



Consolidated Financial Report for the First Quarter Ended June 30, 2022

August 4, 2022

Company name: UBE Corporation
 Representative: Masato Izumihara,
 President and Representative Director
 Security code: 4208 (shares listed on Prime Section of Tokyo Stock
 Exchange and Fukuoka Stock Exchange)
 URL: <https://www.ube.co.jp>
 Contact: Hirotaka Ishikawa, General Manager,
 Accounting & Finance Department
 Tel: +81-3-5419-6130

(Amounts rounded to the nearest million yen)

1. Consolidated Financial Results for the First Quarter Ended June 30, 2022

(From April 1, 2022 to June 30, 2022)

(1) Consolidated Operating Results

(% indicates the rate of increase / decrease to the same period of previous year)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
April – June 2022	116,179 (20.6)%	4,355 (51.1)%	2,295 (74.3)%	5,738 20.7%
April – June 2021	146,290 —	8,900 —	8,926 —	4,755 —

(Note) Comprehensive Income: From April 1, 2022 to June 30, 2022: 16,654 Million Yen 296.2%
 From April 1, 2021 to June 30, 2021: 4,203 Million Yen 156.3%

	Net income per share (Yen)	Net income per share (Yen)
April – June 2022	59.25	59.12
April – June 2021	47.31	47.18

(Note) The Corporate Group has adopted the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan Statement No. 29, March 31, 2020) since the beginning of the consolidated first quarter of the fiscal year ending March 31, 2022 and the respective figures reported in the consolidated financial results for the first quarter of the fiscal year ending March 31, 2022 indicate the amounts after the aforementioned accounting standard has been applied. On the other hand, the rates of increase and decrease in net sales compared with the same quarter of the previous fiscal year are not indicated, because the respective figures reported in the consolidated financial results for the Fiscal Year Ended March 31, 2022 were not applied retroactively.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio (%)
June 30, 2022	737,344	405,549	51.6
March 31, 2022	837,954	394,035	44.1

(Reference) Shareholders' equity: As of June 30, 2022: 380,142 Million Yen
 As of March 31, 2022: 369,142 Million Yen

[Shareholders' equity = Net assets – Share acquisition rights – Non-controlling interests]

2. Cash Dividends

	Cash dividends per share (Yen)				
	First quarter	Second quarter	Third quarter	Year end	Annual
April 2021 – March 2022	—	45.00	—	50.00	95.00
April 2022 – March 2023	—	—	—	—	—
April 2022 – March 2023 (Forecast)	—	50.00	—	50.00	100.00

(Note) Revision of the latest forecast of cash dividends: No

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2023

(From April 1, 2022 to March 31, 2023)

(% indicates the rate of increase / decrease to the same period of previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share(Yen)
April – September 2022	261,000	(14.9)%	10,000	(47.6)%	(1,000)	–	1,500	(84.3)%	15.49
April 2022 – March 2023	557,000	(15.0)%	32,000	(27.3)%	17,000	(59.1)%	15,000	(38.8)%	154.88

(Note) Revision of the latest forecast of consolidated financial results: Yes

For more information about the revised forecast of consolidated financial results, see “UBE Corporation Announces Revised Earnings Forecasts,” which was released today (August 4, 2022).

(Notes)

(1) Changes in significant subsidiaries during the first quarter ended June 30, 2022: No

(Note) This item indicates whether there were changes in significant subsidiaries affecting the scope of consolidation during the first quarter ended June 30, 2022.

(2) Adoption of special accounting methods for presenting quarterly consolidated financial statements: Yes

(Note) For more details, please refer to “5. Consolidated Financial Statements (4) Notes to Quarterly Consolidated Financial Statements (Application of the specific accounting methods for preparing the quarterly consolidated financial statements)”.

(3) Changes in accounting policies applied, changes in accounting estimates and retrospective restatement

Changes in accounting policies applied due to revisions of accounting standards: Yes

Changes in accounting policies other than the above: No

Changes in accounting estimates: No

Retrospective restatement: No

(Note) For more details, please refer to “5. Consolidated Financial Statements (4) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies)”.

(4) Number of shares outstanding (common stock)

	June 30, 2022	March 31, 2022
Numbers of shares outstanding at period end	106,200,107	106,200,107
Numbers of shares of treasury stock at period end	9,346,718	9,392,743

	April – June 2022	April – June 2021
Weighted-average number of shares outstanding during period	96,846,099	100,510,075

(Information regarding quarterly review procedures)

The financial information contained in this report is not subject to quarterly review procedures by independent auditors.

(Cautionary statement on forward-looking statements)

The performance forecast and other forward-looking statements contained in this material have been prepared on the basis of information available at this point and certain assumptions which are judged to be rational. It may be substantially different from the actual performance because of various factors such as economic conditions in key markets, supply and demand of products, the prices of raw material and fuel, interest rates, and exchange rates.

4. Qualitative Information on Operating Results

(1) Overview of Operating Results

During the current term, net sales of the Company Group decreased; although sales of the chemical products continued to be stable as a whole thanks to increases in market prices of raw materials in the Polymers & Chemicals Segment, the transformation of cement-related business to an equity-method affiliate greatly affected the overall performance.

Operating profit and ordinary profit decreased despite strong sales in the Specialty Products Segment as a whole, because price risings in the Polymers & Chemicals Segment and the biennial inspection of the ammonia product factory had a significant negative impact.

Profit attributable to owners of parent increased mainly because gain on change in equity for the reason of the separation of the cement-related business was reported.

As a result, the Company Group reports its consolidated results during the current term as follows:

(Billions of yen)

Item	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
April – June 2022 ①	116.2	4.4	2.3	5.7
April – June 2021 ②	146.3	8.9	8.9	4.8
Difference ① - ②	(30.1)	(4.5)	(6.6)	1.0
Percentage change	(20.6)%	(51.1)%	(74.3)%	20.7%

(2) Overview by Segment

Net sales (Billions of yen)

Segment	April – June 2022 ①	April – June 2021 ②	Difference ① – ②	Percentage Change
Specialty Products	15.3	14.3	0.9	6.4%
Polymers & Chemicals	71.4	57.3	14.2	24.8%
Machinery	20.3	21.4	(1.1)	(5.1)%
Others	15.6	12.6	3.0	24.2%
Adjustment	(6.5)	40.7	(47.2)	—
Total	116.2	146.3	(30.1)	(20.6)%

Operating profit (Billions of yen)

Segment	April – June 2022 ①	April – June 2021 ②	Difference ① – ②	Percentage Change
Specialty Products	2.8	2.6	0.2	8.0%
Polymers & Chemicals	1.9	5.3	(3.4)	(64.2)%
Machinery	0.4	0.7	(0.4)	(52.3)%
Others	0.7	0.5	0.2	33.5%
Adjustment	(1.4)	(0.2)	(1.1)	—
Total	4.4	8.9	(4.5)	(51.1)%

(Note) Adjustment includes corporate expenses (general expenses that are not distributed to each reportable segment) and internal transactions between the segments.

Adjustment in the previous period includes the figures of the cement-related business that had been separated and transferred to Mitsubishi UBE Cement Group.

Specialty Products – Increases in both net sales and operating profit

The Polyimide Business recorded a sales increase, because sales volume of the COF films mainly used on displays remained stable.

The Separation Membrane Business recorded an increase in net sales thanks to the continued stable demand for its products, particularly those relating to biogas.

The Ceramics Business recorded an increase in net sales thanks to strong demand for bearing and the products used on substrates, along with sales price rising.

The Separators Business recorded a decrease in net sales due to the negative impact of production reduction in the automobile industry that was mainly resulted from shortage of semiconductors.

Both net sales and operating profit increased in the Specialty Products Segment; although the Separators Business was affected by production reduction in the automobile industry, strong demand for separation membranes and ceramics had a positive impact on the overall performance.

Polymers & Chemicals – Increases in net sales and decrease in operating profit

■ Performance Polymers & Chemicals Business

The Composites Business recorded a sales increase despite an impact of production reduction in the automobile industry, because of sales price rising supported by price increases in raw materials such as caprolactam.

The Nylon & Polymer Business recorded an increase in net sales, because of an increase in sales price supported by market price rising of caprolactam and the continued strong demand for nylon film for food packaging.

The Caprolactam & Ammonium Sulfate Business recorded a net sales increase because a higher selling price due to higher market prices for raw materials such as benzene and ammonium.

The Industrial Chemicals Business recorded a net sales decrease, due to decrease in shipment as the result of the biennial inspection of the ammonia product factory.

The Fine Chemicals Business recorded a sales increase because of overall sales price rising supported by price rises of raw materials and the like.

■ The Elastomer Business recorded an increase in sales, despite the impact of automobile production cutbacks, as rising product prices due to the market price of raw materials such as butadiene increasing.

■ Net sales increased, but operating profit decreased in the Polymers & Chemicals Segment as a whole, due to strong impact of a price rise of raw material in addition to the biennial inspection of the ammonia product factory.

Machinery – Decreases in both net sales and operating profit

The Molding Machine Business recorded a decrease in net sales due to shipment volume of the products decreased as the result of delay in parts procurement in midst of the semiconductor shortage.

The Industrial Machines Business recorded a decrease in net sales, because a series of big projects to supply conveyors used in the electric power industry were completed.

The Steel Products Business recorded an increase in net sales due to rising product prices mainly resulted from price rising of raw materials.

Both net sales and operating profit decreased in the Machinery Segment as a whole; although sales price increases in the steel products, decreased net sales in the Industrial Machines Business had a negative impact on the overall performance.

Others – Increases in both net sales and operating profit

The Pharmaceutical Business recorded a decrease in net sales, because sales of both drugs developed by UBE and those manufactured under contract were sluggish.

The Power Producer Business recorded an increase in net sales, because power supply to the Cement-Related Business was recorded as gained sales and the prices also rose.

Both net sales and operating profit increased in the Others Segment as a whole, thanks to a positive impact of the electric power sales price rising.

Cement-Related Business (Equity-Method Affiliate)

While domestic demand for cement was in a trend of gradual decrease in the Japanese market, sales volume of the Company Group remained at the same level with the same period in the previous fiscal year.

On the other hand, the business was affected by rising of energy prices including coal price. Demand for cement and ready-mixed concrete in the overseas market (North America) continued to be strong.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	79,492	41,209
Notes and accounts receivable - trade, and contract assets	171,358	99,883
Merchandise and finished goods	53,576	53,247
Work in process	21,131	21,336
Raw materials and supplies	50,002	40,780
Other	19,389	15,068
Allowance for doubtful accounts	(259)	(120)
Total current assets	394,689	271,403
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	90,942	50,431
Machinery, equipment and vehicles, net	136,388	92,613
Land	75,816	36,874
Other, net	29,611	23,232
Total property, plant and equipment	332,757	203,150
Intangible assets		
Goodwill	857	1,061
Other	7,684	4,963
Total intangible assets	8,541	6,024
Investments and other assets		
Investment securities	61,808	223,483
Other	40,566	33,424
Allowance for doubtful accounts	(540)	(265)
Total investments and other assets	101,834	256,642
Total non-current assets	443,132	465,816
Deferred assets	133	125
Total assets	837,954	737,344

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	110,766	74,932
Short-term borrowings	44,506	42,715
Commercial papers	17,000	—
Current portion of bonds payable	10,000	—
Income taxes payable	5,890	1,958
Provision for bonuses	6,951	7,517
Other provisions	1,063	1,203
Other	52,998	41,579
Total current liabilities	249,174	169,904
Non-current liabilities		
Bonds payable	50,000	50,000
Long-term borrowings	114,670	91,737
Provisions	3,615	625
Retirement benefit liability	7,292	4,943
Asset retirement obligations	2,234	1,181
Other	16,934	13,405
Total non-current liabilities	194,745	161,891
Total liabilities	443,919	331,795
Net assets		
Shareholders' equity		
Share capital	58,435	58,435
Capital surplus	40,623	40,576
Retained earnings	274,725	275,599
Treasury shares	(22,234)	(22,120)
Total shareholders' equity	351,549	352,490
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,680	2,267
Deferred gains or losses on hedges	(70)	(113)
Foreign currency translation adjustment	13,218	23,812
Remeasurements of defined benefit plans	765	1,686
Total accumulated other comprehensive income	17,593	27,652
Share acquisition rights	510	398
Non-controlling interests	24,383	25,009
Total net assets	394,035	405,549
Total liabilities and net assets	837,954	737,344

(2) Consolidated Statements of Income / Consolidated Statements of Comprehensive Income

• Consolidated Statements of Income

For the first quarter ended June 30, 2021 and 2022

(Millions of yen)

	April 1, 2021 - June 30, 2021	April 1, 2022 - June 30, 2022
Net sales	146,290	116,179
Cost of sales	117,605	96,235
Gross profit	28,685	19,944
Selling, general and administrative expenses	19,785	15,589
Operating profit	8,900	4,355
Non-operating income		
Interest income	50	28
Dividend income	469	925
Rental income	280	204
Amortization of negative goodwill	14	9
Share of profit of entities accounted for using equity method	162	—
Foreign exchange gains	93	1,022
Other	403	421
Total non-operating income	1,471	2,609
Non-operating expenses		
Interest expenses	218	156
Rental expenses	163	128
Share of loss of entities accounted for using equity method	—	3,150
Other	1,064	1,235
Total non-operating expenses	1,445	4,669
Ordinary profit	8,926	2,295
Extraordinary income		
Gain on sale of non-current assets	13	28
Gain on sale of investment securities	5	250
Gain on change in equity	—	8,265
Gain on extinguishment of tie-in shares	45	—
Gain on termination of retirement benefit plan	—	245
Total extraordinary income	63	8,788
Extraordinary losses		
Loss on disposal of non-current assets	79	64
Loss on sale of investment securities	—	1,128
Loss on valuation of investment securities	32	260
Total extraordinary losses	111	1,452
Profit before income taxes	8,878	9,631
Income taxes	3,809	3,877
Profit	5,069	5,754
Profit attributable to non-controlling interests	314	16
Profit attributable to owners of parent	4,755	5,738

• Consolidated Statements of Comprehensive Income
For the first quarter ended June 30, 2021 and 2022

(Millions of yen)

	April 1, 2021 - June 30, 2021	April 1, 2022 - June 30, 2022
Profit	5,069	5,754
Other comprehensive income		
Valuation difference on available-for-sale securities	(14)	(400)
Deferred gains or losses on hedges	(21)	(43)
Foreign currency translation adjustment	(1,045)	6,448
Remeasurements of defined benefit plans, net of tax	(20)	(324)
Share of other comprehensive income of entities accounted for using equity method	234	5,219
Total other comprehensive income	(866)	10,900
Comprehensive income	4,203	16,654
Comprehensive income attributable to owners of parent	4,332	15,797
Comprehensive income attributable to non- controlling interests	(129)	857

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	April 1, 2021 - June 30, 2021	April 1, 2022 - June 30, 2022
Cash flows from operating activities		
Profit before income taxes	8,878	9,631
Depreciation and amortization	9,068	6,154
Amortization of negative goodwill	(14)	(9)
Increase (decrease) in allowance for doubtful accounts	(95)	(8)
Interest and dividend income	(519)	(953)
Interest expenses	218	156
Share of loss (profit) of entities accounted for using equity method	(162)	3,150
Loss (gain) on change in equity	—	(8,265)
Loss (gain) on sale of non-current assets	(33)	(27)
Decrease (increase) in trade receivables	(1,698)	12,625
Decrease (increase) in inventories	(9,174)	(18,182)
Increase (decrease) in trade payables	6,948	8,777
Other, net	3,953	3,209
Subtotal	17,370	16,258
Interest and dividends received	1,239	3,634
Interest paid	(289)	(207)
Income taxes paid	(3,999)	(3,454)
Net cash provided by (used in) operating activities	14,321	16,231
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(9,412)	(5,743)
Proceeds from sale of property, plant and equipment	34	70
Purchase of investment securities	(2)	(50)
Proceeds from sale of investment securities	409	401
Payments for investments in capital of subsidiaries and associates	—	(2,465)
Purchase of shares of subsidiaries and associates	(92)	—
Payment from sale of shares of subsidiaries and associates	—	(420)
Decrease (increase) in short-term loans receivable	(208)	8,345
Other, net	5	22
Net cash provided by (used in) investing activities	(9,266)	160

(Millions of yen)

	April 1, 2021 - June 30, 2021	April 1, 2022 - June 30, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,015	17,678
Net increase (decrease) in commercial papers	—	(17,000)
Proceeds from long-term borrowings	250	1,393
Repayments of long-term borrowings	(1,824)	(1,274)
Redemption of bonds	(10,000)	(10,000)
Purchase of treasury shares	(4,318)	(28)
Dividends paid	(4,554)	(4,844)
Dividends paid to non-controlling interests	(130)	(185)
Other, net	(231)	(135)
Net cash provided by (used in) financing activities	(19,792)	(14,395)
Effect of exchange rate change on cash and cash equivalents	72	1,149
Net increase (decrease) in cash and cash equivalents	(14,665)	3,145
Cash and cash equivalents at beginning of period	79,646	78,761
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	57	—
Decrease in cash and cash equivalents resulting from corporate spin-off	—	(41,261)
Cash and cash equivalents at end of period	65,038	40,645

(4) Notes to Quarterly Consolidated Financial Statements

(Note to events and conditions which indicate there could be substantial doubt about going concern assumption)

None.

(Note to significant changes in shareholders' equity)

None.

(Application of the specific accounting methods for preparing the quarterly consolidated financial statements)

Tax expenses are calculated by estimating an effective tax rate for net income based on reasonable assumptions of an effective tax rate after application of tax effect accounting for net income before tax for the consolidated fiscal year, including the current term, and by multiplying the quarterly net income before tax by the estimated tax rate of net income. However, for subsidiaries for which calculating tax expenses using the said estimation of the effective tax rate would significantly lack rationality, tax expenses are calculated by using the statutory effective tax rate.

Income taxes adjustment is included in income taxes.

(Changes in accounting policies)

(Application of "Accounting Standard for Fair Value Measurement," etc.)

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.31, June 17, 2021) and other standards are applied from the first quarter of the fiscal year ending March 31, 2023. Based on the transitional treatment prescribed in Paragraph 27-2 of the "Accounting Standard for Fair Value Measurement", we have decided to apply the new accounting policies set forth by the "Accounting Standard for Fair Value Measurement" into the future. These changes had no impact on the quarterly consolidated financial statements.

6. Segment Information

(1) Information concerning Net Sales and Operating Profit by Reportable Business Segment

For the First Quarter Ended June 30, 2021 (April 1, 2021 to June 30, 2021)

(Millions of yen)

	Reported segment					Adjustment (note 1)	Amount recorded in consolidated statements of income (note 2)
	Specialty Products	Polymers & Chemicals	Machinery	Others	Total		
Net sales							
External sales	11,783	51,388	21,249	14,672	99,092	47,198	146,290
Internal sales or transfers	2,565	5,862	192	(2,119)	6,500	(6,500)	—
Total	14,348	57,250	21,441	12,553	105,592	40,698	146,290
Segment profit (operating profit)	2,609	5,299	742	487	9,137	(237)	8,900

(Note 1) Adjustments are applied to the followings:

- (1) Adjusted sales to unaffiliated customers of 47,198 million yen comprised of sales to the Cement Business and Cement-Related Business.
- (2) (6,500) million yen for adjustment amount for the inter-segment sales and transfers include 296 million yen for inter-segment sales or transfer.
- (3) (237) million yen for adjustment for Segment profit includes (110) million yen for the elimination of transaction between the Segments, 680 million yen for segment income of the cement business and its related business, and (807) million yen for company-wide cost that is not allocated to each reported Segment. Company-wide cost consists mainly of administration and general expense that is not attributed to each reported Segment.

(Note 2) Segment profit is adjusted with operating profit recorded in the consolidated statements of income.

For the First Quarter Ended June 30, 2022 (April 1, 2022 to June 30, 2022)

(Millions of yen)

	Reported segment					Adjustment (note 1)	Amount recorded in consolidated statements of income (note 2)
	Specialty Products	Polymers & Chemicals	Machinery	Others	Total		
Net sales							
External sales	11,901	64,322	20,119	19,837	116,179	—	116,179
Internal sales or transfers	3,365	7,122	219	(4,243)	6,463	(6,463)	—
Total	15,266	71,444	20,338	15,594	122,642	(6,463)	116,179
Segment profit (operating profit)	2,817	1,898	354	650	5,719	(1,364)	4,355

(Note 1) Adjustments are applied to the followings:

- (1,364) million yen for adjustment for Segment profit includes (93) million yen for the elimination of transaction between the Segments and (1,271) million yen for company-wide cost that is not allocated to each reported Segment. Company-wide cost consists mainly of administration and general expense that is not attributed to each reported Segment.

(Note 2) Segment profit is adjusted with operating profit recorded in the consolidated statements of income.

(2) Information concerning changes in reported segments

As the Company Group revised its medium-term management plan "UBE Vision 2030 Transformation—1st Stage" after it had transferred its cement business and the associated business to Mitsubishi UBE Cement Corporation in April 2022, its reported segment were changed from the previous four segments consisting of "Chemicals," "Construction Materials," "Machinery" and "Others" to the new four segment consisting of "Specialty Products," "Polymers & Chemicals," "Machinery" and "Others."

For fair comparison over the same period last year, the segment information in the first quarter of the previous consolidated fiscal year is reported under the segmentation after the modification.

In addition, no net sales and segment profit (operating profit) in the Cement Business and Cement-Related Business that had been included in the "Construction Materials" Segment were reported during the current term. This is for the reason that Mitsubishi UBE Cement Corporation is Company Group's equity-method affiliate, and as the result, share of losses of entities accounted for using equity method (non-operating expenses) of 3,415 million yen relating to the said business was reported.

(Reference) Consolidated Key Indicators

(Billions of yen – except where noted)

	April – June 2021	April – June 2022	April 2022 – March 2023 (forecast)	April 2021 – March 2022
Capital investment	6.8	7.4	39.0	39.6
Depreciation and amortization	9.1	6.2	24.0	36.5
Research and development expenses	2.8	2.4	11.0	11.8
Adjusted operating profit *1	9.6	2.2	21.0	43.3
Interest-bearing debt	204.4	188.9	180.0	241.8
Shareholders' equity *2	353.9	380.1	385.0	369.1
Total assets	763.0	737.3	740.0	838.0
D/E ratio (times)	0.58	0.50	0.47	0.66
Shareholders' equity ratio (%)	46.4	51.6	52.0	44.1
Return on sales - ROS (%) *3	6.1	3.7	5.7	6.7
Return on assets - ROA (%) *4	—	—	2.6	5.4
Return on equity - ROE (%) *5	—	—	4.0	6.7
Number of employees	11,113	7,722	7,700	9,849

*1 Adjusted operating profit: Operating profit + Interest and dividend income + Share of profit of entities accounted for using equity method

*2 Shareholders' equity: Net assets – Share acquisition rights – Non-controlling interests

*3 ROS: Operating profit / Net sales

*4 ROA: Adjusted operating profit / Average total assets

*5 ROE: Profit attributable to owners of parent / Average shareholders' equity