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UBE Announces Structural Reform of Basic Businesses to Achieve Vision for 2030

UBE Corporation (President: Masato Izumihara; Head Office: Minato-ku, Tokyo; hereinafter, "UBE") announced that its Board of Directors has resolved today on specific details and schedules for structural reform of its basic businesses, as detailed below.

1. Background

The UBE Group is pursuing business growth with a dual focus on growing its specialty chemicals business and contributing to the global environment. Accordingly, the Group is transforming its business structure by actively investing in expanding the specialty chemicals business while downsizing, withdrawing, or restructuring basic businesses.

In the specialty businesses, the Group is steadily implementing expansion measures for future growth. These include investments in manufacturing facilities for polyimide, separation membranes, ceramics (silicon nitride), and C1 chemicals (North American DMC and EMC). UBE has also agreed to acquire the urethane systems business from LANXESS in Germany. Meanwhile, in basic businesses, the Group announced plans in its May 2022 medium-term management plan, "UBE Vision 2030 Transformation — 1st Stage," to cease ammonia production around 2030 and reduce caprolactam production in Japan prior to ammonia shutdown (completed in May 2024). The Group has conducted reviews and considerations, and taken possible measures; however, due to oversupply from Chinese companies, current business conditions — particularly in Asian markets — have deteriorated beyond expectations, making recovery unlikely. Consequently, the Group has determined that further accelerating structural reforms in and outside Japan, including downsizing and withdrawal by shutting down facilities, are now a pressing priority.

2. Scheduled Facility Shutdown and Timeline

(1) Japan (Ube Chemical Factory)

The production of ammonia and related products will cease at the end of fiscal 2027 (March 2028), more than two years ahead of the schedule outlined in the current medium-term management plan. Furthermore, the production of caprolactam (remaining key manufacturing line) and nylon polymers will cease at the end of fiscal 2026 (March 2027), including cyclohexanone, a raw material, further accelerated in light of the current business environment.

After these changes, the Ube Chemical Factory will serve as a production and development hub mainly for specialty businesses, including polyimide, separation membranes, ceramics (silicon nitride), pharmaceuticals, and high purity chemicals.

(2) Thailand

By the end of fiscal 2026 (March 2027), UBE Chemicals (Asia) Public Company Limited (UCHA), the Group's core company in Asia, will cease production of cyclohexanone, caprolactam, and ammonium sulfate, while shutting down one out of two manufacturing lines of nylon polymers. In addition, UBE Fine Chemicals (Asia) Co., Ltd. (UFA) will discontinue the production of 1,6-hexanediol and 1,5-pentanediol, or byproducts of cyclohexanone.

Following these production halts, the UBE Group's operations in Thailand will continue producing and expand businesses as follows:

- UCHA will produce composites.
- UFA will produce polycarbonate diol (PCD) of high-performance coating businesses.
- THAI SYNTHETIC RUBBERS COMPANY LIMITED will produce elastomers.

UCHA plans to hold a shareholders meeting and decide on the aforementioned matter.

(3) Spain

In the European market, UBE CORPORATION EUROPE S.A.U., the Group's core company in Europe will continue production of caprolactam and nylon polymers while expanding environmentally friendly products such as recycled and bio-based nylons as the market environment is more stable than in Asia and its nylon polymers for food packaging applications boast the largest market share in the region. On the other hand, the company plans to cease the production of cyclohexanone, 1,6-hexanediol, and 1,5-pentanediol as soon as it completes coordination with customers and others in order to improve profitability. The company will promote the realization of carbon neutrality in Europe.

3. Expected Benefits

Products such as ammonia, caprolactam, and nylon polymers, whose production will be downsized or ceased are highly susceptible to market fluctuations and have suffered declining profitability, with little prospect of recovery. These structural reforms will mitigate the impact of these products on the UBE Group's performance and contribute to financial stability and profit improvement.

By accelerating the shutdown of facilities with high greenhouse gas (GHG) emissions, particularly in ammonia and caprolactam production, the Group expects to achieve its 2030 GHG reduction target (a 50% reduction from fiscal 2013 levels) early, by fiscal 2028.

4. Impact on Financial Results

The UBE Group anticipates recording approximately 35 billion yen in impairment losses and related expenses in the fiscal year ending March 2025. This includes approximately 10 billion yen for the Ube Chemical Factory (UBE unconsolidated) and about 25 billion yen for its Thailand base.

Demolition and removal costs for related facilities are currently estimated at approximately 30 billion yen. As work progresses, these costs will be recorded over several years, starting from the fiscal year ending in March 2028 in accordance with accounting standards.

For the fiscal year ending March 2025 earnings forecast, please refer to the separately announced "UBE Announces Revised Earnings Forecasts."

The dividend policy and forecast remain unchanged. As previously announced, the planned annual dividend for the fiscal year ending March 2025 remains at 110.00 yen per share (an interim dividend of 55.00 yen and a year-end dividend of 55.00 yen).

5. Future Management Policy

The UBE Group believes this decision sets a clear direction for the structural reform of its basic businesses, a matter that had been identified as a key challenge in its current medium-term management plan.

In May 2025, the Group will announce a new medium-term management plan, which will outline its vision for the UBE Group in 2030 and the action plan to achieve it, aiming for expanding the corporate value. As the Group clarifies costs and schedules of the structural reform and will record related losses and expenses, its shareholders' equity will temporarily decrease. However, the Group aims at an early recovery through the stable earnings of its specialty chemicals business. Furthermore, toward 2030, the Group will continue to focus on growth strategies such as actively investing management resources in specialty businesses and strengthening global management, while making further progress in sustainability management by promoting DX, enhancing human capital, and addressing global environmental issues.

Reference 1: Business Portfolio Segmentation

Business Portfolio Segmentation	**Businesses**
Specialty business	Polyimide, Separation Membranes, Ceramics, Semiconductor Gases, Separators, Composites, C1 Chemicals, High-Performance Coatings, Pharmaceuticals, Phenolic Resin
Basic business	Nylon Polymers, Caprolactam, Ammonium Sulfate, Industrial Chemicals, Elastomers, Polyethylene Films, Processed Resin Products

Reference 2: Consolidated earnings forecast for the fiscal year ending March 2025 (announced on January 28, 2025) and consolidated results for the previous fiscal year

(Unit: Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributed to owners of parent
Fiscal year ending March 2025 (Expected)	490,000	16,000	20,000	(17,500)
Fiscal year ended March 2024 (Actual)	468,237	22,456	36,333	28,981