



UBE Corporation

Q3 Financial Results Briefing for the Fiscal Year Ending March 2024

February 5, 2024

Event Summary

[Company Name]	UBE Corporation
[Company ID]	4208-QCODE
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[Event Name]	Q3 Financial Results Briefing for the Fiscal Year Ending March 2024
[Fiscal Period]	FY2023 Q3
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[Time]	18:00 – 18:46 (Total: 46 minutes, Presentation: 26 minutes, Q&A: 20 minutes)
[Venue]	Webcast
[Number of Speakers]	1 Hirotaka Ishikawa Director, Executive Officer, CFO

Presentation

Moderator: Good evening, investors. Thank you for taking time out of your busy schedule today to participate in the Q3 Financial Results Briefing for the Fiscal Year Ending March 2024 of UBE Corporation.

Hiroataka Ishikawa, Director, Executive Officer, and CFO, will now explain the consolidated financial results for the Q3 of FY2023 for approximately 25 minutes, followed by a question-and-answer session. The entire meeting is scheduled to run for 45 minutes.

Before I begin, I would like to remind you of the following. In this presentation, we may state forward-looking statements based on our current expectations, all of which are subject to risks and uncertainties. Please be aware that actual results may differ materially from those discussed in the forward-looking statements.

In addition, we plan to post the presentation materials for the Q3 financial results of Mitsubishi UBE Cement Corporation on our website at a later date.

In addition, although we are not listed in the list of companies that have disclosed information regarding “Action to Implement Management That is Conscious of Cost of Capital and Stock Price” published by the Tokyo Stock Exchange on January 15, 2024, we disclosed the status of our efforts regarding all 83 principles in the “UBE’s Approach to Corporate Governance Code Principles”, an attachment to our Corporate Governance Report published on December 22, 2023. The applicable Principle 5-2 is also disclosed in this document, and Ishikawa will briefly introduce its contents today.

We will now begin the explanation. CFO Ishikawa, please go ahead.

3rd Quarter of the FY2023

UBE / UBE Corporation

Scope of Consolidation

Item	End of FY2022 (A)	End of FY2023 3Q (B)	Difference (B) - (A)	Notes
Number of consolidated subsidiaries	36	36	-	
Number of equity method affiliates	15	15	-	
Total	51	51	-	

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Ishikawa: My name is Ishikawa, CFO. Thank you for taking time out of your busy schedule to attend today. I will begin my presentation over the next 25 minutes.

First of all, please take a look at page three of the presentation materials. This is the consolidated scope.

As of the end of Q3, the number of consolidated companies was 51. There are 36 consolidated subsidiaries and 15 companies accounted for by the equity method, which is unchanged from the end of FY2022.

3rd Quarter of the FY2023

UBE / UBE Corporation

Environmental Factors

Item		FY2022 3Q (A)	FY2023 3Q (B)	Difference (B) - (A)		
Exchange Rate	Yen/\$	136.5	143.3	6.8		
Material Price	Naphtha	CIF	\$/ t	831	667	(164)
		Domestic	Yen/KL	80,000	68,100	(11,900)
	Benzene (ACP)	\$/ t	1,073	920	(153)	
	Australian Coal (CIF)	\$/ t	407.5	201.5	(206.0)	
		Yen/t	55,628	28,873	(26,755)	

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Next is page four, environmental factors. The exchange rate was JPY143.3 for Q3, a decrease of JPY6.8 due to the depreciation of the yen.

As for material prices, naphtha prices dropped to USD667 and down USD164 YoY. Benzene prices were USD920 per ton, a decrease of USD153.

The price of Australian coal was USD201.5 per ton, a decrease of USD206. Coal prices have fluctuated significantly YoY, with the price of coal falling by half.

Major P/L Items

(Billions of yen)

Item	FY2022 3Q (A)	FY2023 3Q (B)	Difference (B) - (A)	Percentage change
Net sales	368.4	332.9	(35.4)	(9.6)%
Operating profit	13.0	12.3	(0.7)	(5.2)%
Ordinary profit (loss)	(4.5)	23.2	27.7	—
Profit (loss) attributable to owners of parent	(2.4)	19.9	22.3	—

Note: The Company Group determined the provisional accounting treatment related to the business combination of the cement-related business in FY2022 4Q. The finalized accounting treatment is being applied in each reported figure for FY2022 3Q.

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Continuing on page five. These are the major items of this Q3 financial results, taking into account these environmental factors.

Net sales totaled JPY332.9 billion, down JPY35.4 billion YoY. The percentage of decrease in net sales is 9.6%.

Operating profit was JPY12.3 billion, a decrease of JPY0.7 billion, or 5.2%.

Ordinary profit was JPY23.2 billion. As it was negative JPY4.5 billion in the same period of the previous fiscal year, it returned to the black and increased by JPY27.7 billion.

Profit attributable to owners of parents for the period was JPY19.9 billion, which was also a turnaround from the negative JPY2.4 billion recorded in the same period of the previous year, increasing by JPY22.3 billion.

Net Sales and Operating Profit by Segment

(Billions of yen)

	Segment	FY2022 3Q (A)	FY2023 3Q (B)	Difference (B) - (A)	Percentage change
Net sales	Specialty Products	47.4	46.8	(0.6)	(1.3)%
	Polymers & Chemicals	225.2	183.7	(41.5)	(18.4)%
	Machinery	69.3	65.6	(3.7)	(5.3)%
	Others	50.6	58.3	7.7	15.2%
	Adjustment	(24.1)	(21.5)	2.7	-
	Total	368.4	332.9	(35.4)	(9.6)%
Operating profit	Specialty Products	8.5	8.3	(0.2)	(2.2)%
	Polymers & Chemicals	3.3	(0.6)	(3.8)	-
	Machinery	2.6	4.4	1.7	66.9%
	Others	1.7	2.6	0.8	49.5%
	Adjustment	(3.1)	(2.4)	0.8	-
	Total	13.0	12.3	(0.7)	(5.2)%

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On page six, I will explain the summary of net sales and operating profit by segment.

The biggest reason for the decline in net sales and operating profit for the entire company is polymers & chemicals. Net sales in the polymers & chemicals segment decreased by JPY41.5 billion, while operating profit declined by JPY3.8 billion.

On the other hand, the specialty products segment was generally flat YoY. Net sales were down JPY0.6 billion, and operating profit was down JPY0.2 billion.

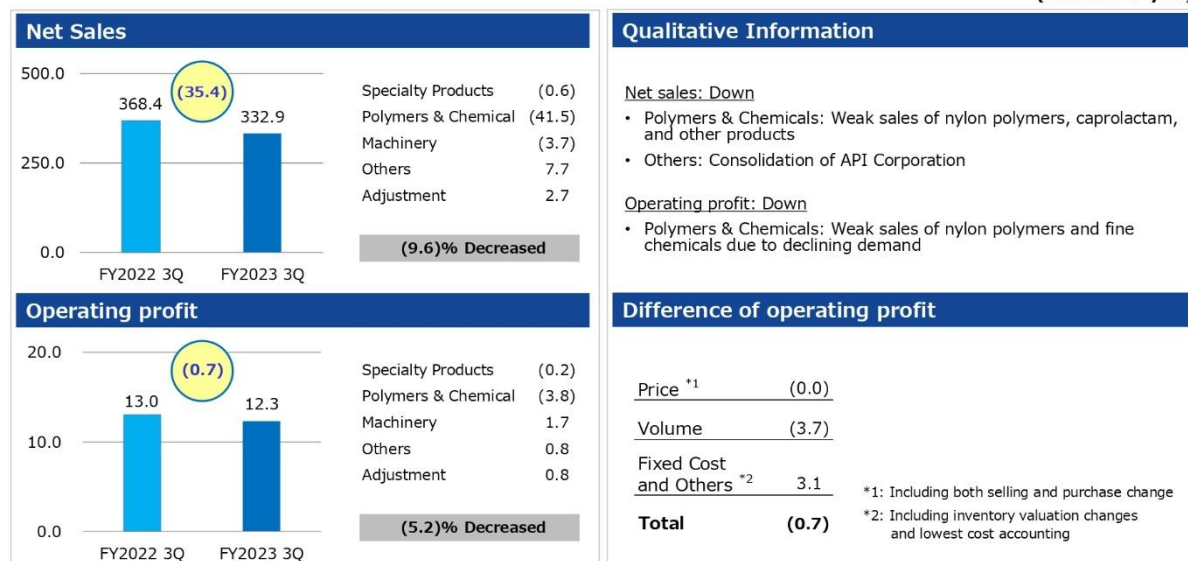
In the machinery segment, net sales declined by JPY3.7 billion, but operating profit increased by JPY1.7 billion.

The others segment includes pharmaceuticals, which benefited from acquiring API Corporation as a consolidated subsidiary, resulting in a net sales increase of JPY7.7 billion and an operating profit increase of JPY0.8 billion.

For details, please refer to the next page.

Analysis – Total

(Billions of yen)



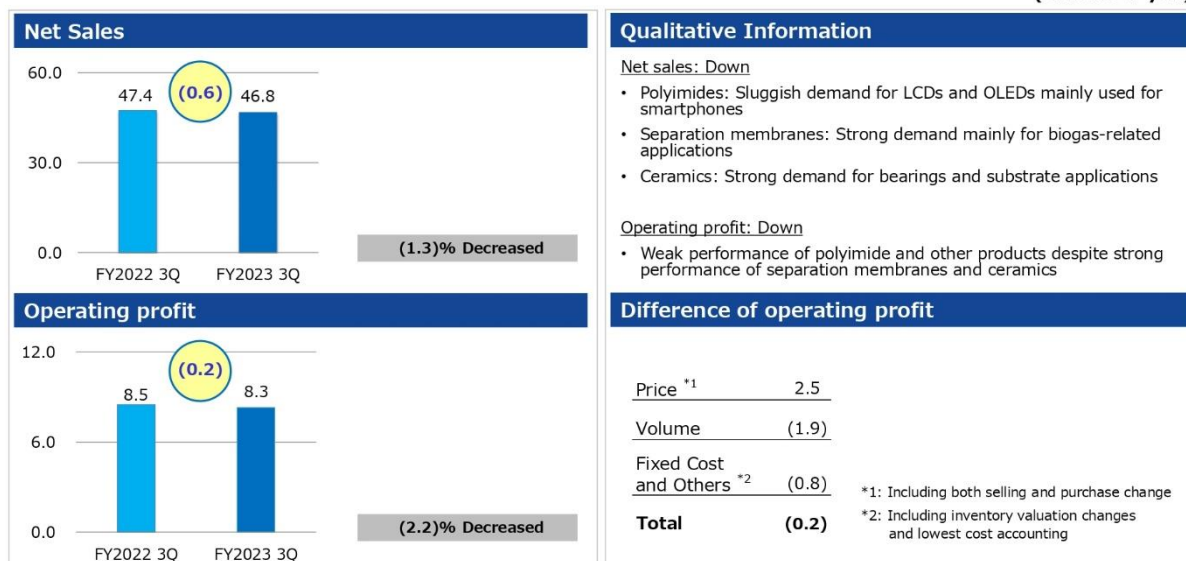
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Page seven shows the company-wide analysis.

For qualitative information, net sales decreased. Looking at the company-wide results, sluggish sales of the products of polymers & chemicals, especially nylon polymers and caprolactam, were main factor for a decrease in net sales. One positive factor was in the others segment, acquiring API Corporation as a consolidated subsidiary.

Analysis – Specialty Products

(Billions of yen)



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Next, on page eight is an overview by segment. In the specialty products segment, net sales decreased by JPY0.6 billion, and operating profit declined by JPY0.2 billion.

The main reason for the decline in sales is that polyimide sales were affected by sluggish demand for displays and smartphones. The demand for displays impacts films business, while that for smartphones affects varnishes business. On the other hand, demand for separation membranes was strong, especially for biogas-related applications. Demand for ceramics remained strong for use in bearings and substrates for electric vehicles.

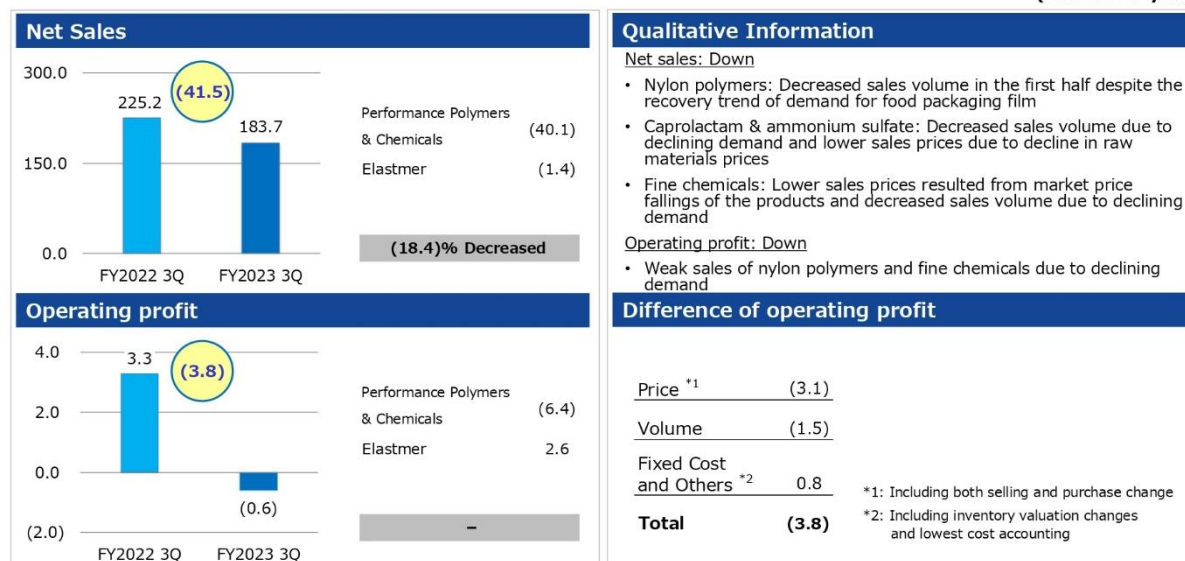
Operating profit decreased due to weak demand for polyimide and other products despite strong sales of separation membranes and ceramics.

The bottom right-hand corner shows the analysis of the difference in operating profit. In this segment, the price difference was a positive JPY2.5 billion. The price difference was positive for almost all major products, including polyimide, separation membranes, and ceramics. The volume difference was negative JPY1.9 billion. Volume differences were generally negative except for separation membranes and ceramics.

Fixed costs and others were minus JPY0.8 billion. One of the negative factors is the increased labor cost of separation membrane resulting from increased operation.

Analysis – Polymers & Chemicals

(Billions of yen)



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Next, polymers & chemicals. Here, net sales decreased by JPY41.5 billion, and operating profit decreased by JPY3.8 billion.

Breaking this down by sub-segment, sales in performance polymers & chemicals decreased by JPY40.1 billion, and sales in elastomers decreased by JPY1.4 billion. Operating profit decreased by JPY6.4 billion in performance polymers & chemicals and increased by JPY2.6 billion in elastomers.

The qualitative information in the upper right-hand corner shows the main details of the sales decline. As for nylon polymers, overseas demand for food packaging film applications is now showing a recovery trend, but the decline in sales volume in H1 was a major factor in the sales decline. Sales of caprolactam & ammonium sulfate decreased due to a decline in sales volume resulting from weak demand, and a drop in sales prices as a result of a decline in raw material benzene market prices. In addition, regarding fine chemicals, sales prices declined due to a drop in the product market. Also, sales volume decreased due to a decline in demand.

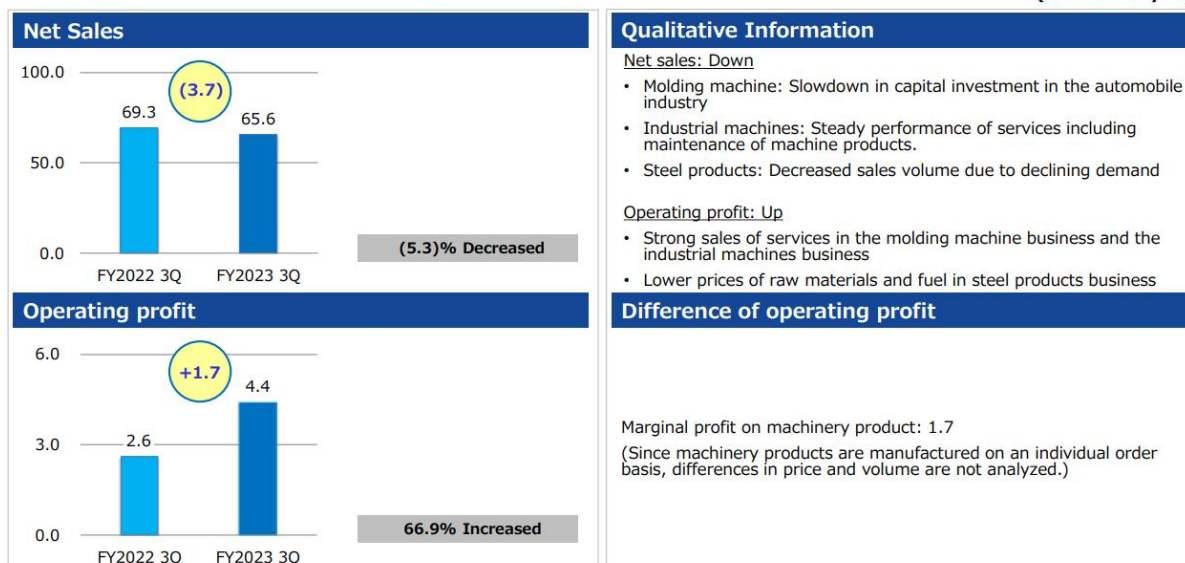
The factors behind the decrease in operating profit were sluggish sales of nylon polymers and fine chemicals due to the decline in demand.

As for the difference in operating profit, the price difference was a negative JPY3.1 billion. The main factors are nylon polymers, caprolactam, and industrial chemicals. The volume difference was a negative JPY1.5 billion. The main factors in this category are fine chemicals and other products.

In addition, the elastomers segment showed decreased sales and increased profit. The increase in profit was due to an expansion of spreads.

Analysis – Machinery

(Billions of yen)



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Continuing on page 10 is the machinery segment. In this segment, net sales decreased by JPY3.7 billion, while operating profit increased by JPY1.7 billion.

The main reason for net sales decreases is that for molding machines, capital investment in the automobile industry has been slowing down, and orders have been declining. Currently, orders are on the road to recovery. In the industrial machines, sales of services, such as maintenance for machinery products, remained strong. In the steel products, sales volume declined due to a drop in demand.

Operating profit increased. The main reason for this was that services for both molding and industrial machinery remained strong. Also, in the steel products, the positive factor was a decrease in raw material and fuel prices.

Differences in operating profit are not shown in this segment. As for marginal profit on machinery product, it was positive JPY1.7 billion.

Operating Profit – Profit attributable to owners of parent

Item	(Billions of yen)		
	FY2022 3Q (A)	FY2023 3Q (B)	Difference (B) - (A)
Operating profit	13.0	12.3	(0.7)
Non-operating income (expenses)	(17.5)	10.9	28.4
Net interests expenses	0.8	3.1	2.3
Share of profit (loss) of entities accounted for using equity method	(16.3)	9.0	25.3
Share of profit (loss) of entities accounted for using equity method related to Mitsubishi UBE Cement Corporation	(17.0)	10.2	27.2
Foreign exchange gains	0.6	0.5	(0.0)
Others	(2.5)	(1.7)	0.8
Ordinary profit (loss)	(4.5)	23.2	27.7
Extraordinary income	7.5	0.1	(7.4)
Profit before income taxes	3.0	23.3	20.3
Income taxes and profit (loss) attributable to non-controlling interests	(5.4)	(3.3)	2.0
Profit (loss) attributable to owners of parent	(2.4)	19.9	22.3
Net income per share	(24.60) yen	205.51 yen	230.11 yen

Note: The Company Group determined the provisional accounting treatment related to the business combination of the cement-related business in FY2022 4Q. The finalized accounting treatment is being applied in each reported figure for FY2022 3Q.

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Next is page 12. This is an explanation of operating profit to profit attributable to the owner of parent.

Non-operating income totaled JPY10.9 billion. Breaking this down, net interests expenses totaled JPY3.1 billion, an increase of JPY2.3 billion YoY.

The JPY2.3 billion, almost all of which was an increase in dividends received. In addition, this dividend income is a one-time factor, meaning it is not a continuing item.

Next is the share of profit of entities accounted for using equity method, which amounted to JPY9 billion. This is an increase of JPY25.3 billion from negative JPY16.3 billion of the same term of the previous fiscal year. The main reason for the increase is the equity in earnings of Mitsubishi UBE Cement, which is shown in the next row. We have prepared a separate page for this on page 23, so please take a look at that page.

Mitsubishi UBE Cement

(Billions of yen)

■ Major P/L Items

Mitsubishi UBE Cement Corporation and Consolidated Subsidiaries

Item	FY2022 3Q	FY2023 3Q	FY2023 full-year
Net Sales	449.6	447.9	590.0 [600.0]
Overseas business	108.0	138.6	180.0 [185.0]
Operating profit (loss)	(24.2)	36.5	39.5 [33.0]
Overseas business	6.8	24.9	26.5 [24.0]
Ordinary profit (loss)	(22.4)	38.5	40.5 [33.5]
Profit (loss) attributable to owners of parent	(33.3)	19.4	19.5 [19.0]

■ Share of profit (loss) of entities accounted for using equity method in UBE's Consolidated Statements of Income

Share of profit (loss) of entities accounted for using equity method	(17.0)	10.2	10.5 [10.5]
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- The domestic cement business achieved profitability in FY2023 1Q-3Q thanks to the effects of improvements such as the completion of a 5,000-yen price hike and increased use of low-cost thermal energy. Although the business environment remains challenging due to declining domestic demand and rising logistics costs, the company aims to return to profitability for the full year.
- The environment and energy business and domestic group companies posted increased profits in the FY2023 1Q-3Q following the 1st half.
- In the U.S. business, ready-mixed concrete demand was strong in the first half of FY2023, but a decline in demand for commercial facilities and bad weather condition affected the growth in ready-mixed concrete sales in FY2023 3Q. However, the effect of price hikes led to a significant increase in profit for FY2023 1Q-3Q. In FY2023 4Q, the profit margin is expected to decrease due to sluggish sales volume and higher costs.
- In FY2023 3Q, the estimated additional cost for dismantling the Aomori plant, which was shut down at the end of FY2022, was recorded as an extraordinary loss.

■ Quantitative information

Item	FY2022 3Q	FY2023 3Q	FY2023 full-year
Total demand for cement in Japan (million tons)	28.59	26.71	35.00 [36.00]
Cement sales volumes in Japan (million tons)	7.01	6.35	8.40 [8.65]
Cement sales volumes in the U.S. (million tons)	1.31	1.35	1.75 [1.80]
Ready-mixed concrete sales volumes in the U.S. (million cy)	5.48	5.39	6.75 [7.00]
Thermal coal price (reference) (\$/t)	392	148	151 [177]
Exchange rate (Yen/\$)	137	143	144 [145]

* The above thermal coal prices are reference indices and differ from actual procurement prices.
[]: forecast released November 2023

(Reference) Consolidated Balance Sheet as of December 31, 2023

Total assets	795.7	Interest-bearing debt	178.4	Shareholder's equity	348.4
Shareholder's equity ratio	43.8%	D/E ratio	0.51 times		

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On page 23, you will find a summary of Mitsubishi UBE Cement's Q3 financial results.

The left-hand side shows net sales to profit attributable to owners of the parent. Net sales were JPY447.9 billion, operating profit was JPY36.5 billion, ordinary profit was JPY38.5 billion, and profit attributable to owners of the parent was JPY19.4 billion.

As a result, the share of profit of entities accounted for using the equity method in UBE's consolidated statements of income will be JPY10.2 billion, an improvement of JPY27.2 billion compared to a negative JPY17 billion in the same period of the previous fiscal year.

I would like to briefly introduce Mitsubishi UBE Cement's P&L summary, which can be found on the lower left-hand side of the page. Mitsubishi UBE Cement is roughly divided into the domestic cement business and the overseas cement and ready-mixed concrete business.

First of all, our domestic cement business has been profitable in the first three quarter thanks to the completion of a JPY5,000 increase in cement prices and the improvement effect from the increased use of inexpensive thermal energy. In Q4, we expect the business environment to keep difficult due to a decline in domestic demand for cement and increased logistics costs, but we aim to achieve profitability for the full year.

Next, I would like to discuss our cement and ready-mixed concrete business in the United States. Although sales were sluggish due to a decline in demand for commercial facilities and unfavorable weather conditions, the cumulative profit for Q3 was significantly higher due to the effect of price hikes. In Q4, from January to March, we expect the profit margin to narrow due to a slump in sales volume caused by bad weather and higher costs.

That is all for Mitsubishi UBE Cement.

Operating Profit – Profit attributable to owners of parent

Item	(Billions of yen)		
	FY2022 3Q (A)	FY2023 3Q (B)	Difference (B) - (A)
Operating profit	13.0	12.3	(0.7)
Non-operating income (expenses)	(17.5)	10.9	28.4
Net interests expenses	0.8	3.1	2.3
Share of profit (loss) of entities accounted for using equity method	(16.3)	9.0	25.3
Share of profit (loss) of entities accounted for using equity method related to Mitsubishi UBE Cement Corporation	(17.0)	10.2	27.2
Foreign exchange gains	0.6	0.5	(0.0)
Others	(2.5)	(1.7)	0.8
Ordinary profit (loss)	(4.5)	23.2	27.7
Extraordinary income	7.5	0.1	(7.4)
Profit before income taxes	3.0	23.3	20.3
Income taxes and profit (loss) attributable to non-controlling interests	(5.4)	(3.3)	2.0
Profit (loss) attributable to owners of parent	(2.4)	19.9	22.3
Net income per share	(24.60) yen	205.51 yen	230.11 yen

Note: The Company Group determined the provisional accounting treatment related to the business combination of the cement-related business in FY2022 4Q. The finalized accounting treatment is being applied in each reported figure for FY2022 3Q.

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Now, let me turn back to page 12. As a result of the above factors, ordinary profit was JPY23.2 billion, an increase of JPY27.7 billion compared to negative JPY4.5 billion of the same period in the last fiscal year.

Extraordinary income/loss was a positive JPY0.1 billion this term, while the previous term was a positive JPY7.5 billion. The main reason for the large gain in the previous year was due to the gain on change in equity in Mitsubishi UBE Cement.

As a result of the above, profit attributable to owners of the parent was JPY19.9 billion, an increase of JPY22.3 billion compared to a net loss of JPY2.4 billion in the same period of the previous fiscal year.

Consolidated Balance Sheet

(Billions of yen)

Item	End of FY2022 (A)	End of FY2023 3Q (B)	Difference (B) - (A)
Current assets	283.1	287.0	3.9
Fixed assets	449.4	468.8	19.4
Total assets	732.7	756.0	23.3
Interest-bearing debt	218.1	218.2	0.1
Other liabilities	132.9	132.5	(0.4)
Total liabilities	351.1	350.7	(0.3)
Shareholders' equity *	361.6	384.9	23.3
Non-controlling interests and others	20.0	20.3	0.3
Total net assets	381.6	405.2	23.6
Total liabilities and net assets	732.7	756.0	23.3

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

Note: The Company Group determined the provisional accounting treatment related to the business combination of a contract drag development and manufacturing organization in FY2023 1Q. The finalized accounting treatment is being applied in each reported figure for the end of FY2022.

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Next on page 13 is the balance sheet.

The major change is the increase in shareholders' equity. The net income of JPY19.9 billion and foreign currency translation adjustments of about JPY10 billion contributed to this increase, while we paid JPY9.2 billion in dividends. As a result of these factors, shareholders' equity increased by JPY23.3 billion.

As for assets, fixed assets increased by JPY19.4 billion. The main reason for this increase is that investment securities increased due to the inclusion of Mitsubishi UBE Cement's profit as equity in the earnings of affiliates.

Consolidated Statements of Cash Flows

(Billions of yen)

Item	FY2022 3Q	FY2023 3Q	
A.Cash flows from operating activities	5.1	34.8	Profit before income taxes 23.3 Depreciation and amortization 19.7 Share of profit of entities accounted for using equity method (9.0) etc.
B.Cash flows from investing activities	(17.6)	(24.7)	Acquisition of PP&E and intangible asset (21.8) Increase in short-term loans receivable (2.7) etc.
Free cash flows (A+B)	(12.5)	10.1	
C.Cash flows from financing activities	8.7	(10.6)	Decrease in interest-bearing debts (0.9) Dividends paid (9.7) etc.
D.Net increase/decrease in cash and cash equivalents	(46.4)	0.4	
E.Cash and cash equivalents at end of the quarter	32.4	31.1	

Note: The Company Group determined the provisional accounting treatment related to the business combination of the cement-related business in FY2022 4Q. The finalized accounting treatment is being applied in each reported figure for FY2022 3Q.

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Next on page 14 is the statement of cash flows.

Operating cash flow was JPY34.8 billion, an increase of JPY29.7 billion YoY. I understand that this is due to improved profits.

Cash flow from investing activities was minus JPY24.7 billion, as used cash increased by JPY7.1 billion YoY. Short-term loans receivable was the main variable factor in investment cash flow. Excluding these, capital expenditures, investments, and loans, etc., have generally remained at a certain level. We are making the capital investments we need to make.

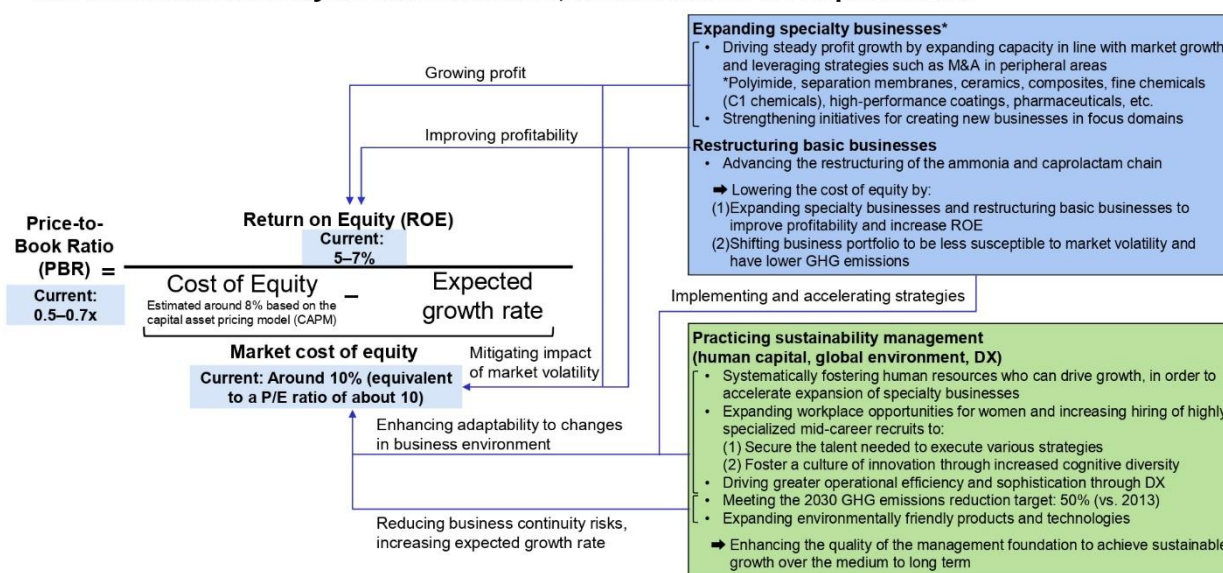
As a result, free cash flow was JPY10.1 billion this fiscal year.

Cash and cash equivalents totaled to JPY31.1 billion. We are managing consolidated cash reserves approximately at the level of JPY30 billion. We raise funds through financing cash flow in order to control cash reserves at the aimed level.

Net decrease in cash and cash equivalents totaled JPY46.4 billion in the same term of last fiscal year. This was due to the separation of the cement-related business at the time of the establishment of Mitsubishi UBE Cement. This was not the case in the current term.

This concludes my explanation of Q3 financial results.

Current Situation Analysis & Assessment, and Initiatives for Improvement



Lastly, I would like to explain page 15. As the moderator mentioned earlier, this is the information we included in the corporate governance report and submitted to the TSE on December 22, 2023. This is a simple one-page summary of that.

Regarding the P/B ratio for this fiscal year, it is between 0.6-fold and 0.7-fold. If we break down this P/B ratio into ROE and PER, ROE for this term's forecast profit is about 6%, and PER is about tenfold. In other words, the cost of shareholders' equity is about 10%.

The reason for the ROE being lower than the cost of shareholders' equity is that while steady profit growth was achieved in specialty businesses such as polyimide, separation membranes, and ceramics, earnings in basic businesses such as nylon polymers and caprolactam declined significantly due to soaring raw material and fuel prices and deteriorating supply and demand, resulting in a decline in the Company's overall profit level.

In response to these factors, we will improve P/B ratio by steadily implementing the management policies outlined in our medium-term management plan. Specifically, we will improve ROE by expanding our specialty business and restructuring our basic business to improve profitability and reduce the cost of shareholders' equity, or in other words, improve PER by shifting to a business portfolio that is less susceptible to market fluctuations and has lower GHG emissions.

Furthermore, in order to achieve sustainable growth over the medium to long term, in terms of human resources, we will focus on recruiting, training, and ensuring diversity, as well as promoting DX. We will work on the above with a sense of speed.

Question & Answer

[Specialty Products]

Q1: Regarding Specialty Products, please tell us about the trends in profit and loss from Q2 to Q3 for each major product. Also, what are your forecasts for Q4?

A1: Regarding polyimide, panel manufactures have been in an inventory adjustment phase since around fall of last year, so sales of our films have also been decreasing. This situation is expected to continue into Q4. Sales of varnish have also been affected by the sluggish demand for smartphones. On the other hand, sales of separation membranes and ceramics remained stable, and we expect them to continue growing in Q4.

[Polymers & Chemicals]

Q2: What are the factors behind the improvement in operating profit for Polymers & Chemicals from Q2 to Q3?

A2: Improvements in the Caprolactam and Nylon Polymer businesses are the main factors. For caprolactam, the supply-demand balance has improved slightly due to the completion of inventory drawdowns at customers and a decrease in inflows of Russian products. For nylon polymers, profitability improved due mainly to an improvement in the supply-demand balance in Europe resulting from a decrease in the inflow of Chinese products and the impact of falling natural gas prices.

Q3: At UBE Chemicals (Asia) (manufacturing and sales company in Thailand), net sales increased by more than 3 billion yen from Q2 to Q3. What is the reason?

A3: The main reason was an increase in sales volume of caprolactam.

Q4: I understand that the improvement in caprolactam and nylon from Q2 to Q3 was due to temporary factors such as trouble at another company's caprolactam plant. Is there any structural improvement in the supply and demand environment?

A4: We do not think there are any structural changes, and we assume that the difficult situation concerning caprolactam will continue.

Q5: What do you think about the structural reform of the lactam chain in Thailand or Spain? I would also like to know about the future timeline.

A5: We will continue to downsize the Ube area as planned. Structural reform of overseas operations is currently under consideration, and no decisions have been made at this time.

Q6: What are the factors behind the deterioration in profits in the Fine Chemicals business? Is there any hope for improvement?

A6: Market conditions for fine chemical products are deteriorating, but we believe that profits will improve if market conditions improve for downstream products such as semiconductors.

Q7: Have fine chemicals secured profits in FY2023?

A7: We have secured profits.

[Mitsubishi UBE Cement]

Q8: Regarding Mitsubishi UBE Cement Corporation, although operating profit and ordinary profit increased from Q2 to Q3, quarterly net income decreased. Why is this?

A8: The main reason was that in the third quarter, we recorded an extraordinary loss for the estimated increase in costs related to the dismantling of the Aomori Factory, which had been shut down at the end of the previous fiscal year.

[Response to Tokyo Stock Exchange's Request for "Action to Implement Management that is Conscious of Cost of Capital and Stock Price"]

Q9: If the cost of equity is above 10%, it means UBE's business risk is considered high by the market. What do you think are the factors behind this?

A9: We believe that the main factors are the high volatility of the basic businesses and the large GHG emissions. So, we will first focus on solving these two issues.