Message from the CFO

We will keep UBE financially sound while enhancing corporate value by steadily investing to expand specialty businesses offering high earnings stability and growth potential and contributing solidly to a better environment.

Hirotaka Ishikawa
Director, Executive Officer
CFO

Basic Financial Policies

Under our current medium-term management plan, we will invest heavily to grow our specialty businesses. We will also accelerate investments as needed. Expansion in these businesses should enable us to generate more cash. At the same time, we will stay financially sound by controlling debt so it is commensurate with our current cash-generating capacity and shareholders' equity.

We will serve investors by carefully explaining our Vision for 2030 measures and progress so they can better understand our growth potential.

Overview of Operating and Financial Performances in Fiscal 2022

Fiscal 2022 earnings were far lower than we projected initially. This was due to surging raw materials and fuel prices, automobile production cuts, and dropping demand in the Chinese market. It is particularly noteworthy that equity-method affiliate Mitsubishi UBE Cement Corporation incurred a large operating loss owing to a hike in coal prices and an extraordinary loss from restructuring expenses. It thus posted its first ordinary loss since fiscal 1993.

Our ROS and ROE were 3.3% and (1.9)%, respectively. These numbers were much less than initial forecasts. On the upside, financial strength indicators were solid. Our debt/equity ratio improved to 0.60 times, while the shareholders' equity ratio rose to a sound 49.4%. These gains were due largely to a transfer of assets and liabilities to Mitsubishi UBE Cement.

Fiscal 2023 Forecasts

Under our current medium-term management plan, we target an operating profit of ¥40 billion, ordinary profit of ¥47 billion, and ROS and ROE of 8% for fiscal 2024, the final year of that initiative. While our numbers in fiscal 2022 were much lower than we sought, we anticipate recoveries in fiscal 2023 performance of Polymers & Chemicals on demand recoveries, and somewhat lower raw materials and fuel prices. We also look for Mitsubishi UBE Cement to regain profitability in the fiscal year. Our forecasts for fiscal 2023 are therefore for operating profit of ¥30 billion, ordinary profit of ¥38.5 billion, ROS of 5.5%, and ROE of 7.4%.

Numerical Targets and Progress under Medium-Term Management Plan

		2022		2023		2024 (FY)
		Targets	Results	Targets	Forecasts	Targets
Key Figures (Billions of yen)	Net sales	¥510.0	**¥494.7**	¥520.0	¥545.0	¥520.0
	Operating profit	34.5	**16.3**	41.0	30.0	40.0
	Ordinary profit (loss)	31.0	**(8.7)**	45.0	38.5	47.0
	Profit (loss) attributable to owners of parent	21.0	**(7.0)**	32.0	27.5	33.0
Key Indicators	ROS	6.8%	**3.3%**	7.9%	5.5%	8%
	ROE	5.6%	**(1.9)%**	8.2%	7.4%	8%

These results should position us well to attain our goals in fiscal 2024.

Enhancing Corporate Value

As of March 31, 2023, our price book-value ratio*1 was a lackluster 0.55x. We will endeavor to eliminate this discount by tackling our four materialities*2 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).

We will drive growth, centered on specialty businesses by broadening our earnings scale to enhance our ROE. Increasing the proportion of specialty businesses should also cut equity costs, as those operations are less vulnerable to economic swings.

We will tackle environmental issues by halting production at our ammonia plant and scaling back domestic caprolactam production, thereby lowering GHG emissions. We think that this will reduce the cost of shareholders' equity by reducing uncertainty (performance volatility) together with the improvement of our ESG evalution. We will additionally boost the ratio of environmentally friendly products and technologies. These areas should enjoy profitable growth as environmental concerns increase, thus boosting our growth rates over the medium through long terms.

We will accordingly strive to improve variables of corporate value, notably our ROE, our equity cost, and our growth rate. We will thus undertake initiatives combining growth centered on specialty businesses and efforts to address environmental issues. We will have to enhance human capital and strengthen our business foundations to those ends. We are thus prioritizing DE&I and digital transformation.

**1 Price book-value ratio = ROE x Price-to-earnings ratio*
= ROE x 1 / (Equity cost - Expected growth rate)
**2 Please see pages 18–19 for details. Materiality*

Cash Allocation

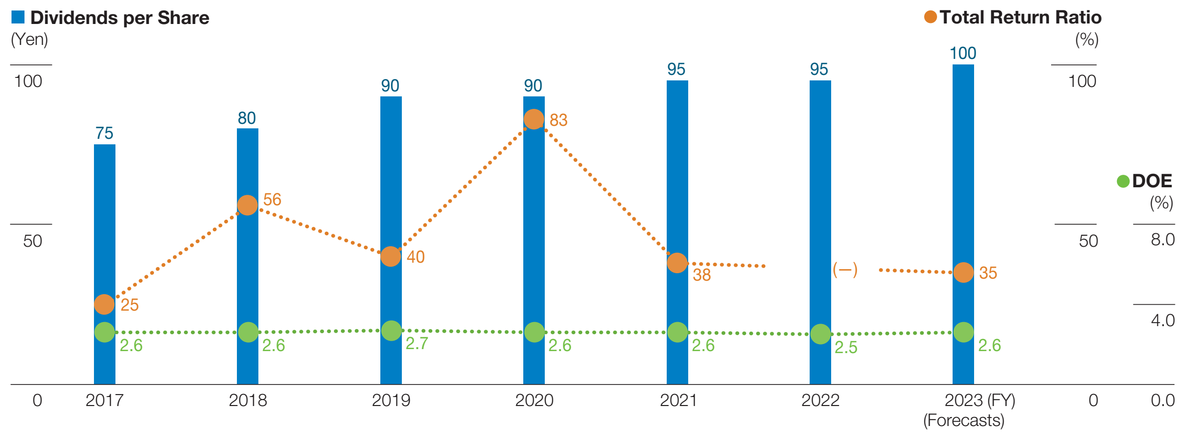
We project cash available for distribution over the three years of our current medium-term management plan at ¥250 billion. This would comprise ¥145 billion in operating cash flow, ¥15 billion from sales of assets and other sources, ¥55 billion from debt financing, and ¥35 billion from cash. At the same time, we assume cumulative cash outflows of ¥160 billion for investments, ¥32 billion for R&D, and ¥29 billion for shareholder returns.*3

We have lifted investments ¥30 billion from an initial target of ¥130 billion. We have embarked on investments in specialty businesses, such as to upgrade polyimide film and the separation membrane plants. At the same time, we expect operating cash flow to decrease ¥37 billion. To overcome that, we are undertaking ¥55 billion in debt financing, compared with an initially planned repayment of ¥12 billion.

Our basic policy on shareholder returns is to maintain stable dividends, with a consolidated total return ratio of at least 30% and a DOE ratio of at least 2.5%. While we incurred a loss attributable to owners of parent in fiscal 2022, we decided to uphold dividends at the previous year's level in view of a solid DOE ratio.

We aim to further enhance future shareholder returns by investing heavily in growth during the current medium-term management plan.

**3 Please see pages 22–23 for details on cash allocation. Progress under UBE Vision 2030 Transformation —1st Stage, Our Medium-Term Management Plan*



Note: Total return ratio was calculated to reflect the effects of the stock purchases of ¥10 billion in fiscal 2018, and ¥10 billion in fiscal 2020 (implemented in fiscal 2021).