UBE INDUSTRIES, LTD.

Annual Report 2004

Year ended March 31, 2004

Taking the Next Step Toward Growth

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 from 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 actions for further innovation and growth.

Contents

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements concerning UBE's future plans, strategies, and performance. These forward-looking statements are not historical facts; rather, they represent assumptions and beliefs based on economic, financial, and competitive data currently available. Forward-looking statements include information preceded by, followed by, or that include the words "project," "predicts," "expects," "anticipates," "could," "may," or similar expressions. Furthermore, they are subject to a number of risks and uncertainties which include, but are not limited to, economic conditions, fierce competition in this industry, customer demand, tax rules and regulations. Readers of this annual report are cautioned not to place undue reliance on these forward-looking statements. Actual results may differ materially from expectations.

Fiscal years end on March 31 of the following calendar year: for example, fiscal 2003 in the text is the year ended March 31, 2004.

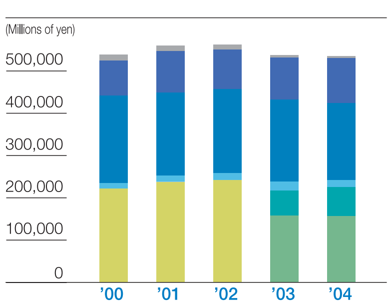
Consolidated Financial Highlights

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	**2004**
For the year:			
Net sales	**¥511,373**	¥513,535	**$4,824,273**
Operating income	**22,017**	26,399	**207,707**
Income before income taxes and minority interest	**(9,463)**	18,834	**(89,274)**
Net income (loss)	**(13,635)**	8,120	**(128,632)**
Capital investment	**33,375**	32,513	**314,858**
Depreciation and amortization	**31,457**	30,243	**296,764**
Research and development expenses	**12,048**	11,351	**113,660**
At year-end:			
Total assets	**699,498**	745,890	**6,599,038**
Stockholders' equity	**85,756**	96,161	**809,019**
Debt	**409,751**	458,370	**3,865,576**
Cash and cash equivalents	**28,519**	48,521	**269,047**
	Yen		U.S. dollars
Per share data:			
Net income, primary (Note 2)	**¥ (16.07)**	¥ 9.61	**$ (0.152)**
Cash dividends applicable to the period	**—**	3.0	**—**
Ratios:			
ROA (%) (Note 3)	**3.3**	3.5	**3.3**
Net Debt/Equity ratio	**4.4**	4.3	**4.4**
Number of employees at the end of the year	**11,397**	10,829	**11,397**

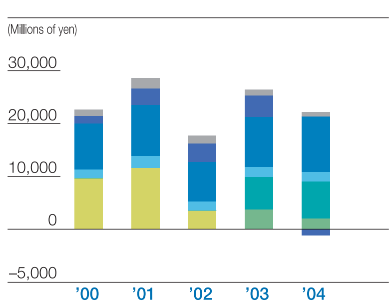
Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥106=US$1, the approximate rate of exchange on March 31, 2004.
2. Net income, primary, per share is computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during each year.
3. ROA=(Operating income + Interest and dividend income + Equity in gain (loss) of unconsolidated subsidiaries and affiliated companies) / Total asset's

Net Sales



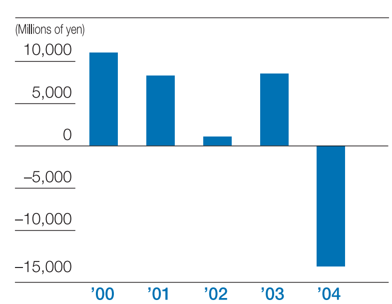
- Chemicals & Plastics
- Specialty Chemicals & Products
- Energy & Environment
- Cement & Construction Materials
- Machinery & Metal Products
- Other Businesses
- Chemicals & Plastics + Specialty Chemicals & Products

Operating Income



- Chemicals & Plastics
- Specialty Chemicals & Products
- Energy & Environment
- Cement & Construction Materials
- Machinery & Metal Products
- Other Businesses
- Chemicals & Plastics + Specialty Chemicals & Products

Net Income



A New Management Plan Begins for a Stronger UBE

Kazumasa Tsunemi
Chairman of the Board, President and CEO

Results for Fiscal 2003, Ended March 31, 2004

The Japanese economy entered a gradual recovery despite persistent deflationary trends. Strong export growth and increased private-sector business investment were the main driving forces.

“Speed and Reliability” remained the watchwords of the UBE Group as we made further progress executing the policies of the “New 21•UBE Revised Plan,” medium-term management plan that began in fiscal 2001. As the past fiscal year marked the end of this plan, we focused intently on instituting various rationalization measures across the company to achieve our sales and earnings targets and on building a stronger balance sheet.

Consolidated net sales were slightly lower than in the previous year, at ¥511.3 billion. The year-on-year decline of ¥2.1 billion largely reflected a further drop in cement demand in Japan. Although shipments of specialty chemicals and products posted healthy growth, a labor dispute at our Mason Plant in the United States had a negative impact on manufacturing productivity in aluminum wheel operations. This and other factors contributed to a fall in operating income of ¥4.3 billion to ¥22.0 billion.

We also took a number of steps to improve our balance sheet as quickly as possible. New accounting standards for the impairment of fixed assets were adopted in fiscal 2003, two years ahead of the mandatory introduction period in fiscal 2005. This and other moves to deal with non-performing assets resulted in our posting an extraordinary loss of ¥31.7 billion, which exceeded extraordinary gains totaling ¥7.1

billion. As a result, we posted a consolidated net loss for the year of ¥13.6 billion. In view of these results, we elected not to pay a cash dividend for fiscal 2003.

Progress on “New 21•UBE Revised Plan”

Since fiscal 2001, we have taken many steps to fulfill the targets specified in “New 21•UBE Revised Plan.” This plan has three major themes: first, reforms to optimize management at the consolidated segment level, with the core emphasis on increasing stockholder value; second, improvements in profitability through selective investment to expand our “core businesses;” and, third, an accelerated program of debt reduction. The following is a summary of our achievements relative to the plan targets.

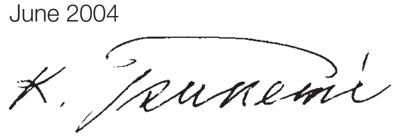
In terms of the first objective, implementing management reforms to optimize consolidated segment management that prioritizes stockholder value, we have implemented virtually all of the initial plan measures. These included corporate governance reforms to improve our system of board meetings and to introduce a system of executive corporate officers. In the second area of expanding our “core businesses,” we have had mixed results, however. Although our specialty chemicals and products, and nylon resin businesses have maintained fairly solid growth, our pharmaceutical business have stalled, while our aluminum wheel business was affected by a labor dispute in the United States. We have not succeeded in expanding either of the latter businesses significantly. These setbacks did not prevent us from making consistent progress in improving our financial position, notably by exceeding our debt reduction target, even though the early introduction of fixed-asset impairment accounting standards in fiscal 2003 had a negative effect on stockholders’ equity. Nor have we yet seen any improvement in the financing condition.

Formulating New Medium-term Management Plan

Based on the spirit of “New 21•UBE Revised Plan,” we have formulated a new version of the medium-term management plan, called “New 21•UBE Plan II,” to guide us over the three years through fiscal 2006. Essentially, this new plan takes the previous one to a higher level. Its principal objectives are elimination of excess debt and putting the UBE Group on a path to expansion and growth. “Speed and Trust” is the central theme, and we plan to continue working to accelerate the PDCA (plan, do, check, action) cycle. Our business reform efforts remain focused on achieving a rapid improvement in our financial position and profit structures so that we can quickly regain the trust of our stockholders, the capital markets, and all our other stakeholders, including customers, creditors, employees and local communities.

With senior management and the entire workforce resolved to focus on these issues, we are redoubling our efforts to achieve everything we have set out to do in this new plan. I believe the targets are realistic, and it is our mission to achieve them. I hope you will recognize our commitment and lend us your ongoing support.

June 2004



Kazumasa Tsunemi
Chairman of the Board, President and CEO

Q. What are the main goals of "New 21•UBE Plan II" in terms of performance indices?

There are three main performance goals for the final year of the new plan, ending in March 2007. First, we aim to achieve an operating margin of at least 6%. Second, we are targeting a minimum return on assets (ROA) of 5%. We define ROA here as adjusted operating income divided by total assets, with adjusted operating income equaling operating income plus interest and dividend income plus equity earnings from unconsolidated subsidiaries and affiliates. Third, we aim to lower the net debt to equity ratio to under 3.0.

Q. What targets have you set in "New 21•UBE Plan II" for improving the company's financial position?

Our basic debt-reduction strategy is to increase free cash flow by maximizing operating income and holding down capital expenditures. This approach will generate the cash needed to reduce the balance of net debt, which is debt less cash and cash equivalents. During the three years covered by the new medium-term management plan, we intend to keep capital expenditures under 80% of total depreciation. By doing so, we plan to reduce net debt by ¥31.2 billion over the three-year period, from ¥381.2 billion at the end of fiscal 2003 to ¥350.0 billion at the end of fiscal 2006.

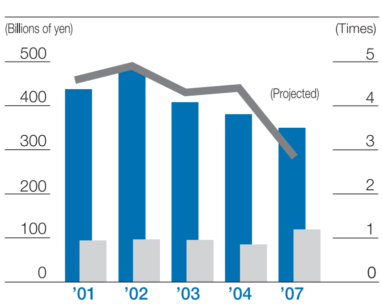
We have also raised capital through a ¥10.0 billion unsecured convertible bond issue in June 2004. The terms of this issue will allow us to predict the degree of common stock conversion with a high degree of accuracy. Hence, we expect to be able to raise stockholders' equity by ¥34.3 billion over the three-year period, from ¥85.7 billion at the end of fiscal 2003 to ¥120.0 billion at the end of fiscal 2006.

Through this combination of debt reduction and increases in equity capital, we project a substantial improvement in the net debt to equity ratio over the plan period. By the end of fiscal 2006, we aim to lower this ratio to under 3.0.

Q. Under "New 21•UBE Plan II," what improvements in profitability are envisaged for each operating segment?

Taking each part of our business portfolio separately, in our "core businesses" we aim to strengthen and expand operations by concentrating management resources in these areas while ensuring that we reap the returns of past investments. In

Net Debt and Stockholders' Equity



■ Net Debt at the end of the year (left scale)
■ Total Stockholders' Equity (left scale)
■ Net Debt/Equity Ratio (right scale)

Sources for Reduction of Debt (Billions of yen)

	Period: New medium-term management plan 2005–2007 (Projected)
Debt at the beginning of new medium-term management plan (A)	409.7
Cash and equivalents at the beginning of new medium-term management plan	28.5
Net debt at the beginnig of new medium-term management plan	381.2
Depreciation and amortization	95.5
Ordinary income	53.5
Sale of property	18.0
Investment	(83.0)
Tax payment	(21.5)
Liability of property, plant and equipment	(9.0)
Dividend	(5.1)
Others	(17.2)
Cash total (B)	31.2
Increase in cash and cash equivalents (C)	(7.5)
Debt at the end of new medium-term management plan (A-B-C)	386.0
Cash and cash equivalents at the end of new medium-term management plan	36.0
Net debt at the end of new medium-term management plan	350.0

our “fundamental businesses,” our main aim is to generate stable cash flow through ongoing restructuring and cost-reduction efforts, thereby strengthening our earnings base.

In our polyethylene operations, which we classify as a “non-core business,” we plan to establish an alliance with Maruzen Petrochemical Co., Ltd. with a target October 2004. Integration of the two company’s operations within the same petrochemical complex in the Chiba area will make us more competitive in the market.

Through initiatives such as these, we plan to continue making steady progress in raising profitability. Over the three-year plan period, we aim to raise our operating margin to 6% while achieving ROA of at least 5%.

At the same time, our goal is to increase the proportion of net sales and earnings derived from our “core businesses” by accelerating the shift toward these operations. In fiscal 2006, we aim to generate net sales from “core businesses” of ¥156.5 billion, accounting for 28.5% of the total. “Core businesses” are also projected to generate ¥18.5 billion in operating income in fiscal 2006, which would represent a higher proportion of the total (56.0%) than in fiscal 2003.

Q. What were the details of the early adoption of impairment accounting standards for fixed assets in fiscal 2003?

Standards for the accounting of the impairment of fixed assets become mandatory in Japan from the year ending March 2006. We decided to introduce the new standard earlier to help us clean up our balance sheet as quickly as possible. This change resulted in a one-time accounting charge of ¥17.5 billion in fiscal 2003.

A detailed breakdown of this charge was as follows. Idle property assets accounted for ¥3.4 billion of the total. Write-downs of manufacturing facilities and related equipment resulted in charges of ¥3.3 billion for polyethylene operations at the Chiba petrochemical factory and ¥4.1 billion for operations for caprolactam and its derivatives at the Sakai factory. In addition, we wrote down the value of a golf course and hotel facilities by ¥6.4 billion.

The new accounting standard for fixed asset impairment does not permit partial application. Once introduced, it must be applied to all fixed assets. Accordingly, now that we have revalued our entire fixed asset base to the best of our knowledge, we do not expect any further charges of this nature in fiscal 2004 and beyond – barring drastic changes in the operating environment.

Business Portfolio of UBE

	Core Businesses	Fundamental Businesses	New Businesses	Non-core Businesses
Chemicals & Plastics	• Nylon Resins (Caprolactam chain)	• Caprolactam and Industrial Chemicals • Synthetic Rubber		* (• Polyethylene)
Specialty Chemicals & Products	• Specialty Products • Fine Chemicals and Pharmaceuticals			
Energy & Environment		• Energy		
Cement & Construction Materials		• Cement and Construction Materials		
Machinery & Metal Products	• Aluminum Wheels	• Machinery		
Others			• Advanced Technological Businesses	

* UBE Plans to form an alliance with Maruzen Sekiyu Kagaku Co., Ltd. in October 2004.

Having dealt with all historically non-performing assets on the balance sheet in fiscal 2003, I believe that we can approach the new medium-term management plan with a fresh start.

Q. What is the status of the aluminum wheel business?

Shipments of aluminum wheels were strong in fiscal 2003, but results were substantially worse than in fiscal 2002 due to reduced manufacturing productivity, mainly as a result of a labor dispute at our Mason Plant in the United States. We also suffered problems due to a failure to finish the installation of mass-production technology for products that are technically more difficult to make, which include large-diameter wheels and premium-coated products.

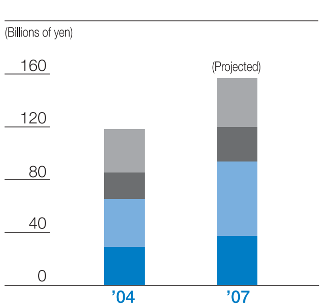
In the new medium-term management plan, we have four main objectives for the aluminum wheel business. First, we will work to restore good labor relations at the Mason Plant. Second, we plan to upgrade our production technology. Third, we aim to improve global control system in this business. We hope to address and solve each of these three issues as quickly as possible. Fourth, we plan to take advantage of the ongoing growth in demand for large-diameter and premium-coated products, as this is an area where we expect to excel. Once these corrective actions have been completed, I am confident the aluminum wheel business will play a leading role in boosting the profitability of our “core businesses.”

Q. What initiatives is the company taking to fulfill its social responsibilities as a corporate citizen?

Our thinking at UBE is that a company must be an integral element of society, and make contributions to fulfill its corporate social responsibility (CSR). This is a policy that has guided our operations for many years. Our long-term sustained development demands that our policies and actions as a company always allow us to earn and maintain the trust of stakeholders, including stockholders, customers, creditors, employees and local communities.

Our CSR efforts divide into four main areas: establishment of corporate governance structures and systems designed to maximize stockholder value while minimizing risk; creation of compliance systems to prevent corporate malfeasance and programs to ensure workplace safety and prevent accidents; efforts to address environmental issues; and promotion of the employment of disabled people.

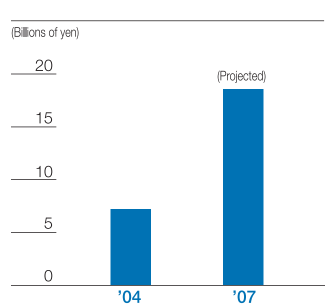
Core Business Sales



Share of Net Sales
23.1% 28.5%

Nylon Resins
Specialty Products
Fine Chemicals and Pharmaceuticals
Aluminum Wheels

Core Business Operating Income

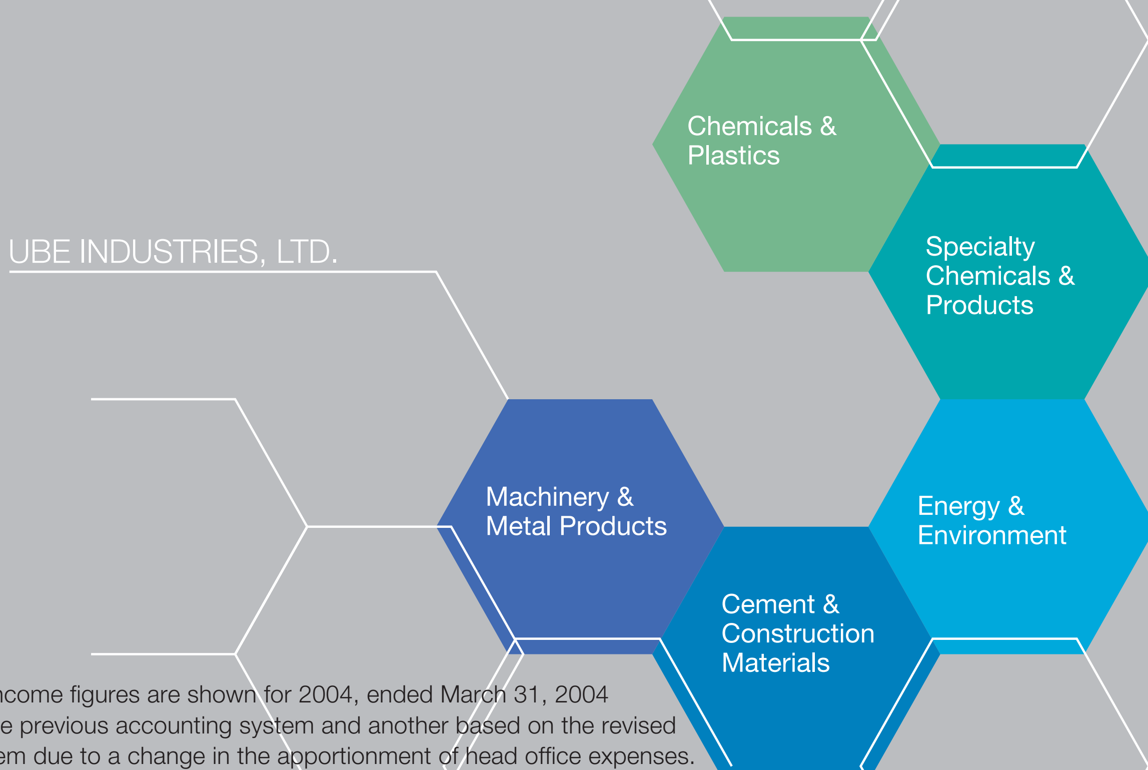


Share of Net Operating Income
32.7% 56.0%

Review and outlook for 2004

Actions for Reorganizing Management

Previously, we divided our operations into five segments: Chemicals & Plastics, Construction Materials, Machinery & Metal Products, Energy & Environment and Other Businesses. However, after undertaking a review of business segmentation designed to more accurately reflect the makeup of each business, which coincided with an organizational change, and to improve the disclosure of segment information, we now divide our operations into six segments: Chemicals & Plastics, Specialty Chemicals & Products, Energy & Environment, Cement & Construction Materials, Machinery & Metal Products, and Other Businesses.



Two operating income figures are shown for 2004, ended March 31, 2004 one based on the previous accounting system and another based on the revised accounting system due to a change in the apportionment of head office expenses. Figures for all past years except the one ended March 31, 2004 use the previous accounting system. 2007 comparisons use the new accounting system.

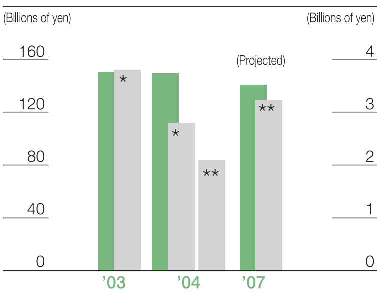
Chemicals & Plastics

The division will build a framework for generating stable cash flow by improving profitability across the caprolactam chain through rationalization and strategic marketing. Furthermore, we will enhance our market presence in each of our product categories as a leading Asian company in the world market.

Nobuyuki Takahashi
Managing Executive Officer

Net Sales and Operating Income

*previous accounting system
**revised accounting system



Net sales (left scale)
Operating income (right scale)

Major products:
Synthetic rubber, caprolactam, nylon resins, industrial chemicals, (Polyethylene)

Position in business portfolio:
Nylon resins: Core business
Synthetic rubber, caprolactam, industrial chemicals: Fundamental business
(Polyethylene): Non-core business

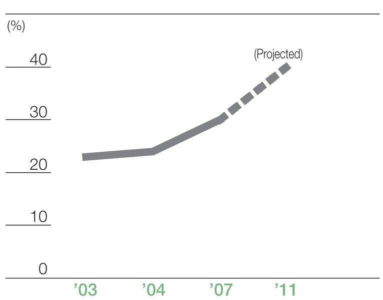
Synthetic Rubber: **Our strategy is to bolster our presence in Asia through integrated management of overseas bases at the same time as rationalizing our operations through comprehensive cost cutting.**
Caprolactam Chain: **Continued cost cutting combined with greater captive use of caprolactam will 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.**

2004: Business Results

Segment sales declined ¥1.1 billion year on year to ¥149.3 billion and operating income decreased ¥0.9 billion to ¥2.1 billion due to the sale of the amorphous polyalphaolefins (APAO) business and the transfer of hydrogen peroxide sales to Kemira-Ube Ltd. Polyethylene shipments remained largely unchanged on last year, while shipments of synthetic rubber were strong, mainly on the back of vigorous demand from the tire industry.

Although there was a recovery in market conditions due to an improvement in the supply-demand balance and strong demand from China, a sharp rise in raw materials prices had a large impact on the caprolactam business. Shipments of nylon 6 resins remained robust. Nylon 12 results were backed by the company's focus on developing markets for high-performance products and new applications. Industrial chemical shipments were also favorable, although a surge in raw material prices had an adverse impact.

Caprolactam Usage for Own Products (Captive Use)



Recent Activities

In May 2003, UBE and Asahi Glass Co., Ltd. announced Sunbesta, the world's first two-layer fuel tube system. Jointly developed by the two companies, Sunbesta utilizes the special properties of UBE's nylon 12 and Asahi Glass' fluoropolymers. Efforts are under way to develop markets, mainly for automobile fuel tube delivery systems. Plans call for the development of a broader range of applications for Sunbesta beyond fuel

1. Applications for polybutadiene (synthetic rubber)
2. Typical products fabricated from nylon 6, which is made from caprolactam
3. Applications for nylon 12 (industrial tubes)

tube delivery systems.

October 2003 saw the company's annual production capacity of nylon 6 in Japan increase by 3,000 tons to 61,000 tons—a direct result of clearing bottlenecks at production plants.

A decision to establish an R&D center in Spain was made in December 2003 to enhance the company's technology service structure targeting increased sales to customers in Europe. Construction will begin in July 2004, with the center being operational during 2005.

Commercial production of nylon 6 began in July 2004 at a new facility of Ube Engineering Plastics, S.A., a wholly owned subsidiary of the company, that has an annual capacity of 10,000 tons. This facility, the additional capacity in Japan and a 4,000 ton debottlenecking to take place in Thailand during 2004 will increase the captive use of caprolactam that UBE uses to make its own nylon resins. The result will be greater profitability across the company's caprolactam chain.

New Medium-term Management Plan

In fiscal 2006, the final year of UBE's new medium-term business plan, the division aims to achieve ¥140.5 billion in sales and operating income of ¥3.2 billion (an increase of ¥1.1 billion on fiscal 2003). Although this sales target is ¥8.8 billion below the fiscal 2003 level, it represents an effective sales increase after factoring in the loss of ¥19.1 billion in sales due to the polyethylene alliance.

Polyethylene Business

To enhance competitiveness of the non-core polyethylene business, the company has plans in hand to form an alliance in October 2004 with Maruzen Petrochemical Co., Ltd. to integrate the two companies' operations within a petrochemical complex in the Chiba area. Following this move, polyethylene will no longer be a non-core business of ours.

Synthetic Rubber Business

The company has made progress in rationalizing operations through continuous cost cutting at the Chiba plant over recent years. This and strong demand from the tire industry and other customers lifted earnings substantially in fiscal 2003. Another factor behind this result was that the company was able to pass a price hike in raw materials on to product prices.

The medium-term business plan sets the scene for enhanced profitability in two ways. First, the company will ramp up production capacity to meet increasing demand. The second way is by implementing stringent rationalization measures. In support of these plans, Thai subsidiary, Thai Synthetic Rubbers Co., Ltd. aims to expand production capacity from 50,000 tons to 65,000 tons by the end of fiscal 2006.

Caprolactam Business

The caprolactam market is expected to grow at a rate of 2% globally. The Asian market is forecast to grow 4-5%, with especially strong demand seen in China.

Given these forecasts, the company will strengthen the caprolactam chain by continually reducing costs and increasing the captive use of caprolactam for nylon resins from the current 24% to 30% by the end of fiscal 2006. By fiscal 2010, this percentage is expected to reach 40%. To mitigate the effects of fluctuating raw material prices, the company will unfold a rapid pricing strategy backed by effective marketing targeted especially at Asian markets.

Nylon Business

Demand for nylon used in automobile parts, food packaging and other engineering plastics is expected to grow 5-6%.

In response to such strong demand, the company is planning to bolster plant capacity for nylon 6 and 12. Nylon 6 production capacity will be bolstered by 36% and nylon 12 by 26% by the end of fiscal 2006 with the aim of achieving profitability befitting a core business. To efficiently meet customer demands, the company is establishing a global sales and technology network, such as by the aforementioned establishment of an R&D center in Europe.

Industrial Chemical Business

The industrial chemical business will bolster profitability across the entire caprolactam chain by reducing costs further and enhancing productivity of ammonia, a caprolactam feedstock.

Specialty Chemicals & Products

We are developing new markets and raising the output capacity of our production facilities to achieve sales and earnings that are suitable for a segment that is positioned as a core business of UBE. Our ultimate objective is to achieve higher profitability.

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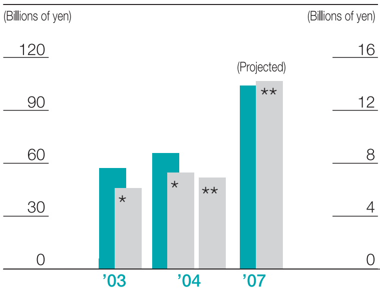
Koji Kihira
Managing Executive Officer

Net Sales and Operating Income

*previous accounting system
**revised accounting system



Net sales (left scale)
Operating income (right scale)

Major products:
Fine chemicals, pharmaceutical bulk compounds and intermediates
Polyimide, battery materials (electrolytes and separators), high purity chemicals, ceramics, membranes, telecommunications devices

Position in business portfolio:
All business in this segment: Core business

Specialty Products: **We are bolstering facilities and developing new markets as we continue to establish our products as the de facto standard. And by also promoting the development of new businesses and products that match changes in the marketplace, we aim to increase profits.**
Fine Chemicals and Pharmaceuticals: **We will become more competitive by developing technologies that differentiate us from other companies and by becoming more streamlined through cost cutting.**

2004: Business Results

Segment sales increased ¥8.5 billion year on year to ¥65.8 billion on higher shipments of specialty products, which were supported by strong demand from the digital appliance market. Sales were also boosted by the consolidation of Ube-Nitto Kasei Co., Ltd. These factors offset a sluggish performance by the pharmaceuticals business. Operating income increased ¥1.2 billion to ¥6.9 billion.

Shipments were buoyant for polyimide film, mainly for liquid crystal displays (LCD), polyimide-based dual-layer copper clad laminates (CCL) sold under the brand name UPISEL-N®, electrolytes and separators for lithium-ion batteries and high-purity chemicals for semiconductors. On the other hand, shipments fell of dielectric ceramic filters for mobile phones.

Recent Activities

In May 2003, we launched Calblock®, an antihypertensive agent jointly developed with Sankyo Co., Ltd. Administered once daily, Calblock® steadily achieves lower blood pressure and it is expected to be superior to other long-acting calcium antagonists on the market as it places less strain on the heart.

In October 2003, to create a framework and develop a business to respond to changes in the market for specialty products, UBE made Ube-Nitto Kasei a wholly owned subsidiary through a share swap. Ube-Nitto Kasei manufactures dual-layer CCL, a downstream polyimide film business. In November 2003, this company increased production capacity by adding its second manufacturing facility and initiated construction of a third manufacturing facility to boost production capacity further.

In January 2004, UBE established a new company by separating the production arm of Ube Electronics, Ltd. in advance of its merger with UBE. By capturing synergies from the merger of Ube Electronics' design prowess and market development, and UBE's technology development know-how,

1. A dual layer CCL using polyimide film
2. Examples of products using polyimide film
3. Pharmaceutical products

UBE aims for the early commercialization of next-generation telecommunications devices.

In April 2005, UBE signed an agreement with Matsushita Electric Works, Ltd. to licence UBE's dual-layer CCL manufacturing technology in a move that UBE believes will help raise the market presence of UPISEL-N®. Demand is rapidly growing for dual-layer CCL on the back of the increasing sophistication of mobile phones, digital cameras and other electronic devices. The alliance will allow for expansion into markets related to flexible printed circuits (FPC) and speed up the expansion of the UPISEL-N® family of products.

New Medium-term Management Plan

In fiscal 2006, the final year of the medium-term business plan, we aim to achieve ¥104.0 billion in sales (a ¥38.2 billion increase on fiscal 2003) and operating income of ¥14.2 billion (an increase of ¥7.3 billion on fiscal 2003).

Polyimide Business

We expect the polyimide market to grow with an increase in the range of applications driven by expansion in digital appliance-related and other markets. Specifically, the increasing sophistication of mobile phones, digital cameras, PCs and LCD TVs is likely to spur on rapid growth in the dual-layer CCL market.

Under these circumstances, we will bolster technological development to capture a share of new markets such as chip-on-film (COF) and FPC, while maintaining our dominance of the tape-automated bonding (TAB) market. In addition, to become the de facto standard in the dual-layer CCL market we are expanding capacity and forging alliances to expand the UPISEL-N® family of products.

Battery Materials Business

We anticipate continued growth of the lithium-ion battery market which is significant to our battery materials business. Our battery materials business is keeping up with this increased demand and aiming to achieve greater profits. And to maintain our number-one position in the world for electrolytes, we are stepping up our strategy to acquire patents as well as enhancing our production base and technology development framework aimed at producing new electrolytes. The separator business, meanwhile, aims to become the de facto standard in China, as well as win orders from users who demand outstanding performance and develop new applications in Japan.

Pharmaceuticals Business

The pharmaceuticals business has seen a sharp drop in profits as a result of sluggish sales of mainstay products in recent years and delays in obtaining approval for and bringing new drugs to market. The goal of the new medium-term plan, however, is to break even in fiscal 2005 and achieve substantial profits to this business in fiscal 2006. This will be achieved through a recovery in demand for mainstay products in our consignment production business, as well as by increasing shipments of drugs developed in-house. The latter includes Talion®, an antiallergic product jointly developed with Tanabe Seiyaku Co., Ltd., and Calblock®, the antihypertensive agent we jointly developed with Sankyo Co., Ltd. In consignment production, we intend to improve profits by thoroughly reducing manufacturing costs and increasing the pharmaceutical plant utilization rate. The in-house pharmaceutical development business will aim to increase efficiency with the aim of filling out the pipeline by discovering at least two new candidates every year.

Fine Chemicals Business

In order to maximize profits, the fine chemicals business aims to increase production of existing products and fully implement measures to enhance profitability.

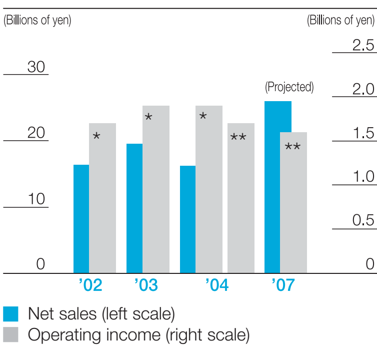
Energy & Environment

We aim to realize a stable supply of energy in the form of coal and electricity and control energy and environmental costs in the UBE Group as a whole.

Michio Takeshita
Executive Officer

Net Sales and Operating Income

*previous accounting system
**revised accounting system



Major products:
Coal, electricity

Position in business portfolio:
All businesses in this segment: Fundamental business

As the division providing 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.

UBE Power Center Co., Ltd.

2004: Business Results

Segment sales declined ¥3.3 billion year on year to ¥16.2 billion due to lower sales in the environmental business. Operating income decreased ¥0.1 billion to ¥1.7 billion.

Recent Activities

UBE Power Center Co., Ltd. commenced wholesale electricity sales in March 2004 using its power plant with an output capacity of 195,000 kW. The company has a 15-year contract to supply electricity on a wholesale basis to The Chugoku Electric Power Co., Inc.

In April 2004, we decided to withdraw from the environmental business, with the exception of the Ebara-Ube Process (EUP) technology, a system for the chemical recycling of waste plastics through a gasification process. The product of this process is used as a feedstock in the production of ammonia.

New Medium-term Management Plan

The division is undertaking the following steps to steadily supply coal and electric power while minimizing energy and environmental costs.

- We are revising methods for the procurement and purchase of coal.
- By integrating operations with the UBE Power Center, we will establish a stable supply framework and ensure a stable supply of energy to UBE Group companies at competitive rates.
- We will promote environmental countermeasures and initiatives such as the practical use of fly ash processing technology and the introduction of biomass fuel.

Cement & Construction Materials

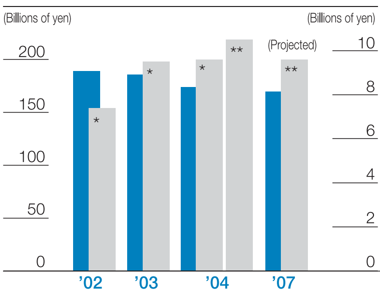
Through ongoing improvements of the profitability for the cement business and by strengthening group company management, we will deliver higher earnings and bolster our financial position as a segment. As one of UBE's fundamental businesses, we will generate stable cash flows from our operations.

Hiroaki Tamura

Hiroaki Tamura
Senior Managing Director
Senior Managing Executive Officer

Net Sales and Operating Income

*previous accounting system
**revised accounting system



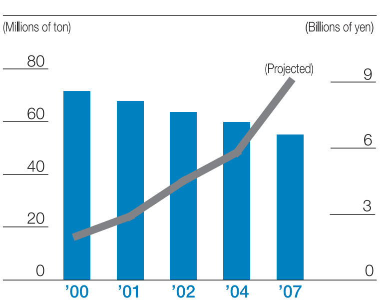
Net sales (left scale)
Operating income (right scale)

Major products:
Cement, clinker, ready-mixed concrete, limestone, waterproof materials, building materials and related products

Position in business portfolio:
All businesses in this segment: Fundamental business

Cement business: **We will improve earnings through ongoing efforts to increase market prices while reducing costs by expanding the use of industrial waste.**
In the ready-mixed concrete sector: we will promote greater management efficiency.
Building materials: **The basic strategy is to secure stable profits by focusing on self-leveling and waterproof materials.**

Demand for cement in Japan and Volume of industrial waste received



Demand for cement in Japan (left scale)
Volume of industrial waste received by UBE (right scale)

2004: Business Results

Falling domestic demand for cement and other construction-related products drove segment sales down ¥11.9 billion year on year to ¥173.7 billion. Operating income increased ¥0.9 billion to ¥10.4 billion due to cost cutting.

Although the cement business saw a decline in shipments from a decline in domestic demand, expanded use of various types of industrial waste for fuel and raw materials resulted in a reduction of costs and contributed to our efforts toward a recycling-oriented society.

The natural resources and building materials business recorded stable shipments of self-leveling material used for flooring, although the market as a whole was sluggish.

Recent Activities

In May 2003, we started advance sales in the Tokyo metropolitan area of SL Flow-G, a newly developed self-leveling cement material that has the potential to greatly shorten construction time. Due to a strong market response, we plan to step up sales in the Tokyo metropolitan area and build production and marketing networks with a view to developing this business nationwide.

In March 2004, the marketing arm of UBE's cement operations, Ube-Mitsubishi Cement Corporation, announced a price increase to reflect a sudden rise in the price of coal, a main fuel for cement manufacture. Since Ube-Mitsubishi Cement's competitors also raised prices, there is now a gradual

1. A facility for the treatment of waste plastics
2. Waste wood chips are incinerated at this facility
3. One application of self-leveling materials

upturn in market prices.

May 2004 saw the completion of our waste wood chip fuel plant. The plant will be used to pulverize waste wood collected from neighboring areas for use as fuel for our in-house power generation facility inside our cement plant. Not only does this mean reduced generating costs from the effective use of resources, but it also leads to a reduction in CO_2 emissions, which helps conserve the environment.

New Medium-term Management Plan

In fiscal 2006, the final year of the medium-term business plan, we aim to achieve ¥169.5 billion in sales (a ¥4.2 billion reduction on fiscal 2003) and operating income of ¥9.6 billion (a decline of ¥0.8 billion on fiscal 2003).

Cement and Ready-mixed Concrete Businesses

We anticipate a continued softening in domestic demand for cement from 59.7 million tons in fiscal 2003 to 55.0 million tons in fiscal 2006. On the other hand, by expanding the use of waste as fuel and raw material for cement production, the cement industry will play a major role towards building a recycling-oriented society.

The cement business plans to process an even larger volume of waste, raising the amount it receives from this business from ¥5.8 billion in fiscal 2003 to ¥9.0 billion in fiscal 2006. To better absorb the sudden rise in coal prices, we will continue to seek higher prices for our products.

In the ready-mixed concrete business, in addition to ongoing efforts to increase prices, we will enhance management efficiency by continuing to consolidate operations at a regional level, amalgamating plants and making use of IT.

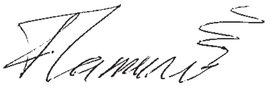
Building Materials Business

This business will increase sales by developing and launching new products that anticipate customer needs while increasing market share for existing products. UBE plans to expand profits with a special focus on self-leveling and waterproof materials—product areas in which we excel.

The new suspension preheater kiln at the Ube Cement Factory

Machinery & Metal Products

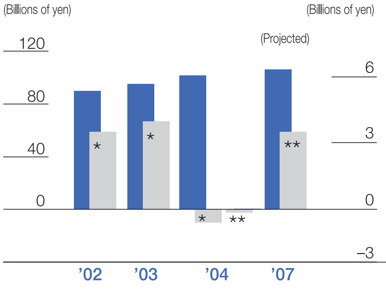
The machinery business will enhance its profit structure by rebuilding its industrial machinery and bridgeworks sectors while strengthening its overseas network.
In aluminum wheels, we will meet customer expectations and establish a profit structure meriting the core-business status as a manufacturer with the capability to ensure a stable supply of large-diameter (18 inches and over) aluminum wheels.



Isao Tamura
Managing Director
Managing Executive Officer

Net Sales and Operating Income

*previous accounting system
**revised accounting system



Major products:
Die-casting machines, injection-molding machines, bulk conveyors/handling systems, bridges, aluminum wheels

Position in business portfolio:
Machinery: Fundamental business
Aluminum wheels: Core business

The machinery business: **We will maintain and enhance its competitiveness by continuing to reduce costs and shorten lead times.**
The aluminum wheel business: **We will address and solve three main issues—restoring labor relations at its plant in the U.S., upgrading production technologies and improving management systems—as well as create a system to provide a stable supply of large-diameter wheels and premium-coated products.**

2004: Business Results

Segment sales increased ¥6.4 billion year on year to ¥101.6 billion due to increased shipments of injection-molding machines and other products. Lower productivity in the aluminum wheel business and other factors caused operating income to decline ¥4.6 billion, resulting in an operating loss of ¥100 million.

In the machinery business, shipments of large-size injection-molding machines to North America and China increased. Orders for hard-milling machines also rose.

In the aluminum wheel business, although shipments were buoyant, a labor dispute at the Mason Plant in the U.S. caused productivity to drop, leading to a significant downturn in results from last year.

Recent Activities

We have also been developing revolutionary new types of aluminum wheel that capitalize on the lightness and strength of our products. In October 2002, we concluded an agreement with leading French tire manufacturer Michelin to develop a wheel specially designed for its PAX system for that allows flat tires to continue to run.

In August 2003, Canada-based UBE Automotive North America Sarnia Plant Inc. began selling 20-inch ultra-large aluminum wheels (plated), a world first for passenger vehicles.

1. An aluminum die-casting machine
2. UBE aluminum wheels
3. The Sarnia factory

Meanwhile, U.S.-based UBE Automotive North America Mason Plant Inc. experienced a labor dispute in November 2003 that adversely affected profitability and as a consequence dragged down earnings. The dispute was resolved and operations returned to normal in January 2004.

New Medium-term Management Plan

In fiscal 2006, the final year of the medium-term business plan, we aim to achieve ¥106.0 billion in net sales, a ¥4.4 billion increase on fiscal 2003, and ¥3.5 billion in operating income, an increase of ¥3.6 billion on fiscal 2003.

Machinery

Conditions are favorable in markets where the machinery business is active. There is brisk demand from Southeast Asia and China and the market for replacement products in Japan is buoyant. However, an increasingly competitive global marketplace is making it harder to win orders.

Amid such market conditions, the machinery business plans to cut costs further and shorten lead times by bringing to market simple, streamlined, compact and inexpensive machines. To succeed in this severe environment, we will also expand overseas procurement of materials and promote greater outsourcing of operations to reduce costs and thereby improve profitability.

Aluminum Wheels

The aluminum wheel business expects the trend toward lighter vehicles, environmental issues and other factors to drive a steady increase in demand. Furthermore, with requests from automakers becoming increasingly demanding from a design perspective, particularly with respect to 18-inch and larger diameter wheels and products with premium coatings, wheel manufacturers must supply products incorporating advanced technology.

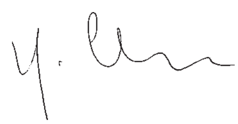
Against this backdrop, we aim to build a stable production framework by restoring good labor relations in the U.S. Furthermore, we are carrying out a shift to a product mix with a higher proportion of highly profitable products such as large-diameter wheels and premium-coated products. In addition, early improvements in productivity and mass-production technology will be carried out. The superiority of our proprietary squeeze casting technology will underpin our drive to strengthen our position as one of the world’s leading manufacturers of mass produced wheels with a diameter of 18 inches and over. Our goal is to gain a high share of the market for large-diameter wheels.

A look inside the run-flat tire system (PAX system)

Research & Development

Conducting R&D Based on a Long-term Strategic View

In our R&D programs, we are committed to the rapid development of products that conform to market needs, particularly in the fields of specialty products and pharmaceuticals. Another goal is to deliver distinctive technology that will help further sharpen UBE's competitive edge.



Yasuhisa Chiba
Senior Managing Director
Senior Managing Executive Officer

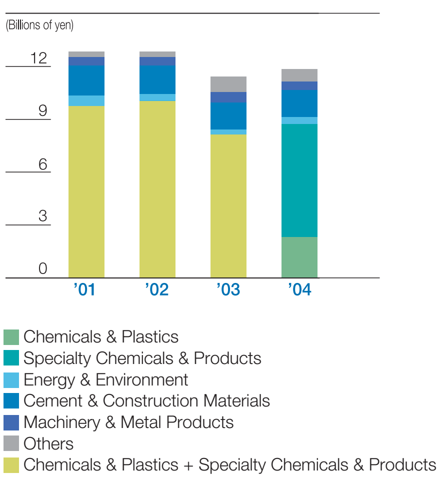
Basic Policies and Strategies

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 entirely new business opportunities and can strengthen the company's technological base on a long-term basis.

Recent Activities

In April 2004, UBE and Yamaguchi University signed a comprehensive cooperative agreement to expand and develop their joint research and development efforts, to further the interests of both academia and industry, and to make a broad contribution to the region and to society at large. Looking ahead, UBE and Yamaguchi University plan to collaborate on high-level research on joint R&D themes, with the goal of developing innovative technologies and products.

R&D Expenses by Segment



The New Medium-term Management Plan

UBE's new medium-term management plan outlines two main tasks for R&D: help UBE to maintain and strengthen its presence in established businesses, and promote the development of technologies for fostering and seeding new businesses.

The plan calls for the manufacture of materials with increasingly sophisticated performance, and channels R&D resources to the fields of pharmaceuticals and specialty products for IT applications. At the same time, UBE will take advantage of cutting-edge chemical expertise to develop new core businesses over the medium and long term, strengthen existing businesses, and focus on the development required to rapidly respond to the markets.

R&D by Business Segment
Chemicals & Plastics (R&D expenditures: ¥2.3 billion)

Actions being taken to strengthen and spur advances in existing businesses include the development of new grades of synthetic rubber, as well as the development of grades of nylon 6 and 12 and related applications. One notable R&D achievement in this segment during the past fiscal year was the development and test sales of a catalyst for use in polypropylene production. UBE also developed recycling technology of waste plastics.

Specialty Chemicals & Products (R&D expenditures: ¥6.4 billion)

As new core businesses, UBE is conducting R&D in pharmaceuticals and pharmaceutical intermediates, largely in the areas of immunology, inflammation and cardiovascular systems and is jointly developing an anti-ulcer agent. The company is also developing new medical materials, mainly in the fields of cardiovascular surgery and extracorporeal blood circulatory system applications. Other activities include the development of materials for lithium-ion batteries, and R&D in a number of areas, including polyimide-based specialty materials; ultra-heat-resistant inorganic materials for the aerospace field and specialty ceramics; thermoelectric materials, and optical materials. In mobile communications, UBE is developing filters and duplexers for next-generation digital CDMA applications. The past fiscal year's major successes were the sales launch of an antihypertensive product and the development of thermoelectric modules and generators.

Dioxin decomposition experiment using fibrous photocatalyst

Energy & Environment (R&D expenditures ¥0.4 billion)

In research pertaining to coal transportation, storage, and the development of applications, efforts are focused on the development of technology for more effective use of fly ash in civil engineering and other fields as well as the more effective use of coal. Another area is the development of non-petroleum fuels, such as wood biomass, and technology and applications for coal combustion, with the aim of lessening environmental impact (in terms of CO_2 emissions) and reducing energy costs. The segment's most notable R&D achievement during the year was coal combustion technology using wood biomass. Work on this project ended on a high note following better-than-expected performance in trial tests conducted on behalf of the New Energy and Industrial Technology Development Organization (NEDO).

Cement & Construction Materials (R&D expenditures ¥1.5 billion)

Efforts to develop technology for utilizing industrial waste in cement production continue, as does the development of high-performance cement and concrete, and moves to develop an eco-friendly soil stabilizer and stabilizing process. In building materials, UBE is further bolstering the competitiveness of its self-leveling (SL) materials, of which it already commands a dominant share. The company is also boosting performance and lowering the cost of its plastering and waterproof materials and developing new products. Other R&D activities include developing applications for calcium carbonate and magnesium hydroxide, and improving the quality of concrete slates and boards. Significant achievements included an increased volume of industrial waste used as fuel and raw materials in cement production, the market launch of SL Flow-G, a high-performance SL material, and the development of Aquashutter AC, a highly durable waterproofing material, and KU Roofing, a heavy-duty waterproofing material used as a roofing underlayer.

Machinery & Metal Products (R&D expenditures ¥0.5 billion)

Work continued on development of a semisolid aluminum casting process for manufacturing high-quality aluminum molds, as well as on in-mold coating technology for our injection-molding machines. The company also worked to develop foam molding and a range of other products using its distinctive high-performance electric injection-molding machinery. Significant achievements during the year included improved output and shipments of mass-production technology for pressure-resistant automotive parts using semisolid aluminum casting methods. As for in-mold coating, steady progress was made in cooperation with a key client on setting a course for development as it edges closer to the mass production phase. Regarding foam molding, UBE began mass production of chemical foam, and took steps alongside several key clients to develop commercially viable gas foam products.

Business Creation and Development (R&D expenditures ¥0.7 billion)

To create and nurture next-generation businesses, UBE is conducting research and development involving electronic components, photocatalytic fiber modules, fuel cells and photovoltaic cells.

Notable accomplishments included the aggressive market development of Aquasolution, a water-purification device that incorporates fibrous photocatalysts. UBE also successfully developed a large-scale version of this processing equipment, which achieved a steady track record in water purification for hot spring spas and pools. As a result, this product is scheduled to become a new business line in fiscal 2004.

UBE in the Community

Contributing to Society in Many Ways

The ability to earn the trust and understanding of society is the basis for the very existence of a company. The UBE Group is enhancing CSR activities with the aims of gaining the trust of all stakeholders and contributing to society in many ways.

Hiroyuki Koike

Hiroyuki Koike
Executive Vice-President
Vice-President and Executive Officer
Chief Compliance Officer

UBE is a company that believes in the importance of fulfilling its responsibilities to society. Corporate social responsibility (CSR) plays a significant role in management policy. In the course of business, the company builds relationships with many different people, including stockholders, customers, employees, suppliers and the residents of communities that live near UBE offices and factories. UBE aims to ensure these relationships are always constructive and harmonious, because it is these relationships that sustain the long-term development of the firm. There are four primary categories of CSR programs at UBE.

Corporate Governance

The aim of corporate governance is to raise transparency and maximize shareholder value while minimizing risk. UBE employs a system in which executive officers are responsible for operational management. Delegation of such tasks to these officers allows them to concentrate exclusively on business management, thus speeding up decision-making processes. A nine-member Board of Directors monitors and supervises proprieties and efficiencies of the actions of the executive officers. Directors are primarily accountable to stockholders, and their chief task is to act as the guardians of shareholder value, ensuring that the actions of the company are geared to maximizing shareholder value. Although no outside directors have been appointed to the board, there are committees made up of directors that have responsibility for director nominations and compensation. In addition, a four-member Board of Auditors, including two external auditors, provides another level of oversight with regard to the actions of directors and executive officers. UBE continues to study new ways to modify its corporate governance structures to improve the functioning of the company.

Compliance

Compliance is another key element of CSR. In March 2003, UBE revised its Personal Action Guidelines, a set of compliance standards for the group's business operations and the actions of directors and employees. Originally prepared in 1998, these guidelines were partially revised from the standpoint of corporate ethics. Booklets containing the guidelines have been distributed throughout the group. Next, the position of compliance officer was established to provide centralized oversight of all compliance programs. A Compliance Committee, which includes a consulting attorney, has been established as an advisory body to this officer. Further, reporting channels, both for employees and individuals from inside and outside the group, have been put in place for compliance violations and related issues, enabling UBE to respond to problems at the corporate level.

In addition, a crisis response manual has been prepared, and compliance information meetings are frequently conducted for executives and employees.

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

Environmental Programs

Responsible Care (RC) 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 hygiene activities. As a chemicals firm, UBE recognizes its fundamental responsibility to ensure proper safety and environmental management for all chemical substances that it produces and uses, in line with Japanese legislation such as the PRTR (Pollutant Release and Transfer Register) Law. UBE formulated its own Environmental and Safety Principles in 1992. These establish the paramount importance of maintaining and improving the health, safety and environmental aspects of chemical substances throughout their life cycle, from development, production and distribution to use, final consumption and disposal.

Chaired by the president (and Group CEO), the UBE Group Environment and Safety Committee 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 each business segment and R&D activities. Continuous improvement of these policies and their management status is based on the PDCA (Plan, Do, Check, Action) cycle.

UBE Group policy is to be certain that the environmental management and quality assurance systems and procedures at all sites meet international standards. Ongoing programs for ISO14001-series and ISO9001-series certification had been completed at 24 and 32 sites, respectively, as of the end of December 2003. UBE has also introduced environmental accounting to enable quantitative evaluation of the costs and effects of environmental preservation measures undertaken at UBE Group operating sites. This promises to help raise the efficiency of environmental action programs at UBE.

Employment opportunities for People With Special Needs

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 disabled people, UBE established a subsidiary called Libertas Ube, Ltd., which is engaged in the printing business for various publications and so on. The work of the company includes digital-related work, printing-related work, 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 disabilities to display their talents. UBE plans to continue providing as many opportunities as possible to disabled people.

Consolidated Six-Year Financial Summary

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

	Millions of yen					
	2004	2003	2002	2001	2000	1999
RESULTS OF OPERATIONS:						
Breakdown of net sales*:						
Chemicals & Plastics	**¥149,381**	¥150,504	¥231,069	¥227,109	¥211,423	¥ —
Specialty Chemicals & Products	**65,880**	57,345	—	—	—	—
Energy & Environment	**16,296**	19,617	16,412	13,816	13,440	—
Cement & Construction Materials	**173,738**	185,640	189,045	187,836	197,125	—
Machinery & Metal Products	**101,693**	95,281	90,025	94,837	79,753	—
Other Businesses	**4,385**	5,148	10,997	11,409	13,036	—
Net sales	**511,373**	513,535	537,548	535,007	514,777	537,712
Cost of sales	**411,209**	410,982	439,971	427,151	413,528	434,987
Selling, general and administrative expenses	**78,147**	76,154	79,981	79,336	78,738	90,284
Operating income	**22,017**	26,399	17,596	28,520	22,511	12,441
Income before income taxes and minority interest	**(9,463)**	18,834	5,412	13,618	11,875	4,635
Net income	**(13,635)**	8,120	1,002	7,911	10,514	2,969
FINANCIAL POSITION:						
Assets:						
Total current assets	**275,220**	275,073	294,159	311,412	339,239	380,446
Total property, plant and equipment, net	**377,106**	398,783	422,271	352,338	375,941	395,361
Total investments and other assets	**65,172**	72,034	103,783	117,125	120,907	128,075
Total assets	**699,498**	745,890	820,213	780,875	836,087	903,882
Liabilities and stockholders' equity:						
Total current liabilities	**337,954**	359,907	388,253	362,890	397,345	445,676
Total long-term liabilities	**258,594**	273,340	314,681	304,707	329,857	342,683
Minority interest	**17,194**	16,482	20,332	18,933	19,463	18,469
Total stockholders' equity	**85,756**	96,161	96,947	94,345	89,422	97,054
GENERAL:						
Per share data (yen):						
Net income, primary**	**(16.07)**	9.61	1.18	9.48	12.65	3.57
Cash dividends	**—**	3.00	—	3.00	3.00	2.50
Stockholders' equity	**98.77**	114.55	115.78	112.67	107.59	116.79
Other data:						
Operating income as a percentage of net sales (%)	**4.3**	5.2	3.3	5.3	4.4	2.3
Return on total assets*** (%)	**3.3**	3.5	2.2	3.7	2.9	1.6
Shares of common stock issued (thousand)	**871,201**	845,835	845,828	845,828	837,857	837,857
Number of consolidated subsidiaries	**71**	68	83	81	84	81
Number of stockholders	**79,223**	75,080	78,199	74,973	74,787	76,648
Number of employees	**11,397**	10,829	11,983	11,834	12,107	12,691

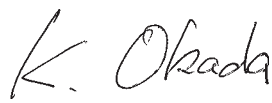
* We divided our operations into new six segments: Chemicals & Plastics, Specialty Chemicals & Products, Energy & Environment, Cement & Construction Materials, Machinery & Metal Products, and Other Businesses.

** Effective from the year ending March 31, 2003, net income, primary, per share is computed based on the net income available for distribution to shareholders 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: Adjusted operating income (Operating income + interest and dividend income + Equity in gain (loss) of unconsolidated subsidiaries and affiliated companies) / Total assets

Management's Discussion & Analysis

Under our previous medium-term management plan, although we achieved our goals with respect to transforming business structures and reducing interest-bearing debt, we fell far short of our profit and financial structure reform goals. Under our current medium-term management plan, we are determined to accomplish all our goals without fail and put the UBE Group on a path to expansion and growth.



Kazuhiko Okada
Senior Managing Director
Senior Managing Executive Officer and CFO

OPERATING ENVIRONMENT

In fiscal 2003 (the year ended March 31, 2004), the Japanese economy staged a moderate recovery on the back of strong exports and capital expenditures, although deflationary pressures lingered. Despite this recovery, the operating environment was difficult because of such factors as sharply higher materials and fuel prices and the yen's appreciation.

CHANGES IN SCOPE OF CONSOLIDATION

Compared to fiscal 2002, the number of companies subject to consolidation decreased by 6 to 110 in fiscal 2003.

The number of consolidated subsidiaries increased by 3 to 71. Three wholly owned subsidiaries of Ube Electronics, Ltd., a consolidated subsidiary of UBE—UBE Electronics (Malaysia) Sdn. Bhd., UBE Electronics (Philippines), Inc., and Ube Electronics (Wuxi) Co., Ltd.—were reclassified as consolidated subsidiaries; formerly, they were treated as equity-method affiliates. Furthermore, former equity-method affiliate Ube-Nitto Kasei Co., Ltd. became a wholly owned subsidiary through a share swap. One company was sold during the course of fiscal 2003.

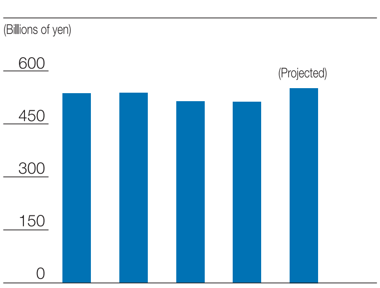
The number of equity-method affiliates decreased by 9 during the fiscal year, to 39. Besides the 4-company decrease for the abovementioned reasons, we either dissolved or sold 5 other companies.

FISCAL 2003 PERFORMANCE

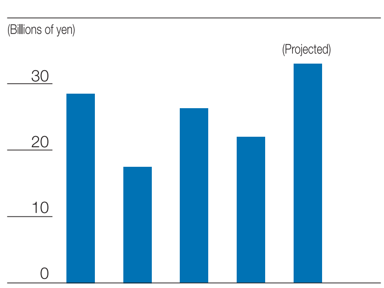
Net sales

Consolidated net sales declined by ¥2.1 billion, or 0.4%, to ¥511.3 billion (US$4,824 million). Shipments of specialty products were strong and the start of full-scale operations of the Sarnia Plant in Canada in aluminum wheel operations also contributed to sales. However, a further decline in domestic demand for cement hurt sales. By segment, Specialty Chemicals & Products and Machinery & Metal Products recorded higher sales, while the remaining four segments, Chemicals & Plastics, Cement & Construction Materials, Energy & Environment and Other Businesses, recorded lower sales.

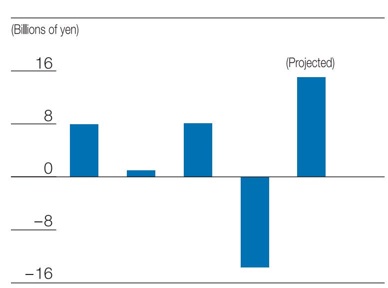
Net Sales



Operating Income



Net Income



Operating income

Operating income decreased by ¥4.3 billion, or 16.6%, to ¥22.0 billion (US$207 million). Boosting operating income were strong shipments of specialty products and polyolefins and synthetic rubber, as well as cement. However, a labor dispute at our Mason Plant in the United States had a negative impact on manufacturing productivity in aluminum wheel operations. Furthermore, sharply higher prices for naphtha, benzene and other raw materials brought down earnings.

Other income and expenses

Net interest and dividend income (less interest expenses) was an expense of ¥8.0 billion, ¥1.0 billion less than in fiscal 2002. Equity in gain (loss) of unconsolidated subsidiaries and affiliated companies was ¥0.9 billion, up ¥1.3 billion from the previous fiscal year's loss.

However, we recorded net extraordinary losses of ¥24.6 billion, a difference of ¥27.3 billion compared with the extraordinary income in fiscal 2002. We applied new accounting standards for the impairment of fixed assets in fiscal 2003, two years ahead of the mandatory introduction period in fiscal 2005, as we moved to clean up our balance sheet as quickly as possible, resulting in an extraordinary loss of ¥17.5 billion. This charge is the result of the following items: idle real estate accounted for ¥3.4 billion of the total; write-downs of manufacturing facilities and related equipment resulted in charges of ¥3.3 billion for polyethylene and ¥4.1 billion for caprolactam; and we wrote down the value of a golf course and hotel facilities by ¥6.4 billion. We also decreased gains on the sales of property, plant and equipment of ¥6.7 billion and gain on sale of securities of ¥6.8 billion.

Net income

As a result of the above, we posted a net loss of ¥13.6 billion, ¥21.7 billion below the net income in fiscal 2002.

SEGMENT REVIEW

(Changes in segments)

Previously, we divided our operations into five segments: Chemicals & Plastics, Construction Materials, Machinery & Metal Products, Energy & Environment and Other Businesses. However, after undertaking a review of business segmentation designed to more accurately reflect the makeup of each business, which coincided with an organizational change, and to improve the disclosure of segment information we now divide our operations into six segments: Chemicals & Plastics, Specialty Chemicals & Products, Energy & Environment,Cement & Construction Materials, Machinery & Metal Products, and Other Businesses.

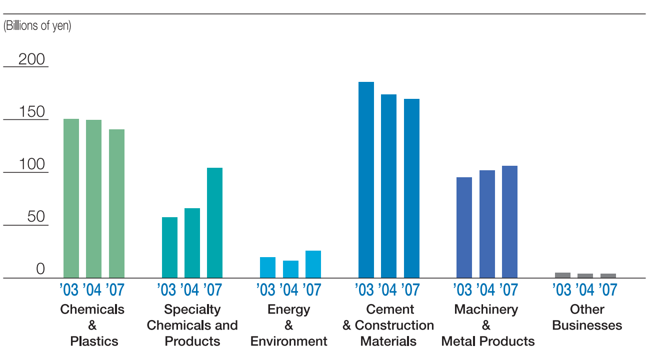
In conjunction with the above change, we revised the standard for apportioning Head Office expenses to segments following a change in our internal accounting system. As a result, Chemicals & Plastics, Specialty Chemicals & Products and Energy & Environment segments are allocated a higher proportion of these expenses.

For the purpose of comparisons between fiscal 2003 and fiscal 2002, we have used figures computed on the former basis.

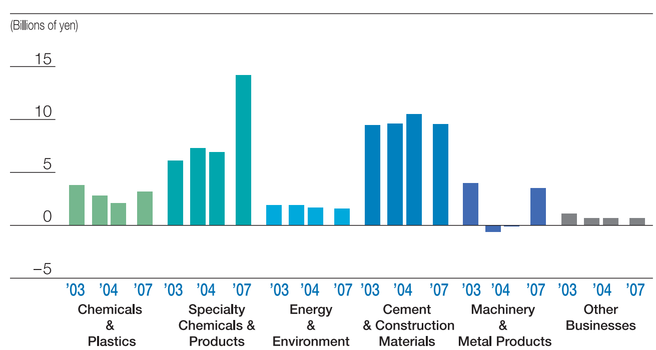
Chemicals & Plastics

Segment net sales declined by ¥1.1 billion, or 0.7%, to ¥149.3 billion. The slight decrease reflects the sale of the amorphous polyalphaolefins (APAO) business, the transfer of hydrogen peroxide sales to Kemira-Ube Ltd., and changes in the scope of consolidation.

Sales by Segment



Operating Income by Segment



*previous accounting system ('04 left)
**revised accounting system ('04 right)

Segment operating income decreased by ¥0.9 billion, or 25.8%, to ¥2.8 billion despite a recovery and strength in the synthetic rubber market. The large drop in operating income was due to a sharp rise in the price of benzene, a raw material for caprolactam, which we were unable to sufficiently pass on in the prices of our products.

Specialty Chemicals & Products

Segment net sales increased ¥8.5 billion, or 14.9%, to ¥65.8 billion. This reflected strong shipments of specialty products, particularly battery materials and polyimide film, on the back of strength in the digital appliance market. Another cause of the sharp increase was a change in the scope of consolidation.

Operating income in this segment rose ¥1.2 billion, or 20.9%, to ¥7.3 billion. The abovementioned strong shipments of specialty chemicals outweighed sluggishness in fine chemicals, pharmaceutical bulk compounds and intermediates.

Energy & Environment

Segment net sales decreased by ¥3.3 billion, or 16.9%, to ¥16.2 billion. The main reason for the decrease was our decision to withdraw from environmental businesses other than the one using Ebara-Ube Process (EUP) technology, a system for the chemical recycling of waste plastics through a gasification process for use in producing ammonia.

Segment operating income increased ¥0.1 billion, or 7.0%, to ¥1.9 billion.

Cement & Construction Materials

Segment sales decreased by ¥11.9 billion, or 6.4%, to ¥173.7 billion. The main reasons were a sharp fall in domestic demand for cement, from 63.5 million tons in fiscal 2002 to 59.7 million tons in fiscal 2003. Another reason was declining shipments of ready-mixed concrete due to the effects of a reduction in public works and other factors.

Segment operating income increased ¥0.1 billion, or 1.9%, to ¥9.6 billion despite the abovementioned sharp decrease in domestic demand for cement, declining demand for ready-mixed concrete and other factors. This reflected the expanded use of various types of industrial waste for fuel and raw materials, which resulted in a significant reduction in costs.

Machinery & Metal Products

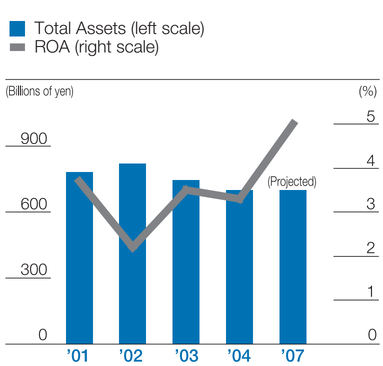
Segment sales increased by ¥6.4 billion, or 6.7%, to ¥101.6 billion due to higher shipments of large injection-molding machines to China and North America in the machinery business, and the start of full-scale operations at our aluminum wheel plant in Sarnia, Canada.

The segment recorded an operating loss of ¥0.6 billion, ¥4.6 billion, worse than the previous fiscal year's profit. The machinery business, which recorded growth in export volumes, was affected by the yen's appreciation, while in the aluminum wheel business, there was a significant drop in productivity due to a labor dispute at the Mason Plant in the U.S. The labor dispute at this plant was resolved in January 2004 and operations have returned to normal.

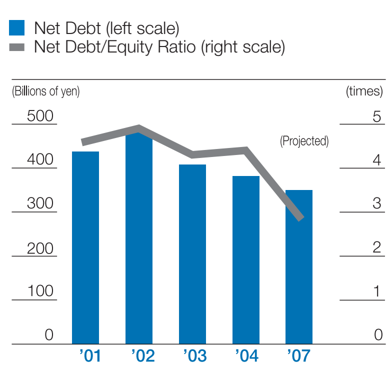
Other Businesses

Segment net sales decreased by ¥0.7 billion, or 14.8%, to ¥4.3 billion. Operating income in this segment declined by ¥0.3 billion, or 30.3%, to ¥0.7 billion.

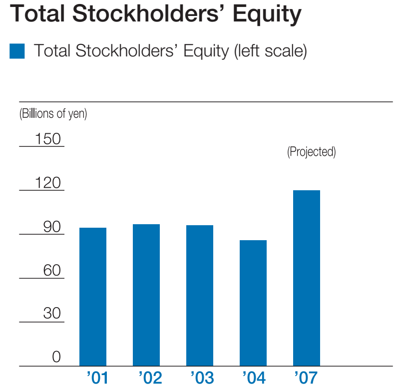
Total Assets & ROA



Net Debt & Net D/E Ratio



Total Stockholders' Equity



FINANCIAL POSITION

Assets

Total assets decreased ¥46.3 billion, or 6.2%, to ¥699.4 billion (US$6,598 million). The main reasons for the decrease were a reduction in cash and cash equivalents, a decline in property, plant and equipment due to the securitization of real estate, and a large decrease in property, plant and equipment due to the early adoption of impairment accounting for fixed assets to strengthen our balance sheet.

Net debt

Net debt, interest-bearing debt less cash and cash equivalents, decreased ¥28.6 billion, or 7.0%, to ¥381.2 billion (US$3,596 million). As stated above, this reflected the use of cash generated by the securitization of real estate and operating activities to continuously pay down interest-bearing debt.

Stockholders' equity

Total stockholders' equity decreased by ¥10.4 billion to ¥85.7 billion (US$808 million) due mainly to a ¥17.8 billion decrease in retained earnings. This was despite a ¥3.8 billion increase in additional paid-in capital accompanying a share swap that made Ube-Nitto Kasei a 100% owned subsidiary and a ¥3.1 billion increase on unrealized gain on holdings of other marketable securities.

Cash Flows

Operating activities provided net cash of ¥37.2 billion despite a ¥9.4 billion loss before income taxes and minority interest. This reflected the add back of non-cash items included in this loss, namely depreciation and amortization of ¥31.4 billion and impairment losses of ¥17.5 billion.

Investing activities used net cash of ¥6.6 billion. Cash outflows of ¥28.9 billion for the acquisition of property, plant and equipment outweighed cash inflows of ¥15.5 billion from the sale of property, plant and equipment and ¥5.7 billion from the sale of investment securities.

Financing activities used net cash of ¥50.5 billion, as we used free cash flow (net cash from operating and investing activities) and cash and cash equivalents to repay interest-bearing debt.

Cash and cash equivalents at March 31, 2004 were ¥28.5 billion, ¥20.0 billion less than a year ago.

PERFORMANCE INDICES

*Net Debt/Equity ratio**

The net debt-to-equity ratio at the year-end declined by 0.1 to 4.4. While there was a decline in net debt, net income fell sharply into the red due to the early adoption of impairment accounting for fixed assets, bringing down total stockholders' equity.

*Return on assets (ROA)***

ROA was 3.3%, a decline of 0.2 points relative to the previous fiscal year despite a decrease in total assets. This reflected mainly the decrease in adjusted operating income.

Dividends

The company suspended cash dividends in fiscal 2003.

* Net Debt/Equity Ratio = Net debt / Total stockholders' equity
** ROA = Adjusted operating income (Operating income + Interest and dividend income + Equity in gain (loss) of unconsolidated subsidiaries and affiliated companies) / Total assets

NEW MEDIUM-TERM MANAGEMENT PLAN

Review of Previous Medium-term Management Plan

The specialty products, synthetic rubber and cement & construction materials businesses achieved the goals set forth in the "New 21•UBE Revised Plan," which was formulated in February 2002. However, the aluminum wheel, caprolactam chain, pharmaceuticals and machinery businesses failed to achieve their goals.

As a result, the company failed to achieve its income statement targets.

The company reduced net debt to ¥381.2 billion, a reduction of ¥18.8 billion more than planned. Total stockholders' equity at ¥85.7 billion was ¥26.3 billion lower than planned due to failure to achieve its income statement targets as well as early adoption of impairment accounting standard for fixed assets. In short, the company achieved its net debt target, but fell far short of its target for total stockholders' equity. Consequently, the net debt-to-equity ratio worsened by 0.8 to 4.4.

OVERVIEW OF NEW MEDIUM-TERM MANAGEMENT PLAN

Plan Name: New 21•UBE Plan II

Period: Fiscal 2004-Fiscal 2006

Concept: The new plan is a continuation and further development of the previous medium-term management plan. Its principal objectives are elimination of excess debt and putting the UBE Group on a path to expansion and growth.

Keywords: We plan to earn the faith of our various stakeholders by ensuring that we achieve our management goals through acceleration of the PDCA (Plan, Do, Check, Action) cycle.

Assumptions: The new medium-term management plan assumes an average exchange rate of ¥105 to the U.S. dollar and an average naphtha price of ¥26,100 per kiloliters during the three-year period from fiscal 2004 through fiscal 2006.

Key Issues: The plan targets two key issues:

Strengthening and expanding earnings

Continuous improvement of the company's financial position

Target: In fiscal 2006, the final year of the new medium-term management plan, the company is targeting an operating income ratio of at least 6.0%, ROA of at least 5.0% and a net debt-to-equity ratio of under 3.0.

STRENGTHENING AND EXPANDING EARNINGS

The company will execute the following strategies to achieve its targets of an operating income ratio of at least 6.0% and ROA of at least 5.0%.

Core Businesses

Expand the scale of core businesses through the concentration of resources and by reaping the rewards of past investments.

Specialty Products: Build up capacity and promote the development of new markets to increase profitability amid favorable market conditions accompanying expansion of the digital appliance market.

Pharmaceuticals and Fine Chemicals: The priority is to rebuild the pharmaceutical consignment production business. The company is thus aiming to implement strategies to break even in fiscal 2005 and move into the black in fiscal 2006.

Nylon Resins: Increase global production and strengthen the supply and technology service infrastructure against a backdrop of rising demand for engineering plastics, particularly in Asia.

Aluminum Wheels: Deliver earnings befitting a core business and respond to the expectations of customers by restoring good labor relations in the U.S., upgrading our production technology and improving global control systems in this business to take advantage of the ongoing growth in demand for technically difficult products (18-inch and larger diameter wheels and products with premium coatings).

Fundamental Businesses

Generate stable cash flows through continuous restructuring and cost reductions to build a stronger earnings base.

Caprolactam and Industrial Chemicals: The caprolactam market in Asia is forecast to grow 4-5%. On the other hand, with raw materials prices expected to remain high over the long term, we aim to raise earnings by maintaining and strengthening our position as the number-one manufacturer of caprolactam in Asia. In addition, we plan to raise the captive use of caprolactam from 24% in fiscal

2003 to 30% in fiscal 2006, creating a business structure less vulnerable to changes in market conditions.

Synthetic Rubber: The company plans to generate profits by raising its profile in Asia through strengthening integrated management with production bases in Thailand amid an environment which is seeing demand increase for the time being.

Energy: The goal is to ensure a stable supply of energy in the form of coal and electricity while minimizing energy and environmental costs amid expectations for increased costs due to a rapid rise in the price of coal, a tight supply of coal, a rapid rise in freight expenses and taxes on coal.

Cement and Construction Materials: Declining domestic demand for cement along with a rapid rise in the price of coal is making for difficult business conditions. However, the company plans to use an even larger volume of waste, raising the amount it receives for accepting waste materials from ¥5.8 billion in fiscal 2003 to ¥9.0 billion in fiscal 2006, and to raise the prices of products. These actions are expected to allow this business to fulfill its role as a fundamental business by generating stable earnings and cash flows.

Machinery: Although demand is robust, particularly in China and Southeast Asia, with global competition intensifying, the company will focus on improving profits through restructuring of industrial machinery and bridgeworks businesses and by strengthening overseas operations.

Non-Core Businesses

In the polyethylene business, we decided in May 2004 to form an alliance with Maruzen Petrochemical Co., Ltd., a supplier of raw materials. The alliance will see the two company's operations integrated within the same petrochemical complex in the Chiba area in October 2004 to bolster the competitiveness of this business. With this move, all non-core businesses will have been removed from the UBE Group's business portfolio, making it possible to concentrate on core and fundamental businesses going forward.

CONTINUOUS IMPROVEMENT OF THE COMPANY'S FINANCIAL POSITION

To achieve our goal of a net debt-to-equity ratio of under 3.0, we plan to use free cash flows generated from maximizing operating income and reducing capital expenditures to reduce net debt by ¥31.0 billion to ¥350.0 billion at the end of March 2007.

Over the three years of the new medium-term management plan, we aim to limit capital expenditures to no more than 80% of depreciation expenses.

(Fiscal 2004 to Fiscal 2006)

Depreciation expenses (including leasing fees): ¥100.0 billion

Investments (only including capital expenditure): ¥80.0 billion

Consolidated Balance Sheets

UBE INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2004 and 2003

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Current assets:			
Cash and cash equivalents	¥ 28,519	¥ 48,521	$ 269,047
Time deposits (Note 6)	1,390	2,045	13,113
Securities (Notes 3 and 6)	10	46	94
Receivables (Note 6):			
Trade notes and accounts	129,719	131,346	1,223,764
Other	13,494	13,598	127,302
Allowance for doubtful receivables	(1,486)	(1,133)	(14,019)
Inventories (Note 4)	76,631	69,578	722,934
Deferred tax assets (Note 13)	5,432	6,618	51,246
Other current assets	3,511	4,454	33,123
Total current assets	257,220	275,073	2,426,604
Property, plant and equipment (Notes 6 and 11)**:**			
Land	87,054	96,201	821,264
Buildings and structures	242,454	243,681	2,287,302
Machinery and equipment	624,773	583,113	5,894,085
Construction in progress	10,887	26,588	102,708
Accumulated depreciation	(588,062)	(550,800)	(5,547,755)
Total property, plant and equipment, net	377,106	398,783	3,557,604
Investments and other assets:			
Investment securities (Notes 3 and 6)	39,249	40,753	370,274
Long-term loans receivable	2,945	3,656	27,783
Long-term deferred tax assets (Note 13)	7,663	6,881	72,292
Other non-current assets (Note 11)	20,717	27,112	195,443
Allowance for doubtful receivables	(5,402)	(6,368)	(50,962)
Total investments and other assets	65,172	72,034	614,830
Total assets	¥ 699,498	¥ 745,890	$ 6,599,038

See accompanying notes.

LIABILITIES AND STOCKHOLDERS' EQUITY

	Millions of yen 2004	Millions of yen 2003	Thousands of U.S. dollars (Note 1) 2004
Current liabilities:			
Short-term loans payable (Notes 5 and 6)	**¥127,442**	¥146,182	**$1,202,283**
Current portion of long-term debt (Notes 5 and 6)	**61,509**	73,940	**580,274**
Payables:			
Trade notes and accounts	**86,169**	87,016	**812,915**
Other	**35,631**	28,868	**336,141**
Accrued bonuses	**5,965**	5,529	**56,274**
Accrued income taxes	**5,351**	2,389	**50,481**
Other current liabilities	**15,887**	15,983	**149,877**
Total current liabilities	**337,954**	359,907	**3,188,245**
Long-term liabilities:			
Long-term debt less current portion (Notes 5 and 6)	**220,800**	238,248	**2,083,019**
Accrued retirement benefits (Note 17)	**12,274**	8,642	**115,792**
Long-term deferred tax liabilities (Note 13)	**1,404**	1,465	**13,245**
Other long-term liabilities	**24,116**	24,985	**227,510**
Total long-term liabilities	**258,594**	273,340	**2,439,566**
Minority interest	**17,194**	16,482	**162,208**
Contingent liabilities (Note 7)			
Stockholders' equity (Note 8)**:**			
Common stock, without par value:			
Authorized—3,300,000,000 shares			
Issued – 871,201,613 shares at March 31, 2004	**43,565**	43,565	**410,991**
Capital surplus	**13,411**	9,606	**126,519**
Revaluation surplus on assets	**562**	603	**5,302**
Retained earnings	**29,421**	47,301	**277,556**
Unrealized gain on holdings of other marketable securities	**5,821**	2,645	**54,915**
Accumulated foreign currency translation adjustments	**(6,416)**	(6,207)	**(60,528)**
	86,364	97,513	**814,755**
Treasury stock, at cost	**(608)**	(1,352)	**(5,736)**
Total stockholders' equity	**85,756**	96,161	**809,019**
Total Liabilities and Stockholders' Equity	**¥699,498**	¥745,890	**$6,599,038**

Consolidated Statements of Operations

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	**2004**
Net sales (Note 18)	**¥511,373**	¥513,535	**$4,824,273**
Cost of sales	**411,209**	410,982	**3,879,330**
Gross profit	**100,164**	102,553	**944,943**
Selling, general and administrative expenses	**78,147**	76,154	**737,236**
Operating income	**22,017**	26,399	**207,707**
Other income (expenses):			
Interest and dividend income	**700**	1,088	**6,604**
Amortization of consolidation differences	**293**	176	**2,764**
Interest expenses	**(8,721)**	(10,134)	**(82,274)**
Equity in profit (losses) of unconsolidated subsidiaries and affiliated companies	**999**	(383)	**9,425**
Other, net (Note 10)	**(24,751)**	1,688	**(233,500)**
	(31,480)	(7,565)	**(296,981)**
Income (Loss) before income taxes and minority interest	**(9,463)**	18,834	**(89,274)**
Income taxes (Note 13)**:**			
Current	**6,470**	3,777	**61,038**
Deferred	**(2,872)**	6,029	**(27,095)**
	3,598	9,806	**33,943**
Minority interest	**(574)**	(908)	**(5,415)**
Net income (loss)	**¥ (13,635)**	¥ 8,120	**$ (128,632)**

	Yen		U.S. dollars (Note 1)
Per share:			
Net income (loss):			
Primary	**¥ (16.07)**	¥ 9.61	**$ (0.152)**
Diluted	**—**	8.99	**—**
Cash dividends applicable to the period	**—**	3.00	**—**

See accompanying notes.

Consolidated Statements of Stockholders' Equity

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

		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, 2002	845,828	¥43,564	¥9,605	¥38,838	¥9,724	¥(3,822)
Shares issued for conversion of convertible notes	7	1	1	—	—	—
Increase in earnings due to inclusion/exclusion of consolidated subsidiaries	—	—	—	307	—	—
Increase in earnings due to inclusion/exclusion of affiliated companies of equity method	—	—	—	28	—	—
Increase in earnings due to changes in shareholding ratio of consolidated subsidiaries and affiliated companies of equity method	—	—	—	109	—	—
Transfer from revaluation surplus of assets	—	—	—	17	—	—
Bonuses to directors and statutory auditors	—	—	—	(18)	—	—
Decrease in earnings due to inclusion/exclusion of consolidated subsidiaries	—	—	—	(5)	—	—
Decrease in earnings due to inclusion/exclusion of affiliated companies of equity method	—	—	—	(58)	—	—
Decrease in earnings due to merger of affiliated companies of equity method	—	—	—	(37)	—	—
Net income for the year	—	—	—	8,120	—	—
Net change during the year	—	—	—	—	(7,079)	(2,385)
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 of 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 of equity method	**—**	**—**	**—**	**(1,378)**	**—**	**—**
Decrease in earnings due to changes in shareholding ratio of consolidated subsidiaries and affiliated companies of 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)**

	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, 2003	$410,991	$ 90,623	$ 446,236	$24,953	$(58,557)
Shares issued for stock exchange to acquire all shares of affiliated company	**—**	**35,896**	**—**	**—**	**—**
Transfer from revaluation surplus of assets	**—**	**—**	**368**	**—**	**—**
Cash dividends at ¥3.00 per share	**—**	**—**	**(23,868)**	**—**	**—**
Bonuses to directors and statutory auditors	**—**	**—**	**(170)**	**—**	**—**
Decrease in earnings due to inclusion/exclusion of affiliated companies of equity method	**—**	**—**	**(13,000)**	**—**	**—**
Decrease in earnings due to changes in shareholding ratio of consolidated subsidiaries and affiliated companies of equity method	**—**	**—**	**(28)**	**—**	**—**
Loss on disposal of treasury stock	**—**	**—**	**(3,349)**	**—**	**—**
Net loss for the year	**—**	**—**	**(128,632)**	**—**	**—**
Net change during the year	**—**	**—**	**—**	**29,962**	**(1,971)**
Balance at March 31, 2004	**$410,991**	**$126,519**	**$ 277,557**	**$54,915**	**$(60,528)**

See accompanying notes.

Consolidated Statements of Cash Flows

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Cash flows from operating activities:			
Income (loss) before income taxes and minority interest	¥ (9,463)	¥ 18,834	$ (89,274)
Depreciation and amortization	31,457	30,243	296,764
Loss on impairment of long-lived assets	17,524	—	165,321
Interest and dividend income	(700)	(1,088)	(6,604)
Interest expenses	8,721	10,134	82,274
Gain on sale of property, plant and equipment, net	(4,287)	(10,161)	(40,443)
Gain on sale of investment securities	(1,151)	(7,106)	(10,859)
Decrease in receivables	5,739	3,748	54,141
Increase in inventories	(3,038)	(909)	(28,660)
Increase (decrease) in payables	(3,318)	4,326	(31,302)
Early retirement incentive	392	5,124	3,698
Other, net	5,571	11,138	52,557
Subtotal	47,447	64,283	447,613
Interest and dividends received	1,121	1,409	10,575
Interest payment	(8,778)	(10,214)	(82,811)
Income tax payment	(2,380)	(6,708)	(22,453)
Early retirement incentive payments to employees	(390)	(5,124)	(3,679)
Other, net	264	60	2,491
Net cash provided by operating activities	37,284	43,706	351,736
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	15,545	18,253	146,651
Acquisition of property, plant and equipment	(28,982)	(32,598)	(273,415)
Proceeds from sale of securities	235	2,042	2,217
Proceeds from sale of investment securities	5,769	23,802	54,425
Acquisition of securities	(1,270)	(4,957)	(11,981)
Net decrease (increase) in loans receivable	(104)	1,969	(981)
Others, net	2,123	14	20,028
Net cash provided by (used in) investing activities	(6,684)	8,525	(63,056)
Cash flows from financing activities:			
Proceeds from long-term borrowings	35,173	44,267	331,821
Proceeds from long-term bonds	2,300	—	21,698
Repayments of long-term borrowings	(84,973)	(76,824)	(801,632)
Repayments of long-term bonds	(210)	(5,000)	(1,981)
Net decrease in short term loans payable	(302)	(10,202)	(2,849)
Cash dividends paid	(2,752)	(202)	(25,962)
Others, net	216	(103)	2,037
Net cash used in financing activities	(50,548)	(48,064)	(476,868)
Effect of exchange rate changes on cash and cash equivalents	(103)	(306)	(972)
Net increase (decrease) in cash and cash equivalents	(20,051)	3,861	(189,160)
Adjustment due to change in consolidation scope	49	(939)	462
Cash and cash equivalents at beginning of the year	48,521	45,599	457,745
Cash and cash equivalents at end of the year	¥ 28,519	¥ 48,521	$ 269,047

See accompanying notes.

Notes to Consolidated Financial Statements

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

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 ¥106=US$1, the approximate rate of exchange on March 31, 2004. The translation should not be construed as a representation that Japanese yen have been, could have been, or could in the future converted into U.S. dollars at the above or any other rate.

2. Significant accounting policies

(a) Basis of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and significant companies controlled directly or indirectly by the Company. Significant companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

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

Investments in companies which are not consolidated or accounted for 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 profit 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.

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 uncorrectable accounts plus an amount calculated by a historical rate determined based on the actual uncollectible amounts incurred in prior years.

(f) Inventories

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

(g) Property, plant and equipment

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

(h) Leases

Non-cancelable lease transactions are accounted as operating leases (whether such leases are classified as operating leases or finance leases) except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted as finance 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. Foreign currency denominated revenues and expenses are translated at the spot exchange rate on the closing date, and any translation difference is accounted for as a profit or loss for the term.

The revenue and expense accounts of the foreign consolidated subsidiaries are translated at the rates of exchange in effect at the balance sheet date. Except for shareholders' equity, the balance sheet accounts are also translated into yen at the rates of exchange in effect at the balance sheet date. The components of shareholders' equity are translated at their historical exchange rates. Foreign currency translation adjustments are included in shareholders' equity and minority interests.

(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 ¥36,496 million (US$344,302 thousand) is being amortized principally over 13 years.

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

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

(l) Net income per share

Primary net income per share is computed based on the net income available for distribution to shareholders 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 shareholders 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 its most consolidated subsidiaries provide for retirement allowances for directors and statutory auditors determined based on their internal regulations for their provision. ¥1,422 million (US$ 13,415 thousand) and ¥1,701 million of the retirement allowances are included in "Other long-term liabilities" on the consolidated balance sheets at March 31, 2004 and 2003, respectively.

(q) Treasury stock and reduction of legal reserves

Effective April 1, 2002, the Company adopted a new accounting standard for treasury stock and reduction of legal reserves. There was no effect of the adoption of this new standard.

(r) Impairment of fixed assets

The Company and its consolidated subsidiaries have early adopted a new accounting standard for impairment of fixed assets effective the year ended March 31, 2004. The effect of the adoption of this new standard was to increase "Loss before income taxes and minority interest" by ¥17,574 million (US$ 165,792 thousand) for the year ended March 31, 2004. Accumulated impairment losses are included in "Accumulated depreciation" on the consolidated balance sheets.

3. Securities

Securities and investment securities at March 31, 2004 and 2003 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Securities:			
Bonds and others	¥ 10	¥ 46	$ 94
Investment securities:			
Unconsolidated subsidiaries and affiliated companies	17,551	24,923	165,576
Others	21,698	15,830	204,698
	¥39,249	¥40,753	$370,274

Information regarding marketable securities classified as other securities as of March 31, 2004 and 2003 are as follows:

Marketable Other securities

	Millions of yen					
	2004			2003		
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Stock	¥2,918	¥12,658	¥9,740	¥1,433	¥6,232	¥4,799
Debt securities	66	70	4	31	32	1
Others	219	301	82	—	—	—
Subtotal	3,203	13,029	9,826	1,464	6,264	4,800
Securities whose acquisition cost exceeds their carrying value:						
Stock	1,004	862	(142)	2,648	2,255	(393)
Debt securities	62	61	(1)	45	45	(0)
Others	240	209	(31)	534	457	(77)
Subtotal	1,306	1,132	(174)	3,227	2,757	(470)
Total	¥4,509	¥14,161	¥9,652	¥4,691	¥9,021	¥4,330

	Thousands of U.S. dollars		
	2004		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	$27,528	$119,415	$91,887
Debt securities	623	660	37
Others	2,066	2,840	774
Subtotal	30,217	122,915	92,698
Securities whose acquisition cost exceeds their carrying value:			
Stock	9,472	8,132	(1,340)
Debt securities	585	575	(10)
Others	2,264	1,972	(292)
Subtotal	12,321	10,679	(1,642)
Total	$42,538	$133,594	$91,056

Sales amounts of securities classified as other securities and the related aggregate gain and loss for the years ended March 31, 2004 and 2003 are summarized as follows:

Millions of yen						Thousands of U.S. dollars		
2004			2003			2004		
Sales amount	Aggregate gain	Aggregate loss	Sales amount	Aggregate gain	Aggregate loss	Sales amount	Aggregate gain	Aggregate loss
¥1,938	¥1,046	¥(12)	¥18,113	¥8,060	¥(1,081)	$18,283	$9,868	$(113)

Other securities without market value at March 31, 2004 and 2003 mainly consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Held-to maturity debt securities:			
Debt securities	¥ 10	¥ —	$ 94
Subtotal	10	—	94
Other securities:			
Non-listed equity securities	7,084	6,420	66,830
Others	453	635	4,274
Subtotal	7,537	7,055	71,104
Total	¥7,547	¥7,055	$71,198

4. Inventories

Inventories at March 31, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Finished goods	¥33,642	¥31,002	$317,377
Work in process	22,767	21,856	214,783
Raw materials and supplies	20,222	16,720	190,774
	¥76,631	¥69,578	$722,934

5. Short-term loans payable and long-term debt

Short-term loans payable represent short-term notes and bank overdrafts, with interest rates average at 1.85% and 1.13% per annum at March 31, 2004 and 2003, respectively.

Long-term debt at March 31, 2004 and 2003 consists of the following.

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
2.41% notes due 2005	**¥ 5,000**	¥ 5,000	**$ 47,170**
2.35% notes due 2005	**7,000**	7,000	**66,038**
2.66% notes due 2006	**7,000**	7,000	**66,038**
1.43% notes due 2006	**7,000**	7,000	**66,038**
0.32% notes due 2008	**990**	—	**9,340**
1.24% notes due 2008	**900**	—	**8,491**
0.56% notes due 2008	**100**	—	**943**
0.55% notes due 2008	**100**	—	**943**
1.25% convertible notes due 2005, convertible at ¥422 per share	**19,811**	19,811	**186,896**
1.40% convertible notes due 2008, convertible at ¥422 per share	**19,908**	19,908	**187,811**
Loans principally from banks and insurance companies:			
Secured, at 0.77% to 4.69%, maturing through 2013	**95,665**	133,902	**902,500**
Unsecured, at 0.78% to 6.41%, maturing through 2019	**118,835**	112,567	**1,121,085**
	282,309	312,188	**2,663,293**
Less current portion	**61,509**	73,940	**580,274**
	¥220,800	¥238,248	**$2,083,019**

The annual maturities of long-term debt subsequent to March 31, 2004 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2005	¥61,509	$580,274
2006	61,056	576,000
2007	51,733	488,047
2008	36,626	345,528
2009 and thereafter	¥71,385	$673,443

6. Pledged assets

The assets pledged as collateral for short-term and long-term borrowings, guarantees and borrowings of affiliated companies at March 31, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Assets pledged as collateral:			
Time deposits	**¥ 20**	¥ —	**$ 189**
Securities	**—**	23	**—**
Trade notes receivable	**2,145**	2,028	**20,236**
Trade accounts receivable	**453**	441	**4,274**
Property, plant and equipment, at net book value	**198,094**	204,017	**1,868,811**
Investment securities	**7,121**	5,022	**67,179**
	¥207,833	¥211,531	**$1,960,689**

7. Contingent liabilities

At March 31, 2004 and 2003, the company and its consolidated subsidiaries are contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
As endorser of trade notes discounted or endorsed	**¥ 3,384**	¥ 3,112	**$ 31,925**
As guarantor of indebtedness principally of unconsolidated subsidiaries and affiliated companies	**17,836**	23,694	**168,264**

The guaranteed amount includes similar commitments of ¥12,607 million (US$ 118,934 thousand) and ¥16,964 million at March 31, 2004 and 2003, respectively.

8. Stockholders' equity

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

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, 2004 and 2003 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Research and development costs	**¥12,048**	¥11,351	**$113,660**

10. Other income (expenses)

Other income (expenses) — Other, net, for the years ended March 31, 2004 and 2003 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Gain on sale of securities, net	**¥ 1,151**	¥ 7,106	**$ 10,859**
Gain on sale of property, plant and equipment, net	**4,287**	10,161	**40,443**
Loss on impairment of fixed assets (Note 11)	**(17,524)**	—	**(165,321)**
Write-down of investment securities	**(497)**	(2,783)	**(4,689)**
Provision for doubtful receivables	**(1,402)**	(856)	**(13,226)**
Early retirement incentive payments to employees	**(392)**	(5,124)	**(3,698)**
Other, net	**(10,374)**	(6,816)	**(97,868)**
	¥(24,751)	¥ 1,688	**$(233,500)**

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 year ended March 31, 2004 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Idle property:		
Land, buildings and structures	¥ (3,439)	$ (32,443)
Business assets in use:		
Polyethylene manufacturing plant (Chiba petrochemical factory)	(3,346)	(31,566)
Caprolactam related manufacturing plant (Sakai factory)	(4,158)	(39,227)
Golf course and hotel facilities (Ube Realty and Development Co., Ltd.)	(6,439)	(60,745)
Ready-mixed concrete manufacturing plant (Furukawa Ube Namakon Co., Ltd. and other)	(142)	(1,340)
	¥(17,524)	$(165,321)

(a) Idle property

Among idle property which the Company and its consolidated subsidiaries own, there were certain assets whose book value exceeded their recoverable amount. Such excess of ¥3,349 million (US$32,443 thousand) was reduced to their recoverable amount and was recognized as impairment losses for the year ended March 31, 2004. The components of impairment losses were "Land (40 places)" in the amount of ¥3,336 million (US$ 31,472 thousand) and "Buildings and structures (2 places)" in the amount of ¥103 million (US$ 971 thousand), respectively.

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

(b) Business assets in use

As for "Polyethylene", the book value of polyethylene manufacturing plant in Chiba petrochemical factory was reduced to its recoverable amount due to getting worse of profitability by keener competition inside and outside Japan. This reduced amount of ¥3,346 million (US$ 31,566 thousand) was recognized as impairment loss. The components of impairment losses were "Buildings and structures" in the amount of ¥1,542 million (US$ 14,547 thousand) and "Machinery and equipment" in the amount of ¥1,804 million (US¥ 17,019 thousand), respectively.

As for "Caprolactam related products", the book value of 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 (US$ 39,227 thousand) was recognized as impairment loss. The components of impairment losses were "Buildings and structures" in the amount of ¥1,778 million (US$ 16,774 thousand), "Machinery and equipment" in the amount of ¥2,379 million (US$ 22,443 thousand) and "Other non-current assets" in the amount of ¥1 million (US$ 10 thousand), respectively.

As for "Golf course managed by Ube Realty and Development Co., Ltd", the book value of golf course and hotel facilities was reduced to its recoverable amount due to decline in number of visitors and play fee by keener competition with neighboring golf courses. This reduced amount of ¥6,439 million (US$ 60,745 thousand) was recognized as impairment loss. The components of impairment losses were "Land" in the amount of ¥3,022 million (US$ 28,510 thousand), "Buildings and structures" in the amount of ¥2,955 million (US$ 27,877 thousand), "Machinery and equipment" in the amount of ¥268 million (US$ 2,528 thousand) and "Other non-current assets" in the amount of ¥194 million (US$ 1,830 thousand), respectively.

As for "Ready-mixed concrete manufactured by Furukawa Ube Namakon Co., Ltd. and other", the book value of ready-mixed concrete manufacturing plants was reduced to its recoverable amount due to sluggishness of the market. This reduced amount of ¥142 million (US$ 1,340 thousand) was recognized as impairment loss. The components of impairment losses were "Buildings and structures" in the amount of ¥91 million (US$ 859 thousand) and "Machinery and equipment" in the amount of ¥51 million (US$ 481 thousand), respectively.

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 the incrase in assets and liabilities, following the acauisition of all shares of UBE-NITTO-KASEI CO., LTD, which is former affiliate accounted by the equity method, by 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 (US$5,434 thousand) and ¥3,805 million (US$35,896 thousand), respectively.

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 7,587	$ 71,576
Fixed assets	14,799	139,613
Total assets	22,386	211,189
Current liabilities	5,153	48,613
Long-term liabilities	5,121	48,311
Total liabilities	¥10,274	$ 96,924

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 41.7% for the years ended March 31, 2004 and 2003.

The effective tax rate reflected in the statements of operations for the year ended March 31, 2003 differs from the statutory tax rate for the following reasons.

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

	Percentage	
	2004	2003
Statutory tax rate	**—%**	41.7%
Effect of:		
Permanently nondeductible expenses	**—**	1.5
Loss carried forward without deferred tax assets	**—**	3.7
Investment valuation loss of consolidated subsidiaries and affiliates	**—**	(0.8)
Reserve for doubtful receivables of consolidated subsidiaries and affiliates	**—**	(1.8)
Investment profit / loss of affiliated companies of equity method	**—**	0.8
Permanently nontaxable items including income dividends	**—**	(2.0)
Effect of elimination of income dividends through consolidation procedures	**—**	4.1
Other	**—**	4.9
Effective tax rates	**—%**	52.1%

New legislation was enacted in March 2003 which will change the aggregate statutory tax rate from 41.7% to 40.4% effective the fiscal year beginning after March 31, 2004. The effect of this tax rate change was to increase deferred tax assets (net of deferred tax liabilities) by ¥163 million at March 31, 2003 and to decrease income tax-deferred by ¥105 million for the year ended March 31, 2003.

The significant components of deferred tax assets and liabilities as of March 31, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Deferred tax assets:			
Accrued bonuses	¥ 2,412	¥ 1,941	$ 22,755
Retirement allowances	4,890	3,490	46,132
Loss carried forward	7,137	9,473	67,330
Intercompany profit	12,905	14,223	121,745
Depreciation	3,624	445	34,189
Other	5,742	5,374	54,170
Gross deferred tax assets	36,710	34,946	346,321
Valuation allowance	(8,389)	(8,874)	(79,142)
Total deferred tax assets	28,321	26,072	267,179
Deferred tax liabilities:			
Deferred gain on real properties	(9,567)	(11,101)	(90,255)
Reserve for special depreciation	(125)	(152)	(1,179)
Unrealized gain on holdings of other marketable securities	(4,022)	(1,890)	(37,943)
Other	(2,916)	(895)	(27,510)
Total deferred tax liabilities	(16,630)	(14,038)	(156,887)
Net deferred tax assets	¥ 11,691	¥ 12,034	$ 110,292

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, 2004 and 2003.

Currency-related transactions

	Millions of yen					
	2004			2003		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Forward exchange contracts:						
Sell:						
US$	¥1,938	¥1,886	¥ 52	¥ —	¥ —	¥ —
Buy:						
US$	58	59	1	—	—	—
Currency swaps:						
Receive/US$ and pay/¥	2,590	(71)	(71)	2,590	(19)	(19)
Receive/US$ and pay/CA$	2,510	(138)	(138)	—	—	—
Total			¥(156)			¥(19)

	Thousands of U.S. dollars		
	2004		
	Notional amount	Fair value	Unrealized gain (loss)
Forward exchange contracts:			
Sell:			
US$	$18,283	$17,792	$ 491
Buy:			
US$	547	556	9
Currency swaps:			
Receive/US$ and pay/¥	24,434	(670)	(670)
Receive/US$ and pay/CA$	23,679	(1,302)	(1,302)
Total			$(1,472)

Note: The notional amount 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

Effective the year ended March 31, 2004, the Company has changed its segmentation to the following six-segments: "Chemicals & plastics", "Speciality chemicals & products", "Energy & environment", "Cement & construction materials", "Machinery & metal products", "Other businesses" and has changed the segments which certain subsidiaries and affiliates belong to due to the consolidated management reorganization.

To conform to the segmentation used in the year ended March 31, 2004, the segment information for the year ended March 31, 2003 is restated in accordance with the new segments.

The operations of the Company and its consolidated subsidiaries for the years ended March 31, 2004 and 2003 are summarized by product group as follows:

	Millions of yen							
Year ended March 31, 2004	Chemicals & plastics	Speciality 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 of fixed assets	**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**
Acquisition of fixed assets	**9,852**	**6,784**	**7,843**	**5,249**	**3,523**	**124**	**—**	**33,375**

	Millions of yen							
Year ended March 31, 2003	Chemicals & plastics	Speciality chemicals & products	Energy & environment	Cement & construction materials	Machinery & metal products	Other businesses	Elimination & corporate	Consolidated
Sales:								
Outside customers	¥150,504	¥57,345	¥19,617	¥185,640	¥ 95,281	¥ 5,148	¥ —	¥513,535
Intersegment sales and transfers	3,133	2,560	6,442	3,403	3,120	545	(19,203)	—
	153,637	59,905	26,059	189,043	98,401	5,693	(19,203)	513,535
Operating cost	149,829	53,807	24,205	179,542	94,433	4,578	(19,258)	487,136
Operating income	¥ 3,808	¥ 6,098	¥ 1,854	¥ 9,501	¥ 3,968	¥ 1,115	¥ 55	¥ 26,399
Assets	¥210,376	¥78,477	¥45,845	¥245,429	¥104,091	¥35,379	¥26,293	¥745,890
Depreciation of fixed assets	9,083	3,868	1,082	9,885	5,651	674	—	30,243
Acquisition of fixed assets	8,230	5,566	3,205	8,455	6,522	535	—	32,513

Year ended March 31, 2004	Chemicals & plastics	Speciality chemicals & products	Energy & environment	Cement & construction materials	Machinery & metal products	Other businesses	Elimination & corporate	Consolidated
	Thousands of U.S. dollars							
Sales:								
Outside customers	$1,409,255	$621,509	$153,736	$1,639,038	$959,368	$41,368	$ —	$4,824,274
Intersegment sales and transfers	57,839	15,604	63,726	33,113	9,726	7,821	(187,829)	—
	1,467,094	637,113	217,462	1,672,151	969,094	49,189	(187,829)	4,824,274
Operating cost	1,447,075	571,462	200,773	1,573,415	970,188	41,859	(188,206)	4,616,566
Operating income (loss)	$ 20,019	$ 65,651	$ 16,689	$ 98,736	$ (1,094)	$ 7,330	$ 377	$ 207,708
Assets	$1,852,547	$930,510	$499,783	$2,023,340	$968,028	$234,934	$ 89,896	$6,599,038
Depreciation of fixed assets	88,783	42,311	20,094	86,104	54,840	4,632	—	296,764
Loss on impairment	68,226	2,566	—	27,010	—	67,519	—	165,321
Acquisition of fixed assets	92,943	64,000	73,990	49,519	33,236	1,170	—	314,858

The operations of the Company and its consolidated subsidiaries for the years ended March 31, 2004 and 2003 by geographic area are as follows:

Year ended March 31, 2004	Japan	Other area	Elimination & corporate	Consolidated
	Millions of yen			
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

Year ended March 31, 2003	Japan	Other area	Elimination & corporate	Consolidated
	Millions of yen			
Sales:				
Outside customers	¥447,804	¥ 65,731	¥ —	¥513,535
Intersegment sales and transfers	16,835	2,249	(19,084)	—
	464,639	67,980	(19,084)	513,535
Operating cost	441,249	64,797	(18,910)	487,136
Operating income	¥ 23,390	¥ 3,183	¥ (174)	¥ 26,399
Assets	¥595,459	¥118,351	¥32,080	¥745,890

Year ended March 31, 2004	Japan	Other area	Elimination & corporate	Consolidated
	Thousands of U.S. dollars			
Sales:				
Outside customers	$4,129,104	$ 695,170	$ —	$4,824,274
Intersegment sales and transfers	191,151	73,698	(264,849)	—
	4,320,255	768,868	(264,849)	4,824,274
Operating cost	4,108,915	779,425	(271,774)	4,616,566
Operating income (loss)	$ 211,340	$ (10,557)	$ 6,925	$ 207,708
Assets	$5,383,594	$1,092,359	$ 123,085	$6,599,038

"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 ¥149,130 million (US$ 1,406,887 thousand) and ¥117,231 million for the years ended March 31, 2004 and 2003, respectively.

16. Leases

(a) Finance leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of March 31, 2004 and 2003 which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted as operating leases:

	Millions of yen		Thousands of U.S. dollars
At March 31	**2004**	2003	**2004**
Acquisition costs:			
Buildings and structures	**¥ 20**	¥ –	**$ 189**
Machinery and equipment	**11,657**	9,184	**109,972**
	¥11,677	¥9,184	**$110,161**
Accumulated depreciation:			
Buildings and structures	**¥ 2**	¥ –	**$ 19**
Machinery and equipment	**5,138**	4,897	**48,472**
	¥ 5,140	¥4,897	**$ 48,491**
Net book value:			
Buildings and structures	**¥ 18**	¥ –	**$ 170**
Machinery and equipment	**6,519**	4,287	**61,500**
	¥ 6,537	¥4,287	**$ 61,670**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥1,846 million (US$17,415 thousand) and ¥1,882 million, which are equal to the depreciation expenses of the leased assets computed by the straight-line method over the lease terms, for the years ended March 31, 2004 and 2003, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2004 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2005	¥1,843	$17,387
2006 and thereafter	4,694	44,283
Total	¥6,537	$61,670

(b) Operating leases

Future minimum lease payments subsequent to March 31, 2004 for non-cancelable operating leases are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2005	¥ 2,709	$ 25,556
2006 and thereafter	16,282	153,604
Total	¥18,991	$179,160

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		Thousands of U.S. dollars
	2004	2003	**2004**
Projected benefit obligations:			
Present value of projected benefit obligations	**¥ 67,510**	¥ 66,147	**$ 636,887**
Plan assets at fair value	**(26,524)**	(21,750)	**(250,226)**
Unrecognized benefit obligations at transition	**(21,833)**	(24,224)	**(205,972)**
Unrecognized actuarial loss	**(7,060)**	(11,807)	**(66,604)**
Unrecognized prior service cost	**181**	276	**1,707**
Accrued retirement benefits recognized in balance sheets	**¥ 12,274**	¥ 8,642	**$ 115,792**

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Expense of accrued retirement benefits:			
Service cost	¥3,443	¥3,252	$32,481
Interest cost	1,481	1,831	13,972
Expected return on plan assets	(468)	(796)	(4,415)
Amortization of prior service cost	(95)	(95)	(896)
Amortization of actuarial loss	1,864	1,116	17,585
Amortization of benefit obligations at transition	2,411	2,460	22,745
Expense of accrued retirement benefits	¥8,636	¥7,768	$81,472

	Percentage	
	2004	2003
Assumptions used in accounting for the above plans were as follows:		
Discount rate	2.0–3.0%	2.5–3.0%
Expected rate of return on plan assets	2.0–2.5	2.0–3.0

18. Related party transactions

The Company sold goods for resale in the amount of ¥32,502 million (US$306,623 thousand) and ¥34,265 million to Ube-Mitsubishi Cement Corporation (UMCC), its affiliate accounted by the equity method, for the years ended March 31, 2004 and 2003, 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

(a) On June 2, 2004, the Company issued unsecured convertible notes of ¥4 billion (5th issuance) and ¥6 billion (6th issuance), with due dates in 2006.

(b) At the meeting of the Board of Directors held on June 2, 2004, it was resolved to separate its manufacture and sales business of low-density polyethylene as an independent company and to transfer 50% of the new company's shares to Maruzen Petrochemical Co., Ltd. on October 1, 2004.

The book values of assets and liabilities to be transferred to the new company are approximately ¥4,400 million (US$41,509 thousand) and ¥1,400 million (US$13,208 thousand), respectively. The net sales and operating income of low-density polyethylene business for the year ended March 31, 2004 were ¥19,090 million (US$180,094 thousand) and ¥424 million (US$4,000 thousand), respectively.

Report of Independent Auditors

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, 2004 and 2003, and the related consolidated statements of operations, shareholders' 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, 2004 and 2003, 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

1. 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.
2. As described in Note 15, effective the year ended March 31, 2004, the segmentation has been changed due to the consolidated management reorganization.
3. As described in Note 19 (a), on June 2, 2004, UBE Industries, Ltd. issued unsecured convertible notes.
4. As described in Note 19 (b), at the meeting of the Board of Directors held on June 2, 2004, it was resolved to separate its manufacture and sales business of low-density polyethylene as an independent company and to transfer 50% of the new company's shares to Maruzen Petrochemical Co., Ltd. On October 1, 2004.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 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.

Shin Nihon & Co.

June 29, 2004

Board of Directors
(As of June 29, 2004)

DIRECTORS

Chairman of the Board
President and Representative Director
Kazumasa Tsunemi

Executive Vice-President and Representative Director
Hiroyuki Koike

Senior Managing Directors
Hiroaki Tamura
Yukuo Suzuki
Tadaaki Hirano
Yasuhisa Chiba
Takashi Matsumoto
Kazuhiko Okada

Managing Director
Isao Tamura

AUDITORS

Tadashi Yamamoto
Hiroshi Ikeda
Masaki Kashibe
Koichi Fukuda

EXECUTIVE OFFICERS

Chief Executive Officer
Kazumasa Tsunemi*

Vice-President and Executive Officer
Hiroyuki Koike*

Senior Managing Executive Officers
Hiroaki Tamura*
Yasuhisa Chiba*
Kazuhiko Okada*

Managing Executive Officers
Isao Tamura*
Koji Kihira
Nobuyuki Takahashi
Akinori Furukawa
Kazuma Sekiya
Kenichi Abe

Executive Officers
Katsumasa Harada
Michio Takeshita
Masao Uno
Katsunori Suzuki
Yuzuru Yamamoto
Charunya Phichitkul
Shinobu Watanabe
Ryuichi Deguchi

*Concurrently holds post of director

Major Consolidated Subsidiaries and Affiliates

(As of March 31, 2004)

CONSOLIDATED SUBSIDIARIES

Chemicals & Plastics

Company Name	Business	Voting Rights (%)	Phone	Fax
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) 738075
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

*Productos Quimicos del Mediterraneo, S.A. changed its name to Ube Chemical Europe, S.A. on January 1, 2003.

Specialty Chemicals & Products

Company Name	Business	Voting Rights (%)	Phone	Fax
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

Company Name	Business	Voting Rights (%)	Phone	Fax
Ube C&A Co., Ltd.	Sales of imported steaming coal	75.5	(03) 5419-6331	(03) 5419-6332
UBE Power Center Co., Ltd.	Wholesale of electricity	100.0	(0836) 31-2642	(0836) 31-2799

Cement & Construction Materials

Company Name	Business	Voting Rights (%)	Phone	Fax
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	63.9	(0836) 31-1678	(0836) 21-4554
Ube Material Industries, Ltd.	Production and sales of seawater magnesia, magnesium hydroxide, quicklime, slaked lime, and others	60.6	(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

Company Name	Business	Voting Rights (%)	Phone	Fax
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, Ltd.	Sales of aluminum automobile wheels	100.0	(03) 5419-6295	(03) 5419-6219
U-Mold Co., Ltd.	Manufacture of aluminum automobile wheels	100.0	(0836) 33-3215	(0836) 33-2366
UBE Automotive North America Mason Plant Inc.	Manufacture of aluminum automobile wheels (U.S.A.)	100.0	+1 (513) 459-1760	+1 (513) 459-7060
UBE Automotive North America Sarnia Plant Inc.	Manufacture of aluminum automobile wheels (Canada)	100.0	+1 (519) 542-8262	+1 (519) 542-3666

*45 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

*45 Other Equity-Method Affiliates

Organization Chart

(As of July 1, 2004)

- **Corporate Auditors**
  - **Corporate Auditor's Office**
- **Chairman**
- **President**
  - **Chemicals & Plastics Div.**
    - Planning & Administration Dept.
    - Synthetic Rubber Business Unit
    - Polyethylene Business Unit
    - Engineering Plastics Business Unit
    - Caprolactam Business Unit
    - Industrial Chemicals Business Unit
    - Europe Operational Unit
    - Asia Operational Unit
    - UNO Project
    - PAL Project
    - RCP Project
  - **Specialty Chemicals & Products Div.**
    - Strategy Planning Dept.
    - Polyimide Business Unit
    - High Purity Chemicals Business Unit
    - Specialty Products Business Unit I
    - Specialty Products Business Unit II
    - Telecommunication Devices Business Unit
    - API & Intermediates Business Unit
    - Fine Chemicals Business Unit
    - Business Development Unit
    - Research & Development Unit
    - API & Intermediates Business Unit
    - Inorganic Materials Development Center
  - **Energy & Environment Div.**
    - Coal Business Unit
    - Power Business Unit
    - E&E Technology Center
  - **Procurement & Logistics Div.**
    - Procurement & Logistics Dept.
    - Purchasing Dept.
  - **Production Div.**
    - Production Center
    - Production Technology Center
      - Chiba Petrochemical Factory
      - Ube Chemical Factory
      - Sakai Factory
      - Nishioki Factory
  - **Corporate Research & Development**
    - Planning & Control Dept.
    - Intellectual Property Dept.
    - Pharmachemical Affairs Dept.
    - Pharmaceutical Reliability Assurance Dept.
    - ATAKA Research Laboratory
    - Ube Research Laboratory
    - Polymer Research Laboratory
  - **Business Creation & Development**
  - **Auditing Dept.**
  - **Corporate Planning & Administration Office**
    - Investor Relations & Public Relations Dept.
    - Planning & Accounting Dept.
    - Finance Dept.
    - Information Systems Dept.
  - **General Affairs & Personnel Office**
    - Personnel Dept.
    - General Affairs Dept.
    - Legal Dept.
    - Real Estate Dept.
  - **Ube Group Shared Service Center**
  - **Ube Corporate Service Dept.**
  - **Environment & Safety Dept.**
  - **Health Care & Support Center**
  - **Ube Industries Central Hospital**
  - **Nagoya Branch**
  - **Osaka Branch**
  - **Cement & Construction Materials Company**
    - Planning & Control Dept.
    - Group Company Dept.
    - Cement Dept.
    - Construction Materials Div.
    - Resources & Products Div.
    - Production & Technology Div.
  - **Machinery & Metal Products Company**
    - Machinery Div.
    - Aluminum Wheel Div.

Investor Information

(As of March 31, 2004)

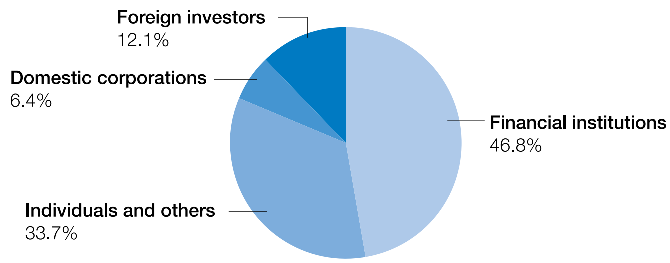
Date of Establishment: 1897

Common Stock:
Authorized: 3,300 million shares
Issued: 871,201,613 shares
(¥43,565 million)

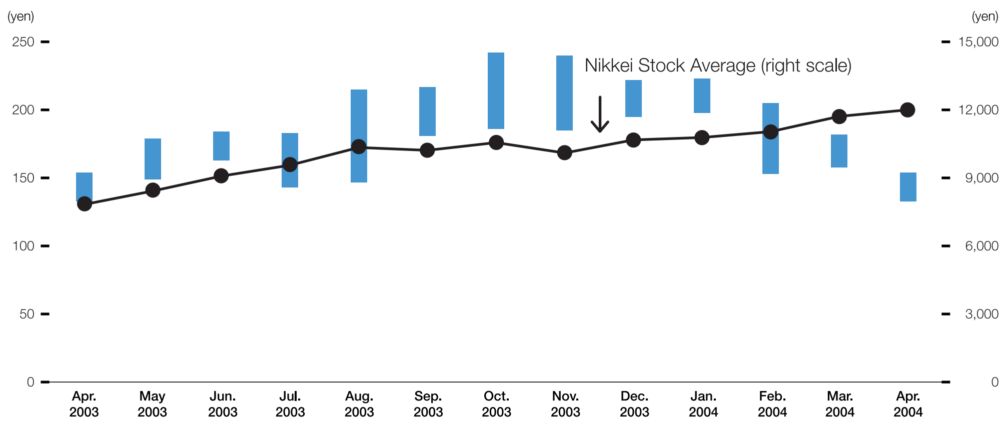
Transfer Agent and Register:
UFJ Trust Bank Ltd.

Number of Stockholders: 79,223

Breakdown of Stockholders



Ube Stock Price Range on Tokyo Stock Exchange



High	154	179	184	183	215	217	242	240	222	223	205	182	154
Low	133	149	163	143	147	181	186	185	195	198	153	158	133

Network

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