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Ube Group Unveils New Medium-Term Management Plan “Change & Challenge 2018”

The Ube Group (consisting of Ube Industries, Ltd. and other Group companies) today unveiled the outline of a new medium-term management plan for the next three years starting from fiscal 2016. The medium-term management plan has been named “Change & Challenge 2018” and constitutes the action plan to realize what we want to become in 10 years, which has been envisaged based on our business principles.

1. Corporate Image the Ube Group Targets to Realize

■ Business Principles

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

■ Group vision

“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 through manufacturing.

■ What we want to become in 10 years

“An enterprise that continues to create value for customers”

The UBE Group will have a positive social impact as a corporate entity having a presence in expanding business domains, by developing products and services that anticipate market needs.

2. Management Strategies

(1) Strengthen the Business Foundation to Enable Sustainable Growth

- ◆ The Ube Group will focus on profit margin at each business divisions and improve profitability of existing products through painstaking cost reduction.
- ◆ Under the business strategy emphasizing consolidated cash flow, the Ube Group will carry out investment to support growth while ensuring that we will also reap the fruits of investment projects.
- ◆ The Ube Group will improve the ability to respond quickly to changes in the global business environment by expanding the network of business offices overseas and deepening coordination among Group companies in Japan and overseas.

- ◆ For the revitalization and further growth of the chemicals segment, the Ube Group will aim to achieve the recovery of the segment's operating income to ¥20 billion or more before the end of the final year of the new medium-term management plan to reach the starting point of the next growth stage.

(2) Address and be Part of the Solution for Resource, Energy, and Global Environmental Issues

- ◆ The Ube Group actively pursues initiatives for realizing a sustainable society. In particular, the Ube Group will promote a reduction in greenhouse gas through the reduction of energy consumption and the expansion of waste recycling throughout our supply chain, while ensuring overall profitability. It will also promote the creation and expansion of technologies and products to contribute to, among others, the reduction in environmental load.

» FY2021 target: 15% reduction in greenhouse gas (as compared with FY2005)

3. Numerical Targets (FY2018)

(1) Key Figures

Operating income: ¥50 billion

Ordinary income: ¥49 billion

(2) Key Indicators

Return on sales (ROS): 6.5% or above

Return on equity (ROE): 9.0% or above

4. Strategies and Challenges in Key Business Segments

■ Target business domains

The Ube Group has identified “environment and energy,” “mobility,” “construction and infrastructure,” and “health care” as business domains that the Group will focus going forward and will not only work to expand existing businesses and their peripheral businesses, but also develop new businesses in these domains.

■ Chemicals and Pharmaceuticals Segment

◆ Chemicals

The Ube Group has identified nylon, synthetic rubber, separators, and high performance coatings as four major growth drivers and will prioritize resource allocation to these businesses.

» Nylon

The Ube Group will expand its global supply system to tap growth markets such as food packaging and automotive components. Meanwhile, it will also implement various measures to strengthen cost competitiveness of caprolactam (nylon raw material).

» Synthetic rubber

The Ube Group will increase the ratio of differentiated products and specialty products by strengthening the alliance with strategic customers and bolster the production capacity to meet growing demand.

» Separators

The Ube Group will rapidly increase the production capacity and productivity to meet growing demand for automotive application, thereby establishing itself as a leading manufacturer of ceramic-coated separators.

» High performance coatings

The Ube Group will accelerate business development as a solution provider and actively seek M&A opportunities for business expansion.

The Ube Group has identified polyimide and electrolytes as restructuring businesses and will work to develop a revitalization scenario by completely overhauling the business.

As for platform businesses, the Ube Group will make thorough cost reduction efforts and efforts to achieve differentiation in each target market, thereby striving to maintain and increase stable income.

◆ Pharmaceuticals

In the licensing business of drugs discovered internally, the Ube Group will promote the pipeline expansion and early licensing-out and strengthen life-cycle management. At the same time, the Ube Group will implement thorough cost reduction measures. The Ube Group will also promote the commercialization of the manufacturing of generic active ingredients.

■ Cement and Construction Materials Segment

The Ube Group will strengthen the business foundation of cement and calcia and magnesia businesses through such measures as cost reduction, expansion of waste disposal and recycling, rationalization of production, securing customers for stable export of cement, and business consolidation within the Group. Meanwhile, the Ube Group will also push ahead with the development and commercialization of new products in the field of specialty materials such as environmental materials (neutral solidification material, heavy metal immobilizer, etc.) and fine materials, aiming to expand the business domain including overseas expansion.

■ Machinery Segment

In order to improve the attractiveness of products for use in the growing automotive and infrastructure markets such as electric power and cement (molding machinery and industrial machinery), the Ube Group will increase profitability focusing on cost reduction and launch new models to meet customer needs on a global basis. In addition, the Ube Group will increase its global presence to customers particularly in the Americas and Asia by expanding the network of service offices outside Japan and enhancing customer support and proposal activities, thereby striving to expand the machinery servicing business.

■ Energy and Environment Segment

For the continuation of stable income, the Ube Group will ensure the procurement of coal at low prices, improve ports, and increase the capacity of the coal center (coal storage facility). It will also undertake the upgrading of private power generation facilities, while have been deteriorated due to passage of time, in a systematic and efficient manner to strengthen energy cost competitiveness.

5. Business Portfolio Segmentation

Target Business Domains	Environment and energy, mobility, construction and infrastructure, healthcare
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Developing Fields	New battery materials, specialty inorganic materials (phosphor, optical materials, etc.), biomass fuel, aeronautical fields (tyranno fiber), environmental materials (neutral solidification material, heavy metal immobilizer, etc.), biomaterials
Active Growth Businesses	Nylon, synthetic rubber, separators, high performance coatings, pharmaceuticals, fine materials, machinery services
Platform Businesses	Caprolactam and industrial chemicals, fine chemicals, ceramics, separation membranes, cement and ready-mixed concrete, calcia and magnesia, recycling, molding machinery, industrial machinery, steel products, coal, power
Restructuring Businesses	Polyimide, electrolytes

Developing Fields	The Company will promote growth in these fields to turn them into future sources of income.
Active Growth Businesses	Market expansion is expected and the Company will pursue further growth in its fields of strength.
Platform Businesses	The Company will aim to maintain and expand stable income.
Restructuring Businesses	The Company will revamp their business models and undertake business restructuring.

6. Investments and R&D

- In addition to investment to expand businesses that are expected to drive growth such as nylon and separators, the Ube Group will input management resources to strengthen cost competitiveness of the platform businesses such as caprolactam and cement as well as to improve our infrastructure such as private power generation facilities and the coal center from the long-term perspective.

In addition, the Ube Group will actively seek M&A opportunities to speedily realize the strengthening of existing businesses and the expansion of their peripheral business domains. As for the specific implementation of individual investment projects, the Ube Group will determine the amount and timing of investment for them in a flexible manner in consideration of changes in the business environment.

» Investments over three years: ¥150 billion

- R&D activities will be conducted to strengthen cost competitiveness and improve functions for the strengthening of existing businesses and the expansion of their peripheral business domains. In particular, to create new businesses in the environment and energy, mobility, construction and infrastructure, and health care fields, the Ube Group will prioritize the strengthening of our fundamental technologies and the evolution of advanced technologies in strategically important technological fields.

» R&D expenditure over three years: ¥45 billion

7. Shareholder Dividends

Ube Industries will endeavor to maintain and further improve its financial soundness and increase equity capital to enable future investment. At the same time, the Company will target a dividend payout ratio of 30% or more with a view to ensuring stable shareholder dividends.