

To all stakeholders:

To be a truly trustworthy company, we are committed to fulfilling our corporate social responsibility.



As corporate activities become more globalized, the range of influence its business exerts on stakeholders is also expanding worldwide. Global warming and other global environmental issues have grown more serious so that harmonious coexistence with the global environment has become a prerequisite for the sustainable development of a company. Meanwhile, corporate scandals have been reported one after another at home and abroad. Thus, we are giving priority to social concern over the importance of corporate social responsibility more than ever before.

Using this occasion of issuing the Sustainability Report 2005, the Hitachi Chemical Group pronounces that it is fully aware of the magnitude of its corporate social responsibility to achieve sustainable development as a global citizen. We are also committed to fulfilling its responsibility fairly for all stakeholders, not siding with any particular stakeholder.

Enhancing CSR Management Structure

The Hitachi Chemical Group has endeavored to well organize the CSR management structure to further enhance CSR (corporate social responsibility) activities. In March 2005, we held an "Across-the-Board CSR Conference," and determined the "CSR Policy" and the CSR activities in fiscal 2005. We will promote and enhance each specific CSR activity of the Group in accordance with the resolution.

In order to enhance corporate governance and compliance, we resolved to adopt the COSO framework to upgrade the level of internal control. We have started internal controls and enhanced the system within Hitachi Chemical and its twelve Group companies. The "CSR Guidebook" was distributed to all Group employees as the guideline for the promotion of CSR activities and as a textbook for CSR education to raise employees' awareness of responsibility.

Responsibility to Stakeholders

The Group challenged the following major activities to fulfill its responsibility to stakeholders in 2004.

Responsibility to Customers, Suppliers, Shareholders and Investors

- Responding to the globalization of business, the Group endeavors to increase the weight of its overseas sales. The local production capability was drastically expanded, especially in the Chinese market with continuing growth, while the overseas sales structure was enhanced by dividing it into three, each focusing on global, China, and Korea.
- As for the procurement, we introduced a supplier management program to promote fair trade. To clarify its human rights protection policy, including the prohibition of child labor and forced labor in the total supply chain, consideration for human rights and labor conditions was added to the Primary Concepts of Purchasing Business. We also provided support for suppliers to acquire environmental ISO and to analyze the chemical substances contained in the products.

Responsibility for the Global Environment

- To promote production designed to reduce environmental impact in the product life cycle, the Committee for Environmental CSR-Compliant Monozukuri was convened and the Environmental CSR-Compliant Monozukuri Standards were added to the Company's regulations. We will control environmental impact in each phase of the product life cycle and promote manufacturing of products with competitive strengths while reducing their environmental impact in the total life cycle.
- Keeping pace with the effectuation of the Kyoto Protocol, we promoted reduction of CO₂ emissions and energy and resource savings, including development, distribution, and waste treatment of products. Toward the realization of a recycling-oriented society, we are also committed to the three Rs (Reduce, Reuse and Recycle) initiative. The number of factories that achieved zero emissions increased from 13 in 2003 to 21 in 2004.
- As a chemical materials manufacturer, handling hazardous chemical substances is one of our highest priority issues. The Group reinforces compliance with global rules and regulations including RoHS Directives and REACH in addition to the domestic ones such as PRTR (Pollutant Release and Transfer Register) Law and VOC control systems. As a result, our atmospheric emissions of chemical substances in 2004 were reduced to 38% compared to 2000. Our target for 2007 is 10% of 2000 or less.

Responsibility to Employees

- To grasp the levels of employee awareness and knowledge as well as the expectation of CSR activities, a survey on employees was conducted. We will launch

systematic CSR education courses from 2005 based on the survey results.

- An occupational safety and health management system was introduced to all offices of Hitachi Chemical and major group companies to maintain and promote the health and safety of employees and the local communities where we operate. In 2005, we will ensure the safety of machinery and equipment in accordance with ISO 12100.

Responsibility for Society

- The Hitachi Chemical Group supports local communities, culture, and sports activities as a member of society. In 2004, we provided emergency assistance for the Niigata Chuetsu Earthquake in October and the Sumatra Earthquake in December of the same year.
- We established Hitachi Chemical-Shanghai Jiao Tong University Research and Development Center at Shanghai Jiao Tong University to promote interactions in the R&D field. In 2004, the Hitachi Chemical Advanced Technology Seminar on the topic of environmentally friendly materials for telecommunications equipment was held at the university.

To Be a Company Truly Trusted by Customers and Society

In 2004, the Company established a new corporate vision, where we declared that the key value we promote and adhere to was trust, while striving to establish a base for CSR activities to further improve the level of the trust.

2005 is the stage where we will bring the policies we have developed up to now into practice and put the Hitachi Chemical Group's CSR activities on the track. Our CSR activities are still in their infancy but we are fully aware that the activity will never come to an end. We are committed to fulfilling our responsibility and playing a responsible role in a sustainable society as a company open to that society through active information disclosure and communication with a variety of stakeholders.

July 2005



Yasuji Nagase
President, Chief Executive Officer and Director

Hitachi Chemical's Standards of Corporate Conduct

Hitachi Chemical is fully aware of its mission and the role it should play, and with the aspiration of sustaining its growth and dynamism as a truly global enterprise, we hereby declare its standards of corporate conduct as follows.

Fundamental Philosophy

The fundamental philosophy of Hitachi Chemical, since we became independent from Hitachi, Ltd. in October 1962 as a separate entity, is to further enhance Hitachi's founding principles of harmony, sincerity, and pioneering spirit.

And we take resolute pride to be "the people" (people of Hitachi Chemical) and contribute to the society in which we are taking part through the development of superior, original technologies and products with untiring and creative efforts.

We fully recognize that a company is a member of a society where it belongs.

We implement our commitment to corporate activities in justice and transparency.

We strive as a responsible corporate citizen toward bringing about a prosperous society.

Action Guidelines

1. The people shall at all times behave with the spirit of working in harmony for a close collaboration within the Hitachi Chemical Group as well as the Hitachi Group, while endeavoring to create mutual understanding and ties of friendship with all nations of the world.
2. The people shall strive to develop advanced, highly reliable technologies and products to meet the requirements of customers with integrity so as to ascertain accurately the changing needs of the global market.
3. With the pioneering spirit, the people shall work to take an initiative role in research and development activities in the world.
4. The people shall act to cultivate their knowledge for capacity building, but at the same time they shall act according to the rule of law and corporate ethics.
5. Employees shall at all times observe a fair and orderly principle of competition.
6. Employees shall give full respect to the value of business and technical information possessed by other companies. And at the same time, they shall be fully conscious of the value of Hitachi Chemical's business and technical information, and shall work carefully towards establishing a strict and vigorous system of information management.
7. The people shall understand that maintaining global peace and security is crucial for improving both credibility of Japanese industries and the nation. Therefore, they shall strive to comply with laws and regulations relating to international trade at the same time.
8. The people in the management positions of Hitachi Chemical shall, in accordance with this standards of conduct, take the initiative and provide appropriate guidance to their staff, thereby to facilitate the conduct of corporate business affairs, and shall also work toward creating a vigorous working environment in which correct workplace discipline is maintained and employee morale is raised.