



Consolidated Financial Report for the First Three Quarters Ended December 31, 2023

February 5, 2024

Company name: UBE Corporation
 Representative: Masato Izumihara,
 President and Representative Director
 Security code: 4208 (shares listed on Prime Section of Tokyo 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 Three Quarters Ended December 31, 2023

(From April 1, 2023 to December 31, 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 – December 2023	332,947	(9.6)%	12,307	(5.2)%	23,175	—	19,946	—
April – December 2022	368,394	(22.7)%	12,988	(60.5)%	(4,532)	—	(2,385)	—

(Note) Comprehensive Income: From April 1, 2023 to December 31, 2023: 34,511 Million Yen 493.8%
 From April 1, 2022 to December 31, 2022: 5,812 Million Yen (67.1)%

	Net income per share (Yen)	Diluted net income per share (Yen)
April – December 2023	205.51	205.41
April – December 2022	(24.60)	—

(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 three quarters of the fiscal year ended March 2023.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio (%)
December 31, 2023	755,963	405,236	50.9
March 31, 2023	732,681	381,631	49.4

(Reference) Shareholders' equity: As of December 31, 2023: 384,941 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

(Notes)

(1) Changes in significant subsidiaries during the first three quarters ended December 31, 2023: No

(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)

	December 31, 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	9,131,516	9,159,538

	April – December 2023	April – December 2022
Weighted-average number of shares outstanding during period	97,057,787	96,952,420

(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, sluggish sales of nylon polymer, caprolactam, and other products in the Polymers & Chemicals Segment significantly affected the overall business.

Operating profit decreased. Despite strong business performance in the Machinery Segment, and also positive impact of acquisition of a contract drag development and manufacturing organization, sluggish sales of nylon polymer, fine chemicals, and other products 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, as sales prices were adjusted in the cement-related business (an equity-method affiliate) so 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 – December 2023 ①	332.9	12.3	23.2	19.9
April – December 2022 ②	368.4	13.0	(4.5)	(2.4)
Difference ① - ②	(35.4)	(0.7)	27.7	22.3
Percentage change	(9.6)%	(5.2)%	—	—

(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 three quarters of the fiscal year ended March 2023.

(2) Overview by Segment

Net sales

(Billions of yen)

Segment	April – December 2023 ①	April – December 2022 ②	Difference ① – ②	Percentage Change
Specialty Products	46.8	47.4	(0.6)	(1.3)%
Polymers & Chemicals	183.7	225.2	(41.5)	(18.4)%
Machinery	65.6	69.3	(3.7)	(5.3)%
Others	58.3	50.6	7.7	15.2%
Adjustment	(21.5)	(24.1)	2.7	—
Total	332.9	368.4	(35.4)	(9.6)%

Operating profit

(Billions of yen)

Segment	April – December 2023 ①	April – December 2022 ②	Difference ① – ②	Percentage Change
Specialty Products	8.3	8.5	(0.2)	(2.2)%
Polymers & Chemicals	(0.6)	3.3	(3.8)	—
Machinery	4.4	2.6	1.7	66.9%
Others	2.6	1.7	0.8	49.5%
Adjustment	(2.4)	(3.1)	0.8	—
Total	12.3	13.0	(0.7)	(5.2)%

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

Specialty Products – Decreases in both net sales and operating profit

The Polyimide Business recorded a net sales decrease because of sluggish demand for LCDs, and OLEDs mainly used for smartphones.

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 mainly to the impact of the sluggish performance in the first half despite the gradual recovery trend in automobile production.

The Specialty Products Segment as a whole recorded decreases in both net sales and operating profit. Despite strong business performance of the Separation Membrane and Ceramics Businesses, weak performance of the Polyimide, Separators, and other Businesses affected the overall business.

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

■ Performance Polymers & Chemicals Business

The Composites Business recorded a decrease in net sales due to weak demand for non-automotive uses despite a recovery trend in automobile production.

The Nylon Polymer Business recorded a decrease in net sales due to a decrease in sales volume in the first half despite a recovery trend in demand for products such as nylon film for food packaging in the overseas market.

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 decrease because of market price declines of its products, while 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 a decrease in net sales because the sales volume declined due to weak demand for automotive tires and other uses, and product selling prices declined due to a fall in market prices of raw materials.

■ 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, sluggish sales of nylon polymer and fine chemicals resulted from the weak 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. Currently, orders from customers show a trend of recovery.

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 and Steel Products Businesses. Operating profit increased, as sales of services remained strong in both the Molding Machine and Industrial Machines Businesses, and raw material and fuel 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 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 December 31, 2023
Assets		
Current assets		
Cash and deposits	31,175	31,579
Notes and accounts receivable - trade, and contract assets	106,998	99,599
Merchandise and finished goods	56,754	58,136
Work in process	23,881	31,807
Raw materials and supplies	46,373	45,834
Other	18,044	20,161
Allowance for doubtful accounts	(109)	(107)
Total current assets	283,116	287,009
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	51,264	51,606
Machinery, equipment and vehicles, net	95,326	92,766
Land	36,701	37,201
Other, net	25,747	30,747
Total property, plant and equipment	209,038	212,320
Intangible assets		
Goodwill	1,472	1,485
Other	7,314	6,963
Total intangible assets	8,786	8,448
Investments and other assets		
Investment securities	198,393	212,923
Other	33,462	35,364
Allowance for doubtful accounts	(263)	(268)
Total investments and other assets	231,592	248,019
Total non-current assets	449,416	468,787
Deferred assets	149	167
Total assets	732,681	755,963

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	69,241	63,338
Short-term borrowings	55,137	66,784
Commercial papers	3,000	5,000
Current portion of bonds payable	—	10,000
Income taxes payable	1,528	3,004
Provision for bonuses	5,258	2,545
Other provisions	1,105	932
Other	36,963	41,482
Total current liabilities	172,232	193,085
Non-current liabilities		
Bonds payable	60,000	60,000
Long-term borrowings	95,520	71,973
Provisions	2,027	2,755
Retirement benefit liability	7,219	7,364
Asset retirement obligations	1,199	1,219
Other	12,853	14,331
Total non-current liabilities	178,818	157,642
Total liabilities	351,050	350,727
Net assets		
Shareholders' equity		
Share capital	58,435	58,435
Capital surplus	40,371	40,375
Retained earnings	257,957	267,374
Treasury shares	(21,676)	(21,609)
Total shareholders' equity	335,087	344,575
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,698	6,251
Deferred gains or losses on hedges	(143)	1
Foreign currency translation adjustment	23,740	33,911
Remeasurements of defined benefit plans	229	203
Total accumulated other comprehensive income	26,524	40,366
Share acquisition rights	71	71
Non-controlling interests	19,949	20,224
Total net assets	381,631	405,236
Total liabilities and net assets	732,681	755,963

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

• Consolidated Statements of Income

For the first three quarters ended December 31, 2022 and 2023

(Millions of yen)

	April 1, 2022 – December 31, 2022	April 1, 2023 – December 31, 2023
Net sales	368,394	332,947
Cost of sales	305,724	272,826
Gross profit	62,670	60,121
Selling, general and administrative expenses	49,682	47,814
Operating profit	12,988	12,307
Non-operating income		
Interest income	79	242
Dividend income	1,245	3,565
Rental income	622	632
Amortization of negative goodwill	26	—
Share of profit of entities accounted for using equity method	—	8,974
Foreign exchange gains	560	534
Other	871	684
Total non-operating income	3,403	14,631
Non-operating expenses		
Interest expenses	573	712
Rental expenses	397	409
Share of loss of entities accounted for using equity method	16,315	—
Other	3,638	2,642
Total non-operating expenses	20,923	3,763
Ordinary profit (loss)	(4,532)	23,175
Extraordinary income		
Gain on sale of non-current assets	344	44
Gain on sale of investment securities	296	136
Gain on change in equity	8,265	712
Gain on liquidation of subsidiaries and associates	1,180	—
Gain on termination of retirement benefit plan	245	—
Total extraordinary income	10,330	892
Extraordinary losses		
Loss on disposal of non-current assets	629	635
Loss on sale of investment securities	1,154	—
Loss on valuation of investment securities	260	5
Impairment losses	766	142
Total extraordinary losses	2,809	782
Profit before income taxes	2,989	23,285
Income taxes	6,059	3,535
Profit (loss)	(3,070)	19,750
Loss attributable to non-controlling interests	(685)	(196)
Profit (loss) attributable to owners of parent	(2,385)	19,946

• Consolidated Statements of Comprehensive Income
For the first three quarters ended December 31, 2022 and 2023

(Millions of yen)

	April 1, 2022 – December 31, 2022	April 1, 2023 – December 31, 2023
Profit (loss)	(3,070)	19,750
Other comprehensive income		
Valuation difference on available-for-sale securities	(184)	1,593
Deferred gains or losses on hedges	30	39
Foreign currency translation adjustment	4,305	7,385
Remeasurements of defined benefit plans, net of tax	(349)	62
Share of other comprehensive income of entities accounted for using equity method	5,080	5,682
Total other comprehensive income	8,882	14,761
Comprehensive income	5,812	34,511
Comprehensive income attributable to owners of parent	5,934	33,788
Comprehensive income attributable to non-controlling interests	(122)	723

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	April 1, 2022 – December 31, 2022	April 1, 2023 – December 31, 2023
Cash flows from operating activities		
Profit before income taxes	2,989	23,285
Depreciation and amortization	18,854	19,658
Impairment losses	766	142
Amortization of goodwill	–	68
Amortization of negative goodwill	(26)	–
Increase (decrease) in allowance for doubtful accounts	(28)	2
Interest and dividend income	(1,324)	(3,807)
Interest expenses	573	712
Share of loss (profit) of entities accounted for using equity method	16,315	(8,974)
Loss (gain) on change in equity	(8,265)	(712)
Loss (gain) on sale of non-current assets	(344)	(45)
Decrease (increase) in trade receivables	7,614	9,344
Decrease (increase) in inventories	(25,033)	(5,987)
Increase (decrease) in trade payables	4,604	(6,530)
Other, net	(7,732)	6,163
Subtotal	8,963	33,319
Interest and dividends received	5,119	5,363
Interest paid	(621)	(705)
Income taxes paid	(8,363)	(3,183)
Net cash provided by (used in) operating activities	5,098	34,794
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(17,239)	(21,831)
Proceeds from sale of property, plant and equipment	395	244
Purchase of investment securities	(152)	(26)
Proceeds from sale of investment securities	563	253
Payments for investments in capital of subsidiaries and associates	(2,465)	–
Purchase of shares of subsidiaries and associates	(1,374)	(1,073)
Payment from sale of shares of subsidiaries and associates	(420)	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(5,249)	–
Proceeds from withdrawal of investments in silent partnerships	–	300
Decrease (increase) in short-term loans receivable	8,245	(2,660)
Other, net	104	73
Net cash provided by (used in) investing activities	(17,592)	(24,720)

(Millions of yen)

	April 1, 2022 – December 31, 2022	April 1, 2023 – December 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	13,222	(1,577)
Net increase (decrease) in commercial papers	10,000	2,000
Proceeds from long-term borrowings	3,696	53
Repayments of long-term borrowings	(7,133)	(10,841)
Proceeds from issuance of bonds	9,950	9,949
Redemption of bonds	(10,000)	–
Purchase of treasury shares	(37)	(5)
Dividends paid	(9,684)	(9,213)
Dividends paid to non-controlling interests	(942)	(448)
Other, net	(407)	(490)
Net cash provided by (used in) financing activities	8,665	(10,572)
Effect of exchange rate change on cash and cash equivalents	731	878
Net increase (decrease) in cash and cash equivalents	(3,098)	380
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	32,396	31,083

(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 reasonably estimating the effective tax rate after the application of tax effect accounting on net income before taxes for the consolidated fiscal year that includes the third quarter under review and by multiplying quarterly net income before taxes by such estimated effective tax rate. However, for companies for which calculating tax expenses using such estimated effective tax rate would be significantly unreasonable, the amount calculated using the statutory effective tax rate is recorded.

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 Three Quarters Ended December 31, 2022 (April 1, 2022 to December 31, 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	36,053	205,608	68,847	57,886	368,394	—	368,394
Internal sales or transfers	11,351	19,609	456	(7,275)	24,141	(24,141)	—
Total	47,404	225,217	69,303	50,611	392,535	(24,141)	368,394
Segment profit (operating profit)	8,517	3,278	2,609	1,714	16,118	(3,130)	12,988

(Note 1) (3,130) million yen for adjustment for Segment profit includes 140 million yen for the elimination of transaction between the Segments, and (3,270) 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 Three Quarters Ended December 31, 2023 (April 1, 2023 to December 31, 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	34,654	167,042	65,327	65,924	332,947	—	332,947
Internal sales or transfers	12,111	16,691	314	(7,636)	21,480	(21,480)	—
Total	46,765	183,733	65,641	58,288	354,427	(21,480)	332,947
Segment profit or loss (operating profit or loss)	8,329	(566)	4,354	2,563	14,680	(2,373)	12,307

(Note 1) (2,373) million yen for adjustment for Segment profit or loss includes 178 million yen for the elimination of transaction between the Segments, and (2,551) 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 – December 2022	April – December 2023	April 2023 – March 2024 (forecast)	April 2022 – March 2023
Capital investment	19.3	19.5	41.0	29.3
Depreciation and amortization	18.9	19.7	24.5	25.5
Research and development expenses	7.6	7.6	11.0	10.4
Adjusted operating profit (loss)*1	(2.0)	25.1	28.0	(5.5)
Interest-bearing debt	222.7	218.2	218.0	218.1
Shareholders' equity *2	365.8	384.9	385.0	361.6
Total assets	749.9	756.0	760.0	732.7
D/E ratio (times)	0.61	0.57	0.57	0.60
Shareholders' equity ratio (%)	48.8	50.9	50.7	49.4
Return on sales - ROS (%) *3	3.5	3.7	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	8,109	8,019	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 three quarters 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 first three quarters and fiscal year ended March 2023.