

Corporate Governance

Introducing “Company with Committees System” to raise the transparency and supervisory function

Hitachi Chemical adopted a “Company with Committee System” in June 2003. This system focuses on enhancing transparency and supervisory functions. We set up three committees, which are nominating, compensation and audits committee, in which the Outside Directors share majority.

The Board of Directors delegated decision-making authorization in business operations to Executive Officers, and the Board strengthens the supervisory functions. This management scheme makes the operation speedy and clarifies where the responsibility lies.

From 2005, Hitachi Chemical promotes restructuring of the group

companies and business. Hitachi Chemical intends to strengthen the group governance system by communicating the management policy across all the organizations in the Group through the restructuring.

Introducing the COSO framework* to strengthen the internal control

Hitachi, Ltd. adopted the COSO framework to fulfill the duty of disclosing the effectiveness of internal controls under the Sarbanes-Oxley Act (SOX) and decided to evaluate and enhance the internal control of the company and its group companies. In line with that decision, Hitachi Chemical and the 12 group companies also promote similar efforts.

In May 2004, the Internal Control Promotion Committee, a cross-

sectional project team for fulfillment of SOX was convened with the Auditing Office working as secretariat. The committee played a central role in documenting the mechanism of internal control within the Company and the 12 group companies and completed the internal control evaluation based on the document.

From 2005, the Company will continue to further enhance the internal control system and expand its application to all consolidated subsidiaries.

* **COSO framework:** The integrated control framework announced by the Committee of Sponsoring Organizations of the Treadway Commission (COSO); currently the de facto standard for evaluating internal control.

