

Information Meeting 2004

February 2004

UBE INDUSTRIES, LTD.

Management Policies and Issues

Management Policies

1. Essential policies :

- Uphold shareholder value as our top priority
- Strive to maximize cash flow

2. Key financial ratios :

- Net D/E ratio, ROA,
Net debt-to-cash flow ratio

Managerial Issues and Subjects

- 1. To increase cash flows from operating activities through;**
 - Reinforcement and expansion of “Core Businesses”
 - Improvement of cost competitiveness of “Fundamental Businesses”
 - Downsizing of “Non-core Businesses”
(by M&A, alliance, etc.)
 - Continuous rationalization

- 2. To improve financial position by;**
 - Further reduction of debts
 - Reduction in capex

Business Portfolio

Core Businesses 1)	Fine Chemicals and Pharmaceuticals Specialty Products Nylon Resins Aluminum Wheels
Fundamental Businesses 2)	Caprolactam Industrial Chemicals, Synthetic Rubber Cement and Construction Materials Machinery Energy
Non-core Businesses	Polyethylene
New Businesses	Advanced Technological Businesses

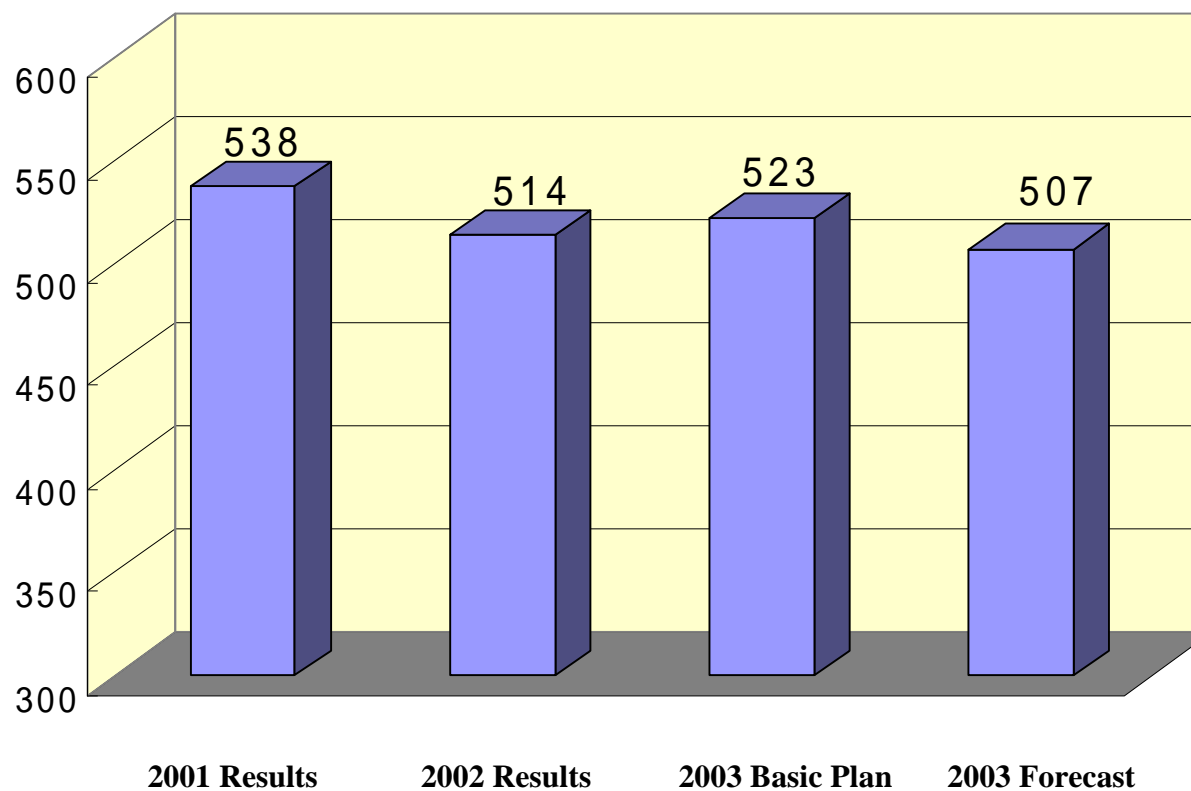
1) **Core Business:** differentiated with technological strengths and highly profitable

2) **Fundamental Business:** generates stable cash flows

Forecast for FY2003

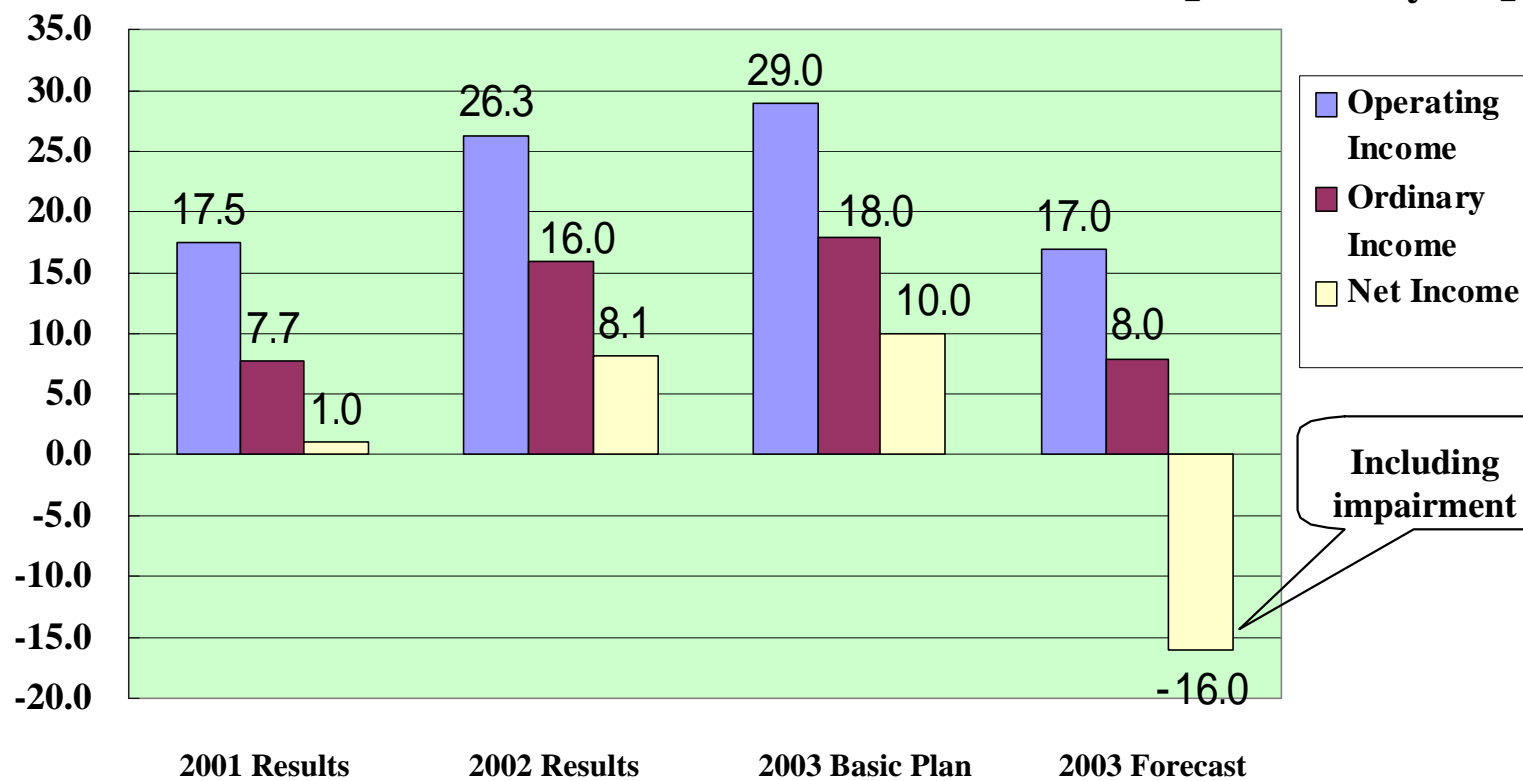
Sales Forecast

[Billions of yen]



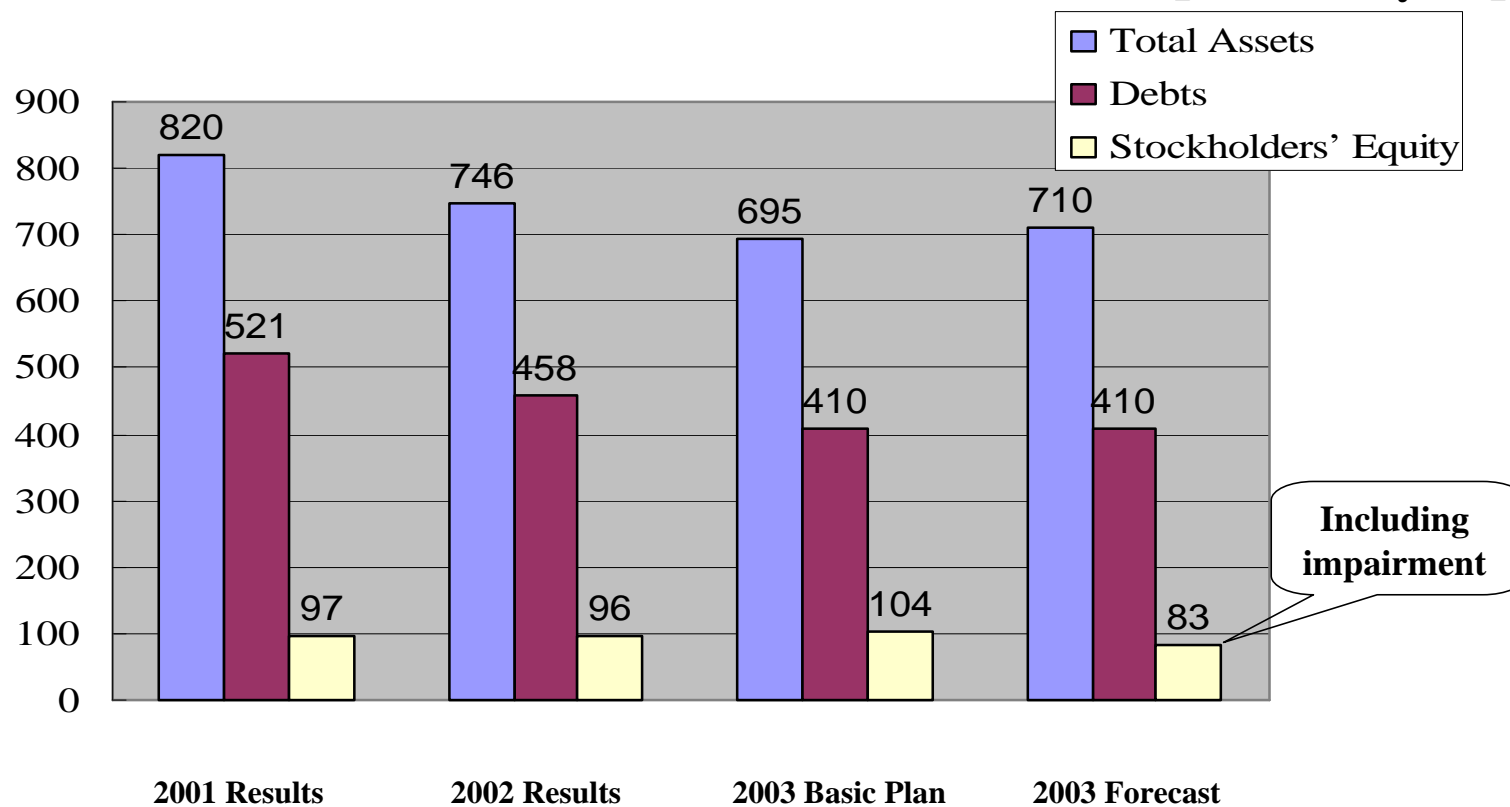
Income Forecast

[Billions of yen]



B/S Item Forecast

[Billions of yen]



Sales Forecast by Segment

[Billions of yen]

Segment	2003 Forecast	2002 Results	Y to Y	Major Factors
Chemicals & Plastics	149.0	150.5	1.5	Synthetic rubber 2.1 Caprolactam 4.0, APAO, etc 3.0 Change in consolidation 5.5
Specialty Chemicals & Products	64.0	57.3	6.6	Change in consolidation 6.5 Specialty products 3.6 Others 3.3
Energy & Environment	14.0	19.6	5.6	Environment 3.7 Coal 2.3
Cement & Construction Materials	172.0	185.6	13.6	Cement, Concrete 13.1
Machinery & Metal Products	104.0	95.3	8.7	Machinery 7.7 Aluminum wheel 1.0
Others	4.0	5.1	1.1	Real estate 0.7
Total	507.0	513.5	6.6	Decreased by 1.3%

Operating Income Forecast by Segment

***Based on former cost allocation before segmentation change in FY2003 [Billions of yen]**

Segment	2003 Forecast		2002 Results (b)	Y to Y (a)-(b)	Major Factors
	New	Former* (a)			
Chemicals & Plastics	0.9	1.7	3.8	2.0	Synthetic Rubber 1.6 Caprolactam 2.3 Industrial chemicals 0.6
Specialty Chemicals & Products	5.8	6.2	6.0	0.1	Specialty products 1.6 Pharmaceuticals 0.7 Fine chemicals 0.4
Energy & Environment	1.1	1.3	1.8	0.5	Coal 0.2 Environment 0.2
Cement & Construction Materials	9.4	8.4	9.5	1.0	Cement, concrete 0.8
Machinery & Metal Products	1.0	1.5	3.9	5.5	Machinery 1.9 Aluminum wheel 3.5
Others	0.8	0.8	1.1	0.3	Real estate 0.3
Total	17.0	17.0	26.1	9.3	Decreased by 35.6%

Sales Forecast by Segment

[Billions of yen]

Segment	2003 Forecast	2003 Basic Plan	Variance	Major Factors
Chemicals & Plastics	149.0	153.0	4.0	Polyethylene 2.2 APAO, SM, etc 1.1
Specialty Chemicals & Products	64.0	61.0	3.0	Change in consolidation 7.5 Pharmaceuticals 2.1 Dielectric ceramic 1.9
Energy & Environment	14.0	17.0	3.0	Coals 3.2
Cement & Construction Materials	172.0	177.0	5.0	Cement, Concrete 4.8
Machinery & Metal Products	104.0	111.0	7.0	Machinery 2.2 Aluminum wheel 4.8
Others	4.0	4.0	0.0	
Total	507.0	523.0	16.0	Decreased by 3.1%

Operating Income Forecast by Segment

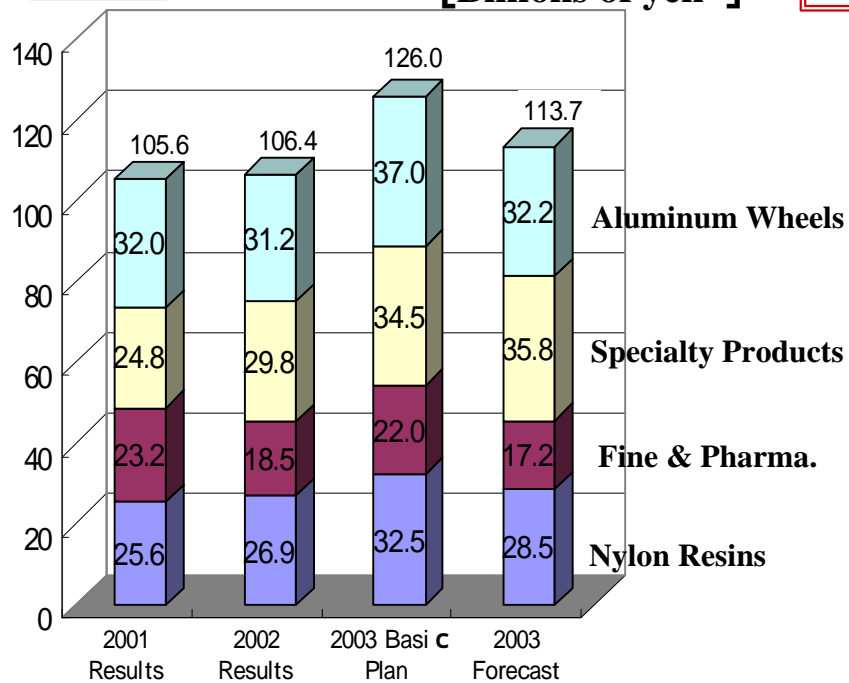
[Billions of yen]

Segment	2003 Forecast	2003 Basic Plan	Variance	Major Factors
Chemicals & Plastics	0.9	5.4	4.5	Synthetic Rubber 0.6 Caprolactam 3.4 Industrial chemicals 1.0
Specialty Chemicals & Products	5.8	6.8	1.0	Pharmaceuticals 1.1
Energy & Environment	1.1	1.3	0.2	
Cement & Construction Materials	9.4	9.6	0.2	
Machinery & Metal Products	1.0	5.2	6.2	Machinery 1.2 Aluminum wheel 4.7
Others	0.8	0.8	0.0	
Total	17.0	29.0	12.0	Decreased by 41.4%

Sales & Operating Income of "Core Business"

Sales

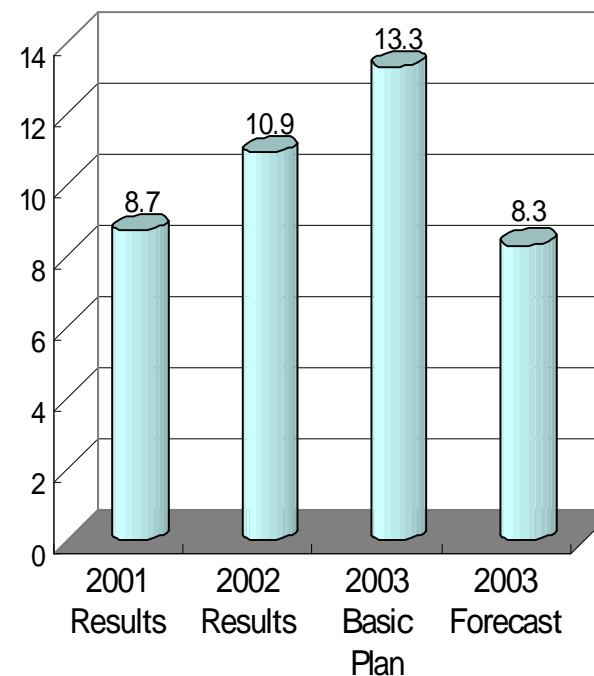
[Billions of yen]



20.2% 20.6% 24.1% 22.4%
 (% of Total Sales)

Operating Income

[Billions of yen]



49.7% 41.4% 45.9% 48.8%
 (% of Total Operating Income)

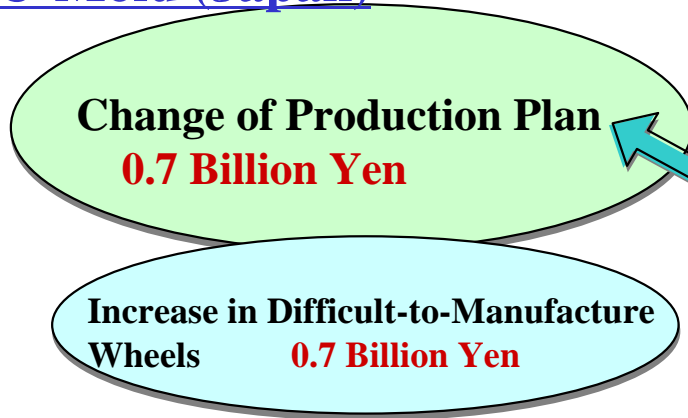
Analysis of Operating Income

Operating income decreased by **12 billion Yen** against Basic Plan

- | | |
|---|------------------------|
| 1. Aluminum Wheel | 4.7 Billion Yen |
| • Loss increase due to labor dispute in Mason (Ex. Increase in temporary workers and client defection) | 2.7 |
| • Production efficiency decreased in Japan and Canada due to order transfer from Mason to Japan and Canada factories | 1.6 |
| • Production efficiency decreased due to increase in orders for large-diameter wheels and other difficult-to-manufacture wheels | 2.2 |
| • Canadian dollar appreciation | 0.6 |
| • Transfer of extraordinary operating costs related to labor dispute to non-operating category | +2.4 |
| 2. Caprolactam Chain | 4.4 Billion Yen |
| Sharp increase in materials cost (benzene, ammonia, etc) | |
| 3. Machinery | 1.5 Billion Yen |
| Yen appreciation, Additional cost | |
| 4. Others | 1.4 Billion Yen |

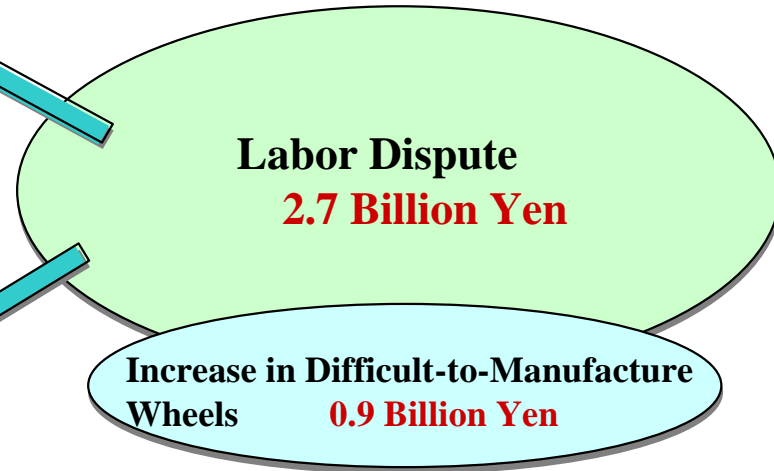
Analysis of Operating Income of Aluminum Wheel Business

U-Mold (Japan)

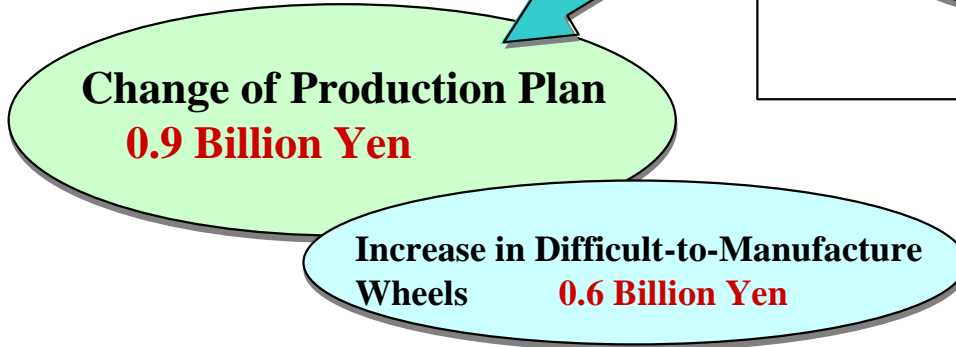


Mason (U.S.)

Difference from Basic Plan



Sarnia (Canada)



Analysis of Operating Income of Caprolactam Chain

[Billions of yen]

	Difference from Basic Plan	Major Factors
Caprolactam	3.3	Selling price 0.8, Materials cost 2.9 Volume 0.1, Fixed costs 0.4
Nylon Resin	0.1	
Industrial Chemicals	1.0	Production trouble of ammonia plant 0.5
Others	0.2	
Total	4.4	

Operating – Net Income Forecast

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Early introduction of fixed assets impairment for healthier financial position [Billions of yen]

Items	2003 Forecast	2003 Basic Plan	Variance
Operating Income	17.0	29.0	12.0
Non-operating Items	9.0	11.0	2.0
Ordinary Income	8.0	18.0	10.0
Impairment Loss of PP&E	18.0	-	18.0
Write-down Loss of Investment Securities	1.0	-	1.0
Gain on Sale of Assets	6.0	-	6.0
Disposal of PP&E	3.0	-	3.0
Others	4.0	1.0	3.0
Total Extraordinary Items	20.0	1.0	19.0
Net Income Before Tax	12.0	17.0	29.0
Net Income	16.0	10.0	26.0

Key Financial Ratio Forecast

Ratios	Unit	2003 Forecast	2003 Basic Plan	Variance
Net D/E Ratio ¹⁾	Times	4.7	3.7	1.0
ROA ²⁾	%	2.6	4.4	1.8
Net Debt-to-Cash Flow Ratio ³⁾	Times	12.5	8.4	4.1

1) Net D/E Ratio : (Net debt) / (Stockholders' equity)

2) ROA : (Operating income + Interest and dividend income + Equity in gains of unconsolidated subsidiaries and affiliated companies) / (Total assets)

3) Net Debt-to-Cash Flow Ratio : (Net debt) / (Net income + Depreciation and amortization - Cash dividend)

New Mid-term Management Plan

Basic Concept of New Plan

1. Name : New 21 UBE Plan

2. Period : FY2004 – FY2006

3. Concept :

- **Reflect deeply on downturn in profitability in FY2003**
- **Aim for steady recovery and resume dividend payment ASAP**
- **Focus on successes of present New 21 UBE plan**
- **Sweep away image as company with excess debts**
- **Lead UBE Group to further growth**
- **Building up corporate culture to confidently execute commitments in financial markets**

1. To improve financial position through decreased debt by ...

- Maximizing free cash flow from operating income, NOT from sales of assets
- Reducing investments to less than 80% of total depreciation

2. Reform business structures by ...

- Investing managerial resources in “Core Business” and harvesting fruits from past investments

Expanding scales of operations

- Obtaining stable free cash flow from “Fundamental Businesses”

Strengthening profitability through ongoing cost reduction

- Restructuring polyethylene businesses

Strategies of Main Businesses

1. Aluminum wheels

- **Strengthening management staff to improve sales and production system worldwide: Japan, U.S., and Canada**
- **Reinforcing labor management and building close relationship with Labor Union.**

Taking surest measures for next negotiation, in 4 years

- **Sharp increase in demand for large-diameter wheels**

Reinforcing skills and production systems for effective mass production

2. Caprolactam chain**- Increase in captive use to nylon resin**

FY2003 24% FY2008 More than 40%

- Rationalization and cost reduction

Cost reduction in Sakai/Stable operation of Ammonia plant

- Formation of cost transfer system

Smooth transfer of increase in material cost to selling price

- Strengthening R&D

Improvement of production process and development of new fine chemical derivatives

3. Pharmaceuticals

- **Operating income to break-even in FY2005 and return to the black in FY2006 (Sales target: 10 billion yen)**

Further rationalization and efficiency of production and R&D for increasing present profitability without weakening technique

- **Consignment manufacturing**

**Increasing in number of customers as strategic partners
Enhancing line-ups of technology and cost competitiveness**

- **In-house manufacturing**

**Developing unique high-tech pharmaceuticals
Transferring two candidates into “pipe-line” each year**

4. Construction materials (Cement)

- **Downward trend in domestic market**
- **Further rationalization and increase in use of industrial waste as fuel and raw materials**

Obtaining stable cash flow as “Fundamental Business”

5. Specialty products (Materials for electronics, battery, and semi-conductors)

- **Good market circumstances**

Continuous growth for mid-term

- **Turn to “Continue-to-win” business**

Timely expansion of production facility to increase profits

END