

Company name: Ube Industries, Ltd.
Representative: Yuzuru Yamamoto
President and Representative Director
Security code: 4208 (shares listed on First Section of Tokyo
Stock Exchange and Fukuoka Stock Exchange)
Contact: Hirotaka Ishikawa
General Manager, IR/PR Department
Tel: +81-3-5419-6110

Statement Regarding Recurrence Prevention Measures Relating to Improprieties in Quality Checks

TOKYO, June 7, 2018 — Ube Industries, Ltd. today issued a further update regarding its investigation into improprieties in certain quality checks for low-density polyethylene. On February 21, 2018, Ube Industries assembled an investigation committee comprising attorneys without conflicts of interest and an external director, in order to investigate the causes of the improprieties and confirm the validity of recurrence prevention measures. Since that time, the investigation committee has expanded the scope of its investigation to encompass the UBE Group, with Ube Industries lending its full cooperation to the committee's investigation.

On June 5, 2018, Ube Industries received the investigation report issued by the investigation committee. (Refer to the separate statement issued today regarding the report by the committee investigating improprieties in quality checks). At the meeting of the Board of Directors of Ube Industries held on June 6, the Directors passed a resolution to implement the recurrence prevention measures outlined below. Ube Industries has submitted these recurrence prevention measures to the investigation committee, which has concluded that the measures are in line with its own recommendations for recurrence prevention measures and made it known that the committee strongly recommends that the recurrence prevention measures be implemented.

Going forward, Ube Industries will ensure that the recurrence prevention measures are executed steadily and will take steps to improve governance and strengthen quality management within the UBE Group, while working to restore the trust of stakeholders.

I. Board of Directors will strengthen quality-related governance

The Board of Directors will put more effort into grasping the actual status of quality throughout the UBE Group's businesses. Accordingly, the Board will establish avenues to receive reports that focus on quality, and will assess the execution status and effectiveness of the recurrence prevention measures outlined in the following paragraphs and issue suitable instructions as necessary, in an effort to strengthen the functions of the quality assurance system of the UBE Group.

II. Management will articulate the emphasis on quality and display leadership in changing attitudes

Management accepts full responsibility for the recent quality issues, and regrets its failure to strongly communicate the importance of quality as a management issue both internally and to Group companies. In order to restore the trust of customers and society, management will make a renewed

commitment to quality as a critical management issue, while ensuring that all Directors will reaffirm their commitment to securing compliance in its truest meaning and display leadership in changing the corporate culture of the UBE Group. To this end, the following measures will be taken.

1) Formulate a Group Management Policy

The UBE Group has formulated basic policies on various issues, but had yet to formulate a unified management policy. Due to the characteristics of the businesses, management has clearly outlined its position on safety but has rarely mentioned quality, which it must emphasize as a manufacturer. Accordingly, a Group Management Policy will be formulated and it will clearly indicate the management position on quality.

2) Regular Communication from the President

The president of the UBE Group will regularly communicate the Group's position emphasizing compliance including quality, both internally and externally.

3) Education for Directors by External Experts

Education conducted by external quality experts will be regularly implemented for Directors.

III. Implement the following strategies to instill awareness of quality among all UBE Group employees and so that they make judgments from the customer's perspective, in order to change the corporate culture

1) Communicate the Group Management Policy, Revise the UBE Group Action Guidelines and Conduct Education

Repeated education will be conducted to communicate the Group Management Policy and confirm the level of penetration. Also, the UBE Group Action Guidelines that is prepared and distributed as a code of conduct for all employees will be revised to mention emphasis on quality including securing compliance and making judgments from the customer's perspective. To ensure that all employees are aware of the revisions, the level of penetration will be confirmed through surveys while regular training will be conducted.

Based on the above management policy, internal companies will formulate and communicate quality policies.

2) Improve Attitudes toward Compliance

Recognizing that waivers for certain cases of formal non-compliance may have led to serious violations being overlooked, focus will be placed on building corporate culture that strives for further compliance, including compliance with internal rules. Existing compliance activities and the contents of training will be reviewed and training repeatedly conducted. In addition, systems will be put in place to detect violations from many angles and take corrective action on the spot, and the corporate culture will be changed so that it fosters mutual accountability and rewards good conduct.

The Legal Department and Human Resources Department will take the initiative by clearly stating that rule violations will not be tolerated by the company, and will revise the employee regulations and apply them in a transparent manner.

3) Quality Awareness Activities

The Quality Management Department (see below) will plan for and implement activities to enhance quality-related awareness, in order to make employees aware of the importance of quality. The activities will be continuously and repeatedly implemented in order to change the organization to make judgments from the customer's perspective.

Awareness surveys will be regularly implemented for all employees, in order to assess actual attitudes and clarify the results derived from these activities. Furthermore, because the organizational culture encourages adherence to precedent, which prevented the issues from being detected, a performance appraisal system will be suitably operated that rewards personnel who reevaluate erroneous precedent and corrects it.

4) Prepare and Implement a Quality Training System

The existing quality education will be reevaluated to improve its effectiveness and make it better reflect the actual work. The Quality Management Department (see below) will prepare and provide a training system to help employees acquire basic knowledge and skills related to quality. In particular, an education program will be established that reflects the actual work including a deeper understanding of contracts to be signed with customers.

The Legal Department will prepare a compliance training program that is more practical in nature, and will provide the program to employees who need it. The Human Resources Department will retain the training results in a Group human resources education database, so that the data can be used to help develop and ensure the suitable placement of personnel.

5) Systematic Development of Personnel Responsible for Quality Assurance

Personnel systems at Ube Industries are highly specific to each business location, leading to sub-optimal development and placement of personnel. As a result, the development of specialists in quality assurance is inadequate. To improve the current situation, personnel rotation will be systematically implemented, and personnel who are responsible for quality assurance will be systematically developed for each business process. To eliminate the negative effects of assigning personnel to a single department for a long time, an alert system will be created for persons assigned to a department for a long time, and personnel will be systematically transferred. Additionally, the training system implemented for persons when they are promoted will be reevaluated, and personnel with suitable management skills will be placed in positions. When transferring personnel, special consideration will be given to avoid even a temporary decline in quality assurance, by ensuring a suitable transition period.

Furthermore, due to the importance of quality-related work, employees who engage in such work will be evaluated more appropriately, in order to foster a corporate culture that instills greater pride in conducting quality-related work.

Regarding technical training, while training for proprietary technologies is implemented, the training system for management skills is weak and solely reliant on on-the-job training. As part of the reevaluation of various rules, the training management rules will be reevaluated and the implementation methods will be improved and standardized to ensure their practicality and effectiveness, such as the method for evaluating the effectiveness of training and confirming the competency assessment. Additionally, the departments that manage the training will be instructed to systematically expand their training programs for management skills.

IV. Implement the following measures including restructuring the organization, in order to strengthen controls related to the UBE Group's quality assurance and strengthen cooperation between related departments

1) Appointment of Director Responsible for Group Quality and Establishment of Quality Management Department

The UBE Group operates under a principle that emphasizes the independence of internal companies and business divisions (hereinafter collectively "internal companies"). Given that the UBE Group is a collection of businesses with different characteristics, Group-wide control has been an area of weakness particularly for quality, and there is no department to oversee quality across the Group. The governance over the UBE Group's quality management will be strengthened, and to better meet the trust placed in the UBE Group by society, a Director Responsible for Group Quality will be appointed who will report directly to the President and manage quality governance activities led by Ube Industries. Additionally, a Quality Management Department will be established and assigned suitable personnel to oversee the following tasks.

(Internal companies will be in charge of quality assurance and quality control tasks for customers. They will oversee quality assurance-related tasks under the direct supervision of the President, as well as being in charge of monitoring quality, policing violations, and implementing common training and educational activities.)

- Function as the administrative office for the Group Quality Committee
- Monitor quality
- Evaluate the quality control management and rules of internal companies, and issue guidance on corrective actions
- Implement quality risk assessment activities
- Conduct centralized management of critical quality data
- Conduct planning for and implement quality education activities
- Prepare and implement a quality training system
- Implement and follow up on additional emergency quality investigations (emergency response tasks)

2) Establish a Group Quality Committee (as an Avenue for Reporting Quality-Related Issues to the President and Obtaining Input)

To strengthen control over the quality-related activities of internal companies, a Group Quality Committee headed by the President will be established as an avenue for reporting, and the rules of the committee will be established. The inclusion of quality consultants on the committee will be considered, to incorporate a third-party perspective.

Internal companies will grasp the status of quality, set and achieve quality targets. At the same time, the internal companies will plan for necessary activities and necessary allocation of resources, as well as report on the results and get input from the President. To ensure that the internal companies are suitably operating to achieve quality targets, the Quality Management Department will provide administrative support and manage to ensure the reporting of suitable information, including audit results.

3) Reevaluate the Organizational Framework of Internal Companies

Internal companies themselves once operated as a collection of autonomous businesses departments or business locations, and the recent issues stem partly from failing to remove the quality control systems being operated independently within each factory. This will be reevaluated and the operation structure will be rebuilt to enable internal companies to exert control. The quality assurance and quality control job functions will be clearly separated, and in order to ensure that quality assurance functions are independent from business departments and plants, the departments that oversee quality assurance for the internal companies will now be responsible for quality assurance, reporting directly to the head of each internal company.

Accordingly, rules for quality assurance will be revised to eliminate ambiguities and, in order to supplement this, standard forms will be expanded and prepared for effective implementation. Furthermore, these will be communicated to raise the effectiveness of the functions.

The internal companies have a hierarchical and multi-layered management structure, and it is sometimes unclear where the responsibility actually lies. In addition, there is a strong legacy of operations based on tacit knowledge. Although the management framework, rules of division of duties, and workplace operations are defined, the jobs and authorities of managers are not clearly defined. To remedy these factors, the following actions will be taken.

- Reevaluate and revise the Group rules on division of duties
- Reevaluate the procedures for preparing rules on division of duties, and for confirming and approving revisions
- Revise (simplify) the quality assurance organization rules and role management chart

The aforementioned Group Quality Committee will evaluate the validity of the operational framework.

Regarding the recent issues, customers should have been requested to revise the quality specifications, but this did not happen. This stems from giving precedence to the own department's perspective (a business-based view) over the customer's perspective. The fact that sales did not have a grasp of actual conditions on the production floor was another factor. While the company has claimed to be pursuing unified production, sales and engineering, in order to further pursue these efforts, the controls applied by quality assurance departments will be strengthened and further exchanges between business departments and the production floor will be pursued including through personnel transfers. At the same time, the necessary information was not properly conveyed to customers amid efforts to build

trust with customers. It will be explicitly specified in the rules on division of duties that sales should handle all these tasks, together with a regular review of specifications, as an organizational effort.

The improprieties in quality checks for polyethylene partly stem from the overlap between the Manufacturing and Quality Assurance departments of UBE-Maruzen Polyethylene Co., Ltd. and the organizational bodies of the Chiba Petrochemical Factory of Ube Industries. In effect, employees from Ube Industries are working on assignment at UBE-Maruzen Polyethylene while holding concurrent positions at both companies, so that they are under the overlapping chains of command of Ube Industries and UBE-Maruzen Polyethylene. To address this, UBE-Maruzen Polyethylene and both parent companies will consider suspending the practice of having employees from Ube Industries work on assignment at UBE-Maruzen Polyethylene while holding concurrent positions at both companies, and instead place employees under the single chain of command of the Chiba Petrochemical Factory of Ube Industries.

4) Improve the Effectiveness of Target Management at Internal Companies

Internal companies conduct management reviews of each business department, and the heads of internal companies monitor and direct the quality-related operations of business departments, to implement target management. The effectiveness of these management reviews will be further improved in the future. The departmental management reviews vary in their precision and are dependent on the management capabilities of the department administering and overseeing quality assurance at the internal company, as well as being dependent on the business department's grasp of the issues. While the management indicators for results are important in objectives management, the concrete activity details must be evaluated in order to identify issues. Individual incidents must be seen as organizational issues, and weaknesses identified that may also apply to other areas. To ensure that the management reviews produce these results, the operating method will be reevaluated, and training and education will be implemented for the persons concerned.

Additionally, the Group Quality Committee will evaluate the effectiveness of the management reviews.

5) Strengthen Quality-Related Audits

The audit functions will be strengthened, since the inappropriate operations related to quality were neither noticed nor corrected. The auditing of quality assurance processes by Ube Industries' Head Office makes it difficult for auditors and auditing departments to identify inappropriate operations, particularly when they have been intentionally concealed. To correct this, the Quality Management Department will expertly audit the quality assurance processes to supplement the audits by the Audit Department. The audits will particularly make it a priority to check for improprieties. The organizations to be audited will be suitably chosen from the business departments and business locations of the Group companies in and outside of Japan. The audit rules will be reevaluated to achieve these measures. Additionally, the qualification system for internal auditors will be reevaluated and strengthened in order to improve the audit quality.

The audit plan for quality assurance processes and audit results will be reported at meetings of the Group Quality Committee. However, when an impropriety is confirmed, it will be reported without delay to the Group Quality Committee headed by the President of Ube Industries. Until suitable action is taken, the Director responsible for Group quality will follow up on it and direct the relevant departments as needed.

It cannot be denied that the existing internal audits at the internal companies were focused on compliance assessments. Since there are limits to how much the assessments of the completeness and effectiveness can be strengthened through regular internal audits, the effectiveness of internal audits will be assessed by designating area specific audits to be conducted for each fiscal year, which are separate from the regular internal audits. The area specific audits will assess priority items in accordance with the content of the work that is conducted by the department being audited.

As for internal auditors, special internal auditors will be developed in addition to regular internal auditors, and the effectiveness of area specific audits will be improved. The partial use of outside consultants will also be considered in order to incorporate a third-party perspective. In the future, the establishment of a dedicated department for internal audits will be considered.

6) Prepare Quality-Related Reporting and Notification Systems

The issues occurred within specific organizations and the response was slow after the issues were identified, due to the fact that a common reporting and notification system for quality-related issues had not been explicitly designated. Therefore, group-wide systems for reporting and notification will be prepared to ensure that information is rapidly shared among organizations when issues arise. Rules for reporting and notification when quality-related issues arise will be newly established.

The Quality Management Department will centrally manage important quality information, and consider and implement measures that contribute to the effective use and horizontal application of information.

Additionally, inappropriate operations were not reported or did not come to light partly because of the production floor's distrust of the head office. The inappropriate operations needed to be responded to as a company, rather than leaving the response to the production floor. The inappropriate operations were also not reported because the production floor felt a sense of duty to avoid troubling the company. Accordingly, education will be conducted to reemphasize the importance of reporting.

To expand the use of the existing internal compliance reporting system (UBE C-Line Message Center), the GM of the Quality Management Department will be designated as a contact person for reporting, and employees will be further reminded to use the reporting avenues. Additionally, measures (such as manager education and information campaigns) to further enhance means of communication will be studied and implemented, in order to establish a corporate culture where negative information is habitually reported.

7) Group Company Controls

While Group companies are expected to operate independently, internal companies will strengthen their oversight over the validity the quality-related operations by the Group companies that they oversee. Internal companies will receive reports from the Group companies that they oversee, with regard to the quality status, targets, planning for necessary activities and necessary allocation of resources, and the results, and will confirm their effectiveness. Furthermore, departments that oversee quality assurance will audit the Group companies and report the results to the head of each internal company.

Additionally, the audit results will be reported at meetings of the Group Quality Committee.

V. Implement the following measures to strengthen quality-related infrastructure

1) Migrate to Quality Systems that Remove Human Involvement

Recognizing that quality assurance systems with human involvement provided opportunities for wrongful actions, the entire company will adopt unified systems that remove human involvement as much as possible. As a manufacturer, the company has invested in IoT systems for its main sales and manufacturing operations, but has been slow to invest in systems for administrative departments. Quality assurance systems are either built to accompany production management systems or built as independent partial systems, such as for centralized management of inspection results and issuing of inspection reports. However, all these systems are specific to each business location or product type, and they continue to be used without reevaluating previous habits or work methods. While progress is being made in systemizing the automatic issuing of inspection reports from the inspection results database, progress is not being made in automating the data entry. The structure of the systems that are specific to each business location or product is vulnerable to various improprieties. Therefore, the entire company will gradually prepare and roll out a unified IoT system for infrastructure.

2) Measures to Ensure Allocation of Business Resources Related to Quality

Necessary business resources will be allocated, recognizing that the issues partly stem from the insufficient allocation of business resources to quality management and other administrative departments.

One of these measures will be to implement risk assessments throughout the company under the direction of the Quality Management Department, in order to regularly identify quality-related risks and study necessary measures. The output will ensure the company thoroughly studies increased investment and staffing when it is reported they are needed, and this will be incorporated into discussions about the fiscal year budget. Rapid action will be taken when a lack of resources is identified as a factor behind improprieties.

Additionally, the insufficient grasp of the actual status of quality-related business resources and the unclear standards for determining their necessity were factors behind the resource allocation being held back. This matter will be given careful consideration in the budgeting and investment approach outlined by internal companies in their planning in order to maintain and strengthen the infrastructure.