

Corporate Governance Reforms

In fiscal 2003, Hitachi Chemical and six group companies shifted their structure to a “company with committee system.” The aim is to establish a healthy and transparent management system that enables the corporation to respond promptly to market changes.

Corporate Governance Structure

The Hitachi Chemical Group believes that one of its most important management tasks is establishing a management structure that is sound, highly transparent and capable of responding swiftly to changes in the market. As part of these efforts, in June 2003, Hitachi Chemical adopted a “Company with Committees System” that separates operational and supervisory functions by transferring substantial decision-making authority regarding business operations from the Board of Directors to Executive Officers for speedy management with clear accountability. In addition, the new system strengthens the supervisory function of the Board of Directors and ensures highly objective and transparent management by establishing a Nominating Committee, an Audit Committee and a Compensation Committee under the Board of Directors, all of which are composed primarily of Outside Directors.

Hitachi Chemical is working to implement unified group management and enhance supervisory functions by dispatching its Outside Directors to the companies in the Hitachi Chemical Group that have adopted the Company with Committees System.

•Board of Directors and Outside Directors

The Board of Directors of Hitachi Chemical, holds regular monthly meetings and extraordinary meetings when necessary. In addition to approving the budget and accounts, the Board of Directors uses the monthly and quarterly performance reports it receives from the Executive Officers to supervise the budget and business results.

In order to further ensure the separation of operational and supervisory functions, Hitachi Chemical avoids the situation where the Chairman of the Board serves concurrently as an Executive Officer, and limits the number of Executive Officers concurrently serving as Directors to a necessary minimum.

Hitachi Chemical has appointed the following individuals as Outside Directors in order to improve the actual supervisory functions of management. All are familiar with the Hitachi Chemical’s management conditions and knowledgeable in relevant fields such as R&D and finance where Hitachi Chemical has important management subjects.

•Audit System

The Audit Committee uses full-time staff independent of the Executive Officers to conduct audits in order to ensure independence. In addition, the Auditing Office conducts internal audits ordered by the Chief Executive Officer, and also works with the Audit Committee when instructed by the Committee.

•Executive Officers’ Meeting

Composed of all Executive Officers, the Executive Officers’ Meeting acts as an advisory body to the Chief Executive Officer in order to facilitate multifaceted studies into and decisions on issues of importance which may affect the management of Hitachi Chemical or the Hitachi Chemical Group. The Executive Officers’ Meeting holds regular meetings twice a month and extraordinary meetings when necessary to accelerate decision-making and business operations.

■Corporate governance structure of Hitachi Chemical Co., Ltd.

