

(Summary)

## Consolidated Financial Report for fiscal 2006 ended March 31, 2006

April 26, 2006

Name of Listed Company: **Hitachi Cable, Ltd.**

Stock Exchange where listed (section): Tokyo Stock Exchange, Inc. (First Section)  
Osaka Securities Exchange Co., Ltd. (First Section)

Code Number: 5812

Head Office Location: Tokyo

(URL <http://www.hitachi-cable.co.jp>)

President and Representative Director: Norio Sato

Contact: Masaaki Ishikawa

General Manager, Administration Dept., Human Resources & Administration Group

Tel: +81-3-6381-1050

Name of Parent Company: Hitachi, Ltd. (Code Number: 6501)

Ratio of Shares that Hitachi, Ltd. holds: 53.3%

US GAAP: No.

### 1. Performance over the year under review (Apr. 1, 2005-Mar. 31, 2006)

#### (1) Operating results

	Net Sales (Million Yen)	Operating Income (Million Yen)	Ordinary Income (Million Yen)	Net Income (Million Yen)
Mar./06	425,092 ( 9.9%)	10,967 ( 9.3%)	12,042 ( 12.1%)	4,940 ( -1.0%)
Mar./05	386,909 ( 13.6%)	10,031 ( 73.5%)	10,740 ( 99.9%)	4,991 ( - %)

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)	Ratio of Net Income to Shareholders' Equity (%)	Ratio of Ordinary Income to Total Assets (%)	Ratio of Ordinary Income to Net Sales (%)
Mar./06	13.44	13.44	2.8	3.6	2.8
Mar./05	13.46	13.46	2.8	3.3	2.8

Note:

1. Investment Income Based on Equity Method: Mar./06 805 million yen Mar./05 777 million yen

2. Average Number of Shares Outstanding

	Common	Preferred
Mar./06	363,210,874	
Mar./05	366,793,543	

3. Changing in accounting policy: No

4. Figures are rounded to the nearest 1 million yen.

5. Figures in parentheses represent % change from the previous year.

#### (2) Financial Standing

	Total Assets (Million Yen)	Shareholders' Equity (Million Yen)	Shareholders' Equity Ratio (%)	Shareholders' Equity Per Share (Yen)
Mar./06	338,837	181,542	53.6	499.64
Mar./05	324,502	176,296	54.3	485.25

Note: Number of shares outstanding at the end of period

	Common
Mar./06	363,232,743
Mar./05	363,200,489

(3) Statement of Cash Flows

	Cash Flows from Operating Activities (Million Yen)	Cash Flows from Investment Activities (Million Yen)	Cash Flows from Financing Activities (Million Yen)	Cash, Time Deposit and Marketable Securities at the End of Year (Million Yen)
Mar./06	14,817	-8,043	-6,992	5,731
Mar./05	34,253	-10,523	-25,743	6,212

(4) Scope of Consolidation and Application of the Equity Method

Number of Consolidated Subsidiaries: 44

Number of Non-consolidated Subsidiaries Applying of the Equity Method: -

Number of Affiliated Companies: 12

(5) Change in Scope of Consolidation and Application of The Equity Method

Consolidation New Companies: -

Companies Removed: 14

Equity Method New Companies: 1

Companies Removed: -

2 . Business Results Forecast for Fiscal Year 2007 (Apr.1, 2006-Mar.31, 2007)

	Net Sales (Million Yen)	Ordinary Income (Million Yen)	Net Income (Million Yen)
Sep./06	217,000	5,000	2,100
Mar./07	445,000	14,000	7,100

(Reference) Forecast Net Income per Share (Whole Year) 19.55 yen

Safe Harbor Statement

The figures contained herein, except actual performance figures, are based on assumptions by management that were judged to be valid at the time these materials were created. Actual performance may be very different from these forecasts and targets.

## **1. Status of Corporate group** (as of March 31, 2006)

### **(1) Contents of Business Lines:**

The Hitachi Cable Group, which consists of the company submitting these consolidated financial statements (Hitachi Cable), one parent company, 44 consolidated subsidiaries, one non-consolidated subsidiary, and 23 affiliate companies, engages in the manufacture and sale of various products, beginning with wires and cables and including information network solutions (i.e., information network devices and optical components), semiconductor packaging materials and compound semiconductors, copper products, and automotive parts. The Group also undertakes construction work related to the installation of power cables and telecommunications cables and activities related to these areas of operation. Described below are the primary areas of various Group companies and the position of each company within the Group.

#### **Wires and Cables**

Japanese manufacture and sales are handled by Hitachi Cable, Tonichi Kyosan Cable, Ltd., Hitachi Cable Fine Tech, Ltd, and 15 other companies ( including seven sales companies). Those in overseas are handled by Hitachi Cable (Johor) Sdn. Bhd., Shanghai Hitachi Cable Co., Ltd., and 17 other companies (including six sales companies).

#### **Information and Telecommunications Networking**

Primary products in this segment include information network solutions and telecommunications cables. Hitachi Cable, Advanced Cable Systems Corp., and three other companies handle Japanese operations, including the manufacture and sale of these products. Overseas manufacture and sale are handled by Hitachi Cable Manchester Inc. and four other companies (including one sales company). Hitachi Cable and one other company handle telecommunications-related construction.

#### **Sophisticated Materials**

Primary products in this segment include semiconductor packaging materials, compound semiconductors, copper products, and automotive parts. Semiconductor packaging materials and compound semiconductors are handled by Hitachi Cable and Hitachi Cable Precision Co., Ltd. Overseas manufacture and sales are handled by Hitachi Cable (Singapore) Pte. Ltd. and four other companies.

In Japan, Hitachi Cable, Hitachi Alloy, Ltd., and one other company handle the manufacture and sale of copper products. Overseas manufacture and sales are handled by Shanghai Sunshine Copper Products Co., Ltd. and one other company.

In Japan, Hitachi Cable, Hitachi Cable MEC-Tech, Ltd., Tohoku Rubber Co., Ltd., and two other companies (including one sales company) handle the manufacture and sale of automotive parts. Overseas manufacture and sales are handled by Hitachi Cable Indiana, Inc. and four other companies.

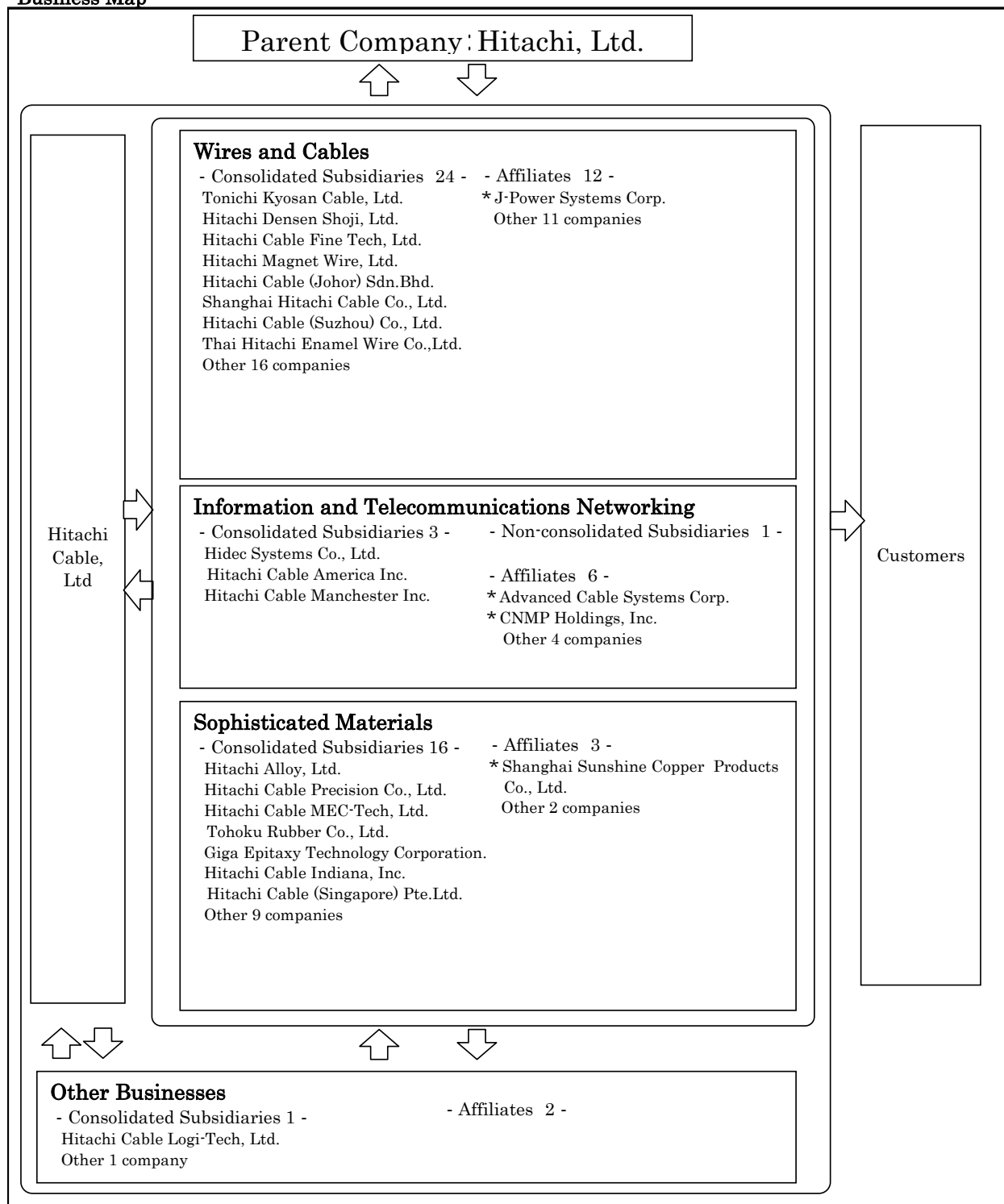
#### **Other Businesses**

This segment includes logistics and other operations, which are handled by Hitachi Cable Logi-Tech, Ltd. and two other companies.

Hitachi Cable's parent company is Hitachi, Ltd. Hitachi Cable and certain Hitachi Cable subsidiaries and affiliates engage in transactions with Hitachi, Ltd., including product transactions.

The following diagram summarizes these business relationships:

## Business Map



(Note 1) In the diagram above, arrows indicate the flow of products and services, while asterisks (\*) indicate companies to which the equity method is applied.

(Note 2) Effective July 1, 2005, Hitachi Cable merged with its consolidated subsidiary Hitachi Copper Products, Ltd. Effective October 1, 2005, Hitachi Cable merged with consolidated subsidiary Toritsu Syokai, Ltd.

(Note 3) Effective October 1, 2005, Tonichi Kyosan Cable, Ltd. merged with subsidiary Tonichi Shoji, Ltd.

(Note 4) Effective April 1, 2005, Hitachi Densen Shoji, Ltd. merged with Nissin Sangyo, Ltd., a consolidated subsidiary of Hitachi Cable.

(Note 5) Effective September 30, 2005, underground power cable installation operations handled by Power & Com Tech, Ltd. were transferred to subsidiary Hitaka Dengyo Corp. Effective October 1, 2005, Hitachi Cable merged with Power & Com Tech, Ltd. Also effective October 1, 2005, Hitaka Dengyo Corp. changed its name to Power & Com Tech, Ltd. In addition, effective November 1, 2005, all Power & Com Tech, Ltd. (formerly Hitaka Dengyo Corp.) shares held by Hitachi Cable were transferred to J-Power Systems Corp.

- (Note 6) Effective April 1, 2006, operational areas involving the development, design, manufacture, and sale of optical fiber cables and optical-cable devices for the Japanese market conducted by Hitachi Cable and Corning Cable Systems LLC of the United States were transferred to Advanced Cable Systems Corp.
- (Note 7) Effective April 1, 2005, Hitachi Cable Precision Co., Ltd. merged with its subsidiaries Kawanishi Kogyo Co., Ltd. and Miyako Precision Co., Ltd.
- (Note 8) Effective April 1, 2005, Hitachi Cable MEC-Tech, Ltd. merged with consolidated subsidiary Takasuzu Engineering, Ltd. Effective January 1, 2006, Hitachi Cable MEC-Tech, Ltd. merged with Hitachi Cable Industrial Products, Ltd., Hitachi Cable's consolidated subsidiary.
- (Note 9) Effective April 1, 2006, Tohoku Rubber Co., Ltd. merged with subsidiaries Tohoku Rubber Sales, Ltd. and Tohoku Rubber Molding Co., Ltd.
- (Note 10) Effective April 1, 2006, the sales operations of the Singapore branch of Hitachi Cable's consolidated subsidiary Hitachi Cable Asia Ltd. were transferred to Hitachi Cable (Singapore) Pte. Ltd. Effective the same date, Hitachi Cable (Singapore) Pte. Ltd. acquired all shares in subsidiary HCAS Thai Trading Co., Ltd. Also effective on that date, Hitachi Cable (Singapore) Pte. Ltd. changed its name to Hitachi Cable Asia Pacific Pte. Ltd.

## (2) Status of Affiliated Companies

Name	Location	Capital (Millions of Yen)	Principal Lines of Business	Percentage of Voting Rights, etc. Held by the Company	Relationship
Parent Company: Hitachi, Ltd. (Note 1)	-	-	-	-	-
Consolidated Subsidiaries:  Tonichi Kyosan Cable, Ltd. (Note 4)	Ishioka, Ibaraki Prefecture	3,569	Manufacture and sale of wires and cables	100.0	Hitachi Cable sells products to and purchases products from this company. Directors: 2 shared, 2 seconded, 4 transferred
Hitachi Alloy, Ltd.	Chiyoda-ku, Tokyo	490	Manufacture and sale of brass products	100.0	Hitachi Cable sells products to and purchases products from this company; borrows funds from Hitachi Cable Directors: 2 shared, 4 transferred
Hitachi Cable Precision Co., Ltd.	Yonezawa, Yamagata Prefecture	400	Manufacture and sales of Leadframes	100.0	Hitachi Cable sells products to and purchases products from this company, which also borrows funds from and is engaged in a land and building leasing relationship with Hitachi Cable. Directors: 3 shared, 1 seconded, 3 transferred
Hitachi Densen Shoji, Ltd. (Note 4,6)	Chiyoda-ku, Tokyo	380	Sale of wires and cables	100.0	This company, which also loans funds to and is engaged in a land and building leasing relationship with Hitachi Cable, sells Hitachi Cable's products. Directors: 2 shared, 7 transferred
Hitachi Cable Fine Tech, Ltd.	Hitachi, Ibaraki Prefecture	360	Manufacture and sale of wires and processed wiring products	100.0	Hitachi Cable purchases products from this company, which also engages in a land and building leasing relationship with Hitachi Cable. Directors: 2 shared, 4 transferred
Hitachi Cable Logi-Tech, Ltd.	Hitachi, Ibaraki Prefecture	320	Manufacture and sale of spools for wires and cables, and logistics-related businesses	100.0	This company, which also engages in a land and building leasing relationship with Hitachi Cable, handles logistics-related operations for Hitachi Cable's products. Directors: 3 shared, 4 transferred

Name	Location	Capital (Millions of Yen)	Principal Lines of Business	Percentage of Voting Rights, etc. Held by the Company	Relationship
Hitachi Magnet Wire, Ltd.	Hitachi, Ibaraki Prefecture	300	Manufacture and sale of magnet wires	100.0	Hitachi Cable purchases products from this company, which also borrows funds from and is engaged in a land and building leasing relationship with Hitachi Cable. Directors: 3 shared, 1 seconded, 3 transferred
Hitachi Cable MEC-Tech, Ltd (Note 7)	Hitachi, Ibaraki Prefecture	300	Manufacture and sale of rubber products and plastic insulation products	100.0	Hitachi Cable purchases products from this company, which also engages in a land and building leasing relationship with Hitachi Cable. Directors: 2 shared, 6 transferred
Tohoku Rubber Co., Ltd. (Note 5)	Miyagino-ku, Sendai, Miyagi Prefecture	276	Manufacture and sale of rubber products	61.7	Hitachi Cable purchases products from this company, which also loans funds to Hitachi Cable. Directors: 2 shared, 1 transferred
Hidec Systems Co., Ltd.	Hitachi, Ibaraki Prefecture	120	Development and sale of software	100.0	Hitachi Cable purchases software from this company, which also engages in a land and building leasing relationship with Hitachi Cable. Directors: 3 shared, 1 seconded, 5 transferred
Giga Epitaxy Technology Corporation (Note 4,8)	China (Taiwan region)	1,320,000 (thousands of Taiwan dollars)	Manufacture and sale of semiconductor materials	67.2	This company sells Hitachi Cable's products. Directors: 3 shared, 1 seconded
Hitachi Cable America Inc. (Note 9)	U.S.	35,947 (thousands of U.S. dollars)	Sale of wires and cables	100.0	This company, which also loans funds to Hitachi Cable, sells Hitachi Cable's products. Directors: 3 shared, 2 seconded
Hitachi Cable (Johor) Sdn. Bhd. (Note 4)	Malaysia	122,056 (thousands of Malaysian ringgit)	Manufacture and sale of wires and processed wiring products	(6.4) 100.0	This company sells Hitachi Cable's products. Directors: 1 shared, 2 seconded
Shanghai Hitachi Cable Co., Ltd.	China	22,500 (Thousands of US dollars)	Manufacture and sale of wires and processed wiring goods	100.0	Hitachi Cable sells products to and purchases products from this company. Directors: 3 shared, 3 seconded
Hitachi Cable Indiana, Inc. (Note 9,10)	U.S.	20,000 (thousands of U.S. dollars)	Manufacture and sale of rubber products	(100.0) 100.0	This company, which also borrows funds from Hitachi Cable, sells Hitachi Cable's products. Directors: 2 shared, 1 seconded
Hitachi Cable (Suzhou) Co., Ltd.	China	18,000 (thousands of U.S. dollars)	Manufacture and sale of wires and cables	100.0	Hitachi Cable sells products to and purchases products from this company. Directors: 5 shared, 2 seconded
Hitachi Cable (Singapore) Pte. Ltd.	Singapore	16,000 (thousands of Singapore dollars)	Manufacture and sale of wires and processed wiring products	(10.0) 93.0	Hitachi Cable sells products to and purchases products from this company. Directors: 1 shared, 1 seconded
Thai Hitachi Enamel Wire Co., Ltd.	Thailand	240,000 (thousands of Thai baht)	Manufacture and sale of wires and cables	(22.4) 71.7	This company sells Hitachi Cable's products. Directors: one shared, two seconded

Name	Location	Capital (Millions of Yen)	Principal Lines of Business	Percentage of Voting Rights, etc. Held by the Company	Relationship
Hitachi Cable Manchester Inc. (Note 9)	U.S.	6,000 (thousands of U.S. dollars)	Manufacture and sale of wires and cables	(100.0) 100.0	Hitachi Cable sells products to and purchases products from this company, which also borrows funds from Hitachi Cable. Directors: 1 shared, 1 seconded
25 other companies					
Equity-method affiliates: J-Power Systems Corp. (Note 3)					
Advanced Cable Systems Corp.	Minato-ku, Tokyo	1,666	Manufacture and sale of optical fiber cables	50.0	Hitachi Cable purchases products from this company, which also engages in a land and building leasing relationship with Hitachi Cable. Directors: 3 shared, 2 seconded
CNMP Holdings, Inc. (Note 11)	Minato-ku, Tokyo	1,234	Stock ownership, management, and administration for companies with the purposes of development, manufacture, and sale of information networking devices	48.3	Hitachi Cable purchases products from this company. Directors: 3 shared, 1 transferred
Shanghai Sunshine Copper Products co., Ltd.	China	50,000 (Thousands of US dollars)	Manufacture and sale of copper tubes	50.0	This company manufactures all of Hitachi Cable's copper-tube products. Directors: 2 shared, 1 seconded
8 other companies					

(Notes 1) Figures in parentheses under "percentage of voting rights held" indicate numbers of indirect voting rights held.

(Notes 2) No affiliate companies have excessive debt obligations that would have major effects on consolidated financial statements.

(Notes 3) Details concerning the parent company, Hitachi, Ltd., and equity-method affiliate J-Power Systems Corp. are covered under "(9) Transactions with Parties Concerned," in "8. Notes" and have been omitted from this table.

(Notes 4) Of the above companies, Hitachi Densen Shoji, Ltd., Tonichi Kyosan Cable, Ltd., Hitachi Cable (Johor) Sdn. Bhd., and Giga Epitaxy Technology Corporation. are classified as special subsidiaries.

(Notes 5) Of the above companies, the followings provide reports on securities: Tohoku Rubber Co., Ltd.

(Notes 6) Sales of Hitachi Densen Shoji, Ltd. (not including internal sales between companies subject to consolidation) accounted for more than 10% of consolidated sales.

- Key income and other data: (1) Sales: 54,641 million yen  
(2) Ordinary income: 1,124 million yen  
(3) Net income: 582 million yen  
(4) Net assets: 4,187 million yen  
(5) Total assets: 20,570 million yen

(Notes 7) Effective January 1, 2006, Hitachi Cable MEC-Tech, Ltd. merged with Hitachi Cable's subsidiary Hitachi Cable Industrial Products., Ltd., increasing the company's capital by 80 million yen.

(Notes 8) During this consolidated fiscal year, Giga Epitaxy Technology Corporation. increased its capital by 120 million Taiwan dollars. This action increased the percentage of Hitachi Cable's voting rights held by 3.2%.

(Notes 9) During this consolidated fiscal year, Hitachi Cable's entire holdings of stock in Hitachi Cable Indiana, Inc. and Hitachi Cable Manchester Inc. were transferred to Hitachi Cable America Inc. Following the transfer, Hitachi Cable indirectly holds 100% of the voting rights in each of these companies.

(Notes 10) During this consolidated fiscal year, Hitachi Cable Indiana, Inc. both increased its capital by US \$20 million and decreased its capital by US \$9 million.

(Notes 11) During this consolidated fiscal year, CNMP Holdings, Inc. increased its capital by 742 million yen. Since this increase in capital raised the percentage of this company's voting rights held by Hitachi Cable to 48.3%, it is no longer subject to consolidation and has been classified as an equity-method affiliate.

## **2. Management Policies**

### **(1) Fundamental Management Policies and Mid- to Long-term Management Strategies**

The Hitachi Cable Group seeks to achieve sustainable growth in corporate value and to serve as a vital group of companies deserving the confidence of society. It seeks to achieve this goal by promoting management activities based on compliance with laws and appropriate ethics and by focusing on both customers and society.

In fiscal year 2007, Hitachi Cable will celebrate the 50th anniversary of its spin off from Hitachi, Ltd. Regarding this as its second founding year, the Company has formulated a new mid-term management plan – Plan BEGIN<sup>\*1</sup> – whereby it seeks to shift to a new growth phase as it achieves growth and expansion in its operations while continuing to implement structural reforms based on market conditions.

Under Plan BEGIN, the Hitachi Cable Group will expand its operations through aggressive investment of management resources in the key target operational areas, with a strong awareness of the need to create products capable of winning leading shares in global markets. It also plans to increase profits from core products in the Information and telecommunication networking, Sophisticated Materials, and Wires and Cables segments, all of which are vital to advancing social and information infrastructures. The Group targets an ordinary income of 20 billion yen for fiscal year 2009.

Target areas include electronics, wireless/broadcasting/information networking, and automotive markets. In these three areas, the Group will seek to increase sales and market share through continuous introduction of new products with high profit potential.

Key products in the electronics field include tape automated bonding (TAB) products, micro coaxial cables, high-strength alloy strips, and gallium nitride wafers. All of these products are associated with digital home electronics and semiconductors, product areas that promise continuing future growth. In the field of wireless/broadcasting/information networking, key products include next-generation Ethernet switches<sup>\*2</sup> and wireless IP telephones. For these key products, efforts will target sales growth and rapid introduction of new products. The goal in the automotive field is expanded sales of power harnesses for hybrid electric vehicles (HEVs), electronic parts and sensors, magnet wires, and rolled copper foil – goal to be achieved by strengthening the functions of the Automotive Business Promotion Center.

To support these business strategies, in addition to proceeding to strengthen its research and development structure, the Group will implement comprehensive efforts to reduce waste and strengthen production technology capabilities through progress in *monozukuri* (manufacturing) and by revamping its working capabilities through progress in *hitozukuri* (human resource development).

The Group plans to make progress in manufacturing by establishing a synchronized Hitachi Cable production system based on the Toyota production system, building on various production innovation activities pursued over the past several years. In this way, it will seek to reduce costs and ensure stable quality through overall value-chain optimization, based on production methods such as reduced lead times and trimmed in-process and inventory items. Progress in manufacturing is also expected to advance human resource development. In short, in addition to progress in rebuilding working capabilities through means such as ensuring safety, improving quality and yields, and transferring skills, the Group will seek to develop marketing-minded personnel capable of independent thought and action.

In addition to these efforts, the Group will improve its management support structure and strengthen governance of Group member companies. In fiscal year 2006, it sought to achieve thorough implementation of management policies, sharing of business strategies, and reduced costs for managing subsidiaries by achieving a more appropriate number of Group member companies. These efforts reduced the number of subsidiaries from 58



at the end of March 2005 to 44 by the end of March 2006. In addition to consolidating the results of these efforts, the Group will seek to improve its marketing capabilities and promote activities to develop new major global accounts, particularly in overseas markets, by improving and strengthening the regional management centers for the markets of Europe and the Americas, China, and Southeast Asia, as well as working to improve management; develop national staff in each market; and improve the capacity of overseas Group member companies to generate revenue.

Through activities including providing new products and services, building a system of internal controls based on the COSO framework \*3, and promoting environmental protection and workforce diversity, the Group seeks to develop in harmony with society, responding to the expectations of its clients, shareholders, and other stakeholders. In addition, it plans to achieve a fair and easy-to-understand management approach by responding swiftly and appropriately to a wide range of management issues and by solidifying the committee system.

\*1 The midterm business plan covering the period from fiscal year 2007 through fiscal year 2009.

BEGIN is an acronym for “Breaking through with our Energy and Going for INnovation.”

\*2 Ethernet is a registered trademark of Xerox Corporation.

\*3 An internal-controls framework released by the Treadway Commission in the United States.

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

## (2) Basic Policy on Dividends

Hitachi Cable distributes dividends following overall assessment of matters such as business performance, enhancements to management structure, and future business strategies. Through dividends, the Company seeks to return its profits to shareholders after considering business performance, in line with its basic policy of providing stable dividends. It also seeks to make effective use of the remaining funds for investing business resources into areas that promise future growth, for investments intended to revitalize existing businesses, and for other purposes, while continuing to maintain and strengthen the soundness of its financial constitution. The Company continues its basic policy of paying cash dividends twice annually, on the basis dates of the final day of the first half of the fiscal year (the last day of September) and the final day of the fiscal year (the last day of March). Even under Company Law, the basis dates and number of annual dividends paid remain unchanged. Regarding the acquisition of treasury shares as another effective way to distribute profits to shareholders, Hitachi Cable implements appropriate measures while accounting for issues such as trends in share prices and the Company’s financial condition.

## (3) Concepts and Policies on Lowering Investment Units

Hitachi Cable realizes that lowering stock investment units is an effective way to enliven the market for its shares. Nevertheless, doing so would entail considerable expense. Since Hitachi Cable currently places the highest management priority on operational growth and expansion, for the time being, the Company intends to continue examining potential reductions in the cost of individual stock investment units, while focusing on various factors, including trends in the stock market, business performance, and share prices.

## (4) Parent Company

### Name of Parent Company and Other Information

Parent company	Attributes	Percentage of voting rights held by parent company (%)	Stock exchanges where shares issued by the parent company are traded
Hitachi, Ltd.	Parent company	53.3 (0.4)	<ul style="list-style-type: none"> <li>• First Section, Tokyo Stock Exchange</li> <li>• First Section, Osaka Securities Exchange</li> <li>• First Section, Nagoya Stock Exchange</li> <li>• Fukuoka Stock Exchange</li> <li>• Sapporo Securities Exchange</li> <li>• Luxembourg Stock Exchange (Luxembourg)</li> <li>• Frankfurt Stock Exchange (Germany)</li> <li>• Euronext Amsterdam (Netherlands)</li> <li>• Euronext Paris (France)</li> <li>• New York Stock Exchange (U.S.)</li> </ul>

Note: The figure in parentheses under “percentage of voting rights held by parent company” indicates the percentage of voting rights held indirectly.

**Position of Listed Company in the Group of Companies Including the Parent Company, and Relationship with Other Listed Companies and the Parent Company**

**(i) Position of the listed company in the parent company’s group of companies, and transactions, personnel, and capital relationships with the parent company and other group member companies**

While maintaining management independence, as a member of the Hitachi Group, Hitachi Cable is proactive in Group management, led by parent company Hitachi, Ltd. One of the Company’s key fundamental policies is achieving further increases in the corporate value of Hitachi Cable and the Hitachi Cable Group by making the most effective use of the management resources of the Hitachi Group. Hitachi, Ltd. and other Hitachi group companies own 53.3% of total shareholders’ voting rights in Hitachi Cable. One of Hitachi, Ltd.’s directors and one of its special advisors serve concurrently as two of Hitachi Cable’s three outside directors. In addition, 20 employees of Hitachi, Ltd. and other Hitachi Group companies have been seconded to Hitachi Cable.

Hitachi Cable and Hitachi, Ltd. also engage in transaction relationships such as the following: financial and consumer loans implemented through the Hitachi Group pooling system, sale of products, provision of services, licensing of trademark use, and real-estate leasing. Hitachi Cable and other members of the Hitachi Group also engage in transaction relationships that involve sales of products and provision of services.

**(ii) Business-related restrictions, risks, and benefits attributable to membership in the parent company’s group of companies, effects on management and business activities of transactions, personnel, capital, and other relationships with the parent company and members of its group of companies, and related matters**

While maintaining a close cooperate relationship with Hitachi, Ltd. and members of its group of companies, Hitachi Cable undertakes business activities by utilizing the management resources of the Hitachi Group. Since two outside directors included in Hitachi Cable’s total of eight directors serve concurrently as directors or special advisors of Hitachi, Ltd., through the expression of opinions by these outside directors in Board of Directors meetings the parent company may influence decisions on matters such as Hitachi Cable’s management policies.

Personnel are seconded from Hitachi, Ltd. primarily to exchange human resources. Personnel seconded from the parent company are not placed in positions that might affect decisions on matters such as Hitachi Cable’s management policies. In addition, Hitachi Cable’s business activities do not significantly depend on transactions with Hitachi, Ltd. or members of its group of companies.

**(iii) Preserving independence alongside business-related restrictions attributable to membership in the parent company’s group of companies, effects on management and business activities of transaction, personnel, capital, and other relationships with the parent company and members of its group of companies, and related matters**

Hitachi Cable applies a fundamental policy of maintaining its own independence and that of its group of companies in their business activities and transactions with Hitachi, Ltd. and members of its group of companies.

Hitachi Cable’s Board of Directors is structured as follows: It includes one outside director not hired from Hitachi, Ltd. or its group of companies, two outside directors who serve concurrently as directors or special advisors of Hitachi, Ltd., and five inside directors. As such, the number of directors serving concurrent positions with Hitachi, Ltd. is less than half the total number of directors, a state of affairs intended to ensure that the Company retains the capacity to make independent management decisions. Since personnel seconded from Hitachi, Ltd. and its group of companies are accepted primarily for the purpose of exchange of human resources, such seconded personnel are not placed in positions that could affect the independence of Hitachi Cable’s management. Conditions of transactions with Hitachi, Ltd. and members of its group of companies are determined in a reasonable manner, based on mutual discussions that account for market prices and other matters.

**(iv) Ensuring a certain degree of independence from the parent company**

Hitachi Cable applies the fundamental policy of maintaining its own independence and that of its group of companies in their business management and in transactions with Hitachi, Ltd. and members of its group of companies. The status of appointments of directors serving concurrent positions with Hitachi, Ltd. and personnel seconded from Hitachi, Ltd. and members of its group of companies is such that it will not impede Hitachi Cable’s independent management decision-making. In addition, Hitachi Cable’s business activities

do not significantly depend on transactions with Hitachi, Ltd. or members of its group of companies. These factors help ensure for Hitachi Cable a certain degree of independence from its parent company.

### **Transactions with the Parent Company and Other Group Companies**

See “(9) Transactions with Parties Concerned,” under “8. Notes.”

#### **Directors serving concurrent positions with the parent company**

Position	Name	Position(s) with parent company and/or other member(s) of its group of companies	Reason for appointment
Outside Board Director	Hiroshi Kuwahara	Director of parent company Hitachi, Ltd. Director/Representative Executive Officer of Hitachi Maxell, Ltd., a subsidiary of the parent company	To enhance the oversight function of Hitachi Cable’s Board of Directors and to ensure coordination with the Hitachi Group
Outside Board Director	Katsukuni Hisano	Special advisor of parent company Hitachi, Ltd.	To enhance the oversight function of Hitachi Cable’s Board of Directors and to ensure coordination with the Hitachi Group

## **3. Business Performance and Financial Status**

### **(1) Business Performance**

Despite the worldwide effects of rising prices for commodities such as petroleum, the world economy boomed during the consolidated fiscal year, supported by economic expansion in the United States and in the East Asia region, most notably China. The Japanese economy grew steadily during the fiscal year, supported by growing private-sector capital investment prompted by improved business earnings and booming personal consumption. Given these economic conditions, the Hitachi Cable Group sought to hone business performance by focusing business resources in fields promising growth and by proceeding with various structural reforms, including the selection and concentration of businesses and cost reductions.

The resulting business performance for the consolidated fiscal year is described below.

Factors such as the increased value of products such as wires, cables, and copper products, costs of which were driven up by increasing copper prices, increased sales by 10% over the previous consolidated fiscal year to 425.092 billion yen. Ordinary income was 12.042 billion yen, an increase of 12% from the previous consolidated fiscal year. This figure reflected strong recovery in semiconductor packaging materials, particularly TAB products, as well as various cost reductions – a recovery achieved in the face of the rising costs for raw materials such as copper. In addition, while the Company recorded 3.519 billion yen in gains on securities contributed to employee retirement benefits as extraordinary income, it also booked extraordinary losses of 3.948 billion yen in restructuring expenses and 3.852 billion yen in depreciation losses resulting from the application of impairment accounting to fixed assets. These and other factors led to a net income figure of 4.94 billion yen for this consolidated fiscal year.

Given below is an overview of business performance for each segment by business type.

#### **Wires and Cables**

Although high-voltage power cable operations were transferred to equity-method affiliate J-Power Systems Corp. effective October 1, 2004, sales in industrial and power cables increased over the previous consolidated fiscal year, boosted by various factors, including strong demand, primarily from construction and private-sector capital investment, as well as rising copper prices. Sales for applications in semiconductor manufacturing equipment and digital fields also led to higher sales of electronic wires and wiring components. Sales of magnet wires also grew from the previous consolidated fiscal year, driven by growth in demand for use in electronic automotive components and recovery in demand for use in heavy electric devices, as well as the effects of rising copper prices.

As a result, sales in this segment totaled 204.264 billion yen, an increase of 13% over the figure for the previous consolidated fiscal year.

#### **Information and Telecommunications Networking**

In the area of high-frequency and wireless systems, various factors, including increased numbers of construction projects for installation of mobile phone base stations, led to performance exceeding the previous consolidated fiscal year. Factors including sluggish sales of landline fiber-optic cables for domestic telecommunications carriers led to lower overall performance for telecommunications cables compared to the previous consolidated fiscal year. In the area of information network solutions, sluggish sales to telecommunications carriers and

private- and public-sector markets led to performance significantly lower than for the previous consolidated fiscal year.

As a result, sales in this segment were 79.645 billion yen, reflecting a decrease of 6% from the previous consolidated fiscal year.

### **Sophisticated Materials**

Sales were slow for compound semiconductors, for use primarily in laser diodes for optical-disk devices, resulting in significant declines from the previous consolidated fiscal year.

For copper tubes and copper products for electric applications, factors such as rising copper prices led to performance figures exceeding those of the previous consolidated fiscal year. For copper strips, recovering demand in digital fields and factors such as rising copper prices led to performance exceeding that of the previous consolidated fiscal year. For TAB tape, in addition to significant growth in sales of chip-on-film (COF) products for large LCD panels, sales were strong for  $\mu$ BGA\* products for high-speed memory, leading to sales dramatically higher than the previous consolidated fiscal year.

For automotive parts, in addition to factors such as strong sales of sensors, sales of hose parts also boomed, leading to performance figures exceeding those of the previous consolidated fiscal year.

These factors resulted in segment sales of 160.278 billion yen, an increase of 14% over the previous consolidated fiscal year.

\*  $\mu$ BGA is a registered trademark of Tessera Inc. of the United States. BGA is an abbreviation for “ball grid array.”

### **Other Businesses**

This segment involves logistics and other operational areas. Sales in this segment were 17.310 billion yen, 6% higher than in the previous consolidated fiscal year.

## **(2) Matters That Require Company Attention and Projected Results for the Next Consolidated Fiscal Year**

Despite projections of continued gentle economic growth in the United States and China, other factors suggest uncertain near-term prospects for the worldwide economy. These factors include concerns about slowing economic growth in the United States due to rising interest rates and the rising cost of raw materials in global markets, including nonferrous metals and petroleum. Although a gentle recovery driven by robust private sector capital investment and personal consumption is projected for the Japanese economy, other factors point to uncertainty, including the government’s potential abandonment of its zero-interest-rate policy. Future prospects remain difficult to pin down.

Given these economic conditions, under its new midterm management plan Plan BEGIN, the Hitachi Cable Group will seek to achieve an ordinary-income figure of 20 billion yen for fiscal year 2009. It plans to expand its businesses, seeking clearly higher profits in its core operations while proceeding with structural reforms tailored to market conditions, as well as aggressively investing management resources in key target areas.

Discussed below are projections for market trends and business performance for the next consolidated fiscal year.

### **Wires and Cables**

Sales of industrial and power cables are projected to remain largely unchanged from this consolidated fiscal year, due to stable demand in the construction industry and other applications. Sales of electronic wires and wiring devices for use in industrial devices are also projected to remain largely unchanged from this consolidated fiscal year, based on anticipated strong demand for various applications, such as those in digital sectors. Growth in the area of magnet wires is anticipated, revolving around sales for use in electronic automotive parts and heavy electric devices. Overall, sales are projected to grow from this consolidated fiscal year.

In summary, projected sales in this segment are 213.8 billion yen, approximately 5% above the figure for this consolidated fiscal year.

### **Information and Telecommunications Networking**

In the area of information network solutions, in addition to expectations for recovering demand from telecommunications carriers in the second half of the fiscal year, public- and private-sector demand is projected to grow for Ethernet switches, driven by enhanced options for security-related and other solutions and for VoIP devices such as wireless IP telephones. These factors are projected to lead to sales exceeding those of this consolidated fiscal year.

For telecommunications cables, the transfer of the landline fiber-optic cable sales business to Advanced Cable Systems Corp. is expected to lead to performance figures lower than those from this consolidated fiscal year. In the area of high-frequency and wireless systems, a leveling-off of demand from telecommunications carriers for construction of mobile phone base stations is expected to result in performance below this consolidated fiscal year.

In summary, projected sales in this segment are 74.5 billion yen, reflecting a decline of approximately 6% from this consolidated fiscal year.

### **Sophisticated Materials**

In the area of automotive parts, while sales of various kinds of sensors are expected to grow steadily, demand for hoses is projected to decline, as automakers shift power-steering systems to electromotive systems. Such factors are expected to result in sales roughly equal to those for this consolidated fiscal year.

Sales of compound semiconductors are projected to increase from this consolidated fiscal year, primarily due to recovering demand for use in laser diodes for DVD devices as well as projected sales growth for LED use.

Sales of copper strips are projected to exceed those for this consolidated fiscal year, due to recovering demand for digital applications.

Performance in the TAB products sector is expected to improve sharply, based on Group efforts to meet COF demand for use in large LCD panels, where continued expansion is expected, as well as efforts to expand sales of TAB products for use in chip scale packages (CSPs) and other special purposes.

In summary, projected sales in this segment are 175.7 billion yen, approximately 10% higher than this consolidated fiscal year.

### **Other Businesses**

Sales in this segment are projected to be 16.8 billion yen, approximately 3% lower than this consolidated fiscal year.

The above is an overview of segment sales projections, classified by business type. The following levels of business performance are projected for the full fiscal year: sales of 445 billion yen, ordinary income of 14 billion yen, and net income of 7.1 billion yen.

## **(3) Financial Circumstances**

### **Status in This Consolidated Fiscal Year**

The balance of cash and cash equivalents at the end of this consolidated fiscal year was 5.731 billion yen, reflecting a decrease of 481 million yen from the end of the previous consolidated fiscal year. The conditions of each type of cash flow and related factors are shown below.

**Cash flow from operating activities** 14.817 billion yen. This figure resulted from various factors, including 8.389 billion yen in net income before taxes and other adjustments and depreciation of 19.221 billion yen. Factors contributing to increased cash flow included an increase of 13.258 billion yen in accounts payable, while factors contributing to decreased cash flow included an increase of 16.795 billion yen in accounts payable and an increase of 5.692 billion yen in inventory assets.

**Cash flow from investment activities** 8.043 billion yen, a figure resulting from various factors, including expenditures of 19.691 billion yen to acquire tangible fixed assets and of 2.756 billion yen on acquisition of investment securities; income of 9.984 billion yen from repaid loans; and income of 3.921 billion yen from sales of tangible fixed assets.

**Cash flow from financing activities** was 6.992 billion yen, a figure resulting from various factors, including an increase of 6.098 billion yen in short-term debts and the following expenditures: 10 billion yen on redemption of corporate bonds, 2.542 billion yen on dividend payments, and 509 million yen on repayment of long-term debts.

### **Projections for the Next Fiscal Year**

Net income before taxes and other adjustments, a component of **cash flow from operating activities**, is projected to total 12 billion yen.

For the components of **cash flow from investment activities**, the amount of capital investment is projected to increase from this consolidated fiscal year, while the amount spent on acquiring investment securities is projected to decline from this consolidated fiscal year.

For **cash flow from financing activities**, the Company plans to continue reducing interest-bearing debt through efficient use of funds within the Group.

As a result of the above factors, the balance of cash and cash equivalents at the end of the next consolidated fiscal year is projected to decline by approximately 500 million yen from the end of this consolidated fiscal year.

### Trends in Financial Status

	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006
Shareholder Equity Ratio (%)	48.7	51.6	53.0	54.3	53.6
MTM Shareholder Equity Ratio (%)	49.0	25.2	57.0	49.2	71.6
Years to Pay off Debt (%)	4.1	3.7	2.5	1.4	2.9
Interest Coverage Ratio (%)	11.5	13.5	19.6	28.8	11.5

#### Notes:

Shareholder equity ratio: total shareholder equity/total assets

MTM shareholder equity ratio: value (marked to market) of total shares/total assets

Years to pay off debt: interest-bearing debt/cash flow from operations

Interest coverage ratio: cash flow from operations/interest paid

#### Explanation:

1. Consolidated financial figures are used to calculate each of the above indicators.
2. The MTM value of total shares is calculated by multiplying the end-of-term closing price per share by the end-of-term total number of shares issued and outstanding.
3. Cash flow from operations refers to the figure for cash flow from business activities shown on the consolidated cash flow statement.
4. Interest-bearing debt refers to all debt on the consolidated balance sheet on which interest is paid. Interest paid refers to the amount of interest paid as shown on the consolidated cash flow statement.

#### 4 . Consolidated Balance Sheet

(million yen)

	End of Fiscal 2005 (Mar.31 2005) (A)	End of Fiscal 2006 (Mar.31 2006) (B)	B-A		End of Fiscal 2005 (Mar.31 2005) (A)	End of Fiscal 2006 (Mar.31 2006) (B)	B-A
[ Assets ]				[ Liability ]			
Current Assets	155,880	170,444	14,564	Current Liabilities	100,424	116,053	15,629
Cash and Deposit in Bank	6,230	5,749	-481	Notes Payable and Accounts Payable	54,091	67,328	13,237
Notes Receivable and Accounts Receivable	81,555	98,289	16,734	Short-term Debt	12,618	20,196	7,578
Inventories	41,473	46,985	5,512	Amortized Company Bonds	10,000	-	-10,000
Deferred Income Taxes	7,703	4,747	-2,956	Other Current Liabilities	23,715	28,529	4,814
Other Current Assets	20,609	15,141	-5,468	Fixed Liabilities	45,257	38,604	-6,653
Allowance for Doubtful Accounts	-1,690	-467	1,223	Company Bonds	5,000	5,000	-
Fixed Assets	168,622	168,393	-229	Long-term Debt	18,888	18,408	-480
Tangible Fixed Assets	122,243	117,600	-4,643	Accrued Pension and Severance Cost for Employees	18,176	13,614	-4,562
Buildings and Structure	46,973	44,991	-1,982	Reserve for Directors' Retirement Allowance	936	825	-111
Machinery and Vehicles, etc.	57,908	56,006	-1,902	Deferred Income Taxes	639	491	-148
Land	9,863	9,514	-349	Consolidated adjustment accounts	1,080	-	-1,080
Construction in Progress	7,499	7,089	-410	Other Fixed Liabilities	538	266	-272
Intangible Fixed Assets	5,991	7,140	1,149	Total Liabilities	145,681	154,657	8,976
Software, etc.	5,991	7,140	1,149	[ Minority Investment ]			
Investment, etc.	40,388	43,653	3,265	Minority Investment	2,525	2,638	113
Investment	29,319	31,183	1,864	[ Shareholder' Equity ]			
Deferred Income Tax	13,760	15,240	1,480	Paid-in Capital	25,948	25,948	-
Allowance for Doubtful Debt	-2,691	-2,770	-79	Capital Surplus	30,420	31,516	1,096
				Earned Surplus	126,847	128,075	1,228
				The Balance of Other Accountable Securities	1,850	1,769	-81
				Adjustment Account of Exchange Rate	-4,307	-1,319	2,988
				Treasury Stock	-4,462	-4,447	15
				Total Shareholders' Equity	176,296	181,542	5,246
Total Assets	324,502	338,837	14,335	Total Liabilities, Minority Investment and Shareholders' Equity	324,502	338,837	14,335

## 5 . Consolidated Statement of Profit and Loss

(million yen)

	Fiscal 2005(A) (Apr.1, 2004- Mar.31, 2005)	Fiscal 2006(B) (Apr.1, 2005- Mar.31, 2006)	B/A(%)
Net Sales	386,909	425,092	110
Cost of Sales	330,370	364,744	110
Sale, General and Administrative Expense	46,508	49,381	106
Operating Income	10,031	10,967	109
Non-operating Income	4,012	4,329	108
(Interest and Dividend Received)	(420)	(501)	
(Miscellaneous Revenues)	(2,815)	(3,023)	
(Investment Income by Equity Method)	(777)	(805)	
Non-operating Expenses	3,303	3,254	99
(Interest Expenses)	(1,159)	(1,280)	
(Miscellaneous Losses)	(2,144)	(1,974)	
Ordinary Income	10,740	12,042	112
Extraordinary Income	4,195	5,953	142
(Gain on Sales of Land)	(1,861)	(—)	
(Gain on Sales of Property)	(—)	(1,933)	
(Gain on Sales of Negotiable Securities)	(1,344)	(—)	
(Gain on securities contributed to employee retirement benefits)	(—)	(3,519)	
(Reversal of Employees' Severance Obligation for Prior Service)	(553)	(—)	
(Others)	(437)	(501)	
Extraordinary Loss	6,881	9,606	140
(Cost for Restructuring)	(4,860)	(3,948)	
(Impairment Loss)	(1,147)	(3,852)	
(Expenses involving PCB waste disposal)	(—)	(989)	
(Others)	(874)	(817)	
Income before Income Tax	8,054	8,389	104
Corporation, Inhabitant Taxes	1,911	1,999	
Deferred	865	1,302	
Minority Shareholders' Income	287	148	
Net Income	4,991	4,940	99



## 6 . Statement of Consolidated Surplus

(million yen)

	Fiscal 2005 (Apr.1, 2004- Mar.31, 2005)	Fiscal 2006 (Apr.1, 2005- Mar.31, 2006)
[Capital Surplus]		
Capital Surplus Brought Forward	30,420	30,420
Increase of Capital Surplus	(0)	(1,096)
(Margin from Treasury Stock)	(0)	(-)
(Increase by Merge)	(-)	(1,096)
Capital Surplus Carried Forward	30,420	31,516
[Earned Surplus]		
Earned Surplus Brought Forward	124,374	126,847
Increase of Earned Surplus	5,099	4,940
(Net Income)	(4,991)	(4,940)
(Increase by Merge)	(108)	(-)
Decrease of Earned Surplus	2,626	3,712
(Cash Dividends)	(2,204)	(2,542)
(Directors' Bonuses)	(44)	(69)
(Decrease by the Change of Consolidated Scope)	(378)	(1,096)
(Margin from Treasury Stock)	(-)	(5)
Earned Surplus Carried Forward	126,847	128,075

## 7 . Consolidated Statement of Cash Flows

(million yen)

	Fiscal 2005 (Apr.1, 2004- Mar.31, 2005)	Fiscal 2006 (Apr.1, 2005- Mar.31, 2006)
<b>[ Cash Flows from Operating Activities ]</b>		
Income before Income Tax	8,054	8,389
Depreciation	20,384	19,221
Impairment Loss	-	3,852
Increase/Decrease of Allowance for Doubtful Debt (Decrease:-)	528	-319
Interest Received and Dividends Received	-420	-501
Interest Expenses	1,159	1,280
Exchange Profit/Loss (Profit:-)	-110	-462
Gain on Sales of Negotiable Securities	-1,254	-
Gain on securities contributed to employee retirement benefits	-	-3,519
Increase/Decrease of Trade Receivable (Increase:-)	3,784	-16,795
Increase/Decrease of Inventories (Increase:-)	-2,076	-5,692
Increase/Decrease of Trade Payable (Increase:-)	7,180	13,258
Increase/Decrease of Amount in Arrears (Decrease:-)	488	3,563
Increase/Decrease of other accounts receivable (Increase:-)	-	-3,897
Others	-910	-211
Sub Total	36,807	18,167
Earning on Interest and Dividends	420	501
Interest Paid	-1,188	-1,285
Corporation Tax and Other Tax Paid	-1,786	-2,566
<b>Net Cash Provided by Operating Activities</b>	<b>34,253</b>	<b>14,817</b>
<b>[ Cash Flows from Investing Activities ]</b>		
Expenditures for Acquisition of Securities	-711	-2,756
Proceeds from Sales of Securities	4,376	347
Expenditures for Acquisition of Tangible Fixed Assets	-17,669	-19,691
Proceeds from Sales of Tangible Fixed Assets	3,005	3,921
Expenditures for loans	-839	-101
Proceeds from Collection of Loans	1,047	9,984
Others	268	253
<b>Net Cash Used in Investing Activities</b>	<b>-10,523</b>	<b>-8,043</b>
<b>[ Cash Flows from Financing Activities ]</b>		
Increase/Decrease in Short-term Borrowing (Decrease:-)	-20,492	6,098
Expenditures for Repayment of Long-term Debt	-1,024	-509
Payment of Company Bond	-	-10,000
Payment for Purchase of Treasury Stock	-1,925	-36
Dividends Paid by Parent Company	-2,204	-2,542
Dividends Paid to Minority Shareholders	-98	-48
Others	-	45
<b>Net Cash Provided by Financing Activities</b>	<b>-25,743</b>	<b>-6,992</b>
<b>Effect of Exchange Rate Change on Cash and Cash Equivalents</b>	<b>-109</b>	<b>599</b>
<b>Net Increase/Decrease in Cash and Cash Equivalent (Decrease:-)</b>	<b>-2,122</b>	<b>381</b>
<b>Cash and Cash Equivalent at Beginning of Term</b>	<b>7,763</b>	<b>6,212</b>
<b>Net Increase in Cash and Cash Equivalents by Newly Consolidated Subsidiaries</b>	<b>571</b>	<b>-</b>
<b>Net Decrease in Cash and Cash Equivalents by Removed Consolidated Subsidiaries</b>	<b>-</b>	<b>-862</b>
<b>Cash and Cash Equivalent at the End of Term</b>	<b>6,212</b>	<b>5,731</b>

(Note) Listed cash and deposit to consolidated balance sheet at end of term and relation of listed cash and cash equivalents to consolidated statement of cash flows

	(Mar.31, 2005)	(Mar.31, 2006)
Cash and Deposits	6,230	5,749
Fixed Deposits (over 3 Months)	-18	-18
Total	6,212	5,731

## 8 . Notes

### (1) Matters Related to the Consolidated Balance Sheet

Accumulated Depreciation of Tangible Fixed Assets	
(Mar. 31, 2005)	270,284 million yen
(Mar. 31, 2006)	281,009 million yen
Guarantees of Loans (including contingent guarantees)	
(Mar. 31, 2005)	3,704 million yen
(Mar. 31, 2006)	3,007 million yen
Letter of Awareness	
(Mar. 31, 2005)	858 million yen
(Mar. 31, 2006)	636 million yen
Notes Receivable Endorsed	
(Mar. 31, 2005)	1,282 million yen
(Mar. 31, 2006)	1,111 million yen
Promissory Notes Transferred due to Securitization of Assets	
(Mar. 31, 2005)	13,165 million yen
(Mar. 31, 2006)	14,961 million yen
Trade Receivable Transferred due to Securitization of Assets	
(Mar. 31, 2005)	17,606 million yen
(Mar. 31, 2006)	15,907 million yen

### (2) Matters Related to the Consolidated Income Statement of Profit and Loss

Notes concerning impairment of fixed assets:

In the first half of this consolidated fiscal year, the Company recorded losses on impairment of the following asset groups.

Location	Purpose	Type	Amount of Loss on Impairment	Reason for Recognition of Loss on Impairment	Amount Recoverable	Method of Calculating Amount Recoverable
Takasago Works and other facilities (Hitachi, Ibaraki Pref.)	Fiber-optic business	Mechanical equipment, supplies, etc.	Machinery: 1,535 million yen Supplies etc.: <u>560 million yen</u> 2,095 million yen	Due to deteriorating business performance resulting from changes in market conditions	Value in use	Value in use calculated using a discount rate of 5%
Minato Works (Hitachi, Ibaraki Pref.)	Submarine optical cable business	Mechanical equipment, supplies, etc	Machinery: 960 million yen Supplies etc.: 155 million yen <u>1,115 million yen</u>	Due to deteriorating business performance resulting from changes in market conditions	Value in use	Value in use calculated using a discount rate of 5%
Toyora Dormitory (Hitachi, Ibaraki Pref.)	Assets disposed of	Buildings, structures, etc.	Buildings: 235 million yen Supplies, etc.: <u>12 million yen</u> 247 million yen	Assets disposed of	Value in use	Value in use estimated as 0
Giga Epitaxy Technology Corporation and other facilities (Taiwan and elsewhere)	Assets disposed of	Machinery, land, etc.	Machinery: 314 million yen Land, etc.: 81 million yen <u>395 million yen</u>	Assets disposed of	Value in use	Value in use estimated as 0

### (3) Lease Transaction

These notes are omitted from this report due to the disclosure, using EDINET.

### (4) Securities

Fiscal 2005 ( As of Mar.31, 2005 )

Other Securities Estimated on Market Price

( million yen )

	Acquisition Cost (A)	Balance Sheet Value (B)	B-A
Market Price over Balance Sheet Value			
( 1 ) Stock	3,665	6,863	3,198
( 2 ) Bond			
Government Bond /			
Local Government Bond	-	-	-
Company Bond	-	-	-
Others	-	-	-
( 3 ) Others	-	-	-
Sub Total	3,665	6,863	3,198
Market Price under Balance Sheet Value			
( 1 ) Stock	320	269	-51
( 2 ) Bond			
Government Bond /			
Local Government Bond	35	35	-
Company Bond	-	-	-
Others	-	-	-
( 3 ) Others	-	-	-
Sub Total	355	304	-51
Total	4,020	7,167	3,147

Other Securities That Were Sold during Fiscal 2005

( million yen )

Amount of Sale	Gain on Sale	Loss on Sale	Notes
4,376	1,328	-74	

Outlines and Balance Sheet Value of Securities That Don't Estimate on Market Price

( million yen )

	Balance Sheet Value
Other Securities	
Unlisted shares	
(not including shares in nonconsolidated	1,938
subsidiaries and affiliates)	
Memberships, etc.	1,764

A Plan for Redemption of Other Securities That Have the Due Date.

( million yen )

	Within 1 Year	Over 1 Year and within 5 Years	Over 5 years and within 10 Years	Over 10 Years
( 1 ) Bond				
Government Bond / Local Government Bond	-	35	-	-
Company Bond	-	-	-	-
Others	-	-	-	-
( 2 ) Others	-	-	-	-
Total	-	35	-	-

Fiscal 2006 ( As of Mar.31, 2006 )

Other Securities Estimated on Market Price

( million yen )

	Acquisition Cost (A)	Balance Sheet Value (B)	B-A
Market Price over Balance Sheet Value			
( 1 ) Stock	2,505	5,594	3,089
( 2 ) Bond			
Government Bond / Local Government Bond	-	-	-
Company Bond	-	-	-
Others	-	-	-
( 3 ) Others	-	-	-
Sub Total	2,505	5,594	3,089
Market Price under Balance Sheet Value			
( 1 ) Stock	132	108	-24
( 2 ) Bond			
Government Bond / Local Government Bond	35	35	-
Company Bond	-	-	-
Others	-	-	-
( 3 ) Others	-	-	-
Sub Total	167	143	-24
Total	2,672	5,737	3,065

Other Securities That Were Sold during Fiscal 2006

( million yen )

Amount of Sale	Gain on Sale	Loss on Sale	Notes
347	61	-72	

Note: The Company also contributed 6,284 million yen (current market value) in securities to employee retirement benefits and booked 3,519 million yen in related gains on securities contributed to employee retirement benefits.

Outlines and Balance Sheet Value of Securities That Don't Estimate on Market Price  
( million yen )

	Balance Sheet Value	Notes
Other Securities		
Unlisted Stock (not including shares in nonconsolidated subsidiaries and affiliates)	1,749	
Memberships, etc.	1,415	

A Plan for Redemption of Other Securities That Have the Due Date.

( million yen )

	Within 1 Year	Over 1 Year and within 5 Years	Over 5 years and within 10 Years	Over 10 Years
( 1 ) Bond				
Government Bond / Local Government Bond	-	35	-	-
Company Bond	-	-	-	-
Others	-	-	-	-
( 2 ) Others	-	-	-	-
Total	-	35	-	-

(5) Preset Price, Market Price and Valuation Profit/Loss of Derivative Contract

( Million Yen )

	Type of Transaction	Fiscal 2005 (As of Mar.31, 2005)			Fiscal 2006 (As of Mar.31, 2006)		
		Preset Price	Preset Price	Preset Price	Preset Price	Market Price	Valuation Profit/Loss
Currency	Forward Exchange Contracts						
	Buy	10,939	11,265	-326	14,642	14,795	-153
Interest	Swap Transaction	10,000	26	26	-	-	-
Total		-	-	-300	-	-	-153

(Note) There is no derivative transaction applying hedge accounts.

(6) Retirement Benefits

Overview of the Retirement Benefit System Used

Hitachi Cable and domestic consolidated subsidiaries formerly used a defined benefits system, with payment of one-time retirement benefits and a qualified employee retirement pension plan. However, Hitachi Cable abolished this qualified employee retirement pension plan effective March 2004, shifting to a cash-balance defined-benefit pension plan (a pension plan tied to market interest rates), pursuant to the Law Concerning Defined-Benefit Corporate Pension Plans. Effective September 2004, certain Hitachi Cable domestic consolidated subsidiaries made the same shift. Hitachi Cable has also contributed securities to employee retirement benefits.

## Retirement Benefit Obligations

( million yen )

	Fiscal 2005 (As of Mar.31, 2005)	Fiscal 2006 (As of Mar.31, 2006)
a. Retirement Benefit Obligations	-88,315	-87,974
b. Pension Assets	51,061	66,544
c. Pension Assets over (under) Benefit Obligations	-37,254	-21,430
d. Unrecognized Net Actuarial Loss	19,078	7,816
e. Liabilities Recognized in the Balance Sheet	-18,176	-13,614

( Note ) Certain subsidiaries adopted the simplified method for the calculation of retirement benefit obligations.

## Retirement Benefit Expenses

( million yen )

	Fiscal 2005 (Apr.1, 2004– Mar.31, 2005)	Fiscal 2006 (Apr.1, 2005– Mar.31, 2006)
a. Service Costs	3,029	2,838
b. Interest Costs	2,273	2,169
c. Expected Return on Plan Assets	-1,192	-1,235
d. Amortization of Transition Obligations	-553	-
e. Amortization of Unrecognized Actuarial Loss	3,301	2,813
f. Net Periodic Benefit Expenses	6,858	6,585

( Note )

1. During the recently consolidated fiscal year, Hitachi Cable contributed securities to employee retirement benefits. The current market value of these assets at the time of their contribution was 6,284 million yen.

2. Retirement benefit expenses for consolidated subsidiaries applying the simplified method are included under “a. Service Costs.”

Actuarial Calculation Basis for Retirement Benefit Obligations

	Fiscal 2005 (Apr.1, 2004 - Mar.31, 2005)	Fiscal 2006 (Apr.1, 2005 - Mar.31, 2006)
a . Periodic Allocation Method of Projected Benefit Obligation	Straight-line basis over total service periods based on the unit credit method	
b . Discount Rate	2.5%	2.5%
c . Expected Return on Plan Assets	Principally 2.5%	Principally 2.5%
d . Periods for Amortization of Prior Service Cost	A year Charged to income as a one-time expense for the fiscal year in which prior service cost arises.	A year Charged to income as a one-time expense for the fiscal year in which prior service cost arises.
e . Periods for Amortization of Unrecognized Actuarial Loss (gain)	10 years Retirement benefit liabilities that occur during each consolidated fiscal year are amortized as an expense by the straight-line method beginning from the following fiscal year over a specified number of years that is the same or less than the average number of years remaining to mandatory retirement age for all relevant employees.	10 years Retirement benefit liabilities that occur during each consolidated fiscal year are amortized as an expense by the straight-line method beginning from the following fiscal year over a specified number of years that is the same or less than the average number of years remaining to mandatory retirement age for all relevant employees.



## (7) Tax Effect Accounting

Breakdown of deferred tax assets and liabilities by major factors (million yen)

	Fiscal 2005 (As of March 31, 2005)	Fiscal 2006 (As of March 31, 2006)
Deferred-tax assets:		
Losses carried forward	9,947	8,088
Reserve for retirement benefit allowance	6,624	7,993
Accrued employee bonuses	2,489	2,524
Restructuring costs	704	703
Impairment loss	349	1,514
Unrealized gain on inventory assets	103	163
Other deferred-tax assets	4,055	3,740
Sub Total	24,271	24,725
Valuation Allowance	-939	-1,078
Total Deferred Tax Assets	23,332	23,647
Deferred-tax liabilities:		
Evaluation gain/loss on available-for-sale securities	-1,277	-1,240
Gain on securities contributed to employee retirement benefits		-1,422
Fixed-asset reduction reserve	-383	-369
Special depreciation reserve	-251	-788
Other deferred-tax liabilities	-597	-332
Total Deferred Tax Liabilities	-2,508	-4,151
Net Deferred Tax Assets	20,824	19,496

## (8) Segment Information

Sales Results for Each Segment by Business Type

Beginning with this consolidated fiscal year, segment categories have been revised to reflect accurately business strategies and circumstances.

For the previous consolidated fiscal year, segments have been retroactively converted to the new segments.

Previous Fiscal Year (Apr.1, 2004 - Mar.31, 2005)

( Million Yen )

	Wires and Cables	Information and Telecommuni- cations Networking	Sophisticated Materials	Other Businesses	Total	Eliminated or Companywide	Consolidated
. Net sales and Operating Income							
(1) Sales to Customers	172,918	77,836	132,502	3,653	386,909	-	386,909
(2) In-house Sales or Transfer between Operating Segments	7,651	6,812	8,344	12,704	35,511	(35,511)	-
Total	180,569	84,648	140,846	16,357	422,420	(35,511)	386,909
Operating Expense	176,797	82,091	137,562	15,889	412,339	(35,461)	376,878
Operating Income	3,772	2,557	3,284	468	10,081	(50)	10,031
. Assets, Depreciation, Impairment Loss and capital Expenditure							
Assets	121,892	75,760	116,170	4,038	317,860	6,642	324,502
Depreciation	6,156	3,727	10,214	287	20,384	-	20,384
Impairment Loss	505	202	440	-	1,147	-	1,147
Capital Expenditure	5,278	2,853	9,405	133	17,669	-	17,669

## The Term under Review ( Apr.1, 2005-Mar.31, 2006 )

( Million Yen )

	Wires and Cables	Information and Telecommunications Networking	Sophisticated Materials	Other Businesses	Total	Eliminated or Companywide	Consolidated
. Net sales and Operating Income							
(1) Sales to Customers	195,512	73,203	151,949	4,428	425,092	-	425,092
(2) In-house Sales or Transfer between Operating Segments	8,752	6,442	8,329	12,882	36,405	(36,405)	-
Total	204,264	79,645	160,278	17,310	461,497	(36,405)	425,092
Operating Expense	199,310	79,171	155,262	16,789	450,532	(36,407)	414,125
Operating Income	4,954	474	5,016	521	10,965	2	10,967
. Assets, Depreciation, Impairment Loss and capital Expenditure							
Assets	133,722	73,787	127,598	1,523	336,630	2,207	338,837
Depreciation	5,433	3,404	10,199	185	19,221	-	19,221
Impairment Loss	156	3,301	395	-	3,852	-	3,852
Capital Expenditure	4,917	2,940	11,739	95	19,691	-	19,691

(Note 1) As a rule, business operation is divided according to similarities of manufacturing processes, usage and selling methods.

(Note 2) Major products in each segment

Segment	Major products
Wires and cables	Industrial cables, magnet wires, electronic wires , wiring components, power cables (including aluminum wires and construction), etc.
Information networking	Information networking solutions (information networking devices, optical components), high-frequency and wireless systems, telecommunications cables (submarine optical cables, fiber-optic cables, metal telecommunications cables), etc.
Sophisticated materials	Compound semiconductors, automotive parts (sensors, hoses, etc.), semiconductor packaging materials (TAB products, lead frames), copper products (copper tubes, copper strips, copper products for electrical applications)
Other businesses	Logistics, real estate management and leasing, etc.

(Note 3) Because operating expenses are allocated in their entirety to individual business segments, there are no unallocatable operating expenses in the “elimination or company-wide” item.

Sales Results by Location  
 Previous Fiscal Year (Apr.1, 2004 - Mar.31, 2005) ( Million Yen )

	Japan	Others	Total	Eliminated or Company-wide	Consoli- dated
. Net sales and Operating Income					
(1) Sales to Customers	317,714	69,195	386,909	-	386,909
(2) In-house Sales or Transfer between Operating Segments	54,715	8,327	63,042	(63,042)	-
Total	372,429	77,522	449,951	(63,042)	386,909
Operating Expense	363,982	75,938	439,920	(63,042)	376,878
Operating Income	8,447	1,584	10,031	0	10,031
. Assets	295,380	50,173	345,553	(21,051)	324,502

The Term under Review ( Apr.1, 2005-Mar.31, 2006 ) ( Million Yen )

	Japan	Others	Total	Eliminated or Company-wide	Consoli- dated
. Net sales and Operating Income					
(1) Sales to Customers	338,869	86,223	425,092	-	425,092
(2) In-house Sales or Transfer between Operating Segments	30,392	6,882	37,274	(37,274)	-
Total	369,261	93,105	462,366	(37,274)	425,092
Operating Expense	359,976	91,397	451,373	(37,248)	414,125
Operating Income	9,285	1,708	10,993	(26)	10,967
. Assets	309,921	58,751	368,672	(29,835)	338,837

(Note1) It is omitted to mention business results by country or region in the term under review, because every ratio of sales of country or region in total net sales are less than 10%.

(Note2) Others . . . U.S.A., Thailand, China, etc.

(Note3) Because operating expenses are allocated in their entirety to individual business segments, there are no unallocatable operating expenses in the "elimination or company-wide" item.

Overseas  
Previous Fiscal Year (Apr.1, 2004 - Mar.31, 2005)

	Asia	North America	Others	Total
.Overseas	62,620 million yen	23,991 million yen	7,987 million yen	94,598 million yen
.Consolidated Sales				386,909 million yen
.Ratio of Overseas Sales in Consolidated Sales	% 16.2	% 6.2	% 2.0	% 24.4

The Term under Review ( Apr.1, 2005-Mar.31, 2006 )

	Asia	North America	Others	Total
.Overseas	80,778 million yen	23,468 million yen	11,003 million yen	115,249 million yen
.Consolidated Sales				425,092 million yen
.Ratio of Overseas Sales in Consolidated Sales	% 19.0	% 5.5	% 2.6	% 27.1

- ( Note ) 1. As a rule, countries or regions are divided according to geographical proximity to each other.
2. Main Countries or regions
- (1) Asia . . . China, Taiwan, South Korea, Thailand, Singapore
  - (2) North America . . . U.S.A., Canada
  - (3) Other countries . . . Italy, U.K., etc.
3. Overseas sales represent sales made by the Company and its consolidated subsidiaries in countries or regions other than Japan.

**(9) Transactions with concerned parties (Apr.1, 2005-Mar.31, 2006)**

**Parent Company etc.**

Category	Company name	Location	Capital	Lines of business	Percentage of voting rights held	Relationships		Details of transactions	Amount of transactions	Accounts	End-of-term balances			
						Shared directors etc.	Business relationship							
Parent company	Hitachi, Ltd.	Chiyoda-ku, Tokyo	(millions yen) 282,034	Manufacture and sale of electric devices	%	(Held by parent company) (0.4) 53.3	2 shared	Hitachi Cable sells products to and purchases products from this company, which also lends funds to Hitachi Cable.	Sale of Hitachi Cable products	(millions yen) 5,832	Accounts receivable - trade	(millions yen) 1,981		
											Advance receivables	2		
											Purchase of materials etc.	4,222	Other liabilities	1,516
											Advanced funds	3,236	Accounts receivable - other	366
												1,790	Accounts payable - other	35
											Funds borrowed	183,208	Short-term loans payable	3,883
Funds lent	5,133	Short-term loans receivable	-											

Notes: Transaction conditions, decision-making policies, etc.:

- Prices for Hitachi Cable products sold to concerned parties are determined through negotiations based on Hitachi Cable's suggested prices, taking into consideration market prices and costs.
- The cost of materials purchased from various parties are determined through negotiations based on Hitachi, Ltd.'s suggested prices, taking standard prices into consideration.
- Figures in parentheses under "percentage of voting rights held" indicate numbers of indirect voting rights held via other subsidiaries of the parent company(including Hitachi Maxell, Ltd. and 17 other companies).
- Funds are borrowed and loaned through a system of pooling group funds, revolving around Hitachi, Ltd. These liquid funds are borrowed and returned as needed by Hitachi Cable. Interest rates for funds loaned and borrowed under this system are set by adding appropriate fees to market interest rates.

**Subsidiaries, etc.**

Category	Company name	Location	Capital	Lines of business	Percentage of voting rights held	Relationships		Details of transactions	Amount of transactions	Accounts	End-of-term balances		
						Shared directors etc.	Business relationship						
Equity-method affiliates	J-Power Systems Corp.	Minato-ku, Tokyo	(millions yen) 4,000	Development, design, manufacture, construction, and overseas sales for wire- and cable-related products	%	(Held by Hitachi Cable) 50.0	2 shared  4 transferred	Hitachi Cable purchases products from this company.	Sale of Hitachi Cable products	(millions yen)	Accounts receivable - trade	(millions yen) 361	
											9,830	Accounts payable - trade	1,686
											27,261	Accounts receivable - other	5,434
	Sumiden Hitachi Cable Ltd.	Taito-ku, Tokyo	400	Development, manufacture, outsourcing of manufacture, and sale of wires, cables, and related products	(Held by Hitachi Cable) (10.0) 50.0	2 shared  3 transferred	Hitachi Cable sells products to and purchases products from this company.	Sale of Hitachi Cable products	12,351	Accounts receivable - trade	5,018		
										Notes receivable	5		
										4,972	Accounts payable - trade	546	
										1,458	Accounts receivable - other	145	
	HMC Co., Ltd.	Osaka	256	Sale of wires, copper products, and electronic parts and materials	(Held by Hitachi Cable) 50.0	3 shared  1 seconded  3 transferred	Hitachi Cable sells products to and purchases products from this company, which also leases land from Hitachi Cable.	Sale of Hitachi Cable products	9,064	Accounts receivable - trade	4,169		
										Notes receivable	150		
										233	Accounts payable - trade	19	
	Purchase of materials etc.	3	Accounts receivable - other	0									

Notes: Transaction conditions, decision-making policies, etc.:

- Prices for Hitachi Cable products sold to concerned parties are determined through negotiations based on Hitachi Cable's suggested prices, taking into consideration market prices and costs.
- The cost of materials purchased from various parties are determined through negotiations based on Hitachi Cable's suggested prices, taking standard prices into consideration.
- Figures in parentheses under "percentage of voting rights held" indicate numbers of indirect voting rights held.

(10) Going-concern Assumption: Not applicable

## Transition of Performance by Each Quarter

## Fiscal 2006(consolidated)

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
	Apr. 2005-Jun. 2005	Jul. 2005-Sep. 2005	Oct. 2005-Dec. 2005	Jan. 2006-Mar. 2006	Apr. 2005-Mar. 2006
	million yen	million yen	million yen	million yen	million yen
Net Sales	91,077	99,917	110,083	124,015	425,092
Gross Income	12,647	14,046	15,281	18,374	60,348
Operating Income	989	1,841	2,821	5,316	10,967
Ordinary Income	1,385	2,042	3,199	5,416	12,042
Income before Income Tax	1,341	771	2,982	3,295	8,389
Net Income	1,045	27	2,005	1,863	4,940
	yen	yen	yen	yen	yen
Net Income per Share	2.88	0.07	5.52	4.97	13.44
Diluted Net Income per Share	2.88	0.07	5.52	4.97	13.44
	million yen	million yen	million yen	million yen	million yen
Total Asset	320,920	327,129	347,301	338,837	338,837
Shareholders' Equity	176,707	177,650	179,280	181,542	181,542
	yen	yen	yen	yen	yen
Shareholders' Equity per Share	486.54	489.04	493.56	499.64	499.64
	million yen	million yen	million yen	million yen	million yen
Net Cash Provided by Operating Activities	-3,958	6,072	-2,399	15,102	14,817
Net Cash Used in Investing Activities	4,134	-6,169	-3,157	-2,851	-8,043
Net Cash Provided by Financing Activities	-273	-399	5,744	-12,064	-6,992
Cash and Cash Equivalents at the End of Term	6,250	5,850	6,136	5,731	5,731

## Fiscal 2005 (consolidated)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
	Apr. 2004-Jun. 2004	Jul. 2004-Sep. 2004	Oct. 2004-Dec. 2004	Jan. 2005-Mar. 2005	Apr. 2004-Mar. 2005
	Million Yen	Million Yen	Million Yen	Million Yen	Million Yen
Net Sales	90,911	97,760	99,036	99,202	386,909
Gross Income	12,754	15,088	13,814	14,883	56,539
Operating Income	1,526	3,307	2,115	3,083	10,031
Ordinary Income	2,027	3,191	2,311	3,211	10,740
Income before Income Tax	2,285	1,323	1,992	2,454	8,054
Net Income	1,356	981	1,155	1,499	4,991
	yen	yen	yen	yen	yen
Net Income per Share	3.69	2.67	3.14	3.94	13.46
Diluted Net Income per Share	3.68	2.67	3.14	3.94	13.46
	million yen	million yen	million yen	million yen	million yen
Total Asset	324,438	326,088	337,989	324,502	324,502
Shareholders' Equity	176,357	177,359	176,365	176,296	176,296
	yen	yen	yen	yen	yen
Shareholders' Equity per Share	479.92	482.66	485.56	485.25	485.25
	million yen	million yen	million yen	million yen	million yen
Net Cash Provided by Operating Activities	3,051	588	2,749	27,865	34,253
Net Cash Used in Investing Activities	6,629	-4,388	-3,245	-9,519	-10,523
Net Cash Provided by Financing Activities	-10,437	2,313	5,179	-22,798	-25,743
Cash and Cash Equivalents at the End of Term	7,501	6,064	10,639	6,212	6,212