



UBE Corporation

Financial Results Briefing for the Fiscal Year Ended March 2022

May 12, 2022

Event Summary

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[Venue]	Dial-in	
[Number of Speakers]	1	
	Masayuki Fujii	Director, Managing Executive Officer, CFO

Presentation

Moderator: Good evening, investors. Thank you for taking time out of your busy schedules to participate in this conference call with UBE Corporation. Director, Managing Executive Officer, and CFO Masayuki Fujii will provide a 30-minute financial results briefing for the fiscal year ended March 2022, followed by a Q&A session. The entire meeting is scheduled to last approximately 60 minutes.

Before we begin the conference call, please let us point out this presentation may contain forward-looking statements based on current expectations, all of which are subject to risks and uncertainties. Please be aware that the actual results may differ from the forecast.

Let's now begin. Mr. Fujii, please.

Fujii: Good evening, everyone. I am Fujii from UBE. Thank you for taking the time out of your busy schedules to join us today.

I will now explain the financial results for FY2021 and the forecast for FY2022 that we announced today in accordance with the materials at hand.

FY2021 Consolidated Results



Scope of Consolidation

Item	End of FY2020 (A)	End of FY2021 (B)	Difference (B) - (A)	Notes
Number of consolidated subsidiaries	66	65	(1)	+ UBE Elastomer Co., Ltd. + UBE HIGH CO., LTD - Yamaishi Metal Co., Ltd. - UBE PROCESSING TEC CORPORATION - NANTONG UBE CONCRETE CO., LTD.
Number of equity method affiliates	26	26	0	+ Mitsubishi UBE Cement Corporation (formerly C Integration Arrangement, Ltd.) - Kure Ube Lime, Ltd.
Total	92	91	(1)	

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The pages are numbered in the lower right-hand corner of the document. First of all, slide three, consolidated companies.

The number of consolidated subsidiaries decreased by one company compared to the end of the previous fiscal year. This was due to two newly consolidated companies and three companies removed from consolidation, for a total of 65 consolidated companies.

One new company was UBE Elastomer. This is a new company that spun off the synthetic rubber section. Another newly consolidated company is UBE HIGH. This was established as an SPC to invest in a fine chemical joint venture in China.

One of the companies removed from consolidation is Yamaishi Metal Co., Ltd. This company was sold. Another is UBE PROCESSING TEC CORPORATION. This company was dissolved. Another is NANTONG UBE CONCRETE. This is a ready-mixed concrete company in China, which was also transferred. This company was also sold. The dissolution of UBE PROCESSING TEC CORPORATION and the sale of NANTONG UBE CONCRETE occurred in the fourth quarter.

The number of companies accounted for by the equity method has not changed, increasing and decreasing by one company, respectively. There are 26 of equity method companies. The new equity method company was Mitsubishi UBE Cement Corporation. We have integrated the cement related businesses with Mitsubishi Materials in April, and this integrated company was established last fiscal year.

Kure UBE Lime has been liquidated and therefore was removed from our roster of equity method companies.

These changes have affected our consolidated results to some extent in terms of non-operating income (loss), equity in earnings (loss) of affiliates, and loss from related businesses in extraordinary income (loss).

FY2021 Consolidated Results



Environmental Factors

Item			FY2020 (A)	FY2021 (B)	Difference (B) - (A)	
Exchange Rate	Yen/\$		106.1	112.4	6.3	
Material Price	Naphtha	CIF	\$/ t	399	702	303
		Domestic	Yen/KL	31,300	56,700	25,400
	Benzene (ACP)	\$/ t	500	990	490	
	Australian Coal (CIF)	\$/ t	82.0	170.3	88.3	
		Yen/t	8,700	19,133	10,433	

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Let's move on to slide four. This is environmental factors.

The exchange rate averaged JPY112.4 during the period, with the yen depreciating by about JPY6. Also, note the prices of naphtha, benzene, and coal. As shown here, this was a year of significant price increases compared to the previous year.

FY2021 Consolidated Results



Major P/L Items

(Billions of yen)

Item	FY2020 (A)	FY2021 (B)	Difference (B) - (A)	Percentage change
Net sales *1	613.9	655.3	41.4	—
		<i>738.0</i>	<i>124.1</i>	20.2%
Operating profit	25.9	44.0	18.1	70.0%
Ordinary profit	23.3	41.5	18.3	78.4%
Profit attributable to owners of parent	22.9	24.5	1.6	6.8%

*1: We don't indicate the rate of increase and decrease in net sales compared with the previous fiscal year because of applying the "Accounting Standard for Revenue Recognition" from FY2021. Figures shown in italics are before applying the Accounting Standard for Revenue Recognition.

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Let's move to slide five. These are the major items.

Net sales for FY2021 was JPY655.3 billion. Compared to the previous year, revenues increased by JPY41.4 billion. A new revenue recognition accounting standard has been applied since FY2021, so the figures before the impact of the introduction of the new standard are shown enclosed in parentheses for your reference.

The actual value of operating income was JPY44 billion. Compared to the previous year, profit increased by JPY18.1 billion. Ordinary income increased by JPY41.5 billion, or JPY18.3 billion. Net income attributable to parent company shareholders was JPY24.5 billion. This is an increase of JPY1.6 billion.

Net Sales and Operating Profit by Segment

(Billions of yen)

	Segment	FY2020 (A)	FY2021 (B)	Difference (B) - (A)	Percentage change
Net sales	Chemicals	259.4	341.5 <i>*1 351.7</i>	82.1 92.3	– 35.6%
	Construction Materials	282.9	221.5 296.2	(61.4) 13.3	– 4.7%
	Machinery	78.7	97.0 94.8	18.3 16.1	– 20.4%
	Others	3.1	3.4 3.4	0.3 0.3	– 9.6%
	Adjustment	(10.2)	(8.1) (8.1)	2.1 2.1	– –
	Total	613.9	655.3 738.0	41.4 124.1	– 20.2%
	Operating profit	Chemicals	8.2	35.5	27.3
Construction Materials		14.7	3.4	(11.3)	(76.9)%
Machinery		2.8	5.1	2.3	81.2%
Others		0.4	0.6	0.1	28.2%
Adjustment		(0.3)	(0.5)	(0.2)	–
Total		25.9	44.0	18.1	70.0%

*1: Figures shown in italics are before applying the Accounting Standard for Revenue Recognition.

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The next slide on page six shows a breakdown of net sales and operating income by segment.

The business environment for each segment in the fourth quarter of FY2021 remains largely unchanged from that of the third quarter. While the Chemicals segment continued to perform well, the Construction Materials segment experienced very difficult business conditions.

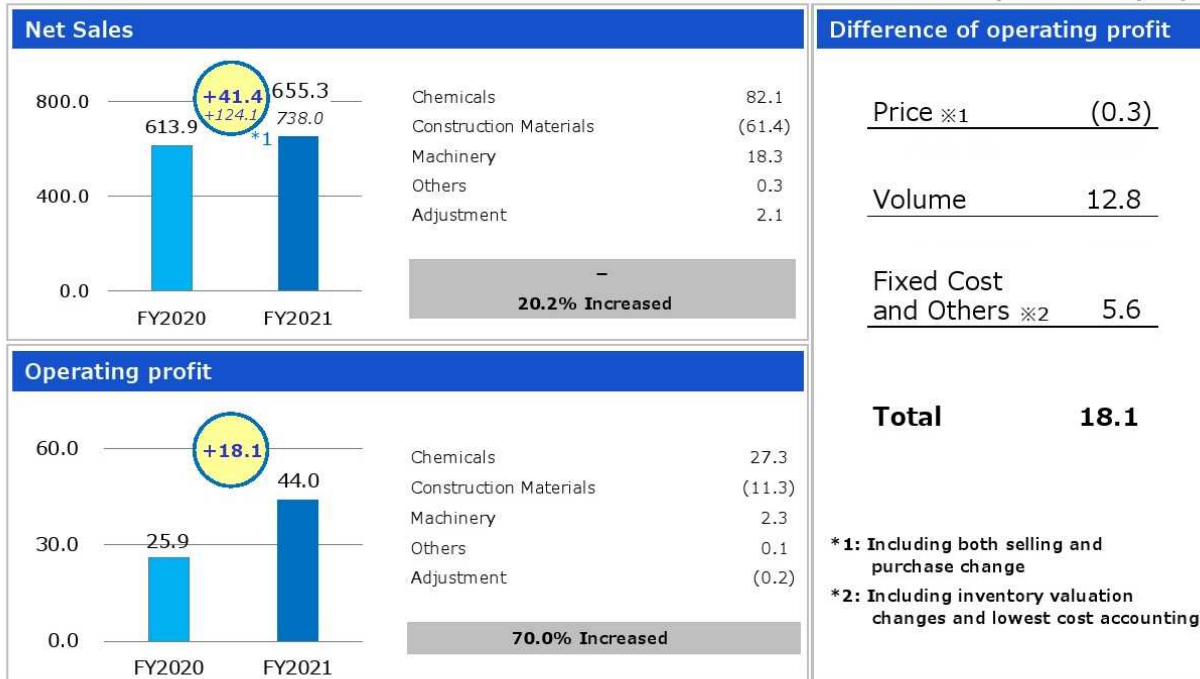
The breakdown of net sales and operating income for the full year is shown here. Chemicals segment net sales increased by JPY82.1 billion. Construction Materials net sales decreased by JPY61.4 billion, but if we exclude the impact of accounting standards, net sales would have increased by JPY13.3 billion. The Machinery segment increased net sales by JPY18.3 billion. As I mentioned earlier, total net sales increased by JPY41.4 billion.

Operating income increased by JPY18.1 billion as a whole. The Chemicals segment led the increase in profit. Operating income increased by JPY27.3 billion. The Construction Materials segment, on the other hand, had a very difficult year, with operating income declining by JPY11.3 billion. The Machinery segment also recovered from the previous year, with an increase in operating income of JPY2.3 billion.

As I mentioned at the beginning, the Chemicals segment had a very strong year, while the Construction Materials segment had a very difficult year. The Chemicals segment achieved record levels of both net sales and operating income.

Analysis - Total

(Billions of yen)



*1: Figures shown in italics are before applying the Accounting Standard for Revenue Recognition.

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Please refer to page seven. The segment breakdown of net sales and operating income is as shown earlier.

As for the operating profit difference on the right, the overall price difference was a negative JPY300 million, while the volume difference was a positive JPY12.8 billion. The difference of fixed costs and other expenses was a positive JPY5.6 billion. This positive figure includes the impact of inventory valuation differences and the lower-of-cost-or-market method, which together accounted for JPY5 billion of the positive difference.

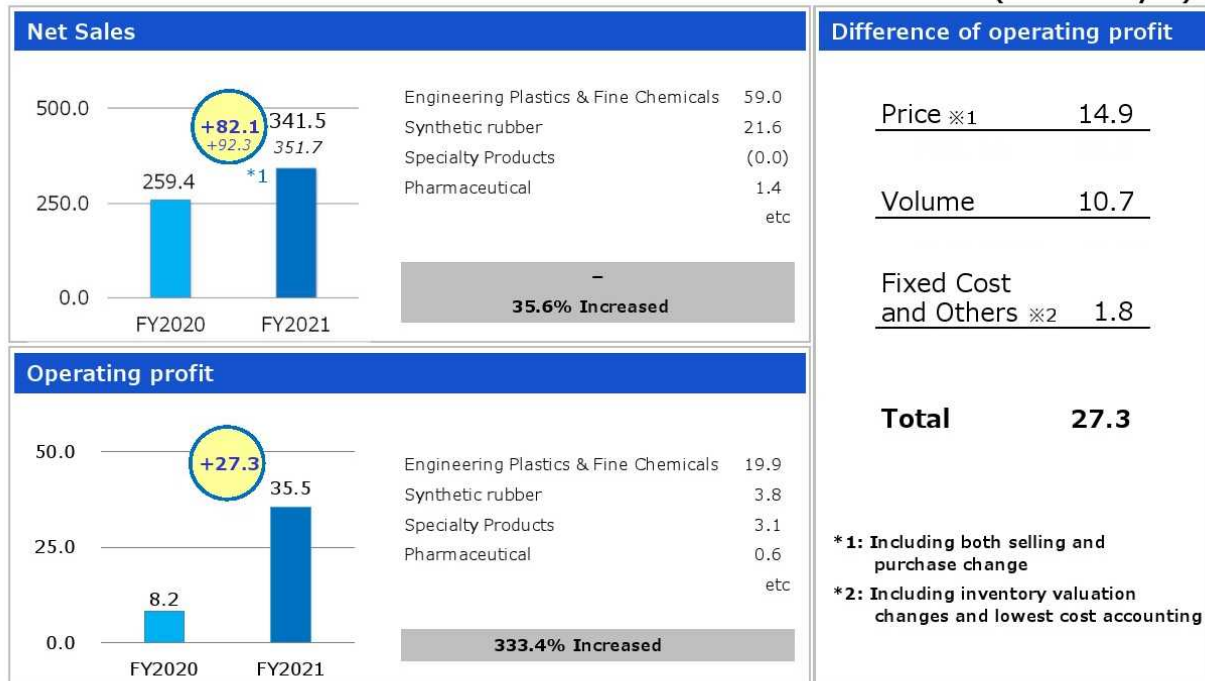
Therefore, although each segment has its own unique characteristics, the overall total sales volume increased as a result of the recovery from the COVID-19 pandemic and the strong demand that was captured during this recovery. We believe that we have been able to pass on higher raw material and fuel prices to product prices and have mostly been able to keep the price difference at a low level.

FY2021 Consolidated Results



Analysis - Chemicals

(Billions of yen)



*1: Figures shown in italics are before applying the Accounting Standard for Revenue Recognition.

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Next up is an analysis of the differences by segment. Slide eight is the Chemicals segment.

The overall picture of the chemicals segment is that demand fell sharply, especially in the first half of FY2020, due to the COVID-19 pandemic, but from there, demand has generally recovered, especially in the automotive sector. Volumes are increasing for almost all products.

Despite the sharp rise in raw material and fuel prices, we have been able to correct product prices against the backdrop of tight supply and demand.

Sales of specialty products such as polyimide for the electronic materials field, ceramics for the industrial field, and separator membranes for the environmental field also expanded in general.

As you saw earlier, net sales increased by JPY82.1 billion. The largest portion of this was a JPY59 billion increase in net sales in the engineering plastics & fine chemicals. The nylon and caprolactam business and the industrial chemicals business all saw an increase in net sales. The effect of product price corrections was particularly significant here.

Synthetic rubber net sales increased by JPY21.6 billion. Demand for synthetic rubber is also recovering, and although raw material prices have risen, we have been able to pass this on to our prices.

The specialty products business saw sales at the same level as the previous year. The electrolyte business was integrated with Mitsubishi Chemical Corporation, which was transferred to the equity method of accounting, resulting in negative impact on net sales. The negative impact of this transfer was covered by other specialty products such as polyimide, and overall net sales were at the same level as the previous year.

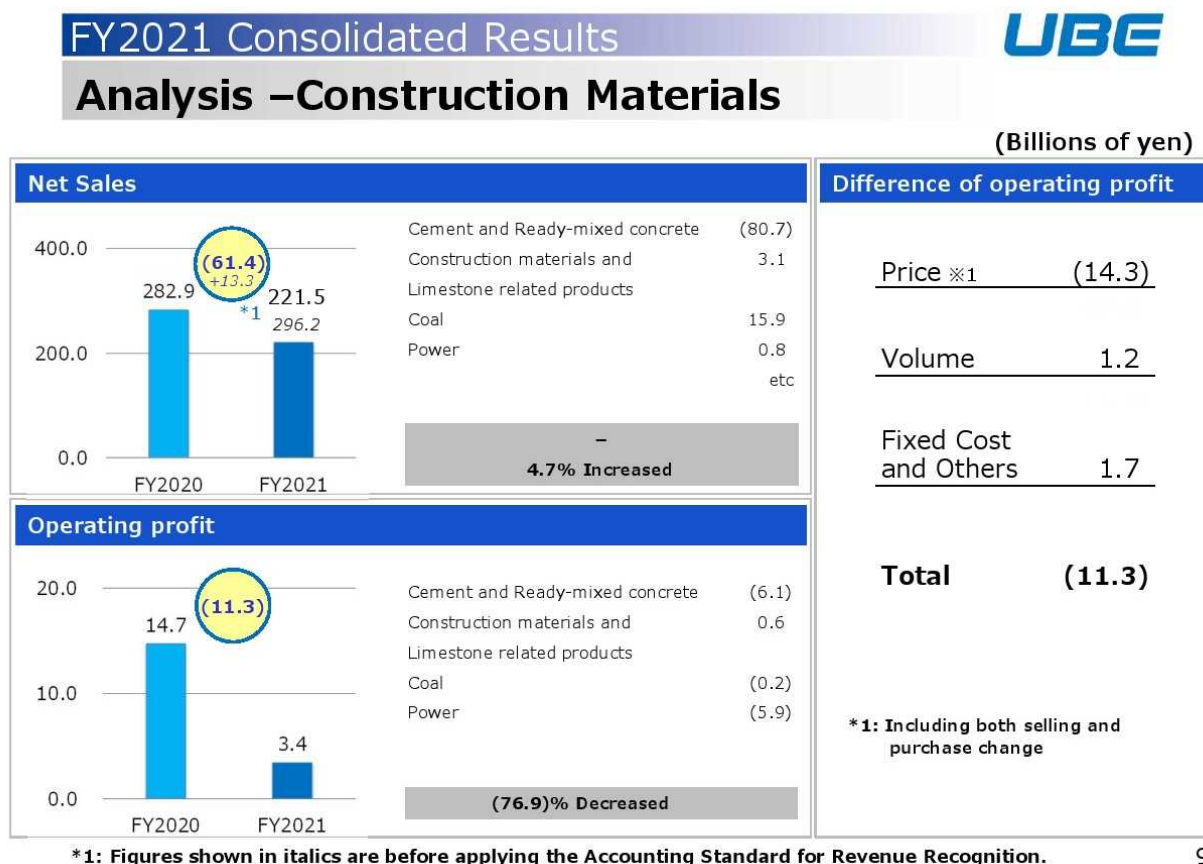
Net sales increased by about JPY1.4 billion in the pharmaceutical business. Factors contributing to the increase were that shipments here also remained strong and that royalty income increased compared to the previous year.

The bottom line, operating income, shows an overall increase of JPY27.3 billion. An entire JPY19.9 billion of this increase in profits was accounted for the engineering plastics & fine chemicals business. The aforementioned nylon and caprolactam business and the fine chemical business are increasing their operating income through increased spreads and volume growth, respectively.

The synthetic rubber business also reported an increase in profit of JPY3.8 billion, reflecting an increase in net sales. Profit increased by JPY3.1 billion in the specialty products business. This too was particularly affected by an increase in volume. Each product is accumulating positive surpluses. As I mentioned earlier, the increase in profit from the pharmaceutical business was due to an increase in shipments and royalty income.

As you can see on the right, the price difference is a positive JPY14.9 billion. The nylon and caprolactam business and the synthetic rubber business had especially large effect on this price differential.

On the other hand, the volume difference was a positive JPY10.7 billion. This was due to a increase in volume for virtually all products. The difference in fixed costs and other expenses was a positive JPY1.8 billion. As I mentioned earlier, this difference in fixed costs and other expenses reflects the impact of inventory valuation differences and the lower-of-cost-or-market method. On a company-wide basis, the impact of these two things on fixed cost and other expenses was JPY5 billion.



Let's continue on to page nine, the Construction Materials segment.

Overall sales in the Construction Materials segment were affected by the application of the aforementioned accounting standard for revenue recognition. This had a particularly large impact, particularly large on sales subsidiaries.

In FY2021, domestic demand for cement was generally sluggish, and weather and other factors added to the weak domestic shipments. This was also the year of implementation of the IPP's bi-annual periodic repairs, which increased costs. In addition to this, the increased price of coal has also had a very significant impact. The cement business and energy business were particularly impacted by these increased coal prices, resulting in very difficult financial results.

Net sales decreased by JPY61.4 billion as a whole. The cement and ready-mixed concrete business had the largest negative impact here. The impact of the change in accounting standards was significant here.

In the construction materials and limestone business, demand for steel and refractory materials recovered, leading to an increase in revenue. Since the price of coal is very high at the moment, the coal business increased its revenue largely due to the price factor. As for the electric power business, the average price of electricity has been rising. The price of coal, the fuel, has been rising, and this has had an impact.

Operating income decreased by JPY11.3 billion. JPY6.1 billion of this decrease was from the cement and ready-mixed concrete business. The impact of the coal price increase was very significant here. This is especially true in the fourth quarter, when the impact increased.

As for the construction materials and limestone-related business, it has seen increased profits due to higher sales. Although the volume is recovering, energy and other costs are rising, which is limiting the scope of the profit increase. As for the coal business, coal prices are rising and sales are increasing. In terms of profit, it is slightly in the red. As for the electric power business, there was a decrease in profit of JPY5.9 billion due to factors such as the impact of regular repairs to the IPP.

On the right-hand side, the price difference is a negative JPY14.3 billion. This is again due solely to the impact of higher coal and other costs on the electric power, cement, and UBE Materials businesses.

The volume difference, on the other hand, is due to positive factors resulting from the recovery of building materials and limestone-related business volumes. The difference of fixed costs and other expenses was a positive JPY1.7 billion, resulting in a total decrease of JPY11.3 billion in profit.

Analysis - Machinery

(Billions of yen)



*1: Figures shown in italics are before applying the Accounting Standard for Revenue Recognition.

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Let's look at slide 10, the Machinery segment.

In the Machinery segment, inquiries and orders for automobile-related capital investment projects, which had declined due to COVID, have been on a recovery track for the last year. Although there are regional differences, the year was marked by a solid recovery in China and the United States.

In the industrial machinery business, steady progress was made on existing orders. In the service business, both orders and sales remained steady.

In the steelmaking business, demand has been steadily recovering, but the increase in profit has been restrained by the soaring price of scrap metal, a raw material for steelmaking.

Net sales increased by JPY18.3 billion. The molding machine business, the industrial machinery business, and the steelmaking business each saw an increase in revenue. Operating income increased by JPY2.3 billion, again due to positive factors in the molding machines and industrial machinery businesses.

You can see the price and volume differences to the right. This is related to the steelmaking business. The difference in fixed costs and other expenses was a positive JPY2.3 billion. As you can see with asterisk two below, the JPY2.3 billion includes an a positive JPY2.2 billion of marginal profit from the machinery business.

Operating Profit – Profit attributable to owners of parent

(Billions of yen)			
Item	FY2020 (A)	FY2021 (B)	Difference (B) - (A)
Operating profit	25.9	44.0	18.1
Non-operating income (expenses)	(2.6)	(2.5)	0.1
Net interests expenses	0.1	0.3	0.3
Share of profit (loss) of entities accounted for using equity method	1.1	(1.9)	(3.0)
Foreign exchange gains	0.4	1.7	1.3
Others	(4.2)	(2.6)	1.6
Ordinary profit	23.3	41.5	18.3
Extraordinary income (losses)	(0.9)	(4.8)	(3.9)
Profit before income taxes	22.4	36.8	14.4
Income taxes and profit (loss) attributable to non-controlling interests	0.5	(12.3)	(12.8)
Profit attributable to owners of parent	22.9	24.5	(1.6)
Net income per share	226.79 yen	249.31 yen	22.52 yen
Dividend per share	90.00 yen	*1 95.00 yen	5.00 yen

*1: The dividend per share for FY2021 is expected to be 95 yen.

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The next slide on page 11, shows the remaining items from non-operating income (loss) to per share information.

In the middle, as an actual value for FY2021, non-operating income/loss was a negative JPY2.5 billion. Compared to the previous year, this represents an improvement of JPY100 million. Within this, equity-method investment profit / loss deteriorates by 3 billion yen from the previous year. This was due to the deteriorating profitability of UBE Mitsubishi Cement, which had been engaged in cement sales and distribution, due to cost increases.

Regarding Mitsubishi UBE Cement Corporation, there was an acute relation costs related to the preparing for the company's integration in April accumulated, and these were a major aggravating factor. On the other hand, foreign exchange gains and losses are positive due to the depreciation of the yen.

As for extraordinary gains and losses, FY2021 had a negative JPY4.8 billion. Compared to the previous year, the situation worsened by JPY3.9 billion. The previous year's figure was negative JPY900 million. The previous figure included gains on the extinguishment of tying shares due to the reorganization of the group. It also included a gain on change in equity due to the consolidation of the electrolyte business. This time, these transitory positive factors are gone.

As you have seen in the first section on the transfer of group companies, a certain amount of extraordinary losses from the transfer and liquidation of group companies and related business losses are also included in this extraordinary income/loss. After subtracting these items, net income before income taxes and minority interests was JPY36.8 billion. Net income attributable to owners of the parent company was JPY24.5 billion.

Then at the bottom of the page, you can see dividends per share. We had previously forecasted dividends of JPY90 per share for FY2021, with a year-end dividend of JPY45 per share, since we paid an interim dividend of JPY45 per share. However, the year-end dividend has now been increased to JPY50 per share, for annual dividends of JPY95 per share. This was resolved by the Board of Directors. If approved at the general shareholders' meeting in June, we are planning for JPY95.

FY2021 Consolidated Results

Consolidated Balance Sheet

(Billions of yen)

Item	End of FY2020	End of FY2021	Difference
	(A)	(B)	(B) - (A)
Current assets	331.7	394.7	63.0
Fixed assets	437.8	443.1	5.3
Total assets	769.7	838.0	68.2
Interest-bearing debt	214.8	241.8	27.0
Other liabilities	174.3	202.1	27.8
Total liabilities	389.1	443.9	54.8
Shareholders' equity *1	359.0	369.1	10.1
Non-controlling interests and others	21.6	24.9	3.3
Total net assets	380.6	394.0	13.4
Total liabilities and net assets	769.7	838.0	68.2

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

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The next page, slide 12, shows the balance sheet.

Total assets at the end of FY2021 were JPY838 billion, an increase of JPY68.2 billion from the end of the previous fiscal year. This was mainly due to an increase in current assets, particularly trade receivables and inventories, reflecting increased net sales and surging raw material prices.

On the liabilities side, interest-bearing debt totaled JPY241.8 billion, an increase of about JPY27 billion from the end of the previous fiscal year. We have secured funds for the year-end divestiture of the Construction Materials segment, in preparation for its split and merger on April 1.

As for net assets, the company's shareholders' equity was JPY369.1 billion at the end of the fiscal year, an increase of JPY10.1 billion compared to the end of the previous fiscal year. We had net income for the quarter and made dividend payments. We also did a JPY10 billion share buyback in FY2021. Having done so, we accumulated that JPY10.1 billion as equity capital.

Consolidated Statements of Cash Flows

(Billions of yen)

Item	FY2020	FY2021	
A.Cash flows from operating activities	66.1	32.7	Profit before income taxes 36.8 Depreciation and amortization 36.5 Decrease in working capital (40.5) Income taxes paid (5.4) etc.
B.Cash flows from investing activities	(39.4)	(43.4)	Acquisition of PP&E (36.4) etc.
Free cash flows (A+B)	26.6	(10.7)	
C.Cash flows from financing activities	10.9	8.4	Dividends paid (9.2) Increase in interest-bearing debts 26.0 Buy back of shares (10.0) etc.
D.Net increase/decrease in cash and cash equivalents	39.0	(0.9)	
E.Cash and cash equivalents at end of the fiscal year	79.6	78.8	

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Let's move to page 13, the statement of cash flows.

Cash flows from operating activities was JPY32.7 billion. Cash flow from investing activities was a cash outflow of JPY43.4 billion. Free cash flow was a cash outflow of JPY10.7 billion. This was funded by cash flow from financing activities of JPY8.4 billion and a reversal of cash and cash equivalents.

The final cash and cash equivalents balance at the end of the period was JPY78.8 billion. As I mentioned earlier, we secured cash to prepare for the divestiture and transfer of the cement business.

These are the key points regarding the consolidated financial results for FY2021. I will then explain the consolidated earnings forecast for the new fiscal year, FY2022.

Scope of Consolidation

Item	End of FY2021 (A)	End of FY2022 (B)	Difference (B) - (A)	Notes
Number of consolidated subsidiaries	65	34	(31)	<ul style="list-style-type: none"> - Meiwa Plastic Industries, Ltd. - UBE Advanced Materials INC. - R-Koma, Ltd. - UBE Construction Materials Sales Co., Ltd. - UBE Construction Materials Co., Ltd. - Ube Industries Cement Service Co., Ltd. - Ube Material Industries, Ltd. - Ozawa Corporation - Kanto Ube Concrete Co., Ltd. - Kanto Ready-mixed Concrete Transportation Co., Ltd. - Sanyo Ube Co., Ltd. - Daikyo Kigyo Co., Ltd. - Nishiharima Ube Co., Ltd. - Hagimori Logistics, Ltd. - Fuji Ube Concrete Co., Ltd. - Hokkaido Ube Transportation Co., Ltd. - Ube Reality & Development Co., Ltd. - Advanced Electrolyte Technologies LLC - Ichinoseki Remicon Co., Ltd. - UBE SHIPPING & LOGISTICS, LTD. - Ube Industries Consulting, Ltd. - Ube Sand Co., Ltd. - Oita Ube Co., Ltd. - Kansai Ube Co., Ltd. - Kanto Ube Holdings Co., Ltd. - Sanshin Tsusho Co., Ltd. - Shinko Transportation & Warehouse Co., Ltd. - Chiba Ube Concrete Co., Ltd. - Hagimori Industries, Ltd. - Hiraizumi Co., Ltd. - Hokkaido Ube Co., Ltd.
Number of equity method affiliates	26	15	(11)	<ul style="list-style-type: none"> - Ube-Mitsubishi Cement Corporation - Kano Ube Concrete Co., Ltd. - KUSHIRO UBE Co., Ltd. - Bekkai Ube Concrete Co., Ltd. - Yamayo Trading Co., Ltd. - Chiba Riverment and Cement Corporation - Kitakyushu Ube Concrete Co., Ltd. - Chushikoku Ube Concrete Co., Ltd. - Hokuriku Ube Concrete Co., Ltd. - UBE Singapore Pte., Ltd. - Yamaguchi Eco-tech Corporation
Total	91	49	(42)	

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The first slide on page 15 is the consolidated companies. The number of consolidated subsidiaries will be reduced by 31 from the current 65 to 34.

Please see the Summary field for the names of the individual companies. The above Meiwa Plastic Industries will be absorbed in the Company and therefore removed from consolidation. Then on the upper right-hand side, Ube Realty & Development will be liquidated.

Below that, UBE Advanced Materials and Advanced Electrolyte Technologies are US investment companies related to electrolytes. These companies will be liquidated and are therefore no longer subsidiaries.

The other 27 companies below that are companies that will be transferred to Mitsubishi UBE Cement Corporation and will no longer be consolidated.

The number of companies accounted for by the equity method will be reduced by 11 to 15. These 11 companies will all move to Mitsubishi UBE Cement Corporation as a result of the divestiture of the cement business.

Environmental Factors

Item			FY2021 (A)	FY2022 (B)	Difference (B) - (A)	
Exchange Rate		Yen/\$	112.4	125.0	12.6	
Material Price	Naphtha	CIF	\$/ t	702	850	148
		Domestic	Yen/KL	56,700	69,200	12,500
	Benzene (ACP)		\$/ t	990	1,070	80
	Australian Coal (CIF)		\$/ t	170.3	283.0	112.8
			Yen/t	19,133	35,375	16,242

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The next slide on page 16 shows environmental factors.

The exchange rate has been set at JPY125. As shown here, we assume that the prices of naphtha, benzene, and coal will increase further from the previous fiscal year. However, based on the current level, I think the prices may move to a level slightly higher than we currently expect. The plan for the entire year is based on our assumption that the price levels we be around those shown here.

Major P/L & B/S Items

(Billions of yen)

Item	FY2021 (A)	FY2022 (B)	Difference (B) - (A)	Percentage change
Net sales	655.3	510.0	(145.3)	(22.2)%
Operating profit	44.0	34.5	(9.5)	(21.7)%
Ordinary profit	41.5	31.0	(10.5)	(25.4)%
Profit attributable to owners of parent	24.5	21.0	(3.5)	(14.3)%

Item	End of FY2021 (A)	End of FY2022 (B)	Difference (B) - (A)
Total assets	838.0	720.0	(118.0)
Interest-bearing debt	241.8	180.0	(61.8)
Equity capital ^{*1}	369.1	380.0	10.9
Dividend(Yen /Share)	^{*2} 95.00	^{*3} 100.00	5.00

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

*2: Dividend: Interim/45yen, Fiscal year-end/50yen

*3: Dividend: Interim/50yen, Fiscal year-end/50yen

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The next slide, on page 17, is the major items.

As you have seen in the change of consolidated companies, there was a split-off and transfer of the cement businesses. As a result, we expect a significant decrease in both net sales and profit. Of course, that is not all. I will explain later. Net sales will be JPY510 billion, a decrease of JPY145.3 billion compared to FY2021. This is a decrease of over 20% in revenue.

Operating income will be JPY34.5 billion, down JPY9.5 billion. Ordinary income will be JPY31 billion, down JPY10.5 billion. Net income attributable to parent company shareholders will be JPY21 billion, a decrease of JPY3.5 billion. This is our plan.

Below that, we have the balance sheet items. Total assets will be JPY720 billion, a decrease of about JPY118 billion. The balance of interest debt is expected to be JPY180 billion, a decrease of JPY61.8 billion. The decrease was mainly due to the transfer of the cement business to Mitsubishi UBE Cement Corporation. We plan to add about JPY10.9 billion to our equity capital equity, which will be JPY380 billion.

Based on this plan, we plan to pay an interim dividend of JPY50 per share and a year-end dividend of JPY50 per share for fiscal 2022, for annual dividends of JPY100 per share, an increase of JPY5.

Segment Change

旧セグメント	内容	新セグメント	内容
Chemicals	<ul style="list-style-type: none"> Engineering Plastics & Fine Chemicals Nylon Polymer, Composite Caprolactam, Ammonium Sulfate Industrial Chemicals Fine Chemicals, High-Performance Coating Synthetic rubber Specialty Products Polyimide Battery materials Specialty products Pharmaceutical Ube Film, Meiwa Plastic Industries, UBE EXSYMO Overseas sales company Chemicals segment-wide cost (including Research & Development Div. costs) 	Specialty Products	<ul style="list-style-type: none"> Polyimide Battery materials Specialty products Electronic and Industrial Materials Business (formerly Meiwa Plastic Industries) UBE EXSYMO
Construction Materials	<ul style="list-style-type: none"> Cement and Ready-mixed concrete Construction materials and Limestone related products Coal Power (including in-house power) 	Polymers & Chemicals	<ul style="list-style-type: none"> Nylon Polymer, Composite Caprolactam, Ammonium Sulfate Industrial Chemicals Fine Chemicals, High-Performance Coating Synthetic rubber Ube Film
Machinery		Machinery	
Others	<ul style="list-style-type: none"> Other group companies 	Others	<ul style="list-style-type: none"> Pharmaceutical In-house power Overseas sales company Other group companies
Adjustment	<ul style="list-style-type: none"> Adjustment for Segment profit 	Adjustment	<ul style="list-style-type: none"> Company-wide cost (including Research & Development Div. costs) Adjustment for Segment profit

18

Continue to page 18. We have changed our segmentation from this fiscal year.

This document shows the main changes. Previously, the company was divided into the following segments: chemicals, construction materials, machinery, and others. In this context, the Construction Materials segment was transferred to Mitsubishi UBE Cement Corporation, which means that this business will mostly be removed from consolidation. Therefore, the segment will cease to exist.

In order to provide a more detailed breakdown of the Chemicals segment, we have reorganized the company into four new segments: specialty products, polymers and chemicals, machinery, and others.

The old and new segments are shown on the left and right. The specialty products segment is primarily composed of the existing specialty products business. The electronic and industrial materials business of Meiwa Plastic Industries, a group company that we absorbed, will now also be included in our specialty products segment. UBE EXSYMO is now also included in the specialty products segment.

The synthetic rubber business and engineering plastics and fine chemicals business are now included in the polymers and chemicals segment. Ube Film, a group company, is included in this segment. There will be no change to the Machinery segment.

The pharmaceuticals business that was part of the Chemicals segment is still small in scale, so it will now be included in the others segment. The in-house generation portion of the electric power business, which was part of the Construction Materials segment, will remain with the Company. Therefore, that portion is now included in the others segment. Also, the overseas sales companies that used to be in the Chemicals segment are now in the others segment.

Now on to the adjustments. This previously included intersegment adjustments, etc. In addition, common expenses, which were previously included in the Chemicals segment, are now included in the segment for company-wide adjustments. These adjustments are used in estimations.

These are the major changes. From this year onward, we will disclose various information on these new segments.

FY2022 Consolidated Forecasts



Net Sales and Operating Profit by Segment

(Billions of yen)

	Segment	FY2021 (A)	FY2022 (B)	Difference (B) - (A)	Percentage change
Net sales	Specialty Products	60.8	69.0	8.2	13.5%
	Polymers & Chemicals	260.0	302.0	42.0	16.1%
	Machinery	97.0	106.0	9.0	9.3%
	Others	53.2	60.0	6.8	12.9%
	Adjustment	184.3	(27.0)	(211.3)	-
	Total	655.3	510.0	(145.3)	(22.2)%
Operating profit	Specialty Products	11.6	13.0	1.4	11.7%
	Polymers & Chemicals	23.5	18.5	(5.0)	(21.3)%
	Machinery	5.1	5.0	(0.1)	(2.5)%
	Others	3.7	2.5	(1.2)	(31.8)%
	Adjustment	0.1	(4.5)	(4.6)	-
	Total	44.0	34.5	(9.5)	(21.7)%

*1: As shown on page 18, in accordance with the integration of the cement-related business into an equity-method affiliate from FY2022, the Company has been reclassified from "Chemicals", "Construction Materials", "Machinery" and "Others" into the four segments of "Specialty Products", "Polymers & Chemicals", "Machinery," and "Others". Pharmaceutical is included in "Others".

The results for FY2021 are the reference values after the reclassification to the new segment classifications, and "Construction Materials" is included in "Adjustment".

19

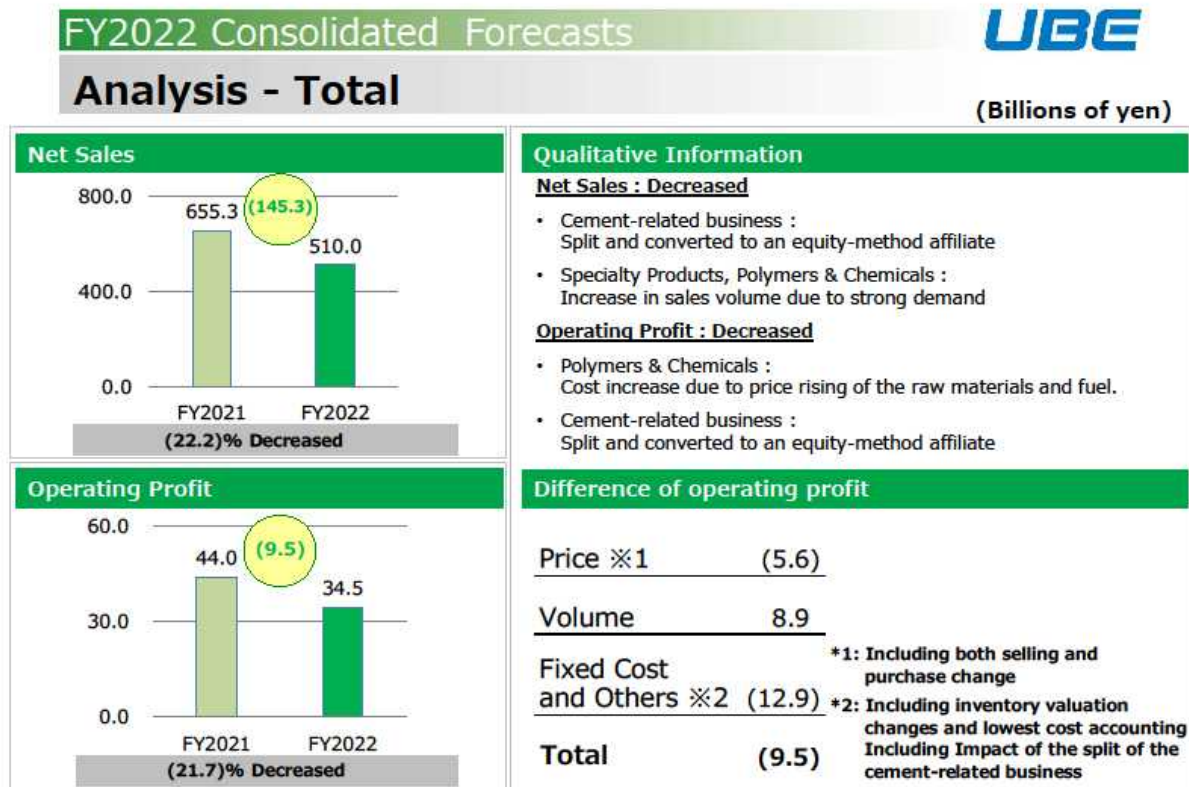
The next slide on page 19 is a breakdown of net sales and operating income by segment. This is based on the new segments.

The figures for FY2021, which were reclassified based on the new segments, are for reference only. Please understand that the portion of the Construction Materials segment that was part of the company until last year is now included in the adjustments on this comparison chart.

Net sales increased for the specialty products, polymers and chemicals, and others segments. However, if we add the decrease in revenue due to the removal of the Construction Materials segment from consolidation, which is included in the adjustments, total revenue will decrease.

On the other hand, operating income is expected to decline by JPY9.5 billion in total. As for the segment breakdown, we expect an increase of JPY1.4 billion in specialty products. However, we are expecting a JPY5 billion decrease in profit from polymers and chemicals. Machinery sales will be almost on a par with the previous year. Profits in the other businesses segment decreased by about JPY1.2 billion.

The adjustment includes the negative factor of the elimination of the previous fiscal year's operating income in the Construction Materials segment.



20

Let's now move on to the slide on page 20. This is difference analysis. Net sales are expected to decrease by JPY145.3 billion, as you have seen previously. Operating income will decrease by JPY9.5 billion. Here is some qualitative information. As I mentioned earlier, the decline in revenue is due to cement business-related factors. We also expect sales volumes to increase in the specialty products, polymers and chemicals, and others segments. This is a positive factor.

One factor that will cause operating income to decline is increase costs in the polymers and chemicals segment due to higher raw material and fuel prices. Also, the removal of the cement business from consolidation also had a major impact.

Overall, we assume that demand will remain strong. We plan to aggressively capture this demand to expand sales of each product.

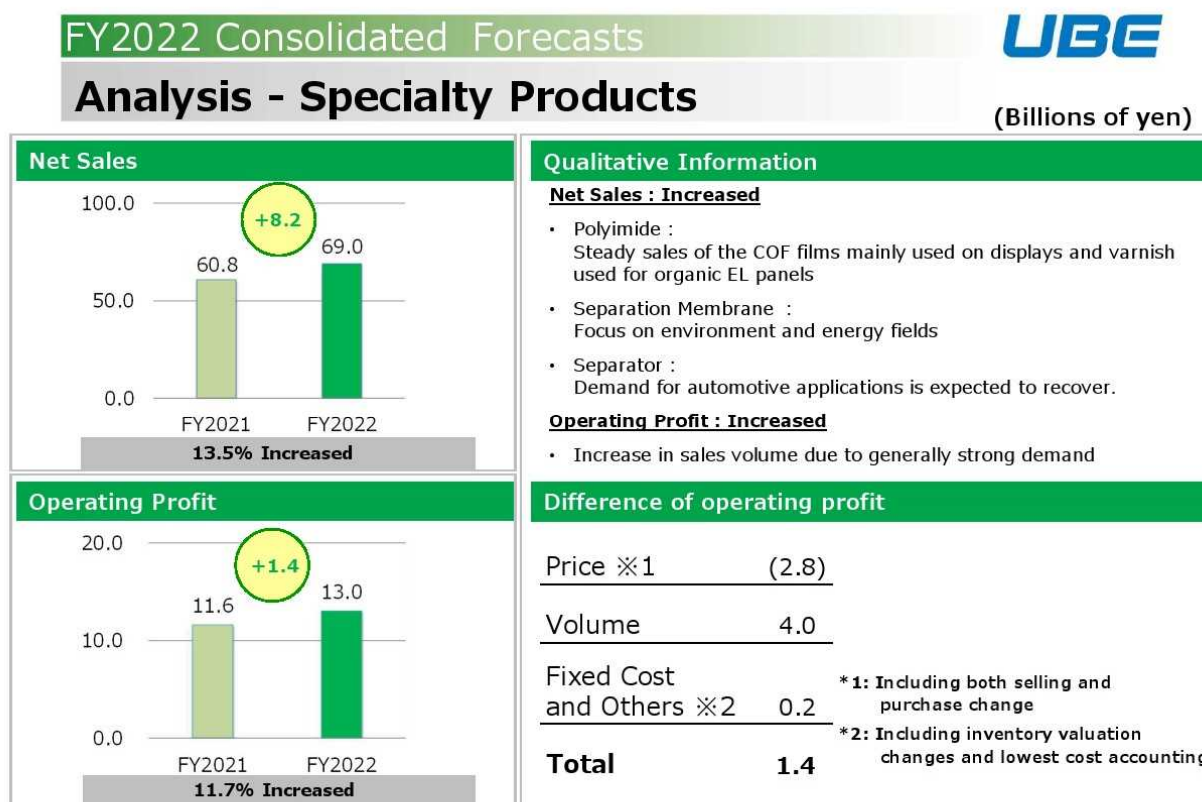
As you have just seen, although revenues are down from the previous year, if we exclude cement-related factors, revenues are expected to increase. On the other hand, we expect raw material and fuel prices to continue to soar and remain high. Basically, we will aim to pass on prices, but we expect the price correction environment to be more difficult than in FY2021.

Another factor is that higher fixed and distribution costs are expected. Another cement business-related factor is the expected decrease in profit due to the divestment of the cement business.

As for the differences in operating income, price, volume, and fixed costs and other expenses, as I mentioned earlier, the price difference is affected by the increase in raw material and fuel prices. On the other hand, the Company is promoting sales expansion and expects a positive volume difference of JPY8.9 billion.

The difference in fixed costs and other expenses is a negative JPY12.9 billion. The impact of the inventory valuation differences and the lower-of-cost-or-market method was a negative of JPY3.2 billion. In addition, the impact of the divestiture of the cement business will be a negative JPY3.4 billion when based on the operating income for FY2021. Therefore, the combined effect of the factors indicated by asterisk two is a negative impact of about JPY6.6 billion.

In total, profit will decrease by JPY9.5 billion. Subtracting the factors under asterisk two, the actual negative impact would be about JPY2.9 billion. The portion of cost increases in raw materials, fuel, logistics, fixed costs, etc. that cannot be fully covered by price hikes and sales expansion will remain negative by about JPY2.9 billion. Looking at the big picture, these are our prospects.



21

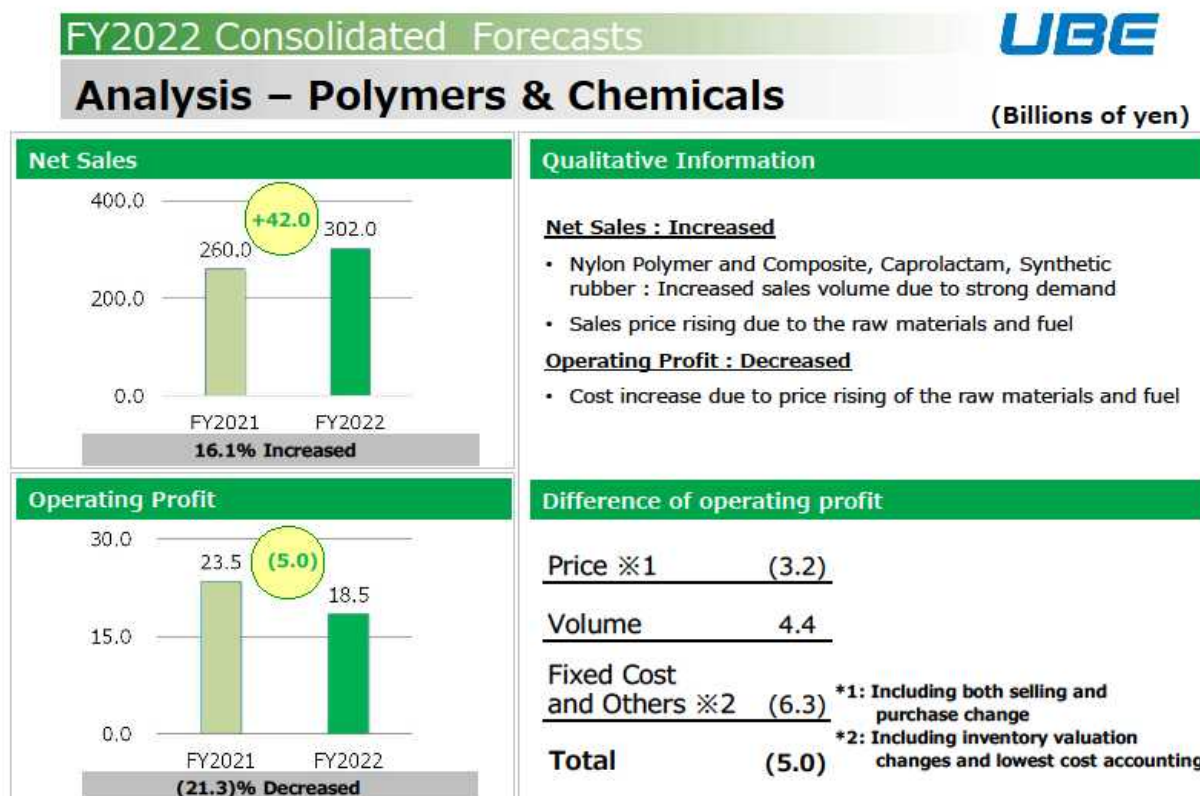
The next segment, on page 21, is the specialty products segment.

Net sales increased by JPY8.2 billion and operating income increased by JPY1.4 billion.

Currently, production adjustments are being made for display panels, smartphones, OLEDs, etc. Production cutbacks in the automotive sector have also had some impact. These areas are expected to recover in the future and demand is expected to remain strong. Therefore, we expect an increase in volume for each product.

Although there will be cost increases for all products, we are determined to secure steady increases in profits. Cost increase factors are incorporated in the price difference. This will be covered by a positive volume difference of JPY4 billion.

The difference in fixed costs and other expenses is a positive JPY200 million. This positive JPY200 million includes technology license income that is expected this fiscal year. The difference in fixed costs and other expenses incorporates a certain level of cost increases.



22

Now on to page 22. In the polymers and chemicals segment, sales will increase by JPY42 billion and income will decrease by JPY5 billion.

The current is being expected to be affected by factors such as production cuts, especially in automotive-related products. However, overall, we expect demand to remain firm throughout the full year.

As I mentioned at the beginning, we are basically aiming to absorb the sharp rise in raw material prices by correcting prices. However, we are anticipating a situation where some spreads will be squeezed.

Therefore, the price difference will be a negative JPY3.2 billion. In particular, we expect spreads for commodities such as nylon polymers, caprolactams, and synthetic rubbers to come under pressure. On the other hand, we think the volume difference would be positive. This basically means that we are trying to expand sales by increasing the volume of all products.

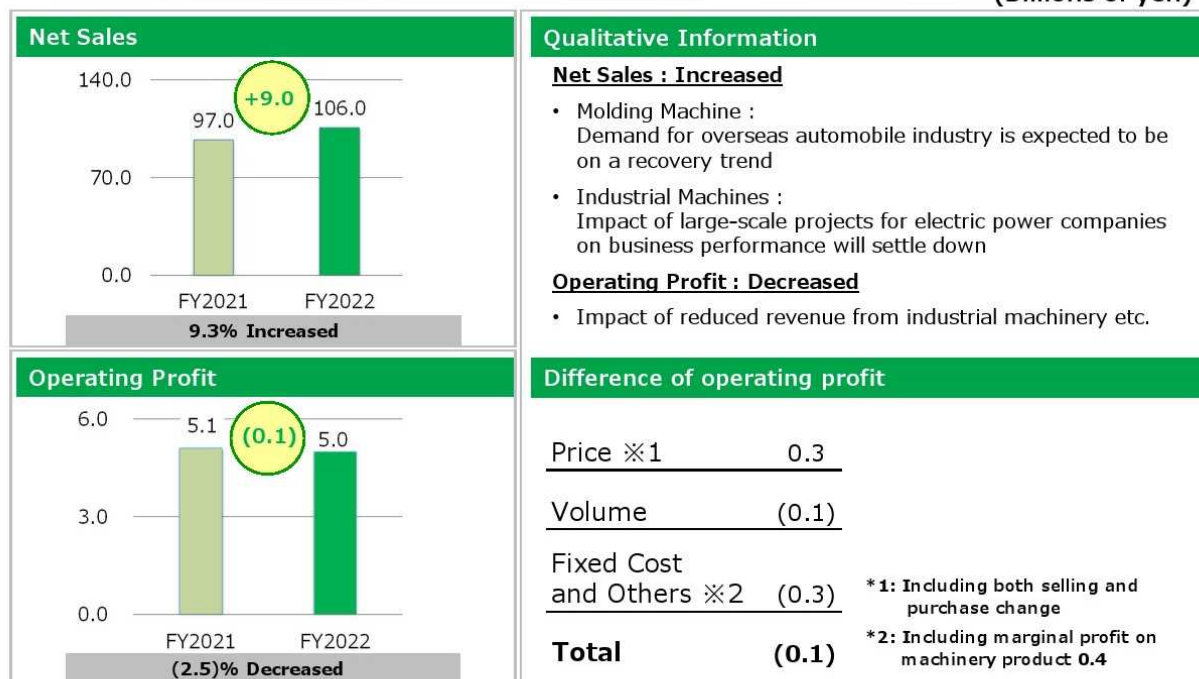
The difference in fixed costs and other expenses will be a negative JPY6.3 billion. This includes the impact of inventory valuation difference of negative JPY3.6 billion. Other than that, we have factored in cost increases of JPY2.7 billion in fixed costs, logistics costs, etc.

FY2022 Consolidated Forecasts



Analysis – Machinery

(Billions of yen)



23

Please refer to page 23. This is the Machinery segment.

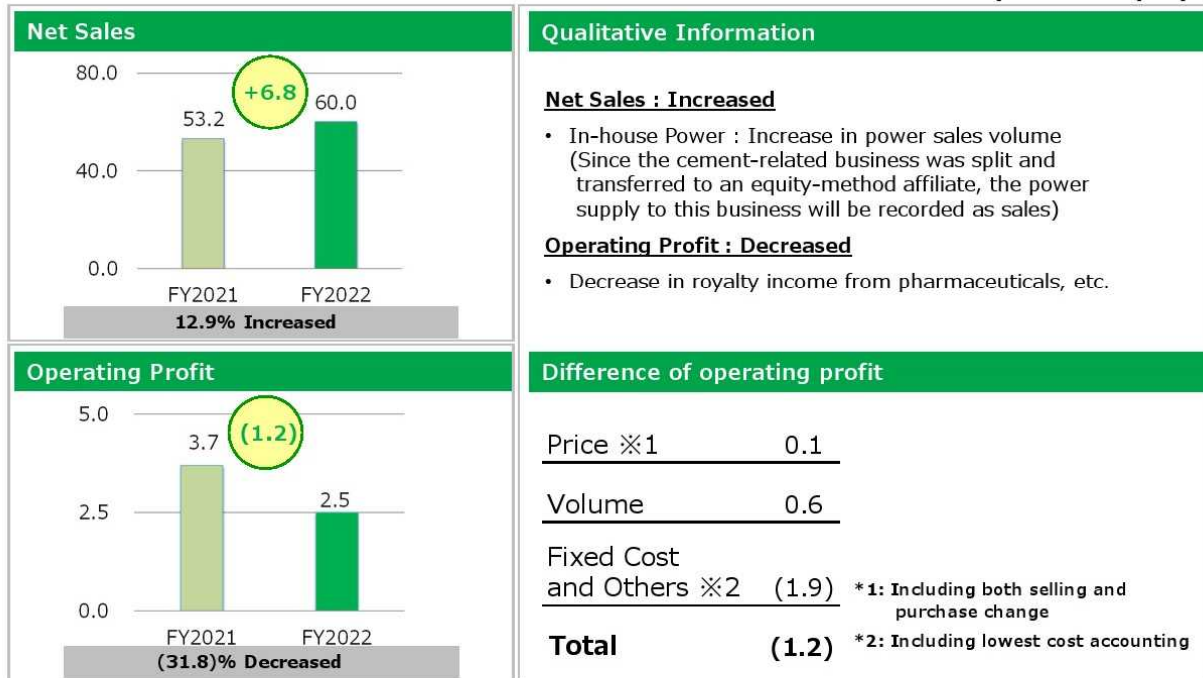
Net sales will increase by JPY9 billion. Operating income was almost the same as the previous year, just JPY100 million lower.

Here are some qualitative information. Here, too, we expect automotive-related demand to continue its recovery trend. Therefore, we are expecting an increase in shipments of molding machines.

On the other hand, in the case of industrial machinery, the large-scale projects for electric power companies have run their course, and we are now in an off-season period. As for the factors contributing to the decrease in operating income, the decline in net sales of industrial machinery will slightly outweigh the positive factors of molding machinery. Operating income will be about the same level as the previous year.

The price and volume differences are related to the steelmaking business. The difference in fixed costs and other expenses includes a positive factor of JPY400 million as marginal profit from machinery.

Analysis – Others (Pharmaceutical, In-house Power etc.) (Billions of yen)



24

Let’s move on to slide 24, the others segment. As explained initially, this segment includes businesses such as pharmaceuticals and in-house power generation.

Net sales are expected to increase by JPY6.8 billion and operating income is expected to decrease by JPY1.2 billion.

As a factor for the increase in revenues, the in-house power generation business will remain with us, and the electricity we supply to the cement business will now be recorded as revenue. This is included in the increase in revenue.

On the other hand, the decrease in profit was due to a decrease in royalty income from pharmaceuticals. Although this varies from year to year, this year we expect the number to be lower than the previous year.

Let’s now look at the price and volume differences. The price difference is in small part related to in-house power generation. The volume difference is related to the increase in the sale of in-house generated electrical power. Since shipments of pharmaceuticals will also increase, the increase in volume is also positive. On the other hand, the difference in other fixed costs and other expenses includes factors such as the decrease in royalty income from pharmaceuticals and the increase in costs for distributors.

Operating Profit – Profit attributable to owners of parent

(Billions of yen)

Item	FY2021 (A)	FY2022 (B)	Difference (B) - (A)
Operating profit	44.0	34.5	(9.5)
Non-operating income (expenses)	(2.5)	(3.5)	(1.0)
Share of loss of entities accounted for using equity method related to Mitsubishi UBE Cement Corporation	–	(1.0)	–
Ordinary profit	41.5	31.0	(10.5)
Extraordinary income (losses)	(4.8)	0.0	4.8
Profit before income taxes	36.8	31.0	(5.8)
Income taxes and profit (loss) attributable to non-controlling interests	(12.3)	(10.0)	2.3
Profit attributable to owners of parent	24.5	21.0	(3.5)
Net income per share	249.31 yen	216.93 yen	(32.38) yen

25

On page 25, we have all the other items from non-operating income loss to per share information.

Non-operating income loss is expected to be negative JPY3.5 billion. Compared to FY2021, we expect it to deteriorate by about JPY1 billion. Since Mitsubishi UBE Cement Corporation is now an equity-method affiliate, equity in earnings losses of affiliates from that company is shown in the breakdown of non-operating income loss.

The company was integrated starting in FY2022, so there will be one-time integration costs, etc. Therefore, a deficit is expected.

Ordinary income will be JPY31 billion. Extraordinary gains/losses are set to zero, as positive and negative factors this fiscal year are basically equal. Compared to the previous fiscal year, this represents an improvement of about JPY4.8 billion.

In this way, we are planning to ultimately achieve a net income attributable to shareholders of the parent company of JPY21 billion. Also, there are documents for your reference after this page, which I hope you will take a look at again.

I apologize for my presentation taking so long. That's all from me.

Question & Answer

Moderator : Thank you. We will now begin the question-and-answer session. If you have any questions, please ask them in a question-and-answer format. In order to answer questions from as many people as possible, please limit the number of questions to two per person.

Now let me begin with the first question.

Questioner A : Thank you for taking my questions. I have two questions.

First, I would like to know about the status of the former Chemicals segment, including a confirmation of the numbers. A simple sum of the operating income of the polymers and chemicals segment and the specialty products segment following the reclassification of the former Chemicals segment yields JPY35.1 billion. Operating income of FY2021 result of chemical segment was JPY355 billion, which means JPY400 million larger .

However, looking at the entire company, some common costs have been moved out of the segment. Considering this, the Chemicals business's profits should increase. In other words, I think the total of the specialty products and the polymers and chemicals segments would have to increase from that of last year's Chemicals segment. What is going on here?

Also, the situation in FY2022, which has already begun, is that costs have increased due to higher raw material and fuel prices. How bad will effect of the caprolactam spread and the high ammonia prices in Europe taken in your assumptions be? Please check those numbers. That was my first question.

Fujii : First of all, as to the change of segments, I showed the change of segments on the slide on page 18.

Let me first answer your question about the total of the new specialty products and polymers and chemicals segments being different to that of the old chemicals section. Compared with the old Chemicals segment, I think the first reason is that the pharmaceutical business has been transferred to the others segment, and that this has had a considerable impact. I hope you will understand that the difference is due to the transfer of common costs and overseas sales companies.

Regarding the caprolactam spread, in FY2021, it was USD1,064 in the first half and USD1,129 in the second half, for an average of USD1,097 for the year.

Our assumptions for this plan are USD1,100 for the first half of the year, USD1,050 for the second half, and an average of USD1,075 for the full year. The planned figures are based on the assumption that the spread will be maintained at the same level as in FY2021.

As for the impact of ammonia prices in Europe, the costs of things including ammonia and energy in Europe have skyrocketed. Therefore, it is a significant cost-increase factor.

On the other hand, supply and demand for caprolactams and other products in Europe are relatively tight. Therefore, we are basically minimizing the impact of cost increases as much as possible by passing the increase on to sales prices.

Questioner A : In the difference analysis for the polymers and chemicals segment, it says that there is a cost increase due to higher raw material and fuel prices. I take this to mean that the caprolactam spread does not look all that different, but those negative impact in Europe has been factored in to a large extent. Is that right?

Fujii : When looking at caprolactam from the perspective of the benzene spread, we expect to have a certain level of caprolactam-benzene spread. As you pointed out, market prices for ammonia and other secondary materials have been rising, not only in Europe but also in Asia. Therefore, we are factoring in the cost increases.

Questioner A : I understand, thank you. I will now ask my second question.

It is about the status of specialty products. You expect net sales of polyimide, separator membranes, and separators to increase. However, at least one company has recorded impairment losses on separators. Even though their situation is a bit different because theirs are wet separators and yours are dry separators, have you seen the competitive conditions for separators worsening?

Polyimide, on the other hand, is listed as being solid for both COF and varnish. Can you tell me your thoughts on adjustments of TVs, smartphones, and so on, if that is possible? That's my question.

Fujii : Thank you. I will address the question about the separators. Currently, there is still a decrease in automobile production, etc. We expect this to recover to a certain extent in the future.

As for the separator market as a whole, the market itself is expanding very rapidly. However, I believe that price competition is becoming very tough in this situation. We have been anticipating this for some time.

In such a situation, our strategy is to keep a little distance from the price-oriented market and concentrate on securing customers who appreciate the functionality and performance of our products.

I think there may be differences in the market and customer trends that each separator manufacturer is targeting. In the case of our company, we have slowed down the pace of capital. We are making capital investments and expanding capacity in response to demand. In that sense, I think the impact was relatively small.

I will now address your question regarding polyimide. LC panel production adjustments continued from 3Q to 4Q and through FY2021. Under such circumstances, inquiries for our films have been relatively strong. Although there was some impact from production adjustments, it was contained to a certain extent.

Flexible OLEDs are also suffering from the shortage of semiconductors, and panel production is declining even now. This was especially true in this first quarter. These production adjustments have also affected varnish shipments. However, we expect demand to recover roughly in the second half of the first quarter after these adjustments.

On the other hand, there is a lockdown in Shanghai, and our distribution in China is stagnant. We expect that this will eventually be resolved and that rebound demand will increase. As for the full year, we believe that demand will basically hold firm. We will take a stance of proactively meeting this demand as much as possible.

Questioner A : I have an additional question. We were told that the flexible OLEDs would recover in the second half of the first quarter, but there is only about a month left until then. Am I correct in understanding that customers have been talking to you to some extent and that the probability of recovery therefore seems high?

Fujii : I have not been able to confirm whether customer have contacted us directly. But our sales team is making those projections. The plan is based on those projections.

Questioner A : I understand very well. Thank you.

Fujii : Thank you.

Questioner B : Thank you for taking my question.

First, I would like to ask for some additional information on the new polymers and chemicals segment. I believe you mentioned earlier that the inventory valuation difference was JPY3.6 billion, which is a negative factor. I would like you to explain again what the reason is for this.

You earlier provided us with the spread figures for your main product, but I would think that the prices of ammonium sulfate and petcoke situation would be slightly positive factors. How are they factored in?

Also, I believe that the operating income forecast for the first half of the new fiscal year for the polymers and chemicals segment is JPY6.5 billion. Although this is my speculation, I would have thought that profits were close to JPY14 billion in the second half of FY2021. Can you also explain why operating income has fallen so far?

Fujii : First of all, I would like to touch on the inventory valuation difference. I can't give a clear reason for this as the difference is in the difference trends for FY2021 and FY2022. We recognize that there may be some impact of price fluctuations being somewhat less extreme than in FY2021.

I will now address your question about the price fluctuations of ammonium sulfate and petcoke. As you have said, the price of ammonium sulfate has been rising, which has been a positive factor for us. However, the market price of ammonia, the raw material, is also rising. Therefore, we do not expect a situation where we can get very large spreads, like we did at the peak last year, will continue for a long time. We expect to be able to maintain level of a spread for ammonium sulfate than in the past.

As for petcoke, this is subject to oil price movements. We make ammonia from petcoke, and I think that the rising cost of crude oil and other factors will have an impact.

Also, I believe there was a question about operating income of the polymers and chemicals segment. Since the current fiscal year is a periodic repair year for our ammonia equipment, we expect to see low operating income in the first half of the year and much higher operating income in the second half of the year.

Also, as mentioned earlier, the impact of ammonium sulfate, etc., is more likely to be felt in the second half of the year. In addition, the prices of various raw materials and fuels are higher than we had expected at the beginning of this fiscal year. However, we have included an assumption that the price increases will calm down at some point and believe that profits will increase from the first half of the year to the second half of the year.

Questioner B : How much of a negative impact will the regular repairs on your ammonia equipment have?

Fujii : I don't think it will have that big of an impact because we have leveled out and made allowances for fixed costs and maintenance costs.

We expect that the impact of the volume difference will be controlled to some extent this fiscal year. I do not have on hand the data on the extent of the impact of the first half and the second half of the fiscal year. Compared to last year, the difference due to scheduled repairs for the full year is not expected to be so large.

Questioner B : Also, although Mitsubishi UBE Cement Corporation has become an equity company, I would like to ask you about your assumptions regarding the cement business. How do you factor in price increases? Some of your competitors told us that they were getting JPY1,000 in the first half of the year. What assumptions are made in your company in creating these figures?

If possible, I would appreciate it if you could comment on the American cement and ready-mixed concrete business situation at the former Mitsubishi Materials. Or if possible, I would like to ask about the situation of coal in Australia.

Fujii : Mitsubishi UBE Cement Corporation started operations as an integrated company this April. Until that time, the two companies had not been able to share much information due to competition laws and other factors.

As of this year, the planned values are formulated as very provisional values that incorporate special factors such as the cost portion of the first year of integration into the combined plans of each company.

We have heard they have currently formulated a new budget after the integration. In such a case, they have not been able to reconcile their assumptions with each other. As for domestic demand for cement, the Japan Cement Association has issued a forecast, and it is based on the assumption that domestic demand for cement will slightly increase from the previous year to 38 million tons.

Their coal price assumptions are also different for each company. Therefore, overall we feel that their prices will be a little lower than our assumed prices.

Overall, domestic demand is roughly on par with last year, so net sales volume is on par with the previous year. However, we expect sales prices to increase, so we are projecting an increase in revenues.

As for the status of price increases, some of them were achieved in the last fiscal year, although there were some differences depending on the area. Negotiations are still ongoing. They have received a certain level of understanding from their customers this fiscal year, and we have heard that they are working on negotiations so that we can receive their full asking prices as soon as possible.

The situation is as I have described.

Questioner B : I understand. Thank you very much.

Fujii : Thank you.

Moderator : Thank you. We have other questions, but since the time is up, we are very sorry we must conclude the question-and-answer session.

Please be advised that the Finance and Investor Relations Group will contact you tomorrow or later regarding any questions that were not received today.

Finally, I would like Mr. Fujii to say a few words.

Fujii : On April 1, we split off and transferred our cement and businesses, which changes its name to one with our name, UBE, in its name. This company has just gotten started.

The outlook for the business environment in the current fiscal year is even more uncertain than usual. We will strive to achieve the forecast presented today by responding quickly to these changing circumstances.

As I mentioned in my presentation, the outlook for the current fiscal year is that demand will remain strong, and we will expand sales to aggressively capture this demand. On the other hand, we believe that the plan incorporates a certain degree of risk due to cost increases in raw material prices, fixed costs, and distribution costs. The first thing we would like to do is to strive to achieve this earnings forecast.

Thank you very much for joining us today.

Moderator : That concludes the conference call. Thank you all for your participation. Please do not forget to hang up.

[END]