

Hitachi Chemical

Working On Wonders

Management in Issues for the Second Half of Fiscal 2011

—Results Briefing for First Half of Fiscal 2011—
(April 1, 2011 through September 30, 2011)

Oct. 26, 2011

 **Hitachi Chemical Co., Ltd.**

Contents

1. FY2011 / 1H Business Results

2. FY2011 Forecasts and Key Tasks

FY2011/1H Business Results

Business Results

(Billion yen)

Item	FY10/1H Results	FY10/2H Results	FY11/1H Forecasts	FY11 / 1H Actual	FY11/1H vs. FY10/1H	FY11/1H Actual vs. FY11/1H Forecasts
Net Sales	252.5	245.0	246.0	240.4	-5%	-2%
Operating Income	25.0	18.5	16.0	15.8	-37%	-1%
Ordinary Income	25.6	19.5	16.0	15.9	-38%	-1%
Net Income	15.4	3.5	9.0	8.3	-46%	-8%
Cash Dividends per Share (yen)	18.0 (Regular)	18.0 (Regular)	18.0 (Regular)	18.0 (Regular)		

- Regardless of sluggish conditions in the markets for semiconductors and LCD TVs, net sales and operating income were in line with forecasts due to increased sales of new products and products targeting new fields.
- Net income fell below projections due to the extraordinary loss recorded in association with the relocation of facilities from the Namie area.

Results by Segment

(Percentages for net sales and operating income are comparisons with the same period of the previous fiscal year)

Functional Materials Segment

(Net sales -2%, Operating income -28%)

- Sales of products for the back-end processes, such as epoxy molding compounds, etc., were down due to sluggish conditions in the semiconductor market. Sales of CMP slurry grew.
- Sales of carbon anode materials for lithium ion batteries grew due to the growing demand for their use in automobiles.
- Sales of anisotropic conductive films were down due to reduced demand for LCD TVs.
- Operating income decreased due to the effects of sluggish conditions in the semiconductor market, rising material prices, and the strong yen.

Results by Segment

(Percentages for net sales and operating income are comparisons with the same period of the previous fiscal year)

Advanced Components and Systems Segment

(Net sales -7%, Operating income -61%)

- Sales of automotive products, such as interior and exterior plastic molded products and friction materials, etc., declined due to the effects of the Great East Japan Earthquake.
- Sales of printed wiring boards decreased due to lower demand for products for mobile phones and automobiles.
- Operating income was down due to poor conditions in the automotive market following the Great East Japan Earthquake and the effect of the strong yen.

Status of Products Manufactured in Namie Area

Disk Brake Pads (Namie Japan Brake Co., Ltd.)

- **New domestic production base commenced operations in August 2011 ahead of schedule**
(Located in Hitachi Chemical's Shimodate Works)
 - Mass production will begin in December 2011, and cover domestic sales volume
- **Production of products for export is shifting from the Namie area to overseas bases**

Increasing production capacity of overseas bases, and will target 1.5 times pre-earthquake production capacity in fiscal 2015

Carbon Brushes (Namie Hitachi Chemical Co., Ltd.)

- **New domestic production base commenced operations in August 2011**
(Located in Hitachi Chemical's Yamazaki Works and Hitachi Powdered Metals' Katori Factory)
 - Mass production to begin sequentially starting in September 2011

Will target pre-earthquake level net sales in fiscal 2015 by reestablishing our competitiveness

Carbon Anode Materials for Lithium Ion Batteries

- **New production base to be constructed in Yantai, China**

(Operations scheduled to commence in March 2012)

Current production bases: Hitachi Chemical's Yamazaki Works (Sakuragawa, Katsuta)
Hitachi Powdered Metals' Katori Factory

→ Respond to trend of lithium ion battery manufacturers relocating production bases to China and capture this demand

Anisotropic Conductive Film "ANISOLM"

- **Establish new production base at Chinese subsidiary Hitachi Chemical (Nantong) Company, Ltd., and transfer a part of production to new base**

(Operations scheduled to commence in April 2013)

Current production base: Hitachi Chemical's Shimodate Works (Goshomiya, Minamiyuki)

→ Address demand at world's largest FPD supply base

Strengthen competitiveness and diversify production bases

■ Sales Expansion of Optically Clear Adhesive Film “FINESET”

→ Sales increased due to adoption for use in touch panels of tablet PCs and smartphones. Aiming to achieve sales target for fiscal 2012 of ¥12.0 billion per year ahead of schedule.

■ Expanded Usage of Carbon Anode Materials for Lithium Ion Batteries for Automobiles

→ Second production line began mass production in June 2011. Third and fourth lines to be constructed (Operations scheduled to commence in September 2012).

■ Development of Transparent Conductive Transfer Film “PHOTOCAST”

→ Shipping samples for use in touch panels of tablet PCs and smartphones.

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FY2011 Forecasts

(1) Forecasts

(Billion yen)

Item	FY11/1H Results	FY11/2H Forecasts	FY11/2H vs. FY11/1H	FY11 Forecasts (as of July)	FY11 Forecasts (revised)	FY11 Forecasts vs. FY10 Results
Net Sales	240.4	249.6	+4%	510.0	490.0	-1%
Operating Income	15.8	16.2	+3%	40.0	32.0	-26%
Ordinary Income	15.9	16.1	+1%	39.5	32.0	-29%
Net Income	8.3	8.7	+5%	23.0	17.0	-10%
Cash Dividends per Share (yen)	18.0 (Regular)	18.0 (Regular)		36.0 (Regular)	36.0 (Regular)	

(2)Background

FY11/1H

- Companies' production activities recover from effects of the Great East Japan Earthquake
- Electronics market separation into growing fields (smartphones, tablet PCs) and sluggish fields (TVs, PCs)
- Yen appreciation, rising material prices

FY11/2H

- Poor economic conditions in Europe and the United States, decelerated economic growth in emerging countries (concern for impacts of Thailand floods)
- Growing uncertainty for future of electronics market
- Persistence of yen appreciation

**Quickly develop products for growing fields,
reorganize existing businesses,
and further accelerate global expansion**

Strengthen existing businesses

Enhance sales systems for growing fields

<Copper-Clad Laminates for Printed Wiring Boards>

- Entered into strategic collaboration agreement with Rogers Corporation (US) (September 2011)
- Enhance ability to respond to customer needs for and expand sales for high-speed digital applications (high speed servers, telecommunication devices, etc.) in the global market

Establish presence in middle-range product market

<Copper-Clad Laminates for Printed Wiring Boards>

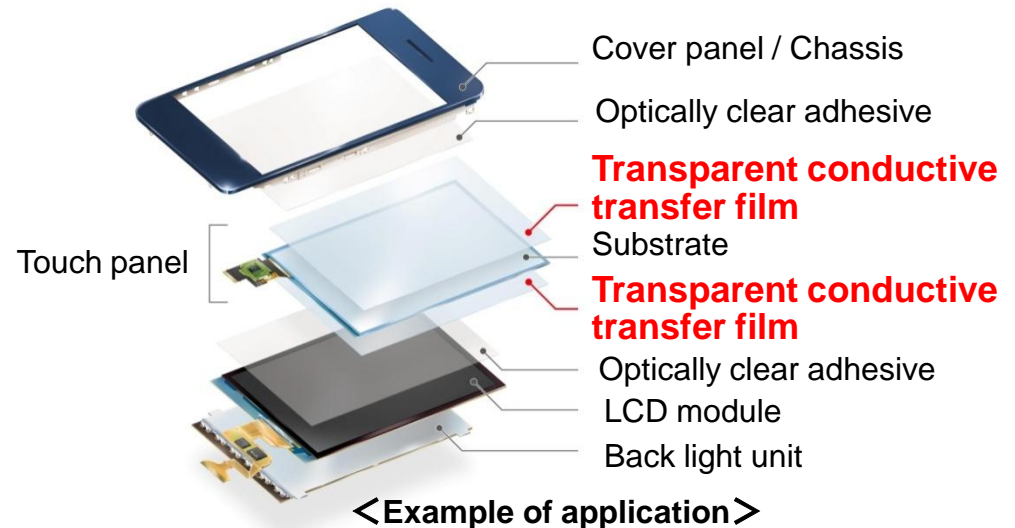
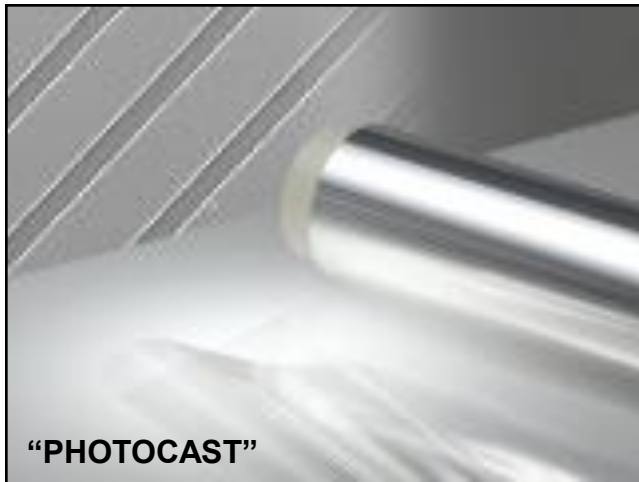
- Acquire stock of Mica-AVA located in Guangzhou, China and Hong Kong (75%)
Concluded share purchase agreement (June 2011), and will acquire stock (Scheduled for November 2011)
- Increase sales in Chinese market centered on servers and automobiles

**Expand scale of existing businesses
by reinforcing high-end and middle-range product lineups**

Develop New Businesses and New Products -Touch Panel Field-

■ Transparent Conductive Transfer Film “PHOTOCAST”

- Contribute to development of lighter and thinner touch panels
Adapt the usage of polycarbonate or PET film in place of glass substrate
- Contribute to reduction in the number of fabrication processes for customers
as a transparent conductive film that can replace ITO

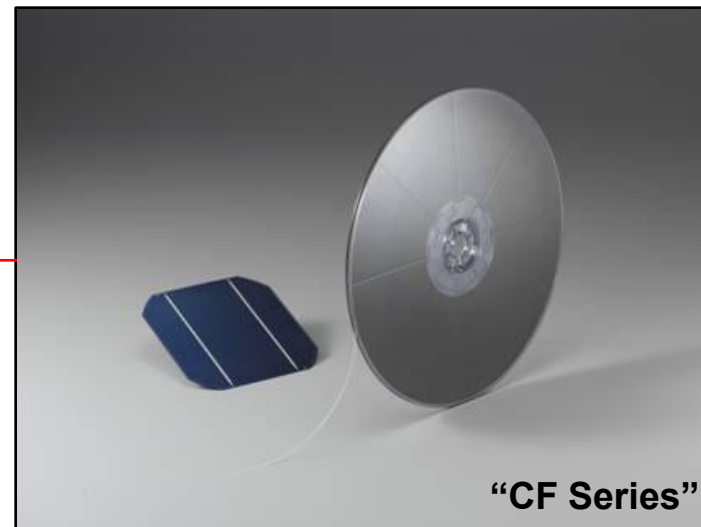
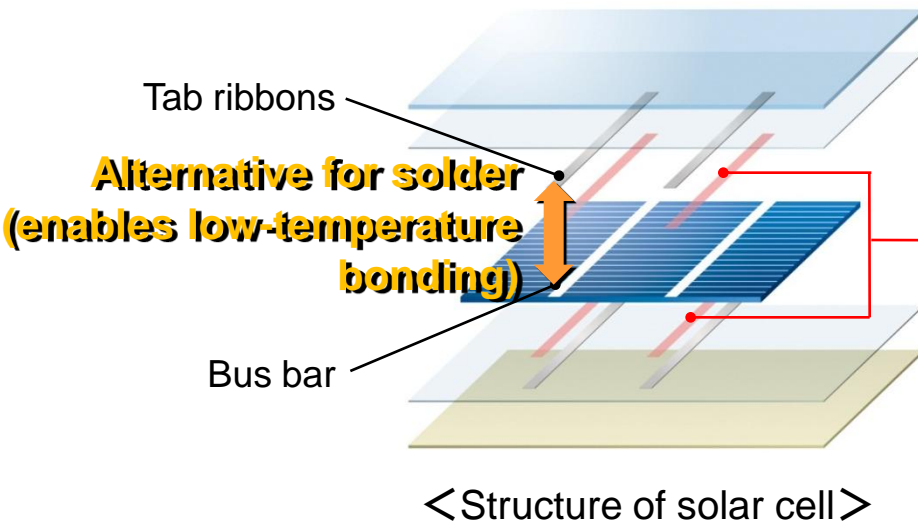


Address demand for touch panels for tablet PCs and smartphones. Moreover, plan to expand its application to new area, such as organic ELs, e-papers, and solar cells field. Target net sales of ¥3.0 billion in fiscal year 2013

Develop New Businesses and New Products -Solar Cell Field-

Conductive Film “CF Series”

New production line to be constructed at Chinese subsidiary Hitachi Chemical (Nantong) Company, Ltd. through investment of approximately ¥2.0 billion
(Operations scheduled to commence in April 2013)



**Address demand in world’s largest solar cell-supplying region.
Target net sales of ¥10.0 billion in fiscal year 2015**

Develop New Businesses and New Products -Rechargeable Devices Field-

■ Long Life Lead Batteries for Power Storage “LL Series” (Shin-Kobe Electric Machinery Co., Ltd.)

Effective in stabilizing power supplied through wind power generation and in energy conservation systems

Long life

Enables power supply to be adjusted based on wind circumstances and realizes longevity in storage batteries that generally deteriorate after consecutive charges and discharges

Fast responsiveness

Stabilizes supply of wind-generated power, which fluctuates according to the weather, through ultra-fast responses



Energy conservation systems
(Nabari Works, Shin-Kobe Electric Machinery)



Electricity storage facilities for wind power generation
(Ichiura Wind Power Generation Plant)

Develop applications centered on wind power generation and energy conservation systems. Target net sales of these systems combined with sales of new high-capacity capacitors of ¥4.1 billion in fiscal year 2011

Develop New Businesses and New Products -LED Field-

■ LED mounted substrate material

<High thermal conductive metal substrate material HISET "HT-5100M">

■ Applications: Automobile headlights, etc.

→ Significantly reduces the heat generated by LED packages through the highest levels of thermal conductivity in the industry

<Low thermal resistance metal substrate material HISET "HT-9000IMA">

■ Applications: Backlights in LCD displays for TVs, etc.

→ Thin film resin technologies with high heat resistance and electricity-insulating properties contributes to the development of thinner displays

<Thermal resistance thin flexible substrate material with adhesive sheet HISET "HT-9000ITM">

■ Applications: Electric signs, automobile lights

→ Combination of a thin flexible substrate with an adhesive contributes to a wide range of design applications and improved productivity for customers

■ LED Package Materials

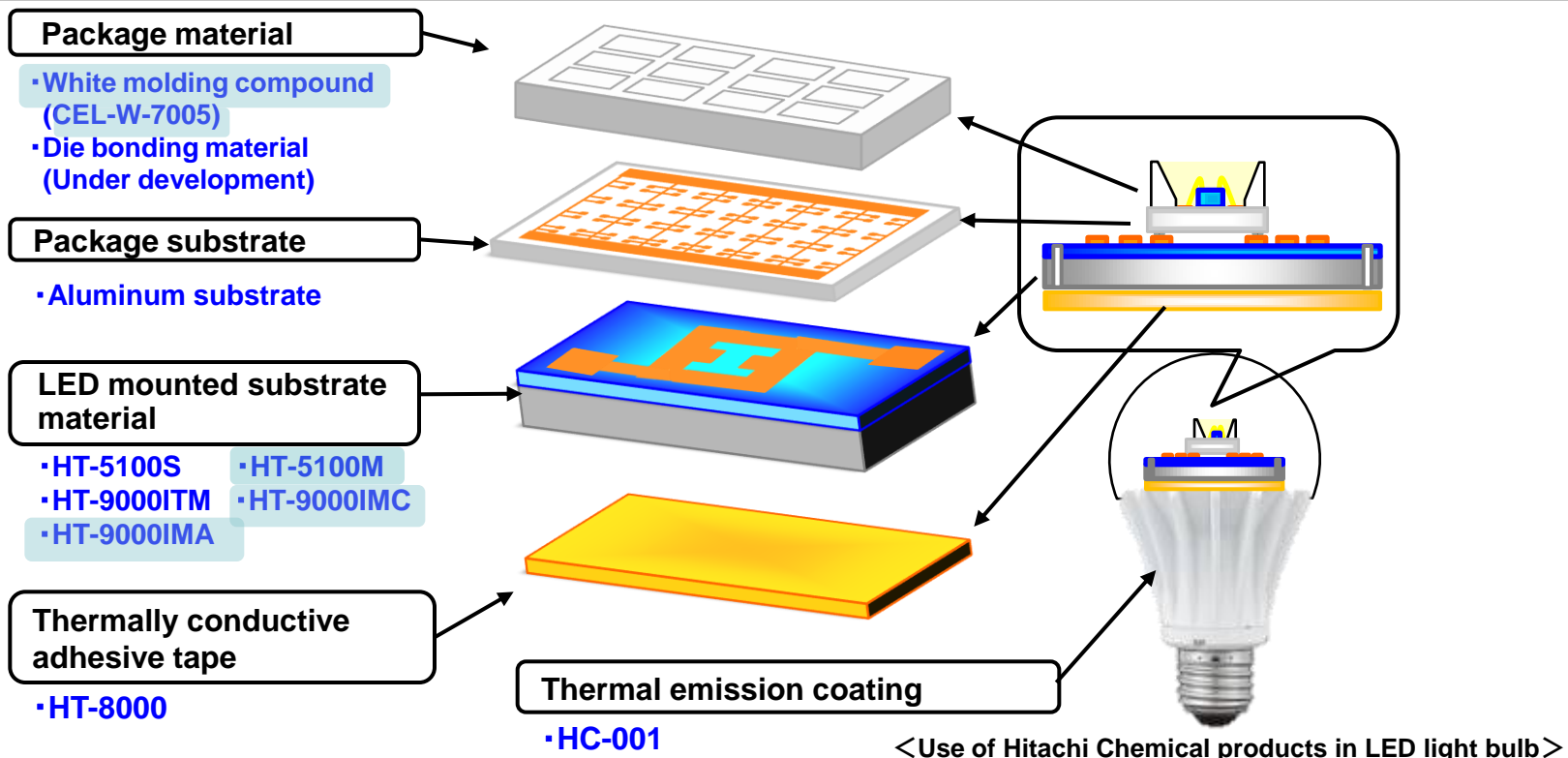
<White epoxy molding compounds "CEL-W-7005">

■ Applications: Lighting, etc.

→ Contributes to the development of highly bright, long-lasting lighting as a reflector featuring minimal loss of reflection due to high temperatures

Develop New Businesses and New Products -LED Field-

Expand to 10 new products in the lineup of materials for use in LED products



Contribute to longer lasting, more reliable LEDs. Address rapidly increasing market demand for LEDs, and target net sales of ¥4.0 billion in fiscal year 2013

Key Tasks for FY11 / 2H

Global Expansion

Country/ Region	Product	Details	FY11 / 1H	FY11 / 2H	FY12 / 1H	FY12 / 2H and beyond
China	Photosensitive Dry Films	Production capacity increase	Started operations			
	Copper-Clad Laminates	Joint-venture manufacturing company	Concluded contract	Nov. 2011 Acquire stocks		
	Epoxy Molding Compounds	Production capacity increase		Nov. 2011 Start operations		
	Carbon Anode Materials for Lithium Ion Batteries	Production base		Mar. 2012 Start operations		
	Friction Materials (Disk Brake Pads)	Production capacity increase	Started operations			
	Functional Resins, Chemical Materials	Production base	Under construction			Jan. 2013 Start operations
	Automotive Plastic Molded Products	Production base	Decided			Jan. 2014 Start operations
	Anisotropic Conductive Films for Display, Conductive films for Solar Cell	Production base	Decided			Apr. 2013 Start operations

Key Tasks for FY11 / 2H

Global Expansion

Country/ Region	Product	Details	FY11 / 1H	FY11 / 2H	FY12 / 1H	FY12 / 2H and beyond
Thailand	Automotive Lead Batteries	Production base	Completed		Apr. 2012 Start operations	
	Automotive Products, etc.	Land acquisition		Nov. 2011 Acquire land		
India	Friction Materials	Joint-venture manufacturing company	Under construction			Dec. 2012 Start operations
	Powder Metal Products	Production base	Decided	Nov. 2011 Established		Apr. 2013 Start operations
Malaysia	Epoxy Molding Compounds	Production capacity increase	Decided		May. 2012 Start operations	
Indonesia	Powder Metal Products	Production base	Under construction		Apr. 2012 Start operations	
Mexico	Friction Materials	Production capacity increase	Decided		Aug. 2012 Start operations	

Global Expansion -Regional Management Systems-

<Expansion and reinforcement of Chinese operations>

**Hitachi Chemical (China)
Company, Ltd.**

Manufacturing companies :9
Sales and other companies:4

<Laying foundations for development of multiple businesses in India>

**Hitachi Chemical
India Private Limited**

Manufacturing companies :2

Management systems

- Operational :Making investment decisions for business expansion
- Marketing :Increasing sales from local customers and establishing sales systems
- Technical :Integrating technical information management and royalty collection functions
- Finance :Collecting invested capital and strengthening financial management
- Governance :Quickly responding to unique management risks by region

<Expansion and reinforcement of Thai operations>

**Hitachi Chemical
(Thailand) Co.,Ltd.**

Manufacturing companies :4
Sales and other companies:1

*Numbers of companies include companies scheduled to be established and management

Maximize synergies between Group companies and
strengthen regional business strategies

Hitachi Chemical

Working On Wonders

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