UBE Corporation

Q2 Financial Results Briefing for the Fiscal Year Ending March 2024

November 6, 2023

Event Summary

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[Venue]	Webcast
[Number of Speakers]	1 Hirotaka Ishikawa Director, Executive Officer, CFO

Presentation

Moderator: Good evening. Thank you all for participating in the financial results briefing of UBE Corporation today despite your busy schedules.

Hirotaka Ishikawa, Director, Executive Officer, and CFO, will now give a 30-minute presentation on the consolidated financial results for Q2 FY2023, followed by a question and answer session. The entire briefing is scheduled for one hour.

Before we start the briefing, I'd like to mention this first. This briefing may contain forward-looking statements based on current expectations, all of which are subject to risks and uncertainties. Please note that the actual results may differ from the outlook.

We would also like to inform you that the financial results briefing of Mitsubishi Ube Cement Corporation for Q2 is scheduled to be held at 16:00 on November 22.

We will now move on to the presentation. Please go ahead, Mr. Ishikawa.

Ishikawa: Hello, everyone. My name is Ishikawa, and I'm CFO of the Company. Thank you for participating in today's conference call on the financial results for the Q2 FY2023. Now, please let me start the presentation.

1st half of the FY2023 UBE /UBE Corporation

Scope of Consolidation

Item	End of FY2022 (A)	End of FY2023 2Q (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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Please turn to page three. The number of consolidated companies at the end of this Q2 was 51. There are 36 consolidated subsidiaries and 15 affiliated companies accounted for by the equity method. These numbers have not been changed from the end of FY2022.

Environmental Factors

Item				FY2022 2Q (A)	FY2023 2Q (B)	Difference (B) - (A)
Exchange Rate			Yen/$	134.0	141.0	7.0
Material Price	Naphtha	CIF	$/ t	892	654	(238)
		Domestic	Yen/KL	83,750	65,350	(18,400)
	Benzene (ACP)		$/ t	1,171	906	(265)
	Australian Coal (CIF)		$/ t	406.5	208.3	(198.3)
			Yen/t	54,459	29,362	(25,097)

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Next is page four for environmental factors.

First of all, the exchange rate was JPY141 for this Q2. Since the figure for the same period in the previous fiscal year was JPY134, the yen depreciated by JPY7. Regarding the exchange rate, our company will benefit slightly from a weaker yen.

Then, there is the price of materials. Naphtha was USD654, down USD238 YoY. Benzene was USD906, down USD265 YoY.

Naphtha affects the sales of synthetic rubber, benzene affects the sales of nylon and caprolactam, but the profit of each product is determined by the market factors of each product.

Next is Australian coal, which is USD208.3. The price fell by USD198.3 YoY. This Australian coal is used in our coal-fired power plants and affects our energy costs. The coal is also used in the process of manufacturing cement at an equity-method affiliate, Mitsubishi Ube Cement.

Major P/L Items

(Billions of yen)

Item	FY2022 2Q (A)	FY2023 2Q (B)	Difference (B) - (A)	Percentage change
Net sales	244.8	218.1	(26.7)	(10.9)%
Operating profit	8.5	5.2	(3.3)	(38.7)%
Ordinary profit (loss)	(2.7)	11.3	14.0	–
Profit (loss) attributable to owners of parent	(1.3)	9.0	10.3	–

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 2Q.

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Next is page five for main items.

Net sales amounted to JPY218.1 billion, down JPY26.7 billion, or 10.9% YoY. Operating profit was JPY5.2 billion, also down JPY3.3 billion, or 38.7% YoY.

Ordinary profit was JPY11.3 billion, a JPY14 billion improvement YoY, and a turnaround from a loss in the same period last year to a profit. Net income attributable to owners of the parent was JPY9 billion, also a JPY10.3 billion improvement, and also returned to the black.

In the following pages, we will explain the factors behind net sales, operating profit, and ordinary profit.

Net Sales and Operating Profit by Segment

(Billions of yen)

	Segment	FY2022 2Q (A)	FY2023 2Q (B)	Difference (B) - (A)	Percentage change
Net sales	Specialty Products	31.8	31.3	(0.5)	(1.6)%
	Polymers & Chemicals	149.5	120.2	(29.3)	(19.6)%
	Machinery	45.3	42.7	(2.6)	(5.8)%
	Others	33.4	38.0	4.6	13.8%
	Adjustment	(15.1)	(14.0)	1.1	-
	Total	244.8	218.1	(26.7)	(10.9)%
Operating profit	Specialty Products	5.5	5.7	0.1	2.4%
	Polymers & Chemicals	2.4	(2.4)	(4.8)	-
	Machinery	1.2	2.2	0.9	76.2%
	Others	1.2	1.4	0.2	15.9%
	Adjustment	(1.8)	(1.6)	0.2	-
	Total	8.5	5.2	(3.3)	(38.7)%

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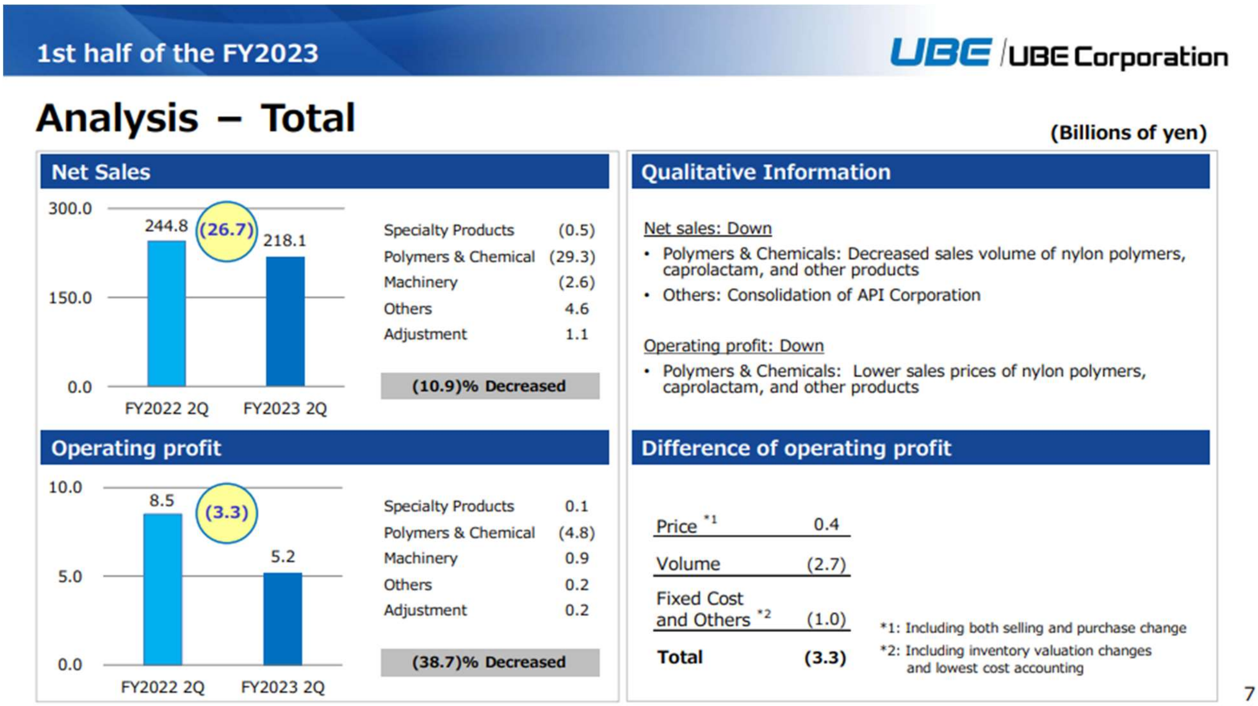
First, on page six, we have net sales and operating profit by segment.

Net sales decreased by JPY26.7 billion YoY. By segment, sales of the polymers and chemicals segment declined by JPY29.3 billion. The largest factor in the decline in net sales was the decline in net sales in the polymers and chemicals segment.

Operating profit decreased by JPY3.3 billion. Likewise, the polymers and chemicals segment saw a JPY4.8 billion decrease in operating profit. The polymers and chemicals segment were the largest contributors to the decline in operating profits.



Continuing on to page seven. Starting on this page, we will discuss the analysis of differences.

First is the company-wide analysis. As explained earlier, net sales decreased by JPY26.7 billion. By segment, sales in the specialty products segment decreased by JPY0.5 billion, the polymers and chemicals segment decreased by JPY29.3 billion, the machinery segment decreased by JPY2.6 billion, and the other segment including pharmaceuticals increased by JPY4.6 billion.

As we commented in the qualitative information section on the reasons for this decrease in net sales, the decline in sales volume of nylon polymers, caprolactam, and other products in the polymers and chemicals segment was the impact.

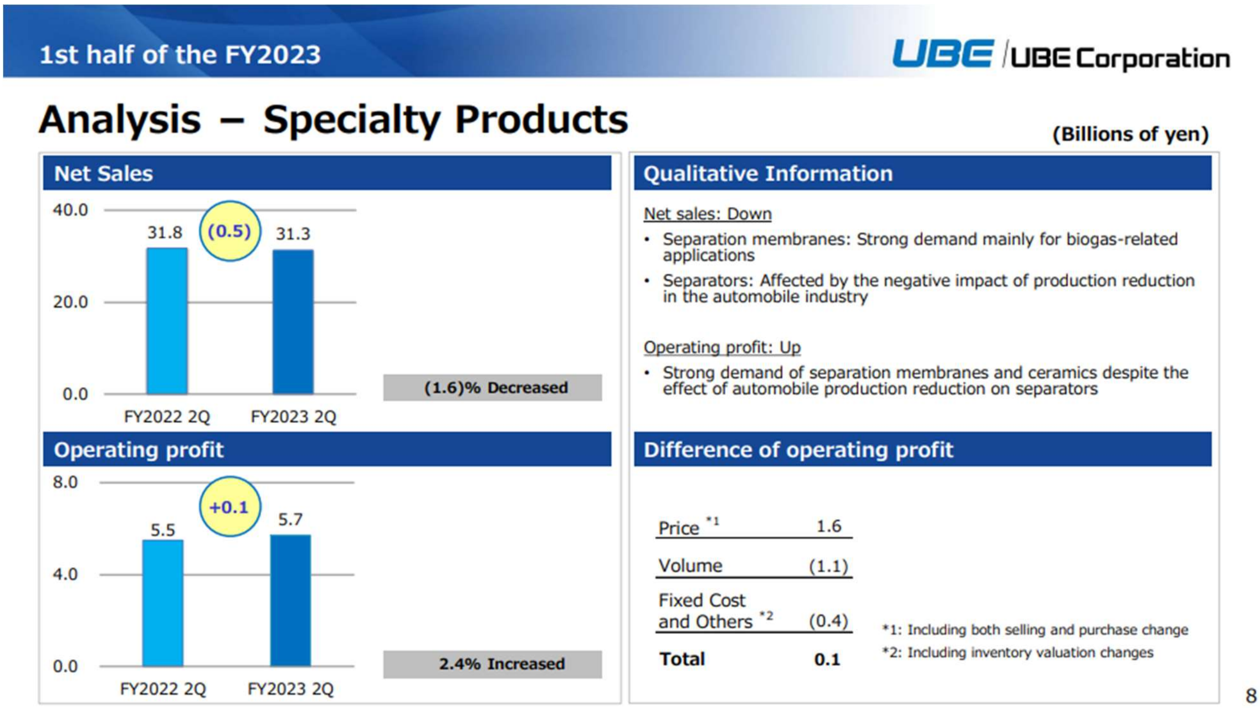
On the other hand, the increase in net sales in the other segment was due to the acquisition of API Corporation, which became a consolidated subsidiary.

Operating profit decreased by JPY3.3 billion. By segment, the specialty products segment posted an increase of JPY0.1 billion, the polymers and chemicals segment a decrease of JPY4.8 billion, and the machinery segment an increase of JPY0.9 billion. Others increased by JPY0.2 billion.

As described in the qualitative information section for the polymers and chemicals segment, the decline in sales prices of nylon polymers, caprolactam, and other products was a factor.

Looking at the analysis of the difference in operating profit for the entire company, the price difference was a positive JPY0.4 billion, while the volume difference was a negative JPY2.7 billion. Fixed cost and other expenses amounted to negative JPY1 billion.

We have broken this down by segment, which we will explain on the next page.

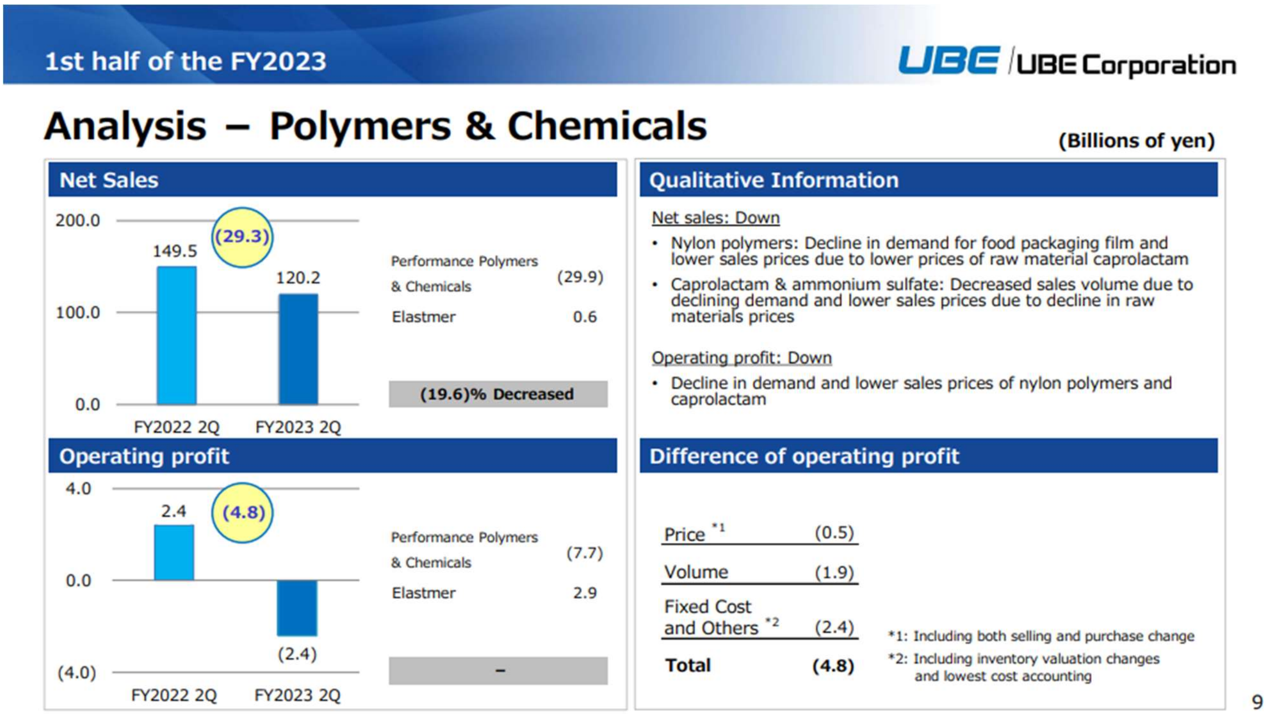


First is the specialty products segment on page eight.

As for the specialty products segment, net sales decreased by JPY0.5 billion. As described in the qualitative information section, demand for separation membranes was strong, particularly for biogas-related applications. On the other hand, separators were affected by weak automobile production.

Operating profit increased by JPY0.1 billion. Separators were affected by weak automotive production, but this was outweighed by strong demand for separation membranes and ceramics.

Looking at the difference in operating incomes for this segment, the price difference is positive JPY1.6 billion. This is due to factors such as separation membranes. The volume difference is negative JPY1.1 billion. The factors are separators, etc. Fixed cost and others were negative JPY0.4 billion, mainly due to inventory valuation differences.



Continuing on to page nine, the polymers and chemicals segment.

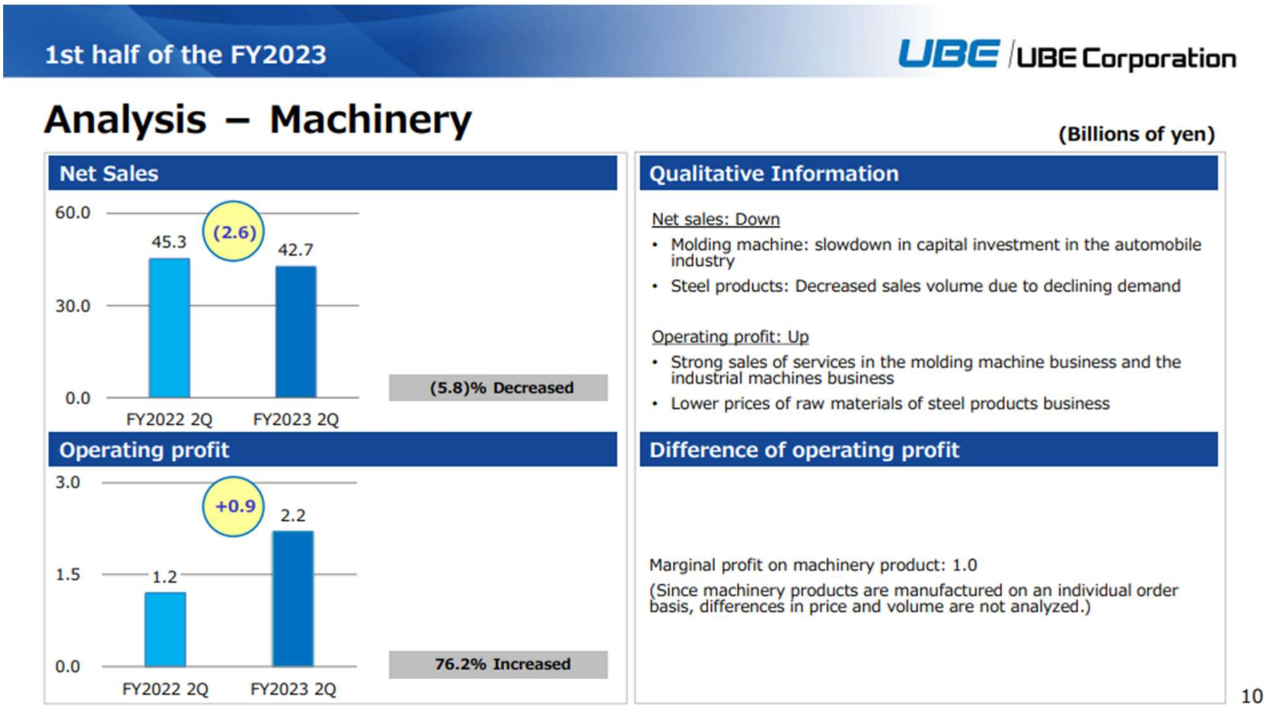
Net sales decreased by JPY29.3 billion. Looking at this by sub-segment, the performance polymers and chemicals saw a JPY29.9 billion decline in net sales. The elastomers increased by JPY0.6 billion.

We have a few comments on the qualitative information. Demand for nylon polymers for food packaging film and other applications declined. In addition, the sales price of nylon polymers declined due to a drop in market prices of caprolactam as a raw material. In addition, sales volume of caprolactam and ammonium sulfate decreased due to a decline in demand. Selling prices also declined due to a drop in the market prices for raw materials and other factors. These factors resulted in a decrease in net sales.

Operating profit decreased by JPY4.8 billion. Looking at the sub-segments, the performance polymers and chemicals saw a JPY7.7 billion decline in profit. The elastomers increased by JPY2.9 billion.

Factors contributing to the decrease in operating profits include declining demand and drop in sales prices for nylon polymers and caprolactam.

As described in the difference of operating profit, at the lower right-hand corner, the price difference is negative JPY0.5 billion. Looking at the sub-segments here, the performance polymers and chemicals is negative, and elastomer is positive. The volume difference is negative JPY1.9 billion, and much of this decrease is from the performance polymers and chemicals. Negative JPY2.4 billion in fixed cost and others, most of which is accounted for by the performance polymers and chemicals. The negative inventory valuation difference is still a significant factor within the performance polymers and chemicals.

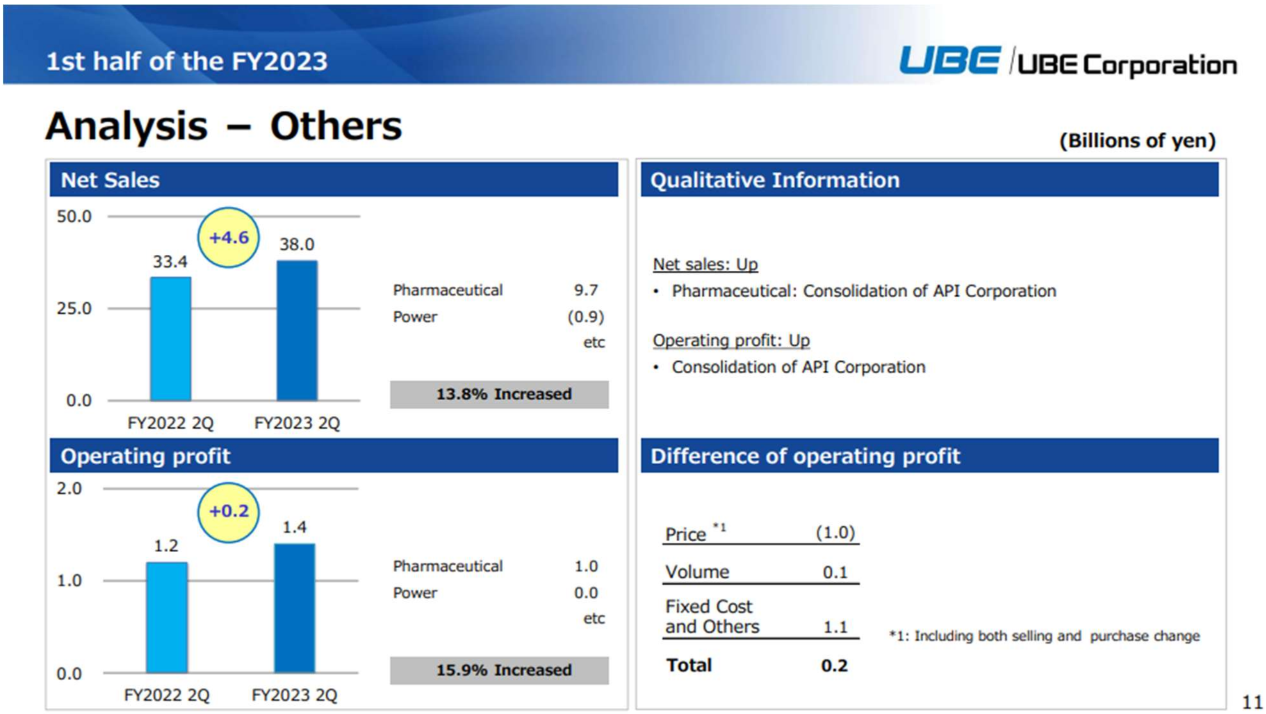


Continuing on to page 10, we have the machinery segment.

Here, net sales are down JPY2.6 billion. As shown in the qualitative information comments molding machine was affected by the slowdown in capital investment in the automotive industry. In the steelmaking sector, sales volume declined due to a drop in demand.

Operating profit increased by JPY0.9 billion. As for the factors behind this, as mentioned in the qualitative information section, services for molding machines and industrial machines remained strong. In steelmaking, the decline in prices of raw materials and scrap and the increase in sales prices were effective.

The difference in operating profit. No price or quantity difference is given here. Although we have not conducted such an analysis for our mainstay machinery and have not shown it, the marginal profit of the machinery segment was positive JPY1 billion.



Continuing on to page 11, the other segment.

Here, net sales increased by JPY4.6 billion. By sub-segment, pharmaceuticals sales increased by JPY9.7 billion and power sales decreased by JPY0.9 billion. One of the reasons for this is the consolidation of API Corporation as a consolidated subsidiary in pharmaceuticals.

Operating profit is positive JPY0.2 billion. This is positive JPY1 billion for pharmaceuticals and almost zero for power. Like net sales, the increase in operating profit here was also due to the consolidation of API Corporation as a subsidiary.

For the difference in operating profit, the difference in prices was negative JPY1 billion. This is mainly generated by power. In contrast, fixed cost and other expenses added JPY1.1 billion. Pharmaceuticals are the main factor here.

Operating Profit – Profit attributable to owners of parent

(Billions of yen)

Item	FY2022 2Q (A)	FY2023 2Q (B)	Difference (B) - (A)
Operating profit	8.5	5.2	(3.3)
Non-operating income (expenses)	(11.3)	6.1	17.3
Net interests expenses	0.8	0.1	(0.7)
Share of profit (loss) of entities accounted for using equtiy method	(12.0)	5.9	18.0
Share of profit (loss) of entities accounted for using equtiy method related to Mitsubishi UBE Cement Corporation	(12.7)	6.9	19.6
Foreign exchange gains	1.6	1.2	(0.4)
Others	(1.6)	(1.2)	0.4
Ordinary profit (loss)	(2.7)	11.3	14.0
Extraordinary income (losses)	6.6	(0.5)	(7.2)
Profit before income taxes	3.9	10.8	6.9
Income taxes and profit (loss) attributable to non-controlling interests	(5.2)	(1.8)	3.4
Profit (loss) attributable to owners of parent	(1.3)	9.0	10.3
Net income per share	(12.98) yen	92.93 yen	105.91 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 2Q.

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Continuing on to page 12, I will explain from operating profit to quarterly net income.

Operating profit decreased by JPY3.3 billion to JPY5.2 billion, as mentioned above. In contrast, for non-operating income, first of all, net interests expenses were positive JPY0.1 billion in the Q2, a decrease of JPY0.7 billion YoY. This was mainly due to a decrease in dividend income.

Share of profit of entities accounted for using equity method amounted to JPY5.9 billion. This figure improved by JPY18 billion YoY. The breakdown is shown in the next line, which shows a JPY19.6 billion improvement in share of profit of entities accounted for using equity method related to Mitsubishi Ube Cement.

Reference: 1st half of the FY2023

UBE / UBE Corporation

Mitsubishi UBE Cement

(Billions of yen)

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

Item	FY2022 2Q	FY2023 2Q	FY2023 full-year
Net Sales	281.4	298.9	600.0 [670.0]
Overseas business	65.9	92.8	185.0 [-]
Operating profit (loss)	(20.0)	21.6	33.0 [25.0]
Overseas business	3.2	18.0	24.0 [-]
Ordinary profit (loss)	(18.6)	22.5	33.5 [25.5]
Profit (loss) attributable to owners of parent	(26.3)	13.1	19.0 [14.5]

■ 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	(12.7)	6.9	10.5 [8.0]

- In the domestic cement business, despite the completion of the 5,000-yen price hike, business structure improvement, and measures to expand the use of low-cost thermal energy, the business continues to face difficult conditions, including lower sales volume due to declining domestic demand and higher costs due to the weak yen. The company aims to achieve profitability in FY2023 by further improving profitability.
- The environment and energy business and domestic group companies are performing well.
- In the U.S. business, ready-mixed concrete sales volume in FY2023 2Q increased due to the resumption of construction work that had been delayed by bad weather in FY2022, and price hikes penetrated early, resulting in a significant increase in profit. In the second half of FY2023, although profit will be decreased compared to the first half due to lower ready-mixed concrete sales and higher costs, profit is expected to increase year-on-year thanks to the effects of price hikes. As a result, a large increase in profits is expected for the full year as well.

■ Quantitative information

Item		FY2022 2Q	FY2023 2Q	FY2023 full-year
Total demand for cement in Japan	(million tons)	18.60	17.39	36.00 [38.00]
Cement sales volumes in Japan	(million tons)	4.57	4.15	8.65 [9.28]
Cement sales volumes in the U.S.	(million tons)	0.92	0.93	1.80 [1.69]
Ready-mixed concrete sales volumes in the U.S.	(million cy)	3.68	3.81	7.00 [7.48]
Thermal coal price (reference)	($/t)	398	154	177 [370]
Exchange rate	(Yen/$)	134	141	145 [130]

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

[ ]: forecast released May 12, 2023

(Reference) Consolidated Balance Sheet as of September 30, 2023

Total assets	784.1	Interest-bearing debt	203.4	Shareholder's equity	345.8
Shareholder's equity ratio	44.1%	D/E ratio	0.59 times		

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Please see the supplement on page 35 for the status of this Mitsubishi Ube Cement.

For Mitsubishi Ube Cement's profit and loss for the Q2 of FY2023, net sales were JPY298.9 billion, JPY21.6 billion in operating profit, JPY22.5 billion in ordinary profit, and JPY13.1 billion in profit attributable to owners of the parent, which showed a significant increase in sales and profit from the same period last year. Profits have shown considerable improvement.

As a result, share of profit of entities accounted for using equity method of Mitsubishi Ube Cement improved from negative JPY12.7 billion in H1 of the previous fiscal year to positive JPY6.9 billion in the same period of this fiscal year. The factors are described separately for domestic and overseas markets, as commented in the lower left corner of the page.

In the domestic cement business, profit improved due to the completion of a JPY5,000 price increase, business structure reforms, and measures to expand the use of inexpensive thermal energy.

In the overseas business, especially in the US, the drop in shipment volume of ready-mixed concrete caused by unseasonable weather in the period from January to March of this year, was carried over to the currentH1. These construction projects resumed, sales increased, and further price increases became more prevalent. These factors resulted in a significant YoY increase in profit.

Operating Profit – Profit attributable to owners of parent

(Billions of yen)

Item	FY2022 2Q (A)	FY2023 2Q (B)	Difference (B) - (A)
Operating profit	8.5	5.2	(3.3)
Non-operating income (expenses)	(11.3)	6.1	17.3
Net interests expenses	0.8	0.1	(0.7)
Share of profit (loss) of entities accounted for using equtiy method	(12.0)	5.9	18.0
Share of profit (loss) of entities accounted for using equtiy method related to Mitsubishi UBE Cement Corporation	(12.7)	6.9	19.6
Foreign exchange gains	1.6	1.2	(0.4)
Others	(1.6)	(1.2)	0.4
Ordinary profit (loss)	(2.7)	11.3	14.0
Extraordinary income (losses)	6.6	(0.5)	(7.2)
Profit before income taxes	3.9	10.8	6.9
Income taxes and profit (loss) attributable to non-controlling interests	(5.2)	(1.8)	3.4
Profit (loss) attributable to owners of parent	(1.3)	9.0	10.3
Net income per share	(12.98) yen	92.93 yen	105.91 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 2Q.

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Now, please go back to page 12. These factors resulted in a non-operating income of JPY6.1 billion, and the difference was JPY17.3 billion, which showed an improvement YoY. As a result, ordinary profit was JPY11.3 billion, a JPY14 billion improvement YoY.

Extraordinary income was negative JPY0.5 billion for the current term. The result was a decrease of JPY7.2 billion, compared with positive JPY6.6 billion in the same period of the previous fiscal year. The major reason for this was the gain on change in equity related to the restructuring of the cement business was recorded in the same period of the previous fiscal year. I hope you understand that this is the biggest factor in this and that without it there would not be much difference.

As a result of the above, profit attributable to owners of the parent was JPY9 billion, a JPY10.3 billion improvement YoY.

Consolidated Balance Sheet

(Billions of yen)

Item	End of FY2022 (A)	End of FY2023 2Q (B)	Difference (B) - (A)
Current assets	283.1	275.4	(7.8)
Fixed assets	449.4	467.8	18.4
Total assets	732.7	743.3	10.7
Interest-bearing debt	218.1	214.6	(3.6)
Other liabilities	132.9	127.0	(5.9)
Total liabilities	351.1	341.5	(9.5)
Shareholders' equity *	361.6	381.7	20.0
Non-controlling interests and others	20.0	20.1	0.1
Total net assets	381.6	401.8	20.2
Total liabilities and net assets	732.7	743.3	10.7

*: 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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Continuing on to page 13, we will discuss the balance sheet.

Net assets totaled JPY743.3 billion, an increase of JPY10.7 billion. I would like to start by asking you to look at shareholders' equity. This amount was JPY381.7 billion, a JPY20 billion increase from the end of FY2022. In this Q2, JPY4.4 billion was paid in dividends. Shareholders' equity increased by JPY20 billion due to net income for the quarter and foreign currency translation adjustments resulting from the yen's depreciation.

On the other hand, looking at the asset side, a characteristic feature is fixed assets, which increased by JPY18.4 billion. The main component was investment securities, which increased by approximately JPY14 billion. The main part of this increase is the increase in investment securities related to Mitsubishi Ube Cement. Tangible fixed assets also increased by about JPY4 billion.

The above is an explanation of the balance sheet.

Consolidated Statements of Cash Flows

(Billions of yen)

Item	FY2022 2Q	FY2023 2Q	
A.Cash flows from operating activities	11.3	23.4	Profit before income taxes 10.8 Depreciation and amortization 13.0 etc.
B.Cash flows from investing activities	(5.7)	(17.6)	Acquisition of PP&E (14.3) Increase in short-term loans receivable (2.7) etc.
Free cash flows (A+B)	5.6	5.8	
C.Cash flows from financing activities	(14.9)	(9.1)	Decrease in interest-bearing debts (4.3) Dividends paid (4.8) etc.
D.Net increase/decrease in cash and cash equivalents	(51.2)	(2.2)	
E.Cash and cash equivalents at end of the quarter	27.5	28.5	

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 2Q.

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Page 14 is the statement of cash flows.

Operating cash flow was JPY23.4 billion in this Q2. Since in the same period of the previous fiscal year, it was JPY11.3 billion, this is a significant improvement. Profit before income taxes was JPY10.8 billion, a JPY3.9 billion increase from the previous term. We believe that this improvement is a major factor.

Then investment cash flow was negative cash outflow of JPY17.6 billion. Since the cash outflow for the same period of the previous fiscal year was JPY5.7 billion, it appears that the cash outflow has increased significantly this period. As you can see in the comments column on the right, this is affected by the increase and decrease in short-term loans receivable.

We have commented that it is negative JPY2.7 billion in the current term. Loan repayments associated with the establishment of Mitsubishi Ube Cement occurred in the previous fiscal year. Excluding these changes in short-term loans receivable, the cash outflow for investment in the current period was JPY14.9 billion, while it was JPY14 billion in the same period of the previous fiscal year, which is roughly the same amount. We believe that we are steadily making the necessary capital investments.

Continuing on, there is a slightly noticeable difference in net increase and decrease in cash and cash equivalents. The current period was negative JPY2.2 billion, compared with negative JPY51.2 billion in the same period of the previous fiscal year. We made a cash split to the newly established Mitsubishi Ube Cement, following a corporate separation in the previous fiscal year. I hope you understand that this is a significant factor.

In the bottom line, cash and cash equivalents, on a consolidated basis, is controlled by the Company at approximately JPY30 billion. We have achieved a figure of JPY28.5 billion for the current term, which is approximately the same level as the previous fiscal year.

As for the financial cash flow, I would like you to understand that we are using it as an adjustment in order to achieve cash on hand and cash equivalents of nearly JPY30 billion.

This was an overview of financial results for Q2.

FY2023 Consolidated Forecasts

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	-	
Number of equity method affiliates	15	15	-	
Total	51	51	-	

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Next, I will explain the full-year forecast. Please turn to page 16 for consolidated companies. This number remains unchanged at the end of FY2023 with 51 companies, 36 consolidated subsidiaries and 15 companies accounted for by the equity method.

FY2023 Consolidated Forecasts

UBE / UBE Corporation

Environmental Factors

Item				FY2022 (A)	FY2023 (B)	Difference (B) - (A)
Exchange Rate			Yen/$	135.5	140.5 [140.0]	5.0
Material Price	Naphtha	CIF	$/ t	793	660 [670]	(133)
		Domestic	Yen/KL	76,400	66,200 [67,200]	(10,200)
	Benzene (ACP)		$/ t	1,038	880 [850]	(158)
	Australian Coal (CIF)		$/ t	393.8	198.0 [188.0]	(195.8)
			Yen/t	53,337	27,819 [26,320]	(25,518)

[ ] : from 3Q to 4Q only

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Next are environmental factors.

The exchange rate is expected to be JPY140 in H2 of the fiscal year. Therefore, for the full year, we are forecasting JPY140.5, a depreciation of JPY5 against the previous year.

For naphtha, USD670 in H2. Therefore, for the full year, we expect a USD133 decline at USD660. For benzene, we expect a price of USD850 for H2 and USD880 for the full year, a decrease of USD158.

For Australian coal, the price will be USD188 in H2 and USD198 for the full year. We expect this one to fall by USD195.8.

FY2023 Consolidated Forecasts

UBE / UBE Corporation

Major P/L Items

(Billions of yen)

Item	FY2022 (A)	FY2023 (B)	Difference (B) - (A)	Percentage change
Net sales	494.7	484.0	(10.7)	(2.2)%
Operating profit	16.2	17.0	0.8	4.9%
Ordinary profit (loss)	(8.7)	26.5	35.2	–
Profit (loss) attributable to owners of parent	(7.0)	21.5	28.5	–

Item	End of FY2022 (A)	End of FY2023 (B)	Difference (B) - (A)
Total assets	732.7	760.0	27.3
Interest-bearing debt	218.1	218.0	(0.1)
Equity capital *1	361.6	385.0	23.4
Dividend(Yen /Share)	*2 95.00	*3 100.00	5.00

*1: Equity capital = Net assets - Subscription rights to shares - Non-controlling interests
*2: Dividend: Interim/50yen, Fiscal year-end/45yen
*3: Dividend: Interim/50yen, Fiscal year-end/50yen

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 FY2022.

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The main items of the consolidated earnings forecast are shown on page 18.

Net sales are projected at JPY484 billion, a decrease of JPY10.7 billion or 2.2% from the previous fiscal year. Operating profit is projected to increase by JPY0.8 billion or 4.9% to JPY17 billion.

Ordinary profit is projected at JPY26.5 billion, an increase of JPY35.2 billion, and a turnaround from a loss in the previous fiscal year to a profit. Profit attributable to owners of the parent is JPY21.5 billion, an increase of JPY28.5 billion. This is also expected to turn around from a deficit in the previous fiscal year to a surplus.

We have put out the balance sheet items under that. Total assets are JPY760 billion, interest-bearing debt is JPY218 billion, and shareholders' equity is JPY385 billion. I hope you have the same understanding as my explanation for Q2.

Then, the annual dividend is projected to be JPY100 per share. We forecast JPY50 for Q2 and then JPY50 at the end of the fiscal year.

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	67.5	5.3	8.6%
	Polymers & Chemicals	293.4	257.5	(35.9)	(12.2)%
	Machinery	96.9	106.5	9.6	9.9%
	Others	73.1	81.0	7.9	10.8%
	Adjustment	(30.8)	(28.5)	2.3	–
	Total	494.7	484.0	(10.7)	(2.2)%
Operating profit	Specialty Products	10.2	13.0	2.8	26.9%
	Polymers & Chemicals	2.6	(2.0)	(4.6)	–
	Machinery	5.2	6.5	1.3	24.1%
	Others	2.6	4.0	1.4	54.1%
	Adjustment	(4.5)	(4.5)	(0.0)	–
	Total	16.2	17.0	0.8	4.9%

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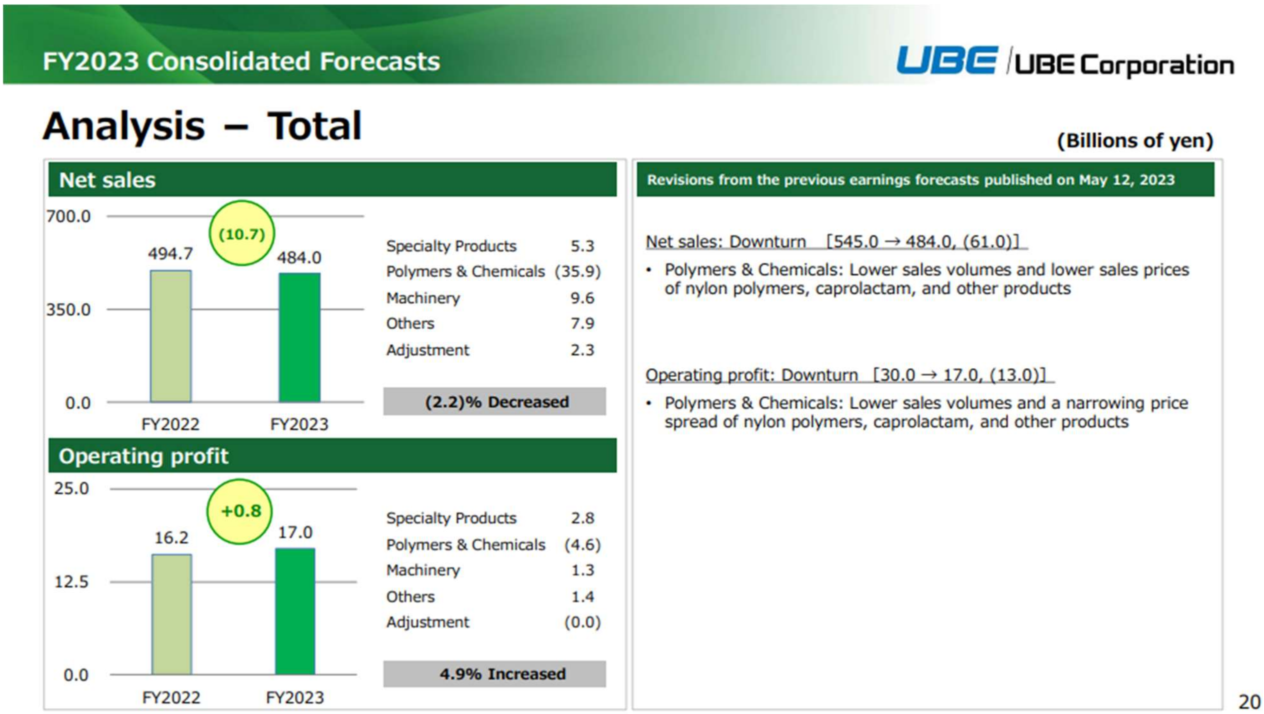
Continuing on page 19, we show net sales and operating profit by segment.

Net sales decreased by JPY10.7 billion, but a look at the factors behind the decline by segment shows that net sales of the polymers and chemicals segment declined by JPY35.9 billion. This segment Is the factor for a decrease in net sales. The specialty products segment, the machinery segment, and the other segment including pharmaceuticals will all see increases in net sales.

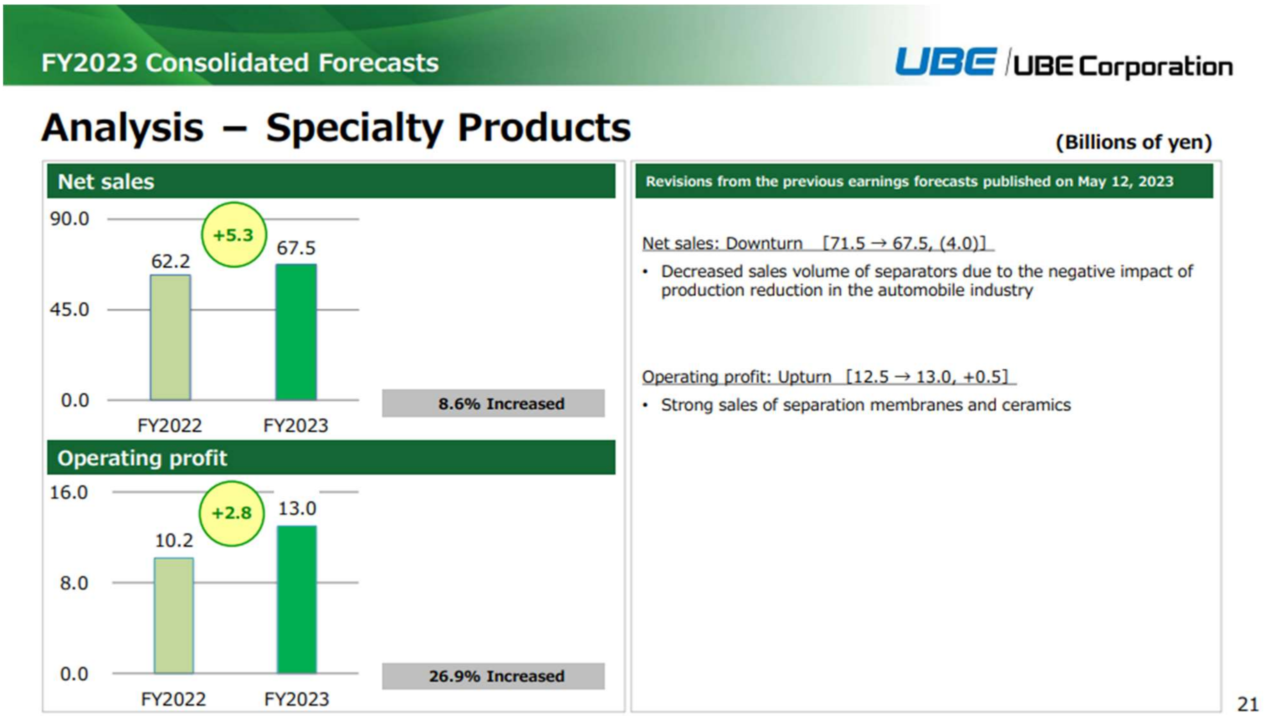
Operating profit increases by JPY0.8 billion. As with net sales, we also forecast a JPY4.6 billion decrease in operating profit from the polymers and chemicals segment here. On the other hand, we expect profits to increase in the specialty products segment, the machinery segment, and other segments, including pharmaceuticals. These will exceed, and we expect an overall increase of JPY0.8 billion.



On page 20 onward, we will explain the details of the revision of the consolidated earnings forecast, mainly from the earnings forecast announced on May 12 to the current forecast.

First of all, on page 20, we revised net sales downward by JPY61 billion from JPY545 billion to JPY484 billion. This was due to lower sales volumes and lower sales prices of nylon polymers, caprolactam, and other products.

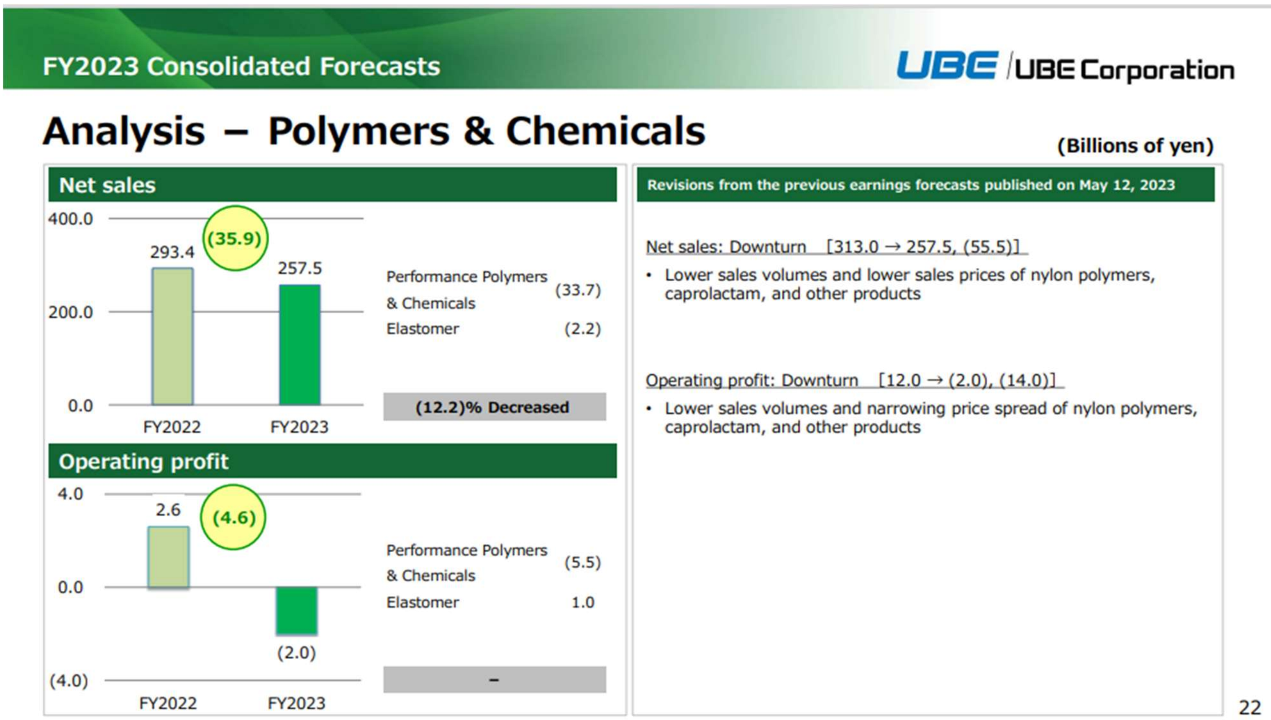
Operating profit was revised downward from JPY30 billion to JPY17 billion. The decrease was due to lower sales volumes, as well as narrower price spreads of nylon polymers, caprolactam, and other products in the polymers and chemicals segment.



Continuing on to page 21, the specialty products segment.

As for this, net sales were revised downward from JPY71.5 billion to JPY67.5 billion. This was due to a decrease in the sales volume of separators caused by weak automobile production and other factors.

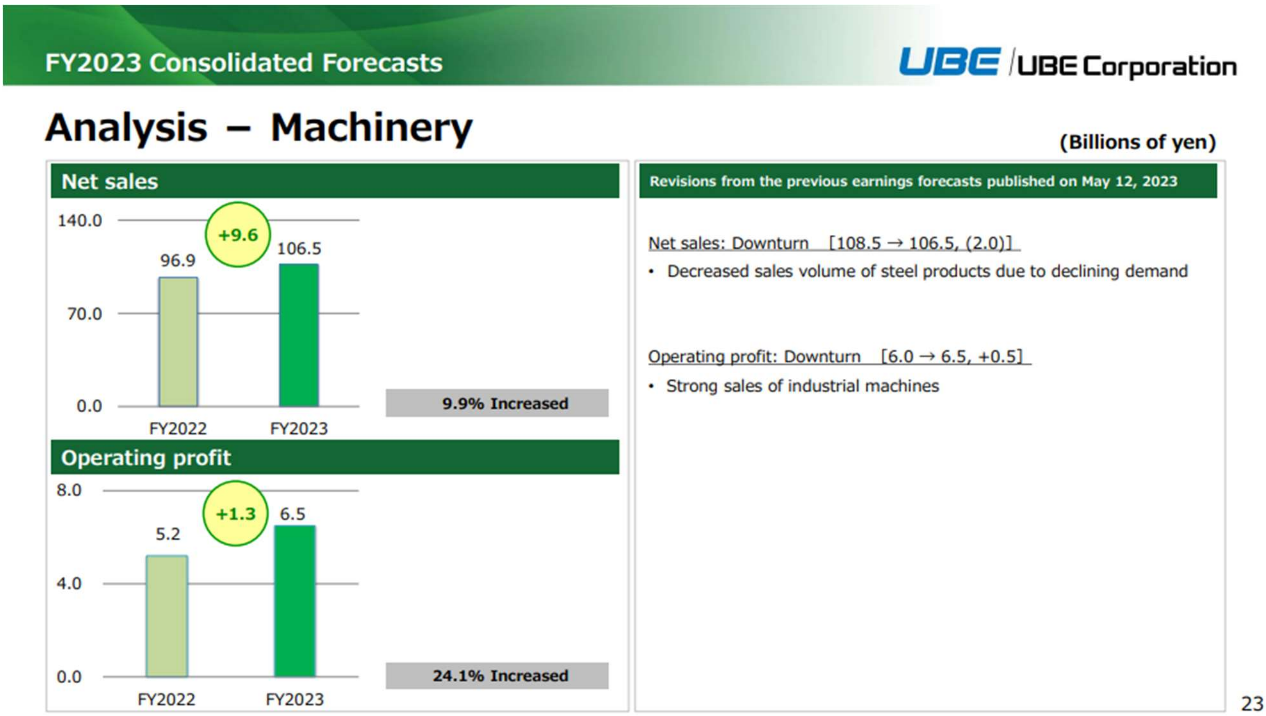
Operating profit has been revised upward from JPY12.5 billion to JPY13 billion. This was due to strong sales of separation membranes and ceramics.



Continuing on to page 22, the polymers and chemicals segment.

Net sales were revised downward by JPY55.5 billion from JPY313 billion to JPY257.5 billion. The main reasons for this are the decrease in sales volume and sales prices of nylon polymers, caprolactam, and other products.

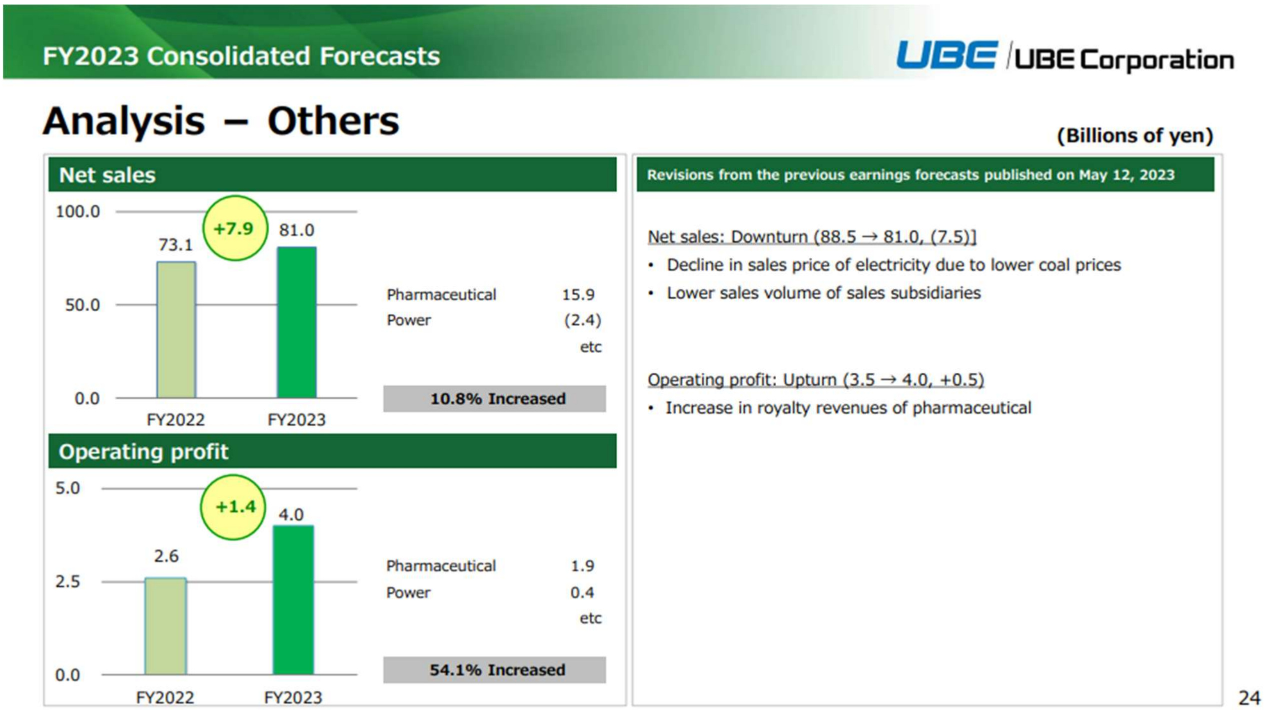
Operating profit has been revised downward by JPY14 billion, from a profit of JPY12 billion to a loss of JPY2 billion. The reasons for this are a decrease in sales volumes and a narrowing of price spreads of nylon polymers and caprolactam and other products.



Continuing on to page 23, we have the machinery segment.

This is a downward revision of JPY2 billion, from JPY108.5 billion to JPY106.5 billion for net sales. This is due to a decrease in sales volume resulted from lower demand in steelmaking.

Operating profit was revised upward by JPY0.5 billion from JPY6 billion to JPY6.5 billion. The main reason for this is the steady growth of industrial machinery.



Continuing on to page 24, the other segment.

Net sales were revised downward by JPY7.5 billion from JPY88.5 billion to JPY81 billion. The main reason for this was a drop in the price of electricity sold due to the decline in coal prices. In addition, sales subsidiaries, especially overseas ones, saw a decrease in sales volume.

Operating income has been revised upward. We revised the forecast upward by JPY0.5 billion, from JPY3.5 billion to JPY4 billion. This is due to royalty income from pharmaceuticals.

FY2023 Consolidated Forecasts

UBE / UBE Corporation

Operating Profit – Profit attributable to owners of parent

(Billions of yen)

Item	FY2022 (A)	FY2023 (B)	Difference (B) - (A)
Operating profit	16.2	17.0	0.8
Non-operating income (expenses)	(25.0)	9.5	34.5
Share of profit (loss) of entities accounted for using equtiy method related to Mitsubishi UBE Cement Corporation	(24.6)	10.5	35.1
Ordinaly profit (loss)	(8.7)	26.5	35.2
Extraordinary income (losses)	6.1	(2.0)	(8.1)
Profit (loss) before income taxes	(2.7)	24.5	27.2
Income taxes and profit (loss) attributable to non-controlling interests	(4.4)	(3.0)	1.4
Profit (loss) attributable to owners of parent	(7.0)	21.5	28.5
Net income per share	(72.54) yen	221.51 yen	294.05 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 1Q. The finalized accounting treatment is being applied in each reported figure for FY2022.

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Continuing on to page 25, from operating profit to net income.

Operating profit is expected to increase by JPY0.8 billion to JPY17 billion. The non-operating income is JPY9.5 billion, an increase of JPY34.5 billion.

The main reason for this is shown in the line below. Share of profit of entities accounted for using equity method related to the Mitsubishi Ube Cement will be JPY10.5 billion, an improvement of JPY35.1 billion from the previous fiscal year.

Reference: 1st half of the FY2023

UBE / UBE Corporation

Mitsubishi UBE Cement

(Billions of yen)

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

Item	FY2022 2Q	FY2023 2Q	FY2023 full-year
Net Sales	281.4	298.9	600.0 [670.0]
Overseas business	65.9	92.8	185.0 [-]
Operating profit (loss)	(20.0)	21.6	33.0 [25.0]
Overseas business	3.2	18.0	24.0 [-]
Ordinary profit (loss)	(18.6)	22.5	33.5 [25.5]
Profit (loss) attributable to owners of parent	(26.3)	13.1	19.0 [14.5]

■ 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	(12.7)	6.9	10.5 [8.0]

- In the domestic cement business, despite the completion of the 5,000-yen price hike, business structure improvement, and measures to expand the use of low-cost thermal energy, the business continues to face difficult conditions, including lower sales volume due to declining domestic demand and higher costs due to the weak yen. The company aims to achieve profitability in FY2023 by further improving profitability.
- The environment and energy business and domestic group companies are performing well.
- In the U.S. business, ready-mixed concrete sales volume in FY2023 2Q increased due to the resumption of construction work that had been delayed by bad weather in FY2022, and price hikes penetrated early, resulting in a significant increase in profit. In the second half of FY2023, although profit will be decreased compared to the first half due to lower ready-mixed concrete sales and higher costs, profit is expected to increase year-on-year thanks to the effects of price hikes. As a result, a large increase in profits is expected for the full year as well.

■ Quantitative information

Item		FY2022 2Q	FY2023 2Q	FY2023 full-year
Total demand for cement in Japan	(million tons)	18.60	17.39	36.00 [38.00]
Cement sales volumes in Japan	(million tons)	4.57	4.15	8.65 [9.28]
Cement sales volumes in the U.S.	(million tons)	0.92	0.93	1.80 [1.69]
Ready-mixed concrete sales volumes in the U.S.	(million cy)	3.68	3.81	7.00 [7.48]
Thermal coal price (reference)	($/t)	398	154	177 [370]
Exchange rate	(Yen/$)	134	141	145 [130]

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

[ ]: forecast released May 12, 2023

(Reference) Consolidated Balance Sheet as of September 30, 2023

Total assets	784.1	Interest-bearing debt	203.4	Shareholder's equity	345.8
Shareholder's equity ratio	44.1%	D/E ratio	0.59 times		

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Please see page 35 for an explanation of this.

As for Mitsubishi Ube Cement's full-year forecast, we currently expect net sales of JPY600 billion, operating profit of JPY33 billion, ordinary profit of JPY33.5 billion, and profit attributable to owners of the parent of JPY19 billion. As a result, what the Company takes in as share of profit of entities accounted for using equity method is JPY10.5 billion.

As for H2 of the fiscal year for Mitsubishi Ube Cement, on the lower left, domestic sales volume is expected to decrease due to a decline in domestic demand, and the cost increase will increase due to the yen's depreciation. Moreover, some repair costs were delayed from H1 to H2. We are in a difficult situation, but we are determined to improve our earnings.

As for our overseas business, especially in the US, we expect sales volume of ready-mixed concrete to decline in H2 of the fiscal year. There are also factors that increase costs, such as raw materials and labor costs, but there are also effects of price increases and other factors. As a result, we hope to achieve a significant increase in profit for the full year compared to the previous fiscal year. That is all for Mitsubishi Ube Cement.

FY2023 Consolidated Forecasts

UBE / UBE Corporation

Operating Profit – Profit attributable to owners of parent

(Billions of yen)

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Profit (loss) attributable to owners of parent	(7.0)	21.5	28.5
Net income per share	(72.54) yen	221.51 yen	294.05 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 1Q. The finalized accounting treatment is being applied in each reported figure for FY2022.

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Please go back to page 25. As a result of these factors, non-operating income will improve by JPY34.5 billion YoY to JPY9.5 billion, and ordinary profit will improve by JPY35.2 billion YoY to JPY26.5 billion.

As a result, profit attributable to owners of the parent will improve by JPY28.5 billion YoY to JPY21.5 billion, to return to the black from the previous fiscal year's loss.

This is all from me.

Question & Answer

[Specialty Products]

Q1. Why did the operating profit for Specialty Products decrease by 400 million yen from Q1 to Q2?

A1: There was some adjustment in polyimides due to the impact of declining smartphone demand on varnish. Operating profit also decreased for some other products.

Q2: Operating profit for Specialty Products is expected to increase by 1.6 billion yen from the first half to the second half. What are the factors behind this?

A2: Separation membranes and ceramics are growing, contributing to higher net sales and operating profits.

Q3: Given the recent decrease in the operating rate of panel manufacturers, does the profit and loss forecast for polyimides take this into account?

A3: The outlook for the second half of the fiscal year is uncertain, and we assume that polyimides will remain close to flat.

[Polymers & Chemicals]

Q4: Please discuss the situation for Polymers & Chemicals in the first half and second half, taking into account caprolactam margins and volumes.

A4: For caprolactam and nylon, both our product volumes and prices deteriorated in the first half. This was due to sluggish demand associated with China's economic slowdown, and intensifying global competition as Chinese products reached international markets. We expect some recovery for caprolactam in the second half as winter apparel demand picks up and customer inventory adjustments progress. However, we do not have excessive expectations, as we assume the spread between sales prices and raw material prices will remain at current levels.

Q5: What is the assumed spread for caprolactam in the second half of the fiscal year?

A5: We are assuming a spread of 725 USD per metric ton for the second half of the fiscal year, which is consistent with current levels.

Q6: Performance Polymers & Chemicals are expected to show a significant improvement from the first half to the second half of the fiscal year. In which businesses do you expect improvement?

A6: We assume ammonia prices will rise due to higher winter natural gas prices, improving the market conditions for ammonium sulfate. We also expect improvement in fine chemicals.

Q7: Why is profit forecast to decrease year-on-year in the second half for elastomers?

A7: Raw material prices fell in the first half, but product prices will reflect this, with a delay to the second half, leading to a reduced spread year-on-year for the second half.

Q8: Given the poor performance at subsidiaries in Thailand and Spain, are you considering reducing capacity for commodity products?

A8: While profitability is worsening at sites outside Japan, our priority is first to reduce costs as much as possible.

[Machinery]

Q9: Does the second half outlook factor in additional orders for ultra-large die casting machines for giga casting?

A9: Since UBE Machinery unveiled this machine at a trade show in November last year, we have received many inquiries from customers, but there is nothing we can announce at this point.

Q10: For the ultra-large die casting machines for giga casting, do you expect recurring service revenue in the future, as with other machinery products?

A10: If we deliver a significant number of these machines, corresponding service revenue should be generated.

[Mitsubishi UBE Cement]

Q11: Despite a decrease in cement sales volume, operating profit in the business in Japan is forecast to improve from the first half to the second half. Is this mainly due to lower coal prices and completion of a 5,000-yen price increase?

A11: That is correct.

Q12: For business outside Japan, while net sales are expected to remain unchanged from the first half to the second half, operating profit is forecast to decrease by about 12 billion yen. What are the reasons for this?

A12: In the U.S. business, we assume shipments will decrease in FY2023 Q4 due to adverse weather conditions, in addition to rising raw material and labor costs due to inflation.