Ube Industries, Ltd.

Q2 Financial Results Briefing for the Fiscal Year Ending March 2021

October 30, 2020

Event Summary

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[Participants]	
[Number of Speakers]	1 Masayuki Fujii Director, Managing Executive Officer, CFO

Presentation

Moderator: Good evening, investors. Thank you for participating in the conference call of Ube Industries, Ltd. Now, Director, Managing Executive Officer, and CFO, Mr. Masayuki Fujii, will give a presentation on the financial results for the first half of FY2020. Afterward, we will have time for a Q&A session.

Before we begin, please note that forward-looking statements may be made based on current forecasts, but all such statements are subject to risks and uncertainties and actual results may differ from the forecasts.

We would now like to begin the earnings presentation. Mr. Fujii, please go ahead.

Fujii: Good evening, everyone. This is Fujii of Ube Industries. I will explain the results for the first half of the period under review announced today and our full-year earnings forecast.

1st half of the FY2020

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Scope of Consolidation

Item	End of FY2019 (A)	End of FY2020 2Q (B)	Difference (B) - (A)	Notes
Number of consolidated subsidiaries	69	67	(2)	+ Premium Composite Technology North America, Inc. – U-MHI Platech Co., Ltd. – U-MHI Platech America, Inc. – AET Electrolyte Technologies (Zhangjiagang) Co., Ltd.
Number of equity method affiliates	26	26	0	
Total	95	93	(2)	

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Please refer to the material at hand. On page three is the change in the scope of consolidation.

In the first half, the number of consolidated subsidiaries decreased by two companies, as we added one subsidiary and deconsolidated three subsidiaries. Please see the notes on the right for the names of the companies. We added Premium Composite Technology North America as a result of acquiring a North American compound company.

We deconsolidated U-MHI Platech and U-MHI Platech America, which we had added as a result of acquiring Mitsubishi Heavy Industry's injection molding machine business. We conducted an absorption-type merger in

August with Ube Machinery Corporation and UBE Machinery Inc. in the US and have thus deconsolidated the subsidiaries.

The one on the bottom, AET Electrolyte Technologies, is an electrolyte company in China. This company was originally a wholly owned subsidiary, but we've finished liquidating the business, so it will be deconsolidated.

There are no changes in equity-method affiliates. The impact of these changes on consolidated earnings is insignificant.

1st half of the FY2020

Environmental Factors

Item			FY2019 2Q (A)	FY2020 2Q (B)	Difference (B) - (A)
Exchange Rate		Yen/$	108.6	106.9	(1.7)
Material Price	Naphtha CIF	$/ t	539	346	(193)
	Naphtha Domestic	Yen/KL	42,800	27,700	(15,100)
	Benzene (ACP)	$/ t	640	398	(242)
	Australian Coal (CIF)	$/ t	104.0	75.8	(28.2)
		Yen/t	11,297	8,099	(3,198)

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Page four describes environmental factors.

The average exchange rate in the period ended was JPY106.9 against the USD, a slightly stronger yen compared to the same period last year. The material prices, including for naphtha, benzene, and coal, were as shown here. The price dropped sharply compared to the same period last year.

1st half of the FY2020

Major P/L Items

(Billions of yen)

Item	FY2019 2Q (A)	FY2020 2Q (B)	Difference (B) - (A)	Percentage change
Net sales	335.0	280.0	(55.0)	(16.4)%
Operating profit	16.7	3.4	(13.3)	(79.6)%
Ordinary profit	16.6	1.5	(15.1)	(90.9)%
Profit attributable to owners of parent	10.7	0.2	(10.5)	(97.5)%

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Page five shows the Major P/L items.

In the second quarter, we continued to see a considerable impact from COVID-19. As a result, we posted a significant decrease in sales and profits. That said, in the first quarter, we posted a loss on all profit lines from the operating line and below, but we were able to book profits in the second quarter.

In the period ended, net sales were JPY280 billion, down JPY55 billion from the same period last year. Operating profit was JPY3.4 billion, down JPY13.3 billion. Ordinary profit was JPY1.5 billion, down JPY15.1 billion. Profit attributable to owners of the parent was JPY0.2 billion, down JPY10.5 billion.

1st half of the FY2020

UBE

Net Sales and Operating Profit by Segment

(Billions of yen)

	Segment	FY2019 2Q (A)	FY2020 2Q (B)	Difference (B) - (A)
Net sales	Chemicals	146.4	112.3	(34.1)
	Construction Materials	152.7	139.1	(13.5)
	Machinery	42.0	34.9	(7.0)
	Others	2.3	1.4	(0.8)
	Adjustment	(8.4)	(7.8)	0.5
	Total	335.0	280.0	(55.0)
Operating profit (loss)	Chemicals	8.3	(2.5)	(10.8)
	Construction Materials	6.7	5.6	(1.0)
	Machinery	1.6	0.2	(1.4)
	Others	0.2	0.1	(0.0)
	Adjustment	(0.2)	(0.0)	0.1
	Total	16.7	3.4	(13.3)

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Page six shows net sales and operating profit by segment.

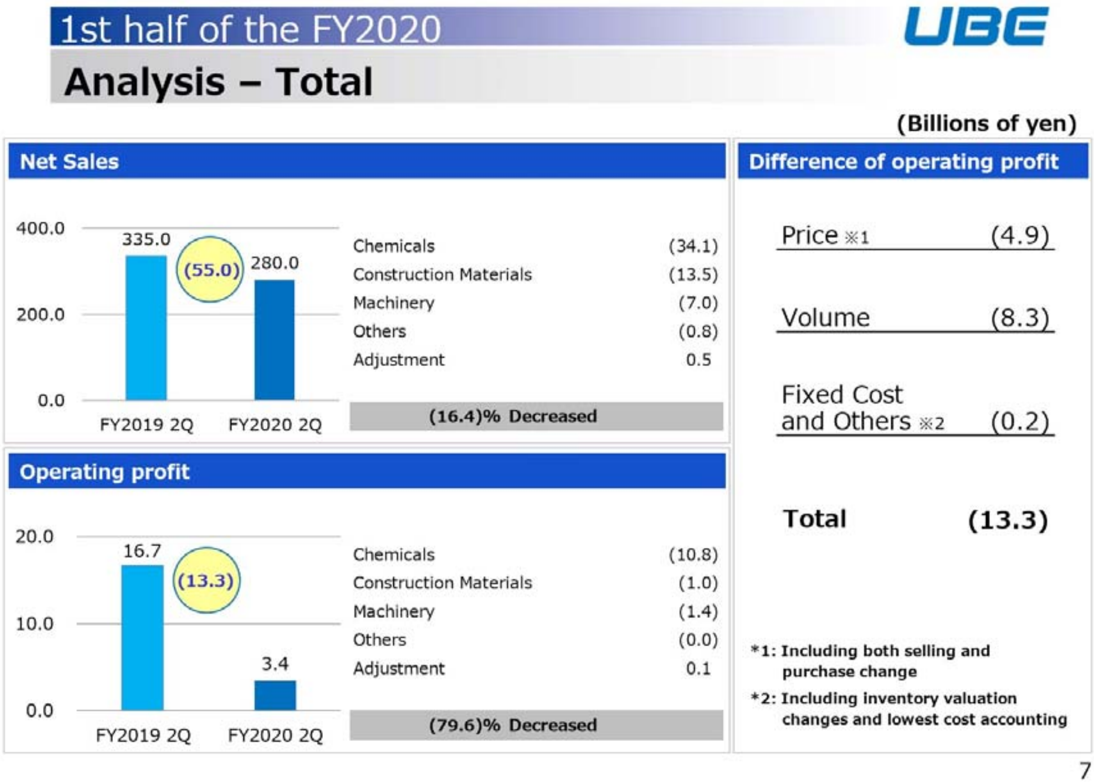
As stated earlier, net sales decreased by around JPY55 billion YoY in total, and all three companies also posted a decline in net sales. Operating profit decreased by JPY13.3 billion in total, and all three companies also recorded a decline in profit. The sharpest profit decline was seen in the Chemicals company.

The Chemicals company continued to experience a challenging operating environment in the second quarter. Both sales and profits improved in the three months of the second quarter, from July to September, compared to the April to June period. Although profits were secured in the July to September period, the losses during the first quarter, including for regular repairs, have not been recovered.

As for the impact of COVID-19, it varied for each product. But the impact was limited in April for the Chemicals company as a whole. The impact grew stronger in May and June, and the sharpest negative impact was felt in July and August. These conditions bottomed in September and have turned to a recovery track. Initially, we expected the impact to gradually expand heading into the middle of the fiscal year and to peak at around the halfway point of the fiscal year before recovering as we move toward the end of the fiscal year. However, the impact manifested earlier than anticipated, resulting in a significant impact during the first half.

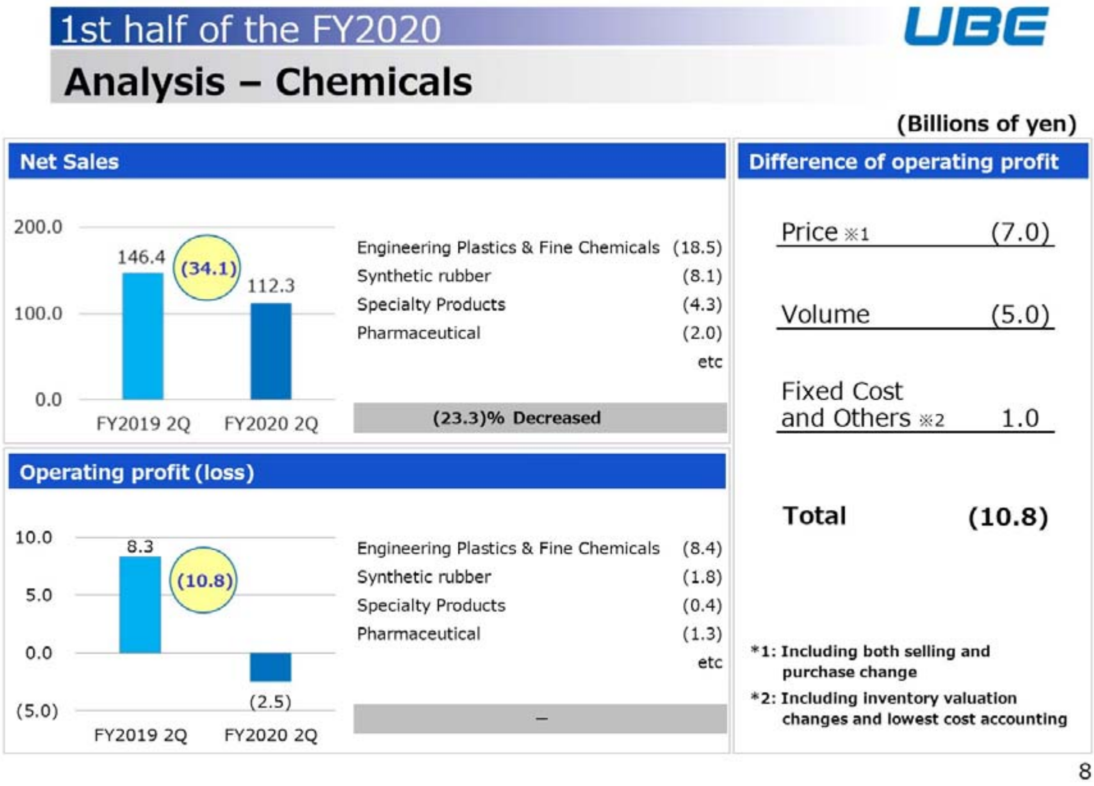
In Construction Materials, we experienced a temporary interruption in construction work in April and May, but the business has shown recovery at a relatively early stage. We typically see stronger sales in the second quarter from July to September than in the first quarter. However, due in part to unseasonable weather in July this year, results are slightly weaker than anticipated.

In Machinery, business performance is typically weighted toward the second half, but shipments of molding machines have been sluggish, particularly due to the impact of automotive demand in the first half of the fiscal year. Results have been robust for industrial machinery.



Please see page seven.

The graphs on the left show the breakdown of what I just explained. The right side shows the negative impact on operating profit by price and volume. Price had a negative impact of JPY4.9 billion, while volume had a negative impact of JPY8.3 billion. Fixed cost and others had a negative impact of JPY0.2 billion for a total decline in profit of JPY13.3 billion.



Next, I will go over performance by segment, starting with Chemicals. Net sales decreased JPY34.1 billion. The sub-segment breakdown is as shown here with the greatest impact seen in Engineering Plastics and Fine Chemicals. The biggest factor was the deterioration in market conditions for nylon and lactam. Sluggish demand for lactam resulted in a sharp drop in price. Sales were relatively robust for nylon used in food packaging film, but demand declined significantly for automobiles. Meanwhile, the competition intensified, forcing us to cope with the situation by adjusting the price.

As for Industrial Chemicals, decreased volume caused by regular repairs in the first half had an impact. As for Fine Chemicals, we saw reduced shipments mainly for automotive due to the impact of COVID-19, and the price also fell. These factors contributed to the decline in sales.

In Synthetic Rubber, sales decreased JPY8.1 billion, as demand slumped significantly in the first half due to reduced operating rates at tire manufacturer customers. The price of raw material butadiene fell sharply in the first quarter, continuing the downtrend since the second half of last year. This also caused the price of synthetic rubber products to drop.

Sales decreased JPY4.3 billion for Specialty Products, as demand for battery materials, electrolytes, and separators weakened, causing a decline in sales volume. Given the nature of these products, the price has also dropped from the same period last year. Such impacts have been felt. Also, we saw a considerable drop in demand for explosion-proof applications, such as resource mining and aircraft, for separation membranes, although the size of the sales isn't very large. Demand for ceramics has declined sharply for use in automotive applications, such as glow plugs and bearings, with a considerable impact on each.

Meanwhile, sales have exceeded the plan for polyimide with strong demand for applications such as film used in COF and FPC and varnishes used in flexible organic EL. That's all for Specialty Products.

In Pharmaceutical, sales decreased by around JPY2 billion, but rearrangements of production items have occurred in the first half. Also, customers have conducted inventory adjustments of products. The booking of royalties being pushed back to the second half also had an impact.

On the profit front, operating profit declined JPY10.8 billion in Chemicals, chiefly due to a decrease in operating profit in Engineering Plastics and Fine Chemicals. As I stated in the explanation of sales, we saw a sharp decline in demand for Engineering Plastics and Fine Chemicals, resulting in a significant deterioration in the spread between cost and price. This was the greatest factor behind the decline in operating profit.

For your reference, the spread for lactam was an average of USD646 in the first half of this year. In the first half of last year, the average was USD960, meaning the impact was a decline of USD314 in the first half compared to last year.

The spread has been at low levels due to diminished demand related to medical care, textiles, and automobiles in part due to the impact of COVID-19. However, the spread has turned up in September as we entered the demand period for winter clothing, and the recovery trend is continuing at the moment.

Demand for nylon has declined as a whole, and tougher competition has significantly deteriorated the spread. Industrial chemicals were partly impacted by regular repairs, and demand for fine chemicals also fell as a whole.

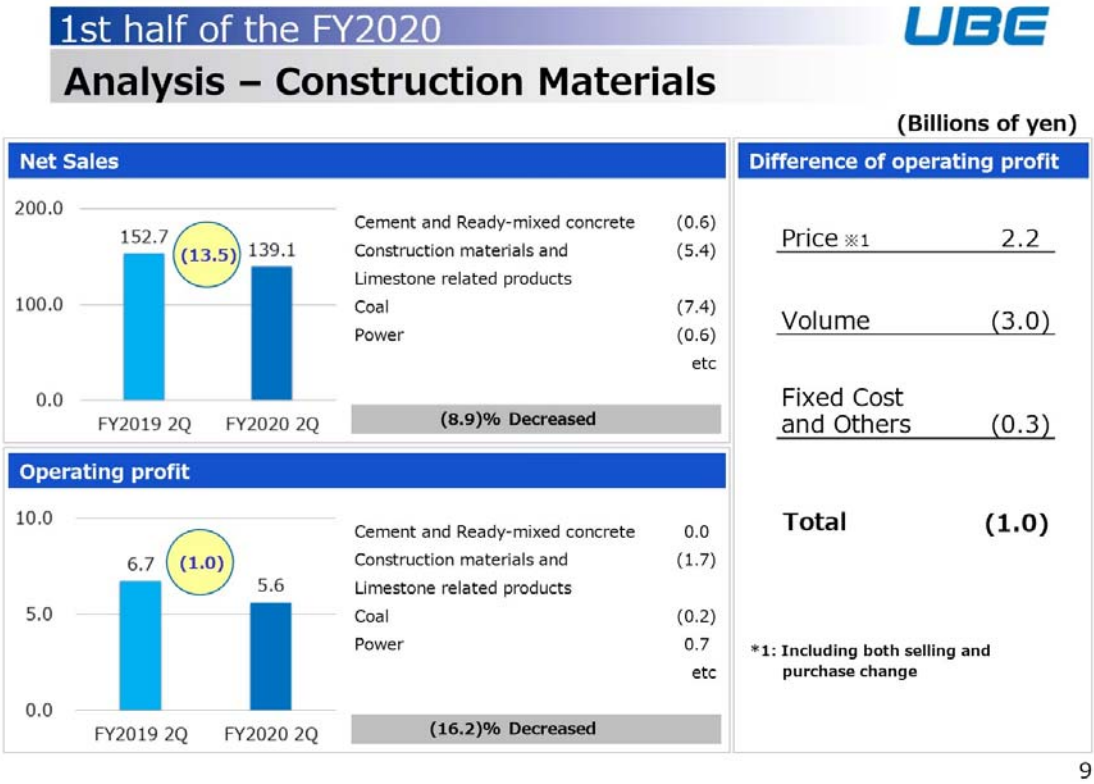
Operating profit decreased JPY1.8 billion for synthetic rubber. This was chiefly due to a decline in sales volume. This was also due to the upturn and rise of the price for raw material butadiene in the second quarter that squeezed the spread.

Operating profit decreased JPY0.4 billion in Specialty Products. As stated in my explanation of sales, the sales volume drop for battery materials, electrolytes, and separators, coupled with price declines stemming from tougher competition and a sharp deterioration in demand for separation membranes and ceramics, have all been factors behind the decline in profit. Results have been robust for polyimide but were insufficient to offset the negatives of other specialty products.

In Pharmaceutical, as explained for sales, we saw reduced shipments and delays in the booking of royalties, resulting in a profit decline in the first half.

If you look at the breakdown by price and volume, price decreased profit by JPY7 billion. This was mainly the difference in prices for nylon, lactam, and synthetic rubber. Volume reduced profit by JPY5 billion. Volume decreased for almost all products, but the most heavily impacted products were battery materials, synthetic rubber, separation membranes, and ceramics.

Meanwhile, fixed cost and others raised profit by JPY1 billion, bringing the total decline to JPY10.8 billion.



Page nine shows the details for Construction Materials.

In total, net sales decreased JPY13.5 billion. The breakdown shows that a large part of the sales decline came from Construction Materials and Limestone-related Products and Coal. For Cement and Ready-Mixed Concrete, there were temporary suspensions at construction sites, but sales have recovered to some extent even against that backdrop.

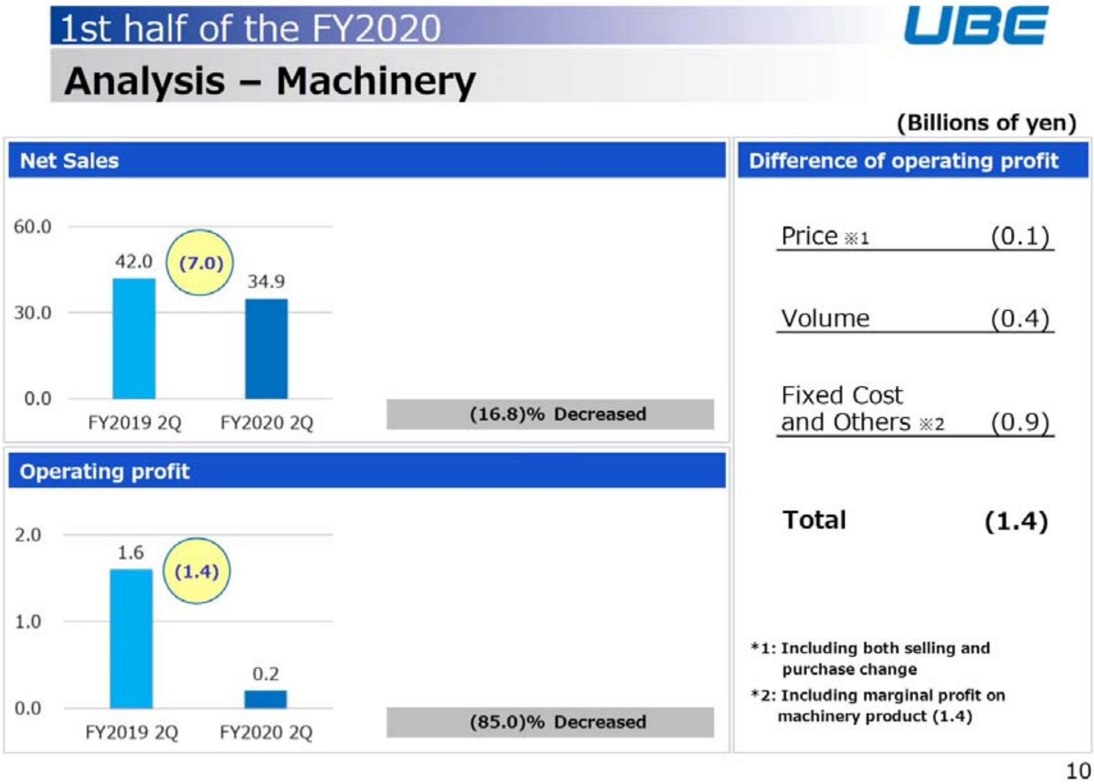
Meanwhile, for Construction Materials and Limestone-related Products, we experienced a sharp reduction of production at Ube Material Industries customers, particularly for magnesia clinker and quicklime used for steel, fillers for automobiles, and clinkers for refractory products, causing tough conditions to continue.

As for Coal, we not only saw a drop in prices, but the operating rates at thermal power generation facilities declined, resulting in low volume of sold and deposited coal.

The Power business was impacted by selling prices of surplus electricity remaining at very low levels.

Operating profit declined JPY1 billion in total for Construction Materials. This was in large part due to Construction Materials and Limestone-related Products, as weakened demand for Ube Material Industries' products pushed down profit substantially.

Coal was a major factor behind the decline in sales, but its impact on profit was modest. In terms of Power, we booked higher profit compared to last year, because there are no regular repairs for IPP this year. Price boosted profit by JPY2.2 billion. This was attributable to lower coal price, which helped reduce cost. On the other hand, volume pushed down profit by JPY3 billion. This was chiefly due to the impact of limestone products at Ube Material Industries. Fixed cost and others lowered profit by JPY0.3 billion, for a total profit decline of JPY1 billion.



Page 10 shows the details of the Machinery segment.

Sales have declined JPY7 billion, as the expanded impact of COVID-19 struck amidst an increasingly challenging order environment for automotive molding machines since last year. We saw increased postponements of capital investment projects, resulting in sluggish shipments in the first half. In terms of industrial machinery, many of the projects are over the long term, and progress is being made as planned for a large IPP project order that has already been received.

As for steel, we saw an impact from lower prices caused by diminished demand for billets used in automotive special steels.

Operating profit declined JPY1.4 billion. Although profit was up for industrial machinery, the profit decline was substantial for molding machine and steel products.

On the right, we show the breakdown of impact by price and volume. The price and volume difference stems from steel products, while fixed cost and others pushed down profit by JPY0.9 billion, for a total profit decline of JPY1.4 billion. Fixed cost and others include the impact of lower marginal profit on machinery product, as shown in note two, the second asterisk on the bottom.

1st half of the FY2020

UBE

Operating Profit – Profit attributable to owners of parent

(Billions of yen)

Item	FY2019 2Q (A)	FY2020 2Q (B)	Difference (B) - (A)
Operating profit	16.7	3.4	(13.3)
Non-operating income (expenses)	(0.1)	(1.8)	(1.7)
Net interests expenses	0.6	0.2	(0.3)
Share of profit (loss) of entities accounted for using equtiy method	0.9	(0.2)	(1.2)
Foreign exchange losses	(0.1)	(0.4)	(0.2)
Others	(1.5)	(1.5)	0.0
Ordinary profit	16.6	1.5	(15.1)
Extraordinary income (losses)	(0.8)	0.2	1.1
Profit before income taxes	15.7	1.8	(13.9)
Income taxes and profit (loss) attributable to non-controlling interests	(4.9)	(1.5)	3.4
Profit attributable to owners of parent	10.7	0.2	(10.5)
Net income per share	106.77 yen	2.69 yen	(104.08) yen

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On page 11, we show the results for profits from the non-operating income and expense line downward.

In the period ended, non-operating income and expense was an expense of JPY1.8 billion, a deterioration of JPY1.7 billion compared to the same period last year. The breakdown is shown here; the biggest factor of which was share of profit or loss of entities accounted for using equity method. Earnings were sluggish at equity-method companies, resulting in a decrease in profit or loss of entities accounted for using equity method. In terms of net interest expenses, we saw an impact from a decreased amount of dividends received. As a result, ordinary profit was JPY1.5 billion.

In the period ended, extraordinary income was JPY0.2 billion. As we explained during the first-quarter earnings presentation, we reorganized some Group companies and consequently booked around JPY0.5 billion in one-time profit for accounting purposes. Such impacts are included in the results. Ultimately, profits attributable to owners of the parent came to JPY0.2 billion.

1st half of the FY2020

Consolidated Balance Sheet

(Billions of yen)

Item	End of FY2019 (A)	End of FY2020 2Q (B)	Difference (B) - (A)
Current assets	303.9	284.2	(19.6)
Fixed assets	423.1	421.5	(1.5)
Total assets	727.2	706.0	(21.1)
Interest-bearing debt	190.7	199.3	8.6
Other liabilities	182.1	155.5	(26.5)
Total liabilities	372.8	354.9	(17.8)
Shareholders' equity *1	332.3	330.3	(2.0)
Non-controlling interests and others	22.0	20.7	(1.2)
Total net assets	354.4	351.1	(3.3)
Total liabilities and net assets	727.2	706.0	(21.1)

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

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Please see page 12.

This is the balance sheet. Total assets stood at JPY706 billion as of the end of the second quarter, a decrease of around JPY21.1 billion in assets compared to the end of the previous fiscal year in March. Current assets have decreased, but this is attributable to a decline in sales, which is reflected in the lower accounts receivable and operating assets such as inventories. On the other hand, we also saw a corresponding decrease in operating liabilities, such as accounts payable in terms of liabilities. As a result, the overall balance sheet became slightly smaller.

There were no other changes that were particularly notable.

1st half of the FY2020

Consolidated Statements of Cash Flows

(Billions of yen)

Item	FY2019 2Q	FY2020 2Q	
A.Cash flows from operating activities	36.7	29.7	Profit before income taxes 1.8 Depreciation and amortization 18.0 Increase in working capital 14.9 Income taxes paid (4.9) etc.
B.Cash flows from investing activities	(20.8)	(23.8)	Acquisition of PP&E (22.3) etc.
Free cash flows (A+B)	15.9	5.8	
C.Cash flows from financing activities	(16.2)	0.4	Increase in interest-bearing debt 5.3 Dividends paid (4.8) etc.
D.Net increase/decrease in cash and cash equivalents	(0.6)	6.8	
E.Cash and cash equivalents at end of the quarter	31.6	47.4	

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Page 13 shows the status of cash flows.

Cash flows provided by operating activities were JPY29.7 billion in the first half. On the other hand, cash flows used in investing activities were JPY23.8 billion. On net, free cash flow came to JPY5.8 billion. Cash flows provided by financing activities were JPY0.4 billion. This was attributable to the issuance of corporate bonds amounting to about JPY10 billion, offsetting the payment of dividend. These and other factors led to an increase in interest-bearing debt by about JPY5.3 billion. On net, there was a cash inflow of JPY0.4 billion. Finally, on the bottom, the balance of cash and cash equivalents at quarter-end came to JPY47.4 billion. We've kept our cash holdings at a slightly higher level than usual, and this has been maintained.

This concludes the section on first-half financial results. I will now move on to a presentation of the full-year earnings forecast.

FY2020 Consolidated Forecasts

Scope of Consolidation

Item	End of FY2019 (A)	End of FY2020 (B)	Difference (B) - (A)	Notes
Number of consolidated subsidiaries	69	66	(3)	+ Premium Composite Technology North America, Inc. − U-MHI Platech Co., Ltd. − U-MHI Platech America, Inc. − AET Electrolyte Technologies (Zhangjiagang) Co., Ltd. − Ube Ammonia Industry, Ltd.
Number of equity method affiliates	26	27	1	+ CNSG Anhui Hong Sifang & UBE New Material Technology Co., Ltd. + MU Ionic Solutions Corporation − Changshu UM Battery Materials Co., Ltd.
Total	95	93	(2)	

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Page 15 shows the changes in the scope of consolidation. We expect the number of consolidated subsidiaries to decrease by three companies as a result of adding one subsidiary and deconsolidating four subsidiaries. Of these, the scope of consolidation for four companies has been changed during the first half. The only change we expect in the second half is the deconsolidation of Ube Ammonia Industry. The deconsolidation is due to an absorption-type merger by the parent company, and it will take place in the third quarter.

We expect the number of equity method affiliates to increase by one company, including the addition of two companies and the removal of one company. The changes for these three companies are expected to take place in the second half. The company on the top, CNSG Anhui, is a joint venture with a high-purity DMC company in China. This joint venture will start operation and be accounted for as an equity-method affiliated.

The second company, MU Ionic Solutions, is an electrolyte business formed as a joint venture with Mitsubishi Chemical that will be integrated. This new company, MU Ionic Solutions, will be accounted for as our equity-method affiliate.

Below that is a company that will be removed from our equity-method affiliates, Changshu UM Battery Materials, which is an electrolyte solution company in China. This was originally a joint venture with Mitsubishi Chemical, but it will become a wholly owned subsidiary of MU Ionic Solutions shown above, meaning that it will no longer be accounted in our books as an equity-method affiliate.

The impact of these changes will be insignificant or limited. However, the change in the status of our electrolyte business into an equity-method affiliate means that it will no longer be included in consolidated sales and operating profit.

FY2020 Consolidated Forecasts

Environmental Factors

Item			FY2019 (A)	FY2020 (B)	Difference (B) - (A)
Exchange Rate		Yen/$	108.7	107.0 [107.0]	(1.7)
Material Price	Naphtha CIF	$/ t	541	393 [440]	(148)
	Naphtha Domestic	Yen/KL	42,900	31,200 [34,700]	(11,700)
	Benzene (ACP)	$/ t	666	439 [480]	(227)
	Australian Coal (CIF)	$/ t	99.3	76.5 [77.3]	(22.8)
		Yen/t	10,793	8,182 [8,266]	(2,611)

[ ] : numbers for the 2nd half of the period only

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Page 16 shows our assumptions for environmental factors.

In the column for FY2020, you’ll see that there are two numbers in each cell. The number on the bottom is our assumption for the second half. Our forex assumption is unchanged at JPY107 against the USD. We expect the naphtha and material prices to rise slightly compared to the first half, as shown here.

FY2020 Consolidated Forecasts

Major P/L & B/S Items

(Billions of yen)

Item	FY2019 (A)	FY2020 (B)	Difference (B) - (A)	Percentage change
Net sales	667.8	592.0	(75.8)	(11.4)%
Operating profit	34.0	21.5	(12.5)	(36.8)%
Ordinary profit	35.7	17.5	(18.2)	(51.0)%
Profit attributable to owners of parent	22.9	13.0	(9.9)	(43.4)%

Item	End of FY2019 (A)	End of FY2020 (B)	Difference (B) - (A)
Total assets	727.2	730.0	2.8
Interest-bearing debt	190.7	210.0	19.3
Equity capital *1	332.3	336.0	3.7
Dividend(Yen /Share) *2	90.00	90.00	0.00

*1: Equity capital = Net assets - Subscription rights to shares - Non-controlling interests

*2: Dividend: Interim/45yen, Fiscal year-end/45yen

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Page 17 shows the major P/L and B/S items.

We announced a revision to our earnings forecast on October 23. The numbers are unchanged from that announcement. We forecast a sharp decrease in sales and profits over the full year. We announced a downward revision to the initial forecast for both sales and profits issued in May, taking into consideration the first-half results and our current outlook for the second half.

We expect the negative impact of COVID-19 to manifest earlier than we anticipated. Particularly in terms of automotive demand, we see a clear sign of a recovery trend. Meanwhile, we expect price competition to continue. As such, we believe the recovery in prices will require some time.

Accordingly, we expect the recovery trend to continue in the second half, but the recovery to be slightly slower than initially anticipated at a moderate pace. Thus, we have made a forecast revision.

We aim for net sales of JPY592 billion, down JPY75.8 billion YoY, operating profit of JPY21.5 billion, down JPY12.5 billion, ordinary profit of JPY17.5 billion, down JPY18.2 billion, and profit attributable to owners of the parent of JPY13.0 billion, down JPY9.9 billion.

The balance sheet is as described here. We expect total assets to recover to level at around the end of the previous fiscal year.

On the bottom, we have a row that describes the annual dividend. The Board of Directors resolved today that we will pay out JPY45 per share as an interim dividend. As for the year-end dividend, we retained the initial plan of paying a year-end dividend of JPY45 per share. The plan for annual dividend is JPY90 per share.

FY2020 Consolidated Forecasts

Net Sales and Operating Profit by Segment

(Billions of yen)

	Segment	FY2019 (A)	FY2020 (B)	Difference (B) - (A)
Net sales	Chemicals	286.0	243.0	(43.0)
	Construction Materials	303.0	279.0	(24.0)
	Machinery	90.7	78.0	(12.7)
	Others	4.5	3.0	(1.5)
	Adjustment	(16.5)	(11.0)	5.5
	Total	667.8	592.0	(75.8)
Operating profit	Chemicals	14.5	5.5	(9.0)
	Construction Materials	14.5	13.0	(1.5)
	Machinery	4.9	3.0	(1.9)
	Others	0.5	0.5	0.0
	Adjustment	(0.6)	(0.5)	0.1
	Total	34.0	21.5	(12.5)

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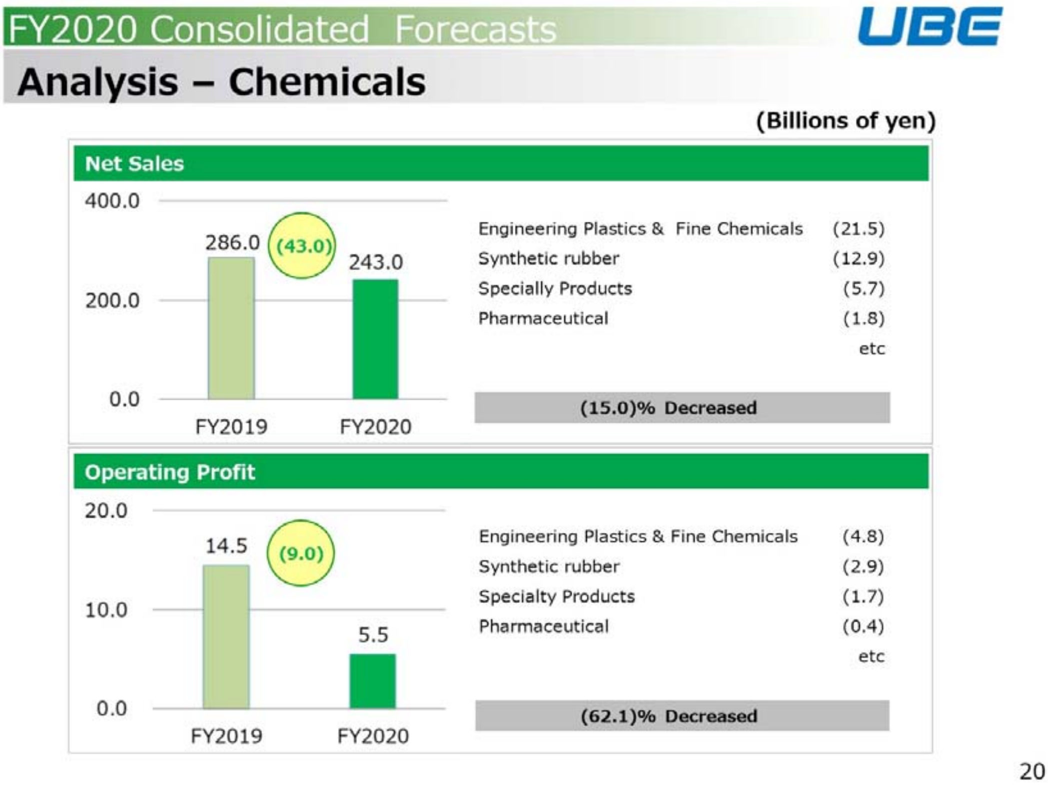
Page 18 shows the breakdown of net sales and operating profit by segment.

In total, we expect net sales to decrease JPY75.8 billion YoY. We expect sales to decrease in all three companies, similar to the trend seen in the first half. In total, we forecast operating profit to decline JPY12.5 billion with reduced profit in all three companies. We expect the profit decline to be especially substantial in the Chemicals segment, unchanged from the trend in the first half.

Although we expect a recovery trend in the second half, we forecast a significant decrease in sales and profits in all three segments over the full year. When looking only at the second half, we revised down the initial operating profit target by JPY1.9 billion, but this represents an increase in profit of JPY0.8 billion compared to the second half of the previous fiscal year.

Next is page 19. I will skip this page because I already shared the breakdown on the previous page.



On page 20 is the breakdown for the Chemicals segment.

In Chemicals, we expect net sales to decline JPY43 billion and operating profit to decrease JPY9 billion over the full year. The sluggish momentum in the first half will continue to have an impact over the full year, but we expect the rate of sales decline to narrow compared to the first half across all sub-segments.

We particularly expect a recovery in demand for nylon and lactam, which saw a sharp deterioration in the first half. In addition, market conditions have improved for raw material benzene. As a result of these factors, we forecast progress to be made in improving prices.

We also expect the second-half volume of synthetic rubber to recover. The market price of raw material butadiene has been rising. As a consequence, we expect prices to gradually recover. In Specialty Products, as explained earlier, our electrolyte business will be transferred to an equity-method affiliate starting in the second half. We factor in recovery in the volume of separators in the second half, both for the coating and non-coating types.

In terms of polyimide, we factor in the decline in varnish shipments impacted by Chinese smartphones or flexible organic EL, as the production of the new smartphone model eases off, and the US sanctions the Chinese semiconductor industry.

On the other hand, we expect robust shipments of COF films used in large LCDs. We expect a recovery for separation membranes and ceramics, which were heavily impacted in the first half. However, we think the recovery will be relatively moderate in part due to factors such as aircraft applications.

We don’t expect any major changes in terms of Pharmaceutical, but the impact of delays in the first half will manifest in the second half.

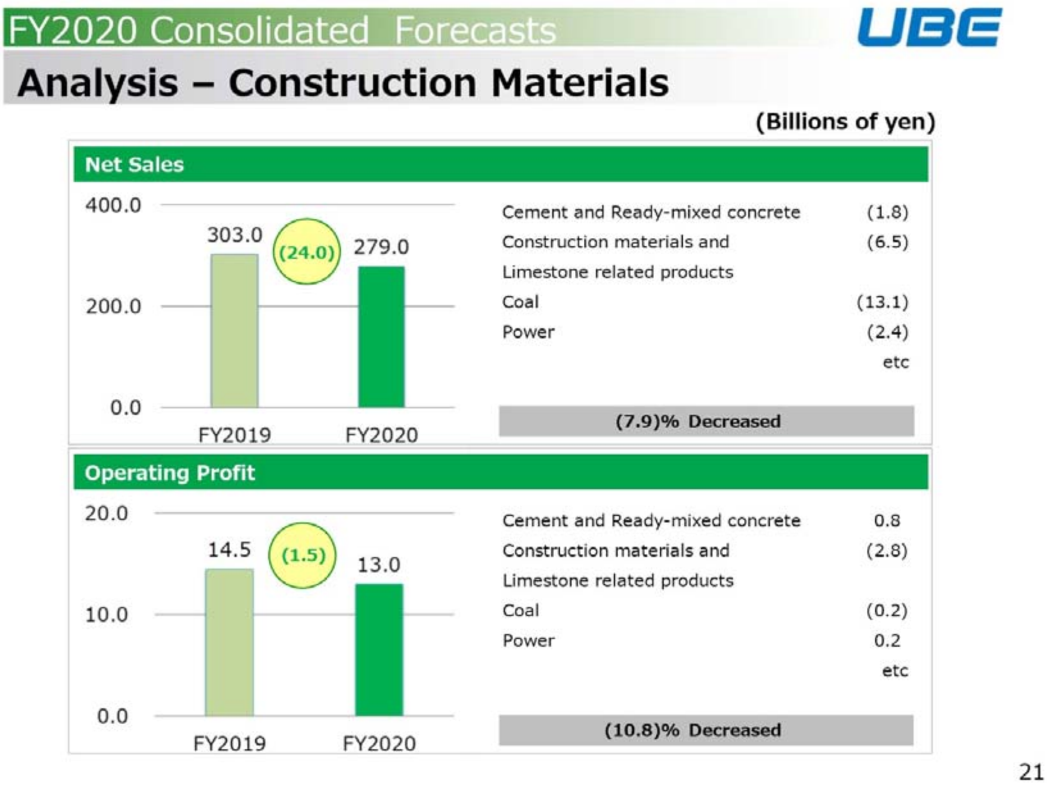
We forecast a sharp decline in operating profit over the full year but expect increased profit of JPY1.8 billion YoY in the Chemicals segment when looking at the second half alone.

We particularly factor in recovery in spreads of nylon and lactam, and we also factor fine chemicals and high-performance coatings due to improve along with a recovery in demand centered on automotive applications.

We also see a recovery trend in the sales volume of synthetic rubber, and we have factored this into our assumption. In terms of the spread between cost and price, we are seeing an uptick in the price of raw material butadiene but expect the tough conditions to continue.

For Specialty Products, we expect a recovery in separators, separation membranes, and ceramics, but we factored in adjustments for polyimide as explained earlier. As a result, we expect the profit decline to slightly expand YoY.

We assume that profit for Pharmaceutical will increase in the second half in part due to projects that were pushed back to the second half.



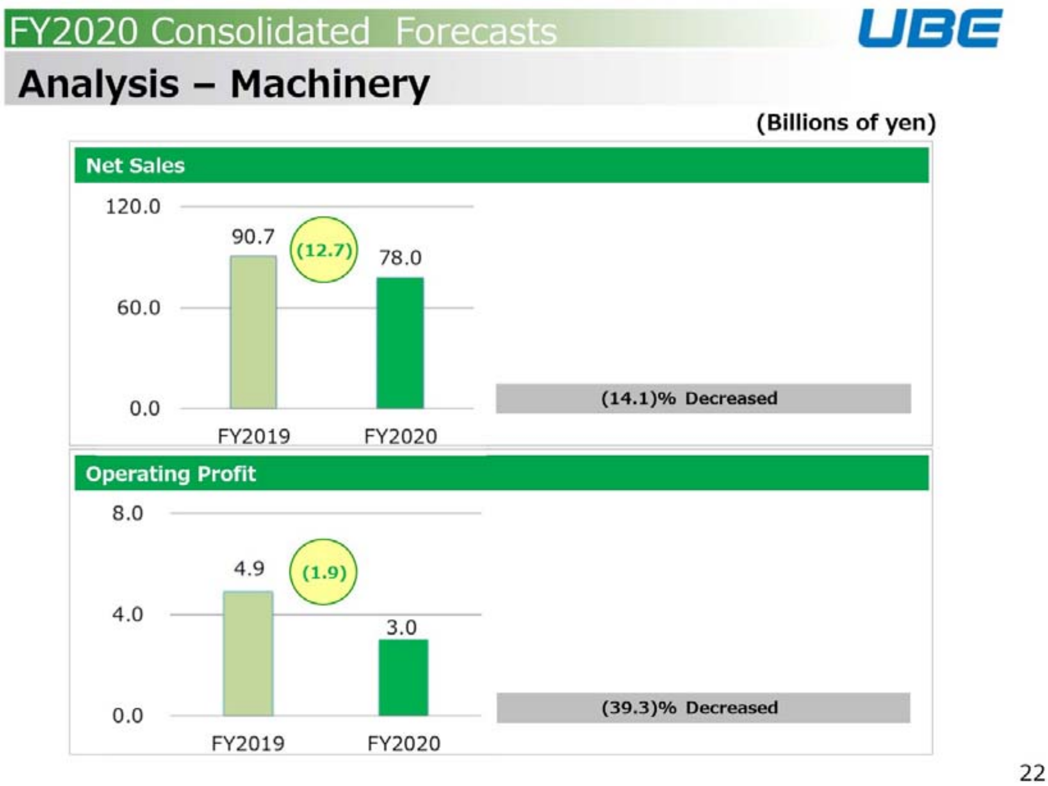
Page 21 shows the details for the Construction Materials company.

We forecast net sales to decrease JPY24 billion over the full year. We forecast operating profit to decline JPY1.5 billion. This reflects the overall trend of sluggish results in the first half being carried on in the second half. We assume that domestic demand for cement will remain at a level below 40 million tons over the full year. These are the assumptions on which we have formulated our shipment and sales targets.

As for Construction Materials and Limestone-related Products, we expect the recovery in demand for limestone products at Ube Material Industries to be slightly moderate despite the recent recovery in automotive demand, because we assume there will be a lag in the recovery of steel-related products and the subsequent recovery of refractory materials.

In terms of operating profit, coal prices for cement have declined compared to last year and this will have a positive impact. We expect an increase in profit in the second half.

As for limestone products at Ube Material Industries, we expect the recovery to be moderate. We believe the conditions regarding coal and electricity to continue, as in the first half.



Page 22 shows the details for Machinery.

We expect machinery sales to decrease JPY12.7 billion over the full year. We forecast operating profit to decrease JPY1.9 billion. In terms of molding machines, auto production and sales are on a recovery track globally, but conditions are expected to remain tough as each company postpone or review capital investments and reduce maintenance budgets. The current order environment is one where profitability is becoming more difficult to secure as competitors crowd around a few projects.

Meanwhile, progress is being made as planned in terms of industrial machinery, such as large IPP projects. Also, inquiries are continuing to be received in terms of small and mid-sized biomass projects.

We forecast the operating profit shown here, considering the increasing severity of the order environment for molding machines with short delivery times and services.

FY2020 Consolidated Forecasts

Operating Profit – Profit attributable to owners of parent

(Billions of yen)

Item	FY2019 (A)	FY2020 (B)	Difference (B) - (A)
Operating profit	34.0	21.5	(12.5)
Non-operating income (expenses)	1.6	(4.0)	(5.6)
Ordinaly profit	35.7	17.5	(18.2)
Extraordinary income (losses)	(5.3)	(1.0)	4.3
Profit before income taxes	30.3	16.5	(13.8)
Income taxes and profit (loss) attributable to non-controlling interests	(7.3)	(3.5)	3.8
Profit attributable to owners of parent	22.9	13.0	(9.9)
Net income per share	227.33 yen	128.54 yen	(98.79) yen

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Page 23 shows our forecast from the non-operating income and expense line and below over the full year.

We expect a total of JPY4 billion in non-operating expenses in the current fiscal year. Thus, we expect a deterioration of JPY5.6 billion in non-operating income and expense compared to last year.

As for extraordinary income and losses, we expect a loss of JPY1 billion in the current fiscal year compared to a loss of JPY5.3 billion in the previous fiscal year when we booked an impairment loss on the disposal of a golf course. On net, we expect an improvement of JPY4.3 billion. Ultimately, on the second line from the bottom, we forecast profit attributable to owners of the parent of JPY13 billion.

We have also included various other reference materials at the end of the presentation material, so we hope you will look through them later on.

I've run a little bit over time. That concludes our earnings presentation.

[END]