

Zhong Ke San Huan and Hitachi Metals Sign Letter of Intent to Establish Joint Venture  
Aims to Produce Neodymium-Iron-Boron Magnets in China and Expand Business Scales

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

As China’s leading Neodymium-Iron-Boron magnet manufacture, Zhong Ke San Huan has had signed a patent license agreement with Hitachi Metals long before. With strong technical power and excellent product quality, Zhong Ke San Huan has been providing high-performance magnets to customers with trademark of SANMAG® and holding wide and stable market in China, Asia, Europe and America. As world highest magnetic performance Neodymium-Iron-Boron magnet producer, Hitachi Metals has been providing high-performance magnets with trademark of NEOMAX® for a variety of industries, including the automobile, the IT, home appliance, the industrial machinery, and the medical, environmental, and energy industries. 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. 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 not only a fast growing market but also an important rare earth material supply base. With the aim of medium and long term global development of Neodymium-Iron-Boron magnet businesses, Zhong Ke San Huan and Hitachi Metals signed a letter of intent to manufacture sintered Neodymium-Iron-Boron magnets in China, making great use of both companies’ advantages and expanding their business scales.

After the establishment of joint venture, Zhong Ke San Huan will further strengthen its leading position in China’s Neodymium-Iron-Boron magnet industry by making effective use of the two companies’ business resources. Hitachi Metals can expand its business scale through establishing a system of raw material procurement, production and sales in China as well as sales system with view of global market.

Hitachi Metals will hold a majority stake in the joint venture and the two companies’ detailed percentages of contribution will be further discussed. The joint venture’s sintered Neodymium-Iron-Boron magnet annual output will be 2000 tons at the outset and will increase according to market development. 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 in China.

Both companies will consult with each other about further details and decide on a final cooperative agreement, with the aim of the joint venture establishment in May 2015.

## Outline of each company

### (i) 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, 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)

### (ii) 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)