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### **Ube Industries Announces Resolution Concerning Basic Policy on Creation of Internal Control System**

TOKYO, May 11, 2006 — Ube Industries, Ltd. has announced that its Board of Directors today resolved the matters described below with regard to the company's basic policy on the creation of an internal control system. This step was taken to accompany the enforcement of Japan's new Company Law on May 1, 2006, and in many cases, the matters resolved have already been carried out by the company for some time.

#### **1. System to ensure that the execution of duties by directors and employees conforms with laws and ordinances and the articles of incorporation**

The company shall formulate Personal Action Guidelines in order to establish corporate ethics for the Ube Group, and these Guidelines shall be the standards and norms for the practice of compliance to be adopted in corporate activities and by company officers and employees.

The company shall assign a compliance officer to ensure and promote compliance, and shall establish the Compliance Committee, including a consulting lawyer, as an advisory body for the compliance officer.

Moreover, Ube Industries shall operate Ube C-Line, a message center that allows officers and employees to make direct contact without respect for formal channels, in order to detect and correct problems related to compliance promptly.

#### **2. System relating to the storage and administration of information concerning the execution of the duties of directors**

Ube Industries shall record and store documents (including electronic recordings) based on laws and ordinances as well as internal regulations, including Board of Directors regulations, regulations on managerial decision processes, Group Management Committee Regulations, and Company/Division Operating Committee Regulations, and it shall maintain records in a condition that allows them to be read when necessary.

### **3. Regulations and other systems regarding loss crisis management**

Ube Industries shall implement appropriate measures after identifying risks that impede the attainment of business objectives and evaluating the possibility that such risks will arise as well as their potential impact.

Moreover, the company shall establish the Ube Group Environment and Safety Committee and the Ube Group Product Liability Committee in order to carry out specific risk management. These committees formulate policy and promote strategies relating to safety, environmental protection and product safety management for the entire Ube Group.

Furthermore, Ube Industries shall adopt a system that addresses individual risks, with the establishment of the following committees.

#### **(1) Information Security Committee**

The Information Security Committee shall formulate Information Security Policy, ensure thorough awareness of and check on compliance with the policy, and establish rules and regulations regarding information security.

#### **(2) Restricted Cargo and Export Management Committee**

Based on export management legislation for ensuring global peace and security (such as the Foreign Exchange and Foreign Trade Control Law), the Restricted Cargo and Export Management Committee shall ensure, throughout the company, the prevention of illegal export or supply of cargo and technology restricted under such legislation.

#### **(3) Overseas Crisis Management Committee**

In view of the increase in the number of employees assigned overseas and the deterioration in law and order in various countries, Ube Industries shall produce a manual that assesses a variety of risks overseas and categorizes them according to level, in order to create an emergency response system to ensure the safety of employees assigned overseas and their families, employees on business trips and local staff.

#### **(4) Domestic Emergency Manual (E Manual)**

Ube Industries shall prepare a manual that covers the full equipping of an emergency liaison network through to the establishment of a crisis management headquarters to formulate the company's internal and external response to a domestic emergency.

### **4. System to ensure that the duties of directors are executed efficiently**

Ube Industries shall adopt an executive officer system with the aim of separating the governance function and the management function in its management. The company shall establish a system that enables executive officers to concentrate on running business operations in a bid to speed up decision-making. At the same time, the role of the Board of Directors will be clearly positioned as a body that, as the representative of shareholders'

concern for returns, promotes the maximization of shareholder value from a medium to long-term perspective.

The Board of Directors shall seek to increase transparency and maximize shareholder value by monitoring the propriety and efficiency of the running of business operations with a director, who is not concurrently an executive officer, serving as the chairman.

Moreover, although it is not operating as a “company with committees,” Ube Industries shall establish a Nominating Committee and an Evaluation/Compensation Committee as internal committees of its Board of Directors.

Furthermore, the company shall employ external directors in order to ensure transparency and objectivity in management by including the perspective of third parties in its decision-making.

At the same time as constantly studying the optimum form of corporate governance, Ube Industries shall seek to strengthen and speed up the executive function in management as well as further enhancing the strategic decision-making function and corporate governance function.

## **5. System to ensure the propriety of operations in the Ube Group, which is comprised of Ube Industries and group companies**

(1) Operation of “Group Management” and “Company Consolidated Management”

a) Group management

The Group CEO (President), who is entrusted with the execution of the business operations of the Ube Group by the Board of Directors, shall articulate policy on business execution and set the objectives for each company as well as allocating the management resources, including personnel, goods and capital needed to attain those objectives. In addition, the resolution of important issues in the execution of business operations that exceed the authority of a single company shall also fall to the Group CEO.

b) Company management and execution of business operations

Companies shall effectively utilize the management resources allocated, based on a policy aligned with group management, to execute business operations autonomously with the aim of attaining company objectives.

c) Group Staff Department

The Group Staff Department’s role shall be to centralize and efficiently deliver the strategic planning function for group management and company management, assist with financial results management, procure the management resources of personnel, goods and capital, and provide functions that are common to operating departments and highly specialized functions.

(2) The decision-making system

Ube Industries shall possess the following organs related to management decision-making in order to separate the governance function and the management function in its management and to promote transparent and efficient corporate management.

a) Board of Directors

The Board of Directors shall deliberate and make resolutions regarding matters specified by the Company Law, the company's basic policy, and important business execution issues from a medium to long term perspective, as the representative of shareholders' concern for returns.

Moreover, the Nominating Committee and the Evaluation/Compensation Committee shall be made up of some of the members of the Board of Directors, functioning as subcommittees, enabling the Board of Directors to operate in a flexible way.

b) Group Operating Committee

The Group Operating Committee shall deliberate and makes decisions concerning matters for which the allocation and coordination of resources within the entire group is needed and important issues that affect the group overall based on the Group Operating Guidelines and the Group Operating Committee Regulations.

c) Company/Division Operating Committee

The Company/Division Operating Committee shall deliberate and make decisions concerning important issues such as Ube Industries and group company business strategy at the company or department level based on Group Operating Guidelines and Company/Division Operating Committee Regulations.

**6. When the assignment of employees to assist the auditors in their duties is required, the system regarding the relevant employees and matters relating to the independence of those employees from the directors**

Ube Industries shall assign full-time staff as assistants to auditors, who shall draft audit plans that enable audits by auditors to be performed efficiently and smoothly, as well as providing assistance with audits.

Moreover, auditors shall exchange opinions with the representative director and the external directors concerning the enhancement of the staff and ensuring their independence from executive officers.

**7. The system for directors and employers to report to the auditors and the system relating to other reports to the auditors**

When the directors discover something that could inflict serious damage on the company, they shall report it to the auditors immediately.

The auditors shall attend other important meetings of the Board of Directors and give their opinions as well as viewing important approval documents and hearing reports on operations from the directors and others in order to assess the process of decision-making on important issues and the status of business operations.

In addition, the auditors shall meet regularly with the representative director and the external directors to confirm management policy and exchange opinions on important issues.

#### **8. System to ensure that other duties by auditors are conducted effectively**

The auditors shall regularly exchange information with the internal auditing division and auditors at group companies and request a survey by the internal auditing division, where necessary.

Moreover, the auditors shall receive briefings on financial audit plans and results from the independent auditors as well as conducting a regular exchange of information with the independent auditors with the aim of mutual liaison.