

Cable Materials Company



Kazuya Murakami
President of the Cable Materials Company

Basic policy of Medium-Term Management Plan

Change to a high-profit structure by expanding growth areas

Progress vis-à-vis numerical targets

Revenues

(Billions of yen)



Adjusted operating income

(Billions of yen)



Adjusted operating margin

(%)



Overseas sales ratio

(%)



Business progress relative to Medium-Term Management Plan

Market environment and business overview

We are expanding growth areas and implementing a change to a high-profit structure. During fiscal 2017, the rolling stock segment expanded its production capacity at the Chinese base and achieved customer growth in Europe. The medical devices segment worked to develop integrated catheter/cable products and increased its probe cable production capacity. The automotive electronic components segment made progress in increasing the production capacity of global bases and in developing new products. In addition, we worked to strengthen our core products by increasing production volume

for electronics-use wires and cables in the rapidly growing area of factory automation and robots, installed an innovative production line for EV magnet wires, and developed HiFC™ rectangular wire. Furthermore, the installation of a new continuous casting and rolling line was completed in April 2018, enhancing the competitiveness of our core products and creating a mass-production structure for HiFC™. In addition to the three existing growth segments of rolling stock, medical devices, and automotive electronic components, we have designated factory automation and robot-use wires and cables, and magnet wires as two new

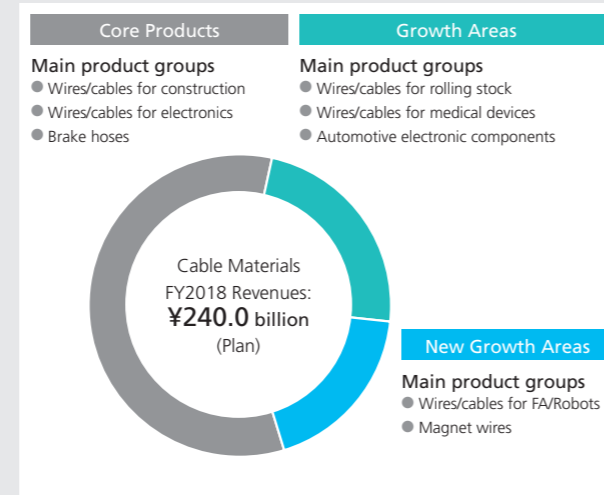
growth segments. Together, these five growth segments account for roughly 40% of Cable Materials Company sales. Going forward, we intend to change to a high-profit structure by raising this percentage to above 50%.

growing number of car models for which these products are used. With regard to semirigid wiring for EV motors, we have made assembly easier by automating connection to motors, and we are stepping up mass production.

Overview of Initiatives in FY2017

Measures to accelerate growth areas	
Rolling stock	Increased production capacity of Chinese base; Expanded the European customer base
Medical devices	Developed integrated catheter/cable products; Enhanced probe cable production capacity
Automotive electronic components	Enhanced production capacity of global bases; Developed new products
Measures to strengthen core products	
Wires/cables for electronics	Increased production volume for the rapidly growing FA/Robot segment
Magnet wires	Introduced innovative production line for EV 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 EV into new growth drivers	

Business overview



Action plan for five growth segments

Rolling stock

China continues to build railway infrastructure at a rapid pace, and rolling stock production is at a high level. Using our rolling stock-use wire and cable technology accumulated in Japan, we are increasing our market share by introducing products like terminals for new extra-high voltage cables in the Chinese market. We aim to expand our harness business in Europe by continuing to propose solutions and increase production capacity.

Medical devices

Hitachi Metals possesses advanced technologies related to high-precision, small diameter tube manufacturing, ultra-small diameter coaxial cables, and microscopic terminal connections. We are fusing these technologies to develop a disposable catheter product for internal diagnosis, and mass producing and increasing sales of integrated catheter/cable products. We will also shift to mass production and increase our production capacity for a new probe cable product.

Automotive electronic components

We are implementing our global growth strategy for the continuous strengthening of our business expansion. Electric parking brake harnesses integrated with ABS and various sensors experienced robust demand in fiscal 2017. We are working to increase our production capacity to meet the

Magnet wires

We are using HiFC™ and an innovative production line to expand our business to meet robust EV-related demand. Compared with ordinary copper, HiFC™ is superior in terms of conductivity, flexibility, recovery of conductivity after winding, and weldability, making a significant contribution to higher motor performance.

Factory automation and robot-use wires and cables

We are developing and mass-producing products based on our flex-resistant cable technology developed for automotive sensor cables. We anticipate annual growth of roughly 20% to 2020 for this segment, and are making capital expenditures totaling ¥3 billion in Japan, China, and Vietnam.