UBE Corporation

2023 Management Overview Briefing

May 23, 2023

Event Summary

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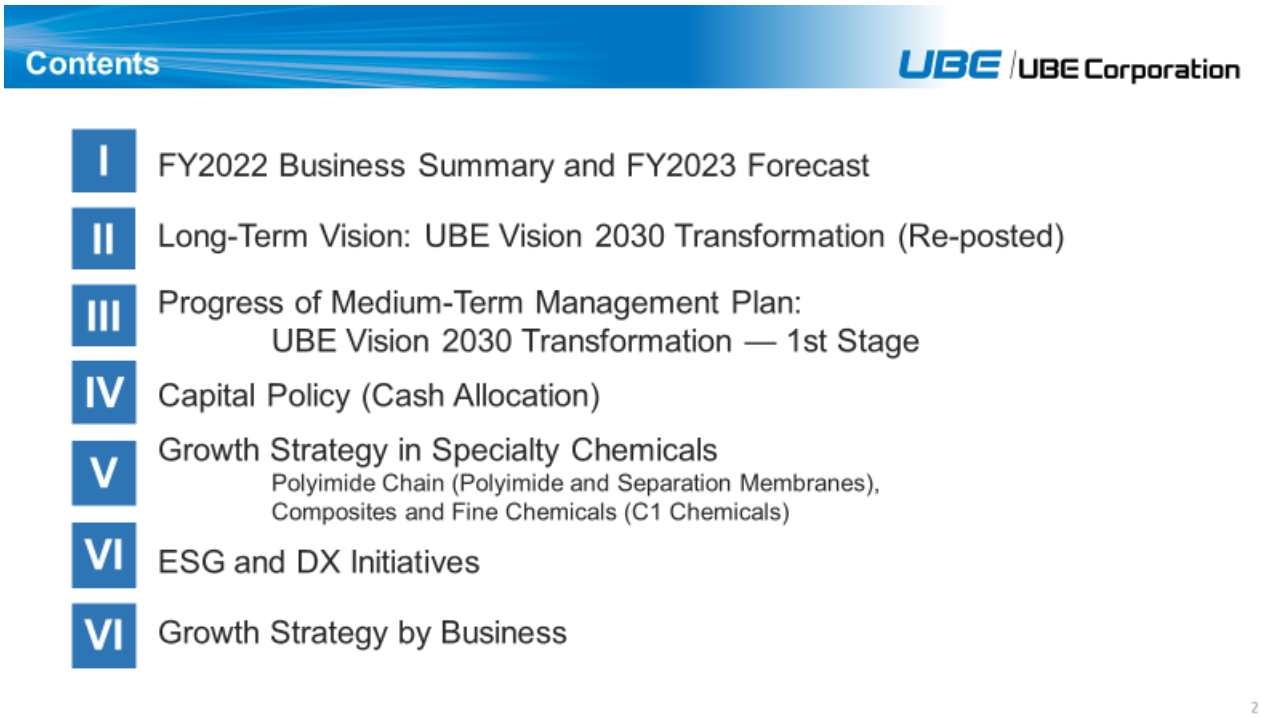
[Number of Speakers]	2 Masato Izumihara — President and Representative Director, CEO Hirotaka Ishikawa — Executive Officer, CFO

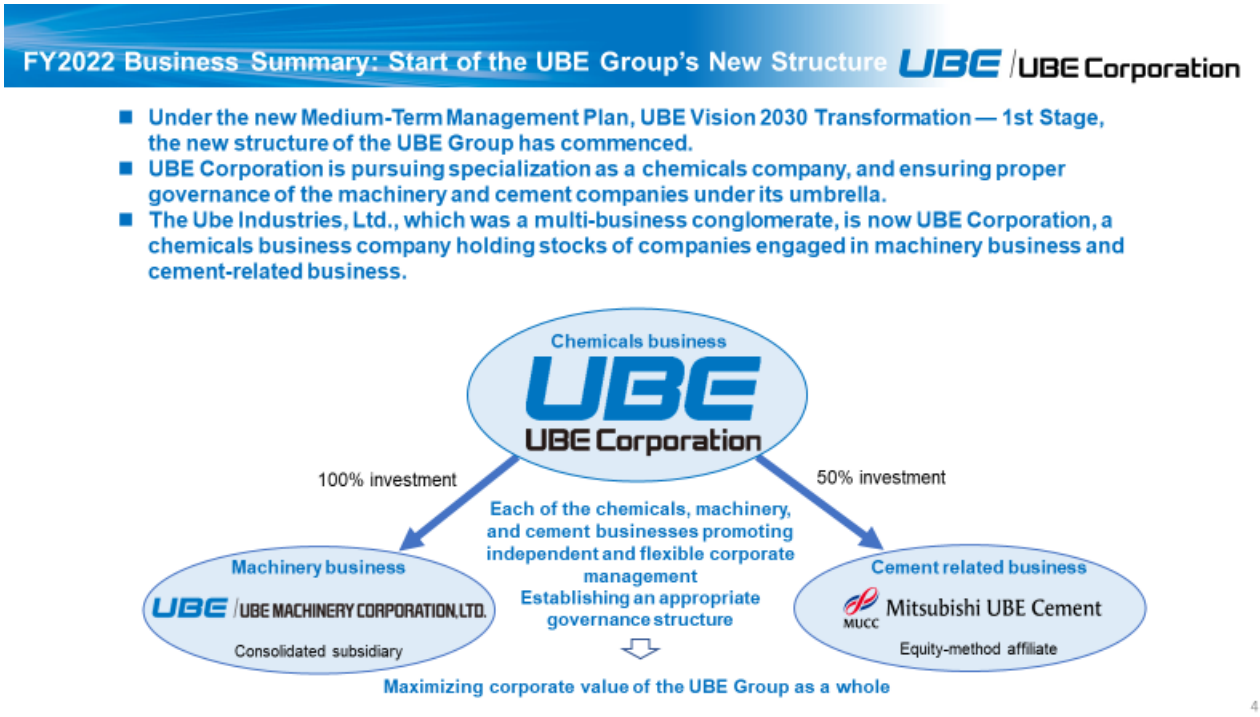
Presentation

Izumihara: Good morning, everyone. Thank you very much for taking time out of your busy schedules and joining us despite the bad weather. And many have been participating via the web.

I would like to begin the briefing on the management overview of UBE for FY2023. I would appreciate if you could look at the documents during my presentation.



This is the content of today's presentation. I will explain in this order.

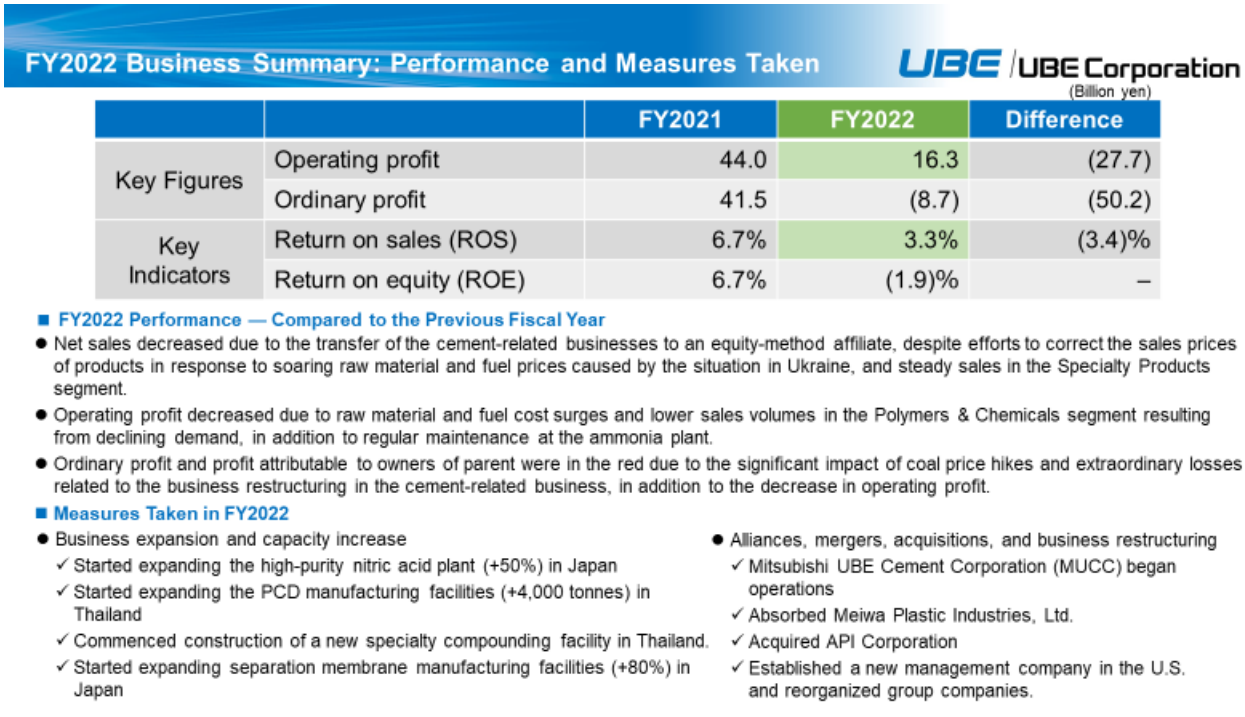


First of all, I will explain FY2022 summary and FY2023 forecast. As you can see on the slide, we have formulated a new medium-term management plan, which we call UBE Vision 2030 Transformation – 1st Stage, and started a new administration in April last year.

As you are all aware, we have completely transferred our cement-related business to the integrated company with Mitsubishi Materials Corporation. The machinery business has already become a wholly owned subsidiary due to differences in business characteristics. As a result, the remaining main body of the Company will be a chemical business company. The chemical, machinery, and cement businesses will promote autonomous and flexible corporate managements as independent corporations.

We, as a chemical business company will promote specialization. Moreover, as a shareholder, the Company will also fulfill appropriate governance of the machinery and cement companies. In this way, we will maximize the value of the Group as a whole. We have moved to a new group structure.

A complex business company, UBE Industries changed into a chemical business holding company, so to speak, and we have changed our company name to UBE Corporation as well. However, in its first year of operations, the Company faced a very difficult business environment.



This slide summarizes our performance and measures for FY2022. As you can see in the main items and management indicator, operating income decreased by JPY27.7 billion to JPY16.3 billion. Ordinary income was minus JPY8.7 billion.

As you can see in the second black circle in the FY2022 results, operating income was affected by higher raw material and fuel prices and a decline in sales volume due to lower demand in the Polymers & Chemicals segment, as well as the scheduled biennial maintenance of ammonia factory. Due to these factors, operating income decreased.

Ordinary income and, although the figures are not shown here, net income attributable to shareholders of the parent company decreased due to the decline in operating income and the sharp rise in coal prices for the cement-related business. Coal prices had been stable at less than USD100 in the past, but exceeded USD400 in FY2022.

In addition, we have decided to close the Aomori Plant and shut down the Isa Cement Factory's first kiln in order to establish an optimal production system as one of the structural reforms. Mitsubishi UBE Cement recognized extraordinary losses in relation to these shutdowns. This was one of the reasons why Mitsubishi UBE Cement Corporation, an equity-method affiliate, posted a large loss, and our ordinary income, which included that loss as equity in earnings, also fell into the red, as did net income for the period.

The specialty business was able to maintain profitability comparatively well, but the basic business in the Polymers & Chemicals segment and the cement business are still affected by market conditions and cost increases, and I think we have not fully escaped from this structure.

Despite these difficult circumstances, we have steadily implemented measures for growth and business structure reform.

We have summarized measures regarding business expansion and capacity expansion there. The point we would like you to look at especially is the bottom part. Due to the rapid growth in demand for biogas applications, we have begun expansion of our separation membrane production facilities. We have made our decision ahead of schedule.

We have listed several measures from the perspective of alliances and M&A, especially the third one. I think one thing worth mentioning is the expansion of the CDMO business through the acquisition of API Corporation.

FY2023 Earnings Forecast: Key Figures

UBE / UBE Corporation

■ Expecting increased revenues and profits due to the recovery of demand, and a certain decline in raw material and fuel prices, primarily in the Polymers and Chemicals segment. A significant improvement in equity method gain/loss is anticipated with improved performance of Mitsubishi UBE Cement Corporation.

(Billion yen)

Item	FY2022	FY2023	Difference
Net sales	494.7	545.0	50.3
Operating profit	16.3	30.0	13.7
Ordinary profit	(8.7)	38.5	47.2
Profit attributable to owners of parent	(7.0)	27.5	34.5
Interest-bearing liabilities	218.1	248.0	29.9
Shareholders' equity	361.6	378.0	16.4
Return on equity (ROE)	(1.9)%	7.4%	9.3%
D/E ratio	0.60 times	0.66 times	0.06 times
✓ FY2023 assumptions (business factors): Exchange rate at ¥130.0/USD Naphtha at US$740.0/tonne (CIF) Australian coal at US$224.0/tonne (CIF)			
Reference			
Equity method investment profit in the Mitsubishi UBE Cement Group	(24.6)	8.0	32.6

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So, this is how we see the performance in FY2023. As you can see on this slide, net sales are JPY545 billion, an increase of more than 10% from the previous year. Operating income is JPY30 billion. Since it fell to JPY16.3 billion in FY2022, this means a large increase in profit.

We expect demand to recover, albeit gradually, especially in the second half of the fiscal year, mainly in the Polymers & Chemicals segment. And with raw material and fuel prices having stabilized to a certain degree, we expect an increase in sales and profit.

We also expect a significant improvement in the performance of Mitsubishi UBE Cement Corporation, which had a significant impact on ordinary income and below in FY2022. The correction of cement prices since last year, the optimization of the production system as explained earlier, and energy cost reduction measures such as the use of inexpensive coal will be reflected in results in FY2023.

As shown for reference at the bottom of this slide, equity in earnings and losses of affiliates of the Mitsubishi UBE Cement Group was negative JPY24.6 billion in FY2022, but will be turned profitable in FY2023, amounting to JPY8 billion, an increase by JPY32.6 billion here in fact.

As a result, the Company's ordinary income is JPY38.5 billion, and net income attributable to shareholders of the parent company is also expected to improve significantly to JPY27.5 billion. The degree of recovery is increasing in response to the decline in FY2022.

FY2023 Earnings Forecast: Net Sales and Operating Profit by Segment

UBE / UBE Corporation

■ Expecting increased profits in the Specialty Products segment and the Polymers and Chemicals segment, with the former continuing its strong performance, especially in separation membranes, and the latter due to demand recovery and a certain decline in raw material and fuel prices

(Billion yen)

Segment	Net sales			Operating profit		
	FY2022	FY2023	Difference	FY2022	FY2023	Difference
Specialty Products	62.2	71.5	9.3	10.5	12.5	2.0
Polymers & Chemicals	293.4	313.0	19.6	2.4	12.0	9.6
Machinery	96.9	108.5	11.6	5.2	6.0	0.8
Others	73.1	88.5	15.4	2.6	3.5	0.9
Adjustment*	(30.8)	(36.5)	(5.7)	(4.5)	(4.0)	0.5
Total	494.7	545.0	50.3	16.3	30.0	13.7

*Adjustment includes elimination of inter-segment transactions.

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This slide shows our forecast for FY2023, looking at sales and operating income by segment.

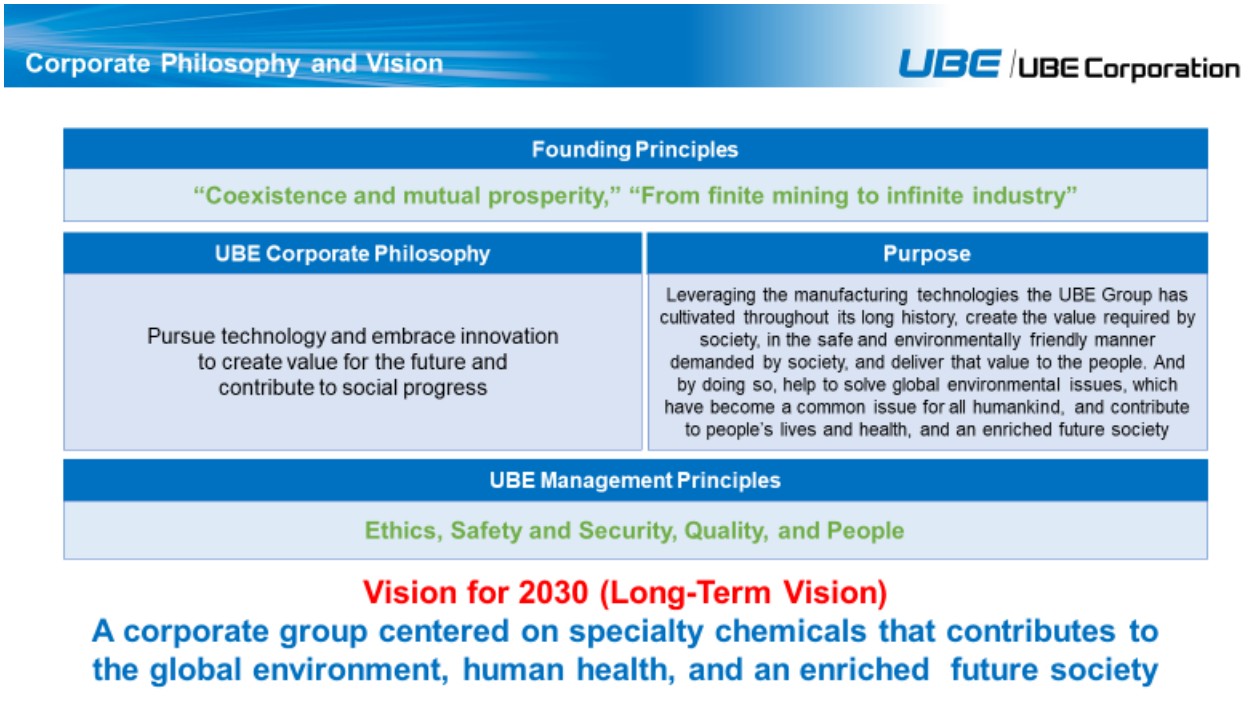
As you can see, we expect both net sales and operating income to increase in each segment, with a particularly strong recovery in profits from the Polymers & Chemicals. This is due to increased profits from businesses such as caprolactam, nylon polymers, and high-performance coatings.

In the Specialty Products segment, the separation membrane business, which performed well in FY2022, will continue to do well. We are also seeing a recovery in the separator business, which had suffered a drop in profits due to stagnant automobile production.

In the machinery business, we secured a certain amount of profit, JPY5.2 billion from molding machines, etc., in FY2022, and we expect further improvement in profit in FY2023, mainly from molding machines.

Other segment included improvement in the pharmaceutical business.

We expect the business environment and conditions to remain difficult during the first half of the FY2023, but there are signs of a gradual recovery, and we will do our utmost to achieve the plan.

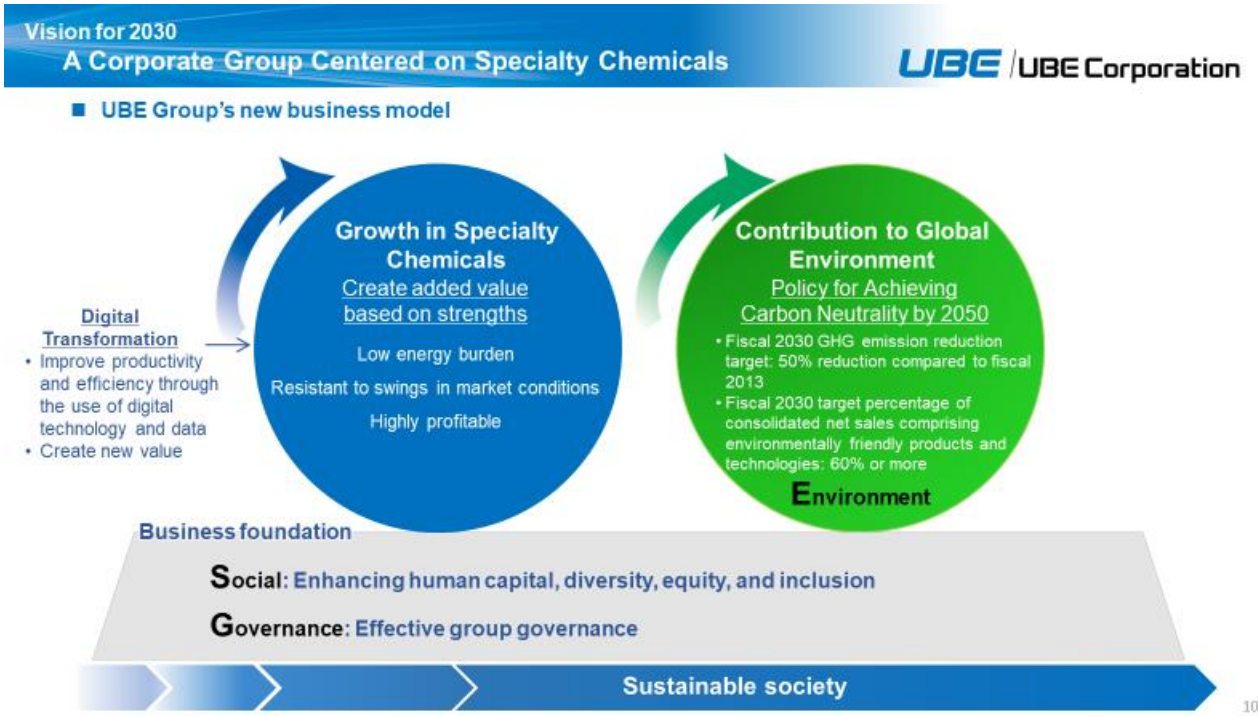


I have already explained the long-term vision last year, but I would like to reiterate just a few key points for your understanding.

It is this long-term vision that is the premise for the current footprint of the medium-term plan. We have been discussing our long-term vision of what we should be and what we aim to be in 2030, which in many ways will be a milestone of the times, as the basic premise of this medium-term management plan. In doing so, we would like to share with you our founding spirit, management philosophy, and management policies. We have been discussing what we should aim for in 2030, going back to our company's purpose or the meaning of existence which has recently been referred to as purpose management.

This time, we have defined our long-term vision as a corporate group centered on specialty chemicals that contributes to the global environment, human health, and an enriched future society.

We had been discussing about this in the past as well, as a conventional complex company that includes both cement and machinery., but I believe that this is a clearer vision of what UBE is aiming for as a chemical business holding company.



We have defined our vision for 2030 as a corporate group with specialty chemicals at its core, and I would like to explain why we are aiming for it.

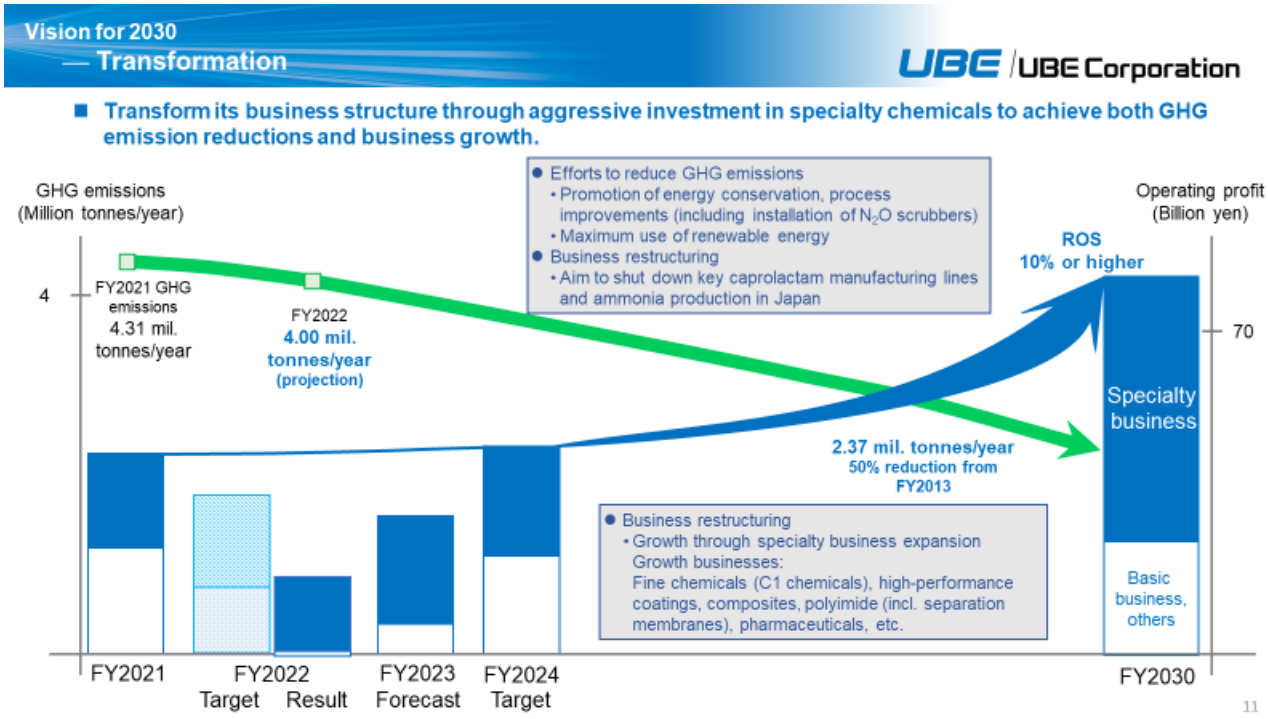
Considering the recent increase in global environmental awareness and future conditions regarding energy, we believe that energy-intensive or fossil resource-intensive and commodity businesses in which cost competition is intense will not be viable in Japan in the future. Japan's chemical industry, more or less, is forced to shift their focus to specialties. I think it is obviously true considering our company's scale of operations.

Therefore, this blue circle in the figure. In terms of growth in specialty chemicals, we will create added value based on our unique strengths. Then shift to highly profitable specialties with low energy load and less susceptible to market fluctuations. This is our growth strategy, and shifting to the specialty businesses with low energy consumption will also contribute to the global environment, which is stated in the green circle.

We have already declared our commitment to be carbon neutral by 2050, and as an intermediate step, we will reduce our GHG emissions by 50% by 2030. The Company has also announced its goal to have sales of environmentally friendly products and technologies account for at least 60% of the total sales.

These products that contribute to the environment are mostly specialty businesses, so expanding our business by introducing these products to the world will also lead to the growth of our specialty chemicals. The blue circle and the green circle are linked like the two wheels of a car, and they form a unified growth strategy.

And the foundation supporting both wheels is the so-called S and G of ESG management. The E will also work in tandem with the growth strategy. S and G, human capital and group governance are the foundations that support these two wheels, and we will continue to strengthen these foundations. While DX initiatives are positioned to further accelerate the rotation of these two wheels. This will be our new business model.



Now, this figure symbolically shows how we will change and transform toward this goal by 2030.

This green arrow, which is down on the right, shows the amount of GHG emissions. As I mentioned earlier, we will reduce it by half by the year 2030. As shown in the square above, we will of course continue to make steady efforts to promote energy saving, maximize the use of renewable energy, etc., but this alone will not significantly reduce GHG emissions. I still believe that we need to reform our business structure, such as by downsizing businesses that have a large energy load.

Therefore, we aim to halt the operation of major caprolactam equipment in Japan by FY2024. We also made it clear last year that we aim to cease production of ammonia by FY2030. At this point in time, I have a feeling that it may be necessary to further advance these plans in ahead of schedule.

This is how we are trying to reduce GHG. The blue arrow indicates growth in operating income. We plan for the specialty business to cover shrinking businesses and increase total profits. As you can see in the bar graph for FY2030, we will achieve an operating income of more than JPY70 billion, and 70% of the profits will be earned from the specialty business. And for ROS, we aim for 10% or more even in tough business environment. This is the kind of view we hope to achieve.

The items in the specialty business, which will increase total profit, is shown in the square below. The specialty business is leading growth, specifically fine chemicals, mainly C1 chemicals, high-performance coatings, composites, polyimide, including separation membranes, and the pharmaceutical business.

Medium-Term Management Plan: Progress of Numerical Targets

UBE / UBE Corporation

- Aiming to achieve our FY2024 plan by growing specialty businesses such as polyimide and separation membranes, and improving the profitability of basic businesses, despite the current challenging economic environment

Key Figures

(Billion yen)

Item	FY2022		FY2023		FY2024
	Targets	Results	Targets	Forecast	Targets
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	31.0	(8.7)	45.0	38.5	47.0
Profit attributable to owners of parent	21.0	(7.0)	32.0	27.5	33.0
Key Indicators					
Return on sales (ROS)	6.8%	3.3%	7.9%	5.5%	8%
Return on equity (ROE)	5.6%	(1.9)%	8.2%	7.4%	8%

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Now I would like to explain the progress of the medium-term plan, which is a three-year action plan back-cast from the long-term vision I have just explained.

As for the progress of the numerical plan of the mid-term management plan, this chart shows how different the actual results for FY2022 and the forecast for FY2023 from the original plan.

As you can see, the actual results for FY2022 have largely fallen short of the plan. And the forecast for FY2023, while an improvement from the previous year, still does not reach the original plan.

On the far right are the targets for the final year of the medium-term plan, FY2024. Since we have not changed this, we would like to lead to the planned figures for FY2024 by firmly recovering our business performance in FY2023. Operating income is projected to be JPY30 billion in FY2023, but aims at JPY40 billion in FY2024. In terms of net income, we project JPY27.5 billion in FY2023 and JPY33 billion in FY2024. Moreover, in terms of ROE, from 7.4% to 8%. We will continue to work toward these final targets for FY2024.

Net Sales and Operating Profit: Progress by Segment

UBE / UBE Corporation

(Billion yen)

Segment	Net sales					Operating profit				
	FY2022		FY2023		FY2024	FY2022		FY2023		FY2024
	Targets	Results	Targets	Forecast	Targets	Targets	Results	Targets	Forecast	Targets
Specialty Products	69.0	62.2	70.0	71.5	75.0	13.0	10.5	12.5	12.5	13.0
Polymers & Chemicals	302.0	293.4	320.0	313.0	316.0	18.5	2.4	24.0	12.0	22.0
Machinery	106.0	96.9	98.0	108.5	100.0	5.0	5.2	5.5	6.0	6.0
Others	60.0	73.1	57.0	88.5	54.0	2.5	2.6	3.5	3.5	4.0
Adjustment *	(27.0)	(30.8)	(25.0)	(36.5)	(25.0)	(4.5)	(4.5)	(4.5)	(4.0)	(5.0)
Total	510.0	494.7	520.0	545.0	520.0	34.5	16.3	41.0	30.0	40.0

*Adjustment includes elimination of inter-segment transactions.

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This is the data on the progress of sales and operating income by segment.

In FY2022 and FY2023, the deviation of the Polymers & Chemicals segment between the original figures and current figures is large. We have to make another recovery in order to achieve the plan for FY2024.

On the other hand, although the Specialty Products is behind the plan for FY2022, it is showing growth that can be connected to FY2024. Furthermore, in the machinery business, we have already reached the level of the planned figure.

Net Sales and Operating Profit: Progress by Portfolio Segmentation

UBE / UBE Corporation

■ **Steady growth in specialty businesses such as polyimide and separation membranes; basic businesses underperformed significantly in FY2022 and are expected to deviate from targets in FY2023**

(Billion yen)

Business portfolio	Net sales					Operating profit				
	FY2022		FY2023		FY2024	FY2022		FY2023		FY2024
	*1 Targets	Results	*1 Targets	Forecast	*1 Targets	*1 Targets	Results	*1 Targets	Forecast	*1 Targets
Specialty	143.5	138.2	149.0	165.0	162.0	23.5	18.3	24.5	20.0	24.0
Basic	238.5	236.9	252.0	252.0	240.0	11.0	(3.2)	16.5	7.0	15.5
Machinery	106.0	96.9	98.0	108.5	100.0	5.0	5.2	5.5	6.0	6.0
Others*2 (incl. adjustment)	22.0	22.8	21.0	19.5	18.0	(5.0)	(4.0)	(5.5)	(3.0)	(5.5)
Total	510.0	494.7	520.0	545.0	520.0	34.5	16.3	41.0	30.0	40.0

*1 The targets announced in May 2022 have been reset by allocating adjustments for internal transactions to each portfolio.
*2 Adjustment includes elimination of inter-segment transactions.

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The table below shows the progress of sales and operating income by portfolio. In the current medium-term business plan, we have broadly divided our chemical business portfolio into the specialty business and the basic business. Specialty businesses are behind the plan. However, they are growing steadily. On the other hand, in FY2022 and FY2023, actual results and forecasts have deviated significantly from the planned figures, so we are working on how to recover to the FY2024 target in the basic business. As you can see on the materials, in order to reach our targets for the final year of FY2024, the key to success will be whether or not the Polymers & Chemicals in terms of segment, and the basic business in terms of portfolio can return to the performance level assumed in the plan. Even if we do not achieve the targets, the key will be how much we can cover in the Specialty Products segment or the specialty business as a whole.

We recognize that the business environment surrounding the basic business has become more severe than when the plan was formulated, due in part to the expanding presence of Chinese manufacturers. Specific measures include optimization of the global production system, for example, for nylon polymers, downsizing unprofitable basic businesses ahead of schedule, or specialization of basic business like higher value-added through increased production of large ammonium sulfate grains.

We will thoroughly implement measures to improve profitability that can be done by self-efforts. At the same time, we will increase profits through the specialty business such as separation membrane, and composites, and license revenues from C1 chemical. We would like to achieve our goal for FY2024 in total.

Reference: Business Portfolio

UBE / UBE Corporation

Business Portfolio Segmentation	Businesses
Specialty business Aim for further growth and expansion in **business that can create added value and achieve high profitability based on the Group's core technologies and strengths in the value chain**	Polyimide, separation membranes, ceramics, semiconductor gases, separators, composites, fine chemicals (C1 chemicals), high-performance coatings, pharmaceuticals, phenolic resin
Basic business Aim to steadily improve and add to profits	Nylon polymers, caprolactam, ammonium sulfate, industrial chemicals, elastomers, polyethylene films, processed resin products

Others: Sales companies outside Japan, logistics and analytical services, real estate business, machinery, etc.

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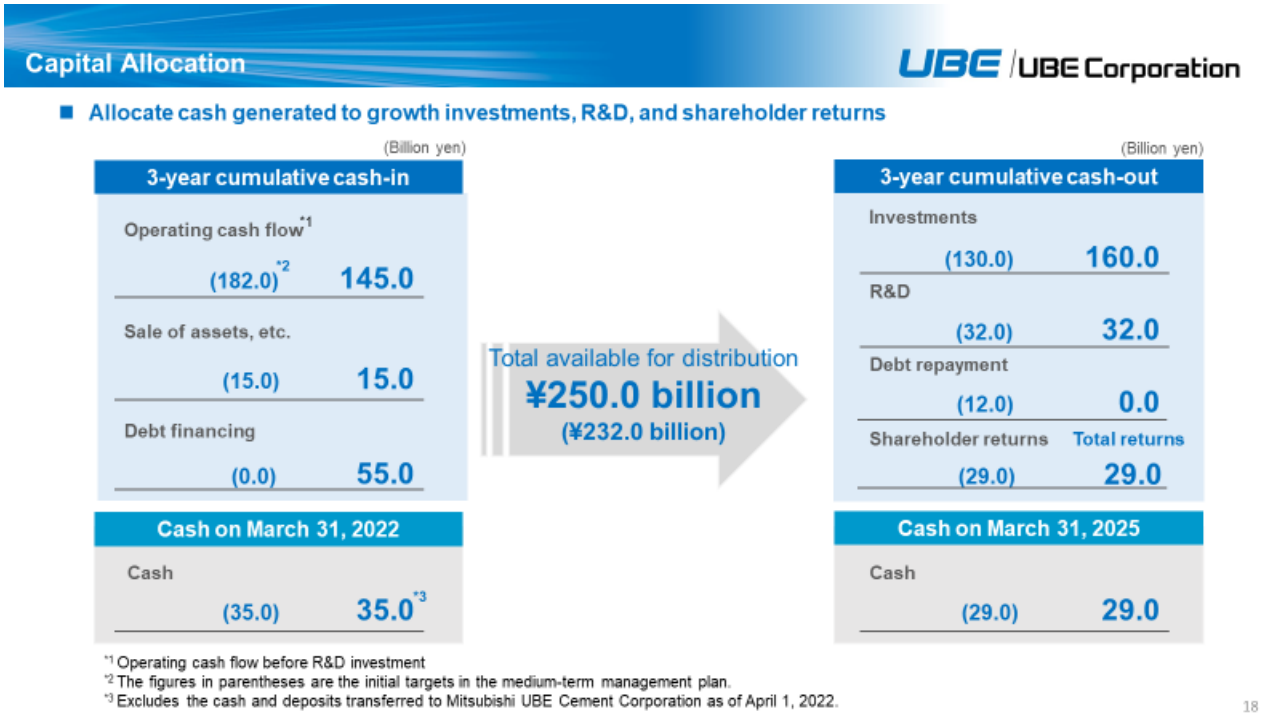
For your reference, this slide shows our business portfolio which is broadly divided into the specialty and the basic businesses. Underlined items are driving growth in the specialty business, which I will explain again later.



Cash allocation, which shows how the generated cash will be used over the three-year period. Cash-in is on the left, three-year total. The right side shows how it is used, cash out, and cash allocation.

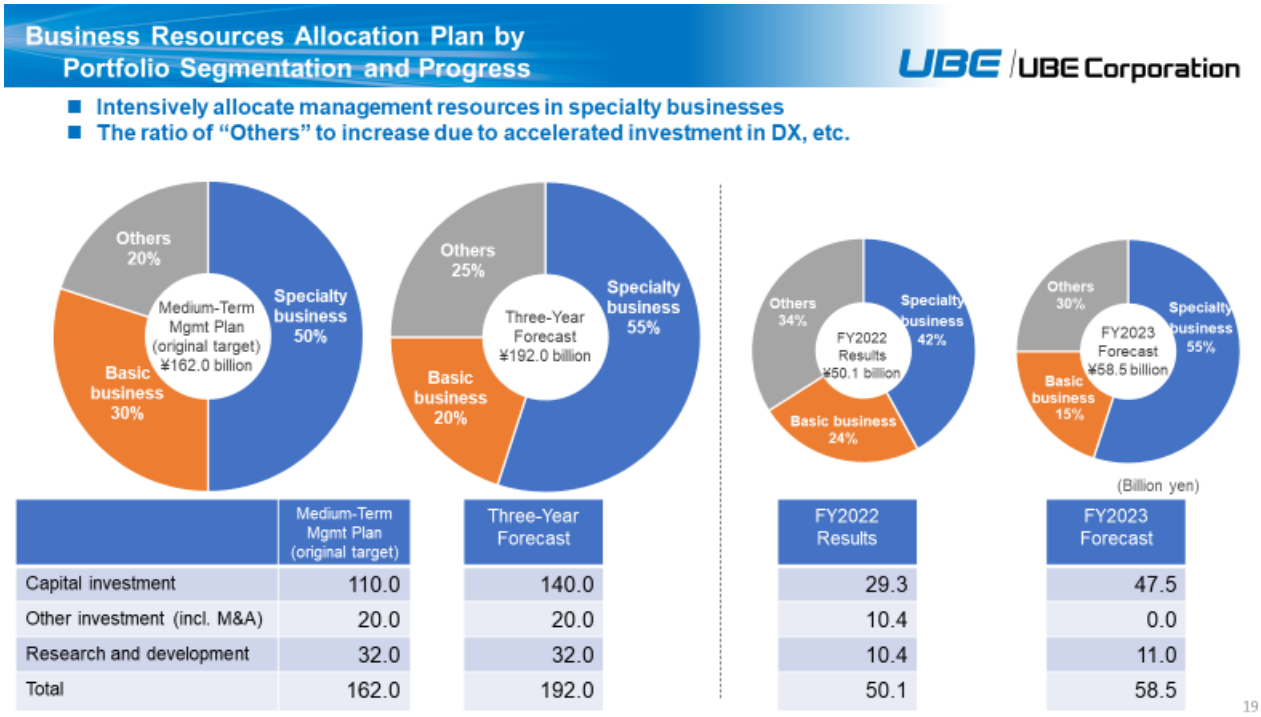
Cumulative cash inflow for the three-year period, is JPY145 billion from operating cash flow at present, JPY15 billion from asset sales, etc., and JPY55 billion from debt financing. Together with cash on hand of JPY35 billion, we estimate that JPY250 billion is available for allocation.

The numbers in parentheses on the left side represent the original mid-range plan values. The figures on the right show the actual results for FY2022, and the revised figures for FY2023 and FY2024 as of the present time. Although operating cash inflow is expected to decline from JPY182 billion to JPY145 billion in FY2022 and FY2023 due to the downturn in business performance from the medium-term plan, the total allocable amount is expected to increase through debt financing to JPY250 billion.

The cumulative total of cash outflow for the three-year period is on the right side, JPY160 billion in capital investment and investment and loans, and JPY32 billion in R&D, for the total of JPY192 billion to be invested. The Company will not repay debt and will return profits to shareholders as planned, while keeping cash on hand at the JPY29 billion level.

It shows that capital investment and investment and loans will increase by JPY30 billion, from the original figure of JPY130 billion to JPY160 billion. The investment for R&D will not be increased. Despite the downturn in performance, we have positioned these three years as a period of preparation for growth, and we will be more aggressive and increase investments for growth. R&D cost will also be maintained. This is the plan.

The capital expenditures, investments and loans in the original plan, shown in parentheses, are JPY130 billion and there is additional JPY32 billion for R&D which totalized JPY162 billion. This is 1.5 times the amount of the previous three years, and half of this amount will be invested in the specialty business. I originally said last year that we would aggressively invest in facilities and equipment in this way, and we will further accelerate this investment.



	Medium-Term Mgmt Plan (original target)	Three-Year Forecast	FY2022 Results	FY2023 Forecast
Capital investment	110.0	140.0	29.3	47.5
Other investment (incl. M&A)	20.0	20.0	10.4	0.0
Research and development	32.0	32.0	10.4	11.0
Total	162.0	192.0	50.1	58.5

The following chart shows the management resources allocation and progress by portfolio.

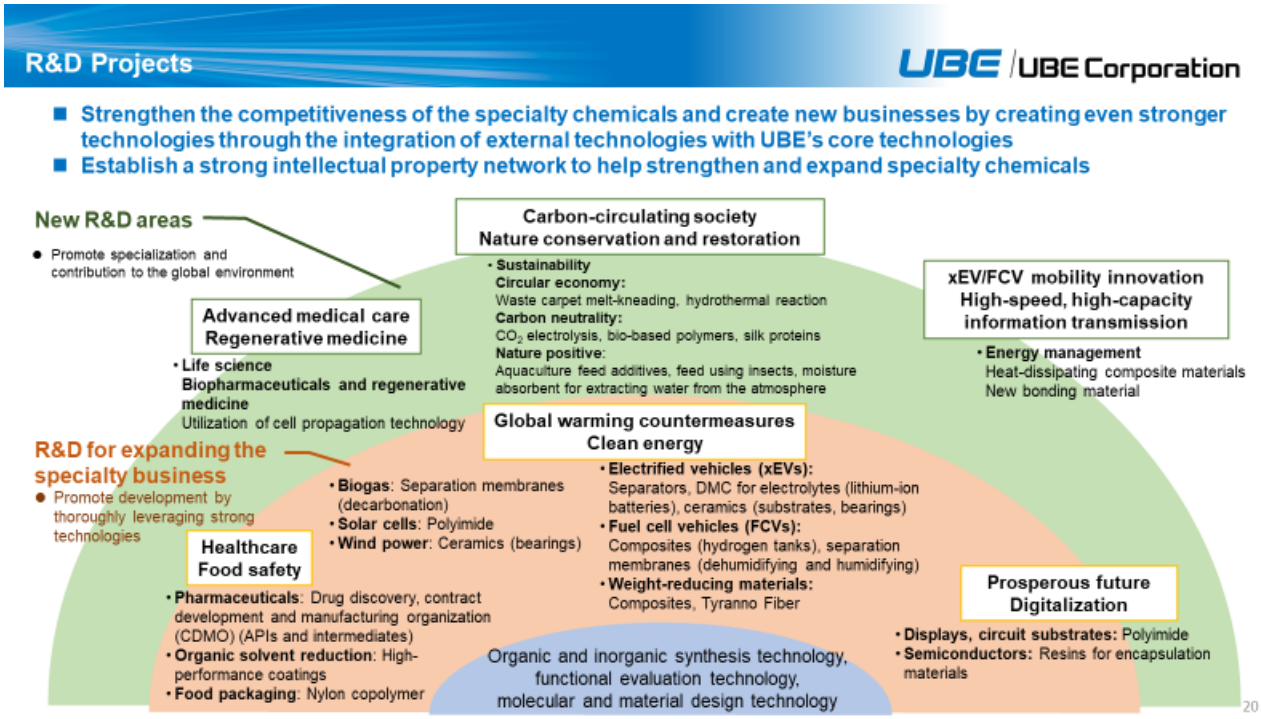
The left is the original plan for the medium-term management plan, which includes the capital investment and loans I have just explained, totaling JPY130 billion, and the amount for R&D expenditures of JPY32 billion, a total of JPY162 billion. That is 1.5 times the amount of the previous three-year plan. Next to that, capital investment for the current three-year forecast will increase by JPY30 billion, and the total investment of management resources will be JPY192 billion.

Also, as a percentage, the ratio of input to the specialty business will be increased. The ratio for the basic business will be reduced.

Next to it, this is the actual results for FY2022 and the current projection for FY2023. As you will see, the percentage of the other has increased slightly in FY2022. This was due to an increase in costs as a result of the accelerated introduction of core information systems, ERP which was originally planned for the next term in order to promote DX.

The figures are shown below, and the actual amount of investments and loans in FY2022 was JPY10.4 billion. The largest part of this is due to the acquisition of API Corporation, which I explained at the beginning of this presentation.

In FY2023, the amount of capital investment will increase further. And the percentage of the specialty business will further increase. As I mentioned at the beginning of this briefing, we have accelerated capital investment in gas separation membranes and other products, and we are constructing plants for both monomer for polyimide and film. The amount of that investment will be recorded. The amount of investment in the fifth plant for phenolic resins for semiconductor encapsulants is also shown here.



As I explained earlier, there has been no major change in the amount of investment or in our policy regarding R&D expenses.

The center of the semicircle in the diagram is our core technology. We will combine this with external technologies through open innovation and other means to create even stronger technologies that will strengthen the specialty business and create new businesses.

The orange area, outside of our core technologies, represents R&D themes for the expansion of the specialty businesses, which are handled by the development divisions of each business unit.

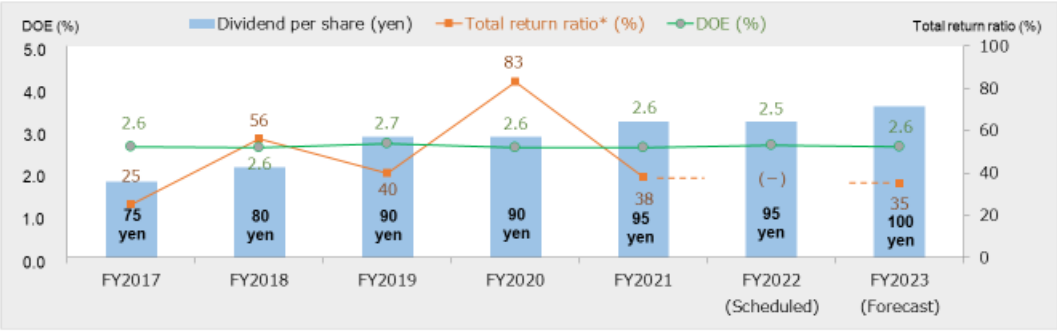
The outside in green area indicates new R&D areas of focus, which will be conducted mainly by the R&D Division. This time, life sciences, sustainability, and energy management. We will continue to focus on these R&D themes, which have been largely reclassified into these priority areas, and also build a strong intellectual property network. We would like to encourage the strengthening and expansion of the specialty businesses through offensive and defensive intellectual property strategies.

Shareholder Returns

UBE / UBE Corporation

■ Aiming to further enhance growth investment and shareholder returns in the future, while upholding a basic policy of continuing to pay consistent dividends

Dividend on equity (DOE)	2.5% or above
Consolidated total return ratio	30% or higher (average over three years)



*Total return ratio: Includes share repurchases (¥10 billion in FY2018 and ¥10 billion in FY2020, (implemented in FY2021)).

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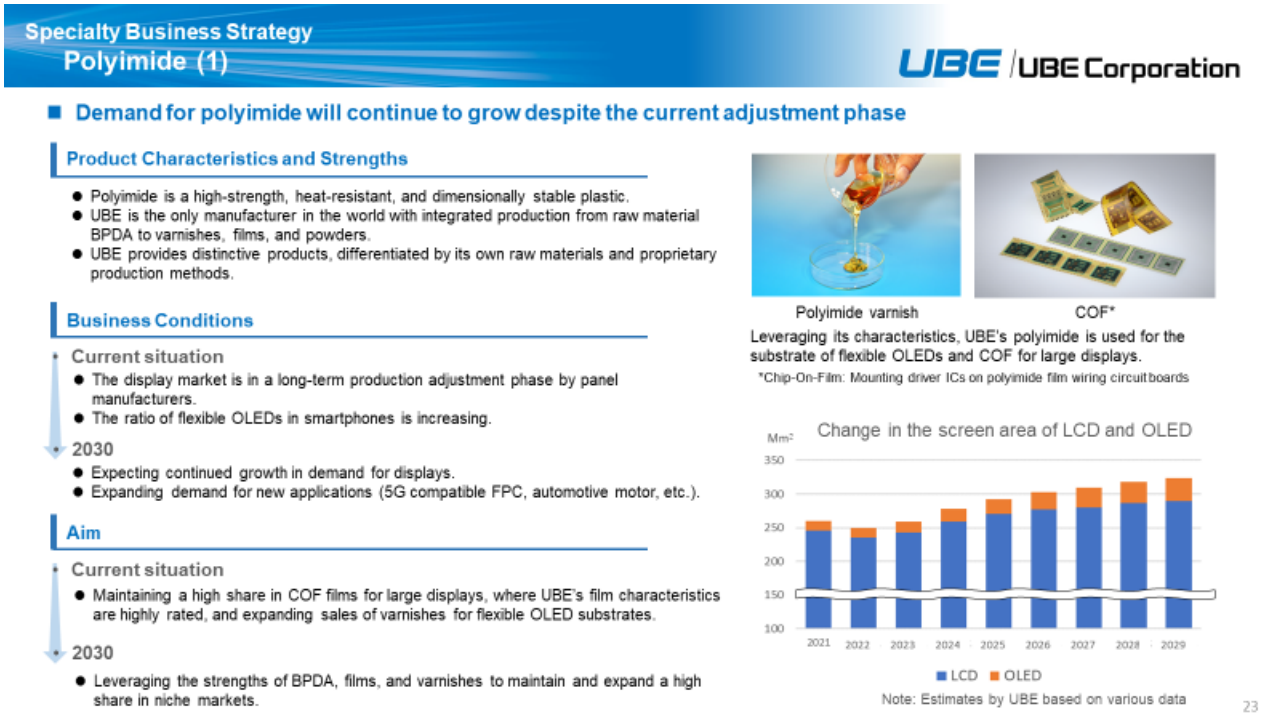
There has been no change in our original plan and policy with respect to shareholder returns.

While our basic policy is to maintain stable dividends, we intend to invest aggressively in growth, especially over the next three years, to further enhance shareholder returns in the future.

We originally had an index of consolidated total return ratio of 30% or more, but since the previous mid-term plan, we have added a new index of dividend on equity of 2.5% or more in order to realize more stable dividends. Since consolidated net income for FY2022 was in the red, we nevertheless decided to pay the same amount of dividend as the previous year based on this one criterion, DOE.

As you can see in the blue bar graphs, we have been making steady efforts to increase dividends. We will further increase net income in FY2023, so we are aiming to pay a dividend of JPY100 for FY2023.



Now I would like to explain in some detail about businesses, which will become the pillars of our growth strategy within the specialty chemicals, as I explained earlier.

First, I would like to talk about polyimide. As described in the product characteristics and strengths section, our polyimides are particularly strong, heat resistant, and dimensionally stable. As one of our strengths, we have integrated production capabilities from monomer BPDA to varnish, film, and powder, which are used for flexible OLED substrates and COF for large displays, as shown in the photo on the right.

As mentioned in the business environment, especially in Q4 of FY2022, there were production adjustments in the display market and panel makers. This caused film demand to stagnate. At the same time, however, the proportion of flexible OLED in smartphones is increasing, so the demand for our varnishes is steadily increasing.

And toward 2030, we expect the demand for displays to continue to grow. The graph on the right side shows the change in the screen area of LCD and OLED. We expect demand for displays to continue to grow.

Our goal is to continue to maintain a high market share of COF film for large displays. We have a market share of more than 70%. While maintaining this share, we are also expanding sales of varnishes for substrates for flexible OLED, as we are the de facto standard.

Specialty Business Strategy

Polyimide (2)

UBE / UBE Corporation

■ **Leveraging the strengths of BPDA, films, and varnishes to maintain and expand a high share in niche markets.**

FY2022 Results

- Maintained a high share in COF films for large displays.
- Maintained the de facto standard in varnishes for flexible OLED substrates.
- Increased sales of powders used in semiconductor manufacturing and testing equipment.
- Prepared for volume expansion of BPDA for automotive motor applications.

FY2023 Strategy (toward 2030)

- Promptly startup new equipment for BPDA and films.
- Expand sales in non-circuit board fields with powders and new varnishes.
- Expand sales of environmentally friendly products such as films for flexible PV and water-based varnishes.

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Results for FY2022, as listed here.

In this way, we have focused on maintaining and expanding our high market share in niche markets by consistently expanding the range of product applications from the raw material of BPDA to films, varnishes, powders, and other products.

We continue with our strategy for FY2030 and beyond. As the current situation, inventory adjustments in the display market are almost complete. Demand for films has been gradually recovering since April, and demand for varnish is expected to increase, especially from July onward. Our major challenge is to ensure that we achieve capacity expansion. As indicated in the first part of the black circle, we would like to promptly start up new facilities for BPDA and then for film.

Although the monomer project is a little behind schedule, we will still launch it by the end of this fiscal year. And we hope to have a film factory up and running by the end of FY2024.

We will also expand sales in the non-circuit board field, such as powders and new varnishes, and expand our business by broadening the range of product applications, such as films for flexible PV and solar cells, or environmentally friendly products such as water-based varnishes.

Specialty Business Strategy

Separation Membranes (1)

UBE / UBE Corporation

■ Responding to surging demand for CO_2 separation membranes for biomethane production

Product Characteristics and Strengths

- Efficient separation of specific gases from mixed gases
- Wide range of uses such as CO_2 separation, nitrogen enrichment, dehumidification, H_2 separation, alcohol dehydration, etc.
- Excellent durability, gas permeation, and separation due to unique polyimide technology

Business Conditions

Current situation

- In Europe and North America, there is a surge in consideration and production of biofuels to secure non-fossil energy.
- Demand for biomethane is 3.2 billion m^3 in Europe and 1.8 billion m^3 in North America.

2030

- Demand for diversified renewable energy and chemical applications is increasing for carbon neutrality.
- Biomethane demand will grow to 35 billion m^3 in Europe and 18-39 billion m^3 in North America.

Aim

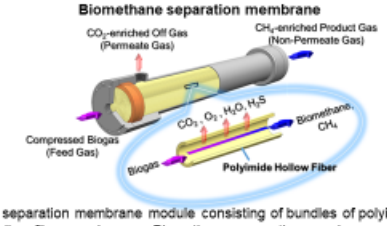
Current situation

- CO_2 separation membranes for biomethane production: 2.5 times the performance of FY2021 in FY2022, and planning for 3.5 times in FY2023

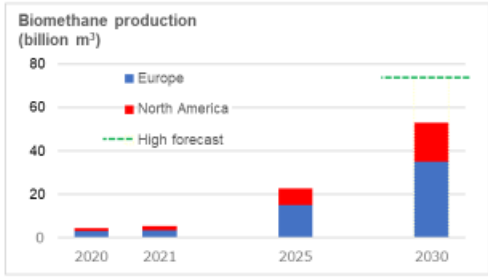
2030

- Raise ratio of environmentally friendly products such as CO_2 separation, H_2 separation, and alcohol dehydration to 70%.
- Facilities that can cope with a surge in demand

Biomethane separation membrane



A separation membrane module consisting of bundles of polyimide hollow fiber membranes. Biomethane separation membranes concentrate methane by separating and removing CO_2 in biogas. The concentrated biomethane is used as renewable energy.



Note: Estimates by UBE based on various data

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This is about separation membranes. As described in the product characteristics and strengths section, our separation membranes are used in a wide range of applications such as CO2 separation, nitrogen and hydrogen separation, dehumidification, and alcohol dehydration, thanks to the excellent separation performance and durability, which our polyimide technology has made possible.

In particular, this upper right figure, biomethane separation membrane. The demand for this product, which decarbonizes CO2 from biogas and utilizes the concentrated biomethane as a renewable energy source, has been growing significantly. As described in the business environment section, consideration and production of biofuel are rapidly increasing in Europe and the US, and demand for diversified renewable energy and chemical applications will increase as we move toward carbon neutrality and such by 2030.

The bar graph on the right shows the production volume of biomethane. As shown in the two black circles, our goal for 2030 is to increase the ratio of environmentally friendly products, such as CO2 separation, hydrogen separation, and alcohol dehydration, to around 70%. We also have an urgent need for facilities that can respond to the rapid increase in demand.

Specialty Business Strategy

Separation Membranes (2)

UBE / UBE Corporation

■ Expanding business and strengthening product competitiveness centering on the environment and energy field

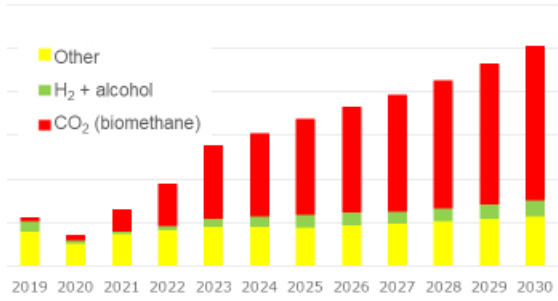
FY2022 Results

- Increased orders, far exceeding the medium-term management plan.
- Demand for CO_2 separation membranes for biomethane production in particular surged.
- Decided to bring forward expansion of production facilities for polyimide hollow fiber membranes for gas separation (Ube, Yamaguchi Prefecture) and separation membrane modules (Sakai, Osaka Prefecture), and started the process. Expected to be operational in the first half of FY2025.

FY2023 Strategy (toward 2030)

- Secure the growing demand for biomethane in South America and Asia, in addition to Europe and North America.
- Increase production capacity by addressing bottlenecks.
- Increase sales targets for hydrogen separation membranes and alcohol dehydration membranes for renewable energy and chemical production applications.

Sales volume



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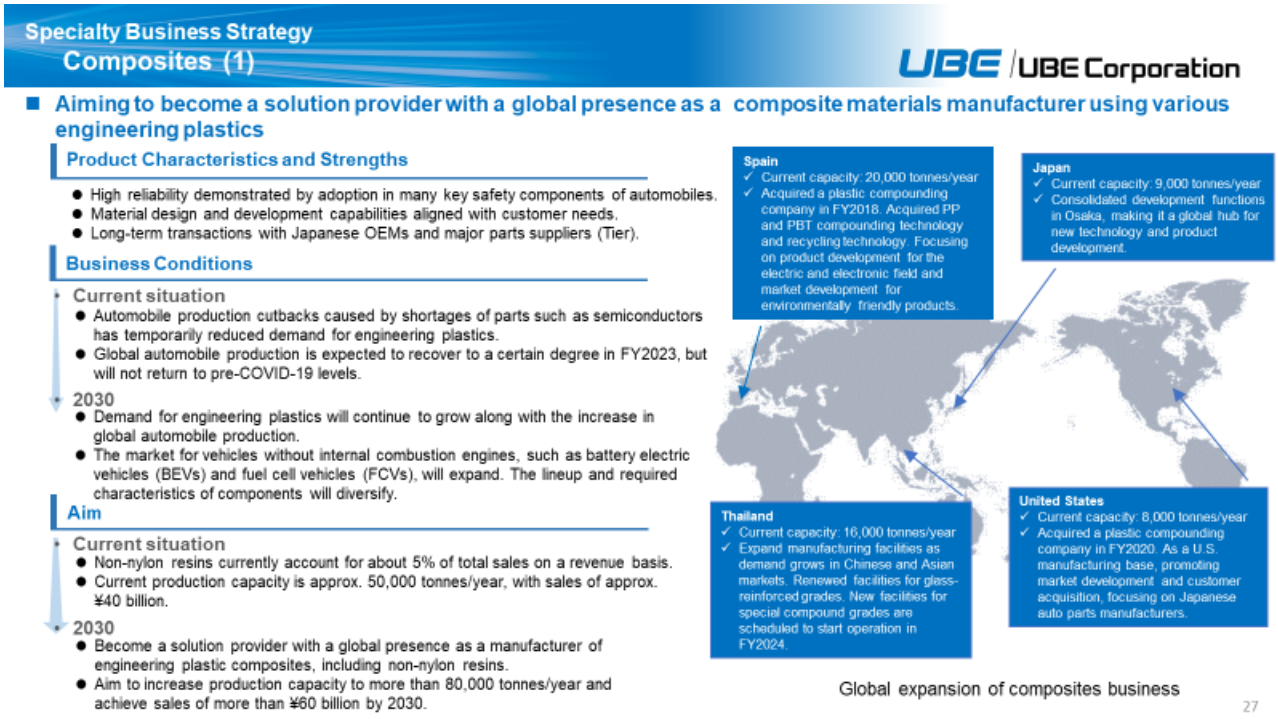
As you can see on this slide with the results for FY2022, there was a significant increase in orders over the medium-term plan in FY2022. Demand for CO2 separation membranes, especially for biomethane, is increasing rapidly. For this purpose, we have decided to expand the polyimide hollow fiber production facilities in Ube and the module production facilities in Sakai ahead of the plan. They are expected to start running in first half of FY2025.

After FY2023, it will certainly capture the growing demand for biomethane in South America and Asia including Japan, along with current growth in North America and Europe, toward 2030. And in order to meet the increased demand up to the expansion, it will be necessary to increase production capacity through debottlenecking. We will increase our sales plan for hydrogen separation membranes and alcohol dehydration membranes, which are used in the production of renewable energy and renewable chemicals, in order to take advantage of the tailwind of the environment. We would like to expand our business based on this field and strengthen our product capabilities.

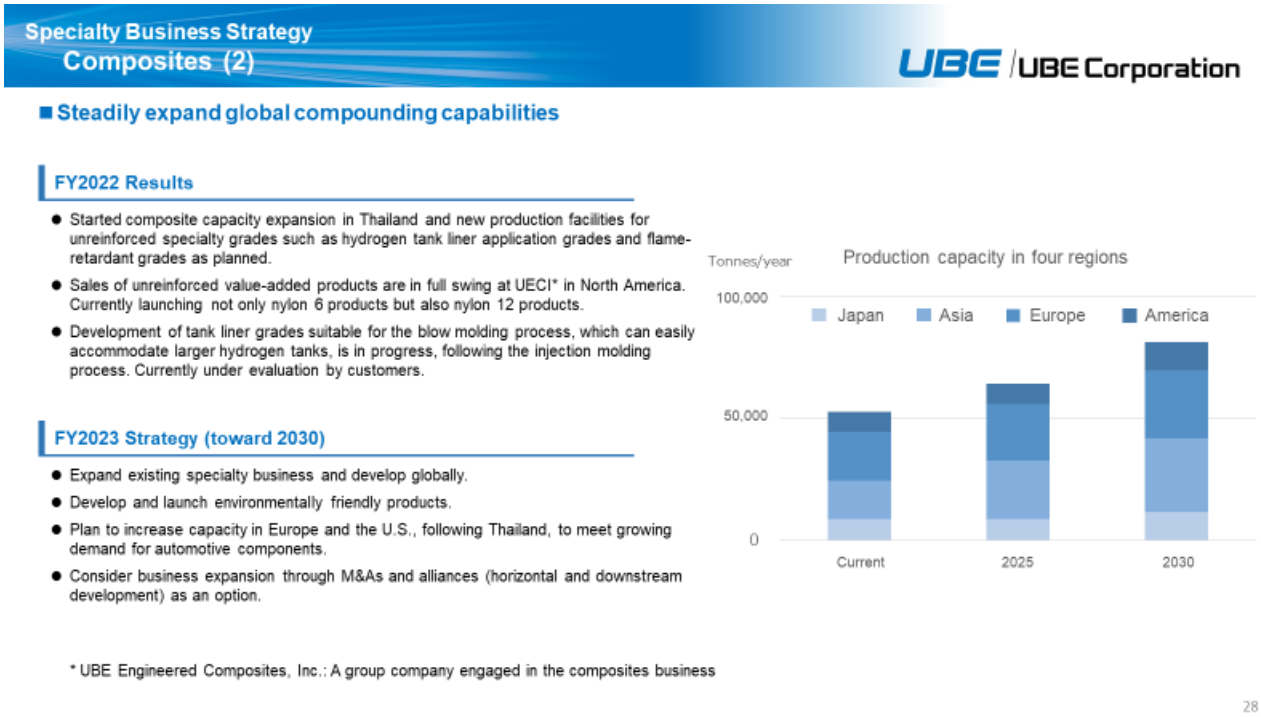


In the field of composite, I believe that the greatest strength of our company is the trust we have earned from automobile manufacturers and Tier 1 companies through our long history of supplying resins.

In the business environment itself, demand for engineering plastics is currently declining as automobile production declines. Although we are forecasting a certain level of recovery in FY2023, the speed of recovery will be gradual, and we do not expect to return to pre-pandemic levels in FY2023.

However, demand for engineering plastics is expected to steadily recover and expand as automobile production increases toward 2030. The demand for components and characteristics is going to be diversified as the market for vehicles without internal combustion engines, such as battery EVs and FCVs, will continue to expand. We believe that the weight-saving trend and increase in strength must be requested.

As stated in our vision for 2030, we would like to become a solution provider with a global presence as an engineering plastic composite manufacturer that includes resins other than nylon. And for this purpose, we would like to increase our current production capacity of about 50,000 tons to 80,000 tons or more to expand the scale of our sales.

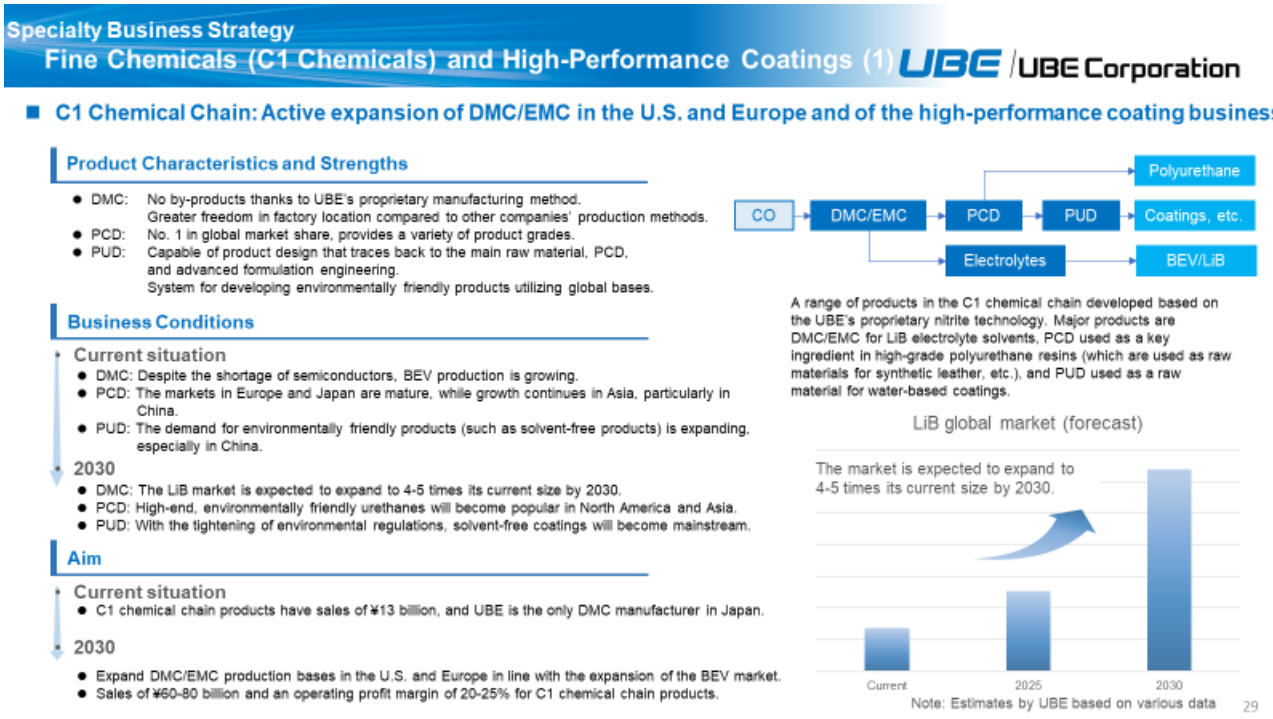


As part of our efforts to steadily expand our global compounding capacity, we have increased our composites capacity in Thailand in FY2022, particularly in the glass-reinforced products, as explained here. We have also started construction of a new production facility for non-reinforced special grades, such as hydrogen tank liner applications and flame-retardant grades, as planned.

As for UECI, a compounding company acquired in North America, sales of non-reinforced high-value-added grades using our nylon have started in earnest, and we expect profitability to improve in the future.

From FY2023 onward, we plan to increase capacity in Europe and the US, following Thailand, to meet growing demand for automotive components. As shown in the bar graph on the right, we would like to increase our production capacity from the current 50,000 tons to around 80,000 tons, and to achieve this, we would like to consider business expansion through M&A and alliances as an option.

In addition, although not listed here, we would like to promote the development of environmentally friendly products that use biomass materials and recycled materials, in addition to non-reinforced materials.



Next, I would like to talk about fine chemicals, mainly C1 chemicals, or its high-performance coating.

As you can see the upper right image, it shows our C1 chemical chain of products starting from CO. I believe that this is the business where we can best demonstrate our technological strengths, especially our proprietary nitrite technology, and where we can expand as a chain.

As you can see on the left-hand side of the business environment for the year 2030, demand for DMC and EMCs for electrolyte raw materials will increase as the lithium-ion battery market steadily grows in size.

As for demand for PCD, environmentally friendly high-grade urethanes will become popular in North America and Asia. As for PUD, demand for water-based PUD and polyurethane dispersions will continue to increase as environmental regulations are tightened in China and other countries, and as solvent-free paints become the mainstream.

Since we are currently the only DMC manufacturer in Japan, we will expand our DMC/EMC production bases in the US and Europe, as stated in our vision for 2030. And as a C1 chemical chain, we would like to bring this business to lead the expansion of our specialty business.

Specialty Business Strategy

Fine Chemicals (C1 Chemicals) and High-Performance Coatings (2)

UBE Corporation

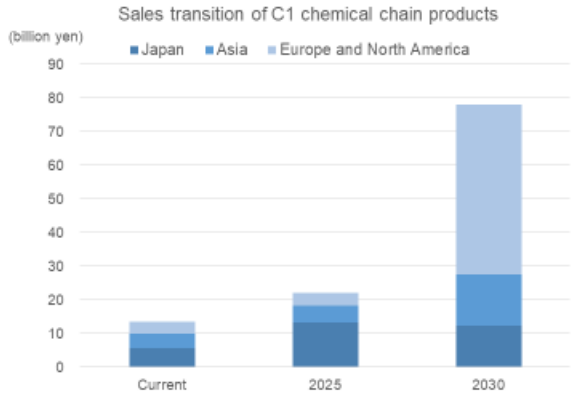
■ Accelerating overseas expansion of the C1 chemical chain

FY2022 Results

- Sales of DMC for LiB electrolyte progressed largely as planned.
- Steady expansion of DMC licensing projects in China.
- Started construction of PCD third facilities in Thailand.
- Solvent-free grade equipment for PUD started operating at Ube Chemical Factory.
- Set up and started operating a PUD lab in China to expand sales channels in the Chinese market.

FY2023 Strategy (toward 2030)

- Discuss specific plans to build new DMC/EMC plants in North America and Europe.
- Start operation of PCD third facilities in Thailand.
- Plan to set up PUD facility in Thailand (to start operating in 2025).



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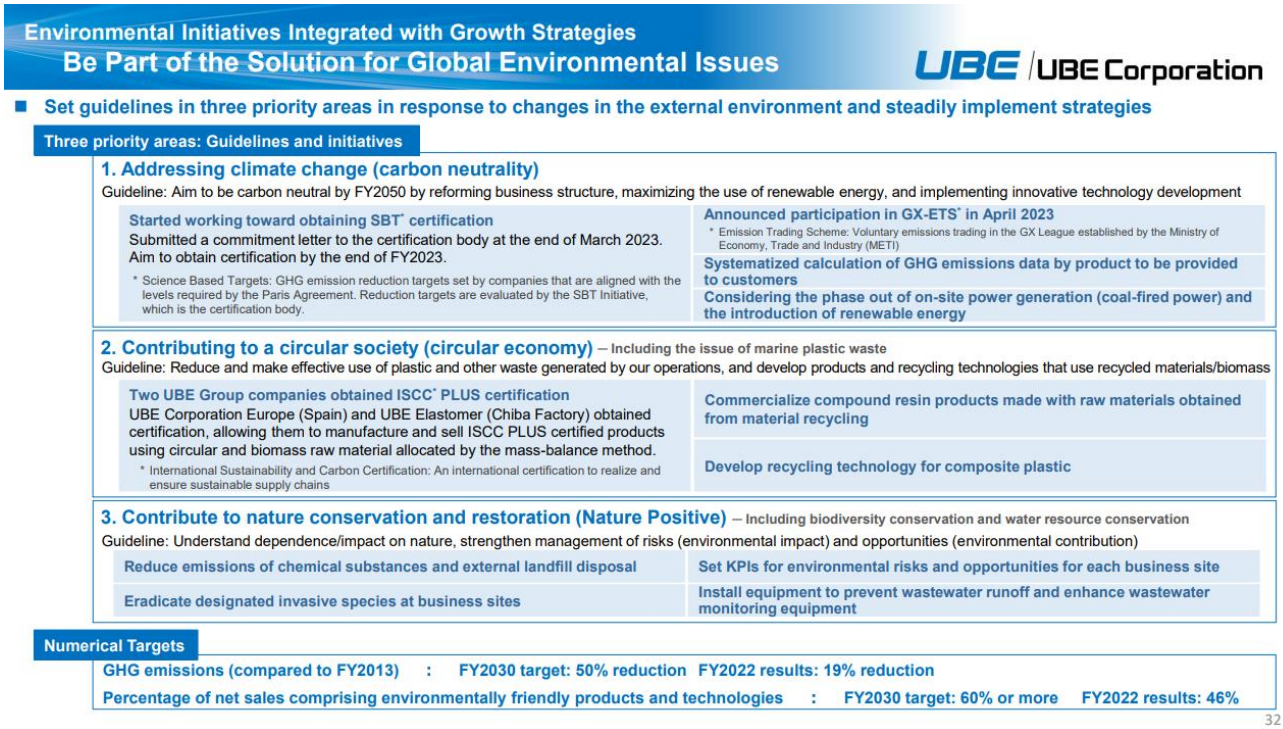
In terms of results for FY2022, the number of DMC licensing projects in China has been steadily increasing. Construction of the third phase of PCD facilities has begun in Thailand. Since the second-phase facilities have achieved vertical startup, construction of the third-phase facilities has begun, and they will start operation in FY2023.

As stated in the FY2023 strategy, we are planning to install PUD facilities in Thailand in FY2023, but the most important point is the detailed consideration about construction of new DMC/EMC plants in North America and Europe, which are indicated in the first black circle.

We are taking some time to consider the project in North America to ensure the profitability by incorporating measures to deal with soaring construction costs. We would like to make a decision as soon as possible to avoid losing the timing. We also would like to consider a DMC plant in Europe.



I would like to briefly explain ESG or DX initiatives to solidify our management foundation. We are working on global environmental issues in conjunction with business structure reforms. We divided into three major areas of focus in terms of global environmental issues.

One is to address climate change and carbon neutrality. The second is contributing to a circular economy, which includes the issue of marine plastic waste that has been separately stated in the past. In addition, contributing to nature positivity in terms of conservation and restoration of the natural environment. Last year, we mentioned biodiversity conservation and water resource conservation, which we have now included in this category and redefined as priority areas.

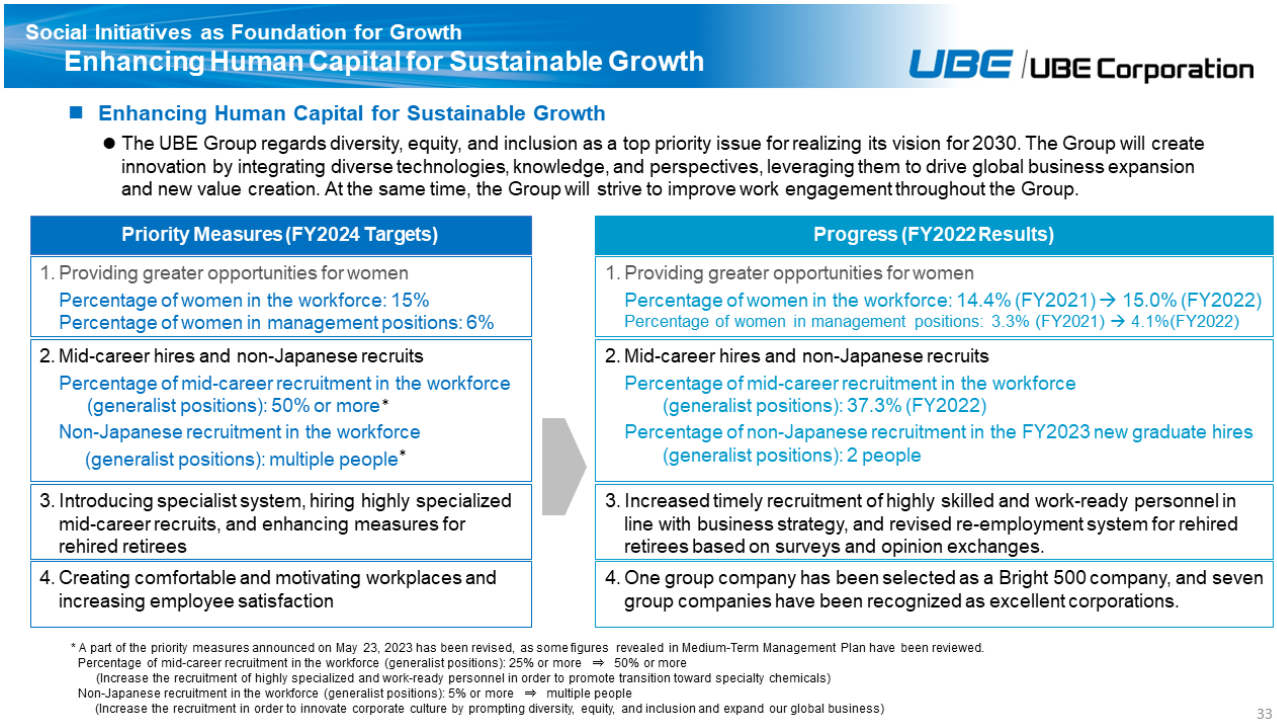
Based on the guidelines as described here, specifically this blue shaded area, we are now steadily implementing these strategies.

As for carbon neutrality, we are aiming to obtain SBT certification by the end of this fiscal year. We have also announced our participation in GX-ETS.

Although we still have not decided at this point, we would like to consider putting the phasing out of coal-fired thermal power generation and shifting to renewable energy sources gradually on the table for discussion.

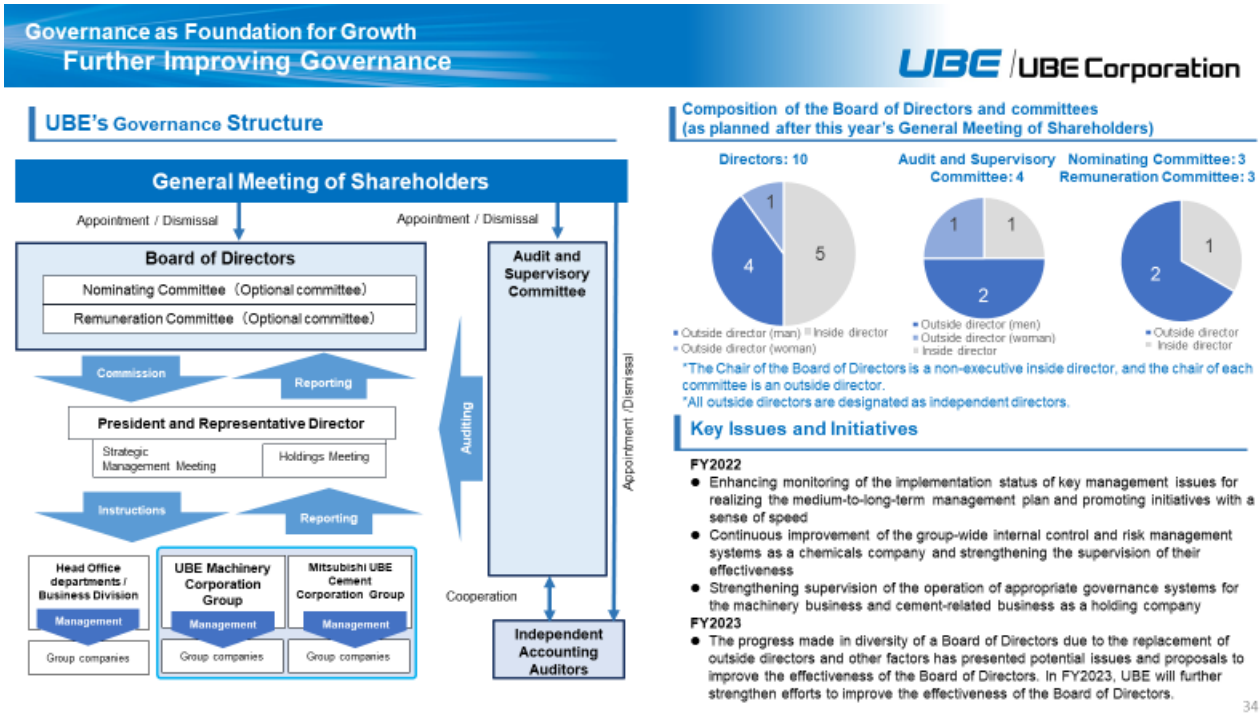
As for the circular economy, two of our group companies, UBE Corporation Europe and UBE Elastomer, which is engaged in the synthetic rubber business, have obtained ISCC PLUS certification. In addition, specific measures are being taken for the preservation and restoration of the natural environment, as described here.

We have set major numerical targets for global environmental issues, including 50% reduction in GHG emissions in FY2030 and sales of environmentally friendly products and technologies to account for at least 60% of our total sales.



In terms of human capital enhancement, as mentioned in the S of ESG management, we have positioned diversity, equity and inclusion as the most important issues to enhance our human capital.

In particular, since we will be oriented toward specialty chemicals in the future, we must create innovation by integrating diverse technologies, knowledge, and perspectives. We also need to expand our business globally and create new value, and to do so, we will actively work on this diversity, equity and inclusion.

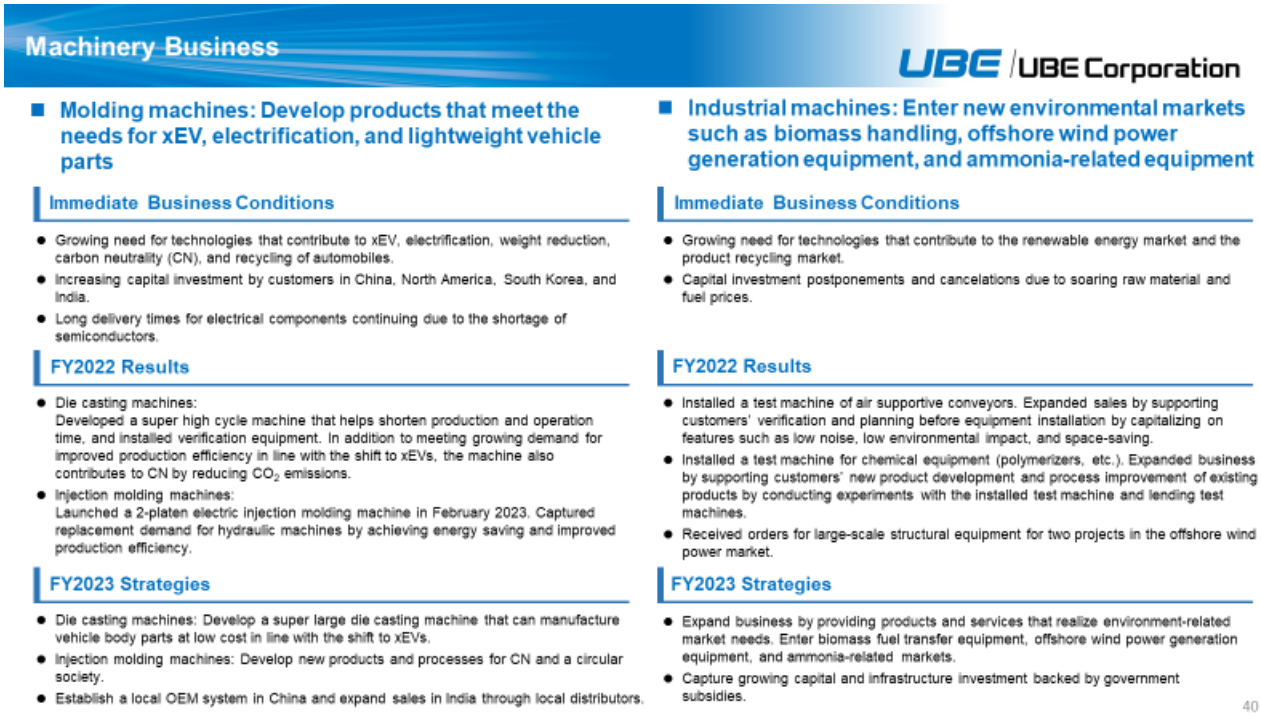


As for governance, I hope you will take a look at this. This is our governance structure, as shown in this diagram. I believe the membership of the Board of Directors or committees is well-balanced. Our efforts to improve the effectiveness of the Board of Directors and other initiatives are explained at the bottom right corner of this slide. Although we are currently short one outside director, we will appoint a new member at the next general meeting, and I am confident that we will be able to secure a full complement of outside directors.

And then, I would like to talk about DX. In order to achieve our company's goal of 2030, we would like to reform our business processes and create new value by making the best use of data and digital technology.

DX in our group means business transformation with digital, and technology is just a tool. We are working on the eight areas listed here with the aim of transforming our business by leveraging these efforts. As I explained earlier, we are shifting our core information system to S/4 HANA as the foundation for DX. Although this transfer was originally planned to take place during the next mid-term plan period when the mid-term plan was formulated, the decision was made to move it up significantly ahead of the scheduled plan.

We will invest about JPY10 billion in DX over the next three years. We hope to achieve great effects through this.



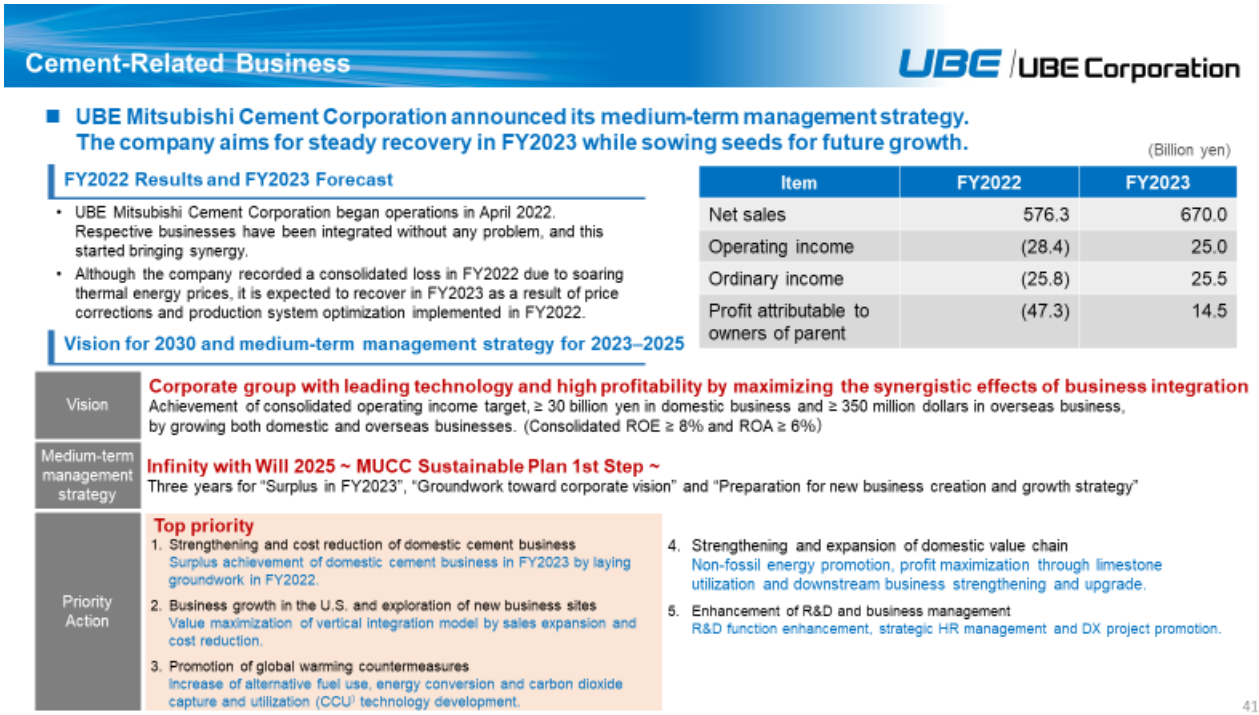
Finally, I would like to make a few comments only on the machinery and cement businesses, although I will not discuss the growth strategies for each business.

In the machinery business, although automobile production continued to decline during the last fiscal year, capital investment in the automobile industry is gradually recovering in anticipation of the shift to EVs, and we achieved the same level of performance in FY2022 as in FY2021. We plan to further increase our performance in FY2023.

In terms of future points, I believe that the development of products that meet the needs for electrification of automobiles will be a key point for molding machines. In the industrial machinery, the development of new environmental markets, such as biomass handling, offshore wind power generation facilities, and ammonia-related facilities, will be key points.

As for molding machines, as mentioned in the strategy for FY2023, the direction of the design concept for EVs has finally converged, and we will be developing ultra-large die-casting machines that can produce car body parts at low cost in line with the shift to EVs which is mentioned in the section on die-casting machines. We will focus on the development of the so-called GIGA Press in the future.

Now that the direction of the GIGA Press has become quite clear, we have received inquiries from several customers and are in the process of finalizing the specifications. With this, the number of body parts can be greatly reduced, and also weight can be reduced by replacing metal with aluminum. So, we are working together with the automakers, especially Japanese ones, to capture demand in this large-scale field, which is one of our strengths. We have high expectations in this area.



Regarding the cement-related business, Mitsubishi UBE Cement Corporation recently held a briefing session for the medium-term management plan. Mitsubishi UBE Cement Corporation is also planning to hold a financial results presentation at the end of this month, and we would like to continue to increase opportunities for direct disclosure like this, so we hope you will actively seek information there as well.

FY2022 results and the FY2023 forecast are written here, which I explained earlier. From FY2022 to FY2023, as shown in the table on the right, we aim to improve operating income by more than JPY50 billion from negative JPY28.4 billion to positive JPY25 billion by FY2023, as a result of efforts such as cement price correction, the effects of measures to optimize production systems, and cost reductions through increased use of inexpensive coal and oil coke, among others. On net income base, net income will increase from negative JPY47.3 billion to positive JPY14.5 billion.

The mid-term management plan for Mitsubishi UBE Cement Corporation is as described here. As a goal for 2030, we would like to achieve domestic consolidated operating income of JPY30 billion or more and overseas consolidated operating income of USD350 million or more. And we aim to achieve a consolidated ROE of 8% or more. We have set these goals.

We have listed five important measures to achieve this goal, and these three are the most important. First of all, we will strengthen the structure of our domestic cement business and reduce costs, with the goal of returning profitability in FY2023.

Also, in terms of future growth strategies, we will achieve the growth of the US business. We will also work to find new overseas bases that can take advantage of our vertically integrated model.

We will make efforts to promote alternative energy, energy conversion, and the development of CCU technology as a measure to combat global warming. As a shareholder of Mitsubishi UBE Cement Corporation, I would like to continue to provide supervision and support.

Thank you very much for your attention.

Management Overview Briefing Q&A Session

【Management Overall】

Q1: The cost of environmental compliance is increasing as efforts are made to reduce GHG emissions. I think this additional cost should also be passed on to customers. Is the industry overall moving towards understanding and accepting this kind of cost pass-through?

A1: We have been engaging in discussions with our customers to ensure that the increase in environmental compliance costs can be recovered. We will continue to set prices appropriately while gaining our customers' understanding.

Q2: You are planning to invest around 10 billion yen in advancing DX over the next three years. Quantitatively, what kind of impact are you expecting from this investment?

A2: Although this is based on certain assumptions, we are expecting to see an effect of around 30 billion yen by the year 2030.

Q3: What percentage of UBE's total sales come from sales to the automotive industry?

A3: Taking both direct and indirect sales into account, a significant share of our sales, probably about half, is to the automotive industry. In that sense, it's critical for us to consider how we can capitalize on emerging markets, like the xEV market.

【Specialty Products: Overall】

Q4: You plan to increase profits in the Specialty Products segment by 500 million yen in the final year of the current medium-term management plan. However, this seems somewhat conservative. Even though you are making investments in separation membranes, among other things, ahead of schedule, shouldn't the profits for fiscal 2024 be expected to grow a little more, given that business, including polyimides, is basically doing well?

A4: Under the current medium-term management plan, we are undertaking a considerable amount of large-scale capital investment. Due to the impact of depreciation costs, we expect profit growth to remain modest. However, by implementing various measures ahead of schedule, we aim to boost profits as we approach fiscal 2024, the final year of the medium-term management plan.

【Specialty Products: Ceramics】

Q5: What is your growth strategy for ceramics?

A5: Demand for ceramics is expanding for applications such as bearings and substrates for xEVs, leading to a tight supply-demand balance. Our customers are urging us to expand our capacity. We would like to make decisions on this ahead of schedule while taking measures to control capital investment costs.

【Polymers and Chemicals: C1 Chemicals】

Q6: Which products will drive the growth of C1 chemicals through 2030?

A6: We expect the most substantial growth from DMC and EMC. We are planning to establish our production bases in the United States and Europe, targeting electrolyte raw material and semiconductor developer solution applications.

Q7: What is the total investment amount for the U.S. expansion of C1 chemicals?

A7: We anticipate the investment to be in the tens of billions of yen.

Q8: The scale of the investment is large, but do you have a clear outlook in terms of volume?

A8: Our customers also see the benefits of local DMC production, so we believe that we can secure a good volume.

Q9: What do you think of the Inflation Reduction Act in the context of the U.S. expansion of C1 chemicals?

A9: There are political factors making it difficult for Chinese manufacturers to establish bases in the United States. As we are the only non-Chinese DMC manufacturer, our commitment to meet U.S. demand is of great significance. We also consider it important from the standpoint of economic security.

【Polymers and Chemicals: Caprolactam & Ammonia】

Q10: What is the status regarding the reduction of caprolactam production in Japan and the cessation of ammonia production?

A10: We are diligently working to implement the reduction of caprolactam production in Japan by fiscal 2024. We aim to stop ammonia production by fiscal 2030, although we are considering bringing this timeline forward.

Q11: Chinese manufacturers are accelerating the expansion of caprolactam production. Isn't there a need for UBE to scale back production not only in Japan but also in Spain and Thailand?

A11: We will continue to discuss further reduction of production in Japan and the possibility of revising our global production system, while also considering strengthening downstream products such as nylon and increasing the added value of ammonium sulfate by-product.

【Machinery】

Q12: Regarding the molding machine business, it was explained that you will "focus on developing the so-called *giga press*." Could you elaborate?

A12: We are considering a very large die-casting machine that can form parts in one go. It will be among the largest in the product lineup at UBE Machinery, which is already known for offering large-scale machines.