

A professional photograph of Masato Izumihara, President & Representative Director and CEO. He is seated at a long wooden conference table, wearing a dark blue suit, white shirt, and blue patterned tie. He is looking towards the camera with a slight smile. The background is a bright, modern office space with large windows. Several other people in business attire are visible in the background, some standing and some seated at tables, engaged in work. The lighting is soft and natural, coming from the windows.

Masato Izumihara
President & Representative Director
CEO

Accelerating Growth Primarily in the Chemicals Business and Stepping Up Efforts to Tackle Environmental Issues

Reflections on My First Year at the Helm

UBE's Strengths Are the Integrity of Its People and Its Corporate Sincerity

The business climate is constantly changing, and we cannot hope to continue growing if we are behind the curve. Since our establishment more than 120 years ago, we have constantly expanded operations by tackling transformations in the industrial structure while also cultivating new businesses. We are now at another turning point.

Looking back over fiscal 2019, my first year at the helm, I devoted the year to engaging with fellow executives while interacting and exchanging views with employees. It was in doing so that I was able to convey to each business the current circumstances and the need to ensure that everyone was on board with our updated corporate philosophy and management principles, and that we prioritize safety in everything we do in keeping with the UBE Group Environmental and Safety Guidelines. We also discussed how to address global warming, the greatest challenge for the UBE Group over the medium and long terms. We will continue to engage in dialogue and seek to steadily embed these values and situational perceptions throughout our organization through the statements and thoughts of leaders and employees who have been involved in ongoing talks.

It struck me in my opportunities for discussion over the past year that all employees seem to share my awareness of the issues and are earnestly endeavoring to better themselves. I believe UBE is a principled manufacturer, and

that one of the Company's great strengths is that its integrity is the fruit of the collective honesty of its people. This capability unites the entire Group to progress as it should.

I have become convinced that as long as we are truthful we can work to help resolve climate change, transform ourselves, and pioneer new territory to leap further forward.

Highlights of Vision UBE 2025 –Prime Phase–, Our Medium-Term Management Plan

Steadily Progressing toward the Next Stage of Growth and Business Structure Reforms

Laying the Foundation for the Next Stage of Growth in the Chemicals Business

The global economy trended downward after peaking in fiscal 2017, so we expected the operating climate during the three years of the current medium-term management plan to be less favorable than under the previous initiative. Still, conditions in fiscal 2019—the first year of this plan—were more adverse than expected. Key factors were China's economic slowdown and a manufacturing slump, particularly in automobiles, stemming from Sino-American trade friction. It was against this backdrop that we experienced particularly sluggish demand for such chemical products as nylon and caprolactam, and were consequently unable to reach our operating profit target for the year.

Despite our performance challenges, we progressed steadily toward our next stage of growth and business structure reforms.

One key growth initiative in the chemicals business was the acquisition of a North American compound manufacturer in March 2020, following our purchase of a similar European company a year earlier. We made these moves to bolster our downstream strategy in nylon and expand our global network. In industrial chemicals, we made an ammonia manufacturer a wholly owned subsidiary. In October 2020, we plan to fully absorb that entity into the parent company to streamline operational efficiency. In one effort to expand our fine chemicals globally, we began upgrading Thai manufacturing facilities for polycarbonate diol (PCD), a high-performance coating material. The new setup is expected to start production in August 2020. In pharmaceuticals, we decided to build a fifth pharmaceutical plant that should become operational in June 2021. The new facility will focus on manufacturing high-potency active pharmaceutical ingredients (APIs) in small lots.

Our basic policy approach remains unchanged despite results falling short of our goals. If anything, I am even more determined to accelerate growth initiatives.

Pressing Ahead with Business Structure Reforms to Propel Autonomous Growth in the Construction Materials and Machinery Businesses

The UBE Group's business structure reforms aim to reinforce the growth underpinnings

of each of our three internal companies. We are making steady progress not just in the chemicals business but also in our construction materials and machinery businesses.

Our biggest reform decision in fiscal 2019 was to integrate the cement and other businesses in our construction materials division with that of Mitsubishi Materials Corporation. We concluded a basic agreement on such integration. To date, the two companies have transferred and integrated their cement sales and logistics under UBE-MITSUBISHI CEMENT CORPORATION, a joint venture with each party owning a 50% stake, established in 1998. We have thus lowered logistics and business site costs.

Still, the business climate for the domestic cement business has changed tremendously, such as a huge plunge in demand for cement, since that entity's inception. To strengthen the cement businesses of UBE and Mitsubishi Materials in the years ahead, we needed to build a structure that would further the existing relationship between the two. Integrating the manufacturing and other aspects of the construction materials businesses of both partners should enable us to invest cash flows from our domestic cement business in Japanese and overseas operations that offer growth potential. We expect to keep delivering sustainable growth as an enterprise that contributes to social infrastructure and the development of a recycling-based society.

		Medium-term management plan Vision UBE 2025 –Prime Phase–		
		FY2019 (Results)	FY2021 Targets	Achievement rate
Economic Value	Net sales (Billions of yen)	¥667.8	¥770.0	87%
	Operating profit (Billions of yen)	34.0	55.0	62%
	Ordinary profit (Billions of yen)	35.7	58.0	62%
	Profit attributable to owners of parent (Billions of yen)	22.9	35.0	66%
	Return on sales (ROS)	5.1%	7%	72%
	Return on equity (ROE)	6.9%	10%	69%
	Total return ratio*	40%	more than 30%	—
Environmental and Social Value	Greenhouse gas (GHG) emissions (1,000t - CO _{2e} /y)	12,110		
	Percentage of female managers (Parent company)	2.6%		
	R&D expenses (Billions of yen)	12.8		

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

We will focus on management so we can demonstrate the UBE Group's growth, principally in the chemicals business, internally and externally.



The construction materials business set up a waste heat-fueled generating facility at the Isa Cement Factory, helping cut carbon dioxide (CO₂) emissions and conserve energy. We also completed a wood biomass facility as a renewable energy alternative to coal, with full production slated to begin by the end of 2020.

In the machinery business, we decided to fully integrate our injection molding machine business in August 2020 with the one we acquired from Mitsubishi Heavy Industries, Ltd. In line with this move, in the same month we will start production at a new plant in Nagoya, thereby optimizing our production structure. It is also worth noting that we purchased the chemical equipment business of Hitachi Plant Mechanics Co., Ltd., to reinforce our industrial machinery business.

Stepping Up Our Approach and Speed in Driving the UBE Group's Growth, Principally in the Chemicals Business

Earnings have dwindled since the global recession began in the chemicals business, which supplies nylon, caprolactam, and other commodity chemicals, and in the machinery business, which supplies products for manufacturing for the automotive sector. At the same time, the performance of the specialty chemicals business has exceeded our targets. For example, results were outstanding for polyimide resins for flexible organic light-emitting diode (LED) and smartphone materials in the year under review. This is because we manufacture varnish and film from

our own raw materials and offer unparalleled thermal resistance and dimensional stability. Under our current medium-term management plan, we are pursuing growth in the chemicals business, especially in specialty offerings, and aim to accelerate expansion.

We plan to integrate the cement business in our construction materials division with that of Mitsubishi Materials in April 2022. Thereafter, the only UBE operation running autonomously will be the chemicals business. In other words, chemicals will be UBE's core independent business. Ube Industries will become a chemicals business holding company who is an investor of the construction materials and machinery businesses. We will accordingly focus on management so we can demonstrate solid chemicals business growth internally and externally.

Our ESG Approach

Cultivating Operations in Line with the UBE Group's ESG Principles and Founding Spirit

The UBE Group's Stance on ESG

Our founding principles of Coexistence and Mutual Prosperity and From Finite Mining to Infinite Industry remain fundamental to our operations. Coexistence and Mutual Prosperity originally encompassed progress for us and the



Under UBE Group Environmental Vision 2050,
we seek to reduce
GHG emissions 17% from
fiscal 2013 levels by fiscal 2030.

communities we served but now embodies our CSR commitment, covering shareholders, customers, business partners, employees, the environment, and all other stakeholders. The principle of From Finite Mining to Infinite Industry acknowledges that while we started out in coal mining, we eschew relying on limited coal resources and leverage technology to cultivate a range of businesses catering to contemporary needs and pursue sustainable growth while changing our business structure.

We are progressing by lowering our use of fossil resources while shifting to businesses that emit less CO₂ and consume less energy. To operate sustainably, we must naturally continue improving governance while ensuring compliance. Through such approaches, we have embedded the essence of ESG in our operations in line with our founding spirit.

For example, when pollution was a major social issue around Japan as its economy boomed, we collaborated with communities, local governments, and universities to cut coal ash emissions from factories, taking the lead with measures and achieving results. We garnered considerable attention throughout society for our successful environmental policy approach, which was called the Ube Method. We have accordingly tackled environmental issues while maintaining engagement with communities. We will continue to address such issues, noteworthy focuses being on cutting greenhouse gas (GHG) emissions, ensuring

biodiversity, safeguarding water resources, and dealing with marine plastics.

Seeking to Reduce GHG Emissions 17% from Fiscal 2013 Levels by Fiscal 2030

Environmental issues are a key ESG focus. The Japanese government's vision is to lower GHG emissions 80% over the long term. We accordingly formulated UBE Group Environmental Vision 2050 to address issues.

We have set two targets under our medium-term management plan, which ends in fiscal 2021. One is to reduce GHG emissions 15% from fiscal 2005 levels. The other is to have eco-friendly products account for more than 30% of net sales. We are on track to reach both goals. In view of this progress and the government's vision, we look to lower our GHG emissions 17% from fiscal 2013 levels by fiscal 2030.

As the target is feasible in terms of technological capability and cost effectiveness, we will explore measures encompassing business structure reforms that augment these targets. A driver in our focus on specialty offerings in the chemicals business is a commitment to addressing environmental issues.

We also note that in April 2020 we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We will analyze scenarios for the business risks and opportunities of climate change and disclose the financial impacts.

Strengthening Quality Assurance Initiatives

Inappropriate quality inspection practices came to light around two years ago. We have since taken steps in two key respects to prevent a recurrence.

The first is to enhance awareness and educate. We have top management reiterate the importance of quality in its messaging. We also recognize that quality assurance is a challenge not just for manufacturing and quality assurance units but for the entire Company, including sales and administrative departments. It is in keeping with this stance that we educate all employees about quality in line with the requirements of their respective departments and job descriptions.

Our second step has been to prevent issues from personnel and organizational perspectives. We have increased the number of employees involved in quality assurance and quality control while clarifying the roles of quality assurance departments at plants and other sites, internal companies, and Companywide, establishing an overlapping check structure and employing internal controls.

By directly recording measured data, deploying a quality control system that prevents irregularities and errors, and bolstering audits, as well as undertaking all other related initiatives, we aim to earn a solid customer reputation for maintaining a robust quality assurance structure.

Corporate Growth Essential to Ensure Rewarding Workplaces

We are nothing without our people. It is accordingly an important priority for management to provide workplaces that are safe, secure, comfortable, and rewarding. People find that workplaces that experience steady growth are rewarding. We will keep creating programs that ensure people can work comfortably, notably by enhancing efficiency through work style reform and offering telework that harnesses information and communications technologies (ICT). At the same time, we believe all businesses must grow to be rewarding workplaces.

We also look to do more to be more inclusive for women, as they currently account for a small percentage of our employees and an even tinier proportion of our management pool. We will take the lead in identifying work that women find uncomfortable and exploring how we can improve our programs or facilities.

Message to Stakeholders

Addressing Current Challenges While Looking Beyond the COVID-19 Pandemic and Preparing for Growth

The world has suffered its greatest economic setback since the Great Depression as a result of the COVID-19 pandemic. A full-fledged recovery could take several years. It is impossible at this juncture to accurately predict the pandemic's economic impact.

In fiscal 2020, we will have to operate with great patience because of the pandemic's massive impact on our businesses and performance. We will endeavor to minimize its effects through a range of emergency measures, such as by first reducing fixed costs, but we will have to do more than that. Looking beyond the pandemic, we will continue preparing in various ways to progress to a growth trajectory as soon as possible.

We have built a healthy financial position to drive growth and are issuing bonds even under the current circumstances to secure sufficient financial flexibility. We will continue endeavoring to offer stable dividends while balancing growth investments and shareholder returns for the years ahead, and thank you for your ongoing support and encouragement.

July 2020



Masato Izumihara
President & Representative Director
CEO