

Corporate Governance

The underlying basis for corporate governance at Hitachi Metals is to ensure management transparency and efficiency, meeting the needs of our stakeholders, and increasing corporate value. We believe this to be one of the most important management issues within our firm. Accordingly, it is imperative that we create an organizational structure in which management oversight and business operations function effectively and in balance. To this end, we have adopted the "company with committees" of corporate governance at Hitachi Metals. We also believe that timely, high-quality information disclosure contributes to the improvement of corporate governance. In pursuit of this philosophy, we have chosen to go beyond levels of simple financial disclosure, regularly publishing the details of individual business segments and mid-term management plans. We acknowledge that compliance is the linchpin of corporate governance. We understand that a company should not only demonstrate compliance with laws and company rules at a minimum, but should also value fidelity to social ethics and virtues, engaging in corporate activities that reflect an understanding of the company's role as a member of society.

Internal Control System

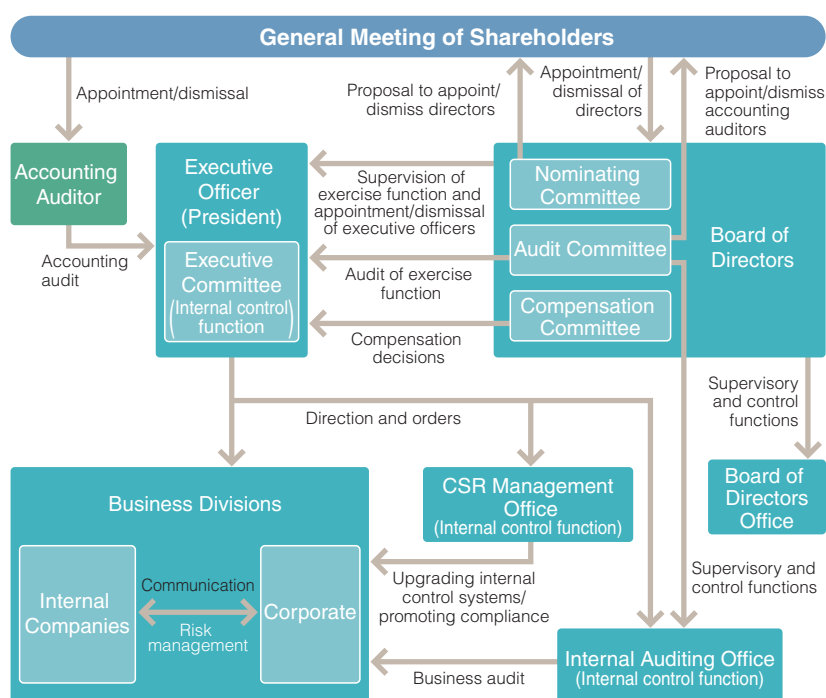
Hitachi Metals has developed the following internal control system.

1. An Executive Committee consisting of all executive officers has been formed to ensure that the business activities of executive officers comply with laws, regulations and the Company's Articles of Incorporation, and are carried out efficiently. Significant business issues that have an impact on the entire company are deliberated by this committee, with the decision made by the

Consistent with these beliefs, Hitachi Metals has established the Code of Conduct for Hitachi Metals Group Companies, which defines specific standards whereby company executives and employees must conduct themselves. We have tied director and corporate officer compensation to the increase in corporate value, resulting in a compen-

sation plan that reflects short-, mid-, and long-term corporate earnings. This compensation creates a Company management that is focused on stakeholder contribution, with management responsible for proposing, establishing and executing management policies, mid-term plans, and fiscal year budgets from a mid- and long-term perspective.

Corporate Governance Structure



executive officer responsible.

2. A Compliance Office has been established in the CSR management office, which designates a manager responsible for the Company-wide compliance system.
3. A CSR Management Office has been established to facilitate a Company-wide approach to compliance, social contributions and corporate social responsibility.
4. A Compliance Hotline has been established for employees at Hitachi

Metals and Group companies, when encountering situations that violate laws or Company regulations, to report facts of such incidents that through a specified channel without fear of reprisal. This system ensures early discovery and correction of misconduct.

5. An Internal Auditing Office under the direct control of the president has been established, which conducts internal audits of business divisions and Group companies to ensure

compliance with laws, regulations and internal rules, as well as the efficiency of their business activities. The results of internal audits are reported to the president and the Audit Committee to confirm whether directives are being correctly carried out.

6. The Company has continued to

implement and expand a system of internal controls based on a standard framework (COSO Framework **1**), incorporating the requirements of the U.S. Sarbanes-Oxley Act, documenting and evaluating the effectiveness of internal controls related to financial reporting within the Company. Beginning fiscal 2008,

the Company has also formalized an internal controls reporting system based on the requirements of Japan's Financial Instruments and Exchange Law, improving and expanding the internal controls infrastructure within the firm.

Hitachi Metals Group Compliance

Driven by a management philosophy that impels us to "contribute to society by creating the 'best possible company,'" the Hitachi Metals Group established a new "Code of Conduct for Hitachi Metals Group Companies" in July 2006, incorporating CSR considerations. This new code of conduct includes a declaration to "obey the law and walk the path of virtue," serving as the basis for our conduct as a corporation. This philosophy encompasses more than simple legal compliances, serving as a policy that specifically describes an advanced degree of self-discipline guiding our conduct as a corporation and as individuals within the corporation. This policy specifically explains our CSR initiatives, as well as proclaiming our commitment to actively pursuing the continued development of society from our perspective as a corporate citizen. This code of conduct is displayed conspicuously in every corporate location within the Hitachi Metals Group. We have also published code of conduct pamphlets and pocket cards in addition to a CSR Guidebook. These publications have been distributed to every Hitachi Metals Group employee, and have been used in Group-wide training. A goal of our group is to constantly be aware of whether our corporate activities are in line with the precepts of this code of conduct. While we understand that everyday

compliance conforming to laws and corporate rules is important, this is really the minimum expected level of compliance as a corporate citizen. Beyond this, it is important that each and every employee follows principles of common decency for our modern society, pursuing everyday corporate activities that are cognizant of the demands society has of a corporate citizen. We believe this is the core foundation of the meaning of compliance at the Hitachi Metals Group.

Compliance System

The Hitachi Metals Group established its compliance system in October 2005, when it created a Compliance Committee with a representative executive officer serving as general administrator, and a Compliance Secretariat, which is managed by the CSR Management Office. Under this system the General Managers of each corporate division serve on the Compliance Committee, which supports the Compliance Secretariat based on special findings, and the managers of each company or office have the responsibility of serving as compliance administrators. Based on the Compliance Committee, the Hitachi Metals Group also conducts compliance training and special audits for various business offices.

Risk Management

Hitachi Metals has formulated and established internal rules and guidelines for a risk management system concerning compliance, finance, procurement, environmental issues, natural disasters, quality assurance, information and export control for each business division. All employees are educated in risk management and an audit is undertaken to ensure that internal companies and related operating divisions effectively prevent and manage overall risk. In addition, Hitachi Metals retains legal counsel to receive professional advice and consultations relating to important matters of law.

1 COSO framework: The most commonly used basic framework for internal control in the United States, also adopted by the Hitachi Group.