

Building Value to Materialize Sustainable Growth
Key Risks and Opportunities

In pursuing business sustainability and progress, the UBE Group acknowledges threats to the environment’s sustainability and the inherent risks of individual businesses, and recognizes the need to act. It is in keeping with this stance that the Group is extensively managing risks and undertaking initiatives that can generate new revenue 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 Group Strategic Management Meeting. We maintain Growth, Environment, Society, and Governance categories for risks that could particularly affect operations. As a generator of greenhouse gas (GHG) emissions, the greatest risk we present is environmental. We accordingly endeavor to cut such emissions and expand businesses that help reduce environmental impact in a drive to lower risks while turning them into opportunities.

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.

<https://www.ube-ind.co.jp/ube/en/sustainability/risk-management/risk-management.html>

Risk Management



Risks with Especially Significant Operational Impacts, Countermeasures, and Opportunities

Category	Risk Items	Risk Overview Examples
Growth	Deterioration of chemicals business results	<ul style="list-style-type: none"> ● If supplies increase owing to capacity hikes at other companies and there is a dramatic change in prices of key raw materials owing to demand balance changes, a smaller price spread between products and raw materials ● It becomes impossible to secure the required raw materials owing to supplier accidents or other occurrences ● It becomes impossible to respond in a timely manner to customer demands for products for which generational changes are swift, causing sales volumes to decline and prices to drop amid intensified competition ● A pandemic causing production to shut down or business activities to halt would create large financial and opportunity losses
	R&D	<ul style="list-style-type: none"> ● R&D themes do not proceed as planned, significantly delaying new product development and leading to a cessation in development ● Approvals for new drugs in the pharmaceutical business are postponed or revoked
	Environmental issues	<ul style="list-style-type: none"> ● Costs increase significantly owing to the introduction of a carbon tax, as the Company has expanded its business while using coal effectively ● If the Company is deemed a laggard in addressing environmental issues, sales could languish, with corporate value being adversely affected
Environment	Major natural disasters	<ul style="list-style-type: none"> ● Natural disasters that are larger than expected cause severe damage to domestic and overseas plants, causing production to halt at manufacturing sites and sales units to become inactive
	Major accidents (Explosions, fires, and leaks)	<ul style="list-style-type: none"> ● Large explosions, fires, and leaks occur as a result of facilities accidents or human error at plants that are heavy users of such resources as high-pressure gas and hazardous substances. Such accidents significantly affect the lives, property, and environments of employees and residents, resulting in accident response and recovery spending, opportunity costs, and compensation to customers and residents
Society	Difficulties in securing human resources	<ul style="list-style-type: none"> ● It becomes difficult to secure talented people to improve corporate value ● Vital people leave the Company, including those with experience and expertise
	Product quality and liability	<ul style="list-style-type: none"> ● Inappropriately inspected products are shipped, leading to damage claims and other significant costs
Governance	Information security	<ul style="list-style-type: none"> ● A system shutdown from a cyberattack or other unforeseen event or critical information leaks, destruction, or other damage causing production to halt, leading to massive compensation claims
	Major compliance violations	<ul style="list-style-type: none"> ● Business activities languish because compliance violations damage credibility ● The Company or its employees violate laws and regulations, making it subject to legal sanctions and constraints on business activities while undermining its social reputation

Please see pages 17–20 of the 115th Securities Report for information regarding other risks and details (in Japanese only)



Countermeasures

Opportunities

Materiality >

- Apply a pricing formula regime to reflect changing raw materials costs in prices
- Secure sufficient raw materials inventories
- Extensively cut costs and accelerate development
- Accelerate growth of the specialty products business by concentrating operating resources
- Establish a Crisis Response Committee to prepare response manuals and periodically review departmental and Group company business continuity planning and to respond flexibly to circumstances

- Implement reforms to create a business structure in which carbon productivity is high and realize stable growth
- Enhance market competitiveness by staying a step ahead of rivals on the development front

Expanding the chemicals business, centered on active growth businesses >



- Concentrate operating resources based on business portfolio, swiftly materializing R&D results and endeavoring to enhance development precision

- Focus on reinforcing active growth businesses and expanding developing businesses to launch highly competitive new products



- Determine management priorities regarding environmental issues, focusing on reducing GHG emissions while developing and popularizing products and technologies that help lower environmental impact and foster a carbon-neutral economy
- Support the recommendations of the TCFD (Please see pages 15, 28–29, and 30–31 for details.)
- Announce policy for achieving carbon neutrality by 2050 and establish UBE Group Medium-Term Targets to reach those objectives by fiscal 2030
- Suitably highlight waste treatment track record from circular economy perspectives

- Extensively conserve energy and improve processes
- Maximize the use of CO₂-free energy
- Implement reforms to create a business structure in which carbon productivity is high and realize stable growth
- Pursue R&D and commercialization for CO₂ usage and other technologies

Tackling environmental issues >

- Prepare disaster and other response manuals, undertake planned renovations and reinforcements at manufacturing and other facilities while conducting regular disaster drills
- Leverage risk management systems to identify specific risks and implement countermeasures
- Formulate business continuity plans (BCPs), regularly reviewing them and conducting drills

- Swift recoveries in the event of wide-ranging disasters will build market trust

- Make safety a pivotal shared value for the UBE Group
- Rigorously comply with related laws and ordinances
- Regularly inspect, maintain, and repair facilities
- Secure educated and experienced employees, prepare management manuals, and conduct regular disaster drills and environmental safety audits



- Formulate management policies that require respect for individuality and diversity and foster comfortable work environments and provide rewarding jobs
- Enhance work–life balance, improve wages and other terms, and shorten working hours
- Create work environments that are conducive to female employees

- Attract and retain talented people
- Create new businesses and products that embrace diverse perspectives

Hiring and cultivating people who can drive growth and innovation >

- Manage processes, maintain and upgrade facilities, and install suitable measuring equipment
- Create work manuals and educate employees
- Implement extensive measures to prevent inappropriate quality inspection practices that came to light in 2018 from recurring
 - Strengthen the Board of Directors' governance
 - Ensure all employees are quality-conscious
 - Continue to educate executives and all members of the Group
 - Strengthen internal quality management controls
 - Bolster quality underpinnings by deploying business resources

- Cultivate a corporate culture that rebuilds and maintains credibility and consistently complies with laws and ordinances, thereby solidifying growth foundations

Strengthening business foundations >

- Information Security Committee was established to step up efforts in the following respects:
 - Formulate and disseminate related regulations and develop technical measures to detect and prevent unauthorized intrusions
 - Provide security education and training for executives and employees
- Establish Computer Security Incident Response Team to minimize damage from security incidents

- Create and maintain an updated list of key domestic laws and regulations and share information on all laws and regulatory revisions and abolitions
- Identify and formulate measures for laws and regulatory risks using risk management systems
- Provide regular e-learning and training programs for all employees

UBE