

Corporate Governance Overview

Organizational structure	Company with Audit & Supervisory Committee
Chairman of the Board of Directors*	Yuzuru Yamamoto
Number of directors (excluding members of the Audit & Supervisory Committee)*	6 (of which 2 are outside directors)
Number of directors in the Audit & Supervisory Committee*	3 (of which 2 are outside corporate auditors)
Independent officers appointed*	4 outside directors
Determination of compensation for each director	<ul style="list-style-type: none"> • Compensation consists of base compensation and stock-based compensation. • Total compensation for the year ended March 31, 2019 (5 directors excluding independent directors): ¥253 million (base compensation: ¥116 million; performance-linked remuneration: ¥136 million)
Determination of compensation for each corporate auditor	<ul style="list-style-type: none"> • Compensation consists of base compensation. • Total compensation for the year ended March 31, 2019 (2 auditors excluding the independent auditors): ¥57 million (base compensation: ¥57 million)*
Outside officers (Independent officers)	<ul style="list-style-type: none"> • Compensation consists of base compensation and retirement benefits. • Total compensation for the year ended March 31, 2019 (6 officers): ¥68 million (base compensation: ¥68 million)
Outside officers (Independent officers) Independent auditors	Ernst & Young ShinNihon LLC

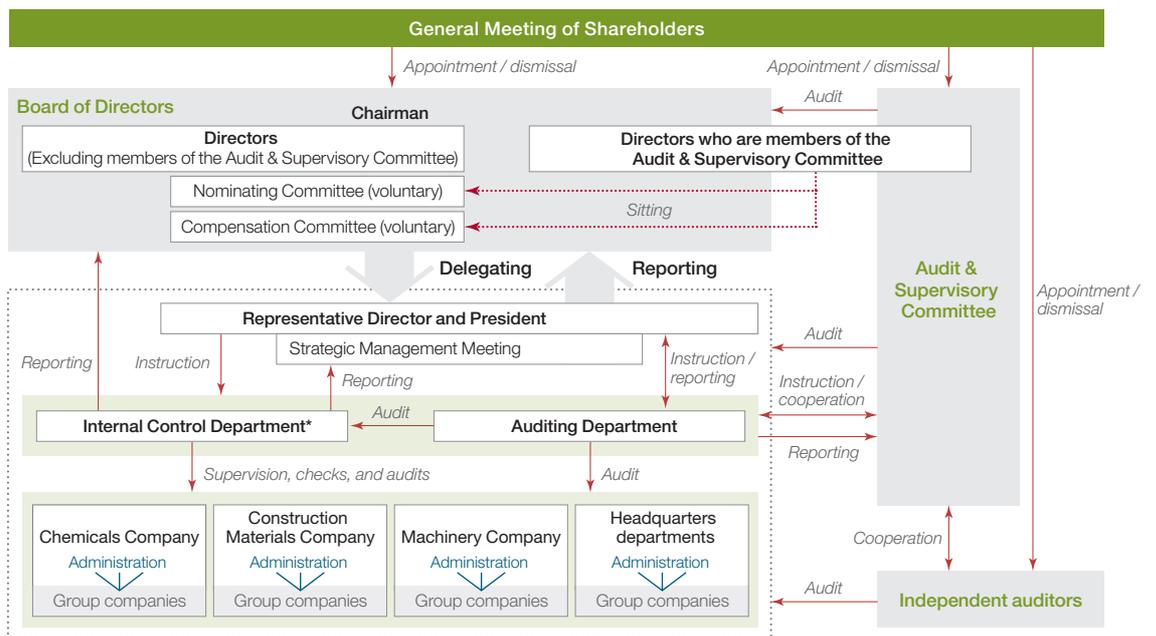
* As of June 27, 2019

Corporate Governance

The UBE Group’s fundamental mission is to achieve sustainable growth and increase the corporate value of the Group over the long term. We have made the change from a Company with Board of Company Auditors to a Company with Audit & Supervisory Committee in accordance with a resolution adopted at the Ordinary General Meeting of Shareholders held on June 27, 2019. Going forward, we will more clearly separate supervisory functions and decision-making functions in management

and reinforce the Board of Directors’ function of supervising business execution while accelerating decision-making by delegating important decisions for business execution to the President and Representative Director. We consider it important to sustainably undertake suitable business activities and fulfill our duties toward and gain the trust of all stakeholders, including customers, business partners, employees, communities, as well as shareholders, by enhancing the effectiveness of corporate governance through these means.

Overview of Corporate Governance and Internal Control



* Internal Control Department:
 • Practical Operational Committees (Compliance, Regulated Cargo, Information Security, and Emergency Response)
 • Headquarters Internal Control Departments

Board of Directors

In principle, a director who does not serve concurrently as an executive officer serves as Chairman of the Board of Directors. The Board of Directors makes decisions about important management issues in accordance with laws, regulations, the Company's Articles of Incorporation, and the rules of the Board of Directors, and also supervises directors and executive officers to ensure they are performing their duties appropriately and efficiently. As a Company with Audit & Supervisory Committee, we will accelerate operational execution by delegating decision-making on important operations to the President and CEO while consistently reinforcing supervision.

Audit & Supervisory Committee

The Audit & Supervisory Committee is responsible for auditing the execution of duties by directors and presenting opinions at the General Meetings of Shareholders concerning the nomination and compensation of directors other than members of the Audit & Supervisory Committee. The committee's operations are conducted based on audit policies and plans established each fiscal year. Committee members attend and express their opinions at important meetings, including Board of Directors' meetings, in order to understand the decision-making process of important decisions and the status of business execution, while examining important decision-making documents and receiving business reports from directors (excluding members of the Audit & Supervisory Committee), executive officers, and employees. They also hold periodic meetings with the President and Representative Director to confirm management policies and exchange opinions on key issues. The committee members are permitted to attend meetings

of the Nominating Committee and Compensation Committee, which reports to the Board of Directors, in order to supervise the appointment and compensation of directors (excluding members of the Audit & Supervisory Committee). The committee comprise three directors, including two outside directors, and is chaired by an outside director.

Audit & Supervisory Committee:

Seiichi Ochiai (Chairman of the Audit & Supervisory Committee, Outside Director)
Takashi Shoda (Outside Director)
Atsushi Yamamoto (Director)

Outside Directors

UBE has appointed outside directors to add independent, third-party viewpoints to the decision-making process and to the monitoring of management to ensure efficiency, transparency, and objectivity from June 2005. In addition, UBE employs a Nominating Committee and Compensation Committee that report to the Board of Directors. Each comprises three members—two outside directors (excluding members of the Audit & Supervisory Committee) and one non-executive director (Chairman of the Board)—and is chaired by an outside director.

Nominating Committee:

Keikou Terui (Chairman of the Nominating Committee, Outside Director)
Tetsuro Higashi (Outside Director)
Yuzuru Yamamoto (Chairman of the Board)

Compensation Committee:

Tetsuro Higashi (Chairman of the Compensation Committee, Outside Director)
Keikou Terui (Outside Director)
Yuzuru Yamamoto (Chairman of the Board)

Directors' and Auditors' Attendance at Board Meetings

	Name	Attendance at meetings of the Board of Directors and Board of Corporate Auditors during fiscal 2018
Directors	Michio Takeshita	13/13 times (100%)
	Yuzuru Yamamoto	13/13 times (100%)
	Hideyuki Sugishita	3/3 times (100%) Resigned on June 28, 2018
	Tadashi Matsunami	13/13 times (100%)
	Masato Izumihara	10/10 times (100%) Appointed on June 28, 2018
Outside Directors	Takashi Kusama	12/13 times (92.3%)
	Keikou Terui	12/13 times (92.3%)
	Takashi Shoda	13/13 times (100%)
	Mahito Kageyama	13/13 times (100%)
Auditors	Takanobu Kubota	13/13 times (100%) of Board of Directors' meetings 6/6 times (100%) of Board of Corporate Auditors' meetings
	Atsushi Yamamoto	13/13 times (100%) of Board of Directors' meetings 6/6 times (100%) of Board of Corporate Auditors' meetings
	Seiichi Ochiai	13/13 times (100%) of Board of Directors' meetings 6/6 times (100%) of Board of Corporate Auditors' meetings
	Miyako Suda	13/13 times (100%) of Board of Directors' meetings 6/6 times (100%) of Board of Corporate Auditors' meetings

Effectiveness Assessment of the Board of Directors*

UBE convenes a regular Evaluation Meeting for Effectiveness of the Board of Directors composed of outside directors, outside corporate auditors,

** Results of effectiveness assessment conducted in fiscal 2018, when before the transition from a Company with Board of Corporate Auditors to a Company with Audit & Supervisory Committee structure.*

and non-executive directors to hold deliberations on evaluating the effectiveness of the Board of Directors, based on directors' and corporate auditors' self-assessment of the Board of Directors (to be obtained through questionnaire, etc.). The Board of Directors receives a report on these deliberations and conducts an evaluation of its effectiveness. As a result, the Board of Directors determined at a meeting held in June 2019 that the Board functioned effectively in fiscal 2018, as it found that the composition and operation of the



Takashi Shoda
Outside Director
Member of the Audit &
Supervisory Committee

Seiichi Ochiai
Outside Director
Member of the Audit &
Supervisory Committee

Atsushi Yamamoto
Director
Member of the Audit &
Supervisory Committee

Makoto Koyama
Representative Director

Yuzuru Yamamoto
Director
Chairman of the Board

Board were appropriate and that vigorous discussion and deliberation were conducted.

With the change to a Company with Audit & Supervisory Committee in mind, UBE views the following five issues as challenges and will pursue improvements going forward to enhance corporate value by reinforcing the supervisory functions of the Board of Directors: (1) broadening the scope of decision-making authority delegated to the President and Representative Director concerning important business execution; (2) investigating an ideal reporting method that contributes to the supervision of management and phased-in implementation; (3) monitoring business execution status relative to medium- and long-term

management plans; (4) monitoring the completeness and appropriateness of structured risk management using risk management systems; and (5) reinforcing and monitoring of the effectiveness of internal control systems.

Director and Executive Officer Remuneration

UBE revised its director and executive officer remuneration system effective April 1, 2019. The amount of remuneration for fiscal 2018 and for fiscal 2019 were determined based on the old system. The new system will be applied to the determination of the amount of remuneration starting in fiscal 2020.

The outline of the new system is stated below. The major differences from the old remuneration system include the simplification of various benchmarks to aid understanding, with the compensation ratio for performance-linked portions increasing.



Masato Izumihara
President &
Representative Director
CEO

Masayuki Fujii
Director
CFO

Keikou Terui
Outside Director

Tetsuro Higashi
Outside Director

A. Calculation method for determining director and executive officer remuneration

- (a) The remuneration structure for directors (excluding directors who are also members of the Audit & Supervisory Committee and outside directors who are not members of the committee) and executive officers at UBE consists of (1) base compensation (fixed compensation), (2) an annual incentive (Companywide performance-linked compensation and annual individual target-based compensation), and (3) long-term incentives (medium-to-long term individual target-based compensation and stock options).
- (b) The ratios of base compensation and annual and long-term incentives are set to allocate about 50% for base compensation, 30% for annual incentives, and 20% for long-term incentives. The ratios of annual incentives for the President and the Chairman are higher, and base compensation lower, compared to those for other directors and executive officers.
- (c) Directors who are also members of the Audit & Supervisory Committee and outside directors who are not members of the committee receive fixed, base compensation only.
- (d) The objective validity of standards for director and executive officer remuneration is confirmed by constantly referring to remuneration

study data from external research institutes and by making comparisons with levels at major manufacturers of similar sizes and in comparable industries.

B. Outline of procedure to determine director and executive officer remuneration

The amount of compensation for each director (excluding members of the Audit & Supervisory Committee) and executive officer will be deliberated by the Compensation Committee, which reports to the Board of Directors and is chaired by an outside director and a majority of which is comprised of outside directors. After reviewing compensation, the committee forwards its recommendations and findings to the Board of Directors for a decision. The compensation of directors who are also members of the Audit & Supervisory Committee shall be decided through deliberations of members of the Audit & Supervisory Committee.

C. Status for the year ended March 31, 2019

The following remunerations were for the year ended March 31, 2019 based on the old remuneration system. The Company transitioned to a Company with Audit & Supervisory Committee structure as resolved at the General Meeting of Shareholders held on June 27, 2019. Accordingly, an auditor had not been appointed as of the issue date of this Integrated Report.

Outside Directors

<i>Outside Director</i>	<i>Outside Director</i>	<i>Outside Director and Member of the Audit & Supervisory Committee</i>	<i>Outside Director and Member of the Audit & Supervisory Committee</i>
Keikou Terui	Tetsuro Higashi	Seiichi Ochiai	Takashi Shoda
1979 Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry (METI))	1977 Joined Tokyo Electron Limited	1981 Professor, Seikei University Faculty of Law	1972 Joined Sankyo Co., Ltd.
2008 Director-General for Technology Policy Coordination, Minister's Secretariat, METI	1990 Director, Tokyo Electron Limited	1990 Professor, The University of Tokyo Graduate Schools for Law and Politics, and Faculty of Law	2001 Director, Sankyo Co., Ltd.
2011 Director-General, Kanto Bureau of Economy, Trade and Industry, METI	1996 Representative Director, President of Tokyo Electron Limited	2007 Professor, Chuo Law School Registered as an attorney (Dai-ichi Tokyo Bar Association) Professor Emeritus, The University of Tokyo (current position)	2003 President and Representative Director, Sankyo Co., Ltd.
2012 Director-General for Regional Economic and Industrial Policy, METI	2003 Representative Director, Chairman of the Board of Tokyo Electron Limited	2012 Outside Audit & Supervisory Board Member of Nippon Telegraph and Telephone Corporation	2005 President & CEO, and Representative Director, Daiichi Sankyo Co., Ltd.
2013 President, Japan Utility Telemetering Association. Non-Profit Organization (current position)	2012 Outside Director of the Company Resigned (June 2014)	2013 Outside Director of Meiji Yasuda Life Insurance Company (current position)	2010 Representative Director and Chairman, Daiichi Sankyo Co., Ltd.
2014 Outside Director of the Company (current position)	2013 Representative Director, Chairman and President of Tokyo Electron Limited	2013 Outside Auditor of the Company	2014 Senior Corporate Adviser, Daiichi Sankyo Co., Ltd.
2016 Outside Director, Bridgestone Corporation (current position) Outside Director, Organo Corporation (current position)	2018 Outside Director, Seven & i Holdings Co., Ltd. (current position)	2019 Outside Director and member of the Audit & Supervisory Committee of the Company (current position)	2015 Outside Director of the Company
	2019 Outside Director, Nomura Real Estate Holdings, Inc. (current position) Outside Director of the Company (current position)		2017 Outside Director, Daito Trust Construction Co., Ltd. (current position)
			2019 Outside Director and member of the Audit & Supervisory Committee of the Company (current position)

Officer category	Total remuneration (millions of yen)	Total Remuneration by Category (Millions of yen)		Number of officers covered
		Fixed compensation	Performance-linked compensation	
Directors	253	116	136	5
Auditors	57	57	—	2
Outside directors	48	48	—	4
Outside auditors	20	20	—	2

Executive Officers

UBE has been using an executive officer system to separate supervision and business execution since June 2001. The President and CEO delegates authority to executive officers, who perform their duties based on management policies decided by the Board of Directors.

General Meeting of Shareholders and Exercise of Voting Rights

The Notice of Convocation is sent out three weeks prior to the General Meeting of Shareholders, but its contents are posted on the UBE Group's website earlier. UBE provides access to mobile phone and internet voting in addition to voting by mail so that shareholders unable to attend can also exercise their voting rights. UBE also uses an electronic voting platform for institutional investors.

At the General Meeting of Shareholders held on June 28, 2018, a total of 15,340 shareholders exercised their voting rights (including 14,412 shareholders who exercised voting rights in writing and via the internet), representing 77.1% of total voting rights.

Engagement with Shareholders

Two-Way Communication through IR Activities

Principal IR activities in fiscal 2018 are listed below. The UBE Group conducts IR activities with the goal of timely, accurate, and fair disclosure, and believes that proactive communication and engagement with investors enhances corporate value.

- Earnings briefing for institutional investors and securities analysts (after main briefing)
- Telephone conference for institutional investors and securities analysts (held quarterly)
- Overseas IR (visits with overseas investors, a total of three times yearly, in Europe, the United States, and Asia)
- Small meetings by the President and CEO (four times yearly)
- Individual meetings with institutional investors and securities analysts (about 200 times per year)

Directors, Auditors, and Executive Officers (As of June 27, 2019)

Directors

	Yuzuru Yamamoto
<i>Representative Director</i>	Masato Izumihara
<i>Representative Director</i>	Makoto Koyama
	Masayuki Fujii
	Keikou Terui *
	Tetsuro Higashi *
<i>Member of the Audit & Supervisory Committee</i>	Atsushi Yamamoto
<i>Member of the Audit & Supervisory Committee</i>	Seiichi Ochiai *
<i>Member of the Audit & Supervisory Committee</i>	Takashi Shoda *
	* Outside and independent

Executive Officers

President & Executive Officer	Masato Izumihara
Senior Managing Executive Officers	Tokuhioka Okada
	Makoto Koyama
Managing Executive Officers	Masahiko Nojima
	Yukio Hisatsugu
	Hideo Tamada
	Genji Koga
	Masayuki Fujii
	Yuki Nishida
Senior Executive Officers	Makoto Aikawa
	Hiroshi Nishida
	Hidetsune Miura
	Yoshiaki Ito
	Yuzo Hanamoto
	Hisaaki Yokoo
	Masayoshi Oota
	Keiichi Nagata
Executive Officers	Masaro Suehiro
	Bruno de Bièvre
	Shigeru Ouchi
	Mitsuo Ono
	Toshiyuki Mineishi
	Hironori Miyauchi
	Watchara Pattanajirundorn
	Hiroaki Kojima
	Yoichi Funayama

Detailed information is available in the Investor Relations section of the UBE Group's website:

<https://www.ube-ind.co.jp/ube/en/ir/>



Internal Control System

The Board of Directors has resolved the basic policies for the configuration of the UBE Group's internal control system.

Detailed information on the Basic Policy for Establishing Internal Control is available on the UBE Group's website:

<https://www.ube-ind.co.jp/ube/en/corporate/management/internalcontrol.html>



Compliance

UBE established the UBE Action Guidelines as a code of conduct guiding basic behavior within the UBE Group and among constituent members. The guidelines outline the standards and criteria for compliance in corporate activities, which directors and employees are expected to adhere to.

UBE appoints a Compliance Officer for the UBE Group and maintains the UBE Group Compliance Committee including general counsels as an advisory body. Within the committee, it set up the UBE Group Competition Law Compliance Committee to prevent acts that impede fair competition and to ensure the soundness of business operations. It additionally set up the UBE Group Restricted Cargo and Export Management Committee to increase awareness within the Group of the need to prevent the unauthorized export or provision of goods and technology that are restricted under export control laws and regulations designed to maintain international peace and stability.

UBE is working to upgrade and strengthen structures and frameworks for compliance. Initiatives include the introduction of the "UBE C-Line," a hotline that allows executive officers and employees to directly report compliance issues without going through normal channels. This encourages the rapid finding and swift correction of compliance issues. By providing compliance-related information, e-learning, team coaching, and other programs, UBE continuously educates and enlightens its employees.

In fiscal 2018, UBE conducted internal training and education on laws and regulations such as the Anti-Monopoly Act, Subcontract Act, and Unfair Competition Prevention Act.

The Company trained instructors for general compliance education at each office and facility to cultivate capabilities based in workplaces. Training extends over cycles of three years. From fiscal 2015 through 2017, approximately 10,800 employees took courses. In the first year of the fiscal 2018 to 2020 cycle, roughly 1,700 employees attended courses.

Thorough Procurement in Line with Basic Purchasing Policies (Supply Chain Management)

The UBE Group endeavors to build fair and honest business relationships. We purchase in line with the Basic Purchasing Policies—Fair Transactions, Objective Selection of Suppliers, Compliance with Laws and Regulations and Confidentiality, Green Purchasing, and CSR Procurement*, as disclosed in the purchasing information on the UBE Group's website.

Detailed information on these policies is available on the UBE Group's website:

<https://www.ube-ind.co.jp/ube/en/koubai/index.html>



CSR Procurement

The UBE Group prepared CSR Procurement Policies and CSR Procurement Guidelines that encompass respecting human rights, complying with laws and social norms such as eliminating anti-social forces, and safeguarding the environment to foster CSR procurement that boosts standards across the entire supply chain.

In fiscal 2018, we conducted a third survey of 277 major business partners accounting for 90% of our procurement costs for materials, construction, packaging materials, and fuel oil.

Addressing Quality Issues

We sincerely regret quality check improprieties that came to light last year, and formulated and implemented measures to prevent recurrences. In line with recurrence prevention efforts, we have constantly improved quality systems to make them more appropriate, including by closely matching customer agreements with our actual operations. As part of these efforts, we are responding appropriately in collaboration with customers where we find amendments necessary in keeping with the revised response rules. We are continuously implementing recurrence prevention measures to improve Group governance and enhancing our quality management systems to regain stakeholder trust.

Recurrence Prevention Measure	Fiscal 2018		After fiscal 2019
	1H	2H	
I. Reinforce Board of Directors' Governance			
Timely reporting to the Board of Directors	Evaluate progress and effectiveness and reinforce Group quality assurance structure by providing necessary instructions		Report appropriately
II. Management team's awareness reform			
1) Prepare the Group management policy	Formulate management policy that clearly reflects quality management stance		Inform consistently
2) Constantly communicate top messages	Clarify top-down quality management and communicate internally and externally		Communicate consistently
3) Educate directors by external specialists	Conduct quality training (in first and second halves), the themes being to reform awarenesses and deepen understanding about quality		Keep conducting training to boost skills
III. Culture and awareness reforms			
1) Disseminate Group management policy and revise and educate on the UBE Action Guidelines	Set up UBE Action Guidelines Revision Working Group to deliberate	Revise UBE Action Guidelines Formulate Group quality policy in line with Group management policy	Disseminate consistently
2) Improve compliance awareness	Enhance courses by incorporating quality information and providing Companywide compliance training		Implement consistently
	Include punitive provisions in labor contracts and work regulations		
3) Enhance quality education activities	Plan and roll out quality education activities		Foster awareness of quality consistently
	Subscribe and show quality slogans (Quality Month)		
4) Align and implement a quality education system	Prepare educational plans by positions and job classifications in accordance with operations		Educate consistently
	Provide practical education		
5) Conduct planned training	Formulate human resources measures to secure people to oversee quality operations		Implement measures and rotate people
IV. Organizational restructuring and system review			
1) Appoint vice president (director) in charge of Group quality management and set up quality management department	Appoint director Establish quality management department		Reliable operation
2) Establish a Group quality committee	Draw up the committee	Hold	
	Formulate Group quality management system regulations	Management system operations	
3) Review organizational structure	Segregate quality management and quality assurance Set up a quality assurance management department reporting directly to the company president		Confirm operational situation and consistently improve
4) Improve target management effectiveness	Rebuild quality management system and its operation		
5) Strengthen quality audits	Under instructions from external consultant, draw up audits of quality management department	Prepare auditing regulations Produce auditing plan	Quality management department auditing
6) Develop reporting and communication structure	Prepare communication rules for when quality issues arise and implement reporting system	Operation	Implement consistently
7) Control Group company management	Identify situations with oversight by quality assurance management departments of relevant Group companies and reinforce management and supervision		Strengthen controls
V. Strengthening foundations			
1) Measures to properly allocate resources to quality areas	Prepare regulations regarding validity assessments of management resources and survey progress	Add people and improve skillsets in quality division and reallocate personnel	Rotate and train people
2) Transition to a quality system that excludes human involvement	Study and assess required systems, such as for recording inspection results online	Prepare and partially implement capital investment plan	Implement plan