

To Our Stakeholders

Stepping Up Business Structure Reforms and Making Necessary Forward Business Investments to Swiftly Materialize Our Vision for 2030

Overview of Fiscal 2022

Key Operating Climate Changes and Impacts

Operating Climate and Business Progress Highlights

The fiscal year under review was generally challenging for all of our businesses. The operating climate changed far more than we initially envisaged. Prime factors included soaring energy prices stemming from the conflict in Ukraine, significant hikes in raw materials, fuel, and logistics costs, and a semiconductor shortage that slowed an automobile production recovery. It was against this backdrop that the cement business incurred a significant loss amid surging prices of raw materials and coal and other fuels. This situation also greatly affected the basic chemicals business. Inventory adjustments from the

third quarter affected products for digital applications. In contrast, strong prevailing demand for biogas, particularly in Europe and the United States, caused gas separation membrane sales to skyrocket.

Progress with Medium-Term Management Plan: UBE Vision 2030 Transformation – 1st Stage

Steady Progress as a Corporate Group Centered on Specialty Chemicals

Focused Firmly on Vision for 2030

Notwithstanding diverse changes in the operating climate that have greatly affected our business,

we remain firmly focused on our Vision for 2030.

The operating climate has little affected the specialty businesses, which have grown steadily. Dramatic changes in that environment have heightened our awareness of the need to reaffirm the legitimacy of our long-term vision and goals and to step up business structure reforms.

We have retained our long-term quantitative targets. While we fell short of our goals in the first year of our medium-term management plan, we will endeavor to turn things around in fiscal 2023 so we can reach our goals in fiscal 2024, the final year of that initiative. On the environmental front, we will do our utmost to cut greenhouse gas (GHG) emissions through business structure reforms. These will include shutting key caprolactam manufacturing lines in fiscal 2024 and withdrawing from the ammonia business in fiscal 2030.

execute a clear business strategy that stock market players understand to boost our corporate value.

We aim to achieve sustainable growth through “Growth in Specialty Chemicals” and “Contribution to Global Environment.” We believe that we can improve our ROE and cut the cost of capital by performing well, such as by becoming more profitable and steadily lowering GHG emissions,

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President & Representative Director
CEO



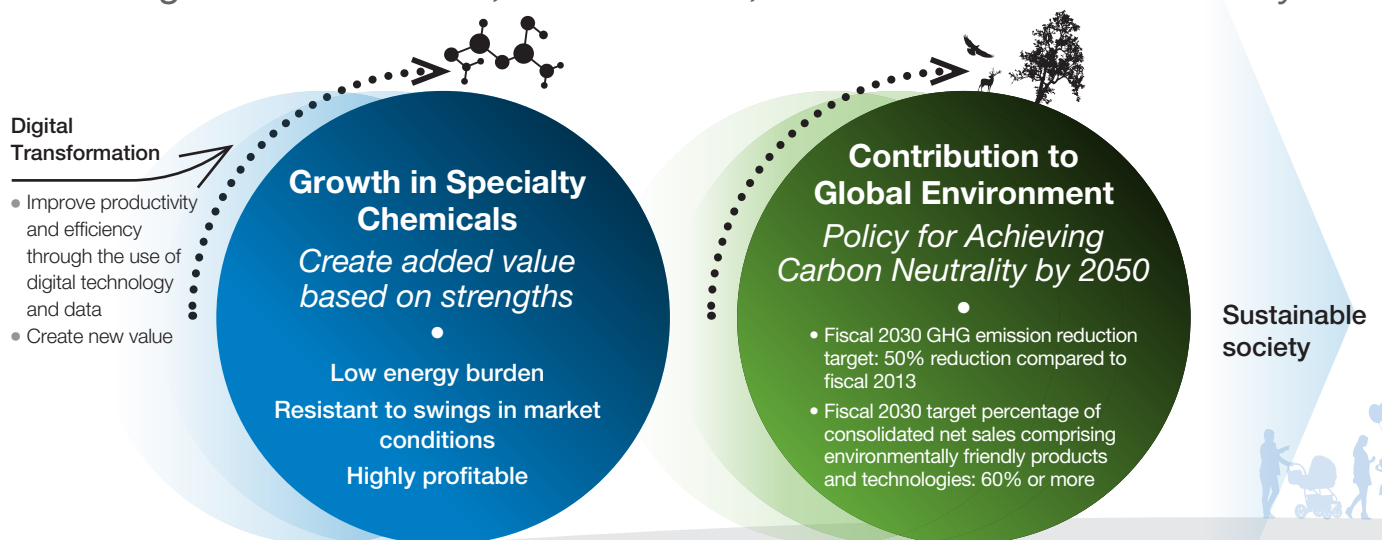
Restoring Our Price Book-Value Ratio

Our price book-value ratio at the end of fiscal 2022 was 0.55x. We are ashamed with this market assessment of our value. We are working to articulate and

UBE Group's business model

Vision for 2030 (Long-Term Vision)

A corporate group centered on specialty chemicals that contributes to the global environment, human health, and an enriched future society



Digital Transformation

- Improve productivity and efficiency through the use of digital technology and data
- Create new value

Growth in Specialty Chemicals
Create added value based on strengths

- Low energy burden
- Resistant to swings in market conditions
- Highly profitable

Contribution to Global Environment
Policy for Achieving Carbon Neutrality by 2050

- Fiscal 2030 GHG emission reduction target: 50% reduction compared to fiscal 2013
- Fiscal 2030 target percentage of consolidated net sales comprising environmentally friendly products and technologies: 60% or more

Sustainable society

Business foundation

Social:
Enhancing human capital, diversity, equity, and inclusion

Governance:
Effective group governance



1. Tyranno Fiber®
2. Separation membranes
3. Polyimide films
4. Polyimide films
5. Separators
6. PCD, PUD
7. Ceramics (silicon nitride)
8. Polyimide powder
9. Nylon

thus improving our equity spread. Management and employees will work as one to overcome this test of our ability to act for our vision.

Growth Strategy for Specialty Chemicals to Achieve Long-Term Vision

Making Necessary Forward Business Investments to Position Ourselves for Growth

Priority Measures for Specialty Chemicals Growth

In the specialty businesses, we are particularly keen to expand in polyimide and other functional chemicals. The ultraheat resistance of polyimide makes it ideal for such applications as chip-on-film (COF) applications for large displays. Other uses of polyimide include hollow fibers for gas separation membranes. We will focus on expanding our business for the polyimide chain overall.

Composites are also important to us, as they help lighten automobiles. These materials will be

vital as more vehicles are electrified. We will reinforce our global expansion to grow in that area.

We also seek to expand in fine chemicals and high-performance coatings by drawing on our C1 chemicals and other technologies. We are seeing particular growth in the market for high-performance coatings as environmentally friendly materials. Applications for starting material of high-performance coatings, dimethyl carbonate include lithium-ion battery (LiB) electrolytes. We will concentrate on cultivating these materials as core specialty chemicals.

Stepping up contract development and manufacturing organization (CDMO) operations in the pharmaceuticals business will also be important in building our specialty chemicals presence. There, we aim to cultivate our capabilities in nucleic acid and small molecule drugs. We will expand the pharmaceuticals business based on organic synthesis technologies cultivated over the years in the chemicals business and the knowledge of drug discovery research.

Investment Strategies for Specialty Chemicals Growth

The three years of the current medium-term management plan will encompass many growth investment projects to materialize our Vision for 2030.

For example, demand has risen faster than expected for CO₂ separation membranes for biomethane production and other gas separation membranes amid increasing concerns about the environment. This necessitates accelerated capital investments. We will keep making planned capital investments even in the currently challenging business climate with offerings for which demand should be robust in 2030. It is with that in mind that I would like to explain progress with key investments and plans for growth in specialty chemicals.

For polyimide, we look to complete work to upgrade production of raw materials and films from fiscal 2023. For gas separation membranes, which I mentioned a little earlier, we have already decided to ramp up capital investment significantly. We have decided to bolster the competitiveness of copolymer products, which are high-value-added nylon products, by transferring their manufacture from Japan to Thailand, where we will build new composite production facilities. In our business for high-performance coatings, for which demand is soaring in Asia, we are pushing ahead with construction to raise polycarbonate diol manufacturing in Thailand. Our new plant there should start full-capacity production in this fiscal year.

In the pharmaceuticals business, we acquired API Corporation from the Mitsubishi Chemical Group in December 2022. Our plant had limited production capacity. Incorporating the various technologies and production capabilities of API has vaulted our contract development and manufacturing organization business to a leading position in the Japanese market.

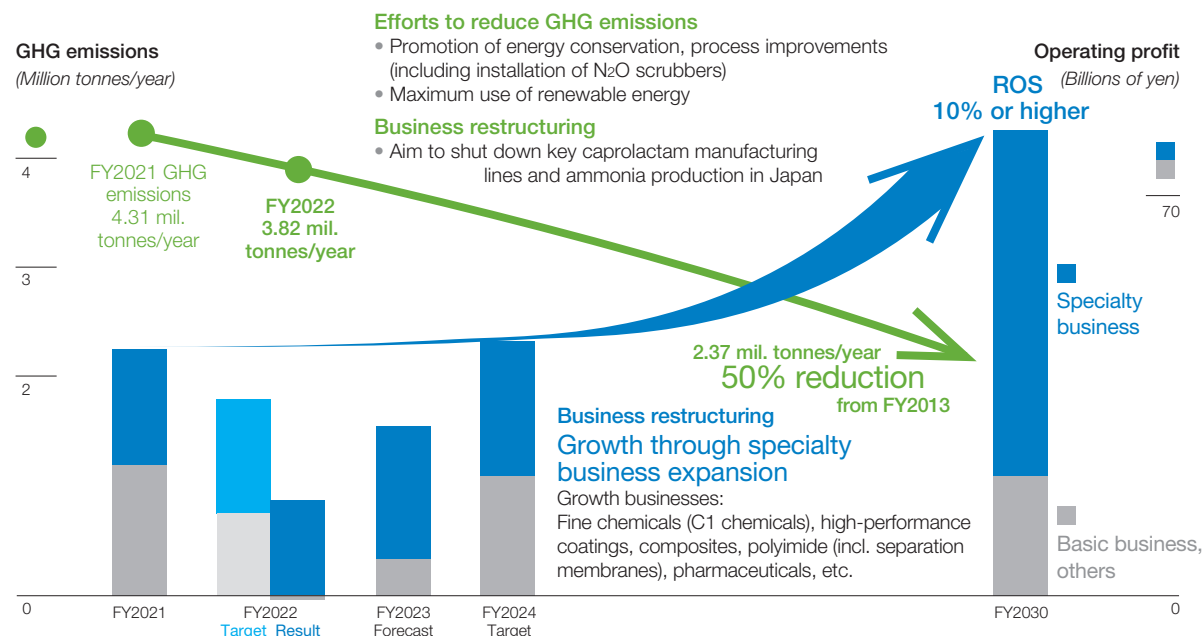
We are also looking into entering the dimethyl carbonate field in the United States and cultivating a high-performance coatings business there.



For example, delays in responding to carbon pricing and other changes in the operating climate would significantly affect performance. We will thus progress steadily with business structure reforms that we announced last year. These include withdrawing from the ammonia business in fiscal 2030 and shutting key caprolactam manufacturing lines in Japan in fiscal 2024. So, in view of the prevailing operating climate, including recent surges in energy prices, we will accelerate efforts to expand sales for environmentally friendly products while exploring the possibility of accelerating the implementation of these structural reforms.

Vision for 2030—Transformation

Transform its business structure through aggressive investment in specialty chemicals to achieve both GHG emission reductions and business growth.



Helping Resolve Environmental Issues Advance Action Vital to Sustainably Enhance Corporate Value

Expanding by Integrating “Growth in Specialty Chemicals” and “Contribution to Global Environment”

We have emphasized the importance of accelerating business restructuring and stepping up vital business investments. The same approach applies to tackling environmental issues.

Digital Transformation Initiatives

Creating Value through Digital Transformation to Create New Business Models

Investing a Total of ¥20 billion in Digital Transformation by 2030

We have done much to respond to accelerating moves to digitize business processes since we established the DX Promotion Office in April 2022. We have already decided to bring forward our deployment of the SAP S/4 HANA enterprise resource planning system. Starting with these

and other investments, we plan to invest approximately ¥20 billion in adopting digital business processes by 2030, including for the above system and excluding maintenance investments in information infrastructure. Digital processes empower employees to focus on essential tasks, eventually leading to a business model that generates new enterprise value. We will leverage digital transformation to drive growth in specialty chemicals to streamline operations, stabilize production, and maintain and enhance quality. We will also take advantage of it to enable flexible work practices and cultivate an innovative corporate culture.

Enhance and Strengthen Human Capital

Embrace DE&I and Create an Innovative Corporate Culture

Progress with DE&I

An innovative business culture extending to all of our workplaces will be vital for us to expand as a specialty chemicals company. Gender equality is the most important element of pursuing diversity, equity, and inclusion (DE&I) to reach that goal.

Our efforts to increase the proportion of female employees in career-track positions has boosted the number of women in management positions. We have been able to hire and train highly talented women. We are confident that we will reach our targets of 15% female employees and 6% female managers by the end of our medium-term management plan.

Also, I believe that UBE will benefit greatly from the expertise of those who have worked elsewhere. We accordingly plan to increase the ratio of mid-career hires to more than 50%. We also look to recruit some people with foreign nationalities each year. Securing diverse perspectives through that approach will better equip us to tackle changes in the operating climate.

Respecting Human Rights

It goes without saying that we cannot fulfill our corporate social responsibilities without making efforts to respect human rights. UBE is a signatory to the United Nations Global Compact. We are also a signatory to the My Declaration of Human Rights Project of Japan's Ministry of Justice. As well as undertaking human rights due diligence, we

emphasize human rights initiatives across our supply chain from the perspective of sustainable procurement. We conduct regular surveys and monitor the human rights practices of key business partners.

Making Safety Our Top Priority

As a manufacturer, we have committed ourselves to making products safely and reliably while caring for the environment. Because the chemicals industry operates facilities at high temperatures and pressures, major accidents could greatly harm employees and communities. We will ensure the safety of these stakeholders while doing our utmost to prevent accidents.

Corporate Governance

Making Materiality a Prime Priority for Substantive, In-Depth Board Deliberations

Board of Directors' Activities

Our four materialities of growth in specialty chemicals, addressing global environmental issues, hiring and development of human resources, and strengthening the management platform (corporate governance and digital transformation) are the prime focuses of Board of Directors' deliberations.

Having added a female director and appointed another outside director since fiscal 2022, we have delegated as much authority as possible to executives, making the Board structure more conducive to discussions about materiality. The Board has deliberated extensively about the suitability and agility of growth strategies for the specialty businesses in light of explanations from executives.

To ensure that the Board of Directors properly fulfills its role, we created a forum for outside directors to gather and a joint training forum for executive officers and outside directors.

Machinery and Cement-Related Business Governance

As a holding company, we help UBE Machinery Corporation, Ltd., and Mitsubishi UBE Cement Corporation operate autonomously. In our capacity as their parent company, we exercise Group governance by convening Holdings Meetings.

Mitsubishi UBE Cement aims to become an

industry leader, so it needs to establish an autonomous governance structure. It has independent members on its Board of Directors and has structured itself like a listed company. Starting in fiscal 2023, Mitsubishi UBE Cement has formulated a medium-term management plan. While the Japanese cement industry generally faces challenging conditions, Mitsubishi UBE Cement looks to turn around and return to profitability in fiscal 2023. It will do so by progressing in shifting prices along the value chain, restructuring production systems, and deploying technologies to tap low-cost coal. In its plan, Mitsubishi UBE Cement has set a target of reducing CO₂ emissions by 40% compared to 2013 by 2030. We will keep participating in discussions on ways to achieve growth at that company, monitoring and supporting its efforts to tackle environmental issues.

Shareholder Returns

Allocating Cash to Stable Dividends and Investing Extensively in Growth

Shareholder Return Policy

We have retained our basic policy of stable dividends and investing extensively in growth. We seek to improve shareholder returns. Key targets are a dividend on equity (DOE) of 2.5% or more and a consolidated total return ratio of 30% or higher during our current medium-term management. Although earnings dipped in fiscal 2022, our dividends were unchanged in keeping with our DOE goal. At the same time, forward investments in specialty chemicals expansion are increasingly important. We will accordingly seek stakeholder understanding in allocating cash between stable dividends and extensive growth investments.

Message to Stakeholders

Materializing Vision for 2030 as Swiftly as Possible

In fiscal 2022, the first year of our current medium-term management plan, our results were



significantly below initial targets in an extremely challenging business climate. To reach our goals for fiscal 2024, the final year of this plan, we will set about achieving a solid recovery in fiscal 2023.

At the same time, in view of the current conditions I think that we should accelerate business structure reform efforts to materialize our Vision for 2030. We have long been adept at tackling change by recalibrating our business structure. By relentlessly pursuing structural reforms and investing in growth, we will reinforce our position to achieve Vision for 2030 as soon as possible.

I look forward to your ongoing support and encouragement for our efforts.

July 2023

Masato Izumihara
President & Representative Director
CEO