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Statement Regarding Completion of Supplementary Investigation into Improprieties in Quality Checks

TOKYO, October 2, 2018 — Ube Industries deeply regrets the inconvenience and concern caused to customers, business partners, shareholders and other stakeholders as a result of improprieties in quality checks on the part of Ube Industries and its Group companies.

Ube Industries, Ltd. today announced that it is implementing recurrence prevention measures for improprieties, in accordance with the report issued on June 5, 2018 by the investigation committee that looked into improprieties in quality checks.

Based on the recommendations of the investigation committee to conduct two supplementary investigations, Ube Industries moved forward with the investigations, expecting them to be completed in late September 2018. The supplementary investigations were completed on September 28, 2018, and the details are outlined below.

With the results of the supplementary investigations, Ube Industries has concluded its investigations into improprieties in quality checks based on the recommendations of the investigation committee.

1. Overview of Investigations

Supplementary Investigation No. 1 (Investigation Report, p.105, IV-1-(1) (2))

Based on the recommendations of the investigation committee, a supplementary investigation was conducted of ten Group companies in and outside of Japan that were outside the scope of the original investigation, and which engage in manufacturing under the substantial management control of Ube Industries.

- Eight Group companies outside of Japan:
  UBE Corporation Europe, S.A. Unipersonal; UBE Chemicals (Asia) Public Company Limited; UBE Fine Chemicals (Asia) Co., Ltd.; THAI SYNTHETIC RUBBERS COMPANY LIMITED; Ube-Nitto Kasei (Wuxi) Co., Ltd.; Ube Electronics (Wuxi) Co., Ltd.; Ube Machinery (Shanghai) Ltd.; Ube Machinery Inc.
- Two Group companies in Japan:
  Kushiro Nama Concrete K.K., Seito Nama Concrete K.K.

Supplementary Investigation No. 2 (Investigation Report, p.106, IV-2)

Based on the recommendations of the investigation committee, a supplementary investigation was conducted of emails that suggested the possibility of improprieties, which were discovered in the digital forensic investigation conducted by the investigation committee.

- One Group company in Japan:
  Ube Material Industries, Ltd.

2. Investigation Methods

Supplementary Investigation No. 1:

The supplementary investigation was implemented as follows, in accordance with the investigation method recommended by the investigation committee.

(1) Questionnaire survey of all employees, including managers, who belong to departments involved in quality control and quality assurance

(2) Interviews of persons giving questionable answers in the abovementioned questionnaire results

(3) Cross-checking of delivery specifications decided with customers against test results and raw data

Supplementary Investigation No. 2:

Supplementary investigation implemented for emails and other information suggesting the possibility of improprieties ("emails, etc., that require additional study and investigation") that were discovered in the digital forensic investigation conducted by the investigation committee.

As with the original investigation by the investigation committee, the criteria for determining improprieties in the supplementary investigations were as follows: (i) breaches of laws and regulations on product quality and indication, (ii) breaches of Official Standards on product quality and indication, (iii) deliberate breaches of (specifications stipulated in) contract with the customer, and (iv) other deliberate fabrication or alteration of test results.

3. Investigation Results

As a result of the supplementary investigations, the following two incidents were determined to be improprieties using the criteria described in the Investigation Report.

(1) UBE Corporation Europe, S.A. Unipersonal (Province of Valencia, Spain)

a) Description
Ube Corporation Europe, which manufactures caprolactam as the monomer (raw material) for nylon resins, carries out tests prescribed in delivery specifications decided with customers. The company entered fixed values in test results tables without implementing solidification point tests. The matter was pointed out in the internal audit conducted in 2006. However, the corrective action was not taken by mistake. It affected 18 customers.

b) Response Following the Discovery
Ube Corporation Europe has begun conveying details of the matter to the customer and explaining that the fact didn't affect product quality and safety. As of this time, the company has not received any reports of product quality or safety issues from the customer. Currently, the company is measuring the solidification point as prescribed in the specifications, before shipping the product.

(2) Chiba Plant of Ube Material Industries, Ltd. (Ichihara City, Chiba Prefecture)

a) Description

Ube Material Industries trades high-purity slaked lime that it procures from an external source. One employee took a sample from a shipment in January 2018 and tested the sample, as a result he found an iron content level of 0.022%, which exceeded the upper limit of 0.02%. The tested value for this item is to be rounded to the nearest second decimal place and listed on the test results. The tested value should therefore have been listed as 0.02% in the test results and been considered in conformance. However, the employee concluded that it was out of conformance by mistake.

The employee then measured another sample from the same lot, without communicating to the customer the test value of the first sample which was mistakenly concluded to be out of conformance, or that a second sample was taken but not specified in the delivery specification. The re-measurement yielded a value of 0.014%, so the employee took the average of the two values and concluded that it was in conformance. The employee entered a value of 0.020% in the test result, which is the upper limit of the specifications, and the lot was shipped. The impropriety was only confirmed to have taken place on one occasion, and it affected a single customer.

b) Response Following the Discovery

Ube Material Industries notified the customer regarding the fact and specific details of the matter, and explained that product quality and safety were not affected. As of this time, the company has received no reports of product quality or safety issues from the customer.

4. Impact on Earnings

The matter will not have an impact on the earnings of Ube Industries.

5. Progress of Recurrence Prevention Measures

Senior management at Ube Industries is continuing to communicate the corporate emphasis on quality throughout the Group. In addition, Ube Industries newly established a Quality Management Department on June 7, 2018 that reports directly to the President. The department manages the quality assurance-related work of internal companies and business divisions, and conducts quality audits and implements systematic training and education for all employees of the UBE Group, including directors.

Ube Industries will continue to steadily implement recurrence prevention measures, endeavoring to enhance Group-wide governance and surely operate its quality management systems, including strict compliance with customer contracts, as it works to restore the trust of stakeholders.