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## **Ube Group Unveils New Mid-Term Management Plan “Stage Up 2012—New Challenges”**

The Ube Group, led by Ube Industries, Ltd. and its Group companies, today unveiled the outline of its new mid-term management plan for the next three years ending in fiscal 2012. The mid-term management plan has been named “Stage Up 2012—New Challenges” to signify the Ube Group’s aim of carrying on the same basic strategies set out in the previous Stage Up 2009 mid-term management plan (FY2007–2009), while rising to the challenge of securing new growth. The outline of the new mid-term management plan is described below.

### **1. Summary of Stage Up 2009 Mid-Term Management Plan**

The global economy rode a wave of economic expansion starting from 2002, but began to slow down in European and American countries beginning in the fall of 2007. The collapse of Lehman Brothers in September 2008 sent shockwaves through financial markets, causing a tailspin that plunged the global economy into a simultaneous major recession.

By the first year of the management plan, the Group had already surpassed the operating income target set for the final fiscal year (FY2009) of the management plan. For the first half of fiscal 2008, the Group recorded an all-time high in profits and was on track to significantly surpass the targets of the management plan at the halfway point of the three-year period. However, the Group’s earnings later fell significantly due to the effects of the economic crisis that started in the fall of 2008. As a result, the Group arrived at the end of the three-year period without achieving the profit targets set out in the management plan.

In spite of the challenging business conditions, however, the Ube Group made steady progress in reducing interest-bearing liabilities, as a result of strategic efforts to secure cash flow more than the target by restricting capital expenditures and reducing inventory.

**(1) Key Management Strategies of Previous Mid-Term Management Plan**

- a. Establish a Platform for Profitability That Ensures Sustainable Growth**
- b. Sustained Improvement of Financial Position**
- c. Strengthen CSR Activities**

**(2) Achievement of Numerical Targets**

		FY2006 Results	FY2007 Results	FY2008 Results	FY2009 Results	FY2009 Target (Final Year of Stage Up 2009 Mid-Term Management Plan)
Earnings	Operating income (billion yen)	46.8	55.9	31.1	27.5	53.0
	Operating income ratio (%)	7.1	7.9	4.6	5.0	7.5
	Return on assets (%)	7.0	8.2	4.8	4.4	7.5
	Return on equity ratio (%)	13.7	13.1	6.4	4.7	12.0
Financial Position	Net interest-bearing liabilities (billion yen)	298.7	275.6	267.7	244.0	279.0
	Net debt/equity ratio (times)	1.7	1.4	1.6	1.4	1.3
	Equity ratio (%)	24.1	26.9	25.4	27.3	30.0

**2. Outline of the New Mid-Term Management Plan “Stage Up 2012—New Challenges”**

**(1) Ube Group Vision**

The Ube Group Vision for the 21st century was hoisted as described below based on the principles of “coexistence and mutual prosperity” and “from finite mining to infinite industry” at the time of the foundation of the company.

:

*“Wings of technology and spirit of innovation. That’s our DNA driving our global success. The Ube Group will embrace a frontier spirit in seeking to achieve coexistence with the global community driven by the limitless possibilities of technology, while continuing to create value for the next generation.”*

Ube Industries was founded over 100 years ago in the Ube region as a coal mining operation, and has since continued to transform itself as times and industry change. During that time, technology and innovation have been two constant values running through the history of the Ube Group.

Our business activities center around “production” that is backed by technical ingenuity, combined with the ability to grasp modern needs and rise up to challenges without fearing change. The reach of the Ube Group today extends across the globe, yet we continue to hold true to the same common values that are embedded in our very DNA.

The Group Vision describes our ongoing commitment to embrace the pioneering spirit held in our founding principles. It also describes our commitment to co-exist with all stakeholders—including shareholders, customers, business partners, employees, and communities—and co-exist with the global environment, by continuing to create value as a corporate entity.

Under the new mid-term management plan, the Ube Group will drive forward to achieve further growth, guided by our Group Vision.

## (2) Strategic Concepts

The new mid-term management plan stays largely on course with the basic strategies of the previous mid-term management plan, while identifying the following challenges for the Ube Group to meet.

### a. Challenge to Growth

Leverage strategic growth businesses—particularly pharmaceuticals, battery materials, fine chemicals and the polyimide chain—to drive the Ube Group toward a path of growth.

### b. Challenge to Paradigm Shifts

Take the initiative to address major changes that are occurring in the business environment in which we operate, with a strong emphasis on “developing nations” and the “environment”.

### c. Re-challenge to Numerical Targets of the Previous Mid-Term Management Plan

Earnings: Re-challenge to achieve the operating income target of ¥53.0 billion set out for the final fiscal year of the previous mid-term management plan as soon as possible under the current economic climate. In addition, build a solid foundation in order to set the stage for achieving even higher targets.

Financial position: Re-challenge to lowering the net debt/equity ratio to below 1.0, as set out under the previous mid-term management plan.

## (3) Basic Strategies

### a. Establish a Platform for Profitability That Enables Sustainable Growth

- i) Continue optimizing the business portfolio by striking a balance between strategic growth businesses and core platform businesses, to achieve sustainable growth.
- ii) Among strategic growth businesses, place the highest priority on the pharmaceuticals, battery materials and fine chemicals segments, in order to drive growth. Furthermore, strengthen the technology and production framework for the polyimide chain, while satisfying new areas of demand such as films for solar cells and automotive components, in order to secure the next stage of growth.
- iii) Fixing eyes on volume business in the emerging markets of developing nations, enhance the cost competitiveness through innovation of production technologies and development of new processes for chemical products, and develop simplified machinery at lower price points.
- iv) For the caprolactam chain and synthetic rubber segment, the Ube Group will further solidify the platform for profitability centering on the business outside of Japan by (1) expanding operations and the promotion of alliance with local enterprise in Thailand to target the Asian market including China and India, and (2) leveraging operations in Spain to develop business in the South American market. At the same time, the Group will develop the business outside of Japan by pursuing strategies specifically tailored to each business segment, such as expanding the global service network for the machinery business.
- v) In segments such as cement, ready-mixed concrete, and molding machinery that are forecasted to stay or declining demand for the foreseeable future, the Ube Group will

restructure the production framework and merge or eliminate facilities in order to reliably secure profits.

**b. Sustained Improvement of Financial Position**

- i) Lower the net debt/equity ratio to below 1.0 as soon as possible, and achieve a financial position that qualifies for an A credit rating.
- ii) Create cash flow by (1) continuing to restrict capital expenditures to a level that equals depreciation, as implemented during the last three years under the previous mid-term management plan, (2) continuing to enhance inventory management and reduce on-site logistics costs and the cost of sales, and (3) enhancing the efficiency of management administration and control processes.
- iii) At the same time, the Ube Group will selectively engage in necessary investment for top-priority business segments and for strengthening the business platform. The Group will also take a proactive stance on pursuing alliances and/or mergers and acquisitions in order to accelerate the pace of growth and transform the business structure.

**c. Respond to and Address Global Environmental Issues**

- i) As part of its social responsibility as a corporation, the Ube Group will commit to reducing emissions of greenhouse gases in addition to reducing waste and conserving energy. At the same time, the Group will endeavor to develop environmentally friendly technologies and products, and seize business opportunities to capture growth.

**(4) Key Phrase**

**“Speed and Innovation”**

Business conditions are rapidly changing today as paradigm shifts occur throughout the environment in which we operate, which demands faster management decisions and constant self-transformation. The Ube Group will stay true to the vision and basic strategies of the previous mid-term management plan, while at the same time flexibly adapting to change and endeavoring to constantly review and enhance the efficiency of business operations. We will also step up our efforts to develop an innovative corporate culture that rises up to the challenge and sees opportunity in change and great risk in failing to change.

**3. Numerical Targets for New Mid-Term Management Plan**

Target Indicators for FY2015

- Operating income: ¥70.0 billion or higher
- Operating income ratio, return on assets: 8% or higher respectively

The new mid-term management plan is positioned as an action plan for achieving these targets. The numerical targets to be achieved by the final year of the new management plan are summarized below.

### (1) Management Targets

		FY2009 Result	Targets for Final Fiscal Year of Stage Up 2012
Financial Indicators	Net debt/equity ratio	1.4 times	Below 1.0 times
	Equity ratio	27.3%	30 % or higher
Profit Indicators	Operating income ratio	5.0%	7.5 % or higher
	Return on assets	4.4%	7.5 % or higher
	Return on equity	4.7%	12 % or higher

### (2) Key Figures for Profit/Loss Statement and Balance Sheet

	FY2009 Result	Targets for Final Fiscal Year of Stage Up 2012
Net sales	¥549.5 billion	¥670.0 billion or higher
Operating income	¥27.5 billion	¥53.0 billion or higher
Business income	¥29.3 billion	¥55.0 billion or higher
Net interest-bearing liabilities	¥244.0 billion	Below ¥220.0 billion
Equity capital	¥178.8 billion	¥225.0 billion or higher

## 4. Business Strategies for New Mid-Term Management Plan

The Ube Group has already identified a long-term vision to achieve growth by focusing on differentiated chemicals business. Continuing from the previous mid-term management plan, the new mid-term management plan strategically divides the business portfolio of the Group into four major segments, in order to pursue different strategies for each segment.

### (1) Business Portfolio Segmentation

Developing Businesses	Aerospace materials, optical materials, new eco-friendly materials
Strategic Growth Businesses	Pharmaceuticals, battery materials, fine chemicals, polyimides chain(polyimide, gas separation membranes), specialty inorganic materials, recycling, semiconductor-related and electronic materials
Core Platform Businesses	Caprolactam chain (nylon resins, caprolactam, industrial chemicals), synthetic rubber, cement and ready-mixed concrete, calcia and magnesia, molding machinery, industrial machinery, steel products, coal, power, (polyethylene, ABS)
Rebuilding Business	Aluminum wheels

### (2) Strategic Growth Businesses

The Ube Group will concentrate on allocating business resources to these segments, in order to rapidly enlarge the scale of the businesses and increase profitability.

#### a. Pharmaceuticals

The Ube Group launched a new Pharmaceutical Division in April 2010, after bringing to market three proprietary drugs, comprising an antiallergic agent, antihypertensive agent, and antiplatelet agent. Through the new stand-alone division, the Group will expand the pipeline for the development of successor proprietary drugs and strengthen business collaboration with major pharmaceutical companies, to further accelerate the pace of

pharmaceuticals development.

The contract manufacturing business draws on Ube's extensive experience and track record in the development of industrialized processes and manufacturing of fine chemicals, achieving growth in the contract manufacturing of APIs and intermediates for new drugs from Japanese and international pharmaceutical companies. The Group is presently building a fourth API manufacturing facility that will be compliant with current Good Manufacturing Practice (cGMP). The Group will leverage increasing profits from the contract manufacturing business to strengthen the development of new proprietary drugs, in order to accelerate the growth cycle for the pharmaceuticals business.

**b. Battery Materials**

In the market for lithium-ion battery materials, where being anticipated steady growth but more intense competition, the Ube Group, having captured a significant market share for electrolyte used in high-performance lithium-ion batteries for consumer products, will maintain our competitive advantage in this segment through differentiation from our competitors, by leveraging proprietary patents and competencies in the development of additives that meet the diverse and advanced requirements of customers. At the same time, we will also develop a framework to accommodate an expected increase in demand for automotive lithium-ion batteries in the near future.

Ube separators have established a position as the de facto standard in the rapidly growing Chinese market. In this segment, the Group will strengthen production capacity to cope with growing demand and take steps to enhance cost competitiveness, while taking an early lead in building a track record for automotive lithium-ion batteries.

**c. Fine Chemicals**

Global demand is growing for 1,6 hexanediol (1,6-HDL) used as a raw material for polyurethane and UV hardening resins. To cope with the growth, the Ube Group will move quickly to build a new production facility for 1,6-HDL in Thailand. The Group will also increase production in Spain for polycarbonate diol which is derived from 1,6-HDL, in order to improve profitability through coordination and optimization of global production and marketing for diol products. We will also move quickly to launch several eco-friendly products, namely heliotropin and materials based on water-borne polyurethane dispersion (PUD) technology.

**d. Polyimides Chain(Polyimide, Gas Separation Membranes)**

The polyimide films that are highly regarded in the market for flat-panel displays will be promoted for expanding the markets for chip-on-film (COF) applications in addition to tape automated bonding (TAB) applications. The Group will also seek to expand the demand for polyimide film used in flexible photovoltaic cells and automotive components, by developing thinner films and low coefficient of thermal expansion (CTE) films.

In terms of production, the Group will improve technologies for film manufacturing and rapidly build a new state-of-the-art polyimide film production plant in the Sakai Factory, as well as reorganize production lines to enhance cost competitiveness. We will aggressively seek to expand the business for related products such as varnishes and overcoating materials, by developing materials that offer new kinds of functionality.

The Ube Group will seek to expand sales in the gradually recovering market for gas separation membranes used for nitrogen and hydrogen separation. The Group will also focus on expanding sales in the active Central and South American market for dehydration membranes used in bioethanol production, and decarboxylation membranes used in the biogas and natural gas sectors.

**e. Specialty Inorganic Materials**

Products in this segment include high purity ceramic powders, heat-resisting materials, and precursor ceramics, which are spread out and handled by different Ube Group companies. The Group will seek to effectively integrate key inorganic technologies developed for these products, and leverage proprietary materials and technology in order to rapidly commercialize new specialty inorganic materials to follow other products successfully commercialized by the Group (such as gas phase magnesia for plasma display panel (PDP) protective films, high purity calcium nitrate for laminated ceramic capacitors, and Hipresica® for LCD spacers).

**f. Recycling**

The Ube Group processes waste in cement kilns, which provides a steady revenue stream and contributes significantly to the sustainability of society. In addition to expanding the existing facilities for waste processing, the Group will engage in technology development and strengthen waste collection, setting a goal of deriving ¥16.0 billion in revenues from waste processing by fiscal 2015.

For plastics recycling, the Group will leverage proprietary compound technology and materials evaluation technology to help establish recycling systems centering on the consumer electronics and automotive industries.

**g. Semiconductor-Related and Electronic Materials**

The Ube Group will strengthen production facilities to meet rising demand in the segments of organic metals projected to be consumed in growing demand for LEDs, and high-purity chemicals such as boron trichloride used for etching gas in LCD panel production. The Group will also expand the supply capacity for phenol resins used in semiconductor sealing materials, in response to market growth.

**(3) Core Platform Businesses**

The Ube Group will secure steady profits and cash flows from these businesses, by allocating necessary business resources to sustain and/or increase profitability.

**a. Caprolactam Chain**

Amid ongoing global realignment of the caprolactam industry, the Ube Group will anchor and strengthen its presence as the leader in the Asian market by continuing to lower costs and create added value for by-product ammonium sulfate, and by developing emerging markets centering on South America.

For industrial chemicals including ammonia and liquefied carbon dioxide (both segments in which Ube is the leading producer in Japan) and their related products, the Group will further enhance cost competitiveness while strengthening sales and building up the framework for delivering stable supplies to customers. We will secure steady profits by delivering both quality and quantity to build stronger ties with customers.

For nylon resins, the Group will endeavor to secure full operating levels for the 50,000-tonne production facilities in Thailand, by adjusting production between Thailand and Japan, and expanding sales of compounds and other added value products. These strategies will help to support the profitability of the caprolactam chain as an anchor business. By strengthening the overall business position of the caprolactam chain, the Group will aim to structure the business so that it remains profitable even at 80% operating levels.

**b. Synthetic Rubber**

The synthetic rubber (butadiene rubber) business now comprises three global bases of production, following the launch of a 50,000-tonne joint-venture plant in China to complement existing plants in Japan and Thailand. The Ube Group expects the Asian market for synthetic rubber to grow at a rapid rate, and will endeavor to meet diverse requirements and demand for lower prices, environmental performance, safety, and performance of products, while increasing production capacity and releasing proprietary products. The Group will also pursue a differentiation strategy through proprietary products, such as the world's first metallocene catalyst butadiene rubber (MBR) with superior impact durability, and nano vinyl cis rubber (VCR) that lowers fuel economy.

**c. Cement and Ready-Mixed Concrete, Calcia and Magnesia**

Against to lower demand for cement in Japan and rising energy costs, the Ube Group will focus on securing stable profits and generating cash flow. The Group will continue to optimize fixed costs and constantly work to enhance profitability, in structuring the business to match current business conditions and making continual adjustments to pricing. In addition, the business will be more tightly managed together with Group companies.

**d. Molding Machines, Industrial Machinery, Steel Products**

The Ube Group will pursue a unified approach to the business, which centers around Ube Machinery Corporation, Ltd. and its network of service companies together with manufacturing bases in the US and China. The Group will enhance the ability of the business to adapt to globalization and expand the services business, in order to generate stable profits and cash flow.

In the molding machinery segment where the Group anticipates continued slow demand from the automotive industry, the Group will take urgent steps to enhance profitability by introducing molding machinery at lower price points, in order to satisfy markets in developing nations and expand sales in these markets, while at the same time further strengthening the service network outside of Japan. We will also endeavor to stabilize the business composition of the industrial machinery and steel products businesses.

**e. Coal, Power**

The coal and power businesses function as a shared infrastructure business for the Ube Group. The Group will endeavor to secure stable and competitively priced supplies of energy (coal and electricity) for Group companies. The Group will also leverage the Okinoyama Coal Center to provide coal storage services and engage in outside sales of coal, in order to maximize profits and generate cash flow.

The social trend toward reducing carbon dioxide (CO<sub>2</sub>) emissions is expected to reduce the medium- and long-range demand for coal and trigger increased competition, with the additional risk of rising prices. Under the circumstances, the Group will endeavor to reduce costs by increasing the use of low-grade coal, while strengthening procurement and further optimizing the operations of the Okinoyama Coal Center.

**(4) Developing Businesses**

The Ube Group will develop these business segments into strategic growth business by achieving target revenues and profitability as soon as possible.

**a. Aerospace Materials**

The Ube Group will strive to achieve rapid commercialization of advanced materials that



are anticipated to generate demand from the aerospace industry, and build a framework for full-scale production. These materials include ultra heat-resistant polyimide foams, resins for composite materials, and Tyranno® fibers.

**b. Optical Materials**

The Ube Group will endeavor to capitalize on the rising emphasis on energy efficiency and anticipated growth in demand for lighting and display applications, by rapidly bringing to market optical materials. Materials in this category include melt growth composite (MGC) light conversion materials and nitride phosphors used for white LEDs, and blue organic electroluminescent (EL) materials.

**c. New Eco-Friendly Materials**

Products in this segment include heliotropin, a 100% synthetic fragrance that replaces fragrances derived from natural woods, and water-borne polyurethane dispersion (PUD) materials that provide an alternative to materials that emit volatile organic compounds (VOCs). The Ube Group will endeavor to rapidly launch mass production of these and other new eco-friendly fine chemicals for commercialization.

In addition, the Group will develop and commercialize other environmental materials such as photocatalytic fibers for organic decomposition and antibacterial performance in water purification systems, and proprietary materials for dye-sensitive solar cells offering excellent thermal and light durability as well as electrochemical durability.

**(5) Rebuilding Businesses**

The Ube Group will rebuild these businesses by formulating and executing fundamental strategies to improve profitability.

**a. Aluminum Wheels**

The Ube Group has closed all international operations of the aluminum wheel business in order to concentrate on the business in Japan, and has spun off the business as a subsidiary (Ube Aluminum Wheels Ltd.). The Group will take steps to rebuild the business over the next three years to ensure its survival. The measures will include extensive streamlining and cost reductions combined with fundamental productivity improvements, in order to return to profitability as soon as possible and ensure that the subsidiary remains profitable. The business will endeavor to supply the market with high quality and competitively-priced lightweight wheels in order to win customers and secure regular orders.

**5. Capital Expenditures and R&D under New Mid-Term Management Plan**

**(1) Capital Expenditures**

Capital expenditures over three years will be set at a level equivalent to depreciation expenses. Capital expenditures for new projects and to expand production will be concentrated on strategic growth businesses.

Capital expenditure over three years: ¥108.0 billion (equivalent to depreciation)

Proportion of capital expenditure (new projects and production expansion projects) to be allocated for strategic growth businesses: 3/4(three fourth)

## **(2) Research & Development**

Corporate Research & Development will focus on R&D and commercialization of optical materials and new environmental materials identified as developing businesses, in addition to engaging in R&D directly linked to business segments. It will also pursue open innovation through synergies and cooperation, such as involving university-industry collaboration, in order to secure future growth. These areas will include next-generation battery materials and new chemical core materials.

R&D expenditure over three years: ¥45 billion

Proportion of R&D expenditure allocated for strategic growth businesses and developing businesses: 2/3(two third)

## **6. Environmental Initiatives under New Mid-Term Management Plan**

The Ube Group will further escalate initiatives to conserve energy and transition to different fuels, and recycle waste. The Group has set out the following targets for reducing overall greenhouse gas emissions by the Ube Group by fiscal 2015.

Targets for Fiscal 2015

- CO<sub>2</sub> emissions from energy use: Reduce by 15% compared with fiscal 1990 levels
- Total CO<sub>2</sub> emissions from energy use and non-energy use (excluding emissions from waste): Reduce by 20% compared with fiscal 1990 levels

The Ube Group manages CO<sub>2</sub> emission levels using a greenhouse gas management system that enables precise and swift monitoring of CO<sub>2</sub> emission levels for each place of business.

The Ube Group will aim to increase net sales from environmental-related products to approximately ¥120 billion by fiscal 2015 from current amount of ¥40billion. We will aim to expand our strategic growth businesses, including electrolytes for lithium-ion batteries and separators, polyimide films for flexible photovoltaic cells, organic compounds for LEDs, and gas separation membranes.

Among core platform business, the Group will encourage a shift toward materials for eco-friendly applications, such as synthetic rubber to produce eco-friendly tires and nylon resins that enable weight reduction in automobiles. Among developing businesses, the Group will seek to rapidly bring new products to market, such as lighting-related materials and new environmental materials.

The Group is committed to conserving the global environment through energy conservation and by reducing greenhouse gas emissions, by encouraging widespread use of environmentally friendly products that are made from the many materials that we offer.

## **7. Policy for Shareholder Dividends**

Ube Industries will endeavor to improve its financial position and increase equity capital to set the stage for future capital expenditures. Continuing from the previous mid-term management plan, the company will aim for a dividend payout ratio in the range of 20 to 25%, endeavoring to increase profitability and steadily raise shareholder dividends.