

To All Stakeholders

Returning to the Basics to Become a Corporation Trusted by All Stakeholders

Having recently succeeded President Nagase to serve as President, Chief Executive Officer and Director, I extend my greetings to all our stakeholders.

Hitachi Chemical's violations of the Antimonopoly Act

Hitachi Chemical Co., Ltd. was in violation of the Antimonopoly Act by engaging in price-fixing with competing companies in its sale of cross-linked, foamed polyethylene sheets, and on March 30, 2009, the Company received a cease-and-desist order from the Japan Fair Trade Commission and was required to pay a surcharge. I offer my sincere apologies for having caused such concern and inconvenience to our stakeholders as a result of this incident.

Hitachi Chemical recognizes that at all times, the key value we heed and promote is "trust." We can only fulfill our corporate responsibility by consistently maintaining the trust of our customers and of society, and we have accordingly provided daily guidance and training to ensure that each and every one of our employees maintains the highest standards of ethics and business integrity. We profoundly regret that this latest incident has revealed our efforts to thoroughly establish this point have been insufficient.

We have taken strict disciplinary action against the related employees, and the Executive Officers who were involved in the operations of the product in question and responsible for compliance at the time of the violation have returned part of their compensation to the Company. Furthermore, to prevent a recurrence, I have issued a President's Notice urging thorough adherence to the highest standards of ethics and business integrity, and as a general rule, sales personnel will be prohibited from attending meetings held by industry associations, which had been the root cause of the incident. In the future, we intend to revamp our compliance training efforts and implement measures such as reinforcing our operational audit system.

We have provided a detailed account of the chronology of the incident, our response as a company and plans for preventing a recurrence on pages 14 and 15 of this report. We ask our stakeholders to read these pages and understand the efforts being made to reconstruct our system of compliance.

Dramatic changes in the global economy signal the start of an era of uncertainty

The effects of the financial crisis caused by the subprime loan problem in the United States have affected the real economy, resulting in the harsh business environment of a worldwide recession. In this environment, the Hitachi Chemical Group has seen considerable declines in sales and profit despite our various efforts. Looking ahead, the influence of the BRICs countries on the global economy will steadily increase and global competition will intensify even further, bringing us to an era of great uncertainty where conventional ideas will no longer apply.

To swiftly respond to such an environment and meet the expectations of our stakeholders, we will take the following actions by seizing opportunities for expanding our business during the growth phase.



Kazuyuki Tanaka

Kazuyuki Tanaka
President,
Chief Executive Officer and Director

Corporate Vision

Our vision is to contribute to society through the development of superior technologies and products.

By combining and adapting our wide-ranging advanced material and processing technologies, Hitachi Chemical aims to provide superior technologies, products and services that contribute to the betterment of human life and society.

Our mission is to create new and innovative “Value” as a frontrunner.

With a pioneering spirit to explore uncharted areas, we develop innovative product solutions in a timely manner that provide optimum value for our customers and society.

At all times, the key value we heed and promote is “Trust.”

In keeping with the trust our customers and society have placed in us, we pledge to fulfill our duties and responsibilities as a corporation. With this in mind, each and every one of us works to conserve the environment, maintain the highest standards of ethics and business integrity, and seek true customer satisfaction.

Returning to the basics to create new technologies and products with less environmental impact

Our vision is to contribute to society through the development of superior technologies and products. As a manufacturer of materials and parts materials centered on functional chemistry, we will develop and supply products that satisfy our customers and we will return part of the profit earned from these activities to our stakeholders. This is the foundation of our business and the starting point of our corporate social responsibility (CSR).

Based on this principle, Hitachi Chemical has achieved growth by accurately grasping market needs through dialogue with customers and by developing technologies and products that meet these needs. Precisely because we find ourselves today in an uncertain period of transition, we will return to the basics by earnestly listening to our customers and by seeking deeper communication. Through these efforts we intend to contribute to the creation of a society that is vibrant with energy by developing advanced basic technologies and highly functional products that exert less environmental impact and meet the needs of the next generation.

Revitalizing our organization and promoting activities that encourage diversity

Maintaining corporate growth in a society undergoing pervasive globalization and diversifying lifestyles requires a highly flexible and versatile organization that quickly responds to change. We believe this in turn requires respect for the individuality of every employee and a means for each individual to fully demonstrate their diverse capabilities. To this end, we are actively pursuing activities that encourage diversity.

We will establish a system for nurturing talented personnel with excellent abilities, regardless of nationality or gender, and support them in pursuing their careers by assigning the right personnel to the right positions. We are also moving decisively to simplify our organization in order to accelerate the creation of new products and businesses based on the dynamic power of teamwork.

Meanwhile, from a broader perspective we are concerned about children losing interest in chemistry. This is a worrying trend for the future of Japan as a nation that has achieved economic growth through manufacturing.

Hitachi Chemical is cooperating with the “I-love-Chemistry Club” (“Kagaku Daisuki Club” in Japanese), operated by The Chemical Society of Japan, and conducts chemical experiments and classes by promoting the participation of employees with a knowledge and understanding of chemistry as instructors for the children. In this way, we will continue to strive to offer events that cultivate children’s curiosity about chemistry and their spirit of scientific inquisitiveness.

Systematically and consistently supporting environmental conservation

Accurately understanding the risks associated with chemical substances is our most important concern for conserving the global environment. We are currently developing a system for managing information throughout the entire supply chain, toward registering and controlling all chemical substances in response to the European Union's REACH and other regulations. The system is scheduled to become operational during fiscal 2009.

We also intend to take a more active role in the ongoing worldwide effort against global warming. In concrete terms, we launched a full-scale effort from fiscal 2008 to plan and formulate a post-Kyoto Protocol Carbon Management Strategy centered on a fundamental review of our manufacturing processes and an innovative transformation of our products. Starting in fiscal 2009, we will prepare to introduce a program for changing our corporate mindset so that every operating department will recognize that CO₂ emissions equal cost. We plan to implement the program starting in fiscal 2010.

In addition, we will actively work group-wide to limit the use and emission of chemical substances and use energy more efficiently.

Apart from these initiatives, we are also a member of the World Business Council for Sustainable Development (WBCSD) and play an active role as the only Japanese corporation in the core team of the Ecosystems Focus Area, which is one of the four top priority areas for the WBCSD. We are also working together with the WBCSD secretariat in planning, formulating and implementing measures for providing information on the importance of biodiversity and ecosystems.

Becoming a corporate group trusted by all stakeholders

As I mentioned at the very beginning of this message, fiscal 2009 began amid a harsh environment in terms of both our operations and CSR activities. Viewing this coming year as the opportunity for a fresh new start, the Hitachi Chemical Group will work harder to promote CSR activities and reinforce its group-wide compliance system while also taking bold steps to develop new technologies and products that are ahead of the times in both functionality and environmental performance. In this way, we intend to regain our position as a corporate group that is trusted by all stakeholders.

In this report, we review the principles of the Hitachi Chemical Group and representative efforts, mainly undertaken during fiscal 2008. As always, we deeply appreciate your honest opinions about our CSR activities.

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