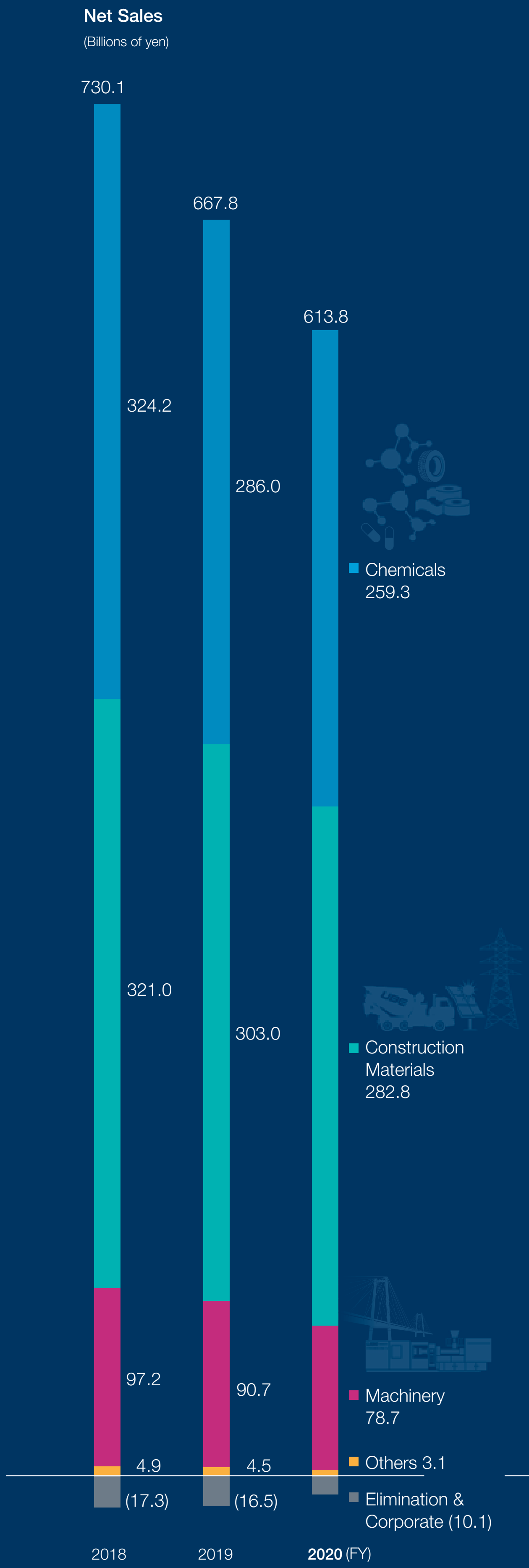
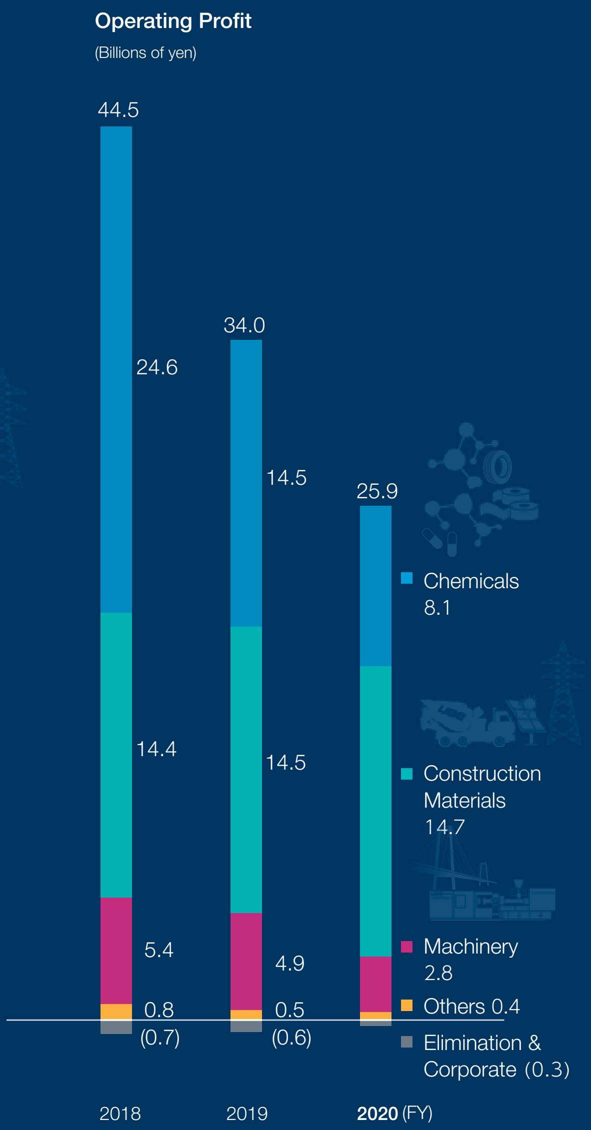
Overview



Consolidated net sales declined in fiscal 2020, reflecting economic stagnation as a result of the COVID-19 pandemic. This situation hit the chemicals and machinery businesses particularly hard, with demand plunging in the first half of the year. Market conditions for chemicals deteriorated. Operating profit and ordinary profit were both down owing to deteriorating chemicals market conditions and scheduled ammonia production plant repairs, offsetting the impacts of lower prices for coal and other thermal energy and savings from controlling expenses. Profit attributable to owners of parent was basically unchanged from a year earlier, one factor being lower tax expenses from a reversal of deferred tax liabilities.

The graphs on this page show consolidated net sales and operating profit.



Chemicals

Revenues and earnings **down**

Fiscal Year	2018	2019	2020	Change from FY2019
	Billions of yen			
Sales	¥324.2	¥286.0	¥259.3	(9.3)%
Operating Profit	24.6	14.5	8.1	(43.7)%

Engineering Plastics & Fine Chemicals Businesses

- Caprolactam sales decreased because prices dropped owing to downturns in the markets for benzene and other raw materials because of the pandemic and other factors.
- In nylon, automotive demand recovered in the second half after dropping in the first half as a result of the pandemic. Sales were nonetheless down because of weaker lactam market conditions.
- In industrial chemicals, sales decreased due to a decline in both production and shipments as a result of the implementation of biennial scheduled repairs at the ammonia production plant and other factors.
- Fine chemicals shipments were generally solid but sales were down owing to reduced demand in some automotive applications because of the pandemic.

Engineering plastics & fine chemicals businesses posted lower revenues and earnings overall because of biennial ammonia production plant repairs and decreased prices as a result of the pandemic.

Synthetic Rubber Businesses

- Shipments of tires recovered in the second half of the year after plummeting in the first half because of the pandemic, and revenues and earnings decreased amid product market downturns.

Specialty Products Businesses

- Battery materials business sales decreased due to reduced volumes amid intensifying competition in the Chinese market and lower automotive demand due to the pandemic. We transferred the electrolytes business to an equity-method affiliate in the second half of the year.
- Polyimide business sales were up on steady volumes of COF films for displays and higher varnish volumes for organic electroluminescent panels owing to expanding demand.

Specialty products businesses earnings were up despite lower revenues, reflecting polyimide business contributions.

Pharmaceutical Businesses

- Royalty income from drugs developed by UBE were unchanged from a year earlier, revenues and earnings were down amid decreased shipments of these offerings and those manufactured under contract.

Chemicals segment revenues and earnings were down overall owing to lower volumes and prices because of the pandemic and other factors, as well as because of a biennial ammonia production plant repairs.

Construction Materials

Revenues **down** and earnings **up**

Fiscal Year	2018	2019	2020	Change from FY2019
	Billions of yen			
Sales	¥321.0	¥303.0	¥282.8	(6.7)%
Operating Profit	14.4	14.5	14.7	1.2%

- Sales of cement and ready-mixed concrete increased because of the absorption merger by a consolidated subsidiary of a non-consolidated subsidiary, offsetting the impacts of a public works downturn owing to the pandemic and construction suspensions, primarily by leading general contractors.
- Sales of calcia and magnesia were down from lower volumes for quicklime for steel and magnesia for steel and electric power.
- In the energy business, sales decreased because of declining coal volumes and prices.

Construction materials segment revenues were down while earnings were up. This was because the impacts of lower coal and other thermal energy prices and higher prices for surplus energy greatly offset the impacts of lower volumes for calcia, magnesia, and coal.

Machinery

Revenues and earnings **down**

Fiscal Year	2018	2019	2020	Change from FY2019
	Billions of yen			
Sales	¥97.2	¥90.7	¥78.7	(13.3)%
Operating Profit	5.4	4.9	2.8	(42.7)%

- Molding machine sales declined from lackluster automotive industry sales in an adverse operating climate.
- Industrial machinery sales were up amid robust sales of transportation equipment for electric power companies and the impact of chemical equipment operations that UBE took over.
- Steel products business sales were down because of lower volumes, which offset a recovery in unit prices from higher raw materials prices.

Machinery segment revenues and earnings decreased primarily because of sluggish molding machine sales.