UBE Corporation

Q3 Financial Results Briefing for the Fiscal Year Ending March 2023

February 3, 2023

Event Summary

[Company Name]	UBE Corporation
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[Time]	18:00 – 18:50 (Total: 50 minutes, Presentation: 33 minutes, Q&A: 17 minutes)
[Venue]	Dial-in
[Number of Speakers]	1 Masayuki Fujii Director, Managing Executive Officer, CFO

Presentation

Moderator: Good evening, investors. Thank you for taking time out of your busy schedules to participate in today's conference call with UBE Corporation. Masayuki Fujii, Director, Managing Executive Officer, CFO, will now give a 25-minute presentation on the consolidated financial results for Q3 of FY2022, followed by a question-and-answer session. The entire meeting is scheduled to last approximately 45 minutes.

Before we begin the conference call, we would like to bring this to your attention. This presentation may contain forward-looking statements based on current expectations, all of which are subject to risks and uncertainties. Please note that the actual results may differ from the forecast.

We will now begin to explain the financial results. Managing Executive Officer Fujii, please.

Fujii: Good evening, everyone. I am Fujii from UBE. Thank you for participating today.

I will now explain the consolidated financial results for Q3 of fiscal year 2022 announced today, as well as the revised forecast for the full fiscal year. Thank you.

3rd Quarter of the FY2022 — UBE | UBE Corporation

Scope of Consolidation

Item	End of FY2021 (A)	End of FY2022 3Q (B)	Difference (B) - (A)	Notes
Number of consolidated subsidiaries	65	36	(29)	+ API Corporation – Meiwa Plastic Industries, Ltd. – UBE Advanced Materials INC. – R-Koma, Ltd. – UBE Construction Materials Sales Co., Ltd. – UBE Construction Materials Co., Ltd. – Ube Industries Cement Service Co., Ltd. – Ube Material Industries, Ltd. – Ozawa Corporation – Kanto Ube Concrete Co., Ltd. – Kanto Ready-mixed Concrete Transportation Co., Ltd. – Sanyo Ube Co., Ltd. – Daikyo Kigyo Co., Ltd. – Nishiharima Ube Co., Ltd. – Hagimori Logistics, Ltd. – Fuji Ube Concrete Co., Ltd. – Hokkaido Ube Transportation Co., Ltd. + MAPIC Europe NV – Ube Reality & Development Co., Ltd. – Advanced Electrolyte Technologies LLC – Ichinoseki Remicon Co., Ltd. – UBE SHIPPING & LOGISTICS, LTD. – Ube Industries Consulting, Ltd. – Ube Sand Co., Ltd. – Oita Ube Co., Ltd. – Kansai Ube Co., Ltd. – Kanto Ube Holdings Co., Ltd. – Sanshin Tsusho Co., Ltd. – Shinko Transportation & Warehouse Co., Ltd. – Chiba Ube Concrete Co., Ltd. – Hagimori Industries, Ltd. – Hiraizumi Co., Ltd. – Hokkaido Ube Co., Ltd.
Number of equity method affiliates	26	15	(11)	– Ube-Mitsubishi Cement Corporation – Kano Ube Concrete Co., Ltd. – KUSHIRO UBE Co., Ltd. – Bekkai Ube Concrete Co., Ltd. – Yamayo Trading Co., Ltd. – Chiba Riverment and Cement Corporation – Kitakyushu Ube Concrete Co., Ltd. – Chushikoku Ube Concrete Co., Ltd. – Hokuriku Ube Concrete Co., Ltd. – UBE Singapore Pte., Ltd. – Yamaguchi Eco-tech Corporation
Total	91	51	(40)	

3

Page numbers are assigned at the bottom right of the document. The first slide on page three shows the consolidated companies.

The number of consolidated subsidiaries decreased by 29 to 36. This is an increase of two companies and a decrease of 31 companies. The specific company name is shown in the summary column on the right.

The two companies in the top row, API Corporation and MAPIC Europe NV, were transferred to us and have been consolidated since December.

Meiwa Plastic Industries, Ltd. was integrated from a subsidiary to our company this fiscal year. Ube Reality & Development Co., Ltd. next to it, and UBE Advanced Materials INC. and Advanced Electrolyte Technologies LLC. below them, have been excluded from the consolidation due to liquidation.

Below that, there are 27 companies, including R-Koma, Ltd. These are all related to construction materials, which were transferred to Mitsubishi UBE Cement Corporation as of April 1 and are no longer consolidated.

Next are equity-method affiliates. The number of companies decreased by 11 to 15. All these 11 companies are related to construction materials and were transferred to Mitsubishi UBE Cement as of April 1.

3rd Quarter of the FY2022 UBE UBE Corporation

Environmental Factors

Item				FY2021 3Q (A)	FY2022 3Q (B)	Difference (B) - (A)
Exchange Rate			Yen/$	111.1	136.5	25.4
Material Price	Naphtha	CIF	$/ t	674	830	156
		Domestic	Yen/KL	54,000	79,900	25,900
	Benzene (ACP)		$/ t	977	1,073	96
	Australian Coal (CIF)		$/ t	156.5	407.5	251.0
			Yen/t	17,387	55,628	38,241

4

Next is the slide on page four, environmental factors.

The yen has depreciated by JPY25.4 against the US dollar, as you have indicated. The prices of naphtha, benzene, and coal, as shown in the table below, have risen sharply compared to the previous year, especially the price of coal.

Major P/L Items

(Billions of yen)

Item	FY2021 3Q (A)	FY2022 3Q (B)	Difference (B) - (A)	Percentage change
Net sales	476.6	368.4	(108.2)	(22.7)%
Operating profit	32.8	13.0	(19.9)	(60.5)%
Ordinary profit (loss)	30.6	(3.3)	(33.9)	–
Profit (loss) attributable to owners of parent	18.1	(1.2)	(19.3)	–

5

The next slides, the main items, are on page five.

Net sales was JPY368.4 billion for Q3 that ended, a decrease of JPY108.2 billion YoY or 22.7%. Operating income also decreased by JPY19.9 billion to JPY13 billion. It is a 60.5% decrease. Ordinary income was an ordinary deficit of JPY3.3 billion. The YoY deterioration was JPY33.9 billion. Net income attributable to shareholders of the parent company was negative JPY1.2 billion, also a final loss. This represents a decrease of JPY19.3 billion YoY.

As I mentioned earlier, as of April 1, we separated our cement-related business and transferred it to Mitsubishi UBE Cement, which is why it is not included in consolidated net sales and operating income.

Although there were various factors such as the sharp rise in prices of raw materials and fuels, price adjustments, and the effect of the weak yen, the impact was bigger of the exclusion of cement-related companies from the scope of consolidation, resulting in a decrease in sales.

Operating profit was significantly lower due to cement-related fluctuations, a decrease in volume resulting from biennial inspection and repairs at ammonia plant ammonia production in each year, a decrease in sales volume resulting from a decline in demand, mainly in the basic business, and a deterioration in spreads.

In addition, non-operating income/loss is the results of Mitsubishi UBE Cement Corporation, which is included in equity in earnings of affiliates, and this has deteriorated significantly due to the sharp rise in resource prices. As a result, the ordinary income decreased by a large margin.

On the other hand, we recorded a one-time gain on change in equity in extraordinary income upon the transfer of the cement-related business, but as you can see in the final analysis, net income attributable to shareholders of the parent company was a loss of JPY1.2 billion.

Net Sales and Operating Profit by Segment

(Billions of yen)

	Segment*	FY2021 3Q (A)	FY2022 3Q (B)	Difference (B) - (A)	Percentage change
Net sales	Specialty Products	44.9	47.4	2.6	5.7%
	Polymers & Chemicals	190.4	225.2	34.8	18.3%
	Machinery	70.8	69.3	(1.5)	(2.1)%
	Others	37.7	50.6	12.9	34.2%
	Adjustment	132.9	(24.1)	(157.0)	–
	Total	476.6	368.4	(108.2)	(22.7)%
Operating profit	Specialty Products	8.8	8.5	(0.3)	(3.0)%
	Polymers & Chemicals	17.8	3.3	(14.6)	(81.6)%
	Machinery	3.2	2.6	(0.6)	(18.6)%
	Others	1.6	1.7	0.1	6.6%
	Adjustment	1.4	(3.1)	(4.5)	–
	Total	32.8	13.0	(19.9)	(60.5)%

*: In accordance with the integration of the cement-related business into an equity-method affiliate from FY2022, the Company has been reclassified from "Chemicals", "Construction Materials", "Machinery" and "Others" into the four segments of "Specialty Products", "Polymers & Chemicals", "Machinery," and "Others" . Pharmaceutical is included in "Others".

Therefore, the results for the 3rd quarter of FY2021 have also been reclassified into new segment categories for comparison, and "Construction Materials" is included in "Adjustment".

6

The next slide, on page six, is a breakdown of sales and operating profit by segment.

The first one is specialty products. Of course, there are differences depending on the product, but in total, sales increased by JPY2.6 billion, while operating profit decreased by JPY300 million.

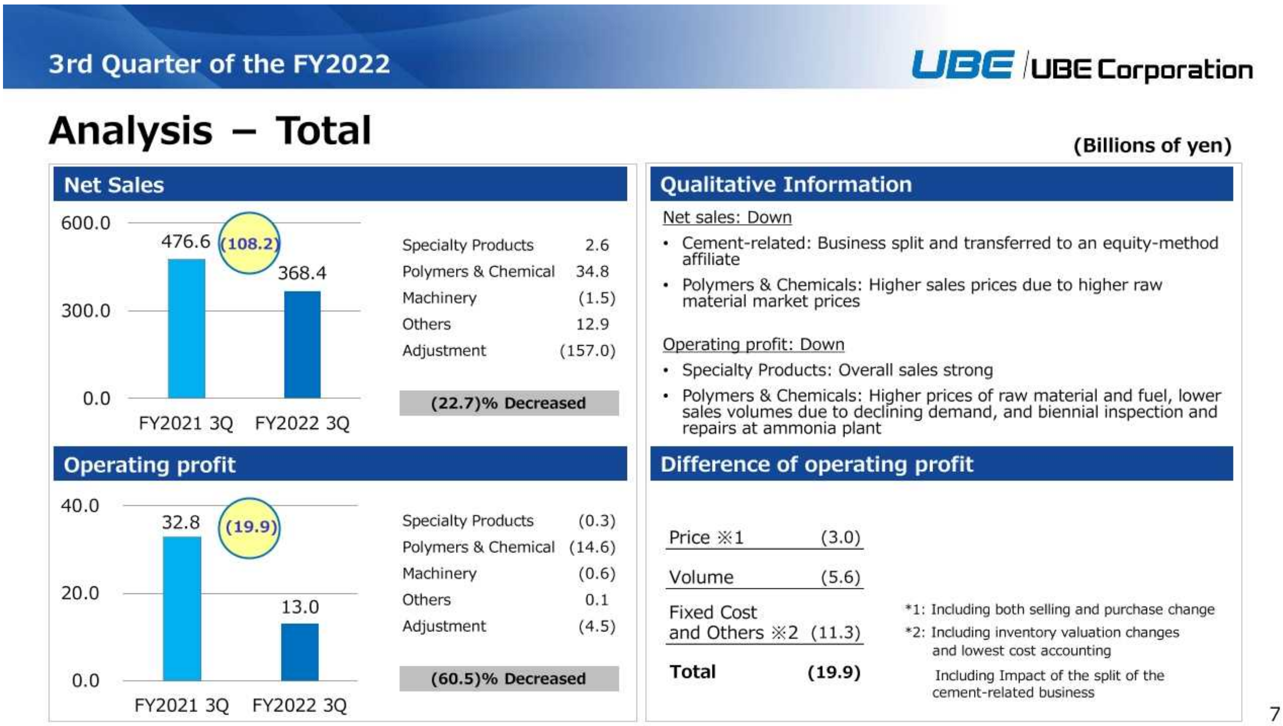
Segment change was made in the current fiscal year, and the FY2021 figures are also shown as segments that were reclassified to conform to the new segments in this time. As noted at the bottom of the table outside the column, polymers & chemicals is the segment that consists of mainly conventional nylon/fine and synthetic rubber.

In this segment, sales increased by JPY34.8 billion due to price pass-through, but operating profit decreased significantly by JPY14.6 billion.

As for machinery, net sales decreased by JPY1.5 billion and operating profit decreased by 600 million.

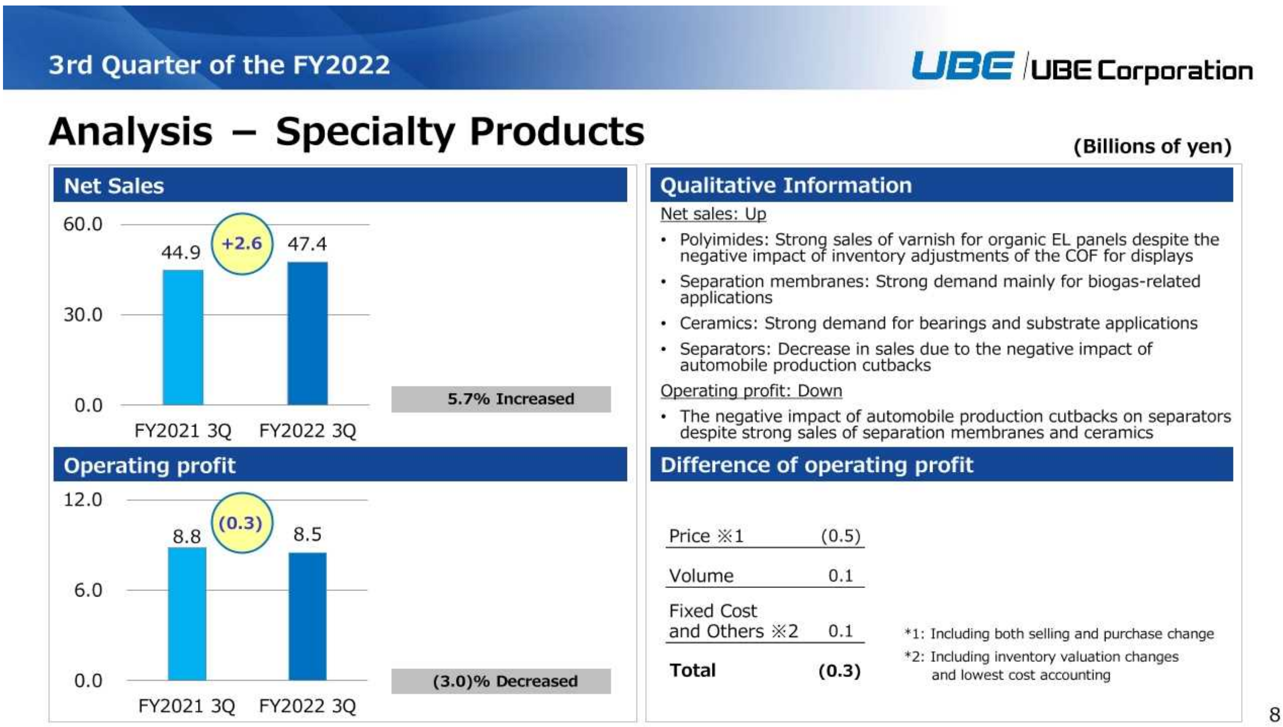
Then others include pharmaceutical and power, etc. Sales increased by JPY12.9 billion and operating profit was almost the same as the same period of the previous year.

Then for adjustment. The sales decreased by JPY157 billion. Operating profit decreased by JPY4.5 billion, mostly due to the transfer of the cement-related business.



The next slide on page seven. This is the difference analysis for the entire company.

The figures on the left side are as you have just seen. The segment information follows, so I will explain the qualitative information in the segment information section. Please see the difference of operating profit at bottom right. I mentioned a total decrease of JPY19.9 billion, of which JPY3 billion was due to price differences, JPY5.6 billion was due to volume differences, and JPY11.3 billion was due to fixed costs.



Next, I will explain the business results by segment. Page eight shows specialty products.

Net sales increased JPY2.6 billion YoY, while operating profit declined JPY300 million, as I mentioned earlier.

As you can see on the right, sales increased due to the increase in sales of polyimide, separation membranes, and ceramics. Sales of separators, shown below that, declined, while polyimide was affected by inventory adjustments of COF film for displays, but on the other hand, sales of varnish for organic EL panels remained strong.

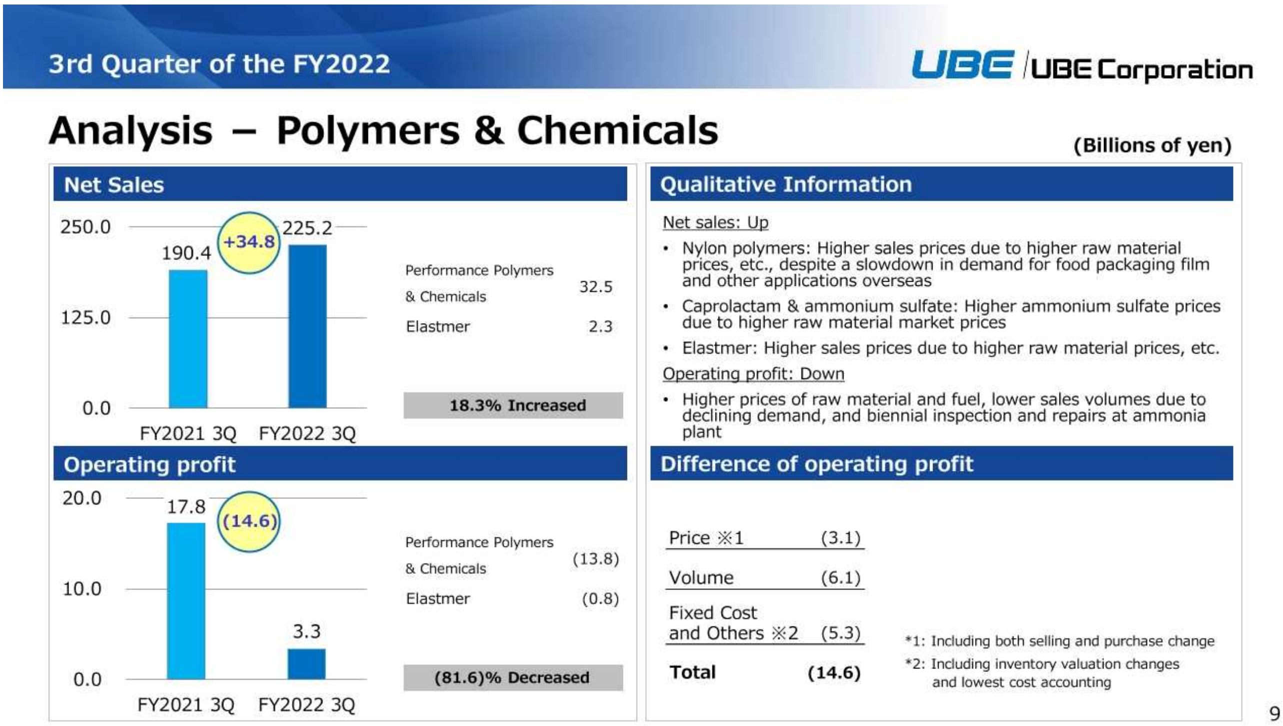
Then, demand for separation membranes has been very strong, especially for biogas-related applications, leading to an increase in sales. Sales of ceramics also increased due to strong demand for bearing and substrate applications.

On the other hand, sales of separators have decreased due to the impact of automobile production cutbacks and other factors, resulting in lower sales.

Operating profit decreased by JPY300 million. Sales of separation membranes, ceramics, and other products have been strong, contributing to the increase in profits. On the other hand, separators and other products have been affected by automobile production cutbacks and other factors, resulting in lower profits.

Below that is the difference in operating profit. Price difference caused a decline of JPY500 million, which includes separators, phenolic resins, and processed resin products as negative factors. Separation membrane, polyimide, etc., are positive price factors.

Volume difference caused a JPY1 billion increase. As mentioned in the sales section, separators and processed resin products were decreasing factors, while separation membranes and ceramics were increasing factors.



The next slide on page nine, the polymers & chemicals segment.

Net sales increased by JPY34.8 billion. This includes a JPY32.5 billion increase in performance polymers & chemicals and a JPY2.3 billion increase in elastomers.

Operating profit was JPY14.6 billion The significant decrease in profit was mostly due to performance polymers & chemicals, which saw a decrease of JPY13.8 billion, and elastomers, which saw a decrease of JPY800 million.

Please see qualitative information. As for sales, although demand for nylon polymers and food packaging film applications is slowing overseas, product prices are rising due to higher raw material prices and other factors.

In addition, price of caprolactam & ammonium sulfate are also increasing due to rising raw material market conditions.

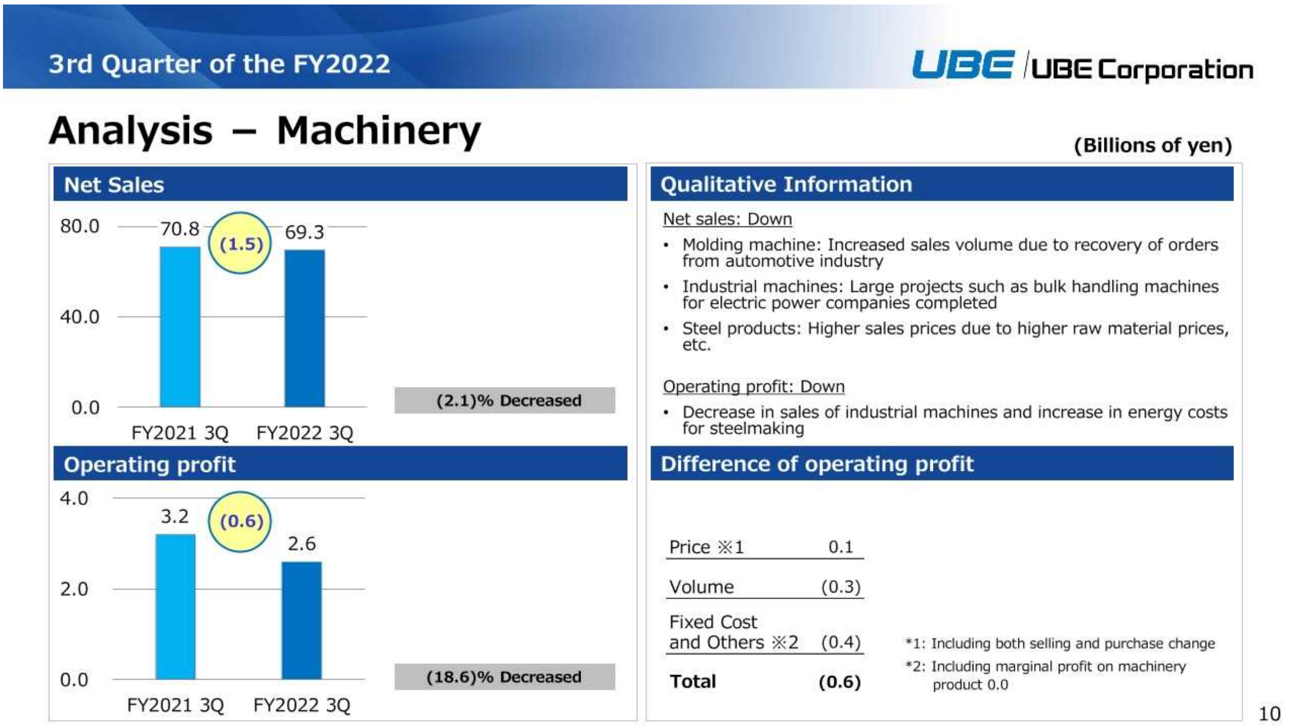
As for elastomers, selling prices have been rising due to higher raw material prices, etc., and we have been passing on a certain amount of the higher raw material prices to selling prices, so basically sales have been improving due to this price factor.

Turning to operating profit. The overall profit decreased by JPY14.6 billion due to the effects of the rise in raw material and fuel prices, the decrease in sales volume caused by the decline in demand, and the biennial inspection and repairs of the ammonia plant.

As you can see in the factors for the difference at bottom right, the price difference caused a JPY3.1 billion decrease, mainly due to the decrease of caprolactam, nylon polymer, etc. On the other hand, industrial chemicals and fine chemicals, are increasing factors of prices, but negative factors prevail in total.

Then, there is a JPY6.1 billion decrease due to the volume difference. Nylon polymers and caprolactams, for which the supply-demand balance has been deteriorating, as well as industrial chemicals and fine chemicals, which had the biennial inspection and repairs, are negative factors in volume difference.

Fixed costs and other expenses caused a decrease of JPY5.3 billion. They include negative factors of inventory valuation changes and the impact of the lowest cost accounting, but overall fixed costs have increased, including the impact of foreign exchange differences.



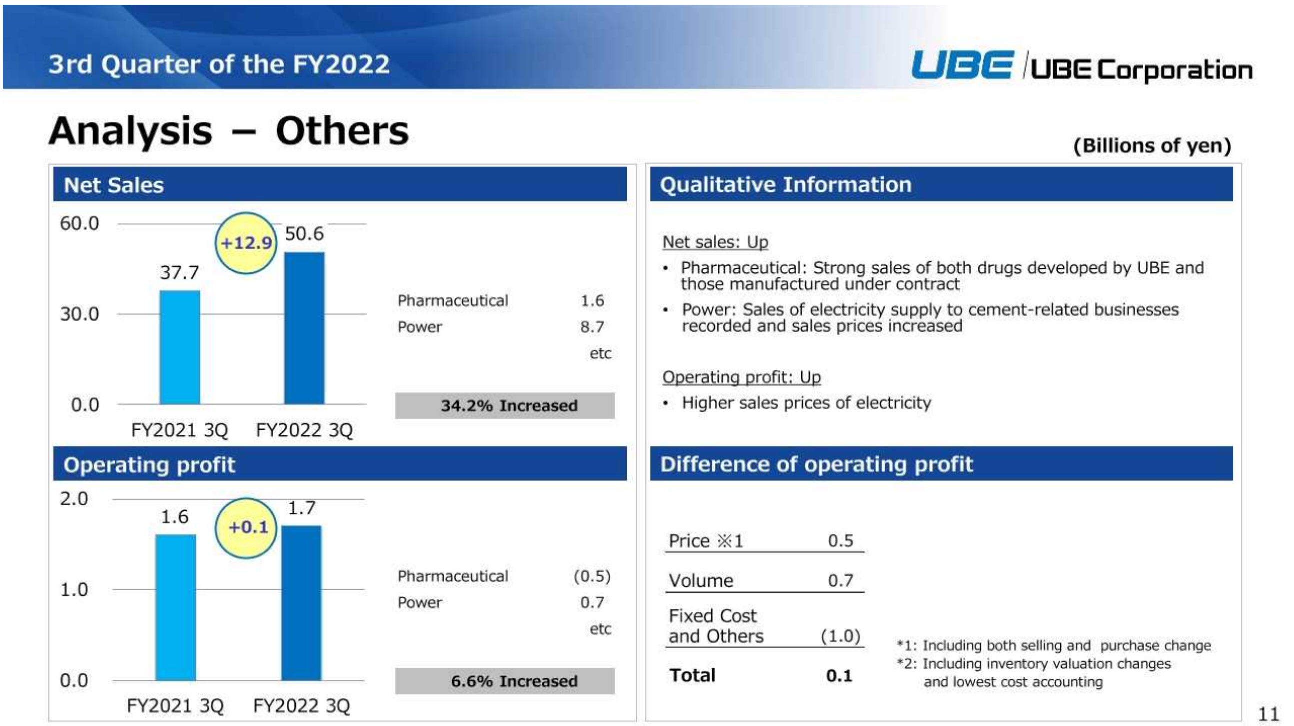
The next slide, on page 10, is the machinery segment.

The machinery segment reported a JPY1.5 billion decrease in sales and a JPY600 million decrease in profit. As for the factors contributing to the decrease in sales, molding machines and steel products are positive factors.

Sales of molding machines increased due to a recovery in orders from the automobile industry. On the other hand, industrial machines had large projects in the previous year, such as transport equipment for electric power companies, but these projects have ended, resulting in a large negative impact.

In the steel products business, sales increased due to the rise in selling price caused by price pass-through of raw material price hikes. Operating profit, on the other hand, is down due to a decline in sales of industrial machines, as well as the increase in energy cost for steel products, which surpassed price pass-through.

The price and volume differences are those in the steel products business, and there are also a decline of JPY400 million due to fixed cost.



Moving on, page 11 is the others segment.

Sales increased by JPY12.9 billion, including JPY1.6 billion in pharmaceuticals and JPY8.7 billion in power. Operating profit increased by JPY100 million, including JPY500 million decrease in pharmaceutical and a JPY700 million increase in power.

These are the factors for sales increase. In the pharmaceuticals business, sales of both in-house and contracted pharmaceuticals have been strong. Then for power, we supply electricity to Mitsubishi UBE Cement, a cement-related business, and this is recorded as sales. In addition, the price of electricity sold has also increased, which has contributed to the increase in sales.

Moving on to operating profit. As for power, the increase in revenue was due to the increase in the price difference of electricity sales.

Looking at price difference, volume difference and fixed cost, the price difference contributed the increase of JPY500 million, mainly in the power business. The volume difference caused JPY700 million increase in profit, and this is related to pharmaceuticals. The increase is due to the increase in shipment.

Then, a JPY1.5 billion decrease was caused by fixed costs and others which includes the difference of royalties in the pharmaceutical business.

3rd Quarter of the FY2022 UBE /UBE Corporation

Operating Profit – Profit attributable to owners of parent

(Billions of yen)

Item	FY2021 3Q (A)	FY2022 3Q (B)	Difference (B) - (A)
Operating profit	32.8	13.0	(19.9)
Non-operating income (expenses)	(2.2)	(16.3)	(14.1)
Net interests expenses	0.2	0.8	0.5
Share of loss of entities accounted for using equtiy method	(0.8)	(15.1)	(14.3)
Share of loss of entities accounted for using equtiy method related to Mitsubishi UBE Cement Corporation		(15.8)	
Foreign exchange gains	0.7	0.6	(0.1)
Others	(2.3)	(2.5)	(0.2)
Ordinary profit (loss)	30.6	(3.3)	(33.9)
Extraordinary income (losses)	(2.5)	7.5	10.0
Profit before income taxes	28.1	4.2	(23.9)
Income taxes and profit (loss) attributable to non-controlling interests	(10.0)	(5.4)	4.6
Profit (loss) attributable to owners of parent	18.1	(1.2)	(19.3)
Net income per share	183.34 yen	(11.91) yen	(195.25) yen

12

The next slide, on page 12, is for operating profit and beyond.

The first one is non-operating income/loss. For cumulative Q3, the actual figure was a negative JPY16.3 billion, a deterioration of JPY14.1 billion compared to the same period last year.

The most significant impact is on share of loss of entities accounted for using equity method, which deteriorated by about JPY14.3 billion compared to the previous year. It says here, "share of loss of entities accounted for using equity method related to Mitsubishi UBE Cement Corporation." This includes the equity in earnings of 50% of final income/loss of new cement company. It was the loss of JPY1.58 billion in cumulative Q3, which was a large impact.

Due to these effects, ordinary profit was negative JPY3.3 billion. Extraordinary income was JPY7.5 billion for the cumulative Q3. This is due to a one-time gain on change in equity, which is a result of the transfer of the cement-related business, was recorded as an extraordinary gain, as I mentioned at the beginning.

Based on the above, profit/loss attributable to owners of parent was negative JPY1.2 billion and we ended the quarter in the red.

Consolidated Balance Sheet

(Billions of yen)

Item	End of FY2021 (A)	End of FY2022 3Q (B)	Difference (B) - (A)
Current assets	394.7	290.5	(104.1)
Fixed assets	443.1	457.4	14.3
Total assets	838.0	748.1	(89.8)
Interest-bearing debt	241.8	222.7	(19.1)
Other liabilities	202.1	135.4	(66.7)
Total liabilities	443.9	358.1	(85.8)
Shareholders' equity *	369.1	366.6	(2.5)
Non-controlling interests and others	24.9	23.4	(1.5)
Total net assets	394.0	390.0	(4.0)
Total liabilities and net assets	838.0	748.1	(89.8)

*: Shareholders' equity = Net assets – Share acquisition rights – Non-controlling interests

13

Moving on, page 13 is the balance sheet.

Again, assets and liabilities have decreased due to the separation and transfer of the cement-related business.

Total assets at the end of Q3, which just ended, was JPY748.1 billion, down about JPY89.8 billion from the end of March of the previous fiscal year. The portion of the assets decreased due to the transfer of construction materials is about JPY136.5 billion, and the remaining current operations have seen a slight increase in assets.

Liabilities also decreased due to the transfer of construction materials. On the other hand, the balance of shareholders' equity was JPY366.6 billion, a decrease of JPY2.5 billion from the end of the previous fiscal year.

Profit/loss attributable to owners of parent have been in the red, and we have also paid interim dividends. These are the factors for a decline. Although the depreciation of the yen has resulted in some increase in the foreign currency translation adjustment account, there has been a decrease of about JPY2.5 billion from the end of the previous fiscal year.

Consolidated Statements of Cash Flows

(Billions of yen)

Item	FY2021 3Q	FY2022 3Q	
A.Cash flows from operating activities	16.8	5.1	Profit before income taxes 4.2 Depreciation and amortization 18.9 Share of loss of entities accounted for using equtiy method 15.1 Gain on Change in Equity (8.3) Increase / Decrease in working capital (12.8) Income taxes paid (8.4) etc.
B.Cash flows from investing activities	(27.6)	(17.6)	Increase / Decrease in short-term loans receivable 8.2 Acquisition of PP&E (17.2) Payments for investments in capital of subsidiaries and associates (2.5) Purchase of shares of subsidiaries resulting in change in scope of consolidation (5.2) etc.
Free cash flows (A+B)	(10.8)	(12.5)	
C.Cash flows from financing activities	(19.6)	8.7	Increase / Decrease in interest-bearing debts 19.3 Dividends paid (10.6) etc.
D.Net increase/decrease in cash and cash equivalents	(30.0)	(46.4)	Decrease in cash and cash equivalents resulting from corporate spin-off (43.3) etc.
E.Cash and cash equivalents at end of the quarter	49.6	32.4	

14

Moving onto the cash flow on page 14.

Cash flow from operating activities, for the cumulative Q3, was positive JPY5.1 billion. This is due to a decrease in profits and an increase in working capital due to higher costs such as raw material and fuel prices.

Cash flows from investing activities was negative JPY17.6 billion. As noted on the right on the top, there was an increase of JPY8.2 billion in short-term loans receivable.

This is a loan to a former construction materials group company, which was recovered following the transfer of the cement-related business.

In terms of cash flow from investing activities after subtracting that, the cash outflow is about the same as the previous year. As a result, free cash flow is negative JPY12.5 billion.

For cash flows from financing activities, dividend payments and an increase in interest-bearing debt resulted in a total cash inflow of JPY8.7 billion. The final balance of cash and cash equivalents at the end of the quarter was JPY32.4 billion.

The above is a summary of the financial results for the cumulative Q3.

FY2022 Consolidated Forecasts

UBE /UBE Corporation

Scope of Consolidation

Item	End of FY2021 (A)	End of FY2022 (B)	Difference (B) - (A)	Notes	
Number of consolidated subsidiaries	65	37	(28)	+ API Corporation + UBE Corporation America Inc. − Meiwa Plastic Industries, Ltd. − UBE Advanced Materials INC. − R-Koma, Ltd. − UBE Construction Materials Sales Co., Ltd. − UBE Construction Materials Co., Ltd. − Ube Industries Cement Service Co., Ltd. − Ube Material Industries, Ltd. − Ozawa Corporation − Kanto Ube Concrete Co., Ltd. − Kanto Ready-mixed Concrete Transportation Co., Ltd. − Sanyo Ube Co., Ltd. − Daikyo Kigyo Co., Ltd. − Nishiharima Ube Co., Ltd. − Hagimori Logistics, Ltd. − Fuji Ube Concrete Co., Ltd. − Hokkaido Ube Transportation Co., Ltd.	+ MAPIC Europe NV − Ube Reality & Development Co., Ltd. − Advanced Electrolyte Technologies LLC − Ichinoseki Remicon Co., Ltd. − UBE SHIPPING & LOGISTICS, LTD. − Ube Industries Consulting, Ltd. − Ube Sand Co., Ltd. − Oita Ube Co., Ltd. − Kansai Ube Co., Ltd. − Kanto Ube Holdings Co., Ltd. − Sanshin Tsusho Co., Ltd. − Shinko Transportation & Warehouse Co., Ltd. − Chiba Ube Concrete Co., Ltd. − Hagimori Industries, Ltd. − Hiraizumi Co., Ltd. − Hokkaido Ube Co., Ltd.
Number of equity method affiliates	26	15	(11)	− Ube-Mitsubishi Cement Corporation − Kano Ube Concrete Co., Ltd. − KUSHIRO UBE Co., Ltd. − Bekkai Ube Concrete Co., Ltd. − Yamayo Trading Co., Ltd. − Chiba Riverment and Cement Corporation	− Kitakyushu Ube Concrete Co., Ltd. − Chushikoku Ube Concrete Co., Ltd. − Hokuriku Ube Concrete Co., Ltd. − UBE Singapore Pte., Ltd. − Yamaguchi Eco-tech Corporation
Total	91	52	(39)		

16

Next, I will explain our financial forecasts for the current fiscal year. Please see page 16 for consolidated companies.

In terms of changes from Q3 to Q4, the number of consolidated subsidiaries will increase by about one company. It is UBE Corporation America Inc., in the second row in the summary column. This is the establishment of a new control company to oversee our chemical business in the US. This is will be included in the consolidation. However, this will have little particular impact on our business performance.

The number of companies accounted for by the equity method remained unchanged through Q3.

FY2022 Consolidated Forecasts

UBE /UBE Corporation

Environmental Factors

Item				FY2021 (A)	FY2022 (B)	Difference (B) - (A)
Exchange Rate			Yen/$	112.4	135.0 [130.0]	22.6
Material Price	Naphtha	CIF	$/ t	702	790 [680]	88
		Domestic	Yen/KL	56,700	75,400 [63,400]	18,700
	Benzene (ACP)		$/ t	990	1,020 [865]	30
	Australian Coal (CIF)		$/ t	170.3	403.5 [390.0]	233.2
			Yen/t	19,133	54,473 [52,650]	35,340

[ ] : numbers for the fourth quarter of the period only

17

Next is the slide on page 17, environmental factors.

For FY2022, it is written in two rows. In the bracket is the forecast for Q4 alone.

Basically, we expect prices to settle down somewhat compared to the period up to Q3. On the other hand, there are still some fluctuations in prices.

FY2022 Consolidated Forecasts

UBE /UBE Corporation

Major P/L Items

(Billions of yen)

Item	FY2021 (A)	FY2022 (B)	Difference (B) - (A)	Percentage change
Net sales	655.3	506.0	(149.3)	(22.8)%
Operating profit	44.0	20.0	(24.0)	(54.6)%
Ordinary profit (loss)	41.5	(6.0)	(47.5)	–
Profit (loss) attributable to owners of parent	24.5	(6.0)	(30.5)	–

Item	End of FY2021 (A)	End of FY2022 (B)	Difference (B) - (A)
Total assets	838.0	750.0	(88.0)
Interest-bearing debt	241.8	225.0	(16.8)
Equity capital *1	369.1	360.0	(9.1)
Dividend(Yen /Share)	*2 95.00	*3 95.00	0.00

*1: Equity capital = Net assets - Subscription rights to shares - Non-controlling interests
*2: Dividend: Interim/45yen, Fiscal year-end/50yen
*3: Dividend: Interim/50yen, Fiscal year-end/45yen

18

The next slide, on page 18, is the major items.

We have revised the forecast for the major items this time. The revised sales forecast is JPY506 billion, a downward revision of about JPY41 billion from the previous forecast.

Operating profit forecast is JPY20 billion, a downward revision of JPY9 billion from the previous forecast.

Then ordinary income forecast is negative JPY6 billion. We have revised down our previous forecast by about JPY10.5 billion to an ordinary loss of JPY6 billion.

The forecast for profit/loss attributable to owners of parent is negative JPY6 billion. This is a downward revision of about JPY8 billion for a final loss or final deficit of JPY6 billion.

Then total assets, interest-bearing debt, equity capital, and the balance sheet have not changed that much.

Lastly, the annual dividend. The previous forecast of JPY100 per share has now been revised to JPY95 per share. As the interim dividend has already been paid at JPY50 per share, the year-end dividend forecast is JPY45 per share.

Although we expect to post a loss for the current fiscal year, we believe that we can expect a recovery in business performance to a certain degree in the next fiscal year. Based on this recognition, we would like to pay dividends based on DOE or dividend on equity ratio, which we view as KPIs for shareholder return.

There is no change in this approach. However, since it is expected to be difficult to increase shareholders' equity in the current fiscal year, we have reviewed our previous forecast of a JPY5 per share dividend increase, and decided to pay JPY95 per share, the same amount as in the previous fiscal year.

FY2022 Consolidated Forecasts

UBE / UBE Corporation

Net Sales and Operating profit by Segment

(Billions of yen)

	Segment*	FY2021 (A)	FY2022 (B)	Difference (B) - (A)	Percentage change
Net sales	Specialty Products	60.8	65.0	4.2	6.9%
	Polymers & Chemicals	260.0	301.0	41.0	15.7%
	Machinery	97.0	101.0	4.0	4.1%
	Others	54.2	75.0	20.8	38.3%
	Adjustment	183.2	(36.0)	(219.2)	–
	Total	655.3	506.0	(149.3)	(22.8)%
Operating profit	Specialty Products	11.6	13.0	1.4	11.8%
	Polymers & Chemicals	23.5	4.0	(19.5)	(83.0)%
	Machinery	5.1	4.5	(0.6)	(12.3)%
	Others	3.5	2.5	(1.0)	(29.5)%
	Adjustment	0.2	(4.0)	(4.2)	–
	Total	44.0	20.0	(24.0)	(54.6)%

*: In accordance with the integration of the cement-related business into an equity-method affiliate from FY2022, the Company has been reclassified from "Chemicals", "Construction Materials", "Machinery" and "Others" into the four segments of "Specialty Products", "Polymers & Chemicals", "Machinery," and "Others" . Pharmaceutical is included in "Others".

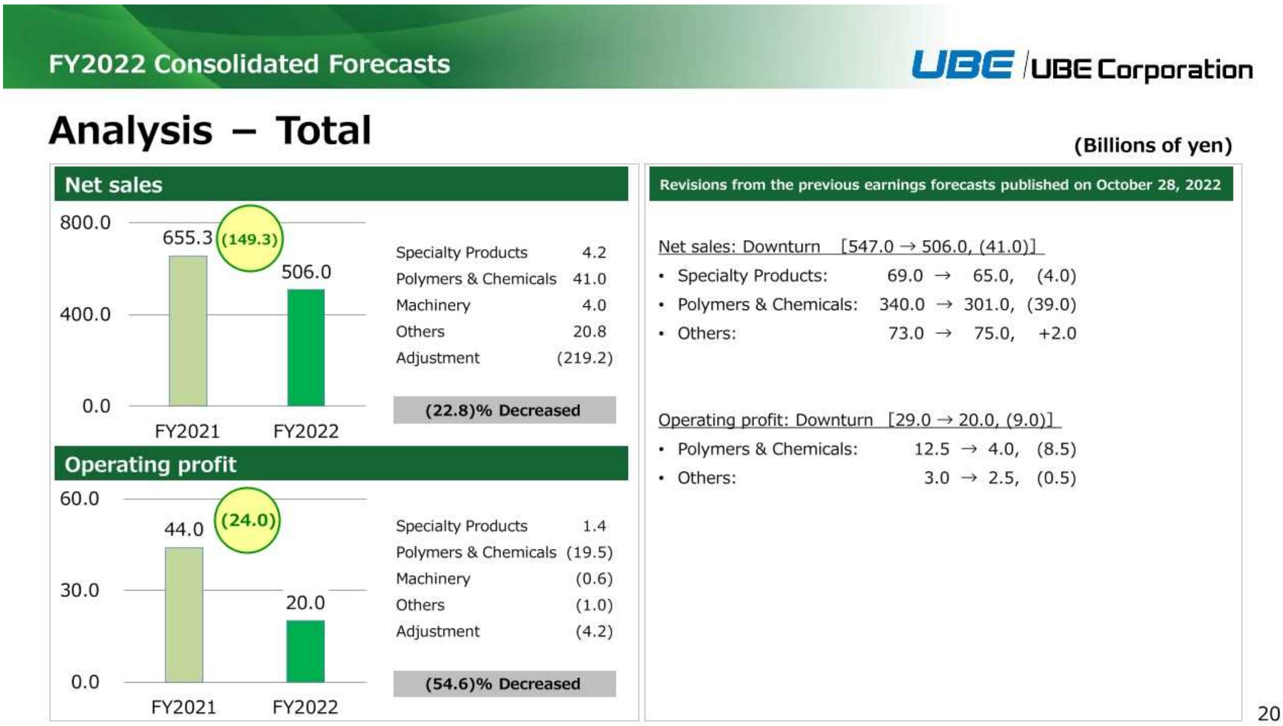
Therefore, the results for FY2021 have also been reclassified into new segment categories for comparison, and "Construction Materials" is included in "Adjustment".

19

Continuing onto the sales and operating profit by segment on page 19.

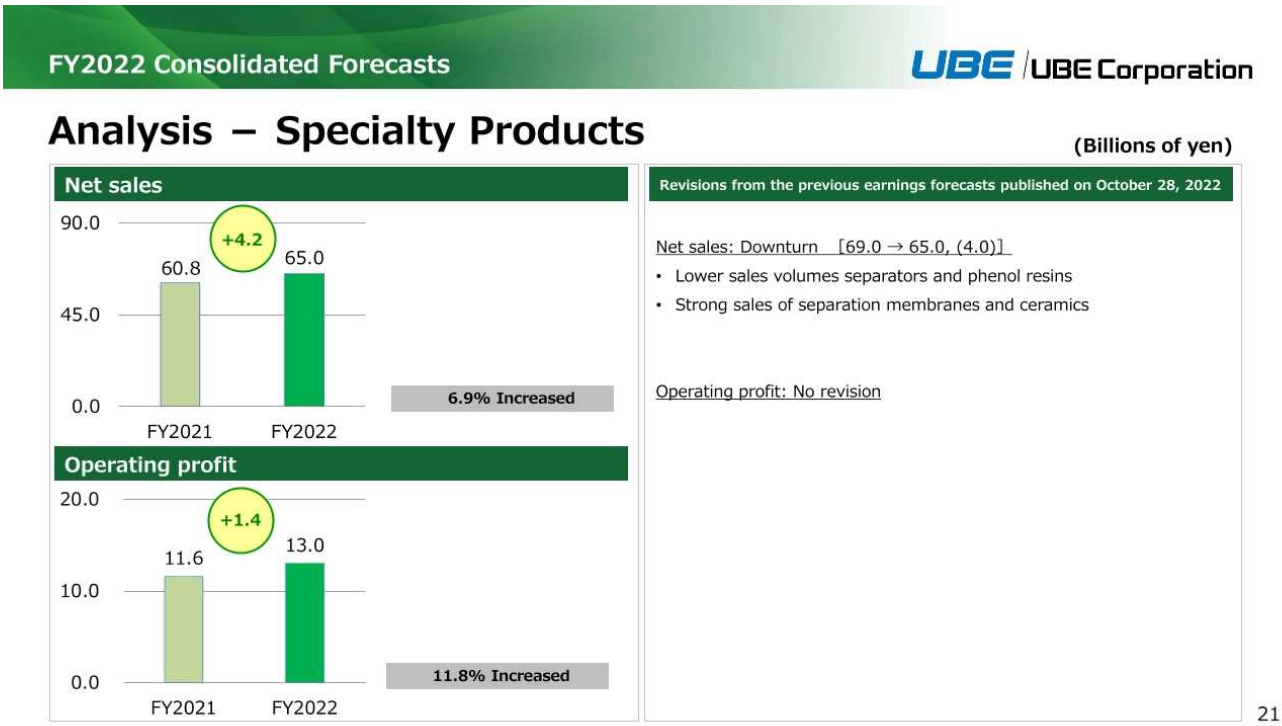
Sales forecast for specialty products was revised down by JPY4 billion from the previous forecast to JPY65 billion. For polymers & chemicals, it was revised downward by JPY41 billion to JPY301 billion. The forecast for machinery remained unchanged from the previous forecast, and that for others has been revised upward by about JPY2 billion to JPY75 billion. The adjustment amount remained the same as before, for a final total of JPY506 billion.

Moving on to operating profit. The forecast for specialty products remained unchanged from previous forecast, and that for polymers & chemicals has been revised downward by JPY[8.5] billion to JPY4 billion. Then the machinery remained unchanged from previous forecast. The forecast for the others was revised downward by about JPY[500] million to JPY2.5 billion. The adjustment amount remains unchanged. As a result, the forecast for the overall operating profit is JPY20 billion, with JPY9 billion of downward revision in total.



Page 20, please.

The breakdown on the left side is as shown on the previous page. Then on the right. This is a list of the revised sales and operating income revisions that I mentioned earlier. Each segment will be explained in the following sections.

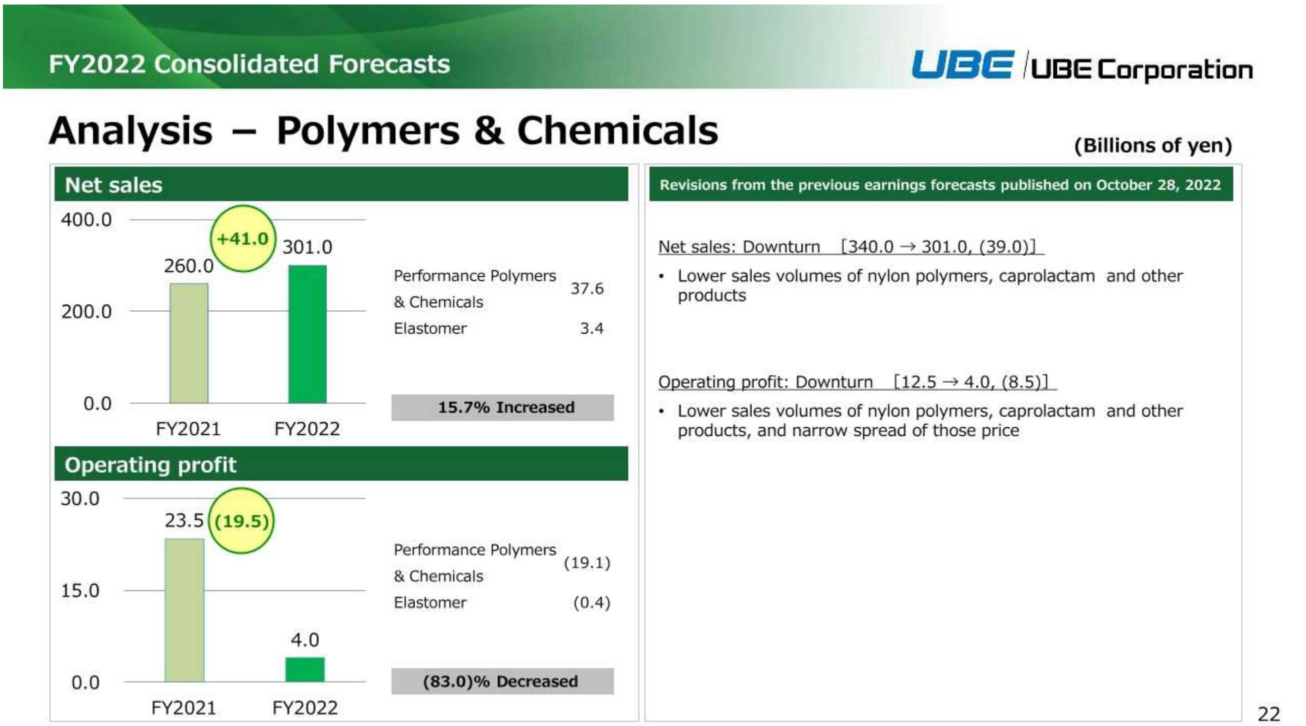


Moving onto page 21, the difference analysis for the specialty products.

The left side shows sales and operating profit forecast for specialty products, which is an increase of JPY4.2 billion in sales and an increase of JPY1.4 billion in operating profit from previous year. The right-hand side shows the key points of revision from the previous forecast. As I mentioned earlier, forecast for net sales have been revised downward by about JPY4 billion.

The revision was made in view of the situation up to Q3. Lower sales of separators and phenolic resins was a downward factor, while sales of separation membranes and ceramics are expected to be strong. However, the negative factors outweigh the positive factors.

On the other hand, for operating profit, the decrease by separators and phenolic resins will be covered by the increase by separation membranes and ceramics, which are performing well. Although there are increase and decrease for each product, but overall, we expect operating profit will be in line with our plan.



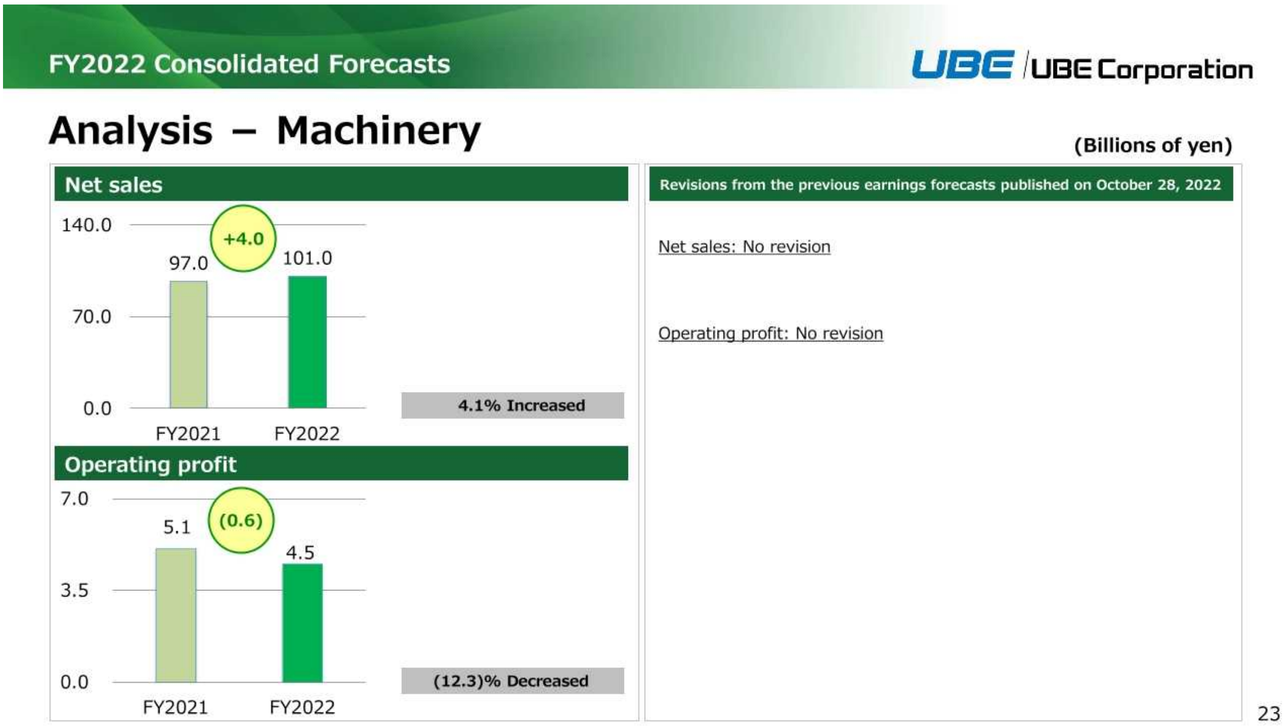
Continuing onto the polymers & chemicals on page 22.

We estimate a JPY41 billion increase in sales over the previous year, including JPY37.6 billion in performance polymers & chemicals and JPY3.4 billion in elastomers.

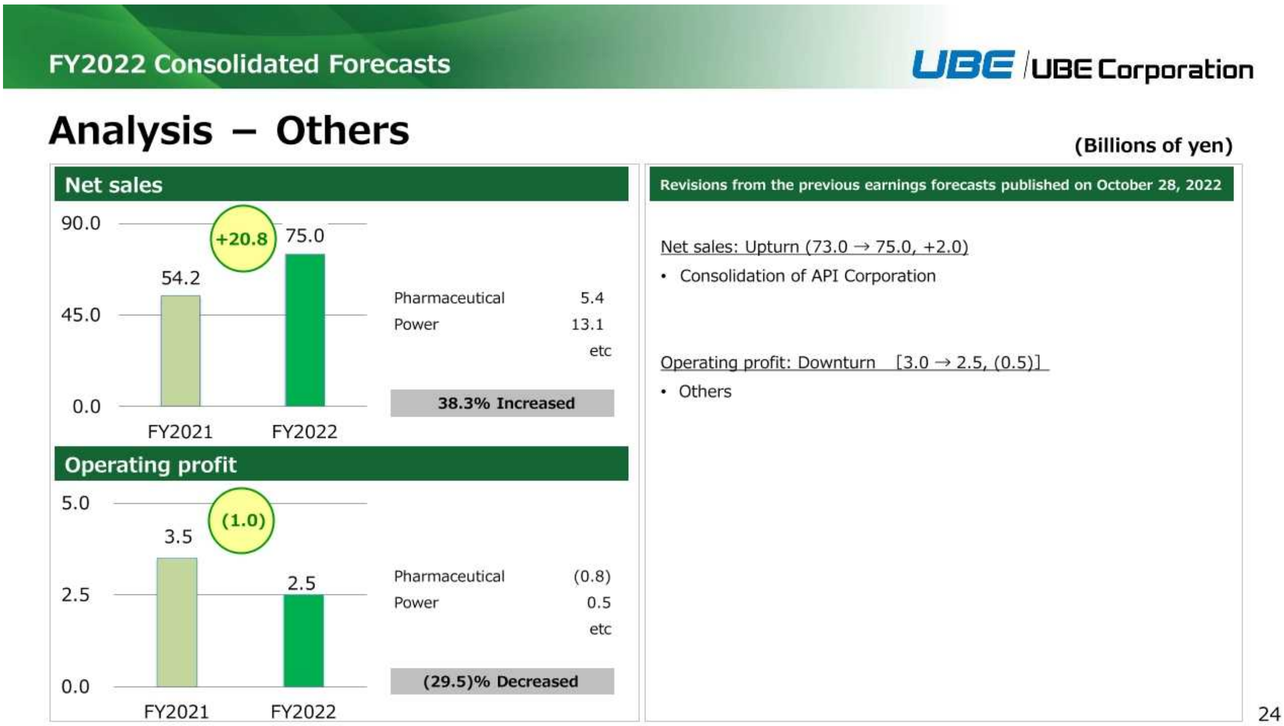
Then operating profit is expected to decrease by JPY19.5 billion. This is also solely performance polymers & chemicals, where we expect a decrease of JPY19.1 billion, and elastomers, where we expect a decrease of JPY400 million.

Sales forecast is also based on the trends up to Q3 and the current situation, etc. We do not expect a significant improvement in the short term in Q4 in the decreased sales volume of nylon polymers, caprolactam, and other products. Although we expect a certain level of improvement in Q4 due to a certain level of improvement in the supply-demand balance and the normalization of the Chinese economy, we revised down the forecast as we expect sales to be lower than our original plan.

Moving on to operating profit. This also reflects the expected decline in sales, in particular, decreased sales volume of nylon polymers and caprolactam, as well as the shrinking price spread due to the deteriorating supply-demand balance.



Next is the machinery segment. There are no revision in the machinery segment.



In the others segment, sales is expected to increase by JPY20.8 billion from the previous year.

We are projecting a decrease of JPY1 billion in operating profit. We revised up sales forecast to include the contribution of sales from API, which has been made a consolidated subsidiary. On the other hand, there are negative factors in other group companies, etc. The upward revision is JPY2 billion after subtraction.

Operating income was revised down by JPY500 million. This is a downward revision of about JPY500 million based on variable factors among other group companies, etc., and on the situation up to Q3.

FY2022 Consolidated Forecasts

UBE / UBE Corporation

Operating Profit – Profit attributable to owners of parent

(Billions of yen)

Item	FY2021 (A)	FY2022 (B)	Difference (B) - (A)
Operating profit	44.0	20.0	(24.0)
Non-operating income (expenses)	(2.5)	(26.0)	(23.5)
Share of loss of entities accounted for using equtiy method related to Mitsubishi UBE Cement Corporation		(26.0)	
Ordinaly profit (loss)	41.5	(6.0)	(47.5)
Extraordinary income (losses)	(4.8)	6.0	10.8
Profit before income taxes	36.8	0.0	(36.8)
Income taxes and profit (loss) attributable to non-controlling interests	(12.3)	(6.0)	6.3
Profit (loss) attributable to owners of parent	24.5	(6.0)	(30.5)
Net income per share	249.31 yen	(61.88) yen	(311.19) yen

25

And then on slide 25, operating income and beyond.

Non-operating income/loss was revised down by JPY1.5 billion from the previous forecast to a negative JPY26 billion due to a slight increase in the negative factor of equity in earnings of affiliates of Mitsubishi UBE Cement Corporation. As a result, an ordinary profit is expected to be negative JPY6 billion.

We have also made a downward revision of about JPY1 billion to extraordinary income/loss because we expect a slight increase in impairment loss and loss on disposal of facilities. As a result, we regret to say that loss attributable to owners of parent is expected to be JPY6 billion.

That’s all for my explanation.

Moderator: Thank you.

Question & Answer

Moderator: We will now begin the question-and-answer session. We will call your name in order, so please ask your question after you give your name and company name. We will answer the question one at a time. In order to answer questions from as many people as possible, we allow two questions per person at a time.

We will now begin the question-and-answer session.

Questioner A : Thank you for your explanation. I would like to ask two questions.

The first point. We understand that the price increase of Australian coal has put considerable pressure not only on operating income but also on cement business which is equity-method affiliates. However, as for the price of Australian coal, I think it has come down considerably recently.

I don't think this is included in your forecast, but since the coal center is quite large, you have quite a bit of inventory. So, do you expect the impact of price increase will come into effect in the next fiscal year and beyond, or can we expect it to go up to certain extent?

Also, raw material and fuel prices are falling, so I think that will also be a positive factor, especially for specialty products. How is the situation? Raw material and fuel prices depend on the market, so could you explain with your assumption?

Fujii : First, regarding coal, as you understand, the fluctuation in spot prices will not be reflected in our performance immediately. Therefore, since we are already at this stage in the current fiscal year, the impact on the current fiscal year is expected to be relatively limited.

On the other hand, from the next fiscal year onward, the impact of energy costs, etc., may be somewhat mitigated compared to what we had expected. As you mentioned, it is not easy to predict resource prices, so I think it is important not to be too optimistic.

In addition, there may be a time lag before raw material and fuel prices affect costs, and prices may rise or fall.

Basically, if the price of raw materials and fuels falls, it will naturally have a positive effect. On the other hand, since we have been trying to pass on the price increases in raw material and fuel prices, I think we will try to keep prices at the same level as before.

Questioner A :Of course there is a gap among the products, but considering the fact that business performance is under such pressure, I think you are still halfway to pass the increase in price on to product prices. I would think that you don't have to worry too much about a drop even though the price of raw material and fuel goes down.

Fujii : Yes. That is naturally our intention. We will have to negotiate earnestly with our customers on this point.

Questioner A : I understand. We look forward to improved terms of trade.

The second question. In the specialty products segment, separation membranes and ceramics have been doing well since H1, and this has continued through Q3 and Q4. Is that correct?

Also, regarding the separator, since you say that it is affected by automobile production cutbacks, does it mean that sales of separator will be okay if automobile production comes back?

In addition, I believe that the forecast on the polyimide is based on the assumption that display will fall down in Q4. Then this too will probably return from about the July-September period if the display comes back. Can you please elaborate a bit more on the status of specialty products as to if we can expect these factors for improvement?

Fujii : I would like to go over one by one, starting with separation membranes. As you know, orders, inquiries, and shipments of CO2 separation membranes for biomethane have been expanding rapidly, and inquiries and orders are increasing currently rapidly. We expect this trend to continue.

Demand for ceramics is also strong for EV motor bearings and substrates. We expect demand to increase further in the future, as shipments are, of course, growing and demand for these products and demand for increased volumes are extremely strong, in line with the progress of EVs.

On the other hand, separators have also been affected by production cutbacks in the automobile industry, but we expect that the automobile industry will gradually recover from this situation. Therefore, we are expecting a gradual recovery in separators.

On the other hand, shipments to the Chinese consumer market have declined, and we expect that if demand in this area returns, it will lead to the recovery in separators.

As for polyimide, I think display panel had already entered the adjustment phase in H2 of last year. The impact on our products was relatively minor, but the effect has been felt since the beginning of Q3.

Therefore, we expect this trend to continue for films in Q4.

On the other hand, the sales of varnishes are also increasing due to an increase in the number and ratio of smartphone models that use OLED, as well as in demand for new models. So for polyimide, the decrease in films are covered by an increase in varnishes. However, as you understand, panel adjustments are expected to continue for some time. If the demand for display panel recovers, we expect it to be a positive factor.

Questioner A : Thank you very much. Just to confirm, is it correct to understand that separation membranes and ceramics still do not require significant capital investment?

Fujii : As for separation membranes, as we have already announced, we are now working hard to increase the production capacity by 1.8 times, which is scheduled to start operation in H1 of 2015.

Questioner A : Thank you.

Fujii : Thank you.

Questioner B : Thank you.

Fujii : Thank you very much.

Reference: 3rd Quarter of the FY2022 UBE /UBE Corporation

Operating Profit

(Billions of yen)

Segment	FY2022					Full-year (forecast)	Progress
	1Q	2Q	3Q	4Q	Total		
Specialty Products	2.8	2.7	3.0	–	8.5	13.0	65.5%
Polymers & Chemicals	1.9	0.5	0.9	–	3.3	4.0	82.0%
Machinery	0.4	0.9	1.4	–	2.6	4.5	58.0%
Others	0.7	0.6	0.5	–	1.7	2.5	68.6%
Adjustment	(1.4)	(0.5)	(1.3)	–	(3.1)	(4.0)	–%
Total	4.4	4.2	4.5	–	13.0	20.0	64.9%

32

Questioner B : I would like to ask for some additional information in specialty products. I am now looking at page 32 of the document and asking a question. Profits of specialty products have been increasing from the second to Q3, and although it is not shown in this table, I believe that Q3 and Q4 are also expected to see further increases.

Reference: 3rd Quarter of the FY2022 UBE /UBE Corporation

Net Sales

(Billions of yen)

Segment	FY2022					Full-year (forecast)	Progress
	1Q	2Q	3Q	4Q	Total		
Specialty Products	15.3	16.5	15.6	–	47.4	65.0	72.9%
Polymers & Chemicals	71.4	78.0	75.7	–	225.2	301.0	74.8%
Machinery	20.3	24.9	24.0	–	69.3	101.0	68.6%
Others	15.6	17.8	17.3	–	50.6	75.0	67.5%
Adjustment	(6.5)	(8.6)	(9.1)	–	(24.1)	(36.0)	–%
Total	116.2	128.6	123.6	–	368.4	506.0	72.8%

31

On page 31, one page backward, however, sales of specialty products decreased from Q2 to Q3. I would like to ask you to explain Q3 as to why this profit is increasing while total sales are decreasing. Can you please specify which products are the major contributors to the further increase in profits in Q4? Thank you.

Fujii : First, the reason for lower sales from Q2 to Q3 is the decrease in sales of separators and phenol resins from Q2.

On the other hand, sales of polyimide and separation membranes have been increasing from Q2. Since the contribution to profit from polyimide and separation membranes is larger than their contribution to sales, the decrease in profit from separators and phenolic resins was offset by the sales of polyimide and separation membranes. Sales decreased while profit increased for that reason.

As for the trend from Q3 to Q4, basically, the trend is same as in Q3 for each product. However, in Q4, we expect to receive technology fee income related to this segment. The fact that we are now factoring in what can be recorded in Q4 means that the profit is now looking inflated.

Questioner B : Could you just add the last part about the technical fee income, whether it is new or was originally factored in?

Fujii : This has been factored in from the beginning. Including that, we expect the profit to be in line with the original forecast.

Questioner B : Thank you very much. Secondly, I would like to know a little bit about your view of Q4 in the area of polymers & chemicals. Could you tell me whether elastomers and performance polymers will go up or down compared to Q3?

If you can give us some numbers like assumptions for major products, such as caprolactam, nylon, etc., please share with us.

Fujii : Looking from Q3 to Q4, the outlook for performance polymers & chemicals is up, but for elastomers, profits are expected to be lower than in Q3.

First, demand for elastomers, synthetic rubber, was not so strong in Q3, and the same is true for Q4.

On the other hand, the spread was widened to some extent in Q3 because butadiene, the raw material, dropped ahead of the sales price. Since butadiene prices are also turning upward, we expect to enter a phase in Q4 where the spread will compress.

In addition, the Chiba Plant is scheduled to be shut down in Q4, so we expect elastomer profits to decrease compared to Q3.

On the other hand, for the performance polymers & chemicals, the trend has been deteriorating for nylon polymers and caprolactams, in particular, since Q3, but demand in this area, especially in China, has recently been improving and is now showing signs of turning upward.

We will have to wait and see what happens after the Chinese New Year, but since China has changed its zero-COVID policy and is moving toward economic normalization, we can expect a certain degree of improvement.

In addition, with regard to ammonium sulfate, although we have seen the impact of flooding in Thailand and soaring natural gas prices in Europe, they are gradually easing. Therefore, we expect a certain degree of recovery in Q4.

Of course, we do not expect a significant recovery, but we do expect a certain level of recovery.

In addition, there is a negative factor in Q3 due to the impact of the lowest cost of accounting, but this has already been factored in during Q3 and will be mitigated in Q4.

Questioner B : Just for the last part about the lowest cost of accounting, if you don't mind, could you please tell us how much is the actual amount?

Fujii : In the polymers & chemicals segment, there was a negative impact of JPY700 million, which includes the impact of the lowest cost of accounting and inventory valuation differences.

Questioner B : That's all I needed. Thank you very much.

Fujii : Thank you.

Moderator : We have received a few more questions, but since the time is up, we will conclude the question-and-answer session. Please note that the Finance & Investor Relations Department will contact you tomorrow or later regarding any questions that we were unable to answer today.

Lastly, Managing Executive Officer Fujii, please give us a few words.

Fujii : As I have just explained, we are facing a very difficult business outlook for the current fiscal year. We will continue to make efforts to improve the current performance. In addition, we will strive to accelerate the growth of our specialty business and the high-value-added basic business.

Thank you very much for your participation.

Moderator : This concludes the conference call. Thank you very much for your participation.

[END]