



November 28, 2017

To whom it may concern:

Company Name: Hitachi Metals, Ltd.  
Name of Representative: Akitoshi Hiraki  
President and Chief Executive Officer  
(Code: 5486; First Section of the Tokyo Stock Exchange)  
Contact: Tatsuya Minami  
General Manager, Corporate Communications Office  
(Telephone: +81-3-6774-3077)

## Notice Concerning Conclusion of Basic Agreement Towards the Acquisition of Santoku Corporation as Subsidiary

Hitachi Metals, Ltd. (hereinafter, “Hitachi Metals”) today entered into a basic agreement with Santoku Corporation (hereinafter, “Santoku”), a comprehensive rare earth manufacturer that covers from raw materials to high-purity compounds and assorted alloys, with regard to procedures to make Santoku a subsidiary of Hitachi Metals through the acquisition of Santoku shares (hereinafter, this “Agreement”).

The acquisition of Santoku as a subsidiary of Hitachi Metals will be subject to the approval of the Japan Fair Trade Commission.

### 1. Background and Purpose

With NEOMAX<sup>®</sup> neodymium magnets, the strongest magnet of its kind available in the world, as its mainstay product, Hitachi Metals’ Magnetic Materials Company has been supplying a wide range of high-performance magnets as key materials for downsizing, weight-saving, optimization, energy-saving and improvement of environmental performance in various fields including automobiles, IT, home appliances, industrial machinery, medicine, the environment and energy.

At the same time, Santoku possesses a high level of expertise that includes microstructure control technology for alloys, as evidenced by the fact that Santoku was the first in the world to succeed in the molten salt electrolysis of rare earths<sup>\*1</sup> as well as the mass production of rare earth rapid quenching alloys<sup>\*2</sup>. Santoku also carries out integrated production from raw materials to high purity compounds and assorted alloys.

As for the manufacturing of neodymium magnet alloys that make up the raw materials of neodymium magnets, specifically, Santoku has a patent related to strip casting process<sup>\*3</sup> manufacturing technologies and has been recognized as the world’s leading comprehensive rare earth manufacturer.

As significant growth is expected in the global market for xEVs<sup>\*4</sup>, Hitachi Metals has been endeavoring to reinforce the competitiveness of high-performance magnets by boosting the global production system and optimizing material flows that cover from raw materials to end-products. While Hitachi Metals has been investing aggressively in the manufacturing of neodymium magnet alloys and the development of new recycling technologies, it has decided to acquire Santoku as a subsidiary in order to further accelerate such measures.

Through the acquisition of Santoku, Hitachi Metals will aim to develop a stable production system and achieve sustainable growth in the global market by establishing an integrated production system that covers from the manufacturing of alloys and magnets for the neodymium magnets business to recycling.

\*1 Molten salt electrolysis of rare earths: A method to separate rare earths from oxides containing rare earths by means of electrolysis

\*2 Rare earth rapid quenching alloys: Rare earth alloys with refined microstructure through rapid quenching

\*3 Strip casting process: A method to rapidly cool molten materials on revolving rolls; a mass production technology for thin strips through unidirectional solidification of neodymium magnet alloys

\*4 xEVs: General term for electric vehicles (EVs), hybrid electric vehicles (HEVs), and plug-in hybrid electric vehicles (PHEVs)

## 2. Outline of Santoku

(1) Company name	Santoku Corporation	
(2) Location	4-14-34 Fukaekitamachi, Higashinada-ku, Kobe, Hyogo	
(3) Name and title of representative	Chikara Okada, President and Representative Director	
(4) Business details	Manufacturing and sales of rare earth compounds, rare earth metals, magnet materials and battery materials	
(5) Stated capital	1,500 million yen	
(6) Sales	17,792 million yen (Year to March 2017)	
(7) Date of incorporation	1949	
Relationship between the listed company (Hitachi Metals) and the company in question (Santoku)	Capital relationship	Hitachi Metals holds 4.5% of Santoku shares issued and outstanding.
	Personnel relationship	Not applicable.
	Transactional relationship	Hitachi Metals and Santoku have a business relationship based on sales and purchasing.

## 3. Number of Shares to Be Acquired, Acquisition Price and Status of Shares Held Before and After the Acquisition

The number of shares to be acquired has not been determined as of now since the acquisition of Santoku shares under this Agreement will be subject to the approval of the Japan Fair Trade Commission and the transfer of Santoku shares will be agreed upon individually with Santoku's shareholders in the future.

## 4. Schedule

(1) Date of decision by Hitachi Metals	November 28, 2017
(2) Conclusion date of the basic agreement	November 28, 2017
Acquisition of Santoku shares pursuant to this Agreement	April 2, 2018 (subject to the approval of the Japan Fair Trade Commission)

## 5. Impact on Financial Results

The impact of this Agreement on Hitachi Metals' consolidated financial results is currently under review.

This Agreement will have no impact on Hitachi Metals' consolidated financial results for the fiscal year ending March 31, 2018.

## (Reference)

Hitachi Metals' Consolidated Financial Forecast (Announced on April 28, 2017) and Financial Results in Previous Term  
(Unit: million yen)

	Revenues	Adjusted operating income	Income before income taxes	Net income attributable to shareholders of the parent company
Consolidated financial forecast (Year to March 2018)	950,000	80,000	63,000	45,000
Consolidated financial results (Year to March 2017)	910,486	65,983	66,016	50,593

For inquiries regarding this matter: Corporate Communications, Hitachi Metals, Ltd. E-mail: hmcc.sa@hitachi-metals.com