UBE Corporation

Financial Results Briefing for the Fiscal Year Ended March 2023

May 12, 2023

Event Summary

[Company Name]	UBE Corporation
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[Fiscal Period]	FY2022 Annual
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[Venue]	Dial-in
[Number of Speakers]	1 Hirotaka Ishikawa Executive Officer, CFO

Presentation

Moderator: Good evening, everyone. Thank you very much for taking time out of your busy schedule to join the financial results briefing of Ube Corporation today. Hirotaka Ishikawa, Executive Officer and CFO, will now present the consolidated financial results for the full year of FY2022 for approximately 30 minutes, followed by a Q&A session. The entire meeting is scheduled to last about 60 minutes.

Before we start the briefing, I'd like to mention this first. 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 turn out to be different from the outlook. We will now start the presentation of the financial results. Please go ahead, Mr. Ishikawa.

Ishikawa: My name is Ishikawa, and I was appointed as CFO in April. Hello. Now, please let me start with the presentation. I will present according to the materials you have on hand.

FY2022 Consolidated Results

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Scope of Consolidation

Item	End of FY2021 (A)	End of FY2022 (B)	Difference (B) - (A)	Notes
Number of consolidated subsidiaries	65	36	(29)	+ API Corporation + UBE Corporation America Inc. – Meiwa Plastic Industries, Ltd. – UBE Advanced Materials INC. – UBE HIGH CO., LTD – 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. + MAPIC Europe NV – Ube Reality & Development Co., Ltd. – Advanced Electrolyte Technologies LLC – 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.
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)	

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First is a summary of the consolidated financial results for FY2022. The consolidated companies are listed on page three.

There are 36 consolidated subsidiaries and 15 equity-method affiliates. They are down 29 and 11, respectively. The total number of companies decreased by 40 to 51. The change is described in the “Notes” column. The second company from the top, Ube Corporation America, was newly added in Q4. Then three companies below that, UBE HIGH is removed.

I will now explain the main items from the top. The top line is API Corporation, and then MAPIC Europe, which is a contract manufacturing company for pharmaceuticals acquired last December. In effect, it has been included in consolidated profit and loss since Q4.

Skipping one company, Meiwa Plastic Industries was merged into the Company in April 2022. Ube Reality & Development, Ube Advanced Materials, and Advanced Electrolyte Technologies, are companies that have completed their liquidation.

Below them are R-Koma, Ichinoseki Remicon, and Ube Construction Materials Sales, all of which belong to the cement-related business. Since the cement-related business was transferred to Mitsubishi UBE Cement in April last year, these companies were transferred to that company and excluded from our consolidation.

The 11 companies that are accounted for by the equity method are all related to construction materials and are also excluded from the equity-method group.

FY2022 Consolidated Results

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Environmental Factors

Item			FY2021 (A)	FY2022 (B)	Difference (B) - (A)
Exchange Rate		Yen/$	112.4	135.5	23.1
Material Price	Naphtha CIF	$/ t	697	797	100
Material Price	Naphtha Domestic	Yen/KL	56,200	76,500	20,300
Material Price	Benzene (ACP)	$/ t	990	1,038	48
Material Price	Australian Coal (CIF)	$/ t	170.3	393.8	223.5
Material Price	Australian Coal (CIF)	Yen/t	19,133	53,337	34,204

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Next is page four. Environmental factors.

The exchange rate for FY2022 was JPY135.5, a depreciation of JPY23.1. Naphtha was up USD100 to USD797. Benzene was USD1,038, up USD48. Australian coal was USD393.8, up USD223.5, a significant increase of 2.3 times from the previous year.

FY2022 Consolidated Results

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Major P/L Items

(Billions of yen)

Item	FY2021 (A)	FY2022 (B)	Difference (B) - (A)	Percentage change
Net sales	655.3	494.7	(160.5)	(24.5)%
Operating profit	44.0	16.3	(27.7)	(63.0)%
Ordinary profit (loss)	41.5	(8.7)	(50.2)	–
Profit (loss) attributable to owners of parent	24.5	(7.0)	(31.5)	–

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Continuing on page five, the main items of the consolidated financial results for FY2022.

Net sales was JPY494.7 billion. This is a JPY160.5 billion decrease from the previous fiscal year. The percentage change was negative 24.5%. Operating profit was JPY16.3 billion, down by JPY27.7 billion from the previous year. The percentage change was minus 63%. Ordinary profit was in the red, a loss of JPY8.7 billion. This is a deterioration of JPY50.2 billion from the previous fiscal year. Finally, net income attributable to owners of parent was a loss of JPY7 billion, a decrease of JPY31.5 billion from the previous year.

FY2022 Consolidated Results

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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	62.2	1.4	2.3%
	Polymers & Chemicals	260.0	293.4	33.3	12.8%
	Machinery	97.0	96.9	(0.1)	(0.1)%
	Others	54.2	73.1	18.9	34.8%
	Adjustment	183.2	(30.8)	(214.0)	–
	Total	655.3	494.7	(160.5)	(24.5)%
Operating profit	Specialty Products	11.6	10.5	(1.2)	(10.0)%
	Polymers & Chemicals	23.5	2.4	(21.1)	(89.7)%
	Machinery	5.1	5.2	0.1	1.7%
	Others	3.5	2.6	(0.9)	(25.5)%
	Adjustment	0.2	(4.5)	(4.7)	–
	Total	44.0	16.3	(27.7)	(63.0)%

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

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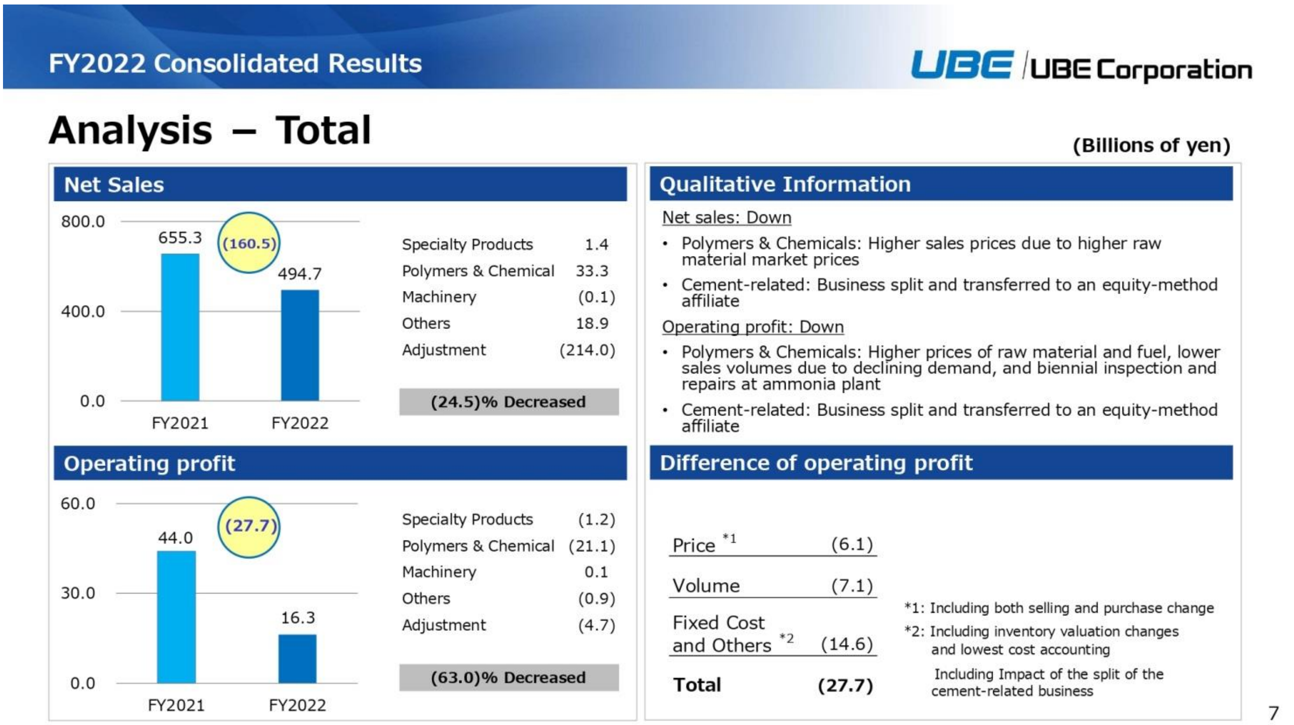
Next is page six. Sales and operating profit by segment.

First, for Specialty Products, net sales was JPY62.2 billion, up JPY1.4 billion, and operating profit was JPY10.5 billion, down by JPY1.2 billion. As for Polymers & Chemicals, net sales was JPY293.4 billion, an increase of JPY33.3 billion. Operating profit was JPY2.4 billion, a decrease of JPY21.1 billion. As for Machinery, net sales was JPY96.9 billion, a decrease of JPY0.1 billion, almost the same as the previous year. Operating profit was JPY5.2 billion, an increase of JPY0.1 billion, almost the same level as the previous year. The Others segment, which includes pharmaceuticals and electric power, achieved sales of JPY73.1 billion, an increase of JPY18.9 billion, and operating profit of JPY2.6 billion, a decrease of JPY0.9 billion.



Next is page seven. This will be a decomposition and explanation of the current factors.

The left side of this page is the same as the previous page, so we'll skip it. With regard to qualitative information, as for the main factors of an increase in net sales, the selling prices of almost all major products of Polymers & Chemicals have increased due to the rising market prices of raw materials. A major factor for a decrease in net sales was the business split of the cement-related business to Mitsubishi UBE Cement in April last year. Specifically, the impact of this change was a decrease of JPY215.5 billion. Excluding this impact, net sales increased by JPY55 billion in real terms.

Next, let us look at operating profit. The main reason for the decrease was higher raw material and fuel prices for Polymers & Chemicals. Then there was a decline in sales volume due to lower demand, as well as routine biennial repairs at the ammonia plant. The impact of the split-off of the cement-related business was a factor in the JPY3.4 billion decrease in operation profit. Excluding this, the actual decrease in income was JPY24.3 billion.

Below that, operating profit differences are broken down into price and volume differences. The price difference was minus JPY6.1 billion, almost entirely due to Polymers & Chemicals. The volume difference of minus JPY7.1 billion is also almost entirely due to Polymers & Chemicals. Fixed costs and others amounted to minus JPY14.6 billion. The main part of this is also due to Polymers & Chemicals, while others are due to the separation of the cement-related business.

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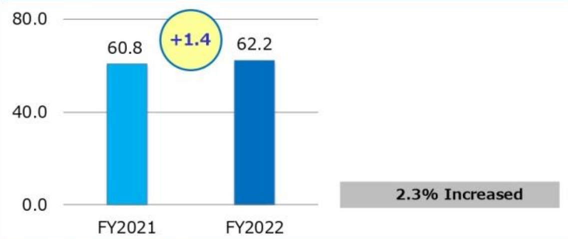
Analysis – Specialty Products

(Billions of yen)

Net Sales



Operating profit

Qualitative Information

Net sales: Up

- Polyimides: Negative impact of inventory adjustments of COF for displays despite strong sales of varnish for organic EL panels
- Separation membranes: Strong demand mainly for biogas-related applications
- Ceramics: Strong demand for bearings and substrate applications
- Separators: Decrease in sales due to negative impact of automobile production cutbacks

Operating profit: Down

- Polyimides: Inventory adjustments of COF for displays
- Separators: Negative impact of automobile production cutbacks

Difference of operating profit

Price *1	(0.0)
Volume	(0.8)
Fixed Cost and Others *2	(0.3)
Total	**(1.2)**

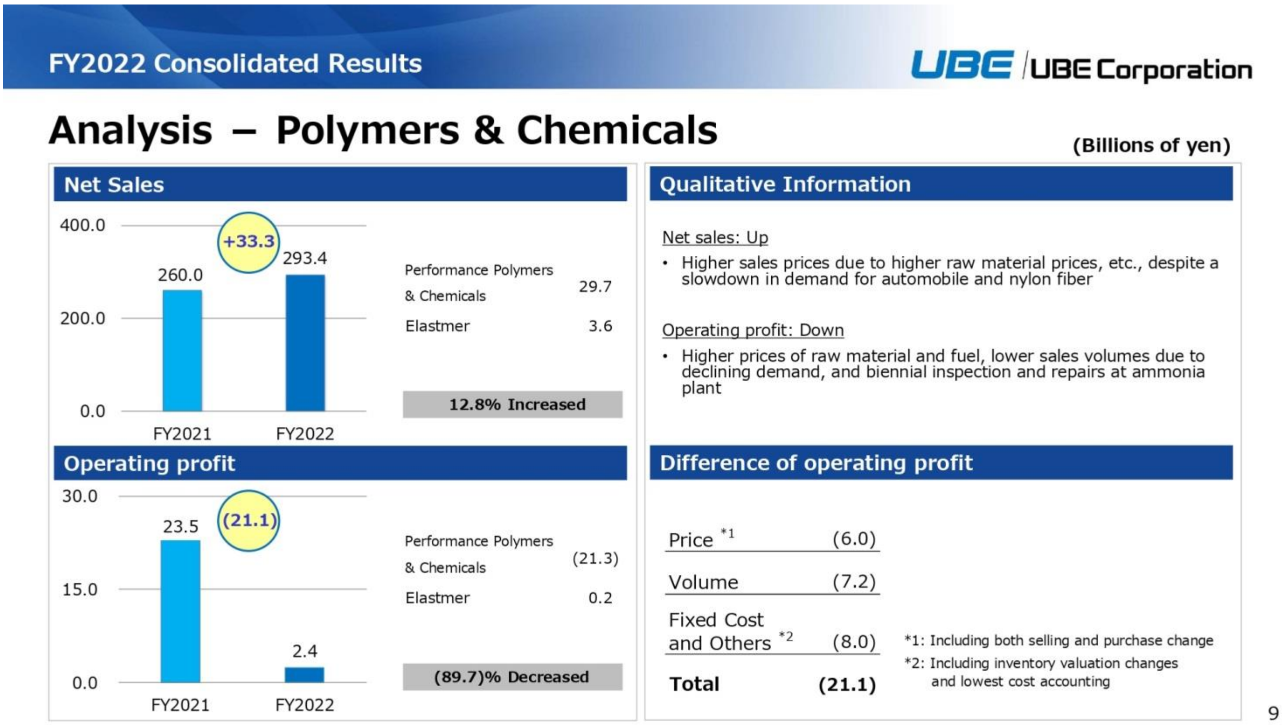
*1: Including both selling and purchase change

*2: Including inventory valuation changes and lowest cost accounting

Next is page eight. This is an explanation of the factors by segment.

First, let us look at net sales. Sales here increased by JPY1.4 billion. In regard to Polyimide, sales of varnish for OLED panels remained strong, but COF film for displays was affected by inventory adjustment. Then, demand for separation membranes remained strong, especially for biogas-related applications. Demand for ceramics also remained strong for bearing and substrate applications. Sales of separators are declining due to the impact of automobile production cutbacks.

The operating income declined by JPY1.2 billion. The main factors were inventory adjustments of COF film for displays and automobile production cutbacks in separators. Breaking it down into price differences and volume differences, the price differences were offset by each product. We also do not have any major ones to explain here. For volume differences, the positive ones are separation membranes and ceramics, but negative factors of separators and other products were large, resulting in a total negative figure of JPY0.8 billion.



Next is page nine. Polymers & Chemicals. Revenues here increased by JPY33.3 billion. Looking at the breakdown, Performance Polymers & Chemicals sales increased by JPY29.7 billion and Elastomers sales increased by JPY3.6 billion. As for the factors behind this, demand for automotive and nylon fiber applications remained sluggish, but selling prices increased due to higher raw material market prices. As a result, the revenue increased in this way.

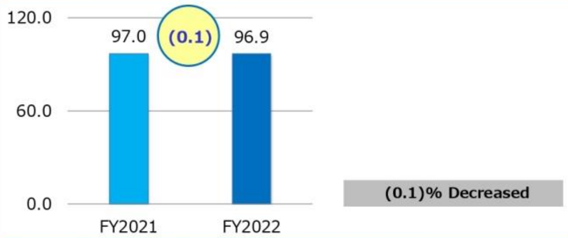
As for operating income, Performance Polymers & Chemicals posted a minus JPY21.3 billion, while Elastomers posted a plus JPY0.2 billion. It would mean that the decrease in operating income was primarily from Performance Polymers & Chemicals. Qualitative information included higher raw material prices, a decline in sales volume due to lower demand, and periodic repairs at the ammonia plant.

Looking at the price difference and quantity difference, the price difference is minus JPY6 billion. The main factors are nylon polymers and caprolactam. The volume difference is also minus JPY7.2 billion. Nylon polymer, caprolactam and industrial chemicals that have undergone regular biennial repairs, are the main factors. Fixed costs and other expenses were minus JPY8 billion. The total of the products in these segments, each of which had small expenses, is shown in this figure.

Analysis – Machinery

(Billions of yen)

Net Sales



Operating profit

Qualitative Information

Net sales: Down

- Molding machine: Increased sales volume due to recovery of orders from automotive industry
- Industrial machines: Large projects such as bulk handling machines for electric power companies completed
- Steel products: Higher sales prices due to higher raw material prices, etc.

Operating profit: Up

- Molding machine: Increased sales volume due to recovery of orders from automotive industry
- Steel products: Higher sales prices due to higher raw material prices, etc.

Difference of operating profit

Price *1	0.5
Volume	(0.1)
Fixed Cost and Others *2	(0.2)
Total	**0.1**

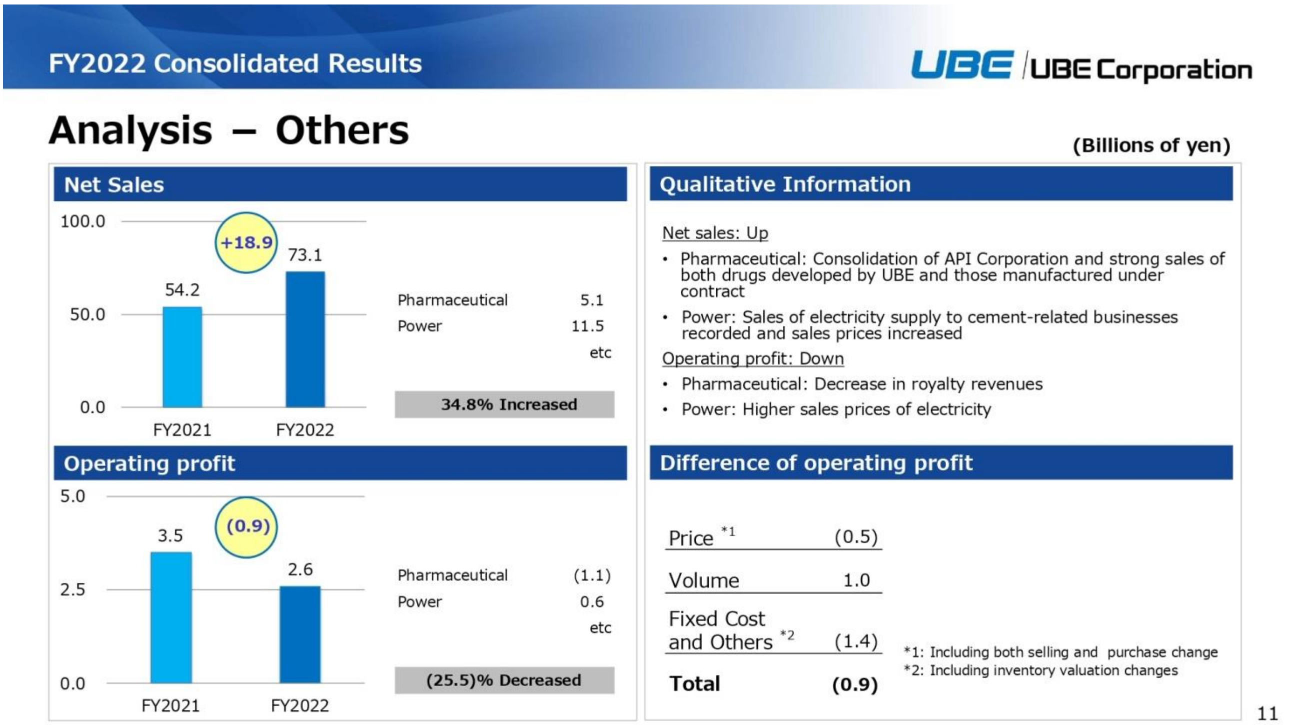
*1: Including both selling and purchase change

*2: Including marginal profit on machinery product 0.5

Continuing on page 10, we have the Machinery segment.

Net sales were minus JPY0.1 billion. Please see the qualitative information on the right side. Sales of molding machines increased due to a recovery in orders for machines for the automotive industry. In contrast, sales of industrial machinery declined due to the completion in the previous fiscal year of a large-scale project for carriers for electric power companies. Sales of steel products increased due to higher selling prices resulting from higher raw material prices. There were positive and negative factors, respectively, which offset each other, resulting in almost the same level of results as the previous year.

Operating income is plus JPY0.1 billion. The main factors were a recovery in orders for molding machines for the automobile industry, and an increase in steelmaking profit due to higher sales prices. Then, the difference analysis for operating income is as follows. The price difference is plus JPY0.5 billion. This is caused by steel production. This is the effect of correcting selling prices in response to the rise in raw material prices. The marginal profit of the machinery division, excluding steelmaking, is JPY0.5 billion, which is included in the fixed cost and others section of minus JPY0.2 billion.



Next is page 11. This is the Others segment.

This is an increase of JPY18.9 billion. By breaking down, it includes JPY5.1 billion for pharmaceuticals and JPY11.5 billion for power. As for the pharmaceuticals business, API became a consolidated subsidiary. In addition, sales of both in-house and contract drugs remained strong. With respect to power, the Company has included the supply of electric power to cement-related businesses in its revenues since FY2022. The price at which electricity is sold has also increased.

Operating income decreased by JPY0.9 billion. This was minus JPY1.1 billion for pharmaceuticals and plus JPY0.6 billion for power. For pharmaceuticals, royalty income decreased. As for power, the price of electricity sold increased. The difference analysis is shown in the lower right-hand corner, and the main impact is on pharmaceuticals. In particular, the fixed cost and others section is minus JPY1.4 billion, which includes royalty-related revenues.

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Operating Profit – Profit attributable to owners of parent

(Billions of yen)

Item	FY2021 (A)	FY2022 (B)	Difference (B) - (A)
Operating profit	44.0	16.3	(27.7)
Non-operating income (expenses)	(2.5)	(25.0)	(22.5)
Net interests expenses	0.3	0.7	0.3
Share of profit (loss) of entities accounted for using equtiy method	(1.9)	(23.1)	(21.2)
Share of loss of entities accounted for using equtiy method related to Mitsubishi UBE Cement Corporation		(24.6)	
Foreign exchange gains	1.7	0.5	(1.1)
Others	(2.6)	(3.0)	(0.5)
Ordinary profit (loss)	41.5	(8.7)	(50.2)
Extraordinary income (losses)	(4.8)	6.1	10.8
Profit (loss) before income taxes	36.8	(2.6)	(39.4)
Income taxes and profit (loss) attributable to non-controlling interests	(12.3)	(4.4)	7.9
Profit (loss) attributable to owners of parent	24.5	(7.0)	(31.5)
Net income per share	249.31 yen	(72.25) yen	(321.56) yen

Next is page 12.

Non-operating income (expenses) is minus JPY25 billion. The main factor was share of profit (loss) of entities accounted for using equity method, which is minus JPY23.1 billion. This includes minus JPY24.6 billion in share of profit (loss) of entities accounted for using equity method related to Mitsubishi UBE Cement Corporation. This overview of Mitsubishi UBE Cement Corporation will be explained at the end of this presentation. Based on these factors, ordinary profit was a minus JPY8.7 billion. Compared to the previous fiscal year, it decreased by JPY50.2 billion.

The extraordinary income of JPY6.1 billion includes the gain on change in equity resulting from the separation of the cement-related business.

Profit (loss) before income taxes will thus be minus JPY2.6 billion. Below that, there is corporate income taxes, etc. Profit before income taxes was in the red, mainly due to share of loss of entities accounted for using equity method. This one does not affect the tax expense, which results in a tax expense. That would be minus JPY4.4 billion. As a result, net income attributable to owners of the parent amounted to minus JPY7.0 billion.

Consolidated Balance Sheet

(Billions of yen)

Item	End of FY2021 (A)	End of FY2022 (B)	Difference (B) - (A)
Current assets	394.7	283.0	(111.7)
Fixed assets	443.1	448.5	5.3
Total assets	838.0	731.6	(106.3)
Interest-bearing debt	241.8	218.1	(23.7)
Other liabilities	202.1	131.8	(70.3)
Total liabilities	443.9	350.0	(93.9)
Shareholders' equity *1	369.1	361.6	(7.5)
Non-controlling interests and others	24.9	20.0	(4.9)
Total net assets	394.0	381.7	(12.4)
Total liabilities and net assets	838.0	731.6	(106.3)

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

Next is the balance sheet on page 13.

Total assets decreased by JPY106.3 billion, to JPY731.6 billion. This was mainly due to the separation of the cement-related business. The balance sheet would have been inflated without this factor, which amounted to about JPY145 billion. This was due to an increase in working capital and the acquisition and consolidation of API.

Consolidated Statements of Cash Flows

(Billions of yen)

Item	FY2021	FY2022	
A.Cash flows from operating activities	32.7	18.1	Loss before income taxes (2.6) Depreciation and amortization 25.4 Share of loss of entities accounted for using equtiy method 23.1 Gain on Change in Equity (8.3) Increase in working capital (12.4) Income taxes paid (8.4) etc.
B.Cash flows from investing activities	(43.4)	(26.0)	Decrease in short-term loans receivable 8.2 Acquisition of PP&E (26.8) Purchase of shares of subsidiaries resulting in change in scope of consolidation (7.3) etc.
Free cash flows (A+B)	(10.7)	(7.9)	
C.Cash flows from financing activities	8.4	2.4	Increase in interest-bearing debts 14.3 Dividends paid (10.6) etc.
D.Net increase (decrease) in cash and cash equivalents	(0.9)	(48.1)	Decrease in cash and cash equivalents resulting from corporate spin-off (43.3) etc.
E.Cash and cash equivalents at end of the fiscal year	78.8	30.7	

Continuing on to page 14, the statement of cash flows.

Operating cash flow was JPY18.1 billion. The decrease from the previous year shown on the left side is mainly due to the decrease in profit.

Then, investment cash flow was minus JPY26 billion. Cash outflows decreased compared to the previous year. This was due to a decrease in short-term loans receivable resulted from the collection of loans lent to a cement-related company and a decrease in capital investment.

At the bottom, cash and cash equivalents on hand totaled JPY30.7 billion, compared to nearly JPY80 billion in the previous year. This amount for the last fiscal year was held in preparation for the separation of the cement-related business. We intend to maintain cash and cash equivalents at around JPY30 billion hereafter.

These were about FY2022.

FY2023 Consolidated Forecasts

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Scope of Consolidation

Item	End of FY2022 (A)	End of FY2023 (B)	Difference (B) - (A)	Notes
Number of consolidated subsidiaries	36	36	-	
Number of equity method affiliates	15	15	-	
Total	51	51	-	

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I will now explain our forecast for FY2023. First, on page 16, are the consolidated companies. There is no change in the total of 51 companies: 36 consolidated subsidiaries and 15 equity method affiliates.

Environmental Factors

Item				FY2022 (A)	FY2023 (B)	Difference (B) - (A)
Exchange Rate			Yen/$	135.5	130.0	(5.5)
Material Price	Naphtha	CIF	$/ t	797	740	(57)
		Domestic	Yen/KL	76,500	68,900	(7,600)
	Benzene (ACP)		$/ t	1,038	920	(118)
	Australian Coal (CIF)		$/ t	393.8	224.0	(169.8)
			Yen/t	53,337	29,120	(24,217)

Next is page 17. Environmental factors.

At an exchange rate of JPY130, naphtha is USD740, benzene is USD920, and Australian coal is USD224. These are generally the same as the current level.

Major P/L & B/S Items

(Billions of yen)

Item	FY2022 (A)	FY2023 (B)	Difference (B) - (A)	Percentage change
Net sales	494.7	545.0	50.3	10.2%
Operating profit	16.3	30.0	13.7	84.2%
Ordinary profit (loss)	(8.7)	38.5	47.2	–
Profit (loss) attributable to owners of parent	(7.0)	27.5	34.5	–

Item	End of FY2022 (A)	End of FY2023 (B)	Difference (B) - (A)
Total assets	731.6	788.0	56.4
Interest-bearing debt	218.1	248.0	29.9
Equity capital *1	361.6	378.0	16.4
Dividend(Yen /Share)	*2 95.00	*3 100.00	5.00

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

Next is page 18. These are major items in the FY2023 consolidated earnings forecast.

Net sales are JPY545 billion, an increase of JPY50.3 billion or 10.2%. Operating profit is JPY30 billion, an increase of JPY13.7 billion or 84.2%. Ordinary profit is JPY38.5 billion, an increase of JPY47.2 billion. Finally, profit attributable to owners of parent is JPY27.5 billion, an increase of JPY34.5 billion.

This is for FY2023, and the final year of the current mid-term plan is FY2024. We aim for operating profit of JPY40 billion in FY2024. We hope to achieve JPY30 billion this fiscal year, which will lead to our mid-term plan target of JPY40 billion.

Below that, the balance sheet items are total assets of JPY788 billion, interest-bearing debt of JPY248 billion, and equity capital of JPY378 billion. This area will expand in line with increased sales and investment. The annual dividend is JPY100. The Company plans to issue interim and year-end dividends of JPY50 per share.

FY2023 Consolidated Forecasts

UBE / UBE Corporation

Net Sales and Operating profit by Segment

(Billions of yen)

	Segment	FY2022 (A)	FY2023 (B)	Difference (B) - (A)	Percentage change
Net sales	Specialty Products	62.2	71.5	9.3	15.0%
	Polymers & Chemicals	293.4	313.0	19.6	6.7%
	Machinery	96.9	108.5	11.6	11.9%
	Others	73.1	88.5	15.4	21.1%
	Adjustment	(30.8)	(36.5)	(5.7)	–
	Total	494.7	545.0	50.3	10.2%
Operating profit	Specialty Products	10.5	12.5	2.0	19.5%
	Polymers & Chemicals	2.4	12.0	9.6	394.6%
	Machinery	5.2	6.0	0.8	15.1%
	Others	2.6	3.5	0.9	32.4%
	Adjustment	(4.5)	(4.0)	0.5	–
	Total	16.3	30.0	13.7	84.2%

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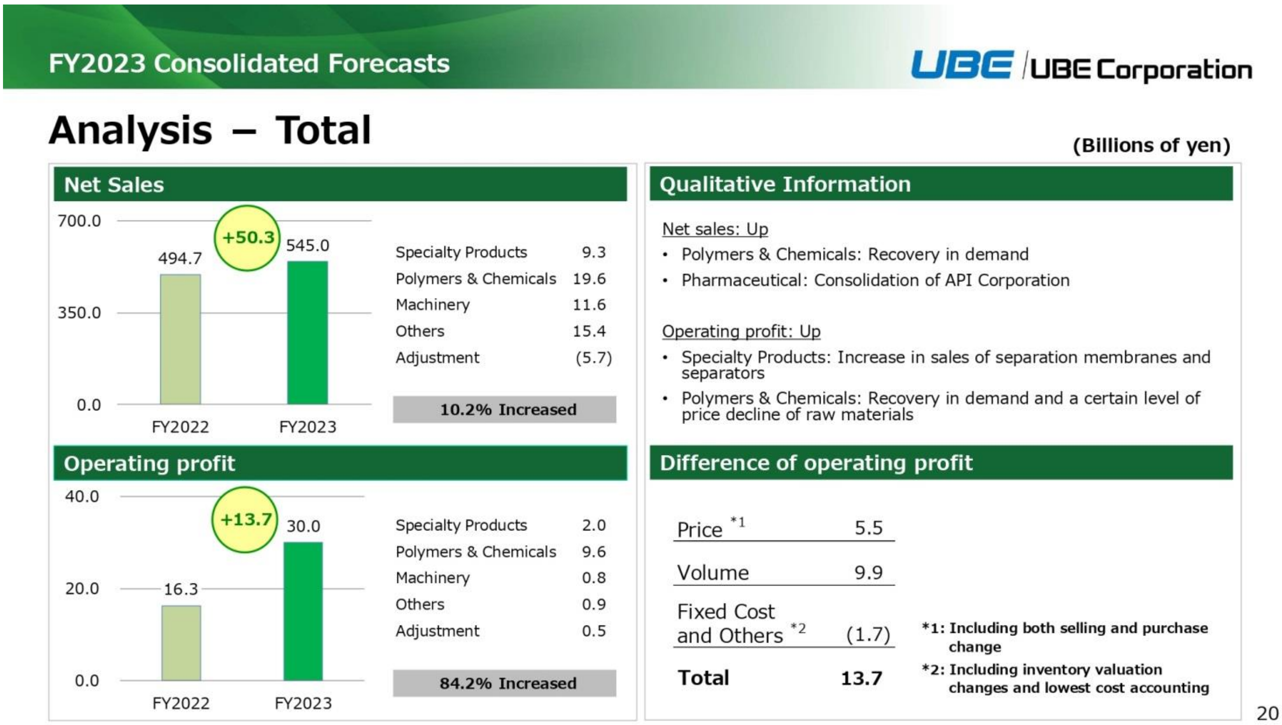
Next is net sales and operating profit by segment on page 19.

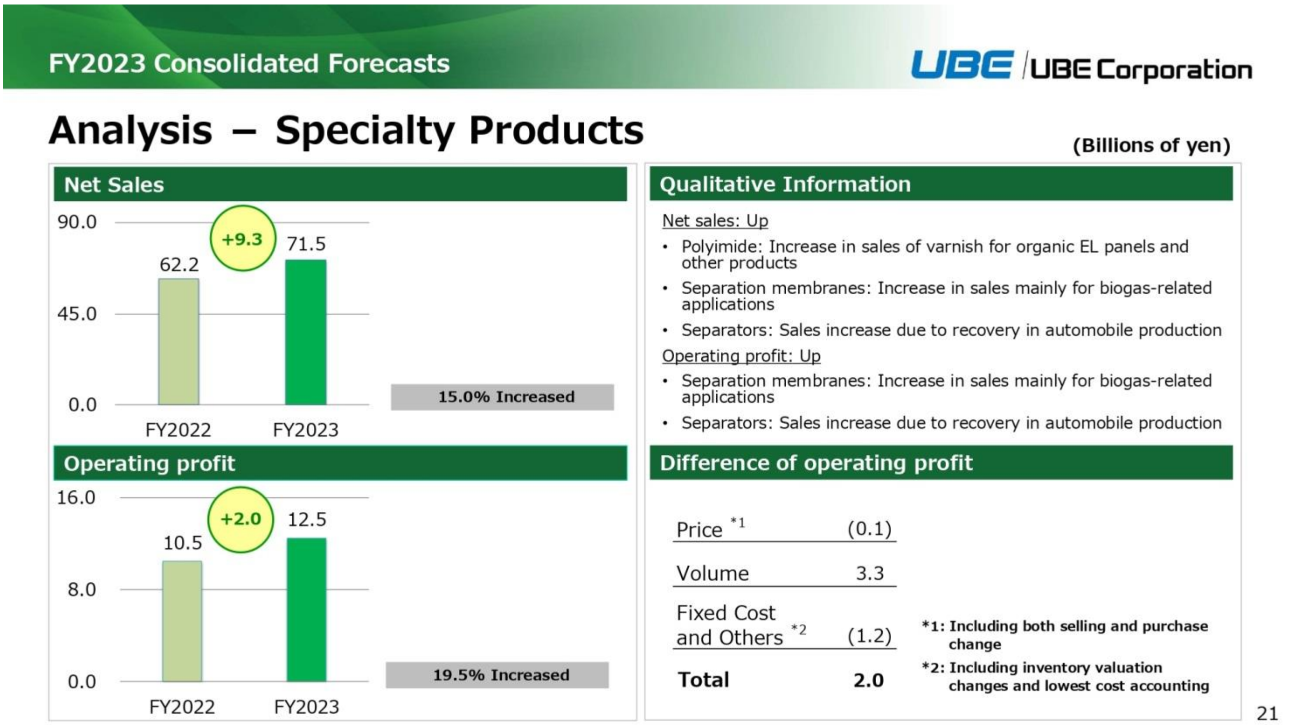
First, for Specialty Products, net sales are JPY71.5 billion, an increase of JPY9.3 billion, and operating profit is JPY12.5 billion, an increase of JPY2.0 billion. For Polymers & Chemicals, net sales are JPY313 billion, an increase of JPY19.6 billion, and operating profit is JPY12 billion, an increase of JPY9.6 billion. For Machinery, net sales are JPY108.5 billion, up JPY11.6 billion, and operating profit is JPY6.0 billion, up JPY0.8 billion. In the Others segment, net sales are JPY88.5 billion, an increase of JPY15.4 billion, and operating profit is JPY3.5 billion, an increase of JPY0.9 billion.



The main factors are explained on page 20 and below. The left side of page 20 shows the same as page 19, so we'll skip it, and the main factors when viewed companywide are listed on the right side.

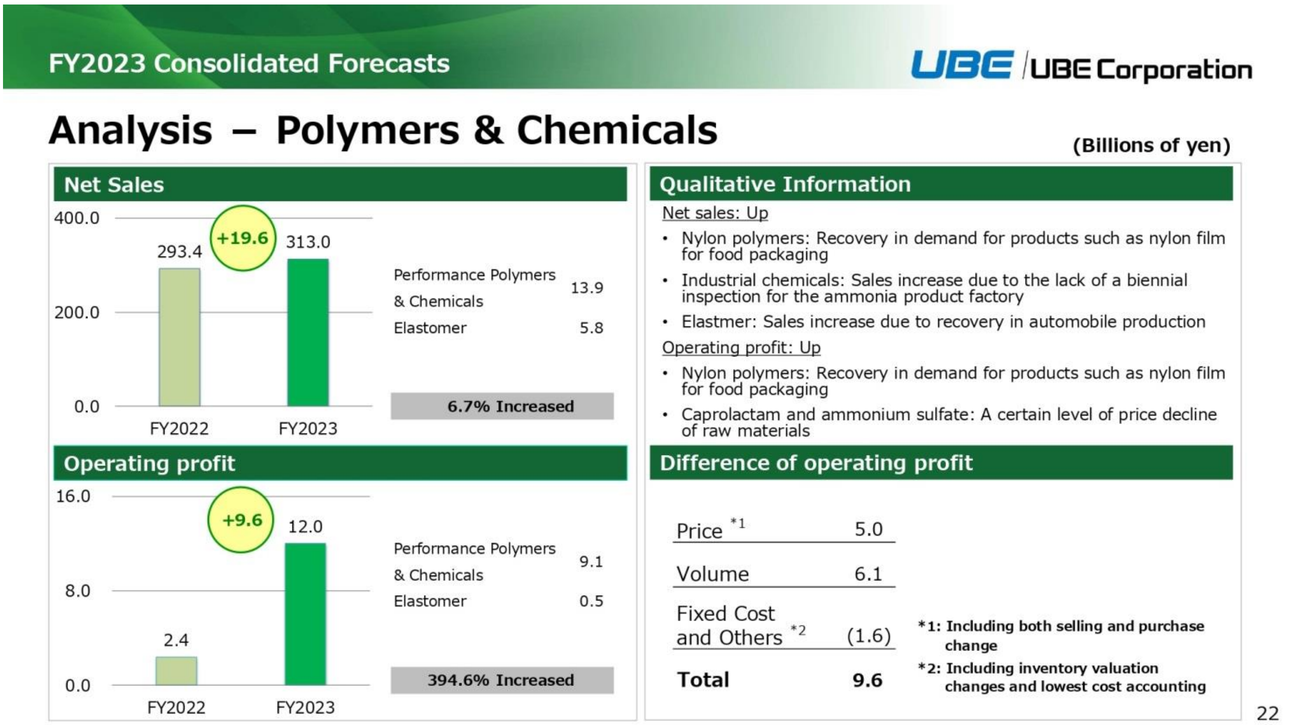
As for factors contributing to the increase in net sales, we expect demand for Polymers & Chemicals to recover in general. In the Others segment, API is now a consolidated subsidiary. As for factors contributing to the increase in operating profit, sales of separation membranes for Specialty Products are expected to be strong, and sales of separators are also expected to recover. We expect demand for Polymers & Chemicals to recover in general and raw material and fuel prices to decline to a certain degree.

The difference analysis is on the lower right. JPY5.5 billion, a positive figure due to the price difference. This is mainly due to Polymers & Chemicals. JPY9.9 billion difference in volume. This is due to Specialty Products and Polymers & Chemicals, but Polymers & Chemicals has more influence.



Continued on page 21 is the explanation of the Specialty Products segment.

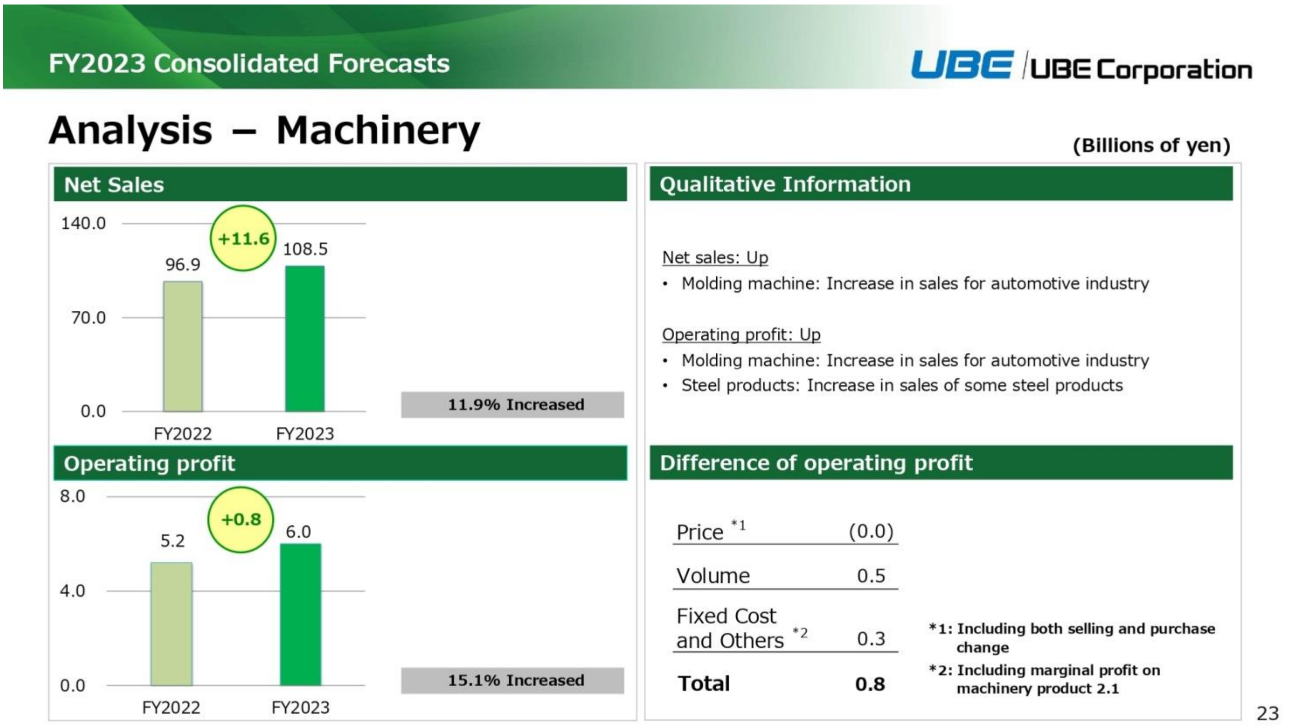
The factors behind the increase in both net sales and operating profit include sales of varnishes for OLEDs expanded; separation membrane sales grew mainly for biogas-related applications; separators sales increased with the recovery of automobile production; and ceramics, which are not listed here, also continue to perform well. Below that, the difference analysis shows a price difference of minus JPY0.1 billion and a volume difference of JPY3.3 billion. Separation membranes and separators are the main factors here.



Continuing on to page 22, the Polymers & Chemicals segment.

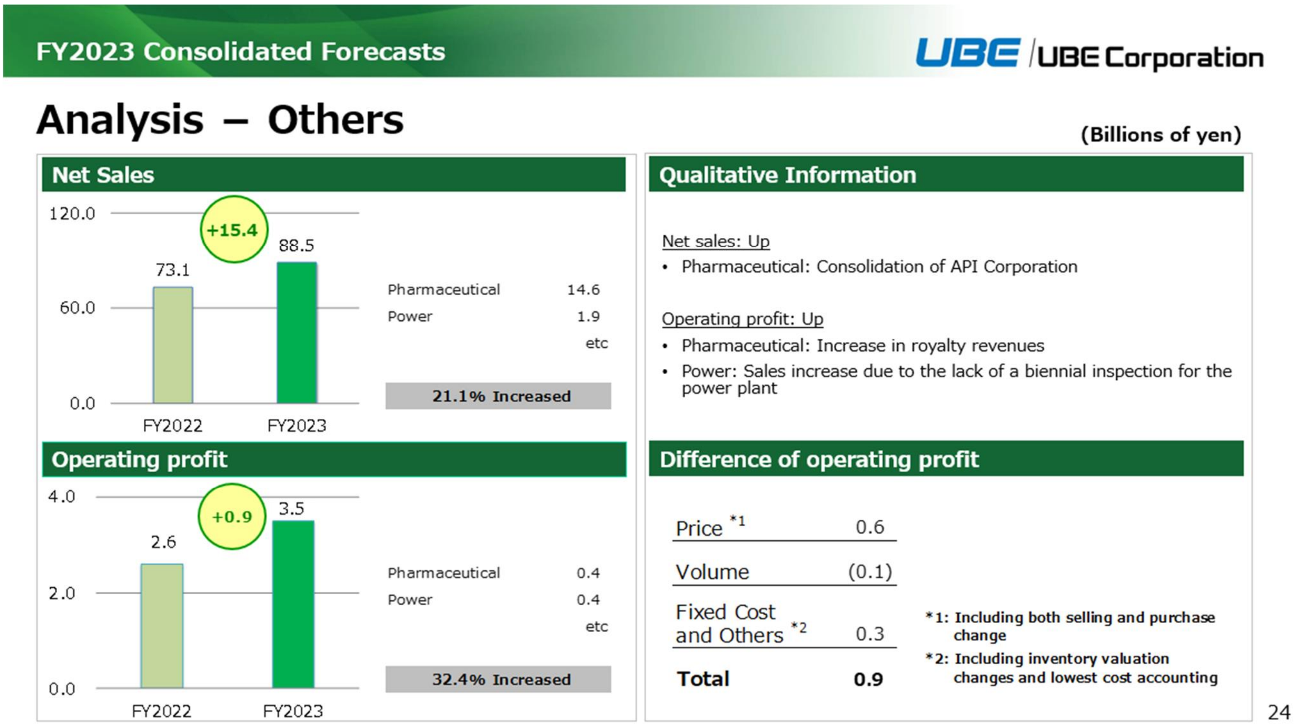
Performance Polymers & Chemicals sales are to increase by JPY13.9 billion and Elastomers sales to increase by JPY5.8 billion. Operating profit is to increase by JPY9.1 billion for Performance Polymers & Chemicals and JPY0.5 billion for Elastomers. The main factors are described in the qualitative information section. As for sales growth, demand for nylon polymers for food packaging films and other products is going to recover. Sales of industrial chemicals increased due to the absence of scheduled repairs conducted every other year. In elastomers, sales are also expected to increase in line with the recovery of automobile production.

As for operating profit, the factor for increased profit is nylon polymers. Demand for food packaging films and other products is expected to recover. We also forecast a certain decline in raw materials and fuel prices for caprolactam and ammonium sulfate. The difference in operating profit is plus JPY5 billion with respect to the price difference. The main factors include lactam, ammonium sulfate, nylon polymers, and composites. As for the volume difference, it is plus JPY6.1 billion. These are nylon polymers, composites, and industrial chemicals.



Next is page 23. In the Machinery segment, both net sales and operating profit are expected to increase. The main reason for this increase in net sales is a projected increase in sales of molding machines for automotive applications, which is the same for operating profit.

The difference analysis in the lower right hand corner shows the difference analysis for the steelmaking division, and we expect that volume growth in the steelmaking division will result in an increase in profit. In addition, the increase in marginal profit of the machinery division is included in the fixed cost and others, which is plus JPY2.1 billion.



Page 24, Others segment.

Net sales is to increase by JPY15.4 billion, of which pharmaceuticals account for JPY14.6 billion and power for JPY1.9 billion. Operating income is higher by JPY0.9 billion, of which pharmaceuticals account for JPY0.4 billion and power for JPY0.4 billion.

The increase in sales is largely due to the consolidation of API as a subsidiary. As for factors contributing to the increase in profit, royalty income will increase for pharmaceuticals, and sales will increase for electric power due to the absence of scheduled repairs conducted every other year.

Below that, the price difference is plus JPY0.6 billion. This includes electric power and pharmaceuticals. The fixed costs and other expenses are a plus JPY0.3 billion, but this includes royalty income from pharmaceuticals.

UBE / UBE Corporation

Operating Profit – Profit attributable to owners of parent

(Billions of yen)

Item	FY2022 (A)	FY2023 (B)	Difference (B) - (A)
Operating profit	16.3	30.0	13.7
Non-operating income (expenses)	(25.0)	8.5	33.5
Share of profit (loss) of entities accounted for using equtiy method related to Mitsubishi UBE Cement Corporation	(24.6)	8.0	32.6
Ordinaly profit (loss)	(8.7)	38.5	47.2
Extraordinary income (losses)	6.1	(3.5)	(9.6)
Profit before income taxes	(2.6)	35.0	37.6
Income taxes and profit (loss) attributable to non-controlling interests	(4.4)	(7.5)	(3.1)
Profit (loss) attributable to owners of parent	(7.0)	27.5	34.5
Net income per share	(72.25) yen	283.39 yen	355.64 yen

Page 25 is about operating income and beyond.

In the column for FY2023, operating profit is JPY30 billion, and non-operating income (expenses) are plus JPY8.5 billion. Of this amount, JPY8 billion is share of profit (loss) of entities accounted for using equity method related to Mitsubishi Ube Cement. This will be explained later. As a result, ordinary profit is JPY38.5 billion.

Regarding extraordinary income/loss, while there was a gain on change in equity resulting from the separation of the cement-related business in the previous fiscal year, this fiscal year's amount is minus JPY3.5 billion due to loss on disposal and other factors, which is at the normal level. Income taxes are also charged as usual, and profit attributable to owners of the parent is JPY27.5 billion. This is an improvement of JPY34.5 billion over the previous year.

UBE /UBE Corporation

Mitsubishi UBE Cement

(Billions of yen)

■Major P/L Items
Mitsubishi UBE Cement Corporation and Consolidated Subsidiaries

Item	FY2022	FY2023
Net Sales	576.3	670.0
Operating profit (loss)	(28.4)	25.0
Ordinary profit (loss)	(25.8)	25.5
Profit (loss) attributable to owners of parent	(47.3)	14.5

■Share of profit (loss) of entities accounted for using equity method in UBE's Consolidated Statements of Income

Share of profit (loss) of entities accounted for using equity method	(24.6)	8.0

- Started operations as Mitsubishi UBE Cement Corporation in April 2022.
- In the domestic business, amid a difficult business environment due to soaring thermal energy prices, we implemented measures to improve profitability, such as raising cement prices in two phases, improving the structure (stopping the Aomori Factory and the first kiln of Isa), and expanding the use of inexpensive thermal energy.
- In the U.S. business, in addition to improving the cement and ready-mixed concrete supply system, sales price were raised.
- The company recorded a loss due to deterioration in the business environment and restructuring costs in FY2022, but the company expects to return to profitability in FY2023 by promoting the profit improvement measures launched in FY2022.

■Environmental Factors

Item		FY2022	FY2023
Total demand for cement in Japan	(million tons)	37.24	38.00
Cement sales volumes in Japan	(million tons)	9.09	9.28
Cement sales volumes in the U.S.	(million tons)	1.63	1.69
Ready-mixed concrete sales volumes in the U.S.	(million cy)	6.74	7.48
Coal Price	($/t)	356	370
Exchange Rate	(Yen/$)	135	130

(Reference) Consolidated Balance Sheet as of March 31, 2023

Total assets	772.7	Interest-bearing debt	217.5	Shareholder's equity	319.8
Shareholder's equity ratio	41.4%	D/E ratio	0.68 times		

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Next is page 33. Here is a summary of Mitsubishi UBE Cement's consolidated financial results for FY2022 and forecast figures for FY2023.

First, for FY2022, we had net sales of JPY576.3 billion, operating loss of JPY28.4 billion, ordinary loss of JPY25.8 billion, and loss attributable to owners of parent of JPY47.3 billion. With regard to the operating loss, the correction of selling prices was not sufficient and did not catch up with the sharp rise in coal prices. Then, the deficit in net income was further widened due to the extraordinary loss recorded as a result of profit-and-loss improvement measures. As a result, the Company's share of profit (loss) of entities accounted for using equity method was minus JPY24.6 billion.

The forecast for FY2023, which is on the right side of the table, shows net sales of JPY670 billion, operating income of JPY25 billion, ordinary income of JPY25.5 billion, and profit attributable to owners of parent of the company of JPY14.5 billion. As a result, the Company's share of profit (loss) of entities accounted for using equity method amounted to JPY8 billion.

Let me explain a little about the descriptions below that. For the second item, "In the domestic business, amid a difficult business environment due to soaring thermal energy prices, ...raising cement prices in two phases", we raised by JPY2,200 from January 2022 and by JPY3,000 from October 2022. In addition, the Aomori Plant and the No. 1 kiln in Isa, Yamaguchi Prefecture, were shut down as part of structural improvements. This was done in March of this year. The use of low-cost thermal energy was expanded further. These profit-and-loss improvement measures have been implemented. We will do so again in the future. In the US business, we are working to improve the supply system for both cement and ready-mixed concrete, and we are also raising prices.

That is all from me for the presentation. In addition, Mitsubishi UBE Cement Company is scheduled to hold a financial results briefing on May 31 at 5:00 PM. This is all from me.

Questions and Answers

[Specialty Products]

Q1: You have explained that operating profit fell short of consolidated forecasts announced in February mainly because the recognition of license revenue was delayed until FY2023. Does it correspond to the increase of JPY2.0 billion in operating profit in the FY2023 consolidated forecasts? Please tell us about developments in FY2022/4Q and the basis for FY2023 forecasts.

A1: The delay in the recognition of license revenue contributed only partially to the underperformance. We expect that separation membranes and ceramics will continue to be strong in FY2023. Polyimide has been affected by inventory adjustment to some extent in FY2022/4Q, but is expected to recover gradually. We expect that separators will start recovering around summer as automobile production curtailment will be relaxed.

Q2: Polyimide has been subject to inventory adjustment in the supply chain. Have prices fallen due to decreases in demand?

A2: To our knowledge, prices have not fallen. Any changes in profit or loss are basically attributable to the volume factor.

Q3: It appears that panel manufacturers are raising capacity utilization rates. Do you expect that polyimide for COF will recover?

A3: Demand of panel manufacturers is recovering, and we understand that inventory adjustment in the supply chain has been largely completed. Therefore, we predict that volume will start recovering around 1Q.

Q4: Natural gas prices are falling. Do you expect that demand for separation membranes (for biogas-related applications) will also decline?

A4: We expect that falling natural gas prices will not have any special impact, and the demand of Separation membranes will continue to be strong.

Q5: Are separation membranes being affected by capacity increases by competitors?

A5: No, they aren’t.

[Polymers & Chemicals]

Q6: What is the reason why you expect the performance of caprolactam to recover in FY2023? Profit declined in Thailand and Spain in FY2022. What is your view on the performance recovery of these overseas operations?

A6: We expect that caprolactam will recover in the second half of FY2023 mainly due to the economic recovery in China and demand for textile for winter-season products. This is also the case with Thailand and Spain.
The weakness in nylon polymers is partly due to the exports of nylon and nylon film products made in China. We expect that this situation will also improve as the Chinese economy recovers.

Q7: How has the decline in the ammonia market been reflected in your forecast for nylon and caprolactam chain in FY2023?

A7: Industrial chemicals business will face declines in ammonia product prices, but their impact will be offset by the absence of biennial repair in FY2023, and the profit of the industrial chemicals business on the whole will not be affected. On the other hand, our operations in Thailand and Spain are purchasing ammonia from external suppliers. As such, declines in ammonia product prices will have a positive, cost reducing effect for them.

Q8: Will the declines in ammonia prices have a positive impact on UBE as a whole?

A8: As our production volume of ammonia in Japan is larger than the amount of ammonia that we purchase, the net impact of the declines in prices is expected to be negative.

[Mitsubishi UBE Cement]

Q9: The coal price in FY2023 is forecast to be $370. With this coal price, is it possible for you to achieve a year-on-year increase of JPY53.4 billion in operating profit?

A9: For Mitsubishi UBE Cement, coal purchase prices for FY2023 have been largely determined. As the Company will expand the use of inexpensive energy (inexpensive coal) whose prices are less volatile, the impact that coal price fluctuations have on profit and loss will be smaller than before.

Q10: The net profit of Mitsubishi UBE Cement of minus JPY47.3 billion for FY2022 times 50%, which is the ownership ratio of each of the two parent companies, would be minus JPY23.7 billion, which is different by minus JPY0.9 billion from minus JPY24.6 billion that UBE has recognized in share of profit or loss of entities accounted for using equity method. On the other hand, by applying the same calculation to the forecast for FY2023, the net profit of Mitsubishi UBE Cement of JPY14.5 billion times 50% would be JPY7.3 billion, which is different by JPY0.7 billion from JPY8.0 billion that UBE will recognize in share of profit or loss of entities accounted for using equity method. What is the reason for the change from the negative difference to the positive difference?

A10: The Company has measured the assets transferred from Mitsubishi Materials to Mitsubishi UBE Cement at fair value, allocated the acquisition cost to each asset, and recognized goodwill. The amount of amortization of goodwill and changes in fair value of transferred assets is recognized in shares of profit or loss of entities accounted for using the equity method.
The amortization adjustment amount for transferred assets has increased temporarily in FY2022. However, the amortization adjustment amount will decrease in FY2023 and will be exceeded by the reversal of goodwill amortization of the U.S. business that has been recognized by Mitsubishi UBE Cement. As a result, the difference between them will become positive.