

June 18, 2015

To whom it may concern:

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President and Chief Executive Officer
(Code: 5486; First Section of the Tokyo Stock Exchange)
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Notice Concerning Establishment of Neodymium-Iron-Boron Magnet Joint Venture
(Subsidiary Transfer) in China

As announced in the notice dated February 9, 2015 and entitled “Hitachi Metals Signs Letter of Intent to Establish Joint Venture with Magnet Manufacturer in China,” Hitachi Metals, Ltd. (hereafter, “Hitachi Metals”) and Beijing Zhong Ke San Huan Hi-Tech Co., Ltd. (hereafter, “Zhong Ke San Huan”) have engaged in a series of discussions aimed at establishing a joint venture in the manufacture and sale of Neodymium-Iron-Boron magnets.

The two companies reached an agreement, a decision to establish a joint venture in China was made, and a joint venture with Zhong Ke San Huan was concluded today as detailed below.

1. Objectives for Establishing the Joint Venture

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 important materials for reducing the size and weight of a wide range of products, increasing their efficiency and energy-saving capabilities, and improving their environmental performance.

Zhong Ke San Huan is a leading manufacturer of Neodymium-Iron-Boron magnets in China. Hitachi Metals has long had a licensing agreement with the company, and the company is also working to expand, not only in China and Asia, but to the European and U.S. markets as well, based on its leading-edge technologies and proven track record for delivering superior magnets.

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. This is particularly true in China, where market growth is anticipated in hybrid vehicles, industrial motors, and a broad range of other sectors.

Given these conditions, Hitachi Metals determined that establishing a local production infrastructure in China is necessary to achieve global growth in its Neodymium-Iron-Boron magnet business over the medium to long-term, and that it is essential for Hitachi Metals to establish a joint venture with the Chinese leading magnet manufacturer Zhong Ke San Huan for the manufacture and sale of Neodymium-Iron-Boron magnets and expand business scale.

2. Future Plans

The percentage investment will be 51% for Hitachi Metals and 49% for Zhong Ke San Huan. The joint venture will be a consolidated subsidiary of Hitachi Metals and will be positioned as an integrated production facility for

Neodymium-Iron-Boron magnets at annual output of 2,000 tons, from procurement of raw materials to manufacturing and sales, to service the Chinese market. The joint venture will be established in Jiangsu Province in China on December 2015, and the plan is to equip it for mass production of 1,000 tons/year initially beginning in December 2016 with the goal of quickly satisfying the demand of growing market sectors. The plan is to subsequently increase capacity progressively, taking the trend in demand into account. The sales plan also projects sales of around 10 billion yen in fiscal 2017.

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. We will improve competitiveness in the global market as we target a broader range of product areas in addition to high-end products. By providing the business resources Zhong Ke San Huan possesses to the joint venture, Zhong Ke San Huan will progress to a new stage of growth in the Chinese market, enabling it to strengthen its position as a leading manufacturer of magnets in China.

3. Outline of the Joint Venture

(1)	Company name	Hitachi Metals San Huan Magnetic Materials (Nantong) Co., Ltd.	
(2)	Location	Qidong, Nantong, Jiangsu Province, China	
(3)	Title and name of representative	Shigekazu Suwabe, Chairman of the Board	
(4)	Business details	Manufacture and sale of Neodymium-Iron-Boron magnets	
(5)	Stated capital	450 million yuan	
(6)	Date of incorporation	December, 2015 (plan)	
(7)	Annual production capacity	2,000 tons/year	
(8)	Fiscal year end	December 31	
(9)	Investment interest	Hitachi Metals: 51% Zhong Ke San Huan: 49%	
(10)	Relationship to listed company	Capital relationship	A consolidated subsidiary with an investment of 51% by Hitachi Metals.
		Personnel relationship	Not applicable at present.
		Transactional relationship	Not applicable at present.

4. Future Schedule (Plan)

(1) Joint venture establishment: December, 2015 (plan)

(2) Commencement of production: December, 2016 (plan)

Note: The schedule noted above may change according to progress made on reporting to the relevant authorities and other procedures undertaken in Japan and overseas, or for other reasons.

5. Future Projections

This event will have a minor impact on the consolidated business results of Hitachi Metals for FYE March 2016.

There is no change in the business results forecast announced on May 12, 2015.

6. Outline of Both Companies

1) Hitachi Metals, Ltd.

(1) Company name	Hitachi Metals, Ltd.
(2) Location	1-2-1 Shibaura, Minato-ku Tokyo, Japan 105-8614
(3) Title and name of representative	Hideaki Takahashi, Representative Executive Officer; President 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, 2015)
(7) Net sales	1,006.3 billion yen (for fiscal 2014)
(8) Operating income	78.2 billion yen (for fiscal 2014)
(9) Number of employees	30,278 (as of March 31, 2015)

2) 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, Chairman of the Board
(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, 2014)
(7) Net sales	3,885.1 million yuan (for fiscal 2014)
(8) Operating income	411.4 million yuan (for fiscal 2014)
(9) Number of employees	5,169 (as of December 31, 2014)

(For Reference)

Hitachi Metals Consolidated Financial Forecast (Announced May 12, 2015, IFRS) (Unit: JPY million)

	Revenues	Operating Income	Income before Income Taxes and Minority Interests	Net Income Attributable to Owners of the Parent Company
Consolidated financial forecast (FYE Mar. 2016)	1,100,000	107,000	106,000	73,000

Consolidated Financial Results for the Previous Period (Announced May 12, 2015, Japanese GAAP)

(Unit: JPY million)

	Net Sales	Operating Income	Income before Income Taxes and Minority Interests	Net Income
Consolidated financial results (FYE Mar. 2015)	1,006,301	78,216	79,334	66,553

For inquiries regarding this matter:

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