



Progress of “Stage Up 2009” Medium-Term Management Plan

Fiscal Year Ended March 31, 2009

UBE INDUSTRIES,LTD.

Contents of Presentation

- 1** Consolidated Results for 2008 & forecasts for 2009
- 2** The progress in the Medium-Term Management Plan, “Stage Up 2009”
 - 1.** Establishment of a platform for profitability that ensures sustainable growth
 - 2.** Sustained improvement of financial position
 - 3.** Strengthening of CSR initiatives
- 3** Appendix



**Consolidated Results for 2008 &
forecasts for 2009**



Major P/L Items - Consolidated Result for 2008 Fiscal Year -

- Revenues and profits were up through the 1st half of FY08, but a sharp drop in demand in the 2nd half results led to a decrease in revenues and profit for the full year.

(Unit: Billion yen)

Item	FY2007	FY2008	Difference	Factors
Net sales	704.2	684.7	-19.5 (-2.8%)	Decrease in sales volumes of chemicals and aluminum wheels
Operating income	55.9	31.1	-24.7 (-44.3%)	Decrease in sales volumes, recorded loss on valuation of inventory
Ordinary income	46.7	20.3	-26.3 (-56.3%)	Recorded non-operating currency losses, other factors
Net income	24.0	11.6	-12.3 (-51.5%)	
Net interest-bearing liabilities	275.6	267.7	-7.9	
Equity capital	193.8	171.9	-21.9	Decrease in foreign currency translation adjustments from rise in valuation of yen
Dividend (Yen / Share)	5.0	4.0	-1.0	

(Unit: Billion yen)

Segment	Net Sales			Operating Income				
	FY2007	FY2008	Difference	FY2007	FY2008		Difference	
					Excluding change in accounting method	Excluding change in accounting method	Excluding change in accounting method	Excluding change in accounting method
Chemicals & Plastics	233.2	212.6	-20.6	18.6	2.0	7.6	-16.5	-10.9
Specialty Chemicals & Products	93.5	87.0	-6.4	14.1	6.7	7.8	-7.4	-6.2
Cement & Construction Materials	207.0	209.4	2.4	10.8	8.8	9.9	-1.9	-0.9
Machinery & Metal Products	120.3 (28.6)	110.0 (19.2)	-10.2 (-9.4)	6.6 (-1.6)	4.0 (-2.8)	4.1 (-2.7)	-2.6 (-1.2)	-2.4 (-1.1)
Energy & Environment	46.4	61.8	15.3	4.6	8.6	8.6	3.9	3.9
Others	3.6	3.5	0.0	0.8	0.7	0.8	0.0	0.0
Total	704.2	684.7	-19.5	55.9	31.1	39.1	-24.7	-16.7

() Division of Aluminum Wheels out of total amount

- Sluggish economic conditions will continue at least through 1st half of FY2009 (hitting bottom in 2nd half).
- Fully prepare for the possibility of even tighter constraints on credit.
⇒ **Secure positive total cash flow*, at the very minimum**
* Total cash flow is free cash flow minus dividends
- Take emergency action, by implementing the following initiatives to raise revenues as much as possible.

- | | |
|-----------------------------------|-------------------------------------|
| ① Restrict capital investment | Reduce by 30%
(to ¥25.0 billion) |
| ② Strengthen inventory reductions | Reduce by ¥16.0 billion |
| ③ Rigorous cost reduction | Reduce by ¥12.5 billion |
| ④ Minimize avoidable losses | |
| ⑤ Rigorous credit management | |

- Position FY2009 as time to thoroughly formulate strategy, looking ahead to a change in external business conditions.
⇒ Formulate next medium-term management plan

(Unit: Billion yen)

Item		FY2008 (A)	FY2009 (B)	Difference (B)-(A)	Impacts on Consolidated Operating Income	
Exchange Rate		Yen/\$	100.5	95.0	-5.5	0.5
Material Price	(CIF) Naphtha (Domestic)	\$/t	798	500	-298	6.5
		Yen/KL	58,900	35,000	-23,900	(7.2)
	Benzene (Average of US and Euro Contract Price)	\$/t	989	607	-382	12.8 (14.2)
	Australian Coal (CIF)	\$/t	153.0	89.5	-63.5	14.0
		Yen/t	15,382	8,503	-6,879	(15.0)

() Including impacts on fluctuation of exchange rate



● **Conditions will continue to be severe through the 1st half.**

(Unit: Billion yen)

Item	FY2008	FY2009	Difference	Factors
Net sales	684.7	552.0	-132.7 (-19.4%)	Decrease in sales volumes, other factors
Operating income	31.1	25.0	-6.1 (-19.8%)	Decrease in volumes of coal handled, other factors
Ordinary income	20.3	14.5	-5.8 (-28.9%)	
Net income	11.6	7.0	-4.6 (-40.0%)	
Net interest-bearing liabilities	267.7	265.0	-2.7	
Equity capital	171.9	174.0	2.1	
Dividend (Yen / Share)	4.0	Undecided	—	

Sales & Operating Income by Segment - Consolidated Forecast for 2009 Fiscal Year -

(Unit: Billion yen)

Segment	Net Sales			Operating Income		
	FY2008	FY2009	Difference	FY2008	FY2009	Difference
Chemicals & Plastics	212.6	150.5	-62.1	2.0	1.5	-0.5
Specialty Chemicals & Products	87.0	80.0	-7.0	6.7	8.0	1.3
Cement & Construction Materials	209.4	196.0	-13.4	8.8	8.5	-0.3
Machinery & Metal Products	110.0 (19.2)	84.5 (9.0)	-25.5 (-10.2)	4.0 (-2.8)	3.5 (-1.2)	-0.5 (1.6)
Energy & Environment	61.8	37.6	-24.2	8.6	2.9	-5.7
Others	3.5	3.4	-0.1	0.7	0.6	-0.1
Total	684.7	552.0	-132.7	31.1	25.0	-6.1

() Division of Aluminum Wheels out of total amount

Chemicals & Plastics



- **Caprolactam:** Possible upturn in demand and prices, centering on China. Ube will secure spreads and enhance cost competitiveness while optimizing production across four plants in three countries, in order to flexibly respond to changes in business conditions.
- **Polyamide Resin:** Automotive market is uncertain, but market for food wrapping and other films is strong. Ube will capitalize on its brand strengths centering on high quality and stable supply, and leverage the cost competitiveness of new world-class, state-of-the-art production facilities in Thailand (50,000 ton capacity).
- **Industrial Chemicals:** Possible recovery for main ammonia applications such as caprolactam and acrylonitrile. As Japan's largest ammonia supplier, Ube will capitalize on its stable supply and sales network, to expand sales and sustain operations.
- **Synthetic Rubber:** Although the pace of growth has slowed, demand is healthy for tires and non-tire applications centering on China. Ube will endeavor to achieve a good balance between its three plants in Japan, Thailand and China, and actively pursue marketing initiatives.

(Unit: Billion yen)

Item	FY2006	FY2007	FY2008	FY2009	FY2009 (Medium-Term Plan)
Net sales	210.4	233.2	212.6	150.5	215.0
Operating income	13.7	18.6	2.0	1.5	13.7

Specialty Chemicals & Products



- **Polyimides:** Demand for films used in thin panels is cooling off. Ube will respond through extensive streamlining of production and continued development to accommodate changes in the market. In addition to positioning the business for future economic recovery, Ube will strengthen the polyimide chain (see p.31) by entering new growth markets such as solar cells, and building markets for related products.
- **Gas Separation Membranes:** Ube will make up for the decrease in demand for nitrogen separation applications by expanding sales for environmental applications such as alcohol dehydration and decarboxylation.
- **Battery Materials:** Ube anticipates a recovery in the consumer market for lithium-ion secondary batteries, and will actively pursue the automotive market. The Company will reduce costs for electrolytes and strengthen development, as well as leverage the sixth expansion of production facilities for separators.
- **Ceramics:** Growth in demand for renewable energy applications (wind power, etc.).
- **Fine Chemicals:** Ube will endeavor to maintain and expand market share for existing products, and launch the polyurethane dispersion (PUD) business, as well as start construction of the new diol plant in Thailand.
- **Pharmaceuticals:** The market for *Talion* and *Calblock* continues to be strong. Prasugrel sales have commenced in Europe and approval in the US is also anticipated.

(Unit: Billion yen)

Item	FY2006	FY2007	FY2008	FY2009	FY2009 (Medium-Term Plan)
Net sales	88.3	93.5	87.0	80.0	113.5
Operating income	11.5	14.1	6.7	8.0	16.3

Cement & Construction Materials



- **Cement & ready-mixed concrete:** Cement demand in Japan is forecasted to decrease to 48 million tons, down two million tons year-on-year. Exports are also forecasted to be weak at 10 million tons. Ube has proposed and is currently negotiating price increases for cement and ready-mixed concrete to reflect higher fuel prices such as for coal. Ube will make a concentrated effort to improve revenues by reducing fixed costs and other initiatives.
- **Resource Recycling:** Ube will install proprietary technology to recycle materials that are difficult to process and command higher fees.
- **Calcia and Magnesia:** Decrease in demand from steel and refractory manufacturers, and increasing pressure to lower prices due to a decrease in fuel prices.
- **Specialty Inorganic Products:** Growth is anticipated in segments such as *MOS-HIGE* plastics filler and vapor process high purity powders. However, the significant impact has been made by the sluggish semiconductor, consumer electronics and automotive sectors.

(Unit: Billion yen)

Item	FY2006	FY2007	FY2008	FY2009	FY2009 (Medium-Term Plan)
Net sales	207.8	207.0	209.4	196.0	213.5
Operating income	12.4	10.8	8.8	8.5	12.1

Machinery & Metal Products



- Machinery:** In the segment of molding machines such as die casting machines, demand for machinery used for automotive production is anticipated to remain sluggish. In the industrial machinery segment, Ube anticipates that it will continue to secure high order levels centering on kilns and vertical mills for markets in Asia. Ube will focus its efforts on the services business, and developing its business in regions (countries) where demand is forecasted to increase.
- Aluminum Wheels:** Due to the impact of significantly lower vehicles sales, Ube has decided to withdraw from North American wheel production. Sales volumes in Japan have declined significantly, centering on higher profit large-diameter wheels. Ube will spin off the Japanese wheel business in July 2009 to facilitate rapid decision-making and operations that are tailored to the characteristics of the business.

(Unit: Billion yen)

Item	FY2006	FY2007	FY2008	FY2009	FY2009 (Medium-Term Plan)
Net sales	114.2 _(31.0)	120.3 _(28.6)	110.0 _(19.2)	84.5 _(9.0)	119.0 _(37.0)
Operating income	5.5 _(-2.1)	6.6 _(-1.6)	4.0 _(-2.8)	3.5 _(-1.2)	7.5 _(1.2)

() Division of Aluminum Wheels out of total amount

Energy & Environment



- **Coal:** Sales volumes are anticipated to decrease significantly due to lower demand caused by the economic recession. Weaker demand will lower prices and squeeze profits through intensifying competition. Ube will endeavor to maintain coal storage volumes at the Okinoyama Coal Center, which has increased its coal storage capacity. Ube will also diversify its import sources for coal, and promote the use of low-grade coal by leveraging its coal utilization technology.
- **Power:** Ube will reduce costs by increasing the use of low-grade coal and through biomass incineration. Ube will also increase sales of excess power from private power plants to customers outside the Ube Group.

(Unit: Billion yen)

Item	FY2006	FY2007	FY2008	FY2009	FY2009 (Medium-Term Plan)
Net sales	30.9	46.4	61.8	37.6	35.5
Operating income	2.7	4.6	8.6	2.9	2.8

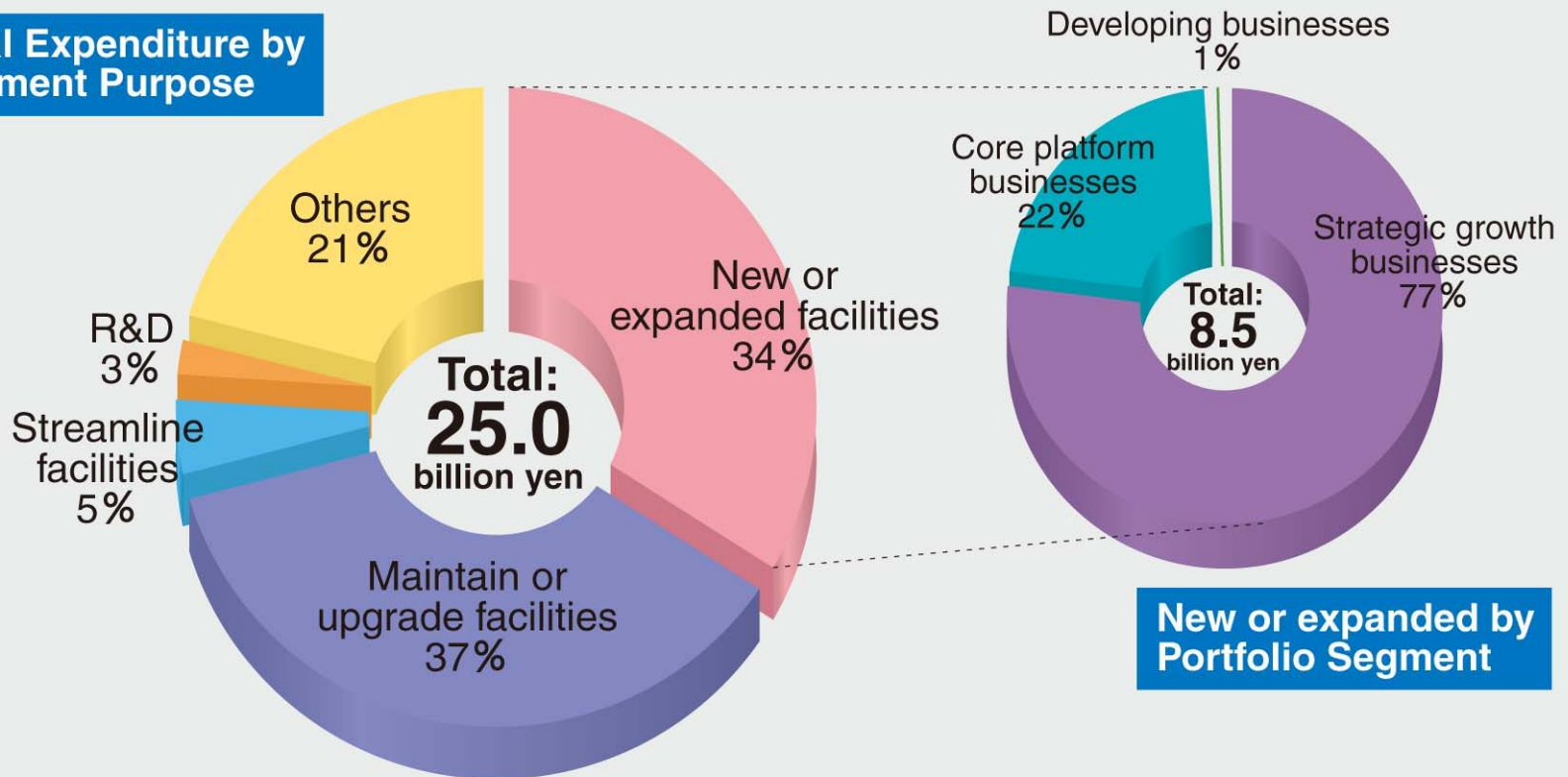


Capital Expenditure from 2007 to 2009 & the Breakdown of 2009

(Unit: Billion yen)

Item	FY2007	FY2008	FY2009	FY2007-FY2009 (Total)	FY2007-FY2009 (Medium-Term Plan)
Capital Expenditure	30.9	35.4	25.0	91.3	105.0
Depreciation	34.1	34.8	34.0	102.9	105.0

Capital Expenditure by Investment Purpose



New or expanded by Portfolio Segment

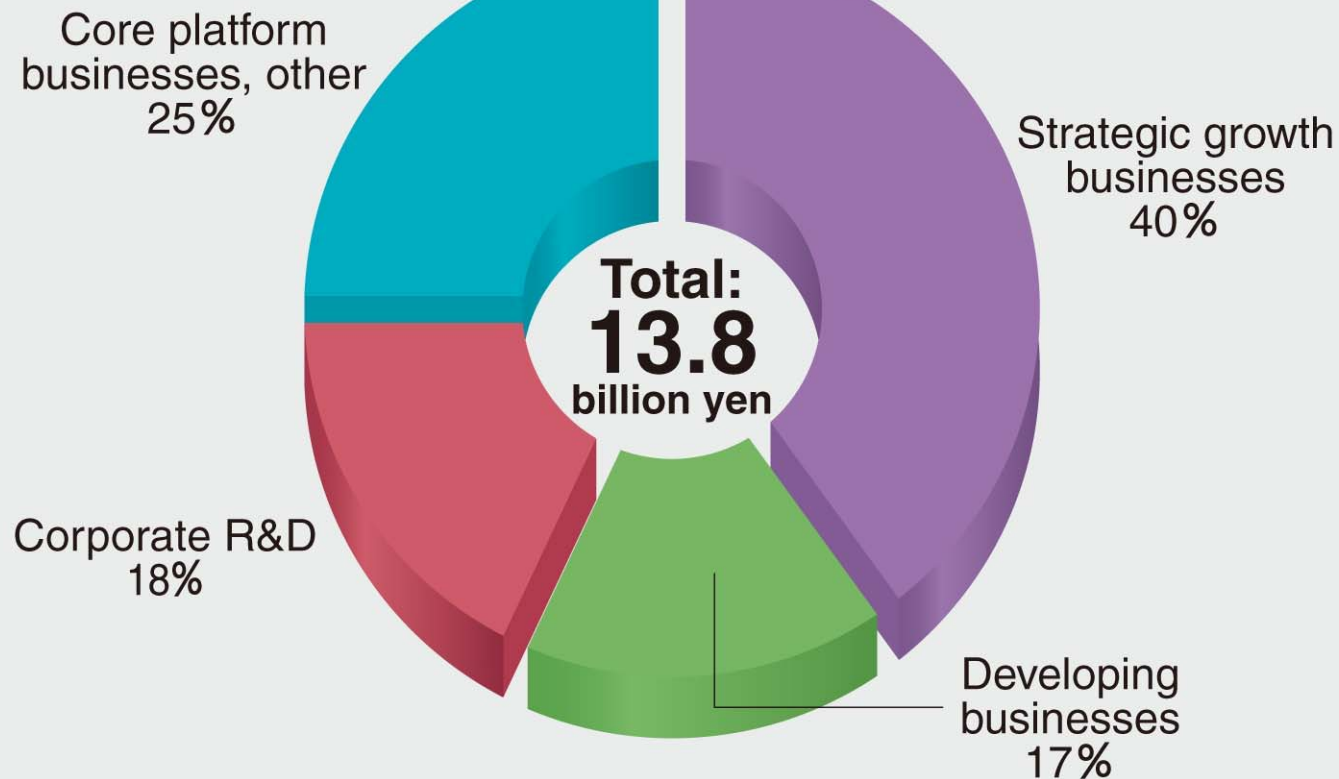


R&D Expenses from 2007 to 2009 & the Breakdown of 2009

(Unit: Billion yen)

Item	FY2007	FY2008	FY2009	FY2007-FY2009 (Total)	FY2007-FY2009 (Medium-Term Plan)
R&D expenses	13.5	14.1	13.8	41.4	43.0

R&D by Portfolio Segment





**The progress in the Medium-Term Management Plan,
“Stage Up 2009”**



① Establishment of a platform for profitability that ensures sustainable growth

Based on the business portfolio, the Ube Group identified core platform businesses that are solidly positioned to generate stable profits and cash flow, and strategic growth businesses with high potential for profits. Core platform businesses will anchor the Group, while strategic growth businesses will drive sustainable growth that is equally balanced across the Group.



② Sustained improvement of financial position

■ Emphasis on rigorous management of cash flow

Steady and sustained effort to drive down costs, in addition to strengthening profitability. Strengthen initiatives to reduce inventories and logistics costs, in order to generate capital.

■ Further improve the financial position

Capital expenditure...To equal depreciation throughout the Ube Group
(during the three-year period)

③ Strengthening of CSR initiatives

Economic perspective: Continue to improve corporate value and shareholder value (by boosting market value, increasing shareholder dividends, etc.)

Environmental perspective: Strengthen initiatives for environmental safety, process safety, and product safety

Social perspective: Achieve rigorous compliance, strengthen corporate governance and internal controls, create jobs, and contribute to local communities.



Item	Unit	FY2006 Result	FY2007 Result	FY2008 Result	FY2009 Forecast	FY2009 Medium-Term plan	FY2011 Targets
Net debt/equity ratio	Times	1.7	1.4	1.6	1.5	Under 1.3	Under 1.0
Equity ratio	%	24.1	26.9	25.4	25.6	30 or more	—
Operating income ratio	%	7.1	7.9	4.6	4.5	7.5 or more	8.5 or more
Return on assets	%	7.0	8.2	4.8	3.8	7.5 or more	8.5 or more
Return on equity	%	13.7	13.1	6.4	4.0	12 or more	—
Net sales	Billion yen	655.6	704.2	684.7	552.0	700.0 or more	—
Operating income	Billion yen	46.8	55.9	31.1	25.0	53.0 or more	65.0 or more
Business income	Billion yen	49.8	58.6	33.6	25.5	56.0 or more	—
Net interest-bearing liabilities	Billion yen	298.7	275.6	267.7	265.0	Under 279.0	—
Equity capital	Billion yen	172.5	193.8	171.9	174.0	218.0 or more	—
Cost reductions (compared with FY2006)	Billion yen	—	10.7	19.9	32.4	19.0 or more	—



FY2007	FY2008	FY2009
<p>Raised prices to reflect rising raw material and fuel prices, amid robust demand and supply</p>	<p>Financial crisis</p>	<p>Cut back production and further adjust inventory, in response to shrinking demand caused by the credit crunch and economic slowdown</p> <p>Assuming recovery in 2nd half</p>

- Growth of profits, leading to significant improvement in profit and financial indexes
⇒ Achieved targets for final year of medium-term management plan ahead of schedule

- Deterioration of profit/loss statement due to decrease in sales volumes
- Temporarily increase capital on hand, in response to credit crunch
- Reduce equity capital through decrease in foreign currency translation adjustments
⇒ Significant deterioration of profit indexes

Continue adhering to basic strategies of "Stage Up 2009". Respond rapidly to emergency conditions, while aiming to reliably achieve the earnings forecast for FY2009.



Clarify the guiding indicators for Ube's path forward, amid sharp changes in external business conditions.

Action plan for next three years (2010-2012), taking aim at 2015.

Assumptions for Formulating Management Plan

Establish a position from which to rapidly seize profit on an economic upturn, assuming a gradual economic recovery and a possible paradigm shift of markets and technologies.

Basic Approach: Remains unchanged

- Growth revolving around the chemicals business
- Further solidify core platform businesses and expand strategic growth businesses
- Continue to improve the financial position

} Balanced and steady growth

Three Priority Points

1. Rapidly transform developing businesses (pharmaceuticals, specialty inorganic materials, aerospace materials) into strategic growth business. In particular, establish the pharmaceuticals business as one of the cornerstones of the chemicals business.
2. Restructure and strengthen Ube's caprolactam chain and polyimide chain
3. Actively contribute to global environmental issues



“Stage Up 2009”

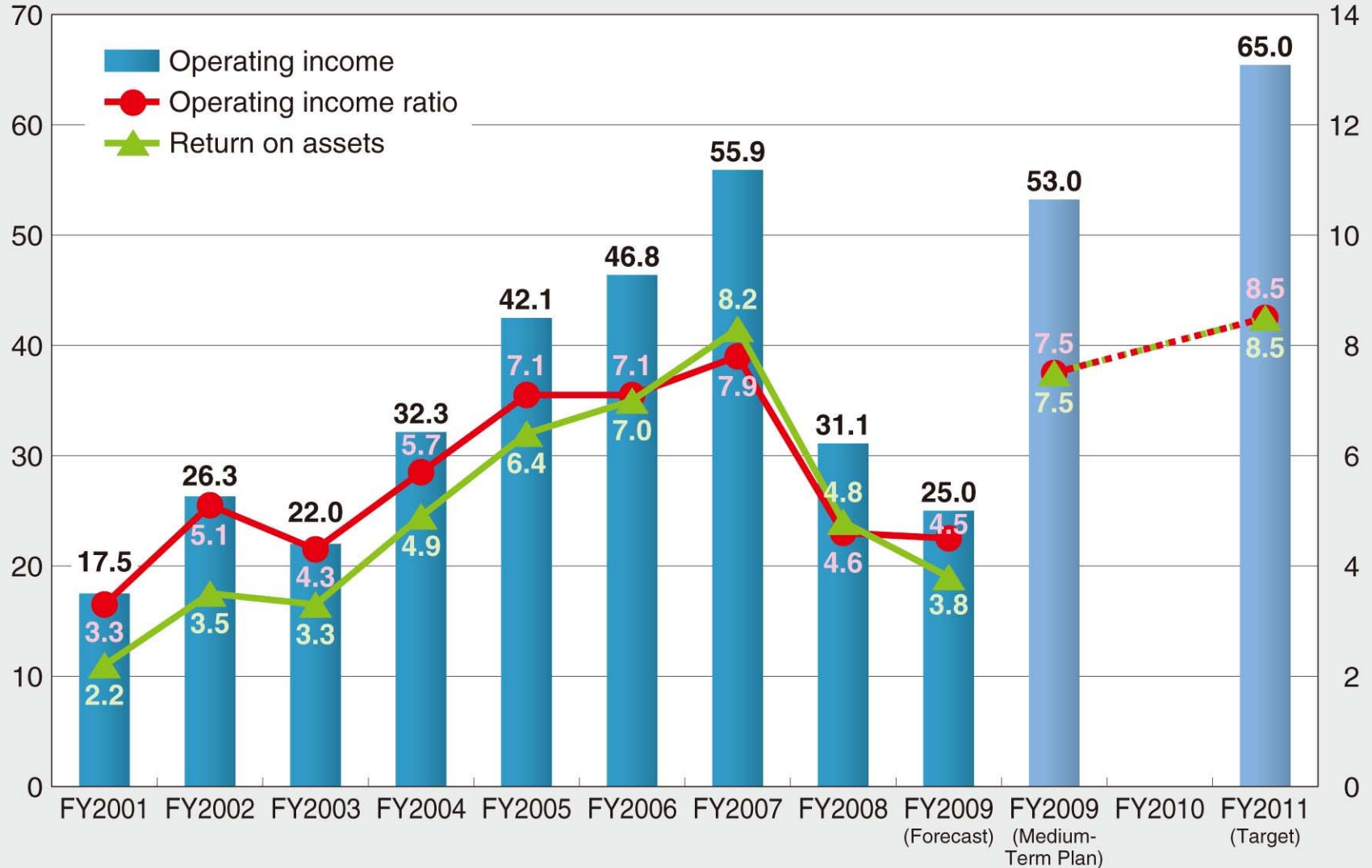
**① Establishment of a platform for profitability
that ensures sustainable growth**



Profitability from 2001 to 2011

Operating income
(billion yen)

Profit ratio (%)





Major Capital Expenditure from 2007 to 2009

	Item	Site	Completion
[Strategic Growth Businesses]			
Specialty chemicals & products	<ul style="list-style-type: none"> ● Ninth expansion of production facilities for PI film; upgrades to third expansion of BPDA facilities ● Tenth and eleventh expansion of production facilities for PI film ● New diol plant ● Second and third expansion of fiber spinning equipment for gas separation membranes ● Sixth expansion of production facilities for separators ● Expansion of production facilities for semiconductor-related products (high purity nitric acid) ● Expansion of production facilities for silicon nitride powder 	Ube Sakai Thailand Ube/Sakai Ube Ube Ube	10/2007 07, 09/2009 05/2011 09/2007, 02/2008 03/2009 01/2008 04, 09/2009
Cement & construction materials	<ul style="list-style-type: none"> ● Fuel-purpose waste processing facilities for cement factory 	Isa (Yamaguchi)	01/2009
[Core Platform Businesses]			
Chemicals & plastics	<ul style="list-style-type: none"> ● Improvement and expansion of production facilities for caprolactam ● Polyamide 6 polymerization facilities ● Specialty rubbers (VCR, MBR) production facilities ● Establishment of a joint venture for polybutadiene rubbers production 	Sakai/Thailand Thailand VCR:Thailand MBR:Chiba China	Reviewed 09/2009 07/2007 07/2010 12/2008
[Rebuilding Businesses]			
Machinery & metal products	<ul style="list-style-type: none"> ● Plant improvement for large diameter aluminum wheels 	Ube	05/2007



Features of Ube group

Ube group operates a diversified business from historical products to new products and the size of each business is not big.

Various market and wide area

- Wide and balanced development into various markets
Aerospace, IT, Electronics, Telecommunications,
Pharmaceuticals, Energy, Environment
Automotive, Consumer Lifestyle
General Industry, Social Infrastructure
- Development into wide area
Emerging countries support Ube's growth.
Little impact from a specific region.

Competitive business

- Niche and high share business leading market
- Business with sustainable growth and profitability
- Achieve business synergies centering on coal business
Ammonia, cement, power

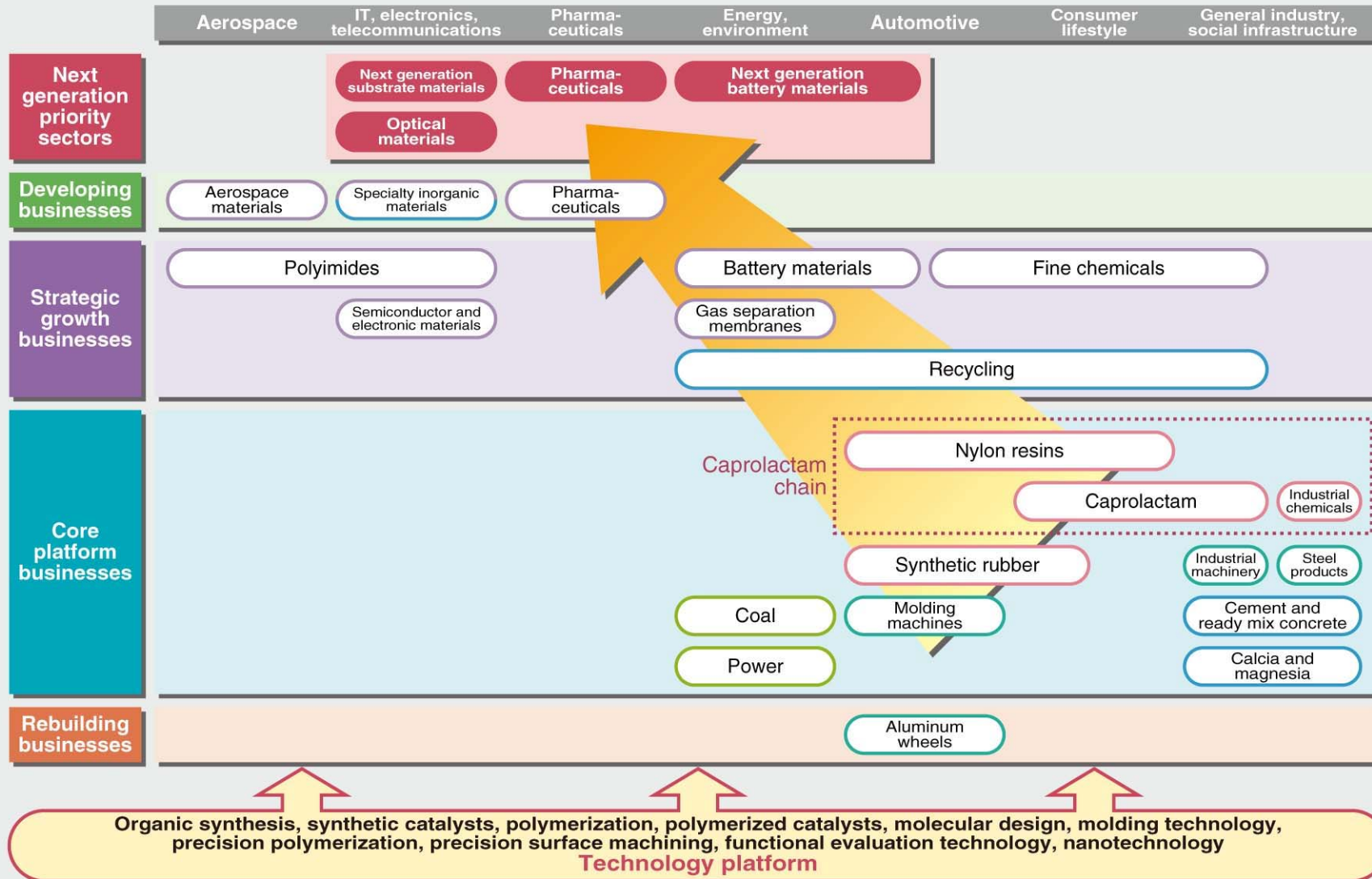
Circumstances affecting the business

- Volatile price of raw materials and fuel
- Business cycle in IT business
- Volatile exchange rate
- Recession in a specific region, etc.

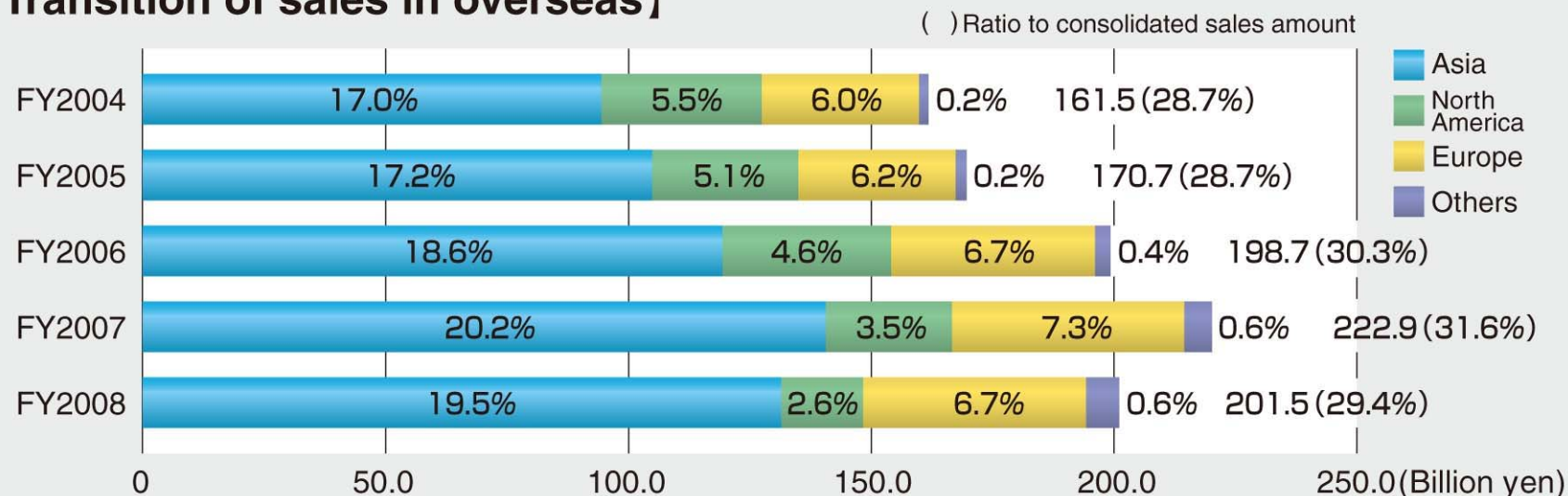
Striving toward stable management of business not to be impacted by a single factor



Business Portfolio and Target of Market / Technology Direction



【Transition of sales in overseas】



【Sales in overseas by segment for FY2008】

(Unit: Billion yen)

	Chemicals & Plastics	Specialty Chemicals & Products	Cement & Construction Materials	Machinery & Metal Products	Energy & Environment	Others	Total
Sales exported from Japan	26.4	14.6	3.2	34.3			78.5
Sales by foreign subsidiaries	94.7	13.9	2.6	11.7			122.9
Total	121.1	28.5	5.8	46.0			201.5
Ratio to sales by segment	57.0%	32.7%	2.8%	41.8%	0.0%	0.0%	29.4%

Global Niche Businesses

(Businesses characterized by global business development and global presence)

- Caprolactam (No. 3 in global market, No. 1 in Asia)
- Polyamide 6 (No. 2 group in global market, No. 1 in Asia)
- Polyamide 12 (No. 1 in Asia)
- Synthetic rubber (External sales of butadiene rubber: No. 3 in global market, No. 1 in Japan)
- Ceramics (Silicon nitride: No. 1 in global market)
- Gas separation membranes (Nitrogen separation membranes: No. 3 in global market; Alcohol dehydration membranes: Sole manufacturer of organic membranes in global market)
- Catechol/Hydroquinone & Derivatives (Catechol: Sole manufacturer in Japan, High purity catechol & Heliofresh: monopoly in global market)
- Caprolactam-related Derivatives (1,6-hexanediol, 1,5-pentanediol: Sole manufacturer in Asia; External sales of polycarbonate diol: No. 1 in global market)
- Molding machines (Die casting machines: No. 1 in global market for large machines over 1,000 tons)
(Injection molding machines: No. 4 in global market for large machines over 650 tons)
(Extrusion presses: No. 1 in global market)
- Industrial machinery (Vertical mills: No. 3 in global market)

Highly Promising Developing Businesses

(Promising businesses projected to generate future growth)

- Pharmaceuticals business (Two proprietary drugs and extensive pipeline of future drugs such as antiplatelet agent)
- Aerospace materials (ultra heat-resistant materials)
- Environmental coating materials (environmental paints for automotive interior and exterior applications)
- Specialty inorganic materials (Strengths: electronics and optical materials)

High Share Businesses

(Businesses with high share in target markets)

- Industrial chemicals (Ammonia: No. 1 in Japan)
- Polyimides (Polyimide films: No. 3 in global market, No. 1 in TAB market; BPDA: Sole manufacturer in global market)
- Battery materials (Electrolytes: No. 1 in global market; Separators: No. 4 in global market)
- Semiconductor-related and electronic materials (Boron trichloride: No. 1 in global market)
- C1 Chemicals & Derivatives (DMC: No. 3 in global market, sole manufacturer in Japan; DMO: Sole manufacturer in global market; MAME: No. 1 in global market)
- Caprolactam-related Derivatives (MEKO, DDA: Sole manufacturer in Japan)
- Cement (Solidification Materials: No. 1 in Japan)
- Building materials (Self-leveling materials: No. 1 in Japan)
- Calcia, magnesia (Quicklime: No. 1 in Japan; Magnesia clinker, Magnesium hydroxide: Sole manufacturer in Japan)
- Industrial machinery (Water screening equipment: No. 1 in Japan for energy sector)
- Coal (Thermal Coal) (Volume of thermal coal handled, coal storage capacity: No. 1 in Japan)

Insulated Businesses

(Businesses insulated against fluctuations in raw material prices and economic swings)

- Pharmaceuticals business (Quintessential business that is insulated against economic trends)
- Fine chemicals (Limited impact from rising price of fuel and raw materials; stable demand due to niche markets)
- Specialty products, specialty inorganic materials (Affected by IT inventory cycles, but with steady growth over long term)
- Resource recycling (Stable growth amid increasing environmental regulations)



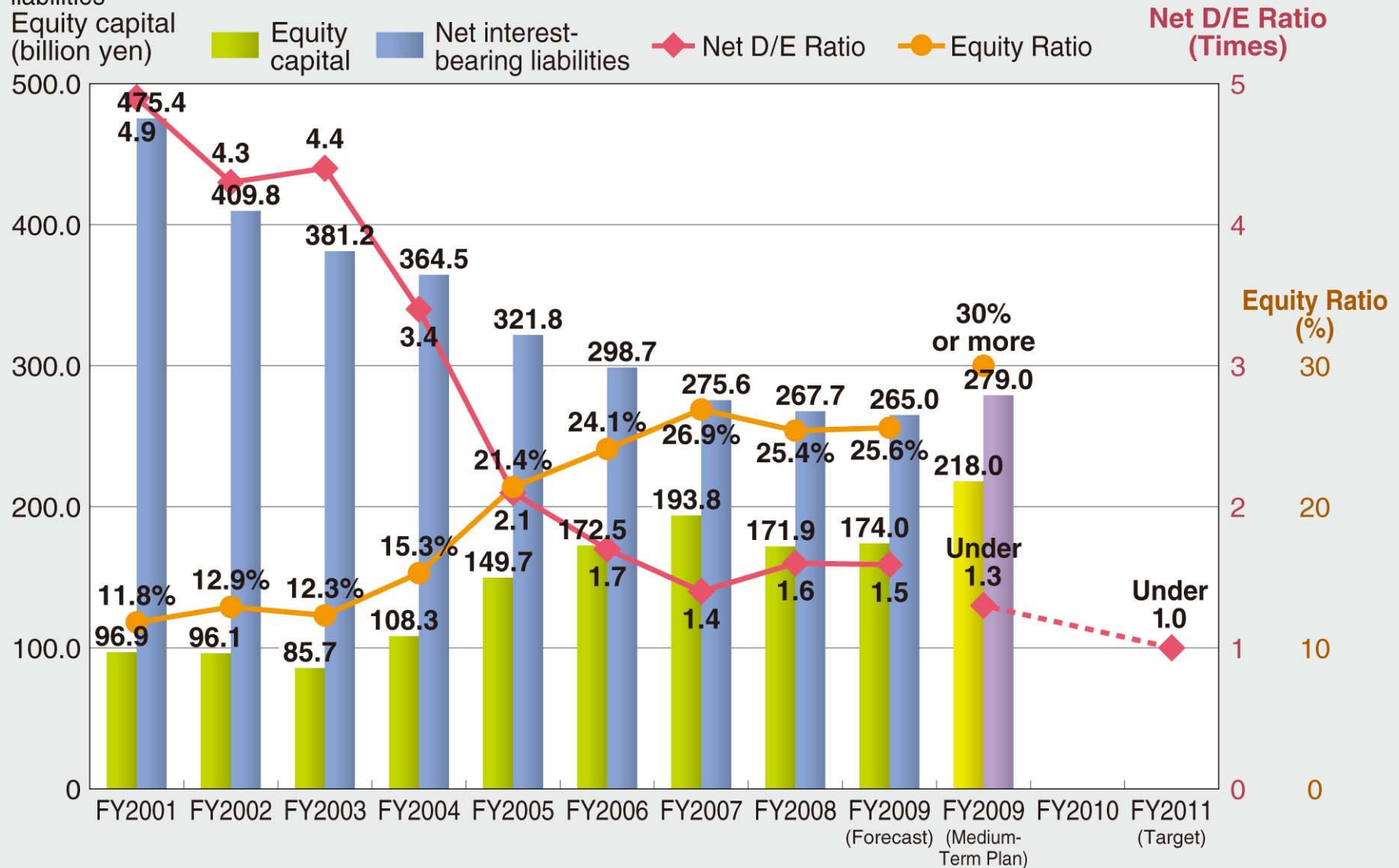
“Stage Up 2009”

**② Sustained improvement of
financial position**



Financial Position from 2001 to 2011

Net interest-bearing liabilities
Equity capital
(billion yen)



◆ Restrict capital expenditure

(FY2008 Initial Forecast)		(Revised)
FY2008: ¥38.0 billion	⇒	Actual: ¥35.4 billion
FY2009: ¥36.1 billion	⇒	Forecast: ¥25.0 billion

◆ Inventory reduction

FY2008: Inventory assets increased by ¥7.9 billion,
due to sharp decrease in demand

FY2009: Reduce by ¥16.0 billion, by further enhancing
inventory management

⇒ Maintain appropriate inventory levels,
by adjusting production to match demand.

◆ Logistics streamlining

Target: Achieve ¥2.5 billion reduction
compared with FY2006 levels

⇒ Secure reduction of ¥2.0 billion

◆ Continuous cost reduction

FY2008 Actual:	¥9.2 billion
FY2009 Forecast:	¥12.5 billion

**Free cash flow**

FY2008 Actual:	¥12.6 billion
FY2009 Forecast:	¥15.0 billion



“Stage Up 2009”

③ Strengthening of CSR initiatives



Improve corporate value and increase market value, while increasing shareholder dividends under the following strategies.

Basic Policy for Dividends

Dividends according to business results.
Increase internal reserves for future business development to secure medium- and long-term profits for shareholders.

⇒ Decide shareholder dividends based on comprehensive assessment of these factors.

Steadily increase dividends as business results improve, aiming for a dividend payout ratio of 20-25%.

Ube Group overall will reduce greenhouse gas emissions by 12% through energy saving, fuel conversion, waste recycling and other initiatives, compared with the Kyoto Protocol target of a 6% reduction compared with 1990 levels.

Business portfolio that is highly dependant on coal and is high in energy consumption

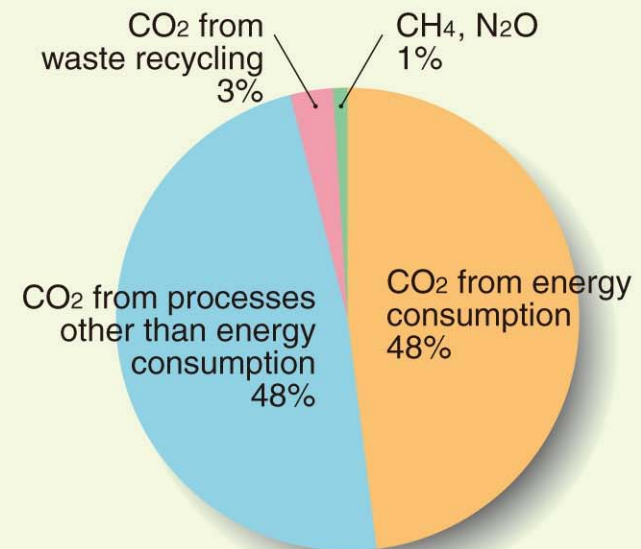
In addition to CO₂ emissions from energy consumption through the use of fossil fuels, Ube generates many CO₂ emissions from processes other than energy consumption, including the manufacturing of cement, lime and ammonia (coal gasification).



① Strengthen initiatives to reduce CO₂ emissions and improve energy saving of raw materials procurement, manufacturing and logistics.

- Promote and increase waste and biomass use
- Improve energy efficiency
- Tap into unused energy
- Improve logistics efficiency

② Use of Clean Development Mechanism for process improvements at TCL in Thailand will yield a reduction of approx. 160,000 tons/year of greenhouse gas emissions



FY2007 Ube Group Greenhouse Gas Emissions
(12.4 million tons of CO₂ annually)



Using Ube Group Technologies and Products to Contribute to a Low Carbon Society

Materials and products for renewable energy sector

- Solar cells (polyimide for substrate films)
- Wind power generation (silicon nitride for bearing balls)
- Bioethanol (alcohol dehydration membranes for refining)



Materials and technologies that contribute to reducing environmental impact throughout the life cycle



- Materials for environmentally-friendly vehicle components (electrolytes and separators for lithium-ion batteries, silicon nitride powder for ceramic substrates, polyimide film)
- Materials and processing technologies for reducing component weight (Polyamide resin, synthetic rubber, molding machines, aerospace materials)
- Recycling technologies (colored matched recycled resin, waste plastics recycling using *EUP* two-stage pressure gasification)

Green Sustainable Chemistry (GSC) initiatives

Secure health and safety for people and the environment through innovation of chemical technologies at all stages of the product life cycle, from development and manufacturing through to logistics, usage, disposal and reuse.

- Development of coating materials with low environment impact, based on C1 chemicals technology
- Synthetic fragrance (*Heliofresh*) to promote conservation of forests
- Marketing of *Aquasolution* photocatalytic fiber water purification system, etc.



Heliofresh

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Appendix



Strategic growth businesses

Definition: Businesses that are strongly positioned for market growth. They offer potential for business expansion and high profits by capitalizing on competitive leads in technology, product development and marketing.

Mission: Concentrate on allocating business resources to these segments, in order to rapidly boost the scale of the businesses and increase profitability.

Developing businesses

Definition: Businesses that exhibit growth and revenue potential for developing into strategic growth businesses, but require a development period of 3-5 years.

Mission: Develop these business segments into strategic growth businesses by achieving target revenues and profitability within 3-5 years.

Core platform businesses

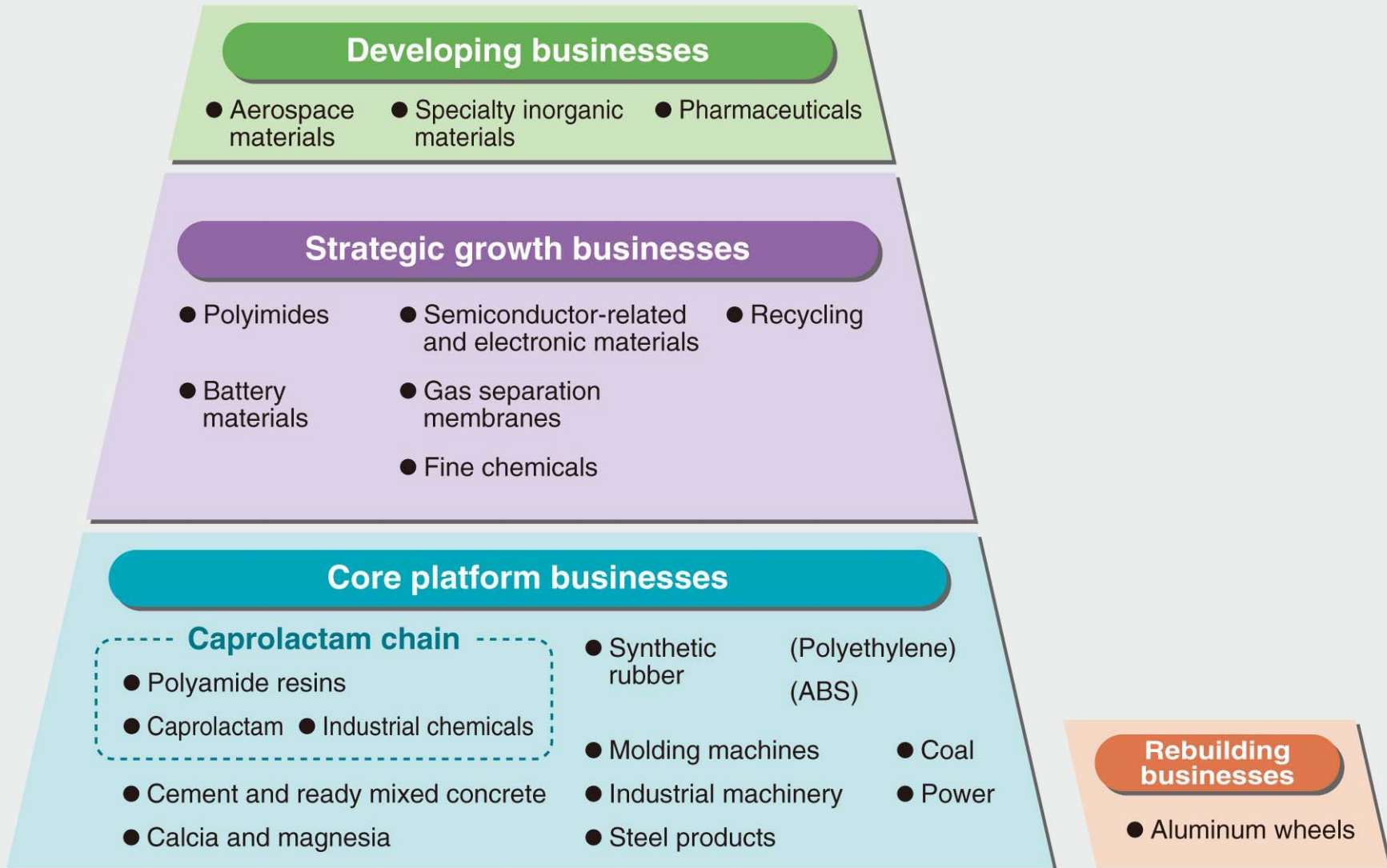
Definition: Business that offer potential for securing stable revenues because of stable or mature markets. The Ube Group must capitalize on its competitive edge in terms of costs and quality as well as the ability to shape markets, while also striving for product differentiation.

Mission: Secure stable profits and cash flows from businesses in this segment, by allocating necessary business resources to maintain and/or boost the profitability of these businesses.

Rebuilding businesses

Definition: Businesses that require fundamental repositioning due to continued poor business results.

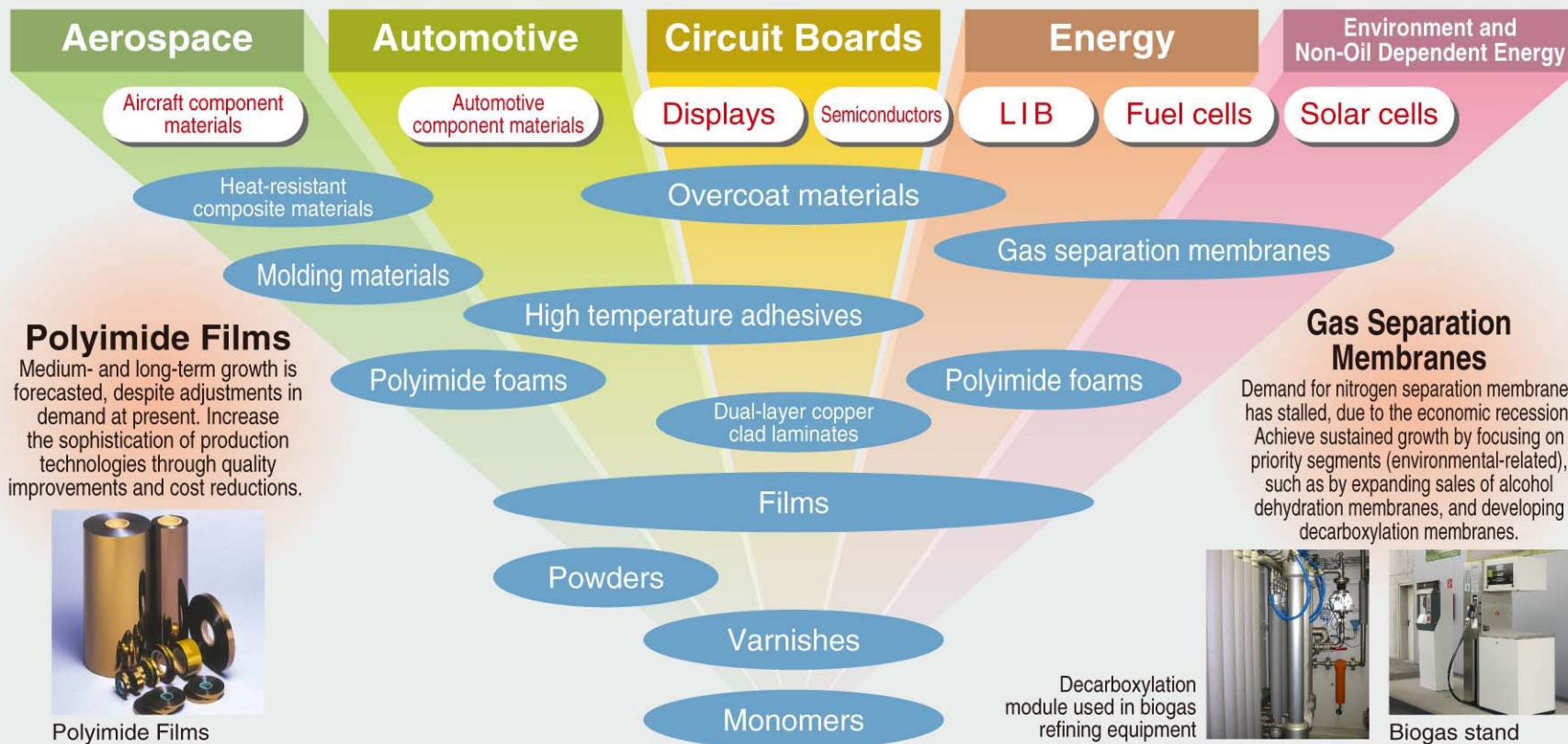
Mission: Reposition these businesses by formulating and executing fundamental strategies to improve profitability. If repositioning is not feasible, the Ube Group will examine alternative strategies such as finding joint venture partners or either selling or closing down divisions.





Business Strategy for Polyimide Chain

Films: Strengthen business in circuit board segment as key market; accelerate expansion into new application fields
 Related Products: Develop applications for *U-Varnish* and *Upicoat*; expand range of business to encompass powders, molding products and foams.
 Gas Separation Membranes: Actively respond to expanded market for environmental applications.

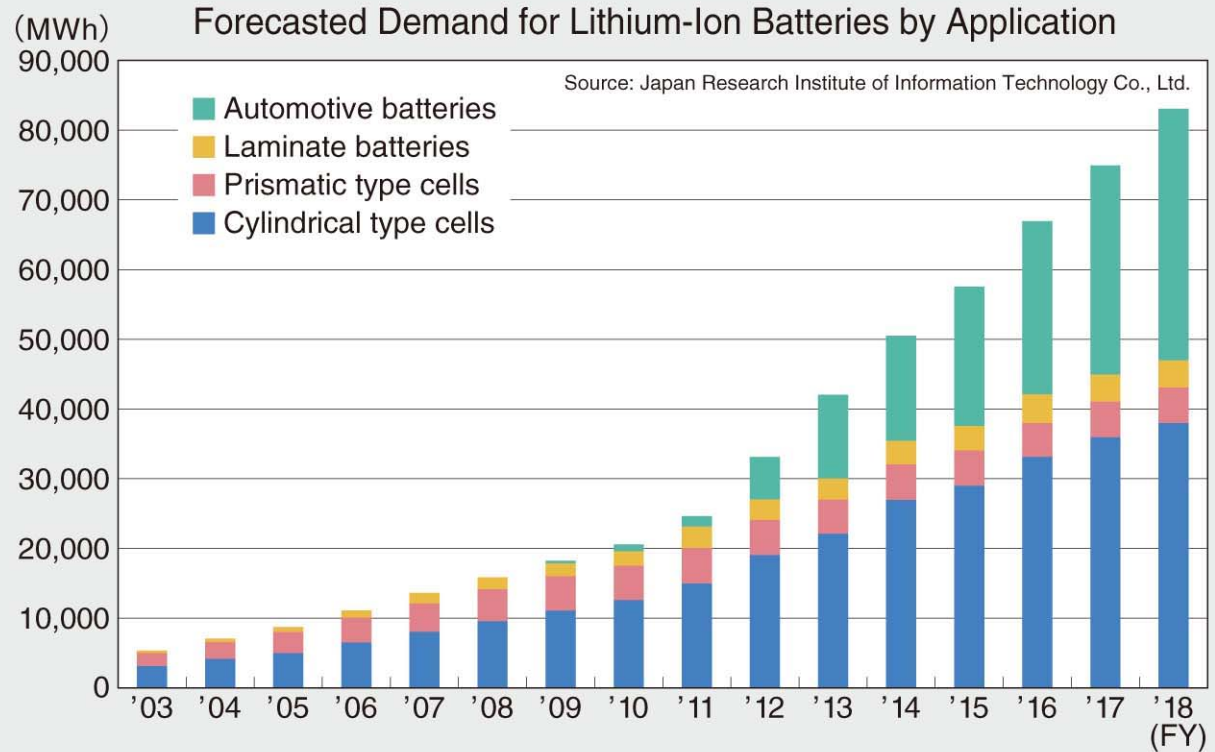




Electrolytes



Separators



Business Strategy for Electrolytes

- Maintain top market position in high performance electrolytes for high performance batteries
- Reduce costs by considering possible entry into mid-range market
- Actively expand into electrolytes for lithium-ion batteries used in hybrid vehicles

Business Strategy for Separators

- Maintain and expand sales volumes in China market
- Expand sales of separators for lithium-ion batteries used in hybrid vehicles
- Implement cost reductions and efficiency improvements; start up sixth expansion of production facilities

Business Strategy for Semiconductor-related and Electronic Materials

Process materials for silicon semiconductor

High purity chemicals for wafer cleaning :
nitric acid, sulfuric acid, aqueous ammonia
Etching gas for aluminum : BCL3
Wire and electrode materials of next generation :
CVD precursor for any metals (under development)

Expand sales

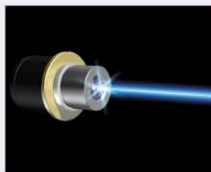


Silicon semiconductor LSIs

Metal organic compounds (MO) for compound semiconductor

Metal organic compound (MO)
TMG, TMI, TMA etc.
Develop and expand sales of
white LEDs for lighting and
LCD television backlights

Expand sales



Laser diodes



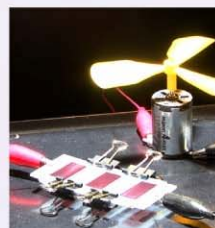
LEDs

Developing new optical-related materials

Organic electroluminescent (EL) materials, materials for dye sensitized solar cell (DSC), etc.



Blue EL materials



DSC materials

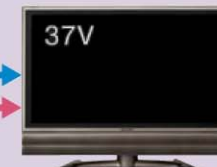
(Both under development)



CD/DVD/Blu-ray Disc



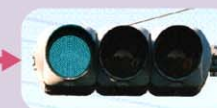
Laptop PCs



LCD televisions



Mobile phones



Traffic lights



Business Strategy for Fine Chemicals

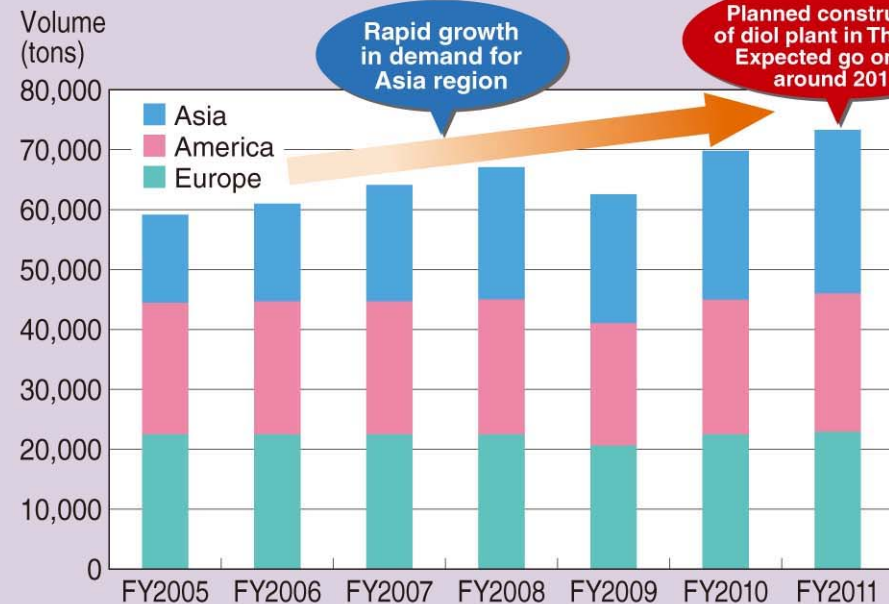
Strengthen existing businesses

- Promote plans to construct new diol plant in Thailand
- Strengthen the C1 chemicals business through initiatives such as developing the dimethyl carbonate (DMC) derivative business
- Consider launching non-phosgene isocyanate business
- Promote commercial synthesis of heliotropin, as a follow-up to the *Heliofresh* business
- Boost production of polycarbonate diol (PCD) and market different grades

Launch environmental coating materials business

- Develop business for eco-friendly products such as VOC-free coating materials
- Early launch of business through infusion of water-borne polyurethane dispersion (PUD) technology
- Develop proprietary grade of polycarbonate diol-based PUD
- Target markets: Automotive interior/exterior applications, etc.

Global Market for Hexanediol (HDL)



Application for polycarbonate diol (PCD) synthetic leather



- **Demand for processing of waste in the process of production at cement kilns**
⇒ Strong, providing an important source of profits, future demand is expected to increase.

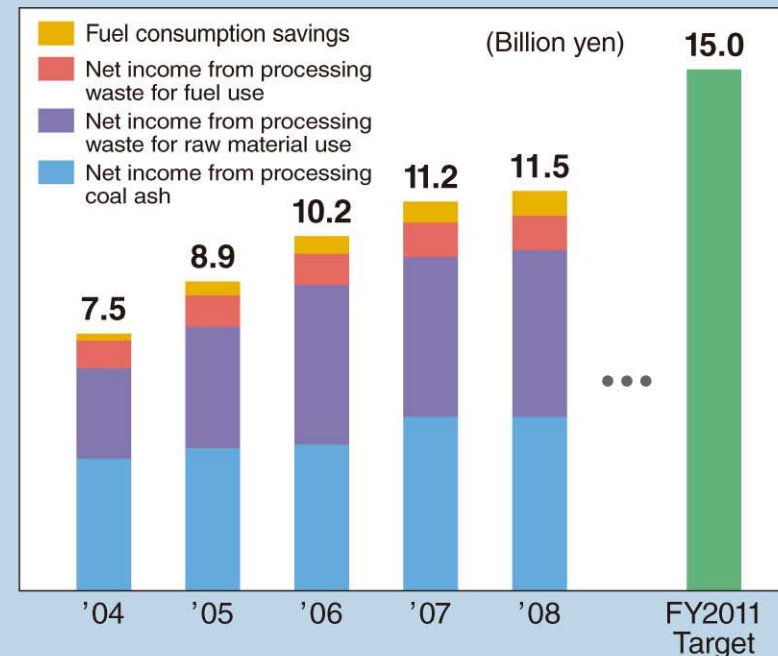
Business Strategy for Recycling

- Expand processing facilities
- Accelerate pace of technology development
- Boost collection from urban areas
- Investigate and develop new recycling businesses

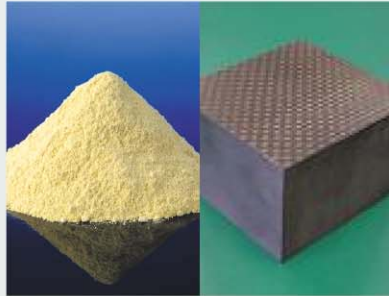


Boost revenues from processing waste at cement kilns to 15.0 billion yen level

Launch third environmental business after Yamaguchi Eco-tech Corporation and biomass generator business



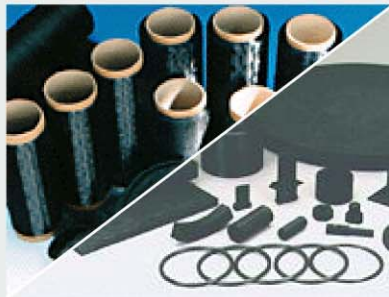
- **Chemical recycling business for container and packaging plastics (*EUP* technology)**
- **Plastics recycling business (colored matched recycled resin: *Ube Composite*)**



PETI heat-resistant composite material



Polyimide foam



Tyranno Fiber/Tyrannohex

2009 - 2011
R&D with Boeing

- Engine nacelles
- Pylons



First production
line in 2010

Application for nuclear power plant
and vessel in addition to aircraft

- Aircraft
Thermal and acoustical
insulation for air ducts
- Insulating materials
for nuclear power
plants and vessels



Maritime Self-Defense Forces escort ships
(Photo by Maritime Self-Defence Forces)



Kashiwazaki-Kariwa Nuclear Power
Station, Tokyo Electric Power Co.
(Photo by Tokyo Electric Power Co., Inc.)

2009 - 2011
Testing for commercial
application

- Next generation
commercial
jet engines
- Missile nozzle
material



Jet
engines



Space Shuttle (Photo by NASA)



Business Strategy for Pharmaceuticals

Hybrid strategy of proprietary drugs and contract pharmaceuticals manufacturing

- Raise technology level through complementary cooperation
- Improve business profitability and spread out risk

◆ Status of proprietary pharmaceuticals

	Product Name (Development Code)	Indication	Sales	Present Status
Commercially released	Talion	Antiallergy agent · Allergic Rhinitis · Skin disorders with pruritus, eczema, etc.	Mitsubishi Tanabe Pharma Corporation Net sales from production (Billion yen) FY2008 actual 10.4 FY2009 forecast 12.2	[Co-development] 2000 Launched in Japanese market 2004 Launched in South Korean market * Application filed by ISTA Pharmaceuticals (USA), which was granted license for ophthalmic formulation
	Calblock	Antihypertensive agent · Hypertension	Daiichi Sankyo Co.,Ltd. Net sales from production (Billion yen) FY2008 actual 12.1 FY2009 forecast 15.0	[Co-development] 2003 Launched in Japanese market
	Effient/Effient (Prasugrel)	Antiplatelet agent · Heart attack, Stroke, etc.	Daiichi Sankyo Co.,Ltd. Eli Lilly and Company	[Co-development with Daiichi Sankyo] Europe: Launched in 2009 USA: Application filed Japan: Phase II clinical trials
Under development	(DE-104)	Glaucoma and Ocular Hypertension	Santen Pharmaceutical Co., Ltd.	[Co-development with Santen Pharmaceutical] USA: Phase I and II clinical trials Japan: Phase II clinical trials
	(UR5269)	Rheumatoid arthritis	NA	[Ube] Pre-clinical
	(UR5908)	Chronic Obstructive Pulmonary Disease	NA	[Ube] Pre-clinical

◆ Status of Pharmaceuticals Manufactured on Contract Basis: Growth in large orders for new drugs, from major Japanese and international drug companies

Commercially released	Active pharmaceutical ingredients: antiphlogistic analgetics, antihypertensive agents, antibacterial agents, etc. Intermediates: hypolipidemic agents, anticancer agents, etc.
Under development	Active pharmaceutical agents and intermediates: anticancer agents, antithrombotic agents, antiarrhythmic agents, influenza drugs, etc.



Business Strategy for Specialty Inorganic Materials

Accelerating Collaboration
within Ube Group

Increase net sales from
10 billion yen in FY 2007



to 24 billion yen in FY2012

Ceramic (Silicon Nitride Powder)

Sharp increase in demand for wind power generation, bearing balls, cutting tools, ceramic substrates for hybrid vehicles, etc.

**Tyranno Fiber**

Radio wave absorbing material, ship engine filters

Photocatalytic Fiber

- *Aquasolution*: Purification of rinsing water for plating

Fine Calcia and Magnesia (Ube Material Industries, Ltd.)

- Vapor process high purity powders: PDP protective layer, transparent electrodes
- Ultrapure calcium carbonate: Laminated ceramic condenser
- *MOS-HIGE* (magnesium oxysulphate whisker): Polypropylene resin reinforcement, lighter weight materials, other

White LED materials

- Nitride fluorescence materials
- Melt growth composite optical conversion materials (next generation substrate materials)

**Silica bead particles** (Ube-Nitto Kasei Co., Ltd.)

- *Hipresica*: LCD spacers

Business Strategy for Polyamide Resins: Strengthen Composition of Business

Current Business Conditions:

Polyamide 6: Shipment for Asia are up

Polyamide 12: Niche market dominated by global oligopoly of four companies

Action: Expand production capacity in Thailand, scrap and build production facilities at Ube Chemical Factory, and boost sales of differentiated products such as copolymers



Intake manifold (Polyamide 6)

Polyamide 6,
 Polyamide 12 ...
 No.1 in Asia

No.1 in Asia

Business Strategy for Caprolactam: Stabilize profits

Current Business Conditions:

Asia is largest and growing market

Action: Manage spreads, secure raw materials at low cost, maintain appropriate production volumes, and reduce costs



Polyamide Film for Food Package

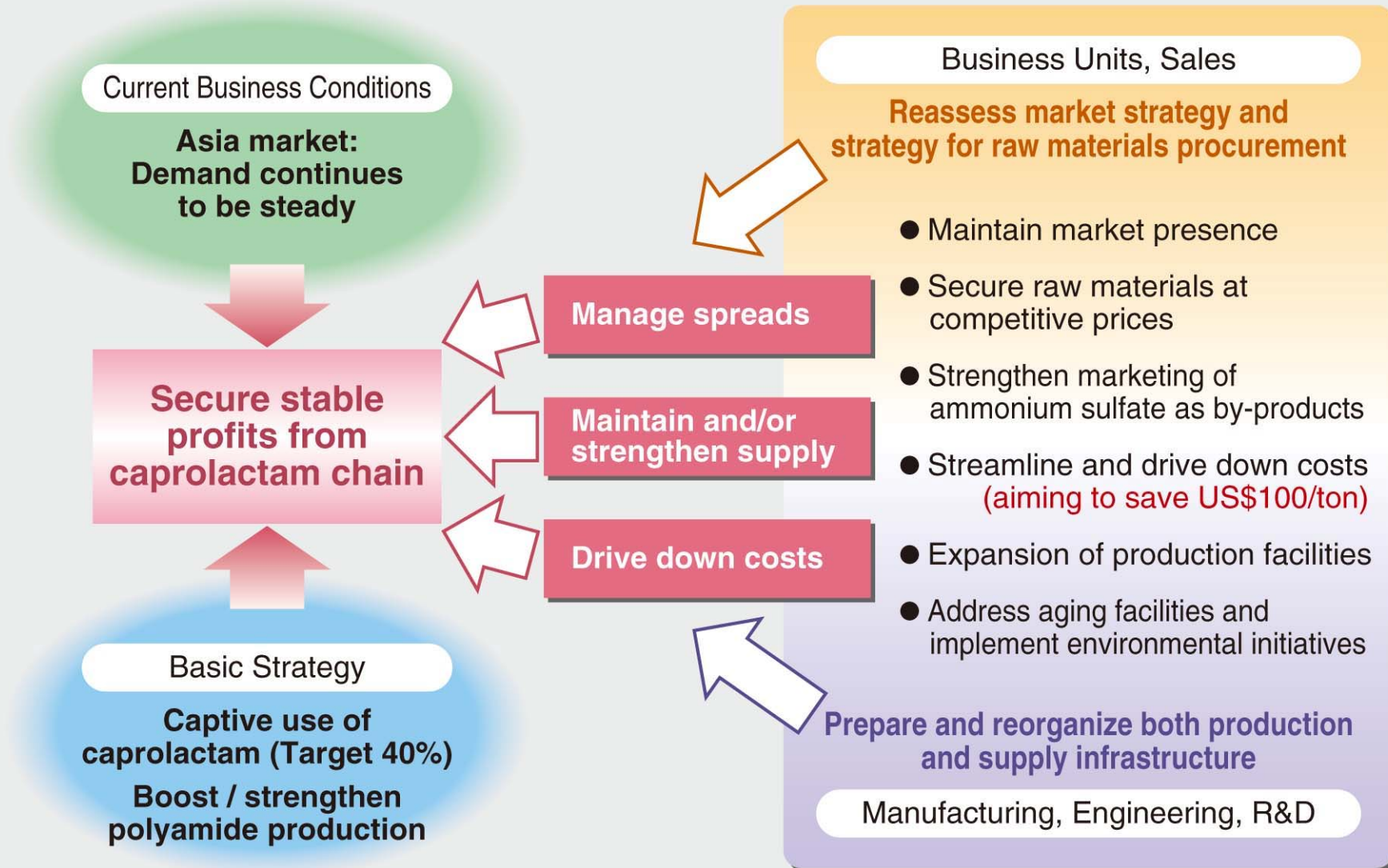
Ammonia
 production:
 No.1 in Japan

Business Strategy for Industrial Chemicals: Business Reposition

Current Business Conditions:

Healthy demand for liquid ammonia, nitric acid, sulfuric acid and industrial gases

Action: Stabilize production of Ube Ammonia Plant



Business Strategy for Synthetic Rubber

- Achieve differentiation of products and establish supply infrastructure adapted to demand
- Considering a fourth plant to supplement existing production in Japan, Thailand and China

BR (Outside sales):
No.3 in the world

Current Business Conditions

- Increase in demand due to expansion of production facilities by tire manufacturers (10% year-on-year growth in China)

**Action**

- Launch VCR production in Thailand
- Bring nano VCR and metallocene butadiene rubber (BR) to market
- Launch BR production in Nantong, China (50kt from FY2009)
- Develop domestic market in China





Business Strategy for Cement



Declining demand due to lower demand in government sector

Energy costs at high levels

Secure stable profits through increased processing of waste

Manufacturing

- Establish facilities for waste processing (invest roughly 4.0 billion yen in 3 years)
- Implement systematic investment to maintain business

Sales

- Implement sustained effort to adjust prices

Business Strategy for Ready-mixed Concrete

Urban

- Develop business through multiple plants
- Engineering skills to produce high-strength and high-flow ready-mixed concrete, etc.
⇒ Lead the industry and secure stable profits

Non-Urban

- Centralize production

Strategy for Calcia and Magnesia Business

Ube Material Industries, Ltd.:

- **Market leader in the quicklime sector**
- **Sole manufacturer of magnesia and magnesium hydroxide**

Strengthen Core Business

- Develop calcia business across Japan

Develop New Markets and Products

- Bring next generation, high reactivity calcium hydroxide to market
- Expand into non-refractory new magnesia sector
- Expand into market for environmental applications (water treatment, etc.)



Business Strategy for Machinery

- Secure stable profits by enhancing synergies between seven Ube Group companies (“UM7”) revolving around Ube Machinery Corporation.



Anchor Handling Winch
(machinery for vessel)



Steel Products



Die Casting Machine
(Molding Machines)



Vertical Mill
(Industrial machinery)



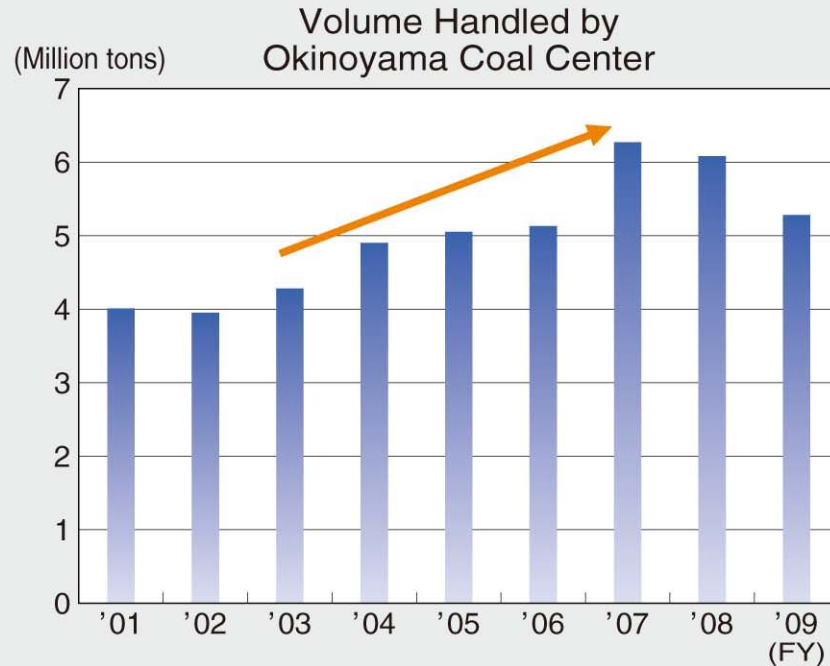
Current Business Conditions

- Weak automotive industry: Molding machines business heavily impacted
- Slowing of economic growth, but continued infrastructure investment in Asia



Action

- Restructure the molding machine business through unified management of four Ube Group companies (“UM4”), achieved through streamlining, cost reductions and development of new products.
- Expand the business scope for industrial machinery (including machinery for vessel) and steel products, through expansion into Asia region.
- Expand service facilities into developing countries such as India.



Okinoyama Coal Center



IPP power plant



Biomass fuel facility

	External Business Conditions	Business Strategy	Target
Coal	<ul style="list-style-type: none"> ● Sharp decline in demand and prices Coal prices in FY2009: Down by approx. 40% compared with FY2008. Decrease in demand for both coal sales and coal for internal consumption by Ube Group. ● No fundamental change for medium- and long-term Increase in demand from developing countries such as China; oligopoly on supply-side 	<ul style="list-style-type: none"> ● Efficient operation of Okinoyama Coal Center ● Promote use of low-grade coal ● Optimize supply sources and coal types ● Strengthen engineering services 	<ol style="list-style-type: none"> 1. Provide stable and competitive supply of energy (coal, electricity) to Ube Group 2. Ensure profits and cash flow generated through outside sales and outsourcing operations by Coal Center
Power	<ul style="list-style-type: none"> ● Decrease in demand for power ● Demand for environmental solutions (CO₂, new energy sources) 	<ul style="list-style-type: none"> ● Promote use of low-grade coal and biomass incineration ● Increase sales of power to customers outside the Ube Group 	



Business Strategy for Aluminum Wheels

Focus on Japanese market and restructure the business amid sluggish sales of vehicles.

Japan

Spin off as subsidiary

- Management emphasizing rapid action and customer satisfaction as a dedicated OEM manufacturer
- Extensively streamline production and minimize cash outlay
- Commercial development of new casting technology that delivers high quality at low cost

North America

Withdrawal of business

- Reliably clear out backlog of existing orders and suspend production by end of FY2009

Return to turning profit in FY2010, and solidify position of profitability





**Wings of
technology
Spirit of
innovation
UBE**

The forecasts contained in this presentation are based on certain assumptions judged to be reasonable by the Company when preparing this report. Actual results can vary significantly from forecasts, due to changes in a wide range of conditions. These conditions can include the economic status of major markets, demand and supply of products, prices for raw materials and fuel, interest and foreign exchange rates, and other prevailing conditions that can impact the business results of the Company.