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A Review of the Plan "BRIDGE" medium-term management plan for fiscal years 2011 through 2013

Hitachi Cable, Ltd. has reviewed its Plan "BRIDGE" medium-term management plan for fiscal years 2011 through 2013 and established a new medium-term management plan, the Renewed Plan "BRIDGE," with additional new management measures. The plan is briefly described below.

1. Background to the review and revised numerical goals

Under the Plan "BRIDGE" medium-term management plan announced on April 30, 2010, the Hitachi Cable Group has been committed to management focused on profit margins, reinforcing our infrastructure-related businesses as priority target areas, and achieving reforms in overseas businesses in accordance with the fundamental policy of restoring the Group's status as a highly profitable enterprise and reshaping it into a truly global business. However, the managerial environment surrounding the Group has changed significantly since the plan was implemented and there have been a number of outstanding issues with regard to business structure reforms, enhancement of product competitiveness, etc.

Under these circumstances, the Group reviewed its medium-term management plan and developed the Renewed Plan "BRIDGE" with additional new management measures. Adhering to the fundamental policies of the Plan "BRIDGE," the Renewed Plan "BRIDGE" aims to continue business structure reforms and reinforce the management foundation. In addition, the Group will further strengthen its commitment to operating businesses with a relentless focus on profitability, concentrating efforts on priority target areas, and achieving drastic reforms in overseas businesses. By executing these new measures with a sense of urgency, the Group will restore its status as a highly profitable enterprise and reshape itself into a truly global entity.

The numerical goals for the period covered by the Renewed Plan "BRIDGE" are shown below.

The "Forecasts of consolidated business performance for fiscal 2012," which reflects the impact of the new management measures, was announced today in the "Notice of revision to forecast of business performance and forecast of dividend."

(billion yen)

	Fiscal 2010 (performance)	Fiscal 2011 (performance)	Fiscal 2012* (forecast)	Fiscal 2013 (targets)	Fiscal 2013 (original targets)
(Percentage of sales achieved overseas)	(25%)	(28%)	(32%)	(30%)	(38%)
Net sales	372.5	419.3	460.0	440.0	500.0
(Operating margin)	(-1.7%)	(0.2%)	(1.7%)	(4.1%)	(5.0%)
Operating income	-6.4	0.8	8.0	18.0	25.0
Ordinary income	-4.9	-1.8	7.0	20.0	25.0
Net income	-9.1	-13.0	-19.0	15.0	14.0

(Note1) The fiscal year ending March 2012 is a transitional period with respect to fiscal year revisions at overseas consolidated subsidiaries. Thus, forecasts of consolidated business performance for this fiscal year incorporate 15-month forecasts (January 1, 2011 to March 31, 2012) of business performance for 26 subsidiaries whose fiscal years end in December and 14-month forecasts (February 1, 2011 to March 31, 2012) of business performance for one subsidiary whose fiscal year ends in January. Overseas sales make up 31%, excluding the impact of fiscal year revisions at overseas subsidiaries.

(Note2) With regard to the forecast of business performance for fiscal 2012 and the performance targets for fiscal 2013, the Group applied an assumed average copper price of 800 thousand yen per ton and an assumed exchange rate of 80 yen to the dollar.

2. Reinforcement of management foundation and business structure reforms

Toward the reinforcement of its management foundation, the Group will continue business structure reforms with the aim of reducing fixed expenses for fiscal 2013 by 10.0 billion yen compared to fiscal 2011. Key measures for business structure reforms are described below.

(1) Selection and concentration of business operations

(i) Restructuring of domestic operational structures

- Consolidation of domestic sales companies, transfer of some operations to sales companies, and consolidation of regional offices and branch offices

(ii) Withdrawal from and restructuring of underperforming businesses

- Optical submarine cables: withdrawal
- Telecommunication cables: restructuring of domestic production centers
- Packaging materials: review of operational structures
- Copper tubes: review of domestic business

(iii) Consolidation of overseas operations

- Consolidation and eliminations of group companies in Southeast Asia
- Consolidation of group companies in Europe and North America by country

(2) Measures to reduce fixed expenses

(i) Utilization of shared services and cost reduction

- Utilization of Hitachi Group's resources in areas including research, IT systems, health insurance union, etc.
- Review of pension system, review of the operation of employee facilities, etc. including company dormitories, company housing, etc. and the sale of some of the facilities, etc.

(ii) Optimization of domestic personnel structure

・Reduction of staff at domestic consolidated companies by approximately 1,200 by promoting secondment and transfer of employees to external organizations, introducing an early retirement and outplacement program, etc.

Details of the early retirement and outplacement program will be determined after discussions with the labor union. Specific details regarding its application, etc. will be announced separately upon the conclusion of an agreement with the labor union.

3. Global growth strategies

(1) Focus on priority target areas

The Group will concentrate its management resources on the following priority target areas with the aim of growing related businesses: industrial infrastructure; electrical power infrastructure and next-generation energy; and information and telecommunications infrastructure. In addition to allocating capital investment focused on the priority target areas, the Group will invest heavily in element technologies to provide R&D support in the priority target areas, facilitating the development of core products for the future. The Group aims to boost sales in the priority target areas as a percentage of net sales from 55% in fiscal 2011 to 65% in fiscal 2016.

Core product lines in each priority target area are as follows:

(i) Industrial infrastructure segment: cables for railway vehicles, heat resistance wires for motors, harnesses for use in HEVs, etc.

(ii) Electrical power infrastructure and next-generation energy segment: magnet wires for heavy electrical machinery and wind power generators, high-voltage power cables, etc.

(iii) Information and telecommunications infrastructure segment: Ethernet switches, high-speed transmission cables, etc.

(2) Drastic reforms in overseas businesses

The Hitachi Cable Group will establish the Global Business Management Group, which will be in charge of planning overseas business strategies as well as overseeing four overseas regions (the U.S.A., Europe, Asia and China). In addition, the Global Business Management Group will reinforce the functions of the four overseas regional head offices, determine optimal strategies for each region and accelerate the execution of specific measures.

Note: The figures for the above forecasts are based on information available at the time this document was prepared. Actual business performance may vary due to various unforeseen factors.