



Creating Future Growth Drivers That Contribute to Improved Earnings Capabilities

R&D that leads directly to business opportunities

The Hitachi Cable Group's R&D program is essential to the success of Plan BEGIN. Under our Corporate Vision, "Empowering Energy & Communication," we will continue to strengthen our R&D structure so as to enhance the Group's future competitiveness and corporate value.

Firstly, we are engaged in development linked to our short-term and medium-term business activities. Market needs are diversifying at an accelerating pace, so R&D that enables a quick response improves our competitiveness. Secondly, we are enhancing our key technologies and core technologies focused on the long-term future. We are actively searching for the seeds of new technologies and new businesses that will open up the next era for the Hitachi Cable Group.

Reorganization of the R&D structure to consolidate functions

In order to promote an R&D program that leads more directly to business opportunities, we implemented a reform of the R&D structure in the year ended March 31, 2008. Former research centers in the Research and Development Group and the Research & Development Divisions

of the individual business groups have been consolidated under the Corporate Advanced Technology Group. We now have a structure for centrally promoting the formulation of medium- to long-term research strategies and research programs under the leadership of the Chief Technology Officer (CTO).

In the Corporate Advanced Technology Group the Technology Planning Center formulates R&D strategies. Based on these strategies the Research & Development Laboratory operates R&D programs. We have established the Technology Platform Center, Electronics Research & Development Center and the Advanced Electronic Materials Research Department in the Research & Development Laboratory. They are working on technology and product development in coordination with related departments and focusing on research into future

core technologies.

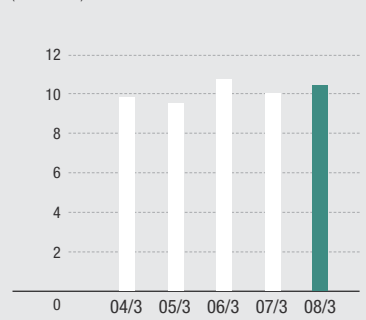
Furthermore, we are accelerating R&D by expanding our perspective to fields outside the Hitachi Cable Group and strengthening our partnerships with laboratories inside the Hitachi Group, universities and other research institutions. Going forward, we will actively advance operations focused on the overseas market. For example, we will promote exchanges with the Hitachi Group's overseas R&D sites.

R&D expenses in the year ended March 31, 2008 is ¥10,526 million, 1.9% of net sales.

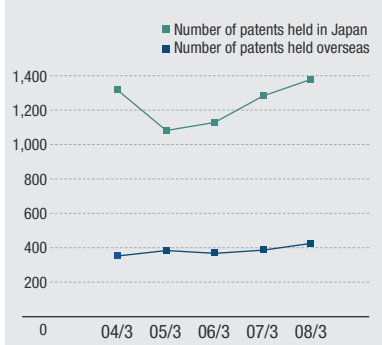
Strategic utilization of intellectual property

Strategic utilization of intellectual property is an important part of our efforts to continuously strengthen our R&D capabilities. Intellectual property derived from R&D and product development, such as patents, etc.,

R&D Expenses
(¥ Billions)



Number of Patents Held



constitutes an important strategic management resource. We are focusing on acquiring patents not only in Japan, but also overseas, including in the United States, China, etc. Going forward, we will endeavor to enhance both the number and quality of our patents, work to hone our competitive edge by acquiring these patents and utilizing them effectively.

R&D Achievements in the Year Ended March 31, 2008

■ Wires and Cables

R&D expenses: ¥1,628 million

1. Industry and Energy
 - Development of multi-specification compatible PVC materials
2. Electronic Equipment
 - Development of halogen-free flame-retardant electronic wire for 125°C-rated devices

■ Information and Telecommunications Networking

R&D expenses: ¥4,363 million

- Development of chassis-type switching equipment with Standard-based EthernetOAM and extended QoS features
- Development of box-type switching equipment with VLAN multiplexing capabilities and VLAN translation equipment
- Development of 10 Gbit/s class next-generation fiber-optic transceiver SFP+ (Small Form-factor Pluggable Plus)

■ Sophisticated Materials

R&D expenses: ¥4,535 million

1. Semiconductor Packaging Materials and Electronic Components
 - Development of high brightness red metal reflectors (MR) - LED
2. Copper Products
 - Development of highly flexible rolled copper foil
 - Establishment of production technology of dual gauge copper strips for installation in automobiles
3. Auto parts
 - Commercialization of dual-layer separation rollers for scanners

Comments from the Chief Technology Officer (CTO)

Implementing wide-ranging reform of the R&D structure—from dispersion to concentration—we are steadily producing results, such as changes in awareness.

“We are working on reforming awareness and innovating R&D.”

The Hitachi Cable Group implemented wide-ranging reform of the R&D structure in the year ended March 31, 2008. In short, the aim of the reforms was to switch “from dispersion to concentration.” Currently we are working on Plan BEGIN. This strategy has identified future growth sectors: electronics, wireless, broadcasting and information networks, and automotive. In these areas, technology changes rapidly, demanding R&D anticipates market trends more than ever. In order to rapidly create technologies and products with direct application in these businesses, we consolidated the R&D functions and put in place a structure for cooperation among the business groups. As a result, our R&D responds to market needs more quickly than ever.

Furthermore, in addition to strengthening our structure we are also actively working to reform awareness. For example, research themes are classified as “requested research” resulting from the needs of the business groups, “self-initiated research” conducted as a result of the researcher’s own ideas, etc., and we are advancing all of our programs with a new awareness.

“The key word will be ‘environment’ in future research.”

The Hitachi Cable Group is also focusing on R&D with “environment” as the key word. We utilize the knowledge of material technologies and manufacturing process technologies that we have been cultivating since the founding of our business to promote the development of products and technologies that can contribute to ecology and the prevention of global warming in the recycling, electronics, automotive, and energy areas.

“R&D, sales, marketing, and manufacturing all working together.”

The development of technologies and products cannot be realized by the R&D departments alone. The close cooperation of all related departments, including the sales, marketing, and manufacturing departments, is required. In that sense, I believe that all employees outside the R&D departments must become innovators in R&D. Going forward, I intend to further disseminate this awareness within the Company.

Yasuhiko Ito

Group-Executive,
Corporate Advanced Technology Group;
Chief Technology Officer (CTO)

