

Responsibility to Customers and Suppliers

Pursuing Customer Satisfaction and Forging Good Business Relationships with Partners

Promoting our unique business model, Material System Solution

Over the years, the Hitachi Chemical Group has cultivated a broad foundation of material, process and evaluation technologies. We have integrated our technology and expertise from wide-ranging business fields into the Material System Solution, a unique business model for helping to solve customer problems.

We contribute to enhancing customer product performance and accelerating their development efforts as well as reducing costs not only by reaching beyond simply supplying ready-made products, but also providing the best possible combination of products with our own evaluation data, and going so far as to recommend product applications in cooperation with equipment manufacturers.

Ensuring and enhancing quality

The Hitachi Chemical Group defined its "Quality Assurance Principle" in 1988 based on the Hitachi Group's traditional concept of "Ochibo Seishin (the spirit of gleaming)."^{*1} As the cornerstone of our quality assurance efforts, this principle states that customer trust and product safety are achieved by constantly improving quality throughout the entire process, from the R&D stage of prototype development to evaluation, verification, and management of mass production.

We hold ISO 9001 certification for our major production sites to guarantee quality by complying with applicable quality control standards, and we strive to further ensure and enhance product quality by researching and understanding customer needs.

We established our Environmental CSR-compliant Monozukuri^{*2} Standards in March 2005 to promote quality

assurance in anticipation of the RoHS Directive, which became effective July 2006, and to meet customer requirements. As part of these efforts, we installed a fluorescent X-ray analyzer to confirm that our products contained no more than the allowable levels of the six substances designated by the RoHS Directive.

^{*1} **Ochibo Seishin:** Hitachi Group's tradition of acting on the basis of conscience and humanity. Our efforts to eliminate product defects and accidents are based on this spirit.

^{*2} **Monozukuri:** Literally means "manufacturing." In this context, it means the entire process of creating value in products and services we produce.



Analysis using fluorescent X-ray analyzer

Voices

Establishing a production system that accurately meets customer needs



Jun Kodera
Technology Innovation
Management Division

Along with intensifying competition and the advance of globalization, customers are demanding increasingly sophisticated and diversified product specifications and services. For example, we are being asked to change lot size and shorten delivery periods at short notice. This trend is expected to accelerate.

To respond to such customer needs, the Technology Innovation Management Division along with the manufacturing, production control and quality assurance divisions is taking the initiative to

promote "HC-Dream," a company-wide effort to reform the flow of materials and information.

Hitachi Chemical purchases chemical substances from suppliers as raw materials and produces diverse products through a variety of processes. Our HC-Dream effort is intended to realize process improvements toward the goal of basing manufacturing on a steady, uninterrupted flow of materials and information and readiness to meet customer demands, as well as by targeting shorter lead times and reducing inventory at the production site.

Specifically, we review the entire production process by analyzing the flow of materials and information and discuss problems and challenges we may

have previously overlooked. Each division conducts daily operations in the context of concrete goals, such as meeting the challenge of requirement-based, just-in-time production and practicing visualization of weak points in production processes. These activities are revitalized through top-level analysis by division heads and the regular guidance and advice received during the president's biannual inspection.

We will pursue HC-Dream to promptly provide customers with products featuring stable quality and reduced environmental load, delivered at the right time and in the correct quantities, to establish an optimal production system that accurately meets customer needs.

HC-Dream Objectives

HC : through an effort by the entire Hitachi Chemical Group seeking to cut costs and time in half

D : Drastic change

r : rapid products and information stream

e : excellent technology and human resources

a : aggressive actions and proposals

m : marvelous manufacturing

Information disclosure by MSDS, etc.

The Hitachi Chemical Group issues Material Safety Data Sheets (MSDS) to provide customers and suppliers with information for safely handling our chemical products. In view of recent regulations, we also quickly respond to customer requests for certificates that verify that toxic chemical substances are not present and have not been used.

Prevention of product-related accidents

Hitachi Chemical established a system in 1966 based on our "Product-related Accident Control Regulations" for eliminating accidents caused by delivered products and for promptly taking action should an accident occur.

Specifically, each sales office and division is assigned personnel in charge of product-related accidents and we hold quality review meetings during the year. Reviews are conducted six months after the occurrence of an accident to ascertain if customer satisfaction has been regained and to confirm that preventive measures and quality improvement efforts have been implemented. Particularly for PS accidents,* we rigorously confirm that appropriate action has been taken.

* PS accidents: product safety accidents; also includes accidents that result in damage to customer assets and the environment.

Promoting small-group activities

The Hitachi Chemical Group promotes small-group activities to provide customers with better products. Teams of eight to ten members at each workplace work out and apply solutions for improving production methods at the manufacturing site, thereby contributing to enhancing quality and reducing production costs. Starting in 2006, we will incorporate the environment, health and safety considerations as part of our

corporate social responsibility to further strengthen site-based solutions based on a more flexible approach than in the past.

Forging a good partnership with suppliers

● Procurement based on purchasing policy

Hitachi Chemical's Purchasing Department is linked with the Head Office and other offices by a purchasing management system that centralizes the purchase of major and strategic materials. The division also conducts joint purchasing and consigned procurement through collaboration and the exchange of information with Hitachi Chemical Group companies. We undertake best-location purchasing from a global perspective through our international purchasing bases in Singapore, Malaysia, Hong Kong and Taiwan.

The Material Procurement Plaza on the Company's website provides information on domestic and overseas procurement bases and includes a procurement list as a means of soliciting product proposals from suppliers. After receiving proposals, we investigate quality, specifications, safety, price, delivery and stability of supply as well as the supplier's technological and quality control levels and corporate data, including management policies and financial condition, credibility and business prospects. We also evaluate products before making a decision to purchase.

In our purchasing activities we follow the Primary Concepts of Purchasing Business based on the Hitachi Chemical's Standards of Corporate Conduct (see p. 4) in an effort to forge good relationships with suppliers through fair and transparent procedures and to procure environmentally sound materials. We also pay due consideration to human rights, including the elimination of child labor and forced labor throughout the

supply chain.

Our Primary Concepts of Purchasing Business are posted on our website.

URL <http://www.hitachi-chem.co.jp/english/purchase/policy.html>

● Reinforcing our partnership with suppliers

The Hitachi Chemical Group seeks to maintain and develop close relations with suppliers through presentation meetings, questionnaires and disclosing information via the website.

In 2005, we held a presentation session to introduce the Web-EDI/BB system, an Internet-based electronic ordering system. To further improve our operations we also asked suppliers to complete questionnaires seeking their honest opinions on the Materials Division.

In May 2005, a supplier appreciation ceremony was held at the Yuki Works of Hitachi Housetec Co., Ltd. This marked the ninth annual ceremony for acknowledging suppliers who helped us cut costs and enhance quality.

We will strive to continue these efforts to further strengthen our good relationship with suppliers.

Enhancing support and services for housing equipment and environmental facilities (Hitachi Housetec Co., Ltd.)

Hitachi Housetec Co., Ltd. operates within a well-established support and service system based on the concept of doing our best to ensure consistent product performance and a pleasant experience for our customers. Customer opinions are reflected in management deliberations and through various corporate activities.

In April 2006, we launched a year-round repair system at seven customer centers and 55 service companies at 83 locations nationwide to respond to growing customer demand for repairs on the weekends.