Our goal is to become a corporate group that prospers in partnership with global society. To this end, we will promote sustainable engineering while seamlessly integrating our business and CSR strategies.
What is the rationale behind issuing a single integrated annual and sustainability report from this year?

Historically, our annual report has been geared toward analysts and investors. Our thoughts were that in providing details of our financial results and standing, readers would obtain a solid understanding of the Group’s activities and performance.

Meanwhile, our sustainability reports explained ESG (environment (E), society (S) and governance (G)) related activities. However, such reports were lacking in the financial information and information on our business strategies that investors require. With this in mind, and with a view to providing readers with a true understanding of the depth of our activities, we felt that separate CSR and annual reports were insufficient to achieve our intended goal. Put simply, we aspire to publish an integrated report that employees can take home and show to their families, saying “If you read this report, you will understand that Hitachi Chemical maintains a sound financial position and seeks the well-being of society and employees.” with an intense sense of pride.

Combining business strategies with CSR is expected to grow in importance. What are your thoughts on this trend?

Since assuming office as President in April 2009, I have upheld three management reform policies: “Business Reform,” “Organizational Reform,” and “Individual Reform.” Meanwhile, the three stances – “Business Stance,” “Corporate Stance” and “Individual Stance” – that have been introduced since last fiscal year in our CSR Medium-term Roadmap: Stage 2, are a reorganization of the three management reform policies from a sustainability perspective. We must understand promoting a single uniform management and CSR strategy. Such awareness will help employees to better understand CSR activities. I believe this understanding commits inside and outside the Group to promote social contribution through business activities. Today, the Hitachi Chemical Group primarily engages in four key business fields: telecommunications and displays, automobiles and transportation infrastructure, environment and energy, and life sciences. From a business perspective, we are committed to profitability and meeting the needs of our customers, while from a CSR perspective, we are working to increase the ratio of environmentally-friendly product (Green Product) sales to total sales and ensure that the mindset of all Group companies and research and development personnel are geared toward resolving environmental and social concerns.

On this basis, it is imperative that each and every employee through to top management understand the importance of promoting a single uniform management and CSR strategy that ensures that business is carried out with a focus on CSR. Only in this manner can we truly hope to fulfill our goal of sustainable growth. As such, we hold Environmental and CSR Meetings involving the entire group in conjunction with the quarterly accounts meeting covering business performance. At the same time, we evaluate sustainable engineering product development as well as our progress toward achieving established targets based on predetermined key performance indicators (KPIs). In turn, we share these results together with pertinent information on social and statutory rules and regulations.

The Hitachi Chemical Group has adopted “sustainable engineering” as a key word that underpins its business activities. Can you please provide us with a more detailed explanation?

The Hitachi Chemical Group handles a large number of petrochemical products, in other words products that are derived from crude oil. With this in mind, and as a part of efforts to promote an integrated business and CSR strategy, it is vital that we address the needs to effectively utilize limited resources, develop increasingly advanced recycling technologies and uncover renewable energies. These issues and our ability to put forward appropriate solutions in turn highlight the essential need for innovation in the development of sustainable technologies. This is in effect is the underlying backdrop and essence of what we refer to as sustainable engineering.

For example, as a part of efforts to strengthen our activities in the environment and energy field, we acquired all of the remaining issued and outstanding shares of subsidiary company Shin-Kobe Electric Machinery Co., Ltd. As a wholly owned subsidiary, we are better positioned to ensure a speedy decision-making process and to leverage synergy benefits. Shin-Kobe Electric Machinery Co., Ltd.’s strengths lie in its power storage systems, which include lead storage batteries, lithium ion batteries, aluminum electrolytic capacitors and lithium ion capacitors. These products have a high correlation with the material technologies of the Hitachi Chemical Group. Advancements in material technology play a significant role in enhancing the performance of storage devices. At the same time, issues that may arise can be quickly analyzed and traced back to the initial input material. This provides us with a significant competitive advantage. In incorporating storage systems operations into our overall business portfolio, we established the Energy Devices & System Business Headquarters to promote further development and growth in a field where industrial demand for products that deliver improved integrity and performance as well as a longer service life is high. Utilizing high
performance storage devices, photovoltaic energy and power stored during late night hours when operating rates are low can be used for business purposes. In this regard, I am convinced that significant opportunities for future growth exist. It can be said that businesses that minimize the consumption of energy sourced from limited fossil fuels and implement the effective utilization of renewable resources such as solar power are contributing to the sustainability of human activity – that this is in fact what a sustainable engineering is.

**Related Information** P.11~14

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**Q** Can you please elaborate on the Group’s countermeasures in response to the Great East Japan Earthquake and floods in Thailand?

**A** Two Group companies, Namie Hitachi Chemical Co., Ltd. and Namie Japan Brake Co., Ltd., located in Namie-machi, Fukushima Prefecture, were particularly hard hit by the aftereffects of the Great East Japan Earthquake. Due mainly to related incidents at the Fukushima Dai-ichi Nuclear Power Station, an order was issued to evacuate the premises of both companies. Prohibited from entering each facility, we were forced to suspend operations, which remain idle through to today. By shifting production to alternative locations both in Japan and overseas, we have been able to fulfill our supply obligations. Recognizing the pitfalls in concentrating the production of products that have a major impact on society in a single location, we reassessed our policies and are now progressively putting in place second and alternative manufacturing sites. At the same time, we are looking to diversify our sources of materials procurement and to ensure a more flexible and reliable supply chain.

The floods in Thailand caused severe damage to the first floor of the Group’s manufacturing plant operated by Japan Brake (Thailand) Co., Ltd. located in the Hi-tech Industrial Estate in Ayutthaya Province. We were able to partially restore operations in February 2012, and by May 2012 operations had returned to normal. In an effort to diversify our risk exposure, construction of a second production site at the Gateway City Industrial Estate is underway as part of our commitment to the promising Thailand market.

**Related Information** P.26

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**Q** Please provide us with a summary of the Group’s performance in fiscal 2011.

**A** Triggered by events in Greece, the European debt crisis continued to impact the global economy throughout the fiscal year ended March 31, 2012. While still regarded by many as one of the world’s market, there were also signs that clouds were beginning to gather over China’s economy. As a result, growth rates in each of the semiconductor and liquid crystal markets slowed. Exacerbating difficult conditions, the Great East Japan Earthquake and floods in Thailand had a major impact on the Groups results. Taking each of the aforementioned factors into consideration, consolidated net sales for the fiscal year under review came to ¥473,069 million, a decrease of 4.9% compared with the previous fiscal year. From a profit perspective, consolidated operating income totaled ¥24,495 million, down 43.7% year on year. While the Group incurred a loss relating to damages from the earthquake and flood disasters, this was partly offset by an extraordinary profit of approximately ¥2,600 million attributable to compensation received from the Tokyo Electric Power Company, Incorporated for the accident at the Fukushima Dai-ichi Nuclear Power Station. Accordingly, consolidated net income was ¥16,427 million, a decrease of 13.3% compared with the previous fiscal year.

**Related Information** P.5~6

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**Q** What are the Group’s prospects in fiscal 2012 including plans for global business development?

**A** In the fiscal year ending March 31, 2013, the Hitachi Chemical Group will continue to expand accelerate global expansion, strengthen new businesses and products, environmental and energy businesses and develop a strategic approach to the middle-range zone. On this basis, we are targeting net sales of ¥510,000 million.

Markets for electronics are unlikely to see a major recovery in fiscal 2012. The era of large screen LCD TVs driving the market forward is effectively at an end. While PC shipment volumes are essentially forecast to hold their own, the number of components used in cloud-compatible models is steadily declining placing downward pressure on materials manufacturers. Nevertheless developing products that meet the needs for more compact, lighter weight components is a genuine
strength of the Hitachi Chemical Group. As such, we plan on leveraging this strength going forward.

In terms of our global business development aspirations, including our entry into the China market, we will adopt an additional strategic approach toward the middle-range zone. Targeting the full range of middle-range zone products, we are narrowing down functions and features. We will not only focus on cutting-edge technology high-end zones, but also target product markets where performance is more than sufficient to meet particular usage requirements despite limited functionality commensurate with the need to keep prices in check.

In the automobiles and transportation infrastructure field, investments directed toward countries in their early stages of development including Indonesia and India are expected to bear fruit. In the next fiscal year, we anticipate finally entering a period in which we will witness a return on our investment.

Turning again to our four key business fields, we will pay particular attention to the rechargeable device and related businesses in the environmental and energy field as well as diagnostics in the life sciences field. In each case, we plan to aggressively accelerate our activities.

As we work toward developing our business overseas including manufacturing sites, our ability to secure local production for local consumption and foster sales and marketing as well as research and development personnel who are capable of astutely capturing local needs will become increasingly vital. Of equal importance is our ability to motivate local staff. Currently, a significant proportion of regional sales company and manufacturing sites senior executive positions are taken up by local personnel. Overseas personnel are invited to participate in our Global Leadership forums, where the opportunity is taken not only to impart and explain the Hitachi Chemical Group’s policies, but also to engage in free and open discussion. Through this process, we are working to enhance the overall consciousness of employees and are recently witnessing significant forward progress.

Related Information: P.11–12 / 21–22

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In closing, what message would you like to leave with stakeholders?

A

This year Hitachi Chemical is celebrating its 50th anniversary. In marking this milestone, I would again like to thank all stakeholders for their support and understanding. As we move resolutely forward to the next 50 years and the century that lies ahead, we will bolster our efforts to integrate our business and CSR strategies as we strive to secure further growth and development while working diligently to promote sustainable engineering. As we endeavor to achieve our established goals, we ask for the continued support and understanding of all stakeholders.

Related Information: P.19–20 / 23–24 / 35–36

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What are your thoughts in research and development?

A

A key component of Hitachi Chemical’s corporate vision is to contribute to society through the development of superior technologies and products. The Company’s research and development activities are grounded in material, process, evaluation and other platform technologies. Our accumulated capabilities in each of these fields have sprung from the development of a variety products including insulating varnishes, industrial laminates, porcelain insulators and carbon brushes. By seamlessly combining and integrating these wide ranging technologies, Hitachi Chemical continues to create value. In one of several achievements during fiscal 2011, Hitachi Chemical received the Prime Minister’s Award in the 9th Persons of Merit in Industry-Academia-Government Collaboration Awards for its semiconductor bonding technology that enables more compact and larger capacity electronic devices (the development of a die bonding film). This semiconductor layering technology is already the industry de facto standard and is contributing significantly to address the needs for increasingly sophisticated, large capacity and compact electronic devices. We are the first in the materials field to receive such an award which is a testament to the high esteem in which our technologies are held.

Hitachi Chemical regularly reviews the allocation of research human resources across each of its four key business fields to ensure that the Company remains in tune with changes in each era. As one example, our allocation of research personnel to the growing environmental and energy field has surged from 17% in fiscal 2008 to a current level of 40%.

Related Information: P.19–20 / 23–24 / 35–36