

**FOR IMMEDIATE RELEASE**

**Hitachi Announces Commencement of Tender Offer by Subsidiary**

TOKYO, Japan, November 6, 2006 --- Hitachi, Ltd. (NYSE:HIT/TSE:6501) today announced that Hitachi Metals, Ltd. (TSE:5486), a subsidiary of Hitachi, has determined to commence a tender offer for shares of NEOMAX Co., Ltd. (TSE:6975) at its Board of Directors meeting held today as attached.

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[Translation]

To whom it may concern:

November 6, 2006

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

### **Notice of Commencement of Tender Offer**

Hitachi Metals, Ltd. (the “Company”) hereby notifies you that the Company resolved at the meeting of the board of directors held on November 6, 2006 to acquire the stock of NEOMAX Co., Ltd. (Code Number: 6975, the First Sections of Tokyo Stock Exchange and Osaka Securities Exchange; “NEOMAX”) by a tender offer (the “Tender Offer”).

The parties contemplate that, NEOMAX, the dissolved corporation, will be merged with the Company, the surviving corporation (the “Merger”) in the future. Also, after the completion of the Tender Offer, the Company is contemplating to apply for a permit from the competent minister for the proposed business reconstruction plan under the Law on Special Measures for Industrial Revitalization. If the criteria for delisting stock is met as the result of the Tender Offer or if the Merger takes place as a result of contemplation by the parties, NEOMAX shares will be delisted after a series of procedures thereafter.

#### **1. Purposes of the Tender Offer**

Hitachi Metals Group has established its management vision for 2010, aiming to achieve consolidated net sales of 700 billion yen and an operating income of 70 billion yen, striving to attain sustainable growth through both creating new products and accelerating global business development. In addition, since fiscal year 2006, the Company has been working toward carrying out its Fiscal 2008 Medium-Term Management Plan as the first stage of realizing the 2010 vision.

In recent years, the Company has sought to focus its business through reviewing its business portfolio for the purpose of developing and strengthening the three business segments—High-Grade Metals Products and Materials, Electronics and IT Devices, and High-Grade Functional Components and Equipment—as core operations, whilst undertaking business structural reforms. Most notably, in the Electronics and IT Devices segment, the Company acquired the amorphous alloy business from Honeywell International Inc. and integrated it into the Company’s FINEMET<sup>®</sup> business in 2003. On April 1, 2004, the Company made the former Sumitomo Special Metals Co., Ltd. its subsidiary under the name NEOMAX Co., Ltd. by way of *kyushu bunkatsu* (where the business is spun off and transferred to an existing company), and restructured the Company’s permanent magnet business into a “Global No. 1” business in terms of both market share and quality.

On the back of recent worldwide trends of stricter environmental regulations and crude oil prices remaining high, the Company expects that markets for environmental and energy-saving products such as energy-saving, smaller and lighter, and high-functioning automobiles, electric appliances, and office automation/industrial equipment have high potential for future-growth. Through the restructuring of businesses in the Electronics and IT Devices segment mentioned above, the Company has been developing business infrastructure in areas of rapidly-increasing demand, such as amorphous ribbons for transformer

use that are able to respond quickly to environmental regulations, and areas that are expected to experience tremendous growth in the future, such as magnets for electrical power steering and hybrid motors.

The Company currently holds 49.96% (50.26% of voting rights of all shareholders as at March 31, 2006) of the total number of issued shares of NEOMAX and thought it best to further increase its equity interest in NEOMAX in order to maximize the corporate value of Hitachi Metals Group. This would be achieved through further strengthening management capability to make such business infrastructure more solid and to accelerate the sustainable growth, integrating management resources in the magnetic materials business (which is a core business in the Electronics and IT Devices segment), and enhancing business synergy in research and development, business development, manufacturing capabilities, and overseas development in the Electronics and IT Devices segment. For the reasons stated above, the Company decided to carry out the tender offer specified in Articles 27-2 through 27-22 of the Securities and Exchange Law, in order to acquire all of the shares of NEOMAX (excluding NEOMAX shares already held by the Company and the treasury shares held by NEOMAX). As the Company does not set a lower limit or an upper limit on the number of shares to be purchased in the Tender Offer, the Company will purchase all of the shares tendered by the shareholders through the Tender Offer.

The parties contemplate that, NEOMAX, the dissolved corporation, will be merged with the Company, the surviving corporation in the future.

The Company and NEOMAX intend to work out the details of the Merger such as the date and conditions of the merger, and managerial organization after the merger, and will make an announcement to the public once the details are determined. Also, after the completion of the Tender Offer, the Company is contemplating to apply for a permit from the competent minister for the proposed business reconstruction plan under the Law on Special Measures for Industrial Revitalization.

Depending on the result of the Tender Offer, when the Merger is being carried out, the Company intends it to be implemented so without a resolution of a general meeting of shareholders of the Company approving the Merger, assuming the Merger falls under the scope of a simplified organizational restructuring set out in Article 796, Paragraph 3 of the Corporation Law. In addition, the Merger will be carried out without a resolution of a general meeting of shareholders of NEOMAX, if the Merger falls under the scope of an informal organizational restructuring set out in Article 784, Paragraph 1 of the Corporation Law (if the Company obtains permission for the proposed business reconstruction plans mentioned above, the requirements of informal organizational restructuring to be permitted will be changed pursuant to Article 12, Paragraph 1 of the Law on Special Measures for Industrial Revitalization).

In the case where the Merger takes place, the merger ratio used in the Merger is intended to be calculated by using the price equivalent to the purchase price of the Tender Offer, deeming such purchase price as the estimated value of NEOMAX shares; however the actual merger ratio may differ from the ratio described above. In the Merger, the shareholders of NEOMAX, the dissolved corporation, may request NEOMAX to purchase their NEOMAX shares in accordance with the procedures of laws or regulations. In this case, the purchase price per share may differ from the purchase price upon the Tender Offer. Please confirm with your tax adviser regarding taxation in the case of the Tender Offer, the Merger and purchase of shares upon share purchase requests attributable to the Merger.

NEOMAX shares are listed on the First Section of the Tokyo Stock Exchange and on the First Section of Osaka Securities Exchange. However, as the Company does not set an upper limit on the number of shares to be acquired in the Tender Offer, and depending on the results of the Tender Offer, NEOMAX shares could be delisted through prescribed procedures in accordance with the criteria for delisting stock from the Tokyo Stock Exchange and Osaka Securities Exchange. In the case where the Merger takes place as a result of contemplation by the parties, NEOMAX shares would be delisted through a series of procedures. After such delisting, NEOMAX shares may not be traded at the Tokyo Stock Exchange or Osaka Securities Exchange.

The purchase price upon the Tender Offer of 2,500 yen per share was determined by comprehensively considering elements such as the market price of NEOMAX common stock, financial condition and future revenue of NEOMAX, and evaluation of stock value conducted by KPMG FAS Co., Ltd., a third-party calculation agent. The purchase price represents a premium of approximately 22% over JPY 2,047

(decimals omitted), which is the simple arithmetic average of closing prices of the common stock of NEOMAX at the First Section of the Osaka Securities Exchange during the past one month period up to and including November 2, 2006 and the price after adding a premium of approximately 20% to JPY 2,085, the closing price of the common stock of NEOMAX on November 2, 2006.

The board of directors of NEOMAX resolved at its meeting held on November 6, 2006 that NEOMAX agrees to the Tender Offer.

## 2. Outline of the Tender Offer

### (1) Outline of the Target Company

- |        |   |   |
|--------|---|---|
| (i)    | Corporate name:                                   | NEOMAX Co., Ltd.  |
| (ii)   | Principal Business                                | Manufacture and sale of magnets and ceramics, etc.  |
| (iii)  | Incorporation Date:                               | January 7, 1963   |
| (iv)   | Head Office:                                      | 4-7-19 Kitahama, Chuo-ku, Osaka   |
| (v)    | Representative:                                   | Kaoru Doikawa, Representative Director and President  |
| (vi)   | Amount of Capital:                                | 27,698,430,000 yen (as at March 31, 2006)   |
| (vii)  | Total Number of Issued Shares:                    | 78,651,525 shares (as at March 31, 2006)  |
| (viii) | Major Shareholders and Shareholding Ratio:        | (as at March 31, 2006)  |
|        | Hitachi Metals, Ltd.                              | 49.96%  |
|        | Japan Trustee Services Bank, Ltd.                 | 4.68%   |
|        | The Master Trust Bank of Japan, Ltd.              | 3.97%   |
|        | The Bank of New York Europe Limited<br>Luxembourg | 1.49%   |
|        | Morgan Stanley & Co. International Limited        | 1.37%   |
|        | Sumitomo Metal Industries, Ltd.                   | 1.27%   |
| (ix)   | Relationship with the Company                     |   |
|        | Capital relationship:                             | The Company is a parent company of NEOMAX, holding 49.96% of the total number of issued shares of NEOMAX. |
|        | Personal relationship:                            | The Company has sent one director and two statutory auditors to NEOMAX.                                   |
|        | Business relationship:                            | The Company sells to NEOMAX magnetic materials, etc. and purchases from NEOMAX magnetic materials, etc.   |

(2) Class of Certificates, etc. for Tender Offer: Common stock

(3) Tender Offer Period: From November 7, 2006 (Tuesday) through December 11, 2006 (Monday) (35 days)

(4) Purchase Price of Tender Offer: 2,500 yen per share

(5) Basis of Calculation of the Purchase Price of Tender Offer

The purchase price of 2,500 yen per share offered by the Company was determined by comprehensively considering elements such as the market price of NEOMAX common stock, the financial condition and future revenue of NEOMAX. That purchase price represents a premium of approximately 22% over the average share closing price of the common stock of NEOMAX at the First Section of the Osaka Stock Exchange during the past one month period up to and including November 2, 2006.

(6) Scheduled Number of Shares to be purchased in Tender Offer: 38,804,470 shares

(Note 1) The Company will purchase all of the tendered shares.

- (Note 2) The Company has no intention to acquire the treasury stocks held by NEOMAX through the Tender Offer.
- (Note 3) Shares less than one unit are also subject to the Tender Offer; provided that share certificates for shares less than one unit are required to be submitted in order to tender them. (If any shares less than one unit are held in custody by the Japan Securities Depository Center, Inc. through the Tender Offeror Agent, the tendering shareholders are not required to submit such share certificates.)
- (Note 4) The number of shares scheduled for the tender offer (38,804,470 shares) is the number of shares obtained by deducting the 39,292,000 shares held by the Company from the number of outstanding shares of 78,096,470 (the number of shares obtained by deducting 555,055 shares of treasury stock held by NEOMAX as at September 30, 2006 described in the summary of unconsolidated interim financial statements for the fiscal year ending on March 31, 2007 from the total number of issued shares as at September 30, 2006) shares of NEOMAX on September 30, 2006 described in the summary of unconsolidated interim financial statements for the fiscal year ending on March 31, 2007 announced on October 24, 2006 by NEOMAX.

(7) Change in the Number of Shares Owned due to Tender Offer

|   |                   |                           |
|---|-------------------|---------------------------|
| Number of Shares Owned before Tender Offer: | 39,292,000 shares | (Ownership ratio: 49.96%) |
| Number of Shares Owned after Tender Offer:  | 78,096,470 shares | (Ownership ratio: 100%)   |

- (Note 1) The ownership ratio before the Tender Offer is calculated based on NEOMAX's total number of outstanding shares of 78,651,525 shares (as at March 31, 2006).
- (Note 2) The number of shares owned after the Tender Offer represents the number of shares owned when the number of shares intended to be purchased (38,804,470 shares) is purchased.
- (Note 3) The ownership ratio after the Tender Offer is calculated based on the number of outstanding shares of 78,096,470 (the number of shares obtained by deducting 555,055 shares of treasury stock held by NEOMAX as at September 30, 2006 described in the summary of unconsolidated interim financial statements for the fiscal year ending on March 31, 2007 from the total number of issued shares as at September 30, 2006) shares of NEOMAX on September 30, 2006 described in the summary of unconsolidated financial statements for the fiscal year ending on March 31, 2007 announced on October 24, 2006 by NEOMAX.

(8) Date of Public Notice for Commencement of Tender Offer: November 7, 2006 (Tuesday)

- (Note) Notice will be placed in *The Nihon Keizai Shimbun* on November 7, 2006 (Tuesday) that an electronic public notice will be published.  
Electronic Public Notice Address: <https://info.edinet.go.jp/EdiHtml/main.htm>

- (9) Tender Offer Agent: Nomura Securities Co., Ltd.
- (10) Funds Required for Tender Offer, etc.: 97,258 million yen (scheduled)
- (11) Commencement Date of Settlement: December 18, 2006 (Monday)

3. Agreement with the Target Company or its Officers regarding Tender Offer

The Company has obtained approval for the Tender Offer from the NEOMAX board of directors.

4. Future Prospects

After the completion of the Tender Offer, the Company is contemplating to apply for a permit from the competent minister for the proposed business reconstruction plan under the Law on Special Measures for Industrial Revitalization.

The effect of the Tender Offer on the Company's consolidated earnings forecast for the fiscal year

ending in March 2007 will be disclosed as soon as such forecast is fixed.

This notice is a press release publicly announcing the Tender Offer and has not been prepared for the purposes of soliciting an offer to sell or making an offer to buy any shares in NEOMAX. If you wish to make an offer to sell any shares in NEOMAX, please make a decision at your own discretion after reading the Explanatory Statement prepared by the Company.

This press release contains forward-looking statements based on the management's view of future business developments in the Company that may occur if the Company successfully acquires NEOMAX shares. Therefore, the actual results may be materially different to the forward-looking statements contained herein due to many factors. This press release is not, or does not constitute a part of, a solicitation of an offer to sell or an offer to buy any securities. In addition, this press release (or any part thereof) or its distribution does not constitute grounds for any agreement relating to the Tender Offer and may not be relied upon when entering into any agreement.

Some countries or regions impose restrictions on the issue or distribution of this press release under laws or regulations. In such cases, please be aware of such restrictions and comply with such laws or regulations in these countries or regions. In countries or regions where the implementation of the Tender Offer is illegal, even upon receiving this press release, such receipt shall not constitute a solicitation of an offer to sell or an offer to buy any share certificates relating to the Tender Offer and shall be deemed a distribution of materials for informative purposes only.

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Information contained in this news release is current as of the date of the press announcement, but may be subject to change without prior notice.

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