

# Corporate Governance

Hitachi Cable considers its efforts for continuous development of business as the foundation of corporate governance on the basis of compliance with relevant laws, business ethics and CSR principles as well as one of the most important challenges of management. In order to speed up management decision-making and enhance management transparency under the principles, the company has adopted the committee system, clearly separating executive and supervisory functions of management. Based on an outline decided by the Board of Directors, the internal control system is constructed and operated as an organization “supervision.”

## Corporate Governance Framework

The Board of Directors devotes itself to decision-making on such matters as basic management policies and supervisory functions, and it has broadly transferred executive authority for operations to executive officers. As part of the supervisory functions of the Board of Directors, three independent committees, each of which comprises of two outside directors and one Hitachi Cable director, have been established to contribute to the fulfillment of the audit responsibilities of the Board of Directors: the

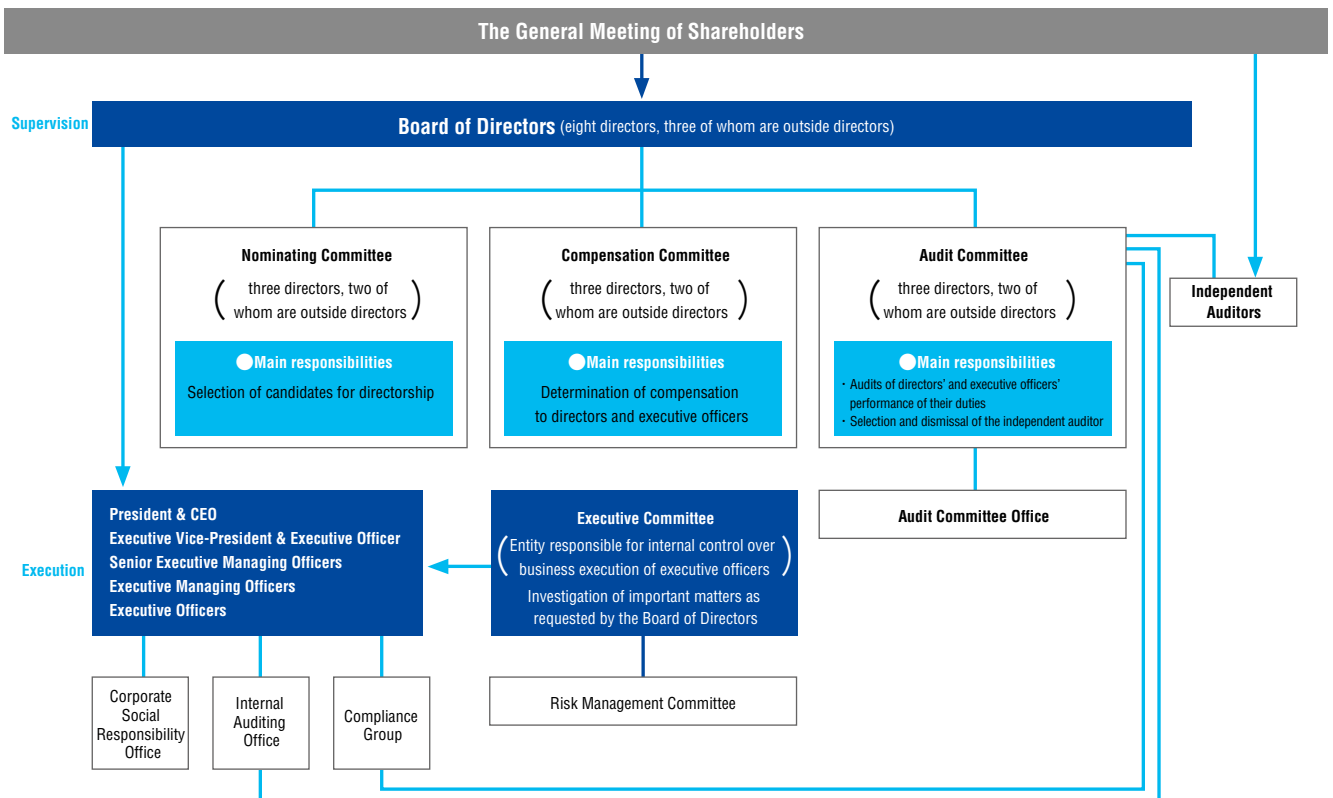
Nominating Committee, the Audit Committee, and the Compensation Committee. Basically, the Audit Committee meets monthly, while the Nominating Committee and the Compensation Committee meet whenever necessary. There are eight members on the Board of Directors, including three outside directors. The Chairman of the Board who chairs meetings of the Board of Directors does not serve as an executive officer.

As part of internal control over the execution of operations by executive officers,

an Executive Committee comprised of all executive officers has been established. The purpose of the Committee is to enable each executive officer to review and make decisions about important issues transferred from the Board of Directors in different angles and to share information about the execution of operations by individual executive officers.

To further strengthen internal control, the Audit Committee (7 specialized staff members and 36 staff members

## Corporate Governance and Risk Compliance Structure



serving concurrent positions) has been established. In an organized manner, the Office implement internal audits and promote internal control about the legality and appropriateness of operations by individual departments and sections of Hitachi Cable and its Group companies; whenever necessary, the Compliance Group (2 specialized staff member and 8 staff members serving concurrent positions) conducts training, audit and guidance for individual departments and sections of Hitachi Cable and for its Group companies to ensure that corporate activities conform to laws, regulations and business ethics. The Audit Committee receives reports on these audit results and having the directors and

executive officers report their execution of business operations as appropriate, assuring the organization is comprehensively and fully audited.

With regard to account auditing, Ernst & Young Shin Nihon has been appointed as the independent auditor. The composition of the team involved in auditing operations is determined on the basis of the account auditor's selection criteria and, in precise terms, is comprised of six certified public accountants, eight assistant accountants and thirteen other staff. The independent auditor reports to the Audit Committee at its meetings, exchange opinions with the Audit Committee members and the General Manager of the Internal Auditing Office

who also attend the meetings, promoting partnership in auditing.

Based on the establishment and amendment of relevant laws and regulations as well as operation policies of the Hitachi Group, Hitachi Cable will continue to enhance its corporate governance systems including internal control systems based on the COSO Framework<sup>※</sup>, firmly establish the committee-based systems among its Group companies and realize fair and transparent management.

※The COSO Framework is an internal control framework proposed by the Committee of Sponsoring Organization of the Treadway Commission in the US, and "COSO" is the abbreviation of the Committee name

## Sparing no effort to make compliance understood universally

The Hitachi Cable Group touts "Keeping to the Straight and Narrow" as part of its code of conduct to be complied with by all executive officers and employees and make it clear that compliance is the preposition of business activities.

The company established the Compliance Group under direct supervision of the President in July 2002 in order to strengthen the Company's compliance structure. The Group not only engages itself in enlightenment, auditing and guidance for

business activities conforming to the relevant laws, regulations and corporate ethics but also actively address compliance challenges in collaboration with the Auditing Office, the Legal Affairs Department and other associated departments and sections so that business activities matching social requirements against the company are promoted.

The Company takes every opportunity to host as many as more than a dozen compliance education courses including corporate-wide function-wise education,

management education for Group Companies and Anti Monopoly Act education mainly for Sales.

Furthermore, in December of last year as material to supplement educational opportunities, the Company published Japanese, English and Chinese versions of "The Hitachi Cable Group Business Ethics Guidebook" so that the awareness of compliance should be promoted as wide as possible in the Group including overseas Group Companies.

## Disclosure Compliance Reporting System

To supplement its corporate purification, Hitachi Cable established the Disclosure Compliance Reporting System in October 2003. If not only employees of Hitachi Cable or its Group companies but also suppliers and other external parties concerned once become aware of any illegal or inappropriate action, he or she can directly report to our Compliance Group.

### Contacts of the Disclosure Compliance reporting system

#### ■ Internal Company Contact

##### ■ Mailing address

Compliance Group, Hitachi Cable Akihabara UDX, 4-14-1 Sotokanda, Chiyoda-ku, Tokyo 101-8971, Japan

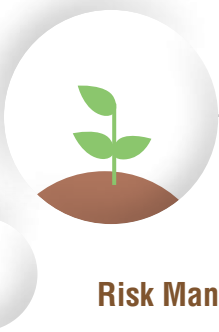
##### ■ FAX

+81-3-5256-3240

##### ■ E-mail address

compliance@mail.hitachi-cable.co.jp

Personal information provided at the time of reporting shall be strictly controlled in accordance with "Hitachi Cable Personal Information Protection Policies" and be used solely for investigation and reporting of the content of the report.



## Risk Management

To share risk-related information about decision-making on risk management policies, responses to risks and recurrence prevention, Hitachi Cable has established a Risk Management Committee under the Executive Committee and headed by the President and Chief Executive Officer as its chairperson. The committee attempts to

identify, assess, prevent and reduce risks.

The company has also hosted seminars regarding responses at the time of crises such as large-scale earthquakes or terrorist attacks and has started an initiative to create a business continuity plan (BCP) so that an interruption of business will not significantly affect society.



A scene from a BCP seminar attended by Mr. Sato, President & CEO, and other executive officers

## Initiatives for Personal Information Protection and Information Security

While the utilization of IT is promoted in every aspect of business, the strengthening of information security has become an important theme for companies to fulfill their corporate social responsibilities. In accordance with the “Hitachi Cable Personal Information Protection Policies,” Hitachi Cable has made continued efforts to prevent any leakage of information. As part of these concrete efforts, the company has implemented e-learning education regarding personal information protection and taken countermeasures against information leakage from computers used by employees in work. We have introduced quarantine

network systems that prevent information leakage and computer virus contamination to offices at headquarters and to some branch offices and will extensively deploy them to more offices and facilities including those of the Group companies. Hitachi Cable Networks, Ltd. the Group’s network integrator, has acquired the “Privacy Mark.”

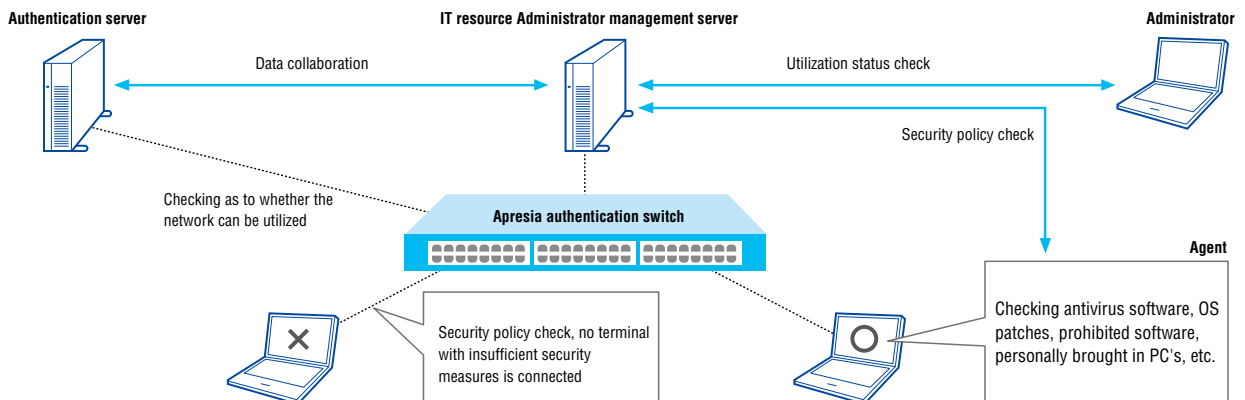
Furthermore, we offer PC quarantine LAN solutions that flexibly meet user’s system environments, and required levels of security are offered by combining authentication functions of our “Apresia” Series Ethernet switch with resource management, antivirus software, user authentication and other

functions offered by partner companies.

Regardless of the scale of management, Hitachi Cable supports the reliability and trust of customers through providing network security systems tailored for different needs.



## Hitachi Cable’s Quarantine Network System



# CSR Management

From the viewpoint that corporate activities equal corporate social responsibility, the Hitachi Cable Group implements a variety of corporate activities. In order to centrally coordinate and promote the series of activities from the CSR perspective and enhance the level of individual results, the company established a CSR Promotion Committee in April 2005. Furthermore, in order to promote recognition of CSR activities and raise awareness that daily operations are directly related to CSR for all executive officers and employees of the Hitachi Cable Group, the “Hitachi Cable Group CSR Policy” was established in December 2006.

## Hitachi Cable Group CSR Policy

### 1. Awareness of Corporate Activities as Social Responsibilities

All Hitachi Cable Group directors and employees shall remain aware of the fact that corporate social responsibilities (CSR) should be fulfilled through corporate activities. In accordance with this policy, the Hitachi Cable Group will fulfill its social responsibilities to ensure the sustainable development of society and businesses.

### 2. Social Contributions through Business Activities

Through business activities based on outstanding research, technologies, and product development, the Hitachi Cable Group will provide safe and quality products and services to customers, while playing its part in building an enriched and vibrant society.

### 3. Disclosure and Communication

To maintain and enhance relationships of trust with the Hitachi Cable Group’s diverse array

of stakeholders, the Hitachi Cable Group will provide fair and highly transparent disclosure while responding in a responsible manner to stakeholders through various forms of communication.

### 4. Corporate Ethics and Respect for Human Rights

In a global business environment with diverse cultures, morals, ethics, legal systems, and other attributes, the Hitachi Cable Group will conduct fair and sincere business activities, while acting in accordance with respect for human rights and the highest ethical standards.

### 5. Promotion of Environmental Preservation Activities

To realize a sustainable society in harmony with the natural environment, the Hitachi Cable Group will reduce the environmental impact of its activities and make effective use of finite natural resources.

### 6. Promotion of Community Support Activities

As a good corporate citizen, Hitachi will vigorously promote community support activities to realize a better society.

### 7. Creation of Workplaces with Good Working Conditions

The Hitachi Cable Group will endeavor to provide workplaces with good, worthwhile conditions while energetically supporting motivated employees who can display individuality and self-development on the job.

### 8. Common Awareness of Social Responsibilities with Business Partners

The Hitachi Cable Group will request that business partners share a common awareness of social responsibilities to conduct fair and sound business activities. Checking as to whether the network can be utilized

Established in December 2006

## Initiatives where CSR equals corporate activities

Hitachi Cable started a review of concrete action plans to be addressed in the company’s mid-term management plan, Plan “BEGIN” from a CSR perspective,



CSR training

contributing to companywide awareness-raising and motivation in relation to CSR.

In 2007, we distributed the English and Chinese Versions “Brand/CSR Guidebook” to overseas Group companies executive officers to provide opportunities to raise CSR awareness and recognition for employees through various education and training activities.



Brand/CSR Guidebook (English and Chinese versions)