

December 18, 2003

Hitachi Metals, Ltd.
Sumitomo Special Metals Co., Ltd.

**Magnetic Materials Business of Hitachi Metals and
Sumitomo Special Metals to Merge**

--- Customer Satisfaction Global Number One ---

Tokyo, Japan, December 18, 2003—Hitachi Metals, Ltd. (HML) and Sumitomo Special Metals Co., Ltd. (SSM) today reached an agreement to merge their magnetic materials and applications operations as of April 1, 2004. This development builds upon the success of the strategic alliance previously announced by the parties on June 20, 2003.

Over the last six months, HML and SSM have achieved considerable efficiencies through OEM supply that allowed each to supply the other with products as to which one company had comparative advantages in cost and quality. The success of that collaboration has encouraged the companies to study carefully the possible merger of their magnetic materials businesses. As a result, HML and SSM have agreed to a full merger that would form a world-class innovator and manufacturer for the growing worldwide market of permanent magnets. The merger will maximize customer satisfaction, produce the world's finest quality magnets, and result in speedy on-time delivery and cost-competitiveness.

The business merger will proceed upon the approval of the Boards of Directors of both companies and relevant government authorities. Both companies ask for the understanding and support from all stakeholders and interested parties in this matter.

Notes

1. Objectives of Business Merger

The common core-business of both companies is permanent magnets and magnetic appliances. Among the business markets for permanent magnets, the environmental and energy saving markets are expected to grow rapidly, especially in the automotive electric component field. In addition, most customers are shifting some of their domestic operations to foreign operations and making their procurement from overseas. These developments are likely to result in globally intensive competition with overseas competitors.

Accordingly, HML and SSM have concluded that both companies should enhance operational efficiency by effectively utilizing their respective management resources, expanding their operational scale, and also strengthening their international competitiveness and profitability, which objectives can best be accomplished by merger.

2. Outline of Magnetic Materials Merger

- (1) HML and SSM have signed a contract regarding the merger of HML's permanent magnet business into SSM. After the merger, the surviving company will become one of the largest manufacturers of permanent magnets in the world, and create a stronger global business strategy for their permanent magnet businesses.
- (2) SSM plans to issue 21 million shares of common stock to HML in the merger. HML will then hold 51% of the outstanding shares of SSM, which will become a consolidated subsidiary of Hitachi Metals.
- (3) SSM will be renamed "NEOMAX Co., Ltd." upon the merger on April 1, 2004.

3. New Company Information

Name: NEOMAX Co., Ltd.

Address: 4-7-19 Kitahama, Chuo-ku, Osaka, Japan

Paid-in Capital: 26.7 billion

President: Tetsuo Toizume

Number of employees: 1,400 (parent basis, approximate)

Consolidated Business Targets of New Company (Million of yen):

	Fiscal year ending March 31, 2004 (SSM)	Fiscal year ending March 31, 2005 (New Company)	Fiscal year ending March 31, 2006 (New Company)
Net Sales	81,000	110,000	115,000
Operating Income	5,200	8,200	11,000
Ordinary Profit	4,000	7,500	10,000
Net Income	1,500	2,800	5,200
Net Income per Share (yen)	26.72	36.29	67.41

Note: Estimates for Hitachi Metals' magnet materials business to be spun off in the fiscal year ending March 31, 2004, are for net sales of ¥20,300 million and operating income of ¥1,900 million.

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