

Business Strategy of the Cable Materials Company

Hitachi Metals IR Day 2018

May 25, 2018

Hitachi Metals, Ltd.

Kazuya Murakami

Executive Officer

President of the Cable Materials Company

Business Strategy of the Cable Materials Company

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1. Basic Policy of the Company
2. Action Plan for the 5 Growth Areas
3. Summary

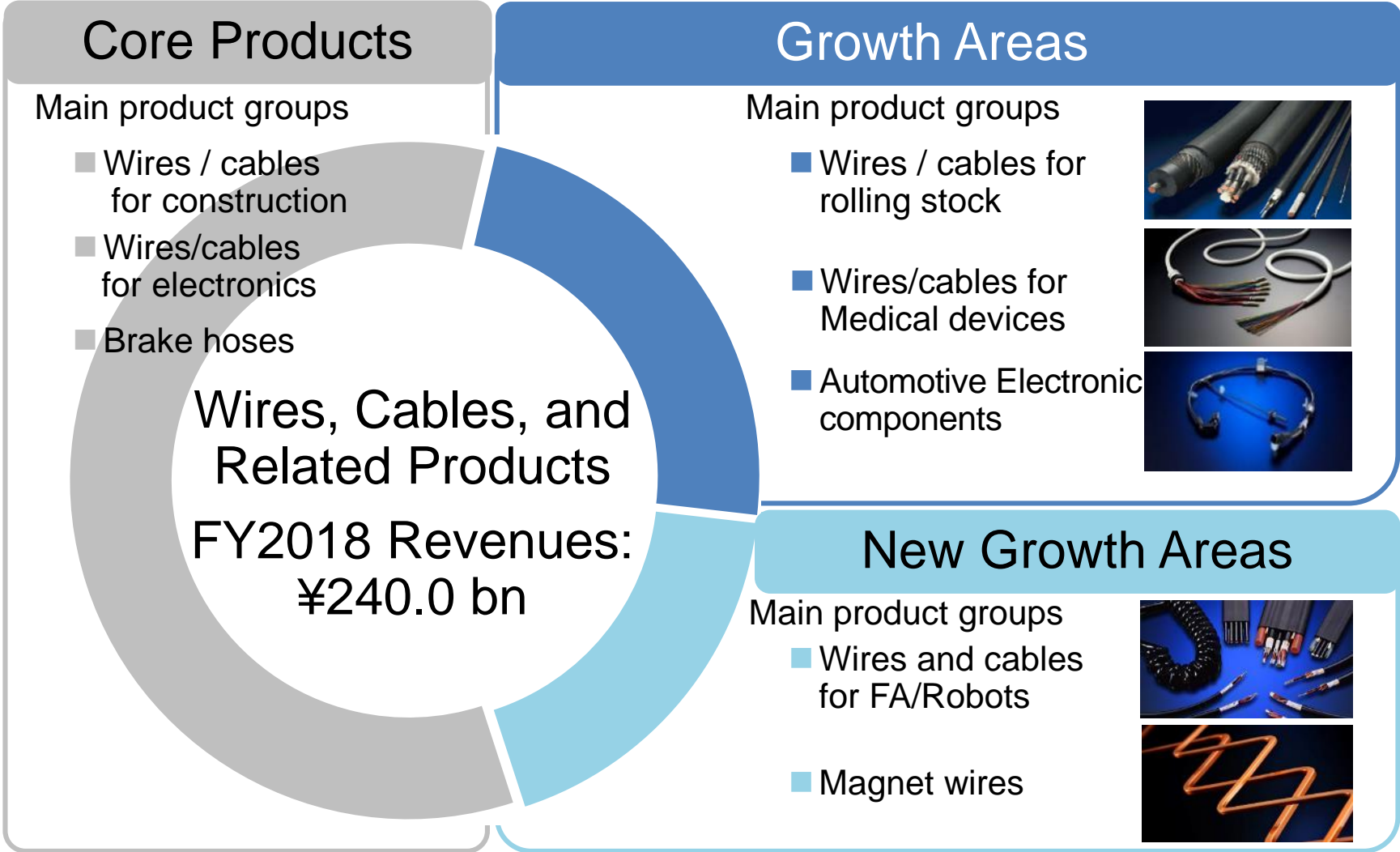
■ Measures to accelerate growth areas

Rolling stock	Increased capacity of Chinese base and expanded the European customer base
Medical Devices	Developed integrated catheter/cable products Enhanced probe cable production capacity
Automotive Electronic components	Enhanced capacity of global bases, developed new products

■ Measures to strengthen core products

Wires/cables for electronics	Increased production for the rapidly growing FA/Robot segment
Magnet wires	Introduced innovative production line for xEV* magnet wires, of which growth is expected; developed HiFC [®] rectangular wire
New continuous casting and rolling line	Completed in April 2018 ⇒ Strengthens competitiveness of core products, addresses HiFC [®] mass production

Turn wires and cables for FA/Robots and magnet wires for xEV into new drivers of growth



■ Basic policy of the Cable Materials Company

Change to a high-profit structure by expanding growth areas

■ FY2018 goals

	FY2016 Actual (¥108=US\$1)	FY2017 Actual (¥111=US\$1)	FY2018 Goal (¥105=US\$1)	Change vs. FY2017
Revenues	¥241.4 bn	¥230.5 bn	¥240.0 bn	+4%
Adjusted operating income	¥14.7 bn	¥14.9 bn	¥17.0 bn	+ ¥2.1 bn
Adjusted operating margin	6.1%	6.5%	7.1%	+0.6%
Overseas sales ratio	34%	38%	38%	—

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2-1. Wires/cables for FA/Robots

■ Capital expenditure of ¥3 bn in the rapidly growing FA/Robot market

■ Market environment

20% annual growth until 2020

Source: Hitachi Metals' estimate based on various materials

■ Hitachi Metals' characteristics

Flex-resistant cable technology developed for automotive sensor cables

Cable production near place of demand

Continuous production at each base including cable assembly

Carry out capital expenditure in Japan, China and Vietnam (to be launched through FY2020)



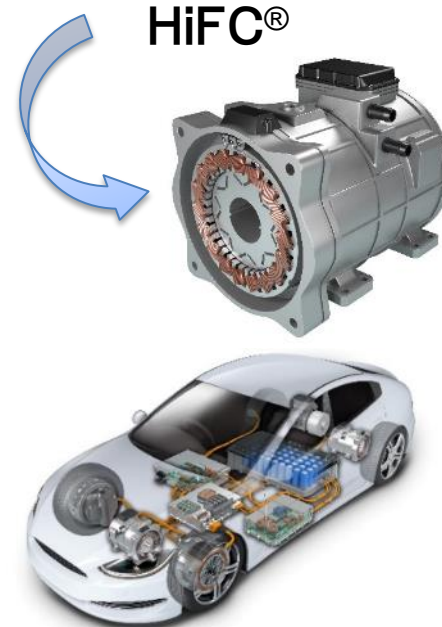
FY2020 wires/cables for FA/Robots sales target: ¥10.0 bn

(3x vs FY2016)

Expand xEV business with HiFC[®] and innovative production lines

Expand application of HiFC[®] in high-performance motors

	HiFC [®]	Tough pitch copper	
Conductivity	◎	○	➔
Flexibility	◎	△	
Recovery of conductivity after winding	◎	×	
Weldability	◎	△	
			Contribution to high-performance motors
			2% smaller size, lighter weight*1
			Improved productivity
			High-efficiency
			Greater reliability*2



Accelerate *monozukuri* by introducing innovative production lines

- Introduction of production facilities and mass production in Japan and Thailand (to be launched from FY2018)
- Start consideration of production in China

FY2025 magnet wires sales target: 1.5 times

(vs FY2016)

*1 2% lighter weight copper wire (vs Hitachi Metals' tough pitch copper) *2 Due to the small oxygen amount in copper, HiFC[®] improves reliability of the welded section.
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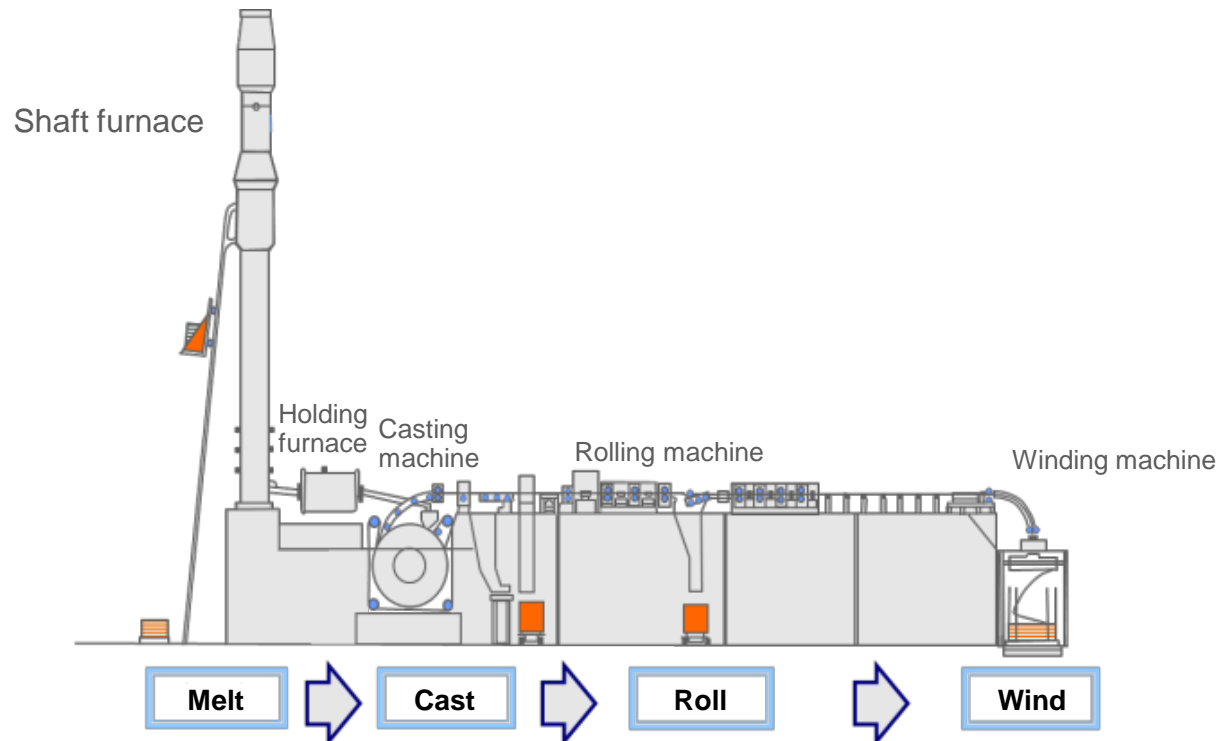
2-3. New Continuous Casting and Rolling Line

■ Completion of new continuous casting and rolling line (April 2018)

Conductor production line using the latest IoT-based control technology

Significant improvement in energy efficiency and productivity

Full-scale HiFC[®] mass production through introduction of new process



■ Further business expansion mainly in China and Europe

■ China

FY2017 achieved sales 1.5x FY2016. Continue expansion measures.

Expand share by launching New terminal new extra-high-voltage cables

■ Europe

Expand harness business by proposing solutions and enhancing production capacity



Terminal for new extra- high-voltage cables



Wires and cables for rolling stock



Wires and cables for rolling stock (communication)

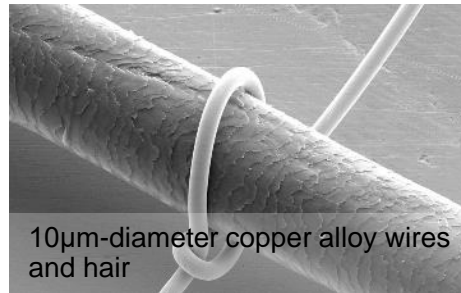
FY2018 rolling stock areas sales target: ¥14.0 bn

2-5. Medical Devices

■ Launch mass production of catheter/cable complex products and increase sales



High-precision, small-diameter tube manufacturing technology



10µm-diameter copper alloy wires and hair

Ultra small-diameter coaxial cable technology/
Microscopic terminal connection technology



Image photo

Disposable catheter product for internal diagnosis

■ Mass production and capacity enhancement of new probe cable product



Mass production of new medical probe cables

Promote automated processing at China base

(to be launched from 4Q FY2018)

FY2021 medical devices areas sales target: ¥11.0 bn

■ Continuous business expansion by implementing global growth strategy

Enhance production capacity
in response to increase in applied models

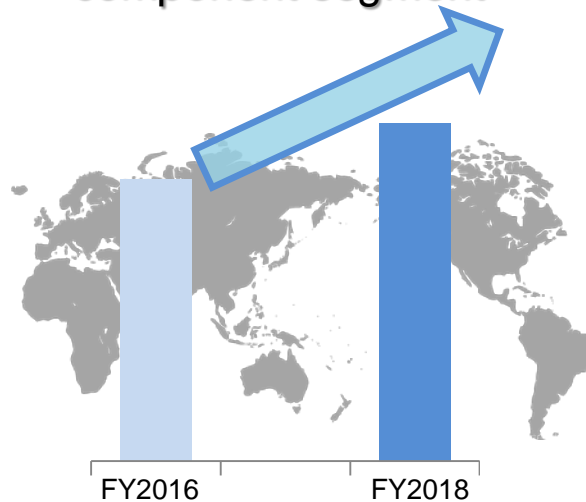
EPB harness
integrated with ABS



Various sensors



Sales of automotive electronic
component segment

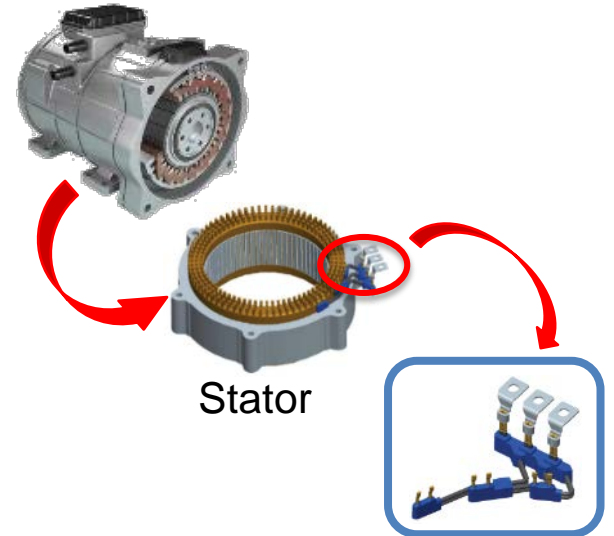


FY2018 sales target: 1.2x

vs FY2016

*Excludes impact of foreign exchange

Expand mass production of
semirigid wiring for xEV



Stator

Our high accurate
connecting parts enable
automatic motor assembly.

FY2018 automotive electronic components area sales target: ¥35.0 bn

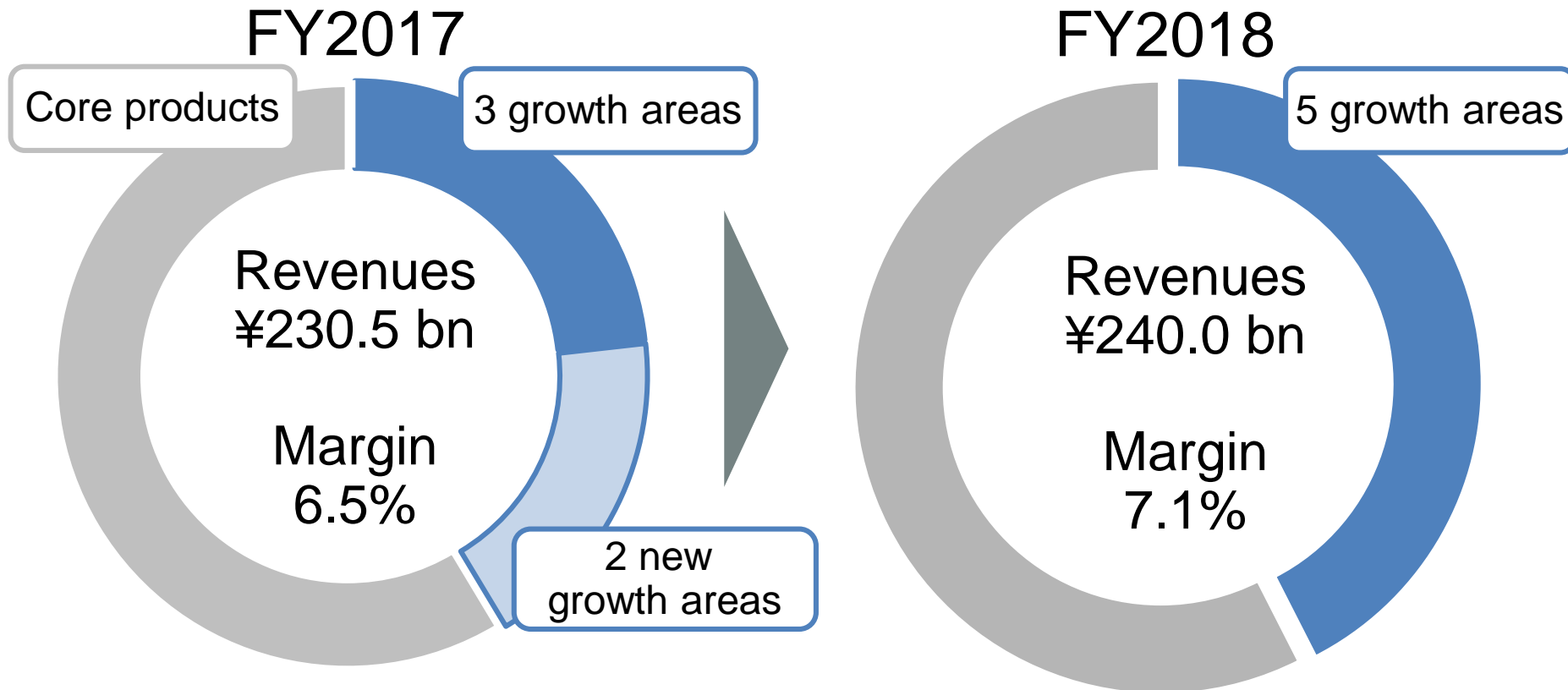
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3-1. Business Portfolio Based on Growth Strategy

Expand growth areas and achieve a high-profit structure



Revenues of growth areas
¥95.0 bn (FY2017) ⇒ ¥100.0 bn (FY2018)

■ Basic Policy of the Cable Materials Company

Change to a high-profit structure by expanding growth areas

Cable Materials Company FY2018 Plan

Revenues: ¥240.0 bn
Adjusted operating income: ¥17.0 bn (7.1%)

This document contains forward-looking statements—such as results forecasts and management plans—that are not historical facts. All such forward-looking statements are based upon available information and upon assumptions and projections that were deemed reasonable at the time the Company prepared this document. Changes to the underlying assumptions or circumstances could cause the actual results to differ substantially. Factors causing such differences include, but are not limited to, the following:

- Changes in economic conditions and regulations in the main markets where the Company operates, particularly Japan, the United States, Asia and Europe
- Sudden changes in technological trends
- Changes in the competitive advantage and the capabilities of the Company and its subsidiaries and affiliates to develop and commercialize new products and businesses
- Fluctuations in the status of product markets, exchange rates and international commodity markets
- Changes in the financing environment
- The capability of the Company and its subsidiaries and affiliates to cope with fluctuations in product supply and demand, the status of product markets, exchange rates and international commodity markets
- Protection of the Company's intellectual property, and securing of licenses to use the intellectual property of other parties
- Changes in the status of alliances with other parties for product development, etc.
- Fluctuations in Japanese stock markets