HITACHI

Hitachi Chemical
Working On Wonders

Hitachi Chemical Annual Report 2008

Year ended March 31, 2008

Focused on Progress

PROFILE

Hitachi Chemical Co., Ltd. (the "Company") was established in 1962 and began operations in 1963 with the transfer of the business assets of the Chemical Products Division of Hitachi, Ltd. Since then, based on the extensive technology platform it has accumulated over many years, the Company has continuously worked to expand its field of operations, developing innovative technologies and new markets as a chemical manufacturer engaged in a wide range of areas, including Electronics Related Products and Advanced Performance Products.

As a "Technologically Innovative Corporation" that provides optimal solutions to its customers, Hitachi Chemical Co., Ltd. and its consolidated subsidiaries ("Hitachi Chemical" or the "Group") are combining and harmonizing the superior technologies they have accumulated over the years in order to maximize the values of the Group and contribute to a more prosperous society while maintaining a strong commitment to protecting the environment.

CONTENTS

Hitachi Chemical discloses information about its activities in various annual publications.

ANNUAL REPORT

Disclosure of Management and Business Strategies and Related Financial Data

Primarily for shareholders and investors, the annual report explains management, business and financial conditions of the previous fiscal year, as well as medium-term management and business policies.

SUSTAINABILITY REPORT

Disclosure of Information on Fulfilling Corporate Social Responsibility (CSR)

For all stakeholders, the sustainability report explains policies and details of the previous fiscal year's activities related to corporate social responsibilities, including environmental initiatives, social contribution, worker safety, corporate ethics and compliance.

INTELLECTUAL PROPERTY REPORT

Disclosure of Information on R&D and Intellectual Property

Explains topics including Hitachi Chemical's technology platform, R&D policies, and acquisition and maintenance of intellectual property, as well as R&D initiatives and trends in patent applications and retention.

FORWARD-LOOKING STATEMENTS

This Annual Report may contain certain statements that Hitachi Chemical believes are, or may be considered to be, "forward-looking statements." These forward-looking statements generally include phrases such as "believe," "expect," "anticipate," "plan," "foresee," or other similar words or phrases. Similarly, statements that describe our objectives, plans, or goals are also forward-looking statements. All of these forward-looking statements are subject to certain risks and uncertainties that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements. Please see "Business and Other Risks" in the Management's Discussion and Analysis of Operations and Finances.

FINANCIAL HIGHLIGHTS

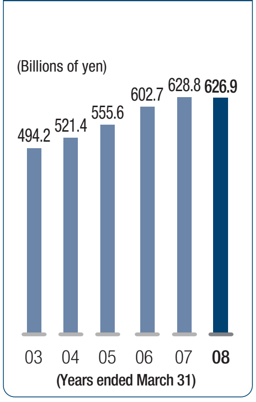
Hitachi Chemical Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2008, 2007 and 2006

	Millions of yen (except per share data)			Thousands of U.S. dollars (except per share data) (Note 1)	2008/2007 % change
	2008	2007	2006	**2008**	
For the year:					
Net sales	**¥626,929**	¥628,805	¥602,703	**$6,269,290**	(0.3)%
Operating income	**60,493**	55,750	53,833	**604,930**	8.5
Net income	**31,438**	32,766	31,593	**314,380**	(4.1)
Capital expenditures	**37,383**	37,661	38,687	**373,830**	(0.7)
Research and development expenses	**28,166**	27,835	26,934	**281,660**	1.2
At year-end:					
Total assets	**¥458,741**	¥470,864	¥444,185	**$4,587,410**	(2.6)%
Total net assets (Note 2)	**274,970**	268,356	215,235	**2,749,700**	2.5
Per share data:					
Net income (basic)	**¥ 151.60**	¥ 158.02	¥ 152.01	**$ 1.52**	(4.1)%
Net income (diluted)	**151.57**	157.95	151.95	**1.52**	(4.0)
Cash dividends declared	**32.00**	28.00	23.00	**0.32**	14.3
Net assets (Note 2)	**1,251.66**	1,175.49	1,037.83	**12.52**	6.5
Value indicators:					
Return on sales (%)	**5.0**	5.2	5.2		
Return on equity (ROE) (%) (Note 2)	**12.5**	14.3	16.0		
Return on assets (ROA) (%)	**6.8**	7.2	7.4		
Debt/Equity ratio (DER) (times) (Note 2)	**0.1**	0.2	0.2		

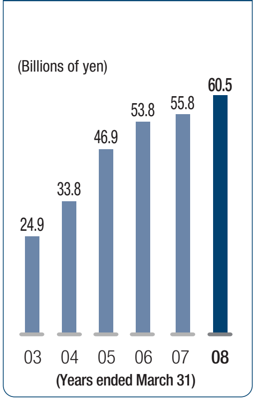
Notes: 1. U.S. dollar amounts in this annual report are translated from yen, solely for the convenience of the reader, at the rate of ¥100=US$1, the approximate exchange rate prevailing at the Tokyo Foreign Exchange Market as of March 31, 2008.

2. From the fiscal year ended March 31, 2007, the Company has adopted a new accounting standard for the presentation of net assets in the balance sheet, which reclassifies former stockholders' equity, minority interests and valuation and translation adjustments as net assets. The methods of determining the amounts of each category have not changed from the previous fiscal year. Amounts for prior years have not been restated.

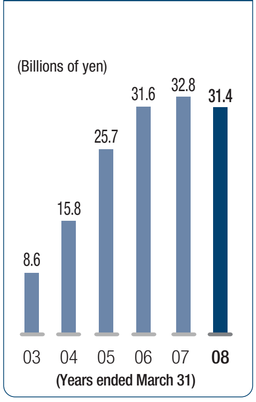
Net sales



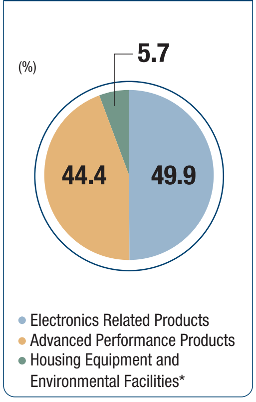
Operating income



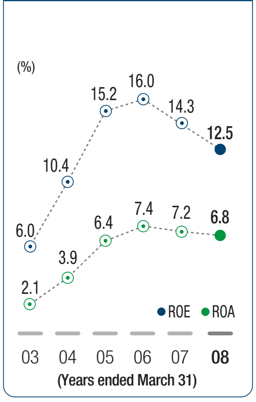
Net income



Net sales by business segment (2008)



Return on equity (ROE)
Return on assets (ROA)



* Hitachi Housetec Co., Ltd. was removed from the scope of consolidation in October 2007 due to the sale of its shares. As a result, net sales of the Housing Equipment and Environmental Facilities segment are for its period of consolidation from April 1, 2007 to September 30, 2007.

Despite a difficult environment for profitability, Hitachi Chemical continues to satisfy customers with products that deliver outstanding performance and quality. We are also steadily growing our businesses with the aim of being a corporate group whose abilities and achievements are well recognized by our stakeholders.

Yasuji Nagase
President, Chief Executive Officer and Director

To Our Shareholders

Summary of Fiscal 2007 Results

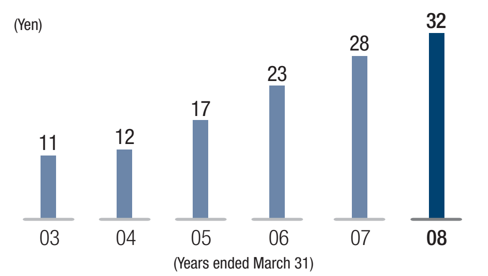
Hitachi Chemical's operating environment underwent changes on an unprecedented scale in fiscal 2007, the year ended March 31, 2008. Soaring prices for crude oil and natural resources drove up raw material costs worldwide, while financial instability in the United States led to a sharp appreciation of the yen against the U.S. dollar and a decline in stock prices. At the same time, however, generally strong conditions in the electronics market, coupled with customers' high evaluations of our products, presented Hitachi Chemical with opportunities for significant growth.

In fiscal 2007, Hitachi Chemical took the first step towards attaining its medium-term goals leading up to the important target year of 2010. With *"A Year of Fulfillment"* as our slogan, we moved with determination to achieve the objectives that were set. We invested heavily in high-value-added core products and aggressively restructured our businesses to increase the group's profitability. Other initiatives included strengthening R&D operations, expanding our globalization activities, and cutting costs and adjusting product prices in response to the rising cost of raw materials.

As a result, Hitachi Chemical recorded net sales of ¥626.9 billion, a year-on-year decrease of 0.3 percent. Operating income increased 8.5 percent to ¥60.5 billion, and net income decreased 4.1 percent to ¥31.4 billion. Net income per share (basic) decreased to ¥151.60 from ¥158.02, and return on equity declined to 12.5 percent from 14.3 percent in the previous fiscal year.

The Board of Directors approved total cash dividends of ¥32.00 per share for fiscal 2007, up from ¥28.00 per share in the prior year.

Cash dividends per share



Fiscal 2007 Initiatives and Achievements

We approached the first year of our *Mid-Term Management Policy* in 2007 while keeping our target year of 2010 in mind. Our highest priority objectives involved the following:

- Strengthening our competitive edge by intensifying our technological capabilities;
- Improving the efficiency of consolidated management;
- Accelerating new business development overseas; and
- Enhancing CSR activities

We enacted the following measures to fulfill these objectives.

Strengthening Our Competitive Edge by Intensifying Our Technological Capabilities: The range of products incorporating our leading-edge technologies has expanded rapidly in recent years. We placed high priority on allocating resources to those product areas that offered further growth opportunities. We completed a series of major investments aimed at boosting productivity and expanding our production capacity, all the while continuing to focus attention on the research and development of new products. As a result, our high-value-added core products were rated very positively in the most advanced markets, fur-

Target Form for 2010 under the *Mid-Term Management Policy*

➢ What Hitachi Chemical Should Be Like

1. A Group that contributes to improving people's lives and the natural environment with leading-edge material technologies
2. An energetic, forward-directed Group in which all employees experience a sense of accomplishment

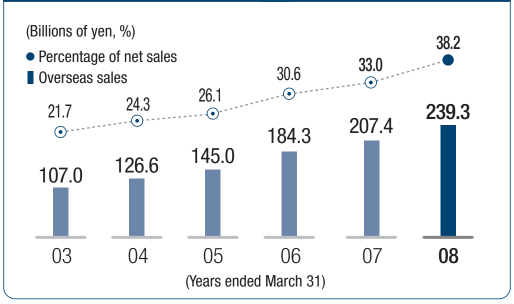
➢ Main Business Fields

1. Focus on "materials" to capitalize on our advantage in materials-related technology.
2. Offer new added value for customers with our *Material System Solution (MSS)* business model.
3. Key business fields: *Telecommunications & Displays, Automobiles, Environment & Energy* and *Life Sciences*

ther increasing our competitive edge and contributing greatly to the bottom line. On the other hand, there were some remaining issues for us to handle involving the roll out of *Key Growth Products* and other next-generation products.

Improving the Efficiency of Consolidated Management: In fiscal 2007, Hitachi Chemical set out to resolve pending issues and we began evaluating possible actions to address them at the beginning of the year. As a result, it was determined that two measures were critical to improve the profitability of Group operations – selecting and concentrating on key businesses and restructuring group businesses as quickly as possible – and we took decisive steps on an unprecedented scale. Specifically, we sold off our Housing Equipment and Environmental Facilities business in January 2008, and our expandable polystyrene beads business in March 2008. We also improved profitability by restructuring the domestic printed wiring boards business and consolidating domestic production bases for automotive disc brake pads. In addition, for synergistic benefits, we transformed Hitachi Powdered Metals Co., Ltd. into a wholly owned subsidiary on April 1, 2008, through a stock-for-stock exchange. In the process of considering these restructurings, we were faced with some very difficult choices. Selling off these businesses was a particularly tough decision. However, as a result of these actions we can now fully focus our attention on key business areas.

Overseas sales



Accelerating New Business Development Overseas: Demand for Hitachi Chemical's products has steadily increased in offshore markets. We expanded sales by starting up local manufacturing facilities for key products, mainly in China. As a result, overseas sales rose to 38 percent of total net sales, surpassing our original target of 33 percent.

Initiatives in Fiscal 2008

A Year of Advancement

We expect that fiscal 2008 will be a year of increased risks. With respect to worldwide events, last year's sub-prime mortgage crisis and the resulting downturn in consumer spending in the United States is adversely affecting the overall economy. This may lead to the further weakening of the U.S. dollar and strengthening of the euro and yen. Another concern is the sharp rise in prices for natural resources and grains, which shows no signs of slowing down, that will fuel an inflationary trend affecting the global economy. In Japan, the economic outlook warrants little optimism. Capital investment, which has driven economic expansion in the absence of an upturn in consumer spending, is leveling off; and corporate earnings, which had been consistently strong, are starting to weaken. Hitachi Chemical also faces the increased possibility of having to deal with the difficult challenges involving the increasing cost of raw materials, weakening demand in electronics-related industries, and further declining product prices due to intense competition in end-user markets.

Recognizing that some key fundamentals in our operating environment are changing drastically, in fiscal 2008 we must further strengthen our foundation in order to maintain steady profits. At the same time, however, I believe we need to take more aggressive action to ensure future growth. This is the second year since we set our *Mid-Term Management Policy* for 2010. In fiscal 2007, we were able to restructure specific business areas because we identified critical issues and took action in advance to deal with important pending matters. Thus, in fiscal 2008 we will establish a structure that allows us to concentrate on our core businesses while enabling us to implement new measures for further business expansion without delay.

Expanding and Strengthening Our Businesses

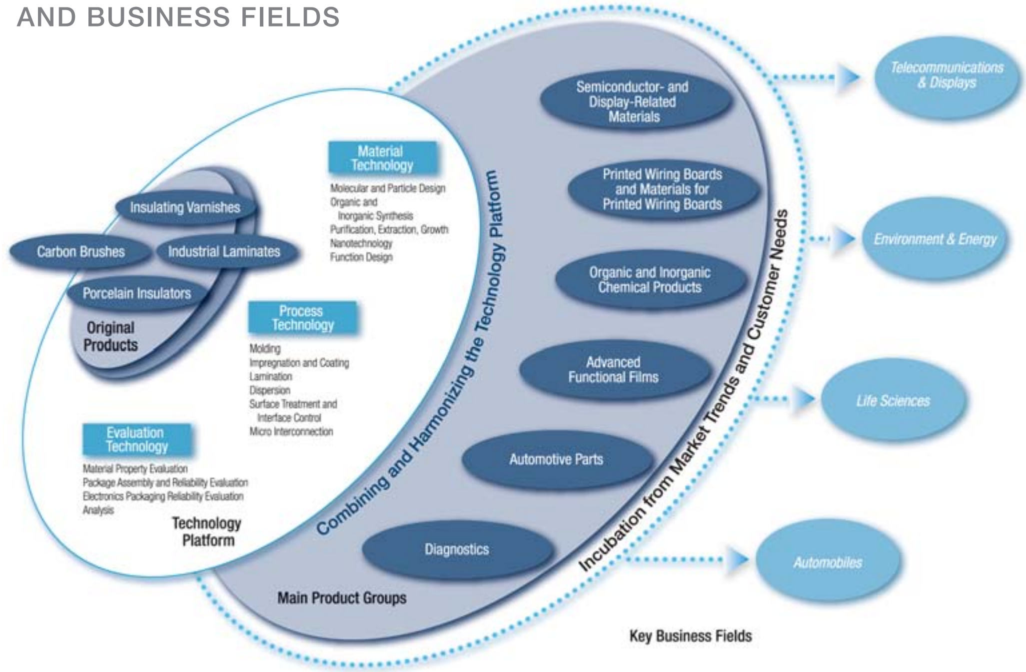
In keeping with our business vision of *Contributing to society through the development of superior technologies and products*, Hitachi Chemical utilizes advanced technologies that differentiate us from other companies. We develop products and provide services to customers in major markets with high growth prospects, and target our new business development efforts on areas that offer high profit potential. I am confident that we can maintain our level of excellence in the market and succeed against stiff competition if we continue to capitalize on our strengths and resources, concentrate our investments in core areas, and take other steps that will further bolster our businesses.

To that end, in fiscal 2008, we will ensure that the investments made last year in our world-class core products will lead to expanding sales and increasing profits. Meanwhile, we will redirect the perspective of our manufacturing and marketing efforts from medium range to a longer-term one to further heighten our competitiveness. Moreover, we will also increase the scale of our business by forming new strategic alliances with other companies and through mergers and acquisitions.

Creating New Technologies and Products

The continuous development of new technologies and products is essential for Hitachi Chemical in order to clearly differentiate ourselves from competitors. This thrust enables us to maintain our strong reputation among customers in leading-edge industries and

TECHNOLOGICAL AND BUSINESS FIELDS



fortifies our sustained growth.

Hitachi Chemical has identified *Telecommunications & Displays, Automobiles, Environment & Energy* and *Life Sciences* as the key business areas that will be emphasized going forward. We are undertaking a number of new research and development programs that are aimed at new technology trends and anticipated customer needs. We are also preparing for the commercialization of new and future products. We expect that these steps will raise the competitiveness of our existing businesses and provide the impetus for us to move aggressively into new business areas in the near term. In addition, we are building a system that will enable our engineers to access and share our technology platform that a large and diverse storehouse of technologies amassed over many years by Hitachi Chemical.

In fiscal 2008, we will continue to focus on research and development that maximizes the value of our technology platform – the source of Hitachi Chemical's strength – and will work to generate even greater results as we develop new technologies and products that will become the basis of our future businesses.

Responding to Diversity to Support Global Business Expansion

Last year, I announced inside the company that diversity was an essential part of Hitachi Chemical's management strategy and we initiated new measures to promote it. Specifically, we expanded a program to support the advancement of female employees throughout the company, and we also began efforts to further localize our overseas subsidiaries and promoted outstanding local employees to management positions.

Hitachi Chemical has set a future goal of continued global expansion well beyond Greater China, where we have focused our growth in recent years. We also recognize that creating opportunities to maximize the potential of our human resources, the driving force of Hitachi Chemical's continued viability, is a prerequisite for boosting our competitiveness in the world market. Therefore, we actively embrace diversity at Hitachi Chemical, not only to encourage respect for and inclusion of people of different nationalities, races and genders, but because it is vital for our long-term growth, global expansion and sustainability.

Comprehensive Approach to Risk

Hitachi Chemical deals with many risks, ranging from fires to the rising cost of raw materials. However, rapid changes occurring all over the world are giving rise to a number of new risks that we have never encountered before.

We are constantly aware of potential risks and have ready in place appropriate programs to deal with them in the event they should materialize. At Hitachi Chemical, we analyze potential risks at each stage of our business and continuously develop and employ responsive measures. As part of this effort, we are putting together a new Business Continuity Plan (BCP) that will enable us to continue operations and quickly resume business functions in the event of a crisis. We have already finished formulating a plan for certain key products and will continue to expand this program to other areas.

Enhancing CSR Activities

Hitachi Chemical is a corporate group that strives to earn the trust of its stakeholders and to achieve sustained growth by meeting our social responsibilities, strengthening corporate governance and enacting sound environmental management practices. In our approach to the environment, we are addressing ways in which we can contribute to the worldwide movement towards a low-carbon society. As I mentioned previously, promoting greater diversity is an important requirement for our continued growth. We will continue striving to raise our level of quality assurance, health and safety standards, all of which contribute to building further trust in Hitachi Chemical.

In closing, I would like to thank our shareholders for their continuing support.

July 2008

Y. Nagase

Yasuji Nagase
President, Chief Executive Officer
and Director

Hitachi Chemical believes that one of its most important management tasks is establishing a management structure that is sound, highly transparent and capable of responding swiftly to changes in the market. As part of these efforts, in June 2003 the Company adopted the "Company with Committees" system, which separates operational and supervisory functions to achieve highly objective, transparent management.

Board of Directors

The Board of Directors of Hitachi Chemical Co., Ltd., which is composed of seven Directors including three Outside Directors, holds regular monthly meetings and extraordinary meetings when necessary. Outside Directors are management executives, professionals and others selected for their familiarity with the Company's management conditions and knowledge of relevant fields such as R&D, where the Company has important management tasks.

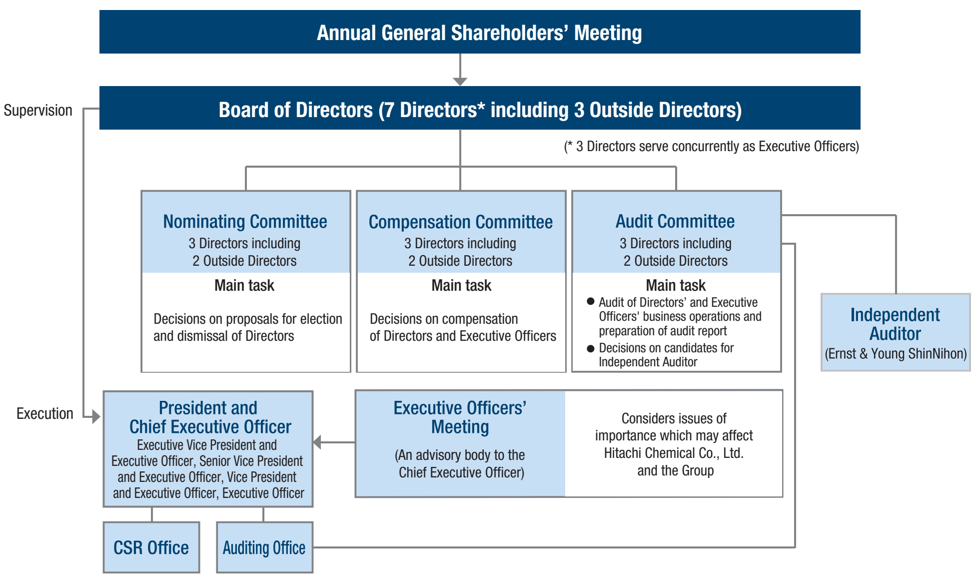
In addition to approving the budgets and accounts, the Board of Directors uses the monthly and quarterly performance reports it receives from the Executive Officers to manage the budget and business results. In order to ensure the separation of operational and supervisory functions, the Company does not allow the Chairman of the Board to serve concurrently as an Executive Officer, and limits the number of Directors concurrently serving as Executive Officers to the required minimum of three. During fiscal 2007, the Board of Directors met 15 times, with a 97 percent participation rate among Directors.

To strengthen the supervisory function of the Board of Directors, a Nominating Committee, Audit Committee and Compensation Committee, each of which includes Outside Directors, have been established under the Board of Directors. During fiscal 2007, the Nominating Committee met twice, the Audit Committee met 13 times, and the Compensation Committee met five times. The Nominating Committee selected Director candidates for presentation to the Annual General Shareholders' Meeting. The Audit Committee audited the execution of the duties of the Directors and Executive Officers. The Compensation Committee set the policies for deciding the compensation of the Directors and the Executive Officers, based on which it determined the content of compensation for each individual. To ensure its independence, the Audit Committee conducts audit activities with specialized staff who are employees independent from the Executive Officers. The Auditing Office performs internal audit work by order of the Chief Executive Officer, and cooperates in conducting audits if instructed to do so by the Audit Committee.

Executive Officers' Meeting

Composed of all Executive Officers, the Executive Officers' Meeting acts as an advisory body to the Chief Executive Officer to ensure prudent decisions through multifaceted study of important issues that may affect Hitachi Chemical Co., Ltd. or the Group. The Executive Officers' Meeting, as a rule, holds regular meetings twice a month and extraordinary meetings when necessary to accelerate decision-making and business operations. It participates in managing the budget and business results by executing the decisions of the Board of Directors when the budget is determined or revised, and by presenting monthly and

Business Execution and Management Supervision Framework



quarterly performance reports to the Board of Directors.

Executive Officers and employees promptly report matters required by law to the Audit Committee, as well as decisions by Executive Officers in connection with important matters that affect the Company as a whole, the results of internal audits conducted by the divisions in charge, and the status of reports made by the internal reporting system maintained by the Executive Officers.

Compensation of Directors, Executive Officers and Auditors

Compensation of Directors and Executive Officers is composed of monthly base compensation and a year-end distribution (performance-based compensation for the Executive Officers). The year-end distribution for the Directors is set at an amount equivalent to one and a half months of the monthly base compensation (however, this amount may be reduced according to the Company's performance). The performance-based compensation for the Executive Officers is set in proportion to the Company's results for the fiscal year, the results of the department in which each Executive Officer divides his duties, and individual performance and degree of performance improvement.

Compensation of Directors and Executive Officers for Fiscal 2007

Classifications	Number	Amount of Compensation (Millions of yen)
Directors [Outside Directors]	7 [3]	79 [40]
Executive Officers	15	597
Total	22	676

Notes: 1. Compensation of the Directors who served concurrently as Executive Officers is shown separately.
2. The above compensation amounts include a year-end distribution of ¥11 million paid to the Directors in June 2008, performance-based compensation of ¥158 million paid to the Executive Officers, and a reserve for retirement benefits for the Directors and the Executive Officers of ¥174 million.
3. Retirement benefits paid during fiscal 2007 to the Directors who retired as of the close of the 58th Annual General Shareholders' Meeting on June 19, 2007 were ¥294 million.

Compensation of Independent Auditor for Fiscal 2007

Classifications	Amount of Compensation (Millions of yen)
Total amount of monetary and other financial benefits payable by the Company and its subsidiaries	98
The amount of compensation payable to the independent auditor by the Company (*)	38

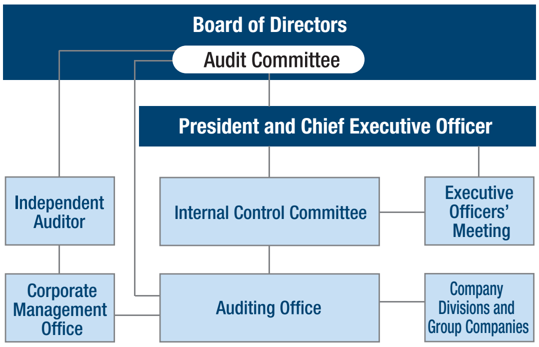
Notes: 1. There were no payments between the Company and the Independent Auditor in consideration of non-audit duties.
2. In the audit contract between the Company and the Independent Auditor, the compensation paid for audits under the Corporation Law and audits under the Securities Exchange Law are not broken down and cannot be practically separated, and therefore both are included in the amount in (*).

Internal Control System

The Company has built and operates a system to ensure that execution of business operations conforms to laws and the Company's Articles of Incorporation, and to ensure that other business operations are appropriate.

Specifically, the Company's standards of corporate conduct serve as a basic code of conduct throughout Hitachi Chemical, and the key parts of other important rules and basic systems are also shared across the Group. While protecting the independence of each Group company, this promotes smooth coordination, raises the efficiency of internal audits and makes the internal control system effective.

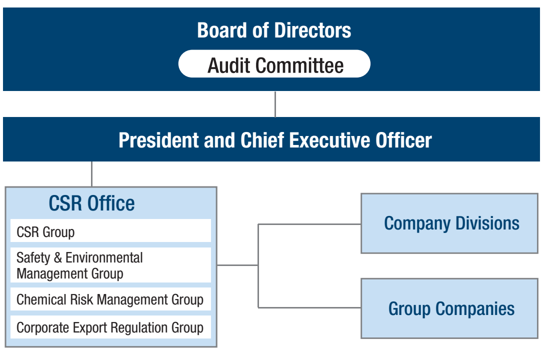
Internal Control System



Risk Management System

The Company has created the Guidelines for Implementing Measures to Counter Risk at Hitachi Chemical. This document prepares for target risk scenarios for the entire Company by specifying the responsibilities of all executives and employees in preventing risks, the composition and role of the Emergency Response Task Force to be put in place during emergencies, and the communication standards to be observed. Additionally, the CSR Office conducts regular audits of each Company division internally and the Group companies to check the status of the risk management systems and carries out comprehensive auditing in preventing risks from occurring and dealing with them if they occur. It also requires each division to undertake self-audits.

Risk Management System



BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

As of June 24, 2008


Etsuhiko Shoyama


Yasuji Nagase


Takashi Urano


Keiichi Takeda


Tetsuo Odashiro


Hajime Nakajima


Junzo Kawakami

DIRECTORS

Etsuhiko Shoyama	Chairman of the Board and Outside Director (Chairman of the Board, Hitachi, Ltd.)
Yasuji Nagase*	Director
Takashi Urano*	Director
Keiichi Takeda*	Director
Tetsuo Odashiro	Director
Hajime Nakajima	Outside Director (Senior Advisor, Kepner-Tregoe Japan, LLC, Japan Branch)
Junzo Kawakami	Outside Director (Representative Executive Officer, Executive Vice President and Executive Officer, Hitachi, Ltd., Director, Hitachi Metals, Ltd.)

*Serves concurrently as Executive Officer

COMMITTEE MEMBERS

Nominating Committee:

Etsuhiko Shoyama
Committee Chairman

Yasuji Nagase
Committee Member

Junzo Kawakami
Committee Member

Audit Committee:

Tetsuo Odashiro
Committee Chairman

Hajime Nakajima
Committee Member

Junzo Kawakami
Committee Member

Compensation Committee:

Yasuji Nagase
Committee Chairman

Etsuhiko Shoyama
Committee Member

Junzo Kawakami
Committee Member

EXECUTIVE OFFICERS

Yasuji Nagase
President and Chief Executive Officer

Takashi Urano
Executive Vice President and Executive Officer (Oversight of new product and business development, Corporate planning, Purchasing)

Keiichi Takeda
Senior Vice President and Executive Officer (Oversight of administration, Internal control, Finance)

Kiyoshi Togawa
Senior Vice President and Executive Officer (Oversight of sales)

Katsuki Miyauchi
Vice President and Executive Officer (New product development)

Kazuyoshi Tsunoda
Vice President and Executive Officer (Advanced performance materials)

Kazuyuki Tanaka
Vice President and Executive Officer (Oversight of business, Automotive parts)

Naoki Suzuki
Executive Officer (Personnel, General affairs)

Shigeru Hayashida
Executive Officer (CSR activities, New business development)

Naoki Teramoto
Executive Officer (Technology innovation management, Quality assurance)

Shoichi Hanaeda
Executive Officer (Group company management)

Ichiro Hayashi
Executive Officer (Sales)

Hiroki Sashima
Executive Officer (Printed wiring boards)

Yoshihiro Nomura
Executive Officer (Electronic materials)

HITACHI CHEMICAL AT A GLANCE

As of March 31, 2008

Electronics Related Products

Main Products

Semiconductor and Display Related Materials
- Slurry for Chemical Mechanical Planarization
- Heat-Resistant Fine Polymers
- Die Bonding Materials
- Epoxy Molding Compounds
- Anisotropic Conductive Films for Displays
- Light Guides for Liquid Crystal Displays
- Electromagnetic Interference Shielding Films for Plasma Display Panels

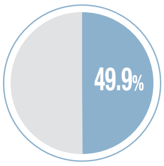
Printed Wiring Boards and Related Products
- Multilayer Printed Wiring Boards
- Multiwire Boards
- Flexible Printed Wiring Boards
- Package Substrates
- Copper-Clad Laminates for Printed Wiring Boards
- Copper-Clad Laminates with Inner Layer Circuits
- Photosensitive Dry Films for Printed Wiring Boards
- Plating Chemicals for Printed Wiring Boards

Others
- Carbon Anode Materials for Lithium Ion Batteries
- Capacitors

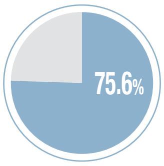
Fiscal 2007 Highlights

- Received the 4th JCPA Award for low thermal expansion materials for the next-generation thin packaging substrates, MCL-E-679GT
- Commercialized new environmentally friendly, heat-resistant, high-frequency multilayer materials for environmental purposes
- Hitachi Chemical (Singapore) Pte. Ltd. enhanced production capacity of high-density, high-layer printed wiring boards by 20 percent
- Acquired a basic patent for new copper surface treatment technology
- Commercialized copper-clad materials with low coefficient of thermal expansion and high elastic modulus for substrates of thin semiconductor packages
- Increased production capacity of die bonding films for semiconductors by 70 percent
- Increased production capacity of slurry for chemical mechanical planarization by 50 percent
- Domestic development and sales of printed wiring boards integrated at Hitachi Chemical, manufacturing integrated at Hitachi AIC Inc.
- Acquired basic patents for μARTs fluid circuit sheet
- Hitachi Chemical (Suzhou) Co., Ltd. built a new plant for photosensitive dry films for printed wiring boards and began mass production

Percentage of Net Sales

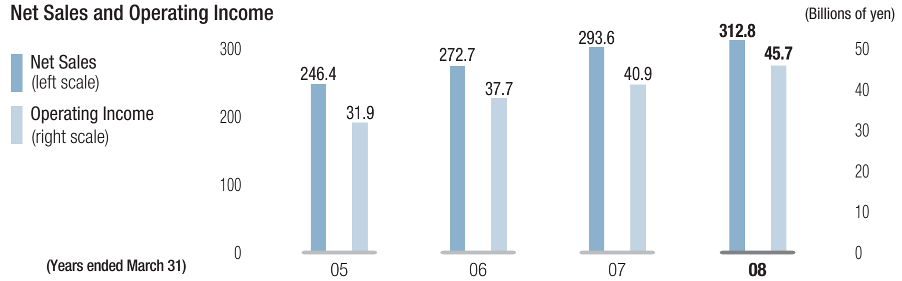


Percentage of Operating Income



Net Sales and Operating Income

(Billions of yen)



(Years ended March 31)

Advanced Performance Products

Main Products

Industrial Materials
- Electrical Insulating Varnishes
- Solder Resists
- Alkyd Resins
- Acrylic Resins
- Amino Resins
- Alkyl Phenol Resins
- Furan Resins
- Epoxy Resin Hardeners
- Specialty Chemicals
- Shell Molding Resins
- Phenolic Resin Molding Compounds
- Molds for High-Voltage Insulation
- Adhesives
- Road Sign Materials
- FRP Molding Compounds

Carbon and Ceramics
- Carbon Brushes
- Carbon Sliding Materials
- Glass-like Carbon Products
- Silicon Carbide Ceramics
- Alumina Ceramics
- Single Crystals

Automotive Parts
- Interior and Exterior Plastic Molded Products
- Molded Plastic Backdoor Modules
- Planar Antennas for Millimeter-Wave Radar
- Disc Brake Pads
- Drum Brake Units
- Brake Shoes, Brake Linings
- Flexible Graphite Gasket Materials

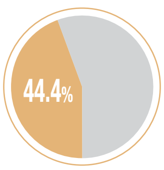
Advanced Functional Films
- Adhesive Films
- Contactless IC Cards and Tags
- Cross-linked Foamed Polyethylene
- Food Wrapping Films

Others
- Diagnostics
- Decorative Laminates
- Batteries
- Power Supply Units
- Golf Carts
- Powdered Metal Products
- Materials for Foundries

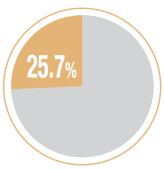
Fiscal 2007 Highlights

- Parts using recycled glass fibers adopted for use in train cars
- Commercialized new IC tags with μ-chip for DVD/CD management and anti-theft purposes
- Integrated domestic manufacturing bases for disc brake pads
- Transferred expandable polystyrene beads business
- Began full-scale production of μ-chip tags
- New plant for adhesive films began operations

Percentage of Net Sales

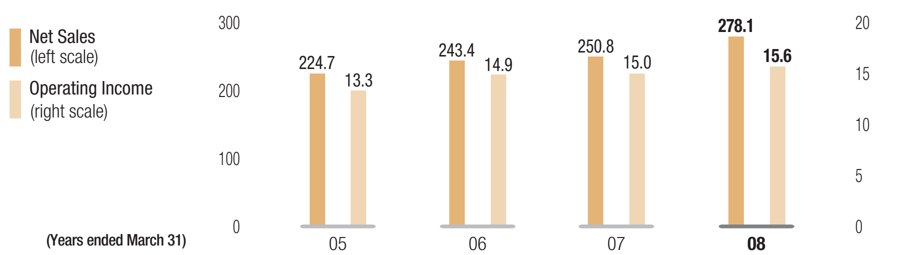


Percentage of Operating Income



Net Sales and Operating Income

(Billions of yen)



(Years ended March 31)

Note: Hitachi Housetec Co., Ltd. was removed from the scope of consolidation in October 2007 due to the sale of its shares. As a result, the Housing Equipment and Environmental Facilities segment has been omitted from the above overview.

Electronics Related Products

Fiscal 2007 segment sales increased 6.5 percent year-on-year to ¥312.8 billion, and operating income increased 11.7 percent to ¥45.7 billion.

(Years ended March 31) (Billions of yen)

	2008	2007	2006	2008/2007 % change
Segment sales	¥312.8	¥293.6	¥272.7	6.5%
Operating income	45.7	40.9	37.7	11.7
Assets	237.5	227.8	209.5	4.2
Depreciation and amortization of tangible and intangible fixed assets	15.8	12.1	11.8	30.5
Capital expenditures	19.1	16.9	17.1	12.7

KEY INITIATIVES IN FISCAL 2007

In semiconductor and display related materials, Hitachi Chemical expanded production capacity for slurry for chemical mechanical planarization, die bonding materials, and anisotropic conductive films for displays to accommodate increasing demand, and also focused on developing new applications for anisotropic conductive films. In printed wiring boards (PWBs) materials, Hitachi Chemical expanded production capacity for copper-clad laminates for PWBs with high heat resistance in response to growing demand for use in semiconductor packages. Hitachi Chemical also built a new factory for photosensitive dry films for PWBs in Suzhou, Jiangsu Province, China, to meet demand for this product in the Chinese market, which has become the world's largest.

SALES OF MAIN PRODUCTS

Semiconductor and Display Related Materials

In semiconductor materials, sales of slurry for chemical mechanical planarization expanded substantially, underpinned by a strong market for flash memories and increased demand for fine patterning with the trends of miniaturization and high performance in electronic equipment. Die bonding materials with dicing tape functions also showed a significant increase in sales. Sales of epoxy molding compounds, mainly halogen-free products, increased compared with the previous fiscal year as Hitachi Chemical met demand in Asia, and sales of Hitachi Chemical (Suzhou) Co., Ltd. were also strong.

In display-related materials, sales of anisotropic conductive films increased compared with the previous fiscal year due to

Slurry for Chemical Mechanical Planarization

Anisotropic Conductive Films for Displays

Review of Operations

Copper-Clad Laminates for Printed Wiring Boards

Carbon Anode Materials for Lithium Ion Batteries

Consolidated Subsidiaries*
(Total: 26 Companies)

- Shin-Kobe Electric Machinery Co., Ltd.
- Hitachi AIC Inc.
- Hitachi Chemical (Singapore) Pte. Ltd.
- Hitachi Chemical (Johor) Sdn. Bhd.
- Hitachi Chemical Asia-Pacific Pte. Ltd.
- Hitachi Kasei Shoji Co., Ltd. and 20 others

expanded sales for personal computer display and LCD applications, despite the impact of price competition. On the other hand, sales of electro-magnetic interference (EMI) shielding films for plasma display panels decreased compared with the previous fiscal year, due to a substantial decline in market prices.

Printed Wiring Boards and Materials for Printed Wiring Boards

In printed wiring boards (PWBs), sales of multiwire boards increased as demand for use in jigs for chip testers expanded, and sales of multilayer PWBs also increased. However, sales of flexible PWBs decreased due to a fall in demand from major customers.

In materials for PWBs, underpinned by increasing demand in Asia, sales of copper-clad laminates increased, centered on PWBs with high heat resistance, which are used for semiconductor package substrates. Sales of photosensitive dry films for PWBs also increased compared with the previous fiscal year, as the new plant of Hitachi Chemical (Suzhou) Co., Ltd. started mass production in May 2007 in response to growing demand in China.

Others

Sales of carbon anode materials for lithium-ion batteries increased due to steadily rising demand for mobile phones and notebook computers, as well as expanded adoption of these materials by customers.

In the capacitors market, sales of tantalum capacitors decreased because of the impact of more severe price competition in the digital electronic appliance market, and sales of aluminum electrolytic capacitors were below the level of the previous fiscal year due to decreased demand from major customers.

Startup of New Factory for Anisotropic Conductive Films

Moving to bolster its anisotropic conductive films for displays business, Hitachi Chemical built a new plant at Shimodate Works (Minami Yuki) in the city of Yuki, Ibaraki Prefecture, Japan. The plant began operations in August 2007.

Anisotropic conductive films for displays are tape-like materials that connect the LCD panels with the semiconductor chips used in LCD drivers. Because they allow fine circuit connections that were difficult with solder, they have played a major part in advances in color and sharper images in LCDs.

Hitachi Chemical intends to expand sales of this product further by developing applications in non-display fields such as connector replacements and semiconductor package applications.

Shimodate Works (Minami Yuki)

* Twelve companies, including Shin-Kobe Electric Machinery Co., Ltd., are included in the total number of companies listed for each of the two segments, Electronics Related Products and Advanced Performance Products.

Advanced Performance Products

Fiscal 2007 segment sales increased 10.9 percent year-on-year to ¥278.1 billion, and operating income increased 3.7 percent to ¥15.6 billion.

(Years ended March 31) (Billions of yen)

	2008	2007	2006	2008/2007 % change
Segment sales	¥278.1	¥250.8	¥243.4	10.9%
Operating income	15.6	15.0	14.9	3.7
Assets	221.7	204.3	195.3	8.5
Depreciation and amortization of tangible and intangible fixed assets	16.0	13.7	12.8	16.8
Capital expenditures	17.6	19.1	19.1	(7.8)

KEY INITIATIVES IN FISCAL 2007

In fiscal 2007, Hitachi Chemical focused on developing and launching new products with high growth potential. These include electrical insulating varnishes for use in surface protection of liquid crystal display circuits and adhesive films for protection of optical sheets. Hitachi Chemical also moved to adjust product prices in response to rising raw material prices. For carbon products, Hitachi Chemical promoted a shift to lead-free products to reduce their environmental impact, and expanded sales for new applications that contribute to environmental preservation, such as wind power generators.

SALES OF MAIN PRODUCTS

Industrial Materials

Sales of electrical insulating varnishes for surface protection of LCD circuits increased due to the expansion of overseas markets, primarily China. Sales of molded products for high-voltage insulation also increased substantially, driven by the increase in demand for the maintenance of electric power facilities in Japan and overseas. Sales of epoxy resin hardeners also increased significantly, underpinned by strong overseas demand for use in heavy electrical equipment and increasing demand in Japan for automotive applications.

Carbon and Ceramics

In carbon products, sales of carbon brushes grew steadily, underpinned by expanding demand for use in automobiles and wind power generators. However, sales of ceramic products decreased compared with the previous fiscal year because of decreased sales for semiconductor production equipment due to reduced demand from major customers. In

Electrical Insulating Varnishes

Molded Plastic Backdoor Modules

Review of Operations

Adhesive Films for Surface Protection of Optical Sheets

Automobile Batteries

Consolidated Subsidiaries*
(Total: 39 Companies)

- Shin-Kobe Electric Machinery Co., Ltd.
- Hitachi Powdered Metals Co., Ltd.
- Hitachi Chemical Automotive Products Co., Ltd.
- Hitachi Kasei Polymer Co., Ltd.
- Japan Brake Industrial Co., Ltd.
- Hitachi Kasei Shoji Co., Ltd. and 33 others

addition, sales of gadolinium silicon oxide (GSO) single crystals for positron emission tomography (PET) medical equipment decreased significantly, reflecting the contraction of the market for PET resulting from a change in insurance policies in the United States.

Automotive Parts

Sales increased compared with the previous fiscal year, with an increase in demand for interior and exterior plastic molded products in Asia, especially Thailand, and expanded use of molded plastic backdoor modules in new cars. Sales of friction materials also increased as a result of effective sales expansion efforts to overseas customers.

Advanced Functional Films

Sales of adhesive films as Hitachi Chemical gained new customers and efforts to expand sales to semiconductor production applications were successful. However, sales of cross-linked foamed polyethylene decreased compared with the previous fiscal year, impacted by the decreasing number of housing starts following the enforcement of the revised Building Standards Law.

Others

Sales of powdered metal products increased substantially compared with the previous fiscal year due to a solid increase in sales of automobile engine components and high-performance mechanical parts used in components for car air conditioners and other automotive electrical equipment. Sales of rechargeable batteries increased substantially compared with the previous fiscal year, owing to factors including price revisions in response to higher raw material prices.

Hitachi Powdered Metals Becomes a Wholly Owned Subsidiary

From December 27, 2007 to February 12, 2008, Hitachi Chemical made a tender offer for the shares of Hitachi Powdered Metals Co., Ltd., which became a wholly owned subsidiary on April 1, 2008. Hitachi Powdered Metals has primarily conducted business in the areas of powdered metallugical products, mainly for automotive parts, and chemical products, mainly for carbon products. In recent years, Hitachi Powdered Metals and Hitachi Chemical have strengthened technological and marketing alliances to promote further growth in the automotive and energy domains, in which the Hitachi Chemical Group is focusing its efforts. To accelerate global competitiveness in these domains, the two companies will cooperate even more closely and pursue synergy in their overall operations, from research and development to manufacturing and sales.

Powdered Metal Products

* Twelve companies, including Shin-Kobe Electric Machinery Co., Ltd., are included in the total number of companies listed for each of the two segments, Electronics Related Products and Advanced Performance Products.

SIX-YEAR SUMMARY

Hitachi Chemical Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2008, 2007, 2006, 2005, 2004 and 2003

	Millions of yen (except per share data)						Thousands of U.S. dollars (except per share data) (Note 1)
	2008	2007	2006	2005	2004	2003	**2008**
For the year:							
Net sales	**¥ 626,929**	¥628,805	¥602,703	¥555,568	¥521,358	¥494,226	**$6,269,290**
Operating income	**60,493**	55,750	53,833	46,910	33,774	24,930	**604,930**
Net income	**31,438**	32,766	31,593	25,714	15,784	8,644	**314,380**
Cash dividends declared	**6,636**	5,806	4,768	3,523	2,487	2,279	**66,360**
Capital expenditures	**37,383**	37,661	38,687	33,159	26,331	23,576	**373,830**
Depreciation and amortization of tangible and intangible fixed assets	**32,866**	28,077	27,200	25,904	26,505	27,703	**328,660**
Research and development expenses	**28,166**	27,835	26,934	25,059	24,908	22,933	**281,660**
At year-end:							
Total assets	**¥ 458,741**	¥470,864	¥444,185	¥411,485	¥393,835	¥407,148	**$4,587,410**
Total liabilities	**183,771**	202,508	205,148	209,029	216,144	240,798	**1,837,710**
Interest-bearing liabilities (Note 2)	**37,210**	39,312	37,522	36,235	46,997	64,301	**372,100**
Total net assets (Stockholders' equity) (Note 3)	**274,970**	268,356	215,235	180,910	157,311	146,443	**2,749,700**
Per share data:							
Net income (basic)	**¥ 151.60**	¥ 158.02	¥ 152.01	¥ 123.46	¥ 75.47	¥ 39.91	**$ 1.52**
Net income (diluted)	**151.57**	157.95	151.95	123.44	75.44	39.54	**1.52**
Cash dividends declared	**32.00**	28.00	23.00	17.00	12.00	11.00	**0.32**
Net assets (Note 3)	**1,251.66**	1,175.49	1,037.83	872.20	758.44	704.87	**12.52**
Value indicators:							
Operating margin (%)	**9.6**	8.9	8.9	8.4	6.5	5.0	
Return on sales (%)	**5.0**	5.2	5.2	4.6	3.0	1.7	
Return on equity (ROE) (%) (Note 3)	**12.5**	14.3	16.0	15.2	10.4	6.0	
Return on assets (ROA) (%)	**6.8**	7.2	7.4	6.4	3.9	2.1	
Net worth ratio (Stockholders' equity ratio) (%) (Note 3)	**56.6**	51.8	48.5	44.0	39.9	36.0	
Debt/Equity ratio (DER) (times) (Note 3)	**0.1**	0.2	0.2	0.2	0.3	0.4	
Inventory turnover (times)	**13.7**	13.6	14.1	14.3	14.4	13.8	
Net property, plant and equipment turnover (times)	**4.2**	4.1	4.2	4.1	3.8	3.4	
Number of employees	**15,303**	17,502	17,065	16,551	16,764	17,061	

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 ¥100=US$1, the approximate exchange rate prevailing at the Tokyo Foreign Exchange Market as of March 31, 2008.
2. Interest-bearing liabilities include trade notes discounted.
3. From the fiscal year ended March 31, 2007, the Company has adopted a new accounting standard for the presentation of net assets in the balance sheet, which reclassifies former stockholders' equity, minority interests and valuation and translation adjustments as net assets. The methods of determining the amounts of each category have not changed from the previous fiscal year. Amounts for prior years have not been restated.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCES

For the Year Ended March 31, 2008

RESULTS OF OPERATIONS

CONSOLIDATED SUBSIDIARIES

Hitachi Chemical consists of 53 companies as of March 31, 2008, which is a decrease of seven companies from a year earlier, mainly due to business restructuring. In addition to removing the consolidated subsidiaries of Hitachi Housetec Co., Ltd. from the scope of consolidation in connection with the sale of that company, Hitachi Chemical also sold Nikka Kaseihin Co., Ltd.

ECONOMIC TRENDS DURING THE YEAR ENDED MARCH 31, 2008

During the year ended March 31, 2008, despite weak consumer spending, it appeared that the Japanese economy would likely continue its expansion, underpinned by solid capital investment and growth in exports, primarily to China and Europe. However, along with the drop in stock prices after the beginning of 2008, the yen appreciated sharply and corporate earnings, which had been the main driver of the economic expansion, began to show signs of slowing. As a result of these and other factors, the Japanese economy moved into an adjustment phase.

Internationally, previously solid growth in consumer spending in the United States slackened due to a sharp increase in oil prices and financial instability caused by the sub-prime mortgage crisis. Coupled with weakness in housing investment, this led to a clear slowdown in the economy.

On the other hand, in Asia, the Chinese economy continued to grow, although the expansion lost some momentum due to the effects of the downturn in the U.S. economy and measures to restrain investment. Solid growth also continued in the newly industrializing economies (NIEs) and ASEAN countries, backed by increased exports within Asia. The economies of the European Union showed a deceleration process due to a decrease in exports caused by the stronger euro and weakness in consumer spending.

Under these economic conditions, Hitachi Chemical promoted various measures to build a resilient business platform that can achieve sales and profit growth without being overly dependent on the external environment. Measures included making proactive capital investments in high-value-added products, strengthening research and development, and cutting costs and adjusting product prices in response to rising raw material prices. Hitachi Chemical also focused on expanding production capacity in China to steadily fulfill demand in the growing Chinese market.

Furthermore, Hitachi Chemical aggressively implemented business restructuring to improve the profitability of Group businesses through selection and concentration. As part of that restructuring, the Housing Equipment and Environment Facilities business and the expandable polystyrene beads business were split off from the Group in January and March 2008, respectively. In addition, the Company restructured the domestic printed wiring board business and consolidated domestic production bases for automotive disc brake pads. Moving to enhance the synergy of Group businesses, the Company made Hitachi Powdered Metals Co., Ltd. a wholly owned subsidiary on April 1, 2008 through a tender offer and stock-for-stock exchange.

NET SALES

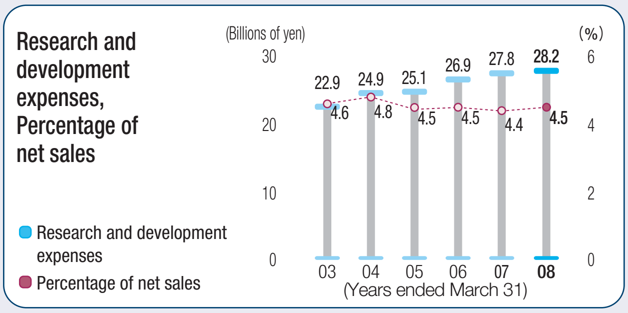
Net sales decreased 0.3 percent, or ¥1.9 billion, year on year to ¥626.9 billion. The Housing Equipment and Environmental Facilities segment was removed from consolidation from October 2007 due to the sale of the stock of Hitachi Housetec Co., Ltd., and this segment's sales decreased 57.2 percent, or ¥48.3 billion, year on year to ¥36.1 billion. Sales in the Electronics Related Products segment increased 6.5 percent, or ¥19.2 billion, year on year to ¥312.8 billion. Key factors included substantial growth in sales of slurry for chemical mechanical planarization and die bonding materials, reflecting robust conditions in the flash memory market; growth in sales of copper-clad laminates for printed wiring boards (PWBs) with high heat resistance on the back of increasing demand for PWBs materials in China and elsewhere in Asia; and the effect from the start of mass production at a new factory for photosensitive dry films for PWBs at Hitachi Chemical (Suzhou) Co., Ltd. Sales in the Advanced Performance Products segment increased 10.9 percent, or ¥27.3 billion, year on year to ¥278.1 billion due to increased demand for automotive parts in Asia, expanded use of Hitachi Chemical's products for new cars in Japan, and increased sales of electrical insulating varnishes, powdered metal products and batteries.

Overseas sales increased 15.3 percent, or ¥31.8 billion, year on year to ¥239.3 billion. This increase was mainly the result of Hitachi Chemical's steadily growing presence in expanding overseas markets, as well as the start of full-scale operations at facilities constructed with major investments primarily in China. As a result, overseas sales accounted for 38.2 percent of total net sales, up 520 basis points from the previous fiscal year.

COST OF SALES AND SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Cost of sales increased 0.9 percent, or ¥4.2 billion, year on year to ¥468.1 billion because of factors including an increase in depreciation expenses due to a tax code revision and the expansion of capital investment in recent years. Cost of sales as a percentage of net sales increased 90 basis points to 74.7 percent.

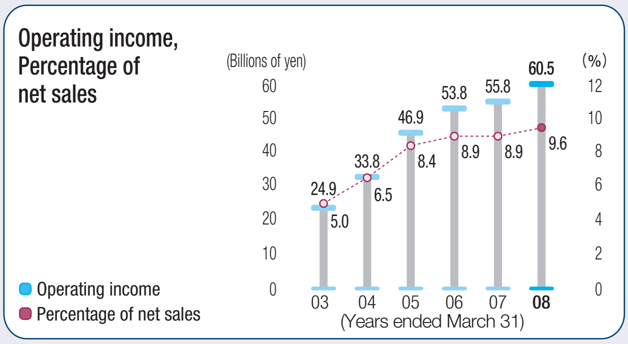
Selling, general and administrative expenses decreased 9.9 percent, or ¥10.8 billion, year on year to ¥98.4 billion, and decreased 160 basis points as a percentage of net sales to 15.7 percent. Factors included the effect of the sale of the Housing Equipment and Environmental Facilities business. Research and development expenses centered on *Key Growth Products* and *Strategic Development Projects*, and increased 1.2 percent, or ¥0.3 billion, year on year to ¥28.2 billion. Research and development expenses represented 4.5 percent of net sales.



OPERATING INCOME

Operating income increased 8.5 percent, or ¥4.7 billion, year on year to a record ¥60.5 billion, and represented 9.6 percent of net sales, up 70 basis points from the previous fiscal year.

In the Electronics Related Products segment, despite the impact of a sharp decline in product prices, mainly for display-related materials, operating income increased 11.7 percent, or ¥4.8 billion, year on year to ¥45.7 billion because of expanded sales volume of high-value-added products. As a percentage of segment sales, operating income increased 70 basis points to 14.6 percent. Operating income for the Advanced Performance Products segment increased 3.7 percent, or ¥0.6 billion, year on year to ¥15.6 billion as Hitachi Chemical reduced costs and adjusted product prices in response to rising raw material prices. However, operating income as a percentage of segment sales declined 40 basis points to 5.6 percent. Operating loss for the Housing Equipment and Environmental Facilities segment increased to ¥0.8 billion from ¥55 million in the previous fiscal year.



OTHER INCOME (EXPENSES)

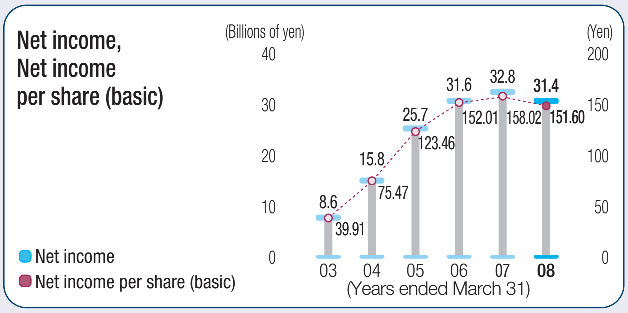
Net other expenses totaled ¥2.6 billion, compared with net other income of ¥1.0 billion in the previous fiscal year. The main components of other expenses were a ¥1.3 billion loss on the sale of the expandable polystyrene beads business, ¥2.0 billion in restructuring charges and impairment losses for fixed assets totaling ¥1.6 billion, while the main component of other income was a ¥3.0 billion gain on the sale of the Housing Equipment and Environmental Facilities business.

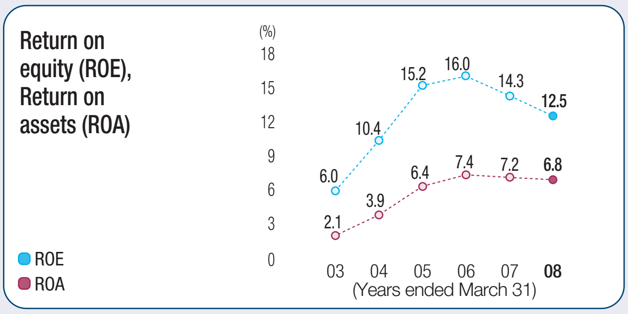
As a result, income before income taxes and minority interests increased 2.1 percent, or ¥1.2 billion, year on year to ¥57.9 billion.

NET INCOME

Income taxes increased 8.1 percent, or ¥1.8 billion, year on year to ¥23.8 billion, mainly due to the reversal of deferred tax assets of some consolidated subsidiaries. The effective tax rate, defined as the ratio of income taxes to income before income taxes and minority interests, increased 230 basis points to 41.1 percent. Minority interests increased 36.6 percent, or ¥0.7 billion, year on year to ¥2.6 billion.

As a result, net income decreased 4.1 percent, or ¥1.3 billion, year on year to ¥31.4 billion. The ratio of net income to net sales decreased 20 basis points from the previous fiscal year to 5.0 percent. Return on total stockholders' equity (ROE) decreased 180 basis points to 12.5 percent, and return on total assets (ROA) decreased 40 basis points to 6.8 percent. Net income per share (basic) decreased to ¥151.60 from ¥158.02 for the previous fiscal year.





FINANCIAL CONDITION

CASH FLOWS

Cash and cash equivalents as of March 31, 2008 increased ¥10.5 billion from the previous fiscal year-end to ¥76.1 billion.

Net cash provided by operating activities was ¥58.3 billion, ¥11.9 billion more than in the previous fiscal year due mainly to an increase in depreciation.

Net cash used in investing activities was ¥33.7 billion, ¥3.3 billion less than in the previous fiscal year due to factors including an increase in proceeds from sale of subsidiaries' and affiliated companies' stock and investments in securities.

Net cash used in financing activities was ¥10.5 billion, ¥5.2 billion more than in the previous fiscal year due to factors including a decrease in proceeds from issuance of bonds payable.

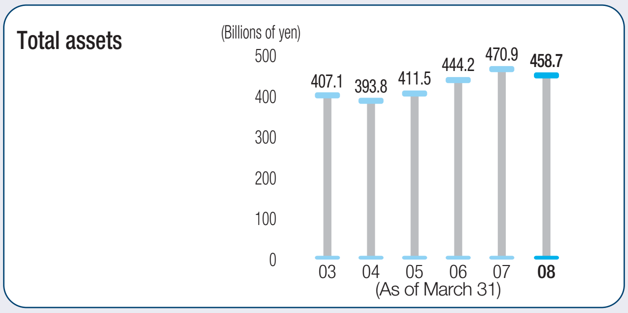
Cash Flows (Years ended March 31, Billions of yen)

	2008	2007	2006
Cash flows from operating activities	**¥ 58.3**	¥ 46.4	¥ 41.3
Cash flows from investing activities	**(33.7)**	(37.1)	(37.8)
Cash flows from financing activities	**(10.5)**	(5.3)	(5.7)
Cash and cash equivalents at end of year	**76.1**	65.6	60.8

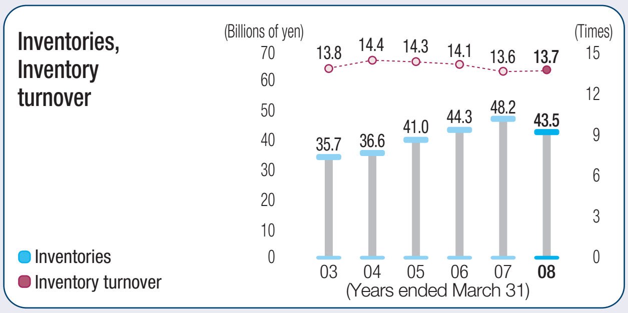
ASSETS

Total assets as of March 31, 2008 were ¥458.7 billion, a decrease of ¥12.1 billion from the end of the previous fiscal year.

Current assets increased ¥3.2 billion from the end of the previous fiscal year to ¥265.2 billion. Trade receivables increased ¥1.1 billion from the end of the previous fiscal year to ¥126.5 billion due to the increase in sales of electronics-related products and advanced performance products. Inventories decreased ¥4.7 billion from a year earlier to ¥43.5 billion due to the sale of the Housing Equipment and Environmental Facilities business. As a result, inventory turnover increased to 13.7 times from 13.6 times in the previous fiscal year. The allowance for doubtful receivables increased ¥0.6 billion from a year earlier to ¥4.3 billion.



Net property, plant and equipment decreased ¥11.7 billion from the end of the previous fiscal year to ¥144.8 billion as a result of business restructuring. Net property, plant and equipment turnover was 4.2 times, compared to 4.1 times in the previous fiscal year. Intangible assets increased ¥0.2 billion from a year earlier to ¥7.5 billion. Investments and other assets decreased ¥3.9 billion from a year earlier to ¥41.2 billion. The primary reasons for this change were a ¥2.4 billion decrease in investment securities resulting mainly from lower aggregate fair value and a ¥1.2 billion decrease in deferred tax assets.



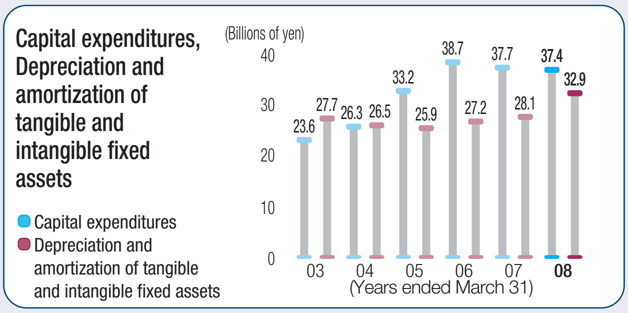
CAPITAL EXPENDITURES

During the year ended March 31, 2008, capital expenditures decreased ¥0.3 billion from the previous fiscal year to ¥37.4 billion. Investments centered on expansion and rationalization of domestic production facilities for high-value-added products. Depreciation and amortization of tangible and intangible fixed assets increased ¥4.8 billion from the previous fiscal year to ¥32.9 billion.

In the Electronics Related Products segment, capital expenditures totaled ¥19.1 billion, and included expansion of production facilities for slurry for chemical mechanical planarization, expansion of production facilities and crisis management countermeasures for anisotropic conductive films for displays, and expansion of production facilities for die bonding materials for semiconductor devices.

In the Advanced Performance Products segment, capital expenditures totaled ¥17.6 billion, and included expansion of production facilities for adhesive films for surface protection of optical sheets used in liquid crystal displays.

In the Housing Equipment and Environmental Facilities segment, Hitachi Chemical made capital expenditures of ¥0.7 billion, mainly for rationalization of the housing equipment production facilities of Hitachi Housetec Co., Ltd.



LIABILITIES AND NET ASSETS

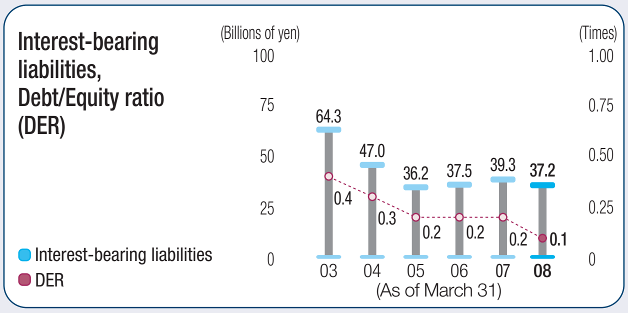
Total liabilities as of March 31, 2008 decreased ¥18.7 billion from the end of the previous fiscal year to ¥183.8 billion.

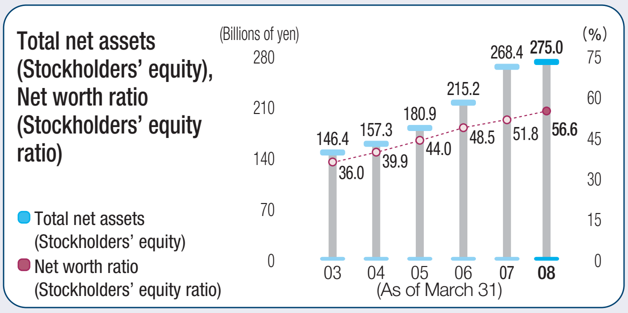
Current liabilities decreased ¥10.6 billion from the end of the previous fiscal year to ¥146.3 billion. This was mainly due to the sale of the Housing Equipment and Environmental Facilities business.

The current ratio, defined as the ratio of current assets to current liabilities, rose to 181.3 percent from 167.0 percent at the end of the previous fiscal year. Working capital, defined as current assets minus current liabilities, increased ¥13.8 billion to ¥118.9 billion.

Total interest-bearing liabilities decreased ¥2.1 billion from the end of the previous fiscal year to ¥37.2 billion.

Total net assets increased ¥6.6 billion from the end of the previous fiscal year to ¥275.0 billion. The ratio of net assets to total assets (the “net worth ratio”) rose to 56.6 percent from 51.8 percent at the end of the previous fiscal year. The debt-to-equity ratio, defined as total interest-bearing liabilities divided by net assets (excluding minority interests) improved to 0.1 times from 0.2 times a year earlier. Net assets per share of common stock outstanding as of March 31, 2008 increased to ¥1,251.66 from ¥1,175.49 at the end of the previous fiscal year.





DIVIDEND POLICY

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 uses internal capital reserves to effectively build on its strong financial structure while investing in research and development of promising new high-value-added products and adding vitality to existing businesses.

Based on these policies, the Company increased cash dividends per share of common stock ¥4 to ¥32 for the fiscal year ended March 31, 2008 from ¥28 for the previous fiscal year.

OUTLOOK FOR THE YEAR ENDING MARCH 31, 2009

In the year ending March 31, 2009, there is a danger that a further slowdown in the U.S. economy along with the prolonged sub-prime mortgage crisis could lead to further weakening of the U.S. dollar and appreciation of the yen. In addition, the overheating Chinese economy is expected to enter an adjustment phase after the Beijing Olympics this summer. There is concern that these factors could have an adverse impact on the global economy. In Japan, the decrease in corporate earnings against the backdrop of the rising yen and slumping foreign demand is prompting concerns of a possible weakening of capital investment. A slowdown in consumer spending is also expected due to the impact of stagnant incomes and rising prices.

Under these conditions, Hitachi Chemical will constantly create new technologies and new products by enhancing its research and development and manufacturing capabilities in order to ensure the complete satisfaction of customers with the superior functions and quality of its products, while steadily expanding its businesses and making a wider contribution to society. At the same time, Hitachi Chemical will work to fulfill its social responsibility as it aims to grow as a dynamic corporate group that meets the expectations of its shareholders and other stakeholders.

As a result, for the fiscal year ending March 31, 2009, Hitachi Chemical forecasts that net sales will decrease 4.3 percent year on year to ¥600.0 billion, operating income will increase 0.8 percent to ¥61.0 billion, and net income will increase 14.5 percent to ¥36.0 billion.

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, 2008.

(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 may increase procurement costs and 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 expenses. 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, 2008, Hitachi, Ltd., the parent company of Hitachi Chemical Co., Ltd., holds 51.1 percent of the Company's total number of shares issued and 51.2 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 industrial fields: information and telecommunication systems, electronic devices, power and industrial systems, digital media and consumer products, high functional materials and components, logistics and services, and financial services. Hitachi Chemical Co., Ltd. is part of the Hitachi Group's high performance materials and components business, and two of its seven directors serve concurrently as directors or executive officers of Hitachi, Ltd. (as of June 24, 2008). 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, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 2)
ASSETS	**2008**	2007	**2008**
Current assets:			
Cash and cash equivalents (Note 1 (c))	**¥ 76,084**	¥ 65,572	**$ 760,840**
Trade receivables:			
Notes	**17,615**	13,722	**176,150**
Accounts	**108,911**	111,687	**1,089,110**
	126,526	125,409	**1,265,260**
Inventories (Note 4)	**43,528**	48,214	**435,280**
Other current assets (Note 5)	**23,359**	26,516	**233,590**
Less allowance for doubtful receivables	**(4,318)**	(3,759)	**(43,180)**
Total current assets	**265,179**	261,952	**2,651,790**
Property, plant and equipment, at cost (Notes 6 and 7)	**535,923**	573,755	**5,359,230**
Less accumulated depreciation	**(391,124)**	(417,299)	**(3,911,240)**
Net property, plant and equipment	**144,799**	156,456	**1,447,990**
Intangible assets	**7,515**	7,278	**75,150**
Investments and other assets:			
Investments in affiliated companies under the equity method	**9,119**	8,297	**91,190**
Investments in securities (Note 3)	**11,540**	14,730	**115,400**
Other assets (Notes 5 and 8)	**21,173**	22,864	**211,730**
Less allowance for doubtful receivables	**(584)**	(713)	**(5,840)**
Total investments and other assets	**41,248**	45,178	**412,480**
	¥ 458,741	¥ 470,864	**$ 4,587,410**

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2008	2007	Thousands of U.S. dollars (Note 2) 2008
Current liabilities:			
Short-term debt (Note 7)	¥ 16,064	¥ 14,381	$ 160,640
Current portion of long-term debt (Note 7)	4,040	3,900	40,400
Trade payables:			
Notes	437	512	4,370
Accounts	71,155	73,423	711,550
	71,592	73,935	715,920
Accrued expenses	24,733	28,465	247,330
Income taxes (Note 5)	10,912	14,422	109,120
Other current liabilities	18,919	21,709	189,190
Total current liabilities	146,260	156,812	1,462,600
Long-term debt (Note 7)	17,100	20,947	171,000
Retirement and severance benefits (Note 8)	14,423	18,971	144,230
Other liabilities (Note 5)	5,988	5,778	59,880
Total liabilities	183,771	202,508	1,837,710
Net Assets:			
Stockholders' equity			
Common stock (Note 11)			
Authorized-800,000,000 shares;			
Issued - 207,452,608 shares in 2008 and			
207,425,608 shares in 2007 (Note 9)	15,443	15,421	154,430
Capital surplus (Note 11)	34,334	34,312	343,340
Earnings surplus (Note 11)	214,881	189,581	2,148,810
Treasury stock, at cost,			
64,765 shares in 2008 and 59,051 shares in 2007 (Note 12)	(121)	(106)	(1,210)
Total stockholders' equity	264,537	239,208	2,645,370
Valuation and translation adjustments			
Net unrealized holding gains on securities	2,200	4,509	22,000
Net unrealized gains on hedge transactions	74	32	740
Foreign currency translation adjustments	(7,231)	9	(72,310)
Total valuation and translation adjustments	(4,957)	4,550	(49,570)
Minority interests	15,390	24,598	153,900
Total net assets	274,970	268,356	2,749,700
Commitments and contingencies (Note 13)			
	¥458,741	¥470,864	$4,587,410

Effective the year ended March 31, 2007, the Company has adopted a new accounting standard for the presentation of net assets in the balance sheet and the related Implementation Guidance. The financial statements for the year ended March 31, 2006 have been reclassified to conform to the presentation of the financial statements for the year ended March 31, 2007. In addition, certain reclassifications have been made to present the accompanying consolidated financial statements in a format familiar to readers outside Japan.

CONSOLIDATED STATEMENTS OF INCOME

Hitachi Chemical Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2008	2007	2006	**2008**
Net sales	**¥ 626,929**	¥ 628,805	¥ 602,703	**$ 6,269,290**
Cost of sales (Note 14)	**(468,077)**	(463,849)	(441,022)	**(4,680,770)**
Gross profit	**158,852**	164,956	161,681	**1,588,520**
Selling, general and administrative expenses (Note 14)	**(98,359)**	(109,206)	(107,848)	**(983,590)**
Operating income	**60,493**	55,750	53,833	**604,930**
Other income (expenses):				
Interest income	**1,127**	975	585	**11,270**
Dividend income	**295**	351	213	**2,950**
Equity in earnings of affiliated companies	**905**	477	275	**9,050**
Exchange gain (loss)	**(1,205)**	124	660	**(12,050)**
Interest expenses	**(1,215)**	(1,167)	(1,120)	**(12,150)**
Loss on disposal of property, plant and equipment	**(1,589)**	(1,414)	(1,703)	**(15,890)**
Product warranty expenses	**(1,006)**	(952)	(254)	**(10,060)**
Gain on sale of investments in securities	**—**	1,053	92	**—**
Royalty	**943**	761	806	**9,430**
Net gain on sale of property, plant and equipment	**1,578**	257	269	**15,780**
Gain on sale of business	**2,962**	—	—	**29,620**
Loss on product safety measures	**(600)**	—	—	**(6,000)**
Loss on sale of business	**(1,275)**	—	—	**(12,750)**
Restructuring charges	**(2,032)**	—	—	**(20,320)**
Impairment losses for fixed assets (Note 15)	**(1,561)**	—	—	**(15,610)**
Other, net	**57**	499	773	**570**
	(2,616)	964	596	**(26,160)**
Income before income taxes and minority interests	**57,877**	56,714	54,429	**578,770**
Income taxes (Note 5)	**(23,799)**	(22,015)	(21,087)	**(237,990)**
Income before minority interests	**34,078**	34,699	33,342	**340,780**
Minority interests	**(2,640)**	(1,933)	(1,749)	**(26,400)**
Net income	**¥ 31,438**	¥ 32,766	¥ 31,593	**$ 314,380**

	Yen			U.S. dollars (Note 2)
Basic net income per share (Note 16)	**¥ 151.60**	¥ 158.02	¥ 152.01	**$ 1.52**
Diluted net income per share (Note 16)	**151.57**	157.95	151.95	**1.52**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Hitachi Chemical Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2008	2007	2006	**2008**
Common stock (Note 9)**:**				
Balance at beginning of year	**¥ 15,421**	¥ 15,367	¥ 15,328	**$ 154,210**
Exercise of stock options (Note 10)	**22**	54	39	**220**
Balance at end of year	**15,443**	15,421	15,367	**154,430**
Capital surplus:				
Balance at beginning of year	**34,312**	34,258	34,219	**343,120**
Exercise of stock options (Note 10)	**22**	54	38	**220**
Gain on sale of treasury stock (Note 12)	**0**	0	1	**0**
Balance at end of year	**34,334**	34,312	34,258	**343,340**
Earnings surplus:				
Balance at beginning of year	**189,581**	162,293	134,963	**1,895,810**
Net income	**31,438**	32,766	31,593	**314,380**
Cash dividends (Note 11)	**(6,221)**	(5,390)	(4,145)	**(62,210)**
Bonuses to directors (Note 11)	**—**	(88)	(118)	**—**
Deconsolidation of consolidated subsidiaries	**83**	—	—	**830**
Balance at end of year	**214,881**	189,581	162,293	**2,148,810**
Treasury stock (Note 12)**:**				
Balance at beginning of year	**(106)**	(82)	(53)	**(1,060)**
Purchase of treasury stock	**(16)**	(25)	(29)	**(160)**
Sale of treasury stock	**1**	1	0	**10**
Balance at end of year	**(121)**	(106)	(82)	**(1,210)**
Net unrealized holding gain on securities:				
Balance at beginning of year	**4,509**	5,176	2,684	**45,090**
Net change during the year	**(2,309)**	(667)	2,492	**(23,090)**
Balance at end of year	**2,200**	4,509	5,176	**22,000**
Net unrealized gains on hedge transactions:				
Balance at beginning of year	**32**	—	—	**320**
Net change during the year	**42**	32	—	**420**
Balance at end of year	**74**	32	—	**740**
Foreign currency translation adjustments:				
Balance at beginning of year	**9**	(1,777)	(6,231)	**90**
Net change during the year	**(7,240)**	1,786	4,454	**(72,400)**
Balance at end of year	**(7,231)**	9	(1,777)	**(72,310)**
Minority interests:				
Balance at beginning of year	**24,598**	23,802	21,546	**245,980**
Net change during the year	**(9,208)**	796	2,256	**(92,080)**
Balance at end of year	**15,390**	24,598	23,802	**153,900**
Total net assets	**¥274,970**	¥268,356	¥239,037	**$2,749,700**

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, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2008	2007	2006	**2008**
Cash flows from operating activities (Note 17)**:**				
Net income	**¥ 31,438**	¥ 32,766	¥ 31,593	**$ 314,380**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	**32,866**	28,077	27,200	**328,660**
Amortization (negative) goodwill	**(66)**	—	151	**(660)**
Deferred income taxes	**2,926**	43	445	**29,260**
Net loss on disposal and sale of property, plant and equipment	**1,048**	1,278	1,248	**10,480**
Income applicable to minority interests	**2,640**	1,933	1,749	**26,400**
Gain on sale of investments in securities	**—**	1,053	92	**—**
Equity in earnings of affiliated companies	**(905)**	(477)	(275)	**(9,050)**
Increase in trade receivables	**(14,506)**	(5,819)	(6,651)	**(145,060)**
Increase in inventories	**(1,948)**	(3,553)	(2,181)	**(19,480)**
Increase (decrease) in trade payables	**6,186**	(128)	7,485	**61,860**
Increase (decrease) in accrued expenses	**1,238**	488	(569)	**12,380**
Increase (decrease) in accrued income taxes	**(3,428)**	1,674	(4,013)	**(34,280)**
Increase (decrease) in retirement and severance benefits	**(1,700)**	(1,319)	1,054	**(17,000)**
Decrease in accounts payable other	**(1,586)**	(5,445)	(6,057)	**(15,860)**
Other	**4,048**	(4,189)	(9,987)	**40,480**
Net cash provided by operating activities	**58,251**	46,382	41,284	**582,510**
Cash flows from investing activities:				
Purchases of property, plant and equipment	**(34,209)**	(36,487)	(35,045)	**(342,090)**
Proceeds from sale of property, plant and equipment	**2,694**	2,596	613	**26,940**
Purchases of subsidiaries' and affiliated companies' stock and investments in securities	**(10,568)**	(2,864)	(492)	**(105,680)**
Proceeds from sale of subsidiaries' and affiliated companies' stock and investments in securities	**13,168**	1,806	170	**131,680**
Investment in loans receivable	**(1,988)**	(232)	(214)	**(19,880)**
Collection of loans receivable	**97**	111	113	**970**
Other	**(2,937)**	(1,989)	(2,965)	**(29,370)**
Net cash used in investing activities	**(33,743)**	(37,059)	(37,820)	**(337,430)**
Cash flows from financing activities:				
Increase in short-term debt	**983**	388	1,861	**9,830**
Proceeds from long-term debt	**—**	1,900	—	**—**
Payments on long-term debt	**(895)**	(1,241)	(3,042)	**(8,950)**
Proceeds from issuance of bonds payable	**—**	10,000	—	**—**
Redemption of bonds payable	**(3,000)**	(10,000)	—	**(30,000)**
Dividends paid to stockholders	**(6,221)**	(5,390)	(4,145)	**(62,210)**
Dividends paid to minority stockholders of consolidated subsidiaries	**(437)**	(400)	(396)	**(4,370)**
Other	**(946)**	(546)	49	**(9,460)**
Net cash used in financing activities	**(10,516)**	(5,289)	(5,673)	**(105,160)**
Effect of exchange rate changes on cash and cash equivalents	**(3,480)**	728	2,060	**(34,800)**
Net increase (decrease) in cash and cash equivalents	**10,512**	4,762	(149)	**105,120**
Cash and cash equivalents at beginning of year	**65,572**	60,810	60,959	**655,720**
Cash and cash equivalents at end of year	**¥ 76,084**	¥ 65,572	¥ 60,810	**$ 760,840**

See accompanying notes to consolidated financial statements.

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 (the "MOF" report) 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 majority-owned 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 earnings. The investments in affiliated companies which do not materially affect earnings and equity are stated at cost.

Goodwill and negative goodwill, based on the fair value, acquired by the Company are 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 statements of cash flows, the Company considers 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. Due to this reason, certain investments, which were presented in the MOF report as deposits to related companies in the amounts of ¥40,744 million ($407,440 thousand) in 2008 and ¥27,438 million in 2007 are included in cash and cash equivalents in the respective consolidated financial statements.

(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 provided based on the assessment of individual receivables.

(e) Investments in Securities

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

- Securities that the company held with the objective of generating profits on short-term differences in price are classified as trading securities and measured at fair value, with unrealized holding gains and losses included in earnings.
- 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 classified as neither trading securities nor held-to-maturity securities are classified as other securities. Unrealized holding gains and losses of other securities with fair values are reported as a net amount in a separate component of net assets until realized. Other securities for which it is not practicable to estimate fair values are carried at cost.

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

(f) Inventories

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

The Company adopted "Accounting Standard for Measurement of Inventories" (Accounting Standard No. 9, Accounting Standards Board of Japan, July 5, 2006) from the year ended March 31, 2007. The adoption of this change did not have a material impact on consolidated financial statements.

(g) Property, Plant and Equipment

Property, plant and equipment are stated at cost and depreciated over the estimated useful lives of the respective assets by the declining-balance method, except for certain buildings of the Company and domestic consolidated subsidiaries, placed in service after April 1, 1998, which are depreciated by the straight-line method.

Effective the year ended March 31, 2008, pursuant to an amendment to the Corporation Tax Law, the Company and its domestic consolidated subsidiaries have changed their method of depreciation for property, plant and equipment acquired after April 1, 2007.

As the result of the adoption of this change, income before income taxes and minority interests decreased for the year ended March 31, 2008 by ¥1,078 million ($10,780 thousand).

For property, plant and equipment acquired before March 31, 2007, the Company and its domestic consolidated subsidiaries also, in conjunction with the revision of the Corporation Tax Law, have changed their estimates of residual values of those assets.

As the result of the change in estimates of residual values, income before income taxes and minority interests decreased for the year ended March 31, 2008 by ¥1,877 million ($18,770 thousand).

(h) Intangible Assets
Intangible assets are amortized mainly 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) Leases
Finance leases, except those where the title of the underlying property is legally transferred from the lessor to the lessee at the end of the lease term, are mainly accounted for as operating leases.

(j) 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.

(k) 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 over 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 a year subsequent to the year of incurrence over certain years, principally over 10 years, not exceeding the expected average remaining service periods of the employees participating in the plans.

A retirement allowance for directors and executive officers has been provided for the vested benefits to which they are entitled if they were to retire or sever immediately at the balance sheet date.

The Company adopted "Amendment of Accounting Standards for Retirement Benefits" (Accounting Standard No. 3, Accounting Standards Board of Japan, March 16, 2006) and "Implementation Guidance on Amendment of Accounting Standards for Retirement Benefits" (Accounting Implementation Guidance No. 7, Accounting Standards Board of Japan, March 16, 2005), both of which are effective for fiscal years beginning on or after April 1, 2005.

The adoption of this change did not have a material impact on consolidated financial statements.

(l) 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.

(m) 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.

(n) Appropriation of Retained Earnings
On May 1, 2006, the Japanese Corporate Law (JCL) went into effect and replaced the Japanese Commercial Code. Under the JCL, the Company is able to appropriate retained earnings by resolution of the Board of Directors, provided that certain criteria are met. Upon meeting these criteria, the Company amended its Articles of Incorporation upon the approval of a resolution at the annual general stockholders' meeting on June 22, 2006, the first general stockholders' meeting held under the JCL.

(o) 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.

(p) Treasury Stock
Treasury stock is recorded at cost as a deduction of stockholders' equity. When the treasury stock is reissued as common stock, the difference between the issuance price and the cost of the treasury stock is credited or charged to capital surplus.

(q) Stock-Based Compensation
As of March 31, 2008, the Company has three stock-based compensation plans. However, "Accounting Standard for Share-based Payment" (Accounting Standard No. 8, Accounting Standards Board of Japan, December 27, 2005) and "Guidance on Accounting Standard for Share-based Payment" (Accounting Implementation Guidance No. 11, Accounting Standards Board of Japan, May 31, 2006) are not applicable except for certain disclosures to the stock-based compensation plans granted before the Japanese Corporate Law went into effect. Therefore, no stock-based compensation cost is reflected in earnings.

(r) 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.

(s) Directors' Bonuses
The Company adopted "Accounting Standard for Directors' Bonus" (Accounting Standard No. 4, Accounting Standards Board of Japan, November 29, 2005) from the year ended March 31, 2007. The adoption of this change did not have a material impact on consolidated financial statements.

(t) Presentation of Net Assets in the Balance Sheet
The Company adopted "Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standard No. 5, Accounting Standards Board of Japan, December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Implementation Guidance No. 8, Accounting Standards Board of Japan, December 9, 2005) from the year ended March 31, 2007.

If the former presentation manner for the stockholders' equity had been applied, the stockholders' equity at March 31, 2008, 2007 and 2006 would have been ¥259,506 million ($2,595,060 thousand), ¥243,726 million and ¥215,235 million, respectively.

(u) Reclassifications
Certain reclassifications have been made to the prior years' consolidated financial statements in order to conform to the current year presentations.

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 ¥100=US$1, the approximate exchange rate prevailing at the Tokyo Foreign Exchange Market as of March 31, 2008. This translation should not be construed as a representation that any amounts shown could be converted into U.S. dollars.

3. INVESTMENTS IN SECURITIES

The following is a summary of the amortized cost basis, gross unrealized holding gains or losses and aggregate fair value of other securities by major security types as of March 31, 2008 and 2007:

	Millions of yen					
	Amortized cost basis	Gross gains or losses	Aggregate fair value	Amortized cost basis	Gross gains or losses	Aggregate fair value
		2008			2007	
Other securities with gross unrealized holding gains:						
Equity securities	¥3,125	¥4,244	¥7,369	¥4,052	¥8,349	¥12,401
Debt securities	—	—	—	—	—	—
Other securities	—	—	—	—	—	—
	3,125	4,244	7,369	4,052	8,349	12,401
Other securities with gross unrealized holding losses:						
Equity securities	986	(168)	818	344	(46)	298
Debt securities	—	—	—	—	—	—
Other securities	361	(4)	357	325	(61)	264
	1,347	(172)	1,175	669	(107)	562
	¥4,472	¥4,072	¥8,544	¥4,721	¥8,242	¥12,963

	Thousands of U.S. dollars		
	Amortized cost basis	Gross gains or losses	Aggregate fair value
		2008	
Other securities with gross unrealized holding gains:			
Equity securities	$31,250	$42,440	$73,690
Debt securities	—	—	—
Other securities	—	—	—
	31,250	42,440	73,690
Other securities with gross unrealized holding losses:			
Equity securities	9,860	(1,680)	8,180
Debt securities	—	—	—
Other securities	3,610	(40)	3,570
	13,470	(1,720)	11,750
	$44,720	$40,720	$85,440

It is not practicable to estimate the fair value of investments in non-marketable securities because of the lack of a market price and difficulty in estimating fair value without incurring excessive cost. The carrying amount of these investments at March 31, 2008 and 2007 totaled ¥2,996 million ($29,960 thousand) and ¥1,767 million, respectively.

4. INVENTORIES

Inventories as of March 31, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Finished goods	¥15,843	¥17,278	$158,430
Semi-finished goods	3,595	3,999	35,950
Work in process	11,538	13,652	115,380
Raw materials	12,552	13,285	125,520
	¥43,528	¥48,214	$435,280

5. INCOME TAXES

The income tax expenses (benefits) reflected in the consolidated statements of income for the years ended March 31, 2008, 2007 and 2006 consist of the following:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	2008
Current tax expense	¥20,873	¥21,972	¥20,642	$208,730
Deferred tax expense (benefit)	2,926	43	445	29,260
	¥23,799	¥22,015	¥21,087	$237,990

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

The aggregated statutory tax rate for domestic companies was approximately 40.4% for the years ended March 31, 2008, 2007 and 2006.

Reconciliations between the statutory tax rate and the effective income tax rate as a percentage of income before income taxes and minority interests are as follows:

	2008	2007	2006
Statutory tax rate	40.4%	40.4%	40.4%
Expenses not deductible for tax purposes	1.3	1.3	1.5
Equity in earnings of affiliated companies	(0.6)	(0.3)	(0.2)
Amortization of (negative) goodwill	(0.0)	—	0.1
Other	0.0	(2.6)	(3.1)
Effective income tax rate	41.1%	38.8%	38.7%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of March 31, 2008 and 2007 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Total gross deferred tax assets:			
Retirement and severance benefits	¥ 8,370	¥10,619	$ 83,700
Accrued bonus	4,084	4,755	40,840
Accrued business tax	924	1,170	9,240
Allowance for doubtful receivables	1,689	1,564	16,890
Other	12,258	11,925	122,580
	27,325	30,033	273,250
Valuation allowance	(4,074)	(2,280)	(40,740)
	23,251	27,753	232,510
Total gross deferred tax liabilities:			
Tax purpose reserves regulated by Japanese Tax Law	(53)	(94)	(530)
Net unrealized holding gain on securities	(1,623)	(3,359)	(16,230)
Prepaid pension benefit cost	(2,550)	(2,495)	(25,500)
Other	(1,731)	(1,838)	(17,310)
	(5,957)	(7,786)	(59,570)
Net deferred tax assets	¥17,294	¥19,967	$172,940

Net deferred tax assets as of March 31, 2008 and 2007 are reflected in the consolidated balance sheets under the following captions:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Other current assets	¥11,649	¥13,293	$116,490
Other assets	5,720	6,960	57,200
Other liabilities	(75)	(286)	(750)
Net deferred tax assets	¥17,294	¥19,967	$172,940

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, at cost as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Land	¥ 20,933	¥ 22,719	$ 209,330
Buildings and structures	124,096	135,907	1,240,960
Machinery and equipment	385,621	407,038	3,856,210
Construction in progress	5,273	8,091	52,730
	¥535,923	¥573,755	$5,359,230

7. SHORT-TERM AND LONG-TERM DEBT

Long-term debt as of March 31, 2008 and 2007 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Unsecured debentures:			
4th series, due 2009, interest 2.3%	¥ 5,000	¥ 5,000	$ 50,000
6th series, due 2007, interest 2.01%	—	3,000	—
7th series, due 2008, interest 2.21%	4,000	4,000	40,000
8th series, due 2016, interest 2.17%	10,000	10,000	100,000
Loans, principally from banks and insurance companies:			
Secured by mortgages on property, plant and equipment, maturing 2013, interest 1.89%	500	1,496	5,000
Unsecured, maturing 2008–2011, interest 1.45–5.0%	1,640	1,351	16,400
	21,140	24,847	211,400
Less current portion	(4,040)	(3,900)	(40,400)
	¥17,100	¥ 20,947	$171,000

The aggregate annual maturities of long-term debt after March 31, 2009 are as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥ 5,000	$ 50,000
2011	200	2,000
2012	1,400	14,000
2014	500	5,000
2017	10,000	100,000
	¥17,100	$171,000

The assets pledged as collateral for long-term debt at March 31, 2008 are as follows:

	Millions of yen	Thousands of U.S. dollars
Land	¥ 343	$ 3,430
Buildings	1,394	13,940
Machinery	3,780	37,800
Other	719	7,190
	¥6,236	$62,360

As is customary in Japan, both short-term and long-term bank loans are made under general agreements which provide that security and guarantees for present and future indebtedness will be given upon request of the bank, and that the bank shall have the right, as the obligations become due or in the event of default, to offset cash deposits against such obligations due the bank.

Generally, certain secured and unsecured loan agreements provide, among other things, that the lenders or trustees shall have the right to have any distribution of earnings, including the payment of dividends and the issuance of additional capital stock, submitted to them for prior approval and also grant them the right to request additional security or mortgages on property, plant and equipment.

8. LIABILITY FOR RETIREMENT AND SEVERANCE BENEFITS

Defined Benefit Plans

The Company and its domestic subsidiaries have a number of contributory and noncontributory pension plans to provide retirement and severance benefits to substantially all the employees.

Principal pension plans are unfunded defined benefit pension plans. Under the plans, employees are entitled to lump-sum payments based on the current rate of pay and the length of service upon retirement or termination of employment for reasons other than dismissal for cause. The liability under these plans is partially funded by contributions to pension fund trusts.

Funding status of the Company's and subsidiaries' plans as of March 31, 2008 and 2007 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Projected benefit obligations	**¥(96,386)**	¥(105,279)	**$(963,860)**
Plan assets at fair value	**78,595**	96,455	**785,950**
Funded status	**(17,791)**	(8,824)	**(177,910)**
Unrecognized actuarial loss	**10,883**	(1,319)	**108,830**
Unrecognized prior service benefit	**(1,086)**	(2,460)	**(10,860)**
Net amount recognized in the consolidated balance sheet	**¥ (7,994)**	¥ (12,603)	**$ (79,940)**
Amounts recognized in the consolidated balance sheets consist of:			
Prepaid pension benefit cost	**¥ 6,429**	¥ 6,368	**$ 64,290**
Retirement and severance benefits	**(14,423)**	(18,971)	**(144,230)**
	¥ (7,994)	¥ (12,603)	**$ (79,940)**

Net periodic benefit costs for the funded benefit pension plans and the unfunded lump-sum payment plans for the years ended March 31, 2008, 2007 and 2006 consisted of the following components:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Service cost, net of employees' contributions	**¥ 2,967**	¥ 3,640	¥ 3,512	**$ 29,670**
Interest cost	**2,323**	2,651	2,670	**23,230**
Expected return on plan assets for the period	**(1,504)**	(1,906)	(1,449)	**(15,040)**
Amortization of unrecognized actuarial loss	**608**	905	2,034	**6,080**
Amortization of prior service benefit	**(238)**	(611)	(403)	**(2,380)**
Net periodic benefit cost	**¥ 4,156**	¥ 4,679	¥ 6,364	**$ 41,560**

Note: Besides retirement and severance benefits under the defined benefit pension plans above, special termination benefits of ¥352 million ($3,520 thousand), ¥547 million and ¥746 million were charged to earnings during the years ended March 31, 2008, 2007 and 2006, respectively.

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

	2008	2007
Discount rate	**2.5%**	2.5%
Expected return rate on plan assets	**2.0%**	2.0%

Defined Contribution Plans

The amount of cost recognized for the Company's and those subsidiaries' contribution to the plans for the years ended March 31, 2008 and 2007 was ¥923 million ($9,230 thousand) and ¥772 million, respectively.

9. COMMON STOCK

Issued shares, changes in shares and the amount of common stock for the years ended March 31, 2008, 2007 and 2006 are summarized as follows:

		Millions of yen	Thousands of U.S. dollars
	Issued shares	Amount	Amount
Balances as of March 31, 2005	207,310,708	¥15,328	
Issued upon exercise of stock options	47,900	39	
Balances as of March 31, 2006	207,358,608	15,367	
Issued upon exercise of stock options	67,000	54	
Balances as of March 31, 2007	207,425,608	15,421	$154,210
Issued upon exercise of stock options	27,000	22	220
Balances as of March 31, 2008	**207,452,608**	**¥15,443**	**$154,430**

10. STOCK-BASED COMPENSATION

As of March 31, 2008, the Company has three stock option plans. Under the Company's stock option plans, non-employee directors and executive officers have been granted stock options to purchase the Company's common stock. Under these stock option plans, options were granted at prices not less than market value at the date of grant and are exercisable from one year after the date of grant and expire five years after the date of grant.

A summary of activities of the Company's stock option plans for the years ended March 31, 2008, 2007 and 2006 is as follows:

	2008		2007		2006		2008
	Stock options (shares)	Weighted-average exercise price	Stock options (shares)	Weighted-average exercise price	Stock options (shares)	Weighted-average exercise price	Weighted-average exercise price
Outstanding at beginning of year	**205,100**	**¥1,914**	307,100	¥1,842	295,000	¥1,799	**$19.14**
Granted	**—**	**—**	—	—	96,000	2,123	**—**
Exercised	**(27,000)**	**1,614**	(67,000)	1,621	(47,900)	1,614	**16.14**
Forfeited	**(8,000)**	**2,123**	—	—	(10,000)	2,250	**21.23**
Expired	**—**	**—**	(35,000)	1,843	(26,000)	2,657	**—**
Outstanding at end of year	**170,100**	**¥1,951**	205,100	¥1,914	307,100	¥1,842	**$19.51**
Weighted-average information:							
Remaining contractual life		**1.7 years**		2.6 years		2.9 years	
Options exercisable at end of year		**170,100 shares**		205,100 shares		211,100 shares	

The exercise prices of the three outstanding stock options as of March 31, 2008 are ¥1,503 ($15.03), ¥1,883 ($18.83), and ¥2,123 ($21.23).

11. 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, 2008, 2007 and 2006 in the consolidated statements of changes in net assets, represent dividends resolved during those years. The accompanying consolidated financial statements do not include any provision for the dividends of ¥17 ($0.17) per share totaling ¥3,526 million ($35,260 thousand), which were subsequently resolved by the Board of Directors in respect of the year ended March 31, 2008.

12. 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. Effective September 25, 2003, the Japanese Commercial Code (JCC), the former Japanese corporate law, was amended to no longer require shareholders' approval but Board of Directors' approval to the extent that the Board of Directors' authority was stated in the articles of incorporation. In this connection, the related amendment of the articles of incorporation was approved at the ordinary general shareholders' meeting in June 2004.

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 provides for that a shareholder holding shares less than a minimum trading lot is entitled to requesting 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. In this connection, the related amendment of the articles of incorporation was approved at the ordinary general shareholders' meeting in June 2003.

The changes in treasury stock for the years ended March 31, 2008, 2007 and 2006 are summarized as follows:

		Millions of yen	Thousands of U.S. dollars
	Shares	Amount	Amount
Balances as of March 31, 2005	39,717	¥ 53	
Acquisition for treasury	11,522	29	
Sales of treasury stock	(167)	(0)	
Balances as of March 31, 2006	51,072	82	
Acquisition for treasury	8,222	25	
Sales of treasury stock	(243)	(1)	
Balances as of March 31, 2007	59,051	106	$1,060
Acquisition for treasury	6,343	16	160
Sales of treasury stock	(629)	(1)	(10)
Balances as of March 31, 2008	**64,765**	**¥121**	**$1,210**

13. COMMITMENTS AND CONTINGENCIES

Outstanding commitments for the purchase of property, plant and equipment were ¥3,712 million ($37,120 thousand) and ¥4,308 million at March 31, 2008 and 2007.

Contingent liabilities for guarantees given in respect of bank loans of employees amounted to ¥231 million ($2,310 thousand) and ¥609 million at March 31, 2008 and 2007.

Notes receivable discounted amounted to ¥6 million ($60 thousand) and ¥84 million at March 31, 2008 and 2007.

It is 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 ¥1,080 million ($10,800 thousand) and ¥1,463 million at March 31, 2008 and 2007, respectively.

14. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in general and administrative expenses and gross production cost for the years ended March 31, 2008, 2007 and 2006 amounted to ¥28,166 million ($281,660 thousand), ¥27,835 million and ¥26,934 million, respectively.

15. IMPAIRMENT LOSSES FOR FIXED ASSETS

For the year ended March 31, 2008, the Company and certain domestic consolidated subsidiaries recognized impairment losses for fixed assets as follows:

Location	Use	Type
Fukuyama-shi, Hiroshima Prefecture and other	Idle	Land and other
Miharumachi, Fukushima Prefecture	Production facilities and other	Buildings, machinery and equipment, and other

Idle assets for which value declined due to lower land prices and other factors were devalued from the carrying amount to the recoverable amount by ¥566 million, which was recorded as impairment losses in other expenses. Production facilities and other assets for which value declined were devalued from the carrying amount to the recoverable amount by ¥995 million, which was recorded as impairment losses in other expenses.

The Company and its subsidiaries determine recoverable amount by measuring net selling price or value in use. Net selling price for the measurement of recoverable amount is based on the appraisal. Value in use for the measurement of recoverable amount is based on the present value of the future cash flow with the discount rate of 3.5%.

16. PER SHARE INFORMATION

The reconciliation of the number of shares and the amounts used in the basic and diluted net income per share computations is as follows:

	Thousands of shares		
	2008	2007	2006
Weighted average number of shares on which basic net income per share is calculated	**207,381**	207,350	207,277
Effect of dilutive securities:			
Stock option, issued under the former Japanese corporate law	**36**	90	91
Number of shares on which diluted net income per share is calculated	**207,417**	207,440	207,368

Net assets per share as of March 31, 2008 and 2007 are as follows:

	Yen		U.S. dollars
	2008	2007	**2008**
Basic	**¥1,251.66**	¥1,175.49	**$12.52**

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Net income	**¥31,438**	¥32,766	¥31,593	**$314,380**
Net income not applicable to common stockholders:				
Appropriations for directors' bonuses	**—**	—	(84)	**—**
Net income on which basic net income per share is calculated	**31,438**	32,766	31,509	**314,380**
Effect of dilutive securities	**—**	—	—	**—**
Net income on which diluted net income per share is calculated	**¥31,438**	¥32,766	¥31,509	**$314,380**

	Yen			U.S. dollars
	2008	2007	2006	**2008**
Net income per share:				
Basic	**¥151.60**	¥158.02	¥152.01	**$1.52**
Diluted	**151.57**	157.95	151.95	**1.52**

17. SUPPLEMENTARY CASH FLOW INFORMATION

Cash paid for Interest and Income taxes is as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Cash paid during the year for:				
Interest	**¥ 1,243**	¥ 1,182	¥ 1,099	**$ 12,430**
Income taxes	**23,785**	20,605	25,133	**237,850**

Non-cash activities for the year ended March 31, 2008 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2008	**2008**
Increase in capital lease assets	**¥21**	**$210**
Increase in capital lease liabilities	**21**	**210**

Assets and liabilities of the company which is no longer a consolidated subsidiary due to sale of its stocks are as follows:
Hitachi Housetec Co., Ltd. and subsidiaries
(As of September 30, 2007)

	Millions of yen	Thousands of U.S. dollars
	2008	**2008**
Current Assets	**¥20,536**	**$205,360**
Fixed Assets	**10,892**	**108,920**
Total Assets	**¥31,428**	**$314,280**
Current Liabilities	**¥14,424**	**$144,240**
Long-term Liabilities	**3,096**	**30,960**
Total Liabilities	**¥17,520**	**$175,200**

18. 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 agreements on derivative financial instruments, including forward exchange contracts, currency option contracts, interest rate option contracts, interest rate swap agreements and commodity swap agreements. 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 agreements are utilized to manage foreign currency risk and interest rate risk for debts. Commodity swap agreements are utilized to manage the commodity price fluctuation risk on purchased raw material (lead). 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 authentic financial institutions.

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 price. 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 estimated fair values of the derivative financial instruments, excluding certain interest rate swap agreements and commodity swap agreements that are accounted for using deferral hedge accounting, by major instrument types as of March 31, 2008 and 2007 are as follows:

	Millions of yen					
	Notional amounts	Estimated fair values	Unrealized gains (losses)	Notional amounts	Estimated fair values	Unrealized gains (losses)
		2008			2007	
Currency option transactions:						
To sell foreign currencies	¥ 2,517	¥ (21)	¥ 10	¥1,183	¥ (11)	¥ 2
To buy foreign currencies	1,258	70	34	830	14	1
Forward exchange contracts:						
To sell foreign currencies	5,729	5,412	317	5,302	5,293	9
To buy foreign currencies	941	888	(53)	1,366	1,348	(18)
	¥10,445	¥6,349	¥308	¥8,681	¥6,644	¥ (6)

	Thousands of U.S. dollars		
	Notional amounts	Estimated fair values	Unrealized gains (losses)
		2008	
Currency option transactions:			
To sell foreign currencies	$ 25,170	$ (210)	$ 100
To buy foreign currencies	12,580	700	340
Forward exchange contracts:			
To sell foreign currencies	57,290	54,120	3,170
To buy foreign currencies	9,410	8,880	(530)
	$104,450	$63,490	$3,080

The fair values of derivative financial instruments were estimated on the basis of information obtained from third party financial institutions. The fair values of currency-related transactions are estimated using forward exchange rates.

	Millions of yen					
	Notional amounts	Estimated fair values	Unrealized gains (losses)	Notional amounts	Estimated fair values	Unrealized gains (losses)
		2008			2007	
Interest rate option transactions:						
To sell foreign currencies	¥400	¥(5)	¥(5)	¥—	¥—	¥—
	¥400	¥(5)	¥(5)	¥—	¥—	¥—

	Thousands of U.S. dollars		
	Notional amounts	Estimated fair values	Unrealized gains (losses)
		2008	
Interest rate option transactions:			
To sell foreign currencies	$4,000	$(50)	$(50)
	$4,000	$(50)	$(50)

The fair values of derivative financial instruments were estimated on the basis of information obtained from third party financial institutions.

19. LEASES

Lessee

Future minimum lease payments under non-cancelable operating lease arrangements as of March 31, 2008 are ¥119 million ($1,190 thousand) due within one year and ¥614 million ($6,140 thousand) due after one year.

Finance leases (without transfer of legal title) are mainly accounted for as operating leases. For the years ended March 31, 2008, 2007 and 2006, lease payments of ¥387 million ($3,870 thousand), ¥469 million and ¥448 million, respectively, under such finance leases were included in earnings. On a pro forma basis, leased property, lease obligation and the related expenses, with assumed capitalization of such finance leases are as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Leased property:				
Equipment and other, at cost	**¥ 991**	¥1,959	¥1,765	**$ 9,910**
Less accumulated depreciation (Note a)	**(500)**	(863)	(681)	**(5,000)**
Net equipment and other	**¥ 491**	¥1,096	¥1,084	**$ 4,910**
Depreciation expense (Note a)	**¥ 376**	¥ 454	¥ 433	**$ 3,760**
Lease obligation:				
Within one year	**¥ 231**	¥ 450	¥ 347	**$ 2,310**
After one year	**265**	659	747	**2,650**
Total	**¥ 496**	¥1,109	¥1,094	**$ 4,960**
Interest expense (Note b)	**¥ 12**	¥ 19	¥ 14	**$ 120**

Notes: a. Leased property is depreciated over the lease term by the straight-line method with no residual value.
b. Excess of total lease payments over the assumed acquisition costs is regarded as assumed interest payable and is allocated to each period using the interest method.

Lessor

Future minimum lease income under non-cancelable operating lease arrangements as of March 31, 2008 is ¥11 million ($110 thousand) due within one year and ¥18 million ($180 thousand) due after one year.

Finance leases (without transfer of legal title) are accounted for as operating leases. Leased property, future lease income and, the related depreciation expense and lease income which were included in earnings under such finance leases are as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Leased property:				
Equipment and other, at cost	**¥1,758**	¥360	¥458	**$17,580**
Less accumulated depreciation	**(959)**	(210)	(288)	**(9,590)**
Net equipment and other	**¥ 799**	¥150	¥170	**$ 7,990**
Depreciation expense	**¥ 338**	¥ 78	¥109	**$ 3,380**
Future lease income, exclusive of interest portion:				
Within one year	**¥ 509**	¥ 65	¥ 81	**$ 5,090**
After one year	**298**	88	97	**2,980**
Total	**¥ 807**	¥153	¥178	**$ 8,070**
Lease income, inclusive of interest portion	**¥ 346**	¥ 81	¥113	**$ 3,460**
Thereof interest portion (Note)	**6**	3	4	**60**

Note: Interest portion is allocated to each period using the interest method.

20. TRANSACTIONS INVOLVING ENTITIES UNDER COMMON CONTROL

The Company conducted a tender offer for the stock of Hitachi Powdered Metals Co., Ltd., a company involved in the manufacture and marketing of powdered metals and chemical products, from December 27, 2007 through February 12, 2008 and purchased all of the 12,595,017 shares subscribed to the tender offer. As a result, the Company acquired 92.7 percent of the voting rights of Hitachi Powdered Metals Co., Ltd. (percentage of total stockholder voting rights as of March 31, 2008).

The Company conducted this transaction to make Hitachi Powdered Metals Co., Ltd. a wholly owned subsidiary of the Company. This will enable both companies to do more advanced business with their customers by improving their technical capabilities and by making their operations more efficient as they manage their resources in the field of automotive parts and carbon products in close coordination. Furthermore, this will result in enhancing each company's value through cultivation of a new market.

In conjunction with the acquisition, minority interest was reduced by the amount of the additional interest at the date of acquisition. The difference between the purchase price and the additional interest was accounted for as goodwill. The actual negative goodwill is amortized using the straight-line method over three years.

The acquisition costs were as follows:

Cost of stock acquired:	¥9,114 million
Cost of common shares acquired:	¥8,879 million
Direct acquisition expenses:	¥235 million
Negative goodwill:	¥1,542 million

21. SEGMENT INFORMATION

The Company and its subsidiaries' business segments are classified as "Electronics Related Products," "Advanced Performance Products" and "Housing Equipment and Environmental Facilities."

The main products of each business segment are provided on page 11 of this annual report.

Business segment information:

Millions of yen — 2008

	Electronics Related Products	Advanced Performance Products	Housing Equipment and Environmental Facilities	Total	Eliminations	Consolidated
Sales to outside customers	¥312,755	¥278,080	¥36,094	¥626,929	¥ —	¥626,929
Intersegment sales	1,422	1,814	89	3,325	(3,325)	—
	314,177	279,894	36,183	630,254	(3,325)	626,929
Operating expenses	268,507	264,335	37,020	569,862	(3,426)	566,436
Operating income (loss)	¥ 45,670	¥ 15,559	¥ (837)	¥ 60,392	¥ 101	¥ 60,493
Assets	¥237,467	¥221,654	¥ —	¥459,121	¥ (380)	¥458,741
Depreciation and amortization of tangible and intangible fixed assets	15,848	15,966	1,052	32,866	—	32,866
Capital expenditures	19,060	17,620	703	37,383	—	37,383

Millions of yen — 2007

	Electronics Related Products	Advanced Performance Products	Housing Equipment and Environmental Facilities	Total	Eliminations	Consolidated
Sales to outside customers	¥293,575	¥250,821	¥84,409	¥628,805	¥ —	¥628,805
Intersegment sales	1,115	688	336	2,139	(2,139)	—
	294,690	251,509	84,745	630,944	(2,139)	628,805
Operating expenses	253,820	236,512	84,800	575,132	(2,077)	573,055
Operating income (loss)	¥ 40,870	¥ 14,997	¥ (55)	¥ 55,812	¥ (62)	¥ 55,750
Assets	¥227,840	¥204,323	¥40,186	¥472,349	¥(1,485)	¥470,864
Depreciation and amortization of tangible and intangible fixed assets	12,144	13,674	2,259	28,077	—	28,077
Capital expenditures	16,915	19,110	1,636	37,661	—	37,661

Millions of yen — 2006

	Electronics Related Products	Advanced Performance Products	Housing Equipment and Environmental Facilities	Total	Eliminations	Consolidated
Sales to outside customers	¥272,739	¥243,351	¥86,613	¥602,703	¥ —	¥602,703
Intersegment sales	1,403	368	207	1,978	(1,978)	—
	274,142	243,719	86,820	604,681	(1,978)	602,703
Operating expenses	236,425	228,813	85,910	551,148	(2,278)	548,870
Operating income	¥ 37,717	¥ 14,906	¥ 910	¥ 53,533	¥ 300	¥ 53,833
Assets	¥209,489	¥195,269	¥40,725	¥445,483	¥(1,298)	¥444,185
Depreciation and amortization of tangible and intangible fixed assets	11,752	12,761	2,687	27,200	—	27,200
Capital expenditures	17,125	19,074	2,488	38,687	—	38,687

Thousands of U.S. dollars — 2008

	Electronics Related Products	Advanced Performance Products	Housing Equipment and Environmental Facilities	Total	Eliminations	Consolidated
Sales to outside customers	$3,127,550	$2,780,800	$360,940	$6,269,290	$ —	$6,269,290
Intersegment sales	14,220	18,140	890	33,250	(33,250)	—
	3,141,770	2,798,940	361,830	6,302,540	(33,250)	6,269,290
Operating expenses	2,685,070	2,643,350	370,200	5,698,620	(34,260)	5,664,360
Operating income (loss)	$ 456,700	$ 155,590	$ (8,370)	$ 603,920	$ 1,010	$ 604,930
Assets	$2,374,670	$2,216,540	$ —	$4,591,210	$ (3,800)	$4,587,410
Depreciation and amortization of tangible and intangible fixed assets	158,480	159,660	10,520	328,660	—	328,660
Capital expenditures	190,600	176,200	7,030	373,830	—	373,830

Geographic segment information:

	Millions of yen					
	2008					
	Japan	Asia	Other areas	Total	Eliminations	Consolidated
Sales to outside customers	**¥454,684**	**¥140,392**	**¥31,853**	**¥626,929**	**¥ —**	**¥626,929**
Intersegment sales	**79,175**	**12,836**	**1,848**	**93,859**	**(93,859)**	**—**
	533,859	**153,228**	**33,701**	**720,788**	**(93,859)**	**626,929**
Operating expenses	**482,953**	**144,469**	**32,842**	**660,264**	**(93,828)**	**566,436**
Operating income	**¥ 50,906**	**¥ 8,759**	**¥ 859**	**¥ 60,524**	**¥ (31)**	**¥ 60,493**
Assets	**¥373,634**	**¥ 91,283**	**¥19,013**	**¥483,930**	**¥(25,189)**	**¥458,741**

	Millions of yen					
	2007					
	Japan	Asia	Other areas	Total	Eliminations	Consolidated
Sales to outside customers	¥482,291	¥117,924	¥28,590	¥628,805	¥ —	¥628,805
Intersegment sales	68,219	12,600	2,093	82,912	(82,912)	—
	550,510	130,524	30,683	711,717	(82,912)	628,805
Operating expenses	500,642	124,978	29,969	655,589	(82,534)	573,055
Operating income	¥ 49,868	¥ 5,546	¥ 714	¥ 56,128	¥ (378)	¥ 55,750
Assets	¥383,227	¥ 90,477	¥20,415	¥494,119	¥(23,255)	¥470,864

	Millions of yen					
	2006					
	Japan	Asia	Other areas	Total	Eliminations	Consolidated
Sales to outside customers	¥479,967	¥98,651	¥24,085	¥602,703	¥ —	¥602,703
Intersegment sales	56,982	9,820	2,486	69,288	(69,288)	—
	536,949	108,471	26,571	671,991	(69,288)	602,703
Operating expenses	487,782	104,274	25,705	617,761	(68,891)	548,870
Operating income	¥ 49,167	¥ 4,197	¥ 866	¥ 54,230	¥ (397)	¥ 53,833
Assets	¥367,431	¥ 78,609	¥18,193	¥464,233	¥(20,048)	¥444,185

	Thousands of U.S. dollars					
	2008					
	Japan	Asia	Other areas	Total	Eliminations	Consolidated
Sales to outside customers	**$4,546,840**	**$1,403,920**	**$318,530**	**$6,269,290**	**$ —**	**$6,269,290**
Intersegment sales	**791,750**	**128,360**	**18,480**	**938,590**	**(938,590)**	**—**
	5,338,590	**1,532,280**	**337,010**	**7,207,880**	**(938,590)**	**6,269,290**
Operating expenses	**4,829,530**	**1,444,690**	**328,420**	**6,602,640**	**(938,280)**	**5,664,360**
Operating income	**$ 509,060**	**$ 87,590**	**$ 8,590**	**$ 605,240**	**$ (310)**	**$ 604,930**
Assets	**$3,736,340**	**$ 912,830**	**$190,130**	**$4,839,300**	**$(251,890)**	**$4,587,410**

Overseas sales:

Overseas sales, which include export sales of the Company and its domestic subsidiaries and sales (other than exports to Japan) of the foreign consolidated subsidiaries, are summarized as follows:

	Millions of yen						Thousands of U.S. dollars
	2008		2007		2006		**2008**
	Amount	Percentage of consolidated net sales	Amount	Percentage of consolidated net sales	Amount	Percentage of consolidated net sales	Amount
Overseas sales:							
Asia	**¥193,261**	**30.8%**	¥162,931	25.9%	¥143,985	23.9%	**$1,932,610**
Other areas	**46,007**	**7.4**	44,516	7.1	40,327	6.7	**460,070**
	¥239,268	**38.2%**	¥207,447	33.0%	¥184,312	30.6%	**$2,392,680**
Consolidated net sales	**¥626,929**	**100.0%**	¥628,805	100.0%	¥602,703	100.0%	**$6,269,290**

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Hitachi Chemical Co., Ltd.

We have audited the accompanying consolidated balance sheets of Hitachi Chemical Co., Ltd. and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in net assets, and cash flows for each of the three years in the period ended March 31, 2008, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hitachi Chemical Co., Ltd. and consolidated subsidiaries at March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2008, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

Ernst & Young Shinnihon

June 24, 2008

MAJOR SUBSIDIARIES AND AFFILIATES

As of March 31, 2008

JAPAN

MANUFACTURING

Shin-Kobe Electric Machinery Co., Ltd.
Manufacturing and marketing of batteries and plastic products

Hitachi Powdered Metals Co., Ltd.
Manufacturing and marketing of powdered metal products

Hitachi AIC Inc.*
Manufacturing and marketing of printed wiring boards and capacitors

Japan Brake Industrial Co., Ltd.
Manufacturing and marketing of friction materials

Hitachi Chemical Automotive Products Co., Ltd.
Manufacturing of plastic interior/exterior automotive parts

Hitachi Kasei Polymer Co., Ltd.
Manufacturing and marketing of adhesives and synthetic resin products

Namie Hitachi Chemical Co., Ltd.
Manufacturing of carbon products

Hitachi Chemical Filtec Inc.
Manufacturing and marketing of food-wrapping films

Hitachi Chemical Electronics Co., Ltd.*
Manufacturing of printed wiring boards

Hitachi Chemical Industrial Materials Co., Ltd.
Manufacturing and marketing of road sign materials and molded synthetic resin products

Hitachi Chemical Coated Sand Co., Ltd.
Manufacturing and marketing of coated sands

INSTALLATION, TRADING, DESIGN AND SERVICE

Hitachi Kasei Shoji Co., Ltd.
Marketing of electronics related products, advanced performance products and other products

Nikka Equipment & Engineering Co., Ltd.
Design and manufacturing of facilities and machinery

Hitachi Kasei Business Service Co., Ltd.
Leasing of personal computers and other office equipment, outsourcing of patent application-related businesses

Nikka Techno Service Co., Ltd.**
Outsourcing of distribution, testing and other business services

Hitachi Battery Sales & Service Co., Ltd.
Marketing and service of batteries and electric equipment

ASIA & OCEANIA

MANUFACTURING

Hitachi Chemical (Johor) Sdn. Bhd.
Manufacturing and marketing of photosensitive dry films for printed wiring boards and electrical insulating varnishes

Hitachi Chemical (Dongguan) Co., Ltd.
Manufacturing and marketing of photosensitive dry films for printed wiring boards and electrical insulating varnishes

Hitachi Chemical (Singapore) Pte. Ltd.
Manufacturing and marketing of printed wiring boards

Hitachi Chemical (Suzhou) Co., Ltd.
Manufacturing and marketing of epoxy molding compounds for semiconductor devices and photosensitive dry films for printed wiring boards

Hitachi Chemical Co., (Taiwan) Ltd.
Manufacturing and marketing of printed wiring boards, slitting operation and marketing of photosensitive dry films for printed wiring boards

Hitachi Chemical Automotive Products (Thailand) Company Limited
Manufacturing and marketing of plastic interior/exterior automotive parts

Hitachi Chemical (Malaysia) Sdn. Bhd.
Manufacturing and marketing of epoxy molding compounds and die bonding materials for semiconductor devices

Hitachi Chemical (Yantai) Co., Ltd.
Slitting operation and marketing of photosensitive dry films for printed wiring boards

Bioclone Australia Pty Limited
Manufacturing and marketing of diagnostic reagents

Hitachi Chemical Electronic Materials (Korea) Co., Ltd.
Slitting operation and marketing of photosensitive dry films for printed wiring boards

Hitachi Battery (Dongguan) Co., Ltd.
Manufacturing and marketing of batteries, electric equipment and plastic products

Hitachi Powdered Metals (Dongguan) Co., Ltd.
Manufacturing and marketing of powdered metal products

Foshan J.B. Automotive Products Co., Ltd.
Manufacturing and marketing of friction materials

Hitachi Powdered Metals (Singapore) Pte. Limited
Manufacturing and marketing of powdered metal products

Xinyi Rihong Plastic Chemical Co., Ltd.
Manufacturing and marketing of rosin derivatives

Hitachi Chemical (Shanghai) Co., Ltd.
Slitting operation and marketing of anisotropic conductive films for displays, marketing of other electronics related products

Japan Brake (Thailand) Co., Ltd.
Manufacturing and marketing of friction materials

SALES AND SERVICE

Hitachi Chemical Co. (Hong Kong) Limited
Marketing of electronics related products and advanced performance products

Hitachi Chemical Asia-Pacific Pte. Ltd.
Marketing of electronics related products and advanced performance products

Hitachi Chemical International Co., (Taiwan) Ltd.
Marketing of electronics related products and advanced performance products

Siam HPM Co., Ltd.
Marketing of powdered metal products

U.S.A.

MANUFACTURING

Hitachi Chemical Diagnostics, Inc.
Manufacturing and marketing of diagnostic reagents

Tri-Continent Scientific, Inc.
Manufacturing and marketing of OEM liquid-handling products and instrument components

Sintering Technologies, Inc.
Manufacturing and marketing of powdered metal products

RESEARCH

Hitachi Chemical Research Center, Inc.
R&D in biotechnology

SALES AND SERVICE

Hitachi Chemical Company America, Ltd.
Marketing of electronics related products and advanced performance products

EUROPE

SALES AND SERVICE

Hitachi Chemical Europe GmbH
Marketing of electronics related products and advanced performance products

* Hitachi AIC Inc. merged with Hitachi Chemical Electronics Co., Ltd. as of April 1, 2008

** Nikka Techno Service Co., Ltd. changed its corporate name to Hitachi Chemical Techno Service Co., Ltd. as of April 1, 2008.

Hitachi Chemical Co., Ltd.

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Shinjuku-ku, Tokyo 163-0449, Japan
Phone: 81-3-3346-3111
Fax: 81-3-3346-2977

Established: October 10, 1962

Paid-in Capital*: ¥15,443 million

Number of Employees*: 3,700

Common Stock*: Authorized: 800,000,000 shares
Issued: 207,452,608 shares

Number of Shareholders*: 16,599

Annual General Shareholders' Meeting: June

Stock Exchange Listings: Tokyo, Osaka
(Ticker Symbol Number: 4217)

Independent Auditor: Ernst & Young ShinNihon

Transfer Agent and Registrar: Tokyo Securities Transfer Agent Co., Ltd.
Nihon Building, Fourth Floor
6-2, Otemachi 2-chome
Chiyoda-ku, Tokyo 100-0004, Japan

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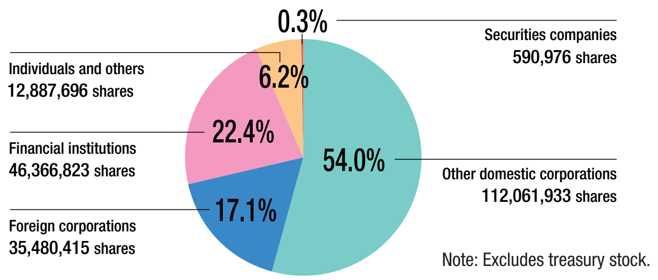
URL: http://www.hitachi-chem.co.jp/english/

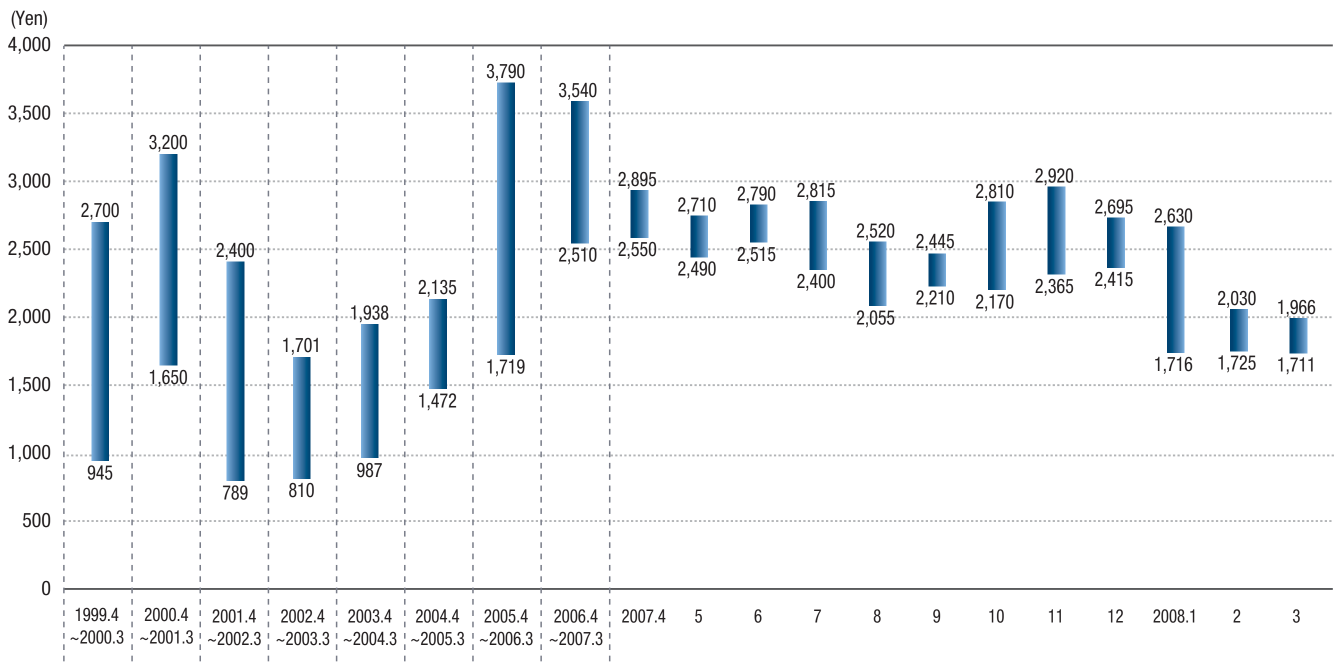
Composition of Shareholders*



Note: Excludes treasury stock.

*As of March 31, 2008

Stock Price Range (Tokyo Stock Exchange)



Hitachi Chemical Co., Ltd.

Corporate Secretary's Office
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Product group from well-managed forests and other controlled sources
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