



Masato Izumihara

President & Representative Director
CEO

1983 Joined the Company

2010 Executive Officer, Group CFO, and General Manager of Corporate Planning & Administration Office and Corporate Planning Department

Group CFO, and General Manager of Corporate Planning & Administration Office

2013 Managing Executive Officer

2015 Vice President, Chemicals Company

2018 Senior Managing Executive Officer, President of Chemicals Company, Ube Industries, Ltd. (current position)

2018 Director (current position)

2019 Representative Director and CEO, President of Chemicals Company

Economic Value

Net sales (Billions of yen)

Operating profit (Billions of yen)

Ordinary profit (Billions of yen)

Profit attributable to owners of parent (Billions of yen)

Return on sales (ROS)

Return on equity (ROE)

Total return ratio*

Environmental and Social Value

Greenhouse gas emissions (GHG) (1,000t - CO₂e/y)

Percentage of female managers (Parent company)

R&D expenses (Billions of yen)

* Total return ratio = (Cash dividends + Share repurchase) / Profit attributable to owners of parent

Pursuing Further Growth while Solidifying Our Underpinnings

I recently became president and CEO, embarking on a range of changes for the UBE Group since the start of fiscal 2019.

We have updated our business principles and management policies. We have also rolled out a new medium-term management plan, reorganized into a three-company operating structure, and adopted a Company with Audit & Supervisory Committee setup.

Our reforms have essentially balanced growth ambitions while solidifying our foundations. Under our plan, we seek to become a growth-centric entity that steadily delivers results to stakeholders. Safety first is our shared values, and we will do our best to occupational, environmental, and facilities incidents, establishing our foundations for expansion by strengthening governance and internal controls. I recognize that it is vital for me to ensure that we can pursue further growth while solidifying our underpinnings.

Updating Our Business Principles and Management Policies

Ensuring that Our Founding Spirit Keeps Meeting Contemporary Challenges

Since our establishment more than 120 years ago, our business principles have focused on coexistence and mutual prosperity for all stakeholders, including regional communities, and the notion of shifting from finite mining to infinite industry because we knew that we could not rely forever on an exhaustible resource like coal.

We have updated our corporate philosophy statement to express our *raison d'être*, which is to pursue technology and embrace innovation to create value for the future and contribute to social progress. We formulated management principles regarding ethics, safety and security, quality, and people (please see page 1 for details) in recognition that best practices are operational essentials. A guiding factor in establishing these management principles was our deep reflection on inappropriate quality inspection practices last year, and it is a major management priority to ensure Groupwide awareness of the need to prevent recurrences.

Reflections on Change & Challenge 2018 Medium-Term Management Plan

Steadily Solidifying Underlying Strengths to Fully Revitalize the Chemicals Business

Performance

The table on the left presents our progress with respect to our original performance targets over the past three years. In fiscal 2017, conditions in the chemicals business were particularly favorable, enabling us to greatly exceed our target. In fiscal 2018, the final year of Change & Challenge 2018, earnings were less than envisaged owing to a

FY2016 (Results)	FY2017 (Results)	FY2018 (Results)	Previous medium-term management plan Change & Challenge 2018	
			FY2018 (Plan)	Achievement rate
¥616.5	¥695.5	¥730.1	¥750.0	97%
34.9	50.2	44.5	50.0	89%
33.3	50.7	47.8	49.0	98%
24.1	31.6	32.4	29.0	112%
5.7%	7.2%	6.1%	more than 6.5%	94%
8.7%	10.5%	10.1%	more than 9.0%	112%
36%	25%	56%	more than 30%	—
12,100	12,100	12,000		
1.4%	1.5%	2.4%		
13.6	13.2	12.1		

decrease in earnings due to regular ammonia facilities repairs in the Ube area, the absence of such extraordinary factors as a temporary expansion of synthetic rubber spreads in fiscal 2017, and the impact of higher coal prices. Nonetheless, I think we basically achieved our goals for the three years.

Under our previous two medium-term management plans, our ongoing focus was on driving an earnings turnaround in the chemicals business. In fiscal 2018, that business generated ¥23.7 billion in operating profit, against our original target of ¥20 billion. A favorable operating environment contributed partly to that result, so we cannot claim that our performance in that business was solely the outcome of a full resurgence. Nonetheless, we can say that being able to translate good conditions into profits demonstrated ample fundamental strengths toward achieving such a resurgence.

Key Results and Issues

In the chemicals business, battery materials operations centered on separators expanded as planned in fiscal 2018. Other major achievements were the stabilization of caprolactam and nylon as a chain and the return of polyimide, once a central functional material, as a prime earnings driver. In the machinery business, the integration of our injection molding machine business with that of Mitsubishi Heavy Industries, Ltd., was an important move. Following integration, we sold models under a uniform brand and progressed in establishing an optimal global production system, forming the basis for growth.

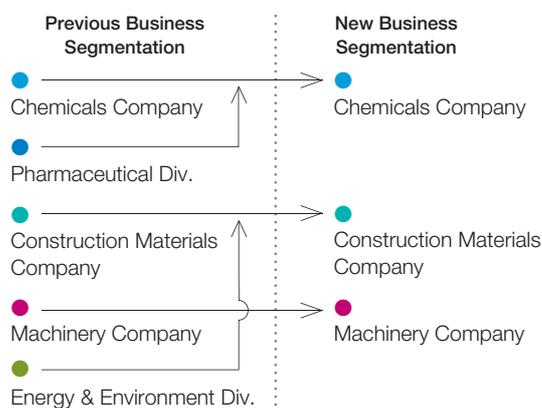
In contrast, the construction materials business did not benefit as much as originally envisaged from demand growth associated with the Tokyo 2020 Olympic and Paralympic Games, and a surge in coal costs drove higher expenses. Although raw materials costs increased, we were unable to raise prices in a cement business requiring reinvestments, and this is still a challenge for us.

Reorganizing into a Three-Company Operating Structure

Bringing Together Compatible Businesses in Making Internal Controls More Effective

To date, we have maintained three internal companies—Chemicals, Construction Materials, and Machinery—and the Pharmaceutical and Energy & Environment businesses. In fiscal 2019, we integrated those two businesses into relevant areas of the Chemicals and Construction Materials companies. We thus now have a three-company operating structure. Because much of its output is for the chemicals area, we made the Corporate Research & Development unit part of the Chemicals Company.

The purpose was to become more flexible in expansionary and defensive respects. In defensive terms, reorganizing enables us to more effectively allocate operational resources to enhance internal controls. All three companies have already put systems in place to focus on environmental safety and quality assurance. On the expansionary front, having these companies function more autonomously should help us to accelerate decision making.



Our new medium-term management plan incorporates a three-year action plan for driving growth toward and well beyond 2025.

Launching Our New Medium-Term Management Plan

Vision UBE 2025 — Prime Phase —

About Our New Medium-Term Management Plan

This plan (please see pages 6–7 for details) first describes our vision for continuing to create value for all stakeholders by 2025 and also incorporates a three-year action plan for driving growth toward and well beyond 2025.

Direction for Each Business

The chemicals business is central to the UBE Group's growth. There, we simultaneously target stability in basic chemicals operations and growth in specialty chemicals. The basic chemicals business focuses on caprolactam and synthetic rubber, so it is susceptible to large profit swings owing to market conditions. We will therefore strive to stabilize earnings by cutting costs and differentiating our offerings, making basic chemicals a bedrock of our chemicals operations. We will additionally pursue further expansion in such specialty chemicals fields as functional and fine chemicals, thus enhancing the overall profitability of the chemicals business. Key areas are separators and other battery materials, high-performance coatings, and polyimides. In basic chemicals, we will pursue expansion in nylon and synthetic rubber.

Although markets for the construction materials business are maturing, demand should drop only moderately after the Tokyo 2020 Olympic and Paralympic Games. We will

therefore continue to generate stable cash flows while focusing on areas offering growth potential, such as biomass and resource recycling, with earnings expanding steadily.

Globalization and services are keys to the future of the machinery business. We believe that the previously mentioned integration of our injection molding machine business with that of Mitsubishi Heavy Industries and services business expansion overseas should enhance our profitability (please see pages 32–37 for details).

Please see pages 6–7 for details on Vision UBE 2025—Prime Phase—New Medium-Term Management Plan.

Tackling Environmental Issues

We developed our businesses by drawing on coal as a key energy source. Our operations thus consume considerable energy, and we recognize the importance of tackling environmental issues.

Carbon dioxide (CO₂) emissions come from energy and processes. Processes related to cement and ammonia production represent half

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Sales of the Business That Help Reduce Environmental Impact



Numerical Targets

	Billions of yen				
	FY2018 (Results) a	FY2019 (Targets)	FY2020 (Targets)	FY2021 (Targets) b	Differences b-a
Net Sales	¥730.1	¥760.0	¥740.0	¥770.0	¥39.9
Operating Profit	44.5	47.0	49.0	55.0	10.5
Ordinary Profit	47.8	47.0	51.0	58.0	10.2
Profit Attributable to Owners of Parent	32.4	31.0	32.0	35.0	2.6

FY2021 assumptions (business factors):
Exchange rate at ¥105 / USD
Naphtha at US\$640 / tonne (CIF)
Australian coal at US\$125 / tonne (CIF)

Vision UBE 2025

“We Continue to Create Value for All Stakeholders”

The UBE Group will anticipate market needs and create products and services that are in harmony with the environment. Furthermore, the Group will positively contribute to all stakeholders as a corporation with a global presence.

Outline of the New Medium-Term Management Plan

Vision UBE 2025 — Prime Phase —

Vision UBE 2025—Prime Phase—is a medium-term *management plan for the next three years* through fiscal 2021 with a strong focus on long-term growth, looking ahead to fiscal 2025 and beyond.

Basic Strategies



*¹ Stable growth of chemical business was identified as materiality based on this basic strategy. Please see page 25 for details.

*² Attracting and cultivating human resources was identified as materiality based on this basic strategy. Please see page 25 for details.

*³ Strengthening internal controls was identified as materiality based on this basic strategy. Please see page 25 for details.

*⁴ Addressing environmental issues was identified as materiality based on this basic strategy. Please see page 25 for details.

Business Portfolio

● Developing businesses	Tyranno Fiber®, lithium titanium oxide (LTO)
● Active growth businesses	Nylon, fine chemicals, high-performance coatings, synthetic rubber, polyimides, separation membranes, separators Magnesia and calcia, biomass fuel, resource recycling
● Platform businesses	Caprolactam, industrial chemicals, electrolytes, pharmaceuticals Cement and ready-mixed concrete, energy Molding machines, industrial machines, steel products

Investments and R&D Expenditure

We will increase the share of business resources allocated to active growth businesses while focusing on capital efficiency. At the same time, we will continue to build a platform for securing stable revenues and implement cost reductions through streamlining.

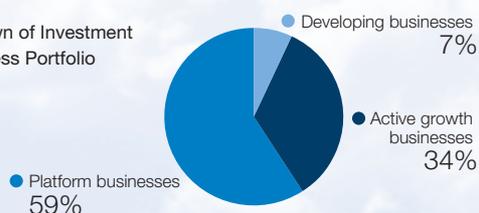
Investments over three years — ¥160.0 billion

Breakdown: Capital investment ¥140 billion
Other investment (including M&A) ¥20 billion

R&D expenditure over three years — ¥45.0 billion

Total ¥205.0 billion

Breakdown of Investment
by Business Portfolio



Numerical Targets for FY2021

Key Figures

Operating profit

¥55.0 billion

Ordinary profit

¥58.0 billion

Key Indicators

Return on sales (ROS)

7%

Return on equity (ROE)

10%

Net Sales and Operating Profit Targets by Segment		Billions of yen			
		FY2018 Results	FY2019 Targets	FY2020 Targets	FY2021 Targets
Net sales	Chemicals	¥324.2	¥345.0	¥330.0	¥350.0
	Construction Materials	321.0	330.0	325.0	330.0
	Machinery	97.2	100.0	100.0	105.0
	Others	4.9	5.0	5.0	5.0
	Adjustment*	(17.3)	(20.0)	(20.0)	(20.0)
	Total	¥730.1	¥760.0	¥740.0	¥770.0
Operating profit	Chemicals	¥24.6	¥26.5	¥27.0	¥32.0
	Construction Materials	14.4	15.0	16.0	16.5
	Machinery	5.4	6.0	6.5	7.0
	Others	0.8	0.7	0.5	0.5
	Adjustment*	(0.7)	(1.2)	(1.0)	(1.0)
	Total	¥44.5	¥47.0	¥49.0	¥55.0

* Includes elimination of inter-segment transactions

of our total CO₂ emissions. The truth is that as long as we do business it will be challenging to do much about CO₂ emissions from processes. There is room, however, to reduce CO₂ emissions from energy by conserving energy and enhancing efficiency, and we will do our best to achieve reductions. We will also strive to expand our eco businesses, transforming challenges in that area into new opportunities (please see pages 28–29 for details).

Our Message to Stakeholders

Better Empowering Our People to Help Create Long-Term Value

Our people are vital to helping our businesses keep abreast of dramatic changes. We are nothing without our people. In research and development, for example, the zeal of our professionals and their commitment to creating technologies that are commercially viable have enabled us to create and develop a range of businesses. While our journey began in the Ube area, we now operate globally. A prime focus of business management is therefore how best to empower our people wherever they are and combine their collective talents.

Given significant labor shortages, it is essential for us to secure individuals who can help us respond to change. I thus wish to cultivate work environments in which diverse people can collaborate and provide more opportunities and operations that reward employees as we grow (please see pages 18–19 and 50–51 for details).

Continuing to Transform Ourselves and Pursue Further Growth While Leveraging the Talents of Our People

On the governance front, we transitioned in June 2019 from a Company with Board of Corporate Auditors to a Company with Audit & Supervisory Committee. Such a transformation should enable us to accelerate efforts to strengthen the supervisory role of the Board of Directors and enhance internal controls and governance, which are the defensive elements of our business. On the expansionary front, this should help us to delegate more authority to executives to accelerate decision making (please see pages 39–49 for details).

We have always harnessed the talents of our people in ongoing changes so that we can pursue new growth opportunities in response to contemporary needs. We will continue that basic approach in the years ahead, and look forward to the ongoing support and encouragement of all stakeholders for our endeavors.

August 2019



Masato Izumihara
President & Representative Director
CEO

We will do our best to reduce CO₂ emissions.
We will also strive to expand our eco businesses,
transforming challenges in that area into new opportunities.

