

# Financial Results for the 1st Quarter FY2023

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## Explanatory material

August 4, 2023

1st Quarter: April - Jun

# **FY2023 1st Quarter Consolidated Result**

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## Scope of Consolidation

Item	End of FY2022 (A)	End of FY2023 1Q (B)	Difference (B) - (A)	Notes
Number of consolidated subsidiaries	36	36	-	
Number of equity method affiliates	15	15	-	
Total	51	51	-	

## Environmental Factors

Item		FY2022 1Q (A)	FY2023 1Q (B)	Difference (B) - (A)		
Exchange Rate		Yen/\$	129.6	137.4	7.8	
Material Price	Naphtha	CIF	\$/ t	949	693	(256)
		Domestic	Yen/KL	86,100	67,300	(18,800)
	Benzene (ACP)		\$/ t	1,227	938	(289)
	Australian Coal (CIF)		\$/ t	393.8	216.5	(177.3)
			Yen/t	51,018	29,741	(21,277)

## Major P/L Items

(Billions of yen)

Item	FY2022 1Q (A)	FY2023 1Q (B)	Difference (B) - (A)	Percentage change
Net sales	116.2	109.2	(7.0)	(6.0)%
Operating profit	4.4	2.6	(1.7)	(39.8)%
Ordinary profit	1.5	5.3	3.8	252.0%
Profit attributable to owners of parent	5.0	3.7	(1.3)	(26.3)%

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 1Q.

# Net Sales and Operating Profit by Segment

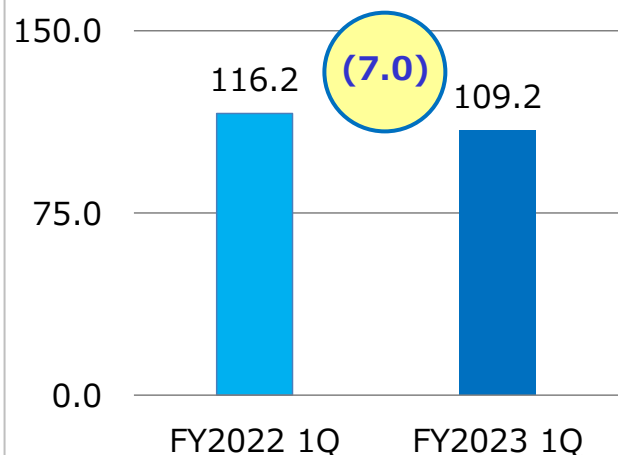
(Billions of yen)

	Segment	FY2022 1Q (A)	FY2023 1Q (B)	Difference (B) - (A)	Percentage change
Net sales	Specialty Products	15.3	15.8	0.5	3.5%
	Polymers & Chemicals	71.4	60.3	(11.1)	(15.6)%
	Machinery	20.3	20.6	0.2	1.2%
	Others	15.6	18.9	3.3	21.4%
	Adjustment	(6.5)	(6.4)	0.0	-
	Total	116.2	109.2	(7.0)	(6.0)%
Operating profit	Specialty Products	2.8	3.0	0.2	7.8%
	Polymers & Chemicals	1.9	(1.6)	(3.5)	-
	Machinery	0.4	0.9	0.5	150.3%
	Others	0.7	0.9	0.2	36.9%
	Adjustment	(1.4)	(0.6)	0.8	-
	Total	4.4	2.6	(1.7)	(39.8)%

# Analysis – Total

(Billions of yen)

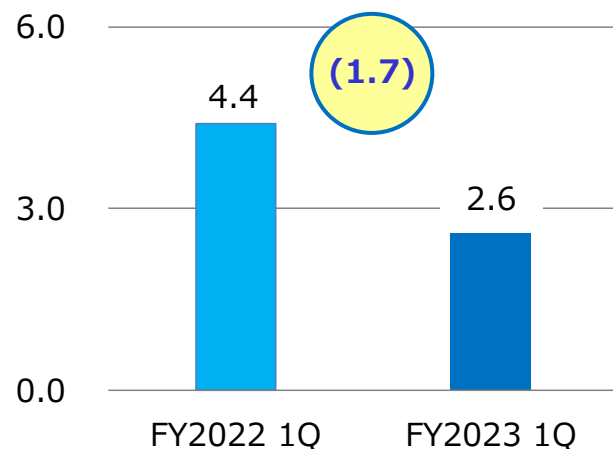
## Net Sales



Specialty Products	0.5
Polymers & Chemical	(11.1)
Machinery	0.2
Others	3.3
Adjustment	0.0

**(6.0)% Decreased**

## Operating profit



Specialty Products	0.2
Polymers & Chemical	(3.5)
Machinery	0.5
Others	0.2
Adjustment	0.8

**(39.8)% Decreased**

## Qualitative Information

### Net sales: Down

- Polymers & Chemicals: Decreased sales volume due to declining demand and lower sales prices
- Others: Consolidation of API Corporation

### Operating profit: Down

- Polymers & Chemicals: Lower sales prices and volume of nylon polymer and caprolactam due to declining demand

## Difference of operating profit

Price <sup>*1</sup>	0.5
Volume	(0.5)
Fixed Cost and Others <sup>*2</sup>	(1.7)
<b>Total</b>	<b>(1.7)</b>

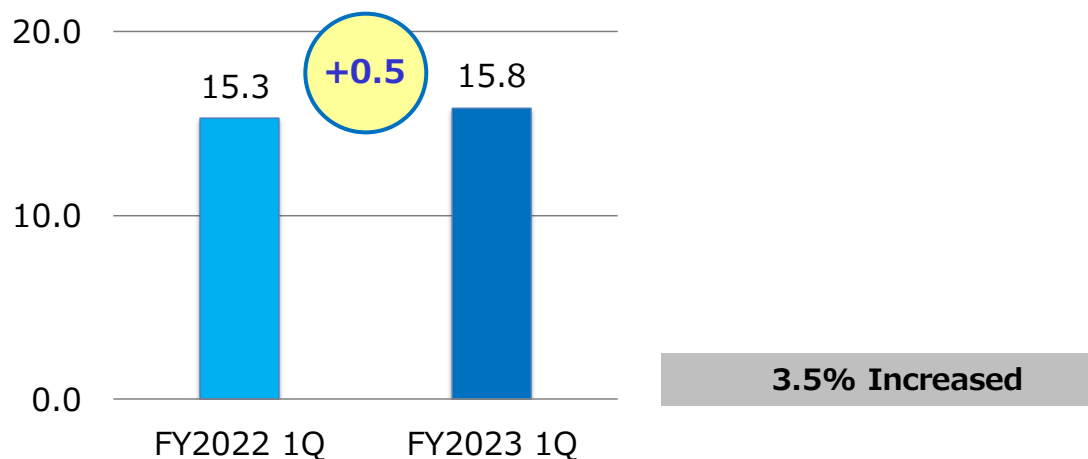
\*1: Including both selling and purchase change

\*2: Including inventory valuation changes and lowest cost accounting

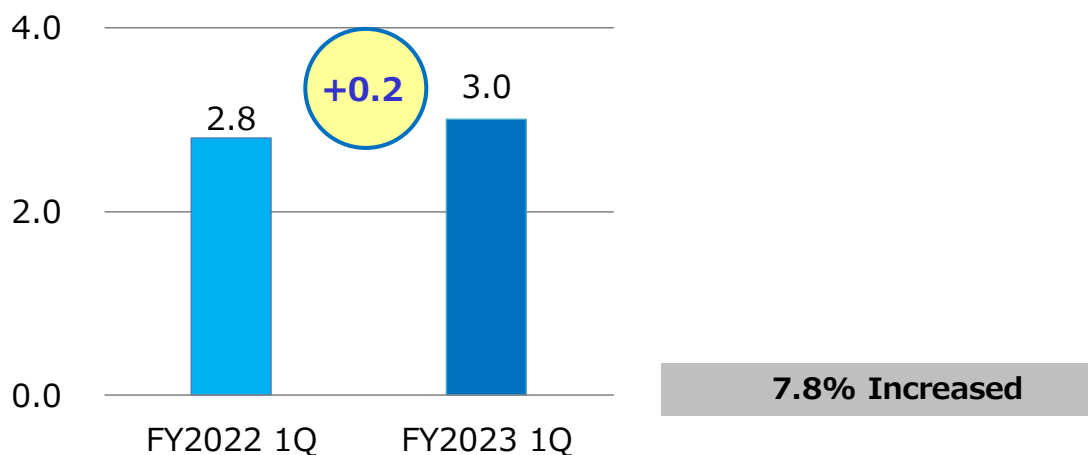
# Analysis – Specialty Products

(Billions of yen)

## Net Sales



## Operating profit



## Qualitative Information

### Net sales: Up

- Polyimides: Strong sales of varnish for organic EL panels
- Separation membranes: Strong demand mainly for biogas-related applications

### Operating profit: Up

- Strong sales for polyimides and separation membranes

## Difference of operating profit

Price <sup>*1</sup>	0.4
Volume	(0.3)
Fixed Cost and Others <sup>*2</sup>	0.2
<b>Total</b>	<b>0.2</b>

\*1: Including both selling and purchase change

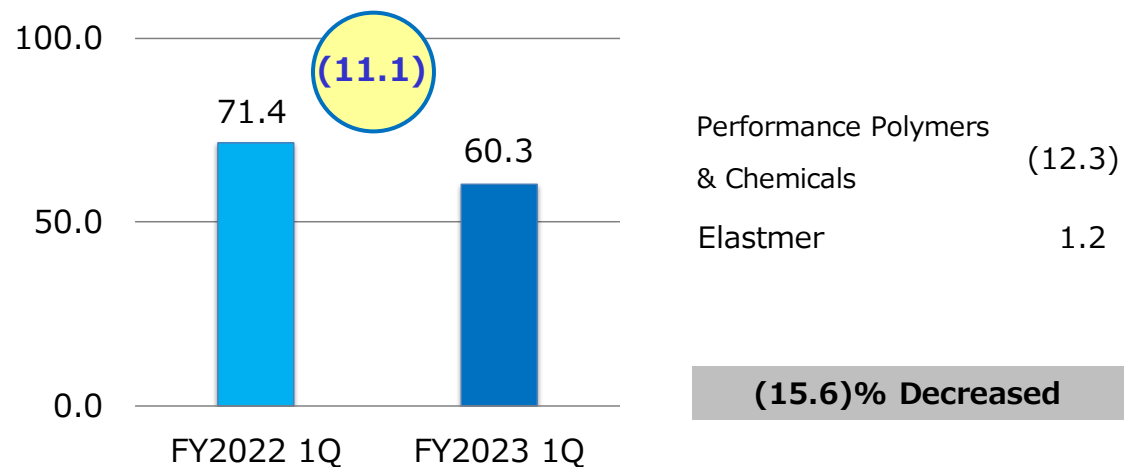
\*2: Including inventory valuation changes and lowest cost accounting



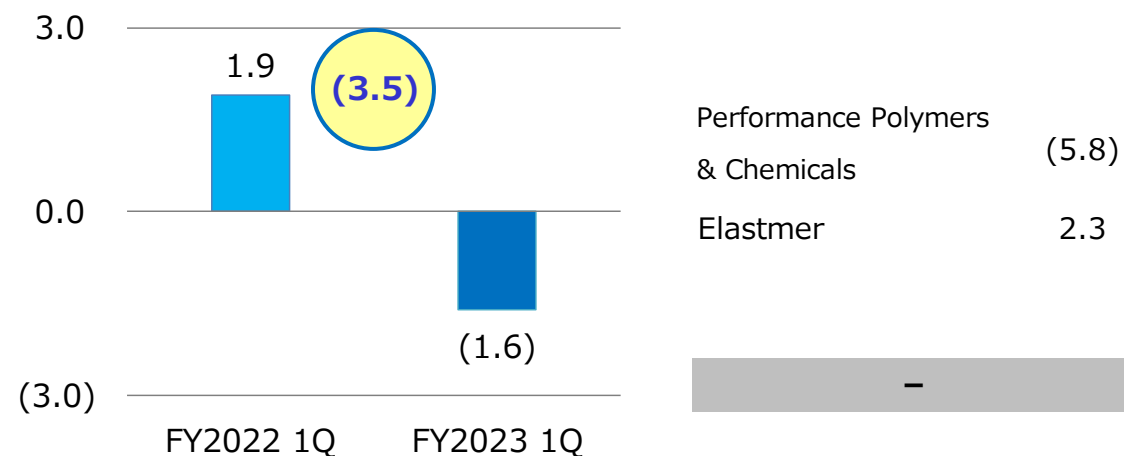
# Analysis – Polymers & Chemicals

(Billions of yen)

## Net Sales



## Operating profit



## Qualitative Information

### Net sales: Down

- Nylon polymers: Decline in demand for food packaging film and lower sales prices due to lower prices of raw material caprolactam
- Caprolactam & ammonium sulfate: Decreased sales volume due to declining demand and lower sales prices due to decline in raw materials prices

### Operating profit: Down

- Decline in demand and lower sales prices of nylon polymers and caprolactam

## Difference of operating profit

Price <sup>*1</sup>	0.9
Volume	(0.8)
Fixed Cost and Others <sup>*2</sup>	(3.5)
<b>Total</b>	<b>(3.5)</b>

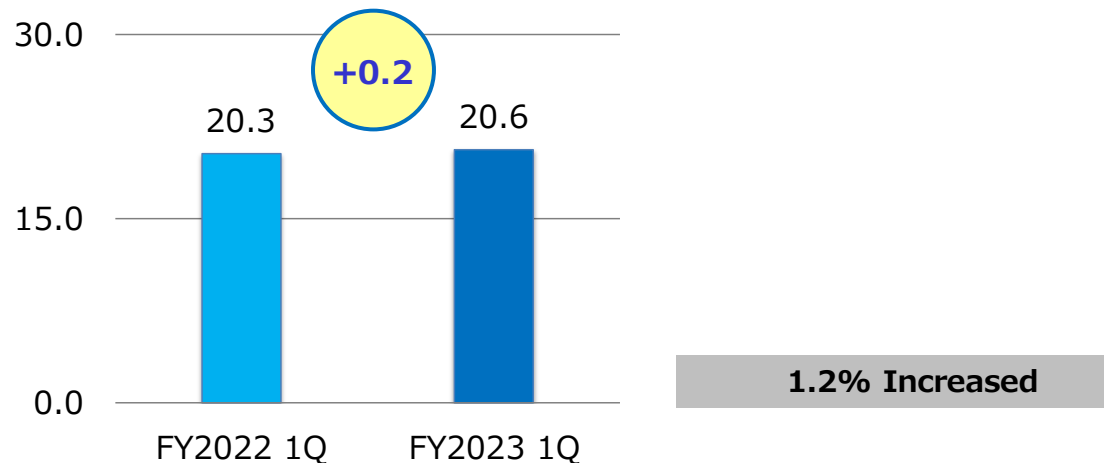
\*1: Including both selling and purchase change

\*2: Including inventory valuation changes and lowest cost accounting

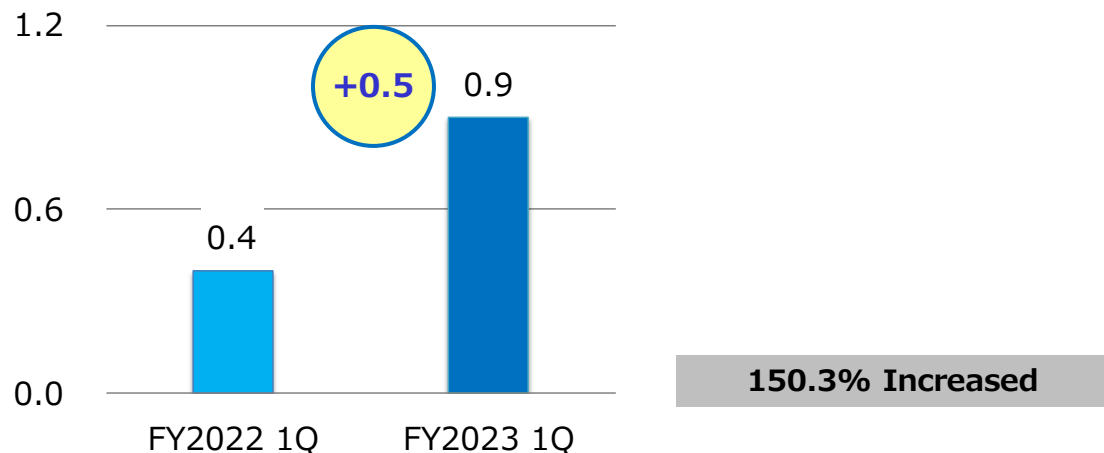
# Analysis – Machinery

(Billions of yen)

## Net Sales



## Operating profit



## Qualitative Information

### Net sales: Up

- Molding machines: Strong sales for automotive industry
- Steel products: Decreased sales volume due to declining demand

### Operating profit: Up

- Lower prices of raw materials of steel products business

## Difference of operating profit

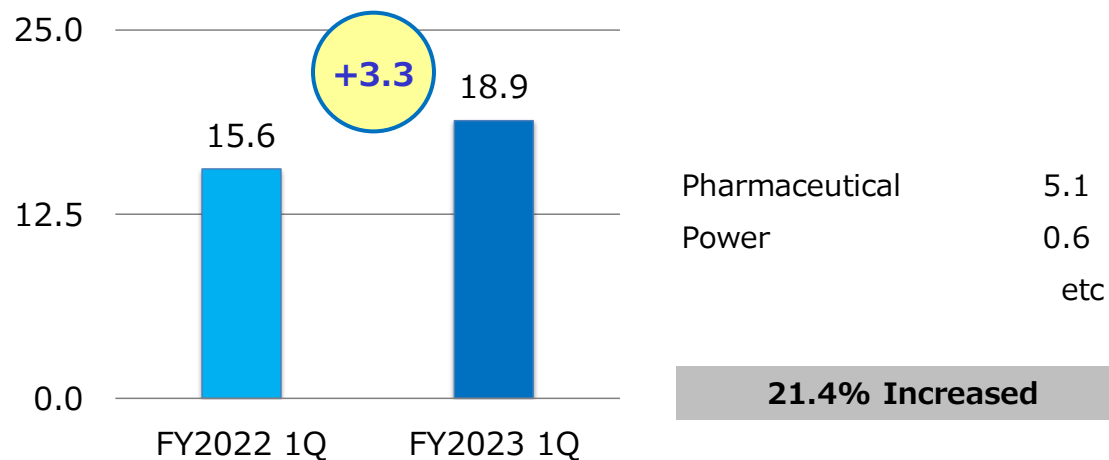
Marginal profit on machinery product: 0.3

(Since machinery products are manufactured on an individual order basis, no analysis of differences in price and volume is performed.)

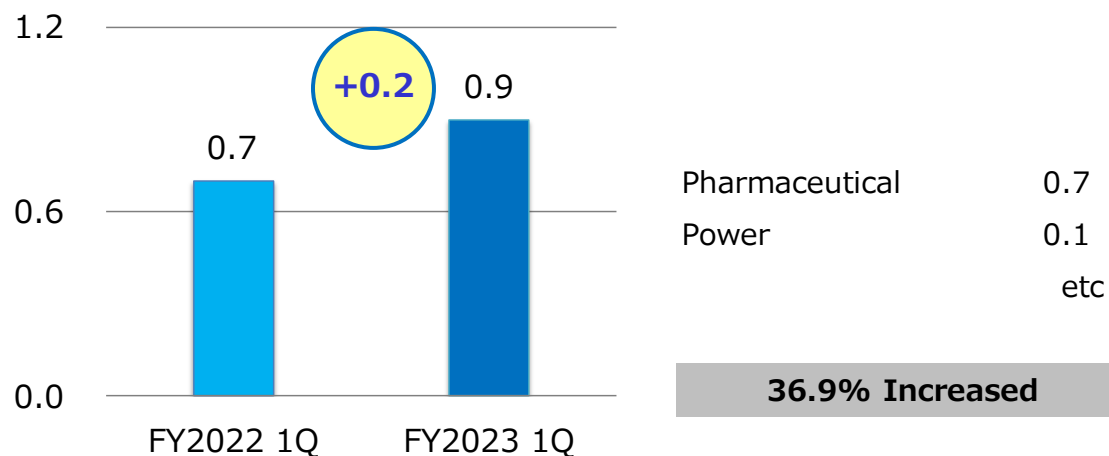
# Analysis – Others

(Billions of yen)

## Net Sales



## Operating profit



## Qualitative Information

### Net sales: Up

- Pharmaceuticals: Consolidation of API Corporation
- Power: Increased sales volume of surplus electricity from in-house power plant

### Operating profit: Up

- Consolidation of API Corporation

## Difference of operating profit

Price <sup>*1</sup>	(0.9)
Volume	0.2
Fixed Cost and Others <sup>*2</sup>	0.9
<b>Total</b>	<b>0.2</b>

\*1: Including both selling and purchase change

\*2: Including inventory valuation changes

# Operating Profit – Profit attributable to owners of parent

(Billions of yen)

Item	FY2022 1Q (A)	FY2023 1Q (B)	Difference (B) - (A)
Operating profit	4.4	2.6	(1.7)
Non-operating income (expenses)	(2.8)	2.7	5.5
Net interests expenses	0.8	0.2	(0.6)
Share of profit (loss) of entities accounted for using equitiy method	(3.9)	2.3	6.2
Share of profit (loss) of entities accounted for using equitiy method related to Mitsubishi UBE Cement Corporation	(4.2)	2.4	6.6
Foreign exchange gains	1.0	0.8	(0.2)
Others	(0.7)	(0.6)	0.1
Ordinary profit	1.5	5.3	3.8
Extraordinary income (losses)	7.3	(0.3)	(7.6)
Profit before income taxes	8.8	5.1	(3.8)
Income taxes and profit (loss) attributable to non-controlling interests	(3.9)	(1.4)	2.5
Profit attributable to owners of parent	5.0	3.7	(1.3)
Net income per share	51.17 yen	37.66 yen	(13.51) 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 1Q.

# Consolidated Balance Sheet

(Billions of yen)

Item	End of FY2022 (A)	End of FY2023 1Q (B)	Difference (B) - (A)
Current assets	283.1	276.8	(6.3)
Fixed assets	449.4	457.1	7.7
<b>Total assets</b>	<b>732.7</b>	<b>734.1</b>	<b>1.4</b>
Interest-bearing debt	218.1	219.2	1.0
Other liabilities	132.9	122.5	(10.4)
<b>Total liabilities</b>	<b>351.1</b>	<b>341.7</b>	<b>(9.4)</b>
Shareholders' equity *	361.6	372.0	10.4
Non-controlling interests and others	20.0	20.4	0.4
<b>Total net assets</b>	<b>381.6</b>	<b>392.4</b>	<b>10.8</b>
<b>Total liabilities and net assets</b>	<b>732.7</b>	<b>734.1</b>	<b>1.4</b>

\*: 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.

# Consolidated Statements of Cash Flows

(Billions of yen)

Item	FY2022 1Q	FY2023 1Q	
A.Cash flows from operating activities	16.2	7.1	Profit before income taxes 5.1 Depreciation and amortization 6.4 Increase in working capital (4.1) etc.
B.Cash flows from investing activities	0.2	(8.1)	Acquisition of PP&E (8.1) etc.
Free cash flows (A+B)	16.4	(1.0)	
C.Cash flows from financing activities	(14.4)	(4.0)	Increase in interest-bearing debts 0.5 Dividends paid (4.5) etc.
D.Net increase/decrease in cash and cash equivalents	(38.1)	(4.1)	
E.Cash and cash equivalents at end of the quarter	40.6	26.6	

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 FY2023 1Q.

# Reference

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## Progress of Major P/L Items

(Billions of yen)

Item	FY2022 Results (A)		FY2023 Results (B)		Difference (B) - (A)	
		1Q Progress		1Q Progress		1Q
Net sales	494.7	116.2 23.5%	545.0	109.2 20.0%	50.3	(7.0)
Operating profit	16.2	4.4 26.9%	30.0	2.6 8.7%	13.8	(1.7)
Ordinary profit (loss)	(8.7)	1.5 (-%)	38.5	5.3 13.8%	47.2	3.8
Profit (loss) attributable to owners of parent	(7.0)	5.0 (-%)	27.5	3.7 13.3%	34.5	(1.3)

Note 1: 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 1Q.

Note 2: 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.



# Net Sales

(Billions of yen)

Segment	FY2023					Full-year (forecast)	Progress
	1Q	2Q	3Q	4Q	Total		
Specialty Products	15.8	–	–	–	15.8	71.5	22.1%
Polymers & Chemicals	60.3	–	–	–	60.3	313.0	19.3%
Machinery	20.6	–	–	–	20.6	108.5	19.0%
Others	18.9	–	–	–	18.9	88.5	21.4%
Adjustment	(6.4)	–	–	–	(6.4)	(36.5)	– %
<b>Total</b>	<b>109.2</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>109.2</b>	<b>545.0</b>	<b>20.0%</b>

# Operating Profit

(Billions of yen)

Segment	FY2023					Full-year (forecast)	Progress
	1Q	2Q	3Q	4Q	Total		
Specialty Products	3.0	–	–	–	3.0	12.5	24.3%
Polymers & Chemicals	(1.6)	–	–	–	(1.6)	12.0	–%
Machinery	0.9	–	–	–	0.9	6.0	14.8%
Others	0.9	–	–	–	0.9	3.5	25.4%
Adjustment	(0.6)	–	–	–	(0.6)	(4.0)	–%
<b>Total</b>	<b>2.6</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2.6</b>	<b>30.0</b>	<b>8.7%</b>

# 1Q on 4Q – Net Sales

(Billions of yen)

Segment	FY2022 4Q (A)	FY2023 1Q (B)	Difference (B) - (A)	Major factors
Specialty Products	14.8	15.8	1.1	
Polymers & Chemicals	68.2	60.3	(7.9)	Performance Polymers & Chemicals (7.2) Elastmer (0.6)
Machinery	27.6	20.6	(7.0)	
Others	22.5	18.9	(3.6)	Pharmaceutical (0.4) Power (1.0) etc.
Adjustment	(6.7)	(6.4)	0.3	
<b>Total</b>	<b>126.3</b>	<b>109.2</b>	<b>(17.1)</b>	

# 1Q on 4Q – Operating Profit

(Billions of yen)

Segment	FY2022 4Q (A)	FY2023 1Q (B)	Difference (B) - (A)	Major factors
Specialty Products	1.7	3.0	1.3	
Polymers & Chemicals	(0.7)	(1.6)	(0.9)	Performance Polymers & Chemicals (2.1) Elastmer 1.2
Machinery	2.6	0.9	(1.7)	
Others	0.9	0.9	0.0	Pharmaceutical 0.3 Power 0.1 etc.
Adjustment	(1.3)	(0.6)	0.7	
<b>Total</b>	<b>3.2</b>	<b>2.6</b>	<b>(0.6)</b>	

Note: The Company Group determined the provisional accounting treatment related to the business combination of a contract drug development and manufacturing organization in FY2023 1Q. The finalized accounting treatment is being applied in each reported figure for FY2022 4Q.

# Net Sales and Operating Profit by Business Portfolio

(Billions of yen)

	Business portfolio	FY2022	FY2023	Difference (B) - (A)	FY2023	Progress
		1Q (A)	1Q (B)		full-year (forecast)	
Net sales	Specialty business	29.7	37.6	7.9	165.0	22.8%
	Basic business	60.3	47.0	(13.3)	252.0	18.6%
	Machinery business	20.3	20.6	0.2	108.5	19.0%
	Other businesses (incl. adjustment)	5.8	4.1	(1.7)	19.5	20.9%
	Total	116.2	109.2	(7.0)	545.0	20.0%
Operating profit (loss)	Specialty business	3.7	4.5	0.8	20.0	22.5%
	Basic business	1.5	(2.0)	(3.5)	7.0	—
	Machinery business	0.4	0.9	0.5	6.0	14.8%
	Other businesses (incl. adjustment)	(1.1)	(0.7)	0.4	(3.0)	—
	Total	4.4	2.6	(1.7)	30.0	8.7%

# Mitsubishi UBE Cement

(Billions of yen)

## ■ Major P/L Items

Mitsubishi UBE Cement Corporation and Consolidated Subsidiaries

Item	FY2022 1Q	FY2023 1Q
Net Sales	129.7	147.9
Operating profit (loss)	(7.9)	9.4
Ordinary profit (loss)	(7.4)	9.8
Profit (loss) attributable to owners of parent	(9.7)	4.5

## ■ 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	(4.2)	2.4
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- In the domestic cement business, sales volume declined in FY2023 1Q, but the company raised prices additionally, which it has been working on since last fiscal year and promoted profit improvement measures such as business structure improvement and increased use of low-cost thermal energy. The company aims to return to profitability in FY2023.
- In the U.S. business, ready-mixed concrete sales volume increased significantly in FY2023 1Q due to the resumption of construction work that had been delayed by bad weather in FY2022 4Q. Combined with the effect of price hikes, this led to a significant increase in both sales and profit.
- The full-year forecast is left unchanged from the initial projection.

## ■ Quantitative information

Item	FY2022 1Q	FY2023 1Q
Total demand for cement in Japan (million tons)	9.18	8.58
Cement sales volumes in Japan (million tons)	2.26	2.06
Cement sales volumes in the U.S. (million tons)	0.50	0.49
Ready-mixed concrete sales volumes in the U.S. (million cy)	1.84	2.02
Thermal coal price (reference) (\$/t)	373	161
Exchange rate (Yen/\$)	130	137

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

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

Total assets	779.2	Interest-bearing debt	203.1	Shareholder's equity	332.5
Shareholder's equity ratio	42.7%	D/E ratio	0.61 times		

# Consolidated Key Indicators

(Billions of yen)

Item	FY2022 1Q	FY2023 1Q	FY2023 full-year (forecast)	FY2022 full-year
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 (loss)	1.4	5.4	41.0	(5.5)
Interest-bearing debt	188.9	219.2	248.0	218.1
Shareholders' equity	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 (%)	3.7	2.4	5.5	3.3
Return on assets - ROA (%)	–	–	5.4	(0.7)
Return on equity – ROE (%)	–	–	7.4	(1.9)
Number of employees	7,722	8,106	8,150	8,028

Note 1: 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 1Q.

Note 2: 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 full-year.

# Consolidated Major Subsidiaries

(Billions of yen)

Subsidiaries	Business	Net Sales FY2023 1Q	Difference of operating profit from FY2022 1Q
UBE Corporation Europe, S.A. Unipersonal	Manufacture and sales of nylon, caprolactam, ammonium sulfate and fine chemical products	12.6	↓
UBE Chemicals (Asia) Public Company Limited	Manufacture and sales of nylon, caprolactam and ammonium sulfate	9.3	↓
THAI SYNTHETIC RUBBERS COMPANY LIMITED	Manufacture and sales of polybutadiene rubber	4.7	↑
Ube Film, Ltd.	Manufacture and sales of plastic film products	2.8	↑
UBE EXSYMO CO., LTD.	Manufacture and sales of polypropylene molded products, fibers, fiber-reinforced plastics and electronic and information materials	2.9	→
UBE Machinery Corporation, Ltd.	Manufacture, sales, and service of molding machines, industrial machinery and bridge, etc.	10.9	→
UBE Steel Co., Ltd	Manufacture and sales of cast iron and steel products and rolled steel billets	6.7	↑

Note: ↑ ↓ represents increase or decrease of over 0.1 billion JPY



## **Announcement of 1st Half Business Results**

- **Announcement of 1st Half Financial Results**
  - **November 6, 2023    15:00**
  
- **1st Half Financial Results Briefing**
  - **November 6, 2023    18:00 – 19:00**

**(Note) This schedule is subject to change without notice due to circumstances**

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