Speed and Reliability

2002 Annual Report

Year ended March 31, 2002

UBE INDUSTRIES, LTD.

CONTENTS

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.

CONSOLIDATED FINANCIAL HIGHLIGHTS

UBE INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2002 and 2001

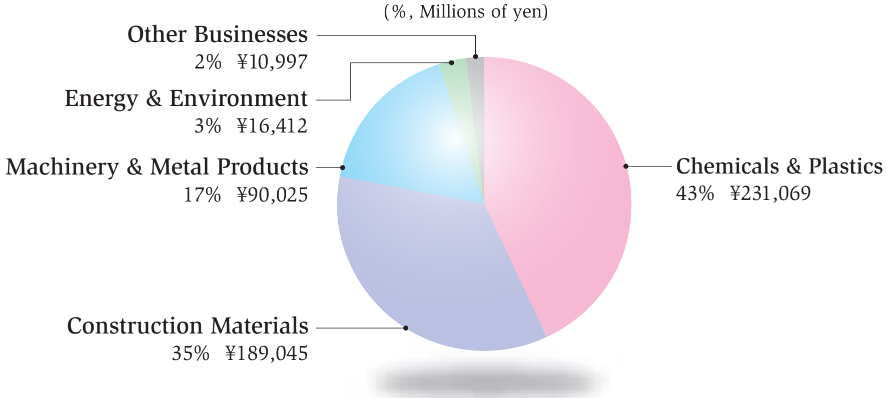
	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	**2002**
For the year:			
Net sales	**¥537,548**	¥535,007	**$4,041,714**
Operating income	**17,596**	28,520	**132,301**
Net income	**1,002**	7,911	**7,534**
At year-end:			
Total assets	**¥820,213**	¥780,875	**$6,167,015**
Total stockholders' equity	**96,947**	94,345	**728,925**
	Yen		U.S. dollars (Note 1)
Per share:			
Net income, primary (Note 2)	**¥ 1.20**	¥ 9.48	**$ 0.009**
Cash dividends applicable to the period	**—**	3.00	**—**

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥133=US$1, the approximate rate of exchange on March 31, 2002.
2. Net income, primary, per share is based on the weighted-average number of shares of common stock outstanding during the respective fiscal years.

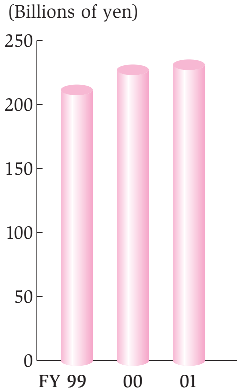
FISCAL 2001 BUSINESS HIGHLIGHTS

Fiscal 2001 Sales by Segment

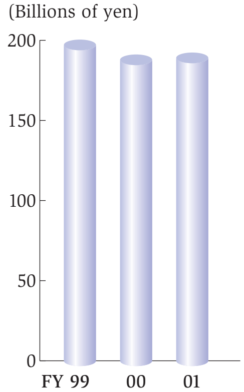
(%, Millions of yen)



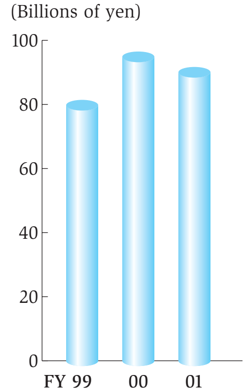
Chemicals & Plastics
(Billions of yen)



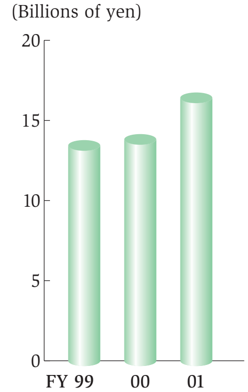
Construction Materials
(Billions of yen)



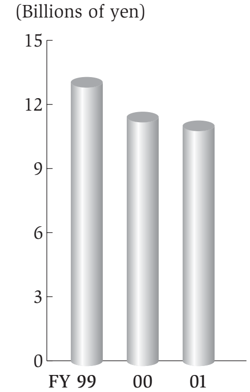
Machinery & Metal Products
(Billions of yen)



Energy & Environment
(Billions of yen)



Other Businesses
(Billions of yen)



A MESSAGE FROM THE PRESIDENT

It is always an honor to have the opportunity to say a few words to all our stockholders on behalf of the staff and Board of Directors of Ube Industries, Ltd.

Management Overview

In fiscal 2001, ended March 31, 2002, a downturn in IT-related industries and the September 11 terrorist attacks in the United States contributed to a slowdown in the U.S. and Asian economies. In Japan, lackluster personal consumption and a substantial drop in capital investment magnified sluggish domestic demand, and the deflationary trend became more pronounced. These factors, in addition to intensified global competition, led to the rapid worsening of the Japanese economy.

Against this background, in the first year of the "New 21•UBE" consolidated three-year medium-term management plan, we have chosen the keywords "business concentration and growth" to help us create a management system based on global standards. We tried to achieve this goal by focusing managerial resources on our "core businesses" and strengthening the international competitiveness of our "fundamental businesses." In addition, the management has made every effort to respond to the rapid downturn in the economy. We are working toward implementing intensive cost-reduction measures to reduce the cost of raw materials procurement, distribution, and labor; activating nonperforming assets; and selling some businesses to reduce debt.

Despite these efforts as well as such new additions to the Group's consolidated affiliates as Thai Caprolactam Public Co., Ltd., and Ube Nylon (Thailand) Ltd. (UNT), a downturn in the Asian and European caprolactam markets, a reduction in shipments of specialty products for use in IT-related industries, and slack domestic demand for cement resulted in an unavoidable and substantial reduction in profit. Consolidated net sales rose ¥2.5 billion, to ¥537.5 billion; operating income fell ¥10.9 billion, to ¥17.5 billion; ordinary income dropped ¥10.0 billion, to ¥7.7 billion; and net income declined ¥6.9 billion, to ¥1.0 billion.

In light of the present conditions, executives' salaries were reduced as of October 2001, and further cuts became effective from March 2002.

Main Management Indexes
(*Consolidated results for fiscal 2000 and 2001*)

	Calculation Method	Unit	**Fiscal 2001**	Fiscal 2000	Difference
Debt-to-equity ratio	Debt/total stockholders' equity	Times	**5.4**	5.1	0.3
Free cash flow	Cash flow from operating activities + cash flow from investing activities	¥ billion	**7.1**	34.2	(27.1)
Return on assets (ROA)	Business income/ total assets	%	**2.2**	3.7	(1.5)
Return on equity (ROE)	Net income/ total stockholders' equity	%	**1.0**	8.6	(7.6)

Note: Business income: operating income + interest and dividend income + equity in losses of unconsolidated subsidiaries and affiliated companies

"New 21•UBE" Plan Revision

The UBE Group started the "New 21•UBE" plan in fiscal 2001 to work toward creating a management system based on global standards as well as strengthening the international competitiveness of the Company. The plan established the following tasks.

Task 1: Implementing management reforms to optimize "consolidated segment management that prioritizes stockholder value"

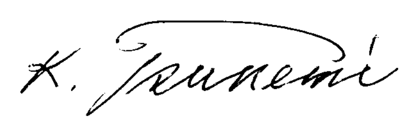
Task 2: Aiming for exponential growth in our core business areas—fine chemicals, pharmaceutical products, specialty products, nylon 12, and aluminum wheels

Task 3: Improving the Company's financial structure to further reduce debt

Task 4: Implementing environment-oriented management to push forward with environmental preservation plans

We have revised the original plan because it appeared that we would not meet the targets set during the first fiscal year of the plan due to increasingly severe economic conditions. We did not change the basic policies set out in the plan, but the revised plan for the next two years entails the integration of operations through extensive rationalization. This includes a full-fledged reduction of labor costs and expenses as well as the adoption of a holding company structure as a part of streamlining. The plan also calls for moving forward measures to cut back debt through such measures as keeping down capital investment, other investments, and loans as well as selling assets.

The UBE Group will implement the revised "New 21•UBE" plan with "speed and reliability" to solidify its base for further growth. We hope to receive the continued support and cooperation of all our stockholders in the coming year.



Kazumasa Tsunemi
President and Representative Director

REVISION OF THE "NEW 21•UBE" MANAGEMENT PLAN

Severe economic conditions are likely to persist in light of the prolonged IT slump, a slowing of the world economy, and the entrenchment of deflation. We will restructure our revenue base through a major streamlining of the UBE Group and move forward the management plan to reduce debt in order to solidify the Group's base for further growth. We aim to achieve the following goals within the next two years.

GOALS

(In comparison with fiscal 2001)

We plan to increase operating income in fiscal 2002 by ¥6.5 billion, to ¥24 billion, and in fiscal 2003 by ¥16.5 billion, to ¥34 billion. We intend to reduce the number of UBE Group personnel by 900, to 10,900. We also plan to reduce debt by ¥80 billion, to ¥440 billion.

(1) Implementing Comprehensive Rationalization

In order to realize a ¥23 billion rationalization effect within the next two years, all operations must be reviewed. However, the plan to reduce personnel will have the biggest impact.

Rationalization Strategies

- Regroup UBE headquarter sections and indirect segment subdivisions and integrate them into "UBE Group Staff" and the "UBE Group Shared Service Center" to free up expenses, reduce personnel, and expedite Group decision making (from October 2002)
- Integrate the Chemicals & Plastics segment's R&D department with the corporate R&D department to reduce personnel and improve R&D efficiency (from April 2002)
- Review the production and sales department workforce in each segment to trim personnel and improve efficiency (from April 2002)

(2) Continuing to Expand and Strengthen Core Businesses

The core businesses that will solidify our future revenue base are pharmaceutical products, fine chemicals, specialty products, and aluminum wheels. To these, we have added nylon 12 operations, and we will continue to expand and strengthen these core businesses.

Core Business Strategies

Pharmaceutical Products • Become authorized as a strategic supplier for major domestic and overseas pharmaceutical companies to expand consignment production operations
• Expand manufacturing facilities, including those abroad, in response to the rapid growth in consignment pharmaceutical operations (A third manufacturing plant in compliance with U.S. Food & Drug Administration standards is now under construction.)

Specialty Products • Increase production capacity, cultivate new customers, and develop and boost sales of new products to take advantage of expected substantial medium- to long-term growth
• Use our proprietary technologies to create unique products and maintain top shares of their respective markets

Aluminum Wheels UBE Automotive, Ltd., was established in April 2001 to coordinate the three manufacturing operations in Japan, the United States, and Canada as a global formation.
• Become the customer's strategic partner by creating a full-range service system that covers concept consultation, design specification, delivery, and after-sales services
• Increase production capacity at the Sarnia Plant in Canada, which commenced operations in March 2002, to 2.2 million units per year by 2005

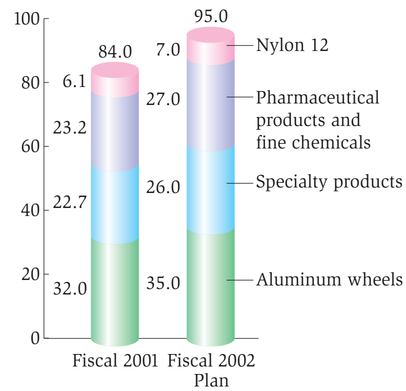
Nylon 12 There are only four producers of nylon 12 in the world, and future growth is expected to exceed 10% annually.
• Increase production capacity to meet this demand
• Start feasibility study of a new production facility at Productos Quimicos del Mediterraneo, S.A. (PQM), in Spain, aiming to commence operations in January 2006

Business Portfolio at a Glance

	Core Businesses to Be Expanded	Fundamental Businesses	New Businesses	Reorganization, Etc.
Chemicals & Plastics	Pharmaceutical products (in-house developed drugs and contracted manufacture of intermediates and APIs) Fine chemicals Specialty products (materials for electronics, information equipment, and batteries) Nylon 12	Caprolactam Nylon 6 Industrial chemicals (caprolactam business chain)		Polyethylene Synthetic rubber polyalphaolefin Amorphous polyalphaolefin (APAO) (Petrochemicals business) Agri-materials
Construction Materials		Cement Construction materials		
Machinery & Metal Products	Aluminum wheels	Machinery		
Energy & Environment		Coal Electric power	Environmental businesses	
Other Businesses			Next-generation businesses	Real estate

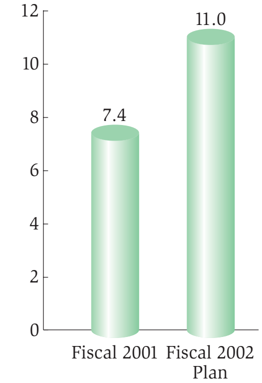
Net Sales for Core Businesses

(Billions of yen)



Operating Income for Core Businesses

(Billions of yen)



(3) Reforming Financial Structure

We are striving to improve earnings despite the severe business environment through the implementation of the aforementioned rationalization and actions to strengthen our core businesses. Recognizing that the Group's first priority is the reduction of debt, we will accelerate the implementation of our original plan. Our goal is to cut debt by ¥80 billion over a period of two years, starting from the end of fiscal 2001, and bring it down to ¥440 billion by the end of fiscal 2003.

Plan to Reduce Debt

(Billions of yen)

	Fiscal 2002 Plan	Fiscal 2001	Difference
Beginning-of-year debt (A)	¥521	¥483.8	¥37.2
Depreciation	32	31.0	1.0
Ordinary income	13	7.7	5.3
Sale of assets	39	26.4	12.6
Capital investment & loans and other investment	(37)	(59.2)	22.2
Operating capital	0	3.7	(3.7)
Total cash (debt repayment) (B)	47	9.6	37.4
Decrease (increase) due to changes in number of consolidated subsidiaries (C)	9	(46.7)	55.7
End-of-year debt (A-B-C)	¥465	¥521.0	¥(56.0)

Chemicals & Plastics

Basic Strategy:

The Company is accelerating the expansion of its core businesses—fine chemicals, pharmaceutical products, specialty products, and nylon 12—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 such traditional businesses as nylon and fine derivatives and will aim for stable revenue from these areas as fundamental businesses.

Achievements in Fiscal 2001:

Two consolidated subsidiaries, Thai Caprolactam and UNT, were newly added to the Chemicals & Plastics segment, but segment sales only climbed to ¥231.1 billion, up ¥4.0 billion from the previous year. Operating income dropped ¥8.1 billion, to ¥3.6 billion, due to downturns in Southeast Asian and European caprolactam markets as well as reduced shipments of specialty products for use in IT-related industries.

Principal Products:

Polyolefins, synthetic rubber, caprolactam, nylon resins, pharmaceutical bulk compounds and intermediates, fine chemicals, industrial chemicals, specialty products

Background to Fiscal 2001 Business Results and Current-Term Outlook

Polyolefins and Synthetic Rubber Shipments of polyolefins were sluggish for fiscal 2001, and the market was inactive. There was a steady increase in demand for and shipments of UBE super-polyethylene "UMERIT," which is manufactured using metallocene catalysis technology and is highly commended in the market as a functional material.

The Company decided to pull out of polypropylene manufacturing as a part of its business reorganization. The Company transferred all its shares of Grand Polymer Co., Ltd., to Mitsui Chemicals, Inc., the other partner in the joint venture, on October 1, 2001. The Company also transferred all its shares of ATC Inc.—a U.S. manufacturing hub providing a source of stable income from polypropylene compounds—to Mitsui Chemicals America, Inc., on May 1, 2002.

In the polybutadiene manufacturing business, the Company acquired the stock of Thai Synthetic Rubbers Co., Ltd., from its joint-venture partner in Thailand in December 2001, securing management authority. The Company will continue to manufacture polybutadiene rubber for general-use products at Thai Synthetic Rubbers and specialty forms domestically to better respond to customer needs.

In the acrylonitrile butadiene styrene (ABS) plastic business, Mitsubishi Rayon Co., Ltd., and Ube Cycon, Ltd., in a joint venture with GE Japan Holdings Inc., integrated their ABS plastic operations, establishing UMG ABS, Ltd., on April 1, 2002. The Company expects this newly consolidated company to come out a winner in the fiercely competitive Asian ABS plastic market. Both Mitsubishi Rayon and Ube Cycon boast advanced technical skills, business know-how, and market development skills as well as a wide range of products. Coupled with the effective use of managerial resources from the three joint-venture partners (Ube Industries, Mitsubishi Rayon, and GE Japan Holdings), UMG ABS is expected to evolve to actively respond to the new business environment.

Caprolactam, Nylon, and Industrial Chemicals Caprolactam shipments were weak, and the market fell substantially due to a worldwide fall-off in demand for caprolactam coupled with an influx of Russian, Eastern European, and Indian products into the Southeast Asian market.

In the caprolactam business, the Company will strive to be more cost-competitive, while maintaining its Asia-centered global trilateral production base comprising 200,000 tons of domestic manufacturing capacity, 85,000 tons in Spain (PQM), and 80,000 tons in Thailand (Thai Caprolactam)—presently aggregating a production capacity of 365,000 tons and making the Company the leader in Asia with a 20% market share and third on a global basis. Moreover, the Company determined it would increase the annual production capacity at Thai Caprolactam to 100,000 tons (+20,000 tons) by 2003.

The nylon business comprises such products as nylon 6, nylon 66, and nylon 12. Domestic shipments of nylon 6 slipped, but shipments in Thailand rose, resulting in little change overall from the previous fiscal year. The Company 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 UNT providing another 20,000 tons. The Company is considering increasing production capacity 20,000 tons in Spain (PQM)—10,000 tons by 2005 and another 10,000 tons at a later date—to keep abreast of Japanese automobile manufacturers' efforts to procure parts locally as they globalize their production bases.

Nylon 66 has even higher heat resistance than nylon 6 and is being used in automobile parts and electronic parts.

The use of nylon 12 in automobile parts is expanding, and the nylon 12 business is accordingly experiencing steady growth. The Company boasts a 9,000-ton annual domestic production level 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. Sales of nylon 12 in Japan as well as overseas, mainly in Europe and the United States, have been extensive, and demand for nylon 12 for use in automobile fuel tubes and hoses is expected to grow in the future. To meet this demand, PQM in Spain will collaborate with EMS-CHEMIE in developing the nylon 12 business by expanding sales of nylon 12 produced from laurolactam to the U.S. and European automobile industries. The Company has added nylon 12 operations to its core businesses.

Shipments of industrial chemicals were strong despite a downturn in the market.

Polybutadiene applications

Completion ceremony at the UNT compound plant (March 2002)

Thai Caprolactam plant

Nylon 12 applications (industrial tubes)

In the industrial chemicals business, 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 Fine chemicals shipments were comparatively strong in fiscal 2001.

The fine chemicals business comprises such products as diphenol, C1 chemicals (dimethyl carbonate (DMC), dimethyloxalate (DMO)), C12 chemicals (dodecanedoic acid (DDA), aminododecanoic acid (ADA)), and lactam-related chemicals (diol, amine, methylethylketoxime (MEKO)). Sales in this area are set to rise to ¥30 billion annually by 2008, a target representing two times the value of current production.

A 1,6-hexanediol production facility was newly established at PQM in Spain. Demand for 1,6-hexanediol, which is used in high-quality polyurethanes and the polyester plastics used in paints, is growing in Europe, the United States, and Japan. Ube Industries uses its proprietary technologies to recycle and convert by-products generated in the production of caprolactam, making this an environment-friendly product. The Ube Chemical Factory and the Sakai Factory have a combined annual production capacity of 8,500 tons, and the third major production facility in Europe is performing well with an annual capacity of 3,500 tons.

Ube Industries' second pharmaceutical products manufacturing plant (exterior and interior)

China-based Jade Fine Chemicals (Wúxi) Co., Ltd., a joint venture with Rhodia Inc., of France, has commenced production of guaiacol, a diphenol derivative used as a raw material in the production of perfumes and pharmaceutical intermediates.

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

DMC and diphenyl carbonate (DPC) have received attention as derivatives that impose a relatively low burden on the environment and can be used in the production of polycarbonates in place of phosgen, which is highly toxic. The Company hopes that current DPC production processes will lead to new production processes for other polycarbonates.

In the pharmaceutical products business, sales of the antiallergenic agent Talion®, developed in collaboration with Tanabe Seiyaku Co., Ltd., were up, and there was growth in intermediates for antibacterial agents manufactured on a consignment basis for major U.S. drug manufacturers.

The Company began manufacturing intermediates for anti-inflammatory and antibacterial agents on a consignment basis from the middle of the 1990s and has recently started manufacturing intermediates for new anticancer agents on a consignment basis for major overseas pharmaceutical companies, working toward further global development.

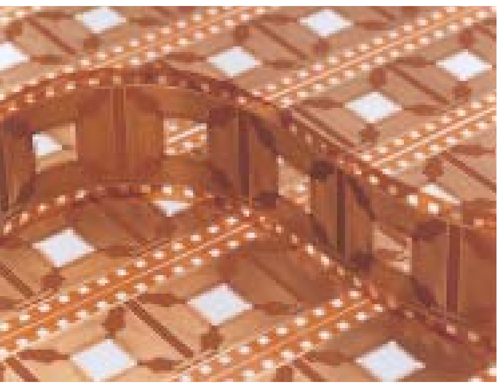
As for products developed in-house, Talion® is now on the market, and the launch of an antihypertensive agent, Calblock®, developed in collaboration with Sankyo Co., Ltd., is slated for the end of fiscal 2002. Business expansion is proceeding smoothly.

Ube Industries has successfully leveraged its organic synthesis technology to build two pharmaceutical products manufacturing plants as well as an experimental drug manufacturing facility, all of which are current Good Manufacturing Practice (cGMP) compliant. A third pharmaceutical products manufacturing plant is under construction and is scheduled to start operating as early as the latter half of fiscal 2002. This capacity expansion is to meet the increased demand for the consignment production of intermediates for antibacterial and anticancer agents. The Company's operations in consignment pharmaceuticals mainly involve manufacturing intermediates for users as well as offering a consistent consignment process to take products from the early experimental stage all the way through production. We have obtained steady orders from major overseas pharmaceutical companies by differentiating our operations from our competitors, and the recognition of the Company's name overseas is rising.

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 ¥9 billion in fiscal 2001, and the Company's forecasts are ¥11 billion for fiscal 2002 and ¥30 billion for fiscal 2005.

Rendering of Ube Industries' third pharmaceutical products manufacturing plant

Pharmaceuticals made with Ube Industries' pharmaceutical products



Polyimide film UPILEX®

Nonadhesive-type flexible CCL UPISEL®-D (thin-film type)

Specialty Products Shipments of polyimide were down due to curtailed demand in IT-related industries. Polyimide films are used in a wide variety of products, including the driving mechanisms of mobile phone LCDs, notebook computers, and computer displays. In addition, the greater diffusion of chip-size packages (CSPs) used in miniature electronic devices is expected to lead to increased growth in demand.

The flagship polyimide film UPILEX®-S has an especially high market share as a substrate in LCD-related LSI-mounting applications, and the Company has a near global monopoly for polyimide used in the manufacture of tape-automated bonding materials. The Company has commercialized and started supplying nonadhesive-type flexible copper-clad laminate (CCL) to meet rising demand, which is a result of the increasingly smaller and thinner electronic devices currently being produced. This nonadhesive-type flexible CCL, UPISEL®, is expected to become a major product alongside UPILEX®. Ube-Nitto Kasei Co., Ltd., is manufacturing the product at a continuous laminating facility in its Gifu factory.

Shipments in the battery materials business, which comprises separators and electrolytes for lithium-ion batteries, were up in fiscal 2001. The Company's electrolytes are highly regarded in the market for their functionality. The Company signed an exclusive production contract with Sumitomo Seika Chemicals Co., Ltd., boosting production capacity 1.5 times. The Company's separators have also been well received in the market, and related manufacturing facilities are operating close to full capacity.

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

Construction Materials

Background to Fiscal 2001 Business Results and Current-Term Outlook

Cement Major cost reductions were realized from such rationalization measures as the expanded utilization of industrial waste 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 price correction 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.

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, avoiding shipping complications, and cutting service station handling fees and unit transportation costs through reciprocal shipments.

Additionally, 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

Actions for the Cement Business

Rationalization ...... ¥7.5 billion →

- ***Promote the reuse of industrial waste***
- ***Streamline the production department***
  - Optimal production system: Revise the current system to meet demand trends
  - Provision for loss (fiscal 2002): For the future disposal of the Kanda Cement Factory's Number 1 Kiln (currently idle)

Projected rationalization effects
(Compared to fiscal 2001)

Fiscal 2002	¥2.5 billion
Fiscal 2003	¥5.0 billion
Total	¥7.5 billion

Mode of Operation

- ***Construction Materials Segment*** In-house company/spin-off (internal company system; autonomous operation in anticipation of a complete spin-off in the future)

Basic Strategy:

Ube Industries has a marketing and R&D integration agreement with Mitsubishi Materials Corporation in its cement business. The Company actively promotes 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.

Achievements in Fiscal 2001:

In the Construction Materials segment, domestic demand for cement and building materials dropped off, but, with the addition of such consolidated subsidiaries as Ube Construction Materials Sales Co., Ltd., sales rose to ¥189.0 billion, up ¥1.2 billion from the previous period. We worked to substantially reduce costs by reusing industrial waste as raw materials and fuel in the cement manufacturing process, but, due to a steep rise in the price of fuel coal, operating income fell to ¥7.4 billion, down ¥2.2 billion from the previous year.

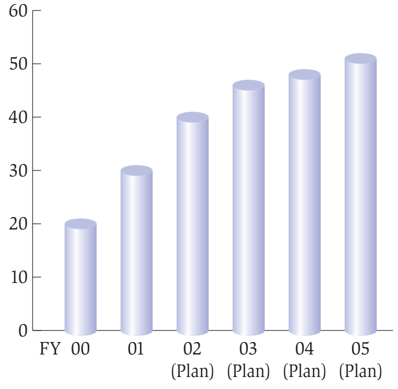
Principal Products:

Cement, clinker, ready-mixed concrete, limestone, building materials

The new suspension preheater kiln at the Ube Cement Factory

Amounts of Industrial Waste Received and Targets

(¥ billion)



organizational structure allows both companies to utilize their personnel more efficiently and accelerate R&D by leveraging both companies' technological information and know-how.

The joint venture is constructing an optimal framework for the production of a soil stabilizer and the consignment production of specialty cement as well as moving aggressively forward with efforts to incorporate industrial waste into its production processes using the technologies made available by the two parent firms.

However, the Company suspended studies related to the integration of its production activities with Mitsubishi Materials in April 2002.

Ube Industries' Cement Production Rationalization Plan

Ube Industries is currently reviewing its production system and promoting cost-cutting measures, keeping 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 12 million tons, but the idling of the Kanda Number 1 Kiln has reduced cement production capacity 2 million tons annually, or one-sixth of total capacity.

The Company met its goal of reducing the number of manufacturing personnel 20% between fiscal 1998 and fiscal 2001 as a part of cost-cutting efforts. In addition to the sewage sludge treatment facility at the Isa Cement Factory, a facility to feed industrial waste into the kiln at the Kanda Cement Factory was installed in March 2002 as a part of efforts to expand the use of industrial waste. Yamaguchi Eco-Tech Corporation, a joint-venture company set up with Tokuyama Corp., was established in July 2001 to promote the use of ash from incinerated urban waste in cement production. Yamaguchi Eco-Tech began operations in April 2002. The project has been given central importance as part of a zero-emissions project in Yamaguchi Prefecture. This project enables the effective recycling of ash from incinerated urban waste and will improve recycling rates in Yamaguchi Prefecture. In addition, the reduction of landfill prolongs the useful lives of current landfill sites—a substantial and tangible contribution toward protecting the environment. As a part of efforts to reuse more fuel-use waste, a new facility to process waste from tires and plastic was installed at the Ube Factory in March 2000.

These various facilities helped the Company to increase profits approximately ¥4 billion in the cement manufacturing business by the end of fiscal 2001.

Integrating the Company's affiliated suppliers of ready-mixed concrete, involving disposing of some subsidiaries and restructuring the remaining ones, has helped its cement business 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 by the end of the year under review.

Building Materials Performance in the building materials business was improved through the specialization of our housing products as well as rationalization efforts.

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 in 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.

Sales of the interior wall construction product *Yasashii Kabe* (tender wall) doubled from the previous year. The product allows for superior interior amenities and functionality and is effective in preventing 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.

Yamaguchi Eco-Tech factory

Application of Quick Ceramic Flow technology

Interior wall construction material
Yasashii Kabe

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 service operations in the People's Republic of China. We will also market differentiated equipment developed using proprietary technology, strengthen and expand our service and software business, and enter new areas, such as 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.

Achievements in Fiscal 2001:

In the Machinery & Metal Products segment, sales were down ¥4.8 billion, to ¥90.0 billion, but operating income rose ¥0.4 billion, to ¥3.5 billion, thanks to the promotion of rationalization measures. Orders for midsize die-casting machines, hydraulic injection-molding machines, and bridges decreased, but overall orders remained high, as a result of increased orders for large electric injection-molding machines, bulk handling systems, and water screening equipment. The aluminum wheel business is performing well under the Company's wholly owned subsidiary, UBE Automotive, and the new aluminum wheel plant in Ontario, Canada, began operating in March 2002.

Principal Products:

Die-casting machines, injection-molding machines, bulk handling systems, bridges, aluminum wheels

Background to Fiscal 2001 Business Results and Current-Term Outlook

Ube Machinery Corporation, Ltd. 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 society at large." Ube Machinery's operations are customer-oriented, and it is involved not just in marketing but also development, design, manufacturing, and after-sales services.

The 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, Ube Machinery offers a complete package of services, including process technologies and system software services. This has been made possible by synergy-creating alliances between seven of the Group's companies as well as the expansion of manufacturing, marketing, and after-sales services globally through its overseas bases. This helps Ube Machinery provide comprehensive customer services.

As a part of its globalization efforts, Ube Machinery set up a wholly owned subsidiary, Ube Machinery (Shanghai) Ltd., on July 1, 2001, to provide production, marketing, and after-sales services in China. Ube Machinery's marketing goal is to establish itself in the three main world markets: Japan, China, and other parts of Asia; the United States; and Europe.

Heavy Machinery The heavy machinery business was affected by reduced 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, but orders for midsize die-casting machines dwindled, owing to intensified competition.

The Company sells all-electric injection-molding machines with clamping forces of 650 tons, 850 tons, 1,000 tons, and 1,400 tons. These machines are highly regarded for their remarkable energy efficiency and stable performance, and sales in Japan and other Asian markets have been strong. In addition, the development of an all-electric injection-molding machine with a clamping force of 1,800 tons, the largest of its kind in the world, has been completed. The launch of a new product—an electric Dieprest Molding machine that incorporates the Dieprest Molding Process, a process that dramatically reduces deformation during molding by integrating the outermost layer, such as a fabric or foam sheet—has led to a dramatic increase in inquiries.

An in-mold coating process where surface coating can be carried out simultaneously with injection molding has been developed in cooperation with

Dai Nippon Toryo Co., Ltd. This process reduces coating costs dramatically and is also environment-friendly, as the coating agents used do not include organic solvents. As part of our business strategy for global development, we have licensed Wuxi Grand Tech Machinery Group Co., Ltd., for the use of hydraulic injection-molding machine technology.

In the die-casting business, we have received five overseas orders for the New Rheocasting Machine, which utilizes the semisolid-molding process. In the semisolid-molding process, semisolid light metal is slowly fed into a molding machine, allowing the attainment of strength comparable to refined products by ensuring the uniformity of the raw material. In the near future, we anticipate this technology will be actively used in casting high-quality automobile 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, casting tests and prototyping, initial training, after-sales services, and maintenance services.

Industrial Machinery and Bridges In the industrial machinery and bridges business, shipments for large projects were strong despite reduced spending in the public sector and lower capital investment from the private sector. Business conditions in this area are becoming increasingly severe, but, owing to improved results, we are planning the early launch of new products and new businesses.

In the industrial machinery business, the upright roller mill—the RS Mill—which manufactures high-quality aggregate, was launched last year, and seven orders have been received. The RS Mill has received high praise from customers for its performance. Raw mill and slag mill inquiries have risen, owing to a strong Chinese cement market and a boom in the construction of cement production facilities. As part of our development efforts in China, we are strengthening our operations at Ube Machinery (Shanghai) and have established a new overseas sales group.

In the conveyor system business, customers have praised the new rollerless conveyer for such environment-friendly features as superior noise reduction and dust-dampening effects. The Company aims to increase conveyor sales by offering a full lineup, from small models with loading capacities of 100 tons an hour to large models with loading capacities of 5,000 tons an hour.

Our dust-extraction devices, which are installed at coolant facilities, command the top share of the market in electrical power-related industries, and we will manufacture a debris filter that removes waste from circulating water

Completion ceremony at the UBE Automotive North America Sarnia Plant

All-electric injection-molding machine with the world's largest clamping force—1,800 tons

New Rheocasting Machine and semi-solid light metal

Signing ceremony for the technology provision agreement with Wuxi Grand Tech Machinery Group

Tsunoshima Bridge,
Yamaguchi Prefecture

Aluminum wheels

UBE Automotive North America
Sarnia Plant

pipes with technology obtained from E. Beaudrey et Cie of France, expanding into the manufacture of comprehensive dust extraction systems.

In the bridge business, orders for new bridges were down due to shrinking capital investment in the public sector, but we are actively pursuing the expansion of sales with the addition of bridge renovation services.

Ube Machinery uses industrial technology gained through many years of rich experience to create innovative products and has developed a full-fledged total manufacturing system (TMS) with other cooperative companies. The establishment of the TMS has already resulted in orders for the manufacture of gasified fusing furnaces, boilers, and air preheaters. In the future, the Company expects a rise in inquiries and orders, owing to strengthened cost-competitiveness and the optimization of cooperatives.

Aluminum Wheels Shipments of aluminum wheels were strong and financial results have strengthened.

The Company's aluminum wheels are manufactured using its proprietary Squeeze Casting Process®; boast high strength, high ductility, and excellent surface gloss with industry-leading lightness; and have been highly praised by automobile manufacturers worldwide.

Ube Industries separated the aluminum wheel business from Ube Machinery and integrated it with the Company's new wholly owned subsidiary UBE Automotive on July 1, 2001. To respond quickly and accurately to customers seeking global strategic partnerships from suppliers, UBE Automotive has become the customer contact window integrating the UBE Group's aluminum wheel production and engineering capabilities. UBE Automotive coordinates the operations of its three manufacturing operations in Japan, the United States, and Canada to improve their productivity as well as capital efficiency.

Current production facilities are at U-Mold Co., Ltd. (annual production capacity of 2.4 million wheels), in Ube City, Yamaguchi Prefecture, and UBE Automotive North America Mason Plant Inc. (annual production capacity of 1.4 million wheels) in Ohio, United States. In addition, the brand-new UBE Automotive North America Sarnia Plant Inc. (annual production capacity of 1.2 million wheels) in Ontario, Canada, has completed the first phase of construction and is up and running.

The Company aims to raise the annual production capacity of the Sarnia Plant by an additional 1.0 million wheels by 2005, making the UBE Automotive Group the third largest global supplier of aluminum wheels. The Company is expanding into the European market as part of its efforts to create a global trilateral framework, comprising Japan, North America, and Europe.

Ube Industries aims to establish the foundation of this business as one of its core businesses to further increase profits.

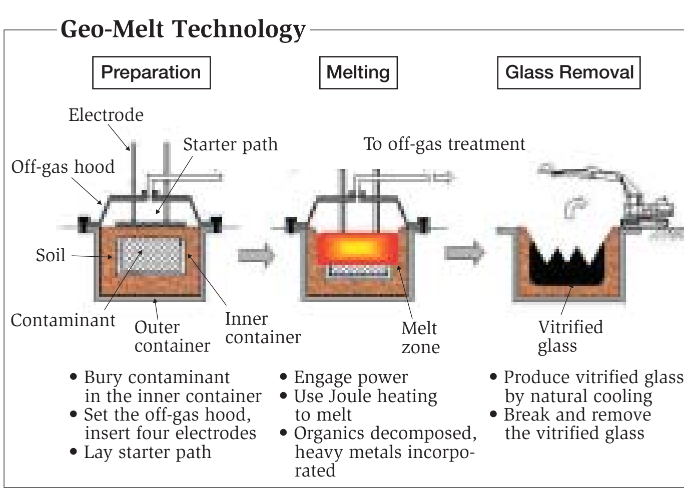
Energy & Environment

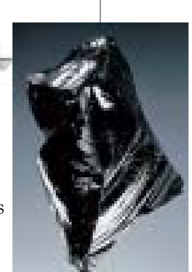
Background to Fiscal 2001 Business Results and Current-Term Outlook

Environmental Business In fiscal 2001, sales climbed in tandem with business gained from an already-awarded gasification project, and earnings rose compared with the previous year, thanks to reductions in fixed costs.

The Company plans to expand its operations in recycling chemical materials from plastic waste and other organic waste, which are conducted at EUP, a partnership with Ebara. The Company uses a new gasification process to convert plastic waste, which is collected in compliance with Japan's Containers and Packaging Recycling Law (fully enacted in 2000), into raw materials for such chemical products as ammonia and methanol. This process does not require separating out the polyvinyl chloride from plastic waste in advance. It is also environment-friendly; dioxins are not emitted in the process and it enables the reuse of slag generated in cement manufacturing. The pressurized two-stage gasification facility is operating with a 30-ton-a-day capacity, and in April 2002 the Company commenced construction on a 65-ton-a-day capacity addition to the current facility to meet increasing demand for plastic recycling in the future. With the enactment of legislation promoting the recycling of plastic waste from used home appliances and shredding residue from scrapped cars, the Company is keeping a close eye on trends in the recycling market and aims to expand recycling activities using new state-of-the-art EUP technology.

The Company employs a promising new technology, the Geo-Melt vitrification system, which detoxifies and remediates difficult-to-dispose-of hazardous materials and contaminated soil by transforming them into a vitreous state by the Joule heat of an electrical current. This process renders land,





Geo-Melt process and vitrified soil

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 waste recycling activities through Ebara-UBE Process (EUP), a partnership with Ebara Corp., and will create other environmental businesses by taking advantage of synergies within the Group.

Achievements in Fiscal 2001:

Consolidated sales in this segment rose ¥2.6 billion, to ¥16.4 billion, with strong sales in the environmental business, but operating income fell ¥0.5 billion, to ¥1.7 billion, due to a decrease in the volume of coal marketed.

Principal Products:

Environmental systems, coal, electric power

EUP's pressurized two-stage gasification process facility

Artificial sand manufactured using fly ash—Z-sand and its trial facility

Inauguration of the UBE Power Center's power generation plant

soil, and waste contaminated by such organochlorine compounds as dioxins and PCBs and/or heavy metals harmless and was put to practical use for the first time in Japan to treat the waste of a deconstructed incinerator contaminated with high levels of dioxin. Furthermore, in order to expand its application to encompass agricultural chemical detoxification, where R&D has been conducted on a national project level due to the Persistent Organic Pollutants (POPs) Treaty, the Company is currently conducting vitrification tests to expand development into this business field.

Coal Business Earnings decreased slightly compared with the previous term due to a substantial decrease in the volume of coal in storage.

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

Every year, optimal uses for coal ash increase. A mass production trial facility for Z-sand, whose principal raw material is fly ash, was established in April 2002 at the Okinoyama Coal Center, and experiments at the facility have begun. Z-sand is less expensive to produce than other artificial sand, can be treated in the same way that natural sand and soil are, and can be used in a wide variety of civil engineering projects. Thus, we expect a large volume of this recyclable environment-friendly product to be used.

Electric Power Business Earnings were not changed largely from the previous fiscal year.

The Company entered the IPP market with the establishment of UBE Power Center Co., Ltd., and plans to begin supplying wholesale electric power to Chugoku Electric Power Co., Inc., from March 2004. A groundbreaking ceremony marking the start of plant construction was held in October 2001.

Responsible Care

Responsible Care

For a Better Environment, Safety, and Health

For the UBE Group, 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 with safety always in mind, and act responsibly toward the local community in terms of preserving the environment and contributing to a safe living habitat. We are ever 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:

- Reducing industrial waste and seeking to create a production cycle that reuses all resources
- Implementing global environment protection activities
- Continuing to reduce hazardous chemical emissions in compliance with Japan's Pollutant Release and Transfer Register (PRTR) Law

We have also released an environmental report to communicate our environmental policies to all our stakeholders.

The UBE Group also announced its progress in Responsible Care at the Third Yamaguchi District Dialogue for Responsible Care held in June 2002 in Ube City, Yamaguchi Prefecture. The Japan Responsible Care Council sponsored the dialogue.

Management Structures

The UBE Group has established the Group Environment and Safety Committee, which is composed of senior management, and all 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 as well as 11 Group member companies, including 4 overseas companies, and is currently acquiring certification for other Group member companies.

Yamaguchi District Japan Responsible Care Council Meeting

Global Warming Prevention

In January 2001, we set ourselves the target of reducing emissions of greenhouse gases 6% compared with 1990 levels by 2010 as part of the Environmental Protection 2010 Project. In March 2001, the UBE Group Committee for Global Warming Prevention was established to oversee and implement this policy.

In the future, we intend to implement reduction measures as well as address domestic and overseas trends by taking such measures as obtaining third-party verification.

Environmental Accounting

In fiscal 1999, we adopted environmental accounting, one of the frameworks for regularly evaluating the suitability of our environmental preservation activities, and, as of fiscal 2000, 12 Group companies had adopted environmental accounting.

In the year under review, the Group invested ¥2.09 billion in pollution control measures and incurred other environment-related expenses totaling ¥9.34 billion, while saving ¥6.07 billion, mainly through energy conservation.

Research & Development

Dioxin decomposition experiment using fibrous photocatalyst

R&D Activities

The R&D activities of the UBE Group are carried out by 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 them, which undertake research for commercialization, 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. The Company has 852 research staff, comprising 7% of its total workforce.

Achievements in Fiscal 2001

The Group's R&D expenditures in fiscal 2001 totaled ¥12.9 billion, and the following is an outline of the major research topics and results attained in each segment.

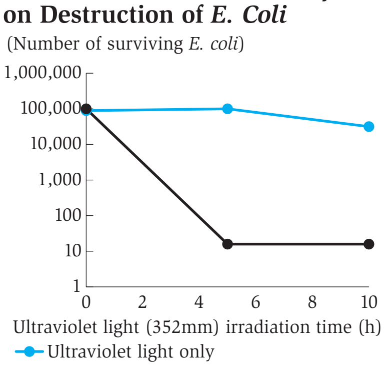
Chemicals & Plastics R&D expenditures for this segment totaled ¥10 billion, and research was undertaken for the development of ultra-heat-resistant inorganic materials for the aerospace industry and pharmaceutical products mainly for the immune, digestive, and circulatory systems as well as for the strengthening and further advancement of existing businesses.

Major achievements in fiscal 2001 included the industrialization of non-adhesive-type flexible CCL as well as the development of antiallergenic agents and antihypertensive agents.

Construction Materials Total R&D expenditures for this segment were ¥1.6 billion. Research topics included the development of new soil stabilizers, 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 achievements in fiscal 2001 included the development and commercialization of cement for use in board products as well as the development and commercialization of an environment-friendly soil stabilizer.

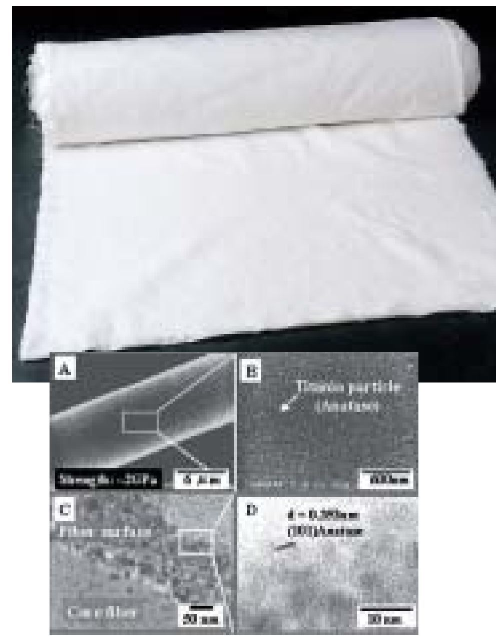
Effect of Fibrous Photocatalyst on Destruction of *E. Coli*



Experimental conditions: black light 2mw/cm² (352nm)

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 high-quality aluminum in its semisolid state, technologies for the simultaneous coating and molding of plastic products within metal molds, and the development and commercialization of molded plastic products manufactured using our high-performance all-electric injection-molding machine.

Major achievements in fiscal 2001 included working with customers to promote the development and commercialization of products created using the semisolid-molding process, the in-mold coating process, and the Dieprest Molding Process.



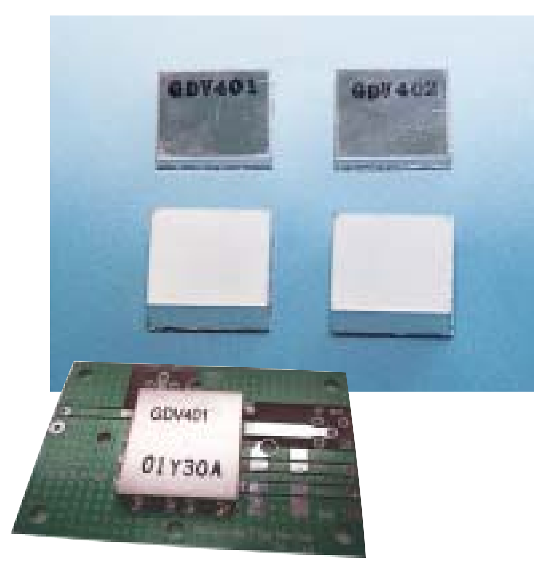
Fibrous photocatalyst

Energy & Environment R&D expenditures in this segment amounted to ¥0.3 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 plastic waste from containers and packaging material, and vitrification and remediation technologies for industrial waste and contaminated soil that contain heavy metals and such organochlorine compounds as dioxin.

Major achievements in fiscal 2001 included the first on-site vitrification of dioxin-contaminated waste in Japan. The waste was rendered harmless using our Geo-Melt system.

Promoting Business Creation and the Development of Future Core Businesses

Ube Industries established a Business Creation & Development Division in July 2000 to nurture and promote potential future core businesses. These include: (1) dielectric ceramic elements for mobile communications, (2) polyimide-based electric components that enable the commercialization of circuit board products, (3) new fibers that 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 May 2001 to develop, manufacture, and sell competitively priced, high-performance parts for mobile phones and other high-frequency communications devices. In this regard, we have succeeded in obtaining orders for our voltage-controlled oscillator (VCO) from several major communications equipment manufacturers. In addition, we were the first in the world to successfully develop a fibrous photocatalyst incorporating high-strength titania (TiO_2) fiber with a nanoscale surface structure that decomposes organic materials that come into contact with its surface when exposed to light. This development was announced in the March 2002 edition of the British science journal, *Nature.* This fiber has received overwhelming market response, and we expect that it will lead to future development in the area of environmental pollutant cleanup.



VCO developed by Yokowo-UBE Giga Devices

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				
	2002	2001	2000	1999	1998
RESULTS OF OPERATIONS:					
Breakdown of net sales*:					
Chemicals & Plastics	**¥231,069**	¥227,109	¥211,423	¥ —	¥ —
Construction Materials	**189,045**	187,836	197,125	—	—
Machinery & Metal Products	**90,025**	94,837	79,753	—	—
Energy & Environment	**16,412**	13,816	13,440	—	—
Other Businesses	**10,997**	11,409	13,036	—	—
Net sales	**537,548**	535,007	514,777	537,712	625,417
Cost of sales	**439,971**	427,151	413,528	434,987	489,358
Selling, general and administrative expenses	**79,981**	79,336	78,738	90,284	108,518
Operating income	**17,596**	28,520	22,511	12,441	27,541
Income before income taxes and minority interest	**5,412**	13,618	11,875	4,635	16,281
Net income	**1,002**	7,911	10,514	2,969	4,439
FINANCIAL POSITION:					
Assets:					
Total current assets	**¥294,159**	¥311,412	¥339,239	¥380,446	¥390,611
Total property, plant and equipment, net	**422,271**	352,338	375,941	395,361	412,588
Total investments and other assets	**103,783**	117,125	120,907	128,075	109,724
Total assets	**820,213**	780,875	836,087	903,882	912,923
Liabilities and stockholders' equity:					
Total current liabilities	**388,253**	362,890	397,345	445,676	484,225
Total long-term liabilities	**314,681**	304,707	329,857	342,683	313,804
Minority interest	**20,332**	18,933	19,463	18,469	21,471
Total stockholders' equity	**96,947**	94,345	89,422	97,054	93,423
GENERAL:					
Per share data (yen):					
Net income, primary**	**¥ 1.20**	¥ 9.48	¥ 12.65	¥ 3.57	¥ 5.34
Cash dividends	**—**	3.00	3.00	2.50	5.00
Stockholders' equity	**115.78**	112.67	107.59	116.79	112.42
Other data:					
Operating income as a percentage of net sales (%)	**3.3**	5.3	4.4	2.3	4.4
Return on stockholders' equity (%)	**1.0**	8.6	11.3	3.1	4.9
Return on total assets (%)	**0.1**	1.0	1.2	0.3	0.5
Shares of common stock issued (thousands)	**845,828**	845,828	837,857	837,857	837,857
Number of consolidated subsidiaries	**83**	81	84	81	85
Number of stockholders	**78,199**	74,973	74,787	76,648	76,458
Number of employees	**11,983**	11,834	12,107	12,691	14,461

* 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 conditions.

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

OPERATING ENVIRONMENT

The U.S. and Asian economies decelerated due to such factors as a slump in IT-related industries and the September 11 terrorist attacks in the United States. In Japan, demand was sluggish amid lackluster personal consumption and substantially decreased capital investment, deflationary trends persisted, and international competition intensified, leading to a rapid worsening of the Japanese economy.

MAJOR POLICIES

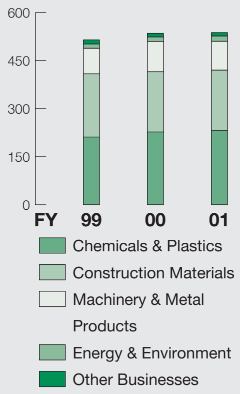
Against this backdrop, in the first year of its “New 21•UBE” consolidated medium-term management plan, the UBE Group worked on the following areas: (1) focusing its managerial resources on core businesses to expand income, (2) strengthening the international competitiveness of fundamental businesses, and (3) creating a management system based on international standards.

In response to the severe economic climate, the Company sold nonperforming assets to shrink interest-bearing debt and carried out comprehensive cost reductions to lower raw material, distribution, labor, and other costs.

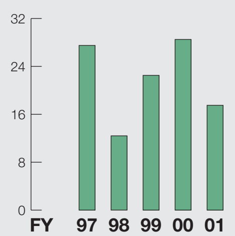
PERFORMANCE

- Consolidated net sales rose 0.5%, to ¥537.5 billion (US$4,042 million).
- Operating income decreased 38.3%, to ¥17.6 billion (US$132 million), as a result of declines in the Southeast Asian and European caprolactam markets, reduced shipments of specialty products to IT-related industries, and a falloff in domestic demand for cement.
- Net income fell 87.3%, to ¥1.0 billion (US$8 million).
- Primary net income per share amounted to ¥1.20 (US$0.009).
- The payment of cash dividends was suspended for the year.

BREAKDOWN OF NET SALES
(Billions of yen)



OPERATING INCOME
(Billions of yen)



SEGMENT REVIEW

Chemicals & Plastics

- Sales rose 1.7%, to ¥231.1 billion (US$1,737 million).
- Operating income fell 69.3%, to ¥3.6 billion (US$27 million), due to such factors as the declines in Southeast Asian and European caprolactam markets and the reduction in shipments of specialty products for use in IT-related industries.

Construction Materials

- Sales rose 0.6%, to ¥189.0 billion (US$1,421 million).
- Operating income fell 22.9%, to ¥7.4 billion (US$56 million), as efforts to reduce costs by expanding the use of industrial waste as raw materials and fuel in the cement manufacturing process were thwarted by a steep rise in the price of fuel coal.

Machinery & Metal Products

- Sales fell 5.1%, to ¥90.0 billion (US$677 million).
- Operating income increased 13.5%, to ¥3.5 billion (US$26 million), due to effective rationalization measures.

Energy & Environment

- Sales rose 18.8%, to ¥16.4 billion (US$123 million).
- Operating income fell 21.9%, to ¥1.7 billion (US$13 million), due to a decrease in the volume of coal in storage.

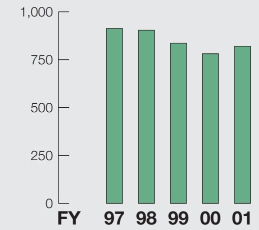
Other Businesses

- Sales dropped 3.6%, to ¥11.0 billion (US$83 million).
- Operating income fell 25.1%, to ¥1.5 billion (US$11 million).

FINANCIAL POSITION

- Total assets climbed 5.0%, to ¥820.2 billion (US$6,167 million), as a result of increased tangible fixed assets, which more than offset the sale of marketable securities.
- Total current assets dropped 5.5%, to ¥294.2 billion (US$2,212 million).
- Total property, plant and equipment, net, and total investments and other assets combined rose 12.1%, to ¥526.0 billion (US$3,955 million).
- Total liabilities increased 5.3%, to ¥702.9 billion (US$5,285 million).
- Total stockholders' equity increased 2.8%, to ¥96.9 billion (US$729 million), partly owing to a change in accumulated foreign currency translation adjustments.
- As a result of the above factors, return on stockholders' equity dropped from 8.6% to 1.0%, and return on total assets fell from 1.0% to 0.1%.

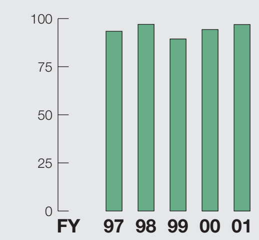
TOTAL ASSETS
(Billions of yen)



CASH FLOWS

- Net cash provided by operating activities amounted to ¥36.4 billion (US$274 million).
- Net cash used in investing activities totaled ¥29.2 billion (US$220 million), due primarily to a climb in capital investment.
- Net cash used in financing activities amounted to ¥14.4 billion (US$108 million), although debt levels rose.
- Debt climbed ¥37.1 billion, to ¥521.0 billion (US$3,918 million), compared with the previous fiscal year-end.
- As a result of the above factors, cash and cash equivalents at the end of the year dropped ¥0.4 billion, to ¥45.6 billion (US$343 million), compared with the previous fiscal year-end.

TOTAL STOCKHOLDERS' EQUITY
(Billions of yen)



CONSOLIDATED BALANCE SHEETS

UBE INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2002**	2001	**2002**
Current assets:			
Cash and cash equivalents	**¥ 45,599**	¥ 45,996	**$ 342,850**
Time deposits	**1,983**	2,798	**14,910**
Securities (Note 3)	**43**	26	**323**
Receivables (Note 6):			
Trade notes and accounts	**143,491**	153,268	**1,078,880**
Other	**12,414**	22,953	**93,338**
Allowance for doubtful receivables	**(1,266)**	(2,515)	**(9,519)**
Inventories (Note 4)	**82,016**	78,565	**616,662**
Deferred tax assets (Note 12)	**5,480**	5,363	**41,203**
Other current assets	**4,399**	4,958	**33,075**
Total current assets	**294,159**	311,412	**2,211,722**
Property, plant and equipment (Note 6):			
Land	**93,474**	92,875	**702,812**
Buildings and structures	**263,955**	255,681	**1,984,624**
Machinery and equipment	**620,685**	552,165	**4,666,805**
Construction in progress	**22,832**	7,571	**171,669**
Accumulated depreciation	**(578,675)**	(555,954)	**(4,350,940)**
Total property, plant and equipment, net	**422,271**	352,338	**3,174,970**
Investments and other assets:			
Investment securities (Notes 3 and 6)	**66,490**	83,522	**499,925**
Long-term loans receivable	**6,279**	5,664	**47,211**
Long-term deferred tax assets (Note 12)	**9,516**	7,650	**71,549**
Other non-current assets	**30,405**	28,219	**228,609**
Allowance for doubtful receivables	**(8,907)**	(7,930)	**(66,971)**
Total investments and other assets	**103,783**	117,125	**780,323**
Total assets	**¥820,213**	¥780,875	**$6,167,015**

See accompanying notes.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of yen 2002	Millions of yen 2001	Thousands of U.S. dollars (Note 1) 2002
Current liabilities:			
Short-term loans payable (Notes 5 and 6)	¥164,710	¥147,304	$1,238,421
Current maturities of long-term debt (Notes 5 and 6)	77,654	65,668	583,865
Payables:			
Trade notes and accounts	89,474	93,122	672,737
Other	26,093	25,584	196,188
Accrued expenses	5,924	6,871	44,541
Accrued income taxes	4,576	5,408	34,406
Other current liabilities	19,822	18,933	149,037
Total current liabilities	388,253	362,890	2,919,195
Long-term liabilities:			
Long-term debt less current maturities (Notes 5 and 6)	278,664	270,893	2,095,218
Accrued retirement benefits (Note 16)	9,673	9,331	72,729
Long-term deferred tax liabilities (Note 12)	1,524	2,273	11,459
Other long-term liabilities	24,820	22,210	186,617
Total long-term liabilities	314,681	304,707	2,366,023
Minority interest	20,332	18,933	152,872
Contingent liabilities (Note 7)			
Stockholders' equity (Note 8):			
Common stock, without par value:			
Authorized—3,300,000,000 shares			
Issued—845,828,704 shares at March 31, 2002 and 2001	43,564	43,564	327,549
Capital surplus	9,605	9,605	72,218
Revaluation surplus on assets	620	—	4,662
Retained earnings	38,838	41,409	292,015
Unrealized gain on holdings of other marketable securities	9,724	9,474	73,113
Accumulated foreign currency translation adjustments	(3,822)	(8,121)	(28,737)
	98,529	95,931	740,820
Treasury stock, at cost	(1,582)	(1,586)	(11,895)
Total stockholders' equity	96,947	94,345	728,925
Total liabilities and stockholders' equity	¥820,213	¥780,875	$6,167,015

CONSOLIDATED STATEMENTS OF INCOME

UBE INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	**2002**
Net sales	**¥537,548**	¥535,007	**$4,041,714**
Cost of sales	**439,971**	427,151	**3,308,053**
Gross profit	**97,577**	107,856	**733,661**
Selling, general and administrative expenses	**79,981**	79,336	**601,360**
Operating income	**17,596**	28,520	**132,301**
Other income (expenses):			
Interest and dividend income	**1,270**	3,125	**9,549**
Amortization of consolidation differences	**—**	103	**—**
Interest expenses	**(12,457)**	(12,161)	**(93,662)**
Equity in losses of unconsolidated subsidiaries and affiliated companies	**(991)**	(1,939)	**(7,451)**
Other, net (Note 10)	**(6)**	(4,030)	**(45)**
	(12,184)	(14,902)	**(91,609)**
Income before income taxes and minority interest	**5,412**	13,618	**40,692**
Income taxes (Note 12):			
Current	**8,140**	7,611	**61,203**
Deferred	**(4,158)**	(1,350)	**(31,263)**
	3,982	6,261	**29,940**
Minority interest	**(428)**	554	**(3,218)**
Net income	**¥ 1,002**	¥ 7,911	**$ 7,534**

	Yen		U.S. dollars (Note 1)
Per share:			
Net income:			
Primary	**¥ 1.20**	¥ 9.48	**$ 0.009**
Diluted	**—**	8.78	**—**
Cash dividends applicable to the period	**—**	3.00	**—**

See accompanying notes.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

UBE INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2002 and 2001

	Number of shares of common stock (thousands)	Millions of yen		
		Common stock	Capital surplus	Retained earnings
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
Increase in earnings due to exclusion of consolidated subsidiaries	—	—	—	12
Increase in earnings due to exclusion of affiliated companies of equity method	—	—	—	287
Increase in earnings due to changes in shareholding ratio of consolidated subsidiaries and affiliated companies of equity method	—	—	—	35
Cash dividends at ¥3.00 per share	—	—	—	(2,531)
Bonuses to directors and statutory auditors	—	—	—	(82)
Decrease in earnings due to inclusion of consolidated subsidiaries	—	—	—	(473)
Decrease in earnings due to merger of consolidated subsidiaries	—	—	—	(200)
Decrease in earnings due to inclusion of affiliated companies of equity method	—	—	—	(1)
Transfer to revaluation surplus of assets	—	—	—	(620)
Net income for the year	—	—	—	1,002
Balance at March 31, 2002	**845,828**	**¥43,564**	**¥9,605**	**¥38,838**

	Thousands of U.S. dollars (Note 1)		
	Common stock	Capital surplus	Retained earnings
Balance at March 31, 2001	$327,549	$72,218	$311,346
Increase in earnings due to exclusion of consolidated subsidiaries	—	—	90
Increase in earnings due to exclusion of affiliated companies of equity method	—	—	2,158
Increase in earnings due to changes in shareholding ratio of consolidated subsidiaries and affiliated companies of equity method	—	—	263
Cash dividends at $0.02 per share	—	—	(19,030)
Bonuses to directors and statutory auditors	—	—	(616)
Decrease in earnings due to inclusion of consolidated subsidiaries	—	—	(3,556)
Decrease in earnings due to merger of consolidated subsidiaries	—	—	(1,504)
Decrease in earnings due to inclusion of affiliated companies of equity method	—	—	(8)
Transfer to revaluation surplus of assets	—	—	(4,662)
Net income for the year	—	—	7,534
Balance at March 31, 2002	**$327,549**	**$72,218**	**$292,015**

	Millions of yen	Thousands of U.S. dollars (Note 1)
Unrealized gain on holdings of other marketable securities:		
Balance at March 31, 2001	¥ 9,474	$71,233
Net change during the year	250	1,880
Balance at March 31, 2002	**¥9,724**	**$73,113**
Accumulated foreign currency translation adjustments:		
Balance at March 31, 2001	¥(8,121)	$(61,060)
Net change during the year	4,299	32,323
Balance at March 31, 2002	**¥(3,822)**	**$(28,737)**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

UBE INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	**2002**
Cash flows from operating activities:			
Income before income taxes and minority interest	**¥ 5,412**	¥13,618	**$ 40,692**
Depreciation and amortization	**31,011**	29,574	**233,165**
Interest and dividend income	**(1,270)**	(3,125)	**(9,549)**
Interest expenses	**12,457**	12,161	**93,662**
Gain on sale of property, plant and equipment, net	**(3,705)**	(9,740)	**(27,857)**
Gain on sale of investment securities	**(3,153)**	(6,434)	**(23,707)**
Decrease in receivables	**11,421**	8,860	**85,872**
Decrease (increase) in inventories	**545**	(5,492)	**4,098**
Decrease in payables	**(10,505)**	(5,155)	**(78,985)**
Other, net	**13,570**	8,674	**102,030**
Subtotal	**55,783**	42,941	**419,421**
Interest and dividends received	**1,953**	3,425	**14,684**
Interest payment	**(12,640)**	(12,180)	**(95,038)**
Income tax payment	**(8,101)**	(3,913)	**(60,910)**
Other, net	**(611)**	1,733	**(4,593)**
Net cash provided by operating activities	**36,384**	32,006	**273,564**
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	**18,019**	30,289	**135,481**
Acquisition of property, plant and equipment	**(46,514)**	(32,647)	**(349,729)**
Proceeds from sale of securities	**425**	128	**3,195**
Proceeds from sale of investment securities	**8,475**	13,576	**63,722**
Acquisition of securities	**(7,933)**	(9,706)	**(59,647)**
Increase (decrease) in loans receivable	**428**	(448)	**3,218**
Others, net	**(2,129)**	1,067	**(16,007)**
Net cash (used in) provided by investing activities	**(29,229)**	2,259	**(219,767)**
Cash flows from financing activities:			
Proceeds from long-term borrowings	**39,768**	27,884	**299,008**
Proceeds from long-term bonds	**7,000**	14,000	**52,632**
Repayments of long-term borrowings	**(76,532)**	(61,405)	**(575,429)**
Repayments of long-term bonds	**(180)**	—	**(1,353)**
Net increase (decrease) in short-term loans payable	**20,296**	(34,701)	**152,602**
Cash dividends paid	**(4,686)**	(2,699)	**(35,234)**
Others, net	**(56)**	167	**(421)**
Net cash used in financing activities	**(14,390)**	(56,754)	**(108,195)**
Effect of exchange rate changes on cash and cash equivalents	**917**	408	**6,894**
Net decrease in cash and cash equivalents	**(6,318)**	(22,081)	**(2,985)**
Adjustment due to change in consolidation scope	**5,921**	—	**44,519**
Cash and cash equivalents at beginning of the year	**45,996**	68,077	**345,835**
Cash and cash equivalents at end of the year	**¥45,599**	¥45,996	**$342,850**

See accompanying notes.

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 ¥133=US$1, the approximate rate of exchange on March 31, 2002. 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

The accompanying consolidated financial statements include the accounts of the Company and significant companies controlled directly or indirectly by the Company. 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 to 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

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(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 and 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. Non-marketable 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 have accounted for the securities at March 31, 2002 and 2001 in accordance with the new standard referred to above.

(d) Derivatives and Hedge Accounting

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its consolidated subsidiaries defer the recognition of gains or losses resulting from changes in the fair value of the derivative financial instruments until the related losses or gains on the hedged items are recognized.

Additional information on derivatives is presented in Note 13.

(e) 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.

(f) Inventories

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

(g) 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 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.

(h) Leases
Noncancelable 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.

(i) Research and Development Costs
Research and development costs are charged to income when incurred.

(j) Foreign Currency Translation
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.

(k) Accrued Retirement Benefits
In accordance with a new accounting standard for retirement benefits which became effective April 1, 2000, accrued retirement benefits for employees of the Company and its consolidated subsidiaries at March 31, 2002 and 2001, have been provided principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet dates.

Net retirement benefit obligation at transition worth ¥36,496 million (US$274,406 thousand) is being amortized principally over 13 years.

Prior service cost is being amortized as incurred mainly by the declining-balance method over 5–13 years, which is shorter than the average remaining years of the employees.

Actuarial gain or loss is being amortized in the year following the year incurred mainly by the declining-balance method over 10–13 years, which is shorter than the average remaining years of the employees.

The effect of the adoption of the new standard for retirement benefits was to decrease income before income taxes and minority interest by ¥5,423 million for the year ended March 31, 2001.

(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 years.

Diluted net income per share is based on the weighted-average number of shares of common stock outstanding during the respective fiscal years 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) Appropriation of Retained Earnings
Cash dividends, transfer to legal reserve and bonuses to directors and statutory auditors are recorded in the financial year in which the proposed appropriation of retained earnings is approved by the Board of Directors and/or the stockholders.

(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 provided 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 compared with the previous method.

3. Securities

Securities and investment securities at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Securities, at cost:			
Bonds and other	**¥43**	¥26	**$323**
	¥43	¥26	**$323**

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Investment securities, at cost:			
Unconsolidated subsidiaries and affiliated companies	**¥24,216**	¥40,159	**$182,075**
Other	**42,274**	43,363	**317,850**
	¥66,490	¥83,522	**$499,925**

Information regarding marketable securities classified as held-to-maturity debt securities and other securities as of March 31, 2002 and 2001 were as follows:

(a) Marketable Held-to-Maturity Debt Securities

	Millions of yen		
	2001		
	Carrying Value	Fair Value	Unrealized Gain (Loss)
Securities whose fair value exceeds their carrying value:			
Government bonds	¥—	¥—	¥—
Corporate bonds	—	—	—
Others	25	25	0
Total	¥25	¥25	¥ 0

There were no marketable held-to-maturity debt securities for the year ended March 31, 2002.

(b) Marketable Other Securities

	Millions of yen					
	2002			2001		
	Acquisition Costs	Carrying Value	Unrealized Gain (Loss)	Acquisition Costs	Carrying Value	Unrealized Gain (Loss)
Securities whose carrying value exceeds their acquisition cost:						
Stock	**¥10,622**	**¥29,734**	**¥19,112**	¥14,763	¥32,052	¥17,289
Debt securities	**51**	**52**	**1**	42	45	3
Other	**—**	**—**	**—**	—	—	—
Subtotal	**10,673**	**29,786**	**19,113**	14,805	32,097	17,292
Securities whose acquisition cost exceeds their carrying value:						
Stock	**7,061**	**4,983**	**(2,078)**	3,905	3,042	(863)
Debt securities	**2,075**	**2,012**	**(63)**	10	10	0
Other	**1,026**	**719**	**(307)**	1,205	926	(279)
Subtotal	**10,162**	**7,714**	**(2,448)**	5,120	3,978	(1,142)
Total	**¥20,835**	**¥37,500**	**¥16,665**	¥19,925	¥36,075	¥16,150

	Thousands of U.S. dollars		
	2002		
	Acquisition Costs	Carrying Value	Unrealized Gain (Loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	$ 79,865	$223,564	$143,699
Debt securities	383	391	8
Other	—	—	—
Subtotal	80,248	223,955	143,707
Securities whose acquisition cost exceeds their carrying value:			
Stock	53,090	37,466	(15,624)
Debt securities	15,602	15,128	(474)
Other	7,714	5,406	(2,308)
Subtotal	76,406	58,000	(18,406)
Total	$156,654	$281,955	$125,301

Sales amounts of securities classified as other securities and the related aggregate gain and loss for the years ended March 31, 2002 and 2001 were summarized as follows:

Millions of yen						Thousands of U.S. dollars		
2002			2001			2002		
Sales Amount	Aggregate Gain	Aggregate Loss	Sales Amount	Aggregate Gain	Aggregate Loss	Sales Amount	Aggregate Gain	Aggregate Loss
¥2,319	¥843	¥25	¥13,926	¥7,352	¥452	$17,436	$6,338	$188

Other securities without market value at March 31, 2002 and 2001 mainly consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Held-to-Maturity Debt Securities:			
Commercial paper	¥3,999	¥ 3,287	$30,068
Other	—	76	—
Subtotal	3,999	3,363	30,068
Other Securities:			
Non-listed equity securities	4,527	4,924	34,038
Other	290	2,337	2,180
Subtotal	4,817	7,261	36,218
Total	¥8,816	¥10,624	$66,286

4. Inventories

Inventories at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Finished goods	¥34,245	¥33,105	$257,481
Work in process	27,849	26,927	209,391
Raw materials and supplies	19,922	18,533	149,790
	¥82,016	¥78,565	$616,662

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, 2002 and 2001, respectively.

Long-term debt at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
1.77% notes due 2003	**¥ 5,000**	¥ 5,000	**$ 37,594**
2.41% notes due 2005	**5,000**	5,000	**37,594**
2.35% notes due 2005	**7,000**	7,000	**52,632**
2.66% notes due 2006	**7,000**	7,000	**52,632**
1.43% notes due 2006	**7,000**	—	**52,632**
1.25% convertible notes due 2005, convertible at ¥422 per share	**19,908**	19,999	**149,684**
1.40% convertible notes due 2008, convertible at ¥422 per share	**19,911**	20,000	**149,707**
Loans principally from banks and insurance companies:			
Secured, at 0.80% to 5.54%, maturing through 2013	**168,760**	179,889	**1,268,872**
Unsecured, at 0.77% to 7.75%, maturing through 2036	**116,739**	92,673	**877,736**
	356,318	336,561	**2,679,083**
Less current maturities	**77,654**	65,668	**583,865**
	¥278,664	¥270,893	**$2,095,218**

The annual maturities of long-term debt subsequent to March 31, 2002 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2003	¥77,654	$583,865
2004	73,373	551,677
2005	59,499	447,361
2006	53,906	405,308
2007 and thereafter	91,886	690,872

Note: The Company received funding from the Government Pension Investment Fund to provide employees with loans to obtain housing. The outstanding balance of these employee loans was ¥2,487 million ($18,699 thousand). With the exception of these loans, unsecured long-term debts have various maturities, the latest being 2019.

6. Pledged Assets

The assets pledged as collateral for short-term and long-term borrowings, guarantees and borrowings of affiliated companies at March 31, 2002 were as follows:

	Millions of yen	Thousands of U.S. dollars
Assets pledged as collateral:		
Trade notes receivable	¥ 1,601	$ 12,038
Trade accounts receivable	616	4,632
Property, plant and equipment, at net book value	231,646	1,741,699
Investment securities	6,588	49,533
	¥240,451	$1,807,902

7. Contingent Liabilities

At March 31, 2002, the Company and its consolidated subsidiaries were contingently liable as follows:

	Millions of yen	Thousands of U.S. dollars
As endorser of trade notes discounted or endorsed	¥ 5,018	$ 37,729
As guarantor of indebtedness principally of unconsolidated subsidiaries and affiliated companies	24,186	181,850

The guaranteed amount includes similar commitments of ¥15,786 million (US$18,692 thousand).

8. Stockholders' Equity

In accordance with the Commercial Code of Japan (the "Code"), the Company has provided a legal reserve, which was included in retained earnings. The Code provides that an amount equal to at least 10% of the amount to be disbursed as a distribution of earnings be appropriated to the legal reserve until the total of such reserve and the additional paid-in capital account equals 25% of the common share account.

The Code provides that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the stockholders or may be transferred to common shares by resolution of the Board of Directors. On October 1, 2001, an amendment (the "Amendment") to the Code became effective. The Amendment provides that if the total amount of additional paid-in capital and the legal reserve exceeds 25% of the amount of common shares, the excess may be distributed to stockholders either as a return of capital or as dividends subject to the approval of the stockholders. In addition, the Amendment eliminates the stated par value of the Company's outstanding shares, which resulted in all outstanding shares having no par value as of October 1, 2001. The amendment also provides that all share issuances after September 30, 2001 will be of shares with no par value. Prior to the date on which the Amendment came into effect, the Company's shares had a par value of ¥50.

9. 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, 2002 and 2001 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Research and development costs	**¥12,923**	¥12,777	**$97,165**

10. Other Income (Expenses)

Other income (expenses)—other, net, for the years ended March 31, 2002 and 2001 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Gain on sale of securities, net	**¥3,156**	¥ 6,434	**$23,729**
Gain on sale of property, plant and equipment, net	**3,705**	9,740	**27,857**
Write-down of investment securities	**(1,545)**	(1,843)	**(11,617)**
Provision for doubtful receivables	**(3,634)**	(10,219)	**(27,323)**
Early retirement incentive payments to employees	**(829)**	(429)	**(6,233)**
Amortization of unrecognized transition amount under retirement benefit accounting	**—**	(4,676)	**—**
Other, net	**(859)**	(3,037)	**(6,458)**
	¥ (6)	¥ (4,030)	**$ (45)**

11. Supplementary Cash Flow Information

The following is a summary of the transferred assets and liabilities, the relevant acquiring prices and the net cash flows from acquisition of stock of Thai Synthetic Rubbers Co., Ltd. in the year ended March 31, 2002.

	Millions of yen	Thousands of U.S. dollars
Current assets	¥1,562	$11,744
Fixed assets	8,570	64,436
Current liabilities	(2,884)	(21,684)
Long-term liabilities	(4,443)	(33,406)
Consolidation adjustment	(164)	(1,233)
Minority interest in consolidated subsidiary	(754)	(5,669)
Foreign currency translation adjustment	(603)	(4,534)
Acquiring price of stock	1,284	9,654
Cash and cash equivalents held by subsidiary	(224)	(1,684)
Net cash flow	¥1,060	$ 7,970

12. 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 the years ended March 31, 2002 and 2001.

The effective tax rate reflected in the statements of income for the years ended March 31, 2002 and 2001 differs from the statutory tax rate for the following reasons.

	Percentage	
	2002	2001
Statutory tax rate	**41.7%**	41.7%
Effect of:		
Permanently nondeductible expenses	**6.1**	2.9
Loss carried forward without deferred tax assets	**18.5**	25.8
Investment valuation loss of consolidated subsidiaries and affiliates	**(7.7)**	(2.6)
Reserve for doubtful receivables of consolidated subsidiaries and affiliates	**(3.1)**	(31.4)
Investment profit/loss of affiliated companies of equity method	**7.6**	5.9
Permanently nontaxable items including income dividends	**(25.7)**	(4.7)
Effect of elimination of income dividends through consolidation procedures	**35.3**	4.6
Other	**0.9**	3.8
Effective tax rate	**73.6%**	46.0%

The significant components of deferred tax assets and liabilities as of March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Deferred tax assets:			
Accrued bonuses	**¥ 1,565**	¥ 1,591	**$ 11,767**
Retirement allowances	**3,366**	3,183	**25,308**
Loss carried forward	**9,291**	8,964	**69,857**
Intercompany profit	**24,323**	24,508	**182,880**
Other	**4,998**	3,584	**37,579**
Total deferred tax assets	**43,543**	41,830	**327,391**
Valuation allowance	**(9,107)**	(9,579)	**(68,474)**
Total deferred tax assets	**34,436**	32,251	**258,917**
Deferred tax liabilities:			
Reserve under Special Taxation Measures Law	**(12,038)**	(14,835)	**(90,511)**
Unrealized gain on holdings of other marketable securities	**(7,175)**	(6,676)	**(53,947)**
Other	**(1,751)**	—	**(13,166)**
Total deferred tax liabilities	**(20,964)**	(21,511)	**(157,624)**
Net deferred tax assets	**¥13,472**	¥10,740	**$101,293**

13. 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 income, 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, 2002 and 2001.

(a) Currency-Related Transactions

	Millions of yen					
	2002			2001		
	Notional Amount	Fair Value	Unrealized Gain (Loss)	Notional Amount	Fair Value	Unrealized Gain (Loss)
Forward exchange contracts:						
Sell:						
US$	**¥ —**	**¥—**	**¥—**	¥3,244	¥3,434	¥(190)
Buy:						
US$	**—**	**—**	**—**	368	372	4
Currency swaps:						
Receive/US$ and pay/¥	**2,590**	**(3)**	**(3)**	—	—	—
Total			**¥(3)**			¥(186)

	Thousands of U.S. dollars		
	2002		
	Notional Amount	Fair Value	Unrealized Gain (Loss)
Currency swaps:			
Receive/US$ and pay/¥	**$19,474**	**$(23)**	**$(23)**
Total			**$(23)**

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		
	Notional Amount	Fair Value	Unrealized Gain (Loss)
Interest rate swaps:			
Receive/floating and pay/fixed	¥48,273	¥(1,961)	¥(1,961)
Receive/fixed and pay/floating	2,000	(59)	(59)
Options:			
Caps purchased	2,000	—	—
(Premium)	(0)	0	0
Total			¥(2,020)

There were no interest-related transactions for the year ended March 31, 2002.

14. Segment Information

The operations of the Company and its consolidated subsidiaries for the years ended March 31, 2002 and 2001 are summarized by product group as follows:

	Millions of yen						
Year ended March 31, 2002	Chemicals & Plastics	Construction Materials	Machinery & Metal Products	Energy & Environment	Other Businesses	Elimination & Corporate	Consolidated
Sales:							
Outside customers	**¥231,069**	**¥189,045**	**¥ 90,025**	**¥16,412**	**¥10,997**	**¥ —**	**¥537,548**
Intersegment sales and transfers	**630**	**3,688**	**1,745**	**6,908**	**1,059**	**(14,030)**	**—**
	231,699	**192,733**	**91,770**	**23,320**	**12,056**	**(14,030)**	**537,548**
Identifiable operating cost	**228,119**	**185,289**	**88,296**	**21,606**	**10,602**	**(13,960)**	**519,952**
Operating income	**¥ 3,580**	**¥ 7,444**	**¥ 3,474**	**¥ 1,714**	**¥ 1,454**	**¥ (70)**	**¥ 17,596**
Assets	**¥324,393**	**¥262,006**	**¥111,572**	**¥60,515**	**¥30,005**	**¥31,722**	**¥820,213**
Depreciation of fixed assets	**14,234**	**10,261**	**4,616**	**874**	**1,026**	**—**	**31,011**
Acquisition of fixed assets	**15,288**	**8,901**	**12,287**	**10,791**	**1,383**	**—**	**48,650**

	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

	Thousands of U.S. dollars						
Year ended March 31, 2002	Chemicals & Plastics	Construction Materials	Machinery & Metal Products	Energy & Environment	Other Businesses	Elimination & Corporate	Consolidated
Sales:							
Outside customers	**$1,737,361**	**$1,421,391**	**$676,880**	**$123,398**	**$ 82,684**	**$ —**	**$4,041,714**
Intersegment sales and transfers	**4,737**	**27,729**	**13,120**	**51,940**	**7,963**	**(105,489)**	**—**
	1,742,098	**1,449,120**	**690,000**	**175,338**	**90,647**	**(105,489)**	**4,041,714**
Identifiable operating cost	**1,715,181**	**1,393,150**	**663,880**	**162,451**	**79,715**	**(104,964)**	**3,909,413**
Operating income	**$ 26,917**	**$ 55,970**	**$ 26,120**	**$ 12,887**	**$ 10,932**	**$ (525)**	**$ 132,301**
Assets	**$2,439,045**	**$1,969,970**	**$838,887**	**$455,000**	**$225,602**	**$238,511**	**$6,167,015**
Depreciation of fixed assets	**107,023**	**77,150**	**34,707**	**6,571**	**7,714**	**—**	**233,165**
Acquisition of fixed assets	**114,947**	**66,925**	**92,383**	**81,135**	**10,399**	**—**	**365,789**

Geographic segment information was not shown for the year ended March 31, 2001, as aggregate sales outside Japan were less than 10% of the consolidated sales for the year ended March 31, 2001, and aggregate total assets outside Japan were less than 10% at March 31, 2001.

The operations of the Company and its consolidated subsidiaries for the year ended March 31, 2002 by geographic area were as follows:

	Millions of yen			
Year ended March 31, 2002	Japan	Other Area	Elimination & Corporate	Consolidated
Sales:				
Outside customers	¥461,621	¥ 75,927	¥ —	¥537,548
Intersegment sales and transfers	16,785	882	(17,667)	—
	478,406	76,809	(17,667)	537,548
Costs and expenses	463,429	73,948	(17,425)	519,952
Operating income	¥ 14,977	¥ 2,861	¥ (242)	¥ 17,596
Assets:				
Total assets	¥664,114	¥127,983	¥28,116	¥820,213

	Thousands of U.S. dollars			
Year ended March 31, 2002	Japan	Other Area	Elimination & Corporate	Consolidated
Sales:				
Outside customers	$3,470,835	$570,879	$ —	$4,041,714
Intersegment sales and transfers	126,203	6,632	(132,835)	—
	3,597,038	577,511	(132,835)	4,041,714
Costs and expenses	3,484,429	555,999	(131,015)	3,909,413
Operating income	$ 112,609	$ 21,512	$ (1,820)	$ 132,301
Assets:				
Total assets	$4,993,338	$962,279	$211,398	$6,167,015

"Other Area" consists principally of the United States, Germany, Spain and Thailand.

Overseas operations, which represent sales to customers outside Japan, of the Company and its consolidated subsidiaries totaled ¥125,930 million (US$942,782 thousand) and ¥123,601 million for the years ended March 31, 2002 and 2001, respectively.

15. 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, 2002 and 2001 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:

	Millions of yen		Thousands of U.S. dollars
At March 31	**2002**	2001	**2002**
Acquisition costs:			
Machinery and equipment	**¥2,263**	¥ 2,410	**$17,015**
Other assets	**7,082**	8,690	**53,248**
	¥9,345	¥11,100	**$70,263**
Accumulated depreciation:			
Machinery and equipment	**¥1,323**	¥ 1,411	**$ 9,947**
Other assets	**3,906**	4,952	**29,369**
	¥5,229	¥ 6,363	**$39,316**
Net book value:			
Machinery and equipment	**¥ 940**	¥ 999	**$ 7,068**
Other assets	**3,176**	3,738	**23,879**
	¥4,116	¥ 4,737	**$30,947**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥2,099 million (US$15,782 thousand) and ¥2,134 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, 2002 and 2001, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2002 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2003	¥1,633	$12,278
2004 and thereafter	2,483	18,669
Total	¥4,116	$30,947

(b) Operating Leases

Future minimum lease payments subsequent to March 31, 2002 for noncancelable operating leases are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2003	¥ 61	$ 459
2004 and thereafter	206	1,549
Total	¥267	$2,008

16. Accrued Retirement Benefits

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

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Projected benefit obligations:			
Present value of projected benefit obligations	**¥74,596**	¥73,771	**$560,872**
Plan assets at fair value	**(31,059)**	(31,841)	**(233,526)**
Unrecognized transition amount	**(26,911)**	(29,470)	**(202,338)**
Unrecognized actuarial cost	**(7,324)**	(3,604)	**(55,068)**
Unrecognized prior service cost	**371**	466	**2,789**
Prepaid pension cost	**—**	1	**—**
Accrued retirement benefits recognized in balance sheets	**¥ 9,673**	¥ 9,323	**$ 72,729**

Note: Accrued retirement benefits in the accompanying consolidated balance sheets include retirement benefits for executive officers of ¥8 million for the year ended March 31, 2001.

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Expense (income) of accrued retirement benefits:			
Service cost	**¥3,650**	¥ 3,350	**$27,444**
Interest cost	**2,170**	2,105	**16,316**
Expected return on plan assets	**(993)**	(986)	**(7,466)**
Amortization of unrecognized prior service cost	**(95)**	(7)	**(714)**
Amortization of unrecognized actuarial cost	**548**	—	**4,120**
Amortization of unrecognized transition amount	**2,538**	7,026	**19,082**
Expense of accrued retirement benefits	**¥7,818**	¥11,488	**$58,782**

	Percentage	
	2002	2001
Assumptions used in accounting for the above plans were as follows:		
Discount rate	**2.8–3.5%**	3.5%
Expected rate of return on plan assets	**2.0–3.5**	2.0–3.5

17. Related Party Transactions

The Company sold goods for resale in the amount of ¥36,998 million (US$278,180 thousand) and ¥39,591 million to Ube-Mitsubishi Cement Corporation (UMCC), its affiliate accounted for by the equity method, for the years ended March 31, 2002 and 2001, respectively.

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

18. Subsequent Events

(a) The consolidated subsidiary Ube Corp. USA Inc. sold off its share of the consolidated subsidiary ATC Inc. to Mitsui Chemicals America, Inc. on May 1, 2002. Gains from the sale were $17.5 million and the percentage of equity after the sale was 0%.
(b) At the general stockholders' meeting of the Company held on June 27, 2002, no appropriations of retained earnings for the year ended March 31, 2002 were approved.

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, 2002 and 2001, 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, 2002 and 2001, 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 subsequent to the change, with which we concur, made as of April 1, 2000, in the method of accounting for directors' and statutory auditors' retirement benefits as discussed in Note 2 (p) to the consolidated financial statements.

As described in Note 2 to the consolidated financial statements, Ube Industries, Ltd. and consolidated subsidiaries have adopted new accounting standards 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, 2002 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.

Shin Nihon & Co.

Tokyo, Japan
June 27, 2002

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.

BOARD OF DIRECTORS

(As of June 27, 2002)

DIRECTORS

Chairman of the Board

Maomi Nagahiro

President and Representative Director

Kazumasa Tsunemi

Senior Managing Directors

Kazuo Wada
Masayuki Asano
Hiroyuki Koike
Toshio Wakabayashi
Yukuo Suzuki
Tadaaki Hirano

Managing Directors

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
Koichi Fukuda

* Concurrently holds post of director

ORGANIZATION CHART

(As of July 1, 2002)

MAJOR CONSOLIDATED SUBSIDIARIES AND AFFILIATES

(As of March 31, 2002)

<CONSOLIDATED SUBSIDIARIES>

Chemicals & Plastics

Company Name	Business	Capital*	Voting Rights (%)	Phone	Fax
Ube Film, Ltd.	Manufacture and sales of plastic-film products	¥379	72.76	(0836) 88-0111	(0836) 89-0005
Ube Cycon, Ltd.**	Manufacture and sales of ABS resins and ABS polymer compounds	¥1,080	64.47	(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
Thai Synthetic Rubbers Co., Ltd.	Manufacture and sales of polybutadiene	1,106 million baht	73.1	(662) 678-5450	(662) 678-6627
Ube Ammonia Industry, Ltd.	Manufacture and sales of ammonia, carbon dioxide, argon, oxygen, and nitrogen	¥4,000	50.63	(0836) 31-5858	(0836) 34-0472
Productos Quimicos del Mediterraneo, S.A.	Manufacture and sales of caprolactam, ammonium sulfate, and 1,6-hexanediol	B 34.265 million	100	(34) 964-738000	(34) 964-280013
Thai Caprolactam Public Co., Ltd.	Manufacture of caprolactam	6,755 million baht	86.31	(662) 678-5450	(662) 678-5480
Ube Nylon (Thailand) Ltd.	Manufacture and sales of nylon 6	414 million baht	100	(662) 678-5450	(662) 678-5486
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*	Voting Rights (%)	Phone	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 Holdings 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 Construction Materials Sales Co., Ltd.	Sales of ready-mixed concrete, building materials, and others	¥490	98.13	(03) 5487-3560	(03) 5487-3567
Ube Material Industries, Ltd.	Production and sales of seawater magnesia, magnesium hydroxide, quicklime, slaked lime, and others	¥4,047	55.42	(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*	Voting Rights (%)	Phone	Fax
Ube Machinery Corporation, Ltd.	Manufacture and sales of casting machines, injection-molding machines, extrusion presses, crushing machines, pulverizing machines, cranes, conveyors, bridges, steel structures and other industrial machinery, and other nonferrous metal products	¥6,700	100	(0836) 22-0072	(0836) 22-6457
Ube Techno Eng Co., Ltd.	Service and maintenance of industrial machinery and equipment; manufacture and sales of automation and environment machinery	¥130	100	(0836) 34-5080	(0836) 34-0666
Ube Steel Co., Ltd.	Manufacture and sales of cast iron and steel products and recycling machinery	¥1,000	100	(0836) 35-1300	(0836) 35-1331
Fukushima, Ltd.	Manufacture and sales of marine, industrial, and recycling machinery	¥490	100	(0245) 34-3146	(0245) 33-8318
Ube Machinery Inc.	Service, sale, assembly, and maintenance for metal processing and injection-molding machinery in North America	US$4.45 million	100	(734) 741-7000	(734) 741-7017
Ube Machinery (Shanghai) Ltd.	Service, sale, assembly, and maintenance for metal processing and injection-molding machinery in China	US$1.4 million	100	(021) 5820-2050	(021) 5820-5122
UBE Automotive, Ltd.	Sale of aluminum automobile wheels	¥2,805	100	(03) 5419-6295	(03) 5419-6219
UBE Automotive North America Mason Plant Inc.	Manufacture of aluminum automobile wheels in North America	US$37.5 million	100	(513) 459-1760	(513) 459-7060
UBE Automotive North America Sarnia Plant, Inc.	Manufacture of aluminum automobile wheels in North America	C$65.383 million	100	(519) 542-8262	(519) 542-3666
UBE Automotive North America L.L.C.	Sales of aluminum automobile wheels in North America	US$0.25 million	100	(513) 459-1760	(513) 459-7060
U-Mold Co., Ltd.	Manufacture of aluminum automobile wheels	¥950	100	(0836) 33-3215	(0836) 33-2366

Energy & Environment

Company Name	Business	Capital*	Voting Rights (%)	Phone	Fax
Ube C&A Co., Ltd.	Sales of imported steaming coal from Australia, Indonesia, and China	¥490	75.5	(03) 5419-6331	(03) 5419-6332
UBE Power Center Co., Ltd.	Wholesale of electricity	¥1,500	70.0	(0836) 31-2642	(0836) 31-2799

Other Businesses

Company Name	Business	Capital*	Voting Rights (%)	Phone	Fax
Ube International (U.S.A.), Inc.	Investment and financial services for affiliated companies in North America	US$5 million	100	(212) 813-8330	(212) 826-0454
Ube Corp. USA Inc.	Holding company of affiliated companies in North America	US$49.9 million	100	(212) 813-8300	(212) 826-0454

48 Other Consolidated Subsidiaries

<EQUITY-METHOD AFFILIATES>

Company Name	Business	Capital*	Voting Rights (%)	Phone	Fax
Ube-Mitsubishi Cement Corporation	Sales of cement and soil-stabilizing cement	¥8,000	50	(03) 3435-2650	(03) 3435-2665

53 Other Equity-Method Affiliates

* Capital is stated in millions of yen, unless otherwise indicated.
** Ube Cycon, Ltd., was merged with Mitsubishi Rayon Co., Ltd., to form UMG ABS, Ltd., on April 1, 2002.
*** On May 1, 2002, ATC, Inc., was transferred to Mitsui Chemicals America, Inc.

INVESTOR INFORMATION

(As of March 31, 2002)

Date of Establishment: 1897

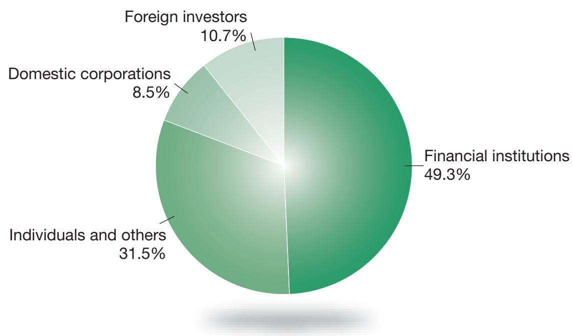
Common Stock:
Authorized: 3,300 million shares
Issued: 845,828,704 shares
(¥43,564 million)

Transfer Agent and Register:
UFJ Trust Bank Ltd.

Number of Stockholders: 78,199

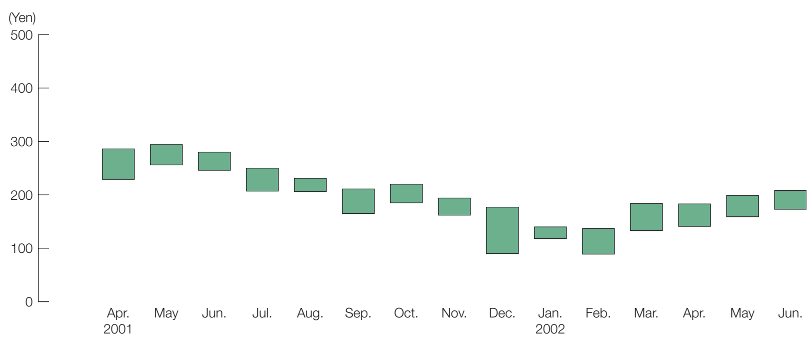
Independent Certified Public Accountants:
Shin Nihon & Co.

Breakdown of Stockholders



Stock Price Range on the Tokyo Stock Exchange

(As of June 30, 2002)



Network

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Wings of
technology
Spirit of
innovation
UBE

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