

UBE Revised Earnings Forecasts for FY2024—Limited Impact on Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the fact that UBE Corporation (security code: 4208) announced the downward revisions of its earnings forecasts for the fiscal year ending March 31, 2025 and its decision on structural reform of its basic businesses.

- (1) On January 28, UBE Corporation (the “Company”) announced a downward revision of its full-year earnings forecasts for the fiscal year ending March 31, 2025 (FY2024). According to the revisions, its operating profit is expected to be 16 billion yen (previous forecast: 27 billion yen), ordinary profit of 20 billion yen (same as above: 37 billion yen), and a net loss of 17.5 billion yen (same as above: a profit of 29.5 billion yen) for FY2024. Business performance of specialty business, including separation membrane and ceramics, and that of machinery service business have been solid, and Mitsubishi UBE Cement Corporation (an equity-method affiliate) also contributes to the group's performance through factors such as the effect of price increases. However, business environment for caprolactam and nylon polymers in the Asian market has further deteriorated, and it is inevitable that profits will worsen compared to the initial expectations. Based on these situations, the Company has decided on structural reform of basic businesses (downsizing and withdrawal by shutting down facilities in Japan and overseas), including the two products mentioned above. As a result, the Company will record impairment losses and related expenses of approximately 35 billion yen for FY2024. Demolition and removal costs for related facilities (currently estimated at approximately 30 billion yen) will be recorded over several years, starting from FY2027.
- (2) On January 17, JCR announced the affirmation of “A” on the Company’s long-term issuer rating with Stable outlook. The downward revisions of the earnings forecasts, including the recording of extraordinary losses, and the net loss amount announced this time, are somewhat large. However, in the most recent rating review, JCR had already taken into account to some extent the downward pressure on the previous earnings forecasts as well as possibility of bringing forward structural reform of basic businesses in light of the recent circumstances. In addition, the prospect of the structural reform of basic businesses will come into sight due to the decision this time and stability of the Company's future performance will increase, and also given that the Company has a certain financial tolerance, JCR judges that the impact of the Company’s announcements this time on the rating is limited. JCR will pay attention to whether the Company can return to a growth trajectory in its performance early by progressing specialization of its business portfolio.

Shigenobu Tonomura, Takeshi Fujita

<Reference>

Issuer: UBE Corporation

Long-term Issuer Rating: A Outlook: Stable

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

Information herein has been obtained by JCR from the issuers and other sources believed to be accurate and reliable. However, because of the possibility of human or mechanical error as well as other factors, JCR makes no representation or warranty, express or implied, as to accuracy, results, adequacy, timeliness, completeness or merchantability, or fitness for any particular purpose, with respect to any such information, and is not responsible for any errors or omissions, or for results obtained from the use of such information. Under no circumstances will JCR be liable for any special, indirect, incidental or consequential damages of any kind caused by the use of any such information, including but not limited to, lost opportunity or lost money, whether in contract, tort, strict liability or otherwise, and whether such damages are foreseeable or unforeseeable. JCR's ratings and credit assessments are statements of JCR's current and comprehensive opinion regarding redemption possibility, etc. of financial obligations assumed by the issuers or financial products, and not statements of opinion regarding any risk other than credit risk, such as market liquidity risk or price fluctuation risk. JCR's ratings and credit assessments are statements of opinion, and not statements of fact as to credit risk decisions or recommendations regarding decisions to purchase, sell or hold any securities such as individual bonds or commercial paper. The ratings and credit assessments may be changed, suspended or withdrawn as a result of changes in or unavailability of information as well as other factors. JCR receives a rating fee paid by issuers for conducting rating services in principle. JCR retains all rights pertaining to this document, including JCR's rating data. Any reproduction, adaptation, alteration, etc. of this document, including such rating data, is prohibited, whether or not wholly or partly, without prior consent of JCR.

JCR is registered as a "Nationally Recognized Statistical Rating Organization" with the U.S. Securities and Exchange Commission with respect to the following four classes. (1) Financial institutions, brokers and dealers, (2) Insurance Companies, (3) Corporate Issuers, (4) Issuers of government securities, municipal securities and foreign government securities.

JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)