

FOR IMMEDIATE RELEASE

**MHI and Hitachi Reach New Agreement on Multifaceted Collaboration  
In Air-Conditioning and Refrigeration Operations  
- Earlier JV agreement canceled -**

Tokyo, August 4, 2005 --- Mitsubishi Heavy Industries, Ltd. (TSE: 7011 / “MHI”), Hitachi, Ltd. (NYSE: HIT / TSE: 6501 / “Hitachi”) and Hitachi Air Conditioning Systems Co., Ltd., a Hitachi subsidiary, today announced that they have now agreed to cancel their previously announced basic agreement and to pursue multifaceted collaboration in those areas.

In June 2004, Hitachi, MHI and Hitachi Air Conditioning Systems reached a basic agreement that called for the integration of MHI’s Air-Conditioning & Refrigeration Systems Headquarters (excluding automobile thermal systems) and Hitachi Air Conditioning Systems as a new joint venture to be owned and operated jointly by Hitachi and MHI. Since then, the companies have actively concentrated on preparations toward the establishment of the JV firm. In the process, however, they determined that more time is required to work out optimal arrangements with respect to global venture coordination and sales network integration. Ultimately they concluded that rather than a full-scale tie-up, it would be more effective and efficient to establish collaborative relationships in specific areas of business.

Based on that conclusion, MHI and Hitachi have now decided to cancel their basic agreement on the planned joint venture, and in its place they newly agreed to create a framework for multifaceted collaboration centered on commercial-use air-conditioning systems. Cooperation will encompass development, procurement, OEM supply, and related servicing.

The specific scope of collaboration in each area will be as follows:

1. Development

Initially, MHI and Hitachi Air Conditioning Systems will pursue joint development of indoor units of packaged air-conditioning systems. They will also study further collaboration expanded to main components, including outdoor units, aiming toward a broader model lineup. Collaboration will target reductions in both development costs and development time.

2. Procurement

Hitachi Air Conditioning Systems and MHI will collectively purchase materials and parts they use in common, as a means toward achieving enhancements in both product quality and cost competitiveness. In the future, they will expand their collaborative activities in this area to include development of new suppliers both in Japan and abroad.

3. OEM Supply

MHI and Hitachi Air Conditioning Systems have already been in an OEM supply relationship for certain models. Going forward, the two companies will reinforce their respective product lineups further through expanded reliance on mutual OEM provisions. More expansive offerings will enable both companies to respond more precisely to the market's changing needs and diversifying customer demand, thus enabling them to attract more orders while reducing development outlays.

4. Related Servicing

Through mutual utilization of their service outlets, Hitachi Air Conditioning Systems and MHI will be able to provide services more quickly, thereby leading to enhanced customer satisfaction.

In addition, MHI and Hitachi Air Conditioning Systems will study the feasibility of collaborating in other areas: for example, energy-saving systems for convenience stores and other chain type enterprises, Hitachi Air Conditioning Systems' chiller business and MHI's transport refrigeration systems.

For the future, Hitachi Air Conditioning Systems and MHI will pursue stronger alliances and further expansion of their collaborative relationships, targeting mutual business expansion in a win-win situation.

**<Profiles of Each Company>**

**About Mitsubishi Heavy Industries**

- Company name: Mitsubishi Heavy Industries, Ltd.
- Business: Manufacture and sales related to shipbuilding; steel structures; power plants; chemical plants; steel plants; environmental equipment; industrial and general machinery; aircraft; space rocketry; air-conditioning systems; and others
- President: Kazuo Tsukuda, President
- Capital: 265.6 billion Yen
- Head office location: Tokyo, Japan

- Number of employees (consolidated): 59,240 (As of March 31, 2005)
- Consolidated net sales: 2,590.7 billion Yen (Year ended March 31, 2005)

#### **About Hitachi**

- Company name: Hitachi, Ltd.
- Business: Development, manufacture, sales and services for information and communications systems, electronic devices, power and industrial systems, digital media and consumer products
- President: Etsuhiko Shoyama, President and Chief Executive Officer
- Capital stock: 282.0 billion Yen (As of March 31, 2005)
- Head office location: Tokyo, Japan
- Number of employees (consolidated): 347,424 (As of March 31, 2005)
- Consolidated net sales: 9,027.0 billion Yen (Year ended March 31, 2005)

#### **About Hitachi Air Conditioning Systems**

- Company name: Hitachi Air Conditioning Systems Co., Ltd.
- Business: Manufacture, sales, construction and after sales service for air-conditioning control systems and freezing and refrigeration control systems (main products are packaged air-conditioning systems, small chillers and large centrifugal chillers)
- President: Takazumi Ishizu, President and Director
- Capital stock: 10.0 billion Yen (100% owned by Hitachi, Ltd.)
- Head office location: Tokyo, Japan
- Main factories: Shizuoka, Japan; Ibaraki, Japan; China; Spain; and Brazil
- Number of employees (consolidated): 5,820 (As of March 31, 2005)
- Consolidated net sales: 162.5 billion Yen (Year ended March 31, 2005)

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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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