



Consolidated Financial Report for the First Quarter Ended June 30, 2023

August 4, 2023

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, Director, Executive Officer,
 General Manager of Accounting & Finance Dept.
 Tel: +81-3-5419-6130

(Amounts rounded to the nearest million yen)

1. Consolidated Financial Results for the First Quarter Ended June 30, 2023

(From April 1, 2023 to June 30, 2023)

(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 2023	109,220	(6.0)%	2,622	(39.8)%	5,326	252.0%	3,655	(26.3)%
April – June 2022	116,179	(20.6)%	4,355	(51.1)%	1,513	(83.0)%	4,956	4.2%

(Note) Comprehensive Income: From April 1, 2023 to June 30, 2023: 15,234 Million Yen (6.2%)
 From April 1, 2022 to June 30, 2022: 16,240 Million Yen 286.4%

	Net income per share (Yen)	Diluted net income per share (Yen)
April – June 2023	37.66	37.65
April – June 2022	51.17	51.06

(Note) The Company Group determined the provisional accounting treatment related to the business combination of the cement-related business in the consolidated fourth quarter of the fiscal year ended March 2023. The finalized accounting treatment is being applied in each reported figure for the first quarter of the fiscal year ended March 2023.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio (%)
June 30, 2023	734,073	392,415	50.7
March 31, 2023	732,681	381,631	49.4

(Reference) Shareholders' equity: As of June 30, 2023: 371,968 Million Yen
 As of March 31, 2023: 361,611 Million Yen

[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 the consolidated first quarter of the fiscal year ending March 2024. The finalized accounting treatment is being applied in each reported figure for the fiscal year ended March 2023.

2. Cash Dividends

	Cash dividends per share (Yen)				
	First quarter	Second quarter	Third quarter	Year end	Annual
April 2022 – March 2023	—	50.00	—	45.00	95.00
April 2023 – March 2024	—	—	—	—	—
April 2023 – March 2024 (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, 2024

(From April 1, 2023 to March 31, 2024)

(% 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 2023	259,000	5.8%	9,000	5.6%	12,000	–	7,500	–	77.29
April 2023 – March 2024	545,000	10.2%	30,000	85.1%	38,500	–	27,500	–	283.39

(Note) Revision of the latest forecast of consolidated financial results: No

(Notes)

(1) Changes in significant subsidiaries during the first quarter ended June 30, 2023: No

(Note) This item indicates whether there were changes in significant subsidiaries affecting the scope of consolidation during the first quarter ended June 30, 2023.

(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: No

Changes in accounting policies other than the above: No

Changes in accounting estimates: No

Retrospective restatement: No

(4) Number of shares outstanding (common stock)

	June 30, 2023	March 31, 2023
Numbers of shares outstanding at period end	106,200,107	106,200,107
Numbers of shares of treasury stock at period end	9,160,026	9,159,538

	April – June 2023	April – June 2022
Weighted-average number of shares outstanding during period	97,040,342	96,846,099

(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, both net sales and operating profit decreased. Despite strong business performance in the Specialty Products and Machinery Segments, and positive impact of acquisition of a contract drag development and manufacturing organization in December 2022, sales volume and sales prices of nylon polymer and caprolactam declined in the Polymers & Chemicals Segment.

Ordinary profit increased, because of an increase in share of profit of entities accounted for using equity method, as sales prices were adjusted in the cement-related business (an equity-method affiliate) as a result of hikes of energy prices including coal price.

Profit attributable to owners of parent decreased, mainly because gain on change in equity reported for the reason of the separation of the cement-related business in the previous term was not recorded in the current term.

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

Item	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
April – June 2023 ①	109.2	2.6	5.3	3.7
April – June 2022 ②	116.2	4.4	1.5	5.0
Difference ① - ②	(7.0)	(1.7)	3.8	(1.3)
Percentage change	(6.0)%	(39.8)%	252.0%	(26.3)%

(Note) The Company Group determined the provisional accounting treatment related to the business combination of the cement-related business in the consolidated fourth quarter of the fiscal year ended March 2023. The finalized accounting treatment is being applied in each reported figure for the first quarter of the fiscal year ended March 2023.

(2) Overview by Segment

Net sales

Segment	April – June 2023 ①	April – June 2022 ②	Difference ① – ②	Percentage Change
Specialty Products	15.8	15.3	0.5	3.5%
Polymers & Chemicals	60.3	71.4	(11.1)	(15.6)%
Machinery	20.6	20.3	0.2	1.2%
Others	18.9	15.6	3.3	21.4%
Adjustment	(6.4)	(6.5)	0.0	—
Total	109.2	116.2	(7.0)	(6.0)%

Operating profit

Segment	April – June 2023 ①	April – June 2022 ②	Difference ① – ②	Percentage Change
Specialty Products	3.0	2.8	0.2	7.8%
Polymers & Chemicals	(1.6)	1.9	(3.5)	—
Machinery	0.9	0.4	0.5	150.3%
Others	0.9	0.7	0.2	36.9%
Adjustment	(0.6)	(1.4)	0.8	—
Total	2.6	4.4	(1.7)	(39.8)%

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

Specialty Products – Increases in both net sales and operating profit

The Polyimide Business recorded a net sales increase, because sales volume of varnish used for organic EL panels remained stable.

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

The Ceramics Business recorded an increase in net sales thanks to the continued strong demand for bearing and the products used for substrates.

The Separators Business recorded a decrease in net sales due to the negative impact of production reduction in the automobile industry.

The Specialty Products Segment as a whole recorded increases in both net sales and operating profit, mainly because business of polyimide and separation membranes remained strong.

Polymers & Chemicals – Decreases in both net sales and operating profit

■ Performance Polymers & Chemicals Business

The Composites Business recorded an increase in net sales despite the continued weak production in the automobile industry, because price adjustment resulted from rising prices for raw materials had positive impact on the overall business.

The Nylon Polymer Business recorded a decrease in net sales, because of slowdown in demand for products used for nylon film for food packaging, as well as a decline in sales price resulted from market price falling of a raw material, caprolactam.

The Caprolactam & Ammonium Sulfate Business recorded a net sales decrease, because of reduced sales volume resulted from sluggish demand, as well as sales price declines of the products mainly due to market price falling of the raw materials such as benzene and ammonia.

The Industrial Chemicals Business recorded a net sales increase, because the biennial inspection of the ammonia product factory did not take place and sales volume of the products rose.

The Fine Chemicals Business recorded a net sales decrease, mainly due to declines in sale prices resulted from price falling of the raw materials.

■The Elastomer Business recorded an increase in net sales. Although sales volume was almost same with the same period of the previous fiscal year, the product prices rose thanks to higher market prices of raw materials such as butadiene.

■The Polymers & Chemicals Segment recorded decreases in both net sales and operating profit. Although the biennial inspection of the ammonia product factory did not take place, decreases in sales volume and sales prices of nylon polymer and caprolactam resulted from the sluggish demand significantly affected the overall business.

Machinery – Increases in both net sales and operating profit

The Molding Machine Business recorded an increase in net sales, because sales of the products for the automobile industry remained stable.

The Industrial Machines Business recorded a net sales increase, because sales of industrial machines such as conveyors used in the electricity industry, as well as services in general remained stable.

The Steel Products Business recorded a decrease in net sales, because of a decline in sales volume resulted from the weak demand in the domestic and overseas markets.

The Machinery Segment as a whole recorded increases in both net sales and operating profit, because sales remained strong in the Molding Machine Business, and raw material prices fell in the Steel Products Business.

Others – Increases in both net sales and operating profit

The Pharmaceutical Business recorded a net sales increase, because of positive impact by acquisition of a contract drug development and manufacturing organization in December 2022.

The Power Producer Business recorded an increase in net sales because of increased sales volume of surplus electricity from in-house power plant.

The Others Segment as a whole recorded increases in both net sales and operating profit, mainly because of positive impact by acquisition of a contract drug development and manufacturing organization.

Cement-Related Business (Equity-Method Affiliate)

In the domestic market, while sales volume for cement decreased, the sales price adjustment and cost improvement were made due to hiking energy prices including coal price. In the overseas market (North America), the business performance improved because shipment of ready-mixed concrete was recovered, while it was delayed due to negative impacts of weather conditions in the previous quarter. Increased sales price also had positive impact on overseas business.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	31,175	27,147
Notes and accounts receivable - trade, and contract assets	106,998	94,265
Merchandise and finished goods	56,754	59,995
Work in process	23,881	27,799
Raw materials and supplies	46,373	47,799
Other	18,044	19,913
Allowance for doubtful accounts	(109)	(117)
Total current assets	283,116	276,801
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	51,264	51,566
Machinery, equipment and vehicles, net	95,326	95,691
Land	36,701	36,891
Other, net	25,747	25,874
Total property, plant and equipment	209,038	210,022
Intangible assets		
Goodwill	1,472	1,546
Other	7,314	7,254
Total intangible assets	8,786	8,800
Investments and other assets		
Investment securities	198,393	204,801
Other	33,462	33,782
Allowance for doubtful accounts	(263)	(272)
Total investments and other assets	231,592	238,311
Total non-current assets	449,416	457,133
Deferred assets	149	139
Total assets	732,681	734,073

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	69,241	55,899
Short-term borrowings	55,137	58,227
Commercial papers	3,000	5,000
Income taxes payable	1,528	1,852
Provision for bonuses	5,258	7,224
Other provisions	1,105	1,039
Other	36,963	36,623
Total current liabilities	172,232	165,864
Non-current liabilities		
Bonds payable	60,000	60,000
Long-term borrowings	95,520	91,479
Provisions	2,027	2,285
Retirement benefit liability	7,219	7,303
Asset retirement obligations	1,199	1,205
Other	12,853	13,522
Total non-current liabilities	178,818	175,794
Total liabilities	351,050	341,658
Net assets		
Shareholders' equity		
Share capital	58,435	58,435
Capital surplus	40,371	40,371
Retained earnings	257,957	257,245
Treasury shares	(21,676)	(21,677)
Total shareholders' equity	335,087	334,374
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,698	4,034
Deferred gains or losses on hedges	(143)	(142)
Foreign currency translation adjustment	23,740	33,488
Remeasurements of defined benefit plans	229	214
Total accumulated other comprehensive income	26,524	37,594
Share acquisition rights	71	71
Non-controlling interests	19,949	20,376
Total net assets	381,631	392,415
Total liabilities and net assets	732,681	734,073

(2) Consolidated Statements of Income / Consolidated Statements of Comprehensive Income
 • Consolidated Statements of Income
 For the first quarter ended June 30, 2022 and 2023

(Millions of yen)

	April 1, 2022 - June 30, 2022	April 1, 2023 - June 30, 2023
Net sales	116,179	109,220
Cost of sales	96,235	90,726
Gross profit	19,944	18,494
Selling, general and administrative expenses	15,589	15,872
Operating profit	4,355	2,622
Non-operating income		
Interest income	28	63
Dividend income	925	411
Rental income	204	208
Amortization of negative goodwill	9	—
Share of profit of entities accounted for using equity method	—	2,268
Foreign exchange gains	1,022	815
Other	421	137
Total non-operating income	2,609	3,902
Non-operating expenses		
Interest expenses	156	244
Rental expenses	128	138
Share of loss of entities accounted for using equity method	3,932	—
Other	1,235	816
Total non-operating expenses	5,451	1,198
Ordinary profit	1,513	5,326
Extraordinary income		
Gain on sale of non-current assets	28	3
Gain on sale of investment securities	250	—
Gain on change in equity	8,265	—
Gain on termination of retirement benefit plan	245	—
Total extraordinary income	8,788	3
Extraordinary losses		
Loss on disposal of non-current assets	64	198
Loss on sale of investment securities	1,128	—
Impairment losses	—	78
Loss on valuation of investment securities	260	—
Total extraordinary losses	1,452	276
Profit before income taxes	8,849	5,053
Income taxes	3,877	1,572
Profit	4,972	3,481
Profit (loss) attributable to non-controlling interests	16	(174)
Profit attributable to owners of parent	4,956	3,655

• Consolidated Statements of Comprehensive Income
For the first quarter ended June 30, 2022 and 2023

(Millions of yen)

	April 1, 2022 - June 30, 2022	April 1, 2023 - June 30, 2023
Profit	4,972	3,481
Other comprehensive income		
Valuation difference on available-for-sale securities	(400)	989
Deferred gains or losses on hedges	(43)	(9)
Foreign currency translation adjustment	6,448	6,573
Remeasurements of defined benefit plans, net of tax	(324)	20
Share of other comprehensive income of entities accounted for using equity method	5,587	4,180
Total other comprehensive income	11,268	11,753
Comprehensive income	16,240	15,234
Comprehensive income attributable to owners of parent	15,383	14,725
Comprehensive income attributable to non-controlling interests	857	509

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	April 1, 2022 - June 30, 2022	April 1, 2023 - June 30, 2023
Cash flows from operating activities		
Profit before income taxes	8,849	5,053
Depreciation and amortization	6,154	6,386
Impairment losses	—	78
Amortization of goodwill	—	3
Amortization of negative goodwill	(9)	—
Increase (decrease) in allowance for doubtful accounts	(8)	16
Interest and dividend income	(953)	(474)
Interest expenses	156	244
Share of loss (profit) of entities accounted for using equity method	3,932	(2,268)
Loss (gain) on change in equity	(8,265)	—
Loss (gain) on sale of non-current assets	(27)	(2)
Decrease (increase) in trade receivables	12,625	14,612
Decrease (increase) in inventories	(18,182)	(5,994)
Increase (decrease) in trade payables	8,777	(12,765)
Other, net	3,209	3,474
Subtotal	16,258	8,363
Interest and dividends received	3,634	1,326
Interest paid	(207)	(225)
Income taxes paid	(3,454)	(2,403)
Net cash provided by (used in) operating activities	16,231	7,061
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(5,743)	(8,125)
Proceeds from sale of property, plant and equipment	70	115
Purchase of investment securities	(50)	(25)
Proceeds from sale of investment securities	401	—
Payments for investments in capital of subsidiaries and associates	(2,465)	—
Payment from sale of shares of subsidiaries and associates	(420)	—
Decrease (increase) in short-term loans receivable	8,345	(100)
Other, net	22	44
Net cash provided by (used in) investing activities	160	(8,091)

(Millions of yen)

	April 1, 2022 - June 30, 2022	April 1, 2023 - June 30, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	17,678	(240)
Net increase (decrease) in commercial papers	(17,000)	2,000
Proceeds from long-term borrowings	1,393	—
Repayments of long-term borrowings	(1,274)	(1,169)
Redemption of bonds	(10,000)	—
Purchase of treasury shares	(28)	(1)
Dividends paid	(4,844)	(4,371)
Dividends paid to non-controlling interests	(185)	(82)
Other, net	(135)	(140)
Net cash provided by (used in) financing activities	(14,395)	(4,003)
Effect of exchange rate change on cash and cash equivalents	1,149	975
Net increase (decrease) in cash and cash equivalents	3,145	(4,058)
Cash and cash equivalents at beginning of period	78,761	30,703
Decrease in cash and cash equivalents resulting from corporate spin-off	(41,261)	—
Cash and cash equivalents at end of period	40,645	26,645

(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.

6. Segment Information

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

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.

For the First Quarter Ended June 30, 2023 (April 1, 2023 to June 30, 2023)

(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	12,044	55,728	20,536	20,912	109,220	—	109,220
Internal sales or transfers	3,763	4,584	49	(1,978)	6,418	(6,418)	—
Total	15,807	60,312	20,585	18,934	115,638	(6,418)	109,220
Segment profit or loss (operating profit or loss)	3,037	(1,579)	886	890	3,234	(612)	2,622

(Note 1) Adjustments are applied to the followings:

(612) million yen for adjustment for Segment profit or loss includes 230 million yen for the elimination of transaction between the Segments and (842) 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 or loss is adjusted with operating profit recorded in the consolidated statements of income.

(Reference) Consolidated Key Indicators

(Billions of yen – except where noted)

	April – June 2022	April – June 2023	April 2023 – March 2024 (forecast)	April 2022 – March 2023
Capital investment	7.4	4.4	47.5	29.3
Depreciation and amortization	6.2	6.4	24.5	25.5
Research and development expenses	2.4	2.6	11.0	10.4
Adjusted operating profit *1	1.4	5.4	41.0	(5.5)
Interest-bearing debt	188.9	219.2	248.0	218.1
Shareholders' equity *2	379.7	372.0	378.0	361.6
Total assets	736.9	734.1	788.0	732.7
D/E ratio (times)	0.50	0.59	0.66	0.60
Shareholders' equity ratio (%)	51.5	50.7	48.0	49.4
Return on sales - ROS (%) *3	3.7	2.4	5.5	3.3
Return on assets - ROA (%) *4	—	—	5.4	(0.7)
Return on equity - ROE (%) *5	—	—	7.4	(1.9)
Number of employees	7,722	8,106	8,150	8,028

*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

(Note 1) The Company Group determined the provisional accounting treatment related to the business combination of the cement-related business in the consolidated fourth quarter of the fiscal year ended March 2023. The finalized accounting treatment is being applied in each reported figure for the first quarter of the fiscal year ended March 2023.

(Note 2) The Company Group determined the provisional accounting treatment related to the business combination of a contract drag development and manufacturing organization in the consolidated first quarter of the fiscal year ending March 2024. The finalized accounting treatment is being applied in each reported figure for the fiscal year ended March 2023.