

January 15, 2007

To whom it may concern:

Company name: Hitachi Metals, Ltd.
(Code: 5486, First Sections of the Tokyo Stock
Exchange and the Osaka Stock Exchange)
Representative: Nobuo Mochida
Representative Executive Officer
President and Chief Executive
Officer
Inquiries to: Shigeru Ishige
Officer and General Manager
Corporate Communications
(Telephone: 03-5765-4073)

Company name: NEOMAX Co., Ltd.
(Code: 6975, First Sections of the Tokyo Stock
Exchange and the Osaka Stock Exchange)
Representative: Kaoru Doikawa
Representative Director and
President
Inquiries to: Kazutsugu Kamatani
Corporate Planning Department
(Telephone: 075- 961-4402)

Notice of Merger and Appointment of Representative Executive Officer

Hitachi Metals, Ltd. (“Hitachi Metals”) and NEOMAX Co., Ltd. (“NEOMAX”) hereby announce that they have respectively resolved at the meetings of the board of directors held today to conduct a merger as set out below to take effect on April 1, 2007 (the “Merger”) and concluded a merger agreement.

Further, Hitachi Metals also announces that it has tentatively determined at the meeting of the board of directors held today to newly appoint one representative executive officer in order to strengthen the management of the magnetic materials business of Hitachi Metals Group after the Merger.

1. Purpose of Merger

Hitachi Metals Group has set out a management vision for 2010 that aims to achieve consolidated net sales of 700 billion yen and an operating income of 70 billion yen, and is

striving for sustainable growth through both the creation of new products and the acceleration of global business development.

Hitachi Metals Group has decided that a further increase in its equity interest in NEOMAX is best in order to maximize the corporate value of the Hitachi Metals Group. This would be achieved through the further strengthening of management capability to fortify the business infrastructure and accelerate sustainable growth, through the integration of management resources in the magnetic materials business, which is a core business of the Electronics and IT Devices segment, and through the enhancement of business synergy of research and development, manufacturing capabilities and overseas development in the Electronics and IT Devices segment. To this end, from November 7 to December 11, 2006, Hitachi Metals conducted a tender offer aimed at the acquisition of all issued shares in NEOMAX (excluding shares in NEOMAX already held by Hitachi Metals and treasury shares held by NEOMAX) (the “Tender Offer”), and as a result newly acquired 34,011,627 shares in NEOMAX and as of this date holds 73,303,627 shares in NEOMAX (93.9% of the voting rights of all shareholders (Note)).

After the end of the Tender Offer, Hitachi Metals and NEOMAX continued their deliberations geared towards maximizing the corporate value of Hitachi Metals Group, including NEOMAX, and determined that in order to maximize the corporate value of Hitachi Metals Group it would be best to achieve a complete integration of management through merger or other organizational restructuring of Hitachi Metals and NEOMAX, and at this time have determined to conduct the Merger with Hitachi Metals as the surviving corporation and NEOMAX as the dissolved corporation.

Hitachi Metals and NEOMAX will conduct the Merger without the approval of the merger agreement by a resolution of a general meeting of shareholders, in accordance with the provisions on simplified organizational restructuring (*kan-i gappei*) and informal organizational restructuring (*ryaku-shiki gappei*) set out in Article 796, Paragraph 3 and Article 784, Paragraph 1 respectively of the Corporation Law.

As the Merger is scheduled to take effect on April 1, 2007 and will be conducted in the form of an absorption-type merger with Hitachi Metals as the surviving corporation and NEOMAX as the dissolved corporation, the shares in NEOMAX are scheduled to be delisted on March 27, 2007, in line with the Merger.

In order to avoid any conflict of interest towards the general shareholders and other parties involved in the Merger, both Hitachi Metals and NEOMAX have been advised by legal and financial advisors whilst pursuing discussions. Further, in order to ensure fairness in the calculation of the merger ratio to be employed in the Merger, Hitachi Metals and NEOMAX requested KPMG FAS Co., Ltd. (“KPMG”) and Daiwa Securities SMBC Co. Ltd. (“Daiwa SMBC”) respectively to each make the calculation of the merger ratio as third-party calculation agents. In addition, Hitachi Metals obtained a fairness opinion from KPMG to the effect that the ratio for the Merger is appropriate from a financial viewpoint.

(Note: The ratio of ownership of voting rights is calculated based on the number of voting rights of all shareholders of NEOMAX as of September 30, 2006, described in the interim report for the 57th fiscal year released by NEOMAX on December 20, 2006 (77,779 voting rights), plus the number of voting rights represented by shares less than one unit (317 voting rights), deducted by the number of voting rights represented by shares in the name of the Japan Securities Depository Center, Inc. (2 voting rights), which amounts to 78,094 voting rights.)

2. Outline of Merger

(1) Merger Schedule

Meetings of boards of directors to make merger resolutions:	January 15, 2007 (Mon)
Execution of merger agreement:	January 15, 2007 (Mon)
Scheduled delisting date (NEOMAX):	March 27, 2007 (Tue)
Scheduled merger date (effective date):	April 1, 2007 (Sun)
Scheduled delivery date for share certificates:	Mid-May, 2007

(Note: Hitachi Metals and NEOMAX will conduct the Merger without the approval of the merger agreement by a resolution of a general meeting of shareholders, in accordance with the provisions on simplified organizational restructuring and informal organizational restructuring set out in Article 796, Paragraph 3 and Article 784, Paragraph 1 respectively of the Corporation Law.)

(2) Form of Merger

The Merger will be conducted in the form of an absorption-type merger with Hitachi Metals as the surviving corporation and NEOMAX as the dissolved corporation.

(3) Merger Ratio

Company name	Hitachi Metals (surviving corporation)	NEOMAX (dissolved corporation)
Merger ratio	1	2

(Note 1: Share allocation ratio

2 shares in Hitachi Metals will be allocated and delivered per one share in NEOMAX, provided that no share allocation will be made as a result of merger with respect to the 73,303,627 shares in NEOMAX held by Hitachi Metals. Further, the merger ratio set out above is subject to change upon consultation between both companies in the event that any material change arises in the conditions upon which the calculation is based.)

(Note 2: Number of new shares to be issued as a result of merger, etc.

Common stock 9,585,686 shares (scheduled)

Hitachi Metals will allocate the common stock newly issued at the time of merger to the shareholders of NEOMAX. However, Hitachi Metals will not apply the treasury shares it holds to the share allocation as a result of merger.)

(4) Basis of Calculation of Merger Ratio, etc.

(i) Details and Basis of Calculation

In order to ensure fairness in the calculation of the merger ratio to be employed in the Merger, Hitachi Metals and NEOMAX requested KPMG and Daiwa SMBC respectively to each make the calculation of the merger ratio as third-party calculation agents. KPMG conducted a multifaceted evaluation of each of Hitachi Metals and NEOMAX using market price analysis and discounted cash flow (DCF) analysis. In the selection of the evaluation method, market price analysis was ranked as the principal evaluation method as both of the companies subject to the evaluation, Hitachi Metals and NEOMAX, are listed companies with market value. Evaluation by DCF analysis based on the future business plans obtained from the subject companies was additionally adopted for the purpose of conducting an evaluation from a multifaceted viewpoint. KPMG presented to Hitachi Metals the result of a calculation of the merger ratio that took into comprehensive account the results of these analyses. Daiwa SMBC conducted an evaluation of each of Hitachi Metals and NEOMAX by market price analysis and DCF analysis, upon analyzing the conditions and results, etc., of the Tender Offer conducted prior to the Merger. Daiwa SMBC presented to NEOMAX the result of a calculation of the merger ratio that took into comprehensive account the results of these analyses.

Hitachi Metals, referring to the result of the calculation of the merger ratio by KPMG, and NEOMAX, referring to the result of the calculation of the merger ratio by Daiwa SMBC, agreed to determine the merger ratio set out above to be ultimately appropriate, as a result of a series of consultations by the companies in light of factors such as the financial condition of each company, the purchase price under the Tender Offer, and the share price movements of each company after the Tender Offer. In addition, Hitachi Metals obtained a fairness opinion from KPMG to the effect that the ratio for the Merger is appropriate from a financial viewpoint.

(ii) Relationship with Calculation Agents

Neither KPMG nor Daiwa SMBC is a related party of Hitachi Metals or NEOMAX.

(5) Treatment of Stock Acquisition Rights and Bonds with Stock Acquisition Rights of Dissolved Corporation

NEOMAX has not issued stock acquisition rights or bonds with stock acquisition rights.

3. Outline of the Merging Companies

(As of September 30, 2006)

(1)	Corporate name	Hitachi Metals (surviving corporation)	NEOMAX (dissolved corporation)
(2)	Details of business	Manufacture and sale of high-grade metal products, electronics and IT devices, and high-grade functional components, etc.	Manufacture and sale of magnets and ceramics, etc.
(3)	Incorporation date	March 2, 1946	January 7, 1963
(4)	Head office	1-2-1 Shibaura, Minato-ku, Tokyo	4-7-19 Kitahama, Chuo-ku, Osaka
(5)	Representative	Nobuo Mochida Representative Executive officer President and Chief Executive Officer	Kaoru Doikawa Representative Director and President
(6)	Amount of capital	26,284 million yen	27,698 million yen
(7)	Number of issued shares	357,168,687 shares	78,651,525 shares
(8)	Net assets	243,605 million yen (consolidated)	80,040 million yen (consolidated)
(9)	Total assets	568,053 million yen (consolidated)	128,690 million yen (consolidated)
(10)	Accounting period	March 31	March 31
(11)	Number of employees	21,968 (consolidated)	5,810 (consolidated)
(12)	Major clients	Ford Motor Company, Nissan Motor Co., Ltd., Samsung Electronics Co., Ltd. and others	Matsushita Electric Industrial Co., Ltd., Toyota Motor Corporation, Mitsubishi Electric Corporation and others
(13)	Major shareholders and ratio of ownership of voting rights (Note 1)	1. Hitachi, Ltd. 56.2% 2. Japan Trustee Services Bank, Ltd. 4.9% 3. The Master Trust Bank of Japan, Ltd. 4.3% (Note 2)	1. Hitachi Metals, Ltd. 50.3% (Note 3) 2. Japan Trustee Services Bank, Ltd. (share holding related to trust business) 3.6% 3. The Chase Manhattan Bank, N.A. London (standing proxy: Mizuho Corporate Bank, Ltd.) 2.9%
(14)	Main financing	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Sumitomo Mitsui Banking Corporation

banks	Mizuho Corporate Bank, Ltd. Mitsubishi UFJ Trust and Banking Corporation	The Sumitomo Trust and Banking Co., Ltd.
(15) Relationship between merging companies, etc.	Capital relationship	Hitachi Metals is a parent company of NEOMAX, holding 50.3% (Note 3) of the voting rights of all shareholders of NEOMAX.
	Personnel relationship	Hitachi Metals has currently assigned one director and two statutory auditors to NEOMAX.
	Business relationship	Hitachi Metals sells and purchases magnetic materials, etc., to and from NEOMAX.
	Related party status	NEOMAX is a subsidiary of Hitachi Metals, and constitutes a related party.

(16) Business results for the most recent three years (unit: million yen)

Accounting period	Hitachi Metals (surviving corporation)			NEOMAX (dissolved corporation)		
	Fiscal year ending March 2004	Fiscal year ending March 2005	Fiscal year ending March 2006	Fiscal year ending March 2004	Fiscal year ending March 2005	Fiscal year ending March 2006
Sales	247,484	249,733	268,986	67,612	86,049	78,695
Operating profit	4,669	10,735	10,572	4,578	6,143	6,777
Ordinary profit	6,876	12,622	12,538	3,364	6,261	8,299
Net income	2,983	4,539	6,339	1,281	1,040	4,015
Net income per share (yen)	8.38	12.90	18.26	22.30	12.75	50.50
Dividend per share (yen)	5.00	10.00	10.00	7.00	7.00	7.00
Net assets per share (yen)	334.98	336.15	341.78	1,000.42	897.60	942.96
Consolidated sales	420,080	559,540	590,678	82,716	113,686	112,222
Consolidated operating profit	18,576	40,401	47,502	5,404	9,680	12,566
Consolidated ordinary profit	15,184	36,387	45,305	3,605	8,941	12,661
Consolidated net income	3,408	15,218	17,165	938	3,694	4,755

(Note 1: The ratio of ownership of voting rights of Hitachi Metals is calculated based on the number of voting rights of all shareholders of Hitachi Metals as of September 30, 2006, described in the interim report for the 70th fiscal year released by Hitachi Metals on December 22, 2006 (344,123 voting rights).

The ratio of ownership of voting rights of NEOMAX is calculated based on the number of voting rights of all shareholders of NEOMAX as of September 30, 2006, described in the interim report for the 57th

fiscal year released by NEOMAX on December 20, 2006 (77,779 voting rights), plus the number of voting rights represented by shares less than one unit (317 voting rights), deducted by the number of voting rights represented by shares in the name of the Japan Securities Depository Center, Inc. (2 voting rights), which amounts to 78,094 voting rights.)

(Note 2: Although a report was received from Nomura Securities Co., Ltd. and two other companies jointly by way of an amendment report (No. 1) to the report on large shareholdings filed on September 15, 2006 to the effect that Nomura Securities Co., Ltd. and the two other companies hold the following shares as of August 31, 2006, as it was not possible to confirm the actual number of shares held as of September 30, 2006, this information was not included in the above “(13) Major shareholders and ratio of ownership of voting rights”. The details of the amendment report are as follows.)

Name	Address	Number of shares held (thousand shares)	Proportion of number of shares owned to total number of shares issued (%)
Nomura Securities Co., Ltd.	1-9-1 Nihonbashi, Chuo-ku, Tokyo	90	0.03
Nomura International plc	Nomura House 1 St. Martin's-le-Grand London EC1A 4NP, England	51	0.01
Nomura Asset Management Co., Ltd.	1-12-1 Nihonbashi, Chuo-ku, Tokyo	20,429	5.72
Total	-	20,570	5.76

(Note 3: As a result of the Tender Offer, Hitachi Metals' ratio of ownership of voting rights of NEOMAX is 93.9% (for the premise of the calculation, please refer to note accompanying “1. Purpose of Merger”).)

4. Status after Merger

(1)	Corporate name	Hitachi Metals, Ltd.
(2)	Details of business	Manufacture and sale of high-grade metal products, electronics and IT devices, and high-grade functional components, etc.
(3)	Head office	1-2-1 Shibaura, Minato-ku, Tokyo
(4)	Representative	Nobuo Mochida Representative Executive Officer President and Chief Executive Officer
(5)	Amount of capital	26,284 million yen (no increase in the amount of capital due to the Merger)
(6)	Net assets	148,100 million yen (Note)
(7)	Total assets	423,300 million yen (Note)
(8)	Accounting period	March 31

(Note: An approximate amount based on certain estimates, subject to change in the future.)

(9) Overview of Accounting Treatment

The Merger will be treated in accordance with the accounting treatment for acquisitions under common control, etc., under the Guide on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.

It is anticipated that goodwill will arise as a result of the Merger, the amount and number of years for depreciation of which are to be announced when confirmed.

(10) Revision for Impact of Merger on Business Results

As the Merger is scheduled to take effect on April 1, 2007, the Merger will have no impact on the consolidated or non-consolidated business results for this fiscal year (fiscal year ending March 2007).

Any impact on the consolidated or non-consolidated business results for the next fiscal year (fiscal year ending March 2008, the fiscal period containing the effective date of the Merger) will be announced when confirmed.

5. Appointment of Representative Executive Officer

Hitachi Metals also announces that it has tentatively determined at the meeting of the board of directors held today to newly appoint one representative executive officer in association with the Merger.

(1) Reason for Appointment

The appointment is aimed at strengthening the management of the magnetic materials business of Hitachi Metals Group after the Merger.

(2) Name and Position of Representative Executive Officer

Name	New position	Current position
Kaoru Doikawa	Senior Vice President and Representative Executive Officer Hitachi Metals, Ltd.	Representative Director and President NEOMAX Co., Ltd.

(3) Scheduled Effective Date

April 1, 2007.

(4) Professional Profile of Representative Executive Officer

Name: Kaoru Doikawa
Birthplace: Fukui Prefecture
Date of Birth: February 14, 1940 (66 years of age)

Career highlights:

March 1958	Graduated from Fukui Prefectural Tsuruga High School
April 1958	Joined Sumitomo Metal Industries, Ltd.
January 1963	Transferred to Sumitomo Special Metals Co., Ltd. (now NEOMAX Co., Ltd.), when the company became independent from Sumitomo Metal Industries, Ltd.
June 1992	Manager of the Purchasing Department, Sumitomo Special Metals Co., Ltd. (now NEOMAX Co., Ltd.)
June 1995	General Manager and Manager of the Corporate Planning Department, Sumitomo Special Metals Co., Ltd. (now NEOMAX Co., Ltd.)
June 1996	Director, General Manager and Manager of the Corporate Planning Department, Sumitomo Special Metals Co., Ltd. (now NEOMAX Co., Ltd.)
June 1999	Managing Director of Sumitomo Special Metals Co., Ltd. (now NEOMAX Co., Ltd.)
June 2002	Senior Managing Director of Sumitomo Special Metals Co., Ltd. (now NEOMAX Co., Ltd.)
June 2003	Representative Director and Senior Managing Director of Sumitomo Special Metals Co., Ltd. (now NEOMAX Co., Ltd.)
June 2004	Representative Director and Vice President of NEOMAX Co., Ltd.
June 2005	Representative Director and President of NEOMAX Co., Ltd. (Current Position)

- End of Press Release -