

First Quarter Earnings Report for the Year Ending March 2005 (Fiscal 2004)

August 9, 2004

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 excluded 1

2. Consolidated Operating Results and Financial Position for the First Quarter of Fiscal 2004 (April 1, 2004 to June 30, 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	%
1st Qtr. FY2004	132,367	12.5	2,879	163.2	596	-	42	-
1st Qtr. FY2003	117,697	-	1,094	-	(824)	-	(778)	-
(ref.) Fiscal 2003	511,373		22,017		15,137		(13,635)	

	Net income per share	Diluted net income per share
	yen	yen
1st Qtr. FY2004	0.05	-
1st Qtr. FY2003	(0.93)	-
(ref.) 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 1st Qtr. FY2003 was the first year for the company to announce its quarterly results, year-on-year comparisons are not shown in this report.

«Review of Operating Results»

The operating environment in the first quarter was generally favorable, supported by strong Asian economies and expanding demand for digital consumer electronic products, while there were some negative factors, such as sharply rising prices of naphtha, benzene and other raw material prices and continued declines in domestic demand for cement. Under this environment, the Company recorded year-on-year gains in revenues and earnings.

Sales, based on growth in specialty chemicals and products segment, and machinery and metal products segment, increased by ¥14.6 billion or 12.5% over the previous year to ¥132,367 million. Operating profits surged 163.2% or by ¥1,785 million year-on-year to ¥2,879 million, owing to significant contributions from the sales volume growth in specialty chemicals and products businesses. As a result, ordinary profit and net

income, which were in deficit the same period a year prior, turned into the black, increasing by ¥1,420 million to ¥596 million, and by ¥820 million to ¥42 million, respectively.

Moreover, the Company's first quarter results are seasonally weaker than other quarters, owing to a concentration of scheduled maintenance in its factories of chemicals and plastics segment and specialty chemicals and products, as well as seasonal lulls in cement demand, which is the main product of its cement and construction materials segment, and machinery sales which tend to be concentrated at the end of the fiscal year.

Information by segment is as follows:

1) Chemicals and Plastics

While shipments of caprolactam, synthetic rubber and polyethylene were strong, revenue declines from the sale of the APAO (non-crystalline polyolefin) limited the increase in segment sales to a 2.6% gain, or ¥966 million, to ¥37,779 million. The segment's operating profits in the first quarter are typically depressed by increased repair and maintenance costs due to scheduled factory maintenance and lower operating ratios. Compared to the same quarter a year previous, higher raw materials costs was largely passed on to clients through higher sales prices, and produced a ¥112 million decline in operating profits to minus ¥734 million.

2) Specialty Chemicals & Products

Shipments of polyamide film, double layer CCL (copper-clad laminates), and lithium battery separators and electrolytes were strong, while the conversion of Ube-Nitto Kasei Co., Ltd. to a consolidated subsidiary last October, and revenue increases in pharmaceutical bulk and intermediaries contributed to an increase in segment sales of 58.4% or ¥7,659 million, to ¥20,764 million. Operating profits jumped 198.4%, or by ¥1,478 million to ¥2,223 million, reflecting increased sales volumes of specialty products, growth in the profit contribution from increased pharmaceutical bulk and intermediates sales, and rationalization measures.

3) Energy & Environment

Substantially higher coal prices compared to the first quarter a year prior, and the beginning of operations from March of 2004 for a consolidated subsidiary, UBE Power Center Co., Ltd. (an independent power producer), contributed to a 45.2% or ¥1,746 million increase in segment sales to ¥5,610 million. Operating profit was mainly boosted by the increase in coal volumes, and increased by 40.9% or ¥121 million to ¥417 million.

4) Cement & Construction Materials

While cement revenues declined on lower domestic demand compared to the same quarter the year prior, an increase in lime-related products helped keep segment revenues basically flat year-on-year, with segment sales rising 0.9% or ¥367 million to ¥42,313 million. Operating profits increased by 5.8% or ¥76 million to ¥1,391 million. While declining cement sales and sharp rises in coal prices for fuel hurt earnings, profits of consolidated subsidiaries and cost savings centering on increased industrial waste processing improved more than offset these negatives.

5) Machinery & Metal Products

Increased injection-molding and die-casting machines revenues supported a 20.3% or ¥4,201 million year-on-year increase to ¥24,848 million. Operating profits were ¥520 million in deficit reflecting the continued impact of the labor dispute at the Company's US aluminum wheel factory. However, this deficit was ¥295 million smaller than the first quarter of last year.

(2) Financial Position

(In million yen)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholder's equity per share
	million yen	million yen	%	yen
1st Qtr. FY2004	713,321	85,125	11.9	98.04
(ref.) 1st Qtr. FY2003	737,935	94,626	12.8	112.78
(ref.) Fiscal 2003	699,498	85,756	12.3	97.77

«Review of Change in Financial Position»

Owing mainly to increases in cash and cash equivalents, accounts receivable and notes receivable, total assets increased by ¥13.8 billion from the end of the previous fiscal year, to ¥713.3 billion. Debt increased by ¥14.8 billion to ¥611.3 billion, mainly due to a new issue of corporate bonds. Shareholders' equity declined by ¥0.6 billion to ¥85.1 billion, largely because of a ¥0.9 billion decrease in the foreign exchange adjustment account.

«Reference»

Forecast of Consolidated Earnings for the Year Ending March 31, 2005

(from April 1, 2004 to March 31, 2005)

While business performance in the first quarter was better than planned because of a strong specialty products business, the rise in petrochemical raw material prices has accelerated from the second quarter. In addition, the recovery in North American aluminum wheel operations has not been smooth, and because of many lingering uncertainties regarding the future outlook, there is no change at this time in the forecasts for this fiscal year that the Company released at the time previous fiscal year results were announced.

Condensed Consolidated Balance Sheets

(In million yen)

	1st Qtr. FY2004		Fiscal 2003		Increase (Decrease) Amount	1st Qtr. FY2003	
	(as of June 30, 2004)		(as of March 31, 2004)			(as of June 30, 2003)	
	Amount	%	Amount	%		Amount	%
Cash and cash equivalents	41,626	5.8	29,909	4.3	11,717	40,372	5.5
Notes and accounts receivable	132,615	18.6	129,719	18.5	2,896	123,697	16.8
Inventories	78,368	11.0	76,631	11.0	1,737	80,607	10.9
Other current assets	20,154	2.8	20,961	3.0	(807)	24,105	3.3
Fixed assets	440,493	61.8	442,238	63.2	(1,745)	468,352	63.4
Deferred assets	65	0.0	40	0.0	25	802	0.1
Total Assets	713,321	100.0	699,498	100.0	13,823	737,935	100.0
Interest-bearing liabilities	428,884	60.1	409,751	58.6	19,133	454,952	61.7
Notes and accounts payable	90,988	12.8	86,169	12.3	4,819	87,846	11.9
Other liabilities	91,512	12.8	100,628	14.4	(9,116)	84,175	11.4
Total Liabilities	611,384	85.7	596,548	85.3	14,836	626,973	85.0
Minority Interests	16,812	2.4	17,194	2.4	(382)	16,336	2.2
Common stock	43,615	6.1	43,565	6.2	50	43,565	5.9
Additional paid-in capital	13,461	1.9	13,411	1.9	50	9,606	1.3
Retained earnings	29,396	4.1	29,421	4.2	(25)	43,972	6.0
Others	(1,347)	(0.2)	(641)	0.0	(706)	(2,517)	(0.4)
Total Shareholders' Equity	85,125	11.9	85,756	12.3	(631)	94,626	12.8
Total Liabilities, Minority Interests and Stockholders' Equity	713,321	100.1	699,498	100.0	13,823	737,935	100.0

Condensed Consolidated Statements of Operations

(In million yen)

	1st Qtr. FY2004		1st Qtr. FY2003		Increase (Decrease)	Fiscal 2003	
	(From April 1, 2004 to June 30, 2004)		(From April 1, 2003 to June 30, 2003)			(From April 1, 2003 to March 31, 2004)	
Net sales	132,367		117,697		14,670	511,373	
Cost of sales	109,857		98,662		11,195	411,209	
Gross profit	22,510		19,035		3,475	100,164	
Selling, general and administrative expense	19,631		17,941		1,690	78,147	
Operating income	2,879		1,094		1,785	22,017	
Non-operating income	2,260		2,033		227	10,633	
Non-operating expenses	4,543		3,951		592	17,513	
Ordinary income	596		(824)		1,420	15,137	
Extraordinary gains	420		502		(82)	7,142	
Extraordinary losses	338		344		(6)	31,742	
Income before income taxes	678		(666)		1,344	(9,463)	
Income tax, inhabitants tax & enterprise taxes	777		308		469	3,598	
Minority interests in income of consolidated subsidiaries	(141)		(196)		55	574	
Net income	42		(778)		820	(13,635)	

Segment Information

First Quarter of Fiscal 2004 (From April 1, 2004 to June 30, 2004)

(In million yen)

	Net Sales			Operating Expenses	Operating Income
	(1) External sales	(2) Inter-segment Sales	Total		
Chemicals & Plastics	37,779	1,387	39,166	39,900	(734)
Specialty Chemicals & Products	20,764	374	21,138	18,915	2,223
Energy & Environment	5,610	1,864	7,474	7,057	417
Cement & Construction					
Materials	42,313	709	43,022	41,631	1,391
Machinery & Metal Products	24,848	461	25,309	25,829	(520)
Other	1,053	150	1,203	1,040	163
Total	132,367	4,945	137,312	134,372	2,940
Elimination or Corporate Consolidated	-	(4,945)	(4,945)	(4,884)	(61)
	132,367	-	132,367	129,488	2,879

First Quarter of Fiscal 2003 (From April 1, 2003 to June 30, 2003)

(In million yen)

	Net Sales			Operating Expenses	Operating Income
	(1) External sales	(2) Inter-segment Sales	Total		
Chemicals & Plastics	36,813	1,166	37,979	38,601	(622)
Specialty Chemicals & Products	13,105	515	13,620	12,875	745
Energy & Environment	3,864	1,299	5,163	4,867	296
Cement & Construction					
Materials	41,946	646	42,592	41,277	1,315
Machinery & Metal Products	20,647	164	20,811	21,626	(815)
Other	1,322	18	1,340	1,183	157
Total	117,697	3,808	121,505	120,429	1,076
Elimination or Corporate Consolidated	-	(3,808)	(3,808)	(3,826)	18
	117,697	-	117,697	116,603	1,094