UBE

UBE INDUSTRIES,LTD.

Annual Report 2005

Year ended March 31, 2005

Management Plan Progress Report: Steady Performance Gains

Contents

Forward-Looking Statements

This annual report contains forward-looking statements regarding UBE plans, outlook, strategies and results for the future. All forward-looking statements are based on judgments derived from information available to the Company at the time of publication.

Certain risks and uncertainties could cause UBE Group actual results to differ materially from any projections presented in this report. These risks and uncertainties include, but are not limited to, the economic circumstances surrounding the Company's business, competitive pressures, related laws and regulations, product development programs and changes in exchange rates.

Fiscal years are years ended March 31 of the following calendar year: for example, fiscal 2004 in the text is the year ended March 31, 2005.

New Medium-Term Management Plan New 21•UBE Plan II

(FY 2004 - FY 2006)

	Year ended March 31, 2004 (Actual)	Year ending March 31, 2007 (Targets)
Operating margin	4.3%	6.0% or higher
Return on assets (ROA[1])	3.3%	5.0% or higher
Net debt[2] / equity ratio	4.4%	Under 3.0 times
Operating income	¥22.0 billion	¥33.0 billion

Speed and Trust

Strategies	Strengthening and expanding earnings	Continuous improvement of financial position

Notes: 1. ROA = (Operating income + Interest and dividend income + Equity in profit of unconsolidated subsidiaries and affiliated companies) / Total assets
2. Net debt = Interest-bearing debt - Cash and cash equivalents

A Long Tradition of Innovation and Growth

1897 Okinoyama Coal Mines is established as anonymous partnership, capitalized at ¥45,000.

1914 Shinkawa Iron Works is established as anonymous partnership, capitalized at ¥100,000. UBE's machinery business started with the manufacture of machinery for coal mining.

1923 Ube Cement Production, Ltd. is established, capitalized at ¥3.5 million. We entered the cement business, using coal for fuel and the abundant nearby limestone as raw material.

1933 Ube Nitrogen Industry, Ltd. is established, capitalized at ¥5.0 million. We expanded into the chemical field of synthesizing ammonia by pyrolysis of coal, used in the manufacture of ammonium sulfate.

1942 Ube Industries, Ltd. is established through consolidation of the four companies above, capitalized at ¥69.6 million.

Later UBE entered a wide range of business sectors such as petrochemical, specialty products and aluminum wheels, establishing the operating divisions that would distinguish it as a comprehensive manufacturer of value-added products. With an extensive base of technologies and expertise built up over more than a century, UBE is taking decisive actions for further innovation and growth.

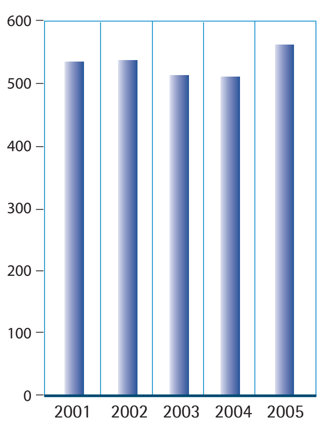
Consolidated Financial Highlights

UBE INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2005, 2004 and 2003

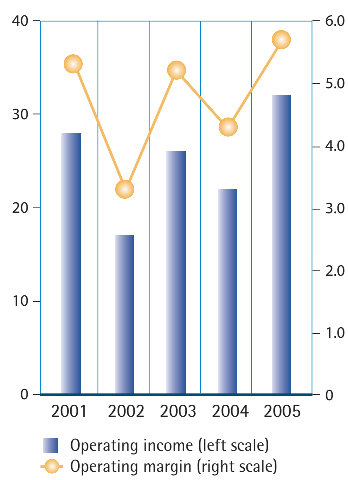
	Millions of yen			% change	Thousands of U.S. dollars (Note 1)
	2005	2004	2003	**2005**/2004	**2005**
For the year:					
Net sales	**¥562,708**	¥511,373	¥513,535	10.0	**$5,258,953**
Operating income	**32,312**	22,017	26,399	46.8	**301,981**
Income before income taxes and minority interest	**10,785**	(9,463)	18,834	—	**100,794**
Net income (loss)	**9,223**	(13,635)	8,120	—	**86,196**
Capital expenditure	**25,208**	33,375	32,513	(24.5)	**235,588**
Depreciation and amortization	**30,905**	31,457	30,243	(1.8)	**288,831**
Research and development expenses	**11,496**	12,048	11,351	(4.6)	**107,439**
At year-end:					
Total assets	**706,686**	699,498	745,890	1.0	**6,604,542**
Stockholders' equity	**108,383**	85,756	96,161	26.4	**1,012,925**
Interest-bearing debt	**397,955**	409,751	458,370	(2.9)	**3,719,205**
Net debt (Note 2)	**364,539**	381,232	409,849	(4.4)	**3,406,906**
Cash and cash equivalents	**33,416**	28,519	48,521	17.2	**312,299**
	Yen				U.S. dollars
Per share data:					
Net income (loss), primary (Note 3)	**¥ 10.07**	¥ (16.07)	¥ 9.61	—	**$ 0.09**
Cash dividends applicable to the period	**2.00**	—	3.00	—	**0.01**
Stockholders' equity	**115.30**	98.77	114.55	16.7	**1.07**
Ratios:					
Operating margin (%)	**5.7**	4.3	5.1		
ROA (%) (Note 4)	**4.9**	3.3	3.5		
ROE (%)	**9.5**	—	8.4		
Net debt/equity ratio (times)	**3.4**	4.4	4.3		
Number of employees at the end of the year	**11,074**	11,397	10,829	(2.8)	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥107=US$1, the approximate rate of exchange on March 31, 2005.
2. Net debt = Interest-bearing debt - Cash and cash equivalents
3. Net income, primary, per share is computed based on the net income available for distribution to holders of common stock and the weighted average number of shares of common stock outstanding during each year.
4. ROA = (Operating income + Interest and dividend income + Equity in profit of unconsolidated subsidiaries and affiliated companies) / Total assets

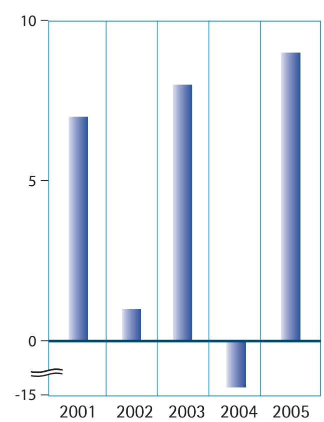
Net Sales
(Billions of yen)



Operating Income/ Operating Margin
(Billions of yen/%)



Net Income
(Billions of yen)



Steady Performance Gains

KAZUMASA TSUNEMI Chairman of the Board
(Former President and CEO)

New 21•UBE Plan II (FY2004 - FY2006) Strategies:

Strengthening and Expanding Earnings

- Achieve an operating margin above 6.0 percent and return on assets (ROA*) above 5.0 percent by fiscal 2006.

* ROA = (Operating income + Interest and dividend income + Equity in profit of unconsolidated subsidiaries and affiliated companies) / Total assets

Continuous Improvement of Financial Position

- Expand cash flow provided by operating activities.
- Reduce cash used in investing activities in ways such as keeping capital expenditures within 80 percent of depreciation and amortization (total for 3-year period).
- Reduce interest-bearing debt to ¥350.0 billion or less by fiscal 2006 and reduce the net debt/equity ratio** to under 3.0 times by expanding free cash flow.

** Net debt/equity ratio = Net debt (Interest-bearing debt - Cash and cash equivalents) / Stockholders' equity

Fiscal 2004, the year ended March 31, 2005, was the first year of our new medium-term management plan, New 21•UBE Plan II. With "Meeting our commitments" as our watchword, we worked to further strengthen and expand earnings and improve our financial position. These aggressive moves contributed to improved performance.

The UBE Group aims to achieve its three-year performance goals ahead of schedule. We will earn the trust of our stakeholders by steadily taking advantage of opportunities for growth and expansion.

Fiscal 2004 Results: Substantial Growth in Sales and Earnings

Despite rising raw material and fuel prices during the past fiscal year, the global economy was solid, led by the United States and Asia. The Japanese economy recovered moderately but steadily as exports were firm and capital investment increased.

Given these conditions, the UBE Group continued to improve its financial position. We worked to expand business by concentrating management resources in core businesses. We also moved to strengthen and expand earnings.

As a result, consolidated net sales increased 10.0 percent year-on-year, or ¥51.3 billion, to ¥562.7 billion. Sales in the Chemicals & Plastics and Specialty Chemicals & Products segments contributed significantly to the increase.

Operating income increased 46.8 percent year-on-year, or ¥10.2 billion, to ¥32.3 billion. The operating margin improved 1.4 percentage points to 5.7 percent. Net income totaled ¥9.2 billion, compared to a net loss of ¥13.6 billion for the previous fiscal year that was a result of factors including the early adoption of accounting standards for the impairment of fixed assets.

The First Year of New 21•UBE Plan II: Solid Progress Ahead of Schedule

The stagnant Japanese economy prevented the UBE Group from achieving many of the goals of other medium-term management plans prior to New 21•UBE Plan II. We initiated New 21•UBE Plan II with the theme of Speed and Trust and an awareness of the importance of steadily fulfilling our commitments. We are accelerating the Plan-Do-Check-Action (PDCA) cycle to steadily achieve the goals of the plan because we place the highest priority on regaining the trust of our stakeholders.

In fiscal 2004, the first year of New 21•UBE Plan II, we resolved to accelerate implementation to achieve the performance goals we promised the market ahead of schedule. A shared sense of urgency among all employees to improve performance and a favorable market environment resulted in satisfactory performance gains that were significantly ahead of our objectives for the first year of our medium-term management plan.

Two Key Management Tasks under New 21•UBE Plan II in Fiscal 2004: Strengthening and Expanding Earnings and Continuous Improvement of Financial Position

• UBE made progress in strengthening and expanding earnings by concentrating management resources in and expanding the scale of the core businesses of specialty products, fine chemicals, pharmaceuticals, nylon resin and aluminum wheels.

In the specialty products business, against the backdrop of expansion in the digital market, UBE generated solid performance gains. We further expanded earnings by increasing capital investment and developing new markets.

In the polyimide business, UBE has a dominant share of the market for tape automated bonding (TAB), a method for mounting semiconductors and electronic components and circuits, and holds the number-one share in the polyimide film market for TAB, where our products are the industry standard. Our products have also set the standard in the chip-on-film (COF) market. We further enhanced our business foundation through means including entry into the flexible printed circuit (FPC) market.

To meet robust demand, UBE committed to the eighth expansion of its polyimide production facilities in November 2004, following the seventh expansion (completed in December 2003) of these facilities, which continue to run at full capacity. Scheduled for completion in summer 2006, the eighth expansion will increase annual production capacity by 30 percent to 27 million square meters. As a result, we expect to maintain our dominant share of the TAB market, and we are also preparing the systems for aggressive development of COF and FPC applications for the evolving thin-film field.

In addition, we are working to make our products the industry standard in the rapidly growing market for dual-layer copper clad laminates (CCL), a non-adhesive type of CCL. In April 2004, we concluded an agreement to license our dual-layer CCL manufacturing technology to Matsushita Electric Works, Ltd. We believe this move will further accelerate the expansion of the UBE Group's family of UPISEL® dual-layer CCL products and serve as a base for expanding sales of polyimide film.

In the battery materials business, we are enhancing the functions of specialty electrolytes. We further increased our share of the market for electrolytes for lithium-ion batteries used primarily in cellular phones, and we are aiming to enter the cylindrical battery market. We are aggressively expanding sales in the separator business, particularly in China. In the domestic market, we are concentrating on the market for medium-sized and large batteries. We are also developing separators for high-capacity batteries to respond to growing needs arising from the increasing functionality of cellular phones.

In the nylon resins business, we moved to pass on increases in the price of caprolactam, the raw material for our advanced, high-value-added nylon resin products. We also modified our supply and technology services organization in Europe and Asia to expand our business by responding to requirements for a broader array of products manufactured in lower volume, and further strengthened our global strategy. We increased R&D and market development personnel, with emphasis on developing our strengths in nylon 6 resin film, the monofilament segment in the extrusion market, and the automotive segment in the injection molding market.

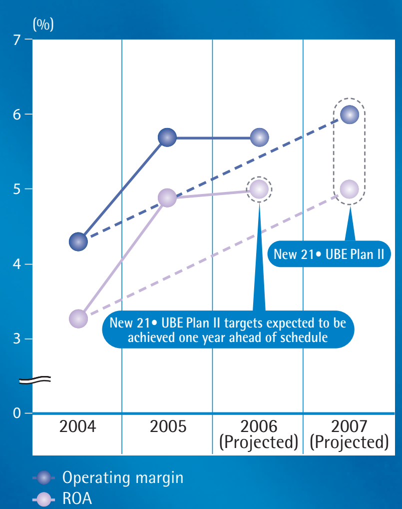
In the pharmaceuticals business, we are working to raise R&D efficiency with the aim of enhancing our pipeline through in-house development of at least two compounds each year at the Corporate Research and Development. Our pipeline includes an antithrombotic agent, a treatment for rheumatoid arthritis, and a treatment for chronic obstructive

OBJECTIVES FOR FY 2006:

- Operating margin of 6.0% or higher
- ROA* of 5.0% or higher

*ROA = (Operating income + Interest and dividend income + Equity in profit of unconsolidated subsidiaries and affiliated companies) / Total assets

Operating Margin & ROA

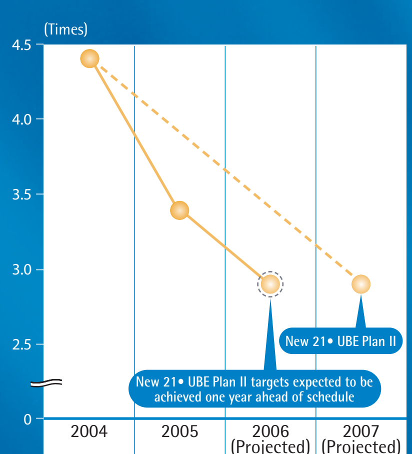


OBJECTIVES FOR FY 2006:

- Net debt* of ¥350 billion
- Net debt/equity ratio below 3.0 times

*Net debt = Interest-bearing debt - Cash and cash equivalents

Net Debt / Equity Ratio



pulmonary disease (COPD) as product candidates. Consignment production of active ingredients and intermediates for pharmaceuticals, however, requires advance investment, and the operating environment of this business has changed over the past several years. The market has not expanded because of factors including delays in new drug approval and lower drug prices, resulting in excess capacity among consignment manufacturers. UBE's capacity utilization rate and sales in this business have decreased, resulting in challenging conditions. However, we have excellent manufacturing technology and a strong ability to propose manufacturing methods. We are working to raise efficiency, backed by strengths including domestic Good Manufacturing Practices (GMP) and U.S. Food and Drug Administration certification and other official recognition of the high level of our plant management capabilities. We have achieved marginal profitability in the pharmaceuticals business due to efforts to increase the volume of consignment production, and now have the framework in place for significant future growth.

In the aluminum wheel business, UBE undertook the critical management task of restructuring operations in North America in fiscal 2004. The problems were larger than we initially anticipated, however, and this business blunted the momentum that solid growth in the Chemicals & Plastics, and Specialty Chemicals & Products segments provided to consolidated results. The lingering repercussions of the labor dispute that began at the Mason Plant in the United States in fall 2003 kept us from achieving our planned recovery in productivity. For this reason, in March 2005 we decided that we needed to fundamentally restructure production in North America, and closed the Mason Plant and integrated production into the Sarnia Plant in Canada. The state-of-the-art facilities of the Sarnia Plant specialize in large-diameter, lightweight products, and manufacture large-diameter wheels that are more difficult to produce. The domestic aluminum wheel business is solid, and we will focus on making the overall aluminum wheel business profitable in fiscal 2005. A key theme is making the improvements that will create the profit structure needed to generate the earnings that a core business should.

- **We moved forward with continuous restructuring and cost reductions to strengthen the earnings base of fundamental businesses so that they can generate stable free cash flow.**

In the caprolactam business, sales were firm despite an increase in the price of benzene, a raw material for caprolactam. Demand was strong, particularly in China, which allowed us to raise prices. Historically, earnings in the caprolactam business have tended to fluctuate significantly according to market conditions. We reduced external sales of caprolactam and increased captive use to produce nylon, which has higher added value. As a result, we maximized earnings from the caprolactam chain, including industrial chemicals, and strengthened our operating base in working toward stable earnings. We have caprolactam production bases in Japan, Europe and Asia, and the start of nylon 6 production in Spain in June 2004 gives us the same tripolar manufacturing structure for nylon. Looking forward, we will promote thorough rationalization at each production base to create a stable operating foundation.

In the cement business, demand decreased in Japan. We increased the volume of industrial waste we handled and worked to reduce costs. While we had been able to maintain earnings year to year, during fiscal 2004 the higher price of coal for cement production exerted a pronounced impact that forced earnings lower. Domestic demand should continue to decrease, and prices for fuels such as coal and heavy oil appear likely to remain high. UBE will further increase the volume of industrial waste it handles and reflect higher fuel costs in selling prices in its efforts to maintain and strengthen a stable earnings base.

- **We focused on continuous efforts to improve our financial position, and have made progress in reducing interest-bearing debt.**

Dependence on debt is a structural weakness of UBE's financial position. Other companies in our industries have a net debt/equity ratio of less than 2.0 times. We have therefore been working to strengthen our financial position to maintain global competitiveness even if interest rates rise.

Under New 21•UBE Plan II, our goal is to reduce net interest-bearing debt to ¥350.0 billion from ¥381.2 billion, and to lower our net debt/equity ratio to under 3.0 times from 4.4 times. We will achieve these goals by keeping total capital expenditures over the three years of the plan within 80 percent of depreciation and amortization.

Total net interest-bearing debt as of March 31, 2005 decreased ¥16.6 billion from a year earlier to ¥364.5 billion. Stockholders' equity increased ¥22.6 billion from a year earlier to ¥108.3 billion. As a result, the net debt/equity ratio improved to 3.4 times. The entire ¥10.0 billion in unsecured convertible notes we issued in May 2004 has been converted into shares, which also contributed to reducing the net debt/equity ratio.

- **Management policies for fiscal 2005: Achieve the objectives of the management plan one year ahead of schedule by further expanding the earnings base of strong businesses and intensifying rationalization and reorganization in weak businesses.**

During fiscal 2005, we will continue to accelerate the speed at which we achieve our goals in working to meet the objectives for the final year of our medium-term management plan one year ahead of schedule.

We project that net sales will increase for fiscal 2005, and that operating income and ordinary income will rise slightly. We also project that net income will increase substantially because of a decrease in extraordinary losses. Given these projections we plan to increase cash dividends per share to ¥3.00 from ¥2.00 for fiscal 2004.

We intend to generate concrete growth and progress for the UBE Group by deploying our comprehensive strengths to further expand the earnings base of strong businesses. In weak businesses, particularly the aluminum wheel business now undergoing restructuring, we must hit our first target: a return to profitability.

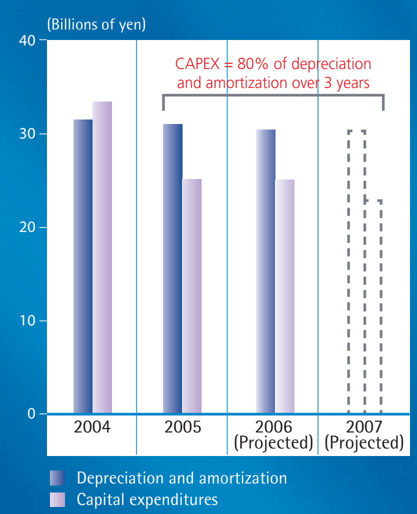
Corporate Social Responsibility (CSR): A Corporate Group Known for Integrity and Ethical Conduct

Since its founding 107 years ago, UBE has operated according to a philosophy of cooperation and coexistence with the communities it serves. Contributing to the community is part of our corporate DNA. Today, the UBE Group is developing business worldwide. We cooperate with communities not only in Japan, but also in the countries in

OBJECTIVES FOR FY 2006:

- Keep CAPEX at 80% of depreciation and amortization over the 3-year period

Depreciation and Amortization & Capital Expenditures



which we do business as we pass on our corporate DNA at the global level. Today, corporate social responsibility encompasses environmental, economic and social aspects. The UBE Group's CSR systems and programs have always covered all of these areas.

The environment has been a particular emphasis. We promote energetic activities to protect the Earth's environment and prevent accidents on the job and at our facilities. UBE's Cement & Construction Materials segment also has a resource recycling business that works to use various types of industrial waste as a raw material and fuel for cement production, which is indicative of our vigorous efforts to promote the formation of a recycling-oriented society.

In the area of corporate governance, we introduced an executive officer system in 2002 to separate supervision and execution, and have seen steady results. While UBE has not established the "Company with Committees" structure, we have strengthened supervision by reducing the number of directors and creating an internal committee structure with responsibility for director nominations, evaluation and compensation. Recognizing that the addition of outside directors would enhance corporate governance, in June 2005 we appointed two outside directors to the Board. This energized the Board of Directors by adding a healthy sense of vigilance to management. We believe it will also heighten management transparency and objectivity.

Organizationally, UBE encourages thorough compliance through measures including an internal whistleblowing system and the establishment of a compliance committee that includes a corporate attorney. We also believe a corporate culture that encourages communication is important. Poor vertical communication prevents the diffusion and execution of company policies in the workplace, and also hinders communication of workplace problems to managers. UBE has created an environment of good communication between senior management and sales and production units. Above all, we must remain a company with integrity where individuals are responsible for their own conduct, because in the final analysis, this is closely tied to increasing corporate value.

Aiming to Increase Stockholder Value

We suspended dividend payments in fiscal 2003 because factors including the early adoption of accounting standards for impairment of fixed assets to clear negative legacy items from our balance sheet resulted in substantial extraordinary losses. In fiscal 2004, UBE paid cash dividends per share totaling ¥2.00. Given nonconsolidated net income of ¥7.4 billion, the payout ratio stood at approximately 25 percent on a nonconsolidated basis. Paying dividends is an important obligation to stockholders. While we naturally strive to pay steady dividends that increase in relation to the Company's performance, generating earnings for stockholders over the medium to long term requires sound internal capital resources for future business expansion. UBE has not completely resolved the vulnerabilities in its financial position, and we believe that further strengthening stockholders' equity is related to corporate stability and credibility, and greater corporate value. The dividends UBE paid for fiscal 2004 are insufficient. We intend to increase dividend payments by implementing New 21•UBE Plan II and rapidly achieving our objectives. We will also devote maximum effort to increasing stockholder value while improving our financial position. We are confident that a higher stock price will result from the market evaluating our efforts and acknowledging their success.

Concentrated Effort to Achieve the Objectives of New 21•UBE Plan II under a New Management Team

Hiroaki Tamura took over from me as the new president and CEO of UBE Industries, Ltd. on June 29, 2005, and will promote New 21•UBE Plan II with a new management team. Mr. Tamura has long experience in the cement business as well as a sound understanding of chemistry that engenders fresh ideas. His leadership, commitment and distinctive ability for steady achievement indicate that he is the right person to take a new perspective and lead the expansion and development of the UBE Group, centered on the chemical business.

Management must be able to respond more flexibly to the large, rapid changes in our operating environment. Under Mr. Tamura's management team, we will work to further increase corporate value with bold, flexible responses to whatever conditions the operating environment may present.

UBE has great potential for growth and development. Based on this belief, I managed UBE with the mission of actualizing this potential, and I believe in UBE's potential more strongly than ever. The UBE Group will devote all of its strengths to rapidly achieving the objectives of New 21•UBE Plan II and earning the trust and understanding of stakeholders. We will be counting on the continued support of our stockholders.

July 2005

K. Tsunemi

KAZUMASA TSUNEMI
Chairman of the Board (Former President and CEO)

Message from New President Tamura

HIROAKI TAMURA
President and CEO

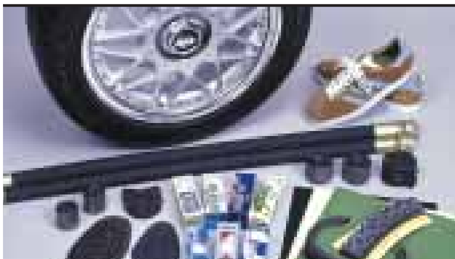
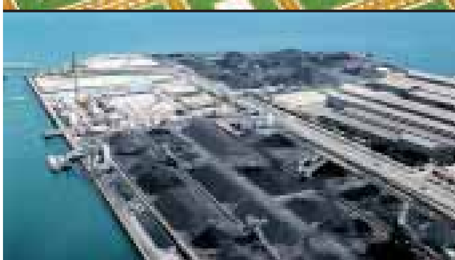
My fundamental commitment under New 21•UBE Plan II is increasing and accelerating the improvement of our financial position to earn the trust of the market.

Our policy of building a sound financial position by concentrating resources on the chemicals business has not changed. We will further strengthen and expand the Chemicals & Plastics and Specialty Chemicals & Products segments, where we are promoting strategic investment and growth. The Cement & Construction Materials, Machinery & Metal Products and Energy & Environment segments have a stable earnings base, and we are structuring them so that they are not unduly affected by changes in economic trends.

I want to bring together all the strengths of the UBE Group, and communicate our management policies throughout the UBE Group so that every employee shares both goals and a sense of personal responsibility. Along with my predecessor, Kazumasa Tsunemi, I would like to thank our stockholders for their past and continuing support.

Hiroaki Tamura

Overview of UBE's Business Portfolio

Segment	Share of Net Sales	Share of Operating Income	Principal Products
 Chemicals & Plastics	29%	33%	Core Businesses ● Nylon resins Fundamental Businesses ● Synthetic rubber ● Caprolactam ● Industrial chemicals
 Specialty Chemicals & Products	15%	33%	Core Businesses ● Fine chemicals ● Pharmaceutical bulk compounds and intermediates ● Polyimide ● Battery materials (Electrolytes and Separators) ● High purity chemicals ● Ceramics ● Membranes ● Telecommunications devices
 Energy & Environment	5%	7%	Fundamental Businesses ● Coal ● Electricity
 Cement & Construction Materials	31%	30%	Fundamental Businesses ● Cement ● Clinker ● Ready-mixed concrete ● Limestone ● Waterproofing materials ● Building materials and related products (Self-leveling and plastering materials)
 Machinery & Metal Products	19%	(5)%	Core Businesses ● Aluminum wheels Fundamental Businesses ● Machinery (Die-casting machines, Injection-molding machines, Bulk conveyors/handling systems, Roller mills)

Note: Totals do not equal 100% because the Other Businesses segment has been omitted.

Basic Strategies	FY04 Achievements
Synthetic Rubber: Our strategy is to bolster our presence in Asia through integrated management of overseas bases while rationalizing our operations through further cost cutting. **Caprolactam Chain:** Continued cost cutting combined with greater captive use of caprolactam will lift profitability across the entire caprolactam chain. The strategy in nylon is to construct a supply and technology service framework in Asia and Europe to bolster our global strategy.	• Segment sales increased 10.4 percent to ¥164.9 billion. Operating income increased by more than five times to ¥10.8 billion. • Construction of a new butadiene rubber plant began in Thailand. It will increase UBE's total production capacity by nearly 10 percent. • A rapid pricing strategy in the caprolactam business is helping to mitigate the effects of raw material cost fluctuations.
Specialty Products: Increase earnings by expanding production facilities and developing new markets in a timely fashion, while developing new products and businesses in response to market changes. **Fine Chemicals and Pharmaceuticals:** Acquire a competitive advantage by thoroughly reducing costs to raise efficiency and by developing technologies that differentiate UBE, and promote restructuring for high sales and earning.	• Segment sales increased 26.1 percent to ¥83.0 billion. Operating income increased 52.6 percent to ¥10.6 billion. • A technology licensing agreement with Matsushita Electric Works, Ltd. is expected to increase sales of polyimide film. • UBE began construction of the number 8 polyimide production facility, with completion scheduled for summer 2006. • UBE enhanced a strong presence in battery materials and increased earnings from the pharmaceuticals business.
As the business that provides the infrastructure for the entire UBE Group, we will ensure a competitive and stable supply of energy (coal and electricity) and build a framework for stable earnings.	• Segment sales increased 56.1 percent to ¥25.4 billion. Operating income increased 34.2 percent to ¥2.3 billion. • The Okinoyama Coal Center became the first coal center in Japan to surpass 100 million tons in cumulative shipments. • UBE co-developed a new process for turning waste plastic into a useful raw material that received a major technology award.
Cement and Ready-mixed Concrete: Further increase management efficiency and earnings by continuously adjusting sales prices. **Resource Recycling:** Invest in facilities to convert industrial waste into useable materials, increase the volume of waste handled and reduce cost of sales. **Building Materials:** Generate steady earnings by focusing on popular new products in the areas of self-leveling, plastering and waterproofing materials.	• Segment sales increased 1.2 percent to ¥175.7 billion. Operating income totaled ¥9.6 billion. • UBE has transformed resource recycling from a cost center to a source of revenue that will add ¥10.3 billion to net sales in fiscal 2005. • UBE continues to work to reflect rises in fuel costs in cement prices.
Machinery: Improve product competitiveness by restructuring operations in response to market changes and offering attractive products that meet market needs, and maximize total profits by strengthening overseas bases and synergy among UBE Group companies. **Aluminum Wheels:** Restructure business in North America with the closure of the Mason Plant and integration of operations into the Sarnia Plant, while further strengthening domestic profitability.	• Segment sales increased 7.9 percent to ¥109.7 billion. • Following its decision to close the Mason Plant in North America, UBE recorded all liquidation expenses as a one-time charge to earnings in fiscal 2004. • Injection-molding machines and steelmaking products sold well due to brisk capital investment by Japanese automakers and growth in demand in China, South Korea and Southeast Asia.

Chemicals & Plastics

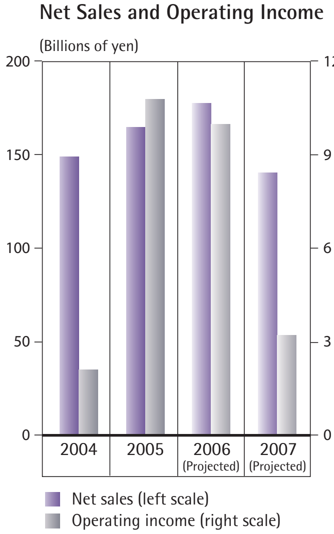
In fiscal 2004, performance improved significantly despite high raw material costs because of successful efforts to reflect higher costs in selling prices. We will further strengthen the integrated management of production, sales and technology in fiscal 2005 to continue growing and producing stable earnings as a fundamental business of the UBE Group.

NOBUYUKI TAKAHASHI
Senior Managing Executive Officer

Basic Strategies

Synthetic Rubber: *Our strategy is to bolster our presence in Asia through integrated management of overseas bases while rationalizing our operations through further cost cutting.*

Caprolactam Chain: *Continued cost cutting combined with greater captive use of caprolactam will lift profitability across the entire caprolactam chain. The strategy in nylon is to construct a supply and technology service framework in Asia and Europe to bolster our global strategy.*



FY 2004 Results

Segment sales increased 10.4 percent, or ¥15.5 billion, year-on-year to ¥164.9 billion. Operating income increased ¥8.7 billion year-on-year to ¥10.8 billion.

Operating costs rose because higher crude oil prices increased the cost of naphtha, benzene and other raw materials. Demand for petrochemical products was strong throughout Asia due to factors including economic recovery in Japan and accelerated economic development in China.

In October 2004, UBE moved to integrate its polyethylene operations with suppliers of the raw material ethylene by forming Ube-Maruzen Polyethylene Co., Ltd. with Maruzen Petrochemical Co., Ltd. Sales of polybutadiene were strong, particularly for tires. Shipments of caprolactam were favorable as UBE was able to reflect the substantial rise in the cost of benzene and other raw materials in selling prices against a backdrop of well-balanced supply and demand. Shipments of nylon resins and industrial chemicals were solid, although UBE was affected by high raw material costs.

This segment far exceeded the targets of New 21•UBE Plan II for fiscal 2006 in the first year of the plan, and will continue to further integrate production, sales and technology with the aim of increasing earnings.

Polyethylene Business

In October 2004, UBE established Ube-Maruzen Polyethylene Co., Ltd. through an equal partnership with Maruzen Petrochemical Co., Ltd. as part of its restructuring efforts. Ube-Maruzen Polyethylene has assumed UBE's low-density polyethylene production and sales business, and is integrating operations with Maruzen

Applications for polybutadiene (Synthetic rubber)

Applications for Nylon 6 (Intake manifold for automobiles)

Petrochemical Co., which supplies the raw material ethylene. These measures will raise management efficiency and increase the competitiveness of the UBE Group.

Ube-Maruzen Polyethylene Co., Ltd. is an affiliate accounted for using the equity method, and therefore its results since establishment in October 2004 are not included in sales and operating income figures for this segment.

Synthetic Rubber Business

Worldwide sales of butadiene rubber are forecast to increase 3-4 percent annually due to strong demand, particularly for use in tires and as a polystyrene modifier. Under these conditions, UBE aims to expand the scale of its synthetic rubber business by increasing production capacity, while increasing profitability through further rationalization. In December 2004, UBE subsidiary Thai Synthetic Rubbers Co., Ltd. began to further expand its production facilities to meet the strong global demand for butadiene rubber. Scheduled for completion in January 2006, the new facilities will increase annual production capacity from the current 56,000 tons to 72,000 tons. Combined with the 95,000-ton capacity of the Chiba Plant, UBE's overall global capacity will increase to 167,000 tons. As a specialized provider of butadiene rubber, UBE will continue to expand its synthetic rubber business through its two global bases in Japan and Thailand by increasing product specialization and differentiation.

Caprolactam Business

The caprolactam market is forecast to grow at an annual rate of 1–2 percent worldwide, led by a projected 4–5 percent increase in demand in China and the rest of Asia. Under these conditions, UBE will continue to implement thorough measures to reduce costs, and will strengthen its caprolactam chain by increasing the ratio of caprolactam used internally to produce nylon resins from the current level of 24 percent to 30 percent by the end of fiscal 2006. UBE intends to further increase this ratio to 40 percent by the end of fiscal 2010.

UBE is also developing a rapid pricing strategy to mitigate the effects of raw material cost fluctuations, and is implementing effective marketing focused on the Asian caprolactam market. UBE responded to higher raw material prices during the past fiscal year by improving its ability to correct profits by reflecting higher costs in selling prices. Moreover, integration of the main raw material purchasing division in the sales division facilitated rapid response to raw material cost fluctuations. Shipments remained strong as UBE took advantage of its reliability as Asia's leading manufacturer of caprolactam amid tight supply conditions.

Nylon Business

Demand for nylon for use as an engineering plastic for automobile parts, food packaging and other applications is forecast to grow at an annual rate of 5-6 percent. In response to this strong demand, UBE will expand its production facilities to increase nylon 6 production capacity. We will also enhance our global sales and technology structure. These measures will help the nylon business attain a level of profitability appropriate for a core business.

In April 2004, Spain-based Ube Engineering Plastics, S.A. began operations at a new nylon 6 polymerization plant, which moved smoothly into business operations. A new R&D Center currently under construction will become UBE's technology base for its European nylon business. It will open in November 2005. These measures will strengthen global strategy by enhancing supply and technology services in Europe.

Industrial Chemical Business

In the industrial chemical business, UBE will strengthen the profitability of all products in the caprolactam chain by improving productivity of ammonia, a raw material used in the manufacture of caprolactam, and by further reducing costs.

Fiscal 2005 Outlook

UBE will continue to strengthen strategic marketing activities in the sales division and reduce costs in the production division, with the aim of reducing costs by ¥4.0 billion in the three years through fiscal 2006.

In the caprolactam business, UBE will further strengthen operations in Japan, Thailand and Spain. We will also improve existing production processes in ways such as introducing a new method for producing caprolactam, refining our nylon 6 polymerization process, and developing C1 chemicals. UBE will also promote the development of new nylon products including XPA, Sunbesta, and Terpalex, and new synthetic rubber products including nano VCR and MBR.

Applications for Nylon 6 (Food packaging films)

Applications for Nylon 12 (Automobile fuel tubes and industrial tubes)

Specialty Chemicals & Products

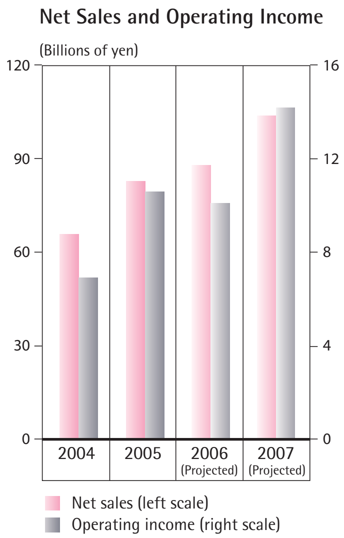
We will continue to succeed and will increase earnings by expanding production facilities intelligently, strengthening our ability to meet customer requirements, and developing new markets.

KOJI KIHIRA
Senior Managing Executive Officer

Basic Strategies

Specialty Products: Increase earnings by expanding production facilities and developing new markets in a timely fashion, while developing new products and businesses in response to market changes.

Fine Chemicals and Pharmaceuticals: Acquire a competitive advantage by thoroughly reducing costs to raise efficiency and by developing technologies that differentiate UBE, and promote restructuring for high sales and earning.



FY 2004 Results

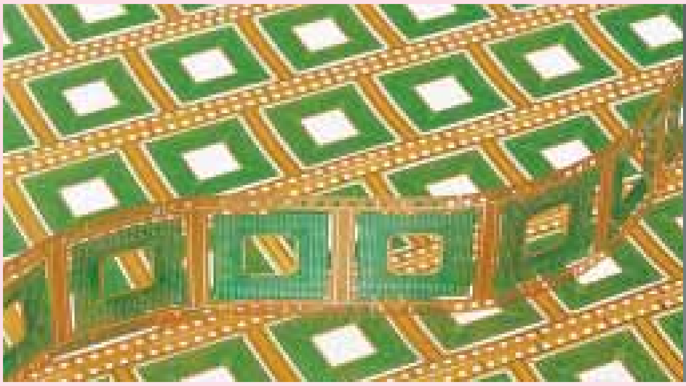
Segment sales increased 26.1 percent, or ¥17.1 billion, year-on-year to ¥83.0 billion. Operating income increased 52.6 percent, or ¥3.6 billion, year-on-year to ¥10.6 billion.

Shipments were strong for such products as polyimide film, mainly for liquid crystal displays (LCDs), and high-purity chemicals for semiconductors despite the negative impact of the onset of an adjustment phase in the digital appliance market in the second half. In addition to solid shipments of electrolytes and separators for lithium-ion batteries, shipments of active ingredients and intermediates for pharmaceuticals recovered, leading to favorable performance for fine chemicals overall.

Polyimide Business

The polyimide market is expected to remain favorable, with continued strong demand. In this environment, the UBE Group is strengthening technological development to maintain dominance in the market for tape-automated bonding (TAB) used in automated integrated circuit mounting, make its products the industry standard in the chip-on-film (COF) market, and gain share in the flexible printed circuit (FPC) and other markets. In the and other markets for dual-layer copper-clad laminates (CCL), UBE's UPISEL-N family of non-adhesive type products is growing substantially as a result of the increasing sophistication of mobile phones, digital cameras, and other products.

Applications for polyimide (Tape automated bonding (TAB))



Examples of products using polyimide film

In order to further increase the presence and sales of UPISEL-N products in this market, UBE concluded a technology licensing agreement with Matsushita Electric Works, Ltd. in April 2004. This agreement is expected to increase sales of polyimide film, which is used as a substrate in such products.

In addition, UBE began construction of the number 8 polyimide production facility in November 2004, which will increase annual production capacity from 20 million square meters to 27 million square meters by summer 2006.

Battery Materials Business

The market for lithium-ion batteries is expected to continue growing over the medium to long term despite signs that demand is slowing for mobile telephones and other products. UBE is aiming to increase earnings by expanding production facilities in a timely fashion to meet increased demand. In the electrolytes sector, our goal is to maintain our leading position by strengthening our patent strategy, enhancing production and improving our ability to develop new electrolytes. In the separator business, UBE is working to make its products the standard in the Chinese market, increasing orders from high-end users in Japan and broadening the range of applications for its products.

Pharmaceuticals Business

In the consignment pharmaceutical production business, UBE implemented thorough cost-cutting measures at pharmaceutical plants, increased plant productivity in a challenging environment. As a result, both the number of products produced on consignment and production volume increased, contributing to improved earnings.

In the in-house pharmaceuticals business, full-scale shipments of Calblock, an antihypertensive agent co-developed with Sankyo Co., Ltd., began after the successful conclusion of a one-year study. Shipments of Talion, an antiallergic treatment co-developed with Tanabe Seiyaku Co., Ltd. also increased steadily. As a result, earnings in the in-house pharmaceuticals business increased substantially. UBE will continue increasing the efficiency of drug discovery activities to enhance its pipeline. Toward this end, we are targeting the addition of two or more new candidates every year.

Fine Chemicals Business

In the fine chemicals business, UBE aims to maximize earnings by increasing production of existing products and fully implementing measures to enhance profitability.

Newly constructed production facilities for methylethylketoxime (MEKO), one of the fine chemicals business's products, began full-scale operations in April 2004 after receiving quality certification from major paint and silicon manufacturers, and will meet growing demand for paint for automobiles, silicon sealant and other applications.

Fiscal 2005 Outlook

UBE will generate earnings through steady returns on investment in projects including construction of the number 7 and number 8 polyimide film production facilities, doubling BPDA production and enhancing MO production. Moreover, UBE plans to further lower the break-even point in the pharmaceuticals business and make it steadily profitable. UBE is studying restructuring to create a new earnings base while continuing to focus on C1 chemicals in moving forward with restructuring to make fine chemicals a highly profitable business.

Applications for polyimide (Dual-layer copper clad laminate (CCL))

Pharmaceutical products

Energy & Environment

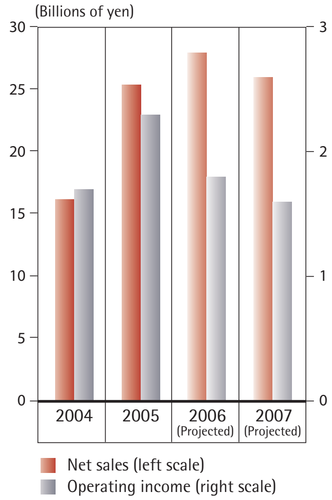
As the business that supports the UBE Group infrastructure, we aim to provide a stable supply of energy in the form of coal and electricity, and minimize energy and environmental costs.

MICHIO TAKESHITA
Managing Executive Officer

Basic Strategy

As the business that supports the infrastructure for the entire UBE Group, we will ensure a competitive and stable supply of energy (coal and electricity) and build a framework for stable earnings.

Net Sales and Operating Income



FY 2004 Results

Segment sales increased 56.1 percent, or ¥9.1 billion, year-on-year to ¥25.4 billion. Operating income increased 34.2 percent, or ¥0.6 billion, year-on-year to ¥2.3 billion. Factors contributing to these results included higher coal prices and an increase in the number of shipments handled by the Coal Center. UBE also began its wholesale electricity business as an independent power producer (IPP) in March 2004.

The Okinoyama Coal Center is a distribution center that provides a stable supply of imported coal to users in Japan, and is one of the largest such centers in the country. In October 2004, it became the first coal center in Japan to surpass 100 million tons in cumulative coal shipments.

Coal Business

Currently, market prices for coal are approximately 80 percent higher than in fiscal 2003, due in part to higher coal prices and a rapid increase in freight costs since fall 2003, despite present signs of a leveling-off. With market demand strong, UBE's most important task is to ensure that it can maintain a stable supply of coal.

Electricity Business

In the electricity business, UBE began operations at its IPP power plant in March 2004, but faced a challenging business

Okinoyama Coal Center

UBE Power Center Co., Ltd. (merged into Ube Industries, Ltd. in January 2005)

environment due to rapidly rising coal prices. In response, UBE merged Ube Power Center Co., Ltd. in January 2005 with our internal power generation operations to maximize efficiency through unified management.

Fiscal 2005 Outlook

In the coal business, UBE broadened its relationships with reliable suppliers and shipping companies, and worked to generate earnings and avoid risk by collecting accurate information and making timely decisions. Specifically, we have emphasized medium- to long-term volume commitments for procurement, and long-term freight contracts. We are also moving to reduce costs by diversifying the types of coal we handle while improving our receiving system to accommodate various grades.

In the electricity business, we will aim to increase profitability by installing equipment capable of mixed combustion of coal and wood biomass at the IPP power plant, thus giving our wholesale electricity operations added value as alternative energy.

UBE's coal and electricity operations support the production base of the entire UBE Group. We are minimizing risk with a tight focus on error-free management of facilities and operations.

Two-stage Pressurized Gasification System Receives Award

In April 2005, UBE and Ebara Corporation received the Science and Technology Award from the Japanese Ministry of Education, Culture, Sports, Science and Technology in recognition of their breakthrough Ebara-Ube Process (EUP) technology. EUP technology is a two-stage pressure gasification system for chemical recycling that UBE and Ebara Corporation have jointly developed and commercialized.

This pioneering system uses a gasifier employing oxygen and steam under pressure to convert waste plastics with unstable chemical composition into hydrogen and carbon monoxide for use in ammonia synthesis and to produce other raw materials for chemical products.

In presenting the award, the Ministry commended the companies for contributing to environmental protection and resource conservation by developing an efficient technology for recycling waste plastic for use as an alternative to fossil fuels.

Cement & Construction Materials

We will continue to increase profitability to generate stable earnings and cash flow, a mission of fundamental businesses. In addition, we will exploit the special properties of cement to contribute to the creation of a recycling-oriented society by using industrial waste and byproducts as raw materials for producing cement and fuel.

HIROAKI TAMURA
President and CEO (Former Senior Managing Director/Senior Managing Executive Officer of Cement & Construction Materials Segment)

Newly Appointed Executive Officer

KAZUMA SEKIYA
Senior Managing Executive Officer

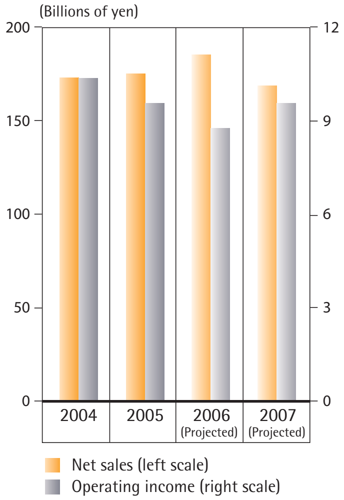
Basic Strategies

Cement and Ready-mixed Concrete: *Further increase management efficiency and earnings by continuously adjusting sales prices.*

Resource Recycling: *Invest in facilities to convert industrial waste into useable materials, increase the volume of waste handled and reduce cost of sales.*

Building Materials: *Generate steady earnings by focusing on popular new products in the areas of self-leveling, plastering and waterproofing materials.*

Net Sales and Operating Income



FY 2004 Results

Segment sales increased 1.2 percent, or ¥2.0 billion, year-on-year to ¥175.7 billion. Operating income decreased 8.2 percent, or ¥0.8 billion, year-on-year to ¥9.6 billion.

Shipments of cement and ready-mixed concrete continued to decline because domestic demand contracted further. The high cost of coal used in producing cement also had a pronounced impact. In the resource recycling business, UBE promoted the use of industrial waste as raw materials and fuel for cement production and worked to decrease costs and contribute to the creation of a recycling-oriented society. In the construction materials business, sales of self-leveling, plastering and waterproof materials for flooring and other products were strong.

Cement and Ready-mixed Concrete Business

Demand for cement in Japan is expected to continue declining to 56 million tons in fiscal 2005 from approximately 57.6 million tons in fiscal 2004. While private-sector demand appears to be recovering after bottoming out, continued restraint in public spending will hamper public-sector demand. In addition, conditions in the cement industry remain challenging due to the

The new suspension preheater kiln at the Ube Cement Factory

A facility for the treatment of waste plastics

high cost of coal, heavy oil and other fuels.

Under these conditions, UBE worked to further improve earnings through rationalization, but was unable to fully reflect higher fuel costs in cement prices. In the ready-mixed concrete business, UBE continued to adjust selling prices and promote consolidation of regional operations and plants, and increased the use of IT to raise management efficiency.

Resource Recycling Business

In the resource recycling business, UBE promotes the use of industrial waste as raw materials and fuel, and is working to reduce costs and contribute to the creation of a recycling-oriented society. Under New 21•UBE Plan II, our goals are to expand the volume of industrial waste we handle and increase revenues to ¥8.9 billion in fiscal 2005 from ¥5.9 billion in fiscal 2003 and ¥7.4 billion in fiscal 2004.

We began full-scale operation of a facility constructed within a cement plant to convert waste wood chips into biomass fuel for an on-site electric power plant. This facility not only reduces electricity generation costs, but also contributes to global environmental preservation by reducing CO_2 emissions and effectively using wood from forestry management and waste wood products.

In addition, in October 2004, UBE raised the status of the former Resource Recycling Department to a business division and significantly increased the number of division employees with the aim of achieving further growth. UBE previously included industrial waste collection in cost of sales, but will now include it as a revenue in the resource recycling business. This will increase net sales by ¥10.3 billion in fiscal 2005.

Building Materials Business

In the building materials business, UBE works to develop and launch products that anticipate market needs while strengthening and expanding sales of existing products. In particular, UBE aims to increase earnings by concentrating management resources in the core product areas of self-leveling, plastering and waterproofing materials.

In May 2004, UBE began nationwide sales of *Aquashutter AC*, a polymer-based cement waterproofing material it developed. This product exhibits excellent long-term waterproof capability by overcoming the low resistance to weather and wear of previous polymer-based cement waterproofing materials through the use of special cement and acrylic resins.

In April 2005, UBE also began nationwide sales of *SL Sheet Construction Method*, a self-leveling product for surface preparation, after regional trial sales in September 2004 met with strong customer approval. This method shortens construction time by eliminating the need to remove existing surface materials during floor renovation and also reduces the amount of industrial waste. It is also ideal from an environmental perspective because it creates no dust or noise. UBE is concentrating on expanding sales in response to increased needs in the area of self-leveling materials for renovation.

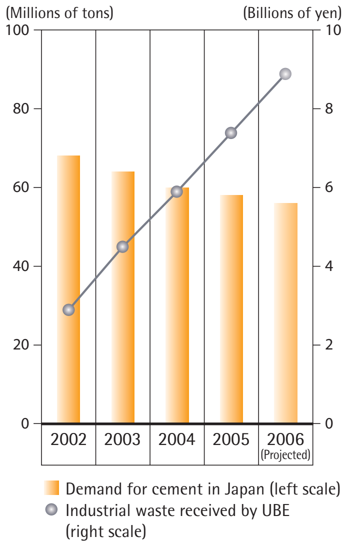
Fiscal 2005 Outlook

In the cement business, UBE will make efforts to adjust selling prices to reflect increased coal and heavy oil fuel costs.

In the resource recycling business, UBE will increase efficiency by expanding ties with the Energy & Environment segment and other companies in areas including biomass recycling, and will steadily increase revenue from industrial waste processing by continuing to invest in facilities that make effective use of industrial waste.

In the construction materials business, UBE will implement measures to steadily increase earnings by further strengthening sales of self-leveling, plastering and waterproof materials.

Demand for Cement in Japan and Industrial Waste Received



Waste wood chips are incinerated at this facility

Application of self-leveling materials

Machinery & Metal Products

In the machinery business, we are rebuilding the industrial machinery sector and enhancing overseas bases to improve earnings, and we have restructured the aluminum wheel business in North America. Swift and steady decision-making will further strengthen and revitalize this business.

ISAO TAMURA
(Former Managing Director/Managing Executive Officer of Machinery & Metal Products Segment)

Newly Appointed Executive Officer

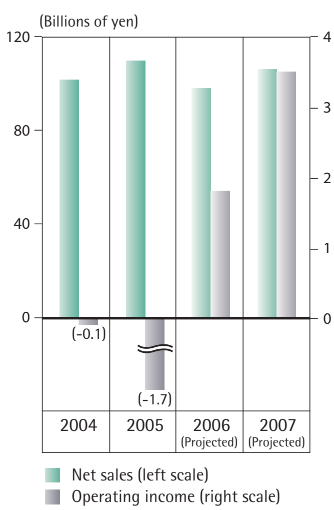
KAZUHIKO OKADA
Representative Director/Vice-President and Executive Officer

Basic Strategies

Machinery: *Improve product competitiveness by restructuring operations in response to market changes and offering attractive products that meet market needs, and maximize total profits by strengthening overseas bases and synergy among UBE Group companies.*

Aluminum Wheels: *Restructure business in North America with the closure of the Mason Plant and integration of operations into the Sarnia Plant, while further strengthening domestic profitability.*

Net Sales and Operating Income



FY 2004 Results

Segment sales increased 7.9 percent, or ¥8.0 billion, year-on-year to ¥109.7 billion. Operating loss widened by ¥1.6 billion year-on-year to ¥1.7 billion.

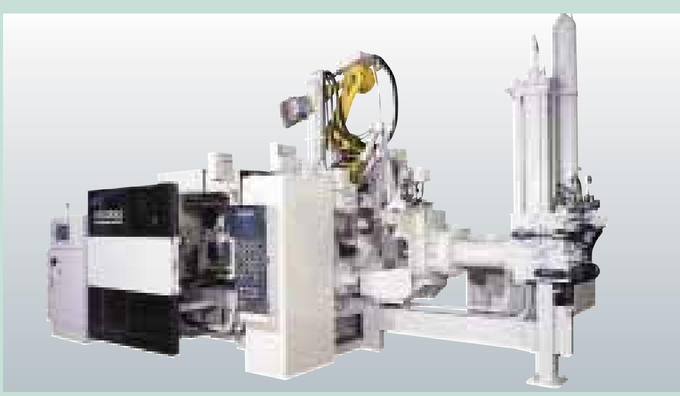
In the machinery business, although reduced public capital expenditures in Japan and a stricter monetary policy in China negatively impacted industrial machinery sales, injection-molding machines and steelmaking products sold well due to brisk capital investment by Japanese automakers and growth in demand in China, South Korea and Southeast Asia. As a result, sales and earnings exceeded projections.

In the aluminum wheel business, despite concerted efforts to bring operations back on track after settlement of a labor dispute, the Mason Plant in the United States failed to return to its former level of productivity, while yields at the Sarnia Plant in Canada did not improve in accordance with plans.

Machinery Business

Strong capital investment by Japanese automobile manufacturers and increased demand from China and Southeast Asia are supporting the machinery market. Concerns include decreasing public investment and rising prices for raw materials in Japan, and

An aluminum die-casting machine



UBE aluminum wheels

Dissolution of U.S.-based Aluminum Wheel Manufacturing Subsidiary

In March 2005, UBE decided to dissolve UBE Automotive North America Mason Plant, Inc. (the Mason Plant), a U.S.-based subsidiary. Established in July 1989 in Ohio and fully operational since July 1991, the Mason Plant manufactured 16-inch medium-diameter aluminum wheels for automotive manufacturers including General Motors Corporation and DaimlerChrysler Corporation.

However, UBE incurred substantial losses as a result of failed efforts at the Mason Plant to adequately reduce costs in response to intensified market competition due to the increase in inexpensive aluminum wheels manufactured in China and other countries. Productivity also decreased significantly because of a labor dispute during labor union contract renewals in 2003. In fiscal 2004, efforts to improve productivity and reduce fixed costs failed, resulting in a large operating loss.

In response to these conditions, UBE carefully studied the possibility of restructuring the Mason Plant and concluded that liquidating it and integrating its operations into the Sarnia Plant in Canada would be the best option. After liquidating the Mason Plant, which primarily produced 16-inch, medium-diameter wheels, UBE accelerated its strategy of increasing the proportion of large-diameter products in the Group's aluminum wheel business. The Mason Plant continued operating for a limited time after it was liquidated to fill outstanding orders and meet its responsibilities to customers.

UBE recorded a one-time charge to earnings of ¥6.8 billion in fiscal 2004 to liquidate the Mason Plant. This included all liquidation expenses, loss on valuation of assets and all production losses incurred to fulfill outstanding orders for a limited time after the plant was liquidated. The Mason Plant significantly reduced UBE's operating income in fiscal 2003 and 2004. The absence of this operating loss in fiscal 2005 will contribute to higher Group operating income.

reduced capital investment in the building materials market in China due to stricter governmental monetary policies.

Under these conditions, UBE worked to improve product competitiveness and strengthen synergy among UBE Group companies in line with the policies of New 21•UBE Plan II. As a result, sales and income were both in line with projections.

Aluminum Wheel Business

Quantitative growth in the aluminum wheel business remains high in a globally strong automotive industry, but products have become polarized in terms of cost and quality. Inexpensive commodity products manufactured in countries including China, Thailand, Malaysia, Taiwan and South Africa, where labor costs are low, are at one end of the market. UBE specializes in low-volume, large-diameter, advanced products with high-added value.

Pressure from China and other low-cost countries has led low-pressure casting manufacturers that previously focused on inexpensive commodity products to experiment with various technological improvements and move into the high-value-added, differentiated segment in which UBE operates.

Under these conditions, in domestic operations UBE merged and absorbed UBE Automotive, Ltd. and U-Mold Co., Ltd. in January 2005 to increase decision-making speed and management efficiency. This further enhanced the effectiveness and efficiency of the restructuring of the aluminum wheel business. Moreover, in March 2005, UBE fundamentally reorganized North American operations by closing the Mason Plant and integrated its operations into the Sarnia Plant in Canada.

Fiscal 2005 Outlook

The machinery business will work to achieve its sales and earnings targets by steadily rebuilding its industrial machinery operations and further improving profitability for injection-molding machines and steelmaking products amid a favorable operating environment.

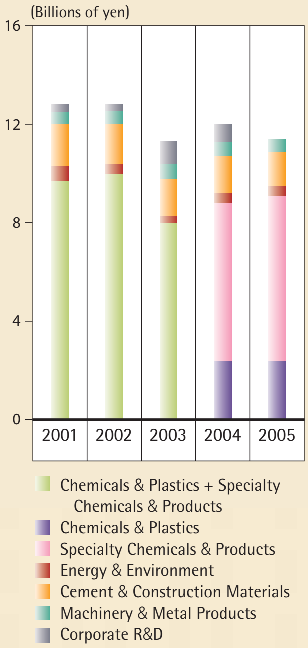
The aluminum wheel business will work to swiftly carry out the closure of the Mason Plant and the integration of its operations into the Sarnia Plant. Domestic operations will work to strengthen earnings capability by expanding sales of high-value-added products, continuing to reduce costs and promoting research and development.

R&D for Competitive Advantages

UBE is committed to rapidly pushing ahead with aggressive R&D driven by distinctive technology that will successfully bridge the gap between seeds and needs and help further increase the Company's competitive edge.

YASUHISA CHIBA
Representative Director/Vice-President and Executive Officer/CTO

R&D Expenses by Segment



Basic Policies and Strategies

UBE works to develop more advanced production technology for existing businesses in each of its segments and expand into peripheral and related areas. Also, UBE undertakes research targeting areas that potentially offer new business opportunities and can strengthen the company's technological base on a long-term basis.

R&D by Business Segment

Chemicals & Plastics

Actions being undertaken to strengthen and spur advances in existing businesses include the development of applications for metallocene polyethylene resins, non-chlorine packaging materials, new grades of synthetic rubber, as well as the development of grades of nylon 6 and 12 and related applications. Significant achievements in relation to nylon products during fiscal 2004 included the market launch of high-performance polyamide elastomer UBESTA XPA and terpolymer nylon TERPALEX. In the area of synthetic rubber products, the Company developed production technology for polybutadiene using a metallocene catalyst and nano VCR. Achievements in other areas of research included the market launch of contractile air CAPs. R&D expenditures for this segment totaled ¥2.4 billion.

Specialty Chemicals & Products

UBE is currently developing materials for lithium-ion secondary batteries, polyimide-based specialty materials, ultra heat-resistant inorganic materials for the aerospace field, specialty functional ceramics, metallic materials and chemicals for the semiconductor field, solid electrolytes and other fuel cell components, thermoelectric and optical materials, high frequency devices compatible with next-generation digital-communications equipment, chemical products centered on C1 chemicals, and processes for consignment production of pharmaceuticals. The Company is also undertaking research into pharmaceutical intermediaries primarily for immunology, inflammation and cardiovascular systems. UBE's consolidated subsidiary Ube Medical Co, Ltd. is engaged in the development of medical equipment. Significant achievements in this field during fiscal 2004 included the development of electrolytes that will enhance the performance of lithium-ion batteries, a continuous production process for porous polyimide film, and an industrial process for deoxidizing nitric acid that will make the dimethyl carbonate (DMC) production method cleaner and more efficient. In addition, the Company undertook a full-scale market launch of the marine-scented aromatic Heliofresh, which will help to conserve forest resources. R&D expenditures for this segment totaled ¥6.7 billion.

Energy & Environment

In addition to research pertaining to coal transportation, storage and development of coal applications, UBE is developing technologies for more effective use of fly ash in civil engineering and other fields. The Company is also developing technologies and assessing the commercial potential for mixed combustion of non-fossil and coal fuels, with the aim of reducing energy costs and lessening environmental impact by lowering CO_2 emissions. The segment's most notable achievements during fiscal 2004 included the finalization of the business plan for using mixed combustion of wood biomass and coal to fuel its IPP plant and the receipt of Ministry of Land, Infrastructure and Transport certification for Z-Sand, an artificial sand made from fly ash. R&D expenditures for this segment totaled ¥0.4 billion.

Cement & Construction Materials

Research and development activities pertaining to cement and construction materials are conducted primarily at Ube-Mitsubishi Cement Research Institute Corporation, an affiliate accounted for using the equity method. Efforts to develop technology for utilizing industrial waste in cement production continue, as does the development of high-performance cement and concrete to cope with the diversifying needs. Development work is also underway on an eco-friendly soil stabilizer and stabilizing process. In construction materials, UBE is further bolstering the competitiveness of its self-leveling (SL) materials, an area in which it has the largest market share. The Company is also improving the performance and reducing the cost of plastering and waterproofing materials, and making other improvements to better meet the requirements of individual customers. Other activities include research to develop calcium- and magnesium-based materials with higher purity and finer particles, and the development of a wider range of higher

Photocatalytic Fiber and Water Purifying System Win Fourth Annual GSC* Award

UBE was awarded the Minister of Environment Prize at the Fourth Annual Green Sustainable Chemistry (GSC) Awards, in recognition of the Company's major contribution to reducing environmental impact through its development of the world's first high-strength photocatalytic fiber utilizing surface gradient structures and a water-purifying system that makes use of this material.

The Prize is given in recognition of commercial achievements that contribute to overall reduction in environmental impact. UBE's developments won acclaim for their contribution to the environment and to human health and safety by offering a safe alternative to conventional water purification systems that use the toxic chemical chlorine.

* GSC is a worldwide activity that aims to spark greater recognition of social responsibility among people and organizations that work with chemicals or are engaged in the chemical industry and to promote research and development related to the environment and human health and safety through innovative chemistry, in order to contribute to the realization of a sustainable society.

performance exterior building materials. Significant achievements during fiscal 2004 included the market launch of Aquashutter AC, a highly durable waterproofing material, and Quick Base, an inorganic underlayment material, as well as the development of Silica Fume Cement Super, an ultra-high-strength cement, and the market launch of magnesium oxide for use in supplements. UBE also undertook full-scale market development for the self-leveling (SL) sheet method. R&D expenditures for this segment totaled ¥1.4 billion.

Machinery & Metal Products

Research and development pertaining to the machinery and metal products field is conducted primarily at UBE's consolidated subsidiary Ube Machinery Co., Ltd. R&D activities related to metal-forming technology include the development of a low-pressure injection casting process, a high-vacuum casting system, a semi-solid molding system and technology for large-diameter, lightweight aluminum wheels. R&D activities related to resin molding technology include the development of technologies for in-mold coating and foam molding. Notable achievements during fiscal 2004 included progress in developing products in collaboration with customers using UBE's high-speed, low-pressure injection casting process and ultra-vacuum casting process and progress in the development of commercially viable mass-production processes that incorporate in-mold coating. R&D expenditures for this segment totaled ¥0.5 billion.

Corporate R&D

In addition to the R&D initiatives of each segment, Ube is also conducting corporate or companywide research and development involving electronic components, photocatalytic fiber modules and fuel cell components to create and nurture next-generation businesses. Notable accomplishments during fiscal 2004 included the development of technology for creating high-density multilayer circuits, expansion of the market for Aquasolution, development of a water-purification device that incorporates photocatalytic fibers and a significant increase in processing capacity. Corporate R&D project expenditures totaled ¥49 million.

Intellectual Property Strategy

UBE has shifted from a defensive patent strategy for protecting its businesses to an offensive strategy that actively removes competitors through the establishment of a network of patents. UBE also licenses out its patents to third parties to generate patent-based revenues, as in the pharmaceutical business, and pursues intellectual property strategies compatible with each of its businesses.

The NEW 21•UBE Plan II emphasizes the acquisition of patents which will further enhance the competitiveness of core and fundamental businesses, with the ultimate goal of blocking the entry of competitors into our key business areas.

UBE's Intellectual Property Department implements the Company's intellectual property strategy by establishing rights on inventions arising from R&D activities so that they can be incorporated into business activities; by undertaking patent searches and checking for potential infringements, and collecting various intellectual property information useful for the promotion of R&D activities and business activities, including information on competitors' patent acquisition trends; and by conducting in-company educational activities to foster a corporate culture that emphasizes the importance of intellectual property.

Raising the morale and motivation of researchers is essential. Effective from April 2005, UBE made major changes and implemented a new employee invention system and regulations to offer greater incentives to researchers. Key changes include the abolition of ceilings on the incentive payment amount when inventions are actually put into commercial use. The amount now increases in proportion to the amount of profit derived from the use of inventions. Moreover, the new system stipulates that employee inventors are eligible to receive incentive payments every three years until the patent term expires. Furthermore, in order to encourage research and development activities that are directly linked to business goals, UBE established a system whereby incentives become payable when inventions are put into commercial use, and introduced an open and fair system in which employee inventors can file complaints concerning the amount of incentives payable at the time inventions are commercialized.

Dioxin decomposition using fibrous photocatalyst

Corporate Social Responsibility

Since its establishment, the UBE Group has continually developed new businesses that meet the demands of each generation by promoting industries that create infinite value out of a finite resource, coal. We adhere to our corporate slogan “Living and prospering together,” which means being in harmony with the many different people around us. The UBE Group strives to gain the trust of all stakeholders, make wide-ranging contributions to society and keep people fully informed of its ongoing efforts.

HIROYUKI KOIKE
(Former Executive Vice-President/Vice-President and Executive Officer)

Newly Appointed Executive Officer

AKINORI FURUKAWA
Director/Senior Managing Executive Officer and Group Chief Compliance Officer

The UBE Group engages in various businesses offering products and services that contribute to bettering people’s lives. In conducting our business activities, we believe that generating profits is our corporate mission and primary social responsibility. To do so, gaining the trust and understanding of society is essential. UBE strives to maintain constructive and harmonious relationships with its stockholders, customers, employees, suppliers and the residents of communities near UBE offices and factories, because it is these relationships that sustain the long-term development of the UBE Group.

The concept behind this approach is generally called corporate social responsibility, or CSR. UBE focuses its CSR efforts in four main areas: corporate governance; compliance; environmental, safety and health-related activities; and contribution to society.

Corporate Governance

UBE instituted an executive officer system in 2001 to separate governance and management functions, and changed the management structure of the Board of Directors. Delegation of operational management tasks to executive officers allows them to concentrate exclusively on business management, thus speeding up decision-making processes. The Company also clarified the Board of Directors’ accountability to stockholders as the guardians of stockholder value, thereby ensuring that the Company’s actions are geared to maximizing stockholder value in the medium to long term. The Board of Directors supervises executive officers in the execution of their duties to ensure propriety and efficiency, increase transparency, maximize stockholder value and minimize risks. As part of these initiatives, we have reduced the Board of Directors to nine members.

Although UBE has not switched to a board committee system, it has established internal committees comprising several directors who are responsible for director nomination and compensation. To ensure higher transparency and objectivity, the Company included two outside directors in fiscal 2005. This has added a third-party perspective to management decision-making.

Internal auditing is conducted by the Auditing Dept., an independent unit that reports directly to the president. It audits the entire UBE Group, including the Company’s overseas subsidiaries. The Auditing Dept. monitors the internal controls of Group companies, compliance with laws, regulations, ordinances and procedures and other areas to detect potential risks in operating activities. The head of the Auditing Dept. is also a member of the Compliance and Information Security Committees, which both address company-wide risk management. This enables the department to reinforce risk management functions in cooperation with each committee.

Two of UBE’s four corporate auditors are external auditors. Auditing activities are based on the audit policy and audit plans, which are renewed every year. Auditors attend important meetings and audit the execution of duties by executive officers and directors based on meetings with and reports from directors and related personnel. Auditors also meet regularly with the Company’s independent auditors to collect information on their audit plans and the status of audits in progress. In addition, they hold regular audit training seminars and host opinion-exchange sessions to improve audit quality.

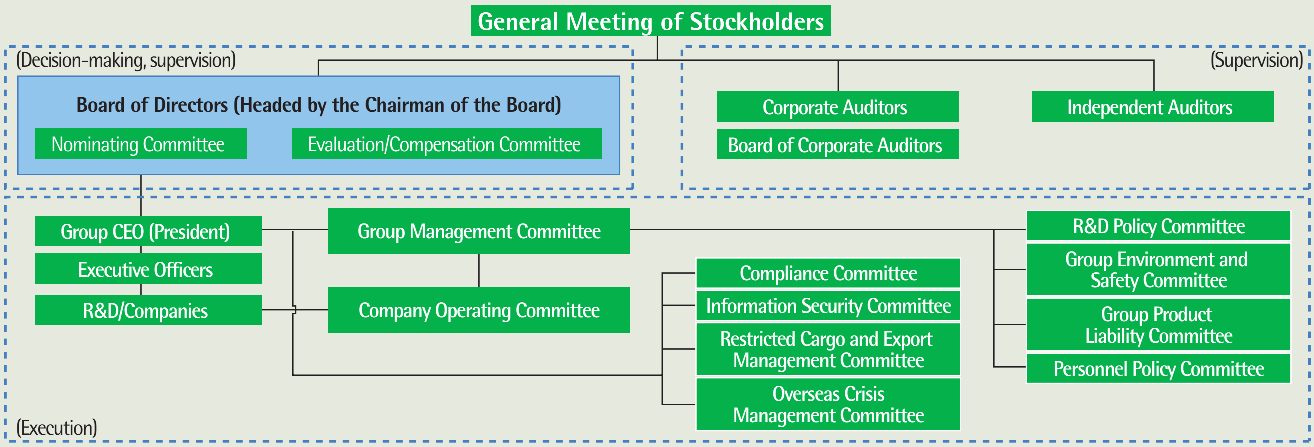
UBE will continue to study new ways to modify its corporate governance structures to improve the functioning of the company.

Thorough Compliance

UBE first compiled its Personal Action Guidelines in 1998, and remains committed to ensuring that all executives and employees understand compliance. In 2003,

This is the official symbol of the All-Japan Disabled Persons Employment Association, which works to provide employment opportunities for individuals with disabilities.

Corporate Governance Structure



the Company implemented three key measures to further improve compliance. First, the Personal Action Guidelines were reviewed and partially revised to strengthen promotion of corporate ethics. Second, the position of compliance officer was established to provide centralized oversight of all compliance programs. A Compliance Committee, which includes a consulting attorney, was also established as an advisory body to this officer. Third, the Company introduced the "Ube C-Line," a message center that permits employees to directly report any compliance violations and related issues without following the formal reporting routes. These measures have helped to ensure honest and open communication within the Company, which is essential for thorough compliance. Accordingly, UBE will strive to cultivate an open corporate culture.

In addition, UBE established the Information Security Committee, the Restricted Cargo and Export Management Committee and the Overseas Crisis Management Committee, and prepared a crisis response manual as part of measures to enhance the risk management system. Compliance information meetings are conducted frequently for executives and employees of all Group companies to ensure thorough awareness of compliance issues.

Environmental, Safety and Health-related Activities

Responsible Care programs — voluntary initiatives within the Japanese chemical industry to preserve health, safety and the environment — have been instituted across the UBE Group and form a strong base for environmental, safety and health-related activities. As a chemical firm, UBE recognizes its fundamental responsibility to ensure proper safety and environmental management of all chemical substances that it produces and uses, in line with Japanese legislation such as the Pollutant Release and Transfer Register (PRTR) Law. UBE formulated its own Environmental and Safety Principles in 1992. These principles establish the paramount importance of preserving health, safety and the environment throughout the life cycle of chemical substances, from development, production and distribution to use, final consumption and disposal.

The UBE Group Environment and Safety Committee, which is chaired by the president and Group CEO, is the Company's highest decision-making entity in the area of safety management, environmental preservation and health management. Five subcommittees oversee the implementation and monitoring of the environmental and safety policies established by the main committee across all business segments, including research and development.

The "Ube System," with a history of more than 50 years, encompasses voluntary environmental improvement activities based on information disclosure that are conducted cooperatively by citizens, academics, the government and corporations to promote specific pollution prevention measures for Ube City. A management system emphasizing the Plan-Do-Check-Action cycle promotes continuous improvement of these activities.

UBE is also aggressively acquiring ISO14001 and ISO9001 certifications for environmental control and quality assurance. The UBE Group had acquired ISO14001 certification for 34 sites and ISO9001 certification for 39 sites as of 2004. In 2002, UBE introduced an environmental accounting system to get a better grasp of environmental preservation costs and evaluate their effects quantitatively. This system is helping to increase the effectiveness of UBE's environmental preservation activities.

Contribution to Society

UBE recognizes that, in some cases, people with the desire and ability to contribute to society through their work are inhibited unfairly from doing so due to a lack of the necessary support or appropriate facilities. In 1991, as part of efforts to provide employment opportunities for people with special needs, UBE established a subsidiary called Libertas Ube, Ltd., which is engaged in various businesses including the printing of several publications. Work at the company includes digital-related work, production of printed materials and cleaning duties. Of the company's 35 employees, 23 have some form of disability. The consistently high levels of accuracy and efficiency achieved at Libertas Ube amply demonstrate that, given the appropriate support, people can overcome physical challenges and display their talents.

As of fiscal 2003, the proportion of employees of Ube Industries, Ltd. having some form of disability was 1.94 percent. This exceeds the legal standard, which is 1.80 percent. UBE plans to continue providing as many opportunities as possible to people with special needs.

The UBE Group has long taken the initiative in fulfilling its role as a prominent member of local communities. Three current examples are the Ube Foundation, which was established in 1959 to assist young researchers with scientific research costs and subsidize scientific institutes and facilities; the Contemporary Japanese Sculpture Exhibition, held every two years in Ube City, through which the Company helps to educate and nurture artists and contribute to the local economy; and the Watanabe Memorial Culture Association, a foundation established by UBE's founder, which supports cultural activities and events at its memorial hall. The Company also contributes to the vitality of local communities by supporting events including local festivals and fireworks displays, volunteer activities such as a flower donation campaign, a street-cleaning initiative and science experiment classes for children.

Management Team

(As of June 29, 2005)

DIRECTORS

Chairman of the Board
Kazumasa Tsunemi

President &
Representative Director
Hiroaki Tamura

Representative Directors
Yasuhisa Chiba
Kazuhiko Okada

Directors
Takashi Matsumoto
Akinori Furukawa
Masao Uno
Yoshiomi Matsumoto*
Mitsutaka Motoda*

AUDITORS

Hiroshi Ikeda
Masaki Kashibe
Kazuo Yamanaka*
Hiroshi Takimoto*

EXECUTIVE OFFICERS

Group Chief Executive Officer
Hiroaki Tamura

Vice-President and Executive Officers
Yasuhisa Chiba
Kazuhiko Okada

Senior Managing Executive Officers
Koji Kihira
Nobuyuki Takahashi
Akinori Furukawa
Kazuma Sekiya

Managing Executive Officers
Kenichi Abe
Michio Takeshita
Masao Uno
Katsunori Suzuki
Charunya Phichitkul

Executive Officers
Katsumasa Harada
Yuzuru Yamamoto
Shinobu Watanabe
Ryuichi Deguchi
Tetsuo Sueshige
Makoto Umetsu
Nobuyuki Taenaka
Takanobu Kubota

*Outside Directors or Auditors

Consolidated Six-Year Financial Summary

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

	Millions of yen					
	2005	2004	2003	2002	2001	2000
RESULTS OF OPERATIONS:						
Breakdown of net sales*:						
Chemicals & Plastics	**¥164,935**	¥149,381	¥150,504	¥231,069	¥227,109	¥211,423
Specialty Chemicals & Products	**83,066**	65,880	57,345	—	—	—
Energy & Environment	**25,443**	16,296	19,617	16,412	13,816	13,440
Cement & Construction Materials	**175,797**	173,738	185,640	189,045	187,836	197,125
Machinery & Metal Products	**109,769**	101,693	95,281	90,025	94,837	79,753
Other Businesses	**3,698**	4,385	5,148	10,997	11,409	13,036
Net sales	**562,708**	511,373	513,535	537,548	535,007	514,777
Cost of sales	**453,250**	411,209	410,982	439,971	427,151	413,528
Selling, general and administrative expenses	**77,146**	78,147	76,154	79,981	79,336	78,738
Operating income	**32,312**	22,017	26,399	17,596	28,520	22,511
Income (loss) before income taxes and minority interest	**10,785**	(9,463)	18,834	5,412	13,618	11,875
Net income (loss)	**9,223**	(13,635)	8,120	1,002	7,911	10,514
FINANCIAL POSITION:						
Assets:						
Total current assets	**275,421**	257,220	275,073	294,159	311,412	339,239
Total property, plant and equipment, net	**360,787**	377,106	398,783	422,271	352,338	375,941
Total investments and other assets	**70,478**	65,172	72,034	103,783	117,125	120,907
Total assets	**706,686**	699,498	745,890	820,213	780,875	836,087
Liabilities and stockholders' equity:						
Total current liabilities	**320,446**	337,954	359,907	388,253	362,890	397,345
Total long-term liabilities	**260,161**	258,594	273,340	314,681	304,707	329,857
Minority interest	**17,696**	17,194	16,482	20,332	18,933	19,463
Total stockholders' equity	**108,383**	85,756	96,161	96,947	94,345	89,422
GENERAL:						
Per share data (yen):						
Net income (loss), primary**	**10.07**	(16.07)	9.61	1.18	9.48	12.65
Cash dividends	**2.00**	—	3.00	—	3.00	3.00
Stockholders' equity	**115.30**	98.77	114.55	115.78	112.67	107.59
Other data:						
Operating margin (%)	**5.7**	4.3	5.1	3.3	5.3	4.4
Return on total assets*** (%)	**4.9**	3.3	3.5	2.2	3.7	2.9
Shares of common stock issued (thousand)	**942,993**	871,201	845,835	845,828	845,828	837,857
Number of consolidated subsidiaries	**70**	71	68	83	81	84
Number of stockholders****	**74,020**	79,223	75,080	78,199	74,973	74,787
Number of employees	**11,074**	11,397	10,829	11,983	11,834	12,107

* We divided our operations into six new segments: Chemicals & Plastics, Specialty Chemicals & Products, Energy & Environment, Cement & Construction Materials, Machinery & Metal Products, and Other Businesses.

** Effective from the year ending March 31, 2003, net income, primary, per share is computed based on the net income available for distribution to holders of common stock and the weighted average number of shares of common stock outstanding during each year. Net income per share for the year ended March 31, 2002 has been recomputed based on the same calculation as for the year ended March 31, 2003.

*** Return on total assets: (Operating income + interest and dividend income + Equity in profit of unconsolidated subsidiaries and affiliated companies) / Total assets

**** Indicates the number of stockholders with voting rights.

Financial Review

FINANCIAL STRATEGY

Fiscal 2004, ended March 31, 2005, was the first year of New 21•UBE Plan II, the new medium-term management plan for Ube Industries, Ltd. and its consolidated subsidiaries (the UBE Group). Under this plan, a top priority that is currently a major focus is continuous efforts to improve the financial position of the UBE Group. A primary financial metric of the plan is a net debt/equity ratio of less than 3.0 times. Net debt is calculated as interest-bearing debt less cash and cash equivalents. The net debt/equity ratio is calculated as net debt divided by stockholders' equity.

The UBE Group will achieve this objective by expanding operating income and restraining capital expenditures to increase free cash flow, which the UBE Group will use to reduce net debt to ¥350.0 billion by the end of fiscal 2006. The UBE Group intends to restrain capital expenditures within 80 percent of depreciation and amortization over the three years of the management plan.

During the first fiscal year of this plan, the UBE Group reduced interest-bearing debt as of March 31, 2005 by ¥11.7 billion, or 2.9 percent, from a year earlier to ¥397.9 billion. Net debt decreased by ¥16.6 billion, or 4.4 percent, from a year earlier to ¥364.5 billion. The net debt/equity ratio improved to 3.4 times from 4.4 times a year earlier, indicating that the UBE Group is continuing to strengthen its financial base.

In the future, the UBE Group will continue to promote a sound financial position. The UBE Group intends to achieve its goal of a net debt/equity ratio below 3.0 times ahead of schedule if possible while exceeding its targets and continuously improving its financial position.

SCOPE OF CONSOLIDATION

The UBE Group included 70 consolidated subsidiaries as of March 31, 2005, a decrease of one subsidiary from a year earlier. The UBE Group added four subsidiaries during the fiscal year and removed five. The five companies removed from the scope of consolidation as a result of reorganization of the UBE Group included two companies that Ube Industries, Ltd. absorbed through merger as part of the restructuring of aluminum wheel operations. Ube Industries, Ltd. also absorbed an independent power producer (IPP) subsidiary through merger to strengthen IPP operations, and sold Shin Kasado Dockyard Co., Ltd., which operated in the ship repair business. The four companies added to the scope of consolidation included three former equity method affiliates that were changed into consolidated subsidiaries because of their increasing importance to the UBE Group.

The UBE Group had 36 equity method affiliates as of March 31, 2005, a decrease of three from a year earlier. Four equity method affiliates were removed during the fiscal year, including the three that became consolidated subsidiaries as discussed above. The UBE Group added one equity method affiliate, Ube-Maruzen Polyethylene Co., Ltd., to which Ube Industries, Ltd. transferred its polyethylene operations.

OPERATING PERFORMANCE

Overview of Fiscal 2004

The global economy remained favorable during fiscal 2004, led by the United States and Asia, despite rising raw material and fuel prices worldwide. The Japanese economy recovered moderately but steadily. Exports were firm and capital investment increased.

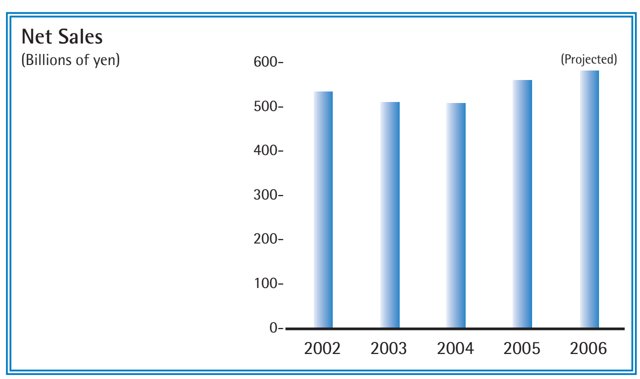
Given these conditions, the UBE Group worked to further expand and strengthen the profitability of its businesses in order to achieve the goals of New 21•UBE Plan II. As a result, the UBE Group achieved substantial growth in sales and income.

OPERATING RESULTS

Net Sales

Net sales increased 10.0 percent, or ¥51.3 billion, compared to the previous fiscal year to ¥562.7 billion. The Chemicals & Plastics segment and the Specialty Chemicals & Products segment contributed substantially to the growth in net sales. The five segments other than the Other Businesses segment each generated year-on-year growth in sales.

Overseas sales increased 8.3 percent, or ¥12.3 billion, compared to the previous fiscal year to ¥161.4 billion. The ratio of overseas sales to net sales was 28.7 percent.



Cost of Sales and Selling, General and Administrative Expenses

Cost of sales increased 10.2 percent, or ¥42.0 billion, year-on-year to ¥453.2 billion because of factors including higher raw material and fuel prices. The ratio of cost of sales to net sales increased 0.2 points to 80.6 percent. Selling, general and administrative (SG&A) expenses, however, decreased 1.3 percent, or ¥1.0 billion, year-on-year to ¥77.1 billion. The ratio of SG&A expenses to net sales improved 1.6 points to 13.7 percent.

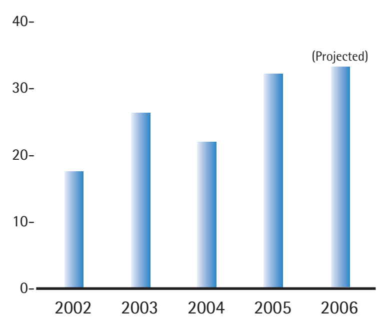
Research and development costs are included in SG&A expenses, and decreased 4.6 percent, or ¥0.5 billion, year-on-year to ¥11.4 billion. The ratio of research and development expenses to net sales decreased 0.4 points to 2.0 percent.

Operating Income

Operating income increased 46.8 percent, or ¥10.2 billion, compared to the previous fiscal year to ¥32.3 billion. The operating margin increased 1.4 points to 5.7 percent.

By segment, operating income decreased in the Cement & Construction materials segment and the Machinery & Metal Products segment. However, increased operating income in the Chemicals & Plastics segment, the Specialty Chemicals & Products segment, and the Energy & Environment segment more than compensated for the decreases and resulted in substantial growth in overall operating income. Additional segment information follows below.

Operating Income
(Billions of yen)



Other Income (Expenses)

Net other expenses improved to ¥21.5 billion from ¥31.4 billion for the previous fiscal year. Interest expenses decreased 3.8 percent, or ¥0.3 billion, to ¥8.3 billion. Other, net, which is discussed in greater detail in Note 10 to the consolidated financial statements, decreased 37.0 percent, or ¥9.1 billion, compared to the previous fiscal year. A principal component of other, net was loss on impairment of fixed assets, which decreased to ¥4.2 billion from ¥17.5 billion in the previous fiscal year as a result of the UBE Group's progress in applying new accounting standards for impairment of fixed assets. Of the ¥4.2 billion total, ¥3.3 billion represented a one-time impairment loss due to the liquidation of the Mason Plant in the United States. The substantial decrease in impairment loss compensated for loss on sale of property, plant and equipment, net totaling ¥1.1 billion, compared to a gain of ¥4.2 billion in the previous fiscal year, and provision for business related loss totaling ¥5.4 billion. These charges to income were one-time items associated primarily with the liquidation of the Mason Plant, the divestiture of Shin Kasado Dockyard, impairment and other losses at affiliates.

As a result, income before income taxes and minority interest totaled ¥10.7 billion, compared to a loss before income taxes and minority interest of ¥9.4 billion for the previous fiscal year.

Net Income

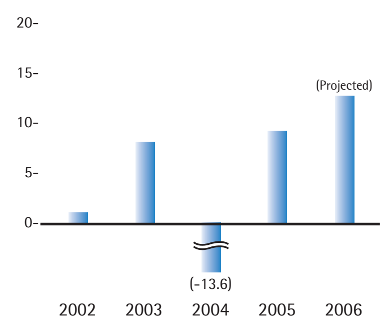
Income taxes comprise corporation, enterprise and inhabitants' taxes. Income taxes net of deferrals for the year ended March 31, 2005 totaled ¥0.6 billion, compared to ¥3.5 billion for the previous fiscal year. A primary factor in the year-on-year decrease was that the UBE Group was formerly unable to recognize the tax effect of the cumulative losses at the Mason Plant while that operation was a going concern, but was able to recognize the tax effect of these losses upon the decision to liquidate operations at the Mason Plant. After tax rate reconciliation, the effective tax rate for the year ended March 31, 2005 was an extremely low 5.9 percent.

As a result, net income totaled ¥9.2 billion, compared to a net loss of ¥13.6 billion for the previous fiscal year. Net income per share was ¥10.07.

Return on average total stockholders' equity (ROE) was 9.5 percent. Return on average total assets (ROA*) was 4.9 percent.

*ROA = (Operating income + Interest and dividend income + Equity in profit of unconsolidated subsidiaries and affiliated companies) / Total assets

Net Income
(Billions of yen)



PERFORMANCE BY SEGMENT

Chemicals & Plastics Segment

(Billions of yen)

	2005	2004	Change (%)
Net sales	**164.9**	149.3	10.4
Operating income	**10.8**	2.1	411.8
Total assets	**199.4**	196.3	1.6
Depreciation and amortization	**8.0**	9.4	(14.1)
Capital expenditures	**7.2**	9.8	(26.0)

Consolidated segment sales increased 10.4 percent, or ¥15.5 billion, compared to the previous fiscal year to ¥164.9 billion. Shipments of polybutadiene rubber, primarily for tires, were strong. Although the price of benzene and other caprolactam raw materials increased significantly, a favorable balance between supply and demand allowed the UBE Group to pass on price increases by raising selling prices, and shipments were strong. Shipments of nylon resin and industrial chemicals were also solid.

Segment operating income increased 411.8 percent, or ¥8.7 billion, compared to the previous fiscal year to ¥10.8 billion. The profitability of polybutadiene and caprolactam increased significantly because of increased shipment volume and success at passing on higher raw material costs in selling prices. The profitability of nylon resins, however, decreased because of higher raw material prices. Gain on inventory valuation resulting from the increase in raw material prices during the fiscal year also contributed to the increase in segment operating income.

Specialty Chemicals & Products Segment

(Billions of yen)

	2005	2004	Change (%)
Net sales	**83.0**	65.8	26.1
Operating income	**10.6**	6.9	52.6
Total assets	**101.8**	98.6	3.2
Depreciation and amortization	**6.0**	4.4	35.6
Capital expenditures	**7.3**	6.7	8.6

Consolidated segment sales increased 26.1 percent, or ¥17.1 billion, compared to the previous fiscal year to ¥83.0 billion. The adjustment phase that occurred in the digital market following summer 2005 impacted results. However, shipments of polyimide film, primarily for liquid crystal displays, and shipments of high-purity chemicals for semiconductors were strong, and shipments of electrolytes and separators for lithium-ion batteries were firm. Shipments of active pharmaceutical ingredients and pharmaceutical intermediates recovered, and overall shipments of fine chemicals were solid.

Segment operating income increased 52.6 percent, or ¥3.6 billion, compared to the previous fiscal year to ¥10.6 billion. Earnings increased because of increased sales volume for specialty products, active pharmaceutical ingredients and pharmaceutical intermediates.

Energy & Environment Segment

(Billions of yen)

	2005	2004	Change (%)
Net sales	**25.4**	16.2	56.1
Operating income	**2.3**	1.7	34.2
Total assets	**52.8**	52.9	(0.3)
Depreciation and amortization	**2.4**	2.1	12.8
Capital expenditures	**0.9**	7.8	(87.3)

Consolidated segment sales increased 56.1 percent, or ¥9.1 billion, compared to the previous fiscal year to ¥25.4 billion. Coal prices increased, and the Coal Center handled increased volume. Sales from the wholesale electric power business, which began in March 2004, also contributed to the increase in segment sales.

Segment operating income increased 34.2 percent, or ¥0.6 billion, compared to the previous fiscal year to ¥2.3 billion. Earnings increased primarily because the Coal Center handled increased volume.

Cement & Construction Materials Segment

(Billions of yen)

	2005	2004	Change (%)
Net sales	**175.7**	173.7	1.2
Operating income	**9.6**	10.4	(8.2)
Total assets	**220.2**	214.4	2.7
Depreciation and amortization	**8.8**	9.1	(3.2)
Capital expenditures	**6.0**	5.2	15.1

Consolidated segment sales increased 1.2 percent, or ¥2.0 billion, compared to the previous fiscal year to ¥175.7 billion. Lower domestic demand caused continued declines in shipments in the cement and ready-mixed concrete businesses. The volume of various types of industrial waste handled in the resource recycling business expanded favorably. Shipments in the natural resources and building materials businesses were generally firm, especially self-leveling, plastering and waterproofing materials for flooring.

Segment operating income decreased 8.2 percent, or ¥0.8 billion, compared to the previous fiscal year to ¥9.6 billion. The increased cost of coal used in cement production and lower domestic demand exerted a pronounced effect on operating income. The increased volume of industrial waste handled and improved cement pricing helped to minimize the impact of these negative factors.

Machinery & Metal Products Segment

(Billions of yen)

	2005	2004	Change (%)
Net sales	**109.7**	101.6	7.9
Operating loss	**(1.7)**	(0.1)	(1,384.5)
Total assets	**90.8**	102.6	(11.4)
Depreciation and amortization	**5.1**	5.8	(12.2)
Capital expenditures	**3.3**	3.5	(4.8)

Consolidated segment sales increased 7.9 percent, or ¥8.0 billion, compared to the previous fiscal year to ¥109.7 billion. In the machinery business, shipments and orders for die-casting machines increased substantially, centered on the domestic automobile industry. Shipments of dust-removal equipment and conveyors decreased, however. Shipments of steel and other products were solid, centered on shipments to South Korea. Shipments of aluminum wheels were about the same as in the previous fiscal year.

Segment operating loss increased to ¥1.7 billion from ¥0.1 billion for the previous fiscal year. Despite a concerted effort to turnaround the Mason Plant in the United States, productivity did not improve following the resolution of the labor dispute. Moreover, yield at the Sarnia Plant in Canada did not reach planned levels. These were the primary factors that caused losses in the aluminum wheel business to increase.

Other Businesses Segment

Consolidated segment sales totaled ¥3.6 billion, and segment operating income totaled ¥0.6 billion.

FINANCIAL POSITION

Cash Flow

Net cash provided by operating activities totaled ¥29.7 billion. Income before income taxes and minority interest provided ¥10.7 billion and depreciation and amortization provided cash of ¥30.9 billion. An increase in working capital used cash of ¥8.4 billion.

Net cash used in investing activities totaled ¥26.0 billion. Acquisition of property, plant and equipment, which includes acquisition of intangible assets, used cash of ¥31.8 billion. Proceeds from sale of property, plant and equipment provided cash of ¥3.3 billion. Acquisition of securities used cash of ¥1.0 billion, while proceeds from sale of investment securities provided cash of ¥3.0 billion.

As a result, free cash flow totaled ¥3.6 billion.

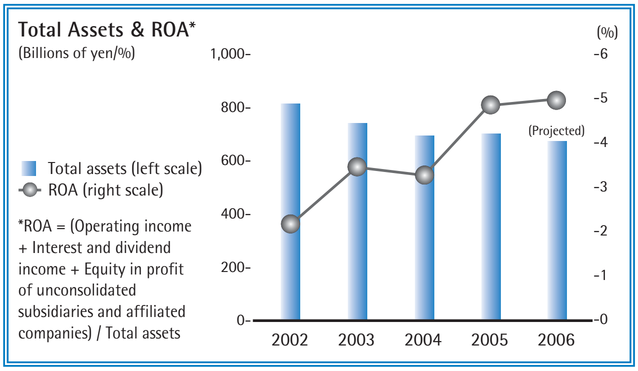
Net cash provided by financing activities totaled ¥1.1 billion. In the previous fiscal year, financing activities used net cash of ¥50.5 billion. In the previous fiscal year, the UBE Group used a substantial amount of cash to reduce interest-bearing debt, which consists of short-term loans payable, long-term borrowings and long-term bonds. In the past fiscal year, interest-bearing debt provided net cash totaling ¥1.3 billion. Ube Industries, Ltd. did not pay dividends for fiscal 2003. Dividends for fiscal 2004 totaled ¥2.00 per share, but the actual payment will occur in fiscal 2005.

Interest-bearing debt increased by ¥1.3 billion as presented in the Consolidated Statements of Cash Flows, but decreased by ¥11.7 billion as presented in the Consolidated Balance Sheets. The Consolidated Statements of Cash Flows do not show non-cash transactions and changes in the scope of consolidation that reduced interest-bearing debt, including the conversion of unsecured convertible notes totaling ¥10.0 billion into shares of common stock, reduction in debt totaling ¥1.7 billion as a result of excluding subsidiaries from the scope of consolidation, reduction in debt totaling ¥1.5 billion resulting from the transfer of the polyethylene business, and others.

As a result of the above, cash and cash equivalents at the end of the year increased ¥4.7 billion from a year earlier to ¥33.4 billion.

Assets, Liabilities and Stockholders' Equity

Total assets increased 1.0 percent, or ¥7.1 billion, from a year earlier to ¥706.6 billion. Current assets increased 7.1 percent, or ¥18.2 billion, from a year earlier to ¥275.4 billion. Main factors included an increase of ¥4.4 billion in cash and cash equivalents in preparation for debt repayment, an increase of ¥5.9 billion in

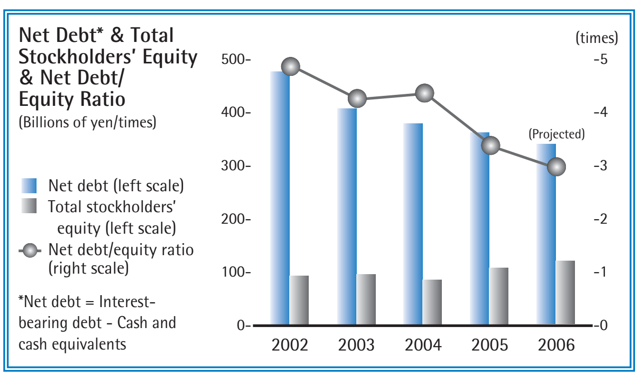


trade notes and accounts receivable, and an increase in inventories of ¥3.2 billion resulting from the increase in raw material and fuel prices. The inventory turnover ratio improved to 5.79 times from 5.62 times for the previous fiscal year.

Property, plant and equipment decreased 4.3 percent, or ¥16.3 billion, from a year earlier to ¥360.7 billion. Primary factors in the decrease included normal depreciation, impairment of assets associated with the liquidation of the Mason Plant, the sale of Shin Kasado Dockyard and the transfer of the polyethylene business. Intangible assets decreased ¥0.8 billion from a year earlier to ¥5.5 billion. Investments and other assets increased ¥6.1 billion from a year earlier to ¥64.8 billion.

Total liabilities decreased 2.7 percent, or ¥15.9 billion, from a year earlier to ¥580.6 billion. Current liabilities decreased 5.2 percent, or ¥17.5 billion, to ¥320.4 billion. Short-term loans payable decreased ¥14.1 billion. The current portion of long-term debt increased 3.5 percent from a year earlier, or ¥2.1 billion, reflecting the pending repayment of ¥19.8 billion in unsecured convertible notes due 2005. The current ratio increased from 76.1 percent a year earlier to 85.9 percent.

Long-term liabilities increased 0.6 percent, or ¥1.5 billion, to ¥260.1 billion. The shift of bonds pending repayment to the current potion offset increased long-term borrowings. Interest-bearing debt, defined as the total of short-term loans payable, the current portion of long-term debt and long-term debt less current portion, decreased ¥11.7 billion from a year earlier to ¥397.9 billion.



Stockholders' equity increased 26.4 percent, or ¥22.6 billion, from a year earlier to ¥108.3 billion. Factors in the increase included net income of ¥9.2 billion, the conversion of ¥10.0 billion in unsecured convertible notes into shares of common stock, and an improvement of ¥2.4 billion in accumulated foreign currency translation adjustments, which as of March 31, 2005 primarily represented the negative effect of exchange rates on the assets and liabilities of overseas consolidated subsidiaries. The ratio of stockholders' equity to total assets increased 3 points from a year earlier to 15.3 percent. The net debt/equity ratio improved to 3.4 times from 4.4 times a year earlier. In addition, stockholders' equity per share increased to ¥115.30 from ¥98.77 a year earlier.

BASIC POLICY FOR DISTRIBUTING EARNINGS

The UBE Group recognizes that paying dividends to stockholders is a primary responsibility. Concurrently, the UBE Group also places priority on securing earnings for stockholders over the medium to long term by improving its financial position and maintaining the internal capital resources required for future business expansion. The UBE Group takes all of these issues into consideration in determining dividends. In fiscal 2003, the UBE Group incurred significant extraordinary losses in connection with the early adoption of accounting standards for impairment of fixed assets to clear liabilities from the balance sheet, and did not pay dividends for the fiscal year as a result. In fiscal 2004, the UBE Group resumed dividend payments, which totaled ¥2.00 per share.

FORECAST FOR FISCAL 2005

The UBE Group expects the global economy to continue to expand, centered on growth in China and elsewhere, and expects the domestic economic recovery to proceed steadily. The outlook for raw material and fuel prices, exchange rates and other considerations remains unclear, and the UBE Group's operating environment remains difficult to forecast. Given these circumstances, the UBE Group assumes an exchange rate of ¥105 to US$1.00, a CIF price for Australian coal of ¥8,243 per ton, a domestic naphtha price of ¥37,000 per kiloliter and an average contract price of $1,113 per ton for benzene in projecting that net sales will increase 3.4 percent year-on-year to ¥582.0 billion, operating income will increase 2.2 percent year-on-year to ¥33.0 billion, and net income will increase 41.3 percent year-on-year to ¥13.0 billion. The UBE Group plans to increase cash dividends per share by ¥1.00 to ¥3.00.

Business and Other Risks

Among risks inherent to the UBE Group's business and other risks, the following may exert an important influence on the decisions of investors. The UBE Group is fully dedicated to a policy of recognizing these risks, avoiding and preventing their actualization, and minimizing and dealing with related problems should they arise.

Statements below concerning the future represent the judgment of the UBE Group as of March 31, 2005. Business and other risks not covered here may arise.

1. Fluctuations in the Raw Material and Fuel Markets

Purchase costs of raw materials used in the main products of the UBE Group's Chemicals & Plastics segment are influenced by factors including international market conditions and fluctuations in crude oil and naphtha prices. Depending on supply and demand conditions for products, increases in prices of these raw materials may exert a material impact on the performance and financial position of the UBE Group if increased costs cannot be reflected in selling prices in a timely manner. In addition, inability to reflect in selling prices increases in the procurement costs of overseas coal, which the UBE Group purchases for use in cement production and for in-house power generation, may also exert a material impact on the performance and financial position of the Group.

2. Domestic Cement Demand

A downward trend in domestic demand for cement, a main product of the cement and construction materials segment, due to factors including restraint in public spending, has in part reduced sales volume and revenues. UBE Group measures in this area include maintaining operating capacity through exports, expanding capability for (fee-based) treatment of industrial waste in cement kilns and overall cost cuts. However, a continuing decline in domestic demand for cement for a certain number of years may exert a material impact on the performance and financial position of the Group.

3. Risk in the Specialty Products Business

In the specialty products business of the Specialty Chemicals & Products segment, timely development of materials that meet customer needs is paramount in supplying materials for use in products with quick turnovers, particularly in the core information technology (IT) and digital home appliance fields. Failure to meet customer needs due to delayed development or other factors may exert a material impact on the performance and financial position of the Group, as may decreased demand for information technology related products, which are particularly susceptible to market fluctuations.

4. Risk in the Pharmaceutical Bulk Compound and Intermediates Business

The pharmaceutical bulk compound and intermediates business of the Specialty Chemicals & Products segment comprises a consignment production business through which UBE manufactures pharmaceutical bulk compounds and intermediates on consignment for pharmaceutical companies and an in-house business through which UBE conducts research and development for new drugs either independently or jointly with pharmaceutical companies. The consignment production business requires forward expenditures including those for production facilities of a certain scale that meet standards, though research and development expenditures are limited. New drugs handled by the consignment production business entail risks related to uncertainty over commercialization due to the long lead time needed by the pharmaceutical companies to obtain production approval and to the possibility of delays in full-scale launch should approval be revoked after completion of consignment production due to side effects or other factors. In addition, factors including the launch of generic drugs due to intensified competition in the market for pharmaceuticals manufactured from pharmaceutical bulk compounds and intermediates under consignment production and lapsed patents may lead to sluggish sales.

Drug discovery is broadly divided into independent research and joint research with pharmaceutical companies. Although UBE minimizes the risk of large clinical trial outlays and low success rates through a basic strategy of licensing out research in the final stages regardless of drug type, necessary research and development costs before that stage entail risk associated with possible failure of the research and market launch. In addition, authorization may be revoked and launch delayed, as is the case of development for new drugs by pharmaceutical companies. Materialization of these risks in the consignment production and in-house businesses may exert a material impact on the performance and financial position of the UBE Group.

5. Risk in the Aluminum Wheel Business

The aluminum wheel business of the Machinery & Metal products segment comprises production and sales of aluminum wheels for automobiles. In addition to production and sales in Japan, the UBE Group conducts production in Canada and sales in North America (UBE resolved at the end of March 2005 to dissolve its manufacturing company in the United States). In Japan and North America, UBE works to increase orders and reduce selling prices of large-diameter, low-volume, high-quality design products that capitalize on the advantages of the Group's proprietary squeeze process, in response to changes in the operating environment including intensified competition due to emergence of inexpensive products from China and other countries. However, productivity that is significantly lower than forecast in difficult areas including large-diameter, light, high-quality design and small-lot production, and/or continuing decreases in selling prices due to intensifying competition may exert a material impact on the performance and financial position of the UBE Group.

6. Overseas Business Activities

The UBE Group manufactures and sells products in Asia, North America and Europe. Overseas operations entail economic risks related to factors including unforeseen changes to laws and regulations, weakening of the industrial base, the ability to secure personnel and acquire technical proficiency and labor union issues, in addition to social and political confusion resulting from terrorism, war and/or other factors. Emergence of these risks may impede overseas operations and exert a material impact on the performance and financial position of the UBE Group.

7. Exchange Rate Fluctuations

The UBE Group minimizes exchange rate risk related to exports paid for in foreign currencies through hedge transactions such as balancing of debts and credits and foreign currency contracts. However, short- and medium-term exchange rate fluctuations that exceed forecasts may exert a material impact on the performance and financial position of the Group.

UBE Group overseas subsidiaries record financial statements in local currencies, leading to exposure to the influence of exchange rates when these amounts are converted into yen. In addition, losses on exchange rate fluctuations may occur at the time of conversion into local currencies for redemption, interest payment and settlement of liabilities of U.S. dollar denominated interest-bearing liabilities held by the Group subsidiary in Thailand and production company in Canada.

8. Fluctuations in Financial Markets

Fluctuations in financial markets at the time of capital procurement exert a material impact on the performance and financial position of the UBE Group. The UBE Group minimizes risk related to interest rate fluctuations through interest swaps and other hedges, but short- and medium-term interest rate fluctuations that exceed forecasts may exert a material impact on the performance and financial position of the Group.

9. Intellectual Property

The UBE Group recognizes the importance of intellectual property and works to protect it, but failure to do so properly and/or violation of UBE's intellectual property rights may impede operations and exert a material impact on the performance and financial position of the Group.

10. Product Liability

Inability to cover costs of product recalls or damages in the event that these risks materialize in connection with product flaws may impede operations and exert a material impact on the performance and financial position of the UBE Group.

11. Industrial Accidents

In the event that a large-scale industrial accident should occur at any of the UBE Group plants that handle hazardous materials or high-pressure gas, factors including compensation and other costs, loss of opportunities caused by cessation of production activities, compensation for customers and erosion of public trust may exert a material impact on the performance and financial position of the Group.

12. Lawsuits

The UBE Group strives for strict legal compliance, but the possibility exists that lawsuits may be brought against the Group in any of its various business operations. A ruling against the UBE Group in such a lawsuit may exert a material impact on the performance and financial position of the Group.

13. Impairment on Fixed Assets

The UBE Group adopted accounting standards for impairment of fixed assets in fiscal 2003. However, additional impairment losses in the event of further depreciation in the market value of unused land and/or significant deterioration of the operating environment may exert a material impact on the performance and financial position of the Group.

14. Marketable Securities

The UBE Group holds marketable securities, the majority of which are shares of listed stocks. For this reason, a decline in the stock market may exert a material impact on the performance and financial position of the Group.

15. Retirement Benefit Liabilities

The UBE Group calculates its retirement benefit liabilities and retirement benefit payments based on discount and retirement rates used in pension calculations, and on conditions including rate of salary increases and year-end working income ratios for pension assets. For this reason, deterioration of operating interest rates for pension assets, decreases in the discount rate and other factors may exert a material impact on the performance and financial position of the Group.

16. Deferred Tax Assets

The UBE Group recognizes deferred tax assets resulting from temporary differences and operating loss carryforwards for tax purposes, which will reduce taxable income in future periods. Deferred tax assets are recognized in consideration of their probability of recovery based on forecasts of future income and other factors. In the event that actual taxable income should differ from projections, payment to adjust deferred tax assets may become necessary and exert a material impact on the performance and financial position of the Group.

Consolidated Balance Sheets

UBE INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 33,416	¥ 28,519	$ 312,299
Time deposits (Note 6)	991	1,390	9,262
Securities (Note 3)	—	10	—
Receivables (Note 6):			
Trade notes and accounts	135,666	129,719	1,267,907
Other	16,753	13,494	156,570
Allowance for doubtful receivables	(1,280)	(1,486)	(11,963)
Inventories (Note 4)	79,901	76,631	746,738
Deferred tax assets (Note 13)	5,523	5,432	51,617
Other current assets	4,451	3,511	41,598
Total current assets	275,421	257,220	2,574,028
Property, plant and equipment (Notes 6 and 11)**:**			
Land	83,431	87,054	779,729
Buildings and structures	236,684	242,454	2,212,000
Machinery and equipment	604,565	624,773	5,650,140
Construction in progress	8,185	10,887	76,495
Accumulated depreciation	(572,078)	(588,062)	(5,346,523)
Total property, plant and equipment, net	360,787	377,106	3,371,841
Investments and other assets:			
Investment securities (Notes 3 and 6)	42,956	39,249	401,458
Long-term loans receivable	2,292	2,945	21,421
Long-term deferred tax assets (Note 13)	11,767	7,663	109,972
Other non-current assets (Note 11)	18,576	20,717	173,607
Allowance for doubtful receivables	(5,113)	(5,402)	(47,785)
Total investments and other assets	70,478	65,172	658,673
Total assets	¥ 706,686	¥ 699,498	$ 6,604,542

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	**2005**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Short-term loans payable (Notes 5 and 6)	**¥113,297**	¥127,442	**$1,058,850**
Current portion of long-term debt (Notes 5 and 6)	**63,646**	61,509	**594,822**
Payables:			
Trade notes and accounts	**91,373**	86,169	**853,953**
Other	**27,984**	35,631	**261,533**
Accrued bonuses	**6,143**	5,965	**57,411**
Accrued income taxes	**3,646**	5,351	**34,075**
Other current liabilities	**14,357**	15,887	**134,178**
Total current liabilities	**320,446**	337,954	**2,994,822**
Long-term liabilities:			
Long-term debt less current portion (Notes 5 and 6)	**221,012**	220,800	**2,065,533**
Accrued retirement benefits (Note 17)	**11,280**	12,274	**105,421**
Long-term deferred tax liabilities (Note 13)	**1,410**	1,404	**13,178**
Other long-term liabilities	**26,459**	24,116	**247,280**
Total long-term liabilities	**260,161**	258,594	**2,431,412**
Minority interest	**17,696**	17,194	**165,383**
Contingent liabilities (Note 7)			
Stockholders' equity (Notes 8 and 19)**:**			
Common stock, without par value:			
Authorized — 3,300,000,000 shares			
Issued — 942,993,923 shares at March 31, 2005	**48,565**	43,565	**453,879**
Capital surplus	**18,437**	13,411	**172,308**
Revaluation surplus on assets	**520**	562	**4,860**
Retained earnings	**38,589**	29,421	**360,645**
Unrealized gain on holdings of other marketable securities	**6,857**	5,821	**64,084**
Accumulated foreign currency translation adjustments	**(3,976)**	(6,416)	**(37,159)**
	108,992	86,364	**1,018,617**
Treasury stock, at cost	**(609)**	(608)	**(5,692)**
Total stockholders' equity	**108,383**	85,756	**1,012,925**
Total liabilities and stockholders' equity	**¥706,686**	¥699,498	**$6,604,542**

Consolidated Statements of Operations

UBE INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	**2005**
Net sales (Note 18)	**¥562,708**	¥511,373	**$5,258,953**
Cost of sales	**453,250**	411,209	**4,235,981**
Gross profit	**109,458**	100,164	**1,022,972**
Selling, general and administrative expenses (Note 9)	**77,146**	78,147	**720,991**
Operating income	**32,312**	22,017	**301,981**
Other income (expenses):			
Interest and dividend income	**822**	700	**7,682**
Amortization of consolidation differences	**369**	293	**3,449**
Interest expenses	**(8,386)**	(8,721)	**(78,374)**
Equity in profit of unconsolidated subsidiaries and affiliated companies	**1,254**	999	**11,720**
Other, net (Note 10)	**(15,586)**	(24,751)	**(145,664)**
	(21,527)	(31,480)	**(201,187)**
Income (loss) before income taxes and minority interest	**10,785**	(9,463)	**100,794**
Income taxes (Note 13)**:**			
Current	**5,485**	6,470	**51,262**
Deferred	**(4,846)**	(2,872)	**(45,290)**
	639	3,598	**5,972**
Minority interest	**(923)**	(574)	**(8,626)**
Net income (loss)	**¥ 9,223**	¥ (13,635)	**$ 86,196**

	Yen		U.S. dollars (Note 1)
	2005	2004	**2005**
Per share:			
Net income (loss):			
Primary	**¥ 10.07**	¥ (16.07)	**$ 0.094**
Diluted	**9.31**	—	**0.087**
Cash dividends applicable to the period	**2.00**	—	**0.019**

See accompanying notes.

Consolidated Statements of Stockholders' Equity

UBE INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2005 and 2004

		Millions of yen				
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Unrealized gain on holdings of other marketable securities	Accumulated foreign currency translation adjustments
Balance at March 31, 2003	845,835	¥43,565	¥ 9,606	¥ 47,301	¥2,645	¥(6,207)
Shares issued for stock exchange to acquire all shares of affiliated company	25,366	—	3,805	—	—	—
Transfer from revaluation surplus on assets	—	—	—	39	—	—
Cash dividends at ¥3.00 per share	—	—	—	(2,530)	—	—
Bonuses to directors and statutory auditors	—	—	—	(18)	—	—
Decrease in earnings due to inclusion/exclusion of affiliated companies by equity method	—	—	—	(1,378)	—	—
Decrease in earnings due to changes in shareholding ratio of consolidated subsidiaries and affiliated companies by equity method	—	—	—	(3)	—	—
Loss on disposal of treasury stock	—	—	—	(355)	—	—
Net loss for the year	—	—	—	(13,635)	—	—
Net change during the year	—	—	—	—	3,176	(209)
Balance at March 31, 2004	871,201	43,565	13,411	29,421	5,821	(6,416)
Shares issued for conversion of convertible notes	**71,792**	**5,000**	**5,000**	**—**	**—**	**—**
Gain on disposal of treasury stock	**—**	**—**	**26**	**—**	**—**	**—**
Increase in earnings due to inclusion/exclusion of consolidated subsidiaries	**—**	**—**	**—**	**4**	**—**	**—**
Increase in earnings due to changes in shareholding ratio of consolidated subsidiaries and affiliated companies by equity method	**—**	**—**	**—**	**8**	**—**	**—**
Transfer from revaluation surplus on assets	**—**	**—**	**—**	**43**	**—**	**—**
Bonuses to directors and statutory auditors	**—**	**—**	**—**	**(37)**	**—**	**—**
Decrease in earnings due to merger of consolidated subsidiaries	**—**	**—**	**—**	**(73)**	**—**	**—**
Net income for the year	**—**	**—**	**—**	**9,223**	**—**	**—**
Net change during the year	**—**	**—**	**—**	**—**	**1,036**	**2,440**
Balance at March 31, 2005	**942,993**	**¥48,565**	**¥18,437**	**¥ 38,589**	**¥6,857**	**¥(3,976)**

	Thousands of U.S. dollars (Note 1)				
	Common stock	Capital surplus	Retained earnings	Unrealized gain on holdings of other marketable securities	Accumulated foreign currency translation adjustments
Balance at March 31, 2004	$407,150	$125,336	$274,963	$54,402	$(59,963)
Shares issued for conversion of convertible notes	**46,729**	**46,729**	**—**	**—**	**—**
Gain on disposal of treasury stock	**—**	**243**	**—**	**—**	**—**
Increase in earnings due to inclusion/exclusion of consolidated subsidiaries	**—**	**—**	**37**	**—**	**—**
Increase in earnings due to changes in shareholding ratio of consolidated subsidiaries and affiliated companies by equity method	**—**	**—**	**75**	**—**	**—**
Transfer from revaluation surplus on assets	**—**	**—**	**402**	**—**	**—**
Bonuses to directors and statutory auditors	**—**	**—**	**(346)**	**—**	**—**
Decrease in earnings due to merger of consolidated subsidiaries	**—**	**—**	**(682)**	**—**	**—**
Net income for the year	**—**	**—**	**86,196**	**—**	**—**
Net change during the year	**—**	**—**	**—**	**9,682**	**22,804**
Balance at March 31, 2005	**$453,879**	**$172,308**	**$360,645**	**$64,084**	**$(37,159)**

See accompanying notes.

Consolidated Statements of Cash Flows

UBE INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	**2005**
Cash flows from operating activities:			
Income (loss) before income taxes and minority interest	**¥ 10,785**	¥ (9,463)	**$ 100,794**
Depreciation and amortization	**30,905**	31,457	**288,832**
Loss on impairment of fixed assets	**4,212**	17,524	**39,364**
Interest and dividend income	**(822)**	(700)	**(7,682)**
Interest expenses	**8,386**	8,721	**78,374**
Loss (gain) on sale of property, plant and equipment, net	**1,157**	(4,287)	**10,813**
Loss (gain) on sale of investment securities, net	**441**	(1,151)	**4,122**
Decrease (increase) in receivables	**(7,126)**	5,739	**(66,598)**
Increase in inventories	**(6,776)**	(3,038)	**(63,327)**
Increase (decrease) in payables	**5,461**	(3,318)	**51,037**
Loss on business restructuring	**5,424**	—	**50,692**
Early retirement incentive	**127**	392	**1,187**
Others, net	**(8,004)**	5,571	**(74,804)**
Subtotal	**44,170**	47,447	**412,804**
Interest and dividends received	**868**	1,121	**8,112**
Interest payment	**(8,205)**	(8,778)	**(76,682)**
Income tax payment	**(7,144)**	(2,380)	**(66,766)**
Early retirement incentive payments to employees	**(29)**	(390)	**(271)**
Others, net	**80**	264	**747**
Net cash provided by operating activities	**29,740**	37,284	**277,944**
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	**3,377**	15,545	**31,561**
Acquisition of property, plant and equipment	**(31,887)**	(28,982)	**(298,009)**
Proceeds from sale of securities	**10**	235	**93**
Proceeds from sale of investment securities	**3,065**	5,769	**28,645**
Acquisition of securities	**(1,099)**	(1,270)	**(10,271)**
Net decrease (increase) in loans receivable	**444**	(104)	**4,150**
Others, net	**36**	2,123	**336**
Net cash used in investing activities	**(26,054)**	(6,684)	**(243,495)**
Cash flows from financing activities:			
Proceeds from long-term borrowings	**65,698**	35,173	**614,000**
Proceeds from long-term bonds	**11,218**	2,300	**104,841**
Repayments of long-term borrowings	**(58,666)**	(84,973)	**(548,280)**
Repayments of long-term bonds	**(5,420)**	(210)	**(50,654)**
Net decrease in short-term loans payable	**(11,465)**	(302)	**(107,150)**
Cash dividends paid	**(198)**	(2,752)	**(1,850)**
Others, net	**22**	216	**205**
Net cash provided by (used in) financing activities	**1,189**	(50,548)	**11,112**
Effect of exchange rate changes on cash and cash equivalents	**(168)**	(103)	**(1,570)**
Net increase (decrease) in cash and cash equivalents	**4,707**	(20,051)	**43,991**
Increase in cash and cash equivalents due to merger of affiliated company	**1**	—	**9**
Adjustment due to change in consolidation scope	**189**	49	**1,766**
Cash and cash equivalents at beginning of the year	**28,519**	48,521	**266,533**
Cash and cash equivalents at end of the year	**¥ 33,416**	¥ 28,519	**$ 312,299**

See accompanying notes.

Notes to Consolidated Financial Statements

UBE INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2005 and 2004

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 generally accepted 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 generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

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 ¥107=US$1, the approximate rate of exchange on March 31, 2005. 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 by the equity method. All significant intercompany balances and transactions have been eliminated in consolidation.

In the initial consolidation, assets and liabilities of subsidiaries including those attributable to minority stockholders are recorded based on fair value in the accompanying consolidated financial statements.

The excess of cost over underlying net assets at fair value at the date of acquisition is amortized over a period of 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

Securities are classified into three categories: trading, held-to-maturity and other categories. The Company and its consolidated subsidiaries have no trading securities. 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.

(d) Derivatives and hedge accounting

All derivatives are stated at fair value, with changes in fair value included in net gain or loss for the period in which they arise.

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.

If interest rate swap contracts meet certain hedging criteria, the net amount to be paid or received under these swap contracts is added to or deducted from the interest on the assets or liabilities for which the swap contracts were executed.

Additional information on derivatives is presented in Note 14.

(e) Allowance for doubtful receivables

The allowance for doubtful receivables is provided at an amount estimated with reference to individual uncollectible accounts plus an amount calculated using 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

Finance leases other than those that are deemed to transfer the ownership of the leased assets to the lessees are accounted for in the same manner as operating leases.

(i) Research and development costs

Research and development costs are charged to income when incurred.

(j) Foreign currency translation

Current and non-current monetary accounts denominated in foreign currencies are translated into yen at the current rates at the end of the year, and any translation difference is accounted for as a profit or loss for the year.

All assets, liabilities, revenues and expenses of foreign consolidated subsidiaries are translated at the rates of exchange in effect at the balance sheet date. The components of stockholders' equity are translated at their historical exchange rates. Foreign currency translation adjustments are included in stockholders' equity and minority interest.

(k) Accrued retirement benefits

Accrued retirement benefits for employees are 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 of ¥31,332 million (US$292,822 thousand) is being amortized principally over 13 years.

Prior service cost is being amortized as incurred mainly by the declining-balance method over 5-14 years, which is shorter than the average remaining service 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 10-14 years, which is shorter than the average remaining service years of employees.

(l) Net income per share

Primary net income per share is computed based on the net income available for distribution to stockholders of common stock and the weighted average number of shares of common stock outstanding during each year. Diluted net income per share is computed based on the net income available for distribution to the stockholders and the weighted average number of shares of common stock outstanding during each year assuming full conversion of convertible notes.

(m) Employees' bonus allowance

Employees' bonus allowance is provided 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 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' meeting.

(p) Directors and statutory auditors' retirement benefits

The Company and most of its consolidated subsidiaries provide for retirement allowances for directors and statutory auditors determined based on their internal regulations for their provision.

¥1,463 million (US$13,673 thousand) and ¥1,422 million of the retirement allowances are included in "Other long-term liabilities" on the consolidated balance sheets at March 31, 2005 and 2004, respectively.

(q) Accrual for losses on business restructuring

The accrual for losses on business restructuring of the Company and its consolidated subsidiaries is provided to cover the costs reasonably estimated to be incurred for business restructuring.

This accrual in the amount of ¥3,106 million (US$29,028 thousand) is included in "Other long-term liabilities" on the consolidated balance sheets at March 31, 2005.

(r) Impairment of fixed assets

The Company and its consolidated subsidiaries have early adopted an accounting standard for impairment of fixed assets from the year ended March 31, 2004.

The effect of the adoption of this new standard was to decrease "Income before income taxes and minority interest" by ¥4,212 million (US$39,364 thousand) and to increase "Loss before income taxes and minority interest" by ¥17,574 million for the years ended March 31, 2005 and 2004, respectively.

Accumulated impairment losses are included in "Accumulated depreciation" on the consolidated balance sheets.

3. SECURITIES

Securities and investment securities at March 31, 2005 and 2004 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Securities:			
Bonds and others	¥ —	¥ 10	$ —
Investment securities:			
Unconsolidated subsidiaries and affiliated companies	19,908	17,551	186,056
Others	23,048	21,698	215,402
	¥42,956	¥39,249	$401,458

Marketable securities classified as other securities as of March 31, 2005 and 2004 are as follows:

Marketable other securities

	Millions of yen						Thousands of U.S. dollars		
	2005			2004			2005		
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:									
Stock	¥3,556	¥14,731	¥11,175	¥2,918	¥12,658	¥9,740	$33,234	$137,673	$104,439
Debt securities	9	10	1	66	70	4	84	93	9
Others	—	—	—	219	301	82	—	—	—
Subtotal	3,565	14,741	11,176	3,203	13,029	9,826	33,318	137,766	104,448
Securities whose acquisition cost exceeds their carrying value:									
Stock	410	307	(103)	1,004	862	(142)	3,832	2,870	(962)
Debt securities	62	62	(0)	62	61	(1)	579	579	(0)
Others	102	72	(30)	240	209	(31)	953	673	(280)
Subtotal	574	441	(133)	1,306	1,132	(174)	5,364	4,122	(1,242)
Total	¥4,139	¥15,182	¥11,043	¥4,509	¥14,161	¥9,652	$38,682	$141,888	$103,206

Sales amounts of securities classified as other securities and the related aggregate gain and loss for the years ended March 31, 2005 and 2004 are summarized as follows:

Millions of yen						Thousands of U.S. dollars		
2005			2004			2005		
Sales amount	Aggregate gain	Aggregate loss	Sales amount	Aggregate gain	Aggregate loss	Sales amount	Aggregate gain	Aggregate loss
¥1,364	¥380	¥(5)	¥1,938	¥1,046	¥(12)	$12,748	$3,551	$(47)

Other securities without market value at March 31, 2005 and 2004 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Held-to-maturity debt securities:			
Debt securities	¥ —	¥ 10	$ —
Subtotal	—	10	—
Other securities:			
Non-listed equity securities	7,263	7,084	67,878
Others	603	453	5,636
Subtotal	7,866	7,537	73,514
Total	¥7,866	¥7,547	$73,514

4. INVENTORIES

Inventories at March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Finished goods	¥34,937	¥33,642	$326,514
Work in process	22,136	22,767	206,878
Raw materials and supplies	22,828	20,222	213,346
	¥79,901	¥76,631	$746,738

5. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT

Short-term loans payable represent bank loans, with interest rates average at 1.66% and 1.85% per annum at March 31, 2005 and 2004, respectively.

Long-term debt at March 31, 2005 and 2004 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
2.41% notes due 2005	¥ —	¥ 5,000	$ —
2.35% notes due 2005	7,000	7,000	65,420
2.66% notes due 2006	7,000	7,000	65,420
1.43% notes due 2006	7,000	7,000	65,420
1.10% notes due 2007	1,000	—	9,346
0.75% notes due 2007	150	—	1,402
0.32% notes due 2008	770	990	7,196
1.24% notes due 2008	700	900	6,542
0.69% notes due 2008	100	—	936
0.56% notes due 2008	—	100	—
0.55% notes due 2008	—	100	—
1.25% convertible notes due 2005, convertible at ¥418.20 per share	19,811	19,811	185,150
1.40% convertible notes due 2008, convertible at ¥418.20 per share	19,908	19,908	186,056
Elimination of internal possession	(8)	—	(75)
Loans principally from banks and insurance companies:			
Secured, at 0.77% to 5.68%, maturing through 2019	93,992	95,665	878,430
Unsecured, at 0.55% to 5.14%, maturing through 2027	127,235	118,835	1,189,112
	284,658	282,309	2,660,355
Less current portion	63,646	61,509	594,822
	¥221,012	¥220,800	$2,065,533

The annual maturities of long-term debt subsequent to March 31, 2005 are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2006	¥ 63,646	$ 594,822
2007	54,753	511,710
2008	44,120	412,337
2009	54,556	509,869
2010 and thereafter	67,591	631,692
Elimination of internal possession	(8)	(75)
	¥284,658	$2,660,355

6. PLEDGED ASSETS

The assets pledged as collateral for short-term and long-term borrowings, guarantees and borrowings of affiliated companies at March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Assets pledged as collateral:			
Time deposits	¥ 20	¥ 20	$ 187
Trade notes receivable	2,332	2,145	21,794
Trade accounts receivable	415	453	3,878
Property, plant and equipment, at net book value	203,274	198,094	1,899,757
Investment securities	5,713	7,121	53,393
	¥211,754	¥207,833	$1,979,009

7. CONTINGENT LIABILITIES

At March 31, 2005 and 2004, the Company and its consolidated subsidiaries are contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
As endorser of trade notes discounted or endorsed	¥ 3,632	¥ 3,384	$ 33,944
As guarantor of indebtedness principally of unconsolidated subsidiaries and affiliated companies	12,419	17,836	116,065

The guaranteed amount includes similar commitments of ¥7,954 million (US$74,336 thousand) and ¥12,607 million at March 31, 2005 and 2004, respectively.

8. STOCKHOLDERS' EQUITY

Under the Commercial Code of Japan (the "Code"), the entire amount of the issue price of shares is required to be accounted for as common stock, although an amount not exceeding one-half of the issue price of shares is allowed to be accounted for as additional paid-in capital which is included in "Capital surplus" in the consolidated balance sheets, by resolution of the Board of Directors.

The Code provides that an amount equal to at least 10% of the amount to be disbursed as a distribution of earnings shall be appropriated to the legal reserve which is included in "Retained earnings" in the consolidated balance sheets, until the total of such reserve and the additional paid-in capital equals 25% of the common stock. The additional paid-in capital and the legal reserve may be used to eliminate or reduce deficit by resolution of the stockholders' meeting, or may be transferred to common stock by resolution of the Board of Directors.

The Code further provides that if the total amount of the additional paid-in capital and the legal reserve exceeds 25% of the common stock, the excess may be distributed as dividends by resolution of the stockholders' meeting.

The Company issued new shares in the number of 71,792 thousand by the conversion of convertible notes during the year ended March 31, 2005. By resolution of the Board of Directors, one-half of the issue price of shares, in the amount of ¥5,000 million (US$46,729 thousand), was accounted for as additional paid-in capital.

9. RESEARCH AND DEVELOPMENT COSTS

Research and development costs, all of which are included in selling, general and administrative expenses for the years ended March 31, 2005 and 2004 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Research and development costs	¥11,496	¥12,048	$107,439

10. OTHER INCOME (EXPENSES)

Other income (expenses) — Other, net, for the years ended March 31, 2005 and 2004 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Gain (loss) on sale of investment securities, net	¥ (441)	¥ 1,151	$ (4,122)
Gain (loss) on sale of property, plant and equipment, net	(1,157)	4,287	(10,813)
Loss on impairment of fixed assets (Note 11)	(4,212)	(17,524)	(39,364)
Write-down of investment securities	(312)	(497)	(2,916)
Provision for doubtful receivables	(607)	(1,402)	(5,673)
Loss on business restructuring	(5,424)	—	(50,692)
Other, net	(3,433)	(10,766)	(32,084)
	¥(15,586)	¥(24,751)	$(145,664)

11. LOSS ON IMPAIRMENT OF FIXED ASSETS

Fixed assets of the Company and its consolidated subsidiaries are grouped at the business unit or department level for impairment testing.

Loss on impairment of fixed assets for the years ended March 31, 2005 and 2004 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Idle property:			
Land, buildings and structures	¥ (452)	¥ (3,439)	$ (4,224)
Business assets in use:			
Aluminum automobile wheels manufacturing plant (UBE Automotive North America Mason Plant Inc.)	(3,289)	—	(30,738)
Quarry facilities (Ube Saiseki Kougyo Co., Ltd.)	(471)	—	(4,402)
Polyethylene manufacturing plant (Chiba petrochemical factory)	—	(3,346)	—
Caprolactam related manufacturing plant (Sakai factory)	—	(4,158)	—
Golf course and hotel facilities (Ube Realty and Development Co., Ltd.)	—	(6,439)	—
Ready-mixed concrete manufacturing plant (Furukawa Ube Namakon Co., Ltd. and other)	—	(142)	—
	¥(4,212)	¥(17,524)	$(39,364)

The year ended March 31, 2005:

(a) Idle property

Among idle property which the Company and its consolidated subsidiaries own, there were certain assets whose book value exceeded its recoverable amount. Such excesses of ¥452 million (US$4,224 thousand) were reduced to their recoverable amounts and were recognized as impairment losses for the year ended March 31, 2005. The components of impairment losses were "Land (8 places)" in the amount of ¥449 million (US$4,196 thousand) and "Buildings and structures (1 place)" in the amount of ¥3 million (US$28 thousand).

The recoverable amounts of these assets group are measured by net selling price, and selling prices are based mainly on appraisal evaluation.

(b) Business assets in use

UBE Automotive North America Mason Plant Inc. resolved its liquidation and reduced the book value of the aluminum automobile wheels manufacturing plant to its recoverable amount. This reduced amount of ¥3,289 million (US$30,738 thousand) was recognized as impairment loss. The components of impairment losses were "Buildings and structures" in the amount of ¥1,025 million (US$9,579 thousand), "Machinery and equipment" in the amount of ¥1,838 million (US$17,178 thousand) and "Other non-current assets" in the amount of ¥426 million (US$3,981 thousand).

The recoverable amount of these assets group is measured by net selling price, and selling prices are based on appraisal evaluation.

As for "Gravel used for ready-mixed concrete and road construction quarried and sold by Ube Saiseki Kougyo Co., Ltd.," the book value of the quarry facilities was reduced to its recoverable amount due to stagnation of demand related to continuous decline in public sector demand. This reduced amount of ¥471 million (US$4,402 thousand) was recognized as impairment loss. The components of impairment losses were "Land" in the amount of ¥143 million (US$1,336 thousand), "Buildings and structures" in the amount of ¥23 million (US$215 thousand), "Machinery and equipment" in the amount of ¥49 million (US$458 thousand) and "Other non-current assets" in the amount of ¥256 million (US$2,393 thousand).

The recoverable amount of these assets group is measured by value in use based on estimated future cash flows discounted at 4.07%.

The year ended March 31, 2004:

(a) Idle property

Among idle property which the Company and its consolidated subsidiaries own, there were certain assets whose book value exceeded its recoverable amount. Such excesses of ¥3,349 million were reduced to their recoverable amounts and were recognized as impairment losses for the year ended March 31, 2004. The components of impairment losses were "Land (40 places)" in the amount of ¥3,336 million and "Buildings and structures (2 places)" in the amount of ¥103 million.

The recoverable amounts of these assets group are measured by net selling price, and selling prices are based mainly on appraisal evaluation.

(b) Business assets in use

As for "Polyethylene," the book value of the polyethylene manufacturing plant in Chiba petrochemical factory was reduced to its recoverable amount due to getting worse of profitability as a result of keener competition inside and outside Japan. This reduced amount of ¥3,346 million was recognized as impairment loss. The components of impairment losses were "Buildings and structures" in the amount of ¥1,542 million and "Machinery and equipment" in the amount of ¥1,804 million.

As for "Caprolactam related products," the book value of the caprolactam related manufacturing plant in Sakai factory was reduced to its recoverable amount due to stagnation of domestic demand and sudden rise in price of raw materials. This reduced amount of ¥4,158 million was recognized as impairment loss. The components of impairment losses were "Buildings and structures" in the amount of ¥1,778 million, "Machinery and equipment" in the amount of ¥2,379 million and "Other non-current assets" in the amount of ¥1 million.

As for "Golf course managed by Ube Realty and Development Co., Ltd.," the book value of the golf course and hotel facilities was reduced to its recoverable amount due to decline in number of visitors and playing fees due to keener competition with neighboring golf courses. This reduced amount of ¥6,439 million was recognized as impairment loss. The components of impairment losses were "Land" in the amount of ¥3,022 million, "Buildings and structures" in the amount of ¥2,955 million, "Machinery and equipment" in the amount of ¥268 million and "Other non-current assets" in the amount of ¥194 million.

As for "Ready-mixed concrete manufactured by Furukawa Ube Namakon Co., Ltd. and other," the book value of the ready-mixed concrete manufacturing plants was reduced to its recoverable amount due to sluggishness of the market. This reduced amount of ¥142 million was recognized as impairment loss. The components of impairment losses were "Buildings and structures" in the amount of ¥91 million and "Machinery and equipment" in the amount of ¥51 million.

The recoverable amounts of these assets group are measured by value in use based on estimated future cash flows discounted at 3.39%.

12. SUPPLEMENTARY CASH FLOWS INFORMATION

The following is a summary of assets and liabilities transferred to Ube Maruzen Polyethylene Co., Ltd., established as an independent company through the separation of the polyethylene business of the Company during the year ended March 31, 2005.

The decrease in "Cash and cash equivalents" through this separation was ¥100 million (US$935 thousand). Following the separation, 50% of the new company's shares were transferred to Maruzen Petrochemical Co., Ltd. for ¥1,500 million (US$14,019 thousand).

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥3,052**	**$28,524**
Fixed assets	**1,114**	**10,411**
Total assets	**4,166**	**38,935**
Current liabilities	**1,500**	**14,019**
Total liabilities	**¥1,500**	**$14,019**

The following is a summary of the increase in assets and liabilities, following the acquisition of all shares of Ube-Nitto Kasei Co., Ltd., which is a former affiliate accounted for by the equity method, by a stock exchange during the year ended March 31, 2004.

The increase in "Cash and cash equivalents" and "Capital surplus" by this stock exchange is ¥576 million and ¥3,805 million, respectively.

	Millions of yen
Current assets	**¥ 7,587**
Fixed assets	**14,799**
Total assets	**22,386**
Current liabilities	**5,153**
Long-term liabilities	**5,121**
Total liabilities	**¥10,274**

13. INCOME TAXES

Income taxes applicable to the Company comprise corporation, enterprise and inhabitants' taxes which, in the aggregate, result in a statutory tax rate of approximately 40.4% for the years ended March 31, 2005 and 2004, respectively.

The effective tax rate reflected in the consolidated statements of operations for the year ended March 31, 2005 differs from the statutory tax rate for the following reasons.

	Percentage	
	2005	2004
Statutory tax rate	40.4%	—%
Effect of:		
Permanently nondeductible expenses	2.6	—
Loss carried forward without deferred tax assets	34.9	—
Deducted amount of loss without deferred tax assets	(19.7)	—
Investment valuation loss of consolidated subsidiaries and affiliates	(53.1)	—
Losses on business restructuring of consolidated subsidiaries and affiliates	8.5	—
Investment profit of affiliated companies by equity method	(4.7)	—
Permanently nontaxable items including income dividends	(3.1)	—
Effect of elimination of income dividends through consolidation procedures	4.7	—
Other	(4.6)	—
Effective tax rates	5.9%	—%

For the year ended March 31, 2004, no tax rate reconciliation is presented due to loss before income taxes and minority interest.

The significant components of deferred tax assets and liabilities as of March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Deferred tax assets:			
Accrued bonuses	¥ 2,469	¥ 2,412	$ 23,075
Retirement allowances	4,662	4,890	43,570
Loss carried forward	274	7,137	2,561
Intercompany profit	13,102	12,905	122,448
Depreciation and amortization	2,239	3,624	20,925
Other	13,917	5,742	130,065
Gross deferred tax assets	36,663	36,710	342,644
Valuation allowance	(4,778)	(8,389)	(44,654)
Total deferred tax assets	31,885	28,321	297,990
Deferred tax liabilities:			
Deferred gain on real properties	(8,463)	(9,567)	(79,093)
Reserve for special depreciation	(71)	(125)	(664)
Unrealized gain on holdings of other marketable securities	(4,679)	(4,022)	(43,729)
Other	(2,792)	(2,916)	(26,093)
Total deferred tax liabilities	(16,005)	(16,630)	(149,579)
Net deferred tax assets	¥ 15,880	¥ 11,691	$ 148,411

14. 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.

Summarized below are the notional amounts and the estimated fair value of the derivative transactions outstanding at March 31, 2005 and 2004.

Currency-related transactions

	Millions of yen						Thousands of U.S. dollars		
	2005			2004			2005		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Forward exchange contracts:									
Sell:									
US$	**¥1,354**	**¥1,382**	**¥ (28)**	¥1,938	¥1,886	¥ 52	**$12,654**	**$ 12,916**	**$ (262)**
Buy:									
US$	**—**	**—**	**—**	58	59	1	**—**	**—**	**—**
Currency swaps:									
Receive/US$ and pay/¥	**2,590**	**(61)**	**(61)**	2,590	(71)	(71)	**24,206**	**(570)**	**(570)**
Receive/US$ and pay/CA$	**1,978**	**(178)**	**(178)**	2,510	(138)	(138)	**18,486**	**(1,663)**	**(1,663)**
Total			**¥(267)**			¥(156)			**$(2,495)**

Note: Forward exchange contracts 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.

15. SEGMENT INFORMATION

The operations of the Company and its consolidated subsidiaries for the years ended March 31, 2005 and 2004 are summarized by product group as follows:

	Millions of yen							
Year ended March 31, 2005	Chemicals & plastics	Specialty chemicals & products	Energy & environment	Cement & construction materials	Machinery & metal products	Other businesses	Elimination & corporate	Consolidated
Sales:								
Outside customers	**¥164,935**	**¥ 83,066**	**¥25,443**	**¥175,797**	**¥109,769**	**¥ 3,698**	**¥ —**	**¥562,708**
Intersegment sales and transfers	**6,957**	**266**	**8,544**	**3,390**	**1,814**	**1,102**	**(22,073)**	**—**
	171,892	**83,332**	**33,987**	**179,187**	**111,583**	**4,800**	**(22,073)**	**562,708**
Operating cost	**161,031**	**72,713**	**31,613**	**169,574**	**113,305**	**4,180**	**(22,020)**	**530,396**
Operating income (loss)	**¥ 10,861**	**¥ 10,619**	**¥ 2,374**	**¥ 9,613**	**¥ (1,722)**	**¥ 620**	**¥ (53)**	**¥ 32,312**
Assets	**¥199,479**	**¥101,825**	**¥52,813**	**¥220,220**	**¥ 90,863**	**¥20,793**	**¥ 20,693**	**¥706,686**
Depreciation and amortization	**8,087**	**6,083**	**2,402**	**8,831**	**5,104**	**398**	**—**	**30,905**
Loss on impairment	**21**	**12**	**—**	**872**	**3,289**	**18**	**—**	**4,212**
Capital expenditures	**7,294**	**7,365**	**997**	**6,043**	**3,355**	**154**	**—**	**25,208**

	Millions of yen							
Year ended March 31, 2004	Chemicals & plastics	Specialty chemicals & products	Energy & environment	Cement & construction materials	Machinery & metal products	Other businesses	Elimination & corporate	Consolidated
Sales:								
Outside customers	¥149,381	¥65,880	¥ 16,296	¥173,738	¥101,693	¥ 4,385	¥ —	¥511,373
Intersegment sales and transfers	6,131	1,654	6,755	3,510	1,031	829	(19,910)	—
	155,512	67,534	23,051	177,248	102,724	5,214	(19,910)	511,373
Operating cost	153,390	60,575	21,282	166,782	102,840	4,437	(19,950)	489,356
Operating income (loss)	¥ 2,122	¥ 6,959	¥ 1,769	¥ 10,466	¥ (116)	¥ 777	¥ 40	¥ 22,017
Assets	¥196,370	¥98,634	¥ 52,977	¥214,474	¥102,611	¥24,903	¥ 9,529	¥699,498
Depreciation and amortization	9,411	4,485	2,130	9,127	5,813	491	—	31,457
Loss on impairment	7,232	272	—	2,863	—	7,157	—	17,524
Capital expenditures	9,852	6,784	7,843	5,249	3,523	124	—	33,375

	Thousands of U.S. dollars							
Year ended March 31, 2005	Chemicals & plastics	Specialty chemicals & products	Energy & environment	Cement & construction materials	Machinery & metal products	Other businesses	Elimination & corporate	Consolidated
Sales:								
Outside customers	**$1,541,448**	**$776,317**	**$237,785**	**$1,642,963**	**$1,025,879**	**$ 34,561**	**$ —**	**$5,258,953**
Intersegment sales and transfers	**65,019**	**2,486**	**79,850**	**31,682**	**16,953**	**10,299**	**(206,289)**	**—**
	1,606,467	**778,803**	**317,635**	**1,674,645**	**1,042,832**	**44,860**	**(206,289)**	**5,258,953**
Operating cost	**1,504,963**	**679,560**	**295,448**	**1,584,804**	**1,058,925**	**39,066**	**(205,794)**	**4,956,972**
Operating income (loss)	**$ 101,504**	**$ 99,243**	**$ 22,187**	**$ 89,841**	**$ (16,093)**	**$ 5,794**	**$ (495)**	**$ 301,981**
Assets	**$1,864,290**	**$951,636**	**$493,579**	**$2,058,131**	**$ 849,187**	**$194,327**	**$ 193,392**	**$6,604,542**
Depreciation and amortization	**75,579**	**56,850**	**22,449**	**82,533**	**47,701**	**3,720**	**—**	**288,832**
Loss on impairment	**196**	**112**	**—**	**8,150**	**30,738**	**168**	**—**	**39,364**
Capital expenditures	**68,168**	**68,832**	**9,318**	**56,477**	**31,355**	**1,439**	**—**	**235,589**

The operations of the Company and its consolidated subsidiaries for the years ended March 31, 2005 and 2004 by geographic area are as follows:

	Millions of yen			
Year ended March 31, 2005	Japan	Other area	Elimination & corporate	Consolidated
Sales:				
Outside customers	**¥468,408**	**¥ 94,300**	**¥ —**	**¥562,708**
Intersegment sales and transfers	**17,529**	**7,826**	**(25,355)**	**—**
	485,937	**102,126**	**(25,355)**	**562,708**
Operating cost	**454,218**	**102,472**	**(26,294)**	**530,396**
Operating income (loss)	**¥ 31,719**	**¥ (346)**	**¥ 939**	**¥ 32,312**
Assets	**¥556,213**	**¥117,752**	**¥32,721**	**¥706,686**

	Millions of yen			
Year ended March 31, 2004	Japan	Other area	Elimination & corporate	Consolidated
Sales:				
Outside customers	¥437,685	¥ 73,688	¥ —	¥511,373
Intersegment sales and transfers	20,262	7,812	(28,074)	—
	457,947	81,500	(28,074)	511,373
Operating cost	435,545	82,619	(28,808)	489,356
Operating income (loss)	¥ 22,402	¥ (1,119)	¥ 734	¥ 22,017
Assets	¥570,661	¥115,790	¥ 13,047	¥699,498

	Thousands of U.S. dollars			
Year ended March 31, 2005	Japan	Other area	Elimination & corporate	Consolidated
Sales:				
Outside customers	**$4,377,645**	**$ 881,308**	**$ —**	**$5,258,953**
Intersegment sales and transfers	**163,822**	**73,140**	**(236,962)**	**—**
	4,541,467	**954,448**	**(236,962)**	**5,258,953**
Operating cost	**4,245,028**	**957,682**	**(245,738)**	**4,956,972**
Operating income (loss)	**$ 296,439**	**$ (3,234)**	**$ 8,776**	**$ 301,981**
Assets	**$5,198,252**	**$1,100,486**	**$305,804**	**$6,604,542**

"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 ¥161,471 million (US$1,509,075 thousand) and ¥149,130 million for the years ended March 31, 2005 and 2004, respectively.

16. LEASES

(a) Finance leases

The following amounts represent the acquisition costs, accumulated depreciation and amortization and net book value of the leased property as of March 31, 2005 and 2004 which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

At March 31	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars 2005
Acquisition costs:			
Buildings and structures	**¥ 22**	¥ 20	**$ 205**
Machinery and equipment	**10,763**	11,657	**100,589**
	¥10,785	¥11,677	**$100,794**
Accumulated depreciation and amortization:			
Buildings and structures	**¥ 7**	¥ 2	**$ 65**
Machinery and equipment	**5,004**	5,138	**46,766**
	¥ 5,011	¥ 5,140	**$ 46,831**
Net book value:			
Buildings and structures	**¥ 15**	¥ 18	**$ 140**
Machinery and equipment	**5,759**	6,519	**53,823**
	¥ 5,774	¥ 6,537	**$ 53,963**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥2,015 million (US$18,832 thousand) and ¥1,846 million, which are equal to the depreciation and amortization expenses of the leased assets computed by the straight-line method over the lease terms, for the years ended March 31, 2005 and 2004, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2005 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2006	¥1,718	$16,056
2007 and thereafter	4,056	37,907
Total	¥5,774	$53,963

(b) Operating leases

Future minimum lease payments subsequent to March 31, 2005 for non-cancelable operating leases are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2006	¥ 3,074	$ 28,729
2007 and thereafter	14,737	137,729
Total	¥17,811	$166,458

17. 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 2005	Millions of yen 2004	Thousands of U.S. dollars 2005
Projected benefit obligations:			
Present value of projected benefit obligations	**¥ 65,990**	¥ 67,510	**$ 616,729**
Plan assets at fair value	**(30,148)**	(26,524)	**(281,757)**
Unrecognized benefit obligations at transition	**(19,271)**	(21,833)	**(180,103)**
Unrecognized actuarial loss	**(5,377)**	(7,060)	**(50,252)**
Unrecognized prior service cost	**86**	181	**804**
Accrued retirement benefits recognized in balance sheets	**¥ 11,280**	¥ 12,274	**$ 105,421**

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Expense of accrued retirement benefits:			
Service cost	**¥3,052**	¥3,443	**$28,523**
Interest cost	**1,433**	1,481	**13,393**
Expected return on plan assets	**(561)**	(468)	**(5,243)**
Amortization of prior service cost	**(95)**	(95)	**(888)**
Amortization of actuarial loss	**1,165**	1,864	**10,888**
Amortization of benefit obligations at transition	**2,435**	2,411	**22,757**
Expense of accrued retirement benefits	**¥7,429**	¥8,636	**$69,430**

	Percentage	
	2005	2004
Assumptions used in accounting for the above plans were as follows:		
Discount rate	**2.0-3.0%**	2.0-3.0%
Expected rate of return on plan assets	**2.0-2.5**	2.0-2.5

18. RELATED PARTY TRANSACTIONS

The Company sold goods for resale in the amount of ¥32,067 million (US$299,692 thousand) and ¥32,502 million to Ube-Mitsubishi Cement Corporation (UMCC), its affiliate accounted for by the equity method, for the years ended March 31, 2005 and 2004, respectively.

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

19. SUBSEQUENT EVENTS

At the general stockholder's meeting of the Company held on June 29, 2005, the appropriations of retained earnings for the year ended March 31, 2005 were approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥2.00 per share)	¥1,885	$17,617
Bonuses to directors and statutory auditors	29	271

Report of Independent Auditors

ERNST & YOUNG SHINNIHON

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■ Tel: 03 3503 1100
Fax: 03 3503 1197

The Board of Directors
UBE Industries, Ltd.

We have audited the accompanying consolidated balance sheets of UBE Industries, Ltd. and consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of UBE Industries, Ltd. and consolidated subsidiaries at March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 2 (r), UBE Industries, Ltd. and consolidated subsidiaries have early adopted a new accounting standard for the impairment of fixed assets effective the year ended March 31, 2004.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 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.

Ernst & Young ShinNihon

June 29, 2005

Major Consolidated Subsidiaries and Affiliates

(As of March 31, 2005)

Company Name	Business	Voting Rights (%)	Phone	Fax
CONSOLIDATED SUBSIDIARIES				
Chemical & Plastics				
Ube Film, Ltd.	Manufacture and sales of plastic-film products	77.5	(0836) 88-0111	(0836) 89-0005
Thai Synthetic Rubbers Co., Ltd.	Manufacture and sales of polybutadiene (Thailand)	73.1	+66 (2) 685-3000	+66 (2) 685-3055
Ube Ammonia Industry, Ltd.	Manufacture and sales of ammonia, carbon dioxide, argon, oxygen, and nitrogen	50.6	(0836) 31-5858	(0836) 34-0472
Ube Chemical Europe, S.A.	Manufacture and sales of caprolactam, ammonium sulfate, and 1,6-hexanediol (Spain)	100.0	+34 (964) 738000	+34 (964) 738074
Thai Caprolactam Public Co., Ltd.	Manufacture and sales of caprolactam and ammonium sulfate (Thailand)	90.9	+66 (2) 685-3000	+66 (2) 685-3022
Ube Engineering Plastics, S.A.	Manufacture and sales of nylon 6 (Spain)	100.0	+34 (964) 738000	+34 (964) 738177
Ube Nylon (Thailand), Ltd.	Manufacture and sales of nylon 6 (Thailand)	100.0	+66 (2) 685-3000	+66 (2) 685-4503
Speciality Chemicals & Products				
Meiwa Kasei Industries, Ltd.	Manufacture and sales of phenolic resins, UMC nylon, and others	97.5	(0836) 22-9211	(0836) 29-0100
Ube-Nitto Kasei Co., Ltd.	Manufacture and sales of polypropylene molded products and fibers, fiber-reinforced plastics	100.0	(03) 3863-5201	(03) 3863-5508
Energy & Environment				
Ube C&A Co., Ltd.	Sales of imported steaming coal	75.5	(03) 5419-6331	(03) 5419-6332
Cement & Construction Materials				
Kanto Ube Holdings Co., Ltd.	Sales of cement and aggregates as well as accounting for subsidiary	100.0	(03) 5759-7715	(03) 5759-7732
Daikyo Kigyo Co., Ltd.	Manufacture and sales of ready-mixed concrete and concrete secondary products	58.8	(0191) 25-3161	(0191) 25-4163
Hagimori Industries, Ltd.	Manufacture and sales of ready-mixed concrete and concrete secondary products	67.1	(0836) 31-1678	(0836) 21-4554
Ube Material Industries, Ltd.	Production and sales of seawater magnesia, magnesium hydroxide, quicklime, slaked lime, and others	60.5	(0836) 31-0156	(0836) 21-9778
Ube Board Co., Ltd.	Manufacture and sales of boards, corrugated sheets, and OA flooring as well as related responsibilities	100.0	(0836) 22-0251	(0836) 22-0271
Ube Construction Materials Sales Co., Ltd.	Sales of ready-mixed concrete, building materials, and others	100.0	(03) 5487-3584	(03) 5487-3567
Ube Shipping & Logistics, Ltd.	Domestic shipping, harbor transportation, shipping-agent services, and customs clearing	81.3	(0836) 34-1181	(0836) 34-1183
Machinery & Metal Products				
Ube Machinery Corporation, Ltd.	Manufacture and sales of diecasting machines, injection-molding machines, extrusion presses, industrial machinery, bridge, metal dies, and molds	100.0	(0836) 22-0072	(0836) 22-6457
Ube Machinery Inc.	Service, sales, assembly, and maintenance for metal processing and injection-molding machinery (U.S.A.)	100.0	+1 (734) 741-7000	+1 (734) 741-7017
Ube Techno Eng Co., Ltd.	Service and maintenance of industrial machinery and equipment; manufacture and sales of automation and environment machinery	100.0	(0836) 34-5080	(0836) 34-0666
Ube Steel Co., Ltd.	Manufacture and sales of cast iron and steel products and rolled steel billets	100.0	(0836) 35-1300	(0836) 35-1331
UBE Automotive North America Sarnia Plant Inc.	Manufacture of aluminum automobile wheels (Canada)	100.0	+1 (519) 542-8262	+1 (519) 542-3666

*48 Other Consolidated Subsidiaries

EQUITY-METHOD AFFILIATES

Company Name	Business	Voting Rights (%)	Phone	Fax
UMG ABS, Ltd.	Manufacture and sales of ABS resins	42.7	(03) 5148-5170	(03) 5148-5186
Ube Agri-Materials, Ltd.	Manufacture and sales of fertilizers and compost	49.0	(0836) 31-2155	(0836) 31-2158
Ube-Mitsubishi Cement Corporation	Sales of cement and soil-stabilizing cement	50.0	(03) 3435-2650	(03) 3435-2665

*33 Other Equity-Method Affiliates

Investor Information (As of March 31, 2005)

Ube Industries, Ltd.

Date of Establishment: 1897

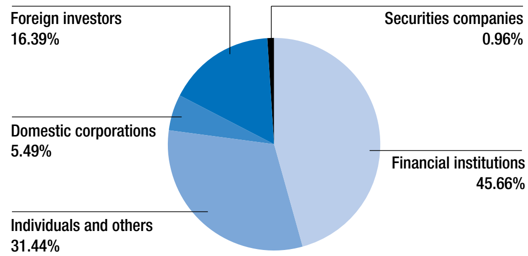
Common Stock:
Authorized: 3,300 million shares
Issued: 942,993,923 shares
(¥48,565 million)

Ticker Code: 4208

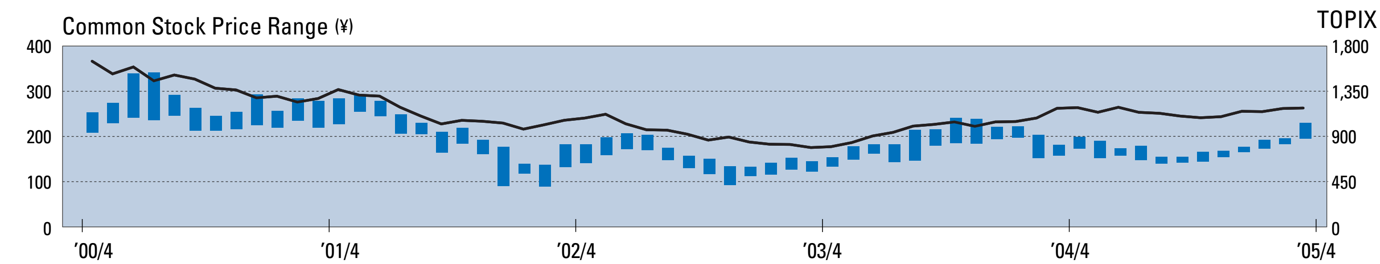
Transfer Agent and Register:
UFJ Trust Bank Ltd.

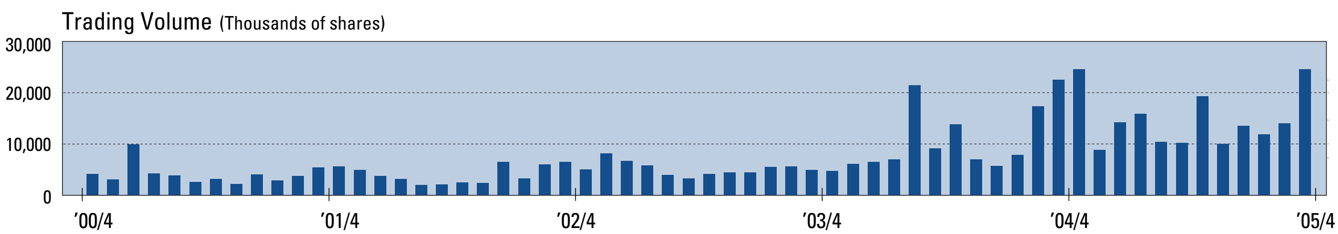
Number of Stockholders: 74,020

Breakdown of Stockholders



Stock Price Range & Trading Volume
(Tokyo Stock Exchange)





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