



President and Chief Executive Officer
Norio Sato

I Feel a Strong Sense of Progress Made on the Foundations for New Growth.

Under our medium-term management plan, Plan BEGIN, which focuses on building the foundations that will lead to new growth, we have increased both sales and profit during the year ended March 31, 2008.

The year ending March 31, 2009 will be the final year of Plan BEGIN. In its concluding year, we intend to not only realize the short-term rewards of the plan, but also to complete the groundwork for further long-term growth.

Q1 The year ended March 31, 2008 was the second year of the medium-term management plan, Plan BEGIN. Looking back, how do you feel it has progressed?

A I believe it was a year during which the foundations for new growth were solidly developed.

The reforms that our group is currently fully engaged in and committed to go back to the three-year medium-term management plan called the Survival Project, which we commenced in the year ended March 31, 2004. Extensive cost cutting and streamlining, selection and concentration activities, alliances and mergers & acquisitions, global expansion, etc., were swiftly pushed through. As a result, we achieved a current-account surplus and were able to pull ourselves out from the loss-making spiral we had been in since the bursting of the IT bubble.

Having experienced the benefits of the structural reforms pushed through by the Survival Project, Plan BEGIN aims to establish the operating foundations of new growth. This medium-term

management plan targets the three-year period ending March 31, 2009, and, when realized, will assure profit in our core business, which is focused on wires and cables (industrial cables, magnet wires), copper products and automotive brake hoses. The plan actively promotes business expansion by concentrating management resources on the priority target areas of electronics (digital home electronics and semiconductors), wireless, broadcasting and information networks and the automotive field (hybrid electric vehicles (HEV), electronic components, sensor models), etc., where major growth is projected. At the same time, we continue to implement structural reforms that are in line with the market and aim to establish a quality of business that will consistently achieve operating income of over ¥20 billion.

We achieved solid results in the year ended March 31, 2007, the first year of Plan BEGIN, with both sales and operating income surpassing targets. We did not slacken our efforts the second year of the plan, the year ended March 31, 2008, and resolutely advanced our groundwork for significant growth. Particularly as a result of the execution of M&A, from which we can expect

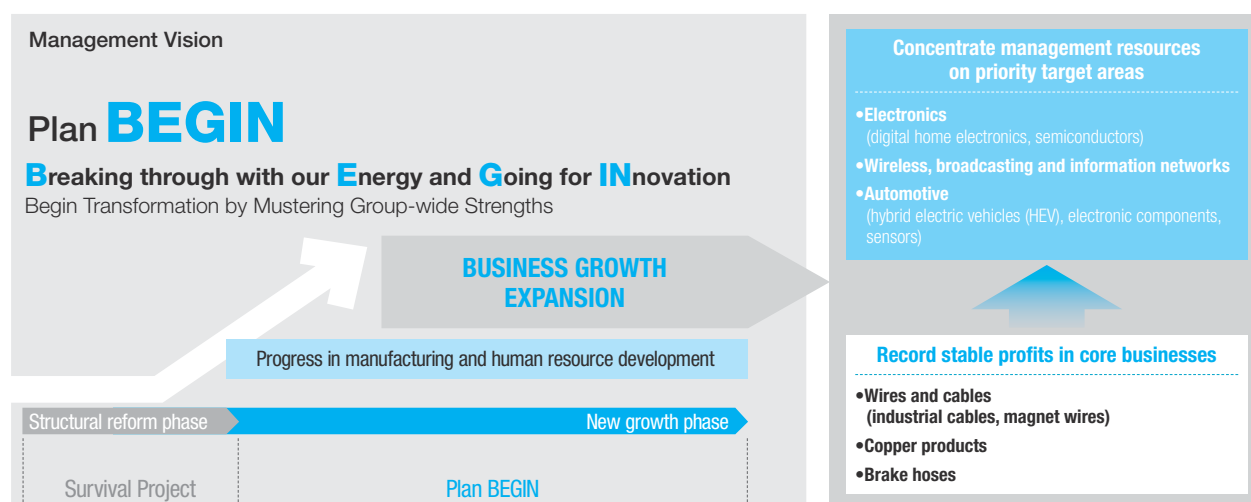
synergy benefits, but also following our strengthening of both our research and development organizational structure and our production technology, I believe we have advanced even further the renewal of our operational foundations.

Q2 How did the business perform during the year ended March 31, 2008?

A Having steadily delivered on an array of structural reforms to date, which reflects in our business operations, we have achieved both increased sales and increased profit.

In the world economy during the year ended March 31, 2008, the East Asian region—centered on China—continued to expand. However, as the financial unrest triggered by the subprime loan crisis in the U.S. worsened, the effect on the real economy widened. Furthermore, for the Japanese economy, the effect of the rapid rise in the cost of energy and raw materials, and of the appreciation of the yen, caused a slowdown and resulted in a tough year of adverse economic conditions.

In this kind of business environ-



ment, our group performance was quite smooth in the first half of the year. Subsequently, in the second half of the year, having been hit by the above negative factors, our growth slowed. However, the results achieved by the collection of structural reforms delivered to date continued to impact positively on the performance of the Company. Both sales and operating income were above the levels of the previous year, and the originally stated target figure for operating income in the final year of Plan BEGIN of ¥20 billion was exceeded, as it was in the previous year. Despite this success, our overseas expansion and progress in target areas such as copper products and compound semiconductors did not fulfill expectations—and frankly, became issues. In the year ending March 31, 2009, we intend to produce appropriate results and resolve these issues.

Net sales increased by 4% year on year to ¥565,994 million. This increase is mainly attributable to the rise in the cost of copper, the raw material required to produce the wires and cables and copper products, which pushed up the sales price of the products. It was also due to steady sales of optical submarine cables. Operating income increased by

1% year on year to ¥23,117 million. This was slightly above the level in the previous year as our improved productivity and cost cutting outweighed the increased cost of depreciation, which was incurred as a result of tax reforms. Net income increased by 24% year on year to ¥10,708 million.

Q3 Please summarize the performance of the business segments and the progress made by each with Plan BEGIN.

A Stable performance was maintained in wires and cables, performance in information and telecommunications networking was healthy, while profits fell in sophisticated materials.

In the wires and cables segment, demand for industrial and power cables and magnet wire was steady, but due to the additional effect of the further rise in the price of copper, sales exceeded the figures of the previous year. I believe that as a result of having continued with various structural reforms, we have been able to construct foundations that can maintain a consistent

operating income level of ¥10 billion.

In the information and telecommunications networking segment, while information networks performed steadily, wireless systems grew substantially due to the strong demand for the constituent parts of mobile phone base stations. Furthermore, having caught the wave of the rapid increase in demand around the world for optical submarine cables resulted in large-scale growth, and the shipping of parts for large-sized items continued.

In terms of the sophisticated materials segment, while sales levels steadily matched the previous year's, the effect of the rise in the cost of depreciation and other factors resulted in operating income falling below the level of the previous year. In respect of this segment, we consider the year ended March 31, 2008 to have been a period of investment toward growth in the next phase. In the area of auto parts, as well as continuing to strengthen production capability in China, Thailand and the U.S., as part of the consolidation of the global supply network of automotive brake hoses, we absorbed business from an American automotive parts manufacturer and established a new company. Moreover, with regard to TAB (tape automated bonding), we furthered the strengthening of foundations through M&A that is focused on future achievable benefit. In the area of compound semiconductors, we focused on launching gallium nitride substrates in earnest, and in respect of copper products also, we have invested approximately ¥6 billion in equipment aimed at enhancing our high-strength copper alloy strip production capabilities.

Targets of Plan BEGIN

(¥ Billions)

	2007/3	2008/3	2009/3 (Forecast)	2009/3 (Target) ¹
Net Sales	544.2	566.0	580.0	445.0 ²
Operating Income	23.0	23.1	21.0	20.0
Operating margin (%)	4.2	4.1	3.6	4.5
ROE (%)	4.7	5.5	6.2	6.0
FIV ³	2.7	3.0	2.6	1.4

¹ Target figures set when the plan was formulated (March 2006)

² Average of quotation of copper prices (basis for the target): ¥450 thousands/ton

³ Future Inspiration Value (FIV): (After-tax business income) – (Invested capital) x (Capital cost rate)

Positive FIV means that returns on invested capital exceed the cost of capital.

With an amendment to the tax system implemented in 2008 by the Japanese Diet, the durable life of depreciable assets is likely to change. However, since details of the bill have not yet been finalized, current forecasts of consolidated and non-consolidated business performance do not reflect the effects of these amendments to the tax system. Forecast of business performance reflecting the effects of these amendments will be released as soon as the relevant figures have been finalized.

Q4 What were the aims of the M&A activities announced after the year ended March 31, 2008?

A We shall advance into a new phase of growth through the execution of M&A in the electronics and the automotive fields.

As part of Plan BEGIN, we also assessed M&A as a means of closing the gaps in the current product offering, technology, geographical trade areas and scale of our Group companies, while expanding further our group business areas. A number of the M&A projects assessed were realized.

In the chip-on-film (COF) for LCDs business area, one of the pillars of the TAB area, we absorbed business from Casio Micronics Co., Ltd. and in June 2008, commenced trading as Hitachi Cable Film Devices, Ltd. In the second half of the year ended March 31, 2008, market conditions rapidly deteriorated in the COF area due to the widespread drop in prices. However, we believe that taking the long-term view, this is an area with good prospects. It has an estimated growth rate of 5–7%, considering, for example, that an increase in production of liquid crystal panels, which use COF, is planned from the year ended March 31, 2009 onwards. Going forward, although it is necessary that we quickly maximize the effect of synergies with our existing business, we can say that, fortunately, due to the signs of strong activity in the COF market from spring 2008 onwards, the new company is getting off to an increasingly smooth start.

Similarly, in July 2008, we acquired 70% of the stock of the Austrian company, Astral Meditech GmbH, and made it a subsidiary. The goal of this

acquisition was to increase our market share in the area of probe cables for ultrasound diagnostic equipment, and as demand for diagnostic ultrasound equipment is increasing, particularly in emerging nations, expansion of the market for probe cables used in these countries is also anticipated. In the year ending March 31, 2011, we aim to have the No.1 share in the world of this promising market.

Furthermore, in February 2008, we absorbed the automotive brake hose business of an American automotive parts manufacturer, and established a new company, Hitachi Cable Florida, Inc. As this enterprise already possesses a top share of the world market, we believe that this acquisition has allowed us to strengthen further our position as top manufacture in the field.

In April 2008, we acquired the stock of the company Sosey Co., Ltd., which develops and produces rubber rollers used in OA (office automation) equipment, and turned the company into a subsidiary. In this way, we made our entry into the rubber developer-rollers for printers business, an area where future growth is anticipated.

* Please refer to the features (P10–13) for further details of the three items “COF,” “probe cables for ultrasound diagnostic equipment” and “automotive brake hoses,” some of the M&A items discussed here.

Q5 Please tell us about “responding to the global market,” one of the core policies of Plan BEGIN.

A We will accelerate our expansion in overseas markets via the Europe-U.S./China/Southeast Asia trilateral framework by strengthening the regional management capabilities of China and Southeast Asia.



In relation to estimated global economic growth, unfortunately, a very high level of growth is not expected in Japan. On the other hand, on global markets, particularly in the countries of the so-called BRICs and VISTA regions, there are quite a number of countries where future economic growth is anticipated. For this reason, our group aims to expand our areas of business by strengthening and developing our overseas business activity.

In the Europe-U.S. region, Hitachi Cable America Inc. will from now on function as the company with regional management.

In China, we positioned Shanghai Hitachi Cable Trading Co., Ltd. as the core of our operations in China. On August 1, 2007, this company changed its name to Hitachi Cable (China) Trading Co., Ltd. and functions as the core company providing such services as intelligence gathering and dissemination, business strategy design, administration services, etc., throughout China.

In Southeast Asia, the management and sales departments of our overseas subsidiary in Singapore, Hitachi Cable Asia Pacific Pte. Ltd., were reassigned, and in June 2008, the company reopened for business having been newly tasked with the management of the Southeast Asian region. This change brings not only common oversight over the marketing and sales activities in the full region, but also allows Group



companies to share services in areas such as general administration, accounting, IT systems, etc. On the other hand, the manufacturing departments that remained following the split of the management company became Hitachi Cable (Singapore) Pte. Ltd., and specialize in optimizing their production systems so as to further meet the needs of the market.

By way of these policies, we have established a structure comprised of regional management companies in each of the key markets of Europe-U.S., China and Southeast Asia. Going forward, centered round these three regions, while responding more closely than ever to the market environment, we wish to accelerate development in the global marketplace

and strengthen the profitability of each overseas company.

Q6 You have announced “progress in manufacturing and human resource development” as one of the themes of Plan BEGIN, but in what areas are you making headway?

A Through the introduction and development of the Hitachi Cable Just-in-Time (JIT) Production System, we are endeavoring to reduce project lead times, to reduce stocking levels and change the mindsets of employees.

In terms of manufacturing, we are progressing with the introduction of the Hitachi Cable Just-in-Time (JIT) Production System, which is based on the Toyota Production System. The goal is to promote the optimization of the entire value chain, with focus on manufacturing. This involves eliminating the storage of parts and materials and completely removing the waste involved in the production process, etc., by reducing project lead times and inventory levels.

In the year ended March 31, 2008,

we introduced a model workplace for all our factories and have already seen a significant reduction in project lead times and inventories. In the year ending March 31, 2009, we plan to implement the system in Group companies at home and abroad.

Furthermore, this Hitachi Cable Just-in-Time (JIT) Production System also plays an important role in human resource development in that it promotes a new mindset among employees as well as passing on technical expertise. We believe that with the planned expansion of overseas business activity in mind, the training and development of local staff is business critical.

Q7 In light of the above, what will you concentrate on during the year ending March 31, 2009?

A We will concentrate on creating synergy benefits through acquisitions and mergers with existing business, on continuing to actively invest in the priority target areas and on strengthening our global expansion.

Responding to the Global Market

Expansion of business scope under regional management companies

- Deep cultivation of major global accounts
- Enhancement of marketing capabilities
- Strengthening of governance
- Fostering the skill and talent of local staff



- Hitachi Cable America Inc. : Regional management company of Europe-U.S. region
- Hitachi Cable (China) Trading Co., Ltd. : Regional management company of China
- Hitachi Cable Asia Pacific (HCAP) Pte. Ltd. : Regional management company of Southeast Asia region

The year ending March 31, 2009 will be the final year of Plan BEGIN. Therefore, as well as realizing the immediate rewards of the plan, we will engage ourselves fully in completing the foundations for new growth.

As a policy for creating a next-generation growth driver, we will firstly realize as swiftly as possible the benefits of synergy between the previously existing business and the additions from the numerous M&A activities being carried out in the first half of 2008. Moreover, as well as continuing to invest actively in the priority target areas of electronics, wireless, broadcasting and information networks and the automotive field, we anticipate this investment will also bring the strengthening of our production capabilities, improvement of our manufacturing efficiency and more rapid development of new products.

At the same time, in terms of global expansion, which is critical to the construction of firm business foundations, we will grow sales and strengthen our management system in the three core regions of Europe-U.S., China and Southeast Asia, and will increase our rate of overseas sales. In addition, the full implementation of the Hitachi Cable Just-in-Time (JIT) Production System at all Group companies, both in Japan and overseas, will further strengthen Group business operations. Furthermore, we will also invest in our core businesses in Japan and overseas to further increase profitability.

Q8 It is apparent that CSR (corporate social responsibility) is becoming increasingly important. What kinds of efforts are you making to ensure sustainable growth?

A Having placed CSR at the core of our business man-

agement, we are engaged in strengthening corporate governance and the thorough implementation of compliance measures.

We believe that for the sustainable growth of our company, the foremost issue in running our business is corporate governance. Based on this belief, with the aim of increasing the speed of business decision-making and improving business transparency, we employ what we call our “committee system” and clearly separate our business execution and audit functions. Furthermore, we have made clear that compliance is a prerequisite for all business activity and have stated that every director and every employee must adhere to our edict to “keep to the straight and narrow,” one of our codes of conduct.

I consider corporate activity in itself to be CSR, and that all operations are in fact inextricably linked to CSR. Going forward, I want to strengthen and enhance the partnership, not only within our own group, but also with all Hitachi group companies, as well as with clients, regional companies, shareholders, etc., and all stakeholders.

* For more details on CSR activities, please refer to P20-21; for more details on corporate governance, please refer to P22-23.

Q9 Finally, what additional thoughts would you like to share with shareholders and investors?

A In order to meet the expectations of the shareholders and investors, we shall pursue with determination the increase of our corporate value.

In 2006, in commemoration of the 50 years since our company became independent of Hitachi Ltd., we defined

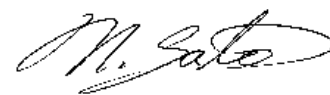
a new corporate vision, “Empowering Energy & Communication,” and since then, we have been taking initial steps toward the second phase of our enterprise. As I have already explained, our medium-term management plan, Plan BEGIN, is progressing well. We are working to move steadily forward and construct a quality of business that will consistently achieve operating income of over ¥20 billion, as well as robust growth.

With regard to the capital management policy, as well as working to secure an equity ratio of over 50%, we are seeking to reduce interest-bearing debt. We are both making capital investments and using M&A capital effectively in order to achieve future growth that is based on a healthy balance sheet.

Furthermore, as for dividend payments, the year ended March 31, 2008 dividend was ¥4.25 per share, while the interim dividend was also ¥4.25 per share. This brings the total dividend for the year to ¥8.50 per share.

Going forward, our corporate mission will continue “contributing to society by continuing to improve the speed, accuracy and efficiency of energy and information,” and so that we meet the expectations of shareholders and investors, and all stakeholders, we shall pursue with determination the further raising of corporate value. To shareholders and investors, we kindly ask for your continued encouragement and support.

July 2008



Norio Sato
President and Chief Executive Officer