

## **Public Notice of Commencement of Tender Offer**

October 25, 2006

6-6, Marunouchi 1-chome, Chiyoda-ku

Tokyo, Japan

Kazuo Furukawa

President

Hitachi, Ltd.

Hitachi, Ltd. (the “Offeror”, “Hitachi” or the “Company”) hereby notifies the commencement of a tender offer pursuant to the Securities and Exchange Law of Japan (the “Law”) as follows:

### **1. Purpose of Tender Offer**

In December 2000, Hitachi and Clarion Co., Ltd. (the “Subject Company” or “Clarion”) established a joint venture company, HCX Corporation (“HCX”), to develop Car Information Systems (“CIS”). Subsequently, in December 2004, Hitachi purchased Clarion shares to become Clarion’s largest shareholder. Then in April 2005, the two companies entered into an agreement to comprehensively strengthen cooperation in the CIS field. Based on this agreement, Hitachi and Clarion have been cooperating in technological development and materials procurement for navigation systems and other products and systems.

Hitachi is channeling resources into its automotive systems business, which includes CIS, to strengthen it as one of the core businesses of the Hitachi Group. Amid the ongoing technological race in the auto industry to develop next-generation vehicles that fuse the four essential automobile functions—driving, steering, braking and communicating—growth of CIS centered on navigation systems is seen by Hitachi as a vital element for development of the automotive systems business. Hitachi believes that it is necessary to strengthen the businesses relating to CIS, which will be a key component of the “communications” function of next-generation automobiles.

Hitachi has decided to conduct a tender offer for Clarion shares (the “Tender Offer”) to make it a member of the Hitachi Group with the view to further developing the CIS business by reinforcing ties with Clarion. This will be achieved by making even greater use of Clarion’s planning and development capabilities for in-vehicle

entertainment systems such as audio-visual and navigation systems and devices, as well as its marketing capabilities that have been applied in the aftermarket and with automakers around the world, including Japan.

After the Tender Offer, subject to Clarion becoming a subsidiary of Hitachi, Xanavi Informatics Corporation (“Xanavi”), a wholly owned subsidiary of Hitachi, will be made a wholly owned subsidiary of Clarion. Hitachi believes that by promoting system development based on an integrated approach by Clarion and Xanavi, it can strengthen the basis of the Hitachi Group’s CIS business in platform software for products, in the development of technologies for the future and a stronger total supply chain from the procurement of materials through production, sales and services.

Through these reorganization moves, Hitachi, Clarion, Xanavi and HCX will work toward integrating their business plans and operating systems to accelerate management and ensure the effective utilization of resources. In fiscal 2005, Xanavi and Clarion reported net sales of 44.4 billion yen and 184.1 billion yen, respectively. In fiscal 2010, the Hitachi Group’s CIS business is targeting net sales of 290.0 billion yen on a consolidated basis. Based on the basic agreement signed between Hitachi and Clarion on October 11, 2006, Hitachi, Clarion and Xanavi will look into deepening cooperation and capturing even greater synergies in their operations in future business plans.

Clarion’s stock is currently listed on the first sections of the Tokyo Stock Exchange (the “TSE”) and the Osaka Securities Exchange (the “OSE”). However, because no upper limit has been set on the number of shares to be purchased, it is possible that Clarion will fall within the delisting standards of the TSE and the OSE following execution of the Tender Offer. Nevertheless, as there is no intention to delist Clarion’s stock through the Tender Offer, Hitachi will make its best effort in order to maintain listing of Clarion’s stock should this situation arise. Notwithstanding these efforts, if a delisting of Clarion’s stock becomes unavoidable, Hitachi and Clarion will discuss necessary measures to protect the interests of Clarion’s minority shareholders. The specific measures to be taken in these cases will be determined after, and based on the outcome of, the Tender Offer.

Clarion’s Board of Directors has expressed its approval of the Tender Offer.

## **2. Overview of Tender Offer**

(1) Name of subject company

Clarion Co., Ltd.

(2) Class of stock to be purchased

Common stock

(3) Tender Offer period

From October 25, 2006 (Wed.) through November 30, 2006 (Thu.) (37 days)

(4) Purchase price

230 yen per share

(5) Number of shares to be purchased

100,666,000 shares

(Note 1) The Offeror will purchase all of the tendered shares even if the total number of tendered shares exceeds the number of shares to be purchased.

(Note 2) The Offeror will purchase all of the tendered shares even if the total number of tendered shares fall short of the number of shares to be purchased.

(6) Ownership percentage of shares to be purchased with voting rights to total number of issued shares with voting rights of Subject Company

35.64%

(Note 1) The total number of voting rights of the shareholders of the Subject Company is the number of voting rights of all shareholders described in the Securities Report for the 66th business period filed on June 28, 2006 by the Subject Company (stated as 1,000 shares per unit). As shares less than one unit are also subject to the Tender Offer, in calculating the proportion presented above and the calculation in (7) and (8), the total number of voting rights of the shareholders of the Subject Company was calculated as 282,452 by adding in the number of voting rights represented by shares less than one unit (1,583, which is the number of voting rights represented by the 1,583,037 shares left after deducting the 148 shares of treasury stock that are less than one unit held by the Subject Company that the Offeror does not expect to acquire through the Tender Offer from the 1,583,185 shares less than one unit as described in the abovementioned Securities Report.

(Note 2) The percentage above is rounded down to the nearest third decimal place. The below (7) and (8) are the same.

(7) Ownership percentage of shares, etc. held by Offeror, held by Special Related Parties as of the date of this Notice and sum of both ownership percentages  
Offeror 14.41%      Special Related Parties 0.04%      Total 14.45%

(8) Ownership percentage of shares, etc. held by Offeror after the Tender Offer, and sum of such ownership percentage and the ownership percentage of shares, etc. held by Special Related Parties as of the date of this Notice  
Offeror 50.05%      Total 50.09%

(Note) The Offeror will purchase all of the tendered shares, etc. if the total number of shares, etc. exceeds the number of shares to be purchased for the Tender Offer. Therefore, the holding ratio of shares, etc. after the Tender Offer may be more than 50.05% and 50.09% above, respectively.

(9) Method and Place of Tendering Shares under the Tender Offer

1) Tender Offer Agent

Nomura Securities Co., Ltd.

1-9-1, Nihombashi, Chuo-ku, Tokyo

2) Tendering shareholders, etc. will be required to complete the prescribed “Form for Tender” and submit it together with the relevant share certificates to the head office or a Japanese branch office of the Tender Offer Agent by 3:30 p.m. of the last day of the Tender Offer period stated in (3) above (the “Tender Offer Period”). When tendering shares, tendering shareholders will also be required to produce their seals. Identification documents may also be required (see Note 1 below).

3) Shareholders cannot tender their shares under this Tender Offer through securities companies other than the Tender Offer Agent.

4) With respect to share certificates kept in custody by the Tender Offer Agent (or by Japan Securities Depository Center, Incorporated (“JASDEC”) through the Tender Offer Agent), tendering shareholders will be able to tender simply by submitting the “Form for Tender”. If receipts have been issued with respect to the share certificates kept in custody, tendering shareholders will be required to submit such

receipts.

- 5) Shareholders (including corporate shareholders) who reside in foreign countries and do not hold a working account with the Tender Offer Agent (the “Foreign Shareholders”) must tender through their standing proxies residing in Japan.
- 6) In the case of individual shareholders residing in Japan, the difference between the sale price of the share certificates purchased by the Offeror and the acquisition price is in principle subject to separate self-assessment taxation with respect to capital gains on the transfer of shares (see Note 2 below).
- 7) When the Tender Offer Agent receives a tender from a tendering shareholder, it will deliver a “Receipt of Tender under the Tender Offer” to such tendering shareholder, etc.
- 8) In the event that all or some of the tendered shares certificates are not purchased, those shares not purchased will be returned to the tendering shareholders, etc.; provided, however, that if the tendered share certificates include certificates representing shares less than one unit (1,000 shares), the name in which share certificates to be returned are registered may differ from the name in which the tendered share certificates were registered. Shareholders who wish share certificates for shares returned due to non-purchase to be registered under the same registration name as that of the tendered share certificates must tender only share certificates for units.

(Note 1) Identification Documents

Persons opening a new account with the Tender Offer Agent are required to present the following identification documents. Persons already holding an account may also be required to present identification documents. Please contact the Tender Offer Agent for details about identification documents.

Individual shareholders:

An original issued within the past six (6) months:

A copy of certificate of residence

Extract of certificate of residence

Seal registration certificate

An effective original:

Health insurance policy (various)

Driver's license

Basic resident registration card (including name, address, and date of birth)

Welfare certificate (various)

Alien registration card

Passport

National pension certificate (issued on or before December 31, 1996)

\* Identification documents must be effective.

\* Identification documents must identify (i) their own expiry date and (ii) the name, address and date of birth as stated on the Form for Tender.

Corporate shareholders:

A certified copy of corporate registration, documents issued by governmental bodies

Matters for identification: (i) name, (ii) address of the head office or principal business office

In addition to identification of the corporate shareholder itself, identification of its representative or agent and/or the person responsible for the transaction (the person responsible for executing agreements and the like) is required.

Foreign Shareholders:

In the case of foreign shareholders (other than residents of Japan) and corporate shareholders having their head office or principal business office in a foreign country, documents issued by a foreign government or competent international organization approved by the government of Japan or other similar documents that are equivalent to identification documents of residents of Japan.

(Note 2) Separate self-assessment taxation with respect to capital gains on the transfer of shares (for individual shareholders)

Individual shareholders residing in Japan are in principle subject to separate self-assessment taxation with respect to the transfer of shares. Please consult with a tax accountant or other expert with respect to specific tax matters at your own discretion.

(10) Name of Securities Company to Settle the Tender Offer

Nomura Securities Co., Ltd.

1-9-1, Nihombashi, Chuo-ku, Tokyo

(11) Commencement Date of Settlement

December 7, 2006 (Thu.)

(12) Method and Place of Settlement

A notice of the Tender Offer, etc. will be mailed to the address of the tendering shareholders, etc. (or, in the case of Foreign Shareholders, to the addresses of their standing proxies) without delay after the expiration of the Tender Offer Period.

The Tender Offer will be made in cash. The Tender Offer shall, upon the direction of the tendering shareholders, etc., remit the sale price for the purchased share certificates to the location designated by the tendering shareholder or pay it out at the head office or any Japanese branch of the Tender Offer Agent, promptly after the commencement date of settlement.

(13) Method of Return of Share Certificates, etc.

In the event that some or all of the tendered share certificates, etc. are not to be purchased as specified in the subsection entitled “1) Conditions Set Out in Article 27-13, Paragraph 4 of the Law” or “2) Existence and Details of Conditions of Withdrawal of Tender Offer and Method of Disclosure of Withdrawal” of the section entitled “14. Other Conditions and Methods of the Tender Offer, etc.”, the Tender Offer Agent will, upon direction of the tendering shareholder, etc., return the share certificates, etc. that must be returned immediately after the commencement date of settlement (or the date withdrawal, etc. takes place in the case of a withdrawal, etc. of the Tender Offer) (a) by delivering them to the tendering shareholders, etc. or mailing them to the address of the tendering shareholders (or, in the case of Foreign Shareholders, to the address of their standing proxies), or (b) by returning them to the same status they had at the time they were tendered, if they are share certificates, etc. that were held in custody by the Tender Offer Agent (or JASDEC through the Tender Offer Agent) at the time of tendering.

(14) Other Conditions and Methods of the Tender Offer, etc.

1) Conditions Set Out in Article 27-13, Paragraph 4 of the Law

N/A. The Company will purchase all the tendered share certificates, etc.

2) Existence and Details of Conditions of Withdrawal, etc. of the Tender Offer and Method of Disclosure of Withdrawal, etc.

Upon the occurrence of any event listed in Article 14, Paragraph 1, Items 1.1 through 1.9, Paragraph 2, Items 2.1 through 2.8, Item 3 and Article 14, Paragraph 2, Items 3 through 6 of the Securities and Exchange Law Enforcement Order (the “Enforcement Order”), the Offeror may withdraw the Tender Offer.

Should the Offeror intend to withdraw the Tender Offer, it will give an electronic public notice, the effect of which it will then publish in The Nihon Keizai Shimbun; provided, however, that if it is problematic to give such notice by the last day of the Tender Offer Period, the Offeror will make a public announcement in the method pursuant to Article 20 of the Cabinet Ordinance concerning Disclosure of Tender Offer for Share Certificates, etc. (the “Cabinet Ordinance”), and give public notice immediately after.

- 3) Matters Concerning Right of tendering shareholders, etc. to Cancel of Agreement  
Tendering shareholders, etc. may cancel their agreement with respect to the Tender Offer at any time during the Tender Offer Period. The method of cancellation shall be as described in “(2) Method of Cancellation of Agreement” of “7. Method of Tendering Shares under the Tender Offer and Cancellation Thereof” above.

The Offeror may not demand payment of compensation for damages or penalty charges from tendering shareholders in the event that the tendering shareholders, etc. cancel their agreements. Further, the costs required to return the share certificates, etc. held in custody will be borne by the Offeror.

- 4) Method of Disclosure if the Conditions, etc. of Tender Offer are Changed

Should the Offeror wish to change the conditions or similar of the Tender Offer, it will give an electronic public notice of the details of the change, the effect of which it will then publish in The Nihon Keizai Shimbun; provided, however, that if it is problematic to give such notice by the last day of the Tender Offer Period, the Offeror will make a public announcement in the method pursuant to Article 20 of the Cabinet Ordinance, and give public notice immediately after. If changes are made to the conditions or similar of the Tender Offer, the Offeror will also purchase share certificates, etc. tendered prior to the date such notice is given in accordance with the changed conditions or similar of the Tender Offer.

- 5) Method of Disclosure if Amendment Statement is Submitted

If the Offeror submits an Amendment Statement to the Director of the Kanto Local Financial Bureau, the Offeror will immediately make a public announcement of the



contents thereof that are relevant to the contents of the public notice of the Tender Offer, in accordance with the manner set forth in Article 20 of the Cabinet Ordinance. The Offeror will also immediately amend the explanatory document for the Tender Offer and provide the amended explanatory document to the tendering shareholders, etc. who had received the former explanatory document. If the amendments are made only to a limited extent, the Offeror may, instead of providing an amended explanatory document, prepare and deliver a document stating the reason for the amendments, the matters having been amended and the details thereof.

6) Method of Disclosure of Results of Tender Offer

The results of the Tender Offer will be made public in accordance with Article 9-4 of the Enforcement Order and Article 30-2 of the Cabinet Ordinance on the day following the last day of the Tender Offer Period.

**3. Agreement with Subject Company Regarding Tender Offer**

The Board of Directors of Subject Company has expressed its approval of the Tender Offer.

A memorandum of understanding has been entered into between Offeror and Subject Company with respect to the Tender Offer on October 11, 2006, the main details of which are as follows:

- (1) After the Tender Offer, subject to Subject Company becoming a subsidiary of Hitachi, Xanavi, a wholly owned subsidiary of Hitachi, will be made a wholly owned subsidiary of Subject Company.
- (2) Subject Company's stock is currently listed on the first sections of the TSE and the OSE. However, because no upper limit has been set on the number of shares to be purchased, it is possible that Subject Company will fall within the delisting standards of the TSE and the OSE following execution of the Tender Offer. Nevertheless, as there is no intention to delist Subject Company's stock through the Tender Offer, Offeror will make its best effort in order to maintain listing of Subject Company's stock should this situation arise. Notwithstanding these efforts, if a delisting of Subject Company's stock becomes unavoidable, Offeror and Subject Company will discuss necessary measures to protect the interests of

Subject Company's minority shareholders. The specific measures to be taken in these cases will be determined after, and based on the outcome of, the Tender Offer.

- (3) The name and brands of Subject Company will be maintained in their current form even if Offeror hold a majority of the total voting rights of shareholders of Subject Company on or after the settlement date of the Tender Offer.
- (4) The board of directors of Subject Company after the first general meeting of shareholders of Subject Company after the date when Subject Company comes to hold all of the issued shares in Xanavi will be made up of nine members; Offeror shall designate five of the nine members, and Subject Company shall designate four of the nine members. Members will be determined after, and based on the outcome of, the Tender Offer. Representative directors are to be appointed from the four members nominated by Subject Company. Auditors are to be designated upon consultation between Offeror and Subject Company.

Subject Company will appoint Mr. Tatsuhiko Izumi, Subject Company's current President, as a candidate of its representative director.

#### **4. Locations Where Copy of Tender Offer Registration Statement Is Available**

Hitachi, Ltd.

(6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo)

Tokyo Stock Exchange, Inc.

(2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

Osaka Securities Exchange Co., Ltd.

(8-16, Kitahama 1-chome, Chuo-ku, Osaka)

#### **5. Offeror's Corporate purpose, Business Overview and Amount of Capital**

##### **(1) Corporate purpose**

The purpose of the Company shall be to carry on the following businesses:

1. Manufacture and sale of electrical machinery and appliances.
2. Manufacture and sale of industrial machinery and appliances.
3. Manufacture and sale of rolling stock.
4. Manufacture and sale of telecommunication and electronic machinery and appliances.

5. Manufacture and sale of lighting and household machinery and appliances.
6. Manufacture and sale of optical and medical machinery and instruments.
7. Manufacture and sale of measuring and other general machinery and appliances.
8. Manufacture and sale of materials related to the products mentioned in any of the foregoing items.
9. Preparation and sale of software.
10. Preparation and sale of images, software and data related to multimedia.
11. Leasing and maintenance services of the products mentioned in any of the foregoing items.
12. Supply of electricity.
13. Telecommunication, information processing and information supply services, as well as broadcasting.
14. Undertaking of commercial transactions and payment transactions by utilizing the Internet.
15. Provision of results of research and development related to biotechnology.
16. Consulting on any of the foregoing items.
17. Licensing of industrial property rights and know-how.
18. Undertaking of engineering related to any of the foregoing items.
19. Design, supervision and undertaking of construction work.
20. Money lending, factoring, debt guarantee and investment advisory business.
21. Home health care service business, home health care support business and the operation of health care and nursing facilities under the Health Care Insurance Law.
22. Any and all businesses related to the foregoing items.

## (2) Business Overview

Hitachi Group (the Company, its consolidated subsidiaries and its equity method affiliates) conducts wide range of business activities from development through manufacturing, sales and services of products in Information & Telecommunication Systems segment, Electronic Devices segment, Power & Industrial Systems segment, Digital Media & Consumer Products segment, High Functional Materials & Components segment and Financial Services segment. The Company mainly conducts manufacturing, sales and services of products in Information & Telecommunication Systems segment, Power & Industrial Systems segment and Digital Media & Consumer Products segment.

(3) Amount of Capital (As of October 25, 2006)

Amount of Capital: 282,033,991,613 yen

(Note) The abovementioned Amount of Capital excludes the amount of capital increased due to Right to Subscribe for New Shares exercised during the period from October 1, 2006 to the date of this Notice in accordance with “Law to Amend Part of the Commercial Code, etc. ” (Law No.128-2001).

Note: Except as otherwise indicated, all references as to time and date in this Notice are to those in Japan.