

Key Risks and Opportunities

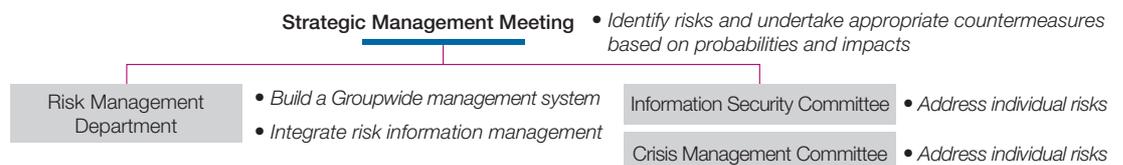
Risk Management Policy and System

The UBE Group implements suitable risk countermeasures after assessing probabilities and impacts that might prevent it from reaching its business objectives in every decision-making process, including in gatherings of the Board of Directors and the Strategic Management Meeting.

We established a Companywide integrated management system to assess risks and gather information on probabilities and impacts. We also set up the Risk Management Department to centrally oversee related information, and maintain internal systems to manage the Group’s risks.

We set up the following entities to tackle individual risks.

1. Information Security Committee The committee formulated the Information Security Policies, informing everyone and checking compliance while creating information security terms and rules.
2. Crisis Management Committee The committee ensures swift responses to domestic and overseas emergencies by preparing manuals on gathering information and taking internal and external action, and is building a unified internal and external emergency structure.



Key Risks, Measures, and Opportunities

	Risk Overview	Measures	Opportunities
Environmental issues (excluded from investment portfolio)	Excluded from investment portfolio due to fossil fuel-dependent business structure	While enhancing energy efficiency, make known our contributions to lowering environmental impact to the public	Create and expand businesses that use products or technologies that help lower environmental impact
Environmental issues (strengthening policies: environmental taxes)	Significantly higher costs from tighter taxation on the use of fossil fuels	In view of the balance between benefits of using fossil fuels and increasing costs, consider using alternatives	Improve corporate image and value
Serious compliance violations	Serious compliance violations that detract from stakeholder trust and lead to massive damage liabilities	While reinforcing governance through tougher management supervision, a stronger quality assurance system, and more extensive measures to prevent quality issue recurrences, keep improving attitudes and nurturing a corporate culture that does not tolerate any dishonesty	Improve corporate image and value
Market supply-and-demand imbalances	Massive losses from market slowdowns or tighter spreads if demand plunges or supplies surged owing to production capacity increases at other companies	Continue extensive cost cuts and promote differentiation in targeted markets, to reinforce cost competitiveness and to secure stable demands in markets	Improve market presence
Personnel shortages	Business continuity issues from chronic and serious labor shortages from such factors as the difficulty of attracting the right people or significantly higher turnover ratios against a background of declining birth rates, economic trends, and diverse individual values	Undertake such measures as work style reform, operational reviews, diversity initiatives, and leverage information and communication technology (ICT)	Promote work environments that allow diversified human resources to succeed and are able to secure next-generation human resources
Spread of alternative products	Large losses from being slow to respond to the rapid spread of alternative new products from other companies	Anticipate market needs in product development and focus resource allocations based on the business portfolio, thereby steadily expanding active growth businesses and cultivating developing fields	More swiftly reap rewards from developing fields and create new businesses
Major facilities accidents	In the event of a major accident at a plant handling hazardous substances or high-pressure gas, restoration costs, opportunity losses from production shutdowns, compensation to customers and workers, and erosion of social credibility	Bolster process safety measures (such as to maintain facilities, produce better manuals, and use ICT), undertake disaster prevention measures, educate about safety, pass on skills of veteran workers, and formulate and regularly review business continuity plans (BCPs)	—
Earthquakes, tsunamis, and other major natural disasters	Lost opportunities because earthquakes or tsunamis greatly damage production facilities	To prepare for major natural disasters, produce and regularly review disaster prevention measures and BCPs to minimize damage while educating employees, partner companies, and other entities about safety	—