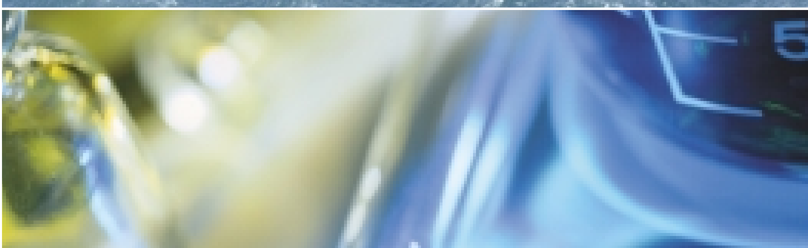
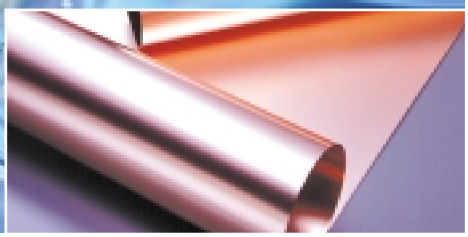




BUSINESS CONCENTRATION AND GROWTH

ANNUAL REPORT 2001

Year Ended March 31, 2001

UBE INDUSTRIES,LTD.

Profile

Founded in 1897, Ube Industries, Ltd., is preparing for operations in a third consecutive century. The four segments that comprise the UBE Group—Chemicals & Plastics, Construction Materials, Machinery & Metal Products, and Energy & Environment—are pursuing independent business strategies but have the common goal of strengthening consolidated Group management. Ube Industries is using superior technologies acquired through extensive R&D to create high-quality, value-added products that are capable of securing strong positions in domestic and overseas markets.

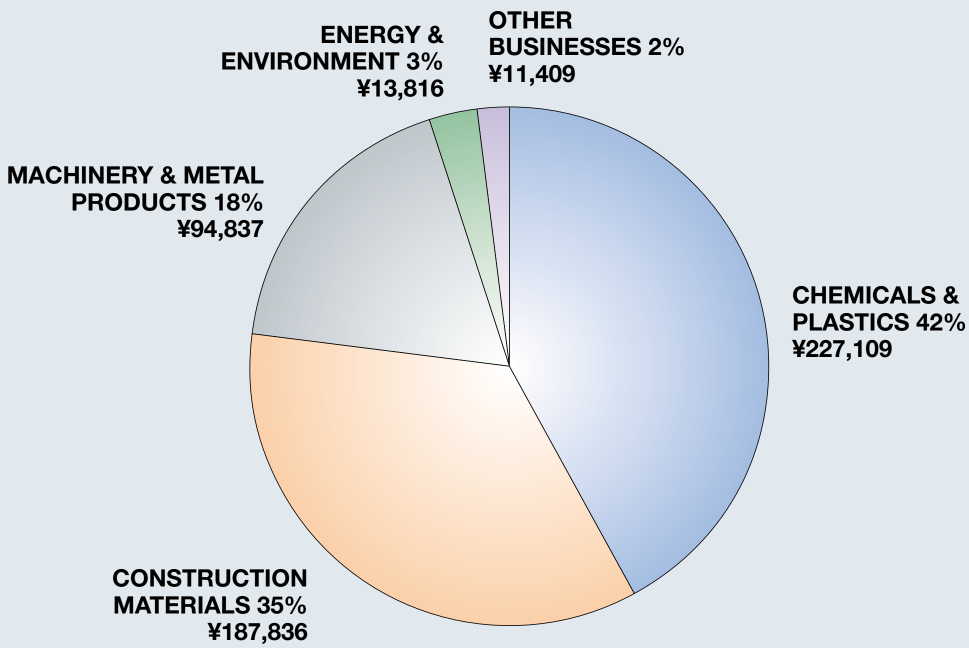
UBE INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2001 and 2000

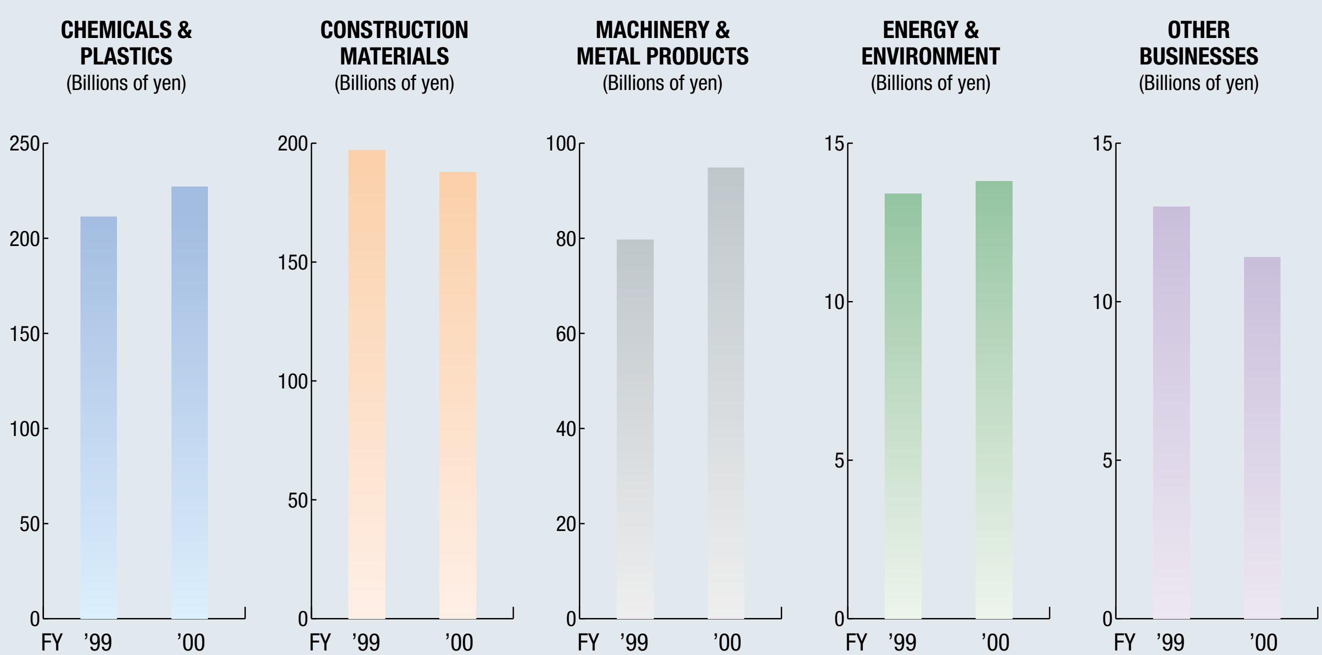
	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2000	**2001**
For the year:			
Net sales	**¥535,007**	¥514,777	**$4,314,573**
Operating income	**28,520**	22,511	**230,000**
Net income	**7,911**	10,514	**63,798**
At year-end:			
Total assets	**¥780,875**	¥836,087	**$6,297,379**
Total stockholders' equity	**94,345**	89,422	**760,847**
	Yen		U.S. dollars (Note 1)
Per share:			
Net income, assuming no dilution (Note 2)	**¥ 9.48**	¥ 12.65	**$ 0.076**
Cash dividends applicable to the period	**3.00**	3.00	**0.024**

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥124=US$1, the approximate rate of exchange on March 31, 2001.
2. Net income per share is based on the weighted average number of shares of common stock outstanding during the respective fiscal year.

Fiscal 2000 Sales by Segment

(%, Millions of yen)





A Message from the President

I have great pleasure in saying a few words to all our stockholders on behalf of all our staff and the Board of Directors.

Management Overview

In the first half of fiscal 2000, ended March 31, 2001, the Japanese economy seemed to be recovering from recession, with an increase in exports to Asia as well as in IT-related capital investment. In the second half, however, the economy slipped back following the slowdown in the U.S. economy, lower growth rates in Asia, and a deflationary trend in Japan. In industrial sectors, there was a number of business reorganizations, such as mergers and tie-ups outside traditional frameworks, in an effort to improve competitiveness amid more intense global competition.

Against this backdrop, in the second year of its "21•UBE" consolidated three-year management plan, which started in fiscal 1999, the UBE Group focused its managerial resources on core businesses, reorganizing its operational structure through a policy of "selectivity and consolidation," establishing a system of management suited to the increasingly information-oriented society of today, and radically changing the corporate culture by introducing a performance-based wage system. As a result of our efforts, we were able to increase consolidated net sales ¥20.2 billion compared with the previous period, to ¥535.0 billion. Our performance was affected by the huge increases in raw material prices following a rise in crude oil prices. However, cost-reduction measures and higher revenues from our Specialty Products Division resulted in a ¥6.0 billion increase in operating income, to ¥28.5 billion, and an ¥8.5 billion increase in ordinary income, to ¥17.8 billion. However, after deducting the Company's ¥25.5 billion in special losses, including the provision for an allowance for doubtful reserves, and adding ¥21.3 billion in special profits, including profits from the sale of assets, net income for the year totaled ¥7.9 billion, down ¥2.6 billion from the previous year.

On a brighter note, we achieved our management improvement goals a year ahead of schedule. These included curtailing interest-bearing debt and measures to deal with poorly performing affiliated companies.

During the current term, the UBE Group announced its "New 21•UBE" three-year management plan, which started in fiscal 2001, to deal with its remaining tasks as well as develop and implement new strategies for the future.

Outline of the "New 21•UBE" Plan

In the "New 21•UBE" plan, we have modified our key words from "selectivity and consolidation" to "business concentration and growth" in order to help us work on the following tasks:

Task 1: Implementing management reforms to perfect the "consolidated management of segments that prioritizes stockholder value"

- Reforming our Board of Directors and introducing an Executive Officer System
- Strengthening the functions of Ube Industries, Ltd., as the parent company and integrating Group services
- Establishing a personnel reward system based on contribution to results as well as a system for training and nurturing younger staff members

- Recreating our principal information system, aggressively promoting e-commerce, and promoting knowledge management, leading to a system of management suited to the information-oriented society of today

Task 2: Aiming for exponential growth by focusing our managerial resources on our core business areas—fine chemicals, pharmaceuticals, specialty products, and aluminum wheels

We plan a total of ¥160 billion in capital investments over the next three years, principally in these core areas. Focusing our resources in this way will help our efforts to grow exponentially in these areas. We will also develop and nurture new businesses.

Task 3: Continually improving our financial structure

The financial basis of the UBE Group has improved recently through the implementation of various policies, but we cannot deny that it is still very fragile. We will continue to firmly implement reforms for the improvement of our financial structure by cutting interest-bearing debt levels as well as raising funds for investing in rapid growth through asset sales and concentration in “areas that achieve.”

Task 4: Implementing an environment-oriented management system

We are promoting environmental preservation activities, including measures to respond to a recycling-oriented society and the reduction of greenhouse gas emissions.

The UBE Group will reflect the values of its staff in implementing its “New 21•UBE” plan. Our Group

catch copy, “Wings of technology and spirit of innovation: that’s our DNA driving our global success.” communicates our Group vision and direction to the world.

Since its first days as a coal-mining company in Ube City over a hundred years ago, Ube Industries has grown by keeping up with the industrial structure of the times and constantly reinventing itself. In all this time, however, the one thing that has not changed is our basic philosophy of upholding “Technology” and “Innovation,” the key words in our Group vision.

The UBE Group will work together in pressing ahead with the “New 21•UBE” plan. We hope to receive the continued support and cooperation of all our stockholders in the coming year.

K. Tsunemi

Kazumasa Tsunemi
President and Representative Director

New 21•UBE (New Three-Year Management Plan Fiscal 2001–2003)

Group Vision

The UBE Group has drafted a Group vision in order to reflect the values of its staff and communicate its future direction to the world. We will work as a team to achieve the goals set out in our "New 21•UBE" plan.

•*Group Catch Copy*

Wings of technology and spirit of innovation: that's our DNA driving our global success.

•*Group Statement*

By embracing the frontier spirit and optimizing the infinite technologies, the UBE Group coexists with the world to continue creating values for the new generation. We focus on our "competitive-edge businesses" aiming for continued success in the future.

The Future Shape of the Company

Having integrated and rationalized its cement business, the Company is now contemplating becoming a holding company centering on the Chemicals & Plastics and Energy & Environment segments by around fiscal 2003.

Management Policies

The success of the 21•UBE plan has started us off well in our efforts to dispose of our negative legacies. We now have the following policies to help us achieve outstanding growth and regenerate ourselves into a global blue chip company.

Key words: Business concentration and growth
Policies:
1) Implementing management reforms to perfect the "consolidated management of segments that prioritizes stockholder value"
2) Aiming for exponential growth by focusing our managerial resources on our core business areas
3) Continually improving our financial structure

Management Reforms

1) Reforming the Board of Directors and introducing an Executive Officer System

We will separate management and operational functions through the introduction of an Executive Officer System. This will increase the strength, speed, and efficiency of our business operations.

We will also reduce the number of directors from the current 25 to 10 (of which 6 will also be Executive Officers). This will boost the strategic decision-making and corporate governance capabilities of our Board of Directors.

2) Strengthening the functions of the parent company

We will restructure and strengthen Ube Industries, Ltd., the Group's parent company. We will also integrate the Group's operations and subsequently set up service centers in the Ube (planned for October 2001) and Tokyo regions.

3) Reforming our human resource management system

We will adopt a new wage system based on job grade and performance instead of the traditional system of payment related to individual ability. We have also started a new program for selecting and nurturing leaders from among our younger staff members. UBE Business School will be established as a training institution for future business leaders.

4) Responding to the IT revolution

We will complete the reconstruction of our enterprise application systems through the introduction of the R/3 System developed by SAP Japan Co., Ltd., by the end of 2002 as a trigger for the innovation of our business processes. We will also press ahead with e-commerce and knowledge-based management.

5) Environmental management

We will further advance our environmental preservation activities and safety-related measures, such as reducing emissions of greenhouse gases.

Segment-Wise Policies and Management Strategies

Business Categorizing

The "New 21•UBE" plan categorizes our businesses into the following four groups:

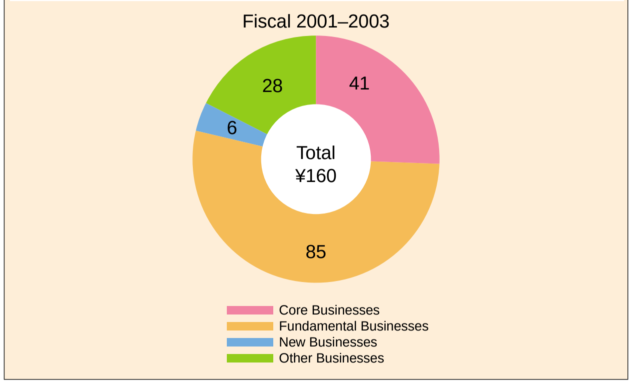
Core Businesses (to be actively expanded)	Fine chemicals, pharmaceuticals (in-house developed drugs and contracted manufacture (of intermediates and APIs)), specialty products (polyimide, battery materials, dielectric filters and other electronics materials, gas and chemicals for semiconductors, high-purity functional ceramics, gas separation membranes), aluminum wheels
Fundamental Businesses	Caprolactam, nylon, industrial chemicals, cement, construction materials, machinery, energy businesses
New Businesses (to be nurtured)	Environment-related and next-generation businesses
Other Businesses	Polyethylene, polybutadiene, ABS, agri-materials, etc.

Business Strategy

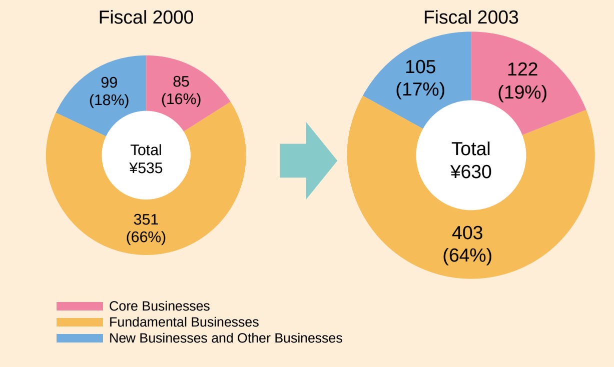
We will focus our R&D expenditures, capital investment, and finances on our core businesses for rapid development in the coming years.

R&D Expenditures by Business Category (Billions of yen)

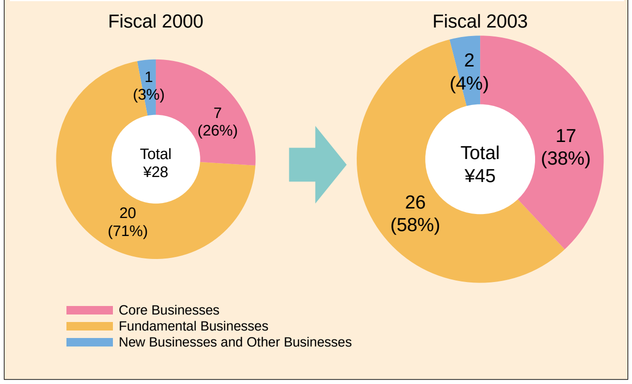
Capital Investment by Business Category (Billions of yen)



Sales by Business Category (Billions of yen)



Operating Income by Business Category (Billions of yen)



Numerical Targets

With the improvement of our financial structure and the optimization of assets as our priority tasks, we have set ourselves the following targets:

	Fiscal 2000	Fiscal 2003
Debt-to-equity ratio	5.1 times	3.5 times
Business income* as a proportion of total assets	3.7%	5.9%
Total created cash flow	¥34 billion	¥60 billion**

* Business income = operating income + interest earned & dividends + equity in earnings or losses of non-consolidated subsidiaries

** Cumulative value of cash flow between fiscal 2001 and fiscal 2003

Major income and balance sheet items:

(Billions of yen)

	Fiscal 2000	Fiscal 2003
Sales	¥535.0	¥630
Operating income	28.5	45
Net income	7.9	20
Interest-bearing debt	483.8	455
Stockholders' equity	94.3	130

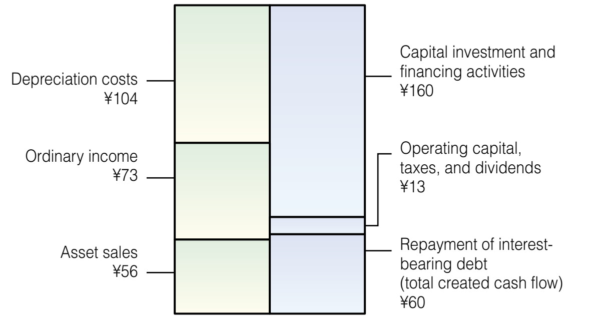
Cash Flow Plan

Building on our current "21•UBE" plan, we will implement a cash flow oriented management system and improve our financial structure.

We will use the proceeds from asset sales and operating income before depreciation to cut interest-bearing debt levels, fund our financing activities, and invest sufficiently in capital equipment to more than cover the depreciation resulting from our "business concentration and growth" activities.

Cash flow plan for the period from fiscal 2001 to fiscal 2003:

(Billions of yen)



Chemicals & Plastics

Basic Strategy:

The Company is accelerating the expansion of its core businesses—caprolactam, fine chemicals, pharmaceutical products, and specialty products—as the major sources of the Group's growth. Focusing its resources on these areas will help expand this group of products, for which Ube Industries is among the top three companies in the world. In the globally expanding caprolactam business, the Company is strengthening traditional businesses, such as nylon and fine derivatives, and will aim for stable revenues from these areas as the Company's fundamental businesses.

Consolidated segment sales rose ¥15.6 billion, to ¥227.1 billion. Operating income rose ¥1.9 billion, to ¥11.6 billion, despite high raw material prices, thanks to increased shipments of specialty products and nylon resins.

Principal products:
polyolefins, synthetic rubber, caprolactam, nylon resins, pharmaceutical bulk compounds and intermediates, fine chemicals, industrial chemicals, specialty products, fertilizers

BUSINESS HIGHLIGHTS

BACKGROUND TO FISCAL 2000 BUSINESS RESULTS AND CURRENT-TERM OUTLOOK

Polyolefins and Synthetic Rubber

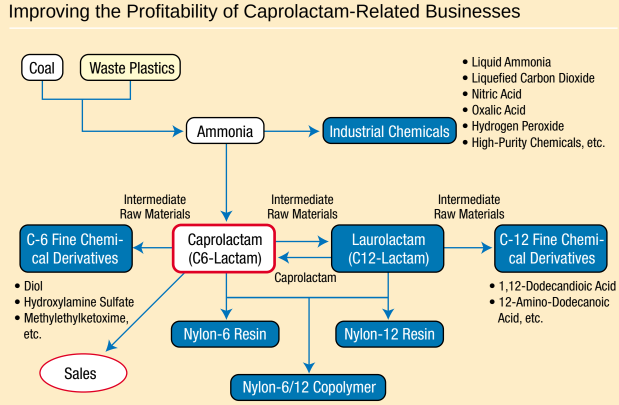
Sales of polyolefins, synthetic rubber, and acrylonitrile butadiene styrene (ABS) resin were largely steady despite the effect of rises in the prices of raw materials, such as ethylene and butadiene.

Caprolactam, Engineering Plastics, and Industrial Chemicals

Caprolactam shipments declined, greatly affected by rises in the prices of such raw materials as benzene and naphtha as well as the worsening supply and demand balance in Asia. Sales of nylon resin improved in line with rises in demand for automobiles and IT-related equipment, while sales of industrial chemicals steadily improved.

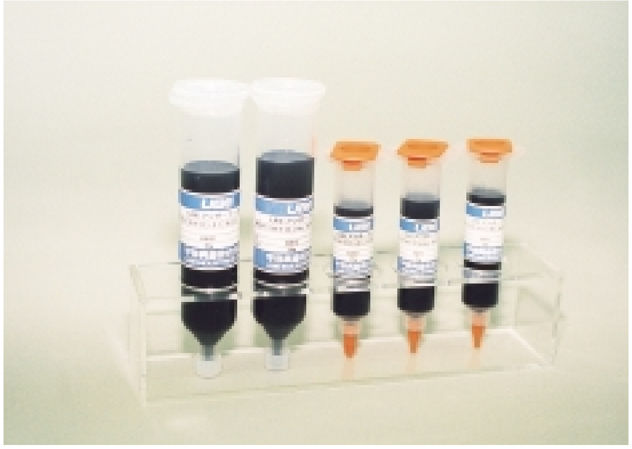
■Metal organic (MO) compounds manufacturing facility

The Caprolactam Business Chain
Improving the Profitability of Caprolactam-Related Businesses



Fine Chemicals and Pharmaceutical Products

In fine chemicals, shipments of 1,6-Hexanediol, DDA, and dimethyl carbonate (DMC) improved steadily. In pharmaceutical bulk compounds and intermediates, the Company has launched an antiallergenic agent developed jointly with Tanabe Seiyaku Co., Ltd., and is currently involved in the production of bulk compounds. Productos Quimicos del Mediterraneo, S.A. (PQM), boosted its production capacity for 1,6-Hexanediol, a raw material used in the manufacture of polyurethane. The facility started operations in August 1999 and continued its good performance in 2000. Jade Fine Chemicals (Wúxi) Co., Ltd., a joint venture with French company Rhodia, commenced



UBE underfill material

operations in March 2000 and is currently manufacturing guaiacol, a raw material for fragrances and pharmaceutical intermediates.

Specialty Products

In specialty products, sales of polyimide films, which are used in materials for electronic information equipment, electrolytes for lithium-ion batteries, high-purity chemical pharmaceuticals used in semiconductors, and organic metal compounds, continued to expand.

Dielectric ceramics performed steadily in the first half of the year, but the worldwide drop in demand for mobile phones caused shipments to fall in the second half.

BUSINESS STRATEGY AND MARKET OUTLOOK

Polyolefins and Synthetic Rubber

This business encompasses such core products as polyethylene, polypropylene, polybutadiene (synthetic rubber), amorphous polyalphaolefines (APAO), and ABS plastic.

The Company produces two types of polyethylene: low-density polyethylene (LDPE) and linear low-density polyethylene (LLDPE). Super polyethylene “Umerit”—an LLDPE manufactured using a unique metallocene catalysis process—is highly commended in the market as a functional material. The Company’s manufacturing capacity utilization for Umerit is presently running at only 60%, but demand is increasing steadily. The Company aims to strengthen the foundations of this business by increasing the proportion of functional materials in its product lineup by expanding sales of LDPEs for cable and other special applications. The Company will also bolster the polyethylene operation’s downstream product lineup, principally through Ube Film, Ltd.

APAO plastic production is presently running at only 60% capacity, and the Company plans to raise production levels to full capacity as soon as possible. This is in response to the current strong demand for hot-melt adhesives as well as in preparation for anticipated demand for automobile floor mats and enclosure tarpaulins for construction sites.

Plans have been announced to combine our polypropylene manufacturing business with those of Sumitomo Chemical Co., Ltd., and Mitsui Chemicals, Inc. As part of this process, the Company has decided to transfer all its shares of Grand Polymer Co., Ltd., to Mitsui Chemicals, the other partner in the joint venture.

The Company will continue to manufacture polybutadiene rubber for general-use products at Thai Synthetic Rubbers Co., Ltd., and domestically for specialty forms to better respond to customer needs.

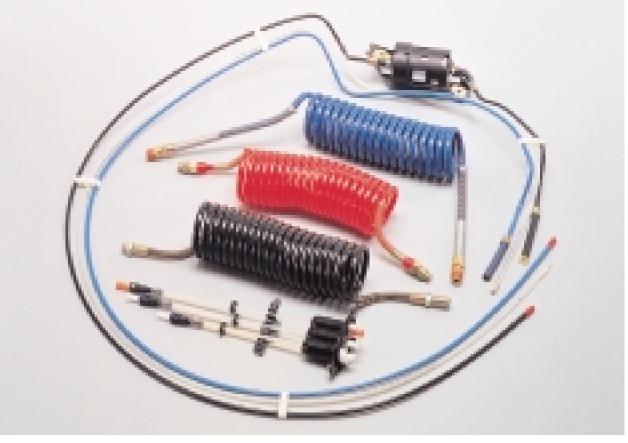
Ube Cycon, Ltd., a company manufacturing ABS plastic, introduced the “Six Sigma” program in October 1999. The company is working on enhancing efficiency and customer service through improvements in quality control and speedier customer response, and the benefits of

The second pharmaceutical products manufacturing facility these efforts are already in evidence. In addition, Ube Industries and Fuji Xerox Co., Ltd., are jointly developing a technology that will enable the recycling of flame-retardant ABS plastic, another link in the Company's efforts to expand its environmental and recycling businesses.

Caprolactam, Engineering Plastics, and Industrial Chemicals

In the caprolactam business, the Company will maintain and strengthen its Asia-centered global trilateral production base comprising 200,000 tons of domestic manufacturing capacity, 70,000 tons in Spain (PQM), and 75,000 tons in Thailand (Thai Caprolactam). Present aggregate production capacity amounts to 345,000 tons, making the Company the leader in Asia with a 20% market share and third on a global basis. The Company is studying ways of raising this share to 25% and increasing the combined annual production capacity in Japan, Spain, and Thailand to 435,000 tons by 2003.

The nylon business is benefiting from growing global demand for nylon-based automobile parts and food-wrapping materials, and this business has rapidly become another fundamental operation alongside the Company's caprolactam business. The Company has moved more quickly than other firms to expand its strategic investments in this area. In particular, it has responded to the modularization and plasticization of automobile parts by committing to significant capacity increases over the coming years, targeted primarily at overseas plants. Total annual production capacity for nylon 6 is currently 75,000 tons, with domestic capacity at 55,000 tons and Ube Nylon (Thailand) Ltd. (UNT) providing another 20,000 tons. More specifically, the Company is considering the construction of 20,000 tons of additional capacity in Spain by 2003 to keep abreast of Japanese automakers' efforts to procure parts locally as they globalize their production bases.


UBESTA (nylon 12) applications

In the nylon 6 business, the Company has targeted a global market share of 10%, given the increased cost-competitiveness stemming from a shift to integrated production in the caprolactam area and the projected capacity expansion outlined above.

The Company boasts a 6,500-ton annual domestic production of high-performance nylon 12. This output is based on raw material inputs of laurolactam, which is produced by Ems-Ube, Ltd., a manufacturing joint venture with EMS-CHEMIE AG, a major chemical firm based in Switzerland. Nylon 12 is a key material used in the manufacture of automobile fuel tubes and hoses. Demand for the product is expanding, and production is set to rise to approximately 2,000 tons in the domestic market in the near future.

In industrial chemicals, we will continue to supply basic raw materials, including such inorganic chemicals as ammonia, an intermediate raw material in the lactam complex, such organic chemicals as cyclohexanone, and gaseous products.

Fine Chemicals and Pharmaceutical Products

The fine chemicals business comprises such products as diphenol, diol, amine, and C_1 chemicals. Sales in this area are set to rise to between ¥25 billion and ¥30 billion annually by 2005, a target representing some two and a half to three times the value of current production.

In 1999, PQM newly established a 1,6-Hexanediol production facility. This product is used as an intermediate raw material in the production of agrochemicals as well as high-quality polyurethanes and polyester plastics used in paints, and demand is growing in Europe, the United

States, and Japan. Ube Industries uses its proprietary technology to recycle and convert by-products generated in the production of caprolactam, making this an environment-friendly compound. The Ube Chemical Factory and the Sakai Factory have a combined annual production capacity of 8,500 tons, and the Company recently started up a third major production facility in Europe that is performing well with an annual capacity of 3,000 tons.

In addition, PQM is engaged in the manufacture of numerous derivative products, such as DMC, which is manufactured from carbon monoxide, and polycarbonatediol (PCD), a raw material used in the manufacture of 1,6-Hexanediol synthesized high-quality urethane plastic. The Company plans to diversify its European operations based on strategies involving these and other products.

China-based Jade Fine Chemicals (Wúxi), a joint venture with Rhodia, of France, has commenced production of guaiacol, a diphenol derivative used as a raw material in the production of fragrances and pharmaceutical intermediates. Annual capacity is currently 4,000 tons, and sales are expected to reach between ¥1.5 billion and ¥2.0 billion by 2002.

To meet rising demand for high-quality catechol, which is used in the manufacture of the resist exfoliants required in semiconductor production, and with exports to the United States growing particularly fast, a 40% increase in production capacity was undertaken.

In-house developed drug "Talion®"

DMC, which imposes a relatively low burden on the environment, can be used in the production of polycarbonates in place of hosgen, which is highly toxic. In its highly purified form, DMC becomes a fine chemical, and demand for the electrolyte applications of this product is growing strongly. Ube Industries is preparing to boost its annual production capacity to 5,500 tons, representing a 30% increase.

In the pharmaceutical and agrochemical businesses, the Company began manufacturing bulk compounds and intermediates for anti-inflammatory and antibacterial agents from the middle of the 1990s. An antiallergenic agent developed in collaboration with another domestic maker was launched in 2000, and in 2001 there are plans to launch a blood-pressure-lowering agent. Business expansion is proceeding smoothly. Ube Industries has successfully leveraged its organic synthesis technology to build two pharmaceutical manufacturing plants as well as an experimental drug manufacturing facility, all of which are good manufacturing practice (GMP) compliant. Within the next two years, the Company will construct a third pharmaceutical production plant, its fourth facility in this area. The new plant is scheduled to commence operations by the second half of fiscal 2002.

In pharmaceutical bulk compounds and intermediates, Ube Industries operates in three areas—in-house developed products, products manufactured on a consignment basis from other drugmakers, and drugs codeveloped with other drug companies. Demand for consignment production is showing particularly high growth, and management's decision to build a third drug manufacturing plant was a response to increased demand for antibacterial, anticholesterol, and anticancer agents. Numerous intermediates are supplied to U.S. and European drug majors, and most of these are used in the production of blockbuster drugs, generating sales of over US$1 billion. Recognition of the Company's name overseas is rising as a result.

The Company has positioned these operations as strategically important businesses and expects annual sales growth of approximately 30%. Consolidated sales in the pharmaceutical products business were ¥7 billion in fiscal 2000, and the Company's forecasts are ¥10 billion in fiscal 2001, and ¥25 billion, or nearly four times the level in the year under review, in fiscal 2005.

Specialty Products

Ube Industries recently started operations at its fifth polyimide plant and is presently constructing a sixth. The Company's current annual polyimide production capacity is 400 tons, but this will be increased 50%, to 600 tons, by autumn 2001. Polyimide films are used in the driving mechanisms of mobile phone LCDs, and further demand growth is anticipated with the launch of next-generation mobile phones. In addition, the greater diffusion of chip size packages (CSPs) used in miniature electronic devices has led to increased growth in demand.

The Company's polyimide business is poised to develop a lineup of products in the electronic information materials area that is distinguishable and brandable based on its unique biphenyl tetracarboxylic dianhydride (BPDA) type polyimide. The flagship polyimide film UPILEX®-S has an especially high market share as a substrate in LCD-related LSI mounting applications.

The Company has a near global monopoly for polyimide used in the manufacture of tape-automated bonding (TAB) materials and has commercialized and started supplying nonadhesive-type flexible copper-clad laminate (CCL) used in the manufacture of semiconductors. Demand is rising in response to the increasingly smaller and thinner electronic devices currently being produced.

This nonadhesive-type flexible CCL UPISEL® is poised to become a major product alongside UPILEX®. Ube-Nitto Kasei Co., Ltd., will manufacture the product, and a new continuous laminating facility with an annual capacity of one million square meters has been installed at that company's Gifu factory.

The battery materials business comprises separators and electrolytes for lithium-ion batteries. The Company's electrolytes are highly regarded in the market for their functionality. Work has already been completed on a second separator manufacturing facility.

The separating membrane business is experiencing strong demand from tire manufacturers for nitrogen-separating membranes. When injected into car tires, nitrogen gas is superior to air in preventing tire pressure loss.

In other operations, Ube-Nitto Kasei and Meiwa Kasei Industries, Ltd., are expanding their sales in fiber-optic applications and semiconductor sealants, respectively.

■ Film carriers for mounting ICs on a UPILEX® base and super heat-resistant polyimide resin products

Construction Materials

Basic Strategy:

Ube Industries has a marketing and R&D integration agreement with Mitsubishi Materials Corporation in its cement business. The Company plans to extend this collaboration to cover production activities by 2002. We will also actively promote resource recycling and cost reductions by reusing industrial waste as raw materials and fuel.

By reorganizing its operating structure and developing new businesses, the Company will expand profits in this segment.

Consolidated segment sales were down ¥9.2 billion, to ¥187.8 billion, owing to the transfer of the marketing operations for metallic magnesium to Ube & Bussan Magnesium Inc. in December 1999. Operating income rose ¥0.9 billion, to ¥9.6 billion, thanks to effective cost reduction measures.

Principal products: cement, clinker, ready-mixed concrete, limestone, building materials

BUSINESS HIGHLIGHTS

BACKGROUND TO FISCAL 2000 BUSINESS RESULTS AND CURRENT-TERM OUTLOOK

Cement

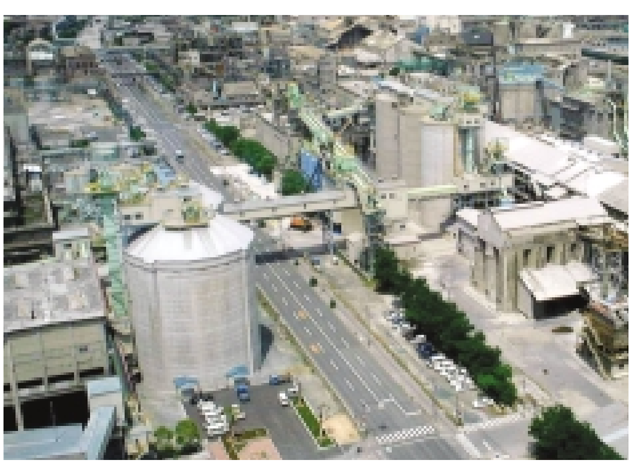
Major cost reductions were realized from rationalization measures, such as the expanded utilization of industrial waste products as raw materials or fuel in the cement manufacturing process. Ube-Mitsubishi Cement Corporation, the marketing arm for the Company's cement output, is working not just at improving sales but also at various distribution and cost-rationalization measures as well as strengthening cooperation with Sumitomo-Osaka Cement Co., Ltd., for specialty cement consignment production.

Ready-Mixed Concrete

Integrating the Company's affiliated suppliers of ready-mixed concrete, involving disposing of some subsidiaries and revitalizing the remaining ones, have helped Ube Industries thoroughly revise its profit structure and improve performance. As a result of these rationalization measures, the Company's cement subsidiaries were reduced from 41 to 18 at the end of the term under review.

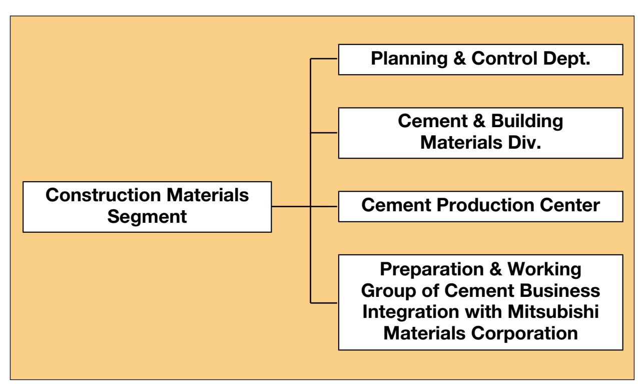
Building Materials

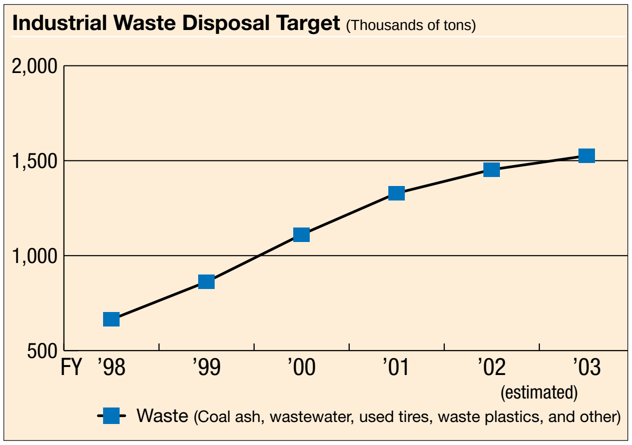
Performance improved as a result of rationalization efforts as well as steady demand for steel and housing products.



■The eastern wing of the UBE Cement Factory, which has recently been modernized

Construction Materials Segment Organization Chart





BUSINESS STRATEGY AND MARKET OUTLOOK

Cement

Production capacity exceeds demand in the domestic cement industry, and the sector as a whole is facing a comprehensive restructuring. The Company's industrial strategies for reviving cement operations include a reduction in supply capacity, increased competitiveness through cost reductions, and a normalization of the depressed pricing structure.

The joint venture with Mitsubishi Materials has been an effective tool for rationalization as it has led to reduced selling and distribution costs as well as lower labor expenses at Ube-Mitsubishi Cement. Efforts to reduce distribution costs are aimed primarily at cutting transportation costs. This is done by managing shipping schedules more efficiently and avoiding shipping complications as well as by cutting service station handling fees and unit transportation costs through reciprocal shipments.

Meanwhile, Ube-Mitsubishi Cement Research Institute Corporation was established in October 1999 to raise the efficiency and expand the scope of R&D efforts, while eliminating overlap in this crucial area. This new organizational structure allows both companies to utilize their manpower more efficiently and simultaneously accelerates R&D.

The partners in the joint venture are seeking to completely integrate their cement production operations by sharing their production technology, know-how, and cost data. This should result in greater efficiencies and cost reductions. They are also working to achieve an optimal framework for the production of a soil stabilizer and for the mutual consignment of specialty cement production.

The joint venture is moving aggressively forward with efforts to incorporate industrial waste products into its production processes using the technologies made available by the two parent firms. Ube Industries operates plants in coastal locations and is using coal ash—generated primarily by electric power companies as a by-product in electric power generation—as a raw material. Mitsubishi Materials has plants located inland, and their proximity to urban areas has led the company to excel in sludge and waste plastic recycling technology. Both companies plan to use their strengths in these areas to mutual advantage in the future. The Company is also considering the integration of its production activities, in addition to marketing and R&D, with Mitsubishi Materials in 2002.

Ube Industries' Cement Production Rationalization Plan

Ube Industries is currently reviewing its production system and promoting cost-cutting measures, electing to keep the Number 1 kiln at its Kanda Cement Factory idle since fiscal 1998. The five kilns at the Ube, Isa, and Kanda cement factories represent an annual production capacity of 11 million tons, but the idling of the Kanda Number 1

Limestone transportation facility at the Kanda Cement Factory (a joint project with Mitsubishi Materials)

Hydrogen-solidified waterproof paint film material "Aqua Shatter"

kiln has reduced cement production capacity two million tons annually, or approximately 20% of total capacity.

The Company's cost-cutting efforts include reductions in the labor force—the number of manufacturing personnel is to be reduced 20% between fiscal 1998 and fiscal 2001. A sewage sludge treatment facility was put into operation in fiscal 2000 as part of efforts to use more waste products as raw materials. A joint venture company has also been set up with Tokuyama Corp. to promote the use of ash from urban waste in cement production that will start operations in April 2002. The project has been given central importance as part of the zero-emissions project in Yamaguchi Prefecture and will receive backing from both the prefectural and national governments. A new waste tire and waste plastic processing facility was installed at the Ube Factory in March 2000 to help reuse more fuel-generating waste products. Concerning lime, a cooperative venture that links Mitsubishi Materials' Higashi-dani mine with the Kanda Factory began operations in March 2001. This will enable the Company to supply between 1 million and 1.5 million tons of limestone annually from the Higashi-dani mine.

These various facilities will help the Company improve profits approximately ¥4 billion in the cement manufacturing business by the end of fiscal 2001.

Building Materials

The previous production system for small-lot diversified products will be revamped, and the Company will devote more resources to the following areas: lime-related operations; building materials operations, especially self-leveling materials and plaster materials; and waterproof materials operations, while making efforts to improve profits by promoting the reorganization of the operational structure and developing new businesses.

The Company has launched a new interior wall construction product called *yasashii kabe* (sensitive wall), which allows for superior interior amenities and functionality and is effective in preventing the so-called sick house syndrome. Strong demand is anticipated for this material as an interior wall and ceiling material for homes, condominiums, hospitals, nursing homes, and museum storage areas. Fiscal 2001 sales are targeted at 12,000 square meters.

An airtight tape product, RA Tape/GR505, has been developed for low energy consumption homes. This product helps to promote highly airtight internal spaces and minimizes condensation inside the physical wall, thus contributing to a better living environment, lower energy consumption, and an extended usable life of the homes in which it is incorporated.

Application of Quick Ceramic Flow

Machinery & Metal Products

Basic Strategy:
To build on its activities in the United States, the Company will strengthen its profitability by establishing production, marketing, and after-sales services in China. We will also market differentiated equipment developed using proprietary technology, strengthen and expand our service and software businesses, and enter new areas, such as the downstream parts business. Ube Industries will develop and strengthen aluminum wheels as one of its core products, with the aim of becoming one of the top-three global suppliers.

Consolidated sales in this segment rose ¥15.0 billion, to ¥94.8 billion, with strong sales of all-electric injection-molding machines, extrusion presses, and bridges as well as continued steady shipments of aluminum wheels. Operating income rose ¥1.6 billion, to ¥3.0 billion, thanks to rationalization measures.

Principal products:
die-casting machines, injection-molding machines, crushing and pulverizing machines, bulk handling systems, bridges, aluminum wheels

BUSINESS HIGHLIGHTS

BACKGROUND TO FISCAL 2000 BUSINESS RESULTS AND CURRENT-TERM OUTLOOK

Ube Machinery Corporation, Ltd., formerly part of the Machinery & Metal Products Division, was launched as a new subsidiary in April 2000.

Heavy Machinery
This business was affected by the decline in capital investment in the automotive industry, but all-electric injection-molding machines performed well in the domestic market, and orders increased. Exports of extrusion presses to the United States and China rose.

Industrial Machinery, Bridges, and Steel Structures
Overall performance improved thanks to strong sales in conveyor systems and other system machinery.

■ Inauguration of the UBE Automotive North America Sarnia Plant

Light Metal Products
This business performed well with strong shipments of aluminum wheels, manufactured using the Company's proprietary squeeze-casting technology, to both the domestic and North American markets.

BUSINESS STRATEGY AND MARKET OUTLOOK

Ube Machinery aims to be an "Inspiring company, offering consistent value to customers and stockholders, and forming a global network through collaboration with staff as well as the community." The company's operations are customer-focused, and it is involved not just in marketing but also development, design, manufacturing, and after-sales services.

The new Technical Development Center, for instance, is not only involved in the development and joint development of products adapted to customer needs but has also been "opened" to clients. Rather than supplying machines as independent products, the company offers a complete package of services, including process technologies and system and software services. This has been made possible by synergy-creating alliances between eleven of the Group's companies as well as the expansion of manufacturing, marketing, and after-sales services globally through its overseas bases. This helps the company provide comprehensive customer services.

As part of its globalization efforts, the company set up a wholly owned subsidiary, Ube Machinery (Shanghai), Ltd., to provide production, marketing, and after-sales services in China. The company's marketing goal is to establish


New Rheocasting Machine and examples of products manufactured using it

itself in the three main markets in the world: the United States, Europe, and Asia, including Japan and China.

Heavy Machinery

The Company is striving to make its injection-molding business a leading global supplier of products to both automakers and their parts suppliers. In die-casting machines, which cast light metal products, the Company's products are already considered world-class.

The Company has successfully developed an all-electric plastic injection-molding machine with a clamping force of 1,400 tons, the largest of its kind in the world. This machine was displayed at a plastics fair held in Chicago in June 2000 and attracted a great deal of attention. The Company sells all-electric injection-molding machines with clamping forces of 650 tons, 850 tons, 1,000 tons, and 1,400 tons, and sales have been particularly strong in Japan and other Asian markets.

The Company has also launched a new Dieprest Molding Process that dramatically reduces deformation during molding by integrating the outermost layer, such as a fabric or foam sheet. Orders for this new technology, and consequently sales for the segment, have increased dramatically.

An in-mold coating process for thermoplastic molds, where surface coating can be carried out simultaneously with injection molding, has been developed in cooperation with Dai Nippon Toryo Co., Ltd. Being able to coat and mold simultaneously reduces coating costs dramatically. This technology is also very environment-friendly as the coating agents used do not include organic solvents.

In the die-casting business, the New Rheocasting Machines, which adopt the semisolid molding process, have been launched, and five overseas orders have been received. In the semisolid molding process, semisolid light metal is slowly fed into a molding machine, allowing the attainment of strength of the level of refined products by ensuring the uniformity of raw materials. In the near future, we anticipate this technology will be actively used in casting high-quality car parts where safety is an important factor.

Aiming to be a "total system supplier," the Company provides customers with a range of die-casting services, including consulting, system design, die-cast designing, prototyping, initial training, after-sales services, and maintenance services.

Industrial Machinery, Bridges, and Steel Structures

Ube Machinery is promoting a regional approach to domestic electric power generation and public-sector demand. Also, it is developing products and expanding their markets through superior technology, long years of rich experience, and concrete results.

In the industrial machinery business, Ube Machinery has increased sales of its upright roller mill, the RS mill, used for pulverizing stone. This mill pulverizes stone using shearing, compression, and grinding methods, thus allowing it to manufacture better quality, fine-grained sand with fewer sharp edges compared with traditional crushers. The RS mill also has several other merits, including the ability to grind even highly aqueous stones as a result of the difference in the shapes of its wheel and table compared with other

Air floating belt conveyor

upright roller mills, the relatively low formation of dehydration cakes, and lower power consumption because of the more efficient grinding force.

In the conveyor system business, the air-supported conveyor system is the Company's major product. Sales are strong with steady supplies of conveyors with a world-leading loading capacity of 5,000 tons per hour to domestic power generation plants. This equipment has traditionally depended on a roller system to support the conveyor belt, but the Company has replaced the roller system with an air-support system that has superior noise-reduction and dust-dampening effects. The environment-friendly features of this equipment are a great incentive for purchasers, and numerous orders for the product have been placed.

In other areas, on account of ESI/Eurosilo B.V. in the Netherlands as the principal, the Company now promotes in Japan the Eurosilo System, which efficiently stores such bulk products as FGD-gypsum or coal and has a superior mechanism for filling and reclaiming the stored product.

In the bridge business, the Company has secured municipal government orders of top national importance for its low-cost steel and concrete mixed bridges. These bridges are constructed by the launching erection method and utilize the Company's expertise in design and construction. They have received high praise from various government agencies as well as regional and municipal governments. Praise from within the industry itself has also been forthcoming, and the department will move aggressively to secure orders from among the upcoming slate of large-scale projects.

Light Metal Products

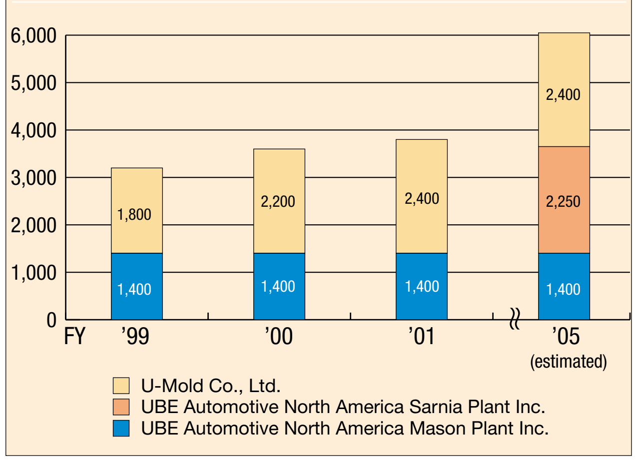
This business devotes substantial resources to distinguishing the Company's high-grade aluminum wheels. The Company's brand of aluminum wheels, which are manufactured using its proprietary squeeze-casting process, boast high tenacity, lightness, large-diameter capability as well as superior design and luminosity.

Ube Industries separated the aluminum wheels business from Ube Machinery and integrated it instead with the Company's wholly owned subsidiary, Ube Automotive, Ltd., on July 1, 2001. To respond to customer demands for suppliers who can also be global strategic partners, the Company's customer response window has also been integrated into these operations. It has also integrated the operations of its three factories in Japan, the United States, and Canada and improved their productivity as well as capital efficiency. The Company aims to establish the foundations of this business as one of its core businesses and further improve profits.

Ube Industries has already started operations at U-Mold Co., Ltd., in Ube City in Yamaguchi Prefecture, which has a production capacity of 2.4 million wheels per year, and at UBE Automotive North America Mason Plant Inc. in the United States, which has a production capacity of 1.4 million wheels per year. In addition, in June 2000 the Company also set up UBE Automotive North America Sarnia Plant Inc. in Ontario, Canada, which has a production capacity of 2.25 million wheels per year, and is in the process of setting up its latest aluminum wheel plant.

In the future, the Company hopes to raise the production of the Sarnia Plant to its full capacity by 2005, helping the Ube Automotive Group become one of the top three global suppliers of aluminum wheels. It is also considering expanding into the European market.

Aluminum Wheel Production Capacity by Plant (Thousands of pieces)



Business Highlights

Energy & Environment

Basic Strategy:
Ube Industries considers its energy business, which is based on coal and electricity, a key part of the Group's operations. Our decision to begin supplying wholesale electric power in the independent power producer (IPP) market from 2004 will help us further by providing a reliable supply of power and a solid source of revenues.

In its environmental business, the Group will expand its plastic recycling activities through Ebara-UBE Process (EUP), a joint venture formed with Ebara Corp., and will create other environmental businesses by taking advantage of synergies within the Group.

Consolidated sales in this segment rose ¥0.3 billion, to ¥13.8 billion, and operating income rose ¥0.6 billion, to ¥2.1 billion, largely as a result of the strong performance by the coal business.

Principal products: environmental systems, coal, electric power, etc.

BUSINESS HIGHLIGHTS

BACKGROUND TO FISCAL 2000 BUSINESS RESULTS AND CURRENT-TERM OUTLOOK

Environmental Business

Sales declined due to a scaling-down of the engineering business, but earnings rose slightly compared with the previous year, thanks to reductions in fixed costs.

Coal Business

Earnings rose from the previous fiscal year due to an increase in the volume of coal marketed, an expansion of our coal storage business, and an increase in dividends received from overseas coal companies.

Electric Power Business

Earnings were largely unchanged from the previous fiscal year.

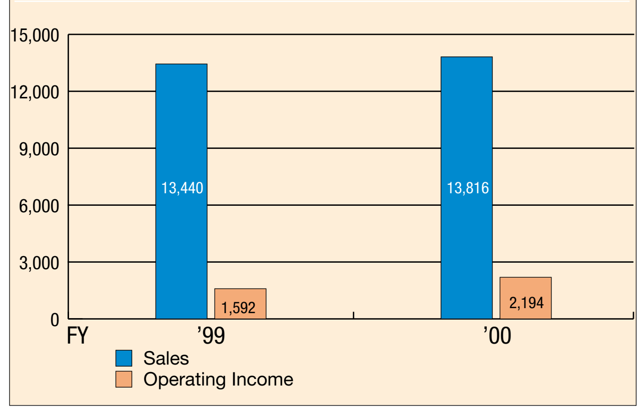
BUSINESS STRATEGY AND MARKET OUTLOOK

Environmental Business

In June 2000, the Group entered the business of recycling chemical materials from waste plastic packaging and other organic waste through the establishment of EUP in partnership with Ebara Corp. In October 2000, Ebara and Ube Industries successfully completed trials of their pressurized two-stage gasification process for turning organic waste into reusable raw materials, the technological linchpin of the business, and in January 2001 began business operations. In the future, EUP plans to increase the volume of waste plastic packaging recycled. With the enactment of legislation promoting the recycling of plastic from used home appliances and shredder dust from scrapped cars, EUP is keeping a close eye on trends in the recycling market and aims to expand recycling activities using new technologies.

Okinoyama Coal Center

Energy & Environment Segment Sales and Operating Income (Millions of yen)



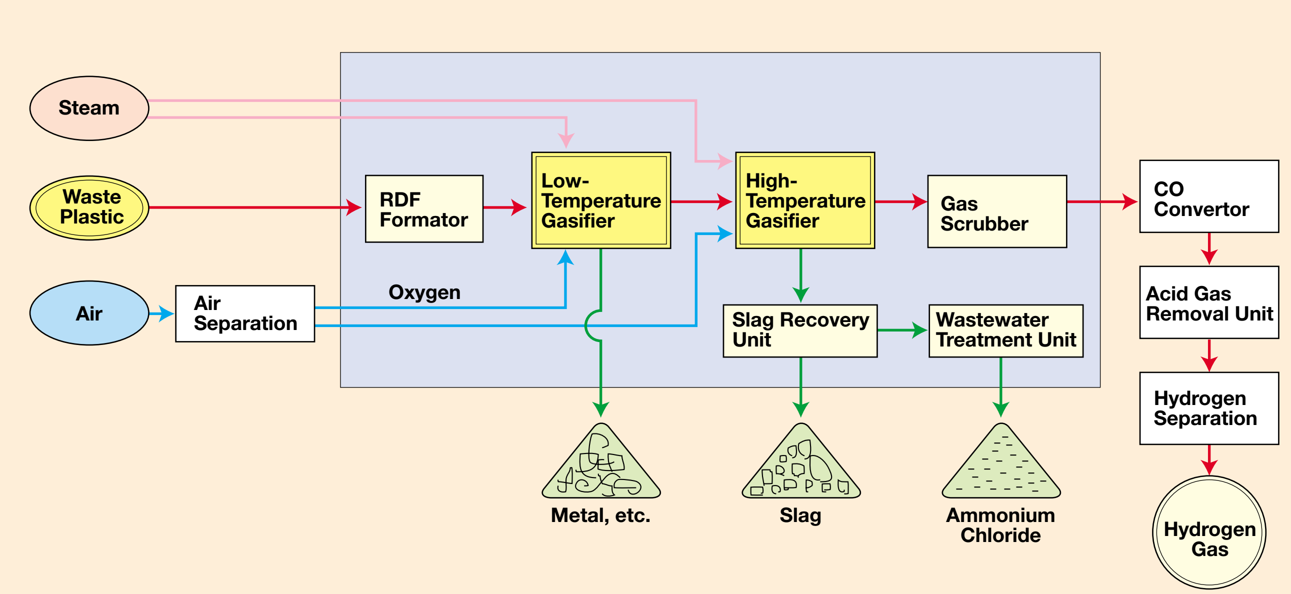
Coal Business

The main strengths of this business include the operation of the Okinoyama Coal Center, which handles the largest volume of steaming coal in Japan, and the steady supply of products secured by the capital participation in Coal and Allied Industries Ltd., a major mining company in Australia. Another strength lies in the management of its own R&D capabilities, which provide technologically oriented user services related to coal combustion and optimal uses for coal ash. The division is leveraging these strengths to build a large and secure customer base that will support a stable earnings structure.

Electric Power Business

In 1997, the Company entered the IPP business and will begin supplying wholesale electric power to Chugoku Electric Power Co., Inc., from March 2004. UBE Power Center Co., Ltd., has been established to manage this business and is presently laying the groundwork for the construction of power generation plants.

EUP Process Block Flow



Power station for the wholesale supply of electricity (under construction)

Responsible Care (For a Better Environment, Safety, and Health)

Responsible Care

For the UBE Group of companies, working toward a safe and clean environment is a basic management issue. The Group believes that to grow and prosper as an enterprise it is essential to proactively work toward the safety and health of its employees, operate its facilities always with safety in mind, and act responsibly toward the local community in terms of preserving the environment and contributing to a safe living habitat. We are continuously concerned with the safety and health of the people who use our products as well as environmental problems, as typified by the energy shortage issue.

In the coming years, the Company will fulfill its social responsibilities through a wide range of Responsible Care activities.

In the "New 21•UBE" three-year management plan, which began in fiscal 2001, environmental measures are a major management policy issue and are addressed as a corporate goal under the slogan "Realize a management structure that puts the environment first." Priority areas are:

- Implementing global environmental protection activities
- Reducing industrial waste and seeking to create a production cycle that reuses all resources
- Ensuring the safety of chemical substances

During the current fiscal year, we intend to communicate our environmental policies to the general public in a special report, which will follow up the report released in 2000 that detailed progress in fiscal 1999.

Support Structures

The UBE Group has established the Group-Environment and Safety Committee, which is composed of senior management, and all the Group companies have set up Segment-Environment and Safety Committees, which encompass each segment. These committees stipulate the basic guidelines for safety and health, disaster prevention, environmental preservation, and product safety as well as develop and implement specific plans and targets on the basis of the above guidelines.

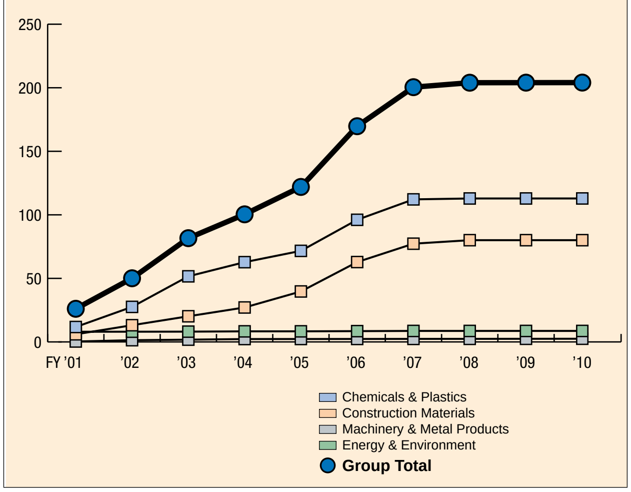
ISO 14001

As part of efforts to steadily enhance environmental protection, the Group is setting up an environmental management system (EMS) based on ISO 14001. As of August 2001, the Company had acquired certification for all its facilities and is currently acquiring certification for Group member companies.

Global Environmental Policy

Having compiled our Environmental Protection 2010 Project in July 2000, we set ourselves the target in March 2001 of reducing emissions of greenhouse gases 6.1% compared with 1990 levels by 2010. In May 2001, we set up a committee for the promotion of environmental preservation and commenced CO_2 and NO_2 emissions reduction activities as steps toward achieving the aforementioned goal.

CO_2 Emissions Reduction Plan (Thousands of tons of carbon per year)



Environmental Accounting

In fiscal 1999, we began adopting environmental accounting, one of the frameworks for regularly evaluating the suitability of our environmental preservation activities. In the year under review, the Group invested ¥1.98 billion in pollution control measures and incurred other environment-related expenses totaling ¥6.74 billion, while saving ¥4.33 billion, mainly through energy conservation.

Corporate Research & Development

R&D STRUCTURE

The R&D activities of the UBE Group are carried out at the Company's main R&D offices, the Business Creation & Development Division, and the R&D divisions of the various segments.

The Group's main R&D offices are located in Yamaguchi and Chiba prefectures, where the main focus is on R&D in the area of chemicals and plastics. Other areas of research include process development for industrialization, prototype manufacturing, and production technology improvement.

The Business Creation & Development Division, which is under the direct supervision of the president, was created to discover and nurture potential new core business areas.

In addition, each of the Group's segments has R&D divisions for the various businesses under it, which undertake research for the commercialization of research topics, product development, and product quality improvement. In the cement business, Ube Industries has integrated its R&D division with that of Mitsubishi Materials and established a joint facility called the Ube-Mitsubishi Cement Research Institute Corporation. The Company has 885 research staff, comprising 7% of its total workforce.

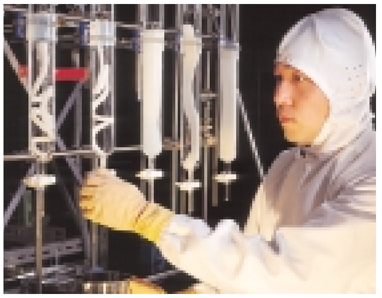
ACHIEVEMENTS IN FISCAL 2000

The Group's R&D expenditures in fiscal 2000 totaled ¥12.7 billion, and the following is an outline of the major research topics and results attained in each segment.

Chemicals & Plastics

Research expenditures for this segment totaled ¥9.6 billion, and research was undertaken into the development of ultra-heat-resistant inorganic materials for industrial uses and pharmaceutical products mainly for the immune, digestive, and circulatory systems as well as for the strengthening and further advancement of existing businesses.

The main achievements in fiscal 2000 included the launching of nonadhesive-type flexible CCL and obtaining permission for the manufacture and marketing of antiallergenic agents.



Testing of a vascular prosthesis

Construction Materials

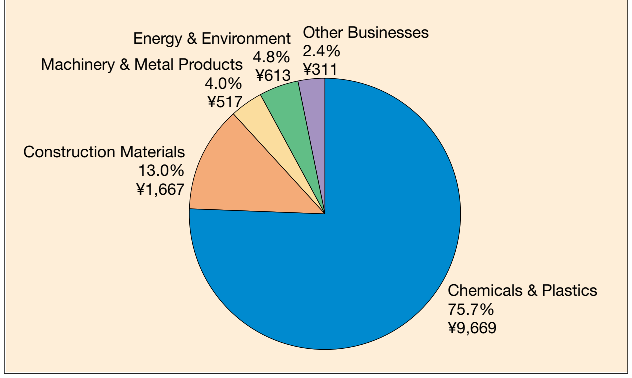
Total research expenditures for this segment were ¥1.6 billion. Research topics included the development of concrete-related technologies and products, technology for the utilization of industrial waste as raw materials in the production of cement, and uses for calcium carbonate and magnesium hydroxide.

Major accomplishments in fiscal 2000 included the development of technologies to reduce the weight of concrete and the development of an environment-friendly soil stabilizer.

Machinery & Metal Products

R&D expenditures for this segment totaled ¥0.5 billion. Research was undertaken for the development of technologies for molding and casting light metals in the semi-solid state (the New Rheocasting Process), technologies for the simultaneous coating and molding of thermoplastic products within metal molds (the in-mold coating

R&D Expenditures by Segment (%, Millions of yen)



process), and technologies for developing molds made by combining molding plastics with skin materials using a power-driven injection-molding machine (the Dieprest Molding Process).

Achievements in fiscal 2000 included a 1,400-ton all-electric plastic injection-molding machine—the largest of its kind in the world.

Energy & Environment

R&D in this segment amounted to ¥0.6 billion. Research topics included better transportation and storage of coal, diverse new uses for coal, technologies for the effective use of coal ash in civil engineering projects, a system for the two-stage pressurized gasification of waste plastic from containers and packaging material, and vitrification and remediation technologies for hazardous waste and contaminated soil. Major achievements in the year under review included the start of the operations of our two-stage pressurized gasification system in January 2001.

PROMOTING BUSINESS CREATION & DEVELOPMENT OF FUTURE CORE BUSINESSES

Building on the progress of the UBE 2010 Project, which is under the direct supervision of the president, Ube Industries established a Business Creation & Development Division in July 2000 to nurture and promote future core businesses. These include 1) ceramics-dielectrics-based communications equipment materials, 2) polyimide-based electronic components that will enable the commercialization of circuit board products, 3) new fibers that can function as photocatalysts, 4) fuel cell materials, and 5) solar cells. In the communications equipment materials business, we established Yokowo-UBE Giga Devices Co., Ltd., in collaboration with Yokowo Co., Ltd.,* in May 2001. The aim is to develop, manufacture, and sell low-cost, high-performance parts for mobile phones and other high-frequency communications devices.

* An all-round manufacturer of antennas—key devices for all types of wireless communications

■ Signing ceremony for the establishment of Yokowo-UBE Giga Devices Co., Ltd.

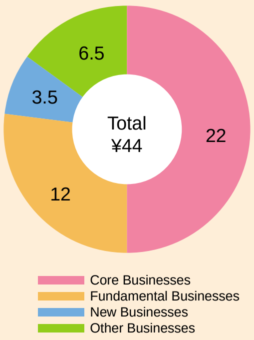
FUTURE POLICY DIRECTION

On the basis of the "New 21•UBE" three-year management plan, which was formulated in March 2001 and aims for business concentration and growth, the UBE Group will concentrate its R&D resources in its core business areas, which include fine chemicals, pharmaceutical products, and specialty products.

Over the next three years, the Group plans to invest a total of ¥44 billion, of which half will be invested in core businesses (fine chemicals and pharmaceutical products, specialty products, and aluminum wheels).

Growth by Concentration on Core Businesses

R&D Expenditures by Business Category (Billions of yen)



Consolidated Five-Year Summary

UBE INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31

	Millions of yen, except per share and other data				
	2001	2000	1999	1998	1997
RESULTS OF OPERATIONS:					
Breakdown of net sales:					
Chemicals & Plastics	**¥227,109**	¥211,423	¥ —	¥ —	¥ —
Construction Materials	**187,836**	197,125	—	—	—
Machinery & Metal Products	**94,837**	79,753	—	—	—
Energy & Environment	**13,816**	13,440	—	—	—
Other Businesses	**11,409**	13,036	—	—	—
Net sales	**535,007**	514,777	537,712	625,417	633,282
Cost of sales	**427,151**	413,528	434,987	489,358	493,134
Selling, general and administrative expenses	**79,336**	78,738	90,284	108,518	103,100
Operating income	**28,520**	22,511	12,441	27,541	37,048
Income before income taxes and minority interest	**13,618**	11,875	4,635	16,281	20,633
Net income	**7,911**	10,514	2,969	4,439	10,144
FINANCIAL POSITION:					
Assets:					
Total current assets	**¥311,412**	¥339,239	¥380,446	¥390,611	¥396,621
Total property, plant and equipment, net	**352,338**	375,941	395,361	412,588	408,333
Total investments and other assets	**117,125**	120,907	128,075	109,724	106,145
Total assets	**780,875**	836,087	903,882	912,923	911,099
Liabilities and stockholders' equity:					
Total current liabilities	**362,890**	397,345	445,676	484,225	487,368
Total long-term liabilities	**304,707**	329,857	342,683	313,804	312,656
Minority interest	**18,933**	19,463	18,469	21,471	21,530
Total stockholders' equity	**94,345**	89,422	97,054	93,423	89,545
Total liabilities and stockholders' equity	**780,875**	836,087	903,882	912,923	911,099
GENERAL:					
Per share data:					
Net income, primary*	**¥ 9.48**	¥ 12.65	¥ 3.57	¥ 5.34	¥ 12.17
Cash dividends	**3.00**	3.00	2.50	5.00	5.00
Stockholders' equity	**112.67**	107.59	116.79	112.42	107.47
Other data:					
Operating income as a percentage of net sales (%)	**5.3**	4.4	2.3	4.4	5.9
Return on stockholders' equity (%)	**8.4**	11.8	3.1	4.9	12.1
Return on total assets (%)	**1.0**	1.3	0.3	0.5	1.1
Shares of common stock issued (thousands)	**845,828**	837,857	837,857	837,857	837,855
Number of consolidated subsidiaries	**81**	84	81	85	81
Number of stockholders	**74,973**	74,787	76,648	76,458	75,703
Number of employees	**11,834**	12,107	12,691	14,461	14,423

* Net income per share is based on the weighted average number of shares of common stock outstanding during the respective fiscal year.

OPERATING ENVIRONMENT

Amid a slump in personal consumption, the deceleration of the U.S. and Asian economies, and deflationary domestic trends, the Japanese economy appeared to slip back into recession. In industrial sectors, there was an increasing number of business reorganizations, including mergers and tie-ups outside traditional frameworks.

MAJOR POLICIES

In the second year of its 21•UBE consolidated medium-term management plan, the UBE Group worked on the following areas: (1) focusing its managerial resources on new core businesses, (2) reorganizing its operational structure, (3) creating a management system capable of dealing with the highly information-oriented society of today, and (4) changing its corporate culture through the adoption of a new wage system based on performance.

As a result, the Company was able to achieve its management reform goals of cutting back interest-bearing debt levels and disposing of poorly performing affiliated companies one year ahead of schedule.

PERFORMANCE

•Consolidated net sales rose 3.9%, to ¥535.0 billion (US$4,315 million).

•Operating income increased 26.7%, to ¥28.5 billion (US$230 million). Despite the large increase in raw material prices following a skyrocketing of crude oil prices, operating income increased as a result of the Company's cost reduction measures and increased revenues from the specialty products business.

•Net income fell 24.8%, to ¥7.9 billion (US$64 million), due to increases in the provision for doubtful receivables and income taxes. The increase in income taxes came as a result of higher earnings during the period under review.

•Diluted net income per share amounted to ¥8.78 (US$0.071).

•Cash dividends applicable to the period remained the same as for the previous term, at ¥3.00 (US$0.024).

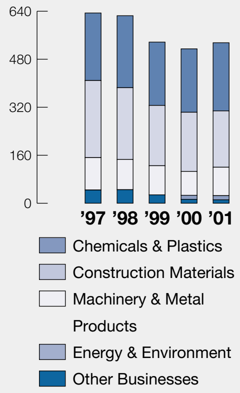
SEGMENT REVIEW

Chemicals & Plastics

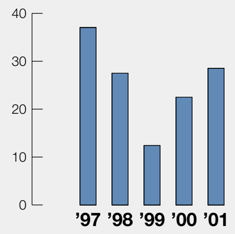
•Sales rose 7.4%, to ¥227.1 billion (US$1,831 million).

•Operating income grew 20.3%, to ¥11.6 billion (US$94 million), despite the large increase in raw material prices, as a result of good performances by the specialty product and nylon resin businesses.

BREAKDOWN OF NET SALES
(Billions of yen)



OPERATING INCOME
(Billions of yen)



Construction Materials

•Sales dropped 4.7%, to ¥187.8 billion (US$1,515 million).

•Operating income climbed 10.3%, to ¥9.7 billion (US$78 million), as a result of effective cost reduction measures.

Machinery & Metal Products

•Steady performance by the aluminum wheels business resulted in an 18.9% expansion in sales, to ¥94.8 billion (US$765 million).

•Operating income soared 121.5%, to ¥3.1 billion (US$25 million), due to improved sales and effective rationalization measures.

Energy & Environment

•Sales rose 2.8%, to ¥13.8 billion (US$111 million).

•Operating income increased 37.8%, to ¥2.2 billion (US$18 million), as a result of a steady performance by the coal business.

Other Businesses

•Sales dropped 12.5%, to ¥11.4 billion (US$92 million).

•Operating income climbed 62.9%, to ¥1.9 billion (US$16 million).

FINANCIAL POSITION

•Total assets decreased 6.6%, to ¥780.9 billion (US$6,297 million), partly owing to the reduction of cash on hand (cash and cash equivalents) and the sale of tangible fixed assets and marketable securities.

•Total current assets dropped 8.2%, to ¥311.4 billion (US$2,511 million). Total property, plant and equipment, net, and total investments and other assets combined decreased 5.5%, to ¥469.5 billion (US$3,786 million).

•Reductions in interest-bearing debt levels resulted in total current liabilities and total long-term liabilities combined dropping 8.2%, to ¥667.6 billion (US$5,384 million).

•Total stockholders' equity climbed 5.5%, to ¥94.3 billion (US$761 million), partly due to an increase in retained earnings.

•As a result of the above factors, the return on equity (ROE) dropped 3.4 percentage points from 11.8% to 8.4%, and the return on total assets (ROA) dropped 0.3 percentage point from 1.3% to 1.0%.

CASH FLOWS

•Net cash provided by operating activities amounted to ¥32.0 billion (US$258 million) despite the decrease in inventories following the increase in raw material prices.

•Net cash provided by investing activities totaled ¥2.3 billion (US$18 million), largely as a result of increases in proceeds from sale of property, plant and equipment and in proceeds from sale of investment securities, offsetting an increase in acquisition of property, plant and equipment.

•Net cash used in financing activities amounted to ¥56.8 billion (US$458 million) as the Company funded the reduction of its interest-bearing debt levels with the help of free cash flows and a curtailment of cash on hand.

•Interest-bearing debt dropped ¥52.1 billion, to ¥483.9 billion (US$3,902 million), compared with the previous period.

•As a result of the above factors, cash and cash equivalents at end of the year dropped ¥22.1 billion, to ¥46.0 billion (US$371 million) compared with the end of the previous term.

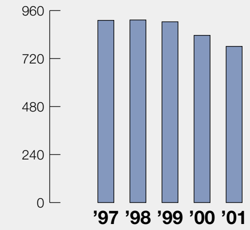
During the term under review, the Company introduced changes in its accounting methods as follows:

From the term under review, revised accounting standards have been adopted for foreign currency transactions. In accordance with these new standards, foreign currency denominated revenues and expenses are accounted for by translating the relevant amounts into Japanese yen at the current exchange rate prevailing on the closing date. (See p. 32, Note 2 (j))

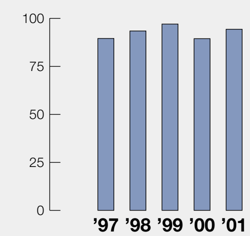
From the term under review, new accounting standards have been adopted for retirement benefits. In accordance with these new standards, retirement and severance benefits are grouped together, and the allowance for accrued retirement benefits at the end of the term is recorded as an expenditure for the current term. Based on the projected retirement benefit obligations and the pension plan assets, the reserve deficiency, which is the difference between the above obligations and assets, is recorded in the liabilities column of the balance sheets. (See p. 32, Note 2 (k))

From the term under review, new accounting standards have been adopted for financial instruments. Current value accounting is applied to financial instruments, such as marketable securities. The value of such financial instruments as recorded in the balance sheets has been changed from at cost to market value. The appraisal loss or gain is reflected in the statements of income as well as in the balance sheets. (See p. 32, Note 2 (o))

TOTAL ASSETS
(Billions of yen)



TOTAL STOCKHOLDERS' EQUITY
(Billions of yen)



Consolidated Balance Sheets

UBE INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2001**	2000	**2001**
Current assets:			
Cash and cash equivalents	**¥ 45,996**	¥ 68,077	**$ 370,935**
Time deposits (Note 6)	**2,798**	5,133	**22,565**
Securities (Note 3)	**26**	2,228	**210**
Receivables (Note 6):			
Trade notes and accounts	**153,268**	161,347	**1,236,032**
Other	**22,953**	17,478	**185,105**
Allowance for doubtful receivables	**(2,515)**	(1,065)	**(20,282)**
Inventories (Note 4)	**78,565**	71,248	**633,589**
Deferred tax assets	**5,363**	5,192	**43,250**
Other current assets	**4,958**	9,601	**39,983**
Total current assets	**311,412**	339,239	**2,511,387**
Property, plant and equipment (Note 6):			
Land	**92,875**	95,738	**748,992**
Buildings and structures	**255,681**	275,980	**2,061,943**
Machinery and equipment	**552,165**	544,600	**4,452,944**
Construction in progress	**7,571**	12,638	**61,056**
Accumulated depreciation	**(555,954)**	(553,015)	**(4,483,500)**
Total property, plant and equipment, net	**352,338**	375,941	**2,841,435**
Investments and other assets:			
Investment securities (Notes 3 and 6)	**83,522**	72,082	**673,564**
Long-term loans receivable	**5,664**	8,360	**45,677**
Long-term deferred tax assets	**7,650**	11,179	**61,694**
Other non-current assets	**28,219**	34,826	**227,573**
Allowance for doubtful receivables	**(7,930)**	(5,540)	**(63,951)**
Total investments and other assets	**117,125**	120,907	**944,557**
Total assets	**¥780,875**	¥836,087	**$6,297,379**

See accompanying notes.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of yen 2001	Millions of yen 2000	Thousands of U.S. dollars (Note 1) 2001
Current liabilities:			
Short-term loans payable (Notes 5 and 6)	¥147,304	¥183,075	$1,187,935
Current maturities of long-term debt (Notes 5 and 6)	65,668	57,118	529,581
Payables:			
Trade notes and accounts	93,122	97,488	750,984
Other	25,584	27,924	206,323
Accrued expenses	6,871	7,183	55,411
Accrued income taxes	5,408	1,652	43,613
Other current liabilities	18,933	22,905	152,685
Total current liabilities	362,890	397,345	2,926,532
Long-term liabilities:			
Long-term debt less current maturities (Notes 5 and 6)	270,893	295,816	2,184,621
Accrued retirement benefits	9,331	4,471	75,250
Long-term deferred tax liabilities (Note 10)	2,273	321	18,331
Other long-term liabilities	22,210	29,249	179,113
Total long-term liabilities	304,707	329,857	2,457,315
Minority interest	18,933	19,463	152,685
Contingent liabilities (Note 7)			
Stockholders' equity:			
Common stock, par value ¥50 per share:			
Authorized—3,300,000,000 shares			
Issued—845,828,704 shares at March 31, 2001			
and 837,857,404 shares at March 31, 2000	43,564	43,165	351,322
Capital surplus	9,605	9,083	77,460
Retained earnings	41,409	38,257	333,944
Unrealized gain on holdings of other marketable securities	9,474	—	76,403
Accumulated foreign currency translation adjustments	(8,121)	—	(65,492)
	95,931	90,505	773,637
Treasury stock, at cost	(1,586)	(1,083)	(12,790)
Total stockholders' equity	94,345	89,422	760,847
Total liabilities and stockholders' equity	¥780,875	¥836,087	$6,297,379

Consolidated Statements of Income

UBE INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2000	2001
Net sales	¥535,007	¥514,777	$4,314,573
Cost of sales	427,151	413,528	3,444,766
Gross profit	107,856	101,249	869,807
Selling, general and administrative expenses	79,336	78,738	639,807
Operating income	28,520	22,511	230,000
Other income (expenses):			
Interest and dividend income	3,125	3,371	25,202
Amortization of consolidation differences	103	196	831
Interest expenses	(12,161)	(13,099)	(98,073)
Equity in losses of unconsolidated subsidiaries and affiliated companies	(1,939)	(769)	(15,637)
Other, net (Note 9)	(4,030)	(335)	(32,500)
	(14,902)	(10,636)	(120,177)
Income before income taxes and minority interest	13,618	11,875	109,823
Income taxes (Note 10):			
Current	7,611	3,143	61,379
Deferred	(1,350)	(2,378)	(10,887)
	6,261	765	50,492
Minority interest	554	(596)	4,467
Net income	¥ 7,911	¥ 10,514	$ 63,798

	Yen		U.S. dollars (Note 1)
Per share:			
Net income:			
Primary	¥ 9.48	¥ 12.65	$ 0.076
Diluted	8.78	11.71	0.071
Cash dividends applicable to the period	3.00	3.00	0.024

See accompanying notes.

Consolidated Statements of Stockholders' Equity

UBE INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2001 and 2000

	Number of shares of common stock (thousands)	Millions of yen		
		Common stock	Capital surplus	Retained earnings
Balance at March 31, 1999	837,857	¥43,165	¥9,083	¥45,889
Adjustment for the adoption of deferred tax accounting	—	—	—	(7,426)
Increase in earnings due to merger of affiliated companies of equity method	—	—	—	1,069
Cash dividends at ¥2.50 per share	—	—	—	(2,089)
Bonuses to directors and statutory auditors	—	—	—	(98)
Decrease in earnings due to inclusion of consolidated subsidiaries	—	—	—	(5,104)
Decrease in earnings due to exclusion of affiliated companies of equity method	—	—	—	(1,669)
Decrease in earnings due to inclusion of affiliated companies of equity method	—	—	—	(250)
Decrease in earnings due to changes in shareholding ratio of consolidated subsidiaries and unconsolidated subsidiaries and affiliated companies of equity method	—	—	—	(239)
Decrease in earnings due to reversal of revaluation reserve of an affiliated company of equity method in Thailand	—	—	—	(2,340)
Net income for the year	—	—	—	10,514
Balance at March 31, 2000	837,857	43,165	9,083	38,257
Issue of new shares resulting from an equity swap	**7,971**	**399**	**522**	**—**
Increase in earnings due to exclusion of consolidated subsidiaries	**—**	**—**	**—**	**5**
Increase in earnings due to inclusion of affiliated companies of equity method	**—**	**—**	**—**	**190**
Increase in earnings due to merger of consolidated subsidiaries	**—**	**—**	**—**	**6**
Cash dividends at ¥3.00 per share	**—**	**—**	**—**	**(2,507)**
Bonuses to directors and statutory auditors	**—**	**—**	**—**	**(78)**
Decrease in earnings due to inclusion of consolidated subsidiaries	**—**	**—**	**—**	**(1)**
Decrease in earnings due to exclusion of affiliated companies of equity method	**—**	**—**	**—**	**(20)**
Decrease in earnings due to changes in shareholding ratio of consolidated subsidiaries and affiliated companies of equity method	**—**	**—**	**—**	**(1,922)**
Decrease in earnings due to reversal of revaluation reserve of an affiliated company of equity method in Thailand	**—**	**—**	**—**	**(432)**
Net income for the year	**—**	**—**	**—**	**7,911**
Balance at March 31, 2001	**845,828**	**¥43,564**	**¥9,605**	**¥41,409**

	Thousands of U.S. dollars (Note 1)		
	Common stock	Capital surplus	Retained earnings
Balance at March 31, 2000	$348,105	$73,250	$308,524
Issue of new shares resulting from an equity swap	**3,217**	**4,210**	**—**
Increase in earnings due to exclusion of consolidated subsidiaries	**—**	**—**	**40**
Increase in earnings due to inclusion of affiliated companies of equity method	**—**	**—**	**1,532**
Increase in earnings due to merger of consolidated subsidiaries	**—**	**—**	**48**
Cash dividends at $0.024 per share	**—**	**—**	**(20,217)**
Bonuses to directors and statutory auditors	**—**	**—**	**(629)**
Decrease in earnings due to inclusion of consolidated subsidiaries	**—**	**—**	**(8)**
Decrease in earnings due to exclusion of affiliated companies of equity method	**—**	**—**	**(161)**
Decrease in earnings due to changes in shareholding ratio of consolidated subsidiaries and affiliated companies of equity method	**—**	**—**	**(15,500)**
Decrease in earnings due to reversal of revaluation reserve of an affiliated company of equity method in Thailand	**—**	**—**	**(3,483)**
Net income for the year	**—**	**—**	**63,798**
Balance at March 31, 2001	**$351,322**	**$77,460**	**$333,944**

	Millions of yen	Thousands of U.S. dollars
Unrealized gain on holdings of other marketable securities:		
Balance at March 31, 2000	¥ —	$ —
Net change during the year	**9,474**	**76,403**
Balance at March 31, 2001	**¥ 9,474**	**$ 76,403**
Accumulated foreign currency translation adjustments:		
Balance at March 31, 2000	¥ —	$ —
Net change during the year	**(8,121)**	**(65,492)**
Balance at March 31, 2001	**¥(8,121)**	**$(65,492)**

See accompanying notes.

Consolidated Statements of Cash Flows

UBE INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2000	2001
Cash flows from operating activities:			
Income before income taxes and minority interest	¥13,618	¥11,875	$109,823
Depreciation and amortization	29,574	31,376	238,500
Interest and dividend income	(3,125)	(3,371)	(25,202)
Interest expenses	12,161	13,099	98,072
Gain on sale of property, plant and equipment, net	(9,740)	(2,023)	(78,548)
Gain on sale of securities	—	(1,710)	—
Gain on sale of investment securities	(6,434)	(1,528)	(51,887)
Decrease in receivables	8,860	13,289	71,451
(Decrease) increase in inventories	(5,492)	5,811	(44,290)
(Decrease) increase in payables	(5,155)	6,937	(41,573)
Other, net	8,674	(2,210)	69,952
Subtotal	42,941	71,545	346,298
Interest and dividends received	3,425	3,364	27,621
Interest payment	(12,180)	(12,945)	(98,226)
Income tax payment	(3,913)	(2,448)	(31,556)
Other, net	1,733	(683)	13,976
Net cash provided by operating activities	32,006	58,833	258,113
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	30,289	10,277	244,266
Acquisition of property, plant and equipment	(32,647)	(23,291)	(263,282)
Proceeds from sale of securities	128	21,458	1,032
Proceeds from sale of investment securities	13,576	6,196	109,484
Acquisition of securities	(9,706)	(17,500)	(78,274)
Increase in loans receivable	(448)	(1,788)	(3,613)
Others, net	1,067	1,050	8,605
Net cash provided by (used in) investing activities	2,259	(3,598)	18,218
Cash flows from financing activities:			
Proceeds from long-term borrowings	27,884	31,670	224,871
Proceeds from long-term bonds	14,000	10,000	112,903
Repayments of long-term borrowings	(61,238)	(60,928)	(493,855)
Repayments of long-term bonds	—	(42,590)	—
Net decrease in short-term loans payable	(34,701)	(9,754)	(279,847)
Cash dividends paid	(2,699)	(2,094)	(21,766)
Net cash used in financing activities	(56,754)	(73,696)	(457,694)
Effect of exchange rate changes on cash and cash equivalents	408	(474)	3,290
Net decrease in cash and cash equivalents	(22,081)	(18,935)	(178,073)
Cash and cash equivalents at beginning of the year	68,077	87,012	549,008
Cash and cash equivalents at end of the year	¥45,996	¥68,077	$370,935

See accompanying notes.

Notes to Consolidated Financial Statements

UBE INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2001 and 2000

1. Basis of Presenting Financial Statements

(a) Ube Industries, Ltd. (the "Company") and its consolidated subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles and practices generally accepted and applied in Japan. The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required under the Securities and Exchange Law of Japan and, accordingly, have been prepared in accordance with accounting principles and practices generally accepted in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Certain modifications have been made to the accompanying financial statements in order to present them in a form which is more familiar to readers outside Japan.

(b) The accompanying financial statements are expressed in Japanese yen and, solely for the convenience of the reader, have been translated into U.S. dollars at ¥124=US$1, the approximate rate of exchange on March 31, 2001. The translation should not be construed as a representation that Japanese yen have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

2. Significant Accounting Policies

(a) Basis of Consolidation and Accounting for Investments in Unconsolidated Subsidiaries and Affiliates

In accordance with the revised accounting standards for consolidation which became effective April 1, 1999, the accompanying consolidated financial statements for the years ended March 31, 2001 and 2000 include the accounts of the Company and its significant companies controlled directly or indirectly by the Company, and significant companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

The excess of cost over underlying net assets at fair value at the date of acquisition is amortized over a period of 5 or 20 years on a straight-line basis.

Investments in companies which are not consolidated or accounted for by the equity method are carried at cost.

(b) Accounting for Income Taxes

In accordance with a new accounting standard for income taxes which became effective April 1, 1999, deferred tax assets and liabilities have been recognized in the consolidated financial statements for the year ended March 31, 2001 and 2000 with respect to differences between financial reporting and the tax bases of the assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

Until the year ended March 31, 1999, deferred income taxes had been recognized by the Company only for timing differences between financial and tax reporting with respect to the elimination of unrealized intercompany profits and other adjustments for consolidation purposes. The effect of this change in the method of accounting was to decrease retained earnings by ¥6,871 million at March 31, 2000, and to decrease net income by ¥578 million for the year ended March 31, 2000.

(c) Securities

Until the year ended March 31, 2000, marketable securities and investment securities were stated principally at cost determined by the moving-average method. A new accounting standard for financial instruments, which became effective April 1, 2000, requires that securities be classified into three categories: trading, held-to-maturity or other securities. Under the new standard, trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in the unrealized holding gain or loss, net of the applicable income taxes, included directly in stockholders' equity. Nonmarketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving-average method.

As of April 1, 2000, the Company and its consolidated subsidiaries assessed their intent to hold their investments in securities and classified their investments as "held-to-maturity securities" or "other securities" and accounted for the securities at March 31, 2001 in accordance with the new standard referred to above.

(d) Allowance for Doubtful Receivables

The allowance for doubtful receivables is provided for by the Company and its consolidated subsidiaries at an amount estimated with reference to individual uncollectible accounts plus an amount calculated by a historical rate determined based on the actual uncollectible amounts incurred in prior years.

(e) Inventories

Inventories are stated at cost principally determined by the weighted-average method.

(f) Property, Plant and Equipment

Property, plant and equipment is stated at cost. Depreciation of property, plant and equipment is computed principally by the straight-line method for the Company and by the declining-balance method for the consolidated subsidiaries at rates based on the estimated useful lives of the respective assets, ranging from 2 to 75 years for buildings and structures and from 2 to 25 years for machinery and equipment.

(g) Leases

Non-cancelable lease transactions are accounted for as operating leases (whether such leases are classified as operating leases or finance leases) except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

(h) Research and Development Costs

Research and development costs are charged to income when incurred.

A new accounting standard for research and development costs became effective from the fiscal year ended March 31, 2000. However, the adoption of this new standard had no effect on the consolidated statement of income for the year ended March 31, 2000.

(i) Issue Expenses of Notes

Issue expenses of notes are charged to income over a period of three years.

(j) Foreign Currency Translation

Until the year ended March 31, 2000, receivables and payables denominated in foreign currencies, principally in U.S. dollars, were translated into yen at the historical exchange rates in effect at the date the relevant transactions were effected or at the exchange rates applicable to the respective forward exchange contracts. Long-term receivables and long-term debt denominated in foreign currencies hedged by forward exchange contracts were translated into Japanese yen at the contracted rates of exchange. Gains or losses resulting from forward exchange contracts were deferred and amortized over the contract periods. In accordance with a revised accounting standard for foreign currency translation which became effective April 1, 2000, current and non-current monetary accounts denominated in foreign currencies are translated into yen at the current rates. Foreign currency denominated revenues and expenses are translated at the spot exchange rate on the closing date, and any translation difference is accounted for as a profit or loss for the term. As a result of this change, income before income taxes rose ¥102 million (US$823 thousand).

In accordance with the revised standard, the Company has presented translation adjustments as a component of stockholders' equity and minority interests (instead of as a component of assets or liabilities) in its consolidated financial statements for the year ended March 31, 2001.

(k) Accrued Retirement Benefits

The Company has a non-contributory funded pension plan which generally covers all employees. Until the year ended March 31, 2000, payments to the pension fund, including amortization of past service cost, were charged to income when made.

Most of the consolidated subsidiaries provided the liabilities for retirement benefits which were maintained for the retirement allowance payment in the amount of 40% of the required retirement allowance calculated based on the consolidated subsidiaries' retirement benefit policy if all employees retired voluntarily at the balance sheet date.

A new accounting standard has been applied for retirement benefits, which became effective April 1, 2000. In accordance with this standard, the allowance for accrued retirement benefits at the end of the term has been provided for, the amount acknowledged to have arisen at the end of the term for retirement benefits for employees based on the projected retirement benefit obligation and the pension plan assets. The effect of this change was to reduce income before income taxes ¥5,423 million (US$43,734 thousand).

(l) Net Income per Share

Primary net income per share is based on the weighted average number of shares of common stock outstanding during the respective fiscal year.

Diluted net income per share is based on the weighted average number of shares of common stock outstanding during the respective fiscal year and assuming the conversion of convertible notes.

(m) Employees' Bonus Allowance

Employees' bonus allowance is maintained at an amount estimated based on the bonus to be paid subsequent to the balance sheet date.

(n) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term investments. Short-term investments included here are readily convertible into cash, exposed to insignificant risk of changes in value, and mature or become due within three months of the date of acquisition.

(o) Accounting Standards for Financial Instruments

A new accounting standard has been applied for financial instruments, which became effective April 1, 2000. This resulted in a decline of ¥651 million (US$5,250 thousand) in income before income taxes.

(p) Directors and Statutory Auditors' Retirement Benefits

Until the fiscal year ended March 31, 2000, the Company and its consolidated subsidiaries had charged directors and statutory auditors' retirement benefits on a cash basis.

Effective from the fiscal year ended March 31, 2001, the Company and its four consolidated subsidiaries provides for retirement allowances for directors and statutory auditors determined based on their internal regulations for their provision. As a result, income before income taxes decreased ¥1,214 million (US$9,790 thousand) compared with the previous method.

3. Securities

Securities and investment securities at March 31, 2001 and 2000 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Securities, at cost:			
Marketable equity securities	**¥ —**	¥ 1,013	**$ —**
Bonds and other	**26**	1,215	**210**
	¥ 26	¥ 2,228	**$ 210**
Investment securities, at cost:			
Unconsolidated subsidiaries and affiliated companies	**¥40,159**	¥40,939	**$323,863**
Other	**43,363**	31,143	**349,701**
	¥83,522	¥72,082	**$673,564**

4. Inventories

Inventories at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Finished goods	**¥33,105**	¥29,419	**$266,976**
Work in process	**26,927**	25,022	**217,153**
Raw materials and supplies	**18,533**	16,807	**149,460**
	¥78,565	¥71,248	**$633,589**

5. Short-Term Loans Payable and Long-Term Debt

Short-term loans payable represented short-term notes and bank overdrafts, with interest rates principally at 0.900% and 0.648% per annum at March 31, 2001 and 2000, respectively.

Long-term debt at March 31, 2001 and 2000 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
1.77% notes due 2003	**¥ 5,000**	¥ 5,000	**$ 40,323**
2.41% notes due 2005	**5,000**	5,000	**40,323**
2.35% notes due 2005	**7,000**	—	**56,452**
2.66% notes due 2006	**7,000**	—	**56,452**
1.25% convertible notes due 2005, convertible at ¥422 per share	**19,999**	19,999	**161,282**
1.40% convertible notes due 2008, convertible at ¥422 per share	**20,000**	20,000	**161,290**
Loans principally from banks and insurance companies:			
Secured, at 1.45% to 8.50%, maturing through 2035	**179,889**	182,673	**1,450,717**
Unsecured, at 0.82% to 8.58%, maturing through 2021	**92,673**	120,262	**747,363**
	336,561	352,934	**2,714,202**
Less current maturities	**65,668**	57,118	**529,581**
	¥270,893	¥295,816	**$2,184,621**

The annual maturities of long-term debt subsequent to March 31, 2001 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2002	¥69,995	$564,476
2003	64,206	517,790
2004	48,282	389,371
2005 and thereafter	88,410	712,984

6. Pledged Assets

The assets pledged as collateral for short-term and long-term borrowings, guarantees, and borrowings of affiliated companies at March 31, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
Assets pledged as collateral:		
Time deposits	¥ 35	$ 282
Trade notes receivable	1,870	15,081
Trade accounts receivable	3,991	32,185
Property, plant and equipment, at net book value	180,945	1,459,234
Investment securities	8,367	67,476
	¥195,208	$1,574,258

7. Contingent Liabilities

At March 31, 2001 and 2000, the Company and its consolidated subsidiaries were contingently liable as follows:

The guaranteed amount at March 31, 2001 includes similar commitments of ¥17,053 million (US$137,524 thousand), due to the extended Japanese disclosure guidelines.

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
As endorser of trade notes discounted or endorsed	**¥ 7,779**	¥ 5,444	**$ 62,734**
As guarantor of indebtedness principally of unconsolidated subsidiaries and affiliated companies	**35,787**	40,754	**288,605**

8. Research and Development Costs

Research and development costs, all of which were included in selling, general and administrative expenses for the years ended March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Research and development costs	**¥12,777**	¥12,975	**$103,040**

9. Other Income (Expenses)

Other income (expenses)—other, net, for the years ended March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Gain on sale of securities, net	**¥ 6,434**	¥4,219	**$ 51,887**
Gain on sale of property, plant and equipment, net	**9,740**	2,023	**78,548**
Write-down of investment securities	**(1,843)**	(1,028)	**(14,863)**
Provision for doubtful receivables	**(10,219)**	(2,358)	**(82,411)**
Early retirement incentive payments to employees	**(429)**	(2,831)	**(3,460)**
Amortization of unrecognized transition amount under retirement benefits accounting	**(4,676)**	—	**(37,710)**
Other, net	**(3,037)**	(360)	**(24,491)**
	¥ (4,030)	¥ (335)	**$(32,500)**

10. Income Taxes

Income taxes applicable to the Company comprise corporation, enterprise, and inhabitants' taxes which, in the aggregate, resulted in a statutory tax rate of approximately 41.7% for 2001 and 2000.

The effective tax rate reflected in the statements of income for the years ended March 31, 2001 and 2000 differs from the statutory tax rate for the following reasons.

	Percentage	
	2001	2000
Statutory tax rate	**41.7%**	41.7%
Effect of:		
Permanently nondeductible expenses	**2.9**	4.7
Loss carried forward without deferred tax assets	**25.8**	13.3
Investment valuation loss of consolidated subsidiaries and affiliates	**(2.6)**	(22.0)
Reserve for doubtful receivables of consolidated subsidiaries and affiliates	**(31.4)**	(20.2)
Sale of the equities of consolidated subsidiaries and affiliates	**—**	(14.7)
Investment profit/loss of the affiliated companies of equity method	**5.9**	2.7
Other	**3.7**	0.9
Effective tax rate	**46.0%**	6.4%

The significant components of deferred tax assets and liabilities as of March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Deferred tax assets:			
Accrued bonuses	**¥ 1,591**	¥ 1,106	**$ 12,831**
Retirement allowances	**3,183**	675	**25,669**
Loss carried forward	**8,964**	9,350	**72,290**
Intercompany profit	**24,508**	23,823	**197,645**
Other	**3,584**	3,062	**28,904**
Total deferred tax assets	**41,830**	38,016	**337,339**
Valuation allowance	**(9,579)**	(6,574)	**(77,250)**
Total deferred tax assets	**32,251**	31,442	**260,089**
Deferred tax liabilities:			
Reserve under Special Taxation Measurement Law	**(14,835)**	(14,280)	**(119,637)**
Unrealized gain on holdings of other marketable securities	**(6,676)**	—	**(53,839)**
Other	**—**	(1,112)	**—**
Total deferred tax liabilities	**(21,511)**	(15,392)	**(173,476)**
Net deferred tax assets	**¥10,740**	¥16,050	**$ 86,613**

11. Derivative Financial Instruments

The Company and certain consolidated subsidiaries have entered into derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates and in interest rates. In accordance with a new accounting standard for financial instruments which became effective April 1, 2000, derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability. Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding foreign exchange contract rates.

Summarized below are the notional amounts and the estimated fair value of the derivative transactions outstanding at March 31, 2001 and 2000.

(a) Currency-Related Transactions

	Millions of yen					
	2001			2000		
	Notional Amount	Fair Value	Unrealized Gain (Loss)	Notional Amount	Fair Value	Unrealized Gain (Loss)
Forward exchange contracts:						
Sell:						
US$	**¥3,244**	**¥3,434**	**¥(190)**	¥2,470	¥2,481	¥(11)
Sfr.	**—**	**—**	**—**	72	70	2
£Stg.	**—**	**—**	**—**	18	17	1
Buy:						
US$	**368**	**372**	**4**	694	693	(1)
Options:						
Put options, purchased:						
US$	**—**			212		
(Premium)	**—**	**—**	**—**	(5)	3	(2)
Total			**¥(186)**			¥(11)

	Thousands of U.S. dollars		
	2001		
	Notional Amount	Fair Value	Unrealized Gain (Loss)
Forward exchange contracts:			
Sell:			
US$	**$26,162**	**$27,694**	**$(1,532)**
Sfr.	**—**	**—**	**—**
£Stg.	**—**	**—**	**—**
Buy:			
US$	**2,968**	**3,000**	**32**
Options:			
Put options, purchased:			
US$	**—**		
(Premium)	**—**	**—**	**—**
Total			**$(1,500)**

Note: The notional amounts of the forward exchange contracts and currency swaps presented above exclude those entered into to hedge receivables and payables denominated in foreign currencies which have been translated and are reflected at the corresponding contracted rates in the accompanying consolidated balance sheets.

(b) Interest-Related Transactions

	Millions of yen					
	2001			2000		
	Notional Amount	Fair Value	Unrealized Gain (Loss)	Notional Amount	Fair Value	Unrealized Gain (Loss)
Interest rate swaps:						
Receive/floating and pay/fixed	**¥48,273**	**¥(1,961)**	**¥(1,961)**	¥53,962	¥(1,019)	¥(1,019)
Receive/fixed and pay/floating	**2,000**	**(59)**	**(59)**	4,717	(43)	(43)
Options:						
Caps purchased	**2,000**			2,000		
(Premium)	**(0)**	**0**	**0**	(31)	10	(21)
Total			**¥(2,020)**			¥(1,083)

	Thousands of U.S. dollars		
	2001		
	Notional Amount	Fair Value	Unrealized Gain (Loss)
Interest rate swaps:			
Receive/floating and pay/fixed	**$389,298**	**$(15,814)**	**$(15,814)**
Receive/fixed and pay/floating	**16,129**	**(476)**	**(476)**
Options:			
Caps purchased	**16,129**		
(Premium)	**(0)**	**0**	**0**
Total			**$(16,290)**

12. Segment Information

Effective from the year ended March 31, 2001, the Company has changed its segmentation to the following: “Chemicals & Plastics,” “Construction Materials,” “Machinery & Metal Products,” “Energy & Environment,” and “Other Businesses” due to the adoption of a consolidated business strategy, which enables the continuous disclosure of business condition.

To conform to the segmentation used in the year ended March 31, 2001, the segment information for the year ended March 31, 2000 was restated in accordance with the new segments.

The operations of the Company and its consolidated subsidiaries for the years ended March 31, 2001 and 2000 are summarized by product group as follows:

	Millions of yen						
Year ended March 31, 2001	Chemicals & Plastics	Construction Materials	Machinery & Metal Products	Energy & Environment	Other Businesses	Elimination & Corporate	Consolidated
Sales:							
Outside customers	**¥227,109**	**¥187,836**	**¥94,837**	**¥13,816**	**¥11,409**	**¥ —**	**¥535,007**
Intersegment sales and transfers	**532**	**3,868**	**1,471**	**6,493**	**1,520**	**(13,884)**	**—**
	227,641	**191,704**	**96,308**	**20,309**	**12,929**	**(13,884)**	**535,007**
Identifiable operating cost	**215,993**	**182,051**	**93,247**	**18,115**	**10,987**	**(13,906)**	**506,487**
Operating income	**¥ 11,648**	**¥ 9,653**	**¥ 3,061**	**¥ 2,194**	**¥ 1,942**	**¥ 22**	**¥ 28,520**
Assets	**¥282,469**	**¥276,051**	**¥96,062**	**¥38,953**	**¥44,323**	**¥43,017**	**¥780,875**
Depreciation of fixed assets	**12,021**	**10,793**	**4,515**	**1,012**	**1,233**	**—**	**29,574**
Acquisition of fixed assets	**13,261**	**9,099**	**3,793**	**1,515**	**4,075**	**—**	**31,743**

	Millions of yen						
Year ended March 31, 2000	Chemicals & Plastics	Construction Materials	Machinery & Metal Products	Energy & Environment	Other Businesses	Elimination & Corporate	Consolidated
Sales:							
Outside customers	¥211,423	¥197,125	¥79,753	¥13,440	¥13,036	¥ —	¥514,777
Intersegment sales and transfers	405	4,303	1,147	5,042	1,023	(11,920)	—
	211,828	201,428	80,900	18,482	14,059	(11,920)	514,777
Identifiable operating cost	202,146	192,679	79,518	16,890	12,867	(11,834)	492,266
Operating income	¥ 9,682	¥ 8,749	¥ 1,382	¥ 1,592	¥ 1,192	¥ (86)	¥ 22,511
Assets	¥287,872	¥296,866	¥95,967	¥32,996	¥61,871	¥60,515	¥836,087
Depreciation of fixed assets	12,690	11,969	3,912	1,212	1,593	—	31,376
Acquisition of fixed assets	11,077	5,963	2,521	2,178	2,532	—	24,271

Year ended March 31, 2001	Chemicals & Plastics	Construction Materials	Machinery & Metal Products	Energy & Environment	Other Businesses	Elimination & Corporate	Consolidated
	Thousands of U.S. dollars						
Sales:							
Outside customers	$1,831,525	$1,514,806	$764,815	$111,419	$ 92,008	$ —	$4,314,573
Intersegment sales and transfers	4,290	31,194	11,863	52,363	12,258	(111,968)	—
	1,835,815	1,546,000	776,678	163,782	104,266	(111,968)	4,314,573
Identifiable operating cost	1,741,879	1,468,153	751,992	146,089	88,605	(112,145)	4,084,573
Operating income	$ 93,936	$ 77,847	$ 24,686	$ 17,693	$ 15,661	$ 177	$ 230,000
Assets	$2,277,976	$2,226,218	$774,694	$314,137	$357,443	$346,911	$6,297,379
Depreciation of fixed assets	96,944	87,040	36,411	8,161	9,944	—	238,500
Acquisition of fixed assets	106,943	73,379	30,589	12,218	32,863	—	255,992

Overseas operations, which represent sales to customers outside Japan, of the Company and its consolidated subsidiaries totaled ¥123,601 million (US$996,782 thousand) and ¥108,939 million for the years ended March 31, 2001 and 2000, respectively.

13. Leases

(a) Finance Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation, and net book value of the leased property as of March 31, 2001 and 2000, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

At March 31	Millions of yen 2001	Millions of yen 2000	Thousands of U.S. dollars 2001
Acquisition costs:			
Machinery and equipment	¥02,410	¥ 2,755	$19,435
Other assets	8,690	8,556	70,081
	¥11,100	¥11,311	$89,516
Accumulated depreciation:			
Machinery and equipment	¥ 1,411	¥ 1,485	$11,379
Other assets	4,952	4,741	39,936
	¥ 6,363	¥ 6,226	$51,315
Net book value:			
Machinery and equipment	¥ 999	¥ 1,270	$ 8,056
Other assets	3,738	3,815	30,145
	¥ 4,737	¥ 5,085	$38,201

Lease payments relating to finance leases accounted for as operating leases amounted to ¥2,134 million (US$17,210 thousand) and ¥2,381 million, which were equal to the depreciation expenses of the leased assets computed by the straight-line method over the lease terms for the years ended March 31, 2001 and 2000, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2001 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2002	¥1,870	$15,081
2003 and thereafter	2,867	23,121
Total	¥4,737	$38,202

(b) Operating Leases

Future minimum lease payments subsequent to March 31, 2001 for noncancelable operating leases are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2002	¥160	$1,290
2003 and thereafter	238	1,919
Total	¥398	$3,209

14. Accrued Retirement Benefits

The Company and domestic consolidated subsidiaries have noncontributory tax-qualified pension plans and lump-sum retirement benefit plans as defined benefit plans.

At March 31, 2001	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations:		
Present value of projected benefit obligations	¥73,771	$594,927
Plan assets at fair value	(31,841)	(256,782)
Unrecognized transition amount	(29,470)	(237,661)
Unrecognized actuarial cost	(3,604)	(29,065)
Unrecognized prior service cost	466	3,758
Prepaid pension cost	1	8
Accrued retirement benefits recognized in balance sheets	¥ 9,323	$ 75,185

Note: Accrued retirement benefits in the accompanying consolidated balance sheets include retirement benefits for executive officers; ¥8 million (US$65 thousand).

Year ended March 31, 2001	Millions of yen	Thousands of U.S. dollars
Expense (income) of accrued retirement benefits:		
Service cost	¥ 3,350	$27,016
Interest cost	2,105	16,976
Expected return on plan assets	(986)	(7,952)
Amortization of unrecognized prior service cost	(7)	(56)
Amortization of unrecognized transition amount	7,026	56,661
Expense (income) of accrued retirement benefits	¥11,488	$92,645

Assumptions used in accounting for the above plans were as follows:

Discount rate	3.5%
Expected rate of return on plan assets	2.0–3.5%

15. Related Party Transactions

The Company sold goods for resale in the amount of ¥39,591 million (US$319,282 thousand) and ¥39,982 million to Ube-Mitsubishi Cement Corporation (UMCC), its affiliate accounted for by the equity method, for the years ended March 31, 2001 and 2000, respectively.

Selling prices were negotiated in accordance with the amounts after deducting UMCC's selling costs and logistics costs from its net sales.

16. Subsequent Events

(a) Thai Caprolactam Public Co., Ltd., an affiliate accounted for by the equity method, became the Company's subsidiary in February 2001 as a result of an increase in capital participation. However, as Thai Caprolactam closes its accounts on December 31, in the financial statements for the year ended March 31, 2001 the equity method continues to be applied for this company.

(b) At the general stockholders' meeting of the Company held on June 28, 2001, the appropriations of retained earnings for the year ended March 31, 2001 were approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥3.00 per share)	¥2,531	$20,411
Bonuses to directors and statutory auditors	62	500
Transfer to legal reserve	260	2,097

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors
Ube Industries, Ltd.

We have audited the consolidated balance sheets of Ube Industries, Ltd. and consolidated subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended, all expressed in Japanese yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of Ube Industries, Ltd. and consolidated subsidiaries at March 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period except for the changes, with which we concur, in the accounting for directors and statutory auditors' retirement benefits and in the segmentation by product group as discussed in Notes 2 (p) and 12, respectively.

As described in Note 2 to the consolidated financial statements, Ube Industries, Ltd. and consolidated subsidiaries have adopted new accounting standards for consolidation, research and development costs and tax-effect accounting effective the year ended March 31, 2000 and for retirement benefits, financial instruments and foreign currency transactions effective the year ended March 31, 2001 in the preparation of their consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2001 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Tokyo, Japan
June 28, 2001

Century Ota Showa & Co.

See Note 1 to the consolidated financial statements which explains the basis of preparing the consolidated financial statements of Ube Industries, Ltd. and consolidated subsidiaries under Japanese accounting principles and practices.

DIRECTORS

Chairman of the Board
Maomi Nagahiro

President and Representative Director
Kazumasa Tsunemi

Senior Managing Directors
Kazuo Wada
Masayuki Asano
Hiroyuki Koike
Toshio Wakabayashi

Managing Directors
Yukuo Suzuki
Tadaaki Hirano
Mitsuru Wada
Kazuhiko Okada

EXECUTIVE OFFICERS

Chief Executive Officer
Kazumasa Tsunemi

Senior Managing Executive Officers
Toshio Nagasawa
Masayuki Asano
Hiroyuki Koike
Kazuhiko Mitsui
Hiroaki Tamura
Toshio Wakabayashi

Managing Executive Officers
Ryusuke Nakamura
Mitsuru Wada
Yasuhisa Chiba
Atsushi Okada
Takashi Matsumoto
Isao Tamura
Kazuhiko Okada

Executive Officers
Koji Kihira
Nobuyuki Takahashi
Akinori Furukawa
Katsumasa Harada
Masaki Kashibe
Kazuma Sekiya
Kenichi Abe
Michio Takeshita

AUDITORS

Hideo Yamamoto
Tadashi Yamamoto
Yoichi Yamada
Meiji Fujita

(As of June 28, 2001)

Organization Chart

- Corporate Auditors
  - Corporate Auditors' Office
- Chairman / President
  - Auditing Dept.
  - Investor Relations & Public Relations Dept.
  - Corporate Planning & Administration Dept.
  - Finance Dept.
  - Personnel Dept.
  - General Affairs Dept.
  - Purchasing Dept.
  - Environment & Safety Dept.
  - Ube Corporate Services Dept.
  - Ube Industries Central Hospital
  - IPP Project
  - Yamaguchi Kirara Expo Project
  - Corporate Research & Development
    - Planning & Control Dept.
    - Intellectual Property Department
    - Pharmachemical Affairs Dept.
    - Pharmaceuticals Development Dept.
    - Ube Research Laboratory
    - Polymer Research Center
  - Business Creation & Development
  - Chemicals & Plastics Segment
    - Segment Management & Administration Dept.
    - Research & Development Dept.
    - Procurement & Logistics Dept.
    - Polyolefins & Synthetic Rubber Div.
    - Basic Chemicals & Engineering Plastics Div.
    - Fine Chemicals & API Div.
    - Specialty Products Div.
    - Chiba Petrochemical Factory
    - Nishioki Factory
    - Sakai Factory
    - Chemical Production Center
    - Operation Training Center
    - UNO Project
  - Construction Materials Segment
    - Planning & Control Dept.
    - Cement & Building Materials Div.
    - Cement Production Center
    - Preparation & Working Group of Cement Business Integration with Mitsubishi Materials Corporation
  - Branches & Offices
    - Sapporo Area Office
    - Tohoku Area Office
    - Nagoya Branch
    - Osaka Branch
    - Hiroshima Branch
    - Kyushu Branch
  - Machinery & Metal Products Segment
    - Machinery Div.
    - Aluminum Wheel Div.
  - Energy & Environment Segment
    - Planning & Control Dept.
    - Coal Div.
    - Power Div.
    - Environmental Business Div.

(As of July 1, 2001)

Major Consolidated Subsidiaries and Affiliates

(As of March 31, 2001)

<CONSOLIDATED>

Chemicals & Plastics

Company Name	Business	Capital*1	Voting Rights (%)	Tel.	Fax
Ube Film, Ltd.	Manufacture and sales of plastic-film products	¥379	74.54	(0836) 88-0111	(0836) 89-0005
Ube Cycon, Ltd.	Manufacture and sales of ABS resins and ABS polymer compounds	¥1,080	51	(03) 5419-6300	(03) 5419-6314
ATC Inc.	Manufacture and sales of plastic composite materials in North America	US$4.1 million	60	(615) 244-8994	(615) 244-8997
Meiwa Kasei Industries, Ltd.	Manufacture and sales of phenolic resins, UMC nylon, and others	¥99	99.52	(0836) 22-9211	(0836) 29-0100
Ube Ammonia Industry, Ltd.	Manufacture and sales of ammonia and pharmaceuticals	¥4,000	50.63	(0836) 31-5858	(0836) 34-0472
Productos Quimicos del Mediterraneo, S.A.	Manufacture and sales of caprolactam and ammonium sulfate	5,701 million pesetas	100	(34) 964-738000	(34) 964-738075
Ube Agri-Materials, Ltd.	Manufacture and sales of compound fertilizers, seeding soil, and garden fertilizers	¥490	100	(0836) 31-2155	(0836) 31-2158
Ube America Inc.	Sales of UBE Group products in North and South America as well as materials purchasing	US$0.52 million	100	(212) 813-8300	(212) 826-0454
Ube Electronics, Ltd.	Manufacture and sales of satellite-broadcast receiving equipment and dielectric ceramic elements for mobile communications	¥350	100	(0837) 52-2900	(0837) 52-2880

Construction Materials

Company Name	Business	Capital*1	Voting Rights (%)	Tel.	Fax
Ube Shipping & Logistics, Ltd.	Domestic shipping, harbor transportation, shipping-agent services, and customs clearing	¥665	81.28	(0836) 34-1181	(0836) 34-1183
Kanto Ube Concrete Co., Ltd.	Sales of cement and aggregates as well as accounting for subsidiary	¥2,018	100	(03) 5759-7715	(03) 5759-7732
Daikyo Kigyo Co., Ltd.	Manufacture and sales of ready-mixed concrete and concrete secondary products	¥34	58.82	(0191) 25-3161	(0191) 25-4163
Hagimori Industries, Ltd.	Production and sales of ready-mixed concrete and concrete piles as well as transportation	¥282	62.51	(0836) 31-1678	(0836) 21-4554
Ube Board Co., Ltd.	Manufacture and sales of boards, corrugated sheets, and OA flooring as well as related responsibilities	¥490	100	(0836) 22-0251	(0836) 22-0271
Ube Material Industries, Ltd.	Production and sales of seawater magnesia, magnesium hydroxide, quicklime, slaked lime, and others	¥4,047	55.45	(0836) 31-0156	(0836) 21-9778
Yamaishi Metal Co., Ltd.	Manufacture and sales of metal powders, including magnesium and aluminum	¥50	73.17	(03) 3552-0301	(03) 3555-8280

Machinery & Metal Products

Company Name	Business	Capital*1	Voting Rights (%)	Tel.	Fax
Ube Machinery Corporation, Ltd.	Manufacture and sales of die-casting machines, injection-molding machines, transportation equipment, bridges, and light metal products	¥7,000	100	(0836) 22-6465	(0836) 22-6391
Ube Techno Eng. Co., Ltd.	Installation and maintenance of industrial machinery as well as the design, manufacture, and sales of metal dies and automated cost-cutting facilities	¥130	100	(0836) 34-5080	(0836) 34-0666
Ube Steel Co., Ltd.	Manufacture and sales of iron and steel castings and steel ingots for rolling operations	¥1,000	75	(0836) 35-1300	(0836) 35-1331
Shin Kasado Dockyard Co., Ltd.	Shipping repairs and the design, manufacture, and installation of industrial machinery	¥300	100	(0833) 52-0111	(0833) 52-1070
Fukushima, Ltd.	Manufacture and sales of marine and industrial machinery and automobile aluminum wheels	¥490	100	(0245) 34-3146	(0245) 33-8318
A-Mold Corp.*2	Manufacture of automobile aluminum wheels in North America	US$37.5 million	100	(513) 459-1760	(513) 459-7060
A-Mold Sales International L.L.C.*3	Sales of automobile aluminum wheels in North America	US$0.25 million	100	(513) 459-1760	(513) 459-7060
Ube Machinery Inc.	Production and sales of injection-molding machines, die-casting machines, and extrusion presses in North America	US$2.45 million	100	(734) 741-7000	(734) 741-7017
U-Mold Co., Ltd.	Manufacture and sales of automobile aluminum wheels	¥950	100	(0836) 33-3215	(0836) 33-2366

Energy & Environment

Company Name	Business	Capital*1	Voting Rights (%)	Tel.	Fax
Ube C&A Co., Ltd.	Sales of steaming coal imported from Australia, Indonesia, and China	¥490	75.5	(03) 5419-6331	(03) 5419-6332

Other Businesses

Company Name	Business	Capital*1	Voting Rights (%)	Tel.	Fax
Ube Realty & Development Co., Ltd.	Real estate management, sales, and leasing as well as the operation of recreation facilities	¥1,602	100	(0836) 22-0077	(0836) 22-1657
Ube International (U.S.A.), Inc.	Investment and financial services for UBE Group affiliated companies in North America	US$5 million	100	(212) 813-8330	(212) 826-0454
Ube Corp. USA Inc.	Holding company of UBE Group affiliated companies in North America	US$47.9 million	100	(212) 813-8300	(212) 826-0454
Other Consolidated Subsidiaries	52				

<EQUITY-METHOD-APPLIED AFFILIATES>

Company Name	Business	Capital*1	Voting Rights (%)	Tel.	Fax
Ube-Mitsubishi Cement Corporation	Sales of cement and soil-stablizing cement	¥8,000	50	(03) 3435-2650	(03) 3435-2665
Other Equity-Method-Applied Affiliates	58				

*1 Capital is stated in millions of yen, unless otherwise indicated.
*2 A-Mold Corp. changed its name to UBE Automotive North America Mason Plant Inc. on April 1, 2001.
*3 A-Mold Sales International L.L.C. changed its name to UBE Automotive North America L.L.C. on April 1, 2001.

Investor Information

(As of March 31, 2001)

Date of Establishment: 1897

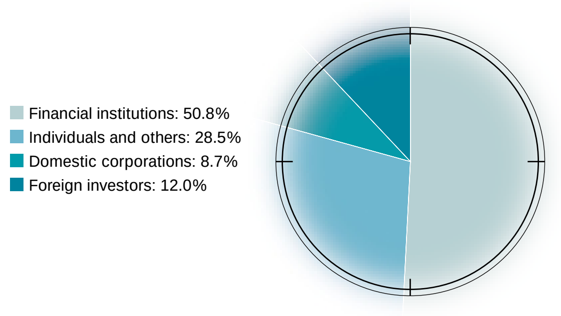
Common Stock:
Authorized: 3,300 million shares
Issued: 845,828,704 shares
(¥43,564 million)

Transfer Agent and Register:
The Toyo Trust and Banking Co., Ltd.

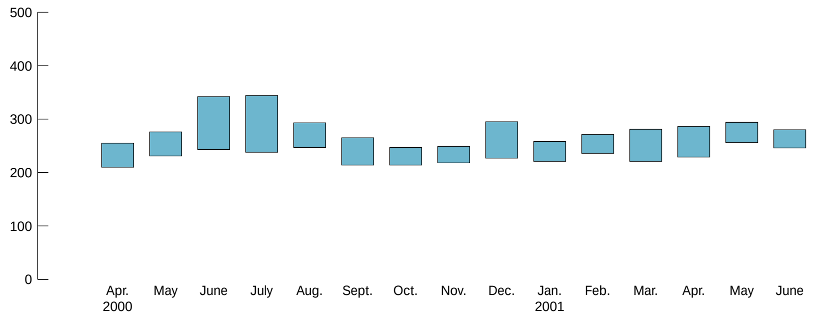
Number of Stockholders: 74,973

Independent Certified Public Accountants:
Century Ota Showa & Co.

Breakdown of Stockholders



Stock Price Range on the Tokyo Stock Exchange (¥)



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UBE

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Printed in Japan 01-10 3000 TP