

## **MHI-HITACHI to Take Over MHI and Hitachi's Rolling-Mill Design and Procurement Operations**

TOKYO, Japan, December 21, 2001 - Mitsubishi Heavy Industries, Ltd. (MHI) (TSE: 7011) and Hitachi, Ltd. (NYSE: HIT) today announced that on April 1, 2002, MHI and Hitachi, Ltd. agreed to transfer their rolling-mill design and procurement operations to their marketing and engineering joint venture MHI-HITACHI Metals Machinery, Inc.(MHI-HITACHI), which they established in October 2000. The two companies also agreed to increase investment in MHI-HITACHI, with the aim of building up its business as a specialist supplier of rolling mills for steel plant.

Currently, conditions in the market for equipment for steel plant are very severe, due mainly to a global slump and the advance of European competitors into Asian markets. However, it is expected that steelmaking orders will recover gradually over the long term in Chinese and other Asian markets, and that demand for rolling mills will rise as a result of a forecast shortage of production capacity. In anticipation of this, equipment manufacturers must become more cost-competitive and improve their engineering prowess in such areas as maintenance and know-how while, at the same time, maintaining a high technological level.

In response to this market environment, MHI and Hitachi established MHI-HITACHI in October 2000 to handle marketing and related engineering activities in the rolling-mill business as part of a wide-ranging alliance designed to hone both companies' engineering prowess and competitiveness in service quality and costs. Additionally, a merger of marketing departments of two companies in October 2001 has positioned both companies to respond more swiftly to market needs.

By merging the two companies' design and purchase divisions into MHI-HITACHI, the two companies plan to consolidate their positions by improving design systems and eliminating unnecessary duplication regarding facilities and investment. Product planning, development, marketing, procurement and other operations are being concentrated at MHI-HITACHI's headquarters in Tokyo, the design of hot rolling mill and processing line in the Hiroshima region, and the design of cold rolling mill in the Hitachi region. In manufacturing operations, structures are being established for coping efficiently with changes in demand, including the use of parent company facilities.

Through this merger, MHI and Hitachi will transfer to MHI-HITACHI their rolling-mill businesses. By drawing on the world-class technology and professional track record of the parent companies, MHI-HITACHI will be able to respond even more swiftly to diverse customer needs and, in one leap, take its place among the top suppliers in this field.

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Outline of MHI-HITACHI after the merger

1. Location of headquarters: 4-10-1, Shiba, Minato-ku, Tokyo
2. Capitalization: ¥320 million (MHI: 50%; Hitachi: 50%)
3. President: Shunichi Miyanaga
4. Number of employees: 279 (planned)
5. Main businesses: Manufacture and marketing of hot-rolling plant, cold-rolling plant and highly sophisticated processing line