

Information Meeting 2005

February, 2005

UBE INDUSTRIES, LTD

Contents

- 1. FY04 Consolidated Forecasts P. 3**
- 2. New Medium-term Management Plan
“New 21 · UBE plan II” P.14**
- 3. Appendix - Company Profile - P.23**

FY2004 Consolidated Forecasts

Features of FY2004 Consolidated Forecasts

[Income statement]

Sales, operating income, ordinary income, and net income all increase.

Operating income increases by 22.7%.

Operating income increases for: Caprolactam chain and synthetic rubber (due to increased spread), Specialty products and pharmaceuticals (due to increased volume)

Operating income decreases for: Cement (due to the rise in coal price), Aluminum wheels (due to delay in recovery of productivity in North America)

[Debt]

Debt increases as cash and cash equivalents are increased in order to prepare for a redemption of bonds in the first half of FY05 (409.7 → 416.0 Billion Yen).

Net debt decreases (381.2 → 369.0 Billion Yen). (Net debt=Debt - Cash and cash equivalents)

[Stockholders' equity]

In addition to net income, **stockholders' equity** also increases because **CBs issued in June, 2004 were completely converted to equity (85.7 → 101.0 Billion Yen).**

Dividend of ¥2/share is scheduled to be resumed.

Assumption

(Billion Yen)

Items			FY04 Forecast	FY03 Actual	Variance	Impacts on Consolidated OP Income
Exchange Rate		Yen/\$	107.4 [105.0]	113.1	5.7	0.0
Material Price	(CIF) Naphtha (Domestic)	\$/t	421 [470]	302	119	6.5
		Yen/L	33.3 [36.3]	25.6	7.7	(5.3)
	Benzene (Average of US and Euro Contract Price)	\$/t	923 [1,123]	468	455	15.2 (13.4)
	Australian Coal (CIF Annual Contract)	\$/t	69.5 [69.5]	43.9	25.6	6.7
Yen/t		7,464 [7,298]	4,965	2,499	(5.9)	

() : including impacts on fluctuation of exchange rate [] : representing only the second half of FY04

Major P/L Items

(Billion Yen)

Items	FY04			FY03 Actual (B)	Variance (A)-(B)
	Forecast (A)	1st-3rd Q Actual	% of Forecast		
Sales	556.0 (247.0)	417.1	75.0%	511.3 (227.0)	44.7 (20.0)
Operating income	27.0 (16.0)	20.6	76.4%	22.0 (13.4)	5.0 (2.6)
Ordinary income	16.0 (11.0)	12.4	78.0%	15.1 (8.6)	0.9 (2.4)
Net income	7.0 (7.0)	6.4	92.2%	13.6 (9.0)	20.6 (16.0)

FY04 : Resume dividend of ¥2/share

() : Figures of non-consolidated basis

Major B/S Items

(Billion Yen)

Items	End of FY04 Forecast	End of FY03 Actual	Variance
Total	701.0	699.4	1.6
Assets	(475.0)	(435.9)	(39.1)
Debt	416.0	409.7	6.3
	(297.0)	(270.9)	(26.1)
Net Debt	369.0	381.2	12.2
	(267.0)	(258.9)	(8.1)
Stockholders' equity	101.0	85.7	15.3
	(97.0)	(85.8)	(11.2)

() : Figures of non-consolidated basis

Net Debt: Debt – Cash and cash equivalents

Sales by Segment

(Billion Yen)

Segment	FY04			FY03 Actual (B)	Y to Y (A)-(B)	Major Factors
	Forecast (A)	1st-3rd Q Actual	% of Forecast			
Chemicals & Plastics	163.5	122.3	74.8%	149.3	14.2	Caprolactam chain 20.3 Synthetic rubber 3.8 Change in consolidation (PE) 8.3
Specialty Chemicals & Products	86.0	62.6	72.8%	65.8	20.2	Change in consolidation 6.9 Specialty products 6.1 Pharmaceuticals 1.9
Energy & Environment	23.0	19.0	82.6%	16.2	6.8	IPP 5.7, Coal 2.7 Environment 1.9
Cement & Construction Materials	173.5	131.4	75.8%	173.7	0.2	Cement 1.0, Concrete 0.5 Lime-related products 1.8
Machinery & Metal Products	106.0	78.8	74.3%	101.6	4.4	Machinery 3.3 Aluminum wheel 1.0
Others	4.0	2.9	72.7%	4.3	0.3	Real estate 0.5
Total	556.0	417.1	75.0%	511.3	44.7	Increased by 8.7%

Operating Income by Segment

(Billion Yen)

Segment	FY04			FY03 Actual (B)	Y to Y (A)-(B)	Major Factors
	Forecast (A)	1st-3rd Q Actual	% of Forecast			
Chemicals & Plastics	7.7	5.6	73.7%	2.1	5.6	Caprolactam chain 4.3 Synthetic rubber 0.7 Polyethylene 0.4
Specialty Chemicals & Products	10.0	8.1	81.6%	6.9	3.1	Specialty products 1.2 Pharmaceuticals 1.9
Energy & Environment	1.8	1.5	87.5%	1.7	0.1	Coal 0.2, Environment 0.2
Cement & Construction Materials	8.4	6.6	79.6%	10.4	2.0	Cement 2.5, Building materials 0.3
Machinery & Metal Products	1.8	1.8	-	0.1	1.7	Machinery 0.3 Aluminum wheel 1.4
Others	0.7	0.4	68.9%	0.7	0.0	
Total	27.0	20.6	76.4%	22.0	5.0	Increased by 22.7%

[Chemicals & Plastics]

Caprolactam

- Gradually increases selling price starting in the beginning of FY04 to catch up with price hikes in raw materials, and completely catches up in the second half of FY04.
- Will maintain present spread for FY05, in spite of the price fluctuation of raw materials because of good demand-supply balance, especially in Asia.

Nylon

- Increases its selling price due to the price hike in caprolactam, and almost catches up with the increased costs.
- Decreases operating profit in FY04 to extent of the delay of price transfer, compared to that of FY03.
- Expects to be in strong demand for FY05.

Synthetic Rubber

- Enjoys good demand-supply condition because of strong demand in the tire industry.
- Scheduled to expand production capacity by de-bottle necking.

[Specialty Chemicals & Products]

Specialty Products

➤ Expands businesses steadily as planned through FY04.

(First half : Good condition because of strong demand in digital consumer electronics.
 Second half : Short-term slowdown in several products.)

Polyimide : Operates at full production capacity – which increased by 30% in Dec '03.

Enjoys stable demand and will expand production capacity by another 30% in Summer '06.

Battery Materials : Electrolyte slowdown due to mobile phone industry doldrums.

Separator exports to China in good condition in the first half, but experiences slowdown in second half.

Both electrolytes and separators expects to recover beginning in Spring '05.

Pharmaceuticals

➤ Operating profit improves considerably due to the antibacterial sales recovery (consignment manufacturing), and sales increase in products developed in-house.

➤ Confident of being in the black in FY05.

[Energy & Environment]

➤ No major change in operating profit, in spite of sales increase due to increased coal prices (will continue in FY05).

[Cement & Construction Materials]

➤ Slows down in decrease rate in domestic cement demand.

➤ Increases receipt of industrial waste to reduce negative impact of increased coal prices.

➤ Unable to fully transfer price increase in coal to selling price.

➤ Biggest challenge to push up selling price to keep up with anticipated further coal price increases in FY05.

[Machinery & Metal Products]

Machinery

- Die-casting machines for automobile industry in good condition.
- Acceptance of orders decreases in terms of industrial machinery and bridges.
- These trends will continue for a while.

Aluminum Wheels

- Making final decision to take measures to recover from the red.

Mason Plant (US) : Productivity improvement far from target due to high cost structure and old equipment

Making final decision, including possible withdrawal from US operation, by end of March '05.

Sarnia Plant (Canada) : Productivity improves from Fall '04.

Expects to return to the black by installing a new painting line and further improving production technology, mainly for large-diameter aluminum wheels.

New Medium-term Management Plan

“New 21・UBE Plan II”

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.

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 Plan	FY03 Actual	Variance	FY04 Forecast
Sales	550.0	511.3	38.7	556.0
Operating income	33.0	22.0	11.0	27.0
Adjusted operating income *1	35.0	23.7	11.3	28.8
Ordinary income	25.0	15.1	9.9	16.0
Net income	15.0	13.6	28.6	7.0
Total assets	700.0	699.4	0.6	701.0
Net debt *2	350.0	381.2	31.2	369.0
Stockholders' equity	120.0	85.7	34.3	101.0

*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			FY04 Forecast	Operating Income			FY04 Forecast
	FY06 Plan	FY03 Actual	Variance		FY06 Plan	FY03 Actual	Variance	
Chemicals & Plastics	140.5	149.3	8.8	163.5	3.2	2.1	1.1	7.7
Specialty Chemicals & Products	104.0	65.8	38.2	86.0	14.2	6.9	7.3	10.0
Energy & Environment	26.0	16.2	9.8	23.0	1.6	1.7	0.1	1.8
Cement & Construction Materials	169.5	173.7	4.2	173.5	9.6	10.4	0.8	8.4
Machinery & Metal Products	106.0	101.6	4.4	106.0	3.5	0.1	3.6	1.8
Others	4.0	4.3	0.3	4.0	0.7	0.7	0.0	0.7
Total	550.0	511.3	38.7	556.0	33.0	22.0	11.0	27.0

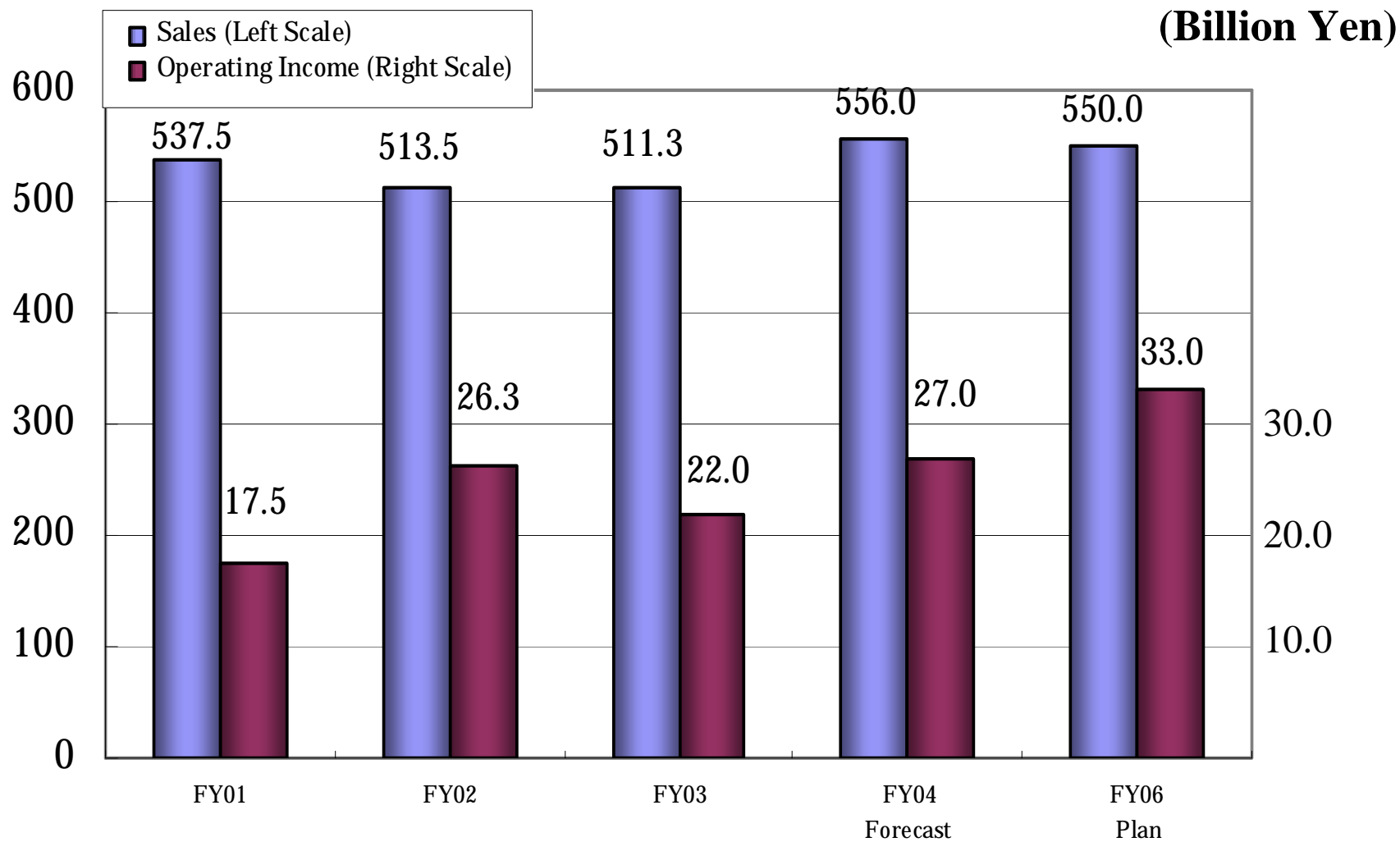
Target Indices

Items	Formula	Unit	FY06 Plan	FY03 Actual	Variance	FY04 Forecast
Operating income margin	Operating income / Sales	%	6.0	4.3	1.7	4.9
Return on assets (ROA)	Adjusted operating income *1 / Total assets	%	5.0	3.3	1.7	4.1
Net D/E ratio	Net debt *2 / Stockholders' equity	Times	2.9	4.4	1.5	3.7

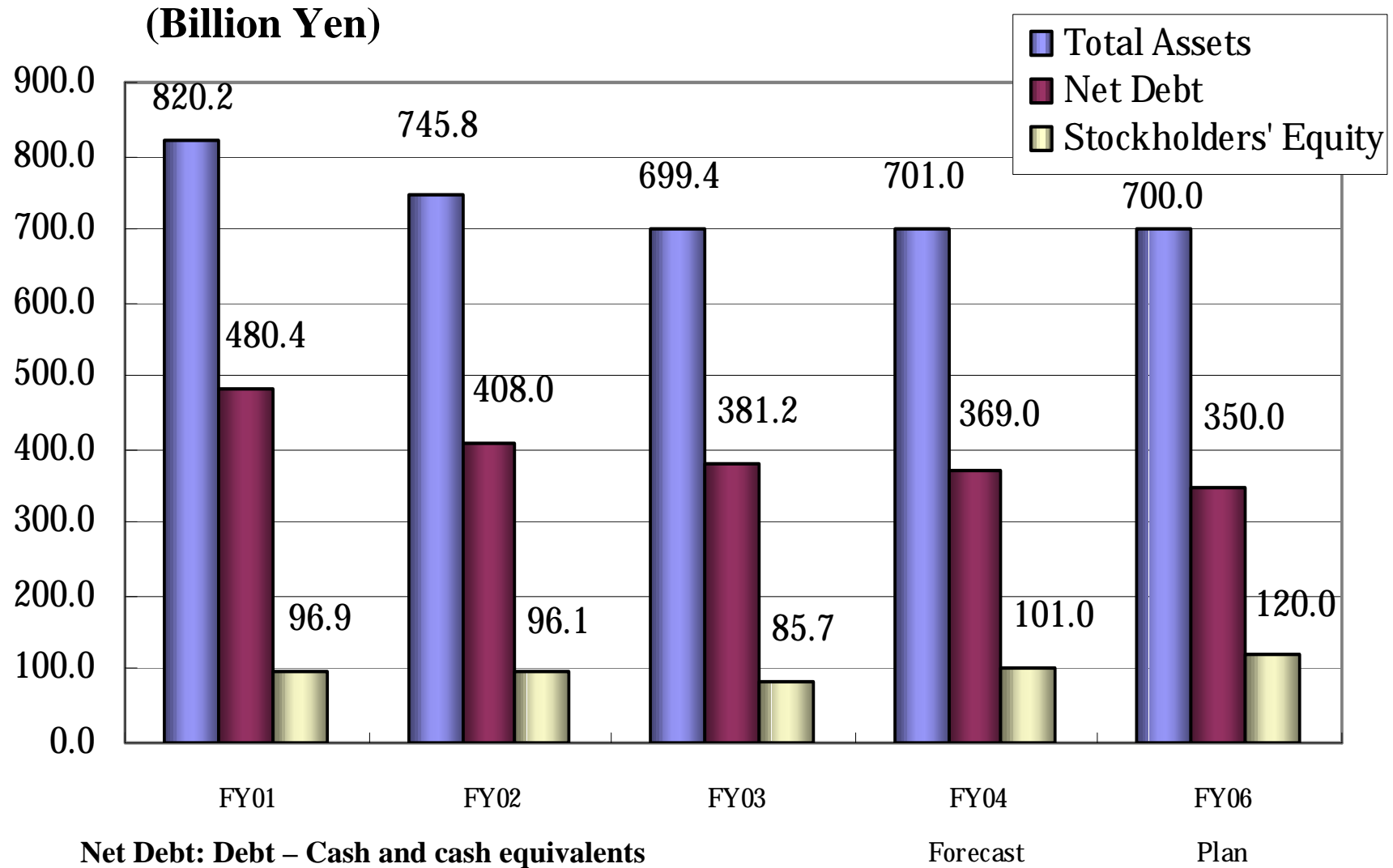
*1 Adjusted operating income : Operating income + Interest and dividend income + Equity income (loss) of unconsolidated subsidiaries and affiliates

*2 Net debt : Debt – Cash and cash equivalents

Sales and Operating Income



Total Assets, Net Debt, and Stockholders' Equity



Appendix - Company Profile -

Business Portfolio of UBE

	Core Business	Fundamental Business
Chemicals & Plastics	<p>Caprolactam Chain</p> <p>Nylon Resin</p>	<p>Synthetic Rubber</p> <p>Caprolactam Industrial Chemicals</p> <p>Ammonia, etc</p>
Specialty Chemicals & Products	<p>Fine chemicals & Pharma Specialty Products</p>	<p>Coals, Electricity</p>
Energy & Environment	<p>Polyimide, Battery Materials, High Purity Chemicals, etc</p>	<p>Energy</p>
Cement & Construction Materials		<p>Cement, Construction Materials</p>
Machinery & Metal Products	<p>Aluminum wheel</p>	<p>Machinery</p>
Others		<p>Die-casting Machines, Injection-molding Machines, Bridges, etc</p>

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.



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.