

Realizing Sustainable Growth through Enhanced Corporate Value, Fairness and Transparency

Basic approach

Hitachi Cable considers the foundation of corporate governance to be efforts to advance its business in keeping with laws, business ethics and CSR principles. It considers conformity with such to be one of the most vital responsibilities of management. The Company has adopted the committee system, resulting in a separation of the executive and supervisory functions of management, in order to expedite management decision-making and enhance management transparency. Hitachi Cable has established and operates an internal control framework in line with basic policies determined by the Board of Directors, a supervisory body.

Hitachi, Ltd. and other Hitachi Group companies own 53.2% of total shareholders' voting rights in Hitachi Cable (as of March 31, 2008). The status of the appointment of directors holding concurrent positions at other Hitachi Group companies and seconded personnel does not hinder Hitachi Cable's own business decisions. Furthermore, the Hitachi Cable Group's

business activities are not unduly reliant on transactions with the Hitachi Group.

Corporate governance structure

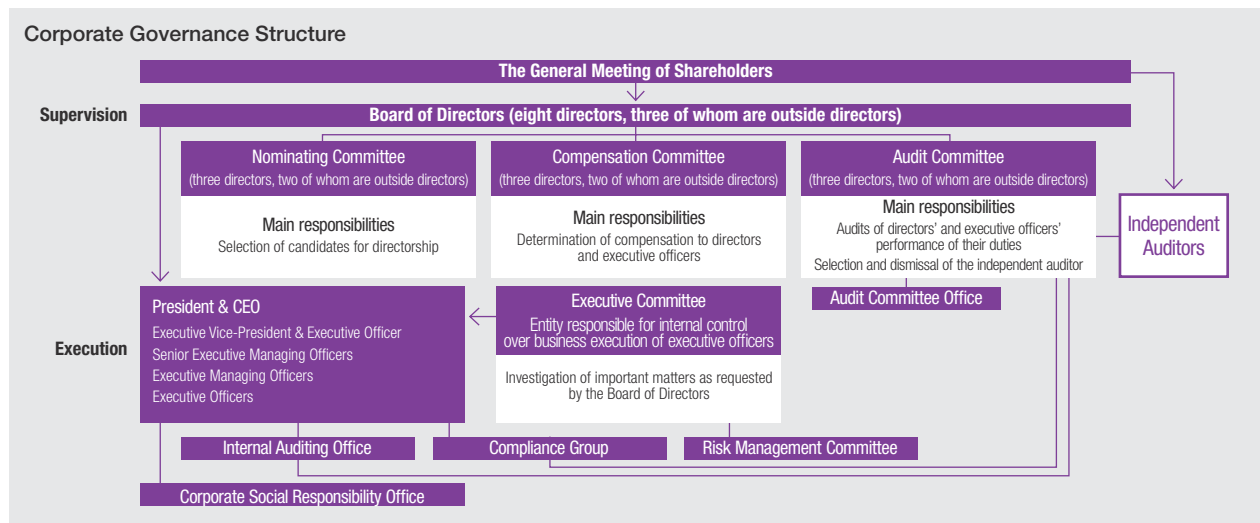
The Board of Directors is responsible for decisions on matters such as basic management policies and supervisory functions, and it has broadly transferred executive authority for operations to executive officers. As part of the Board's supervisory functions, three independent committees—each comprising three directors (including two outside directors)—have been established: the Nominating Committee, the Audit Committee and the Compensation Committee. In principle, the Audit Committee meets monthly, and the Nominating Committee and the Compensation Committee meet as needed.

There are eight members on the Board of Directors (including three outside directors), and the Chairman of the Board, who does not serve as an executive officer. The three outside directors comprise one Senior Advisor Emeritus and one Director from Hitachi,

and one lawyer with no advisory powers. There are mutual and ongoing business transaction relationships between Hitachi Cable and Hitachi, Ltd. but these are all standard transactions. In addition, as necessary, Hitachi Cable obtains advice related to the execution of its business activities from other lawyers in the law office of the lawyer currently serving as an outside director.

As a means of internal control over the execution of operations by the executive officers, an Executive Committee has been established, comprising all executive officers. This is intended to ensure the sharing of information concerning the status of operations under each executive officer whenever decisions are made concerning important matters as assigned by the Board of Directors, as well as the consideration of such matters from a variety of angles.

The Internal Auditing Office (with seven specialized staff members and 36 staff members serving concurrent positions) implements internal audits for each section of Hitachi Cable and for its Group companies concerning the legal-



ity and appropriateness of operations, and takes measures to strengthen internal control. Furthermore, the Compliance Group (with two specialized staff members and eight staff members serving concurrent positions) regularly conducts training, audits and guidance for each section of Hitachi Cable and for its Group companies to ensure that company activities conform to laws, regulations and business ethics. The Audit Committee ensures that the Company's auditing framework is properly functioning by receiving reports on the above internal audits and having the directors and executive officers issue reports on the status of the execution of business operations as necessary.

Hitachi Cable's independent auditor is Ernst & Young ShinNihon. The composition of the support team for these audit activities is determined by account auditing firm's selection criteria. Specifically, this team consists of six certified public accountants, eight assistant accountants and 13 other members. The independent auditor reports its progress to the Audit Committee and fosters cooperation on auditing by exchanging opinions with Audit Committee members, including the General Manager of the Internal Auditing Office, who also attends the relevant meetings.

Defense against takeovers

We have established "the Basic Policy concerning Control of the Joint-Stock Corporation," which sets forth guidelines with regard to shareholders who acquire a quantity of shares enabling them to control the management policy decisions of Hitachi Cable. We will study whether or not to introduce measures to defend ourselves against takeovers under this basic policy, but at this time, we have no plan to introduce specific takeover defense measures.

<Basic policy concerning control of the joint-stock corporation>

Hitachi Cable believes that through public listing of our shares we will put ourselves in a position to procure the capital necessary for our future growth and that the daily evaluation received from investors and the stock market will enable us to realize more concentrated management, and that these two outcomes will make a substantial contribution to increasing the corporate value of Hitachi Cable and the Hitachi Cable Group.

Moreover, we believe that Hitachi Cable participating proactively in the management of the Hitachi Group, led by the parent company Hitachi, Ltd., while maintaining its management independence, and utilizing the R&D capabilities, brand and other management resources of the Hitachi Group as effectively as possible, will contribute to further increasing the corporate value of Hitachi Cable and the Hitachi Cable Group just as public listing of its shares will.

Hitachi Cable will work on the building of the corporate governance structure, the establishment of a management plan and other issues that must be resolved, all under the above basic policy, endeavoring to maximize the profits shared by all of our shareholders, not just those of the parent company.

Risk management

A Risk Management Committee has been established under the Executive Committee, with the President and Chief Executive Officer serving as its chairman. The aims of this committee are to approve the risk management policies for the entire company and to share information related to risk management. As such, it endeavors to pinpoint risks and to assess, prevent and minimize them.

Promoting compliance

Hitachi Cable has proposed "acting based on law and business ethics" in its Standards of Corporate Conduct and has stipulated "Keep to the Straight and Narrow" as its Code of Conduct. Under these policies, we have compiled the rules of action that all employees must comply with in "the Business Ethics Guidebook," which clearly states that employees must not engage in anti-social transactions.

We have established the Compliance Group to thoroughly inform employees of these basic policies and rules of action. In particular, we are working to eliminate anti-social transactions. We have developed in-house regulations and hold regular meetings of the Compliance Promotion Committee for which the Compliance Group is the secretariat.

To further combat risk, Hitachi Cable has adopted a compliance notification system. Hitachi Cable Group employees and related outside parties, such as suppliers, may report any illegal activities or improper conduct in Hitachi Cable's business activities directly to the Company's Compliance Group or external legal counsel retained for this purpose.

Thus is Hitachi Cable elevating management fairness and transparency to higher levels. To this end, we will adhere to new and updated laws and regulations, as well as the management policies of the Hitachi Group. In addition, we will enhance our governance framework, including introduction of an internal control framework patterned after the COSO Framework*, and further entrench the committee system in our operations.

* The COSO framework is an internal control framework proposed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), a voluntary private-sector organization in the United States.