

Information Meeting 2006

15 May, 2006

UBE INDUSTRIES, LTD.

Contents

- 1. Summary**
- 2. FY05 Consolidated Results**
- 3. FY06 Consolidated Forecasts**

Summary

FY05 Consolidated Results

- Financial Highlights -

Each income item is at its highest level since current consolidated accounting policy started. (FY94)

(Billion Yen)

Item	FY05 Actual	FY04 Actual	Variance
Sales	595.3	562.7	32.6
Operating Income	42.1	32.3	9.8
Ordinary Income	33.2	23.6	9.6
Net Income	16.0	9.2	6.7
Net Debt <small>(Debt - Cash and cash equivalents)</small>	321.8	364.5	-42.6
Stockholder's Equity	149.7	108.3	41.3
Dividend (Yen/share)	3.0	2.0	1.0

Profit growth in all segments

Capital increase 19.6

Increase dividend

Progress of Mid-term Management Plan (FY04 – FY06)

Item	Unit	FY03 Actual	FY04 Actual	FY05 Actual	FY06 Target of Plan
Net D/E Ratio*1	Times	4.4	3.4	2.1	2.9
Return on Assets (ROA)*2	%	3.3	4.9	6.4	5.0
Operating Margin	%	4.3	5.7	7.1	6.0
Equity Ratio	%	12.3	15.3	21.4	17.1
Operating Income	Billion Yen	22.0	32.3	42.1	33.0

→ *Achieve Mid-term Management Plan **One Year Ahead***

*1 Net debt (Debt – Cash and cash equivalents) / Stockholders' equity

*2 (Operating income + Interest and dividend income + Equity income of unconsolidated subsidiaries and affiliates) / Total assets

Overview of Fiscal 2006 Financial Results

Forecasts (1)

- **Factoring in impact of current increases in raw material and fuel prices**
 - ➔ **Operating income** forecast to **fall 2.6%** as income growth in specialty chemicals & products will not cover decline in chemicals and plastics.

1. Chemicals & Plastics

- Caprolactam and synthetic rubber:
 - Good supply and demand balance, but not anticipating spread at the level of fiscal 2005.
- Greater impact of raw material and fuel price increases
 - ➔ Striving to cut costs and pass along rising raw materials costs in the form of higher selling prices, but must be careful because of strong uncertainty.
 - Immediate price increase is a particular issue for nylon.

2. Specialty Chemicals & Products

- Market for flat panel displays, including liquid crystal and plasma, continuing to grow. Demand for lithium ion batteries also firm.
 - ➔ Specialty products, including polyimides and battery materials, should remain strong.
 - But operations at 8th polyimide production facility will actually be from 2nd half or later.
- Income in fine chemicals should rise due to increased production of all products.
- The company will seek definite growth in profits with early establishment of increased production for both specialty products and fine chemicals.

Overview of Fiscal 2006 Financial Results

Forecasts (2)

3. Cement & Construction Materials

- Price of coal for cement manufacturing will not be lower than initial estimates. Increases in fuel costs, including heavy oil, will persist, but profits will be secured through continued efforts to increase industrial waste processing and raise prices.

4. Machinery & Metal Products

- Molding machines, including die cast machines, are steady with a large number of existing orders. A certain slowdown in steel products will be taken into account.
- The company will focus on radical restructuring of the aluminum wheel business to further improve productivity.
- **The company will secure a 12.5% increase in net income.**
A 1 yen increase will bring the dividend to 4 yen.
- **The company will continue to promote improvement in its financial structure.**
The Net D/E (debt-equity) ratio at the end of fiscal 2006 will be less than 2.
- **The company will prepare its next medium-term management plan with fiscal 2007 as its first year during the current fiscal year. Fiscal 2006 will be a year of consolidation for the advances in the next medium term-management plan, aiming to achieve definite targets.**

FY06 Consolidated Forecasts

- Financial Highlights -

(Billion Yen)

Item	FY06 Forecast	FY05 Actual	Variance
Sales	615.0	595.3	19.7
Operating Income	41.0	42.1	-1.1
Ordinary Income	32.0	33.2	-1.2
Net Income	18.0	16.0	2.0
Net Debt <small>(Debt - Cash and cash equivalents)</small>	306.0	321.8	-15.8
Stockholders' Equity	163.0	149.7	13.3
Dividend (Yen/share)	4.0	3.0	1.0

FY06 Consolidated Forecasts

- Key Indicators -

Item	Unit	FY06 forecast	FY05 Actual	Variance
Net D/E Ratio*1	Times	1.9	2.1	-0.2
Return on Assets (ROA)*2	%	6.1	6.4	-0.3
Operating Margin	%	6.7	7.1	-0.4
Equity Ratio	%	23.3	21.4	1.9

*1 Net debt (Debt – Cash and cash equivalents) / Stockholders' equity

*2 (Operating income + Interest and dividend income + Equity income of unconsolidated subsidiaries and affiliates) / Total assets

FY05 Consolidated Results

Scope of Consolidation

-FY05 Consolidated Results-

	FY05 (A)	FY04 (B)	Variance (A)-(B)	Notes
Number of consolidated subsidiaries	66	70	-4	Merged -2 Excluded -2
Number of equity method affiliates	35	36	-1	Excluded -1
Total	101	106	-5	

Environmental Factors

-FY05 Consolidated Results-

(Billion Yen)

Item		FY05 Actual	FY04 Actual	Variance	Impacts on Consolidated OP Income	
Exchange Rate	Yen/\$	113.3	107.6	5.7	-0.3	
Material Price	(CIF) Naphtha	\$/t	514	404	110	-3.0
	(Domestic)	Yen/L	42.4	32.1	10.3	(-3.8)
	Benzene (Average of US and Euro Contract Price)	\$/t	850	903	-53	2.4 (1.3)
	Australian Coal	\$/t	74.0	68.5	5.5	-1.4
	(CIF)	Yen/t	8,384	7,371	1,013	(-2.3)

() : including impacts on fluctuation of exchange rate

Major P/L Items

-FY05 Consolidated Results-

(Billion Yen)

Item	FY05 Actual	FY04 Actual	Variance
Sales	595.3 (275.8)	562.7 (249.1)	32.6 (26.7)
Operating income	42.1 (21.4)	32.3 (20.3)	9.8 (1.0)
Ordinary income	33.2 (18.6)	23.6 (16.0)	9.6 (2.6)
Net income	16.0 (8.0)	9.2 (7.4)	6.7 (0.6)

() : Figures of non-consolidated basis

Major B/S Items

-FY05 Consolidated Results-

(Billion Yen)

Item	End of FY05 Actual	End of FY04 Actual	Variance
Total assets	700.4 (462.0)	706.6 (467.9)	-6.2 (-5.8)
Debt	341.9 (244.7)	397.9 (283.7)	-56.0 (-39.0)
Net debt	321.8	364.5	-42.6
〔Debt – Cash and cash equivalents〕	(239.2)	(265.3)	(-26.1)
Stockholders' equity	149.7 (127.9)	108.3 (97.6)	41.3 (30.2)

() : Figures of non-consolidated basis

FY05 : Resume dividend of ¥3/share

Sales by Segment

-FY05 Consolidated Results-

(Billion Yen)

Segment	FY05 Actual	FY04 Actual	Variance	Major Factors
Chemicals & Plastics	175.8	164.9	10.9	Caprolactam chain 14.0 Synthetic rubber 6.5 Change in consolidation (PE) -10.7
Specialty Chemicals & Products	89.2	83.0	6.2	Specialty products 3.0 Overseas sales offices 3.2
Cement & Construction Materials	192.4	175.7	16.6	Resource recycling business 9.0 Cement and concrete 3.5 Quicklime related products 2.5
Machinery & Metal Products	102.4	109.7	-7.3	Machinery -3.1 Transfer of ship repair business -5.4 Aluminum wheels -4.2 Dissolution of US subsidiary -6.8
Energy & Environment	31.4	25.4	6.0	Coal 5.8
Others	3.8	3.6	0.1	
Total	595.3	562.7	32.6	Increased by 5.8%

Operating Income by Segment

-FY05 Consolidated Results-

(Billion Yen)

Segment	FY05 Actual	FY04 Actual	Variance	Major Factors
Chemicals & Plastics	14.9	10.8	4.1	Caprolactam chain 3.6 Synthetic rubber 1.3 Change in consolidation (PE) -0.7
Specialty Chemicals & Products	10.9	10.6	0.3	
Cement & Construction Materials	9.7	9.6	0.1	
Machinery & Metal Products	3.7	-1.7	5.4	Aluminum wheels 3.3 Dissolution of US subsidiary 3.3 Machinery 2.1 Transfer of ship repair business -0.3
Energy & Environment	2.3	2.3	0.0	
Others	0.5	0.6	0.0	
Total	42.1	32.3	9.8	Increased by 30.5%

Analysis of Operating Income

-FY05 Consolidated Results-

(Billion Yen)

Segment	Operating income			Breakdown of Variances				
	FY05	FY04	Variance	Price*	Sales Amount	Fixed Cost	Others	Total
	A	B	A-B					
Chemicals & Plastics	14.9	10.8	4.1	9.3	-0.3	-1.9	-3.0	4.1
Specialty Chemicals & Products	10.9	10.6	0.3	-1.0	4.2	-2.3	-0.5	0.3
Cement & Construction Materials	9.7	9.6	0.1	0.9	1.0	-2.0	0.2	0.1
Machinery & Metal Products	3.7	-1.7	5.4	-1.3	0.3	-1.0	** 7.3	5.4
Energy & Environment	2.3	2.3	0.0	0.1	-0.3	0.1	0.0	0.0
Others	0.5	0.6	0.0	0.0	0.0	-0.1	0.0	0.0
Total	42.1	32.3	9.8	8.1	5.0	-7.4	4.0	9.8

Including inventory valuation profits -2.6

* Including both selling and purchase price variances

** Absence of operating loss in Mason 3.3, Marginal Profit on machinery products 2.9

Operating Income – Net Income

-FY05 Consolidated Results-

(Billion Yen)

Item	FY05	FY04	Variance
Operating income	42.1	32.3	9.8
Non operating item	-8.9	-8.6	-0.2
Ordinary income	33.2	23.6	9.6
Extraordinary item	-6.6	-12.8	6.2
Income before income tax and minority interest	26.6	10.7	15.8
Net income	16.0	9.2	6.7

Ordinary Income

-FY05 Consolidated Results-

(Billion Yen)

Item		FY05	FY04	Variance
Operating income		42.1	32.3	9.8
Non operating items	Net interest expense	-6.2	-7.5	1.3
	Equity in profit of unconsolidated subsidiaries and affiliated companies	1.1	1.2	-0.1
	Foreign currency translation profit	-0.8	0.9	-1.7
	Others	-2.9	-3.2	0.2
	Total	-8.9	-8.6	-0.2
Ordinary income		33.2	23.6	9.6

Extraordinary Items

-FY05 Consolidated Results-

(Billion Yen)

Item	FY05	FY04	Variance
Gain on sale of PP&E	0.1	0.9	-0.8
Gain on sale of investment securities	0.0	0.5	-0.4
Gain from previous-year adjustment	0.2	—	0.2
Others	0.2	0.7	-0.5
Extraordinary income	0.7	2.2	-1.5
Loss on business restructuring	-3.0	-5.4	2.4
Impairment loss	-0.2	-4.2	3.9
Loss on disposal of PP&E	-1.3	-2.9	1.5
Loss on sale of investment securities	-0.2	-0.9	0.6
Provision for doubtful receivables	-0.4	-0.6	0.1
PCB disposal expense	-0.6	—	-0.6
Others	-1.3	-0.9	-0.3
Extraordinary loss	-7.3	-15.0	7.7
Net extraordinary loss	-6.6	-12.8	6.2

Consolidated Balance Sheet

-FY05 Consolidated Results-

(Billion Yen)

Item	FY05	FY04	Variance
Current assets	268.5	275.4	-6.8
Fixed assets	431.8	431.2	0.6
Total assets	700.4	706.6	-6.2
Interest-bearing debts	341.9	397.9	-56.0
Other liabilities	190.1	182.6	7.4
Total liabilities	532.0	580.6	-48.5
Minority interest	18.6	17.6	0.9
Stockholders' equity	149.7	108.3	41.3
Total liabilities and stockholders' equity	700.4	706.6	-6.2

Consolidated Statements of Cash Flows

-FY05 Consolidated Results-

(Billion Yen)

Item	FY05		FY04
A. Cash flows from operating activities	51.8	Income before tax and minority interest 26.6 Depreciation and amortization 30.8 Working capital -6.5, etc.	29.7
B. Cash flows from investing activities	-22.5	Acquisition of PP&E -27.4 Proceeds from PP&E 3.8	-26.0
Free cash flows (A+B)	29.3		3.6
C. Cash flows from financing activities	-42.9	Decrease in interest-bearing debts -60.7	1.1
D. Net increase/decrease in cash and cash equivalents (A+B+C)	-13.3		4.7
E. Cash and cash equivalents at end of the year	20.0		33.4

Management Indices

-FY05 Consolidated Results-

(Billion Yen)

Item	Unit	FY05 Actual	FY04 Actual	Variance
Net D/E Ratio*1	Times	2.1	3.4	-1.3
Return on Assets (ROA)*2	%	6.4	4.9	1.5
Operating Margin	%	7.1	5.7	1.4
Equity Ratio	%	21.4	15.3	6.1

*1 Net debt (Debt – Cash and cash equivalents) / Stockholders' equity

*2 (Operating income + Interest and dividend income + Equity income of unconsolidated subsidiaries and affiliates) / Total assets

FY06 Consolidated Forecasts

Scope of Consolidation

-FY06 Consolidated Forecasts-

	FY06 (A)	FY05 (B)	Variance (A)-(B)	Notes
Number of consolidated subsidiaries	65	66	-1	Excluded -1
Number of equity method affiliates	35	35	0	Newly included 1 Excluded -1
Total	100	101	-1	

Environmental Factors

-FY06 Consolidated Forecasts-

(Billion Yen)

Item		FY06 Forecast	FY05 Actual	Variance	Impacts on Consolidated OP Income	
Exchange Rate	Yen/\$	115.0	113.3	1.7	-0.2	
Material Price	(CIF) Naphtha	\$/t	600	514	86	-2.1
	(Domestic)	Yen/L	50.0	42.4	7.6	(-2.4)
	Benzene (Average of US and Euro Contract Price)	\$/t	900	850	50	-2.3
	Australian Coal	\$/t	74.0	74.0	0.0	0.0
	(CIF)	Yen/t	8,510	8,384	126	(-0.3)

() : including impacts on fluctuation of exchange rate

Major P/L Items

-FY06 Consolidated Forecasts-

(Billion Yen)

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

() : Figures of non-consolidated basis

Major B/S Items

-FY06 Consolidated Forecasts-

(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 [Debt - Cash and cash equivalents]	306.0 (234.0)	321.8 (239.2)	-15.8 (-5.2)
Stockholders' equity	163.0 (134.0)	149.7 (127.9)	13.3 (6.1)

() : Figures of non-consolidated basis

FY06 : Dividend of ¥4/share

Sales by Segment

-FY06 Consolidated Forecasts-

(Billion Yen)

Segment	FY06 Forecast	FY05 Actual	Variance	Major Factors
Chemicals & Plastics	187.7	175.8	11.9	Caprolactam chain 7.7 Synthetic rubber 3.3
Specialty Chemicals & Products	92.5	89.2	3.3	Specialty products 4.7 Fine chemicals 1.3 Withdrawal from chemical treatment of aluminum capacitor foil -2.5
Cement & Construction Materials	194.9	192.4	2.5	Resource recycling business 1.4 Quicklime related products 3.1 Cement and concrete -2.8
Machinery & Metal Products	106.3	102.4	3.9	Machinery 2.3 Aluminum wheels 1.6
Energy & Environment	29.9	31.4	-1.5	Coal -2.1 Electricity 0.6
Others	3.7	3.8	-0.1	
Total	615.0	595.3	19.7	Increased by 3.3%

Operating Income by Segment

-FY06 Consolidated Forecasts-

(Billion Yen)

Segment	FY06 Forecast	FY05 Actual	Variance	Major Factors
Chemicals & Plastics	12.2	14.9	-2.7	Caprolactam chain -1.8 Synthetic rubber -1.3
Specialty Chemicals & Products	12.7	10.9	1.8	Specialty products 1.1
Cement & Construction Materials	9.8	9.7	0.1	
Machinery & Metal Products	3.4	3.7	-0.3	Steelwork etc. -0.3
Energy & Environment	2.3	2.3	0.0	
Others	0.6	0.5	0.1	
Total	41.0	42.1	-1.1	Decreased by 2.6%

Analysis of Operating Income

-FY06 Consolidated Forecasts-

(Billion Yen)

Segment	Operating income			Breakdown of Variances				
	FY06 A	FY05 B	Variance A-B	Price*	Sales Amount	Fixed Cost	Others	Total
Chemicals &Plastics	12.2	14.9	-2.7	-5.6	2.4	-1.8	2.2	-2.7
Specialty Chemicals & Products	12.7	10.9	1.8	-3.4	5.1	-0.6	0.7	1.8
Cement & Construction Materials	9.8	9.7	0.1	0.4	0.8	-0.7	-0.4	0.1
Machinery & Metal Products	3.4	3.7	-0.3	-0.4	0.0	-0.5	0.7	-0.3
Energy & Environment	2.3	2.3	0.0	-0.2	-0.2	-0.1	0.4	0.0
Others	0.6	0.5	0.1	0.0	0.0	0.0	0.1	0.1
Total	41.0	42.1	-1.1	-9.2	8.1	-3.8	3.7	-1.1

Including inventory
valuation profits -0.1

* Including both selling and purchase price variances

Operating Income – Net Income

-FY06 Consolidated Forecasts-

(Billion Yen)

Item	FY06	FY05	Variance
Operating income	41.0	42.1	-1.1
Net interest expense	-7.0	-6.2	-0.8
Equity in profit of unconsolidated subsidiaries and affiliated companies	1.2	1.1	0.1
Foreign currency translation profit	0.0	-0.8	0.8
Others	-3.2	-2.9	-0.3
Non operating items	-9.0	-8.9	-0.1
Ordinary income	32.0	33.2	-1.2
Extraordinary items	-1.5	-6.6	5.1
Income before tax and minority interest	30.5	26.6	3.9
Tax and minority interest	-12.5	-10.6	-1.9
Net income	18.0	16.0	2.0

Management Indices

-FY06 Consolidated Forecasts-

Item	Unit	FY06 forecast	FY05 Actual	Variance
Net D/E Ratio*1	Times	1.9	2.1	-0.2
Return on Assets (ROA)*2	%	6.1	6.4	-0.3
Operating Margin	%	6.7	7.1	-0.4
Equity Ratio	%	23.3	21.4	1.9

*1 Net debt (Debt – Cash and cash equivalents) / Stockholders' equity

*2 (Operating income + Interest and dividend income + Equity income of unconsolidated subsidiaries and affiliates) / Total assets



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