

To whom it may concern:

Company Name: Hitachi Metals, Ltd.
Name of Representative: Kazuyuki Konishi,
Chairman and Chief Executive Officer
(Code: 5486; First Section of the Tokyo Stock Exchange)
Contact: Kazutsugu Kamatani,
Division Head, Corporate Communications Division

Hitachi Metals Signs Letter of Intent to Establish Joint Venture
with Magnet Manufacturer in China;
Aims to Develop Production of Neodymium-Iron-Boron Magnets
in China and Expand Business Scale

Hitachi Metals, Ltd. (“Hitachi Metals”) has signed a letter of intent regarding the establishment of a joint venture for the manufacture and sale of Neodymium-Iron-Boron magnets with Chinese magnet manufacturer Beijing Zhong Ke San Huan Hi-Tech Co., Ltd. (“Zhong Ke San Huan”), with the aim of promoting global growth in the medium to long term in Hitachi Metals’ Neodymium-Iron-Boron magnet business. Details are provided below.

1. Background to deliberations on joint venture establishment

Hitachi Metals has provided a variety of industries, including the automobile, the IT and home electronics, the industrial machinery, and the medical, environmental, and energy industries, with a range of high-performance magnets led by the NEOMAX[®] series of Neodymium-Iron-Boron magnets, which possess some of the world’s highest levels of magnetic force. These magnets are essential for reducing the size and weight of a wide range of products, increasing their efficiency and energy-saving capabilities, and improving their environmental performance.

Hitachi Metals has held long-term licensing agreements with Zhong Ke San Huan, a leading manufacturer of Neodymium-Iron-Boron magnets in China. Through its relationship with Zhong Ke San Huan, underpinned by the company’s leading-edge technologies and proven track record for delivering superior magnets, Hitachi Metals has not only expanded its share of the Chinese and Asian markets but has also generated growth in Europe and the United States.

As environmental laws and regulations are strengthened around the world, global demand for Neodymium-Iron-Boron magnets is expected to increase significantly, led by strong demand in China. China is positioned as a particularly important market not only in terms of the level of growth in that country, but also in terms of raw material procurement.

To realize medium- to long-term growth in its Neodymium-Iron-Boron magnet business, Hitachi Metals believes it is necessary to increase sales in China, along with the rest of the global market, and expand its business scale in addition to establishing a local production infrastructure in China. For these reasons, it has signed a letter of intent to establish a joint venture.

2. Purpose of joint venture

With the establishment of a joint venture, Hitachi Metals aims to expand the scale of its business by facilitating an infrastructure comprising raw material procurement, manufacturing, and sales for its Neodymium-Iron-Boron magnet business in China and, in doing so, strengthen its competitive edge in the global market.

Zhong Ke San Huan will be able to strengthen its position as a leading manufacturer of magnets in China through the development of its business leveraging the superior assets of both companies.

3. Approach regarding joint venture

Hitachi Metals is currently proceeding with deliberations according to its basic philosophy that it will hold a majority stake in the joint venture. The joint venture will be positioned as a comprehensive production infrastructure for Neodymium-Iron-Boron magnets, from procurement of raw materials to manufacturing and sales, to service the Chinese market.

In terms of production capacity, Hitachi Metals is considering annual output of 2,000 tons at the outset, and plans to increase production in line with market growth.

4. Future schedule

In the future, both companies will consult with each other about specific details and will enter into a definitive agreement in May 2015.

5. Outline of each company

(i) Hitachi Metals, Ltd.

(1) Company name	Hitachi Metals, Ltd.
(2) Location	1-2-1 Shibaura, Minato-ku, Tokyo, Japan
(3) Title and name of representative	Kazuyuki Konishi Representative Executive officer; Chairman and Chief Executive Officer
(4) Business details	Manufacture and sale of high-grade metal products and materials, magnetic materials and applications, high-grade functional components and equipment, and wires, cables, and related products
(5) Date of incorporation	April 1956
(6) Stated capital	26,284 million yen (as of March 31, 2014)
(7) Net sales	808.0 billion yen (for fiscal 2013)
(8) Operating income	59.5 billion yen (for fiscal 2013)
(9) Number of employees	26,850 (as of March 31, 2014)

(ii) Beijing Zhong Ke San Huan Hi-Tech Co., Ltd.

(1) Company name	Beijing Zhong Ke San Huan Hi-Tech Co., Ltd.
(2) Location	Building A, 27th Floor, No. 66 East Road Zhong Guan Cun, Hai Dian District Beijing, 100190, China
(3) Title and name of representative	Wang Zhenxi President
(4) Business details	Research and development, manufacture, and sale of Neodymium-Iron-Boron magnets, other new materials, and products using those materials
(5) Date of incorporation	July 1999
(6) Stated capital	1,065.2 million yuan (as of December 31, 2013)
(7) Net sales	3,639 million yuan (for fiscal 2013)
(8) Operating income	341 million yuan (for fiscal 2013)
(9) Number of employees	5,167 (as of December 31, 2013)

For inquiries regarding this matter:

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