UBE Corporation

Q2 Financial Results Briefing for the Fiscal Year Ending March 2023

November 4, 2022

Event Summary

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[Event Language]	JPN
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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 schedule to participate in today's UBE Corporation online briefing. Mr. Masayuki Fujii, Director, Managing Executive Officer, CFO, will now present the consolidated financial results for Q2 of FY2022 for approximately 30 minutes, followed by a Q&A session. The entire meeting is scheduled to last 60 minutes.

Before we begin our conference call, I would like to remind everyone of the following in the following discussion, we may make forward-looking statements based on our current expectations, all of which are subject to risks and uncertainties. Please note that actual results may differ from the forecast.

We will now begin to explain the financial results. Managing Director Fujii, please start.

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

I will now explain the consolidated financial results for Q2 of FY2022 and the forecast for the full year announced today, in accordance with the materials. Thank you.

1st half of the FY2022 — UBE | UBE Corporation

Scope of Consolidation

Item	End of FY2021 (A)	End of FY2022 2Q (B)	Difference (B) - (A)	Notes
Number of consolidated subsidiaries	65	36	(29)	– Meiwa Plastic Industries, Ltd. – 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. – 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)	– 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	51	(40)	

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The first slide is on page three of your handout, which is numbered in the lower right-hand corner.

The number of consolidated companies has decreased by 29 to 36. The breakdown is shown on the right column, and the top one, Meiwa Plastic Industries, Ltd., was integrated into our company as of April 1. On the right side, Ube Reality & Development Co., Ltd. has been deconsolidated due to the completion of liquidation.

All of these companies are related to the former construction materials segment and were transferred to Mitsubishi UBE Cement Corporation as of April 1, 2022.

The number of companies accounted for by the equity method also decreased by 11, to 15. The specific company names are listed to the right, and all 11 of these companies were also transferred to Mitsubishi UBE Cement Corporation. Therefore, the number of companies covered has decreased significantly, from 91 to 51.

1st half of the FY2022

UBE Corporation

Environmental Factors

Item				FY2021 2Q (A)	FY2022 2Q (B)	Difference (B) - (A)
Exchange Rate			Yen/$	109.8	134.0	24.2
Material Price	Naphtha	CIF	$/ t	638	889	251
		Domestic	Yen/KL	50,600	83,500	32,900
	Benzene (ACP)		$/ t	981	1,171	190
	Australian Coal (CIF)		$/ t	143.5	406.5	263.0
			Yen/t	15,756	54,459	38,703

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Slide four, environmental factors, on page four.

With an exchange rate of JPY134, the yen has depreciated against the US dollar of the same period of the previous year as indicated. The prices of naphtha, benzene, and coal, as shown here, increased significantly compared to the same period of the previous year.

Major P/L Items

(Billions of yen)

Item	FY2021 2Q (A)	FY2022 2Q (B)	Difference (B) - (A)	Percentage change
Net sales	306.7	244.8	(61.9)	(20.2)%
Operating profit	19.1	8.5	(10.6)	(55.4)%
Ordinary profit (loss)	17.9	(1.8)	(19.7)	–
Profit (loss) attributable to owners of parent	9.5	(0.3)	(9.9)	–

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Slide five on page five, main items.

Sales, at JPY244.8 billion for H1, were down JPY61.9 billion from the same period last year. The rate is 20.2%. Operating income, actual JPY8.5 billion, down JPY10.6 billion YoY. The rate of decrease is 55.4%. Ordinary income, a loss of JPY1.8 billion. Compared to the same period of the previous year, profits declined sharply to JPY19.7 billion. Net income attributable to shareholders of the parent company, however, was a loss of JPY0.3 billion, also a significant decrease of JPY9.9 billion.

As I mentioned earlier in the section on consolidated companies, the cement-related business was spun off and transferred as of April 1. As a result, these are excluded from consolidated net sales and operating income.

As for net sales, although the price correction and the effect of the yen's depreciation due to soaring raw material and fuel prices, the impact of the cement-related business was significant, resulting in the decrease in net sales as you can see earlier.

Operating income was affected by the biannual ammonia plant shutdown, in addition to cement-related fluctuations, and by a decrease in volume due to the plant shutdown, as well as a worsening of the spread due to the sharp rise in raw material prices. These factors have led to a decrease in profits, mainly in the basic business.

In addition, non-operating income/loss, the performance of the newly integrated cement company, which is included in equity in earnings of affiliates, deteriorated significantly due to soaring resource prices and other factors. As you have just seen, the impact of the inclusion of these items has resulted in a significant increase in ordinary income.

On the other hand, the transfer of the cement-related business has resulted in a one-time gain on change in equity. This was recorded as an extraordinary gain, so there was a large change in the figures here as well.

1st half of the FY2022

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Net Sales and Operating Profit by Segment

(Billions of yen)

	Segment*	FY2021 2Q (A)	FY2022 2Q (B)	Difference (B) - (A)	Percentage change
Net sales	Specialty Products	29.0	31.8	2.7	9.4%
	Polymers & Chemicals	119.4	149.5	30.1	25.2%
	Machinery	45.4	45.3	(0.1)	(0.2)%
	Others	24.4	33.4	9.0	36.7%
	Adjustment	88.5	(15.1)	(103.6)	–
	Total	306.7	244.8	(61.9)	(20.2)%
Operating profit	Specialty Products	5.2	5.5	0.3	6.8%
	Polymers & Chemicals	9.6	2.4	(7.1)	(74.8)%
	Machinery	2.4	1.2	(1.1)	(48.4)%
	Others	1.2	1.2	0.1	6.0%
	Adjustment	0.8	(1.8)	(2.7)	–
	Total	19.1	8.5	(10.6)	(55.4)%

*: 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".

Therefore, the results for the 1st half of FY2021 have also been reclassified into new segment categories for comparison, and "Construction Materials" is included in "Adjustment".

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Then the slides on page six. This is net sales and operating income by segment.

Segments have been changed from the current fiscal year. As you can see in the annotations at the bottom of the table, the new segments are divided into four categories: specialty products, polymers and chemicals, machinery, and others. Figures for the same period of the previous year have also been reclassified to this same segment for comparative purposes.

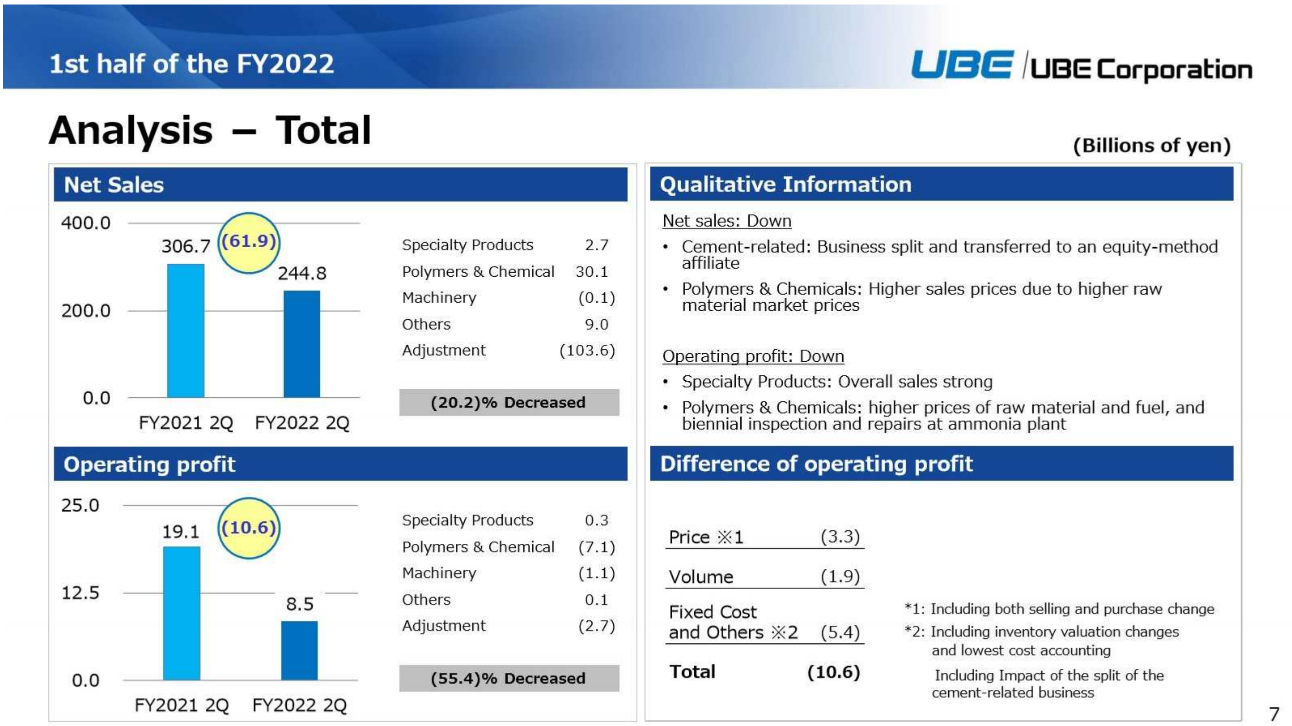
As you look at the segments, the top one, specialty products, shows an increase in both sales and profit. With steady sales of mainstay products, net sales increased by JPY2.7 billion and operating income increased by JPY0.3 billion.

The next segment, polymers and chemicals, consists mainly of conventional Engineering Plastics & Fine Chemicals, and synthetic rubber. As a result, net sales increased by JPY30.1 billion, but operating income declined significantly by JPY7.1 billion.

The machinery. Net sales were almost on par with the same period of the previous year, but operating income declined by JPY1.1 billion.

This segment of others also includes the pharmaceuticals business and power generation for private power plants, etc. Net sales increased JPY9 billion. Operating income was almost the same as in the same period of the previous year.

And for the adjustment, sales declined significantly by JPY103.6 billion and operating income decreased by JPY2.7 billion, mostly due to the cement-related business that was transferred and excluded from the consolidation.

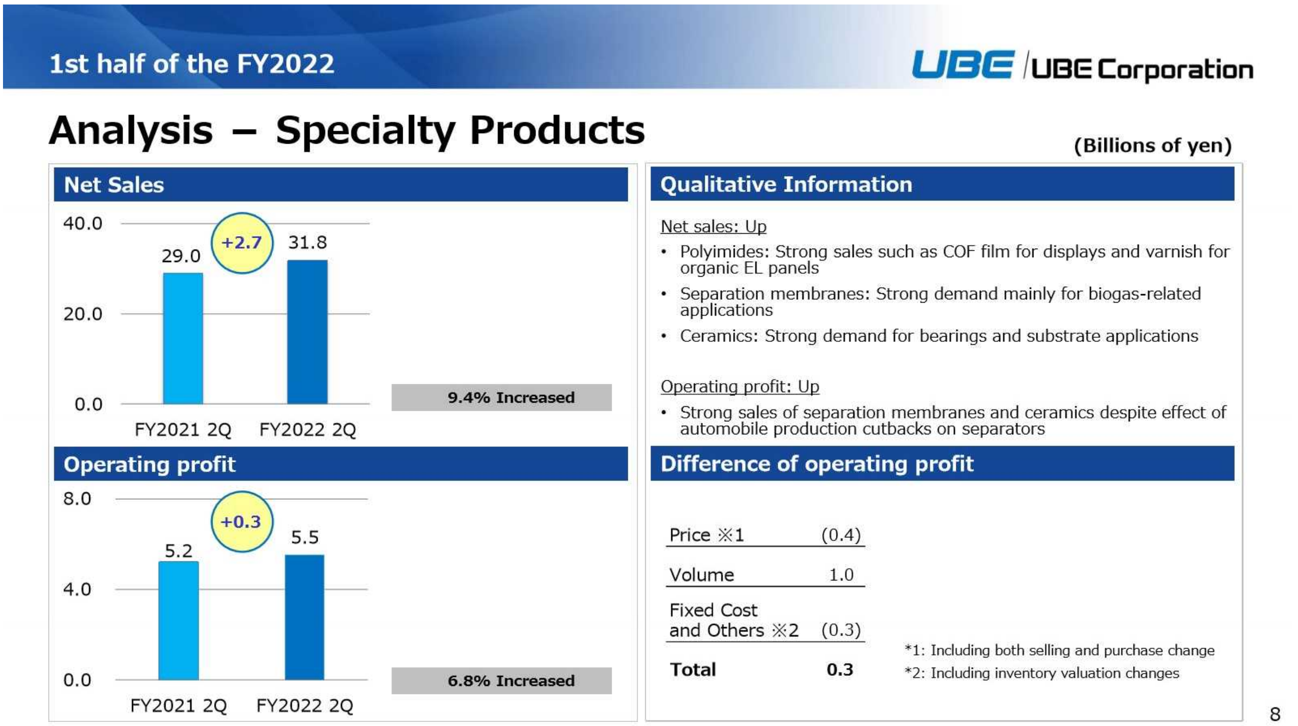


The next slide is on page seven. Net sales, operating income, and segment breakdown.

You have just seen this on the previous page. As for qualitative information, the decrease in net sales, as I mentioned at the beginning, is due to the transfer of the cement-related business. In addition, for polymers and chemicals, raw material market prices rose, and selling prices were passed on to customers.

Operating income for specialty products was positive due to firm sales in general, but the main reasons for this were higher raw material prices for polymers and chemical and the impact of the ammonia plant shutdown.

Breakdown of price difference, volume difference, etc., as you see for the company as a whole, price difference is a factor of JPY3.3 billion in profit decline, and volume difference is a factor of JPY1.9 billion in profit decline. Fixed costs and other expenses were a factor in the JPY5.4 billion decrease in profit.



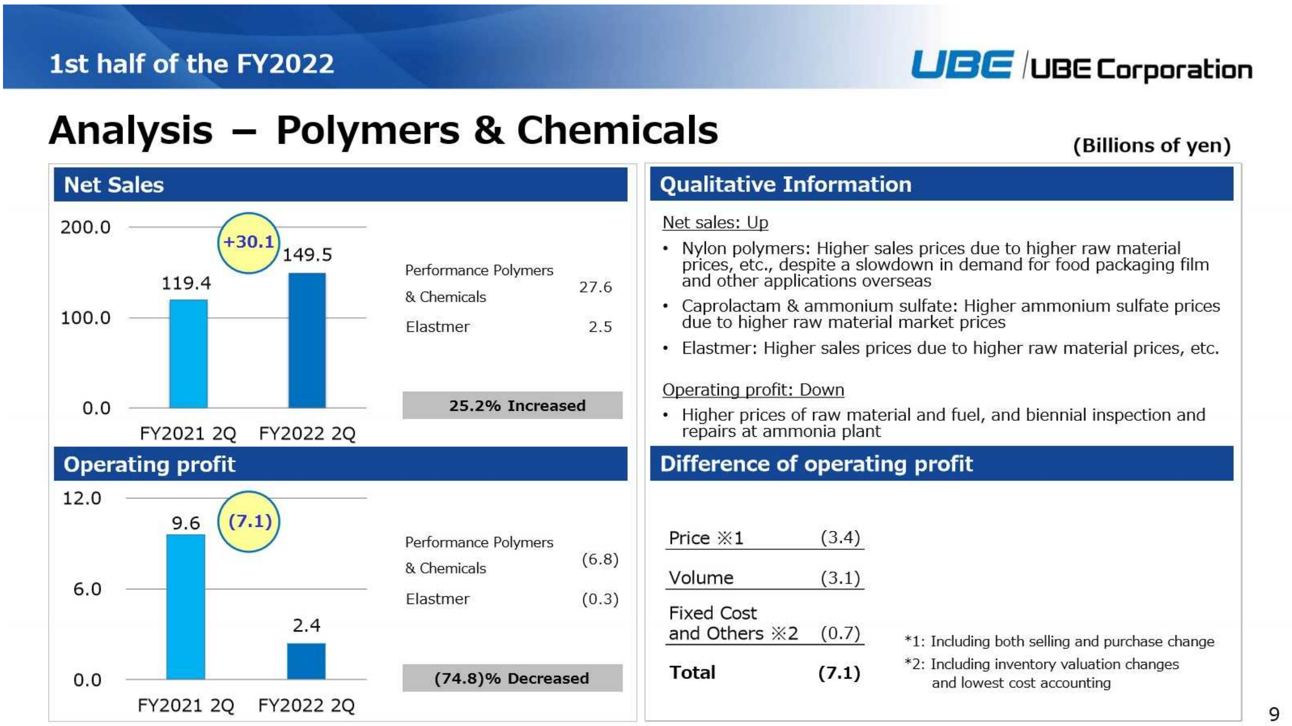
Here is a segment-by-segment explanation. The first slide on page eight is the specialty product segment.

Sales were kept at JPY2.7 billion increase. Our main product is polyimide. Sales of COF film for displays, varnishes for OLED panels, and other such products have been strong.

Demand for separation membranes has been very strong, especially for biogas-related applications. Then there are ceramics. Demand for bearings, circuit board applications, and other major products has been favorable.

Operating income, although increased, was lower for separators due to the impact of automobile production cutbacks. However, the total profit increased due to strong sales of separation membranes and ceramics.

The price difference was a factor in the JPY0.4 billion decrease in profit, the volume difference was a factor in the JPY1 billion increase in profit, and fixed costs and others were a factor in the JPY0.3 billion decrease in profit.



Then the slide on page nine. This will be the polymers and chemicals segment.

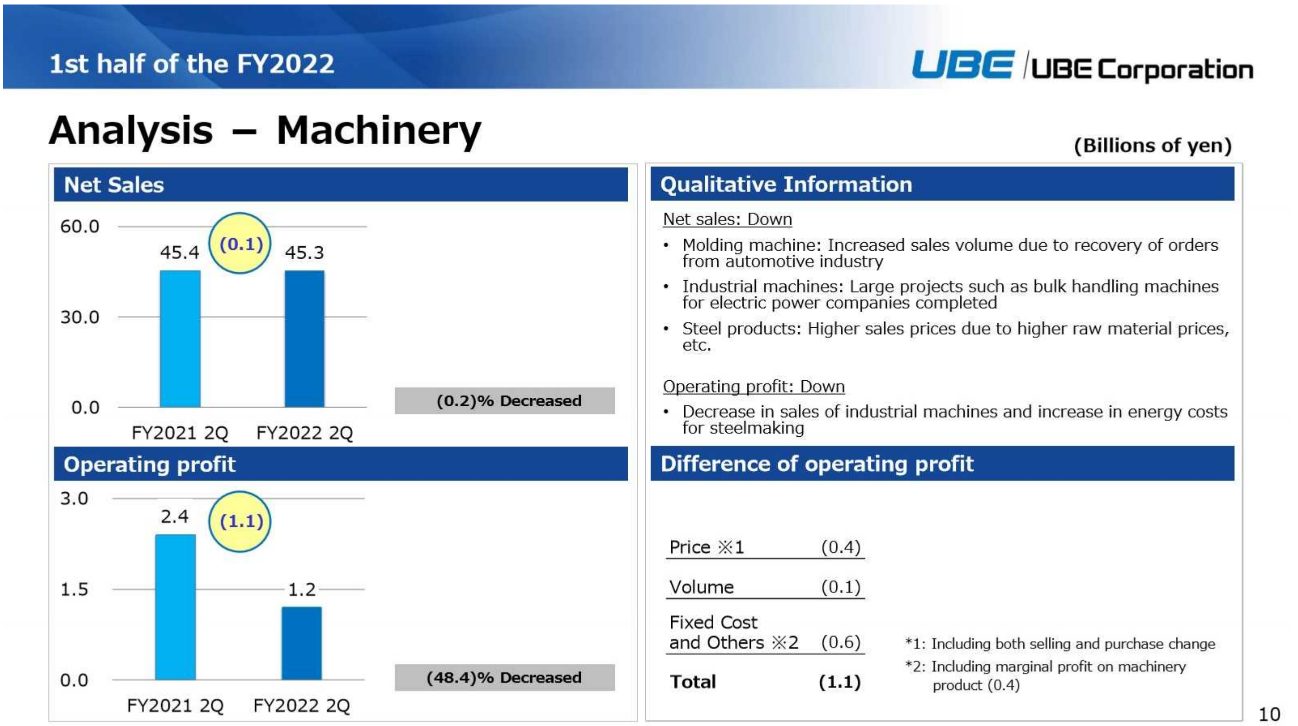
Net sales increased by JPY30.1 billion. The increase in revenue of JPY27.6 billion is solely attributable to performance polymers and chemicals.

Operating income decreased by JPY7.1 billion. This is a major part of the JPY6.8 billion decrease in profit in the performance polymers and chemicals sub-segment here.

In qualitative terms, the upper right-hand corner shows the factors behind the increase in sales, nylon polymers. Demand for food packaging film applications, etc., is slowing, especially overseas. It means that there is a decelerating trend. Prices have been rising due to the rising market prices of raw materials and other factors, which are being passed on to customers. In the case of lactam and ammonium sulfate, the market price of raw materials has been rising, but we have been promoting price pass-through. Then, the same is true for elastomers, where price factors have led to an increase in sales.

Then there is operating income. Here, volume declined due to higher raw material and fuel prices and periodic repairs at the ammonia plant. In particular, ammonia, lactam, nylon, industrial chemicals, and fine chemicals have been affected.

The price difference was a factor in the JPY3.4 billion decrease in profit. As I mentioned above, lactam and nylon polymers have been affected by the narrowing of spreads. The volume difference was a factor in the JPY3.1 billion decrease in profit. Because of the biannual ammonia plant shutdown, there were negative factors in terms of volume differences for ammonia-related industrial chemicals, nylon, and lactam. Then, fixed costs were a factor in the JPY0.7 billion decline in profit. The combined total of the two decreased by JPY7.1 billion.



Then the slide on page 10. This will be the machinery segment.

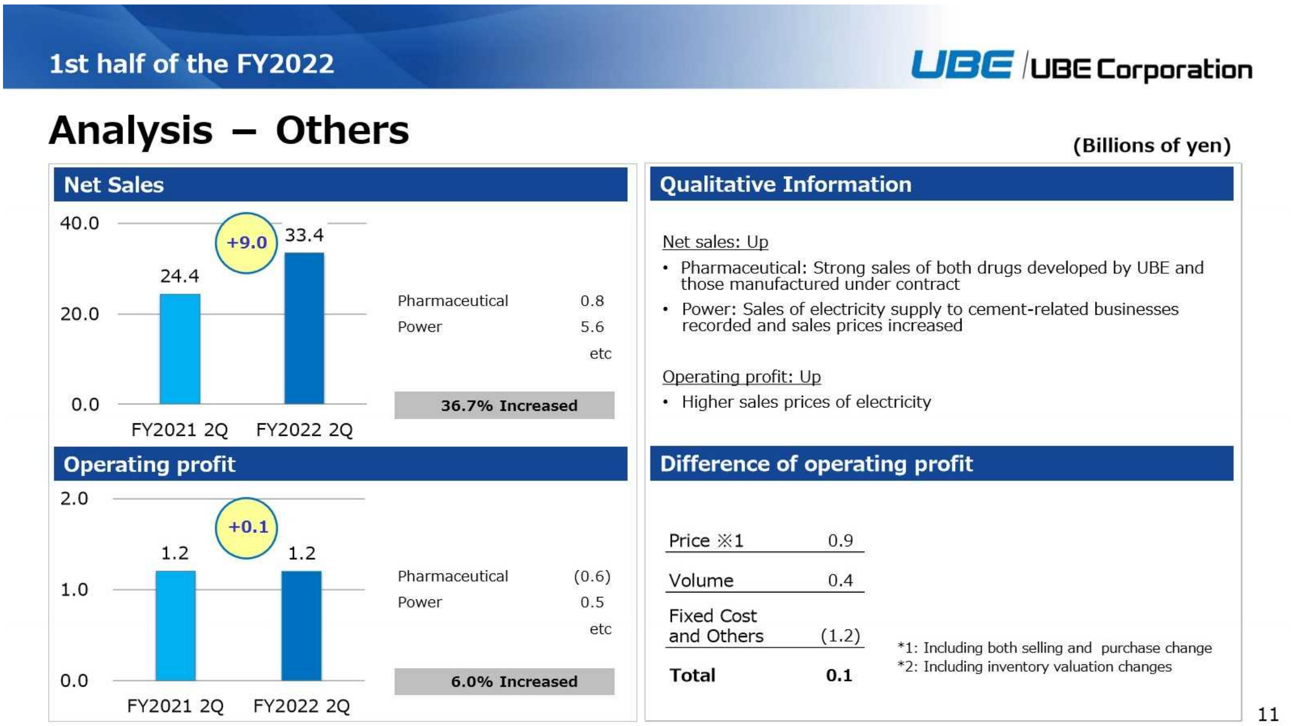
Sales, almost the same level as the same period of the previous year, decreased by JPY100 million.

Operating income decreased by JPY1.1 billion. As for the factors, sales, this is a positive factor in the area of molding machines and steel products. Sales of molding machines are increasing due to the recovery of orders from the automobile industry. Steel products are also a plus. The price factor is that product prices are also rising in line with raw material price increases.

These are all positive factors, but the middle industrial machines, sales of this product decreased slightly due to the completion of a round of large projects, such as transport equipment for electric power companies, which had a larger impact on sales.

As for operating income, there was a decrease in profit due to the decline in sales of industrial machines. In steel machines, sales are increasing, but energy costs, especially electricity costs, are rising, resulting in a decrease in overall profits.

Price difference of JPY400 million minus. JPY100 million decrease in profit as a volume difference. These are related to the steel products business. The negative JPY0.6 billion in fixed costs and others includes a negative JPY0.4 billion in marginal profit in the machinery division, which is indicated by asterisk two.



The next slide on page 11 is for the others category.

Sales increased by about JPY9 billion. The big one is at the power. Revenue increases here. Operating income increased by JPY100 million. As a breakdown, profit in pharmaceuticals declined by JPY0.6 billion. Power increased by JPY0.5 billion.

As a factor, for net sales, pharmaceuticals, sales of in-house pharmaceuticals and contracted pharmaceuticals have remained strong. In terms of power, the supply of electric power to Mitsubishi UBE Cement Corporation is recorded as sales, and the price of electricity sold has also increased, so this is linked to sales, etc. Then, operating income. The increase in profit was due to the increase in the price of electricity sold here.

The price difference is a factor of JPY0.9 billion in profit, and this is related to power. The volume difference was a factor in the JPY0.4 billion increase in profit. This is mainly pharmaceuticals. Fixed costs and other expenses were a factor in the decrease of JPY1.2 billion, resulting in a net increase of JPY0.1 billion.

Operating Profit – Profit attributable to owners of parent

(Billions of yen)

Item	FY2021 2Q (A)	FY2022 2Q (B)	Difference (B) - (A)
Operating profit	19.1	8.5	(10.6)
Non-operating income (expenses)	(1.2)	(10.3)	(9.2)
Net interests expenses	0.3	0.8	0.6
Share of loss of entities accounted for using equtiy method	(0.7)	(11.1)	(10.4)
Share of loss of entities accounted for using equtiy method related to Mitsubishi UBE Cement Corporation		(11.8)	
Foreign exchange gains	0.4	1.6	1.1
Others	(1.2)	(1.6)	(0.4)
Ordinary profit (loss)	17.9	(1.8)	(19.7)
Extraordinary income (losses)	(1.9)	6.6	8.5
Profit before income taxes	16.0	4.8	(11.2)
Income taxes and profit (loss) attributable to non-controlling interests	(6.5)	(5.2)	1.3
Profit (loss) attributable to owners of parent	9.5	(0.3)	(9.9)
Net income per share	95.89 yen	(3.52) yen	(99.41) yen

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Continued, page 12 slide. The following is a breakdown of operating income and beyond.

Operating income, as you have just seen, was JPY8.5 billion, and I mentioned a decrease of JPY10.6 billion. Non-operating income/loss was negative JPY10.3 billion, a deterioration of JPY9.2 billion compared to the same period last year. The largest of these is equity in earnings of affiliates. The actual result here was minus JPY11.1 billion, a large negative figure.

The breakdown is shown as equity in earnings of affiliates related to Mitsubishi UBE Cement, but the equity in earnings of affiliates related to Mitsubishi UBE Cement is negative JPY11.8 billion. This is where this had a major impact.

After subtracting these items, ordinary income was negative JPY1.8 billion, as you can see from the first figure. The actual extraordinary income/loss was JPY6.6 billion, an improvement of JPY8.5 billion from the same period last year, but the gain on change in equity was recorded due to the separation and transfer of the cement-related business. This is a positive factor that this is recorded in the accounting, although it is a one-time event.

Subtract those, second line from the bottom. The net income attributable to shareholders of the parent company for the period under review landed at a loss of JPY300 million.

Consolidated Balance Sheet

(Billions of yen)

Item	End of FY2021 (A)	End of FY2022 2Q (B)	Difference (B) - (A)
Current assets	394.7	271.2	(123.5)
Fixed assets	443.1	459.9	16.8
Total assets	838.0	731.2	(106.8)
Interest-bearing debt	241.8	189.3	(52.5)
Other liabilities	202.1	140.7	(61.4)
Total liabilities	443.9	330.0	(113.9)
Shareholders' equity *	369.1	377.2	8.1
Non-controlling interests and others	24.9	23.9	(1.0)
Total net assets	394.0	401.2	7.1
Total liabilities and net assets	838.0	731.2	(106.8)

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

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The next slide is on page 13. This is a balance sheet item.

Assets and liabilities have also decreased due to the separation and transfer of the cement-related business.

Assets, total assets, JPY731.2 billion as of the end of September. Compared to the end of the previous fiscal year, the end of March, the balance decreased by about JPY106.8 billion. Of this amount, the impact of construction materials was the main reason for the decrease of JPY129 billion.

Then there is interest-bearing debt in liabilities. The balance at the end of the first half was JPY189.3 billion, a decrease of JPY52.5 billion from the end of March. This also includes interest-bearing debt of JPY43.3 billion, which was transferred to construction materials.

Then the shareholder's equity. The balance was JPY377.2 billion, an increase of about JPY8.1 billion from the end of March. As you saw earlier, net income for the quarter was a loss of JPY300 million, and we also paid the year-end dividend for the previous year. On the other hand, the depreciation of the yen had a large positive effect on the foreign currency translation adjustment account, resulting in a total increase of approximately JPY8.1 billion.

Consolidated Statements of Cash Flows

(Billions of yen)

Item	FY2021 2Q	FY2022 2Q	
A.Cash flows from operating activities	12.7	11.3	Profit before income taxes 4.8 Depreciation and amortization 12.5 Share of loss of entities accounted for using equtiy method (11.1) Gain on Change in Equity (8.3) Decrease in working capital (5.5) Income taxes paid (5.7) etc.
B.Cash flows from investing activities	(20.0)	(5.7)	Increase in short-term loans receivable 8.3 Acquisition of PP&E (11.6) Payments for investments in capital of subsidiaries and associates (2.5) etc.
Free cash flows (A+B)	(7.3)	5.6	
C.Cash flows from financing activities	(23.4)	(14.9)	Decrease in interest-bearing debts (9.1) Dividends paid (5.8) etc.
D.Net increase/decrease in cash and cash equivalents	(30.9)	(51.2)	Decrease in cash and cash equivalents resulting from corporate spin-off (43.3) etc.
E.Cash and cash equivalents at end of the quarter	48.8	27.5	

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The next slide on page 14 is the cash flow.

Cash flow from operating activities, actual JPY11.3 billion. Net cash used in investing activities was JPY5.7 billion. As a result, free cash flow was positive JPY5.6 billion.

The cash flow from investing activities was small, but as shown in the breakdown on the right, there was a net cash inflow of JPY8.3 billion from changes in short-term loans receivable. This was a loan extended to a group company for construction materials. The figures are shown here because the cash recovered from the separation and integration is counted in the cash flows from investing activities. If we subtract this, we see that investing activities and cash outflows are as usual.

Then there are cash flows from financing activities. The reduction of interest-bearing debt and dividend payments resulted in a cash outflow of 14.9 billion yen.

Cash and cash equivalents at the end of the period, as shown at the bottom of the table, amounted to JPY27.5 billion.

The above is a summary of the financial results for Q2.

Scope of Consolidation

Item	End of FY2021 (A)	End of FY2022 (B)	Difference (B) - (A)	Notes	
Number of consolidated subsidiaries	65	36	(29)	+ API Corporation – 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.	+ MAPIC Europe NV – 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)	– 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	51	(40)		

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I would like to continue by explaining the consolidated earnings forecast for the fiscal year ending March 31, 2023. Slide on page 16.

Most of the consolidated companies have been added by the end of Q2. In terms of the number of consolidated subsidiaries, the top two companies, API Corporation and MAPIC Europe, are scheduled to be added as new consolidated subsidiaries. This will be transferred as of December 1, so it is expected to become a consolidated company during H2 of this fiscal year.

For those other companies, it is the third line from the top. UBE Advanced Materials INC. and Advanced Electrolyte Technologies LLC on the right. These were originally established in the US as investment purpose companies for electrolyte, but since liquidation is scheduled to be completed, they will be removed from the scope of consolidation. As I explained at the beginning, the subsequent companies were transferred as cement-related companies.

As for equity-method affiliates, H2 is currently being planned, as is Q2 movement. Regarding API Corporation and MAPIC Europe, which will come in as consolidated subsidiaries, since the actual transfer date is scheduled for December 1, we count this as a consolidated subsidiary, but it is not included in the figures for business performance and other items.

FY2022 Consolidated Forecasts

UBE /UBE Corporation

Environmental Factors

Item			FY2021 (A)	FY2022 (B)	Difference (B) - (A)
Exchange Rate		Yen/$	112.4	137.0 [140.0]	24.6
Material Price	Naphtha CIF	$/ t	702	905 [920]	203
	Naphtha Domestic	Yen/KL	56,700	84,300 [85,100]	27,600
	Benzene (ACP)	$/ t	990	1,185 [1,200]	195
	Australian Coal (CIF)	$/ t	170.3	406.0 [405.0]	235.7
		Yen/t	19,133	55,618 [56,700]	36,485

[ ] : from 3Q to 4Q only

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Page 17, environmental Factors. The lower bracketed area is the assumption for H2.

The exchange rate is set at JPY140. Naphtha, CIF, costs USD920, or JPY85,100 domestically. For benzene, USD1,200. As for coal, we are assuming a price of USD405.

Our basic thinking assumes that prices have soared up to Q2 and will continue to do so. In fact, I understand that the current prices are a little more stable than here.

FY2022 Consolidated Forecasts

UBE /UBE Corporation

Major P/L Items

(Billions of yen)

Item	FY2021 (A)	FY2022 (B)	Difference (B) - (A)	Percentage change
Net sales	655.3	547.0	(108.3)	(16.5)%
Operating profit	44.0	29.0	(15.0)	(34.1)%
Ordinary profit	41.5	4.5	(37.0)	(89.2)%
Profit attributable to owners of parent	24.5	2.0	(22.5)	(91.8)%

Item	End of FY2021 (A)	End of FY2022 (B)	Difference (B) - (A)
Total assets	838.0	740.0	(98.0)
Interest-bearing debt	241.8	210.0	(31.8)
Equity capital *1	369.1	375.0	5.9
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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Slide on page 18. This is in regard to the major items.

On October 28, we announced the main revisions to our business performance. In light of H1 trends and current conditions, we have revised H2 and full-year business performance.

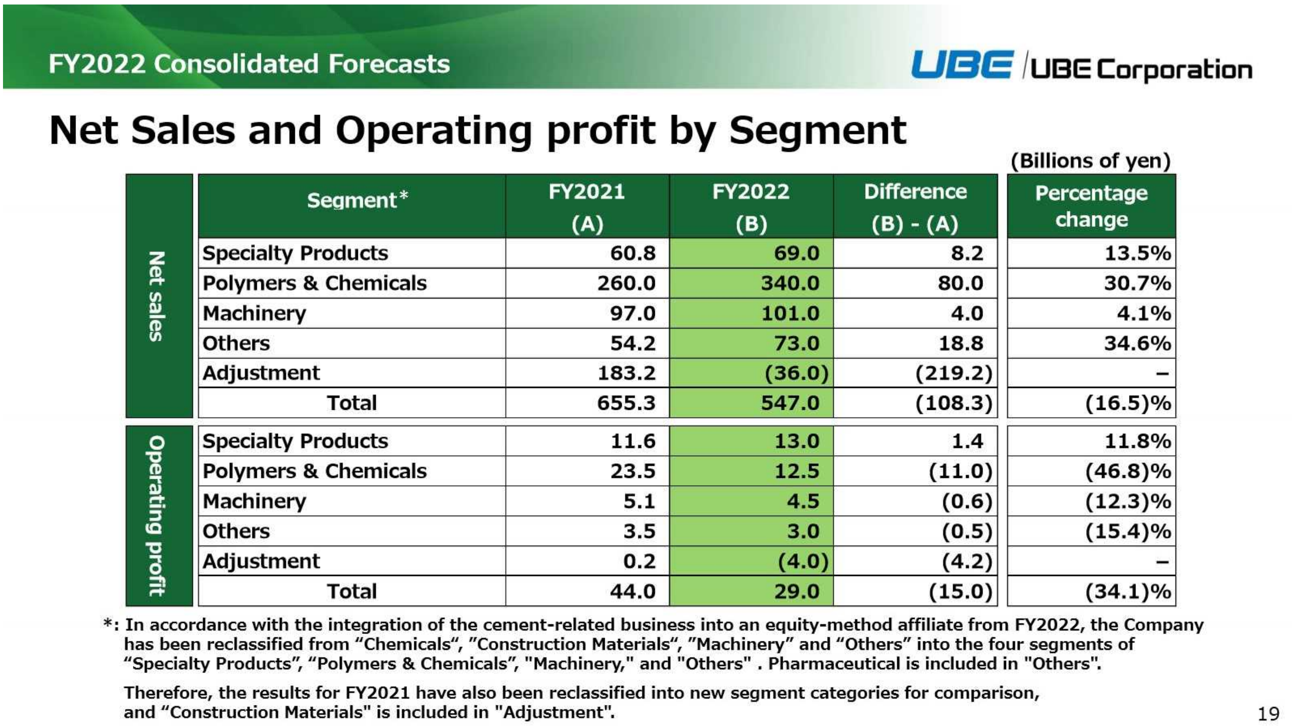
We have revised our full year forecast downward by about JPY10 billion to JPY547 billion in net sales compared with our previous forecast. The operating income forecast is JPY29 billion, also revised downward by JPY3 billion from the previous forecast.

Ordinary income, forecast value JPY4.5 billion. The forecast was revised downward significantly by about 12.5 billion yen from the previous announcement. . Net income attributable to owners of the parent company was JPY2 billion. We have also made a large downward revision of JPY13 billion from the previous forecast.

Then there is the balance sheet item. Assets JPY740 billion. This is not particularly different from the previous assumption. The interest-bearing debt portion is JPY210 billion, which is likely to increase slightly by about 30 billion yen. . We are forecasting that our equity capital will be JPY375 billion, which is slightly lower than the previous forecast.

The annual dividend is JPY100 per share. This is unchanged from our previous dividend forecast. Although our business performance is expected to be quite challenging this fiscal year, we have decided to leave the dividend forecast unchanged based on a comprehensive assessment of factors such as this fiscal year's business performance and our financial situation.

As shown in the note below, we expect to pay an interim dividend of JPY50 per share and a year-end dividend of JPY50 per share, and the interim dividend of JPY50 per share was approved by the Board of Directors today.


FY2022 Consolidated Forecasts

UBE /UBE Corporation

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	340.0	80.0	30.7%
	Machinery	97.0	101.0	4.0	4.1%
	Others	54.2	73.0	18.8	34.6%
	Adjustment	183.2	(36.0)	(219.2)	–
	Total	655.3	547.0	(108.3)	(16.5)%
Operating profit	Specialty Products	11.6	13.0	1.4	11.8%
	Polymers & Chemicals	23.5	12.5	(11.0)	(46.8)%
	Machinery	5.1	4.5	(0.6)	(12.3)%
	Others	3.5	3.0	(0.5)	(15.4)%
	Adjustment	0.2	(4.0)	(4.2)	–
	Total	44.0	29.0	(15.0)	(34.1)%

*: 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".

Therefore, the results for FY2021 have also been reclassified into new segment categories for comparison, and “Construction Materials" is included in "Adjustment".

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Slide on page 19, is a breakdown of sales and operating income by segment.

For specialty products, the forecast for net sales and operating income remains unchanged from the previous forecast, with net sales of JPY69 billion and operating income of JPY13 billion.

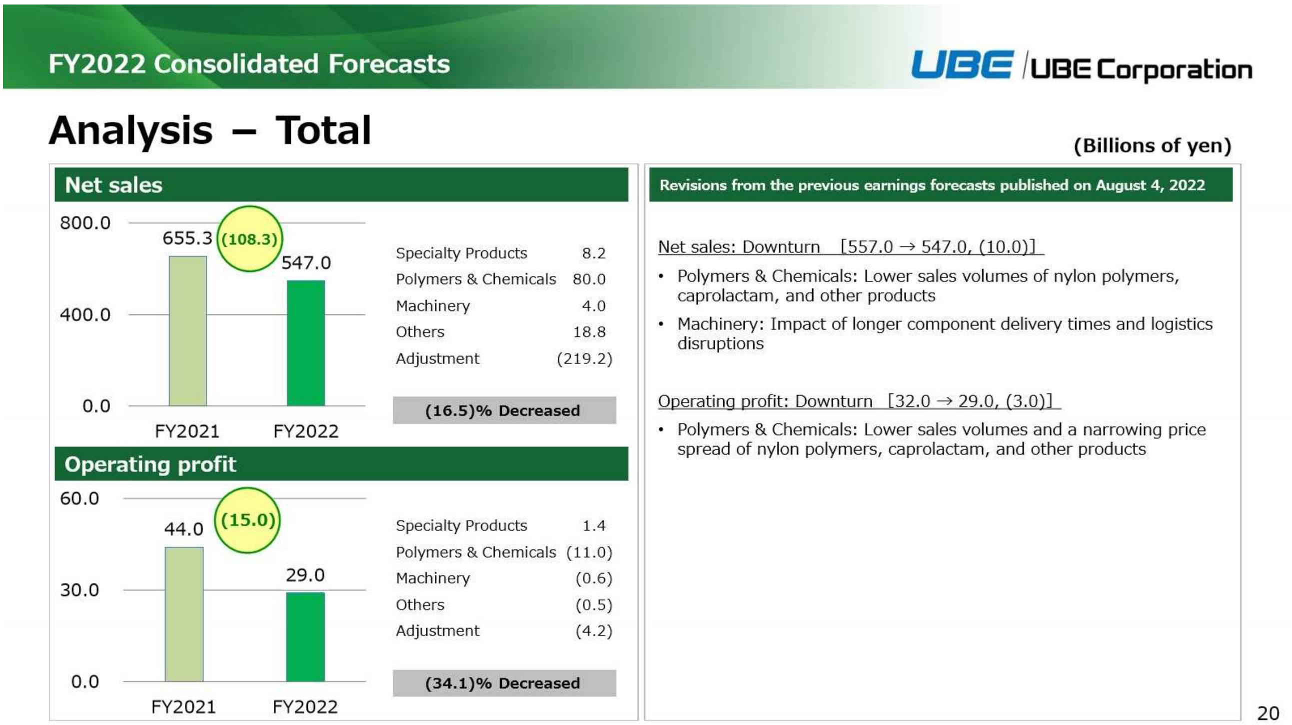
Sales of polymers and chemicals were revised downward by JPY4 billion to JPY340 billion. Operating income has been revised downward by about JPY3 billion to JPY12.5 billion.

In the machinery business, sales were revised downward by about JPY3 billion to JPY101 billion. Operating income was revised downward by about JPYT500 million to JPY4.5 billion.

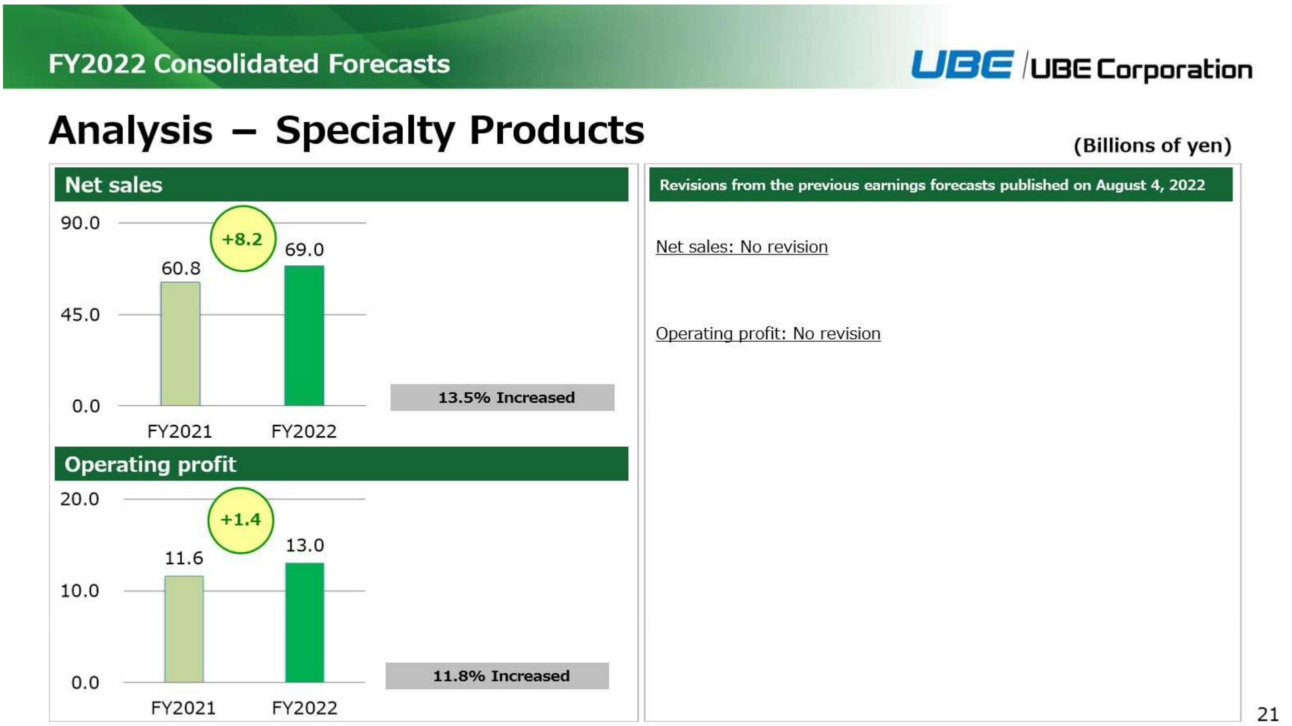
In the other segment, sales were revised downward by JPY2 billion to JPY73 billion. Operating income was revised upward by about JPY500 million to JPY3 billion.

As for the adjustment amount, the downward revision of sales by JPY1 billion resulted in a negative JPY36 billion. Operating income, in particular, remains unchanged from the previous forecast.

As a result, the sales amount was revised downward by JPY10 billion, to JPY547 billion, as you have just seen. The forecast for operating income has been revised downward by JPY3 billion to JPY29 billion.



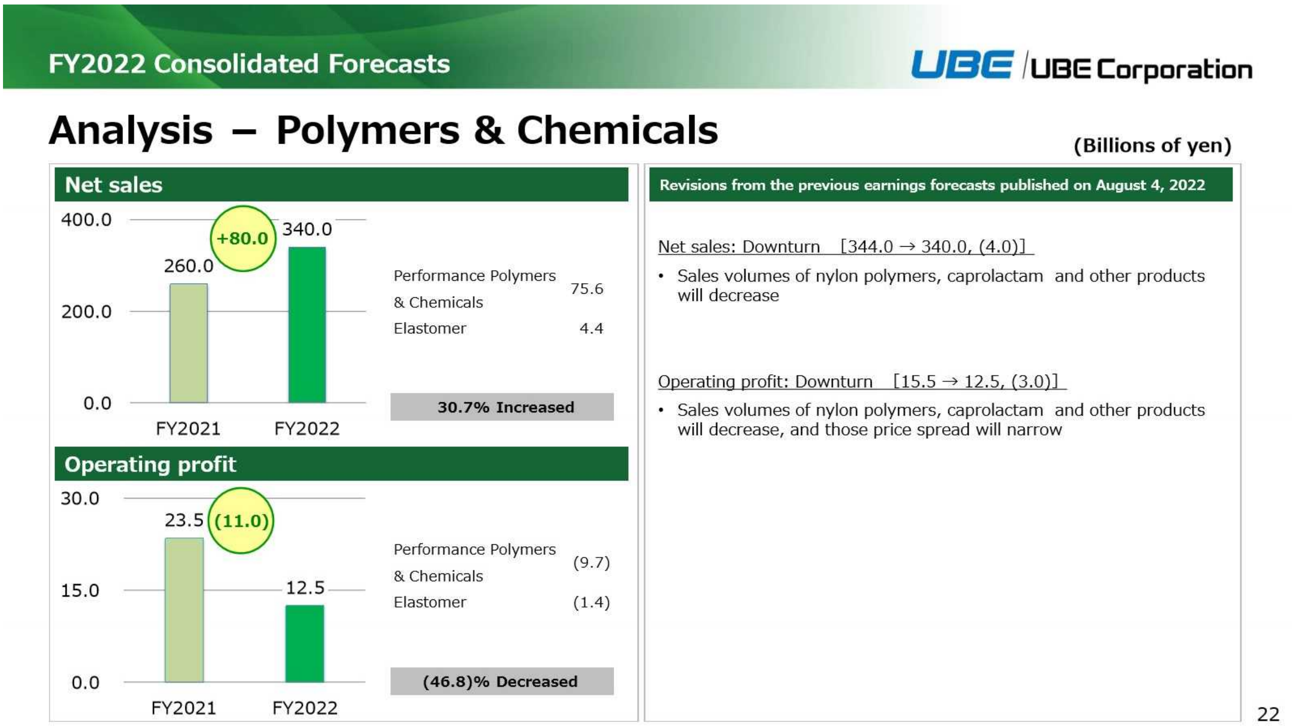
Slide on page 20, this is the segment breakdown within the entire company, so I will omit it.



Slide on page 21. This is regarding the specialty products segment.

The graph on the left shows the difference from the previous year. The comments on the right-hand side indicate the elements that have been revised from the previous forecast.

As you can see in the graph, we expect an increase of JPY8.2 billion in sales of specialty products and an increase of JPY1.4 billion in profit. As I mentioned earlier, there have been some changes from the previous forecast, such as increases and decreases by product, but the total segment sales are in line with the previous forecast.



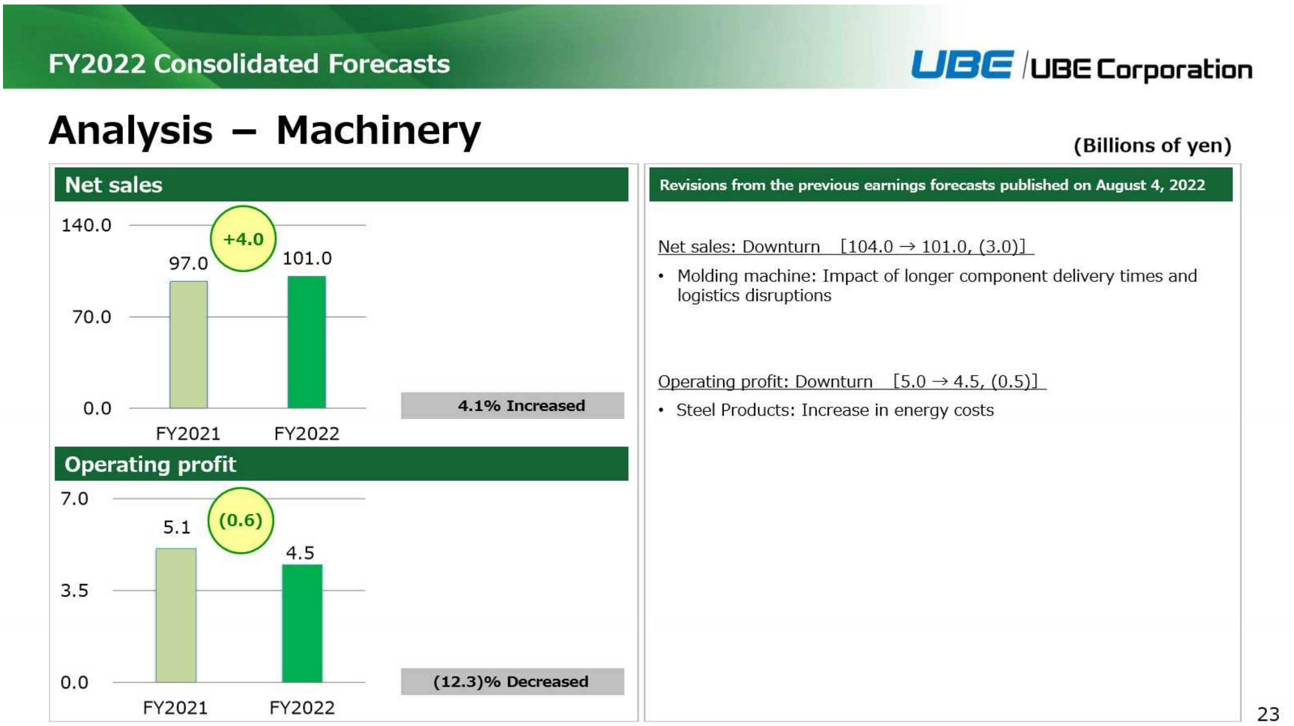
Slide 22, polymers and chemicals segment.

The difference from the previous year is that net sales will increase by JPY80 billion. The breakdown of the sub-segments is shown here, and the performance polymers and chemicals segment is the main reason for the increase in sales.

Operating income is expected to decrease by JPY11 billion. The breakdown is as follows: performance polymers and chemicals, which also saw a JPY9.7 billion decrease in profit.

The revisions from the previous forecast include the impact of lower sales volumes of nylon polymers and caprolactam on net sales. In addition, there was an upward swing in composites, fine chemicals, etc., due in part to a review of exchange rates. Elastomers were negatively impacted by the downward price movements of raw materials such as butadiene.

Operating income was also affected by a decline in sales volume of nylon polymers and lactams. Then there is the reduction of spreads. We have factored in these points. The elastomer business has been revised upward compared to the previous forecast, considering improved spreads and other factors.

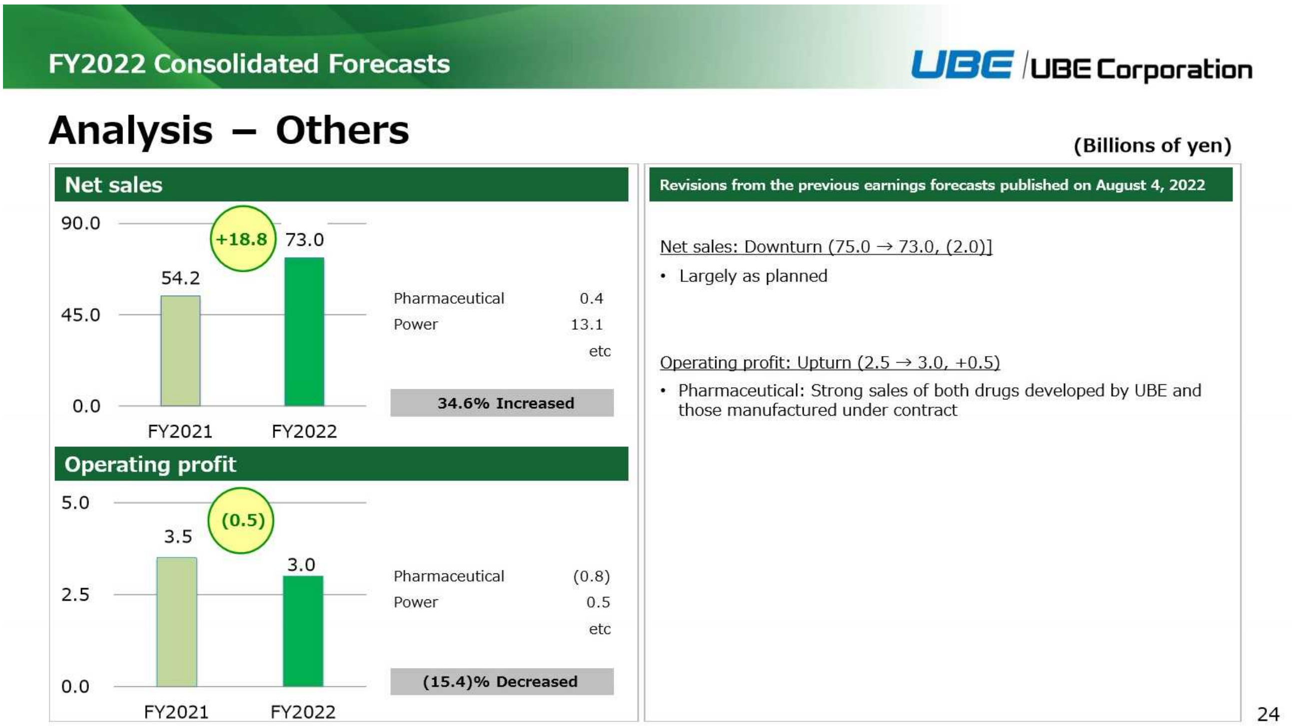


This is the slide on page 23, the machinery segment.

Sales, we expect to increase by JPY4 billion. Operating income is expected to decrease by JPY600 million.

The delivery time for electrical parts and other items related to molding machines is becoming longer and longer. . As a result, delivery dates have been pushed back. However, the disruption in logistics can cause delays in wiring arrangements, etc., so we have factored in a decrease in sales for this reason for the revision of the sales forecast from the previous forecast.

As for operating income, we have factored in higher energy and electricity costs related to the steel products business.



Slide on page 24. The other segment.

Sales are expected to increase by JPY18.8 billion versus the previous year, mainly in electric power.

Operating income is expected to decrease by JPY500 million, but this decrease is related to pharmaceuticals.

As for the points of revision from the previous forecast, there were no major factors in particular for net sales.

Operating income was up slightly, but this was due to strong sales of pharmaceuticals, both in-house and contract products, as well as an increase in licenses.

Operating Profit – Profit attributable to owners of parent

(Billions of yen)

Item	FY2021 (A)	FY2022 (B)	Difference (B) - (A)
Operating profit	44.0	29.0	(15.0)
Non-operating income (expenses)	(2.5)	(24.5)	(22.0)
Share of loss of entities accounted for using equtiy method related to Mitsubishi UBE Cement Corporation		(24.5)	
Ordinaly profit	41.5	4.5	(37.0)
Extraordinary income (losses)	(4.8)	7.0	11.8
Profit before income taxes	36.8	11.5	(25.3)
Income taxes and profit (loss) attributable to non-controlling interests	(12.3)	(9.5)	2.8
Profit attributable to owners of parent	24.5	2.0	(22.5)
Net income per share	249.31 yen	20.63 yen	(228.68) yen

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I would like to continue with the slide on page 25, which shows operating income and beyond.

I mentioned that operating income is expected to be JPY29 billion. Non-operating income/loss was negative JPY24.5 billion, of which JPY24.5 billion was equity in earnings of affiliates related to Mitsubishi UBE Cement, so this was exclusively a reduction in losses.

This is a significant downward revision from the previous forecast, or in other words, a worsening of the situation. However, this mainly incorporates the extraordinary loss that is expected to be posted due to the review of the company's production system. In addition, the timing of the JPY2,200 price increase, which was initially proposed, has been delayed somewhat, and this has also had an impact.

As a result, ordinary income is expected to be JPY4.5 billion, as you have just seen, and extraordinary income and loss are expected to be JPY7 billion, as previously forecasted. Finally, net income attributable to shareholders of the parent company is now projected at JPY2 billion.

We have also provided some reference materials in the back of this document for you. That is all I have to say.

Moderator: Thank you very much.

Question & Answer

Moderator: Okay, we will now go to the Q&A session. In order to answer the questions of many people, please limit each person to two questions at a time.

Questioner A: Thank you for your explanation. I have two questions.

First, I believe that the performance forecast for specialty products has basically remained unchanged since the beginning of the fiscal year. It was no different in Q1.

H1 has been solid, but in the end market, it appears that the display business appears to be quite down. Also, please explain in more detail the background behind your belief that you will be able to maintain your initial forecast of specialty products for H2, even though information appliance products also appear to be adjusting, that your market share is likely to increase, that cost reductions are likely to progress properly, or whatever it may be. Thank you.

Fujii Yes. Regarding your question about the status of specialty products in H2, as I mentioned a bit earlier, each product is expected to have a positive or negative impact.

First, there is the separator. H1 was also sluggish due to the impact of automobile production cutbacks and other factors. However, we expect a moderate recovery trend in the automotive industry to continue in H2, but we do not expect the increase to be as large as we had expected at the beginning of the fiscal year.

On the other hand, there is the polyimide that you just pointed out. Regarding COF related products, we have been affected to some extent in H1 by the ongoing production adjustment of LCD panel-related products in China.

In the area of varnish, there was a slump in the Chinese smartphone market and the impact of the Shanghai lockdown, but demand has been recovering since the second half of Q2.

As for our outlook for the second half of the year, we expect that adjustments in smartphone and LCD panel demand will continue for the time being, but we have factored in the expectation of a recovery in the second half of the year.. As for varnish, although there is overall growth in smartphones, the number of models that use OLED in smartphones is increasing, so we can expect such growth in volume.

In this context, although there are some effects of production adjustment compared to the initial forecast, we expect the market to remain relatively firm.

Regarding big growth, one of the major growth areas from the original plan is in separation membranes. This is biomethane, as I mentioned a little earlier. A calcination membrane for this purpose. Orders for these products have been extremely strong.

In the past, the main focus of separation membranes was on nitrogen separation such as aircraft, ships, and resource explosion-proof , but calcination membranes have grown to a point where they are surpassing these products.

In H2, we expect overall demand for these separation membranes to remain strong. In particular, we expect to continue to receive strong inquiries for biomethane applications, mainly in Europe and the United States, so we are proceeding with the planned line of specialty products in total, while covering the negative effects of separators, etc. mentioned earlier.

Questioner A: I see. The major change from the plan is in separation membranes, which are moving up, so even if separators and COFs are slightly weak, separation membranes have a high marginal profit margin, so to some extent the company can beat them back?

Fujii: Yes. Ceramics also showed considerable growth this fiscal year, particularly in bearing and substrate applications. Demand has been firm mainly due to these factors, and although there were cost increases in raw materials in H1, we have been able to pass on these increases to customers through price increases and, of course, the effect of the yen's depreciation.

Since the electrification and environment-related applications are strong, we do not feel the impact of the automobile production cutbacks, and we are seeing steady growth in this area. We expect this to continue steadily in H2. Even if these are less than planned in other areas, we are still able to cover them by separation membrane and ceramics.

Questioner A: Yes, I understand very well. Thank you very much. I know it's a long-term story, we are also looking forward to Ceramic Matrix Composite as ceramics.

Second. Thank you very much for the simplified data on Mitsubishi UBE Cement on page 36.

I would like to know how the consolidation adjustment is incorporated to double the equity in earnings of affiliates and shift it from net income attributable to owners of the parent company. Ordinary income is JPY22.5 billion, full year. Since net income is minus JPY49.5 billion, you mentioned that the JPY20 billion extraordinary loss will be incurred in this fiscal year and next fiscal year and thereafter. Is the plan to get all of it in this quarter? Also, please explain the certainty of the JPY10 billion effect in the next fiscal year and beyond. That is all.

Fujii: Yes. Regarding Mitsubishi UBE Cement, first of all, you mentioned equity in earnings of affiliates. Dividends of group companies from the previous year's profits are paid directly to the previous year's shareholders, the Company or Mitsubishi Materials Corporation. However, this needs to be adjusted on a consolidated basis, so such adjustments have been made.

Therefore, the amount of each parent company's share is different, so the figures for our share and Mitsubishi's share are not necessarily exactly the same.

Then there is a large increase in loss from ordinary income to net income, as you pointed out. It's an extraordinary loss for structural reforms. It is a total of JPY20 billion. This is also a rough estimate at this point and will be subject to further scrutiny in the future, but the figure is based on the assumption that most of this amount will be captured in the current fiscal year.

As for the effects of the closure of the Aomori Plant and Isa Cement Factory's first kiln, we expect to see a boost of approximately JPY10 billion per year from the next fiscal year onward. This view has not changed since we announced it in September.

Questioner A: Am I correct in understanding that the JPY10 billion figure can be achieved with a high probability by the elimination of certain commercial distribution channels and a drop in fixed costs?

Fujii: We expect that the total effect will include reductions in fixed costs, reductions in unprofitable areas, and so on.

Questioner A: There is also a kind of improvement, or cutting, of unprofitable areas, so overall efficiency will increase?

Fujii: Especially Exports are very unprofitable in some areas, so the total production volume will decrease in those areas, so the composition can be changed in those areas. On the other hand, we would like to maximize the effect of waste treatment by assigning the acceptance of waste to other plants and keeping it there.

Questioner A: Yes. I understand very well. Thank you very much.

Fujii: Thank you very much.

Questioner B: I would like to make two points.

Fujii: Yes. Please do so.

Questioner B: First point, I would like to ask about cement.

On page 36, on the right side, there are some figures, but I would like to know the figures of the export volume. Also, how do you see the cement price increase in H2 of the year in Japan?

Fujii: As for exports, the export volume of cement clinker in H1 of the year was 2.19 million tons. This is less than 10% below the level of the same period last year.

As for export prices, we have been able to secure prices that exceed those of the previous year, partly due to the suspension of unprofitable spots. The same policy will be applied for H2 of the fiscal year.

The price increase in Japan, which we announced at the beginning of the fiscal year, was JPY2,200.Although this has been almost completed in H1 of this fiscal year, negotiations in this area have been delayed a bit. We are now in the process of negotiating for an additional JPY3,000 increase, and we have already gained everyone's understanding in some of these areas. Some of them have been taken. We are continuing to negotiate with the aim of completing the project as soon as possible.

Questioner B: Yes. Am I correct in understanding that the JPY10 billion improvement effect you just mentioned is the effect of improvement in operating income or income before taxation?

Fujii: That is what I mean.

Reference: 1st half of the FY2022 UBE /UBE Corporation

2Q on 1Q – Operating Profit

(Billions of yen)

Segment	FY2022 1Q (A)	FY2022 2Q (B)	Difference (B) - (A)	Major factors
Specialty Products	2.8	2.7	(0.1)	
Polymers & Chemicals	1.9	0.5	(1.4)	Performance Polymers & Chemicals (3.5) Elastmer 2.1
Machinery	0.4	0.9	0.5	
Others	0.7	0.6	(0.1)	Power 0.1 etc.
Adjustment	(1.4)	(0.5)	0.9	
Total	4.4	4.2	(0.2)	

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Questioner B: And the second point is this one on page 34. In the polymers and chemicals segment, I would like to ask you about the factors behind the decrease in operating income from Q1 to Q2, especially in the performance polymers and chemicals segment.

I think Q1 had periodic repairs of ammonia and the volume was generally suppressed, but what is the main reason for the drop in profit level there as well? Also, based on the bad areas in Q2, please tell us which areas will improve in H2.?

Fujii: Yes. The deterioration from Q1 to Q2 is exclusively at lactam and nylon. This includes ammonium sulfate, but demand for lactam has been slow to pick up in China and other countries, and spreads have been deteriorating.

Especially in Q2, where market conditions deteriorated rapidly. Also, in Europe, natural gas prices soared. We are able to pass on prices and make a spread, but overall demand is already slowing down due to inflation, and this is having a ripple effect, resulting in a decline in sales volume.

Then, in relation to China, demand is not growing. Downstream nylon chips are in oversupply. The oversupply in this area has led to exports to countries other than China, which in turn has led to a slackening of the supply-demand balance for lactam and nylon and a decline in the spread.

As for our outlook for H2 of the fiscal year, we do not expect much improvement in lactam and nylon polymers. We expect a gradual recovery trend to begin in Q4. As for Europe, the price of natural gas has recently settled down. Although we do not know what will happen in the future, we believe that profitability is improving at present.

The major area for improvement in H2 of the year is ammonium sulfate. In H1, ammonia market prices remained high in Asia, but the market for ammonium sulfate deteriorated, dragged down by Chinese exports.

In Europe, prices have been passed on to consumers, but the high prices have led to a trend of reluctance to buy. Now, as I mentioned earlier, currently, there are some areas where prices are calming down in Europe, or fertilizer is in demand season so shipments are also increasing.

Domestic demand has been firm, mainly in the large-grain area, and price correction is being promoted. In addition, the price of sulfur, a raw material, has softened overseas. With these factors factored in, we expect the ammonium sulfate business to recover in H2.

In H1, composites and fine chemicals were also affected by the biannual ammonia plant shutdown, but in H2, these restrictions will be removed, and we will be able to expand our sales.

Then there are products where price shifting seems to have somewhat followed suit. Now, some of them are beginning to catch up with price shifting. Therefore, we expect profits to recover in H2.

Questioner B: Yes. I understand very well. Thank you very much.

Fujii: Yes. Thank you very much.

Questioner C: Two please.

The first is in the area of nylon, which is used for food packaging and for which demand is weak overseas. Are there any moves by competing manufacturers to sell at lower prices and clear their accumulated inventories?

Fujii: As I mentioned earlier in the section on lactam and nylon, there is an excess of nylon in China, which is flowing out of the country. This has led to cheap supply in Europe, Asia, and other areas, and has resulted in a slackening of supply and demand, and then prices have been slow to rise. This situation seems to be a weak point.

Questioner C: Thank you very much.

Regarding the substrate application of ceramics, do you mean that it is used for so-called heat-dissipating substrate applications for power semiconductors? Please also elaborate on the future prospects.

Fujii: I think the substrate applications are for heat dissipation substrate applications. I can tell you that demand has been firm and is expected to remain firm in the future.

Questioner C: I'm sorry. Thank you very much. That is all.

Fujii: Yes, thank you.

Moderator: Thank you very much. This is the end of the Q&A session, as the scheduled end time has arrived.

Finally, Executive Director Fujii, please give us a few words.

Fujii: Yes. As I have just explained, the outlook for the current fiscal year is very challenging in terms of numbers. We are aware that there will continue to be many causes for concern, such as trends in raw material and fuel prices and the global economic situation, but we must pay attention to these changes and continue to capture demand, as well as thoroughly implement price correction and cost reductions.

Even so, we will spend H2 of this fiscal year focusing on the steady implementation of measures for future growth.

Thank you very much for your participation today. That is all.

Moderator: That concludes the conference call. Thank you for your participation.

[END]