

Message from the CFO

We will accelerate the transformation of our business portfolio into a specialty chemicals company while ensuring financial soundness and increasing corporate value.

Hiroataka Ishikawa

Representative Director
Managing Executive Officer
CFO, CRO



Major financial highlights

(Unit: Billions of yen)

	FY2022 Results	FY2023 Results	FY2024 Results	FY2024 Original Target	FY2024 Results vs Original Target
Net sales	494.7	468.2	486.8	520.0	(33.2)
Operating profit	16.2	22.5	18.0	40.0	(22.0)
Specialty businesses	18.3	18.6	16.3	24.0	(7.7)
Basic businesses	(3.4)	0.1	(0.1)	15.5	(15.6)
Ordinary profit (loss)	(8.7)	36.3	22.4	47.0	(24.6)
Equity method investment gain (loss) in the Mitsubishi UBE Cement Group	(24.6)	13.0	15.6	8.0*	7.6
Extraordinary income (loss)	6.1	(1.3)	(33.3)	(2.5)	(30.8)
Profit attributable to owners of parent	(7.0)	29.0	(4.8)	33.0	(37.8)
Interest-bearing liabilities	218.1	213.4	330.5	189.0	141.5
Shareholders' equity	361.6	408.7	395.1	424.0	(28.9)
D/E ratio (times)	0.60	0.52	0.84	0.45	0.39
Return on sales (ROS) (%)	3.3	4.8	3.7	8	(4.3)
Return on equity (ROE) (%)	(1.9)	7.5	(1.2)	8	(9.2)
Return on invested capital (ROIC) (%)	(2.0)	4.7	3.0	(Reference) 6	(3.0)

* Provisional figure assumed prior to launch of the Mitsubishi UBE Cement Group

My role as CFO

The UBE Group is currently undergoing a major transformation. During the three years of the previous medium-term management plan, UBE Vision 2030 Transformation — 1st Stage, we aggressively invested in polyimide, separation membranes, and other products with the aim of growing as a specialty chemicals company. We also made the decision to implement structural reforms in the form of withdrawing from or downsizing basic businesses, including ammonia, one of our original businesses; and caprolactam, a raw material for nylon.

In fiscal 2025, we launched a new six-year medium-term management plan, UBE Vision 2030 Transformation — 2nd Stage. In the 2nd Stage, we will accelerate our growth into a specialty chemicals company by further strengthening the initiatives of the 1st Stage. In addition, as the final stage of their efforts to transition to independent operations, our machinery business (UBE MACHINERY CORPORATION, Ltd.) and cement-related business (Mitsubishi UBE Cement Corporation) will aim for stock exchange listing.

As CFO, I believe it is my role to appropriately control the balance sheet and ensure both financial soundness and business growth as we undergo a major transformation to become a specialty chemicals company.

Overview of operating and financial performance in fiscal 2024

Earnings levels in fiscal 2024

Our operating profit in fiscal 2024 was ¥18.0 billion, well below the medium-term management plan target of ¥40.0 billion. The main reason for this was a significant deterioration in the business environment for basic businesses such as caprolactam and nylon polymers due to oversupply by Chinese companies. On the other hand, while we missed our target for our specialty businesses due to sluggish sales of composites and other products, separation membranes and ceramics achieved growth that exceeded initial expectations.

We recorded a loss attributable to owners of parent of ¥4.8 billion, also well below the target. The main reason

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business on April 1, 2025. As our basic policy, we engage in suitable control of cash on hand at around ¥40 billion.

Specialty business growth and new business creation

To accelerate the growth of our specialty businesses, we are planning on ¥275 billion in capital investments by fiscal 2030. In addition to the expansion in production capacity for separation membranes, ceramics, and separators as well as the construction of new plants for DMC and EMC in North America as decided in the previous medium-term management plan, we will further enhance production capacity for separation membranes, ceramics, high-performance coatings, pharmaceuticals, and elastomers to meet growing demand.

On the other hand, to achieve our aims of net sales of ¥1 trillion and operating profit of ¥100 billion by 2035-2040, it is essential that we create new businesses. To this end, we will engage in a dual approach of launching new businesses through in-house technology development and acquiring core competencies in new business fields through M&As, and are planning on ¥85 billion in research and development investments as well as ¥185 billion in other investment and

financing over the next six years. Note that with regard to other investment and financing, we have already spent about ¥80 billion in the acquisition of LANXESS's urethane systems business.

With respect to M&As, we began establishing sections specializing in M&As in our corporate divisions in fiscal 2023, and the acquisition of the urethane systems business is one of the major results of this effort. Further, we established the M&A Promotion Office in fiscal 2025 as an organization under the direct supervision of the president. Going forward, we will acquire businesses on the periphery of our existing specialty businesses as well as startups and other small- and medium-sized businesses, and obtain technology and resources (human resources, equipment, and information) to accelerate the creation of new businesses.

Ensuring financial soundness

Although we anticipate a temporary increase in financial stress due to the high level of capital investment and other investment and financing planned in the new medium-term management plan, we will keep the level of interest-bearing debt within a range that maintains financial soundness as well as the trust the market has in us. Specifically, one

guideline is to keep the debt/equity ratio at or below 1.

On the other hand, during the period of the new medium-term management plan, we intend to see UBE MACHINERY CORPORATION, Ltd. and Mitsubishi UBE Cement Corporation achieve stock exchange listing, which, if accomplished, will generate a certain amount of cash inflow. As we prepare for our transformation into a specialty chemicals company, there will be more cash inflows and outflows, and their timing will be irregular. As CFO, I will manage our finances more prudently than ever while keeping an eye on risk.

Shareholder returns

Our basic policy is to provide stable dividends to shareholders, with a dividend on equity (DOE) of 2.5% or more as the standard. In the past, even in fiscal 2022 and 2024, when we posted a net loss, we paid dividends at the same level or higher than the previous fiscal year based on our DOE standard. In the previous medium-term management plan, a consolidated total return ratio of 30% or more was also set as a criterion, but in the new medium-term management plan, only the DOE standard has been established in order to more clearly show that we aim to pay progressive dividends. While monitoring the progress of the new medium-term management plan, we aim to enhance shareholder returns in the future, including further raising the DOE standard of 2.5% or more in the latter three years of the plan from fiscal 2028.

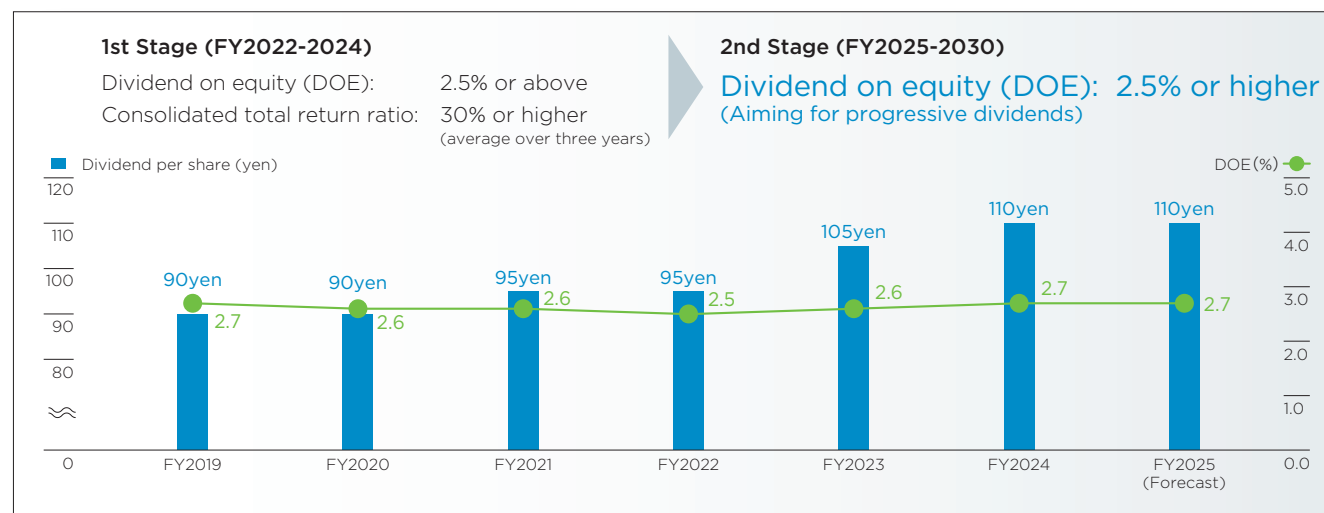
Initiatives to bolster enterprise value (Improving P/B ratio level)

Approach to improving our P/B ratio

UBE's price-to-book ratio (P/B ratio) remains below 1, and improving our P/B ratio is an urgent issue. UBE views P/B ratio as "ROE ÷ (Cost of shareholders' equity - Expected growth rate)," and works to improve both profitability (ROE and ROIC) and reduce the cost of equity.

Improving of ROE (ROIC)

We will improve our ROE (ROIC) by promoting



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the expansion of specialty businesses and business restructuring. While increasing profits by concentrating investment of management resources in specialty businesses expected to be highly profitable, we will steadily downsize or withdraw from ammonia, caprolactam, nylon polymers, and other businesses that present profitability and capital efficiency issues.

To improve our capital efficiency, we promote ROIC management. We have long utilized ROIC to make investment decisions and verify our business portfolio. Going forward, however, we will build a system in which the entire Company works together to improve capital efficiency by instilling the importance of ROIC and ROIC tree thinking throughout the Group, from top management to the front lines of our businesses, and making ROIC the basis for all decision-making. We will also incorporate the urethane systems business we acquired into UBE's cash pooling system for our European, U.S., and Asian bases to reduce cash on hand and debt and further improve capital efficiency.

Reducing cost of shareholders' equity

Similar to our measures to improve ROE, we will aim to reduce the cost of shareholders' equity by expanding our



specialty businesses and engaging in business restructuring, shifting our portfolio away from ammonia, caprolactam, nylon polymers, and other businesses susceptible to market fluctuations and toward specialty businesses that are more market resilient. In addition, by strengthening our management foundation through the enhancement of human capital and promotion of DX, we will raise market expectations for sustainable growth.

We also recognize that UBE's greenhouse gas emissions are considered a risk factor by the market and are factored into UBE's valuation as a risk premium. In fiscal 2028, when we will have scaled down or withdrawn from production of ammonia and caprolactam, which have high GHG emissions, our greenhouse gas emissions are expected to be 1.66 million tons, a 65% reduction compared to fiscal 2013. We will further strive to reduce our risk premium by achieving a newly set target for fiscal 2035 of a 70%

reduction in GHG emissions compared to fiscal 2013.

Dialogue with the market (IR) policy

In fiscal 2024, we held small meetings for analysts, visits to overseas institutional investors, plant tours, business briefings, and briefings for individual investors as a means of dialogue between management, including the president, and shareholders and investors. We also engaged in approximately 150 individual meetings throughout the year, conducted primarily by the departments in charge of investor relations. The feedback obtained through such dialogue is reported by me to the Board of Directors each quarter so it may be reflected in management. We will continue to deepen dialogue with investors and strive to enhance our corporate value.

