

# CSR Management

## Promoting CSR activities

The Hitachi Chemical Group promotes CSR activities recognizing that they are directly linked to our fundamental philosophy and represent essential issues for corporate management.

We established our CSR Office in 2004 consisting of four groups: Compliance Management, Safety & Environmental Management, Corporate Export Regulation, and Risk Management. Furthermore, the Across-the-Board CSR Conference is responsible for setting guidelines and identifying important issues that pertain to CSR activities for the entire Group, including aspects not covered by the CSR Office, such as information disclosure, quality assurance

and the establishment of an ideal working environment. Thus, under the leadership of the President and Chief Executive Officer, we promote CSR activities from the perspective of total optimization.

Planning, consideration and implementation of concrete activities are handled by the CSR Planning Committee. In addition, various committees have been set up for each category of activities, and each of these committees promotes CSR activities across the entire Group.

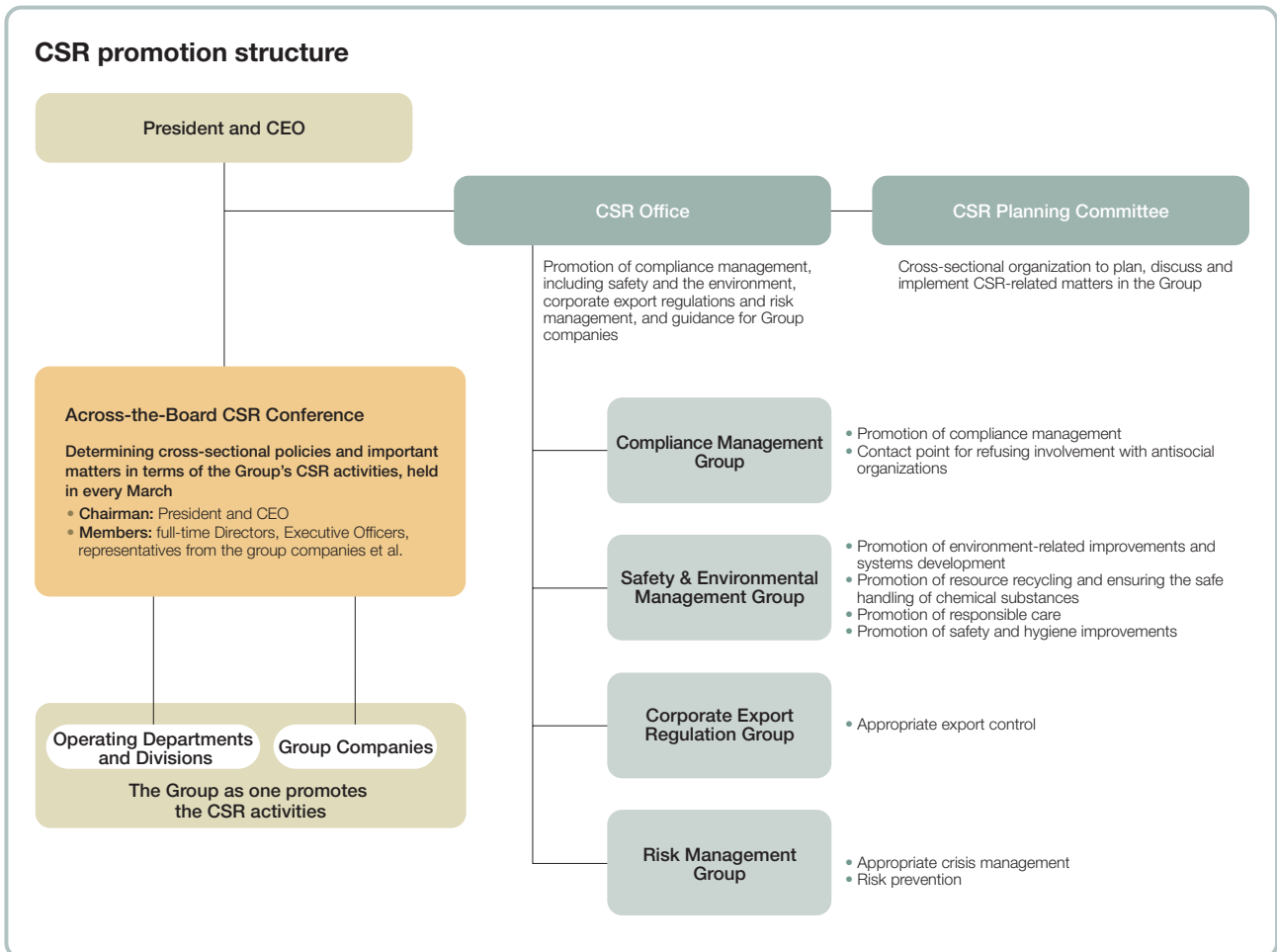
## Enhancing CSR education and training

In 2005, an "Introductory Course on CSR" organized for all domestic employees of the Hitachi Chemical Group

was attended by 1,072 employees from nine Group companies.

The course explained the content of the "Hitachi Chemical Group CSR Guidebook," the basic tool for promoting CSR activities published in April 2005, and provided case studies of potential CSR challenges that encouraged participants to analyze causes and consider countermeasures. While Hitachi Chemical had previously undertaken corporate ethics training, this was the first time we incorporated a case study method, and participants responded positively, saying it helped bring CSR issues closer to heart.

The Hitachi Chemical Group will continue providing CSR education and training to increase awareness among employees.



# CSR Management

## Uncompromising commitment to compliance

### ● Our approach to compliance

Compliance is the minimum responsibility for all members of society and constitutes the core of CSR. The Hitachi Chemical Group broadens the definition of compliance beyond mere adherence to laws and regulations to include corporate ethics and employee conduct based on the moral values and conscience of each individual.

We compiled this approach and specific codes requiring employee attention in the "CSR Guidebook," and expect the cooperation of all employees in demonstrating an uncompromising commitment to compliance.

We have also carried out COSO-based audits.

### ● Hitachi Chemical Group Hotline consultation and whistle-blowing system

The Hitachi Chemical Group established the Hitachi Chemical Group

Hotline as a consultation and whistle-blowing system open to all Group employees who may become victims of actions that violate laws and corporate ethics in the course of their work, or who may obtain knowledge of such acts.

The Compliance Group of the CSR Office is responsible for this system and accepts requests for consultation and information through a special page on the intranet and e-mail as well as both in-house and postal mailing systems. Requests for consultation and information are addressed in a timely and appropriate manner while protecting the anonymity of the reporter.

## Implementing stringent export control

Escalating regional conflicts and expanding terrorism have changed the goal of international export controls from stopping the military buildup of socialist countries to preventing the proliferation of weapons of mass de-

struction and the excessive stockpiling of conventional weapons. As a result, Japan's national security laws and regulations are becoming increasingly diversified and complex. Other Asian countries are also establishing laws and regulations.

In the Hitachi Chemical Group, the Corporate Export Regulation Group of the CSR Office is taking the lead in establishing an export control management system that reaches from sales and R&D to shipping divisions in an effort to comply with these laws and regulations.

The primary export control operations are classifying products and technologies and screening transactions.

Classifying products and technologies requires determining whether a product or technology handled by the Group is listed as regulated cargo or technology requiring export permission under the Foreign Exchange and Foreign Trade Law. Both domestic transactions and direct exports to overseas customers are subject to this scrutiny. For example, a domestic customer seeking to export a product made by the Group to an overseas factory must obtain export permission. Therefore we report to our customers the results of the parameter sheet assessment for export permission.

In transaction screening, we respond to catch-all regulations<sup>\*1</sup> by confirming that products and technologies exported by the Group will not be used to produce weapons of mass destruction.

We also collect the latest information on security issues to enhance our export control operations through collaboration with the government and other members of the Hitachi Group and by participating in the activities of the Center for Information on Security Trade Control.<sup>\*2</sup>

<sup>\*1</sup> **Catch-all regulations:** Regulations requiring export companies to confirm in principle the final application and recipient of all exported products.

<sup>\*2</sup> **Center for Information on Security Trade Control:** Established in April 1989, this is Japan's only comprehensive, privately operated, non-profit institution that deals with export control issues.

## Global development of CSR activities

The Hitachi Chemical Group maintains locations in about ten countries and regions across the world and promotes the globalization of its business.

In this context, overseas sales represented more than 30% of total consolidated sales in 2005, thereby increasing the impact of activities undertaken by the Group on the international community and the global environment.

Therefore, between January and March 2006, we distributed foreign-language versions (English, Chinese and Korean) of the "CSR Guidebook" to all employees at all our overseas Group companies.

We consider the Guidebook as a basic tool for promoting CSR activities such as compliance as well as for education

and training, and we are encouraging our overseas Group companies to utilize the Guidebook in the workplace to raise employee awareness of CSR. As in Japan, we request employees to sign a note confirming they have read and agreed to comply with Guidebook content.

The Hitachi Chemical Group will seize the opportunity presented by the publication of the foreign-language editions to reinforce our efforts to develop CSR activities on a global scale.



## Promotion of risk management

### ● Company self-preservation and respect for human life

A variety of risks may hinder business activity, including accidents and catastrophes at our sites, natural disasters, such as typhoons and earthquakes, international criminal acts and terrorism, and epidemics in Japan and abroad.

In 1995 Hitachi Chemical established the “Guidelines for Implementing Measures to Counter Risk at Hitachi Chemical” based on the basic principles of company self-preservation and respect for human life. The company endeavors to remove risks in Japan and abroad and to respond appropriately in the event an emergency occurs.

The Risk Management Group of the CSR Office plays the central role in dealing with risks. The group works in collaboration with relevant divisions within the company as well as with Hitachi, Ltd. to develop preventive and emergency response systems and formulates measures to prevent recurrence. The group also collects and analyzes security information for countries and regions issued by the Ministry of Foreign Affairs and Hitachi, Ltd. and provides this information to the persons in charge of risk management at each location and Group company, as well as to all Group employees through the intranet.

### ● Measures against crises

Should a crisis occur, the division head or person in charge of risk management will identify the scope and impact of the crisis, and determine in close collaboration with the Risk Management Group of the CSR Office whether the impact of the crisis can be contained within the affected business location.

If it is decided that the site or division can manage the crisis, countermeasures will be implemented in accordance with the specific manual maintained at the affected site.

If the crisis cannot be contained, an Emergency Response Task Force headed by the Executive Officer in charge of risk management and comprising responsible staff from each affected location will be set up at the Head Office. The task force works to quickly and effectively limit the crisis and return the situation to normal with the support of corporate lawyers and other outside experts as necessary.

## Information security

### ● Information asset management

Potential leakage of information caused by computer viruses or inappropriate handling of information devices has become a major social concern. Consequently, effective management of the various information

assets stored within the company, including a large volume of confidential information, is a vital issue from the viewpoint of preventing business losses and preserving the trust of society.

We developed the “Basic Policy for Information Security” in 2004 to clarify compliance requirements governing employee handling of Group information assets. The Basic Policy also established a secure working environment for employees.

### ● Information management system

Based on the “Basic Policy for Information Security,” Hitachi Chemical established an Information Security Committee that reports directly to the President and Chief Executive Officer and serves as a supervisory organ in determining information security policies as well as planning and implementing related measures. We have therefore established a system for quickly and appropriately responding to changes in the situation involving information security, including the consideration of technological solutions. The Committee is also responsible for educating corporate network users on the “Network Manual” that provides guidelines for network use. Users are required to sign a written pledge to secure information security.

For each site, we have also assigned an Information Asset Manager who is responsible for protecting information assets and an Information System Administrator who is responsible for maintaining information systems and facilities under the Person Responsible for Information Security.

### ● Protecting personal information

The Hitachi Chemical Group established the Personal Information Protection Committee in 2004 to ensure compliance with the Personal Information Protection Act and laid out rules to protect the personal information of customers and employees.

We have also assigned a Person Responsible for Personal Information Protection and a Personal Information Manager at each site to protect personal information and establish a management system, along with a section to interface with outside queries.

