# Risks and Opportunities

Risk Management Policy and System

UBE suitably manages risks to the UBE Group and stipulates risk management rules, based on the internal control framework established by the Board of Directors. In this way, risk management is implemented for all Group companies.

The President of UBE appoints a director or executive officer to serve as Chief Risk Officer (CRO). The CRO is responsible for promoting the implementation of risk management tasks for the UBE Group. The Risk Management Department provides administrative and other support for the CRO, as the secretariat for risk management.

Serious (major) risks that impact the entire Group are reported to the Risk Management Committee for discussion. They are then submitted to the Strategic Management Meeting, where the members discuss approaches and effective measures based on the risk recognition. The details of these discussions are regularly reported to the Board of Directors, which monitors the risk management.

Individual officers are appointed to manage a particular serious (major) risk. Under this system, each officer evaluates the risk concerned along with the effectiveness of relevant risk management measures from a Groupwide perspective. The officer then provides guidance and instruction to relevant departments for risk management measure implementation in the following fiscal year.

Risk Management
https://www.ube.co.jp/ube/en/sustainability/risk-management/risk-management.html
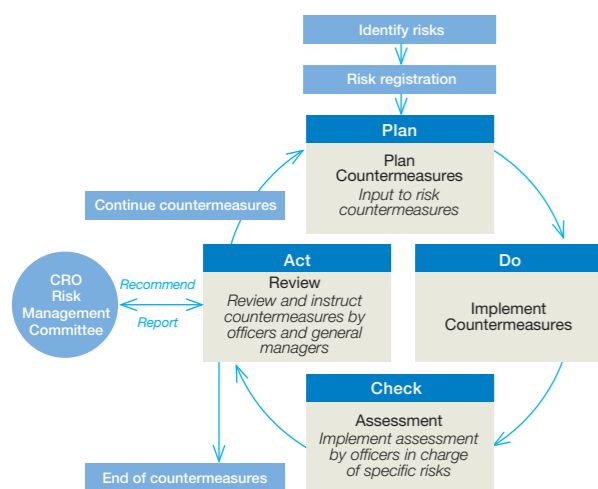
Note: HAZOP (Hazard and Operability Study) evaluates the adequacy of safety measures in view of assumed process abnormalities.

Category	Risk Items	Risk Overview Examples	Countermeasures	Opportunities
Growth	Deterioration of chemicals business results	• 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 and energy price 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	• Ensure an appropriate spread by close monitoring of raw material market and swiftly passing on price increases when raw material prices soar • Cut cost in plants • Accelerate growth of the specialty 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 • Increase in demand for products that cater to changes in social needs
	R&D	• 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 pharmaceuticals business are postponed or revoked	• Concentrate operating resources based on business portfolio, swiftly materializing R&D results and endeavoring to enhance development precision • Build technological superiority and shorten lead times by utilizing open innovation and DX	• Strengthen specialty businesses and expand developing businesses
Environment	Environmental issues	• 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 • Changing customer requirements for UBE Group products amid heightened interest in the global environment, such as circular economy and nature positive	• 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 Task Force on Climate-related Financial Disclosures (TCFD) • Announce policy for achieving carbon neutrality by 2050 and establish UBE Group Medium-Term Targets to reach those objectives by fiscal 2030 • Accelerate R&D in view of a circular economy including the development of recycling technology for composite plastics	• Extensively conserve energy and improve processes • Maximize the use of CO_2-free energy • Implement reforms to create a business structure in which carbon productivity is high and realize stable growth • Increase in demand for environmentally friendly products and technologies • Pursue R&D and commercialization for CO_2 usage and other technologies
	Major natural disasters	• 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	• 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
Society	Major accidents (Explosions, fires, and leaks)	• 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	• 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, conduct risk assessment such as HAZOP[Note], and conduct regular disaster drills and environmental safety audits	
	Human capital and human rights	• It becomes difficult to secure talented people to improve corporate value • Vital people leave the Company, including those with experience and expertise • Failing to adequately address the human rights demands of society and stakeholders, eroding public trust	• 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 • Formulate UBE Group Human Rights Guidelines and engage in human rights due diligence • Educate executives and employees about human rights	• Attract and retain talented people • Create new businesses and products that embrace diverse perspectives
Governance	Product quality and liability	• Inappropriately inspected products are shipped, leading to damage claims and other significant costs, eroding public trust	• 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 the past from recurring	• Build solid growth foundations by fostering a corporate culture that emphasizes compliance and builds customer trust
	Information security	• 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	• 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	
	Major compliance violations	• 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	• 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	

Identify risks
Risk registration
Plan
Plan Countermeasures
Input to risk countermeasures
Continue countermeasures
CRO / Risk Management Committee
Recommend
Report
Act
Review
Review and instruct countermeasures by officers and general managers
Do
Implement Countermeasures
Check
Assessment
Implement assessment by officers in charge of specific risks
End of countermeasures

Materiality

Materiality	The UBE Group's Measures	Key KPIs	Related Pages	SDGs Items to Which We Contribute
Growth in specialty chemicals	We aim to build an organization that can grow steadily and become more profitable in any economic climate. We will get there by increasing the ratio of specialty businesses* in our overall business. Specialty businesses encompass many operations that generate minimal GHG emissions. We look to lower emissions rates by lifting the contributions to sales of such businesses.　　We are emphasizing R&D activities and intellectual property strategies to build a competitive edge in the specialty business.　* Polyimide, separation membranes, ceramics, semiconductor gases, separators, composites, fine chemicals (C1 chemicals), high-performance coatings, pharmaceuticals, phenolic resin	**FY2024 numerical targets**　Operating profit: **¥40.0 billion**　*(Of which, specialty businesses: ¥24.0 billion)*　Ordinary profit: **¥47.0 billion**　*(Including ¥8.0 billion in equity in earnings of Mitsubishi UBE Cement Group)*　ROS: **8%**　ROE: **8%**　**FY2030 numerical target**　ROS: **10% or higher**	Key specialty business growth strategies *Pages 24–35*　R&D and intellectual property *Pages 36–39, 40–41*	3 GOOD HEALTH AND WELL-BEING / 7 AFFORDABLE AND CLEAN ENERGY / 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE / 13 CLIMATE ACTION
Addressing global environmental issues	Global environmental issues stem from the expanding impacts of human activities. They include population growth, mass consumption, and international trade across national borders and regions.　　We have formulated the following three categories for ongoing environmental action.　(1) Addressing climate change (carbon neutrality)　(2) Contributing to a circular society (circular economy)　(3) Contribute to nature conservation and restoration (nature positive)　　We are particularly stepping up efforts to reach carbon neutrality by cutting GHG emissions across our value chain. In addition, we will help resolve environmental issues by providing products, technologies, and services that materialize a circular economy and nature positive and by engaging and collaborating with stakeholders.	**FY2030 numerical targets**　GHG emissions reduction: **50% reduction** compared to FY2013　Percentage of consolidated net sales comprising environmentally friendly products and technologies: **60% or higher**	Initiatives to materialize carbon neutrality and disclosure based on TCFD recommendations *Pages 54–55, 56–57*　Initiatives and disclosure regarding circular economy and nature positive *Pages 60–63*	6 CLEAN WATER AND SANITATION / 7 AFFORDABLE AND CLEAN ENERGY / 12 RESPONSIBLE CONSUMPTION AND PRODUCTION / 13 CLIMATE ACTION / 14 LIFE BELOW WATER / 15 LIFE ON LAND
Hiring and development of human resources	People will be the engine of the UBE Group's growth over the medium and long terms. We will hire more women and foreign nationals while educating employees to cultivate people with diverse values and perspectives, thereby enabling us to respond swiftly to changes in the business climate and pursue sustainable growth.	**FY2024 numerical targets**　Percentage of women in the workforce: **15%**　Percentage of women in management positions: **6%**　Percentage of mid-career recruitment in the workforce (generalist positions): **50% or more**　Percentage of non-Japanese recruitment in the workforce (generalist positions): **Several people**	Discussion about talent strategy *Pages 46–49*　Details and progress of priority measures *Pages 50–53*　Other information about human capital *Page 65*	5 GENDER EQUALITY / 8 DECENT WORK AND ECONOMIC GROWTH
Strengthening the management platform (corporate governance and digital transformation)	We will accelerate efforts to expand our specialty chemicals business and help resolve environmental issues by pushing forward with a digital transformation strategy that involves all employees and business areas.　　We adopted a new Group structure under UBE Vision 2030 Transformation —1st Stage, our new medium-term management plan. We have structured ourselves to persue specialization as a chemical company and ensure proper governance at our Group machinery and cement companies. We are striving to increase diversity on the Board of Directors and transfer authority to executives while preparing a framework to deepen deliberations about materiality.		Digital transformation strategy *Pages 42–45*　Corporate governance *Pages 68–75*	12 RESPONSIBLE CONSUMPTION AND PRODUCTION

●Determining Materiality

We comprehensively take into account environmental issues and other Group risks (Please see pages 16–17 for details), mega trends, the global consensus on sustainable social development, and the Group's technological capabilities for helping lower environmental impact in identifying and focusing on materiality impacts that affect our sustainable growth.

　We consider the environment our greatest risk in view of our high GHG emissions. We seek to reduce these risks and turn them into opportunities not only by endeavoring to slash emissions but by building our portfolio of environmentally friendly products and technologies.
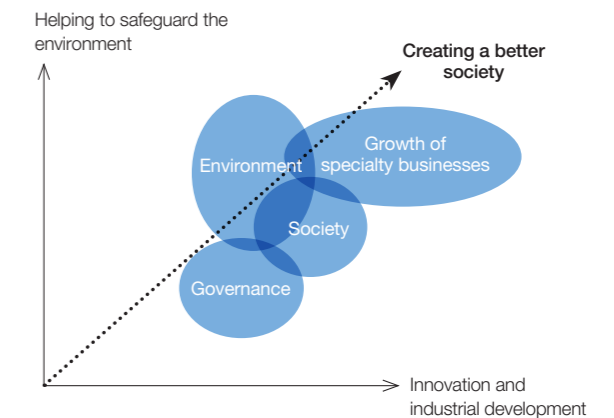
Consensuses to which we have referred
- Sustainable Development Goals
- SASB Standards, Value Reporting Foundation
- Universal Declaration of Human Rights
- Guiding Principles on Business and Human Rights
- ISO 26000, a global standard for social responsibility
- Global Reporting Initiative standards