

Integrated Report

2024

Financial Section

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Consolidated Balance Sheet

UBE Corporation and Consolidated Subsidiaries

March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Assets			
Current assets:			
Cash and cash equivalents (Note 4)	¥ 35,859	¥ 30,703	\$ 237,477
Time deposits (Note 4)	500	472	3,311
Receivables (Note 4):			
Notes - trade	4,686	5,309	31,033
Accounts - trade	97,354	96,256	644,728
Contract assets	5,738	5,433	38,000
Others	11,600	12,418	76,821
Allowance for doubtful accounts	(75)	(109)	(496)
Inventories (Note 6)	133,948	127,008	887,073
Other current assets	6,068	5,626	40,185
Total current assets	295,678	283,116	1,958,132
Property, plant and equipment (Notes 8, 14 and 20):			
Land	37,243	36,701	246,642
Buildings and structures	154,309	152,338	1,021,914
Machinery and equipment	557,650	541,120	3,693,046
Construction in progress	27,211	12,357	180,205
Accumulated depreciation	(554,255)	(533,478)	(3,670,562)
Total property, plant and equipment, net	222,158	209,038	1,471,245
Investments and other assets:			
Investment securities (Notes 4 and 5)	223,923	198,393	1,482,933
Long-term loans receivable	122	139	808
Deferred tax assets (Note 15)	11,881	13,775	78,682
Net defined benefit asset (Note 19)	18,622	11,009	123,325
Other non-current assets	16,925	17,474	112,086
Allowance for doubtful accounts	(275)	(263)	(1,821)
Total investments and other assets	271,198	240,527	1,796,013
Total assets	¥ 789,034	¥ 732,681	\$ 5,225,390

See accompanying notes.

**Liabilities
and Net Assets**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Current liabilities:			
Short-term loans payable (Notes 4, 7 and 8)	¥ 32,350	¥ 35,868	\$ 214,238
Commercial paper (Note 4)	—	3,000	—
Current portion of long-term debt (Notes 4, 7 and 8)	41,020	19,269	271,656
Payables (Note 4):			
Notes and accounts - trade	62,068	69,241	411,046
Others	28,108	21,272	186,146
Provision for bonuses	5,141	5,258	34,046
Income taxes payable (Note 4)	4,154	1,528	27,510
Contract liabilities	15,040	9,078	99,603
Other current liabilities	10,340	7,718	68,477
Total current liabilities	198,221	172,232	1,312,722
Long-term liabilities:			
Long-term debt less current portion (Notes 4, 7 and 8)	135,572	155,520	897,827
Net defined benefit liability (Note 19)	7,289	7,219	48,272
Deferred tax liabilities (Note 15)	1,430	1,013	9,470
Other long-term liabilities	17,167	15,066	113,689
Total long-term liabilities	161,458	178,818	1,069,258
Contingent liabilities (Note 9)			
Net assets (Note 10):			
Capital stock, without par value:			
Authorized — 330,000,000 shares			
Issued — 106,200,107 shares at March 31, 2024 and 2023	58,435	58,435	386,987
Capital surplus	40,370	40,371	267,351
Retained earnings	276,409	257,957	1,830,523
Treasury shares			
9,126,797 shares at March 31, 2024 and			
9,159,538 shares at March 31, 2023	(21,598)	(21,676)	(143,033)
Valuation difference on available-for-sale securities	8,885	2,698	58,841
Deferred gains (losses) on hedges	64	(143)	423
Foreign currency translation adjustment	39,418	23,740	261,046
Remeasurements of defined benefit plans	6,706	229	44,411
Share acquisition rights (Note 21)	62	71	411
Non-controlling interests	20,604	19,949	136,450
Total net assets	429,355	381,631	2,843,410
Total liabilities and net assets	¥789,034	¥732,681	\$5,225,390

Consolidated Statement of Changes in Net Assets

UBE Corporation and Consolidated Subsidiaries

Millions of yen

For the year ended March 31, 2024	Number of shares issued (thousands)	Capital stock	Capital surplus	Retained earnings	Treasury shares	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Share acquisition rights	Non-controlling interests
Opening balance	106,200	¥58,435	¥40,371	¥257,957	¥(21,676)	¥2,698	¥(143)	¥23,740	¥ 229	¥71	¥19,949
Cash dividends at ¥95.00 per share	—	—	—	(9,220)	—	—	—	—	—	—	—
Profit (loss) attributable to owners of parent	—	—	—	28,981	—	—	—	—	—	—	—
Purchase of treasury shares	—	—	—	—	(7)	—	—	—	—	—	—
Disposal of treasury shares	—	—	(1)	—	85	—	—	—	—	—	—
Effect of changes in retained earnings of equity-method affiliates	—	—	—	(1,309)	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	6,187	207	15,678	6,477	(9)	655
Closing balance	106,200	¥58,435	¥40,370	¥276,409	¥(21,598)	¥8,885	¥ 64	¥39,418	¥6,706	¥62	¥20,604

Millions of yen

For the year ended March 31, 2023	Number of shares issued (thousands)	Capital stock	Capital surplus	Retained earnings	Treasury shares	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Share acquisition rights	Non-controlling interests
Opening balance	106,200	¥58,435	¥40,623	¥274,725	¥(22,234)	¥3,680	¥ (70)	¥13,218	¥ 765	¥ 510	¥24,383
Cash dividends at ¥100.00 per share	—	—	—	(9,692)	—	—	—	—	—	—	—
Profit (loss) attributable to owners of parent	—	—	—	(7,034)	—	—	—	—	—	—	—
Purchase of treasury shares	—	—	—	—	(38)	—	—	—	—	—	—
Disposal of treasury shares	—	—	(93)	—	596	—	—	—	—	—	—
Purchase of shares of consolidated subsidiaries	—	—	(135)	—	—	—	—	—	—	—	—
Effect of changes in accounting period of consolidated subsidiaries	—	—	—	(33)	—	—	—	—	—	—	—
Effect of corporate spin-off	—	—	(24)	(9)	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	(982)	(73)	10,522	(536)	(439)	(4,434)
Closing balance	106,200	¥58,435	¥40,371	¥257,957	¥(21,676)	¥2,698	¥(143)	¥23,740	¥ 229	¥ 71	¥19,949

Thousands of U.S. dollars (Note 1)

For the year ended March 31, 2024	Number of shares issued (thousands)	Capital stock	Capital surplus	Retained earnings	Treasury shares	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Share acquisition rights	Non-controlling interests
Opening balance	106,200	\$386,987	\$267,358	\$1,708,325	\$(143,550)	\$17,868	\$ (947)	\$157,219	\$ 1,517	\$470	\$132,113
Cash dividends at ¥95.00 per share	—	—	—	(61,060)	—	—	—	—	—	—	—
Profit (loss) attributable to owners of parent	—	—	—	191,927	—	—	—	—	—	—	—
Purchase of treasury shares	—	—	—	—	(46)	—	—	—	—	—	—
Disposal of treasury shares	—	—	(7)	—	563	—	—	—	—	—	—
Effect of changes in retained earnings of equity-method affiliates	—	—	—	(8,669)	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	40,973	1,370	103,827	42,894	(59)	4,337
Closing balance	106,200	\$386,987	\$267,351	\$1,830,523	\$(143,033)	\$58,841	\$ 423	\$261,046	\$44,411	\$411	\$136,450

See accompanying notes.

Consolidated Statement of Cash Flows

UBE Corporation and Consolidated Subsidiaries
For the years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Cash flows from operating activities:			
Profit (loss) before income taxes	¥ 35,068	¥ (2,652)	\$ 232,238
Depreciation and amortization	26,572	25,506	175,974
Loss on impairment of fixed assets	353	1,350	2,337
Interest and dividend income	(3,983)	(1,448)	(26,377)
Interest expense	1,042	780	6,901
Share of loss (profit) of entities accounted for using equity method	(12,343)	23,115	(81,742)
Loss (gain) on sales of property, plant and equipment	(44)	(343)	(291)
Loss (gain) on sales of investment securities	(293)	817	(1,940)
Decrease (increase) in notes and accounts receivable - trade	1,652	11,305	10,940
Decrease (increase) in inventories	(3,013)	(21,885)	(19,955)
Increase (decrease) in notes and accounts payable - trade	(7,813)	(1,819)	(51,742)
Increase (decrease) in net defined benefit asset and liability	(7,607)	1,044	(50,377)
Others, net	22,303	(13,910)	147,702
Subtotal	51,894	21,860	343,668
Interest and dividend income received	5,843	5,497	38,695
Interest expenses paid	(1,035)	(811)	(6,854)
Income taxes paid	(3,742)	(8,419)	(24,781)
Net cash provided by (used in) operating activities	52,960	18,127	350,728
Cash flows from investing activities:			
Proceeds from sales of property, plant and equipment	283	394	1,874
Purchase of property, plant and equipment and intangible assets	(30,972)	(26,829)	(205,113)
Proceeds from sales of investment securities	406	594	2,689
Purchase of investment securities	(41)	(152)	(271)
Payments for investments in capital of subsidiaries and associates	—	(2,465)	—
Purchase of shares of subsidiaries and affiliates	(1,070)	(1,374)	(7,086)
Proceeds from sales of shares of subsidiaries and affiliates	—	817	—
Payments from sales of shares of subsidiaries and affiliates	—	(420)	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(7,322)	—
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	368	2,350	2,437
Proceeds from withdrawal of investments in silent partnerships	300	—	1,987
Net decrease (increase) in loans receivable	(2,660)	8,246	(17,616)
Others, net	70	142	464
Net cash provided by (used in) investing activities	(33,316)	(26,019)	(220,635)
Cash flows from financing activities:			
Proceeds from long-term borrowings	10,582	23,497	70,079
Proceeds from issuance of bonds	9,949	9,950	65,887
Repayments of long-term borrowings	(19,289)	(14,065)	(127,742)
Redemption of bonds	—	(10,000)	—
Net increase (decrease) in short-term borrowings	(3,653)	19,466	(24,192)
Net increase (decrease) in commercial paper	(3,000)	(14,000)	(19,867)
Cash dividends paid	(9,191)	(9,667)	(60,867)
Dividends paid to non-controlling interests	(448)	(942)	(2,967)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(1,168)	—
Others, net	(662)	(628)	(4,384)
Net cash provided by (used in) financing activities	(15,712)	2,443	(104,053)
Effect of exchange rate change on cash and cash equivalents	1,224	658	8,106
Net increase (decrease) in cash and cash equivalents	5,156	(4,791)	34,146
Cash and cash equivalents at beginning of the year	30,703	78,761	203,331
Decrease in cash and cash equivalents resulting from corporate spin-off	—	(43,267)	—
Cash and cash equivalents at end of the year	¥ 35,859	¥ 30,703	\$ 237,477

See accompanying notes.

Notes to Consolidated Financial Statements

UBE Corporation and Consolidated Subsidiaries
For the years ended March 31, 2024 and 2023

1**Basis of presenting consolidated financial statements**

(a) UBE Corporation (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan. The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required under the Financial Instruments and Exchange Act of Japan and, accordingly, have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Certain modifications have been made to the accompanying financial statements in order to present them in a form which is more familiar to readers outside Japan.

(b) The accompanying financial statements are expressed in Japanese yen and, solely for the convenience of the reader, have been translated into U.S. dollars at ¥151=US\$1, the approximate rate of exchange on March 31, 2024. The translation should not be construed as a representation that Japanese yen have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

2**Significant accounting policies****(a) Basis of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates**

The accompanying consolidated financial statements include the accounts of the Company and significant companies controlled directly or indirectly by the Company (36 consolidated companies for both years ended March 31, 2024 and 2023.). Significant companies over which the Company exercises significant influence in terms of their operating and financial policies are included in the consolidated financial statements by the equity method (16 and 15 companies for the years ended March 31, 2024 and 2023, respectively). All significant intercompany balances and transactions are eliminated in consolidation.

Certain subsidiaries are consolidated using their financial statements as of their respective fiscal year end, which falls on December 31, and necessary adjustments are made to their financial statements to reflect any significant transactions occurring during the January 1 to March 31 period.

In the initial consolidation, assets and liabilities of subsidiaries including those attributable to non-controlling interests are recorded based on fair value in the consolidated financial statements.

The difference between acquisition cost and the underlying net assets at fair value at the date of acquisition is amortized over a period of 20 years on a straight-line basis. Goodwill in the amount of ¥1,448 million (US\$9,589 thousand) and ¥1,472 million is included in “Other non-current assets” on the consolidated balance sheet at March 31, 2024 and 2023, respectively.

Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost.

(b) Accounting for income taxes

Deferred tax assets and liabilities are recognized in the consolidated financial statements with respect to the differences between the financial reporting and the tax bases of the assets and liabilities.

Deferred tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Valuation allowance is provided for the deferred tax assets that are not realizable within a reasonable period.

(c) Securities

Securities other than equity securities issued by subsidiaries and affiliates are classified into three categories: “Trading,” “Held-to-maturity” and “Others”. The Company and its consolidated subsidiaries have no trading securities and held-to-maturity securities. Marketable securities classified as other securities are carried at fair value with changes in the valuation difference, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving-average method.

(d) Derivatives and hedge accounting

All derivatives are stated at fair value, with changes in fair value recorded as gain or loss for the period in which they arise.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Group defers the recognition of gains or losses resulting from changes in the fair value of the derivative financial instruments until the related losses or gains on the hedged items are recognized.

If interest rate swap contracts meet certain hedging criteria, the net amount to be paid or received under these swap contracts is added to or deducted from the interest on the assets or liabilities for which the swap contracts were executed (“Short-cut method”).

Summarized in the table below are hedging instruments and items hedged.

Hedging instruments	Items hedged
Interest rate swaps	Loans
Interest rate options	Loans
Forward foreign exchange contracts	Foreign currency receivables and payables Forecasted foreign currency transactions
Currency options	Foreign currency receivables and payables Forecasted foreign currency transactions
Currency swaps	Foreign currency loans

The Company and its consolidated subsidiaries use hedging instruments for the purpose of reducing the fluctuation risk of interest rates, and foreign exchange in accordance with the Company's policies.

The effectiveness of hedging activities is assessed by confirming whether each hedging instrument corresponds to the item hedged.

Additional information on derivatives is presented in Note 16. Derivative financial instruments.

(e) Retirement and pension plan

The Company attributes projected benefits based on a flat benefit formula.

Actuarial gain or loss is amortized in the following year in which the gain or loss is incurred mainly by the declining-balance method over 5-13 years, which are shorter than the average remaining service years of employees.

Prior service cost is amortized as incurred mainly by the straight-line method over 12-13 years, which are shorter than the average remaining service years of the employees.

Many consolidated subsidiaries adopt a simplified method to calculate net defined benefit liability and retirement benefit expenses based on the assumption that the benefits payable, which are calculated as if all eligible employees voluntarily terminate their employment at fiscal year end, approximates the retirement benefit obligations at year end.

(f) Allowance for doubtful accounts

Allowance for doubtful accounts is provided at an amount estimated with reference to individual uncollectible accounts plus an amount calculated using a historical rate determined based on the actual uncollectible amounts incurred in prior years.

(g) Inventories

Inventories are stated at the lower of cost or market, cost being determined principally by the weighted-average method.

(h) Property, plant and equipment (except for leased assets) and depreciation

Property, plant and equipment is stated at cost. Depreciation of property, plant and equipment is computed principally by the straight-line method for the Company and by the declining-balance method for some consolidated subsidiaries, except for certain buildings of domestic consolidated subsidiaries acquired on or after April 1, 1998, and except for certain building facilities and structures of domestic consolidated subsidiaries acquired on or after April 1, 2016, which are depreciated by the straight-line method, at rates based on the estimated useful lives of the respective assets.

The estimated useful lives of the assets are as follows:

Buildings and structures: 2 to 67 years

Machinery and equipment: 2 to 30 years

(i) Intangible assets (except for leased assets)

Patent rights, software and others are amortized by the straight-line method over their estimated useful lives.

(j) Leased assets

Leased property under finance leases which does not transfer ownership of the leased property to lessees is depreciated or amortized by the straight-line method over the lease terms assuming no residual value.

(k) Research and development costs

Research and development costs are charged to income when incurred.

(l) Net income per share

Basic net income per share is computed based on net income available for distribution to stockholders of common stock and the weighted average number of shares of common stock outstanding during each year (97,060 thousand shares and 96,970 thousand shares for the years ended March 31, 2024 and 2023, respectively). Diluted net income per share is computed based on net income available for distribution to the stockholders and the weighted average number of shares of common stock outstanding during the year assuming full exercise of share subscription rights (43 thousand shares for the year ended March 31, 2024, but for the year ended March 31, 2023, diluted net income per share is not presented because the Company recorded loss attributable to owners of parent for the year).

(m) Provision for bonuses

Provision for bonuses is provided for payments to employees at the estimated amount incurred attributable to the current fiscal year.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term investments. Short-term investments included here are readily convertible into cash, exposed to insignificant risk of changes in value and mature or become due within three months of the date of acquisition.

(o) Provision for loss on order received

Provision for loss on order received is provided to cover the losses that are highly likely to be incurred and the amounts of which can be reasonably estimated.

These provision for loss on order received in the amounts of ¥258 million (US\$1,709 thousand) and ¥433 million are included in "Other current liabilities" on the consolidated balance sheet at March 31, 2024 and 2023, respectively.

(p) Provision for directors retirement benefits

Consolidated subsidiaries provide for retirement allowances for directors and audit & supervisory board members at the necessary amount at the year-end based on their internal policies.

Retirement allowances of ¥190 million (US\$1,258 thousand) and ¥196 million are included in "Other long-term liabilities" on the consolidated balance sheet at March 31, 2024 and 2023, respectively.

(q) Provision for loss on business restructuring

Provision for loss on business restructuring is provided to cover the losses, which are highly likely to be incurred and the amounts of which can be reasonably estimated, related to certain businesses of the Company and its consolidated subsidiaries.

These provision for losses on business restructuring in the amounts of ¥231 million (US\$1,530 thousand) and ¥519 million are included in "Other long-term liabilities" on the consolidated balance sheet at March 31, 2024 and 2023, respectively.

(r) Provision for special repairs

Provision for special repairs is provided for payments of routine maintenance mainly for ammonia plants at the estimated amount.

These provision for special repairs in the amounts of ¥2,783 million (US\$18,430 thousand) and ¥1,312 million are included in "Other long-term liabilities" on the consolidated balance sheet at March 31, 2024 and 2023, respectively.

(s) Significant revenues and expenses

The Company and its consolidated subsidiaries conduct business activities in the following four business segments: "Specialty Products," "Polymers & Chemicals," "Machinery" and "Others", and provide a wide variety of products to customers in Japan and overseas.

Regarding the sales of products in these businesses, the Group recognizes revenue at the point in time when the product is delivered to the customer based on the provisions of the contract or when risks are transferred to the customer based on Incoterms because the customer has gained control over the product and the Group's performance obligations have been satisfied. Regarding domestic transactions we have determined that control of the sales of products are transferred to the customer at the time of product delivery, and sales revenue is recognized at the time of shipment because the period from shipment to delivery is the normal period. In addition, regarding contracts in the Machinery segment in which performance obligations are fulfilled over a certain period, unless the period is very short, the degree of progress in satisfying the performance obligations is estimated and revenue is recognized over a certain period of time based on the degree of progress. The method of estimating the degree of progress related to the satisfaction of the performance obligations is based on the input method using the ratio of costs incurred to the estimated total cost.

Revenue is calculated by deducting returns, discounts, and rebates from the consideration promised in the contract with the customer, and at an amount within a range where it is highly probable that a significant refund will not occur.

In addition, other parties are involved in some overseas sales transactions of products in the Polymers & Chemicals segment and Others segment. The Group is required to arrange for goods or services to be provided to the customer by these other parties, and therefore the Company is acting as an agent in such transactions. For transactions where the Group acts as an agent, the Company recognizes revenue by deducting the amount paid to the supplier from the amount received from the customer.

Furthermore, the consideration in contracts involving the sales of products is collected within approximately one year from the time the control over the product is transferred to the customer, and does not include the significant interest rate factor.

Loss on impairment of property, plant and equipment

An impairment loss of ¥353 million (US\$2,337 thousand) was recognized for the year ended March 31, 2024.

Total property, plant and equipment, net of ¥222,158 million (US\$1,471,245 thousand) has been recorded on the consolidated balance sheet at March 31, 2024.

Business assets which profitability has declined were identified during the year ended March 31, 2024.

The Group regularly assesses any indication of impairment for each fixed asset grouping and estimates the recoverable amount in the event indications of impairment exist. When calculating the recoverable amount, the future cash flows expected to be generated by the asset group are used. In estimating the future cash flows, the Group evaluates business conditions, market trends of industries in which its customers operate their business and future growth rates. However, if the future cash flow projection changes and the carrying value of the asset group is unrecoverable, an impairment loss may be recorded.

Recoverability of deferred tax assets

Deferred tax assets of ¥11,881 million (US\$78,682 thousand) have been recorded on the consolidated balance sheet at March 31, 2024.

Deferred tax assets recognized by the Group are related to future tax consequences of temporary differences and are estimated regularly to assess their recoverability. The recoverability of deferred tax assets is largely dependent on estimates of future taxable income. In estimating taxable income, the Group evaluates business conditions, market trends of industries in which its customers operate their businesses and future growth rates. However, if it is determined that some or all deferred tax assets are unrecoverable due to a change in estimates, the amount of deferred tax assets may be reduced.

(a) Policy for financial instruments

The Group manages funds by utilizing short-term deposits, etc., subject to an insignificant risk of change in value. The Group raises money by borrowing from financial institutions and by issuing commercial paper, straight bonds and bonds with warrants. The Group uses derivatives for the purpose of reducing risk and does not hold or issue derivative financial instruments for speculative purposes.

(b) Types of financial instruments and related risk

Trade receivables— Notes and accounts receivables - trade —are exposed to credit risk in relation to customers. In addition, the Group is exposed to foreign currency exchange risk arising from receivables and payables denominated in foreign currencies. The foreign currency exchange risks deriving from those receivables and payables are hedged by forward foreign exchange contracts, currency options and currency swaps.

Investment securities are exposed to market risk and credit risk in relation to issuers. Those securities are composed of the shares of common stock of other companies.

Trade payables— Notes and accounts payables - trade —have payment due dates within one year.

Short-term loans payable is raised, and commercial paper is issued mainly in connection with business activities, and long-term debt is taken out principally for the purpose of making capital investments. Short-term loans payable and long-term debt with variable interest rates are exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for those bearing interest at variable rates, the Group utilizes interest rate swap or option transactions as a hedging instrument.

Regarding derivatives, the Group enters derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates, and interest rates.

(c) Risk management for financial instruments**1. Monitoring of credit risk (the risk that customers or counterparties may default)**

In accordance with the internal policies of the Group for managing credit risk arising from receivables, each related division monitors the credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by individual customer. In addition, the Group is making efforts to identify and mitigate risks of bad debts from customers who are having financial difficulties.

The Group also believes that the credit risk of derivatives is insignificant as it enters derivative transactions only with financial institutions which have a sound credit profile.

2. Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

For trade receivables and payables denominated in foreign currencies, the Group identifies the foreign currency exchange risk for each currency and enters forward foreign exchange contracts, currency options and currency swaps to hedge such risk. To mitigate the interest rate risk for loans payable bearing interest at variable rates, the Group may also enter into interest rate swap transactions and interest rate option transactions.

For investment securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers.

In conducting derivative transactions, the division in charge of derivative transactions follows the internal policies, which set forth delegation of authority and maximum upper limit on positions.

3. Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)

Based on a report from each division, the Group prepares and updates its cash flow plans on a timely basis to manage liquidity risk.

(d) Supplementary explanation of the estimated fair value of financial instruments

Since fluctuation factors are included into the calculation of the market value of financial instruments, the price may be fluctuated by adopting different preconditions. The notional amounts of derivatives in Note 16. Derivative financial instruments are not necessarily indicative of the actual market risk involved in derivative transactions.

Summarized in the table below are the carrying amounts and the estimated fair values of financial instruments outstanding at March 31, 2024 and 2023. The amount recorded on the consolidated balance sheet, the market value, and the difference between them are as follows.

	Millions of yen			Thousands of U.S. dollars		
	2024			2024		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Assets						
Notes receivable - trade	¥ 4,686	¥ 4,686	¥ —	\$ 31,033	\$ 31,033	\$ —
Accounts receivable - trade	97,354	97,354	—	644,728	644,728	—
Investment securities	13,619	13,619	—	90,192	90,192	—
Total assets	¥115,659	¥115,659	¥ —	\$ 765,953	\$ 765,953	\$ —
Liabilities						
Notes and accounts payable - trade	¥ 62,068	¥ 62,068	¥ —	\$ 411,046	\$ 411,046	\$ —
Short-term loans payable	32,350	32,350	—	214,238	214,238	—
Other payables	28,108	28,108	—	186,146	186,146	—
Income taxes payable	4,154	4,154	—	27,510	27,510	—
Long-term debt*	176,592	175,601	(991)	1,169,483	1,162,921	(6,562)
Total liabilities	¥303,272	¥302,281	¥(991)	\$2,008,423	\$2,001,861	\$(6,562)
Derivative financial transactions**	¥ (30)	¥ (30)	¥ —	\$ (199)	\$ (199)	\$ —

* The current portion of long-term borrowings of ¥31,020 million (US\$205,430 thousand) and the bonds payable of ¥10,000 million (US\$66,225 thousand) are included in long-term debt.

** The value of assets and liabilities arising from derivatives is shown at net value with amounts in parentheses representing net liability position.

*** Regarding investment in partnerships and other similar business entities that record the amount equivalent to their equity in the consolidated balance sheet in net amount, the description of matters related to the market value of financial instruments is omitted. The amount recorded on the consolidated balance sheet of the investment is ¥551 million (US\$3,649 thousand).

**** "Cash and deposits" are omitted because they are cash, and the market value is close to the book value because the deposits are settled in a short period of time.

	Millions of yen		
	2023		
	Carrying amount	Fair value	Difference
Assets			
Notes receivable - trade	¥ 5,309	¥ 5,309	¥ —
Accounts receivable - trade	96,256	96,256	—
Investment securities	9,271	9,271	—
Total assets	¥110,836	¥110,836	¥ —
Liabilities			
Notes and accounts payable - trade	¥ 69,241	¥ 69,241	¥ —
Short-term loans payable	35,868	35,868	—
Commercial paper	3,000	3,000	—
Other payables	21,272	21,272	—
Income taxes payable	1,528	1,528	—
Long-term debt*	174,789	174,160	(629)
Total liabilities	¥305,698	¥305,069	¥(629)
Derivative financial transactions**	¥ (143)	¥ (143)	¥ —

* The current portion of long-term borrowings of ¥19,269 million is included in long-term debt.

** The value of assets and liabilities arising from derivatives is shown at net value with amounts in parentheses representing net liability position.

*** Regarding investment in partnerships and other similar business entities that record the amount equivalent to their equity in the consolidated balance sheet in net amount, the description of matters related to the market value of financial instruments is omitted. The amount recorded on the consolidated balance sheet of the investment is ¥670 million.

**** "Cash and deposits" are omitted because they are cash, and the market value is close to the book value because the deposits are settled in a short period of time.

Stocks without market prices are not included in investment securities. The amount recorded on the consolidated balance sheet of the relevant financial instrument at March 31, 2024 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2024	2024
Unconsolidated subsidiaries and affiliates securities	¥207,706	\$1,375,536
Non-listed equity securities	2,045	13,543
Others	553	3,662

Financial instruments for which it is extremely difficult to determine the fair value at March 31, 2023 is as follows:

	Millions of yen
	2023
Unconsolidated subsidiaries and affiliates securities	¥186,106
Non-listed equity securities	2,043
Others	973

Redemption schedules for financial assets and investment securities with contractual maturities subsequent to March 31, 2024 and 2023 are as follows:

	Millions of yen			
	2024			
	Within one year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	¥ 35,853	¥—	¥—	¥—
Time deposits	500	—	—	—
Notes receivable - trade	4,686	—	—	—
Accounts receivable - trade	97,354	—	—	—
	¥138,393	¥—	¥—	¥—

	Thousands of U.S. dollars			
	2024			
	Within one year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	\$237,437	\$—	\$—	\$—
Time deposits	3,311	—	—	—
Notes receivable - trade	31,033	—	—	—
Accounts receivable - trade	644,728	—	—	—
	\$916,509	\$—	\$—	\$—

	Millions of yen			
	2023			
	Within one year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	¥ 30,694	¥—	¥—	¥—
Time deposits	472	—	—	—
Notes receivable - trade	5,309	—	—	—
Accounts receivable - trade	96,256	—	—	—
	¥132,731	¥—	¥—	¥—

Redemption schedules for long-term debt and other interest-bearing debt subsequent to March 31, 2024 and 2023 are as follows:

	Millions of yen					
	2024					
	Within one year	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years
Short-term loans payable	¥32,350	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	41,020	29,199	30,439	32,742	14,377	28,815
	¥73,370	¥29,199	¥30,439	¥32,742	¥14,377	¥28,815

	Thousands of U.S. dollars					
	2024					
	Within one year	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years
Short-term loans payable	\$214,238	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term debt	271,656	193,371	201,582	216,834	95,212	190,828
	\$485,894	\$193,371	\$201,582	\$216,834	\$95,212	\$190,828

	Millions of yen					
	2023					
	Within one year	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years
Short-term loans payable	¥35,868	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper	3,000	—	—	—	—	—
Long-term debt	19,269	40,878	29,084	30,332	30,531	24,695
	¥58,137	¥40,878	¥29,084	¥30,332	¥30,531	¥24,695

The fair value of financial instruments is classified into the following three levels according to the observability and significance of the inputs related to the calculation of the fair value.

Level 1: Of the inputs related to the calculation of the observable fair value, the corresponding market price is used of the assets or liabilities based on their fair value in active markets.

Level 2: Of the inputs related to the calculation of the observable fair value, inputs other than the level 1 input in calculating fair value are used.

Level 3: The fair value was calculated using unobservable inputs.

When using multiple inputs that have significant impact on fair value calculations, the fair value is classified into the lowest priority level.

Financial instruments recorded on the consolidated balance sheet at market value as of March 31, 2024 and 2023 are as follows:

	Millions of yen			
	2024			
	Level 1	Level 2	Level 3	Total
Assets				
Investment securities:				
Available-for-sale securities:				
Shares	¥13,619	¥—	¥—	¥13,619
Derivative financial transactions:				
Currency related	—	11	—	11
Total assets	¥13,619	¥11	¥—	¥13,630
Liabilities				
Derivative financial transactions:				
Currency related	—	41	—	41
Total liabilities	¥ —	¥41	¥—	¥ 41

	Thousands of U.S. dollars			
	2024			
	Level 1	Level 2	Level 3	Total
Assets				
Investment securities:				
Available-for-sale securities:				
Shares	\$90,192	\$ —	\$—	\$90,192
Derivative financial transactions:				
Currency related	—	73	—	73
Total assets	\$90,192	\$ 73	\$—	\$90,265
Liabilities				
Derivative financial transactions:				
Currency related	—	272	—	272
Total liabilities	\$ —	\$272	\$—	\$ 272

	Millions of yen			
	2023			
	Level 1	Level 2	Level 3	Total
Assets				
Investment securities:				
Available-for-sale securities:				
Shares	¥9,271	¥ —	¥—	¥9,271
Derivative financial transactions:				
Currency related	—	1	—	1
Total assets	¥9,271	¥ 1	¥—	¥9,272
Liabilities				
Derivative financial transactions:				
Currency related	—	144	—	144
Total liabilities	¥ —	¥144	¥—	¥ 144

Financial instruments other than the financial instruments recorded on the consolidated balance sheet at market value as of March 31, 2024 and 2023 are as follows:

	Millions of yen			
	2024			
	Level 1	Level 2	Level 3	Total
Assets				
Notes receivable - trade	¥—	¥ 4,686	¥—	¥ 4,686
Accounts receivable - trade	—	97,354	—	97,354
Total assets	¥—	¥102,040	¥—	¥102,040
Liabilities				
Notes and accounts payable - trade	—	62,068	—	62,068
Short-term loans payable	—	32,350	—	32,350
Other payables	—	28,108	—	28,108
Income taxes payable	—	4,154	—	4,154
Long-term debt	—	175,601	—	175,601
Total liabilities	¥—	¥302,281	¥—	¥302,281
	Thousands of U.S. dollars			
	2024			
	Level 1	Level 2	Level 3	Total
Assets				
Notes receivable - trade	\$—	\$ 31,033	\$—	\$ 31,033
Accounts receivable - trade	—	644,728	—	644,728
Total assets	\$—	\$ 675,761	\$—	\$ 675,761
Liabilities				
Notes and accounts payable - trade	—	411,046	—	411,046
Short-term loans payable	—	214,238	—	214,238
Other payables	—	186,146	—	186,146
Income taxes payable	—	27,510	—	27,510
Long-term debt	—	1,162,921	—	1,162,921
Total liabilities	\$—	\$2,001,861	\$—	\$2,001,861
	Millions of yen			
	2023			
	Level 1	Level 2	Level 3	Total
Assets				
Notes receivable - trade	¥—	¥ 5,309	¥—	¥ 5,309
Accounts receivable - trade	—	96,256	—	96,256
Total assets	¥—	¥101,565	¥—	¥101,565
Liabilities				
Notes and accounts payable - trade	—	69,241	—	69,241
Short-term loans payable	—	35,868	—	35,868
Commercial paper	—	3,000	—	3,000
Other payables	—	21,272	—	21,272
Income taxes payable	—	1,528	—	1,528
Long-term debt	—	174,160	—	174,160
Total liabilities	¥—	¥305,069	¥—	¥305,069

Note: Explanation of the valuation technique used to calculate the fair value and the inputs related to the calculation of the fair value.

"Investment securities"

Listed stocks are valued using market prices. Since listed stocks are traded in active markets, we classify their fair value as Level 1.

"Derivative financial transactions"

The method of calculating the fair value of foreign exchange contracts and currency options are calculated based on the prices offered by the financial institutions of our business partners, and is classified as Level 2.

The fair value of currency swaps accounted for by the short-cut method is included in the fair value of long-term debt, which is designated as the hedged item.

"Notes and accounts receivable - trade"

These market values are calculated by the discounted present value method based on the interest rate that considers the amount of receivables, the period until maturity, and credit risk for each fixed period and for each classified receivables, and is classified as Level 2.

"Notes and accounts payable - trade," "Short-term loans payable," "Commercial paper," "Other payables" and "Income taxes payable"

These fair values are calculated by the discounted present value method based on the future cash flows, the period until the repayment date, and the interest rate that considers credit risk for each fixed period and for each classified payables, and is classified as Level 2.

"Long-term debt"

The fair value of corporate bonds issued by the Company is based on the market price and is divided into Level 2.

The fair value of long-term loans payable is calculated by the discounted present value method based on the total amount of principal and interest, the remaining period of the debt and the interest rate that considers credit risk, and is classified as Level 2.

Securities

Investment securities at March 31, 2024 and 2023 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Investment securities:			
Unconsolidated subsidiaries and affiliated companies	¥207,706	¥186,106	\$1,375,536
Others	16,217	12,287	107,397
	¥223,923	¥198,393	\$1,482,933

Marketable securities classified as other securities at March 31, 2024 and 2023 are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2024			2023			2024		
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:									
Stock	¥12,841	¥3,143	¥9,698	¥8,701	¥3,192	¥5,509	\$85,040	\$20,815	\$64,225
Debt securities	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—
Subtotal	12,841	3,143	9,698	8,701	3,192	5,509	85,040	20,815	64,225
Securities whose acquisition cost exceeds their carrying value:									
Stock	778	868	(90)	570	962	(392)	5,152	5,748	(596)
Debt securities	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—
Subtotal	778	868	(90)	570	962	(392)	5,152	5,748	(596)
Total	¥13,619	¥4,011	¥9,608	¥9,271	¥4,154	¥5,117	\$90,192	\$26,563	\$63,629

Sales of securities classified as other securities and the aggregate gain for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2024			2023			2024		
	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss
Stock	¥377	¥234	¥—	¥534	¥279	¥(26)	\$2,497	\$1,550	\$—
Debt securities	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—
	¥377	¥234	¥—	¥534	¥279	¥(26)	\$2,497	\$1,550	\$—

Inventories

Inventories at March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Finished goods	¥ 58,017	¥ 56,754	\$384,219
Work in process	29,503	23,881	195,384
Raw materials and supplies	46,428	46,373	307,470
	¥133,948	¥127,008	\$887,073

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Short-term loans payable and long-term debt

Short-term loans payable represent bank loans, with average interest rates of 0.45% and 0.40% per annum at March 31, 2024 and 2023, respectively.

Long-term debt at March 31, 2024 and 2023 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
0.15% unsecured bonds due FY 2024	¥ 10,000	¥ 10,000	\$ 66,225
0.31% unsecured bonds due FY 2025	10,000	10,000	66,225
0.43% unsecured bonds due FY 2026	10,000	10,000	66,225
0.38% unsecured bonds due FY 2027	10,000	10,000	66,225
0.53% unsecured bonds due FY 2027	5,000	5,000	33,113
0.83% unsecured bonds due FY 2028	6,600	—	43,709
0.58% unsecured bonds due FY 2030	10,000	10,000	66,225
0.97% unsecured bonds due FY 2032	5,000	5,000	33,113
1.61% unsecured bonds due FY 2033	3,400	—	22,516
Loans principally from banks and insurance companies:			
Unsecured, at 0.00% to 1.65%, maturing through FY 2033	—	114,789	—
Unsecured, at 0.00% to 4.07%, maturing through FY 2035	106,592	—	705,907
	176,592	174,789	1,169,483
Less current portion	41,020	19,269	271,656
	¥135,572	¥155,520	\$ 897,827

The Company and certain consolidated subsidiaries have established commitment lines with some of their banks to procure working capital efficiently. The amount was ¥21,608 million (US\$143,099 thousand) as of March 31, 2024.

The aggregate annual maturities of the non-current portion of long-term debt are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2026	¥ 29,199	\$193,371
2027	30,439	201,582
2028	32,742	216,834
2029	14,377	95,212
2030 and thereafter	28,815	190,828
	¥135,572	\$897,827

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Pledged assets

The assets pledged as collateral for short-term and long-term borrowings, guarantees and borrowings of affiliated companies at March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Assets pledged as collateral:			
Property, plant and equipment, at net book value	¥2,838	¥2,822	\$18,795

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Contingent liabilities

At March 31, 2024 and 2023, the Company and its consolidated subsidiaries are contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
As endorser of trade notes discounted or endorsed	¥1,305	¥ 820	\$ 8,642
As guarantor of employees' housing loans	1	3	7
As guarantor of indebtedness principally of unconsolidated subsidiaries and affiliated companies	5,790	6,004	38,344

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Net assets

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) shall be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

At the general shareholders' meeting of the Company held on June 26, 2024, the distribution of retained earnings for the year ended March 31, 2024 was approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥55.00 per share)	¥5,339	\$35,358

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Selling, general and administrative expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Freight and storage	¥11,759	¥14,410	\$ 77,874
Salaries and benefits	16,143	14,910	106,907
Research and development costs	10,017	10,165	66,338

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Research and development costs

Research and development costs, all of which are included in "Selling, general and administrative expenses" and "Manufacturing cost" for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Research and development costs	¥10,296	¥10,422	\$68,185

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Other income (expenses)

"Other income (expenses) – Others, net" for the years ended March 31, 2024 and 2023 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Gain (loss) on sales of investment securities, net	¥ 293	¥ (817)	\$ 1,940
Gain on sales of property, plant and equipment, net	44	343	291
Loss on disposal of property, plant and equipment	(2,592)	(1,500)	(17,166)
Loss on impairment of fixed assets (Note 14)	(353)	(1,350)	(2,337)
Loss on valuation of investment securities	(1)	(338)	(6)
Gain on foreign currency exchange, net	1,526	517	10,106
Provision for loss over investment cost of subsidiaries and affiliates	—	(456)	—
Gain on change in equity	712	8,265	4,715
Others, net	(2,301)	(1,103)	(15,238)
	¥(2,672)	¥ 3,561	\$(17,695)

Loss on impairment of fixed assets

Fixed assets of the Company and consolidated subsidiaries are grouped at the business unit or department level for impairment testing.

Loss on impairment of fixed assets for the year ended March 31, 2024 consists of the following:

	Millions of yen	Thousands of U.S. dollars
	2024	2024
Assets to be disposed:		
Buildings, Machinery, and equipment	¥ (37)	\$ (245)
Business assets in use:		
Methyl 3-methoxyacrylate manufacturing plant (UBE Corporation)	(78)	(517)
Textile product manufacturing plant (UBE EXSYMO CO., LTD.)	(110)	(728)
Optical communication products manufacturing plant (UBE EXSYMO CO., LTD.)	(15)	(99)
Separator manufacturing plant (UBE MAXELL CO., LTD.)	(55)	(364)
Duplex bag manufacturing plant (UBE FILM, LTD.)	(43)	(285)
Contract manufacturing plant (API Corporation)	(15)	(99)
	¥(353)	\$(2,337)

(a) Assets to be disposed

For one asset to be disposed of, the book value of the asset was reduced to its recoverable value, and the reduction was recorded as an impairment loss ¥(37) million (US\$(245) thousand) under extraordinary losses, and the breakdown is tools, furniture, fixtures, etc., ¥(37) million (US\$(245) thousand). The recoverable value was measured based on the net selling price, which is based on the purchase and sale agreement amount.

(b) Business assets in use

As a result of our decision to withdraw from the MAME (methyl 3-methoxyacrylate) manufacturing facility, UBE Corporation reduced the book value of the facility to its memorandum value and recorded the reduction amount as an impairment loss ¥(78) million (US\$(517) thousand) under extraordinary losses. The breakdown of this amount is machinery and equipment, etc., ¥(78) million (US\$(517) thousand).

As for UBE EXSYMO CO., LTD.'s textile manufacturing equipment, the book value of the equipment was reduced to the recoverable value due to a deterioration in profitability, and the reduction was recorded as an impairment loss ¥(110) million (US\$(728) thousand) under extraordinary losses. The breakdown is construction in progress account, etc., ¥(110) million (US\$(728) thousand). Note that the recoverable value is measured based on the value in use, but the discount rate is omitted because the undiscounted cash flow is negative.

Regarding UBE EXSYMO CO., LTD.'s optical communication related product manufacturing equipment, the book value of the equipment was reduced to the recoverable value due to a deterioration in profitability, and the reduction was recorded as an impairment loss ¥(15) million (US\$(99) thousand) under extraordinary losses. The breakdown is machinery and equipment, etc., ¥(15) million (US\$(99) thousand). Note that the recoverable value was measured based on the value in use, but the discount rate is omitted because the undiscounted cash flow is negative.

As for UBE MAXELL CO., LTD., following the decision to close the Ube facility, the book value of the separator manufacturing equipment was reduced to its memorandum value, and the reduction was recorded as an impairment loss ¥(55) million (US\$(364) thousand) under extraordinary losses. The breakdown of this loss is machinery and equipment, etc., ¥(55) million (US\$(364) thousand).

As for UBE FILM, LTD.'s heavy-duty packaging bag manufacturing equipment, the book value of the asset was reduced to its recoverable value due to the decision to transfer the business, and the reduction was recorded as an impairment loss ¥(43) million (US\$(285) thousand) under extraordinary losses. The breakdown is machinery and equipment, etc., ¥(43) million (US\$(285) thousand). The recoverable value was measured based on the net selling price, which is based on the contract purchase price.

As for API Corporation, due to the termination of some of its manufacturing contracts, the book value of the contracted manufacturing equipment was reduced to its memorandum value, and the reduction was recorded as an impairment loss ¥(15) million (US\$(99) thousand) under extraordinary losses. The breakdown of this amount is ¥(15) million (US\$(99) thousand) for machinery and equipment.

Loss on impairment of fixed assets for the year ended March 31, 2023 consist of the following:

	Millions of yen
	2023
Rental property	
Land (UBE Corporation)	¥ (273)
Business assets in use:	
1,6-Hexanediol manufacturing plant (UBE Corporation)	(424)
Momoyama electric equipment (UBE Corporation)	(257)
Oxalic acid and Dimethyl oxalate manufacturing plant (UBE Corporation)	(175)
RASEN COMPOSE (optical fiber cable material) manufacturing plant (UBE EXSYMO ADVANCED MATERIALS (WUXI) CO.,LTD.)	(143)
Nitric acid manufacturing plant (UBE Corporation)	(61)
Revolving electric furnace (UBE STEEL CO., LTD.)	(5)
Company housing facility (UBE FILM, LTD.)	(12)
	<u>¥(1,350)</u>

(a) Rental property

The book value of one rental property that has declined in the market was reduced to the recoverable value, and the amount of the reduction was recognized as an impairment loss of ¥(273) million under other expenses. The breakdown is ¥(273) million for land.

(b) Business assets in use

Regarding the 1,6-hexanediol manufacturing facility of UBE Corporation, a decision was made to withdraw from the business, and the book value was reduced to the memorandum value, and the amount of the reduction was recognized as an impairment loss of ¥(424) million under other expenses. The breakdown is ¥(424) million for machinery and other equipment. In addition, related to this transaction, the cost of raw materials which will be purchased in the future is included as provision for loss on investments in subsidiaries and affiliates ¥(176) million.

Regarding the Momoyama electrical equipment of UBE Corporation, since future use is not expected, the book value of the equipment has been reduced to the memorandum value.

The amount of the reduction was recognized as an impairment loss of ¥(257) million under other expenses. The breakdown is ¥(257) million for buildings and others.

Regarding oxalic acid and DMO (dimethyl oxalate) manufacturing facilities of UBE Corporation, a decision was made to withdraw from the business. Accordingly, the book value of the manufacturing equipment was reduced to the memorandum value, and the amount of the reduction was recognized as an impairment loss of ¥(175) million under other expenses. The breakdown is ¥(175) million for machinery and others.

The decision was made to withdraw from the RASEN COMPOSE manufacturing facility of UBE EXSYMO ADVANCED MATERIALS (WUXI) CO., LTD.. As a result, the book value of the manufacturing equipment was reduced to the memorandum value, and the amount of the reduction was recognized as an impairment loss of ¥(143) million under other expenses. The breakdown is ¥(143) million for machinery and others.

Regarding our third nitric acid production facility, since future use is not expected, the book value of the facility was reduced to the memorandum value. The amount of the reduction was recognized as an impairment loss of ¥(61) million under other expenses. The breakdown is ¥(61) million for machinery and other items.

For UBE STEEL CO., LTD., the book value of the facility was reduced to the memorandum value due to the suspension of renewal of the revolving electric furnace. The amount of the reduction was recognized as an impairment loss of ¥(5) million under other expenses. The breakdown is construction in progress of ¥(5) million.

Regarding the company housing facilities of UBE FILM, LTD., the decision was made to discontinue use due to aging, and the book value of the facilities was written down. The amount was reduced to the residual value, and the amount of the reduction was recognized as an impairment loss of ¥(12) million under other expenses. The breakdown is ¥(12) million for buildings.

Income taxes

Income taxes applicable to the Company comprise corporation, enterprise and inhabitants' taxes which, in the aggregate, resulted in statutory tax rates of approximately 30.5% for the year ended March 31, 2024.

The effective tax rates reflected in the consolidated statement of income for the years ended March 31, 2024 and 2023 differ from the statutory tax rates for the following reasons.

	Percentage	
	2024	2023
Statutory tax rate	30.5%	—%
Effect of:		
Permanently non-deductible expenses	0.4	—
Permanently non-taxable items including dividend income	(12.8)	—
Tax loss carried forward not subject to deferred tax asset recognition	0.5	—
Deducted tax loss	0.0	—
Effect of elimination of dividend income through consolidation procedures	13.7	—
Share of profit of entities accounted for using equity method	(10.7)	—
Tax rate difference of overseas consolidated subsidiaries	(1.2)	—
Retained earnings of foreign subsidiary companies	0.8	—
Deductible research and development expenses	(2.3)	—
Consolidated adjustment for allowance for doubtful accounts	(1.3)	—
Others	(0.4)	—
Effective tax rate	17.2%	—%

* Information for the year ended March 31, 2023 is omitted because a loss before income taxes is recorded for the fiscal year 2023.

The significant components of deferred tax assets and liabilities at March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Deferred tax assets:			
Provision for bonuses	¥ 1,604	¥ 1,638	\$ 10,623
Net defined benefit liability	2,122	2,079	14,053
Tax loss carried forward	6,462	6,768	42,795
Unrealized intercompany profit	9,708	9,203	64,291
Depreciation and amortization	858	1,502	5,682
Loss on valuation of investment securities	2,667	2,607	17,662
Disposal of fixed assets without dismantlement	1,283	1,090	8,497
Impairment loss on fixed assets	1,653	1,721	10,947
Revenue recognition differences between accounting and tax purposes	2,366	1,121	15,669
Foreign corporation tax credit carried forward	1,359	—	9,000
Others	5,070	3,313	33,576
Gross deferred tax assets	35,152	31,042	232,795
Valuation allowance:			
Tax loss carried forward**	(2,053)	(1,125)	(13,596)
Total future tax consequences of temporary differences	(5,682)	(4,126)	(37,629)
Gross valuation allowance	(7,735)	(5,251)	(51,225)
Total deferred tax assets	27,417	25,791	181,570
Deferred tax liabilities:			
Reserve for advanced depreciation of non-current assets	(660)	(680)	(4,371)
Valuation difference on available-for-sale securities	(2,825)	(1,454)	(18,709)
Net defined benefit asset	(5,343)	(3,005)	(35,384)
Revaluation surplus on assets	(959)	(1,102)	(6,351)
Retained earnings of foreign subsidiary companies	(2,552)	(2,267)	(16,901)
Others	(4,627)	(4,521)	(30,642)
Total deferred tax liabilities	(16,966)	(13,029)	(112,358)
Net deferred tax assets*	¥ 10,451	¥ 12,762	\$ 69,212

* Net deferred tax assets in the preceding table are classified as follows in the accompanying consolidated balance sheet.

Due to changes in the importance of the amount of each account item, ¥116 million recorded in "Allowance for doubtful accounts", ¥110 million recorded in "Accrual for losses on business restructuring", and ¥5,929 million recorded in "Others" under Deferred tax assets in the year ended March 31, 2023 have been reclassified as ¥1,721 million in "Impairment loss on fixed assets denied", ¥1,121 million in "Revenue recognition difference for tax purposes", and ¥3,313 million in "Others".

Note 1: Gross valuation allowance has been increased by ¥2,484 million (US\$16,450 thousand) due to mainly increased "Foreign corporation tax credit carried forward".

Note 2: Provisional accounting procedures for business combinations have been finalized during the year ended March 31, 2024. Figures for the year ended March 31, 2023 are the amounts after reflecting a significant revision of the initial allocation of the acquisition cost following the finalization of provisional accounting procedures.

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Investments and other assets – Deferred tax assets	¥11,881	¥13,775	\$78,682
Long-term liabilities – Deferred tax liabilities	(1,430)	(1,013)	(9,470)

** Tax loss carried forward and deferred tax assets by carry-forward period are as follows:

Years ending March 31	Millions of yen			Thousands of U.S. dollars		
	Tax loss carried forward	Valuation allowance	Deferred tax assets	Tax loss carried forward	Valuation allowance	Deferred tax assets
2025	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
2026	—	—	—	—	—	—
2027	—	—	—	—	—	—
2028	1,031	—	1,031	6,828	—	6,828
2029	683	—	683	4,523	—	4,523
2030 and thereafter	4,748	(2,053)	2,695	31,444	(13,596)	17,848
	¥6,462	¥(2,053)	¥4,409*	\$42,795	\$(13,596)	\$29,199

* The tax loss carried forward of ¥6,462 million (US\$42,795 thousand) and the deferred tax assets of ¥4,409 million (US\$29,199 thousand) for the year ended March 31, 2024 have been recorded. The tax loss carried forward was determined to be recoverable as future taxable income is anticipated, and therefore a valuation allowance has not been recognized.

Note: Tax loss carried forward is measured using the statutory effective tax rate.

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Derivative financial instruments

Summarized below are the notional amounts and the estimated fair values of the derivative transactions outstanding on March 31, 2024 and 2023.

(a) Derivative financial instruments for which deferred hedge accounting has not been applied

Currency-related transactions:

	Millions of yen						Thousands of U.S. dollars		
	2024		Unrealized gain (loss)	2023		Unrealized gain (loss)	2024		
	Notional amount	Fair value		Notional amount	Fair value		Notional amount	Fair value	Unrealized gain (loss)
Forward exchange contracts:									
Sell:									
USD	¥4,746	¥(41)	¥(41)	¥ 955	¥ (3)	¥ (3)	\$31,430	\$(271)	\$(271)
JPY	239	(0)	(0)	359	2	2	1,583	(0)	(0)
EUR	642	(1)	(1)	451	(4)	(4)	4,252	(7)	(7)
Buy:									
USD	397	7	7	3,247	(91)	(91)	2,629	46	46
JPY	1	0	0	153	(0)	(0)	7	0	0
EUR	—	—	—	195	8	8	—	—	—
Total	¥6,025	¥(35)	¥(35)	¥5,360	¥(88)	¥(88)	\$39,901	\$(232)	\$(232)

* Currency options contracts is zero cost option, and call options and put options are listed together because they are integrated contracts.

(b) Derivative financial instruments for which deferred hedged accounting has been applied

Currency-related transactions

Main items hedged by forward foreign exchange contracts are trade accounts receivable and payable.

Principle method	Forward exchange contracts:	Millions of yen				Thousands of U.S. dollars	
		2024		2023		2024	
		Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
	Sell:						
	USD	¥ —	¥ —	¥ 944	¥(62)	\$ —	\$ —
	Buy:						
	USD	25	3	46	1	165	20
	EUR	260	5	161	6	1,722	33
	Short-cut method						
	Sell:						
	USD	417	(14)	—	—	2,762	(93)
	Total	¥702	¥ (6)	¥1,151	¥(55)	\$4,649	\$(40)

Segment information

The reportable segments of the Company are defined as individual units, where separate financial information is available and which are subject to regular review by the Board of Directors of the Company to evaluate their results and decide the allocation of management resources.

The Company Group consolidated the segments of which products and services have similar economic characteristic and markets, and classified them into the reportable segments consisting of "Specialty Products," "Polymers & Chemicals," "Machinery" and "Others" segments.

Main products and services of each reportable segment are as follows:

Reportable segment	Main products and services
Specialty Products	Polyimide, Separation membrane, Ceramics, Separators, etc.
Polymers & Chemicals	Composite, Nylon polymer, Caprolactam, Ammonium sulfate, Industrial chemicals, Fine Chemicals, High-Performance Coating, Elastomer (Synthetic rubber), etc.
Machinery	Molding Machinery(Die Casting Machines, Extrusion Presses, and Injection Molding Machines), Industrial Machinery(Kiln, Chemical Equipment, Vertical mill, Bulk handling machine, Water screening equipment, Crushers), Bridges and Steel Structures and Steel Products(Billets, Casting), etc.
Others	Pharmaceuticals (APIs and intermediates), electric power supply business, leasing and control of real estate, etc.

The operations of the Company and its consolidated subsidiaries for the years ended March 31, 2024 and 2023 are summarized by reportable segment as follows:

Year ended March 31, 2024	Millions of yen					
	Specialty Products	Polymers & Chemicals	Machinery	Others	Elimination & Corporate	Consolidated
Sales:						
Outside customers	¥46,142	¥232,834	¥96,476	¥ 92,785	¥ —	¥468,237
Intersegment sales and transfers	17,608	24,341	410	(12,294)	(30,065)	—
Total	63,750	257,175	96,886	80,491	(30,065)	468,237
Segment operating profit	¥12,110	¥ 2,427	¥ 7,168	¥ 4,549	¥ (3,798)	¥ 22,456
Segment assets	¥80,089	¥290,837	¥93,047	¥ 87,875	¥237,186	¥789,034
Depreciation and amortization	3,817	14,402	2,389	3,923	2,041	26,572
Equity method investments	4,843	24,700	—	3,679	173,710	206,932
Capital expenditures	7,932	14,757	2,558	4,806	6,009	36,062

Year ended March 31, 2024	Thousands of U.S. dollars					
	Specialty Products	Polymers & Chemicals	Machinery	Others	Elimination & Corporate	Consolidated
Sales:						
Outside customers	\$305,576	\$1,541,947	\$638,914	\$614,470	\$ —	\$3,100,907
Intersegment sales and transfers	116,609	161,199	2,715	(81,417)	(199,106)	—
Total	422,185	1,703,146	641,629	533,053	(199,106)	3,100,907
Segment operating profit	\$ 80,198	\$ 16,073	\$ 47,470	\$ 30,126	\$ (25,152)	\$ 148,715
Segment assets	\$530,391	\$1,926,073	\$616,205	\$581,953	\$1,570,768	\$5,225,390
Depreciation and amortization	25,278	95,378	15,821	25,980	13,517	175,974
Equity method investments	32,073	163,576	—	24,364	1,150,397	1,370,410
Capital expenditures	52,530	97,728	16,940	31,828	39,795	238,821

Year ended March 31, 2023	Millions of yen					
	Specialty Products	Polymers & Chemicals	Machinery	Others	Elimination & Corporate	Consolidated
Sales:						
Outside customers	¥47,085	¥268,469	¥96,373	¥82,811	¥ —	¥494,738
Intersegment sales and transfers	15,073	24,919	548	(9,701)	(30,839)	—
Total	62,158	293,388	96,921	73,110	(30,839)	494,738
Segment operating profit	¥10,243	¥ 2,592	¥ 5,237	¥ 2,596	¥ (4,458)	¥ 16,210
Segment assets	¥74,090	¥274,814	¥89,728	¥89,706	¥204,343	¥732,681
Depreciation and amortization	4,073	14,397	2,007	3,015	2,014	25,506
Equity method investments	5,240	26,634	—	3,117	150,369	185,360
Capital expenditures	4,874	10,514	1,684	8,639	3,578	29,289

Notes: Segment information for the year ended March 31, 2023 is presented based on amounts after reflecting significant revisions to the initial allocation of acquisition costs due to the finalization of provisional accounting treatment for business combinations.

Sales and amounts of property, plant and equipment of the Company and its consolidated subsidiaries as of and for the years ended March 31, 2024 and 2023 by geographic area are as follows:

Year ended March 31, 2024	Millions of yen				
	Japan	Asia	Europe	Others	Consolidated
Sales	¥232,213	¥126,342	¥62,308	¥47,374	¥468,237

Year ended March 31, 2024	Thousands of U.S. dollars				
	Japan	Asia	Europe	Others	Consolidated
Sales	\$1,537,834	\$836,702	\$412,636	\$313,735	\$3,100,907

As of March 31, 2024	Millions of yen				
	Japan	Thailand	Spain	Others	Consolidated
Property, plant and equipment	¥149,909	¥40,378	¥24,740	¥7,131	¥222,158

As of March 31, 2024	Thousands of U.S. dollars				
	Japan	Thailand	Spain	Others	Consolidated
Property, plant and equipment	\$992,775	\$267,404	\$163,841	\$47,225	\$1,471,245

Year ended March 31, 2023	Millions of yen				
	Japan	Asia	Europe	Others	Consolidated
Sales	¥236,819	¥136,703	¥70,572	¥50,644	¥494,738

As of March 31, 2023	Millions of yen				
	Japan	Thailand	Spain	Others	Consolidated
Property, plant and equipment	¥144,281	¥41,027	¥22,455	¥1,275	¥209,038

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Leases

Operating leases

Future minimum lease payments subsequent to March 31, 2024 and 2023 for non-cancelable operating leases are summarized as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
	2024	2024
2025	¥ 783	\$ 5,185
2026 and thereafter	1,721	11,397
	¥2,504	\$16,582

Years ending March 31	Millions of yen
	2023
2024	¥ 787
2025 and thereafter	2,409
	¥3,196

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Retirement benefits

The Company and certain domestic consolidated subsidiaries have funded and unfunded defined benefit company pension plans. Certain domestic consolidated subsidiaries have defined contribution pension plans.

Under the defined benefit pension plans, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay and years of service. The retirement benefit trusts have been established for some defined benefit pension plans.

Under the lump-sum retirement benefit of defined pension plans, benefits are determined based on the rate of pay and years of service.

Defined contribution plans are mainly defined contribution pension plans.

(a) Defined benefit plans

The changes in the retirement benefit obligation during the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Opening balance of retirement benefit obligation	¥38,449	¥ 48,920	\$254,629
Service cost	2,340	2,333	15,497
Interest cost	235	234	1,556
Actuarial loss (gain)	(1,966)	680	(13,020)
Benefit paid	(2,036)	(3,473)	(13,483)
Prior service cost	—	300	—
Increase due to new consolidation	—	2,108	—
Decrease due to corporate separation	—	(12,653)	—
Closing balance of retirement benefit obligation	¥37,022	¥ 38,449	\$245,179

The changes in plan assets during the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Opening balance of plan assets	¥43,916	¥ 56,127	\$290,834
Expected return on pension assets	981	1,030	6,497
Actuarial gain (loss)	5,371	(686)	35,569
Contributions by the employer	1,685	1,697	11,159
Benefit paid	(1,840)	(3,264)	(12,185)
Decrease due to corporate separation	—	(10,988)	—
Closing balance of plan assets	¥50,113	¥ 43,916	\$331,874

The reconciliation of the retirement benefit obligations and plan assets to the liabilities and assets for retirement benefits recognized in the consolidated balance sheet as of March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Funded retirement benefit obligation	¥ 33,652	¥ 35,105	\$ 222,861
Plan assets	(50,113)	(43,916)	(331,874)
	(16,461)	(8,811)	(109,013)
Unfunded retirement benefit obligation	3,370	3,344	22,318
Net amount of liabilities and assets for retirement benefits in the consolidated balance sheet	¥(13,091)	¥ (5,467)	\$ (86,695)
Net defined benefit liability	¥ 5,531	¥ 5,542	\$ 36,629
Net defined benefit asset	(18,622)	(11,009)	(123,324)
Net amount of liabilities and assets for retirement benefits in the consolidated balance sheet	¥(13,091)	¥ (5,467)	\$ (86,695)

The breakdown of the retirement benefit expenses for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Service cost	¥2,340	¥ 2,333	\$15,497
Interest cost	235	234	1,556
Expected return on plan assets	(981)	(1,030)	(6,497)
Amortization of actuarial loss	120	(139)	795
Amortization of prior service cost	4	46	26
Retirement benefit expenses	¥1,718	¥ 1,444	\$11,377

The components of remeasurements of defined benefit plans in other comprehensive income (before tax effect) for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Actuarial loss (gain)	¥(7,457)	¥1,505	\$(49,384)
Prior service cost	(4)	254	(26)
Total	¥(7,461)	¥1,759	\$(49,410)

The components of remeasurements of defined benefit plans in accumulated other comprehensive income (before tax effect) as of March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Unrecognized actuarial loss (gain)	¥(6,921)	¥536	\$(45,834)
Unrecognized prior service cost	250	254	1,655
Total	¥(6,671)	¥790	\$(44,179)

The breakdown of pension assets by major category as a percentage of total plan assets as of March 31, 2024 and 2023 are as follows:

	Ratio	
	2024	2023
Bonds	24%	24%
Equities	46	38
Insurance assets (General account)	15	22
Others	15	16
Total	100%	100%

The above total includes 16% and 10% of the retirement benefit trusts of company pension plans on March 31, 2024 and 2023, respectively.

The expected return rate on plan assets is estimated based on the current and anticipated allocations to each asset class and current and anticipated long-term returns on assets held in each category.

The items of actuarial assumptions for the years ended March 31, 2024 and 2023 are as follows:

	Ratio	
	2024	2023
Discount rate	0.5~1.2%	0.4~1.2%
Expected long-term return on plan assets:		
Pension assets	2.0~2.5	2.0~2.5
Retirement benefit trusts	0.0	0.0

The schedule of the defined benefit obligation and pension assets accounted for by the simplified method for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Opening balance of net defined benefit liability and asset	¥1,677	¥ 4,117	\$11,106
Benefit expenses	209	209	1,384
Benefit paid	(93)	(166)	(616)
Contributions to the plans	(35)	(34)	(232)
Decrease due to corporate separation	—	(2,216)	—
Others	—	(233)	—
Closing balance of net defined benefit liability and asset	¥1,758	¥ 1,677	\$11,642

The reconciliation of the retirement benefit obligations and plan assets to the liabilities and assets for retirement benefits by the simplified method recognized in the consolidated balance sheet as of March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Funded retirement benefit obligation	¥ 786	¥ 718	\$ 5,205
Plan assets	(534)	(498)	(3,536)
	252	220	1,669
Unfunded retirement benefit obligation	1,506	1,457	9,973
Net amount of liabilities and assets for retirement benefits in the consolidated balance sheet	1,758	1,677	11,642
Net defined benefit liability	1,758	1,677	11,642
Net defined benefit asset	—	—	—
Net amount of liabilities and assets for retirement benefits in the consolidated balance sheet	¥1,758	¥1,677	\$11,642

The retirement benefit expenses under the simplified method were ¥209 million (US\$1,384 thousand) and ¥209 million for the years ended March 31, 2024 and 2023, respectively.

(b) Defined contribution plans

The contributions by consolidated subsidiaries paid to defined contribution pension plans were ¥32 million (US\$212 thousand) and ¥32 million for the years ended March 31, 2024 and 2023, respectively.

The Company and its consolidated subsidiaries own idle property and rental property in Yamaguchi prefecture in Japan and other areas. The carrying amount, net changes and fair value of investment and rental property for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen			
	2024			
	Carrying amount			Fair value at March 31, 2024
Opening balance	Net change during the year	Closing balance		
Idle property	¥3,155	¥(121)	¥3,034	¥16,158
Rental property	5,673	323	5,996	14,267

	Thousands of U.S. dollars			
	2024			
	Carrying amount			Fair value at March 31, 2024
Opening balance	Net change during the year	Closing balance		
Idle property	\$20,894	\$ (801)	\$20,093	\$107,007
Rental property	37,570	2,139	39,709	94,483

Notes: Carrying amounts represent the acquisition costs less accumulated depreciation and impairment losses.

Net change for the year ended March 31, 2024 is mainly the increase due to change in usage category ¥309 million (US\$2,046 thousand).

Fair value of main property at March 31, 2024 is based on external appraisal, and fair value of other property is estimated based on the index prices deemed to reflect the market price accurately.

	Millions of yen			
	2023			
	Carrying amount			Fair value at March 31, 2023
Opening balance	Net change during the year	Closing balance		
Idle property	¥ 5,793	¥(2,638)	¥3,155	¥16,550
Rental property	10,832	(5,159)	5,673	13,529

Notes: Carrying amounts represent the acquisition costs less accumulated depreciation and impairment losses.

Net change for the year ended March 31, 2023 is mainly the corporate spin-off ¥(5,625) million.

Fair value of main property on March 31, 2023 is based on external appraisal, and fair value of other property is estimated based on the index prices deemed to reflect the market price accurately.

The amount of income and expenses related to investment and rental property for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen			
	2024			
	Rental income	Rental expenses	Net income	Others
Idle property	¥ —	¥ —	¥ —	¥(133)
Rental property	708	309	399	—

	Thousands of U.S. dollars			
	2024			
	Rental income	Rental expenses	Net income	Others
Idle property	\$ —	\$ —	\$ —	\$(881)
Rental property	4,688	2,046	2,642	—

Notes: Others in the above table for idle property consist of taxes and dues of ¥(117) million (US\$(775) thousand), impairment loss of ¥(28) million (US\$(185) thousand), and profit on sales of ¥12 million (US\$79 thousand).

	Millions of yen			
	2023			
	Rental income	Rental expenses	Net income	Others
Idle property	¥ —	¥ —	¥ —	¥(117)
Rental property	670	265	405	316

Notes: Others in the above table for idle property consist of taxes and dues of ¥(120) million, and profit on sales of ¥3 million. Others for rental property is profit on sales of ¥316 million.

Stock options

Stock option expenses in the amounts of ¥16 million was recognized as “Selling, general and administrative expenses” on the consolidated statement of income for the year ended March 31, 2023.

The Company determined to introduce a restricted stock remuneration plan (hereinafter, the “Plan”). The Plan has been approved at the 116th Ordinary General Meeting of Shareholders which was held on June 29, 2022 for Directors of the Company (excluding those who are Audit and Supervisory Committee members and Outside Directors).

The Company abolishes the remuneration for stock acquisition rights as stock compensation-type stock options and discontinues the issuance of stock acquisition rights as stock compensation-type stock options thereafter. Stock acquisition rights as stock options granted to the Eligible Directors, etc. that have not yet been exercised will be waived by the Eligible Directors, etc., provided that the Plan will be introduced.

FY2012 stock options	<i>Position and number of grantees</i>	Directors of the Company: 4 Executive officers of the Company: 19	
	<i>Type and number of shares</i>	Common stock of the Company: 37,700 shares	
	<i>Date of grant</i>	July 13, 2012	
	<i>Settlement of rights</i>	After providing service for the period	
	<i>Period of providing service for stock option</i>	Directors of the Company: For 1 year (From July 1, 2012 to June 30, 2013) Executive officers of the Company: For 1 year (From April 1, 2012 to March 31, 2013)	
	<i>Exercise period of rights</i>	For 25 years from grant date (From July 13, 2012 to July 12, 2037)	
	<i>Condition of exercise of rights</i>	A holder of share acquisition rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.	
	FY2013 stock options	<i>Position and number of grantees</i>	Directors of the Company: 4 Executive officers of the Company: 20
<i>Type and number of shares</i>		Common stock of the Company: 48,100 shares	
<i>Date of grant</i>		July 12, 2013	
<i>Settlement of rights</i>		After providing service for the period	
<i>Period of providing service for stock option</i>		Directors of the Company: For 1 year (From July 1, 2013 to June 30, 2014) Executive officers of the Company: For 1 year (From April 1, 2013 to March 31, 2014)	
<i>Exercise period of rights</i>		For 25 years from grant date (From July 12, 2013 to July 11, 2038)	
<i>Condition of exercise of rights</i>		A holder of share acquisition rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.	
FY2014 stock options		<i>Position and number of grantees</i>	Directors of the Company: 4 Executive officers of the Company: 19
	<i>Type and number of shares</i>	Common stock of the Company: 43,000 shares	
	<i>Date of grant</i>	July 14, 2014	
	<i>Settlement of rights</i>	After providing service for the period	
	<i>Period of providing service for stock option</i>	Directors of the Company: For 1 year (From July 1, 2014 to June 30, 2015) Executive officers of the Company: For 1 year (From April 1, 2014 to March 31, 2015)	
	<i>Exercise period of rights</i>	For 25 years from grant date (From July 14, 2014 to July 13, 2039)	
	<i>Condition of exercise of rights</i>	A holder of share acquisition rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.	
	FY2015 stock options	<i>Position and number of grantees</i>	Directors of the Company: 4 Executive officers of the Company: 19
<i>Type and number of shares</i>		Common stock of the Company: 50,000 shares	
<i>Date of grant</i>		July 13, 2015	
<i>Settlement of rights</i>		After providing service for the period	
<i>Period of providing service for stock option</i>		Directors of the Company: For 1 year (From July 1, 2015 to June 30, 2016) Executive officers of the Company: For 1 year (From April 1, 2015 to March 31, 2016)	
<i>Exercise period of rights</i>		For 25 years from grant date (From July 13, 2015 to July 12, 2040)	
<i>Condition of exercise of rights</i>		A holder of share acquisition rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.	
		Exercise price	Average stock price at exercise
FY2012 stock options	¥1	¥ —	¥1,360
FY2013 stock options	¥1	¥2,456	¥1,560
FY2014 stock options	¥1	¥2,531	¥1,350
FY2015 stock options	¥1	¥2,373	¥1,810

Related parties

(a) Related party transactions

The Company purchased raw materials such as coal from Mitsubishi UBE Cement Corporation in the amount of ¥35,333 million (US\$233,993 thousand) during the year ended March 31, 2024. The capital stock of Mitsubishi UBE Cement Corporation is ¥50,250 million (US\$332,781 thousand) as of March 31, 2024, and it is accounted for by the equity method.

The purchase of raw materials from Mitsubishi UBE Cement Corporation is determined in the same way as general transaction conditions.

In accordance with the restricted stock remuneration plan, the Company paid ¥10 million (US\$66 thousand) to Masato Izumihara who is a President & Representative Director of the Company.

(b) Summarized financial information of significant affiliates

The Company recognizes Mitsubishi UBE Cement Corporation as a significant affiliate. The following is a summarized financial information based on original consolidated financial statement of Mitsubishi UBE Cement Corporation and adjusted to account for customer - related assets which was recognized at the business combination.

	Millions of yen	Thousands of U.S. dollars
	2024	2024
Total current assets	¥306,574	\$2,030,291
Total non-current assets	496,819	3,290,192
Total current liabilities	211,024	1,397,510
Total non-current liabilities	185,760	1,230,198
Total net assets	406,609	2,692,775
Net sales	585,298	3,876,146
Profit before income taxes	43,634	288,967
Profit attributable to owners of parent	26,178	173,364

Revenue recognition

Revenue from Contracts with Customers

The Group recognizes revenue at the amount that it expects to receive in exchange for promised goods or services at the time control of the goods or services are transferred to a customer. Related information with revenue from contracts with customers is as follows.

(a) A disaggregation of revenue from contracts with customers for the fiscal years ended March 31, 2024 and 2023 are as follows.

	Millions of yen				
	2024				
	Specialty Products	Polymers & Chemicals	Machinery	Others	Total
Japan	¥34,980	¥ 98,382	¥59,405	¥39,169	¥231,936
Asia	10,533	68,564	22,596	24,649	126,342
Europe	28	48,361	60	13,859	62,308
Others	601	17,527	14,415	14,831	47,374
Revenue from contracts with customers	46,142	232,834	96,476	92,508	467,960
Other revenue	—	—	—	277	277
Sales to outside customers	¥46,142	¥232,834	¥96,476	¥92,785	¥468,237

	Thousands of U.S. dollars				
	2024				
	Specialty Products	Polymers & Chemicals	Machinery	Others	Total
Japan	\$231,656	\$ 651,536	\$393,411	\$259,397	\$1,536,000
Asia	69,755	454,066	149,642	163,239	836,702
Europe	185	320,272	397	91,782	412,636
Others	3,980	116,073	95,464	98,218	313,735
Revenue from contracts with customers	305,576	1,541,947	638,914	612,636	3,099,073
Other revenue	—	—	—	1,834	1,834
Sales to outside customers	\$305,576	\$1,541,947	\$638,914	\$614,470	\$3,100,907

	Millions of yen				
	2023				
	Specialty Products	Polymers & Chemicals	Machinery	Others	Total
Japan	¥36,762	¥109,668	¥58,487	¥31,628	¥236,545
Asia	9,586	79,225	25,058	22,834	136,703
Europe	2	59,685	45	10,840	70,572
Others	735	19,891	12,783	17,235	50,644
Revenue from contracts with customers	47,085	268,469	96,373	82,537	494,464
Other revenue	—	—	—	274	274
Sales to outside customers	¥47,085	¥268,469	¥96,373	¥82,811	¥494,738

(b) Information on contract assets and contract liabilities from contracts with customers on March 31, 2024 and 2023 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
	Contract assets (Beginning balance)	¥101,565	¥155,608
Contract assets (Ending balance)	102,040	101,565	675,762

(c) Allocation of transaction price to separate performance obligations in contracts by timing is as follows.

Years ending March 31	Millions of yen	Thousands of U.S. dollars
	2024	2024
2025	¥19,651	\$130,139
2026	10,830	71,722
2027	4,897	32,430
2028 and thereafter	809	5,358
	¥36,187	\$239,649

Years ending March 31	Millions of yen
	2023
2024	¥16,582
2025	11,087
2026	191
2027 and thereafter	450
	¥28,310

Finalization of provisional accounting treatment for business combinations

Provisional accounting treatment was applied in the previous fiscal year for the business combination with API Corporation, which took place on December 31, 2022 (deemed acquisition date), that has been finalized in this fiscal year.

In line with the finalization of this provisional accounting treatment, important revisions have been reflected in the initial allocation of acquisition costs in the comparative information included in the consolidated financial statements for this fiscal year as follows.

Revised transactions	Revised amount	
	Millions of yen	Thousands of U.S. dollars
Goodwill (before modification)	¥ 1,894	\$ 12,543
Price adjustment for Acquisition cost	1,070	7,086
Current assets	(100)	(662)
Tangible assets	(1,070)	(7,086)
Intangible assets (customer related assets)	(2,527)	(16,735)
Deferred tax liabilities	1,106	7,324
Total revised amount	¥(1,521)	\$(10,073)
Goodwill (after modification)	¥ 373	\$ 2,470

As a result, on the consolidated balance sheet at the end of the previous fiscal year, current assets increased by ¥100 million (US\$662 thousand), tangible assets increased by ¥1,011 million (US\$6,695 thousand), intangible assets increased by ¥1,012 million (US\$6,702 thousand), and current liabilities increased by ¥1,073 million (US\$7,106 thousand) respectively. And deferred tax assets decreased by ¥1,078 million (US\$7,139 thousand) and retained earnings decreased by ¥28 million (US\$185 thousand) respectively.



Independent Auditor’s Report

The Board of Directors
 UBE Corporation

Opinion

We have audited the accompanying consolidated financial statements of UBE Corporation (the Company) and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2024, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor’s opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Property, Plant and Equipment	
Description of Key Audit Matter	Auditor’s Response
<p>The total value of the Group’s property, plant and equipment (“PP&E”) in the consolidated balance sheet as at March 31, 2024 was ¥222,158 million, representing 28.2% of total assets.</p> <p>Since the Group’s business activities are diverse and there are differences in business</p>	<p>The audit procedures we performed to assess the Company’s determination of indications of impairment of PP&E include the following, among others:</p> <p>1. Evaluation of PP&E grouping</p> <p>In order to ensure that business units or</p>

operating environments and profitability, the Company determines business units or departments in its Specialty Products, Polymers & Chemicals, Machinery and Others segments as the smallest cash generating units for the asset grouping of PP&E.

Indications of impairment include events such as operating profit or cash flows from operating activities being continuously negative or a change that alters the range or manner of utilization of PP&E so as to significantly reduce the recoverable amount.

As there are many products with different supply chains or manufacturing processes, the grouping of PP&E related to production of products requires a range of judgments by management to reflect operating conditions, such as considering the relevance of manufacturing processes. Also, the Group operates a wide range of businesses, and the impact of environmental changes on business profitability varies. Therefore, the management determines whether there is any indication of impairment considering specific circumstances.

As described above, because the book value of the PP&E is substantial and the management's judgment of the grouping and indications of impairment is required, we determined the valuation of the PP&E to be a key audit matter.

departments are grouped on the basis of the smallest cash generating unit in the examination of impairment of PP&E, we reviewed related materials such as the Group's internal policies for recognizing impairment of PP&E and impairment documentation. In order to evaluate whether changing the asset grouping is necessary, we inquired of management, and reviewed minutes of certain meetings and related materials.

2. Judgment regarding indications of impairment

(Assessment of operating profit or cash flows)

In order to evaluate the accuracy and completeness of basic accounting data used to calculate operating profit or cash flows from operating activities in each asset group, we evaluated effectiveness of the IT system for managing the data. For the head office expenses allocated to each asset group, in order to ensure that the scope and method of allocation of expenses were reasonable, we reviewed the Company's regulations for such allocation. In addition, in order to evaluate the accuracy of allocation calculations of the expenses, we assessed the consistency between basic allocation data and basic accounting data and conducted a calculation review of the basic allocation data.

(Assessment of any continuous deficit)

In order to confirm whether operating profit or cash flows from operating activities for each asset group was continuously negative or projected to be continuously negative, we reviewed the impairment-related materials such as impairment documentation, the basic accounting data and business plans approved by management.

(Evaluation of existence of other indications of impairment)

In order to determine whether there were

	<p>changes in the range or manner of utilization of PP&E, a significant deterioration of the business environment or significant decline in market prices, we inquired of management from each business unit or department and reviewed minutes of certain meetings and related materials.</p>
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Other Information

Other information comprises the information included in the Integrated Report Financial Sections that contains audited consolidated financial statements, but does not include the consolidated financial statements and our auditor’s report thereon.

We have concluded that other information does not exist. Accordingly, we have not performed any work related to other information.

Responsibilities of Management, the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.



Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 27, 2024

Hideaki Karaki
Designated Engagement Partner
Certified Public Accountant

Ritsuko Narazaki
Designated Engagement Partner
Certified Public Accountant

Yasuhiro Kai
Designated Engagement Partner
Certified Public Accountant