

March 30, 2006

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An overview of <Plan “BEGIN”>, the Mid-range Management Plan for Fiscal 2007–2009

Hitachi Cable, Ltd. has developed <Plan “BEGIN”> (Note 1), a new Mid-range Management Plan for Fiscal 2007 to 2009. An overview of the Plan is given below.

1. Basic policy and numerical goals in <Plan “BEGIN”>

The Hitachi Cable Group has implemented structural reforms to improve business performance, following the course set by the Survival Project, our Mid-range Management Plan for Fiscal 2004–2006. While we failed to attain the FIV (Note 2) surplus, designated as the most important goal of the Project, we have succeeded in establishing a firm current account surplus.

In Fiscal 2007, we will celebrate the 50th anniversary of our corporate founding, following our spin-off from Hitachi, Ltd. Setting this year as a second corporate founding, we are determined to proceed with structural reforms that match changing market conditions, realize business growth and expansion, and proceed to a new growth phase.

The numerical goals are given below.

	Estimated for Fiscal 2006	Target for Fiscal 2007	Target for Fiscal 2008	Target for Fiscal 2009
Net sales	418 billion yen	438 billion yen	425 billion yen	445 billion yen
Ordinary income	12 billion yen	14 billion yen	17 billion yen	20 billion yen
Ordinary income/net sales	2.8%	3.2%	4.0%	4.5%
ROE	3%	4%	5%	6%
Ratio of overseas sales	27%	29%	31%	33%

(Note 1) BEGIN = Breaking through with our Energy and Going for INnovation

(Note 2) FIV (Future Inspiration Value) = (After tax operating income) - (Invested capital) x (Cost rate of capital)

2. Business strategy

In the business areas of Information and Telecommunications Networking, Sophisticated Materials, and Wires and Cables, areas vital to the development of the social and information infrastructure, the Hitachi Cable Group is seeking to achieve solid profits in our basic line of products while expanding and enhancing operations in priority target areas by aggressively investing management resources and creating leading-share products across the global market.

Priority target fields include electronics (digital home electric appliances, semiconductors), wireless/broadcasting/information networks, and automotive components (HEV, electric components, sensors, etc.). In these three areas, we plan to continue marketing profitable new products to expand sales and market share.

In the field of electronics, particularly for products related to digital home electric appliances and semiconductors, which are anticipated to represent become major growth areas, we plan to focus on TAB, microminiature coaxial cables, high-strength Cu-alloy strips, and gallium nitride substrates. In the area of wireless/broadcasting/information networks, we will place

greater emphasis on next-generation Ethernet switches and wireless IP phones. Through these efforts, we intend to increase sales and implement early marketing of new products.

In the field of automotive components, we plan to expand sales of HEV power harnesses, electronic components, sensors, magnet wires, and rolled copper foils, etc. by enhancing the functions of our Automotive Business Promotion Center.

3. Evolving *Monozukuri* (innovative manufacturing) and *Hitozukuri* (human resource development) efforts

To support the strategies outlined above, we will proceed with efforts to eliminate waste while enhancing production engineering capacity through the evolving *Monozukuri* initiative. We plan to do likewise in the area of human resources development and in the restructuring of on-site capabilities through the evolving *Hitozukuri* initiative.

To advance *Monozukuri*, we plan to establish the Hitachi Cable Synchronous Production Method, based on the Toyota Production Method, while accounting for various production innovation activities undertaken to date. We will review processes from marketing, R&D, materials procurement, and production to shipment from the perspective of total optimization, targeting the capacity to deliver quality products for a client's desired timeframe at reasonable cost and delivery turnaround while minimizing costs and securing high quality through abbreviated lead times and streamlined works-in-process and stocks.

We will also expand efforts related to *Hitozukuri* cultivation (human resources development) through *Monozukuri*. That is, we will promote the restructuring of on-site capabilities, consisting of enhanced safety, improved quality and yields, and passing on of skills to the younger generation. We will also strive to develop employees who are capable of autonomous and responsible action, who are armed with market awareness.

4. Enhanced Group management

We will enhance the corporate governance of Group companies and improve management

assistance systems. For overseas operations in particular, we plan to reorganize and enhance important regional bases in Europe and America, China, and Southeast Asia, focusing on marketing capabilities and new account development for major global accounts. These efforts are expected to help refine management, develop national workforces, and improve the profitability of overseas subsidiaries.

5. Deployment of CSR management policy

We also plan to improve internal control systems, based on the provision of new products/services and the COSO framework (Note 3), while promoting environmental protection and diversity (of human resources). Through these multifaceted activities, we seek to meet the expectations of our stake-holders, including clients and shareholders; expand our operations while meeting societal needs and requirements; and firmly establish our unique internal committee system. We will thereby meet various management challenges both appropriately and in a timely manner and establish fair and transparent management practices.

(Note 3) An internal control framework publicized by the Committee of Sponsoring Organizations of the Treadway Commission.

COSO is an abbreviation for Committee for Sponsoring Organizations of the Treadway Commission.