

Allegations and Orders Issued by the Fair Trade Commission

On July 24, 2008, Hitachi Chemical Co., Ltd. was subjected to an onsite inspection by the Japan Fair Trade Commission due to an alleged violation of the Antimonopoly Act (price-fixing) regarding the sale of cross-linked foamed polyethylene sheets. As a result of the inspection and subsequent investigation, Hitachi Chemical was found to have agreed with four other companies to raise the price of the above-mentioned product in violation of the Antimonopoly Act. The Company received a cease-and-desist order on March 30, 2009 from the Japan Fair Trade Commission subjecting the Company to a surcharge.

• Content of the Cease-and-Desist Order

- (1) Hitachi Chemical shall convene its Board of Directors to confirm the price-fixing agreement for cross-linked foamed polyethylene sheets is null and void and to adopt a resolution that the future prices of said product will be determined independently.
- (2) Hitachi Chemical shall provide notification of the content of the resolution mentioned in item (1) as adopted by the Board of Directors to companies included in the price-fixing agreement, associated sales companies and consumers of cross-linked foamed polyethylene sheets, and Company employees.
- (3) Companies involved in the cartel must never again enter into agreements on the price of cross-linked foamed polyethylene sheets with each other or with any other companies.
- (4) Hitachi Chemical shall fully inform its employees of the guidelines for action regarding compliance with the Antimonopoly Act in sales activities for its products.
- (5) Hitachi Chemical shall provide ongoing training for related sales personnel regarding compliance with the Antimonopoly Act in the sale of cross-linked foamed polyethylene sheets, and have its legal compliance officer conduct regular audits.

• Amount of the Surcharge

165.37 million yen

Hitachi Chemical's Measures to Prevent a Recurrence

Hitachi Chemical has been implementing ongoing continuous efforts to comply with laws and regulations as well as corporate ethics. However, we have taken the incident seriously and implemented the following measures to prevent any recurrence.

- (1) Issued a President's Notice urging absolute adherence to the highest standards of ethics and business integrity, and as a general rule prohibited sales personnel from attending meetings held by industry associations.
- (2) Executive Officers were dispatched to each business site and Group company to provide employees with instructions for ensuring thorough compliance with the Antimonopoly Act.
- (3) Conducted educational sessions on compliance with the Antimonopoly Act led by lawyers, Executive Officers and legal compliance officers at each business site and Group company, primarily targeting employees in the marketing, sales, and business sector divisions.
- (4) Introduced a Compliance Information Record Notebook and required employees in the marketing, sales, business sector and technology divisions to record the content of conversations whenever they are approached by competing companies with the slightest suggestion that could be in violation of the Antimonopoly Act. Employees were also required to obtain permission from their supervisors whenever they cannot avoid attending industry association meetings and record the facts in the notebook. These records will be subject to regular auditing.
- (5) Reviewed in-house procedures concerning price increases and shifted the decision-making authority from the manager of the planning department to the division manager. Regular audits shall also be conducted to ensure that procedures are being sufficiently followed.

(6) Revised the Hitachi Chemical Antimonopoly Act Handbook (added a report on the latest incident and remarks accompanying regulatory revisions) and informed employees of the revisions in the handbook. Seminars on the Antimonopoly Act will be conducted at least once a year for marketing, sales and business planning personnel who handle cross-linked foamed polyethylene sheets; training on the Antimonopoly Act will be provided as part of the curriculum for first- to third-year employees and for legal practice training primarily for fifth- to seventh-year sales staff. The revised Handbook will be used as the textbook in these training sessions.

● **Status Report on Preventive Measures**

1. Training on Compliance with Antimonopoly Act (Conducted from October to December, 2008)

Hitachi Chemical's 12 business sites, 1,140 participants
 15 Hitachi Chemical Group companies, 910 participants

2. Implementation of the Compliance Information Record Notebook

Began implementation by distributing approximately 830 notebooks to sales, business planning and technology personnel at Hitachi Chemical Co., Ltd. starting in October 2008.

Conducted first audit in April 2009.

Content of Records

- (1) Decision on attendance at industry meetings
- (2) Approaches adopted by other companies that may violate the Antimonopoly Act and Hitachi Chemical's response

Hitachi Chemical gravely accepted a cease-and-desist order from the Japan Fair Trade Commission requiring payment of a surcharge. We therefore intend to strengthen our compliance system and conduct thorough training on legal compliance to prevent a recurrence of such an incident and thereby regain the public trust.



Antimonopoly Act Handbook



Compliance Information Record Notebook