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Always Mindful of Our Social Value as We Improve Relentlessly in Response to Change

Our efforts amid the COVID-19 pandemic

Maintaining business continuity to serve society while implementing rigorous infection control measures to safeguard employees

We have done our utmost amid the difficulties of the COVID-19 pandemic to safeguard our employees while adopting teleworking and other new practices.

Over the past year, we have made business continuity a key mission, as stable product supplies are vital to society. For example, our chemicals business has kept up its efforts in manufacturing basic chemicals and plastics for food packaging films used in everyday living. In the construction materials business, we have continued to manufacture cement while treating a range of household waste, as such efforts are essential. We accepted a government request to produce intermediates for Avigan®, an antiviral drug offering COVID-19 treatment benefits.

We also recognize that safe manufacturing is vital for employees and the communities in which our plants operate. We have ensured occupational safety by educating and training employees about this while enhancing facilities and extensively producing rules and manuals.

While it will take some time to eliminate the impact of the pandemic, I believe we have positioned ourselves to function well over the past year, with rigorous infection control measures in place.

Vision UBE 2025 –Prime Phase– progress highlights

Targeting pre-pandemic earnings levels through chemicals business growth

Proactive Measures that Looked Ahead to the Recovery from the Pandemic Helped Us to Capitalize on Recovery Trend

While the pandemic affected us faster and more severely than we initially expected in fiscal 2020, the economy bottomed out in summer 2020, recovering remarkably from fall. Our second-half performance exceeded that of a year earlier as we regained pre-pandemic levels. Our full-year performance was therefore basically in keeping with initial targets, with internal efforts contributing to that result.

Our first move was to establish a structure to swiftly tackle dramatic changes in the business climate. To cite an example, products for the automotive industry change fast when demand declines and turns around. We can't do much about overall demand shrinking, so we set about building a structure that empowers us to capitalize on demand recoveries. Another effort has been to lower fixed costs. That's something we can do internally, and we have been thorough. I would like to express my great appreciation for employees doing so much to adapt to these initiatives while exploring new work approaches amid the huge demand changes we have faced and for all those completing major repairs in the Ube area without a single COVID-19 infection case.

Notwithstanding the pandemic's impact in fiscal 2020, we decided to pay cash dividends

		Medium-term management plan Vision UBE 2025 –Prime Phase–		
		FY2020 (Results)	FY2021 Targets	Achievement rate
Economic Value	Net sales (Billions of yen)	613.8	¥770.0	80%
	Operating profit (Billions of yen)	25.9	55.0	47%
	Ordinary profit (Billions of yen)	23.2	58.0	40%
	Profit attributable to owners of parent (Billions of yen)	22.9	35.0	66%
	Return on sales (ROS)	4.2%	7%	60%
	Return on equity (ROE)	6.6%	10%	66%
	Total return ratio*	83%	more than 30%	—
Environmental and Social Value	Greenhouse gas (GHG) emissions (1,000 t - CO ₂ e/y)	11,270		
	Percentage of female managers (Parent company)	2.8%		
	R&D expenses (Billions of yen)	11.3		

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

of ¥90 per share. This is unchanged from the previous fiscal year, and reflects a comprehensive assessment of our shareholder return policy and earnings level. We have additionally implemented a ¥10 billion share repurchase program. We will continue generating stable shareholder returns in keeping with earnings growth.

Leveraging ICT and Digital Transformation

Key challenges that the UBE Group is tackling under its medium-term management plan are to harness information and communications technologies (ICT) and develop related human resources. In other words, we seek to digitize our business processes. We are incorporating digital technology in operations under the Smart Factory, Velocity R&D, Digital Marketing, and Digital Management themes.

On the Smart Factory front, we are using sensor technology to stabilize production and predict abnormalities while employing artificial intelligence (AI)-based data to optimize production. For Velocity R&D, we are using digital technology to accelerate and streamline research and development. For Digital Marketing, we are using digital technology marketing while enhancing back-office efficiency. With Digital Management, we are using digital technology to swiftly identify operational management information. These efforts have admittedly yet to transform our business model. We will nonetheless keep using digital technology to become more efficient in all sorts of ways.

Policies for Fiscal 2021

Although significant aspects of the business outlook remain uncertain, we believe a recovery will continue throughout the year. Economic stimulus measures in various countries and increasing inoculations underscore that conviction. We will seize new opportunities and pursue an earnings level in fiscal 2021 that exceeds that before the pandemic. The chemicals business, which encompasses synthetic rubber, engineering plastics and fine chemicals, specialty products, and pharmaceuticals, will be the principal recovery driver.

While volumes in the synthetic rubber business have recovered considerably, competition is intensifying. We will therefore spin operations off to run them more dynamically and step up profitability management while making businesses more specialized. Also, we plan to start manufacturing UBEPOL VCR, high-value-added-grade polybutadiene rubber at a Group company facility in Malaysia.

In view of robust automotive sector demand for nylon composites, we will strengthen our engineering plastics and fine chemicals business worldwide by drawing on compounding companies that we acquired in Europe and the United States. We look to optimize our production structure by transferring manufacturing for some nylon grades from Japan to Thailand. We will swiftly explore U.S. production of dimethyl carbonate (DMC) and some other fine chemical products, as the pandemic somewhat delayed planning in that respect.

In specialty products, demand is solid for polyimide film and varnish, used for the production of organic electroluminescent panels. Our fiscal 2021 goal is to expand the polyimide business across the polyimide chain. In separation membranes, we will expand our business in biogas applications and other environmental areas.

In pharmaceuticals, fifth pharmaceutical plant was completed in May 2021 in the Ube district. This facility will focus on manufacturing high-potency active pharmaceutical ingredients (APIs) in small lots.

It is also worth noting that plans to integrate our cement business and other businesses with those of Mitsubishi Materials Corporation are progressing as envisaged. Even if domestic demand for cement fails to recover sufficiently, we want to make this integration successful so that we can generate profits and cash flow as well as realize new growth strategies.

Goals of the Next Medium-Term Management Plan

Fiscal 2021 is the final year of our plan, and will be important for formulating the successor initiative. The current plan will unfortunately fall considerably short of its numerical goals owing to dramatic changes in the business climate. We have nevertheless taken steps necessary for growth.

A key assumption for the next medium-term management plan is that society as a whole will prize sustainability more, notably in terms of a greater awareness of environmental issues, efforts to foster human resources diversity and better respect human rights, and digitization initiatives. The UBE Group has already committed itself to sustainability management, notably by signing the United Nations Global Compact. As society as a whole experiences significant changes, it will become important for us to determine the business structure and products we should develop and supply and how we should function as a corporate citizen. I believe these factors will shape our next medium-term management plan. So, in that sense, endeavors under our current plan will remain the central focus of its successor, and include environmental initiatives, efforts to enhance governance, and measures to respect human rights and ensure diversity.

The future society we envisage is already within our sight. The main priority of our next medium-term management plan will be to



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ESG at UBE

Engaging in business with greater awareness of environmental issues and contributing to a circular economy

Endeavoring to Become Carbon Neutral by 2050 and Helping Realize a Circular Economy

We responded to the Japanese government's commitment to making the nation carbon neutral by 2050 by striving to reach that target by that year.

It will accordingly be important to conserve energy and tap renewables and improve production processes. We will also need to adopt a

business structure with less of an environmental impact and develop technologies to capture and immobilize carbon dioxide (CO₂) and use it in a cyclical manner.

We seek to provide a range of solutions to contribute to these efforts in any way possible, economic viability being the key to popularization. We will accordingly take various approaches, including open innovation and collaborating with other entities.

Tackling environmental issues and efforts to drive our sustainable growth are inextricably linked. We committed to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in April 2020. One distinctive edge is that we can provide various carbon-neutral solutions. We will disseminate our commitment to environmental issues and a circular economy while operating with a greater awareness of them.

Launching Training Program for Female Managers

We believe that human resources diversity directly enhances corporate competitiveness. We are thus endeavoring to increase gender and racial diversity while securing more people with disabilities and elderly individuals.

In recent years, we have focused particularly on hiring more women and tapping their talents. Females nonetheless account for small proportions of our workforce and managerial ranks. We therefore launched a program in fiscal 2021 to cultivate female managers. Since the number of female employees is small, we aim to establish role models by encouraging each of those individuals to play active roles in our organization.

Message to stakeholders

Improving internally while remaining constantly aware of our social value

We started out as a coal mining company more than 120 years ago. Since then, we have constantly changed our business structure to respond to changes in the business climate.

One of our principles thereafter was to develop a range of businesses to ensure our survival even if coal were to run out. A year from now, we will integrate our cement business with that of Mitsubishi Materials. Our self-improvement endeavors will not stop there. We must accelerate our growth in the chemicals business while constantly reviewing our strategies in that area. In machinery, we must consider the right course for growth in keeping with the nature of that business. There are no set ways to undertake business structure reforms. The main thing is for each business to pursue independent growth.

It will be important for us to work out how we can deliver the value that society demands and leverage our strengths to that end. We are constantly conscious of our role as a corporate citizen and are always exploring ways to deliver environmental and social solutions and value while considering how best to do business.

Finally, it is worth noting that we decided to change our trade name to UBE Corporation on April 1, 2022. The goal is to turn a new page in our history as an organization that helps resolve environmental issues, contributes to better living and health, and helps create a more affluent economy by developing businesses globally, centered on chemistry. We look forward to the ongoing support and encouragement of our stakeholders in our endeavors.

July 2021



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