

Society

Diversity and Inclusion

Fiscal Year 2016 Initiatives

Expansion of Scope of "Support for Active Participation of Women"

Hitachi Chemical has positioned diversity and inclusion as one of its management strategies for securing a competitive advantage against other companies. As in previous years, we worked on various measures in fiscal year 2016 with the participation of all Executive Officers as owners under the Diversity and Inclusion Promotion Project.

To further promote the active participation of female employees, we interviewed all women in career-track positions and their respective supervisors (totaling more than 350 people) and clarified their issues.

Our individual-oriented hiring and recruiting activities conducted without regard for gender and nationality have started to bear fruit. The hiring rate of new female engineering graduates, which had fallen to 11% at one point in fiscal year 2011, recovered to almost 30% among new recruits for fiscal year 2017. Women accounted for 7.9% of all employees in career-track positions, while women in their 20s and 30s accounted for as much as 14.7%. Furthermore, for fiscal year 2016, the number of female managerial positions more than trebled from fiscal year 2011. The proportion of female managerial positions (Non-consolidated, under age of 45) was 11.6%, meaning that we are steadily approaching the 12% target set forth in the 2018 Medium-term Management Plan.

In fiscal year 2016, we also started bringing foreign nationals, gender minorities, etc., within our scope of diversity, in addition to supporting the active participation of women; we are endeavoring to raise awareness by offering a "training course for managing diverse subordinates" targeted at managerial positions.

Outside Hitachi Chemical, we: joined the "IkuBoss Alliance;" were selected for FY2016 "Nadeshiko Brands;" and were certified by the City of Osaka as one of the leading companies in the promotion of active participation of women.

Promoting Diversity and Inclusion in Parallel with "Work Life Innovation"

In the "Project on Work Life Innovation," three Executive Officers, heads of business divisions and representatives of business sites participated from across the entire Group. Certain business divisions conducted operational analysis using tools in divisions that are ahead of others, and gave a lecture on the agenda of "Work Life Innovation" titled "Approach to work and leadership in a growing organization." In addition, we invited all employees in the back-office division of the Hitachi Chemical Group in Japan and held a workshop for them to participate and discuss the ideal ways of working from a personal perspective and from the viewpoint of the respective divisions to which they belong. This workshop resulted in more than 700 proposals being made to improve ways of working.



Lecture on Work Life Innovation

Plan for Fiscal Year 2017

In fiscal year 2017, we will establish an organization dedicated to promoting Work Life Innovation and implement measures based on its proposals. Hitachi Chemical believes it is important for each and every employee to recognize that promotion of diversity and inclusion is one of its management strategies and translate it into changing his/her own awareness and behavior. We also believe the execution of "Work Life Innovation" is indispensable for each and every one of our diverse human resources to work with vitality. With respect to both diversity and inclusion and Work Life Innovation, we will establish specific quantitative targets in the form of key performance indicators (KPIs) and implement the Plan-Do-Check-Act (PDCA) cycle.



For detailed information on promoting diversity and inclusion, refer to [Hitachi Chemical's website](#) ▶ [About Hitachi Chemical](#) ▶ [CSR](#) ▶ [Social Report](#) ▶ [Together with Our Employees](#).

Foreign employees

In fiscal year 2016, we interviewed foreign employees in groups and asked them about their concerns, issues and their expectations for Hitachi Chemical.

Gender minorities

In fiscal year 2016, a member of non-profit organization Nijiro Diversity gave a lecture targeting personnel in managerial positions in the human resources division.

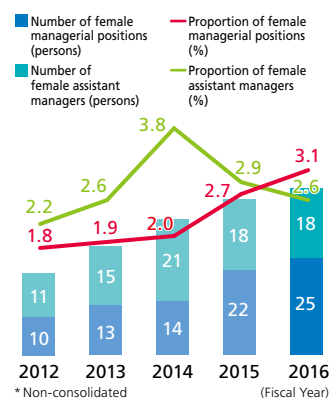
IkuBoss Alliance

"IkuBoss" refers to a manager who not only provides career assistance and runs an organization so that his/her subordinates can be fulfilled both at work and in private life, but is also capable of yielding results for the organization. "IkuBoss Alliance" is a network of companies seeking to develop IkuBoss by proactively changing the mindset of their managers.



For detailed information on Nadeshiko Brands, refer to [P.19](#).

Number of female managerial positions/Number of female assistant managers/Proportion of female managerial positions/Proportion of female assistant managers



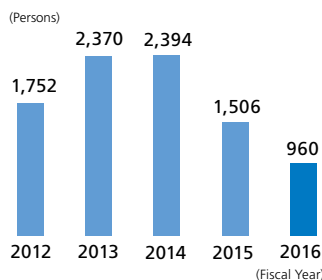


For detailed information on developing and evaluating global human resources, refer to [Hitachi Chemical's website](#) ▶ [About Hitachi Chemical](#) ▶ [CSR](#) ▶ [Social Report](#) ▶ [Together with Our Employees](#).

Global Coaching Program

This program was launched in fiscal year 2012 to encourage dialogue. Internal coaches learn coaching skills and coach five stakeholders, primarily personnel in other divisions. The coaching continues for about eight months with the aim of developing new awareness and expanding the spirit of taking on challenges.

Number of participants in Global Coaching Program

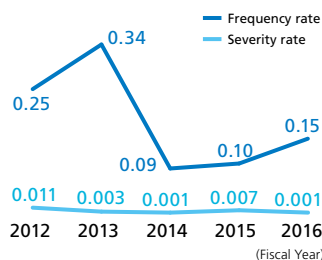


For detailed information on promoting occupational health and safety, refer to [Hitachi Chemical's website](#) ▶ [About Hitachi Chemical](#) ▶ [CSR](#) ▶ [Social Report](#) ▶ [Together with Our Employees](#) ▶ [Promoting Occupational Health and Safety](#).

Safety Meisters

To raise safety levels at overseas production sites, we dispatch personnel who work in manufacturing in the same fields to serve as safety meisters at overseas production sites and provide guidance on safety.

Accident frequency rate/ Accident severity rate



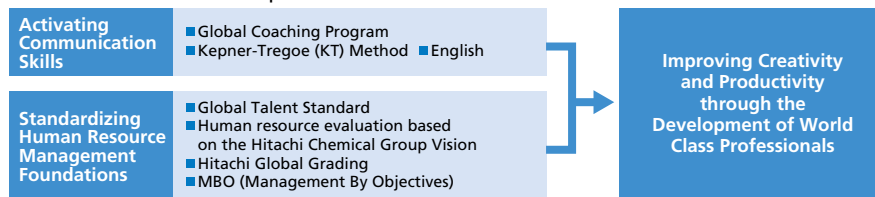
*Frequency rate represents the number of casualties due to occupational disasters per one million employee-hours worked and indicates the frequency of lost-time injuries.
 *Severity rate represents the number of work days lost per 1,000 employee-hours worked and indicates the severity of accidents.
 *Consolidated Group in Japan

Developing and Evaluating Global Human Resources

Fiscal Year 2016 Initiatives

Hitachi Chemical has set the World Class Professional (WCP) as its vision for human resource development. It is indispensable to improve one's skills in dialogue to become a professional who is world-class. This is why we conduct the [Global Coaching Program](#). In fiscal year 2016, we trained 160 new internal coaches in 9 countries and regions, and a total of 800 stakeholders experienced coaching. We also standardized human resource management foundations in order to conduct fair human resource evaluations throughout the entire Hitachi Chemical Group.

Human Resource Development Scenario



Plan for Fiscal Year 2017

We will continue to train internal coaches in fiscal year 2017 and will undertake further measures to establish organizations that engage in dialogue and take on challenges throughout the Group. We will steadily expand the standardization of human resource management foundations to overseas Group companies, and hire and assign human resources on a global basis.

Promoting Occupational Health and Safety

Fiscal Year 2016 Initiatives

Hitachi Chemical's principle is "Health and Safety Always Comes First." We have introduced and operate occupational safety and health management systems (OSH-MS) globally and take measures to create safe and comfortable workplaces. Almost all of our production sites in Japan have acquired OHSAS 18001 certification. At production sites that are yet to be certified, we are facilitating their acquisition of ISO45001 certification in a planned manner. Approximately 40% of overseas production sites have acquired OHSAS 18001 certification.

In fiscal year 2016, there were 3 accidents that led to lost-working days throughout the consolidated Group in Japan and 20 such accidents at overseas manufacturing companies. We endeavored to prevent occupational accidents from occurring, including making such efforts as implementing the accident and incident report management system that disseminates information in 3 languages to all business sites in order to prevent the reoccurrence of similar incidents, continuing "My Safety Declaration" (a declaration of safety activities to be executed by employees themselves) and giving safety guidance by dispatching "Safety Meisters" to overseas production sites.

Plan for Fiscal Year 2017

We will continue operating occupational safety and health management systems and increase our efforts to create safe workplaces. Our targets for the end of the fiscal year 2018 are zero serious accidents, an accident frequency rate of 0.05 or less, an accident severity rate of 0.0005 or less, and zero workplaces classified as Control Class III in Japan.

Strengthening of Quality Management

Fiscal Year 2016 Initiatives

Based on the principles of our Quality Assurance Program, Hitachi Chemical uses quality management systems (QMS) to monitor various processes, undertake continuous improvement measures, and ensure quality. We investigate and identify customers' ratings of products after they have been delivered as well as customers' intentions including development of future applications and reflect them in measures to further improve product quality. Moreover, at all production sites, we are implementing a unique e-learning course, which we have prepared for the education of production personnel to raise their awareness of product liability. In fiscal year 2016, we prepared a new Chinese version, as a result of which a total of approximately 6,000 employees have completed the course to date. For the management of chemical substances, we held various in-house training courses for gaining specialized knowledge and information on the latest legal and regulatory developments, in which a total of approximately 460 employees participated. Furthermore, in order to make it easier to prepare Safety Data Sheets (SDS), we enhanced the Chemical Substance Management System's function for searching legal and other information in each country, and standardized the procedures for registering chemical substances in each export destination country in collaboration with the export control division.

Plan for Fiscal Year 2017

In fiscal year 2017, we will continue to thoroughly review quality incidents. We will also make use of the Chemical Substance Management System created in fiscal year 2011, which supported us to be compliant with the laws and regulations of Japan, South Korea, EU countries, and other countries, and will introduce this system to where the sites are newly incorporated.

Supply Chain Management

Fiscal Year 2016 Initiatives

Procuring materials that are appropriate in terms of quality, delivery time and price is essential, not to mention meeting advanced technology requirements. Hitachi Chemical is striving to develop a robust supply chain by searching, from around the world, stable suppliers of materials that are outstanding in terms of both technology and management. In recent years, we have placed particular importance on countering the risks of procuring products from a single source and are developing new suppliers, primarily in emerging countries. We also conduct audits for the purpose of checking initiatives to reduce costs in collaboration with suppliers and systems that can stably supply high-quality materials. In fiscal year 2016, we audited 162 companies. Furthermore, as part of supply chain management, efforts toward environmental preservation and compliance are also important factors for continuing transactions. We therefore develop a shared awareness regarding social responsibility with suppliers through questionnaire surveys, and other means. With regard to conflict minerals, we trace the supply chain and investigate the minerals upon customers' requests.

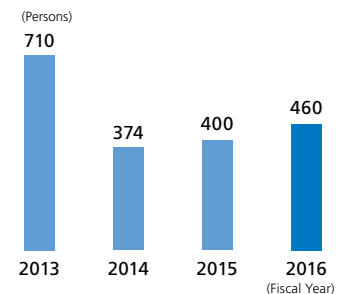
Plan for Fiscal Year 2017

In order to enhance efforts for CSR procurement, we will dramatically revise the Hitachi Chemical Supply-Chain CSR Deployment Guidelines, present our policy for the respect of human rights and against the procurement of conflict minerals more clearly and gain suppliers' understanding as well.



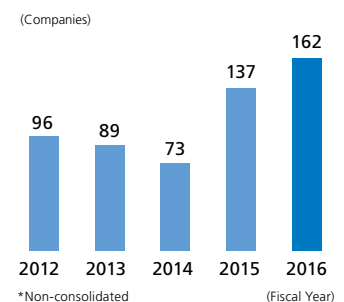
For detailed information on strengthening quality management, refer to [Hitachi chemical's website](#) ▶ [About Hitachi Chemical](#) ▶ [CSR](#) ▶ [Social Report](#) ▶ [Customers and Suppliers](#) ▶ [Delivering Safe and Easy-to-use Products](#).

■ Number of participants in chemical substance management training



For detailed information on supply chain management, refer to [Hitachi Chemical's website](#) ▶ [About Hitachi Chemical](#) ▶ [CSR](#) ▶ [Social Report](#) ▶ [Customers and Suppliers](#) ▶ [Construction of Fair Relationships with Suppliers](#).

■ Number of supplier audits





For detailed information on R&D strategies, refer to [Hitachi Chemical's website](#) ▶ [About Hitachi Chemical](#) ▶ [CSR](#) ▶ [Social Report](#) ▶ [Customers and Suppliers](#) ▶ [Pursuing Customer Satisfaction](#).

Open Innovation

Rather than relying exclusively on in-house ideas and technologies, Open Innovation aims to create new and innovative value by utilizing outside resources (management resources) of universities, other companies, etc.

Business Design

Business design is an approach required upon creating new businesses. For ideas on new products and new businesses selected by taking into account technological seeds inside and outside the Hitachi Chemical Group as well as social trends, attention-drawing industry developments and customer information, this is a process for: (i) understanding the competitive climate of the market; (ii) designing “value” to be provided by Hitachi Chemical; and (iii) designing a mechanism to increase profits.

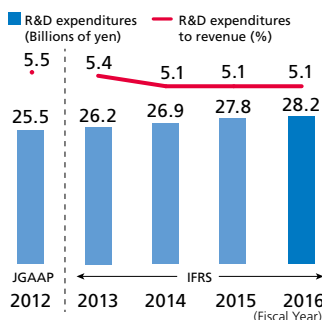


For information on the Open Laboratory and Innovation Center initiatives, refer to [P.06](#).

Marketing through collaborative creation

This marketing approach is related to the process of Business Design as a whole. The idea is to get relevant stakeholders involved in the creation process when designing “value” to be provided by Hitachi Chemical.

R&D expenditures/R&D expenditures to revenue



R&D Strategies

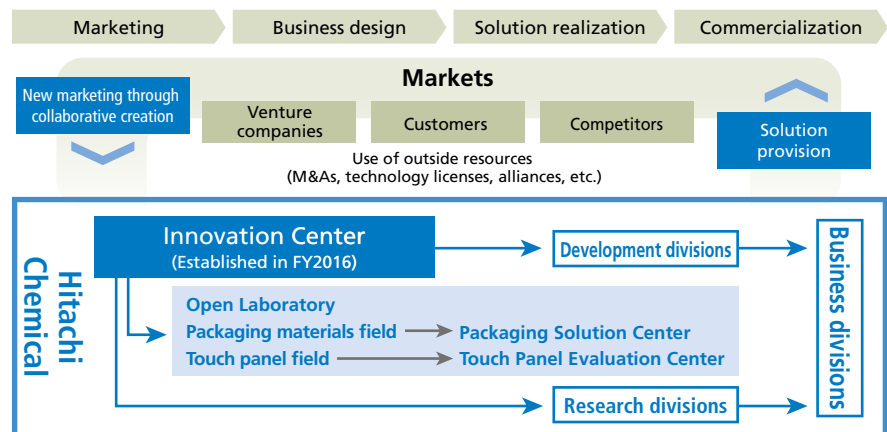
Fiscal Year 2016 Initiatives

Hitachi Chemical is enhancing its R&D strategies from a medium- and long-term perspective with the aim of becoming an active innovator beyond the boundaries of chemistry. In the 2018 Medium-term Management Plan, we are accelerating commercialization by focusing our efforts on strengthening R&D functions, promoting Open Innovation, which utilizes outside resources, and “Collaborative Creation,” by which innovation is brought about by sharing issues with customers.

In order to enhance the R&D functions, we have clarified the respective roles of the R (research) and the D (development) function. The Research & Innovation Promotion Headquarters, which is in charge of the R function, is promoting the formulation of research planning strategies, creation of new businesses and new products, Business Design and Open Innovation activities; while the R&D Headquarters, which is in charge of the D function, is promoting the development of new products that support the expansion of existing businesses. In fiscal year 2016, R&D expenditures amounted to 28.2 billion yen, while R&D expenditure as a percentage of revenue came to 5.1%. In fiscal year 2016, we made special efforts to promote Open Innovation by making investments relating to Open Innovation, collecting information on R&D partners including venture capital and introducing technologies.

The Open Laboratory for Semiconductor Packaging Materials, which was launched in Tsukuba City, Ibaraki Prefecture in 2014, has been visited by a total of more than 400 corporate customers until December 2016, and has been engaged in the research and development of next-generation semiconductor packaging and processes. We have decided to strengthen the functions of the Open Laboratory for Semiconductor Packaging Materials by relocating it to Kawasaki City, Kanagawa Prefecture. The Innovation Center, which was newly established in January 2017, has been promoting marketing through collaborative creation and has generated many projects leading to the creation of new businesses.

Accelerate commercialization by “Collaborative Creation” using of outside resources



Plan for Fiscal Year 2017

In order to improve the quality and accelerate the pace of R&D, and increase the ratio of sales of new products, we will strengthen management, establish a global development promotion department and execute the optimal allocation of resources. We will also enhance our activities so that the seeds sown in the Innovation Center and the Open Laboratory for Semiconductor Packaging Materials will be able to further contribute to businesses.

Intellectual Property Strategy

Fiscal Year 2016 Initiatives

Hitachi Chemical positions intellectual property as an important asset that is indispensable for carrying out its business strategies. We created three patent policies, established internal rules and formed a specialized organization (Intellectual Property Strategy Center), under which intellectual property of the entire Group is subject to centralized management. We are also proactively conducting educational activities for employees including those of Group companies for the purpose of raising their awareness concerning intellectual property. In fiscal year 2016, we held 6,870 patents and filed 1,557 patent applications.

Plan for Fiscal Year 2017

The Intellectual Property Strategy Center, business divisions and R&D divisions will work together to build and utilize a global network of patents in force based on research and development strategies corresponding to business strategies. We will conduct a detailed analysis of the intellectual property held by Hitachi Chemical as well as intellectual property held by other companies to design an appropriate open-close strategy tailored to Business Designs while promoting Open Innovation activities for the rapid launch and expansion of businesses.

Contribution to Local Communities

Fiscal Year 2016 Initiatives

In accordance with the Hitachi Chemical Group Social Contribution Policy, Hitachi Chemical collaborates with Group companies and their employees to help the local communities, where we do business, solve issues they are facing. In fiscal year 2016, 15,043 persons participated in a variety of programs centering on environment and education, while a total of 950 employees participated as volunteers. We have also been engaged in activities aimed at the revitalization of local communities, including support for the Sakura Café Machizukuri Project.

The status of and expenditures on social contribution activities of the entire Group are summarized each year. In fiscal year 2016, social contribution activity expenditures were approximately 160 million yen. By setting quantitative targets for each program, we are implementing the Plan-Do-Check-Act (PDCA) cycle and translating it into effective activities.



Science Workshops for Kids
(Let's play with light)

Plan for Fiscal Year 2017

We will continue activities that contribute to society with a focus on the children's chemistry lab workshop—lectures conducted at local kindergartens, nursery schools and elementary schools—and hands-on programs relating to ecosystem preservation. We will also get a grasp of the accomplishments relative to the targets of each program, and reflect the findings from participant questionnaire surveys, etc., in each program to help improve the programs.

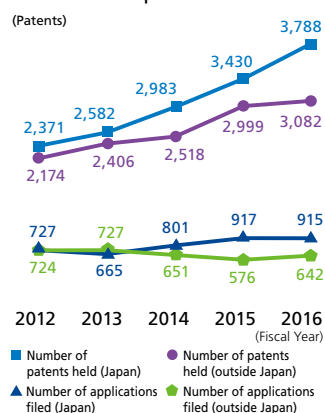


For detailed information on the intellectual property strategy, refer to [Hitachi Chemical's website](#) ▶ [About Hitachi Chemical](#) ▶ [CSR](#) ▶ [Governance and CSR Management](#) ▶ [Intellectual Property Strategy](#).

Three patent policies

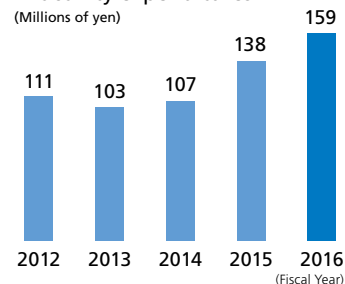
These three patent policies are to maintain superiority in products and technologies, deal resolutely with infringement of patent rights, and respect the patent rights of other parties.

Number of patent applications filed/ Number of patents held



For detailed information on contribution to local communities, refer to [Hitachi Chemical's website](#) ▶ [About Hitachi Chemical](#) ▶ [CSR](#) ▶ [Social Report](#) ▶ [Social Contribution Activities](#).

Social contribution activity expenditures



Breakdown of social contribution activity expenditures

