following CSR policies as the three mainstays of its business activities. The Company also makes continuous efforts to ensure appropriate information disclosure, thereby building even stronger bonds of trust with its stakeholders, including customers, suppliers, employees and local communities.

Basic Policies for CSR

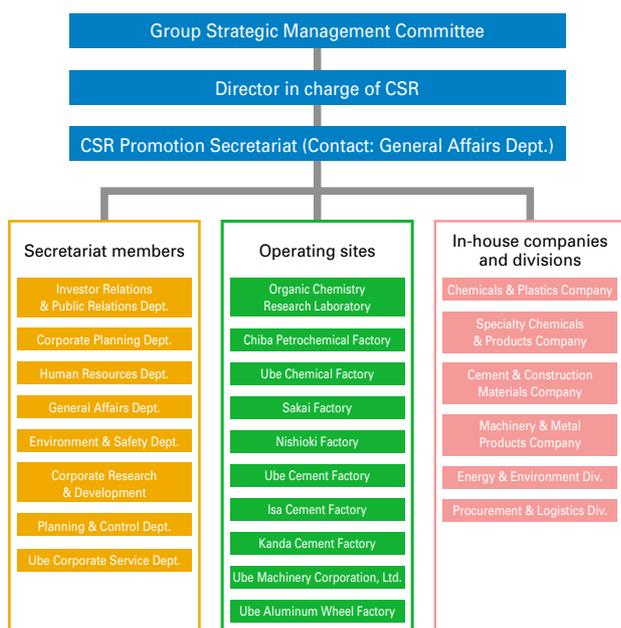
Regarding corporate social responsibility in terms of the economy (management), the environment and social ties, UBE will:

- 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 activities to contribute to society

CSR Promotion System

The UBE Group continually conducts a range of activities according to its basic CSR policies. The core organization for these CSR activities is the CSR Promotion Secretariat, which operates under the leadership of the director responsible for CSR.

CSR Promotion System



Action Guidelines for Business Conduct

The UBE Group formulated Action Guidelines for Business Conduct in 1998. The Action Guidelines set compliance standards for the Group's business activities and the behavior of all its directors and employees. We continuously promote compliance and sound corporate ethics based on these guidelines.

In March 2003, we partially revised the guidelines to establish corporate ethics, and subsequently in March 2006, we revised them substantially to clearly state our commitment to the fulfillment of CSR.

Action Guidelines for Business Conduct

Chapter 1 Corporate Mission and Social Responsibility

We will strive to create new value and ensure continuing corporate development, while also actively fulfilling our corporate social responsibilities and contributing to sound social development.

Chapter 2 The Law and the Corporation

We will comply with Japanese and foreign laws and regulations and corporate regulations, behave as members of a sound society and avoid involvement with anti-social elements.

Chapter 3 Business Activities and Value Creation

We will develop and supply useful and safe technologies, products and services that allow us to earn the trust of society.

Chapter 4 Impartiality and Sincerity

In our business activities in Japan and overseas, we will strive to maintain fair and free competition and perform our tasks in good faith.

Chapter 5 Safety and the Environment

We will work independently and actively to ensure safety and fulfill humanity's shared mission to protect the global environment.

Chapter 6 Human Rights and the Workplace

We will respect human rights in our business activities in Japan and overseas and develop healthy, bright and motivating workplaces.

Chapter 7 Information and Corporate Activities

We will strive to protect information and ensure accurate disclosure of corporate information, and maintain active and effective communication with society in general.

Chapter 8 International Society and the Corporation

As members of the international community, we will contribute to the development of the regions in which we are involved.

Chapter 9 Establishing Corporate Ethics

We will cooperate closely with UBE Group companies, suppliers and customers to establish corporate ethics based on these Action Guidelines.

For the Fulfillment of CSR

The UBE Group formulated its new three-year medium term management plan Stage Up 2009 and started its implementation in April 2007. Based on the plan, we will establish a platform for profitability that ensures sustainable growth, continue our financial structure reforms, and strengthen our CSR activities in a wider sense, thereby ensuring management that attributes importance to shareholder value.

Further Commitment to the Environment

Under the Kyoto Protocol, Japan is obliged to reduce its greenhouse gas emissions by 6% below the 1990 levels by 2010. The UBE Group has set its greenhouse gas emission reduction targets to exceed this national target as shown below.

- (1) We will reduce our CO₂ emissions in fiscal 2010 by 12% from the 1990 level by promoting energy conservation, fuel conversion and more efficient use of waste. (In the past, our target was 6% in accordance with the Kyoto Protocol.)
- (2) We will reduce our emissions of greenhouse gases other than CO₂ by 100,000 tons (CO₂ equivalent) per year by fiscal 2010.
- (3) We will strive to achieve the above two objectives earlier than the fiscal 2010 deadline.

Ensuring Compliance

To ensure compliance, the UBE Group set Action Guidelines for Business Conduct in 1998 and appointed two directors in charge of compliance as Compliance Officers (CO). We have our Compliance Committee as a consultation body for the COs and we have also established an in-house non-compliance notification system called UBE C-Line. Since fiscal 2006, we have been providing employees with e-learning (Web-based online training, which employees receive on their PCs) on the basics of compliance, thereby ensuring compliance across the Group.



Example of e-learning on compliance

Publication of the CSR Report

The *UBE Group CSR Report 2007* is our third CSR Report. In the past we published annual reports on our Responsible Care (RC) activities, however this was replaced by our CSR Report in 2005.

We dispatch information through a variety of media, including our financial reports as required under Japanese law, and an in-house magazine. We publish the annual CSR Report for all stakeholders of the UBE Group, thinking it our corporate social responsibility to share with them the actual results of our activities during the year, communicate our future direction, and help them deepen their understanding of our activities.

The UBE Group has been conducting CSR activities since its foundation, although these activities were not always known as "CSR activities." In this CSR Report, published as we celebrate our 110th anniversary, we have included a feature on our regional dialogue in the Ube district, where the Group was initiated. We have also introduced localized activities being conducted in our domestic and foreign bases and I hope these will prove of interest to you.

As the second feature article, we have focused on UBE's products and technologies that are friendly to both people and the environment. As a basic premise for their existence, companies must provide society with excellent products and services. In the second feature article we introduce products that we develop based on the full understanding of this premise. In particular, please take a look at our products with which we are now opening new markets, namely the gas separation membranes for bioethanol dehydration and recycled resin in a wide variety of color tones.

UBE launched its new medium-term management plan

Stage Up 2009 this fiscal year. As described in the Interview with the President, we have listed "Strengthening of CSR activities" as one of our basic policies for the new medium-term plan. Companies need to change in accordance with social changes, but we believe that companies must also constantly conduct their business operations from an economic, environmental, and social perspective and in a comprehensive manner. This is an essential requirement for a company to achieve sustainable growth and based on this recognition, we will further strengthen our CSR activities.

In this third CSR Report of the UBE Group, as in the second, we have introduced the results of a questionnaire survey conducted on the previous CSR Report in addition to the introduction of a section offering third-party opinions. I expect this publication will help promote communication between the UBE Group and readers. We kindly invite your opinion and comments on this report so that we may incorporate your views in next year's report.



Kazuhiko Okada

Director in Charge of Group CSR,
Representative Director,
Vice-President and Executive Officer

Contributing to the Establishment of a Safe Community for Local Residents

UBE Group pursues communication through two core measures in the hope of fostering “dialogue with society,” which is one of the Responsible Care (RC) activities promoted by the chemical industry.

In particular, understanding with the local community is promoted through the RC Regional Dialogue and the RC Dialogue Meeting.

The RC Regional Dialogue and the RC Dialogue Meeting

RC Regional Dialogue

The RC Regional Dialogue was launched in 1997 in the nine petrochemical complex regions where plants of the members of the Japan Responsible Care Council (JRCC) are located. The conference is held every two years. UBE has participated in the conferences since the first held for the Chiba District, the Yamaguchi-Nishi District and the Sakai-Senboku District where UBE’s core factories are located.

Initially, participants in the regional dialogue were limited to local government officials and representatives of the adjacent companies. However, now more and more stakeholders, including local residents and school officials, are taking an active role in the conference. While previously, representatives of the industry explained the progress of activities, the current program has adopted a more unique format, which includes Q&A sessions, a panel discussion among representatives of the industry, academia and government and private sectors, and a poster campaign as a means of improving the overall quality of dialogue.



RC Regional Dialogue in the Chiba District

RC Dialogue Meeting in Ube/Onoda District

After participants in the original RC Regional Dialogue Meetings pointed out insufficiencies in regard to the exchange of opinions and limited opportunities to express their opinions due to excessive attendee numbers, the five members of the Ube/Onoda Branch of the JRCC (Ube Industries, Ltd., Kyowa Hakko Kogyo Co., Ltd., Central Glass Co., Ltd., Nissan Chemical Industries, Ltd. and UMG ABS, Ltd.) started holding small-scale community-based dialogue meetings in February 2004 in order to facilitate more constructive and closer communication.

The RC Dialogue Meeting has since been held annually in the Ube/Onoda District as a “meeting to discuss immediate environmental issues with chemical companies.” This sees a number of local residents and representatives of companies get together for a round-table conference to exchange frank opinions about pressing environmental topics.

Residents’ specific requests are reflected in the contents of the RC Dialogue Meetings and, from the second program, the companies provide the opportunity for participants to partake in factory tours. In cases when appropriate answers cannot be found to questions in the course of the meetings, answers are provided in subsequent meetings. In this manner, efforts are being made to continue active dialogue between the companies and local residents.



The 4th RC Dialogue Meeting in the Ube/Onoda District

What is Responsible Care (RC)?

Responsible Care (RC) is a set of voluntary initiatives based on the principles of autonomous decision-making and self-responsibility. Under RC, corporations that manufacture and/or handle chemical substances work voluntarily to preserve “health, safety and the environment” throughout product lifecycles, from the development of chemicals through their manufacture, distribution, use and final consumption to disposal. These commitments must be clearly reflected in the corporations’ management policies.



RC Six Themes for the Environment, Safety and Health

1. Environmental Preservation: Promoting environment-conscious business activities and protecting the health of people, nature and the Earth
2. Process Safety and Disaster Prevention: Carrying out safe operations and preventing facility accidents
3. Occupational Safety and Health: Protecting the safety and health of workers
4. Product Safety: Manufacturing safe products and providing proper information on correct usage
5. Logistics Safety: Implementing safe transport operations and minimizing damage by taking immediate action in the event of accident
6. Publication of Performance Reports and Dialogue with Society: Publishing performance reports and promoting further mutual understanding through public dialogue

2006 RC Dialogue Meeting (4th meeting)

The 2006 RC Dialogue Meeting started off with a factory tour followed by a discussion moderated by an official of Ube City in which representatives of the participating companies gave an overview of their factories. Following the presentation, which included questions left unanswered from the previous meeting, the companies outlined their environmental measures for 2006.

A representative of the Ube Chemical Factory explained the newly built plant as well as the factory's environmental performance and environment monitoring system (water quality and odor monitoring system). Positive feedback was received from local residents, with comments including, "the frequency of odor emissions is on the decline" and "in addition to Ube Industries, Ltd., more companies should introduce the environment monitoring system." Residents also inquired about emissions of substances subject to the Pollutant Release and Transfer Register (PRTR) system.

Exchange of Opinions

At the end of the dialogue meeting, the local residents expressed a number of very valid opinions, including the following: "The considerable efforts being undertaken by the companies are now understood ..."; "RC Dialogue activities should be widely expanded ..."; "Environmental problems can only be solved when the companies, local residents and government authorities make concerted efforts ..."

The representatives of the companies summarized the discussion as follows: "The importance of making continuous efforts has been strongly recognized ..."; "The critical comments and frank opinions given every year bring a sense of tension and stimulate the companies to make further efforts to realize improvement."

Date: February 3, 2007, 13:00-16:00
Venue: Ube Factory, Central Glass Co., Ltd. (The meeting venue is rotated among member companies)
Collaborators: Environmental nonprofit organization Ube Environmental Club and Ube City
Attendees: Local residents —Members of environmental organizations, consumer organizations and residents' associations, city councilors and citizens from the Ube/Onoda districts (22 persons)
Companies —Representatives of member companies including JRCC Secretariat staff (13 persons)
Observers —Representatives of neighboring companies, prefectural and municipal officials, representatives of nongovernment organizations (12 persons)



The 4th RC Dialogue Meeting in Ube/Onoda District

Message from an Employee ...



Shuzo Fujikawa
General Manager
Environment & Safety
Department

"We participate in the RC Dialogue Meeting for the Ube/Onoda District. This small-scale meeting in which only about 50 persons participate provides the opportunity for frank opinions to be openly expressed. Because the participants belong to a large variety of sectors, the moderator tries hard to move the discussion forward. The companies recognize that they should make greater efforts to explain technical matters in a simple manner by using examples in order to promote understanding, on the side of non-industrial sectors, of their efforts."

Responsible Care Award

This award is granted under a system established by the Japan Chemical Industry Association (JCIA) and the Japan Responsible Care Council (JRCC), under which individuals or organizations belonging to JRCC member companies are honored for their efforts to contribute to dissemination and improvement of RC activities. At the inaugural awards ceremony in 2006, nine RC Awards were bestowed on five companies, including UBE. UBE was rewarded for its role in serving as a secretariat for the RC Regional Dialogue in the Yamaguchi District and the RC Dialogue Meeting in the Ube/Onoda District. UBE was also recognized for its contributions toward promoting communication by distributing its CSR Reports at various events. In July, the award ceremony was held as part of the JRCC Member Exchange Meeting in Osaka. Three representatives of UBE Group were commended.



The RC Award Ceremony held in July 2007

UBE Group Contributing to the Creation of a Beautiful Future

UBE Group provides a large variety of products and technologies, ranging from those related to the automobile and information industries to those in use in society, its accompanying infrastructure and daily life.

The Group actively promotes projects that enable reductions in CO₂ emissions and the creation of a recycling-based society in all its business fields and works hard to provide "products and technologies that are friendly to both humans and the environment."

Environmental contributions

-  **Reducing CO₂ emissions**
Reducing emissions of greenhouse gases known to contribute to global warming
-  **Recycling**
Reusing waste or improving the quality of waste for effective recycling and utilization of resources
-  **Purification of water**
Improving the quality of water and sterilizing water to preserve a clean environment
-  **Energy saving**
Streamlining and improving the efficiency of fuel, facilities, and processes, and spending time effectively
-  **Controlling emissions of toxic substances**
Not emitting toxic substances
-  **Providing environment-conscious products**
Producing and using alternative products that are kind to the environment

* indicates an example for application.



Dimethyl carbonate (DMC)



"Heliofresh"[®]

Specialty electrolytes for lithium-ion battery
"Dimethyl carbonate (DMC)"

Fragrance "Heliofresh"[®]



Adjustment of floor base
"Self-leveling materials"



F☆☆☆☆ Mark-certified
(formaldehyde-free)
construction materials



1,6-hexanediol



Toning recycle resin
(see page 14)

Separation membrane for
bioethanol
(see page 13)



Polycarbonatediol (PCD)



Slow release fertilizer



Yasashii Kabe[®]



Disinfectant, bleach, etc.
"Hydrogen peroxide"



Network Floor[®] Eco



New heat-resistant
"Polywrap"/
New "Polywrap"[®]



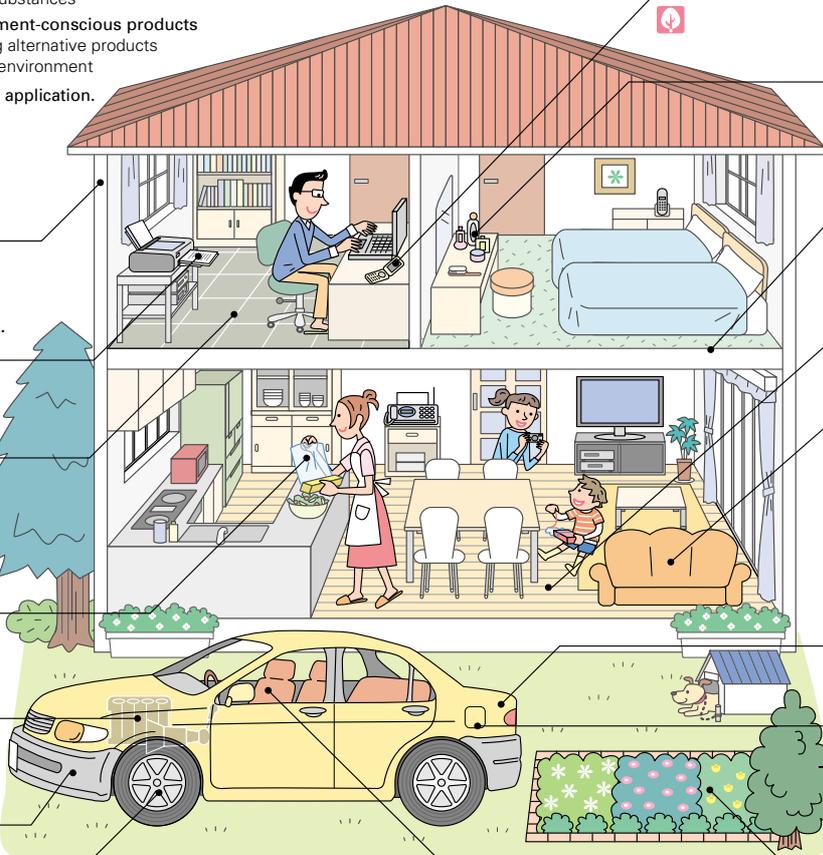
Die-casting machine



All-electric injection
molding machine



Aluminum wheels



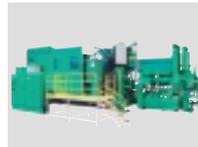
Yasashii Kabe[®]
(Ube Board Co., Ltd.)



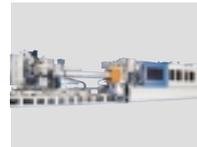
Network Floor[®] Eco
(Ube Board Co., Ltd.)



New heat-resistant "Polywrap"/
New "Polywrap"[®]
(Ube Film, Ltd.)



Die-casting machine
(Ube Machinery Co., Ltd.)



All-electric injection molding
machine (Ube Machinery
Co., Ltd.)



Polycarbonatediol (PCD)*



Aluminum wheels



Self-leveling materials



F☆☆☆☆ Mark-certified (formaldehyde-free)
construction materials



1,6-hexanediol*



Slow release fertilizer
(Ube Agri-Materials, Ltd.)



Hydrogen peroxide (transport
truck) (Kemira-Ube, Ltd.)



"Calbreed® SII"*
(Ube Material Industries, Ltd.)



"Sorbalit"
(Ube Material Industries, Ltd.)



Recycling of refuse incineration ash
(Yamaguchi Eco-tech Co.)



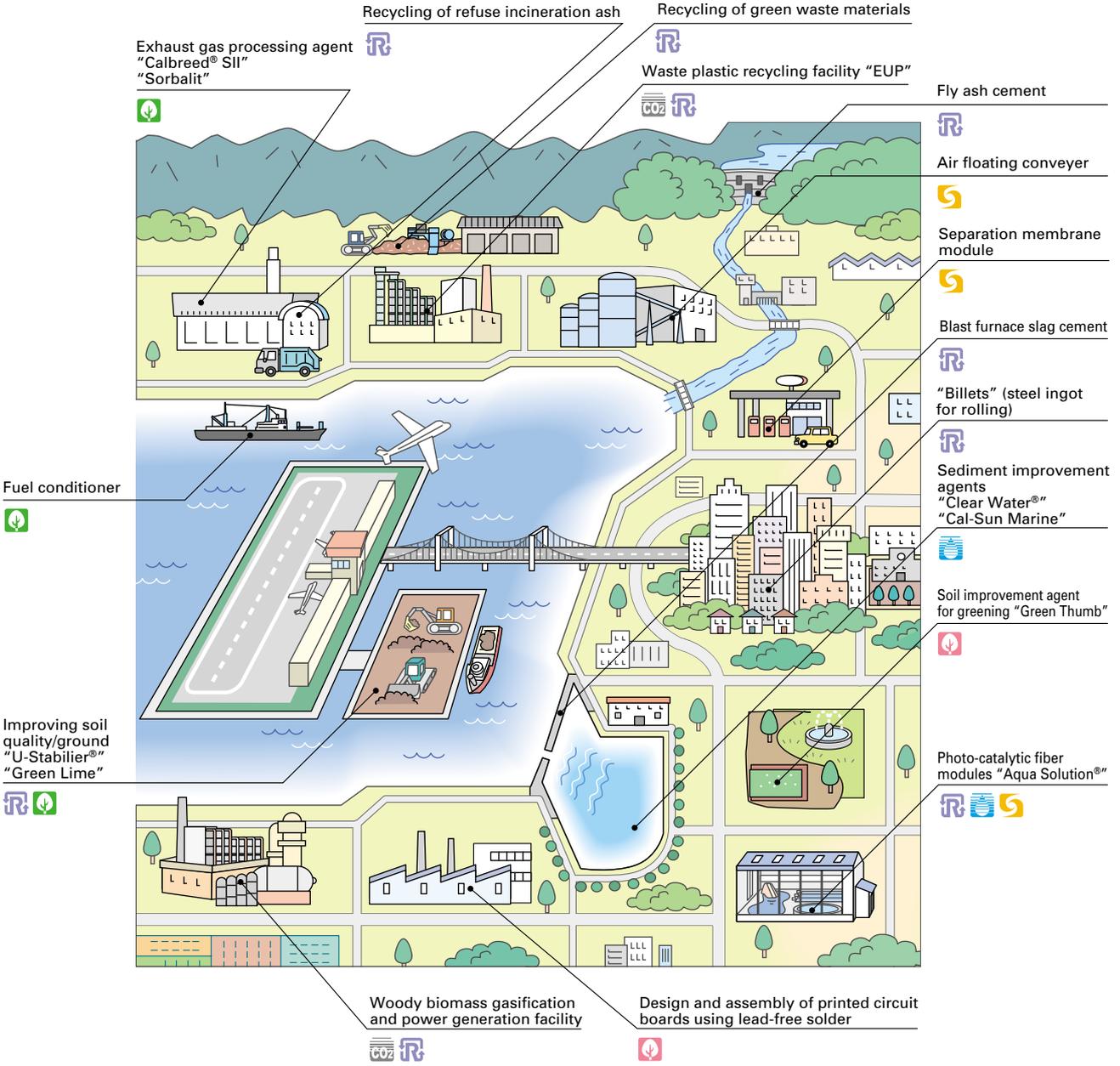
Recycling of green waste materials
(Nisinhon Green Recycle Co.)



Waste plastic recycling facility
"EUP"



Air floating conveyor
(Ube Machinery Co., Ltd.)



Fuel conditioner
(Fukushima Ltd.)



"U-Stabilier®" (Ube Mitsubishi Cement Co.)
"Green Lime®" (Ube Material Industries, Ltd.)



Fly ash cement*
(Ube Mitsubishi Cement Co.)



Separation membrane module*



Blast furnace slag cement*
(Ube Mitsubishi Cement Co.)



"Billets" (steel ingot for rolling)
(Ube Steel Co., Ltd.)



"Clear Water®" "Cal-Sun Marine®"
(Ube Material Industries, Ltd.)



Green Thumb®



Aqua Solution®



Design and assembly of printed circuit boards using lead-free solder
(T&J ELECTRONICS Co., Ltd.)



Woody biomass fuel facility at IPP power plant



Biomass gasification power generation equipment
(Ube Techno Eng. Co., Ltd.)

UBE Group defines its core identity using the following key concept: "Wings of technology, Spirit of innovation." Its unique technologies and never-ending spirit of challenge, reflected in the development of environment-conscious technologies including those for bioethanol separation membrane and waste plastic toning, contribute to the creation of a sustainable society.

Development of Separation Membrane for Earth-Friendly Bioethanol

Gas Separation Membrane Project that Supports Dissemination of Bioethanol

Recently, a large variety of renewable energy sources have been gaining increasing prominence as alternatives to gasoline. These alternatives include bio diesel created from soybean and palm oil, methane hydrate, or water forms containing great amounts of methane that are found deep below the Earth's ocean floor, and bioethanol. The latter is said to be one of the most promising commercially available alternative fuels and its development is thus being vigorously promoted by UBE's Gas Separation Membrane Group.

The Gas Separation Membrane Project has recently undergone its most significant changes in years. First launched 20 years ago with a separation membrane system for collection of hydrogen to be used at a refineries, the project now focuses on general products and general-purpose processed products such as nitrogen separation membranes and dehumidification membranes.

In the area related to environmental safety, UBE Group has been taking an active role in the development of applications and commercial products. Decarboxylation membranes, for example, serve as a concentration system for the removal of carbon dioxide from methane gas generated from sludge and refuse. In recent years, use of nitrogen separation membranes, which are used to protect against explosions and improve safety within oil/coal drilling operations and tankers and aircraft, has spread globally. At the same time, the project component related to ethanol as a next-generation energy source has also gained huge recognition around the world. UBE has therefore greatly enhanced its production of separation membranes—which are indispensable to refining activities—to cope with increasing demand.



Module for the alcohol purification plant

Development of the Only Ethanol Distillation Technology in the World

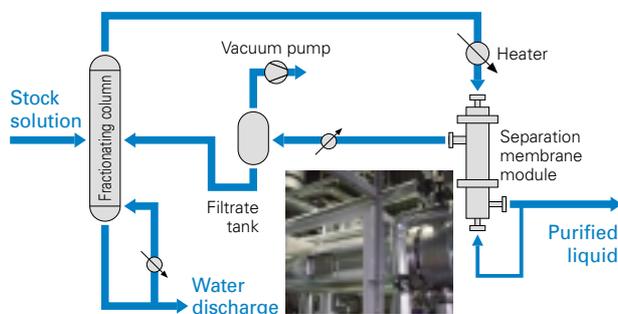
Generally, it takes more than conventional distillation technology to increase the concentration of ethanol, whose highest concentration is as high as around 96%. The advent of the adsorption technique, however, has contributed to simplification of the technology for increasing alcohol concentration. In order to satisfy growing demand, UBE has recently launched global promotion of the only organic steam membrane dehydration method in the world.

As shown in the flow diagram below, fermented alcohol is concentrated through the repeated processes of distillation. The organic dehydration steam membrane is placed behind the distilling/fractionating column. Alcohol which contains water at a temperature below the azeotropic point is supplied to the dehydration membrane and this process gives the organic membrane its unique characteristics. Unlike the adsorption technique, the organic membrane technique allows one-step removal of moisture from 70-80%-proof alcohol. In this manner, alcohol is concentrated and its final concentration reaches more than 99.95%.

Future Prospects of Bioethanol and UBE Group's Involvement

Under the Kyoto Protocol, all signatory countries are liable and required to control their emissions of greenhouse gases to levels below the specified levels for the period from 2008 to 2012. Bioethanol is expected to play an important role in providing solutions to future environmental problems. Due to growing concern about collecting fuel from food crops, the raw materials for bioethanol may be shifted to waste materials and thinned wood. In the midst of the accompanying discussion and debate, ethanol itself still serves as a major source of clean energy. UBE Group will endeavor to make continuous efforts to widely develop projects that contribute to the preservation of the environment using, but not limited to, its organic solvent dehydration and methane concentration technologies.

Example of Installation of Ethanol Dehydration Module



Message from an Employee ...



Keiichi Nagata
Chief, 2nd Business Unit of Specialty Chemicals & Materials

Implementation of Gas Separation Membrane Project

"The Gas Separation Membrane Project has been promoted for more than 20 years now but it is only in recent times that our efforts to develop alcohol membranes, nitrogen membranes and decarboxylation membranes in the fields of environmental safety have been appreciated and the system for expanding such business projects has been established. Environmental preservation is one of the basic policies of our CSR activities. The number of users of our products is increasing in foreign countries. In this situation, more efforts should be made to increase our customers in Japan and create, both here and overseas, the image that 'Ube Industries is a company that responds to environmental needs.'"

Development of Recycled Resin in a Large Variety of Color Tones: Technology that Enables Arbitrary Changes in the Color Tone of Waste Plastics

Difficulty in Recycling Waste Plastics

Because waste plastics are colored or coated with pigments or dyes, the technology for changing their color and providing a fine surface and appearance is indispensable in the recycling process. Since the development of a unique technology that enables production of such recycled resin in 2002, UBE Group has promoted new market exploration. In January 2007, consumer-electronics makers and automobile manufacturers adopted UBE's technology and the new product was commercialized using the trade name "UBE Composite®."

Plastics are used widely in the market because of their many advantages, which include lightness, flexibility and low cost. Plastics are usually colored with pigments or dyes and molded into products, or molded plastic products are coated with pigments or dyes. Through such coloring processes, plastic products are brought to market. In the process of recycling, however, the coloring agents previously used are mixed, or the pieces of coating film on the surface or fine foreign matter combine with waste plastic. Therefore, they can only be colored black when recycling and most of it is in fact disposed as industrial waste without being reused.

Development of Excellent Recycled Resin with a Large Variety of Color Tones

In pursuing this new technology, UBE Group directed its attention to juxtapositional color mixing^{*1}. The newly developed technology enables the color of waste plastic to be changed as requested by controlling light transmittance using pigments with enhanced light-shielding properties. Furthermore, the new technology enables the mixed substances, including coating film, to be masked.

We considered the fact that many molded plastic products had crimped surfaces^{*2} and developed a technology that enabled re-coloring and masking of pieces of coating film. This technology allowed us to produce from the recycled resin molded products with excellent surfaces and a good appearance. Even if fine foreign matter is mixed with the non-crimped waste plastics, excellent quality molded products can still be produced.

Case Study: Application of Groundbreaking Recycled Resin



Regind of an automobile bumper (left) is recycled into automobile interior equipment (right).

Cases of Application of Recycled Resin

In collaboration with plastics users, including consumer electronics makers and automobile manufacturers, UBE Group frequently evaluated the recycled resin produced using its new technology. The Group provided samples of the recycled resin that satisfied the individual users' needs and later received official approval for the products. At the Sakai Factory in Osaka, a part of the compound facility was remodeled into the compound facility for recycling, giving us a capacity of 6,700 tons. In this manner, the Group has promoted further market development.

For example, plastics collected from electronic waste of different colors have been changed into recycled resin by means of UBE's technology, and such recycled resin is used for the visible parts of refrigerators and tumble driers. Recycled resin produced from old car bumpers, meanwhile, is used for console cabinets for automobile interior equipment after coating film is masked.

The recycled resin with its large variety of color tones, produced by means of UBE's unique technology, can not be differentiated from virgin materials at first glance. However, the recycled resin is characterized by many advantages such as depth of color, scratch resistance and absence of partial discoloration. Some parts of commonly used consumer electronics and automobiles may be made from UBE's environment-conscious recycled resin.

Message from an Employee ...



Development of recycled resin with a large variety of color tones

"I still clearly remember my supervisor's response when I first showed him the recycled resin with a large variety of color tones. We were on a local train on the way to a customer's office. He was so surprised to learn of the invention and advised me to apply for a patent immediately. There are many undeveloped material recycling fields. I would like to make continuous efforts to invent the second and third miraculous technologies."

Tatsushi Akoh
Leader, RCP Project Promotion Group

Glossary

*1 Juxtapositional color mixing: An individual sees a substance consisting of closely arranged small points of more than two different colors from a distance. One color cannot be differentiated from the other because of the mix of colors.

*2 Crimped surface: When melted resin has an uneven surface after the metallic mold is applied. In this manner, the crimp pattern can be transferred to a resin surface. Leather crimp and pear skin crimp are frequently used patterns.



Society

Happy participants in a summer program for children organized by the UBE Group in Thailand (page 25)

Creating Harmonious Relationships with Stakeholders

In order to create even stronger bonds of trust with our stakeholders, including shareholders, the communities in which we operate in and employees, the UBE Group continuously works to improve its corporate governance and risk management systems, while actively engaging in human resource development and conducting social contribution activities both inside and outside Japan.

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Utilization and Development of Human Resources	19
Initiatives to Safeguard Employees' Health and Safety	21
Social Contribution Activities	23

Establishing a Corporate Governance System to Nurture Sustainable Business Operations

We believe the establishment of a corporate governance system is of utmost importance in working to further improve our corporate value on a long-term basis and foster the trust of stakeholders.

Corporate Governance System

In June 2001, UBE adopted an executive officer system with the aim of separating governance and management functions. The management team currently consists of eight directors and 23 executive officers, of whom five are also directors. The Board of Directors, which is chaired by a director who is not an executive officer, makes decisions on important management-related matters in accordance with laws and regulations, Company's Articles of Incorporation and the Board Regulations. It also supervises the activities of directors and executive officers to ensure that all duties are being performed appropriately and efficiently. Executive officers carry out business operations in accordance with management policies determined by the Board of Directors, using authority delegated to them by the President & Representative Directors.

In fiscal 2005, two outside corporate directors were appointed to the Board of Directors. Their role is to bring a third-party perspective to decision-making, thereby ensuring transparency and objectivity in management. In addition, although UBE is not a Company with Committees, as defined in Japan's Companies Act, it has positioned a Nominating Committee and an Evaluation and Compensation Committee as subsidiary entities of the Board of Directors, allowing greater flexibility in the activities of the Board. The Nominating Committee consists of seven directors,

while the Evaluation and Compensation Committee has six. Both the committees are chaired by outside directors.

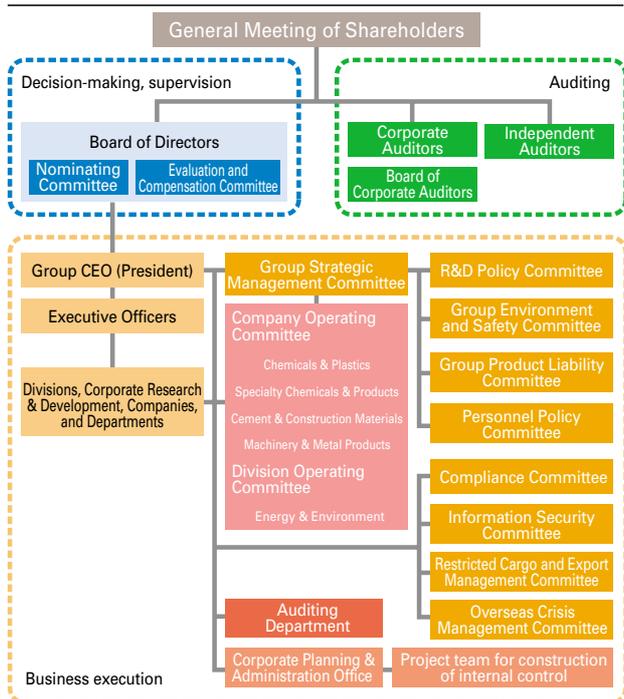
At the ordinary General Meeting of Shareholders held on June 28, 2007, it was decided to limit the terms of directors and executive officers to one year to promote flexibility in appointing directors and ensure results-oriented management, thereby leading to overall improvements of the UBE Group's short-, medium-, and long-term business performance. It should also be noted that the current Board Chairman is an outside director.

Audit System

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

The corporate auditor organization consists of four corporate auditors, of whom two are appointed from outside the Company, together with two staff members in the Corporate Auditor's Office. Audits are conducted in accordance with the audit policy and audit plan, which are newly adopted each year. The task of corporate auditors is to ensure that directors and executive officers perform their duties appropriately by attending important meetings, including meetings of the Board of Directors, examining important accounting documents and by receiving reports on operations from directors and other officers.

Group Corporate Governance Structure



Decision-Making System

- Board of Directors**
 On behalf of shareholders, the Board of Directors discusses and makes decisions on the issues provided for by the Companies Act, the basic policies of the Company, and important enforcement issues from medium- to long-term perspectives.
 To achieve greater management flexibility, the Board of Directors has the Nominating Committee and Evaluation and Compensation Committee as subordinate entities that assist the Board.
- Group Strategic Management Committee**
 The Group Strategic Management Committee is responsible for discussing and making decisions on key matters concerning resource allocation, items that need to be adjusted from an overall Group perspective, and other key matters that affect the Group as a whole, in accordance with the Group Management Guidelines and Group Strategic Management Committee rules.
- Company Operating Committee and Division Operating Committee**
 The Company Operating Committee and the Division Operating Committee are responsible for discussing and making decisions on key matters, such as business strategy, at the corporate level and divisional level, respectively. They engage in these activities for Ube Industries and other UBE Group companies in accordance with the Group Management Guidelines and the rules that govern the Company Operating Committee and Division Operating Committee.

Compliance

Ensuring Compliance to Become a Company Trusted by Society

We established our Action Guidelines (page 7) and a noncompliance notification system to ensure our business operations are conducted in a sincere manner in compliance with related laws and regulations.

Compliance Measures

As a basis for business operations and as a prerequisite for the fulfillment of corporate social responsibility, companies are required to ensure compliance with laws, regulations, and other rules. In April 2003, the UBE Group, being strongly aware of the social importance of compliance and its corporate social responsibility, started to integrate systems individually established to ensure compliance in each of its business activities, including compliance with Japan's Antimonopoly Act, into a comprehensive compliance system. The Group also launched a noncompliance notification system. Subsequently in fiscal 2006, we held the first e-learning seminar on the basics of compliance and conducted compliance audits to ensure compliance on a continuous basis across the Group.

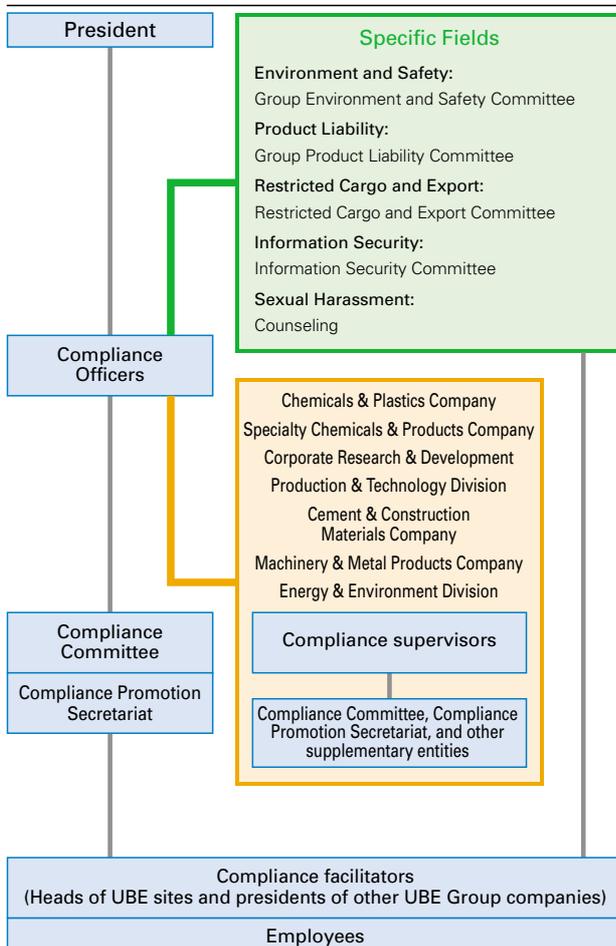
Compliance Month

The UBE Group has designated October 2007 as Compliance Month and plans to hold its second e-learning seminar on the basics of compliance as well as conduct other related awareness-raising activities.

Noncompliance Notification System (UBE C-Line)

To prevent compliance violations and ensure the early discovery of problematic behavior, we have established a system that allows such problems to be reported either directly to the members of the Compliance Committee or the Compliance Promotion Secretariat, or to a legal adviser outside of the corporate organization, without going through the normal chain of command.

Compliance System



Overview of the Compliance System

- **Compliance Officers (CO)**
Two directors were appointed as Compliance Officers. Their task is to promote and ensure compliance throughout the UBE Group by supervising compliance-related activities.
- **Compliance Committee**
The Compliance Committee advises the Compliance Officers and deliberates on important compliance-related issues. To ensure transparency, a legal adviser has been invited to serve as an outside committee member.
- **Compliance Promotion Secretariat**
This unit administers compliance-related activities under the direction and supervision of the Compliance Officers.

Message from an Employee

Obeying the rules and behaving sincerely ...

"It is important and of course necessary for companies to conduct corporate activities and for each director and employee to behave in compliance with laws, regulations, internal rules, and social norms. It is, however, difficult to ensure compliance. In fact, corporate scandals seem to be an everyday occurrence these days. I think it is essential for each of us to be fully aware of the importance of compliance. As a member of the Compliance Promotion Secretariat, I will make strenuous efforts to raise the compliance awareness of all the employees."



Takuya Obara
Legal Department,
General Affairs & Human Resources Office

Implementing Measures to Identify and Assess Risks Associated with Business Operations

We implement a variety of measures to identify and assess all the risks associated with our business operations, including the establishment of various committees.

Establishment of a Risk Management System

We implement appropriate measures to identify and assess the probability and impact of risks that may prevent the attainment of our business objectives. The Group Environment and Safety Committee and the Group Product Liability Committee were established to formulate policies concerning safety, environmental conservation and safety control for products for the entire UBE Group and coordinate measures targeted toward specific types of risk.

In addition, the following committees were established to deal with individual risk categories.

Information Security Committee

This committee establishes and disseminates information security policies and monitors compliance with those policies to ensure information security, which is essential for sound corporate activities. It also develops rules and regulations concerning information security.

Restricted Cargo and Export Management Committee

We constantly reinforce awareness within our Group of the fact that the basic requirement of export management is to prevent illegal export or supply of goods and technologies that are subject to export controls under laws and regulations designed to maintain international peace and stability, such as Japan's Foreign Exchange and Foreign Trade Act.

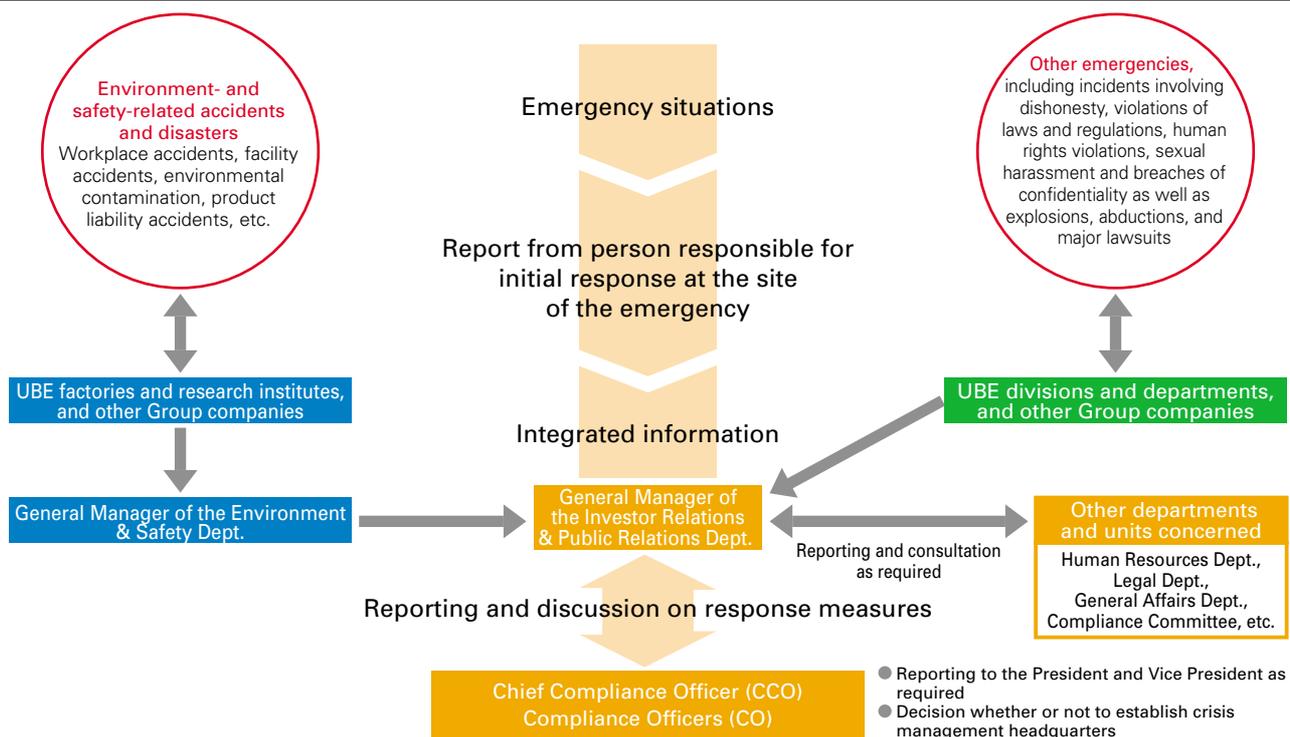
Overseas Crisis Management Committee

This committee was established in response to deteriorating law and order environments in some overseas countries at a time when the number of employees stationed overseas is increasing as a result of globalization. To ensure the safety of employees on overseas assignments and their families, as well as local staff and those making overseas business trips, the committee develops and maintains manuals and emergency response systems based on scenarios with different levels of severity.

E-Manual

The E-Manual stipulates procedures for the establishment of an emergency communications network and crisis management headquarters to deal with emergencies in Japan, both within and outside of the UBE Group.

Emergency Response Flowchart



Utilization and Development of Human Resources

Improving Employment and Enhancing Training Programs to Promote the Use of Various Human Resources

Regarding human resources as our most important management resource, we employ a variety of human resources and provide employees with a range of training programs to enable them to develop into talented professionals.

Our Approach to Human Resource Development

The UBE Group gives top priority to human resources among its management resources. Accordingly, in its management activities, the Group is committed to developing business personnel who can contribute to operations within our Group companies as well as society at large. In order to develop skilled professionals who can act independently and produce results, we provide employees with training programs, thereby helping them acquire the necessary skills in a particular field of work and achieve steady results using those acquired skills.

In addition to providing business leadership and management leadership training as well as training for employees who are working as generalists, we provide regular training to help

improve the capabilities of all employees. We consider this a key element to improving our entire human resource development system.

Specifically, we are focusing our efforts on well-balanced career education to enhance the management ability of managers, develop international business personnel, and provide supervisors and others with leadership training.

In addition, we have introduced a personnel system incorporating results-oriented and pay-for-performance elements, thereby motivating individual employees to set and pursue their own objectives.

Training Programs

Career Education (Group Education, External Courses)	Training by Theme (Group Education, e-Learning)	Selective Training (Group Education, External Courses)	Support for Self-Improvement
<ul style="list-style-type: none"> ● Guidance and education for new employees ● Follow-up training for new employees ● Third-year training ● Career design training ● New management training ● Middle-rank management training ● New executive training ● "Refresh" training 	<ul style="list-style-type: none"> ● Common specialized technology education ● Patent training ● Legal training ● Compliance training ● Information security training ● Human rights education ● Environment and safety education ● Assessor training, etc. 	<ul style="list-style-type: none"> ● International business personnel development (Overseas MBA programs, practical training in overseas subsidiaries, and law school programs) ● Leadership training (Business leadership training and management leadership training) ● External programs for research and technology personnel (Programs in universities and research institutes in Japan and overseas) 	<ul style="list-style-type: none"> ● Support for the acquisition of skills and qualifications (Correspondence courses and acquisition of official qualifications) ● Languages (TOEIC exams and conversational foreign language courses)

Environment and Safety Education

We provide employees with practical education on the environment and safety as shown in the table to the right and encourage all employees to acquire the necessary knowledge, practical skills, and relevant qualifications such as public certification required for the operation of equipment in factories.

In addition, we have incorporated mental health training within career education courses (training for new managers, etc) to ensure that employees receive appropriate training according to their particular circumstances. We have also included the elements of environmental impact assessment in our in-house documents circulated for managerial decision-making on capital investment and written proposals for the UBE Group activities, aiming to raise the environmental awareness of all employees.

Environment and Safety Education Programs

Targets	Contents
New employees	Responsible Care (RC), basics of safety, health care & support, etc.
Maintenance staff for high-pressure gas	Technical meetings for mutual presentations
Applicants	Training for internal auditors (on quality management systems, the environment, and occupational health and safety) and education of managers and supervisors on occupational safety
Environment and safety managers at sites	Correspondence courses on safety and health
UBE Group employees	Education on the Group's approaches to CSR and Responsible Care (RC) and detailed explanation of CSR reports at report briefings
UBE Group employees in charge of the environment and safety	Explanations on revised laws and UBE Group policies
Directors	Explanations about important environment- and safety-related topics that may affect corporate management

Quality Working Environments

Promoting Human Rights Awareness

Respect for human rights is a fundamental rule guiding the corporate activities of the UBE Group. Based on this recognition, we are working to develop and maintain workplaces in which all employees are respected as individuals, while implementing a range of initiatives to ensure that employees understand human rights and are fully aware of the importance of protecting these rights.

To this end, we have established the Human Rights Education Promotion Committee, which provides human rights education to employees, including training for directors, site training, and external training courses as a way of helping employees cooperate while accepting each other's differences.

Employment of People with Disabilities

To promote the employment of people with disabilities, UBE established Libertas Ube, Ltd. in Yamaguchi Prefecture in April 1991 as a special purpose subsidiary defined under Japan's Law for Employment Promotion, etc. of the Disabled. Holding up Libertas Ube, which is the only such subsidiary in Yamaguchi Prefecture, as a leading example, UBE is committed to expanding the employment of people with disabilities. Libertas Ube had 26 employees with disabilities (17 with physical disabilities and nine with intellectual disabilities) as of March 2007, 21 of whom have serious disabilities. The company is also actively implementing measures for people with psychological disorders, training them on a long-term basis as a registered establishment for social rehabilitation. In addition, the company receives study visits from

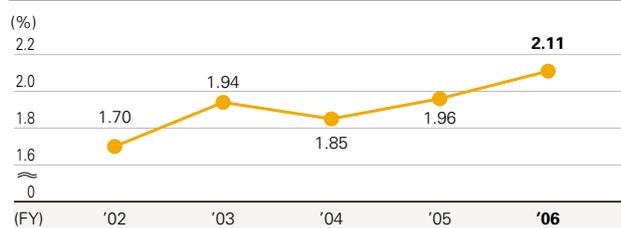


Local senior high school students on a visit to Libertas Ube, where they learned about ways they could assist people with disabilities in a public setting.



Brochures created to support people with hearing impairments

Percentage of UBE Employees with Disabilities (Fiscal year average)



within and outside Yamaguchi Prefecture and from time to time accepts trainees from local schools for disabled children and facilities for the disabled, thereby contributing to local communities.

UBE has been continuously expanding its employment rate for people with disabilities, achieving the related statutory employment rate in fiscal 2006, as in the previous fiscal year.

Furthermore, Libertas Ube has created two brochures explaining the know-how needed to provide support for hearing-impaired employees: one provides information on employment support while the other gives actual examples of how to facilitate their employment. The company distributes copies of these brochures mainly to related organizations and local companies to help increase and secure local employment of people with disabilities.

Employment of the Elderly

In fiscal 2006, the UBE Group introduced a re-employment system for retired workers so that they can pass down their skills and abilities, mainly in the area of human resource development. In addition, targeting employees aged 50 or above, we hold "refresh" training seminars. Participants of these seminars learn how to improve their ability to contribute to the business performance of their respective companies and how to formulate future plans to ensure a truly meaningful life after turning 60.

Leave for Volunteer Activities

UBE employees are able to accumulate leave entitlements for special purposes. In fiscal 2006, this system was expanded to include the use of up to seven days annually for volunteer activities that contribute to society or local communities.

Message from an Employee

Encouraging employees to think and behave independently ...

"UBE has been continually growing through its manufacturing activities under the slogan of mutual prosperity with local communities even before people began to demand vocally that companies contribute to local communities. UBE's growth has been supported by employees, and the Company aims to develop them into 'human assets,' not only for its production activities but also as part of its social contribution activities.

For employees to adapt to social changes and diversification and contribute to society, they must be able to think and behave on their own initiative. Accordingly, UBE is committed to developing highly professional human assets who have business knowledge as well as the ability to think and behave independently."



Hiroyuki Iwamoto

Human Resources Group, Human Resources Department, General Affairs & Human Resources Office

Initiatives to Safeguard Employees' Health and Safety

Supporting Employees to Safeguard Their Health Independently

For employees to live up to their potential at work, it is essential they look after their physical and mental health. Accordingly, we are implementing measures to assist employees to live a healthy lifestyle. This includes the provision of health checkups and tips for healthy living.

Developing a Comfortable Workplace

Meet and Greet Campaign

Since fiscal 2004, the UBE Group has implemented this campaign to encourage employees to exchange words of greeting and encouragement as a way to promote better communications at their workplaces. In fiscal 2006, we held a *senryu* (a type of haiku) contest as part of the campaign and this received a good response. The gold prize was awarded to the following *senryu*: "*Hitokoe-o Kakete Fukuramu Shinraido*" (meaning words of greeting and encouragement will help strengthen the relations of trust among employees).

Segregation of Smoking Areas and Encouragement of No Smoking

By 2006, UBE acquired the smoker segregation level certification introduced by Yamaguchi Prefecture or equivalent certification at all of its sites. At the Sakai Factory, a group of employees conducted a campaign to encourage smokers to stop smoking by attending a non-smoking course for smokers held at the factory.



Employees take part in the anti-smoking campaign

Prevention of Overwork

To protect employees' physical and mental health, UBE has set criteria stricter than the regulatory standards regarding interviews of employees who work overtime by industrial doctors and nurses.

Message from an Employee

To live and work vigorously ...

"Some of UBE's employees will continue to work until they turn 65, and we at the Health Care & Support Center help employees proactively safeguard their own health by administering health checkups and providing follow-up advice as well as education and other health tips on physical and mental health. For those who have chronic health problems, we keep in touch with them by asking questions about their health conditions. To those who are too busy to visit the Center, we give consultations via e-mail and phone. Information on how to go about setting up such consultations is available on the Center's Web site. Through these measures, we hope to ensure that employees can lead healthy and fulfilling lives."



Akemi Sasagawa
Health nurse, Health Management Office,
Health Care & Support Center

Measures against Lifestyle Diseases

The "One-Month Challenge"

To help employees recognize the fact that the improvement of their lifestyles will result in improved test results in their health checkups, UBE encourages them to begin measures to improve their lifestyles one month before their periodical health checkups. In fiscal 2006, which was the second year of the "One-Month Challenge" campaign, a greater number of employees (500 employees) than the previous year participated in the campaign and thus improved their test results.

Walking Rally

All UBE Group employees are encouraged to participate in the Group's walking rally program, in which they decide the number of steps they will walk everyday and continue to attain the decided daily objective for a six-month period. In fiscal 2006, 1200 employees, more than twice the number of the previous year, participated in the program and 90% of them completed the six-month program. Those who attained excellent results were awarded with a Certificate of Commendation.



Certificate of Commendation

Measures to Improve Dietary Habits

In order to raise employee awareness on the importance of good dietary habits and decrease the risk of lifestyle diseases caused by nutritional imbalances, UBE encourages its employees to improve their dietary habits. Specifically, the Company's health management staff, all of who are nationally registered dietitians, lead activities to improve meals provided at Company dormitories and canteens throughout the Ube district. As a result of these efforts, the number of employees who eat breakfast at the dormitories has increased by slightly more than 30%.

Measures to Safeguard Mental Health

Targeting the directors, managers, and general employees of UBE, mental health training seminars have been held since 2003, attracting the participation of a majority of employees. In 2006, we focused our efforts on mental health training for new managers and employees, employee interviews by industrial health nurses and the provision of health advice by industrial doctors and nurses.



A health professional conducts an interview with an employee who lives away from his family due to work.

Measures against Earthquakes

It is said that the Tokai, Tonankai, and Nankai regions are at risk of being hit by a large earthquake. In Japan, earthquakes have frequently taken place even in areas which had been believed largely free of any danger of earthquakes.

UBE resumed the activities of its Group Earthquake Countermeasures Committee in fiscal 2006 to minimize the damage and continue or promptly restart its corporate activities in the event of a major earthquake.

Furthermore, in fiscal 2006, UBE reviewed and revised its earthquake response manuals at each of its sites. In the event of an emergency, it is necessary to confirm the safety of employees and their families in a prompt manner. As commonly used communication methods would likely suffer too, we therefore introduced a special safety confirmation system at our Tokyo Head Office and Nagoya Branch, both of which are located in densely populated areas and also harbor a high risk of earthquakes. We plan to introduce this system sequentially to other sites as well.

Should an earthquake occur, accidents might take place due to falling furniture and in order to prevent such occurrences, each site has implemented measures to stabilize furniture and other office equipment.

Measures against Asbestos

In the past, UBE Group used asbestos in some of its construction material products, including in insulating and packing materials for its factories and brake linings of its mechanical equipment.

As discovered in the course of surveys into the issue, some former employees who were dealing with asbestos-related products have suffered health problems caused by the substance. We fully support these employees in filing applications for workers' compensation. In addition, we ask all employees and former employees who once dealt with asbestos-related products to undergo relevant health checkups.

We also conducted inspections on existing buildings and equipment to check for asbestos and removed or enclosed asbestos with a high risk of dispersal. We have been continuously removing or replacing asbestos at risk of becoming airborne in the future according to predetermined plans.

The UBE Group will continue to update information related to asbestos and will sincerely respond to employees, former employees, and other related individuals regarding asbestos-related health concerns.

Ube Industries Health Insurance Union

The Union provides insurance benefits, including cash for medical expenses, to UBE Group employees in the event they fall ill, become injured during off-duty hours, or become new parents. In cooperation with the Company, the Union also conducts illness prevention and health promotion activities to help employees (the insured) and their families (dependents of the employees) maintain and promote their own health and welfare.

Major health activities conducted in fiscal 2006

- Publication of an in-house magazine, *U.B.E. Kenpo*
- Establishment of a Web site for employees
- Programs to prevent lifestyle diseases
- Measures to prevent tooth cavities and gum disease
- Lectures on health
- Leasing of video programs providing useful information on good health and long-term nursing care
- Visits to households and follow-up advice following health checkups by nurses
- Financial support to those undergoing complete medical checkups or medical checkups of the brain
- Support for health checkups and vaccination against influenza
- Provision of household medicines (fee-based)
- Support for health promotion activities, such as athletic meetings
- Direct/indirect management of recreation facilities, including the direct management of a seaside lodge in Hakarigahama, Ube City
- Management of a "Kenpo UBE," a health facility in Hamacho, Ube City
- Management of an athletic facility

Message from an Employee

Implementing measures against earthquakes ...

"It has long been said that the Tokai, Tonankai, and Nankai regions could be hit by a major earthquake at any time. Large earthquakes are one of the biggest risks companies face. To minimize damage that might be caused by earthquakes, the Nagoya Branch periodically reviews and revises its disaster response manuals, utilizes the safety confirmation system introduced to the branch, collaborates with the disaster prevention center of the building in which the branch is located, and actively participates in evacuation drills, thereby raising the disaster awareness of all branch employees. In addition, the Nagoya Branch is promoting disaster countermeasures in close cooperation with local communities as a member of the liaison meeting of companies established for disaster management within the Chubu Economic Federation."



Mayumi Ito
General Affairs Section, Nagoya Branch

Social Contribution Activities in Japan

Promoting Mutual Understanding through Communication with Local Communities

The UBE Group promotes mutual understanding with local communities at its sites in and outside Japan by participating in various local events and providing support for local cultural and sports activities.

Facility Tours

The UBE Group factories and research institutes regularly welcome stakeholders to their facilities, including students from local schools and members of various organizations.

In fiscal 2006, the number of people participating in tours to UBE Group factories in the Ube district reached as many as 4,650. This included students from elementary, junior and senior high schools and universities, visitors from overseas, and representatives of governmental agencies and nonprofit organizations. The factories also run annual open days for the families of employees, and these have proved highly popular as a way for employees to introduce their working lives to their families.



Local residents during a tour of an UBE Group factory

Voluntary Tree and Flower Planting Activities

In December 2006, employees of the UBE Group and their families participated in the second round of a Yamaguchi prefectural program to create a riverhead forest in cooperation with local companies. (UBE employees also participated in the first round held the previous year.) Participants thinned and trimmed cypress trees to maintain the water retention capabilities of the forest, which is located near the source of the Kotogawa river, which is the source of local tap water and industrial water.

Meanwhile, employees voluntarily plant flowers within the premises of UBE Group sites as a beautification measure. Of special note, the Ube Chemical Factory participated in a flower bed contest held by Ube City and won a prize for excellence in the corporate sector.



Second round of the program to create a riverhead forest



Employees take pride in beautification efforts at an UBE Group site

Chemistry Experiment Event for Children

Every year, UBE invites school children to attend chemistry experiment programs during their summer vacations. The purpose of such activities is to help children experience the fascinating world of chemistry by providing them with easy-to-understand explanations of UBE's advanced technologies.

In fiscal 2006, the Research & Development Department of the Specialty Chemicals & Products Company invited children to the 18th Summer Holiday Junior Science Class, in which children participated in an experiment to generate nitrogen gas from plastic. In addition, the Organic Specialty Materials Research Laboratory and the Polyimide Business Unit held the Dream/Chemistry-21 Children's Summer Holiday Chemistry Experiment Show, attracting a great number of children who enjoyed creating their own original bookmarks using high-performance plastics.



Dream/Chemistry-21 Children's Summer Holiday Chemistry Experiment Show



18th Summer Holiday Junior Science Class

Participation in Local Events

UBE Group sites hold and participate in various local events to promote harmony with local communities. For example, the Ube Chemical Factory held a summer festival named "Chemical Summer Festival," inviting local residents to join in the fun.



Chemical Summer Festival

Events Held in Fiscal 2006

June	32nd Goi Rinkai Festival (Chiba Petrochemical Factory)
July	Chemical Summer Festival (Ube Chemical Factory)
August	18th Ammonite Festival (Isa Cement Factory)
October	Yamaguchi <i>Ikiiki</i> Eco Fair (UBE sites and Group companies in the Ube district)
November	56th Ube festival (UBE sites and Group companies in the Ube district) 21st National Cultural Festival in Yamaguchi 2006 (Voluntary employees) Cultural festival held by the Ube Cement Factory
December	Countdown event held in Ube City, featuring outdoor displays of sculptures lit up with LED lamps (Ube Corporate Service Department)

The UBE Foundation

The UBE Foundation was established in 1959 as the Watanabe Memorial Science Foundation at the bequest of the late Takaji Watanabe, the founding Chairman of Ube. The Watanabe Memorial Science Foundation was renamed the UBE Foundation in 1998 as part of celebrations to mark the 100th anniversary of the Company. The Foundation aims to promote academic research activities and improve research facilities in Japan, thereby assisting academic researchers in their activities and contributing to the further development of academic culture.

The Foundation has been awarding research grants on an annual basis, and in fiscal 2006, the 47th round of UBE Foundation Grants were bestowed on five researchers (see right table).

Watanabe Memorial Culture Association

Established in 1936 at the bequest of the late Yusaku Watanabe, the founder of Ube, and funded by his private money, the Watanabe Memorial Culture Association supports cultural and art-related activities such as cultural lectures for Ube citizens and concerts held at the Watanabe Memorial Hall in Ube City.

In February 2006, the Association donated approximately 2,000 books (Watanabe Memorial Book Collection) to the Ube City Library to celebrate the 70th anniversary of the Association.

In addition, the Association donates money to the Watanabe Memorial Culture Association Picture Book Collection, a program to lend picture books to local kindergartens and childcare centers established within the Ube City Library in 2005. The Association will continue to make donations to both the Watanabe Memorial Book Collection and the Picture Book Collection.

Other Local Contribution Activities

UBE Group sites conduct various local contribution activities such as local cleanups and blood donation campaigns.

In March 2007, the UBE Group advocated and made a donation to a tree planting project implemented by Ube City, in which



An UBE Group representative hands over a donation for Ube City's planting project (photo courtesy of Ubenippo Shimibun)

Group employees will cooperate with volunteers in growing and planting flower alongside local trunk roads to create "flower corridors."

UBE Foundation Grant Recipients

Name	Position held	Research theme
Toshiaki Yujiri	Lecturer at Yamaguchi University Hospital	Analysis of unfolded protein response in hematopoietic malignancies
Setsuo Yamamoto	Professor at Yamaguchi University's Graduate School of Science and Engineering	Research on ceramics integration technology for controlling microwave transmission
Yoshiaki Nishibayashi	Associate Professor at University of Tokyo's School of Engineering	Design, synthesis, and use of the special reaction field constructed with multinuclear complexes
Shigeru Takata	Associate Professor at Kyoto University's Graduate School of Engineering	Mathematical study of gas flow expanding into the vacuum at the velocity of sound

Recipient of the Watanabe Memorial Special Grant

Name	Position held	Research theme
Li Tao Sheng	Assistant Professor at Yamaguchi University's Graduate School of Medicine	Elucidation of tumor growth following chemotherapy focusing on vascular endothelial progenitor cells and the establishment of a new cancer therapy strategy

Ube Industries Central Hospital

With a history extending over 50 years, Ube Industries Central Hospital provides local citizens with highly advanced emergency medical care for acute diseases 24 hours a day. The hospital's medical checkup center and long-term care ward also respond to local needs for health management and for the treatment of chronic diseases, as a core health facility in the area. In addition, it holds a range of health seminars and courses, in which experts answer questions raised by participants in an easy-to-understand manner. These events are proving popular among citizens, young and old alike.



Course on diabetes held at Ube Industries Central Hospital

Community health-related events held at Ube Industries Central Hospital

- Course on diabetes
- Course on hypertension
- Consultation on home care, nursing care, and medical care
- Consultation on nutrition
- Consultation on child-raising
- Outpatient therapy for breast-feeding mothers (charge applies)

Social Contribution Activities Overseas

Activities in Thailand

The UBE Group has three bases in Thailand: Thai Caprolactam Public Co., Ltd, Ube Nylon (Thailand), Ltd., and Thai Synthetic Rubbers Co., Ltd. These companies are promoting communication with local residents through multiple activities, based on the idea that the UBE Group is a part of the community.

Organization of a One-Day Summer Program

In April 2006, the UBE Group companies held a one-day summer program for 8- to 12-year-old children living near UBE factories. UBE Group employees and local university students participated as instructors in the camp, which was held during the summer vacation just prior to the start of the new semester.



Participants in the one-day summer program

Organization of a Youth Camp

In October 2006, in cooperation with the Royal Thai Navy, UBE Group companies held an overnight camp for 13- to 16-year-olds living near UBE factories with the aim of preventing drug abuse, helping them appropriately understand HIV/AIDS, and educating them about appropriate social lifestyles.



Participants in the youth camp have fun playing a teambuilding game

Organization of Football Tournament "PLUKKED-UBE CUP 5"

The UBE Group companies hosted a month-long football tournament named "PLUKKED-UBE CUP 5" from October 2006. Eighty-four teams participated in the competition, including three teams of the UBE Group.

Organization of a Charity Golf Tournament

In November 2006, the UBE Group companies held a charity golf tournament and made donations to Rayong Province for use as scholarships for children. Donations were also made to local universities to support their educational activities.

Activities in Spain

In Spain, there are three UBE Group companies: Ube Corporation Europe, S.A., UBE Chemical Europe, S.A., and Ube Engineering Plastics, S.A. They are located in Castellon in the eastern part of the country. These three companies jointly provide continuous support to the Red Cross and several nongovernmental organizations engaged in social welfare activities and also to local festivals and memorial events.

Support to the Magdalena Festival

In March 2006, as in the previous year, the three companies gave support to a pop music concert held as part of the Magdalena Festival, which is an annual festival in Castellon.



Pop music concert

Short-Term Course for Chemistry Teachers

In March 2006, in association with Tarragona University, UBE held a short-term course for chemistry teachers from schools in Castellon.

Support for Chemistry, Physics, and Mathematics Competitions

In May 2006, UBE provided support for chemistry, physics and mathematics competitions targeting senior high school students in Castellon as well as for the cultural activities of some local senior high schools. UBE also provided selected local senior high school students with practical training for maintenance engineering.



Participants in the chemistry competition

Support for Sports Activities

UBE actively participates in local sports activities. During the Christmas season, it jointly opened a seasonal ice skating rink with the city of Castellon and other local companies.

UBE also provides support to a range of local sports teams and clubs, including the football team Playas de Castellon, volleyball team L'Il·la-Grau, and a track club called Costa de Azahar.



Members of Playas de Castellon



Skating rink in the city of Castellon

Activities in Canada

Local Promotion in the City of Sarnia

UBE Automotive North America Sarnia Plant, Inc., which is UBE's production base for aluminum wheels in Canada, is engaged in a variety of activities as a member of the local Chemical Valley Emergency Coordinating Organization.

The organization, comprising those in charge of disaster management for the city of Sarnia and local industries, formulates emergency plans to minimize any potential risks that might cause harm to local communities.

The UBE Automotive North America Sarnia Plant and its team members provide financial support to local charity programs, including United Way, thereby assisting orphans and people with physical and mental disabilities living in the city.

When the company was established in the city of Sarnia in 2000, local residents welcomed and gave support to the company as the first Japanese-based company to set up business operations in the city. Now six years on, it is even more committed to the protection of the local community and its environment. Specifically, the company is implementing measures to prevent pollution and use and manage natural resources in an appropriate manner, while focusing on the ongoing improvement of its business operations.



Donation to a charity program



Street named after UBE located in the city of Sarnia

Message from an Employee

Establishing factories loved by local communities ...

"The UBE Group's three factories in Thailand are all located in an industrial area in which IRPC (former TPI), one of the leading petrochemical companies in Thailand, is also located. There are many residences, temples and schools in the vicinity and so we deal with environmental problems as one of our most important challenges.

Recognizing the importance of building good relations and promoting close communications with local communities to deepen mutual understanding, the factories are engaged in a range of social contribution activities as described above.

We launched Responsible Care (RC) activities as a pioneer in Thailand and since 2006 have been examining measures to reduce the emissions of greenhouse gases."



Yoichi Nishida

Senior Executive Vice President
Thai Caprolactam Public Co., Ltd.



Environment

“Flower Growing Campaign
at Ube Chemical Factory”
Providing color all through the year

Protecting the Environment and Ensuring Safety

In this report, “environment” is used as a generic term for “responsible care (RC)” activities (see page 9). UBE Group has been carrying out RC activities not just in the Chemical segment, but also in the Cement & Construction Materials segment, Machinery & Metal Products segment and the Energy & Environment Division. In this manner, RC activities are being developed throughout the entire Group and across all business fields.

Environmental Management	28
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Environmental Management

Top-Down Management to Promote RC Activities

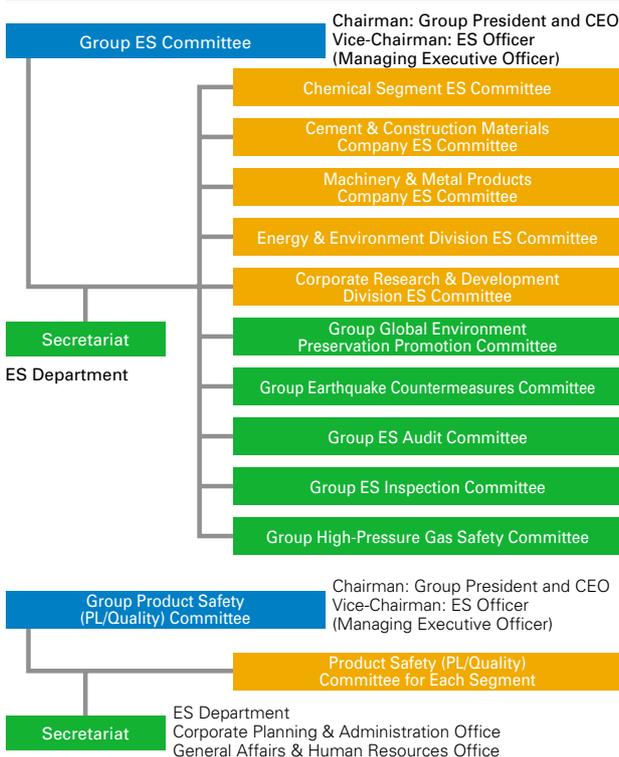
The Ube Group regards environmental preservation and assurance of safety and health as important themes of its business activities, and has adopted a top-down management approach to determine and review its policies and measures.

Environment and Safety Principles

The UBE Group has established the Group Environmental Safety Committee, which consists of members of the Group Strategic Management Committee and is chaired by the CEO, as the supreme decision-making organizational unit to promote "Environment and Safety Principles." The committee determines the Group-level policies and measures relating to the environment, safety and health. The Group Product Safety (PL/quality) Committee determines and reviews the policies related to "product safety."

The Group Environmental Safety Committee and the Group Product Safety (PL/Quality) Committee have subcommittees for segments involved in promoting environmental safety and product safety measures in their business fields, according to the policies and measures determined by the Group committees. The Group Environmental Safety Committee comprises individual subcommittees with responsibility for five specific areas besides the segment subcommittees, namely: promotion of global environmental preservation, earthquake countermeasures, auditing, inspections, and high-pressure gas safety. These committees discuss and review concrete action plans and prepare various related reports.

Organization of Group Environment and Safety (ES) Committee



Environmental and Safety Principles

Revised in July 2005

As members of society, corporations must be fully conscious of their responsibilities regarding their contributions to society, environmental preservation and the maintenance of health and safety in performing their corporate activities.

As the core company in managing the consolidated UBE Group, UBE shall pursue the following vision in order to perform its leadership role, and shall work to improve the quality of the environment and safety among all of its Group companies through publication of performance reports and dialogue with society.

- Operational Safety: Ensuring operational safety shall be the priority in all areas and activities under UBE's commitment to respect human life.
- Process Safety: UBE shall regard maintenance of process safety as part of its basic mission as a manufacturer.
- Environmental Preservation: As a responsible corporate citizen, UBE shall act positively to protect and improve both community and regional conditions and work for the preservation of the global environment.
- Product Safety: UBE Group shall pursue its corporate responsibility in providing its customers and the public with safe and reliable products.
- Health Management: UBE recognizes that maintaining and promoting the health of its employees is the basis of corporate and social vitality.

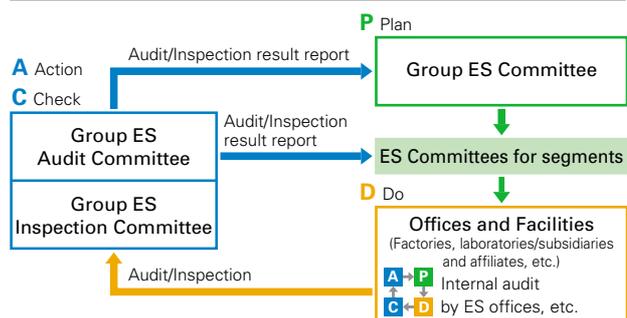
President & Representative Director, and Group CEO
Ube Industries, Ltd. Hiroaki Tamura

Responsible Care Management System

A Plan-Do-Check-Action (PDCA) management cycle has been developed to promote continuous improvements (spiral-up).

Segment Environment and Safety Committees draw up specific plans based on policies determined by the UBE Group Environment and Safety Committee. These plans form the basis for measures implemented by individual offices or facilities. Each office or facility undergoes annual environment and safety audits, while UBE Group companies are audited every two years. Environment and safety inspections are also conducted by senior management. Audits and inspections may result in the issuance of directives requiring remedial action. Findings are reported to the Group Environment and Safety Committee and the segment Environment and Safety Committees.

PDCA Management Cycle



Environmental Management

Outline of RC Activities

The UBE Group establishes targets and plans each year to promote RC activities in line with its Responsible Care Code.

At the end of each fiscal year, the Group conducts a self-evaluation, the results of which are reflected in RC activities in the subsequent fiscal year. In this manner, the Group makes continuous efforts to improve its RC activities.

Responsible Care Code	Targets for Fiscal 2006	Planning and Policy in Fiscal 2006	
Common Items	<ul style="list-style-type: none"> ● Medium-Term RC policy (Fiscal 2004-2006) "Practical Introduction of Environment-Focused Management" ● RC Medium-Term targets (Fiscal 2004-2006) "Promoting improvement of a sustainable environment, safety and health" 	Safety and health: Obtain OSHMS certification at all sites and enhance communication in the workplace Health management: Create a comfortable workplace and improve health measures for employees Process safety and disaster prevention: Achieve strict facility management and enhance measures against earthquakes Environmental preservation: Promote preventive measures for global warming and eradicate environment-related complaints Product safety: Reinforce systems relating to EU regulations for registration, evaluation, and authorization of chemicals (REACH)	
Management Systems		1. Promote compliance activities 2. Improve high-pressure gas safety promotion systems 3. Develop and revise of rules and standards 4. Provide corporate accident data on internal intranet 5. Continue/implement environmental and safety audits in Japan and overseas 6. Introduce quality and product safety audits	
Environmental Preservation	<ul style="list-style-type: none"> ● Reduce output of substances that negatively impact the environment 	1. Promote global warming prevention measures 2. Further improve Group's environmental performance 3. Reduce environmental complaints	
Process Safety and Disaster Prevention	<ul style="list-style-type: none"> ● Eliminate facility accidents 	1. Thorough facility management 2. Establish Group Earthquake Countermeasures Committee	
Occupational Safety and Health	<ul style="list-style-type: none"> ● Reduce industrial accidents 	Health management: 1. Develop comfortable working environments Safety and health: 1. Pursue OSHMS certification 2. Confirm suppliers' safety management systems and safety activities; provide guidance 3. Improve safety assurance by making the most of expert knowledge 4. Enhance communication in the workplace	
Distribution Safety	<ul style="list-style-type: none"> ● Continued revision of "container yellow cards" linking to GHS labels 	1. Continued revision of container yellow cards 2. Regional distribution council meetings 3. Measures to prevent distribution-related complaints and improve distribution quality	
Chemicals and Product Safety	<ul style="list-style-type: none"> ● Improve chemical safety management and preclude quality-related complaints 	1. Reinforce response to EU chemical regulations 2. Prepare GHS-ready MSDS and labels 3. Introduce and implement quality and product safety audits 4. Promote chemical product safety evaluation (JAPAN Challenge Program) 5. Improve external publication of MSDS 6. Promote chemical safety management	
Dialogue with Communities	1. Promote dialogue with communities 2. Information disclosure and improvement of transparency	1. Continue implementation of RC dialogue 2. Fulfill of CSR Report	



Achieved



Largely achieved



Yet to be achieved

Fiscal 2006 Activity Report		Evaluation	Pages Included
Priority items were generally implemented and completed according to the plan. (Details were described in each section.)			
● Improvement of content of CSR Report			2
● Continued implementation of RC regional dialogue and RC dialogue meetings			9, 10
● Establishment of new medium-term voluntary reduction targets (global warming prevention measures, reduction of chemical substance emissions, reduction of waste disposal)			33, 35, 38
● Reception of inspections of RC verification (Process Safety and Disaster Prevention Code and Distribution Safety Code) by the Japan Responsible Care Council (JRCC)			
● Organization of REACH Internal Coordinating Committee			
1. Implementation of (inaugural) e-learning basic compliance training and compliance audit.			17
2. Operations of Sakai Factory and Nishioki Factory enforce the new rule and acquire the new certification. Implementation of audit of operations of Chiba Factory, which was managed under the previous rule as well as provision of support.			50
3. Revision/establishment of five regulations in line with the introduction of quality/product safety audits.			40
4. Addition and expansion of occupational accident information. Information on safety of chemical products increased to expand/enhance links to external information.			40
5. Implementation of environment and safety audits at 10 sites and seven Group companies in Japan and at seven sites in four countries overseas.			43
6. Introduction and implementation of quality/product safety audits.			40
1-1. Achievement of reduction of 2006 CO ₂ emission by UBE Group by about 10% compared with the 1990 level.			33
1-2. Establishment of new medium-term voluntary reduction target (2007-2009) and enhancement of CO ₂ reduction target (compared with the 1990 level) from the previous minus 6% to minus 12%.			33
1-3. Establishment of new medium-term voluntary reduction target (2007-2009) and determination of new reduction targets for greenhouse gases other than CO ₂ (100,000 tons/year, CO ₂ equivalent).			33
1-4. Organization of distribution working group as a support organization of the "Group Global Environment Preservation Promotion Committee." In the two meetings held in fiscal 2006, measures to cope with the revised Rationalization in Energy Use Law (by shippers) were discussed.			34
2-1. Establishment of new medium-term voluntary reduction target (2007-2009) and set reduction targets for voluntarily selected chemical substance emissions and final waste disposal by external sectors at minus 60% (compared with the 2000 level).			38
2-2. Appropriate management and operation of Nishioki and Nagasawa Disposal sites.			
3-1. Notification of odor-related complaints and confirmation of correlation utilizing the odor monitoring system.			10
1-1. Check conditions of implementation of full inspections of facilities at the time of the environmental safety audit.			42
2-1. Two meetings of Group Earthquake Countermeasures Committee held.			22
2-2. Promotion of integrated earthquake countermeasures at all UBE offices and facilities. (Reorganization of the manual, introduction of measures to prevent falling fixtures and furniture).			22
2-3. Preparation of earthquake countermeasure manual relating to UBE Head Office.			22
2-4. Checking of earthquake protection of equipment at UBE facilities.			
1. "Sawayaka koekake undo" campaign for total security vigilance and calling for submission for <i>senryu</i> (a type of poem).			21
2. Completion of acquisition of certification for smoking area separation levels in all the offices and facilities in Yamaguchi Prefecture. Implementation of anti-smoking program campaign at Sakai Factory.			21
3. Promotion of activities to safeguard mental health leading to reduction of sick days.			21
1-1. Acquisition of related certification at 25 offices. Completion of inspection for the certification at one office. Completed in all UBE offices and facilities.			50
1-2. Implementation of internal auditor training seminar.			19
2. Enhancement of the roles of the safety committees in respective offices and provision of guidance for affiliate companies.			41
3. Invitation of external consultant and establishment of special lecture meeting of OHSAS focusing on risk assessment.			41
4. Implementation of environmental safety audit focusing on the themes shown on the left, promotion of office/facility based activities and reporting of the results.			43
1. Completion of the procedures for the substances subjected to the Industrial Safety and Health Law.			
2. Regular meetings of regional distribution councils held.			
3. Measures taken to prevent distribution-related complaints and enhance distribution quality.			
1. Responding to the RoHS directive: Retrieval of insufficient items through quality audits. Organization of REACH Internal coordinating committee and determination of operating procedures and assignment of roles for preliminary enrollment.			40
2. Establishment of UBE Standards and introduction of educational programs within internal facilities. Actions taken to revise labels requiring an urgent response and revision were completed within the specified period.			40
3. Improvement of audit standards and completion of audits according to the schedule.			40
4. Achievement of expected progress.			40
5. Revision of all the MSDS for external publication into the GHS type.			40
6. Implementation in a smooth manner and revision of four standards.			40
1-1. Fourth Ube/Onoda Community RC Dialogue Meeting held on February 3, 2007.			9, 10
1-2. Participation in Chiba Community RC Dialogue Meeting on February 2, 2007.			9
2-1. Publication of "2006 CSR Report" (Japanese version, English version)			
2-2. Reception of inspections in regard to the "Process Safety and Disaster Prevention Code (Nishioki Factory)" and the "Distribution Safety Code (Sakai Factory)."			
2-3. Organization of internal meetings to explain CSR Report" (Chiba, Tokyo, Sakai and Ube).			

Environmental Accounting

Since fiscal 1999, UBE Group has introduced environmental accounting as a tool for quantitatively understanding and evaluating the costs and effects of environmental preservation in Group business activities and promoting more efficient sustained environmental preservation.

The results for fiscal 2006 are as shown in the following tables.

Environmental Preservation Costs

Capital investment increased by ¥520 million compared with the fiscal 2005 level to ¥3,350 million. The main reason behind the increase was investment in a power generation facility that converts biomass into the fuel.

Costs increased by ¥140 million over fiscal 2005 to ¥9,140

million chiefly due to an increase in resource recycling costs as a direct result of a rise in waste recycling and waste disposal costs. This was in spite of a reduction in pollution prevention costs equivalent to PCB treatment costs in fiscal 2005.

Economic Effect

The income effect amounted to ¥550 million. This figure includes proceeds from the sale of marketable waste.

The saving effect was ¥6,400 million. Contributing factors included resource recycling and efforts to promote energy conservation.

Environmental Preservation Cost

(Unit: ¥100 million)

Category	Main Activity	Capital Investment			Cost		
		FY2005	FY2006	Difference	FY2005	FY2006	Difference
Cost by business area	Pollution prevention	9.9	8.1	-1.8	53.3	49.8	-3.5
	Global environment preservation	4.4	5.7	1.3	1.9	1.9	0.0
	Resource recycling	13.7	18.9	5.2	16.3	20.4	4.1
Upstream/downstream costs	Costs of container/packaging recycling, green purchasing	0.0	0.0	0.0	6.7	6.4	-0.3
Costs of management activities	Costs of acquiring, running and maintaining environmental management systems	0.1	0.0	-0.1	4.4	4.4	0.0
Research and development costs	R & D costs of environment-friendly products and technologies	0.0	0.7	0.7	2.0	3.3	1.3
Costs of social activities	Costs of greening and beautifying offices/facilities and their surroundings	0.2	0.1	-0.1	2.6	2.5	-0.1
Costs of cleaning up environmental damage	Payment of environment-related levy	0.0	0.0	0.0	2.8	2.7	-0.1
Total		28.3	33.5	5.2	90.0	91.4	1.4

Economic Effect

(Unit: ¥100 million)

Category	Main Activity	FY2005	FY2006	Difference
Income effect	Revenues from acceptance of industrial waste*	1.5	5.5	4.0
	Proceeds from sales of marketable waste products	(77.2)	(93.2)	(16.0)
Saving effect	Savings achieved through resource recycling and energy conservation	53.3	64.0	10.7

*Sales by resource recycling businesses (revenues from the acceptance of industrial waste as fuel and raw materials for cement production), which were integrated in the business line in fiscal 2005, are excluded. Figures in parentheses represent the total if these are included.

UBE Group Environmental Accounting Method

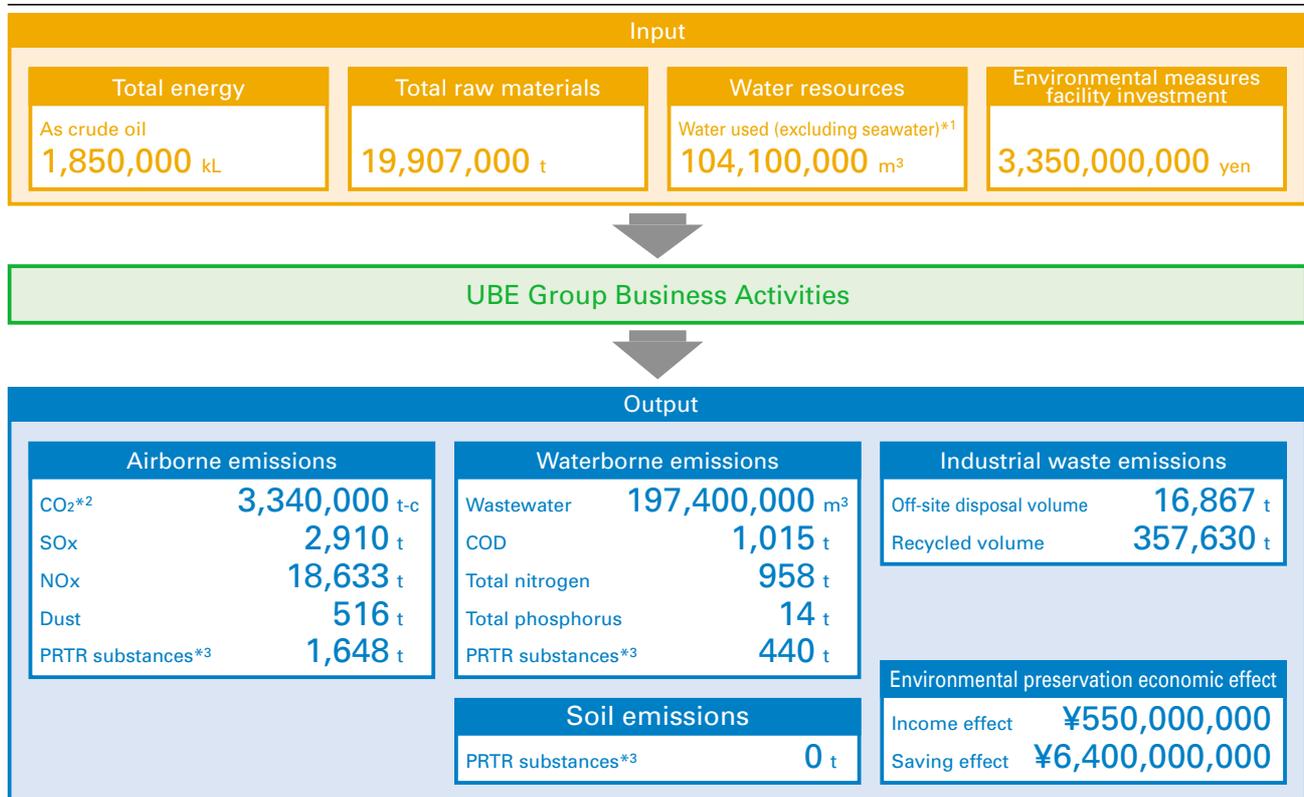
- Companies covered: 11 UBE Group companies (see "Companies covered" on page 2).
- Calculations are based on the "Environmental Accounting Guidelines (FY 2005 version)" of the Ministry of the Environment.
- The economic effect is the effect obtained in fiscal 2006 as a result of environmental protection activities. This is limited to what can be calculated rationally, and excludes hypothetical calculations such as the avoidance of the cost of cleaning up environmental damage.
- Internal transactions within UBE Group are set off and eliminated.

Environmental Performance

UBE Group recognizes that "environmentally oriented business practices" are vital to survive and grow in the 21st century. In order to continuously foster business activities that contribute to

the formation of a recycling-conscious society, such as promotion of measures to prevent global warming, reduction of noxious air pollutants and industrial waste, and effective use of waste and resources, the Group has launched a new medium-term management plan titled "Stage Up 2009." This is set for completion in fiscal 2009.

Overview of UBE Group Environmental Burdens in Fiscal 2006



See "Companies covered" on page 2 for details on the scope of UBE Group performance data.

*1 The difference between the water used and wastewater is because wastewater included seawater.

*2 Indicates total CO₂ emissions

*3 PRTR figures are based on 480 substances designated by the Japan Chemical Industry Association (JCIA). (See page 36 for reference.)

Message from an Employee



We provide accurate environmental accounting information ...

"Environmental accounting information is defined as data that enables an objective judgment of how much effort a company makes to promote environmental measures/preservation among its business activities. There are some items that can not be easily assigned to the environmental cost categories. In this case, we repeatedly discuss the issue with the personnel responsible and make a careful judgment. It is our mission to provide our stakeholders with appropriate and accurate environmental accounting information and appeal our environmental activities. Furthermore, we hope that such information will be utilized as important criteria when evaluating corporate management."

Yosuke Suzuki

Financial Accounting Group, Accounting Department,
Corporate Planning & Administration Office

Measures to Prevent Global Warming

UBE Group Systematically Reduces CO₂ Emissions by Promoting Energy-Saving Activities and Fuel Conversion

The Group systematically reduces CO₂ emissions and, to date, has achieved an approximately 10% reduction over the fiscal 1990 level.

In the future, the Group will make further efforts to achieve even greater reductions in line with the targets stipulated in the new medium-term management plan.

New Medium-term Management Plan (UBE Group Comprehensive Targets)

- 1) CO₂ emissions reduction target to be achieved by introduction of the energy-saving measures, fuel conversion and waste utilization policies in fiscal 2010 set at 12% (compared with the fiscal 1990 level).
- 2) Reduction of emissions of greenhouse gases other than CO₂ of 100,000 tons (CO₂ equivalent) annually by fiscal 2010.
- 3) The above two targets (1, 2) are to be achieved within fiscal 2009, which is earlier than scheduled.

Reduction of CO₂ Emissions

Since fiscal 2001, UBE Group has promoted the reduction of CO₂ emissions and followed up the progress of related efforts under the leadership of the "Group Global Environment Preservation Promotion Committee." In April 2007, the Group established the new medium-term management plan, determining even stricter targets.

In fiscal 2006, the Group continued to reduce CO₂ emissions by utilizing a large variety of alternative fuel including that made from biomass and waste and by controlling cement production. Aiming to improve energy efficiency, the Group makes continuous efforts to achieve the targets stipulated for each industry in the voluntary action program of Nippon Keidanren (Japan Business Federation).

Targets Stipulated in the Voluntary Action Plans of Segments and Industrial Fields

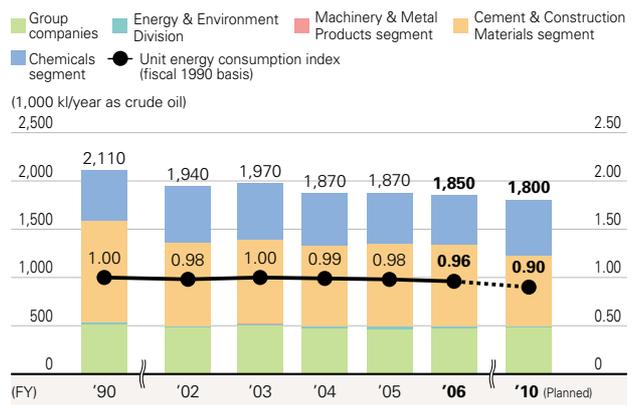
- Target for Chemicals/Japan Chemical Industry Association
10% reduction in Unit Energy Consumption (1990 basis, 2010 Target)
- Target for Cement & Construction Materials/Japan Cement Association
3% reduction in Unit Energy Consumption (1990 basis, 2010 Target)
- Target for Machinery & Metal Products/Japan Industrial Machine Association
1% reduction annually in Unit Energy Consumption (1997 basis, 2010 Target)

*We are also working toward targets formerly set for the Machinery & Material Products segment.

Energy Consumption and Energy Efficiency

Both energy consumption and unit energy consumption gradually decreased due to the implementation of the New Suspension Pre-Heater (NSP)*¹ system for the existing cement kiln, recent utilization of a large variety of energy sources including waste, and reduction in production levels for some products. In fiscal 2006, as a result of continuous introduction of energy-saving measures, unit energy consumption improved.

Energy Consumption and Unit Energy Consumption Index

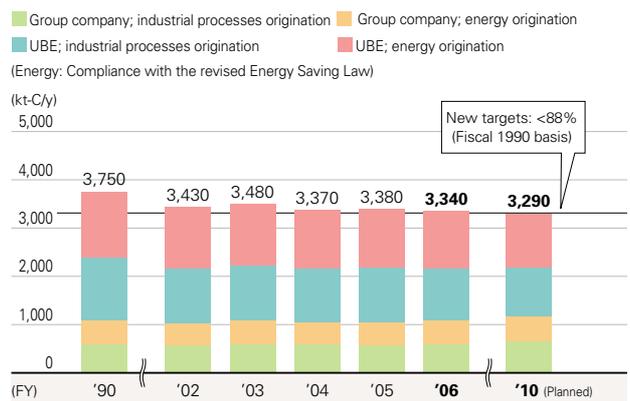


CO₂ Emissions

Along with the decrease in energy consumption, CO₂ emissions were reduced. In fiscal 2006, a reduction of about 10% was achieved (compared with the 1990 level).

UBE Group will continue to target further reductions in CO₂ emissions in its future business activities. These efforts will focus primarily on energy-saving initiatives.

CO₂ Emissions



*Organizational boundaries have been adjusted to reflect the Guidelines for Calculating Greenhouse Gas Emissions by Businesses (Ministry of the Environment, Draft Version 1.6) from fiscal 2004 onward. The Nishioki Factory, Ube Agri-Materials, Ltd., Ems-Ube, Ltd., and Kemira-Ube, Ltd. were excluded, while Ube-Nitto Kasei, Ltd. was newly included.

Glossary

*¹ **New Suspension Pre-Heater (NSP):** Cement kiln system with calcinating furnace pre-heater. Utilizes rotary kiln system with a pre-heater to preheat the raw materials with the air emissions from the rotary kiln system and the calcinating furnace to induce the decarboxylation reaction of raw materials.

Promotion of the Use of Biomass in Factories

In fiscal 2006, the use of wood biomass as a boiler fuel at the Isa Cement factory continued to make a significant contribution to the reduction of CO₂ emissions, with the annual reduction estimated at 59,000 tons of CO₂. Efforts are also continuing at other cement factories, including the use of inverters on electric motors. Since July 2006, about 80,000 tons of biomass fuel have been used annually to replace about 9% of the coal used in a 216 MW pulverized coal thermal power station (IPP). This reduction of coal usage contributes to the reduction of CO₂ emissions by about 100,000 tons annually.

Reducing CO₂ Output through Raw Fuel Conversion

At the Sakai Factory, crude oil was traditionally used as fuel for boilers. Since the end of fiscal 2006, however, the fuel has been converted from crude oil to natural gas. This initiative reduces CO₂ emissions by about 80,000 tons annually.

Because the Sakai Factory is located near the liquefied natural gas (LNG) base of Kansai Electric Power Co., Inc., the conduit is used to supply natural gas to the factory. Prior to this fuel conversion, naphtha, ammonia feedstock, was replaced with natural gas. These initiatives have allowed a shift toward clean natural gas and a remarkable reduction in CO₂ emissions. Accordingly, a reduction of 20% or more in CO₂ emissions (as compared to the 1990 level) is forecast for the Sakai Factory in 2010.

Case Study: Efforts in Relation to Distribution Activities

In fiscal 2006, in line with the revised Energy Saving Law, UBE Group as a designated shipper complied with its obligation to make regular reports. Furthermore, the Group organized the distribution working group within the Global Environment Preservation Promotion Committee. In this manner, the Group made efforts to disseminate the law and exchange information among all UBE Group stakeholders with the Environment & Safety Department in each company designated as the unit responsible. According to an outline for fiscal 2006, the amount of materials transported by the main UBE unit alone reached about 3 billion ton-kilometers. Meanwhile, the members of the distribution working group have vowed to continuously consider how to achieve an improvement in the basic unit.

Energy-Saving at the Tokyo Head Office

For many years, as part of each individual plant's energy conservation program efforts, UBE Group plants have been dedicated to promoting stringent temperature control and systems to ensure that office lights are turned off during lunch breaks. Like the factories, head office divisions are also implementing energy-saving measures. This includes participation in the government's voluntary "Cool Biz" and "Warm Biz" programs since fiscal 2004.

The quantitative effect of the Cool Biz campaign was examined in fiscal 2006 and the results showed that the countermeasures introduced reduced CO₂ emissions by about 2.5 tons per month compared with levels in the summers of 2005 and 2006, both of which recorded similar average monthly temperatures. Regarding the quantitative effects of the Warm Biz campaign, the countermeasures achieved a monthly energy reduction equivalent to about 3.5 t-CO₂, compared with levels in the winters of 2006 and 2007.

New No-Car Campaign

The uniform "no personal-car" campaigns were replaced with a new system that allowed individuals to stipulate their own "no-car days" and participants were each rewarded with a sticker and key chain. The target of the new system is to reduce car use by four one-way trips per month. The new system quantifies the reduction in CO₂ emissions according to the travel distance avoided and the fuel consumption of the vehicle.

In fiscal 2006, UBE Group promoted the no-car campaign and succeeded in reducing CO₂ emissions by about 200 t-CO₂/year. The group is committed to continuing to foster this movement.

No-Car Campaign Results for Fiscal 2006

Rank	Name of facility	CO ₂ reduction volume (kg)	No. of times held	No. of participants
1	Ube Chemical Factory	66,062	45,703	2,750
2	Sakai Factory	59,975	18,405	1,228
3	UBE Head Office	19,315	13,791	817
4	Ube Steel Co., Ltd.	19,232	15,627	538
5	Ube Machinery Corporation	8,350	3,813	131
6	Ube Cement Factory	6,639	4,363	291
7	Chiba Petrochemical Factory	3,650	1,459	107
8	Kanda Cement Factory	3,522	3,389	251
9	Polymer Research Laboratory	3,398	1,029	52
10	Ube Material Industries, Ltd.	1,756	2,572	103
11	Meiwa Kasei Industries, Ltd.	1,662	1,350	52
12	T & U ELECTRONICS CO., LTD.	1,160	1,120	36
13	Ube Agri-Materials, Ltd.	749	1,389	68
14	Isa Cement Factory	664	1,101	67
15	Ube Ammonia Industry, Ltd.	44	19	5
Total		196,178	115,130	6,496

Management of Chemical Substances

UBE Group Manages Toxic Chemical Substances Appropriately and Makes Voluntary Efforts to Reduce Their Emissions

The UBE Group manages the transfer and emission of chemical substances appropriately and engages actively in the prevention of environmental contamination.

The Group established the new medium-term management plan, in which it clearly explains targets toward the reduction of emissions of voluntarily selected toxic substances.

New Medium-term Management Plan (Reduction of emissions of chemical substances)

The total emissions of 12 voluntarily selected chemical substances are to be reduced by 60% in fiscal 2009, compared with the 2000 level.

Targeted chemical substances: Ammonia, caprolactam, xylene, vinyl acetate, cyclohexane, dichloromethane, toluene, 1,3-butadiene, butyl alcohol, n-hexane, benzene, methyl alcohol
 Rationale: Among the harmful air pollutants and the substances subject to the PRTR, whose emissions have been strictly controlled by the Group, and the new volatile organic compounds (VOCs)*1, those emitted in large quantity but not included in the abovementioned groups have been selected.

Controlling Noxious Air Pollutants

In consideration of their usage volumes and potential harm, the chemical industry designated 12 harmful air pollutants among a number of harmful air pollutants as subject to voluntary management.

UBE Group uses six of the 12 substances, namely: benzene,



Deodorization equipment

Message from an Employee

Online monitoring of environmental information ...

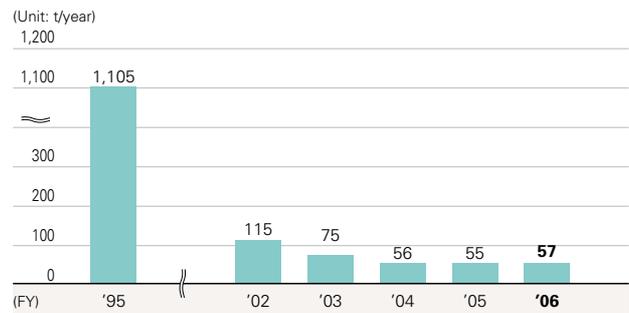
"At the Chiba Petrochemical Factory, an online system which allows the operators to constantly monitor the conditions of plant operation and information about wastewater analysis has been established. Consequently, the operators check wastewater for abnormalities in real time and appropriate measures can then be taken to cope with the conditions of plant operation. This enables minimization of the influence on the environment outside the factory. Moreover, we analyze such information and continuously maintain the environment in a good state by doing our best to establish operational conditions under which the environmental burden can be reduced."



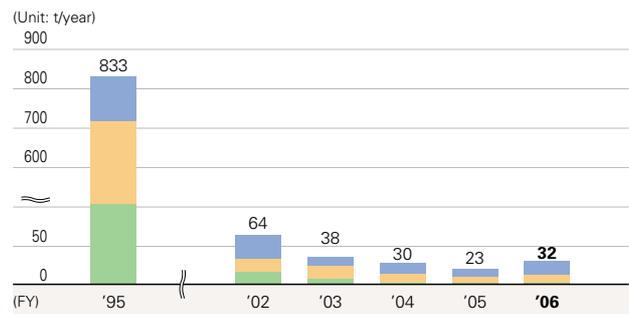
Yasuyuki Hirayama
 Environment Team, Environment Safety & Quality Assurance Group, Chiba Petrochemical Factory

butadiene, acrylonitrile (raw materials for synthesis); benzene, 1,2-dichloroethane, chloroform, dichloromethane (solvents). The Group reduced their emissions by 95% in total compared with 1995 levels and is committed to carrying out further efforts to control their emissions. Regarding benzene and butadiene, which are suspected to be particularly harmful, the Group promoted drastic reduction of their emissions and achieved reductions of 96% and 89% respectively compared with 1995.

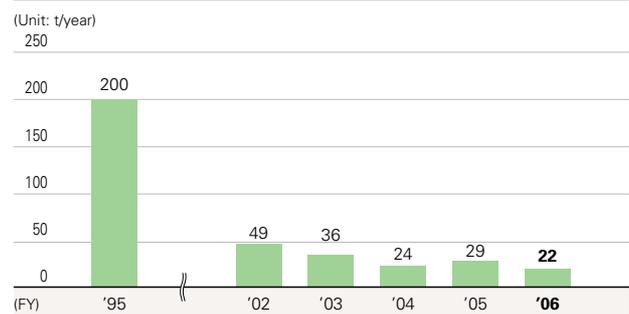
Total emissions of six substances



Benzene emissions



1,3-butadiene emissions



Legend: ■ Chiba Petrochemical Factory ■ Sakai Factory ■ Ube Chemical Factory ■ Three factories

Glossary

*1 Volatile Organic Compound (VOC): General term for the organic compounds that are volatile and take the form of gas in the air. VOC is regarded as a substance that forms suspended particulate matter and photochemical oxidant. The Japanese Government plans to reduce VOCs by 30% by fiscal 2010 compared with the 2000 level.

Pollutant Release and Transfer Register (PRTR)

Recognizing the importance of chemical management, the UBE Group constantly takes measures within the course of management to reduce the discharge of chemical substances from its facilities into the environment.

In addition to the 354 substances designated under the PRTR law, the chemical industry controls a total of 480 substances, which have been added voluntarily by the Japan Chemical Industries Association (JCIA) as part of Responsible Care activities. Furthermore, the Group started surveying VOCs in fiscal 2005. Of these, 83 substances are handled by the Group as a whole, and 68 by UBE itself. As for the substances listed in the PRTR, the Group handles 50 substances, while UBE handles 35.

Total emissions increased by 7% from fiscal 2005, largely due to increases in production volumes and the growing number of VOC-related substances. For emissions of each substance, the Group endeavors to make reductions by installing and operating exhaust gas treatment systems in factories and improving production processes (closed handling areas and alternative solvent usage).

PCB (Polychlorinated biphenyl)

Regardless of whether they are currently in use or no longer in use, UBE Group controls PCB-containing transformers, condensers and fluorescent lighting stabilizers in its factories in accordance with the Law Concerning Special Measures against PCB Waste. The Group plans to store and treat PCBs in an appropriate and safe manner up to July 2016. A portion of the stored PCBs has been treated at the Kita-Kyushu business office of the Japan Environmental Safety Corporation (JESCO).



Storage area for equipment containing PCB

UBE Group Data on PRTR Substances

(Unit: t)

	Total handling volume (Volume used/produced)	Emission into atmosphere	Emission into public water	Emission into soil	Total emissions	Increase/decrease rate compared with fiscal 2005 (total emission)	Transfer volume
PRTR Law basis	620,554	671.7	173.2	0.0	844.9	31%	1,141.4
JCIA basis	2,455,120	1,648.0	439.6	0.0	2,087.6	7%	3,082.6

Transfer volume: Volume externally treated as waste

Individual Emission Volumes (Limited to the top 12 substances subject to the PRTR Law and dioxins)

Ordinance designation number	Chemical substance	CAS No.	Handling volume (t)	Emission volume (t)			Total (t)	Increase/decrease rate compared with fiscal 2005 (emissions)	Transfer volume (t)
				Atmosphere	Public water	Soil			
**	cis-2-butene	590-18-1	673	212.8	0.0	0.0	212.8	–	0.0
227	Toluene	108-88-3	1,031	170.0	16.9	0.0	186.9	–4%	200.4
61	ε-caprolactam	105-60-2	246,295	0.0	106.6	0.0	106.6	–12%	3.7
63	Xylene	*	201	58.3	0.0	0.0	58.3	1%	21.7
**	Trans-2-butene	624-64-6	177	57.5	0.0	0.0	57.5	–	0.0
102	Vinyl acetate	108-05-4	4,357	50.6	0.0	0.0	50.6	–48%	0.0
**	Cyclohexanone	108-94-1	138,654	4.2	42.5	0.0	46.7	–21%	0.0
299	Benzene	71-43-2	101,754	32.3	0.7	0.0	33.0	42%	0.0
40	Ethylbenzene	100-41-4	32	32.2	0.0	0.0	32.2	–4%	0.0
268	1,3-butadiene	106-99-0	99,045	22.5	0.0	0.0	22.5	–22%	69.2
85	Chlorodifluoromethane (HCFC-22)	75-45-6	12	12.0	0.0	0.0	12.0	5%	0.0
224	1,3,5 trimethylbenzene	108-67-8	10	8.5	0.0	0.0	8.5	6%	0.0
179	Dioxins	*	–	248	5	0.0	253	–48%	21

CAS No.: Chemical Abstract Service registry number. *: contains various compounds **: VOCs

Unit for dioxins: mg-TEQ/year

Reduction of Waste

UBE Group Contributes to the Establishment of a Recycling-Conscious Society by Promoting Recycling of Waste

The Group plays an active role in recycling waste by accepting outside waste and treating it at its cement factories.

Recycling of industrial waste is also promoted at other factories to reduce the final disposal volume.

Waste Recycling at Cement Factories

Waste can be used as a raw material (material cycle) and fuel (thermal cycle) in the cement-making process. For this reason, a wide variety of waste is treated at cement factories.

The high calcining temperature of the cement kilns (1,450°C) burns and degrades substances that cannot be eliminated by ordinary incinerators. The kilns also offer a large waste-processing capacity. Ash produced by incineration can also be used as an alternative to clay, a component of cement, eliminating the need for final disposal sites for incineration ash.

Recycling Volume at Cement Factories

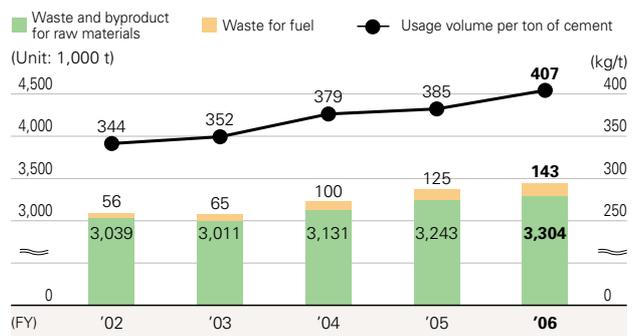
UBE's three cement factories actively accept and use various waste material such as slag, coal ash, refuse incineration ash, sludge, waste fluids and waste plastics from UBE and companies both inside and outside the Group. In fiscal 2006, the Group's cement factories made effective use of around 3.45 million tons of waste and byproducts. Of this, about 3.3 million tons was sourced from outside UBE Group. This is one way the Group is contributing to the formation of a recycling-conscious society.

In 2007, the facility for treatment of waste into fuel at the Ube Factory will be reinforced and the capacity of the chlorine by-

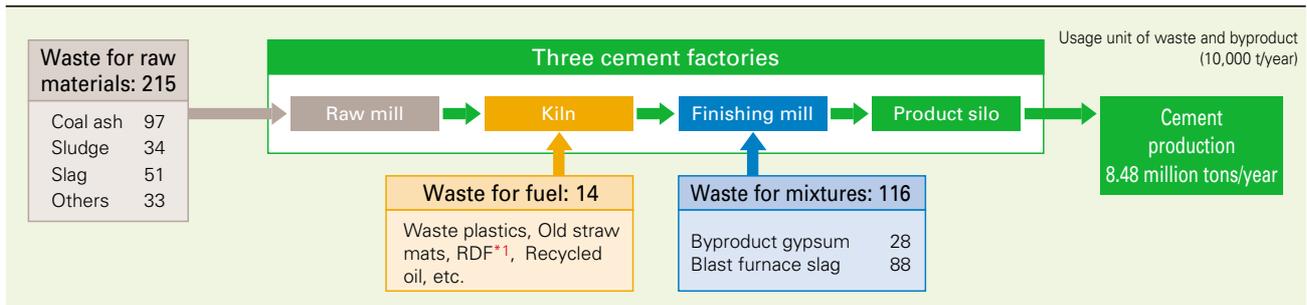
pass facility will be increased. Such improvement allows the reuse of materials that were previously resistant to treatment because of their high chlorine content, such as waste plastics. As a result, the amount of waste that can be recycled will increase by about 30,000 tons on an annual basis.

UBE Group is committed to making further efforts to improve and expand its recycling operations.

Waste and Byproduct Consumption Volume at Cement Factories



Flow of Waste and Byproduct Utilization in Cement Factories



Message from an Employee

Recycling waste within the cement-making process ...

"The cement industry has contributed to the establishment of a recycling-conscious society by accepting and treating a large amount of waste and byproduct. In recent years, however, the treatment method using the kiln system is likely to be limited and a substantial increase in treatment volume can therefore not be expected. In the future, we will attempt to develop new techniques that enable increases in the volume of waste treated, direct our



attention to waste that is treated by simple incineration or landfill because of resistance to treatment, and promote the improvement of recycling levels. The requirement for cement recycling never declines but rather continues to increase. We would like to expand our recycling activities by preserving the environment, maintaining our cement quality, and utilizing our accumulated technology and know-how. In this manner, we hope to contribute to reducing our overall environmental burden."

Masahiro Maruyama
 Manager of Business Development Section, Material Recycle Division, Cement & Construction Materials Company

Glossary

*1 Refuse Derived Fuel (RDF): Solid fuel made by compressing waste plastic, scrap wood and general garbage.

Conditions of Industrial Waste Reduction Efforts

Medium-Term Plan for Voluntary Waste Reduction

Targets call for a Group wide reduction of external final disposal by 60% within fiscal 2009, as compared with the 2000 level.

Types of Industrial Waste

Industrial waste is generated by many sources. Chemical-related factories and facilities generate sludge, waste oil and waste plastic; on-site power generating and ammonia plants generate coal ash, and machinery factories generate waste oil and inorganic waste, etc.

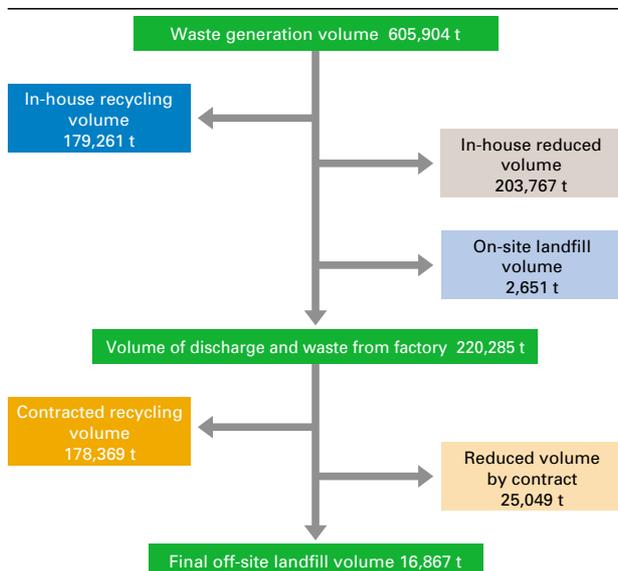
Recycling of Industrial Waste

In the district of Ube, most of the waste generated by the Group is recycled within the Group companies.

Factory Derived Industrial Waste Treated by External Sectors

The volume of industrial waste derived from UBE Group factories and treated by external sectors and the volume of waste to be finally buried in landfills by external sectors increased by 17% and 64%, respectively, from fiscal 2005. These increases were attributable to a variety of uncertain factors (e.g. treatment of entire deadstock).

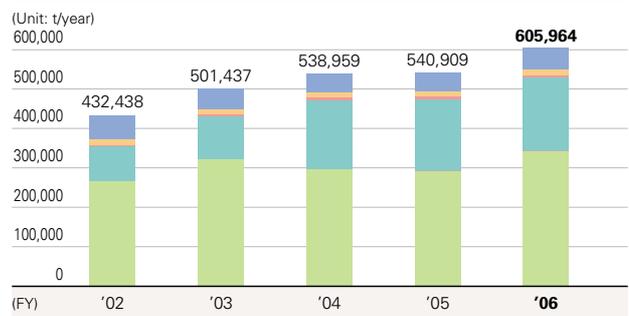
Overall Flow of Industrial Waste



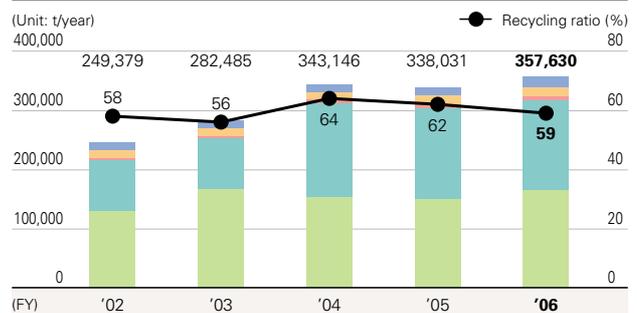
Appropriate Industrial Waste Management

In compliance with the waste treatment and clean-up laws, industrial waste generated by the UBE Group is stringently controlled to ensure it is treated and disposed of appropriately. When contracting waste treatment or disposal to outside companies, the Group utilizes the industrial waste management form (waste manifest system) to control transfer volumes and destinations, and the waste is monitored right through until final disposal.

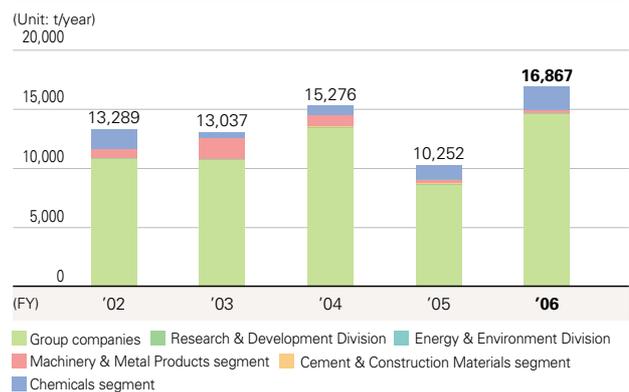
Industrial Waste Generation Volume



Industrial Waste Recycling Volume and Ratio



Volume of Industrial Waste for Final Off-Site Landfill



Measures to Prevent Air and Water Pollution

Industry, Academia, Government and Private Sectors Making Concerted Efforts to Control Air and Water Pollution

UBE Group appropriately controls air and water contaminants emitted from its factories and works within the areas it operates in to reduce the environmental burden of its activities.

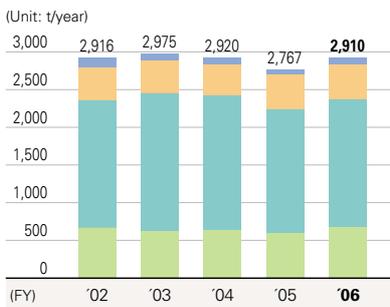
Measures to Prevent Air and Water Pollution

For 60 years, in collaboration with the public, experts in the various fields of science and government authorities, UBE Group has been involved in controlling air and water pollution.

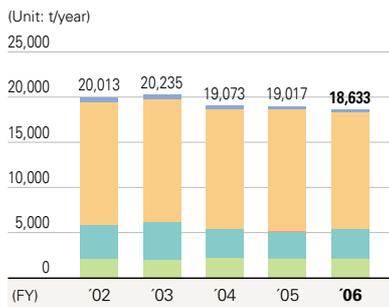
Responding to such laws as the 5th Provision of the Effluent Discharge Regulations*1 for enclosed sea areas such as the Seto Inland Sea, UBE Group has installed additional monitoring systems

to ensure compliance. In particular, our chemical plants in Ube, Sakai and Chiba, which can have a major impact on public water quality, discharge water only after it has been purified by such means as activated-sludge or wet oxide processes. Efforts to reduce emissions include monitoring at the source. Furthermore, UBE Group continuously monitors environmental measurements taken at sites throughout Ube City and the resulting data is reflected in factory operations according to our established voluntary air pollution prevention management standards.

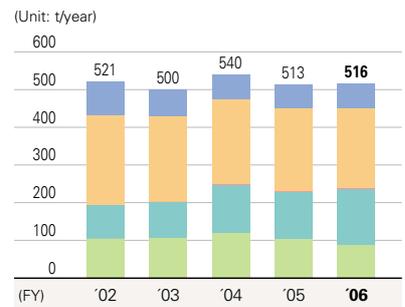
SOx Emissions*2



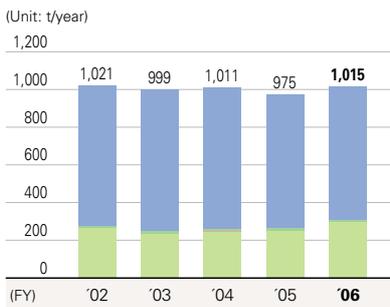
NOx Emissions*3



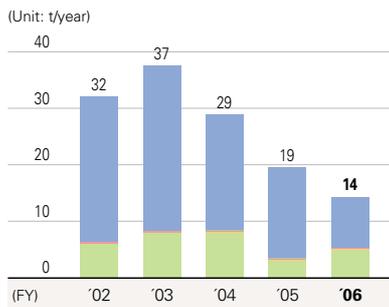
Dust Emissions



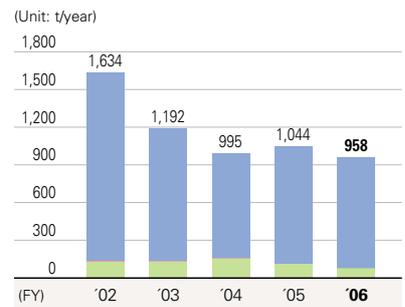
COD Emissions*4



Total Phosphorus Emissions*5



Total Nitrogen Emissions*5



■ Group companies ■ Corporate Research & Development ■ Energy & Environment ■ Machinery & Metal Products ■ Cement & Construction Materials ■ Chemicals & Plastics

Message from an Employee ...

Measures to prevent air pollution at power plants

“UBE Group, which was initially founded as a mining company, has long been engaged in the coal industry. Coal is used as a core fuel source for power generation at our plant in the Ube district. Although coal is cheaper than other fuels, it carries a large environmental impact. Accordingly, when the power plant was built, state-of-the-art equipment to control pollution was introduced to reduce the environmental burden. During regular plant operation, consistent efforts are made to ensure safety and compliance.”



Hideomi Hirakoba
General Manager of Power Generation and IPP Project,
Power Business Unit, Energy & Environment Division

Glossary

- *1 The 5th Provision of the Effluent Discharge Regulations: Based on the Water Pollution Control Law, this regulation aims to further lower pollutant load levels in large enclosed sea areas such as Tokyo Bay, Ise Bay and the Seto Inland Sea. It designates COD, nitrogen and phosphorous as target items and also sets reduction targets for each sea area.
- *2 SOx: Sulfur oxides originate in the sulfur (S) component of fuels. Boilers are the main producers of SOx.
- *3 NOx: Nitrogen oxides originate in the nitrogen (N) components of fuel and air when a fuel is combusted in the air. Boilers and cement kilns are the main sources of NOx.
- *4 COD (Chemical Oxygen Demand): This is an indicator of water pollution by organic substances and represents the amount of oxygen consumed in the chemical oxidation of organic matter.
- *5 Total phosphorous, total nitrogen: These are indicators related to the maintenance of living environments in oceans and lakes.

We actively disclose information related to product safety and offer products that are excellent in safety and quality.

UBE Group makes continuous efforts to improve the safety and quality of products guided by action plans developed at the biannual meetings of the Group Product Safety (PL/Quality) Committee.

Material Safety Data Sheets (MSDS)^{*6}

UBE prepares MSDSs for all products and distributes them to customers to ensure safe usage.

Safety information is also shared within UBE Group through regular posting of MSDS information on the corporate intranet. Internal regulations require the continuous collection and distribution of up-to-date information about hazards, toxic substances, law changes and other important matters. In fiscal 2006, the Group updated or created MSDSs, including foreign language versions, for 220 products. In addition, the Group publishes MSDSs on its external Web sites.

Warning Label

All product containers are affixed with warning labels that indicate necessary precautions for safe handling. UBE Group also actively implements the Globally Harmonized System (GHS)^{*7} and the "Container Emergency Card (label format)^{*8}" labeling system promoted by the Japan Chemical Industries Association within its product line-up.

Participation in Chemical Safety Management Initiatives in Japan and Overseas

UBE Group gathers safety information on two substances under a chemical safety inspection program^{*9} established in Japan in 2005. Through the Japan Chemical Industry Association, the Group also actively participates in and supports the International Council of Chemical Associations (ICCA) in its voluntary Long-Range Research Initiative (LRI), which focuses on "the effects of chemical substances on human health and the environment."

Quality Control Activities

UBE Group systematically implements a quality management framework and product quality improvement activities based on the ISO quality management system. In order to further enhance not only compliance but also the safety aspect of products, the Head Office launched quality and product safety audits in fiscal 2006.

Response to Green Procurement and Green Purchasing

Consistent efforts are made to reduce the use of harmful materials in all products and incorporate design aspects that make for easy recycling, paying particular attention to the electronics and electrical equipment manufacturing industry. As a supplier of both raw and processed materials, UBE takes a number of positive approaches to help its customers realize green procurement. As UBE itself is required to appropriately manage procured raw materials, UBE has established its own unique standards to promote the control of the substances contained in procured parts/raw materials.

With a green purchasing composition ratio of 53%, UBE Group also promotes the selection of environmentally friendly eco-products when purchasing office supplies and uniforms.

Response to EU REACH^{*10}

Under the newly introduced European Chemicals regulation (REACH), aimed at pursuing "producer responsibility" and the "principle of prevention," all chemical products exported to the EU must now be re-registered after undergoing toxicity and risk assessments. As unregistered chemical products will no longer be permitted in the EU, stakeholders, including users and suppliers, banded together to prepare for registration and have been engaged in checking lists of exports to the EU, export volumes and chemical applications as well as the collection and assessment of information on hazardous substances and materials.

Message from an Employee ...

Globalization of chemical product safety management

"These days, we are encountering new international regulations and standards every year, meaning exporters are being kept busy as they strive to become fully compliant. In addition to this bringing new demands for cooperation between domestic and overseas offices in the UBE Group, companies that handle similar chemicals are also seeing an increasing need to work together in order to cope with such regulations as REACH



and HPV program^{*11}. I personally recognize that globalization brings about such change, which is being largely characterized by the removal of corporations' traditional fences.

Kanji Nakagawa
Environment & Safety Department



Glossary

^{*6} **Material Safety Data Sheet:** Documentation containing the product name, physicochemical properties, usages, and hazard and toxicity information.

^{*7} **Globally Harmonized System:** A global hazard classification and labeling system that requires the specific hazard as well as information on toxicity and safe handling to be included on product warning labels.

^{*8} **Container Emergency Card:** A warning label that includes an emergency measure guideline number and U.N. number. Used in the event of accident in conditions where other information formats would be impractical because of mixed product or small order shipments.

^{*9} **Chemical Safety Inspection Program Established in Japan:** Also known as the "Japan Challenge Program," this initiative is unique to Japan. Its purpose is to gather information on the safety of existing chemical substances through industry-government collaboration, and to disseminate that information to the public.

^{*10} **Registration, Evaluation, Authorisation and Restriction of Chemicals:** A framework enforced by the EU in June 2007 to control the production and use of chemical substances.

^{*11} **HPV:** An OECD program for collecting and evaluating data on the intrinsic hazards of high production volume (HPV) chemicals

Occupational Safety and Health/Process Safety and Disaster Prevention

Promoting a Culture of Safety by Placing the Highest Priority on Assuring Occupational Safety, Process Safety and Disaster Prevention

UBE Group abides by the environment and safety principle that “the highest priority should be placed on assuring safe operations over any other activity from the standpoint of respect for human dignity,” and promotes the introduction of measures for occupational safety and health and process safety at all its facilities.

Measures to Prevent Occupational Accidents

To eradicate occupational accidents, UBE Group promotes a large variety of activities, including risk prediction training, measures to prevent near-misses, confirmation of safety through actions and set phrases, accident case studies, risk assessment and custom-designed experience-based training.

Concurrently, the UBE Head Office regularly audits Group companies and facilities with respect to their safety management systems and provides advice including recommendations for improvement.



Safety education course

Safety and Health Committee

Safety and Health Committee meetings are held at all factories on a monthly basis, providing the opportunity for participants, including management and labor representatives, to report and discuss safety-related issues. Each meeting ends with a recitation of the “5 do’s” and “5 don’ts” from a safety assurance and accident reduction poster that incorporates ideas garnered throughout UBE Group workplaces. In some factories, staff are required to carry the posters at all times.



Safety assurance and accident reduction poster

Group Safety and Health Conference

UBE Group holds an annual Group Safety and Health Conference where safety awards are presented and employees and contractors have an opportunity to increase their awareness of safety issues. The conference also acts as a vehicle to report the results of the previous year’s safety score. In addition, the Group endeavors to have participants reaffirm their commitment to eliminate occupational accidents.

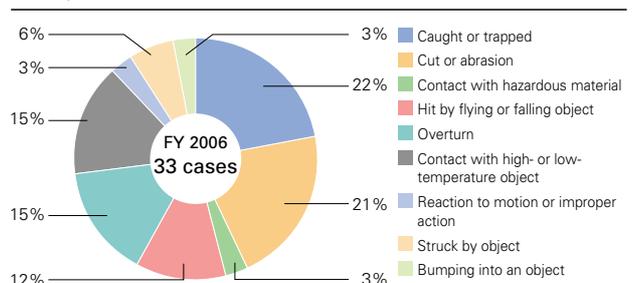


UBE Group Safety and Health Conference

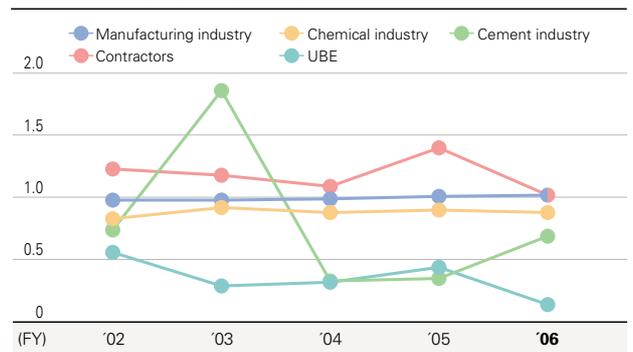
Acquisition of OSHMS Certification

UBE Group has established Occupational Safety and Health Management Systems (OSHMS) as a framework for its accident reduction efforts, and encourages all Group companies to acquire OSHMS certification. As a result, all UBE factories and laboratories have acquired the certification (see page 50).

Breakdown of Occupational Accidents (Lost Time and Non-Lost Time Accidents Involving Employees of UBE Group and Contractors)



Lost-Time Injury Frequency Rate



*Data on lost-time injury frequency rates for the manufacturing, chemical, cement industries is based on statistics supplied by the Ministry of Health, Labour and Welfare.

*Frequency rate = (number of lost-time injuries) / (total work hours) x 1,000,000 hours

Prior Safety Assessment of Chemical Substances

Based on procedures designated in the “safety assessment standards,” we also perform safety assessments of chemical substances that we have developed or plan to start handling. In fiscal 2006, UBE Group performed 43 chemical substance safety assessments.

Safety Education

As part of a wider education policy, immediately after joining UBE Group, new employees are taught the importance of the environment, safety and health. In addition to practical safety training programs that are implemented in each workplace, managers and executives partake in training on relevant laws and regulations.

Plant Safety Assessment

The methods stipulated in the Plant Safety Assessment Standards are followed when carrying out pre- and post-plant safety assessments of newly installed, additional or modified facilities, and when establishing or amending related regulations. In fiscal 2006, UBE Group carried out 33 assessments for new installations and facility modifications.

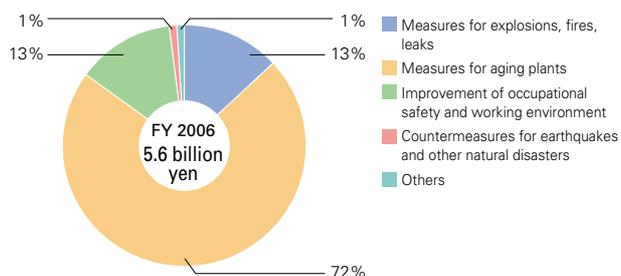
Emergency Training

Each month a variety of safety-related activities are implemented at UBE Group business offices and sites. These include emergency drills, mutual workplace checks by safety supervisors, and mutual safety patrols with associated companies. Training content is also posted on the company Web sites to assist those who cannot participate directly.



Firefighting training

Breakdown of Occupational Safety, Health and Disaster Prevention Expenditure of UBE Group



Environment & Safety Qualification

We encourage employees to obtain legal qualifications for the safe operation and management of our workplace.

Number of Employees with Environment & Safety-Related Qualifications

(Unit: Persons)

Qualification	UBE Group	UBE
Pollution control manager and chief	549	392
Environmental measurement experts	18	16
Working environment measurement experts	66	55
Health supervisors	339	257
Energy supervisors	268	192
Hazardous materials supervisors	4,752	3,556
Operation chiefs for handling of specified chemical substances	952	640
High-pressure gas production safety officers	1,495	1,286
Boiler technicians	1,278	971

(As of April 2007)

Message from an Employee ...

Assuring "safety" for local residents

"Because the Ube Chemical Factory directly faces the commercial area across Route 190, special attention is constantly directed to 'assurance of process safety and environmental conservation.'

In this factory, four safety mantras centering on 'occupational safety,' 'environmental safety,' 'process safety,' and 'quality safety' are employed as concrete policies. The workers make collective efforts to continuously assure total safety by detecting any sources of potential risk in a comprehensive manner and systematically promoting implementation of risk reduction activities. The safety of local residents can only be assured when the factory workers assure the safety of their working environment. We emphasize the importance of establishing risk-free working environment within the factory."



Kazuo Matsunaga
Safety Team Leader, Environment & Safety Group,
Ube Chemical Factory

Measures at Group Companies

Promoting a Common Management System to Promote RC Activities throughout UBE Group

Working as a team to promote RC activities—Environment & safety and quality & product safety audit are conducted at UBE Group companies.

Relationship with Group Companies

Major Group companies participate in the Group Environment & Safety Committee, Segment Environment & Safety Committees, the Global Environment Preservation Promotion Committee and the Product Safety (PL/Quality) Committee. At the same time, as the members of the Group, they conduct the required environment & safety audits/inspections.

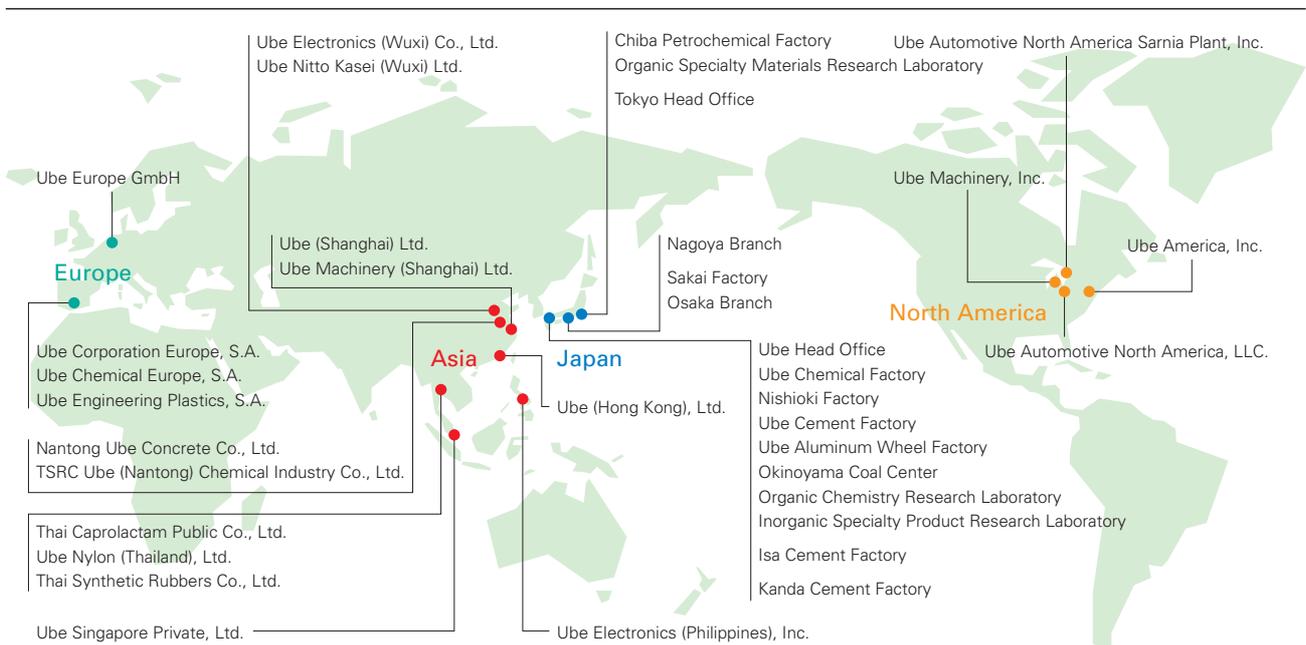
In the environment & safety audits and the quality and prod-

uct safety audits, the Environment & Safety Department, serving as Committee secretariat, confirms the annual practical progress of PDCA cycles relating to environmental preservation, safety and health as well as process safety and disaster prevention by checking actual records and observing actual conditions. Environment and safety inspections are headed by UBE Group executives (the President and directors), who inspect the overall environment and safety activities of all facilities, mainly through on-site observation. Moreover, an in-house company plays a leading role in conducting voluntary inspections of Group company.

Implementation of Environment & Safety Audits/Inspections, and Quality and Product Safety Audits (Fiscal 2006)

UBE Offices	Environment & Safety Audits	Ube Chemical Factory, Ube Aluminum Wheel Factory, Chiba Petrochemical Factory, Ube Cement Factory, Sakai Factory, Power BU (Power Generation Station), Coal Center, Nishioki Factory, Kanda Cement Factory, Isa Cement Factory
	Environment & Safety Inspections	Ube Aluminum Wheel Factory, Sakai Factory, Ube Cement Factory, Coal Center, Power BU (Power Generation Station), Ube Chemical Factory, Chiba Petrochemical Factory, Isa Cement Factory, Kanda Cement Factory, Nishioki Factory
	Quality and Product Safety Audits	Ube Chemical Factory, Ube Cement Factory, Chiba Petrochemical Factory, Ube Aluminum Wheel Factory, Procurement & Logistics Division, Sakai Factory
Group Companies	Environment & Safety Audits	Kemira-Ube, Ltd., Meiwa Kasei Industries, Ltd., Ube-Nitto Kasei, Ltd. (Fukushima Factory), T&U ELECTRONICS CO., LTD., Ube Material Industries, Ltd., Ube Machinery Corporation, Ltd., UBE SAND INDUSTRIES, LTD., UBEKOUSAN CEMENT SERVICE, LTD., Ube Ammonia Industry, Ltd., EUP Co., Ltd., Ube Steel Co., Ltd., UEL Co., Ltd.
	Environment & Safety Inspections	Ube Machinery Corporation, Ltd., Ube Material Industries, Ltd. (Ube Factory), Meiwa Kasei Industries, Ltd., Ube Ammonium Industry, Ltd.
	Quality/Product Safety Audits	Ube Machinery Corporation, Ltd.
Overseas Offices	Environment & Safety Audits	Thai Caprolactam Public Co. Ltd. (Thailand), Ube Nylon (Thailand), Ltd. (Thailand), Thai Synthetic Rubbers Co. Ltd. (Thailand), Ube Corporation Europe, S.A. (Spain), Ube Chemical Europe, S.A. (Spain), Ube Machinery, Inc. (U.S.A.), Ube Automotive North America Sarnia Plant, Inc. (Canada)

Domestic and Overseas Bases



Site Reports—Chemicals



Ube Chemical Factory

Location: 1978-10 Ohaza Kogushi, Ube City, Yamaguchi Prefecture
Start of operations: 1933
Site area: 671,000 m²
No. of employees: 912
Main products: Caprolactam, nylon resin, active pharmaceutical ingredients, intermediates, fine chemicals, high-purity chemicals, industrial pharmaceuticals, fertilizers, polyimide resins, separation membranes, new materials



Hideyuki Sugishita
Executive Officer,
Factory Manager

Ube Chemical Factory, which handles large volumes of hazardous substances, is located adjacent to an urban area. For this reason, we carry out operations, paying particular attention not to inconvenience nearby residents. We have defined the four safety themes—“occupational safety,” “environmental safety,” “process safety” and “quality safety”—and strive hard to improve customer satisfaction guided by these concepts. Currently, we have a range of new facilities under construction, including the 9th polyimide plant and the 2nd and 3rd separation membrane plants, while older facilities are being demolished. We also work to promote the welfare of employees’ families and provide opportunities for exchanges with local residents. As one example, last year the factory workers held the “Summer Chemical Festival,” which included a factory tour. We expect such programs will draw even larger numbers into the future.



Chiba Petrochemical Factory

Location: 8-1 Goi Minami Kaigan, Ichihara City, Chiba Prefecture
Start of operations: 1964
Site area: 562,000 m²
No. of employees: 209
Main products: Polyethylene, synthetic rubber



Makoto Aikawa
Factory Manager

This factory is located in Ichihara City, Chiba Prefecture, where industry and bountiful nature coexist in harmony. We manufacture petrochemical products such as polyethylene and synthetic rubber. Generally, people believe that a petrochemical factory is a closed facility. In order to change that way of thinking, we encourage local residents and workers’ families as well as our customers to visit our facility and also welcome their frank opinions. We carefully listen to their opinions and attempt to continuously improve our factory so that it may be of further benefit to all.



Sakai Factory

Location: 3-1 Chikko Shinmachi, Nishi-ku, Sakai City, Osaka
Start of operations: 1967
Site area: 463,000 m²
No. of employees: 255
Main products: Caprolactam, ammonia, liquefied carbon dioxide, electrolytic fluids, separation membrane, recycle compound



Junichi Misumi
Factory Manager

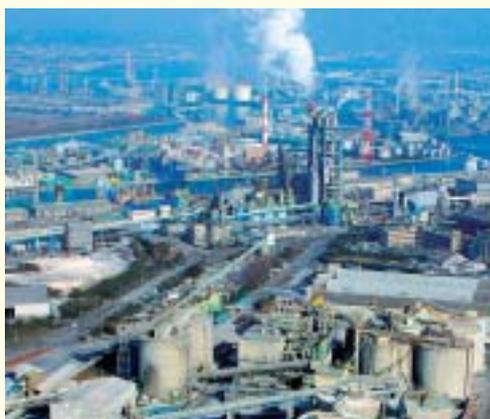
We recognize the importance of global environmental preservation and promote related activities under the slogan of “coexisting with the local community.” Included in a number of initiatives we are currently involved in is a project to upgrade the facility (including acquisition of ISO certification), another to revitalize the Sakai Senboku Coastal Complex (member of the liaison committee), cooperation with local government and educational authorities, and a strategy to promote communication with local residents. Through such activities, we endeavor to contribute to society. In addition, we have several projects planned, including the manufacture of polyimide. We believe that it is our mission to fulfill our corporate social responsibility by improving our safety assurance/disaster prevention systems, creating employment opportunities’ and contributing to the development of the local economy.

Environmental Data

(Unit: t/year)

Fiscal year	Ube Chemical Factory		Chiba Petrochemical Factory		Sakai Factory	
	2005	2006	2005	2006	2005	2006
CO ₂ emissions (1,000 tons-C)	206	201	53	54	163	149
SO _x emissions	1,701	1,736	0.5	19.1	4.7	0.3
NO _x emissions	3,033	3,278	3.3	6.6	320	249
Dust emissions	134	161	1.9	3.4	47	50
COD emissions	499	486	9.7	15.3	197	199
Total nitrogen emissions	661	624	3.7	7.6	264	250
Total phosphorus emissions	13	7	0.1	0.3	3.2	2.1
Final industrial waste disposal volume	165	359	599	1,384	492	299

Site Reports—Cement & Construction Materials



Ube Cement Factory

Location: 1978-2 Kogushi, Ube City, Yamaguchi Prefecture
Start of operations: 1923
Site area: 484,000 m²
No. of employees: 189
Main products: Cement, perlite



Satoru Asamoto
Factory Manager

Waste generated throughout Japan is transported to the Ube Cement Factory, which is located near the Seto Inland Sea. We promote a recycling-oriented society by recycling the transported waste. As a part of this effort and in order to enhance the transferral of waste into fuel, we installed a system in 2006 to regrid plastic scrap. We also make continuous efforts to increase the volume of treated waste and utilize it as alternative fuel more effectively.

We also have a facility to produce fuel from waste wood chips and we use this as a partial fuel source for in-house power generation. In this manner, we contribute to the reduction of CO₂ emissions, a major factor in global warming.

Furthermore, we established our environmental policy to promote compliance and our occupational safety and disaster prevention policy to promote OSHMS activities in collaboration with affiliated companies. We also hold emergency drills/patrols in cooperation with local governments and public organizations. Factory workers further bolster this strategy through concerted efforts to assure a safe working environment.



Isa Cement Factory

Location: 4768 Isa, Isa-cho, Mine City, Yamaguchi Prefecture
Start of operations: 1955
Site area: 255,000 m² (excluding mines)
No. of employees: 156
Main product: Cement



Hidehiro Watakabe
Factory Manager

We recognize that the complete elimination of accidents and continuation of a "zero" accident rate within all factory operations are of prime importance and have therefore set this as our "ultimate goal." Aiming at "realization of full participation" and "full collaboration with affiliate companies," we promote, in a balanced manner, "pursuit of absolute safety of facilities" and "enhancement of individual sensitivity to risk." Because Isa Factory is located in an inland area, the plant and mine are situated near private residences. In this situation, it is essential that we take an approach that enables us to coexist with the local community. We also make efforts to promote environmental preservation and participate in various local events. In this manner, we promote residents' understanding of our factory operations and appreciate their cooperation. In other news, the 2nd sewage sludge treatment equipment started operations in March, 2007.



Kanda Cement Factory

Location: 7 Nagahama-machi, Kanda-cho, Miyako-gun, Fukuoka Prefecture
Start of operations: 1964
Site area: 205,000 m² (excluding mines)
No. of employees: 68
Main Product: Cement



Mikio Mori
Factory Manager

The opening of the New Kitakyushu Airport and the Higashi-Kyushu Expressway coupled with the expansion of nearby automobile factories have brought new vitality to Kitakyushu's Kanda district. Among UBE's three major cement factories, the Kanda Factory has achieved a name for itself as the leading factory for waste disposal. In addition to the newly installed high-chlorine bypass system, the facility for treatment of waste into fuel has been expanded. In 2007, we are planning to enhance the equipment for dumping ashes into the kiln along with the equipment for receiving biomass ash and coal ash. Through such efforts, we are contributing to the creation of a recycling-oriented society. In cooperation with our affiliated companies, we make collective efforts to achieve our goals, which include "complete elimination of occupational accidents through comprehensive factory-wide safety assurance activities," "factory-wide participation in physical and mental health promotion activities," and "contribution to local community through enhancement of compliance."

Environmental Data

(Unit: t/year)

Fiscal year	Ube Cement Factory		Isa Cement Factory		Kanda Cement Factory	
	2005	2006	2005	2006	2005	2006
CO ₂ emissions (1,000 tons-C)	392	389	1,034	1,002	446	412
SO _x emissions	86	74	348	370	17	8
NO _x emissions	2,064	2,123	8,283	8,118	3,113	2,657
Dust emissions	42	50	103	105	73	54
COD emissions	12	11	0	0	2	2
Total nitrogen emissions	—	—	—	—	—	—
Total phosphorus emissions	—	—	—	—	—	—
Final industrial waste disposal volume	0	0	0	0	0	2

Site Reports—Machinery & Metal Products, Energy & Environment



Ube Machinery Corporation, Ltd.

Location: 1980 Kogushi, Okinoyama, Ube City, Yamaguchi Prefecture
Start of operations: 1942
Site area: 270,000 m²
No. of Employees: 674
Main products: Die-casting machines, extrusion presses, injection molding machines, transportation equipment, crushing machine, ceramic machine, dust removal equipment, bridge members/steel structures



Masahisa Matsumae
Senior Managing Director,
Head of Manufacturing Headquarters

As a core company of the Machinery Division, we act as both a machinery manufacturer and total system supplier and cope with the globally expanding market by acquiring various certification such as ISO9001 (quality), ISO14001 (environment), and OHSAS18001 (safety). In this manner, we have established an integrated management system to promote activities for quality control, environmental preservation and safety assurance. We developed electric injection molding machines and die-casting machines to realize energy efficiency and such environmentally friendly products and technologies have been highly appraised by customers both at home and abroad. Our machines operating all over the world contribute to the preservation of the global environment.

It is our basic policy to become an excellent company that assures safe operations. In collaboration with our affiliates, we take a factory-wide approach to eliminate risk from our working environment.



Ube Aluminum Wheel Factory

Location: 2575-62 Fujimagari, Ube City, Yamaguchi Prefecture
Start of operations: 1987
Site area: 110,000 m²
No. of employees: 248
Main products: Aluminum wheels



Kiyoto Hidaka
Factory Manager

We utilize the squeeze casting method to manufacture aluminum wheels. Compared with commonly used casting methods, this unique technique gives stronger organizational structure and enables wheel weight to be reduced. Because aluminum wheels contribute to improvements in vehicle fuel consumption rates, they are increasingly being incorporated in fuel-efficient hybrid cars. We stand by the following three basic policies in promoting our production activities: "Assurance of a stable and constant supply of products that ensures customer satisfaction and fulfills customers' expectations;" "Assurance of safe and comfortable working environments;" and "Realization of resource saving and reduction of waste." In addition, in cooperation with our affiliated companies, we take a factory-wide approach and utilize core management systems (TS16949, OHSAS18001, ISO14001) while at the same time making continuous efforts to improve the factory. This year marks the factory's 20th year in business. We therefore regard 2007 as a significant milestone and will work to achieve further progress.



Okinoyama Coal Center

Location: 1980-29 Kogushi, Okinoyama, Ube City, Yamaguchi Prefecture
Start of operations: 1980
Site area: 435,000 m²
No. of Employees: 35
Main products: Storage and distribution of coal and petroleum coke



Sadao Fujimoto
Center Manager

In 2006, we handled more than 5 million tons of coal including coal of power companies. We expect this tendency to continue during the period of the new medium-term plan from 2007 to 2009. The Okinoyama Coal Center makes the most of our operation capacity (hardware) and makes constant efforts to preserve the environment and prevent accidents (software). In this manner, we aim to realize our goals.

In March 2007, we acquired OHSAS18001 certification. Nine resident contractors are included in the scope of certification and promote related activities focusing on on-site operations in cooperation with *Tanyu Kai*, an occupational safety and health council.

Environmental Data

(Unit: t/year)

Fiscal year	Ube Machinery Corporation, Ltd.		Ube Aluminum Wheel Factory		Okinoyama Coal Center	
	2005	2006	2005	2006	2005	2006
CO ₂ emissions (1,000 tons-C)	5	4	22	23	3	3
SO _x emissions	0.2	0.1	1.2	1.8	—	—
NO _x emissions	—	—	12.5	11.9	—	—
Dust emissions	—	—	1.8	3.4	—	—
COD emissions	1.2	1.1	0.2	0.2	0	0
Total nitrogen emissions	2.2	1.7	0.3	0.4	—	—
Total phosphorus emissions	0.2	0.2	0.04	0.04	—	—
Final industrial waste disposal volume	197	110	105	82	20	22

Site Reports—Group Companies



Ube Film, Ltd.

Location: Sanyo-Onoda City, Yamaguchi Prefecture
Start of operations: 1964
Site area: 50,000 m²
No. of employees: 130 (Head Office/Onoda Factory)
Main products: Wrapping film for home use (New Polywrap etc.), wrapping film for commercial use (ECO-SOFT etc.), storing/protecting material (heavy duty bag), functional films (Sperren), cushioning material (UBE Air Cap)



Meiya Plastic Industries, Ltd.

Location: Ube City, Yamaguchi Prefecture
Start of operations: 1946
Site area: 20,000 m²
No. of employees: 132
Main products: Phenol type industrial resins, extruded plastics, epoxy resins, polyimide resin



Kemira-Ube, Ltd.

Location: Ube City, Yamaguchi Prefecture
Start of operations: 1992
Site area: 12,000 m²
No. of employees: 25
Main products: Hydrogen peroxide



Ube Materials Industries, Ltd.

Ube Factory - Ube City, Yamaguchi Prefecture
Start of operations: 1946
Site area: 432,000 m²
No. of employees: 313
Main products: Magnesia clinker, other fire-proofing materials, magnesium-related chemical industry products, calcium-related chemical industry products



Ube Ammonia Industry, Ltd.

Location: Ube City, Yamaguchi Prefecture
Start of operations: 1972
Site area: 177,000 m²
No. of employees: 87
Main products: Ammonia

Chiba Factory - Ichihara City, Chiba Prefecture

Start of operations: 1974
Site area: 50,000 m²
No. of employees: 91
Main products: Limestone, other ceramic products, calcium-related chemical industry products



Ube Agri-Materials, Ltd.

Location: Ube City, Yamaguchi Prefecture
Start of operations: 1955
Site area: 34,000 m²
No. of employees: 100
Main products: Compound fertilizer, covering fertilizer

Mine Factory - Mine City, Yamaguchi Prefecture

Start of operations: 1941
Site area: 84,000 m²
No. of employees: 142
Main products: Limestone, other ceramic products



Ems-Ube, Ltd.

Location: Ube City, Yamaguchi Prefecture
Start of operations: 1992
Site area: 13,500 m²
No. of employees: 21
Main products: Lauro lactam, caprolactam, ammonium sulfate



Ube Board Co., Ltd.

Ube Factory - Ube City, Yamaguchi Prefecture
Start of operations: 1950
Site area: 97,000 m²
No. of employees: 174
Main products: Exterior materials (ceramic siding, slate board), flooring materials



Ube-Nitto Kasei Co., Ltd.

Gifu Factory - Gifu City, Gifu Prefecture
Start of operations: 1966
Site area: 137,000 m²
No. of employees: 239
Main products: UPISEL, Rasen Compose, Compose Tension Member, HIPRESICA, DANPLATE, DANPOLE, Compose Pipe, Sunny Coat

Fuji Factory - Fuji City, Shizuoka Prefecture

Start of operations: 1967
Site area: 23,000 m²
No. of employees: 30
Main products: Exterior materials (slate board), flooring materials

Fukushima Factory - Kooriyama City, Fukushima Prefecture

Start of operations: 1966
Site area: 30,000 m²
No. of employees: 66
Main products: Polypropylene fiber, Rasen Compose



Ube Steel Co., Ltd.

Location: Ube City, Yamaguchi Prefecture
Start of operations: 1977
Site area: 102,000 m²
No. of employees: 196
Main products: Billets, castings

Site Reports—Overseas Plants

Spain

Ube Corporation Europe, S.A./Ube Chemical Europe, S.A.



Location: Castellon, Spain
Start of operations: 1967
Site area: 295,000 m² (including UEP)
No. of employees: 265
Main products: Caprolactam, ammonium sulfate, polycarbonatediol, 1,5-pentadiol, 1,6-hexanediol

Ube Engineering Plastics, S.A.



Location: Castellon, Spain (adjoining UCE)
Start of operations: 2004
No. of employees: 38
Main products: Nylon 6 resin, copolymerized nylon

■ Spain

At UBE Group plants in Spain, efforts are being taken to reduce consumption of natural gas in line with the Kyoto Protocol. Accordingly, CO₂ emissions for 2006 were below the target established for 2005-2007 by the Spanish central government. A remarkable improvement in NO_x emissions was also achieved as a result of investment in a new environmental facility that uses a catalytic agent. Furthermore, renovation of the sewer network succeeded in reducing drainage outflows. Furthermore, in 2007 a water purification system using a reverse osmosis membrane and a microfilter was installed and its operation is expected to contribute to further reduction of drainage outflows.

Thailand

Thai Caprolactam Public Co., Ltd.



Location: Rayong, Thailand
Start of operations: 1996
Site area: 192,000 m²
No. of employees: 414
Main product: Caprolactam, ammonia sulfate

Ube Nylon (Thailand), Ltd.



Location: Rayong, Thailand
Start of operations: 1997
Site area: 23,000 m²
No. of employees: 76
Main product: Nylon 6 resin, nylon compound

Thai Synthetic Rubbers Co., Ltd.



Location: Rayong, Thailand
Start of operations: 1998
Site area: 40,000 m²
No. of employees: 87
Main product: Butadiene rubber

■ Thailand

In 2006, all three Thailand UBE Group plants (TCL, UNT, TSL) maintained consistent operations. In 2007, the facilities will be renovated to cope with production of new brands of synthetic rubber. Moreover, construction of the new 50 kt/y facility for manufacturing nylon will be started. Ahead of others, TCL has been considering the practical introduction of a project for reducing greenhouse gas emissions and has declared as a mission that it will make continual efforts to maintain its position as a facility that can work together with the local community for mutual harmony and benefit.

Canada

Ube Automotive North America Sarnia Plant, Inc.



Location: Ontario, Canada
Start of operations: 2002
Site area: 283,000 m²
No. of employees: 221
Main product: Aluminum car wheels

■ Canada

Ube Automotive North America Sarnia Plant, Inc. manufactures and supplies aluminum wheels on an OEM basis for North American automobile manufacturers, including the "Big 3" and Japanese-affiliated manufacturers. Canada has very strict safety and environmental standards and the plant has implemented Responsible Care (RC) activities since it first became operational. In 2003, the Sarnia Plant obtained ISO 14001 certification, and the plant has continued to develop and maintain management systems designed to protect the environment and safety and ensure compliance with relevant laws and regulations. It further enhanced its Material Safety Data Sheet (MSDS) system to coincide with the installation of new painting facilities, which became operational in 2006. In this manner, the plant thoroughly disseminates product information.

In order to assure safety and promote health, the plant-wide 5S activity was introduced in 2007. The purposes of this activity are to enhance working efficiency and to assure further environmental safety. Aiming at continuous achievement of "zero" lost-working time, all workers promote community activities targeting safety.

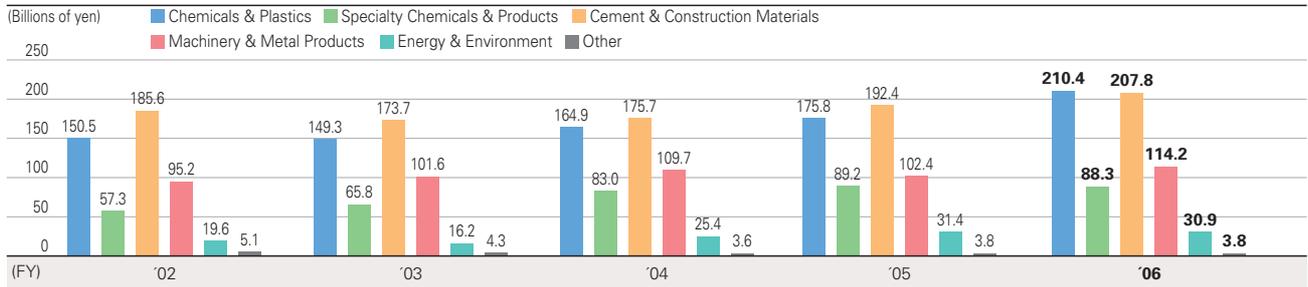
Environmental Data

(Unit: t/year)

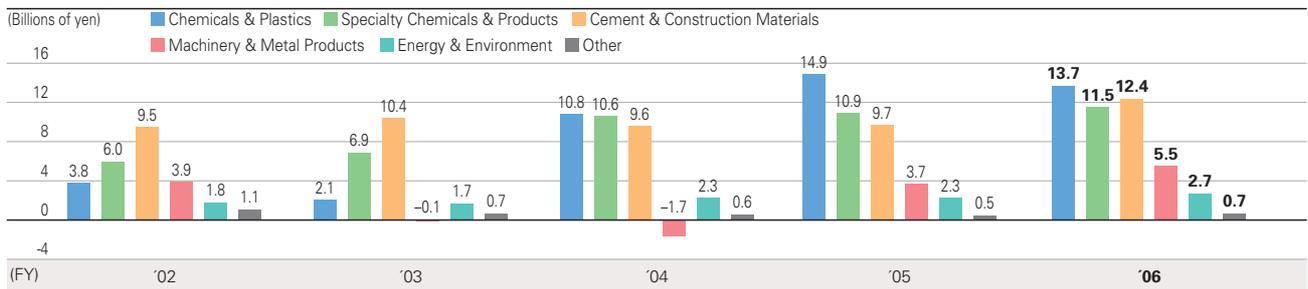
Fiscal year	Spain		Thailand		Canada	
	2005	2006	2005	2006	2005	2006
CO ₂ emissions (1,000 tons-C)	45	39	89	94	11	10
SO _x emissions	102	232	83	98	0.2	0.3
NO _x emissions	996	195	179	176	18	25
Dust emissions	26	5	95	66	1.5	2.5
COD emissions	218	223	70	60	21	27
Total nitrogen emissions	338	359	69	38	3.0	1.6
Total phosphorus emissions	1.0	1.3	5.0	5.5	0.1	0.1
Final industrial waste disposal volume	5,364	4,195	605	845	411	430

Consolidated Financial Data

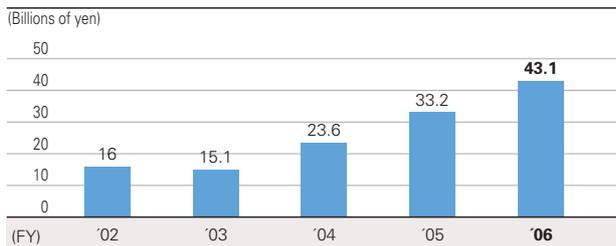
Net Sales by Segment



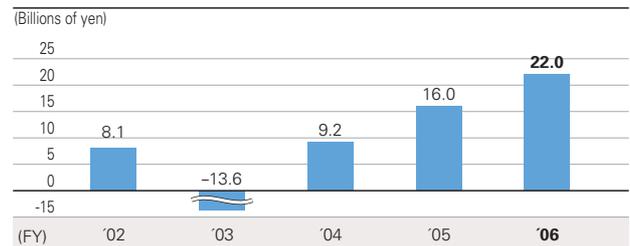
Operating Income by Segment



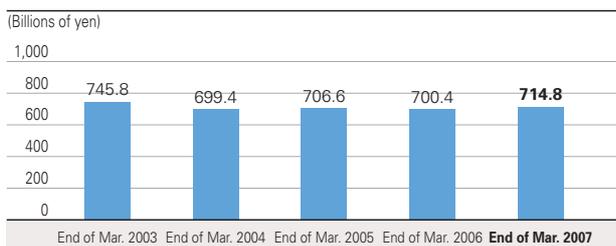
Ordinary Income



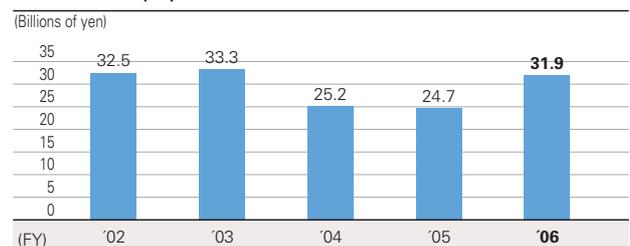
Net Income



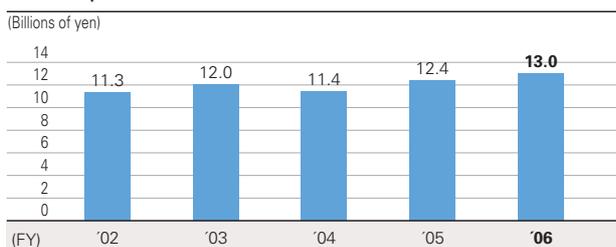
Total Assets



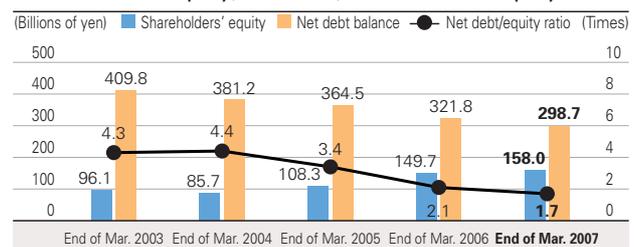
Plant and Equipment Investment



R&D Expenditures



Shareholders' Equity, Net Debt, and Net Debt/Equity Ratio



Certification of Management Systems

The UBE Group is actively implementing measures to acquire ISO 14001, 9000-series, and OSHMS certification, which are respective international standards for environmental management, quality management, and occupational safety and health management systems. In addition, we have received certification for the inspection of high-pressure gas equipment and boilers so that we can independently check their safety. All the operating sites of UBE have already acquired certification for the three abovementioned management systems.

Certification Acquired and the Year Awarded

Name of Company	EMS	QMS	OSHMS	Name of Company	EMS	QMS	OSHMS
Chiba Petrochemical Factory, Ube Industries, Ltd.	1999	1995	2006	Ube Chemical Europe, S.A. (Spain)	*	1996	*
Sakai Factory, Ube Industries, Ltd.	2000	1996	2005	Ube Engineering Plastics, S.A. (Spain)	*	2005	*
Ube Chemical Factory, Ube Industries, Ltd.	2000	1994	2006	Ems-Ube, Ltd.	2000	1994	2006
Nishi-Okii Factory, Ube Industries, Ltd.	2001	2000	2005	Kemira-Ube, Ltd.	2001	2001	2007
Ube Cement Factory, Ube Industries, Ltd.	1999	1997	2005	Ube-Nitto Kasei, Co., Ltd.	2001	1999	2006
Isa Cement Factory, Ube Industries, Ltd.	1999	1995	2005	Ube Material Industries, Ltd.	2004	2001	2007
Kanda Cement Factory, Ube Industries, Ltd.	1999	1996	2005	Ube Board Co., Ltd.	2006	2003	*
Ube Research Laboratory, Ube Industries, Ltd.	1999	/	2007	Hagimori Industries, Ltd.	2004	2002	2005
Polymer Research Laboratory, Ube Industries, Ltd.	1999	/	2007	Ube Shipping & Logistics, Ltd.	2000	2000	2000
Okinozuma Coal Center, Ube Industries, Ltd.	2000	/	2007		(ISM)	(ISM)	(ISM)
Power generation facilities of Ube Industries, Ltd.	2000	/	2006	Yamaishi Metal Co., Ltd.	2007	2000	2006
Ube Aluminum Wheel Factory, Ube Industries, Ltd.	2000	1998	2005	Ube-Mitsubishi Cement Research Institute Corporation	1999	/	*
UMG ABS, Ltd.	2000	1992	2003	Ryukyu Cement Co., Ltd.	2000	1999	*
Ube Ammonia Industry, Ltd.	2001	2002	2004	UBE Scientific Analysis Laboratory, Inc.	1999	2001	2007
Ube Maintenance Co., Ltd.	2000	2005	2006	T&U Electronics Co., Ltd.	2001	2004	2006
Ube Electronics, Ltd.	2005	2000	*	Ube Steel Co., Ltd.	2005	1999	2007
Thai Caprolactam Public Co., Ltd. (Thailand)	2002	2002	2002	Fukushima, Ltd.	1998	1997	2000
Thai Synthetic Rubbers Co., Ltd. (Thailand)	2000	2002	2002	Ube Techno Eng. Co., Ltd.	*	2002	*
Ube Nylon (Thailand), Ltd. (Thailand)	2004	2003	2006	Ube Machinery Co., Ltd.	1999	1996	2005
Ube Agri-Materials, Ltd.	2006	*	*	Ube Machinery, Inc. (U.S.)	*	1997	*
Meiwa Plastic Industries, Ltd.	2002	1999	2007	Ube Automotive North America Sarnia Plant, Inc. (Canada)	2003	2002	*
Ube Film, Ltd.	2004	2006	*				

• An asterisk mark (*) indicates sites currently examining the acquisition of certification.

• A slash mark (/) indicates that the site does not have any systems that apply to the certification.

For Group companies that have several factories, the earliest year in which any of the factories acquired the certification is shown.

EMS: environmental management system; QMS: quality management system; and OSHMS: occupational safety and health management system

High-Pressure Gas Equipment Inspector Certification (for Safety/Post-Completion Inspections)

Type of Certification	Certified Factories	Year of Certification
High-pressure gas equipment inspector certification (for safety/post-completion inspections) (High Pressure Gas Safety Law)	Sakai Factory	1999
	Nishioki Factory	1997
	Chiba Petrochemical Factory	2003
Certification as boiler and Class-1 pressure vessel inspectors (for inspections to be conducted while boilers and pressure vessels are in operation) (Industrial Safety and Health Act)	Chiba Petrochemical Factory	1997
	Nishioki Factory	1997
	Sakai Factory	1998

High-pressure gas post-completion inspectors are certified by the Minister of Economy, Trade and Industry to conduct inspections on high-pressure gas equipment following the completion of modification work (post-completion inspections), which should, in principle, be conducted by prefectural governors.

High-pressure gas safety inspectors are those who are certified by the Minister of Economy, Trade and Industry to conduct safety inspections on high-pressure gas equipment, which should, in principle, be conducted by prefectural governors.

Inspectors of boilers and Class-1 pressure vessels are certified by the heads of local labor standards supervision offices to conduct performance inspections without suspending the operation of the boilers and vessels.

Third-Party Verification and Opinion

In July 2007, UBE received third-party verification on this CSR Report from the Responsible Care Verification Center. This was the second time we have had the CSR Report verified. We will further improve the quality and content of our future CSR Reports in reference to the feedback the Center provided us with in their verification questionnaire and their written opinion regarding the verification results.



The UBE Group CSR Report 2007
Third-Party Verification—Written Opinion

July 27, 2007

Mr. Hiroaki Tamura
President & Representative Director
Ube Industries, Ltd.

Akio Yamamoto
Chairman, Verification Advisory Committee
Japan Responsible Care Council

Yasuo Tanaka
Chief Director, Responsible Care
Verification Center

Objectives of Verification

The Responsible Care Verification Center verified *The UBE Group CSR Report 2007* created by Ube Industries, Ltd. (hereinafter, “the CSR Report”) to give its opinion regarding the following items in the capacity of an expert in the chemical industry:

- 1) Rationality and accuracy of the method used to calculate and tabulate the performance indicators (numerical data)
- 2) Consistency of information other than the performance indicators (numerical data) provided in the CSR Report with the evidence materials
- 3) Evaluation of Responsible Care (RC) activities
- 4) Characteristics of the CSR Report

Verification Procedures

- The Center staff visited the head office of Ube Industries and asked questions to check the rationale of the method the company employed to tabulate and compile the performance indicators reported from each of its sites (offices and plants) and to confirm the consistency of information provided in the CSR Report and the evidence material. Employees in charge of relevant business operations and those in charge of creating the performance indicators answered questions of the Center staff and presented and made explanations in regard to the evidence materials.
- The Center staff also visited the Sakai Factory and asked questions to check the rationale of the method the factory employed to calculate and tabulate the performance indicators reported to the Head Office and the accuracy of the numerical data and to confirm the consistency of information provided in the CSR Report with the evidence materials. Employees in charge of relevant business operations and those in charge of creating the performance indicators at the factory answered questions of the Center staff and presented and made explanations in regard to the evidence materials.
- The Center used the sampling method to verify the performance indicators and other information contained in the CSR Report.

Opinions

- 1) Rationale of the method used to calculate and tabulate the performance indicators and accuracy of the numerical data
 - Both the Head Office and Sakai Factory calculated and tabulated the performance indicators in a rational manner.
 - According to the results of the verification survey, the numerical data was calculated and tabulated in an accurate manner.
- 2) Consistency of information contained in the CSR Report with the evidence materials
 - The information published in the CSR Report was consistent with the evidence materials surveyed by the Center.
 - The Center pointed out that some of the expressions used in the draft CSR Report were not appropriate or easy to understand, and corrections were thus made. As a result, as for the final CSR Report, there were no such serious problems.
- 3) Evaluation of the Responsible Care (RC) activities
 - The Center appreciates that the company achieved a 10% reduction in CO₂ emissions from the 1990 level in 2006 by implementing such measures as energy conservation and fuel conversion, and that it is promoting further reductions by setting higher reduction targets.
 - It is also appreciable that the Company has improved its high chlorine bypass equipment (chlorine gas removing equipment) to accept plastics, sludge, and household waste containing chlorine at its cement factories for the purpose of recycling resources.
 - All the Company’s factories and major affiliated companies have acquired certification for their occupational safety and health management systems (OSHMS) as part of efforts to prevent occupational accidents, which the Center highly appreciates.
 - The Sakai Factory built its integrated management system for quality, the environment and safety and has been promoting thorough risk assessment measures based on this system. The factory has also given clear reasons as to why its operation procedures in its operations manuals should be followed, thereby creating a database of required knowledge for the entire workplace. These efforts to pass down the accumulated skills to the next generation are highly evaluated.
- 4) Characteristics of the CSR Report
 - The Company replaced its RC Report with a CSR Report two years ago, thereby demonstrating its commitment to conducting comprehensive and strategic CSR activities.
 - The Company is implementing excellent measures to promote communication with local communities and disclose relevant information, including accepting visitors to its sites, holding various events, and organizing meetings by utilizing its CSR Reports.
 - In the future, the Company needs to further improve efficiency of the method utilized to calculate and tabulate the performance indicators, including environmental accounting data.

Questionnaire Results

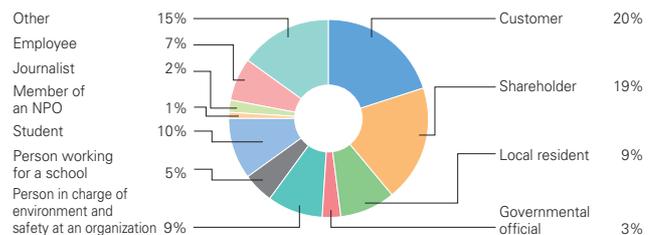
The UBE Group has been collecting the opinions of its stakeholders on its CSR activities through various channels, including dialogue with local communities, briefing sessions held within the Group companies, and various surveys.

We received 236 replies to our reader questionnaire on the CSR Report 2006—a significant increase as compared to the number of responses received on the CSR Report 2005. Here, we introduce some of the respondents' opinions. We will incorporate these opinions and comments from readers as much as possible in our future CSR activities and CSR Reports.

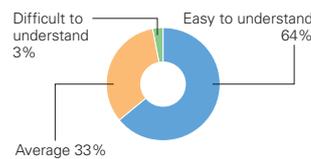
Opinions Expressed in the Questionnaire Survey on the CSR Report 2006

- "Compared with CSR Report 2005, there were more photos in the CSR Report 2006, which made the report more intelligible. I, however, want to know what the UBE Group did specifically to make improvements by incorporating the opinions of stakeholders expressed in the previous questionnaire survey, which was not described in the report. The report introduced various messages from employees, which makes the report easier to understand. In addition, it appropriately refers to the accidents that took place within the Group. I think that the report is excellent in terms of information disclosure and communication with stakeholders." —Customer
- "In the report, environment-related matters are described over many pages, which are easy to read and understand. By reading through the report, I was able to deeply understand UBE's ideas about the environment. The report was therefore quite meaningful for me." —Customer
- "In relation to the pages on domestic social contribution activities, I think that it might be necessary for UBE to promote its local environmental conservation activities and describe these activities in more depth." —Shareholder
- "It is important that those who visit UBE's factories for industrial tours learn about the spirit of 'living and prospering together,' which is an idea for CSR passed down from Yusaku Watanabe, as well as about UBE's cutting-edge technologies. At any rate, it is great that UBE is leading the creation of better local communities." —Customer
- "It's a shame that there were no female editors for the CSR Report. I believe it necessary for the company to incorporate women's ideas more." —Customer
- "The article on bid rigging on page 12 showed the company's strong regret and commitment to preventing the recurrence of similar problems, which I greatly appreciate." —Customer
- "I believe it important that all employees are fully aware of the environment and safety promotion system, the environment and safety, and occupational health and disaster prevention." —Shareholder
- "Compared with the previous CSR report, the report is made more intelligible by the use of different colors to classify the content. It would be easier to read if more illustrations were used to highlight important points, and explanations." —Customer
- "It would be easier to read if the fonts were a bit larger." —Shareholder
- "I expect that the company will take time to steadily implement follow-up measures for the asbestos-related problems." —Customer
- "The report was quite easy to understand thanks to the use of footnotes that offered detailed explanations on words and phrases as well as photos, graphs, and other figures. Also, it is great that the company's environment-friendly products are introduced in a list, which clearly shows the environmental commitment of the company." —Customer
- "I was able to understand that the company had formulated CO₂ emission reduction measures from various viewpoints. It is also wonderful that the company supports cultural and artistic activities." —Customer
- "Congratulations on winning a prize at the 15th Fujisankei Global Environment Awards, which was the result of efforts made by the president and all the employees. Compared with the CSR Report 2005, the report for 2006 was edited in a far better way. It is also good that the questionnaire survey results were introduced in the report." —Customer

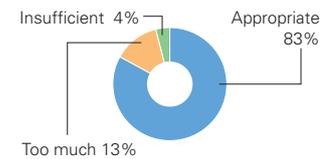
Q1: In what capacity did you read this report?



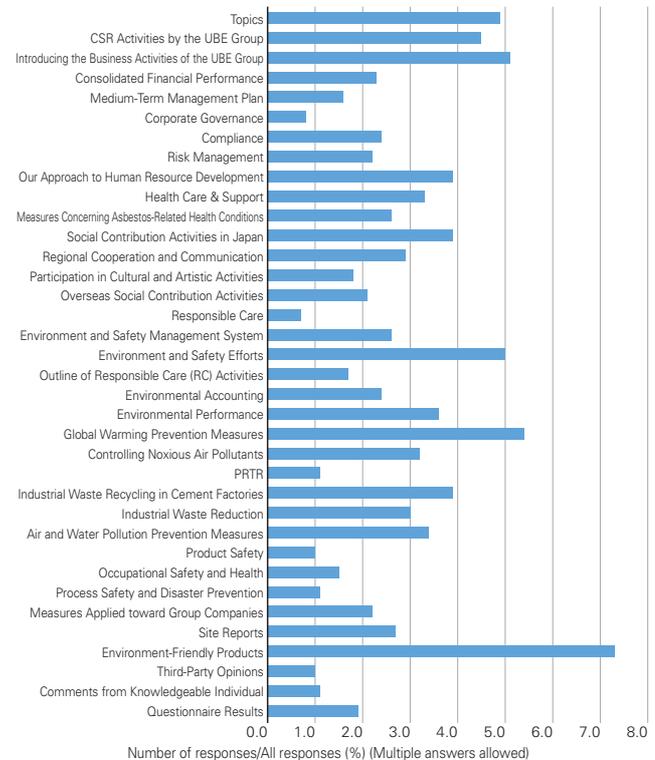
Q2: What is your opinion about the intelligibility of the report?



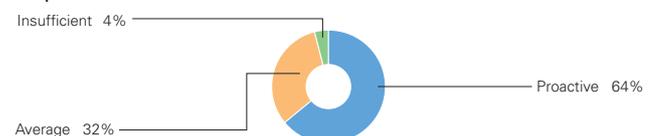
Q3: What is your opinion about the volume of the report?



Q4: What subject of the report did you find especially interesting?



Q5: What do you think about the UBE Group's environmental preservation activities?



Expert Comments



Tatsuya Hobara
 Professor at School of Medicine,
 Yamaguchi University

I read *The UBE Group CSR Report 2007* and formed the following impressions.

It is appreciable that UBE Group has set its greenhouse gas emission target at 12%, which far exceeds the 6% target (compared with the 1990 levels) that Japan needs to achieve by 2008 through 2012 under the Kyoto Protocol.

The Group is engaged in a range of businesses: Chemicals & Plastics, Specialty Chemicals & Products, Cement & Construction Materials, Machinery & Metal Products, and Energy & Environment. I expect the UBE Group will make further progress in its core business segments.

Also, I believe it necessary for the UBE Group to establish a better risk management system to publicly notify accidents at its chemical factories.

I appreciate the Group's commitment to contributing to and living with local communities.

I hope that management and Group employees will make concerted efforts to develop the UBE Group into an even better corporate citizen to meet today's requirement for corporate ethics.

Editorial Policy

In 2005, we improved the content and changed the name of our annual RC Report, which we began publishing in 1997, to the CSR Report. *The UBE Group CSR Report 2007* is the third CSR report for us. In editing this annual report, we have been committed to improving its content and intelligibility.

In this CSR Report, we focused on dialogue with local communities, attributing importance to better communication with local residents. We also focused on products and technologies that are friendly to both people and the environment, because they are, after all, the fruit of our business operations promoted under the catch phrase of "Wings of technology, Spirit of innovation." In particular, we highlighted our gas separation membranes for bioethanol dehydration and colored recycled resin as spotlight topics. The membranes are used to dehydrate bioethanol without using the distillation method and the colored recycled resin is made of freely colored waste plastic.

Regarding our economic activities, which represent one of the mainstays of our CSR activities together with environmental and social activities, we included more detailed financial information in this report to help our stakeholders deepen their understanding of the UBE Group's financial position. In addition, just like the ISO 14001-related third-party verification performed in the environmental area, we had our CSR Report verified by a third-party organization and introduced the resulting opinions in the report.

History of Ube Industries

UBE celebrated its 110th anniversary on June 1, 2007. The Company was initially founded by Yusaku Watanabe in 1897 as the Okinoyama Coal Mine (a silent partnership) and later multiple new companies were established one after the other following the words of Mr. Watanabe: "From a limited mining industry to an industry with infinite possibilities." These companies served as platforms for the current businesses. In 1949, UBE participated in Yamaguchi City's environmental program*1 and implemented various environmental measures ahead of others for "living and prospering together" with local communities and the environment.

Water supply system constructed to ensure drinking water supply (1924)



Watanabe Memorial Hall built for citizen use (1937)



UBE's first RC Report published (1997)



UBE participated in Japan Expo Yamaguchi 2001, and its pavilion proved very popular among the visitors to the so-called "Kirara Expo." (2001)



Glossary

*1 Ube City's environmental program: Under this program, the city has been implementing unique measures to prevent pollution, in which citizens, experts, city officials, and local companies proactively work together based on the concept of appropriate information disclosure. Even now, environmental safety measures are being taken from ever new perspectives, demonstrating the success of this initiative, which was launched more than 50 years ago.

110-Year History of Ube Industries

Business Activities		Environmental and Social Activities
Okinoyama Coal Mine established as a silent partnership	1897	
	1910	Opened an elementary school (later transferred to Ube City)
	1913	Opened a women's school (later transferred to Ube Village)
Ube Shinkawa Iron Works established as a silent partnership	1914	Opened an apprentice school in Ube (later integrated into the prefectural industrial high school in Ube following educational reforms)
Ube Cement Production, Ltd. established	1923	
	1924	Constructed water supply facility upstream of the Koto River (transferred to Ube City)
	1927	Established a railway company (present West Japan Railway Company's Onoda Line)
Ube Nitrogen Industry, Ltd. established	1933	
	1936	Established Watanabe Memorial Culture Association
	1937	Constructed Watanabe Memorial Hall
The above four companies merged to create Ube Industries, Ltd.	1942	
Ube Industries, Ltd. shares listed on the Tokyo Stock Exchange	1949	Ube City's environmental program started; completion of Koto River dam (with 50% of the construction cost shared by Ube Industries)
Research laboratory in Ube opened	1951	Dust Countermeasures Section established by Ube City
	1953	Opened Ube Industries Sanatorium Association (present Ube Industries Central Hospital)
Opened cement factory in Isa and a caprolactam factory in Ube	1955	
	1959	Founded Watanabe Memorial Science Foundation (present UBE Foundation) Constructed a gymnasium in commemoration of Mr. Tawarada (donated to Ube City)
Opened polyethylene factory in Chiba and a cement factory in Kanda	1964	
Opened Sakai Factory	1967	
Opened research laboratory in Chiba	1968	
Opened Polybutadiene factory in Chiba	1971	Established environment management section at each site
	1973	Established the Environment Management Department within the Head Office (present Environment & Safety Department); established the Energy Savings Committee
Road for the exclusive use by Ube Industries (connecting Ube and Mine Cities) opened	1974	
Okinoyama Coal Center established	1980	
Completed construction of the Kosan-Ohashi Highway Bridge and a coal-fired power plant	1982	
U-Mold Co., Ltd. (present Ube Aluminum Wheel Factory) established	1987	
	1991	Established Libertas Ube, Ltd. as a special subsidiary
	1992	Instituted the UBE ES Principles
Invested in PQM of Spain (present UBE Chemical Europe, S.A.)	1993	
	1994	Launched the Environment-Related Business Office; started implementing ES audits
	1995	Joined the Japan Responsible Care Council (JRCC); formulated UBE's Voluntary ES Plan
Celebrated 100th anniversary; established a production base in Thailand	1997	Ube City added to the Global 500 Roll of Honour of the United Nations Environment Programme (UNEP); issued the first RC Report describing UBE's ES measures; participated in the first RC regional meetings in Chiba, Yamaguchi, and Sakai Senboku (page 9)
Established Ube-Mitsubishi Cement Corporation	1998	Established Action Guidelines for Business Conduct
Established Ube Machinery Corporation	1999	Isa Cement Factory acquired ISO 14001 certification and other factories subsequently acquired the same certification
	2000	Issued the first RC Report introducing environmental accounting
	2001	Established the Global Environment Preservation Promotion Committee; participated in Japan Expo Yamaguchi 2001
Completed construction of a 216,000 kW coal-fired power generation facility; established Ube Maruzen Polyethylene Co., Ltd.	2004	Participated in the first RC dialogue meeting in the Ube/Onoda district (has since been participating in the dialogue meeting every year); established an environment and safety audit system for overseas sites
	2005	Replaced RC Report with the CSR Report; established the High-Pressure Gas Safety Committee; launched the Asbestos project
Increased capital to ¥58.3 billion through initial public stock offering	2006	



Ube Industries, Ltd.

Person responsible for editing and publishing this report: Kazuhiko Okada
CSR Promotion Secretariate

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