

## **FOR IMMEDIATE RELEASE**

### **Hitachi to Make Hitachi Mobile a Wholly-Owned Subsidiary** Integrated Management to Strengthen Automotive Systems Business

TOKYO, Japan, December 15, 2005 --- Hitachi, Ltd. (NYSE:HIT/TSE:6501) and Hitachi Mobile Co., Ltd. (TSE:9429) today announced that they signed a stock-for-stock exchange agreement today to make Hitachi Mobile a wholly-owned subsidiary of Hitachi. This move is intended to strengthen Hitachi's automotive systems business.

Hitachi currently owns a 64.8% shares of Hitachi Mobile. However, subject to an approval of Hitachi Mobile's extraordinary general meeting of shareholders to be held on February 17, 2006, Hitachi Mobile will become a wholly-owned subsidiary of Hitachi through a stock-for-stock exchange on April 1, 2006. Hitachi Mobile's shares will be delisted as a result of the stock-for-stock exchange.

Hitachi has positioned the automotive systems business as one of its targeted fields. Hitachi is effectively utilizing group resources to strengthen and expand this business. As part of this approach, in October 2004, Hitachi merged with TOKICO LTD. and Hitachi Unisia Automotive, Ltd. Hitachi is determined to aggressively develop the automotive systems business, becoming more competitive in global markets and achieving other goals by leveraging the strong technologies, products and operating bases of Hitachi Group companies.

Hitachi Mobile boasts a nationwide sales and service network in Japan and engineering service capabilities in the maintenance and aftermarket fields for automotive equipment, including electrical components. It has played a vital role in Hitachi's automotive systems business. However, competition in this market sector is rapidly intensifying. Consequently, there is an increasing need to handle a broader array of products in line with Hitachi's automotive systems business strategy as well as to work more closely with Hitachi units involved in the development and manufacture of replacement parts, including rebuilt components.

To meet this need, the Hitachi Group must conduct its operations even more efficiently with the aim of responding faster to needs involving customers and technologies. The decision to make Hitachi Mobile a wholly-owned subsidiary reflects Hitachi's belief that the integration of the two companies' operations is essential to accomplishing this goal.

## **1. Gist of Agreement to Make Hitachi Mobile a Wholly-Owned Subsidiary Through Stock-for-Stock Exchange**

Since developing its first automotive electrical components in 1930, Hitachi has grown its automotive systems business to the point where today it sets out in the business for engine management systems, electric powertrain systems, drive control systems and car information systems in global markets. Moreover, Hitachi is leveraging its considerable experience, expertise and proven track record in the industrial components and equipment, railway vehicle and other businesses to expand globally. Activities include supplying key components for hybrid electric vehicles, including motors, inverters and batteries, a market segment where much demand is expected.

Hitachi Mobile was established in 1950 as a specialist in car repair and the sales of automotive equipments. Today, underpinned by an extensive nationwide sales and service network in Japan and engineering service capabilities, Hitachi Mobile is engaged in the sales and maintenance of automotive and mobile communication equipment. In June 2002, the company listed on the Tokyo Stock Exchange and has continued to steadily expand its business.

Hitachi and Hitachi Mobile have grown together in the automotive systems business by building various collaborative relationships for the provision of total solutions extending from development and manufacturing to maintenance and other aftermarket services. However, with the aim of making the growing automotive business more competitive through improvements in speed and efficiency, Hitachi and Hitachi Mobile determined to make Hitachi Mobile a wholly-owned subsidiary of Hitachi.

This move will make possible an integrated value chain linking Hitachi's automotive systems business with the aftermarket operations of Hitachi Mobile, which include the sale of replacement parts to automakers and others and the provision of maintenance services. Moreover, the vertical integration of the operations of Hitachi and Hitachi Mobile will create a unified framework extending from development and manufacturing activities to engineering services. By facilitating quicker responses to customer and technological needs, this integration will position Hitachi to be the best solutions partner in the increasingly competitive automobile market.

The main post-share exchange benefits from an operational perspective are as follows:

### **(1) Integration of Related Business Divisions**

The aftermarket operations of Hitachi and Hitachi Mobile in each business field will be integrated. This will combine the specialist technologies and know-how of the two companies to yield an efficient and competitive operational structure.

This integration will encompass the automotive replacement parts, including automotive electrical and electronic components, of Hitachi and Hitachi Mobile.

**(2) Utilization of Hitachi Mobile's Sales and Services Network**

Hitachi Mobile has a network of more than 500 sales and service bases in Japan for its maintenance and aftermarket automotive equipment operations. By leveraging this network, Hitachi will be able to expand sales in the growing fields of electrical and electronic automotive components and of car information systems. Hitachi will also be able to offer related repair and other services.

In these and other ways, the two companies will work as one to meet the expectations of Hitachi's existing shareholders and the shareholders of Hitachi Mobile, who will become Hitachi's shareholders.

## 2. Share Exchange Terms and Conditions

### (1) Schedule

Approval of share exchange agreement by Board of Directors (approval by Hitachi executive officer and Hitachi Mobile Board of Directors)	December 15, 2005
Signing of stock-for-stock exchange agreement (Hitachi, Hitachi Mobile)	December 15, 2005
Shareholder approval of stock-for-stock exchange agreement (Hitachi Mobile's extraordinary general meeting of shareholders)	February 17, 2006 (tentative)
Delisting of Hitachi Mobile stocks	March 28, 2006 (tentative)
Deadline for submission of Hitachi Mobile share certificates by shareholders	March 31, 2006 (tentative)
Effective date of stock-for-stock exchange	April 1, 2006 (tentative)

Note: In accordance with the provisions of Paragraph 1 of Article 358 of the Commercial Code of Japan, Hitachi does not plan to submit the share-exchange agreement for approval at Hitachi's ordinary general meeting of shareholders.

### (2) Share Exchange Ratio

Hitachi requested Nomura Securities Co., Ltd. ("Nomura Securities") and Hitachi Mobile requested KPMG FAS Co., Ltd. ("KPMG") to calculate the stock-for-stock exchange ratio. The results of these calculations were referred to in discussions between the two companies, which agreed to the ratio shown below.

Company	Hitachi, Ltd. (Parent)	Hitachi Mobile Co., Ltd. (Subsidiary)
Share exchange ratio	1	1.036

Notes:

#### 1. Stock-for-Stock Exchange Ratio

1.036 shares of Hitachi common stock (1,000 shares per 1 unit (*tangen*)) will be allocated for every 1 Hitachi Mobile common stock (100 shares per 1 unit (*tangen*)) held by shareholders recorded in Hitachi Mobile's registers of shareholders and beneficial shareholders at the end of the day prior to the effective date of stock-for-stock exchange. However, there will be no allocation of shares with respect to Hitachi Mobile common stock (14,255,000 shares) held by Hitachi. Furthermore, Hitachi will use treasury stock instead of issuing new shares for all the shares to be allocated for the stock-for-stock exchange.

## 2. Calculation Methods and Basis of Calculations Used by Third Parties

Nomura Securities used the market value method to evaluate Hitachi and the market value method and discounted cash flow method to evaluate Hitachi Mobile. Nomura Securities calculated a share exchange ratio based on a comprehensive analysis using these results.

KPMG used the market value method to evaluate Hitachi and the market value method and discounted cash flow method to evaluate Hitachi Mobile. KPMG calculated a share exchange ratio based on a comprehensive analysis using these results.

## 3. New Shares to be Issued Upon the Merger

Hitachi will use its treasury stock instead of issuing new shares for all the shares to be used for the stock-for-stock exchange.

### (3) Cash payments associated with the stock-for-stock exchange

No cash payments will be made.

## 3. Outline of Each Company

(As of September 30, 2005)

Name	Hitachi, Ltd. (Parent)	Hitachi Mobile Co., Ltd. (Subsidiary)
Business content	Development, manufacture, sale and service of information systems, electrical devices, electric power and industrial systems, home electronics, materials, others	Sales and maintenance services for mobile communication and automotive equipment
Date of incorporation	February 1, 1920 (Originally founded in 1910)	August 18, 1950
Head office location	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	5-8, Higashi-shinagawa 2-chome, Shinagawa-ku, Tokyo
President	Etsuhiko Shoyama, President, Chief Executive Officer and Director	Kunihide Kaneko, President and Chief Executive Officer
Capital stock	282,033 million yen	1,384 million yen
Number of shares held	3,368,126,056 shares	22,000,000 shares
Stockholders' equity	1,389,616 million yen	9,111 million yen
Total assets	3,774,370 million yen	16,755 million yen
Fiscal year-end	March 31	March 31
Number of employees	39,004	783
Principal customers	Private-sector manufacturing and non-manufacturing industries as well as government agencies both domestic and overseas	Hitachi, and private-sector manufacturing and non-manufacturing industries both domestic and overseas
Major shareholders and holdings	NATS CUMCO 8.6% The Master Trust Bank of Japan, Ltd. 5.5% Japan Trustee Services Bank, Ltd. 5.1%	Hitachi, Ltd. 64.8% The Master Trust Bank of Japan, Ltd. 3.0% Japan Trustee Services Bank, Ltd. 2.0%
Primary transaction banks	Mizuho Corporate Bank, Ltd. UFJ Bank Limited	UFJ Bank Limited Mizuho Corporate Bank, Ltd. The Bank of Tokyo-Mitsubishi, Ltd.
Significant relationship	Capital	Hitachi owns 64.8% of Hitachi Mobile
	Human resources	Two Hitachi executives serve concurrently as directors of Hitachi Mobile
	Transactions	Buying and selling of products and components, contract maintenance services

#### 4. Performance for the Past Three Fiscal Years (unconsolidated)

(Millions of yen (except where otherwise indicated))

Fiscal year ended	Hitachi, Ltd. (Parent)			Hitachi Mobile Co., Ltd. (Subsidiary)		
	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2003	March 31, 2004	March 31, 2005
Revenues	3,112,411	2,488,873	2,597,496	48,166	46,427	51,304
Operating income (loss)	53,741	7,548	(5,694)	2,077	1,652	1,135
Ordinary income	52,014	20,183	22,282	2,088	1,670	1,103
Net income	28,289	40,111	10,344	1,124	887	575
Net income per share (yen)	8.38	12.14	3.12	50.51	40.32	26.15
Dividend per share (yen)	6	8	11	20	20	20
Stockholders' equity per share (yen)	408.26	416.43	409.91	376.84	396.79	402.94

#### 5. Post Stock-for-Stock Exchange Status

There are no plans to change the name, business activities, head office or CEO of Hitachi Mobile as a result of the share exchange.

Hitachi Mobile plans to pay a year-end dividend of 10 yen per share for the fiscal year ending March 31, 2006.

The exchange of shares will have an immaterial effect on the operating results of Hitachi and Hitachi Mobile.

#### About Hitachi, Ltd.

Hitachi, Ltd., (NYSE: HIT/ TSE: 6501), headquartered in Tokyo, Japan, is a leading global electronics company with approximately 347,000 employees worldwide. Fiscal 2004 (ended March 31, 2005) consolidated sales totaled 9,027.0 billion yen (\$84.4 billion). The company offers a wide range of systems, products and services in market sectors including information systems, electronic devices, power and industrial systems, consumer products, materials and financial services. For more information on Hitachi, please visit the company's website at <http://www.hitachi.com>

#### About Hitachi Mobile Co., Ltd.

Hitachi Mobile Co., Ltd, (TSE:9429), headquartered in Tokyo, is a company with 759 employees. Fiscal 2004 (ended March 31, 2005) sales totaled 51.3 billion yen. The company offers a nationwide sales and service network and engineering service capabilities for automotive equipments and mobile communication equipments.

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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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