



"Stage Up 2009"
New Mid-Term Management Plan

April 12, 2007

UBE INDUSTRIES,LTD.

Contents of Presentation

- 1 ... Summary of Previous Mid-term Management Plan "New 21 · UBE Plan II"
- 2 ... Overview of New Mid-term Management Plan "Stage Up 2009"
- 3 ... Business portfolio Strategies
- 4 ... Business Segment Strategies
- 5 ... Fulfillment of Corporate Social Responsibility (CSR)

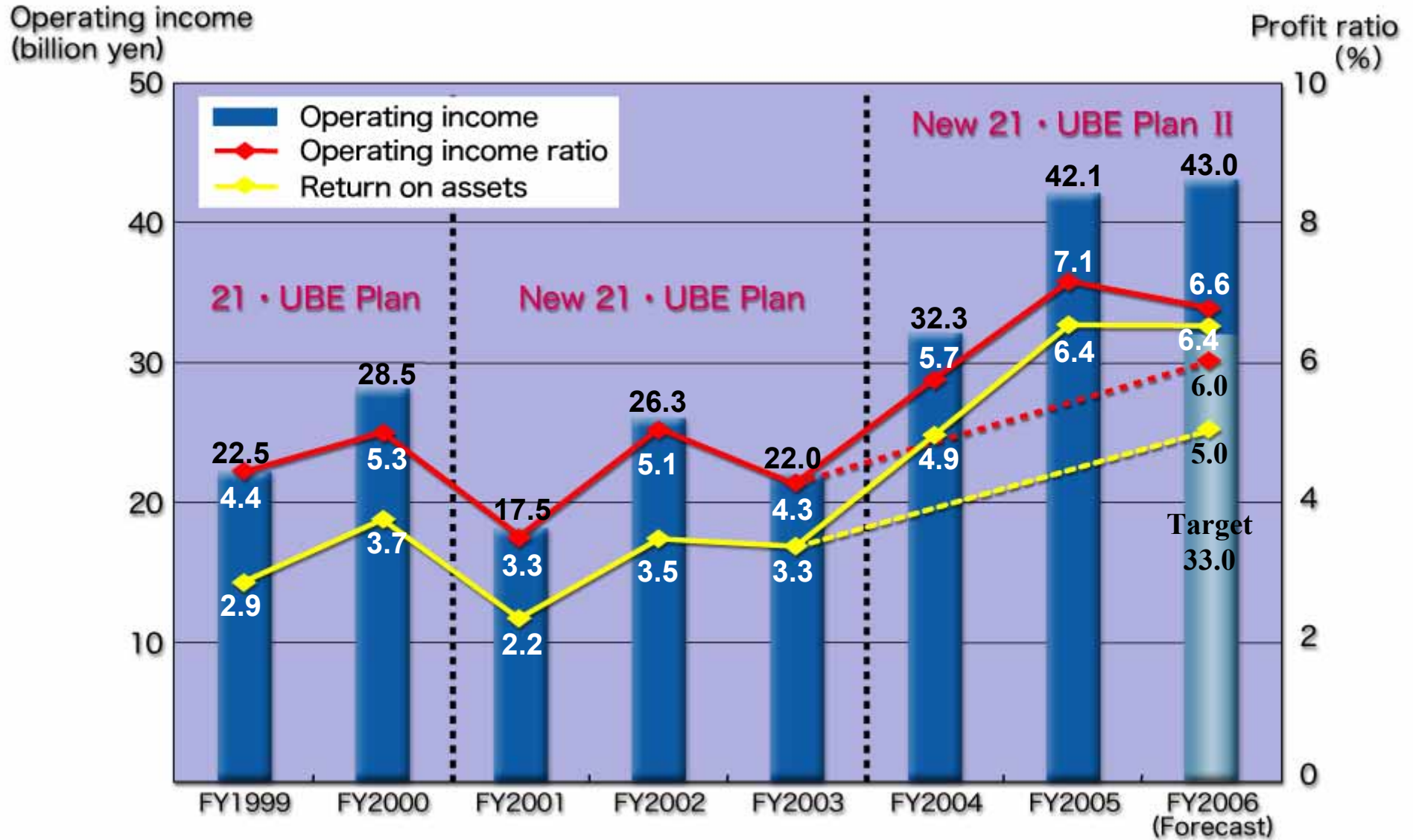
1. Summary of Previous Mid-term Management Plan
"New 21 • UBE Plan II"

Achievement of Numerical Targets

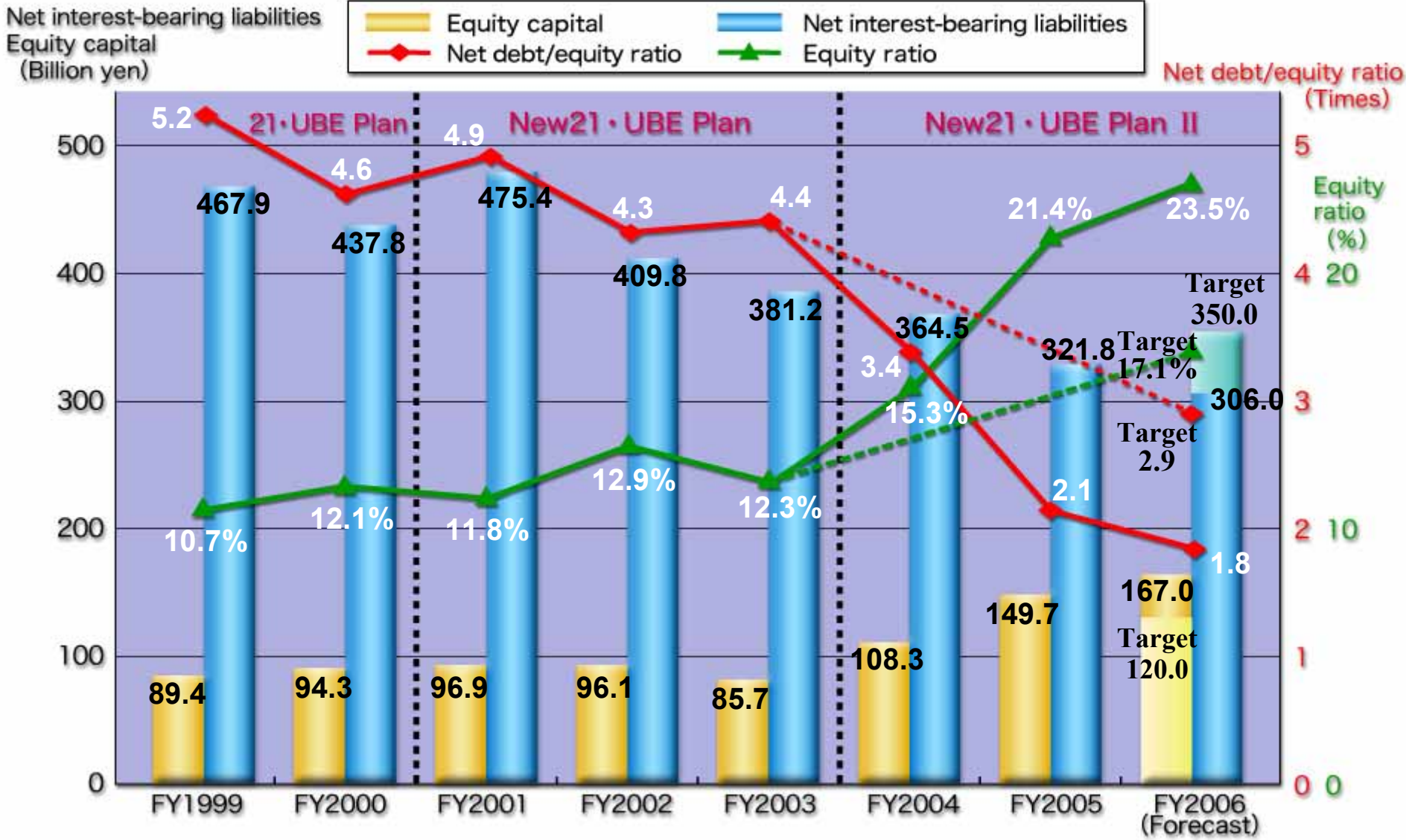
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Item	Unit	Fiscal 2006 (Forecast)	Fiscal 2006 (Mid-term target)	Difference
Operating income	Billion yen	43	33	10
Operating income ratio	%	6.6	6.0	0.6
Return on assets	%	6.4	5.0	1.4
Net debt/equity ratio	Times	1.8	2.9	-1.1
Equity ratio	%	23.5	17.1	6.4
Net interest-bearing liabilities	Billion yen	306	350	-44
Cost reductions (compared with FY2003)	Billion yen	29.9	12.0	17.9

Strengthening and Increasing Profitability



Sustained Effort to Improve Financial Position



Internal Assessment of Previous Management Plan and Assumptions for Formulation of New Management Plan

4

At time of formulation:

- Start of rising raw material and fuel prices
 - ⇒ Consequence: Inability to predict price adjustments
 - ⇒ Consequence: Necessitated a conservative approach to profit plans.
- Continued emphasis on improving financial position.
 - ⇒ Consequence: Restrict capital expenditure to 80% of depreciation.

Changes in business conditions:

- Global economy took off at same time
 - ⇒ Consequence: Sharp recovery in materials industry and expansion of capital expenditure

Results:

Profit targets...Significantly outperformed targets in chemicals & plastics and machinery segments.
Targets reached in almost all segments except aluminum wheel business. Tasks for business segments were generally accomplished.

Financial position...Improved beyond targets. **Reasons**...Higher than forecasted profits, restricted capital expenditure, and implementation of equity financing (totaling 29.6 billion yen in FY2004-2005).



All numerical targets achieved one year ahead of schedule **with tail wind impacts**.

Current assumptions:

- Financial position...Steadily improved, but still trails other companies by comparison.
- ⇒ Still too soon for shift to aggressive capital expenditure strategy. Implement steadily necessary capital expenditures to strengthen foundations of the existing businesses and expand strategic growth businesses.
 - ⇒ **Even more critical to achieve balance between improving financial position and capital expenditure.**

2. Overview of New Mid-term Management Plan "Stage Up 2009"

(Formulated in 2001)

Group Vision

"Wings of technology and spirit of innovation. That's our DNA driving our global success."

Embracing the frontier-spirit and optimizing the infinite technology, Ube Group coexists with the world to continue creating values for the new generation. We focus on "competitive edge business" aiming for further success.

Direction

Capitalize on competitive edges to advance the Ube Group by focusing on delivering high added value through

the differentiated chemicals businesses.

Sustained commitment

Stage Up:

Raise the target levels of performance for the Ube Group by building upon the success of the previous management plan, under which the Ube Group made steady strides in improving its profitability and financial position.

Further boost profitability and continue to improve the financial position of the Ube Group

Within
5 years

Targets for fiscal 2011

Operating income	65 billion yen or more
Operating income ratio	8.5% or more
Return on assets	8.5% or more
Net debt/equity ratio (times)	Under 1

(70.5 billion yen or more, not accounting for changes in depreciation method)

Action plan for next three years

Management plan "**Stage Up 2009**" (FY2007-2009)

① Establish a platform for profitability that ensures sustainable growth

Based on the business portfolio, the Ube Group identified **core platform businesses** that are solidly positioned to generate stable profits and cash flow, and **strategic growth businesses** with high potential for profits. Core platform businesses will anchor the Group, while strategic growth businesses will drive sustainable growth that is equally balanced across the Group.



All management targets set to their highest levels ever,
to be achieved within
the new mid-term management plan.

Tackle highest-ever level of performance

② Sustained improvement of financial position

- **Emphasis on rigorous management of cash flow**

Steady and sustained effort to drive down costs, in addition to strengthening profitability.

Supplement with initiatives to further reduce inventories and logistics costs, in order to generate capital.

- **Further improve the financial position**

Capital expenditure... To equal depreciation throughout the Ube Group (during the three-year period)

⇔ Steady and selective capital expenditure necessary for future growth and expansion

③ Strengthening of CSR activities

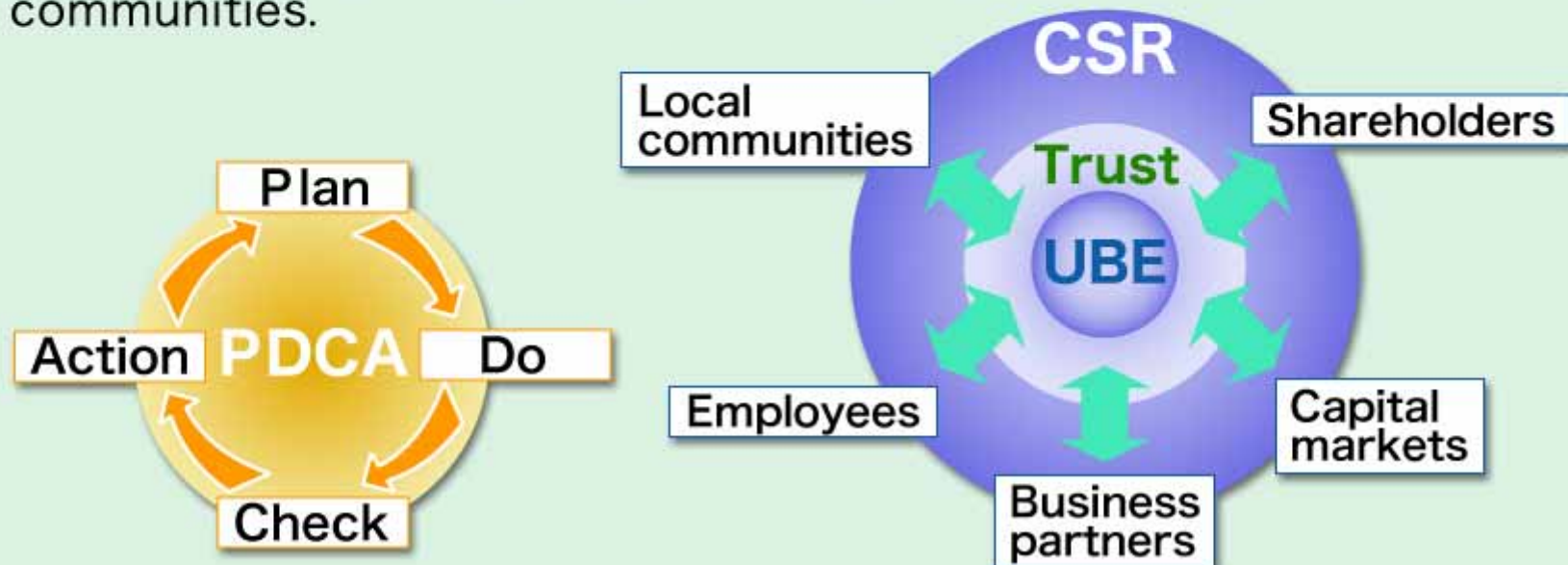
Economic perspective: Continue to improve corporate value and shareholder value (by boosting market value, increasing shareholder dividends, etc.)

Environmental perspective: Strengthen initiatives for environmental safety, process safety, and product safety

Social perspective: Achieve rigorous compliance, strengthen corporate governance and internal controls, create jobs, and contribute to local communities.

Key Phrase: "Speed and Trust" (carried over from previous management plan)

The Ube Group will **accelerate implementation of the PDCA (Plan, Do, Check, Act) cycle** in order to further improve its profitability and financial position. In addition to consistently achieving its targets, the Group will promote **CSR activities** to further boost the **confidence of its every stakeholders** - from shareholders and capital markets to business partners, employees, and local communities.



Numerical Targets

10

Management targets

		Fiscal 2006 (Forecast)	Fiscal 2009 (Mid-term target)
Financial indicators	Net debt/equity ratio (times)	1.8	Under 1.3
	Equity ratio (%)	23.5	30 or more
Profit indicators	Operating income ratio (%)	6.6	7.5 or more
	Return on assets (%)	6.4	7.5 or more
	Return on equity (%)	12.0	12 or more

Key figures for profit/loss statement and balance sheet

(Billion yen)

*Not accounting for changes in depreciation method

	Fiscal 2006 (Forecast)	Fiscal 2009 (Mid-term target)
Net sales	650	700 or more
Operating income	43	53 or more [Actual* 57.5]
Business income	45	56 or more [Actual* 60.5]
Net interest-bearing liabilities	306	Under 279
Equity capital	167	218 or more
Cost reductions (compared with FY2006)	—	19 or more

Operating Income by Business Segment

11

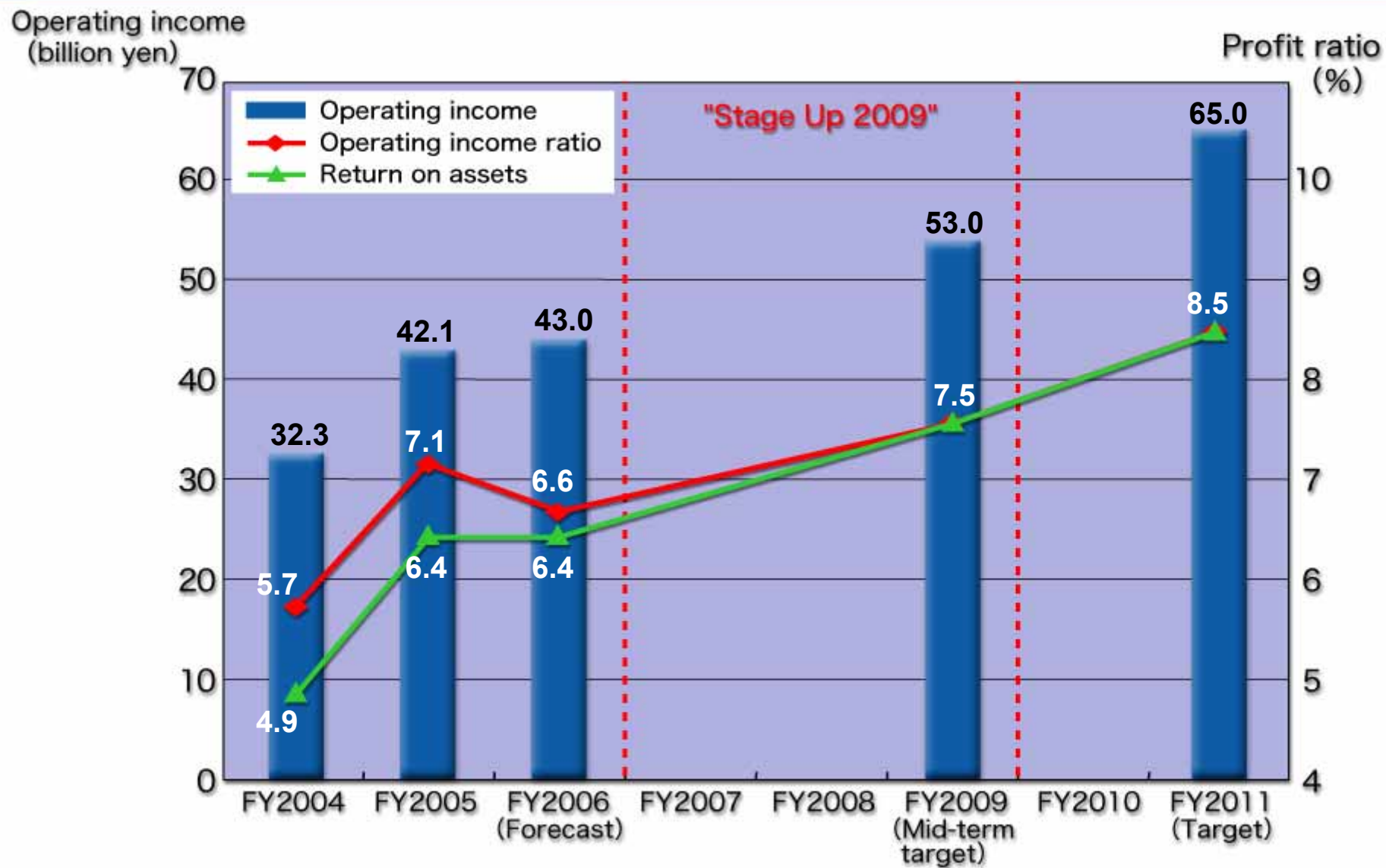
(Billion yen)

Segment	Net Sales			Operating Income				
	FY2009 Target	FY2006 Forecast	Difference	FY2009 Target		FY2006 Forecast	Difference	
				Actual*	Actual*		Actual*	Actual*
Chemicals & plastics	215.0	211.3	3.7	13.7	14.9	13.0	0.7	1.9
Specialty chemicals & products	113.5	88.7	24.8	16.3	17.3	11.3	5.0	6.0
Cement & construction materials	213.5	200.8	12.7	12.1	13.8	11.3	0.8	2.5
Machinery & metal products	119.0	114.1	4.9	7.5	8.0	4.4	3.1	3.6
Energy & environment	35.5	31.4	4.1	2.8	2.9	2.4	0.4	0.5
Others	3.5	3.7	-0.2	0.6	0.6	0.6	0.0	0.0
Total	700.0	650.0	50.0	53.0	57.5	43.0	10.0	14.5

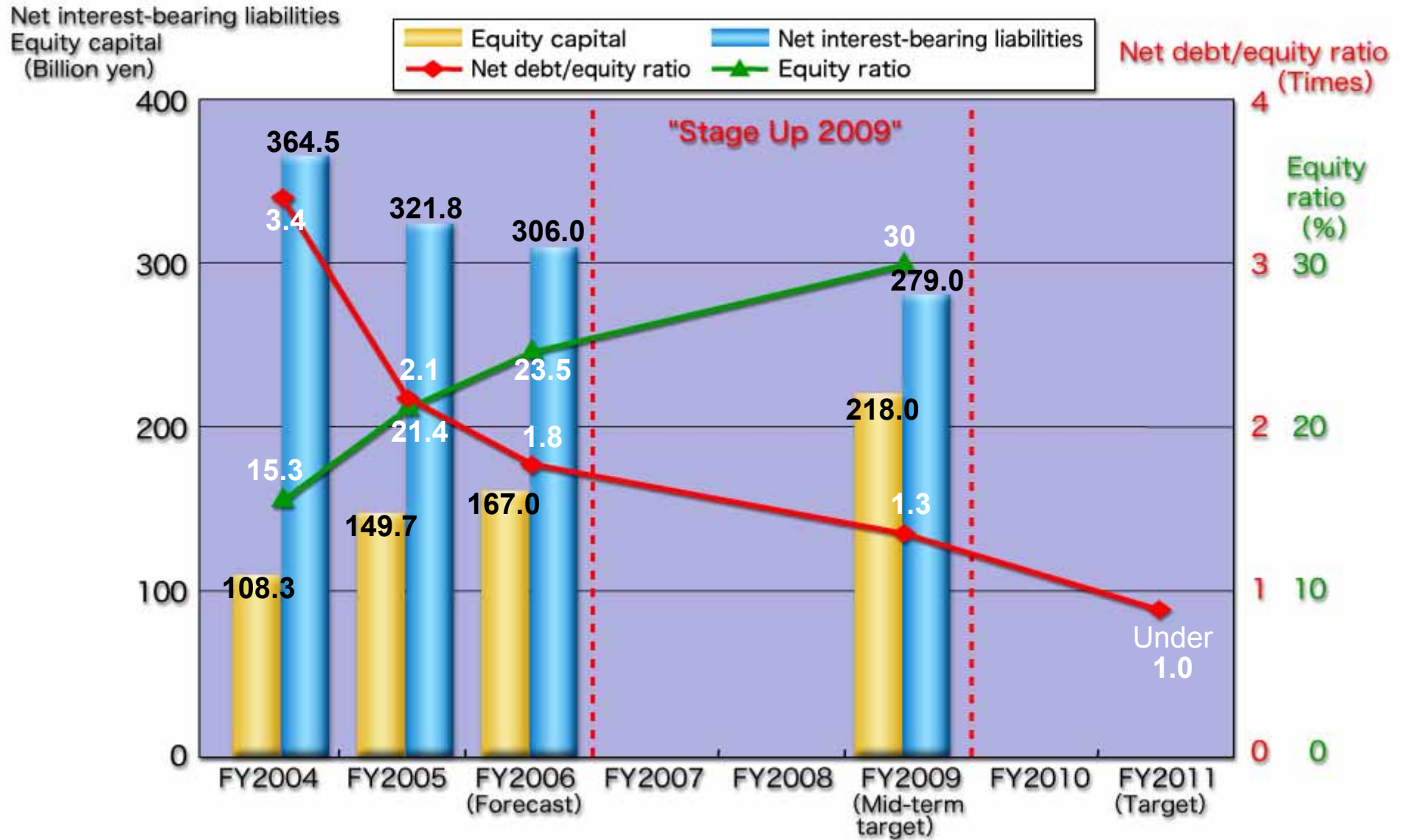
*Not accounting for changes in depreciation method

Profitability Data

12



Financial Position Indicators



(Billion yen)

	Stage Up 2009 Cumulative from FY2007-2009
Operating cash flow (A)	158
Ordinary income	121
Depreciation	108
Taxes	- 37
Other	- 34
Investment cash flow (B)	- 115
Capital investment	- 105
Other	- 10
Free cash flow (A+B)	43
Reduction in interest-bearing liabilities	- 17
Dividends	- 16
Increase in cash and cash equivalents	10

Basis for Projections

15

(Billion yen)

Item		FY2007-2009 Management Plan	FY2006	Difference	Impact on operating profit/loss*
Exchange rate (yen/US\$)		115.0	117.0	- 2.0	0.1
Material prices	(CIF) \$/t	600	(Forecast) 590	10	- 0.2
	Naphtha (Domestic) Yen/ℓ	50.0	(Forecast) 50.0	0.0	(0)
	Benzene (average of US and Euro contract price) \$/t	950	997	- 47	2.3
	Australian coal (CIF) Yen/t	80.5	74.0	6.5	- 1.7
		9,258	8,658	600	(- 1.3)

* per annum

(): including impacts on fluctuation of exchange rate

3. Business Portfolio Strategies

Strategic growth businesses

Definition: Businesses that are strongly positioned for market growth. They offer potential for business expansion and high profits by capitalizing on competitive leads in technology, product development and marketing.

Mission: Concentrate on allocating business resources to these segments, in order to rapidly boost the scale of the businesses and increase profitability.

Developing businesses

Definition: Businesses that exhibit growth and revenue potential for developing into strategic growth businesses, but require a development period of 3-5 years.

Mission: Develop these business segments into strategic growth businesses by achieving target revenues and profitability within 3-5 years.

Core platform businesses

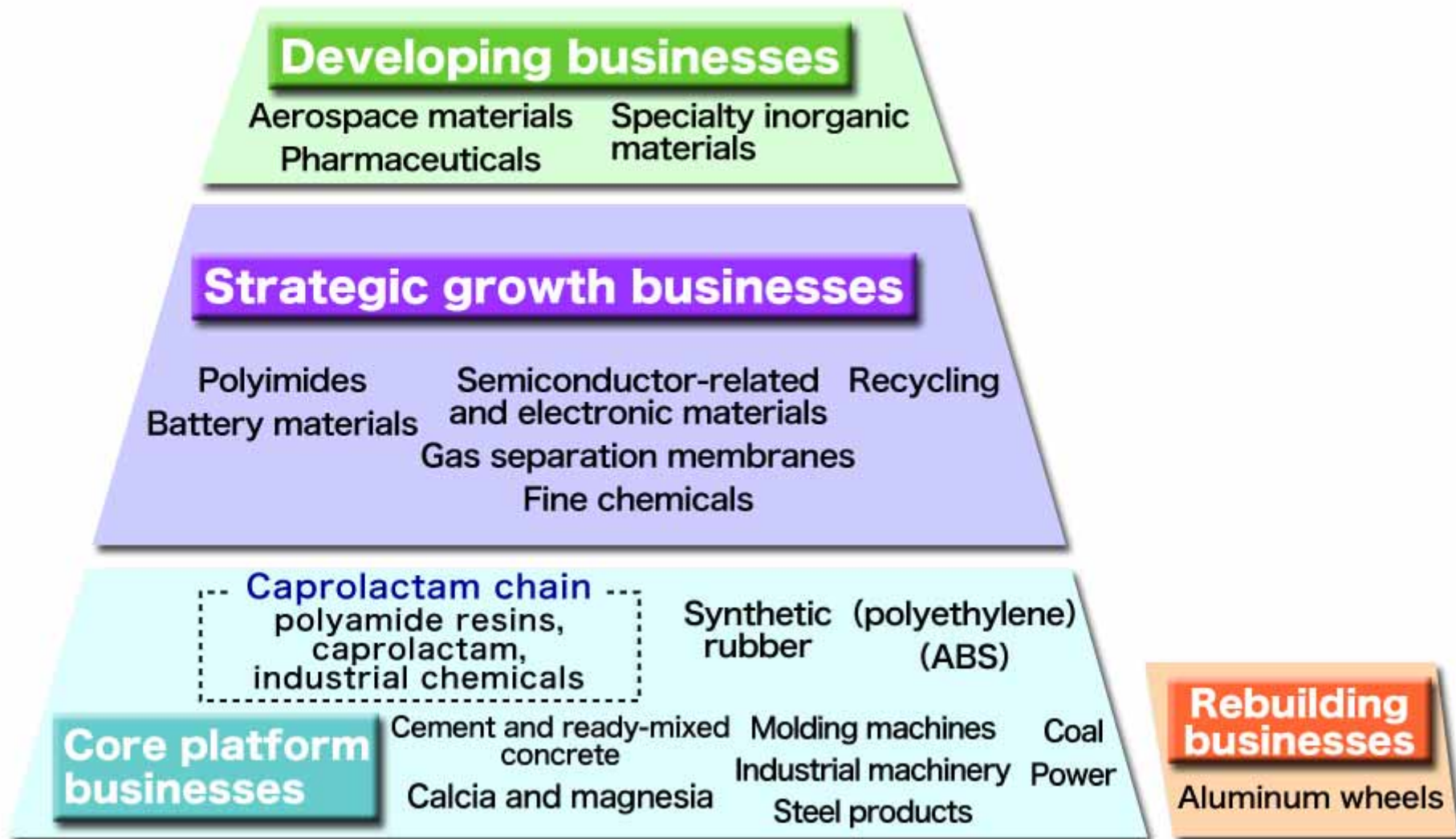
Definition: Business that offer potential for securing stable revenues because of stable or mature markets. The Ube Group must capitalize on its competitive edge in terms of costs and quality as well as the ability to shape markets, while also striving for product differentiation.

Mission: Secure stable profits and cash flows from businesses in this segment, by allocating necessary business resources to maintain and/or boost the profitability of these businesses.

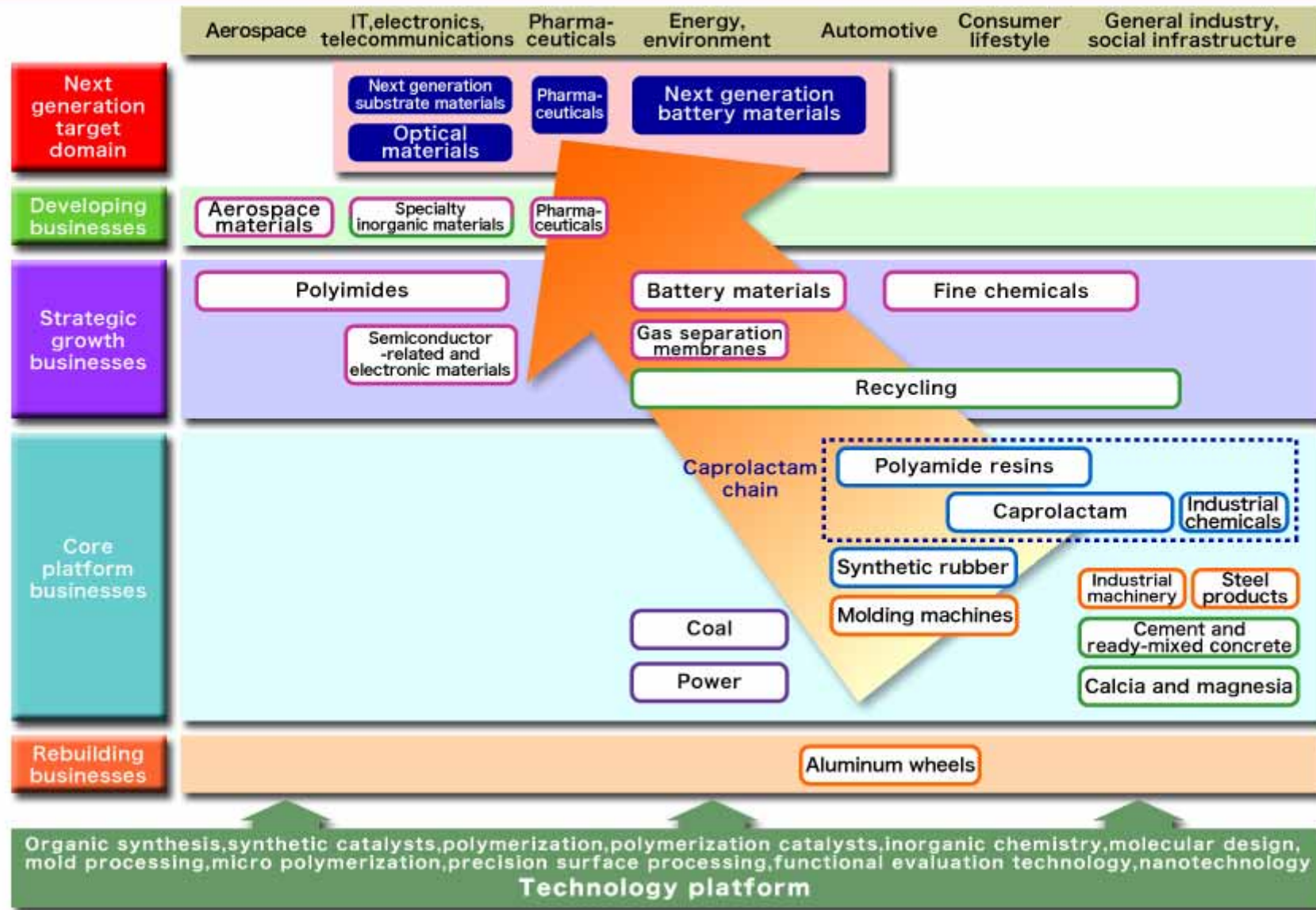
Rebuilding businesses

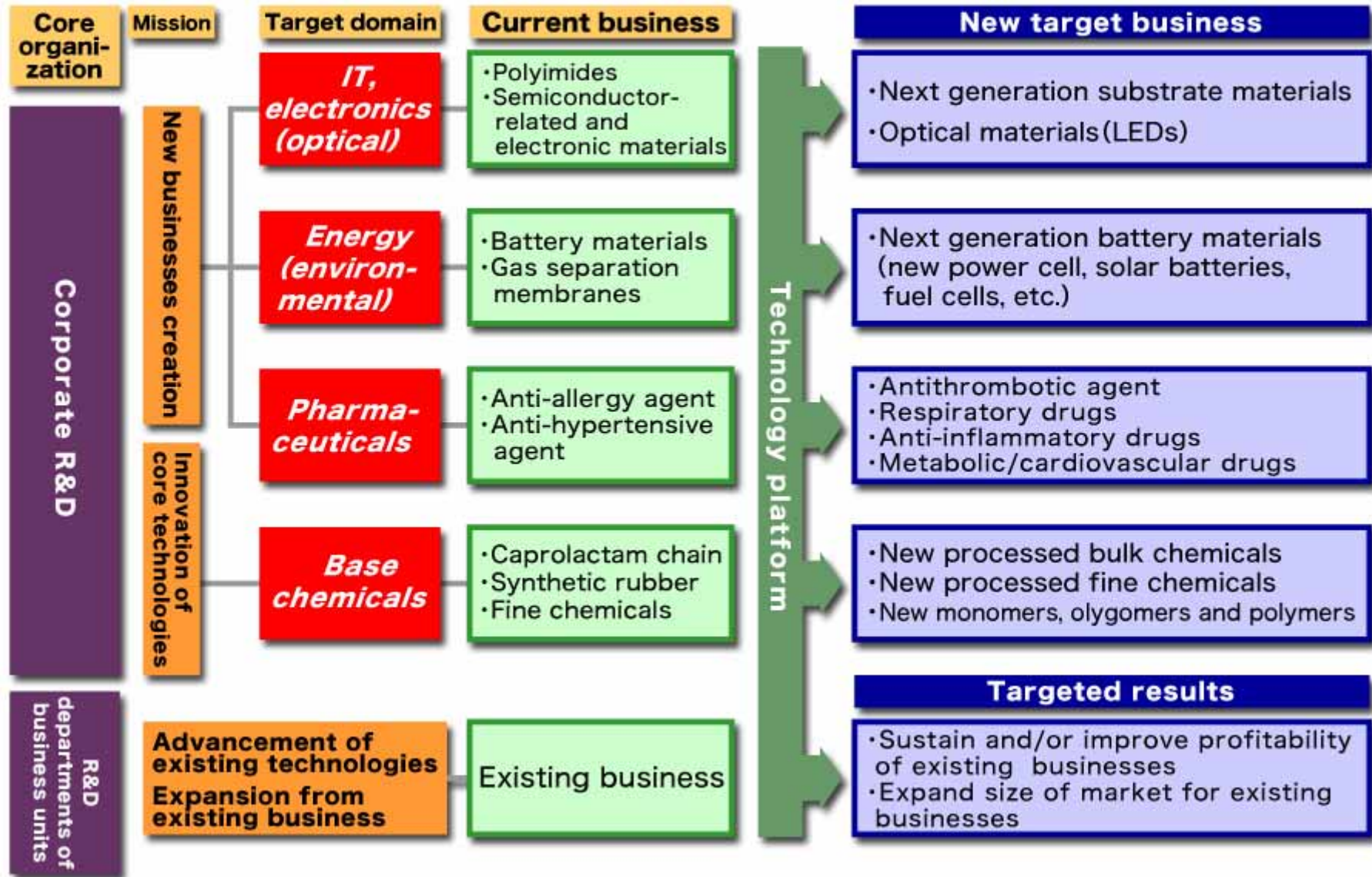
Definition: Businesses that require fundamental repositioning due to continued poor business results.

Mission: Reposition these businesses by formulating and executing fundamental strategies to improve profitability. If repositioning is not feasible, the Ube Group will examine alternative strategies such as finding joint venture partners or either selling or closing down divisions.



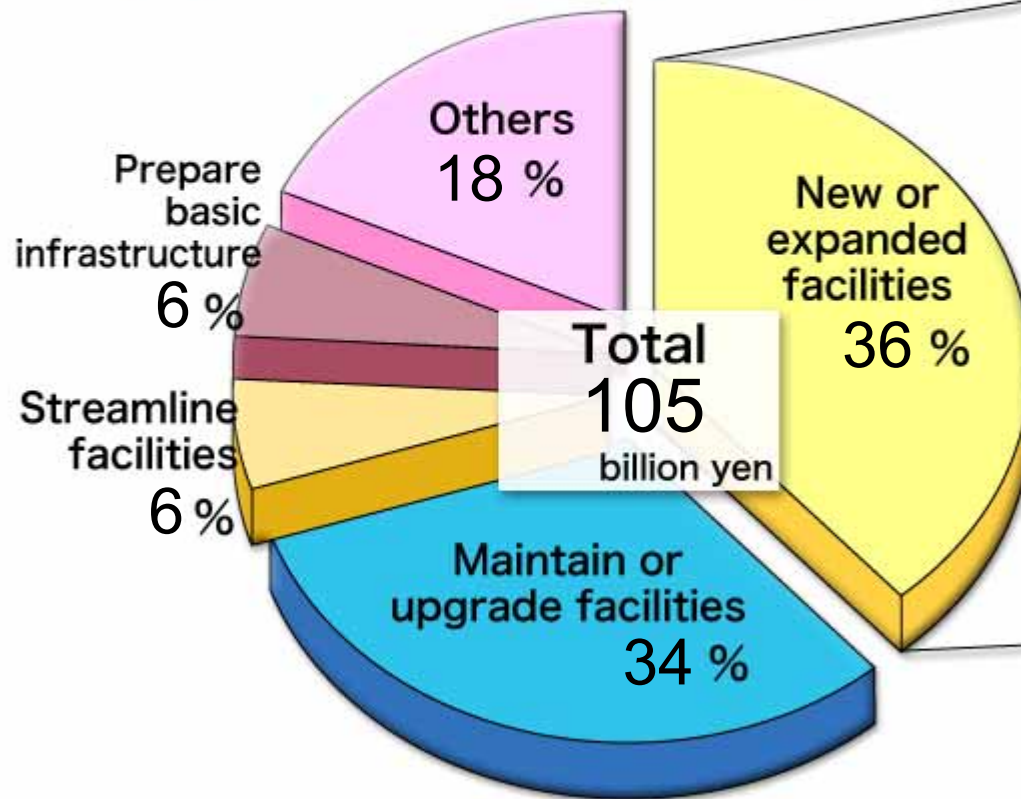
Ube Group Business Portfolio and target of Market/Technology Direction





Details of Capital Expenditure for FY2007-2009

by Investment Purpose



by Portfolio Segment



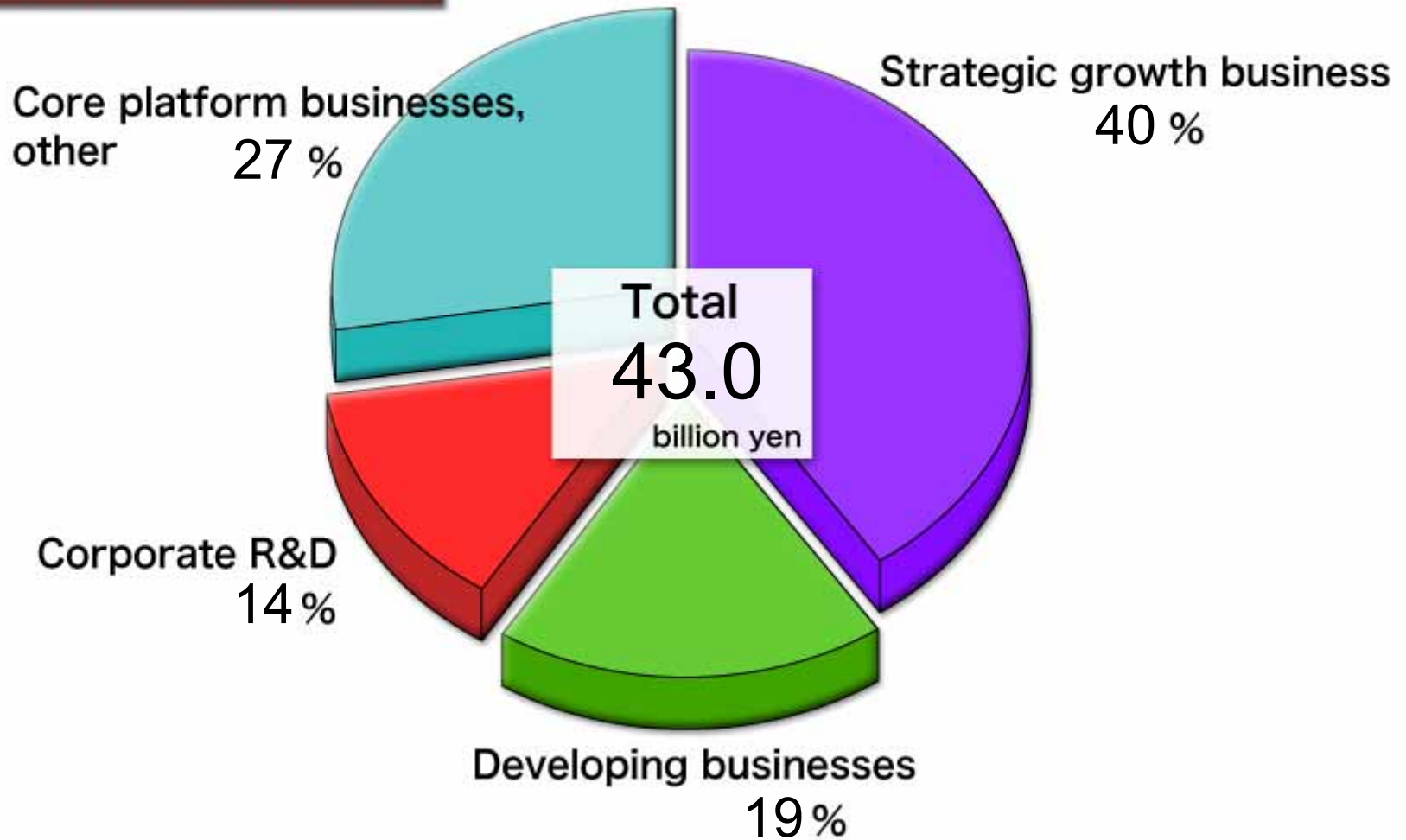
Major Capital Expenditure for FY2007-2009

21

Item		Site	Completion
[Strategic Growth Businesses]			
Specialty chemicals & products	No.9 polyimide film plant & 3rd BPDA expansion	Ube/Japan	October 2007
	No.10,11 polyimide film plants & 4th BPDA plant	Sakai/Japan	March 2009
	No.12,13 polyimide film plants & 4th BPDA expansion	Sakai/Japan	March 2011
	New diol plant	Thailand	March 2010
	2nd fiber spinning expansion & 3rd fiber spinning facilities for gas separation membranes	Ube,Sakai/Japan	September, December 2007
Cement & Construction materials	Fuel-purpose waste processing facilities for cement factories	Isa/Japan	March 2009
		Kanda/Japan	March 2010
[Core Platform Businesses]			
Chemicals & plastics	Polyamide 6 polymerization plant	Thailand	September 2009
	Polyamide 12 production expansion	Ube/Japan	FY2009(2ndH)
	Specialty rubbers (VCR,MBR,nano-VCR) production facilities	VCR:Thailand MBR,nano-VCR:Chiba/Japan	FY2007-2010
	Establishment of a joint venture for polybutadiene rubbers production	Nantong/China	December 2008
[Rebuilding Businesses]			
Machinery & metal products	Plant improvement for large diameter aluminum wheels	Ube/Japan	May 2008

Details of R&D Expenses for FY2007-2009

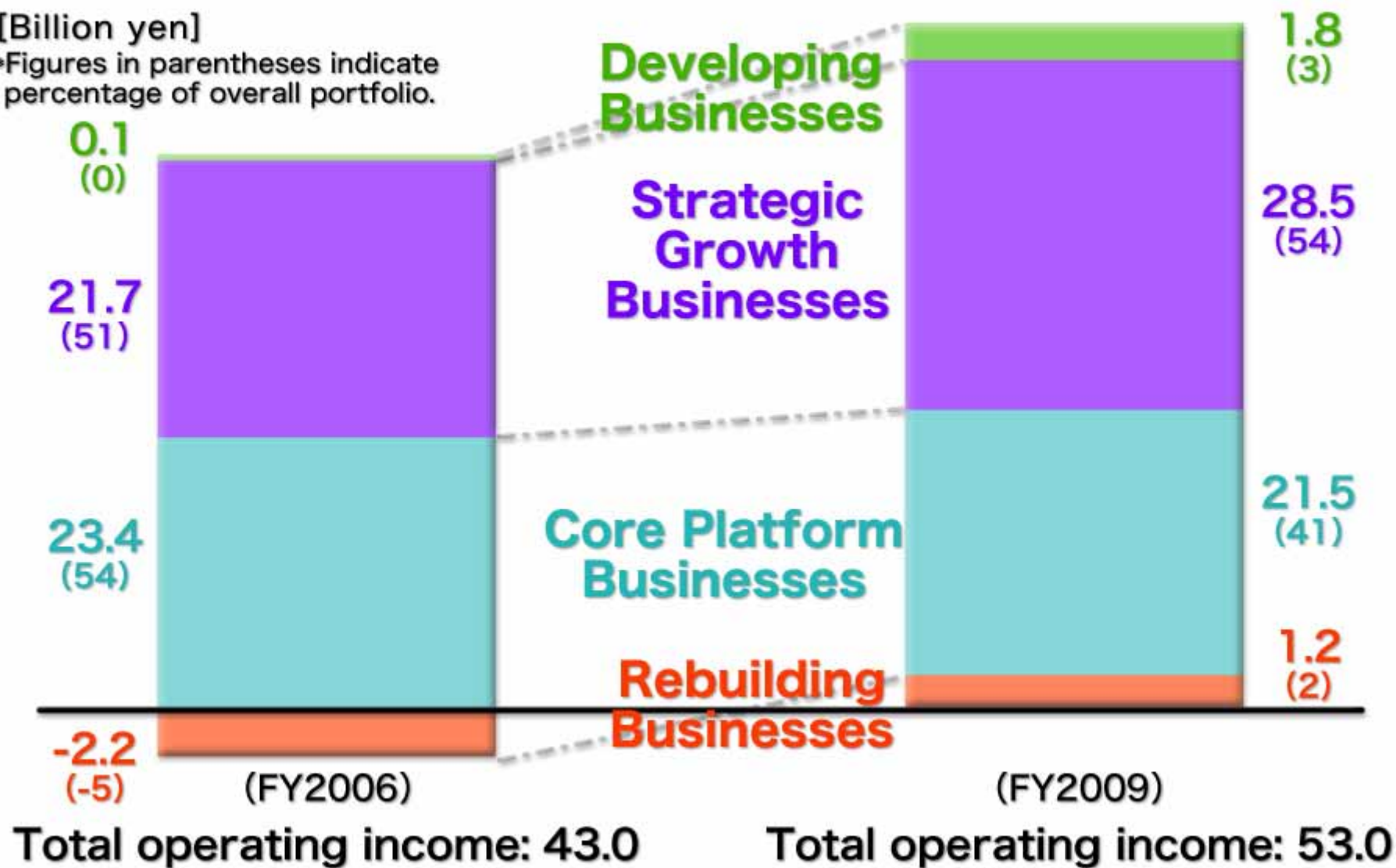
by Portfolio Segment



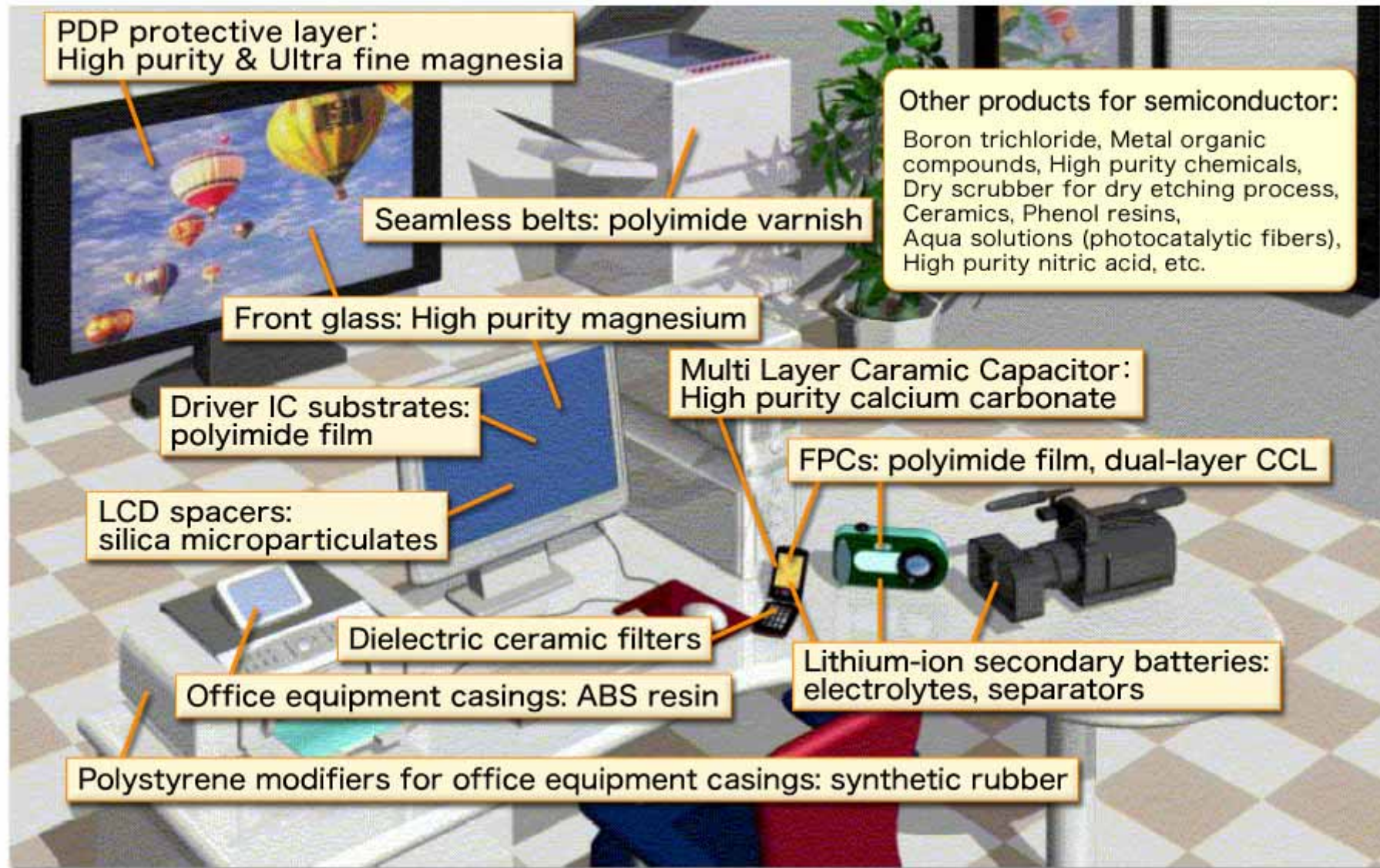
Operating Income by Portfolio Segment

[Billion yen]

*Figures in parentheses indicate percentage of overall portfolio.

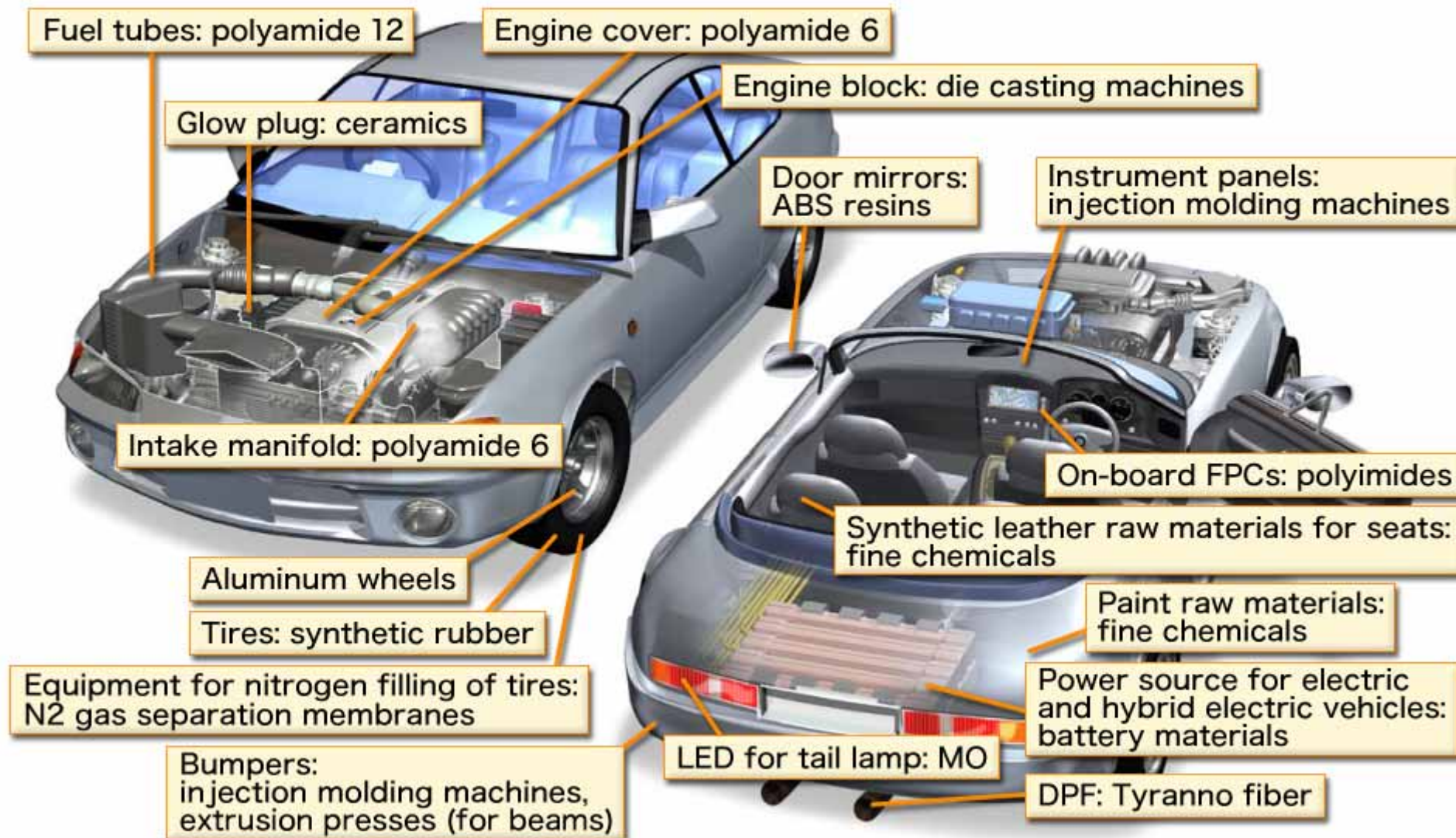


4. Business Segment Strategies



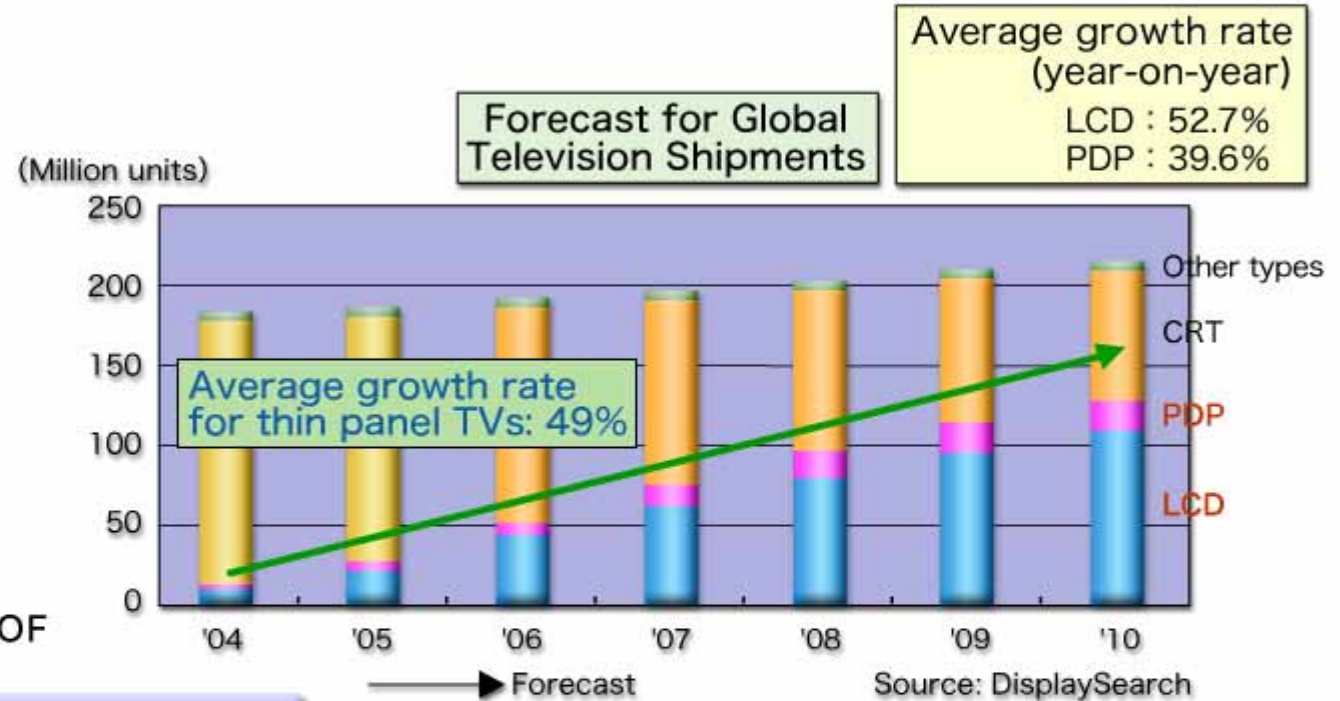
Priority Market: Automotive

25





COF



Polyimide Business Strategy

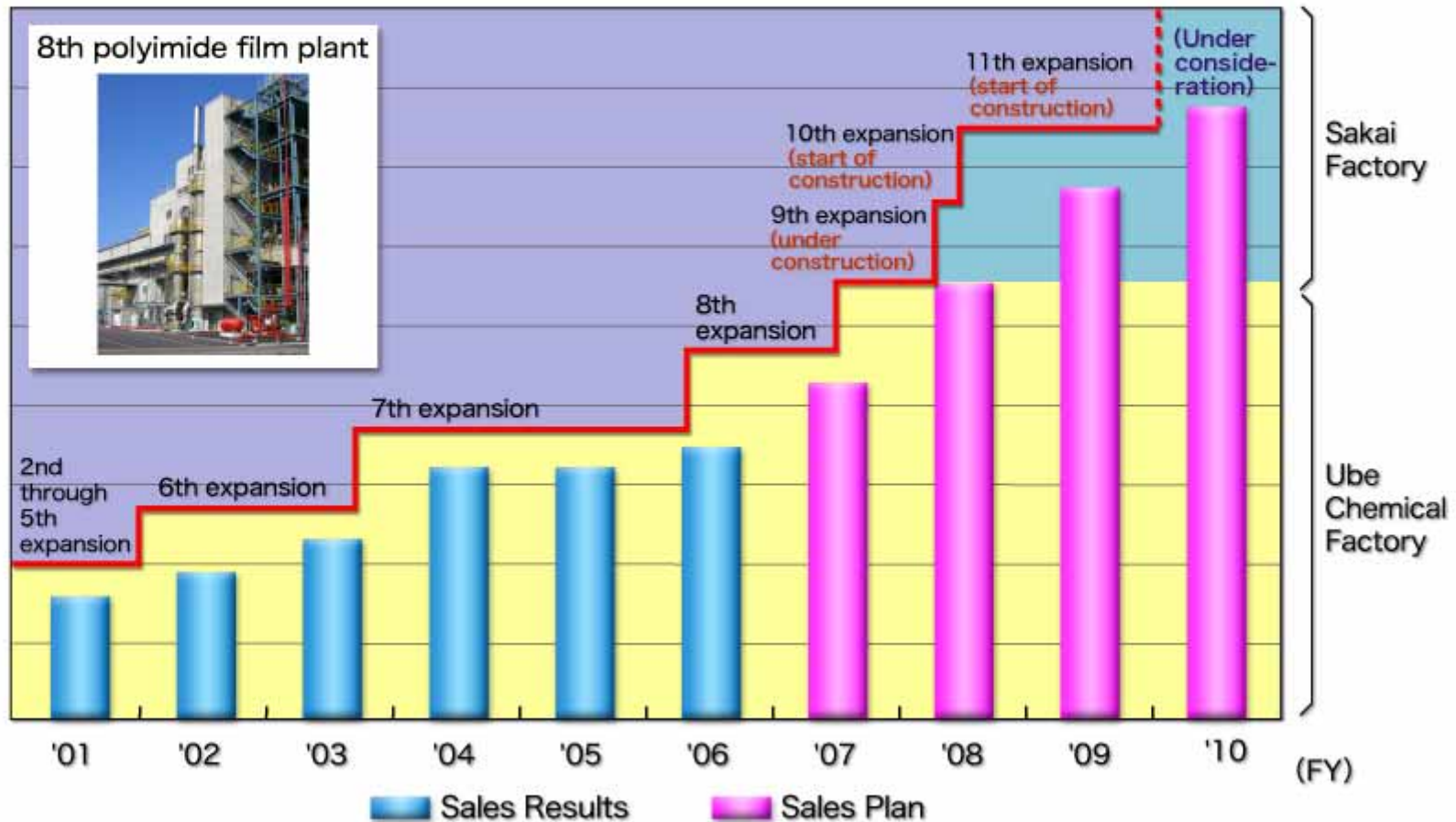
Films: Boost profits by aggressively expanding scope of business, developing new products and driving down costs.

Related products: Expand R&D-driven business for varnishes and Upicoat

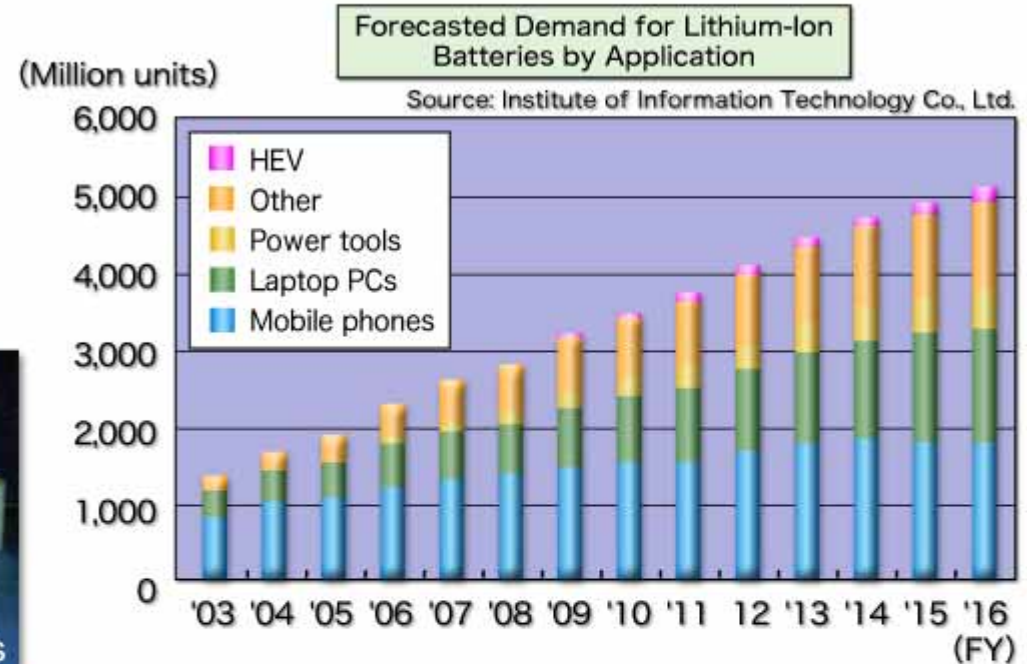
Dual-layer CCL: Expand into new value-added markets such as thin FPCs and thick packages, while boosting profitability and improving efficiency

Strategic Growth Business: Polyimides (Part 2)

Sales Volume and Production Capacity for Polyimide Film (Upilex™)



Strategic Growth Business: Battery Materials (Part 1)



<Business Strategy for Electrolytes>

- Specialize in advanced electrolytes for high performance batteries
- Develop functional additives
- Drive down costs for entry into mid-range market

<Business Strategy for Separators>

- Maintain and/or boost sales volume in Chinese market
- Boost sales of separators for lithium-ion batteries used in hybrid electric vehicles
- Drive down costs and efficiently boost production



Ube's new power cell and on-board battery unit



Minicar equipped with new power cells

"Established a proprietary evaluation system for electrochemistry"



(Expertise for developing new functions)



Further develop the expertise

Development of new power cell utilizing next generation capacitor technology

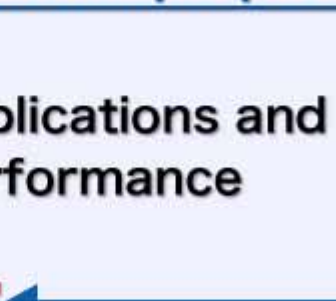
(secure intellectual property)



In-house development of applications and verification of power cell performance



Focus on sales of "materials"



Strategic Growth Business: Semiconductor-related and Electronic Materials

< Business Strategy for Semiconductor-related and Electronic Materials >

Process materials for silicon semiconductor

High purity chemicals for wafer cleaning : nitric acid, sulfuric acid, aqueous ammonia
Etching gas for aluminum : BCL3
Wire and electrode materials of next generation :
CVD precursor for any metals (under development)

Expand sales



Silicon semiconductor LSIs

Metal organic compounds (MO) for compound semiconductor

Organic metal compounds (MO)
TMG, TMI, TMA etc.

Expand sales



Laser diodes



LEDs

Developing new optical-related materials

Organic electroluminescent (EL) materials,
materials for dye sensitized solar cell (DSC), etc.

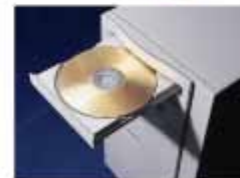


Blue EL materials



DSC materials

(Both under development)



DVD/CD players



Traffic lights



Mobile phones



Laptop PCs



LCD televisions

Strategic Growth Business: Gas Separation Membranes 31

<Business Strategy for Gas Separation Membranes>

In addition to the established existing hydrogen separation membranes and oxygen enrichment membrane segments:

- Rapid increase in demand for nitrogen-enriching membranes used for explosion-proofing applications
 - Dehydration membranes for bioethanol used as a replacement fuel for gasoline
- ⇒ Focus on boosting sales of two types of dehydration membranes to 2.5 times the current level

Nitrogen separation membrane modules



Medium-Term Sales Forecast



Mobile nitrogen gas generator



<Business Strategy for Fine Chemicals>

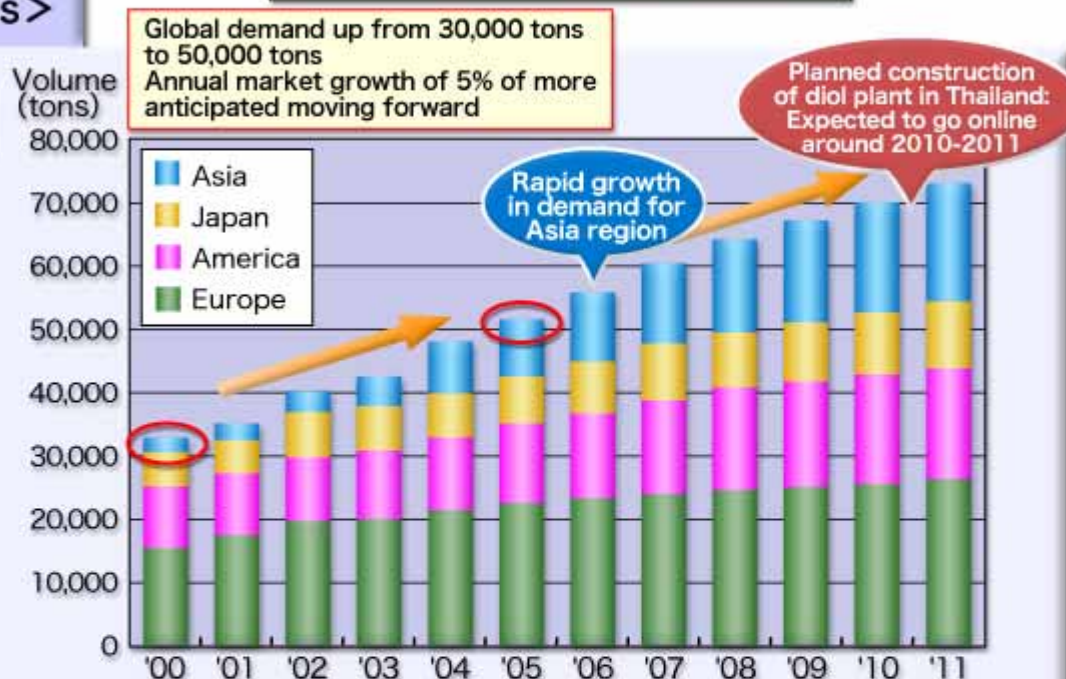
Strengthen existing businesses

- Promote plans to construct new diol plant in Thailand
- Strengthen the C1 chemicals business through initiatives such as developing the dimethyl carbonate (DMC) derivative business
- Consider launching commercial synthesis of heliotropin, as a follow-up to the Heliofresh® business
- Boost production of polycarbonate diol (PCD) and market different grades

Launch environmental coating materials business

- Develop business for eco-friendly products such as VOC-free coating materials
- Also consider M&A activity and acquiring new technologies for rapid commercialization
- Target markets: Automotive interior/exterior applications, etc.

Global Market for Hexanediol (HDL)



Application for polycarbonate diol (PCD): synthetic leather

- Demand for processing of waste in the process of production at cement kilns
 - ▶ Strong, providing an important source of profits. Future demand is expected to increase.

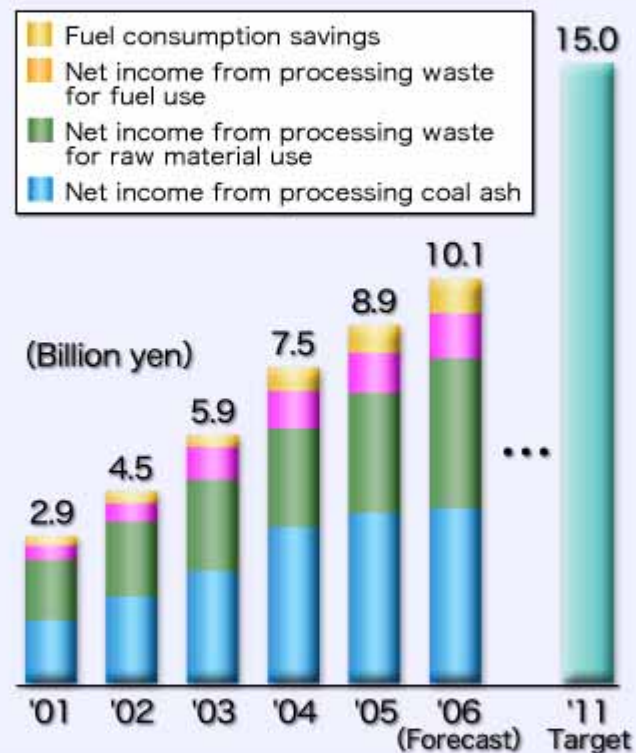
Strategy

- Expand processing facilities
- Accelerate pace of technology development
- Boost collection from urban areas
- Investigate and develop new recycling businesses



Boost revenues of waste at cement kilns to 15.0 billion yen level

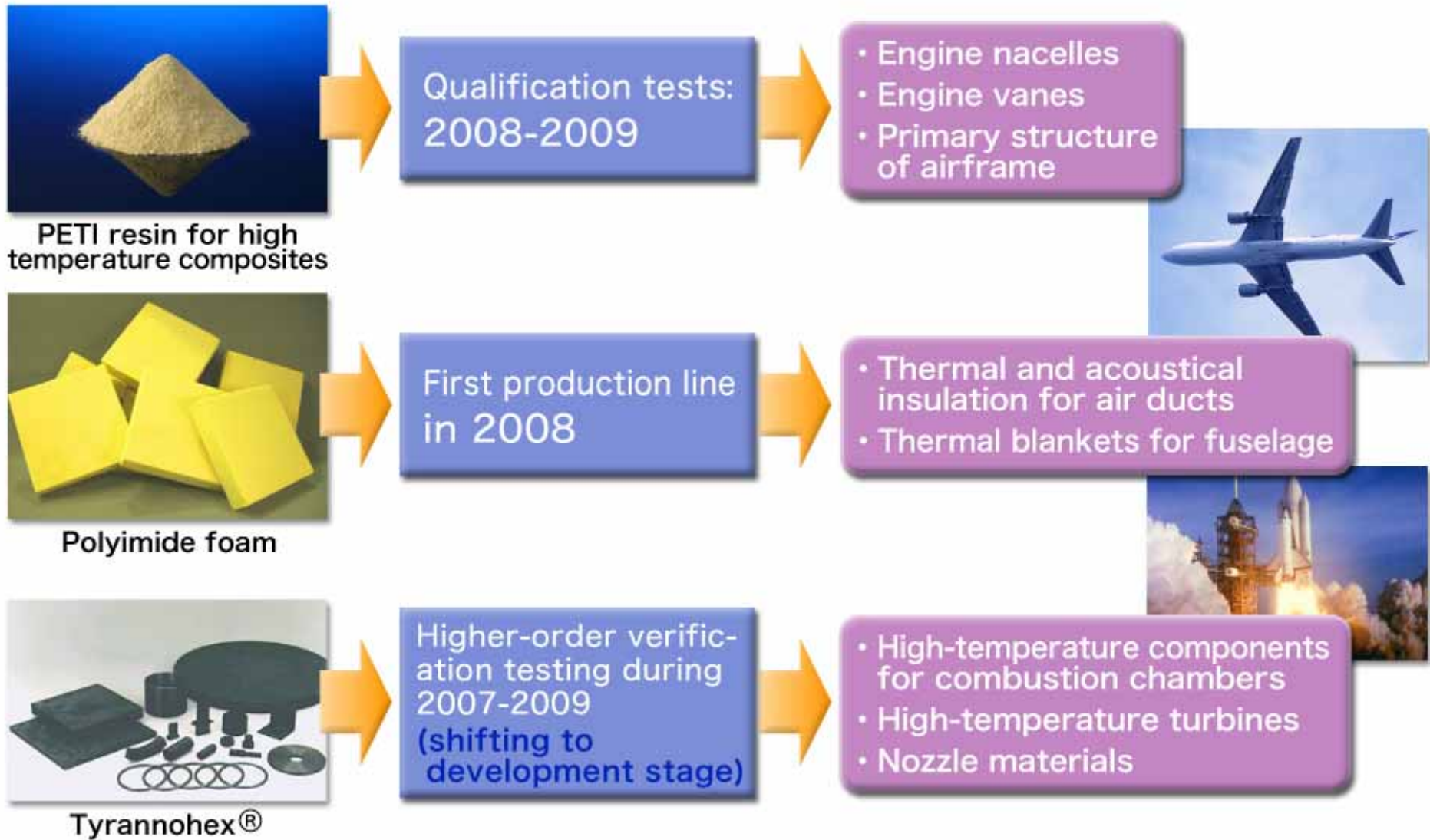
Launch third environmental business after Yamaguchi Eco-tech Corporation and biomass generator plant

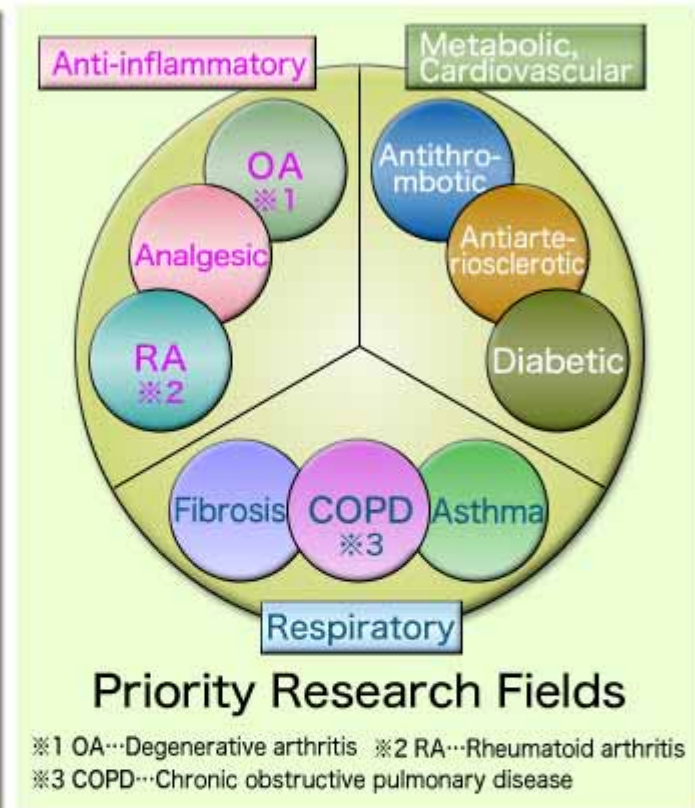
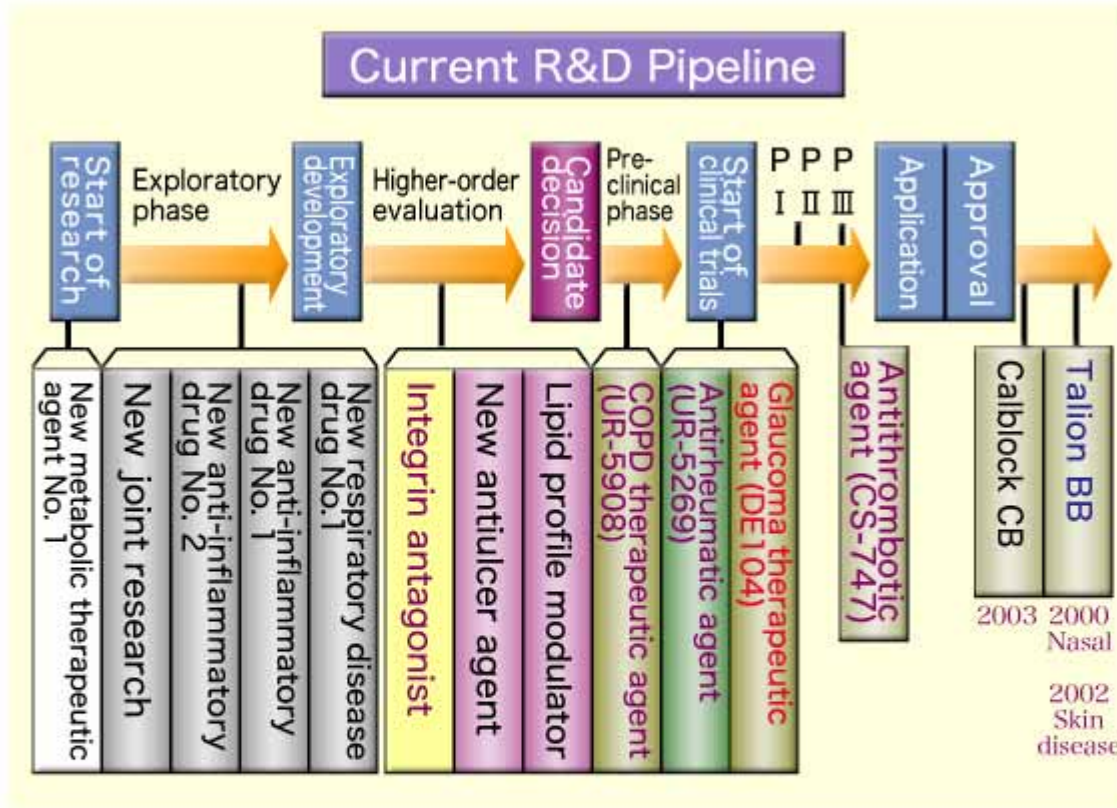


- Chemical recycling business for container and packaging plastics (EUP technology)
- Plastics recycling business (color-matched recycled resin)



Strengthen initiatives





Business (R&D) Strategy

- Strict adherence to milestones: Critical emphasis on pipeline management
Each year: Identify one chemical agent for candidate development and tackle two new research themes
- Explore all possible applications for R&D results:
Implement prioritization and maximize value of intellectual property
- Twice yearly project performance evaluation: Go/No Go decision, orientation

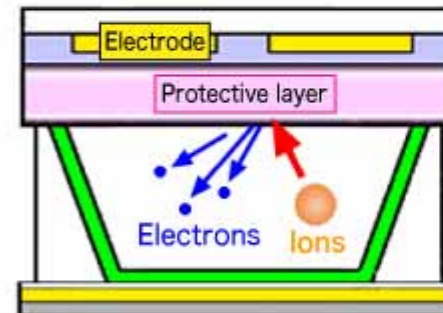
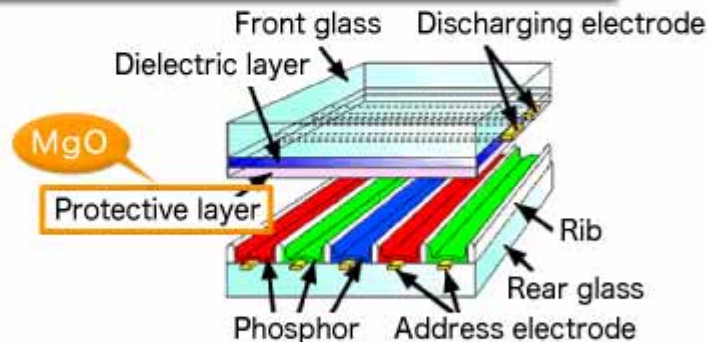
Developing Business: Specialty Inorganic Materials 36

<Fine Material Products Business of Ube Material Industries, Ltd.>

Increase net sales from 3.5 billion yen in FY2006 by two times that amount in FY2009

- High purity & Ultra fine single crystal magnesia for PDP protective layer
 - High purity Calcium Carbonate for Ceramic Condenser
 - High purity calcium nitrate for stepper lens
 - Calcium compound for food additive
 - "Mos Hige" (Magnesium oxysulphate whisker)
- ① Develop new high performance and high quality fine materials focusing on plasma display market, and quickly bring them to market
 - ② Boost sales of vapor process MgO

Uses for Vapor Process MgO in Plasma Displays



Function of MgO

- ① Protect electrode from plasma ions
- ② Discharge secondary emission

<Hipresica Business of Ube-Nitto Kasei Co., Ltd.>

Market share leader for seal spacers.

⇒ Further expand scope of business in LCD TV and sealing filler markets

Core Platform Business: Caprolactam Chain (Part 1) 37

Business Strategy for polyamide Resins: Strengthen Composition of Business

Polyamide 6, Polyamide 12 ... No.1 in Asia

Current Business : Polyamide 6 : Shipments for Asia are up (growing by 10% year-on-year), while shipments for Europe and North America are declining
Conditions

Polyamide 12 : Niche market dominated by global oligopoly of four companies (market growing by 5-6% year-on-year)

Action : Expand production capacity in Thailand, scrap and build production facilities at Ube Chemical Factory, and boost sales of differentiated products such as copolymers



Polyamide Film for Food Package

Intake Manifold (Polyamide6)

Business Strategy for Caprolactam: Stabilize profits

Current Business : Asia is largest and growing market (growing by 2-3% year-on-year)
Conditions

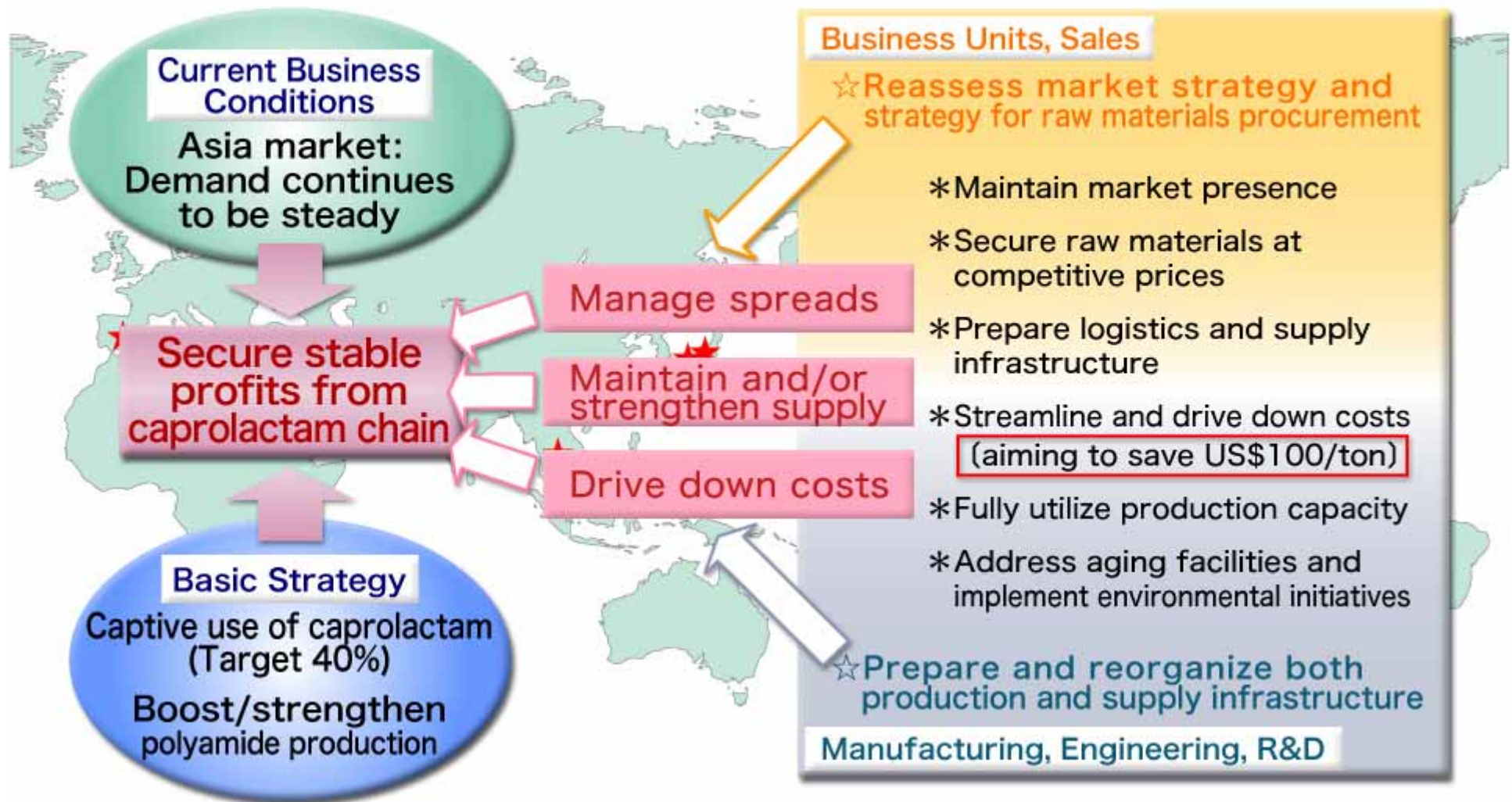
Action : Manage spreads, secure raw materials at low cost, maximize production volumes, and reduce costs

Business Strategy for Industrial Chemicals: Business Reposition

Current Business : Healthy demand for liquid ammonia, nitric acid, sulfuric acid and industrial gases
Conditions

Action : Stabilize production of Ube Ammonia plant

Core Platform Business: Caprolactam Chain (Part 2) 38





Core Platform Business: Cement and Ready-mixed Concrete, Calcia and Magnesia

<Business Strategy for Cement>

Forecasted Demand for Cement in Japan (Million Tons)



Declining demand due to lower demand in government sector, energy costs at high levels

Secure stable profits through increased processing of waste

Manufacturing

Establish facilities for waste processing (invest roughly 4.0 billion yen in 3 years)

Sales

Implement sustained effort to adjust prices

<Business Strategy for Ready-mixed Concrete>

Urban

Develop business through multiple plants
 Engineering skills to produce high-strength and high-flow ready-mixed concrete, etc.
 ⇒ Lead the industry and secure stable profits

Non-Urban

Centralize operation

<Strategy for Calcia and Magnesia Business>

Ube Material Industries, Ltd.:
 Market leader in the quicklime sector

Strengthen Core Business

Develop calcia business across Japan
 Strengthen production system at Mine Factory

Develop New Markets and Products

Bring next generation highly reactive calcium hydroxide
 Expand into non-refractory new magnesia sector

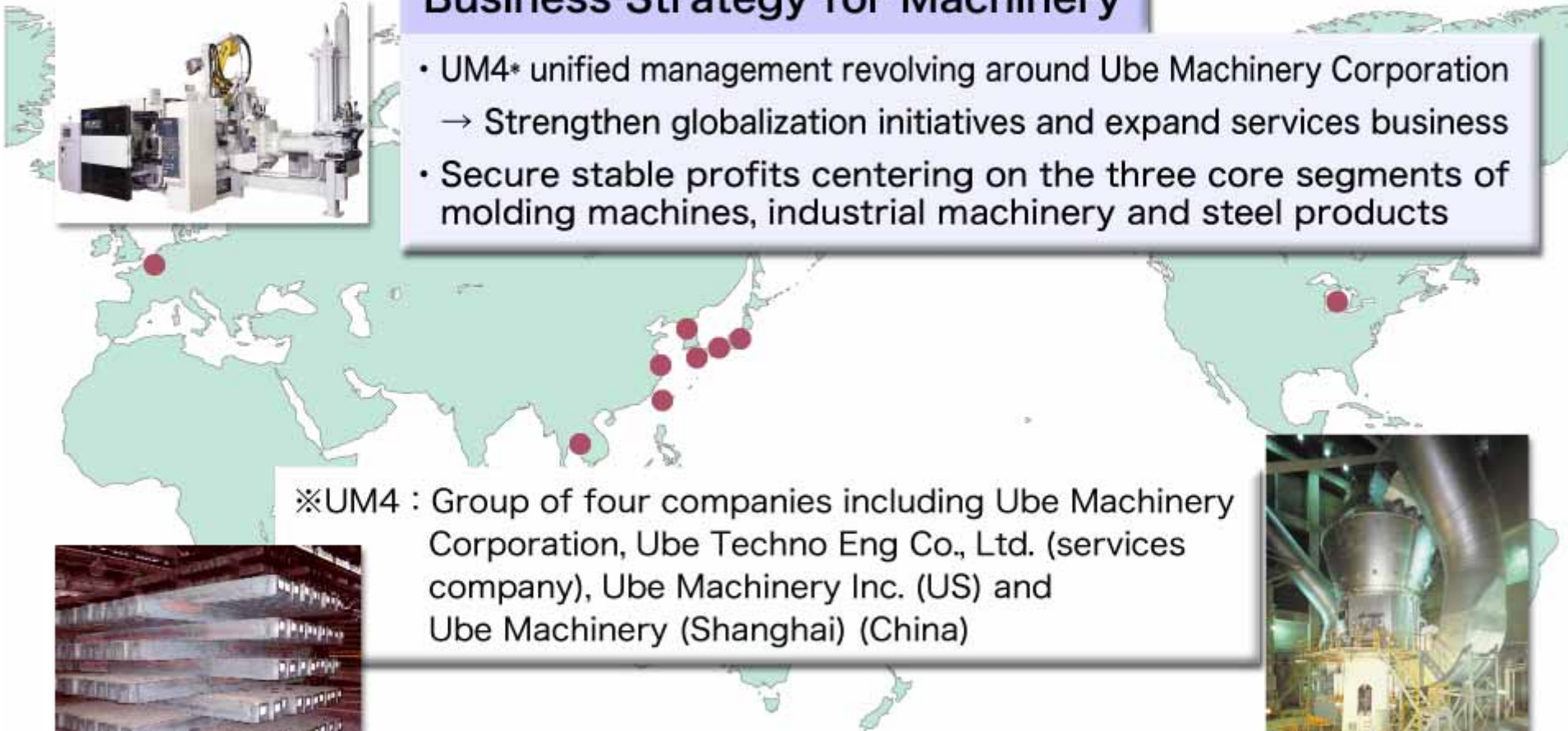
Core Platform Business: Machinery (Molding Machines, Industrial Machinery, Steel Products)

Die casting Machine
(Molding Machines)



Business Strategy for Machinery

- UM4* unified management revolving around Ube Machinery Corporation
→ Strengthen globalization initiatives and expand services business
- Secure stable profits centering on the three core segments of molding machines, industrial machinery and steel products



※UM4 : Group of four companies including Ube Machinery Corporation, Ube Techno Eng Co., Ltd. (services company), Ube Machinery Inc. (US) and Ube Machinery (Shanghai) (China)

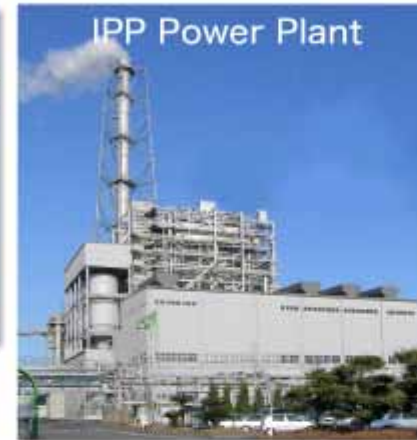


Steel Products



Vertical Mill
(Industrial Machinery)

Core Platform Business: Coal and Power



	【External Business Conditions】	【Business Strategy】	【Target】
Coal	<ul style="list-style-type: none"> • Tight demand and rising prices • Rapid increase in demand from Asia including China and India • Supply increasingly dominated by oligopoly of countries such as Australia • Coal prices are more than double their level in FY2003 	<ul style="list-style-type: none"> • Boost capacity of Coal Center • Strengthen engineering services • Optimize supply sources and coal types 	<ul style="list-style-type: none"> (1) Provide stable and competitive supply of energy (coal, electricity) to Ube Group (2) Maximize profits and cash flow generated through outside sales and outsourcing operations by Coal Center
Power	<ul style="list-style-type: none"> • Rising fuel costs • Demand for environmental solutions (CO2, new energy sources) 	<ul style="list-style-type: none"> • Boost utilization of biomass fuel 	

Business Strategy for Aluminum Wheels

Japan

Boost ratio of higher profit, large diameter wheels
Implement major cost reduction initiative

Operating income ratio; 5% or more

Develop new low-cost casting machinery

North America

Boost percentage of sales to Japanese automakers
Rigorous cost reduction including switching to in-house painting processes and improving yields

Turn profit by FY2009

Develop from rebuilding business



5. Fulfillment of Corporate Social Responsibility (CSR)

Improve corporate value and increase market value, while increasing shareholder dividends under the following strategies.

Basic policy for dividends

Dividends according to business results.
Increase internal reserves for future business development to secure medium- and long-term profits for shareholders
⇒ Decide shareholder dividends based on comprehensive assessment of these factors.

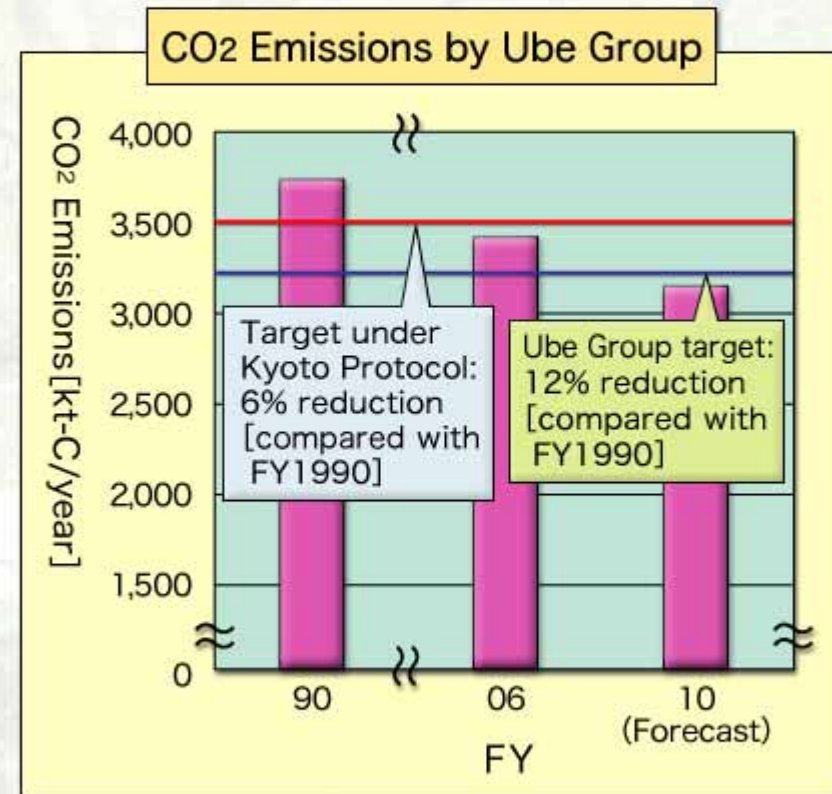
Steadily increase dividends as business results improve, aiming for a dividend payout ratio of 20-25%.

Set reduction targets for entire Ube Group, above and beyond 6% reduction target (compared with FY1990 levels) for emissions of greenhouse gases to be achieved by 2010 under Kyoto Protocol.

A. Reduce CO₂ emissions by 12% (compared with FY1990 levels) by FY2010, achieved through energy saving, switching to alternative fuels and recycling of waste. (Previous reduction target under Kyoto Protocol: 6%)

B. Reduce emissions of non-CO₂ greenhouse gases by 100,000 tons annually (CO₂ equivalent).

C. Strive to achieve both targets by fiscal 2009, one year ahead of schedule.



Ube's Green Sustainable Chemistry (GSC) Initiative

"R&D aimed at developing products that contribute to environmental conservation and incorporate health and safety concerns throughout the product life cycle, from development through to manufacturing, usage and disposal."



Heliofresh®

- Utilize hydrogen and carbon monoxide from waste, as raw materials for chemistry
- Propose new, low environmental impact polymers (polyoxalates, etc.)
- Develop water purification systems based on photocatalytic fibers
- Synthetic fragrance (Heliofresh®) to promote conservation of forests, etc.

Adaptation of Existing Technology to Develop Products and Technology for the Environment

- Mixed coal and biomass incineration at power plants, and mixed coal and waste plastics incineration at cement kilns
- Gas separation membranes for bioethanol
- Colored matched recycled resin made from waste plastic,= for consumer electronics and automotive applications (contributing to a recycle-based society)
- Ceramic bearings for wind power turbines (silicon nitride powder)



Cement plants: Recycling plants of the highest order

- Three Ube cement plants take in and recycle 3.4 million tons of waste and by-products
- High-chlorine bypass technology enables reuse of waste that contains chlorine

UBE SPIRIT

Sharing

: The company will strive to improve communications both internally and with outside stakeholders. It will achieve transparent disclosure by **sharing** information and issues.

Positivity

: Employees will **positively** engage problems, taking personal responsibility and a leadership role in finding solutions.

Innovation

: Through constant **personal training and development**, employees will meet the challenge of forging new areas of business. They will also build **innovative technologies** to lead the next generation.

Responsibility

: Employees will tackle their duties with a sense of **responsibility**. They will declare goals to shareholders and the community, following through with action and certain achievement.

Integrity

: The company will achieve strict regulatory compliance. It will fulfill its social responsibilities as a corporate citizen that espouses **integrity** in business.

Teamwork

: Recognizing the respective roles of its business segments and individual staff, employees will work in unison to solve problems through **teamwork**, in order to best enhance the entire Ube Group.



End

The forecasts contained in this presentation are based on certain assumptions judged to be reasonable by the Company when preparing this report. Actual results can vary significantly from forecasts, due to changes in a wide range of conditions. These conditions can include the economic status of major markets, demand and supply of products, prices for raw materials and fuel, interest and foreign exchange rates, and other prevailing conditions that can impact the business results of the Company.