



February 5, 2013

Company name: Ube Industries, Ltd.  
Security code: 4208 (shares listed on First Section of  
Tokyo Stock Exchange and Fukuoka  
Stock Exchange)  
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## **Ube Industries to Cease Caprolactam Production at Sakai Factory and Record Extraordinary Loss**

TOKYO, February 5, 2013—Ube Industries, Ltd. today announced that it will cease production of caprolactam at the Sakai Factory in Japan. The decision was made today at a meeting of the Board of Directors and will result in the company recording an extraordinary loss for the fiscal year ending March 31, 2013. Details of the decision are described below.

### **1. Reason for Ceasing Production**

Ube began manufacturing and marketing caprolactam in 1955, supplying raw material caprolactam for nylon, which is widely used in fiber and plastics applications. The caprolactam business grew on the strength of Ube's reputation for quality and reliable supply, over time growing to encompass a global supply framework with four plants situated in Ube and Sakai in Japan, and in Spain and Thailand respectively.

However, with the global economic slowdown starting in 2012, growth in demand for caprolactam has weakened while market conditions for caprolactam have been heavily eroded by the entry of new manufacturers and successive production expansion of existing manufacturers centering on Chinese companies. At the same time, prices for raw material benzene and auxiliary materials have risen, with the net effect that the profitability of the caprolactam business has rapidly declined.

Among Ube's four manufacturing facilities, the caprolactam facilities at the Sakai Factory are the least competitive, due to high manufacturing costs based on the production techniques employed and facilities for auxiliary materials and steam utilities that are dependent on liquefied natural gas (LNG) for fuel. As a result, Ube put extra effort into examining and implementing various measures to improve profitability at the plant.

However, these measures are not enough to overcome the recent changes in business conditions, and the prospects for improving the profitability of caprolactam production at the Sakai Factory are dim. Therefore, Ube has made the decision that it is in its best interests to cease caprolactam production at the Sakai Factory after a fixed period of time and dismantle the facilities, in order to strengthen the overall competitiveness of the caprolactam business. Ube will also cease production of related derivative products at the Sakai Factory and dismantle those facilities. Thereafter, Ube will designate Sakai Factory mainly for value-added specialty products including lithium-ion battery materials, in order to strengthen the Factory.

Ube will continue to supply customers with the affected products from its other manufacturing facilities, endeavoring to make the transition as smooth as possible for customers to secure their supply for another manufacturer.

Employees who are currently engaged in caprolactam production at the Sakai Factory will be shifted to production for specialty products including separators for lithium-ion batteries, whose production is set to be expanded at the Sakai Factory.

## **2. Facilities Affected**

Facilities to be dismantled and annual production capacity  
(to cease production in late March 2014 )

Caprolactam	100,000	tonnes
Ammonia	200,000	tonnes
Liquefied carbon dioxide	99,000	tonnes
Ammonium sulfate	160,000	tonnes
1,6-hexanediol	5,000	tonnes

## **3. Details of Extraordinary Loss**

The changes will result in Ube recording an extraordinary loss of ¥12.6 billion for the consolidated and non-consolidated business results of the fiscal year ending March 31, 2013. The extraordinary loss will encompass the impairment loss for fixed assets and all foreseeable costs related to the dismantling of existing facilities.

Of the extraordinary loss, the impairment loss for fixed assets of ¥2.6 billion has been recorded in the third-quarter earnings results (for the fiscal year ending March 31, 2013) released separately today.

## **4. Impact on Ube Industries, Ltd.**

The impact of the above extraordinary loss on the business results of Ube Industries, Ltd. for the fiscal year ending March 31, 2013 has already been incorporated into the earnings forecast released separately today.