

Risk Management

UBE Group Risk Management Framework

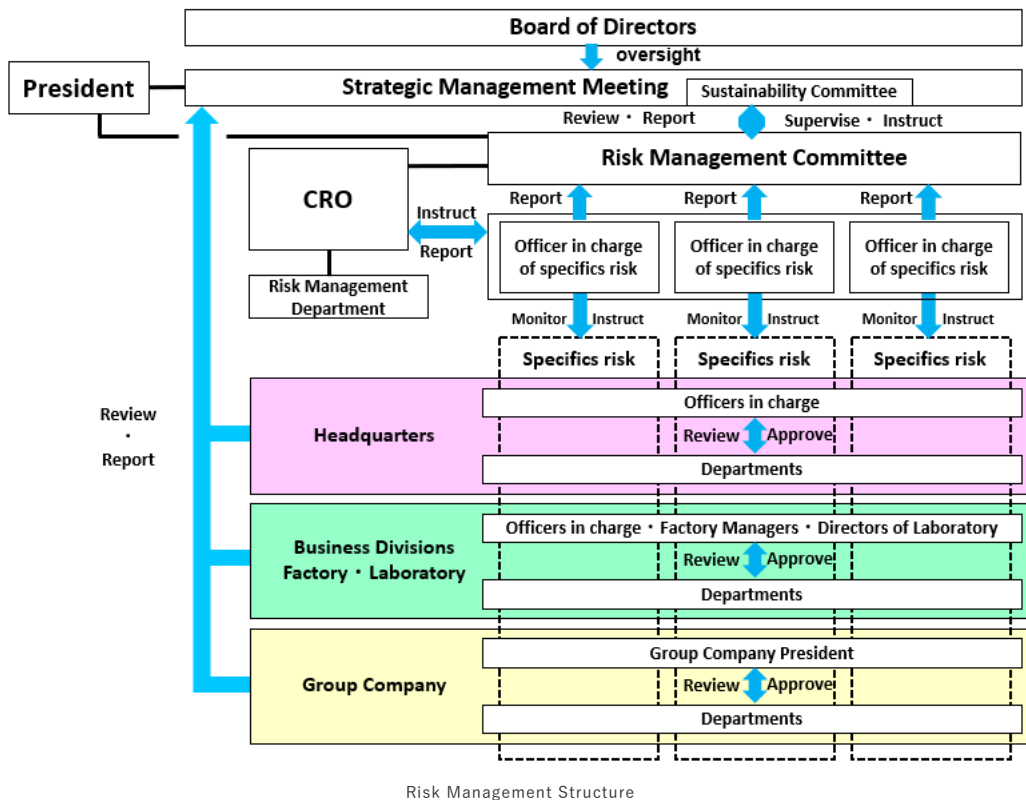
UBE suitably manages risks to the UBE Group and stipulates risk management rules, based on the internal control framework established by the Board of Directors. In this way, risk management is implemented for all Group companies.

Risk Management System

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.

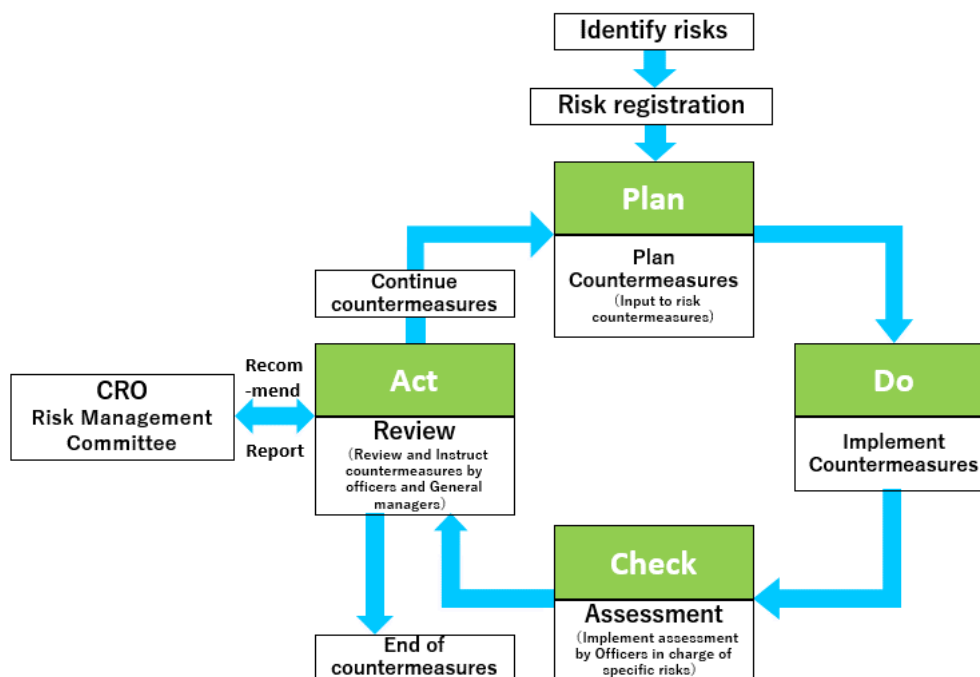
Serious (major) risks that impact the entire Group are reported to the Risk Management Committee for discussion. They are then submitted to the Group Strategic Management Meeting, where the members discuss approaches and effective measures based on the risk recognition. The details of these discussions 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 group-wide perspective. The officer then provides guidance and instruction to relevant departments for risk management measure implementation in the following fiscal year.



System and Implementation

The risk management system operates by having UBE's departments and Group companies identify their business risks and determine the risk level based on the impact of each risk and the likelihood that it will materialize. In accordance with the risk level, department managers approve the risk description, management targets, countermeasure proposal and implementation, and review, to implement risk management. At the end of the annual cycle, the effectiveness and efficiency of the countermeasures are reviewed by self-assessment and countermeasures are improved for the next fiscal year, under a plan-do-check-action (PDCA) cycle. This chain of processes forms a risk management system under which the Group centrally manages risk data, implements countermeasures, monitors improvements, and shares pertinent data through visualization.



Risk Management PDCA Cycle

Risks with Especially Significant Operational Impacts, Countermeasures, and Opportunities

Category	Risk Items	Risk Overview	Examples	Countermeasures	Opportunities
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 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 		<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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	<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 pharmaceuticals business are postponed or revoked 		<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Strengthen specialty businesses and expand developing businesses
Environment	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 • Changing customer requirements for UBE Group products and heightened interest in the global environment, such as circular economy and nature positive 		<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 • Increase in demand for environmentally friendly products and technologies • Pursue R&D and commercialization for CO₂ usage and other technologies
	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 		<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Swift recoveries in the event of wide-ranging disasters will build market trust
Society	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 		<ul style="list-style-type: none"> • 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 HAZOPSM, and conduct regular disaster drills and environmental safety audits 	
	Human capital and human rights	<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 • Failing to adequately address the human rights demands of society and stakeholders, eroding public trust 		<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Attract and retain talented people • Create new businesses and products that embrace diverse perspectives
Governance	Product quality and liability	<ul style="list-style-type: none"> • Inappropriately inspected products are shipped, leading to damage claims and other significant costs, eroding public trust 		<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Build solid growth foundations by fostering a corporate culture that emphasizes compliance and builds customer trust
	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 		<ul style="list-style-type: none"> • Information Security Committee was established to step up efforts in the following respects: <ul style="list-style-type: none"> • 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	<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 		<ul style="list-style-type: none"> • 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 	



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