Hitachi Metals, Ltd.

News Release

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Devising Our 2003 Medium-Term Management Plan: Strengthening the profitability of our T-Businesses—traditional businesses while reconstructing our E-Businesses—Electronics, the Environment, and Energy

I. Drafting of the Medium-Term Management Plan

Hitachi Metals, Ltd., would like to announce its Medium-Term Management Plan for the period through fiscal 2003. It is time to reconsider our medium-term business plan and our numerical management targets due to the rapidly changing business environment and the fact that we are mid-way through the existing plan. To ensure that the plan does not become outdated, the Company conducts an annual review in March each year, devising a new medium-term plan for the coming three years. The Company's aim is to create a corporate structure that will be able to respond swiftly to the rapidly changing business environment.

To raise corporate value, it is necessary that all members of the Hitachi Metals Group understand and share the corporate vision. We have drafted this new corporate statement (refer to appendix) with the aim of creating a mechanism by which the Company may realize innovation, superiority, and growth, making use of each individual's unique skills, creativity, and energy.

II. Basic Policy ; Maximize "T-Businesses" while rebuilding "E-Businesses"

The Hitachi Metals Group has been actively implementing structural reforms, making as its top priority the fiscal 2002 medium-term management plan, which was launched in fiscal 1999. The Company has been simplifying its organizational structure by reducing the number of directors, merging and closing subsidiaries, and lowering the amount of interest-bearing liabilities. Thus, through the implementation of a series of concrete measures, the Company is making steady progress toward its goals.

The Company made a significant upward revision of its fiscal 2000 earnings forecasts on the expectation that original targets will be met ahead of schedule. The change was based on signs of an overall recovery trend during the first half of the fiscal year. However, the Company was unable to meet these targets due to a rapid deterioration of the business environment in key markets during the second half of the fiscal year. This harsh situation is expected to continue, given that any improvement in the business climate appears unlikely during fiscal 2001.

Through the Group's implementation of structural reforms, Hitachi Metals has been striving to create a corporate structure that allows for the realization of a favorable earnings performance in spite of an economic downturn. However, the Company has yet to realize this goal and, therefore, remains vulnerable to general economic trends.

In the two years through fiscal 2002, the Company is endeavoring to transform itself into an enterprise that can grow proactively through its own efforts rather than seeking to expand solely through the growth of the market. The Company devised its Medium-Term Management Plan with the strong determination to harvest these results starting in fiscal 2003.

To create a solid corporate structure, the Company must acknowledge the current harsh market conditions and make efforts to build customer loyalty by making improvements to product quality, cost, and delivery dates through the use of IT, such as total supply chain management (TSCM). Furthermore, Hitachi Metals strengthened the profitability of its "T-Businesses" and used that profitability as a base for expanding its "E-Businesses." Through the realization of this plan, the Company aims to maximize corporate value and gain the confidence of its stockholders.

III. Management's Numerical Targets (Consolidated Basis)

		FY2000	FY2001 (Est.)	FY2002 (Est.)	FY2003 (Est.)
Net Sales		¥479.5 billion	¥467.7 billion	¥502.0 billion	¥555.0 billion
Operating Profit		¥25.4 billion	¥16.6 billion	¥33.0 billion	¥47.2 billion
Net Income		¥9.7 billion	¥3.0 billion	¥12.5 billion	¥20.0 billion
ROE		5%	2%	7%	10%
Interest-Bearing Debt		¥185.2 billion	¥172.0 billion	¥157.0 billion	¥151.0 billion
Capital Investment		¥24.9 billion	¥23.8 billion	¥27.0 billion	¥25.7 billion
Staff	Domestic	16,013	15,200	14,500	13,800
	Overseas	7,763	7,700	8,400	8,800
	Total	23,776	22,900	22,900	22,600

1. Net Sales: Increase of ¥75.5 billion

The Hitachi Metals Group aims to boost E-Business-related sales by ¥63 billion and raise their contribution to total sales from 29% in fiscal 2000 to 36% in fiscal 2003. Of this total, the Company expects new products to account for ¥50 billion of E-Business-related sales.

Among these new products are wireless telecommunication terminals (including those for use with mobile phones), fiber-optic communication parts, next-generation materials for use in semiconductors as well as environment- and energy-related products.

The Company expects T-Business operations to grow by ¥13 billion during fiscal 2003, with new products accounting for ¥19 billion. We aim to expand sales of our most attractive existing products, but do not intend to increase the overall scale of operations.

2. Operating profits: Increase of ¥21.8 billion, ROE of 10%

To improve the profitability of our T-Businesses, we require a strong cash base. At the same time, high-profit-generating E-Businesses, through the expansion of the new product lineup, will raise operating profit 8.5% in fiscal 2003, compared with a 5.3% increase in fiscal 2000. We expect to achieve our initial target of an ROE of 10% in fiscal 2003.

3. Interest-bearing liabilities: Decrease of ¥34.2 billion

The Company is promoting a "Cash Flow Improvement Project" aimed at raising the efficiency of its fund operations. This project entails such measures as TSCM and other kinds of IT, shortening lead times, and reducing accounts receivable to improve cash flow. With our overseas subsidiaries, we are raising the efficiency of fund operations through netting and pooling. These moves will enable Hitachi Metals to lower interest-bearing liabilities and secure loans and investments made necessary by drastic changes in the market environment.

4. Capital investment: Accumulated total of ¥76.5 billion

We can no longer assume a favorable economic environment and upward trend in sales. Given this reality, the Company is minimizing capital investments aimed at boosting production capacity and, instead, giving priority to strengthening the profitability base, development activities, and the start-up of new businesses. Regarding the allocation of investment by sector, we are reconsidering our customary practice of emphasizing our E-Businesses. Our current plan is to allocate 45% of capital investment to our T-Businesses and the remaining 55% to our E-Businesses.

5. Reduction in the number of domestic staff of 2,200

Our goal of reducing our workforce by 1,000 people was realized by the end of March 2001—two years ahead of schedule. However, given the dim prospects for an economic recovery, we must make our own efforts to promote growth and reduce prices if we hope to compete in Asian markets. Therefore, we have planned a second round of personnel cuts with the aim of reducing the number of staff at our domestic subsidiaries by 1,100 people. Our overseas strategy will be to further seek overseas development

IV. Concrete Measures

1. Reforming Management Structure, Clarifying Responsibilities

The Hitachi Metals Group operates six business divisions—Automotive Components Division, Piping Components Division, Roll Division, Specialty Steel Division, Electronic Materials Division, and Environmental Engineering Division—spanning a diverse range of products and markets. Management determined that a corporate business group like the Hitachi Metals Group requires a decentralized form of decision making that would allow for decisions to be made at the corporate level (for decisions pertaining to the entire group) and also at the divisional level. Therefore, in April 2001, we launched the Internal Company System as well as an Managing Director System to strengthen the independence of each business segment and delegate greater authority to each department. In terms of business development, we are focusing on a market-oriented approach and, as a group, striving with a commonly shared determination to boost our competitiveness in the market and realize further growth.

As part of these reforms, it is the director's role, from the perspective of corporate governance, to enhance the allocation and management of corporate resources, which includes corporate-level decisions to invest in or withdraw from certain businesses.

The Internal Company System aims to increase the independence of management through the appointment of Managing Directors who are not simultaneously members of the Board of Directors. To pursue sustained development of our activities through clear differentiation from competitors and enhancement of profitability, we are seeking to develop professional managers who will take responsibility not only for profitability but also for the balance sheet and cash flow and who can excel in comparison with specialized competitors while making autonomous decisions and speeding up the management process. The performance evaluation system, which is indispensable for the effective operation of the Internal Company System, provides for evaluation linked to performance and comprehensive consideration of the compensation scale and incentives based on results in improving operating and financial positions.

Furthermore, we aim to foster the early development of the next generation of innovative leaders through the strategic dispatching of staff to subsidiaries and the introduction of new training programs that target promising, young individuals.

2. Business Reorganization: Maximizing profits in our T-Business fields while rebuilding our E-Businesses—Electronics, Environment, and Energy

E-Business-related products that boosted earnings results through the first half of fiscal 2000 saw a sharp fall in demand during the second half of the fiscal year. These products include electronic materials for use in mobile phones and personal computers; isolators, multi-layer devices, and other components used in mobile phone-related products; and our HERCUNITE™ —heat-resistant castings exhaust components for clean engines. We are reviewing such factors as changes in the demand structure, the speed of technological innovation, which has affected product lifecycles, and the schedule for implementing environmental regulations, to create winning strategies for securing a competitive advantage.

As for other E-Business-related products, we must discern the medium-term trends in demand, focus on specialized growth products, while devising market strategies and overseas strategies to secure a competitive advantage, expand business, and raise profitability.

In order to create new businesses and develop new products, it is necessary to focus management resources in growth areas. To this end, it is indispensable for the Hitachi Metals Group to maximize the profits of our T-Businesses, which include specialty steel, automotive component parts, and rolling and piping components. Even if growth cannot be expected, the scale of operations is attractive. Furthermore, regarding those products that hold the top share, we are striving to stabilize profitability through thorough cost-cutting efforts. Also, backed by our competitive advantage in the market, we are making use of our strengths. By focusing on the development of value-added replacement products and new peripheral products, we are revitalizing our cash cows.

In both our T-Businesses and E-Businesses, it is indispensable for us to secure and maintain our competitive advantage through cost-cutting, product differentiation and other efforts. We are making aggressive efforts to maximize these results through M&A, business alliances, and other moves that eye the market as a whole.

3. Lower Fixed Costs

The Company was able to reduce the domestic workforce by 2,200—thereby raising the efficiency of individual employees—and through outsourcing. Furthermore, through the introduction of "Total Supply Chain Management" (TSCM), etc., the Company has centralized purchasing, reduced its interest-bearing liabilities, has lightened its interest burden, lowered materials costs, and raised the efficiency of its fund operations. With regard to fixed assets, the Company is streamlining its production capacity, thereby raising its efficiency of asset utilization.

(2) Thorough Product Differentiation

To ensure that its T-Businesses do not endanger the Hitachi Metal Group's competitive advantage in the market, the Company must ensure the superiority of its technologies and products while simultaneously reducing fixed costs and pursuing a strategy of creating a niche in the global market through overseas development.

With regard to our E-Businesses, we are making use of our priority technological base, comprised of fine metals, ultra-fine micro-fabrication, cutting-edge magnetic materials, application technologies, etc., to achieve product differentiation and develop new products.

(3) Optimization of Production

Our T-Business related products, although not expected to grow strongly in the domestic market, promise an attractive market share from a global perspective. We are pursuing an overseas strategy that calls for overseas production, M&A, and alliances. The decision to move some production activities overseas was made taking into consideration that local production has the benefit of close proximity to customers in local markets and helps increase cost competitiveness in Asian markets (personnel and other costs), after we judged that the necessary technologies (including manufacturing technologies) could be transplanted to overseas sites.

With respect to our E-businesses, the concepts of domestic and foreign markets become irrelevant with regard to all aspects of operations—customers, price, cost, and production—because we are creating a system that views the world as one market and locating production in the place that best suits each individual product.

(4) Establishment of Cash Flow Management

From April 2001, the Company introduced the Internal Company System, through which it has strengthened the autonomy of individual divisions and delineated authority. By introducing TSCM, which utilizes IT, we have been able to implement a form of cash flow management that emphasizes greater efficiency in production.

3. Speeding Up New Product Development and New Businesses

The development of new products and new businesses is indispensable for realizing the future growth of the Hitachi Metals Group and E-Businesses alike. To this end, in April 2001 the functions of Hitachi Metals' four research centers and two development centers were clearly delineated as either corporate laboratories or divisional laboratories. Corporate laboratories work primarily to develop Companywide products in selected priority fields, while divisional laboratories work to develop key company products on a divisional basis.

Furthermore, the newly launched New Business Development Center will create an integrated system, spanning all areas from market research and R&D, to production and sales, and make timely and unceasing efforts to get new products and new businesses to the market.

Hitachi Metals is creating a system that can respond to the rapidly changing markets of our E-Businesses while simultaneously conducting R&D in real-time, focusing on actual market demand, to raise the contribution of sales of new products within our T-Businesses.

(Note) With the exception of figures representing actual past performance, all of the previously mentioned performance projection figures reflect certain assumptions made by the Company's management at the current point in time as well as the results of calculations based on certain suppositions. Please be aware that actual performance figures may differ from the projected figures due to mistaken assumptions, changing circumstances, and other factors.

Apendix

Corporate Statement

Materials Magic

Our Vision

We are committed to contribute to society by developing and providing environmentally friendly leading-edge materials, technologies, products and services.

Our Mission

We will continuously take up the challenge afforded by new technologies and, by affirming our manufacturing tradition, we will create endless possibilities and great value.

The corporate values
we seek to preserve and enhance are :

… to justify our customers' trust in us
by fulfilling our responsibilities.

… to unleash our imaginations and energies,
coupled with tenacious execution.

Develop skills . . Refine skills . . Utilize skills . .
Triumph Over Challenges

. . . And to do this,
we will build a dynamic company where we cultivate individual growth and stimulate creativity by allowing our imaginations to flourish.