



Consolidated Financial Report for the First Half Ended September 30, 2023

November 6, 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: Shingo Nakayama,
 General Manager of Corporate Communications Dept.
 Tel: +81-3-5419-6110

(Amounts rounded to the nearest million yen)

1. Consolidated Financial Results for the First Half Ended September 30, 2023

(From April 1, 2023 to September 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 – September 2023	218,079 (10.9)%	5,221 (38.7)%	11,303 –	9,019 –
April – September 2022	244,781 (20.2)%	8,519 (55.4)%	(2,744) –	(1,258) –

(Note) Comprehensive Income: From April 1, 2023 to September 30, 2023: 24,906 Million Yen 99.6%
 From April 1, 2022 to September 30, 2022: 12,481 Million Yen 98.4%

	Net income per share (Yen)	Diluted net income per share (Yen)
April – September 2023	92.93	92.89
April – September 2022	(12.98)	–

(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 consolidated first half of the fiscal year ended March 2023.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio (%)
September 30, 2023	743,334	401,795	51.3
March 31, 2023	732,681	381,631	49.4

(Reference) Shareholders' equity: As of September 30, 2023: 381,653 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 consolidated 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	–	50.00			
April 2023 – March 2024 (Forecast)			–	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 2023 – March 2024	484,000	(2.2)%	17,000	4.9%	26,500	–	21,500	–	221.51

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

For more information about the revised forecast of consolidated financial results, see “UBE Corporation Announces Revised Earnings Forecasts” which was released on November 2, 2023.

(Notes)

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

(Note) This item indicates whether there were changes in significant subsidiaries affecting the scope of consolidation during the first half ended September 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)

	September 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	9,130,545	9,159,538

	April – September 2023	April – September 2022
Weighted-average number of shares outstanding during period	97,052,980	96,922,292

(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 decreased. Despite positive impact of acquisition of a contract drag development and manufacturing organization in December 2022, a decrease in sales volume of nylon polymer and caprolactam in the Polymers & Chemicals Segment significantly affected the overall business.

Operating profit decreased. Despite strong business performance in the Specialty Products and Machinery Segments, and also positive impact of acquisition of a contract drag development and manufacturing organization, sales price declines of nylon polymer and caprolactam in the Polymers & Chemicals Segment significantly affected the overall business.

Both ordinary profit and profit attributable to owners of parent increased, because of an increase in share of profit of entities accounted for using equity method. Sales prices were adjusted in the cement-related business (an equity-method affiliate) as they reflect hikes of energy prices including coal.

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 – September 2023 ①	218.1	5.2	11.3	9.0
April – September 2022 ②	244.8	8.5	(2.7)	(1.3)
Difference ① - ②	(26.7)	(3.3)	14.0	10.3
Percentage change	(10.9)%	(38.7)%	—	—

(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 consolidated first half of the fiscal year ended March 2023.

(2) Overview by Segment

Net sales

(Billions of yen)

Segment	April – September 2023 ①	April – September 2022 ②	Difference ① – ②	Percentage Change
Specialty Products	31.3	31.8	(0.5)	(1.6)%
Polymers & Chemicals	120.2	149.5	(29.3)	(19.6)%
Machinery	42.7	45.3	(2.6)	(5.8)%
Others	38.0	33.4	4.6	13.8%
Adjustment	(14.0)	(15.1)	1.1	—
Total	218.1	244.8	(26.7)	(10.9)%

Operating profit

(Billions of yen)

Segment	April – September 2023 ①	April – September 2022 ②	Difference ① – ②	Percentage Change
Specialty Products	5.7	5.5	0.1	2.4%
Polymers & Chemicals	(2.4)	2.4	(4.8)	—
Machinery	2.2	1.2	0.9	76.2%
Others	1.4	1.2	0.2	15.9%
Adjustment	(1.6)	(1.8)	0.2	—
Total	5.2	8.5	(3.3)	(38.7)%

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

Specialty Products – Decrease in net sales and increase in operating profit

The Polyimide Business recorded net sales almost at the same level as the same period in the previous fiscal year. While demand for displays declined, overall sales remained flat.

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 its products used for bearings and substrates.

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

The Specialty Products Segment recorded a decrease in net sales and an increase in operating profit. For net sales, net sales decreases in the Separators and other business exceeded net sales increases in the Separation Membrane and the Ceramics Business. In terms of operating profit, strong demand for the Separation Membrane and the Ceramics Business had a significant positive impact.

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

■ Performance Polymers & Chemicals Business

The Composites Business recorded an increase in net sales, because sales volume increased thanks to the recovery of automobile production in the overseas market.

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 prices 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 regular 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, due to declines in sales prices resulted from market price fallings of the products, as well as decreased sales volume caused by sluggish demand.

■ The Elastomer Business recorded an increase in net sales, because sales volume increased due to sales expansion at overseas operations.

■ The Polymers & Chemicals Segment recorded decreases in both net sales and operating profit. Although the regular 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 – Decrease in net sales and increase in operating profit

The Molding Machine Business recorded a decrease in net sales due to a slowdown in capital investment in the automobile industry.

The Industrial Machines Business recorded an increase in net sales due to the steady performance of services including maintenance of machine products.

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 recorded a decrease in net sales, significantly impacted by net sales decreases in the Molding Machine Business and the Steel Products Business. Operating profit increased, as sales of services remained strong in both the Molding Machine and the Industrial Machines 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 (API Corporation) in December 2022.

The Power Producer Business recorded a decrease in net sales because the selling price of electricity also fell due to the decline in coal prices.

The Others Segment 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 “Mitsubishi UBE Cement Corporation”)

In the domestic market, although sales volume of cement decreased, selling prices were corrected to reflect the hiking energy prices including coal, and cost improvement was made. In the overseas market (North America), shipment of ready-mixed concrete was recovered, while it was delayed due to negative impacts of weather conditions in the fourth quarter of the last fiscal year. Increased sales prices also had positive impact on overseas business. As a result, performance of Cement-Related Business significantly improved.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	31,175	29,001
Notes and accounts receivable - trade, and contract assets	106,998	97,220
Merchandise and finished goods	56,754	55,752
Work in process	23,881	28,661
Raw materials and supplies	46,373	46,128
Other	18,044	18,711
Allowance for doubtful accounts	(109)	(109)
Total current assets	283,116	275,364
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	51,264	51,966
Machinery, equipment and vehicles, net	95,326	93,958
Land	36,701	37,183
Other, net	25,747	29,162
Total property, plant and equipment	209,038	212,269
Intangible assets		
Goodwill	1,472	1,544
Other	7,314	7,055
Total intangible assets	8,786	8,599
Investments and other assets		
Investment securities	198,393	212,203
Other	33,462	35,044
Allowance for doubtful accounts	(263)	(275)
Total investments and other assets	231,592	246,972
Total non-current assets	449,416	467,840
Deferred assets	149	130
Total assets	732,681	743,334

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	69,241	58,092
Short-term borrowings	55,137	63,317
Commercial papers	3,000	11,000
Current portion of bonds payable	—	10,000
Income taxes payable	1,528	3,241
Provision for bonuses	5,258	5,166
Other provisions	1,105	922
Other	36,963	38,713
Total current liabilities	172,232	190,451
Non-current liabilities		
Bonds payable	60,000	50,000
Long-term borrowings	95,520	75,784
Provisions	2,027	2,410
Retirement benefit liability	7,219	7,339
Asset retirement obligations	1,199	1,213
Other	12,853	14,342
Total non-current liabilities	178,818	151,088
Total liabilities	351,050	341,539
Net assets		
Shareholders' equity		
Share capital	58,435	58,435
Capital surplus	40,371	40,375
Retained earnings	257,957	262,609
Treasury shares	(21,676)	(21,607)
Total shareholders' equity	335,087	339,812
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,698	4,918
Deferred gains or losses on hedges	(143)	43
Foreign currency translation adjustment	23,740	36,681
Remeasurements of defined benefit plans	229	199
Total accumulated other comprehensive income	26,524	41,841
Share acquisition rights	71	71
Non-controlling interests	19,949	20,071
Total net assets	381,631	401,795
Total liabilities and net assets	732,681	743,334

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

• Consolidated Statements of Income

For the first half ended September 30, 2022 and 2023

(Millions of yen)

	April 1, 2022 – September 30, 2022	April 1, 2023 – September 30, 2023
Net sales	244,781	218,079
Cost of sales	204,928	180,014
Gross profit	39,853	38,065
Selling, general and administrative expenses	31,334	32,844
Operating profit	8,519	5,221
Non-operating income		
Interest income	46	124
Dividend income	1,164	499
Rental income	415	427
Amortization of negative goodwill	18	–
Share of profit of entities accounted for using equity method	–	5,941
Foreign exchange gains	1,566	1,200
Other	762	377
Total non-operating income	3,971	8,568
Non-operating expenses		
Interest expenses	378	477
Rental expenses	265	280
Share of loss of entities accounted for using equity method	12,045	–
Other	2,546	1,729
Total non-operating expenses	15,234	2,486
Ordinary profit (loss)	(2,744)	11,303
Extraordinary income		
Gain on sale of non-current assets	28	30
Gain on sale of investment securities	267	136
Gain on change in equity	8,265	–
Gain on termination of retirement benefit plan	245	–
Total extraordinary income	8,805	166
Extraordinary losses		
Loss on disposal of non-current assets	251	572
Loss on sale of investment securities	1,128	–
Impairment losses	530	122
Loss on valuation of investment securities	260	1
Total extraordinary losses	2,169	695
Profit before income taxes	3,892	10,774
Income taxes	5,315	1,938
Profit (loss)	(1,423)	8,836
Loss attributable to non-controlling interests	(165)	(183)
Profit (loss) attributable to owners of parent	(1,258)	9,019

• Consolidated Statements of Comprehensive Income
For the first half ended September 30, 2022 and 2023

(Millions of yen)

	April 1, 2022 – September 30, 2022	April 1, 2023 – September 30, 2023
Profit (loss)	(1,423)	8,836
Other comprehensive income		
Valuation difference on available-for-sale securities	(651)	1,775
Deferred gains or losses on hedges	(54)	39
Foreign currency translation adjustment	6,348	7,374
Remeasurements of defined benefit plans, net of tax	(337)	40
Share of other comprehensive income of entities accounted for using equity method	8,598	6,842
Total other comprehensive income	13,904	16,070
Comprehensive income	12,481	24,906
Comprehensive income attributable to owners of parent	12,051	24,336
Comprehensive income attributable to non-controlling interests	430	570

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	April 1, 2022 – September 30, 2022	April 1, 2023 – September 30, 2023
Cash flows from operating activities		
Profit before income taxes	3,892	10,774
Depreciation and amortization	12,487	12,964
Impairment losses	530	122
Amortization of goodwill	–	8
Amortization of negative goodwill	(18)	–
Increase (decrease) in allowance for doubtful accounts	(21)	11
Interest and dividend income	(1,210)	(623)
Interest expenses	378	477
Share of loss (profit) of entities accounted for using equity method	12,045	(5,941)
Loss (gain) on change in equity	(8,265)	–
Loss (gain) on sale of non-current assets	(29)	(30)
Decrease (increase) in trade receivables	9,689	11,861
Decrease (increase) in inventories	(26,473)	(489)
Increase (decrease) in trade payables	11,315	(11,564)
Other, net	(1,934)	5,337
Subtotal	12,386	22,907
Interest and dividends received	4,959	2,164
Interest paid	(391)	(484)
Income taxes paid	(5,693)	(1,156)
Net cash provided by (used in) operating activities	11,261	23,431
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(11,626)	(14,297)
Proceeds from sale of property, plant and equipment	70	141
Purchase of investment securities	(50)	(26)
Proceeds from sale of investment securities	443	253
Payments for investments in capital of subsidiaries and associates	(2,465)	–
Purchase of shares of subsidiaries and associates	–	(1,073)
Payment from sale of shares of subsidiaries and associates	(420)	–
Decrease (increase) in short-term loans receivable	8,345	(2,660)
Other, net	10	53
Net cash provided by (used in) investing activities	(5,693)	(17,609)

(Millions of yen)

	April 1, 2022 – September 30, 2022	April 1, 2023 – September 30, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	18,557	(2,400)
Net increase (decrease) in commercial papers	(15,000)	8,000
Proceeds from long-term borrowings	3,505	12
Repayments of long-term borrowings	(5,883)	(9,652)
Redemption of bonds	(10,000)	–
Purchase of treasury shares	(34)	(3)
Dividends paid	(4,827)	(4,353)
Dividends paid to non-controlling interests	(942)	(448)
Other, net	(271)	(304)
Net cash provided by (used in) financing activities	(14,895)	(9,148)
Effect of exchange rate change on cash and cash equivalents	1,347	1,116
Net increase (decrease) in cash and cash equivalents	(7,980)	(2,210)
Cash and cash equivalents at beginning of period	78,761	30,703
Decrease in cash and cash equivalents resulting from corporate spin-off	(43,267)	–
Cash and cash equivalents at end of period	27,514	28,493

(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, 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 Half Ended September 30, 2022 (April 1, 2022 to September 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	24,784	135,926	44,948	39,123	244,781	—	244,781
Internal sales or transfers	6,975	13,561	310	(5,762)	15,084	(15,084)	—
Total	31,759	149,487	45,258	33,361	259,865	(15,084)	244,781
Segment profit (operating profit)	5,516	2,405	1,221	1,223	10,365	(1,846)	8,519

(Note 1) Adjustments are applied to the followings:

(1,846) million yen for adjustment for Segment profit includes 122 million yen for the elimination of transaction between the Segments, and (1,968) 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 Half Ended September 30, 2023 (April 1, 2023 to September 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	23,421	109,830	42,454	42,374	218,079	—	218,079
Internal sales or transfers	7,844	10,327	199	(4,397)	13,973	(13,973)	—
Total	31,265	120,157	42,653	37,977	232,052	(13,973)	218,079
Segment profit or loss (operating profit or loss)	5,650	(2,393)	2,152	1,418	6,827	(1,606)	5,221

(Note 1) Adjustments are applied to the followings:

(1,606) million yen for adjustment for Segment profit or loss includes (10) million yen for the elimination of transaction between the Segments and (1,596) 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 – September 2022	April – September 2023	April 2023 – March 2024 (forecast)	April 2022 – March 2023
Capital investment	14.6	12.8	41.0	29.3
Depreciation and amortization	12.5	13.0	24.5	25.5
Research and development expenses	5.0	5.1	11.0	10.4
Adjusted operating profit (loss)*1	(2.3)	11.8	28.0	(5.5)
Interest-bearing debt	189.3	214.6	218.0	218.1
Shareholders' equity *2	376.7	381.7	385.0	361.6
Total assets	730.7	743.3	760.0	732.7
D/E ratio (times)	0.50	0.56	0.57	0.60
Shareholders' equity ratio (%)	51.6	51.3	50.7	49.4
Return on sales - ROS (%) *3	3.5	2.4	3.5	3.3
Return on assets - ROA (%) *4	—	—	3.7	(0.7)
Return on equity - ROE (%) *5	—	—	5.8	(1.9)
Number of employees	7,693	8,041	8,120	8,028

*1 Adjusted operating profit (loss): Operating profit + Interest and dividend income + Share of profit (loss) 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 consolidated first half 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 consolidated fiscal year ended March 2023.