FINANCIAL SECTION

Financial Section

Hitachi Chemical Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2013, 2012, 2011, 2010, 2009 and 2008

	Millions of yen (except per share data)						Thousands of U.S. dollars (except per share data) (Note 1)
	2013	2012	2011	2010	2009	2008	2013
For the year:							
Net sales	¥ 464,655	¥ 473,069	¥ 497,452	¥ 455,287	¥ 488,638	¥ 629,929	$4,943,138
Operating income	23,559	24,495	43,471	38,341	19,938	60,493	250,628
Net income	18,818	16,427	18,943	23,509	2,740	31,438	200,191
Cash dividends	7,497	7,497	7,497	6,664	6,665	6,636	79,755
Capital expenditures	46,698	37,347	30,432	20,984	35,972	37,383	496,787
Depreciation and amortization	25,255	28,240	28,985	31,666	34,560	32,866	268,670
Research and development expenses	25,534	25,680	26,382	25,402	27,617	28,166	271,638
At year-end:							
Total assets	¥ 477,880	¥ 440,981	¥ 432,184	¥ 426,586	¥ 391,350	¥ 458,741	$5,083,830
Total liabilities	164,476	153,742	141,873	143,984	127,762	183,771	1,749,745
Interest-bearing liabilities (Note 2)	51,077	40,856	27,151	24,557	30,806	37,210	0
Total net assets (Stockholders' equity)	313,404	287,239	290,311	282,602	263,588	274,970	3,334,085
Per share data:							
Net income (basic)	¥ 90.36	¥ 78.88	¥ 90.96	¥ 112.88	¥ 13.15	¥ 151.60	$ 0.96
Net income (diluted)	—	—	—	—	13.15	151.57	—
Cash dividends	38.00	36.00	36.00	32.00	32.00	32.00	0.40
Net assets	1,474.11	1,359.33	1,320.30	1,289.11	1,203.92	1,251.66	15.68
Value indicators:							
Operating margin (%)	5.1	5.2	8.7	8.4	4.1	9.6	
Return on sales (%)	4.0	3.5	3.8	5.2	0.6	5.0	
Return on equity (ROE) (%)	6.4	5.9	7.0	9.1	1.1	12.5	
Return on assets (ROA) (%)	4.1	3.8	4.4	5.7	0.6	6.8	
Net worth ratio (Stockholders' equity ratio) (%)	64.2	64.2	63.6	62.9	64.1	56.6	
Debt/Equity ratio (DER) (times)	0.2	0.1	0.1	0.1	0.1	0.1	
Inventory turnover (times)	10.4	11.7	13.2	12.7	12.4	13.7	
Number of employees	17,732	16,713	15,930	15,267	15,289	15,303	

Notes: 1. U.S. dollar amounts in this annual report are translated from yen, solely for the convenience of the reader, at the rate of ¥94=US$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market as of March 29, 2013.
2. Interest-bearing liabilities include trade notes discounted.

For the Year Ended March 31, 2012

RESULTS OF OPERATIONS

An Overview of Economic Trends and Results

Looking back at the world economy in fiscal 2012, the fiscal year ended March 31, 2013, the U.S. economy showed gradual improvement in terms of the housing market and employment, while the business slump continued in Europe due to the sovereign debt crisis. Turning to developing nations such as China and India, growth was impeded by a slowdown in consumption.

Meanwhile, the slowing of the world economy and the high yen meant that the Japanese economy's recessionary phase continued from the first quarter through to the third quarter of fiscal 2012. However, rising prices and currency appreciation due to the sharp correction of the yen at the beginning of 2013 gave rise to signs of recovery in capital investment and consumer spending.

Given this management environment, Hitachi Chemical Co., Ltd. ("the Company") endeavored to implement a raft of measures to bring about a rapid improvement in results and to expand business operations. These measures included: the strengthening of infrastructure in promising business areas; expanding existing business; restructuring group business for synergistic effects; expanding overseas operations; and making further cost reductions. One example was the transfer of the battery-related research and development operations and the sales, business planning and non-battery –related research and development operations of Shin-Kobe Electric Machinery Co., Ltd. to the Company on October 1, 2012 and April 1, 2013, respectively, in a bid to enhance synergistic effects through business integration. Hitachi Chemical also took over Nitto Denko Corporation's semiconductor epoxy molding compounds business on October 1, 2012, further strengthening the foundation of the business. Serving as a base for the slit processing of photosensitive dry films for printed wiring boards, Hitachi Chemical (Chongqing) Co., Ltd. was established in Chongqing, China, to meet the demands of those customers that have bases in China's inland regions. The Company also engaged in the construction of a global product supply system by increasing production capacity of friction materials in Thailand, and powder metal products in China and North America.

Hitachi Chemical thus made concerted efforts to secure sufficient sales and profits. Regrettably, the abovementioned measures proved insufficient to compensate for falling demand in the LCD and automobile markets, a situation exacerbated by stagnation in the personal computer (PC) market. As a result, slight year-on-year decreases were experienced in net sales and operating income in the consolidated business results for the fiscal year ended March 31, 2013. However, as compensation income of ¥4,890 million—associated with the Company's loss of income over the period March 11 to August 31, 2011, following the accident at the Fukushima Dai-ichi Nuclear Power Station—was received from The Tokyo Electric Power Company, Incorporated and recorded as extraordinary profit, consolidated net income showed an increase from the previous fiscal year.

Net Sales

For the fiscal year under review, Hitachi Chemical recorded consolidated net sales of ¥464,655 million. This was ¥8,414 million, or 1.8%, lower than the previous fiscal year and reflected such factors as the falling demand for automobiles, sluggish conditions in the markets for semiconductors and LCDs as well as a prolonged appreciation in the value of the yen.

Turning to results by reportable business segment, sales of Functional Materials edged up by ¥302 million, or 0.1%, year on year to ¥245,157 million. In the case of electronics materials, sales increased of the epoxy molding compounds used in the back-end processes of semiconductor manufacturing, benefiting from the transfer of Nitto Denko Corporation's molding compounds business in October 2012. Sales of die bonding materials for semiconductors also increased compared with the previous fiscal year due to their increased adoption in smartphones and tablet PCs. An increase in sales of products suitable for the finer technology nodes of semiconductor design rules resulted in increased sales of the Company's slurry for chemical mechanical planarization. Sales of varnishes showed a year-on-year increase due to solid overseas demand for home appliances, one of their primary applications.

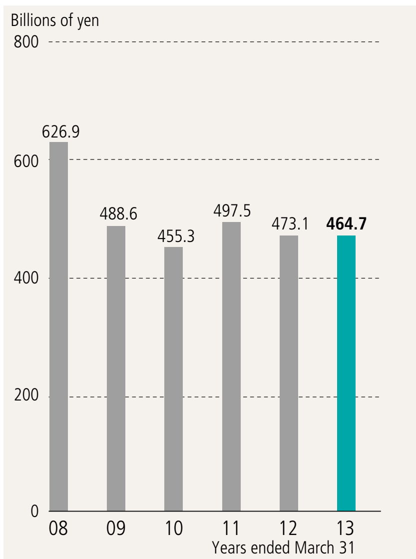
In the field of inorganic materials, there was a significant increase in sales of carbon products. Having been forced to cease production in the aftermath of the Fukushima Dai-ichi Nuclear Power Station accident in 2011, progress has been made with the recovery plan involving the transfer of carbon brush production to new sites. Sales of carbon anode materials for lithium ion batteries, however, experienced a decrease that mirrored that of eco-friendly automobile sales, and lower demand for products used in semiconductor manufacturing equipment resulted in decreased sales of ceramics.

In polymer science materials, sales of anisotropic conductive films for displays increased in line with increasing sales of smartphones and tablet PCs. Sales of adhesives and adhesive films remained on par with the previous fiscal year; adhesives benefited from an increase in sales for building materials that offset a decrease in their use for automobiles, while adhesive film sales reflected the growing demand for their use protecting the surfaces of LCD optical sheets, despite the sluggish semiconductor market. Lower demand for automobiles prompted a decrease in synthetic resins for paints, and a decline in public sector sales resulted in fewer sales of contactless IC cards and tags.

The sales performance of printed wiring board materials reflected market trends. Photosensitive dry film sales were buoyed by increasing sales for smartphones and tablet PCs, while copper-clad laminates suffered a decrease in accordance with a drop in demand for PCs.

In the Advanced Components and Systems segment, sales totaled ¥219,498 million. This was ¥8,716 million, or 3.8%, lower than the previous fiscal year. Also thanks to the recovery plan that successfully

Net Sales



transferred production to new sites following the forced cessation of operations in Fukushima, sales of friction materials increased year on year. Sales of plastic molded products and powder metal products remained on par with fiscal 2011. Despite lower export demand, the former benefited from increased installation in the intelligent power modules fitted to eco-friendly automobiles, while sales of the latter were themselves affected by a drop in Japanese automobile sales in China. In North America, there was an increase in sales of parts for variable timing mechanisms. The picture in energy storage devices and systems was characterized by sales decreases: in vehicle batteries due to the decrease in sales of new automobiles; in industrial batteries and systems due to reduced sales of power supply devices for telecommunications providers; and in capacitors due to the decline in investment in photovoltaic power generation systems in Europe. In electronic components, sales of printed wiring boards decreased due to a decline in demand for their use in semiconductor testers. Reported under the Others sub-segment, sales of diagnostics/instruments increased due to an improvement in sales of allergy diagnostic kits.

Overseas sales amounted to ¥216,919 million, representing a year-on-year increase of ¥16,205 million, or 8.1%. Sales in Asia increased, while those in Other Areas edged down. Overseas sales accounted for 46.7% of total net sales. This was a 4.3 percentage point increase compared with the previous fiscal year.

Cost of Sales and Selling, General and Administrative Expenses

Cost of sales decreased ¥12,771 million, or 3.5%, compared with the previous fiscal year to ¥356,212 million, largely reflecting the downturn in direct costs and the drop in raw material expenses, which continued to hover at a high level during the previous fiscal year. Despite the efforts made to reduce costs, the cost of sales ratio to total net sales decreased 1.3 percentage points from 78.0% in fiscal 2011 to 76.7%.

Selling, general and administrative (SG&A) expenses totaled ¥84,884 million, ¥5,293 million, or 6.7%, higher than the previous fiscal year. SG&A expenses as a ratio to total net sales rose 1.5 percentage points year on year to 18.3%.

Operating Income

Taking into account the aforementioned factors, operating income decreased ¥936 million, or 3.8%, compared with the previous fiscal year to ¥23,559. This also largely reflected the falling demand in the LCD and automobile markets as well as the stagnation in the PC market. In similar fashion, the operating income margin edged down 0.1 of a percentage point from 5.2% in fiscal 2011 to 5.1%.

In the Functional Materials segment, operating income increased ¥1,219 million, or 6.1%, year on year to ¥21,358 million. The operating income margin in this segment increased 0.5 percentage points to 8.7%. In the Advanced Components and Systems segment, operating income decreased ¥2,156 million, or 49.3%, to ¥2,218 million. The operating income margin in this segment was 1.0%, down 0.9 percentage points.

Other Income (Expenses)

In the fiscal year under review, net other income amounted to ¥7,467 million, an increase of ¥1,890 million compared with net other income of ¥5,577 million in fiscal 2011.

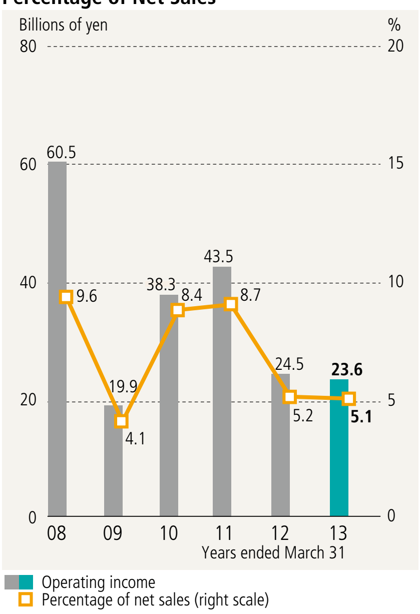
Boosting other income even further, the Company received compensation from The Tokyo Electric Power Company, Incorporated in respect of the Company's loss of income over the period March 11 to August 31, 2011, following the accident at the Fukushima Dai-ichi Nuclear Power Station.

Net Income

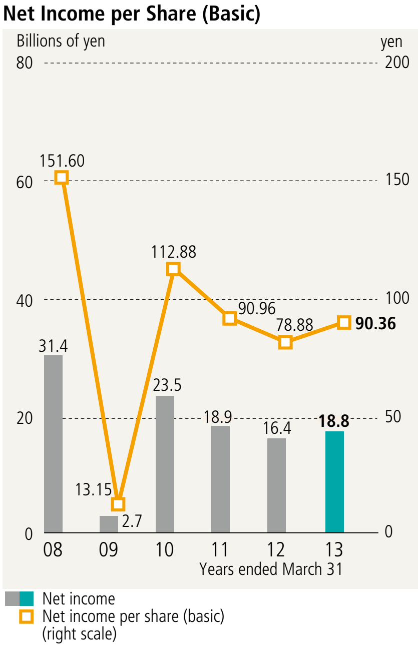
Mirroring the downturn in revenues and earnings, income taxes decreased ¥190 million, or 1.6%, compared with the previous fiscal year to ¥11,579 million. Minority interests also contracted ¥1,247 million year on year to ¥629 million.

Accounting for all of the aforementioned factors, net income for the fiscal year under review amounted to ¥18,818 million, up ¥2,391 million, or14.6%, compared with the previous fiscal year. As a ratio of net sales, this represented an increase of 0.5 of a percentage point to 4.0%. Return on equity (ROE) increased 0.5 of a percentage point to 6.4% and return on assets (ROA) improved 0.3 of a percentage point to 4.1%. Net income per share (basic) increased from ¥78.88 in the previous fiscal year to ¥90.36 in the fiscal year under review.

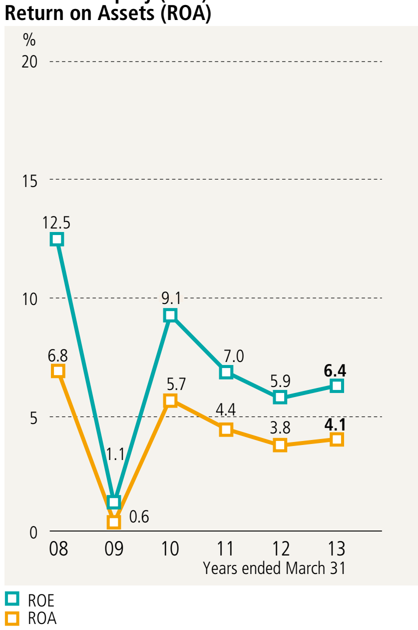
Operating Income / Percentage of Net Sales



Net Income / Net Income per Share (Basic)



Return on Equity (ROE) / Return on Assets (ROA)



FINANCIAL CONDITION

Cash Flows

Cash and cash equivalents as of March 31, 2013 stood at ¥73,978. This was ¥2,340 million lower than the end of the previous fiscal year.

Net cash provided by operating activities increased ¥5,859 million year on year to ¥47,931 million. This increase was mainly attributable to such factors as an increase in income before income taxes and minority interests.

Net cash used in investing activities amounted to ¥53,182 million, down ¥14,020 million year on year. This largely reflected reduced purchase of investments in subsidiaries resulting in change in scope of consolidation.

Net cash provided used in financing activities was ¥2,867 million in fiscal 2012, compared with net cash provided by financing activities of ¥4,611 million in the previous fiscal year. The main contributory factor was the absence of the proceeds from the issuance of bonds payable recorded in the previous fiscal year.

Cash Flows
Years ended March 31, Billions of yen

	2013	2012	2011
Cash flows from operating activities	¥ 47.9	¥ 42.1	¥ 44.0
Cash flows from investing activities	(53.2)	(67.2)	(35.7)
Cash flows from financing activities	(2.9)	4.6	(6.8)
Cash and cash equivalents at end of year	74.0	76.3	96.8

Assets, Liabilities, and Net Assets

Assets

Total assets stood at ¥477,880 million as of March 31, 2013, an increase of ¥36,899 million compared with the previous fiscal year-end. Total fixed assets climbed ¥33,657 million largely reflecting increase in total net property, plant and equipment.

Liabilities

Total liabilities amounted to ¥164,476 million, up ¥10.734 million compared with the end of the previous fiscal year. This was mainly due to the increase in long-term debt as well as non-current liabilities, which climbed ¥6,558 million.

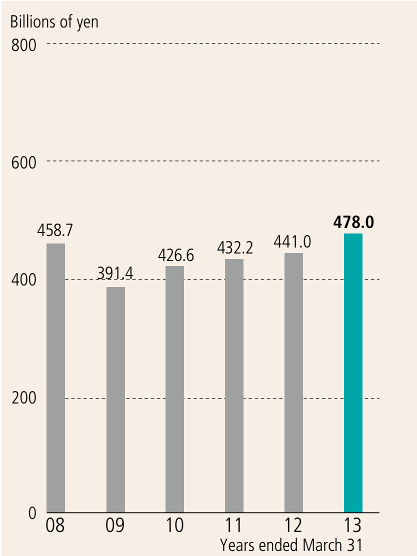
Net Assets

Total net assets came to ¥313,404 million, up ¥26,165 million year on year. This largely reflected increases in retained earnings, foreign currency translation adjustments, and valuation difference for available-for-sale securities.

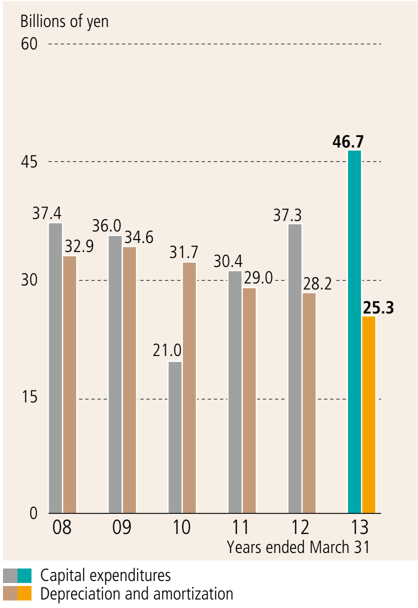
Capital Expenditure, Research and Development Expenses

In addition to operating activities, capital expenditure totaled ¥46,698 million, an increase of ¥9,351 million compared with the previous fiscal year. This largely reflected the Company's aggressive approach toward overseas investment in order to capture robust overseas demand mainly in developing countries. Overseas capital expenditures in fiscal 2012 amounted to 50.8% of the Company's total capital expenditures. This

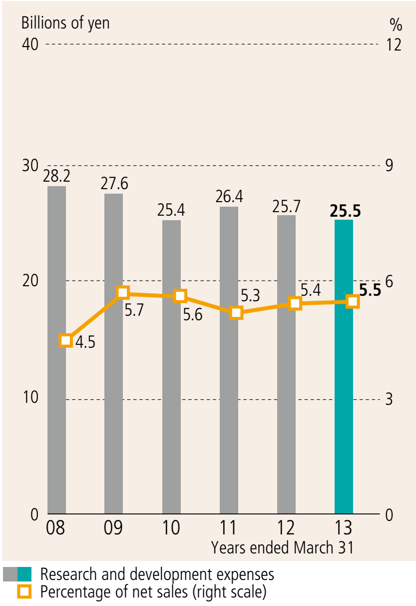
Total Assets



Capital Expenditures/ Depreciation and Amortization



Research and Development Expenses / Percentage of Net Sales



was a significant increase from the 38.8% in the previous fiscal year.

R&D expenses in the fiscal year under review were ¥25,534 million, a decrease of ¥146 million, or 0.6%, compared with the previous fiscal year. This represented 5.5% of total net sales, up 0.1 of a percentage point year on year.

BASIC POLICY ON APPROPRIATION OF EARNINGS DIVIDENDS FOR CURRENT FISCAL YEAR

The Company considers its operating environment, performance, future business prospects, and the payout ratio in allocating earnings to dividends and internal capital reserves. The Company utilizes internal capital reserves to effectively build on its robust and resilient financial structures, while investing in the R&D of promising, innovative, high-value-added products and adding vitality to its existing businesses.

With regard to the cash dividends for the fiscal year ended March 31, 2013, Hitachi Chemical paid a period-end cash dividend of ¥18 per share. Coupled with the interim cash dividend of ¥20 per share, which included a commemorative dividend of ¥2 per share, this resulted in an annual cash dividend to ¥38 per share. For fiscal 2013, the fiscal year ending March 31, 2014, Hitachi Chemical plans to pay an annual cash dividend of ¥36 per share, comprising an interim cash dividend and a period-end cash dividend each of ¥18 per share.

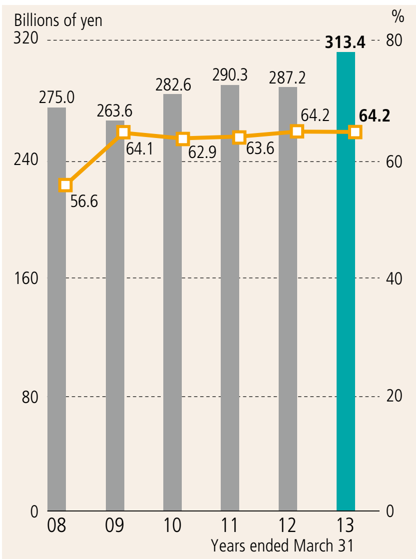
OUTLOOK AND FORECASTS FOR THE FISCAL YEAR ENDING MARCH 31, 2014

Although concerns about prolonged stagnation in Europe still exist, the world economy as a whole is expected to remain stable with continuous growth expected in the U.S. economy following robust employment expansion and improvement in the housing market. There is also the prospect of recovery in the Chinese economy as a result of monetary easing policies. Recovery in the Japanese economy will continue as the ramping up of exports in response to the world economic recovery and the weak yen combine with expected expansion of public investment through government economic measures.

Under the medium-term management plan initiated from the start of fiscal 2013, the Hitachi Chemical Group will achieve an early improvement in business results and construct a strong management base that can accomplish sustainable growth.

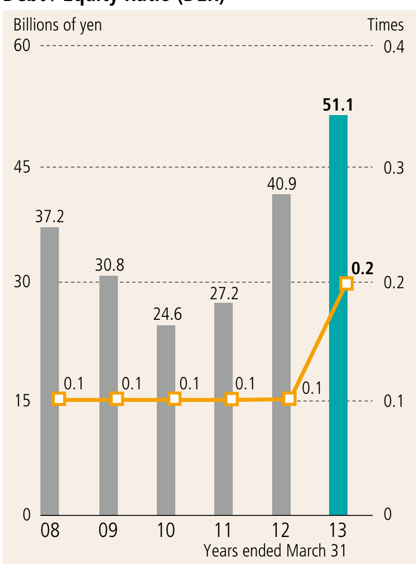
For its consolidated financial forecast for the fiscal year ending March 31, 2014, the Company is projecting net sales of ¥500,000 million, a year-on-year increase of 7.6%. From a profit perspective, operating income is forecast to rise 31.6% to ¥31,000 million with net income edging up 1.0% compared with the fiscal year under review to ¥19,000 million.

Total Net Assets (Stockholders' Equity) / Net Worth Ratio (Stockholders' Equity Ratio)



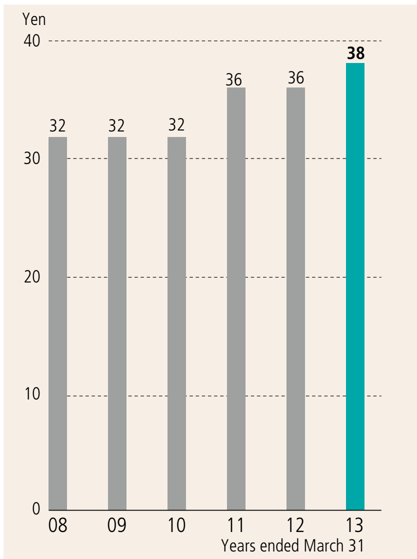
Total net assets (Stockholders' equity)
Net worth ratio (Stockholders' equity ratio) (right scale)

Interest-bearing Liabilities/ Debt / Equity Ratio (DER)



Interest-bearing liabilities
Dept / Equity ratio (DER) (right scale)

Cash Dividends per Share



BUSINESS AND OTHER RISKS

Hitachi Chemical operates globally in a diverse range of fields, using sophisticated, specialized technologies. For this reason, a variety of factors may materially impact Group operations. These major business and other risks are described below. Statements concerning the future represent the judgment of Hitachi Chemical as of March 31, 2013.

(1) Exchange Rate Fluctuations

Hitachi Chemical holds assets and liabilities from overseas operations that are affected by fluctuations in foreign exchange rates. Due to product exports and raw material imports usually denominated in U.S. dollars, and at times in other local currencies, exchange rate fluctuations may exert a material impact on the performance of the Group. The appreciation of the yen against the U.S. dollar and other currencies may exert a material impact on earnings by weakening the competitiveness of products exported to overseas markets. The Group pursues measures to attenuate the risk from exchange rate fluctuations, but cannot guarantee that exchange rate fluctuations will not affect performance.

(2) Major Raw Material Price Fluctuations

Many of Hitachi Chemical's products use petrochemical products as raw materials. The purchase prices of petrochemical products are susceptible to fluctuations in crude oil prices. In addition, fluctuations in the markets for other raw materials and export regulations in producing countries may increase procurement costs or make it difficult to procure the necessary quantities. These factors may exert a material impact on Group performance.

(3) Acquisitions, Joint Ventures, and Strategic Alliances

Hitachi Chemical may acquire outside companies, establish joint ventures, and implement strategic alliances in order to develop new technologies and products, and raise competitiveness. These complex initiatives involve integration of businesses, technologies, products, and personnel that requires time and expense. Failure to implement these initiatives as planned may exert a material impact on Group operations. The success of these business alliances is determined in part by factors beyond the Group's control including alliance partner decisions and capabilities, and market trends. Implementation of these initiatives may cause the Group to incur acquisition-related expenses including expenses for integration and restructuring of acquired businesses. In addition, the Group cannot guarantee that it will succeed in integrating acquired businesses or that its initiatives will achieve all or part of initial objectives.

(4) Potential Risks in Overseas Activities

Hitachi Chemical produces and sells products in Japan, countries in Asia, the United States, and in other regions. Exposure to political and social risks in these overseas markets may exert a material impact on the financial position and performance of the Group.

(5) Public Regulations

Hitachi Chemical's business activities are subject to various regulations in the countries in which it operates. The regulations include legal obligations related to foreign investment, trade, competition, intellectual properties, taxes, exchange rates, the environment, and recycling. Significant changes to these regulations could restrict operations, increase costs, and exert a material impact on Group performance.

(6) Financial Risk

Hitachi Chemical holds equities and other marketable securities. A decrease in the value of these marketable securities may exert a material impact on the financial position and performance of the Group. In addition, long-term procurement of funds from capital markets exposes the Group to risk associated with interest rate fluctuations and credit.

(7) Retirement Benefit Obligations

Hitachi Chemical bears considerable retirement benefit expense obligations that are computed using actuarial calculations. These appraisals involve important assumptions about conditions for estimating the fair value of pension assets including mortality rates, decrement rates, retirement rates, salary changes, discount rates, and expected rates of return on pension assets. In making these assumptions, the Group must take into account numerous factors including personnel conditions, current market conditions, and future interest rate trends.

Although the Group makes reasonable assumptions about conditions based on key factors, it cannot guarantee that projections will agree with actual results. Lower discount rates lead to an increase in actuarial retirement benefit obligations. An increase or decrease in retirement benefit obligations may influence the actuarial difference amortized over the period of employment. Accordingly, changes in conditions may exert a material impact on the financial position and performance of the Group.

(8) Relationship with the Parent Company

As of March 31, 2013, Hitachi, Ltd., the parent company of Hitachi Chemical Co., Ltd., holds 51.2 percent of the Company's total number of shares issued and 51.4 percent of the total number of shares with voting rights (exclusive of indirect shareholdings). Hitachi, Ltd. oversees numerous associated companies, and engages in a wide variety of operations covering the manufacture, sale, and service of products in five groups: Information & Telecommunication Systems, Infrastructure Systems, Power Systems, Construction Machinery and High Functional Materials & Components. Hitachi Chemical Co., Ltd. is part of the Hitachi Group's High Functional Materials & Components, and two of its eight Directors serve concurrently as Director or Executive Officer of Hitachi, Ltd. (as of June 19, 2013). The close relations between Hitachi Chemical Co., Ltd. and its parent company in areas including technical and personnel cooperation and product supply may lead to situations in which Hitachi Group developments exert a material impact on the management strategy and other policies of Hitachi Chemical.

CONSOLIDATED BALANCE SHEETS

Hitachi Chemical Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)
Assets	**2013**	2012	**2013**
Current assets:			
Cash and deposits (Notes 3 and 21)	¥ 36,955	¥ 37,703	$ 393,138
Deposits to related companies (Notes 3, 21 and 25)	37,317	38,698	396,989
Trade receivables (Note 3):			
Notes	8,778	10,150	93,383
Accounts	96,356	96,976	1,025,064
	105,134	107,126	1,118,447
Short-term investments in securities (Notes 3 and 4)	499	1,897	5,309
Inventories (Note 5)	47,259	42,519	502,755
Other current assets (Note 6)	25,368	22,195	269,873
Less allowance for doubtful receivables	(791)	(1,639)	(8,415)
Total current assets	251,741	248,499	2,678,096
Property, plant and equipment, at cost (Note 7):	598,507	544,784	6,367,096
Less accumulated depreciation	(436,487)	(413,489)	(4,643,479)
Net property, plant and equipment	162,020	131,295	1,723,617
Intangible assets			
Goodwill	24,398	24,683	259,553
Other intangible assets	6,080	5,022	64,681
Total intangible assets	30,478	29,705	324,234
Investments and other assets:			
Investments in affiliated companies under the equity method	7,786	6,427	82,830
Investments in securities (Notes 3 and 4)	7,473	7,746	79,500
Other assets (Notes 6 and 9)	19,208	18,008	204,340
Less allowance for doubtful accounts	(826)	(699)	(8,787)
Total investments and other assets	33,641	31,482	357,883
	¥ 477,880	¥ 440,981	$5,083,830

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

Liabilities and Net Assets	Millions of yen 2013	2012	Thousands of U.S. dollars (Note 2) 2013
Current liabilities:			
Short-term debt (Notes 3 and 8)	¥ 20,387	¥ 15,931	$ 216,883
Trade payables (Note 3):			
Notes	103	63	1,096
Accounts	48,509	50,304	516,053
	48,612	50,367	517,149
Accrued expenses	19,521	19,080	207,670
Accrued income taxes	7,778	5,204	82,745
Provision for loss on disaster	—	12	—
Other current liabilities	17,292	18,820	183,957
Total current liabilities	113,590	109,414	1,208,404
Long-term debt (Notes 3 and 8)	28,053	24,739	298,436
Retirement and severance benefits (Note 9)	17,111	16,544	182,032
Other liabilities (Notes 6 and 10)	5,722	3,045	60,873
Total liabilities	164,476	153,742	1,749,745
Commitments and contingencies (Note 14)			
Net Assets:			
Stockholders' equity			
Common stock (Note 12)			
Authorized-800,000,000 shares;			
Issued-208,364,913 shares in 2013 and			
208,364,913 shares in 2012 (Note 11)	15,454	15,454	164,404
Capital surplus (Note 12)	36,113	36,113	384,181
Retained earnings (Note 12)	259,230	248,325	2,757,766
Treasury stock, at cost,			
117,316 shares in 2013 and 115,612 shares in 2012(Note 13)	(193)	(191)	(2,053)
Total stockholders' equity	310,604	299,701	3,304,298
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	1,077	732	11,457
Deferred gains or losses on hedges	68	(166)	723
Foreign currency translation adjustments	(4,770)	(17,188)	(50,744)
Total accumulated other comprehensive income	(3,625)	(16,622)	(38,564)
Minority Interests	6,425	4,160	68,351
Total net assets	313,404	287,239	3,334,085
	¥ 477,880	¥ 440,981	$5,083,830

CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Hitachi Chemical Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2013 and 2012

(Consolidated Statements of Income)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	2013
Net sales	¥ 464,655	¥ 473,069	$4,943,138
Cost of sales (Note 15)	(356,212)	(368,983)	(3,789,489)
Gross profit	108,443	104,086	1,153,649
Selling, general and administrative expenses (Note 15)	(84,884)	(79,591)	(903,021)
Operating income	23,559	24,495	250,628
Other income (expenses):			
Interest income	433	321	4,606
Dividends income	178	286	1,894
Equity in earnings (losses) of affiliated companies	2,078	1,288	22,106
Foreign exchange gains (losses)	1,949	(211)	20,734
Interest expenses	(1,085)	(761)	(11,543)
Loss on disposal of property, plant and equipment	(1,193)	(869)	(12,691)
Royalty income	1,389	1,348	14,777
Business structure improvement expenses	—	(862)	—
Impairment losses on fixed assets (Note 16)	(1,208)	(599)	(12,851)
Gain (loss) on step acquisitions	—	(191)	—
Loss on disaster (Note 17)	—	(2,099)	—
Insurance income	—	2,810	—
Compensation income (Note 18)	4,890	2,553	52,021
Other, net	36	2,563	383
	7,467	5,577	79,436
Income before income taxes and minority interests	31,026	30,072	330,064
Income taxes (Note 6)	(11,579)	(11,769)	(123,181)
Income before minority interests	19,447	18,303	206,883
Minority interests in income	(629)	(1,876)	(6,692)
Net income	¥ 18,818	¥ 16,427	$ 200,191

	Yen		U.S. dollars (Note 2)
	2013	2012	2013
Basic net income per share (Note 20)	¥ 90.36	¥ 78.88	$ 0.96
Diluted net income per share (Note 20)	¥ —	¥ —	$ —

See accompanying notes to consolidated financial statements.

(Consolidated Statements of Comprehensive Income)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	2013
Income before minority interests	¥ 19,447	¥ 18,303	$ 206,883
Other comprehensive income:			
Valuation difference on available-for-sale securities	344	(770)	3,660
Deferred gains or losses on hedges	234	(185)	2,489
Foreign currency translation adjustments	12,877	241	136,989
Share of other comprehensive income of associates accounted for using equity method	578	(100)	6,149
	14,033	(814)	149,287
Comprehensive income (Note 19)	33,480	17,489	356,170
Comprehensive income attributable to owners of the parent	31,815	15,650	338,457
Comprehensive income attributable to minority interests	¥ 1,665	¥ 1,839	$ 17,713

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Hitachi Chemical Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	2013
Common stock (Note 11):			
Balance at beginning of year	¥ 15,454	¥ 15,454	$ 164,404
Balance at end of year	15,454	15,454	164,404
Capital surplus:			
Balance at beginning of year	36,113	36,113	384,181
Gain (loss) on sale of treasury stock	—	0	—
Balance at end of year	36,113	36,113	384,181
Retained earnings:			
Balance at beginning of year	248,325	239,422	2,641,755
Net income	18,818	16,427	200,191
Cash dividends (Note 12)	(7,913)	(7,497)	(84,180)
Gain (loss) on sale of treasury stock	0	0	0
Other	—	(27)	—
Balance at end of year	259,230	248,325	2,757,766
Treasury stock (Note 13):			
Balance at beginning of year	(191)	(188)	(2,032)
Purchase of treasury stock	(2)	(3)	(21)
Sale of treasury stock	0	0	0
Balance at end of year	(193)	(191)	(2,053)
Valuation difference on available-for-sale securities:			
Balance at beginning of year	732	1,553	7,787
Net change during the year	345	(821)	3,670
Balance at end of year	1,077	732	11,457
Deferred gains or losses on hedges:			
Balance at beginning of year	(166)	(41)	(1,766)
Net change during the year	234	(125)	2,489
Balance at end of year	68	(166)	723
Foreign currency translation adjustments:			
Balance at beginning of year	(17,188)	(17,358)	(182,851)
Net change during the year	12,418	170	132,107
Balance at end of year	(4,770)	(17,188)	(50,744)
Minority interests:			
Balance at beginning of year	4,160	15,356	44,255
Net change during the year	2,265	(11,196)	24,096
Balance at end of year	6,425	4,160	68,351
Total net assets	¥ 313,404	¥ 287,239	$3,334,085

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Hitachi Chemical Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	2013
Cash flows from operating activities (Note 21):			
Net income	¥ 18,818	¥ 16,427	$200,191
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	25,255	28,240	268,670
Amortization of goodwill	3,725	808	39,628
Increase (decrease) in allowance for doubtful receivables	(793)	(1,012)	(8,436)
Equity in (earnings) losses of affiliated companies	(2,078)	(1,288)	(22,106)
Net loss on retirement and sale of property, plant and equipment	900	626	9,574
Impairment losses on fixed assets (Note 16)	1,208	599	12,851
Deferred income taxes	404	3,383	4,298
Minority interests in income	629	1,876	6,692
Decrease (increase) in trade receivables	9,800	1,023	104,255
Decrease (increase) in inventories	(1,375)	(2,971)	(14,628)
Decrease (increase) in accounts receivable - other	(1,745)	(166)	(18,564)
Increase (decrease) in trade payables	(8,129)	(2,324)	(86,479)
Increase (decrease) in provision for loss on disaster	(12)	(2,449)	(128)
Increase (decrease) in retirement and severance benefits	302	500	3,213
Other	1,022	(1,200)	10,873
Net cash provided by operating activities	47,931	42,072	509,904
Cash flows from investing activities:			
Purchases of short-term investment in securities	—	(500)	—
Proceeds from redemption of short-term investment in securities	2,110	5,700	22,447
Purchases of property, plant and equipment	(48,040)	(33,546)	(511,064)
Proceeds from sale of property, plant and equipment	1,149	1,921	12,223
Purchases of subsidiaries' and affiliated companies' stock and investments in securities	(2,597)	(38,301)	(27,628)
Proceeds from sale of subsidiaries' and affiliated companies' stock and investments in securities	492	4,083	5,234
Purchases of investments in subsidiaries resulting in change in scope of consolidation	(2,898)	(4,944)	(30,830)
Other	(3,398)	(1,615)	(36,148)
Net cash used in investing activities	(53,182)	(67,202)	(565,766)
Cash flows from financing activities:			
Net increase (decrease) in short-term debt	(523)	2,911	(5,564)
Proceeds from long-term debt	5,217	1,606	55,500
Payments of long-term debt	(1,621)	(1,856)	(17,245)
Proceeds from issuance of debentures	—	10,000	—
Dividends paid to stockholders	(7,913)	(7,497)	(84,180)
Dividends paid to minority stockholders of consolidated subsidiaries	(98)	(497)	(1,043)
Other	2,071	(56)	22,032
Net cash provided by (used in) financing activities	(2,867)	4,611	(30,500)
Effect of exchange rate changes on cash and cash equivalents	5,761	(67)	61,288
Net increase (decrease) in cash and cash equivalents	(2,357)	(20,586)	(25,074)
Cash and cash equivalents at beginning of year	76,318	96,775	811,894
Increase (decrease) in cash and cash equivalents resulting from change in fiscal year-end of consolidated subsidiaries	—	129	—
Increase in cash and cash equivalents from newly consolidated subsidiaries	17	—	180
Cash and cash equivalents at end of year (Notes 21)	¥ 73,978	¥ 76,318	$787,000

See accompanying notes to consolidated financial statements.

Hitachi Chemical Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2013 and 2012

1. Basis of Presentation and Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidated financial statements of Hitachi Chemical Co., Ltd. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

In addition, for the convenience of readers outside Japan, the consolidated financial statements, including the notes to the consolidated financial statements, include certain reclassifications and additional information which is not required under accounting principles generally accepted in Japan.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and those of its effectively controlled subsidiaries, whether directly or indirectly controlled. All significant intercompany accounts and transactions have been eliminated in consolidation.

Most of the investments in affiliated companies are stated at their underlying equity value, and the appropriate portion of the earnings of such companies is included in consolidated net income. The investments in affiliated companies which do not materially affect earnings and equity are stated at cost.

Goodwill, based on the fair value, acquired by the Company is being amortized on a straight-line basis over their estimated useful period by each individual investment in subsidiaries, not exceeding twenty years or, if the amount is not material, charged immediately to earnings.

(c) Cash and Cash Equivalents

For the purpose of the consolidated statements of cash flows, the Company and its consolidated companies consider all highly liquid investments with insignificant risk of change in value, which have maturities of generally three months or less when purchased, to be cash equivalents.

(d) Allowance for Doubtful Receivables

General provision for doubtful receivables is provided by applying a certain reserve percentage of the receivables based on experience from past transactions. When considered necessary, specific reserves are made based on the assessment of individual receivables.

(e) Investments in Securities

Securities are to be classified into one of the following two categories and accounted for as follows:

• Securities that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and measured at amortized cost.

• Securities other than held-to-maturity securities are classified as available-for-sale securities. Unrealized holding gains and losses of available-for-sale securities with fair values are reported as a net amount in a separate component of net assets until realized. Available-for-sale securities without fair values are carried at cost.

In computing realized gain or loss, cost of available-for-sale securities is principally determined by the moving-average method.

(f) Inventories

Inventories are principally stated at cost determined by the moving-average method. When their costs exceed the net realized value, inventories are written down to the net realized value.

(g) Property, Plant and Equipment

Property, plant and equipment are depreciated principally on a straight-line basis over its estimated useful life.

Prior to April 1, 2012, depreciation of property, plant and equipment was calculated by the declining-balance method based on the estimated useful lives, except for certain buildings of the Company and domestic subsidiaries acquired on or after April 1, 1998, which are depreciated by the straight-line method. Effective April 1, 2012, the Company and its domestic subsidiaries elected to change the method of depreciating property, plant and equipment from declining balance method to straight-line method.

As the customers continue to expand their operations overseas rapidly, the Group has been expanding their operations overseas in order to meet the customers' increasing demand in the overseas market based on the Company's medium-term management policy. In addition, after experiencing a production halt caused by the Great East Japan Earthquake, the Group increased their production capacity in the overseas operations which is also intended to stabilize their supply of the products in case of a similar natural disaster. Many of those facilities newly established as a result of these efforts have commenced their production during the year ended March 31, 2013 and it is expected that this trend will continue . As for the domestic operations, the production volume is expected to be secured through a shift to highly value-added products and domestic property, plant and equipment will be operated consistently and utilization of the domestic property, plant and equipment will be also more consistent. Accordingly, the Company and its domestic subsidiaries concluded that the new method is preferable as it better reflects the operations of the Company and its domestic subsidiaries.

As a result of this change, operating income and income before income taxes and minority interests all increased by ¥2,513 million ($26,734 thousand) for the year ended March 31, 2013.

(h) Intangible Assets

Intangible assets are amortized principally on a straight-line basis. Cost incurred for computer software for internal use is capitalized and amortized on a straight-line basis over its estimated useful life.

(i) Impairment of Fixed Assets

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When amounts of undiscounted future cash flows of fixed assets are less than the carrying amounts, the fixed assets are determined to be impaired. Then, an amount by which the carrying amount exceeds the recoverable amount is recognized as an impairment loss in earnings.

The recoverable amount of fixed assets is the greater of the net selling price or the present value of the future cash flows expected to be derived from the fixed assets. The Company and consolidated subsidiaries identify groups of assets by their business location and business division as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

(j) Retirement and Severance Benefits

Allowance for retirement and severance benefits for employees is provided based on the estimated retirement benefit obligation and fair value of the pension assets.

Prior service benefits and costs are recognized as income or expense on a straight-line basis over certain years, principally 10 years, not exceeding the expected average remaining service periods of the employees active at the date of the amendment. Actuarial gains and losses are recognized as income or expense on a straight-line basis from the next year of incurrence over certain years, principally 10 years, not exceeding the expected average remaining service periods of the employees participating in the plans.

(k) Derivative Financial Instruments

In principle, net assets or liabilities arising from derivative financial instruments are measured at fair value, with unrealized gain or loss included in earnings. Hedging transactions, that meet the criteria of hedge accounting as regulated in "Accounting Standard for Financial Instruments," are accounted for using deferral hedge accounting, which requires the unrealized gain or loss to be deferred as net unrealized gains or losses on hedge transactions, component of net assets, until gain or loss relating to the hedge object is recognized.

(l) Foreign Currency Translations

Foreign currency transactions are translated into yen on the basis of the exchange rates in effect at the transaction date. At year-end, monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates in effect at the balance sheet date. Gains or losses resulting from the translation of foreign currencies, including gains and losses on settlement, are credited or charged to earnings as incurred.

The financial statements of the consolidated foreign subsidiaries are translated into the reporting currency of yen as follows: all assets and liabilities are translated at the exchange rates in effect at the balance sheet date; stockholders' equity accounts are translated at historical rates; income and expenses are translated at an average of the exchange rates in effect during the year; and a comprehensive adjustment resulting from the translation of assets, liabilities and stockholders' equity is included in minority interests and foreign currency translation adjustments as a separate component of net assets.

(m) Income Taxes

Deferred income taxes are accounted for under the asset and liability method, and deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled.

(n) Consumption Taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(o) Net Income per Share

Basic net income per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding during each year. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

(p) Reclassifications

Certain reclassifications have been made to the prior year's consolidated financial statements in order to conform to the current year presentations.

(q) Standards issued but not yet effective

On May 17, 2012, Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No.26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No.25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 and the other related guidance.

Under the revised accounting standard, actuarial gains and losses and past service costs shall be recognized within net assets in the consolidated balance sheets, after adjusting tax effects, and the funding deficit or surplus shall be recognized as a liability or asset. Also, the new accounting standard allows a choice for the method of attributing expected benefits to periods of either the straight-line basis or plan's benefit formula basis. In addition, the determination method of the discount rate was amended.

The Company and certain subsidiaries expect to apply the revised accounting standard from the beginning of the fiscal year ending March 31, 2014.

The effect of adoption of this revised accounting standard is now under assessment at the time of preparation of the accompanying consolidated financial statements.

2. Basis of Financial Statement Translation

The accompanying consolidated financial statements are expressed in yen and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥94=US$1, the approximate exchange rate prevailing at the Tokyo Foreign Exchange Market as of March 31, 2013. This translation should not be construed as a representation that any amounts shown could be converted into U.S. dollars.

3. Financial Instruments

In principle, funds are managed through short-term deposits and are procured through debentures and bank loans. Additionally, derivative financial instruments are used in order to manage its exposure to fluctuate in foreign currency exchange rates, interest rates, and commodity prices.

Trade notes and accounts receivables is subject to the credit risk of customers. In order to minimize this risk, the Company and its subsidiaries periodically monitor the financial condition of customers in accordance with the credit management standards and claims management standards. The Company and its subsidiaries also work to fully grasp the financial condition of customers and manage the settlement terms and balances of each customer.

Short-term investments and investments in securities primarily consist of bonds and equity securities of the trading partners. In principle, only bonds that are highly safe are held, therefore, credit risk is minimal. Equity securities, on the other hand, is subject to risks related to the fluctuation of market value. In order to manage these risks, the Company and its subsidiaries periodically reconfirm the market value of the equity securities held and the financial condition of trading partners, and revaluate the holding of such equity securities while also taking into consideration the relationships with these trading partners.

The following table provides the carrying amount, the fair value and the difference between these two items of major financial instruments as of March 31, 2013 and 2012:

	Millions of yen					
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
	2013			2012		
Assets:						
Cash and deposits	¥ 36,955	¥ 36,955	¥ —	¥ 37,703	¥ 37,703	¥ —
Deposits to related companies	37,317	37,317	—	38,698	38,698	—
Trade notes and accounts receivables (Note a)	105,134			107,126		
Less allowance for doubtful receivables (Note b)	(770)			(1,595)		
	104,364	104,353	(11)	105,531	105,510	(21)
Short-term investments and investments in securities						
Held-to-maturity securities	101	98	(3)	101	99	(2)
Available-for-sale securities	6,164	6,164	—	7,407	7,407	—
Total Assets	¥184,901	¥184,887	¥ (14)	¥189,440	¥189,417	¥ (23)
Liabilities:						
Trade notes and accounts payables (Note c)	¥ 48,612	¥ 48,612	¥ —	¥ 50,367	¥ 50,367	¥ —
Short-term debt	20,387	20,387	—	15,931	15,931	—
Long-term debt						
Debentures	20,000	20,945	945	20,000	20,668	668
Long-term loans payable	8,053	8,117	64	4,739	4,810	71
Total Liabilities	¥ 97,052	¥ 98,061	¥ 1,009	¥ 91,037	¥ 91,776	¥ 739
Derivative financial instrument transactions (Note d):						
For which hedge accounting is not applied	¥ (1,882)	¥ (1,882)	¥ —	¥ (553)	¥ (553)	¥ —
For which hedge accounting is applied	109	109	—	(362)	(362)	—
Total Derivatives	¥ (1,773)	¥ (1,773)	¥ —	¥ (915)	¥ (915)	¥ —

	Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference
		2013	
Assets:			
Cash and deposits	$ 393,138	$ 393,138	$ —
Deposits to related companies	396,989	396,989	—
Trade notes and accounts receivables (Note a)	1,118,447		
Less allowance for doubtful receivables (Note b)	(8,191)		
	1,110,256	1,110,139	(117)
Short-term investments and investments in securities			
Held-to-maturity securities	1,075	1,043	(32)
Available-for-sale securities	65,574	65,574	—
Total Assets	$1,967,032	$1,966,883	$ (149)
Liabilities:			
Trade notes and accounts payables (Note c)	$ 517,149	$ 517,149	$ —
Short-term debt	216,883	216,883	—
Long-term debt			
Debentures	212,766	222,819	10,053
Long-term loans payable	85,670	86,351	681
Total Liabilities	$1,032,468	$1,043,202	$10,734
Derivative financial instrument transactions (Note d):			
For which hedge accounting is not applied	$ (20,021)	$ (20,021)	$ —
For which hedge accounting is applied	1,159	1,159	—
Total Derivatives	$ (18,862)	$ (18,862)	$ —

Note: a. The hedged foreign currency receivables recorded using forward foreign exchange contract rate is included. The amounts as of March 31, 2013 and 2012 included are ¥1,146 million ($12,191 thousand) and ¥676 million, respectively.

Note: b. These amounts are general provision for doubtful receivables and specific reserves for individual receivables associated with trade notes and accounts receivables.

Note: c. The hedged foreign currency payables recorded using forward foreign exchange contract rate is included. The amount as of March 31, 2012 was ¥40 million.

Note: d. These represent net assets or liabilities arising from derivative transactions. The figures in parentheses indicate net liabilities.

The method of calculating the fair value of financial instruments is as follows:

Cash and deposits, deposits to related companies

As these items are settled in the short term, the fair value of these items approximates the book value, therefore, the book value is used.

Trade notes and accounts receivables

The fair value of items settled in the short term approximates the book value, therefore, the book value is used. The fair value of installment receivables is determined by discounting the amount of receivables by a rate that reflects the credit risk.

Short-term investments and investments in securities

The fair value of equity securities is the quoted market prices on the stock exchange. The fair value of bond is the value provided by the counterparty financial institution.

Trade notes and accounts payables, short-term debt

As these items are settled in the short term, the fair value of these items approximates the book value, therefore, the book value is used.

Debentures

The fair value of debentures issued by the Company is the value provided by the counterparty financial institution.

Long-term loans payable

Loans with floating interest rates reflect market interest rates over the short term, and the Company's credit standing has not changed significantly after the loan was made. The fair value approximates the book value, therefore, the book value is used. The fair value of fixed-rate loans is determined by discounting the total amount of principal and interest by the assumed rate on new borrowings of the same type.

Derivative financial instrument transactions

The fair value of derivative financial instrument transactions is the value provided by the counterparty financial institutions.

The previous table does not include non-marketable securities because no quoted market price is available and it is extremely difficult in estimating fair value. The carrying amount of non-marketable securities at March 31, 2013 and 2012 totaled ¥9,493 million ($100,989 thousand) and ¥8,562 million, respectively.

Redemption schedules of receivables and securities with a maturity date are as follows:

	Millions of yen							
	Within one year	After one year through five years	After five years through ten years	After ten years	Within one year	After one year through five years	After five years through ten years	After ten years
	2013				2012			
Deposits	¥ 36,608	¥ —	¥ —	¥ —	¥ 37,356	¥ —	¥ —	¥ —
Deposits to related companies	37,317	—	—	—	38,698	—	—	—
Trade notes and accounts receivables	104,293	71	—	—	105,395	136	—	—
Short-term investments and investments in securities								
Held-to-maturity securities								
Debentures:	—	100	—	—	—	100	—	—
Available-for-sale securities								
Debt securities:	500	—	—	1,000	1,900	800	—	1,000
	¥178,718	¥ 171	¥ —	¥ 1,000	¥183,349	¥ 1,036	¥ —	¥ 1,000

	Thousands of U.S. dollars			
	Within one year	After one year through five years	After five years through ten years	After ten years
	2013			
Deposits	$ 389,447	$ —	$ —	$ —
Deposits to related companies	396,989	—	—	—
Trade notes and accounts receivables	1,109,500	756	—	—
Short-term investments and investments in securities				
Held-to-maturity securities				
Debentures:	—	1,063	—	—
Available-for-sale securities				
Debt securities:	5,319	—	—	10,638
	$1,901,255	$ 1,819	$ —	$ 10,638

4. Short-term Investments and Investments in Securities

Held-to-maturity securities

	Millions of yen					
	Carrying amount	Estimated fair value	Unrealized gains (losses)	Carrying amount	Estimated fair value	Unrealized gains (losses)
	2013			2012		
Held-to-maturity securities with gross unrealized holding gains:						
Government bonds, municipal bonds and other	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Debentures	—	—	—	—	—	—
Other bonds	—	—	—	—	—	—
	—	—	—	—	—	—
Held-to-maturity securities with gross unrealized holding losses:						
Government bonds, municipal bonds and other	—	—	—	—	—	—
Debentures	101	98	(3)	101	99	(2)
Other bonds	—	—	—	—	—	—
	101	98	(3)	101	99	(2)
	¥ 101	¥ 98	¥ (3)	¥ 101	¥ 99	¥ (2)

	Thousands of U.S. dollars		
	Carrying amount	Estimated fair value	Unrealized gains (losses)
	2013		
Held-to-maturity securities with gross unrealized holding gains:			
Government bonds, municipal bonds and other	$ —	$ —	$ —
Debentures	—	—	—
Other bonds	—	—	—
	—	—	—
Held-to-maturity securities with gross unrealized holding losses:			
Government bonds, municipal bonds and other	—	—	—
Debentures	1,075	1,043	(32)
Other bonds	—	—	—
	1,075	1,043	(32)
	$ 1,075	$ 1,043	$ (32)

Available-for-sale securities

	Millions of yen					
	Carrying amount	Acquisition cost	Unrealized gains (losses)	Carrying amount	Acquisition cost	Unrealized gains (losses)
	2013			2012		
Available-for-sale securities with gross unrealized holding gains:						
Equity securities	¥ 4,381	¥ 2,366	¥ 2,015	¥ 3,371	¥ 1,844	¥ 1,527
Debt securities	1,003	1,000	3	—	—	—
Other securities	—	—	—	—	—	—
	5,384	3,366	2,018	3,371	1,844	1,527
Available-for-sale securities with gross unrealized holding losses:						
Equity securities	142	160	(18)	238	264	(26)
Debt securities	499	500	(1)	3,638	3,700	(62)
Other securities	139	139	—	160	160	—
	780	799	(19)	4,036	4,124	(88)
	¥ 6,164	¥ 4,165	¥ 1,999	¥ 7,407	¥ 5,968	¥ 1,439

	Thousands of U.S. dollars		
	Carrying amount	Acquisition cost	Unrealized gains (losses)
	2013		
Available-for-sale securities with gross unrealized holding gains:			
Equity securities	$46,606	$25,170	$21,436
Debt securities	10,670	10,638	32
Other securities	—	—	—
	57,276	35,808	21,468
Available-for-sale securities with gross unrealized holding losses:			
Equity securities	1,510	1,702	(192)
Debt securities	5,309	5,319	(10)
Other securities	1,479	1,479	—
	8,298	8,500	(202)
	$65,574	$44,308	$21,266

5. Inventories

Inventories as of March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Finished and semi-finished goods	¥ 20,163	¥ 19,160	$214,500
Work in process	12,006	10,387	127,723
Raw materials	15,090	12,972	160,532
	¥ 47,259	¥ 42,519	$502,755

6. Income Taxes

The income tax expenses (benefits) reflected in the consolidated statements of income for the years ended March 31, 2013 and 2012 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Current tax expense	¥ 11,175	¥ 8,386	$118,883
Deferred tax expense (benefit)	404	3,383	4,298
	¥ 11,579	¥ 11,769	$123,181

The Company and its domestic subsidiaries are subject to a number of taxes based on income.

Reconciliations between the statutory tax rate and the effective income tax rate as a percentage of income before income taxes and minority interests are omitted, as the discrepancies are immaterial.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of March 31, 2013 and 2012 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Retirement and severance benefits	¥ 8,074	¥ 7,960	$ 85,894
Accrued bonus	3,251	3,317	34,585
Accrued business tax	689	473	7,330
Allowance for doubtful receivables	413	636	4,394
Other	16,820	15,550	178,935
Total gross deferred tax assets	29,247	27,936	311,138
Valuation allowance	(12,111)	(11,479)	(128,840)
Total deferred tax assets	17,136	16,457	182,298
Deferred tax liabilities:			
Tax purpose reserves regulated by Japanese Tax Law	(59)	(40)	(628)
Valuation difference on available-for-sale securities	(698)	(507)	(7,426)
Prepaid pension benefit cost	(1,569)	(1,396)	(16,691)
Other	(1,135)	(370)	(12,074)
Total deferred tax liabilities	(3,461)	(2,313)	(36,819)
Net deferred tax assets	¥ 13,675	¥ 14,144	$145,479

Net deferred tax assets as of March 31, 2013 and 2012 are reflected in the consolidated balance sheets under the following captions:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Other current assets	¥ 6,259	¥ 7,096	$ 66,585
Other assets	8,006	7,280	85,170
Other current liabilities	(2)	—	(21)
Other liabilities	(588)	(232)	(6,255)
Net deferred tax assets	¥ 13,675	¥ 14,144	$145,479

7. Property, Plant and Equipment

Property, plant and equipment, at cost as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Buildings and structures	¥ 146,985	¥ 132,709	$1,563,670
Machinery and transportation equipment	339,725	321,244	3,614,096
Land	20,165	18,334	214,521
Construction in progress	23,508	10,342	250,085
Others	68,124	62,155	724,724
	¥ 598,507	¥ 544,784	$6,367,096

8. Short-term and Long-term Debt

Long-term debt as of March 31, 2013 and 2012 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Debentures:			
8th series, due 2016, interest 2.17%	¥ 10,000	¥ 10,000	$ 106,383
9th series, due 2022, interest 1.19%	10,000	10,000	106,383
Loans, principally from banks:			
Maturing 2014–2018, interest 3.8% (average)	8,053	4,739	85,670
	¥ 28,053	¥ 24,739	$ 298,436

The aggregate annual maturities of long-term debt after March 31, 2013 are as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥ —	$ —
2015	1,159	12,330
2016	2,960	31,489
2017	859	9,138
2018	3,075	32,713
2019 and thereafter	—	—
	¥ 8,053	$ 85,670

9. Liability for Retirement and Severance Benefits

Defined Benefit Plans

The Company and certain subsidiaries have defined-benefit corporate pension plans, tax qualified pension plans, and lump-sum retirement plans to provide retirement and severance benefits to substantially all of their employees.

Funded status of the Company's and subsidiaries' plans as of March 31, 2013 and 2012 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Projected benefit obligations	¥ (96,277)	¥ (90,577)	$(1,024,223)
Plan assets at fair value	75,946	68,675	807,936
Funded status	(20,331)	(21,902)	(216,287)
Unrecognized actuarial loss	7,648	9,473	81,362
Unrecognized prior service benefit	(230)	(368)	(2,447)
Net amount recognized in the consolidated balance sheets	¥ (12,913)	¥ (12,797)	$ (137,372)
Amounts recognized in the consolidated balance sheets consist of:			
Prepaid pension benefit cost (other assets)	¥ 4,198	¥ 3,747	$ 44,660
Retirement and severance benefits	(17,111)	(16,544)	(182,032)
	¥ (12,913)	¥ (12,797)	$ (137,372)

Net periodic benefit costs for the funded benefit pension plans and the unfunded lump-sum payment plans for the years ended March 31, 2013 and 2012 consisted of the following components:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Service cost, net of employees' contributions	¥ 3,039	¥ 2,848	$ 32,330
Interest cost	1,977	2,239	21,032
Expected return on plan assets	(1,259)	(1,167)	(13,394)
Amortization of unrecognized actuarial loss	1,815	1,885	19,308
Amortization of unrecognized prior service benefit	(223)	(257)	(2,372)
Net periodic benefit cost	¥ 5,349	¥ 5,548	$ 56,904

Note: Besides retirement and severance benefits under the defined benefit pension plans above, premium retirement benefits of ¥214 million ($2,277 thousand) and ¥213 million are charged to earnings during the years ended March 31, 2013 and 2012, respectively.

Actuarial assumptions used in the accounting for the Company's and subsidiaries' plans are principally as follows:

	2013	2012
Discount rate	1.0〜2.5%	1.5〜2.8%
Expected return rate on plan assets	2.0%	2.0%

Defined Benefit Plans

The amount of cost recognized for the Company's and certain subsidiaries' contribution to the plans for the years ended March 31, 2013 and 2012 is ¥944 million ($10,043 thousand) and ¥968 million, respectively.

10. Asset Retirement Obligations

The Company has recorded asset retirement obligations pertaining to the legal obligation to eliminate asbestos and other harmful substances present in property, plant and equipment upon their retirement and to the obligation to return offices and other leased facilities to their original condition (restitution obligations) as stated in their lease contracts.

Methods of calculating the amounts for asset retirement obligations in the years ended March 31, 2013 and 2012 are as follows:

	Estimated period of use	Discount rate	Estimated period of use	Discount rate
	2013		2012	
Obligations to eliminate asbestos, etc.	**5–35 years**	**0.5–2.3%**	5–35 years	0.5–2.3%
Restitution obligations	**8–60 years**	**1.0–2.4%**	8–60 years	1.0–2.4%

Changes in applicable asset retirement obligations in the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Balance at beginning of year	**¥ 943**	¥ 938	**$ 10,032**
Increase due to acquisition of property, plant and equipment	**231**	4	**2,458**
Adjustment due to passage of time	**14**	13	**149**
Decrease due to fulfillment of obligations	**(134)**	(12)	**(1,426)**
Balance at end of year	**¥ 1,054**	¥ 943	**$ 11,213**

11. Common Stock

Issued shares, changes in shares and the amount of common stock for the years ended March 31, 2013 and 2012 are summarized as follows:

	Issued shares	Millions of yen Amount	Thousands of U.S. dollars Amount
Balances as of April 1, 2011	208,364,913	¥ 15,454	
Balances as of March 31, 2012	208,364,913	15,454	$164,404
Balances as of March 31, 2013	**208,364,913**	**¥ 15,454**	**$164,404**

12. Net Assets and Cash Dividends

The Company's common stock has no par value in accordance with the Japanese Corporate Law (JCL). Under JCL, at least 50% of the amount actually paid in or provided in consideration for newly issued stocks is designated as stated common stock and proceeds in excess of the amount designated as stated common stock are recorded as capital surplus.

The JCL requires an amount equal to at least 10% of distributions of retained earnings to be appropriated as legal reserve, which are included in capital surplus and retained earnings, until legal reserve equals 25% of stated common stock. In addition, common stock, capital surplus and retained earnings, including legal reserves, can generally be transferred to each other upon resolution of the shareholders' meeting.

Cash dividends during the years ended March 31, 2013 and 2012 in the consolidated statements of changes in net assets, represent dividends resolved during those years.

For the year ended March 31, 2013
Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S.dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Meeting of the Board of Directors on May 28, 2012	Common stock	¥ 3,748	$39,872	¥ 18	$ 0.19	March 31, 2012	May 29, 2012
Meeting of the Board of Directors on October 29, 2012	Common stock	¥ 4,165	$44,309	¥ 20	$ 0.21	September 30, 2012	November 28, 2012

Dividends with the cut-off date in the year ended March 31, 2013 and the effective date in the year ending March 31,2014

Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S.dollars)	Source of dividends	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Meeting of the Board of Directors on May 29, 2013	Common stock	¥ 3,748	$39,872	Retained earnings	¥ 18	$ 0.19	March 31, 2013	May 30, 2013

For the year ended March 31, 2012
Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Cut-off date	Effective date
Meeting of the Board of Directors on May 26, 2011	Common stock	¥ 3,749	¥ 18	March 31, 2011	June 8, 2011
Meeting of the Board of Directors on October 25, 2011	Common stock	¥ 3,749	¥ 18	September 30, 2011	November 29, 2011

Dividends with the cut-off date in the year ended March 31, 2012 and the effective date in the year ended March 31,2013

Resolution	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Cut-off date	Effective date
Meeting of the Board of Directors on May 28, 2012	Common stock	¥ 3,748	Retained earnings	¥ 18	March 31, 2012	May 29, 2012

13. Treasury Stock

The Japanese Corporate Law (JCL) allows a company to acquire treasury stocks upon shareholders' approval to the extent that sufficient distributable funds are available. If the Board of Directors' authority is stated in the Articles of Incorporation, a company is allowed to purchase treasury stock only with the Board of Directors' approval. Purchase of treasury stock is authorized with the approval by the board of directors under the Company's Articles of Incorporation.

Pursuant to the provisions of the JCL, shareholders may request the Company to acquire their shares below a minimum trading lot (100 shares) as shares below a minimum trading lot cannot be publicly traded and do not carry a voting right. The JCL also states that a shareholder holding shares less than a minimum trading lot is entitled to request the company to sell its treasury stock, if any, to the shareholder up to a minimum trading lot, provided that sale of treasury stock is allowed under the Articles of Incorporation. Sale of treasury stock is allowed under the Company's Articles of Incorporation.

The changes in treasury stock for the years ended March 31, 2013 and 2012 are summarized as follows:

	Shares
Balances as of April 1, 2011	113,682
Purchase of treasury stock	2,105
Sale of treasury stock	(175)
Balances as of March 31, 2012	115,612
Purchase of treasury stock	1,818
Sale of treasury stock	(114)
Balances as of March 31, 2013	**117,316**

14. Commitments and Contingencies

Contingent liabilities for guarantees for bank loans of employees amounted to ¥117 million ($1,245 thousand) and ¥144 million at March 31, 2013 and 2012, respectively.

It is a common practice in Japan for companies, in the ordinary course of business, to receive promissory notes in the settlement of trade accounts receivable and to transfer them by endorsement to suppliers in the settlement of accounts payable. The Company and its subsidiaries are contingently liable for trade notes endorsed, which amounted to ¥679 million ($7,223 thousand) and ¥608 million at March 31, 2013 and 2012, respectively.

15. Research and Development Expenses

Research and development expenses included in general and administrative expenses and gross production cost for the years ended March 31, 2013 and 2012 amounted to ¥25,534 million ($271,638 thousand) and ¥25,680 million, respectively.

16. Impairment Losses on Fixed Assets

For the year ended March 31, 2013, certain consolidated subsidiaries recognized impairment losses on fixed assets as follows:

Location	Use	Type
Mexico, other	Production facilities and other	Machinery and equipment, and other

Production facilities and other assets for which value declined due to decreased profitability were devalued from the carrying amount to the recoverable amount, and resulted in an impairment loss of ¥1,208 million ($12,851 thousand), which was reported in impairment losses on fixed assets in the consolidated statements of income.

The Company and its subsidiaries determine recoverable amount using either net selling price or value in use. Net selling price is based on the assessed value for property tax purpose, which is adjusted as appropriate. Value in use is based on the present value of future cash flows calculated using a discount rate of 5.0 %.

For the year ended March 31, 2012, certain consolidated subsidiaries recognized impairment losses on fixed assets as follows:

Location	Use	Type
Katori-gun, Chiba Prefecture	Idle	Machinery and equipment, and other
Chikusei-shi, Ibaraki Prefecture and other	Production facilities and other	Buildings, machinery and equipment, and other

Idle assets for which value declined due to some factors were devalued from the carrying amount to the recoverable amount and resulted in an impairment loss of ¥346 million, which was reported in impairment losses on fixed assets in the consolidated statements of income. Production facilities and other assets for which value declined due to decreased profitability were devalued from the carrying amount to the recoverable amount and resulted in an impairment loss of ¥253 million, which was reported in impairment losses on fixed assets in the consolidated statements of income.

The Company and its subsidiaries determine recoverable amount using either net selling price or value in use. Net selling price is based on the appraisal. Value in use is based on the present value of future cash flows. Discount rates are omitted due to the negative undiscounted future cash flows.

17. Loss on Disaster

For the year ended March 31, 2012

Loss on disaster due to the Great East Japan Earthquake occurred on March 11, 2011 is as follows:

	Millions of yen
	2012
Factory relocation expenses	¥1,308
Fixed cost incurred during the business interruption and other	391
	¥1,699

Loss on disaster due to the flood in Thailand is as follows:

	Millions of yen
	2012
Loss on disposal of fixed assets	¥ 77
Loss on valuation and disposal of inventories	267
Fixed cost incurred during the business interruption	185
Insurance income	(512)
Cost of restoration, removal and other	383
	¥ 400

18. Compensation income

The compensation income for the year ended March 31, 2013 represents the amount the Company and its consolidated subsidiaries received from Tokyo Electric Power Company ("TEPCO") as a compensation for the lost income during the period from September 1, 2011 to August 31, 2012 and certain other additional costs incurred during the period from March 11 to August 31, 2011.

The compensation income for the year ended March 31, 2012 represents the amount the Company and its consolidated subsidiaries received from TEPCO as a compensation for the lost income during the period from March 11 to August 31, 2011.

19.Reclassification adjustment and tax effect amounts relating to other comprehensive income

Reclassification adjustment and tax effect amounts relating to other comprehensive income for the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥ 553	¥ (117)	$ 5,883
Reclassification adjustment	(17)	(1,289)	(181)
Amount before tax effect	536	(1,406)	5,702
Tax effect	(192)	636	(2,042)
Valuation difference on available-for-sale securities	344	(770)	3,660
Deferred gains or losses on hedges:			
Amount arising during the year	185	(1,530)	1,968
Reclassification adjustment	295	111	3,138
Asset acquisition cost adjustment	(101)	1,123	(1,074)
Amount before tax effect	379	(296)	4,032
Tax effect	(145)	111	(1,543)
Deferred gains or losses on hedges	234	(185)	2,489
Foreign currency translation adjustments:			
Amount arising during the year	12,883	249	137,053
Reclassification adjustment	(6)	(8)	(64)
Foreign currency translation adjustments	12,877	241	136,989
Share of other comprehensive income of associates accounted for using the equity method:			
Amount arising during the year	578	(100)	6,149
Total other comprehensive income	¥ 14,033	¥ (814)	$149,287

20. Amount Per Share

The reconciliation of the number of shares and the amounts used in the basic and diluted net income per share computations for the years ended March 31, 2013 and 2012 are as follows:

	Thousands of shares	
	2013	2012
Weighted average number of shares on which basic net income per share is calculated	208,248	208,250
Effect of dilutive securities	—	—
Number of shares on which diluted net income per share is calculated	208,248	208,250

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Net income	¥ 18,818	¥ 16,427	$ 200,191
Net income not applicable to common stockholders	—	—	—
Net income on which basic net income per share is calculated	18,818	16,427	200,191
Effect of dilutive securities	—	—	—
Net income on which diluted net income per share is calculated	¥ 18,818	¥ 16,427	$ 200,191

	Yen		U.S. dollars
	2013	2012	2013
Net income per share:			
Basic	¥ 90.36	¥ 78.88	$ 0.96
Diluted	¥ —	¥ —	$ —

Net assets per share as of March 31, 2013 and 2012 are as follows:

	Yen		U.S. dollars
	2013	2012	2013
Basic	¥1,474.11	¥1,359.33	$ 15.68

21. Supplementary Cash Flow Information

Cash paid for interest and income taxes for the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Cash paid during the year for:			
Interest	¥ 1,105	¥ 720	$ 11,755
Income taxes	¥ 8,735	¥ 9,706	$ 92,926

The components of cash and cash equivalents as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Cash and deposits	¥ 36,955	¥ 37,703	$ 393,138
Time deposits with over three months maturity	(294)	(83)	(3,127)
Deposits to related companies	37,317	38,698	396,989
Cash and cash equivalents	¥ 73,978	¥ 76,318	$ 787,000

22. Financial Instruments and Derivative Financial Instruments

The Company and certain subsidiaries operate globally and are exposed to market risks arising from fluctuations in foreign currency exchange rates, interest rates and commodity prices. In order to manage those risks, the Company and certain subsidiaries enter into various contracts on derivative financial instruments, including forward exchange contracts, currency option contracts, currency swap contracts, interest rate option contracts and commodity swap contracts. Forward exchange contracts are utilized to manage risks arising from foreign currency receivables from export of finished goods; foreign currency payables from the import of raw materials; and forecasted foreign currency sales and purchase transactions. Currency option contracts, interest rate option contracts and interest rate swap contracts are utilized to manage foreign currency risk and interest rate risk for debts. Commodity swap contracts are utilized to manage the commodity price fluctuation risk on purchased raw material (lead and copper). The Company and its subsidiaries have no derivative financial instruments for trading purposes. In addition, the Company and its subsidiaries are exposed to potential credit-related losses in the event of non-performance by counterparties to financial instruments and derivative financial instruments, but it is not expected that any counterparties will fail to meet their obligations, because most of the counterparties are financial institutions with a sound credit profile.

The Company and its subsidiaries have also developed hedging policies to control various aspects of derivative financial transactions including authorization levels and transaction volumes. Based on these policies, the Company and its subsidiaries hedge, within certain scopes, risks arising from changes in foreign currency exchange rates, interest rates and commodity prices. The Company and its subsidiaries review periodically the effectiveness of all the hedge policies to take account of the cumulative cash flows and any changes in the market.

The fair values of the derivative financial instruments for which hedge accounting is not applied as of March 31, 2013 and 2012 are as follows:

	Millions of yen					
	Notional amount	Estimated fair value	Unrealized gains (losses)	Notional amount	Estimated fair value	Unrealized gains (losses)
	2013			2012		
Currency option contracts:						
To sell foreign currencies	¥ —	¥ —	¥ —	¥ 863	¥ (36)	¥ (26)
To buy foreign currencies	—	—	—	551	1	(8)
Forward exchange contracts:						
To sell foreign currencies	16,870	(925)	(925)	14,383	(566)	(566)
To buy foreign currencies	3,714	64	64	2,566	61	61
Currency swap contracts:						
To sell foreign currencies	1,557	(338)	(338)	600	(15)	(15)
To buy foreign currencies	3,267	(678)	(678)	1,297	1	1
	¥ 25,408	¥ (1,877)	¥ (1,877)	¥ 20,260	¥ (554)	¥ (553)

	Thousands of U.S. dollars		
	Notional amount	Estimated fair value	Unrealized gains (losses)
	2013		
Currency option contracts:			
To sell foreign currencies	$ —	$ —	$ —
To buy foreign currencies	—	—	—
Forward exchange contracts:			
To sell foreign currencies	179,468	(9,840)	(9,840)
To buy foreign currencies	39,511	681	681
Currency swap contracts:			
To sell foreign currencies	16,564	(3,596)	(3,596)
To buy foreign currencies	34,755	(7,213)	(7,213)
	$270,298	$ (19,968)	$ (19,968)

The fair values of derivative financial instruments are estimated on the basis of information obtained from counterparty financial institutions.

	Millions of yen			
	Notional amount	Estimated fair value	Notional amount	Estimated fair value
	2013		2012	
Commodity swap contracts:				
Variable receipt and fixed payment	¥ 79	¥ (5)	¥ —	¥ —
	¥ 79	¥ (5)	¥ —	¥ —

	Thousands of U.S. dollars	
	Notional amount	Estimated fair value
	2013	
Commodity swap contracts:		
Variable receipt and fixed payment	$ 840	$ (53)
	$ 840	$ (53)

The fair values of derivative financial instruments are estimated on the basis of information obtained from counterparty financial institutions.

The fair values of the derivative financial instruments for which hedge accounting is applied as of March 31, 2013 and 2012 are as follows:

Processing method in principle

	Millions of yen			
	Notional amount	Estimated fair value	Notional amount	Estimated fair value
	2013		2012	
Currency option contracts:				
To sell foreign currencies	¥ —	¥ —	¥ —	¥ —
To buy foreign currencies	—	—	—	—
Forward exchange contracts:				
To sell foreign currencies	2,755	(102)	3,207	(152)
To buy foreign currencies	—	—	—	—
	¥ 2,755	¥ (102)	¥ 3,207	¥ (152)

	Thousands of U.S. dollars	
	Notional amount	Estimated fair value
	2013	
Currency option contracts:		
To sell foreign currencies	$ —	$ —
To buy foreign currencies	—	—
Forward exchange contracts:		
To sell foreign currencies	29,309	(1,085)
To buy foreign currencies	—	—
	$29,309	$ (1,085)

Assigning method of foreign forward exchange contracts

	Millions of yen			
	Notional amount	Estimated fair value	Notional amount	Estimated fair value
	2013		2012	
Forward exchange contracts:				
To sell foreign currencies	¥ 1,146	¥ —	¥ 676	¥ —
To buy foreign currencies	—	—	40	—
	¥ 1,146	¥ —	¥ 716	¥ —

	Thousands of U.S. dollars	
	Notional amount	Estimated fair value
	2013	
Forward exchange contracts:		
To sell foreign currencies	$12,191	$ —
To buy foreign currencies	—	—
	$12,191	$ —

The fair values of derivative financial instruments are estimated on the basis of information obtained from counterparty financial institutions.

Forward exchange contracts accounted for under the assigning method are handled together with accounts receivable and accounts payable. Therefore, their fair value is included within the fair value of accounts receivable and accounts payable.

	Millions of yen			
	Notional amount	Estimated fair value	Notional amount	Estimated fair value
	2013		2012	
Commodity swap contracts:				
Variable receipt and fixed payment	¥ 2,251	¥ 211	¥ 5,208	¥ (210)
	¥ 2,251	¥ 211	¥ 5,208	¥ (210)

	Thousands of U.S. dollars	
	Notional amount	Estimated fair value
	2013	
Commodity swap contracts:		
Variable receipt and fixed payment	$23,947	$ 2,245
	$23,947	$ 2,245

The fair values of derivative financial instruments are estimated on the basis of information obtained from counterparty financial institutions.

23. Leases

Lessee

Finance leases (without transfer of legal title) that commenced on or before March 31, 2008 are accounted for as operating leases.

Future minimum lease payments under non-cancelable operating lease arrangements as of March 31, 2013 are ¥430 million ($4,574 thousand) due within one year and ¥745 million ($7,926 thousand) due after one year.

24. Business Combinations

For the year ended March 31, 2013

Business combination through acquisition

On October 1, 2012, the Company acquired the semiconductor encapsulating materials business of Nitto Denko Corporation, including two subsidiaries, NITTO ELECTRONICS KYUSYU CORPORATION (currently: Hitachi Chemical Electronics Materials (Kyushu) Co. Ltd.) and NITTO DENKO ELECTRONICS (MALAYSIA) SDN. BHD. (currently: Hitachi Chemical (Selangor) Sdn. Bhd.). As a result of this transaction, the Company acquired 100% of the voting interest of these entities. The acquisition was intended to strengthen the Company's semiconductor encapsulating materials business through consolidation of these newly acquired subsidiaries.

The difference between the considerations paid for the acquisition and the fair value of net assets was recorded as goodwill, which is relatively insignificant. As a result, the entire amount was amortized in full during the fiscal year ended March 31, 2013.

A breakdown of the cost of the acquisition and the goodwill acquired is as follows:

Cash paid in connection with the business transfer	¥4,563 million	$48,542 thousand
Due diligence and other expenses	¥ 175 million	$ 1,862 thousand
Total cost of the acquisition:	¥4,738 million	$50,404 thousand
Goodwill:	¥ 187 million	$ 1,989 thousand

25. Related Party Transactions

The Company and its consolidated subsidiaries have related party transactions with Hitachi, Ltd., the parent company. The major transactions with Hitachi, Ltd., are as follows;

Transactions between certain subsidiary and related party:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Balances with Hitachi, Ltd.:			
Deposits to Hitachi group cash management fund	¥ 30,314	¥ 35,168	$322,489
Transactions with Hitachi, Ltd.:			
Net increase (decrease) in deposits to Hitachi group cash management fund	¥ (4,854)	¥ (18,915)	$ (51,638)

26. Segment Information

The Company's reportable segment is the constituent units of our business, for which separate financial information is available, and whose operating results are reviewed periodically by the Board of Directors of the Company to determine the allocation of management resources and assess their performance.

The Company is developing business activities based on the organizational structure that is categorized depending on the degree of product processing, from materials through components to parts.

Based on the above, according to the degree of product processing, the Company determines two reportable segments, namely categorizing materials as "Functional Materials Segment" and the components and parts as "Advanced Components and Systems Segment", and the main products of each reportable segment are provided on page 5 of this annual report.

In light of the conversion of Shin-Kobe Electric Machinery Co., Ltd., into a wholly owned subsidiary, the Company established the Energy Devices & System Business Headquarters on April 1, 2012. In conjunction with this, certain products manufactured by Shin-Kobe Electric Machinery Co., Ltd. were switched from the Advanced Components and Systems Segment to the Functional Materials Segment effective starting from the fiscal year ended March 31, 2013.

Segment information for the previous fiscal year has been restated to reflect the changes.

Reportable segment information:

	Millions of yen				
	Functional Materials	Advanced Components and Systems	Total	Eliminations	Consolidated
			2013		
Sales to external customers	¥245,157	¥219,498	¥464,655	¥ —	¥464,655
Intersegment sales	8,101	1,304	9,405	(9,405)	—
	253,258	220,802	474,060	(9,405)	464,655
Operating income	¥ 21,358	¥ 2,218	¥ 23,576	¥ (17)	¥ 23,559
Assets	¥270,357	¥209,587	¥479,944	¥ (2,064)	¥477,880
Other					
Depreciation and amortization	¥ 12,804	¥ 12,451	¥ 25,255	¥ —	¥ 25,255
Investments in equity method affiliates	5,666	2,120	7,786	—	7,786
Increase in property, plant and equipment and intangible assets	22,619	27,263	49,882	—	49,882
Impairment losses on fixed assets	—	1,208	1,208	—	1,208
Amortization of goodwill	453	3,272	3,725	—	3,725
Goodwill	1,347	23,051	24,398	—	24,398

	Millions of yen				
	Functional Materials	Advanced Components and Systems	Total	Eliminations	Consolidated
			2012		
Sales to external customers	¥244,855	¥228,214	¥473,069	¥ —	¥473,069
Intersegment sales	8,014	416	8,430	(8,430)	—
	252,869	228,630	481,499	(8,430)	473,069
Operating income	¥ 20,139	¥ 4,374	¥ 24,513	¥ (18)	¥ 24,495
Assets	¥253,255	¥189,381	¥442,636	¥ (1,655)	¥440,981
Other					
Depreciation and amortization	¥ 14,567	¥ 13,673	¥ 28,240	¥ —	¥ 28,240
Investments in equity method affiliates	4,747	1,680	6,427	—	6,427
Increase in property, plant and equipment and intangible assets	19,645	41,773	61,418	—	61,418
Impairment losses on fixed assets	14	585	599	—	599
Amortization of goodwill	136	672	808	—	808
Goodwill	1,570	23,113	24,683	—	24,683

	Thousands of U.S. dollars				
	Functional Materials	Advanced Components and Systems	Total	Eliminations	Consolidated
	2013				
Sales to external customers	$2,608,053	$2,335,085	$4,943,138	$ —	$4,943,138
Intersegment sales	86,181	13,872	100,053	(100,053)	—
	2,694,234	2,348,957	5,043,191	(100,053)	4,943,138
Operating income	$ 227,213	$ 23,596	$ 250,809	$ (181)	$ 250,628
Assets	$2,876,138	$2,229,649	$5,105,787	$ (21,957)	$5,083,830
Other					
Depreciation and amortization	$ 136,213	$ 132,457	$ 268,670	$ —	$ 268,670
Investments in equity method affiliates	60,277	22,553	82,830	—	82,830
Increase in property, plant and equipment and intangible assets	240,628	290,032	530,660	—	530,660
Impairment losses on fixed assets	—	12,851	12,851	—	12,851
Amortization of goodwill	4,819	34,809	39,628	—	39,628
Goodwill	14,330	245,223	259,553	—	259,553

Geographic Information:

	Millions of yen			
	Japan	Asia	Other areas	Total
	2013			
Net sales	¥ 247,736	¥ 188,590	¥ 28,329	¥ 464,655
Net property, plant and equipment	¥ 96,371	¥ 59,248	¥ 6,401	¥ 162,020

	Millions of yen			
	Japan	Asia	Other areas	Total
	2012			
Net sales	¥ 272,355	¥ 171,613	¥ 29,101	¥ 473,069
Net property, plant and equipment	¥ 90,769	¥ 35,865	¥ 4,661	¥ 131,295

	Thousands of U.S. dollars			
	Japan	Asia	Other areas	Total
	2013			
Net sales	$2,635,489	$2,006,277	$ 301,372	$4,943,138
Net property, plant and equipment	$1,025,223	$ 630,298	$ 68,096	$1,723,617

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Independent Auditor's Report

The Board of Directors
Hitachi Chemical Co., Ltd.

We have audited the accompanying consolidated financial statements of Hitachi Chemical Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hitachi Chemical Co., Ltd. and its consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in Note 1.(g) to the consolidated financial statements, the Company and its domestic subsidiaries changed their method of depreciation of property, plant and equipment from the declining-balance method to the straight-line method. Our opinion is not qualified in respect of this matter.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

June 19, 2013

Tokyo, Japan Ernst & Young ShinNihon LLC

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