Financial Section

SIX-YEAR SUMMARY

Hitachi Chemical Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2015, 2014, 2013, 2012, 2011, and 2010

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS").The date of transition to IFRS is April 1, 2013.

	Millions of yen (except per share data)								Thousands of U.S. dollars (except per share data) (Note 1)
	2015 (IFRS)	2014 (IFRS)	2015	2014	2013	2012	2011	2010	2015 (IFRS)
For the year:									
Revenue/Net sales*	¥ 525,061	¥ 488,725	¥ 533,955	¥ 493,766	¥ 464,655	¥ 473,069	¥ 497,452	¥ 455,287	$4,375,508
Operating income	29,226	36,569	35,144	27,775	23,559	24,495	43,471	38,341	243,550
Net income	22,867	29,144	21,101	24,103	18,818	16,427	18,943	23,509	190,558
Cash dividends	7,497	7,497	7,497	7,497	7,913	7,497	7,497	6,664	62,475
Capital expenditures	26,620	31,935	26,643	33,492	46,698	37,347	30,432	20,984	221,833
Depreciation and amortization	27,271	24,626	27,103	24,453	25,255	28,240	28,985	31,666	227,258
Research and development expenses	26,920	26,234	26,920	26,234	25,534	25,680	26,382	25,402	224,333
At year-end:									
Total assets	¥ 542,535	¥494,724	¥ 555,071	¥ 508,080	¥ 477,880	¥ 440,981	¥ 432,184	¥ 426,586	$4,521,125
Total liabilities	185,201	173,936	183,174	171,694	164,476	153,742	141,873	143,984	1,543,342
Interest-bearing liabilities (Note 2)	62,685	58,191	62,170	57,590	51,077	40,856	27,151	24,557	522,375
Total equity/Total net assets* (Stockholders' equity)	357,334	320,788	371,897	336,386	313,404	287,239	290,311	282,602	2,977,783
Per share data:									
Net income attributable to owners of the parent/ Net income* (basic)	¥ 108.47	¥ 141.49	¥ 101.33	¥ 115.74	¥ 90.36	¥ 78.88	¥ 90.96	¥ 112.88	$ 0.90
Net income attributable to owners of the parent/ Net income* (diluted)	—	—	—	—	—	—	—	—	
Cash dividends	36.00	36.00	36.00	36.00	38.00	36.00	36.00	32.00	0.30
Equity attributable to owners of the parent/Net assets*	1,672.33	1,512.06	1,743.32	1,588.09	1,474.11	1,359.33	1,320.30	1,289.11	13.94
Value indicators:									
Operating margin (%)	5.6	7.5	6.6	5.6	5.1	5.2	8.7	8.4	
Return on revenue/sales* (%)	4.4	6.0	4.0	4.9	4.0	3.5	3.8	5.2	
Return on equity attributable to owners of the parent/ Return on equity* (ROE) (%)	6.8	9.9	6.1	7.6	6.4	5.9	7.0	9.1	
Return on assets (ROA) (%)	4.4	6.1	4.0	4.9	4.1	3.8	4.4	5.7	
Net worth ratio (Ratio of equity attributable to owners of the parent to total assets)/(Stockholders' equity ratio)* (%)	64.2	63.6	65.4	65.1	64.2	64.2	63.6	62.9	
Debt/Equity attributable to owners of the parent ratio Debt/Equity ratio* (DER) (times)	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	
Inventory turnover (times)	9.4	9.9	9.6	10.1	10.4	11.7	13.2	12.7	
Number of employees	19,499	18,149	19,499	18,149	17,732	16,713	15,930	15,267	

*Terms are used for Japanese GAAP.

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 ¥120=US$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market as of March 31, 2015.
2. Interest-bearing liabilities include trade notes discounted.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL CONDITION

For the Year Ended March 31, 2015

RESULTS OF OPERATIONS

Overview of Economic Trends and Business Results

During the fiscal year ended March 2015, in the global economy, economic growth in the U.S. continued on improvement in employment conditions, while in Europe the initial economic stagnation turned to signs of recovery. In developing nations, economic growth slowed in China and certain other countries, but the economy expanded overall.

In Japan, the economy was sluggish during the first half as a result of the effects of the April 2014 consumption tax hike, but corporate earnings improved afterward on the fall in oil prices and the weaker yen, resulting in a recovery trend.

In such an economic climate, the Hitachi Chemical Group, to establish a strong management foundation to achieve sustainable growth, under the Medium-term Management Plan that began from FY3/14, took steps to create new products and businesses, expand business in growth fields through M&A and other means, and build a robust group structure aimed at concentrating management resources and strengthening and expanding global businesses, as well as to assiduously implement measures to further reduce costs and cut fixed expenses. Specifically, in the field of next-generation semiconductor packaging materials, in June 2014 we established an "open laboratory" within the Advanced Performance Materials Business Headquarters, with the aim of establishing a business model based on collaboration with our main customers and equipment manufacturers to jointly develop new materials and processes, and expand orders. In addition, to accelerate global development and expansion of the group's energy storage devices business in January 2015 we acquired shares in CSB Battery Co., Ltd., making the company a consolidated subsidiary, while on April 1, 2015, we established regional headquarters in the U.S. and Thailand, putting in place a structure able to respond flexibly to the market characteristics and changes in those countries and the surrounding regions. Further, to establish a resilient management and business structure that will allow the Hitachi Chemical Group to survive and continue to grow amid fierce global competition, we implemented a restructuring program including a call for voluntary early retirement, and took steps to strengthen our earnings capability.

As a result of the above measures and the effect of foreign exchange rates, revenues for the subject fiscal year increased 7.4% to ¥525,061 million. Operating income decreased 20.1% to ¥29,226 million and net income decreased 21.5% to ¥22,867 million, mainly as a result of the recording of other expenses, including extra retirement payments and outplacement support expenses stemming from the implementation of a voluntary early retirement program.

Revenue

Consolidated revenues rose 7.4% from the previous fiscal year to ¥525,061 million. This mainly reflected demand captured in the growing smartphone field, along with the boost from M&A activities.

In the Functional Materials segment, revenue amounted to ¥275,769 million yen, an increase of 5.6% from the previous fiscal year.

In the electronics materials field, revenue of epoxy molding compounds for semiconductors rose on robust demand in the semiconductor market. Revenue of die bonding materials for semiconductors increased on firm demand for smartphones and other devices. Revenue of slurry for chemical mechanical planarization decreased on slower demand from certain customers. Revenue of varnishes were on a par with the previous fiscal year, reflect stable demand for automobiles.

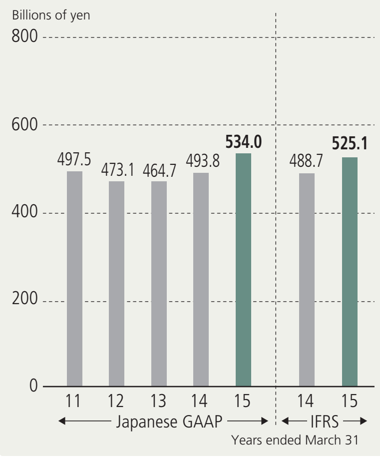
In the inorganic materials field, revenue of carbon anode materials for lithium-ion batteries rose from eco-friendly automobiles. Revenue of carbon products increased on growth in revenue of rolling stock brushes.

In the polymer science materials field, revenue of functional resins increased on positive demand for hardening agents for heavy electric machinery and automobiles. Revenue of anisotropic conductive films for displays were on a par with the previous fiscal year, reflecting stable demand for smartphones. Revenue of touch panel supporting materials decreased on sluggish demand from certain customers. Revenue of adhesive films increased, reflecting a recovery in demand for use in surface protection of the optical sheets used in LCDs.

In the printed wiring board materials field, sales of copper-clad laminates for printed wiring boards rose on increased revenue for smartphones. Revenue of photosensitive dry films for printed wiring boards increased on higher revenue for use in smartphones.

In the Advanced Components and Systems segment, revenue amounted to ¥249,292 million, an increase of 9.6% from the previous fiscal year.

Revenue (Net Sales)*



*Terms in parentheses are used for Japanese GAAP.

In the automotive products field, revenue of plastic molded products, friction materials, and powder metal products increased mainly as a result of the contribution from revenue by overseas subsidiaries.

In the energy storage devices and systems field, revenue of vehicle batteries were on a par with the previous fiscal year, as declining production among domestic automakers was offset by higher revenue at overseas locations. Revenue of industrial batteries and systems increased as a result of CSB Battery Co., Ltd. being consolidated as a subsidiary. Revenue of capacitors were on a par with the previous fiscal year, with stable revenue centered on use in wind power and photovoltaic power generation systems.

In the electronics components field, revenue of printed wiring boards increased on expanded revenue for use in smartphones and other devices.

In the "others" field, revenue of diagnostics and instruments declined on a falloff in revenue of allergy diagnostic reagents.

Overseas revenue amounted to ¥282,147 million, an increase of ¥32,486 million, or 13.0% from the previous fiscal year. The proportion of overseas revenue expanded to 53.7%, an increase of 2.6 percentage points from a year earlier.

Cost of Sales and Selling, General and Administrative Expenses

Cost of sales amounted to ¥396,908 million, an increase of ¥27,943 million, or 7.6% compared with the previous fiscal year. This mainly reflected the increase in revenue, and higher raw material expenses as a result of the weaker yen. The cost of sales to total net sales edged up 0.1 percentage points to 75.6%, from 75.5% in the previous fiscal year.

Selling, general and administrative (SG&A) expenses amounted to ¥91,120 million, an increase of ¥2,243 million, or 2.5% from the previous fiscal year. SG&A expenses as a ratio to total revenue declined 0.8 percentage points to 17.4%, from 18.2% in the previous fiscal year, due mainly to the introduction of a voluntary early retirement program.

Operating Income

Operating income decrease 20.1% from the previous fiscal year to ¥29,226 million, mainly as a result of the recording of other expenses, including business structure expenses stemming from the implementation of a voluntary early retirement program and outplacement support. The operating income margin declined 1.9 percentage points to 5.6% from 7.5% in the previous fiscal year.

In the Functional Materials segment, segment profit declined 8.3% from the previous fiscal year to ¥23,494 million. The segment profit margin declined 1.3 percentage points to 8.5%.

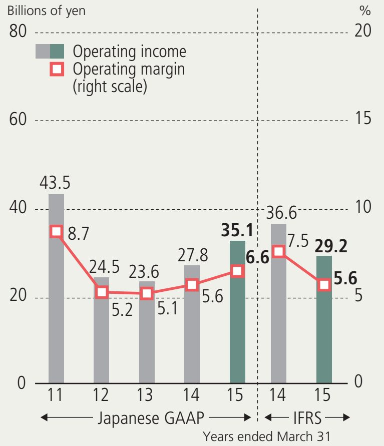
In the Advanced Components and Systems segment, segment profit declined 46.7% from the previous fiscal year to ¥5,846 million. The segment profit margin declined 2.5 percentage points to 2.3%.

As a result, income before income taxes declined 12.1% to ¥34,692 million, from ¥39,463 million in the previous fiscal year.

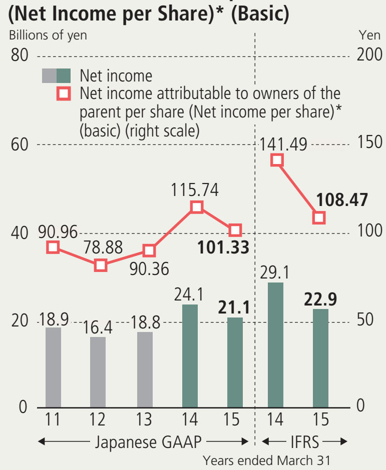
Net Income

Income taxes increased 14.6% to ¥11,825 million, from ¥10,319 million in the previous fiscal year. As a result, net income amounted to ¥22,867 million, a decrease of 21.5% from ¥29,144 million in the previous fiscal year. Return on equity attributable to owners of the parent (ROE) declined 3.1 percentage points to 6.8%, return on assets (ROA) declined 1.7 percentage points to 4.4%. Net income attributable to owners of the parent per share (basic) fell to ¥108.47 per share, from ¥141.49 in the previous fiscal year.

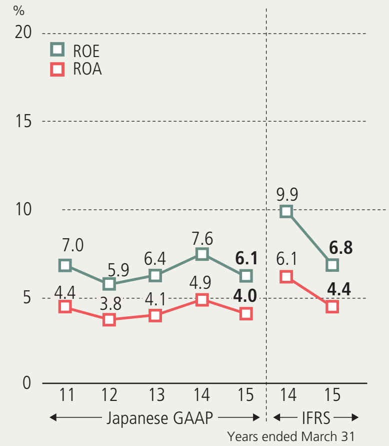
Operating Income / Operating Margin



Net Income / Net Income Attributable to Owners of the Parent per Share (Net Income per Share)* (Basic)



Return on Equity Attributable to Owners of the Parent (Return on Equity)* (ROE) / Return on Assets (ROA)



*Terms in parentheses are used for Japanese GAAP.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL CONDITION

FINANCIAL CONDITION

Cash Flows

Cash and cash equivalents at March 31, 2015, stood at ¥88,997 million, an increase of ¥1,345 million from the end of the previous fiscal year.

Net cash provided by operating activities amounted to ¥34,009 million, a decrease of ¥16,348 million from the previous fiscal year. This was due mainly to an increase in payments for business restructuring expenses.

Net cash used in investing activities amounted to ¥22,258 million, a decrease of ¥14,841 million from the previous fiscal year. This was due mainly to a decrease in expenses for property, plant and equipment acquired.

Net cash used in financing activities amounted to ¥16,874 million, an increase of ¥14,500 million from the previous fiscal year. This was due mainly to an increase in purchase of shares of consolidated subsidiaries from noncontrolling interest holders.

Cash Flows
Years ended March 31

Billions of yen

	2015	2014
Cash flows from operating activities	**¥34.0**	¥50.4
Cash flows from investing activities	**(22.3)**	(37.1)
Cash flows from financing activities	**(16.9)**	(2.4)
Cash and cash equivalents at end of year	**89.0**	87.7

Assets, Liabilities, and Equity

Assets

Total assets at March 31, 2015, stood at ¥542,535 million, an increase of ¥47,811 million compared with the previous fiscal year-end. This was due mainly to increase in current assets reflected increases in trade receivables.

Liabilities

Total liabilities amounted to ¥185,201 million, an increase of ¥11,265 million compared with the end of the previous fiscal year. This was due mainly to increases in bonds and borrowings, and a ¥16,198 million increase in current liabilities.

Equity

Total equity amounted to ¥357,334 million, an increase of ¥36,546 million year on year.

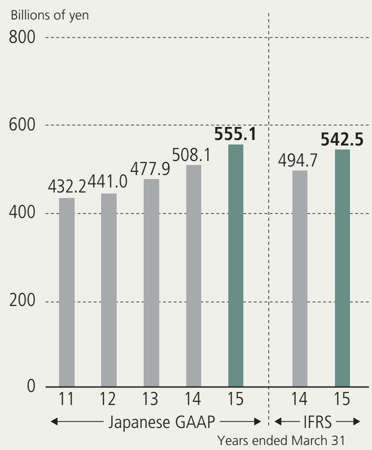
This was due mainly to increase of ¥33,365 million in total equity attributable to owners of the parent, reflected increases in accumulated other comprehensive income.

Capital Expenditures, R&D Expenses

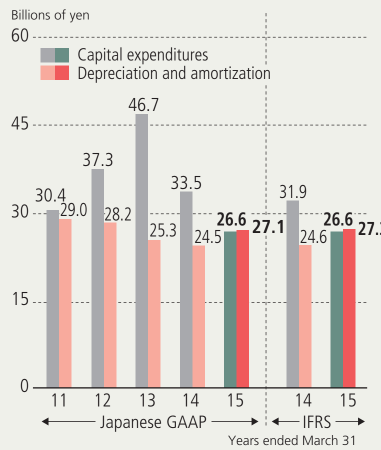
Total capital expenditures amounted to ¥26,620 million, a decrease of ¥5,315 million from the previous fiscal year. This mainly reflected the limiting of investments to select businesses based on return on invested capital (ROIC) standards. Overseas capital expenditures comprised 35.7% of the total, down from 48.6% a year earlier.

R&D expenses totaled ¥26,920 million, a slight increase from ¥26,234 million in the previous fiscal year. This represented 5.1% of total revenue, down 0.3 percentage points year on year.

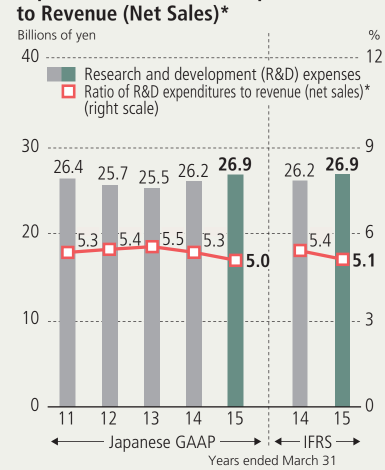
Total Assets



Capital Expenditures / Depreciation and Amortization



Research and Development (R&D) Expenses / Ratio of R&D Expenses to Revenue (Net Sales)*



*Terms in parentheses are used for Japanese GAAP.

BASIC POLICY ON APPROPRIATION OF EARNINGS DIVIDEND FORECAST FOR THE FISCAL YEAR ENDING MARCH 31, 2016

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

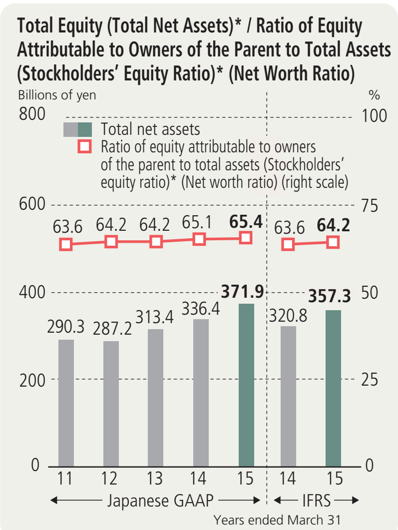
In the fiscal year ended March 31, 2015, the Company paid a year-end cash dividend of ¥18 per share. Combined with the payment of the second quarter dividend of ¥18 per share, the annual dividend was ¥36 per share. The dividend forecasts for the fiscal year ending March 31, 2016 have not been determined.

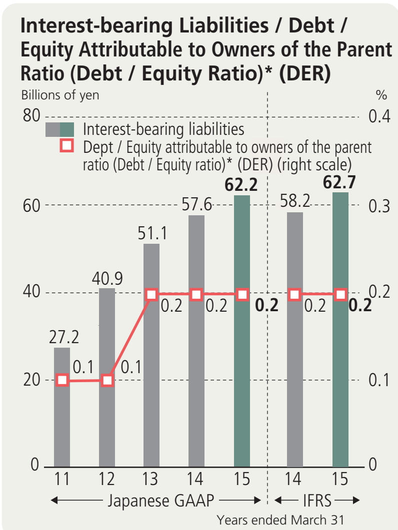
OUTLOOK AND FORECASTS FOR THE FISCAL YEAR ENDING MARCH 31, 2016

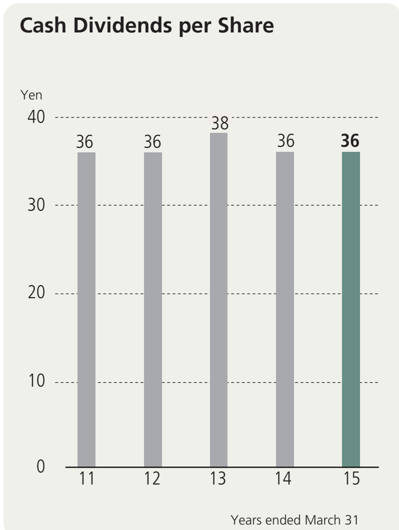
The US economy is expected to present solid growth, though concerns remain over the strong dollar and the effects that financial policy will have on the economy, while the recovery in the European economy lacks strength, and is expected to be no more than moderate. In China and other developing countries' economic growth is expected to remain sluggish, while unstable conditions in the Middle East and other geopolitical risks remain present. Further, the outlook for the Japanese economy despite expectations for continued recovery centered on consumer spending and capital investment, remains unclear due to the lack of vitality and other factors.

The Hitachi Chemical Group, in accordance with its Medium-term Management Plan that will conclude at the end of FY3/16, will expertly reap the benefits of the various measures enacted for global growth, and will steadily implement measures to establish a solid business foundation able to respond flexibly to changing circumstances.

For the consolidated fiscal year ending March 31, 2016, the Hitachi Chemical Group is forecasting revenue of ¥570.0 billion, with operating income of ¥55.0 billion, income before income taxes of ¥56.0 billion, net income of ¥39.0 billion, and net income attributable to owners of the parent of ¥38.5 billion.







*Terms in parentheses are used for Japanese GAAP.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL CONDITION

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, 2015.

(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. 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, 2015, 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 seven groups: Infrastructure Systems, Information & Telecommunication Systems, Power Systems, Construction Machinery, High Functional Materials & Components, Automotive Systems and Healthcare. Hitachi Chemical Co., Ltd. is part of the Hitachi Group's High Functional Materials & Components, and two of its nine Directors serve concurrently as Director or Executive Officer of Hitachi, Ltd. (as of June 19, 2015). 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 STATEMENT OF FINANCIAL POSITION

Hitachi Chemical Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2015 and 2014

		Millions of yen		Thousands of U.S. dollars (Note 2)
		2015	2014	2015
Assets				
Current assets:				
Cash and cash equivalents		¥ 88,997	¥ 87,652	$ 741,642
Trade receivables		123,949	108,224	1,032,908
Inventories	(Note 3)	61,909	50,218	515,908
Other financial assets		23,659	23,958	197,158
Other current assets		2,324	1,931	19,367
Total current assets		300,838	271,983	2,506,983
Non-current assets:				
Property, plant and equipment	(Note 4)	179,196	168,855	1,493,300
Intangible assets	(Note 5)	12,301	7,335	102,508
Net defined benefit assets	(Note 8)	10,093	5,116	84,108
Deferred tax assets	(Note 6)	10,684	13,681	89,033
Investments accounted for using the equity method		5,216	6,960	43,467
Other financial assets		17,591	15,054	146,592
Other non-current assets		6,616	5,740	55,133
Total non-current assets		241,697	222,741	2,014,142
Total assets		542,535	494,724	4,521,125
Liabilities				
Current liabilities:				
Trade payables		51,354	49,619	427,950
Bonds and borrowings	(Note 7)	33,658	25,269	280,483
Accrued expenses		24,251	21,929	202,092
Income tax payables		6,758	5,288	56,317
Provisions		500	—	4,167
Other financial liabilities		19,702	15,960	164,183
Other current liabilities		1,471	3,431	12,258
Total current liabilities		137,694	121,496	1,147,450
Non-current liabilities:				
Bonds and borrowings	(Note 7)	26,619	30,563	221,825
Retirement and severance benefits	(Note 8)	13,345	16,260	111,208
Provisions		1,143	1,117	9,525
Other financial liabilities		3,051	2,835	25,425
Other non-current liabilities	(Note 6)	3,349	1,665	27,908
Total non-current liabilities		47,507	52,440	395,892
Total liabilities		185,201	173,936	1,543,342
Equity:				
Common stock	(Note 9)	15,454	15,454	128,783
Capital surplus		10,498	12,013	87,483
Treasury stock, at cost		(213)	(200)	(1,775)
Retained earnings		287,498	272,009	2,395,817
Accumulated other comprehensive income		35,004	15,600	291,700
Total equity attributable to owners of the parent		348,241	314,876	2,902,008
Non-controlling interests		9,093	5,912	75,775
Total equity		357,334	320,788	2,977,783
Total liabilities and equity		¥542,535	¥494,724	$4,521,125

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Hitachi Chemical Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2015 and 2014

(Consolidated Statement of Income)

		Millions of yen		Thousands of U.S. dollars (Note 2)
		2015	2014	2015
Revenues		¥525,061	¥488,725	$4,375,508
Cost of sales		(396,908)	(368,965)	(3,307,567)
Gross profit		128,153	119,760	1,067,942
Selling, general and administrative expenses		(91,120)	(88,877)	(759,333)
Other income	(Note 10)	11,727	12,190	97,725
Other expenses	(Note 10)	(19,534)	(6,504)	(162,783)
Operating income		29,226	36,569	243,550
Financial income	(Note 12)	3,804	1,937	31,700
Financial expenses	(Note 12)	(1,769)	(1,521)	(14,742)
Share of profits of investments accounted for using the equity method		3,431	2,478	28,592
Income before income taxes		34,692	39,463	289,100
Income taxes	(Note 6)	(11,825)	(10,319)	(98,542)
Net income		¥ 22,867	¥ 29,144	$ 190,558
Net income attributable to:				
Owners of the parent		¥ 22,587	¥ 29,464	$ 188,225
Non-controlling interests		280	(320)	2,333

	Yen		U.S. dollars (Note 2)
Earnings per share attributable to owners of the parent:	2015	2014	2015
Basic	¥ 108.47	¥ 141.49	$ 0.90
Diluted	—	—	—

See accompanying notes to consolidated financial statements.

(Consolidated Statement of Comprehensive Income)

		Millions of yen		Thousands of U.S. dollars (Note 2)
		2015	2014	2015
Net income		¥22,867	¥29,144	$190,558
Other comprehensive income (OCI)				
Items that cannot be reclassified into profit or loss:				
Net gains and losses from financial assets measured at fair value through OCI		1,115	792	9,292
Remeasurements of defined benefit obligations	(Note 8)	2,887	5,250	24,058
Total items that cannot be reclassified into profit or loss		4,002	6,042	33,350
Items that can be reclassified into profit or loss:				
Foreign currency translation adjustments		15,643	6,343	130,358
Cash flow hedges		(59)	(54)	(492)
Share of OCI of investments accounted for using the equity method		1,085	719	9,042
Total items that can be reclassified into profit or loss		16,669	7,008	138,908
Other comprehensive income (OCI)		20,671	13,050	172,258
Comprehensive income		¥43,538	¥42,194	$362,817
Comprehensive income attributable to:				
Owners of the parent		¥42,390	¥42,455	$353,250
Non-controlling interests		1,148	(261)	9,567

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Hitachi Chemical Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2015 and 2014

	Millions of yen					
	Equity attributable to owners of the parent					
					Accumulated other comprehensive income	
	Common stock	Capital surplus	Treasury stock	Retained earnings	Financial assets measured at fair value through OCI	Remeasurement of defined benefit obligations
Balance as of April 1, 2013	¥15,454	¥12,013	¥(193)	¥249,828	¥2,755	¥ —
Net income				29,464		
Other comprehensive income					792	5,250
Comprehensive income for the year	—	—	—	29,464	792	5,250
Cash dividends				(7,497)		
Purchase of treasure stock			(7)			
Sale of treasure stock			0			
Changes from business combination						
Purchase of non-controlling interests						
Transfer of accumulated other comprehensive income to retained earnings				214	(214)	
Other changes						
Total transactions with owners	—	—	(7)	(7,283)	(214)	—
Balance as of March 31, 2014	15,454	12,013	(200)	272,009	3,333	5,250
Net income				22,587		
Other comprehensive income					1,115	2,887
Comprehensive income for the year	—	—	—	22,587	1,115	2,887
Cash dividends				(7,497)		
Purchase of treasure stock			(13)			
Sale of treasure stock			0			
Changes from business combination						
Purchase of non-controlling interests		(1,515)				
Transfer of accumulated other comprehensive income to retained earnings				399	(399)	
Other changes						
Total transactions with owners	—	(1,515)	(13)	(7,098)	(399)	—
Balance as of March 31, 2015	¥15,454	¥10,498	¥(213)	¥287,498	¥4,049	¥8,137

	Millions of yen					
	Equity attributable to owners of the parent					
	Accumulated other comprehensive income					
	Exchange difference on translation of foreign operations	Cash flow hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance as of April 1, 2013	¥ —	¥ 68	¥ 2,823	¥279,925	¥6,349	¥286,274
Net income				29,464	(320)	29,144
Other comprehensive income	7,003	(54)	12,991	12,991	59	13,050
Comprehensive income for the year	7,003	(54)	12,991	42,455	(261)	42,194
Cash dividends				(7,497)	(277)	(7,774)
Purchase of treasure stock				(7)		(7)
Sale of treasure stock				0		0
Changes from business combination				—		—
Purchase of non-controlling interests				—		—
Transfer of accumulated other comprehensive income to retained earnings			(214)	—		—
Other changes				—	101	101
Total transactions with owners	—	—	(214)	(7,504)	(176)	(7,680)
Balance as of March 31, 2014	7,003	14	15,600	314,876	5,912	320,788
Net income				22,587	280	22,867
Other comprehensive income	15,860	(59)	19,803	19,803	868	20,671
Comprehensive income for the year	15,860	(59)	19,803	42,390	1,148	43,538
Cash dividends				(7,497)	(134)	(7,631)
Purchase of treasure stock				(13)		(13)
Sale of treasure stock				0		0
Changes from business combination				—	6,862	6,862
Purchase of non-controlling interests				(1,515)	(4,708)	(6,223)
Transfer of accumulated other comprehensive income to retained earnings			(399)	—		—
Other changes				—	13	13
Total transactions with owners	—	—	(399)	9,025	2,033	(6,992)
Balance as of March 31, 2015	¥22,863	¥(45)	¥35,004	¥348,241	¥9,093	¥357,334

See accompanying notes to consolidated financial statements.

	Thousands of U.S. dollars (Note 2)					
	Equity attributable to owners of the parent					
					Accumulated other comprehensive income	
	Common stock	Capital surplus	Treasury stock	Retained earnings	Financial assets measured at fair value through OCI	Remeasurement of defined benefit obligations
Balance as of April 1, 2014	$128,783	$100,108	$(1,667)	$2,266,742	$27,775	$43,750
Net income				188,225		
Other comprehensive income					9,292	24,058
Comprehensive income for the year	—	—	—	188,225	9,292	24,058
Cash dividends				(62,475)		
Purchase of treasure stock			(108)			
Sale of treasure stock			0			
Changes from business combination						
Purchase of non-controlling interests		(12,625)				
Transfer of accumulated other comprehensive income to retained earnings				3,325	(3,325)	
Other changes						
Total transactions with owners	—	(12,625)	(108)	(59,150)	(3,325)	—
Balance as of March 31, 2015	$128,783	$ 87,483	$(1,775)	$2,395,817	$33,742	$67,808

	Thousands of U.S. dollars (Note 2)					
	Equity attributable to owners of the parent					
	Accumulated other comprehensive income					
	Exchange difference on translation of foreign operations	Cash flow hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance as of April 1, 2014	$ 58,358	$117	$130,000	$2,623,967	$49,267	$2,673,233
Net income				188,225	2,333	190,558
Other comprehensive income	132,167	(492)	165,025	165,025	7,233	172,258
Comprehensive income for the year	132,167	(492)	165,025	353,250	9,567	362,817
Cash dividends				(62,475)	(1,117)	(63,592)
Purchase of treasure stock				(108)		(108)
Sale of treasure stock				0		0
Changes from business combination				—	57,183	57,183
Purchase of non-controlling interests				(12,625)	(39,233)	(51,858)
Transfer of accumulated other comprehensive income to retained earnings			(3,325)	—		—
Other changes				—	108	108
Total transactions with owners	—	—	(3,325)	75,208	16,942	(58,267)
Balance as of March 31, 2015	$190,525	$(375)	$291,700	$2,902,008	$75,775	$2,977,783

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Hitachi Chemical Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2015 and 2014

		Millions of yen		Thousands of U.S. dollars (Note 2)
		2015	2014	2015
Cash flows from operating activities:				
Net income		¥22,867	¥29,144	$190,558
Depreciation and amortization		27,271	24,626	227,258
Income tax expense		11,825	10,319	98,542
Impairment losses	(Note 11)	763	1,897	6,358
Interest and dividend income		(750)	(579)	(6,250)
Interest expenses paid		1,736	1,517	14,467
Business structure improvement expenses		12,882	1,484	107,350
Share of profits of investments accounted for using the equity method		(3,431)	(2,478)	(28,592)
(Increase) decrease in trade receivables		(1,372)	(2,071)	(11,433)
(Increase) decrease in accounts receivables other		(4,533)	1,629	(37,775)
(Increase) decrease in inventories		(3,646)	(288)	(30,383)
Increase (decrease) in trade payables		(5,847)	(1,432)	(48,725)
Increase (decrease) in retirement and severance benefits		(4,793)	(2,466)	(39,942)
Other		1,712	1,802	14,267
Subtotal		54,684	63,104	455,700
Interest and dividends received		3,350	3,163	27,917
Interest paid		(1,701)	(1,460)	(14,175)
Business structure improved expenses paid		(13,583)	—	(113,192)
Income taxes paid		(10,190)	(14,450)	(84,917)
Income taxes refund		1,449	—	12,075
Net cash provided by operating activities		34,009	50,357	283,408
Cash flows from investing activities:				
Expenses for property, plant and equipment acquired		(22,896)	(31,755)	(190,800)
Income from sale of property, plant and equipment		1,125	539	9,375
Proceeds from redemption and sale of investments in securities		2,118	2,517	17,650
Purchase of investments in subsidiaries		(3,146)	—	(26,217)
Expenses for investment securities acquired		(2,887)	(626)	(24,058)
Payments into deposits paid in subsidiaries and affiliates		—	(7,000)	—
Proceeds from withdrawal of deposits paid in subsidiaries and affiliates		7,000	—	58,333
Other		(3,572)	(774)	(29,767)
Net cash used in investing activities		(22,258)	(37,099)	(185,483)
Cash flows from financing activities:				
Net increase (decrease) in short-term debt		157	5,818	1,308
Proceeds from long-term debt		1,058	4,551	8,817
Payments on long-term debt		(4,370)	(4,617)	(36,417)
Purchase of shares of consolidated subsidiaries from non-controlling interest holders		(5,671)	—	(47,258)
Dividends paid to stockholders		(7,497)	(7,497)	(62,475)
Dividends paid to non-controlling interests		(134)	(277)	(1,117)
Other		(417)	(352)	(3,475)
Net cash used in financing activities		(16,874)	(2,374)	(140,617)
Effect of exchange rate changes on cash and cash equivalents		6,468	2,790	53,900
Net increase (decrease) in cash and cash equivalents		1,345	13,674	11,208
Cash and cash equivalents at beginning of year		87,652	73,978	730,433
Cash and cash equivalents at end of year		¥88,997	¥87,652	$741,642

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Hitachi Chemical Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2015 and 2014

1. Basis of Presentation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS").The date of transition to IFRS is April 1, 2013. These consolidated financial statements have been prepared on the historical cost basis, except for the following significant items

- derivatives are measured at fair value;
- financial instruments at fair value through profit or loss (FVTPL) are measured at fair value;
- financial instruments at fair value through other comprehensive income (FVTOCI) are measured at fair value;
- defined benefit liabilities (assets) are the present value of the defined benefit obligation less the fair value of plan assets.

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 ¥120=US$1, the approximate exchange rate prevailing at the Tokyo Foreign Exchange Market as of March 31, 2015. This translation should not be construed as a representation that all amounts shown could be converted into U.S. dollars.

3. Inventories

Inventories as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Finished and semi-finished goods	¥26,308	¥20,877	$219,233
Work in process	17,715	13,874	147,625
Raw materials	17,886	15,467	149,050
	¥61,909	¥50,218	$515,908

4. Property, Plant and Equipment

Property, plant and equipment, at cost as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Buildings and structures	¥ 61,934	¥ 59,979	$ 516,117
Machinery and transportation equipment	90,665	80,864	755,542
Land	20,458	18,893	170,483
Construction in progress	6,139	9,119	51,158
	¥179,196	¥168,855	$1,493,300

5. Intangible Assets

Intangible assets as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Goodwill	¥ 5,105	¥3,384	$ 42,542
Software	2,557	2,305	21,308
Other	4,639	1,646	38,658
	¥12,301	¥7,335	$102,508

6. Income Taxes

The income tax expenses (benefits) reflected in the consolidated statements of income for the years ended March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current tax expense	¥ 9,977	¥11,455	$83,142
Deferred tax expense (benefit)	1,848	(1,136)	15,400
	¥11,825	¥10,319	$98,542

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 9 of 2015) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No. 2 of 2015) were promulgated on March 31, 2015, and in conjunction with this, the effective statutory tax rate used to measure deferred tax assets and liabilities for the fiscal year under review was changed from the conventional rate of 35.4% to 32.8% for the temporary differences expected to be realized or settled in the fiscal year beginning April 1, 2015 and to 32.1% for the temporary differences expected to be realized or settled in the fiscal year beginning April 1, 2016 and thereafter.

Reconciliations between the effective statutory tax rate and the actual rate of tax borne are as follows:

	2015	2014
Statutory tax rate	35.4%	37.8%
Expenses not deductible for tax purposes	1.4	1.1
Difference in statutory tax rates of foreign subsidiaries	(4.0)	(2.3)
Tax credit for R&D expenses	(2.6)	(4.2)
Changes in unrecognized deferred tax assets	1.3	(6.3)
Adjustments to deferred tax assets and liabilities due to changes in tax rate	4.0	1.5
Other	(1.4)	(1.5)
Effective income tax rate	34.1%	26.1%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of March 31, 2015 and 2014 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Net defined benefit liability	¥ 5,216	¥ 6,807	$ 43,467
Accrued bonus	2,703	2,893	22,525
Depreciation and amortization	2,544	2,931	21,200
Other	7,278	6,072	60,650
Total deferred tax assets	17,741	18,703	147,842
Deferred tax liabilities:			
Net defined benefit assets	(3,218)	(1,811)	(26,817)
Financial assets at fair value through other comprehensive income (FVTOCI)	(1,916)	(1,827)	(15,967)
Other	(4,535)	(2,159)	(37,792)
Total deferred tax liabilities	(9,669)	(5,797)	(80,575)
Net deferred tax assets	¥ 8,072	¥12,906	$ 67,267

7. Short-term and Long-term Debt

Short-term loans payable and current portion of long-term loans payable as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Short-term loans payable:	¥27,300	¥23,713	$227,500
Current portion of long-term loans payable	6,358	1,556	52,983
	¥33,658	¥25,269	$280,483

Long-term debt as of March 31, 2015 and 2014 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Debentures:			
8th series, due 2016, interest 2.17%	¥ 9,993	¥ 9,988	$ 83,275
9th series, due 2022, interest 1.19%	9,964	9,959	83,033
Loans, principally from banks:			
Maturing 2016–2018, interest 4.3% (average)	6,662	10,616	55,517
	¥26,619	¥30,563	$221,825
Total short-term and long-term debt (including current portion)	¥60,277	¥55,832	$502,308

8. Retirement Benefit Plans

The Company and certain subsidiaries have funded and unfunded defined-benefit corporate pension plans and defined contribution pension plans to provide retirement and severance benefits to substantially all of their employees.

Fluctuations in the present value of defined benefit obligations and the fair value of plan assets are as follows.

1) The present value of defined benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at the beginning of the year	¥93,293	¥97,642	$777,442
Service cost	3,547	3,882	29,558
Interest expenses	999	1,082	8,325
Remeasurements of defined benefit plans			
Actuarial difference arising from change in assumptions of population statistics	(271)	—	(2,258)
Actuarial difference arising from change in financial assumptions	3,590	(3,736)	29,917
Other	(508)	(813)	(4,233)
Benefits paid	(10,451)	(5,485)	(87,092)
Prior service cost	—	(355)	—
Other	1,115	1,076	9,292
Balance at the end of the fiscal year	¥91,314	¥93,293	$760,950

2) The fair value of plan assets

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at the beginning of the year	¥82,149	¥75,946	$684,575
Interest income on plan assets	929	965	7,742
Remeasurements of defined benefit plans:			
Income from plan assets	6,593	3,573	54,942
Contributions by the Company	4,304	4,040	35,867
Benefits paid	(6,338)	(4,093)	(52,817)
Other	425	1,718	3,542
Balance at the end of the fiscal year	¥88,062	¥82,149	$733,850

The following amounts related to defined benefit plans were recorded in the consolidated statement of financial position.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Present value of defined benefit obligations (funded)	¥(85,628)	¥(82,702)	$(713,567)
Fair value of plan assets	88,062	82,149	733,850
Funding status	2,434	(553)	20,283
Present value of defined benefit obligations (unfunded)	(5,686)	(10,591)	(47,383)
Net assets (liabilities) in consolidated statement of financial position	¥ (3,252)	¥(11,144)	$ (27,100)

9. Stock

	Common stock (Issued shares)	Treasury stock
Balance as of March 31, 2013	208,364,913	117,316
Balance as of March 31, 2014	208,364,913	122,189
Balance as of March 31, 2015	**208,364,913**	**128,401**

10. Other Income and Expenses

(1) Other income

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Compensation income (Note)	**¥ 7,464**	¥ 7,260	**$62,200**
Royalty income	**1,626**	1,532	**13,550**
Gain on disposal of property, plant and equipment	**380**	158	**3,167**
Other	**2,257**	3,240	**18,808**
Total	**¥11,727**	¥12,190	**$97,725**

Note: The compensation income for the fiscal year ended March 31, 2014 represents the amount received from Tokyo Electric Power Company, Incorporated as a compensation for the lost income and certain other additional costs due to the Fukushima Dai-ichi Nuclear Power Station accident.

The compensation income for the fiscal year ended March 31, 2015 represents the amount received from Tokyo Electric Power Company, Incorporated as a compensation for the lost income, certain other additional costs and loss of property caused by the Fukushima Dai-ichi Nuclear Power Station accident.

(2) Other expenses

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Business structure improvement expenses (Note)	**¥12,882**	¥1,484	**$107,350**
Loss on disposal of property, plant and equipment	**966**	1,069	**8,050**
Impairment losses	**763**	1,897	**6,358**
Provision for surcharge	**500**	—	**4,167**
Other	**4,423**	2,054	**36,858**
Total	**¥19,534**	¥6,504	**$162,783**

Note: Business structure improvement expenses included extra retirement payment, outplacement support expenses, etc. associated with the implementation of the voluntary retirement and outplacement support program.

11. Impairment Losses on Fixed Assets

For the year ended March 31, 2015, the Company and certain consolidated subsidiaries recognized impairment losses on fixed assets as follows:

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

In conjunction with the decision to transfer business, the carrying amount was reduced to the recoverable amount, and the amount of such reduction of ¥763 million ($6,358 thousand) was recorded as an impairment loss in “Other expenses” in the consolidated statement of income. The recoverable amount is calculated at fair value less disposal expenses. Fair value less disposal expenses is based on the prospective sales price, and is classified as Level 3 in terms of IFRS fair value hierarchy.

For the year ended March 31, 2014, certain consolidated subsidiaries recognized impairment losses on fixed assets as follows:

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

As future cash flows that had been projected in the initial business plan are no longer expected to be generated, the carrying amount was reduced to the recoverable amount, and the amount of such reduction of ¥1,897 million was recorded as an impairment loss in “Other expenses” in the consolidated statement of income. The recoverable amount is calculated based on value in use. Value in use is calculated by discounting future cash flows to the present value assuming pre-tax weighted average cost of capital (WACC) of 6.0%.

12. Financial Income and Expenses

(1) Financial income

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Interest income:			
Financial assets measured at amortized cost	¥ 468	¥ 352	$ 3,900
Financial assets measured at FVTPL	—	16	—
Dividends:			
Financial assets measured at FVTOCI	282	211	2,350
Gain (loss) on securities and other investment, net:			
Financial assets measured at FVTPL	260	20	2,167
Foreign exchange gains	2,688	1,318	22,400
Other financial income	106	20	883
Total	¥3,804	¥1,937	$31,700

(2) Financial expenses

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Interest expenses:			
Financial assets measured at amortized cost	¥1,736	¥1,517	$14,467
Gain (loss) on securities and other investment, net:			
Financial assets measured at FVTPL	33	4	275
Total	¥1,769	¥1,521	$14,742

13. Fair Value of Financial Instruments

The carrying amounts and fair values of financial instruments are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2015		2014		2015	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities measured at amortised cost:						
Bonds and borrowings	¥60,277	¥61,224	¥55,832	¥56,752	$502,308	$510,200

14. Contingency

The Hitachi Chemical Group is under investigation by the competition authorities in Japan, Europe, the U.S., and several other countries and regions on suspicion of anticompetitive practices in aluminum electrolytic capacitors. The Company booked provisions sufficient to cover a reasonably foreseeable amount for the likely possibility that surcharges are levied.

15. Subsequent Events

At the Board of Directors meeting held on May 28, 2015, the Board decided to transfer a portion of the shares of Hitachi Chemical Co., (Taiwan) Ltd. , a wholly owned subsidiary of the Company, and a stock transfer agreement was concluded on May 29, 2015.

Hitachi Chemical (Taiwan) is a subsidiary engaged in the manufacturing and marketing of printed wiring boards and slitting and marketing of photosensitive dry films for printed wiring boards. With the objective of strengthening and expanding printed wiring board operation in cooperation with Taiwan PCB Techvest Co., Ltd. (TPT), which is engaged in business in Taiwan and on the Chinese mainland, the Company decided to separate and transfer the business of photosensitive dry films for printed wiring boards from Hitachi Chemical (Taiwan). On that basis, the Company decided to transfer 80% of the stock of Hitachi Chemical (Taiwan) to TPT.

Following the above decision, the assets and liabilities of Hitachi Chemical (Taiwan) in the printed wiring board business were classified as held for sale. In regard to the timing of the stock transfer, it is planned for November 2015, and the effect on the consolidated financial statements has not yet been determined.

16. Business Combination

Fiscal year under review (fiscal year ended March 31, 2015)

(1) Business combination through acquisition of shares

On January 16, 2015, the Company acquired additional shares of its affiliate accounted for by the equity method, CSB Battery Co., Ltd. (hereinafter referred to as "CSB"), and thereby turned it into its subsidiary.

CSB manufactures and sells industrial lead-acid batteries for various applications including uninterruptible power supply (UPS), and operates business on a global scale through its marketing bases in China, Taiwan region, the U.S. and the Netherlands, as well as manufacturing bases in China, Taiwan region, Vietnam and the Philippines.

The Company had decided to turn CSB into its subsidiary by increasing its equity stake and becoming the majority owner, in order to utilize CSB's marketing and manufacturing bases as well as sales channels, and in turn, enhance and expand the Group's energy storage devices business on a global scale.

(2) Percentage of voting rights acquired

Percentage of voting rights owned before acquisition date	27.1%
Percentage of voting rights additionally acquired	33.7%
Percentage of voting rights after acquisition	60.8%

(3) Consideration for acquisition and goodwill

	Millions of yen	Thousands of U.S. dollars
Cash paid in connection with acquisition of shares	¥7,015	$58,458
Due diligence and other expenses	690	5,750
Total cost of the acquisition	¥7,705	$64,208
Goodwill	¥ 996	$ 8,300

(4) Impact on consolidated financial statements

Revenue and net income on and after the date of acquisition of CSB recorded in the consolidated statement of income amounted to ¥7,245 million ($60,375 thousand) and ¥163 million ($1,358 thousand), respectively.

Revenue and net income in the consolidated statement of income for the fiscal year under review would have been ¥553,686 million ($4,614,050 thousand) and ¥24,646 million ($205,383 thousand), respectively, if the business combination had taken place at the beginning of the period.

(5) Additional acquisition

On March 18, 2015, the Company additionally acquired 28.7% of CSB's shares in order to further enhance and expand the Group's energy storage devices business. As a result, the percentage of voting rights held by the Group became 89.4%.

The consideration for additional acquisition amounted to ¥5,671 million ($47,258 thousand) and acquisition-related expenses amounted to ¥552 million ($4,600 thousand), totaling ¥6,223 million ($51,858 thousand); the difference between this amount and the reduced carrying amount of non-controlling interest in the amount of ¥4,708 million ($39,233 thousand), which was 1,515 million ($12,625 thousand), decreased the capital surplus.

17. Segment Information

The Company's reportable segments are 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.

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 the section of "Hitachi Chemical Products and Services" of this annual report.

Reportable segment information:

	Millions of yen				
	Functional Materials	Advanced Components and Systems	Total	Eliminations	Consolidated
			2015		
Revenues from outside customers	¥275,769	¥249,292	¥525,061	¥ —	¥525,061
Intersegment revenue	9,071	2,911	11,982	(11,982)	—
Total	¥284,840	¥252,203	¥537,043	¥(11,982)	¥525,061
Segment profit (loss)	¥ 23,494	¥ 5,846	¥ 29,340	¥ (114)	¥ 29,226
Financial income	—	—	—	—	3,804
Financial expenses	—	—	—	—	(1,769)
Equity in profit (loss) of affiliates	—	—	—	—	3,431
Income before income taxes	¥ —	¥ —	¥ —	¥ —	¥ 34,692
Other items:					
Depreciation and amortization	¥ 13,574	¥ 13,697	¥ 27,271	¥ —	¥ 27,271
Impairment losses	476	287	763	—	763

	Millions of yen				
	Functional Materials	Advanced Components and Systems	Total	Eliminations	Consolidated
			2014		
Revenues from outside customers	¥261,179	¥227,546	¥488,725	¥ —	¥488,725
Intersegment revenue	10,452	1,745	12,197	(12,197)	—
Total	¥271,631	¥229,291	¥500,922	¥(12,197)	¥488,725
Segment profit (loss)	¥ 25,633	¥ 10,966	¥ 36,599	¥ (30)	¥ 36,569
Financial income	—	—	—	—	1,937
Financial expenses	—	—	—	—	(1,521)
Equity in profit (loss) of affiliates	—	—	—	—	2,478
Income before income taxes	¥ —	¥ —	¥ —	¥ —	¥ 39,463
Other items:					
Depreciation and amortization	¥ 12,582	¥ 12,044	¥ 24,626	¥ —	¥ 24,626
Impairment losses	1,602	295	1,897	—	1,897

	Thousands of U.S. dollars				
	Functional Materials	Advanced Components and Systems	Total	Eliminations	Consolidated
			2015		
Revenues from outside customers	$2,298,075	$2,077,433	$4,375,508	$ —	$4,375,508
Intersegment revenue	75,592	24,258	99,850	(99,850)	—
Total	$2,373,667	$2,101,692	$4,475,358	$(99,850)	$4,375,508
Segment profit (loss)	$ 195,783	$ 48,717	$ 244,500	$ (950)	$ 243,550
Financial income	—	—	—	—	31,700
Financial expenses	—	—	—	—	(14,742)
Equity in profit (loss) of affiliates	—	—	—	—	28,592
Income before income taxes	$ —	$ —	$ —	$ —	$ 289,100
Other items:					
Depreciation and amortization	$ 113,117	$ 114,142	$ 227,258	$ —	$ 227,258
Impairment losses	3,967	2,392	6,358	—	6,358

Geographic information:

	Millions of yen			
	Japan	Asia	Other areas	Total
		2015		
Net sales	¥242,914	¥239,609	¥42,538	¥525,061
Net property, plant and equipment	¥100,730	¥ 80,572	¥10,195	¥191,497

	Millions of yen			
	Japan	Asia	Other areas	Total
		2014		
Net sales	¥239,064	¥215,567	¥34,094	¥488,725
Net property, plant and equipment	¥101,119	¥ 65,724	¥ 9,347	¥176,190

	Thousands of U.S. dollars			
	Japan	Asia	Other areas	Total
		2015		
Net sales	$2,024,283	$1,996,742	$354,483	$4,375,508
Net property, plant and equipment	$ 839,417	$ 671,433	$ 84,958	$1,595,808

INDEPENDENT AUDITOR'S REPORT FILED UNDER THE FINANCIAL INSTRUMENTS AND EXCHANGE ACT IN JAPAN (Translation)

NOTE TO READERS:
Following is an English translation of the Independent Auditor's Report filed under the Financial Instruments and Exchange Act in Japan. This report is presented merely as supplemental information.

(TRANSLATION)

Independent Auditor's Report
(filed under the Financial Instruments and Exchange Act in Japan)

June 19, 2015

To Mr. Kazuyuki Tanaka
President, Chief Executive Officer
and Director of Hitachi Chemical

Erst & Young ShinNihon LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Masami Katakura

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Seiji Kuzunuki

<Audit of Financial Statements>

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated balance sheet of Hitachi Chemical (the "Company") and its consolidated subsidiaries as of March 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the fiscal year from April 1, 2014 to March 31, 2015, and the related notes.

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 International Financial Reporting Standards, pursuant to the provisions of Article 93 of Terminology, Forms, and Preparation Methods of Consolidated Financial Statements, and for such internal control as management determines is necessary to enable the preparation of 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. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of March 31, 2015, and the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

<Audit of Internal Control>

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of the Company as of March 31, 2015.

Management's Responsibility for the Report on Internal Control

The Company's management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on management's report on internal control based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free from material misstatement.
An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, management's report on internal control referred to above, which represents that the internal control over financial reporting of the Company as of March 31, 2015 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

(The above represents a translation, for convenience only, of the original report issued in the Japanese language.)

Paper Considerations

MIX
Paper from responsible sources
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This report is printed on FSC®-certified paper sourced from well-managed forests.

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This report was printed using the waterless printing method, which contributes to reduced output of solutions from the printing process that contain organic compounds.

Vegetable oil INK for waterless printing
Non VOC INK Version 2

Only environmentally-friendly, zero-VOC (Volatile organic compounds) 100% vegetable oil inks were used in the printing of this report.

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