

Information Meeting 2004

July, 2004

UBE INDUSTRIES, LTD

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“New 21・UBE plan II”

Company Profile

Business Portfolio of UBE

	Core Business	Fundamental Business	New Business	Non-core Business
Chemicals & Plastics	<p>Caprolactam Chain</p> <p>Nylon resin</p>	<p>Synthetic rubber</p> <p>Caprolactam</p> <p>Industrial chemicals</p> <p>Ammonia, etc</p>		<p>Polyethylene</p> <p>APAO</p> <p>ABS</p> <p>Agriculture</p>
Specialty Chemicals & Products	<p>Fine chemicals & Pharma</p> <p>Specialty products</p>		<p>Coals, Electricity</p>	
Energy & Environment	<p>Polyimide, Battery materials, High purity chemicals, etc</p>	<p>Energy</p>	<p>Environment</p>	
Cement & Construction Materials		<p>Cement, Construction materials</p>		
Machinery & Metal Products	<p>Aluminum wheel</p>	<p>Machinery</p> <p>Die-casting machines, Injection-molding machines, Bridges, etc</p>		
Others			<p>Advanced technological businesses</p>	<p>Real estate</p>

History of UBE

1897 Okinoyama Coal Mines is established as anonymous partnership.

1914 Shinkawa Iron Works is established as anonymous partnership. UBE's machinery business started from the manufacture of machinery for coal mining.

1923 Ube Cement Production, Ltd. is established. We entered the cement business, using coal for fuel and the abundant nearby limestone as raw material.

1933 Ube Nitrogen Industry, Ltd. is established. We expanded into the chemical field of synthesizing ammonia by pyrolysis of coal, used in the manufacture of ammonium sulfate.

1942 UBE Industries, Ltd. is established through consolidation of the four companies above.

Later UBE entered a wide range of business sectors such as petrochemicals, specialty products and aluminum wheels, establishing the operating divisions that would distinguish it as a comprehensive manufacturer of value-added products. With an extensive base of technologies and expertise built up over more than a century, UBE is taking actions for further innovation and growth.

**Review of FY2003
Consolidated Results**

Major P/L Items

— Review of FY2003 Consolidated Results —

(Billion Yen)

Items	FY03	FY02	Variance
Sales	511.3	513.5	2.1
	(227.0)	(229.2)	(2.2)
Operating income	22.0	26.3	4.3
	(13.4)	(12.1)	(1.2)
Ordinary income	15.1	16.0	0.9
	(8.6)	(6.6)	(1.9)
Net income	13.6	8.1	21.7
	(9.0)	(4.0)	(13.1)

() : Figures of non-consolidated basis

Major B/S Items

— Review of FY2003 Consolidated Results —

(Billion Yen)

Items	FY03	FY02	Variance
Total Assets	699.4 (435.9)	745.8 (487.8)	46.3 (51.8)
Debt	409.7 (270.9)	458.3 (307.3)	48.6 (36.4)
Net Debt	381.2 (258.9)	409.8 (278.3)	28.6 (19.4)
Stockholders' equity	85.7 (85.8)	96.1 (90.8)	10.4 (5.0)
Numbers of employees	11,397 (3,208)	10,829 (3,420)	568 (212)

() : Figures of non-consolidated basis

Sales by Segment

— Review of FY2003 Consolidated Results —

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(Billion Yen)

Segment	FY03	FY02	Y to Y	Major Factors
Chemicals & Plastics	149.3	150.5	1.1	Caprolactam chain 5.0 Synthetic rubber 2.5, APAO Δ 2.0 Change in consolidation Δ 5.5
Specialty Chemicals & Products	65.8	57.3	8.5	Change in consolidation 6.2 Specialty products 5.4 Change in segment Δ 2.1
Energy & Environment	16.2	19.6	3.3	Environment Δ 3.6
Cement & Construction Materials	173.7	185.6	11.9	Cement, Concrete Δ 12.4
Machinery & Metal Products	101.6	95.2	6.4	Machinery 4.7 Aluminum wheel 1.7
Others	4.3	5.1	0.7	Real estate Δ 0.7
Total	511.3	513.5	2.1	Decreased by 0.4%

Operating Income by Segment

— Review of FY2003 Consolidated Results —

***Based on former cost allocation before segmentation change in FY2003 (Billion Yen)**

Segment	FY03		FY02 (b)	Y to Y (a)-(b)	Major Factors
	New	Former* (a)			
Chemicals & Plastics	2.1	2.8	3.8	0.9	Polyolefin, synthetic rubber 2.5 Caprolactam chain Δ 3.3 Change in consolidation Δ 0.2
Specialty Chemicals & Products	6.9	7.3	6.0	1.2	Specialty products 1.9 Pharmaceuticals Δ 0.3 Fine chemicals Δ 0.3
Energy & Environment	1.7	1.9	1.8	0.1	
Cement & Construction Materials	10.4	9.6	9.5	0.1	Cement 0.7, Concrete Δ 0.8 Construction materials 0.1
Machinery & Metal Products	0.1	0.6	3.9	4.6	Machinery Δ 1.1 Aluminum wheel Δ 3.5
Others	0.7	0.7	1.1	0.3	Real estate Δ 0.3
Total	22.0	22.0	26.3	4.3	Decreased by 16.6%

FY2004 Consolidated Forecasts

[Operating income]

- ❑ Profitability of construction material business will be significantly affected by the increase in coal price. Raw materials prices will remain high for chemicals business.

- ❑ Increased cost of raw materials will be passed on to sales prices for chemicals and plastics. Sales volume is expected to increase for chemicals, plastics, specialty products and fine chemicals.



As a result, operating income will remain the same level as the previous year.

- ❑ In aluminum wheel business, we will resume normal operations through the restructuring of production system to resolve the irregular operations experienced in FY2003.

Features of FY2004 Consolidated Forecasts (2)

[Debt]

□ Net debt

Net debt will be reduced by applying the free cash flow to be generated by operating income and control of capital expenditure.

However the reduction will be much smaller than the reduction in FY 03, which was based on sale of assets.

End of FY 04: 376 billion yen (down 5.2 billion yen from the end of FY 03)

□ Debt

Debt will increase as cash and cash equivalents will be increased in order to prepare for the redemption of bonds in first half of FY 05.

End of FY 04: 429 billion yen (Up 19.3 billion yen from the end of FY 03)

Major P/L Items

— FY2004 Consolidated Forecasts —

(Billion Yen)

Items	FY04	FY03	Variance
Sales	530.0	511.3	18.7
	(230.0)	(227.0)	(3.0)
Operating income	22.0	22.0	0.0
	(12.0)	(13.4)	(1.4)
Ordinary income	11.0	15.1	4.1
	(5.5)	(8.6)	(3.1)
Net income	5.0	13.6	18.6
	(3.0)	(9.0)	(12.0)

FY04 : Resume dividend of ¥2/share

() : Figures of non-consolidated basis

Major B/S Items

— FY2004 Consolidated Forecasts —

(Billion Yen)

Items	FY04	FY03	Variance
Total	705.0	699.4	5.6
Assets	(443.0)	(435.9)	(7.1)
Debt	429.0	409.7	19.3
	(280.0)	(270.9)	(9.1)
Net Debt	376.0	381.2	5.2
	(247.0)	(258.9)	(11.9)
Stockholders'	90.0	85.7	4.3
equity	(89.0)	(85.8)	(3.2)
Numbers of	11,525	11,397	128
employees	(3,178)	(3,208)	(30)

() : Figures of non-consolidated basis

Sales by Segment

— FY2004 Consolidated Forecasts —

(Billion Yen)

Segment	FY04 Forecast	FY03 Actual	Y to Y	Major Factors
Chemicals & Plastics	146.0	149.3	3.3	Caprolactam chain 7.7 Change in consolidation (polyethylene) Δ 9.4
Specialty Chemicals & Products	85.5	65.8	19.7	Change in consolidation 8.1 Specialty products 5.6
Energy & Environment	22.5	16.2	6.3	Electricity (IPP) 5.5
Cement & Construction Materials	170.0	173.7	3.7	Cement, concrete Δ 2.2 Construction materials Δ 2.1
Machinery & Metal Products	102.0	101.6	0.4	
Others	4.0	4.3	0.3	
Total	530.0	511.3	18.7	Increased by 3.7%

Operating Income by Segment

— FY2004 Consolidated Forecasts —

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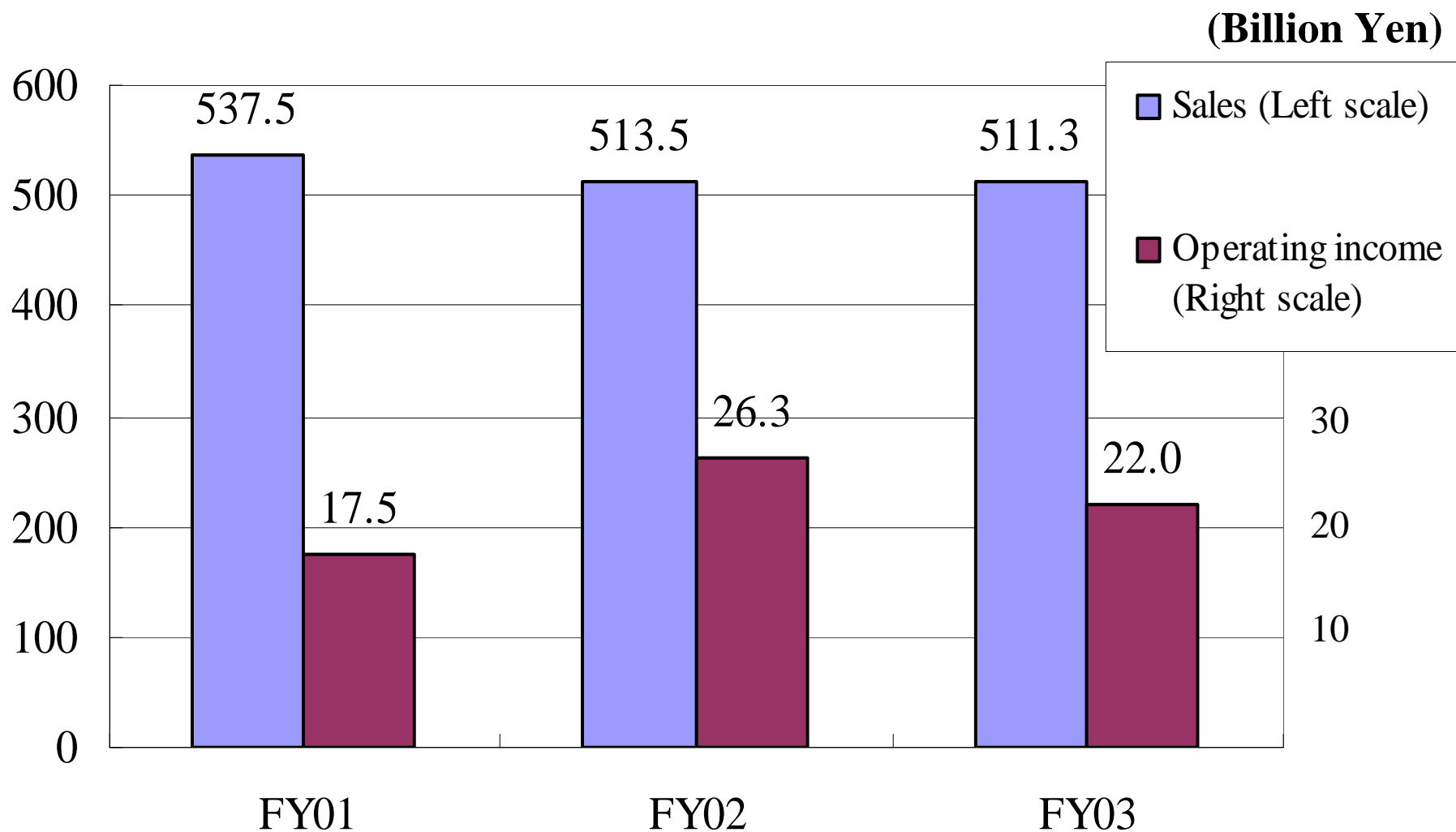
(Billion Yen)

Segment	FY04 Forecast	FY03 Actual	Y to Y	Major Factors
Chemicals & Plastics	2.7	2.1	0.6	Caprolactam chain 1.8, Change in consolidation (polyethylene) Δ 0.4 Synthetic rubber Δ 0.4
Specialty Chemicals & Products	8.7	6.9	1.8	Specialty products 0.8 Pharmaceuticals 0.7 Change in consolidation 0.4
Energy & Environment	1.1	1.7	0.6	Environment Δ 0.4
Cement & Construction Materials	8.2	10.4	2.2	Cement, concrete Δ 2.6
Machinery & Metal Products	0.4	0.1	0.5	Aluminum wheel 0.9 Machinery Δ 0.4
Others	0.7	0.7	0.0	
Total	22.0	22.0	0.0	

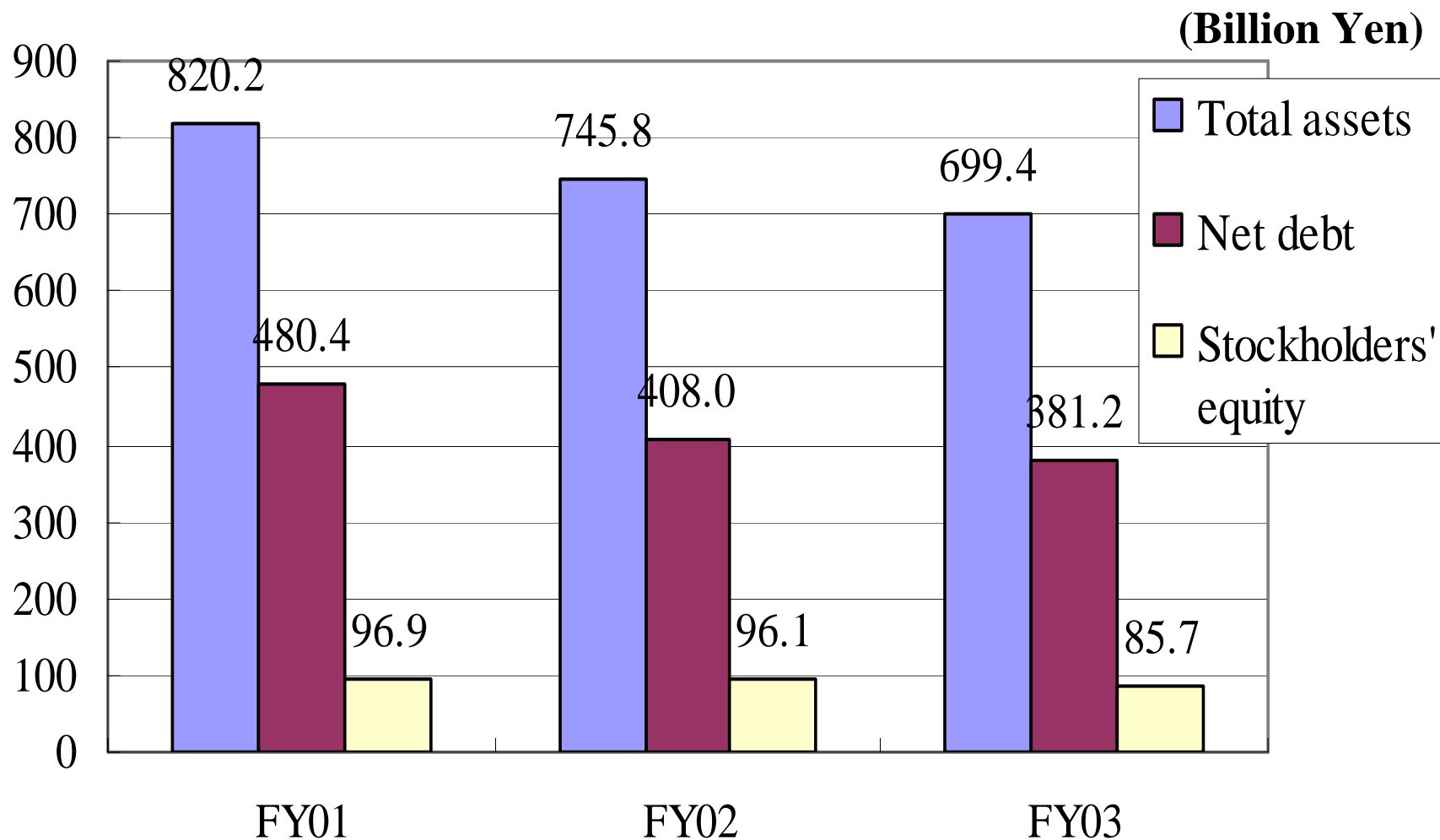
New Medium-term Management Plan

“New 21 -UBE Plan II”

Review of Previous Management Plan (1)



Review of Previous Management Plan (2)



Outline of New Medium-term Management Plan

Period

FY 2004 - FY 2006 (3 years)

Key issues

- ❑ Strengthening and expanding earnings
- ❑ Continuous improvement of financial position

Targets (FY2006)

- ✧ Operating income margin : **6% or higher**
- ✧ Return on assets (ROA) : **5% or higher**
- ✧ Net D/E ratio : **less than 3.0**

Basic Policy (1)

Targets

Operating income margin : 6% or higher

Return on assets (ROA) : 5% or higher

✧ Core business

Expand the scale of business through focused allocation of management resources and harvesting of the fruits from past investments.

✧ Fundamental business

Strengthen earnings base through the promotion of continuous restructuring and cost reductions, and thereby generate stable free cash flows.

✧ Non-core business

Form alliance with Maruzen Petrochemical in polyethylene business in order to strengthen market competitiveness through integrated operations at Chiba Petrochemical Complex.

Basic Policy (2)

Target Net Debt / Equity Ratio : less than 3.0

✧ **Reduce net debt by 31.0 billion yen by creating free cash flow through maximization of operating income and reduction of capital expenditures.**

✧ **For 3 years, limit capital expenditures to be within 80% of depreciation expenses.**

FY 04 – FY 06

Depreciation expense (including lease payments) 100 billion yen

Capital expenditure (excluding loans/investments) 80 billion yen

Target Figures

(Billion Yen)

Items	FY06	FY03	Variance
Sales	550.0	511.3	38.7
Operating income	33.0	22.0	11.0
Adjusted operating income *1	35.0	23.7	11.3
Ordinary income	25.0	15.1	9.9
Net income	15.0	13.6	28.6
Total assets	700.0	699.4	0.6
Net debt *2	350.0	381.2	31.2
Stockholders' equity	120.0	85.7	34.3

*1 Adjusted operating income : Operating income + Interest and dividend income + Equity income (loss) of unconsolidated subsidiaries and affiliates

*2 Net debt : Debt – Cash and cash equivalents

Target Indices

Items	Formula	Unit	FY06	FY03	Variance
Operating income margin	Operating income / Sales	%	6.0	4.3	1.7
Return on assets (ROA)	Adjusted operating income *1 / Total assets	%	5.0	3.3	1.7
Net D/E ratio	Net debt *2 / Stockholders' equity	Times	2.9	4.4	1.5

*1 Adjusted operating income : Operating income + Interest and dividend income + Equity income (loss) of unconsolidated subsidiaries and affiliates

*2 Net debt : Debt – Cash and cash equivalents

Sales and Operating Income by Segment

(Billion Yen)

Segment	Sales			Operating Income		
	FY06	FY03	Variance	FY06	FY03	Variance
Chemicals & Plastics	140.5	149.3	8.8	3.2	2.1	1.1
Specialty Chemicals & Products	104.0	65.8	38.2	14.2	6.9	7.3
Energy & Environment	26.0	16.2	9.8	1.6	1.7	0.1
Cement & Construction Materials	169.5	173.7	4.2	9.6	10.4	0.8
Machinery & Metal Products	106.0	101.6	4.4	3.5	0.1	3.6
Others	4.0	4.3	0.3	0.7	0.7	0.0
Total	550.0	511.3	38.7	33.0	22.0	11.0



END

This presentation material contains forward-looking statements concerning UBE’s future plans, strategies, and performance. These forward-looking statements are not historical facts; rather, they represent assumptions and beliefs based on economic, financial, and competitive data currently available. Forward-looking statements include information preceded by, followed by, or that include the words “project”, “predicts”, “expects”, “forecasts”, “could”, “may”, or similar expressions. Furthermore, they are subject to a number of risks and uncertainties which include, but are not limited to, economic conditions, fierce competition in this industry, customer demand, tax rules and regulations. Readers of this presentation material are cautioned not to place undue reliance on these forward-looking statements. Actual results may differ materially from expectations.