

Information Meeting 2006

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UBE INDUSTRIES,LTD.

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Summary

FY2006 First Half Consolidated Results Highlights

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Profit/Loss Statement Items

- **Net Sales: 310.6 billion yen (Up 10.7%, year-on-year)**
Due to rise in sales volumes and adjustment of selling prices to reflect higher cost of raw materials.
- **Operating income: 17.8 billion yen (Up 2.4%, year-on-year)**
Income from the Chemicals & Plastics Segment was down due to a rise in raw material and fuel prices, but it was offset by higher sales in the Machinery business.

[Chemicals & Plastics]

Rising cost of raw materials and fuel led to a narrowing of the spread between raw materials and product prices.

[Specialty Chemicals & Products]

Continued healthy sales of specialty products for electronic materials and semiconductor applications.

[Cement & Construction Materials]

Rise in fuel prices was offset by increased use of waste. Shipments of quicklime related products were healthy.

[Machinery & Metal Products]

Sales of molding machines and industrial machinery were up, with profits rising significantly.

No improvement in profitability of North American aluminum wheel subsidiary(Sarnia plant).

[Energy & Environment]

Increase in volume of coal storage by contract.

- **Ordinary income: 16.8 billion yen (Up 17.1%, year-on-year)**
Due to increase in operating income and currency gains from subsidiaries in Thailand.
- **Net income: 8.9 billion yen (Up 48.1%, year-on-year)**
Despite addressing future risks by accruing early losses on investment in North American aluminum wheel subsidiary (currently under restructuring).

Balance Sheet Items

- **Interest-bearing debt: 333.7 billion yen (Down 8.1billion yen)**
- **Net Interest-bearing debt: 312.9 billion yen (Down 8.8 billion yen)**
- **Shareholders' equity: 156.3 billion yen (Up 6.6 billion yen)**

Steady improvement of financial position

**No major change in forecast for business segments.
No change in full year forecast.**

1. Chemicals & Plastics

➤ Synthetic rubber

Brisk demand in Asia for tire market. Succeeded in raising prices to reflect higher costs. Currently increasing production to meet demand.

➤ Caprolactam

Supply and demand situation continues to be tight. However, rising prices for the raw material benzene caused the spread between product prices and raw materials costs to narrow.— Strive to maintain reasonable spread and secure profits by driving down costs.

➤ Polyamide resin

Demand was strong. However, there are delays in raising product prices to cover rises in raw material costs.

— Strive to rapidly raise product prices to reflect higher costs.

2. Specialty Chemicals & Products

➤ Specialty products

Polyimides: Market for flat panel displays continues to grow. Demand continues to be healthy, centering on tape automated bonding (TAB) market. Completion of the 8th polyimide production plant in August 2006. The 9th production plant currently under construction. Construction of the 10th and 11th production plants at Sakai Factory already approved.

Battery materials: Experienced brisk demand and rise in sales volume, but it was offset by strong downward pressure on prices.

- **Electrolytes:** Continuing to pursue high-end strategy by developing new product capabilities, and proceeding to enhance business fundamentals.
- **Separators:** Expanding sales to Chinese markets, and Japanese medium/large-sized battery markets for HEV, etc.

➤ Fine chemicals

Experienced strong demand and fully anticipates capitalizing on increased production of dimethyl carbonate (DMC), etc.

➤ Active Pharmaceutical ingredients and intermediates

Strive to offset lower sales of antibacterial agents by reducing costs, etc.

3. Cement & Construction Materials

➤ **Cement**

Rise in fuel costs (coal, heavy oil), offset by increased revenue from accepting waste and price adjustments. Profit expected to rise for full year forecast.

➤ **Other products**

Healthy shipments of quicklime related products, fine material products and self-leveling materials.

4. Machinery & Metal Products

➤ **Machinery**

Healthy sales of die casting and injection molding machines for automotive industry.

Growth in sales of industrial machinery for ceramics industry, such as vertical mills for Chinese market.

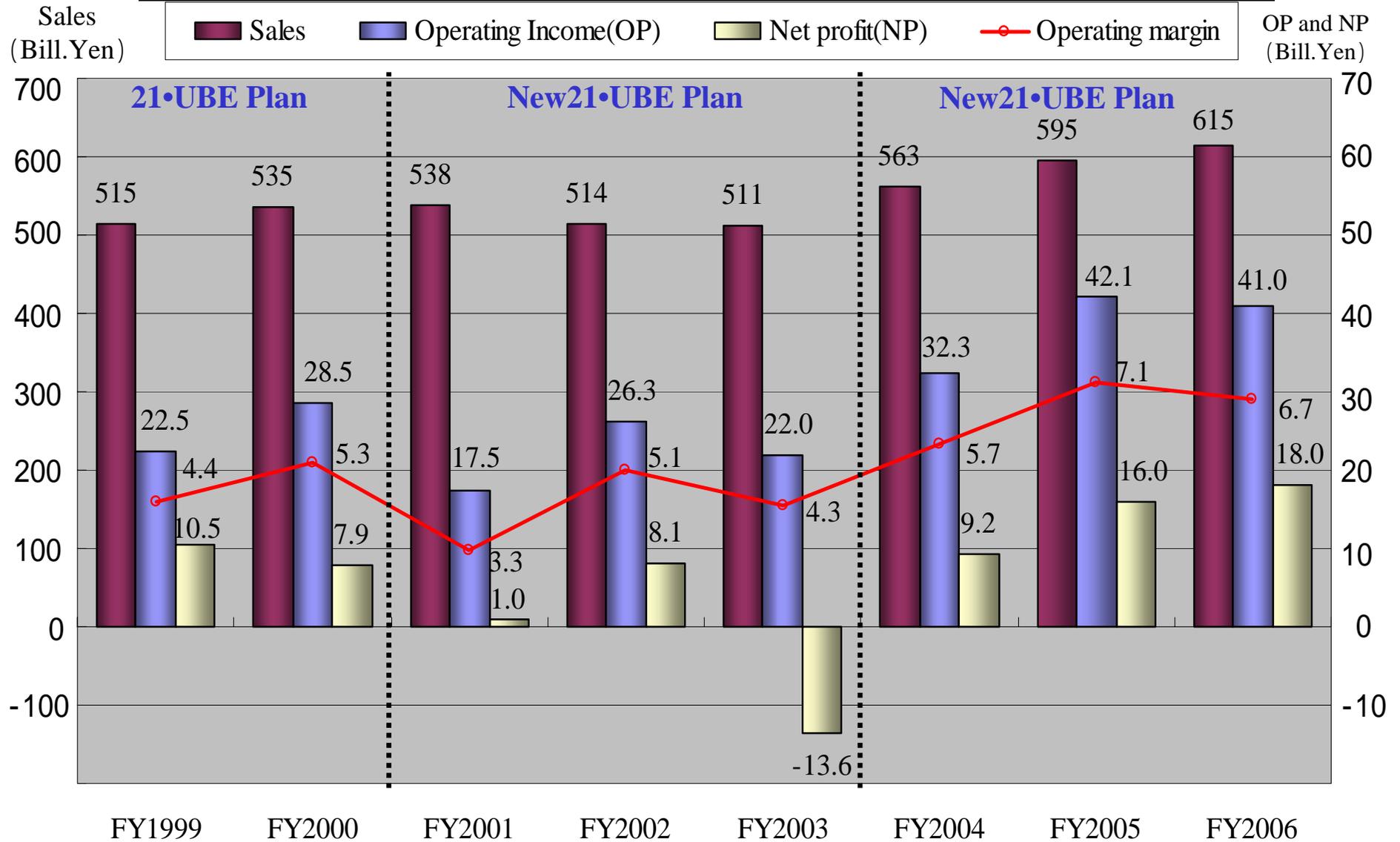
Strong sales of steel products to Korean market by strong Chinese markets.

➤ **Aluminum wheels**

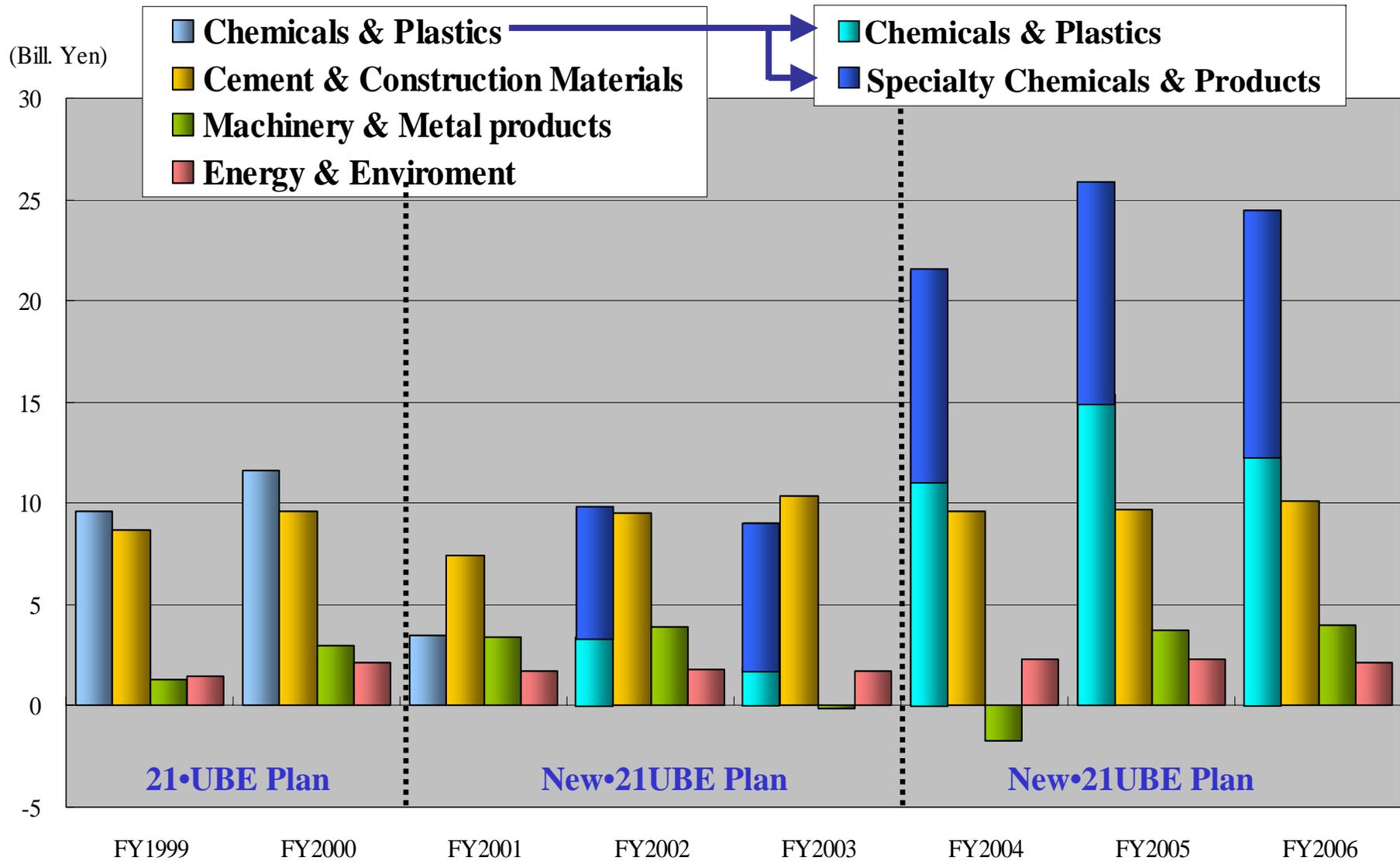
Sarnia plant: Sales volume forecasted to decrease starting from 2nd half, due to struggles of US Big 3 automakers. Canadian dollar continues to rise. Utility cost increase. Strategies to improve productivity have yet to make an impact.

➡ Accelerate strategies to boost revenue by thoroughly cutting costs such as quickly capitalizing on shift to in-house painting processes and increasing the ratio of sales to Japanese automakers.

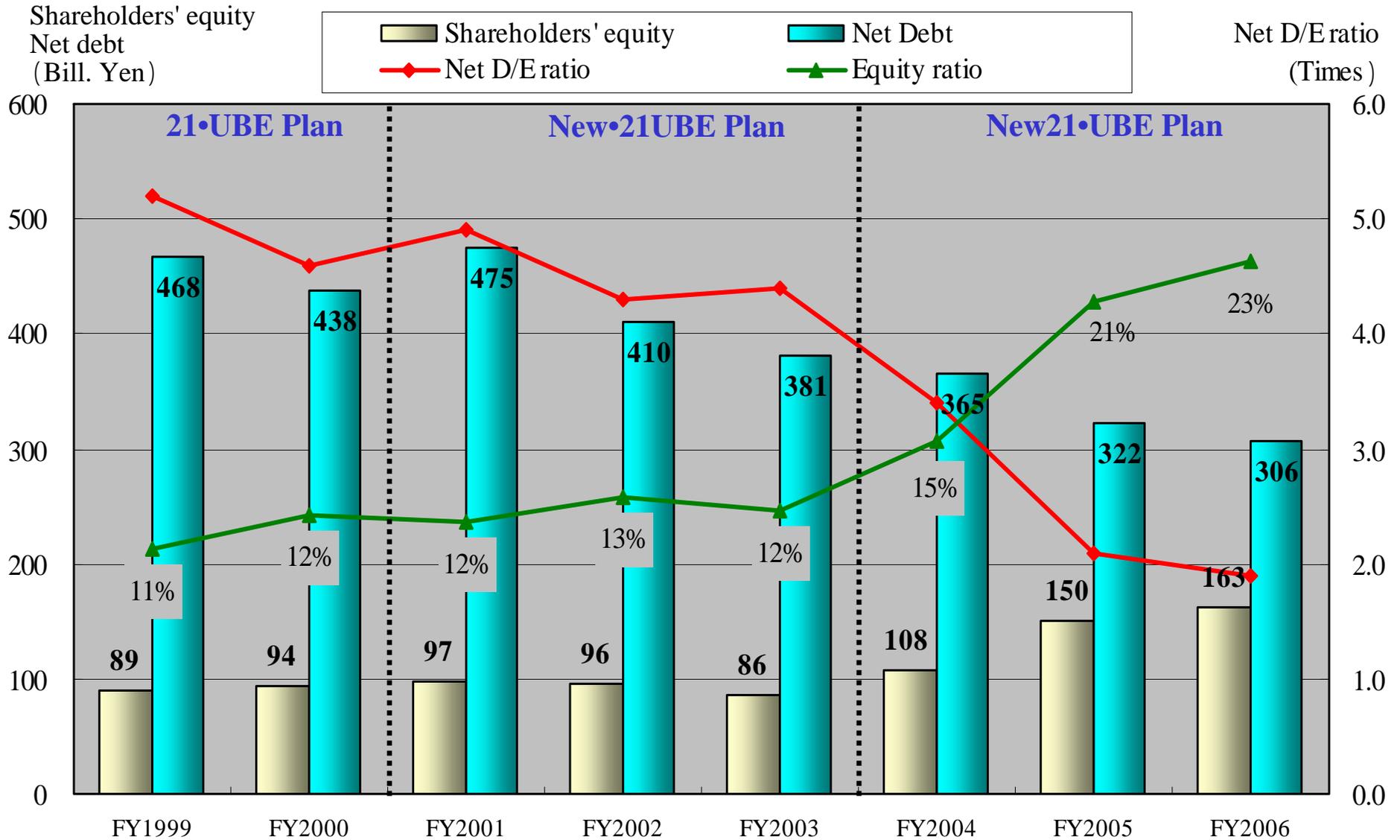
Major P/L Items of Financial Results



Operating Income by Segment



Major B/S Items of Financial Results



Basic Policies for Next Mid-Term Management Plan

(Currently Being Formulated)

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1. **Period: Three-year period from FY07-09**

Position it as an immediate, three-year action plan to attain the company's vision five years from now (2011).

2. **No change in policy to achieve expansion and growth centering on chemicals.**

Further build on existing strengths and implement strategies to rise to the next level.

3. **Improve the revenue structure through expansion of growth strategy segments, and stabilize the revenue structure of core fundamental businesses.**

Strive to further improve the profit ratio for the overall Group, while steadily achieving balanced growth in profits.

Growth strategy businesses :

Concentrated deployment of business resources to accelerate growth and expand business.

Core fundamental businesses:

Strive to build and strengthen a stable revenue structure to withstand market fluctuations, such as rising price of raw materials and fuel.

4. **Continue to improve the company's financial position.**

Aim at currently considering the goal of lowering the net debt/equity (D/E) ratio to under 1.0 within five years.

5. **Set capital investment levels to around the level of depreciation and amortization costs for the overall Group.**

- As much as possible, concentrate new and expanded investment toward growth strategy segments centering around specialty chemicals & products segment.
- Formulate a vibrant yet controlled management plan, that adequately reflects the positioning of the business portfolio.

**FY06 First Half
Consolidated Results
(Difference to FY05 First Half)**

Scope of Consolidation

-FY06 First Half Consolidated Results-

	End of FY06 1st Half (A)	End of FY05 1st Half	End of FY05 (B)	Variance (A)-(B)	Notes
Number of consolidated subsidiaries	69	69	66	3	Newly included 3
Number of equity method affiliates	35	36	35	0	Newly included 1, Excluded -1
Total	104	105	101	3	

Environmental Factors

-FY06 First Half Consolidated Results-

(Billion Yen)

Item		FY06 1st Half	FY05 1st Half	Variance	Impacts on Consolidated OP Income	
Exchange Rate	Yen/\$	115.4	109.5	5.9	-0.5	
Material Price	(CIF) Naphtha	\$/t	615	475	140	-1.7
		(Domestic) Yen/L	51.3	38.0	13.3	(-2.1)
	Benzene (Average of US and Euro Contract Price)	\$/t	921	899	22	-0.5
						-1.9
		Australian Coal	\$/t	74.0	76.5	-2.5
(CIF)	Yen/t	8,540	8,377	163	-0.2	

() : including impacts on fluctuation of exchange rate

Major P/L Items

-FY06 First Half Consolidated Results-

(Billion Yen)

Item	FY06 1st Half	FY05 1st Half	Variance
Sales	310.6 (138.4)	280.7 (130.4)	29.9 (8.0)
Operating income	17.8 (7.3)	17.4 (9.4)	0.4 (-2.0)
Ordinary income	16.8 (7.5)	14.3 (9.9)	2.4 (-2.3)
Net income	8.9 (1.3)	6.0 (4.6)	2.8 (-3.3)

() : Figures of non-consolidated basis

Major B/S Items

-FY06 First Half Consolidated Results-

(Billion Yen)

Item	End of FY06 1st Half	End of FY05	Variance
Total assets	708.5 (462.2)	700.4 (462.0)	8.1 (0.2)
Debt	333.7 (242.2)	341.9 (244.7)	-8.1 (-2.4)
Net debt	312.9	321.8	-8.8
[Debt - Cash and cash equivalents]	(237.3)	(239.2)	(-1.8)
Shareholders' equity	156.3 (124.8)	149.7 (127.9)	6.6 (-3.0)

() : Figures of non-consolidated basis

Sales by Segment

-FY06 First Half Consolidated Results-

(Billion Yen)

Segment	FY06 1st Half	FY05 1st Half	Variance	Major Factors
Chemicals & Plastics	98.3	83.2	15.1	Caprolactam chain 10.8 Synthetic rubber 4.2
Specialty Chemicals & Products	42.8	42.7	0.0	Specialty products 2.5 Fine chemicals & Pharmaceuticals 0.4 Overseas sales offices -1.5 Withdrawal from aluminum capacitor foil -1.4
Cement & Construction Materials	99.6	93.0	6.5	Cement and ready-mixed concrete 4.7 Quicklime related products 1.8
Machinery & Metal Products	53.8	45.4	8.4	Machinery 7.0 Aluminum wheels 1.4
Energy & Environment	14.0	14.4	-0.3	Coal -0.2
Others	1.9	1.8	0.0	
Total	310.6	280.7	29.9	Increased by 10.7%

Operating Income by Segment -FY06 First Half Consolidated Results-

(Billion Yen)

Segment	FY06 1st Half	FY05 1st Half	Variance	Major Factors
Chemicals & Plastics	4.7	6.3	-1.5	Caprolactam chain -2.0
Specialty Chemicals & Products	5.0	4.7	0.2	Specialty products 0.9 Fine chemicals & Pharmaceuticals -0.8
Cement & Construction Materials	3.8	3.9	-0.1	Cement and ready-mixed concrete -0.4 Quicklime related products 0.6
Machinery & Metal Products	2.6	1.3	1.3	Machinery 2.3 Aluminum wheels -1.0
Energy & Environment	1.1	0.9	0.2	
Others	0.3	0.2	0.1	
Total	17.8	17.4	0.4	Increased by 2.4%

Analysis of Operating Income

-FY06 First Half Consolidated Results-

(Billion Yen)

Segment	Operating income						
	FY06 1st Half	FY05 1st Half	Variance				
	A	B	A-B	Price *	Sales Amount	Fixed Cost	Others
Chemicals &Plastics	4.7	6.3	-1.5	-5.7	2.1	-1.1	** 3.2
Specialty Chemicals & Products	5.0	4.7	0.2	-1.4	1.5	0.3	-0.2
Cement & Construction Materials	3.8	3.9	-0.1	0.4	0.6	-0.3	-0.8
Machinery & Metal Products	2.6	1.3	1.3	-0.7	-0.2	-0.7	*** 2.9
Energy & Environment	1.1	0.9	0.2	0.0	0.1	-0.1	0.2
Others	0.3	0.2	0.1	0.0	0.0	0.0	0.1
Total	17.8	17.4	0.4	-7.4	4.2	-1.9	5.5

* Including both selling and purchase price variances

** Including inventory valuation profits 0.9

*** Marginal Profit on machinery products 2.7

Operating Income – Net Income -FY06 First Half Consolidated Results-

(Billion Yen)

Item	FY06 1st Half	FY05 1st Half	Variance
Operating income	17.8	17.4	0.4
Non operating item	-1.0	-3.0	2.0
Ordinary income	16.8	14.3	2.4
Extraordinary item	-5.5	-4.6	-0.9
Income before income tax and minority interest	11.2	9.7	1.5
Net income	8.9	6.0	2.8

Ordinary Income

-FY06 First Half Consolidated Results-

(Billion Yen)

Item		FY06 1st Half	FY05 1st Half	Variance
Operating income		17.8	17.4	0.4
Non operating items	Net interest expense	-2.9	-2.4	-0.4
	Equity in profit of unconsolidated subsidiaries and affiliated companies	0.5	0.4	0.1
	Foreign currency translation profit / loss	1.7	-1.1	2.8
	Others	-0.4	0.0	-0.4
	Total	-1.0	-3.0	2.0
Ordinary income		16.8	14.3	2.4

Extraordinary Items

-FY06 First Half Consolidated Results-

(Billion Yen)

Item	FY06 1st Half	FY05 1st Half	Variance
Gain on sale of PP & E and investment securities	0.5	0.3	0.1
Extraordinary income	0.5	0.3	0.1
Loss on business restructuring	-3.1	-2.8	-0.2
Loss on valuation of inventory	-1.4	-	-1.4
Loss on disposal of PP & E	-1.0	-0.3	-0.7
Others	-0.3	-1.7	1.4
Extraordinary loss	-6.0	-5.0	-1.0
Net extraordinary loss	-5.5	-4.6	-0.9

Consolidated Balance Sheet

-FY06 First Half Consolidated Results-

(Billion Yen)

Item	End of FY06 1sr Half	End of FY05	Variance
Current assets	277.5	268.5	9.0
Fixed assets	430.9	431.8	-0.9
Total assets	708.5	700.4	8.1
Interest-bearing debt	333.7	341.9	-8.1
Other liabilities	197.3	190.1	7.1
Total liabilities	531.0	532.0	-1.0
Shareholders' equity	156.3	149.7	6.6
Minority interest	21.1	18.6	2.5
Net Assets	177.4	168.3	9.1
Total liabilities and net assets	708.5	700.4	8.1

Consolidated Statements of Cash Flows

-FY06 First Half Consolidated Results-

(Billion Yen)

Item	FY06 1st Half		FY05 1st Half
A. Cash flows from operating activities	23.0	Income before tax and minority interest 11.2 Depreciation and amortization 14.9 Increase working capital -2.9	25.4
B. Cash flows from investing activities	-11.2	Acquisition from sale of PP & E -14.1 Proceeds from sale of securities 2.1	-10.1
Free cash flows (A+B)	11.8		15.2
C. Cash flows from financing activities	-12.1	Decrease in interest-bearing debts-8.7 Dividends, etc. -3.3	-27.6
D. Net increase/decrease in cash and cash equivalents (A+B+C)	-0.1		-12.1
E. Cash and cash equivalents at end of FY06 1st Half	20.7		21.3

**FY06 First Half
Consolidated Results
(Difference to FY06 First Half Forecasts)**

Environmental Factors

-FY06 First Half Consolidated Results-

(Billion Yen)

Item		FY06 1st Half Actual	FY06 1st Half Forecast	Variance	Impacts on Consolidated OP Income	
Exchange Rate		Yen/\$	115.4	115.0	0.4	0.0
Material Price	(CIF) Naphtha (Domestic)	\$/t	615	600	15	-0.2
		Yen/L	51.3	50.0	1.3	(-0.2)
	Benzene (Average of US and Euro Contract Price)	\$/t	921	900	21	-0.5
						(-0.6)
	Australian Coal (CIF)	\$/t	74.0	74.0	0.0	0.0
Yen/t		8,540	8,510	30	(0.0)	

() : including impacts on fluctuation of exchange rate

Major P/L Items

-FY06 First Half Consolidated Results-

(Billion Yen)

Items	FY06 1st Half Actual	FY06 1st Half Forecast	Variance
Sales	310.6	298.0	12.6
Operating Income	17.8	14.5	3.3
Ordinary Income	16.8	10.5	6.3
Net Income	8.9	5.0	3.9

Sales by Segment

-FY06 First Half Consolidated Results-

(Billion Yen)

Segment	FY06 1st Half Actual	FY06 1st Half Forecast	Variance	Major Factors
Chemicals & Plastics	98.3	93.0	5.3	Caprolactam chain 4.7 Synthetic rubber 1.0
Specialty Chemicals & Products	42.8	42.6	0.2	Specialty products 0.4 Fine chemicals & Pharmaceuticals 1.0 Overseas sales offices -1.3
Cement & Construction Materials	99.6	94.7	4.9	Cement and concrete 4.9
Machinery & Metal Products	53.8	51.8	2.0	Machinery 3.0 Aluminum wheels -1.0
Energy & Environment	14.0	14.1	-0.1	
Others	1.9	1.8	0.1	
Total	310.6	298.0	12.6	Increased by 4.3%

Operating Income by Segment -FY06 First Half Consolidated Results-

(Billion Yen)

Segment	FY06 1st Half Actual	FY06 1st Half Forecast	Variance	Major Factors
Chemicals & Plastics	4.7	3.9	0.8	Synthetic rubber etc.
Specialty Chemicals & Products	5.0	4.7	0.3	Specialty products etc.
Cement & Construction Materials	3.8	3.3	0.5	Quicklime related products etc.
Machinery & Metal Products	2.6	1.1	1.5	Machinery 1.8 Aluminum wheels -0.3
Energy & Environment	1.1	1.2	-0.1	
Others	0.3	0.3	0.0	
Total	17.8	14.5	3.3	Increased by 23.0%

FY06 Consolidated Forecasts

Scope of Consolidation

-FY06 Consolidated Forecasts-

	End of FY06 (A)	End of FY05 (B)	Variance (A)-(B)	Notes
Number of consolidated subsidiaries	67	66	1	Newly included 3 Excluded -2
Number of equity method affiliates	31	35	-4	Newly included 1 Excluded -5
Total	98	101	-3	

Environmental Factors

-FY06 Consolidated Forecasts-

(Billion Yen)

Item		FY06 Forecast	FY05 Actual	Variance	Impacts on Consolidated OP Income	
Exchange Rate	Yen/\$	115.2 [115.0]	113.3	1.9	-0.3	
Material Price	(CIF) Naphtha	\$/t	590 [565]	514	76	-1.8
		Yen/L	49.2 [47.2]	42.4	6.8	(-2.2)
	Benzene (Average of US and Euro Contract Price)	\$/t	982 [1,043]	850	132	-6.0 (-7.3)
	Australian Coal	\$/t	74.0 [74.0]	74.0	0.0	0.0
		(CIF)	Yen/t	8,525 [8,510]	8,384	141

[]:figures of second half

() : including impacts on fluctuation of exchange rate

Major P/L Items

-FY06 Consolidated Forecasts-

No change in full year forecast.

(Billion Yen)

Item	FY06 Forecast	FY05 Actual	Variance
Sales	615.0 (287.0)	595.3 (275.8)	19.7 (11.2)
Operating income	41.0 (21.0)	42.1 (21.4)	-1.1 (-0.4)
Ordinary income	32.0 (17.0)	33.2 (18.6)	-1.2 (-1.6)
Net income	18.0 (9.5)	16.0 (8.0)	2.0 (1.5)

() : Figures of non-consolidated basis

Major B/S Items

-FY06 Consolidated Forecasts-

No change in full year forecast.

(Billion Yen)

Item	End of FY06 Forecast	End of FY05 Actual	Variance
Total assets	700.0 (463.0)	700.4 (462.0)	-0.4 (1.0)
Debt	326.0 (239.0)	341.9 (244.7)	-15.9 (-5.7)
Net debt	306.0	321.8	-15.8
〔 Debt - Cash and cash equivalents 〕	(234.0)	(239.2)	(-5.2)
Shareholders' equity	163.0 (134.0)	149.7 (127.9)	13.3 (6.1)

() : Figures of non-consolidated basis

FY06 : Dividend of ¥4/share



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.