



Third Quarter Consolidated Earnings Report Fiscal 2004 (Year Ending March 2005)

February 9, 2005

Company name: Ube Industries, Ltd.
 Shares listed on: First Section of Tokyo Stock Exchange, Fukuoka Stock Exchange
 Security code number: 4208
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1. Notes Related to the Preparation of this Report

- (1) Use of simplified accounting method: Used
 Partially used in recording income tax and other taxes
- (2) Change in accounting policies from the last accounting period: None
- (3) Change in the scope of consolidation and application of equity method: Yes
 Consolidated subsidiaries: Newly included, 2; Newly excluded, 1
 Affiliated companies accounted for by equity method: Newly included, 1; Newly excluded, 1

2. Consolidated Operating Results and Financial Position for the Third Quarter of Fiscal 2004 (April 1, 2004 to December 31, 2004)

(1) Operating Results

(Amounts rounded to the nearest million yen, except per share amounts)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
3 rd Qtr. Fiscal 2004	417,110	12.	20,631	68.3	12,482	68.2	6,457	65.1
3 rd Qtr. Fiscal 2003	372,303	0	12,259	—	7,422	—	3,911	
		—						
Reference: Fiscal 2003	511,373		22,017		15,137		(13,635)	

	Net income per share	Diluted net income per share
	Yen	Yen
3 rd Qtr. Fiscal 2004	7.19	6.62
3 rd Qtr. Fiscal 2003	4.61	4.32
Reference: Fiscal 2003	(16.07)	—

Notes:

- (1) The percentage figures shown in net sales, operating income, ordinary income and net income represent year-on-year changes.
- (2) Since the third quarter of fiscal 2003 was the first time that the company announced quarterly results, year-on-year comparisons are not shown in this report.

Review of Operating Results

The operating environment in the first three quarters (from April 1, 2004 to December 31, 2004) was generally favorable, bolstered by growth in the Chinese and other Asian economies, offsetting negative

factors such as the sharp rise in naphtha, benzene, coal and other raw material prices, continued declines in domestic demand for cement, and signs of weakness in parts of the digital consumer electronic products market since this summer. In this environment, the Company recorded year-on-year gains in revenues and income.

Sales increased in all segments with the exception of the "other" segment, rising by ¥44.8 billion, or 12.0% over the previous year, to ¥417.1 billion. Operating income surged 68.3%, or ¥8.3 billion year-on-year, to ¥20.6 billion, attributable to price adjustments on chemical and plastic products to compensate for the high cost of raw materials and economies of scale achieved primarily with specialty chemicals and products. In ordinary income, higher foreign exchange losses brought down the profit increase compared to operating income, with 68.2%, or ¥5.0 billion growth compared to the previous year, to ¥12.4 billion. Due to the rise in ordinary income, net income for the third quarter climbed 65.1%, or ¥2.5 billion, to ¥6.4 billion.

Information by segment is as follows:

1) Chemicals & Plastics

Although revenues dropped due to the transfer of the polyethylene business to Ube Maruzen Polyethylene Co., Ltd., a 50-50 joint venture formed with Maruzen Petrochemical Co., Ltd. in October 2004, sales rose 9.9%, or ¥11.0 billion year-on-year, to ¥122.3 billion, attributable to the relatively smooth implementation of price adjustments for caprolactam and synthetic rubber to compensate for higher raw material prices as well as strong shipments. Thanks to price factors and higher volume, operating income rose ¥6.0 billion compared to the previous year to ¥5.6 billion.

2) Specialty Chemicals & Products

Although sales of some specialty products were hurt by adjustments in the digital consumer electronic products market this summer, strong shipments of polyimide film for LCDs, pharmaceutical bulk and intermediaries throughout the fiscal period and the conversion of Ube-Nitto Kasei Co., Ltd., to a consolidated subsidiary in October 2003 resulted in a 36.1%, or ¥16.6 billion, increase in sales to ¥62.6 billion. Operating income jumped 97.9%, or ¥4.0 billion, to ¥8.1 billion due to economies of scale achieved with pharmaceutical bulk, intermediaries and polyimide film.

3) Energy & Environment

A sharp year-on-year rise in coal prices and the launch of operations at the consolidated subsidiary UBE Power Center Co., Ltd. (an independent power producer) in March 2004 contributed to a 67.1%, or ¥7.6 billion, rise in sales compared to the previous year to ¥19 billion. Operating income climbed 84.2%, or ¥700 million yen, to ¥1.5 billion yen due to an increase in storage volume of coal.

4) Cement & Construction Materials

While cement revenues declined on lower domestic demand compared to the same quarter in the previous year, higher revenues generated by rime-related products resulted in a 1.1%, or ¥1.4 billion, year-on-year increase in sales to ¥131.4 billion. Despite cost-cutting achieved by increased industrial waste processing and higher revenues from Group companies, declining cement sales and sharp rises in coal prices for fuel led to a 13.1%, or ¥1.0 billion, decrease in operating income to ¥6.6 billion.

5) Machinery & Metal Products

Higher revenue from die-casting machines and other injecting-molding machines coupled with a rise in the sales price of steel-related products led to a 12.4%, or ¥8.6 billion, year-on-year rise in sales to ¥78.8 billion. Despite higher profits from the machinery business, the Company's US aluminum wheel factory failed to recovery sufficiently from the drastic deterioration in productivity marked since the second half of fiscal 2003. The heavy losses resulting from this led to ¥1.0 billion decline in operating income to a deficit of ¥1.8 billion.

6) Other

Sales fell 17.9%, or ¥600 million yen, compared to the previous year to ¥2.9 billion, while operating income dropped 33.5%, or ¥200 million, to ¥400 million.

(2) Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
3 rd Qtr. Fiscal 2004	726,223	102,737	14.1	109.39
Ref.: 3 rd Qtr. Fiscal 2003	728,932	103,828	14.2	119.69
Reference: Fiscal 2003	699,498	85,756	12.3	98.77

Review of Changes in Financial Position

Owing primarily to increases in cash and cash equivalents and notes and accounts receivable, total assets rose by ¥26.7 billion from the end of the previous fiscal year, to ¥726.2 billion. Debt increased by ¥9.7 billion to ¥606.2 billion, attributable to an increase in interest-bearing liabilities and notes and accounts payable. (Net interest-bearing liabilities, equivalent to interest-bearing liabilities less cash and cash equivalents, have decreased.) Shareholders' equity increased by ¥16.9 billion to ¥102.7 billion, largely due to the conversion of ¥10 billion in convertible bonds into shares and ¥6.4 billion in net income.

Reference

Forecast of Consolidated Earnings for Fiscal 2004 (Year Ending March 31, 2005)

There are no changes to the earnings forecasts released on November 11, 2004.

	Sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Fiscal 2004	556,000	16,000	7,000

(Reference) The Company estimates that net income per share for fiscal 2004 will be ¥7.45 and operating income will be ¥27,000 million.

* The above earnings forecasts are calculated on the basis of assumptions that the Company believes to be reasonable at this point in time. It should be recognized that changes in various factors could cause actual results to differ significantly from the forecasts given.

Condensed Consolidated Balance Sheets

(In million yen)

	3 rd Qtr. Fiscal 2004 (as of December 31, 2004)		Fiscal 2003 (as of March 31, 2004)		Change	3 rd Qtr. Fiscal 2003 (as of December 31, 2003)	
	Amount	%	Amount	%		Amount	Amount
Cash and cash equivalents	44,534	6.1	29,909	4.3	14,625	23,981	3.3
Notes and accounts receivable	140,395	19.4	129,719	18.5	10,676	133,630	18.3
Inventories	81,373	11.2	76,631	11.0	4,742	83,351	11.4
Other current assets	24,077	3.3	20,961	3.0	3,116	23,196	3.2
Fixed assets	435,797	60.0	442,238	63.2	(6,441)	463,892	63.7
Deferred assets	47	0.0	40	0.0	7	882	0.1
Total assets	726,223	100.0	699,498	100.0	26,725	728,932	100.0
Interest-bearing liabilities	423,632	58.3	409,751	58.6	13,881	432,026	59.3
Notes and accounts payable	96,514	13.3	86,169	12.3	10,345	87,604	12.0
Other liabilities	86,145	11.9	100,628	14.4	(14,483)	88,273	12.1
Total liabilities	606,291	83.5	596,548	85.3	9,743	607,903	83.4
Minority interests	17,195	2.4	17,194	2.4	1	17,201	2.4
Common stock	48,565	6.7	43,565	6.2	5,000	43,565	6.0
Additional paid-in capital	18,415	2.5	13,411	1.9	5,004	13,241	1.8
Retained earnings	35,803	4.9	29,421	4.2	6,382	48,386	6.6
Others	(46)	0.0	(641)	0.0	595	(1,364)	(0.2)
Total shareholders' equity	102,737	14.1	85,756	12.3	16,981	103,828	14.2
Total liabilities, minority interests and shareholders' equity	726,223	100.0	699,498	100.0	26,725	728,932	100.0

Condensed Consolidated Statements of Operations

(In million yen)

	3 rd Qtr. Fiscal 2004 (from April 1, 2004 to December 31, 2004)	3 rd Qtr. Fiscal 2003 (from April 1, 2003 to December 31, 2003)	Increase (Decrease)	Fiscal 2003 (from April 1, 2003 to March 31, 2004)
Net sales	417,110	372,303	44,807	511,373
Cost of sales	339,120	304,203	34,917	411,209
Gross profit	77,990	68,100	9,890	100,164
Selling, general and administrative expenses	57,359	55,841	1,518	78,147

Operating income	20,631	12,259	8,372	22,017
Non-operating income	6,022	8,338	(2,316)	10,633
Non-operating expenses	14,171	13,175	996	17,513
Ordinary income	12,482	7,422	5,060	15,137
Extraordinary gains	1,490	3,602	(2,112)	7,142
Extraordinary losses	1,539	3,346	(1,807)	31,742
Income before income taxes	12,433	7,678	4,755	(9,463)
Income tax	5,639	3,252	2,387	3,598
Minority interests in income of consolidated subsidiaries	337	515	(178)	574
Net income	6,457	3,911	2,546	(13,635)

Segment Information

Third Quarter of Fiscal 2004 (from April 1, 2004 to December 31, 2004)

(In million yen)

	Chemicals & Plastics	Specialty Chemicals & Products	Energy & Environment	Cement & Construction Materials	Machinery & Metal Products	Other	Total	Elimination or Corporate	Consolidated
Net sales									
(1) External sales	122,347	62,604	19,007	131,437	78,808	2,907	417,110	—	417,110
(2) Inter-segment sales	4,818	523	6,878	2,438	748	746	16,151	(16,151)	—
Total	127,165	63,127	25,885	133,875	79,556	3,653	433,261	(16,151)	417,110
Operating expenses	121,493	54,970	24,310	127,191	81,366	3,171	412,501	(16,022)	396,479
Operating income	5,672	8,157	1,575	6,684	(1,810)	482	20,760	(129)	20,631

Third Quarter of Fiscal 2003 (from April 1, 2003 to December 31, 2003)

(In million yen)

	Chemicals & Plastics	Specialty Chemicals & Products	Energy & Environment	Cement & Construction Materials	Machinery & Metal Products	Other	Total	Elimination or Corporate	Consolidated
Net sales									
(1) External sales	111,287	45,991	11,373	129,981	70,132	3,539	372,303	—	372,303
(2) Inter-segment sales	4,380	1,055	5,156	2,480	451	562	14,084	(14,084)	—
Total	115,667	47,046	16,529	132,461	70,583	4,101	386,387	(14,084)	372,303
Operating expenses	116,019	42,925	15,674	124,768	71,320	3,376	374,082	(14,038)	360,044
Operating income	(352)	4,121	855	7,693	(737)	725	12,305	(46)	12,259