

Business Results and Financial Condition for Fiscal 2003

1. Business Results For the Period Under Review

(1) Overview of the Past Fiscal Year

During the period under review, the deflationary trends in Japan lingered, but the economy entered a mild recovery, supported by favorable exports and capital expenditures.

Under such conditions, all of the Ube Industries Group's management continued their earnest efforts to pursue rationalization policies as a whole and to shrink assets in order to reduce interest-bearing debt.

However, owing to a decline in domestic cement demand and other factors, Group consolidated sales declined by ¥2.1 billion to ¥511.3 billion. While shipments of specialty products were favorable, a labor dispute at the Company's aluminum wheel factory in the United States led to a decline in productivity, resulting in a ¥4.3 billion decline in operating profits to ¥22.0 billion, and a ¥900 million decline in ordinary profits to ¥15.1 billion. In addition, with the aim of an early return to balance sheet health, the Company adopted fixed asset impairment accounting one year ahead of the mandatory implementation date in FY2005, and recorded an extraordinary loss of ¥31.7 billion including fixed asset impairment losses. As a result, while extraordinary gains of ¥7.1 billion were also booked, net income for the period recorded a loss of ¥13.6 billion.

Item	Net Sales	Operating Profit	Ordinary Profit	Net Income
Current Year	¥511.3 billion	¥22.0 billion	¥15.1 billion	- ¥13.6 billion
Previous Year	¥513.5 billion	¥26.3 billion	¥16.0 billion	¥8.1 billion
YoY Change	-0.4%	-16.6%	-5.7%	-----

On a parent-only basis, net sales for the period were down ¥2.2 billion to ¥227.0 billion, operating profit increased by ¥1.2 billion to ¥13.4 billion, and ordinary profit increased by ¥1.9 billion to ¥8.6 billion, while impaired fixed asset charges and other factors resulted in a net loss of ¥9.0 billion. Given the business results as described, the Company plans to pass its annual dividend.

(2) Business Results by Segment

Due to an organizational change, the Company from FY2003 changed its business

segments from “Chemical Products and Plastics”, “Construction Materials”, “Machinery and Metal Products”, “Energy and Environmental” and “Other Businesses” to “Chemicals and Plastics”, “Specialty Chemicals and Products”, “Energy and Environmental”, “Construction Materials”, “Machinery and Metal Products” and “Other Businesses”. As a result, because internal company accounting for these divisions was also changed, operating earnings by segment as shown below have been expressed in parenthesis (), and year-on-year change rates are based on the prior classification.

Chemicals and Plastics

Net sales for the segment declined by ¥1.1 billion to ¥149.3 billion and segment operating profit declined by ¥900 million to ¥2.1 billion, reflecting the sale of the APAO (Amorphous Poly Alpha Olefin) business, and the transfer of sales of hydrogen peroxide to Kemira-Ube, Ltd.

Item	Net Sales	Operating Profit
Current Year	¥149.3 billion	¥2.1 billion (¥2.8 billion)
Previous Year	¥150.5 billion	-- (¥3.8 billion)
YoY Change	-0.7%	-- (-25.8%)

Polyethylene shipments were flat from the previous year, while polybutadiene shipments to the tire industry were favorable.

The market for caprolactum was recovering because of an improved supply-demand balance supported by strong demand from China, but was negatively affected by sharp rises in basic material costs. Nylon 6 shipments continued favorable, while Nylon 12 shipments were also firm with the ongoing development of high performance markets and emphasis on new applications. In addition, industrial chemical shipments were also firm, but negatively affected by sharply rising basic material costs.

Specialty Chemicals and Products

Revenues for the segment were supported by the conversion of Ube Nitto Kasei Co., Ltd. into a consolidated subsidiary, as well as strong demand in the digital market, which offset weakness in the pharmaceutical bulk compounds and intermediates business; producing an ¥8.5 billion increase in segment sales to ¥65.8 billion, and an operating profit gain of ¥1.2 billion to ¥6.9 billion.

Item	Net Sales	Operating Profit
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Current Year	¥65.8 billion	¥6.9 billion (¥7.3 billion)
Previous Year	¥57.3 billion	-- (¥6.0 billion)
YoY Change	14.9%	-- (20.9%)

Polyimide film for mainly liquid crystal display applications and dual-layer Copper Clad Laminates (CCL) based on polyimide film, as well as electrolytes and separators for lithium-ion batteries, and high purity chemicals for semiconductors all saw favorable growth in shipments. On the other hand, dielectric ceramics elements for the mobile phone market were weak.

Pharmaceutical shipments were weak. Fine chemical product shipments were firm, but were adversely affected by a strong yen.

Energy and Environmental

Segment sales decline by ¥3.3 billion to ¥16.2 billion, reflecting a decline in the environmental business, while operating profits increased by ¥100 million to ¥1.7 billion.

Item	Net Sales	Operating Profit
Current Year	¥16.2 billion	¥1.7 billion (¥1.9 billion)
Previous Year	¥19.6 billion	-- (¥1.8 billion)
YoY Change	-16.9%	-- (7.0%)

UBE Power Center Co., Ltd. began wholesale electric power operations from March of 2004.

Construction Materials

Sales for the segment reflected declining domestic demand for cement and other construction material products, resulting in a ¥11.9 billion decline in segment sales to ¥173.7 billion, while operating profits increased by ¥100 million to ¥10.4 billion thanks to cost savings.

Item	Net Sales	Operating Profit
Current Year	¥173.7 billion	¥10.4 billion (¥9.6 billion)
Previous Year	¥185.6 billion	-- (¥9.5 billion)
YoY Change	-6.4%	-- (1.9%)

A decline was seen in cement shipments reflecting weak domestic demand, while the recycling of industrial wastes for fuel and raw materials continued to expand, as the Company worked to not only reduce costs, but also to contribute to an environmental-friendly society. In the natural resources and construction materials area, shipments of self-leveling materials for flooring construction saw growth, but market conditions as a whole were weak.

Machinery and Metal Products

Segment sales, boosted by injection molding machines and others, increased by ¥6.4 billion to ¥101.6 billion, but operating profits were negatively affected by decreased productivity in the aluminum wheel business. Consequently, operating profits declined by ¥4.6 billion and recorded a net loss of ¥100 million.

Item	Net Sales	Operating Profit
Current Year	¥101.6 billion	-¥100million (-¥600 million)
Previous Year	¥95.2 billion	-- (¥3.9 billion)
YoY Change	6.7%	-- (-- %)

In the machinery business, shipments of large-size injection molding machines increased to China and North America, and there was an increase in orders for hard-milling machines to China.

In the aluminum wheel business, shipments were favorable, while business performance was hurt badly by a labor dispute at the US factory that resulted in a significant decline in productivity.

Others

Item	Net Sales	Operating Profit
Current Year	¥4.3 billion	¥700 million (¥700 million)
Previous Year	¥5.1 billion	-- (¥1.1 billion)
YoY Change	-14.8%	-- (-30.3%)

2. Outlook for the Coming Year

Regarding economic conditions going forward, Japan's domestic economy is expected to continue steadily recovering, supported by exports and private sector capital expenditures, given the recovery in the global economy. However, there are many uncertainties, including the sharp rise in energy and raw material prices and a stronger yen, making future trends difficult to forecast. For the full fiscal year from April, 2004 to March, 2005, the Company is assuming an average Yen-Dollar exchange rate of ¥105/US\$, and a domestic naphtha price of ¥26,100 per kiloliter in forecasting the following sales and earnings. In addition, the Company plans to pay an annual dividend of ¥2 per share.

Fiscal Year To	Net Sales	Operating Profit	Ordinary Profit	Net Income
March, 2005	¥530.0 billion	¥22.0 billion	¥11.0 billion	¥5.0 billion
March, 2004	¥511.3 billion	¥22.0 billion	¥151.1 billion	-¥13.6 billion
YoY Change	3.7%	0.0%	-27.2%	---

Sales by Segment

(in billions of yen)

Fiscal Year To	Chemicals and Plastics	Specialty Chemicals and Products	Energy and Environmental	Construction Materials	Machinery and Metal Products	Other Businesses
March, 2005	¥146.0	¥85.5	¥22.5	¥170.0	¥102.0	¥4.0
March, 2004	¥149.3	¥65.8	¥16.2	¥173.7	¥101.6	¥4.3
YoY Change	-2.2%	29.9%	38.9%	-2.1%	0.4%	-7.0%

Segment Operating Profits

(in billions of yen)

Fiscal Year To	Chemicals and Plastics	Specialty Chemicals and Products	Energy and Environmental	Construction Materials	Machinery and Metal Products	Other Businesses
March, 2005	¥2.7	¥8.7	¥1.1	¥8.2	¥0.4	¥0.7
March, 2004	¥2.1	¥6.9	¥1.7	¥10.4	-¥0.1	¥0.7
YoY Change	28.6%	26.1%	-35.3%	-21.2%	---	0.0%

Note: While the estimates for the fiscal year to the end of March, 2005 as described above are based on reasonable assumptions at the time of the estimates, the Company can give no assurance that its projections will be met, as actual results could differ

materially from actual estimates due to certain risks, trends and uncertainties. Among those factors are; economic conditions in major markets, supply-demand conditions for major products, prices of raw materials, interest rates, and prevailing exchange rates.

Financial Condition

1. Assets, Liabilities and Shareholder's Equity

Total assets for FY2003 declined by ¥46.3 billion to ¥699.4 billion, reflecting reduced levels of cash and cash equivalents, and a decrease in tangible fixed assets on lower levels of reported fixed assets owing to new fixed asset impairment accounting standards, and the securitization of real estate. Total liabilities declined by ¥36.6 billion to ¥596.5 billion on reductions in interest-bearing debt.

Shareholder's equity for the period declined by ¥10.4billion to ¥85.7billion. While additional paid-in capital increased ¥3.8billion and the valuation differential of other marketable securities improved by ¥3.1billion, retained earnings declined by ¥17.8billion.

2. Cash Flow

Net operating cash inflow during the period under review was ¥37.2 billion. While there was a cash outflow from pretax losses of ¥9.4 billion, it included non-cash charges such as depreciation in the amount of ¥31.4billion and impairment losses of ¥17.5billion.

Net cash outflows from investment activities were ¥6.6 billion. Cash outflows from the acquisition of ¥28.9 billion of tangible and intangible assets were more than offset by cash inflows of ¥15.5 billion from the sale of tangible fixed assets and ¥5.1 billion from the sale of marketable securities.

Net investment cash outflows were ¥50.5 billion, as free cash flow (net operating cash flows and investment cash flows) as well as cash and cash equivalents were used to pay down interest-bearing debt.

Moreover, interest-bearing debt declined by ¥48.6 billion to ¥409.7 billion, and cash and cash equivalents declined by ¥20.0 billion to ¥28.5 billion

¥ billions

Item	FY to March 31, 2004	FY to March 31, 2003	YoY Change (¥ Billion)
Net Operating Cash Flow	37.2	43.7	-6.4
Net Investment Cash Flow	-6.6	8.5	-15.2
Net Financial Cash Flow	-50.5	-48.0	-2.4
Net Change in Cash and Cash Equivalents	-0.1	-0.3	-0.2
Increase in Cash and Cash Equivalents (or decline)	-20.0	3.8	-23.9
Cash and Cash Equivalents and Beginning of Period	48.5	45.5	2.9
Adjustment due to	0.0	-0.9	0.9

Change in Scope of Consolidation			
Cash and Cash Equivalents at End of Period	28.5	48.5	-20.0
Outstanding Interest-Bearing Debt	409.7	458.3	-48.6
