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UBE Group Unveils New Medium-Term Management Plan “Vision UBE 2025—Prime Phase”

TOKYO, May 22, 2019—The UBE Group (consisting of Ube Industries, Ltd. and its Group companies) today unveiled the outline of its new medium-term management plan, named “Vision UBE 2025—Prime Phase,” which covers the next three years through fiscal 2021. The plan will serve as a milestone along the way to achieving Vision UBE 2025, which sets out the vision for the UBE Group in 2025 and the strategies for realizing that vision.

1. Corporate Image the UBE Group Aims to Realize

Founding Principles of UBE

“Coexistence and mutual prosperity” and “from finite mining to infinite industry”

UBE Corporate Philosophy

“Pursue technology and embrace innovation to create value for the future and contribute to social progress”

2. Vision UBE 2025

(1) Vision for 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.

(2) Strategies for Realizing the 2025 Vision

The previous organization centering on three internal companies and two divisions has been consolidated under three internal companies, in order to promote greater independence in business operations and accelerate decision-making.

Note: Positioning of Three Internal Companies

Chemicals Company: Further stabilize revenues and drive the growth of the entire Group.

Construction Materials Company: Generate stable profits and cash flow, and expand new businesses.

Machinery Company: Operate the business according to its business characteristics and increase the value of the business.

The UBE Group acknowledges that the major changes expected to occur in the business environment represent pressing management issues that it must address, as well as being an opportunity for new

growth. Accordingly, the Group will pursue business development with balanced governance to execute management from a long-term perspective, in order to achieve sustainable growth for the UBE Group and increase corporate value over the medium and long term.

i) Be part of the solution for global environmental issues

The Group will contribute to the development of a sustainable society that is in harmony with the natural environment, by creating and expanding the scope of its technologies and products that help to reduce greenhouse gas (GHG) emissions and environmental impacts.

ii) Capture new markets through further globalization

The Group will view expanding international markets as growth opportunities and actively establish new manufacturing facilities and sales offices in order to globally supply value that only the UBE Group can deliver.

iii) Enhance governance and foster a healthy corporate culture

The Group will enhance its management transparency and internal control systems while continuing to change its corporate culture and the attitudes of employees.

(3) Key Measures

The UBE Group will implement the following key measures to address pressing management issues and capitalize on opportunities for new growth.

i) Expand human management resources

The Group will offer provisions that enable diverse human resources to make contributions and prepare favorable work environments in order to secure human resources. At the same time, the Group will develop human resources who can help to increase corporate value.

ii) Utilize ICT

The Group will utilize information and communication technology (ICT) to increase the efficiency of facilities and raise labor productivity, while also utilizing ICT in research and development to create new added value.

3. “Vision UBE 2025—Prime Phase” Medium-Term Management Plan

The “Vision UBE 2025—Prime Phase” medium-term management plan is a three-year action plan with a strong focus on realizing growth from a long-term perspective.

(1) Basic Strategies

i) Strengthening the platform for business growth

(a) Realize the next stage of growth, focusing on the chemicals business

(b) Expand overseas business locations, further develop collaborative efforts among Group companies in and outside of Japan, and swiftly respond to changes in the global business environment

(c) Generate stable and sustainable cash flows, and execute growth investments

(d) Diversify work-style provisions to secure human resources and enhance competitiveness

(e) Utilize ICT to create value and to increase business efficiency, and develop related human resources

ii) Strengthening the management platform (corporate governance)

- (a) Strengthen supervision of corporate management and accelerate decision-making
- (b) Make certain to execute recurrence prevention measures for quality issues and continuously improve them, while strengthening the framework for quality assurance
- (c) Strengthen internal control systems to further enhance compliance and business ethics
- iii) Addressing and being part of the solution for resource, energy, and global environmental issues
 - (a) Make certain to achieve the FY2021 target and set new long-term targets focusing on 2030
 - (b) Reduce environmental impact throughout the supply chain
 - (c) Create and expand the scope of new technologies and products that help reduce environmental impact

(2) Business Challenges and Plans

i) Target business domains

The UBE Group will continue to focus on the business domains of “environment and energy,” “mobility,” “construction and infrastructure,” and “healthcare.” In doing so, the Group will work to expand existing businesses and their peripheral businesses, develop new businesses, and continue to supply new value to markets and customers.

ii) Business portfolio segmentation

Developing businesses	Tyranno Fiber, lithium titanate (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

iii) Business plan by internal company

(a) Chemicals Company

Vision:

“Foster stability and further develop businesses by contributing to a low-carbon society while continuing to create value for customers”

The Chemicals Company will improve the revenue-generating capabilities of each of its businesses by pursuing further globalization, strengthening its solutions-oriented business models, and developing and expanding its environmentally friendly technologies and products. For active growth businesses (including nylons, fine chemicals, high-performance coatings, synthetic rubber, polyimides, separation membranes, and separators), the Chemicals Company will accelerate growth by prioritizing the allocation of business resources to these businesses. For platform businesses (including caprolactam, industrial chemicals, electrolytes, and pharmaceuticals), the Chemicals Company will maintain stable revenues and expand revenues by reducing costs and pursuing differentiation in target markets. The Chemicals Company will create next-generation businesses by further developing the Tyranno Fiber and lithium titanium oxide (LTO) businesses and rapidly capitalizing on R&D projects.

(b) Construction Materials Company

Vision:

“Continue to supply products that offer value for social infrastructure”

For active growth businesses (including magnesia and calcia), the Construction Materials Company will further enhance revenues by shifting to high added-value products. For the cement, ready-mix concrete, and energy businesses, the Construction Materials Company will comprehensively pursue cost reductions, expand waste processing, and streamline production, as well as strengthen the revenue base by working to adjust selling prices. Additionally, the Construction Materials Company will actively help to reduce environmental impact by providing solutions for energy conservation, biomass fuels, and resource recycling.

(c) Machinery Company

Vision:

“Benefit customers by supplying products and services with brand appeal”

With a focus on mobility market, global business development, and environmental equipment, the Machinery Company will develop products that anticipate market needs and build up its production framework to enhance revenue generation from the molding machinery, industrial machinery, and steel products businesses. The Machinery Company will also expand the machinery servicing business by proposing innovative solutions.

(3) Investments

While focusing on capital efficiency, the UBE Group will increase the share of business resources that it allocates to active growth businesses, in accordance with the business portfolio. The Group will also continue to build its platform for securing stable revenues and implement cost reductions through streamlining.

Investments over three years: ¥160 billion (consisting of ¥140 billion in capital investment and ¥20 billion in other investment)

(4) Research and Development

The UBE Group will create new businesses in the target business domains and allocate R&D resources focusing on active growth businesses. In addition to strengthening fundamental technologies, the Group will enhance its advanced technologies by leveraging its intellectual property and ICT, while also strengthening collaboration with external research institutions. In addition, it will focus its energies on environmental solutions such as CO₂ utilization and application.

R&D expenditure over three years: ¥45 billion

R&D projects for new business creation

Business domains	R&D projects
Environment and energy	<ul style="list-style-type: none">• Inorganic specialty materials (strontium carbonate)• Carbon-reducing businesses (CO₂ sequestration in minerals, CO₂ co-electrolysis methanation, waste plastics recycling)• Thermal management components and materials (high-performance insulation materials)
Mobility	<ul style="list-style-type: none">• Vehicle weight reduction components and materials (new composite materials and components)

Business domains	R&D projects
Construction and infrastructure	<ul style="list-style-type: none"> • Next-generation maintenance and improvement systems (concrete spalling prevention solution, high-performance waterproofing system for concrete slabs, new foaming insulation materials)
Healthcare	<ul style="list-style-type: none"> • New drug discovery research • Healthcare-related substance production system (cell culturing system, new multiporous membrane development)

(5) Numerical Targets (FY2021)

i) Key figures

(a) Operating profit: ¥55 billion

(b) Ordinary profit: ¥58 billion

ii) Key indicators

(a) Return on sales (ROS): 7%

(b) Return on equity (ROE): 10%

(6) Shareholder Returns

The basic policy of the UBE Group is to continue to pay consistent dividends. As a rule, the Group aims for a 2.5% or higher dividend on equity (DOE) ratio and a 30% or higher total return ratio (consolidated) comprising dividends and treasury stock acquisitions in the three years of the medium-term management plan. Additionally, in accordance with the equity and cash flow situation, the Group will actively pursue growth investments that enhance corporate value and further increase shareholder dividends in the future.