

In terms of business structure reforms, some progress was achieved, such as the alliances in ABS resins and agrochemicals, the sale of the APAO business, the withdrawal from all environmental-related businesses except the business of the chemical recycling of waste plastics through a gasification process, and the shrinkage of the real estate business.

(Quantitative Goal: FY2003 Total Return on Assets—Planned 4.6%, Actual 3.3%)

(3) Accelerated Reduction of Interest-Bearing Debt: Actual Reduction Larger Than Planned.

Actual interest-bearing debt reduction for two years under the amended plan was ¥110 billion, and higher than planned. Fixed asset impairment losses related to the advanced introduction of impairment accounting were recorded, clearing unrealized asset losses and making the balance sheet healthier. Planned levels of shareholders' equity were not achieved owing to the fact that earnings plans were not achieved and because of the losses incurred with the introduction of impairment accounting. Thus the environment for financing has not improved.

(Quantitative Goals: End FY2003 Debt: Equity Ratio—3.9 Planned, 4.8 Actual
End FY2003 Interest-Bearing Debt--¥440 billion Planned, ¥409.7 billion Actual.

II. Outline of the New Medium-Term Plan

1. Plan Name: New21-UBE Plan II (abbreviated: New Plan II)
(Period: FY2004-FY2006)

2. Concept

The New Plan II is a continuation and further development of the previous plan, and aims to reduce excessive debt as well as put the Ube Group on a course of expansion and growth.

As a result, in addition to accelerating the PDCA cycle, achieving the improvement of financial position and the restructure of profitability in the shortest time, the Company aims to win the faith of not only investors and the capital markets, but customers, debt holders, employees, the local community and all of the Company's stakeholders.

(1) Key Words 「Speed and Trust」

(2) Management Strategy

(1) Continuous improvement of the Company's financial position.

By creating free cash flow from maximizing operating profit and reducing capital expenditures, to reduce net interest-bearing debt by ¥31.0 billion. To achieve this, capital expenditures will be limited to within 80% of depreciation expenses.

(Quantitative Goal: End FY2006 Net Debt: Equity Ratio—under 3.0)

(3) Promotion of Restructure of Profitability

a) To expand the scale of the Company's core businesses, by concentrating investment of management resources and harvesting fruits from past investments.

- Specialty Products ----- To expand profitability by continuously establishing de facto standards through increased capital investment and development of new markets, and by responding to changes in the market place with the development of new products and new businesses.
- Fine Chemicals and Pharmaceuticals ----- To establish superior competitiveness with streamlined operations through cost reductions and differentiated technology development.
- Nylon Resins ----- To strengthen the supply and technology service infrastructure in Europe and Asia, and to strengthen the Company's global strategy.
- Aluminum Wheels ----- To optimize orders, increase productivity through technology transfer, and through stronger control to revitalize North American operations, in addition to shifting toward higher value-added products and strengthening domestic operations through enhanced productivity.

b) In the Company's fundamental businesses, to create stable free cash flow through the promotion of continuous restructuring and cost reductions in order to strengthen the earnings base.

- Caprolactam and Industrial Chemicals ----- To strengthen the business foundation of the caprolactam chain through continuous cost reductions and by increasing the captive use to nylon resin.
- Synthetic Rubber ----- To increase and strengthen the Company's presence in Asia through closer integration with overseas operations.
- Energy ----- To work to steadily expand profitability and establish stable earnings through the competitive and stable supply of energy (coal and electric power) and a strengthened operational base.
- Cement and Construction Materials ---- To expand the use of industrial waste as fuel and raw materials for cement production in order to continuously achieve cost reductions and to strengthen Group companies to ensure stable earnings generation despite declining cement demand.
- Machinery ---- To strengthen and stabilize profit generation by restructuring the industrial equipment and bridgeworks businesses and strengthening overseas operations.

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c) Restructuring Businesses

- Polyethylene ---- In order to strengthen market competitiveness through integrated management in conjunction with the Chiba Petrochemical Complex, an alliance will be formed with Maruzen Petrochemical.

(Quantitative Goal: FY2006 operating Profit to Net Sales of Over 6%, and Return on Asset of Over 5%)

1 . Quantitative Goals

(1) Management Indicators

As quantitative accomplishments of financial structural reform, management reforms and structural earnings reforms, the following numerical targets have been established.

			FY2003 (Actual)	FY2006 (Planned)
Net Debt:Equity Ratio	X		4.4	Under 3.0
Operating Profit/Sales Ratio	%		4.3	Over 6.0
Return on Asset(ROA)	%		3.3	Over 5.0

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

(2) Major Income Statement-Balance Sheet Items(Unit: ¥ Billions)

	FY2003 (Actual)	FY2006 (Planned)
Net Sales	511.3	550.0
Operating Profit	22.0	33.0
Business Profit	23.7	35.0
Net Interest-Bearing Debt	381.2	350.0
Shareholders' Equity	85.7	120.0

Business Profit: operating profit + interest and dividend income + equity in gains of unconsolidated subsidiaries and affiliated companies

[Major Assumptions]

		Unit	FY2004 ~ FY2006
Exchange Rate	TTM	¥/\$	105
Naphtha Price	CIF JAPAN	\$/ton	330
	Domestic	¥/liter	26.1
Benzene	US/European Large User Avg. Contracted Price	\$/ton	555
Coal	Australian Coal FOB	\$/ton	45.5
		¥/ton	4,778

End