UBE Corporation

Financial Results Briefing for the Fiscal Year Ended March 2024

May 13, 2024

Event Summary

[Company Name]	UBE Corporation
[Company ID]	4208-QCODE
[Event Language]	JPN
[Event Type]	Earnings Announcement
[Event Name]	Financial Results Briefing for the Fiscal Year Ended March 2024
[Fiscal Period]	FY2023 Annual
[Date]	May 13, 2024
[Number of Pages]	28
[Time]	18:00 – 18:58 (Total: 58 minutes, Presentation: 34 minutes, Q&A: 24 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 attend UBE Corporation's earnings presentation.

Hirotaka Ishikawa, Director, Executive Officer and CFO, will now give a 30-minute presentation on the consolidated financial results for FY2023, followed by a Q&A session.

We have some notices to share with you before we begin the briefing. In the following discussion, we may make forward-looking statements based on our current expectations, all of which are subject to risk and uncertainty. Please note that actual results may differ from the forecast.

We would also like to inform you that Mitsubishi UBE Cement Corporation is planning to hold a briefing on May 31, 2024, at 4:00 PM to explain its financial results for fiscal 2023 and the progress of its mid-term management plan.

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

Ishikawa: My name is Ishikawa. I am a Director and the CFO. Thank you for taking time out of your busy schedule to attend today.

I will now explain the situation in line with the materials.

FY2023 Consolidated Results UBE /UBE Corporation

Scope of Consolidation

Item	End of FY2022 (A)	End of FY2023 (B)	Difference (B) - (A)	Notes
Number of consolidated subsidiaries	36	36	0	+ UBE C1 CHEMICALS AMERICA, INC. − UBE Scientific Analysis Laboratory, Inc.
Number of equity method affiliates	15	16	1	+ UBE Scientific Analysis Laboratory, Inc.
Total	51	52	1	

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First is a summary of consolidated financial results for FY2023. Please see page three.

This shows our consolidated companies. At the end of FY2023, there were 36 consolidated subsidiaries and 16 companies accounted for by the equity method, making a total of 52 companies.

Changes are noted in the notes. UBE C1 CHEMICALS AMERICA, which was announced in February this year to take charge of DMC and EMC manufacturing in North America, has been added to the consolidated subsidiaries.

In addition, UBE Scientific Analysis Laboratory was moved from a consolidated subsidiary to an equity-method affiliate since more than 50% of its shares were transferred.

FY2023 Consolidated Results

UBE / UBE Corporation

Environmental Factors

Item				FY2022 (A)	FY2023 (B)	Difference (B) - (A)
Exchange Rate			Yen/$	135.5	144.6	9.1
Material Price	Naphtha	CIF	$/ t	793	671	(122)
		Domestic	Yen/KL	76,400	69,000	(7,400)
	Benzene (ACP)		$/ t	1,038	939	(99)
	Australian Coal (CIF)		$/ t	393.8	194.8	(199.1)
			Yen/t	53,337	28,165	(25,172)

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Next, please go to page four, environmental factors.

The exchange rate of JPY144.6 for FY2023 represents depreciation of JPY9.1 compared to the previous fiscal year. Material prices for naphtha, benzene, and Australian coal are listed.

All material prices declined. In particular, the price of Australian coal was $194.8 per ton in FY2023, down around 50% from the previous fiscal year.

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Major P/L Items

(Billions of yen)

Item	FY2022 (A)	FY2023 (B)	Difference (B) - (A)	Percentage change
Net sales	494.7	468.2	(26.5)	(5.4)%
Operating profit	16.2	22.5	6.2	38.5%
Ordinary profit (loss)	(8.7)	36.3	45.1	–
Profit (loss) attributable to owners of parent	(7.0)	29.0	36.0	–

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

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Please go to page five. Here are the main items of the consolidated financial statement for FY2023.

Net sales totaled JPY468.2 billion, down JPY26.5 billion or 5.4%, from the previous fiscal year. Operating profit was JPY22.5 billion. Compared to the previous fiscal year, it increased by JPY6.2 billion or 38.5%. Ordinary profit was JPY36.3 billion, a JPY45.1 billion improvement from the previous fiscal year's deficit, which resulted in a surplus.

Profit attributable to owners of parent was JPY29 billion. Here also, the Company returned to the black from the previous fiscal year's deficit, an improvement of JPY36 billion.

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Net Sales and Operating Profit by Segment

(Billions of yen)

	Segment	FY2022 (A)	FY2023 (B)	Difference (B) - (A)	Percentage change
Net sales	Specialty Products	62.2	63.8	1.6	2.6%
	Polymers & Chemicals	293.4	257.2	(36.2)	(12.3)%
	Machinery	96.9	96.9	(0.0)	(0.0)%
	Others	73.1	80.5	7.4	10.1%
	Adjustment	(30.8)	(30.1)	0.8	-
	Total	494.7	468.2	(26.5)	(5.4)%
Operating profit	Specialty Products	10.2	12.1	1.9	18.2%
	Polymers & Chemicals	2.6	2.4	(0.2)	(6.4)%
	Machinery	5.2	7.2	1.9	36.9%
	Others	2.6	4.5	2.0	75.2%
	Adjustment	(4.5)	(3.8)	0.7	-
	Total	16.2	22.5	6.2	38.5%

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

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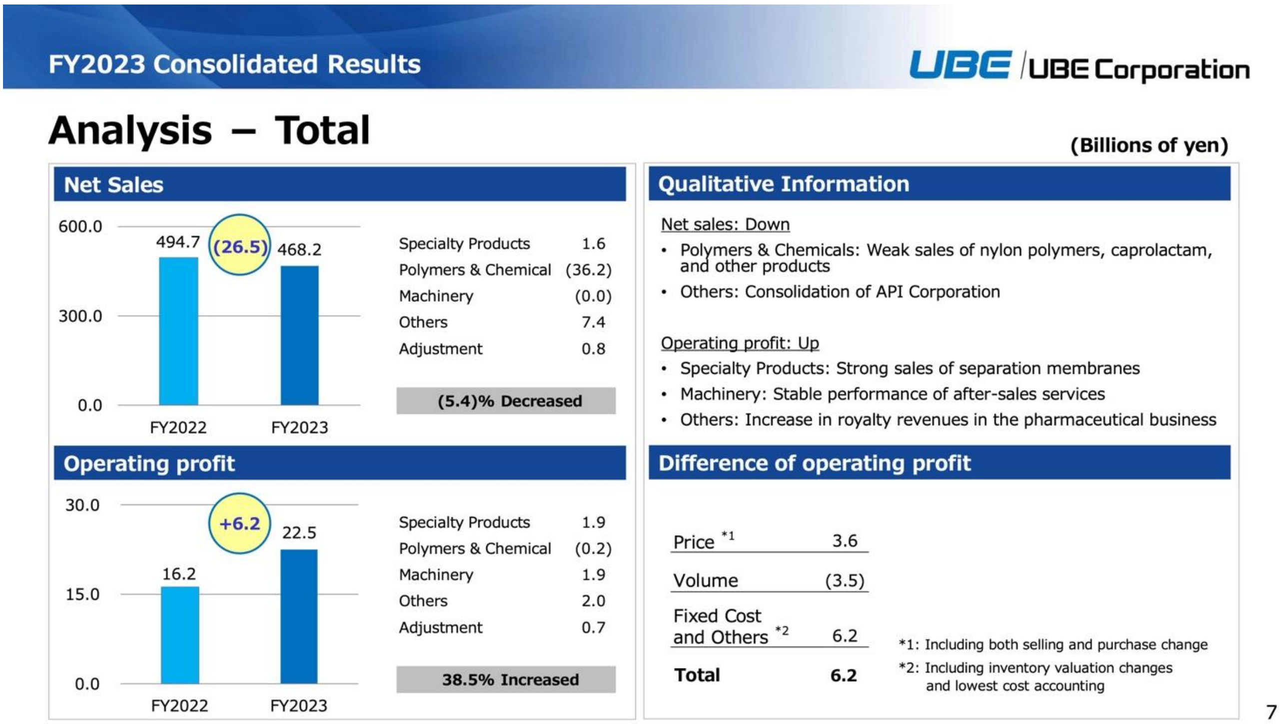
Page six shows an overview of our business segments.

First, let's look at net sales. Looking at the decline in net sales by segment, sales in the polymers and chemicals segment declined by JPY36.2 billion, while overall sales declined by JPY26.5 billion.

Operating profit was almost the same level as the previous fiscal year for polymers and chemicals segment, although specialty products, machinery, and others segments, recorded an increase in operating profit. Others segment includes pharmaceuticals business.

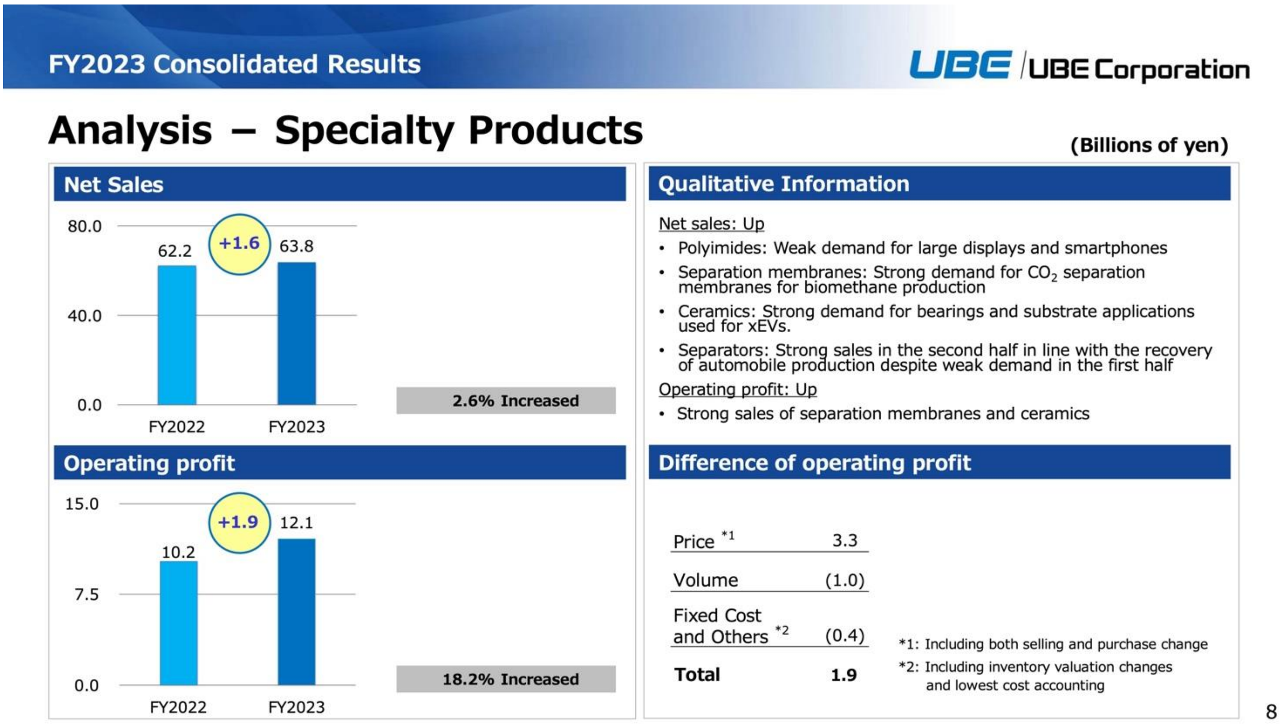


Please go to page seven.

Net sales decreased by JPY26.5 billion. As described in the qualitative information section, the main factors were weak sales of nylon polymers, caprolactam, and other products in the polymers and chemicals segment. In the others segment, API Corporation was made a consolidated subsidiary. This is a positive factor, but the negative factors for polymers and chemical products was significant. As a result, overall net sales recorded a decrease.

Operating profit increased by JPY6.2 billion. The main reason for the increase was strong sales of separation membranes in the specialty products segment. In the machinery segment, after-sales service for molding machines and industrial machinery was strong. In the others segment, royalty income from pharmaceuticals increased.

Also, if we look at the difference in operating profit in terms of price difference, volume difference, etc., the price difference was an increase of JPY3.6 billion, while the volume difference was a minus of JPY3.5 billion. Fixed costs and others were a positive JPY6.2 billion.



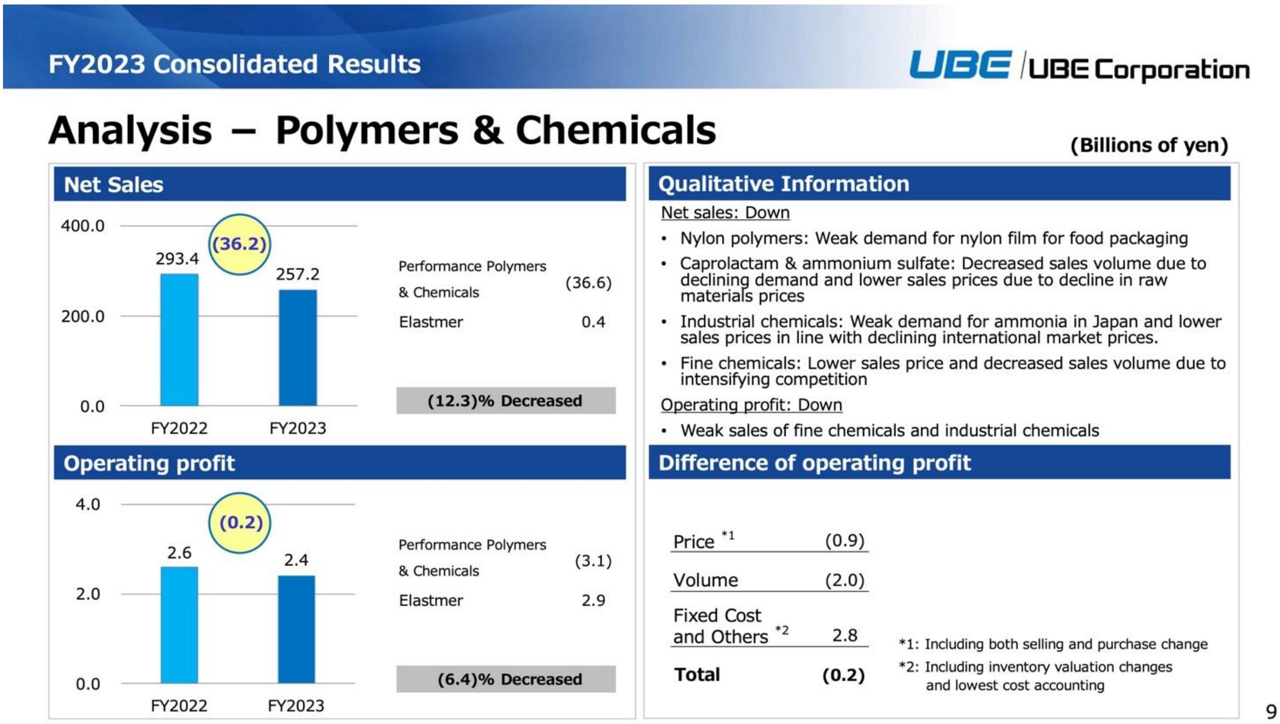
We will continue by looking at each segment. First is page eight, the specialty products segment.

In this segment, net sales increased by JPY1.6 billion. Although an increase in net sales was recorded, polyimide business was a negative factor because the demand for large displays and smartphones was sluggish.

On the other hand, demand for CO_2 separation membranes for biomethane production was strong. In ceramics, demand for bearings and substrate applications for electric vehicles remained strong. Demand for separators was sluggish in H1 but has been firm in H2 as automobile production recovers.

Operating profit increased by JPY1.9 billion. The increase was due to strong sales of separation membranes and ceramics.

Factors contributing to the difference in operating profit are listed in the lower right-hand corner. The price difference is a positive JPY3.3 billion. Polyimide and separation membranes are the main factors for this increase.



Continue to page nine for polymers and chemicals segment.

Here, net sales decreased by JPY36.2 billion. Looking at the sub-segments, performance polymers and chemicals was a negative JPY36.6 billion, while elastomers were a positive JPY0.4 billion.

Looking at qualitative information, demand for nylon polymers for food packaging film applications was generally sluggish. However, sales to India remained steady.

In the caprolactam and ammonium sulfate business, both sales volume and sales price were weak due to a decline in demand for nylon fiber, which is one of caprolactam's applications.

In industrial chemicals, domestic demand for ammonia was sluggish and ammonia prices declined in line with falling international market prices. In fine chemicals, market prices and sales volumes declined due to intensified competition.

Operating profit decreased by JPY0.2 billion. Looking at the sub-segments, performance polymers and chemicals posted a decrease of JPY3.1 billion, while elastomers reported an increase of JPY2.9 billion.

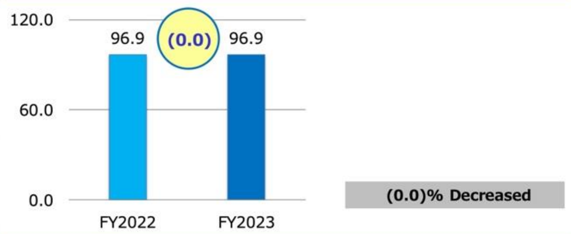
The main reason for the decline in profits was weak sales of industrial chemicals and fine chemicals.

Operating profit differences are shown in the lower right corner. The price difference was a negative JPY900 million mainly due to nylon polymers and industrial chemicals. The volume difference was minus JPY2 billion mainly due to industrial chemicals and fine chemicals.

Analysis – Machinery

(Billions of yen)

Net Sales



Qualitative Information

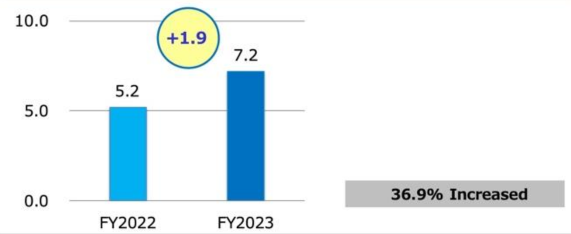
Net sales: Down

- Molding machine: Recovery in the second half and strong performance of after-sales services despite the impact of sluggish capital investment in the automobile industry in the first half
- Industrial machines: Strong sales of products and after-sales services
- Steel products: Decreased sales volume due to declining demand.

Operating profit: Up

- Strong sales of after-sales services in the molding machine and the industrial machines
- Lower prices of raw materials and fuel in steel products

Operating profit



Difference of operating profit

Marginal profit on machinery product: 2.7

(Since machinery products are manufactured on an individual order basis, differences in price and volume are not analyzed.)

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Continue to page 10 for the machinery segment.

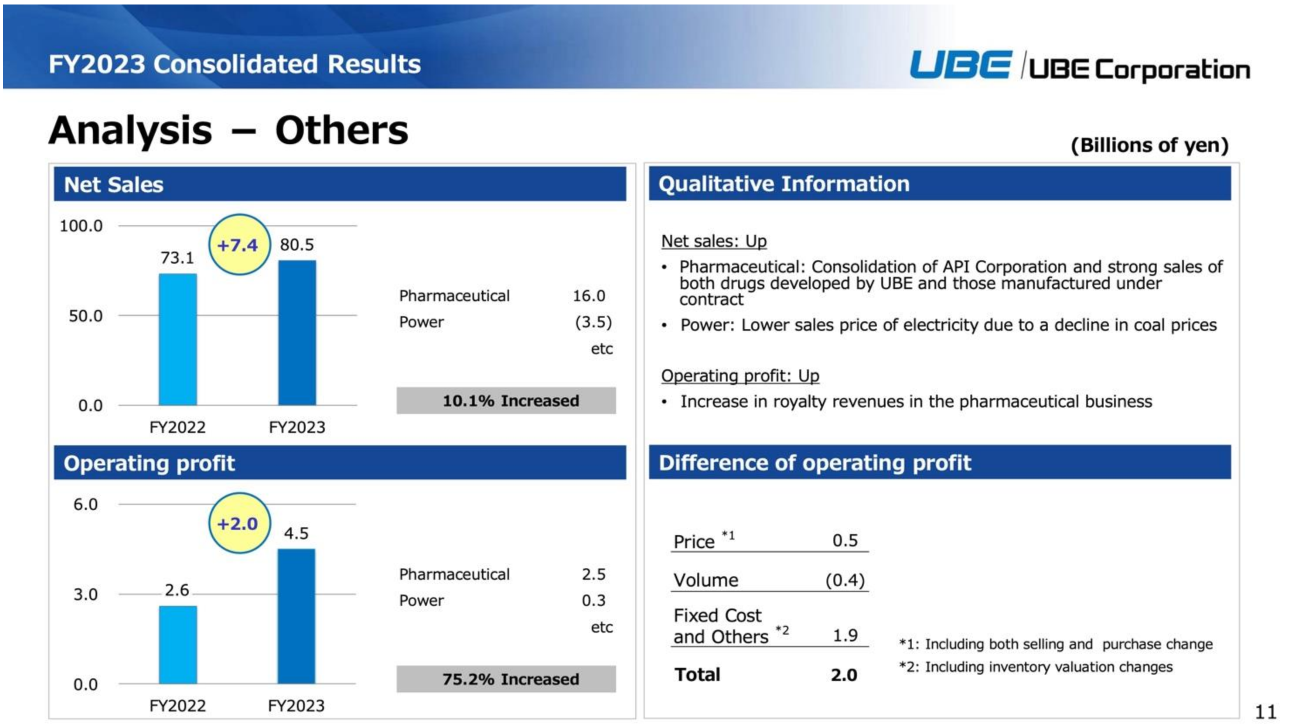
Net sales were almost unchanged from the previous fiscal year.

As for the main products, capital investment for the automobile industry was sluggish in H1 but recovered in H2 in molding machines. After-sales service remained steady.

Sales of industrial machinery products increased, and after-sales service remained strong. In steel products, sales volume declined due to a drop in demand both domestically and for exports.

Operating profit increased by JPY1.9 billion. This was mainly due to strong after-sales service for molding machines and industrial machines, as well as lower raw material and fuel prices in steel products.

As for the factors behind the difference in operating profit, we show here only a marginal profit of JPY2.7 billion in the machinery products.



Next is the others segment.

Net sales increased by JPY7.4 billion. Net sales increased by JPY16 billion in pharmaceuticals and decreased by JPY3.5 billion in electric power.

Qualitative information includes the acquisition of API Corporation as a consolidated subsidiary and strong sales of in-house and contract pharmaceutical products in the pharmaceuticals business. As for electricity, the price of electricity sold has fallen in line with the decline in the price of coal.

Operating profit increased by JPY2 billion. The increase is JPY2.5 billion in pharmaceuticals and JPY0.3 billion in electric power. The main reason for this is the increase in royalty income from the pharmaceutical business, as described in the qualitative information section.

As for operating profit deference factors, the price difference was a positive JPY0.5 billion. This is mainly due to pharmaceuticals. Fixed costs and others were a positive JPY1.9 billion. This includes royalty income from pharmaceuticals and a decrease in maintenance costs due to the absence of regular inspections of electric power in FY2023.

Operating Profit – Profit attributable to owners of parent

(Billions of yen)

Item	FY2022 (A)	FY2023 (B)	Difference (B) - (A)
Operating profit	16.2	22.5	6.2
Non-operating income (expenses)	(25.0)	13.9	38.8
Net interests expenses	0.7	2.9	2.3
Share of profit (loss) of entities accounted for using equtiy method	(23.1)	12.3	35.5
Share of loss of entities accounted for using equtiy method related to Mitsubishi UBE Cement Corporation	(24.6)	13.0	37.7
Foreign exchange gains	0.5	1.5	1.0
Others	(3.0)	(2.9)	0.1
Ordinary profit (loss)	(8.7)	36.3	45.1
Extraordinary income (losses)	6.1	(1.3)	(7.4)
Profit (loss) before income taxes	(2.7)	35.1	37.7
Income taxes and profit (loss) attributable to non-controlling interests	(4.4)	(6.1)	(1.7)
Profit (loss) attributable to owners of parent	(7.0)	29.0	36.0
Net income per share	(72.54) yen	298.59 yen	371.13 yen

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

Continue to page 12 for operating profit and below.

Among non-operating income and expenses, net interest expenses were positive JPY2.9 billion in FY2023, a positive factor that increased JPY2.3 billion compared to the previous fiscal year. However, there was a significant amount of one-time dividend income here in FY2023, and this is the largest factor for the increase.

Share of profit of entities accounted for using equity-method was JPY12.3 billion, an increase of JPY35.5 billion from the previous fiscal year. Of this amount, share of profit of entities accounted for using equity-method related to Mitsubishi UBE Cement amounted to JPY13 billion in FY2023, an improvement of JPY37.7 billion from the previous fiscal year.

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Mitsubishi UBE Cement

(Billions of yen)

■ Major P/L Items
Mitsubishi UBE Cement Corporation and Consolidated Subsidiaries

Item		FY2022	FY2023	FY2024 (forecast)
Net sales		576.3	585.3	605.0
	Overseas business	140.1	178.1	195.0
Operating profit (loss)		(28.4)	45.7	43.0
	Overseas business	8.0	30.7	28.0
Ordinary profit (loss)		(25.8)	47.7	42.0
Profit (loss) attributable to owners of parent		(47.3)	24.6	21.0

■ 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	(24.6)	13.0	11.0

■ Environmental Factors

Item		FY2022	FY2023	FY2024 (forecast)
Total demand for cement in Japan	(million tons)	37.24	34.58	35.00
Cement sales volumes in Japan	(million tons)	9.09	8.20	8.50
Cement sales volumes in the U.S.	(million tons)	1.63	1.73	1.79
Ready-mixed concrete sales volumes in the U.S.	(million cy)	6.74	6.74	7.04
Coal Price	($/t)	356	142	180
Exchange Rate	(Yen/$)	135	144	145

* The above thermal coal prices are reference indices and differ from actual procurement prices.

(Reference) Consolidated Balance Sheet as of March 31, 2024

Total assets	812.9	Interest-bearing debt	180.7	Shareholder's equity	364.9
Shareholder's equity ratio	44.9%	D/E ratio	0.49 Times		

- Businesses in Japan:
  In FY2023, the company achieved profitability through efforts such as a 5,000-yen price increase in the cement business and increased use of low-cost thermal energy.
  In FY2024, the company anticipates some factors that will reduce profits during the fiscal year, including higher costs due to higher distribution and material prices in the cement business and a decrease in electricity sales in the environmental energy business. However, overall operating profit from Japanese business is expected to remain at the fiscal 2023 level due to the contribution of cement price increases throughout the year and further expansion of the use of low-cost thermal energy.
- Businesses outside Japan:
  In FY2023, operating profit significantly increased year on year, mainly due to the smooth implementation of price increases in the U.S. ready-mixed concrete business.
  In FY2024, despite higher material prices and labor costs, the U.S. cement and ready-mixed concrete business expects operating profit at the same level as the previous year due to higher sales resulting from a recovery in demand in the Southern California region and further price increases. On the other hand, the profit of the Australian coal business is expected to decrease. As a result, overall operating profit from overseas business is expected to decline from FY2023.

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For an overview of Mitsubishi UBE Cement, please see page 33.

The consolidated statement of income is shown in the upper left corner. For FY2023, net sales totaled JPY585.3 billion, an increase of JPY9 billion from the previous fiscal year.

Operating profit was JPY45.7 billion, an increase of JPY74.1 billion from the previous fiscal year.

The main reasons for this are mentioned in the bottom section. In our domestic business, we launched a JPY5,000 price increase in the cement business, which has been generally completed. In addition, we expanded the use of inexpensive thermal energy, and these factors enabled us to return to profitability in our domestic operations.

In addition, in overseas operations, North American business recorded a significant increase in profits due to the implementation of price increases mainly in the ready-mixed concrete business in North America.

As a result of the above, the cement-related business has turned around from a loss in the previous fiscal year to a large profit this fiscal year. As a result, the profit we received in earnings of equity-method affiliates was JPY13 billion, an improvement of JPY37.6 billion from negative JPY24.6 billion in the previous fiscal year.

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Operating Profit – Profit attributable to owners of parent

(Billions of yen)

Item	FY2022 (A)	FY2023 (B)	Difference (B) - (A)
Operating profit	16.2	22.5	6.2
Non-operating income (expenses)	(25.0)	13.9	38.8
Net interests expenses	0.7	2.9	2.3
Share of profit (loss) of entities accounted for using equtiy method	(23.1)	12.3	35.5
Share of loss of entities accounted for using equtiy method related to Mitsubishi UBE Cement Corporation	(24.6)	13.0	37.7
Foreign exchange gains	0.5	1.5	1.0
Others	(3.0)	(2.9)	0.1
Ordinary profit (loss)	(8.7)	36.3	45.1
Extraordinary income (losses)	6.1	(1.3)	(7.4)
Profit (loss) before income taxes	(2.7)	35.1	37.7
Income taxes and profit (loss) attributable to non-controlling interests	(4.4)	(6.1)	(1.7)
Profit (loss) attributable to owners of parent	(7.0)	29.0	36.0
Net income per share	(72.54) yen	298.59 yen	371.13 yen

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

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Please return to page 12. Due to the factors mentioned, ordinary profit was JPY36.3 billion, an improvement of JPY45.1 billion from a loss of JPY8.7 billion in the previous fiscal year.

Continuing on, we have an extraordinary loss of JPY1.3 billion. In the previous fiscal year, we recorded an extraordinary income of JPY6.1 billion, but this includes the gain on change in equity resulting from the integration of cement-related businesses.

Profit attributable to owners of the parent c was JPY29 billion. That is improvement of JPY36 billion.

Consolidated Balance Sheet

(Billions of yen)

Item	End of FY2022 (A)	End of FY2023 (B)	Difference (B) - (A)
Current assets	283.1	295.7	12.6
Fixed assets	449.4	493.2	43.8
Total assets	732.7	789.0	56.4
Interest-bearing debt	218.1	213.4	(4.7)
Other liabilities	132.9	146.2	13.3
Total liabilities	351.1	359.7	8.6
Shareholders' equity *1	361.6	408.7	47.1
Non-controlling interests and others	20.0	20.7	0.6
Total net assets	381.6	429.4	47.7
Total liabilities and net assets	732.7	789.0	56.4

*1: 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. The finalized accounting treatment is being applied in each reported figure for FY2022.

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Continue to page 13 for the balance sheet.

Assets increased JPY56.4 billion to JPY789 billion. The increase in investment securities due to the inclusion of profits from Mitsubishi UBE Cement accounted for half of this increase. The construction in progress has also increased due to progress in construction related to BPDA, or a raw material of polyimide, and polyimide film.

On the liabilities and net assets side, the increase is mainly due to the increase in shareholders' equity. The balance is JPY408.7 billion, and this represents an increase of JPY47.1 billion from the end of the previous fiscal year.

We have paid JPY9.6 billion in dividends. We have a positive net profit of JPY29 billion for FY2023. We also recorded foreign currency translation adjustments due to the weak yen, and an increase in valuation difference on available-for-sale securities resulted from an increase in the stock price. As a result, shareholders' equity recorded an increase.

Considering the above upward swing in profits and such an increase in shareholders' equity, the annual dividend forecast has been increased from JPY100 to JPY105.

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Consolidated Statements of Cash Flows

(Billions of yen)

Item	FY2022	FY2023	
A.Cash flows from operating activities	18.1	53.0	Profit before income taxes 35.1 Depreciation and amortization 26.6 Increase in working capital (9.2) etc.
B.Cash flows from investing activities	(26.0)	(33.3)	Acquisition of PP&E and intangible asset (31.0) Increase in short-term loans receivable (2.7) etc.
Free cash flows (A+B)	(7.9)	19.6	
C.Cash flows from financing activities	2.4	(15.7)	Decrease in interest-bearing debts (6.1) Dividends paid (9.6) etc.
D.Net increase (decrease) in cash and cash equivalents	(48.1)	5.2	
E.Cash and cash equivalents at end of the fiscal year	30.7	35.9	

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Continue on to our cash flow statement.

Operating cash flow was positive JPY53 billion. It improved by JPY34.9 billion compared to the previous fiscal year. Investment cash flow had a JPY33.3 billion cash outflow. This is an increase of JPY7.3 billion in the cash outflow. As a result, free cash flow was JPY19.6 billion, a JPY27.5 billion improvement compared to the previous fiscal year.

The Company keeps cash and cash equivalents at the level of approximately JPY30 billion. We manage our financial cash flow in order to keep this level.

In addition, in section D, the change in cash and cash equivalents for FY2022 was a large negative JPY48.1 billion. The majority of this decrease was due to a decrease in cash and other assets resulting from the separation of cement-related businesses.

That concludes the summary of the financial results for FY2023.

Scope of Consolidation

Item	End of FY2023 (A)	End of FY2024 (B)	Difference (B) - (A)	Notes
Number of consolidated subsidiaries	36	34	(2)	– API Corporation – UBE EXSYMO ADVANCED MATERIALS (WUXI) CO., LTD.
Number of equity method affiliates	16	15	(1)	– UBE Hotels., Co., Ltd.
Total	52	49	(3)	

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I would like to continue by explaining the consolidated earnings forecast for FY2024. Please see page 16, which shows our consolidated companies.

There are 34 consolidated subsidiaries and 15 equity-method affiliates, for a total of 49 companies. The consolidated subsidiary API Corporation, a contract manufacturer of pharmaceuticals, will have been subtracted. This is due to its incorporation into the Company. Another company mentioned here is the Chinese subsidiary of Ube Exsymo. This will be liquidated this fiscal year, resulting in a decrease. These two companies account for the decrease in consolidated subsidiaries.

Then we have equity-method affiliates, which will be reduced by one company. This is due to the liquidation of UBE Hotels.

Environmental Factors

Item				FY2023 (A)	FY2024 (B)	Difference (B) - (A)
Exchange Rate			Yen/$	144.6	150.0	5.4
Material Price	Naphtha	CIF	$/ t	671	700	29
		Domestic	Yen/KL	69,000	70,100	1,100
	Benzene (ACP)		$/ t	939	905	(34)
	Australian Coal (CIF)		$/ t	194.8	168.0	(26.8)
			Yen/t	28,165	25,200	(2,965)

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Continue to page 17 for environmental factors.

We assume an exchange rate of JPY150 to the dollar or yen depreciation of JPY5.4 as an environmental factor.

Next is material prices. Naphtha and benzene are assumed to be roughly at the same level as the previous fiscal year. We expect Australian coal to decline slightly from the previous fiscal year.

Major P/L & B/S Items

(Billions of yen)

Item	FY2023 (A)	FY2024 (B)	Difference (B) - (A)	Percentage change
Net sales	468.2	510.0	41.8	8.9%
Operating profit	22.5	27.0	4.5	20.2%
Ordinary profit	36.3	37.0	0.7	1.8%
Profit attributable to owners of parent	29.0	29.5	0.5	1.8%

Item	End of FY2023 (A)	End of FY2024 (B)	Difference (B) - (A)
Total assets	789.0	850.0	61.0
Interest-bearing debt	213.4	269.0	55.6
Equity capital *1	408.7	424.0	15.3
Dividend(Yen /Share)	*2 105.00	*3 110.00	5.00

*1: Equity capital = Net assets - Subscription rights to shares - Non-controlling interests
*2: Dividend: Interim/50yen, Fiscal year-end/55yen
*3: Dividend: Interim/55yen, Fiscal year-end/55yen

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Page 18 shows key items in the consolidated earnings forecast for FY2024.

Net sales are at JPY510 billion, an increase of JPY41.8 billion compared with the previous fiscal year. Operating profit is forecast at JPY27 billion, an increase of JPY4.5 billion. Ordinary profit is JPY37 billion, an increase of JPY0.7 billion. Profit attributable to owners of parent is projected to be JPY29.5 billion, an increase of JPY0.5 billion.

Balance sheet items are listed below that. Total assets will be JPY850 billion, an increase of JPY61 billion. Interest-bearing debt will increase by JPY55.6 billion to JPY269 billion. These increases are due to an increase in fixed assets resulted from capital investment and an increase in interest-bearing debt to finance this investment.

Equity capital is expected to increase by JPY15.3 billion to JPY424 billion. This is due to an increase in profits.

In our current mid-term plan, we have set a DOE of 2.5% or higher as our shareholder return policy. Based on this policy and taking into account the increase in equity capital, the annual dividend will be JPY110, an increase of JPY5 compared with the previous fiscal year.

We will continue to invest aggressively in growth to increase profits and shareholders' equity, with the aim of enhancing shareholder returns in the future.

FY2024 Consolidated Forecasts

UBE /UBE Corporation

Net Sales and Operating profit by Segment

(Billions of yen)

	Segment	FY2023 (A)	FY2024 (B)	Difference (B) - (A)	Percentage change
Net sales	Specialty Products	63.8	70.0	6.3	9.8%
	Polymers & Chemicals	258.6	288.0	29.4	11.4%
	Machinery	96.9	104.0	7.1	7.3%
	Others	74.5	72.0	(2.5)	(3.3)%
	Adjustment	(25.4)	(24.0)	1.4	–
	Total	468.2	510.0	41.8	8.9%
Operating profit	Specialty Products	12.1	12.5	0.4	3.2%
	Polymers & Chemicals	2.5	9.5	7.0	273.9%
	Machinery	7.2	7.0	(0.2)	(2.3)%
	Others	4.5	2.0	(2.5)	(55.2)%
	Adjustment	(3.8)	(4.0)	(0.2)	–
	Total	22.5	27.0	4.5	20.2%

Note: UBE America Inc. and UBE CORPORATION AMERICA INC. will be reclassified from the "Others" segment to the "Polymers & Chemicals" segment from FY2024. The results for FY2023 are reference figures after the segment reclassification.

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Continue to page 19 for sales and operating profit by segment.

We expect net sales to increase in all specialty products, polymers and chemicals, and machinery. We expect operating profit for specialty products and for polymers and chemicals to increase, while operating profit for machinery is expected to decrease slightly but remain almost on the same level as the previous fiscal year.

FY2024 Consolidated Forecasts

UBE /UBE Corporation

Analysis – Total

(Billions of yen)

Net Sales

Specialty Products	6.3
Polymers & Chemicals	29.4
Machinery	7.1
Others	(2.5)
Adjustment	1.4

8.9% Increased

Operating profit

Specialty Products	0.4
Polymers & Chemicals	7.0
Machinery	(0.2)
Others	(2.5)
Adjustment	(0.2)

20.2% Increased

Qualitative Information

Net sales: Up

- Specialty Products: Increase in sales of separation membranes, separators and other products
- Polymers & Chemicals: Increase in sales of nylon polymers, composites and other products
- Machinery: Increase in sales of molding machines

Operating profit: Up

- Polymers & Chemicals: Increase in sales of the products.

Difference of operating profit

Price *1	3.4
Volume	9.3
Fixed Cost and Others *2	(8.1)
Total	**4.5**

*1: Including both selling and purchase change

*2: Including inventory valuation changes and lowest cost accounting

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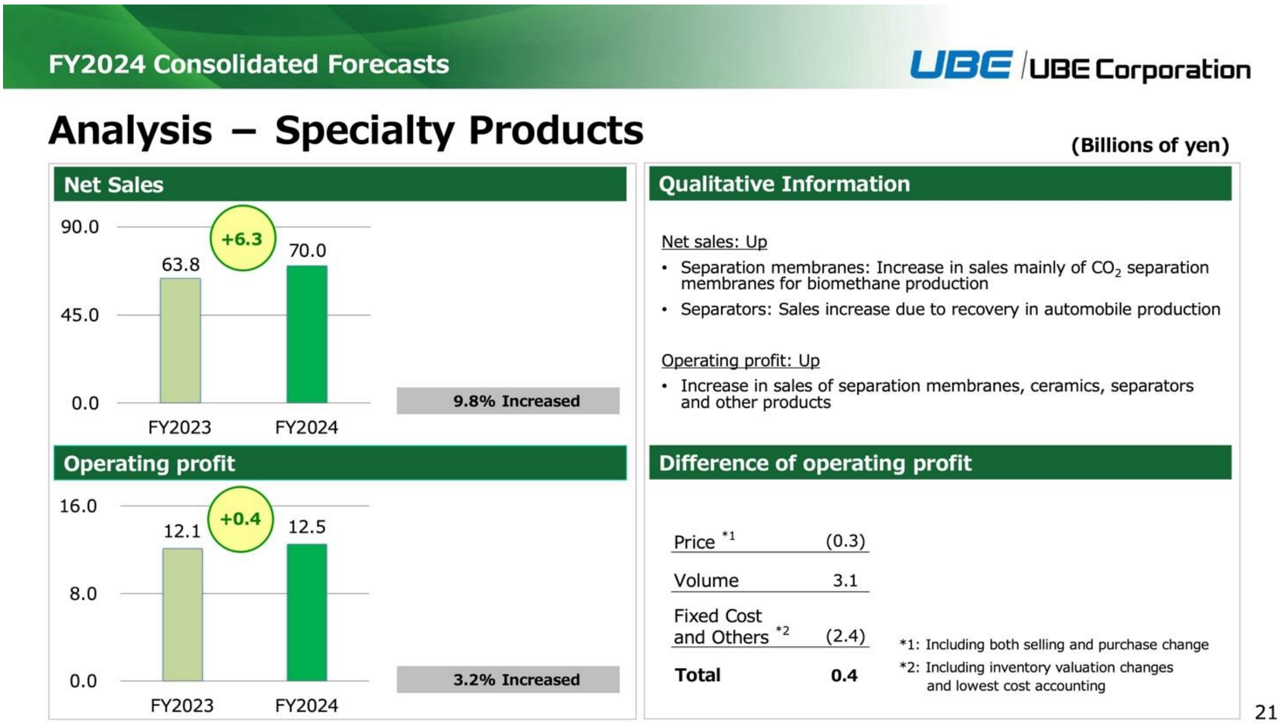
Continue to page 20 for the deference analysis for the entire company.

Net sales will increase by JPY41.8 billion. The main reasons for the increase in net sales are described in the qualitative information section. Sales of specialty products, such as separation membranes and separators, will increase. In polymers and chemicals, sales of nylon polymers and composites will increase. In the machinery segment, sales of molding machines will increase.

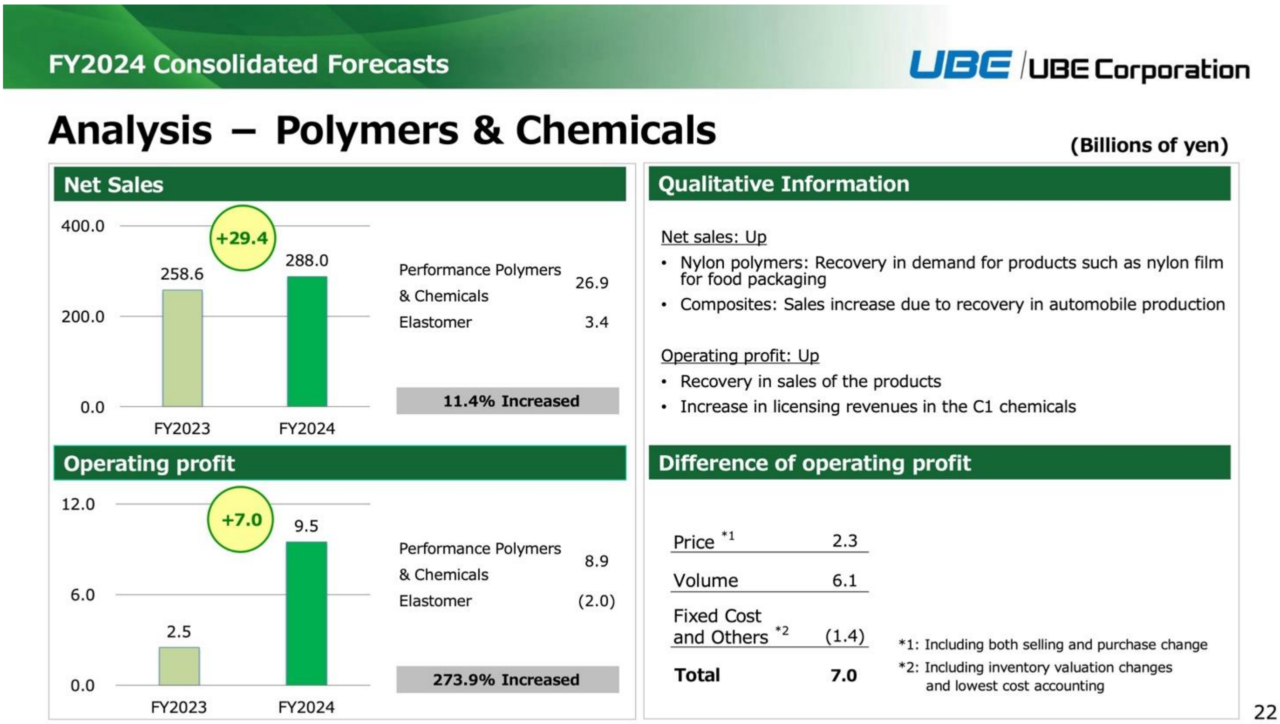
Operating profit will increase by JPY4.5 billion. The main reason for the increase is an overall increase in sales of products in the polymers and chemicals.



In the following pages, we will look at the segments in a little more detail.

For specialty products, net sales will increase by JPY6.3 billion. The main reasons for this are described in the qualitative information section. Sales of separation membranes will increase, especially CO_2 separation membranes for biomethane production, and sales of separators will increase with the recovery of automobile production.

Operating profit will increase by JPY400 million. As mentioned in the qualitative information section, this is due to an increase in sales of separation membranes, ceramics, and separators.

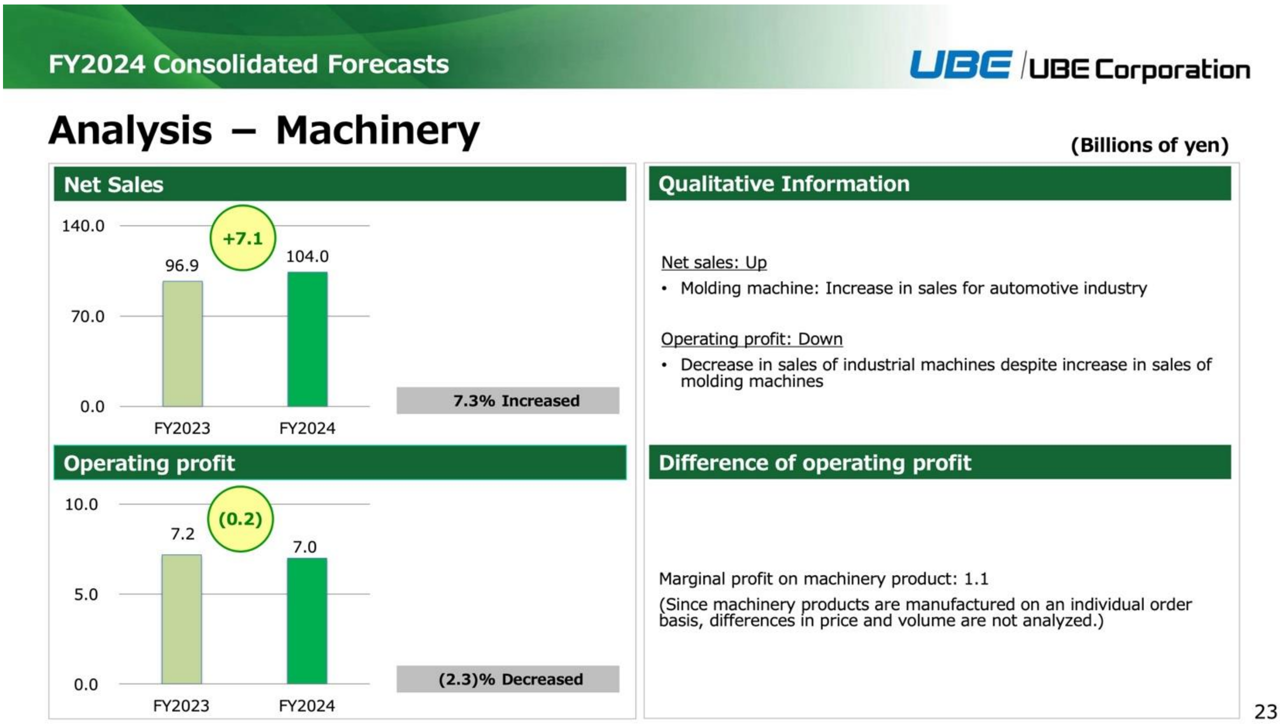


Continue to page 22 for polymers and chemicals. Here, net sales will rise JPY29.4 billion.

Looking at the sub-segments, net sales will increase by JPY26.9 billion in performance polymers and chemicals and by JPY3.4 billion in elastomer. The main reasons for this are that in nylon polymers, demand for food packaging films and other products will recover, and sales of composites will also increase due to the recovery of automobile production.

Operating profit will increase by JPY7 billion. Looking at the sub-segments, performance polymers and chemicals will see an increase of JPY8.9 billion, while elastomer will see a decrease of JPY2 billion.

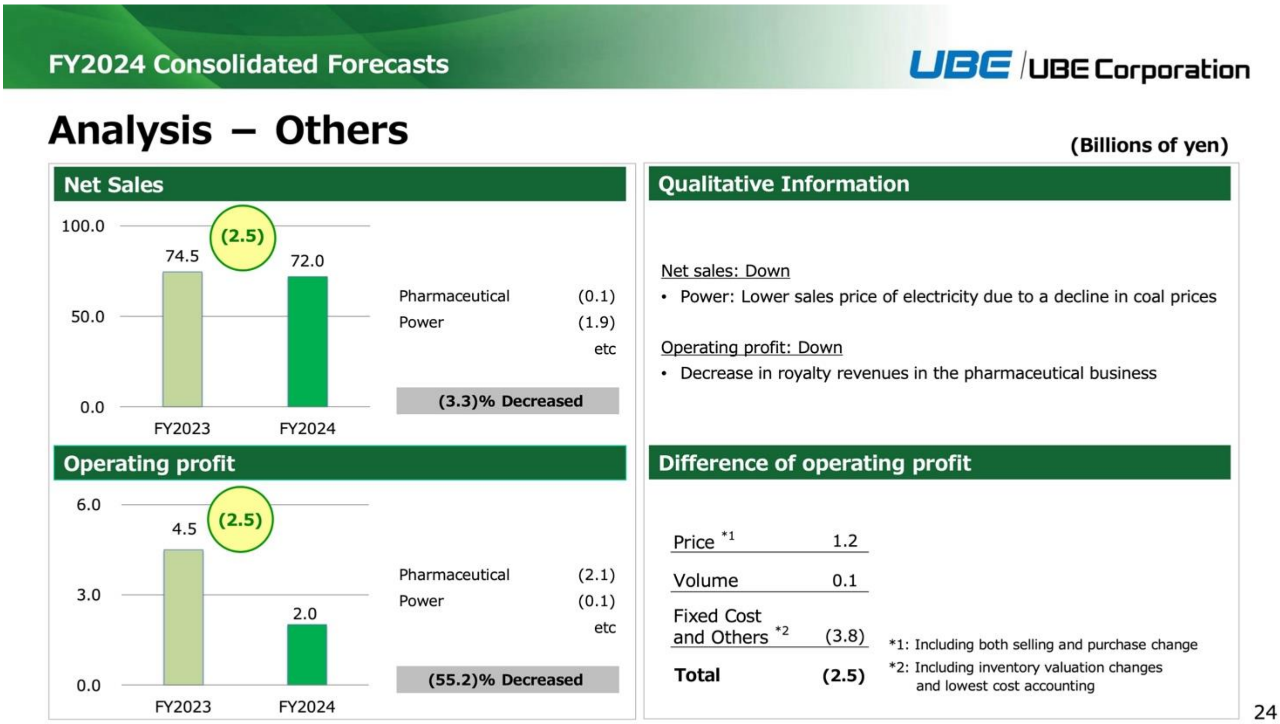
The main reason for this is, again, the overall increase in sales in performance polymers and chemicals, as well as an increase in licensing income from C1 Chemicals.



Next is the machinery segment.

Here, net sales will increase by JPY7.1 billion. The main factor is an increase in sales of molding machines to the automotive industry.

Operating profit will decrease by JPY200 million. Sales of molding machines will increase, but sales of industrial machines will decrease.



Page 24 shows the others segment.

Net sales will decrease by JPY2.5 billion. Pharmaceuticals sales will decrease by JPY0.1 billion, and electric power sales will decrease by JPY1.9 billion. This is mainly due to a decline in the price of electricity sold as a result of the fall in coal prices.

Operating profit will be down JPY2.5 billion. Pharmaceuticals and electric power will see a decrease of JPY2.1 billion and JPY0.1 billion, respectively. This is mainly due to a decrease in royalty income in pharmaceuticals.

FY2024 Consolidated Forecasts

UBE / UBE Corporation

Operating Profit – Profit attributable to owners of parent

(Billions of yen)

Item	FY2023 (A)	FY2024 (B)	Difference (B) - (A)
Operating profit	22.5	27.0	4.5
Non-operating income (expenses)	13.9	10.0	(3.9)
Share of profit (loss) of entities accounted for using equtiy method related to Mitsubishi UBE Cement Corporation	13.0	11.0	(2.0)
Ordinaly profit	36.3	37.0	0.7
Extraordinary income (losses)	(1.3)	1.0	2.3
Profit before income taxes	35.1	38.0	2.9
Income taxes and profit (loss) attributable to non-controlling interests	(6.1)	(8.5)	(2.4)
Profit attributable to owners of parent	29.0	29.5	0.5
Net income per share	298.59 yen	303.89 yen	5.30 yen

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The following is about the items below the operating profit.

Non-operating income of JPY10 billion is expected in FY2024. Compared to the previous fiscal year, this is a factor that will reduce profit by JPY3.9 billion. Amid that, share of profit of equities accounted for using equity method related to Mitsubishi UBE Cement will account for JPY11 billion, for a JPY2 billion decrease from the previous fiscal year. Regarding this, please see page 33.

Reference: FY2023 Consolidated Results

UBE Corporation

Mitsubishi UBE Cement

(Billions of yen)

■ Major P/L Items
Mitsubishi UBE Cement Corporation and Consolidated Subsidiaries

Item		FY2022	FY2023	FY2024 (forecast)
Net sales		576.3	585.3	605.0
	Overseas business	140.1	178.1	195.0
Operating profit (loss)		(28.4)	45.7	43.0
	Overseas business	8.0	30.7	28.0
Ordinary profit (loss)		(25.8)	47.7	42.0
Profit (loss) attributable to owners of parent		(47.3)	24.6	21.0

■ 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	(24.6)	13.0	11.0

■ Environmental Factors

Item		FY2022	FY2023	FY2024 (forecast)
Total demand for cement in Japan	(million tons)	37.24	34.58	35.00
Cement sales volumes in Japan	(million tons)	9.09	8.20	8.50
Cement sales volumes in the U.S.	(million tons)	1.63	1.73	1.79
Ready-mixed concrete sales volumes in the U.S.	(million cy)	6.74	6.74	7.04
Coal Price	($/t)	356	142	180
Exchange Rate	(Yen/$)	135	144	145

* The above thermal coal prices are reference indices and differ from actual procurement prices.

(Reference) Consolidated Balance Sheet as of March 31, 2024

Total assets	812.9	Interest-bearing debt	180.7	Shareholder's equity	364.9
Shareholder's equity ratio	44.9%	D/E ratio	0.49 Times		

- Businesses in Japan:
  In FY2023, the company achieved profitability through efforts such as a 5,000-yen price increase in the cement business and increased use of low-cost thermal energy.
  In FY2024, the company anticipates some factors that will reduce profits during the fiscal year, including higher costs due to higher distribution and material prices in the cement business and a decrease in electricity sales in the environmental energy business. However, overall operating profit from Japanese business is expected to remain at the fiscal 2023 level due to the contribution of cement price increases throughout the year and further expansion of the use of low-cost thermal energy.
- Businesses outside Japan:
  In FY2023, operating profit significantly increased year on year, mainly due to the smooth implementation of price increases in the U.S. ready-mixed concrete business.
  In FY2024, despite higher material prices and labor costs, the U.S. cement and ready-mixed concrete business expects operating profit at the same level as the previous year due to higher sales resulting from a recovery in demand in the Southern California region and further price increases. On the other hand, the profit of the Australian coal business is expected to decrease. As a result, overall operating profit from overseas business is expected to decline from FY2023.

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In forecasts for FY2024, Mitsubishi UBE Cement forecasts net sales of JPY605 billion and operating profit of JPY43 billion. Operating profit is expected to decrease by JPY2.7 billion compared to FY2023.

The factors behind this are shown in the section at the bottom. There are positive and negative factors both in Japan and overseas. The cement business is expected to remain generally unchanged from the previous fiscal year.

However, as mentioned in the last line of the businesses outside Japan, we expect a decrease in profit from the Australian coal business. This is the main reason for the projected decrease in operating profit. As a result of this factor, the amount we will take in under equity in earnings of affiliates will be JPY11 billion, down JPY2 billion compared to the previous fiscal year.

Operating Profit – Profit attributable to owners of parent

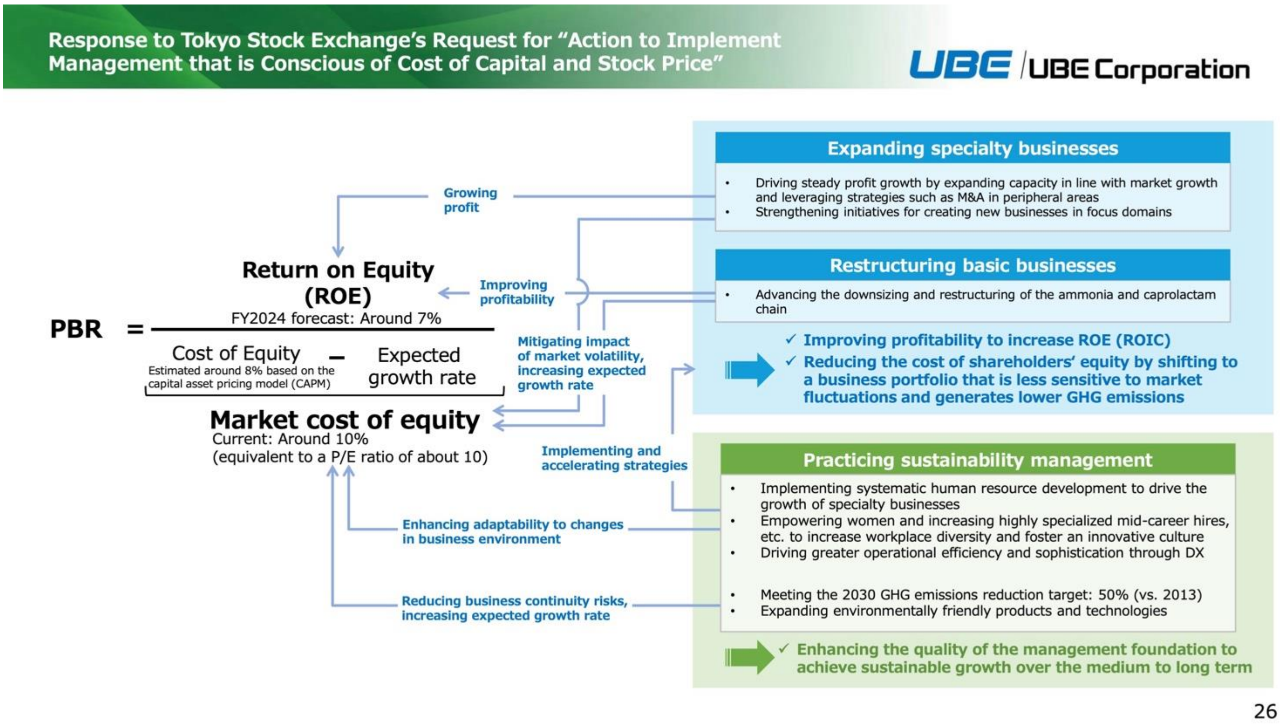
(Billions of yen)

Item	FY2023 (A)	FY2024 (B)	Difference (B) - (A)
Operating profit	22.5	27.0	4.5
Non-operating income (expenses)	13.9	10.0	(3.9)
Share of profit (loss) of entities accounted for using equtiy method related to Mitsubishi UBE Cement Corporation	13.0	11.0	(2.0)
Ordinaly profit	36.3	37.0	0.7
Extraordinary income (losses)	(1.3)	1.0	2.3
Profit before income taxes	35.1	38.0	2.9
Income taxes and profit (loss) attributable to non-controlling interests	(6.1)	(8.5)	(2.4)
Profit attributable to owners of parent	29.0	29.5	0.5
Net income per share	298.59 yen	303.89 yen	5.30 yen

25

If you go back to page 25, share of profit of entities for using equity method related to Mitsubishi UBE Cement is minus JPY2 billion, as just explained. The remaining JPY1.9 billion among the JPY3.9 billion decrease in non-operating income is due to the elimination of one-time dividends that were received in FY2023.

As a result of the above factors, ordinary profit is expected to be JPY37 billion, an increase, albeit slight, of JPY0.7 billion compared to FY2023. Net profit attributable to owners of parent is expected to be JPY29.5 billion, an increase of JPY0.5 billion from the previous fiscal year.



The last page, page 26, describes our actions to implement management that is conscious of the cost of capital and the stock price.

I will not explain the details, but assuming that ROE is the numerator of PBR and cost of shareholders' equity is the denominator, we will expand our specialty business and restructure our basic business in order to improve ROE in the numerator.

In addition, in order to lower the denominator, cost of shareholder equity, the Company will work to lower earnings volatility by restructuring its basic business.

Furthermore, in order to improve the expected growth rate, we will, for example, promote women's empowerment, diversity, and DX.

In addition, by addressing global environmental issues, we hope to remove the discount factor that we believe is included in the cost of shareholder equity.

This ends my explanation, which was a bit long.

Question & Answer

[Specialty Products]

Q1: What are the factors causing “Fixed cost and others” to be negative in the variance analysis of the operating profit forecast for FY2024?

A1: There are various factors, including an increase in depreciation costs associated with the operation of facilities for BPDA, a raw material for polyimide, and film facilities, as well as an increase in related labor costs.

Q2: What is the outlook for the Polyimide business in FY2024?

A2: COF was affected by inventory adjustments from 3Q FY2023. We expect a recovery from 1Q FY2024, but not a strong recovery.
Varnishes were affected by the sluggish demand for smartphones, as well as the increasing adoption of China-made varnishes in China, mainly for low-end smartphones from 3Q FY2023 onward. Although some new smartphone models will be launched in FY2024, we do not expect a strong recovery.

[Polymers & Chemicals]

Q3: What are the reasons for operating profit for FY2023 being higher than the Company’s forecast?

A3: The improvement in nylon polymers is a major factor. In Thailand, demand from India is strong, and raw material prices are falling. Demand in Europe is recovering.

Q4: Please tell us about the trends in royalty revenues for C1 chemicals in FY2023 and FY2024.

A4: The amount of royalty revenues was small in FY2023, but we expect a certain amount in FY2024.

Q5: What is your outlook for the business environment in FY2024, excluding special factors such as periodic repairs and royalty revenues?

A5: Business performance showed some recovery in the second half of FY2023, which we expect will continue in FY2024. Although operating profit in the first half will remain at 1 billion yen due to the impact of the periodic repairs and other factors, we expect improvement in the business environment to become apparent in the second half of the year.

Q6: What is the impact on profit of the reduction of caprolactam production in Japan in FY2024?

A6: For caprolactams in Japan, one of the two manufacturing lines will be shut down. But it is just a shutdown and the equipment will not be scrapped. Therefore, we do not expect any particular one-time impact on profit.

[Machinery]

Q7: A decrease in operating profit in the Machinery segment is forecast for FY2024. What is the reason for this?

A7: The biggest factor is the decline in profits in industrial machines. As strong demand for biomass power generation facilities has been slowing down, sales of products are expected to decline. In addition, we also expect an increase in fixed costs.

[Mitsubishi UBE Cement Corporation]

Q8: Profits are forecast to decline in FY2024. Please explain the factors behind that.

A8: We expect that domestic demand for cement will continue to stay at a low level in FY2024 and that logistics costs and material prices will rise. On the other hand, operating profit in FY2024 is expected to be at the same level as in FY2023, as the effects of the price increases implemented in FY2023 will have an impact throughout the year.

The cement and ready-mix concrete business in North America is also expected to be about the same level as in FY2023 despite the expected soaring material prices and labor costs, as higher demand in Southern California, associated with an increase in sales volume and price rises, will offset the cost increases.

In conclusion, the decrease in profits in the Australian coal business is a factor contributing to Mitsubishi UBE Cement's decline in profits in FY2024.