

September 26, 2014

To All Concerned Parties:

Mitsubishi Materials Corporation  
Hitachi Metals, Ltd.

### **Share purchase agreement for Hitachi Tool Engineering, Ltd.**

Mitsubishi Materials Corporation (President: Hiroshi Yao; hereinafter referred to as “Mitsubishi Materials”) hereby announces that on September 26, 2014, Mitsubishi Materials and Hitachi Metals, Ltd. (Chairman and CEO: Kazuyuki Konishi; hereinafter referred to as “Hitachi Metals”) consummated a share purchase contract and agreed to a transaction in which Mitsubishi Materials will acquire 51% of the issued shares (hereinafter referred to as “the Transaction”) in Hitachi Tool Engineering, Ltd. (hereinafter referred to as “Hitachi Tool”), a wholly-owned subsidiary of Hitachi Metals. The transaction is intended to strengthen the base of the cemented carbide products (cutting tools) business at Mitsubishi Materials and Hitachi Metals.

Please note that, after the Transaction, Hitachi Tool will become a consolidated subsidiary of Mitsubishi Materials. Hitachi Metals will remain as a shareholder holding 49% of the issued shares of Hitachi Tool. Mitsubishi Materials and Hitachi Metals will cooperate to manage Hitachi Tool, working to create synergy and enhance corporate value.

#### Details

##### **1. Purpose of the Transaction**

The Advanced Materials & Tools Company of Mitsubishi Materials mainly conducts manufacturing and sales of cemented carbide products required in the processing of metal parts used in automobiles, aircrafts and other industrial devices. As a comprehensive cemented carbide product manufacturer that possesses an integrated supply chain ranging from raw materials and finished products to recycling of used cemented carbide products, Mitsubishi Materials utilizes its strengths of materials development and production technology to offer a broad lineup of cemented carbide products with outstanding abrasion resistance and chipping resistance. We supply these products to our customers through a solid sales network spanning more than 60 countries throughout the world.

In the future, by expanding our overseas sales network and production bases centered in developing nations, Mitsubishi Materials will increase sales in automotives, aerospace and medical fields for which sustained demand growth is forecasted on a global level. The target of Mitsubishi Materials is to capture a global share of 10% or more in the cemented carbide products market.

On the other hand, Hitachi Metals conducts global business in the automotive, electronics, industrial infrastructure and aerospace fields as a manufacturer of highly functional materials based on materials technology and development capability. Recently, actions for realizing a low-carbon society are being implemented in countries and regions throughout the world. Amidst such circumstances, in addition to concentrating its management resources in environment-friendly products and accelerating market entry, Hitachi Metals is working to strengthen its corporate condition and ensure sustained growth. In particular, in its specialty steel business, Hitachi Metals is working to enhance its business foundation for tool steel

through unique materials technology and development capability. The company is also expanding business by targeting aerospace and energy-related products as growth fields.

Based on its company philosophy of contributing to customers and society through development technology, Hitachi Tool is a cemented carbide product manufacturer of advanced tools that enable high-precision, high-efficiency and high-speed processing. In particular, based on strengths in surface modification and shape technology, Hitachi Tool specializes in the processing of difficult-to-cut material and complicated shapes such as three-dimensional mold processing and parts for power-generation equipment and aerospace engine. Over a period of many years, Hitachi Tool has captured a high domestic market share in the field of complicated shape processing by utilizing product development capability gained by making proposals and providing solutions to customers. In the future, the company is seeking to expand its business by enhancing overseas sales.

In recent years, materials used in the automotive, aerospace and medical fields are becoming increasingly diverse and difficult-to-cut. For example, CFRP, titanium and super heat resistant alloys are being used with the main goal of decreasing weight while increasing functionality. Furthermore, in the automotive industry, it is necessary to use metallic molding to realize shapes which are close to the final product. As a result, high-level quality and technical support is now essential for mold processing as well.

In the future, there will be even greater demand for cemented carbide products which are optimal for processing of diverse material which have complicated shapes and are difficult-to-cut. Therefore, in addition to expanding our lineup of high-performance and high-quality products, there is also the need for high-level technical proposal capability related to the processing of diverse materials.

Amidst these circumstances, Mitsubishi Materials and Hitachi Metals seek to secure competitive ability and quickly realize an enhanced business foundation in our respective main fields of cemented carbide products and specialty steel. To achieve these goals, we have determined that it is essential to make mutual use of the management resources of Hitachi Tool, a company which possesses unique capabilities in material and part processing with a focus on automotive, aerospace and energy-related fields.

## **2. Future Outlook**

After purchase of shares based on the Transaction, Mitsubishi Materials will expand the lineup of advanced cemented carbide products by acquiring Hitachi Tool's products which enable high-precision, high-efficiency and high-speed processing, as well Hitachi Tool's proposal ability for processing complicated shapes for a variety of materials. Through this expansion, Mitsubishi Materials will supply a broader range of products and services for which long-term market demand exists. Also, Mitsubishi Materials will solidify our business foundation by acquiring the No. 1 share in the domestic market for cemented carbide products. Furthermore, through synergy with Hitachi Tool, Mitsubishi Materials will capture a global share of 10% or higher in the overseas market for cemented carbide products, a market in which demand is forecasted to increase.

Through joint management of Hitachi Tool with Mitsubishi Materials, Hitachi Metals will expand its customer base by integrating not only with Hitachi Tool but also with the cemented

carbide products business of Mitsubishi Materials. Moreover, in high-grade special steel fields such as tool steel and materials/products for the aerospace and energy industries, Hitachi Metals will strengthen and expand its total solutions from material development to manufacturing, processing and sales.

While continuing a partnership with the tool steel business of Hitachi Metals, Hitachi Tool will accelerate its global expansion by utilizing the strengths of Mitsubishi Materials; namely, materials development and production technology for cemented carbide products, as well as a vast global sales network. Furthermore, Hitachi Tool's raw materials procurement will be complemented by Mitsubishi Material's integrated supply chain and recycle network, which spans from raw material to finished products. Therefore, Hitachi Tool will further strengthen its business foundation for cemented carbide products.

Through joint management of Hitachi Tool, Mitsubishi Materials and Hitachi Metals will construct a "win-win-win" relationship by exerting the strengths of each company while utilizing each other's management resources. We shall strive to become a trusted "best partner" to our customers.

### 3. Schedule

(1) Execution date of share purchase agreement	September 26, 2014
(2) Effective date of the Transaction*	April 1, 2015 (scheduled)

\*Note: The effective date of the Transaction is scheduled for April 1, 2015, pending necessary preparations for the Antimonopoly Act in Japan, competition laws in China, competition laws in Europe, and competition laws in the United States.

### 4. Impact on Future Business Performance

As a result of the share purchase agreement, Hitachi Tool will become a consolidated subsidiary of Mitsubishi Metals. However, since the effective date of the Transaction is scheduled for April 1, 2015, there is no impact on the consolidated business performance of Mitsubishi Materials and Hitachi Metals for the period ending March 31, 2015.

### 5. Overview of Companies Involved in the Transaction

(1) Company name	Hitachi Tool Engineering, Ltd.
(2) Location	1-2-1 Shibaura, Minato-ku, Tokyo
(3) Name and title of representative	Hirokazu Tanaka, President and Representative Director
(4) Business fields	Manufacturing and sales of tips, cutting tools, wear-resistant products, tools for urban development, and various machine tools made of specialty steels, carbide alloys etc.
(5) Capital	1,455 million yen
(6) Established	September 23, 1933
(7) Major shareholders and shareholding	Hitachi Metals, Ltd.: 100%

ratio	
(8) Number of employees	722 (As of March 31, 2014. Non-consolidated base.)
(9) Most recent business results	Net sales: 18,966 million yen Ordinary income: 3,430 million yen (Results for FY2013. Simple consolidated base.)

(1) Company name	Mitsubishi Materials Corporation
(2) Location	1-3-2 Otemachi, Chiyoda-ku, Tokyo
(3) Name and title of representative	Hiroshi Yao, President and Chief Executive Officer
(4) Business fields	Manufacturing and sales of cement and cement-related products; refining, processing and sales of copper, gold and silver; manufacturing and sales of cemented carbide tools; manufacturing and sales of electronic material and electronic components; manufacturing and sales of aluminum cans for beverage, rolled aluminum, and processed aluminum products

(1) Company name	Hitachi Metals, Ltd.
(2) Location	1-2-1 Shibaura, Minato-ku, Tokyo
(3) Name and title of representative	Kazuyuki Konishi, Chairman and Chief Executive Officer
(4) Business fields	Manufacture and marketing of high-grade metal products and materials, magnetic materials and applications, high-grade functional components and equipment, wires, cables, and related products

[Inquiries regarding this release]

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