

## **UBE Group Approach to Recurrence Prevention Measures Relating to Improprieties in Quality Checks**

April 28, 2022

This report outlines the progress that the UBE Group has made on the recurrence prevention measures announced in the Statement Regarding Recurrence Prevention Measures Relating to Improprieties in Quality Checks dated June 7, 2018. Please refer that, since fiscal 2019, quality-related initiatives are also included in the UBE Group Integrated Report.

### **I. Board of Directors strengthens quality-related internal controls**

Beginning in fiscal 2019, reports on quality are now submitted at meetings of the Board of Directors twice a year. In addition, issues related to quality are addressed at the company's executive meetings (currently, Strategic Management Meetings for Quality) in order to strengthen quality management. (Meetings were held four times in fiscal 2019 and three times a year since fiscal 2020.) These meetings assess the execution status and effectiveness of the recurrence prevention measures and issue suitable instructions to related department as necessary.

### **II. The management clearly emphasizes the importance of quality and takes the initiative in reforming awareness.**

#### **1. Formulation of Group Management Policy**

The UBE Corporate Philosophy and UBE Management Principles were revised in April 2019 to clearly express that "quality" is one of our fundamental management principles. Based on our corporate philosophy and management principles, the UBE Group Fundamental Quality Guidelines were formulated in April 2019 to clearly express both internally and externally our management stance that "in order to earn the trust of stakeholders, we will continually focus on safety and security in developing and providing products and services that meet customer expectations for quality."

#### **2. Regular Communication from the President**

The president of the UBE Group regularly communicates to employees the Group's position emphasizing compliance on our intranet. Since fiscal 2020, during "Quality Month" in November of each year, the president of the UBE Group has posted a "Quality Message" to all employees on the intranet "President's Office."

#### **3. Education for Directors by External Experts**

A total of five quality-focused executive training sessions conducted by external consultants have been held since fiscal 2018. We plan to continue holding these sessions on an annual basis and expanding the sessions to include directors and officers of Group companies, as well.

### **III. Strategies implemented to instill awareness of quality among all UBE Group employees and ensure they make judgments from the customer's perspective in order to change the corporate culture**

#### **1. Dissemination of UBE Group Fundamental Quality Guidelines, Revision and Education of UBE Group Action Guidelines**

We are working to familiarize everyone with the UBE Group Fundamental Quality Guidelines by posting them on our website and distributing them to each of our Group companies. In addition, we have revised our code of conduct, the UBE Group Action Guidelines, to clearly express our emphasis on quality, including management's stance on obtaining and complying with the latest quality-related information and adhering to agreements with customers. Furthermore, we conducted quality awareness surveys in 2019 and 2021 in order to assess employee awareness of the importance of quality. Over 8,000 UBE Group employees in 2019 and over 10,000 employees in 2021 responded to the survey with their thoughts on quality. By analyzing the results of these surveys, we are working to understand the effects of the strategies implemented to date and incorporate them into the next strategies we formulate. We will continue to survey employees on quality awareness.

## 2. Quality Awareness Activities

Since fiscal 2018, we have solicited employees for UBE Group's unified quality slogan suggestions. Of the several hundred entries we receive each year, the best is selected for the President's Award, posted on our intranet and distributed throughout the UBE Group to raise awareness of quality in every workplace. Since fiscal 2020, we have held an annual UBE Group Quality Conference in November, which is designated as Quality Month. This conference brings major UBE Group business location in and outside Japan together online to honor groups and individuals who have engaged in outstanding quality activities in an effort to raise awareness of quality. The conference also includes case study presentations by honor groups and lectures on quality by external experts, thereby promoting knowledge acquisition and deployment for all employees. We are also working to identify the current status of quality activities and clarify the results of awareness-raising activities. Furthermore, we are working to understand the current status of our quality activities and to clarify the results of our educational activities. And we are also working to create a corporate culture that does not overlook problems because the organizational culture that unconsciously follows precedent is considered that this impeded voluntary improvement of inappropriate conduct.

## 3. Improved Attitudes toward Compliance, Development and Implementation of Quality Training Framework

We have reviewed our system for educating employees on quality and created training programs tailored specifically to employee duties. We continue to implement practical training programs on such topics as basic quality-related compliance, understanding agreements with customer, and reviewing cases of quality-related impropriety. In addition to establishing a training framework for basic knowledge and skills relating to quality, compliance, and laws and regulations, the annual e-learning program on compliance focuses on quality-related themes to provide all employees with the training needed to ensure compliance with rules.

## 4. Systematic Development of Personnel Responsible for Quality Assurance

We also continue to provide quality awareness training for employees of quality assurance departments for each business division and Group company in order to train the personnel who will take on the responsibility for quality assurance in the future. In addition, quality training is also provided to newly appointed managers responsible for quality management when they assume these positions.

# **IV. Restructuring and other measures implemented 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 (Currently: Functions Transferred to QA Department)

To strengthen internal quality controls throughout the UBE Group, a Director Responsible for Group Quality who reports directly to the President was appointed in 2018. At the same time, a Quality Management Department was established in June 2018 to oversee internal quality control activities led by the Head Office, as well as to conduct quality audits, prevent improprieties related to quality, and educate and raise awareness throughout the Group.

### 2. Establishment of Group Quality Committee

As a meeting for reporting quality-related matters to management, Group Strategic Management Meetings for Quality (currently Strategic Management Meetings for Quality, held three times a year) were established in fiscal 2019 to strengthen control of quality-related activities in each business division.

### 3. Review of Business Organization

We have separated quality assurance departments from manufacturing units to ensure that departments overseeing quality assurance function independently. In addition, we have clearly separated the functions of quality assurance and quality control to enable a system of checks and balances between the two.

### 4. Improved Effectiveness of Target Management at Business Divisions

We have reviewed the management system rules and focused on improving the effectiveness of business division management reviews. We have revised management review forms to clarify required items (INPUT items). With regard to items directed by top management (OUTPUT items), the Quality Assurance Department has taken the lead in implementing corrective/improvement measures and deploying them to related departments. Further, we are working to improve the effectiveness of the measures through sufficient discussion.

### 5. Enhanced Quality-Related Audits

In addition to strengthening audits conducted by the Audit Department, the Quality Assurance Department conducts audits focused on preventing improprieties related to quality (checks and balances) as an internal control department. Further, separate from regularly scheduled internal audits, the Quality Assurance Department also conduct area specific audits to assess priority items in accordance with the content of the work conducted by the department being audited.

### 6. Establishment of Quality-Related Reporting and Notification Systems

In December 2018, we established regulations for handling negative information related to quality to ensure that information is promptly shared among organizations in the event that quality-related problems arise. These regulations clarify the rules for defining and handling negative information related to quality, investigating its causes, and formulating recurrence prevention measures. In addition, to bolster use of the UBE Group internal reporting system (UBE C-Line), we added the Quality Management Department GM: general manager (currently Quality Assurance Department GM) to the list of reporting system contacts in June 2018.

### 7. Group Company Controls

The Quality Management Department (currently Quality Assurance Department) conducts audits of each Group company with the aim of strengthening the monitoring system to ensure adequate quality-related operations at Group companies. In addition, the UBE Group has held Group Quality GM

Meetings between the Quality Assurance Department GM at the Head Office and Group companies three times a year since fiscal 2019. These meetings are a means of informing the Head Office and Group companies about the discussions and decisions in Group Strategic Management Meetings for Quality to ensure that this information is shared throughout the entire UBE Group.

**V. Measures to strengthen quality-related infrastructure implemented**

**1. Migrating to Quality Systems that Remove Human Involvement**

Recognizing that quality assurance systems with human involvement have created opportunities for wrongful action, we are introducing a series of systems that remove as much human involvement as possible. One of the reasons for the persistence of quality-related impropriety over long periods of time was the use of unique quality inspection record management systems designed and constructed for each product, which meant that problems could not be identified. As a corrective measure, we are integrating our quality inspection management systems and strengthening our monitoring of system operations. Further, we are promoting network connection between analyzers and the aforementioned system and automating quality inspection result transcriptions and report creation. We are also working to prevent the falsification of data and other types of quality inspection fraud, strengthen record management by maintaining logs, and improve work efficiency.

**2. Measures to Ensure Allocation of Business Resources Related to Quality**

We have designated information concerning a lack of quality-related management resources as management review input data and created a framework for discussing this issue. In addition, understanding that the tendency for employees to remain in the same workplaces for long time has contributed to the problem, the Quality Assurance Department GM will now monitor human resources and determine whether personnel rotations are necessary.

As described above, we have established a framework for preventing recurrence and are continuing to implement strategic measures in this regard. The UBE Group will continue our improvement activities in order to increase the effectiveness of the above measures, working to ensure that they are implemented and that we provide our customers with safe and secure products.